

August 6, 2010

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>

For the three-month period ended June 30, 2010

Name of the company: Tsubakimoto Chain Co.
Code number: 6371
Stock exchange listings: Tokyo, Osaka
URL: <http://tsubakimoto.com/>
Representative: Isamu Osa, President and Representative Director
Inquiries: Tetsuya Yamamoto, Executive Officer, Senior Manager, Corporate Planning Department
Tel +81 (6) 6441-0054
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*Amounts less than ¥1 million are omitted

1. Consolidated Operating Results for the Three Months Ended June 30, 2010

(1) Consolidated Results of Operation

(% figures show change compared to the same 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	%
3-month period ended June 30, 2010	32,928	37.5	2,534	—	2,515	—	1,483	—
3-month period ended June 30, 2009	23,946	(38.3)	(315)	—	(163)	—	207	—

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
3-month period ended June 30, 2010	7.97		—	
3-month period ended June 30, 2009	(1.11)		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Shareholders' equity per share	
	Millions of yen		Millions of yen		%		Yen	
As of June 31, 2010	182,606		86,132		43.9		430.67	
As of March 31, 2010	182,641		86,837		44.3		434.59	

Note: Shareholders' equity

As of June 30, 2010: ¥80,117 million

As of March 31, 2010: ¥80,847 million

2. Dividends

(Record date)	Dividends per share					Total
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end		
	Yen	Yen	Yen	Yen	Yen	Yen
FY2010	—	3.00	—	3.00	6.00	
FY2011	—					
FY2011 (Forecast)		3.00	—	3.00	6.00	

Note: Revision of cash dividends forecast in quarter under review: No

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2011

(% figures show change compared to the same period of the 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, 2010	66,000	30.7	4,600	—	4,600	780.2	2,600	412.8	13.98
12-month period ending March 31, 2011	130,000	15.3	7,500	58.3	7,400	48.3	4,200	32.3	22.58

Note: Revision of figures of consolidated operating results outlook in quarter under review: Yes

4. Others (For details please see page 7, “2. Other Information”)

(1) Significant changes in scope of consolidation: No

Note: Indicates changes in specified subsidiaries following changes in the scope of consolidation.

(2) Adoption of simplified methods of accounting or special methods of accounting: Yes

Note: Indicates adoption of simplified methods of accounting or special methods of accounting in preparation of quarterly consolidated financial statements.

(3) Changes in rules, procedures, or presentation methods of accounting

1 Changes in accordance with amendment of accounting standards: Yes

2 Changes other than 1: No

Note: Indicates changes in rules, procedures, or presentation methods of accounting in preparation of quarterly consolidated financial statements to be included in the section Changes in significant items that form the basis of the preparation of quarterly consolidated financial statements.

(4) Number of shares issued (common shares)

1 Number of shares issued at end of period (including treasury shares)

1st quarter in FY2011: 191,406,969 shares

FY2010: 191,406,969 shares

2 Number of treasury shares at end of period

1st quarter in FY2011: 5,376,342 shares

FY2010: 5,374,353 shares

3 Average number of shares during period (consolidated cumulative total of the third quarter)

1st quarter in FY2011: 186,031,450 shares

1st quarter in FY2010: 186,043,129 shares

* Implementation status of the quarterly review

These quarterly financial statements are exempt from the quarterly review procedure required by the Financial Instruments and Exchange Act. The quarterly review based on the Financial Instruments and Exchange Act has been completed at the time of disclosure of these financial statements.

* Explanation regarding the appropriate usage of consolidated operating results outlook and other items

The consolidated operating results outlook is based on information available at the present juncture and certain assumptions believed to be reasonable. However, it includes risks and uncertainties. Actual business results may differ materially from the figures of the consolidated operating results outlook due to changes in business conditions, market trends, or fluctuation in currency exchange rates. Furthermore, factors that may affect business results are not limited to those factors.

1. Qualitative Information Regard Consolidated Performance in the Quarter under Review

(1) Qualitative Information Regarding Consolidated Operating Results

(Unless otherwise stated, all comparisons are between the first quarter from April 1, 2010, to June 30, 2010, and the first quarter from April 1, 2009, to June 30, 2009.)

In the first quarter, in the Japanese economy there was a gradual trend toward recovery seen in exports, particularly those into China, India, and other Asian countries. However, the economy also faced such issues as the financial instability of major European countries, concern for the economic slowdown seen in China and the United, and the persistence of the strong yen. For these reasons, the Japanese economy continued to remain highly opaque.

In the Group's operating environment there were signs of recovery in industries related to machine tools, liquid crystal displays (LCD), and semiconductors. Additionally, tax reductions for environment-friendly vehicles helped maintain the upward trend in the sales of automobiles. While operating conditions did not see a full recovery, factors such as those listed above resulted in relatively favorable conditions.

As a result, consolidated orders in the first quarter rose 37.0% year on year, to ¥31,090 million. Net sales also increased 37.5%, to ¥32,928 million. Operating income was ¥2,534 million and ordinary income was ¥2,515 million, compared to operating loss of ¥315 million and ordinary loss of 163 million in the first quarter. This increase in income was a result of improved net sales and the effects of measures to reduce cost of sales and other costs that have been instituted for the past two years. Net income was ¥1,483 million, compared with net loss of ¥207 million in the first quarter of fiscal 2010.

Segment results are summarized as follows.

(Starting with the first quarter, the quarter under review, the Group has changed its reporting segments. The previous segments were the Power Transmission Products segment and the Materials Handling Systems segment. The new segments will consist of the following four segments: Chains, Power Transmission Units and Components, Automotive Parts, and Materials Handling Systems. Comparisons with results from the previous year are not listed due to the change in segments.)

[Chains]

The Chains segment saw recovery in sales of products such as drive system chains and cable and hose protection and guidance products for the machine tool industry as well as the LCD and semiconductor related industry.

Due to these factors, orders received were ¥11,513 million, net sales were ¥11,251 million, and operating income was ¥625 million.

[Power Transmission Units and Components]

The Power Transmission Units and Component segment saw a trend toward recovery in sales of products including linear actuators, locking devices, and shaft couplings for the machine tool industry as well as the LCD and semiconductor related industry.

As a result of these factors, orders received were ¥4,837 million, net sales were ¥4,497 million, and operating income was ¥388 million.

[Automotive Parts]

In the Automotive Parts segment, production of certain automobiles, including environment-friendly vehicles, progressed favorably in Japan and overseas. Accordingly, sales of timing chain drive systems used in automotive engines remained strong.

Accordingly, orders received were ¥10,684 million, net sales were ¥11,383 million, and operating income was ¥1,782 million.

[Materials Handling Systems]

In the Materials Handling Systems segment, while the trends to limit capital investments ceased, this did not bring about substantial recovery and conditions were harsh. Conversely, sales of conveyance systems for the steel industry and sorting systems to the distribution industry remained relatively strong.

As a result, orders received were ¥3,524 million and net sales were ¥5,363 million. In regard to income, due to an unprofitable deal, we were forced to record an operating loss of ¥464 million.

[Other]

Other orders received totaled ¥530 million, net sales were ¥432 million, and operating income was ¥39 million.

(2) Qualitative Information Regarding Consolidated Financial Position

<Analysis of Financial Position>

[Assets]

Total assets at the end of the quarter were down ¥34 million from the end of the previous fiscal year, to ¥182,606 million.

Total current assets at the end of the quarter decreased ¥2,320 million from the end of the previous fiscal year, to ¥79,699 million, primarily due to a ¥1,784 million decline in securities stemming from a decrease in certificates of deposit.

Total non-current assets at the end of the quarter were up ¥2,285 million from the end of the previous fiscal year, to ¥102,906 million, due in part to a ¥1,776 million increase in property, plant and equipment and a ¥680 million rise in goodwill, net resulted from such factors as the consolidation of KabelSchlepp GmbH.

[Liabilities]

Liabilities at the end of the quarter were up ¥670 million from the end of the previous fiscal year, to ¥96,474 million, mainly because of a ¥949 increase in trade notes and accounts payable.

[Net Assets]

Net assets at the end of the quarter were down ¥704 million from the end of the previous fiscal year, to ¥86,132 million. There was a ¥925 million increase in retained earnings. However, this was offset by a ¥904 million decrease in net unrealized holding gain on securities due to an increase in the differences with mark-to-market valuations on securities, and a ¥813 million decrease in translation adjustments because of fluctuations in currency exchange rates. The equity ratio was 43.9%.

<Analysis of Cash Flows>

Cash and cash equivalents at the end of the quarter was down ¥3,256 million from the previous fiscal year end, to ¥17,122 million.

A breakdown of the principal factors in the net decrease is as follows.

[Cash provided by operating activities]

Net cash provided by operating activities increased ¥747 million, to ¥4,120 million, which was attributable to income before income taxes and minority interests of ¥2,310 million and depreciation and amortization of ¥1,806 million.

[Cash used in investing activities]

Net cash used in investing activities increased ¥1,981 million, to ¥3,833 million. Major outflows included ¥1,846 million used to acquire capital in a subsidiary, ¥1,137 used to acquire stock in an affiliate, and ¥762 million in capital investments in such areas as automotive parts production facilities.

[Cash provided by financing activities]

Net cash provided by financing activities rose ¥2,520 million, to ¥3,284 million, which resulted from ¥2,097 million in repayment of long-term loans and ¥558 million in cash dividends paid.

(3) Qualitative Information Regarding Consolidated Operating Results Outlook

Net sales in the second quarter of the fiscal year ending March 31, 2011, are expected to exceed our previous outlook as a result of an unpredicted and substantial recovery in demand. Further, operating income, ordinary income, and net income for the quarter are also anticipated to exceed our previous outlook. This will be a result of the effects of the Group's aggressive efforts to reduce the cost of sales by cutting fixed and other costs, and also through higher productivity. Therefore, the Company revised its outlook for operating results for the second quarter of the fiscal year ending March 31, 2011, as follows.

Additionally, the full-year outlook for the fiscal year ending March 31, 2011, have been revised based on the new outlook for the second quarter and projections regarding trends in the economic environment from the third quarter onward. The revised figures are as follows.

The base exchange rate used for full-year outlook is US\$1=¥85 and 1 euro=¥115.

1) Revised outlook for consolidated operating results

Revised outlook for consolidated operating results for the six months ending September 30, 2010

	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
Previously announced forecast (A) (announced May 12, 2010)	63,000	2,500	2,300	1,000	5.38
Revised forecast (B)	66,000	4,600	4,600	2,600	13.98
Increase / Decrease (B - A)	3,000	2,100	2,300	1,600	—
Percentage decrease (%)	4.8	84.0	100.0	160.0	—

Revised outlook for consolidated operating results for the 12 months ending March 31, 2011

	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
Previously announced forecast (A) (announced May 12, 2010)	127,000	6,400	6,000	3,200	17.20
Revised forecast (B)	130,000	7,500	7,400	4,200	22.58
Increase / Decrease (B - A)	3,000	1,100	1,400	1,000	—
Percentage decrease (%)	2.4	17.2	23.3	31.3	—

(Reference)

2) Revised outlook for nonconsolidated operating results

Revised outlook for nonconsolidated operating results for the six months ending September 30, 2010

	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
Previously announced forecast (A) (announced May 12, 2010)	35,000	800	1,900	1,300	6.99
Revised forecast (B)	38,000	2,000	3,100	2,100	11.29
Increase / Decrease (B - A)	3,000	1,200	1,200	800	—
Percentage decrease (%)	8.6	150.0	63.2	61.5	—

Revised outlook for nonconsolidated operating results for the 12 months ending March 31, 2011

	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
Previously announced forecast (A) (announced May 12, 2010)	71,000	2,500	3,800	2,400	12.90
Revised forecast (B)	73,000	3,200	4,600	2,900	15.59
Increase / Decrease (B - A)	2,000	700	800	500	—
Percentage decrease (%)	2.8	28.0	21.1	20.8	—

2. Other Information

(1) Significant changes in scope of consolidation

There were no changes.

(2) Adoption of simplified methods of accounting or special methods of accounting in preparation of quarterly consolidated financial statements

1) Simplified methods of accounting

Method of calculation of depreciation for property, plant and equipment, net

For some consolidated subsidiaries, the calculation of depreciation for property, plant and equipment, net, is based on projections that take into consideration estimates of acquisition, sale, and retirement during the fiscal year.

2) Special methods of accounting in preparation of quarterly consolidated financial statements

No applicable items.

(3) Changes in rules, procedures, or presentation methods of accounting

1) From the first quarter of the fiscal year ending March 2011, the Company adopted the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16, March 10, 2008) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No.24, March 10, 2008).

There have been no changes in operating income, ordinary income, or income before income taxes and minority interests for the quarter as a result of the adoption of these standards.

2) From the first quarter of the fiscal year ending March 2011, the Company adopted the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (Guidance No.21, March 31, 2008)

The adoption of these standards has resulted in a ¥1 million reduction in operating income and ordinary income, and a ¥205 million reduction in income before income taxes and minority interests. Further, the value of asset retirement obligations resulting from the adoption of these standards is ¥244 million.

3) From the first quarter of the fiscal year ending March 2011, the Company adopted the Accounting Standard for Business Combinations (ASBJ Statement No.21, December 26, 2008), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, December 26, 2008), the Partial amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No.23, December 26, 2008), the Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, December 26, 2008), the Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16, December 26, 2008), and the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, December 26, 2008).