

July 28, 2017

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>

For the three-month period ended June 30, 2017

Name of the company: Tsubakimoto Chain Co.

Code number: 6371

Stock exchange listings: Tokyo

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

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*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results for the Three Months Ended June 30, 2017

(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, 2017	49,870	7.0	4,331	4.6	4,920	16.4	3,152	12.8
3-month period ended June 30, 2016	46,596	(3.7)	4,139	(14.1)	4,225	(20.2)	2,795	(15.0)

Note: Comprehensive income

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

3-month period ended June 30, 2016: ¥ -3,118 million: (- %)

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
3-month period ended June 30, 2017	16.65		—	
3-month period ended June 30, 2016	14.94		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2017	268,353	157,686			58.1	
As of March 31, 2017	267,215	156,218			57.1	

Note: Shareholders' equity

As of June 30, 2017 ¥ 155,946 million

As of March 31, 2017 ¥ 152,473 million

2. Dividends

	Dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen				
FYE2017	—	11.00	—	13.00	24.00
FYE2018	—	—	—	—	—
FYE2018 (Forecasted)	—	11.00	—	12.00	23.00

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

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2018

(% 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, 2017	100,000	4.4	8,800	(7.3)	9,100	(5.8)	6,300	(1.4)	33.28
12-month period ending March 31, 2018	205,000	3.1	20,500	(5.3)	21,000	(4.6)	14,500	(0.7)	76.61

Note: Revision of outlook for consolidated operating results in quarter under review: No

* Notes

(1) Significant changes in scope of consolidation (indicates changes in specified subsidiaries involving changes in the scope of consolidation): None

(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, 2017: 191,406,969 shares

As of March 31, 2017: 191,406,969 shares

2 Number of treasury shares at end of period

As of June 30, 2017: 2,130,361 shares

As of March 31, 2017: 4,345,450 shares

3 Average number of shares during the period

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

As of June 30, 2016: 187,075,097 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, 2017, the U.S. economy performed steadily while the European economy continued a modest recovery. Further, the deceleration of China's economy showed signs of bottoming out, and the Indian Ocean Rim and East Asia regions performed steadily. In Japan, the economy trended toward modest recovery due to such factors as an increase in manufacturing and a pickup in exports.

In this environment, orders received for this three-month period were up 8.6 % year on year, to ¥54,257 million, and net sales increased 7.0 %, to ¥49,870 million.

The Company also recorded year-on-year increases of 4.6 % in operating income, to ¥4,331 million; 16.4% in ordinary income, to ¥4,920 million; and 12.8% in net income attributable to parent company shareholders, to ¥3,152 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 because brisk sales of power transmission chains, conveyor chains, and hose and cable carrier systems in Japan and favorable sales of conveyor chains in East Asia more than offset flat sales of drive transmission chains and other products in the Americas.

As a result of the above, the segment posted year-on-year increases of 18.4% in orders received, to ¥16,554 million; 10.1% in net sales, to ¥15,674 million; and 26.9% in operating income, to ¥1,788 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 linear actuators in Japan

and the inclusion within the scope of consolidation of a clutch manufacturing subsidiary in Thailand from the first quarter, which counteracted a slight decline in sales of reducers in China.

As a result of the above, the segment recorded year-on-year increases of 13.5% in orders received, to ¥5,949 million; 12.2% in net sales, to ¥5,633 million; and 39.7% in operating income, to ¥690 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 other countries more than compensated for flat sales of these products in Japan.

As a result of the above, orders received increased 8.3%, to ¥19,739 million, and net sales grew 7.0%, to ¥19,719 million. However, due to the higher prices of steel materials and an increase in depreciation and amortization, operating income decreased 10.9%, to ¥2,680 million.

[Materials Handling Systems]

In the Materials Handling Systems segment, net sales were down year on year because an increase in sales of systems for the logistics industry in Japan did not completely compensate for 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 declined 3.7%, to ¥11,383 million, and net sales decreased 1.9%, to ¥8,277 million. Operating loss was ¥448 million, compared with operating loss of ¥599 million in the same period of the previous fiscal year.

[Other]

Other orders received decreased 5.2%, to ¥631 million, and net sales increased 19.6%, to ¥565 million. However, operating loss of ¥23 million was recorded, compared with operating loss of ¥18 million in the same period of the previous fiscal year.

(2) Analysis of Financial Position

[Assets]

Total assets stood at ¥268,353 million on June 30, 2017, up ¥1,137 million from the end of the previous fiscal year.

Current assets totaled ¥123,673 million, a decrease of ¥1,727 million from the end of the previous fiscal year. This was attributable to a ¥4,227 million decrease in trade notes and accounts receivable, which counteracted increases of ¥1,544 million in electronically recorded monetary receivables and ¥1,014 million in work in process.

Non-current assets amounted to ¥144,679 million, up ¥2,865 million from the end of the previous fiscal year. This increase was attributable to a ¥2,509 million increase in property, plant and equipment that occurred due to such factors as investments in production equipment.

[Liabilities]

Liabilities on June 30, 2017, were ¥110,666 million, down ¥331 million from the end of the previous fiscal year, due to decreases of ¥3,810 million in trade notes and accounts payable, ¥1,769 million in accrued bonuses to employees, and ¥1,562 million in income taxes payable, which outweighed an increase of ¥6,090 million in electronically recorded monetary obligations and an increase of ¥611 million in other current liabilities, which was due to higher advances received and other items.

[Net Assets]

Net assets on June 30, 2017, were ¥157,686 million, up ¥1,468 million from the end of the previous fiscal year. This increase was due to a decrease of ¥1,062 million in treasury stock, at cost, and increases of ¥898 million in retained earnings and ¥897 million in capital surplus, which counteracted a decrease of ¥2,003 million in non-controlling interests, which resulted from share exchange and other factors. The equity ratio was 58.1%.

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

The Company has chosen not to revise the outlooks for consolidated operating results for the six-month period ending September 30, 2017, or for consolidated operating results for the fiscal year ending March 31, 2018, that were announced on May 10, 2017.