



February 7, 2017

Name of the company: Tsubakimoto Chain Co.
Code number: 6371
Stock exchange listings: Tokyo, Osaka
Representative: Yasushi Ohara, President and Representative Director
Inquiries: Sachiko Wada, Manager, Office of the P resident
Tel +81 (6) 6441-0054

Notice Regarding Making a Consolidated Subsidiary a Wholly-Owned Subsidiary through Simple Share Exchange

Tsubakimoto Chain Co. (hereinafter “Tsubakimoto Chain” or the “Company”) announces that at a meeting held today, the Board of Directors adopted a resolution for a share exchange under which Tsubakimoto Chain would make Tsubaki Yamakyu Chain Co. (hereinafter “Tsubaki Yamakyu Chain”) its wholly-owned subsidiary resulting from a share exchange (hereinafter the “Share Exchange”), it entered into a share exchange agreement with Tsubaki Yamakyu Chain effective on the said date, as follows.

Since the Share Exchange will take the form of a simple share exchange converting a consolidated subsidiary into a wholly-owned subsidiary, disclosures that would otherwise be required are provided herein with certain omissions.

Details

1. Purpose of Making Tsubaki Yamakyu Chain Co. a Wholly-Owned Subsidiary through the Share Exchange

In order to respond swiftly and flexibly to changes in the business environment and to improve the efficiency of the Group management, the Company has decided to make Tsubaki Yamakyu Chain a wholly-owned subsidiary.

2. Summary of the Share Exchange

(1) Schedule of the Share Exchange

Board of Directors meeting to resolve the Share Exchange (Tsubaki Yamakyu Chain) January 31, 2017

Board of Directors meeting to resolve the Share Exchange (Tsubakimoto Chain) February 7, 2017

Execution date of the share exchange agreement (both companies) February 7, 2017

Extraordinary general meeting of shareholders to approve the Share Exchange (Tsubaki Yamakyu Chain) February 27, 2017 (scheduled)

Effective date of the Share Exchange April 1, 2017 (scheduled)

(Note) The Company will conduct the Share Exchange without obtaining approval at its general meeting of shareholders, pursuant to the provisions of Article 796, Paragraph 2 of the Company Law.

(2) Method of the Share Exchange

This is a share exchange that makes Tsubakimoto Chain a wholly-owning parent company resulting from the share exchange and Tsubaki Yamakyu Chain a wholly-owned subsidiary

resulting from the share exchange.

(3) Content of Allotment associated with the Share Exchange

Company Name	Tsubakimoto Chain (Wholly-owning parent company)	Tsubaki Yamakyu Chain (Wholly-owned subsidiary)
Share Exchange Ratio	1	1.796

(Note) (i) Allotment Ratio associated with the Share Exchange

The Company will allot and deliver 1.796 shares of its common stock in exchange for each one (1) share of Tsubaki Yamakyu Chain common stock.

However, no shares will be allotted through the Share Exchange for 1,285,200 shares of Tsubaki Yamakyu Chain common stock held by the Company.

(ii) Shares delivered through the Share Exchange

2,217,700 shares of Tsubakimoto Chain common stock

For the Share Exchange, the Company will deliver shares from its treasury stock, and therefore it will not issue new shares.

(iii) If the number of the shares of common stock of the Company includes a fraction of less than one share as a result of the Share Exchange, we will handle it pursuant to the provisions of Article 234 of the Company Law.

(4) Handling of stock acquisition rights and bonds with stock acquisition rights of the wholly-owned subsidiary resulting from the Share Exchange

There are no applicable matters.

3. Basis for calculation of contents of the allotment associated with the Share Exchange

Both parties discussed and determined the share exchange ratio based on the evaluation results using the average market share price method for the share value of Tsubakimoto Chain, a listed company, and using the Discounted Cash Flow method (DCF method) for the share value of Tsubaki Yamakyu Chain, an unlisted company.

The share exchange ratio calculation does not assume that Tsubakimoto Chain and Tsubaki Yamakyu Chain will see their profits substantially increase or decrease, or that the amounts of their assets and liabilities will greatly differ from those reported in their most recent financial statements.

4. Outline of companies involved in the Share Exchange (as of December 31, 2016)

Company Name	Tsubakimoto Chain Co. (Wholly-owing parent company)	Tsubaki Yamakyu Chain Co. (Wholly-owned subsidiary)
(1) Location of headquarters	3-3-3, Nakanoshima, Kita-ku, Osaka	2-15-16, Takanawa, Minato-ku, Tokyo
(2) Name and title of representative	Yasushi Ohara, President and Representative Director	Ken Omori, President and Representative Director
(3) Business	Manufacture and sales of various speed drives and related parts	Design, manufacture and sales, etc. of chains, labor-saving devices, automated equipment
(4) Capital	¥17,076 million	¥126 million
(5) Incorporated	January 31, 1941	September 22, 1939
(6) Number of shares issued and outstanding	191,406,969 shares	2,520,000 shares
(7) Closing date	March 31	March 31
(8) Major shareholders	Taiyo Life Insurance Company	Tsubakimoto Chain Co. 51.0%

and shareholding ratio (as of September 30, 2016)	9.5% Japan Trustee Services Bank, Ltd. (Trust account) 6.7% The Master Trust Bank of Japan, Ltd. (Trust account) 5.9% Nippon Life Insurance Company 5.2% Toyota Motor Corporation 4.1%	Yamakyu Enterprise Limited Private Company 38.3% Other individual shareholders 10.7%*1
(Note) The shareholding ratio is calculated by deducting treasury stock 4,335,000 shares.		
(9) Financial conditions and business results of the immediately preceding business year (Period ended March 2016)		
Net assets (million yen)	¥145,815 million (Consolidated)	¥2,759 million
Total assets (million yen)	¥254,106 million (Consolidated)	¥4,218 million
Net assets per share (yen)	¥759.27 (Consolidated)	¥1,095.09
Net sales (million yen)	¥203,976 million (Consolidated)	¥4,563 million
Operating income (million yen)	¥21,570 million (Consolidated)	¥538 million
Ordinary income (million yen)	¥22,109 million (Consolidated)	¥588 million
Net income attributable to the parent company's shareholders (million yen)	¥12,766 million (Consolidated)	¥386 million*2
Net income per share (yen)	¥68.24 (Consolidated)	¥153.43

*1 We refrain from disclosing the names of individual shareholders.

*2 Indicates net income.

5. Status after the Share Exchange

The Share Exchange will cause no change in the company name, location of headquarters, representative, business, capital, and closing date.

6. Outlook

Tsubaki Yamakyu Chain is a consolidated subsidiary of the Company, and the effect of the Share Exchange on the business results of the Company will be minor.