May 10, 2018

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>
For the twelve-month period ended March 31, 2018

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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 the Twelve Months Ended March 31, 2018

(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, 2018	215,716	8.5	20,694	(4.4)	21,743	(1.2)	14,666	0.5
For 12 months ended March 31, 2017	198,762	(2.6)	21,647	0.4	22,004	(0.5)	14,596	14.3

Note: Comprehensive income
Fiscal Year ended March 31, 2018: ¥ 17,957 million, 24.1%
Fiscal Year ended March 31, 2017: ¥ 14,467 million, 184.7 %

	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, 2018	77.49	—	9.2	7.9	9.6
For 12 months ended March 31, 2017	78.03	—	9.9	8.4	10.9

Note: Equity in income of affiliates
Fiscal Year ended March 31, 2018: ¥ 5 million
Fiscal Year ended March 31, 2017: ¥ 17 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, 2018	285,952	169,765	58.7	887.19
As of March 31, 2017	267,215	156,218	57.1	815.10

Note: Shareholders' equity
As of March 31, 2018: ¥ 167,916 million

As of March 31, 2017: ¥ 152,473 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, 2018	27,657	(17,389)	(13,191)	31,712
For 12 months ended March 31, 2017	25,434	(13,420)	(4,084)	34,142

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 2017	–	11.00	–	13.00	24.00	4,489	30.8	3.0
FY E2018	–	11.00	–	13.00	24.00	4,542	31.0	2.8
FYE 2019 (Forecasted)	–	12.00	–	12.00	24.00		30.1	

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, 2019

(% 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, 2018	110,000	7.0	10,000	5.3	10,400	1.6	7,500	9.7	39.63
12-month period ending March 31, 2019	225,000	4.3	21,300	2.9	21,800	0.3	15,100	3.0	79.78

* 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: None
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, 2018 : 191,406,969 shares

	As of March 31, 2017	:	191,406,969 shares
2	Number of treasury shares at end of period		
	As of March 31, 2018	:	2,139,235 shares
	As of March 31, 2017	:	4,345,450 shares
3	Average number of shares during the period		
	As of March 31, 2018	:	189,272,526 shares
	As of March 31, 2017	:	187,069,839 shares

(Reference)

1. Non-Consolidated Financial Highlights for the Twelve Months Ended March 31, 2018

(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, 2018	96,828	17.3	7,629	13.3	12,500	8.7	15,786	82.5
For 12 months ended March 31, 2017	82,540	(3.6)	6,733	(14.1)	11,498	(26.0)	8,648	(14.0)

	Net income per share	Net income per share (diluted)
	Yen	Yen
For 12 months ended March 31, 2018	83.41	–
For 12 months ended March 31, 2017	46.23	–

(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
As of March 31, 2018	205,292	115,911	56.5	612.42
As of March 31, 2017	180,401	100,184	55.5	535.57

Note: Shareholders’ equity

As of March 31, 2018: ¥ 115,911 million

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

2. Outlook for Non-Consolidated Operating Results for the 12 Months Ending March 31, 2019

(% 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, 2018	52,400	25.9	3,000	11.8	7,000	8.5	5,600	11.9	29.59
12-month period ending March 31, 2019	107,200	10.7	7,200	(5.6)	12,200	(2.4)	9,400	(40.5)	49.67

1. Summary of Business Results, Etc.

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

In the fiscal year under review (from April 1, 2017, to March 31, 2018), the U.S. economy continued recovering, and the European economy recovered modestly. China's economy also trended toward recovery, and the economies of the Indian Ocean Rim and East Asia regions performed steadily overall. In Japan, the economy recovered modestly due to such factors as growth in manufacturing and exports and an increase in capital investment.

In this environment, orders received by the Tsubaki Group for the fiscal year under review were up 10.2% year on year, to ¥223,747 million, and net sales increased 8.5%, to ¥215,716 million.

The Group recorded year-on-year decreases of 4.4% in operating income, to ¥20,694 million, and 1.2% in ordinary income, to ¥21,743 million, due to such factors as an increase in depreciation and amortization, which accompanied a rise in capital investment; a rise in plant start-up expenses; and the higher prices of steel materials. Net income attributable to parent company shareholders increased 0.5%, to ¥14,666 million.

To mark the 100th anniversary of its foundation, the Tsubaki Group established TSUBAKI SPIRIT to provide a common corporate philosophy and code of conduct for the Group. The Group aims to remain essential to society by advancing the "art of moving," offering solutions that transcend the boundaries of *monozukuri*, and providing value that surpasses society's expectations.

Based on the above TSUBAKI SPIRIT, and aiming to realize the Medium-Term Management Plan 2020, the Tsubaki Group will conduct product development and manufacturing that caters rigorously to market needs, expand businesses that leverage the collective strengths of the Group, and strengthen the Group's ability to sustain growth.

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

Segment results are summarized as follows.

[Chains]
In the Chains segment, net sales were up year on year due to brisk sales of power transmission chains, conveyor chains, and support and guidance systems for cables and hoses in Japan and brisk sales of power transmission chains and support and guidance systems for cables and hoses in the Americas and Europe.

As a result of the above, the segment posted year-on-year increases of 14.3% in orders received, to ¥69,728 million; 11.3% in net sales, to ¥65,965 million; and 19.7% in operating income, to ¥8,502 million.

[Power Transmission Units and Components]
In the Power Transmission Units and Components segment, net sales were up year on year due to favorable sales of reducers and linear actuators in Japan; a trend toward recovery in sales of reducers in China; and the inclusion within the scope of consolidation of a clutch manufacturing subsidiary in Thailand from the first quarter.

As a result of the above, the segment recorded year-on-year increases of 16.1% in orders received, to ¥25,043 million; 11.2% in net sales, to ¥23,663 million; and 37.9% in operating income, to ¥3,060 million.

[Automotive Parts]
In the Automotive Parts segment, net sales were up year on year as strong sales of timing drive systems for automobile engines at bases in Europe, Thailand, China, South Korea, and Mexico more than compensated for a decrease in sales of these products in Japan and the United States.

As a result of the above, orders received increased 5.6%, to ¥79,377 million, and net sales grew 5.9%, to ¥79,545 million. However, due to such factors as an increase in depreciation and amortization, which accompanied a rise in capital investment; a rise in plant start-up expenses; and the higher prices of steel materials, operating income decreased 17.2%, to ¥10,258 million.

[Materials Handling Systems]
In the Materials Handling Systems segment, net sales were up year on year due to an increase in sales of such products as systems for the logistics industry, systems for the automotive industry, and bulk handling systems in Japan, which counteracted a decrease in sales of metalworking chip handling and coolant processing systems in the United States and Europe.

As a result of the above, orders received increased 9.2%, to ¥46,770 million, and net sales increased 7.4%, to ¥43,724 million. However, operating income decreased 41.0%, to ¥416 million, due to such factors as a deterioration of profitability accompanying lower sales in the United States and Europe.

[Other]
Other orders received increased 15.1%, to ¥2,826 million, and net sales increased 18.3%, to ¥2,817 million. Operating loss of ¥41 million was recorded, compared with operating loss of ¥1 million in 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, 2018, stood at ¥285,952 million, up ¥18,736 million from the end of the previous fiscal year. This increase was due to a ¥7,850 million rise in property, plant and equipment, which reflected investments in production equipment and other factors; a ¥3,801 million rise in inventories, which was due to such factors as an increase in finished goods; and a ¥3,374 million rise in electronically recorded monetary receivables, which resulted from the final day of the fiscal year ended March 31, 2018, being a holiday for financial institutions.

[Liabilities]
Total liabilities at the end of the fiscal year were ¥116,187 million, up ¥5,189 million from the end of the previous fiscal year, due to increases of ¥10,270 million in electronically recorded monetary obligations and ¥2,514 million in non-operating electronically recorded monetary obligations, which counteracted a ¥8,053 million decrease in debt.

[Net Assets]
Total net assets at the end of the fiscal year were ¥169,765 million, up ¥13,546 million from the end of the previous fiscal year. This increase was due to increases of ¥10,331 million in retained earnings and ¥2,473 million in valuation difference on available-for-sale securities, which resulted from an increase in the market value of securities held by the Company. The equity ratio improved 1.6 percentage points, to 58.7%.

(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 ¥31,712 million, down ¥2,429 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 ¥27,657 million. This was attributable to income before income taxes and minority interests of ¥21,164 million and depreciation and amortization of ¥11,005 million, which more than offset income taxes paid of ¥6,664 million.

(Cash used in investing activities)
Net cash used in investing activities amounted to ¥17,389 million. This resulted from ¥15,542 million used to pay for automotive parts production facilities.

(Cash used in financing activities)
Net cash used in financing activities was ¥13,191 million. This was primarily the result of repayment of long-term loans of ¥10,432 million.

(4) Outlook for the Current Fiscal Year

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

In Japan, a gradual recovery is also expected to continue, due to such factors as growth in production and exports and increased capital investment.

Amid these business conditions, the Group intends to make a concerted effort to strengthen its ability to continue growing with a view to achieving Mid-Term Management Plan 2020.

(For information about Mid-Term Management Plan 2020, please see “2. Management Policies.”)

The Group’s outlook for the fiscal year ending March 31, 2019, is as follows.

1. Consolidated Business Results Outlook

Net sales: ¥225,000 million (up 4.3%)
Operating income: ¥21,300 million (up 2.9%)
Ordinary income: ¥21,800 million (up 0.3%)
Net income attributable to parent company shareholders: ¥15,100 million (up 3.0%)

2. Non-consolidated Business Results Outlook

Net sales: ¥107,200 million (up 10.7%)
Operating income: ¥7,200 million (down 5.6%)
Ordinary income: ¥12,200 million (down 2.4%)
Net income: ¥9,400 million (down 40.5%)

The base exchange rate used for forecasts for the fiscal year ending March 31, 2019, is US$1=¥105 and 1 euro=¥130.

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.

In addition, the Company is currently analyzing the effect on its consolidated business results in the fiscal year ending March 2019 of the acquisition of an equity interest in Central Conveyor Company, LLC, by the Company’s consolidated subsidiary U.S. Tsubaki Holdings, Inc., which was disclosed on April 24, 2018. The Company has not included this effect in the above consolidated business results outlook. When the details become clear, the Company will disclose a new consolidated business results outlook that includes the effect on the Company and the subsidiary.

(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 criterion.

Taking into consideration this policy as well as consolidated business results in the fiscal year under review, we have decided to issue a 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 ¥12.00 yen per share and a year-end dividend of ¥12.00 per share to give a full-year dividend of ¥24.00 per share.

In addition, the Company plans to execute a consolidation of shares at a ratio of one share of common stock for five shares of common stock with an effective date of October 1, 2018. The Company has not taken this consolidation of shares into account in relation to the abovementioned dividends for the current fiscal year. If it was assumed that the Company had executed this consolidation of shares at the beginning of the current fiscal year, the full-year dividend would be ¥120.00 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 for the fiscal year ending March 31, 2021.

①Net 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 began Mid-Term Management Plan 2020 in April 2017. This plan's fundamental strategies are as stated below.

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.

The Group will make a concerted effort to accomplish tasks based on these fundamental strategies and strengthen its ability to continue growing with a view to achieving Mid-Term Management Plan 2020.

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.