November 14, 2007

CONSOLIDATED FINANCIAL STATEMENTS

For the 6-month period ended September 30, 2007

Name of the Company:	Tsubakimoto Chain Co.
Code number:	6371
Stock exchange listings:	Tokyo, Osaka, Nagoya
URL:	http://tsubakimoto.com/
Representative:	Tatsuhiko Mimoto, President and Representative Director
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Planned date of filing of interim securities report:	December 25, 2007
Planned date of start of dividend payments:	December 10, 2007

*Amounts less than ¥1 million are omitted

1. Consolidated Operating Results for the 6 Months Ended September 30, 2007

(1) Consolidated Results of Operation

(% figures show change compared to the interim period 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 6 months ended September 30, 2007	79,846	3.1	8,788	54.3	8,458	59.5	4,583	167.3
For 6 months ended September 30, 2006	77,474	10.5	5,695	(6.8)	5,304	(5.3)	1,714	(38.1)
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 6 months ended September 30, 2007	24.60	—
For 6 months ended September 30, 2006	9.14	—
For year ended March 31, 2007	45.55	—

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

Interim period ended September 30, 2007: ¥38 million

Interim period ended September 30, 2006: ¥5 million

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2007	212,717	87,665	38.7	441.93
September 30, 2006	202,386	80,606	37.5	404.58
March 31, 2007	212,739	86,168	38.1	432.20

Note: Shareholders' equity

As of September 30, 2007: ¥82,239 million

As of September 30, 2006: ¥75,868 million

As of March 31, 2007: ¥81,033 million

(3) 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 6 months ended September 30, 2007	7,348	(5,870)	(2,757)	13,384
For 6 months ended September 30, 2006	4,571	(3,229)	(1,999)	10,340
For year ended March 31, 2007	10,107	(5,879)	(647)	14,618

2. Dividends

	Dividends per share		
(Recorded date)	6-month period ended September 30	Fiscal year ended March 31	Total
	Yen	Yen	Yen
Fiscal year ended March 31, 2007	3.00	4.00	7.00
Fiscal year ending March 31, 2008	3.00	—	
Fiscal year ending March 31, 2008 (Forecasted)	—	4.00	

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

(% figures show change compared to the previous fiscal 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
12-month period ending March 31, 2008	164,000	5.3	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) Changes in accounting principles, procedures, 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]: None

(3) Number of shares issued (Common stock)

[1] Number of shares issued (including treasury stock):

As of September 30, 2007: 191,406,969 shares

As of September 30, 2006: 191,406,969 shares

As of March 31, 2007: 191,406,969 shares

[2] Number of treasury stock

As of September 30, 2007: 5,316,390 shares

As of September 30, 2006: 3,884,040 shares

As of March 31, 2007: 3,914,760 shares

(For Reference)

Non-Consolidated Financial Highlights

1. Non-Consolidated Operating Results for the 6 Months Ended September 30, 2007

(1) Non-Consolidated Results of Operation

(% figures show change compared to the interim period 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 6 months ended September 30, 2007	42,926	(4.3)	3,616	24.4	4,857	14.2	3,119	103.4
For 6 months ended September 30, 2006	44,833	12.6	2,906	15.4	4,252	21.8	1,533	(27.4)
For year ended March 31, 2007	87,682		7,065		8,502		7,095	

	Net income per share
	Yen
For 6 months ended September 30, 2007	16.74
For 6 months ended September 30, 2006	8.18
For year ended March 31, 2007	37.84

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholder's equity per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2007	157,859	63,519	40.2	341.34
September 30, 2006	153,118	60,617	39.6	323.26
March 31, 2007	160,162	64,126	40.0	342.02

Note: Shareholders' equity

As of September 30, 2007: ¥63,519 million

As of September 30, 2006: ¥60,617 million

As of March 31, 2007: ¥64,126 million

2. Outlook for Non-Consolidated Operating Results for the 12 Months Ending March 31, 2008

(% figures show change compared to the previous fiscal 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
12-month period ending March 31, 2008	89,000	1.5	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.

1. Business Results

(1) Analysis of Business Results

1. Overview of Operating Results for April 2007-September 2007

In the first half of the fiscal year, the U.S. economy was impacted by the subprime mortgage crisis, which roiled financial markets and partially slowed the performance of companies and consumer spending. In Europe, the economy performed steadily, backed by a high level of exports and robust capital investment. The Asian economy continued to deliver strong results, centered on China (supported by exports and domestic investment) and India.

In Japan, some factors caused concern, including the continuing high level of raw materials prices and a surge in the crude oil price. However the economy continued to expand modestly, as positive corporate earnings underpinned rising capital investment, the employment situation improved, and exports increased.

In this environment, the Tsubaki Group strove to increase orders and sales revenue as we energetically implemented our *Global Best* strategy, aiming for the optimization of our entire business and maximization of corporate value.

The results of our efforts for the first half of the current fiscal year were a 10.7% year-on-year increase in orders received, to ¥82,118 million, accompanied by a 3.1% increase in net sales, to ¥79,846 million. Profit also increased compared to the same period of the previous fiscal year. This was due to two main factors: the absence of additional installation costs related to automotive body paint shop conveyor systems, incurred by a North American subsidiary in the Materials Handling Systems Segment during the same period of the previous year; and increased revenue in the Power Transmission Products Segment. As a result, operating income totaled ¥8,788 million, up 54.3% over the previous year, while ordinary income rose 59.5%, to ¥8,458 million. Net income increased by 167.3%, to ¥4,583 million.

2. Breakdown by Segment

[Power Transmission Products]

Chain Operations recorded strong sales mainly to the machine tool, cement and steel industries. Drive chains, including the new G7 RS Roller Chain, small pitch conveyor chains, and large pitch conveyor chains all performed well.

In Automotive Parts Operations, orders and sales increased, as we pursued further expansion of market share. Performance in timing chain drive systems was robust, as shipments to domestic automakers stayed solid, and under our five-point global production system, there was also positive growth in our overseas bases, including North America, Europe, China, and Thailand.

In Power Transmission Units and Components Operations, sales increased only slightly over the same period of the previous year. Sales of cam clutches expanded, but sales of electro-mechanical cylinders to liquid crystal related industries were sluggish.

As a result of the above, the Power Transmission Products Segment reported orders received of ¥64,627 million, an increase of 8.7% over the previous year, while net sales rose 9.3%, to ¥64,495 million. Operating income increased 20.0%, to ¥8,722 million.

[Materials Handling Systems]

In Materials Handling Systems Operations, orders increased for automotive body paint shop conveyor systems, conveyor facilities for the distribution sector and newspaper industry, and conveyors for the machine tool industry. However, mainly due to the completion of a round of major projects for the automotive industry, and a decline in projects for the IT sector, net sales decreased compared to the same period of the previous fiscal year.

As a result of the above, orders received in the Materials Handling Systems Segment were up 19.0% over the same period of the previous fiscal year, to ¥17,491 million. Net sales declined 17.0%, to ¥15.088 million, but operating income increased from ¥17 million in the same period of the previous fiscal year to ¥1,834 million, reflecting the absence of the additional installation costs previously mentioned, as well as cost reductions deriving from enhanced productivity.

3. Outlook for the Full Year

It is considered likely that the Japanese economy will continue its moderate expansion, sustained by overseas demand. However, the overall outlook remains uncertain, with several areas of concern impinging on the global economy, such as the surge in crude oil prices and possible lengthening of the subprime mortgage crisis.

Under these conditions, the Tsubaki Group will redouble its efforts to implement the *Global Best* strategy, aiming for the optimization of our entire business and maximization of corporate value.

We will also strive to “strengthen the power of the workplace” on a group-wide basis, and enhance our corporate competitiveness through stringent efforts to improve quality in both manufacturing processes and administrative functions, as well as activities to heighten productivity.

While continuing to exercise its corporate social responsibility, the Tsubaki Group will also work to enhance shareholder value. We ask shareholders for their further support and encouragement as we implement our strategies.

Consequently, projections for the full year ending March 2008 are as follows

Consolidated Projections

Net Sales	¥164.0 billion (up 5.3% from previous year)
Operating Income	¥17.6 billion (up 9.9%)
Ordinary Income	¥16.3 billion (up 12.1%)
Net Income	¥8.8 billion (up 3.0%)

Non-Consolidated Projections

Net Sales	¥89.0 billion (up1.5% from previous year)
Operating Income	¥7.1 billion (up 0.5%)
Ordinary Income	¥8.5 billion (down 0.0%)
Net Income	¥5.0 billion (down 29.5%)

The above forecast is based on the information currently available to Tsubakimoto Chain 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

At the end of the period under review, total assets amounted to ¥212,717 million, a decrease of ¥22 million from the end of the previous fiscal year. This reflected, on the one hand, an increase in property, plant and equipment due to construction of new factories and company buildings in order to promote concentration of facilities, as well as investment in production equipment for automotive parts. On the other hand, there was a decline in cash and deposits as the market valuation of securities decreased and income tax and other items were paid.

Net cash provided by operating activities in the period totaled ¥7,348 million. Income before income tax and minority interest totaled ¥8,458 million, and amortization totaled ¥3,435 million, while income tax and other items offset the gains by ¥4,396 million.

Net cash used in investing activities totaled ¥5,870 million. This reflected investment of ¥4,945 million for construction of new factories and company buildings, as well as production equipment for automotive parts. In addition, there was expenditure of ¥1,169 million for investment in securities.

Net cash used in financing activities totaled ¥2,757 million. This comprised expenditure of ¥1,067 million to implement a share repurchase, as well as repayments of long-term debt and dividend payments.

As a result, cash and cash equivalents at the end of the period totaled ¥13,384 million, a decrease of ¥1,234 million.

Cash Flow Indicators (Reference)

	FY 2006	FY 2007 Interim period	FY 2007	FY 2008 Interim period
Equity ratio (%)	38.8	37.5	38.1	38.7
Equity ratio (Market cap.) (%)	83.3	50.3	65.3	66.8
Debt repayment period (years)	3.7	—	4.2	—
Interest coverage ratio (times）	10.8	9.1	10.0	14.3

Equity ratio: Shareholders' equity / Total assets
Equity ratio (Market cap.): Total market capitalization / Total assets
Debt repayment period: Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest paid

* Each indicator was calculated based on consolidated results.
* Total market capitalization was calculated by multiplying the stock price at the end of the period by the number of shares outstanding at the end of the period (after deducting treasury stock owned by the Company).
* The operating cash flow used above reflects cash flows from operating activities on the Consolidated Statements of Cash Flows. The interest-bearing debt represents all liabilities on the Consolidated Balance Sheets for which interest is being paid. Interest paid means the interest paid shown on the Consolidated Statements of Cash Flows.

(3) Basic Policy Regarding Allocation of Profit and Dividends for Fiscal 2008

The Company places the highest priority on providing returns to 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 interim dividend is scheduled at ¥3.00 per share. The annual dividend is scheduled at ¥7.00 per share.