

August 7, 2007

CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended June 30, 2007

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Code number: 6371
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*Amounts less than ¥1 million are omitted

1. Consolidated Operating Results for the Three Months Ended June 30, 2007

(1) Results of Consolidated Operation

(% figures show change compared to the same quarter of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For three months ended June 30, 2007	36,938	(0.5)	3,494	48.2	3,491	49.5	1,747	112.1
For three months ended June 30, 2006	37,134	20.5	2,358	(7.2)	2,335	(9.0)	824	(25.7)
For year ended March 31, 2007	155,746		16,008		14,545		8,541	

	Net income per share	Net income per share (diluted)
	Yen	Yen
For three months ended June 30, 2007	9.37	—
For three months ended June 30, 2006	4.40	—
For year ended March 31, 2007	45.55	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholder's equity per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2007	211,528	87,243	38.9	441.69
June 30, 2006	199,172	80,107	37.8	401.80
March 31, 2007	212,739	86,168	38.1	432.20

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For three months ended June 30, 2007	1,490	(2,346)	(2,018)	11,926
For three months ended June 30, 2006	186	(2,313)	2,242	11,106
For year ended March 31, 2007	10,107	(5,879)	(647)	14,618

2. Outlook for Consolidate Operating Results for the 12 Months Ending March 31, 2008 (Reference)

(For full fiscal year, % figures show change compared to the previous full fiscal year;

for first half, % figures show change compared to the first half of previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
6-month period ending September 30, 2007	83,000	7.1	8,000	40.5	7,500	41.4	3,800	121.6	20.42
12-month period ending March 31, 2008	170,000	9.2	17,600	9.9	16,300	12.1	8,800	3.0	47.29

3. Others

(1) Significant changes in scope of consolidation: No

(2) Adoption of the simplified methods of accounting: Yes

(3) Changes to accounting methods from the most-recent consolidated fiscal year: Yes

Note: Details at page 4, Qualitative Information 4. Other

**Explanation on correct use of operating results outlook and other items*

The operating results outlook and other forecasts contained in these materials are based on information currently available to the Tsubaki Group, as well as assumptions which we believe to be reasonable. Actual operating results may differ substantially from our outlook and forecasts, due to a number of factors.

<Qualitative Information>

1. Qualitative Information Regarding Consolidated Operating Results

1) Overview of First Quarter Operating Results

In the first quarter under review (April-June 2007), the global economy performed steadily overall, despite some factors making for uncertainty, such as high crude oil prices. In the United States, housing investment was stagnant, and personal consumption grew at a slow rate. However, the US economy stayed solid, supported by robust exports and capital investment. The European economy was in a recovery phase, backed by growth in exports and capital investment. In Asia, the economies of Korea, Taiwan and Thailand all experienced slowdowns. However both China and India continued to display high growth rates, driven by exports and domestic investment, and other Asian countries maintained their positive trend.

In Japan, there were a number of concerns, including sluggish personal consumption and continuing high prices for crude oil and other raw materials. However the economy continued to expand at a moderate pace, as enhanced corporate profitability led to increased capital investment, the employment situation improved, and exports rose on the back of a weaker yen.

The market environment for the Tsubaki Group was stable, with robust overseas-directed capital investment, centered on Asia, and strong capital investment trends in the machine tool and automotive sectors.

In these conditions, the Group continued to actively pursue its medium-to-long term vision as embodied in its *Global Best* strategy. We worked to increase orders, with a view to optimizing the group as a whole and maximizing corporate value.

As a result, in the first quarter under review, orders received increased by 2.5% compared to the same quarter in the previous fiscal year, to reach ¥36,951 million. Net sales decreased slightly by 0.5% to ¥36,938 million. Operating income was up 48.2% to ¥3,494 million, while ordinary income rose 49.5% to ¥3,491 million. This reflected the absence of additional installation costs related to paint shop conveyer systems for the automotive industry, incurred by a North American subsidiary in the same quarter of the previous fiscal year, in the Materials Handling Systems Segment. The Power Transmission Products Segment also increased revenues. Net income for the quarter was ¥1,747 million, an increase of 112.1%.

2) Breakdown by Segment

[Power Transmission Products]

In Chain Operations, sales were brisk, driven by shipments of the new-model RS Roller Chain (G7) and other drive chains, small pitch conveyor chains, and large pitch conveyor chains, primarily to the machine tool, cement, steel and other industries.

In Automotive Parts Operations, sales of timing chain drive systems were robust. Shipments to domestic automobile manufacturers were firm, and under our five-point production system, there was also positive growth in our overseas bases, including North America, Europe, China and Thailand. We thus increased our orders received, as we strove to further expand market share.

In Power Transmission Units and Components Operations, sales of motion control units were sluggish, as liquid-crystal related orders temporarily paused. However, reducers and cam clutches broadly maintained their sales levels.

As a result of the above, the Power Transmission Products Segment achieved an increase of

6.3% in orders received, to ¥32,244 million; a rise of 7.6% in net sales, to ¥31,991 million; and an increase of 11.6% in operating income, to ¥3,998 million.

[Materials Handling Systems]

In Materials Handling Systems Operations, we worked to maintain sales in the following areas: paint shop conveyer systems for the automotive industry, conveyance systems for the distribution industry, and conveyers for the machine tool industry. However, with the completion of a round of major projects for the automotive industry, revenues declined compared to the previous period.

As a result of the above, in the Materials Handling Systems Segment, orders received decreased by 17.3%, to ¥4,706 million, and net sales declined by 33.8%, to ¥4,812 million. Operating income of ¥383 million was recorded, compared with an operating loss of ¥346 million in the same quarter of the previous fiscal year. This was due to the absence of additional installation costs, as previously mentioned, and rigorous cost control in the quarter under review.

2. Qualitative Information Regarding Consolidated Financial Position

At the end of the first quarter under review, total assets had decreased ¥1,211 million compared to the end of the previous fiscal year, to ¥211,528 million. This reflected a decline in trade notes and accounts receivable through their sales, as well as a decrease in the amount of cash and deposits due to payment of income tax. On the other hand, there was an increase in inventories in the Materials Handling Systems Segment, required to fulfill orders for the second quarter. In addition, property, plant and equipment increased as investment proceeded in automotive parts manufacturing facilities and other areas.

At the end of the first quarter under review, cash and cash equivalents stood at ¥11,926 million, a decrease of ¥2,691 million compared to the end of the previous fiscal year.

Net cash provided by operating activities was ¥1,490 million. Income before income taxes and minority interests for the first quarter was ¥3,491 million, and there was a decline of ¥4,815 million in trade notes and accounts receivable. On the other hand, income taxes of ¥4,149 million were paid, and inventories increased by ¥2,959 million.

Net cash used in investing activities was ¥2,346 million. This was mainly due to capital investment of ¥2,333 million in automotive parts manufacturing facilities.

Net cash used in financing activities was ¥2,018 million. This was due to an outlay of ¥1,047 million in order to purchase treasury stock and a payment of ¥749 million for dividends.

3. Qualitative Information Regarding Consolidated Operating Results Outlook

The results for the first quarter under review are generally in line with our projections. We have therefore not changed the operating results outlook for the first half and full year as announced on May 14, 2007.

4. Other

(1) Significant changes in scope of consolidation

There were no changes.

(2) Adoption of the simplified methods of accounting

Simplified methods were partially adopted for criteria for stating corporation tax.

(3) Changes to accounting methods from the most-recent consolidated fiscal year

In conjunction with the amendment of Japan's Corporation Tax Law (Law for Partial Amendment of the Income Tax Law, Law No. 6 of March 30, 2007; and Ordinance for Partial Amendment of the Corporation Tax Law Enforcement Ordinance, Ordinance No. 83, of March 30, 2007), fixed assets acquired on or after April 1, 2007 will be depreciated in accordance with the amended law.

The results of adopting this new method are a decrease of ¥8 million in operating income, and decreases of ¥9 million respectively for ordinary income and income before income taxes and minority interests for the first quarter.

(Additional Information)

In conjunction with the amendment of Japan's Corporation Tax Law (Law for Partial Amendment of the Income Tax Law, Law No. 6 of March 30, 2007; and Ordinance for Partial Amendment of the Corporation Tax Law Enforcement Ordinance, Ordinance No. 83, of March 30, 2007), fixed assets acquired on or before March 31, 2007 will be depreciated in accordance with the amended law, in the case of assets which have reached the former depreciable limit.

The results of adopting this new method are a decrease of ¥4.5 million in operating income, and decreases of ¥4.8 million respectively for ordinary income and income before income taxes and minority interests for the first quarter.