May 14, 2007

CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended March 31, 2007

Name of the Company: Tsubakimoto Chain Co.
Code number: 6371
Stock exchange listings: Tokyo, Osaka, Nagoya
URL: http://tsubakimoto.com/
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1. Consolidated Operating Results for the 12 Months Ended March 31, 2007

(1) Results of Consolidated Operation

*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 12 months ended March 31, 2007	155,746	5.4	16,008	15.7	14,545	15.5	8,541	29.3
For 12 months ended March 31, 2006	147,761	14.0	13,830	32.4	12,594	41.7	6,606	48.5

	Net income per share	Net income per share (diluted)	Return on Equity	Ordinary income / Total assets	Operating income / Net sales
	Yen	Yen	%	%	%
For 12 months ended March 31, 2007	45.55	-	10.8	7.1	10.3
For 12 months ended March 31, 2006	34.78	-	8.9	6.7	9.4

Note: Equity (loss) in earnings under the equity method, net

Fiscal Year ended March 31, 2007: ¥(4 million)

Fiscal Year ended March 31, 2006: ¥7 million

(2) Consolidated Financial Position

*Amounts less than ¥1 million rounded down

	Total assets	Net assets	Equity ratio	Shareholder's equity per share
	Millions of Yen	Millions of Yen	%	Yen
March 31, 2007	212,739	86,168	38.1	432.20
March 31, 2006	198,458	77,098	38.8	410.66

Note: Shareholders' equity

As of March 31, 2007: ¥81,033 million

As of March 31, 2006: ¥ -

(3) Consolidated Cash Flows

*Amounts less than ¥1 million rounded down

	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 year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
For 12 months ended March 31, 2007	10,107	(5,879)	(647)	14,618
For 12 months ended March 31, 2006	10,680	(5,595)	(5,595)	10,984

2. Dividends

	Dividends per share			Total amount of dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
(Recorded date)	Interim period ended September 30	Fiscal year ended March 31	Total			
	Yen	Yen	Yen	Millions of Yen	%	%
FY 2006	3.00	6.00	9.00	1,687	25.9	2.3
FY 2007	3.00	4.00	7.00	1,312	15.4	1.7
FY 2008 (Forecasted)	3.00	4.00	7.00	-	14.8	-

(Note) For the year ended March 31, 2006 a regular dividend of ¥4.00 was paid. In addition a dividend of ¥2.00 was paid to mark the 90th anniversary of the founding of the company.

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2008

	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

4. Others

(1) Significant Changes in Scope of Consolidation: No

(2) Accounting Policies

Changes in accounting principles, disclosure methods, etc., used in the presentation of the consolidated financial statements

[1] Changes due to revisions in accounting standards: Yes

[2] Changes other than those in [1]: No

(3) Number of shares issued (Common stock)

[1] Number of shares issued at the fiscal year end (including treasury stock):

FY2007 191,406,969 shares FY2006 191,406,969 shares

[2] Number of treasury stock at the fiscal year end:

FY 2007 3,914,760 shares FY2006 3,865,828 shares

(Reference)

Non-Consolidated Financial Highlights

1. Non-Consolidated Results of Operations

*Amounts less than ¥1 million rounded down

	Net sales		Operating loss		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 12 months ended March 31, 2007	87,682	5.0	7,065	13.7	8,502	14.9	7,095	66.3
For 12 months ended March 31, 2006	83,521	13.4	6,216	28.6	7,399	36.7	4,267	28.0

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
For 12 months ended March 31, 2007	37.84	-
For 12 months ended March 31, 2006	22.75	-

2. Non-Consolidated Financial Position

*Amounts less than ¥1 million rounded down

	Total assets	Net assets	Equity ratio	Shareholder's equity per share
	Millions of Yen	Millions of Yen	%	Yen
March 31, 2007	160,162	64,126	40.0	342.02
March 31, 2006	153,676	62,147	40.4	331.38

Note: Shareholders' equity

As of March 31, 2007: ¥64,126 million

As of March 31, 2006: ¥ -

3. Outlook for Non-Consolidate Operating Results for the 12 Months Ending March 31, 2008

	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	45,000	0.4	3,300	13.5	4,300	1.1	2,500	63.0	13.43
12-month period ending March 31, 2008	91,300	4.1	7,100	0.5	8,500	(0.0)	5,000	(29.5)	26.87

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

To understand the assumptions on which the operating results outlook are based, please see the following sections: 1. Business Results and (1) Analysis of Business Results. The consolidated and non-consolidated operating results forecasts for net income per share have taken into account our intention to implement a share repurchase. Please refer to the announcement "Tsubakimoto Chain Co. to Implement Share Repurchase."

1. Business Results

(1) Analysis of Business Results

1. Overview of Operating Results

In the fiscal year under review (April 2006-March 2007) the global economy performed steadily overall, despite concerns about continuing price rises in crude oil and raw materials. Supported by increases in capital expenditure and personal consumption, the US economy continued to expand despite a decline in the previously buoyant housing investment market. In Europe, the economy staged a gentle recovery supported by increased capital expenditure and personal consumption. The Asian economies performed robustly, especially China which continues in a phase of high growth backed by exports and domestic investment. The Japanese economy remained in expansionary mode, albeit at a gentle pace. Crude oil and raw materials prices rose steeply and personal consumption was sluggish. However improved corporate profitability contributed to increases in capital expenditure and a better employment situation. The weaker yen also helped to drive an increase in exports.

The market environment for the Tsubaki Group remained positive overall. Overseas-directed capital expenditure, centered on Asia, was robust, and the machine tool, automotive and IT industries all increased capital expenditure.

Amid those conditions, the Tsubaki Group actively pursued the *Global Best* strategy that it has put forward as a medium-to-long term vision and worked to increase orders with a view to optimizing the Group as a whole and maximizing corporate value.

As a result, in the fiscal year under review, the Group posted an increase of 0.2% in orders received to ¥153,772 million and an increase of 5.4% in net sales to ¥155,746 million. Income was boosted by the increase in net sales with operating income up by 15.7% to ¥16,008 million while ordinary income rose by 15.5% to ¥14,545 million.

Net income increased by 29.3% to 8,541 million yen. This was mainly due to a gain on sale of investments in securities accompanying the response to the tender offer bid for Tsubaki Nakashima.

2. Breakdown by Segment

[Power Transmission Products]

Chain operations displayed brisk sales driven by shipments of the new-model RS Roller Chain (G7) and other drive chains, large-type conveyor chains, and cableveyors primarily for the automotive, steel, and machine tool industries.

In automotive parts, orders received grew briskly as market share expanded further. Shipments of timing chain drive systems were robust on steady deliveries to domestic automakers. In addition, overseas sales remained solid based on the five-point production network which encompasses centers in North America, Europe, China and Thailand.

Power transmission units and components operations recorded increased sales of electro-mechanical cylinders, friction fastening devices, and couplings, mainly for the machine tool, injection molding, automotive, and shipbuilding industries.

As a result of the above, the Power Transmission Products segment achieved an increase of 9.3% in orders received, to ¥124,005 million; a rise of 9.9% in net sales to ¥122,980 million; and an increase of 16.6% in operating income to ¥17,367 million.

[Materials Handling Systems]

In this segment we worked to maintain sales in the following areas: conveyance systems for the automotive industry—mainly paint shop conveyer systems—conveyance systems for domestic and overseas IT-related industries, and conveyors for the machine tool industry. However the delivery dates for some large-scale projects will now fall in the next fiscal year and this meant a decrease in revenues compared to the previous period. In addition the consolidated subsidiary Tsubaki Conveyor of America, Inc., (Tennessee, the United States, wholly owned by Tsubakimoto Chain Co.) incurred a large loss for additional installation costs related to the installation of paint shop conveyor systems for the automotive industry.

As a result of the above, in the Materials Handling Systems segment orders received decreased 25.7%, to ¥29,766 million; net sales decreased 8.9%, to ¥32,172 million; and operating income declined 10.3%, to ¥1,889 million.

In order to strengthen Group operations in the United States, it was decided to dissolve the present business structure as of March 31, 2007, and transfer operations to U.S. Tsubaki, Inc. (Illinois, the United States, wholly owned by Tsubakimoto Chain Co.) as of April 1, 2007.

3. Outlook for Next Fiscal Year

With regard to the outlook for the next fiscal year, we foresee a continuation of the expansionary trend both in the Japanese and global economy. However a number of concerns remain, making predictions uncertain: the price of raw materials, the currency level of the yen and a possible slowdown in the US economy. In this environment, the Tsubaki Group will pursue its *Global Best* strategy even more vigorously in order to optimize the Group as a whole and maximize corporate value.

We will also strive to enhance our competitiveness through raising quality in both manufacturing and administrative areas, improving productivity and through group-wide “making a stronger workplace” activities. While fully meeting our corporate social responsibilities we will do our best to enhance shareholder value. We earnestly request the continuing support and understanding of our shareholders.

The Operating Results Outlook for the fiscal year ending March 31, 2008 is therefore as follows:

1. Consolidated Operating Results Outlook

Net Sales	¥170 billion (increase of 9.2%)
Operating Income	¥17.6 billion (increase of 9.9%)
Ordinary Income	¥16.3 billion (increase of 12.1%)
Net Income	¥8.8 billion (increase of 3.0%)

2. Non-Consolidated Operating Results Outlook

Net Sales	¥91.3 billion (increase of 4.1%)
Operating Income	¥7.1 billion (increase of 0.5%)
Ordinary Income	¥8.5 billion (decrease of 0.0%)
Net Income	¥5.0 billion (decrease of 29.5%)

The above forecast is based on the information currently available to the Tsubaki Group as well as assumptions which we believe to be reasonable. This information and these assumptions contain known and unknown risks, uncertainties and other factors. Actual operating results may differ from the forecast due to factors which include changes in the operating environment, market trends, changes in the exchange rate etc.

Factors which may impact on the operating results are not limited to the above.

(2) Analysis of Financial Position

1. Assets, Liabilities and Shareholders' Equity

(Assets)

Total assets at the end of the fiscal year under review amounted to ¥212,739 million, an increase of ¥14,281 million from the end of the previous fiscal year. This increase included an increase of ¥5,481 million in assets that occurred because the final day of the period was a bank holiday, which resulted in the non-settlement of certain trade notes and accounts receivable as well as trade notes and accounts payable.

Current assets rose by ¥14,104 million to ¥92,961 million yen. This reflected an increase of ¥8,968 million in trade notes and accounts receivable due to the influence of the previously mentioned bank holiday and buoyant sales to the automotive and machine tool industries. Cash deposits also increased by ¥3,700 million.

Non-current assets recorded an increase of ¥176 million to ¥119,778 million. Property, plant and equipment and intangible assets rose ¥5,996 million due to investment in production facilities and the acquisition of the assets of the new consolidated subsidiary Tsubaki Yamakyu Chain Co., Ltd. On the other hand, investment in securities decreased ¥5,863 million due to a decline in market valuation of securities.

(Liabilities)

Liabilities increased by ¥9,316 million to ¥126,571 million. Interest-bearing debt increased by ¥3,346 million due to loans from financial institutions principally in connection with increased investment in production facilities. In addition, due to the effect of the previously mentioned bank holiday, trade notes and accounts payable increased by ¥5,012 million.

(Net Assets)

Net assets stood at ¥86,168 million. Retained earnings rose ¥6,770 million due to the positive operating results but the net unrealized holding gain on securities declined by ¥3,276 million due to market valuation. The shareholders' equity ratio was 38.1%.

2. Cashflow

Cash and cash equivalents increased by ¥3,633 million to a total of ¥14,618 million. The factors behind this are outlined below.

(Net cash provided by operating activities)

Net cash provided by operating activities was ¥10,107 million. Income before income taxes and minority interests was ¥17,634 million and depreciation amounted to ¥5,948 million. On the other hand, there was an increase in sales as well as an increase in trade notes and accounts receivable of ¥7,228 million due to the effect of the bank holiday. Income taxes of ¥6,311 million were paid.

(Net cash used in investing activities)

Net cash used in investing activities was ¥5,879 million, which was mainly attributable to capital investment of ¥10,268 million to boost production capacity through expanded facilities and plant. On the other hand, proceeds from sales of investments in securities accounted for an inflow of ¥3,861 million.

(Net cash used in financing activities)

Net cash used in financing activities was ¥647 million. There was an increase in long-term loans from financial institutions to fund the expanded capital investment in production facilities. Dividend payments were made as well as repayments of bonds.

(Reference) Cash flow Indicators

	FY2004	FY2005	FY2006	FY2007
Shareholders' equity ratio	38.1 %	40.0 %	38.8 %	38.1 %
Shareholders' equity ratio (market price)	43.0 %	51.4 %	83.3 %	65.3 %
Debt repayment period	6.3 years	4.5 years	3.7 years	4.2 years
Interest coverage ratio	5.6	8.0	10.8	10.0

Shareholders' equity ratio: shareholders' equity/total assets

Shareholders' equity ratio (market price): aggregate market value of stock/total assets

Debt repayment period (years): interest bearing debt/operating cash flow

Interest coverage ratio: operating cash flow/interest paid

Notes:

* Aggregate market value of stock is calculated by multiplying the closing stock price on the last day of the period by the number of shares outstanding at the end of the period (after deducting treasury stock).
* Net cash provided by operating activities from the consolidated statements of cash flow is used as operating cash flow. Interest bearing debt is that portion of debt on the consolidated balance sheets for which interest is paid. Interest paid uses the interest paid figure on the consolidated statements of cash flow.

(3) Policy regarding allocation of profit and dividends

The Tsubaki Group places the highest priority on providing returns to its shareholders. In considering allocation of profit, we will continue with our basic policy of paying stable dividends. However, with a view to placing even greater emphasis on the needs of our shareholders, we will in addition pursue a dividend policy linked directly to our consolidated operating results. As far as possible, we will continue paying an annual stable dividend of ¥6.00 per share, while distributing profit according to such criteria as consolidated operating results, cash situation, financial condition etc. We plan to use retained cash to fortify our financial position and to develop our business for the future.

The dividend for the end of this period will be ¥4.00 per share. Taking into account the mid-term dividend of ¥3.00 per share, the annual dividend will therefore be ¥7.00 per share.