

October 31, 2018

CONSOLIDATED FINANCIAL STATEMENTS

<under Japanese GAAP>

For the six-month period ended September 30, 2018

Name of the company: Tsubakimoto Chain Co.
 Code number: 6371
 Stock exchange listings: Tokyo
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Scheduled quarterly
 report issuance date: November 7, 2018
 Scheduled dividend
 payment date: December 4, 2018

*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results for the Six Months Ended September 30, 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	%
6-month period ended September 30, 2018	116,492	13.3	11,643	22.6	12,104	18.2	8,669	26.8
6-month period ended September 30, 2017	102,778	7.4	9,500	0.1	10,239	6.0	6,835	6.9

Note: Comprehensive income

6-month period ended September 30, 2018 : ¥ 9,943 million (3.6%)

6-month period ended September 30, 2017 : ¥ 9,599 million (- %)

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
6-month period ended September 30, 2018	229.02		—	
6-month period ended September 30, 2017	180.57		—	

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 September 30, 2018	308,541		177,157		56.9	
As of March 31, 2018	283,574		169,765		59.2	

Note: Shareholders' equity

As of September 30, 2018 : ¥ 175,427 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	401.56

Note: Revision of outlook for consolidated operating results in quarter under review: Yes

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 September 30, 2018:	38,281,393shares
As of March 31, 2018:	38,281,393 shares
- 2 Number of treasury shares at end of period

As of September 30, 2018:	429,227 shares
As of March 31, 2018:	427,847 shares
- 3 Average number of shares during the period

As of September 30, 2018:	37,852,718shares
As of September 30, 2017:	37,855,066 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, 2018

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, 2018	53,424	28.4	4,205	56.8	8,760	35.7	6,984	39.6
6-month period ended September 30, 2017	41,622	6.2	2,682	3.4	6,453	3.4	5,002	-1.5

1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

In the six-month period ended September 30, 2018, the U.S. economy and the European economy performed steadily. Further, China's economy trended toward recovery. Also, the economies of the Indian Ocean Rim and East Asia regions performed steadily overall. Japan's economy continued recovering due to such factors as growth in manufacturing and exports. However, the outlook became uncertain due to the effect of such factors as a series of natural disasters and a trade problem between the United States and China.

In this environment, orders received by the Tsubaki Group for this six-month period were up 10.7% year on year, to ¥117,878 million, and net sales increased 13.3%, to ¥116,492 million.

The Group recorded year-on-year increases of 22.6% in operating income, to ¥11,643 million; 18.2% in ordinary income, to ¥12,104 million; and 26.8% in net income attributable to parent company shareholders, to ¥8,669 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 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 8.1% in orders received, to ¥35,227 million; 10.1% in net sales, to ¥34,790 million; and 36.2% in operating income, to ¥5,057 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 11.1% in orders received, to ¥13,698 million; 7.9% in net sales, to ¥12,390 million; and 18.4% in operating income, to ¥1,540 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 Japan, Thailand, China, and Mexico more than compensated for a slight decrease in sales of these products in the United States and South Korea.

As a result of the above, orders received increased 3.2%, to ¥39,802 million, and net sales grew 3.3%, to ¥39,796 million. However, due to an increase in depreciation and amortization that accompanied a rise in capital expenditures aimed at increasing production capacity, operating income decreased 9.0%, to ¥4,699 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 and systems for the newspaper industry in Japan; an increase in sales of metalworking chip handling and coolant processing systems in Europe; and the acquisition of all equity interest of Central Conveyor Company, LLC (the United States), and its five subsidiaries and inclusion of the company within the scope of consolidation from the first quarter.

As a result of the above, the segment recorded year-on-year increases of 28.5% in orders received, to ¥27,465 million; 41.3% in net sales, to ¥28,148 million; and 554.1% in operating income, to ¥871 million.

[Other]

Other orders received increased 3.6%, to ¥1,684 million, and net sales increased 11.4%, to ¥1,365 million. However, operating loss of ¥44 million was recorded, compared with operating loss of ¥29 million in the same period of the previous fiscal year.

(2) Analysis of Financial Position

[Assets]

Total assets stood at ¥308,541 million on September 30, 2018, up ¥24,967 million from the end of the previous fiscal year.

Current assets totaled ¥141,342 million, a rise of ¥9,197 million from the end of the previous fiscal year. This was because increases of 4,382 million in trade notes and accounts receivable, due to such factors as the new consolidation of Central Conveyor Company, LLC; ¥2,655 million in inventories, due to such factors as a rise in work in process; and ¥2,187 million in electronically recorded monetary receivables more than offset a decrease of ¥462 million in short-term investments.

Non-current assets amounted to ¥167,199 million, up ¥15,769 million from the end of the previous fiscal year. This rise was attributable to a ¥13,214 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 ¥1,133 million increase in investments in securities.

[Liabilities]

Liabilities on September 30, 2018, were ¥131,384 million, up ¥17,575 million from the end of the previous fiscal year, because a ¥16,823 million increase in debt outweighed a ¥2,602 million decrease in trade notes and accounts payable.

[Net Assets]

Net assets on September 30, 2018, were ¥177,157 million, up ¥7,392 million from the end of the previous fiscal year. This increase was due to an increase of ¥6,208 million in retained earnings. The equity ratio was 56.9%.

[Cash Flows]

Cash and cash equivalents (hereafter referred to as "cash") at September 30, 2018, amounted to ¥32,802 million, up ¥1,089 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 ¥10,380 million, compared with ¥12,871 million in the corresponding period of the previous fiscal year. This was attributable to income before income taxes and minority interests of ¥12,104 million and an increase in depreciation expenses of ¥5,708 million, which more than offset a decrease in trade notes and accounts payable of ¥3,978 million and income taxes paid of ¥3,393 million.

[Net Cash Used in Investing Activities]

Net cash used in investing activities amounted to ¥21,516 million, compared with ¥9,069 million in the corresponding period of the previous fiscal year. This resulted from ¥13,517 million used to acquire all equity interest of Central Conveyor Company, LLC.

[Net Cash (Used in) Provided by Financing Activities]

Net cash provided by financing activities was ¥12,463 million, compared with net cash used in financing activities of ¥11,131 million in the corresponding period of the previous fiscal year. This was primarily due to a ¥14,772 million increase in short-term loans, which resulted from such factors as borrowing to raise funds for the acquisition of all equity interest of Central Conveyor Company, LLC.

(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 consolidated operating results for the 12 months ending March 31, 2019, which was announced on July 27, 2018, as shown below.

The assumed second-half exchange rates for the figures of the consolidated forecast for the full fiscal year are US\$1=¥105 and 1 euro=¥130.

Revised Outlook for Consolidated Operating Results for the Fiscal Year Ending March 31, 2019

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previously announced forecast (A) (announced July 27 2018)	Millions of yen 244,000	Millions of yen 21,700	Millions of yen 21,900	Millions of yen 15,200	Yen 401.55
Revised forecast (B)	239,000	21,700	21,900	15,200	401.56
Increase / Decrease (B – A)	(5,000)	—	—	—	—
Percentage increase / decrease (%)	(2.0)	—	—	—	—

(Reference) Revised Outlook for Non-Consolidated Operating Results for the Fiscal Year Ending March 31, 2019

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previously announced forecast (A) (announced May 10 2018)	Millions of yen 107,200	Millions of yen 7,200	Millions of yen 12,200	Millions of yen 9,400	Yen 248.33
Revised forecast (B)	107,400	7,500	12,700	9,600	253.62

Increase / Decrease (B – A)	200	300	500	200	—
Percentage increase / decrease (%)	0.2	4.2	4.1	2.1	—

* On October 1, 2018, the Company executed a share consolidation based on the provision of one common share for every five common shares. The said share consolidation has been taken into account with respect to the net income per share of the outlook for consolidated operating results for the 12 months ending March 31, 2019.