

February 7, 2014

**CONSOLIDATED FINANCIAL STATEMENTS**  
**<under Japanese GAAP>**

For the nine-month period ended December 31, 2013

Name of the company: Tsubakimoto Chain Co.

Code number: 6371

Stock exchange listings: Tokyo

URL: <http://tsubakimoto.com/>

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Scheduled quarterly  
report issuance date: February 10, 2014

\*Amounts less than ¥1 million are omitted.

**1. Consolidated Operating Results for the Nine Months Ended December 31, 2013**

**(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 | %    |
| 9-month period ended<br>December 31, 2013 | 128,462         | 18.6 | 12,369           | 35.3 | 12,844          | 36.7 | 7,612           | 42.4 |
| 9-month period ended<br>December 31, 2012 | 108,292         | 2.7  | 9,139            | 4.1  | 9,396           | 5.9  | 5,347           | 5.8  |

Note: Comprehensive income

9-month period ended December 31, 2013: ¥ 16,131 million: 142.0 %

9-month period ended December 31, 2012: ¥ 6,666 million: 87.3 %

|   | Net income per share |  | Net income per share (diluted) |  |
|---|----------------------|--|--------------------------------|--|
|   | Yen                  |  | Yen                            |  |
| 9-month period ended<br>December 31, 2013 | 40.68                |  | —                              |  |
| 9-month period ended<br>December 31, 2012 | 28.57                |  | —                              |  |

**(2) Consolidated Financial Position**

|                         | Total assets    |  | Net assets      |  | Equity ratio |  |
|-------------------------|-----------------|--|-----------------|--|--------------|--|
|                         | Millions of yen |  | Millions of yen |  | %            |  |
| As of December 31, 2013 | 227,523         |  | 119,522         |  | 51.0         |  |
| As of March 31, 2013    | 215,837         |  | 108,597         |  | 47.3         |  |

Note: Shareholders' equity

As of December 31, 2013: ¥ 115,972 million

As of March 31, 2013: ¥ 102,019 million

**2. Dividends**

|                   | Dividends per share |                 |                 |                 |             |
|-------------------|---------------------|-----------------|-----------------|-----------------|-------------|
|                   | 1st quarter end     | 2nd quarter end | 3rd quarter end | Fiscal year end | Total       |
| FY2013            | Yen<br>—            | Yen<br>3.00     | Yen<br>—        | Yen<br>4.00     | Yen<br>7.00 |
| FY2014            | —                   | 4.00            | —               | —               | —           |
| FY2014 (Forecast) | —                   | —               | —               | 4.00            | 8.00        |

Note: Revision of cash dividends forecast in quarter under review: No

### 3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2014

(% 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                  |
| 12-month period ending March 31, 2014 | 175,000         | 16.7 | 16,000           | 27.2 | 16,400          | 28.0 | 9,600           | 29.2 | 51.30                |

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

\* Notes

(1) Significant changes in scope of consolidation (indicates changes in specified subsidiaries involving changes in the scope of consolidation): No

(2) Adoption of specific accounting procedures for preparing quarterly consolidated financial statements: No

(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 December 31, 2013: 191,406,969 shares
  - As of March 31, 2013: 191,406,969 shares
- 2 Number of treasury shares at end of period
  - As of December 31, 2013: 4,281,940 shares
  - As of March 31, 2013: 4,263,619 shares
- 3 Average number of shares during the period
  - As of December 31, 2013: 187,134,096 shares
  - As of December 31, 2012: 187,154,610 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 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. Qualitative Information Regarding Consolidated Performance in the Period under Review

### (1) Discussion of Operating Results

Regarding the Tsubaki Group's operating environment in the nine-month period ended December 31, 2013, although the Japanese economy experienced a gradual recovery trend due to increased exports and other effects of the government's economic policies and yen depreciation, private capital investment did not achieve a genuine recovery and the economic outlook remained unclear. By contrast, conditions in overseas markets were relatively strong with the U.S. economy continuing to expand, Asian economies growing, particularly in the ASEAN region, and European economies showing a recovery trend.

Under these circumstances, the Group reinforced its profit structure through such activities as reviews of regional and product strategies, targeting bolstering of sustainable growth capabilities.

As a result, orders received for this nine-month period were up 20.7% year on year, to ¥129,929 million, and net sales were up 18.6%, to ¥128,462 million. Operating income increased 35.3% year on year, to ¥12,369 million; ordinary income increased 36.7% year on year, to ¥12,844 million; and net income increased 42.4%, to ¥7,612 million.

Segment results are summarized as follows.

#### [Chains]

In the Chains segment, net sales were up year on year. Sales of products such as conveyor chains in Japan proved strong as did sales of drive chains and other products in the United States, Asia, and Oceania.

As a result of the above, orders received increased 13.6%, to ¥40,787 million; net sales were up 10.5%, to ¥40,248 million; and operating income grew 1.9%, to ¥2,688 million.

#### [Power Transmission Units and Components]

In the Power Transmission Units and Components segment, net sales were up year on year. This was due to strong sales of reducers in China, which offset sluggish sales for reducers and linear actuators in Japan.

As a result of the above, orders received increased 15.8%, to ¥16,795 million;

net sales rose 6.5%, to ¥15,734 million; and operating income grew 3.3%, to ¥1,690 million.

#### [Automotive Parts]

In the Automotive Parts segment, net sales were up year on year because sales of timing chain drive systems for automobile engines were favorable in Japan, the United States, Europe, Thailand, and South Korea.

As a result of the above, orders received rose 21.9%, to ¥44,562 million; net sales were up 21.6%, to ¥44,389 million; and operating income was up 57.1%, to ¥7,605 million.

#### [Materials Handling Systems]

In the Materials Handling Systems segment, net sales were up year on year. Although sales in Japan declined for automatic sorting systems for the distribution industry, there was a positive effect from overseas subsidiaries acquired in the fiscal year ended March 31, 2013, entering into the scope of consolidation from October 1, 2012.

As a result of the above, orders received were up 38.5%, to ¥26,361 million; net sales rose 39.4%, to ¥26,653 million; and operating income was ¥370 million, 7.1 times higher than in the previous equivalent period.

#### [Other]

Other orders received fell 12.0%, to ¥1,422 million; net sales were down 1.3%, to ¥1,436 million; and operating income fell 69.5%, to ¥37 million.

### (2) Discussion of Financial Situation

#### [Assets]

Total assets stood at ¥227,523 million on December 31, 2013, up ¥11,686 million from the end of the previous fiscal year.

Current assets totaled ¥98,886 million, up ¥2,104 million from the end of the previous fiscal year. This increase was the result of a ¥2,022 million rise in notes and accounts receivable – trade due to higher sales during the applicable period.

Non-current assets amounted to ¥128,636 million, up ¥9,581 million from the end of the previous fiscal year. This was primarily due to an increase of ¥4,707 million in property, plant and equipment, due to investment in production facilities, and an increase of ¥4,649 million in investments and other assets, due to such factors

as higher stock prices of securities held by the Company.

[Liabilities]

Liabilities at the end of the period were ¥108,000 million, up ¥761 million from the end of the previous fiscal year. This was primarily attributable to a ¥2,166 million increase in other non-current liabilities due to an increase in deferred tax liabilities, which offset a ¥1,401 million decrease in accrued income taxes.

[Net Assets]

Net assets at the end of the period were ¥119,522 million, up ¥10,924 million from the end of the previous fiscal year. This was due to a ¥6,153 million increase in retained earnings and a ¥4,821 rise in foreign currency translation adjustments due to changes in exchange rates. The equity ratio was 51.0%.

(3) Discussion of Future Outlook including Consolidated Operating Results Forecast

Based on consideration of performance in this nine-month period and current forecasts for results in the fourth quarter of the fiscal year, the Company has made the following revisions to the full-year results forecast announced on November 7, 2013.

Revised outlook for consolidated operating results for the 12 months ending March 31, 2014

|   | Net sales                  | Operating income          | Ordinary income           | Net income               | Net income per share |
|---|----------------------------|---------------------------|---------------------------|--------------------------|----------------------|
| Previously announced forecast (A)<br>(announced November 7, 2013) | Millions of yen<br>170,000 | Millions of yen<br>14,500 | Millions of yen<br>14,600 | Millions of yen<br>8,700 | Yen<br>46.49         |
| Revised forecast (B)  | 175,000                    | 16,000                    | 16,400                    | 9,600                    | 51.30                |
| Increase / Decrease (B - A)                                       | 5,000                      | 1,500                     | 1,800                     | 900                      | —                    |
| Percentage increase (%)   | 2.9                        | 10.3                      | 12.3                      | 10.3                     | —                    |

(Reference) Revised outlook for nonconsolidated operating results for the 12 months ending March 31, 2014

|   | Net sales                 | Operating income         | Ordinary income          | Net income               | Net income per share |
|---|---------------------------|--------------------------|--------------------------|--------------------------|----------------------|
| Previously announced forecast (A)<br>(announced November 7, 2013) | Millions of yen<br>76,000 | Millions of yen<br>5,000 | Millions of yen<br>7,400 | Millions of yen<br>5,100 | Yen<br>27.25         |
| Revised forecast (B)  | 77,000                    | 5,300                    | 7,900                    | 5,600                    | 29.93                |
| Increase / Decrease (B - A)                                       | 1,000                     | 300                      | 500                      | 500                      | —                    |
| Percentage increase / decrease (%)                                | 1.3                       | 6.0                      | 6.8                      | 9.8                      | —                    |

(3) Notes on Consolidated Quarterly Financial Statements

(Notes on Premise of Going Concern)

No items to report.

(Notes on Material Changes in Shareholders' Equity)

No items to report.

(Segment Information, etc.)

[Segment Information]

I. Equivalent Period of Previous Fiscal Year (From April 1, 2012, to December 31, 2012)

1. Net Sales and Income (Loss) by Reportable Segment

(Millions of yen)

|   | Reportable Segment |  |                     |                               |          | Other<br>(Note: 1) | Total   | Adjustment<br>(Note: 2) | Amount recognized in<br>consolidated quarterly<br>statements of income |
|---|--------------------|--|---------------------|-------------------------------|----------|--------------------|---------|-------------------------|--|
|   | Chains             | Power Transmission<br>Units and Components | Automotive<br>Parts | Materials<br>Handling Systems | Subtotal |                    |         |                         |  |
| Net sales   |                    |  |                     |                               |          |                    |         |                         |  |
| External<br>customers                             | 36,422             | 14,779                                     | 36,515              | 19,119                        | 106,837  | 1,454              | 108,292 | —                       | 108,292  |
| Intersegment                                      | 834                | 259  | —                   | 89                            | 1,183    | 699                | 1,883   | (1,883)                 | —  |
| Total   | 37,257             | 15,039                                     | 36,515              | 19,208                        | 108,021  | 2,154              | 110,175 | (1,883)                 | 108,292  |
| Segment<br>income (loss)<br>(Operating<br>income) | 2,637              | 1,636                                      | 4,841               | 45                            | 9,161    | 121                | 9,282   | (143)                   | 9,139  |

Notes: 1. Other includes business segments that are not part of reportable segments, such as the building maintenance service and insurance agency businesses.

2. The ¥143 million deduction from segment income includes an increase of ¥189 million resulted from elimination of intersegment transactions and a deduction of ¥332 billion for companywide expenses that cannot be attributed to any reportable segment. These expenses are primarily administrative costs not associated with any specific reportable segments.

## 2. Impairment Loss on Non-current Assets, Goodwill, etc. by Reportable Segment (Material impairment losses on non-current assets)

(Millions of yen)

|                 | Chains | Power Transmission<br>Units and Components | Automotive<br>Parts | Materials<br>Handling Systems | Other (Note) | Adjustment | Total |
|-----------------|--------|--|---------------------|-------------------------------|--------------|------------|-------|
| Impairment loss | 39     | 8  | —                   | 4                             | 115          | —          | 167   |

Note: Impairment loss recognized under Other is calculated by reducing the book value of structures planned to be demolished to the recoverable value and includes the expenses associated with dismantling the existing structures.

## (Material changes in the amount of goodwill)

(Millions of yen)

|          | Chains | Power Transmission<br>Units and Components | Automotive<br>Parts | Materials<br>Handling Systems | Other (Note) | Adjustment | Total |
|----------|--------|--|---------------------|-------------------------------|--------------|------------|-------|
| Goodwill | —      | —  | —                   | 4,158                         | —            | —          | 4,158 |

Note: Goodwill recognized under Materials Handling Systems is related to the acquisition of Mayfran Holdings, Inc., and the entire business of Mayfran during the six-month period ended September 30, 2012. This amount is based on a provisional calculation.

## II. Period under Review (From April 1, 2013, to December 31, 2013)

### 1. Net sales and Income (Loss) by Reportable Segment

(Millions of yen)

|   | Reportable Segment |  |                     |                               |          | Other<br>(Note: 1) | Total   | Adjustment<br>(Note: 2) | Amount recognized in<br>consolidated quarterly<br>statements of income |
|---|--------------------|--|---------------------|-------------------------------|----------|--------------------|---------|-------------------------|--|
|   | Chains             | Power Transmission<br>Units and Components | Automotive<br>Parts | Materials<br>Handling Systems | Subtotal |                    |         |                         |  |
| Net sales                                   |                    |  |                     |                               |          |                    |         |                         |  |
| External customers                          | 40,248             | 15,734                                     | 44,389              | 26,653                        | 127,026  | 1,436              | 128,462 | —                       | 128,462  |
| Intersegment                                | 891                | 208  | —                   | 38                            | 1,138    | 575                | 1,713   | (1,713)                 | —  |
| Total                                       | 41,139             | 15,942                                     | 44,389              | 26,692                        | 128,164  | 2,011              | 130,176 | (1,713)                 | 128,462  |
| Segment income (loss)<br>(Operating income) | 2,688              | 1,690                                      | 7,605               | 370                           | 12,354   | 37                 | 12,392  | (22)                    | 12,369   |

- Notes: 1. Other includes business segments that are not part of reportable segments, such as the building maintenance service and insurance agency businesses.
2. The ¥22 million deduction from segment income includes an increase of 210 million resulted from elimination of intersegment transactions and a deduction of ¥232 billion for companywide expenses that cannot be attributed to any reportable segment. These expenses are primarily administrative costs not associated with any specific reportable segments.

## 2. Impairment Loss on Non-current Assets, Goodwill, etc. by Reportable Segment (Material changes in the amount of goodwill)

(Millions of yen)

|          | Chains | Power Transmission<br>Units and Components | Automotive<br>Parts | Materials<br>Handling Systems | Other (Note) | Adjustment | Total |
|----------|--------|--|---------------------|-------------------------------|--------------|------------|-------|
| Goodwill | —      | 391  | —                   | —                             | —            | —          | 391   |

Note: Goodwill recognized under Power Transmission Units and Components is related to the acquisition of additional shares of stock in Tsubaki Emerson Co. during the nine-month period ended December 31, 2013.