July 27, 2018

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>

For the three-month period ended June 30, 2018

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 Three Months Ended June 30, 2018

(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	%
3-month period ended June 30, 2018	55,480	11.2	5,440	25.6	5,778	17.4	4,218	33.8
3-month period ended June 30, 2017	49,870	7.0	4,331	4.6	4,920	16.4	3,152	12.8

Note: Comprehensive income

3-month period ended June 30, 2018: ¥ 4,007 million: (7.6 %)

3-month period ended June 30, 2017: ¥ 3,725 million: (- %)

	Net income per share	Net income per share (diluted)
	Yen	Yen
3-month period ended June 30, 2018	22.29	—
3-month period ended June 30, 2017	16.65	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	303,263	171,308	55.9
As of March 31, 2018	283,574	169,765	59.2

Note: Shareholders' equity

As of June 30, 2018 ¥ 169,484 million

As of March 31, 2018 ¥ 167,916 million

2. Dividends

	Dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE2018	—	11.00	—	13.00	24.00
FYE2018	—				
FYE2019 (Forecasted)		12.00	—	60.00	—

Note: Revision of cash dividends forecast in quarter under review: Yes

※The Company plans to carry out the share consolidation at a ratio of one for every five common shares, effective on October 01, 2018. Accordingly, the amount of the year-end dividend per share for the year ending March 31, 2019 (Forecast) takes this share consolidation into account and disclosure of the total annual dividends per share are described as "-". The scheduled year-end dividends per share for the year ending March 31, 2019 (Forecast) without taking into account the share consolidation are 12 yen, and annual dividends per share are 24 yen.

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	118,000	14.8	10,800	13.7	11,200	9.4	7,900	15.6	41.74
12-month period ending March 31, 2019	244,000	13.1	21,700	4.9	21,900	0.7	15,200	3.6	401.55

Note: Revision of outlook for consolidated operating results in quarter under review: Yes

※Net income per share of the outlook for consolidated operating results for the 12 months ending March 31, 2019 takes into consideration the impact of the share consolidation.

* Notes

(1) Significant changes in scope of consolidation (indicates changes in specified subsidiaries involving changes in the scope of consolidation): Yes

Number of subsidiaries newly consolidated：1

Name of subsidiaries newly consolidated：Central Conveyor Company, LLC

(2) Adoption of specific accounting procedures for preparing quarterly consolidated financial statements: None

(3) 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

(4) Number of shares issued (common shares)

1 Number of shares issued at end of period (including treasury shares)

As of June 30, 2018: 191,406,969 shares

As of March 31, 2018: 191,406,969 shares

2 Number of treasury shares at end of period

As of June 30, 2018: 2,142,288 shares

As of March 31, 2018: 2,139,235 shares

3 Average number of shares during the period

As of June 30, 2018: 189,264,995 shares

As of June 30, 2017: 189,277,353 shares

* Implementation status of the quarterly review

These quarterly financial statements are exempt from the quarterly review procedure required by the Financial Instruments and Exchange Act. The quarterly review based on the Financial Instruments and Exchange Act has not been completed at the time of disclosure of these financial statements.

* Explanation regarding the appropriate usage of consolidated operating results and other items

The outlook for consolidated operating results 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 outlook for consolidated operating results 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

In the three-month period ended June 30, 2018, the U.S. economy and the European economy performed steadily. Further, China’s economy trended toward recovery. Also, the economies of the Indian Ocean Rim and East Asia regions performed steadily overall. Japan’s economy continued recovering 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 this three-month period were up 9.6% year on year, to ¥59,451 million, and net sales increased 11.2%, to ¥55,480 million.

The Group recorded year-on-year increases of 25.6% in operating income, to ¥5,440 million; 17.4% in ordinary income, to ¥5,778 million; and 33.8% in net income attributable to parent company shareholders, to ¥4,218 million.

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.

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 and conveyor chains in Japan and favorable sales of power transmission chains, conveyor chains, and support and guidance systems for cables and hoses in the Americas and Europe, which more than compensated for approximately unchanged sales of various types of chains in the Indian Ocean Rim and East Asia regions.

As a result of the above, the segment posted year-on-year increases of 6.0% in orders received, to ¥17,546 million; 8.4% in net sales, to ¥16,994 million; and 40.5% in operating income, to ¥2,513 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, locking devices and clutches in Japan and favorable sales of clutches in the Indian Ocean Rim region and reducers in China.

As a result of the above, the segment recorded year-on-year increases of 13.0% in orders received, to ¥6,724 million; 8.4% in net sales, to ¥6,105 million; and 32.0% in operating income, to ¥911 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 Japan, Europe, Thailand, China, South Korea, Mexico, and other countries more than compensated for a slight decrease in sales of these products in the United States.

As a result of the above, orders received increased 3.6%, to ¥20,459 million, and net sales grew 3.3%, to ¥20,379 million. However, due to an increase in depreciation and amortization that accompanied a rise in capital expenditures aimed at increasing production capacity, operating income decreased 5.6%, to ¥2,529 million.

[Materials Handling Systems]

In the Materials Handling Systems segment, net sales were up year on year due to increases in sales of systems for the logistics industry, systems for the newspaper industry, and metalworking chip handling and coolant processing systems in Japan and an increase in sales of metalworking chip handling and coolant processing systems in Europe.

As a result of the above, orders received increased 22.7%, to ¥13,972 million, and net sales increased 36.9%, to ¥11,335 million. Operating loss of ¥223 million was recorded, compared with operating loss of ¥448 million in the same period of the previous fiscal year.

[Other]

Other orders received increased 18.5%, to ¥748 million, and net sales increased 17.7%, to ¥665 million. However, operating loss of ¥27 million was recorded, compared with operating loss of ¥23 million in the same period of the previous fiscal year.

(2) Analysis of Financial Position

[Assets]

Total assets stood at ¥303,263 million on June 30, 2018, up ¥19,688 million from the end of the previous fiscal year.

Current assets totaled ¥137,863 million, a rise of ¥5,718 million from the end of the previous fiscal year. This was because of an increase of ¥7,025 million in trade notes and accounts receivable more than offset a decrease of ¥1,025 million in short-term investments, which was due to such factors as lower certificates of deposit, and a decrease of ¥1,140 million in cash and deposits.

Non-current assets amounted to ¥165,399 million, up ¥13,969 million from the end of the previous fiscal year. This rise was attributable to a ¥12,902 million increase in goodwill, which resulted from the acquisition of all equity interest of Central Conveyor Company, LLC, by the Company's consolidated subsidiary U.S. Tsubaki Holdings, Inc.

[Liabilities]

Liabilities on June 30, 2018, were ¥131,954 million, up ¥18,145 million from the end of the previous fiscal year, due to an increase of ¥16,386 million in debt, which resulted from borrowings to raise funds for the acquisition of the equity interest of Central Conveyor Company, LLC.

[Net Assets]

Net assets on June 30, 2018, were ¥171,308 million, up ¥1,543 million from the end of the previous fiscal year. This increase was due to an increase of ¥1,758 million in retained earnings, which more than compensated for a decrease of ¥366 million in foreign currency translation adjustments. The equity ratio was 55.9%.