

May 11, 2021

CONSOLIDATED FINANCIAL STATEMENTS

<under Japanese GAAP>

For the twelve-month period ended March 31, 2021

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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, 2021

(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, 2021	193,399	(14.6)	8,896	(44.9)	11,026	(34.0)	8,706	(24.8)
For 12 months ended March 31, 2020	226,423	(5.1)	16,146	(25.9)	16,698	(22.8)	11,576	(16.0)

Note: Comprehensive income

Fiscal Year ended March 31, 2021: ¥ 14,822 million, 76.0%

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

	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, 2021	235.23	—	4.8	3.7	4.6
For 12 months ended March 31, 2020	308.71	—	6.7	5.6	7.1

Note: Equity in income of affiliates

Fiscal Year ended March 31, 2021: ¥ 47 million

Fiscal Year ended March 31, 2020: ¥ 44 million

(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, 2021	307,332	187,494	60.5	5,019.35
As of March 31, 2020	294,098	176,055	59.3	4,711.34

Note: Shareholders' equity

As of March 31, 2021: ¥ 185,791 million

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

(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, 2021	27,890	(9,560)	(4,354)	46,084
For 12 months ended March 31, 2020	20,275	(14,241)	(10,385)	31,378

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	%	%
FYE2020	–	60.00	–	60.00	120.00	4,491	38.9	2.6
FYE2021	–	30.00	–	45.00	75.00	2,776	31.9	1.5
FYE 2022 (Forecasted)	–	50.00	–	60.00	110.00		32.6	

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2022

	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, 2021	107,000	20.9	7,000	130.1	7,700	93.3	6,000	94.2	162.10
12-month period ending March 31, 2022	225,000	16.3	16,000	79.8	17,000	54.2	12,500	43.6	337.70

* 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: None
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, 2021 : 38,281,393 shares
 - As of March 31, 2020 : 38,281,393 shares
- 2 Number of treasury shares at end of period
 - As of March 31, 2021 : 1,266,367 shares
 - As of March 31, 2020 : 1,272,780 shares
- 3 Average number of shares during the period
 - As of March 31, 2021 : 37,013,807 shares
 - As of March 31, 2020 : 37,499,382 shares

(Reference)

1. Non-Consolidated Financial Highlights for the Twelve Months Ended March 31, 2021

(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, 2021	87,196	(13.8)	2,130	(61.0)	7,294	(35.0)	6,005	(22.1)
For 12 months ended March 31, 2020	101,151	(6.9)	5,466	(36.0)	11,229	(19.6)	7,704	(29.7)

	Net income per share	Net income per share (diluted)
	Yen	Yen
For 12 months ended March 31, 2021	162.25	—
For 12 months ended March 31, 2020	205.47	—

(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, 2021	215,949	125,350	58.0	3,386.47
As of March 31, 2020	207,509	118,546	57.1	3,203.23

Note: Shareholders' equity

As of March 31, 2021: ¥ 125,350 million

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

1. Summary of Business Results, Etc.

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

In this consolidated fiscal year (April 1, 2020 to March 31, 2021), the business environment of the Tsubaki Group was affected by a global economic slowdown attributable to various factors, including numerous countries and regions worldwide enforcing lockdowns in cities due to the spread of the novel coronavirus COVID-19 infections. The Japanese economy also deteriorated considerably during this period, due to factors such as the declaration of a state of emergency and the subsequent voluntary restraint in business and personal activities and fall in consumer spending. Even after the lockdowns overseas were lifted and the State of Emergency declarations in Japan ended, the situation remained unpredictable as uncertainty about the future intensified due to subsequent waves of COVID-19 infections. However, the business conditions in Japan and overseas are on a path to recovery, underpinned by various factors including the economic policies of each country.

In this environment, orders received by the Tsubaki Group for the consolidated fiscal year under review were down 17.2% year-on-year to ¥189,875 million, and net sales decreased 14.6% year-on-year to ¥193,399 million.

Operating income decreased 44.9% year-on-year to ¥8,896 million, and ordinary income decreased 34.0% year-on-year to ¥11,026 million, while net income attributable to parent company shareholders decreased 24.8% year-on-year to ¥8,706 million.

The Tsubaki Group will continue to make efforts to stop the spread of COVID-19 infections, while moving forward with production and product development that comprehensively meets the market's needs. We will keep expanding our businesses by leveraging the Group's collective strengths, and enhance our sustainable growth potential and earning power.

Segment results are summarized as follows:

All of the Tsubaki Group's reporting segments were affected by the spread of COVID-19 infections.

[Chains]

In the Chains segment, although there was a remarkable recovery in results from the second half of the year, the substantial impact of the spread of COVID-19 infections in the first half of the year resulted in sales declining year-on-year due to various factors, including a fall in regional sales in Japan, the Americas, Europe, and other regions and countries.

Subsequently, the segment recorded a year-on-year decrease of 5.4% in orders received to ¥61,529 million, an 8.9% decline in net sales over the same period to ¥59,708 million, and a year-on-year decrease of 6.5% in operating income to ¥7,862 million.

[Power Transmission Units and Components]

In the Power Transmission Units and Components segment, although results were on the path to recovery, sales decreased year-on-year due to declining sales in Japan, the Americas, Europe, China, and Thailand.

Subsequently, the segment recorded a year-on-year decrease of 14.9% in orders received to ¥19,290 million, a 16.7% decline in net sales over the same period to ¥19,392 million, and a year-on-year decrease of 62.7% in operating income to ¥816 million.

[Automotive Parts]

In the Automotive Parts segment, results recovered in each quarter and sales of timing chain systems for automobile engines increased in China. However, the substantial impact of the spread of COVID-19 infections in the first half of the year resulted in net sales declining year-on-year due to a decrease in the sales of the same and other products at bases in Japan, the Americas, Europe, Thailand, and South Korea.

Subsequently, the segment recorded a year-on-year decrease of 18.5% in orders received to ¥57,787 million, a 18.6% decrease in net sales over the same period to ¥57,777 million, and a year-on-year decrease of 35.9% in operating income to ¥3,714 million.

[Materials Handling Systems]

In the Materials Handling Systems segment, although sales of systems for the automotive industry increased in Japan, sales were down year-on-year due to such factors as a fall in sales of systems for the logistics industry and systems for newspaper printing plants in Japan, as well as a decrease in the sales of metalworking chips handling and coolant processing systems.

Subsequently, the segment recorded a year-on-year decrease of 29.0% in orders received to ¥48,256 million, and a 16.6% decrease in net sales over the same period to ¥53,279 million. Due to an increase in construction costs for systems for the automotive industry in the Americas and other factors, the Group recorded an operating loss of ¥2,202 million (compared to an operating income of ¥647 million in the same period of the previous fiscal year).

[Other]

Other orders received increased 7.2% year-on-year to ¥3,012 million, while net sales increased 16.9% over the same period to ¥3,241 million. Despite this, the Group recorded an operating loss of ¥330 million (compared to an operating income of ¥20 million in the same period of the previous fiscal year).

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

[Assets]

Assets were ¥307,332 million, up ¥13,234 million from the end of the previous consolidated fiscal year. Although there was a ¥3,519 million decrease in tangible fixed assets due to amortization and other factors, and a ¥1,883 million decrease in notes and accounts receivables due to a decline in net sales in the relevant period, cash and deposits increased by ¥12,849 million and investments in securities increased by ¥6,282 million due to a rise in the market value of securities held by the Company and other factors.

[Liabilities]

Liabilities were ¥119,838 million, up ¥1,795 million from the end of the previous consolidated fiscal year. Although non-operating electronically recorded monetary obligations decreased by ¥978 million and electronically recorded monetary obligations decreased by ¥864 million, and income taxes payable declined by ¥517 million and debt fell by ¥341 million, other current liabilities rose by ¥2,760 million due to an increase in accrued expenses and advances received, and deferred tax liabilities also increased by ¥2,089 million.

[Net Assets]

Net assets were ¥187,494 million, up ¥11,438 million from the end of the previous consolidated fiscal year. This was attributable to numerous factors, including a ¥4,284 million increase in the valuation difference on available-for-sale securities due to a rise in the market value of securities held by the Company and an increase of ¥5,369 million in retained earnings, as well as an increase of ¥1,649 million in foreign currency translation adjustments due to exchange rate fluctuations. Furthermore, the equity ratio increased 1.2 percentage points to 60.5%.

(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 ¥46,084 million, up ¥14,706 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 ¥27,890 million. This was attributable to various factors such as income before income taxes and minority interests of ¥12,159 million and depreciation and amortization of ¥12,682 million, as well as a ¥2,596 million decrease in inventories, which offset income taxes paid of ¥3,810 million.

(Cash used in investing activities)

Net cash used in investing activities was ¥9,560 million. This resulted from ¥9,723 million used to pay for automotive parts production machinery, and other items.

(Cash used in financing activities)

Net cash used in financing activities was ¥4,354 million. This resulted from ¥3,400 million used to pay for dividends, a ¥474 million decrease in debt, and other items.

(4) Outlook for the Current Fiscal Year

The outlook for the current fiscal year is for economic conditions to continue recovering worldwide. However, COVID-19 infections are still spreading in some regions, and therefore the future remains uncertain. Amid these business conditions, the Tsubaki Group is continuing to strengthen its operational capabilities while also enhancing safety and quality and building foundations that will lead to sustained growth.

The consolidated results forecasts for the fiscal year ending March 31, 2022 are as follows.

Net sales	¥225,000 million (16.3% increase year-on-year)
Operating income	¥16,000 million (79.8% increase year-on-year)
Ordinary income	¥17,000 million (54.2% increase year-on-year)
Net income attributable to parent company shareholders	¥12,500 million (43.6% increase year-on-year)

The main exchange rate used for the fiscal year ending March 31, 2022 (fiscal 2021) is set at 1 USD=107 JPY, and 1 Euro=130 JPY.

The forecasts above are based on information currently available and certain assumptions that the Company regards as reasonable. Actual results may differ from these results forecasts depending on changes in the business environment surrounding the Tsubaki Group, market trends, exchange rate fluctuations, and other factors. Furthermore, factors that may affect the results are not limited to those listed above.

(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 ¥45.00 per share, with a focus on returning profits to our shareholders. Accordingly, together with the interim dividend (of ¥30.00 per share), the full-year dividend will be ¥75.00 per share. We plan to utilize retained cash for strengthening our underlying financial standing, promoting future business expansion, and for other purposes.

In accordance with the policy above, dividends for the current fiscal year will be as follows: an interim dividend of ¥50.00 per share, a year-end dividend of ¥60.00 per share, and a full-year dividend of ¥110.00 per share.

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 consider adopting IFRS in light of future trends in accounting standards and other factors.