

# Consolidated Balance Sheets

Tsubakimoto Chain Co. and Consolidated Subsidiaries  
As of March 31, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current assets:			
Cash and cash equivalents .....	¥ 13,681	¥ 12,417	\$ 129,445
Short-term investments .....	97	7,257	918
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates .....	50	71	473
Other .....	32,911	29,363	311,391
Inventories .....	20,193	23,306	191,059
Deferred tax assets .....	1,830	1,724	17,315
Other receivables:			
Unconsolidated subsidiaries and affiliates .....	141	54	1,334
Other current assets .....	1,129	9,164	10,682
Allowance for doubtful receivables .....	(297)	(282)	(2,810)
Total current assets .....	69,735	83,074	659,807
Property, plant and equipment (Note 7):			
Land .....	35,938	36,105	340,032
Buildings and structures .....	41,583	41,747	393,443
Machinery and equipment .....	72,653	75,640	687,416
Construction in progress .....	907	655	8,582
Less accumulated depreciation .....	(74,774)	(73,731)	(707,484)
Property, plant and equipment, net .....	76,307	80,416	721,989
Investments and other assets:			
Investment in securities:			
Unconsolidated subsidiaries and affiliates .....	459	497	4,342
Other .....	18,640	8,546	176,365
Long-term loans receivable .....	64	103	606
Deferred tax assets .....	1,883	1,958	17,816
Deferred tax assets on revaluation of land .....	2,113	2,108	19,992
Other assets (Note 7) .....	6,524	7,096	61,728
Allowance for doubtful receivables .....	(293)	(538)	(2,772)
Total investments and long-term loans receivable .....	29,390	19,770	278,077
Total assets .....	¥175,432	¥183,260	\$1,659,873

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current liabilities:			
Short-term bank loans and current portion of long-term debt.....	¥ 18,991	¥ 20,979	\$ 179,686
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates .....	489	479	4,627
Other .....	17,395	16,727	164,585
Income taxes payable .....	1,697	996	16,056
Accrued expenses .....	3,763	2,817	35,604
Deferred tax liabilities .....	—	0	—
Other .....	6,060	10,064	57,338
Total current liabilities.....	48,395	52,062	457,896
Noncurrent liabilities:			
Bonds .....	2,700	8,800	25,546
Long-term loans, less current maturities .....	28,625	35,151	270,839
Retirement benefits (Note 13).....	11,554	17,692	109,320
Deferred tax liabilities .....	6,709	2,718	63,478
Other .....	7,170	3,277	67,840
Total noncurrent liabilities .....	56,758	67,638	537,023
Minority interests .....	3,406	3,253	32,226
Shareholders' equity:			
Common stock .....	17,077	17,077	161,576
Capital surplus .....	12,653	12,653	119,718
Revaluation surplus (Note 9).....	(3,091)	(3,097)	(29,246)
Retained earnings .....	36,199	33,975	342,502
Net unrealized holding gains on securities .....	7,066	1,529	66,855
Currency translation adjustments .....	(2,003)	(865)	(18,951)
Total shareholders' equity .....	67,901	61,272	642,454
Treasury stock .....	(1,028)	(965)	(9,726)
Total shareholders' equity .....	66,873	60,307	632,728
Total liabilities and shareholders' equity .....	¥175,432	¥183,260	\$1,659,873

## Consolidated Statements of Income

Tsubakimoto Chain Co. and Consolidated Subsidiaries  
For the years ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
Net sales .....	<b>¥119,141</b>	¥116,670	¥113,741	<b>\$1,127,268</b>
Cost of sales .....	<b>87,477</b>	85,064	82,399	<b>827,675</b>
Gross profit .....	<b>31,664</b>	31,606	31,342	<b>299,593</b>
Selling, general and administrative expenses .....	<b>23,713</b>	24,255	25,304	<b>224,364</b>
Operating income .....	<b>7,951</b>	7,351	6,038	<b>75,229</b>
Other income (expenses):				
Interest and dividend income .....	<b>250</b>	232	382	<b>2,366</b>
Interest expense .....	<b>(1,431)</b>	(1,739)	(1,808)	<b>(13,539)</b>
Equity in earnings of an affiliate .....	<b>42</b>	36	—	<b>397</b>
Foreign exchange loss .....	<b>(284)</b>	(265)	(68)	<b>(2,687)</b>
Other, net .....	<b>(312)</b>	(616)	(522)	<b>(2,952)</b>
Ordinary income .....	<b>6,216</b>	4,999	4,022	<b>58,814</b>
Extraordinary profit (loss):				
Loss on devaluation of investment securities .....	<b>(42)</b>	(1,908)	(1,933)	<b>(397)</b>
Net gain on the modification of retirement benefit plan .....	<b>1,116</b>	—	—	<b>10,559</b>
Loss on disposal of inventories .....	<b>(664)</b>	—	—	<b>(6,283)</b>
Other, net .....	<b>(89)</b>	(291)	572	<b>(842)</b>
Income before income taxes and minority interests .....	<b>6,537</b>	2,800	2,661	<b>61,851</b>
Income taxes:				
Current .....	<b>2,553</b>	1,389	490	<b>24,156</b>
Deferred .....	<b>237</b>	(301)	799	<b>2,242</b>
Minority interests .....	<b>(362)</b>	(181)	(170)	<b>(3,425)</b>
Net income .....	<b>¥ 3,385</b>	¥ 1,531	¥ 1,202	<b>\$ 32,028</b>

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

## Consolidated Statements of Shareholders' Equity

Tsubakimoto Chain Co. and Consolidated Subsidiaries  
For the years ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
<b>Common stock:</b>				
Balance at beginning of the year				
2004—191,406,969 shares;				
2003—191,406,969 shares;				
2002—191,406,969 shares .....	<b>¥17,077</b>	¥17,077	¥17,077	<b>\$161,576</b>
Balance at end of the year				
2004—191,406,969 shares;				
2003—191,406,969 shares;				
2002—191,406,969 shares .....	<b>¥17,077</b>	¥17,077	¥17,077	<b>\$161,576</b>
<b>Capital surplus:</b>				
Balance at beginning of the year.....	<b>¥12,653</b>	¥12,653	¥12,653	<b>\$119,718</b>
Profit on sale of treasury stock.....	<b>0</b>	—	—	<b>0</b>
Balance at end of the year .....	<b>¥12,653</b>	¥12,653	¥12,653	<b>\$119,718</b>
<b>Revaluation surplus:</b>				
Balance at beginning of the year.....	<b>¥(3,097)</b>	¥ (3,015)	¥ —	<b>\$(29,303)</b>
Net changes during the year .....	<b>6</b>	(82)	(3,015)	<b>57</b>
Balance at beginning of the year.....	<b>¥(3,091)</b>	¥ (3,097)	¥ (3,015)	<b>\$(29,246)</b>
<b>Retained earnings:</b>				
Balance at beginning of the year.....	<b>¥33,975</b>	¥33,500	¥33,480	<b>\$321,459</b>
Increase in retained earnings, resulting from consolidation of additional subsidiaries .....	—	45	—	—
Increase in retained earnings, resulting from application of the equity method .....	—	58	—	—
Net income .....	<b>3,385</b>	1,531	1,202	<b>32,028</b>
Cash dividends paid.....	<b>(1,132)</b>	(1,141)	(1,148)	<b>(10,711)</b>
Bonuses to directors and statutory auditors .....	<b>(29)</b>	(22)	(34)	<b>(274)</b>
Reversal of revaluation surplus.....	—	4	—	—
Balance at end of the year .....	<b>¥36,199</b>	¥33,975	¥33,500	<b>\$342,502</b>
<b>Unrealized holding gains (losses) on securities:</b>				
Balance at beginning of the year.....	<b>¥ 1,529</b>	¥ 2,319	¥ 4,031	<b>\$ 14,466</b>
Net changes during the year .....	<b>5,537</b>	(790)	(1,712)	<b>52,389</b>
Balance at end of the year .....	<b>¥ 7,066</b>	¥ 1,529	¥ 2,319	<b>\$ 66,855</b>
<b>Currency translation adjustments:</b>				
Balance at beginning of the year.....	<b>¥ (865)</b>	¥ 146	¥ (777)	<b>\$ (8,184)</b>
Net changes during the year .....	<b>(1,138)</b>	(1,011)	923	<b>(10,767)</b>
Balance at end of the year .....	<b>¥ (2,003)</b>	¥ (865)	¥ 146	<b>\$(18,951)</b>

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

# Consolidated Statements of Cash Flows

Tsubakimoto Chain Co. and Consolidated Subsidiaries  
For the years ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests.....	¥ 6,537	¥ 2,800	¥ 2,661	\$ 61,851
Adjustments for:				
Depreciation.....	6,083	6,736	5,611	57,555
Loss (gain) on sales of property, plant and equipment.....	243	93	(1,757)	2,299
Loss on devaluation of investment securities.....	42	1,908	1,933	397
Allowance for doubtful receivables, net.....	(216)	(134)	124	(2,044)
Retirement benefits, net.....	(6,087)	156	(242)	(57,593)
Transfer to defined contribution pension plan.....	4,692	—	—	44,394
Decrease (increase) in trade notes and accounts receivable.....	(4,132)	1,531	4,895	(39,095)
Decrease (increase) in inventories.....	2,223	325	(863)	21,033
Increase (decrease) in trade notes and accounts payable.....	1,052	(3,980)	(2,055)	9,954
Other.....	118	4,472	1,553	1,117
Sub total.....	10,555	13,907	11,860	99,868
Interest and dividend income received.....	311	225	415	2,943
Interest expenses paid.....	(1,440)	(1,748)	(1,909)	(13,625)
Income taxes paid.....	(1,431)	(364)	(2,657)	(13,540)
Net cash provided by operating activities.....	7,995	12,020	7,709	75,646
<b>Cash flows from investing activities:</b>				
Increase of time deposits (due after 3 months).....	(9)	(108)	(144)	(85)
Decrease of time deposits (due after 3 months).....	119	86	158	1,126
Payments for purchase of investments in securities.....	(2,049)	(7,827)	(8,464)	(19,387)
Proceeds from sales of investments in securities.....	8,107	9,557	8,847	76,705
Payments for purchase of investments in subsidiaries.....	(10)	(0)	(227)	(94)
Increase in long-term loans receivable.....	(36)	(111)	(13)	(340)
Decrease in long-term loans receivable.....	55	14	14	520
Payments for purchase of property, plant and equipment.....	(5,307)	(5,379)	(12,771)	(50,213)
Proceeds from sales of property, plant and equipment.....	8,104	754	1,882	76,677
Other.....	94	—	—	889
Net cash provided by (used in) investing activities.....	9,068	(3,014)	(10,718)	85,798
<b>Cash flows from financing activities:</b>				
Decrease in short-term bank loans, net.....	(6,463)	(8,499)	(3,311)	(61,151)
Proceeds from long-term loans.....	430	473	10,607	4,068
Repayment of long-term loans.....	(7,707)	(1,050)	(7,343)	(72,920)
Issuance of bonds.....	98	99	100	927
Payments on redemption of bonds.....	(100)	(2,585)	(2,792)	(946)
Payments on installment purchases.....	(527)	(412)	(223)	(4,986)
Cash dividends.....	(1,132)	(1,141)	(1,148)	(10,711)
Cash dividends for minority shareholders.....	(74)	(142)	(127)	(700)
Payments for purchase of treasury stock.....	(69)	(959)	—	(653)
Proceeds from sales of treasury stock.....	6	—	—	57
Other.....	—	—	(6)	—
Net cash used in financing activities.....	(15,538)	(14,216)	(4,243)	(147,015)
<b>Effect of exchange rate changes on cash and cash equivalents.....</b>				
Increase (decrease) in cash and cash equivalents.....	1,264	(5,314)	(7,174)	11,960
Cash and cash equivalents at the beginning of the year.....	12,417	17,679	24,853	117,485
Increase in cash and cash equivalents due to inclusion of subsidiaries in consolidation.....	—	52	—	—
Cash and cash equivalents at the end of the year.....	¥ 13,681	¥ 12,417	¥ 17,679	\$ 129,445

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