

February 6, 2020

**CONSOLIDATED FINANCIAL STATEMENTS**  
**<under Japanese GAAP>**

For the nine-month period ended December 31, 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:* February 7, 2020

\*Amounts less than ¥1 million are omitted.

**1. Consolidated Operating Results for the Nine Months Ended December 31, 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	%
9-month period ended December 31, 2019	169,139	(4.0)	12,623	(27.8)	13,310	(26.2)	9,623	(24.7)
9-month period ended December 31, 2018	176,180	13.2	17,475	14.9	18,028	10.5	12,775	13.2

Note: Comprehensive income

9-month period ended December 31, 2019 : ¥ 9,930 million : (0.2%)

9-month period ended December 31, 2018 : ¥ 9,946 million : (41.4%)

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
9-month period ended December 31, 2019	255.51		—	
9-month period ended December 31, 2018	337.51		—	

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 December 31, 2019	301,479		177,550		58.4	
As of March 31, 2019	305,916		175,454		56.8	

Note: Shareholders' equity

As of December 31, 2019 : ¥ 175,972 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				
FYE2019	—	12.00	—	60.00	—
FYE2020	—	60.00	—	—	—
FYE2020 (Forecasted)	—	—	—	60.00	120.00

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)	310.65

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, 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 December 31, 2019 :	1,272,224 shares
As of March 31, 2019:	431,255 shares
- 3 Average number of shares during the period
 

As of December 31, 2019 :	37,662,943 shares
As of December 31, 2018 :	37,852,163shares

#### \* 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, 2019, although the United States economy performed solidly due to support from consumption and other factors, the outlook became uncertain as a result of the impact of the trade disputes between United States and China and other factors. Similarly, despite solid consumption, signs of weakness emerged in the European economy due to such uncertainties as the matter of the United Kingdom's prospective exit from the European Union. The economies of China and the Indian Ocean Rim region continued slowing down, reflecting the impact of the trade disputes between the U.S. and China 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, the economic outlook became uncertain due to escalating geopolitical risks such as the trade disputes between the U.S. and China, a decrease in consumption resulting from the impact of the consumption tax increase and other factors.

In this environment, orders received by the Tsubaki Group for this nine-month period were down 1.7% year on year, to ¥175,096 million, and net sales declined 4.0%, to ¥169,139 million. The Group recorded year-on-year decreases of 27.8% in operating income, to ¥12,623 million; 26.2% in ordinary income, to ¥13,310 million; and 24.7% in net income attributable to parent company shareholders, to ¥9,623 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.

Although the Company conducted a provisional accounting treatment in the nine-month period ended December 31, 2018, regarding the acquisition of Central Conveyor Company, LLC, which was executed on June 15, 2018, the recording of this acquisition was settled at the end of the previous fiscal year. As a result, 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 support and guidance systems for cables and hoses in Europe and various types of chains in the Americas and East Asia regions, which outweighed solid sales of conveyor chains in Japan.

As a result of the above, the segment posted year-on-year decreases of 8.9% in orders received, to ¥48,731 million; 6.2% in net sales, to ¥49,299 million; and 19.8% in operating income, to ¥6,256 million.

[Power Transmission Units and Components]

In the Power Transmission Units and Components segment, net sales declined year on year because steady sales of clutches in Japan 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 10.1% in orders received, to ¥17,480 million; 6.5% in net sales, to ¥17,589 million; and 33.4% in operating income, to ¥1,783 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 9.8%, to ¥53,589 million, and net sales also decreased 9.8%, to ¥53,656 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, as well as a deterioration of the product mix, operating income decreased 36.2%, to ¥4,410 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 in Japan for the distribution industry, systems for newspaper printing plants, systems for the life science field, and bulk handling systems.

As a result of the above, the segment recorded year-on-year increases of 22.4% in orders received, to ¥53,380 million, and 7.5% in net sales, to ¥4,656 million. Due to such factors as an increase in installation and other costs in systems for the automotive industry in the Americas, however, operating income decreased 0.9%, to ¥902 million.

[Other]

Other orders received decreased 7.7%, to ¥1,913 million, and net sales increased 1.3%, to ¥2,085 million. Operating loss of ¥7 million was recorded, compared with operating loss of ¥52 million in the same period of the previous fiscal year.

## (2) Analysis of Financial Position

[Assets]

Total assets stood at ¥301,479 million on December 31, 2019, down ¥4,436 million from the end of the previous fiscal year.

Current assets totaled ¥136,536 million, a decrease of ¥7,413 million from the end of the previous fiscal year. This was due to decreases of ¥5,242 million in cash and deposits, ¥3,770 million in trade notes and accounts receivable, and a ¥423 million decrease in inventories, which was due to such factors as a decrease in raw materials and supplies, as well as an increase in the allowance for doubtful accounts of ¥215 million. The aforementioned counteracted an increase of ¥2,477 million in electronically recorded monetary receivables.

Non-current assets amounted to ¥164,943 million, up ¥2,976 million from the end of the previous fiscal year. The increase was attributable to such factors as a ¥3,298 million increase in investments in securities. These factors outweighed an ¥819 million decrease in intangible assets.

[Liabilities]

Liabilities on December 31, 2019, were ¥123,929 million, down ¥6,532 million from the end of the previous fiscal year, because decreases of ¥10,000 million in bonds and ¥2,573 million in trade notes and accounts payable outweighed a ¥7,000 million increase in debt.

[Net Assets]

Net assets on December 31, 2019, were ¥177,550 million, up ¥2,095 million from the end of the previous fiscal year. This increase was due to an increase of ¥5,081 million in retained earnings, which more than offset a ¥3,203 million increase in treasury stock due to repurchases and other factors. The equity ratio was 58.4%.

(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, 2020, that was announced on October 31, 2019.