Results of Operations

In the fiscal year ended March 31, 2000, steady sales of power transmission products were offset by difficult conditions in the markets for materials handling systems, and consolidated net sales declined 4.2%, to ¥106.3 billion (US$1,002.7 million). The cost of sales declined 6.3%, to ¥78.5 billion (US$740.4 million), as a result of lower personnel expenses. The cost of sales ratio improved to 73.8%, from 75.5% in the previous year. Selling, general and administrative expenses rose slightly, to ¥25.1 billion (US$236.7 million). Operating income was up 14.7%, to ¥2.7 billion (US$25.5 million), and the operating profit margin improved to 2.5%, compared with 2.1% in the previous year.

Net interest expense increased 78.0%, to ¥1.3 billion (US$12.7 million), due to a rise in long-term debt. Ordinary income was up 120.1%, to ¥1.9 billion (US$17.7 million). In extraordinary profit, we recorded a special gain of ¥850 million (US$8.0 million) from the sale of fixed assets. As a result, income before income taxes and minority interests was ¥2.7 billion (US$25.7 million), compared with a loss of ¥1.0 billion in the previous year, and net income reached ¥1.2 billion (US$11.5 million), compared with a net loss of ¥1.7 billion a year earlier. Net income per share was ¥6.36 (US$0.060), compared with a net loss per share of ¥8.92 in the previous year.

Return on equity (ROE) was 1.9%, compared with -2.7% in the previous year. Cash dividends per share were left unchanged at ¥6.00 (US$0.057).

Liquidity and Capital Resources

Net cash provided by operating activities decreased 53.0%, to ¥3.3 billion (US$30.8 million). Depreciation and amortization was down 3.8% from the previous year, at ¥4.4 billion (US$41.9 million).

Net cash used in investing activities increased from ¥4.5 billion in the previous year to ¥28.8 billion (US$271.3 million) in the year under review. This increase was due to capital expenditures of ¥32.5 billion (US$306.5 million), mainly in new plant construction. Proceeds from sales of property, plant, and equipment totaled ¥6.5 billion (US$61.6 million).

Net cash provided by financing activities totaled ¥27.2 billion (US$256.3 million), up from ¥2.4 billion in the previous year. This increase was due to new long-term borrowings and the issuance of bonds to finance new plant construction.

At the end of the year under review, cash and cash equivalents were up 10.9%, to ¥27.6 billion (US$260.2 million).

Current assets at year-end were up 14.6%, to ¥83.1 billion (US$784.4 million), and current liabilities increased 6.0%, to ¥50.1 billion (US$472.5 million). The current ratio was 1.66, compared with 1.54 at the end of the previous year. Property, plant and equipment, net of accumulated depreciation, increased 58.2% from the previous year-end, to ¥76.4 billion (US$720.3 million).

Shareholders' equity rose 3.4%, to ¥63.8 billion (US$601.4 million), as a result of increased retained earnings. Total assets at fiscal year-end were up 34.0%, to ¥184.5 billion (US$1,740.3 million). The ratio of shareholders' equity to total assets at fiscal year-end was 34.6%, down from 44.8% at the end of the previous year. Tsubakimoto Chain's debt-to-equity ratio at fiscal year-end was 1.16, compared with 0.73 at the previous year-end, as a result of the increase in long-term debt.

Eleven-Year Financial Summary

Tsubakimoto Chain Co. and Consolidated Subsidiaries
Years ended March 31

	2000	1999	1998	1997
Net sales	**¥106,281**	¥110,919	¥128,298	¥127,231
Income (loss) before income taxes and minority interests	**2,725**	(1,018)	5,508	5,931
Net income (loss)	**1,218**	(1,715)	2,709	3,280
Net income (loss) per share* (yen and dollars)	**6.36**	(8.92)	14.08	17.04
Interest expense:				
Net	**1,577**	1,163	1,172	1,073
Gross: Interest received	**162**	263	323	385
Interest paid	**1,739**	1,426	1,495	1,458
Capital expenditures	**32,487**	5,157	15,050	5,680
Current assets	**83,143**	72,541	81,622	80,929
Current liabilities	**50,080**	47,256	62,224	58,349
Net property, plant and equipment	**76,352**	48,249	48,837	38,331
Noncurrent liabilities	**67,474**	27,397	18,710	21,847
Total assets	**184,468**	137,691	147,668	145,268
Common stock	**17,077**	17,077	17,077	17,075
Retained earnings	**34,020**	31,943	35,260	33,791
Shareholders' equity	**63,750**	61,673	64,989	63,516
Number of shares outstanding at year-end (thousands)	**191,406**	191,406	192,406	192,399
Number of employees	**5,440**	5,368	5,720	5,789

* The effective par value per share is ¥50.

Millions of Yen Except Per Share Data							Thousands of U.S. Dollars
1996	1995	1994	1993	1992	1991	1990	**2000**
¥110,424	¥101,670	¥109,014	¥120,867	¥140,316	¥127,851	¥120,741	**$1,002,651**
3,649	179	1,750	5,131	10,291	11,139	10,027	**25,708**
1,796	(634)	1,148	2,539	5,216	5,393	5,060	**11,491**
9.33	(3.29)	5.96	13.20	27.14	28.15	27.00	**0.060**
1,063	951	1,041	1,248	1,160	1,115	749	**14,878**
492	835	982	1,247	1,655	1,299	861	**1,528**
1,555	1,786	2,023	2,495	2,815	2,414	1,610	**16,406**
4,759	4,290	4,221	8,489	8,586	11,060	6,996	**306,481**
77,995	63,452	63,319	75,028	73,549	89,110	76,553	**784,368**
62,312	45,902	45,625	56,937	54,978	71,273	50,165	**472,453**
36,904	37,709	39,221	40,629	37,490	33,985	27,130	**720,302**
16,849	19,966	19,818	20,320	18,261	11,196	10,381	**636,547**
141,863	127,893	129,020	141,759	137,355	142,883	117,038	**1,740,264**
17,068	17,066	17,066	17,058	17,057	16,809	16,629	**161,104**
31,682	31,060	32,675	33,398	33,049	29,987	26,465	**320,943**
61,392	60,768	62,382	63,091	62,739	59,180	55,298	**601,415**
192,377	192,374	192,372	192,354	192,349	191,639	191,045	
5,844	5,829	5,652	5,649	5,591	5,401	5,393	

Consolidated Balance Sheets

Tsubakimoto Chain Co. and Consolidated Subsidiaries
March 31, 2000 and 1999

Assets	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars 2000
Current assets (Note 7):			
Cash and cash equivalents	¥ 27,586	¥ 24,879	$ 260,245
Short-term investments	5,061	2,154	47,745
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	14	1,950	132
Other	27,367	20,238	258,179
Inventories	20,700	21,991	195,283
Deferred tax assets	1,043	–	9,840
Other receivables:			
Unconsolidated subsidiaries and affiliates	28	39	264
Other current assets	1,619	1,573	15,274
Allowance for doubtful receivables	(275)	(283)	(2,594)
Total current assets	83,143	72,541	784,368
Property, plant and equipment (Note 7):			
Land	41,916	6,155	395,434
Buildings and structures	32,906	31,615	310,434
Machinery and equipment	67,416	65,629	636,000
Construction in progress	3,910	12,098	36,887
Accumulated depreciation	(69,796)	(67,248)	(658,453)
Net property, plant and equipment	76,352	48,249	720,302
Investments and long-term loans receivable:			
Investment securities:			
Unconsolidated subsidiaries and affiliates	285	590	2,689
Other	7,932	8,353	74,830
Long-term loans receivable	34	35	321
Deferred tax assets	96	–	906
Other noncurrent items (Note 7)	14,959	7,678	141,122
Allowance for doubtful receivables	(588)	(462)	(5,547)
Total investments and long-term loans receivable	22,718	16,194	214,321
Currency translation adjustments	2,255	707	21,273
Total assets	¥184,468	¥137,691	$1,740,264

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

Liabilities and Shareholders' Equity

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current liabilities:			
Short-term bank loans and current portion of long-term debt	¥ 23,279	¥ 23,400	$ 219,613
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	802	705	7,566
Other	16,733	15,122	157,859
Income taxes payable	376	305	3,547
Accrued expenses	2,887	4,163	27,236
Deferred tax liabilities	104	–	981
Other	5,899	3,561	55,651
Total current liabilities	50,080	47,256	472,453
Noncurrent liabilities:			
Bonds	13,692	6,308	129,170
Long-term loans, less current maturities	37,166	15,370	350,622
Retirement benefits	12,065	5,719	113,821
Deferred tax liabilities	999	–	9,425
Other	3,552	–	33,509
Total noncurrent liabilities	67,474	27,397	636,547
Minority interests	3,164	1,365	29,849
Shareholders' equity:			
Common stock	17,077	17,077	161,104
Capital surplus	12,653	12,653	119,368
Retained earnings	34,020	31,943	320,943
	63,750	61,673	601,415
Treasury stock	(0)	(0)	(0)
Total shareholders' equity	63,750	61,673	601,415
Total liabilities and shareholders' equity	¥184,468	¥137,691	$1,740,264

Consolidated Statements of Income

Tsubakimoto Chain Co. and Consolidated Subsidiaries
Years Ended March 31, 2000, 1999 and 1998

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	2000
Net sales	¥106,281	¥110,919	¥128,298	$1,002,651
Cost of sales	78,481	83,714	94,025	740,387
Gross profit	27,800	27,205	34,273	262,264
Selling, general and administrative expenses	25,095	24,847	27,838	236,745
Operating income	2,705	2,358	6,435	25,519
Other income (expenses):				
Interest and dividend income	393	670	637	3,708
Interest expense	(1,739)	(1,426)	(1,495)	(16,406)
Equity in loss of affiliated company	–	(231)	–	–
Foreign exchange losses	(227)	(114)	(21)	(2,141)
Other, net	743	(405)	(45)	7,009
Ordinary income	1,875	852	5,511	17,689
Extraordinary profit (loss):				
Profit on disposal of fixed assets, and other, net	850	(1,870)	(3)	8,019
Income (loss) before income taxes and minority interests	2,725	(1,018)	5,508	25,708
Income taxes				
Current	925	696	2,671	8,726
Deferred	550	–	–	5,189
Minority interests	(32)	(1)	(128)	(302)
Net income (loss)	¥ 1,218	¥ (1,715)	¥ 2,709	$1,011,491

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, 2000, 1999 and 1998

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	2000
Retained earnings at the beginning of the year	¥31,943	¥35,260	¥33,791	$301,349
Increase in retained earnings, resulting from consolidation of additional subsidiaries	1,180	–	–	11,132
Prior years' tax effect	840	–	–	7,924
Appropriations:				
Cash dividends	(1,148)	(1,154)	(1,154)	(10,830)
Bonuses to directors and statutory auditors	(13)	(89)	(86)	(123)
Retirement of treasury shares	–	(249)	–	–
Decrease in retained earnings, resulting from application of the equity method	–	(110)	–	–
Net income (loss) for the year	1,218	(1,715)	2,709	11,491
Retained earnings at the end of the year	¥34,020	¥31,943	¥35,260	$320,943

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, 2000, 1999 and 1998

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	2000
Cash flows from operating activities:				
Net income (loss) before income taxes and minority interests	¥ 2,725	¥ 1,018	¥ 5,508	$ 25,708
Adjustments for:				
Depreciation and amortization	4,444	4,620	4,790	41,924
Loss (gain) on sales of property, plant and equipment	(8,837)	121	173	(83,368)
Provision for (reversal of) allowance for doubtful receivables	59	(131)	195	557
Provision for (reversal of) retirement benefits	5,859	(104)	(71)	55,274
Other income (expenses)	(237)	36	491	(2,236)
(Increase) decrease in trade notes and accounts receivable	(99)	8,762	(336)	(934)
Decrease in inventories	946	4,989	181	8,924
Decrease in trade notes and accounts payable	(2,410)	(3,620)	(819)	(22,736)
Other	3,008	(5,522)	(3,339)	28,377
Sub total	5,458	10,169	6,773	51,490
Interest and dividend income received	396	638	555	3,736
Interest expenses paid	(1,719)	(1,449)	(1,498)	(16,217)
Income taxes paid	(867)	(2,407)	(3,090)	(8,179)
Net cash provided by operating activities	3,268	6,951	2,740	30,830
Cash flows from investing activities:				
Increase of time deposits (due after 3 months)	(666)	–	–	(6,283)
Payments for purchase of investments in securities	(4,213)	(1,577)	(725)	(39,745)
Proceeds from sales of investments in securities	2,287	2,052	1,164	21,575
Payments for purchase of investments in subsidiaries	(222)	–	–	(2,094)
Increase of long-term loans receivable	(25)	–	–	(236)
Decrease of long-term loans receivable	39	18	10,024	368
Payments for purchase of property, plant and equipment	(32,487)	(5,157)	(15,050)	(306,481)
Proceeds from sales of property, plant and equipment	6,532	137	112	61,623
Net cash used in investing activities	(28,755)	(4,527)	(4,475)	(271,273)
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans, net	517	(2,458)	1,683	4,877
Proceeds from long-term loans	21,413	6,906	1,540	202,009
Repayment from long-term loans	(864)	(807)	(988)	(8,151)
Proceeds from issue of bonds	8,000	4,000	–	75,472
Payments on redemption of bonds	(700)	(4,000)	–	(6,604)
Cash dividends	(1,149)	(1,154)	(1,154)	(10,839)
Cash dividends for minority shareholders	(51)	(60)	(60)	(481)
Net cash provided by financing activities	27,166	2,427	1,021	256,283
Effect of exchange rate changes on cash and cash equivalents	(52)	(1)	(53)	(491)
Net increase (decrease) in cash and cash equivalents	1,627	4,850	(767)	15,349
Cash and cash equivalents at the beginning of the year	24,879	20,029	20,796	234,707
Increase in cash and cash equivalents due to inclusion of subsidiaries in consolidation	1,080	–	–	10,189
Cash and cash equivalents at the end of the year	¥ 27,586	¥ 24,879	¥ 20,029	$260,245

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 and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain modifications in format have been made to facilitate understanding by readers outside Japan.

In addition, the notes to the consolidated financial statements include additional information which is not required under accounting principles and practices generally accepted in Japan but is presented herein as additional information.

(b) Consolidated subsidiaries

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

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 Corporation
Tsubakimoto Machinery Co.
Tsubakimoto Emerson Co.
Tsubakimoto Sprocket Mfg., Ltd.
Tsubaki Conveyor of America, Inc. (U.S.A.)
Taiwan Tsubakimoto Co. (Taiwan)
Harry James Company Ltd. (Taiwan)
Ballantine, Inc. (U.S.A.)
Tsubaki Arcs Co.
Tsubakimoto Europe B.V. (Netherlands)
P. Koning B.V. (Netherlands)
Tsubakimoto U.K. Ltd. (U.K.)
Tsubakimoto Singapore Pte. Ltd. (Singapore)
Tsubaki Australia Pty. Limited (Australia)
Tsubakimoto Nishinihon Co., Ltd.
Tsubakimoto Mayfran Inc.
Korea Conveyor Ind. Co., Ltd. (Korea)
Tsubaki Emerson Gear (Tianjin) Co., Ltd. (China)

The Company and Tsubakimoto Machinery Co., which changed the name from Tsubaki Osaka Service Co. on October 1, 1999, acquired all of shares of 4 subsidiaries (Tsubakimoto Tech Inc. etc.).

(c) Unconsolidated subsidiaries and affiliates

Investments in 6 insignificant subsidiaries and 4 affiliated companies 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 ¥106= $1, the approximate exchange rate prevailing on March 31, 2000.

(e) Consolidated statement of cash flows

In 2000, the Companies adopted the Accounting Standards for Consolidated Statements of Cash Flows, etc. which was issued by the Business Accounting Deliberation Council.

Restated statements of cash flows for the years ended March 31, 1999 and 1998 have been provided for comparative purposes.

For the purposes of cash flows statements, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of overdrafts, and all highly liquid investments with maturities of three months or less.

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 8 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) Computer software

Expenditure relating to computer software developed for internal use is charged to income when incurred, except if it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an asset and is amortized using the straight-line method over its estimated useful life.

Effective April 1, 1999, the Companies adopted the Accounting Standards for Research and Development Cost, etc. which was issued by the Business Accounting Deliberation Council.

(e) Bonuses for employees

Accrued bonuses for employees are calculated based on an estimation of future bonus payments.

(f) Retirement benefits

The Company and its consolidated domestic subsidiaries have unfunded employees' retirement benefit plans. Prior to April 1999, the annual accruals under such plans were equal to 40% of the amount which would be required if all employees voluntarily retired on the balance sheet date. Effective April 1, 1999, the Company changed the accrual for employees to equal to 100% of the amount which would be required if all employees voluntarily retired on the balance sheet date. The effect of the change was to increase retirement benefits by ¥6,091 million ($57,462 thousand) and decrease income before income taxes by ¥6,142 million ($57,943 thousand).

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.

(g) Translation of balances denominated in foreign currencies in (g) 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.

(h) 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.

(i) Income taxes

The Companies recorded income taxes payable based upon taxable income determined for each group company in accordance with applicable tax laws. The Company and its domestic subsidiaries did not recognize deferred income taxes arising from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements at March 31, 1999.

Effective April 1, 1999, the Companies adopted the Financial Accounting Standard on Accounting for Effects of Income Taxes which was issued by the Financial Accounting Deliberation Council.

This standard requires that income taxes be accounted for under the asset and liability method. The effect of the initial application of this policy for the year ended March 31, 2000 was to decrease net income by ¥550 million ($5,189 thousand). The cumulative effect up to the beginning of the current year of ¥840 million ($7,925 thousand) has been reported as a prior years' tax effect from initial application of accounting for income taxes in the consolidated statement of retained earnings. As a result of the above, total assets and total liabilities increased by ¥1,139 million ($10,746 thousand) and ¥1,103 million ($10,406 thousand) respectively and retained earnings increased by ¥36 million ($340 thousand).

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, amortized for less than 20 years. 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. Pledged Assets

At March 31, 2000 and 1999, the following assets were pledged as collateral for bank loans and long-term debt.

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current assets	¥ –	¥ 531	$ –
Property, plant and equipment	49,625	22,329	468,160
Other noncurrent items	63	–	594
	¥49,688	¥22,860	$468,754

8. Contingent Liabilities

Contingent liabilities with respect to trade notes discounted and loans guaranteed amounted to ¥9,087 million ($85,726 thousand) and ¥12,606 million at March 31, 2000 and 1999, respectively.

9. Per Share Amounts

	Yen		U.S. Dollars
	2000	1999	2000
Shareholders' equity per share	¥333.06	¥322.20	$3.142
Net income (loss) per share	6.36	(8.92)	0.060

10. Research and Development

Research and development expenditure charged to income was ¥1,444 million ($13,623 thousand) for the year ended March 31, 2000.

11. Segment Information

Information by business segment and geographical segment for the years ended March 31, 2000 and 1999 is as follows:

(a) Business segment

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Net sales:			
Power transmission products:			
Customers	¥ 80,720	¥ 78,875	$ 761,510
Intersegment	1,077	2,160	10,160
Total	¥ 81,797	¥ 81,035	$ 771,670
Materials handling systems:			
Customers	¥ 25,018	¥ 31,403	$ 236,019
Intersegment	214	124	2,019
Total	¥ 25,232	¥ 31,527	$ 238,038
Others:			
Customers	¥ 543	¥ 641	$ 5,123
Intersegment	1,183	1,094	11,160
Total	¥ 1,726	¥ 1,735	$ 16,283
Eliminations	(2,474)	(3,378)	(23,340)
Consolidated total	¥106,281	¥110,919	$1,002,651
Operating income (loss):			
Power transmission products	¥ 6,161	¥ 5,353	$ 58,123
Materials handling systems	(823)	(292)	(7,764)
Others	257	217	2,424
Corporate and eliminations	(2,890)	(2,920)	(27,264)
Consolidated total	¥ 2,705	¥ 2,358	$ 25,519
Total assets:			
Power transmission products	¥116,039	¥ 83,914	$1,094,707
Materials handling systems	23,082	19,841	217,755
Others	2,382	2,322	22,472
Corporate and eliminations	42,965	31,614	405,330
Consolidated total	¥184,468	¥137,691	$1,740,264
Depreciation:			
Power transmission products	¥ 3,729	¥ 3,863	$ 35,179
Materials handling systems	553	583	5,217
Others	17	19	160
Corporate and eliminations	145	155	1,368
Consolidated total	¥ 4,444	¥ 4,620	$ 41,924
Capital expenditures:			
Power transmission products	¥ 28,940	¥ 4,457	$ 273,019
Materials handling systems	125	476	1,179
Others	5	9	47
Corporate and eliminations	3,417	215	32,236
Consolidated total	¥ 32,487	¥ 5,157	$ 306,481

(b) Geographical segment

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Net sales:			
Japan:			
Customers	¥ 78,338	¥ 77,164	$ 739,038
Intersegment	7,374	7,295	69,566
Total	¥ 85,712	¥ 84,459	$ 808,604
North America:			
Customers	¥ 20,978	¥ 28,240	$ 197,906
Intersegment	89	96	839
Total	¥ 21,067	¥ 28,336	$ 198,745
Europe:			
Customers	¥ 2,781	¥ 3,146	$ 26,236
Intersegment	6	15	57
Total	¥ 2,787	¥ 3,161	$ 26,293
Asia and Oceania:			
Customers	¥ 4,183	¥ 2,370	$ 39,462
Intersegment	523	426	4,934
Total	¥ 4,706	¥ 2,796	$ 44,396
Eliminations	(7,991)	(7,833)	(75,387)
Consolidated total	¥106,281	¥110,919	$1,002,651
Operating income:			
Japan	¥ 3,702	¥ 2,553	$ 34,924
North America	1,481	1,861	13,972
Europe	218	287	2,057
Asia and Oceania	138	211	1,302
Corporate and eliminations	(2,834)	(2,554)	(26,736)
Consolidated total	¥ 2,705	¥ 2,358	$ 25,519
Total assets:			
Japan	¥117,216	¥ 84,311	$1,105,811
North America	17,015	19,199	160,519
Europe	2,705	2,371	25,519
Asia and Oceania	5,350	2,261	50,472
Corporate and eliminations	42,182	29,549	397,943
Consolidated total	¥184,468	¥137,691	$1,740,264

Independent Auditors' Report

The Board of Directors
Tsubakimoto Chain Co.

We have audited the accompanying consolidated balance sheets of Tsubakimoto Chain Co. and its consolidated subsidiaries (the "Companies") as of March 31, 2000 and 1999, and the related consolidated statements of income, retained earnings and cash flows for each of the three years ended March 31, 2000, expressed in Japanese 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 audit.

We conducted our audit in accordance with generally accepted auditing standards, procedures and practices in Japan and, accordingly, our audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Companies as of March 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years ended March 31, 2000 in accordance with accounting principles generally accepted in Japan applied on a consistent basis, except for the change, with which we concur, in the method of estimation for retirement benefits to employees, which was made in the year ended March 31, 2000, as described in Note 2(f) to the consolidated financial statements.

As described in Notes 1 and 2 to the consolidated financial statements, the Companies have adopted new accounting standards for consolidation, research and development costs and tax-effect accounting in the preparation of their consolidated financial statements for the year ended March 31, 2000.

The accompanying consolidated financial statements as of March 31, 2000 and for the year ended March 31, 2000 have been translated into United States dollars solely for the convenience of the reader. We have reviewed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis described in Note 1(d) to the consolidated financial statements.

Century Ota Showa & Co.

Century Ota Showa & Co.

Osaka, Japan
June 29, 2000

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of the Companies under Japanese accounting principles and practices.