

May 11, 2023

CONSOLIDATED FINANCIAL STATEMENTS

<under Japanese GAAP>

For the twelve-month period ended March 31, 2023

Name of the company: Tsubakimoto Chain Co.

Code number: 6371

Stock exchange listings: Tokyo

URL: <https://tsubakimoto.com/>

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*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results the Twelve Months Ended March 31, 2023

(1) Consolidated Results of Operation

(% figures show change compared to the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For 12 months ended March 31, 2023	251,574	16.5	18,985	6.4	20,958	4.6	13,742	(5.5)
For 12 months ended March 31, 2022	215,879	11.6	17,842	100.5	20,045	81.8	14,543	67.0

Note: Comprehensive income

Fiscal Year ended March 31, 2023: ¥21,642 million, (16.2%)

Fiscal Year ended March 31, 2022: ¥25,825 million, 74.2%

	Net income per share	Net income per share (diluted)	Return on Equity	Ordinary income / Total assets	Operating income / Net sales
For 12 months ended March 31, 2023	Yen 371.12	Yen —	% 6.4	% 6.2	% 7.5
For 12 months ended March 31, 2022	392.88	—	7.4	6.3	8.3

Note: Equity in income of affiliates

Fiscal Year ended March 31, 2023: ¥122 million

Fiscal Year ended March 31, 2022: ¥81 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	345,878	226,582	64.9	6,059.46
As of March 31, 2022	332,620	209,757	62.5	5,612.28

Note: Shareholders' equity

As of March 31, 2023: ¥224,398 million

As of March 31, 2022: ¥207,756 million

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financial activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For 12 months ended March 31, 2023	21,352	(9,279)	(9,963)	56,978
For 12 months ended March 31, 2022	21,000	(9,075)	(7,780)	52,888

2. Dividends

	Dividends per share					Total amount of dividends (Total)	Payout ratio (Consolidated) %	Dividends on equity (Consolidated) %
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total			
FY 2021	Yen –	Yen 50.00	Yen –	Yen 70.00	Yen 120.00	Millions of Yen 4,442	% 30.5	% 2.3
FY 2022	–	60.00	–	70.00	130.00	4,814	35.0	2.2
FY 2023 (Forecasted)	–	60.00	–	70.00	130.00		33.4	

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2024

	Net sales		Operating income		Ordinary income		Net income		Net income per share
6-month period ending September 30, 2023	Millions of yen 125,000	% 5.1	Millions of yen 7,600	% (9.3)	Millions of yen 8,300	% (16.1)	Millions of yen 5,800	% (14.2)	Yen 156.62
12-month period ending March 31, 2024	255,000	1.4	19,000	0.1	19,900	(5.1)	14,400	4.8	388.85

* Notes

(1) Significant changes in scope of consolidation (indicates changes in specified subsidiaries involving changes in the scope of consolidation): None

(2) Changes in accounting policies, accounting estimates, and restatement of corrections:

1. Changes in accounting policies due to the revision of accounting standards and other regulations: None
2. Other changes in accounting policies: None
3. Changes in accounting estimates: None
4. Restatement of corrections: None

(3) Number of shares issued (common shares)

1 Number of shares issued at end of period (including treasury shares)

As of March 31, 2023 : 38,281,393 shares

As of March 31, 2022 : 38,281,393 shares

2 Number of treasury shares at end of period

As of March 31, 2023 : 1,248,696 shares

As of March 31, 2022 : 1,263,127 shares

3 Average number of shares during the period

As of March 31, 2023 : 37,029,247 shares

As of March 31, 2022 : 37,017,713 shares

(Reference)

1. Non-Consolidated Financial Highlights for the Twelve Months Ended March 31, 2023

(1) Non-Consolidated Results of Operations

*Amounts less than ¥1 million are omitted

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
For 12 months ended March 31, 2023	102,148	3.3	4,748	(15.9)	13,456	15.1	11,843	22.3
For 12 months ended March 31, 2022	98,931	13.5	5,647	165.1	11,687	60.2	9,686	61.3

	Net income per share	Net income per share (diluted)
	Yen	Yen
For 12 months ended March 31, 2023	319.83	—
For 12 months ended March 31, 2022	261.66	—

(2) Non-Consolidated Financial Position

*Amounts less than ¥1 million rounded down

	Total assets	Net assets	Equity ratio	Shareholder's equity per share
	Millions of Yen	Millions of Yen	%	Yen
As of March 31, 2023	229,630	139,739	60.9	3,773.42
As of March 31, 2022	226,174	133,451	59.0	3,605.02

Note: Shareholders' equity

As of March 31, 2023: ¥ 139,739 million

As of March 31, 2022: ¥ 133,451 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

1. Summary of Business Results, Etc.

(1) Summary of Business Results in the Fiscal Year under Review

In the consolidated fiscal year under review (from April 1, 2022 to March 31, 2023), the outlook for the global economy remained unclear due to various factors including the skyrocketing prices of energy and raw materials, disruption in the supply chain due to the situation in Russia and Ukraine, and accelerating inflation worldwide.

While economic and social activities in Japan continue to normalize towards a with-COVID-19 era, the pace of economic recovery has slowed down due to factors such as rising prices associated with the weakening of the yen, and the soaring prices of raw materials and energy.

In this environment, the Tsubaki Group was also impacted by factors such as skyrocketing raw material prices. However, as a result of strong sales in Chain Operations and the weaker yen and other factors, orders received in this consolidated fiscal year under review were up 10.8% year on year to ¥257,727 million, and net sales increased 16.5% year on year to ¥251,574 million.

Operating income increased 6.4% year on year to ¥18,985 million, and ordinary income increased 4.6% year on year to ¥20,958 million, while net income attributable to parent company shareholders decreased 5.5% year on year to ¥13,742 million due to factors such as an impairment loss of goodwill, etc.

The Tsubaki Group will continue to focus on both developing new businesses that will lead to sustainable growth and strengthening the earning power of our existing businesses, as well as contributing to finding solutions to social issues, as we strive to achieve the Mid-Term Management Plan 2025 that we started in fiscal 2021 and realize “What we want to be in 2030” that we raised in the Long-Term Vision 2030.

Segment results are summarized as follows:

[Chains]

In the Chains segment, net sales increased year on year due to such factors as a rise in sales in Japan, the Americas, Europe, and the Indian Ocean Rim.

Consequently, the segment recorded a year-on-year increase of 9.5% in orders received to ¥89,051 million, a 21.8% increase in net sales over the same period to ¥88,165 million, and a year-on-year increase of 24.4% in operating income to ¥13,687 million.

[Motion Control]

In the Motion Control segment, although there were problems with the procurement of parts, net sales were up year on year due to an increase in sales in Japan, the Americas, Europe, and the Indian Ocean Rim.

Consequently, the segment recorded a year-on-year increase of 4.4% in orders received to ¥23,869 million, a 16.8% increase in net sales over the same period to ¥22,632 million, and a year-on-year increase of 51.4% in operating income to ¥1,710 million.

[Mobility]

In the Mobility segment, net sales increased year on year due to factors such as an increase in the sales of timing chain systems for automobile engines and other items at bases in the Americas, Europe, Indian Ocean Rim, China, South Korea, and other areas.

Consequently, the segment recorded a year-on-year increase of 17.4% in orders received to ¥77,694 million, and a 17.0% increase in net sales over the same period to ¥77,272 million. However, owing to factors such as the soaring prices of energy and raw materials, operating income decreased 2.9% year on year to ¥6,376 million.

[Materials Handling Systems]

In the Materials Handling Systems segment, although there was a decrease in sales of items such as bulk handling systems and systems for the logistics industry and automobile industry in Japan, sales of metalworking chips handling and coolant processing systems increased in Japan, the Americas, and Europe. This and other factors resulted in a year-on-year increase in net sales.

Consequently, the segment recorded a year-on-year increase of 8.8% in orders received to ¥64,487 million, and a 9.4% increase in net sales over the same period to ¥60,940 million. However, the segment recorded an operating loss of ¥888 million (operating income of ¥799 million in the same period of the previous fiscal year), due to factors such as deteriorating profitability associated with a fall in large orders in Japan, and the active recruitment of personnel in new fields for strengthening growth capacity.

[Other]

Other orders received decreased 9.7% year on year to ¥2,624 million, and net sales increased 6.8% over the same period to ¥2,563 million. Even so, the Group recorded an operating loss of ¥534 million (operating loss of ¥442 million in the same period of the previous fiscal year).

(2) Summary of Financial Position in the Fiscal Year under Review

(Assets)

Assets were ¥345,878 million, up ¥13,257 million from the end of the previous consolidated fiscal year. Although there was a ¥3,665 million decrease in securities due to a fall in negotiable certificates of deposit and other factors, and a ¥1,781 million decrease in investments in securities due to the sale of securities held by the Company and other factors, there was a ¥7,804 million increase in cash and deposits, a ¥6,873 million increase in inventories from an increase in raw materials and supplies and other factors, and a ¥2,944 million increase in notes and accounts receivables and contract assets due to a rise in net sales in the relevant period.

(Liabilities)

Liabilities were ¥119,295 million, down ¥3,567 million from the end of the previous consolidated fiscal year. This was attributable to various factors such as ¥4,085 million decrease in debt and a ¥1,693 million decrease in income taxes payable, all of which outweighed a ¥1,199 million increase in notes and accounts payable.

(Net assets)

Net assets were ¥226,582 million, up ¥16,825 million from the end of the previous consolidated fiscal year, and the equity ratio increased 2.4 percentage points to 64.9%. This was attributable to numerous factors, including an increase of ¥8,921 million in retained earnings, and an increase of ¥8,323 million in foreign currency translation adjustments due to exchange rate fluctuations.

(3) Summary of Cash Flow in the Fiscal Year under Review

Cash and cash equivalents (hereafter referred to as "cash") at the end of the consolidated fiscal year under review amounted to ¥56,978 million, up ¥4,089 million from the end of the previous consolidated fiscal year.

Respective cash flows and their causes are as follows:

(Cash provided by operating activities)

Net cash provided by operating activities was ¥21,352 million. This was attributable to various factors such as income before income taxes and minority interests of ¥18,292 million and depreciation and amortization of ¥13,299 million, which offset income taxes paid of ¥7,403 million and a ¥4,234 million increase in inventories.

(Cash used in investing activities)

Net cash used in investing activities was ¥9,279 million. This resulted from factors such as ¥8,922 million being used for the settlement of capital investment in production equipment for Mobility products, etc., and ¥1,701 million being used for the acquisition of ATR Sales, Inc. shares, despite an income of ¥793 million from the sale of investments in securities.

(Cash used in financing activities)

Net cash used in financing activities was ¥9,963 million. This resulted from ¥4,863 million used to pay for dividends, a ¥4,435 million decrease in debt, and other items.

(4) Outlook for the Current Fiscal Year

The outlook for current fiscal year is for the situation to remain unclear, despite an expected recovery in the global economy due to the easing of various restrictions for COVID-19. This is due to various factors including increasing geopolitical risks including the situation in Russia and Ukraine, skyrocketing prices of energy and materials prices coupled with inflation, and monetary tightening measures by countries worldwide. In such circumstances, the Tsubaki Group will continue to move forward with strengthening the earning power of our existing businesses and developing new businesses and products that will lead to sustainable growth, as well as bolstering manufacturing, as we strive to complete the tasks outlined in the Mid-Term Management Plan 2025.

The consolidated results forecasts for the fiscal year ending March 31, 2024 are as follows.

Net sales	¥255,000 million (1.4% increase year on year)
Operating income	¥19,000 million (0.1% increase year on year)
Ordinary income	¥19,900 million (5.1% decrease year on year)
Net income attributable to parent company shareholders	¥14,400 million (4.8% increase year on year)

The main exchange rates used for the fiscal year ending March 31, 2024 (fiscal 2023) are set at 1 USD=125 JPY, and 1 EUR=130 JPY.

The forecasts above are based on information currently available and certain assumptions that the Company regards as reasonable. Actual results may differ from these results forecasts depending on changes in the business environment surrounding the Tsubaki Group, market trends, exchange rate fluctuations, and other factors. Furthermore, factors that may affect the results are not limited to those listed above.

(5) Policy on Shareholder Returns in the Fiscal Year under Review and in the Current Fiscal Year

The Tsubaki Group views returning profits to its shareholders as one of the highest priorities of management.

Regarding shareholder returns, with a view to focusing our attention on meeting the interests of our shareholders and with paying dividends that reflect consolidated business results as a fundamental policy, we aim to provide shareholder returns based on the comprehensive consideration of such factors as funding conditions and finances, and with a consolidated dividend payout ratio of 30% as a criterion.

In accordance with the policy above, we have decided to issue a year-end dividend of ¥70.00 per share, with a focus on returning profits to our shareholders. Accordingly, together with the interim dividend (of ¥60.00 per share), the full-year dividend will be ¥130.00 per share.

We plan to utilize retained cash for strengthening our underlying financial standing, promoting future business expansion, and for other purposes.

In accordance with the policy above, dividends for the current fiscal year will be as follows: an interim dividend of ¥60.00 per share, a year-end dividend of ¥70.00 per share, resulting in a full-year dividend of ¥130.00 per share.

2. Basic Approach to the Selection of Accounting Standards

The Tsubaki Group applies Japanese standards and, for the time being, does not plan to adopt IFRS (International Financial Reporting Standards). However, we will respond to this issue taking into consideration future trends in accounting standards and other factors.