

February 7, 2019

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

For the nine-month period ended December 31, 2018

*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 8, 2019

\*Amounts less than ¥1 million are omitted.

**1. Consolidated Operating Results for the Nine Months Ended December 31, 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	%
9-month period ended December 31, 2018	176,180	13.2	17,644	16.0	18,197	11.5	12,944	14.7
9-month period ended December 31, 2017	155,574	7.5	15,207	(0.7)	16,321	2.4	11,287	7.8

Note: Comprehensive income

9-month period ended December 31, 2018 : ¥ 10,115 million : (40.5%)

9-month period ended December 31, 2017 : ¥ 16,987 million : 113.8%

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
9-month period ended December 31, 2018	341.97		—	
9-month period ended December 31, 2017	298.18		—	

Note: We consolidated common shares at the ratio of five shares to one share on October 1, 2018. The figures for the net income per share are amounts on the assumption that we consolidate common shares on the beginning of previous fiscal year.

**(2) Consolidated Financial Position**

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2018	304,192		175,051		57.0	
As of March 31, 2018	283,574		169,765		59.2	

Note: Shareholders' equity

As of December 31, 2018 : ¥ 173,313 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
FYE2019	—	12.00	—	—	—
FYE2019 (Forecasted)	—	—	—	60.00	—

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

We consolidated common shares at the ratio of five shares to one share on October 1, 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
12-month period ending March 31, 2019	239,000	10.8	21,700	4.9	21,900	0.7	15,200	3.6	401.58

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

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 December 31, 2018 : 38,281,393 shares
  - As of March 31, 2018 : 38,281,393 shares
- 2 Number of treasury shares at end of period
  - As of December 31, 2018 : 430,542 shares
  - As of March 31, 2018: 427,847 shares
- 3 Average number of shares during the period
  - As of December 31, 2018 : 37,852,163 shares
  - As of December 31, 2017 : 37,854,783shares

#### \* 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 nine-month period ended December 31, 2018, the economies of the United States, Europe, and the Indian Ocean Rim and East Asia regions performed steadily overall. In China's economy, however, a deceleration trend emerged due to such factors as sluggish consumption and a deterioration in corporate results. Although Japan's economy trended toward recovery due to such factors as growth in manufacturing and exports, signs of weakness emerged in the economy due to the effect of such factors as a trade problem between the United States and China.

In this environment, orders received by the Tsubaki Group for this nine-month period were up 10.0% year on year, to ¥178,073 million, and net sales increased 13.2%, to ¥176,180 million.

The Group recorded year-on-year increases of 16.0% in operating income, to ¥17,644 million; 11.5% in ordinary income, to ¥18,197 million; and 14.7% in net income attributable to parent company shareholders, to ¥12,944 million.

Aiming to realize the Medium-Term Management Plan 2020, the Tsubaki Group will continue conducting product development and manufacturing that caters rigorously to market needs and expanding 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; favorable sales of power transmission chains, conveyor chains, and support and guidance systems for cables and hoses in the Americas and Europe; and favorable 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 3.2% in orders received, to ¥53,519 million; 8.4% in net sales, to ¥52,565 million; and 29.1% in operating income, to ¥7,806 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 locking devices, clutches, and reducers 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 3.2% in orders received, to ¥19,440 million; 7.0% in net sales, to ¥18,804 million; and 20.7% in operating income, to ¥2,676 million.

[Automotive Parts]

In the Automotive Parts segment, net sales were up year on year as an increase in sales of timing drive systems for automobile engines at bases in Thailand, China, and other countries more than compensated for a decrease in sales of these products in the United States, Europe, South Korea, and other countries.

As a result of the above, orders received increased 1.6%, to ¥59,422 million, and net sales grew 1.7%, to ¥59,502 million. However, due to an increase in depreciation and amortization that accompanied capital expenditures aimed at increasing production capacity, operating income decreased 14.0%, to ¥6,908 million.

[Materials Handling Systems]

In the Materials Handling Systems segment, there were year-on-year increases in sales of systems for the logistics industry, systems for the newspaper industry, and systems for the automotive industry in Japan and in sales of metalworking chip handling and coolant processing systems in Europe. Further, the Company acquired all equity interest of Central Conveyor Company, LLC (the United States), and its five subsidiaries and included the company within the scope of consolidation from the first quarter. As a result of such factors, net sales were up year on year.

As a result of the above, the segment recorded year-on-year increases of 43.9% in orders received, to ¥43,618 million; 48.7% in net sales, to ¥43,249 million; and 9.6 times in operating income, to ¥1,079 million.

[Other]

Other orders received decreased 13.8%, to ¥2,072 million, and net sales increased 6.9%, to ¥2,059 million. However, operating loss of ¥52 million was recorded, compared with

operating loss of ¥56 million in the same period of the previous fiscal year.

## (2) Analysis of Financial Position

### [Assets]

Total assets stood at ¥304,192 million on December 31, 2018, up ¥20,617 million from the end of the previous fiscal year.

Current assets totaled ¥141,940 million, a rise of ¥9,796 million from the end of the previous fiscal year. This was because increases of ¥5,768 million in inventories, due to such factors as a rise in work in process; ¥2,680 million in electronically recorded monetary receivables; and ¥1,512 million in trade notes and accounts receivable more than offset a decrease of ¥438 million in short-term investments, which was due to such factors as lower certificates of deposit.

Non-current assets amounted to ¥162,251 million, up ¥10,821 million from the end of the previous fiscal year. This rise was attributable to a ¥12,622 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., and a ¥2,436 million increase in property, plant and equipment, which was due to such factors as investments in production equipment. These factors outweighed a ¥4,017 million decrease in investments and other assets, which resulted from a decline in the market value of securities held by the Company.

### [Liabilities]

Liabilities on December 31, 2018, were ¥129,140 million, up ¥15,330 million from the end of the previous fiscal year, due to such factors as a ¥15,000 million increase in bonds.

### [Net Assets]

Net assets on December 31, 2018, were ¥175,051 million, up ¥5,286 million from the end of the previous fiscal year. This increase was due to such factors as an increase of ¥8,212 million in retained earnings, which more than compensated for a decrease of ¥2,974 million in net unrealized holding gain on securities, resulting from a decline in the market value of securities held by the Company. The equity ratio was 57.0%.

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

The Company has chosen not to revise the outlook for consolidated operating results for the fiscal year ending March 31, 2019, that was announced on October 31, 2018.