

# Eleven-Year Financial Summary

 TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries  
 Years ended March 31

	2010	2009	2008	2007
Net sales	¥112,759	¥141,517	¥167,202	¥155,746
Operating income	4,737	9,095	19,805	16,008
Income (loss) before income taxes and minority interests	5,047	8,442	18,485	17,634
Net income (loss)	3,175	6,188	10,371	8,541
Net income (loss) per share (Yen and U.S. dollars)	¥ 17.07	¥ 33.26	¥ 55.70	¥ 45.55
Interest expense:				
Net	¥ 637	¥ 650	¥ 839	¥ 950
Gross: Interest received	29	116	124	73
Interest paid	666	766	963	1,024
Capital expenditures	3,988	10,041	10,225	10,893
Depreciation and amortization	7,390	7,344	7,301	5,948
Total current assets	82,020	75,037	90,533	92,961
Total current liabilities	48,551	47,213	53,958	58,105
Property, plant and equipment, net	80,883	84,168	83,412	81,796
Total long-term liabilities	47,253	46,782	60,855	68,465
Total assets	182,641	178,455	202,316	212,739
Paid-in capital	17,076	17,076	17,076	17,076
Retained earnings	66,655	64,782	60,317	51,279
Shareholders' equity	80,847	78,422	81,605	81,033
Equity ratio (%)	44.3	43.9	40.3	38.1
ROE (%)	4.0	7.7	12.8	10.8
D/E ratio (Times)	0.48	0.48	0.48	0.52
Net cash provided by operating activities	¥ 14,508	¥ 7,263	¥ 20,873	¥ 10,107
Net cash (used in) provided by investing activities	(5,020)	(9,723)	(11,481)	(5,879)
Net cash (used in) provided by financing activities	(373)	(3,540)	(5,582)	(647)
Cash and cash equivalents at end of the year	20,379	11,269	17,744	14,618
Number of shares outstanding at end of the year <sup>*2</sup> (Thousands)	186,032	186,043	186,077	187,492
Number of employees <sup>*3</sup>	5,271	5,339	5,371	5,114

\*1 The financial summary was prepared in Japanese yen and translated into U.S. dollars for the convenience of the reader.  
 The exchange rate prevailing on March 31, 2010, of ¥92.90 = U.S.\$1.00, was used.

\*2 Excluding treasury stock

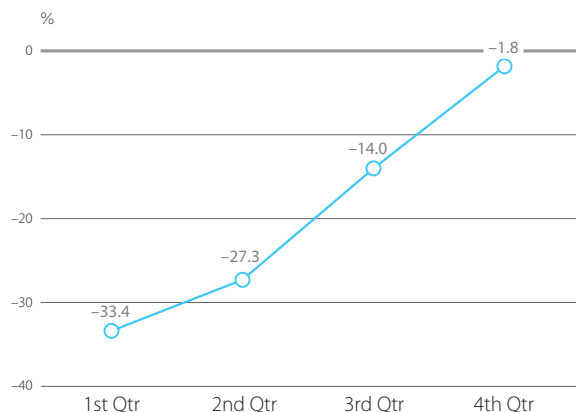
\*3 The number of employees includes contracted and temporary staff.

Millions of Yen (Unless Noted Otherwise)								Thousands of U.S. Dollars <sup>1</sup>
	2006	2005	2004	2003	2002	2001	2000	2010
	¥147,761	¥129,563	¥119,141	¥116,670	¥113,741	¥114,206	¥106,281	\$1,213,772
	13,830	10,447	7,950	7,351	6,038	6,961	2,704	50,999
	12,608	8,597	6,536	2,800	2,661	226	2,724	54,334
	6,606	4,449	3,384	1,530	1,201	464	1,218	34,177
	¥ 34.78	¥ 22.77	¥ 17.40	¥ 7.92	¥ 6.27	¥ 2.42	¥ 6.36	\$ 0.18
	¥ 908	¥ 1,160	¥ 1,362	¥ 1,635	¥ 1,585	¥ 1,666	¥ 1,577	\$ 6,856
	85	33	68	103	222	283	162	318
	994	1,194	1,431	1,738	1,808	1,949	1,739	7,174
	7,488	3,697	3,505	2,942	16,193	10,251	32,487	42,931
	5,509	5,503	6,083	6,735	5,611	4,321	4,443	79,558
	78,856	72,125	69,735	83,073	90,750	93,983	83,142	882,892
	56,337	53,800	48,395	52,061	58,124	65,374	50,079	522,617
	76,263	75,393	76,307	80,416	85,381	82,178	76,351	870,653
	60,917	49,850	56,758	67,638	77,676	74,065	67,473	508,645
	198,458	179,263	175,432	183,260	201,555	208,876	184,468	1,966,002
	17,076	17,076	17,076	17,076	17,076	17,076	17,076	183,817
	44,508	39,343	36,198	33,974	33,499	33,480	34,020	717,499
	77,098	71,633	66,872	60,306	62,673	66,463	63,750	870,266
	38.8	40.0	38.1	32.9	31.1	31.8	34.6	
	8.9	6.4	5.3	2.5	1.9	0.7	1.9	
	0.51	0.61	0.75	1.08	1.22	1.18	1.16	
	¥ 10,680	¥ 9,672	¥ 7,995	¥ 12,020	¥ 7,709	¥ 5,968	¥ 3,268	\$ 156,171
	(5,595)	(2,465)	9,067	(3,014)	(10,718)	(10,833)	(28,755)	(54,042)
	(5,595)	(9,412)	(15,537)	(14,216)	(4,243)	2,026	27,166	(4,021)
	10,984	11,562	13,680	12,416	17,679	24,852	27,585	219,372
	187,541	187,612	188,543	188,722	191,386	191,406	191,406	
	4,675	4,765	4,709	4,871	4,916	5,237	5,440	

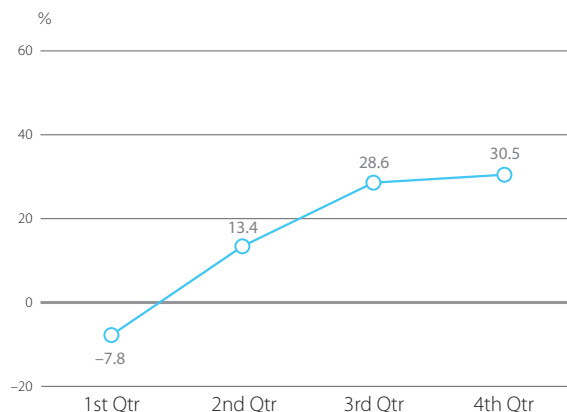
# Business Environment and Tsubaki Group Performance in Figures

## Statistics Relating to Operating Environment

● Machinery Orders in Japan for Fiscal 2010—Year-on-Year Change



● Automotive Sales in the World's Five Largest Regions for Fiscal 2010—Year-on-Year Change

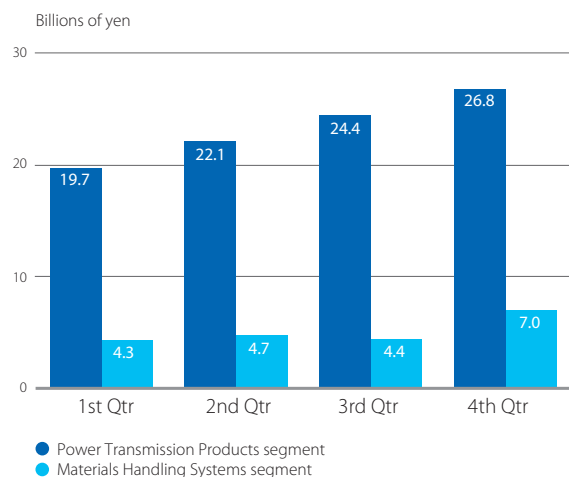


	Fiscal year data				
	Original data			Year on year	
	2008	2009	2010	2009	2010
<b>Statistics Relating to Operating Environment</b>					
1. Japan nominal GDP-related statistics (Billions of yen)					
GDP	¥515,645	¥494,182	¥475,898	(4.2%)	(3.7%)
Private-sector corporate capital investment	81,339	76,760	62,822	(5.6%)	(18.2%)
Exports	92,222	78,314	64,185	(15.1%)	(18.0%)
2. Machinery orders in Japan (Billions of yen)					
	12,364	10,617	8,434	(14.1%)	(20.6%)
3. Automotive sales in the world (Thousands of cars)					
United States	16,147	13,217	10,766	(18.1%)	(18.5%)
Japan	5,354	5,082	4,880	(5.1%)	(4.0%)
China	8,785	9,363	15,559	6.6%	66.2%
South Korea	4,066	3,838	3,787	(5.6%)	(1.3%)
Europe	15,574	13,864	13,948	(11.0%)	0.6%
Total of the world's five largest regions	49,926	45,365	48,940	(9.1%)	7.9%
<b>Tsubaki Group Data (Consolidated)</b>					
1. Orders received (Millions of yen)					
Power Transmission Products segment	¥134,313	¥108,897	¥92,517	(18.9%)	(15.0%)
Materials Handling Systems segment	35,963	25,829	19,645	(28.2%)	(23.9%)
Total	170,276	134,727	112,163	(20.9%)	(16.7%)
2. Net sales (Millions of yen)					
Power Transmission Products segment	135,225	115,001	93,212	(15.0%)	(18.9%)
Chain operations	49,800	43,900	35,200	(11.9%)	(19.7%)
Power Transmission Units and Components operations	27,900	26,200	18,500	(6.2%)	(29.2%)
Automotive Parts operations	53,600	42,200	38,200	(21.3%)	(9.6%)
Materials Handling Systems segment	33,097	27,764	20,485	(16.1%)	(26.2%)
3. Operating income (Millions of yen)					
Power Transmission Products segment	19,429	11,171	7,291	(42.5%)	(34.7%)
Materials Handling Systems segment	3,950	1,737	200	(56.0%)	(88.5%)
4. Operating income margin					
Power Transmission Products segment	14.4%	9.7%	7.8%	—	—
Materials Handling Systems segment	11.9%	6.3%	1.0%	—	—

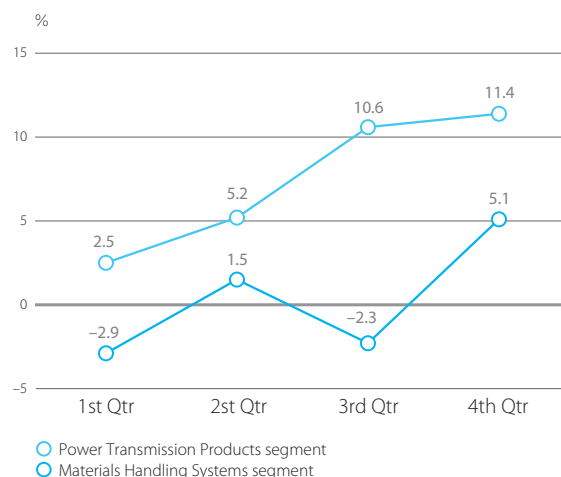
1. Sources: Cabinet office; Japan nominal GDP and machinery orders. Bloomberg; automotive sales  
 2. Machinery orders in Japan: Private-sector demand excluding electric power companies and orders for ships  
 3. Automotive annual sales only are based on the calendar year, all other data is based on the Japanese fiscal year, starting April.

## Tsubaki Group Data (Consolidated)

### ○ Trends in Net Sales by Segment (Consolidated) for Fiscal 2010



### ○ Trends in Operating Income Margin by Segment (Consolidated) for Fiscal 2010



	Quarterly data for fiscal 2010							
	Original data				Year on year			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
	¥118,354	¥115,120	¥125,087	¥117,338	(6.2%)	(5.8%)	(3.8%)	1.4%
	14,300	15,583	14,549	18,390	(24.7%)	(24.6%)	(17.4%)	(5.6%)
	14,071	15,740	16,918	17,456	(38.0%)	(34.6%)	(9.8%)	36.4%
	2,086	2,068	1,961	2,318	(33.4%)	(27.3%)	(14.0%)	(1.8%)
	2,604	3,005	2,614	2,544	(31.9%)	(10.1%)	5.5%	15.5%
	958	1,217	1,205	1,499	(18.5%)	(1.9%)	14.3%	22.1%
	3,415	3,556	3,978	4,611	31.6%	73.8%	85.7%	72.5%
	865	897	1,087	937	(18.4%)	12.1%	10.0%	35.1%
	3,893	2,962	3,422	3,671	(4.4%)	4.6%	17.9%	9.2%
	11,735	11,637	12,306	13,262	(7.8%)	13.4%	28.6%	30.5%
	¥ 19,807	¥ 21,369	¥ 25,068	¥ 26,273	(41.2%)	(31.9%)	(3.4%)	47.0%
	2,882	6,944	3,117	6,702	(53.2%)	(20.1%)	(32.8%)	5.6%
	22,689	28,313	28,186	32,975	(43.1%)	(29.3%)	(7.9%)	36.2%
	19,796	22,106	24,426	26,884	(40.7%)	(32.8%)	(13.6%)	31.4%
	7,800	8,600	8,800	9,800	(33.8%)	(29.4%)	(20.3%)	14.0%
	3,900	4,400	4,900	5,200	(45.8%)	(41.5%)	(24.1%)	7.9%
	7,500	8,900	10,400	11,200	(43.4%)	(28.2%)	3.8%	75.2%
	4,314	4,731	4,415	7,025	(26.1%)	(55.6%)	(15.3%)	15.9%
	490	1,154	2,580	3,067	(89.6%)	(74.3%)	(3.4%)	—
	(123)	70	(102)	355	—	(94.4%)	—	37.6%
	2.5%	5.2%	10.6%	11.4%	—	—	—	—
	(2.9%)	1.5%	(2.3%)	5.1%	—	—	—	—

4. All statistics relating to the operating environment were correct as of May 22, 2010, and any subsequent changes are not reflected.

5. Net sales totals for Chain operations, Automotive Parts operations, and Power Transmission Units and Components operations within the Power Transmission Products segment are from managerial accounts and not from financial accounts.

# Report and Analysis of Financial Condition and Results of Operations for Fiscal 2010 (Consolidated)

## Analysis of Management Performance—Major Items on the Income Statement

### Net Sales

On a quarterly basis, consolidated net sales followed a recovery trend, and sales in the fourth quarter were up 27.8% year on year. However, for the fiscal year, net sales were down 20.3%. Adverse influences included automobile production, which declined by a particularly large margin in the first half of the fiscal year, and weak private-sector capital investment. Sales in Japan were down 19.8%, and overseas sales declined 21.3%.

### Operating Income

In response to the abrupt decline in sales, the Group reduced fixed costs by approximately ¥8.3 billion in fiscal 2010, centered on personnel costs. In addition, the Group reduced variable costs by about ¥0.6 billion through such measures as cutting materials costs and increasing the percentage of manufacturing implemented within the Group. However, these initiatives were not sufficient to offset the substantial decline in net sales and the adverse influence of the appreciation of the yen, and operating income was down 47.9% year on year. Consequently, the operating income margin declined 2.2 percentage points, from 6.4% in the previous fiscal year to 4.2% in the fiscal year under review. However, on a quarterly basis, the operating income margin recovered steadily, reaching 8.2% in the fourth quarter.

### Net Income

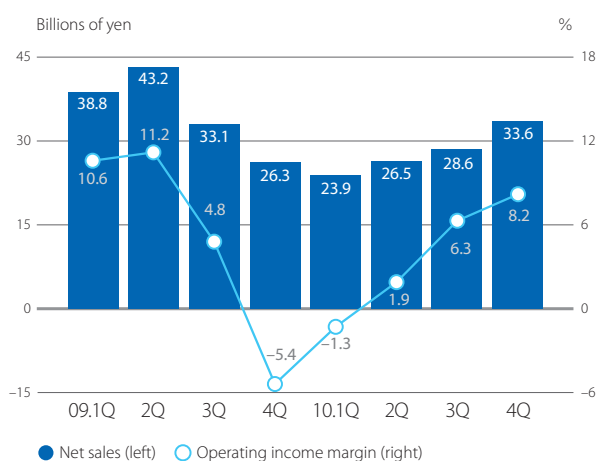
In fiscal 2010, net other income was ¥253 million, about the same as the level of ¥233 million in the previous fiscal year. On the other hand, net extraordinary income was ¥57 million, an improvement of ¥944 million from the previous fiscal year. This was primarily attributable to a decline in loss on devaluation of investments in securities. Consequently, net income for fiscal 2010 was ¥3,175 million, a decrease of 48.7% from the previous fiscal year.

## Results of Operations: Segment Information

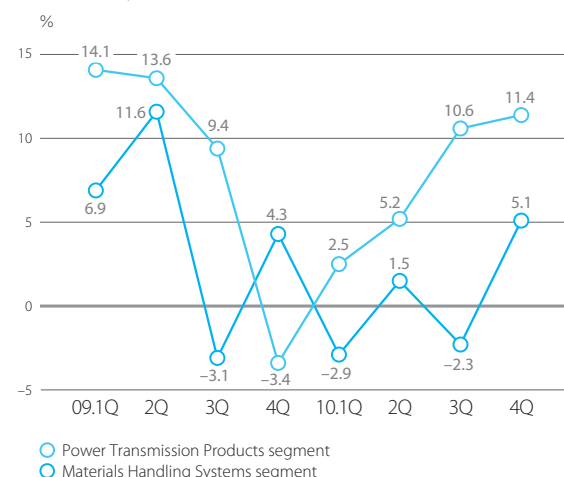
Net sales were down 18.9% in the Power Transmission Products segment, which comprises Chain operations, Power Transmission Units and Components operations, and Automotive Parts operations. On a quarterly basis, however, sales hit bottom in the first quarter and turned upward, and in the fourth quarter sales were up 31.4% year on year. The recovery in Automotive Parts operations was especially strong. In this environment, the operating income margin in the Power Transmission Products segment was 7.8% in fiscal 2010, down by 1.9 percentage points from the previous fiscal year.

In the Materials Handling Systems segment, relatively solid sales were recorded by sorting systems for the distribution industry and by conveyance systems for the distribution and steel industries. However, due in part to the influence of sluggish capital investment, sales in fiscal 2010 were down 26.2%

● Net Sales and Operating Income Margin (Quarterly Basis)



● Operating Income Margin by Business Segment (Quarterly Basis)



year on year, and the operating income margin recorded a substantial decline, falling 5.3 percentage points, to 1.0%

### Analysis of Financial Condition

In fiscal 2010, profits declined by a substantial margin, but the Company was able to secure a certain level of net income through reductions in fixed expenses. Consequently, retained earnings increased by ¥1,872 million. We also recorded an increase in net unrealized holding gain on securities, and at the end of the fiscal year total net assets were up by ¥2,378 million. The balance of net interest-bearing debt was ¥18,531 million, a decline of ¥7,798 million from the previous fiscal year-end. Consequently, the equity ratio improved by 0.4 percentage point, to 44.3%.

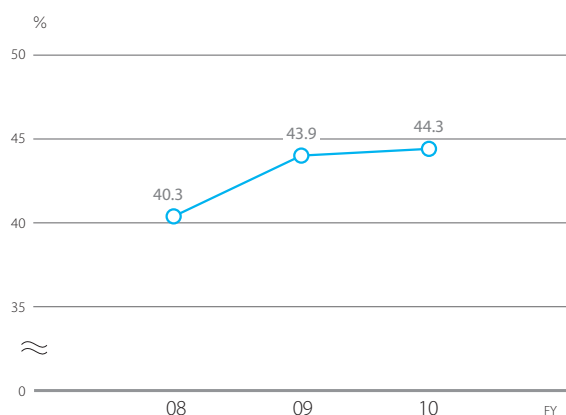
### Analysis of Cash Flows

In fiscal 2010, net cash provided by operating activities recorded substantial growth, increasing to ¥14,508 million, from ¥7,263 million in the previous fiscal year. Net cash used in investing activities was ¥5,020 million, which represents a year-on-year decline of ¥4,703 million. This was the result of the curbing of non-essential capital investment due to the sluggish business conditions. On the other hand, net cash used in financing activities in fiscal 2010 was ¥373 million, compared with ¥3,540 million in the previous fiscal year.

### Research and Development

In fiscal 2010, R&D costs totaled ¥3,543 million. Even in challenging economic conditions, the Group continues to implement its strategy of fostering further differentiation from competitors by bolstering its technical capabilities and developing new products. With sales declining substantially, R&D spending was maintained at about the same level as in the previous year.

#### Equity Ratio



#### R&D Costs

