

May 12, 2008

## CONSOLIDATED FINANCIAL STATEMENTS

For the twelve-month period ended March 31, 2008

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*Code number:* 6371  
*Stock exchange listings:* Tokyo, Osaka, Nagoya  
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\*Amounts less than ¥1 million are omitted

### 1. Consolidated Operating Results for the Twelve Months Ended March 31, 2008

#### (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, 2008	167,202	7.4	19,805	23.7	18,051	24.1	10,371	21.4
For 12 months ended March 31, 2007	155,746	5.4	16,008	15.7	14,545	15.5	8,541	29.3

	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, 2008	55.70	–	12.8	8.7	11.8
For 12 months ended March 31, 2007	45.55	–	10.8	7.1	10.3

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

Fiscal Year ended March 31, 2008: ¥89 million

Fiscal Year ended March 31, 2007: ¥(4 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, 2008	202,316	87,502	40.3	438.56
March 31, 2007	212,739	86,168	38.1	432.20

Note: Shareholders' equity

As of March 31, 2008: ¥81,605 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 year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For 12 months ended March 31, 2008	20,873	(11,481)	(5,582)	17,744
For 12 months ended March 31, 2007	10,107	(5,879)	(647)	14,618

### 2. Dividends

(Recorded date)	Dividends per share			Total amount of dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
	Interim period ended September 30	Fiscal year ended March 31	Total			
	Yen	Yen	Yen	Millions of Yen	%	%
FY 2007	3.00	4.00	7.00	1,312	15.4	1.7
FY 2008	3.00	5.00	8.00	1,488	14.4	1.8
FY 2009 (Forecasted)	4.00	4.00	8.00	–	16.5	–

### 3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2009

	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, 2008	83,100	4.1	8,700	(1.0)	8,000	(5.4)	4,100	(10.6)	22.03
12-month period ending March 31, 2009	169,000	1.1	18,600	(6.1)	17,000	(5.8)	9,000	(13.2)	48.37

### 4. Others

(1) Significant Changes in Scope of Consolidation: No

(2) Accounting Policies

Changes in accounting principles, 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]: No

(3) Number of shares issued (Common stock)

[1] Number of shares issued at the fiscal year end (including treasury stock):

FY2008 191,406,969 shares FY2007 191,406,969 shares

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

FY 2008 5,329,914 shares FY2007 3,914,760 shares

(Reference)

## Non-Consolidated Financial Highlights

### 1. Non-Consolidated Results of Operations

\*Amounts less than ¥1 million are omitted

	Net sales		Operating loss		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 12 months ended March 31, 2008	90,167	2.8	8,016	13.5	9,251	13.5	5,794	(18.3)
For 12 months ended March 31, 2007	87,682	5.0	7,065	13.7	8,502	14.9	7,095	66.3

	Net income per share (basic)		Net income per share (diluted)	
	Yen		Yen	
For 12 months ended March 31, 2008	31.12		-	
For 12 months ended March 31, 2007	37.84		-	

### 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, 2008	148,283		61,818		41.7		332.22	
March 31, 2007	160,162		64,126		40.0		342.02	

Note: Shareholders' equity

As of March 31, 2008: ¥61,818 million

As of March 31, 2007: ¥64,126 million

### 3. Outlook for Non-Consolidated Operating Results for the 12 Months Ending March 31, 2009

	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, 2008	46,000	7.2	3,300	(8.7)	4,500	7.4	2,800	(10.2)	15.05	
12-month period ending March 31, 2009	94,000	4.3	7,400	(7.7)	9,000	(2.7)	5,500	(5.1)	29.56	

\*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

In the fiscal year under review (April 2007-March 2008), the US economy faced increasingly eroding sentiment as the subprime loan problem roiled financial markets, hurting corporate results and slowing personal consumption. Growth moderated in the European economy, which was weighed down by poorer corporate earnings and other negatives. However, Asian countries, particularly China, India, and Vietnam, continued registering economic growth.

The Japanese economy rebounded modestly, backed by rising corporate earnings. However, persistently rising crude oil prices and surging raw material prices starting in the second half of the fiscal year slowed the US economy and rapidly weakened the US dollar, helping raise uncertainties about the outlook ahead.

Market conditions for the Tsubaki Group remained buoyant in the Japanese machine tool and automotive industries and other sectors. In overseas markets, conditions were generally favorable as well despite spiking crude oil prices, concerns about the slowing US economy, and other uncertainties.

As a result, consolidated orders increased 10.7% year over year, to ¥170,276 million, and sales rose 7.4%, to ¥167,202 million, for the Group. Operating income increased 23.7%, to ¥19,805 million, ordinary income advanced 24.1%, to ¥18,051 million, and net income rose 21.4%, to ¥10,371 million, underpinned by rising sales in the Power Transmission Products Segment and the absence of additional installation costs for paint shop conveyor systems for automakers at a North American subsidiary that were recorded in the Materials Handling Systems Segment during the previous fiscal year.

Segment results are summarized as follows.

#### Power Transmission Products

In chain operations, sales of drive chains such as the RS roller chains (G7), chains for small conveyor systems, chains for large conveyor systems, and other products were brisk, especially for the machine tool, automotive, and steel industries.

In the automotive parts business, shipments of timing chain drive systems were robust, as deliveries to domestic automakers stayed firm. Overseas sales were healthy as well in North America, Europe, China, Thailand, and other countries based on the company's five-point production system, and rising global market share lifted sales.

In the power transmission units and components business, sales of electromechanical cylinders were sluggish to the LCD industry, but sales of cam clutches were strong, and total sales increased marginally, helped by a recovery for reducers.

Given these factors, orders rose 8.3% to ¥134,313 million, sales climbed 8.6% to ¥133,565 million, and operating income climbed 11.9% to ¥19,429 million in the Power Transmissions Products Segment.

#### Materials Handling Systems

Large-lot orders of conveyance systems for the automotive industry ran their course, but sales of products in overseas markets such as the bulk conveyance systems for the cement industry and chip conveyors for the machine tool industry were robust.

Consequently, orders increased 20.8% to ¥35,963 million while sales climbed 2.8% to ¥33,078 million in the Materials Handling Systems Segment. Operating income increased 2.1-fold to ¥3,950 million, marking a substantial increase on the absence of additional installation costs, as noted above, coupled with initiatives for reducing costs in design and manufacturing.

## 2. Outlook for the Current Fiscal Year

The outlook ahead is murky in light of ongoing steep increases in crude oil, steel, and other raw material prices, dollar depreciation, and the slowdown in the US economy, which has repercussions for the global economy.

Under these challenging conditions, the Tsubaki Group will make even more concerted efforts under its *Global Best* strategy to maximize enterprise value by ensuring that all companies in the Group achieve their full potential.

Moreover, we will work to further enhance capabilities in the workplace at all Group companies through an exhaustive focus on increasing quality and productivity not only on the factory floor, but in back-office and peripheral divisions.

The Group is committed to fulfilling its social responsibility as a member of the community and increasing shareholder value. We would like to thank our shareholders for all their support and for their continuing assistance.

Our projections for the fiscal year ending March 31, 2009 are as follows:

1. Consolidated forecasts	Net sales	¥169.0 billion (up 1.1%)
	Operating income	¥18.6 billion (down 6.1%)
	Ordinary income	¥17.0 billion (down 5.8%)
	Net income	¥9.0 billion (down 13.2%)
2. Non-consolidated forecasts	Net sales	¥94.0 billion (up 4.3%)
	Operating income	¥7.4 billion (down 7.7%)
	Ordinary income	¥9.0 billion (down 2.7%)
	Net income	¥5.5 billion (down 5.1%)

For the fiscal year ending March 31, 2009, we assume a foreign exchange rate of ¥100/US\$.

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 ¥202,316 million, down ¥10,423 million from the end of the previous fiscal year.

Current assets declined by ¥2,427 million to ¥90,533 million, as cash deposits rose by ¥2,899 million due to deposits from payments for projects from large-scale orders in the Materials Handling Systems segment, but this gain was offset by a ¥6,042 million decline in trade notes and accounts receivable due to a holiday for financial institutions on the final day of the fiscal year.

Non-current assets fell by ¥7,995 million to ¥111,783 million at the end of the fiscal year, as the value of property, plant and equipment and other tangible assets, including new company offices and new plants, rose by ¥1,616 million, but investments in securities decreased by ¥9,232 million due to declining differences with mark-to-market valuations of securities.

#### (Liabilities)

Liabilities decreased by ¥11,757 million, to ¥114,813 million. First, trade notes and accounts payable fell by ¥3,699 million due to the holiday for financial institutions on the final day of the fiscal year and other factors. Second, the decrease in differences with mark-to-market valuations on securities helped depress deferred tax liabilities by ¥3,204 million. Third, debt repayments pushed down interest-bearing debt by ¥2,998 million.

#### (Net Assets)

Net assets stood at ¥87,502 million at the end of the fiscal year, up by ¥1,334 million from a year earlier, as strong profits lifted retained earnings by ¥9,038 million, offsetting a ¥6,132 million decrease in assets from differences with mark-to-market valuations on securities.

### 2. Cash flow

Cash and cash equivalents ("funds" hereafter) rose by ¥3,126 million to ¥17,744 million at the end of the fiscal year.

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

#### (Funds provided by operating activities)

Funds provided by operating activities were ¥20,873 million, as income before income taxes and minority interests totaled ¥18,485 million and depreciation amounted to ¥7,301 million, negating corporate income tax and other payments that totaled ¥6,809 million.

#### (Funds used in investing activities)

Funds used in investing activities totaled ¥11,481 million. Funds used for new office and plant construction and for auto parts production equipment and other facilities amounted to ¥11,342 million.

(Funds used in financing activities)

Funds used in financing activities came to ¥5,582 million. Funds were used to repay long-term loans, pay dividends, and buy back shares.

(Reference) Cash flow Indicators

	FY2005	FY2006	FY2007	FY2008
Shareholders' equity ratio	40.0 %	38.8 %	38.1 %	40.3%
Shareholders' equity ratio (market-based)	51.4 %	83.3 %	65.3 %	54.4%
Debt repayment periods	4.5 years	3.7 years	4.2 years	1.9 years
Interest coverage ratio	8.0x	10.8x	10.0x	21.4x

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 and the current fiscal year  
The Tsubaki Group's highest priority is providing returns to its shareholders, and the Group will continue its basic policy of furnishing stable dividends. However, focusing more squarely on meeting the interests of our shareholders, we intend to pay dividends commensurate with consolidated results and other factors while paying steady dividends.

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.

We will pay a fiscal year-end dividend of ¥5.00 per share, including the ¥4.00 dividend we had pledged previously and an additional ¥1.00 payment, given that consolidated profits have increased for six straight years and continued reaching historical highs. As a result, total dividends for the fiscal year will be ¥8.00 per share, including the ¥3.00 interim dividend payment.