

February 7, 2018

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>

For the nine-month period ended December 31, 2017

Name of the company: Tsubakimoto Chain Co.

Code number: 6371

Stock exchange listings: Tokyo

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

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report issuance date: February 8, 2018

*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results for the Nine Months Ended December 31, 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	%
9-month period ended December 31, 2017	155,574	7.5	15,207	(0.7)	16,321	2.4	11,287	7.8
9-month period ended December 31, 2016	144,744	(4.5)	15,308	(5.5)	15,930	(5.6)	10,471	(2.8)

Note: Comprehensive income

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

9-month period ended December 31, 2016 : ¥ 7,944 million : (8.3%)

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
9-month period ended December 31, 2017	59.64		—	
9-month period ended December 31, 2016	55.98		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2017	280,887		168,797		59.5	
As of March 31, 2017	267,215		156,218		57.1	

Note: Shareholders' equity

As of December 31, 2017 : ¥ 167,006 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
FYE2017	—		11.00		13.00
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 December 31, 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 December 31, 2017 :	2,136,910 shares
As of March 31, 2017 :	4,345,450 shares
- 3 Average number of shares during the period

As of December 31, 2017 :	189,273,916 shares
As of December 31, 2016 :	187,072,128 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 nine-month period ended December 31, 2017, the U.S. economy continued recovering, and the European economy recovered modestly. 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 growth in manufacturing and exports and an increase in capital investment.

In this environment, orders received by the Tsubaki Group for this nine-month period were up 8.4% year on year, to ¥161,884 million, and net sales increased 7.5%, to ¥155,574 million.

The Group recorded a year-on-year decrease of 0.7% in operating income, to ¥15,207 million, due to such factors as the higher prices of steel materials. However, thanks to an improvement in net non-operating income due to such factors as a rise in foreign exchange gain, the Group recorded year-on-year increases of 2.4% in ordinary income, to ¥16,321 million, and 7.8% in net income attributable to parent company shareholders, to ¥11,287 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 essential to 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 support and guidance systems for cables and hoses in Japan and steady sales of power transmission chains and support and guidance systems for cables and hoses in the Americas and Europe.

As a result of the above, the segment posted year-on-year increases of 16.1% in orders received, to ¥51,847 million; 12.5% in net sales, to ¥48,473 million; and 21.8% in operating income, to ¥6,044 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 and linear actuators in Japan; a trend toward recovery 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 18.4% in orders received, to ¥18,841 million; 11.9% in net sales, to ¥17,571 million; and 36.8% in operating income, to ¥2,218 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 Mexico more than compensated for a slight decrease in sales of these products in Japan and the United States.

As a result of the above, orders received increased 6.3%, to ¥58,479 million, and net sales grew 6.6%, to ¥58,511 million. However, due to an increase in depreciation and amortization and the higher prices of steel materials, operating income decreased 12.6%, to ¥8,031 million.

[Materials Handling Systems]

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

As a result of the above, orders received declined 5.0%, to ¥30,309 million, and net

sales decreased 1.1%, to ¥29,093 million. However, operating income increased 24.0%, to ¥112 million, due to such factors as improved profitability in Japan.

[Other]

Other orders received increased 29.5%, to ¥2,405 million, and net sales increased 15.6%, to ¥1,925 million. Operating loss of ¥56 million was recorded, compared with operating loss of ¥30 million in the same period of the previous fiscal year.

(2) Analysis of Financial Position

[Assets]

Total assets stood at ¥280,887 million on December 31, 2017, up ¥13,671 million from the end of the previous fiscal year.

Current assets totaled ¥129,260 million, a rise of ¥3,859 million from the end of the previous fiscal year. This was because increases of ¥6,175 million in unfinished products and ¥5,797 million in electronically recorded monetary receivables more than offset decreases of ¥3,759 million in short-term investments, which was due to such factors as lower certificates of deposit; ¥2,496 million in cash and deposits; and ¥1,933 million in trade notes and accounts receivable.

Non-current assets amounted to ¥151,627 million, up ¥9,812 million from the end of the previous fiscal year. This rise was attributable to a ¥5,779 million increase in property, plant and equipment, due to such factors as investments in production equipment, and a ¥4,820 million increase in total investments and other assets, due to an increase in the market value of securities held by the Company. These increases more than compensated for a ¥786 million decrease in intangible assets due to such factors as amortization of goodwill.

[Liabilities]

Liabilities on December 31, 2017, were ¥112,090 million, up ¥1,092 million from the end of the previous fiscal year, due to an increase of ¥10,079 million in electronically recorded monetary obligations, which counteracted a ¥8,039 million decrease in debt.

[Net Assets]

Net assets on December 31, 2017, were ¥168,797 million, up ¥12,578 million from the end of the previous fiscal year. This increase was due to increases of ¥6,952 million in

retained earnings; ¥3,662 million in valuation difference on available-for-sale securities, which resulted from an increase in the market value of securities held by the Company; and ¥1,880 million in foreign currency translation adjustments, which was due to foreign exchange rate fluctuations. The equity ratio was 59.5%.

(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, 2018, that was announced on May 10, 2017.