

November 7, 2014

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

For the six-month period ended September 30, 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

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*Scheduled quarterly report issuance date:* November 10, 2014

*Scheduled dividend payment date:* December 10, 2014

\*Amounts less than ¥1 million are omitted.

**1. Consolidated Operating Results for the Six Months Ended September 30, 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 | %    |
| 6-month period ended September 30, 2014 | 92,948          | 10.0 | 9,922            | 35.0 | 10,416          | 38.7 | 6,578           | 50.5 |
| 6-month period ended September 30, 2013 | 84,532          | 16.2 | 7,347            | 14.5 | 7,511           | 15.1 | 4,370           | 14.7 |

Note: Comprehensive income

6-month period ended September 30, 2014: ¥ 7,836 million: (23.2 %)

6-month period ended September 30, 2013: ¥ 10,198 million: 395.9 %

|   | Net income per share |  | Net income per share (diluted) |  |
|---|----------------------|--|--------------------------------|--|
|   | Yen                  |  | Yen                            |  |
| 6-month period ended September 30, 2014 | 35.16                |  | —                              |  |
| 6-month period ended September 30, 2013 | 23.35                |  | —                              |  |

**(2) Consolidated Financial Position**

|                          | Total assets    |  | Net assets      |  | Equity ratio |  |
|--------------------------|-----------------|--|-----------------|--|--------------|--|
|                          | Millions of yen |  | Millions of yen |  | %            |  |
| As of September 30, 2014 | 236,493         |  | 127,639         |  | 52.6         |  |
| As of March 31, 2014     | 228,840         |  | 121,628         |  | 51.8         |  |

Note: Shareholders' equity

As of September 30, 2014: ¥ 124,428 million

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

## 2. Dividends

|                      | Dividends per share |                 |                 |                 |       |
|----------------------|---------------------|-----------------|-----------------|-----------------|-------|
|                      | 1st quarter end     | 2nd quarter end | 3rd quarter end | Fiscal year end | Total |
|                      | Yen                 | Yen             | Yen             | Yen             | Yen   |
| FYE2014              | —                   | 4.00            | —               | 6.00            | 10.00 |
| FYE2015              | —                   | 7.00            | —               | —               | —     |
| FYE2015 (Forecasted) | —                   | —               | —               | 7.00            | 14.00 |

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

## 3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 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                  |
| 12-month period ending March 31, 2015 | 191,000         | 7.3 | 19,700           | 13.5 | 20,300          | 12.8 | 13,000          | 27.3 | 69.48                |

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: Yes
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 September 30, 2014: 191,406,969 shares
  - As of March 31, 2014: 191,406,969 shares
- 2 Number of treasury shares at end of period
  - As of September 30, 2014: 4,303,515 shares
  - As of March 31, 2014: 4,292,184 shares
- 3 Average number of shares during the period
  - As of September 30, 2014: 187,109,179 shares
  - As of September 30, 2013: 187,136,894 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.

**(Reference)**

**Non-consolidated Operating Results for the Six Months Ended September 30, 2014**

**Non-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 | %    |
| 6-month period ended<br>September 30, 2014 | 40,980          | 9.6   | 3,701            | 61.8   | 7,429           | 67.7 | 5,803           | 72.7 |
| 6-month period ended<br>September 30, 2013 | 37,391          | (4.6) | 2,287            | (12.0) | 4,431           | 5.5  | 3,361           | 10.2 |

## 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 six-month period ended September 30, 2014, the rebound from the consumption tax hike in Japan resulted in a slump in consumer spending. Nevertheless, the domestic economy showed a modest recovery trend supported by the benefits of government economic stimulus measures, which led to increased capital investment and other positive trends. Overseas, conditions were generally firm. Economic growth in China slowed slightly, but conditions proved more or less solid in ASEAN countries and other parts of Asia. Meanwhile, economic growth continued in the United States and conditions in Europe steadily recovered.

In this environment, the Tsubaki Group worked to improve profitability while advancing initiatives pertaining to the strategic objectives of Medium-Term Management Plan 2016—namely, to implement product development and manufacturing strategies that consistently respond to the needs of the market and to undertake the expansion of businesses that leverages the collective strengths of the Group.

As a result, orders received for the six-month period were up 14.5% year on year, to ¥97,858 million, and net sales were up 10.0%, to ¥92,948 million.

Operating income increased 35.0% year on year, to ¥9,922 million; ordinary income increased 38.7% year on year, to ¥10,416 million; and net income increased 50.5%, to ¥6,578 million.

Segment results are summarized as follows.

#### [Chains]

In the Chains segment, net sales were up year on year. Sales of drive and conveyor chains as well as cable and hose protection and guidance products were solid in Japan, while sales were strong for conveyor chains and cable and hose protection and guidance products in the United States, Europe, and elsewhere in Oceania.

As a result of the above, orders received were up 11.3%, to ¥29,624 million; net sales

increased 10.2%, to ¥28,972 million; and operating income grew 58.4%, to ¥2,354 million.

[Power Transmission Units and Components]

In the Power Transmission Units and Components segment, net sales were up year on year, reflecting strong sales of reducers, shaft couplings, locking devices, and clutches in Japan, which offset lower sales of reducers in China.

As a result of the above, orders received increased 2.2%, to ¥11,280 million; net sales rose 7.7%, to ¥10,998 million; and operating income grew 20.0%, to ¥1,119 million.

[Automotive Parts]

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

As a result of the above, orders received rose 8.4%, to ¥34,059 million; net sales grew 10.2%, to ¥32,490 million; and operating income was up 27.9%, to ¥6,168 million.

[Materials Handling Systems]

In the Materials Handling Systems segment, net sales were up year on year. In Japan, higher sales of systems for the distribution and steel industries were recorded. Meanwhile, in Europe, sales of metalworking chip handling / coolant processing systems for the machine tool industry were higher.

As a result of the above, orders received were up 38.1%, to ¥23,859 million; net sales rose 11.0%, to ¥19,465 million; and operating income was up 130.1%, to ¥209 million.

[Other]

Other orders received rose 6.5%, to ¥1,034 million; net sales increased 1.5%, to ¥1,022 million; and operating income was up 67.4%, to ¥47 million.

(2) Discussion of Financial Position

[Assets]

Total assets stood at ¥236,493 million at September 30, 2014, up ¥7,653 million from the end of the previous fiscal year.

Current assets totaled ¥103,752 million, up ¥3,126 million from the end of the previous fiscal year. Cash and deposits declined ¥990 million as a result of capital investments and dividend payments. However, this decrease was outweighed by a ¥2,697 million increase in inventories following a rise in work in progress, a ¥554 million increase in short-term investments following a rise in certificates of deposit, and a ¥406 million increase in trade notes and accounts receivable that accompanied higher net sales.

Non-current assets amounted to ¥132,741 million, up ¥4,527 million from the end of the previous fiscal year. Intangible assets declined ¥596 million following the amortization of goodwill, but this decrease was offset by a ¥5,243 million increase in investments and other assets that resulted from improvements in the market value of securities held by the Company.

[Liabilities]

Liabilities at the end of the period were ¥108,854 million, up ¥1,642 million from the end of the previous fiscal year. This result was largely attributable to a ¥1,159 million increase in net defined benefit liability and a ¥488 million increase in other long-term liabilities following a rise in deferred tax liabilities.

[Net Assets]

Net assets at the end of the period were ¥127,639 million, up ¥6,011 million from the end of the previous fiscal year. This increase was due to a ¥4,845 million rise in retained earnings and a ¥1,424 million rise in valuation difference on available-for-sale securities following improvements in the market value of securities held by the Company. The equity ratio was 52.6%.

[Cash Flows]

Cash and cash equivalents (hereafter referred to as “cash”) at September 30, 2014, amounted to ¥19,607 million, down ¥1,684 million from the end of the previous fiscal year.

Respective cash flows and related factors are as follows.

[Net Cash Provided by Operating Activities]

Net cash provided by operating activities was ¥8,609 million, compared with ¥8,108

million in the corresponding period of the previous fiscal year. This was attributable to income before income taxes and minority interests of ¥10,476 million and depreciation and amortization of ¥4,581 million, which more than compensated for income taxes paid of ¥4,299 million and increase in inventories of ¥2,454 million.

[Net Cash Used in Investing Activities]

Net cash used in investing activities amounted to ¥8,760 million, compared with ¥6,707 million in the corresponding period of the previous fiscal year. This resulted from ¥4,481 million used to pay for automotive parts production facilities, ¥1,530 million used for payments for investments in unconsolidated subsidiaries and affiliates, and ¥1,284 million used for purchase of stocks of subsidiaries and affiliates.

[Net Cash Used in Financing Activities]

Net cash used in financing activities was ¥1,399 million, compared with ¥640 million in the corresponding period of the previous fiscal year. This was primarily the result of repayment of long-term loans of ¥10,930 million and cash dividends paid of ¥1,122 million, which outweighed proceeds from issuance of bonds of ¥9,943 million and increase in short-term loans, net of ¥829 million.

(3) Discussion of Full-Year Performance, including Consolidated Operating Results Forecast for the Fiscal Year Ending March 31, 2015

Based on consideration of performance in the six-month period ended September 30, 2014, and current forecasts for results in the next six-month period, the Company has made the following revisions to the full-year results forecast announced on May 9, 2014.

Assumed exchange rates for the full-year consolidated forecast are US\$1 = ¥105 and 1 euro = ¥135.

Revised Outlook for Consolidated Operating Results for the Fiscal Year Ending March 31, 2015

|  | 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   |
|--|-----------------|-----------------|-----------------|-----------------|-------|
| Previously announced forecast (A)<br>(announced May 9, 2014) | 186,000         | 18,600          | 18,600          | 11,700          | 62.53 |
| Revised forecast (B)   | 191,000         | 19,700          | 20,300          | 13,000          | 69.48 |
| Increase / Decrease (B – A)                                  | 5,000           | 1,100           | 1,700           | 1,300           | —     |
| Percentage increase / decrease (%)                           | 2.7             | 5.9             | 9.1             | 11.1            | —     |

(Reference) Revised Outlook for Non-Consolidated Operating Results for the Fiscal Year Ending March 31, 2015

|  | 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                  |
| Previously announced forecast (A)<br>(announced May 9, 2014) | 80,200          | 6,400            | 10,500          | 7,600           | 40.62                |
| Revised forecast (B)   | 83,000          | 7,600            | 12,200          | 9,000           | 48.10                |
| Increase / Decrease (B – A)                                  | 2,800           | 1,200            | 1,700           | 1,400           | —                    |
| Percentage increase / decrease (%)                           | 3.5             | 18.8             | 16.2            | 18.4            | —                    |