

February 09, 2011

## CONSOLIDATED FINANCIAL STATEMENTS <under Japanese GAAP>

For the nine-month period ended December 31, 2010

*Name of the company:* Tsubakimoto Chain Co.  
*Code number:* 6371  
*Stock exchange listings:* Tokyo, Osaka  
*URL:* <http://tsubakimoto.com/>  
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*Scheduled quarterly report  
 issuance date:* February 10, 2011

\*Amounts less than ¥1 million are omitted

### 1. Consolidated Operating Results for the Nine Months Ended December 31, 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	%
9-month period ended December 31, 2010	102,360	29.3	8,534	329.5	8,642	257.6	4,996	203.8
9-month period ended December 31, 2009	79,134	31.3	1,986	(81.1)	2,416	(77.0)	1,644	(70.9)

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
9-month period ended December 31, 2010	26.86		—	
9-month period ended December 31, 2009	8.84		—	

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2010	184,349	88,441	44.6	441.63
As of March 31, 2010	182,641	86,837	44.3	434.59

Note: Shareholders' equity

As of December 31, 2010: ¥82,150 million

As of March 31, 2010: ¥80,847 million

### 2. Dividends

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

12-month period 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
	135,000	19.7	10,300	117.4	10,100	102.4	5,700	79.5	30.64

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)

3rd quarter in FY2011: 191,406,969 shares

FY2010: 191,406,969 shares

2 Number of treasury shares at end of period

3rd quarter in FY2011: 5,391,426 shares

FY2010: 5,374,353 shares

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

3rd quarter in FY2011: 186,027,484 shares

3rd quarter in FY2010: 186,040,832 shares

\* Disclosure regarding 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. Accordingly, the quarterly review based on the Financial Instruments and Exchange Act has not 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 nine-month period from April 1, 2010, to December 31, 2010, and the nine-month period from April 1, 2009, to December 31, 2009.)

In the nine-month period, conditions in the Japanese economy grew stagnant due to the sluggish demand for exports and poor sales of automobiles, a result of the ceasing of grants for purchasing environment-friendly vehicles offered by the Japanese government, seen in the third quarter. This counteracted the trend toward recovery seen in the first half of the fiscal year due to improved performance of corporations stemming from increased demand for exports and the results of economic stimulus measures, resulting in poor economic conditions.

Regardless of these circumstances, conditions in the Group's operating environment were relatively favorable. While the third quarter saw lower sales of automobiles in Japan, the effects of this were counteracted by the recovery of capital investment in industries related to machine tools, liquid crystal displays (LCD), and semiconductors.

As a result, consolidated orders in the period rose 29.2% year on year, to ¥102,338 million. Net sales also increased 29.3%, to ¥102,360 million. Both operating income and ordinary income rose year on year, with operating income increasing by 4.3 times, to ¥8,534 million, and ordinary income increasing 3.6 times, to ¥8,642 million. This increase in income was a result of improved net sales and the effects of measures to improve profitability implemented throughout the Group. Net income grew by 3.0 times to ¥4,996 million.

Segment results are summarized as follows.

(Starting with the first quarter, 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 sales of mainstay products such as drive chains, small-sized conveyor chains, and cable and hose protection and guidance products for such industries as the machine tool industry, LCD and semiconductor related industry, automotive industry, and food industry were strong.

Due to these factors, orders received were ¥35,419 million, net sales were ¥34,952 million, and operating income was ¥2,332 million.

#### [Power Transmission Units and Components]

The Power Transmission Units and Component segment saw a trend toward recovery in sales of mainstay products including reducers, 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 ¥15,141 million, net sales were ¥14,633 million, and operating income was ¥1,598 million.

[Automotive Parts]

In the Automotive Parts segment, the favorable trends in production of automobiles continued in Japan and overseas regardless of the poor sales of automobiles seen in Japan during the third quarter. Accordingly, sales of timing chain drive systems used in automotive engines, one of the segment's mainstay products, were strong.

Accordingly, orders received were ¥32,351 million, net sales were ¥32,872 million, and operating income was ¥4,360 million.

[Materials Handling Systems]

In the Material Handling Segment, harsh operating conditions continued. However, there were significant sales of large-scale orders for conveyance systems for the steel and automotive industries, and sorting systems for the distribution industry.

As a result, orders received were ¥17,944 million, and net sales were ¥18,496 million. In regard to income, due to an unprofitable deal during the first quarter, we were forced to record operating loss of ¥181 million.

[Other]

Other orders received totaled ¥1,482 million, net sales were ¥1,404 million, and operating income was ¥133 million.

## (2) Qualitative Information Regarding Consolidated Financial Position

### <Analysis of Financial Position>

[Assets]

Total assets at the end of the quarter were up ¥1,708 million from the end of the previous fiscal year, to ¥184,349 million.

Total current assets at the end of the period increased ¥230 million from the end of the previous fiscal year, to ¥82,250 million, due in part to a ¥4,876 million increase in trade notes and accounts receivable that was the result of the settlement date for the period being a holiday, which offset a ¥3,253 million decline in securities stemming from a decrease in certificates of deposit.

Total non-current assets at the end of the period were up ¥1,478 million from the end of the previous fiscal year, to ¥102,099 million, primarily due to the Company recording goodwill of ¥556 million and a ¥316 million increase in property, plant and equipment resulted, both of which were results of the consolidation of Kabelschlepp GmbH.

[Liabilities]

Liabilities at the end of the period were up ¥103 million, to ¥95,908 million. There was a ¥6,551 million increase in trade notes and accounts payable that was the result of the settlement date for the period being a holiday, and ¥774 million increase in accrued income taxes stemming from higher income. These factors outweighed the redemption of ¥7,010 million worth of bonds due within one year and resulted in the overall increase in liabilities.

#### [Net Assets]

Net assets at the end of the period were up ¥1,604 million from the end of the previous fiscal year, to ¥88,441 million. There was a ¥2,034 million decrease in translation adjustments because of fluctuations in currency exchange rates, and a ¥584 million decrease in net unrealized holding gain on securities due to a decrease in the differences with mark-to-market valuations on securities. However, this was offset by a ¥3,883 million increase in retained earnings. The equity ratio was 44.6%.

#### <Analysis of Cash Flows>

Cash and cash equivalents at the end of the quarter was down ¥5,775 million from the previous fiscal year end, to ¥14,604 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 was ¥11,446 million, compared to ¥10,302 million in the previous fiscal year, which was attributable to income before income taxes and minority interests of ¥8,387 million and depreciation and amortization of ¥5,463 million.

#### [Cash used in investing activities]

Net cash used in investing activities was ¥6,286 million, compared to ¥4,942 million in the previous fiscal year. Major outflows included ¥1,856 million used to acquire capital in a subsidiary, ¥3,156 million in capital investments in such areas as automotive parts production facilities, and ¥1,137 used to acquire stock in an affiliate.

#### [Cash provided by financing activities]

Net cash used in financing activities was ¥10,418 million, compared to cash provided by financing activities of ¥3,516 million in the previous fiscal year. This was primarily the result of the redemption of ¥7,010 million worth of bonds due within one year, and an outflow of ¥4,160 million to repay long-term loans.

### (3) Qualitative Information Regarding Consolidated Operating Results Outlook

The full-year outlook for the fiscal year ending March 31, 2011, has been revised based on the operating results achieved in the nine-month period and considerations of the current operating environment. The changes to forecasted operating results from those in the previous outlook released on November 10, 2010 are detailed below.

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 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 November 10, 2010)	132,000	8,800	8,500	4,800	25.80
Revised forecast (B)	135,000	10,300	10,100	5,700	30.64
Increase / Decrease (B - A)	3,000	1,500	1,600	900	—
Percentage increase (%)	2.3	17.0	18.8	18.8	—

(Reference)

## 2) Revised outlook for nonconsolidated operating results

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 November 10, 2010)	75,000	3,300	4,800	3,000	16.13
Revised forecast (B)	76,500	4,100	5,700	3,500	18.81
Increase / Decrease (B - A)	1,500	800	900	500	—
Percentage increase (%)	2.0	24.2	18.8	16.7	—

## 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 ¥10 million reduction in operating income and ordinary income, and a ¥215 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).