May 9, 2014

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>
For the nine-month period ended March 31, 2014

Name of the company: Tsubakimoto Chain Co.
Code number: 6371
Stock exchange listings: Tokyo

URL: http://tsubakimoto.com/
Representative: Isamu Osa, President and Representative Director
Inquiries: Tetsuya Yamamoto, Director and Managing Executive Officer, Management Planning
Tel +81 (6) 6441-0054

*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results for the Nine Months Ended March 31, 2014

(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, 2014	178,022	18.7	17,354	38.0	17,993	40.4	10,213	37.5
For 12 months ended March 31, 2013	150,002	3.5	12,579	4.1	12,813	5.5	7,428	9.0

Note: Comprehensive income

Fiscal Year ended March 31, 2014: ¥19,474 million (38.3 %)

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

	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, 2014	54.58	—	9.3	8.1	9.7
For 12 months ended March 31, 2013	39.69	—	7.7	6.3	8.4

Note: Equity in income of affiliates

Fiscal Year ended March 31, 2014: ¥34 million

Fiscal Year ended March 31, 2013: ¥ 5 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, 2014	228,840	121,628	51.8	632.94
As of March 31, 2013	215,837	108,597	47.3	545.14

Note: Shareholders’ equity

As of March 31, 2014: ¥ 118,433 million

As of March 31, 2013: ¥ 102,019 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, 2014	19,761	(17,166)	(3,196)	21,291
For 12 months ended March 31, 2013	15,350	(18,401)	6,325	20,194

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 2013	–	3.00	–	4.00	7.00	1,310	17.6	1.4
FY 2014	–	4.00	–	6.00	10.00	1,871	18.3	1.7
FY 2015 (Forecasted)	–	6.00	–	7.00	13.00		20.8	

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2015

(% 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, 2014	90,500	7.1	9,100	23.9	9,100	21.1	5,700	30.4	30.46
12-month period ending March 31, 2015	186,000	4.5	18,600	7.2	18,600	3.4	11,700	14.6	62.53

* 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, 2014: 191,406,969 shares

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

2 Number of treasury shares at end of period

As of March 31, 2014: 4,292,184 shares

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

3 Average number of shares during the period

As of March 31, 2014: 187,129,851 shares

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

(Reference)

1. Non-Consolidated Financial Highlights for the Twelve Months Ended March 31, 2014

(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, 2014	77,870	(0.1)	5,310	5.2	8,908	25.2	6,248	28.7
For 12 months ended March 31, 2013	77,915	(0.5)	5,047	13.6	7,115	10.1	4,854	3.3

	Net income per share	Net income per share (diluted)
	Yen	Yen
For 12 months ended March 31, 2014	33.39	–
For 12 months ended March 31, 2013	25.94	–

(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, 2014	157,029	77,775	49.5	415.65
March 31, 2013	154,497	71,286	46.1	380.92

Note: Shareholders' equity

As of March 31, 2014: ¥77,775 million

As of March 31, 2013: ¥71,286 million

2. Outlook for Non-Consolidated Operating Results for the 12 Months Ending March 31, 2015

(% 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, 2014	38,300	2.4	2,800	22.4	6,400	44.4	5,000	48.8	26.72
12-month period ending March 31, 2015	80,200	3.0	6,400	20.5	10,500	17.9	7,600	21.6	40.62

*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, 2013, to March 31, 2014), the Tsubaki Group saw business conditions recover gradually due to the economic policies of Japan's government, higher exports resulting from correction of the yen's appreciation, and rush demand in response to a rise in consumption tax. Overseas, business conditions were comparatively favorable thanks to continued expansion of the U.S. economy, recovery of the Asian economy centered on ASEAN countries, and recovery of the European economy.

Amid these business conditions, the Tsubaki Group sought to sustain growth by strengthening its profitability through revision of regional strategies and product strategies.

As a result, consolidated orders in the fiscal year increased 21.1 % year on year, to ¥179,689 million, and net sales rose 18.7% year on year, to ¥178,022 million.

As for earnings, the Group achieved year-on-year increases of 38.0% in operating income, to ¥17,354 million; 40.4 % in ordinary income, to ¥17,993 million; and 37.5 % in net income, to ¥10,213 million.

Segment results are summarized as follows.

[Chains]

In the Chains segment, revenues were up year on year due to solid sales of conveyor chains and cable and hose protection and guidance products in Japan and steady sales of drive chains in the United States, Asia, and Oceania.

As a result of the above, the Chains segment posted year-on-year increases of 13.6% in orders received, to ¥54,788 million; 10.9% in net sales, to ¥54,564 million; and 4.9% in operating income, to ¥3,763 million.

[Power Transmission Units and Components]

In the Power Transmission Units and Components segment, revenues rose year on year due to favorable sales of shaft couplings and locking devices and steady sales of reducers in Japan as well as favorable sales of reducers in China.

As a result of the above, the Power Transmission Units and Components segment posted year-on-year increases of 16.5% in orders received, to ¥22,025 million; 10.3% in net sales, to ¥21,325 million; and 16.2% in operating income, to ¥2,273 million.

[Automotive Parts]

In the Automotive Parts segment, revenues were up significantly year on year thanks to favorable sales of timing chain drive systems for automobile engines at bases in Japan, the United States, Europe, Thailand, China and South Korea.

As a result of the above, the Automotive Parts segment posted year-on-year increases of 22.7% in orders received, to ¥60,785 million; 22.8% in net sales, to ¥60,674 million; and 55.8% in operating income, to ¥10,119 million.

[Materials Handling Systems]

In the Materials Handling Systems segment, revenues rose significantly year on year because inclusion within the scope of consolidation of overseas subsidiaries acquired in the previous fiscal year from the third quarter of the previous fiscal year counteracted lower sales of systems for the distribution industry in Japan.

As a result of the above, the Materials Handling Systems segment posted year-on-year increases of 35.5% in orders received, to ¥40,194 million; 31.0% in net sales, to ¥39,503 million; and 124.3% in operating income, to ¥1,192 million.

[Other]

In the Other segment, orders received decreased 7.8% year on year, to ¥1,895 million; net sales edged up 0.7% year on year, to ¥1,955 million; and operating income was down 56.0% year on year, to ¥63 million.

2. Outlook for the Current Fiscal Year

In the current fiscal year, ending March 31, 2015, business conditions in Japan are likely to continue recovering gradually as the benefits of the government’s economic policies offset the negative effect expected due to the absence of the rush demand in response to the rise in consumption tax. Overseas, business conditions are expected to be firm overall as the U.S. economy recovers and emerging economies grow solidly.

Amid these business conditions, the Tsubaki Group intends to make a concerted effort accomplish the strategic tasks set out in its 2016 Medium-term Management Plan, thereby strengthening the Group’s ability to continue growing.

The Group’s outlook for the fiscal year ending March 31, 2015, is as follows.

1. Consolidated Business Results Outlook

Net sales: ¥180,000 million (up 4.5%)

Operating income: ¥18,600 million (up 7.2%)

Ordinary income: ¥18,600 million (up 3.4%)

Net income: ¥11,700 million (up 14.6%)

2. Non-consolidated Business Results Outlook

Net sales: ¥80,200 million (up 3.0%)

Operating income: ¥6,400 million (up 20.5%)

Ordinary income: ¥10,500 million (up 17.9%)

Net income: ¥7,600 million (up 21.6%)

The base exchange rate used for forecasts for the fiscal year ending March 31, 2014, is US$1=¥100 and 1 euro=¥135.

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, March 31, 2014, stood at ¥228,840 million, up ¥13,002 million from the end of the previous fiscal year. This increase was attributable to a ¥6,370 million rise in property, plant and equipment accompanying investment in production facilities, a ¥2,492 million rise in trade notes and accounts receivable accompanying higher sales in the fiscal year, and a ¥2,308 million rise in investments in securities reflecting the higher market value of owned shares.

[Liabilities]

Total liabilities at the end of the fiscal year amounted to ¥107,212 million, down ¥27 million from the end of the previous fiscal year. This decrease was attributable to a ¥2,329 million decrease in other current liabilities accompanying a reduction in accrued facility expenses, which counteracted a ¥1,145 million rise in deferred tax liabilities and a ¥544 million rise in accrued income taxes.

[Net Assets]

Total net assets at the end of the fiscal year were ¥121,628 million, up ¥13,030 million from the end of the previous fiscal year. This increase was attributable to an ¥8,754 million rise in retained earnings and a ¥6,502 million rise in translation adjustments. Further, the equity ratio improved 4.5 percentage points, to 51.8 %.

2. Cash flow

Cash and cash equivalents (hereafter referred to as “cash”) at the end of the fiscal year amounted to ¥21,291 million, up ¥1,096 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 ¥19,761 million. This was attributable to income before income taxes and minority interests of ¥17,572 million and depreciation and amortization of ¥8,745 million, which more than compensated for income taxes paid of ¥6,099 million.

(Cash used in investing activities)

Net cash used in investing activities amounted to ¥17,166 million. This resulted from ¥13,232 million used to pay for automotive parts production facilities and ¥4,282 million used to acquire subsidiaries’ shares.

(Cash used in financing activities)

Net cash used in financing activities was ¥3,196 million. This reflected cash dividends paid of ¥1,497 million and repayment of long-term loans of ¥4,342 million, which more than offset proceeds from long-term loans of ¥3,700 million.

(Reference) Cash flow Indicators

	FY2010	FY2011	FY2012	FY2013
Shareholders' equity ratio	45.3%	46.9%	47.3%	51.8%
Shareholders' equity ratio (market-based)	43.1%	49.9%	41.9%	60.3%
Debt repayment periods	1.9 years	2.4years	2.4years	1.9years
Interest coverage ratio	24.1x	21.8x	30.6x	41.3x

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. 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 ¥6.00 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 ¥6.00 per share.
Combined with the interim dividend of ¥4.00 yen per share, this will make for total dividend payments of ¥10.00 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 9, 2014, 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.