May 10, 2017

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>
For the twelve-month period ended March 31, 2017

Name of the company: Tsubakimoto Chain Co.
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, 2017
(1) Consolidated Results of Operation

(% figures show change compared to the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For 12 months ended March 31, 2017	198,762	(2.6)	21,647	0.4	22,004	(0.5)	14,596	14.3
For 12 months ended March 31, 2016	203,976	3.7	21,570	0.7	22,109	(0.7)	12,766	(9.8)

Note: Comprehensive income

Fiscal Year ended March 31, 2017: ¥ 14,467 million, 184.7 %

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

	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, 2017	78.03	—	9.9	8.4	10.9
For 12 months ended March 31, 2016	68.24	—	9.0	8.6	10.6

Note: Equity in income of affiliates

Fiscal Year ended March 31, 2017: ¥ 17 million

Fiscal Year ended March 31, 2016: ¥ 49 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, 2017	267,215	156,218	57.1	815.10
As of March 31, 2016	254,106	145,815	55.9	759.27

Note: Shareholders’ equity

As of March 31, 2017: ¥ 152,473 million

As of March 31, 2016: ¥ 142,041 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, 2017	25,434	(13,420)	(4,084)	34,142
For 12 months ended March 31, 2016	19,090	(13,593)	(5,476)	26,422

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 2016	–	10.00	–	10.00	20.00	3,741	29.3	2.6
FY E2017	–	11.00	–	13.00	24.00	4,489	30.8	3.0
FYE 2018 (Forecasted)	–	11.00	–	12.00	23.00		30.0	

Note: Breakdown of year-end dividend for the Fiscal Year ended March 31, 2017

Ordinary dividend ¥11.00 100th Anniversary commemorative dividend ¥2.00

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2018

(% 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, 2017	100,000	4.4	8,800	(7.3)	9,100	(5.8)	6,300	(1.4)	33.28
12-month period ending March 31, 2018	205,000	3.1	20,500	(5.3)	21,000	(4.6)	14,500	(0.7)	76.61

* 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, 2017 : 191,406,969 shares

As of March 31, 2016 : 191,406,969 shares

2 Number of treasury shares at end of period

As of March 31, 2017 : 4,345,450 shares

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

3 Average number of shares during the period

As of March 31, 2017 : 187,069,839 shares

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

(Reference)

1. Non-Consolidated Financial Highlights for the Twelve Months Ended March 31, 2017

(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, 2017	82,540	(3.6)	6,733	(14.1)	11,498	(26.0)	8,648	(14.0)
For 12 months ended March 31, 2016	85,600	1.1	7,835	(6.8)	15,549	14.7	10,060	(1.6)

	Net income per share	Net income per share (diluted)
	Yen	Yen
For 12 months ended March 31, 2017	46.23	–
For 12 months ended March 31, 2016	53.78	–

(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, 2017	180,401	100,184	55.5	535.57
March 31, 2016	171,251	93,493	54.6	499.76

Note: Shareholders' equity

As of March 31, 2017: ¥ 100,184 million

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

2. Outlook for Non-Consolidated Operating Results for the 12 Months Ending March 31, 2018

(% 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, 2017	41,000	4.6	2,500	(3.7)	5,600	(10.3)	4,500	(11.3)	23.77
12-month period ending March 31, 2018	84,800	2.7	6,400	(4.9)	10,500	(8.7)	7,800	(9.8)	41.21

1. Summary of Business Results, Etc.

(1) Summary of Business Results in the Fiscal Year under Review

1. Overview of Operating Results

In the fiscal year under review (from April 1, 2016, to March 31, 2017), regarding economies overseas, the U.S. business climate continued to improve, while Europe's business climate saw modest recovery. As for Asia's economy, signs of a recovery trend in China's economy and other factors produced a solid performance overall.

The Japanese economy also continued to recover gradually due to the benefits of monetary and fiscal policies implemented in Japan as well as a yen depreciation trend that emerged after the presidential election in the United States.

In this environment, business conditions for the Tsubaki Group were steady overall. However, due to exchange rates resulting from year-on-year yen appreciation, consolidated orders in the fiscal year edged down 0.8% year on year, to ¥203,056 million, and net sales declined 2.6%, to ¥198,762 million. Thanks to the benefits of productivity improvement activities and other factors, operating income edged up 0.4% year on year, to ¥21,647 million. Ordinary income declined 0.5% year on year, to ¥22,004 million. Net income attributable to parent company shareholders increased 14.3%, to ¥14,596 million.

Aiming to realize Long-Term Vision 2020, the Tsubaki Group will expand businesses by implementing product development and manufacturing strategies that consistently respond to the needs of the market and by utilizing the collective strengths of the Group.

(For information about Long-Term Vision 2020, please see "2. Management Policies")

Segment results are summarized as follows.

[Chains]
In the Chains segment, net sales were down year on year because the effect of exchange rates outweighed a recovery in sales of drive chains and hose and cable carrier systems in Japan and the steady sales of drive chains in the Americas.

As a result of the above, the segment posted year-on-year decreases of 3.4% in orders received, to ¥60,999 million, and 5.1% in net sales, to ¥59,261 million. However, thanks to the benefits of productivity improvement activities in Japan and other factors, operating income edged up 15.1% year on year, to ¥7,102 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 linear actuators and clutches in Japan.

As a result of the above, the segment recorded year-on-year declines of 0.8% in orders received, to ¥21,576 million; 1.5% in net sales, to ¥21,275 million; and 8.6% in operating income, to ¥2,218 million.

[Automotive Parts]
In the Automotive Parts segment, net sales were up year on year as favorable sales of timing drive systems for automobile engines at overseas bases more than compensated for a slight decrease in sales of these products in Japan and the effect of exchange rates.

As a result of the above, the segment achieved year-on-year increases of 1.3% in orders received, to ¥75,197 million; 2.3% in net sales, to ¥75,147 million; and 1.0% in operating income, to ¥12,385 million.

[Materials Handling Systems]
In the Materials Handling Systems segment, net sales were down year on year because of a decrease in sales of systems for the logistics industry, life science field, and automotive industry in Japan, which counteracted a rise in sales for metalworking chip handling and coolant processing systems in the United States and Europe.

As a result of the above, orders received declined 1.5% year on year, to ¥42,826 million, and net sales decreased 7.7%, to ¥40,697 million. However, due to improved earnings resulting from higher sales in Europe, operating income increased 7.2% year on year, to ¥706 million.

[Other]
Other orders received rose 13.4%, to ¥2,455 million, and net sales increased 1.7%, to ¥2,381 million. However, operating loss of ¥1 million was recorded, compared with operating income of ¥84 million in the same period of the previous fiscal year.

(2) Summary of Financial Position in the Fiscal Year under Review

[Assets]
Total assets at the end of the fiscal year, on March 31, 2017, stood at ¥267,215 million, up ¥13,108 million from the end of the previous fiscal year. This increase was attributable to increases of ¥6,136 million in cash and deposits; ¥2,657 million in property, plant and equipment, resulting from investment in production equipment and facilities and other factors; and ¥2,048 million in investments in securities, which reflected improvements in the market value of owned shares and other factors.

[Liabilities]
Total liabilities at the end of the fiscal year amounted to ¥110,997 million, up ¥2,706 million from the end of the previous fiscal year. This increase was attributable to increases of ¥1,136 million in deferred tax liabilities, ¥475 million in trade notes and accounts payable and electronically recorded monetary obligations, and ¥462 million in income taxes payable.

[Net Assets]
Total net assets at the end of the fiscal year were ¥156,218 million, up ¥10,402

million from the end of the previous fiscal year. This increase was attributable to increases of ¥10,668 million in retained earnings and ¥2,091 million in valuation difference on available for sale securities, due to the higher market value of owned shares, which more than compensated for a ¥2,462 million decrease in translation adjustments due to exchange rate fluctuations. Further, the equity ratio improved 1.2 percentage points, to 57.1%.

(3) Summary of Cash Flow in the Fiscal Year under Review

Cash and cash equivalents (hereafter referred to as "cash") at the end of the fiscal year amounted to ¥34,142 million, up ¥7,719 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 ¥25,434 million. This was attributable to income before income taxes and minority interests of ¥21,575 million and depreciation and amortization of ¥10,342 million, which more than offset income taxes paid of ¥6,126 million.

(Cash used in investing activities)
Net cash used in investing activities amounted to ¥13,420 million. This resulted from ¥14,151 million used to pay for automotive parts production facilities.

(Cash used in financing activities)
Net cash used in financing activities was ¥4,084 million. This was primarily the result of cash dividends paid of ¥3,928 million.

(4) Outlook for the Current Fiscal Year

Regarding the outlook going forward, overseas, a continued recovery in the U.S. economy and a gradual recovery in the European and Asian economies are expected.

In Japan, although a gradual recovery is also expected to continue, due to such factors as the benefits of the government's economic policies, uncertainty is likely given such causes for concern as the effect of U.S. policies and hikes in material prices. Amid these business conditions, the Tsubaki Group began a four-year plan, Mid-Term Management Plan 2020, from April 2017.

The Group intends to make a concerted effort to tackle and accomplish the tasks that reflect its basic policies, such as "Transition to a Market-Oriented Corporate Culture" and "Utilize the Collective Strengths of the Group," with a view to strengthening the Group's ability to continue growing and realizing Long-Term Vision 2020.

(For information about Long-Term Vision 2020 and Mid-Term Management Plan 2020, please see "2. Management Policies".)

The Group's outlook for the fiscal year ending March 31, 2018, is as follows.

1. Consolidated Business Results Outlook

Net sales: ¥205,000 million (up 3.1%)
Operating income: ¥20,500 million (down 5.3%)
Ordinary income: ¥21,000 million (down 4.6%)
Net income attributable to parent company shareholders: ¥14,500 million (down 0.7%)

2. Non-consolidated Business Results Outlook

Net sales: ¥84,800million (up 2.7%)
Operating income: ¥6,400 million (down 4.9%)
Ordinary income: ¥10,500 million (down 8.7%)
Net income: ¥7,800 million (down 9.8%)

The base exchange rate used for forecasts for the fiscal year ending March 31, 2018, is US$1=¥105 and 1 euro=¥113.

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.

(5) 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 on meeting the interests of our shareholders and with paying dividends that reflect consolidated business results as a fundamental policy, 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 ¥11.00 per share. In addition, because this year marks the 100th anniversary of our establishment, we plan to issue a commemorative dividend of ¥2.00 per share, giving a total year-end dividend of ¥13.00 per share.

Combined with the interim dividend of ¥11.00 yen per share, this will make for total dividend payments of ¥24.00 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 ¥12.00 per share to give a full-year dividend of ¥23.00 per share.

2. Management Policies

(1) The Group's Basic Management Policies

To mark the 100th anniversary of its establishment, the Tsubaki Group reevaluated what it does and for whom it does this and established "Tsubaki Spirit" to provide a common corporate philosophy and code of conduct for the Tsubaki Group going forward.

This entailed reevaluating the "Tsubaki Group DNA" inherited from predecessors as well as the value that we can offer society going forward. We then clearly expressed and systemized the attributes that we should continue to value as well as new challenges we should tackle in the form of "Tsubaki's Mission," "Tsubaki's Aspiration," "Tsubaki's Code of Conduct," and a "Founding Philosophy."

To realize "Tsubaki's Mission," which is to "Advance the 'art of moving' beyond expectations," the Group aims to maximize the value that it can offer society.

We will continue to provide real value that customers and society want by continuing to hone our technology and skills as *monozukuri* (manufacturing) specialists and using these capabilities to provide solutions that transcend the boundaries of *monozukuri*.

By providing value meeting and surpassing society's expectations, we aim to remain a company that society needs.

(2) Target Management Indices

To achieve continuous growth as a manufacturer, the Tsubaki Group has set out the following numerical targets in Long-Term Vision 2020, which ends in the fiscal year ending March 31, 2021.

① Net sales: ¥300 billion, ② Operating income margin: 10%, ③ Percentage of overseas sales: 70% (each on a consolidated basis)

(3) Medium-to-Long-Term Business Management Strategies and Tasks to Be Addressed

The Tsubaki Group has established a four-year action plan, Mid-Term Management Plan 2020, to realize Long-Term Vision 2020. Since April 2017, the Group has been making concerted efforts to accomplish the following strategic tasks.

① Transition to a Market-Oriented Corporate Culture

Endeavoring to “Transition to a Market-Oriented Corporate Culture,” we will develop new products and services that consistently respond to needs in the respective (industrial and regional) markets of five regions of the world (the Americas, Europe, the Indian Ocean Rim, China, and East Asia) and undertake manufacturing.

② Utilize the Collective Strengths of the Group

With the growth of the whole Group as our first priority, we will undertake reform to change from a system that optimizes business segments to one that enables us to utilize the collective strengths of the Group.

We will seek synergies among business segments to utilize the collective strengths of the Group and thereby enhance the Group’s corporate value.

We will address other tasks in relation to business continuity and meeting social responsibilities. These tasks will include enhancement of earning power through activities to improve productivity and other efforts. Moreover, we will advance work-style reform, personnel development, and support for women’s empowerment with a view to becoming a company in which each employee gains a sense of fulfillment and job satisfaction from their work.

Further, we will step up environmental initiatives through efforts in mainstay manufacturing operations.

Specifically, aiming to reduce CO_2 emissions, we set out as a target in Japan the achievement of a 30% reduction in the fiscal year ending March 31, 2031, versus the fiscal year ended March 31, 2014.

The Tsubaki Group will heighten the transparency of its business management through such measures as focusing even more rigorously on safety as a top priority, strengthening corporate governance and adhering to corporate ethics, and implementing risk management.

3. Basic Approach to the Selection of Accounting Standards

The Tsubaki Group applies Japanese standards and, for the time being, does not plan to adopt IFRS (International Financial Reporting Standards). However, we will consider responses in light of future trends in accounting standards and other factors.