

October 30, 2020

CONSOLIDATED FINANCIAL STATEMENTS

<under Japanese GAAP>

For the six-month period ended September 30, 2020

Name of the company: Tsubakimoto Chain Co.
 Code number: 6371
 Stock exchange listings: Tokyo
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Scheduled quarterly report issuance date: November 6, 2020
 Scheduled dividend payment date: December 2, 2020

*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results for the Six Months Ended September 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 | % |
| 6-month period ended September 30, 2020 | 88,472 | (22.6) | 3,042 | (63.0) | 3,982 | (55.0) | 3,090 | (52.4) |
| 6-month period ended September 30, 2019 | 114,254 | (1.9) | 8,231 | (28.8) | 8,850 | (26.3) | 6,496 | (24.3) |

Note: Comprehensive income

6-month period ended September 30, 2020 : ¥ 2,320 million (48.2%)

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

| | Net income per share | | Net income per share (diluted) | |
|---|----------------------|--|--------------------------------|--|
| | Yen | | Yen | |
| 6-month period ended September 30, 2020 | 83.49 | | — | |
| 6-month period ended September 30, 2019 | 171.63 | | — | |

(2) Consolidated Financial Position

| | Total assets | | Net assets | | Equity ratio | |
|--------------------------|-----------------|--|-----------------|--|--------------|--|
| | Millions of yen | | Millions of yen | | % | |
| As of September 30, 2020 | 289,474 | | 176,105 | | 60.3 | |
| As of March 31, 2020 | 294,098 | | 176,055 | | 59.3 | |

Note: Shareholders' equity

As of September 30, 2020 : ¥ 174,515 million

As of March 31, 2019 : ¥ 174,360 million

2. Dividends

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

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

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 |
| 12-month period ending March 31, 2021 | 189,000 | (16.5) | 8,000 | (50.5) | 9,100 | (45.5) | 6,700 | (42.1) | 181.02 |

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 September 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 September 30, 2020: 1,265,000 shares
 - As of March 31, 2020: 1,272,780 shares
- 3 Average number of shares during the period
 - As of September 30, 2020: 37,012,241 shares
 - As of September 30, 2019: 37,849,825 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. Qualitative information on results for the first half ended September 30, 2020

(1) Explanation of operational results

During the second quarter of the current fiscal year (April 1 to September 30, 2020), the Tsubaki Group experienced a global economic slowdown due to the impact of the spread of COVID-19 and the execution of lockdowns in various countries and regions overseas.

In Japan as well, the economy deteriorated dramatically due to the restraint on activities and a decrease in consumer spending as a result of the issuance of a declaration of a state of emergency.

Following the lifting of the lockdown overseas and the declaration of a state of emergency in Japan, there were signs of a recovery both in Japan and abroad, supported by emergency economic measures taken by various countries, but the situation remains unpredictable.

Against this backdrop, consolidated orders for the first half of the fiscal year under review were ¥85,716 million, down 30.6% from the same period of the previous fiscal year, and sales were ¥88,472 million, down 22.6%.

Operating income was ¥3,042 million (down 63.0%), ordinary income was ¥3,982 million (down 55.0%), and net income attributable to shareholders of the parent company was ¥3,090 million (down 52.4%).

The Tsubaki Group will strive to prevent the spread of COVID-19, while continuing to strengthen its ability to achieve sustainable growth by developing and manufacturing products that thoroughly respond to market needs, and expand business by leveraging the Group's collective strengths in order to become "the way it should be" (global leader).

An overview of operating results by segment is as follows.

All reportable segments of Tsubaki Group were impacted by the spread of COVID-19.

[Chain]

Chain posted a year-on-year sales decrease, mainly due to lower sales in Japan, the Americas, Europe, the Indian Ocean Rim, China, South Korea, and Taiwan.

As a result of the above, Chain orders received decreased 13.6% year-on-year to ¥28,461 million, net sales decreased 14.9% year-on-year to ¥28,206 million, and operating income decreased 29.0% year-on-year to ¥3,045 million.

[Power Transmission Units and Components]

Sales of Power Transmission Units and Components decreased from the same period of the previous year due to lower sales in Japan, the Americas, Europe, China and Thailand.

As a result of the above, Power Transmission Units and Components orders received decreased 27.5% year-on-year to ¥8,895 million, net sales decreased 21.3% year-on-year to ¥9,235 million, and operating income decreased 69.7% year-on-year to ¥334 million.

[Automotive Parts]

Automotive Parts posted a year-on-year sales decrease due to a decline in sales of engine timing chain systems at all of our bases in Japan, the U.S., the UK, the Czech Republic, Thailand, China, South Korea, and Mexico.

As a result of the above, Automotive Parts orders received were ¥23,907 million (down 34.1% year-on-year), net sales were ¥23,964 million (down 34.1% year-on-year). The sharp decline in sales resulted in an operating loss of ¥60 million (compared with an operating income of ¥2,826 million in the same period of the previous fiscal year).

[Materials Handling Systems]

With regard to Materials Handling Systems, although sales of systems to the automotive industry increased in Japan and the Americas, sales of systems to the logistics industry and newspaper printing plants, and bulk handling conveyor systems in Japan decreased, resulting in a year-on-year sales decrease.

As a result of the above, Materials Handling Systems orders received decreased 43.9% year-on-year to ¥22,933 million, net sales decreased 19.0% year on year to ¥25,534 million, and operating income decreased 43.6% year on year to ¥286 million.

[Other]

Other orders received increased by 23.5% year-on-year to ¥1,519 million, net sales increased by 3.5% year-on-year to ¥1,530 million, and an operating loss of ¥171 million was recorded (compared with an operating loss of ¥15 million in the same period of the previous fiscal year).

(2) Explanation of financial position

(Assets)

Total assets at the end of the second quarter of the current consolidated fiscal year were ¥289,474 million, down ¥4,624 million compared to the end of the previous fiscal year.

Current assets decreased ¥3,072 million to ¥131,010 million compared to the end of the previous fiscal year. This was mainly due to a ¥5,183 million increase in cash and deposits, a ¥260 million increase in inventories due to an increase in raw materials and supplies, a ¥5,718 million decrease in notes and accounts receivable-trade, and a ¥1,836 million decrease in electronically recorded receivables.

Non-current assets decreased ¥1,551 million to ¥158,463 million compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease in property, plant and equipment of ¥2,631 million due to amortization and other factors and a decrease in intangible fixed assets of ¥745 million, while investments in securities increased ¥1,937 million due to a rise in the market value of securities held by the Company and other factors.

(Liabilities)

Liabilities decreased by ¥4,673 million to ¥113,369 million compared to the end of the previous consolidated fiscal year. Although debt increased by ¥2,740 million, notes and accounts payable decreased by ¥3,183 million, electronically recorded monetary obligations decreased by ¥2,239 million, income taxes payable decreased by ¥987 million, and provision for bonuses decreased by ¥969 million.

(Net assets)

Net assets increased by ¥49 million to ¥176,105 million compared to the end of the previous consolidated fiscal year mainly due to a decrease of ¥2,101 million in foreign currency translation adjustments, an increase of ¥1,341 million in 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 ¥862 million in retained earnings. The equity ratio was 60.3%.

(Cash Flow)

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the second quarter of the current consolidated fiscal year increased by ¥5,835 million to ¥37,213 million compared with the end of the previous fiscal year.

The status of each cash flow and their factors are as follows.

(Cash provided by operating activities)

Net cash provided by operating activities was ¥10,090 million (up ¥11,778 million in the same period of the previous fiscal year). This was mainly due to a decrease of ¥5,155 million in notes and accounts payable-trade, a decrease of ¥6,956 million in notes and accounts receivable-trade, and depreciation of ¥6,211 million.

(Cash provided by investing activities)

Net cash used in investing activities was ¥4,202 million (down ¥6,418 million in the same period of the previous fiscal year). This was mainly due to proceeds from withdrawal of time deposits of ¥623 million and sales of non-current assets of ¥572 million, offset by payments for the purchase of non-current assets of ¥5,383 million.

(Cash provided by financing activities)

Net cash provided by financing activities was ¥377 million (down ¥4,961 million in the same period of the previous fiscal year). This was mainly due to an increase in loans payable of ¥2,907 million, despite payments for dividend payments of ¥2,290 million.

(3) Explanation of consolidated financial forecasts and current business outlook

Taking into account the consolidated results of the first half of the fiscal year under review and the current outlook, the Company has revised its consolidated earnings forecast for the fiscal year ending March 31, 2021, which was announced on July 31, 2020, as shown below.

The exchange rates for the second half of the year, which form the basis of the full-year forecasts, are US\$1 = ¥105 and €1 = ¥120.

Revisions to consolidated financial forecasts for the year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

| | Net Sales | Operating Income | Ordinary Income | Net Income Attributable to Shareholders of the Parent Company | Net Income per Share |
|--|----------------------------|--------------------------|--------------------------|---|----------------------|
| Previous forecast (A) (announced July 31, 2020) | Millions of yen 190,500 | Millions of yen 6,600 | Millions of yen 7,400 | Millions of yen 5,300 | Yen 143.21 |
| Revised forecast (B) | 189,000 | 8,000 | 9,100 | 6,700 | 181.02 |
| Difference (B-A) | Δ1,500 | 1,400 | 1,700 | 1,400 | — |
| Difference (%) | Δ0.8 | 21.2 | 23.0 | 26.4 | — |