

August 6, 2004

## CONSOLIDATED FINANCIAL STATEMENTS

3 Months Ended June 30, 2004

**Name of the Company:** Tsubakimoto Chain Co.  
**Code number:** 6371  
**Stock exchange listings:** Tokyo, Osaka, Nagoya  
**URL:** <http://www.tsubakimoto.jp/>  
**Representative:** Takashi Fukunaga  
**Inquiries:** Kikuo Tomita  
 Tel +81 (6) 6313-3156

### 1. Significant Accounting Policies in the Preparation of First-Quarter Operating Results

- (1) Adoption of the simplified method of accounting: Yes  
 The simplified method is applied to the computation of income taxes
- (2) Changes to accounting policies in the most-recent consolidated fiscal year: None
- (3) Changes in the scope of consolidation and application of the equity method: Yes  
 TSUBAKIMOTO AUTOMOTIVE (THAILAND) CO., LTD., was newly consolidated as a subsidiary in light of its increased importance.

### 2. Consolidated Operating Results for the Three Months Ended June 30, 2004

#### (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 3 months ended June30, 2004	28,369	7.9	1,525	94.4	1,404	269.3	371	332.1
For 3 months ended June30, 2003	26,284	-	784	-	380	-	86	-
For Year ended March 31, 2004	119,141		7,950		6,215		3,384	

	Net income per share	Net income per share (Diluted)
	Yen	Yen
For 3 months ended June 30, 2004	1.97	-
For 3 months ended June 30, 2003	0.45	-
For Year ended March 31, 2004	17.40	-

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.
2. Tsubakimoto Chain began disclosures of quarterly performances in the fiscal year ended March 31, 2004. As a result, year-on-year comparisons for the first quarter of that year have not been given.

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

In the first quarter, the U.S. economy continued to perform steadily. In Asia, centered on China, the business climate remained favorable due to sustained high growth. In addition, Europe showed signs of modest recovery. Meanwhile, the Japanese economy remained firmly on a recovery track driven by higher capital expenditures associated with improved corporate earnings. In response to those operating conditions and line with the Tsubakimoto Chain Group's conviction that the current fiscal year is pivotal to shifting the emphasis of management strategy from streamlining and balance to growth and expansion, the Group aggressively marketed products and services that were even more precisely tailored to client needs.

As a result of the those efforts, Tsubakimoto Chain posted year-on-year increases of 7.9% in net sales, to ¥28.4 billion; 94.4% in operating income, to ¥1.5 billion; and 269.3% in ordinary income, to ¥1.4 billion.

Segment performances were as follows.

In power transmission products operations, chain operations recorded brisk sales of plastic chains and lube-free roller chains for semiconductor and LCD production lines and of chains for machine tools. Also, automotive parts operations saw steady sales of timing chain drive systems that were in line with sales targets. In power transmission units and components operations, favorable sales of reducers and all other lineups continued from the previous fiscal year.

As a result of the abovementioned, power transmission products operations recorded year-on-year increases of 11.7% in orders, to

¥24.3 billion, and 10.3% in sales, to ¥23.7 billion.

Materials handling systems operations posted lackluster results due to deterioration in the sales environment stemming from fiercer competition for orders and to a tendency for sales to concentrate in the second and fourth quarters.

Consequently, in materials handling systems operations orders edged up 0.5%, to ¥5.1 billion, while sales declined 2.5%, to ¥4.5 billion.

## (2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of Yen	Millions of Yen	%	Yen
June 30, 2004	174,191	67,925	39.0	361.20
June 30, 2003	180,939	61,314	33.9	324.89
March 31, 2004	175,432	66,872	38.1	354.14

## (3) CONSOLIDATED CASH FLOWS

	Net cash provided by operating activities	Net cash provided by (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 3 months ended June 30, 2004	2,671	(1,318)	(2,578)	12,511
For 3 months ended June 30, 2003	2,259	(1,232)	(1,801)	11,646
For Year ended March 31, 2004	7,995	9,067	(15,537)	13,680

### [ Qualitative Data Regarding Changes in Consolidated Financial Position ]

Total assets were down ¥1.2 billion from the previous fiscal year-end to ¥174.2 billion, which was attributable to decreases in trade notes and accounts receivable and interest-bearing debt that offset an increase in investments and other assets due to gain on valuation of investment in securities.

Net cash provided by operating activities rose ¥2.7 billion as a result of income before income taxes and minority interests of ¥1.2 billion, a reduction in trade notes and accounts receivable, and sale of bills.

Net cash used in investing activities was ¥1.3 billion due to payments for purchase of property, plant and equipment.

Net cash used in financing activities was ¥2.6 billion, which was associated with active efforts continued from the previous fiscal year to reduce interest-bearing debt.

### 1. Outlook for Consolidated Operating Results in the Year Ending March 31, 2005

	Net sales	Ordinary income	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
First half of year	60,000	3,000	1,300
Full year	125,000	7,000	3,500

Projected net income per share: ¥18.61

### 2. Outlook for Non-consolidated Operating Results in the Year Ending March 31, 2005

	Net sales	Ordinary income	Net income
	Millions of Yen	Millions of Yen	Millions of Yen
First half of year	34,000	1,900	1,200
Full year	71,000	4,000	2,500

Projected net income per share: ¥13.29

### [ Qualitative Data Regarding Outlook for Operating Results ]

Overall, Tsubakimoto Chain performed according to plan in the first quarter. As a consequence, Tsubakimoto Chain has not revised consolidated and non-consolidated first-half and full-year performance projections issued on May 17, 2004.

\* 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.