



Annual Report  
1998

**TSLIBAKI**

## Profile

Since its establishment in 1917, Tsubakimoto Chain Co. has marketed industrial-use chains, motion control units, and other power transmission products in Japan and overseas. Today, the Company continues to reinforce its position as a global leader in these fields. Tsubakimoto Chain also develops factory automation, distribution, and other materials handling systems that are making a contribution to workplace rationalization in many industries.

In its mainstay chain business, the Company uses its original development capabilities and technical strengths to develop a wide range of products that offer superior quality, performance, and functionality, and these products are helping the Company to expand its markets. In recent years, in addition to roller chains and conveyor chains, Tsubakimoto Chain's automotive-related products, such as engine timing drive systems, have been highly evaluated by customers and are registering strong growth, especially in North America.

Tsubakimoto Chain products are sold in more than 70 countries through the Company's global network. The Tsubakimoto Chain Group includes sales companies and affiliates in 10 countries and 9 plants overseas. In the years ahead, Tsubakimoto Chain will continue working to solidify its position as an industry leader by strengthening its development of high-value-added products, further advancing the globalization of its operations, and maintaining its emphasis on placing the customer first in all areas of operations.

## Contents

---

Financial Highlights . . . . .	1
To Our Shareholders and Friends . . . . .	2
Meeting the Challenge of Change . . . . .	5
Board of Directors . . . . .	12
Review of 1998 . . . . .	13
Review of Operations . . . . .	14
Financial Review . . . . .	18
Six-Year Financial Summary . . . . .	19
Consolidated Financial Statements . . . . .	20
Notes to Consolidated Financial Statements . . . . .	24
Report of Certified Public Accountants . . . . .	27
Corporate Data . . . . .	28
Tsubakimoto Chain Group Companies . . . . .	29

# FINANCIAL HIGHLIGHTS

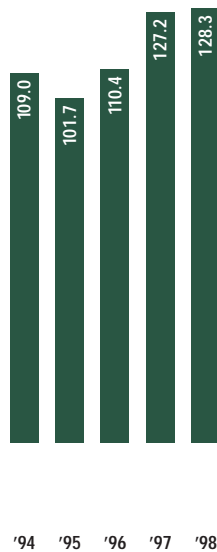
Tsubakimoto Chain Co. and Consolidated Subsidiaries  
Years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Net sales .....	<b>¥128,298</b>	¥127,231	<b>\$ 971,955</b>
Operating income .....	<b>6,435</b>	6,374	<b>48,750</b>
Net income .....	<b>2,709</b>	3,280	<b>20,523</b>
Per share* (yen and dollars):			
Net income .....	<b>¥14.08</b>	¥17.04	<b>\$0.107</b>
Cash dividends .....	<b>6.00</b>	6.00	<b>0.045</b>
Total assets .....	<b>¥147,668</b>	¥145,268	<b>\$1,118,697</b>
Shareholders' equity .....	<b>64,989</b>	63,516	<b>492,340</b>

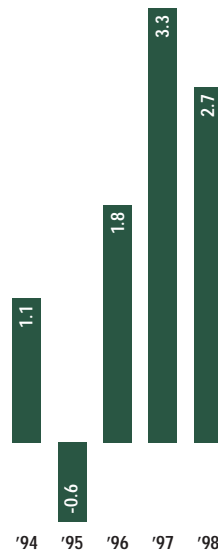
Note: The U.S. dollar amounts in this annual report have been calculated from yen amounts, for convenience only, at the exchange rate of ¥132 to \$1, the approximate exchange rate at March 31, 1998.

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

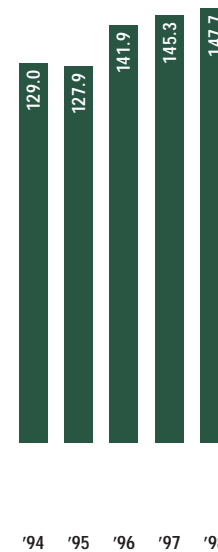
NET SALES  
(Billion ¥)



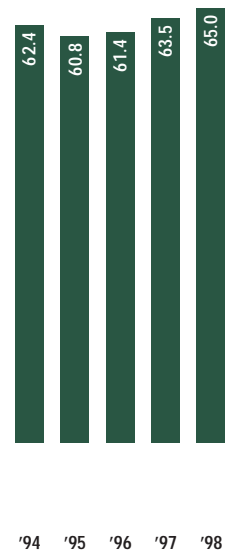
NET INCOME  
(Billion ¥)



TOTAL ASSETS  
(Billion ¥)



SHAREHOLDERS' EQUITY  
(Billion ¥)



**M**eeting the challenge of change. To ensure steady growth in the years ahead, Tsubakimoto Chain is implementing changes designed to strengthen its competitiveness in a wide range of business fields. These efforts include developing high-value-added products, implementing production and marketing systems from a global viewpoint, placing the customer first in all areas of our operations, and improving profitability by increasing productivity. We have incorporated these broad objectives into detailed medium- and long-term management goals, and we are making steady progress each year toward meeting those goals. In our power transmission products business, which is centered on chains, we are one of the leading companies in international markets; however, our goal is to be the No. 1 manufacturer of power transmission products in the world, and accordingly we are working to further strengthen our operational and management capabilities.



*Michio Noguchi, Chairman (left) and Takashi Fukunaga, President*

- Under the slogan of “meeting the challenge of change,” Tsubakimoto Chain is taking steps to raise competitiveness to reinforce its ability to meet the expectations of its shareholders, customers, and employees.
- Guided by clear-cut management objectives, Tsubakimoto Chain is aggressively tackling the strategic challenges it faces and is laying the foundation for continued growth in the years ahead.
- Tsubakimoto Chain is determined to be the No. 1 company in the world in the field of chains and other power transmission products. To that end, the Company is striving to add even more value to its products and to build a production system with improved cost performance.

### Three Consecutive Years of Higher Sales

In the fiscal year ended March 31, 1998, Tsubakimoto Chain achieved its third consecutive increase in sales, a performance that was attributable to the Company's strenuous efforts in a difficult operating environment marked by a continued slump in the Japanese economy. The highlights of the year under review are outlined below.

- Our mainstay power transmission products operations recorded a steady performance, and consolidated net sales rose 0.8%, to ¥128.3 billion (US\$972.0 million).
- Operating income increased 1.0%, to ¥6.4 billion (US\$48.8 million), as a result of efforts to improve our gross profit margin through rationalization and other measures.
- Net income was down 17.4%, to ¥2.7 billion (US\$20.5 million).
- Dividends per share were maintained at ¥6.0 (US\$0.045), for a payout ratio of 42.6%.

Our mainstay power transmission products business recorded steady sales, up 1.9%, to ¥89.1 billion (US\$674.6 million). In Japan, sales to key industries, such as machine tools and automobiles, were firm. Overseas sales also increased, especially in the key North American market. Orders, however, were adversely affected by the difficult operating environment, especially in the second half of the fiscal year, as worsening business conditions forced major customers to postpone capital investment and reduce production.

In our materials handling systems business, sales declined 1.6%, to ¥38.7 billion (US\$293.0 million), in a difficult operating environment. Although many customers postponed or canceled their capital investment plans, capital spending remained favorable in the electrical and electronic equipment and automobile industries, and a number of large orders that were received in the previous fiscal year were recorded as sales during the year under review. In the first half of the year under review, orders from the electrical and electronic equipment, automobile, and distribution

industries were strong both domestically and overseas. In the second half, however, orders were down considerably as companies postponed or canceled projects due to the adverse influences of weak capital investment sentiment in Japan and the Southeast Asian currency crisis.

Tsubakimoto Chain's businesses are significantly affected by external factors over which the Company has no control, such as private-sector capital investment. This fact underlines the significance of our steady performance gains in the difficult economic conditions that we have faced in recent years. In the current year, however, Japan's economic slump is continuing and the economies of Southeast Asia and South Korea show no signs of recovery. These conditions will adversely influence our orders and sales, and maintaining our performance is the largest challenge that we face. To overcome that challenge, we will work to develop high-value-added products, to bolster our marketing capabilities by reorganizing our sales force, and to reduce costs by rationalizing production and raising efficiency in staff departments. We are confident that such wide-ranging measures as these will enable us to strengthen our management foundation.

### Ensuring Continued Growth by Meeting Three Strategic Challenges

Tsubakimoto Chain is working to meet the challenges for ensuring continued growth. Our operating environment is characterized by business conditions that fluctuate even as the underlying trend remains weak. We view these conditions as a turning point that, if handled appropriately, will offer excellent opportunities for laying the foundation for future growth. We have identified three strategic challenges that we must face to become a more competitive company with higher productivity.

- Globalizing our power transmission products business
- Establishing a profitable structure for our materials handling systems business
- Aggressively entering new markets and new business areas

In power transmission products, we aim to further solidify our No. 1 position in the global market for chains, our principal product, by 2000, securing a 20% market share. To succeed in international markets, we must provide the best value in products that meet customer needs, which vary from region to region. To that end, Tsubakimoto Chain will improve its competitiveness in international markets by building a global network that makes full use of exports, overseas production, and international procurement in accordance with changing business conditions.

In materials handling systems, where we have faced difficult conditions in recent years, our efforts to respond more flexibly to changes in order levels are gradually yielding results. We are making the most of key products by thoroughly segmenting our markets. And by rationalizing our development and production processes to reduce costs, we are improving our structure to be profitable.

Accepting the challenge of entering new markets and new areas of business is an important step in bolstering our growth prospects. We are already strengthening our development and marketing of new products targeted at growth fields and applying our original technologies to new markets. Over the past few years, we have begun to make strong progress in water treatment and in health care. We aim to raise the percentage of net sales accounted for by products introduced within the past five years to 30% by 2005.

### **Becoming No. 1 in Power Transmission Products**

During the year under review, Tsubakimoto Chain decided to relocate its Osaka Plant, the Company's main factory and principal production base for its mainstay chains, to a new facility in the nearby city of Kyotanabe. This move was based on our judgment that the limitations of our existing factory would hinder efforts to dramatically increase productivity and capacity and to secure a solid position at the top of the chain industry. Acquiring the land and building the factory required an investment of about ¥60 billion (US\$ 455 million), and the new facility is slated to begin operations in the early 2000s. We will make full use of this plant, not only as a production base but also as a technical center with advanced product and technical development capabilities and as a head factory

that is a source of basic technology for Tsubakimoto Chain Group production bases around the world. Making this project a success is a high-priority task for the entire Company.

As is clear from trends in the Japanese economy, our operating environment is likely to become even more difficult in the years ahead. Nonetheless, Tsubakimoto Chain has the fundamental strength to surmount any difficulties, no matter how challenging the environment. And we have clear-cut objectives, such as the rationalization of staff departments, to ensure that we can record steady profits even in low-growth environments. Also, we are taking steps to convert from the traditional Japanese-style personnel system, which emphasizes seniority, to a merit-based system that will place a much greater emphasis on individual ability.

Tsubakimoto Chain will continue to anticipate future trends, formulate accurate policies, and strive for steady growth and development. In these endeavors, we would like to ask our shareholders for their continued support in the years ahead.

June 1998



**Michio Noguchi**

Chairman and Representative Director



**Takashi Fukunaga**

President and Representative Director

# Meeting the Challenge of Change

“**M**eeting the Challenge of Change”  
is the slogan that underlies

Tsubakimoto Chain’s efforts to further strengthen the Company’s market position and achieve stable growth. Each and every change in our operating environment gives rise to a new business opportunity and becomes the driving force behind our next growth phase. As we did in the past, we will continue working to strengthen our corporate constitution and operational foundation by aggressively seeking out the opportunities associated with change. In this special feature section, we outline three of the challenges we face today.

Product Innovation  
Globalization  
Customer Focus

To achieve its goal of having products introduced within the past five years contribute 30% of net sales, Tsubakimoto Chain is taking an aggressive approach to product development. The launch of products with new characteristics and functions serves both to activate our markets and to expand the scope of our operations.

In our mainstay chain business, innovative product development has enabled us to steadily expand the range of applications for our products. Tsubakimoto Chain continually improves its original production, quality control, and quality evaluation technologies, and those efforts play a key role in its ability to develop high-value-added products.

*Lube-free chain*



Over the past several years, Tsubakimoto Chain has introduced a large number of innovative new products. Our lube-free chains, for example, use specially sintered, oil-impregnated bushings. Our corrosion-resistant chains are manufactured using special surface processing technology. And our sophisticated engineered plastic chains take advantage of advanced materials. These are just a few examples of

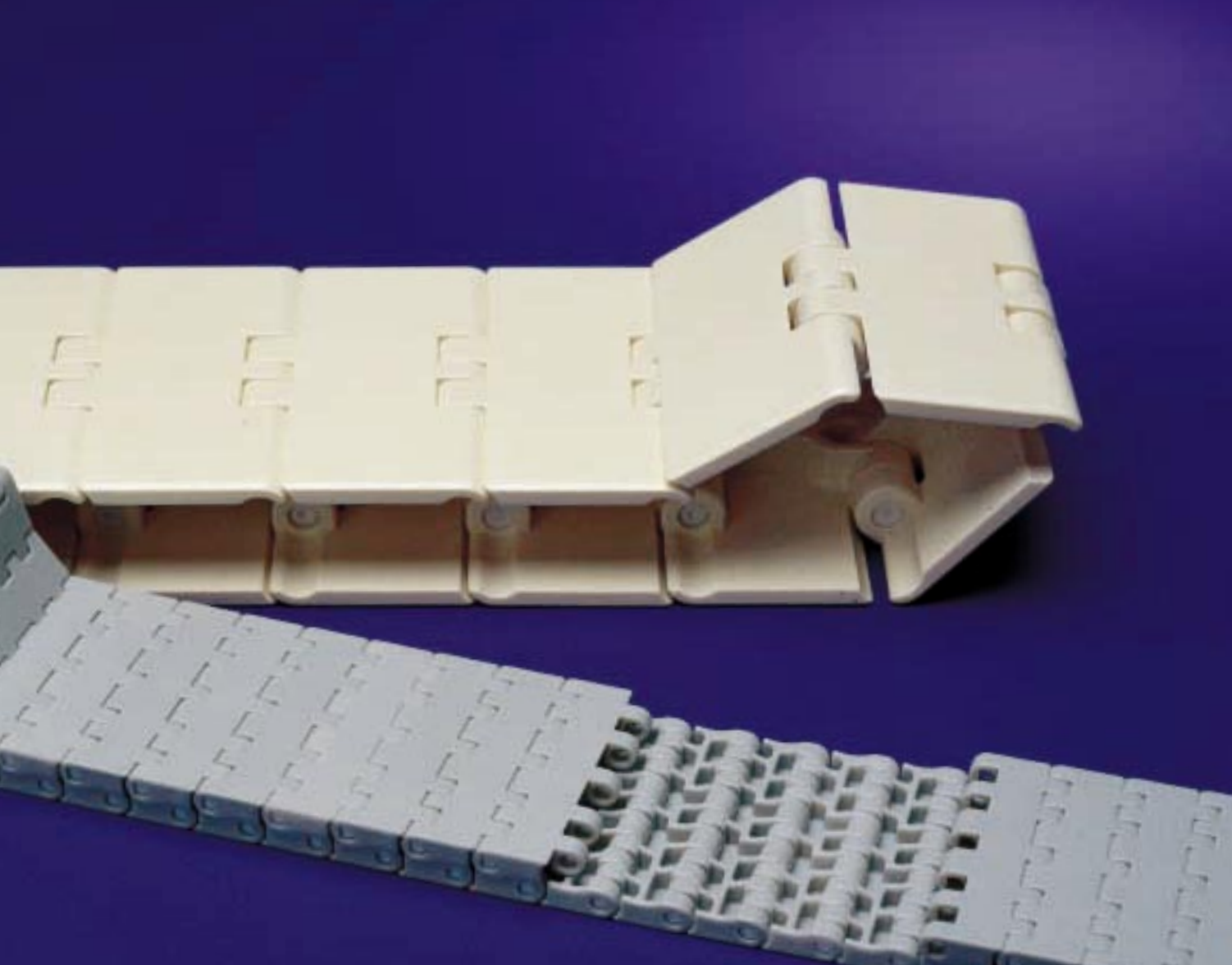
# Product Innovation

how we are significantly expanding the possible uses of chain products through the application of new technologies and materials.

During the year under review, we began sales of an engineered plastic chain that features antibacterial and antimold characteristics. The hygiene and cleaning standards applied to conveyors and related equipment are becoming increasingly stringent, especially in the food processing industry. In response, we have used our original technology to incorporate long-lasting antibacterial agents into this chain, which has been highly evaluated by customers for its functionality and superior quality.



*Corrosion-resistant chains*



# novation

In our materials handling systems business, we have introduced a number of new products in recent years that have accurately anticipated emerging market needs. During the year under review, we launched Lini Sort V, an automatic sorter that meets growing demand for small lot sorting capabilities. Our New Power Column automatic vertical shelves enable customers to significantly reduce the time required for stocking and retrieval, and our New Storage Conveyor features low-noise operation on automobile painting lines.

Tsubakimoto Chain will continue to accept the challenge of maintaining its position as a leader by developing innovative new products that accurately meet emerging market needs.



*Lini Sort V*

*Our new engineered plastic chains, which were launched during the year under review, feature antibacterial and antimold properties and have been well received by customers, especially in the food processing industry.*

**A**s a global leader in power transmission products and materials handling systems, Tsubakimoto Chain has a corporate mission to provide best value products that meet the needs of customers around the world.

For Tsubakimoto Chain, globalization means innovating to establish a system that can efficiently and accurately meet a range of product needs that vary with region and customer, including quality, price, and performance. There are many untapped markets for Tsubakimoto Chain, and the Company is working to build an organization that can aggressively capitalize on the opportunities these markets present.

*U.S. Tsubaki, Inc.'s Holyoke Plant*



To offer its customers the best value, Tsubakimoto Chain is strengthening the market competitiveness of its products by taking an integrated approach to exports, local production, and international procurement among Tsubakimoto Chain Group companies. To that end, Tsubakimoto Chain Group companies around the world are developing close ties to the regions they serve while building information networks to maintain close contact with other Group companies. In this way, we

# G l o b a l i z a t i o n

are making progress toward an improved response to changing conditions in global markets.

Currently, the scale of our operations in North America, our largest overseas market, is increasing each year, principally due to the growing production of roller chains and automotive engine timing chains. We are steadily building a stronger presence in this key market, with especially notable success as a top manufacturer of timing chains. In June 1997, we established a joint venture company in Hangzhou, China, for the production and marketing of roller chains. This company has begun to supply general-purpose



*U.S. Tsubaki's headquarters plant in Chicago*



# Production

products, principally to the local market as well as other Asian nations, where price competition is intense.

Tsubakimoto Chain Group companies will continue to accept the challenge of implementing a wide range of projects to open new markets while making ongoing contributions to the success of the Group as a whole. In these and other ways, Tsubakimoto Chain will continue to develop products that satisfy customers in markets around the world.



*Hangzhou  
Tsubaki Dunpai  
Chain Co., Ltd.,  
in China*

*Production levels at U.S. Tsubaki's Chicopee Plant, a specialized facility for the manufacture of timing drive systems for automobiles, are growing each year.*

**"Customer First"** has been one of our corporate philosophies since our first day in business. Based on the conviction that customer satisfaction in the provision of products and services is essential for business growth, we have made the Customer First philosophy a key part of all of our strategic decision making.

In putting the Company's customer orientation into practice, the first challenge for Tsubakimoto Chain as a manufacturer is the establishment of a quality control system that meets global standards. Our success in that endeavor is reflected in our

chain products, which are used in markets around the world. Nearly all of our chain production facilities in Japan and overseas have earned the ISO 9000 series certification.

We continue to strengthen our quality control capabilities, especially for timing chains, which are used to drive the cam shafts in automobile engines. We manufacture these chains at two plants, one each in Japan and the United States, and both of these plants have received the QS 9000 quality control certification that is required by the Big Three U.S.



# C u s t o m e r

automakers. With a high evaluation from customers for quality, our timing chains are recording strong sales growth and solidifying a position as the top brand in worldwide markets.

Tsubakimoto Chain applies its Customer First philosophy in marketing as well as in production. We are taking aggressive steps to strengthen our relationships with customers and to increase customer satisfaction.

Recently, by expanding the information network used in customer-contact sales areas, such as branches and sales offices, we have increased the speed at which sales-related tasks are handled and enabled more accurate responses to



*The year under review was the fourth in a row and the fifth overall in which U.S. Tsubaki was named Supplier of the Year by General Motors.*

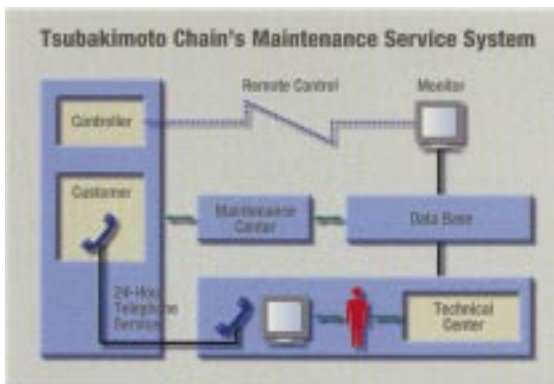


*Tsubakimoto Chain is committed to customer-first principles in product development and marketing and continually strives to strengthen relationships with customers.*

# Customer First

changing customer needs. And in the after-sales service of materials handling systems, we are reorganizing our maintenance operations and building a database of related information to enhance our maintenance capabilities.

From production to marketing, the thorough implementation of our Customer First philosophy is laying a solid foundation for future growth.





**Michio Noguchi**

Chairman

**Takashi Fukunaga**

President

**Kazuo Yoshida**

Executive Managing Director  
(Materials Handling Operations  
and Tokyo Office)

**Kunio Hirayama**

Executive Managing Director  
(Power Transmission Operations )

**Kyosuke Otoshi**

Managing Director  
(Power Transmission Sales & Marketing  
Operations and Osaka Office)

**Toru Miyamoto**

Managing Director  
(Operational Affairs)

**Tadashi Arimitsu**

Managing Director  
(New Factory Development Project)

**Kimio Takakura**

Managing Director  
(North American Operations)

**Hideaki Kamitani**

Director  
(Power Transmission Units & Components  
Division and Kyoto Plant)

**Itsuro Fujii**

Director  
(Materials Handling Equipment Division,  
Hyogo Plant, and Research & Development)

**Tadashi Uchida**

Director  
(Nagoya Office)

**Hideo Miyazaki**

Director  
(Automotive Parts Division)

**Eiji Fujita**

Director  
(General Affairs)

**Kohji Iwai**

Director  
(Finance)

**Nobuhide Noguchi**

Director  
(Strategic Business)

**Eishi Haga**

Director  
(Physical Distribution Systems Division and  
Saitama Plant)

**Kenji Ohara**

Director  
(Chain Division)

**Norikazu Ohno**

Director  
(Business Administration)

**Kohei Hashimoto**

Director  
(Factory Automation Systems Division)

**Tadachi Yokoyama**

Corporate Auditor

**Tomoo Ito**

Corporate Auditor

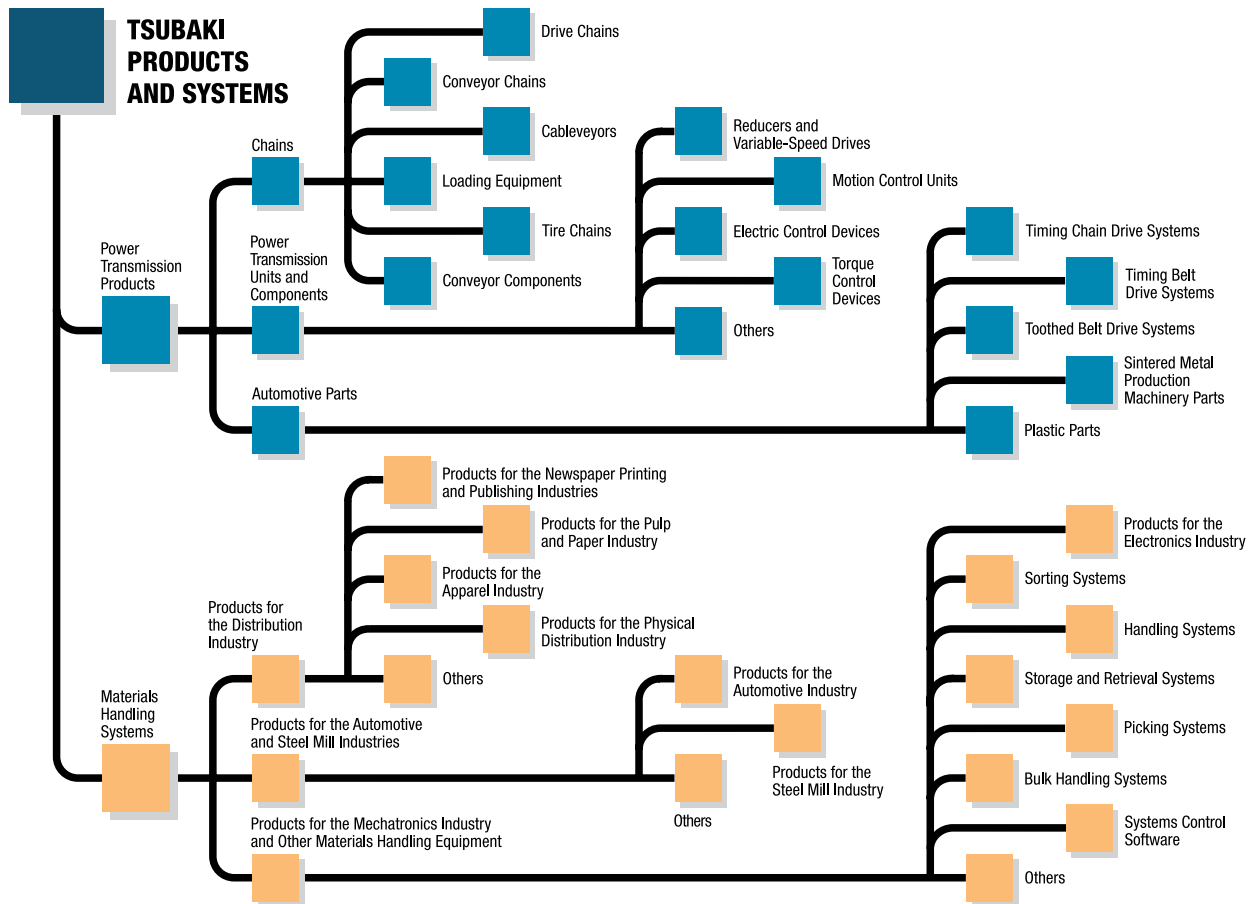
**Masaru Tokuda**

Corporate Auditor



1. Michio Noguchi
2. Takashi Fukunaga
3. Kazuo Yoshida
4. Kunio Hirayama
5. Kyosuke Otoshi
6. Toru Miyamoto
7. Tadashi Arimitsu
8. Kimio Takakura

# REVIEW OF 1998

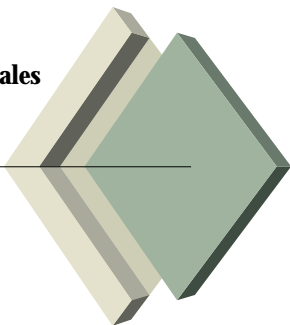


**D**uring the year ended March 31, 1998, sales of power transmission products increased 1.9%, to ¥89.1 billion (US\$674.6 million), accounting for 69.4% of Tsubakimoto Chain's net sales. Overseas sales rose 7.6%, to ¥28.8 billion (US\$218.2 million), representing 32.3% of sales of power transmission products, compared with 30.6% in the previous year.

Products for the machine tool and automobile industries registered increased sales in Japan. Overseas, demand remained strong in the key North American market, but conditions in Southeast Asia were adversely affected by the currency crisis in that region.

**Share of Net Sales**

Power Transmission Products  
69.4%

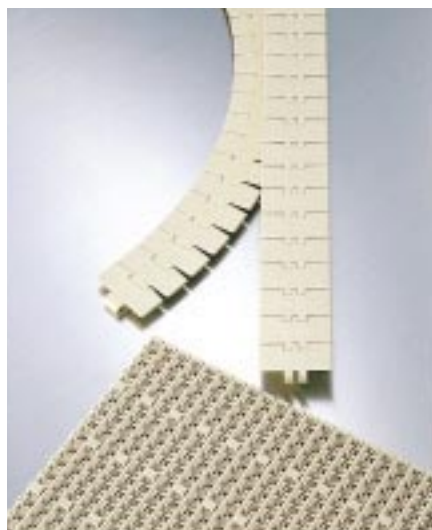


**Sales Breakdown**

(Millions of yen, %)

	1998	1997	% Change
Domestic Sales	¥60,249 (67.7)	¥60,587 (69.4)	-0.6%
Overseas Sales	28,804 (32.3)	26,773 (30.6)	+7.6%
Total	¥89,053 (100.0)	¥87,360 (100.0)	+1.9%

# Power Transmission Products



Antibacterial chains

**Chains**

As one of the world's leading chain makers, Tsubakimoto Chain supplies a wide range of industries with advanced, high-performance products.

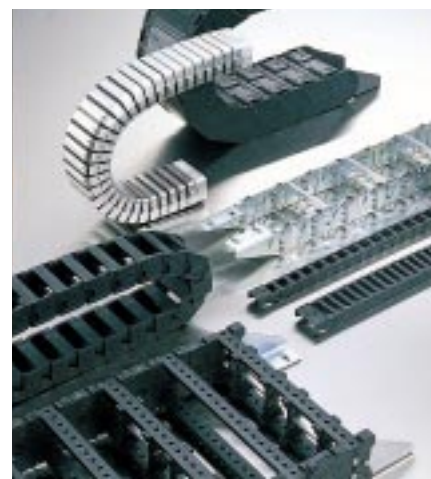
We continue working to expand the scope of the chain market by using new technologies and materials in product development.

In Japan, sales of products for use in food processing and conveyance were weak during the year under review; however, those for machine tools and other general machinery were comparatively favorable. Especially strong sales were recorded by Automatic Tool Changer (ATC) chains for machining centers and other machine tools and by plastic Cableveyor chains.

Domestic private-sector capital investment was strong in the first half of the year under review, but in the second half the operating environment became more difficult as business conditions worsened and com-

panies in all industries reduced capital investment. In this environment, we worked to bolster our marketing capabilities by linking our domestic sales organization even more closely with customers and regions and by promoting integrated engineering sales. We also worked to create new demand during the year with the introduction of a new engineered

*Cableveyors*



plastic chain. This product, which is targeted at the food processing industry, features antibacterial and antimold functions.

Overseas, sales of roller chains in the mainstay North American market continued to increase, but sales in Southeast Asia declined due to the adverse effects of the currency crisis.

### ■ Power Transmission Units and Components

Tsubakimoto Chain is a market leader in a wide range of power transmission units and components. Our major products include Power Cylinders and other motion control units, Cam Clutches, and couplings. During the year under review, sales of couplings for machine tools were favorable and demand for integrated mechatronics products, which



*Cam Clutches*

incorporate Power Cylinders and servo motors, was robust. In addition, Power Locks, for which we have the top market share, continued to enjoy growing demand.

In 1996, we began full-fledged marketing activities in health care, a new field of business for Tsubakimoto Chain. One focus of our activities is the use of original



*Power Locks*

technology and specialized know-how to develop and market nursing assistance products that will help meet the needs of Japan's rapidly aging society. We have developed units that convert hand-operated adjustable beds to electric operation and, for people in wheelchairs, kitchen equipment that allows easy, electrically powered adjustment of the height of sinks. We are currently conducting marketing activities targeting health care facilities and individuals.

### ■ Automotive Parts

Tsubakimoto Chain has built a solid position as one of the leading manufacturers of timing drive systems, which include automotive timing chains and timing belts. Each year, we continue to bolster that strong market presence. The reliability and quality of our products, especially timing roller chains, have been highly evaluated by domestic and overseas automakers, and we have a 90% share of the Japanese market and the top

share of the market in the United States.

In Japan, our sales of timing drive systems increased during the year as automakers began to replace belts with chains, one of our traditional strengths. We anticipate further sales gains in the years ahead. In the past, belt-driven camshafts were more common because the belts offered light weight and low cost. However, new engine models feature high output and high-RPM operation, and as a result the use of chains, which offer superior durability and reliability, is increasing.

Overseas, demand for timing chains and timing drive systems is expected to remain strong in the key North American market. Accordingly, we are conducting aggressive capital investment to expand our local production capacity. In the previous fiscal year, we opened a new plant in Chicopee, Massachusetts, that is dedicated to the production of automotive parts. Full-scale operations at the plant began during the year under review. We will continue to expand our global operations in the years ahead, and plans call for the opening of marketing and production bases in Europe and Asia.

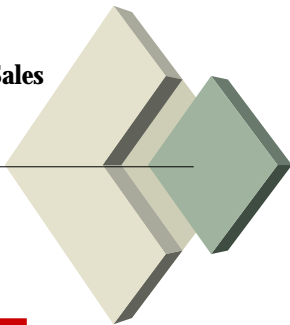
*Timing drive parts*



**S**ales of materials handling systems declined 1.6% during the year under review, to ¥38.7 billion (US\$293.0 million), accounting for 30.1% of the Company's net sales. Overseas sales declined 3.1%, to ¥9.3 billion (US\$70.6 million), representing 24.1% of our sales of materials handling systems.

Domestically, sales of physical distribution systems increased, but those of factory automation systems declined. Our overseas business was significantly affected by the Southeast Asian currency crisis.

**Share of Net Sales**  
Materials Handling  
Systems  
**30.1%**



<b>Sales Breakdown</b>		(Millions of yen, %)		
	<b>1998</b>	<b>1997</b>	<b>% Change</b>	
Domestic Sales	<b>¥29,349 (75.9)</b>	¥29,680 (75.5)	-1.1%	
Overseas Sales	<b>9,321 (24.1)</b>	9,617 (24.5)	-3.1%	
	<b>¥38,670 (100.0)</b>	¥39,297 (100.0)	-1.6%	

# Materials Handling Systems

## ■ Factory Automation Systems

Tsubakimoto Chain is contributing to the rationalization of production activities by providing the automobile, paper manufacturing, newspaper, steel, mechatronics and other industries with advanced factory automation systems. With leading-edge mechatronics technology and engineering services tailored to the

specific needs of each industry, our factory automation systems are highly regarded in the markets we serve.

In the domestic market during the year under review, we continued to record steady deliveries of factory automation systems for the automobile industry, a major customer, as well as for the electrical and electronic equipment, paper manufacturing, and newspaper industries. Demand remained firm for several products, including the Traverser System series of body paint shop conveyor systems for the automobile industry; a CRT handling system for the electrical and electronic equipment industries; and our AGV and ADS automatic roll paper feeding systems for the newspaper industry.



*Hard disk conveyance system*

*Handling system for cathode ray tubes*



During the previous year, we launched conveyor systems for hard disk production lines in the electronics industry, and during the year under review we sold a number of these systems to customers. We expect growing demand for this product, which is used to link separate production processes and is composed principally of dollies that run on tracks.

In overseas business, sales during the year under review were less than the previous year, due to the adverse impact of the currency crisis in Southeast Asia. Although we fared comparatively well in Taiwan, in our major markets of South Korea and Malaysia sales fell sharply. Our key products in the Asian market are CRT handling systems for the mechatronics industry, body paint shop conveyor systems for the automobile industry, and coil handling systems for the steel industry. In North America and Great Britain meanwhile, sales increased from the previous year. A key product in these markets is our body paint shop conveyor systems for Japanese automakers.

**Physical Distribution Systems**

Tsubakimoto Chain offers a wide variety of physical distribution systems, which help customers to rationalize the sorting of goods in the publishing, apparel, and retail industries. Our systems are developed to meet the specific needs of different industries, and they offer advanced functionality in the accurate and rapid sorting of products of any form. The systems also facilitate

*Multi-Sorter*



*Lini Sort*

higher speed and reduced costs in distribution operations. During the year under review, sales of physical distribution systems increased from the previous year.

Our flagship products in this field include Multi-Sorter, a printed materials sorting system for the publishing industry; Lini Sort, a high-speed, multi-directional sorting system for the retail industry and distribution centers; and Fashion Sort, which enables clothing to be distributed on hangers for the apparel industry. Each of these systems showcases our original technology and know-how and has been highly evaluated in its target industry.

During the year under review, our results were supported by the sale to a book retailer of the largest Multi-Sorter we have ever built.

Products launched during the year under review included Lini Sort V, which offers significant improvements in cost and size, and Lini Sort S, which is designed for use with small objects weighing less than five

kilograms. Each system is tailored to small lot sorting needs and is contributing to the expansion of our customer base.

**Other Materials Handling Equipment**

Three of our key products in this business group are Pak-U-Veyor, Power Column, and Aufran Vanguard. During the year under review, we introduced a new version of our Power Column vertical shelves that offers a reduction in access time of more than 30%, and Power Column orders increased by a large margin. Aufran Vanguard, which is suitable for use in small and medium-sized distribution facilities as well as in offices, continues to strengthen its market presence, and during the year under review it en-

*Aufran Vanguard*



joyed solid demand in new markets, such as the food processing industry. In addition, our New WIPS, a high-speed, high-precision automatic stocking system for use in clean rooms, was the focus of aggressive marketing activities, and it is recording steady results in LCD production lines of the electronics industry.

### Results of Operations

In the fiscal year ended March 31, 1998, consolidated net sales rose 0.8%, to ¥128.3 billion (US\$972.0 million). Despite higher net sales, the cost of sales declined 0.4%, to ¥94.0 billion (US\$712.3 million), due to the Company's rationalization of production operations. The gross profit margin improved to 26.7%, from 25.8% in the previous year. Selling, general and administrative expenses increased 5.1%, to ¥27.8 billion (US\$210.9 million), primarily as a result of intensified sales promotion activities. Operating income rose 1.0%, to ¥6.4 billion (US\$48.8 million), and the operating profit margin was unchanged, at 5.0%.

Net interest expense, which accounts for the majority of other expenses, increased 7.4%, to ¥858 million (US\$6.5 million). Income before income taxes and minority interests decreased 7.1%, to ¥5.5 billion (US\$41.7 million). Income taxes increased 5.4%, to ¥2.7 billion (US\$20.2 million), and net income was down 17.4%, to ¥2.7 billion (US\$20.5 million). Net income per share was ¥14.08 (US\$0.107), a decline of 17.4%.

Return on equity (ROE) was 4.2%, compared with 5.3% in the previous year. Cash dividends per share were unchanged at ¥6.00 (US\$0.045), for a dividend payout ratio of 42.6%, compared with 35.2% in the previous year.

### Liquidity and Capital Resources

Net cash provided by operating activities increased 45.0%, to ¥5.8 billion (US\$44.2 million). Inventories decreased ¥181 million (US\$1.4 million), compared with an increase of ¥4,145 million in the previous year, and trade notes and accounts payable decreased ¥819 million (US\$6.2 million), compared with a decrease of ¥4,033 million in the previous term. Depreciation and amortization was about level, at ¥4.8 billion (US\$36.3 million).

Net cash used in investing activities was up 41.0%, to ¥6.6 billion (US\$49.8 million). Capital investment increased 2.6 times, to ¥15.1 billion (US\$114.0 million), due primarily to part payment for the acquisition of land for the construction of the new main factory. Other investment securities and loans receivable decreased ¥10.5 billion (US\$79.2 million).

Net cash provided by financing activities was ¥933 million (US\$7.1 million), compared with ¥955 million in the previous year. Proceeds from short-term and long-term debt totaled ¥1.7 billion (US\$12.8 million) and ¥1.5 billion (US\$11.7 million), respectively.

As a result, at the end of the fiscal year, cash and cash equivalents were about the same level as in the previous year, at ¥22.2 billion (US\$168.2 million). Current assets at year-end rose 0.9%, to ¥81.6 billion (US\$618.3 million), and current liabilities were up 6.6%, to ¥62.2 billion (US\$471.4 million). The current ratio was 1.31, compared with 1.39 at the end of the previous year. Property, plant and equipment, net of accumulated depreciation, was up 27.4% from the previous year-end, to ¥48.8 billion (US\$370.0 million).

Shareholders' equity increased 2.3%, to ¥65.0 billion (US\$492.3 million), and the ratio of shareholders' equity to total assets at fiscal year-end was about the same as at the previous year-end, at 44.0%. Tsubakimoto Chain's debt-to-equity ratio at fiscal year-end was 0.64, compared with 0.62 at the previous year-end, due to higher debt. Total assets rose 1.7%, to ¥147.7 billion (US\$1,118.7 million).

# SIX - YEAR FINANCIAL SUMMARY

Tsubakimoto Chain Co. and Consolidated Subsidiaries  
Years ended March 31

	Millions of Yen						Thousands of U.S. Dollars
	1998	1997	1996	1995	1994	1993	1998
Net sales .....	<b>¥128,298</b>	¥127,231	¥110,424	¥101,670	¥109,014	¥120,867	<b>\$ 971,955</b>
Income before income taxes and minority interests .....	<b>5,508</b>	5,931	3,649	179	1,750	5,131	<b>41,728</b>
Net income (loss) .....	<b>2,709</b>	3,280	1,796	(634)	1,148	2,539	<b>20,523</b>
Net income (loss) per share* (yen and dollars) .....	<b>14.08</b>	17.04	9.33	(3.29)	5.96	13.20	<b>0.107</b>
Interest expense:							
Net .....	<b>1,172</b>	1,073	1,063	951	1,041	1,248	<b>8,879</b>
Gross: Interest received .....	<b>323</b>	385	492	835	982	1,247	<b>2,447</b>
Interest paid .....	<b>1,495</b>	1,458	1,555	1,786	2,023	2,495	<b>11,326</b>
Capital expenditures .....	<b>15,050</b>	5,680	4,759	4,290	4,221	8,489	<b>114,015</b>
Current assets .....	<b>81,622</b>	80,929	77,995	63,452	63,319	75,028	<b>618,349</b>
Current liabilities .....	<b>62,224</b>	58,349	62,312	45,902	45,625	56,937	<b>471,394</b>
Net property, plant and equipment .....	<b>48,837</b>	38,331	36,904	37,709	39,221	40,629	<b>369,977</b>
Noncurrent liabilities .....	<b>18,710</b>	21,847	16,849	19,966	19,818	20,320	<b>141,743</b>
Total assets .....	<b>147,668</b>	145,268	141,863	127,893	129,020	141,759	<b>1,118,697</b>
Common stock .....	<b>17,077</b>	17,075	17,068	17,066	17,066	17,058	<b>129,371</b>
Retained earnings .....	<b>35,260</b>	33,791	31,682	31,060	32,675	33,398	<b>267,121</b>
Shareholders' equity .....	<b>64,989</b>	63,516	61,392	60,768	62,382	63,091	<b>492,340</b>
Number of shares outstanding at year-end (thousands) .....	<b>192,406</b>	192,399	192,377	192,374	192,372	192,354	
Number of employees .....	<b>5,720</b>	5,789	5,844	5,829	5,652	5,649	

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

# CONSOLIDATED BALANCE SHEETS

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

Assets	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Current assets (Note 8):			
Cash and cash equivalents:			
Cash and time deposits .....	¥ 11,111	¥ 14,282	\$ 84,174
Marketable securities .....	11,086	7,717	83,985
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates .....	2,568	3,487	19,455
Other .....	28,457	27,178	215,584
Inventories .....	26,980	27,161	204,394
Other receivables:			
Unconsolidated subsidiaries and affiliates .....	39	62	295
Other current assets .....	1,781	1,421	13,492
Allowance for doubtful receivables .....	(400)	(379)	(3,030)
Total current assets .....	<u>81,622</u>	<u>80,929</u>	<u>618,349</u>
Property, plant and equipment (Note 8):			
Land .....	6,204	6,128	47,000
Buildings and structures .....	31,493	30,579	238,583
Machinery and equipment .....	64,039	61,537	485,144
Construction in progress .....	11,492	1,279	87,061
Accumulated depreciation .....	(64,391)	(61,192)	(487,811)
Net property, plant and equipment .....	<u>48,837</u>	<u>38,331</u>	<u>369,977</u>
Investments and long-term loans receivable:			
Investment securities:			
Unconsolidated subsidiaries and affiliates .....	544	539	4,121
Other .....	8,874	9,318	67,227
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliates .....	-	10	-
Other .....	53	10,067	402
Other noncurrent items .....	8,214	6,376	62,227
Allowance for doubtful receivables .....	(476)	(302)	(3,606)
Total investments and long-term loans receivable .....	<u>17,209</u>	<u>26,008</u>	<u>130,371</u>
Total assets .....	<u>¥147,668</u>	<u>¥145,268</u>	<u>\$1,118,697</u>

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

<b>Liabilities and Shareholders' Equity</b>	Millions of Yen		Thousands of U.S. Dollars
	<b>1998</b>	1997	<b>1998</b>
<b>Current liabilities:</b>			
Short-term bank loans and current portion of long-term debt .....	<b>¥ 28,723</b>	¥ 23,307	<b>\$ 217,598</b>
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates .....	<b>744</b>	937	<b>5,636</b>
Other .....	<b>18,712</b>	19,333	<b>141,758</b>
Income taxes payable .....	<b>1,334</b>	1,761	<b>10,106</b>
Accrued expenses .....	<b>4,543</b>	4,292	<b>34,417</b>
Other .....	<b>8,168</b>	8,719	<b>61,879</b>
<b>Total current liabilities</b> .....	<b><u>62,224</u></b>	<u>58,349</u>	<b><u>471,394</u></b>
<b>Noncurrent liabilities:</b>			
Bonds .....	<b>3,081</b>	6,962	<b>23,341</b>
Long-term loans, less current maturities .....	<b>9,806</b>	8,991	<b>74,288</b>
Retirement benefits .....	<b>5,823</b>	5,894	<b>44,114</b>
<b>Total noncurrent liabilities</b> .....	<b><u>18,710</u></b>	<u>21,847</u>	<b><u>141,743</u></b>
Currency translation adjustments .....	<b>314</b>	191	<b>2,379</b>
Minority interests .....	<b>1,431</b>	1,365	<b>10,841</b>
<b>Shareholders' equity:</b>			
Common stock .....	<b>17,077</b>	17,075	<b>129,371</b>
Capital surplus .....	<b>12,653</b>	12,651	<b>95,856</b>
Legal reserve .....	<b>3,208</b>	3,080	<b>24,303</b>
Unappropriated retained earnings .....	<b>32,052</b>	30,711	<b>242,818</b>
	<b>64,990</b>	63,517	<b>492,348</b>
Treasury stock .....	<b>(1)</b>	(1)	<b>(8)</b>
<b>Total shareholders' equity</b> .....	<b><u>64,989</u></b>	<u>63,516</u>	<b><u>492,340</u></b>
<b>Total liabilities and shareholders' equity</b> .....	<b><u>¥147,668</u></b>	<u>¥145,268</u>	<b><u>\$1,118,697</u></b>

# CONSOLIDATED STATEMENTS OF INCOME

*Tsubakimoto Chain Co. and Consolidated Subsidiaries*  
Years ended March 31, 1998, 1997 and 1996

	Millions of Yen			Thousands of U.S. Dollars
	1998	1997	1996	1998
Net sales .....	<b>¥128,298</b>	¥127,231	¥110,424	<b>\$971,955</b>
Cost of sales .....	<b>94,025</b>	94,367	81,670	<b>712,311</b>
Gross profit .....	<b>34,273</b>	32,864	28,754	<b>259,644</b>
Selling, general and administrative expenses .....	<b>27,838</b>	26,490	24,425	<b>210,894</b>
Operating income .....	<b>6,435</b>	6,374	4,329	<b>48,750</b>
Other income (expenses):				
Interest and dividend income .....	<b>637</b>	659	779	<b>4,826</b>
Interest expense .....	<b>(1,495)</b>	(1,458)	(1,555)	<b>(11,326)</b>
Foreign exchange gains (losses) .....	<b>(21)</b>	124	1	<b>(159)</b>
Other, net .....	<b>(45)</b>	(32)	30	<b>(340)</b>
Ordinary income .....	<b>5,511</b>	5,667	3,584	<b>41,751</b>
Extraordinary profit (loss):				
Profit (loss) on disposal of fixed assets, and other, net .....	<b>(3)</b>	264	65	<b>(23)</b>
Income before income taxes and minority interests .....	<b>5,508</b>	5,931	3,649	<b>41,728</b>
Income taxes .....	<b>2,671</b>	2,535	1,724	<b>20,235</b>
Minority interests .....	<b>(128)</b>	(116)	(131)	<b>(970)</b>
Amortization of consolidation difference .....	-	-	2	-
Net income .....	<b>¥ 2,709</b>	¥ 3,280	¥ 1,796	<b>\$ 20,523</b>

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

# CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

*Tsubakimoto Chain Co. and Consolidated Subsidiaries*  
Years ended March 31, 1998, 1997 and 1996

	Millions of Yen			Thousands of U.S. Dollars
	1998	1997	1996	1998
Unappropriated retained earnings at the beginning of the year .....	<b>¥ 30,711</b>	¥ 28,718	¥ 28,219	<b>\$ 232,659</b>
Appropriations:				
Transfer to legal reserve .....	<b>(128)</b>	(117)	(123)	<b>(970)</b>
Cash dividends .....	<b>(1,154)</b>	(1,154)	(1,154)	<b>(8,742)</b>
Bonuses to directors and statutory auditors .....	<b>(86)</b>	(16)	(20)	<b>(652)</b>
Net income for the year .....	<b>2,709</b>	3,280	1,796	<b>20,523</b>
Unappropriated retained earnings at the end of the year .....	<b>¥ 32,052</b>	¥ 30,711	¥ 28,718	<b>\$ 242,818</b>

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

*Tsubakimoto Chain Co. and Consolidated Subsidiaries*  
Years ended March 31, 1998, 1997 and 1996

	Millions of Yen			Thousands of U.S. Dollars
	1998	1997	1996	1998
<b>Cash flows from operating activities:</b>				
Net income .....	¥ 2,709	¥ 3,280	¥ 1,796	\$ 20,523
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization .....	4,790	4,783	4,837	36,288
Provision for (reversal of) retirement benefits .....	(71)	303	154	(538)
Minority interests in income .....	128	116	131	970
(Increase) decrease in trade notes and accounts receivable .....	(336)	1,443	(8,909)	(2,545)
(Increase) decrease in inventories .....	181	(4,145)	(3,488)	1,371
(Increase) decrease in other receivables .....	(352)	57	147	(2,667)
Increase (decrease) in trade notes and accounts payable .....	(819)	(4,033)	6,179	(6,205)
Increase in accrued expenses .....	251	535	43	1,902
Increase (decrease) in income taxes payable .....	(427)	1,040	176	(3,235)
Increase (decrease) in other current liabilities .....	(551)	751	4,274	(4,174)
Other .....	337	(102)	116	2,553
Net cash provided by operating activities .....	<u>5,840</u>	<u>4,028</u>	<u>5,456</u>	<u>44,243</u>
<b>Cash flows from investing activities:</b>				
Acquisition of property, plant and equipment .....	(15,050)	(5,680)	(4,759)	(114,015)
Proceeds from sale of property, plant and equipment .....	112	407	789	848
(Increase) decrease in investment securities and loans receivable to unconsolidated subsidiaries and affiliates .....	16	(261)	45	121
(Increase) decrease in other investment securities and loans receivable .....	10,459	(349)	(70)	79,235
Other .....	(2,112)	1,220	(250)	(16,000)
Net cash used in investing activities .....	<u>(6,575)</u>	<u>(4,663)</u>	<u>(4,245)</u>	<u>(49,811)</u>
<b>Cash flows from financing activities:</b>				
Increase (decrease) in short-term bank loans .....	1,683	(454)	2,373	12,750
Proceeds from long-term debt .....	1,540	6,338	1,252	11,667
Reduction of long-term debt .....	(988)	(3,698)	(1,155)	(7,485)
Cash dividends .....	(1,154)	(1,154)	(1,154)	(8,742)
Bonuses to directors and statutory auditors .....	(86)	(16)	(20)	(652)
Other .....	(62)	(61)	(50)	(470)
Net cash provided by financing activities .....	<u>933</u>	<u>955</u>	<u>1,246</u>	<u>7,068</u>
Net increase in cash and cash equivalents .....	198	320	2,457	1,500
Cash and cash equivalents at the beginning of the year .....	21,999	21,679	19,222	166,659
Cash and cash equivalents at the end of the year .....	<u>¥22,197</u>	<u>¥21,999</u>	<u>¥21,679</u>	<u>\$168,159</u>
<b>Supplemental disclosures of cash flow information:</b>				
Cash paid during the year for:				
Interest .....	¥ 1,498	¥ 1,464	¥ 1,489	\$ 11,348
Income taxes .....	3,090	1,504	1,548	23,409

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

**1. Basis of Presenting Consolidated Financial Statements**

***(a) Accounting principles of consolidation***

The Company has prepared its consolidated financial statements in accordance with accounting principles generally accepted in Japan. Certain modifications in format have been made to facilitate understanding by readers outside Japan.

***(b) Consolidated subsidiaries***

The consolidated financial statements include the accounts of the parent company and its significant domestic and foreign subsidiaries.

Consolidated subsidiaries are:

U.S. Tsubaki, Inc. (U.S.A.)  
 Hokkaido Tsubakimoto Chain Co., Ltd.  
 Tsubakimoto Custom Chain Co.  
 Tsubaki of Canada Limited (Canada)  
 Tsubakimoto Bulk Systems Corp.  
 Tsubaki Osaka Service Co.  
 Tsubakimoto Emerson Co.  
 Tsubakimoto Sprocket Mfg., Ltd.  
 Tsubaki Conveyor of America, Inc. (U.S.A.)  
 Tsubaki Chugoku Sales, Co.  
 Taiwan Tsubakimoto Co. (Taiwan)  
 Harry James Company Ltd. (Taiwan)  
 Ballantine, Inc. (U.S.A.)  
 Tsubakimoto Koki Industry Co., Ltd.  
 Tsubaki Arcs Co.  
 Tsubakimoto Europe B.V. (Netherlands)  
 P. Koning B.V. (Netherlands)  
 Tsubakimoto U.K. Ltd. (U.K.)  
 Technische Handelsonderneming Bergsma B.V. (Netherlands)  
 Tsubakimoto Tech Inc.  
 Tsubakimoto Higashinihon Co.  
 Tsubakimoto Singapore Pte. Ltd. (Singapore)  
 Tsubaki Australia Pty. Limited (Australia)

***(c) Unconsolidated subsidiaries and affiliates***

Investments in 5 insignificant subsidiaries and 11 affiliated companies (20% to 50% owned) are stated at cost because the Company's equity in the income or losses of these companies is not significant.

***(d) Translation into U.S. dollars***

The consolidated financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥132=\$1, the approximate exchange rate prevailing on March 31, 1998.

---

## 2. Significant Accounting Policies

### ***(a) Inventories***

Inventories are valued substantially at cost, which is determined by the first-in, first-out (FIFO) method, by the accumulated-cost method or by the moving-average cost method, except for the inventories of six subsidiaries, which are valued at the lower of cost or market.

### ***(b) Marketable and investment securities***

Marketable and investment securities quoted are valued at the lower of moving-average cost or market. Other securities are stated at cost.

### ***(c) Property, plant and equipment***

Property, plant and equipment are carried at cost. In specific cases, these are carried at cost less a reserve permitted under Japanese tax laws in respect of certain gains deferred on the sale of fixed assets. Depreciation of property, plant and equipment is computed mainly by the declining-balance method.

### ***(d) Bonuses for employees***

Accrued bonuses for employees are calculated on the basis prescribed by Japanese tax laws.

### ***(e) Retirement benefits***

The Company and its consolidated domestic subsidiaries have unfunded employees' retirement benefit plans. The annual accruals under such plans are provided mainly at the maximum amounts deductible for income tax purposes for each fiscal period.

In addition, the Company and certain consolidated subsidiaries have funded pension plans. The annual contributions to such funds are charged to income and include normal costs and amortization of past service costs.

Also, the Company records the unfunded retirement benefits for directors and statutory auditors on the accrual basis.

### ***(f) Translation of balances denominated in foreign currencies in domestic financial statements***

Current receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date except for amounts fixed by forward exchange contracts.

Noncurrent receivables and payables denominated in foreign currencies are translated at historical rates or at the forward contract rate, except when significant unrealized exchange losses are incurred.

All gains and losses resulting from the translation of foreign currency balances are included in net income for the year.

### ***(g) Accounting for leases***

Finance leases, except for those in which ownership is deemed to be transferred to the lessee, are accounted for by the same method as operating leases.

---

**3. Difference between Cost and Net Equity of Consolidated Subsidiaries** The difference between the cost of an investment in a subsidiary and the underlying book value of the acquired interest is, if material, allocated to a specific asset. However, minor differences are charged or credited to income for the year of acquisition.

---

**4. Intercompany Transactions** All material intercompany balances and transactions, including unrealized profit in inventories and property, plant and equipment, have been eliminated on consolidation.

---

**5. Translation of Foreign Currency Financial Statements** The financial statements of consolidated foreign subsidiaries are translated into yen in accordance with the Financial Accounting Standard for Foreign Currency Transactions in Japan.

This standard requires that assets and liabilities are translated into yen at year-end rates and income and expense accounts are translated at average rates. Foreign currency translation adjustments are reflected in the balance sheets as suspense accounts (currency translation adjustments).

---

**6. Appropriations of Retained Earnings** Appropriations of retained earnings are recorded at the date they are approved at the annual shareholders' meeting.

---

**7. Tax Effect of Timing Differences** The consolidated financial statements do not reflect the tax effect of timing differences between income as reported for tax and financial statement purposes.

---

**8. Pledged Assets** At March 31, 1998 and 1997, the following assets were pledged as collateral for bank loans and long-term debt.

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Current assets .....	¥ 484	¥ 1,094	\$ 3,667
Property, plant and equipment .....	21,556	24,174	163,303
	<u>¥22,040</u>	<u>¥25,268</u>	<u>\$166,970</u>

---

**9. Contingent Liabilities** Contingent liabilities with respect to trade notes discounted and loans guaranteed amounted to ¥11,907 million (\$90,205 thousand) and ¥12,578 million at March 31, 1998 and 1997, respectively.

---

**10. Per Share Amounts**

At March 31	Yen		U.S. Dollars
	1998	1997	1998
Shareholders' equity per share .....	¥337.77	¥330.12	\$2.559
Net income per share .....	14.08	17.04	0.107

---

**The Board of Directors  
Tsubakimoto Chain Co.**

We have examined the consolidated balance sheets of Tsubakimoto Chain Co. and consolidated subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, retained earnings, and cash flows for each of the three years in the period ended March 31, 1998. Our examinations were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of Tsubakimoto Chain Co. and consolidated subsidiaries as of March 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1998, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

Osaka, Japan  
June 26, 1998

*Century Audit Corporation*

Century Audit Corporation  
Certified Public Accountants

**TSUBAKIMOTO CHAIN CO.**

**HEAD OFFICE**

17-96, Tsurumi 4-chome,  
Tsurumi-ku, Osaka 538-8686, Japan  
(P.O. Box 11, Joto Osaka)  
Telephone: (06) 911-1221\*  
Facsimile: (06) 913-5315\*

*\*Effective January 1999, local numbers 911 and 913  
will change to 6911 and 6913, respectively.*

Telex: 64938 OSKTBKJ

**DATE OF FOUNDING**

December 1917

**DATE OF INCORPORATION**

January 1941

**SHAREHOLDERS' EQUITY**

¥64,989 million

**COMMON STOCK**

Authorized: 300,000 thousand shares  
Issued: 192,406 thousand shares

**STOCK LISTINGS**

Tokyo, Osaka, Nagoya, and Kyoto

**TRANSFER AGENT**

The Chuo Trust and Banking  
Company, Limited  
6-26, Kitahama 2-chome,  
Chuo-ku, Osaka 541-0041, Japan

**NUMBER OF EMPLOYEES**

3,018 (Parent company only)

**OFFICES AND PLANTS**

**Tokyo Office**

Medical Friend Building,  
2-4, Kudan-Kita 3-chome,  
Chiyoda-ku, Tokyo 102-8186  
Telephone: (03) 3221-5611  
Facsimile: (03) 3221-5639

**Nagoya Office**

Daisho Building,  
26-25, Meieki 4-chome,  
Nakamura-ku, Nagoya 450-0002  
Telephone: (052) 571-8181  
Facsimile: (052) 571-0915

**Osaka Office**

Fukokuseimei Building,  
2-4, Komatsubara-cho,  
Kita-ku, Osaka 530-0018  
Telephone: (06) 313-3190\*  
Facsimile: (06) 315-6657\*

*\*Effective January 1999, local numbers 313 and 315  
will change to 6313 and 6315, respectively.*

**Osaka Plant**

17-96, Tsurumi 4-chome,  
Tsurumi-ku, Osaka 538-8686  
Telephone: (06) 911-1221\*  
Facsimile: (06) 913-5315\*

*\*Effective January 1999, local numbers 911 and 913  
will change to 6911 and 6913, respectively.*

Telex: 64938 OSKTBKJ

*Major products: Power transmission chains  
and conveyor chains  
Number of employees: 942*

**Saitama Plant**

20, Shinko, Hanno,  
Saitama 357-8510  
Telephone: (0429) 73-1131  
Facsimile: (0429) 73-4252  
*Major products: Automotive parts and  
materials handling systems  
Number of employees: 880*

**Kyoto Plant**

1-1, Kotari-Kuresumi,  
Nagaokakyo, Kyoto 617-0833  
Telephone: (075) 954-1111  
Facsimile: (075) 956-8456  
*Major products: Power transmission units  
and components  
Number of employees: 411*

**Hyogo Plant**

1140, Asazuma-cho,  
Kasai, Hyogo 679-0181  
Telephone: (0790) 47-1518  
Facsimile: (0790) 47-1513  
*Major products: Materials handling equipment  
Number of employees: 188*

**SALES OFFICES**

Sendai, Omiya, Yokohama, Shizuoka,  
Toyota, Komaki, Okazaki, Hokuriku,  
Keiji, Hyogo, Hiroshima, Kyushu,  
and 16 other regional sales offices

**JAPAN**

	<i>Principal business</i>		<i>Principal business</i>
<b>Hokkaido Tsubakimoto Chain Co., Ltd.*</b>	<i>Sales of Tsubakimoto Chain products</i>	<b>Tsubakimoto Higashimihon Co.*</b>	<i>Sales of Tsubakimoto Chain products</i>
<b>Tsubakimoto Custom Chain Co.*</b>	<i>Manufacture of power transmission chains</i>	<b>Kyowa Cam Co.</b>	<i>Manufacture of power transmission products</i>
<b>Tsubakimoto Bulk Systems Corp.*</b>	<i>Manufacture of bulk material handling systems</i>	<b>Showa Chain Industrial Co.</b>	<i>Manufacture of conveyor chains</i>
<b>Tsubaki Osaka Service Co.*</b>	<i>Sales of Tsubakimoto Chain products</i>	<b>Tsubakimoto Iron Casting Co., Ltd.</b>	<i>Casting</i>
<b>Tsubakimoto Emerson Co.*</b>	<i>Manufacture of power transmission products</i>	<b>Tsubakimoto Staff Services Co-op.</b>	<i>Employee welfare services</i>
<b>Tsubakimoto Sprocket Mfg., Ltd.*</b>	<i>Manufacture of sprockets</i>	<b>Tsubakimoto Nishinihon Co., Ltd.</b>	<i>Manufacture of chip conveyors</i>
<b>Tsubaki Chugoku Sales, Co.*</b>	<i>Sales of Tsubakimoto Chain products</i>	<b>Tsubakimoto Mayfran Inc.</b>	<i>Sales of Tsubakimoto Chain products</i>
<b>Tsubakimoto Koki Industry Co., Ltd.*</b>	<i>Manufacture of materials handling systems</i>	<b>Tsubaki Izumi Sales Co., Ltd.</b>	<i>Sales of Tsubakimoto Chain products</i>
<b>Tsubaki Arcs Co.*</b>	<i>Real estate leasing and maintenance and insurance agency services</i>	<b>Tsubaki Mecs Co., Ltd.</b>	<i>Sales of Tsubakimoto Chain products</i>
<b>Tsubakimoto Tech Inc.*</b>	<i>Manufacture of materials handling systems</i>	<b>Shinko Machinery Co.</b>	<i>Manufacture of conveyor chains</i>
		<b>Tsubaki Shikoku Sales Co., Ltd.</b>	<i>Sales of Tsubakimoto Chain products</i>
		<b>Onishi Mfg. Co., Ltd.</b>	<i>Manufacture of conveying equipment</i>

\*Consolidated subsidiary

**NORTH AMERICA**

**U.S. TSUBAKI, INC.\***  
**Head Office**  
 301 E. Marquardt Drive,  
 Wheeling, IL 60090-6431, U.S.A.  
 Telephone: (847) 459-9500  
 Facsimile: (847) 459-9515  
*Principal business: Manufacture and sales of power transmission products*

*Number of employees: 1,019*

**Sprocket Division, Bennington Plant**  
 119 Bowen Road,  
 Bennington, VT 05201-2017, U.S.A.  
 Telephone: (802) 447-7561  
 Facsimile: (802) 447-7966

**Roller Chain Division, Holyoke Plant**  
 821 Main Street, P.O. Box 471,  
 Holyoke, MA 01040-5312, U.S.A.  
 Telephone: (413) 536-1576  
 Facsimile: (413) 534-8239

**Automotive Division, Chicopee Plant**  
 106 Lonczak Drive,  
 Chicopee, MA 01022-1305, U.S.A.  
 Telephone: (413) 593-1100  
 Facsimile: (413) 593-9999

**Engineering Chain Division, Sandusky Plant**  
 1010 Edgewater Drive, P.O. Box 651,  
 Sandusky, OH 44870-1601, U.S.A.  
 Telephone: (419) 626-4560  
 Facsimile: (419) 626-5194

**BALLANTINE, INC.\***  
 840 McKinley Street,  
 Anoka MN 55303-1162, U.S.A.  
 Telephone: (612) 571-7474  
 Facsimile: (612) 571-0255  
*Principal business: Sales of trencher parts*  
*Number of employees: 39*

**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  
*Principal business: Manufacture and sales of materials handling systems*  
*Number of employees: 97*

**Fremont Office**  
 48860 Milmont Drive, Suite 104C,  
 Fremont, CA 94538-7344, U.S.A.  
 Telephone: (510) 656-3094  
 Facsimile: (510) 656-2094

**TSUBAKI OF CANADA LIMITED\***  
 1630 Drew Road,  
 Mississauga, Ontario, L5S 1J6 Canada  
 Telephone: (905) 676-0400  
 Facsimile: (905) 676-0904  
*Principal business: Manufacture and sales of power transmission products*  
*Number of employees: 85*

**EUROPE**

**TSUBAKIMOTO EUROPE B.V.\***  
 Belder 1, 4704 RK Roosendaal,  
 The Netherlands  
 Telephone: 165-594800  
 Facsimile: 165-549450  
*Principal business: Sales of power transmission products*  
*Number of employees: 33*

**P. KONING B.V.\***  
 Waalhaven Z/Z 42,  
 3088 HJ Rotterdam, The Netherlands  
 Telephone: (10) 4941818  
 Facsimile: (10) 4294906  
*Principal business: Sales of power transmission products*  
*Number of employees: 49*

**TSUBAKIMOTO U.K. LTD.\***  
 Moorbridge Road, Bingham Industrial Estate,  
 Bingham, Nottingham NG13 8GG,  
 United Kingdom  
 Telephone: (1949) 838554  
 Facsimile: (1949) 839135  
*Principal business: Sales of power transmission products*  
*Number of employees: 24*

**T.E.U.K. LIMITED**  
 20 Lime Avenue, Duffield, Belper,  
 Derbyshire DE56 4DX, United Kingdom  
 Telephone: (1332) 841-286  
*Principal business: Sales and maintenance of materials handling systems*  
*Number of employees: 2*

**ASIA AND OCEANIA**

**TSUBAKIMOTO SINGAPORE PTE. LTD.\***  
 25 Gul Lane, Jurong, Singapore 629419  
 Telephone: 8610422-4  
 Facsimile: 8617035  
*Principal business: Manufacture and sales of power transmission products*  
*Number of employees: 24*

**Tsubaki Thai Representative Office**  
 No.1622, Krung Kasem Road, Pom Prab,  
 Bangkok 10100, Thailand  
 Telephone: (2) 226-0320  
 Facsimile: (2) 226-0321

**TAIWAN TSUBAKIMOTO CO.\***  
 No.7 Feng Sun Keng, Kuei Shan-Hsiang,  
 Taoyuan-Hsien, Taiwan, R.O.C.  
 Telephone: (3) 3293827-9  
 Facsimile: (3) 3293065  
*Principal business: Manufacture and sales of power transmission products*  
*Number of employees: 99*

**KOREA CONVEYOR IND. CO., LTD.**  
 72-1, Onsoo-dong, Kuro-ku,  
 Seoul, Republic of Korea  
 Telephone: (2) 613-0151  
 Facsimile: (2) 684-9166  
*Principal business: Manufacture and sales of materials handling systems and conveyor chains*  
*Number of employees: 199*

**TSUBAKI AUSTRALIA PTY. LIMITED\***  
 Unit E, 95-101 Silverwater Road,  
 Silverwater, N.S.W. 2128, Australia  
 Telephone: (2) 9648-5269  
 Facsimile: (2) 9648-3115  
*Principal business: Sales of power transmission products*  
*Number of employees: 28*

**HANGZHOU TSUBAKI DUNPAI CHAIN CO., LTD.**  
 309, Hu Shu Nan Road, Hangzhou  
 Zhejiang, P.R. of China  
 Telephone: (571) 808-2887  
 Facsimile: (571) 880-2302  
*Principal business: Manufacture and sales of chain products*  
*Number of employees: 1,819*

\*Consolidated subsidiary



TSUBAKIMOTO CHAIN CO.

17-96, Tsurumi 4-chome,  
Tsurumi-ku, Osaka 538-8686, Japan