May 10, 2016

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>
For the twelve-month period ended March 31, 2016

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Code number: 6371
Stock exchange listings: Tokyo

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*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results for the Twelve Months Ended March 31, 2016

(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, 2016	203,976	3.7	21,570	0.7	22,109	(0.7)	12,766	(9.8)
For 12 months ended March 31, 2015	196,738	10.5	21,427	23.5	22,263	23.7	14,153	38.6

Note: Comprehensive income

Fiscal Year ended March 31, 2016: ¥ 5,081 million (80.2 %)

Fiscal Year ended March 31, 2015: ¥ 25,659 million 31.8. %

	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, 2016	68.24	—	9.0	8.6	10.6
For 12 months ended March 31, 2015	75.65	—	10.9	9.1	10.9

Note: Equity in income of affiliates

Fiscal Year ended March 31, 2016: ¥ 49 million

Fiscal Year ended March 31, 2015: ¥ 33 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, 2016	254,106	145,815	55.9	759.27
As of March 31, 2015	258,742	144,291	54.3	750.63

Note: Shareholders' equity

As of March 31, 2016: ¥ 142,041 million

As of March 31, 2015: ¥ 140,439 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, 2016	19,090	(13,593)	(5,476)	26,422
For 12 months ended March 31, 2015	22,189	(14,306)	(2,647)	27,360

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	%	%
FYE 2015	–	7.00	–	9.00	16.00	2,993	21.2	2.3
FYE 2016	–	10.00	–	10.00	20.00	3,741	29.3	2.6
FYE 2017 (Forecasted)	–	11.00	–	11.00	22.00		30.7	

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2017

(% 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, 2016	100,000	(1.5)	9,200	(14.2)	9,400	(17.3)	5,800	(19.8)	31.00
12-month period ending March 31, 2017	206,000	1.0	20,800	(3.6)	21,000	(5.0)	13,400	5.0	71.63

* Notes

(1) Significant changes in scope of consolidation (indicates changes in specified subsidiaries involving changes in the scope of consolidation: None

(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: None
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, 2016: 191,406,969 shares

As of March 31, 2015: 191,406,969 shares

2 Number of treasury shares at end of period

As of March 31, 2016: 4,330,756 shares

As of March 31, 2015: 4,311,895 shares

3 Average number of shares during the period

As of March 31, 2016: 187,084,977 shares

As of March 31, 2015: 187,103,940 shares

(Reference)

1. Non-Consolidated Financial Highlights for the Twelve Months Ended March 31, 2016

(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, 2016	85,600	1.1	7,835	(6.8)	15,549	14.7	10,060	(1.6)
For 12 months ended March 31, 2015	84,637	8.7	8,409	58.4	13,557	52.2	10,227	63.7

	Net income per share	Net income per share (diluted)
	Yen	Yen
For 12 months ended March 31, 2016	53.78	–
For 12 months ended March 31, 2015	54.66	–

(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, 2016	171,251	93,493	54.6	499.76
March 31, 2015	175,477	89,956	51.3	480.81

Note: Shareholders' equity

As of March 31, 2016: ¥ 93,493 million

As of March 31, 2015: ¥ 89,956 million

2. Outlook for Non-Consolidated Operating Results for the 12 Months Ending March 31, 2017

(% 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, 2016	40,300	(6.1)	2,900	(25.2)	6,700	(36.8)	5,300	(40.1)	28.33
12-month period ending March 31, 2017	85,000	(0.7)	7,700	(1.7)	12,500	(19.6)	9,300	(7.6)	49.71

*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, 2015, to March 31, 2016), although the U.S. economy and the European economy performed steadily overall, China's economy slowed. As a result, uncertainty about the overseas economic climate strengthened. In Japan, the economy performed solidly because higher capital investment accompanying government economic stimulus measures and a pickup in corporate results counteracted signs of weakness in certain sectors, which reflected the downturn in the overseas economic climate and yen appreciation.

In this environment, the Tsubaki Group worked to improve profitability while advancing initiatives pertaining to the strategic objectives of Medium-Term Management Plan 2016—namely, to implement product development and manufacturing strategies that consistently respond to the needs of the market and to undertake the expansion of businesses that leverage the collective strengths of the Group.

As a result, consolidated orders in the fiscal year were up 4.4% year on year, to ¥204,776 million, and net sales were up 3.7%, to ¥203,976 million.

Operating income increased 0.7% year on year, to ¥21,570 million, and ordinary income decreased 0.7%, to ¥22,109 million. Further, due to such factors the recognition of impairment losses at a consolidated subsidiary in China, net income attributable to parent company shareholders decreased 9.8%, to ¥12,766 million.

Segment results are summarized as follows.

[Chains]

In the Chains segment, net sales were up year on year. Sales of drive and conveyor chains as well as cable and hose protection and guidance products were steady in Japan. Further, the segment recorded steady sales of drive chains in the Americas and drive and conveyor chains in East Asia and the Indian Ocean Rim.

As a result of the above, orders received were up 4.4%, to ¥63,168 million; net sales increased 3.5%, to ¥62,442 million; and operating income grew 23.4%, to ¥6,172 million.

[Power Transmission Units and Components]

In the Power Transmission Units and Components segment, net sales were down year on year due to lower sales of reducers in China, which counteracted solid sales of actuators and reducers in Japan.

As a result of the above, orders received decreased 2.9%, to ¥21,745 million, and net sales declined 2.4%, to ¥21,602 million. However, thanks to the effect of cost improvements in Japan, operating income grew 1.1%, to ¥2,428 million.

[Automotive Parts]

In the Automotive Parts segment, net sales were up year on year because favorable sales of timing chain drive systems for automobile engines in the United States, Europe, Thailand, China, and South Korea more than compensated for a decrease in sales of these products in Japan.

As a result of the above, orders received rose 12.0%, to ¥74,235 million; net sales grew 9.7%, to ¥73,473 million; and operating income was up 2.9%, to ¥12,258 million.

[Materials Handling Systems]

In the Materials Handling Systems segment, net sales were down year on year because higher sales of systems for automotive manufacturing plants and newspaper printing plants in Japan did not completely offset lower sales of such products as metalworking chip handling and coolant processing systems for the machine tool industry in Europe.

As a result of the above, orders received were down 2.6%, to ¥43,460 million; net sales decreased 2.2%, to ¥44,115 million; and operating income was down 66.0%, to ¥659 million.

[Other]

Other orders received declined 4.1%, to ¥2,165 million; net sales increased 8.4%, to ¥2,342 million; and operating income was down 32.0%, to ¥84 million.

2. Outlook for the Current Fiscal Year

In the current fiscal year, ending March 31, 2017, overseas, the U.S. and European economies are expected to recover gradually. Meanwhile, growth in Asia’s economy is expected to soften due to such factors as China’s economic slowdown. In Japan, although the gradual recovery is expected to continue due to such factors as the benefits of the government’s economic policies, strong uncertainty is likely to persist given the numerous causes for concern, including yen appreciation and low share prices.

Amid these business conditions, the Tsubaki Group will actively increase production capacity, expand and improve overseas bases, and enhance productivity with a view to realizing Long-Term Vision 2020. At the same time, the Group will make a concerted effort to accomplish the tasks set out in its Medium-Term Management Plan 2016, thereby strengthening the Group’s ability to continue growing.

The Group’s outlook for the fiscal year ending March 31, 2017, is as follows.

1. Consolidated Business Results Outlook

Net sales: ¥206,000 million (up 1.0%)

Operating income: ¥20,800 million (down 3.6%)

Ordinary income: ¥21,000 million (down 5.0%)
Net income attributable to parent company shareholders: ¥13,400 million (up 5.0%)

2. Non-consolidated Business Results Outlook
Net sales: ¥85,000 million (down 0.7%)
Operating income: ¥7,700 million (down 1.7%)
Ordinary income: ¥12,500 million (down 19.6%)
Net income attributable to parent company shareholders: ¥9,300 million (down 7.6%)

The base exchange rate used for forecasts for the fiscal year ending March 31, 2017, is US$1=¥105 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, on March 31, 2016, stood at ¥254,106 million, down ¥4,635 million from the end of the previous fiscal year. This decrease was attributable to a ¥4,966 million decrease in investments in securities accompanying such factors as a fall in the market value of owned shares and a ¥4,486 million decrease in short-term investments that mainly resulted from a decline in certificates of deposit, which counteracted a ¥2,691 million rise in cash and deposits and a ¥1,388 million rise in trade notes and accounts receivable accompanying higher sales in the fiscal year.

[Liabilities]

Total liabilities at the end of the fiscal year amounted to ¥108,291 million, down ¥6,159 million from the end of the previous fiscal year. This decrease was attributable to a ¥2,128 million decrease in deferred tax liabilities, a ¥1,989 million decrease in income taxes payable, and a ¥915 million decrease in trade notes and accounts payable.

[Net Assets]

Total net assets at the end of the fiscal year were ¥145,815 million, up ¥1,524 million from the end of the previous fiscal year. This increase was attributable to a ¥9,211 million rise in retained earnings, which more than compensated for a ¥3,929 million decrease in translation adjustments due to exchange rate fluctuations and a ¥3,280 million decrease in valuation difference on available for sale securities due to the lower market value of owned shares. Further, the equity ratio improved 1.6 percentage points, to 55.9%.

2. Cash flow

Cash and cash equivalents (hereafter referred to as "cash") at the end of the fiscal year amounted to ¥26,422 million, down ¥937 million from the end of the previous fiscal year.

Respective cash flows and their causes are as follows.

(Cash provided by operating activities)

Net cash provided by operating activities was ¥19,090 million. This was attributable to income before income taxes and minority interests of ¥20,444 million and depreciation and amortization of ¥10,402 million, which more than compensated for income taxes paid of ¥9,785 million.

(Cash used in investing activities)

Net cash used in investing activities amounted to ¥13,593 million. This resulted from such factors as ¥13,750 million used to pay for automotive parts production facilities.

(Cash used in financing activities)

Net cash used in financing activities was ¥5,476 million. This reflected such factors as cash dividends paid of ¥3,554 million and repayment of long-term loans of ¥2,278 million.

(Reference) Cash flow Indicators

	FY2012	FY2013	FY2014	FY2015
Shareholders' equity ratio	47.3%	51.8%	54.3%	55.9%
Shareholders' equity ratio (market-based)	41.9%	60.3%	72.4%	51.3%
Debt repayment periods	2.4 years	1.9 years	1.7 years	1.8 years
Interest coverage ratio	30.6x	41.3x	60.4x	58.0x

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 statements.
* 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 and in the Current Fiscal Year

The Tsubaki Group views returning profits to its shareholders as one of the highest priorities of management.

Regarding shareholder returns, with a view to focusing our attention even more on meeting the interests of our shareholders, our fundamental policy in the Medium-Term Management Plan 2016, a three-year plan that began in April 2014, is to emphasize shareholder returns even further and pay dividends that reflect consolidated business results, and we aim to provide shareholder returns based on comprehensive consideration of such factors as funding conditions and finances and with a consolidated dividend payout ratio of 30% as a target.

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 ¥10.00 per share.

Combined with the interim dividend of ¥10.00 yen per share, this will make for total dividend payments of ¥20.00 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.

Regarding dividends for the current fiscal year, in accordance with the policy above, we plan to pay an interim dividend of ¥11.00 yen per share and a year-end dividend of ¥11.00 per share to give a full-year dividend of ¥22.00 per share.

(4) Business Risks

As of May 10, 2016, 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 make every effort to respond to them 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.