

# Consolidated Balance Sheets

Tsubakimoto Chain Co. and Consolidated Subsidiaries  
As of March 31, 2003 and 2002

Assets	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
<b>Current assets:</b>			
Cash and cash equivalents .....	¥ 12,417	¥ 17,679	\$ 103,303
Short-term investments .....	7,257	5,040	60,374
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates .....	71	28	591
Other .....	29,363	31,020	244,285
Inventories .....	23,306	24,278	193,893
Deferred tax assets .....	1,724	1,670	14,343
Other receivables:			
Unconsolidated subsidiaries and affiliates .....	54	89	449
Other current assets .....	9,164	11,275	76,240
Allowance for doubtful receivables .....	(282)	(329)	(2,346)
Total current assets .....	<b>83,074</b>	<b>90,750</b>	<b>691,132</b>
<b>Property, plant and equipment (Note 7):</b>			
Land .....	36,105	36,223	300,374
Buildings and structures .....	41,747	42,680	347,313
Machinery and equipment .....	75,640	73,402	629,285
Construction in progress .....	655	3,051	5,449
Less accumulated depreciation .....	(73,731)	(69,975)	(613,403)
Property, plant and equipment, net .....	<b>80,416</b>	<b>85,381</b>	<b>669,018</b>
<b>Investments and other assets:</b>			
Investment securities:			
Unconsolidated subsidiaries and affiliates .....	497	438	4,135
Other .....	8,546	15,526	71,098
Long-term loans receivable .....	103	22	857
Deferred tax assets .....	1,958	1,085	16,290
Deferred tax assets on revaluation of land .....	2,108	2,183	17,537
Other assets (Note 7) .....	7,096	6,761	59,035
Allowance for doubtful receivables .....	(538)	(591)	(4,476)
Total investments and long-term loans receivable .....	<b>19,770</b>	<b>25,424</b>	<b>164,476</b>
<b>Total assets .....</b>	<b>¥183,260</b>	<b>¥201,555</b>	<b>\$1,524,626</b>

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
	2003	2002	2003
<b>Current liabilities:</b>			
Short-term bank loans and current portion of long-term debt .....	¥ 20,979	¥ 22,731	\$ 174,534
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates .....	479	977	3,985
Other .....	16,727	21,450	139,160
Income taxes payable .....	996	349	8,286
Accrued expenses .....	2,817	2,142	23,436
Deferred tax liabilities .....	0	17	0
Other .....	10,064	10,459	83,727
Total current liabilities .....	<b>52,062</b>	<b>58,125</b>	<b>433,128</b>
<b>Noncurrent liabilities:</b>			
Bonds .....	8,800	11,200	73,211
Long-term loans, less current maturities .....	35,151	42,803	292,438
Retirement benefits (Note 13) .....	17,692	17,535	147,188
Deferred tax liabilities .....	2,718	2,746	22,612
Other .....	3,277	3,392	27,263
Total noncurrent liabilities .....	<b>67,638</b>	<b>77,676</b>	<b>562,712</b>
Minority interests .....	3,253	3,080	27,064
<b>Shareholders' equity:</b>			
Common stock .....	17,077	17,077	142,071
Capital surplus .....	12,653	12,653	105,266
Revaluation surplus (Note 9) .....	(3,097)	(3,015)	(25,765)
Retained earnings .....	33,975	33,500	282,654
Net unrealized holding gains on securities .....	1,529	2,319	12,720
Currency translation adjustments .....	(865)	146	(7,196)
	<b>61,272</b>	<b>62,680</b>	<b>509,750</b>
Treasury stock .....	(965)	(6)	(8,028)
Total shareholders' equity .....	<b>60,307</b>	<b>62,674</b>	<b>501,722</b>
<b>Total liabilities and shareholders' equity .....</b>	<b>¥183,260</b>	<b>¥201,555</b>	<b>\$1,524,626</b>

## Consolidated Statements of Income

Tsubakimoto Chain Co. and Consolidated Subsidiaries  
As of March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	2003
Net sales .....	<b>¥116,670</b>	¥113,741	¥114,206	<b>\$970,632</b>
Cost of sales .....	<b>85,064</b>	82,399	82,683	<b>707,687</b>
Gross profit .....	<b>31,606</b>	31,342	31,523	<b>262,945</b>
Selling, general and administrative expenses.....	<b>24,255</b>	25,304	24,561	<b>201,789</b>
Operating income .....	<b>7,351</b>	6,038	6,962	<b>61,156</b>
Other income (expenses):				
Interest and dividend income .....	<b>232</b>	382	477	<b>1,930</b>
Interest expense .....	<b>(1,739)</b>	(1,808)	(1,950)	<b>(14,467)</b>
Equity in earnings of an affiliate.....	<b>36</b>	—	—	<b>300</b>
Foreign exchange gains (losses).....	<b>(265)</b>	(68)	49	<b>(2,205)</b>
Other, net .....	<b>(616)</b>	(522)	(423)	<b>(5,125)</b>
Ordinary income.....	<b>4,999</b>	4,022	5,115	<b>41,589</b>
Extraordinary profit (loss):				
Loss on valuation of investment securities .....	<b>(1,908)</b>	(1,933)	—	<b>(15,873)</b>
Difference caused by changing standards for retirement benefits .....	—	—	(6,654)	—
Other, net .....	<b>(291)</b>	572	1,765	<b>(2,421)</b>
Income before income taxes and minority interests .....	<b>2,800</b>	2,661	226	<b>23,295</b>
Income taxes:				
Current .....	<b>1,389</b>	490	2,311	<b>11,556</b>
Deferred .....	<b>(301)</b>	799	(2,587)	<b>(2,504)</b>
Minority interests .....	<b>(181)</b>	(170)	(37)	<b>(1,506)</b>
Net income .....	<b>¥ 1,531</b>	¥ 1,202	¥ 465	<b>\$ 12,737</b>

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

## Consolidated Statements of Shareholders' Equity

Tsubakimoto Chain Co. and Consolidated Subsidiaries  
As of March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	2003
<b>Common stock:</b>				
Balance at beginning of the year				
2003—191,406,969 shares;				
2002—191,406,969 shares;				
2001—191,406,969 shares .....	<b>¥17,077</b>	¥17,077	¥17,077	<b>\$142,071</b>
Balance at end of the year				
2003—191,406,969 shares;				
2002—191,406,969 shares;				
2001—191,406,969 shares .....	<b>¥17,077</b>	¥17,077	¥17,077	<b>\$142,071</b>
<b>Capital surplus:</b>				
Balance at beginning of the year.....	<b>¥12,653</b>	¥12,653	¥12,653	<b>\$105,266</b>
Balance at end of the year.....	<b>¥12,653</b>	¥12,653	¥12,653	<b>\$105,266</b>
<b>Revaluation surplus:</b>				
Balance at beginning of the year.....	<b>¥ (3,015)</b>	¥ —	¥ —	<b>\$(25,083)</b>
Net changes during the year .....	<b>(82)</b>	(3,015)	—	<b>(682)</b>
Balance at beginning of the year.....	<b>¥ (3,097)</b>	¥ (3,015)	¥ —	<b>\$(25,765)</b>
<b>Retained earnings:</b>				
Balance at beginning of the year.....	<b>¥33,500</b>	¥33,480	¥34,020	<b>\$278,702</b>
Increase in retained earnings, resulting from consolidation of additional subsidiaries .....	<b>45</b>	—	—	<b>374</b>
Increase in retained earnings, resulting from application of the equity method .....	<b>58</b>	—	—	<b>483</b>
Increase in retained earnings, resulting from merger of an unconsolidated subsidiary.....	—	—	164	—
Net income .....	<b>1,531</b>	1,202	465	<b>12,737</b>
Cash dividends paid .....	<b>(1,141)</b>	(1,148)	(1,149)	<b>(9,493)</b>
Bonuses to directors and statutory auditors .....	<b>(22)</b>	(34)	(21)	<b>(183)</b>
Reversal of revaluation surplus.....	<b>4</b>	—	—	<b>33</b>
Balance at end of the year.....	<b>¥33,975</b>	¥33,500	¥33,480	<b>\$282,654</b>
<b>Unrealized holding gains (losses) on securities:</b>				
Balance at beginning of the year.....	<b>¥ 2,319</b>	¥ 4,031	¥ —	<b>\$ 19,293</b>
Net changes during the year .....	<b>(790)</b>	(1,712)	4,031	<b>(6,573)</b>
Balance at end of the year.....	<b>¥ 1,529</b>	¥ 2,319	¥ 4,031	<b>\$ 12,720</b>
<b>Currency translation adjustments:</b>				
Balance at beginning of the year.....	<b>¥ 146</b>	¥ (777)	¥ —	<b>\$ 1,215</b>
Net changes during the year .....	<b>(1,011)</b>	923	(777)	<b>(8,411)</b>
Balance at end of the year.....	<b>¥ (865)</b>	¥ 146	¥ (777)	<b>\$ (7,196)</b>

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

# Consolidated Statements of Cash Flows

Tsubakimoto Chain Co. and Consolidated Subsidiaries  
As of March 31, 2003, 2002 and 2001

	Millions of Yen			Thousands of U.S. Dollars
	2003	2002	2001	2003
<b>Cash flows from operating activities:</b>				
Income before income taxes and minority interests.....	¥ 2,800	¥ 2,661	¥ 226	\$ 23,295
Adjustments for:				
Depreciation.....	6,736	5,611	4,321	56,040
(Gain) loss on sales of property, plant and equipment.....	93	(1,757)	(3,380)	774
Loss on valuation of deposits for golf club membership .....	—	—	450	—
Loss on valuation of investment securities .....	1,908	1,933	—	15,873
Allowance for doubtful receivables, net .....	(134)	124	(91)	(1,115)
Retirement benefits, net .....	156	(242)	6,007	1,298
Other .....	—	—	(242)	—
Decrease (increase) in trade notes and accounts receivable .....	1,531	4,895	(7,212)	12,737
Decrease (increase) in inventories .....	325	(863)	(847)	2,704
Increase (decrease) in trade notes and accounts payable .....	(3,980)	(2,055)	4,891	(33,112)
Other .....	4,472	1,553	4,502	37,205
Sub total .....	13,907	11,860	8,625	115,699
Interest and dividend income received.....	225	415	474	1,872
Interest expenses paid .....	(1,748)	(1,909)	(2,033)	(14,543)
Income taxes paid.....	(364)	(2,657)	(1,098)	(3,028)
Net cash provided by operating activities .....	12,020	7,709	5,968	100,000
<b>Cash flows from investing activities:</b>				
Increase of time deposits (due after 3 months).....	(108)	(144)	(10)	(899)
Decrease of time deposits (due after 3 months).....	86	158	8	715
Payments for purchase of investments in securities .....	(7,827)	(8,464)	(7,258)	(65,116)
Proceeds from sales of investments in securities .....	9,557	8,847	1,832	79,509
Payments for purchase of investments in subsidiaries.....	(0)	(227)	(15)	(0)
Increase in long-term loans receivable.....	(111)	(13)	(19)	(923)
Decrease in long-term loans receivable.....	14	14	31	116
Payments for purchase of property, plant and equipment .....	(5,379)	(12,771)	(10,072)	(44,750)
Proceeds from sales of property, plant and equipment .....	754	1,882	4,669	6,273
Net cash used in investing activities .....	(3,014)	(10,718)	(10,834)	(25,075)
<b>Cash flows from financing activities:</b>				
Increase (decrease) in short-term bank loans, net .....	(8,499)	(3,311)	1,667	(70,707)
Proceeds from long-term loans .....	473	10,607	2,615	3,935
Repayment of long-term loans.....	(1,050)	(7,343)	(725)	(8,736)
Issuance of bonds.....	99	100	—	824
Payments on redemption of bonds .....	(2,585)	(2,792)	(300)	(21,506)
Payments on installment purchases.....	(412)	(223)	—	(3,428)
Cash dividends .....	(1,141)	(1,148)	(1,149)	(9,493)
Cash dividends for minority shareholders.....	(142)	(127)	(82)	(1,181)
Payments for purchase of treasury stock.....	(959)	—	—	(7,978)
Other .....	—	(6)	—	(45)
Net cash provided by (used in) financing activities.....	(14,216)	(4,243)	2,026	(118,270)
Effect of exchange rate changes on cash and cash equivalents.....	(104)	78	64	(865)
Net decrease in cash and cash equivalents.....	(5,314)	(7,174)	(2,776)	(44,210)
Cash and cash equivalents at the beginning of the year.....	17,679	24,853	27,586	147,080
Increase in cash and cash equivalents due to inclusion of subsidiaries in consolidation.....	52	—	—	433
Increase in cash and cash equivalents due to merger of an unconsolidated subsidiary.....	—	—	43	—
Cash and cash equivalents at the end of the year .....	¥ 12,417	¥ 17,679	¥ 24,853	\$ 103,303

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