May 10, 2013

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>
For the twelve-month period ended March 31, 2013

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, 2013

(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, 2013	150,002	3.5	12,579	4.1	12,813	5.5	7,428	9.0
For 12 months ended March 31, 2012	144,896	4.8	12,081	9.6	12,140	9.3	6,814	11.8

Note: Comprehensive income

Fiscal Year ended March 31, 2013: ¥14,076 million (77.7 %)

Fiscal Year ended March 31, 2012: ¥7,922 million (88.3 %)

	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, 2013	39.69	—	7.7	6.3	8.4
For 12 months ended March 31, 2012	36.60	—	7.9	6.5	8.3

Note: Equity in income of affiliates

Fiscal Year ended March 31, 2013: ¥5 million

Fiscal Year ended March 31, 2012: ¥62 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2013	215,837	108,597	47.3	545.14
As of March 31, 2012	191,766	96,335	46.9	480.46

Note: Shareholders' equity

As of March 31, 2013: ¥ 102,019 million

As of March 31, 2012: ¥ 89,923 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, 2013	15,350	(18,401)	6,325	20,194
For 12 months ended March 31, 2012	11,626	(10,487)	(5,460)	13,916

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 2012	–	3.00	–	4.00	7.00	1,306	19.1	1.5
FY 2013	–	3.00	–	4.00	7.00	1,310	17.6	1.4
FY 2014 (Forecasted)	–	4.00	–	4.00	8.00		18.5	

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2014

(% 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, 2013	82,400	13.2	5,700	(11.2)	6,000	(8.0)	3,600	(5.5)	19.24
12-month period ending March 31, 2014	170,000	13.3	13,700	8.9	13,800	7.7	8,100	9.0	43.28

* Notes

(1) Significant changes in scope of consolidation (indicates changes in specified subsidiaries involving changes in the scope of consolidation): Yes

New: 1 company (Tsubakimoto Chain (Tianjin) Co., Ltd.)

Excluded: 0 companies

(2) Changes in accounting policies, accounting estimates, and restatement of corrections:

1. Changes in accounting policies due to the revision of accounting standards and other regulations: Yes
2. Other changes in accounting policies: None
3. Changes in accounting estimates: Yes
4. Restatement of corrections: None

(3) Number of shares issued (common shares)

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

As of March 31, 2013: 191,406,969 shares

As of March 31, 2012: 191,406,969 shares

2 Number of treasury shares at end of period

As of March 31, 2013: 4,263,619 shares

As of March 31, 2012: 4,246,240 shares

3 Average number of shares during the period

As of March 31, 2013: 187,152,029 shares

As of March 31, 2012: 186,198,254 shares

(Reference)

1. Non-Consolidated Financial Highlights for the Twelve Months Ended March 31, 2013

(1) Non-Consolidated Results of Operations

*Amounts less than ¥1 million are omitted

	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, 2013	77,915	(0.5)	5,047	13.6	7,115	10.1	4,854	3.3
For 12 months ended March 31, 2012	78,316	1.8	4,444	(5.2)	6,464	7.3	4,700	32.2

	Net income per share	Net income per share (diluted)
	Yen	Yen
For 12 months ended March 31, 2013	25.94	–
For 12 months ended March 31, 2012	25.24	–

(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, 2013	154,497	71,286	46.1	380.92
March 31, 2012	140,762	66,169	47.0	353.54

Note: Shareholders’ equity

As of March 31, 2013: ¥71,286 million

As of March 31, 2012: ¥66,169 million

2. Outlook for Non-Consolidated Operating Results for the 12 Months Ending March 31, 2014

(% 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, 2013	37,700	(3.9)	2,000	(23.1)	4,100	(2.4)	3,100	1.6	16.56
12-month period ending March 31, 2014	78,000	0.1	5,000	(1.0)	7,300	2.6	5,000	3.0	26.72

*Indication of audit procedure implementation status

This summary of financial results is exempt from audit procedure based upon the Financial Instruments and Exchange Act. The audit procedure process had not been completed at the time of disclosure of this report.

* 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. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

1. Overview of Operating Results

In the fiscal year under review (from April 1, 2012, to March 31, 2013), the Tsubaki Group's operating environment experienced a gradual recovery trend that continued through to the first half of the second quarter. This trend can be attributed to increased production of automobiles, particularly in Japan, as well as the demand created by the reconstruction effort following the Great East Japan Earthquake. Conditions in the operating environment began to deteriorate in the third quarter due to the stagnation of the global economy, which was largely caused by sluggish economic conditions in Europe and the deceleration of economic growth in China, as well as reduced dealings with China as a result of the deterioration of the relationship between Japan and China. However, the rapid depreciation of the Japanese yen that began in the fourth quarter brought hope for economic recovery.

As a result, consolidated orders in the fiscal year were up 3.1% year on year, to ¥148,405 million; net sales were up 3.5%, to ¥150,002 million; operating income was up 4.1%, to ¥12,579 million; ordinary income was up 5.5%, to ¥12,813 million; and net income was up 9.0%, to ¥7,428 million.

Segment results are summarized as follows.

[Chains]

In the Chains segment, sales of drive chains in North America and Europe were strong, while sales of drive chains and cable and hose protection and guidance products for the steel and machine tools industries in Japan were down. As a result, net sales were down year on year.

However, the increased revenues from operations in North America coupled with cost reductions in Japan led to a rise in income.

Due to these factors, orders received were down 4.6%, to ¥48,236 million; net sales declined 2.4%, to ¥49,183 million; and operating income increased 3.6%, to ¥3,586 million.

[Power Transmission Units and Components]

The Power Transmission Units and Component segment saw favorable sales of reducers in China. However, sales were sluggish for linear actuators and shaft couplings for the steel industry and industries related to liquid crystal displays (LCDs) and semiconductors in Japan, and net sales were down accordingly.

As a result of these factors, orders received were down 10.0%, to ¥18,906 million; net sales declined 8.1%, to ¥19,332 million; and operating income decreased 22.2%, to ¥1,955 million.

[Automotive Parts]

In the Automotive Parts segment, the deterioration of the relationship between Japan and China resulted in a decline in automobile production among Japanese manufacturers operating in China, adversely impacting sales of automobile engine timing chain drive systems in this country. However, sales of these products proved favorable in Japan, North America, and other regions, resulting in an overall increase in net sales.

Accordingly, orders received were up 14.3%, to ¥49,555 million; net sales grew 13.5%, to ¥49,397 million; and operating income increased by 34.0%, to ¥6,494 million.

[Materials Handling Systems]

In the Materials Handling segment, sales of conveyance systems for the steel industry and machine tools industry were down. In the fiscal year under review, the Company acquired Mayfran Holdings, Inc., and as a result Mayfran International, Incorporated, and all other companies in the Mayfran Group became consolidated subsidiaries. The sales contributions of these newly consolidated subsidiaries resulted in a year-on-year increase in net sales.

Income, however, was down due to reduced profitability following a decline in large-scale projects as well as decreased sales of conveyance systems for the machine tools industry.

As a result, orders received were up 9.6%, to ¥29,652 million; net sales rose 7.9%, to ¥30,146 million; and operating income decreased 39.5%, to ¥531 million.

[Other]

Other orders received rose 3.8%, to ¥2,054 million; net sales were down 2.6%, to ¥1,942 million; and operating income decreased by 16.0%, to ¥143 million.

2. Outlook for the Current Fiscal Year

In the fiscal year ending March 31, 2014, we anticipate there will be gradual economic growth in the United States as well as in China and other regions of Asia. Signs of recovery will be seen in Japan as well. These will include increases in exports following the depreciation of the Japanese yen and economic stimulus measures implemented by the government of Japan. However, the price of crude oil and other raw materials will remain high and electricity rates in Japan will most likely continue to rise. As such, we cannot take an overly optimistic approach toward the future of the economy.

In this environment, the Group will implement initiatives targeting the resolution of issues faced on the global scale with the aim of improving profitability and thereby reinforcing our ability to continue growing.

The Group’s outlook for the fiscal year ending March 31, 2014, is as follows.

1. Consolidated Business Results Outlook

Net sales: ¥170,000 million (up 13.3%)
Operating income: ¥13,700 million (up 8.9%)
Ordinary income: ¥13,800 million (up 7.7%)
Net income: ¥8,100 million (up 9.0%)

2. Non-consolidated Business Results Outlook

Net sales: ¥78,000 million (up 0.1%)
Operating income: ¥5,000 million (down 1.0%)
Ordinary income: ¥7,300 million (up 2.6%)
Net income: ¥5,000 million (up 3.0%)

The base exchange rate used for forecasts for the fiscal year ending March 31, 2014, is US$1=¥95 and 1 euro=¥120.

The consolidated business 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 business results outlook due to changes in business conditions, market trends, or currency exchange rates. Furthermore, factors that may affect operating results are not limited to those factors.

(2) Analysis of Financial Position

1. Assets, Liabilities and Shareholders' Equity

[Assets]

Total assets at the end of the fiscal year were up ¥24,072 million, to ¥215,837 million. This was primarily due to a ¥10,017 million increase in cash and deposits, a ¥7,720 million increase in property, plant and equipment following investment in production facilities, and a ¥3,001 million increase in investment securities as a result of a rise in the price of stocks held by the Company. These factors offset a ¥3,908 million decrease in short-term investment securities reflecting a decline in certificates of deposit.

[Liabilities]

Liabilities at the end of the fiscal year were up ¥11,809 million from the end of the previous fiscal year, to ¥107,239 million, due to a total increase of ¥9,102 million in various different categories of loans payable.

[Net Assets]

Net assets at the end of the fiscal year were up ¥12,261 million from the end of the previous fiscal year, to ¥108,597 million. This was primarily attributable to a ¥6,151 million increase in retained earnings and a decrease in the adverse impact of foreign currency translation adjustment equivalent to ¥4,398 million that was a result of fluctuations in exchange rates. The equity ratio improved 0.4 percentage points, to 47.3%.

2. Cash flow

Cash and cash equivalents (hereafter referred to as "cash") at the end of the fiscal year were down ¥6,278 million from the previous fiscal year end, to ¥20,194 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 ¥15,350 million, attributable to income before income taxes and minority interests of ¥12,644 million and the recording of depreciation and amortization of ¥7,360 million, which offset income taxes paid of ¥4,695 million.

(Cash used in investing activities)

Net cash used in investing activities was ¥18,401 million. Major outflows included ¥11,121 million used to pay for automotive parts production facilities and ¥6,334 million in purchase of investments in capital of subsidiaries resulting in change in scope of consolidation.

(Cash used in financing activities)

Net cash provided by financing activities was ¥6,325 million. This was primarily the result of proceeds from long-term loans payable of ¥10,614 million, which offset net decrease in short-term loans payable outflow of ¥1,949 million.

(Reference) Cash flow Indicators

	FY2010	FY2011	FY2012	FY2013
Shareholders’ equity ratio	44.3%	45.3%	46.9%	47.3%
Shareholders’ equity ratio (market-based)	45.7%	43.1%	49.9%	41.9%
Debt repayment periods	2.7 years	1.9 years	2.4years	2.4years
Interest coverage ratio	22.9x	24.1x	21.8x	30.6x

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

* 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) Policy on Shareholder Returns 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.

Taking into consideration this policy as well as business results in the fiscal year under review, we have decided to issue a year-end dividend of ¥4.00 per share.
Combined with the interim dividend of ¥3.00 yen per share, this will make for total dividend payments of ¥7.00 per share in the fiscal year under review.

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

(4) Business Risks

As of May 10, 2013, the Tsubaki Group had identified the following risks pertaining to its business operations as having the potential to significantly impact the decisions of investors. Recognizing the possibility of these risks materializing, the Group will work to prevent their materialization and take the most appropriate possible response should they materialize.

1. Risks of Changes in the Operating Environment

The Tsubaki Group works to expand sales in target markets. However, it is possible that a decline in economic conditions could lead to reduced demand. Were a significant decline in demand to occur, particularly in the automobile industry, which represents the Group's largest customer, the Group's business results could be materially impacted.

2. Risk of Increases in the Price of Steel and Other Raw Materials

The Tsubaki Group works to minimize sales costs by improving productivity. However, were the price of steel or other raw materials to increase rapidly, resulting in higher procurement costs and reduced profitability for the Group, the Group's business results could be materially impacted.

3. Risk of Natural Disasters

In preparation for unexpected disaster etc., the Tsubaki Group conducts risk management and has implemented risk countermeasures at all of its production bases around the world. However, were an earthquake, fire, or other major disaster to occur at an important production base, it could disrupt the Group's ability to provide a stable supply of its products and subsequently the Group's business results could be materially impacted.

4. Risks Related to Overseas Business Expansion

The Tsubaki Group is expanding production, procurement, and sales activities on a global basis to improve cost competitiveness and minimize exposure to foreign exchange risks. However, were political or economic issues in a region in which the Group operates cause temporary economic disruption or recession in that region, the Group's ability to procure parts or operate factories could be impacted, which in turn could reduce or delay the production of the Group's products and could potentially materially impact the Group's business results.

5. Risk of Fluctuations in Foreign Exchange Rates

As the Tsubaki Group is actively expanding its operations on a global scale, it takes steps to minimize its exposure to foreign exchange risks, including dispersing foreign exchange forward contracts. However, should foreign exchange rates fluctuate drastically to an extent that exceeds all possible expectations, the Group's business results could be materially impacted.

6. Risk of Violation of Intellectual Property Rights

The Tsubaki Group possesses a wide range of intellectual properties, including patents, trademarks, and expertise that have been accumulated throughout product development and improvement processes. However, should a third-party entity violate the Group's intellectual property rights through unauthorized use, etc., or should lawsuits be brought against the Group by a third-party entity regarding the violation of intellectual property rights, the Group's business results and financial position could be materially impacted.

7. Risk of Product Defects

As a manufacturer, the Tsubaki Group has continued to work to improve the quality of its products aiming to ensure zero quality defects. In the event that the Group's product liability insurance is not sufficient to cover compensation expenses or other expenses resulting from a defective product, recall, complaint, etc., the Group's business results and financial position could be materially impacted.