Results of Operations

In the fiscal year ended March 31, 1999, consolidated net sales declined 13.5%, to ¥110.9 billion (US$924.3 million), due to sluggish demand caused by weak private-sector capital investment. The cost of sales declined 11.0%, to ¥83.7 billion (US$697.6 million). As a result of intensified competition and a rise in the fixed expenses ratio, the cost of sales ratio increased to 75.5%, from 73.3% in the previous year. Selling, general and administrative expenses were down 10.7%, to ¥24.8 billion (US$207.1 million), reflecting reductions in labor costs and other expenses. Operating income declined 63.4%, to ¥2.4 billion (US$19.7 million), due to the large decrease in net sales, and the operating profit margin was 2.1%.

Net interest expense, which accounts for the majority of other expenses, decreased 11.9%, to ¥756 million (US$6.3 million). Due to special retirement allowances associated with our voluntary early retirement program, we recorded a special loss of ¥1.6 billion (US$13.3 million), and loss before income taxes and minority interests was ¥1.0 billion (US$8.5 million). Net loss was ¥1.7 billion (US$14.3 million). Net loss per share was ¥8.92 (US$0.074), compared with net income per share of ¥14.08 in the previous year.

Return on equity (ROE) was -2.7%, compared with 4.2% in the previous year. To maintain stable dividend payments, cash dividends per share were left unchanged at ¥6.00 (US$0.05).

Liquidity and Capital Resources

Net cash provided by operating activities increased 36.0%, to ¥7.9 billion (US$66.2 million). Depreciation and amortization was about level with the previous year, at ¥4.6 billion (US$38.5 million).

Net cash used in investing activities decreased 21.0%, to ¥5.2 billion (US$43.3 million). In the previous fiscal year, we acquired land for the new headquarters plant, but in the year under review there were no major investment projects. As a result, capital investment was down 65.7%, to ¥5.2 billion (US$43.0 million).

Net cash provided by financing activities was up 123.4%, to ¥2.1 billion (US$17.4 million). In September 1998, we issued ¥4.0 billion (US$33.3 million) in straight bonds to maintain sufficient liquidity.

Consequently, at the end of the fiscal year under review, cash and cash equivalents were up 21.8%, to ¥27.0 billion (US$225.3 million).

Current assets at year-end were down 11.1%, to ¥72.5 billion (US$604.5 million), and current liabilities were down 24.1%, to ¥47.3 billion (US$393.8 million). Working capital was up 30.3%, to ¥25.3 billion (US$210.7 million), and the current ratio was 1.54, compared with 1.31 at the end of the previous year. Property, plant and equipment, net of accumulated depreciation, was about level with the previous year-end, at ¥48.2 billion (US$402.1 million).

Shareholders' equity declined 5.1%, to ¥61.7 billion (US$513.9 million), due to the net loss, and the ratio of shareholders' equity to total assets at fiscal year-end was about the same as at the end of the previous year, at 44.8%. Tsubakimoto Chain's debt-to-equity ratio at fiscal year-end was 0.73, compared with 0.64 at the previous year-end, due to an increase in long-term debt. Total assets were down 6.8%, to ¥137.7 billion (US$1,147.4 million).

Year 2000

Tsubakimoto Chain recognizes the Year 2000 (Y2K) issue as an important management problem and is moving ahead with a comprehensive response. In key information systems, such as production, marketing, and accounting, the implementation of remediation measures was completed by March 1999. In production, distribution, and other equipment that contains microchips, we have determined that remediation measures are not needed. In regard to our products, we have determined which products require remediation measures and are cooperating with customers in the implementation of those measures. Although we are thoroughly taking appropriate measures in areas requiring remediation, we will also complete a contingency plan by September 1999.

Eleven-Year Financial Summary

Tsubakimoto Chain Co. and Consolidated Subsidiaries
Years Ended March 31

	1999	1998	1997	1996
Net sales	**¥110,919**	¥128,298	¥127,231	¥110,424
Income (loss) before income taxes and minority interests	**(1,018)**	5,508	5,931	3,649
Net income (loss)	**(1,715)**	2,709	3,280	1,796
Net income (loss) per share* (yen and dollars)	**(8.92)**	14.08	17.04	9.33
Interest expense:				
Net	**1,163**	1,172	1,073	1,063
Gross: Interest received	**263**	323	385	492
Interest paid	**1,426**	1,495	1,458	1,555
Capital expenditures	**5,157**	15,050	5,680	4,759
Current assets	**72,541**	81,622	80,929	77,995
Current liabilities	**47,256**	62,224	58,349	62,312
Net property, plant and equipment	**48,249**	48,837	38,331	36,904
Noncurrent liabilities	**27,397**	18,710	21,847	16,849
Total assets	**137,691**	147,668	145,268	141,863
Common stock	**17,077**	17,077	17,075	17,068
Retained earnings	**31,943**	35,260	33,791	31,682
Shareholders' equity	**61,673**	64,989	63,516	61,392
Number of shares outstanding at year-end (thousands)	**191,406**	192,406	192,399	192,377
Number of employees	**5,368**	5,720	5,789	5,844

** The effective par value per share is ¥50.*

Millions of Yen Except Per Share Data							Thousands of U.S. Dollars
1995	1994	1993	1992	1991	1990	1989	**1999**
¥101,670	¥109,014	¥120,867	¥140,316	¥127,851	¥120,741	¥110,085	**$924,325**
179	1,750	5,131	10,291	11,139	10,027	8,627	**(8,483)**
(634)	1,148	2,539	5,216	5,393	5,060	4,070	**(14,291)**
(3.29)	5.96	13.20	27.14	28.15	27.00	24.36	**(0.074)**
951	1,041	1,248	1,160	1,115	749	720	**9,692**
835	982	1,247	1,655	1,299	861	772	**2,191**
1,786	2,023	2,495	2,815	2,414	1,610	1,492	**11,883**
4,290	4,221	8,489	8,586	11,060	6,996	5,529	**42,975**
63,452	63,319	75,028	73,549	89,110	76,553	71,921	**604,508**
45,902	45,625	56,937	54,978	71,273	50,165	44,962	**393,801**
37,709	39,221	40,629	37,490	33,985	27,130	23,875	**402,075**
19,966	19,818	20,320	18,261	11,196	10,381	15,698	**228,308**
127,893	129,020	141,759	137,355	142,883	117,038	106,228	**1,147,425**
17,066	17,066	17,058	17,057	16,809	16,629	13,522	**142,308**
31,060	32,675	33,398	33,049	29,987	26,465	22,282	**266,191**
60,768	62,382	63,091	62,739	59,180	55,298	44,732	**513,941**
192,374	192,372	192,354	192,349	191,639	191,045	180,861	
5,829	5,652	5,649	5,591	5,401	5,393	4,699	

Consolidated Balance Sheets

Tsubakimoto Chain Co. and Consolidated Subsidiaries
March 31, 1999 and 1998

Assets	Millions of Yen 1999	Millions of Yen 1998	Thousands of U.S. Dollars 1999
Current assets (Note 8):			
Cash and cash equivalents:			
Cash and time deposits	¥ 10,626	¥ 11,111	$ 88,550
Marketable securities	16,407	11,086	136,725
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliate	1,950	2,568	16,250
Other	20,238	28,457	168,650
Inventories	21,991	26,980	183,258
Other receivables:			
Unconsolidated subsidiaries and affiliates	39	39	325
Other current assets	1,573	1,781	13,108
Allowance for doubtful receivables	(283)	(400)	(2,358)
Total current assets	72,541	81,622	604,508
Property, plant and equipment (Note 8):			
Land	6,155	6,204	51,292
Buildings and structures	31,615	31,493	263,458
Machinery and equipment	65,629	64,039	546,908
Construction in progress	12,098	11,492	100,817
Accumulated depreciation	(67,248)	(64,391)	(560,400)
Net property, plant and equipment	48,249	48,837	402,075
Investments and long-term loans receivable:			
Investment securities:			
Unconsolidated subsidiaries and affiliates	590	544	4,917
Other	8,353	8,874	69,608
Long-term loans receivable	35	53	292
Other noncurrent items	7,678	8,214	63,983
Allowance for doubtful receivables	(462)	(476)	(3,850)
Total investments and long-term loans receivable	16,194	17,209	134,950
Currency translation adjustments	707	–	5,892
Total assets	¥137,691	¥147,668	$1,147,425

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

Liabilities and Shareholders' Equity	Millions of Yen 1999	Millions of Yen 1998	Thousands of U.S. Dollars 1999
Current liabilities:			
Short-term bank loans and current portion of long-term debt	¥ 23,400	¥ 28,723	$ 195,000
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	705	744	5,875
Other	15,122	18,712	126,017
Income taxes payable	305	1,334	2,542
Accrued expenses	4,163	4,543	34,692
Other	3,561	8,168	29,675
Total current liabilities	47,256	62,224	393,801
Noncurrent liabilities:			
Bonds	6,308	3,081	52,567
Long-term loans, less current maturities	15,370	9,806	128,083
Retirement benefits	5,719	5,823	47,658
Total noncurrent liabilities	27,397	18,710	228,308
Currency translation adjustments	–	314	–
Minority interests	1,365	1,431	11,375
Shareholders' equity:			
Common stock	17,077	17,077	142,308
Capital surplus	12,653	12,653	105,442
Retained earnings	31,943	35,260	266,191
	61,673	64,990	513,941
Treasury stock	(0)	(1)	(0)
Total shareholders' equity	61,673	64,989	513,941
Total liabilities and shareholders' equity	¥137,691	¥147,668	$1,147,425

Consolidated Statements of Income

Tsubakimoto Chain Co. and Consolidated Subsidiaries
Years Ended March 31, 1999, 1998 and 1997

	Millions of Yen			Thousands of U.S. Dollars
	1999	1998	1997	1999
Net sales	¥110,919	¥128,298	¥127,231	$924,325
Cost of sales	83,714	94,025	94,367	697,617
Gross profit	27,205	34,273	32,864	226,708
Selling, general and administrative expenses	24,847	27,838	26,490	207,058
Operating income	2,358	6,435	6,374	19,650
Other income (expenses):				
Interest and dividend income	670	637	659	5,583
Interest expense	(1,426)	(1,495)	(1,458)	(11,883)
Equity in loss of affiliated company	(231)	–	–	(1,925)
Foreign exchange gains (losses)	(114)	(21)	124	(950)
Other, net	(405)	(45)	(32)	(3,375)
Ordinary income	852	5,511	5,667	7,100
Extraordinary profit (loss):				
Special loss on retirement allowances, and other, net	(1,870)	(3)	264	(15,583)
Income (loss) before income taxes and minority interests	(1,018)	5,508	5,931	(8,483)
Income taxes	696	2,671	2,535	5,800
Minority interests	(1)	(128)	(116)	(8)
Net income (loss)	¥ (1,715)	¥ 2,709	¥ 3,280	$ (14,291)

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, 1999, 1998 and 1997

	Millions of Yen			Thousands of U.S. Dollars
	1999	1998	1997	1999
Retained earnings at the beginning of the year	¥35,260	¥33,791	¥31,681	$293,833
Appropriations:				
Cash dividends	(1,154)	(1,154)	(1,154)	(9,617)
Bonuses to directors and statutory auditors	(89)	(86)	(16)	(742)
Retirement of shares	(249)	–	–	(2,075)
Decrease in retained earnings, resulting from application of the equity method	(110)	–	–	(917)
Net income (loss) for the year	(1,715)	2,709	3,280	(14,291)
Unappropriated retained earnings at the end of the year	¥31,943	¥35,260	¥33,791	$266,191

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, 1999, 1998 and 1997

	Millions of Yen			Thousands of U.S. Dollars
	1999	1998	1997	1999
Cash flows from operating activities:				
Net income (loss)	¥ (1,715)	¥ 2,709	¥ 3,280	$ (14,291)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	4,620	4,790	4,783	38,500
Provision for (reversal of) retirement benefits	(104)	(71)	303	(867)
Minority interests in income	1	128	116	8
(Increase) decrease in trade notes and accounts receivable	8,762	(336)	1,443	73,017
(Increase) decrease in inventories	4,989	181	(4,145)	41,575
(Increase) decrease in other receivables	194	(352)	57	1,617
Decrease in trade notes and accounts payable	(3,620)	(819)	(4,033)	(30,167)
Increase (decrease) in accrued expenses	(380)	251	535	(3,167)
Increase (decrease) in income taxes payable	(1,029)	(427)	1,040	(8,575)
Increase (decrease) in other current liabilities	(4,607)	(551)	751	(38,392)
Other	834	337	(102)	6,950
Net cash provided by operating activities	7,945	5,840	4,028	66,208
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(5,157)	(15,050)	(5,680)	(42,975)
Proceeds from sale of property, plant and equipment	137	112	407	1,142
(Increase) decrease in investment securities and loans to unconsolidated subsidiaries and affiliates	(407)	16	(261)	(3,392)
(Increase) decrease in other investment securities and loans receivable	7	10,459	(349)	58
Other	227	(2,112)	1,220	1,892
Net cash used in investing activities	(5,193)	(6,575)	(4,663)	(43,275)
Cash flows from financing activities:				
Proceeds from issue of bonds	4,000	–	–	33,334
Increase (decrease) in short-term bank loans	(2,458)	1,683	(454)	(20,483)
Proceeds from long-term loans	6,906	1,540	6,338	57,550
Reduction of long-term loans	(4,807)	(988)	(3,698)	(40,058)
Cash dividends	(1,154)	(1,154)	(1,154)	(9,617)
Bonuses to directors and statutory auditors	(89)	(86)	(16)	(742)
Other	(314)	(62)	(61)	(2,617)
Net cash provided by financing activities	2,084	933	955	17,367
Net increase in cash and cash equivalents	4,836	198	320	40,300
Cash and cash equivalents at the beginning of the year	22,197	21,999	21,679	184,975
Cash and cash equivalents at the end of the year	¥27,033	¥22,197	¥21,999	$225,275
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥1,449	¥1,498	¥1,464	$12,075
Income taxes	2,407	3,090	1,504	20,058

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 and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain modifications in format have been made to facilitate understanding by readers outside Japan.

The presentation of a statement of cash flows is not required for domestic purposes. It is, however, presented herein for readers' convenience.

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles and practices generally accepted in Japan but is presented herein as additional information.

(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.)
Tsubakimoto Tech Inc.
Tsubakimoto Higashinihon Co.
Tsubakimoto Singapore Pte. Limited (Singapore)
Tsubaki Australia Pty. Limited (Australia)

The investment in an affiliated company in which the Company's ownership is 20% to 50% (Hangzhou Tsubaki Dunpai Chain Co., Ltd.) is stated at its underlying equity value.

(c) Unconsolidated subsidiaries and affiliates

Investments in 5 insignificant subsidiaries and 10 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 ¥120= $1, the approximate exchange rate prevailing on March 31, 1999.

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.

Effective April 1, 1998, the computation method of depreciation with respect to buildings was changed to the straight-line method from the declining-balance method for the Parent Company. The effect of the change was to decrease depreciation by ¥200 million (U.S.$1,666 thousand) and increase loss before income taxes by ¥56 million (U.S.$467 thousand).

(d) Bonuses for employees

Prior to April 1, 1998, accrued bonuses for employees were calculated as prescribed by Japanese tax laws. Effective April 1, 1998, the Company changed its accounting policy for accrued bonuses to provision based on an estimation of future bonus payments. The effect of the change was to decrease accrued expenses by ¥567 million (U.S.$4,725 thousand) and decrease loss before income taxes by ¥385 million (U.S.$3,208 thousand).

(e) Retirement benefits

The Company and its consolidated domestic subsidiaries have unfunded employees' retirement benefit plans. The annual accruals under such plans are equal to 40% of the amount which would be required if all employees voluntarily retired on the balance sheet date.

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.

(h) Shareholders' Equity

During the fiscal year to March 31, 1999, the Parent Company repurchased and retired 1,000 thousand shares worth ¥249 million (U.S.$2,075 thousand) in accordance with a resolution of the Board of Directors on December 25, 1998, under the revised Commercial Code.

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, 1999 and 1998, the following assets were pledged as collateral for bank loans and long-term debt.

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Current assets	¥ 531	¥ 484	$ 4,425
Property, plant and equipment	22,329	21,556	186,075
	¥22,860	¥22,040	$190,500

9. Contingent Liabilities

Contingent liabilities with respect to trade notes discounted and loans guaranteed amounted to ¥12,606 million (U.S.$105,050 thousand) and ¥11,907 million at March 31, 1999 and 1998, respectively.

10. Per Share Amounts

	Yen		U.S. Dollars
	1999	1998	1999
Shareholders' equity per share	¥322.20	¥337.77	$2.685
Net income (loss) per share	(8.92)	14.08	(0.074)

11. Segment Information

Information by business segment and geographical segment for the years ended March 31, 1999 and 1998 is as follows:

(a) Business segment

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Net sales:			
Power transmission products:			
Customers	¥ 78,875	¥ 89,054	$ 657,292
Intersegment	2,160	2,314	18,000
Total	¥ 81,035	¥ 91,368	$ 675,292
Materials handling systems:			
Customers	¥ 31,403	¥ 38,670	$ 261,692
Intersegment	124	274	1,033
Total	¥ 31,527	¥ 38,944	$ 262,725
Others:			
Customers	¥ 641	¥ 574	$ 5,342
Intersegment	1,094	1,136	9,116
Total	¥ 1,735	¥ 1,710	$ 14,458
Eliminations	(3,378)	(3,724)	(28,150)
Consolidated total	¥110,919	¥128,298	$ 924,325
Operating income:			
Power transmission products	¥ 5,353	¥ 8,532	$ 44,608
Materials handling systems	(292)	1,068	(2,433)
Others	217	216	1,808
Corporate and eliminations	(2,920)	(3,381)	(24,333)
Consolidated total	¥ 2,358	¥ 6,435	$ 19,650
Total assets:			
Power transmission products	¥ 83,914	¥ 89,408	$ 699,283
Materials handling systems	19,841	28,979	165,342
Others	2,322	2,242	19,350
Corporate and eliminations	31,614	27,039	263,450
Consolidated total	¥137,691	¥147,668	$1,147,425
Depreciation:			
Power transmission products	¥ 3,863	¥ 3,891	$ 32,192
Materials handling systems	583	659	4,858
Others	19	19	158
Corporate and eliminations	155	160	1,292
Consolidated total	¥ 4,620	¥ 4,729	$ 38,500
Capital expenditures:			
Power transmission products	¥ 4,457	¥ 14,354	$ 37,141
Materials handling systems	476	488	3,967
Others	9	7	75
Corporate and eliminations	215	201	1,792
Consolidated total	¥ 5,157	¥ 15,050	$ 42,975

(b) Geographical segment

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Net sales:			
Japan:			
Customers	¥177,164	¥ 97,193	$1,643,033
Intersegment	7,295	7,904	60,792
Total	¥ 84,459	¥105,097	$1,703,825
North America:			
Customers	¥ 28,240	¥ 24,878	$ 235,333
Intersegment	96	131	800
Total	¥ 28,336	¥ 25,009	$ 236,133
Europe:			
Customers	¥ 3,146	¥ 3,067	$ 26,217
Intersegment	15	11	125
Total	¥ 3,161	¥ 3,078	$0,026,342
Asia and Oceania:			
Customers	¥ 2,370	¥ 3,160	$ 19,750
Intersegment	426	615	3,550
Total	¥ 2,796	¥ 3,775	$ 23,300
Eliminations	(7,833)	(8,661)	(65,275)
Consolidated total	¥110,919	¥128,298	$ 924,325
Operating income:			
Japan	¥ 2,553	¥ 8,197	$ 21,275
North America	1,861	954	15,508
Europe	287	186	2,392
Asia and Oceania	211	414	1,758
Corporate and eliminations	(2,554)	(3,316)	(21,283)
Consolidated total	¥ 2,358	¥ 6,435	$ 19,650
Total assets:			
Japan	¥ 84,311	¥ 93,586	$ 702,591
North America	19,199	24,273	159,992
Europe	2,371	2,757	19,758
Asia and Oceania	2,261	2,689	18,842
Corporate and eliminations	29,549	24,363	246,242
Consolidated total	¥137,691	¥147,668	$1,147,425

Independent Auditors' Report

The Board of Directors
Tsubakimoto Chain Co.

We have audited the accompanying consolidated balance sheets of Tsubakimoto Chain Co. and its consolidated subsidiaries (the "Companies") as of March 31, 1999 and 1998, and the related consolidated statements of income, retained earnings and cash flows for each of the three years ended March 31, 1999, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with **generally accepted auditing standards, procedures and practices in Japan** and, accordingly, our audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Companies as of March 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years ended March 31, 1999 in accordance with **accounting principles generally accepted in Japan** applied on a consistent basis, except for the changes, with which we concur, in the methods of estimation for accrued bonuses to employees and depreciation of buildings, which were made in the year ended March 31, 1999, as described in Note 2 to the consolidated financial statements.

The accompanying consolidated financial statements as of March 31, 1999 and for the year ended March 31, 1999 have been translated into United States dollars solely for the convenience of the reader. We have reviewed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 1 to the consolidated financial statements.

Osaka, Japan
June 29, 1999

Century Audit Corporation

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See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of the Companies under Japanese accounting principles and practices.