February 7, 2017

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>
For the nine-month period ended December 31, 2016

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

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Scheduled quarterly report issuance date: February 8, 2017

*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results the Nine Months Ended December 31, 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	%
9-month period ended December 31, 2016	144,744	(4.5)	15,308	(5.5)	15,930	(5.6)	10,471	(2.8)
9-month period ended December 31, 2015	151,517	6.4	16,199	3.2	16,868	2.6	10,776	5.2

Note: Comprehensive income

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

9-month period ended December 31, 2015 : ¥ 8,661 million: (48.7 %)

	Earnings per share-Basic	Earnings per share-Basic (diluted)
	Yen	Yen
9-month period ended December 31, 2016	55.98	—
9-month period ended December 31, 2015	57.60	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2016	260,900	149,700	56.0
As of March 31, 2016	254,106	145,815	55.9

Note: Shareholders' equity

As of December 31, 2016 : ¥ 146,185 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: 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 December 31, 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 December 31, 2016:	4,340,346 shares
As of March 31, 2016:	4,330,756 shares

3 Average number of shares during the period

As of December 31, 2016:	187,072,128 shares
As of December 31, 2015:	187,087,535 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, 2016, regarding economies overseas, the U.S. economy continued to grow while a modest recovery trend was sustained in the European economy. Economic conditions in Asia were generally strong as illustrated by such factors as the economic recovery seen in China.

The Japanese economy also continued to recover gradually due to the benefits of the monetary and government finance measures implemented in Japan as well as the yen depreciation trend that arose after the presidential election in the United States.

In this environment, conditions in the Tsubaki Group’s operating environment were strong overall. However, business results were affected by currency translations reflecting a level of yen appreciation that exceeded the level seen in the previous equivalent period. Consequently, orders received in the nine-month period ended December 31, 2016, were down 2.8% year on year, to ¥149,383 million, and net sales declined 4.5%, to ¥144,744 million. The Company also recorded year-on-year decreases of 5.5% in operating income, to ¥15,308 million; 5.6% in ordinary income, to ¥15,930 million; and 2.8% in profit attributable to owners of parent, to ¥10,471 million.

The Tsubaki Group continues 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 the impacts of foreign exchange translations outweighed the benefits of the recovery of sales of power transmission chains and hose and cable carrier systems in Japan and the steady sales of drive transmission chains in the Americas.

As a result of the above, the segment posted year-on-year decreases of 7.3% in orders received, to ¥44,659 million, and 8.3% in net sales, to ¥43,093 million. However, the benefits of productivity improvement activities in Japan led operating income to increase 7.6%, to ¥4,963 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 reducers in China, which counteracted solid sales of linear actuators and clutches in Japan.

As a result of the above, orders received decreased 3.1% year on year, to ¥15,916 million; net sales were down 4.4%, to ¥15,697 million; and operating income fell 17.4%, to ¥1,621 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 overseas bases more than compensated for a slight decrease in sales of these products in Japan, despite the impacts of unfavorable foreign exchange translations.

As a result of the above, although orders received increased 0.1%, to ¥55,028 million; net sales grew 1.6%, to ¥54,877 million; and operating income rose 1.3%, to ¥9,193 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, which 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 1.8%, to ¥31,921 million; net sales decreased 9.6%, to ¥29,410 million; and operating income was down 83.2%, to ¥90 million.

[Other]

Other orders received rose 9.1%, to ¥1,857 million, and net sales increased 7.4%, to ¥1,665 million. However, operating loss of ¥30 million was recorded, compared with operating income of ¥43 million in the same period of the previous fiscal year.

(2) Analysis of Financial Position

[Assets]

Total assets stood at ¥260,900 million on December 31, 2016, up ¥6,793 million from the end of the previous fiscal year.

Current assets totaled ¥121,961 million, an increase of ¥5,424 million from the end of the previous fiscal year. This was attributable to a ¥2,910 million increase in cash and deposits as well as a ¥1,932 million rise in trade notes and accounts receivable, which was a result of such factors as the final day of the nine-month period ended December 31, 2016, being a holiday for financial institutions.

Non-current assets amounted to ¥138,938 million, up ¥1,368 million from the end of the previous fiscal year. Although intangible assets decreased ¥947 million due to such factors as amortization of goodwill, this decrease was outweighed by a ¥1,729 million increase in investments and other assets that was a result of a rise in the market values of securities held by the Company as well as a ¥587 million increase in property, plant and equipment that occurred due to such factors as investments in production equipment.

[Liabilities]

Liabilities on December 31, 2016, were ¥111,199 million, up ¥2,908 million from the end of the previous fiscal year. This was attributable to a ¥3,109 million increase in trade notes and accounts payable, which was a result of such factors as the final day of the nine-month period ended December 31, 2016, being a holiday for financial institutions.

[Net Assets]

Net assets on December 31, 2016, were ¥149,700 million, up ¥3,884 million from the end of the previous fiscal year. Although gains from foreign currency translation adjustments decreased ¥4,540 million due to foreign exchange rate fluctuations, this decrease was offset by an increase of ¥6,546 million in retained earnings as well as an increase of ¥2,230 million in net unrealized holding gain on securities, which was a result of a rise in the market values of securities held by the Company. The equity ratio was 56.0%.

(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, 2017, that was announced on November 7, 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 consolidated financial statements for the nine-month period ended December 31, 2016, was minimal.