

CONSOLIDATED FINANCIAL STATEMENTS**9 Months Ended December 31, 2005**

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Code number: 6371
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1. Significant Accounting Policies in the Preparation of Third-Quarter Operating Results

- (1) Adoption of the simplified method of accounting: Yes
 A simplified method is applied to the computation of income taxes.
- (2) Changes to accounting policies in the most-recent consolidated fiscal year: Yes
 Previously, revenue from long-term contracting projects was recognized upon completion of the projects. In the current financial statement, the gradual approach has been adopted to recognize the revenue of one consolidated overseas subsidiary in the materials handling division.
- (3) Changes in the scope of consolidation and application of the equity method: Yes
 Companies newly added to consolidated accounts: 0; Companies subtracted from consolidated accounts: 1; Companies newly added under equity method: 1; Companies subtracted under equity method: 0
 The requirements for maintaining a controlling interest are no longer met with regard to KOREA CONVEYOR INDUSTRY CO., LTD., which was previously a consolidated subsidiary, and therefore the company is recognized under the equity method from the third quarter of the current fiscal year.

2. Consolidated Operating Results for the Nine Months Ended December 31, 2005**(1) RESULTS OF CONSOLIDATED OPERATIONS** * Amounts less than ¥1 million rounded down

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 9 months ended December 31, 2005	103,950	13.3	9,180	34.8	8,500	49.3	4,423	63.1
For 9 months ended December 31, 2004	91,774	6.1	6,807	40.0	5,694	54.6	2,712	49.3
For Year ended March 31, 2005	129,563		10,447		8,888		4,449	

	Net income per share		Net income per share (Diluted)	
	Yen		Yen	
For 9 months ended December 31, 2005	23.58		-	
For 9 months ended December 31, 2004	14.42		-	
For Year ended March 31, 2005	22.77		-	

1. Percentage figures for net sales, operating income, and other items indicate increases or decreases compared with the same period of the previous fiscal year.

[Qualitative Data Regarding Consolidated Third-Quarter Operation Results (Fiscal Year Ending March 31, 2005)]

The global economy showed clear recovery in the nine-month period ended December 31, 2005, despite high oil prices and other economic concerns. The U.S. economy continued to expand with the support of robust individual spending, while the high rates of economic growth seen in China and other Asian countries continued. Europe witnessed gradual economic recovery, though the level of improvement varied by country. In Japan, improved corporate performance, increased capital spending, and solid individual spending

contributed to gradual economic improvement.

Under these circumstances, the Tsubakimoto Chain Group continued to expand its customer-centered sales efforts around the world to increase orders.

As a result, net sales in the nine-month period ending December 31, 2005 increased 13.3% over the same term a year ago to ¥103.95 billion, while operating income rose 34.8% to ¥9.18 billion and ordinary income grew 49.3% to ¥8.50 billion.

In the power transmission segment, buoyant domestic capital spending boosted demand for chains in the automobile, steel, LCD and other industries, especially for drive chains, compact and large-sized conveyer chains, and cableveyors. Strong sales of lube-free chains and conveyor components in the food industry also boosted revenue.

In the automotive parts segment, timing chain drive systems continued to be in strong demand thanks to expanded automotive production in Japan as well as higher orders in the United States, China and other Asian nations.

Mainstay products in the power transmission units and components segment sold well, including gear reducers for machine tools, injection molding machines, and LCD equipment.

Overall, the power transmission products operations logged orders of ¥83.49 billion in the nine-month period, up 14.6% over the same period a year previous, while net sales grew 12.6% to ¥81.51 billion.

In the materials handling system operations, orders grew 24.3% to ¥25.50 billion in the nine-month period, while sales jumped 16.6% to ¥21.98 billion.

(2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of Yen	Millions of Yen	%	Yen
December 31, 2005	197,734	81,978	41.5	437.07
December 31, 2004	179,234	68,873	38.4	367.08
March 31, 2005	179,263	71,633	40.0	380.91

CONSOLIDATED CASH FLOWS

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financial activities	Cash and cash equivalents at end of period / year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
For 9 months ended December 31, 2005	6,521	(3,449)	(3,361)	11,240
For 9 months ended December 31, 2004	6,600	(2,358)	(6,383)	11,619
For Year ended March 31, 2005	9,672	(2,465)	(9,412)	11,562

Total assets as of December 31 were ¥197.73 billion, an increase of ¥18.47 billion from March 31, 2005.

Since the final day of the third quarter was a bank holiday, notes maturing on December 31 could not be received and accounts payable on this day were not settled, resulting in an increase of ¥4.88 billion in total assets. Excluding this effect, total assets at the end of the period were ¥192.85 billion, an increase of ¥13.59 billion over the same period a year previous. The increase can be attributed to a higher valuation of held securities as well as a jump in inventories linked to the rise in orders for conveyor systems from automakers.

Cash and cash equivalents at the end of the period totaled ¥11.24 billion, up ¥322 million from March 31, 2005.

Net cash provided by operating activities in the first quarter increased by ¥6.52 billion. Although income before income taxes and minority interests was ¥8.44 billion and purchase liabilities grew ¥7.2 billion due in part to the effects of the bank holiday, inventories increased ¥6.07 billion as a result of the higher conveyor system orders from automakers, and accounts receivable rose ¥2.27 billion.

Net cash used in investing activities was ¥3.45 billion. Capital expenditures totaled ¥4.59 billion as a result of automotive parts manufacturing expansion, while revenue of ¥1.17 billion was logged from the sale of a plant site and other property, plant and equipment.

Net cash used in financing activities was ¥3.36 billion. While long-term debt was reduced, bonds retired, and dividends paid out, new corporate bonds of ¥7.0 billion were issued.

Reference (1) Outlook for Consolidated Operating Results in the Year Ending March 31, 2006

	Net sales	Ordinary income	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
Full year	145,000	12,000	6,000

Projected net income per share: ¥31.98

Reference (2) Outlook for Non-Consolidated Operating Results in the Year Ending March 31, 2006

	Net sales	Ordinary income	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
Full year	82,300	6,800	3,900

Projected net income per share: ¥20.79

Overall, the Group performed as planned in the third quarter, and therefore there are no revisions to the consolidated and non-consolidated financial outlooks announced on November 16, 2005.

* The above projections are based on assumptions and judgments made by Tsubakimoto Chain in light of information available at the present juncture. However, Tsubakimoto Chain's actual performance may differ materially from those projections due to changes in the operating environment.