August 3, 2016

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>

For the three-month period ended June 30, 2016

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, 2016

(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, 2016	46,596	(3.7)	4,139	(14.1)	4,225	(20.2)	2,795	(15.0)
3-month period ended June 30, 2015	48,391	8.9	4,818	6.0	5,294	10.8	3,288	8.0

Note: Comprehensive income

3-month period ended June 30, 2016: ¥ -3,118 million: (- %)

3-month period ended June 30, 2015: ¥ 4,469 million: 62.1%

	Net income per share	Net income per share (diluted)
	Yen	Yen
3-month period ended June 30, 2016	14.94	—
3-month period ended June 30, 2015	17.58	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2016	244,628	140,804	56.0
As of March 31, 2016	254,106	145,815	55.9

Note: Shareholders' equity

As of June 30, 2016 ¥ 137,103 million

As of March 31, 2016 ¥ 142,041 million

2. Dividends

	Dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE2016	—	10.00	—	10.00	20.00
FYE2017	—				
FYE2017 (Forecasted)		11.00	—	11.00	22.00

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

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2017

(% 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, 2016	100,000	(1.5)	9,200	(14.2)	9,400	(17.3)	6,900	(19.8)	31.00
12-month period ending March 31, 2017	206,000	1.0	20,800	(3.6)	21,000	(5.0)	13,400	5.0	71.63

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, 2016: 191,406,969 shares
As of March 31, 2016: 191,406,969 shares

2 Number of treasury shares at end of period
As of June 30, 2016: 4,332,188 shares
As of March 31, 2016: 4,330,756 shares

3 Average number of shares during the period
As of June 30, 2016: 187,075,097 shares
As of June 30, 2015: 187,092,817 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, 2016, the U.S. economy continued to grow while the European economy generally showed a modest recovery. Meanwhile, economic growth slowed in Asia as demonstrated by such factors as the deceleration of China's economy. In Japan a trend of economic stagnancy continued due to the sluggish exports stemming from slowdown in emerging economies and the appreciation of the yen as well as low levels of capital investment resulting from the deterioration of corporate earnings.

In this environment, orders received for this three-month period were down 5.0% year on year, to ¥49,944 million, and net sales declined 3.7%, to ¥46,596 million. The Company also recorded year-on-year decreases of 14.1% in operating income, to ¥4,139 million; 20.2% in ordinary income, to ¥4,225 million; and 15.0% in net income attributable to parent company shareholders, to ¥2,795 million.

In this environment, the Tsubaki Group worked to advance initiatives pertaining to the strategic objectives of Medium-Term Management Plan 2016—namely, to implement product development and manufacturing strategies that consistently respond to the needs of the market, to undertake the expansion of businesses that leverage the collective strengths of the Group, and to improve profitability.

Segment results are summarized as follows.

[Chains]
In the Chains segment, net sales were down year on year. Sales of drive chains were strong in the Americas, while sales of power transmission chains and hose and cable carrier system declined in Japan. Further, sales of power transmission and conveyor chains were down in East Asia and the Indian Ocean Rim.

As a result of the above, the segment posted year-on-year decreases of 13.2% in orders received, to ¥13,978 million; 9.7% in net sales, to ¥14,239 million; and 5.4% in operating income, to ¥1,409 million.

[Power Transmission Units and Components]
In the Power Transmission Units and Components segment, net sales were down year on year due to lower sales of worm reducers in China, which counteracted solid sales of linear actuators and worm reducers in Japan.

As a result of the above, orders received decreased 5.2% year on year, to ¥5,243 million; net sales were down 4.1%, to ¥5,019 million; and operating income fell 15.5%, to ¥493 million.

[Automotive Parts]
In the Automotive Parts segment, net sales were up year on year because favorable sales of

timing drive systems for automobile engines in the United States, Europe, Thailand, China, South Korea, and Mexico more than compensated for a decrease in sales of these products in Japan.

As a result of the above, orders received decreased 2.2%, to ¥18,234 million; net sales grew 4.5%, to ¥18,425 million; and operating income was up 2.0%, to ¥3,007 million.

[Materials Handling Systems]
In the Materials Handling Systems segment, net sales were down year on year because the decrease in sales of systems for the logistics industry and life science field in Japan outweighed the rise in sales for metalworking chips handling and coolant processing systems in the United States and Europe.

As a result of the above, orders received grew 0.3%, to ¥11,822 million, net sales decreased 9.3%, to ¥8,439 million, and operating loss of ¥599 million was recorded, compared with operating loss of ¥192 million in the same period of the previous fiscal year.

[Other]
Other orders received rose 31.2%, to ¥666 million; net sales increased 7.2%, to ¥472 million; and operating loss of ¥18 million was recorded, compared with operating income of ¥7 million in the same period of the previous fiscal year.

(2) Analysis of Financial Position
[Assets]
Total assets stood at ¥244,628 million on June 30, 2016, down ¥9,478 million from the end of the previous fiscal year.

Current assets totaled ¥112,111 million, a decline of ¥4,424 million from the end of the previous fiscal year. This was because of a ¥4,086 million decrease in trade notes and accounts receivable.

Non-current assets amounted to ¥132,517 million, down ¥5,053 million from the end of the previous fiscal year. This reflected a ¥3,660 million decrease in investments and other assets that resulted from declines in the market value of securities held by the Company and a ¥447 million reduction in intangible assets following amortization of goodwill.

[Liabilities]
Liabilities on June 30, 2016, were ¥103,824 million, down ¥4,466 million from the end of the previous fiscal year, due to a ¥1,572 million decrease in accrued bonuses to employees and a ¥1,427 million decrease in accrued income taxes.

[Net Assets]
Net assets on June 30, 2016, were ¥140,804 million, down ¥5,011 million from the end of the previous fiscal year. This decline was due to decreases of ¥4,409 million from foreign

currency translation adjustments due to foreign exchange rate fluctuations and ¥1,562 million from valuation difference on available-for-sale securities following declines in the market value of securities held by the Company, which offset an increase of ¥928 million in retained earnings. The equity ratio was 56.0%.

(3) Discussion of Future Outlook including Consolidated Operating Results Forecast
The Company has chosen not to revise the outlooks for consolidated operating results for the six-month period ending September 30, 2016, or for the fiscal year ending March 31, 2017, that were announced on May 10, 2016.

2. Matters Related to Summary Information (Notes)

Changes in accounting policies and changes or restatement of accounting estimates
(Changes in accounting policies)
Revised Implementation Guidance on Recoverability of Deferred Tax Assets
From the three-month period ended June 30, 2016, the Company adopted the " Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Statement No. 26 issued on March 28, 2016, hereinafter Guidance on Recoverability of Deferred Tax Assets). Accordingly, certain accounting practices related to the recoverability of deferred tax assets have been revised.

With respect to the adoption of the Guidance on Recoverability of Deferred Tax Assets, the Company has applied a transitional treatment pursuant to Article 49 (4) of the guidance. As a result, the difference between the deferred tax assets and deferred tax liabilities that would have been recorded on April 1, 2016, if the provisions in items 1. and 3. under Article 49 (3) of the guidance were applied at that time and the amount of deferred tax assets and deferred tax liabilities recorded on March 31, 2016, was added to retained earnings on April 1, 2016.

As a result, deferred tax assets (investments and other assets) and retained earnings on April 1, 2016, both increased by ¥26 million.

Practical Solution on a Change in Depreciation Method due to Tax Reform 2016
In conjunction with the revision of the Corporation Tax Act, the Company adopted the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (PITF No.32 issued on June 17, 2016) from the three-month period ended June 30, 2016. As a result, the method of depreciation for facilities attached to buildings and structures acquired on or after April 1, 2016, will be changed from the declining-balance method to the straight-line method.

The impact on the consolidated financial statements for the three-month period ended March 31, 2016, were minimal.