

May 27, 2020

CONSOLIDATED FINANCIAL STATEMENTS

<under Japanese GAAP>

For the twelve-month period ended March 31, 2020

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 Code number: 6371
 Stock exchange listings: Tokyo
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*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results the Twelve Months Ended March 31, 2020

(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	%
For 12 months ended March 31, 2020	226,423	(5.1)	16,146	(25.9)	16,698	(22.8)	11,576	(16.0)
For 12 months ended March 31, 2019	238,515	10.6	21,789	5.3	21,621	(0.6)	13,779	(6.0)

Note: Comprehensive income

Fiscal Year ended March 31, 2020: ¥ 8,423 million, (19.9%)

Fiscal Year ended March 31, 2019: ¥ 10,520 million, (41.4%)

	Net income per share	Net income per share (diluted)	Return on Equity	Ordinary income / Total assets	Operating income / Net sales
	Yen	Yen	%	%	%
For 12 months ended March 31, 2020	308.71	—	6.7	5.6	7.1
For 12 months ended March 31, 2019	364.03	—	8.1	7.3	9.1

Note: Equity in income of affiliates

Fiscal Year ended March 31, 2020: ¥ 44 million

Fiscal Year ended March 31, 2019: ¥ 27 million

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 consolidated common shares at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	294,098	176,055	59.3	4,711.34
As of March 31, 2019	305,916	175,454	56.8	4,590.06

Note: Shareholders' equity

As of March 31, 2020: ¥ 174,360 million

As of March 31, 2019: ¥ 173,734 million

Note: We consolidated common shares at the ratio of five shares to one share on October 1, 2018. The figures for the shareholders' equity per share are amounts on the assumption that we consolidated common shares at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For 12 months ended March 31, 2020	20,275	(14,241)	(10,385)	31,378
For 12 months ended March 31, 2019	24,197	(32,088)	12,679	36,087

2. Dividends

	Dividends per share					Total amount of dividends (Total)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY E2019	–	12.00	–	60.00	–	4,542	33.0	2.7
FY E2020	–	60.00	–	60.00	120.00	4,491	38.9	2.6
FYE 2020 (Forecasted)	–	–	–	–	–		–	

We consolidated common shares at the ratio of five shares to one share on October 1, 2018.

The dividend forecast for the fiscal year ending March 2021 has not been determined at this time.

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2021

Due to the impact of the spread of COVID-19, it is difficult to prepare a reasonable business forecast for the fiscal year ending March 2021.

Therefore, we will disclose the consolidated forecast promptly after it can be reasonably estimated.

* Notes

(1) Significant changes in scope of consolidation (indicates changes in specified subsidiaries involving changes in the scope of consolidation): None

(2) 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

(3) Number of shares issued (common shares)

- 1 Number of shares issued at end of period (including treasury shares)
 - As of March 31, 2020 : 38,281,393 shares
 - As of March 31, 2019 : 38,281,393 shares
- 2 Number of treasury shares at end of period
 - As of March 31, 2020 : 1,272,780 shares
 - As of March 31, 2019 : 431,255 shares
- 3 Average number of shares during the period
 - As of March 31, 2020 : 37,499,382 shares
 - As of March 31, 2019 : 37,851,691 shares

(Reference)

1. Non-Consolidated Financial Highlights for the Twelve Months Ended March 31, 2020

(1) Non-Consolidated Results of Operations

*Amounts less than ¥1 million are omitted

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 12 months ended March 31, 2020	101,151	(6.9)	5,466	(36.0)	11,229	(19.6)	7,704	(29.7)
For 12 months ended March 31, 2019	108,655	12.2	8,540	11.9	13,971	11.8	10,959	(30.6)

	Net income per share	Net income per share (diluted)
	Yen	Yen
For 12 months ended March 31, 2020	205.47	–
For 12 months ended March 31, 2019	289.54	–

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) Non-Consolidated Financial Position

*Amounts less than ¥1 million rounded down

	Total assets	Net assets	Equity ratio	Shareholder's equity per share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2020	207,509	118,546	57.1	3,203.23
As of March 31, 2019	219,445	119,784	54.6	3,164.70

Note: Shareholders' equity

As of March 31, 2020: ¥ 118,546 million

As of March 31, 2019: ¥ 119,784 million

Note: We consolidated common shares at the ratio of five shares to one share on October 1, 2018. The figures for the shareholders' equity per share are amounts on the assumption that we consolidate common shares on the beginning of previous fiscal year.

1. Summary of Business Results

(1) Summary of Business Results in the Fiscal Year under Review

In the consolidated fiscal year under review (April 1, 2019 to March 31, 2020), despite such uncertainties as the U.S. – China trade problem and UK’s exit from the EU (BREXIT), consumer spending and other factors supported the general stability of the business climate overseas. However, the worldwide spread of the novel coronavirus (“COVID-19”) infections has had a substantial impact on regional economies, and subsequently there is a strong sense of uncertainty about the economic outlook. Although manufacturing and exports were weak, Japan’s economy continued on a trend of recovery due to such factors as improvements in the employment market and personal income. However, the economy has entered a recessionary phase due to geopolitical risks such as trade disputes between the U.S. and China, a decline in consumption resulting from the impact of the consumption tax increase, the spread of COVID-19 infections from February onwards, and other factors.

In this environment, orders received by the Tsubaki Group for the consolidated fiscal year under review were down 2.1% year on year to ¥229,394 million, and net sales decreased 5.1% year on year to ¥226,423 million.

Operating income decreased 25.9% year on year to ¥16,146 million, and ordinary income decreased 22.8% year on year to ¥16,698 million, while net income attributable to parent company shareholders decreased 16.0% year on year to ¥11,576 million.

In aiming to realize its vision of becoming a global leader, the Tsubaki Group will continue to conduct product development and manufacturing that caters comprehensively to market needs, expand businesses that leverage the collective strengths of the Group, and strengthen the Group’s ability to achieve sustained growth.

Segment results are summarized as follows:

[Chains]

In the Chains segment, despite strong sales of products such as conveyor chains in Japan and drive chains and hose and cable carrier systems in Europe, net sales were down year on year due to factors such as the sluggish sales of hose and cable carrier systems in Japan and slow sales of various types of chains in the Americas and East Asia regions.

Subsequently, the segment recorded a year-on-year decrease of 4.6% in orders received to ¥65,055 million, a 6.7% decline in net sales over the same period to ¥65,571 million, and a year-on-year decrease of 18.3% in operating income to ¥8,406 million.

[Power Transmission Units and Components]

In the Power Transmission Units and Components segment, although there were steady sales of

clutches in Japan, net sales declined year on year due to the decreasing sales of reducers in Japan and China and falling sales of various types of power transmission units and components in the Americas and Europe.

Subsequently, the segment recorded a year-on-year decrease of 10.2% in orders received to ¥22,665 million, a 7.2% decline in net sales over the same period to ¥23,269 million, and a year-on-year decrease of 34.5% in operating income to ¥2,189 million.

[Automotive Parts]

In the Automotive Parts segment, despite an increase in sales of timing chain systems for automobile engines at bases in South Korea and Mexico and a levelling off of sales of these products in Europe, net sales declined year on year due to a decrease in the sales of the same products at bases in Japan, the United States, Thailand, and China.

Subsequently, the segment recorded a year-on-year decrease of 10.2% in orders received to ¥70,895 million, and a 10.2% decrease in net sales over the same period to ¥70,949 million. In addition to a decline in net sales, operating income decreased by 33.7% to ¥5,791 million due to an increase in depreciation and amortization that accompanied more capital expenditures aimed at augmenting production capacity, as well as a deteriorating product mix and other factors.

[Materials Handling Systems]

In the Materials Handling Systems segment, net sales were up year on year due to such factors as an increase in sales of systems for the logistics industry and systems for newspaper printing plants in Japan, as well as growth in the sales of bulk handling systems in Japan and China, and an increase in sales of systems for the automotive industry in the Americas.

Subsequently, the segment recorded a year-on-year increase of 15.1% in orders received to ¥67,968 million, a 4.1% rise in net sales over the same period to ¥63,860 million, and a year-on-year increase of 60.6% in operating income to ¥647 million.

[Other]

Other orders received increased by 2.1% year on year to ¥2,810 million, while net sales decreased by 2.1% over the same period to ¥2,772 million. Operating income was ¥20 million (an operating loss of ¥43 million was recorded in the same period of the previous fiscal year).

(2) Summary of Financial Position in the Fiscal Year under Review

[Assets]

Assets were ¥294,098 million, down ¥11,817 million from the end of the previous consolidated fiscal year. This was attributable to various factors such as a ¥4,628 million decrease in cash and

deposits, a ¥2,095 million fall in investments in securities due to a decline in the market value of securities held by the Company and other factors, a ¥1,738 million decrease in electronically recorded monetary claims, a ¥1,606 million fall in inventories due to a decline in work in process, and a ¥1,425 million decrease in intangible fixed assets due to amortization and other factors.

[Liabilities]

Liabilities were ¥118,043 million, down ¥12,418 million from the end of the previous consolidated fiscal year. This was attributable to various factors such as a ¥10,000 million decrease in bonds due to redemption, a ¥3,755 million fall in electronically recorded monetary obligations, and a ¥2,914 million decrease in notes and accounts payable, all of which outweighed a ¥7,736 million increase in debt.

[Net Assets]

Net assets were ¥176,055 million, up ¥601 million from the end of the previous consolidated fiscal year. This was attributable to various factors such as a ¥7,044 million increase in retained earnings, which offset a ¥3,205 million increase in treasury stock due to repurchases and other factors, a ¥2,107 million decrease in foreign currency translation adjustments due to exchange rate fluctuations, a ¥1,272 million decrease in net unrealized holding gain on securities due to a fall in the market value of securities held by the Company and other factors. Further, the equity ratio increased 2.5 percentage points to 59.3%.

(3) Summary of Cash Flow in the Fiscal Year under Review

Cash and cash equivalents (hereafter referred to as “cash”) at the end of the consolidated fiscal year amounted to ¥31,378 million, down ¥4,708 million from the end of the previous consolidated fiscal year.

Respective cash flows and their causes are as follows:

(Cash provided by operating activities)

Net cash provided by operating activities was ¥20,275 million. This was attributable to various factors such as income before income taxes and minority interests of ¥16,809 million and depreciation and amortization of ¥12,739 million, which offset income taxes paid of ¥5,089 million and a ¥6,435 million decrease in accounts payable.

(Cash used in investing activities)

Net cash used in investing activities was ¥14,241 million. This resulted from ¥14,661 million

used to pay for automotive parts production facilities, and other items.

(Cash used in financing activities)

Net cash used in financing activities was ¥10,385 million. This was attributable to various factors such as ¥10,000 million used in the redemption of bonds.

(4) Outlook for the Current Fiscal Year

In aiming to realize its vision of becoming a global leader, the Tsubaki Group will continue to address the issues in this final fiscal year of the Mid-term Management Plan 2020, and strengthen its operational capabilities while aiming to enhance safety and quality and build foundations that will lead to sustained growth.

Regarding the outlook for the current fiscal year (fiscal year ending March 31, 2021), the worldwide spread of the COVID-19 infections is causing uncertainty in various areas, such as trends in the global economy and the production status of our key customers including the automotive industry. This has made it difficult to calculate a reasonable business results outlook at present. Therefore, we will promptly disclose our consolidated operating results forecast at the time we are able to calculate it.

(5) Policy on Shareholder Returns in the Fiscal Year under Review and in the Current Fiscal Year

The Tsubaki Group views returning profits to its shareholders as one of the highest priorities of management.

Regarding shareholder returns, with a view to focusing our attention on meeting the interests of our shareholders and with paying dividends that reflect consolidated business results as a fundamental policy, we aim to provide shareholder returns based on the comprehensive consideration of such factors as funding conditions and finances, and with a consolidated dividend payout ratio of 30% as a criterion.

In accordance with the policy above, we have decided to issue a year-end dividend of ¥60.00 per share with a focus on returning profits to our shareholders. Accordingly, together with the interim dividend (of ¥60.00 per share), the full-year dividend will be ¥120.00 per share. We plan to utilize retained cash for strengthening our underlying financial standing, promoting future business expansion, and for other purposes.

Regarding dividends for the current fiscal year, as noted in the Outlook for the Current Fiscal Year, as we are unable to arrive at a reasonable calculation of the business results forecast at present, this matter is to be determined.

2. Basic Approach to the Selection of Accounting Standards

The Tsubaki Group applies Japanese standards and, for the time being, does not plan to adopt IFRS (International Financial Reporting Standards). However, we will review the situation in light of future trends in accounting standards and other factors.