Notes to Consolidated Financial Statements

Tsubakimoto Chain Co. and Consolidated Subsidiaries

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

(a) Accounting principles of consolidation

The accompanying consolidated financial statements of Tsubakimoto Chain Co. (the "Company") and Consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of 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 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:

- Tsubaki Emerson Co.
- Tsubakimoto Custom Chain Co.
- Tsubakimoto Sprocket Co.
- Tsubakimoto Mayfran Inc.
- Tsubakimoto Bulk Systems Corporation
- Tsubakimoto Machinery Co.
- Tsubakimoto Nishinihon Co., Ltd.
- Hokkaido Tsubakimoto Chain Co., Ltd.
- Tsubakimoto Iron Casting Co., Ltd.
- Tsubaki Support Center Co.
- U.S. Tsubaki, Inc. (U.S.A.)
- Ballantine, Inc. (U.S.A.)
- Tsubaki of Canada Limited (Canada)
- Tsubakimoto Europe B.V. (Netherlands)
- Tsubakimoto U.K. Ltd. (U.K.)
- Taiwan Tsubakimoto Co. (Taiwan)
- Tsubakimoto Singapore Pte. Ltd. (Singapore)
- Tsubakimoto Automotive (Thailand) Co., Ltd. (Thailand)
- Tsubakimoto Thailand Co., Ltd. (Thailand)
- Tsubaki Australia Pty. Limited (Australia)
- Tsubaki Emerson Gear (Tianjin) Co., Ltd. (China)
- Tsubaki Conveyor of America, Inc. (U.S.A.)
- Korea Conveyor Ind. Co., Ltd. (Republic of Korea)

(c) Unconsolidated subsidiaries and affiliates

Investments in the affiliates over which the Company has the ability to exercise significant influence are accounted for using the equity method.

One affiliate, Tianjin Tsubakimoto Conveyor Systems Co., Ltd., (China) has been accounted for under the equity method in the consolidated financial statements.

Investments in 6 insignificant unconsolidated subsidiaries and 5 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 ¥107.32=$1, the approximate exchange rate prevailing on March 31, 2005.

(e) Cash and cash equivalents

For the purposes of cash flows statements, cash and cash equivalents comprise cash on hand, deposits held at call with banks, net of overdrafts, and all highly liquid investments with original maturities of three months or less which present insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(1) Securities

Held-to-maturity debt securities are stated at their amortized cost adjusted for the amortization of premiums and the accretion of discount to maturity.

Marketable securities classified as other securities are carried at fair value as of the balance sheet date with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. The cost of securities sold is primarily calculated by the moving-average method.

Non-marketable securities classified as other securities are stated at cost primarily determined by the moving-average method.

(2) Derivatives finance instruments

Derivative financial instruments are stated at fair value. Under the accounting standard for financial instruments, a gain or loss on derivatives designed as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the rates applied to the swaps had originally applied to the underlying debt. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the same exchange rates those applied to the corresponding contracts.

The impact of the transfer of projected benefit obligation and pension assets under the tax qualified non-contributory defined benefit plan to the defined contribution pension plan at March 31, 2005, is as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Decrease in benefit obligation	¥800	$7,454
Plan assets transferred to the defined contribution pension plan	(436)	(4,062)
Decrease in retirement benefits	364	3,392
Amount not yet transferred to the defined contribution pension plan	(365)	(3,401)
Net gain on the modification of retirement benefit plan	¥ —	$ —

The total amount to be transferred to the defined contribution pension plan within eight years is ¥364 million ($3,392 thousand), of which ¥45 million ($419 thousand) is in other of current liabilities and ¥319 million ($2,973 thousand) is included in other of noncurrent liabilities.

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004, are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
Service cost	**¥ 824**	¥ 1,355	**$ 7,678**
Interest cost	**377**	645	**3,513**
Expected return on plan assets	**(99)**	(157)	**(922)**
Net gain on the modification of retirement benefit plan	**—**	(1,116)	**—**
Amortization:			
Actuarial losses	**193**	434	**1,798**
Contribution of the defined contribution pension plan	**312**	—	**2,907**
Net periodic benefit cost	**¥1,607**	¥ 1,161	**$14,974**

Assumptions used in calculation of above information for the years ended March 31, 2005 and 2004 are as follows:

Method of attributing benefits to period of service	Straight-line basis
Discount rate	2.5%
Expected rate of return on plan assets	2.5%
Amortization period for actuarial losses	10 years
Amortization period of prior service cost	1 year

16. INCOME TAXES

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of approximately 40.5% for the years ended March 31, 2005 and 2004. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Differences between the statutory tax rate and the effective tax rate for the years ended March 31, 2005 and 2004 are insignificant and not presented.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2005 and 2004, are presented below:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
Deferred income tax assets:			
Accrued pension and severance cost	**¥ 4,216**	¥ 4,075	**$ 39,284**
Transfer to defined contribution pension plan	**1,725**	1,905	**16,074**
Accrued bonuses	**955**	801	**8,899**
Allowance for doubtful accounts	**142**	131	**1,323**
Tax loss carryforwards	**41**	58	**382**
Loss on valuation of investment in securities	**161**	329	**1,500**
Impairment loss on deposits for golf club membership	**139**	159	**1,295**
Other	**1,169**	1,258	**10,893**
Total gross deferred income tax assets	**8,548**	8,716	**79,650**
Deferred income tax liabilities:			
Reserve for deduction entry of property replaced by purchase	**(5,175)**	(5,182)	**(48,220)**
Profit from valuation for the consolidation of capital account	**(370)**	(372)	**(3,448)**
Other	**(7,215)**	(6,158)	**(67,229)**
Total gross deferred income tax liabilities	**(12,760)**	(11,712)	**(118,897)**
Net deferred income tax liabilities	**¥ (4,212)**	¥ (2,996)	**$ (39,247)**

(b) Inventories

Inventories are stated principally at cost, which is determined by the first-in, first-out (FIFO) method, by the specific identification method or by the moving-average cost method, except for the inventories of certain subsidiaries, which are valued at the lower of cost or market.

(c) Property, plant and equipment

Property, plant and equipment are carried at cost. Depreciation of property, plant and equipment is computed mainly by the declining-balance method except for buildings for which the straight-line method is applied.

The principal estimated useful lives are as follows:

Buildings and structures	3 to 50 years
Machinery and equipment	4 to 13 years

(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.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts is computed based on the actual ratio of bad debts in the past. Additionally, for accounts receivable considered at risk (bankruptcy, companies under rehabilitation plan), an allowance is booked based on an estimation of the uncollectible amount on a case-by-case basis.

(f) Accrued pension and severance costs

In order to provide for retirement benefits to be paid to employees, the amount considered to have accrued as at the end of the term is stated based on the estimated amount of retirement benefit obligations and pension plan assets as at the end of the term.

Prior service cost is charged to income as incurred.

Actuarial gain or loss is proportionally amortized in each year following the year in which the gain or loss is recognized principally by the straight-line method over 10 years, which is within the estimated average remaining years of service of the eligible employees.

Also, the Company and consolidated domestic subsidiaries record the unfunded retirement benefits for directors and corporate auditors on the accrual basis, which is included in other noncurrent liabilities.

(g) Translation of foreign currencies

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.

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

Assets and liabilities of foreign subsidiaries and a company accounted for using the equity method are translated into Japanese yen at the exchange rates prevailing on the respective balance sheet dates. Revenue and expenses are translated at the average rates of exchange for the respective years. Shareholders' equity of foreign subsidiaries and a company accounted for using the equity method is translated into Japanese yen at the historical rates. The translation difference in Japanese yen amounts arising from the use of different rates are recognized as foreign currency translation adjustments in the balance sheets. Translation adjustments of foreign currency financial statements are reflected in shareholders' equity and minority interests in the consolidated balance sheets.

(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) Taxes

Accrued income taxes are stated at the estimated amount payable for corporation, enterprise, and inhabitant taxes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

3. DIFFERENCE BETWEEN COST AND NET EQUITY OF CONSOLIDATED SUBSIDIARIES

The difference between the cost and the underlying net equity in investments in consolidated subsidiaries and affiliates accounted for on an equity basis is allocated to identifiable assets based on their fair value at respective dates of acquisition. Unallocated costs are deferred and amortized by the straight-line method for less than 5 years.

4. FISCAL YEAR-END DIFFERENCES BETWEEN THE COMPANY AND SUBSIDIARIES

Certain subsidiary results are reported in the consolidated financial statements using a December 31 or a January 31 year-end. Material differences in inter-company transactions and accounts arising from the use of different fiscal year-ends are approximately adjusted through consolidation procedures.

5. INTERCOMPANY TRANSACTIONS

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

6. APPROPRIATIONS OF RETAINED EARNINGS

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

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Companies operate internationally, giving rise to exposure to market risks from fluctuations in foreign currency exchange and interest rates. In the normal course of its risk management efforts, the Companies use a variety of derivative financial instruments, which are comprised of foreign currency forward exchange contracts and interest rate swap agreements, to reduce its exposures. In accordance with the Company's policy, these financial instruments are utilized solely for hedging purposes, and the Company does not hold or issue financial instruments for trading or speculation purposes.

The Companies have entered into foreign currency forward exchange contracts with banks as hedges against receivables and payables denominated in foreign currencies. As these foreign currency forward exchange contracts are utilized solely for hedging purposes, the resulting gains or losses are offset against foreign exchange gains or losses on the underlying hedged assets and liabilities.

Interest rate swap agreements are used to limit the Company's exposure to losses in relation to the corresponding interest expense of underlying debt from adverse fluctuations in interest rates. The related differentials to be paid or received under the interest rate swap agreements are recognized in interest expense over the terms of the agreements.

The Companies do not anticipate any credit loss from nonperformance by the counter-parties to foreign currency forward exchange contracts and interest rate swap agreements.

Since the derivative financial instruments of the Company are solely for hedging purposes, gains or losses arising from changes in fair value are deferred as an asset or liability to be offset against foreign exchange gains or losses on the underlying hedged assets and liabilities. Accordingly, the information relating to fair values is not applicable.

8. MARKETABLE SECURITIES AND INVESTMENT SECURITIES

(a) Held-to-maturity debt securities with available fair value at March31, 2005 and 2004 are as follows:

	Millions of Yen					
	2005			2004		
	Carrying amount	Unrealized gain (losses)	Estimated fair value	Carrying amount	Unrealized gain (losses)	Estimated fair value
Bonds	**¥100**	**¥(6)**	**¥94**	¥100	¥(8)	¥92

	Thousands of U.S.Dollars (Note 1)					
	2005			2004		
	Carrying amount	Unrealized gain (losses)	Estimated fair value	Carrying amount	Unrealized gain (losses)	Estimated fair value
Bonds	**$932**	**$(56)**	**$876**	$932	$(75)	$857

(b) Other securities with available fair value at March31, 2005 and 2004 are as follows:

	Millions of Yen					
	2005			2004		
	cost	Carrying amount	Unrealized gain (losses)	cost	Carrying amount	Unrealized gain (losses)
Securities with unrealized gain:						
Equity securities	**¥5,971**	**¥20,485**	**¥14,514**	¥5,963	¥17,911	¥11,948
Debt securities	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	100	100	0
Securities with unrealized loss:						
Equity securities	**2**	**2**	**(0)**	5	5	(0)
Debt securities	**54**	**44**	**(10)**	79	65	(14)
Other	**179**	**164**	**(15)**	227	205	(22)

	Thousands of U.S.Dollars (Note 1)					
	2005			2004		
	cost	Carrying amount	Unrealized gain (losses)	cost	Carrying amount	Unrealized gain (losses)
Securities with unrealized gain:						
Equity securities	**$55,637**	**$190,878**	**$135,241**	$55,563	$166,893	$111,331
Debt securities	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	932	932	0
Securities with unrealized loss:						
Equity securities	**19**	**19**	**(0)**	47	47	(0)
Debt securities	**503**	**410**	**(93)**	736	606	(130)
Other	**1,668**	**1,528**	**(140)**	2,115	1,910	(205)

(C) The realized gains and losses on sale of other securities during the year ended March31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2005	2004	**2005**	2004
Selling amount	**¥176**	¥1,503	**$1,640**	$14,005
Gain on sales of securities	**5**	310	**47**	2,889
Loss on sales of securities	**(8)**	(74)	**(75)**	(690)

(d) The carrying amounts of other securities which were not practicable to determine fair value at March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2005	2004	**2005**	2004
Debt investment in funds	**¥1,532**	¥2,432	**$14,275**	$22,661
Equity investment in unlisted companies	**398**	284	**3,709**	2,646
Unquoted foreign bonds	**450**	390	**4,193**	3,634

(e) Redemption schedules for debt securities with maturity dates at March 31, 2005 and 2004 are as follows:

	Millions of Yen			
	2005			
	Due within one year	Due after one year, within five years	Due after five year, within ten years	Due after more than ten years
Debt securities				
Debt securities	**¥44**	**¥–**	**¥–**	**¥100**
Others	**–**	**–**	**–**	**–**

	Millions of Yen			
	2004			
	Due within one year	Due after one year, within five years	Due after five year, within ten years	Due after more than ten years
Debt securities				
Debt securities	¥412	¥42	¥1	¥100
Others	142	–	–	–

	Thousands of U.S.Dollars (Note 1)			
	2005			
	Due within one year	Due after one year, within five years	Due after five year, within ten years	Due after more than ten years
Debt securities				
Debt securities	**$410**	**$–**	**$–**	**$932**
Others	**–**	**–**	**–**	**–**

Thousands of U.S.Dollars (Note 1)

	2004			
	Due within one year	Due after one year, within five years	Due after five year, within ten years	Due after more than ten years
Debt securities				
Debt securities	$3,839	$391	$9	$932
Others	1,323	–	–	–

9. SHORT-TERM LOAN AND LONG-TERM DEBT

Short-term loans at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
Loans, principally from banks and insurance companies with weighted average interest rates of 1.7% at March 31, 2005 and 2.3% at March 31, 2004			
Secured	**¥ 6,122**	¥ 6,115	**$ 57,044**
Unsecured	**3,787**	360	**35,287**
Total	**¥ 9,909**	¥ 6,975	**$ 92,331**

Long-term loans at March 31, 2005 and 2004 consisted of the following:

Loans, principally from banks and insurance companies with weighted average interest rates of 2.3% at March 31, 2005 and 2.3% at March 31, 2004			
Secured	**¥13,142**	¥19,183	**$122,456**
Unsecured	**17,629**	15,258	**164,266**
Secured 2.3% bonds due 2007	**800**	800	**7,454**
Secured 0.73% to 1.2% bonds due 2005	**100**	100	**932**
Unsecured 2.4% bonds due 2005	**1,600**	1,600	**14,909**
Unsecured 2.3% due 2005	–	6,200	–
Unsecured 0.38% to 0.44% bonds due 2007	**200**	200	**1,863**
	33,471	43,341	**311,880**
Less amounts due with in one year	**9,196**	12,016	**85,687**
Total	**¥24,275**	¥31,325	**$226,193**

The aggregate maturities of long-term debt subsequent to March 31, 2005 are summarized as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2006	¥ 9,196	$ 85,687
2007	7,967	74,236
2008	2,213	20,621
2009	2,213	20,621
2010	8,698	81,047
and thereafter	3,184	29,668
Total	¥33,471	$311,880

At March 31, 2005 and 2004, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
Property, plant and equipment	**¥56,321**	¥57,803	**$524,795**
Other noncurrent items	**63**	63	**587**
	¥56,384	¥57,866	**$525,382**

10. CONTINGENT LIABILITIES

Contingent liabilities with respect to trade notes discounted and loans guaranteed amounted to ¥2,147 million ($20,006 thousand) and ¥2,847 million at March 31, 2005 and 2004, respectively.

11. REVALUATION OF LAND

At March 31, 2002, the land owned by the Company was revaluated under the Land Reappraisal Law, and unrealized losses resulting from the revaluation were debited directly from shareholders' equity as a revaluation surplus after offsetting the related deferred tax assets as stipulated by the law. The revaluation surplus will be credited to a gain or loss to be incurred when the related land is sold.

The difference between the fair value at March 31, 2005 and the book value after the revaluation at March 31, 2005, is as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2005	**2005**
Fair value at March 31, 2005	**¥22,189**	**$206,755**
Book value after the revaluation at March 31, 2005	**31,494**	**293,458**
Difference	**¥ 9,305**	**$ 86,703**

12. PER SHARE AMOUNTS

	Yen		U.S. Dollars (Note 1)
	2005	2004	**2005**
Shareholders' equity per share	**¥380.91**	¥354.14	**$3.549**
Net income per share – Basic	**22.77**	17.40	**0.212**
– Diluted	**—**	—	**—**

The diluted net income per share is not presented, because the Company does not have convertible bonds or bonds with warrants.

The basic financial data for the computation of basic net income per share for the year ended March 31, 2005, is as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Information on basic net income:		
Net income	¥4,449	$41,455
Deduction from net income:		
Bonuses to directors and statutory auditors	170	1,584
Adjusted net income allocated in common stock	4,279	39,871
Weighted average number of shares of common stock outstanding during 2005	187,889,323 shares	

13. SHAREHOLDERS' EQUITY

The Commercial Code of Japan (the "Code") requires the Company to transfer an amount equal to at least 10% of appropriations paid in cash to the legal reserve. Under the revised Code, effective on October 1, 2001, the Company may not appropriate retained earnings to the legal reserve when the total balance of the legal reserve and additional paid-in capital equals to 25% of common stock. Amounts of the legal reserve and capital surplus in excess of 25% of common stock, subject to shareholders' approval, may be used for dividend distributions.

14. RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to income as incurred. Research and development costs are included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2005 and 2004 are ¥2,215 million ($20,639 thousand) and ¥1,092 million, respectively.

15. ACCRUED PENSION AND SEVERANCE COSTS

The Company has established a lump-sum severance indemnity, a defined contribution pension plan and a non-contributory defined benefit plan. Additional benefits may be granted to employees depending on the conditions under which termination occurs.

The subsidiaries in Japan have established approved retirement annuity systems and lump-sum severance indemnities as defined benefit plans. Additional benefits may be granted to employees depending on the conditions under which termination occurs.

The following table sets forth the details of benefit obligation, plan assets and funded status of the Companies at March 31, 2005 and 2004:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
Benefit obligation at end of year	**¥(16,078)**	¥(17,652)	**$(149,814)**
Fair value of plan assets at end of year	**3,748**	4,640	**34,924**
Funded status:			
Benefit obligation in excess of plan assets	**(12,330)**	(13,012)	**(114,890)**
Unrecognized actuarial loss	**1,306**	1,458	**12,169**
Accrued pension liability recognized in the consolidated balance sheets	**(11,024)**	(11,554)	**(102,721)**

Note: Certain domestic subsidiaries have adopted allowed alternative treatment of the Accounting Standards for Retirement Benefits for Small Business Entities.

On April 1, 2005, 5 subsidiaries in Japan adopted a defined contribution pension plan.

These 5 subsidiaries in Japan adopted Financial Accounting Standards Implementation Guidance No. 1, "Accounting for Transfers between Retirement Benefit Plans" issued by the Accounting Standards Board of Japan on January 31, 2002.

17. SEGMENT INFORMATION

Information by business segment and geographical segment for the years ended March 31, 2005, 2004 and 2003, is as follows:

(A) BUSINESS SEGMENT	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2005	2004	2003	**2005**
Net sales:				
Power transmission products:				
Customers	**¥ 98,404**	¥ 90,081	¥ 86,774	**$ 916,921**
Intersegment	**1,383**	1,371	1,383	**12,887**
Total	**99,787**	91,452	88,157	**929,808**
Materials handling systems:				
Customers	**30,592**	28,426	29,452	**285,054**
Intersegment	**82**	123	111	**764**
Total	**30,674**	28,549	29,563	**285,818**
Others:				
Customers	**568**	634	444	**5,292**
Intersegment	**1,783**	1,836	847	**16,614**
Total	**2,351**	2,470	1,291	**21,906**
Eliminations	**(3,249)**	(3,330)	(2,341)	**(30,274)**
Consolidated total	**¥129,563**	¥119,141	¥116,670	**$1,207,258**
Operating income (loss):				
Power transmission products	**¥ 11,263**	¥ 8,630	¥ 7,526	**$ 104,948**
Materials handling systems	**1,800**	1,882	2,463	**16,772**
Others	**101**	84	13	**941**
Corporate and eliminations	**(2,716)**	(2,645)	(2,651)	**(25,307)**
Consolidated total	**¥ 10,448**	¥ 7,951	¥ 7,351	**$ 97,354**
Total assets:				
Power transmission products	**¥112,608**	¥115,011	¥124,213	**$1,049,273**
Materials handling systems	**24,406**	21,955	23,986	**227,413**
Others	**1,750**	2,393	2,216	**16,307**
Corporate and eliminations	**40,499**	36,073	32,845	**377,367**
Consolidated total	**¥179,263**	¥175,432	¥183,260	**$1,670,360**
Depreciation:				
Power transmission products	**¥ 4,795**	¥ 5,324	¥ 5,891	**$ 44,679**
Materials handling systems	**370**	409	456	**3,448**
Others	**6**	6	12	**56**
Corporate and eliminations	**333**	344	377	**3,103**
Consolidated total	**¥ 5,504**	¥ 6,083	¥ 6,736	**$ 51,286**
Capital expenditures:				
Power transmission products	**¥ 3,125**	¥ 3,148	¥ 2,635	**$ 29,118**
Materials handling systems	**295**	182	222	**2,749**
Others	**18**	14	8	**168**
Corporate and eliminations	**260**	162	77	**2,423**
Consolidated total	**¥ 3,698**	¥ 3,506	¥ 2,942	**$ 34,458**

(B) GEOGRAPHICAL SEGMENT	Millions of Yen 2005	2004	2003	Thousands of U.S. Dollars (Note 1) 2005
Net sales:				
Japan:				
Customers	**¥ 93,820**	¥ 84,840	¥ 81,768	**$ 874,208**
Intersegment	**10,504**	9,608	9,921	**97,875**
Total	**104,324**	94,448	91,689	**972,083**
North America:				
Customers	**22,090**	23,291	25,965	**205,833**
Intersegment	**350**	253	213	**3,261**
Total	**22,440**	23,544	26,178	**209,094**
Europe:				
Customers	**5,718**	4,719	3,811	**53,280**
Intersegment	**0**	4	4	**0**
Total	**5,718**	4,723	3,815	**53,280**
Asia and Oceania:				
Customers	**7,936**	6,292	5,126	**73,947**
Intersegment	**534**	526	685	**4,976**
Total	**8,470**	6,818	5,811	**78,923**
Eliminations	**(11,389)**	(10,392)	(10,823)	**(106,121)**
Consolidated total	**¥129,563**	¥119,141	¥116,670	**$1,207,258**
Operating income:				
Japan	**¥ 11,419**	¥ 8,385	¥ 7,938	**$ 106,401**
North America	**619**	865	951	**5,768**
Europe	**423**	340	329	**3,942**
Asia and Oceania	**858**	795	479	**7,995**
Corporate and eliminations	**(2,871)**	(2,434)	(2,346)	**(26,752)**
Consolidated total	**¥ 10,448**	¥ 7,951	¥ 7,351	**$ 97,354**
Total assets:				
Japan	**¥112,243**	¥113,927	¥122,001	**$1,045,872**
North America	**17,477**	18,085	22,351	**162,849**
Europe	**4,573**	4,103	3,505	**42,611**
Asia and Oceania	**7,783**	6,585	6,491	**72,522**
Corporate and eliminations	**37,187**	32,732	28,912	**346,506**
Consolidated total	**¥179,263**	¥175,432	¥183,260	**$1,670,360**

Major countries and areas included in each geographic segment are as follows:

North America: United States, Canada

Europe: Netherlands, United Kingdom

Asia and Oceania: Taiwan, People’s Republic of China, Korea, Singapore, Thailand, Australia

18. INFORMATION FOR CERTAIN LEASES

The summary of assumed amounts of acquisition cost, accumulated depreciation and net book value with respect to finance leases accounted for in the same manner as operating leases as of March 31, 2005 is as follows:

	Millions of Yen		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	¥1,418	¥ 897	¥521
Others	452	217	235
Total	¥1,870	¥1,114	¥756

	Thousands of U.S. Dollars (Note 1)		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	$13,213	$ 8,358	$4,855
Others	4,212	2,022	2,190
Total	$17,425	$10,380	$7,045

Total lease payments for finance leases which do not transfer ownership to lessees amounted to ¥445 million ($4,146 thousand) and ¥551 million ($5,134 thousand) for the years ended March 31, 2005 and 2004, respectively.

Future lease payments as of March 31, 2005 and 2004, inclusive of interest under such leases were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Due within one year	**¥340**	¥408	**$3,168**
Due after one year	**416**	552	**3,876**
Total	**¥756**	¥960	**$7,044**

19. SUBSEQUENT EVENT

1. On June 29, 2005, the shareholders of the Company approved payment of a cash dividend of ¥4 ($0.04) per share or a total of ¥750 million ($6,988 thousand) to shareholders of record as of March 31, 2005. In addition, a payment of bonuses to directors was approved which is amount to ¥84 million($782 thousand).

2. On June 29, 2005, the Company resolved the issuance of unsecured domestic yen bonds in accordance with the approval of the Company's Board of Directors' meeting.

The general description is as follows:

Issue amount: ¥7,000 million ($65,225 thousand) par value
Issue period: During from July 1, 2005 to September 22, 2005
Redemption period: 5 years to 7 years
Interest: less or equal to 1.80% p.a.
Purposes: repayments of borrowings, repayments of bonds and operating capital

The Company has left detail of the conditions to the discretion of the Company's president and representative director.