

May 12, 2010

CONSOLIDATED FINANCIAL STATEMENTS

For the twelve-month period ended March 31, 2010

Name of the Company: Tsubakimoto Chain Co.
Code number: 6371
Stock exchange listings: Tokyo, Osaka
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*Amounts less than ¥1 million are omitted

1. Consolidated Operating Results for the Twelve Months Ended March 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	%
For 12 months ended March 31, 2010	112,759	(20.3)	4,737	(47.9)	4,990	(46.5)	3,175	(48.7)
For 12 months ended March 31, 2009	141,517	(15.4)	9,095	(54.1)	9,328	(48.3)	6,188	(40.3)

	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, 2010	17.07	–	4.0	2.8	4.2
For 12 months ended March 31, 2009	33.26	–	7.7	4.9	6.4

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

Fiscal Year ended March 31, 2010: ¥79 million

Fiscal Year ended March 31, 2009: ¥66 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholder's equity per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2010	182,641	86,837	44.3	434.59
March 31, 2009	178,455	84,458	43.9	421.53

Note: Shareholders' equity

As of March 31, 2010: ¥80,847 million

As of March 31, 2009: ¥78,422 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 year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For 12 months ended March 31, 2010	14,508	(5,020)	(373)	20,379
For 12 months ended March 31, 2009	7,263	(9,723)	(3,540)	11,269

2. Dividends

	Dividends per share					Total amount of dividends (Total)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY 2009	–	4.00	–	4.00	8.00	1,488	24.1	1.9
FY 2010	–	3.00	–	3.00	6.00	1,116	35.1	1.4
FY 2011 (Forecasted)	–	3.00	–	3.00	6.00		34.9	

3. 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
6-month period ending September 30, 2010	63,000	24.7	2,500	–	2,300	340.1	1,000	97.2	5.38
12-month period ending March 31, 2011	127,000	12.6	6,400	35.1	6,000	20.2	3,200	0.8	17.20

4. Others

(1) Significant changes in scope of consolidation: No

(2) Changes in rules, procedures, or presentation methods of accounting methods in preparation of quarterly consolidated financial statements (inclusion of changes in significant items that form the basis of the preparation of quarterly 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):

As of March 31, 2010: 191,406,969 shares

As of March 31, 2009: 191,406,969 shares

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

As of March 31, 2010: 5,374,353 shares

As of March 31, 2009: 5,363,483 shares

(Reference)

1. Non-Consolidated Financial Highlights for the Twelve Months Ended March 31, 2010

(1) Non-Consolidated Results of Operations

*Amounts less than ¥1 million are omitted

	Net sales		Operating loss		Ordinary income		Net income	
	Millions of Yen	%						
For 12 months ended March 31, 2010	61,745	(20.4)	1,220	(50.5)	3,027	(30.6)	2,257	(4.9)
For 12 months ended March 31, 2009	77,611	(13.9)	2,465	(69.2)	4,361	(52.9)	2,374	(59.0)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
For 12 months ended March 31, 2010	12.14	–
For 12 months ended March 31, 2009	12.76	–

(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, 2010	137,151	59,226	43.2	318.37
March 31, 2009	130,450	57,687	44.2	310.07

Note: Shareholders' equity

As of March 31, 2010: ¥59,226 million

As of March 31, 2009: ¥57,687 million

2. Outlook for Non-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
6-month period ending September 30, 2010	35,000	33.4	800	–	1,900	129.9	1,300	38.1	6.99
12-month period ending March 31, 2011	71,000	15.0	2,500	104.8	3,800	25.5	2,400	6.3	12.90

*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.

Business Results

(1) Analysis of Business Results

1. Overview of Operating Results

In the fiscal year under review (from April 1, 2009, to March 31, 2010), conditions remained tough in Japan's economy because deterioration in the employment market and slumping personal income counteracted signs of economic recovery, such as increased demand for durable goods resulted from economic stimulus measures employed and an upturn in exports centered on Asia in the latter half of the year. Accordingly, the effects of the recovery seen throughout the year were relatively insignificant.

The Group continued to face a harsh operating environment. Although automobile-related sectors showed signs of improvement—with automobile sales moving toward recovery thanks to the introduction of automobile sales promotional measures such as tax reductions for environment-friendly vehicles—difficult operating conditions persisted due to such factors as curbed capital investment.

Accordingly, consolidated orders in the year under review decreased 16.7% year on year, to ¥112,163 million, and net sales decreased 20.3% year on year, to ¥112,759 million. As a result of the significant decrease in net sales, which offset the Group's concerted efforts to reduce production costs and management expenses, such as fixed costs, the Group recorded year-on-year decreases of 47.9% in operating income, to ¥4,737 million; 46.5% in ordinary income, to ¥4,990 million; and 48.7% in net income, to ¥3,175 million.

Segment results are summarized as follows.

Power Transmission Products

In Chain operations and Power Transmission Units and Components operations, revenues decreased year on year because the continued curbing of capital investment offset recovery trends in the liquid crystal display (LCD) IT-related industries and the automotive industry that were seen latter half of the year.

In Automotive Parts operations, revenues decreased year on year due to lower automobile production from the worldwide recession, which offset increased production of some vehicles in Japan and overseas, such as environment-friendly vehicles.

Given these factors, orders declined 15.0% to ¥92,517 million, sales decreased 18.9% to ¥91,858million, and operating income decreased 34.7% to ¥7,291 million in the Power Transmissions Products Segment.

Materials Handling Systems

In Materials Handling Systems operations, revenues were down because slumping demand for conveyance systems for the automotive industry and the machine tool industry, which continued to see curbed capital investment, cancelled the benefit of relatively solid sales of sorting systems for the distribution industry, conveyance systems for the steel industry, and bulk conveyance systems.

Consequently, orders decreased 23.9% to ¥19,645 million, sales declined 26.2% to ¥20,434 million and operating income decreased 88.5% to ¥200 million in the Materials Handling Systems Segment.

2. Outlook for the Current Fiscal Year

Operating conditions in the current fiscal year are expected to continue to remain harsh due to the persistence of high unemployment and low consumer spending, as well as the sluggish recovery of capital investment. While the current fiscal year will bring an upturn in exports centered on emerging nations in Asia, such as China, which will contribute recovery of economic conditions in Japan, this will not offset the difficult operating conditions and the future of the economy will remain highly opaque.

Under these challenging conditions, the Tsubaki Group will continue to focus on improving profitability by cutting production costs and increasing management efficiency.

Additionally, we will work to strengthen our operating foundation in order to ensure the continued stability of our operations by enhancing the manufacturing and product technologies that we possess as a manufacturing company, and optimizing the entire group through the implementation of the global best management strategy.

As one facet of these efforts, in April 2010 we purchased the German company KabelSchlepp GmbH, and made it into a subsidiary. KabelSchlepp GmbH possesses superior product development and production capabilities related to cable and hose protection and guidance products (cableveyors), as well as a global sales network. We are working to fully leverage the synergies created by this acquisition by using KabelSchlepp's capabilities to enhance the product development and sales capabilities of our own cableveyor operations, developing new products in cooperation with KabelSchlepp, and constructing systems geared toward global production and provision.

Our projections for the fiscal year ending March 31, 2011 are as follows:

1. Consolidated forecasts	Net sales	¥127.0 billion	(up 12.6%)
	Operating income	¥6.4 billion	(up 35.1%)
	Ordinary income	¥6.0 billion	(up 20.2%)
	Net income	¥3.2 billion	(up 0.8%)
2. Non-consolidated forecasts	Net sales	¥71.0 billion	(up 15.0%)
	Operating income	¥2.5 billion	(up 104.8%)
	Ordinary income	¥3.8 billion	(up 25.5%)
	Net income	¥2.4 billion	(up 6.3%)

For the fiscal year ending March 31, 2011, we assume a foreign exchange rate of ¥85/US\$ and 1€=¥115.

The above forecasts are based on the information currently available to the Tsubaki Group and assumptions which we deem to be reasonable. The information and assumptions contain known and unknown risks, uncertainties, and other variables. Actual operating results may differ from our forecasts due to factors such as changes in the operating environment, market trends, and fluctuations in exchange rates. Factors which may impact on the operating results are not limited to those noted here.

(2) Analysis of Financial Position

1. Assets, Liabilities and Shareholders' Equity

(Assets)

Total assets at the end of the fiscal year under review stood at ¥182,641 million, up ¥4,186 million from the end of the previous fiscal year.

Total current assets at the end of the fiscal year increased of ¥6,982 million from the end of the previous fiscal year, to ¥82,020 million. This was primarily due to a ¥7,749 million increase in securities reflecting a rise in certificates of deposit.

Total non-current assets at the end of the fiscal year decreased of ¥2,796 million from the end of the previous fiscal year, to ¥100,620 million. This was primarily due to a ¥3,285 million decrease in property, plant and equipment, net, due to depreciation.

(Liabilities)

Liabilities at the end of the fiscal year increased ¥1,807 million from the end of the previous fiscal year, to ¥95,804 million. Major factors included a ¥1,340 million increase in loans from financial institutions and a ¥651 million increase in deferred tax liabilities following an increase in the differences with mark-to-market valuations on securities.

(Net Assets)

Net assets at the end of the fiscal year increased ¥2,378 million from the end of the previous fiscal year, to ¥86,837 million. This due to a ¥1,872 million increase in retained earnings and a ¥542 million increase in net unrealized holding gain on securities due to an increase in the differences with mark-to-market valuations on securities. The equity ratio improved 0.4 percentage points, to 44.3%.

2. Cash flow

Cash and cash equivalents at the end of the fiscal year was up ¥9,109 million from the previous fiscal year end, to ¥20,379 million.

The principal factors behind the net decrease are broken down as follows.

(Cash provided by operating activities]

Net cash provided by operating activities amounted to ¥14,508 million, attributable to income before income taxes and minority interests of ¥5,047 million and depreciation and amortization of ¥7,390 million.

(Cash used in investing activities)

Net cash used in investing activities was ¥5,020 million. Major outflows included ¥5,282 million used to invest in automotive parts production facilities.

(Cash used in financing activities]

Net cash used in financing activities was ¥373 million. While an inflow of ¥10,000 million was created by new long-term loans, this was offset by outflows of ¥7,911 million used for the repayment of long-term loans and 1,302 million used to pay cash dividends.

(Reference) Cash flow Indicators

	FY2007	FY2008	FY2009	FY2010
Shareholders' equity ratio	38.1 %	40.3%	43.9%	44.3%
Shareholders' equity ratio (market-based)	65.3 %	54.4%	22.9%	45.7%
Debt repayment periods	4.2 years	1.9 years	5.2 years	2.7 years
Interest coverage ratio	10.0x	21.4x	9.7x	22.9x

Shareholders' equity ratio: shareholders equity/total assets

Shareholders' equity ratio (market-based): market capitalization of stock/total assets

Debt repayment periods: interest-bearing debt/operating cash flow

Interest coverage ratio: operating cash flow/interest paid

Notes:

- * All indicators are derived from consolidated-based financial figures.
- * Market capitalization is derived from the closing share price multiplied by shares outstanding (excluding treasury stock) on the final day of the fiscal year.
- * Operating cash flow denotes cash flow provided by operating activities in consolidated cash flow accounts. Interest-bearing debt denotes the portion of debt on the consolidated balance sheet for which interest is paid. Interest paid denotes interest amount on the consolidated cash flow statement.

(3) Basic policies for profit allocation and dividends in the fiscal year under review

The Tsubaki Group views returning profits to its shareholders as one of the highest priorities of management. Our fundamental policy regarding shareholder returns is to focus our attention on meeting the interests of our shareholders through the provision of steady dividend payments, while also adjusting dividend payments based on such factors as our consolidated results.

In concrete terms, we intend to maintain a stable dividend of ¥6.0 per share as a low-end threshold and distribute profits as our consolidated results, funding conditions, finances, and other overall criteria dictate.

We plan to utilize retained cash for strengthening our underlying financial standing, promoting future business expansion, and other purposes.

Dividend payments in the year under review will be ¥3.00 per share, as previously determined. As a result, total dividends for the fiscal year will be ¥6.00 per share, a decrease of ¥2.00 per share when compared to the previous fiscal year.