

October 31, 2019

## CONSOLIDATED FINANCIAL STATEMENTS

<under Japanese GAAP>

For the six-month period ended September 30, 2019

Name of the company: Tsubakimoto Chain Co.  
 Code number: 6371  
 Stock exchange listings: Tokyo  
 URL: <https://tsubakimoto.com/>  
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Scheduled quarterly  
 report issuance date: November 7, 2019  
 Scheduled dividend  
 payment date: December 3, 2019

\*Amounts less than ¥1 million are omitted.

### 1. Consolidated Operating Results for the Six Months Ended September 30, 2019

#### (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	%
6-month period ended September 30, 2019	114,254	(1.9)	8,231	(28.8)	8,850	(26.3)	6,496	(24.3)
6-month period ended September 30, 2018	116,492	13.3	11,553	21.6	12,013	17.3	8,578	25.5

Note: Comprehensive income

6-month period ended September 30, 2019 : ¥ 4,476 million (54.6%)  
 6-month period ended September 30, 2018 : ¥ 9,850 million 2.6 %

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
6-month period ended September 30, 2019	171.63		—	
6-month period ended September 30, 2018	226.64		—	

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) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2019	298,984		177,569		58.9	
As of March 31, 2019	305,916		175,454		56.8	

Note: Shareholders' equity

As of September 30, 2019 : ¥ 175,955 million  
 As of March 31, 2019 : ¥ 173,734 million

### 2. Dividends

	Dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE2019	—	12.00	—	60.00	—
FYE2020	—	60.00	—	—	—
FYE2020 (Forecasted)	—	—	—	60.00	—

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

We consolidated common shares at the ratio of five shares to one share on October 1, 2018. Accordingly, the amount of the year-end dividend per share for the year ending March 31, 2019 takes this share consolidation into account and disclosure of the total annual dividends per share are described as “-”.

### 3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2020

(% 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
12-month period ending March 31, 2020	235,000	(1.5)	16,100	(26.1)	16,400	(24.2)	11,700	(15.1)	309.12

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, 2019:	38,281,393 shares
As of March 31, 2019:	38,281,393 shares
- 2 Number of treasury shares at end of period
 

As of September 30, 2019:	431,982 shares
As of March 31, 2019:	431,255 shares
- 3 Average number of shares during the period
 

As of September 30, 2019:	37,849,825 shares
As of September 30, 2018:	37,852,718 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 six-month period ended September 30, 2019, despite emerging signs of the impact of the trade disputes between China and the United States, the United States economy performed solidly due to support from consumer spending and other factors. Similarly, although there are some indications of declining production, the European economy maintained a firm trend thanks to such factors as consumer spending. Meanwhile, the economies of China and the Indian Ocean Rim region trended toward deceleration, reflecting the impact of the trade disputes between China and the United States and other factors.

Japan's economy continued on a trend of modest recovery, even amid signs of weakness in manufacturing and exports, due to such factors as improvements in the employment market and personal income. However, signs of weakness emerged in the economy due to such factors as the prolonged trade disputes between the U.S. and China.

In this environment, orders received by the Tsubaki Group for this six-month period were up 4.8% year on year, to ¥123,578 million, while net sales declined 1.9%, to ¥114,254 million. The Group recorded year-on-year decreases of 28.8% in operating income, to ¥8,231 million; 26.3% in ordinary income, to ¥8,850 million; and 24.3% in net income attributable to parent company shareholders, to ¥6,496 million.

Aiming to realize its vision of becoming a global leader, the Tsubaki Group will continue conducting product development and manufacturing that caters rigorously to market needs and expanding businesses that leverage the collective strengths of the Group and strengthen the Group's ability to sustain growth.

The Company conducted a provisional accounting treatment in the six-month period ended September 30, 2018, regarding the acquisition of Central Conveyor Company, LLC, which was executed on June 15, 2018. However, as the recording of this acquisition was settled at the end of the previous fiscal year, figures used for comparisons and analysis with the same period of the previous fiscal year represent revised figures that reflect the settlement of this provisional accounting treatment.

Segment results are summarized as follows:

[Chains]

In the Chains segment, net sales were down year on year due to such factors as sluggish sales of drive chains in Japan and sluggish sales of various types of chain products in the Americas and the East Asia region, which outweighed solid sales of conveyor chains in Japan, solid sales of support and guidance systems for cables and hoses in Europe, and solid sales of conveyor chains in the Indian Ocean Rim region.

As a result of the above, the segment posted year-on-year decreases of 6.5% in orders received, to ¥32,938 million; 4.7% in net sales, to ¥33,149 million; and 15.2% in operating income, to ¥4,291 million.

[Power Transmission Units and Components]

In the Power Transmission Units and Components segment, net sales declined year on year because steady sales of actuators and clutches in Japan and steady sales of clutches in the Indian Ocean Rim region did not fully compensate for lower sales of reducers in Japan and China and lower sales of various types of power transmission units and components in the Americas and Europe.

As a result of the above, the segment recorded year-on-year decreases of 10.4% in orders received, to ¥12,273 million; 5.3% in net sales, to ¥11,733 million; and 28.3% in operating income, to ¥1,104 million.

[Automotive Parts]

In the Automotive Parts segment, net sales declined year on year as decreases in sales of timing chain systems for automobile engines at bases in Japan, the United States, Thailand, and China counteracted increases in sales of these products at bases in South Korea and Mexico.

As a result of the above, orders received decreased 8.9%, to ¥36,272 million, and net sales decreased 8.7%, to ¥36,353 million. Due to the decrease in net sales and an increase in depreciation and amortization that accompanied a rise in capital expenditures aimed at increasing production capacity, operating income decreased 39.9%, to ¥2,826 million.

[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 life science field, systems for newspaper printing

plants, systems for the distribution industry, bulk handling systems, and metalworking chip handling and coolant processing systems in Japan as well as an increase in sales in systems for the automotive industry in the Americas.

As a result of the above, the segment recorded year-on-year increases of 48.8% in orders received, to ¥40,864 million, and 12.0% in net sales, to ¥31,539 million. Due to such factors as an increase in installation costs in the Americas, however, operating income decreased 35.0%, to ¥507 million.

[Other]

Other orders received decreased 27.0%, to ¥1,230 million, and net sales increased 8.3%, to ¥1,479 million. Operating loss of ¥15 million was recorded, compared with operating loss of ¥44 million in the same period of the previous fiscal year.

## (2) Analysis of Financial Position

[Assets]

Total assets stood at ¥298,984 million on September 30, 2019, down ¥6,931 million from the end of the previous fiscal year.

Current assets totaled ¥136,480 million, a decrease of ¥7,469 million from the end of the previous fiscal year. This was due to decreases of ¥4,634 million in trade notes and accounts receivable, ¥1,702 million in cash and deposits, and ¥1,700 million in electronically recorded monetary receivables as well as a ¥546 million decrease in inventories, which was due to such factors as a rise in work in process. The aforementioned counteracted an increase of ¥1,534 million in short-term investments.

Non-current assets amounted to ¥162,504 million, up ¥537 million from the end of the previous fiscal year. The increase was attributable to such factors as a ¥1,228 million increase in property, plant and equipment, which was due to capital expenditures, and a ¥348 million increase in investments in securities. These factors outweighed a ¥918 million decrease in intangible assets.

[Liabilities]

Liabilities on September 30, 2019, were ¥121,415 million, down ¥9,046 million from the end of the previous fiscal year, because decreases of ¥10,000 million in bonds, ¥3,366 million in electronically recorded monetary obligations, and ¥3,223 million in trade notes and accounts payable outweighed a ¥7,370 million increase in debt.

[Net Assets]

Net assets on September 30, 2019, were ¥177,569 million, up ¥2,114 million from the end of the previous fiscal year. This increase was due to an increase of ¥4,225 million in retained earnings, which more than offset a ¥2,516 million decrease in foreign currency translation adjustments. The equity ratio was 58.9%.

[Cash Flows]

Cash and cash equivalents (hereafter referred to as “cash”) at September 30, 2019, amounted to ¥36,030 million, down ¥57 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 ¥11,778 million, compared with ¥10,380 million in the corresponding period of the previous fiscal year. This was attributable to income before income taxes and minority interests of ¥8,847 million and depreciation expenses of ¥6,365 million, which more than offset a decrease in trade notes and accounts payable of ¥6,357 million.

[Net Cash Used in Investing Activities]

Net cash used in investing activities amounted to ¥6,418 million, compared with ¥21,516 million in the corresponding period of the previous fiscal year. This resulted from ¥6,761 million used for purchases of property, plant and equipment.

[Net Cash (Used in) Provided by Financing Activities]

Net cash used in financing activities was ¥4,961 million, compared with net cash provided by financing activities of ¥12,463 million in the corresponding period of the previous fiscal year. This was primarily due to redemption of bonds of ¥10,000 million and cash dividends paid of ¥2,359 million, which more than offset a ¥7,641 million increase in debt.

(3) Discussion of Future Outlook including Consolidated Operating Results Forecast

As a result of consideration of results for the second quarter under review and the outlook at this juncture, the Company has revised the outlook for consolidated operating results for the 12 months ending March 31, 2020, which was announced on May 10, 2019, as shown below. The assumed second-half exchange rates for the figures of the consolidated forecast for the full fiscal year are US\$1=¥107 and 1 euro=¥118

Revised Outlook for Consolidated Operating Results for the Fiscal Year Ending March 31, 2020

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previously announced forecast (A) (announced May 10, 2019)	Millions of yen 249,000	Millions of yen 20,800	Millions of yen 21,400	Millions of yen 15,100	Yen 398.94
Revised forecast (B)	235,000	16,100	16,400	11,700	309.12
Increase / Decrease (B – A)	(14,000)	(4,700)	(5,000)	(3,400)	—
Percentage increase / decrease (%)	(5.6)	(22.6)	(23.4)	(22.5)	—

On October 31, 2019, a meeting of the Company's Board of Directors approved a resolution on an item concerning the acquisition of treasury stock.

The effect of the said item has not been taken into consideration with respect to net income per share in the outlook for consolidated operating results.