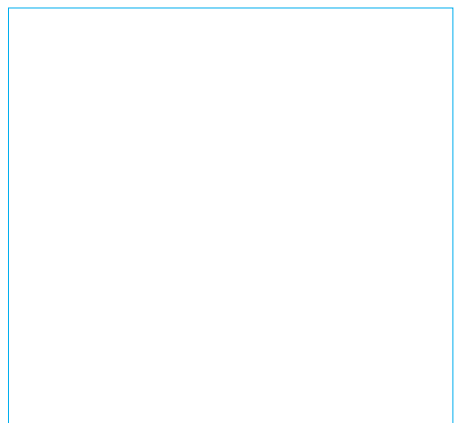
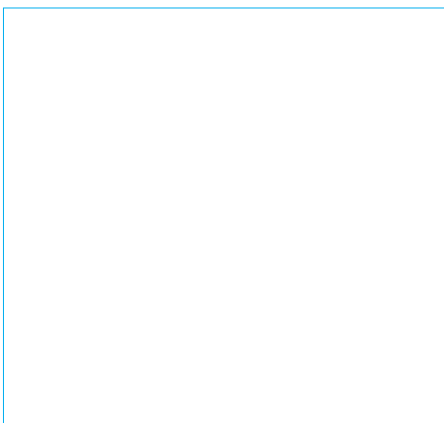
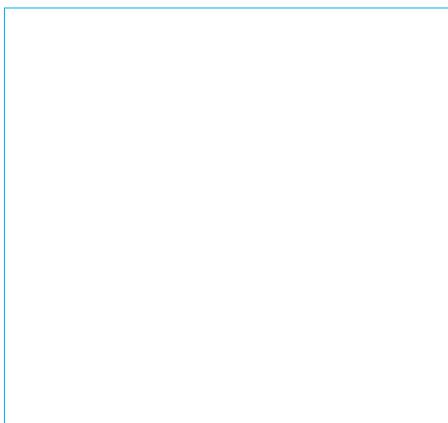


# STEPPING UP MOVING AHEAD

椿本チエイン アニュアルレポート2008 英文財務諸表および注記



# Consolidated Statements of Cash Flows

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

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

See accompanying notes to consolidated financial statements.

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

# Consolidated Statements of Income

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

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

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

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

Millions of Yen

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

Thousands of U.S. Dollars (Note 1)

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

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

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

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

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries  
March 31, 2008

## 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of TSUBAKIMOTO CHAIN CO. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥100.19 = U.S.\$1.00, the exchange rate prevailing on March 31, 2008. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2007 to the 2008 presentation. These reclassifications had no effect on consolidated net income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All material intercompany balances and transactions have been eliminated in consolidation.

The assets and liabilities of the consolidated subsidiaries are revalued at fair value by the full value method as of their respective dates of acquisition. Goodwill or negative goodwill arising from the difference between the cost of investments in such subsidiaries and the equity in their net assets at their respective dates of acquisition is amortized over a period of five years on a straight-line basis.

The balance sheet dates of certain consolidated subsidiaries are December 31 and January 31. Any significant differences in their intercompany accounts and transactions arising from intervening intercompany transactions during the periods from January 1 through March 31 and February 1 through March 31 have been adjusted, if necessary.

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

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

### (b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

### (c) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

### (d) Investments in securities

Investments in securities are classified into two categories: trading securities or other securities. Trading securities are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

### (e) Derivatives

Derivatives are stated at fair value.

Gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally applied to the underlying debt. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding contract rates.

### (f) Inventories

Inventories except for those of certain overseas subsidiaries are principally stated at cost determined by the first-in, first-out method, the individual identification method, or the moving average cost method. Those of certain overseas subsidiaries are stated at the lower of cost or market.

### (g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is calculated by the declining-balance method over the estimated useful lives of the respective assets. Depreciation of buildings, except for structures attached to the buildings, is calculated by the straight-line method.

The principal estimated useful lives are summarized as follows:

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

### (h) Leases

Finance leases other than those which transfer ownership of the leased property to the lessees are accounted for as operating leases.

#### (i) Income taxes

Deferred income taxes have been recognized with respect to the differences between financial reporting and the tax bases of the assets and liabilities. Deferred taxes are measured at the rates which are expected to apply to the period when each asset or liability is realized based on the tax rates which have been enacted as of the balance sheet date or are subsequently enacted.

#### (j) Accrued bonuses to employees

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

#### (k) Accrued retirement benefits to employees

Accrued retirement benefits to employees are provided at the retirement benefit obligation less the fair value of the pension plan assets, as adjusted for net unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Prior service cost is credited or charged to income in the year in which the gain or loss is recognized.

Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method over a period which is shorter than the average estimated remaining years of service of the eligible employees (10 years).

#### (l) Accrued retirement benefits to directors and corporate auditors

Directors and corporate auditors of the Company and its domestic consolidated subsidiaries are entitled to lump-sum payments under unfunded retirement benefit plans. The provision for retirement benefits to directors and corporate auditors has been made at an estimated amount based on the internal regulations.

#### (m) Revenue recognition

The Company and its consolidated subsidiaries recognize revenue from, and the related costs of, long-term construction contracts by applying the completed-contract method, except for the Materials handling systems business in certain overseas subsidiaries to which the percentage-of-completion method is applied.

#### (n) Research and development costs and computer software

Research and development costs are charged to income when incurred.

Expenditures relating to computer software developed for internal use are charged to income when incurred, except if the software is expected to contribute to the generation of future income or cost savings. Such expenditures are capitalized as assets and are amortized by the straight-line method over their estimated useful lives (5 years).

#### (o) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rates of exchange prevailing when the transactions were made.

The assets, liabilities, and minority interests of overseas subsidiaries and affiliates are translated into yen at the exchange rates in effect at the balance sheet date, and the components of net assets excluding minority interests are translated at their respective historical rates. Revenues and expenses are translated at the average rates of exchange for the respective years. Differences arising from translation are reflected in net assets (presented as "Translation adjustments" and "Minority interests") in the accompanying consolidated balance sheets.

#### (p) Distribution of retained earnings

Under the Corporation Law of Japan (the "Law"), the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such distributions. (Refer to Note 20.)

### 3. CHANGES IN METHOD OF ACCOUNTING

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

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

#### 4. INVESTMENTS IN SECURITIES WITH DETERMINABLE MARKET VALUE

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

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

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

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

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

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

#### 5. INVENTORIES

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

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

## 6. SHORT-TERM LOANS AND LONG-TERM DEBT

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

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

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

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

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

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

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

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

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

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

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

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

## 7. INCOME TAXES

Income taxes applicable to the Company and its consolidated subsidiaries comprise corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in a statutory tax rate of approximately 40.6% for the years ended March 31, 2008 and 2007.

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

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

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

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

## 8. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, i.e., lump-sum payment plans, defined contribution pension plans and advance payment schemes for retirement benefits. In addition to the retirement benefit plans described above, the Company and its domestic subsidiaries pay additional retirement benefits under certain conditions. Certain overseas subsidiaries also have defined benefit pension plans.

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

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

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

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

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

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

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

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

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

## 9. CONTINGENT LIABILITIES

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

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

## 10. NET UNREALIZED LOSS ON LAND REVALUATION

Effective March 31, 2001, the Company revalued its land held for business use in accordance with the "Law on Land Revaluation." Differences on land revaluation have been accounted for as "Net unrealized loss on land revaluation" under net assets at the net amount of the relevant tax effect. The method followed in determining the land revaluation was in accordance with the "Enforcement Act Concerning Land Revaluation." The carrying value of this land exceeded its corresponding fair value by ¥9,500 million (\$94,820 thousand) and ¥10,500 million at March 31, 2008 and 2007, respectively.

## 11. SHAREHOLDERS' EQUITY

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

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

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

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

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

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

2. Decrease in the number of shares of treasury stock was due to sales of fractional shares of less-than-one-unit.

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

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

2. Decrease in the number of shares of treasury stock was due to sales of fractional shares of less-than-one-unit.

(b) Matters related to dividends

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

	March 31, 2007
Cash dividends	¥749 million

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

	September 30, 2007
Cash dividends	¥558 million

## 13. RESEARCH AND DEVELOPMENT COSTS

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

## 14. LOSS ON IMPAIRMENT OF FIXED ASSETS

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

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

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

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

## 15. SUPPLEMENTAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

## 16. LEASES

The following *pro forma* amounts represent the acquisition cost, accumulated depreciation and net book value of the leased property as of March 31, 2008 and 2007, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases under which the Company and its consolidated subsidiaries are lessees and which are currently accounted for as operating leases:

	Millions of Yen		
	<b>2008</b>		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥ 318	¥151	¥167
Tools, furniture and fixtures	748	356	392
Other assets	434	240	194
<b>Total</b>	<b>¥1,500</b>	<b>¥747</b>	<b>¥753</b>

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

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

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

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

Future minimum lease payments subsequent to March 31, 2008 under finance leases other than those which transfer the ownership of the leased property to the Company and its consolidated subsidiaries are summarized as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2009	¥256	\$2,550
2010 and thereafter	497	4,962
	¥753	\$7,512

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

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

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

## 17. DERIVATIVES

The Company and certain consolidated subsidiaries utilize derivative financial instruments to reduce foreign exchange rate and interest-rate risk. The Company and certain consolidated subsidiaries utilize forward foreign exchange contracts to ensure stable profit by hedging the risk of exchange rate fluctuation which impacts their assets and liabilities denominated in foreign currencies. In addition, the Company and certain consolidated subsidiaries utilize interest-rate swaps to hedge the effect of any fluctuation in interest rates on their borrowings. The Company and these consolidated subsidiaries do not enter into derivatives contracts for speculative trading purposes.

The Company and certain consolidated subsidiaries are exposed to certain market risk arising from their forward foreign exchange

contracts and interest-rate swap agreements. They are also exposed to the risk of credit loss in the event of nonperformance by the counterparties with respect to such forward foreign exchange contracts and interest-rate swap agreements; however, they do not anticipate nonperformance by any of the counterparties, all of whom are financial institutions with high credit ratings.

Each business department determines the appropriate amount of forward foreign exchange contracts within predetermined limits and the financial section of each department executes and manages these positions. In addition, the Finance Department of the Company enters into and manages interest-rate swap positions as an integral part of the process of entering into loan agreements.

The notional amounts of forward foreign exchange contracts and interest-rate swap agreements, the estimated fair value of the outstanding derivatives positions and unrealized gain or loss at March 31, 2008 and 2007 are summarized as follows:

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

Notes: 1. Estimated fair value is based on the prices quoted by various financial institutions.

2. Derivatives positions to which hedge accounting has been applied have been excluded from the above table.

## 18. AMOUNTS PER SHARE

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

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

The amounts per share of net assets are computed based on the number of shares of common stock outstanding at each year end.

Net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

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

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

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

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

## 19. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of power transmission products and materials handling systems. The Company and its consolidated subsidiaries also engage in certain other activities such as building maintenance, insurance brokerage, sales of health care equipment, and so forth.

### Business Segments

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

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

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

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

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

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

### Geographic Segment Information

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

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

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

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

The above segments principally include the following countries or regions:

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

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

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

### Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the years ended March 31, 2008 and 2007 are summarized as follows:

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

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

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

### 20. SUBSEQUENT EVENT

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

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

## Report of Independent Auditors

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The Board of Directors  
TSUBAKIMOTO CHAIN CO.

We have audited the accompanying consolidated balance sheets of TSUBAKIMOTO CHAIN CO. and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TSUBAKIMOTO CHAIN CO. and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

*Ernst & Young Shin Nihon*

Osaka, Japan  
June 19, 2008



[tsubakimoto.jp](http://tsubakimoto.jp)