

October 31, 2017

CONSOLIDATED FINANCIAL STATEMENTS

<under Japanese GAAP>

For the six-month period ended September 30, 2017

Name of the company: Tsubakimoto Chain Co.

Code number: 6371

Stock exchange listings: Tokyo

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

Representative: Yasushi Ohara, President and Representative Director

Inquiries: Takatoshi Kimura, Executive Officer, Management Planning
Tel +81 (6) 6441-0054

Scheduled quarterly
report issuance date: November 7, 2017

Scheduled dividend
payment date: December 8, 2017

*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results for the Six Months Ended September 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	%
6-month period ended September 30, 2017	102,778	7.4	9,500	0.1	10,239	6.0	6,835	6.9
6-month period ended September 30, 2016	95,740	(5.7)	9,490	(11.5)	9,655	(15.0)	6,392	(11.6)

Note: Comprehensive income

6-month period ended September, 2017 : ¥ 9,599 million (- %)

6-month period ended September 30, 2016 : ¥ -2,475 million (- %)

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
6-month period ended September 30, 2017	36.11		—	
6-month period ended September 30, 2016	34.17		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2017	275,709		163,492		58.7	
As of March 31, 2017	267,215		156,218		57.1	

Note: Shareholders' equity

As of September 30, 2017 : ¥ 161,777 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	Yen	Yen	Yen	Yen
FYE2017	—	11.00	—	13.00	24.00
FYE2018	—	11.00	—	—	—
FYE2018 (Forecasted)	—	—	—	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
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 September 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 September 30, 2017:	2,134,606 shares
As of March 31, 2017:	4,345,450 shares
- 3 Average number of shares during the period

As of September 30, 2017:	189,275,332 shares
As of September 30, 2016:	187,073,968 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.

(Reference)**Non-consolidated Operating Results for the Six Months Ended September 30, 2017****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 September 30, 2017	41,622	6.2	2,682	3.4	6,453	3.4	5,002	(1.5)
6-month period ended September 30, 2016	39,178	(8.7)	2,595	(33.1)	6,244	(41.1)	5,075	(42.7)

1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

In the six-month period ended September 30, 2017, the U.S. economy expanded modestly, and the European economy performed steadily. Further, China's economy trended toward recovery, and the economies of the Indian Ocean Rim and East Asia regions performed steadily overall. In Japan, the economy continued trending toward modest recovery due to such factors as an increase in manufacturing and a pickup in exports.

In this environment, orders received by the Tsubaki Group for this six-month period were up 7.3% year on year, to ¥106,489 million, and net sales increased 7.4%, to ¥102,778 million.

The Group also recorded year-on-year increases of 0.1% in operating income, to ¥9,500 million; 6.0% in ordinary income, to ¥10,239 million; and 6.9% in net income attributable to parent company shareholders, to ¥6,835 million.

To mark the 100th anniversary of its foundation, the Tsubaki Group established Tsubaki Spirit to provide a common corporate philosophy and code of conduct for the Group. The Group aims to remain needed by society by advancing the “art of moving,” offering solutions that transcend the boundaries of *monozukuri*, and providing value that surpasses society's expectations.

Based on the above Tsubaki Spirit and 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, conveyor chains, and hose and cable carrier systems in Japan; favorable sales of conveyor chains in East Asia; and steady sales of power transmission chains and conveyor chains in the Americas.

As a result of the above, the segment posted year-on-year increases of 11.2% in orders received, to ¥32,596 million; 11.4% in net sales, to ¥31,607 million; and 21.1% in operating income, to ¥3,712 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; a recovery trend in sales of reducers in China; and the inclusion within the scope of consolidation of a clutch manufacturing subsidiary in Thailand from the first quarter.

As a result of the above, the segment recorded year-on-year increases of 16.7% in orders received, to ¥12,334 million; 11.2% in net sales, to ¥11,483 million; and 36.3% in operating income, to ¥1,301 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 6.1%, to ¥38,551 million, and net sales grew 5.7%, to ¥38,535 million. However, due to an increase in depreciation and amortization and the higher prices of steel materials, operating income decreased 11.3%, to ¥5,161 million.

[Materials Handling Systems]

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

As a result of the above, orders received declined 2.4%, to ¥21,381 million, and net sales increased 2.3%, to ¥19,926 million. Operating income was ¥133 million, compared with operating loss of ¥37 million in the same period of the previous fiscal year.

[Other]

Other orders received increased 51.5%, to ¥1,626 million, and net sales increased 13.0%, to ¥1,226 million. Operating loss of ¥29 million was recorded, compared with operating loss of ¥25 million in the same period of the previous fiscal year.

(2) Analysis of Financial Position

[Assets]

Total assets stood at ¥275,709 million on September 30, 2017, up ¥8,493 million from the end of the previous fiscal year.

Current assets totaled ¥127,301 million, a rise of ¥1,900 million from the end of the previous fiscal year. This was because a ¥5,594 million decrease in cash and deposits was more than offset by an ¥4,001 million increase in electronically recorded monetary receivables, due to such factors as the final day of the six-month period ended September 30, 2017, being a holiday for financial institutions, and a ¥3,033 million increase in inventories, due to a rise in unfinished products.

Non-current assets amounted to ¥148,408 million, up ¥6,593 million from the end of the previous fiscal year. This increase was attributable to a ¥4,910 million increase in property, plant and equipment, due to such factors as investments in production equipment, and a ¥2,283 million increase in total investments and other assets, due to an increase in the market value of securities held by the Company.

[Liabilities]

Liabilities on September 30, 2017, were ¥112,216 million, up ¥1,219 million from the end of the previous fiscal year, due to an increase of ¥9,980 million in electronically recorded monetary obligations, which counteracted a ¥8,385 million decrease in debt.

[Net Assets]

Net assets on September 30, 2017, were ¥163,492 million, up ¥7,274 million from the end of the previous fiscal year. This increase was due to an increase of ¥4,582 million in retained earnings and an increase of ¥1,855 million in valuation difference on available-for-sale securities resulting from an increase in the market value of securities held by the Company. The equity ratio was 58.7%.

[Cash Flows]

Cash and cash equivalents (hereafter referred to as “cash”) at September 30, 2017, amounted to ¥27,261 million, down ¥6,881 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 ¥12,871 million, compared with ¥12,273 million in the corresponding period of the previous fiscal year. This was attributable to income before income taxes and minority interests of ¥10,126 million and an increase in trade notes and accounts payable of ¥5,645 million, which more than offset income taxes paid of ¥3,639 million.

[Net Cash Used in Investing Activities]

Net cash used in investing activities amounted to ¥9,069 million, compared with ¥6,879 million in the corresponding period of the previous fiscal year. This resulted from ¥7,907 million used to pay for automotive parts production facilities.

[Net Cash Used in Financing Activities]

Net cash used in financing activities was ¥11,131 million, compared with ¥1,133 million in the corresponding period of the previous fiscal year. This was primarily due to repayment of long-term loans of ¥10,308 million.

(3) Discussion of Future Outlook including Consolidated Operating Results Forecast
As a result of consideration of results for the second quarter under review and the outlook at this juncture, the Company has revised the outlook for non-consolidated operating results for the 12 months ending March 31, 2018, which was announced on May 10, 2017, as shown below.

(Reference) Revised Outlook for Non-Consolidated Operating Results for the Fiscal Year Ending March 31, 2018

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previously announced forecast (A) (announced May 10 2017)	Millions of yen 84,800	Millions of yen 6,400	Millions of yen 10,500	Millions of yen 7,800	Yen 41.21
Revised forecast (B)	94,500	7,100	11,600	15,300	80.83
Increase / Decrease (B – A)	9,700	700	1,100	7,500	—
Percentage increase / decrease (%)	11.4	10.9	10.5	96.2	—