

2021

F i n a n c i a l R e v i e w

Year ended March 31, 2021



MITSUBOSHI BELTING LTD.



I Management Message

In our more than 100-year history since our founding in 1919, we have continued our passion for manufacturing, and have contributed to society by providing products that support people's lives while cherishing our strong beliefs as a manufacturer.

The current socio-economic situation continues to be unstable, and the industrial structure of the automobile industry and other industries is entering a new phase.

As the business environment surrounding our company is constantly changing, we believe that excellent forward thinking that can accurately capture the trends of the times, such as changes in people's thinking, lifestyles, and trends, will be an important base for our company.

In the future, major innovations will be required in business operations and technological development, but our group of employees will work together to ensure that we continue to make progress one step at a time.

Looking ahead to the next 100 years, we will face reality and realize sustainable growth and transformation through our business activities to solve social issues based on the basic philosophy of "To Give Attentive Consideration to Both Humanity and Nature", aiming for development into a prosperous future.



Chairman
Hajime Kakiuchi

Hajime Kakiuchi



President
Hiroshi Ikeda

Hiroshi Ikeda

Board of Directors

Chairman
Hajime Kakiuchi
President
Hiroshi Ikeda
Member of the Board
Yoshio Yamaguchi
Member of the Board
Masayoshi Nakajima
Member of the Board
Toshimi Kumazaki
Member of the Board
Keiji Mataba
Director, Member of the Board
Ryuzo Miyao
Director, Member of the Board
Shinya Okuda

Board of Corporate Auditors

Corporate Auditor
Kenkichi Masuda
(standing)
Corporate Auditor
Yoshio Okushima
Corporate Auditor
Yasuhiro Tsuji
Corporate Auditor
Jun Tanaka

Executive Officers

| | | |
|--|--|--|
| President, Executive Officer Hiroshi Ikeda | Vice-Senior Managing Executive Officer Takashi Sasaki | Executive Officer Toshimichi Takada |
| Senior Managing Executive Officer Yoshio Yamaguchi | Vice-Senior Managing Executive Officer Shinji Kuramoto | Executive Officer Naotsugu Morita |
| Senior Managing Executive Officer Masayoshi Nakajima | Vice-Senior Managing Executive Officer Toru Shimomura | Executive Officer Akihiro Nagata |
| Managing Executive Officer Toshimi Kumazaki | Managing Executive Officer Kazutoshi Ishida | Executive Officer Nobuyasu Nishikawa |
| Managing Executive Officer Keiji Mataba | Managing Executive Officer Kazuhiro Takeda | Executive Officer Isao Ideguchi |
| | | Executive Officer Masaru Matsui |

(June 29, 2021)

Contents

| | | | |
|----------------------------|---|--|----|
| Management Message | 1 | Consolidated Balance Sheets | 13 |
| Financial Highlights..... | 2 | Consolidated Statements of Income / Comprehensive Income | 15 |
| Investor Information | 4 | Consolidated Statements of Shareholders' Equity | 16 |
| News Release | 5 | Consolidated Statements of Cash Flows | 17 |
| Global Network | 7 | Notes To Consolidated Financial Statements... | 18 |
| Business Overview | 9 | | |

Financial Highlights

Years ended March 31

Millions of yen

| | 2021 | 2020 | 2019 |
|--|----------|----------|----------|
| Sales Business Segment : | | | |
| Power Transmission Belts(Japan) | ¥24,777 | ¥27,266 | ¥28,395 |
| Power Transmission Belts(except Japan) | 29,611 | 32,495 | 32,917 |
| Building & Construction Materials | 5,747 | 6,872 | 5,978 |
| Others | 4,726 | 4,417 | 4,710 |
| Total | 64,862 | 71,051 | 72,002 |
| Exports sales ratio | 46.3% | 46.3% | 46.1% |
| Cost of sales | ¥45,868 | ¥49,206 | ¥49,510 |
| Selling, general and administrative | 14,025 | 14,545 | 14,364 |
| Operating income | 4,968 | 7,299 | 8,127 |
| Income before income taxes | 5,857 | 7,814 | 8,876 |
| Income attributable to owners of parent | 4,066 | 5,464 | 6,157 |
| Total assets | 108,063 | 101,154 | 102,814 |
| Per share data (in yen) | | | |
| Net income | ¥139.84 | ¥183.61 | ¥203.50 |
| Cash dividends | 57.00 | 54.00 | 60.00 |
| Book value | 2,691.63 | 2,474.56 | 2,393.66 |
| Gross profit margin | 29.3% | 30.7% | 31.2% |
| Operating income margin | 7.7% | 10.3% | 11.3% |
| Current ratio | 349.70% | 328.70% | 347.80% |
| Capital expenditures | ¥3,669 | ¥5,964 | ¥3,259 |
| Depreciation expense | ¥3,972 | ¥3,324 | ¥3,012 |
| Equity ratio | 72.4% | 71.1% | 70.4% |
| Long-term debt ratio against equity | 13.0% | 13.0% | 14.8% |
| Number of shares outstanding (thousands) | 32,604 | 32,604 | 32,604 |

Note: Income statement and balance sheet figure for the periods ended March 31, 2021, 2020, and 2019 were audited by Accounting Auditors and which are different from ones disclosed in Tokyo Stock Exchange in consideration of expected readers.

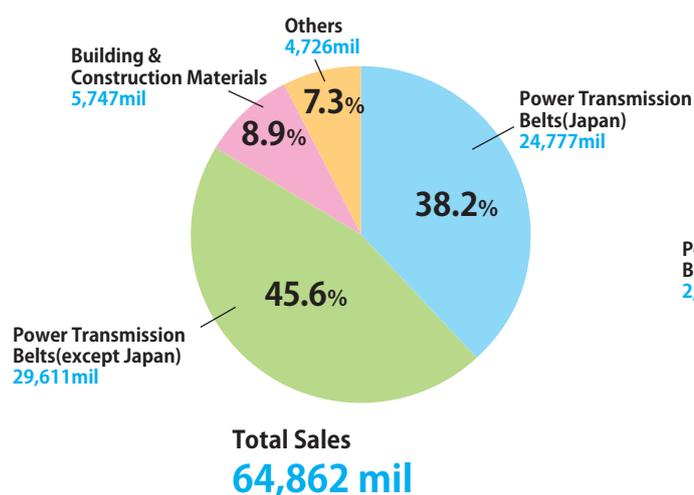
*The Company performed a two-for-one share consolidation effective as of October 1, 2018.

Net assets per share and net income per share are calculated on the assumption that the share consolidation was performed at April 1, 2018.

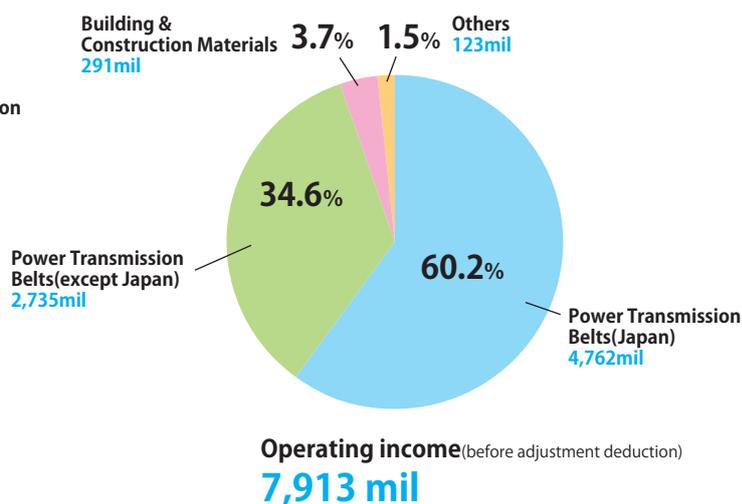
Consolidated Statements of Income (Japanese Yen)



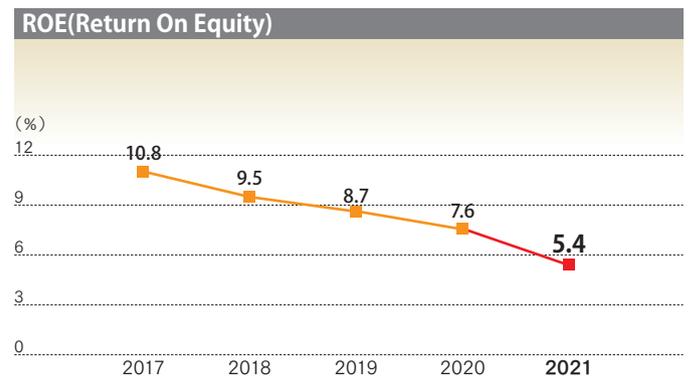
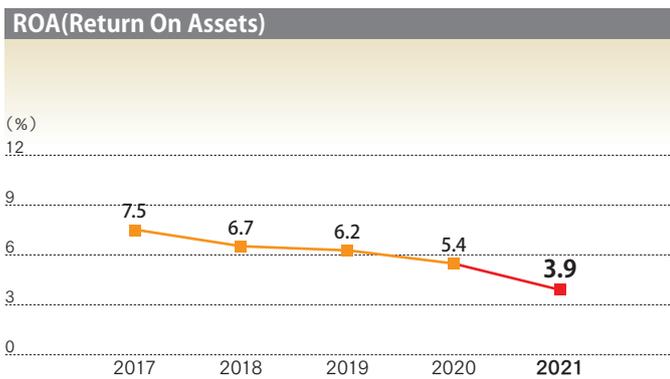
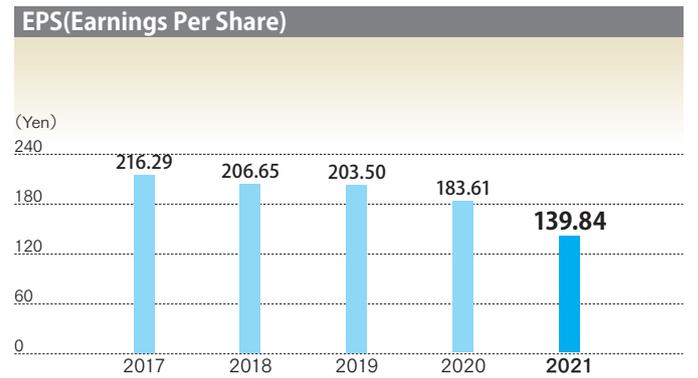
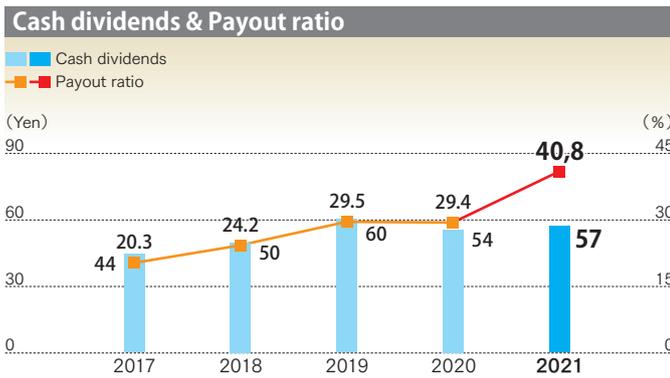
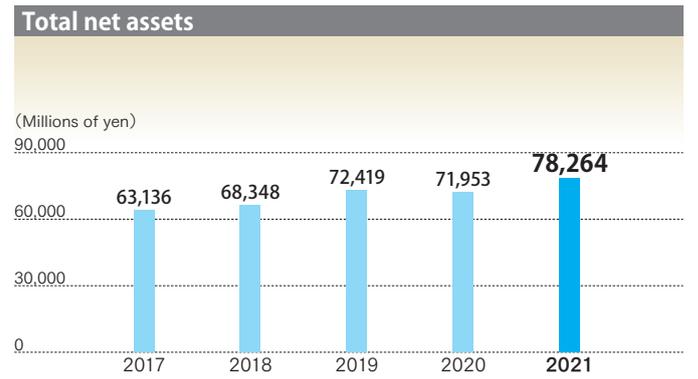
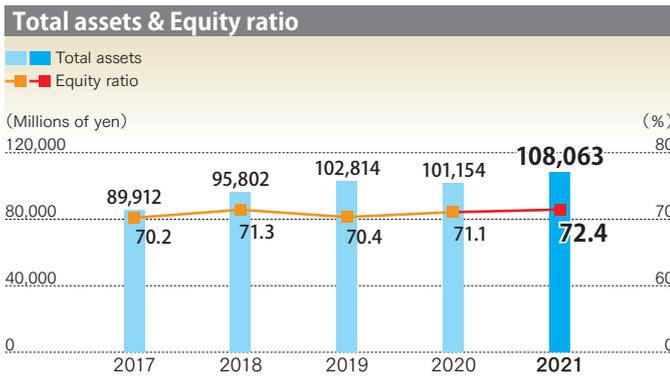
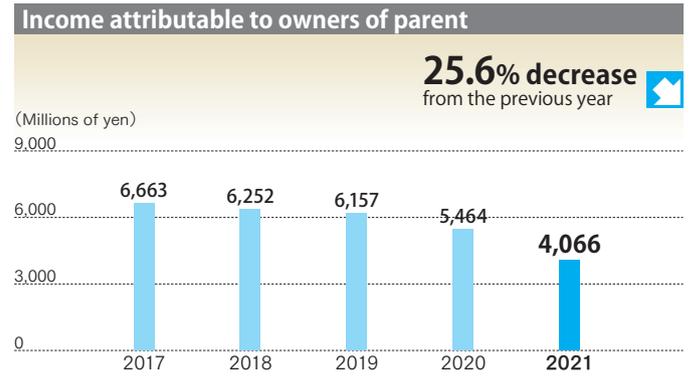
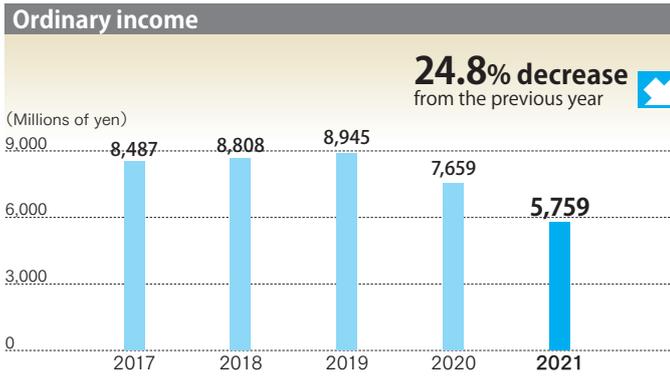
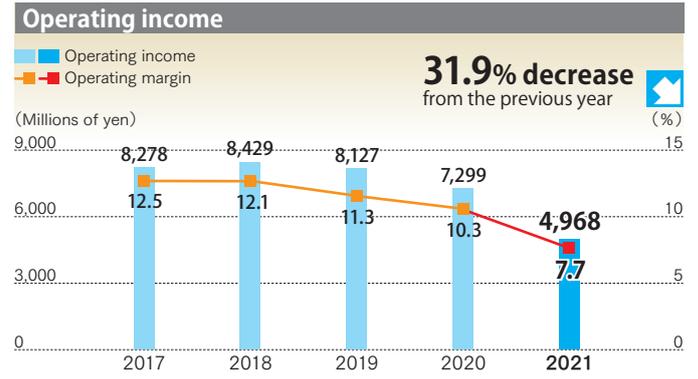
Sales by Business



Operating income by Business



Financial Highlights



Investor Information (As of March 31, 2021)

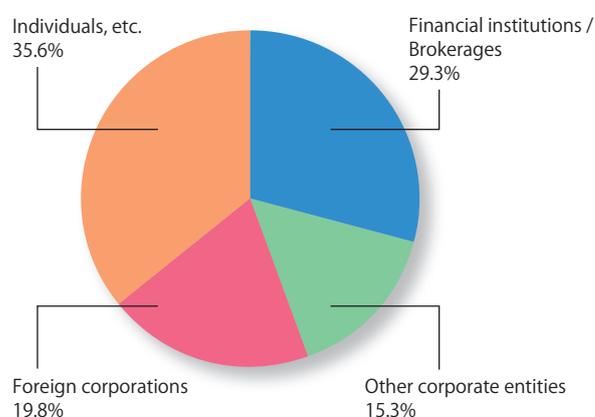
Corporate data

| | |
|-------------------------|-----------------------------|
| Company Name: | Mitsubishi Belting Ltd. |
| Established: | October 10, 1919 |
| Common Stock: | 8,150 million yen |
| Fiscal Year-End: | March 31 |
| Public Accounting Firm: | Ernst & Young ShinNihon LLC |
| Number of Employees: | 729 (Consolidated : 4,271) |

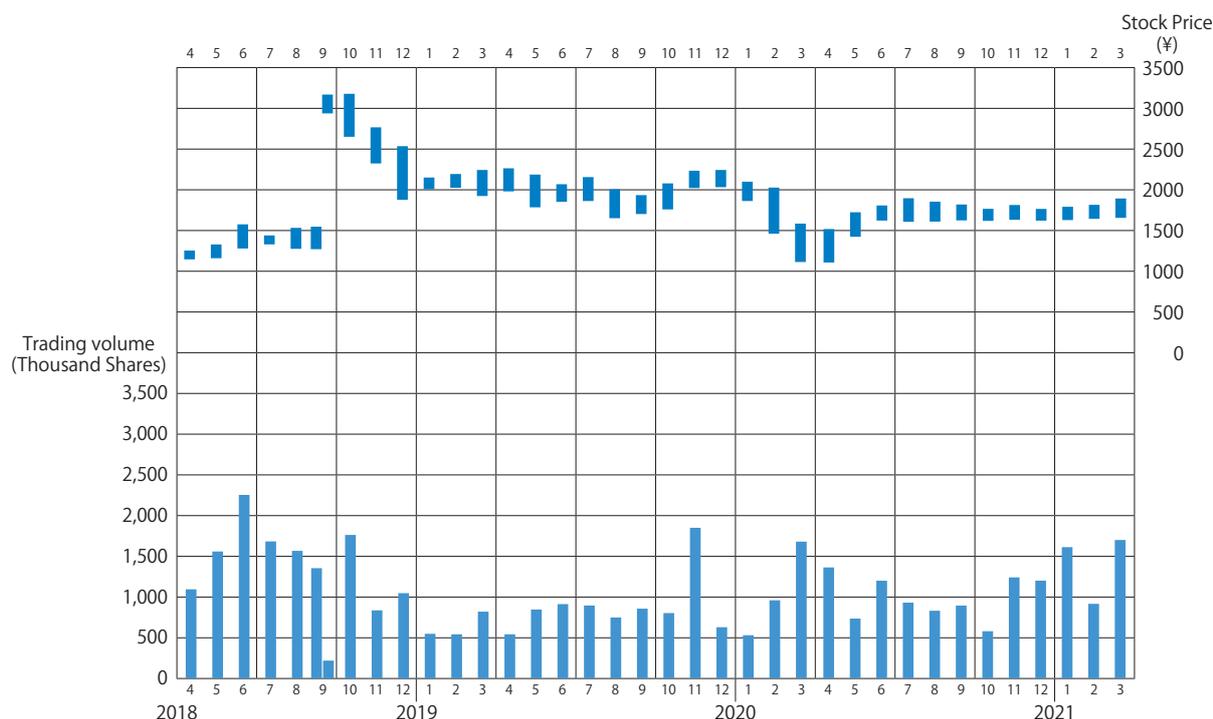
Major shareholders(Top10)

| Name | Number of shares held (Thousands) |
|--|-----------------------------------|
| Custody Bank of Japan, Ltd. | 3,047 |
| The Master Trust Bank of Japan, Ltd. | 1,757 |
| MUFG Bank, Ltd. | 1,170 |
| Client stock ownership | 966 |
| STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002 | 800 |
| NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS | 760 |
| MITSUI & CO., LTD. | 750 |
| Mitsubishi UFJ Trust and Banking Corporation | 686 |
| NIPPON ACTIVE VALUE FUND PLC | 650 |
| Employee stock ownership | 635 |

Ownership breakdown



Stock price and trading volume on the Tokyo Stock Exchange



As of October 1, 2018, the share consolidation was carried out at a ratio of 1 share per 2 common shares.

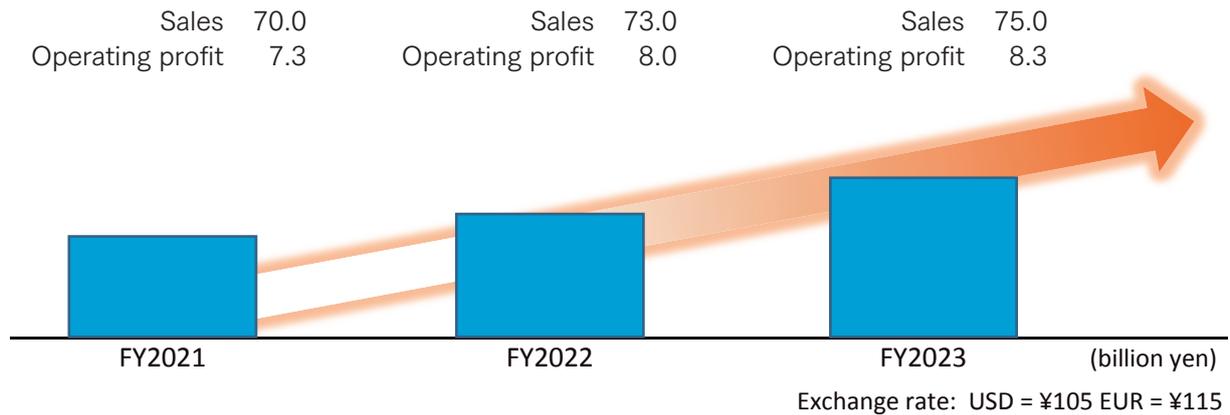
Mid-Term Business Plan (FY2021-2023)

The Mitsubishi Group will strive to establish a more solid management base with our strength in technological capabilities and price competitiveness, along with taking the initiative in realization of a sustainable society, adhering to the corporate philosophy of "to give attentive consideration to both humanity and nature" and the motto of "produce quality and sell quality".

We take advantage of information technology and try to reduce environmental impact through business operations in an effort to minimize effects of unavoidable circumstances such as natural disasters.

As the financial targets, we aim to achieve net sales of 75.0 billion yen in FY2023 by organizing aggressive sales promotion worldwide.

Financial target



For operating profit margin, we aim to secure 11% or more with united efforts of all the Mitsubishi Group employees to strengthen the profitable structure of the company.

Return of profits to shareholders

- Dividend per share: 54 yen or more (Consolidated dividend payout ratio of 35%)
- Average consolidated total return ratio for the three-year period: 50%

Capital investment plan

Total amount of capital investment 15.0 billion yen

Strengthening of sales structure

Automotive industry

- Expand sales of belts for motorcycles and utility vehicles as well as for passenger vehicles
- Promote related system products
- Expand aftermarket sales



General industry

- Develop new products for large & high-speed agricultural machinery
- Develop new products for industrial robots and electric injection machines



Conveyor belts & systems

- Develop new products for food industry and logistics industry.
- Expand sales of light conveyor belts and FREESPAN belts



Engineering plastics

- Expand sales of high-performance materials and processed products
- Upgrade the existing products and develop new products



Construction materials

Roofing:

- Expand sales in the metal roofing restoration market
- Develop eco-friendly products and labor-saving products

Civil engineering:

- Expand sales in the market of waste material disposal sites/ agricultural civil work/river management



Electronic materials

- Develop new applications of silver nano particles/conductive paste/metallized ceramic substrates
- Develop new products for automobile components and information equipment



Other Policy

Strengthening of production structure

- Review the production capacity of all the production sites and establish optimal production structures.
- Enhance cost competitiveness and improve product quality through development of innovative production methods, including utilization of IoT and AI.

Securing and training of human resources

- Reform the management system and secure competent human resources.
- Implement work style reform to allow employees to choose flexible work styles.

Maintenance of workplace

- Perform maintenance on buildings and facilities in terms of business continuity planning from a longterm perspective.

Strengthening of capacity for technological development

- Improve technological development skills by developing information literacy skills.
- Conduct training on effective problem solving methods for improvement of technical capabilities.

Strengthening of quality control and environmental management system

- Strengthen the structure of quality control system and environmental management system in order to eliminate customer complaints.
- Maintain ISO9001, IATF16949 and ISO14001 certifications.

Promotion of SDGs

- Contribute to society through business activities
- CO₂ emission reduction target (from 2013 level) 2023 - 20% or more / 2030 - 35% / 2050 - Carbon neutral

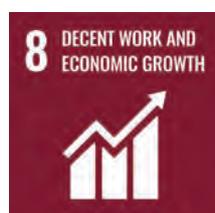
Promotion of SDGs (Detail)

Mitsubishi Belting Group (the Group) agree SDGs put forward by United Nations and contribute to the realization of a sustainable society through corporate activities.

The Group has set 6 of our 17 goals as our main goals.

Based on 100 years of history, the Group aims for a more sustainable future.

[6 goals have been set]



Global Network



MBL (USA) CORPORATION



Mitsuboshi Belting Ltd.



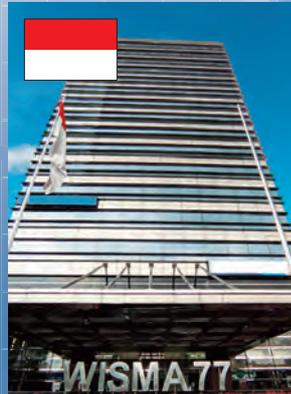
Mitsuboshi Belting Europe GmbH



MITSUBOSHI POLAND Sp.z o.o.



MITSUBOSHI BELTING-INDIA PRIVATE LIMITED



PT. MITSUBOSHI BELTING SALES INDONESIA



PT. SEIWA INDONESIA



PT. MITSUBOSHI BELTING INDONESIA





MBL SHANGHAI INTERNATIONAL TRADING CO., LTD.



SUZHOU MITSUBOSHI BELTING CO., LTD.



MBL (USA) CORPORATION

KOBE HEAD OFFICE

TOKYO HEAD OFFICE

MOI TECH HONG KONG LIMITED

MITSUBOSHI BELTING VIETNAM CO., LTD.

STARS TECHNOLOGIES INDUSTRIAL LIMITED

MITSUBOSHI OVERSEAS HEADQUARTERS PRIVATE LIMITED



MOI TECH HONG KONG LIMITED



MITSUBOSHI BELTING VIETNAM CO., LTD.

★...Plant & Sales Office

★...Plant

★...Sales office



MITSUBOSHI OVERSEAS HEADQUARTERS PRIVATE LIMITED



STARS TECHNOLOGIES INDUSTRIAL LIMITED

1. Summary of Business Results

(1) Business Results

In this fiscal year, Japanese economy has suffered a significant decline of corporate profits and deterioration of employment environment to spread of COVID-19. However, although there are industry disparities, economic activity gradually returned while taking measures against infection, and there was a movement toward recovery in production and personal consumption.

In global economies, demand recovered globally in the second half of the year, driven by China, which recovered quickly.

Under these circumstances, Mitsubishi Belting Ltd. ("the Company") and its consolidated subsidiaries (together with "the Group") have been focused on infection prevention measures and personal safety and employment maintenance of employees, while working to maximize sales and profits.

As a result, for this fiscal year, the Group recorded the consolidated net sales of 64,862 million yen (8.7% decrease compared to the previous fiscal year), the operating income of 4,968 million yen (31.9% decrease compared to the previous fiscal year), the ordinary income of 5,759 million yen (24.8% decrease compared to the previous fiscal year) and the income attributable to owners of parent was 4,066 million yen (25.6% decrease compared to the previous fiscal year).

The performance of the segment is as follows.

(2) Condition of Cash Flow

Cash flow from operating activities achieved an income of 8,612 million yen, which was an increase of 698 million yen over the previous fiscal year.

Major factors for this increase are that while profit before income taxes decreased by 1,957 million yen, inventories decreased by 1,504 million yen and other current assets decreased by 758 million yen compared to the previous fiscal year.

Cash flow from investing activities resulted in expenditure of 3,071 million yen, which was a decrease of 2,722 million yen over the previous fiscal year.

Major factors for this decrease are that while payments into time deposits decreased by 1,196 million yen, but proceeds from withdrawal of time deposits by 4,871 million yen compared to the previous fiscal year.

Cash flow from financing activities resulted in expenditure of 4,104 million yen, which was an increase of 2,104 million yen compared to the previous fiscal year.

Major factors for this increase are that while proceeds from long-term borrowings by 600 million yen and purchase of treasury shares decreased by 2,467 million yen compared to the previous fiscal year.

After add the effect of exchange rate change on cash and cash equivalents of 1,160 million yen to the total amount of cash flows through operating, investing and financing activities, an increase of cash and cash equivalents of 2,597 million yen. In addition, as a result of adding the opening balance of 31,143 million yen to this, the balance of cash and cash equivalents at the end of this fiscal year was 33,741 million yen.

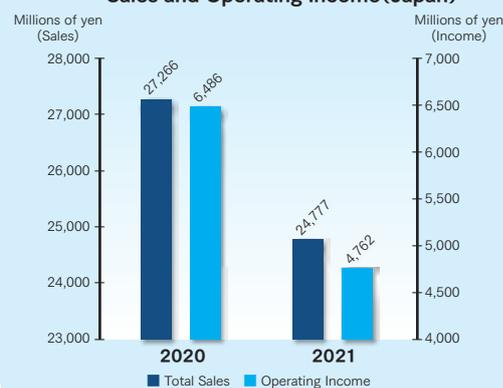
● Business of Power Transmission Belts (Japan)

In automotive belts, sales volume of belts for installed car production line and belts for aftermarket are on the rise as the recovery of customers' production, but sales amount decreased due to the large decline in the first half of the period.

And sales of industrial belts, conveyor belts and engineering plastics materials also decreased due to slow production activity of companies in Japan throughout the period.

As a result, the consolidated net sales by this segment stood at 24,777 million yen (9.1% decrease compared to the previous fiscal year) while the consolidated operating income by this segment stood at 4,762 million yen (26.6% decrease compared to the previous fiscal year).

Power Transmission Belts
Sales and Operating Income (Japan)



● Global Business (except Japan) of Power Transmission Belts

In the global business (except Japan) of power transmission belts, sales of the entire business decreased due to the stagnation of economic activity caused by lockdowns implemented by each country at the beginning of the fiscal year.

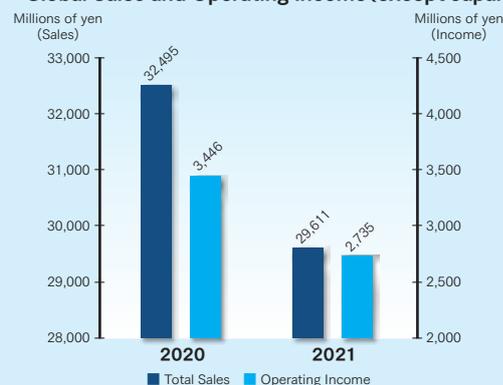
However, since the third quarter, demand for belts for automotive has recovered in the U.S. and China, and orders have increased significantly compared to the beginning of the fiscal year.

And in industrial belts, sales increased because of recovering the demand to belts for the agricultural machineries in China and Southeast Asia.

On the other hand, sales of belts for OA equipment decreased due to the effect of decreased production of office equipment.

As a result, the consolidated net sales by this segment stood at 29,611 million yen (8.9% decrease compared to the previous fiscal year) while the consolidated operating income by this segment stood at 2,735 million yen (20.6% decrease compared to the previous fiscal year).

Power Transmission Belts
Global Sales and Operating Income (except Japan)



2. Research and Development Activities

The management principle of the Group is; "To contribute to society by supplying goods of high performance, high precision and high quality". Under this management principle, we are strenuously making efforts to further improve fundamental technologies and to positively use simulation technologies for liquidity analysis, impact analysis and stress analysis so that we may cope with customers' demand which is diverse and changeable in a timely manner.

At the same time, we are performing overall research and development activities including studies of materials, facilities, construction methods, analysis methods, etc. with the aim of realizing the reduction of environmental loads, high productivity and the development of high performance, high precision and high quality products as declared in the company management principle.

At present, research and development are promoted by R&D and Research & Designing sections in our operating divisions in cooperation with Development Department of each group company. Besides, the Group is pursuing joint research with universities and public research institutes as well as joint development with other companies under a close tie-up and cooperation, for the purpose of carrying out research effectively and developing a cutting edge technology.

The total R&D expenses of the Group for this fiscal year was 2,671 million yen. The total R&D expenses included the basic research expenses of 771 million yen not allocatable to each division, for Silver nanoparticles paste, Coatings & inks for glass, Surface treatments for glass, Conductive copper paste, Thick film copper circuit boards, etc.

3. Summary of Investment in Plant and Equipment

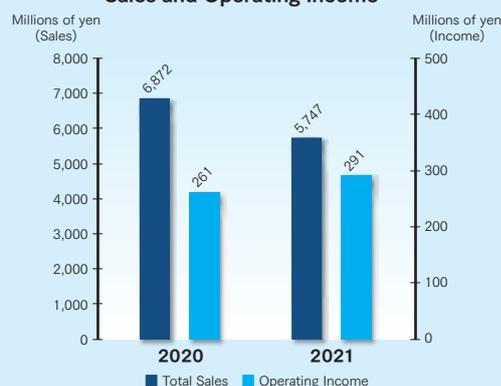
Regarding capital investment, in order to construct the supply system that can meet the user needs, the Group invested total 3,669 million yen by our own capital. For instance, expanding the manufacturing facilities of system for automotive installation of new belt construction method line, preparing the mill facilities and information core system.

● Business of Building & Construction Materials

In the construction sector, orders and progress for rooftop waterproofing repair work were delayed, and in civil engineering sector, sales decreased due to the effect of a decrease in construction properties such as waste disposal sites and a reduction in scale.

As a result, the consolidated net sales by this segment stood at 5,747 million yen (16.4% decrease compared to the previous fiscal year) while the consolidated operating income by this segment stood at 291 million yen (11.7% increase compared to the previous fiscal year).

**Building & Construction Materials
Sales and Operating Income**

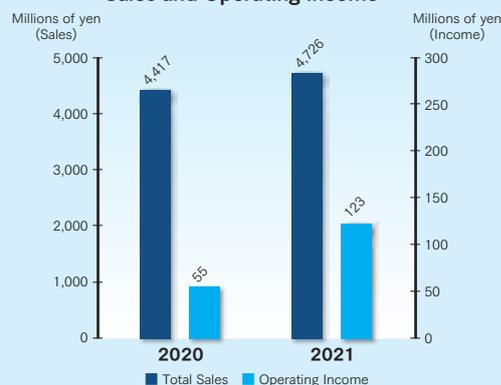


● Other Businesses

Other businesses include the supply of engineering structural foams, developed metal nanoparticles machinery and equipment and purchased products, etc.

As a result, the consolidated net sales by other businesses stood at 4,726 million yen (7.0% increase compared to the previous fiscal year) while the consolidated operating income by this segment stood at 123 million yen (123.4% increase compared to the previous fiscal year).

**Others
Sales and Operating Income**



4. Risks to the Business

Listed below are the various risks that our president recognises it's possible to affect significantly to consolidated company's financial statement, business performance and cash flow.

Note that matters pertaining to the future presented herein are determined by us as of the end of fiscal year.

(1) Economic Status

The Group develops, manufactures and provides functional components principally in the automobile, general engineering, agricultural machines, IT and construction industries. Our main markets are Japan, Asia, U.S. and Europe, etc. The change in demand from various industries and the economic status around the world could affect us adversely.

The Group distributes our main products, power transmission belts, to the industries above. Low demand or a reduction in equipment investment in each company could cause our market to shrink and have a detrimental impact on our performance as well.

Approximately 75% of power transmission belts sold by our company are manufactured in other countries. As the Group is expected to be more dependent on overseas manufacturing in the future due to growing global economy, a sluggish global economy could negatively affect our operating performance.

War, terror, riots, disaster like earthquake, epidemic could strike a sharp blow on economy. Slowdown in demand could be expected during the event. Our problem is that the Group may have difficulty procuring materials and products to customers. To reinforce our product material supply system, we have taken several countermeasures. However, there is no guarantee that all risks are eliminated.

Therefore, the domestic and international economic situation and industry trend may have an impact on our business performance and financial situation.

(2) Abnormal Situation due to COVID-19

The Group manufactures and provides products for various industries mainly in Japan, Asia, the U.S. and Europe, etc. So, in the situation that spreads and affects all over the world such as COVID-19, the global economic activities may stagnate, and the financial statement and business performance of the Group may be affected.

In this situation, the Group has established COVID-19 countermeasures headquarters, reviewed working systems and positive promoted teleworking. In addition, through the activities of the Risk Management Committee, we will work to minimize business risk by standardizing the infection spread prevention manual and formulating a BCP. Also, we will enhance the communication system with customers to construct better structure and promote the business activity even in serious situation.

(3) Impact on Automobile Industry

The degree of dependence on sales of automobile industry exceeds 40%. The Group does not belong to any members of specific car makers, but unmanageable factors, such as a economy slump in automobile industries, poor business performance of client Company, damages caused by large-scale natural disasters, and changes in component procurement policy could affect us.

Although the Group have engaged in managerial improvement in order to maintain customer satisfaction for all clients including those in the automobile industry, such changes may affect our business performance.

Regarding the progress of electrification, the Group is constantly watching the trends and considering the decrease in demand of belts for internal combustion engine as a medium to long term risk, and is taking measures.

(4) Material Procurement

Our production bases need a variety of materials such as rubber, fabric, glass fiber and resin which are essential for product manufacturing. We procure these materials from diverse suppliers considering a stability, price and quality. Through the activities of the Risk Management Committee, the Group is making

preparations for purchasing from multiple companies so that important materials and processed products do not become excessively dependent on specific business partners. Also, we request our business partners to formulate a BCP.

However, in a phase of a soaring resource price including crude oil, there is a possibility that a rapid rise in market price of major raw materials could skyrocket manufacturing costs. Moreover, stable and efficient procurement of raw materials from overseas and supply of raw materials to overseas affiliated companies could be interfered by changes export/import restrictions, etc.

Therefore, in the case that the Group is not able to flexibly procure raw materials or procurement costs continue to rise extremely, it may have a impact on our business performance.

(5) Exchange Rate Fluctuation

The Group manufactures and sells its products mainly in Japan, Asia, U.S. and Europe, etc. Exchange rate fluctuations may have a strong influence on transactions denominated in foreign currencies involving export in each area and foreign assets and liabilities such as deposit, account receivable and loans.

When preparing our consolidated financial statements, exchange rates used to convert into Japanese Yen have a influence on its value denominated in Japanese Yen even with no fluctuation of value on its reporting currency basis. Appreciation of the yen against other currencies, especially the U.S. dollars and Euro having a large impact, could affect our business performance.

The Group has taken as many effective measures to reduce or avoid the exchange risks as possible. Nonetheless, as there are not few cases that would not be cleared in the short term, it may affect our business performance and a decrease in asset value potentially.

(6) Official Restrictions on Businesses in Japan and Overseas

In the countries where our businesses operate, the Group is exposed to a variety of regulations on export/import controls, custom duty, and business investment, etc. Also our activities should be restricted legally by antimonopoly laws, patent rights, tax, and the environmental regulation including waste disposal and recycling. If our business activities are not able to accommodate quickly and flexibly to these business environments, it would rise costs and compel us to retreat from overseas businesses, it could affect our business performance.

(7) Product Quality

In order to maintain and improve the product quality of the Group, we have established a strict standards based on customer demand standards and the Group's standards. However, in the case that any defective products are found or customer complaints are received, we enrolled in insurance to minimize losses.

Nevertheless, any expense which is not covered by any available insurance could affect business performance or the financial situation of the Group.

(8) Risks from Natural Disasters

The Group's production bases could be subject to a catastrophic loss caused by natural disasters such as earthquakes and floods. In the event of natural disasters, the Group would suffer from a stable supply to our customers and a temporary massive burden of expense arising from a drop in sales and incurred for restoration.

In preparation for such disasters, we establish a production system in Japan and overseas including back-up to overseas production bases. In addition, through the Risk Management Committee activities, we considers the way to avoid risks for product delivery, and can supply products to customers as soon as possible after a large-scale accident or disaster occurs and works to strengthen and enhance our system.

In spite of these efforts, however, there is a possibility that a temporary suspension of operation, delayed delivery and a huge amount of expenses incurred for restoration occur. It could affect our business performance.

Even if our production bases of the Group are not damaged, if major customers suffer catastrophic damage due to natural disasters, or if the supply chain is disrupted or production is forced to cease, sales will be reduced, the decrease could affect our business performance.

5. Corporate Governance

(1) Basic Stance on Corporate Governance

The Company considers corporate governance one of its topmost management priorities, in order to secure the trust of its shareholders and fulfill its corporate social responsibilities.

In accordance with this basic philosophy, the Company strives to enhance its business productivity in prompt and flexible response to the changes in the business environment and the market, and for maintenance, the Company addresses strengthening of supervisory function to management and the internal control in order to maintain and enhance its management efficiency and transparency, and, thereby, enhance its corporate governance in accordance with the following Basic Policy.

[Basic Policy]

1. The Company strives to respect its shareholders' rights and secure its shareholders' equality.
2. The Company strives to respect its shareholders' rights and positions, and work properly in harmony with its stakeholders (shareholders, customers, employees, communities and so on).
3. The Company strives to disclose its corporate information timely and property, and, thereby, secure transparency and fairness.
4. The Company strives to cause its board of directors meeting and so on fulfill properly the functions and the responsibility, in light of its fiduciary responsibility and accountability to its shareholders.
5. The Company strives to have constructive dialogues with its shareholders.

(2) Overview of the Corporate Governance System

The Company has in place a Board of Directors comprising eight members, of whom two are outside directors, and a Board of Corporate Auditors. This board has four members, of whom two are outside corporate auditors. The Board of Directors make decisions on important items and supervise the execution of operations by directors. Regarding important items, we hold a management meeting to hold sufficient prior discussions before the meeting of the Board of Directors.

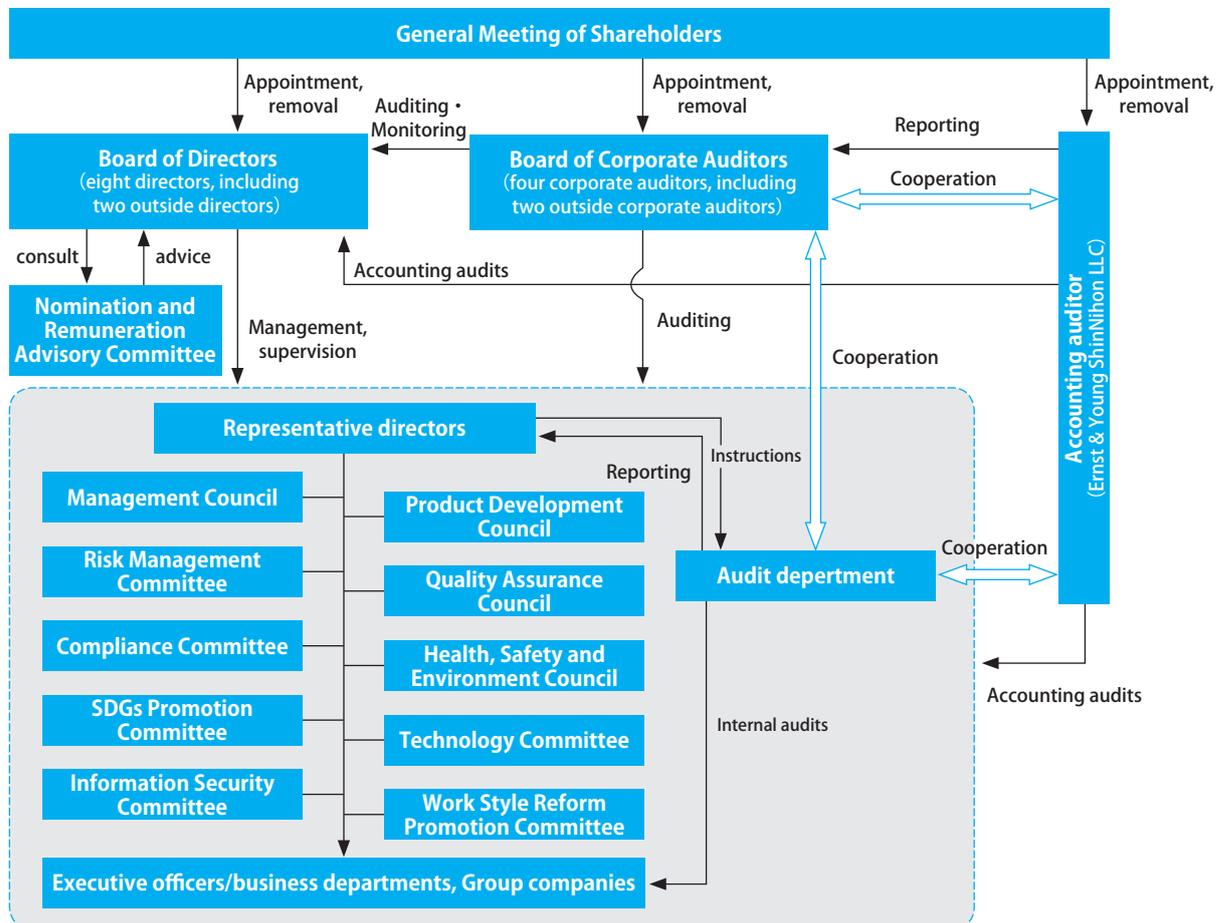
As an arbitrary mechanism, Nomination and Remuneration Advisory Committee has been set up with aim of strengthening the independence, objectivity and accountability of the functions of the Board of Directors regarding the appointment, dismissal, compensation, etc. of the management team.

The committee is a voluntary advisory board consisting of three or more members, the majority of whom are independent outside directors.

The Company employs an executive officer system.

By separating the functions of management decision-making and supervision from operational execution, the Company aims to strengthen its operational execution structure and bolster management efficiency.

Governance Structure



I Consolidated Balance Sheets

Years ended March 31

Millions of yen

Thousands of U.S.dollars

| ASSETS | 2021 | 2020 | 2021 | 2020 |
|--|-----------------|-----------------|------------------|------------------|
| Current assets | | | | |
| Cash on hand and in banks | ¥33,771 | ¥31,360 | \$305,045 | \$283,263 |
| Trade notes and accounts receivable | 15,938 | 14,687 | 143,966 | 132,663 |
| Merchandise and finished goods | 12,944 | 12,983 | 116,922 | 117,271 |
| Work in process | 2,014 | 2,099 | 18,196 | 18,965 |
| Raw materials and supplies | 3,364 | 3,128 | 30,393 | 28,262 |
| Other | 825 | 1,021 | 7,452 | 9,228 |
| Allowance for doubtful accounts | (107) | (110) | (973) | (998) |
| Total current assets | 68,751 | 65,170 | 621,003 | 588,655 |
| Investments and long-term receivable | | | | |
| Investment securities | 13,245 | 10,040 | 119,643 | 90,695 |
| Deffered tax assets | 1,029 | 976 | 9,297 | 8,818 |
| Other | 393 | 345 | 3,555 | 3,122 |
| Allowance for doubtful accounts | (18) | (18) | (164) | (164) |
| Total investments and long-term receivables | 14,650 | 11,344 | 132,332 | 102,471 |
| Property, plant and equipment | | | | |
| Buildings and structures | 22,250 | 22,115 | 200,975 | 199,760 |
| Machinery, equipment and vehicles | 49,988 | 47,331 | 451,525 | 427,523 |
| Tools, furniture and fixtures | 15,627 | 14,964 | 141,154 | 135,166 |
| Land | 3,943 | 3,930 | 35,616 | 35,507 |
| Leased assets | 1,487 | 1,324 | 13,433 | 11,966 |
| Construction in progress | 1,103 | 954 | 9,971 | 8,622 |
| Subtotal | 94,399 | 90,621 | 852,677 | 818,546 |
| Accumulated depreciation | (70,887) | (67,377) | (640,302) | (608,591) |
| Net property, plant and equipment | 23,511 | 23,244 | 212,374 | 209,955 |
| Intangible assets | | | | |
| Software | 1,090 | 1,118 | 9,852 | 10,105 |
| Other | 59 | 277 | 534 | 2,504 |
| Total Intangible assets | 1,149 | 1,396 | 10,386 | 12,610 |
| Total assets | ¥108,063 | ¥101,154 | \$976,097 | \$913,693 |

Years ended March 31

Millions of yen

Thousands of U.S.dollars

| LIABILITIES AND NET ASSETS | 2021 | 2020 | 2021 | 2020 |
|---|-----------------|-----------------|------------------|------------------|
| Current liabilities | | | | |
| Trade notes and accounts payable | ¥8,716 | ¥9,103 | \$78,735 | \$82,226 |
| Short-term loans payable | 2,325 | 2,324 | 21,002 | 20,998 |
| Current portion of long-term loans payable | 900 | 2,200 | 8,129 | 19,871 |
| Accounts payable-other | 2,264 | 1,916 | 20,451 | 17,309 |
| Income taxes payable | 681 | 652 | 6,154 | 5,891 |
| Provision for bonuses | 886 | 837 | 8,009 | 7,566 |
| Other | 3,884 | 2,792 | 35,083 | 25,223 |
| Total current liabilities | 19,658 | 19,826 | 177,566 | 179,087 |
| Long-term liabilities | | | | |
| Long-term loan payable | 1,800 | 2,700 | 16,258 | 24,388 |
| Deferred tax liabilities | 4,823 | 3,797 | 43,565 | 34,302 |
| Retirement benefit liability | 1,999 | 1,581 | 18,056 | 14,283 |
| Provision for retirement benefits for directors | 26 | 22 | 238 | 206 |
| Other | 1,492 | 1,273 | 13,482 | 11,499 |
| Total long-term liabilities | 10,141 | 9,374 | 91,602 | 84,679 |
| Total liabilities | 29,799 | 29,201 | 269,168 | 263,766 |
| Shareholders' equity | | | | |
| Share capital | 8,150 | 8,150 | 73,618 | 73,618 |
| Capital surplus | 2,111 | 2,111 | 19,070 | 19,071 |
| Retained earnings | 65,768 | 63,272 | 594,057 | 571,511 |
| Treasury stock | (5,788) | (5,788) | (52,286) | (52,280) |
| Total shareholders' equity | 70,241 | 67,745 | 634,459 | 611,920 |
| Accumulated other comprehensive income | | | | |
| Valuation difference on available-for-sale securities | 7,983 | 5,669 | 72,109 | 51,210 |
| Foreign currency translation adjustment | 247 | (1,294) | 2,238 | (11,696) |
| Remeasurements of defined benefit plans | (207) | (166) | (1,878) | (1,507) |
| Total accumulated other comprehensive income | 8,023 | 4,207 | 72,469 | 38,005 |
| Total net assets | 78,264 | 71,953 | 706,929 | 649,926 |
| Total liabilities and net assets | ¥108,063 | ¥101,154 | \$976,097 | \$913,693 |

Consolidated Statements of Income / Comprehensive Income

| Years ended March 31 | Millions of yen | | Thousands of U.S.dollars | |
|---|-----------------|---------|--------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Net sales | ¥64,862 | ¥71,051 | \$585,876 | \$641,778 |
| Cost of sales | 45,868 | 49,206 | 414,311 | 444,459 |
| Gross profit | 18,993 | 21,845 | 171,564 | 197,318 |
| Selling, general and administrative expenses | 14,025 | 14,545 | 126,687 | 131,384 |
| Operating profit | 4,968 | 7,299 | 44,876 | 65,933 |
| Non-operating income | | | | |
| Interest income | 84 | 242 | 761 | 2,193 |
| Dividends income | 341 | 350 | 3,088 | 3,162 |
| Foreign exchange gains | 152 | — | 1,377 | — |
| Other | 544 | 290 | 4,922 | 2,626 |
| Total non-operating income | 1,123 | 883 | 10,149 | 7,981 |
| Non-operating expenses | | | | |
| Interest expenses | 59 | 57 | 538 | 519 |
| Foreign exchange losses | — | 210 | — | 1,905 |
| Loss on retirement of non-current assets | 96 | 91 | 869 | 826 |
| Sales discounts | 45 | 50 | 411 | 455 |
| Other | 131 | 112 | 1,184 | 1,019 |
| Total non-operating expenses | 332 | 523 | 3,004 | 4,725 |
| Ordinary profit | 5,759 | 7,659 | 52,022 | 69,189 |
| Extraordinary income | | | | |
| Gain on sales of investment securities | 97 | 154 | 883 | 1,398 |
| Total extraordinary income | 97 | 154 | 883 | 1,398 |
| Profit before income taxes | 5,857 | 7,814 | 52,905 | 70,588 |
| Income taxes | | | | |
| Income taxes-current | 1,876 | 2,141 | 16,950 | 19,340 |
| Income taxes-deferred | (85) | 208 | (772) | 1,884 |
| Total income taxes | 1,791 | 2,349 | 16,178 | 21,225 |
| Profit | 4,066 | 5,464 | 36,727 | 49,363 |
| Profit attributable to owners of parent | ¥4,066 | ¥5,464 | \$36,727 | \$49,363 |

| Years ended March 31 | Millions of yen | | Thousands of U.S.dollars | |
|--|-----------------|---------|--------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Profit | ¥4,066 | ¥5,464 | \$36,727 | \$49,363 |
| Other comprehensive income | | | | |
| Valuation difference on available-for-sale securities | 2,313 | (237) | 20,899 | (2,145) |
| Foreign currency translation adjustment | 1,542 | (1,322) | 13,935 | (11,948) |
| Remeasurements of defined benefit plans, net of tax | (41) | 2 | (371) | 20 |
| Total other comprehensive income | 3,815 | (1,558) | 34,463 | (14,073) |
| Comprehensive income | 7,881 | 3,906 | 71,190 | 35,289 |
| (Details) | | | | |
| Comprehensive income attributable to owners of the parent | 7,881 | 3,906 | 71,190 | 35,289 |
| Comprehensive income attributable to non controlling interests | — | — | — | — |

Consolidated Statements of Shareholders' Equity

Years ended March 31

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

Millions of Yen

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | Total net assets |
|--|----------------------|-----------------|-------------------|-----------------|-----------------------------|---|---|---|--|------------------|
| | Share capital | Capital Surplus | Retained earnings | Treasury stock | Total share holders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans, net of tax | Total accumulated other comprehensive income | |
| Balance at March 31, 2020 | ¥8,150 | ¥2,111 | ¥63,272 | (¥5,788) | ¥67,745 | ¥5,669 | (¥1,294) | (¥166) | ¥4,207 | ¥71,953 |
| Changes during period | | | | | | | | | | |
| Dividends of surplus | | | (1,570) | | (1,570) | | | | | (1,570) |
| Profit attributable to owners of parent | | | 4,066 | | 4,066 | | | | | 4,066 |
| Purchase of treasury shares | | | | (0) | (0) | | | | | (0) |
| Change in scope of consolidation | | (0) | 0 | | — | | | | | — |
| Net changes in items other than shareholders' equity | | | | | | 2,313 | 1,542 | (41) | 3,815 | 3,815 |
| Total changes during period | — | (0) | 2,496 | (0) | 2,495 | 2,313 | 1,542 | (41) | 3,815 | 6,310 |
| Balance at March 31, 2021 | ¥8,150 | ¥2,111 | ¥65,768 | (¥5,788) | ¥70,241 | ¥7,983 | ¥247 | (¥207) | ¥8,023 | ¥78,264 |

Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)

Thousands of U.S.dollars

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | Total net assets |
|--|----------------------|-----------------|-------------------|-------------------|-----------------------------|---|---|---|--|------------------|
| | Share capital | Capital Surplus | Retained earnings | Treasury stock | Total share holders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans, net of tax | Total accumulated other comprehensive income | |
| Balance at March 31, 2020 | \$73,618 | \$19,071 | \$571,511 | (\$52,280) | \$611,920 | \$51,210 | (\$11,696) | (\$1,507) | \$38,005 | \$649,926 |
| Changes during period | | | | | | | | | | |
| Dividends of surplus | | | (14,182) | | (14,182) | | | | | (14,182) |
| Profit attributable to owners of parent | | | 36,727 | | 36,727 | | | | | 36,727 |
| Purchase of treasury shares | | | | (5) | (5) | | | | | (5) |
| Change in scope of consolidation | | (0) | 0 | | — | | | | | — |
| Net changes in items other than shareholders' equity | | | | | | 20,899 | 13,935 | (371) | 34,463 | 34,463 |
| Total changes during period | — | (0) | 22,545 | (5) | 22,539 | 20,899 | 13,935 | (371) | 34,463 | 57,002 |
| Balance at March 31, 2021 | \$73,618 | \$19,070 | \$594,057 | (\$52,286) | \$634,459 | \$72,109 | \$2,238 | (\$1,878) | \$72,469 | \$706,929 |

Consolidated Statements of Cash Flows

Years ended March 31

Millions of yen

Thousands of U.S.dollars

| | 2021 | 2020 | 2021 | 2020 |
|---|----------------|----------------|------------------|------------------|
| Operating activities: | | | | |
| Profit (Loss) before income taxes | ¥5,857 | ¥7,814 | \$52,905 | \$70,588 |
| Depreciation | 3,972 | 3,324 | 35,883 | 30,031 |
| Increase (Decrease) in allowance for doubtful accounts | (3) | 13 | (34) | 119 |
| Increase (Decrease) in retirement benefit liability | 277 | 91 | 2,510 | 825 |
| Increase (Decrease) in long-term accounts payable-other | (73) | (150) | (660) | (1,358) |
| Increase (Decrease) in provision for retirement benefits for directors (and other officers) | 3 | (1) | 32 | (15) |
| Increase (Decrease) in provision for bonuses | 38 | 27 | 346 | 250 |
| Interest and dividend income | (426) | (592) | (3,849) | (5,355) |
| Interest expenses | 59 | 57 | 538 | 519 |
| Foreign exchange losses (gains) | (57) | 97 | (517) | 877 |
| Loss (Gain) on sales of property, plant and equipment | (3) | (27) | (35) | (246) |
| Loss on retirement of property, plant and equipment | 96 | 91 | 869 | 826 |
| Loss (Gain) on sales of investment securities | (97) | (148) | (883) | (1,344) |
| Decrease (Increase) in trade receivables | 220 | 817 | 1,992 | 7,382 |
| Decrease (Increase) in inventories | 410 | (1,094) | 3,708 | (9,885) |
| Increase (Decrease) in trade payables | (984) | (32) | (8,892) | (294) |
| Increase (Decrease) in accrued consumption taxes | (127) | 125 | (1,149) | 1,135 |
| Decrease (Increase) in other current assets | 371 | (387) | 3,358 | (3,501) |
| Increase (Decrease) in other current liabilities | 288 | (298) | 2,606 | (2,695) |
| Other, net | 296 | — | 2,679 | — |
| Subtotal | 10,119 | 9,726 | 91,409 | 87,859 |
| Interest and dividends received | 426 | 592 | 3,849 | 5,355 |
| Interest paid | (59) | (57) | (540) | (521) |
| Income taxes paid | (1,873) | (2,347) | (16,922) | (21,200) |
| Net cash provided by (used in) operating activities | 8,612 | 7,914 | 77,796 | 71,492 |
| Investing activities: | | | | |
| Payments into time deposits | (3) | (1,199) | (27) | (10,834) |
| Proceeds from withdrawal of time deposits | 254 | 5,125 | 2,297 | 46,294 |
| Purchase of property, plant and equipment | (3,718) | (4,367) | (33,585) | (39,449) |
| Proceeds from sales of property, plant and equipment | 254 | 139 | 2,296 | 1,262 |
| Purchase of investment securities | (36) | (4) | (329) | (42) |
| Proceeds from sales of investment securities | 266 | 192 | 2,408 | 1,742 |
| Other, net | (88) | (235) | (803) | (2,126) |
| Net cash provided by (used in) investing activities | (3,071) | (349) | (27,743) | (3,153) |
| Financing activities: | | | | |
| Net increase (decrease) in short-term borrowings | (1) | 1 | (14) | 9 |
| Proceeds from long-term borrowings | — | 600 | — | 5,419 |
| Repayments of long-term borrowings | (2,200) | (1,700) | (19,871) | (15,355) |
| Purchase of treasury shares | (0) | (2,467) | (5) | (22,285) |
| Dividends paid | (1,570) | (1,906) | (14,182) | (17,216) |
| Other, net | (331) | (736) | (2,997) | (6,648) |
| Net cash provided by (used in) financing activities | (4,104) | (6,208) | (37,071) | (56,076) |
| Effect of exchange rate change on cash and cash equivalents | 1,160 | (864) | 10,480 | (7,807) |
| Net increase (decrease) in cash and cash equivalents | 2,597 | 493 | 23,460 | 4,454 |
| Cash and cash equivalents at beginning of period | 31,143 | 30,650 | 281,310 | 276,855 |
| Cash and cash equivalents at end of period | ¥33,741 | ¥31,143 | \$304,770 | \$281,310 |

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in Financial Instruments and Exchange Act of Japan and on the basis of accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards. As permitted by the Securities and Exchange Law of Japan, each amount of the accompanying consolidated financial statements is rounded down to the nearest one million yen.

As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in dollars) do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(1) Scope of consideration

(a) Number of consolidated subsidiaries: 21 companies.

(b) Nonconsolidated subsidiaries: 2

The above is unconsolidated and does not apply equity method as it is a small-scale and none of its total assets, net sales, net income or loss, retained earnings or other items have a significant impact on consolidated financial statements.

(2) Year-ends of consolidated subsidiaries

21 companies except for 2 companies located in China aligned the fiscal year with parent company (January - December fiscal year changed April-March fiscal year) and others prepare provisional settlement of accounts so that consolidated financial statements is prepared using financial statements at the same reporting date since preceding fiscal year.

(3) Investment securities

Marketable securities:

They are carried at cost moving-average method and revaluated at fair value with changes in unrealized holding gain or losses.

Non-marketable securities:

They are carried at cost moving-average method.

(4) Evaluation of Inventories

Inventories held for the purpose of usual use:

Inventory is stated at the lower of cost determined by the gross average method or net realizable value.

(5) Depreciation of property, plant and equipment

Declining-balance method:

Buildings acquired on or after April 1, 1998, buildings and structures acquired on or after April 1, 2016 and specific fixed assets (all fixed assets in the office used for developing a production system and producing prototypes) acquired by the Company and its domestic consolidated subsidiary are depreciated by the straight-line method over their estimated lives.

Fixed assets owned by foreign subsidiary companies are depreciated by the straight-line method.

(6) Depreciation of intangible assets and deferred charges

Straight-line method.

(7) Depreciation of leased assets

(a) Lease assets related to ownership transfer finance lease transactions
Same method as depreciation method applied to self-owned fixed assets.

(b) Lease assets related to ownership non-transfer finance lease transactions

Straight-line method with the lease term as the useful life and the residual value at zero.

(8) Accounting method for retirement benefits

(a) Periodic allocation method for estimated benefit obligation

Upon calculating the retirement obligations, the method of attributing expected benefit to periods until the end of fiscal year is projected unit credit.

(b) Amortization of actuarial gains and loss and past service cost

Past service is recognized in profit or loss by straight-line method over a certain period within the expected average remaining working lives of employees (12 - 15 years) in the year in which it arises.

Actuarial gain or loss is recognized in profit or loss by straight-line method over a certain period within the expected average remaining working lives of employees (12 - 15 years) from the next year in which it arises.

(c) Application of simple method at small enterprises, etc.

Some domestic consolidated subsidiaries apply a simple method in which an estimated amount required to be paid for voluntary retirement benefits is deemed as the retirement benefit obligations in the calculations of net defined benefit liability and retirement benefit expenses.

(9) Range of cash and cash equivalents

in the consolidated cash flow statement

Cash and cash equivalents include cash on hand, time deposit which can be withdrawn on demand and highly liquid investments with a maturity of three months or less, which are readily to be convertible to known amounts of cash which are subject to insignificant risk of changes in value.

(10) Calculation method of Per Share of Common Stock

Net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the year. Cash dividends per share presented in the consolidated of income are dividends attribute to the respective years including dividends to be paid after the year-end.

3. Conversion to U.S. Dollars

Amounts in U.S. dollars are shown solely for convenience and are unaudited. The rate of ¥110.71 to U.S. \$ 1 on March 31, 2021, approximate current rate has been used for the purpose of presentation of the accompanying consolidated financial statements in U.S. dollars. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into, U.S. dollars at that or any other rate.



MITSUBOSHI BELTING LTD.

Kobe Head Office:

4-1-21 Hamazoe-dori, Nagata-ku, Kobe 653-0024, Japan

Tel: +81-78-671-5071 / Fax: +81-78-685-5670

Tokyo Head Office:

2-3-4, Nihonbashi Chuo-ku, Tokyo 103-0027, Japan

Tel: +81-3-5202-2500 / Fax: +81-3-5202-2520

www.mitsuboshi.com

