

TSUBAKI REPORT 2020

Integrated Report







On Publishing the Integrated Report

Founded in 1917, Tsubakimoto Chain operates its business in 26 countries and regions globally as an indispensable *monozukuri* (manufacturing) company in the field of motion with products from machinery parts to units, modules, and systems through businesses that include chains, power transmission units and components, automotive parts, and materials handling systems.

Valuing our invisible assets, such as our technological capabilities and the human resources that underpin them, we are aiming to achieve steady growth one step at a time and carrying out a host of initiatives in order to become an essential entity that continually contributes to society for the next 100 years.

The Tsubaki Group publishes this integrated report with the goal of allowing stakeholders to understand in a comprehensive manner its medium- to long-term value creation strategies and various financial and non-financial information.

Main Disclosure Tools	Financial information	Non-financial information
Reports	Integrated Report TSUBAKI REPORT 2020	
	Financial statements Results Briefing Documents	Securities reports (Only available in Japanese)
	<p style="text-align: center;">Investor Relations Section</p> <p>Discloses financial information for shareholders and investors and information on shareholders and shares</p> <div style="display: flex; align-items: center;"> https://tsubakimoto.com/ir/ </div>	<p style="text-align: center;">Sustainability</p> <p>Discloses details on initiatives regarding environmental conservation, coexistence with society, and corporate governance.</p> <div style="display: flex; align-items: center;"> https://tsubakimoto.com/csr/ </div>
<p>Website (latest information and more detailed information)</p>		

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Editorial Policy

The TSUBAKI REPORT aims to present in an easy-to-understand format for our stakeholders the Tsubaki Group's initiatives for sustainable growth and medium- to long-term value creation processes by comprehensively compiling financial and non-financial information (corporate philosophy, business overview, management strategies, technological capabilities, corporate governance, the environment, social contribution, and other areas). As more-detailed information and figures can be viewed on the Tsubaki Group's website, please refer to it in conjunction with this report.
<https://tsubakimoto.com/>

Forward-Looking Statements

Although this report includes information based on estimates and forecasts made by the Tsubaki Group, it does not represent a promise that it will attain these estimates and forecasts. In addition, the accuracy of data from external sources, including statistics, is not guaranteed. As a general rule, figures less than one unit have been rounded down to the nearest whole number. Also, unless otherwise specifically stated all numerical values relating to Company performance and its financial position have been calculated on a consolidated basis.

Data Regarding Environmental and Social Initiatives

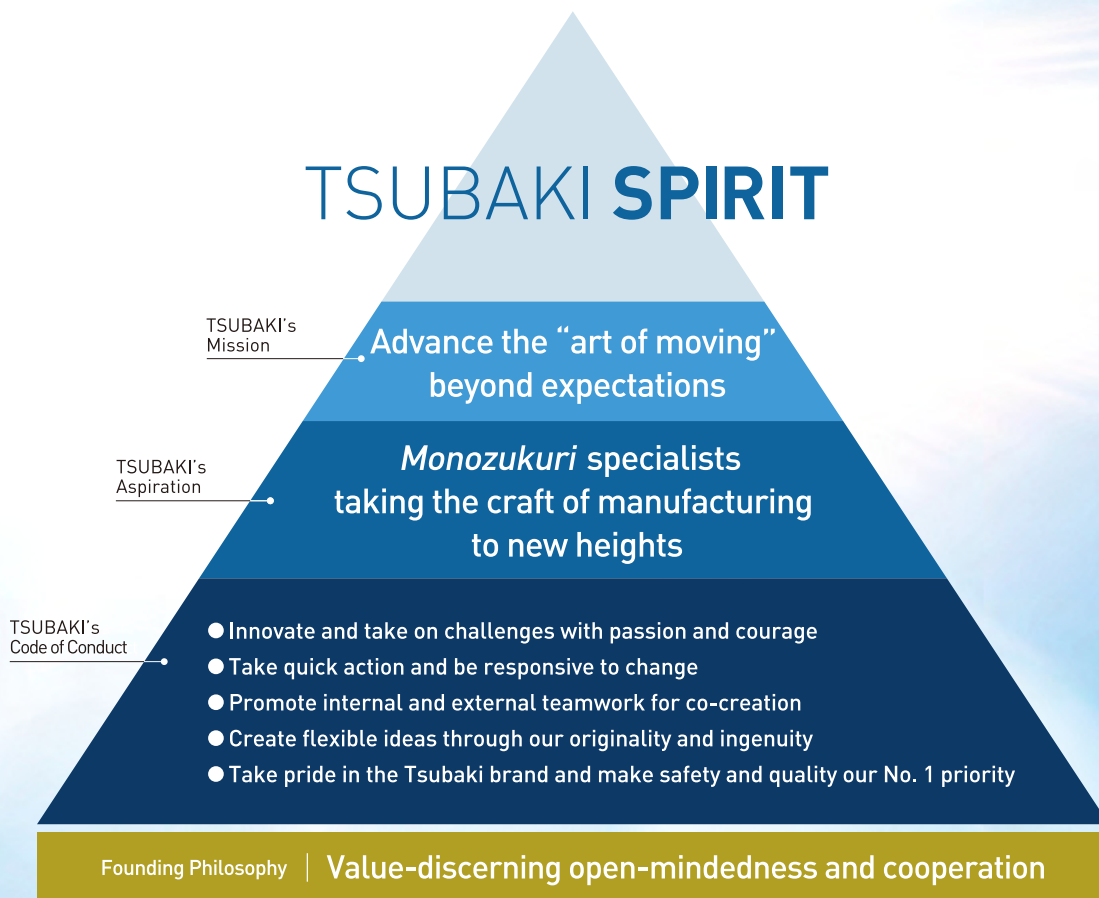
This report was prepared with reference to the Ministry of the Environment of Japan's "Environmental Reporting Guidelines 2012," the Ministry of the Environment of Japan's "Environmental Accounting Guidelines 2005," and the Global Reporting Initiative (GRI)'s "Sustainability Reporting Standards."

- Reporting Period: April 2019 to March 2020 (includes some activities after the reporting period)
- Scope of Data Collection: Tsubakimoto Chain Kyotanabe Plant, Saitama Plant, Nagaokakyo Plant, Hyogo Plant, Okayama Plant, and the following subsidiaries and affiliates in Japan and overseas:
(Tsubakimoto Custom Chain, Tsubakimoto Sprocket, Tsubakimoto Bulk Systems, Tsubakimoto Mayfran, Tsubakimoto Iron Casting, Tsubaki Yamakyu Chain, U.S. Tsubaki Holdings, Tsubakimoto Europe, etc.)

Corporate Philosophy

TSUBAKI SPIRIT

“Tsubaki Spirit” is the Tsubaki Group’s shared corporate philosophy and Code of Conduct. The formulation of this corporate philosophy entailed reevaluating the Tsubaki Group DNA inherited from predecessors as well as the value that we can offer society going forward. We then clearly expressed and systemized the attributes that we should continue to value—in addition to new challenges we should tackle—in the form of Tsubaki’s Mission, Tsubaki’s Aspiration, Tsubaki’s Code of Conduct, and a Founding Philosophy.



Fundamental Values

Make Quality Products

The Tsubaki Group has continually pursued this doctrine, which was set forth by its founder, Setsuzo Tsubakimoto.

What kind of added value will we offer to customers and society?

What kind of business operation should we have to connect better *monozukuri* to the future and achieve sustainable growth together with society?

Regardless of how the external environment may change, what we aim for will remain the same.

Creation of New Technologies and Products

“Safety and Quality”

These are the two most important themes for a manufacturing company.

Tsubaki has focused on resolving customer and social issues with safety and quality as the top priorities. That approach can be seen in the initiatives of each of our business divisions.

Our chains are an example of this approach. Pursuing chains that do not stretch or break contributes to equipment energy saving for our customers and the saving of resources. Offering added value based on Tsubaki's unique material technology, heat treatment technology, processing technology, application technology, and other technologies helps improve customers' productivity. Moreover, we are developing and offering lube-free and low-dust emission products to the food, semiconductor, and other industries that require ultra-clean manufacturing environments.

We can find another example of this approach in our power cylinders for power transmission units and components. Compared with hydraulic and pneumatic cylinders, our power cylinders can significantly reduce electricity consumption, thereby contributing to energy saving and an improvement in the work environment for our customers.

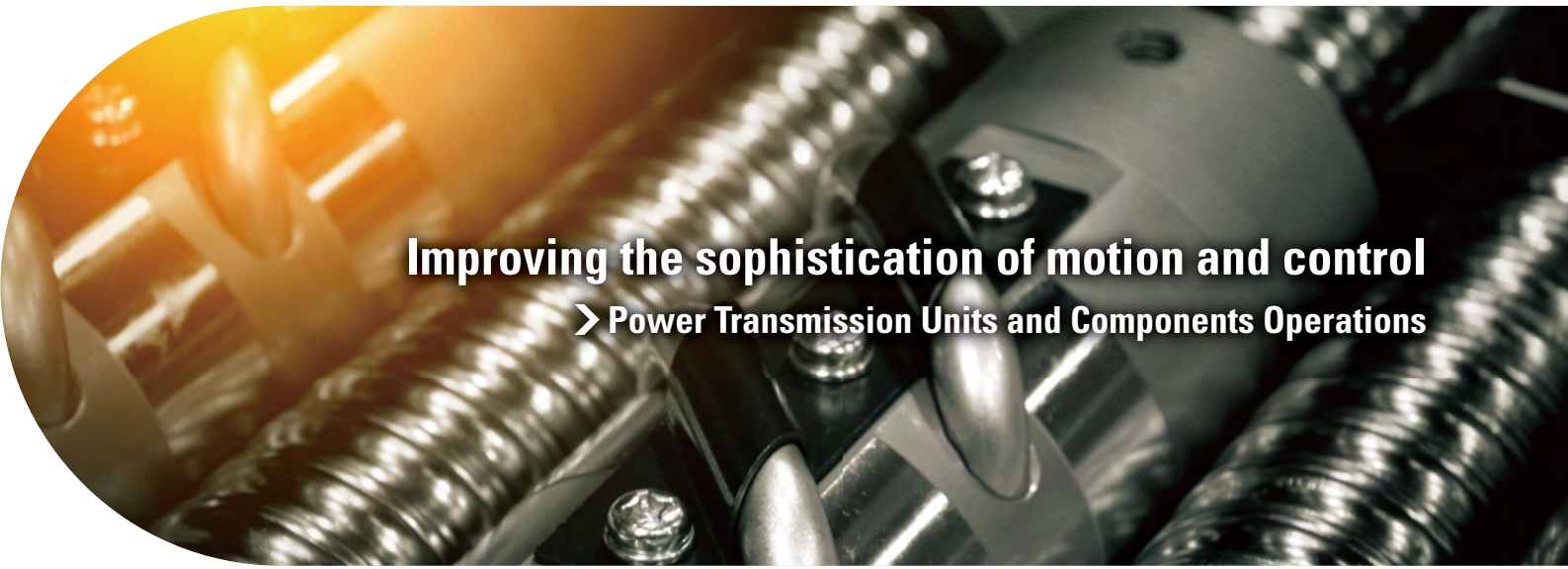
In Automotive Parts Operations, our timing chain systems help improve fuel efficiency and environmental performance, which are important issues for the automotive industry, through the development of an optimal timing chain system that leads directly to higher engine performance, compactness, and lower noise.

In Materials Handling Systems Operations, our automatic sorting equipment exemplifies our approach. The development of a space-saving model using a multi-stage configuration, in addition to this equipment's original characteristics of high-speed and accurate automatic sorting, contributes to resolving labor shortages, a major issue for the distribution industry. Accordingly, our automatic sorting equipment has garnered acclaim from customers.



Bringing innovation to the root of motion

➤ Chain Operations



Improving the sophistication of motion and control

➤ Power Transmission Units and Components Operations



Taking on the challenge of powertrains

➤ Automotive Parts Operations



Controlling the flow of products and information

➤ Materials Handling Systems Operations

Environmental Impact Reduction and Productivity Improvement

> Manufacturing Reform



Fundamental Values

2

Evolution of Manufacturing

Tsubaki has not only pursued the development of new technologies and products. The seamless evolution of manufacturing methods unswayed by fixed ideas is also part of Tsubaki's DNA.

We have improved productivity by continually implementing production reforms revising the flow of products in each production process and production system. One of these reforms is "Lean manufacturing in Kyotanabe 2025" (LinK 2025), the next-generation production reform activities promoted by Chain Operations. LinK 2025 takes on the challenge of simultaneously reforming indirect operations and manufacturing by linking all processes through information, from estimates to design and from the plant entrance to its exit.

We are also working proactively to reduce environmental impact in our production activities. We have adopted energy-saving production equipment, LED lighting, and heat insulation paint, and installed a large-scale solar-power generation system at our new factory in the Saitama Plant. The Group is also working to reduce its total CO₂ emissions.

Commitment to Invisible Assets

We will connect our innovative manufacturing for the next 100 years. Tsubaki is proactively working to continually strengthen its intangible assets, particularly human resources and technology, from a long-term perspective.

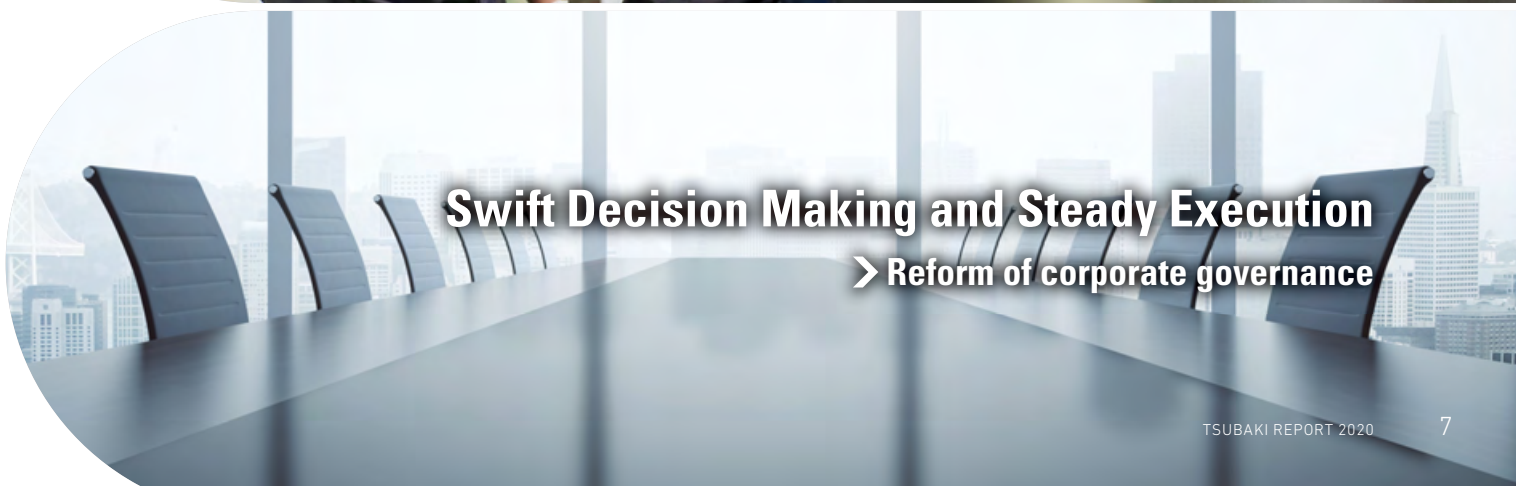
In 1988, we launched the Tsubaki Techno School for young engineers with the aim of steadily passing on our technology to the next generation. We also periodically hold technological exchanges, such as a Technology Forum and the Technical Skills Olympics, thereby helping to invigorate people and the organization.

Meanwhile, in terms of our management systems, we have carried out corporate governance reforms completely separating strategy formulation and oversight from business execution. Amid intensifying changes in the external environment, we will strengthen the creation of systems for swift decision making and steady and responsible execution.



Passing On Technology and Cultivating Human Resources

➤ Reinforcement of intangible assets



Swift Decision Making and Steady Execution

➤ Reform of corporate governance

The Meaning of True Value

Tsubaki has contributed to resolving social issues through the provision of products and services that help improve productivity and reduce environmental impact for customers.

Based on its DNA and fundamental values, how can Tsubaki survive and continue to achieve further growth in these unprecedented times, looking toward the post-COVID-19 world?

Tsubaki will aim to achieve its own growth and contribute to society in the field of motion through further innovation.

Tsubaki's Determination

- 1. Top management will provide leadership**
- 2. Outside directors will provide support for Tsubaki's transformation**
- 3. We will integrate our economic growth with social value**

Firmly solidify our business foundation and lay the groundwork for the future



Isamu Osa

Chairman and CEO,
Representative Director

Yasushi Ohara

President and COO,
Representative Director

Tsubaki Will Aim to Become a Company Delivering Sustainable Growth by Increasing its Value Creation Capabilities

Achievements of Reform

Throughout its history, the Tsubaki Group has been a *monozukuri* company that has adopted the making of good products as its ultimate mission. Manufacturing good products does not simply mean pursuing quality and added value. It entails continually delivering to customers and society, in a stable manner, products of the same quality and price, in the same form and in a way that does not burden the environment, regardless of any upheaval in the business environment. Achieving sustainable growth through this steady and stubborn dedication, together with investment in strengthening its business foundation that anticipates the future, is truly what the Tsubaki Group aims to achieve.

In the business environment for the fiscal year ended March 31, 2020, in addition to the domestic economy entering a recessionary phase from the second half of the fiscal year, we saw a rapid increase in geopolitical risks such as the intensifying of trade friction between the United States and China. Moreover, the global spread of the COVID-19 pandemic from February 2020 onward halted the movement of people, products, and money.

Although our consolidated business results were broadly in line with the plan we announced in October 2019, sales and income declined. We are conducting management with a strong sense of caution that the impact of COVID-19 on the economy will be unprecedentedly severe in its degree and extended

duration. As for our forecast at the present time regarding our business results for the fiscal year ending March 31, 2021, we expect consolidated net sales to decline 15.9% year on year, and consolidated operating income to decrease 59.1% year on year.

In such a business environment, we must first firmly solidify our business foundation. Further heightening awareness of the importance of reducing costs, we will ensure our survival as a company.

However, we will have no future if all we do is make cutbacks. Adopting a medium- to long-term management stance, I believe that, in severe and uncertain times in particular, it is vital to further strengthen our business foundation and continue to make investments with an eye to the future. We will unceasingly continue our *monozukuri* to resolve social issues in the field of motion through energy saving, automation, IoT, and other innovations.

Consolidated Business Results

	(Billions of yen)		
	FYE 2019	FYE 2020	FYE 2021 (Forecast*)
Net sales	238.5	226.4	190.5
Operating income	21.7	16.1	6.6
Operating income margin	9.1%	7.1%	3.5%

* Announced July 31, 2020



Isamu Osa

Chairman and CEO, Representative Director

Achievements of Our Initiatives to Date

Achievement One: Resurgence of Our Core Business

Our operating income margin for Chain Operations in the early 2000s reached critical conditions as it slumped to a low single-digit percentage range due to the construction of and relocation to the Kyotanabe Plant. However, in the fiscal year ended March 31, 2019, the operating income margin for this business reached 14.3%. Even in the fiscal year ended March 31, 2020, when economic growth slowed, Chain Operations were able to maintain a high

level of profitability at 12.4%. I believe that evolving to an innovative production system accommodating high-variety variable-lot production, including the establishment of integrated production lines, in place of lot-based production, in addition to promoting product development thoroughly tailored to market needs, led to the resurgence of our core business.

Achievement Two: Toward Sustainable Growth Based on Technological Superiority

The emergence of a path toward regrowth for Materials Handling Operations, which had for a long time fallen into balanced contraction, constitutes another of our achievements.

To achieve efficient growth with finite management resources, we invested management resources in a concentrated manner in the development of new products drawing on our unique technological capabilities. This approach bore fruit.

As a result, we are seeing strong sales of automatic sorting equipment with strengths in terms of speed, precision, compactness, and other features, and of bulk handling systems that are indispensable to new energy power plants, including biomass, and environmental conservation equipment.

Further, in the life science field, we have a fully automatic picking and storage system that facilitates the automated picking and storing of drug discovery samples and biological samples. Our advanced technological capabilities and solution proposals, as exemplified by the world's first model for handling samples at the ultra-low temperature of -150°C , have been well received by customers.

Although it will take time to improve the profitability of the segment overall due to the sluggish performance of overseas subsidiaries and the increase in fixed costs stemming from the proactive recruitment of engineers, we can now clearly envision scenarios for sustainable growth over the medium-to-long term.

Our Goal through Manufacturing Reform

There is no end to the Tsubaki Group's strengthening of its business foundation and tackling of manufacturing reforms.

For example, with an operating income margin of 9.2% for the fiscal year ended March 31, 2020, Power Transmission Units and Components Operations was second only to Chain Operations in terms of securing profitability. Nevertheless, to achieve sustainable growth, we are advancing structural reform in this business with a focus on the medium-to-long term. We are removing certain low-margin products from the lineup and, in a similar vein to Materials Handling Operations, concentrating management resources on products and businesses based on added value.

We are maintaining relatively strong sales of module products that leverage our proprietary zip chain

technology, even amid deteriorating economic conditions. Going forward, I would like to develop module products with more added value through technology and ideas and enter new domains.

In Automotive Parts Operations, although the recovery in global automobile production remains uncertain, we will prioritize a recovery in profitability. Augmentation of our global production system has reached a point where it can be paused, due to the acquisition of orders for new projects. Looking ahead, we will advance drastic revisions of production processes while aiming to achieve a dramatic improvement in productivity through the operation of the new tensioner factory (within the Saitama Plant). In addition, we will accelerate the development of automotive products in anticipation of

the shift to electric vehicles (EV).

In Chain Operations—our core business—we have already begun to take on the challenge of next-generation manufacturing. While our previous productivity improvement activities were principally related to manufacturing processes, our activities at the Kyotanabe Plant encompass everything from estimates to design, production, and delivery, linking them all through information from the plant's entrance through to its exit. At the same time, we are actively promoting automation

and the use of AI and the IoT. These technologies will help to reduce human-induced quality defects and lower disaster risks in the production process. By promoting the shift of people to work duties with higher added value that can only be done by people, we will also help to raise the motivation of employees.

In these ways, we are taking on the challenge of creating next-generation manufacturing suited to the AI and non-contact eras.

Aiming to Make the Step Up to Becoming a Solutions Provision Company

The growth model common to our four businesses of chains, power transmission units and components, automotive parts, and materials handling systems entails 1) developing products that contribute to spheres that include energy-, resource-, and labor-saving, 2) producing by means of a production system that has minimal environmental impact, 3) finishing products of high quality and safety, and 4) expanding the application of these high-value-added products. Taking on the challenge of steadily strengthening our business foundation and reforming our manufacturing is indispensable to accomplishing this growth model. We will continue these activities in a consistent manner.

At the same time, we are seeing that certain aspects of the growth model based on our four-business system

alone cannot adequately meet the needs of our customers and society. We are expected to provide solutions to the issues faced by society and customers by bringing innovation to the field of motion, in addition to added value in terms of the performance and quality of each of our products (tangible goods).

In the post-COVID-19 era (the new normal), there will be increasing demands for automation, labor-saving, contactless services, and other technological developments. Innovative motion that can respond to these demands will become necessary. To develop into a solutions provision company that can contribute to resolving social issues 10 years into the future and beyond, without being constrained by the frameworks of our four existing businesses, we have begun the following initiatives.

1. Mindset Reform (Bolstering SDG Initiatives)

Through mindset reform, we will first and foremost respond precisely to customer needs that differ from one business to another. Next, going forward it will be of the utmost importance for us to work from the broader perspective of considering the kind of solutions to provide that can contribute to resolving the issues faced by society.

About the SDGs

The Sustainable Development Goals (SDGs) comprise seventeen international goals for the realization of a sustainable world that were adopted at the UN summit in September 2015.



The Tsubaki Group will accelerate its SDG initiatives from this perspective. Besides the environment (E), society (S), and corporate governance (G) initiatives, in which we have long been engaged, we are working to narrow down material issues that leverage the strengths of each business and incorporate them into our growth strategies.

2. Corporate Governance Reform (From System Creation to Effectiveness)

As part of our corporate governance reform efforts, we clearly separated strategy formulation and oversight from business execution in the fiscal year ended March 31, 2020. The object of this move was to strengthen our functions for accurately formulating strategies that

accurately identify the issues and needs of society as a whole and to accelerate business execution. In addition, we established the Nomination and Remuneration Committee, which is chaired by an outside director, and improved the transparency and objectivity of the process



Yasushi Ohara

President and COO, Representative Director

for the appointment and dismissal of directors.

The introduction of a restricted stock compensation system is also a new initiative. This system clarifies

incentives for directors of the results of improving Tsubaki's corporate value.

3. Strengthening and Accelerating Development Functions

We have divided the Development & Technology Center into sections for New Business Planning & Development and Technology & Research Development and assigned officers to take charge of each section. The aim of these

moves is to accelerate the pace of new business creation transcending traditional business domains while strengthening development of the advanced technologies that will become the cornerstone of our value creation.

4. New Long-Term Vision/Formulating the Mid-Term Management Plan

We are working on formulating a new long-term vision with an eye to 2030 and the Mid-Term Management Plan, which will serve as an action plan for that vision.

1. Use a backcasting approach to incorporate the long-term vision—"What Tsubaki Strives for by 2030"—into the Mid-Term Management Plan for realizing it
2. Include the broad perspective of social issues such as the SDGs and incorporate these issues into growth strategies
3. Establish important financial and non-financial issues

and key performance indicators (KPIs) and enable the progress of strategies to be checked quantitatively from inside and outside the Company

In these and other ways, we are advancing the formulation of both a long-term vision and Mid-Term Management Plan that are a clear departure from the past. We will complete the incorporation of specific strategies in the second half of the fiscal year ending March 31, 2021, and provide an explanation to our stakeholders.

Aiming to Achieve Sustainable Improvement in Corporate Value

To achieve sustainable improvement in corporate value amid an increasingly uncertain external environment, it is essential to accelerate the pace of self-transformation.

1. Understand the major trends in society as a whole and accelerate the provision of solutions based on the Company's advantages
2. Value intangible assets such as our technological foundations and human resources and proactively encourage value creation generated by these assets

These two approaches will widen the number of fields in which we can resolve social issues while helping to restore capital efficiency, which has declined in recent years.

The "Tsubaki Spirit," the Tsubaki Group's corporate

philosophy, clarifies the social mission of the Group as advancing the "art of moving" and providing value that surpasses society's expectations. To fulfill that mission, we must develop into a true solutions provision company that transcends value creation by business and product.

We have achieved growth by constantly taking on the challenge of transformation. We will work to accelerate the development of new businesses and other efforts aimed at regrowth, especially in these difficult and uncertain times that include COVID-19.

The Tsubaki Group will solidify its business foundation and continually invest in the future while aiming to achieve sustainable growth through the creation of new value.

Outside Directors will Provide Support for Tsubaki's Transformation

We will make dedicated efforts for the speedy



Shuji Abe

Outside Director

- 1997 Director, Yanmar Diesel Co., Ltd. (now Yanmar Holdings Co., Ltd.)
- 2005 Executive Vice President, Yanmar Co., Ltd. (now Yanmar Holdings Co., Ltd.)
- 2007 President, Yanmar Agricultural Equipment Co., Ltd.
- 2009 Retired as President, Yanmar Agricultural Equipment Co., Ltd.
- 2010 Retired as Executive Vice President, Yanmar Co., Ltd. (now Yanmar Holdings Co., Ltd.)
- 2013 Outside Director, Tsubakimoto Chain Co. (incumbent)

Tsubaki's Growth Opportunities and Remaining Issues

The spread of COVID-19 has prompted major changes in peoples' lifestyle patterns and the way of economic activities. Tsubaki must unwaveringly link these changes to growth by addressing changes in society's needs.

To that end, Tsubaki must accelerate continuous product improvement and technological development, which are among its strengths, while taking on the challenge of disruptive innovation, without being constrained by our traditional technologies. Speed and the timing of launches to market will be also crucial in these efforts. Targeting areas including energy efficiency, resource saving, and unmanned operations, it is essential that we fulfill our social responsibility with a long-term perspective.

Corporate Governance System

We have established a framework through the bold strengthening of our corporate governance system in recent years. Going forward, we will improve its effectiveness.

Tsubaki must lose no time in accelerating its SDG initiatives. Doing so will help improve our corporate value. It is vital that Tsubaki also proclaims its initiatives externally and communicates information on their status of progress to its stakeholders.

My Role

It is not possible to deal with a completely new situation such as a pandemic with knowledge alone. I am conscious that my role as an outside director is to have a strong sense of the path that a corporation should take—that is, its greater management purpose—and to guide Tsubaki unwaveringly toward the achievement of its long-term goals. I will work to realize Tsubaki's transformation with a focus on management based on past experience and universal principles.

Message from the Newly Appointed Outside Director



Hisae Kitayama

Outside Director

- 1982 Joined Asahi Accounting Company (now KPMG AZSA LLC)
- 1986 Registered as Certified Public Accountant
- 1999 Partner, Asahi Accounting Company (now KPMG AZSA LLC)
- 2013 Managing Executive Director (in charge of diversity), KPMG AZSA LLC
- 2019 Chair, Kinki Chapter of Japanese Institute of Certified Public Accountants
- 2019 Senior Executive Director, KPMG AZSA LLC, and Deputy Chair, Japanese Institute of Certified Public Accountants
- 2020 Retired from KPMG AZSA LLC, Outside Director, Tsubakimoto Chain Co.

transformation of Tsubaki.



Keiichi Ando

Outside Director

- 2009 Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation
- 2010 Representative Director, Deputy President, and Executive Officer, Sumitomo Mitsui Banking Corporation
- 2012 Representative Director, President, and CEO, New Kansai International Airport Company, Ltd.
- 2016 Representative Director and President, Ginsen Co., Ltd.
- 2017 Outside Director, Tsubakimoto Chain Co. (incumbent)
- 2019 Retired as Representative Director and President, Ginsen Co., Ltd.

Tsubaki's Growth Opportunities and Remaining Issues

The COVID-19 crisis is giving rise to changes in supply chains, demand structures, and markets, in addition to lifestyles and consumer consciousness. For corporations, sustainable growth, harmony with society and the environment, and innovation for resolving issues are becoming increasingly important. Product development, technological innovation, and market creation with a greater focus on the environment, society, and governance (ESG) and the SDGs are urgent priorities while the transformation to sustainable and innovative business models is imperative.

Assessment of Corporate Governance Reinforcement

A series of corporate governance reforms has improved management strategy determination capabilities and transferred authority to business execution, thereby clarifying responsibilities and accelerating management. Communication with outside officers is also progressing, as demonstrated by our participation in a follow-up meeting regarding the Mid-Term Management Plan. Internal control, such as compliance and risk management, is also being operated firmly. The Company will further increase the effectiveness of the Board of Directors and the Nomination and Remuneration Committee (an advisory body) while advancing greater reinforcement of corporate governance and risk management that includes overseas Group companies, taking into consideration business expansion through mergers and acquisitions (M&As) and other means.

My Aspirations as an Outside Officer

Viewing SDGs initiatives as growth opportunities, the Company will determine priority issues to be addressed and incorporate these into its management and business strategies, while re-questioning what its strengths are. It is important to advance the "art of moving" and provide value that surpasses society's expectations to remain a company that society needs, as stated in the "Tsubaki Spirit." As an outside director, I will accurately understand the major trends of the era, create innovations and solutions to address social issues and issues faced by the Company, and work proactively to transform and develop its business model to achieve further growth.

The business environment surrounding corporations has become exceptionally challenging due to the COVID-19 pandemic, making it difficult to make predictions about the future and understand risks. In situations where changes are particularly pronounced, not only traditional logic but also diverse values from external eyes and new perspectives will be required.

Leveraging my knowledge and experience of accounting and auditing, as an outside director of the Company, I would like to contribute to a further improvement in its medium- to long-term corporate value (economic value and social value) and sustainable growth while balancing defensive and offensive governance using a woman's flexible and fresh ideas.

Regarding COVID-19 as an opportunity for transformation, and viewing risk as offering possibilities for corporate value, I will engage in Companywide and integrated risk management from a new perspective, with an eye toward both positive and negative aspects.

We will Integrate Our Economic Growth with Social Value

We will contribute to resolving social issues through growth strategies that take into

Beginning Preparations for Introducing the SDGs with a Focus on the Next 10 and 50 Years

Amid the emergence of a host of issues on a global scale that threaten the sustainability of society, such as the acceleration of climate change, interest in environmental, social, and governance (ESG)-related issues has been growing in recent years. Moves among corporations to focus efforts on the SDGs have increased rapidly as a

major trend arising from this development.

Based on a recognition that it is essential to incorporate the perspective of the SDGs into management when looking ahead to the next 10, 50, and 100 years, the Tsubaki Group established a review team in 2018 and advanced preparations aimed at introducing the SDGs.

Implementing Our Corporate Philosophy Helps Us Contribute to the SDGs

To introduce the SDGs, we have referred to the five steps indicated by the SDG Compass*: 1) Understanding the SDGs, 2) Defining priorities, 3) Setting goals, 4) Integrating into management, and 5) Reporting and communicating.

With the aim of instilling an SDG approach internally, we began by carrying out training for senior management, study sessions led by external instructors, and individual study sessions for executive-level employees (27 times in total). Next, we identified how the Group has contributed to the 17 goals set out in the SDGs through its initiatives to date. As a result, we were able to confirm that we have already contributed to the achievement of the issues in the SDGs through a range of activities and products, from the perspectives of both corporate social responsibility (CSR) and creating shared value (CSV). In other words, we

reached the conclusion that implementing our social mission of advancing the “art of moving” and surpassing society’s expectations, as laid out in the “Tsubaki Spirit”—our corporate philosophy—helps us contribute to the SDGs.

In order to systematize our activities thus far and tackle the SDGs as management issues from a medium- to long-term perspective, we established a project team. In April 2020, we established our Basic Policy on Sustainability to serve as a guideline for these activities.

Under this policy, various committees and bodies, including those for risk management, safety, and the environment, set material issues (priority matters) and KPIs regarding CSR and began activities.

*Action guidelines developed by the Global Reporting Initiative (GRI), the UN Global Compact, and the World Business Council for Sustainable Development (WBCSD) indicating how corporations can tackle the SDGs

Basic Policy on Sustainability

The Tsubaki Group will contribute to the creation of a sustainable society through business activities based on the “Tsubaki Spirit,” its corporate philosophy, while improving its corporate value through technological innovation and aiming to remain a company that society needs. In addition, we will enhance management transparency and deepen relationships of trust through communication with our stakeholders.

Resolution of social issues through technological innovation

(CSV priority issues)

Reflection in Mid-Term Management Plan that will begin in FYE 2022

Creation of a sustainable society

(CSR priority issue)



Business activities

and the creation of a sustainable society account the SDGs.

Incorporating SDGs into the Next Mid-Term Management Plan

The Tsubaki Group is currently formulating its long-term vision, "What Tsubaki Strives for by 2030," factoring in consideration of the perspective of the SDGs and premised on society in 2030.

Going forward, we must integrate the SDGs into management, as stated in the SDG Compass. Accordingly, the Group intends to reflect the SDGs in its next Mid-Term Management Plan, which will act as an implementation plan for its long-term vision. Specifically, each business division will clearly state its long-term vision of what it wants to be, based on "What Tsubaki Strives for by 2030." We will set material issues and KPIs to achieve that vision and incorporate them into the next Mid-Term Management Plan, which will begin in April 2021.

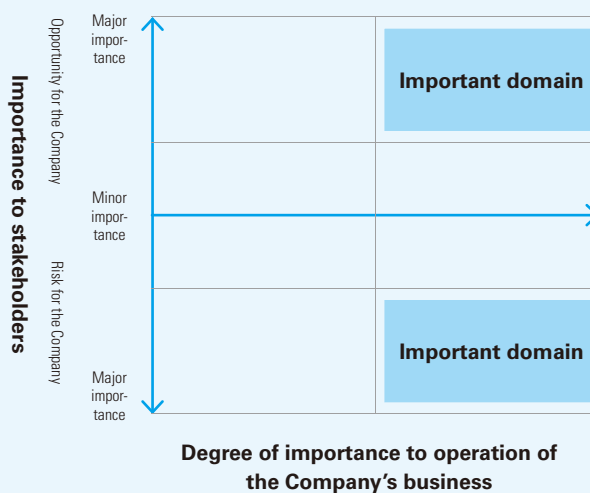
Looking ahead, the Group will work as one to tackle technological innovation and the resolution of social issues through both CSV and CSR. At the same time, we will communicate with our stakeholders and contribute to the creation of a sustainable society as a *monozukuri* company.

Timetable for Introducing the SDGs

2018	<ul style="list-style-type: none"> Establish project team
2019	<ul style="list-style-type: none"> Identify the relationship between the Tsubaki Group's initiatives to date and the SDGs Implement study sessions regarding the SDGs centered on executive-level employees in each division
First Half of FYE 2021	<ul style="list-style-type: none"> Formulate Basic Policy on Sustainability (April) Commence examinations of long-term vision Set material issues (priority matters) and KPIs based on ESG from the perspective of CSR and commence activities
Second Half of FYE 2021	<ul style="list-style-type: none"> To realize long-term vision, set material issues (priority matters) and KPIs from the perspective of CSV Reflect CSV issues in next Mid-Term Management Plan. Commence activities from April 2021























Process for Identification of Material Issues (Priority Matters) Regarding Sustainability

- To identify material issues from the dual perspectives of risks and opportunities regarding sustainability, responsible divisions identified and evaluated their own issues leveraging the 17 SDGs.
- Defined and evaluated risks and opportunities based on their importance to stakeholders and importance to the Company (including the gap between what the Company is and what it strives to be), using the matrix on the right.
- Carried out repeated discussions centered on responsible officers regarding the degree of importance to the Group as a whole based on number 1) and defined material issues (selection)



Tsubaki's Sustainability Priority Matters and Guidelines

As follows, we defined material issues (priority matters) from the perspective of sustainability (CSR perspective) and KPIs following the identification process outlined on page 17. These initiatives contribute directly to the SDGs, and clarifying the relationship between them will help raise the awareness of employees.

ESG Category		Material Issues (Priority Matters)	KPIs	Contribution to the SDGs
 The Environment	Environmental conservation Climate change countermeasures	Climate change mitigation measures (CO ₂ emission reductions) and other environmental conservation	Number of violations of environmental laws and regulations	    
			Total CO ₂ emissions (percentage relative to FYE 2014)	
			Waste recycling rate	
			PRTR-substance emissions	
			CDP Climate Change Response Boundary Rate*1	
 Society	Safe and rewarding workplaces	Respect for human rights	Number of companies implementing ethics education	     
		Promotion of diversity	Ratio of employees with disabilities	
			Ratio of companies meeting legally required employment ratios for people with disabilities	
			Number of non-Japanese employees	
			Ratio of senior female employees	
		Work style reforms (improve motivation and operational efficiency)	Ratio of paid leave acquisition	
	Cultivation of human resources	Number of employees dispatched overseas for training		
	Ensuring employee safety and well-being	Number of accidents resulting in absence from work		
		Ratio of high stress employees		
	Provision of safe and reliable products	Quality assurance	Number of major quality issue occurrences*2	
Sustainable procurement			Cooperation with suppliers	Number of environmental survey requests
	Survey response ratio			
	Number of sustainability guidelines issued*3			
 Corporate Governance	Sound, fair, and transparent business operations	Thorough compliance	Number of serious violations of Company regulations	  
			Number of companies that participated in Strengthening Corporate Ethics Month	
		Crisis response and Business Continuity Plan	Disaster preparedness and evacuation drill implementation rate	
			Information security	
		Prevention of intellectual property infringement		
 Economic Value	Balance between economic and social value	We are currently examining material issues regarding innovation (resolution of social issues through our business activities) and finance.	<ul style="list-style-type: none"> • New indicators including eco-products (SDG-oriented products) • Capital efficiency indicators 	    

*1 CDP Climate Change Response Boundary Rate: Percentage of response accounted for by the entire Group on a global basis using the CO₂ emissions standard in the fiscal year covered by the CDP survey

*2 According to an internally established definition

*3 A theme for which we began initiatives in FYE 2021



Please visit the following website for details. (Japanese Only)

<https://www.tsubakimoto.jp/sustainability/plan/>

Snapshot of Tsubaki

- 20 Tsubaki's Business Domains
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- 28 Progress of Value Creation
- 30 Financial and Non-Financial Highlights (Consolidated)
- 32 Taking on the Challenge of New Value Creation

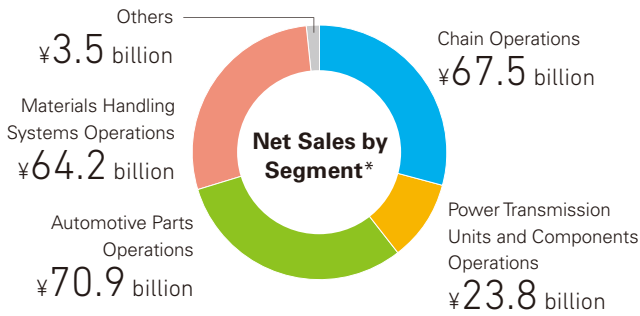
Driving the World... and the Future

Tsubaki's Business Domains

The Tsubaki Group advances motion technologies primarily in four business domains and contributes to global economic development while helping customers reduce their environmental impact and improve their economic performance.

FYE 2020 Net Sales (Consolidated)

¥ **226.4** billion

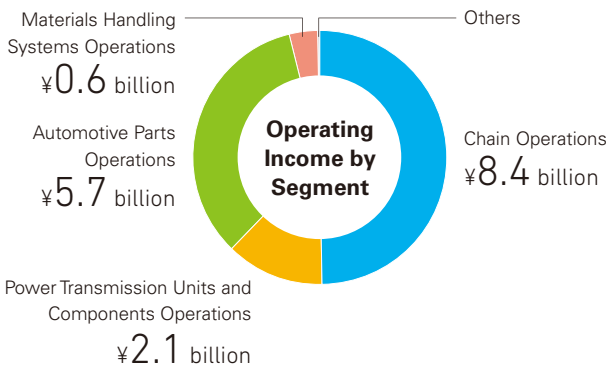


* Net sales includes intersegment sales and transfers



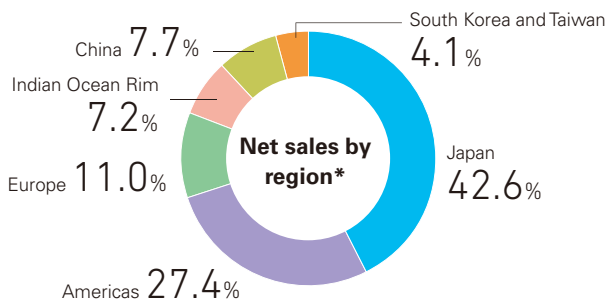
FYE 2020 Operating Income (Consolidated)

¥ **16.1** billion



Ratio of Overseas Sales

57.4%



* Overseas sales are based on the location of the customer and classified by country or region





Product Information

<https://www.tsubakimoto.com/products/>

Origins That Underpin Motion

We provide various industries, such as the machine tool, automobile, steel, LCD/semiconductor, and food industries, with a diverse lineup of drive chains, conveyor chains, and other chains optimized for their needs.

Industrial-Use Steel Chains

No. 1 share of the global market

15%

Realizing High-Precision Motion & Control

We provide optimal power transmission products by utilizing a diverse lineup of reducers, actuators, clutches, and other products in the motion control field and by combining the technologies related to these products.

Power Cylinders (motorized cylinders)

No. 1 share* of the Japanese market

76%

Response to High-Performance Powertrains

We provide timing chain systems that contribute to the high-performance, compactness, and ecological performance of automobile engines to automobile manufacturers around the world. We have also developed and have a lineup of Ene-drive Chains that are compatible with next-generation eco cars such as electric vehicles.

Timing Chain Systems

No. 1 share of the global market

37%

Comfortable control of objects and information

Our Materials Handling Systems Operations provide sophisticated solutions that improve customer productivity by controlling the flow of objects and information through sorting, conveyance, and storage systems.




















Tilt-Tray Sorter

No. 1 share* of the Japanese market

70%

* Source: Tsubakimoto Chain Co.

Tsubaki Products Supporting Society in a Wide Range of Areas

	General Industrial Applications	Vehicles	Resources / Materials
Chain Operations Power Transmission Units and Components Operations	 <p>Machine part manufacturing equipment RS roller chains, zip chain actuators, gear reducers, other</p>	 <p>Automotive power sliding doors Cable carriers</p>	 <p>Offshore oilfield platforms Cable carriers</p>
	 <p>Lines manufacturing medical rubber gloves Large-size conveyor chains</p>	 <p>Automobile assembly plants Four-axis Zip Chain Lifter</p>	 <p>Conveyor equipment for coal mines Mining chains</p>
	 <p>Machine tools ATC chains</p>  <p>Robots Cable carriers</p>	 <p>Nursing care vehicles Gear reducers, chains, couplings, cable carriers</p>	 <p>Iron ore unloaders Unloader chains</p>
Materials Handling Systems Operations	 <p>Transporting machine tool swarf Chip conveyors</p>	 <p>Part conveyor equipment for vehicle service plants Autoran Vanguard</p>	 <p>Coil stockyards Coil Robo</p>
	 <p>Press plants Scrap conveyors</p>	 <p>Vehicle painting lines New Traverser Systems</p>	 <p>Cement plants Bucket elevators</p>
Automotive Parts Operations	 <p>Timing chain systems for automobile engines</p>  <p>Power Drive Chains for four-wheel drive units</p>  <p>Ene-drive Chains for powertrains (electric vehicles / hybrid electric vehicles)</p>		
New Business			

Food / Medicine



Sorting machines for apple processing plants
Small-size conveyor chains



Beverage plants
Plastic top chains



CT (computed tomography) scanners
Power cylinders, gear reducers, other



Produce sorting system
LiniSort S-C



Regenerative medicine / new drug research
LaboStocker automatic ultra-low temperature storage units



Plant factories
Automatic seedling transplanter unit

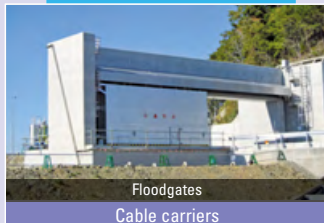
Infrastructure / Environment



Passenger boarding bridges for airports
Power cylinders, cable carriers, other



Watertight doors for subways and disaster prevention purposes
Zip chain units



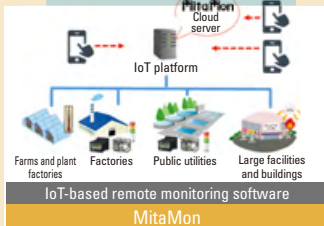
Floodgates
Cable carriers



Biomass power plants
Bucket elevators, conveyor chains



Desulfurization and denitrification devices (steel plants)
PB Pivotveyor, NAB Aprozator



IoT-based remote monitoring software
MitaMon

Consumer / Entertainment Facilities



Claw crane arcade games
Cable carriers



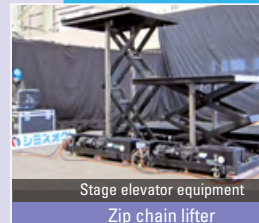
Conveyors for conveyor belt sushi restaurants
Plastic top chains



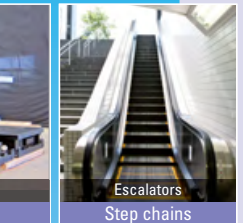
Movable barriers for train station platforms
Brushless motors, timing belts, other



Devices for opening and closing stadium roofs
Steel cableveyor system



Stage elevator equipment
Zip chain lifter



Escalators
Step chains



Mail-order shopping distribution systems
QuickSort



Bond document management systems
Security Stocker



Newspaper printing plants
Paper-feeding AGV



V2X bi-directional EV charging systems
eLINK

Value Creation Process

The Tsubaki Group shares with all of its employees its corporate philosophy of contributing to society by advancing motion technologies. Under highly objective and transparent corporate governance, we promote CSV activities contributing to the resolution of social issues through our products by fully leveraging our advantages that include technological capabilities, financial strength, and global response capabilities, and CSR activities fulfilling our responsibility to society as a company.

The Source of Our Value Creation

Means of Value Creation

Sharing Our Corporate Philosophy and Basic Policies

Corporate Philosophy
TSUBAKI SPIRIT

Basic Policy on Sustainability

Codification of “Contributing to the Creation of a Sustainable Society” and “Improving Corporate Value through Technological Innovation” as our basic policy on sustainability initiatives

Leveraging Our Advantages to the Full

Technological Capabilities

2,047
patents

Financial Stability

D/E ratio (net) of
0.06 times

Global Response Capabilities

81 companies
in 26 countries
and regions

Technological Innovation and the Resolution of Social Issues

Operation of CSV activities

Creation of a Sustainable Society

Operation of CSR activities

Corporate Governance

Swiftness and visualization of decision making and business execution

The Group will contribute to the creation of a sustainable society while aiming to be a company needed by society that continually surpasses the expectations of its stakeholders by enhancing its economic and social value.

Achievements of Value Creation

Promotion of the development of eco-products (SDG-oriented products)



Cultivation of the creation of new products and businesses using backcasting



Cultivation of human resources and improvement of motivation



Establishment of environment-friendly production systems



Promotion of community contribution activities

Contribution to the SDGs

From a CSV perspective, we codified “What Tsubaki Strives for by 2030,” and to resolve social issues from the standpoint of the SDGs, we are formulating our next Mid-Term Management Plan.

From a CSR perspective, we completed the setting of material issues (priority matters) based on ESG and of KPIs. Through these initiatives for social issues, we will contribute to the resolution of social issues.

Maximization of Financial and Non-Financial Value


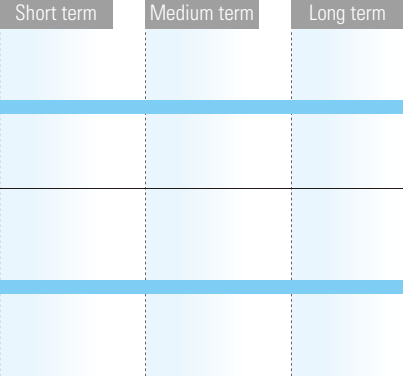

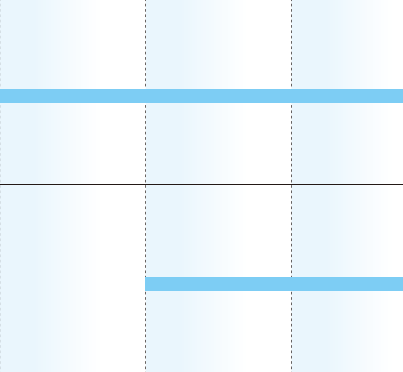

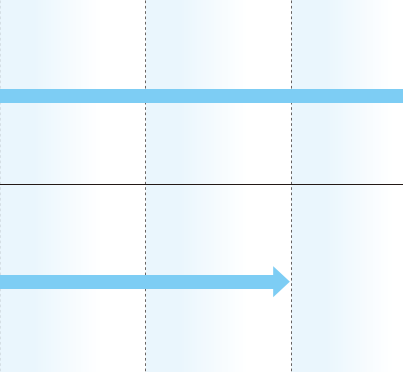

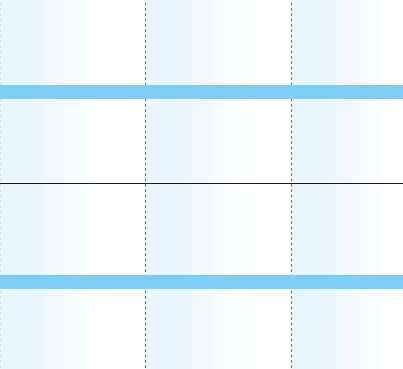
In terms of financial value, we have set new KPIs emphasizing capital efficiency, in addition to net sales and operating income, and plan to reflect these in our next Mid-Term Management Plan. Meanwhile, for non-financial value, we are bolstering activities to achieve our KPIs on sustainability, such as conserving the environment and improving the motivation of employees, in addition to increasing added value.

Proactive Shareholder Returns

Under a basic policy of reflecting consolidated business performance in dividends, we achieved a consolidated dividend payout ratio—the criterion for profit allocation—of more than 30% for four consecutive years since the fiscal year ended March 31, 2017. As one of management’s most important tasks, we also plan to conduct proactive shareholder returns in our next Mid-Term Management Plan.

Risks and Growth Opportunities

Amid rapid changes in the external environment, accurately and promptly identifying growth opportunities and meticulously preparing for a host of risks have become prerequisites for sustainable corporate growth. Appropriately addressing short-term and medium- to long-term environment changes, the Tsubaki Group will aim to be a company that continually improves its sustainable corporate value.

Primary External Environment Changes	Anticipated Period of Risks and Opportunities
	Short term Medium term Long term
 <p>Changes in the Work Environment</p> <ul style="list-style-type: none"> • Decline in the working population in Japan • Respect for workers' basic rights and emphasis on work style reforms 	
 <p>Acceleration of Response to Environmental Issues</p> <ul style="list-style-type: none"> • Growth of interest in energy saving and environmental conservation • Decline of internal combustion engine vehicles (gasoline and diesel vehicles) 	
 <p>Changes in International Affairs</p> <ul style="list-style-type: none"> • Emergence of developing countries • The United Kingdom's withdrawal from the European Union 	
 <p>Acceleration of the Information Revolution</p> <ul style="list-style-type: none"> • Expansion of demand related to AI and the IoT • Frequent occurrence of cyberterrorism 	

The Tsubaki Group's Risks and Opportunities, and Measures in Response to Them

Products and services that contribute to improving productivity for customers are related to the foundation of our competitive advantages. We will continue proactive investments for developing technologies, quickly understanding customer needs, and strengthening marketing capabilities.

At the same time, the decline in the working population in Japan is a risk to the Group, which is a manufacturing company. With this in mind, the Group is bolstering the creation of a comfortable workplace environment, in addition to the acquisition of human resources globally and diversity initiatives such as promoting the empowerment of women in Japan. In tandem with work style reforms, we are carrying out activities to realize more rewarding next-generation plants by fully leveraging AI and the IoT to free employees from monotonous and physically burdensome work.

Environment-friendly products indispensable to energy-saving and ultra-clean manufacturing environments are the Group's mainstay products. For example, in Automotive Parts Operations, the significant contribution to improving the environmental performance of engines by making them lighter and more compact has led to our timing chain systems capturing the No. 1 share of the global market.

We are also proactively addressing the medium- to long-term risk of the decline of internal combustion engine vehicles. We are bolstering the development of automotive products for next-generation eco cars by leveraging the clutch technologies of Power Transmission Units and Components Operations, such as the development of our new Enedrive Chain products.

The Group proactively has invested in globalization from an early stage through the establishment of overseas sales and manufacturing bases. At the same time, we are accelerating the swift understanding of the needs of each market segment and the development and improvement of products most suitable for individual markets.

The Group, which has a manufacturing base in the United Kingdom, may be adversely affected by its withdrawal from the European Union. However, we believe we can minimize its impact by quickly transferring production in response to changes in economic policies through the utilization of our manufacturing bases in the Czech Republic and elsewhere in Europe.

In Power Transmission Units and Components Operations and Materials Handling Systems Operations, we are accelerating the development and sales of new products leveraging AI and the IoT. To proactively leverage the technological bases of other companies, in addition to our own information technology base, we intend to strengthen M&As and alliances.

We are also conducting a variety of initiatives regarding leaks of confidential information and preparations for cyberterrorism. We periodically hold meetings at which those in charge of IT at Group companies in Japan and overseas assemble and operate information security and cyberterrorism countermeasures on a global basis. In addition, we also focus on information security education for employees through e-learning and other methods.

Progress of Value Creation

Development of Products and Businesses in Keeping with Changing Times

Japan's Rapid Modernization and Industrialization

We were founded as a manufacturer of bicycle chains in 1917. Subsequently, recognizing the progress of mechanization in Japan and elsewhere, we completely shifted to the manufacture of chains for machinery in 1928 and concentrated management resources in them.

In 1937, we delivered a large-scale conveyor plant that used chains, thereby expanding our business range to Materials Handling Systems Operations.



Chain plant at the time of the Company's founding

Japan's Postwar Reconstruction and High Economic Growth

We developed chains and conveyors for infrastructure development and public-sector investment for postwar reconstruction. We subsequently developed and mass-produced a succession of world-class drive chains and handling systems that underpinned Japan's high economic growth.

In 1957, in anticipation that the wave of motorization would also come to Japan, we began production of automobile timing chains (Automotive Parts Operations). In 1958, we developed large chain reducers, thereby commencing Power Transmission Units and Components Operations.



Automobile assembly line handling system

Drastic Change in the Industrial Structure

Responding to drastic change in Japan's industrial structure as it shifted from heavy to light and small industry, we developed highly functional and precise chains, mechatronics, and factory automation-related systems. As we entered the 1980s, we engaged in belt production while developing smaller and lighter timing chains, amid a shift in automobile engine timing chain systems from chains to belts.

In this period, we launched local production of chains for machinery and timing chains in North America.



A double plus chain

The 1910s Onward

- 1917 Founded in Oyodo-ku (now Kita-ku), Osaka. Made bicycle chains.
- 1923 Taking a cue from an overseas catalog, began manufacturing chains for machinery
- 1928 Completely shifted from the manufacture of bicycle chains to chains for machinery
- 1931 Began sales via distributors throughout Asia
- 1937 Delivered a large-scale conveyor plant (commenced Materials Handling Systems Operations)
- 1938 Constructed and moved to the Tsurumi Plant in Osaka

The Mid-1940s Onward

- 1949 Listed shares on the Osaka and Tokyo Stock Exchanges
- 1950 Exported roller chains to the United States for the first time
- 1957 Began production of automobile timing chains (commenced Automotive Parts Operations)
- 1958 Developed large chain reducers (commenced Power Transmission Units and Components Operations)
- 1962 Completed construction of Saitama Plant

The 1970s Onward

- 1970 Established a joint venture company in Taiwan (first overseas base)
- 1971 Established Tsubakimoto USA, Inc. (later U.S. Tsubaki Holdings, Inc.) in the U.S., entering the North American market
- 1972 Established a sales company in the Netherlands. Later established sales companies in Canada and the Asian region
- 1986 U.S. Tsubaki Holdings, Inc. (UST) acquired a chain manufacturing company. Began production of chains for machinery in the U.S.
- 1989 Began local production of timing chains at UST in the U.S.

The Development of Globalization

Amid domestic economic stagnation stemming from the collapse of the bubble economy, we constructed the Kyotanabe Plant. The chain factory transferred all operations to the new plant. In a challenging management environment, we made concerted efforts to improve productivity and reduce fixed costs.

At the same time, we expanded our sales and manufacturing bases to increase our business globally. In Automotive Parts Operations, we rapidly increased the global market share of our timing chain systems by strengthening our production supply system for uniform quality worldwide and developing new products.



Automotive parts production in North America

Diversification of Social Value and Rise of CSV Awareness

Amid growing awareness of CSV activities emphasizing the resolution of social and environmental problems, we accelerated the development of eco products (SDG-oriented products) that help customers reduce their environmental impact and improve their economic performance. Tsubaki developed high-value-added products that became hit products, such as Zip Chain Lifters using zip chains (meshing-type chains) uniquely developed by the Company, low-friction type timing chains, and LaboStocker (automated storage system) for storing samples for use by research institutions for drug discovery, DNA, and other purposes.

As part of our efforts to enter new fields, we are providing new solutions that include agribusiness, power supply systems, and monitoring business. In addition, we are steadily carrying out product development and social contribution activities that contribute to preventing the spread of COVID-19, based on the perspective of the SDGs. Please see page 32 for details



Zip Chain Lifter



LaboStocker

The 1990s Onward

From the Second Half of the 2000s to the Present

- 1992 Our roller chains plant obtained ISO 9001 certification (a first in the chain industry)
- 2001 Completed construction of Kyotanabe Plant
- 2002 Established a manufacturing subsidiary for automotive parts in Thailand (Automotive Parts Operations became a 12-plant production system in eight countries worldwide in 2016)
- 2004 Introduced the executive officer system
- 2004 All Tsubaki Group worksites in Japan obtain ISO 14001 certification

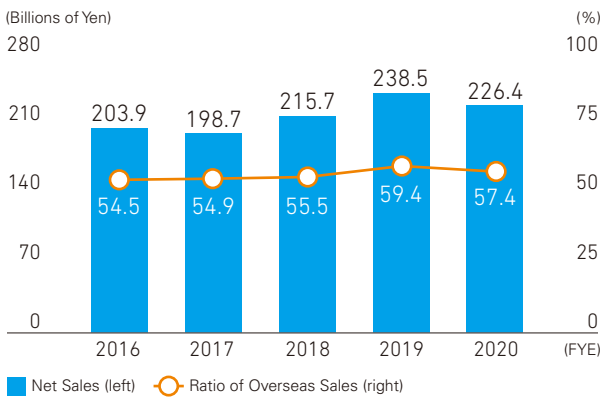
- 2010 Converted Kabelschlepp GmbH, a German manufacturer and seller of cable carriers, into a consolidated subsidiary
- 2012 Converted Mayfran Holdings, Inc., a manufacturer and seller of chip conveyors, into a consolidated subsidiary
Established a chain manufacturing subsidiary in Tianjin, China
- 2017 100th anniversary of founding. Strengthened Group capabilities through establishment of new corporate philosophy, "Tsubaki Spirit"
- 2018 Converted Central Conveyor Company, LLC of the U.S., a manufacturer and seller of materials handling systems, into a consolidated subsidiary
- 2019 Completely separated strategy formulation and oversight (Board of Directors) from business execution
- 2020 Established the Tsubaki Group Basic Policy on Sustainability
- 2020 Introduced an age 65 retirement system to promote the active participation of seniors
- 2020 Joined the "IP Open Access Declaration against COVID-19" as a founding member

Financial and Non-Financial Highlights (Consolidated)

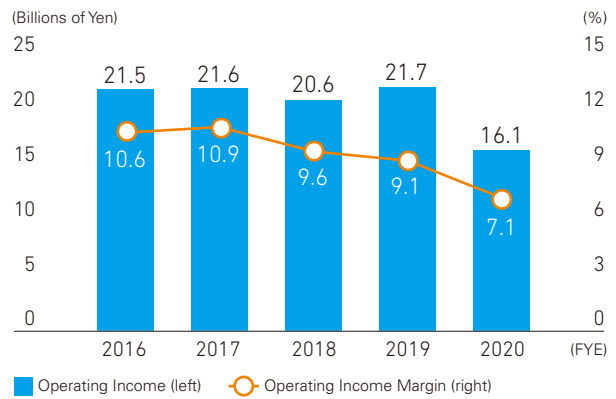
Key Points of Financial Activities

1. Sales and income declined as the market environments of the chains, power transmission units, and automotive parts businesses deteriorated due to global economic contraction and other factors from the second half of the fiscal year ended March 31, 2020.
2. The financial base remained solid, with the equity ratio on March 31, 2020 up 2.5 percentage points from the previous fiscal year-end while maintaining the D/E ratio (net) at the low level of less than 0.1 times.
3. Achieved a dividend payout of over 30%, the Company's standard for dividends, for the fourth consecutive year since the fiscal year ended March 31, 2017 (FYE 2020 ratio was 38.9%).

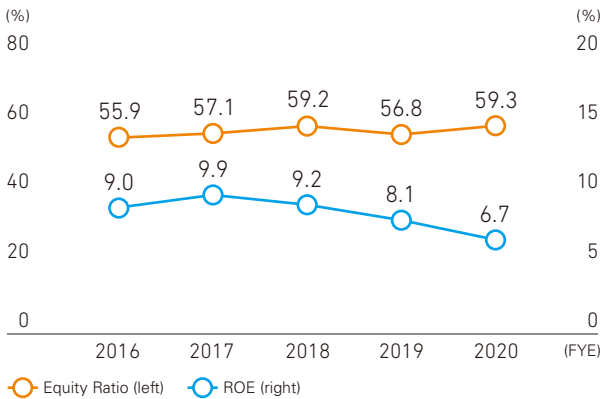
Net Sales / Ratio of Overseas Sales



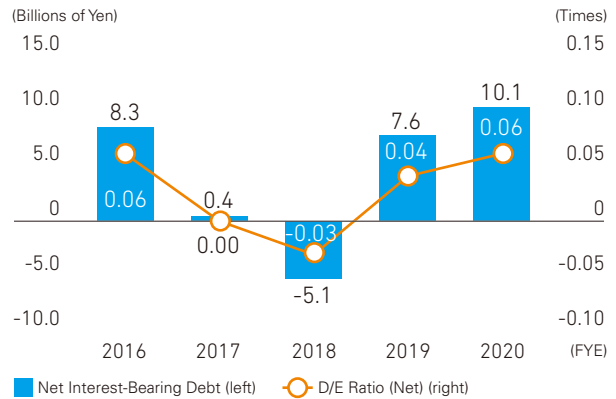
Operating Income / Operating Income Margin



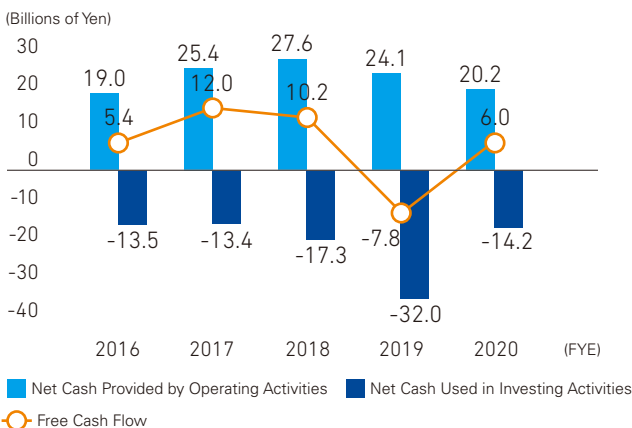
Equity Ratio / ROE



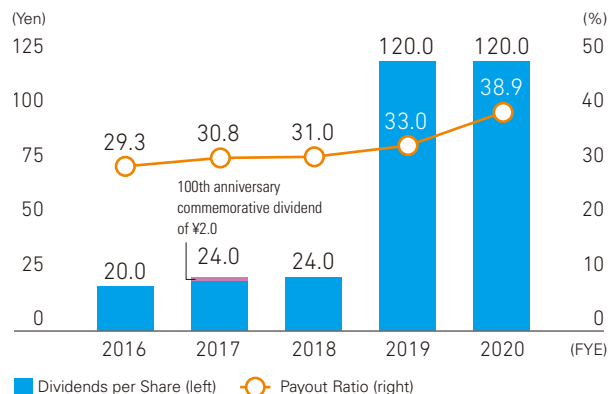
Net Interest-Bearing Debt / D/E Ratio (Net)



Cash Flows



Dividends per Share* / Payout Ratio

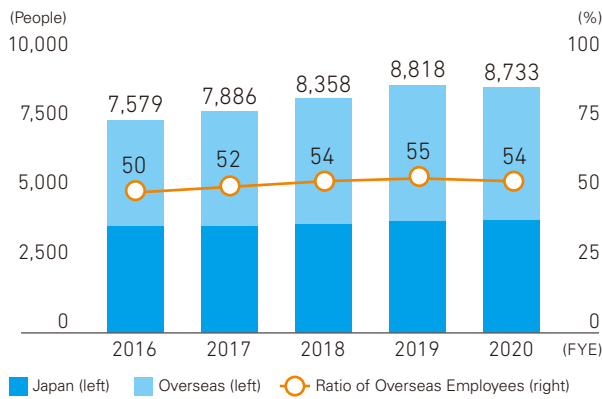


* Consolidated common shares at the ratio of five shares to one share on October 1, 2018. The share dividend amount shown for the fiscal year ended March 31, 2019 was calculated based on this share consolidation.

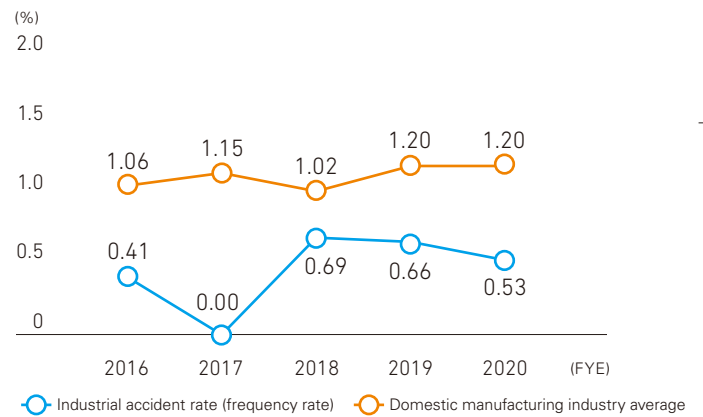
Key Points of Non-Financial Activities

1. Expanded the employment of diverse human resources, regardless of nationality or gender.
2. Maintained a frequency rate for industrial accidents (domestic) of less than half in comparison with the average industrial accident rate in the domestic manufacturing industry.
3. Significantly reduced total CO₂ emissions and total domestic waste emissions.

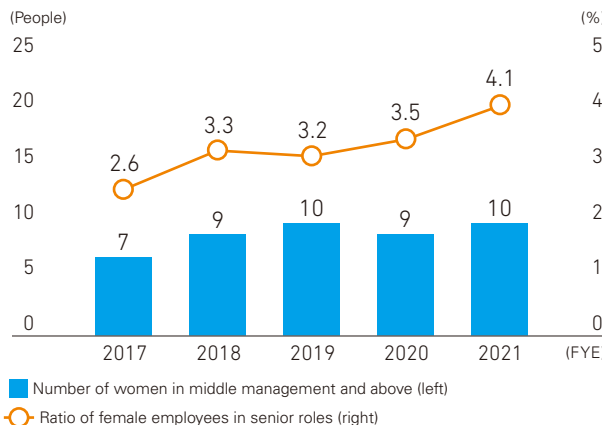
Number of Employees / Ratio of Overseas Employees



Industrial Accident Status (domestic)

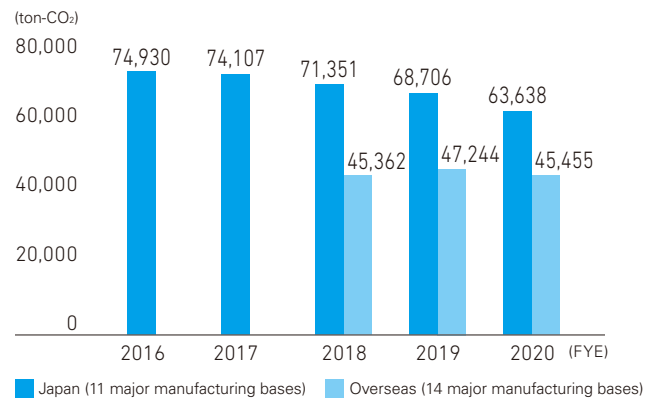


Number of Female Employees in Managerial Roles and Ratio of Female Employees in Senior Roles (domestic)*



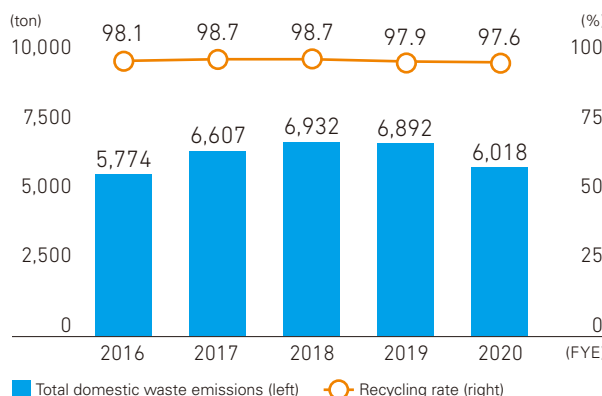
* As of April 1 for each year from 2016 to 2020.

Total CO₂ Emissions*

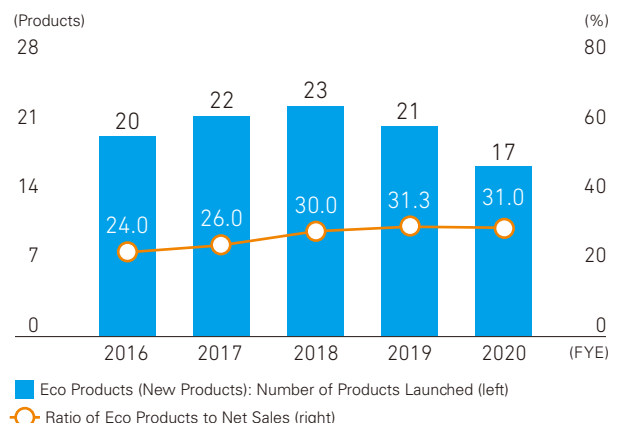


* The CO₂ emissions factors for electricity are as follows.
 Domestic: The "basic emission coefficient" of the "emission coefficient by electric utility" published by the Ministry of the Environment.
 Overseas: International Energy Agency (IEA), Emissions Factors (2018 edition), 2016 CO₂ emissions factors

Total Waste Emissions / Recycling Rate (domestic)



Eco Products (New Products): Number of Products Launched / Ratio of Net Sales

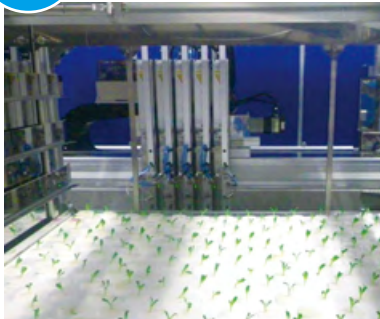


Taking on the Challenge of New Value Creation

Taking the craft of manufacturing to new heights. Centered on fields in which it can contribute to resolving social issues, the Tsubaki Group will continually take on the challenge of creating new value.



Systems for Plant Factories



Proposing the Automation of Plant Factories

Leveraging our unique technologies suited to cultivating plants, we propose the automation of plant factories in agribusiness. We propose systems suited to the cultivation process, such as automatic seedling transplanters that precisely transplant cultivated seedlings, and lifters that efficiently deposit them on and retrieve them from multi-stage growing shelves. By spurring innovation at plant factories, we will address the social need for the improvement of productivity and the safe, reliable, and stable supply of plants that are less susceptible to the influence of the weather.



Power Supply System



V2X Bi-Directional EV Charging System (eLINK)

eLINK is a bi-directional charging system that bi-directionally connects electric vehicles (EV) with the power grids of buildings, factories, public facilities, and other places. We are seeing an expansion in the scope of the utilization of eLINK, including its use at virtual power plant (VPP) resources, in addition to its use in emergency power supplies and peak cutting for the normal power supply at normal times. We launched a further upgraded version in 2019 and aim to contribute to the establishment of next-generation energy and social systems through this product.



Monitoring System



MitaMon Starter Kit—IoT-Enabled Remote Monitoring Package

The MitaMon Starter Kit is a packaged product that facilitates the ready introduction of an IoT system by attaching it to a three-colored stack light, such as a revolving warning light. Connecting to this product's small server from a PC or smartphone enables this product to contribute to improving productivity in ways that include remote monitoring of the operational status of equipment and allowing the understanding of production site conditions in real time. In the second half of the fiscal year ending on March 31, 2021, we plan to launch an enhanced version that realizes the visualization of more detailed operational status.

Pick Up !

Participation in the "IP Open Access Declaration against COVID-19" to Prevent the Spread of COVID-19

We have joined the "IP Open Access Declaration against COVID-19" with the aim of preventing the spread of COVID-19. In order to prevent the rampant spread of the virus, governments, industries, and academia must cooperate to advance the development and manufacture of a range of measures, including therapeutic medicines, vaccines, medical equipment, and products to prevent infection. To that end, we are making the rights for patents, utility models, design patents, and copyrights held by our life science business freely available for a certain period.

In June 2020, we donated Automated Liquid Handling & Dispensing System for research on therapeutic medicines for COVID-19 to Kitasato University's Omura Satoshi Memorial Institute. This donation will automate the dispensing of the high-concentration COVID-19 virus and of manual processes, thereby contributing greatly to a significant reduction in accidents caused by the leakage of infectious samples and other issues and infection risks for researchers.



Tsubaki's Strategies and Performance

- 34 The Tsubaki Group's Growth Strategies and Performance
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Driving the World... and the Future

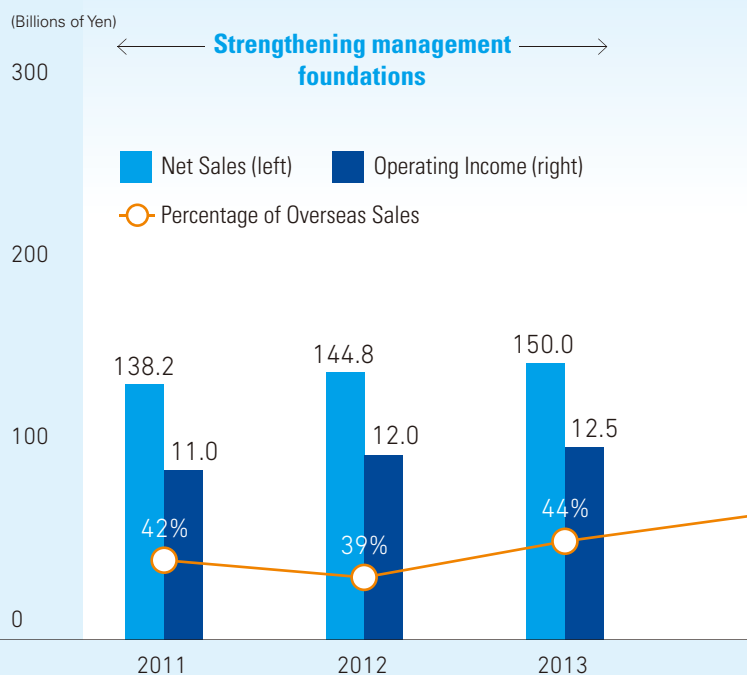
The Tsubaki Group's Growth Strategies and Performance

Progress of the Mid-Term Management Plan and Review

Since the fiscal year ended March 31, 2011, the Tsubaki Group has consistently worked to strengthen its foundation as a manufacturer in ways that include high-value-added product development, innovative and efficient production reforms, and global optimized production through three mid-term management plans, the Mid-Term Management Plan 2012, Mid-Term Management Plan 2016, and Mid-Term Management Plan 2020. These steady efforts are in line with our consistent strategy of strengthening our foundation to achieve sustainable growth from a long-term perspective. At the same time, the external environment has become more challenging and uncertain because of intensifying trade friction between the United States and China, the outbreak of COVID-19, and other issues. Under these conditions, we are accelerating our existing initiatives while formulating a new long-term vision and Mid-Term Management Plan, unswayed by the fixed ideas of our existing businesses.



Numerical Targets and Performance



Mid-Term Management Plan 2012 (FYE 2011 to FYE 2013)

Background and Aims

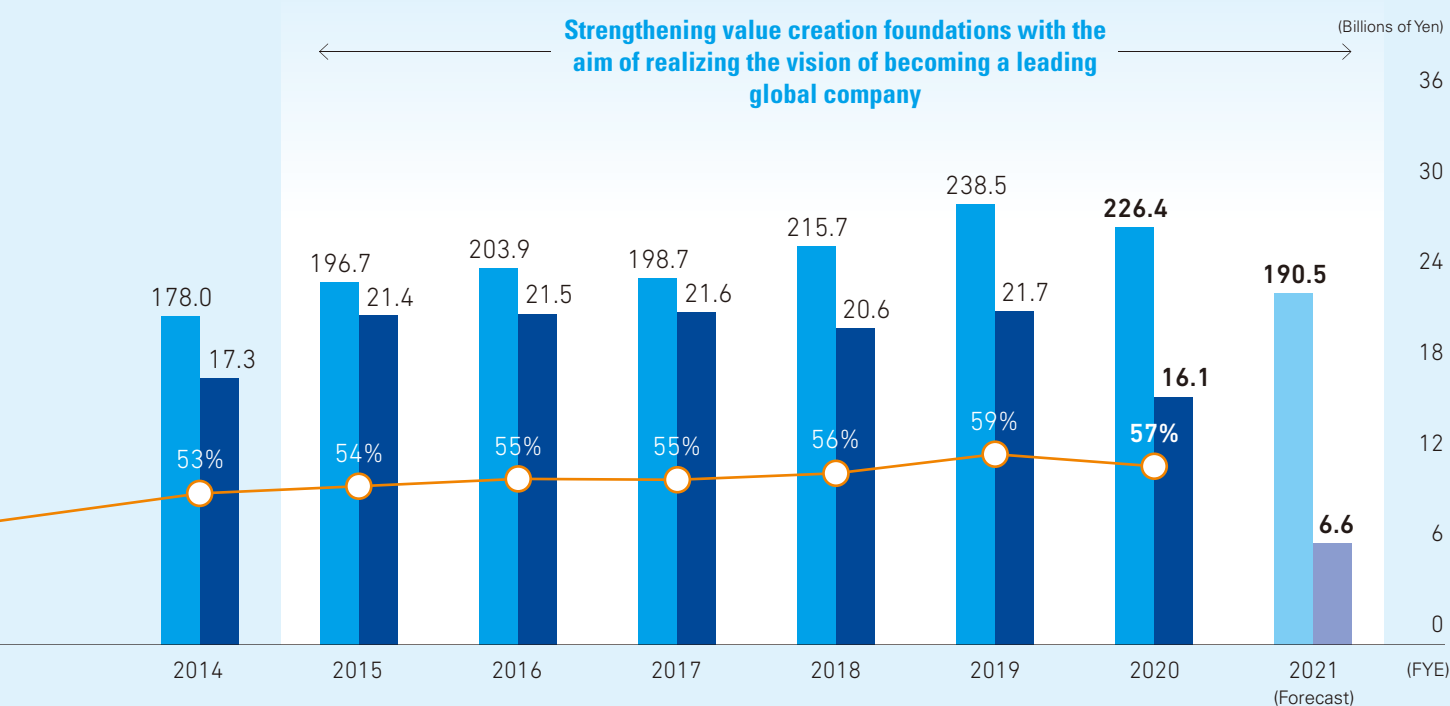
In light of recording decreases in sales and income for two consecutive years starting with the fiscal year ended March 31, 2009 as a result of the impact of the 2008 global financial crisis, we focused on measures including increasing added value and promoting global optimized production through reinforcing our earnings base and offering solutions.

Principal Targets and Rate of Achievement

Consolidated net sales	¥150.0 billion (100% rate of achievement)
Consolidated operating income	¥13.5 billion (93.2% rate of achievement)

Review

- Made progress in bolstering our earnings base by improving productivity and reducing costs.
- Operating income margin recovered, rising from 4.2% in FYE 2010 to 8.4% in FYE 2013.
- Strengthened development of eco products with distinctive characteristics in environmental and economic performance.
- Conducted two M&A transactions in Chain Operations and Materials Handling Systems Operations and advanced the globalization of our operations as Chain Operations and Materials Handling Systems Operations newly established manufacturing bases in China and Indonesia, respectively.
- At the same time, operating income was lower than expected by approximately 7% because of yen appreciation, the Great East Japan Earthquake, flooding in Thailand, and other factors.



Mid-Term Management Plan 2016 (FYE 2015 to FYE 2017)

Background and Aims

In Chain Operations and Power Transmission Units and Components Operations, we exhaustively strengthened our ability to respond to needs that differ from one market to another. Breaking down vertical barriers by business, we worked to leverage our collective strengths. We continued to make progress in bolstering our earnings base.

Principal Targets and Rate of Achievement

Consolidated net sales	¥220.0 billion (90.3% rate of achievement)
Consolidated operating income	¥22.0 billion (98.4% rate of achievement)

Review

- Net sales grew steadily thanks to continual development of products with added value. In the final year of the Mid-Term Management Plan (FYE 2017), operating income increased slightly due to production reforms and other factors, despite a decline in sales as a result of factors including yen appreciation and the slowdown in the Chinese economy.
- During this Mid-Term Management Plan, the operating income margin grew from 8.1% to 11.7%, as productivity improvement was particularly pronounced in Chain Operations. Also promoted global optimized production from a medium- to long-term perspective.
- In Automotive Parts Operations, built new plants in South Korea, Tianjin in China, and the Czech Republic. Bolstered global production and supply system.

Mid-Term Management Plan 2020 (FYE 2018 to FYE 2021)

Background and Aims

Aiming to realize our vision of becoming a leading global company, we continued to respond exhaustively to market needs and leveraged our comprehensive strengths.

Principal Targets and Rate of Achievement

Consolidated net sales	¥280.0 billion*
Consolidated operating income	¥28.0 billion*

Review

- Chain Operations bolstered its earnings base through continual productivity improvement activities.
- Power Transmission Units and Components Operations executed the removal of certain low margin products from its lineup and embarked on structural reforms with an emphasis on market share and profitability.
- Materials Handling Systems Operations conducted overseas M&As. The business accelerated the development of new technologies in automatic sorting and the life science field.
- Automotive Parts Operations has seen a slowdown since FYE 2018 due to the global downturn in automobile production volumes, in addition to the burden of depreciation and amortization accompanying proactive investments in global manufacturing bases from a long-term perspective.

* Figure after revision in May 2019. The Company's business results forecast for FYE 2021 that was announced in July 2020 is as shown in the graph.

Review of Sales and Growth Strategies by Business Operation

Chain Operations

Promotion of Market Strategy × Product Strategy Matrix Business Operations and Reinforcement of *Monozukuri* Foundations

Yasushi Nagai

Senior Executive Officer
Chain Operations
General Manager,
Chain Manufacturing



Strengths

- Technological superiority for chains as exemplified by fatigue strength and wear resistance
- Application technologies that address a variety of needs and stable supply capability

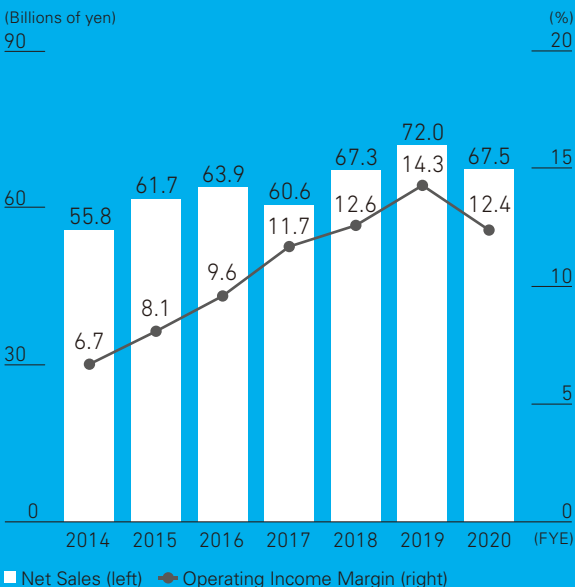
Opportunities

Growth in customer demand for productivity improvements and environment-friendliness

Threats & Weaknesses

Issues in integrating our market response with our product strategy

Performance Trends



Review of the Fiscal Year Ended March 31, 2020

Achievements in Terms of Strategies Aimed at Medium- to Long-Term Growth amidst a Decline in Sales and Income

The consolidated financial results for Chain Operations in the fiscal year ended March 31, 2020, were net sales of ¥67.5 billion, down 6.2% year on year, and operating income of ¥8.4 billion, down 18.3% year on year.

In Japan, solid maintenance demand from customers in the manufacturing industry was accompanied by firm sales of conveyor chains. However, sales of drive chains decreased due to the sluggish economy. In the Americas, revenues declined as a result of inventory adjustments by distributors.

In China, meanwhile, sales were relatively strong and revenue increased, despite the severe business environment that is seeing an economic slowdown. The production efficiency and environment-friendliness of the local manufacturing industry is being promoted as a national policy in China. Accordingly, demand is shifting to highly functional chains with outstanding performance in terms of wear resistance, fatigue strength, and environmental performance. We established a manufacturing subsidiary in China in 2012 and have promoted its superiority in terms of performance and quality to customers in the country. These efforts have steadily borne fruit, and our manufacturing subsidiary in Tianjin achieved profitability in the fiscal year ended March 31, 2020.

In Europe, although we have in recent years proactively advanced the market launch of new products in compliance with local British Standards (BS), we made progress in developing new customers for large-sized drive chains in the fiscal year ended March 31, 2020. However, our plan to expand our share of the conveyor chain market in Europe, a key strategy for the region, did not produce the results we had expected. Going forward, we will augment our engineering response capabilities in Europe by dispatching engineers from Japan. Thus, we will raise our market share.

Growth Strategies Going Forward

Promotion of Matrix-Type Business Operations

Combining Market Strategies and Product Strategies

In recent years, We have focused on subdividing the global market and accurately identifying needs that differ from one market to another. Going forward, to carry out our strategies for each market, we will promote matrix-type business operations combining market strategies and product strategies, whereby Japan (Kyotanabe Plant) facilitates the development and supply of products that are suitable for each strategy.

Product strategies include strategies of deciding the manufacturing base from which to supply products and parts. In order to realize the supply of products tailored to price requirements that differ from one market to another, leveraging our global manufacturing bases to the fullest extent will be indispensable to achieving further growth.

Development of Business in Emerging Countries other than China

In China, we are seeing a shift to highly functional chains, for which we have particular competence, in tandem with economic development, as I have already explained. We are also seeing similar trends in other emerging countries, including India. To address customer needs for



Drive chains

highly functional chains, we will proactively promote the competitive advantages of our products, centered on our sales base in India.

Acceleration of Product Development Tailored to an Expanded Customer Base

The customer base for our chain business is exceptionally broad. Developing new products that promote high added value for customer segments that are resilient to economic downturns will help stabilize our business performance. For example, there is a highly corrosion resistant type of stainless steel chain that is used in the food, pharmaceutical, chemical and other industries. We are in the process of developing a new product that offers further improved strength and durability. In the fiscal year ending March 31, 2021, we will sequentially launch this product onto the market.

Contributing to SDGs Solutions from Chain Operations

Tackling Next-Generation *Monozukuri* and Reviewing Quality

The Manufacturing Innovation in Kyotanabe 2018 (MIK2018) activities achieved a 30% improvement in productivity compared with the fiscal year ended March 31, 2014. From the fiscal year ended March 31, 2020, we embarked on lean manufacturing in Kyotanabe 2025 (LinK2025) to take on the challenge of realizing a next-generation *monozukuri* (manufacturing) plant. Under this challenge, we will aim to create a new type of manufacturing that encompasses indirect operations by linking all processes—from estimates to design, production and delivery—through information. By fully leveraging robots, AI, and the Internet of Things (IoT) technologies, we will free employees from physically burdensome and monotonous work and realize a plant with no losses, based on automation.

At the Kyotanabe Plant, we are advancing the re-examination of four themes with the goal of realizing high-quality *monozukuri*. The first is to exhaustively match the commercialization of products with customer needs in the upstream process. The second is to further strengthen quality management of the production process through automation and mechanization of the plant. The third is to thoroughly enforce compliance with rules in aspects involving people. Finally, the fourth is to verify how a product's functions are being exercised after it has been delivered and reflect that information into product development going forward. In these ways, we are consolidating our position as the world's leading chain manufacturer by taking on the challenge of realizing a cutting-edge *monozukuri* plant and stubbornly working to strengthen quality.



Manufacturing innovations at Kyotanabe Plant

Review of Sales and Growth Strategies by Business Operation

Power Transmission Units and Components Operations

Second Stage of Structural Reform
Aiming for Growth through Selection and Concentration

Hiomasa Kawaguchi

Senior Managing Executive Officer
Power Transmission Units and Components Operations



Strengths

Solutions and customizing capabilities that address a variety of customer needs (product variation)

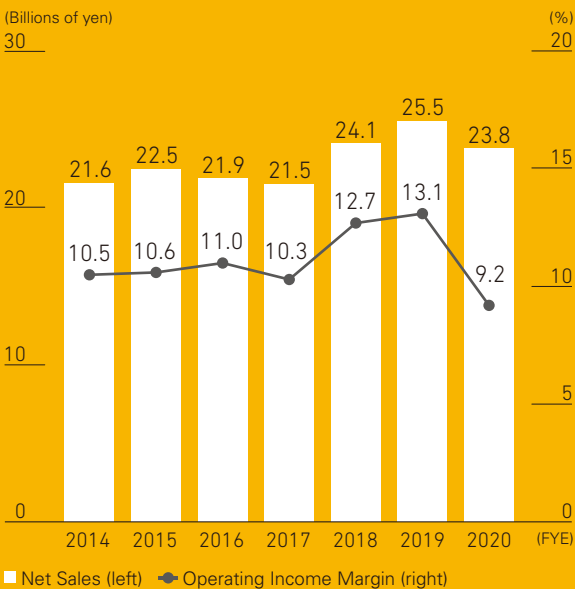
Opportunities

Growth in demand for high-performance actuators, controllers, and detectors accompanying the growth in automation and labor saving machines

Threats & Weaknesses

Negative impact on profitability and capital efficiency brought about by an overabundance of products and components

Performance Trends



Review of the Fiscal Year Ended March 31, 2020

While Sales and Income Declined due to the Economic Slowdown, Signs of Progress Emerged for Key Strategic Products

The consolidated financial results for Power Transmission Units and Components Operations in the fiscal year ended March 31, 2020, were net sales of ¥23.8 billion, down 6.9% year on year, and operating income of 2.1 billion, down 34.5% year on year. By region, although sales were relatively solid in the Americas and the Indian Ocean Rim, sales of products for the Japanese and Chinese markets decreased due to the impact of the economic slowdown.

In Power Transmission Units and Components Operations, with the goal of concentrating management resources on a product lineup with a high level of competitiveness and growth potential, we implemented structural reform boldly revising our product lineup. The decrease in sales in the fiscal year ended March 31, 2020 includes sales for low-margin products from which we will withdraw through this structural reform.

Although the economic slowdown and strategic revision of our product lineup prompted a decline in sales and income, the steady increase in sales of our module products, which we have positioned as a strategic product to drive the medium- to long-term growth of Power Transmission Units and Components Operations, was a major achievement in the fiscal year ended March 31, 2020.

In comparison with hydraulic drive lifters, the lifting equipment leveraging Zip Chain* that was developed by Tsubaki has a variety of added value, such as suitability for high-speed, high-frequency operation, high stopping precision, and less use of space (affording a high degree of layout freedom). These features have been well-received by users, and adoption of this lifting equipment is increasing in a wide range of fields.

* A revolutionary chain consisting of two chains that interlock in a zipper-like fashion to form a single, strong column to perform pushing and pulling motions.

Growth Strategies Going Forward

In Power Transmission Units and Components Operations, we have adopted a basic strategy of achieving growth. To that end, we are fundamentally revising our product lineup and concentrating management resources on products with higher added value and high growth potential. In the fiscal year ended

March 31, 2020, we largely completed our withdrawal from selected products. Moreover, from the perspective of efficiency, we plan to complete the transfer of production of these products to subsidiaries and other business divisions during the first half of the fiscal year ending March 31, 2021. Going forward, we will advance the structural reform in Power Transmission Units and Components Operations to its second stage, in which we will concentrate management resources in promising businesses and products and improve productivity (a 30% improvement by the fiscal year ending March 31, 2023, compared with the fiscal year ended March 31, 2014). The products and new business fields on which we will concentrate management resources are as follows.

1. Module Products (Zip Chain Modules)

Lifting and linear actuator equipment leveraging Zip Chain has won recognition for its superiority in terms of performance, and application of this equipment is increasing across all industries. To roll out this product globally in a similar fashion as we have done for cam clutches, we are developing a semi-knocked-down production system in North America, China, and other countries and regions.

2. Cam Clutches

Cam Clutches are a core product of Power Transmission Units and Components Operations with an overwhelming share of the Japanese market. We have bolstered the semi-knocked-down production system for Cam Clutches of Tsubaki overseas sites in recent years and will market this product on a global basis.

3. Motorcycle Starter Clutches

In the market for medium- and large-sized motorcycles, Tsubaki's motorcycle starter clutches have a global share of approximately 30%. We are targeting a global share of 40%

Zip Chain Actuator®



Cam clutches

over the medium motorcycles in medium- to -long term by reinforcing local production in India, the largest market.

4. DC Brushless Motor-Related Products

DC brushless motors use an electronic circuit (driver) to carry out stable speed control without the need for maintenance caused by electrode (brush) wear. In recent years, they have been adopted in a broad range of applications, including safety barriers on train station platforms and watertight doors for underground buildings. We will increase sales by using our competitive edge in modularization, including for controllers, which is one of our strengths.

5. Taking on Challenges in New Business Fields

Programming and integration tailored to a diverse array of customer needs are key growth factors in the field of collaborative robots, which are based on collaboration with humans. As such, this is a field in which Tsubaki—which deploys its customizing capabilities as an asset—has particular competences. The Group will invest the management resources it obtains through the revision of its product lineup in the development of this new field.

Contributing to SDGs Solutions from Power Transmission Units and Components Operations

IoT-Enabled Gear Motor with Self-Disconnecting Function

It is thought that the shift to smart factories leveraging Internet of Things (IoT) technologies will rapidly progress in the post-COVID-19 economy. These technologies will realize predictive maintenance by detecting load changes in machinery and equipment inside factories without the need to install extensive systems. Tsubaki has developed a unit equipped with high precision power, temperature, and vibration sensors on a general purpose gear motor. In addition to functions for monitoring load changes in machinery and equipment, we integrated remote operational monitoring and understanding through connection to a network. We will contribute to customers' efforts to introduce IoT products by leveraging our strength in terms of offering a wide-ranging product lineup in the Motion & Control field.



IoT-Enabled Gear Motor with Self-Disconnecting Function

Review of Sales and Growth Strategies by Business Operation

Automotive Parts Operations

Thorough Reinforcement of Our Earnings Base and Development of Next-Generation Earnings Sources

Masaki Miyaji

Senior Executive Officer
Automotive Parts Operations



Strengths

- High level of reliability in terms of environmental performance and quality
- The world's only manufacturer that can handle two types of timing chains

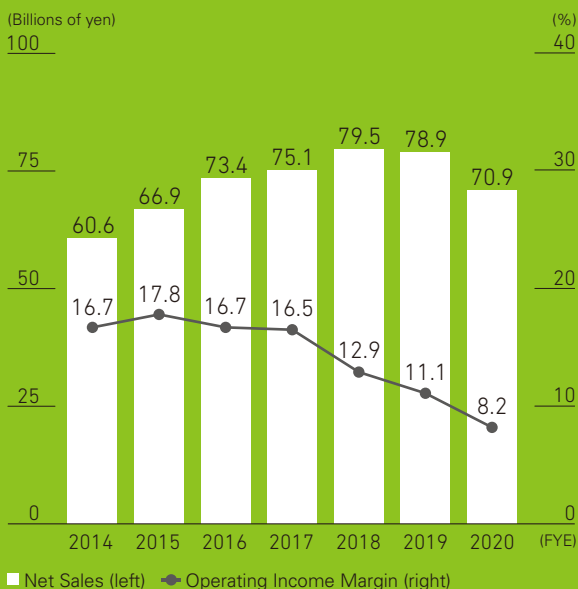
Opportunities

Growth in demand for components that contribute to improvements in the environmental performance of automobiles

Threats & Weaknesses

- Short-term issue: Maintaining profitability in a period of sluggish demand for automobiles
- Medium- to long-term issue: Development of next-generation products to follow timing chains

Performance Trends



Review of the Fiscal Year Ended March 31, 2020

Shift to a Severe Business Environment due to Stagnant Automobile Production

The consolidated financial results for Automotive Parts Operations in the fiscal year ended March 31, 2020, were net sales of ¥70.9 billion, down 10.2% year on year, and operating income of ¥5.7 billion, down 33.7% year on year. Production in the automobile industry, the customer for Automotive Parts Operations, was sluggish throughout the year due to the slowdown in demand for automobiles.

In Japan, the impact of the consumption tax hike became increasingly apparent from the second half of the fiscal year. Overseas, a significant slump in automobile sales in the Chinese market and attendant reduction in production continued. However, while total demand for automobiles was robust in the United States market as recovery in demand for large vehicles progressed due to falling gasoline prices, the market for small- and medium-sized vehicles was stagnant.

On the other hand, conditions for orders of timing chain systems for new-model engines were relatively strong. Local automobile manufacturers in China are accelerating the development of new-model engines with outstanding environmental performance and quality, and we are seeing an increasing preference for high-grade components. We were able to obtain several orders by proactively carrying out precise proposal activities offering added value. We also obtained orders for new projects that we had targeted in the Japanese market. Meanwhile, amid an overall downturn for new projects in the European market, we have received orders for relatively large projects.

Growth Strategies Going Forward

Thorough Cost Management and Promotion of Production Optimization and Efficiency

From a medium- to long-term perspective, Automotive Parts Operations have to date promoted the augmentation of production capacity capable of stable supply on a long-term basis and expansion of local production. However, demand for automobiles continues to be stagnant. As we cannot expect a sudden recovery in demand, we will thoroughly conduct business operations with a focus on maintaining profitability and improving production efficiency.

From the standpoint of improving profitability, we will

quickly move to reduce fixed costs. For unprofitable projects, we are promoting initiatives to improve profitability by exhaustively revising processing methods and overengineering, and these efforts are beginning to produce results beyond our expectations. In addition, from the standpoint of overall optimization, we are raising production efficiency in ways that include advancing optimization of global production and making effective use of older equipment.

Early Development of Our Next Mainstay Products

We are also focusing on the development of next-generation mainstay products to follow our timing chains. In transmission-related products, power drive chains used in the transfer cases of four-wheel-drive vehicles are one such example. Tsubaki is a latecomer to this market, and, although it has gradually increased its presence therein, its global share is only around 15%. We will raise this share by making the most of the superiority of our drive chains in terms of their strength, low noise, and other features.

In addition, we developed Ene-drive Chain used in regenerative braking and auxiliary drive systems and continue to propose it to various manufacturers in Japan and overseas.

We expect that it will take time for these efforts to produce results. However, the trend for improved environmental performance in automobiles is accelerating and the role played by component and system manufacturers will become increasingly significant. To further bolster our technological development base and proposal sales capabilities, we intend to continue to invest steadily in these fields.



Power drive chains



Ene-drive® Chain

Contributing to SDGs Solutions from Automotive Parts Operations

Operation of an Era-Leading New Plant for Automation and Environmental Friendliness

The Saitama Plant serves as the mother plant of Automotive Parts Operations, which carries out production in eight countries worldwide. At the plant, we completed a new production facility for tensioners—a timing chain system component—and this factory has been fully operational since the second half of the fiscal year ended March 31, 2020.

At the new factory, we have realized the automation of production and distribution and installed a production system leveraging AI and the IoT, as we aim to improve productivity by 30%. It is also an ecological factory, where we have installed a solar power generation system and energy-saving equipment for lighting and air conditioning as well as greening the rooftop. Besides its products, Tsubaki will heighten its contribution to society through *monozukuri* and grow to be a company with a significant presence.



The new tensioner factory

Review of Sales and Growth Strategies by Business Operation

Materials Handling Systems Operations

Toward Further Growth Based on Technological Superiority

Takatoshi Kimura

Managing Executive Officer
Materials Handling
Systems Operations



Strengths

Ability to provide solutions directly connected to resolving the issues of a wide variety of customers

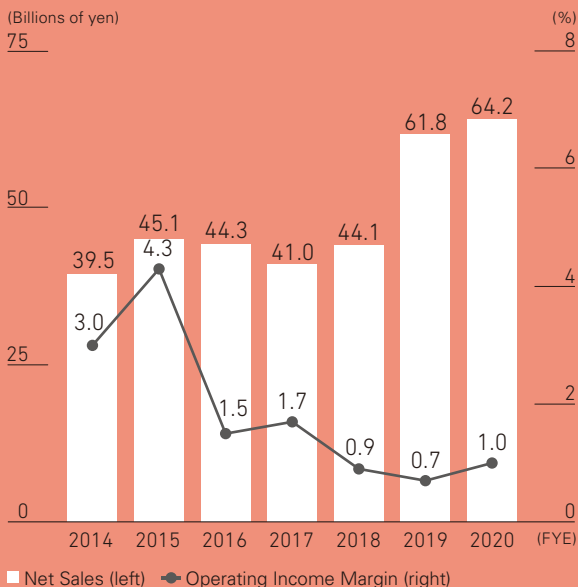
Opportunities

Growing needs for automation and labor-savings in the fields of production, distribution, and life sciences, as well as the global rise in environmental awareness

Threats & Weaknesses

Profitability and capital efficiency issues stemming from the concentration of heavy investment in growing fields

Performance Trends



Review of the Fiscal Year Ended March 31, 2020

Strong Business Performance Centered on Automatic Sorting Equipment and Bulk Handling Systems

The consolidated financial results for Materials Handling Systems Operations in the fiscal year ended March 31, 2020, were net sales of ¥64.2 billion, up 3.9% year on year, and operating income of ¥0.6 billion, up 60.6% year on year. Today, amid a dramatic increase in distribution volumes following the growth of the e-commerce industry demand for high-performance sorting equipment that contributes to automation and labor-saving continues to increase. Although we have earned high praise for our automatic sorting equipment, we have in recent years promoted further differentiation in terms of speed and sorting accuracy. At the same time, we have developed multi-level automatic sorting equipment that can sort large quantities of parcels even in small spaces. In these ways, we have focused on strengthening the competitiveness of our automatic sorting equipment.

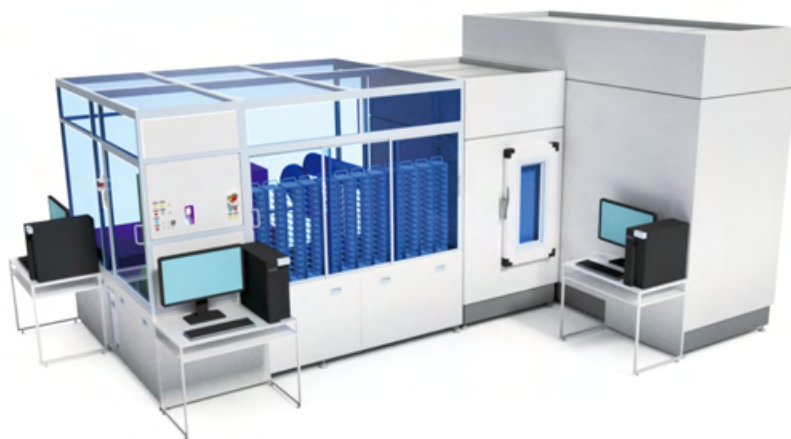
These efforts resulted in robust sales of automatic sorting machines in the fiscal year ended March 31, 2020, particularly in the Japanese market. Meanwhile, to conduct our business activities effectively in the Chinese market with finite management resources, we focused on module sales of automatic sorting equipment. This strategy proved successful, and we were able to grow our sales volume in the Chinese market.

Besides automatic sorting equipment, we also saw brisk sales of bulk handling systems. In Japan, sales of conveyors that transport wooden chips, pellets, and other materials grew following an increase in environment-friendly biomass power plants. In the Chinese market, sales of bulk handling systems used in desulfurization and denitrification equipment by steel manufacturers were favorable. Tsubakimoto Bulk Systems Corp., a subsidiary that specializes in bulk handling systems, has continued to deliver strong business growth in recent years and posted record high income in the fiscal year ended March 31, 2020.

Growth Strategies Going Forward Making Technology-Differentiated Products a Pillar of Growth

As in the fiscal year ended March 31, 2020, Materials Handling Systems Operations will continue to achieve growth with an emphasis on increasing sales of

LABOSTOCKER® Mini Interlocking Plate Delivery System



technologically superior products.

Such products include, automated sorting equipment that thoroughly addresses automation and labor-saving needs in the distribution industry, and bulk handling systems for equipment that contributes to environmental conservation, including biomass power plants and desulfurization and denitrification equipment.

In addition, from a medium- to long-term perspective, we will focus on increasing the sales and improving the profitability of LaboStocker, an automated cryogenic storage system that we developed independently for the life science field. LaboStocker's special features include the smooth storage and picking of biological samples in cryogenic environments as low as -150°C / -238°F . This high-value-added product has been well received by pharmaceutical manufacturers and research institutions in Japan. The spread of the COVID-19 pandemic has led to a reaffirmation of the need to ensure the safety of researchers, in addition to the importance of biological sample research and of improvements in the efficiency of research work. Looking ahead, we expect more of the national budget to be allocated to this field.

Further, we received an order for a world-class, state-of-the-art refrigerated storage system with a fully automatic DNA extraction device. To roll out this product

globally, centered on the US market, which is larger than that of Japan, we will promote alliances with other companies in this field in terms of sales and the licensing of technology.

Management Reform of Overseas Subsidiaries and Creation of Group Synergies

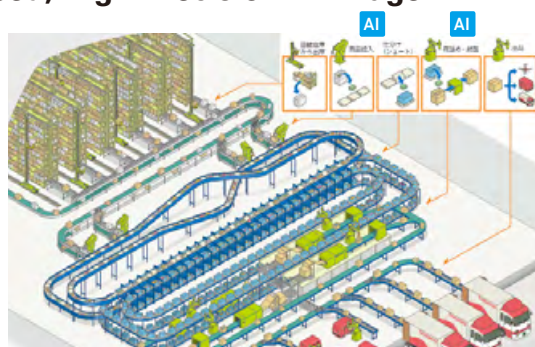
Despite the steady increase in sales of products with profitability and growth potential, such as automatic sorting equipment for the distribution industry and bulk handling systems, the operating income margin for Materials Handling Systems Operations stands at 1.0% (percentage for the fiscal year ended March 31, 2020). The primary reason for this low operating income margin lies in the deterioration in the performance of a European subsidiary that manufactures and sells chip conveyors and a subsidiary in the United States that develops materials handling equipment for the automobile industry. We will act quickly to carry out structural reform in these two subsidiaries while accelerating the creation of Group synergies in terms of sales, technological development, and other areas. As an example, we are working to increase sales of Zip Chain Lifters, which feature outstanding speed and positioning accuracy, by dividing design and sales between our subsidiaries in the United States.

Contributing to SDGs Solutions from Materials Handling Systems Operations

Development of Globally Unrivaled High-Speed, High-Precision AI Image Recognition Technology

The Materials Handling business provides solutions leading directly to resolving social issues. Addressing labor-saving and automation needs is of particular importance, and we believe that image recognition technology is crucial to providing solutions that offer more added value.

Accordingly, in collaboration with EAGLYS Inc., an AI start-up company, we have developed AI image recognition technology that is globally unrivaled in terms of item recognition, accuracy rate, and recognition speed. We intend to focus on putting this technology into practical use while not only applying it in automatic sorting equipment but also commercializing it in a wide range of areas, such as pharmaceuticals and vegetable factories.



FYE 2020 Topics

April 2019

Toward Automated Plants with No Losses or Risks

At the Kyotanabe Plant, we kicked off LinK2025 as new production reform activities. We launched these activities based on the concept of an "automated plant linking information and manufacturing."

June 2019

Structural Reforms for Strengthening Corporate Governance

We completely separated strategy formulation and oversight from business execution and established the Nomination and Remuneration Committee, which is chaired by an outside director. Through these reforms, we enhanced management transparency and strengthened corporate governance.

July 2019

Completion of New Tensioner Factory in Saitama Plant

We carried out the automation of equipment and realized the visualization of operational conditions as well as introducing production systems leveraging the IoT and AI. We prepared for natural disasters (such as floods and earthquakes) through measures including the establishment of rainwater storage tanks under the building, in addition to environment-friendly measures such as a solar power generation system, utilization of energy-saving equipment, and roof greening. In these ways, we strengthened both productivity improvements and our environmental response.



November 2019

Repurchase of Treasury Stock

To pursue flexible capital policies, we repurchased treasury stock through the Off-Auction Own Share Repurchase Trading System (ToSTNeT-3)

March 2020

Development of Globally Unrivaled High-Speed, High-Precision AI Image Recognition Technology

Labor shortages in distribution centers have become increasingly acute in tandem with expansion in the e-commerce industry. In particular, we are seeing a rise in needs for efficiency and laborsaving needs in picking work. In response to these needs, we developed globally unrivaled high-speed, high-precision AI image recognition technology that makes extensive use of AI as a key technology for the unmanned non-barcode and picking operations and the automotive products business, while the Technology and Research Development is in charge of the development of advanced and foundation technologies. We assigned officers to take charge of these divisions and strengthened our development system.



Barcode reading that needs to be done manually

April 2020

Reinforcement of Development Division

We divided the Development & Technology Center into New Business Planning & Development and Technology & Research Development. New Business Planning & Development is in charge of the development of new products and businesses in addition to the development of the agribusiness, the Power Conditioning System (PCS) business, and the automotive products business, while Technology & Research Development is in charge of the development of advanced and foundation technologies. We assigned officers to take charge of these divisions and strengthened our development system.

Introduction of an Age 65 Retirement System to Promote the Active Participation of Seniors

Amid the decline in the productive population due to the falling birthrate and aging society, Tsubakimoto Chain introduced an Age 65 Retirement System that raises the retirement age from 60 to 65 years old, as part of its efforts to create a workplace environment where diverse human resources can actively participate.



Tsubaki's Sustainability

- 46 Corporate Governance
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- 56 Society
- 66 Technology

Driving the World... and the Future

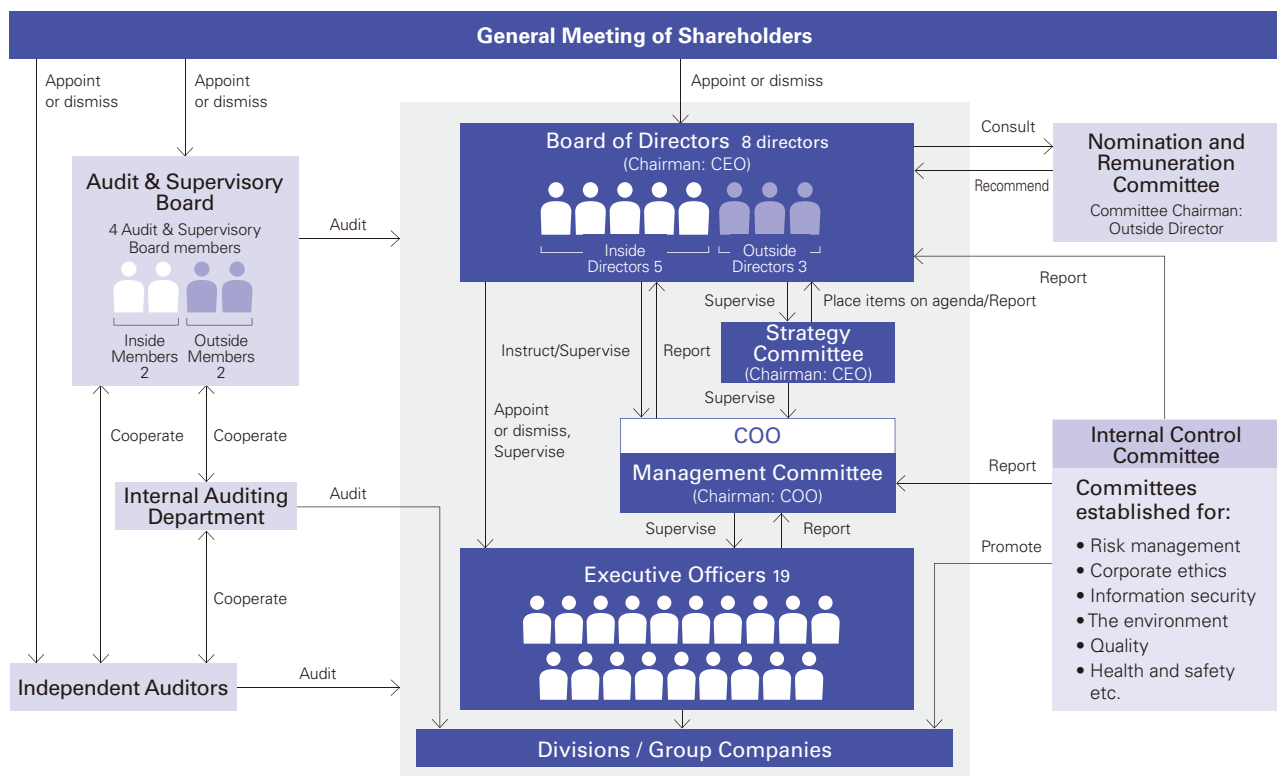
Corporate Governance

The Company regards strengthening corporate governance to realize its basic policy of creating value for customers and contributing to society as one of the most important tasks of business management. The Group has

formulated this approach into the basic policy stated below and is working to realize this policy and enhance corporate governance.

Please see our website for details on our basic policy on corporate governance. (Japanese Only)
<https://www.tsubakimoto.jp/sustainability/governance/corporate/>

Corporate Governance System (As of June 26, 2020)



Overview of Corporate Governance System (As of June 26, 2020)

Organizational structure	Company with Auditors
Chairman of the Board of Directors	Chairman of Tsubakimoto Chain Co.
Number of directors	8 (of which 3 are outside directors)
Number of Audit & Supervisory Board members	4 (of which 2 are outside Audit & Supervisory Board members)
Independent board members	3 outside directors and 2 outside Audit & Supervisory Board members

Meetings of the Board of Directors in the fiscal year ended March 31, 2020	14
Meetings of the Audit & Supervisory Board in the fiscal year ended March 31, 2020	17
Number of meetings of the Nomination and Remuneration Committee in the fiscal year ended March 31, 2020	2
Total compensation paid to directors in the fiscal year ended March 31, 2020	¥285 million paid to 7 directors
Total compensation paid to Audit & Supervisory Board members in the fiscal year ended March 31, 2020	¥47 million paid to 3 Audit & Supervisory Board members (decided by the Audit & Supervisory Board)
Total compensation paid to outside directors and outside Audit & Supervisory Board members in the fiscal year ended March 31, 2020	¥33 million paid to 5 individuals

Systems for Decision Making, Strategy Formulation and Operational Execution

The Company clearly separates strategy formulation and oversight from business execution through a system in which the Board of Directors performs strategy formulation and oversight for the Group, and the COO and the Management Committee comprising executive officers conduct business execution in a responsible manner.

The Strategy Committee has been positioned as the second-highest authority in the Company after the Board of Directors. By deliberating on and making decisions regarding important Groupwide business strategies and management policies, this committee facilitates strategy formulation transcending business boundaries to quickly address the issues and needs of society as a whole. We are also taking steps to expedite management by revising agenda items at committees and expanding the scope of the transfer of authority to lower-ranked committees.

Strengthening of Corporate Governance

FYE 2005	<ul style="list-style-type: none"> Introduced the executive officer system Appointed an outside director Increased the number of outside Audit & Supervisory Board members from one to two
FYE 2012	<ul style="list-style-type: none"> Introduced the Strategy Committee
FYE 2016	<ul style="list-style-type: none"> Reformed management system to separate the roles of Chief Executive Officer (CEO) and Chief Operating Officer (COO) Responded to Japan's Corporate Governance Code
FYE 2018	<ul style="list-style-type: none"> Increased the number of outside directors from two to three
FYE 2019	<ul style="list-style-type: none"> Established a business segment headquarters in each business segment, which oversees the business segment and its Group companies in Japan and overseas (transferred to a system in which executive officers serve as general managers of business segments)
FYE 2020	<ul style="list-style-type: none"> Clearly separated strategy formulation and oversight by the Board of Directors from business execution by executive officers Established a Nomination and Remuneration Committee as a voluntary advisory body to the Board of Directors Abolished the concurrent serving of directors and executive officers
FYE 2021	<ul style="list-style-type: none"> Introduced a restricted stock compensation system

Systems to Ensure Management Transparency and Flexibility

Systems to ensure management transparency and flexibility include appointing three of eight directors as outside directors. The Group's outside directors meet the requirements for outside directors pursuant to the

Companies Act of Japan as well as the independence criteria for outside directors (Independent board members) that the financial instruments exchange stipulates. We have established a well-balanced

Reasons for Appointing Outside Directors (Independent board members) and Their Attendance at Meetings of the Board of Directors

Name	Reason for appointment	Attendance at meetings of the Board of Directors in the fiscal year ended March 31, 2020
Shuji Abe	The Company appointed Mr. Abe to receive objective advice concerning its focus on technologies, development, and manufacturing as three core areas based on his wealth of insight and experience as the manager of a manufacturing company.	Attended all 14 meetings
Keiichi Ando	The Company appointed Mr. Ando to receive objective advice concerning its overall business management based on his wealth of insight and experience as the manager of a financial institution.	Attended all 14 meetings
Hisae Kitayama	The Company appointed Ms. Kitayama to receive objective advice concerning its overall business management based on her long experience as a certified public accountant and high level of expertise regarding corporate accounting.	—

Reasons for Appointing Outside Audit & Supervisory Board Members (Independent board members) and Their Attendance at Meetings of the Board of Directors and the Audit & Supervisory Board

Name	Reason for appointment	Attendance at meetings of the Board of Directors and the Audit & Supervisory Board in the fiscal year ended March 31, 2020	
Shozo Seki	The Company appointed Mr. Seki so that its audit system could benefit from his expertise and knowledge as an attorney.	Board of Directors Attended all 14 meetings	Audit & Supervisory Board Attended all 17 meetings
Hidefumi Naito	The Company appointed Mr. Naito so that its audit system could benefit from his expertise and knowledge as an attorney.	Attended all 14 meetings	Attended all 17 meetings

composition that helps enliven discussions at meetings of the Board of Directors, with a highly experienced manager of a manufacturing company, a highly experienced manager of a financial institution, and a certified public accountant possessing a high level of expertise in corporate accounting.

Further, two of the Group's four Audit & Supervisory Board members are outside Audit & Supervisory Board members (Independent board members). The Group has appointed outside Audit & Supervisory Board members

Executive Compensation

Compensation for Directors (Excluding Outside Directors)

Compensation comprises fixed compensation and performance-based compensation. The Company has strengthened the link between compensation for directors and corporate performance by evaluating the contribution of each director to the improvement of consolidated management benchmarks, the level of market capitalization, and the achievement of priority goals.

In addition, in June 2020 the Company introduced a restricted stock compensation system to provide an incentive to directors to continuously improve the Company's corporate value and promote the further sharing of value with shareholders. Under this system, the Company pays restricted stock as compensation to directors (excluding outside directors), the sale of which is restricted for a certain period (between 3 and 30 years, as determined by the Board of Directors).

In July 2020, based on this system, the Company

who have expertise and extensive experience as attorneys.

In the fiscal year ended March 31, 2020, with the goal of bolstering the independence, objectivity, and accountability of the Board of Directors, we established the Nomination and Remuneration Committee, which is chaired by an outside director, as a voluntary advisory body to the Board of Directors. This committee has heightened the objectivity of the process for determining the nomination and remuneration of directors and the appointment and dismissal of the CEO and COO.

allocated restricted stock to eligible directors, with the goal of realizing the sharing of shareholder value over the medium-to-long term. The total amount of monetary compensation claims paid under this system shall be not more than ¥60 million per year.

Compensation for Outside Directors and Audit & Supervisory Board Members

Compensation comprises fixed compensation only (as of July 2019). Taking into account market-rate salaries and employees' salary levels, compensation for Audit & Supervisory Board members is determined in consultation with Audit & Supervisory Board members within the limit resolved at the 99th General Meeting of Shareholders held on June 27, 2008.

In addition, the Group abolished bonuses for directors in June 2006, and abolished retirement benefits for directors in June 2008.

Evaluation of the Effectiveness of the Board of Directors

To raise the effectiveness of the Board of Directors, we have been evaluating the effectiveness of the Board of Directors since 2018. The Company has all of its directors and Audit & Supervisory Board members complete a questionnaire on matters including the Board of Directors' structure, operation, and agenda items. Based on an analysis and evaluation of the questionnaire results, we have determined that the Board of Directors is functioning effectively.

At the same time, based on the results of the previous evaluation, we received more valuable feedback on

matters such as the further improvement of discussions regarding medium- to long-term management policies and strategies and the setting of agenda items at meetings of the Board of Directors, following management system reforms implemented in June 2019. These reforms included 1) Separation of strategy formulation and oversight from business execution, 2) Establishment of the Nomination and Remuneration Committee, and 3) Changes to the system of directors. We will continue to examine improvements to further raise the effectiveness of the Board of Directors.

Internal Control System

For the Company and other Group companies, we have formulated internal control regulations and established the Internal Control Committee in accordance with our Basic Policy on Internal Control. The Internal Control Committee is responsible for advancing ongoing initiatives in the following areas that are inclusive of the entire organization and participated in by all employees.

(1) Internal control initiatives stipulated by the Companies Act

We have established an emergency contact system on a global scale to enable information on risks that occur within the Group to be promptly communicated to senior management. We also implement annual risk management status surveys of major subsidiaries in Japan and overseas to ascertain the status of their risk management and follow up on their activities.

(2) Internal control initiatives described in the Financial Instruments and Exchange Act

Based on the Financial Instruments and Exchange Act, the Group has established internal control initiatives to

ensure the appropriateness of the preparation process of its consolidated financial statements.

As overseas sales have increased in recent years, the number of overseas subsidiaries covered by these initiatives has increased each year. For this reason, with the aim of quickly introducing these initiatives at overseas subsidiaries, we are taking steps toward establishing related materials for, and the sharing of expertise with, overseas subsidiaries while concentrating efforts on enhancing the efficiency and accuracy of evaluations.

(3) Internal control initiatives conducted by the Group on a voluntary basis

The Group is advancing Tsubaki Internal Control Operation (TICO) initiatives for documenting the procedures of important work in each department. As activities that ensure the appropriateness of controls of risks for each type of work and objectively judge if there is unreasonableness or waste through visualizing important work, the TICO activities play a part in the Group's important internal control initiatives.

Risk Management

To continually maintain and develop our business, it is essential that we fulfill our social responsibility as a corporation while appropriately managing a host of risks that may arise in carrying out our business activities. The Tsubaki Group has established a Basic Risk Management Strategy, under which it strives to prevent the actualization of risks and minimize possible losses by continually identifying and understanding risk factors regarding a host of risks that could significantly impact on management.

We have established several committees under the umbrella of the Internal Control Committee, including the Group Risk Management Committee and those for corporate ethics, information security, the environment, quality, and health and safety. These committees promote risk countermeasures on a Groupwide basis by coordinating among one another to advance various ongoing measures geared toward identifying and evaluating risk factors as well as preventing the

actualization of these risks.

In addition, we have established and are operating an emergency contact system on a global basis in the event of risk materialization to minimize possible losses.

Example of Activities: BCP/Disaster Preparedness Activities

Under the Tsubaki Group Basic BCP Strategy, we are carrying out a variety of disaster preparedness activities in preparation for natural disasters, which have become increasingly common in recent years, and large-scale disasters, which are predicted to occur going forward. These activities include 1) disaster preparedness drills, 2) drills using a safety confirmation system, and 3) stockpiling of disaster preparedness and mitigation items. Placing particular emphasis on initial response to emergencies, we develop our readiness by carrying out simulations on a regular basis.

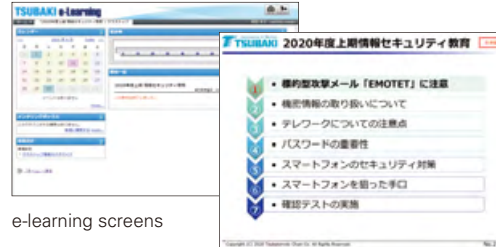
* BCP: Business Continuity Plan

Please see our website for more details on our basic risk management strategy. (Japanese Only)
<https://www.tsubakimoto.jp/sustainability/governance/riskmanagement/>

Example of Activities: Electronic Information Security

Amid the development of information technology and the growing importance of information assets, enhancing information security as a corporation contributes to the maintenance of customer trust and the wider stability of society. The Group established an Electronic Information Security Policy to codify its policy for protecting all of the information assets it handles from a range of threats. We are working on

organizational measures, including training for employees through e-learning and other methods.



e-learning screens

Corporate Ethics and Compliance

In implementing its corporate philosophy, the “Tsubaki Spirit”, the Tsubaki Group believes it is important that all executives and employees conduct themselves based on compliance with laws and regulations, ethics, and internal rules. To that end, we have formulated the Corporate Work Ethics, which are a clearly defined set of ethical guidelines, and we are working to raise awareness of corporate ethics through the Corporate Ethics Awareness Month, training, and other efforts.

Implementation and Spread of Compliance

We have designated February of every year as Corporate Ethics Awareness Month, in which Group companies in Japan and overseas take part (in the fiscal year ended March 31, 2020, 51 companies took part). Guided by the Corporate Work Ethics, and taking into account the laws and customs of each country, we are carrying out

activities aimed at strict compliance with laws and rules. In addition, as a tool to instill the Corporate Work Ethics, we have prepared the Tsubaki Corporate Ethics Handbook in six languages.

Establishment of a Consultation and Reporting Hotline

As an internal reporting system, we have created a system to facilitate anonymous reporting by establishing a Corporate Ethics Hotline that connects to the employee in charge of corporate ethics or an external party (legal adviser). The Corporate Ethics Hotline deals not only with Corporate Work Ethics and violations of laws and regulations and internal rules, but also personal concerns.



A meeting of Corporate Ethics Awareness Month at an overseas subsidiary

KPIs Regarding Corporate Governance (Risk Management and Compliance)

Material Issues (Priority Matters)	KPIs	FYE 2020 Results	Target Figure	Year of Achievement	Scope
Thorough compliance	Number of serious violations of companies regulations	0	0	Annually	Global
	Number of companies that participated in Corporate Ethics Awareness Month	51 companies	51 companies	FYE 2021	Global
Crisis response and Business Continuity Plan	Disaster preparedness and evacuation drill implementation rate	93.7%	100% (10 business sites)	Annually	Domestic
Information security	Number of serious system incident occurrences	0	0	Annually	Domestic
	Number of information security accident occurrences	0	0	Annually	Global
Prevention of intellectual property infringement	Number of warnings received due to infringement of other companies' rights	0	0	Annually	Global

Scope: “Domestic” refers to Tsubakimoto Chain and consolidated subsidiaries in Japan; and “Global” refers to the Company and major subsidiaries in Japan and overseas.

Contribution to the SDGs



Please see our website for more details on corporate governance. (Japanese Only)
<https://www.tsubakimoto.jp/sustainability/governance/>

Board of Directors, Audit & Supervisory Board Members, and Executive Officers (As of June 26, 2020)



Front row **Kenji Kose**
Director

Yasushi Ohara
President and COO
Representative
Director

Isamu Osa
Chairman and CEO
Representative
Director

Hisae Kitayama
Outside Director

Back row **Tetsuya Yamamoto**
Director

Tadasu Suzuki
Director

Shuji Abe
Outside Director

Keiichi Ando
Outside Director

■ **Audit & Supervisory Board Members (Standing)**
Koji Tanaka
Kazuya Kawasaki

■ **Audit & Supervisory Board Members (Outside)**
Shozo Seki
Hidefumi Naito

■ **Senior Managing Executive Officers**
Hiromasa Kawaguchi
Tadahiro Otsuki

■ **Managing Executive Officer**
Takatoshi Kimura

■ **Senior Executive Officers**
Masahiko Yamamoto
Masaki Miyaji
Yasushi Nagai

■ **Executive Officers**
Nobuaki Haga
Atsushi Kumakura
Kevin Richard Powers
Toshihiro Ageta
Isao Sato

Futoshi Tanyama
Kazutomo Nakamura
Hiromi Ishida
Masafumi Okamoto
Kozo Inoue

Yasuhiro Akesaka
Hisao Nishii
Osamu Kawakami

Environmental Management

To contribute to the development of a sustainable society, the Tsubaki Group has established an Environmental Philosophy and a Basic Environmental Policy, under which it works to reduce its environmental burden from a medium- to long-term perspective while proactively developing and offering new products that are SDG-oriented.

Environmental Philosophy

The Tsubaki Group recognizes that environmental conservation is one of the most important issues shared by humankind, and seriously considers the environment in all aspects of its global business activities and contributes to the “development of a sustainable society” by generating environmental value and economic value through manufacturing.

The Tsubaki Group Basic Environmental Policy

1	2	3	4	5
Reduce environmental impact	Develop and spread eco-products	Observe laws and other requirements	Improve environmental awareness	Promote environmental communication

Environmental Medium- to Long-Term Targets

<p>We will reduce our CO₂ emissions.</p> <p>Reduce CO₂ emissions by 30% or more by 2030 (compared with FYE 2014).</p>	<p>We will engage in energy saving and resource recycling.</p> <p>Realize a recycling-oriented society by minimizing use of natural resources and promoting the reduce, reuse, recycle (“3R”) approach to products.</p>	<p>We will preserve beautiful and abundant nature.</p> <p>Work to coexist with nature in our regions of operation.</p>
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Promotional System

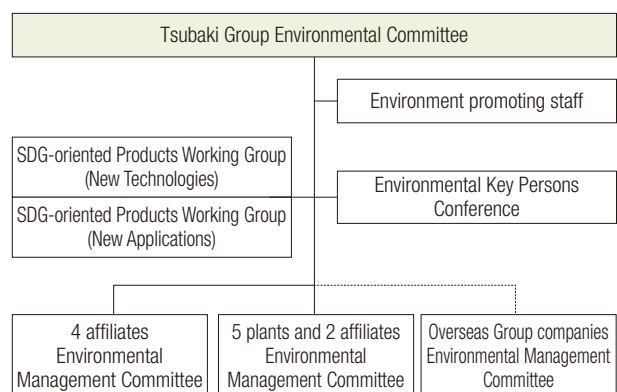
The Tsubaki Group’s environmental management is promoted under the charge of the executive officer in charge of the environment for Tsubakimoto Chain, centered on the Tsubaki Group Environmental Committee. This committee, which is chaired by the executive officer in charge of the environment for Tsubakimoto Chain and comprises plant managers, general managers of business segments, and representatives of each Group company, addresses the Group’s environmental issues from a medium- to



Tsubaki Group Environmental Committee

long-term perspective. In addition, overseas business sites appoint environment promoting staff who communicate with the employee in charge of environmental promotion for Tsubakimoto Chain (Group Environmental Secretariat).

System for Promoting the Environment



Ecofactory Certification System

The Group recognizes that the reduction of CO₂ emissions that contribute to climate change, which is a pressing

environmental issue of great concern, is necessary for an environmentally advanced corporation. It also recognizes

KPIs Regarding the Environment

Material Issues (Priority Matters)	KPIs	FYE 2020 Results	Target Figure	Year of Achievement	Scope
Climate change mitigation measures (CO ₂ emissions reductions) and other environmental conservation	Number of violations of environmental laws and regulations	2	0	Annually	Global
	Total CO ₂ emissions (percentage relative to FYE 2014)	85.0%	70% or less	FYE 2031	Domestic
	Waste recycling rate	97.6%	99% or more	FYE 2031	Domestic
	PRTR-substance emissions	116.5 tons	130.9 tons or less	FYE 2031	Domestic
	CDP climate change response boundary rate*	92.6%	90% or more	FYE 2022	Global

Scope: "Domestic" refers to Tsubakimoto Chain and consolidated subsidiaries in Japan; and "Global" refers to the Company and major subsidiaries in Japan and overseas.

* Percentage of responses accounted for by the entire Group on a global basis using the CO₂ emissions standard in the fiscal year covered by the CDP survey

Contribution to the SDGs



Please see our website for more details on the environment. (Japanese Only)
<https://www.tsubakimoto.jp/sustainability/environment/>

that resource recycling, such as the reduction of waste and the appropriate management of hazardous chemical substances, in addition to coexistence with nature in ways such as greening and water saving, is essential for such a corporation. Accordingly, the Group is tackling these issues.

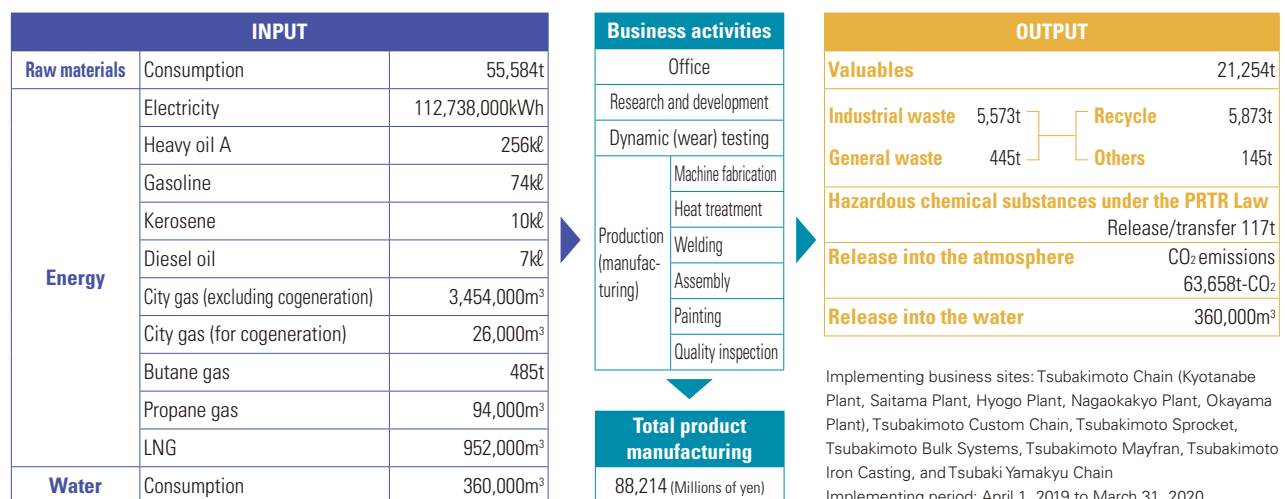
Against this backdrop, we established an Eco Factory Certification System that sets management indicators and milestones for each of the three themes of climate

change, resource recycling, and coexistence with nature, with the goal of steadily achieving our long-term targets for 2030. We launched activities at domestic business sites in the fiscal year ended March 31, 2019. Based on the results of those initiatives, the Kyotanabe Plant received the Platinum Award, an internal award for plants that have cleared certain environmental criteria, in the fiscal year ended March 31, 2020.

Environmental Performance

Material Flow Chart

The Tsubaki Group understands the impact on the environment of its business activities and strives to reduce its environmental impact. The results of the efforts of 11 of our domestic business sites in the fiscal year ended March 31, 2020 are as follows.



Environmental Accounting

In order to engage efficiently in environmental conservation, we quantify investment and development costs and benefits at domestic business sites using classifications based on the Ministry of the Environment's guidelines.

In the fiscal year ended March 31, 2020, we proactively increased our investment in energy-saving facilities and equipment amid an expansion in production. We carried out major investments including in a solar power generation system and rainwater storage tanks at the new

tensioner factory in our Saitama Plant, in addition to upgrading other energy-saving equipment and plant wastewater treatment facilities.

Through this environmental accounting, we will analyze the cost of environmental conservation and the economic and environmental conservation effects gained through those activities. We will utilize the analysis in our activities going forward while endeavoring to disclose information on them.

Environmental Conservation Costs (Business Activity Classification)

(Thousands of yen)

Classification	Details of major initiatives	FYE 2020	
		Amount invested	Costs
(1) Business area costs		1,011,834	521,679
Breakdown	(1) - 1 Pollution prevention costs	242,534	179,495
	(1) - 2 Global environmental conservation costs	665,992	151,093
	(1) - 3 Resource recycling costs	103,307	191,090
(2) Upstream/downstream costs	Outsourcing analysis costs, such as for substances with environmental impact	0	0
(3) Administration costs	Establishment and operation of environmental management systems (EMSs), worksite greening and maintenance, installation of air and water measurement equipment	9,590	212,140
(4) R&D costs	R&D of environment-friendly products (reduction of environmental burden during product use)	16,833	239,243
(5) Social activity costs	Regional environmental conservation initiatives	0	748
(6) Environmental remediation costs	Groundwater purification measures, etc.	0	0
Total		1,038,257	973,809

Initiatives for Reducing Environmental Impact

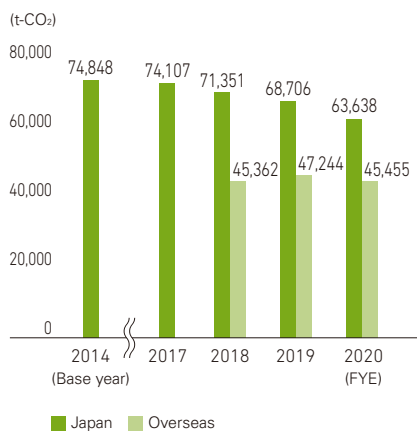
Prevention of Global Warming

As climate change progresses, the Tsubaki Group is working to reduce its CO₂ greenhouse gas emissions. In Japan, under our environmental long-term targets, we are promoting specific initiatives based on our environmental action plan.

Much of the energy used in the Group's manufacturing is concentrated in the production process. We are therefore improving energy efficiency by proactively installing energy-saving production equipment while

promoting the application of insulating paint coating for major plants and the conversion from heavy oil in air-conditioning equipment to liquefied natural gas and other fuels that have lower CO₂ emissions. Further, when building or renovating plants, we carry out a host of CO₂ reduction measures, such as expanding our use of renewable energy by proactively installing solar power generation equipment and adopting LED lighting.

Total CO₂ Emissions

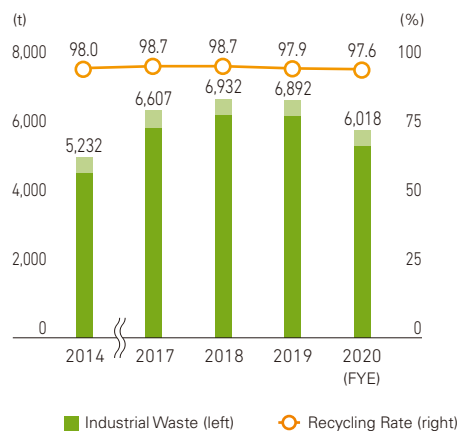


* The CO₂ emissions factors for electricity are as follows.
 Domestic: The "basic emission coefficient" of the "emission coefficient by electric utility" published by the Ministry of the Environment
 Overseas: International Energy Agency (IEA), Emissions Factors (2018 edition), 2016 CO₂ emissions factors

Water Consumption



Total Waste Emissions / Recycling Rate



* Data collected only in Japan

Contribution to a Recycling-Oriented Society

The Group is advancing initiatives designed to realize a recycling-oriented society with a low environmental impact by creating higher economic value through the reduced use of water and other resources while promoting the reduce, reuse, recycle ("3R") approach.

Specifically, these initiatives entail 1) reducing our total weight of waste, 2) improving our resource recycling rate, and 3) reducing our water consumption. In particular, we are working to fundamentally reduce the amount of materials we extract from the natural earth's crust by

using the total weight of waste discharged as a management indicator, including recyclables traded for sale, in addition to reducing waste and improving our resource recycling rate.

Moreover, we are striving to reduce environmental impact and coexist with the natural environment through products and manufacturing in harmony with the environment, such as by reducing hazardous materials and greening our plants.

Provision of Eco Products (SDG-oriented Products)

The Tsubaki Group has created many unique products that are environment-friendly, such as those with extended life spans and energy-saving features. In 2011, we established "eco" evaluation criteria with the aim of bolstering product development that helps customers reduce their environmental impact (ecology) and improve their economic performance (economy). We classify products that clear this criteria as eco products. Moreover, from the fiscal year ending March 31, 2021, we will add the SDGs as a new angle and expand the development and sale of new eco products from the following two perspectives.

1. Contribution to environmental conservation through reductions of CO₂ emissions from a life cycle perspective by improving existing products and developing new products



Highly corrosion-resistant coating chain (RoHS compatible)

2. Indirect contribution to environmental conservation by promoting existing products or new products in global markets for environmental (SDGs) products, such as those offering low-carbon or decarbonization features.

Quality Management

Under its corporate philosophy, the “Tsubaki Spirit,” the Tsubaki Group strives to maintain and improve the Tsubaki brand by thoroughly pursuing high quality and quality management as a manufacturing company.

The Tsubaki Group Basic Quality Policy

**We do not pass defects on to the subsequent job process.
We will all follow the rules, and make quality products.**

The wishes encapsulated in the Tsubaki Group Basic Quality Policy are as follows.

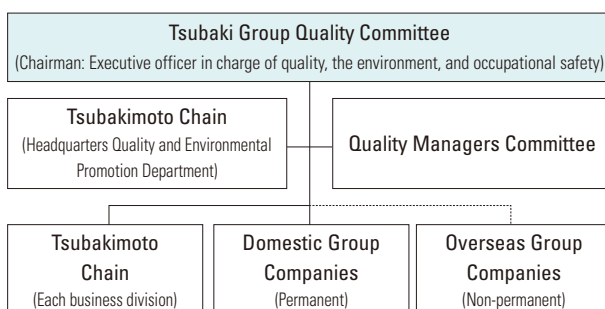
- We will reaffirm our focus on our customers.
- By viewing internal back-end processes with customers, we will apply the concept of "zero defects" to our own work, and not pass any defects along to the next process, thereby ensuring quality at each step of the way.
- We declare that every single person within the organization will have a sense of ownership and do a great job.
- Create a new chapter in our history by revisiting the commitment at the time of our founding to “make good products.”

Promotional System

The Tsubaki Group has established a system for promoting quality management led by the Tsubaki Group Quality Committee. We have established the Quality and Environmental Promotion Department as a Headquarters Operations overseeing the entire Group, and the Quality Managers Committee as a cross-organizational implementation body. In addition to traditional quality control assurance activities in each division, the Company has put forth three strategies: 1) Conduct audits from a third-party perspective; 2) Establish Group quality guidelines; and 3) Implement cross-organizational activities to improve quality. Through methods such as the ones stated, the Group not only aims for zero defects in quality, but also to strengthen our system to abide by our promises to our customers. In doing so, we are strengthening the governance of quality management

System for Promoting Group Quality Management

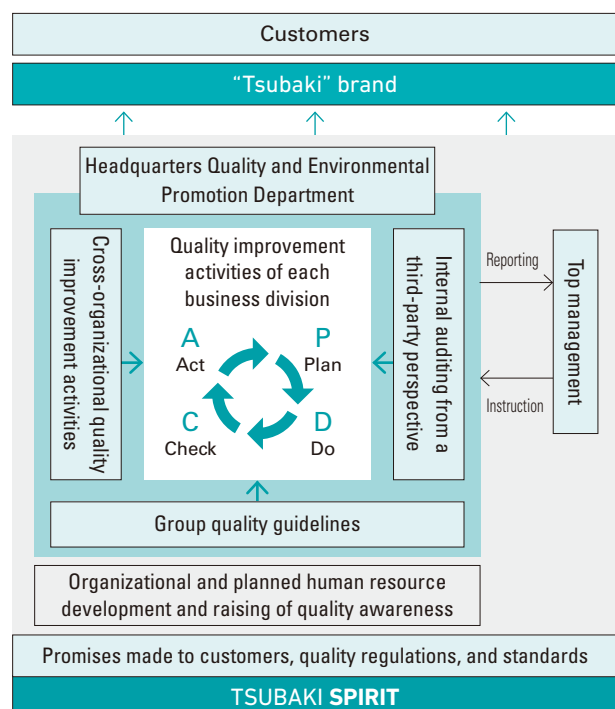
(as of April 2020)



while maintaining and improving the Tsubaki brand.

In addition, the Group has obtained ISO 9001 certification, the international standard for quality management systems, at its manufacturing bases in Japan and overseas. As such, we have established a framework for quality management based on the ISO.

Framework for Strengthening the Quality Management System





KPIs Regarding Society (Quality/Procurement/Human Resources)

Material Issues (Priority Matters)	KPIs	FYE 2020 Results	Target Figure	Year of Achievement	Scope
Quality assurance	Number of major quality issue occurrences*1	4	0	Annually	Global
Cooperation with suppliers	Number of environmental survey requests	409 companies	400 companies or more	Once every 3 years	Domestic
	Survey response ratio	82.9%	95% or more	FYE 2026	Domestic
Addressing conflict minerals	Number of sustainability guidelines issued*2	—	900 companies or more	FYE 2021	Domestic
Respect for human rights	Number of companies implementing ethics education	12 companies	12 companies	FYE 2021	Domestic
Promotion of diversity	Ratio of employees with disabilities	1.49%	2.20%	FYE 2021	Non-consolidated
	Ratio of companies meeting legally required employment ratios for people with disabilities	22.2%	100%	FYE 2026	Domestic
	Number of non-Japanese employees	25 people	85 people	FYE 2031	Non-consolidated
	Ratio of senior female employees	3.5%	10%	FYE 2031	Domestic
Work style reforms (improve motivation and operational efficiency)	Ratio of Paid Leave Acquisition	72%	85%	FYE 2026	Non-consolidated
Cultivation of human resources	Number of employees dispatched overseas for training	108 people	250 people	FYE 2031	Non-consolidated
Ensuring employee safety and well-being	Number of accidents resulting in absence from work	4	0	Annually	Domestic
	Ratio of high stress employees	6.4%	5.0%	FYE 2026	Non-consolidated

Scope: "Non-consolidated" refers to Tsubakimoto Chain; "Domestic" refers to Tsubakimoto Chain and consolidated subsidiaries in Japan; and "Global" refers to the Company and major subsidiaries in Japan and overseas.
 *1 According to an internally established definition *2 A theme for which we began initiatives in FYE 2021

Contribution to the SDGs



Please see our website for more details on society. (Japanese Only)
<https://www.tsubakimoto.jp/sustainability/society/>

Quality Education and Human Resource Interactions

The Group aims to improve quality management skills by developing level-specific education on "quality" and "improvement" in its Companywide educational system.

As we move forward, we will enhance quality specialist education centered on the Quality and Environmental Promotion Department, such as providing education on statistical methodology, nurturing lecturers,

and promoting the acquisition of quality control examination certificates as well as implementing initiatives such as fieldwork for quality training participants from Group companies for a period of one year. At the same time, we are introducing "individual quality targets" and "quality model factory" systems aimed at raising quality awareness of all employees.

TOPICS

Publication of the Collected Basic Quality Action Points (Administrative Indirect Departments)

The Quality and Environmental Promotion Department has published the Collected Basic Quality Action Points (Administrative Indirect Departments) with the goal of improving the quality of operations in indirect departments. This publication describes key points to be observed in daily operations from a communication and business skills perspective for utilizing in situations where opinions are exchanged to help improve the quality of operations.



Received the 2019 Award for Excellence under the Toyota Quality Control Award from Toyota Motor Corporation

We were awarded the Toyota Motor Corporation's 2019 Award for Excellence under the Toyota Quality Control Award. Twenty-five companies were selected from among Toyota's suppliers for this award, with Tsubaki receiving it for the first time in 12 years since 2007. Our timing chain systems garnered praise for having no major quality issues and maintaining a low number of delivery defects over many years.

Supply Chain Management

In order to realize high-quality manufacturing and a sustainable society, the Tsubaki Group is cooperating with its suppliers to conduct procurement activities.

The Tsubaki Group Basic Procurement Policy

1 Fair and equitable dealings	2 Developing relationships of mutual trust	3 Promotion of developmental procurement	4 Legal compliance (safeguarding of confidential information)	5 Prioritizing the environment (green procurement)	6 Avoiding the use of conflict minerals
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Please see our website for more details on our basic procurement policy. (Japanese Only)
<https://www.tsubakimoto.jp/sustainability/society/supplier/>

Initiatives for Sustainable Procurement

By proactively working to contribute to the building of a sustainable society, the Tsubaki Group resolves social issues through its business activities and aims to be a company that meets the expectations of all of its stakeholders. To achieve that aim, deeper collaboration with our suppliers is essential. Accordingly, we have established the Tsubaki Group Supplier Sustainability Guidelines and request suppliers to make proactive

efforts aimed at achieving sustainability.

Implementation of Sustainable Education

At Group training sessions, the Tsubaki Techno School lectures, and in level-specific education, we carry out education on topics that include approaches to sustainability (CSR and CSV), demands from international society, and Group initiatives.

Promotion of Green Procurement

Establishing its Green Procurement Guidelines in 2006, the Tsubaki Group has worked as one with suppliers to promote activities for purchasing materials and components with a low environmental impact. In April 2019, we revised these guidelines in order to more proactively advance efforts to reduce emissions.

In addition, we carry out surveys on the current environmental conditions of major suppliers and conduct additional surveys and local inspections of suppliers thought to have risks, as we work to achieve ongoing improvements.

Cooperation with Suppliers

Under the Basic Procurement Policy, the Company is advancing a variety of initiatives, such as guarantees of open bidding, pursuit of mutual development through fair business transactions, and proactive evaluation of new technology proposals.

In Japan, approximately 200 of our suppliers are members of the Tsubaki Business Partners Club. The Club fosters friendship among member corporations while allowing the Company to share information with suppliers on its environmental conservation and productivity

enhancement activities through the holding of general meetings, regular gatherings, and other events to promote mutual study.



Overseas facility tour held by the Osaka Tsubaki Business Partners Club at Tsubakimoto Chain (Tianjin) Co., Ltd.

Human Resources Management

At the Tsubaki Group, we view human resources as the most vital component of our management base. We are establishing an environment where people from various backgrounds can work positively and vigorously while striving to cultivate the human resources who will support business growth going forward.

Respect for Human Rights

To ensure that nobody involved in its businesses is subject to any form of discrimination or harassment that violates individual dignity including on the grounds of race, ethnicity group, nationality, social status, origin, gender, disability, health status, thoughts and beliefs, sexual orientation, or difference of job type or employment status, the Tsubaki Group is implementing measures to enhance ethical awareness among employees.

We have designated February of every year as Strengthening Corporate Ethics Month while conducting activities designed to promote strict adherence to laws and rules in the Group's countries of operation (51 Group

companies in Japan and overseas took part in these activities in the fiscal year ended March 31, 2020). At the same time, we have codified a Basic Human Rights Policy that applies to the Tsubaki Group, and are promoting initiatives on respect for human rights throughout the Group as a whole. In addition, we have established the Corporate Ethics Hotline, to which we have appointed an employee to be in charge of consultations on any topic. The hotline handles not only risk matters regarding laws and regulations and compliance but also routine matters, as we advance the development of a comfortable working environment.

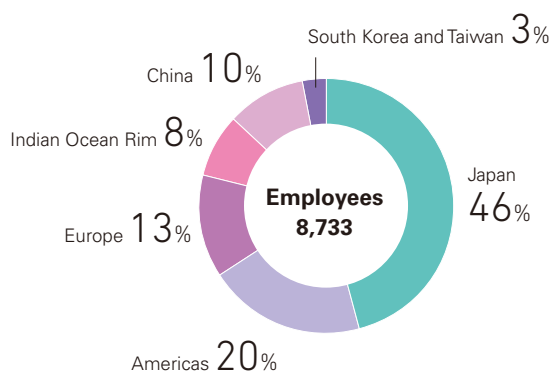
Please see our website for more details on our basic human rights policy. (Japanese Only)
<https://www.tsubakimoto.jp/sustainability/society/employees/diversity/policy/>

Promotion of Diversity

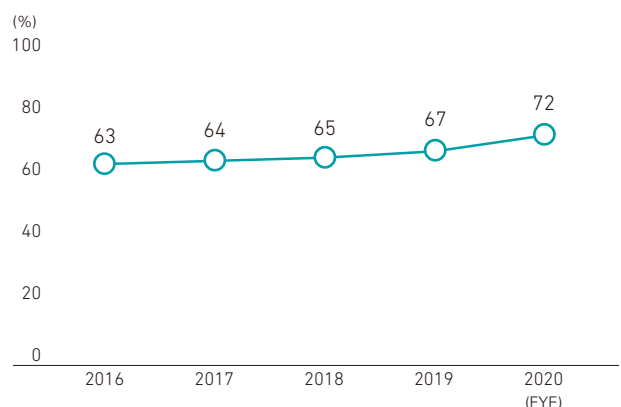
The Tsubaki Group is working to develop a workplace environment where a variety of people can work positively and vigorously and with peace of mind while being fairly evaluated without regard to nationality, gender, or age. Based on our traditional work-focused emphasis on capabilities and results, we are promoting

personnel system reforms focusing on diversity. Tsubakimoto Chain has been promoting work style reforms since the fiscal year ended March 31, 2019 to enable diverse employees to fully realize their individual talent. We are carrying out a range of measures for realizing efficient and flexible work styles.

Composition of Employees by Region (as of March 31, 2020)



Ratio of Paid Leave Acquisition
(Tsubakimoto Chain, non-consolidated)



Promotion of the Active Participation of Women

We have set a target of raising the ratio of female employees on a non-consolidated basis to 10% in the fiscal year ending March 31, 2021 (8.9% as of April 1, 2020) and are actively encouraging applications from various high schools and universities. At the same time, we are enabling women to deepen their understanding of our work environment through efforts that include female employees introducing their jobs at explanatory meetings. In addition, we are advancing the promotion of female employees by proactively providing opportunities for promotion to outstanding employees, irrespective of gender.

Promotion of the Employment of People with Disabilities

We are striving to expand employment of people with disabilities in a wide range of fields by developing a workplace environment that allows them to engage in work that utilizes their individual talents and aptitudes. Moreover, we established a special subsidiary in the fiscal year ending March 31, 2021, with the goal of promoting further employment.

Active Participation of Seniors

In April 2020, we introduced an Age 65 Retirement System that extends the retirement age from 60 to 65 years old.

Cultivation and Utilization of Human Resources

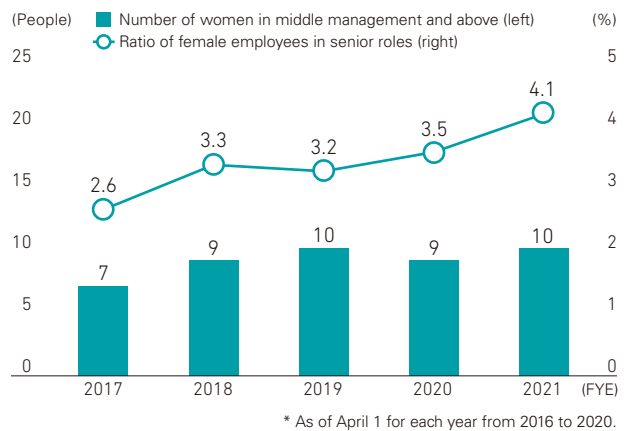
Strive to be an exceptional person—In order to be the global leader in its target fields, the Tsubaki Group seeks human resources who 1) continuously take on challenges with a desire for self-betterment, 2) constantly acquire advanced skills and continuously seek to enhance them, and 3) can take action under their own responsibility.

By offering opportunities for development, regardless of job type, we are strengthening the cultivation of young and global human resources, promoting the active participation of women, and improving skills.

Enhancing Our Training and Educational System

The drivers of the Group's growth are the technological capabilities and advanced technical skills we have continuously refined as a manufacturer since our founding in 1917. With the aim of passing on expertise to the next generation and reinforcing technical skills, we launched the Tsubaki Techno School in April 1998 for young engineers. Subsequently, we expanded the curriculum to include technical and sales categories. In the fiscal year ended March 31, 2018, we reorganized the curriculum by dividing it into a Techno School for engineers, a Skills School for technicians, and a Business

Number of Female Employees in Managerial Roles and Ratio of Female Employees in Senior Roles (domestic)*



Amid a decline in the working population due to falling birthrates and an aging society, we have introduced this extension of the retirement age as part of our efforts to develop a rewarding environment in which diverse human resources can actively participate, rather than simply as a response to the labor shortage. We also improved employment conditions and continuously applied the benefits provided to employees before age 60.

School for office and sales staff. In doing so, we expanded and improved their respective courses. By combining training by function with level-specific training across all job categories, we have generated a positive cycle in which we increase the awareness of employees and enhance technological and technical levels.

Cultivation of Young Engineers

The Tsubaki Techno School conducts practical training using our original curriculum. In the intermediate course, young engineers improve their problem-solving capabilities besides enhancing their knowledge and skills through activities such as setting a topic from among workplace issues and implementing measures to resolve it. We are also developing human resources with proficiency in AI and the IoT by incorporating new technological fields into the curriculum.

Besides this training, we are widening opportunities for employees to share ideas, interact, and engage in co-creation in



Tsubaki Techno School

a way that transcends departments through a Technology Forum for engineers at which departments present their latest technologies.

Improvement of Monozukuri Skills

The Group is making efforts to pass on and reinforce *monozukuri* (manufacturing) skills. The Tsubaki Skills Olympics, which we launched in 2012, serves as a platform for the mutual study and presentation of these skills. The Group's outstanding engineers assemble to

compete on skills in eight categories common to all businesses, including engine lathe operation, welding, measuring, and freehand drawing. Overseas Group companies have been taking part in this event since 2016, which helps invigorate the organization via technological exchange among employees, different business divisions, and between Japan and overseas, in addition to heightening technical skills.



Technology Forum



Tsubaki Technical Skills Olympics (measurement competition)



Tsubaki Technical Skills Olympics (Engine lathe operation competition)

Cultivation of Global Human Resources

In the fiscal year ended March 31, 2020, 57.4% of the Tsubaki Group's total net sales came from overseas, a substantial increase from 34.5% in the fiscal year ended March 31, 2010, demonstrating the rapid globalization of our operations. Currently, 53.7% of all group employees are working on locations outside of Japan. This situation has made the cultivation and strengthening of globally minded human resources a task of extreme importance for the Group. We introduced a global trainee system in the fiscal year ended March 31, 2011. This system allows young employees to be dispatched to overseas subsidiaries for training, and is designed to teach them foreign languages and international business manners as well as help them to better understand other cultures. By the end of March 2019, we had dispatched 108 young employees under this system. From the fiscal year ending March 31, 2020, we have launched month-long overseas foreign language training for new employees. In addition, we have also begun inviting employees from overseas subsidiaries to undergo training in Japan. In this way, we are cultivating and strengthening Groupwide globally minded human resources.



Global trainees (United States)



Overseas foreign language training (The Philippines)

Global Trainees (Tsubakimoto Chain, non-consolidated) (FYE)

	2016	2017	2018	2019	2020
Number of employees dispatched	13	11	14	9	13

Occupational Safety and Health Promotion

Under its corporate philosophy, the “Tsubaki Spirit”, the Tsubaki Group has adopted safety and quality as the highest priority in its Code of Conduct, and works to prevent work-related accidents and maintain and enhance the health of its employees as a *Monozukuri* company.

In February 2009, the Group established the Tsubaki Group Health and Safety Committee, which advances activities aimed at enhancing health and safety throughout the Group.

The Tsubaki Group Basic Health and Safety Policy

Safety is our highest priority. We will to aim to achieve workplaces where employees can work with peace of mind.

Creation of safe workplaces

Establishment of safe manufacturing

Development of employees who take action

Safety Management System

The Group has established the Tsubaki Group Health and Safety Committee to supervise health and safety activities for the Group as a whole. The committee formulates the Health and Safety Activities Plan while its Secretariat confirms the status of safety activities at each business location. We promote ongoing safety activities based on the following three pillars.

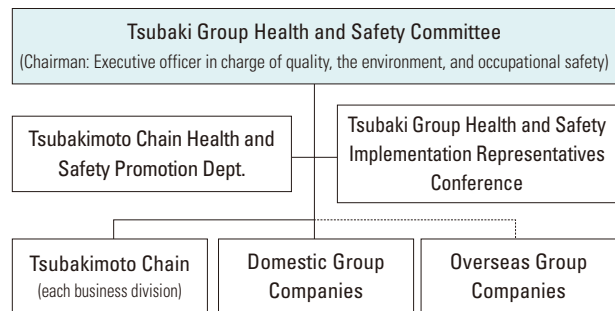
- 1) Risk management: Promotion of risk assessment as activities to preemptively avoid serious accidents
- 2) Equipment and work environment maintenance: Development and operation of machinery and equipment safety guidelines that aim to realize the intrinsic safety of machinery
- 3) Employee development: Cultivation of safety-oriented people with advanced safety awareness and sensitivity

At the Tsubaki Group Health and Safety Committee held in February 2020, we established the Basic Health and Safety Policy and the Health and Safety Management Regulations, and we are promoting the operation of an health and safety management system for the Group as a whole.

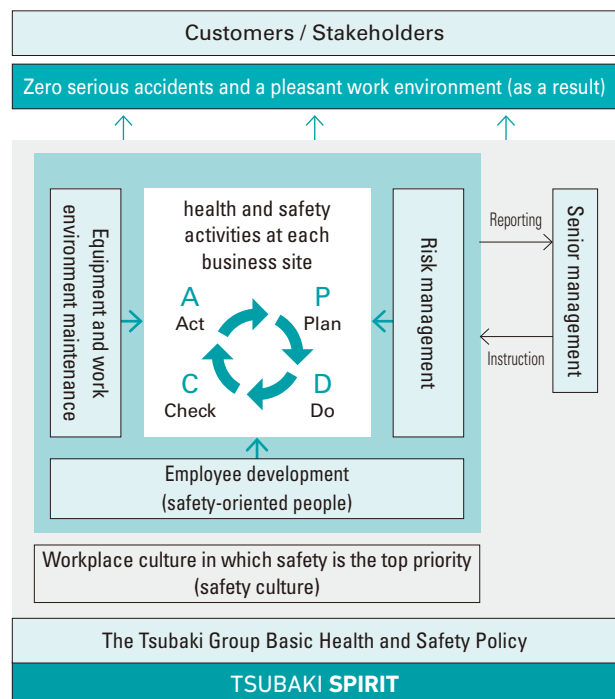


Tsubaki Group Health and Safety Committee

Safety Management System



Framework for Safety Activities



Activities in FYE 2020

Activities for Preemptively Avoiding Serious Accidents

The Group carried out its health and safety activities in the fiscal year ended March 31, 2020 with activities for preemptively avoiding serious accidents as one of its highest priorities. Focusing on accidents in the fiscal year ended March 31, 2020 that involved employees getting trapped or caught in machinery, we carried out a risk assessment of hazardous areas and implemented countermeasures. The results of an analysis of past accidents and safety patrols revealed that the overwhelming majority of accidents in the Group, which operates in the machinery manufacturing industry, involved employees getting trapped or caught in machinery. Accordingly, the Group focused on this type of accident

with the aim of eliminating it. In the fiscal year ended March 31, 2020, we identified 151 such accidents in the Group as a whole and implemented risk assessments. In this way, we are promoting improvement activities in a planned manner.

Global Expansion

As part of our global occupational health and safety activities, we began determining the number of accidents at our global bases and sharing examples of accidents and best practices in the fiscal year ended March 31, 2020. Guided by the basic approach that safety is the top priority, we have launched global occupational health and safety activities with the aim of eliminating accidents globally, despite the barrier of different laws at different bases.

Promotion of Health and Productivity Management

Maintenance and improvement of health is the driving force that enables employees to work positively and vigorously. In terms of health promotion, in addition to regular health checkups and special health examinations, we implement health checks for employees who work long hours in collaboration with industrial physicians, health management staff, and managers to prevent disease and strengthen early detection activities.

As for support for mental health, we regularly implement education on mental health for employees and supervisors. We have strengthened initiatives toward disease prevention and early treatment by establishing a consultation service operated by dedicated staff. In the

fiscal year ended March 31, 2017, we launched a stress check for all of our employees. We are also expanding and improving mental healthcare activities such as conducting follow-up meetings with employees not only when they join the Company but also in their third year of employment.



Promoting good health at an after-work Pilates class

TOPICS

Hazard Drills Led by Workplace Leaders

“Working with peace of mind in safe workplaces”—The Group carries out hazard drills to cultivate a sensitivity to safety-related hazards. At the Kyotanabe Plant, subsection managers and team leaders who have undergone instruction in the Health and Safety Promotion Dept. serve as instructors for hazard experience drills to take the initiative in thinking about latent dangers in the workplace and communicate their conclusions to their subordinates. These activities have been well received by those serving as instructors, who reported that their perspectives had changed by participating in a teaching capacity.

A First for the Group in Europe—Acquisition of ISO 45001, the International Standard for Health and Safety

As our automotive parts production base in Europe, our Czech subsidiary, which has acquired international standards certifications for quality and the environment, newly acquired ISO 45001 certification, the international standard for health and safety. Employees are promoting improvements by uniting to implement health and safety as the top priority.



Coexistence with Local Communities

The Tsubaki Group's manufacturing and sales bases extend to 26 countries and regions across the world. We not only contribute to society through our business activities but also understand cultures and laws and regulations that differ by country and region and carry out activities rooted in local communities.

Amid the voluntary cancellation of various events due to COVID-19 from March 2020, we are taking great care to prevent infection as we continue our steady efforts.

Donation of V2X Bi-Directional EV Charging Systems (eLINK) to Three Cities to Aid Disaster Preparedness and Mitigation Efforts

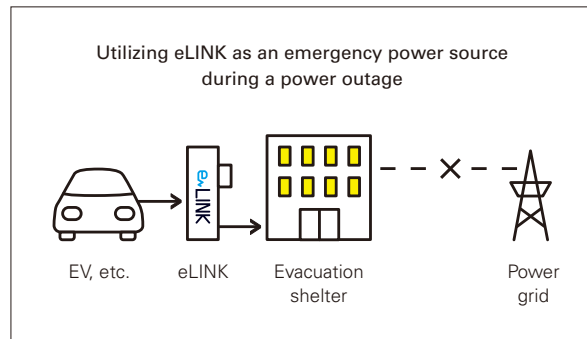
Tsubakimoto Chain Co.

We donated V2X bi-directional EV charging systems (eLINK) to the three cities of Kyotanabe, Hanno, and Nagaokakyo to be of use to the disaster preparedness and mitigation measures in the cities where our major plants are based. At the presentation ceremonies in Kyotanabe (held on June 6, 2020) and Nagaokakyo (held on July 22, 2020), President Ohara carried out a demonstration using an electric vehicle (EV) in the presence of Mr. Takashi

Uemura, the mayor of Kyotanabe, and Mr. Kengo Nakakoji, the mayor of Nagaokakyo, (a system is scheduled for installation at Hanno at the end of 2020). In the event of a power outage during a large-scale disaster, power will be supplied via the eLINK to locations including the civic hall, which will serve as an emergency response headquarters. At normal times, it will be made available to residents for recharging EVs.



Ceremony for the donation to Kyotanabe/
Mayor Uemura (left) and President Ohara



29,953 Mangrove Trees Planted in 12 Years

Tsubaki Automotive (Thailand) Co., Ltd. (TAT)

Tsubaki Automotive (Thailand) Co., Ltd. (TAT) began its mangrove-planting activities in 2008. The number of volunteers taking part in these activities has increased in tandem with business expansion, and 2,700 trees were planted in the fiscal year ended March 31, 2020.

The planting of 29,953 trees over 12 years equates to a CO₂ reduction of 374.42 tons. These steady, ongoing efforts are contributing to global warming countermeasures.



Development of the Next Generation

Online Holding of the Fourth Tsubaki Future Product Creation Contest

Tsubakimoto Chain Co.

In Kyotanabe Plant, the year 2020 marked the fourth Tsubaki Future Product Creation Contest, a collaborative program with the National Institute of Technology, Maizuru College. The lessons, group work, and final review on July 14 were all carried out online due to the spread of COVID-19.

The theme of the 2020 contest was "proposals of new products that bring happiness to people." Participants used the backcasting concept to imagine hypothetical users in the year 2030 and proposed products to be developed for that era.



Work Experience for Local Junior High School Students at Our Plants

Tsubakimoto Chain Co.

Iruma Municipal Noda Junior High School implements career education activities for students to nurture their own perspective on work and careers and help them become independent as members of society and professionals in the future. As part of these activities, 21 students from the school visited our Saitama Plant. After presenting an overview of our business activities, we held a question-and-answer session regarding work.

Meanwhile, three first-year students from Kyoto Prefectural Tanabe High School's machine technology course visited the Kyotanabe Plant to experience firsthand how their daily studies are applied in the real world.

Besides a tour of the plant, we conducted safety education and a hands-on experience of assembly at our manufacturing factory.



Social Contribution

Donation of Previous Work Clothes to Children in Zambia

Tsubaki Yamakyu Chain CO.

When Tsubaki Yamakyu Chain updated employee work clothes in 2017, it donated the previous ones that it collected to Zambia



through a volunteer organization. Company logos were removed in-house before the clothes were sent to the organization. As confirmation of the safe receipt of the donation, Tsubaki Yamakyu Chain received a photograph of the Zambian children holding up the work clothes.

Volunteer Activities in Matching T-Shirts

U.S. Tsubaki Holdings, Inc. (United States)

Tennessee Plant employees proactively participate in volunteer activities that include food drives (activities donating leftover food to



welfare organizations and facilities), donations of materials to schools and animal protection facilities, and fund-raising activities for Cancer Support Day. Employees wear matching t-shirts in line with the activity theme and are expanding the scope of their activities.

Donation of 6,000 Masks in Hope of the Early Resolution of the COVID-19 Pandemic

U.S. Tsubaki Power Transmission, LLC (United States)

Hoping for the early resolution of the COVID-19 pandemic, U.S. Tsubaki Power Transmission donated 6,000 masks through Heartland Alliance, a non-profit organization. This organization's primary activities entail providing support for those living in poverty in the Chicago region, and the masks were distributed among city residents centered on healthcare workers.



Strengthening our Technological Base

Technology is one of the most important management foundations for manufacturers and a major factor underpinning competitiveness. To strengthen our technological base, we have conducted continual investment. The two divisions responsible for strengthening our technological base are New Business Development and Technology and Research Development.

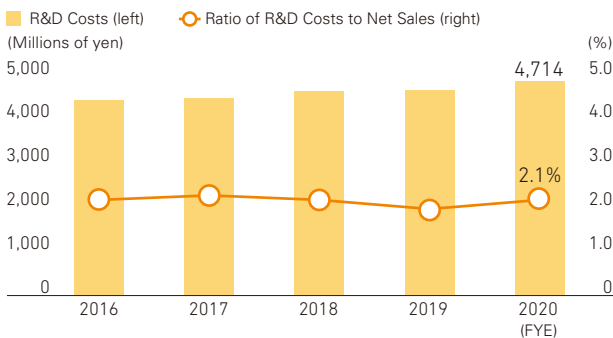
Technology and Research Development continually strengthen foundation and advanced technologies such as surface treatment, processing, lubricant, control, evaluation, and analysis technologies. This division quickly applies the achievements of its research that directly relate to the businesses of each business division, aiming to improve the productivity of development.

Meanwhile, New Business Development focuses on

the development of new products and businesses, in cooperation with each business division. Establishing close cooperative relationships with external institutions such as universities, it is advancing research and development into cutting-edge technologies. This division, which also has jurisdiction over our existing agribusiness, PCS business, and automotive products, accelerates the development of new businesses.

In addition, in tandem with efforts to strengthen our technological base, we are examining material issues relating to innovation (technology) and new indicators including capital efficiency from the perspective of balancing economic value and social value (CSV). We will incorporate specific details of these examinations into the next Mid-Term Management Plan and disclose them externally.

Trends of R&D Costs and Ratio of R&D Costs to Net Sales



Participation in a Technology Business Consultation with the object of promoting open innovation

Intellectual Property Strategies

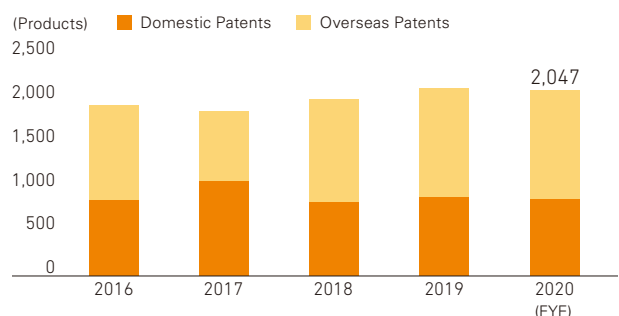
The Tsubaki Group is globally advancing aggressive intellectual property strategies by extending patent application and acquisition of industrial property rights in Japan and overseas through an approach aimed at strengthening product competitiveness. Guided by this strategy, the number of patents held by the Group has been increasing, and as of the end of the fiscal year ended March 31, 2020, we held 838 patents in Japan and 1,209 overseas for a total of 2,047 patents.

As the Group has been promoting the rapid expansion of its business in China, emerging countries, and other parts of the world, the expansion of patent application efforts and thorough measures to prevent violation of intellectual property rights in these countries is an important and ongoing task. For this reason, we applied for 130 patents in these regions and increased our coordination with overseas patent offices during the fiscal year ended March 31, 2020.

Tsubakimoto Chain's intellectual property division

centralizes affairs regarding the application of industrial property rights and the prevention of infringement. Meanwhile, the legal affairs division has established internal regulations on managing confidential business information and spearheads Groupwide management of information on confidential technologies and business information, in cooperation with the intellectual property division. Similarly, these two divisions also cooperate on the drafting and review of contracts.

Upward Trend in Number of Patents Held by the Group



Finance

Maintaining the Soundness of Our Financial Base

The equity ratio stood at 59.3% on March 31, 2020, up 2.5 percentage points compared with the previous fiscal year-end. Although net interest-bearing debt on March 31, 2020 totaled ¥10,130 million, an increase of ¥2,445

million from the previous fiscal year-end, the D/E ratio (net) was 0.06 times, as we continued to maintain the soundness of our financial base.

Return to Positive Free Cash Flow

Free cash flow in the fiscal year ended March 31, 2020 was a positive ¥6,034 million. While net cash provided by operating activities remained stable, free cash flow was a negative ¥7,890 million in the fiscal year ended March 31, 2019 as a result of capital expenditures focused on medium- to long-term growth and

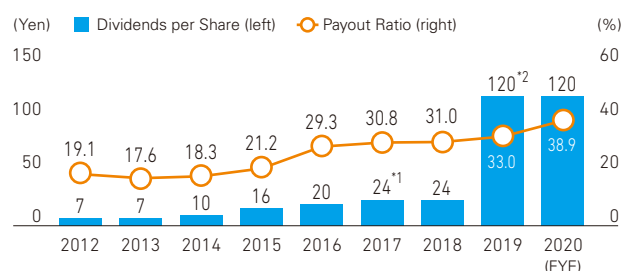
implementing M&As. However, we have brought these investments to a pause for the present and returned to positive free cash flow as net cash used in investing activities decreased sharply from ¥32,088 million in the fiscal year ended March 31, 2019 to ¥14,241 million the fiscal year ended March 31, 2020.

Shareholder Returns—Implementation of Benchmark Dividend Payout Ratio of 30% or Higher

In the fiscal year ended March 31, 2020, the Company paid a dividend per share of ¥120 while the dividend payout ratio was 38.9%.

Positioning the return of profits to shareholders as one of its most important management tasks, the Company aims to distribute profits based on a consolidated dividend payout ratio of 30% and has maintained its benchmark consolidated dividend payout ratio of 30% or higher for four consecutive fiscal years since the fiscal year ended March 31, 2017.

Status of Shareholder Returns



*1 Ordinary dividend of ¥22 and a 100th anniversary commemorative dividend of ¥2

*2 Consolidated common shares at the ratio of five shares to one share on October 1, 2018.

The share dividend amount shown for the fiscal year ended March 31, 2019 was calculated based on this share consolidation.

Improvement of Profitability Is an Outstanding Issue

Return on equity (ROE), which was 9.9% in the fiscal year ended March 31, 2017, has subsequently continued to decline and stood at 6.7% in the fiscal year ended March 31, 2020. This decline was primarily due to an increase in depreciation and amortization stemming from the bolstering of production facilities centered on increasing global optimized production and the implementation of M&As as well as sluggish net sales because of the slowdown in the economy.

The bolstering of its global production system and implementing M&As help improve the Group's growth and profitability over the medium-to-long term. Amid growing uncertainty about the economy, we will restore profitability by focusing our efforts on improving productivity and reviewing the cost structure.

Consolidated Financial and Non-Financial Summary

For the year (Millions of yen)	FYE 2010	FYE 2011	FYE 2012
Net sales	112,759	138,243	144,896
Operating income	4,737	11,022	12,081
Ordinary income	4,990	11,111	12,140
Profit attributable to owners of parent	3,175	6,093	6,814
Capital expenditures	3,988	5,807	9,518
Depreciation and amortization	7,390	7,544	7,403
R&D costs	3,543	4,144	4,231
Net cash provided by operating activities	14,508	16,293	11,626
Net cash used in investing activities	(5,020)	(8,281)	(10,487)
Net cash (used in) provided by financing activities	(373)	(10,578)	(5,460)
Cash and cash equivalents at end of the year	20,379	17,308	13,916

At year-end (Millions of yen)	FYE 2010	FYE 2011	FYE 2012
Total assets	182,641	184,206	191,766
Shareholders' equity	80,847	83,413	89,923
Interest-bearing debt	38,910	31,240	27,405
Net interest-bearing debt	18,531	13,931	13,488

Indexes

Operating income margin (%)	4.2	8.0	8.3
ROE* ¹ (%)	4.0	7.4	7.9
Equity ratio* ² (%)	44.3	45.3	46.9
D/E ratio (net)* ³ (Times)	0.23	0.17	0.15
Profit attributable to owners of parent per share* ⁴ (Yen)	17.07	32.76	36.60
Net assets per share* ⁴ (Yen)	434.59	448.43	480.46
Total CO ₂ emissions (t-CO ₂ / year)* ^{5, 6}	49,996	55,721	68,730
CO ₂ emissions (t-CO ₂) (Per million yen of output)* ^{5, 6}	0.748	0.680	0.795
Employees* ⁷	5,271	5,891	6,160

Amounts less than one million yen have been truncated.

*1 ROE = Profit attributable to owners of parent ÷ Average shareholders' equity

*2 Equity ratio = Shareholders' equity ÷ Total assets

*3 D/E ratio (net) = Net interest-bearing debt ÷ Shareholders' equity

*4 Consolidated common shares at the ratio of five shares to one share on October 1, 2018.

Profit attributable to owners of parent per share and net assets per share are calculated based on the assumption that the share consolidation was conducted at the beginning of the fiscal year ended March 31, 2018.

*5 The scope of calculation is the Group's 11 major manufacturing bases in Japan

*6 The CO₂ emission coefficient for electric power uses the "basic emission coefficient" of the "emission coefficient by electric utility" published by the Ministry of the Environment.

*7 Including contracted staff and temporary staff, etc.

FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
150,002	178,022	196,738	203,976	198,762	215,716	238,515	226,423
12,579	17,354	21,427	21,570	21,647	20,694	21,789	16,146
12,813	17,993	22,263	22,109	22,004	21,743	21,621	16,698
7,428	10,213	14,153	12,766	14,596	14,666	13,779	11,576
11,833	11,372	10,466	15,677	13,995	18,116	15,765	14,388
7,360	8,745	9,476	10,402	10,342	11,005	12,366	12,739
4,319	4,061	4,048	4,300	4,341	4,495	4,505	4,714
15,350	19,761	22,189	19,090	25,434	27,657	24,197	20,275
(18,401)	(17,166)	(14,306)	(13,593)	(13,420)	(17,389)	(32,088)	(14,241)
6,325	(3,196)	(2,647)	(5,476)	(4,084)	(13,191)	12,679	(10,385)
20,194	21,291	27,360	26,422	34,142	31,712	36,087	31,378
215,837	228,840	258,742	254,106	267,215	283,574	305,916	294,098
102,019	118,433	140,439	142,041	152,473	167,916	173,734	174,360
36,507	36,538	36,907	34,817	34,634	26,581	43,772	41,509
16,312	15,246	9,547	8,394	493	(5,131)	7,685	10,130
8.4	9.7	10.9	10.6	10.9	9.6	9.1	7.1
7.7	9.3	10.9	9.0	9.9	9.2	8.1	6.7
47.3	51.8	54.3	55.9	57.1	59.2	56.8	59.3
0.16	0.13	0.07	0.06	0.00	(0.03)	0.04	0.06
39.69	54.58	75.65	68.24	78.03	387.44	364.03	308.71
545.14	632.94	750.63	759.27	815.10	4,435.96	4,590.06	4,711
72,529	74,848	76,082	74,930	74,107	71,351	68,706	63,638
0.868	0.892	0.840	0.817	0.821	0.747	0.718	0.721
6,792	7,068	7,398	7,579	7,886	8,358	8,818	8,733

Principal Tsubaki Group Companies

(As of March 31, 2020)

Japan

Tsubakimoto Custom Chain Co.
 Tsubakimoto Sprocket Co.
 Tsubaki Yamakyu Chain Co.
 Tsubakimoto Iron Casting Co.
 Tsubakimoto Machinery Co.
 Tsubakimoto Bulk Systems Corp.
 Tsubakimoto Mayfran Inc.
 Tsubaki Support Center Co.

6 other companies

Americas

U.S. Tsubaki Holdings, Inc.
 U.S. Tsubaki Power Transmission, LLC
 U.S. Tsubaki Automotive, LLC
 Tsubaki Kabelschlepp America, Inc.
 Tsubaki Brasil Equipamentos Industriais Ltda.
 Central Conveyor Company, LLC
 Central Process Engineering, LLC
 Electrical Insights, LLC
 KCI, Incorporated
 Tsubaki of Canada Limited
 Mayfran International, Incorporated
 Conergics International LLC
 Press Room Techniques Co.
 Tsubakimoto Automotive Mexico S.A. de C.V.

2 other companies

Europe

Tsubakimoto Europe B.V.
 Tsubakimoto UK Ltd.
 Tsubaki Deutschland GmbH
 Tsubaki Automotive Czech Republic s.r.o.
 Tsubaki Iberica Power Transmission, S.L.
 Tsubaki Kabelschlepp GmbH
 Kabelschlepp GmbH-Hünsborn
 Kabelschlepp Italia S.R.L.
 Metool Products Limited
 Kabelschlepp France S.A.R.L.
 Kabelschlepp Systemtechnik spol. s.r.o.
 OOO Tsubaki Kabelschlepp
 Schmidberger GmbH
 Mayfran U.K. Limited
 Mayfran GmbH
 Mayfran Limburg B.V.
 Mayfran International B.V.
 Mayfran France S.A.R.L.
 Mayfran CZ s.r.o.

1 other company

Indian Ocean Rim

Tsubakimoto Singapore Pte. Ltd.
 PT. Tsubaki Indonesia Manufacturing
 PT. Tsubaki Indonesia Trading
 Tsubaki Power Transmission (Malaysia) Sdn. Bhd.
 Tsubakimoto (Thailand) Co., Ltd.
 Tsubaki India Power Transmission Private Limited
 Tsubakimoto Vietnam Co., Ltd.
 Tsubakimoto Philippines Corporation
 Tsubaki Australia Pty. Limited
 Tsubakimoto Automotive (Thailand) Co., Ltd.
 Tsubaki Motion Control (Thailand) Co., Ltd.
 Kabelschlepp India Private Limited

2 other companies

China

Tsubakimoto Chain (Shanghai) Co., Ltd.
 Tsubaki Motion Control (Shanghai) Co., Ltd.
 Tsubakimoto Automotive (Shanghai) Co., Ltd.
 Tsubaki Everbest Gear (Tianjin) Co., Ltd.
 Tsubakimoto Chain (Tianjin) Co., Ltd.
 Tsubakimoto Bulk Systems (Shanghai) Corp.
 Kabelschlepp China Co., Ltd.
 Tianjin Tsubakimoto Conveyor Systems Co., Ltd.
 Tsubakimoto Mayfran Conveyor (Shanghai) Co., Ltd.
 Tsubaki CAPT Power Transmission (Shijiazhuang) Co., Ltd.

3 other companies

South Korea and Taiwan

Taiwan Tsubakimoto Co.
 Tsubakimoto Automotive Korea Co., Ltd.
 Tsubakimoto Korea Co., Ltd.

Corporate Data and Stock Information

(As of March 31, 2020)

Corporate Data

Company Name	Tsubakimoto Chain Co.	Number of Consolidated Subsidiaries	64
Date of Foundation	December 1917	Number of Unconsolidated Subsidiaries	7
Date of Incorporation	January 31, 1941	Number of Affiliates	9 (including 1 equity-method affiliate)
Paid-in Capital	¥17,076 million	Number of Employees*	8,733
Headquarters	3-3-3, Nakanoshima, Kita-ku, Osaka 530-0005, Japan	(consolidated)	
Phone	+81 (6) 6441-0011 (Reception)	Manufacturing facilities	Kyotanabe, Saitama, Nagaokakyo, Hyogo, Okayama
Fiscal Year-End	March 31		

* Including contracted staff and temporary staff, etc.

Stock Information

Shareholder Register	Sumitomo Mitsui Trust Bank, Limited
Stock Listing	Tokyo
Common Stock	
Authorized:	59,800,000 shares
Issued:	38,281,393 shares
Number of Shareholders	9,291

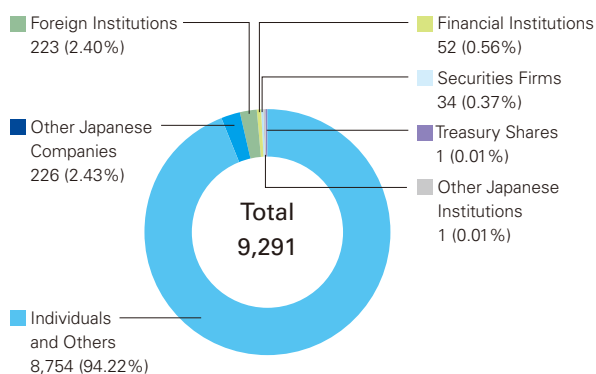
Major Shareholders (Top 10)

Name	Number of Shares Held (Thousands)	Percentage of Total Shares Issued (%)
Taiyo Life Insurance Company	3,559	9.61
The Master Trust Bank of Japan, Ltd. (Trust account)	2,500	6.75
Nippon Life Insurance Company	1,970	5.32
Kyoeikai Members Stock Ownership Association	1,412	3.81
Sumitomo Mitsui Banking Corporation	1,406	3.80
Japan Trustee Services Bank, Ltd. (Trust account)	1,238	3.34
Tsubakimoto Kogyo Co., Ltd.	1,158	3.13
Sumitomo Mitsui Trust Bank, Limited	849	2.29
SSBTC CLIENT OMNIBUS ACCOUNT	796	2.15
MUFG Bank, Ltd.	712	1.92

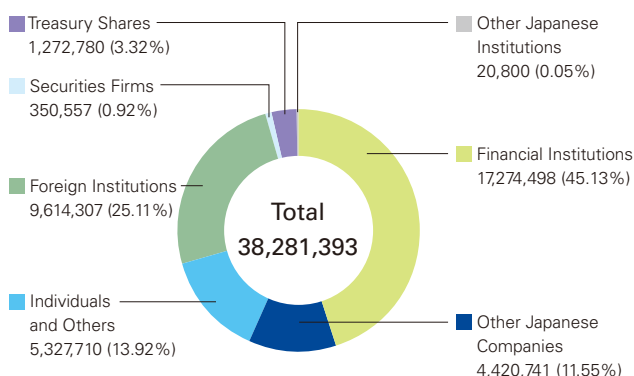
(Notes) 1. Numbers less than 1,000 have been rounded down.
2. Although the Company holds treasury stock of 1,272,780 shares, it is not included in the above list of major shareholders.
3. Percentage of total shares issued has been calculated excluding the treasury stock of 1,272,780 shares.

Shareholder Composition

Number of Shareholders



Number of Shares Held



Contact for Inquires with Regard to the TSUBAKI REPORT

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TSUBAKIMOTO CHAIN CO.

<https://tsubakimoto.com>

Published October 2020 Printed in Japan

