

July 31, 2020

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

For the three-month period ended June 30, 2020

*Name of the company:* Tsubakimoto Chain Co.  
*Code number:* 6371  
*Stock exchange listings:* Tokyo  
*URL:* <https://tsubakimoto.com/>  
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\*Amounts less than ¥1 million are omitted.

**1. Consolidated Operating Results for the Three Months Ended June 30, 2020****(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	%
3-month period ended June 30, 2020	40,829	(27.0)	1,169	(68.1)	1,649	(61.8)	1,211	(62.2)
3-month period ended June 30, 2019	55,894	0.7	3,659	(32.6)	4,314	(25.2)	3,201	(23.9)

Note: Comprehensive income

3-month period ended June 30, 2020: ¥ 528 million: (72.7 %)

3-month period ended June 30, 2019: ¥ 1,938 million: (51.4 %)

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
3-month period ended June 30, 2020	32.74		—	
3-month period ended June 30, 2019	84.58		—	

**(2) Consolidated Financial Position**

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2020	289,526		174,363		59.6	
As of March 31, 2020	294,098		176,055		59.3	

Note: Shareholders' equity

As of June 30, 2020 ¥ 172,701 million

As of March 31, 2020 ¥ 174,360 million

**2. Dividends**

	Dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen				
FYE2020	—	60.00	—	60.00	120.00
FYE2021	—				
FYE2021 (Forecasted)		30.00	—	30.00	60.00

Note: Revision of cash dividends forecast in quarter under review: Yes

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

(% 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
6-month period ending September 30, 2020	88,000	(23.0)	1,900	(76.9)	2,700	(69.5)	1,700	(73.8)	45.94
12-month period ending March 31, 2021	190,500	(15.9)	6,600	(59.1)	7,400	(55.7)	5,300	(54.2)	143.21

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: None
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 June 30, 2020: 38,281,393 shares

As of March 31, 2020: 38,281,393 shares

2 Number of treasury shares at end of period

As of June 30, 2020: 1,272,712 shares

As of March 31, 2020: 1,272,780 shares

3 Average number of shares during the period

As of June 30, 2020: 37,008,631 shares

As of June 30, 2019: 37,850,000 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 three-month period ended June 30, 2020, the spread of novel coronavirus COVID-19 infections (hereinafter "COVID-19") resulted in the closure (lockdown) of cities in regions and countries around the world, and this along with other factors contributed to the global economic slowdown.

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.

In this environment, orders received by the Tsubaki Group for this three-month period were down 41.8% year on year to ¥39,608 million, and net sales decreased 27.0% year on year to ¥40,829 million.

Operating income decreased 68.1% year on year to ¥1,169 million, and ordinary income decreased 61.8% year on year to ¥1,649 million, while net income attributable to parent company shareholders decreased 62.2% year on year to ¥1,211 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: All segments of the Tsubaki Group were affected by the spread of COVID-19.

#### [Chains]

In the Chains segment, net sales declined year on year due to such factors as a fall in regional sales in Japan, the Americas, Europe, Indian Ocean Rim, China, South Korea & Taiwan.

Subsequently, the segment recorded a year-on-year decrease of 17.1% in orders received to ¥14,027 million, a 13.9% decline in net sales over the same period to ¥14,283 million, and a year-on-year decrease of 22.9% in operating income to ¥1,594 million.

#### [Power Transmission Units and Components]

In the Power Transmission Units and Components segment, net sales were down 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 38.3% in orders received to ¥4,321 million, a 24.1% decline in net sales over the same period to ¥4,458 million, and a year-on-year decrease of 69.2% in operating income to ¥202 million.

#### [Automotive Parts]

In the Automotive Parts segment, net sales declined year on year due to such factors as a fall in sales of timing chain systems for automobile engines at bases in Japan, the United States, the United Kingdom, the Czech Republic, and China.

Subsequently, the segment recorded a year-on-year decrease of 43.4% in orders received to ¥10,383 million, and a 43.2% decrease in net sales over the same period to ¥10,450 million. Due to the substantial decline in net sales and other factors, the Group recorded an operating loss of ¥172 million (operating income of ¥1,718 million in the same period of the previous fiscal year).

#### [Materials Handling Systems]

In the Materials Handling Systems segment, although there was an increase in sales of systems for the automotive industry in Japan, there was a decrease in sales of systems for the logistics industry, systems for newspaper printing plants, and bulk handling systems. Also, other factors, such as a decline in sales of systems for the automotive industry in the Americas due to the impact of the spread of COVID-19, resulted in net sales falling year on year.

Subsequently, the segment recorded a year-on-year decrease of 60.3% in orders received to ¥9,988 million, and a 23.2% decrease in net sales over the same period to ¥10,904 million. Due to the decline in construction costs and other factors, the Group recorded an operating loss of ¥201 million (¥400 million operating loss in the same period of the previous fiscal year).

#### [Other]

Other orders received increased 36.0% year on year to ¥889 million, while net sales decreased 11.7% over the same period to ¥733 million. Subsequently, the Group recorded an operating loss of ¥91 million (operating loss of ¥26 million in the same period of the previous fiscal year).

### (2) Analysis of Financial Position

#### [Assets]

Total assets as of June 30, 2020 were ¥289,526 million, down ¥4,572 million from the end of the previous consolidated fiscal year.

Current assets totaled ¥129,956 million, a decrease of ¥4,126 million from the end of the previous consolidated fiscal year. This was due to a decrease of ¥8,727 million in notes and accounts receivables and other factors, which counteracted an increase of ¥4,166 million in cash and deposits.

Non-current assets amounted to ¥159,569 million, down ¥446 million from the end of the previous consolidated fiscal year. The decrease was partly attributable to a ¥318 million decrease in intangible assets and a ¥1,612 million decrease in property, plant and equipment due to amortization and other factors, all of which offset a ¥1,487 million increase in investments in securities from a rise in the market value of securities held by the Company and other factors.

#### [Liabilities]

Liabilities as of June 30, 2020 were ¥115,163 million, down ¥2,879 million from the end of the previous consolidated fiscal year. This was attributable to various factors such as ¥2,550 million decrease in notes and accounts payable and a ¥1,879 million decrease in provision for bonuses, all of which outweighed a ¥1,673 million increase in debt.

#### [Net Assets]

Net assets as of June 30, 2020 were ¥174,363 million, down ¥1,692 million from the end of the previous consolidated fiscal year; the equity ratio was 59.6%. This was attributable to various factors, such as a ¥1,678 million decrease in foreign currency translation adjustments due to exchange rate fluctuations and a ¥1,016 million decrease in retained earnings, all of which offset a ¥1,030 million increase in the valuation difference on available-for-sale securities from a rise in the market value of securities held by the Company.

### (3) Discussion of Future Outlook including Consolidated Forecast

Regarding the outlook for the current fiscal year ending March 31, 2021, the worldwide spread of COVID-19 has made it difficult to determine a reasonable business results forecast. However, we have made some calculations based on the

information available at present, which we will disclose as follows.

Regarding the (cumulative) consolidated forecast for the period ending September 30, 2020 (first half), the worldwide spread of COVID-19 is causing a rapid slow-down in the global economy and a decline in the production and capital expenditure demand of our key customers including the automotive industry. Subsequently, we forecast a substantial year-on-year decline in net sales and profit.

As for the full-year consolidated forecast, a gentle recovery in the global economy is anticipated from the middle of the fiscal year, as governments in each country implement economic revitalization policies and other measures. However, the impact of the global economic decline up to the second quarter will be substantial, and we forecast both net sales and profits will be down from the previous period's levels.

Net sales	¥190,500 million (15.9% decline year on year)
Operating income	¥6,600 million (59.1% decline year on year)
Ordinary income	¥7,400 million (55.7% decline year on year)
Net income attributable to shareholders of parent company	¥5,300 million (54.2% decline year on year)

The main exchange rate used for the fiscal year ending March 31, 2021 (fiscal 2020) is set at 1 USD=105 JPY, and 1 Euro=116 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 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.