November 7, 2016

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>

For the six-month period ended September 30, 2016

Name of the company: Tsubakimoto Chain Co.
Code number: 6371
Stock exchange listings: Tokyo

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Scheduled quarterly report issuance date: November 8, 2016
Scheduled dividend payment date: December 8, 2016

*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results the Six Months Ended September 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		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
6-month period ended September 30, 2016	95,740	(5.7)	9,490	(11.5)	9,655	(15.0)	6,392	(11.6)
6-month period ended September 30, 2015	101,488	9.2	10,727	8.1	11,362	9.1	7,232	9.9

Note: Comprehensive income

6-month period ended September 30, 2016 : ¥ -2,475 million: (- %)

6-month period ended September 30, 2015 : ¥ 5,055 million: (-35.5%)

	Earnings per share-Basic	Earnings per share-Basic (diluted)
	Yen	Yen
6-month period ended September 30, 2016	34.17	—
6-month period ended September 30, 2015	38.66	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2016	246,018	141,342	56.0
As of March 31, 2016	254,106	145,815	55.9

Note: Shareholders' equity

As of September 30, 2016 : ¥ 137,873 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	—	11.00			
FYE2017 (Forecasted)			—	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		Profit attributable to owners of parent		Earnings per share -Basic
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
12-month period ending March 31, 2017	197,000	(3.4)	19,700	(8.7)	19,500	(11.8)	12,700	(0.5)	67.89

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

* 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 September 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 September 30, 2016:	4,335,083 shares
As of March 31, 2016:	4,330,756 shares

3 Average number of shares during the period

As of September 30, 2016:	187,073,968 shares
As of September 30, 2015:	187,089,877 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, 2016

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, 2016	39,178	(8.7)	2,595	(33.1)	6,244	(41.1)	5,075	(42.7)
6-month period ended September 30, 2015	42,924	4.7	3,877	4.7	10,603	42.7	8,853	52.6

1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

In the six-month period ended September 30, 2016, regarding economies overseas, the U.S. business climate continued to improve, and Europe's business climate saw modest recovery overall. In Asia, however, economic growth softened, as demonstrated by such factors as the deceleration of China's economy.

As for Japan's economy, although it is recovering modestly, strong uncertainty continued due to factors such as yen appreciation.

In this environment, business conditions for the Tsubaki Group were steady overall. However, currency translation reflecting yen appreciation affected business results. Consequently, orders received for this six-month period were down 4.6% year on year, to ¥99,203 million, and net sales declined 5.7%, to ¥95,740 million. The Company also recorded year-on-year decreases of 11.5% in operating income, to ¥9,490 million; 15.0% in ordinary income, to ¥9,655 million; and 11.6% in profit attributable to parent company shareholders, to ¥6,392 million.

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 because lower sales of power transmission chains and hose and cable carrier systems in Japan counteracted steady sales of drive chains in the Americas.

As a result of the above, the segment posted year-on-year decreases of 8.8% in orders received, to ¥29,308 million; 10.5% in net sales, to ¥28,381 million; and 2.0% in operating income, to ¥3,065 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 clutches in Japan.

As a result of the above, orders received decreased 4.1% year on year, to ¥10,572 million; net sales were down 5.2%, to ¥10,322 million; and operating income fell 21.3%, to ¥954 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 at overseas bases more than compensated for a decrease in sales of these products in Japan.

As a result of the above, although orders received decreased 1.4%, to ¥36,351 million, net sales grew 1.8%, to ¥36,473 million. However, due to such factors as higher depreciation and amortization, operating income decreased 1.6%, to ¥5,822 million.

[Materials Handling Systems]
In the Materials Handling Systems segment, net sales were down year on year because of the decrease in sales of systems for the logistics industry, life science field, and automotive industry 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 declined 4.2%, to ¥21,897 million, net sales decreased 11.7%, to ¥19,476 million, and operating loss of ¥37 million was recorded, compared with operating income of ¥481 million in the same period of the previous fiscal year.

[Other]
Other orders received rose 1.4%, to ¥1,073 million, and net sales increased 8.2%, to ¥1,085 million. However, operating loss of ¥25 million was recorded, compared with operating income of ¥20 million in the same period of the previous fiscal year.

(2) Analysis of Financial Position
[Assets]
Total assets stood at ¥246,018 million on September 30, 2016, down ¥8,088 million from the end of the previous fiscal year.

Current assets totaled ¥113,885 million, a decline of ¥2,651 million from the end of the previous fiscal year. This was because of a ¥3,051 million decrease in trade notes and accounts receivable.

Non-current assets amounted to ¥132,132 million, down ¥5,437 million from the end of the previous fiscal year. This reflected a ¥2,447 million decrease in investments and other assets that resulted from declines in the market value of securities held by the Company, a ¥2,011 million decrease in property, plant and equipment due to such factors as depreciation and amortization, and a ¥979 million decrease in intangible assets due to such factors as amortization of goodwill.

[Liabilities]
Liabilities on September 30, 2016, were ¥104,676 million, down ¥3,615 million from the end of the previous fiscal year, due to a ¥1,547 million decrease in trade notes and accounts payable, a ¥677 million decrease in other current liabilities due to factors including lower accounts payable, a ¥560 million decrease in other long-term liabilities

due to such factors as lower deferred tax liabilities, and a ¥498 million decrease in accrued bonuses to employees.

[Net Assets]
Net assets on September 30, 2016, were ¥141,342 million, down ¥4,473 million from the end of the previous fiscal year. This decline was due to such factors as a decrease of ¥8,166 million in foreign currency translation adjustments due to foreign exchange rate fluctuations, which offset an increase of ¥4,525 million in retained earnings. The equity ratio was 56.0%.

[Cash Flows]
Cash and cash equivalents (hereafter referred to as "cash") at September 30, 2016, amounted to ¥29,339 million, up ¥2,916 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 ¥12,273 million, compared with ¥8,541 million in the corresponding period of the previous fiscal year. This was attributable to income before income taxes and minority interests of ¥9,439 million and depreciation and amortization of ¥5,054 million, which more than offset income taxes paid of ¥3,119 million.

[Net Cash Used in Investing Activities]
Net cash used in investing activities amounted to ¥6,879 million, compared with ¥6,996 million in the corresponding period of the previous fiscal year. This resulted from ¥7,395 million used to pay for automotive parts production facilities.

[Net Cash Used in Financing Activities]
Net cash used in financing activities was ¥1,133 million, compared with ¥3,354 million in the corresponding period of the previous fiscal year. This was primarily the result of cash dividends paid of ¥1,870 million, which counteracted a ¥897 million increase in short-term loans.

(3) Discussion of Future Outlook including Consolidated Operating Results Forecast
As a result of consideration of results for the second quarter under review and, at this juncture, the effect in the second half of such factors as exchange rates resulting from yen appreciation, the Company has revised the outlook for consolidated operating results for the 12 months ending March 31, 2017, which were announced on May 10, 2016, as shown below.

Assumed exchange rates for the full-year consolidated forecast are US$1 = ¥100 and €1 = ¥110

Revised Outlook for Consolidated Operating Results for the Fiscal Year Ending March 31, 2017

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share -Basic
Previously announced forecast (A) (announced May 10, 2016)	Millions of yen 206,000	Millions of yen 20,800	Millions of yen 21,000	Millions of yen 13,400	Yen 71.63
Revised forecast (B)	197,000	19,700	19,500	12,700	67.89
Increase / Decrease (B – A)	(9,000)	(1,100)	(1,500)	(700)	—
Percentage increase / decrease (%)	(4.4)	(5.3)	(7.1)	(5.2)	—

(Reference) Revised Outlook for Non-Consolidated Operating Results for the Fiscal Year Ending March 31, 2017

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previously announced forecast (A) (announced May 10 2016)	Millions of yen 85,000	Millions of yen 7,700	Millions of yen 12,500	Millions of yen 9,300	Yen 49.71
Revised forecast (B)	83,000	6,700	11,000	8,000	42.76
Increase / Decrease (B – A)	(2,000)	(1,000)	(1,500)	(1,300)	—
Percentage increase / decrease (%)	(2.4)	(13.0)	(12.0)	(14.0)	—

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 consolidated financial statements for the six-month period ended September 30, 2016, were minimal.