

August 4, 2005

## CONSOLIDATED FINANCIAL STATEMENTS

3 Months Ended June 30, 2005

**Company name:** Tsubakimoto Chain Co.  
**Code number:** 6371  
**Stock exchange listings:** Tokyo, Osaka, Nagoya  
**URL:** <http://www.tsubakimoto.co.jp>  
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### 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: Yes  
 From the first quarter, standards for accounting for impairment losses on fixed assets have been applied.
- (3) Changes in the scope of consolidation and application of the equity method: No

### 2. Consolidated Operating Results for the Three Months Ended June 30, 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	%
3 months ended June 30, 2005	30,818	8.6	2,541	66.6	2,565	82.7	1,109	198.4
3 months ended June 30, 2004	28,369	7.9	1,525	94.4	1,404	269.3	371	332.1
Year ended March 31, 2005	129,563		10,447		8,888		4,449	

	Net income per share		Net income per share (Diluted)	
	Yen		Yen	
3 months ended June 30, 2005	5.91		—	
3 months ended June 30, 2004	1.97		—	
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 First-Quarter Operation Results (Fiscal Year Ending March 31, 2006)]

In the first quarter, the U.S. economy continued to perform steadily, while in Asia, centered on China, business conditions weakened somewhat but growth nonetheless remained high. In addition, Europe showed signs of a moderate recovery from difficult conditions.

The Japanese economy remained on a course of gradual recovery as a result of improved corporate earnings and growth in private-sector capital expenditures. Nonetheless, with the prices of crude oil and steel rising in global markets, there remained a sense of uncertainty about the future course of business conditions.

In this setting, to further reinforce our growth, we aggressively implemented our Global Best strategy, through which we work to optimize each area of the Group's operations and maximize corporate value, and we worked to expand orders.

As a result of those efforts, Tsubakimoto Chain posted year-on-year increases of 26.6% in orders, to ¥37.2 billion; 8.6% in net sales, to ¥30.8 billion; 66.6% in operating income, to ¥2.5 billion; and 82.7% in ordinary income, to ¥2.6 billion.

Segment performances were as follows. In power transmission products operations, sales increased, centered on domestic sales of chains for shipping and of conveyor chains for the automotive and steel industries.

In automotive parts operations, sales of timing chain drive systems increased due to strong demand from domestic automakers,

and sales of automotive parts also increased in Europe.

In power transmission units and components operations, increased sales were recorded by reducers, clutches, and other products for use in machine tools and conveyance equipment.

As a result, power transmission products operations recorded year-on-year increases of 13.5% in orders, to ¥27.6 billion; 11.4% in sales, to ¥26.4 billion; and 27.4% in operating income, to ¥3.2 billion.

In materials handling systems operations, sales are typically concentrated in the second and fourth quarters, and as a result, sales were sluggish in the first quarter. However, we received large orders for a conveyance system for the automotive industry, and orders increased substantially from the previous fiscal year.

Consequently, in materials handling systems operations, orders rose 89.7%, to ¥9.6 billion; sales declined 5.6%, to ¥4.3 billion, and operating income was ¥84 million, compared with an operating loss of ¥0.3 billion in the first quarter of the previous fiscal year.

## (2) CONSOLIDATED FINANCIAL POSITION

	Total assets	Shareholders' equity	Equity ratio	Equity per share
	Millions of Yen	Millions of Yen	%	Yen
June 30, 2005	177,650	72,020	40.5	383.89
June 30, 2004	174,191	67,925	39.0	361.20
March 31, 2005	179,263	71,633	40.0	380.91

## (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
3 months ended June 30, 2005	(357)	(572)	(2,643)	8,022
3 months ended June 30, 2004	2,671	(1,318)	(2,578)	12,511
Year ended March 31, 2005	9,672	(2,465)	(9,412)	11,562

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

Total assets were down ¥1.6 billion from the previous fiscal year-end to ¥177.7 billion. Due to seasonal factors—specifically, the concentration of sales of materials handling systems in the second and fourth quarters—inventories increased, while trade notes and accounts receivable and interest-bearing debt declined, resulting in the decrease in total assets.

Net cash provided by operating activities in the first quarter declined ¥0.4 billion. Although income before income taxes and minority interests was ¥2.5 billion, and depreciation and amortization was ¥1.3 billion, inventories increased ¥4.3 billion.

Net cash used in investing activities declined ¥0.6 billion due to payments for purchase of property, plant and equipment of ¥1.5 billion, which offset proceeds from sale of property, plant and equipment of ¥0.9 billion.

Net cash used in financing activities declined ¥2.6 billion as a result of ongoing efforts to reduce interest-bearing debt.

### 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
First half of year	66,100	4,300	2,200
Full year	136,000	10,000	5,100

Projected net income per share (full year): ¥27.18

### 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
First half of year	38,300	3,000	1,900
Full year	77,000	5,800	3,600

Projected net income per share (full year): ¥19.18

**[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 12, 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.