

July 26, 2019

CONSOLIDATED FINANCIAL STATEMENTS

<under Japanese GAAP>

For the three-month period ended June 30, 2019

Name of the company: Tsubakimoto Chain Co.
 Code number: 6371
 Stock exchange listings: Tokyo
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*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results for the Three Months Ended June 30, 2019

(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, 2019	55,894	0.7	3,659	(32.6)	4,314	(25.2)	3,201	(23.9)
3-month period ended June 30, 2018	55,480	11.2	5,426	25.3	5,764	17.2	4,204	33.4

Note: Comprehensive income

3-month period ended June 30, 2019: ¥ 1,938 million: (51.4 %)

3-month period ended June 30, 2018: ¥ 3,993 million: 7.2 %

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
3-month period ended June 30, 2019	84.58		—	
3-month period ended June 30, 2018	111.09		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2019	303,136		175,120		57.2	
As of March 31, 2019	305,916		175,454		56.8	

Note: Shareholders' equity

As of June 30, 2019 ¥ 173,347 million

As of March 31, 2019 ¥ 173,734 million

2. Dividends

	Dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE2019	—	12.00	—	60.00	—
FYE2020	—	—	—	—	—
FYE2020 (Forecasted)	—	60.00	—	60.00	120.00

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

※The Company plans to carry out the share consolidation at a ratio of one for every five common shares, effective on October 01, 2018.

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2020

(% 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, 2019	120,000	3.0	9,400	(18.6)	10,000	(16.8)	7,100	(17.2)	187.58
12-month period ending March 31, 2020	249,000	4.4	20,800	(4.5)	21,400	(1.0)	15,100	9.6	398.94

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: 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 June 30, 2019: 38,281,393 shares

As of March 31, 2019: 38,281,393 shares

2 Number of treasury shares at end of period

As of June 30, 2019: 431,478 shares

As of March 31, 2019: 431,255 shares

3 Average number of shares during the period

As of June 30, 2019: 37,850,000 shares

As of June 30, 2018: 37,852,999 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, 2019, the United States economy continued its recovery trend despite signs emerging of the impact of trade disputes. Although the economies of Europe and the Indian Ocean Rim region trended toward modest recovery, a deceleration trend emerged in China's economy due to such factors as the impact of trade disputes and sluggish consumption.

Japan's economy continued on a trend of modest recovery, even amid signs of weakness in manufacturing and exports, due to such factors as strong employment and an improved income environment. However, there was a growing sense of economic uncertainty stemming mainly from the trade disputes between the U.S. and China,

In this environment, orders received by the Tsubaki Group for this three-month period were down 4.2% year on year, to ¥56,946 million, while net sales increased 0.7%, to ¥55,894 million.

The Group recorded year-on-year decreases of 32.6% in operating income, to ¥3,659 million; 25.2% in ordinary income, to ¥4,314 million; and 23.9% in net income attributable to parent company shareholders, to ¥3,201 million.

Aiming to realize its vision of becoming a global leader, 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.

The Company conducted a provisional accounting treatment in the 1st quarter of the previous fiscal year regarding the acquisition of Central Conveyor Company, LLC, which was executed on June 15, 2018. However, as the recording of this acquisition was settled at the end of the previous fiscal year, figures used for comparisons and analysis with the same period of the previous fiscal year represent revised figures that reflect the settlement of this provisional accounting treatment.

Segment results are summarized as follows.

[Chains]

In the Chains segment, net sales were down year on year due to such factors as sluggish sales of drive chains, conveyor chains, and support and guidance systems for cables and hoses in the Americas and the East Asia region, which counteracted solid sales of drive chains and conveyor chains in Japan, solid sales of conveyor chains in the Indian Ocean Rim region, and solid sales of drive chains in Europe.

As a result of the above, the segment posted year-on-year decreases of 4.7% in orders received, to ¥16,725 million; 2.3% in net sales, to ¥16,596 million; and 17.7% in operating income, to ¥2,067 million.

[Power Transmission Units and Components]

In the Power Transmission Units and Components Segment, sales of actuators and clutches were solid in Japan while sales of reducers and locking devices were sluggish. Net sales were down year on year due to lower sales of clutches in the Americas and the Indian Ocean Rim region, which counteracted solid sales of reducers in China.

As a result of the above, the segment recorded a year-on-year increase of 1.6% in orders received, to ¥6.834 million, and decreases of 3.8% in net sales, to ¥5,875 million, and 28.0% in operating income, to ¥656 million.

[Automotive Parts]

In the Automotive Parts segment, net sales were down year on year due to factors such as a decrease in sales of chain systems for automobile engines at bases in Japan, the United States, Thailand, China, and South Korea.

As a result of the above, orders received decreased 10.4%, to ¥18,338 million, and net sales declined 9.7%, to ¥18,393 million. In addition to the decrease in net sales, operating income decreased 32.0%, to ¥1,718, due to an increase in depreciation and amortization that accompanied capital expenditures aimed at increasing production capacity.

[Materials Handling Systems]

In the Materials Handling Systems segment, net sales were up year on year due to such factors as an increase in sales of systems for the automotive industry and bulk handling systems in Japan, metalworking chip handling and coolant processing systems in Europe, in addition to an increase in sales in systems for the automotive industry and metalworking chip handling

and coolant processing systems in the Americas.

As a result of the above, the segment recorded year-on-year increases of 2.3% in orders received, to ¥14,299 million; 25.3% in net sales, to ¥14,200 million. However, operating loss of ¥400 million was recorded due to such factors as an increase in construction costs, compared with operating loss of ¥236 million in the same period of the previous fiscal year.

[Other]

Other orders received increased 0.1%, to ¥748 million, and net sales increased 24.7%, to ¥829 million. Operating loss of ¥26 million was recorded, compared with operating loss of ¥27 million in the same period of the previous fiscal year.

(2) Analysis of Financial Position

[Assets]

Total assets stood at ¥303,136 million on June 30, 2019, down ¥2,779 million from the end of the previous fiscal year.

Current assets totaled ¥141,391 million, a decrease of ¥2,557 million from the end of the previous fiscal year. This was due to a decrease of ¥4,166 million in cash and deposits, which counteracted an increase of ¥1,889 million in short-term investments.

Non-current assets amounted to ¥161,744 million, down ¥221 million from the end of the previous fiscal year. The decrease was attributable to such factors as a ¥599 million decrease in intangible assets due to amortization and a ¥544 million decrease in investments in securities, which resulted from a decline in the market value of securities held by the Company. These factors outweighed a ¥1,056 million increase in property, plant and equipment, which was due to capital expenditures.

[Liabilities]

Liabilities on June 30, 2019, were ¥128,015 million, down ¥2,446 million from the end of the previous fiscal year, because a ¥10,000 million decrease in bonds due to amortization, outweighed a ¥7,622 million increase in debt.

[Net Assets]

Net assets on June 30, 2019, were ¥175,120 million, down ¥333 million from the end of the previous fiscal year. This decline was due to such factors as a decrease of ¥1,179 million in

foreign currency translations. These factors outweighed an increase of ¥930 million in retained earnings. The equity ratio was 57.2%.

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

The Company has chosen not to revise the first-half and full-year forecasts for the consolidated operating results for the fiscal year ending March 31, 2020, that were announced on May 10, 2019.