

Financial Section

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Eleven-Year Financial Summary

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years ended March 31

	2006	2005	2004	2003
Net sales	¥147,761	¥129,563	¥119,141	¥116,670
Operating income	13,830	10,448	7,951	7,351
Income (loss) before income taxes and minority interests	12,609	8,598	6,537	2,800
Net income (loss)	6,607	4,449	3,385	1,531
Net income (loss) per share (yen and dollars)	¥34.78	¥22.77	¥17.40	¥7.92
Diluted net income (loss) (yen and dollars)	—	—	—	—
Interest expense:				
Net	¥ 909	¥ 1,161	¥ 1,363	¥ 1,636
Gross: Interest received	85	34	68	103
Interest paid	994	1,195	1,431	1,739
Capital expenditures	7,489	3,698	3,506	2,942
Depreciation	5,509	5,504	6,083	6,736
Total current assets	78,856	72,125	69,735	83,074
Total current liabilities	56,337	53,801	48,395	52,062
Property, plant and equipment, net	76,263	75,394	76,307	80,416
Total long-term liabilities	60,918	49,850	56,758	67,638
Total assets	198,458	179,263	175,432	183,260
Paid-in capital	17,077	17,077	17,077	17,077
Retained earnings	44,509	39,344	36,199	33,975
Total shareholders' equity	77,098	71,634	66,873	60,307
Equity ratio (%)	38.8	40.0	38.1	32.9
ROE (%)	8.9	6.4	5.3	2.5
D/E ratio	0.51	0.61	0.75	1.08
Net cash provided by operating activities	¥ 10,681	¥ 9,673	¥ 7,995	¥ 12,020
Net cash provided by (used in) investing activities	(5,595)	(2,465)	9,068	(3,014)
Net cash provided by (used in) financing activities	(5,596)	(9,412)	(15,538)	(14,216)
Cash and cash equivalents at end of the year	10,984	11,562	13,681	12,417
Number of shares outstanding at end of the year* (thousands)	187,541	187,613	188,544	188,723
Number of employees	4,675	4,765	4,709	4,871

* Excluding treasury stock.

MILLIONS OF YEN UNLESS NOTED OTHERWISE								THOUSANDS OF U.S. DOLLARS (NOTE 1)
2002	2001	2000	1999	1998	1997	1996	2006	
¥113,741	¥114,206	¥106,281	¥110,919	¥128,298	¥127,231	¥110,424	\$1,257,754	
6,038	6,962	2,705	2,358	6,435	6,374	4,329	117,722	
2,661	226	2,725	(1,018)	5,508	5,931	3,649	107,329	
1,202	465	1,218	(1,715)	2,709	3,280	1,796	56,239	
¥6.27	¥2.42	¥6.36	¥(8.92)	¥14.08	¥17.04	¥9.33	\$0.296	
—	—	—	—	—	—	—	—	
¥ 1,585	¥ 1,666	¥ 1,577	¥ 1,163	¥ 1,172	¥ 1,073	¥ 1,063	\$ 7,737	
223	284	162	263	323	385	492	724	
1,808	1,950	1,739	1,426	1,495	1,458	1,555	8,461	
16,194	10,251	32,487	5,157	15,050	5,680	4,759	63,747	
5,611	4,321	4,444	4,620	4,790	4,783	4,837	46,893	
90,750	93,984	83,143	72,541	81,622	80,929	77,995	671,229	
58,125	65,374	50,080	47,256	62,224	58,349	62,312	479,545	
85,381	82,179	76,352	48,249	48,837	38,331	36,904	649,157	
77,676	74,066	67,474	27,397	18,710	21,847	16,849	518,539	
201,555	208,877	184,468	137,691	147,668	145,268	141,863	1,689,291	
17,077	17,077	17,077	17,077	17,077	17,075	17,068	145,361	
33,500	33,480	34,020	31,943	35,260	33,791	31,682	378,864	
62,674	66,463	63,750	61,673	64,989	63,516	61,392	656,265	
31.1	31.8	34.6	44.8	44.0	43.7	43.3		
1.9	0.7	1.9	—	4.2	5.2	2.9		
1.22	1.18	1.16	0.73	0.64	0.62	0.60		
¥ 7,709	¥ 5,968	¥ 3,268	¥ 6,951	¥ 2,740	¥ 4,028	¥ 5,456	\$ 90,918	
(10,718)	(10,834)	(28,755)	(4,527)	(4,475)	(4,663)	(4,245)	(47,625)	
(4,243)	2,026	27,166	2,427	1,021	955	1,246	(47,634)	
17,679	24,853	27,586	24,879	20,029	21,999	21,679	93,497	
191,386	191,406	191,406	191,406	192,406	192,399	192,377		
4,916	5,237	5,440	5,368	5,720	5,789	5,844		

Report and Analysis of Financial Conditions and Results of Operations for the Fiscal Year Ended March 2006 (Consolidated)

■ Operating Environment

I. DOMESTIC ECONOMIC CONDITIONS

Real GDP grew 3.2% in the fiscal year ended March 2006, marking the fourth continuous year of positive growth and the highest rate of growth since the 6.0% recorded in the fiscal year ended March 1991. Particularly noteworthy was the growth in private-sector capital investment, the financial indicator that most significantly affects the Tsubaki Group's business results. Capital investment is on an accelerating trend with the annual rate of growth at 6.6%, up from 5.6% in the fiscal year ended March 2005. The current wave of economic growth is expanding beyond the major centers to the local regions and from the corporate sector to the individual. Another major development in the operating environment in the fiscal year under review was the appearance of definite signs that the domestic economy may be breaking out of a deflationary cycle.

II. ECONOMIC CONDITIONS OVERSEAS

Despite concerns over higher oil prices and the effects of major hurricanes, the U.S. economy maintained real growth in GDP exceeding 3% on the back of strong consumer spending. Although results tended to vary according to region in Europe, the general trend was toward sturdy economic recovery. Economic growth in Asia continued at a fast pace fueled by growth in China amid ongoing concern about overheating.

■ Statements of Income

Supported by the favorable business environment, the Tsubaki Group recorded a solid business performance during the fiscal year under review.

I. OVERALL PERFORMANCE

1. Net Sales

Consolidated net sales reached ¥147.8 billion (up 14.0%), exceeding the target of ¥136.0 billion set in the initial plan formulated at the beginning of the fiscal year under review as well as the revised target of ¥145.0 billion included in the interim-term financial statements. Net sales results by business segment, which will be discussed later in this section, benefited from market share increases in industrial-use chains and automotive parts, the Tsubaki Group's mainstay products, in addition to the strong growth shown in private-sector capital investment and the strong performance of the automotive sector.

2. Operating Income

Operating income posted significant growth of 32.4% from the previous year, reaching ¥13.8 billion, a new record. Despite the adverse effects of steep rises in prices of raw materials, particularly steel, sales growth was supported by two factors. First, a significant increase in sales of chains and automotive parts, the most profitable in the Tsubakimoto Chain lineup, helped to improve the overall business segments and product mix. Second, price increases for power transmission units and components helped to offset higher raw material prices. These two factors combined to fuel a 1.3-point rise in the operating margin, from 8.1% to 9.4%.

3. Net Income

Net income for the fiscal year under review also reached a historic high of ¥6.6 billion. The balance of interest income and interest expenses (interest and dividend income minus interest expense) yielded a net expense for the year of ¥0.6 billion, down ¥0.4 billion from the previous year. Contributing to this improvement was a reduction in interest-bearing debt. Other relevant items included a gain of ¥0.5 billion on sales of property, plant and equipment, extraordinary profit of ¥0.5 billion, a loss of ¥0.3 billion due to modification of the retirement benefit plan, and an extraordinary loss of ¥0.5 billion.

II. PERFORMANCE BY BUSINESS SEGMENT

1. Business Segments

Please refer to pages 14 to 19 for detailed information on business segments.

① Power Transmission Products

Total sales in this segment came to ¥113.7 billion, an increase of 13.9% from the previous year. The operating margin also expanded, to 13.1% from 11.3% in the previous year.

In terms of product sales, vigorous, double-digit growth was registered by chain products (up 12.9%), automotive parts (up 14.4%), and power transmission units and components (up 12.8%).

Sales growth in chain products, in particular, was sustained by strong capital investment in plant and equipment by the domestic manufacturing sector and growth in market share. Across-the-board growth was recorded for various categories of chains, including ATC chains for machine tools, chains for small and large conveyor systems, and cableveyors. Growth in sales volumes was accompanied by price increases for certain products, productivity enhancements, and cost reduction measures, such as cell manufacturing, that combined to significantly increase profit margins.

In automotive parts, steady expansion of automobile production by domestic automakers helped to significantly expand sales of timing chain drive systems, one of the Company's leading product lines. Timing chain drive systems also showed favorable sales growth in the overseas five-point production network encompassing bases in Japan, North America, Europe, Thailand, and China, with very large orders received from several overseas automakers.

In power transmission units and components, such key products as reducers, linear actuators, and clutches registered growth in sales to the automotive, machine tools, injection molding equipment, steel, and LCD-related industries.

② Materials Handling Systems

Total sales of materials handling systems expanded 15.7%, to ¥35.5 billion. The operating margin was about the same as in the previous year, at 5.9%.

In terms of products, sales increased steadily for automotive body paint shop conveyor systems, automatic roll paper feeding systems for the newspaper industry, conveyor systems for the machine tools industry, and bulk conveyance systems for such granulated materials as grain and feed. While we have aggressively pursued measures to reduce costs, additional costs incurred in newly developed automotive body paint shop conveyor systems kept the operating margin at the level of the previous fiscal year.

2. Performance by Geographical Segment

Total sales in Japan increased 12.5%, to ¥117.4 billion, while the operating margin grew 1.3 points, to 12.3%. The principal factors contributing to this result included the increase in overall chain sales volume, success in implementing cost reduction measures, and the rationalization of productivity for such leading product lines as chains, automotive parts, power transmission units and components, and materials handling systems.

Total sales in North America showed strong growth of 37.8%, with the chain and automotive parts operations of U.S. Tsubaki, Inc., making an important contribution. However, the operating margin remained at the modest level of 3.2%, up just 0.4 points. While productivity has improved significantly thanks to higher production levels, unprofitable projects in the area of automotive body paint shop conveyor systems (as mentioned above) had a hobbling effect on earnings growth during the fiscal year under review.

Total sales in Europe registered strong growth of 27.5%. Contributing to this success were major orders for conveyor chains destined for food processing companies in the United Kingdom. Nevertheless, the operating margin of 7.4% remained near the level of the previous fiscal year.

Total sales in Asia and Oceania remained flat, while the operating margin grew by 1.2 points, to 11.3%.

■ Cash Flows

1. Cash Flows from Operating Activities

Net cash from operating activities rose to ¥10.7 billion, from ¥9.7 billion in the previous fiscal year. Income before income taxes and minority interests rose to ¥12.6 billion, up significantly from the ¥8.6 billion in the previous year. Among other items, the growth in trade notes and accounts receivable accompanying increased business capacity and inventories (specifically related to Materials Handling Systems Operations) negatively affected growth. Depreciation came to ¥5.5 billion, about the same level as recorded in the previous year.

2. Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥5.6 billion, compared with net cash of ¥2.5 billion used in the preceding year. Principal factors leading to the sharp increase in cash outflow included an aggressive program of investment in plant and equipment centered on the key growth area of automotive parts. This included payments for purchases of property, plant and equipment, which grew to ¥6.8 billion from ¥3.0 billion in the previous year. On the positive side, proceeds from sales of property, plant and equipment in the form of idle plant property came to ¥1.2 billion.

3. Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥5.6 billion, compared with net cash of ¥9.4 billion used in the preceding year. An inflow of cash of ¥7.0 billion from issuance of bonds was exceeded by an outflow of ¥8.2 billion for repayment of long-term loans. While, in terms of direction, the Tsubaki Group continues to maintain a special focus on reducing interest-bearing debt, the current favorable business environment has also led the Group to adopt a somewhat more positive business stance.

■ Balance Sheets

1. Assets

Total assets increased to ¥198.5 billion, from ¥179.3 billion at the previous year-end.

Due to growth in trade notes and accounts receivable and inventories accompanying the expansion in business capacity described previously, total current assets increased ¥6.7 billion, to ¥78.9 billion. Affected by the assessment of non-recoverability of deferred income tax assets on property revalued previously, property, plant and equipment, net, was reduced ¥2.1 billion. In investments and other assets, a significant gain on valuation of investment in securities accompanying a rise in share prices contributed to an overall increase of ¥12.5 billion in noncurrent assets, bringing their total to ¥119.6 billion.

2. Liabilities

Ongoing efforts during the fiscal year under review to improve the Company's financial position helped reduce interest-bearing debt by ¥4.4 billion, bringing the total down to ¥39.0 billion. This represents a reduction in interest-bearing debt of approximately half from the ¥78.7 billion recorded at the close of the fiscal year ended March 2001. Total liabilities for the fiscal year under review increased ¥13.6 billion, to ¥117.3 billion. This result reflected such factors as a rise in deferred income tax liabilities by ¥6.8 billion, which is associated with the assessment of non-recoverability of deferred income tax assets (see the discussion in the Assets section), an increase in deferred income tax liabilities on market valuation of securities, and an increase in trade notes and accounts payable accompanying the growth in business capacity.

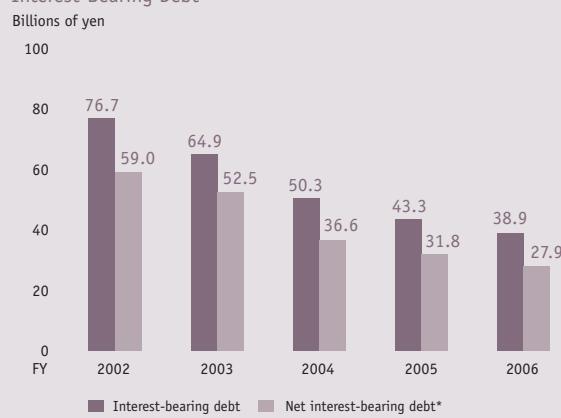
3. Shareholders' Equity

Total shareholders' equity expanded ¥5.5 billion, to ¥77.1 billion. This was due to a combination of factors. On the positive side was the significant growth in retained earnings accompanying growth in net income and an increase in net unrealized holding gain on securities accompanying the gain on valuation of investment in securities. On the negative side were the interplay between the accounting procedures that apply to revaluation of land under the assets and the liabilities sections that reduced the property revaluation surplus by ¥9.0 billion. As a result, the equity ratio fell to 38.8%, from 40.0%. At the same time, however, the debt-equity ratio (total interest-bearing liabilities divided by total shareholders' equity) improved to 0.51, from 0.61 at the previous year-end.

Total Assets and Shareholders' Equity

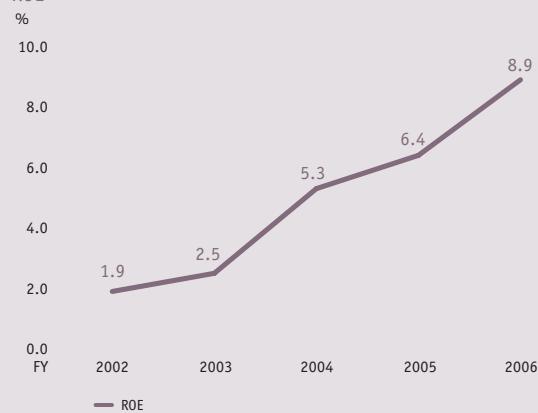


Interest-Bearing Debt



* Net interest-bearing debt = interest-bearing debt - cash and cash equivalents

ROE



Operational and Other Risks

1. Risks Related to Raw Material Price Hikes

Marked increases in crude oil prices have accompanied worldwide economic recovery. As a result, hikes in the prices of raw materials for the Group's products have become unavoidable. From May 2005, the Group revised product prices. Further, the Group worked to reduce costs by enhancing productivity. However, if Group is unable to offset increases in costs due to prolonged price hikes, its business performance could be affected.

2. Risks Related to Disasters

The Group supplies such engine parts as timing chains and tensioners to automakers in Japan and overseas. In the unlikely event of a natural disaster or a man-made disaster at the Saitama Plant, the Company's main production base in Japan, the Group may be unable to provide a stable supply of products to automakers. In response to this type of risk, the Group has developed countermeasures, such as supplying products from an overseas production base to replace output from the Saitama Plant.

3. Risks Related to Overseas Operational Activities

The Group is increasing parts procurement and product sales in China's market, which continues to see economic growth. However, due to political and economic factors in China, there is the possibility of temporary disorder or stagnation in the economy. In that event, certain operational problems may arise, such as delays in the production of the Group's products and difficulties in procuring parts or operating plants, which could affect business performance.

4. Risks Related to Price Competition

In materials handling systems operation, which face intense competition for orders, the Company may not be able to avoid low-profit orders, which could affect business performance.

5. Risks Related to Currency Exchange Rates

The Tsubakimoto Chain Group, which is conducting aggressive global development, works to minimize the influence of foreign exchange rate fluctuations by hedging foreign exchange forward contracts across the time of settlements of payments for exports, the time orders are received, the time the sales are recorded, and the time payments are received. However, short-term, dramatic fluctuations in exchange rates could affect business performance.

6. Risks Related to Changes in Interest Rates

It may become necessary to procure funds for the expansion of production facilities in response to higher production output necessitated by favorable orders. Therefore, higher interest payable resulting from increases in interest rates could affect business performance.

Consolidated Balance Sheets

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2006 and 2005

Assets	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2006	2005	2006	
Current assets:				
Cash and cash equivalents	¥ 10,984	¥ 11,562	\$ 93,497	
Time deposits	500	4	4,256	
Marketable securities (Note 4)	—	39	—	
Trade notes and accounts receivable	39,975	35,626	340,271	
Inventories (Note 5)	23,875	21,287	203,226	
Deferred income taxes (Note 7)	2,436	2,058	20,735	
Other current assets	1,358	1,823	11,559	
Allowance for doubtful accounts	(272)	(274)	(2,315)	
Total current assets	78,856	72,125	671,229	
 Property, plant and equipment, at cost (Note 6):				
Land (Note 10)	35,306	36,034	300,528	
Buildings and structures	41,967	42,014	357,227	
Machinery, equipment and vehicles	62,606	59,256	532,908	
Tools, furniture and fixtures	15,465	14,961	131,639	
Construction in progress	3,156	1,361	26,864	
Less accumulated depreciation	(82,237)	(78,232)	(700,009)	
Property, plant and equipment, net	76,263	75,394	649,157	
 Investments and other assets:				
Investment in securities (Note 4)	34,881	21,193	296,910	
Investments in unconsolidated subsidiaries and affiliates	1,501	752	12,777	
Long-term loans receivable	38	41	323	
Deferred income taxes (Note 7)	1,815	1,933	15,450	
Deferred income taxes on revaluation of land	—	2,113	—	
Other assets (Note 6)	5,279	5,944	44,935	
Allowance for doubtful accounts	(175)	(232)	(1,490)	
Total investments and other assets	43,339	31,744	368,905	
 Total assets	¥198,458	¥179,263	\$1,689,291	

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	MILLIONS OF YEN			THOUSANDS OF U.S. DOLLARS (NOTE 1)
	2006	2005	2006	
Current liabilities:				
Short-term loans (Note 6)	¥ 7,413	¥ 9,909	\$ 63,100	
Current portion of long-term debt (Note 6)	7,955	9,196	67,714	
Trade notes and accounts payable	25,444	21,496	216,581	
Accrued income taxes	3,461	2,330	29,460	
Accrued expenses	4,179	4,237	35,572	
Other current liabilities (Note 6)	7,885	6,633	67,118	
Total current liabilities	56,337	53,801	479,545	
Long-term liabilities:				
Long-term debt (Note 6)	23,598	24,275	200,868	
Accrued retirement benefits to employees (Note 8)	9,916	11,024	84,406	
Accrued retirement benefits to directors and corporate auditors	364	337	3,098	
Deferred income taxes (Note 7)	14,148	8,203	120,429	
Deferred income taxes on revaluation of land	6,773	—	57,652	
Other long-term liabilities (Note 6)	6,119	6,011	52,086	
Total long-term liabilities	60,918	49,850	518,539	
Minority interests	4,105	3,978	34,942	
Contingent liabilities (Note 9)				
Shareholders' equity (Note 11):				
Common stock:				
Authorized - 299,000,000 shares in 2006 and 2005				
Issued - 191,406,969 shares in 2006 and 2005	17,077	17,077	145,361	
Capital surplus	12,654	12,653	107,712	
Net unrealized loss on land revaluation (Note 10)	(12,047)	(3,091)	(102,545)	
Retained earnings (Note 2)	44,509	39,344	378,864	
Net unrealized holding gain on securities	16,749	8,591	142,569	
Translation adjustments	(429)	(1,575)	(3,652)	
Treasury stock:				
3,865,828 shares in 2006 and 3,794,043 shares in 2005	(1,415)	(1,365)	(12,044)	
Total shareholders' equity	77,098	71,634	656,265	
Total liabilities and shareholders' equity	¥198,458	¥179,263	\$1,689,291	

Consolidated Statements of Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
For the years ended March 31, 2006 and 2005

	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS (NOTE 1)	
	2006	2005	2006
Net sales (Note 16)	¥147,761	¥129,563	\$1,257,754
Cost of sales (Note 12)	108,500	94,630	923,561
Gross profit	39,261	34,933	334,193
Selling, general and administrative expenses (Note 12)	25,431	24,485	216,471
Operating income (Note 16)	13,830	10,448	117,722
Other income (expenses):			
Interest and dividend income	353	193	3,005
Interest expense	(994)	(1,195)	(8,461)
Equity in earnings of affiliates	7	21	60
Foreign exchange loss	(244)	(163)	(2,077)
Loss on amendment to retirement benefit plans (Note 8)	(273)	—	(2,324)
Loss on impairment of fixed assets (Note 3)	(32)	—	(272)
Other, net	(38)	(706)	(324)
Income before income taxes and minority interests	12,609	8,598	107,329
Income taxes (Note 7):			
Current	5,402	3,314	45,982
Deferred	(111)	159	(944)
Income before minority interests	5,291	3,473	45,038
Minority interests	7,318	5,125	62,291
Net income	(711)	(676)	(6,052)
	¥ 6,607	¥ 4,449	\$ 56,239

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
For the years ended March 31, 2006 and 2005

	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS (NOTE 1)	
	2006	2005	2006
Common stock:			
Balance at beginning and end of the year	¥ 17,077	¥17,077	\$ 145,361
Capital surplus:			
Balance at beginning of the year	¥ 12,653	¥12,653	\$ 107,703
Gain on sales of treasury stock	1	0	9
Balance at end of the year	¥ 12,654	¥12,653	\$ 107,712
Net unrealized loss on land revaluation:			
Balance at beginning of the year	¥ (3,091)	¥(3,091)	\$ (26,311)
Transfer to retained earnings	(41)	—	(349)
Adjustment to deferred tax assets on land revaluation reserve	(8,915)	—	(75,885)
Balance at end of the year	¥(12,047)	¥(3,091)	\$(102,545)
Retained earnings:			
Balance at beginning of the year	¥ 39,344	¥36,199	\$ 334,899
Net income	6,607	4,449	56,239
Appropriations:			
Cash dividends	(1,313)	(1,130)	(11,176)
Bonuses to directors and corporate auditors	(170)	(101)	(1,447)
Decrease resulting from initial consolidation of additional subsidiaries	—	(73)	—
Transfer from net unrealized loss on land revaluation	41	—	349
Balance at end of the year	¥ 44,509	¥39,344	\$ 378,864
Net unrealized holding gain on securities:			
Balance at beginning of the year	¥ 8,591	¥ 7,066	\$ 73,127
Net changes during the year	8,158	1,525	69,442
Balance at end of the year	¥ 16,749	¥ 8,591	\$ 142,569
Translation adjustments:			
Balance at beginning of the year	¥ (1,575)	¥(2,003)	\$ (13,406)
Net changes during the year	1,146	428	9,754
Balance at end of the year	¥ (429)	¥(1,575)	\$ (3,652)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
For the years ended March 31, 2006 and 2005

	MILLIONS OF YEN	THOUSANDS OF U.S. DOLLARS (NOTE 1)	
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes and minority interests	¥12,609	¥ 8,598	\$107,329
Adjustments for:			
Depreciation	5,509	5,504	46,893
Loss on impairment of fixed assets	32	—	272
Gain on sales of property, plant and equipment	(305)	(866)	(2,596)
Allowance for doubtful accounts, net	(43)	(85)	(366)
Decrease in accrued retirement benefits	(763)	(568)	(6,495)
Increase (decrease) in obligation on transfer to defined contribution pension plans	488	(447)	4,154
Increase in trade notes and accounts receivable	(4,194)	(2,380)	(35,699)
Increase in inventories	(3,147)	(630)	(26,788)
Increase in trade notes and accounts payable	4,441	3,168	37,802
Other	958	963	8,155
Subtotal	15,585	13,257	132,661
Interest and dividends received	359	209	3,056
Interest paid	(990)	(1,210)	(8,427)
Income taxes paid	(4,273)	(2,583)	(36,372)
Net cash provided by operating activities	10,681	9,673	90,918
Cash flows from investing activities:			
Decrease in time deposits	4	93	34
Increase in investments in securities	(20)	(192)	(170)
Proceeds from sales of investments in securities	142	188	1,209
Increase in investments in affiliates	(155)	(439)	(1,319)
Increase in long-term loans receivable	(66)	(48)	(562)
Decrease in long-term loans receivable	68	171	579
Purchases of property, plant and equipment	(6,786)	(3,034)	(57,763)
Proceeds from sales of property, plant and equipment	1,218	796	10,367
Net cash used in investing activities	(5,595)	(2,465)	(47,625)
Cash flows from financing activities:			
(Decrease) increase in short-term loans, net	(1,694)	2,658	(14,419)
Proceeds from long-term loans	1,000	3,156	8,512
Repayment of long-term loans	(8,183)	(6,985)	(69,654)
Issuance of bonds	6,955	—	59,201
Redemption of bonds	(1,700)	(6,200)	(14,471)
Payments on installment payables	(451)	(456)	(3,839)
Cash dividends paid	(1,313)	(1,130)	(11,176)
Cash dividends paid to minority interests	(160)	(119)	(1,362)
Purchases of treasury stock	(51)	(339)	(434)
Proceeds from sales of treasury stock	1	3	8
Net cash used in financing activities	(5,596)	(9,412)	(47,634)
Effect of exchange rate changes on cash and cash equivalents			
Net decrease in cash and cash equivalents	205	73	1,745
Cash and cash equivalents at beginning of the year	(305)	(2,131)	(2,596)
(Decrease) increase in cash and cash equivalents resulting from initial inclusion in or exclusion from consolidation	11,562	13,681	98,417
Cash and cash equivalents at end of the year	(273)	12	(2,324)
	¥10,984	¥11,562	\$ 93,497

See accompanying notes to consolidated financial statements.

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	2005	2006	2005	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	2005	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 2006	2005	THOUSANDS OF U.S. DOLLARS 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 2006	2005	THOUSANDS OF U.S. DOLLARS 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
<hr/>				
	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 2006			THOUSANDS OF U.S. DOLLARS 2006
	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 2006	2005	THOUSANDS OF U.S. DOLLARS 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 2006	THOUSANDS OF U.S. DOLLARS 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
Retirement benefit obligation	¥(14,108)	¥(16,078)
Plan assets at fair value	3,123	3,748
Unfunded retirement benefit obligation	(10,985)	(12,330)
Unrecognized actuarial loss	1,069	1,306
Accrued retirement benefits	¥ (9,916)	¥(11,024)
	\$ (120,088)	\$ (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	2006
Decrease in retirement benefit obligation			
Decrease in retirement benefit obligation	¥ 3,188	\$ 27,137	\$ 27,137
Plan assets transferred from tax-qualified pension plans			
Plan assets transferred from tax-qualified pension plans	(1,455)	(12,385)	(12,385)
Unrecognized actuarial loss			
Unrecognized actuarial loss	(472)	(4,018)	(4,018)
Unrecognized prior service cost			
Unrecognized prior service cost	(173)	(1,473)	(1,473)
Decrease in accrued retirement benefits			
Decrease in accrued retirement benefits	1,088	9,261	9,261
Plan assets to be transferred to defined contribution pension plans			
Plan assets to be transferred to defined contribution pension plans	(1,361)	(11,585)	(11,585)
Net loss on amendments to retirement benefit plans			
Net loss on amendments to retirement benefit plans	¥ (273)	\$ (2,324)	\$ (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 2006	THOUSANDS OF U.S. DOLLARS 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 THOUSANDS OF	
	YEN	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	THOUSANDS OF
	YEN	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 non-performance 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				Total	Eliminations	Consolidated
	Japan	North America	Europe	Asia and Oceania			
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				Total	Eliminations	Consolidated
	Japan	North America	Europe	Asia and Oceania			
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				Total	Eliminations	Consolidated
	Japan	North America	Europe	Asia and Oceania			
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

Report of Independent Auditors

The Board of Directors
TSUBAKIMOTO CHAIN CO.

We have audited the accompanying consolidated balance sheets of TSUBAKIMOTO CHAIN CO. and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TSUBAKIMOTO CHAIN CO. and consolidated subsidiaries at March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

June 29, 2006

Ernst & Young ShinNihon

Tsubaki Group Companies

As of March 31, 2006

* Consolidated Subsidiary

	Paid-in Capital	Equity Owned by Tsubakimoto Chain Co.	Number of Employees	Date of Establishment	Principal Business
JAPAN					
TSUBAKI EMERSON CO.*	¥460.0 million	70.6%	537	April 2002	Manufacture and sales of power transmission products
TSUBAKIMOTO CUSTOM CHAIN CO.*	¥125.0 million	99.6%	195	October 1951	Manufacture of power transmission chains
TSUBAKIMOTO SPROCKET CO.*	¥126.0 million	99.9%	139	October 1968	Manufacture and sales of sprockets
TSUBAKIMOTO IRON CASTING CO., LTD.*	¥ 50.0 million	100.0%	54	October 1968	Manufacture and sales of casting products
TSUBAKI YAMAKYU CHAIN CO. (Newly consolidated on April 3, 2006)	¥126.0 million	51.0%	174	September 1939	Manufacture and sale of various types of plastic chain and automated equipment
SHINKO MACHINERY CO.	¥ 50.0 million	50.0%	35	March 1971	Manufacture of conveyor chains
KATO MANUFACTORY CO., LTD.	¥ 30.0 million	20.0%	20	July 1968	Manufacture of tire chains
TSUBAKIMOTO MAYFRAN INC.*	¥ 90.0 million	50.0%	97	November 1973	Manufacture and sales of chip conveyors
TSUBAKIMOTO BULK SYSTEMS CORP.*	¥150.0 million	100.0%	143	April 1981	Manufacture and sales of bulk materials handling systems
TSUBAKIMOTO MACHINERY CO.*	¥139.0 million	68.2%	123	April 1971	Sales of Tsubakimoto Chain products
HOKKAIDO TSUBAKIMOTO CHAIN CO., LTD.*	¥ 30.0 million	100.0%	14	October 1961	Sales of Tsubakimoto Chain products
TSUBAKIMOTO NISHINIHON CO., LTD.*	¥ 90.0 million	50.0%	51	October 1993	Sales of Tsubakimoto Chain products
TSUBAKI SUPPORT CENTER CO.*	¥ 80.0 million	100.0%	110	October 1970	Back-office services
NORTH AMERICA					
U.S. TSUBAKI, INC.* 301 E. Marquardt Drive, Wheeling, IL 60090-6497, U.S.A. Telephone: (847) 459-9500 Facsimile: (847) 459-9515	US\$33,500,000	100.0%	774	February 1971	Manufacture and sales of power transmission products
Holyoke Plant					Manufacture of roller chains
Chicopee Plant					Manufacture of automotive parts
Sandusky Plant					Manufacture of engineering chains
BALLANTINE, INC.* 840 McKinley Street, Anoka, MN 55303-1146, U.S.A. Telephone: (763) 427-3959 Facsimile: (763) 427-2277	US\$50,000	U.S. Tsubaki 100.0%	36	March 1988	Sales of trencher parts
TSUBAKI OF CANADA LIMITED* 1630 Drew Road, Mississauga, Ontario, L5S 1J6 Canada Telephone: (905) 676-0400 Facsimile: (905) 676-0904	C\$6,295,955	100.0%	129	July 1973	Manufacture and sales of power transmission products
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	US\$900,000	100.0%	53	July 1983	Manufacture and sales of materials handling systems
EUROPE					
TSUBAKIMOTO EUROPE B.V.* Belder 1, 4704 RK, Roosendaal, The Netherlands Telephone: (165) 594800 Facsimile: (165) 549450	EUR2,722,681	100.0%	62	April 1972	Sales of power transmission products
TSUBAKIMOTO U.K. LTD.* Osier Drive, Sherwood Park, Annesley, Nottingham, NG15 0DX, United Kingdom Telephone: (1623) 688700 Facsimile: (1623) 688789	£550,000	Tsubakimoto Europe 100.0%	67	March 1985	Manufacture and sales of power transmission products
T.E.E.U. LIMITED 55 Kedleston Court, Norbury Close, Allestree, Derby, DE22 2QF, United Kingdom Telephone: (1332) 551277 Facsimile: (1332) 551277	£30,000	100.0%	0	March 1990	Sales and maintenance of materials handling systems

	Paid-in Capital	Equity Owned by Tsubakimoto Chain Co.	Number of Employees	Date of Establishment	Principal Business
ASIA & OCEANIA					
TAIWAN TSUBAKIMOTO CO.* No. 7 Feng Sun Keng, Kuei Shan-Hsiang, Taoyuan-Hsien, Taiwan Telephone: (33) 293827~9 Facsimile: (33) 293065	NT\$70,000,000	99.9%	97	January 1970	Manufacture and sales of power transmission products
TSUBAKIMOTO SINGAPORE PTE. LTD.* 25 Gul Lane, Jurong, Singapore 629419 Telephone: 6861 0422~4 Facsimile: 6861 7035	¥271.1 million	100.0%	22	January 1981	Sales of power transmission products
TSUBAKIMOTO AUTOMOTIVE (THAILAND) CO., LTD.* 700-467 Moo 7, Amata Nakorn Industrial Estate, Tambol Don Hua Roh, Amphur Muang, Chonburi 20000, Thailand Telephone: (38) 454021~4 Facsimile: (38) 454025	THB70,000,000	100.0%	60	March 2002	Manufacture, sales, and exports of timing drive systems
TSUBAKIMOTO (THAILAND) CO., LTD.* 999/9 The Offices at Centralworld, No. 1001, Rama 1 Road, Pathumwan, Bangkok 10330, Thailand Telephone: (2) 264-5354~6 Facsimile: (2) 251-3912	THB4,000,000	Tsubakimoto Singapore 95.1%	4	March 2002	Sales of power transmission products
TSUBAKI AUSTRALIA PTY. LIMITED* Unit E, 95-101 Silverwater Road, Silverwater, N.S.W. 2128, Australia Telephone: (2) 9648-5269 Facsimile: (2) 9648-3115	AU\$300,000	100.0%	30	May 1987	Sales of power transmission products
TSUBAKIMOTO AUTOMOTIVE (SHANGHAI) CO., LTD. No. 3 Building, No.1588 Gaotai Rd., Jiading Industrial Area Shanghai 201821 People's Republic of China Telephone: (21) 6916-9441 Facsimile: (21) 6916-9446	US\$2,500,000	100.0%	31	April 2004	Manufacture, sales, and exports of timing drive systems
TSUBAKIMOTO CHAIN TRADING (SHANGHAI) CO., LTD. Room 1712, Lippo Plaza, No. 222 Huai Hai Zhong Rd., Shanghai 200021, People's Republic of China Telephone: (21) 5396-6651 Facsimile: (21) 5396-6628	US\$400,000	100.0%	13	June 2004	Imports and exports of power transmission products
TSUBAKI KABELSCHLEPP SHANGHAI CO., LTD. Rm. 701 Dongfang Road Pudong Shanghai 200122 People's Republic of China Telephone: (21) 6867-0511 Facsimile: (21) 6876-9456	US\$200,000	60.0%	11	November 2000	Imports and sales of cableveyors
TSUBAKI EMERSON GEAR (TIANJIN) CO., LTD.* 135 Dong Ting Road, Teda, Tianjin, 300457, People's Republic of China Telephone: (22) 2532-6410 Facsimile: (22) 2532-6421	RMB48,334,923	Tsubaki Emerson 52.2%	124	June 1990	Manufacture and sales of power transmission products
TSUBAKI EMERSON MACHINERY (SHANGHAI) CO., LTD. No. 4 Building, No. 1588 Gaotai Rd., Jiading Industrial Area, Shanghai 201821, People's Republic of China Telephone: (21) 6916-9305 Facsimile: (21) 6916-9308	US\$1,200,000	Tsubaki Emerson 100.0%	29	July 2004	Manufacture and sales of power transmission products
TIANJIN DONGCHUN-TAIKI METAL FINISHING & CONVEYOR SYSTEM MANUFACTURING CO., LTD. Yang Cheng Zhuang Bridge 4, Southwest Side, Jinghai, Tianjin, 301617, People's Republic of China Telephone: (22) 6864-5848 Facsimile: (22) 6864-5849	US\$500,000	20.0%	101	January 2004	Manufacture and sales of materials handling systems
SHANGHAI DONGBO-TAIKI CONVEYOR SYSTEM MANUFACTURING CO., LTD. Room 1128 Pine City Hotel, No. 8, Dong An Road Shanghai 200032, People's Republic of China Telephone: (21) 6443-0780 Facsimile: (21) 6443-9478	US\$900,000	20.0%	49	March 2005	Manufacture and sales of materials handling systems
TIANJIN TSUBAKIMOTO CONVEYOR SYSTEMS CO., LTD. Beichen District, Tianjin, 300400, People's Republic of China Telephone: (22) 2681-8124 Facsimile: (22) 2639-8721	RMB8,314,833	Tsubakimoto Bulk Systems 47.0%	39	August 1995	Manufacture and sales of bulk materials handling systems
KOREA CONVEYOR IND. CO., LTD. 688 7L, Namdong Industrial Estate, 627-3, Gojan-dong, Namdong-gu, Incheon, Republic of Korea Telephone: (32) 817-0160 Facsimile: (32) 819-9168	KRW1,200,000,000	49.0%	125	January 1970	Manufacture and sales of materials handling systems and conveyor chains
KOREA MAYFRAN CO., LTD. 688 7L, Namdong Industrial Estate, 627-3, Gojan-dong, Namdong-gu, Incheon, Republic of Korea Telephone: (32) 822-5886~7 Facsimile: (32) 822-5897	KRW600,000,000	Tsubakimoto Mayfran Korea Conveyor 25.0%	16	October 1990	Manufacture and sales of chip conveyors
TSUBAKIMOTO MAYFRAN CONVEYOR (SHANGHAI) CO., LTD. No. 1688-B Hong De Road, Jiading Industrial Area, Shanghai 201821, People's Republic of China Telephone: (21) 6916-9916 Facsimile: (21) 6916-9918	US\$1,200,000	Tsubakimoto Mayfran 100.0%	22	June 2005	Manufacture and sales of chip conveyors

Corporate Data and Stock Information

As of March 31, 2006

1. Corporate Data

Company Name	TSUBAKIMOTO CHAIN CO.	Fiscal Year-End	March 31
Date of Incorporation	January 1941	Number of Consolidated Subsidiaries	22
Paid-in Capital	¥17,076 million	Number of Equity-Method Affiliates	2
Headquarters	3-3-3, Nakanoshima, Kita-ku Osaka 530-0005, Japan (as of August 7, 2006)	Number of Employees	Consolidated 4,675 Non-consolidated 1,754
Telephone	+81-6-6441-0011		

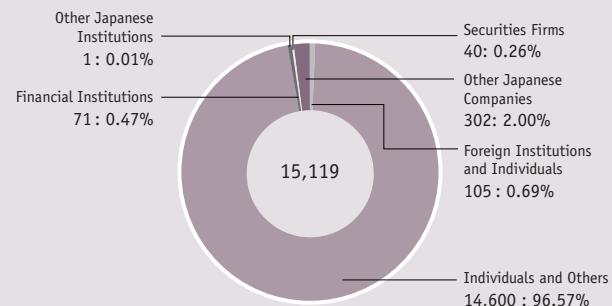
2. Stock Information

Shareholder Register	The Chuo Mitsui Trust and Banking Company, Limited
Stock Listings	Tokyo, Osaka, and Nagoya
Common Stock	Authorized: 299,000,000 shares Issued: 191,406,969 shares
Number of Shareholders	15,119

Major Shareholders

Name	Number of shares held (thousands)	% of total shares issued
Taiyo Life Insurance Company	16,398	8.6
The Bear Stearns Companies Inc.	14,999	7.8
The Master Trust Bank of Japan, Ltd.	12,483	6.5
Nippon Life Insurance Company	12,029	6.3
Toyota Motor Corporation	7,722	4.0
Sumitomo Mitsui Banking Corporation	6,689	3.5
Japan Trustee Services Bank, Ltd.	6,454	3.4
Kyoeikai Employee Stock Ownership Association	4,387	2.3
The Chuo Mitsui Trust and Banking Company, Limited	4,245	2.2
TSUBAKIMOTO CHAIN CO.	3,865	2.0

Composition of Shareholders



Composition of Issued Shares by Type of Shareholder

