Financial Section

Eleven-Year Financial Summary

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Years ended March 31

	2008	2007	2006	2005
Net sales	¥167,203	¥155,747	¥147,761	¥129,563
Operating income	19,805	16,008	13,830	10,448
Income (loss) before income taxes and minority interests	18,485	17,635	12,609	8,598
Net income (loss)	10,371	8,541	6,607	4,449
Net income (loss) per share (yen and U.S. dollars)	¥ 55.70	¥ 45.55	¥ 34.78	¥ 22.77
Diluted net income (loss) per share (yen and U.S. dollars)	—	—	—	—
Interest expense:				
Net	¥ 839	¥ 951	¥ 909	¥ 1,161
Gross: Interest received	124	73	85	34
Interest paid	963	1,024	994	1,195
Capital expenditures	10,225	10,894	7,489	3,698
Depreciation and amortization	7,302	5,948	5,509	5,504
Total current assets	90,534	92,961	78,856	72,125
Total current liabilities	53,959	58,106	56,337	53,801
Property, plant and equipment, net	83,412	81,796	76,263	75,394
Total long-term liabilities	60,855	68,465	60,918	49,850
Total assets	202,317	212,740	198,458	179,263
Paid-in capital	17,077	17,077	17,077	17,077
Retained earnings	60,318	51,279	44,509	39,344
Total shareholders' equity	81,605	81,034	77,098	71,634
Equity ratio (%)	40.3	38.1	38.8	40.0
ROE (%)	12.8	10.8	8.9	6.4
D/E ratio	0.48	0.52	0.51	0.61
Net cash provided by operating activities	¥ 20,873	¥ 10,107	¥ 10,681	¥ 9,673
Net cash (used in) provided by investing activities	(11,481)	(5,879)	(5,595)	(2,465)
Net cash (used in) provided by financing activities	(5,583)	(647)	(5,596)	(9,412)
Cash and cash equivalents at end of the year	17,745	14,618	10,984	11,562
Number of shares outstanding at end of the year* (thousands)	186,077	187,492	187,541	187,613
Number of employees	5,371	5,114	4,675	4,765

* Excluding treasury stock

Millions of Yen unless Noted Otherwise							Thousands of U.S. Dollars (Note 1)
2004	2003	2002	2001	2000	1999	1998	2008
¥119,141	¥116,670	¥113,741	¥114,206	¥106,281	¥110,919	¥128,298	**$1,668,858**
7,951	7,351	6,038	6,962	2,705	2,358	6,435	**197,677**
6,537	2,800	2,661	226	2,725	(1,018)	5,508	**184,503**
3,385	1,531	1,202	465	1,218	(1,715)	2,709	**103,517**
¥ 17.40	¥ 7.92	¥ 6.27	¥ 2.42	¥ 6.36	¥ (8.92)	¥ 14.08	**$ 0.556**
—	—	—	—	—	—	—	**—**
¥ 1,363	¥ 1,636	¥ 1,585	¥ 1,666	¥ 1,577	¥ 1,163	¥ 1,172	**$ 8,375**
68	103	223	284	162	263	323	**1,240**
1,431	1,739	1,808	1,950	1,739	1,426	1,495	**9,615**
3,506	2,942	16,194	10,251	32,487	5,157	15,050	**102,057**
6,083	6,736	5,611	4,321	4,444	4,620	4,729	**72,877**
69,735	83,074	90,750	93,984	83,143	72,541	81,622	**903,618**
48,395	52,062	58,125	65,374	50,080	47,256	62,224	**538,563**
76,307	80,416	85,381	82,179	76,352	48,249	48,837	**832,542**
56,758	67,638	77,676	74,066	67,474	27,397	18,710	**607,396**
175,432	183,260	201,555	208,877	184,468	137,691	147,668	**2,019,329**
17,077	17,077	17,077	17,077	17,077	17,077	17,077	**170,443**
36,199	33,975	33,500	33,480	34,020	31,943	35,260	**602,033**
66,873	60,307	62,674	66,463	63,750	61,673	64,989	**814,503**
38.1	32.9	31.1	31.8	34.6	44.8	44.0	
5.3	2.5	1.9	0.7	1.9	—	4.2	
0.75	1.08	1.22	1.18	1.16	0.73	0.64	
¥ 7,995	¥ 12,020	¥ 7,709	¥ 5,968	¥ 3,268	¥ 6,951	¥ 2,740	**$ 208,336**
9,068	(3,014)	(10,718)	(10,834)	(28,755)	(4,527)	(4,475)	**(114,599)**
(15,538)	(14,216)	(4,243)	2,026	27,166	2,427	1,021	**(55,715)**
13,681	12,417	17,679	24,853	27,586	24,879	20,029	**177,110**
188,544	188,723	191,386	191,406	191,406	191,406	192,406	
4,709	4,871	4,916	5,237	5,440	5,368	5,720	

Report and Analysis of Financial Condition and Results of Operations for Fiscal 2008 (Consolidated)

Highlights and Main Points

■ Overall Operating Results

Sales and income reached historical highs for the third straight fiscal year, and increased for the sixth consecutive fiscal year. The overseas sales ratio continued increasing, and return on equity (ROE) was 12.8% (up 2.0 percentage points).

■ Results by Business Segment

Sales and operating income increased in all segments, but particularly in the Materials Handling Systems segment where the operating income margin improved substantially and reached double figures, principally due to design and manufacturing cost-cutting measures.

■ Results by Region

Sales and income increased in the four main regions of Japan, North America, Europe, and Asia and Oceania. Of particular note was the fact that operating income in Asia and Oceania exceeded that of Japan.

■ Financial Standing and Cash Flow

The debt to equity (D/E) ratio (net) continued improving, while free cash flow doubled year on year.

Detailed Analysis of Management Performance—Major Items on the Income Statement

Net Sales

The Tsubaki Group's sales are susceptible to trends in private-sector capital investment and automotive sales, and both of these were sluggish in Japan, the U.S., Europe, and other developed countries. Nonetheless, consolidated net sales increased 7.4% year on year, to ¥167,203 million, reaching a previous historical high.

In Japan, sales increased 7.3% year on year. Shipments of chains and of power transmission units and components rose, particularly for steel, machine tool, and automotive applications. In addition to growth for both of these businesses, sales to the LCD IT industry recovered in the second half of the fiscal year after contracting in the previous term. In Automotive Parts operations, demand was generally firm, underpinned by brisk exports.

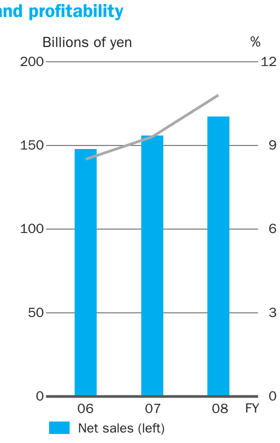
Overseas sales climbed 7.5% year on year, and the overseas sales ratio rose, to 37.5%. In particular, sales in North America increased 23.7%, supported by rising automotive parts sales and major orders in the Materials Handling Systems segment, while the Company increased sales in Europe 8.9% by tapping into new customers.

Operating Income

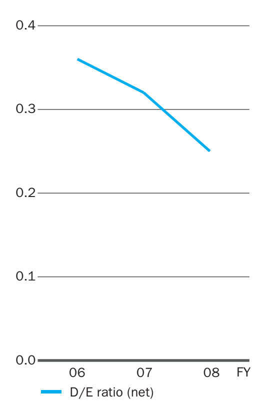
Operating income advanced 23.7% year on year, to ¥19,805 million, and the operating income margin rose 1.5 percentage points, to 11.8%.

As operations expanded, depreciation and amortization increased about ¥1,300 million, helping to push up the selling, general and administrative (SG&A) cost to sales ratio by 0.2 percentage point. This was negated by advancing sales and improvement in the cost of sales ratio by 1.7 percentage points.

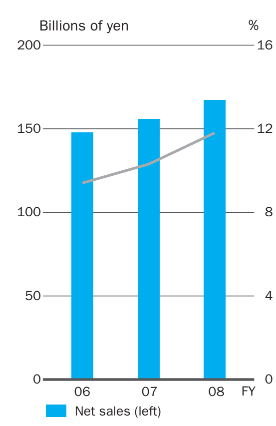
Trends in growth potential and profitability



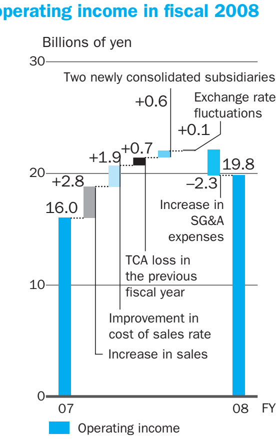
Trends in financial soundness



Net sales



Analysis of changes to operating income in fiscal 2008



Ordinary Income

Ordinary income rose by 24.1% year on year, to ¥18,051 million.

Losses on the sale and elimination of fixed assets (about ¥460 million) and growing losses on forex differences compared with the previous fiscal year (about ¥680 million) were partially offset by a net improvement in financial earnings (around ¥110 million) and declining other net non-operating expenses (around ¥640 million). Furthermore, net non-operating income deteriorated by around ¥280 million.

Net Income

Net income increased 21.4% year on year, to ¥10,371 million.

Extraordinary income amounted to ¥434 million, marking a steep decline of about ¥3,103 million from the previous term. This was mainly due to the elimination of income from the sales of negotiable securities (about ¥3,400 million) that had been recorded in the previous fiscal year. However, the Company did not record any extraordinary losses (these totaled about ¥440 million in the previous fiscal year).

As a result, ROE was 12.8%, which represented a year on year improvement of 2.0 percentage points.

Reflecting the healthy operating results recorded in the fiscal year under review, the Company decided to pay dividends of ¥8 per share, an increase of ¥1 from the previous fiscal year. The consolidated dividend payout was down 1.0 percentage point, at 14.4%. We have increased the retained earnings ratio in order to decentralize production to other plants as a risk avoidance measure, particularly in Automotive Parts operations, and to aggressively improve production capabilities. We intend to maximize the Group's enterprise value over the medium to long term by decentralizing production basis and actively pursuing growth.

Analysis of Results by Business Segment and Segment Data

Segment Data by Business

1. Power Transmission Products Segment

Net sales in the segment totaled ¥133,565 million, a rise of 8.6% year on year, operating income amounted to ¥19,429 million, an increase of 11.8%, and the operating income margin was 14.5%, an increase of 0.4 percentage point.

In Chain operations, sales gains were especially strong for large conveyor systems and plastic chains.

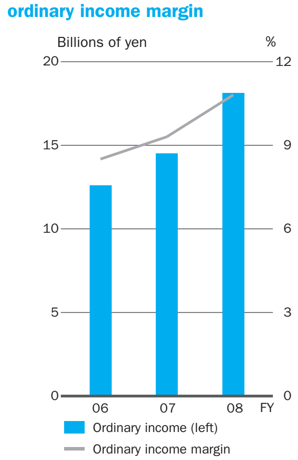
In Power Transmission Units and Components operations, sales of clutches and reducers and variable speed drives were firm. However, sales of products such as actuators declined.

In Automotive Parts operations, overseas subsidiaries' sales and income increased markedly, with sales increasing in UST (North America), in TAT (Thailand), as well as in TAS (China), which was newly included in the scope of consolidation from fiscal 2008.

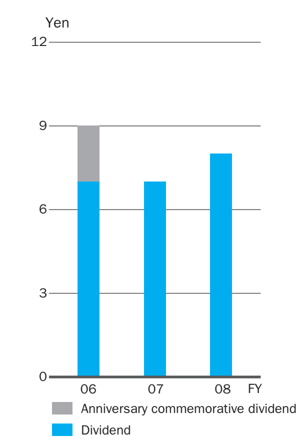
2. Materials Handling Systems Segment

Net sales in the segment were ¥33,078 million, an increase of 2.8% year on year, operating income totaled ¥3,950 million, a rise of 110%, and the operating income margin was 11.9%, representing a substantial improvement of 6.1 percentage points. Sharply improving income and income margins reflected thorough efforts to strengthen project management in the wake of large additional outlays for projects in North America in the previous fiscal year.

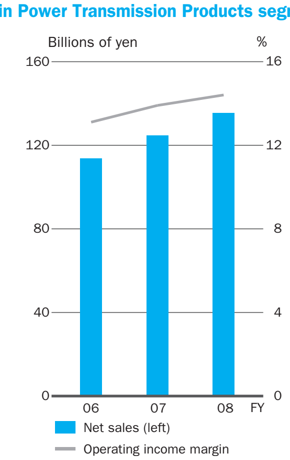
Ordinary income and ordinary income margin



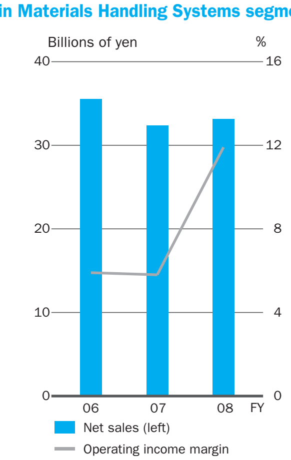
Cash dividends per share



Net sales and operating income margin in Power Transmission Products segment



Net sales and operating income margin in Materials Handling Systems segment



Report and Analysis of Financial Condition and Results of Operations for Fiscal 2008 (Consolidated)

Segment Data by Region

1. Japan

Net sales were ¥130,545 million, an increase of 3.3% year on year, operating income totaled ¥16,486 million, up 4.5%, and the operating income margin was 12.6%, up 0.1 percentage point. Growth registered by the parent company and by subsidiaries such as Tsubakimoto Bulk Systems and Tsubakimoto Mayfran fueled rising sales and income.

2. North America

Net sales were ¥36,003 million, an increase of 24.7% year on year, operating income was ¥3,146 million, up 141.9%, and the operating income margin improved substantially by 4.2 percentage points, to 8.7%. Income margins have improved mainly on the back of continuing growth in Automotive Parts operations, especially from timing chain drive systems, and from the Materials Handling Systems segment in tandem with further increases in market share.

3. Europe

Net sales were ¥10,071 million, an increase of 10.2% year on year, operating income totaled ¥1,205 million, up 42.5%, and the operating income margin improved 2.7 percentage points, to 12.0%. In Chain operations, the Company was successful in winning major orders for chains for large conveyor systems in Europe for the first time. At the same time, Automotive Parts operations made steady progress in attracting orders from non-Japanese car manufacturers.

4. Asia and Oceania

Net sales were ¥11,967 million, an increase of 58.7% year on year, operating income was ¥1,997 million, up 80.1%, and the operating income margin was 16.7%, an improvement of 2.0 percentage points. Subsidiaries in Automotive Parts operations posted surging earnings, particularly in China (businesses were newly consolidated in fiscal 2008) and in Thailand.

Analysis of Financial Condition

Assets

Total assets stood at ¥202,317 million at the end of the fiscal year, down 4.9%, or ¥10,423 million, from the end of the previous term. Although the Group has steadily expanded its business performance, its consistent efforts to use capital outlays efficiently in paring down the balance sheet as much as possible led to a decrease in total assets during fiscal 2008. Property, plant and equipment, net, rose ¥1,616 million as capital investment increased, but total current assets and total investments and other assets declined ¥2,427 million and ¥9,612 million, respectively.

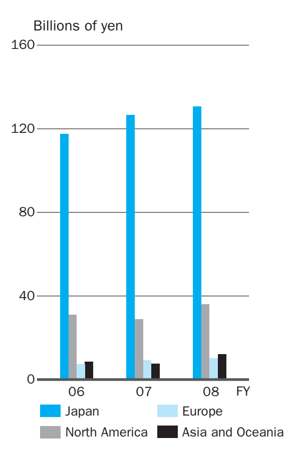
Liabilities

Total liabilities stood at ¥114,814 million at the end of the fiscal 2008, down 9.3%, or ¥11,757 million, from a year earlier. The balance of interest-bearing debt fell ¥2,997 million, or 7.1%, to ¥39,315 million. In addition, because of a banking holiday at the end of the fiscal year, trade notes and accounts payable fell ¥3,699 million, and deferred tax liabilities decreased ¥3,204 million because of a contraction in valuation difference on negotiable securities, which helped depress total liabilities.

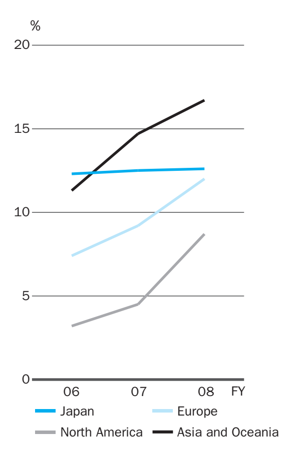
Net Assets

Total net assets stood at ¥87,503 million at the end of the fiscal 2008, marking an increase of ¥1,334 million, or 1.5%, from a year earlier. As a result, net asset value per share increased ¥6.36, to ¥438.56. The shareholders' equity ratio rose 2.2 percentage points, to 40.3%.

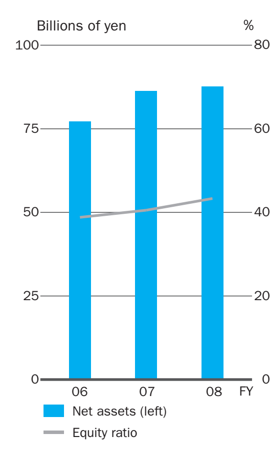
Net sales by region



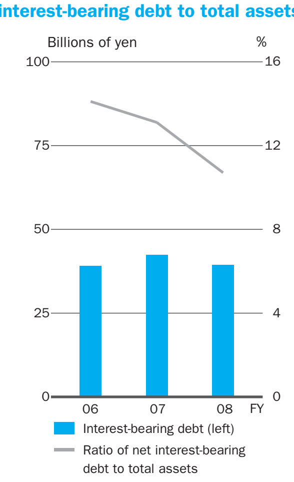
Operating income margin by region



Net assets and equity ratio



Interest-bearing debt and ratio of net interest-bearing debt to total assets



Analysis of Cash Flows

Net Cash Provided by Operating Activities

Net cash from operating activities was ¥20,873 million, an increase of ¥10,766 million from the previous year.

Income before income taxes and minority interests came to ¥18,485 million, up ¥850 million, and depreciation and amortization rose ¥1,354 million, to ¥7,302 million, while income taxes paid came to ¥6,809 million.

Net Cash Used in Investing Activities

Net cash used in investing activities was ¥11,481 million, an increase of ¥5,602 million from the previous year.

Purchases of property, plant and equipment totaled ¥11,343 million, and included construction of a new office building, construction at automotive parts production facilities, and other purposes. This represented a year-on-year increase of ¥1,074 million.

Net Cash Used in Financing Activities

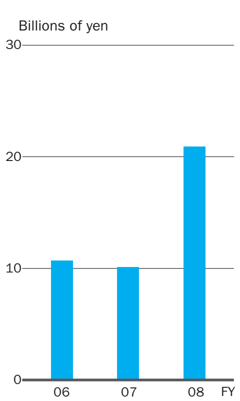
Net cash used in financing activities totaled ¥5,583 million, an increase of ¥4,936 million from the previous year.

Cash was used for purchases of treasury stock (¥1,080 million) and for dividends paid (¥1,308 million). However, interest-bearing debt declined 7.1%, or ¥2,997 million, from the previous year.

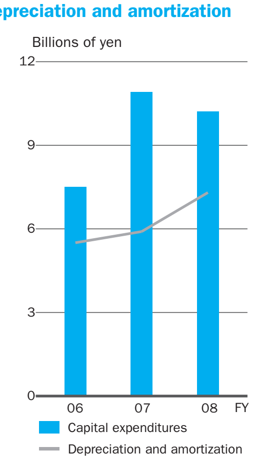
Cash and Cash Equivalents

The balance of cash and cash equivalents was ¥17,745 million at the end of the fiscal year, an increase of ¥3,127 million from a year earlier.

Net cash from operating activities



Capital expenditures and depreciation and amortization



Risk Factors and Countermeasures

Risks from Surging Raw Material Prices

The Group has been revising product prices and made concerted efforts to reduce the cost of sales through higher productivity. However, it may not be able to offset the repercussions of price hikes if raw material prices continue rising sharply over a protracted period.

Disaster Risks

A natural disaster or other event could negatively affect production capability at one or more of the Groups' plants. To cope with this risk, it is taking steps to reinforce its plants against earthquake damage, decentralize production, and enact other measures.

Risks to Overseas Business Activities

Political or economic upheaval in countries and regions where the Group markets its products and procures materials and parts may adversely affect business performance. To cope with these risks, the Group works to quickly acquire relevant data and minimize risks as much as possible through the decentralization and diversification of its operations.

Risks from Currency Exchange Rates

As the Group seeks aggressive expansion internationally, it hedges against risks from currency exchange contracts by dispersing account settlements between order, sales, and other accounting periods. However, major near-term volatility in exchange rates may negatively affect business performance.

Risks from Interest Rate Volatility

Increases in interest rates that raise interest payments may adversely affect the Group's performance. To cope with this risk, the Group steadily works to reduce interest-bearing debt and adjusts the long-term portion of its loan balance to appropriate levels.

Note: The risks outlined above are not representative of all of the potential risks faced by the Group. The countermeasures described will not necessarily reduce risk.

Consolidated Balance Sheets

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Assets	**2008**	2007	**2008**
Current assets:			
Cash and cash equivalents	**¥ 17,745**	¥ 14,618	**$ 177,110**
Time deposits (Note 6)	**256**	526	**2,555**
Trade notes and accounts receivable	**42,901**	48,943	**428,200**
Inventories (Note 5)	**25,218**	24,631	**251,704**
Deferred tax assets (Note 7)	**2,860**	3,466	**28,545**
Other current assets	**1,940**	1,072	**19,356**
Allowance for doubtful accounts	**(386)**	(295)	**(3,852)**
Total current assets	**90,534**	92,961	**903,618**
Property, plant and equipment, at cost (Note 6):			
Land (Notes 10 and 14)	**36,653**	36,535	**365,836**
Buildings and structures (Note 14)	**46,265**	43,557	**461,770**
Machinery, equipment and vehicles	**69,468**	68,098	**693,364**
Tools, furniture and fixtures	**15,931**	16,073	**159,004**
Construction in progress	**2,951**	4,876	**29,459**
Subtotal	**171,268**	169,139	**1,709,433**
Less accumulated depreciation	**(87,856)**	(87,343)	**(876,891)**
Property, plant and equipment, net	**83,412**	81,796	**832,542**
Investments and other assets:			
Investment in securities (Notes 4 and 6)	**19,671**	28,851	**196,335**
Investments in unconsolidated subsidiaries and affiliates	**1,361**	1,656	**13,585**
Long-term loans receivable	**103**	121	**1,031**
Deferred tax assets (Note 7)	**1,558**	1,631	**15,551**
Other assets (Note 6)	**5,853**	5,869	**58,421**
Allowance for doubtful accounts	**(175)**	(145)	**(1,754)**
Total investments and other assets	**28,371**	37,983	**283,169**
Total assets	**¥202,317**	¥212,740	**$2,019,329**

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
Current liabilities:			
Short-term loans (Note 6)	¥ 8,221	¥ 8,077	$ 82,057
Current portion of long-term debt (Note 6)	2,460	2,411	24,553
Trade notes and accounts payable	26,758	30,457	267,069
Accrued income taxes	3,182	4,319	31,761
Accrued bonuses to employees	2,704	2,675	26,991
Accrued expenses	4,790	4,546	47,813
Other current liabilities (Note 6)	5,844	5,621	58,319
Total current liabilities	53,959	58,106	538,563
Long-term liabilities:			
Long-term debt (Note 6)	28,633	31,825	285,791
Accrued retirement benefits to employees (Note 8)	10,167	10,215	101,480
Accrued retirement benefits to directors and corporate auditors	534	466	5,332
Deferred tax liabilities (Note 7)	10,998	14,203	109,769
Deferred tax liabilities on land revaluation (Note 10)	6,773	6,773	67,605
Other long-term liabilities (Note 6)	3,750	4,983	37,419
Total long-term liabilities	60,855	68,465	607,396
Contingent liabilities (Note 9)			
Net assets:			
Shareholders’ equity (Notes 11 and 12):			
Common stock:			
Authorized – 299,000,000 shares in 2008 and 2007			
Issued – 191,406,969 shares in 2008 and 2007	17,077	17,077	170,443
Capital surplus	12,657	12,656	126,334
Retained earnings (Notes 12 and 20)	60,318	51,279	602,033
Treasury stock, at cost:			
5,329,914 shares in 2008 and 3,914,760 shares in 2007	(2,528)	(1,451)	(25,234)
Total shareholders’ equity	87,524	79,561	873,576
Valuation and translation adjustments:			
Net unrealized holding gain on securities (Note 4)	7,339	13,473	73,257
Net unrealized deferred gain (loss) on derivative instruments	268	(99)	2,680
Net unrealized loss on land revaluation (Note 10)	(12,047)	(12,047)	(120,246)
Translation adjustments	(1,479)	146	(14,764)
Total valuation and translation adjustments	(5,919)	1,473	(59,073)
Minority interests	5,898	5,135	58,867
Total net assets	87,503	86,169	873,370
Total liabilities and net assets	¥202,317	¥212,740	$2,019,329

Consolidated Statements of Income

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Net sales (Note 19)	¥167,203	¥155,747	$1,668,858
Cost of sales (Notes 13 and 19)	117,493	112,159	1,172,699
Gross profit	49,710	43,588	496,159
Selling, general and administrative expenses (Notes 13 and 19)	29,905	27,580	298,482
Operating income (Note 19)	19,805	16,008	197,677
Other income (expenses):			
Interest and dividend income	518	470	5,170
Interest expense	(963)	(1,024)	(9,615)
Equity in earnings (loss) of affiliates	90	(4)	897
Foreign exchange loss, net	(1,232)	(551)	(12,299)
Gain on sales of investments in securities, net (Note 4)	2	3,371	18
Gain on sales of investments in an affiliate	149	—	1,490
Gain on amendment to retirement benefit plans, net (Note 8)	114	124	1,134
Loss on impairment of fixed assets (Note 14)	—	(307)	—
Loss on sales or disposal of property, plant and equipment, net	(289)	(181)	(2,886)
Other, net	291	(271)	2,917
Income before income taxes and minority interests	18,485	17,635	184,503
Income taxes (Note 7):			
Current	6,095	7,094	60,839
Deferred	1,025	1,496	10,230
	7,120	8,590	71,069
Income before minority interests	11,365	9,045	113,434
Minority interests	(994)	(504)	(9,917)
Net income	¥ 10,371	¥ 8,541	$ 103,517

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

Millions of Yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Unrealized loss on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	¥17,077	¥12,654	¥44,509	¥(1,415)	¥16,749	¥ —	¥(12,047)	¥ (429)	¥4,105	¥81,203
Cash dividends paid	—	—	(1,688)	—	—	—	—	—	—	(1,688)
Bonuses to directors and corporate auditors	—	—	(83)	—	—	—	—	—	—	(83)
Net income	—	—	8,541	—	—	—	—	—	—	8,541
Purchases of treasury stock	—	—	—	(39)	—	—	—	—	—	(39)
Sales of treasury stock	—	2	—	3	—	—	—	—	—	5
Other net changes during the year	—	—	—	—	(3,276)	(99)	—	575	1,030	(1,770)
Balance at March 31, 2007	¥17,077	¥12,656	¥51,279	¥(1,451)	¥13,473	¥ (99)	¥(12,047)	¥ 146	¥5,135	¥86,169
Cash dividends paid	**—**	**—**	**(1,308)**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,308)**
Net income	**—**	**—**	**10,371**	**—**	**—**	**—**	**—**	**—**	**—**	**10,371**
Purchases of treasury stock	**—**	**—**	**—**	**(1,080)**	**—**	**—**	**—**	**—**	**—**	**(1,080)**
Sales of treasury stock	**—**	**1**	**—**	**3**	**—**	**—**	**—**	**—**	**—**	**4**
Decrease in retained earnings resulting from initial inclusion of a subsidiary in consolidation	**—**	**—**	**(24)**	**—**	**—**	**—**	**—**	**—**	**—**	**(24)**
Other net changes during the year	**—**	**—**	**—**	**—**	**(6,134)**	**367**	**—**	**(1,625)**	**763**	**(6,629)**
Balance at March 31, 2008	**¥17,077**	**¥12,657**	**¥60,318**	**¥(2,528)**	**¥ 7,339**	**¥268**	**¥(12,047)**	**¥(1,479)**	**¥5,898**	**¥87,503**

Thousands of U.S. Dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Unrealized loss on derivative instruments	Net unrealized loss on land revaluation	Translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	$170,443	$126,324	$511,820	$(14,484)	$134,471	$ (992)	$(120,246)	$ 1,465	$51,249	$860,050
Cash dividends paid	**—**	**—**	**(13,057)**	**—**	**—**	**—**	**—**	**—**	**—**	**(13,057)**
Net income	**—**	**—**	**103,517**	**—**	**—**	**—**	**—**	**—**	**—**	**103,517**
Purchases of treasury stock	**—**	**—**	**—**	**(10,775)**	**—**	**—**	**—**	**—**	**—**	**(10,775)**
Sales of treasury stock	**—**	**10**	**—**	**25**	**—**	**—**	**—**	**—**	**—**	**35**
Decrease in retained earnings resulting from initial inclusion of a subsidiary in consolidation	**—**	**—**	**(247)**	**—**	**—**	**—**	**—**	**—**	**—**	**(247)**
Other net changes during the year	**—**	**—**	**—**	**—**	**(61,214)**	**3,672**	**—**	**(16,229)**	**7,618**	**(66,153)**
Balance at March 31, 2008	**$170,443**	**$126,334**	**$602,033**	**$(25,234)**	**$ 73,257**	**$2,680**	**$(120,246)**	**$(14,764)**	**$58,867**	**$873,370**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 18,485	¥17,635	$ 184,503
Adjustments for:			
Depreciation and amortization	7,302	5,948	72,877
Loss on impairment of fixed assets	—	307	—
Loss on sales or disposal of property, plant and equipment	262	154	2,615
Gain on sale of investment in an affiliate	(149)	—	(1,490)
Gain on sales of investments in securities, net	(2)	(3,371)	(18)
Increase (decrease) in allowance for doubtful accounts	143	(31)	1,423
Increase in accrued retirement benefits to employees	47	93	465
Decrease in obligation on transfer to defined contribution pension plans included in other current liabilities and other long-term liabilities	(904)	(894)	(9,019)
Decrease (increase) in trade notes and accounts receivable	5,186	(7,228)	51,758
(Increase) decrease in inventories	(1,398)	231	(13,955)
(Decrease) increase in trade notes and accounts payable	(2,469)	2,755	(24,645)
Other	1,628	1,350	16,267
Subtotal	28,131	16,949	280,781
Interest and dividends received	526	477	5,249
Interest paid	(975)	(1,007)	(9,732)
Income taxes paid	(6,809)	(6,312)	(67,962)
Net cash provided by operating activities	20,873	10,107	208,336
Cash flows from investing activities:			
Decrease in time deposits	270	546	2,695
Purchases of investments in securities	(1,175)	(12)	(11,727)
Proceeds from sales of investments in securities	5	3,861	45
Payment for additional purchase of investment in a consolidated subsidiary	(5)	—	(51)
Acquisition of a newly consolidated subsidiary	—	(516)	—
Proceeds from sale of investment in an affiliate	219	—	2,183
Increase in long-term loans receivable	(63)	(76)	(625)
Collection of long-term loans receivable	57	115	567
Purchases of property, plant and equipment	(11,343)	(10,269)	(113,211)
Proceeds from sales of property, plant and equipment	554	472	5,525
Net cash used in investing activities	(11,481)	(5,879)	(114,599)
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	28	(40)	280
Proceeds from long-term loans	500	10,233	4,991
Repayment of long-term loans	(2,996)	(7,556)	(29,900)
Redemption for bonds	(160)	(960)	(1,597)
Payments on installment payables	(349)	(393)	(3,479)
Cash dividends paid	(1,308)	(1,688)	(13,057)
Cash dividends paid to minority interests	(222)	(209)	(2,213)
Purchases of treasury stock	(1,080)	(39)	(10,775)
Proceeds from sales of treasury stock	4	5	35
Net cash used in financing activities	(5,583)	(647)	(55,715)
Effect of exchange rate changes on cash and cash equivalents	(766)	53	(7,653)
Net increase in cash and cash equivalents	3,043	3,634	30,369
Cash and cash equivalents at beginning of the year	14,618	10,984	145,904
Increase in cash and cash equivalents resulting from initial inclusion of a subsidiary in consolidation	84	—	837
Cash and cash equivalents at end of the year	¥ 17,745	¥14,618	$ 177,110

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
March 31, 2008

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 Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include certain 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 ¥100.19 = U.S.$1.00, the exchange rate prevailing on March 31, 2008. 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, 2007 to the 2008 presentation. These reclassifications had no effect on consolidated net income.

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. Goodwill or negative goodwill arising from the difference between the cost of investments in such subsidiaries and the equity in their net assets at their respective 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 intervening intercompany transactions during the periods from January 1 through March 31 and February 1 through March 31 have been adjusted, if necessary.

The number of consolidated subsidiaries and affiliates accounted for by the equity method for the years ended March 31, 2008 and 2007 is summarized below:

	2008	2007
Consolidated subsidiaries	**24**	23
Overseas subsidiaries	**13**	12
Affiliates	**2**	2
Overseas affiliates	**2**	2

(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 accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts 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) Investments in securities

Investments in securities are classified into two categories: trading securities or other securities. Trading securities are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. 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 net assets. 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.

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.

(f) Inventories

Inventories except for those of 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. Those of certain overseas subsidiaries are stated at the lower of cost or market.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is calculated by the declining-balance method over the estimated 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 bonuses to employees

Accrued bonuses to employees are provided based on the estimated amount of bonuses to be paid to employees which are charged to income in the current year.

(k) Accrued retirement benefits to employees

Accrued retirement benefits to 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).

(l) 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 to directors and corporate auditors has been made at an estimated amount based on the internal regulations.

(m) Revenue recognition

The Company and its consolidated subsidiaries recognize revenue from, and the related costs of, long-term construction contracts by applying the completed-contract method, except for the Materials handling systems business in certain overseas subsidiaries 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 future income or 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, liabilities, and minority interests of overseas subsidiaries and affiliates are translated into yen at the exchange rates in effect at the balance sheet date, and the components of net assets excluding minority interests are translated at their respective historical rates. Revenues and expenses are translated at the average rates of exchange for the respective years. Differences arising from translation are reflected in net assets (presented as “Translation adjustments” and “Minority interests”) in the accompanying consolidated balance sheets.

(p) Distribution of retained earnings

Under the Corporation Law of Japan (the “Law”), the distribution 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 distributions. (Refer to Note 20.)

3. CHANGES IN METHOD OF ACCOUNTING

Effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Corporation Tax Law. As a result of this change, operating income and income before income taxes and minority interests decreased by ¥223 million ($2,222 thousand) and ¥228 million ($2,270 thousand), respectively, for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year. The impact on segment information is outlined in Note 19.

In addition, effective the year ended March 31, 2008, depreciation expense for property, plant and equipment acquired on or before March 31, 2007 is computed based on the salvage value of 5% of acquisition cost, and the amount between the salvage value (5% of acquisition cost) and memorandum value is depreciated from the year following the year in which the book value of an asset reaches 5% of its acquisition cost by the straight-line method over a period of 5 years. This change was made based on an amendment to the Corporation Tax Law. As a result of this change, operating income and income before income taxes and minority interests decreased by ¥324 million ($3,232 thousand) and ¥335 million ($3,339 thousand), respectively, for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year. The impact on segment information is outlined in Note 19.

4. INVESTMENTS IN SECURITIES WITH DETERMINABLE MARKET VALUE

(a) Investments in securities with determinable market value classified as other securities at March 31, 2008 and 2007 are summarized as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			2008		
	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	**¥6,672**	**¥19,034**	**¥12,362**	¥5,848	¥28,384	¥22,536	**$66,594**	**$189,979**	**$123,385**
Other	**29**	**32**	**3**	49	58	9	**290**	**318**	**28**
Subtotal	**6,701**	**19,066**	**12,365**	5,897	28,442	22,545	**66,884**	**190,297**	**123,413**
Securities whose carrying value does not exceed their acquisition costs:									
Equity securities	**383**	**209**	**(174)**	36	33	(3)	**3,819**	**2,090**	**(1,729)**
Other	**20**	**19**	**(1)**	—	—	—	**200**	**189**	**(11)**
Subtotal	**403**	**228**	**(175)**	36	33	(3)	**4,019**	**2,279**	**(1,740)**
Total	**¥7,104**	**¥19,294**	**¥12,190**	¥5,933	¥28,475	¥22,542	**$70,903**	**$192,576**	**$121,673**

(b) Sales of other securities for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Sales	**¥ 5**	¥3,754	**$45**
Gross realized gain	**2**	3,414	**18**
Gross realized loss	**—**	(43)	**—**

The carrying value of securities without determinable market value at March 31, 2008 and 2007 is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Other securities:			
Unlisted equity securities	**¥377**	¥376	**$3,759**

5. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Finished goods	**¥11,582**	¥11,376	**$115,605**
Raw materials	**3,524**	3,175	**35,175**
Work in process	**9,355**	9,359	**93,374**
Supplies	**757**	721	**7,550**
	¥25,218	¥24,631	**$251,704**

6. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans consisted principally of loans from banks and insurance companies at a weighted average interest rate of 2.0% at March 31, 2008 and 2007.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Loans, principally from banks and insurance companies, due through 2014 at an average annual interest rate of 2.3%:			
Secured	¥ 6,948	¥ 9,198	$ 69,347
Unsecured	17,055	17,788	170,232
0.44% unsecured bonds due 2007	—	100	—
0.41% secured bonds due 2008	10	30	100
0.88% secured bonds due 2009	30	50	299
0.56% secured bonds due 2010	50	70	499
0.83% unsecured bonds due 2010	7,000	7,000	69,867
	31,093	34,236	310,344
Less current portion	2,460	2,411	24,553
Total	¥28,633	¥31,825	$285,791

Other interest-bearing liabilities included in other current liabilities and other long-term liabilities represented installment payables at an average annual interest rate of 3.2% at March 31, 2008 and 2007.

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 2,460	$ 24,553
2010	8,541	85,249
2011	9,133	91,157
2012	7,107	70,940
2013	645	6,434
2014 and thereafter	3,207	32,011
Total	¥31,093	$310,344

The aggregate annual maturities of other interest-bearing liabilities subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 337	$ 3,361
2010	319	3,183
2011	329	3,288
2012	170	1,701
Total	¥1,155	$11,533

Assets pledged as collateral for short-term bank loans of ¥198 million ($1,976 thousand), the current portion of long-term debt of ¥2,308 million ($23,035 thousand), the current portion of secured bonds of ¥50 million ($499 thousand) and long-term debt of ¥4,680 million ($46,711 thousand) at March 31, 2008 were composed of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2008	2008
Land	¥30,394	$303,360
Buildings and structures	14,582	145,548
Machinery, equipment and vehicles	9,657	96,387
Tools, furniture and fixtures	938	9,364
Construction in progress	6	57
Time deposits	40	399
Investments in securities	82	822
Other assets	2	20
	¥55,701	$555,957

The Company has concluded line-of-credit agreements with certain banks to achieve efficient financing. The status of these lines of credit at March 31, 2008 and 2007 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Lines of credit	¥15,000	¥15,000	$149,715
Credit utilized	2,000	2,000	19,962
Available credit	¥13,000	¥13,000	$129,753

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, 2008 and 2007.

A reconciliation of the statutory and effective tax rates for the years ended March 31, 2008 and 2007 is summarized as follows:

	2008	2007
Statutory tax rate	40.6%	40.6%
Permanent differences such as entertainment expenses	0.6	0.4
Undistributed earnings of overseas subsidiaries	—	6.1
Per capita portion of inhabitants' taxes	0.3	—
Valuation allowance for deferred tax assets	—	1.7
Equity in earnings of affiliates	(0.2)	—
Permanently non-taxable dividends received	(0.4)	—
Tax credits such as research and development costs and other	(0.5)	—
Other	(1.9)	(0.1)
Effective tax rates	38.5%	48.7%

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31, 2008 and 2007 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Accrued retirement benefits	¥ 4,011	¥ 4,102	$ 40,031
Obligation on transfer to defined contribution pension plans	1,193	1,560	11,903
Accrued bonuses	1,112	1,081	11,097
Unrealized losses on inventories, net	579	524	5,778
Accrued enterprise taxes	222	319	2,217
Other	1,615	2,353	16,127
Gross deferred tax assets	8,732	9,939	87,153
Less: valuation allowance	(666)	(861)	(6,642)
Total deferred tax assets	8,066	9,078	80,511
Deferred tax liabilities:			
Deferred gain on replacement of property	(5,377)	(5,391)	(53,667)
Undistributed earnings of overseas subsidiaries	(2,347)	(1,664)	(23,427)
Net unrealized gain on revaluation of assets and liabilities of subsidiaries	(757)	(757)	(7,555)
Unrealized holding gain on securities	(4,824)	(9,006)	(48,148)
Other	(1,341)	(1,366)	(13,387)
Total deferred tax liabilities	(14,646)	(18,184)	(146,184)
Net deferred tax liabilities	¥ (6,580)	¥ (9,106)	$ (65,673)

8. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit pension 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 pension plans.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2008 and 2007 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Retirement benefit obligation	¥(13,215)	¥(13,491)	$(131,898)
Plan assets at fair value	1,756	2,312	17,526
Unfunded retirement benefit obligation	(11,459)	(11,179)	(114,372)
Unrecognized actuarial loss	1,298	964	12,955
Net amount on consolidated balance sheet	(10,161)	(10,215)	(101,417)
Prepaid pension cost	6	—	63
Accrued retirement benefits	¥(10,167)	¥(10,215)	$(101,480)

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

Certain overseas consolidated subsidiaries amended a portion of its defined benefit pension plan and adopted a defined contribution pension plan at January 1, 2008 and 2007. The effects of these amendments to the retirement benefit plans as of March 31, 2008 and 2007 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Decrease in retirement benefit obligation	¥114	¥ 958	$1,134
Decrease in plan assets	—	(834)	—
Gain on amendments to retirement benefit plans, net	¥114	¥ 124	$1,134

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥ 742	¥ 663	$ 7,398
Interest cost	233	282	2,329
Expected return on plan assets	(56)	(67)	(556)
Gain on amendments to retirement benefit plans, net	(114)	(124)	(1,134)
Contributions to defined contribution pension plans	511	515	5,103
Amortization of unrecognized actuarial loss	229	214	2,281
Amortization of prior service cost	117	—	1,171
Retirement benefit expenses	¥1,662	¥1,483	$16,592

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Discount rate	Principally 2.0%	Principally 2.0%
Expected rate of return on plan assets	Principally 2.5%	Principally 2.5%

9. CONTINGENT LIABILITIES

At March 31, 2008 and 2007, the Company and its consolidated subsidiaries were contingently liable for the following items:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Notes receivable discounted	¥173	¥193	$1,731
Guarantees of home mortgage loans by employees	260	319	2,591
Guarantees of loans made by affiliates	57	267	571
Total	¥490	¥779	$4,893

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 net assets 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 ¥9,500 million ($94,820 thousand) and ¥10,500 million at March 31, 2008 and 2007, respectively.

11. SHAREHOLDERS' EQUITY

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital sock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met. The Company's legal reserve amounted to ¥3,377 million ($33,704 thousand) and ¥3,377 million at March 31, 2008 and 2007, respectively.

12. NOTE TO THE CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(a) Type and number of issued shares of common stock and treasury stock

Movements in issued shares of common stock and treasury stock during the years ended March 31, 2008 and 2007 are summarized as follows:

				Number of Shares
				2008
	March 31, 2007	**Increase**	**Decrease**	**March 31, 2008**
Issued shares of common stock	191,406,969	**—**	**—**	**191,406,969**
Treasury stock	3,914,760	**1,420,497**	**5,343**	**5,329,914**

Notes: 1. Increase in the number of shares of treasury stock was due to repurchases of stock in accordance with a corporate resolution (1,361,000) and purchases of fractional shares of less-than-one-unit (59,497).
2. Decrease in the number of shares of treasury stock was due to sales of fractional shares of less-than-one-unit.

				Number of Shares
				2007
	March 31, 2006	Increase	Decrease	March 31, 2007
Issued shares of common stock	191,406,969	—	—	191,406,969
Treasury stock	3,865,828	56,188	7,256	3,914,760

Notes: 1. Increase in the number of shares of treasury stock was due to purchases of fractional shares of less-than-one-unit (56,188).
2. Decrease in the number of shares of treasury stock was due to sales of fractional shares of less-than-one-unit.

(b) Matters related to dividends

1. Pursuant to a resolution approved at the annual general shareholders' meeting held on June 28, 2007, the Company paid the following cash dividends on June 29, 2007 to shareholders of common stock of record at March 31, 2007:

	March 31, 2007
Cash dividends	¥749 million

2. Pursuant to a resolution approved at a meeting of the Board of Directors held on September 30, 2007, the Company paid the following cash dividends on December 10, 2007 to shareholders of common stock of record at September 30, 2007:

	September 30, 2007
Cash dividends	¥558 million

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in manufacturing costs, and selling, general and administrative expenses for the years ended March 31, 2008 and 2007 amounted to ¥3,681 million ($36,744 thousand) and ¥3,595 million, respectively.

14. LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company and its consolidated subsidiaries group their fixed assets relating to Power transmission products, Materials handling systems and other businesses primarily at each business which manages receipts and payments separately. They also group their fixed assets which they have determined to dispose of and idle assets primarily at each asset.

For the year under review it was determined that none of these assets were impaired and, thus, no related loss was recorded in the accompanying consolidated statement of income for the year ended March 31, 2008. The Company and its consolidated subsidiaries recorded a related loss on impairment of fixed assets of ¥307 million for the year ended March 31, 2007.

	Millions of Yen
	2007
Buildings and structures	¥ 90
Land	217
Total	¥307

The carrying amounts of the above fixed assets were written down to their respective recoverable amounts and were measured using their respective net selling prices principally based on appraisal valuations.

15. SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

In April 2006, the Company acquired 51% of the shares of TSUBAKI YAMAKYU CHAIN Co., Ltd. whose assets and liabilities, and the related cost of acquired shares and payment for acquisition of shares, are summarized as follows:

	Millions of Yen
Current assets	¥ 2,904
Fixed assets	2,436
Goodwill	38
Current liabilities	(2,618)
Non-current liabilities	(1,285)
Minority interests	(704)
Cost of acquired shares	771
Cash and cash equivalents	(255)
Payment for acquisition of shares	¥ (516)

16. LEASES

The following *pro forma* amounts represent the acquisition cost, accumulated depreciation and net book value of the leased property as of March 31, 2008 and 2007, which would have been reflected in the accompanying consolidated 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		
	2008		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥ 318	¥151	¥167
Tools, furniture and fixtures	748	356	392
Other assets	434	240	194
Total	¥1,500	¥747	¥753

	Millions of Yen		
	2007		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥ 296	¥132	¥164
Tools, furniture and fixtures	765	387	378
Other assets	400	221	179
Total	¥1,461	¥740	¥721

	Thousands of U.S. Dollars		
	2008		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	$ 3,176	$1,513	$1,663
Tools, furniture and fixtures	7,469	3,555	3,914
Other assets	4,327	2,392	1,935
Total	$14,972	$7,460	$7,512

Lease payments related to finance leases accounted for as operating leases and depreciation of the leased assets calculated by the straight-line method over the respective lease terms which have not been reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Lease payments	¥311	¥310	$3,108
Depreciation	311	310	3,108

Future minimum lease payments subsequent to March 31, 2008 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
2009	¥256	$2,550
2010 and thereafter	497	4,962
	¥753	$7,512

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

Future minimum lease payments subsequent to March 31, 2008 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 72	$ 723
2010 and thereafter	70	694
	¥142	$1,417

17. 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 section of each department executes and manages 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 and interest-rate swap agreements, the estimated fair value of the outstanding derivatives positions and unrealized gain or loss at March 31, 2008 and 2007 are summarized as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2008			2007			2008		
	Notional amount	Estimated fair value	Unrealized gain (loss)	Notional amount	Estimated fair value	Unrealized gain (loss)	Notional amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:									
Sell:									
U.S. dollars	¥3,668	¥3,398	¥270	¥2,164	¥2,187	¥(23)	$36,606	$33,914	$2,692
Euros	666	694	(28)	—	—	—	6,653	6,931	(278)
Canadian dollars	205	199	6	142	142	0	2,047	1,984	63
Australian dollars	114	109	5	65	67	(2)	1,135	1,086	49
Pounds sterling	—	—	—	15	15	(0)	—	—	—
Buy:									
Japanese yen	479	484	5	1,230	1,200	(30)	4,783	4,835	52
U.S. dollars	—	—	—	16	16	(0)	—	—	—
Interest-rate swap agreements:									
Floating paid/fixed received	150	(5)	(5)	150	(10)	(10)	1,497	(46)	(46)
Total			¥253			¥(65)			$2,532

Notes: 1. Estimated fair 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.

18. AMOUNTS PER SHARE

Amounts per share at March 31, 2008 and 2007 and for the years then ended were as follows:

	Yen		U.S. Dollars
	2008	2007	2008
Net assets	¥438.56	¥432.20	$4.38
Net income	55.70	45.55	0.56
Cash dividends	8.00	7.00	0.08

The amounts per share of net assets are computed based on 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.

Diluted net income per share for the years ended March 31, 2008 and 2007 has not been presented because no potentially dilutive shares of common stock were outstanding.

Information used in the calculation of basic net income per share is summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Net income	¥10,371	¥8,541	$103,517
Net income not available for distribution to shareholders of common stock	—	—	—
Net income on which basic net income per share is calculated	¥10,371	¥8,541	$103,517

	Thousands of Shares	
	2008	2007
Weighted-average number of shares of common stock on which basic net income per share is calculated	186,208	187,519

19. 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 certain other activities such as building maintenance, insurance brokerage, sales of health care equipment, and so forth.

Business Segments

The business segments of the Company and its consolidated subsidiaries for the years ended March 31, 2008 and 2007 are outlined as follows:

Millions of Yen

2008	Power transmission products	Materials handling systems	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income						
Sales to third parties	¥133,565	¥33,078	¥ 560	¥167,203	¥ —	¥167,203
Intragroup sales and transfers	1,660	19	1,789	3,468	(3,468)	—
Net sales	135,225	33,097	2,349	170,671	(3,468)	167,203
Operating expenses and amortization	115,796	29,146	2,108	147,050	348	147,398
Operating income	¥ 19,429	¥ 3,951	¥ 241	¥ 23,621	¥ (3,816)	¥ 19,805
II. Total assets, depreciation and amortization and capital expenditures						
Total assets	¥129,010	¥24,028	¥2,931	¥155,969	¥46,348	¥202,317
Depreciation and amortization	6,584	194	6	6,784	518	7,302
Capital expenditures	9,457	280	7	9,744	481	10,225

Millions of Yen

2007	Power transmission products	Materials handling systems	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income						
Sales to third parties	¥122,981	¥32,172	¥ 594	¥155,747	¥ —	¥155,747
Intragroup sales and transfers	1,570	146	1,918	3,634	(3,634)	—
Net sales	124,551	32,318	2,512	159,381	(3,634)	155,747
Operating expenses	107,184	30,429	2,284	139,897	(158)	139,739
Operating income	¥ 17,367	¥ 1,889	¥ 228	¥ 19,484	¥ (3,476)	¥ 16,008
II. Total assets, depreciation and amortization, loss on impairment of fixed assets and capital expenditures						
Total assets	¥128,457	¥25,303	¥2,884	¥156,644	¥56,096	¥212,740
Depreciation and amortization	5,278	279	5	5,562	386	5,948
Loss on impairment of fixed assets	247	60	—	307	—	307
Capital expenditures	9,817	294	2	10,113	781	10,894

Thousands of U.S. Dollars

2008	Power transmission products	Materials handling systems	Other	Total	Eliminations and general corporate assets	Consolidated
I. Sales and operating income						
Sales to third parties	$1,333,119	$330,155	$ 5,584	$1,668,858	$ —	$1,668,858
Intragroup sales and transfers	16,573	189	17,856	34,618	(34,618)	—
Net sales	1,349,692	330,344	23,440	1,703,476	(34,618)	1,668,858
Operating expenses	1,155,765	290,910	21,037	1,467,712	3,469	1,471,181
Operating income	$ 193,927	$ 39,434	$ 2,403	$ 235,764	$ (38,087)	$ 197,677
II. Total assets, depreciation and amortization and capital expenditures						
Total assets	$1,287,658	$239,824	$29,253	$1,556,735	$462,594	$2,019,329
Depreciation and amortization	65,715	1,935	63	67,713	5,164	72,877
Capital expenditures	94,391	2,790	69	97,250	4,807	102,057

As mentioned in Note 3, effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. As a result, operating income in the Power transmission products business segment decreased by ¥214 million ($2,137 thousand), the Materials handling systems business segment decreased by ¥4 million ($41 thousand), the Other business segment decreased by ¥0 million ($2 thousand) and Eliminations and general corporate assets decreased by ¥5 million ($42 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.

As mentioned in Note 3, effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or before March 31, 2007. As a result, operating income in the Power transmission products business segment decreased by ¥286 million ($2,856 thousand), the Material handling systems business segment decreased by ¥29 million ($294 thousand), the Other business segment decreased by ¥1 million ($7 thousand) and Eliminations and general corporate assets decreased by ¥8 million ($75 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.

Geographic Segment Information

Segment information by geographic area for the years ended March 31, 2008 and 2007 is summarized as follows:

Millions of Yen

2008	Japan	North America	Europe	Asia and Oceania	Other	Total	Eliminations and general corporate assets	Consolidated
External sales	¥110,207	¥35,491	¥10,048	¥11,130	¥327	¥167,203	¥ —	¥167,203
Intragroup sales and transfers	20,338	512	23	837	—	21,710	(21,710)	—
Net sales	130,545	36,003	10,071	11,967	327	188,913	(21,710)	167,203
Operating expenses	114,059	32,857	8,866	9,970	286	166,038	(18,640)	147,398
Operating income	¥ 16,486	¥ 3,146	¥ 1,205	¥ 1,997	¥ 41	¥ 22,875	¥ (3,070)	¥ 19,805
Total assets	¥124,201	¥20,705	¥ 7,342	¥10,656	¥ 22	¥162,926	¥ 39,391	¥202,317

Millions of Yen

2007	Japan	North America	Europe	Asia and Oceania	Total	Eliminations and general corporate assets	Consolidated
External sales	¥111,466	¥28,288	¥9,126	¥6,867	¥155,747	¥ —	¥155,747
Intragroup sales and transfers	14,933	582	16	674	16,205	(16,205)	—
Net sales	126,399	28,870	9,142	7,541	171,952	(16,205)	155,747
Operating expenses	110,620	27,569	8,296	6,431	152,916	(13,177)	139,739
Operating income	¥ 15,779	¥ 1,301	¥ 846	¥1,110	¥ 19,036	¥ (3,028)	¥ 16,008
Total assets	¥127,777	¥21,475	¥6,053	¥7,493	¥162,798	¥ 49,942	¥212,740

Thousands of U.S. Dollars

2008	Japan	North America	Europe	Asia and Oceania	Other	Total	Eliminations and general corporate assets	Consolidated
External sales	$1,099,982	$354,238	$100,286	$111,084	$3,268	$1,668,858	$ —	$1,668,858
Intragroup sales and transfers	202,992	5,108	229	8,354	—	216,683	(216,683)	—
Net sales	1,302,974	359,346	100,515	119,438	3,268	1,885,541	(216,683)	1,668,858
Operating expenses	1,138,428	327,947	88,491	99,505	2,855	1,657,226	(186,045)	1,471,181
Operating income	$ 164,546	$ 31,399	$ 12,024	$ 19,933	$ 413	$ 228,315	$ (30,638)	$ 197,677
Total assets	$1,239,651	$206,657	$ 73,279	$106,355	$ 224	$1,626,166	$ 393,163	$2,019,329

The above segments principally include the following countries or regions:

North America: U.S.A. and Canada
Europe: The Netherlands and U.K.
Asia and Oceania: Taiwan, People’s Republic of China, Singapore, Thailand and Australia

As mentioned in Note 3, effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. As a result, operating income in the Japan segment decreased by ¥218 million ($2,180 thousand), and Eliminations and general corporate assets decreased by ¥5 million ($42 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.

As mentioned in Note 3, effective the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or before March 31, 2007. As a result, operating income in the Japan segment decreased by ¥316 million ($3,157 thousand), and Eliminations and general corporate assets decreased by ¥8 million ($75 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.

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, 2008 and 2007 are summarized as follows:

	Millions of Yen				
	2008				
	North America	Europe	Asia and Oceania	Other	Total
Overseas sales	**¥35,673**	**¥10,745**	**¥15,279**	**¥924**	**¥ 62,621**
Consolidated net sales					**167,203**
Overseas sales as a percentage of consolidated net sales	**21.3%**	**6.4%**	**9.1%**	**0.6%**	**37.4%**

	Millions of Yen				
	2007				
	North America	Europe	Asia and Oceania	Other	Total
Overseas sales	¥28,830	¥9,866	¥16,119	¥3,443	¥ 58,258
Consolidated net sales					155,747
Overseas sales as a percentage of consolidated net sales	18.5%	6.3%	10.4%	2.2%	37.4%

	Thousands of U.S. Dollars				
	2008				
	North America	Europe	Asia and Oceania	Other	Total
Overseas sales	**$356,059**	**$107,246**	**$152,500**	**$9,220**	**$ 625,025**
Consolidated net sales					**1,668,858**

20. SUBSEQUENT EVENT

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2008, is to be approved at the annual general meeting of the shareholders held on June 27, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends (¥5.0 ($0.05) per share)	¥930	$9,286

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, 2008 and 2007, and the related consolidated statements of income, changes in net assets, 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, 2008 and 2007, 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, 2008 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.

Ernst & Young ShinNihon

Osaka, Japan

June 19, 2008