Notes to Consolidated Financial Statements

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2006

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TSUBAKIMOTO CHAIN CO. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥117.48 = U.S.$1.00, the exchange rate prevailing on March 31, 2006. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2005 to the 2006 presentation. These reclassifications had no effect on consolidated net income or consolidated shareholders' equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All material intercompany balances and transactions have been eliminated in consolidation.

The assets and liabilities of the consolidated subsidiaries are revalued at fair value by the full value method as of their respective dates of acquisition. The difference, not significant in amount, between the cost of investments in such subsidiaries and the equity in their net assets at their dates of acquisition is amortized over a period of five years on a straight-line basis.

The balance sheet dates of certain consolidated subsidiaries are December 31 and January 31. Any significant differences in their intercompany accounts and transactions arising from intercompany transactions during the periods from January 1 through March 31 and February 1 through March 31 have been adjusted, if necessary.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(c) Allowance for doubtful receivables

The Company and its consolidated subsidiaries provide an allowance for doubtful receivables at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(d) Marketable securities and investment in securities

Marketable securities and investment in securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities are stated at fair value. Gain and loss, both realized and unrealized, are charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of shareholders' equity. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(e) Derivatives

Derivatives are stated at fair value.

(f) Inventories

Inventories except for certain overseas subsidiaries are principally stated at cost determined by the first-in, first-out method, the individual identification method or the moving average cost method. Inventories of certain overseas subsidiaries are stated at the lower of cost or market.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is calculated by the declining-balance method over the useful lives of the respective assets. Depreciation of buildings, except for structures attached to the buildings, is calculated by the straight-line method.

The principal estimated useful lives are summarized as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 13 years

(h) Leases

Finance leases other than those which transfer ownership of the leased property to the lessees are accounted for as operating leases.

(i) Income taxes

Deferred income taxes have been recognized with respect to the differences between financial reporting and the tax bases of the assets and liabilities. Deferred taxes are measured at the rates which are expected to apply to the period when each asset or liability is realized, based on the tax rates which have been enacted as of the balance sheet date or are subsequently enacted.

(j) Accrued retirement benefits to employees

Accrued retirement benefits for employees are provided at the retirement benefit obligation less the fair value of the pension plan assets, as adjusted for net unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Prior service cost is credited or charged to income in the year in which the gain or loss is recognized.

Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method over a period which is shorter than the average estimated remaining years of service of the eligible employees (10 years).

(k) Accrued retirement benefits to directors and corporate auditors

Directors and corporate auditors of the Company and its domestic consolidated subsidiaries are entitled to lump-sum payments under unfunded retirement benefit plans. The provision for retirement benefits for directors and corporate auditors has been made at an estimated amount based on the internal regulations.

(l) Hedge accounting

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally applied to the underlying debt. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding contract rates.

(m) Revenue recognition

The Company and its consolidated subsidiaries recognize revenue and the related costs of long-term construction contracts by applying the completed-contract method, except for those of certain overseas subsidiaries in the Materials Handling Systems business to which the percentage-of-completion method is applied.

(n) Research and development costs and computer software

Research and development costs are charged to income when incurred.

Expenditures relating to computer software developed for internal use are charged to income when incurred, except if the software is expected to contribute to the generation of income or to cost savings. Such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful lives (5 years).

(o) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rates of exchange prevailing when the transactions were made.

The assets and liabilities of overseas subsidiaries and affiliates are translated into yen at the exchange rates in effect on the respective balance sheet date, and shareholders' equity is translated at the respective historical rates. Revenue and expenses are translated at the average rates of exchange for the respective years. Differences arising from translation are reflected in shareholders' equity (presented as "Translation adjustments") and minority interests in the accompanying consolidated balance sheets.

(p) Appropriation of retained earnings

Under the Commercial Code of Japan (the "Code"), the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such appropriations. (Refer to Note 17.)

3. CHANGES IN METHOD OF ACCOUNTING

(1) New accounting standard for the impairment of fixed assets

Effective the year ended March 31, 2006, the Company and its consolidated subsidiaries have adopted a new accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company and its consolidated subsidiaries are required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of its future cash flows. The standard states that impairment losses are to be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs, or (2) the present value of future cash flows arising from ongoing utilization of the asset and from its disposal after use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets are to be grouped at the lowest level for which there are identifiable cash flows which are independent of the cash flows from other groups of assets.

As a result of the adoption of this new accounting standard, a loss on impairment of land in the amount of ¥32 million ($272 thousand) has been recognized for the year ended March 31, 2006 and income before income taxes and minority interests decreased by the same amount for the year then ended.

The impairment losses on such assets have been deducted directly from the carrying amounts of the respective assets in the consolidated balance sheet at March 31, 2006.

(2) Revenue recognition and construction contracts

Effective the year ended March 31, 2006, certain overseas subsidiaries in the Materials Handling Systems business have changed their revenue recognition policy for projects including long-term construction contracts from accounting for such projects by the completed-contract method, to applying the percentage-of-completion method. This change was made in order to present their operating results more accurately as large scale long-term construction contracts as a percentage of annual construction orders have recently become more significant.

The effect of this change was to increase net sales by ¥5,624 million ($47,872 thousand) and cost of sales by ¥5,672 million ($48,281 thousand) and to decrease operating income and income before income taxes and minority interests by ¥47 million ($400 thousand) for the year ended March 31, 2006 as compared with the corresponding amounts which would have been recorded if the previous method of accounting had been followed.

4. SECURITIES

(a) Marketable securities classified as held-to-maturity debt securities at March 31, 2006 and 2005 are summarized as follows:

	MILLIONS OF YEN						THOUSANDS OF U.S. DOLLARS		
	2006			2005			**2006**		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose estimated fair value exceeds their carrying value:									
Corporate bonds	**¥100**	**¥100**	**¥ 0**	¥ —	¥—	¥—	**$851**	**$851**	**$ 0**
Securities whose estimated fair value does not exceed their carrying value:									
Corporate bonds	**—**	**—**	**—**	100	94	(6)	**—**	**—**	**—**
Total	**¥100**	**¥100**	**¥ 0**	¥100	¥94	¥(6)	**$851**	**$851**	**$ 0**

(b) Marketable securities classified as other securities at March 31, 2006 and 2005 are summarized as follows:

	MILLIONS OF YEN						THOUSANDS OF U.S. DOLLARS		
	2006			2005			**2006**		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:									
Equity securities	**¥6,002**	**¥34,263**	**¥28,261**	¥5,971	¥20,485	¥14,514	**$51,090**	**$291,650**	**$240,560**
Other	**59**	**69**	**10**	—	—	—	**502**	**587**	**85**
Subtotal	**6,061**	**34,332**	**28,271**	5,971	20,485	14,514	**51,592**	**292,237**	**240,645**
Securities whose carrying value does not exceed their acquisition costs:									
Equity securities	**—**	**—**	**—**	2	2	(0)	**—**	**—**	**—**
Debt securities	**—**	**—**	**—**	54	44	(10)	**—**	**—**	**—**
Other	**90**	**80**	**(10)**	179	164	(15)	**766**	**681**	**(85)**
Subtotal	**90**	**80**	**(10)**	235	210	(25)	**766**	**681**	**(85)**
Total	**¥6,151**	**¥34,412**	**¥28,261**	¥6,206	¥20,695	¥14,489	**$52,358**	**$292,918**	**$240,560**

(c) Sales of other securities for the years ended March 31, 2006 and 2005 are summarized as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2006	2005	**2006**
Sales	**¥75**	¥176	**$638**
Gross realized gain	**15**	5	**128**
Gross realized loss	**—**	(8)	**—**

The carrying value of securities without determinable market value at March 31, 2006 and 2005 are summarized as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2006	2005	**2006**
Other securities:			
Unlisted overseas bonds	**¥ —**	¥ 39	**$ —**
Unlisted equity securities	**369**	398	**3,141**

(d) The redemption schedule for held-to-maturity debt securities at March 31, 2006 is summarized as follows:

	MILLIONS OF YEN			
	2006			
	Due within one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Corporate bonds	**¥—**	**¥—**	**¥—**	**¥100**

	THOUSANDS OF U.S. DOLLARS			
	2006			
	Due within one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Corporate bonds	**$—**	**$—**	**$—**	**$851**

5. INVENTORIES

Inventories at March 31, 2006 and 2005 consisted of the following:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2006	2005	**2006**
Finished goods	**¥ 9,515**	¥ 8,953	**$ 80,993**
Raw materials	**2,903**	2,578	**24,711**
Work in process	**10,623**	9,182	**90,424**
Supplies	**834**	574	**7,098**
	¥23,875	¥21,287	**$203,226**

6. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2006 and 2005 consisted principally of loans from banks and insurance companies at weighted average rates of 1.3% and 1.7%, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2006	2005	**2006**
Loans, principally from banks and insurance companies, due through 2014 at an average annual interest rate of 3.0%:			
Secured	**¥13,079**	¥13,142	**$111,330**
Unsecured	**10,474**	17,629	**89,155**
0.73% to 1.20% secured bonds due 2005	**—**	100	**—**
2.40% unsecured bonds due 2005	**—**	1,600	**—**
0.38% unsecured bonds due 2006	**100**	100	**851**
2.30% secured bonds due 2007	**800**	800	**6,810**
0.44% unsecured bonds due 2007	**100**	100	**851**
0.83% unsecured bonds due 2010	**7,000**	—	**59,585**
	31,553	33,471	**268,582**
Less current portion	**7,955**	9,196	**67,714**
Total	**¥23,598**	¥24,275	**$200,868**

Other interest-bearing liabilities included in other current and long-term liabilities represented installment payables at average annual interest rates of 3.15% and 3.04% at March 31, 2006 and 2005, respectively.

The aggregate annual maturities of long-term debt subsequent to March 31, 2006 are summarized as follows:

Year ending March 31,	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS
2007	¥ 7,955	$ 67,714
2008	2,062	17,552
2009	3,015	25,664
2010	10,452	88,968
2011	8,015	68,224
2012 and thereafter	54	460
Total	¥31,553	$268,582

The aggregate annual maturities of other interest-bearing liabilities subsequent to March 31, 2006 are summarized as follows:

Year ending March 31,	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS
2007	¥ 398	$ 3,388
2008	348	2,962
2009	336	2,860
2010	318	2,707
2011	329	2,800
2012 and thereafter	173	1,473
Total	¥1,902	$16,190

Assets pledged as collateral for short-term bank loans of ¥409 million ($3,481 thousand), the current portion of long-term debt of ¥4,344 million ($36,977 thousand), the current portion of secured bonds of ¥800 million ($6,810 thousand) and long-term debt of ¥8,736 million ($74,362 thousand) at March 31, 2006 were composed of the following:

	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS
	2006	**2006**
Land	**¥30,133**	**$256,495**
Buildings and structures	**15,743**	**134,006**
Machinery, equipment and vehicles	**7,660**	**65,203**
Tools, furniture and fixtures	**943**	**8,027**
Construction in progress	**211**	**1,796**
Other assets	**63**	**536**
	¥54,753	**$466,063**

The Company has concluded lines-of-credit agreements with certain banks to achieve efficient financing. The status of these lines of credit at March 31, 2006 was as follows:

	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS
Lines of credit	**¥15,000**	**$127,681**
Credit utilized	**1,000**	**8,512**
Available credit	**¥14,000**	**$119,169**

7. INCOME TAXES

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for the years ended March 31, 2006 and 2005.

A reconciliation of the statutory tax rate to the effective tax rates for the years ended March 31, 2006 and 2005 has not been presented, because the differences were less than five percent of the statutory tax rate.

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2006 and 2005 are summarized as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2006	2005	**2006**
Deferred tax assets:			
Accrued retirement benefits	**¥ 4,241**	¥ 4,216	**$ 36,100**
Obligation on change to defined contribution pension plans	**1,893**	1,725	**16,113**
Accrued retirement benefits for directors and corporate auditors	**148**	137	**1,260**
Accrued bonuses	**1,038**	955	**8,836**
Allowance for doubtful accounts	**122**	142	**1,038**
Other	**1,486**	1,373	**12,649**
Gross deferred tax assets	**8,928**	8,548	**75,996**
Less: valuation allowance	**(357)**	—	**(3,039)**
Total deferred tax assets	**8,571**	8,548	**72,957**
Deferred tax liabilities:			
Deferred gain on replacement of property	**(5,377)**	(5,175)	**(45,769)**
Net unrealized gain on revaluation of assets and liabilities of subsidiaries	**(269)**	(370)	**(2,290)**
Unrealized holding gain on securities	**(11,475)**	(5,882)	**(97,676)**
Other	**(1,347)**	(1,333)	**(11,466)**
Total deferred tax liabilities	**(18,468)**	(12,760)	**(157,201)**
Net deferred tax liabilities	**¥ (9,897)**	¥ (4,212)	**$ (84,244)**

8. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., lump-sum payment plans, defined contribution pension plans and advance payment schemes for retirement benefits. In addition to the retirement benefit plans described above, the Company and its domestic subsidiaries pay additional retirement benefits under certain conditions. Certain overseas subsidiaries also have defined benefit plans.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2006 and 2005 for the Company's and the consolidated subsidiaries' defined benefit plans:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2006	2005	**2006**
Retirement benefit obligation	**¥(14,108)**	¥(16,078)	**$(120,088)**
Plan assets at fair value	**3,123**	3,748	**26,583**
Unfunded retirement benefit obligation	**(10,985)**	(12,330)	**(93,505)**
Unrecognized actuarial loss	**1,069**	1,306	**9,099**
Accrued retirement benefits	**¥ (9,916)**	¥(11,024)	**$ (84,406)**

As permitted under the accounting standard for retirement benefits, certain domestic subsidiaries calculate their retirement benefit obligation for their employees by simplified methods.

Certain domestic consolidated subsidiaries amended a portion of their lump-sum payment plans and adopted defined contribution pension plans and advance payment schemes for retirement benefits at March 31, 2005 and April 1, 2006. The effect of these amendments to the retirement benefit plans as of March 31, 2006 is summarized as follows.

	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS
	2006	**2006**
Decrease in retirement benefit obligation	**¥ 3,188**	**$ 27,137**
Plan assets transferred from tax-qualified pension plans	**(1,455)**	**(12,385)**
Unrecognized actuarial loss	**(472)**	**(4,018)**
Unrecognized prior service cost	**(173)**	**(1,473)**
Decrease in accrued retirement benefits	**1,088**	**9,261**
Plan assets to be transferred to defined contribution pension plans	**(1,361)**	**(11,585)**
Net loss on amendments to retirement benefit plans	**¥ (273)**	**$ (2,324)**

The amount to be transferred to the defined contribution pension plans over eight years is ¥1,361 million ($11,585 thousand), which has been included in "Other current liabilities" of ¥168 million ($1,430 thousand) and "Other long-term liabilities" of ¥1,075 million ($9,150 thousand) at March 31, 2006.

Certain domestic consolidated subsidiaries abolished their tax-qualified pension plans and transferred a portion of their lump-sum payment plans to defined contribution pension plans and to advance payment schemes for retirement benefits effective April 1, 2005.

The effect of these amendments to the retirement benefit plans at March 31, 2005 is summarized as follows:

	MILLIONS OF YEN
	2005
Decrease in retirement benefit obligation	¥ 801
Plan assets transferred from tax-qualified pension plans	(437)
Decrease in accrued retirement benefits	364
Plan assets to be transferred to defined contribution pension plans	(364)
Gain on amendments to retirement benefit plans	¥ —

The total amount to be transferred to the defined contribution pension plans over the next eight years is ¥801 million, which has been included in "Other current liabilities" of ¥46 million and "Other long-term liabilities" of ¥319 million in the consolidated balance sheets at March 31, 2005.

The components of retirement benefit expenses for the years ended March 31, 2006 and 2005 are outlined as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2006	2005	**2006**
Service cost	**¥ 658**	¥ 824	**$ 5,601**
Interest cost	**341**	377	**2,902**
Expected return on plan assets	**(89)**	(99)	**(757)**
Net loss on amendments to retirement benefit plans	**273**	—	**2,324**
Amortization of unrecognized actuarial loss	**147**	193	**1,251**
Contributions to defined contribution pension plans	**440**	312	**3,745**
Retirement benefit expenses	**¥1,770**	¥1,607	**$15,066**

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2006 and 2005 were as follows:

	2006	2005
Discount rates	**Principally 2.0%**	2.5%
Expected rates of return on plan assets	**Principally 2.5%**	2.5%

9. CONTINGENT LIABILITIES

At March 31, 2006, the Company and its consolidated subsidiaries were contingently liable for notes receivable discounted and for guarantees of loans to employees and affiliates in the aggregate amount of ¥683 million ($5,814 thousand).

10. NET UNREALIZED LOSS ON LAND REVALUATION

Effective March 31, 2001, the Company revalued its land held for business use in accordance with the "Law on Land Revaluation." Differences on land revaluation have been accounted for as "Net unrealized loss on land revaluation" under shareholders' equity at the net amount of the relevant tax effect. The method followed in determining the land revaluation was in accordance with the "Enforcement Act Concerning Land Revaluation." The carrying value of this land exceeded its corresponding fair value by ¥10,435 million ($88,824 thousand) and ¥9,305 million at March 31, 2006 and 2005, respectively.

11. SHAREHOLDERS' EQUITY

The Code provides that an amount equivalent to at least 10% of cash dividends and bonuses paid to directors and corporate auditors and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until the sum of additional paid-in capital and the legal reserve equals 25% of common stock. The Code also provides that neither additional paid-in capital nor the legal reserve is available for dividends but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code further stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders. Additional paid-in capital is presented as capital surplus and the legal reserve is included in retained earnings in the accompanying consolidated balance sheets and consolidated statements of shareholders' equity. The Company's legal reserve amounted to ¥3,376 million ($28,737 thousand) at March 31, 2006 and 2005.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Code, went into effect on May 1, 2006. The Law stipulates requirements on distributions of earnings which are similar to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2006 and 2005 amounted to ¥3,422 million ($29,128 thousand) and ¥2,215 million, respectively.

13. LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2006 and 2005, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases under which the Company and its consolidated subsidiaries are lessees and which are currently accounted for as operating leases:

	MILLIONS OF YEN			
	2006			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Machinery, equipment and vehicles	**¥ 143**	**¥ 52**	**¥ —**	**¥ 91**
Tools, furniture and fixtures	**1,119**	**801**	**—**	**318**
Other assets	**378**	**205**	**—**	**173**
Total	**¥1,640**	**¥1,058**	**¥ —**	**¥582**

	MILLIONS OF YEN			
	2005			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Machinery, equipment and vehicles	¥ 70	¥ 27	¥ —	¥ 43
Tools, furniture and fixtures	1,348	870	—	478
Other assets	452	217	—	235
Total	¥1,870	¥1,114	¥ —	¥756

	THOUSANDS OF U.S. DOLLARS			
	2006			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net book value
Machinery, equipment and vehicles	**$ 1,217**	**$ 442**	**$ —**	**$ 775**
Tools, furniture and fixtures	**9,525**	**6,818**	**—**	**2,707**
Other assets	**3,218**	**1,745**	**—**	**1,473**
Total	**$13,960**	**$9,005**	**$ —**	**$4,955**

Lease payments related to finance leases accounted for as operating leases and depreciation which have not been reflected in the consolidated statements of income and retained earnings for the years ended March 31, 2006 and 2005 are summarized as follows:

	MILLIONS OF YEN		THOUSANDS OF U.S. DOLLARS
	2006	2005	**2006**
Lease payments	**¥369**	¥445	**$3,141**
Depreciation	**369**	445	**3,141**

Future minimum payments subsequent to March 31, 2006 under finance leases other than those which transfer the ownership of the leased property to the Company and its consolidated subsidiaries are summarized as follows:

Year ending March 31,	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS
2007	¥255	$2,171
2008 and thereafter	327	2,783
	¥582	$4,954

The acquisition costs and future minimum lease payments under finance leases presented in the above tables include the imputed interest expense.

Future minimum payments subsequent to March 31, 2006 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS
2007	¥ 5	$ 43
2008 and thereafter	14	119
	¥19	$162

14. DERIVATIVES

The Company and certain consolidated subsidiaries utilize derivative financial instruments to reduce foreign exchange rate and interest-rate risk. The Company and certain consolidated subsidiaries utilize forward foreign exchange contracts to ensure stable profit by hedging the risk of exchange rate fluctuation which impacts their assets and liabilities denominated in foreign currencies. In addition, the Company and certain consolidated subsidiaries utilize interest-rate swaps to hedge the effect of any fluctuation in interest rates on their borrowings. The Company and these consolidated subsidiaries do not enter into derivatives contracts for speculative trading purposes.

The Company and certain consolidated subsidiaries are exposed to certain market risk arising from their forward foreign exchange contracts and interest-rate swap agreements. They are also exposed to the risk of credit loss in the event of nonperformance by the counterparties with respect to such forward foreign exchange contracts and interest-rate swap agreements; however, they do not anticipate nonperformance by any of the counterparties, all of whom are financial institutions with high credit ratings.

Each business department determines the appropriate amount of forward foreign exchange contracts within predetermined limits and the financial sections of each department execute and manage these positions. In addition, the Finance Department of the Company enters into and manages interest-rate swap positions as an integral part of the process of entering into loan agreements.

The notional amounts of forward foreign exchange contracts, the estimated fair value of the outstanding derivatives positions and unrealized gain or loss at March 31, 2006 and 2005 are summarized as follows:

	MILLIONS OF YEN						THOUSANDS OF U.S. DOLLARS		
	2006			2005			**2006**		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:									
Sell:									
U.S. dollars	**¥2,284**	**¥2,351**	**¥(67)**	¥ —	¥ —	¥ —	**$19,442**	**$20,012**	**$(570)**
Canadian dollars	**258**	**261**	**(3)**	—	—	—	**2,196**	**2,222**	**(26)**
Australian dollars	**145**	**141**	**4**	—	—	—	**1,234**	**1,200**	**34**
Buy:				—	—	—			
Japanese Yen	**1,211**	**1,196**	**(15)**	—	—	—	**10,308**	**10,180**	**(128)**
Pounds sterling	**18**	**18**	**(0)**	—	—	—	**153**	**153**	**(0)**
Total			**¥(81)**			¥ —			**$(690)**

Notes: 1. Market value is based on the prices quoted by various financial institutions.
2. Derivatives positions to which hedge accounting has been applied have been excluded from the above table.

15. AMOUNTS PER SHARE

Amounts per share at March 31, 2006 and 2005 and for the years then ended were as follows:

	YEN		U.S. DOLLARS
	2006	2005	**2006**
Net assets	**¥410.66**	¥380.91	**$3.496**
Net income	**34.78**	22.77	**0.296**
Cash dividends	**9.00**	7.00	**0.077**

The amounts per share of net assets are computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at each year end.

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

16. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of power transmission products and materials handling systems. The Company and its consolidated subsidiaries also engage in other activities such as building maintenance, insurance brokerage, sales of health care equipment, and so forth.

The business and geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2006 and 2005 are outlined as follows:

Business Segments

	MILLIONS OF YEN					
	2006					
	Power transmission products	Materials handling systems	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income						
Sales to third parties	**¥111,865**	**¥35,309**	**¥ 587**	**¥147,761**	**¥ —**	**¥147,761**
Intergroup sales and transfers	**1,791**	**175**	**1,836**	**3,802**	**(3,802)**	**—**
Total sales	**113,656**	**35,484**	**2,423**	**151,563**	**(3,802)**	**147,761**
Operating expenses	**98,767**	**33,378**	**2,260**	**134,405**	**(474)**	**133,931**
Operating income	**¥ 14,889**	**¥ 2,106**	**¥ 163**	**¥ 17,158**	**¥(3,328)**	**¥ 13,830**
II. Assets, depreciation and capital expenditures						
Total assets	**¥115,031**	**¥26,670**	**¥2,235**	**¥143,936**	**¥54,522**	**¥198,458**
Depreciation	**4,836**	**320**	**5**	**5,161**	**348**	**5,509**
Capital expenditures	**5,756**	**292**	**768**	**6,816**	**673**	**7,489**

	MILLIONS OF YEN					
	2005					
	Power transmission products	Materials handling systems	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income						
Sales to third parties	¥ 98,404	¥30,592	¥ 567	¥129,563	¥ —	¥129,563
Intergroup sales and transfers	1,383	82	1,784	3,249	(3,249)	—
Total sales	99,787	30,674	2,351	132,812	(3,249)	129,563
Operating expenses	88,524	28,874	2,250	119,648	(533)	119,115
Operating income	¥ 11,263	¥ 1,800	¥ 101	¥ 13,164	¥(2,716)	¥ 10,448
II. Assets, depreciation and capital expenditures						
Total assets	¥112,608	¥24,406	¥1,750	¥138,764	¥40,499	¥179,263
Depreciation	4,795	370	6	5,171	333	5,504
Capital expenditures	3,125	295	18	3,438	260	3,698

	THOUSANDS OF U.S. DOLLARS					
	2006					
	Power transmission products	Materials handling systems	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income						
Sales to third parties	**$952,204**	**$300,553**	**$ 4,997**	**$1,257,754**	**$ —**	**$1,257,754**
Intergroup sales and transfers	**15,245**	**1,490**	**15,628**	**32,363**	**(32,363)**	**—**
Total sales	**967,449**	**302,043**	**20,625**	**1,290,117**	**(32,363)**	**1,257,754**
Operating expenses	**840,713**	**284,117**	**19,237**	**1,144,067**	**(4,035)**	**1,140,032**
Operating income	**$126,736**	**$ 17,926**	**$ 1,388**	**$ 146,050**	**$(28,328)**	**$ 117,722**
II. Assets, depreciation and capital expenditures						
Total assets	**$979,154**	**$227,017**	**$19,024**	**$1,225,195**	**$464,096**	**$1,689,291**
Depreciation	**41,164**	**2,724**	**43**	**43,931**	**2,962**	**46,893**
Capital expenditures	**48,996**	**2,485**	**6,537**	**58,018**	**5,729**	**63,747**

As described in Note 3 (2), effective the year ended March 31, 2006, certain overseas subsidiaries in the Materials Handling Systems business have changed their revenue recognition policy for projects including long-term construction contracts from accounting for such projects by the completed-contract method, to applying the percentage-of-completion method.

The effect of this change on the Materials Handling Systems segment for the year ended March 31, 2006 was to increase net sales by ¥5,624 million ($47,872 thousand) and cost of sales by ¥5,672 million ($48,281 thousand) and to decrease operating income by ¥47 million ($400 thousand) as compared with the corresponding amounts which would have been recorded if the previous method of accounting had been followed.

Geographic Segment Information

Segment information by geographic area for the years ended March 31, 2006 and 2005 is summarized as follows:

	MILLIONS OF YEN						
	2006						
	Japan	North America	Europe	Asia and Oceania	Total	Eliminations	Consolidated
External sales	**¥102,330**	**¥30,245**	**¥7,275**	**¥7,911**	**¥147,761**	**¥ —**	**¥147,761**
Intersegment sales	**15,080**	**687**	**13**	**557**	**16,337**	**(16,337)**	**—**
Total sales	**117,410**	**30,932**	**7,288**	**8,468**	**164,098**	**(16,337)**	**147,761**
Operating expenses	**102,982**	**29,953**	**6,750**	**7,512**	**147,197**	**(13,266)**	**133,931**
Operating income	**¥ 14,428**	**¥ 979**	**¥ 538**	**¥ 956**	**¥ 16,901**	**¥ (3,071)**	**¥ 13,830**
Assets	**¥117,956**	**¥20,404**	**¥4,903**	**¥5,975**	**¥149,238**	**¥ 49,220**	**¥198,458**

	MILLIONS OF YEN						
	2005						
	Japan	North America	Europe	Asia and Oceania	Total	Eliminations	Consolidated
External sales	¥ 93,820	¥22,089	¥5,718	¥7,936	¥129,563	¥ —	¥129,563
Intersegment sales	10,504	351	0	534	11,389	(11,389)	—
Total sales	104,324	22,440	5,718	8,470	140,952	(11,389)	129,563
Operating expenses	92,905	21,821	5,295	7,612	127,633	(8,518)	119,115
Operating income	¥ 11,419	¥ 619	¥ 423	¥ 858	¥ 13,319	¥ (2,871)	¥ 10,448
Assets	¥112,243	¥17,477	¥4,573	¥7,783	¥142,076	¥ 37,187	¥179,263

	THOUSANDS OF U.S. DOLLARS						
	2006						
	Japan	North America	Europe	Asia and Oceania	Total	Eliminations	Consolidated
External sales	**$ 871,042**	**$257,448**	**$61,925**	**$67,339**	**$1,257,754**	**$ —**	**$1,257,754**
Intersegment sales	**128,362**	**5,848**	**111**	**4,741**	**139,062**	**(139,062)**	**—**
Total sales	**999,404**	**263,296**	**62,036**	**72,080**	**1,396,816**	**(139,062)**	**1,257,754**
Operating expenses	**876,592**	**254,963**	**57,456**	**63,942**	**1,252,953**	**(112,921)**	**1,140,032**
Operating income	**$ 122,812**	**$ 8,333**	**$ 4,580**	**$ 8,138**	**$ 143,863**	**$ (26,141)**	**$ 117,722**
Assets	**$1,004,051**	**$173,680**	**$41,735**	**$50,860**	**$1,270,326**	**$ 418,965**	**$1,689,291**

Each segment principally covers the following countries or regions:

North America: U.S.A. and Canada
Europe: The Netherlands and U.K.
Asia and Oceania: Taiwan, Korea, China, Singapore, Thailand and Australia

As described in Note 3 (2), effective the year ended March 31, 2006, certain overseas subsidiaries in the Materials Handling Systems business have changed their revenue recognition policy for projects including long-term construction contracts from accounting for such projects by the completed-contract method, to applying the percentage-of-completion method.

The effect of this change on the "North America" segment for the year ended March 31, 2006, was to increase net sales by ¥5,624 million ($47,872 thousand) and cost of sales by ¥5,672 million ($48,281 thousand) and to decrease operating income by ¥47 million ($400 thousand) as compared with the corresponding amounts which would have been recorded if the previous method of accounting had been followed.

Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the years ended March 31, 2006 and 2005 are summarized as follows:

	MILLIONS OF YEN				
	2006				
	North America	Europe	Asia and Oceania	Other	Total
Overseas sales	**¥31,148**	**¥7,944**	**¥13,927**	**¥491**	**¥ 53,510**
Consolidated net sales					**147,761**
Overseas sales as a percentage of consolidated net sales	**21.1%**	**5.4%**	**9.4%**	**0.3%**	**36.2%**

	MILLIONS OF YEN				
	2005				
	North America	Europe	Asia and Oceania	Other	Total
Overseas sales	¥22,857	¥7,387	¥11,670	¥432	¥ 42,346
Consolidated net sales					129,563
Overseas sales as a percentage of consolidated net sales	17.6%	5.7%	9.0%	0.3%	32.7%

	THOUSANDS OF U.S. DOLLARS				
	2006				
	North America	Europe	Asia and Oceania	Other	Total
Overseas sales	**$265,134**	**$67,620**	**$118,548**	**$4,180**	**$ 455,482**
Consolidated net sales					**1,257,754**

17. SUBSEQUENT EVENT

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2006, was approved at a shareholders' meeting held on June 29, 2006:

	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS
Cash dividends (¥6.0 = U.S.$0.05 per share)	**¥1,125**	**$9,576**