This is a word-for-word English translation of the original consolidated financial statements of TSUBAKIMOTO CHAIN CO. ("the Company") and its consolidated subsidiaries ("the Group") with independent auditor's report prepared in the Japanese language and filed in the securities report as required by the Financial Instruments and Exchange Act of Japan.
This translation is provided for informational purposes only. Should there be any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

Consolidated Financial Statements

TSUBAKIMOTO CHAIN CO.
and Consolidated Subsidiaries

Fiscal year ended March 31, 2023
with Independent Auditor's Report

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries

Consolidated Balance Sheet

As of March 31, 2023

(Unit: Millions of yen)

		2022		2023
Assets				
Current assets				
Cash and deposits		49,104		56,908
Notes and accounts receivable - trade, and contract assets	※7	45,773	※7	48,718
Electronically recorded monetary claims - operating		13,358		14,490
Securities		6,339		2,674
Merchandise and finished goods		22,357		23,948
Work in process	※1	14,250	※1	16,516
Raw materials and supplies		12,400		15,417
Other		3,620		4,203
Allowance for doubtful accounts		(692)		(821)
Total current assets		166,512		182,054
Non-current assets				
Property, plant and equipment				
Buildings and structures		79,885		84,213
Accumulated depreciation		(47,998)		(51,172)
Buildings and structures, net		31,887		33,041
Machinery, equipment and vehicles		143,459		151,420
Accumulated depreciation		(106,117)		(115,276)
Machinery, equipment and vehicles, net		37,341		36,144
Tools, furniture and fixtures		31,884		34,122
Accumulated depreciation		(28,109)		(30,271)
Tools, furniture and fixtures, net		3,775		3,851
Land	※5	37,694	※5	37,878
Construction in progress		4,220		4,183
Total property, plant and equipment		114,918		115,097
Intangible assets				
Goodwill		2,496		1,243
Other		8,204		7,837
Total intangible assets		10,700		9,081
Investments and other assets				
Investments in securities	※2	32,245	※2	30,463
Long-term loans receivable		13		13
Deferred tax assets		2,350		3,283
Retirement benefit asset		42		31
Other	※2	5,942	※2	5,954
Allowance for doubtful accounts		(107)		(102)
Total investments and other assets		40,488		39,644
Total non-current assets		166,107		163,823
Total assets		332,620		345,878

(Unit: Millions of yen)

		2022		2023
Liabilities				
Current liabilities				
Notes and accounts payable - trade		18,610		19,810
Electronically recorded obligations - operating		9,762		9,832
Short-term borrowings		8,591		9,025
Current portion of long-term borrowings		4,551		303
Lease liabilities		559		674
Income taxes payable		3,152		1,458
Accrued consumption taxes		375		389
Provision for bonuses		5,164		5,452
Provision for loss on construction contracts	※1	85	※1	104
Provision for loss on orders received		11		ー
Provision for shareholder benefit program		43		42
Electronically recorded obligations - non-operating		1,286		1,075
Other	※8	15,642	※8	17,417
Total current liabilities		67,839		65,588
Non-current liabilities				
Bonds payable		15,000		15,000
Long-term borrowings		9,727		9,457
Lease liabilities		800		1,162
Deferred tax liabilities		8,877		8,298
Deferred tax liabilities for land revaluation	※5	5,001	※5	5,001
Provision for retirement benefits for directors (and other officers)		140		151
Retirement benefit liability		14,196		13,064
Asset retirement obligations		441		456
Other		837		1,115
Total non-current liabilities		55,023		53,707
Total liabilities		122,863		119,295
Net assets				
Shareholders' equity				
Share capital		17,076		17,076
Capital surplus		13,569		13,573
Retained earnings		165,878		174,799
Treasury shares		(4,220)		(4,171)
Total shareholders' equity		192,304		201,279
Accumulated other comprehensive income				
Valuation difference on other securities		14,716		13,941
Deferred gain or loss on hedges		(75)		(59)
Revaluation reserve for land	※5	(10,614)	※5	(10,614)
Foreign currency translation adjustment		11,622		19,946
Retirement benefits liability adjustments		(196)		(95)
Total accumulated other comprehensive income		15,452		23,119
Non-controlling interests		2,000		2,184
Total net assets		209,757		226,582
Total liabilities and net assets		332,620		345,878

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries

Consolidated Statement of Income

For the fiscal year ended March 31, 2023

(Unit: Millions of yen)

		2022		2023
Net sales	※1	215,879	※1	251,574
Cost of sales	※2,※3, ※5	153,134	※2,※3, ※5	180,321
Gross profit		62,745		71,253
Selling, general and administrative expenses	※4,※5	44,902	※4,※5	52,267
Operating profit		17,842		18,985
Non-operating income				
Interest income		154		332
Dividend income		944		1,119
Share of profit of entities accounted for using equity method		81		122
Foreign exchange gain		979		ー
Gain on valuation of derivatives		ー		403
Other		1,070		955
Total non-operating income		3,230		2,933
Non-operating expenses				
Interest expenses		296		283
Foreign exchange loss		ー		109
Loss on valuation of derivatives		135		ー
Other		594		567
Total non-operating expenses		1,026		960
Ordinary profit		20,045		20,958
Extraordinary income				
Gain on liquidation of subsidiaries and affiliates		4		14
Gain on sale of investments in securities		126		361
Total extraordinary income		130		376
Extraordinary loss				
Impairment loss	※6	26	※6	2,831
Loss on valuation of investments in capital of subsidiaries and affiliates		68		ー
Loss on valuation of investments in securities		ー		211
Total extraordinary loss		95		3,042
Profit before income taxes		20,081		18,292
Income taxes - current		5,919		5,558
Income taxes - deferred		(501)		(1,129)
Total income taxes		5,418		4,429
Profit		14,662		13,862
Profit attributable to non-controlling interests		119		120
Profit attributable to owners of parent		14,543		13,742

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

For the fiscal year ended March 31, 2023

(Unit: Millions of yen)

		2022		2023
Profit		14,662		13,862
Other comprehensive income				
Valuation difference on other securities		1,879		(774)
Deferred gain or loss on hedges		1		15
Foreign currency translation adjustment		8,979		8,414
Retirement benefits liability adjustments, net of tax		252		101
Share of other comprehensive income of entities accounted for using equity method		49		22
Total other comprehensive income	※1	11,162	※1	7,779
Comprehensive income		25,825		21,642
Comprehensive income attributable to				
Comprehensive income attributable to owners of parent		25,471		21,408
Comprehensive income attributable to non-controlling interests		353		233

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Consolidated Statement of Changes in Net Assets

For the fiscal year ended March 31, 2022

(Unit: Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on other securities	Deferred gain or loss on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at beginning of period	17,076	13,565	154,856	(4,231)	181,266	12,836	(76)	(10,614)	2,828	(449)	4,524	1,703	187,494
Changes during period													
Dividends of surplus			(3,516)		(3,516)						–		(3,516)
Profit attributable to owners of parent			14,543		14,543						–		14,543
Purchase of treasury shares				(5)	(5)						–		(5)
Disposal of treasury shares		(0)		16	16						–		16
Transfer from retained earnings to capital surplus		4	(4)		–						–		–
Net changes in items other than shareholders' equity						1,879	1	–	8,794	252	10,927	296	11,224
Total changes during period	–	4	11,022	10	11,037	1,879	1	–	8,794	252	10,927	296	22,262
Balance at end of period	17,076	13,569	165,878	(4,220)	192,304	14,716	(75)	(10,614)	11,622	(196)	15,452	2,000	209,757

For the fiscal year ended March 31, 2023

(Unit: Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on other securities	Deferred gain or loss on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at beginning of period	17,076	13,569	165,878	(4,220)	192,304	14,716	(75)	(10,614)	11,622	(196)	15,452	2,000	209,757
Changes during period													
Dividends of surplus			(4,813)		(4,813)						–		(4,813)
Profit attributable to owners of parent			13,742		13,742						–		13,742
Purchase of treasury shares				(3)	(3)						–		(3)
Disposal of treasury shares		(3)		53	49						–		49
Transfer from retained earnings to capital surplus		7	(7)		–						–		–
Net changes in items other than shareholders' equity						(774)	15	–	8,323	101	7,666	183	7,850
Total changes during period	–	4	8,921	49	8,974	(774)	15	–	8,323	101	7,666	183	16,825
Balance at end of period	17,076	13,573	174,799	(4,171)	201,279	13,941	(59)	(10,614)	19,946	(95)	23,119	2,184	226,582

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

For the fiscal year ended March 31, 2023

(Unit: Millions of yen)

		2022		2023
Cash flows from operating activities				
Profit before income taxes		20,081		18,292
Depreciation and amortization		12,694		13,299
Impairment loss		26		2,831
Amortization of goodwill		279		459
Loss (gain) on sale and retirement of non-current assets		197		36
Loss (gain) on valuation of investments in securities		ー		211
Loss (gain) on sale of investments in securities		(126)		(361)
Loss on valuation of shares of subsidiaries and affiliates		ー		60
Loss on valuation of investments in capital of subsidiaries and affiliates		68		―
Loss (gain) on liquidation of subsidiaries and affiliates		(4)		(14)
Subsidies for employment adjustment		(28)		(22)
Increase (decrease) in allowance for doubtful accounts		(239)		68
Increase (decrease) in retirement benefit liability		581		(1,081)
Decrease (increase) in trade receivables		(1,266)		(1,480)
Decrease (increase) in inventories		(8,111)		(4,234)
Increase (decrease) in trade payables		1,379		(137)
Other, net		(1,857)		(372)
Subtotal		23,675		27,551
Interest and dividends received		1,130		1,475
Interest paid		(300)		(293)
Subsidies for employment adjustment received		28		22
Income taxes paid		(3,533)		(7,403)
Net cash provided by (used in) operating activities		21,000		21,352
Cash flows from investing activities				
Payments into time deposits		(1,576)		(604)
Proceeds from withdrawal of time deposits		1,243		715
Purchase of investments in securities		(12)		(24)
Proceeds from sale of investments in securities		352		793
Purchase of shares of subsidiaries and affiliates		(1,216)		―
Payments for investments in capital of subsidiaries and affiliates		(92)		―
Proceeds from liquidation of subsidiaries and affiliates		54		109
Net decrease (increase) in short-term loans receivable		0		(0)
Purchase of shares of subsidiaries resulting in change in scope of consolidation		ー		(1,701)
Long-term loan advances		(22)		(17)
Proceeds from collection of long-term loans receivable		19		18
Purchase of non-current assets		(8,004)		(8,922)
Proceeds from sale of non-current assets		178		354
Net cash provided by (used in) investing activities		(9,075)		(9,279)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings		(3,005)		145
Proceeds from long-term borrowings		9		―
Repayments of long-term borrowings		(667)		(4,581)
Repayments of finance lease liabilities		(531)		(656)
Repayments of installment payables		(6)		(4)
Dividends paid		(3,516)		(4,813)
Dividends paid to non-controlling interests		(56)		(49)
Purchase of treasury shares		(5)		(3)
Proceeds from sale of treasury shares		0		―
Net cash provided by (used in) financing activities		(7,780)		(9,963)
Effect of exchange rate change on cash and cash equivalents		2,658		1,980
Net increase (decrease) in cash and cash equivalents		6,803		4,089
Cash and cash equivalents at beginning of period		46,084		52,888
Cash and cash equivalents at end of period	※1	52,888	※1	56,978

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
As of and for the fiscal year ended March 31, 2023

(Significant Matters for the Basis of Preparing Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries 65

The list of names of consolidated subsidiaries is omitted.

ATR Sales, Inc. was included in the scope of consolidation effective from the fiscal year ended March 31, 2023 due to buy-out by U.S. TSUBAKI HOLDINGS, INC., a consolidated subsidiary of the Company. TSUBAKI ATR, LLC was newly established and included in the scope of consolidation effective from the fiscal year ended March 31, 2023. Schmidberger GmbH, previously a consolidated subsidiary, was excluded from the scope of consolidation due to liquidation.

(2) Unconsolidated subsidiaries

Name of major unconsolidated subsidiary:

TSUBAKI CONVEYOR SYSTEMS INDIA PRIVATE LIMITED
Shijiazhuang CAPT Power Transmission Co., Ltd.

(Reason for excluding from consolidation)

Unconsolidated subsidiaries were excluded from the scope of consolidation because their total assets, net sales, profit or loss (amount equivalent to the equity interest), and retained earnings (amount equivalent to the equity interest) do not have a material impact on the consolidated financial statements.

2. Application of equity method

(1) Affiliates accounted for by equity method 2

Name: Tianjin Tsubakimoto Conveyor Systems Co., Ltd.
Kabelschlepp Sp. z o.o.

(2) Unconsolidated subsidiaries not accounted for by equity method

Name of major unconsolidated subsidiary:

TSUBAKI CONVEYOR SYSTEMS INDIA PRIVATE LIMITED
Shijiazhuang CAPT Power Transmission Co., Ltd.

Affiliates not accounted for by equity method

Name of major affiliate: SHINKO MACHINERY CO.,LTD.

(Reason for excluding from the scope of equity method)

Unconsolidated subsidiaries and affiliates not accounted for by equity method were excluded from the scope of equity method because their profit or loss (amount equivalent to the equity interest) and retained earnings (amount equivalent to the equity interest) do not have a material impact on the consolidated financial statements.

3. Fiscal year end of consolidated subsidiaries

The fiscal year end of the following consolidated subsidiaries is different from the consolidated financial statements.

December 31	
TSUBAKIMOTO AUTOMOTIVE (THAILAND) CO.,LTD.	*1
Tsubakimoto Automotive (Shanghai) Co., Ltd.	*1
Tsubaki Everbest Gear (Tianjin) Co., Ltd.	*1
TSUBAKI BRASIL EQUIPAMENTOS INDUSTRIAIS LTDA.	*2
Tsubaki Kabelschlepp GmbH	*1
Kabelschlepp GmbH-Hünsborn	*1
KABELSCHLEPP ITALIA S.R.L.	*1
METOOL PRODUCTS LIMITED	*1
KABELSCHLEPP FRANCE S.A.R.L.	*1
KABELSCHLEPP INDIA PRIVATE LIMITED	*1
Kabelschlepp China Co., Ltd.	*1
KABELSCHLEPP SYSTEMTECHNIK spol. s.r.o.	*1
OOO TSUBAKI KABELSCHLEPP	*1
Tsubakimoto Automotive Korea Co., Ltd.	*1
Mayfran International, Incorporated	*1
Conergics International LLC	*1
Mayfran U.K. Limited	*1
Mayfran GmbH	*1
Mayfran Limburg B.V.	*1
Mayfran International B.V.	*1
Mayfran France S.A.R.L.	*1
Press Room Techniques Co.	*1
Tsubakimoto Chain (Tianjin) Co., Ltd.	*1
Tsubaki Motion Control (Shanghai) Co., Ltd.	*1
Tsubakimoto Bulk Systems (Shanghai) Corp.	*1
Tsubakimoto Chain (Shanghai) Co., Ltd.	*1
Tsubakimoto Automotive Mexico S.A. de C.V.	*1
TSUBAKI MOTION CONTROL (THAILAND) CO.,LTD.	*1
January 31	
TSUBAKIMOTO （THAILAND） CO., LTD.	*1

*1: Financial statements of each consolidated subsidiary as of the respective fiscal year end are used for the consolidation. Significant transactions between the respective fiscal year end and the date of consolidation, if any, are adjusted for the consolidation purposes.

*2: The financial statements tentatively prepared as of the date of consolidation are used for the consolidation.

4. Accounting policies

(1) Basis and method of valuation for major assets

a. Securities

Other securities

Excluding equity securities without market prices: Stated at fair value

Valuation difference is directly included in net assets and the cost of securities sold is determined by the moving-average method.

Equity securities without market prices: Stated at cost determined by the moving-average method

b. Derivatives are stated at fair value.

c. Inventories

Inventories held for sale in the ordinary course of business

Inventories are mainly stated at the lower of cost or net selling value, cost being determined by the first-in, first-out method, the individual identification method or the moving average method, except for goods held by certain overseas subsidiaries which are valued at the lower of cost or market.

(2) Depreciation and amortization method of major depreciable assets

a. Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost. The Company and its domestic consolidated subsidiaries mainly calculate depreciation by the declining-balance method over the estimated useful lives of the respective assets, except that the straight-line method is applied to buildings (other than fixtures attached to the buildings) and structures attached to buildings and structures acquired on or after April 1, 2016. The foreign consolidated subsidiaries mainly calculate depreciation by the straight-line method over the estimated useful lives of the respective assets.

Major estimated useful lives are summarized as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	4 to 13 years

b. Intangible assets (excluding leased assets)

The straight-line method is applied.

Software for internal use is amortized over the expected useful life of five years.

c. Leased assets

For lease transactions involving the transfer of ownership, leased assets are depreciated by the same depreciation method applied to property, plant and equipment owned by the lessee.

For lease transactions not involving the transfer of ownership, leased assets are depreciated over their lease term using the straight-line method with a residual value of zero.

Certain consolidated subsidiaries preparing their financial statements based on International Financial Reporting Standards (“IFRSs”) apply IFRS 16 “Leases” (“IFRS 16”). In accordance with IFRS 16, for lessees, all leases are generally accounted for as assets and liabilities in the balance sheet.

(3) Basis for significant allowance and provisions

a. Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

b. Provision for bonuses

Provision for bonuses are provided based on the estimated amount of bonuses to be paid to employees which are charged to income in the current fiscal year.

c. Provision for retirement benefits for directors (and other officers)

Provision for retirement benefits for directors (and other officers) are provided at an estimated amount based on the internal rules.

d. Provision for loss on construction contracts

Provision for loss on construction contracts is provided for anticipated future loss on outstanding projects if such future loss on construction projects is anticipated at the fiscal year end and the loss amount can be reasonably estimated.

e. Provision for loss on orders received

Provision for loss on order received is provided for anticipated future loss on outstanding projects if such future loss on order is anticipated at the fiscal year end and the loss amount can be reasonably estimated.

f. Provision for shareholder benefit program

Provision for shareholder benefit program is estimated and recorded in the amount reasonably expected to be incurred in the next fiscal year or later in order to prepare for expenditures related to the shareholder benefit program.

(4) Accounting treatment for retirement benefits

a. Basis for recognizing retirement benefit liability

Retirement benefit liability is recognized based on the projected retirement benefit obligation and plan assets as of the consolidated balance sheet date, in order to provide employees' retirement benefits.

b. Attribution method

The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

c. Actuarial differences and prior service cost

Actuarial differences are amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method over a period which is shorter than the average estimated remaining years of service of the eligible employees (10 years). Prior service cost is credited or charged to income in the year in which the gain or loss is recognized.

d. Application of simplified method

Certain subsidiaries calculate their retirement benefit liability and retirement benefit expenses by the simplified method. Under the simplified method, the retirement benefit obligation for employees is stated at the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet dates.

(5) Basis for recognizing significant revenue and expenses

In applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., the Company and its consolidated subsidiaries recognize revenue at the point in time when a promised good or service is transferred to a customer at an amount expected to be received in exchange for said good or service.

The major business of the Group is marketing and sale of products including drive chains and conveyor chains, reducers, linear actuators, timing chain systems, and conveying/sorting/storage systems. In the Materials Handling operations, the Company and its consolidated subsidiaries provides contracted construction and other services.

For the product sales of the Chains operations, the Motion Control operations, and the Mobility operations, the deliveries of products based on contracts with customers are identified as performance obligations.

For sales within the same country, the Group recognizes revenue when the products are delivered to customers as the control of products is transferred to customers at that time and performance obligations are satisfied at the time of delivery of the products. For export sales, revenue is recognized when the control of products is transferred to customers based on the terms and conditions of the trade.

Transaction prices for product sales are determined at the amount of consideration promised in contracts with customers, after deducting discounts, sales discounts and others. Estimating the amount of variable consideration including variable discounts by using all reasonably available information, the Group recognizes revenue only to the extent that it is highly probable that a significant reversal will not occur.

For services in the Materials Handling operations, the provision of services based on contracts with customers is identified as performance obligations. If any of the following three requirements is met, it is considered that the performance obligations are satisfied over time. Thus, the relevant revenue is recognized depending on the degree of progress.

(a) A customer simultaneously receives the benefits provided by the Group’s satisfaction of performance as the Group performs its obligation in a contract with a customer.

(b) The Group’s performance of an obligation in a contract with a customer creates an asset or increases the value of an asset, and the customer has control over the asset as the asset is created or the value of the asset is increases.

(c) The Group's performance of obligation in a contract with a customer creates an asset that cannot be diverted to an alternative use, and the Group has an enforceable right to receive payment for the completed portion of the performance obligation.

The Group measures the degree of progress using an input method based on costs incurred since costs incurred are considered to be generally proportional to and contribute to the Group's progress in satisfying its performance obligations.

As consideration for transactions, the Group requests that customers pay advance payments in the period from the order to the time of satisfaction of performance obligations, or to make payments after satisfaction of performance obligations. The payments after satisfaction of performance obligations are generally made within one year, and thus they do not include a significant financing component.

(6) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the current fiscal year end, and translation differences are included in profit or loss. The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the current fiscal year end. Revenue and expense accounts of the overseas consolidated subsidiaries are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of profit but are reported as "Foreign currency translation adjustment" as a component of accumulated other comprehensive income and as "Non-controlling interests" under net assets in the accompanying consolidated balance sheet.

(7) Significant hedge accounting method

a. Method of hedge accounting

Hedge deferral treatment is applied. Forward foreign exchange contracts which met certain conditions are accounted for by the allocation method.

b. Hedging instruments and hedged items

Hedging instruments: Forward foreign exchange contracts

Hedged items: Transactions denominated in foreign currencies

c. Hedge policy

Derivatives are used to avoid foreign currency fluctuation risk. As a policy, the Company does not enter derivatives for speculative purposes.

d. Hedge effectiveness

The hedge effectiveness of derivative transactions is assessed by comparing the cumulative changes in cash flows or fair value of the underlying hedged items with those of the hedging instruments in the period from the start of the hedging relationship to the assessment date. However, an assessment of hedge effectiveness is omitted for forward foreign exchange contracts meeting certain conditions for applying the allocation method.

(8) Amortization of goodwill

Goodwill is amortized primarily over a reasonable period determined individually within 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(9) Cash and cash equivalents for the consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(Significant Accounting Estimates)

For the fiscal year ended March 31, 2022

1. Estimates of total construction costs under contracts for which performance obligations are satisfied over time

(1) Amounts recorded on the consolidated financial statements (Unit: Millions of yen)

	2022
Revenue recognized over time as performance obligations are satisfied	20,566

(2) Information on the content of significant accounting estimates for the identified item

a. Calculation method of the amount recorded in the consolidated financial statements for the fiscal year

In the Materials Handling operations, revenue from certain construction contracts satisfying certain requirements is recognized based on the degree of progress of construction as of the end of fiscal year.

The progress is measured based on the percentage of construction costs incurred up to the end of the fiscal year against the total estimated construction costs.

b. Major assumptions used in significant accounting estimates

Total construction cost is estimated for each project using the working budget approved by the construction management department. The working budget is calculated based on the cost of materials during construction, outsourcing cost quotations obtained from third parties and labor costs calculated by multiplying the detailed working hours by internally authorized estimated unit prices.

The estimates of total construction costs may need to be revised due to changes in circumstances such as delays in construction or initially unexpected events.

c. Impact on consolidated financial statements for the next fiscal year

Since construction projects are generally completed over long periods, modifications to construction contracts or delays due to bad weather may occur during the course of construction, which result in necessary modifications to the total construction cost. In some cases, it may affect the consolidated financial statements for the next fiscal year.

2. Valuation of goodwill

(1) Amounts recorded on the consolidated financial statements (Unit: Millions of yen)

	2022
Impairment loss	–
Goodwill	2,496

(2) Information on the content of significant accounting estimates for the identified item

a. Calculation method of the amount recorded in the consolidated financial statements for the current fiscal year

Goodwill presented in the consolidated balance sheet arose when U.S. TSUBAKI HOLDINGS, INC., a consolidated subsidiary of the Company, acquired all shares of Central Conveyor Company, LLC. If the recoverable amount of the reporting unit including goodwill is less than its carrying value, the carrying value is reduced to the recoverable amount and the difference is recognized as an impairment loss. The recoverable amount of the reporting unit is measured at its fair value.

b. Major assumptions used in significant accounting estimates

The fair value is measured using the comparable companies method and the discounted cash flow (DCF) method based on an internally authorized business plan that takes into consideration forecasts of the market environment. Forecasts of the market environment mainly include forecasts of economic trends and supply and demand trends. The discount rate is determined in consideration of the risk premium, etc. estimated individually and the risk-free rate.

These estimates involve certain assumptions and managements' judgement based on the information available to the Group.

c. Impact on consolidated financial statements for the next fiscal year.

The Company carefully considers the business plan and the market environment when identifying the impairment indicators and recognizing and measuring impairment loss. However, if the conditions and assumptions that are the basis of the estimate need to be revised, there is a possibility that additional impairment loss will be recognized in the consolidated financial statements for the next fiscal year.

For the fiscal year ended March 31, 2023

1. Estimates of total construction costs under contracts for which performance obligations are satisfied over time

(1) Amounts recorded on the consolidated financial statements (Unit: Millions of yen)

	2023
Revenue recognized over time as performance obligations are satisfied	23,334

(2) Information on the content of significant accounting estimates for the identified item

a. Calculation method of the amount recorded in the consolidated financial statements for the fiscal year

In the Materials Handling operations, revenue from certain construction contracts satisfying certain requirements is recognized based on the degree of progress of construction as of the end of fiscal year.

The progress is measured based on the percentage of construction costs incurred up to the end of the fiscal year against the total estimated construction costs.

b. Major assumptions used in significant accounting estimates

Total construction cost is estimated for each project using the working budget approved by the construction management department. The working budget is calculated based on the cost of materials during construction, outsourcing cost quotations obtained from third parties and labor costs calculated by multiplying the detailed working hours by internally authorized estimated unit prices.

The estimates of total construction costs may need to be revised due to changes in circumstances such as delays in construction or initially unexpected events.

c. Impact on consolidated financial statements for the next fiscal year

Since construction projects are generally completed over long periods, modifications to construction contracts or delays due to bad weather may occur during the course of construction, which result in necessary modifications to the total construction cost. In some cases, it may affect the consolidated financial statements for the next fiscal year.

2. Valuation of trademark rights

(1) Amounts recorded on the consolidated financial statements (Unit: Millions of yen)

	2023
Impairment loss	338
Trademark rights	1,135

(2) Information on the content of significant accounting estimates for the identified item

a. Calculation method of the amount recorded in the consolidated financial statements for the current fiscal year

Trademark rights included in “Other” under intangible assets in the consolidated balance sheet arose when U.S. TSUBAKI HOLDINGS, INC., a consolidated subsidiary of the Company, acquired all shares of Central Conveyor Company, LLC. If the fair value of trademark rights is less than its carrying value, the carrying value is reduced to the fair value and the difference is recognized as an impairment loss.

b. Major assumptions used in significant accounting estimates

The fair value is measured using the relief from royalty method based on net sales and related royalty rates projected by an internally authorized business plan that takes into consideration forecasts of the market environment. Forecasts of the market environment mainly include forecasts of economic trends and supply and demand trends. The discount rate is determined in consideration of the risk premium, etc. estimated individually and the risk-free rate.

These estimates involve certain assumptions and managements' judgement based on the information available to the Group.

c. Impact on consolidated financial statements for the next fiscal year.

The Company carefully considers the business plan and the market environment when identifying the impairment indicators and recognizing and measuring impairment loss. However, if the conditions and assumptions that are the basis of the estimate need to be revised, there is a possibility that additional impairment loss will be recognized in the consolidated financial statements for the next fiscal year.

(Changes in Presentation)

Consolidated Statement of Income

“Loss on sale and retirement of non-current assets,” which was previously shown as a separate line item under non-operating expenses, has been included in “Other” under non-operating expenses since the amount was less than 10% of the total amount of non-operating expenses for the fiscal year ended March 31, 2023. The amount of “Loss on sale and retirement of non-current assets” is 88 million yen for the fiscal year ended March 31, 2023. In order to reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2022 have been reclassified to conform to the current fiscal year's presentation.

As a result, 232 million yen of “Loss on sale and retirement of non-current assets” and 362 million yen of “Other,” which were shown under non-operating expenses in the consolidated statement of income for the fiscal year ended March 31, 2022, have been reclassified as 594 million yen of “Other.”

(Consolidated Balance Sheet)

*1 Inventories related to construction contracts assumed to incur loss and provision for loss on construction contracts are not net out but presented in gross. Of inventories related to construction contracts assumed to incur loss, the amount corresponding to provision for loss on construction contracts is as follows:

(Unit: Millions of yen)

	2022	2023
Work in process	36	42

*2 Unconsolidated subsidiaries and affiliates

Unconsolidated subsidiaries and affiliates are included in the following accounts:

(Unit: Millions of yen)

	2022	2023
Investments and other assets		
Investments in securities (equity securities)	2,596	2,559
Other (investments in capital)	2,192	2,160

*3 Guarantee obligations

Guarantees for borrowings of subsidiaries and affiliates and housing loans of employees are as follows:

(1) Subsidiaries and affiliates

(Unit: Millions of yen)

	2022	2023
Tianjin Dongchun-Taiki Metal Finishing＆Conveyor System Manufacturing Co., Ltd.	549	575

(2) Employees

(Unit: Millions of yen)

2022	2023
10	8

*4 Discounted electronically recorded monetary claims - operating

(Unit: Millions of yen)

	2022	2023
Discounted electronically recorded monetary claims - operating	13	7

*5 Land revaluation

The Company revalued its land held for business use in accordance with the “Act on Revaluation of Land” (Act No. 34 of 1998) and “Amendment to the Act on Revaluation of Land” (Act No. 19 of 2001), and differences on land revaluation have been accounted for as “Revaluation reserve for land” under net assets at the net amount of the relevant tax effect.

The method in determining the land revaluation

The Company determines the value based on an appraisal as stipulated in Article 2, item 5 of the “Order for Enforcement of the Act on Revaluation of Land” (Cabinet Order No. 119 of 1998) and assessed value for property tax purposes as stipulated in Article 2, item 3 of the said Cabinet Order, with reasonable adjustments.

Date of revaluation: March 31, 2002

(Unit: Millions of yen)

	2022	2023
Difference between fair value of the land revalued as of the end of fiscal year and carrying value after the revaluation (excess of carrying value over fair value)	8,000	7,200

*6 Line of credit

The Company concluded line-of-credit agreements with certain banks to achieve efficient financing. The status of these lines of credit as of current fiscal year end is as follows:

(Unit: Millions of yen)

	2022	2023
Lines of credit	15,000	15,000
Credit utilized	–	–
Available credit	15,000	15,000

*7 Of notes and accounts receivable - trade, and contract assets, amounts of receivables and contract assets arising from contracts with customers are as follows:

(Unit: Millions of yen)

	2022	2023
Notes receivable - trade	3,341	3,533
Accounts receivable - trade	39,711	40,492
Contract assets	2,720	4,691

*8 Of other, amount of contract liabilities is as follows:

(Unit: Millions of yen)

	2022	2023
Contract liabilities	2,558	3,205

(Consolidated Statement of Income)

*1 Revenue from contracts with customers

For net sales, revenue from contract with customers and other revenue are not separately presented. Amounts of revenue from contract with customers are disclosed in the note "(Revenue Recognition) 1. Information on disaggregated revenue from contracts with customers."

*2 Provision for loss on construction contracts included in cost of sales

(Unit: Millions of yen)

2022	2023
(211)	17

*3 Inventories are stated at the lower of cost or net selling value. Loss on valuation of inventories (reversal of loss on valuation of inventories) included in cost of sales is as follows:

(Unit: Millions of yen)

2022	2023
(8)	(13)

*4 The major items of selling, general and administrative expenses are as follows:

(Unit: Millions of yen)

	2022	2023
Salary and allowance	15,411	17,701
Provision for bonuses	2,028	2,567
Retirement benefit expenses	718	587
Provision for retirement benefits for directors (and other officers)	17	20
Shipping cost	6,026	6,469
Depreciation and amortization	1,899	2,084
Provision of allowance for doubtful accounts	69	88
Provision for shareholder benefit program	34	41

*5 Research and development costs included in manufacturing costs, and selling, general and administrative expenses are as follows:

(Unit: Millions of yen)

2022	2023
5,199	5,696

*6 Impairment loss

For the fiscal year ended March 31, 2022

The Group recognized impairment loss on non-current assets for the following asset groups.

(1) Description of impaired asset group

Location	Use	Classification
Ageo-City, Saitama Prefecture	Company housing	Land and other

(2) Reason for recognizing impairment loss and calculation method of recoverable amount

Due to the decision to sell the asset, the carrying value of the asset is reduced to the recoverable amount and the difference was recognized as impairment loss under extraordinary loss. The recoverable amount of the asset group is measured using net realizable value. The net realizable value is determined based on the estimated sale price.

Breakdown of impairment loss (Unit: Millions of yen)

	2022
Land	17
Buildings	8
Total	26

(3) Method of asset grouping

Assets were grouped principally by each business or each business location. Assets to be disposed and idle assets not used for business are individually grouped.

For the fiscal year ended March 31, 2023

The Group recognized impairment loss on non-current assets for the following asset groups.

(1) Description of impaired asset group

Location	Use	Classification
State of Guanajuato, the United Mexican States	Production facilities for power transmission equipment	Machinery and equipment
State of Michigan, U.S.A.	Other	Goodwill, trademark rights

(2) Reason for recognizing impairment loss and calculation method of recoverable amount

In connection with the discontinuation of production of some products at Tsubakimoto Automotive Mexico S.A. de C.V., a consolidated subsidiary in Mexico, as the production facilities cannot be converted to other uses was reduced to the recoverable amount, and the amount of the reduction was recorded as an impairment loss under extraordinary loss. The recoverable amount is measured at fair value less costs of disposal, and assets that are difficult to sell are valued at zero.

Breakdown of impairment loss (Unit: Millions of yen)

	2023
Machinery, equipment and vehicles	65
Total	65

Regarding goodwill and trademark rights recorded at the time of acquisition of Central Conveyor Company, LLC, a consolidated subsidiary in the U.S., the Group reviewed the future business plan since the actual operational result has fallen short of the profit plan originally projected at the time of acquisition due to changes in the market structure and other factors. As a result of the review, the fair value of goodwill and trademark rights was determined to be less than their carrying value; thus, the carrying value of goodwill and trademark rights recognized at the time of acquisition was reduced to the fair value and the amount of the reduction was recorded as an impairment loss under extraordinary loss. The fair value was calculated using the discounted cash flow (DCF) method, the comparable company method and the relief-from-royalty method based on an internally approved business plan with taking into account projected market conditions. For the DCF method, future cash flows were discounted at a rate of 15.5%.

Breakdown of impairment loss (Unit: Millions of yen)

	2023
Goodwill	2,426
Trademark rights	338
Total	2,765

(3) Method of asset grouping

Assets are grouped by the minimum unit that generates generally independent cash flows based on business segmentation.

For goodwill, assets are grouped by reporting unit that the goodwill belongs to.

(Consolidated Statement of Comprehensive Income)

*1 Reclassification adjustments and tax effects on components of other comprehensive income

(Unit: Millions of yen)

	2022	2023
Valuation difference on other securities:		
Amount arising during the fiscal year	2,824	(758)
Reclassification adjustments	(113)	(361)
Before tax effect	2,710	(1,120)
Tax effect	(830)	346
Valuation difference on other securities	1,879	(774)
Deferred gain or loss on hedges:		
Amount arising during the fiscal year	1	22
Reclassification adjustments	–	–
Before tax effect	1	22
Tax effect	(0)	(7)
Deferred gain or loss on hedges	1	15
Foreign currency translation adjustment:		
Amount arising during the fiscal year	8,979	8,414
Reclassification adjustments	–	–
Foreign currency translation adjustment	8,979	8,414
Retirement benefits liability adjustments:		
Amount arising during the fiscal year	221	37
Reclassification adjustments	143	108
Before tax effect	364	146
Tax effect	(111)	(44)
Retirement benefits liability adjustments	252	101
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the fiscal year	49	22
Reclassification adjustments	–	–
Share of other comprehensive income of entities accounted for using equity method	49	22
Total other comprehensive income	11,162	7,779

(Consolidated Statement of Changes in Net Assets)

For the fiscal year ended March 31, 2022

1. Matters regarding the outstanding shares

Class of shares	Beginning of the year	Increase	Decrease	End of the year
Common stock (Thousands of shares)	38,281	–	–	38,281

2. Matters regarding treasury shares

Class of shares	Beginning of the year	Increase	Decrease	End of the year
Common stock (Thousands of shares)	1,266	1	4	1,263

(Reason for changes)

The reason for increases is as follows:

Increase due to purchase of fractional shares of less than one unit 1 thousand shares

The reason for decreases is as follows:

Decrease due to disposal of treasury shares as restricted stock compensation 4 thousand shares

Decrease due to sale of fractional shares of less than one unit 0 thousand shares

3. Cash dividends

Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
General Meeting of Shareholders held on June 29, 2021	Common stock	1,665	45.0	March 31, 2021	June 30, 2021
Board of Directors' Meeting held on October 29, 2021	Common stock	1,850	50.0	September 30, 2021	December 2, 2021

Dividends with a record date in the fiscal year and an effective date in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
General Meeting of Shareholders held on June 29, 2022	Common stock	Retained earnings	2,591	70.0	March 31, 2022	June 30, 2022

For the fiscal year ended March 31, 2023

1. Matters regarding the outstanding shares

Class of shares	Beginning of the year	Increase	Decrease	End of the year
Common stock (Thousands of shares)	38,281	–	–	38,281

2. Matters regarding treasury shares

Class of shares	Beginning of the year	Increase	Decrease	End of the year
Common stock (Thousands of shares)	1,263	1	15	1,248

(Reason for changes)

The reason for increases is as follows:

Increase due to purchase of fractional shares of less than one unit 1 thousand shares

Increase due to acquisition of restricted stock without compensation 0 thousand shares

The reason for decreases is as follows:

Decrease due to disposal of treasury shares as restricted stock compensation 15 thousand shares

3. Cash dividends

Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
General Meeting of Shareholders held on June 29, 2022	Common stock	2,591	70.0	March 31, 2022	June 30, 2022
Board of Directors' Meeting held on October 31, 2022	Common stock	2,221	60.0	September 30, 2022	December 2, 2022

Dividends with a record date in the fiscal year and an effective date in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
General Meeting of Shareholders held on June 29, 2023	Common stock	Retained earnings	2,592	70.0	March 31, 2023	June 30, 2023

(Consolidated Statement of Cash Flows)

*1 Reconciliation between cash and cash equivalents at the end of the fiscal year and amounts shown in the consolidated balance sheet

(Unit: Millions of yen)

	2022	2023
Cash and deposits	49,104	56,908
Time deposits with original maturities of over three months	(2,554)	(2,604)
Cash equivalents included in securities	6,339	2,674
Cash and cash equivalents	52,888	56,978

(Leases)

1. Finance lease transactions

Finance lease transactions involving the transfer of ownership

(1) Details of leased assets

Property, plant and equipment

Mainly multifunction printers (tools, furniture and fixtures) in the head office

(2) Depreciation method for leased assets

Leased assets are depreciated by the same depreciation method applied to property, plant and equipment owned by the Company

Finance lease transactions not involving the transfer of ownership

(1) Details of leased assets

Property, plant and equipment

Mainly offices (buildings and structures) in the Materials Handling operations

Intangible assets

Mainly CAD software (software) in the Chains operations

(2) Depreciation method for leased assets

Leased assets are depreciated over their lease term using the straight-line method with a residual value of zero.

2. Future minimum lease payments for non-cancelable operating leases

(Unit: Millions of yen)

	2022	2023
Within one year	171	59
Over one year	155	75
Total	327	134

(Financial Instruments)

1. Status on financial instruments

(1) Policy on financial instruments

The Group obtains necessary funding principally by bank borrowings and bonds issuance. Temporary surplus funds are managed through low-risk financial assets. Derivatives are utilized for mitigating fluctuation risks of foreign currency exchange rates or interest rates, and not utilized for speculative purposes.

(2) Types of financial instruments and related risk

Notes and accounts receivable - trade and electronically recorded monetary claims - operating are exposed to the credit risk of customers. The Group conducts their businesses globally and the trade receivables denominated in foreign currencies arising from export transactions are exposed to the fluctuation risk of foreign currencies. This risk is mitigated by utilizing forward foreign exchange contracts.

Securities and investments in securities are mainly composed of stocks of the companies with which the Group has business relationships or capital alliances and they are exposed to fluctuation risk of market prices.

Almost all trade payables, notes, accounts payable and electronically recorded obligations are due within one year. Certain trade payables arising from import transactions are denominated in foreign currencies and the Group utilizes forward foreign exchange contracts to mitigate the risk, as with trade receivables. Borrowings and bonds payable are utilized for necessary financing of operating funds and capital expenditures.

Derivative transactions are entered into to hedge the foreign currency fluctuation risk of trade receivables and trade payables denominated in foreign currencies by utilizing forward foreign exchange contracts. Refer to “Significant hedge accounting method” in “Accounting policies” for information on hedge accounting, such as hedging instruments, hedged items and hedge effectiveness.

(3) Risk management for financial instruments

a. Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with internal rules of credit management of the Company, each business department manages the collection due dates and receivable balances of its customers, periodically monitors the financial conditions of customers and strives to identify credit risk of customers with worsening financial conditions at the early stage to mitigate any risk. Consolidated subsidiaries perform similar credit management.

Derivative transactions are entered into with financial institutions with high credit ratings to mitigate the risk of credit loss.

b. Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates and interest rates)

The Company and certain consolidated subsidiaries utilize forward foreign exchange contracts for hedging currency fluctuation risk arising from trade receivables, trade payables and debt securities denominated in foreign currencies.

The status of investments in securities is continuously reviewed by monitoring periodically the fair value and financial conditions of the securities' issuers (companies with business relationships or business alliances with the Group) and by evaluating those relationships.

Each business department determines the amount of each forward foreign exchange contract within the actual underlying transaction amount, and the responsible finance department enters into and manages these forward foreign exchange contracts.

c. Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

The Group manages liquidity risk by preparing cash flow plans by each company on a timely basis and so forth.

(4) Supplementary explanation of the fair value of financial instruments

Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in the note "(Derivative Transactions)" are not necessarily indicative of the actual market risk involved in the derivative transactions.

2. Fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheets, fair value and the difference are as follows:

As of March 31, 2022

(Unit: Millions of yen)

	Carrying value	Fair value	Difference
(1) Securities and investments in securities	35,400	35,400	–
Assets, total	35,400	35,400	–
(2) Bonds payable	15,000	15,359	(359)
(3) Long-term borrowings (*3)	14,279	14,278	0
Liabilities, total	29,279	29,638	(358)
Derivative transactions (*4)	[484]	[484]	–

(*1) For "Cash and deposits," "Notes receivable - trade," "Accounts receivable - trade," Electronically recorded monetary claims - operating," "Notes and accounts payable - trade," "Electronically recorded obligations - operating," "Short-term borrowings," and "Electronically recorded obligations - non-operating," the disclosure is omitted since these items were in cash and settled in a short time period and their carrying value approximates fair value.

(*2) Equity securities without market prices are not included in “(1) Securities and investments in securities” above. The amount included in the consolidated balance sheet is as follows:

(Unit: Millions of yen)

	2022
Unlisted equity securities and investments in capital	5,377

(*3) The balance of long-term borrowings includes current portion.

(*4) Assets and liabilities arising from derivatives were shown at net value, and the amount in square parentheses represented a net liability position.

As of March 31, 2023

(Unit: Millions of yen)

	Carrying value	Fair value	Difference
(1) Securities and investments in securities	30,202	30,202	–
Assets, total	30,202	30,202	–
(2) Bonds payable	15,000	15,277	(277)
(3) Long-term borrowings (*3)	9,760	9,730	30
Liabilities, total	24,760	25,007	(246)
Derivative transactions (*4)	[56]	[56]	–

(*1) For “Cash and deposits,” “Notes receivable - trade,” “Accounts receivable - trade,” Electronically recorded monetary claims - operating,” “Notes and accounts payable - trade,” “Electronically recorded obligations - operating,” “Short-term borrowings,” and “Electronically recorded obligations - non-operating,” the disclosure is omitted since these items were in cash and settled in a short time period and their carrying value approximates fair value.

(*2) Equity securities without market prices are not included in “(1) Securities and investments in securities” above. The amount included in the consolidated balance sheet is as follows:

(Unit: Millions of yen)

	2023
Unlisted equity securities and investments in capital	5,496

(*3) The balance of long-term borrowings includes current portion.

(*4) Assets and liabilities arising from derivatives were shown at net value, and the amount in square parentheses represented a net liability position.

(Note 1) The redemption schedule for monetary assets and securities with maturities subsequent to the fiscal year end

As of March 31, 2022

(Unit: Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Over 10 years
Cash and deposits	49,078	–	–	–
Notes receivable – trade	3,341	–	–	–
Accounts receivable – trade	39,711	–	–	–
Electronically recorded monetary claims – operating	13,358	–	–	–
Securities and investments in securities				
Other securities with maturity dates				
(1) Debt securities	–	–	–	–
(2) Other	6,339	–	–	–
Total	111,828	–	–	–

As of March 31, 2023

(Unit: Millions of yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Over 10 years
Cash and deposits	56,908	–	–	–
Notes receivable – trade	3,533	–	–	–
Accounts receivable – trade	40,492	–	–	–
Electronically recorded monetary claims – operating	14,490	–	–	–
Securities and investments in securities				
Other securities with maturity dates				
(3) Debt securities	–	–	–	–
(4) Other	2,674	–	–	–
Total	118,099	–	–	–

(Note 2) The repayment schedule for bonds payable and long-term borrowings subsequent to the fiscal year end

As of March 31, 2022

(Unit: Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Over 5 years
Bonds payable	–	–	–	5,000	–	10,000
Long-term borrowings	4,551	294	5,781	1,524	74	2,052

As of March 31, 2023

(Unit: Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Over 5 years
Bonds payable	–	–	5,000	–	–	10,000
Long-term borrowings	303	5,789	1,530	80	2,039	16

3. Breakdown of fair value of financial instruments by level

Fair values of financial instruments are categorized into three levels as described below on the basis of the observability and the materiality of the inputs used in the fair value measurement.

Level 1 fair value:	Fair value measured by using quoted prices in active markets as observable inputs for assets or liabilities subject to a fair value measurement
Level 2 fair value:	Fair value measured by using observable inputs other than those for Level 1
Level 3 fair value:	Fair value measured by using unobservable inputs

When multiple inputs of different categories are used in measuring fair value, the Company classifies the fair value into a category to which the lowest priority is assigned.

(1) Financial instruments measured at fair value in the consolidated balance sheet

As of March 31, 2022

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities Other securities Equity securities	29,060	–	–	29,060
Total assets	29,060	–	–	29,060
Derivative transactions Currency related	–	484	–	484
Total liabilities	–	484	–	484

As of March 31, 2023

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities Other securities Equity securities	27,528	–	–	27,528
Total assets	27,528	–	–	27,528
Derivative transactions Currency related	–	56	–	56
Total liabilities	–	56	–	56

(2) Financial instruments other than those measured at fair value in the consolidated balance sheet

As of March 31, 2022

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities Other securities Other	–	6,339	–	6,339
Total assets	–	6,339	–	6,339
Bonds payable	–	15,359	–	15,359
Long-term borrowings	–	14,278	–	14,278
Total liabilities	–	29,638	–	29,638

As of March 31, 2023

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities Other securities Other	–	2,674	–	2,674
Total assets	–	2,674	–	2,674
Bonds payable	–	15,277	–	15,277
Long-term borrowings	–	9,730	–	9,730
Total liabilities	–	25,007	–	25,007

(Note) Explanation of valuation techniques and inputs used for fair value measurement

<u>Securities and investments in securities</u>

The fair value of listed equity securities is measured at quoted market prices. Since listed equity securities are traded in active markets, the fair value is classified into Level 1. The fair value of negotiable certificates of deposit is measured at their carrying value since they are settled in a short time period and their carrying value approximates fair value. Such fair value is classified into Level 2.

Derivative transactions

The fair value of forward foreign exchange contracts is measured by the discounted present value method based on observable inputs such as interest rates and foreign exchange rates, and classified into Level 2.

Bonds payable

The fair value of bonds payable issued by the Company is based on present value of the total of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and current credit risk. Such fair value is classified into Level 2.

Long-term borrowings

The fair value of long-term borrowings is based on the present value of the total principal and interest discounted by an interest rate determined taking into account the remaining period of each borrowing and current credit risk. Such fair value is classified into Level 2.

(Securities)

1. Other securities

As of March 31, 2022

(Unit: Millions of yen)

	Carrying value	Acquisition cost	Difference
Other securities whose carrying value exceeds acquisition cost:			
(1) Equity securities	28,761	7,607	21,154
(2) Debt securities	–	–	–
(3) Other	–	–	–
Subtotal	28,761	7,607	21,154
Other securities whose carrying value does not exceed acquisition cost:			
(1) Equity securities	299	385	(86)
(2) Debt securities	–	–	–
(3) Other	6,339	6,339	–
Subtotal	6,638	6,725	(86)
Total	35,400	14,332	21,068

As of March 31, 2023

(Unit: Millions of yen)

	Carrying value	Acquisition cost	Difference
Other securities whose carrying value exceeds acquisition cost:			
(1) Equity securities	27,475	7,521	19,954
(2) Debt securities	–	–	–
(3) Other	–	–	–
Subtotal	27,475	7,521	19,954
Other securities whose carrying value does not exceed acquisition cost:			
(1) Equity securities	52	54	(2)
(2) Debt securities	–	–	–
(3) Other	2,674	2,674	–
Subtotal	2,726	2,728	(2)
Total	30,202	10,250	19,951

2. Other securities sold

For the fiscal year ended March 31, 2022

(Unit: Millions of yen)

	Sales proceeds	Total gain	Total loss
(1) Equity securities	352	126	–
(2) Debt securities	–	–	–
(3) Other	–	–	–
Total	352	126	–

For the fiscal year ended March 31, 2023

(Unit: Millions of yen)

	Sales proceeds	Total gain	Total loss
(1) Equity securities	793	361	–
(2) Debt securities	–	–	–
(3) Other	–	–	–
Total	793	361	–

3. Securities for which impairment loss is recognized

For the fiscal year ended March 31, 2022

Not applicable.

For the fiscal year ended March 31, 2023

Impairment loss on securities is recognized in the amount of 271 million yen (unlisted equity securities: 211 million yen, shares of subsidiaries and affiliates: 60 million yen).

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

(1) Currency related

As of March 31, 2022

(Unit: Millions of yen)

	Type	Notional amount	Due after 1 year	Fair value	Unrealized gain (loss)
Over-the-counter transaction	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	1,690	–	(140)	(140)
	Euros	1,338	–	(73)	(73)
	Canadian dollars	94	–	(9)	(9)
	Australian dollars	102	–	(12)	(12)
	Chinese yuan	1,024	–	(140)	(140)
	Buy:				
	Yen	622	–	0	0
	U.S. dollars	6	–	(0)	(0)
	Euros	7	–	0	0
	Total	4,887	–	(375)	(375)

As of March 31, 2023

(Unit: Millions of yen)

	Type	Notional amount	Due after 1 year	Fair value	Unrealized gain (loss)
Over-the-counter transaction	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	2,243	–	56	56
	Euros	1,578	–	(47)	(47)
	Canadian dollars	167	–	4	4
	Australian dollars	122	–	2	2
	Chinese yuan	1,124	–	11	11
	Buy:				
	Yen	408	–	1	1
	U.S. dollars	21	–	(0)	(0)
	Total	5,666	–	28	28

(2) Interest rate related

Not applicable.

2. Derivative transactions for which hedge accounting is applied

(1) Currency related

As of March 31, 2022

(Unit: Millions of yen)

Method of hedge accounting	Transactions	Major hedged item	Notional amount		Fair value
				Due after 1 year	
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts Sell:				
	U.S. dollars	Accounts receivable – trade (Forecasted transactions)	2,106	–	(52)
	Euros		1,222	–	(30)
	Australian dollars		142	–	(4)
	Canadian dollars		124	–	(2)
	Chinese yuan		665	–	(20)
	Total		4,261	–	(110)
	Buy:				
	U.S. dollars	Accounts payable (Forecasted transactions)	19	–	1
	Euros		39	–	1
	Total		59	–	3

(Note) Since forward foreign exchange contracts under allocation method (excluding forecasted transactions as hedged items) are accounted for as integral parts of receivables and payables denominated in foreign currencies as the hedged items, their fair value is included in the fair value of applicable receivables and payables denominated in foreign currencies.

As of March 31, 2023

(Unit: Millions of yen)

Method of hedge accounting	Transactions	Major hedged item	Notional amount		Fair value
				Due after 1 year	
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts Sell:				
	U.S. dollars	Accounts receivable – trade (Forecasted transactions)	2,129	–	(20)
	Euros		1,383	–	(28)
	Australian dollars		153	–	(1)
	Canadian dollars		174	–	(2)
	Chinese yuan		582	–	(10)
	Thai bahts	Accounts receivable – other (Forecasted transactions)	765	–	(22)
	Total		5,190	–	(85)
	Buy:				
	U.S. dollars	Accounts payable (Forecasted transactions)	26	–	0
	Total		26	–	0

(Note) Since forward foreign exchange contracts under allocation method (excluding forecasted transactions as hedged items) are accounted for as integral parts of receivables and payables denominated in foreign currencies as the hedged items, their fair value is included in the fair value of applicable receivables and payables denominated in foreign currencies.

(2) Interest rate related

Not applicable.

(Retirement Benefits)

1. Overview of retirement benefit plans

The Company and its domestic consolidated subsidiaries have defined benefit pension plans, i.e., lump-sum payment plans, defined contribution pension plans and advance payment schemes for retirement benefits. Certain consolidated overseas subsidiaries also have defined benefit pension plans and defined contribution pension plans. In addition to the retirement benefit plans described above, the Company and its domestic subsidiaries paid additional retirement benefits under certain conditions. Furthermore, the Company has retirement benefit trusts. As permitted under the accounting standard for retirement benefits, certain domestic consolidated subsidiaries calculated their retirement benefit liability and retirement benefit expenses under defined benefit corporate pension plans and lump-sum payment plans by the simplified method.

2. Defined benefit pension plans

(1) The changes in the retirement benefit obligation for the fiscal years (excluding the plans applying the simplified method)

(Unit: Millions of yen)

	2022	2023
Balance at beginning of period	13,922	14,254
Service cost	698	732
Interest cost	61	114
Actuarial differences	(201)	(470)
Retirement benefits paid	(301)	(391)
Prior service cost	(15)	(9)
Other	88	157
Balance at end of period	14,254	14,387

(2) The changes in plan assets for the fiscal years (excluding the plans applying the simplified method)

(Unit: Millions of yen)

	2022	2023
Balance at beginning of period	1,635	1,747
Expected return on plan assets	20	29
Actuarial differences	(36)	(299)
Contributions by the Group	116	1,614
Retirement benefit paid	(38)	(63)
Other	49	54
Balance at end of period	1,747	3,083

(3) The changes in retirement benefit liability of plans applying the simplified method

(Unit: Millions of yen)

	2022	2023
Balance at beginning of period	1,576	1,646
Retirement benefit expenses	189	185
Retirement benefits paid	(79)	(77)
Contributions to the plans	(39)	(27)
Other	(0)	0
Balance at end of period	1,646	1,728

(4) A reconciliation of the ending balance of retirement benefit obligation and plan assets and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet as of the end of the fiscal year

(Unit: Millions of yen)

	2022	2023
Funded retirement benefit obligation	2,146	13,459
Plan assets at fair value	(2,142)	(3,476)
	4	9,982
Unfunded retirement benefit obligation	14,149	3,049
Net liability for retirement benefits in the balance sheet	14,153	13,032
Retirement benefit liability	14,196	13,064
Retirement benefit asset	(42)	(31)
Net liability (assets) for retirement benefits in the balance sheet	14,153	13,032

(Note) The above table included retirement benefit obligation calculated by the simplified method.

(5) The components of retirement benefit expenses

(Unit: Millions of yen)

	2022	2023
Service cost	698	732
Interest cost	61	114
Expected return on plan assets	(20)	(29)
Amortization of unrecognized actuarial differences	199	(25)
Amortization of unrecognized prior service cost	(15)	(9)
Retirement benefit expense calculated by the simplified method	189	185
Other	(34)	(8)
Retirement benefit expenses	1,078	960

(6) Retirement benefits liability adjustments included in other comprehensive income (before tax effect)

(Unit: Millions of yen)

	2022	2023
Actuarial differences	364	146

(7) Retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect)

(Unit: Millions of yen)

	2022	2023
Unrecognized actuarial differences	283	137

(8) Plan assets

a. The composition of plan assets

The composition of plan assets by major category, as a percentage of total plan assets

	2022	2023
Debt securities	12%	18%
Equity securities	8	8
General accounts at life insurance companies	31	19
Other	49	55
Total	100%	100%

(Note) The total includes retirement benefit trusts of -% and 43% as of March 31, 2022 and 2023, respectively.

b. Long-term expected rate of return on plan assets

Current and target asset allocations as well as historical and expected long-term returns on various categories of plan assets have been considered in determining the long-term expected rate of return of plan assets.

(9) Assumption used for actuarial calculation

Major assumption used for actuarial calculation

	2022	2023
Discount rates	Principally 0.10%	Principally 0.10%
Expected rates of return on plan assets	Principally 2.0%	Principally 1.2%

3. Defied contribution pension plans

Total contributions required to be paid by the Company and its consolidated subsidiaries to the defined contribution pension plans amounted to 1,109 million yen and 1,270 million yen for the fiscal years ended March 31, 2022 and 2023, respectively.

(Tax Effect Accounting)

1. The significant components of deferred tax assets and liabilities

	2022	2023
Deferred tax assets:		
Tax loss carryforwards (Note)	1,513	1,546
Retirement benefit liability	4,225	4,335
Provision for bonuses	1,100	1,056
Inventories	726	920
Impairment loss	1,057	1,317
Enterprise taxes payable	205	136
Social insurance on bonuses	162	152
Asset retirement obligations	120	131
Other	3,106	3,870
Subtotal	12,218	13,467
Valuation allowance for tax loss carryforwards (Note)	(1,136)	(885)
Valuation allowance for deductible temporary differences	(515)	(614)
Total valuation allowance, subtotal	(1,651)	(1,500)
Total deferred tax assets	10,567	11,967
Deferred tax liabilities:		
Valuation difference on other securities	(6,332)	(5,990)
Deferred gain on replacement of property	(4,007)	(4,000)
Undistributed earnings of overseas subsidiaries	(3,101)	(3,442)
Net unrealized gain on revaluation of assets and liabilities of subsidiaries	(629)	(610)
Other	(3,024)	(2,938)
Total deferred tax liabilities	(17,094)	(16,982)
Net deferred tax assets (liabilities)	(6,527)	(5,015)

(Note) The breakdown of tax loss carryforwards and valuation allowance by expiry date

As of March 31, 2022

(Unit: Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Over 5 years	Total
Tax loss carryforwards (a)	205	131	9	28	28	1,109	1,513
Valuation allowance	(205)	(131)	(9)	(28)	(28)	(732)	(1,136)
Deferred tax assets	–	–	–	–	–	376	376

(a) The tax loss carryforwards in the above table were measured using the statutory tax rates.

(b) Deferred tax assets of 376 million yen were recognized for a portion of the balance of the tax loss carryforwards for consolidated subsidiaries of 1,513 million yen, whose amount was multiplied by the statutory tax rate. The tax loss carryforwards for which deferred tax assets were recognized were caused by the loss before income taxes in previous years and so on, and based on considerations of the prospect of estimated future taxable income, the Company has determined that the corresponding amounts was recoverable and has not recognized a valuation allowance.

As of March 31, 2023

(Unit: Millions of yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Over 5 years	Total
Tax loss carryforwards (a)	138	10	30	39	19	1,307	1,546
Valuation allowance	(64)	(3)	(30)	(39)	(19)	(727)	(885)
Deferred tax assets	73	6	–	–	–	579	660

(a) The tax loss carryforwards in the above table were measured using the statutory tax rates.

(b) Deferred tax assets of 660 million yen were recognized for a portion of the balance of the tax loss carryforwards for consolidated subsidiaries of 1,546 million yen, whose amount was multiplied by the statutory tax rate. The tax loss carryforwards for which deferred tax assets were recognized were caused by the loss before income taxes in previous years and so on, and based on considerations of the prospect of estimated future taxable income, the Company has determined that the corresponding amounts was recoverable and has not recognized a valuation allowance.

2. The reconciliation between the effective tax rates reflected in the consolidated statement of income and the statutory tax rate

	2022	2023
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Non-deductible entertainment expenses and others	0.4	0.6
Non-taxable dividend income and others	(0.8)	(1.1)
Inhabitants' per capita taxes	0.3	0.3
Changes in valuation allowance	(0.1)	(0.3)
Tax exemption regarding investment preferential tax system	(0.4)	–
Tax exemption regarding research and development costs	(2.4)	(3.2)
Tax exemption regarding tax system to encourage higher wages	–	(1.7)
Equity in earnings of affiliates	(0.1)	(0.2)
Differences of statutory tax rate in consolidated subsidiaries	0.0	(0.2)
Other	(0.5)	(0.6)
Effective tax rates	27.0%	24.2%

(Business Combinations)

Business combination resulting from acquisition

(1) Overview of business combination

(1) Name and business description of acquiree

Name: ATR Sales, Inc.

Business description: Manufacturing and sale of flexible coupling

(2) Objectives of business combination

To enhance the manufacturing and sale of motion control products in North America

(3) Date of business combination

July 15, 2022

(4) Legal form of business combination

Acquisition of shares for a cash consideration

(5) Name after business combination

No change

(6) Percentage of voting right acquired

Percentage of voting right before acquisition: 0%

Percentage of voting right after acquisition: 100%

(7) Main basis for determining the acquiring company

It is because shares were acquired for a cash consideration by U.S. TSUBAKI HOLDINGS, INC., a consolidated subsidiary of the Company.

(2) Period of the acquiree's operations included in the consolidated financial statements

From July 16, 2022 to March 31, 2023

(3) Breakdown of the acquisition cost of the acquiree and type of consideration

(Unit: Millions of yen)

Consideration for acquisition (cash)	1,737
Acquisition cost	1,737

(4) Details and amounts of major acquisition-related expenses

Fees and commission for due diligence, etc.: 22 million yen

(5) Amount, reason for recognition, method and period of amortization of goodwill

(1) Amount of goodwill generated

1,419 million yen

(2) Cause of goodwill generated

It was generated from the future excess earning power expected from future business development.

(3) Method and period of amortization

Straight-line method over 8 years

(6) Assets acquired and liabilities assumed on the date of business combination and their breakdown

(Unit: Millions of yen)

Current assets	341
Non-current assets	213
Total assets	555
Current liabilities	81
Non-current liabilities	85
Total liabilities	166

(7) Estimated amount and calculation method of the effect on the consolidated statement of income for the current

consolidated fiscal year if the business combination had been completed at the beginning of the current fiscal year

The disclosure is omitted due to immateriality.

(Revenue Recognition)

1. Information on disaggregated revenue from contracts with customers

The relationship between disaggregated revenue from contracts with customers and net sales by reportable segments is as follows:

For the fiscal year ended March 31, 2022

(Unit: Millions of yen)

	Reportable segment					Other (Note)	Total
	Chains	Motion Control	Mobility	Materials Handling	Subtotal		
By geographical area							
Japan	27,623	14,275	18,127	26,112	86,139	2,369	88,508
U.S.A.	24,232	665	15,084	18,388	58,371	–	58,371
Europe	10,982	454	4,610	7,563	23,611	–	23,611
Indian-Ocean Rim	4,855	959	9,538	1,052	16,406	31	16,437
China	2,985	2,104	11,671	2,479	19,242	–	19,242
Korea and Taiwan	1,690	915	6,993	107	9,707	–	9,707
Revenue from contracts with customers	72,371	19,376	66,026	55,704	213,479	2,400	215,879
Net sales to third parties	72,371	19,376	66,026	55,704	213,479	2,400	215,879

(Note) The "Other" segment consisted of the following business segments not classified into reportable segments: building maintenance business, insurance agency business, new business and others.

For the fiscal year ended March 31, 2023

(Unit: Millions of yen)

	Reportable segment					Other (Note)	Total
	Chains	Motion Control	Mobility	Materials Handling	Subtotal		
By geographical area							
Japan	30,115	15,956	18,304	25,301	89,678	2,562	92,241
U.S.A.	34,671	1,676	21,143	21,322	78,814	–	78,814
Europe	12,668	545	5,438	10,856	29,508	–	29,508
Indian-Ocean Rim	6,257	1,322	10,957	1,187	19,725	0	19,726
China	2,876	2,374	13,186	1,816	20,254	–	20,254
Korea and Taiwan	1,575	756	8,241	455	11,029	–	11,029
Revenue from contracts with customers	88,165	22,632	77,272	60,940	249,010	2,563	251,574
Net sales to third parties	88,165	22,632	77,272	60,940	249,010	2,563	251,574

(Note) The “Other” segment consisted of the following business segments not classified into reportable segments: building maintenance business, insurance agency business, new business and others.

2. Balances of contract assets and contract liabilities

For the fiscal year ended March 31, 2022

(Unit: Millions of yen)

	2022	
	Beginning of the year	End of the year
Receivables arising from contracts with customers	38,980	43,052
Contract assets	4,835	2,720
Contract liabilities	3,375	2,558

Contract assets arising from service contracts with customers, mainly for the Materials Handling operations, are the Group’s right to consideration in exchange for promised services that the Group has provided to customers as of the end of the fiscal year but not yet claimed for payments. Contract assets are reclassified to receivables arising from contracts with customers when the Group’s right to consideration becomes unconditional. The consideration relating to the services is received based on the individual conditions determined by each contract.

Contract liabilities arising from service contracts with customers, mainly for the Materials Handling operations, are the consideration received before the Group provides promised services to customers. Contract liabilities are reversed as revenue is recognized.

In the consolidated financial statements, receivables arising from contracts with customers and contract assets are included in “Notes and accounts receivable - trade, and contract assets” under current assets, and contract liabilities are included in “Other” under current liabilities. Of revenue recognized during the fiscal year, the amount included in contract liabilities at the beginning of the fiscal year is 3,037 million yen.

In the fiscal year ended March 31, 2022, the amount of contract assets decreased because contract assets were reclassified to receivables arising from contracts with customers as the Group’s right to consideration became unconditional.

For the fiscal year ended March 31, 2023

(Unit: Millions of yen)

	2023	
	Beginning of the year	End of the year
Receivables arising from contracts with customers	43,052	44,026
Contract assets	2,720	4,691
Contract liabilities	2,558	3,205

Contract assets arising from service contracts with customers, mainly for the Materials Handling operations, are the Group’s right to consideration in exchange for promised services that the Group has provided to customers as of the end of the fiscal year but not yet claimed for payments. Contract assets are reclassified to receivables arising from contracts with customers when the Group’s right to consideration becomes unconditional. The consideration relating to the services is received based on the individual conditions determined by each contract.

Contract liabilities arising from service contracts with customers, mainly for the Materials Handling operations, are the consideration received before the Group provides promised services to customers. Contract liabilities are reversed as revenue is recognized.

In the consolidated financial statements, receivables arising from contracts with customers and contract assets are included in "Notes and accounts receivable - trade, and contract assets" under current assets, and contract liabilities are included in "Other" under current liabilities. Of revenue recognized during the fiscal year, the amount included in contract liabilities at the beginning of the fiscal year is 2,355 million yen.

In the fiscal year ended March 31, 2023, the amount of contract assets increased in a net basis because an increase due to revenue recognition exceeded a decrease due to reclassification to receivables arising from contracts with customers.

3. Transaction price allocated to the remaining performance obligations

The Group applies a practical expedient since there are no significant contracts with an initially expected contract terms of more than one year. Thus, information on the remaining performance obligations is omitted.

(Segment Information, etc.)

【Segment information】

1. Outline of reportable segment information

The Group's reportable segments are those for which separate financial information is available and a regular review by the Board of Directors is being performed in order to evaluate the performance and decide how resources are allocated among the Group.

The business segments are classified based on products and services. Each business segment determines comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area.

The reportable segments that comprise the Group's operations are: "Chains," "Motion Control," "Mobility" and "Materials Handling."

The major products of each reportable segments are as follows:

Reportable segments	Major products
Chains	Drive chains, Small size conveyor chains, Large size conveyor chains, Top chains, Sprocket, Timing Belts, Timing Pulleys, Horse and Cable Carriers and other
Motion Control	Reducers, Linear Actuators, Shaft Couplings, Locking Devices, Clutches, Electrical Controllers, Mechanical Protectors, Zip Chains/ Lifters and other
Mobility	Timing Chain Systems (Cam drive, Accessary drive, etc.), EV/HEV Enedrive® Chain, Vehicle One-Way Clutch, e-Bike Clutch and other
Materials Handling	Materials Handling Systems for the Logistics Industry, Life Science Support Systems and Equipment, Systems for Newspaper Printing Plants

	and Paper Manufacturers, Systems for Automobile Industry, Other Conveying, Sorting or Storage Systems, Bulk Handling Systems, Metalworking Chips Handling and Coolant Processing Systems, Systems for Food Industry, Maintenance and other

2. Calculation methods used for net sales, profit or loss, assets and other items of each reportable segment

The accounting treatment for reporting this segment information is substantially the same as that described in "(Significant Matters for the Basis of Preparing Consolidated Financial Statements)."

Segment profit is on the basis of operating profit.

Intersegment net sales and transfer amount are recorded at the same price used in transactions with third parties.

3. Information on net sales, profit or loss, assets and other items of each reportable segment

For the fiscal year ended March 31, 2022

(Unit: Millions of yen)

	Reportable segment					Other (Note 1)	Total	Adjust-ments (Note 2)	Consolidated
	Chains	Motion Control	Mobility	Materials Handling	Subtotal				
Net sales									
Net sales to third parties	72,371	19,376	66,026	55,704	213,479	2,400	215,879	–	215,879
Inter-segment and transfers	1,802	530	0	23	2,357	674	3,031	(3,031)	–
Total	74,174	19,906	66,027	55,728	215,837	3,074	218,911	(3,031)	215,879
Segment profit (loss) (Operation profit (loss))	11,005	1,129	6,568	799	19,502	(442)	19,060	(1,217)	17,842
Segment assets	87,731	30,061	101,924	56,705	276,422	3,158	279,581	53,039	332,620
Other items:									
Depreciation and amortization	3,293	1,045	6,751	1,571	12,661	32	12,694	–	12,694
Investments in affiliates accounted for by equity method	6	–	–	418	424	–	424	–	424
Increase in property, plant and equipment and intangible assets	2,782	1,416	3,542	817	8,558	33	8,591	–	8,591

Notes: 1. The "Other" segment consists of the following business segments not classified into reportable segments: building maintenance business, insurance agency business, new business and others.

2. Adjustments are as follows:

(1) Adjustments to segment profit (loss) of (1,217) million yen include intersegment eliminations of 36 million yen, corporate expenses, which are not allocated to the reportable segments, of (1,254) million yen. Corporate expenses present mainly general and administrative expenses which do not belong to the reportable segments.

(2) Adjustments to segment assets of 53,039 million yen include intersegment eliminations of (885) million yen, corporate assets, which are not allocated to the reportable segments, of 53,924 million yen. Corporate assets present cash and deposits and investments in securities which do not belong to the reportable segments.

For the fiscal year ended March 31, 2023

(Unit: Millions of yen)

	Reportable segment					Other (Note 1)	Total	Adjust-ments (Note 2)	Consolidated
	Chains	Motion Control	Mobility	Materials Handling	Subtotal				
Net sales									
Net sales to third parties	88,165	22,632	77,272	60,940	249,010	2,563	251,574	–	251,574
Inter-segment and transfers	1,930	684	2	32	2,650	636	3,287	(3,287)	–
Total	90,096	23,316	77,275	60,973	251,661	3,200	254,862	(3,287)	251,574
Segment profit (loss) (Operation profit (loss))	13,687	1,710	6,376	(888)	20,885	(534)	20,351	(1,365)	18,985
Segment assets	93,681	33,549	107,169	56,030	290,432	3,248	293,681	52,197	345,878
Other items:									
Depreciation and amortization	3,434	1,164	6,999	1,651	13,250	49	13,299	–	13,299
Investments in affiliates accounted for by equity method	11	–	–	485	497	–	497	–	497
Increase in property, plant and equipment and intangible assets	3,552	2,555	3,230	1,231	10,570	102	10,672	–	10,672

Notes: 1. The “Other” segment consists of the following business segments not classified into reportable segments: building maintenance business, insurance agency business, new business and others.

2. Adjustments are as follows:

(1) Adjustments to segment profit (loss) of (1,365) million yen include intersegment eliminations of 24 million yen, corporate expenses, which are not allocated to the reportable segments, of (1,389) million yen. Corporate expenses present mainly general and administrative expenses which do not belong to the reportable segments.

(2) Adjustments to segment assets of 52,197 million yen include intersegment eliminations of (977) million yen, corporate assets, which are not allocated to the reportable segments, of 53,175 million yen. Corporate assets present cash and deposits and investments in securities which do not belong to the reportable segments.

【Related information】

For the fiscal year ended March 31, 2022

1. Information by products and services

The disclosure is omitted since the same information is disclosed in the Segment Information.

2. Geographical information

(1) Net sales

(Unit: Millions of yen)

Japan	U.S.A.	Europe	Indian-Ocean Rim	China	Korea and Taiwan	Other	Total
88,508	47,671	23,611	16,437	19,242	9,707	10,699	215,879

(Note) Net sales are based on customers’ location and classified into countries or region.

(2) Property, plant and equipment

(Unit: Millions of yen)

Japan	U.S.A.	Europe	Indian-Ocean Rim	China	Korea and Taiwan	Other	Total
74,981	17,204	6,258	2,849	8,230	3,723	1,670	114,918

(3) Information on major customers

(Unit: Millions of yen)

Name of customer	Net sales	Related segments
TSUBAKIMOTO KOGYO CO., LTD.	26,061	Chains, Motion Control, Mobility and Materials Handling

For the fiscal year ended March 31, 2023

1. Information by products and services

The disclosure is omitted since the same information is disclosed in the Segment Information.

2. Geographical information

(1) Net sales

(Unit: Millions of yen)

Japan	U.S.A.	Europe	Indian-Ocean Rim	China	Korea and Taiwan	Other	Total
92,241	65,404	29,508	19,726	20,254	11,029	13,410	251,574

(Note) Net sales are based on customers’ location and classified into countries or region.

(2) Property, plant and equipment

(Unit: Millions of yen)

Japan	U.S.A.	Europe	Indian-Ocean Rim	China	Korea and Taiwan	Other	Total
73,916	18,371	6,973	2,730	7,775	3,496	1,834	115,097

(3) Information on major customers

(Unit: Millions of yen)

Name of customer	Net sales	Related segments
TSUBAKIMOTO KOGYO CO., LTD.	27,509	Chains, Motion Control, Mobility, Materials Handling and other

【Information on impairment loss by reportable segments】

For the fiscal year ended March 31, 2022

(Unit: Millions of yen)

	Chains	Motion Control	Mobility	Materials Handling	Other	Corporate and eliminations	Consolidated
Impairment loss	15	6	–	5	–	–	26

For the fiscal year ended March 31, 2023

(Unit: Millions of yen)

	Chains	Motion Control	Mobility	Materials Handling	Other	Corporate and eliminations	Consolidated
Impairment loss	–	–	65	2,765	–	–	2,831

【Information on amortization of goodwill and unamortized balances by reportable segments】

For the fiscal year ended March 31, 2022

(Unit: Millions of yen)

	Chains	Motion Control	Mobility	Materials Handling	Other	Corporate and eliminations	Consolidated
Amortization	–	–	–	279	–	–	279
Unamortized balance	–	–	–	2,496	–	–	2,496

For the fiscal year ended March 31, 2023

(Unit: Millions of yen)

	Chains	Motion Control	Mobility	Materials Handling	Other	Corporate and eliminations	Consolidated
Amortization	–	122	–	336	–	–	459
Unamortized balance	–	1,243	–	–	–	–	1,243

【Information on negative goodwill by reportable segments】

For the fiscal year ended March 31, 2022

Not applicable

For the fiscal year ended March 31, 2023

Not applicable

【Related parties information】

Not applicable

(Per Share Information)

	2022	2023
Net assets per share	5,612.28 yen	6,059.46 yen
Profit per share	392.88 yen	371.12 yen

Notes 1. Diluted profit per share is not stated since there are no diluted share.

2. Basis for calculation of profit per share is as follows:

	2022	2023
Profit per share		
Profit attributable to owners of parent (Millions of yen)	14,543	13,742
Profit not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common stock (Millions of yen)	14,543	13,742
Average number of common stock during the fiscal year (Thousands of shares)	37,017	37,029

(Significant Subsequent Events)

(Acquisition and cancellation of treasury shares)

At the Board of Directors' meeting held on May 23, 2023, the Company resolved to acquire treasury shares pursuant to the provisions of Article 156 of the Companies Act (the "Act") as applied by replacing the terms pursuant to the provisions of Article 165, paragraph 3 of the Act, and to cancel the treasury shares pursuant to the provisions of Article 178 of the Act.

1. Reason for acquiring and cancelling treasury shares

The reason for acquiring and cancelling treasury shares is to execute a flexible capital policy in response to changes in the business environment and to enhance shareholder returns and improve capital efficiency. For the improvement of shareholder value over the medium- to long-term, all acquired treasury shares will be cancelled.

2. Details of matters in connection with acquisition

(1) Class of shares to be acquired Common stock of the Company

(2) Total number of shares to be acquired 1,200,000 shares (upper limit)

(Percentage of total number of shares issued and outstanding, excluding treasury shares: 3.24%)

(3) Total acquisition amount 5,000 million yen (upper limit)

(4) Period of acquisition From June 1, 2023 to March 29, 2024

(5) Acquisition method Market purchase on the Tokyo Stock Exchange

3. Details of matters in connection with cancellation

(1) Class of shares to be cancelled Common stock of the Company

(2) Total number of shares to be cancelled All shares acquired in 2. above

(3) Planned date of cancellation March 29, 2024

【Supplemental information】

【Details of bonds】

Name of company	Name of issues	Issued date	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Rate (%)	Collateral	Redemption date
TSUBAKIMOTO CHAIN CO.	The 10th unsecured corporate bonds	December 20, 2018	5,000	5,000	0.30	Unsecured	December 19, 2025
TSUBAKIMOTO CHAIN CO.	The 11th unsecured corporate bonds	December 20, 2018	10,000	10,000	0.52	Unsecured	December 20, 2028
Total	–	–	15,000	15,000	–	–	–

(Note) Redemption schedule within 5 years subsequent to the fiscal year end

(Unit: Millions of yen)

Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
–	–	5,000	–	–

【Details of borrowings】

	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average rate (%)	Due dates
Short-term borrowings	8,591	9,025	1.5	–
Current portion of long-term borrowings	4,551	303	1.8	–
Current portion of lease liabilities	559	674	–	–
Long-term borrowings (excluding current portion)	9,727	9,457	0.4	From April 18, 2024 to December 15, 2029
Lease liabilities (excluding current portion)	800	1,162	–	From April 23, 2024 to March 31, 2028
Other interest-bearing liabilities				
Installment purchase (due within 1 year)	4	–	–	–
Installment purchase (over 1 year)	–	–	–	–
Total	24,235	20,622	–	–

Notes 1. The average rate above presents weighted-average interest rates to the endling balances.

2. The average rate of lease liabilities is not stated since the lease liabilities is presented in the consolidated balance sheet mainly at the amount before deducting the amount equivalent to interests included in total lease payments.

3. Maturity schedules of long-term borrowings and lease liabilities (excluding current portion) within 5 years subsequent to the fiscal year end are as follows:

(Unit: Millions of yen)

	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years
Long-term borrowings	5,789	1,530	80	2,039
Lease obligations	468	228	163	106

【Details of asset retirement obligations】

The disclosure is omitted since the amounts of asset retirement obligations at the beginning and end of the fiscal year ended March 31, 2023 are below 1% of the total of liabilities and net assets at the beginning and end of the fiscal year ended March 31, 2023.

【Other】

Quarterly financial information

Cumulative	The 1st Quarter	The 2nd Quarter	The 3rd Quarter	2023
Net sales (Millions of yen)	57,968	118,933	182,864	251,574
Quarterly profit before income taxes (Millions of yen)	5,399	9,699	15,444	18,292
Quarterly profit attributable to owners of parent (Millions of yen)	3,753	6,756	10,921	13,742
Quarterly profit per share (Yen)	101.38	182.49	294.96	371.12

Quarterly	The 1st Quarter	The 2nd Quarter	The 3rd Quarter	The 4th Quarter
Quarterly profit per share (Yen)	101.38	81.11	112.47	76.16

English Translation
Independent Auditor's Report on the Audit of Financial Statements and the Internal Controls over Financial Reporting

June 30, 2023

The Board of Directors
TSUBAKIMOTO CHAIN Co.

Ernst & Young ShinNihon LLC
Osaka, Japan

Naoya Nishino
Designated Engagement Partner
Certified Public Accountant

Kimio Sudo
Designated Engagement Partner
Certified Public Accountant

<Audit of Financial Statements>

Opinion

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements of TSUBAKIMOTO CHAIN Co. (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet as of March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Estimates of total construction costs for revenue recognition of construction contracts in Materials Handling operations</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>The Company and its consolidated subsidiaries are mainly engaged in four businesses: Chains, Motion Control, Mobility and Materials Handling, and the Materials Handling operations provides contract construction services and others. As described in the note "(Significant Matters for the Basis of Preparing Consolidated Financial Statements), 4. Accounting policies, (5) Basis for recognizing significant revenue and expenses," for construction contracts in the Materials Handling operations, when control of a good or service is transferred to the customer over time, the Company and its consolidated subsidiaries recognize revenue based on the degree of progress toward satisfaction of the performance obligation over time.

As described in the note "(Significant Accounting Estimates), 1. Estimates of total construction costs for contracts of which revenues are recognized based on the satisfaction of performance obligations over a certain period of time," out of the ¥251,574 million of net sales for the fiscal year ended March 31, 2023, the amount of sales recognized based on the degree of progress toward satisfaction of the performance obligations was ¥23,334 million, and it accounts for 9.3% of all sales.

The degree of progress toward satisfaction of the performance obligation is calculated based on the percentage of actual cost incurred as of the consolidated balance sheet date to the estimated total construction costs. Total construction cost is estimated by accumulating quotations for the cost of</td><td>We mainly performed the following audit procedures to assess estimates of total construction costs, which affect revenue recognition of construction contracts, at the Company and U.S. TSUBAKI HOLDINGS, INC. (hereinafter "UST"), which are significant locations of the Materials Handling operations:

-1 Test of internal control

We evaluated the design and tested the operation of the following internal controls of the Company related to the estimates of total construction costs:

・ Controls to ensure the reliability of estimates of total construction costs, which are prepared by the person in charge of construction, through the approval by supervisors.

・ Controls to revise estimates of total construction costs in a timely manner in accordance with the status of construction, actual costs incurred, or changes in specifications.

・ Controls to ensure that the construction cost management department, which is responsible for the reliability of construction costs, monitors the estimates of total construction cost and the status of actual costs incurred in a timely manner.

-2 Test of the estimates of total construction costs

・ To evaluate the accuracy of estimates of total construction costs, we understood the Company's process of estimating total construction costs and compared</td></tr>
</table>

materials and outsourcing costs obtained from third parties and labor costs calculated based on the aggregation of the detailed working hours. Since construction work in the Materials Handling operations is highly customized and the basic specifications and details are based on each customer's instructions, estimates of total construction costs are subject to complexity. In addition, since modifications to construction contracts or delays due to bad weather may occur during the course of construction, which result in necessary revisions to the total construction cost, estimates of total construction costs involve uncertainty. Given that estimating total construction costs in revenue recognition of construction contracts in the Materials Handling operations was particularly significant for the current fiscal year, we determined estimates of total construction costs to be a key audit matter.	prior estimates of total construction costs with re-estimated amounts or the actual amount. ・ We inquired of the construction cost management department about the necessity to revise estimates of total construction costs. In addition, for necessary construction works, we reviewed the specifications, the schedule and construction work involved and others and assessed whether responses to our inquiries are in accordance with the status of construction works. ・ Regarding estimates of total construction costs, we reviewed the working budget, which is the basis for calculating construction cost and examined whether the estimated cost is calculated by cost accumulation. For necessary construction works, we compared quotations for the cost of materials and outsourcing costs and others and documentation as evidence of cost accumulation with the construction objectives specified in the construction contract, and whether the estimated cost is calculated using quotations for the cost of materials and outsourcing costs categorizing each type of work. ・ We inspected certain construction sites and considered whether the estimates of total construction costs and the degree of progress are in accordance with the status of such construction work.

Evaluation of goodwill and trademark rights related to Central Conveyor Company, LLC	
Description of Key Audit Matter	**Auditor's Response**
As described in the note "(Significant Accounting Estimates), 2. Valuation of trademark rights," the consolidated balance sheet as of March 31, 2023 includes the trademark rights of ¥1,135 million recorded when U.S. TSUBAKI HOLDINGS, INC. (hereinafter referred to as "UST"), a consolidated subsidiary, acquired all shares of Central Conveyor Company, LLC	In considering the evaluation of goodwill and trademark rights recorded at UST, we have involved the auditors of the component and have mainly conducted the following audit procedures. ・ We involved valuation specialists of a network firm of the component auditors for the review of the valuation techniques

(hereinafter referred to as “CCC”). As described in the note “(Consolidated Statements of Income) * 6 Impairment loss,” the Company recognized impairment losses of ¥2,426 million and ¥338 million for goodwill and trademark rights, respectively, related to CCC for the fiscal year ended March 31, 2023. The total of such impairment loss represents 15.1% of profit before income taxes. UST prepares its financial statements in accordance with U.S. GAAP and conducts an impairment test on goodwill and trademark rights, which are non-amortized intangible assets, on an annual basis and whenever an indication of impairment is identified. The Company has determined that there is an indication of impairment because CCC’s operations have been less than the management plan prepared at the time of acquisition of CCC due to changes in the market structure and other factors. Accordingly, the Company has calculated the fair value of the reporting unit including goodwill as part of an impairment test as well as the trademark rights. As a result, the fair value of these items was less than book value. Therefore, the Company has reduced the book value to the fair value and recognized the difference as an impairment loss. The Company uses their financial statements for the purpose of consolidated accounting procedures in accordance with ASBJ PITF No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements.” The fair value used in the impairment test of goodwill is estimated using the discounted cash flow method and the comparable company method based on the internally approved business plan of CCC, with significant assumptions in the fair value estimates being sales and discount rates, including forecasts of business and supply and demand trends included in the business plan. The fair value used in the trademark impairment test is estimated under the relief-	used to estimate the fair value of goodwill and trademark rights. ・ We inquired of UST management about their future prospects based on the business plans used in the discounted cash flow method. In addition, we reviewed whether they are consistent with the approved next year budget and medium-term management plan. ・ Sales included in the business plan were compared with past trends and the balance of orders received and the status inquiries from customers were reviewed. ・ For royalty rates and discount rates, we involved valuation specialists of a network firm of the component auditors and made comparisons between input data used to calculate and available external data. ・ In addition, we involved valuation specialists of our network firm and assessed the assessment techniques and the audit procedures and conclusions regarding royalty rates and discount rates performed by the component auditors.

from-royalty method. Significant assumptions in the fair value estimates are sales included in the business plan, the related royalty rates and discount rates. Of these significant assumptions, estimates of sales and related royalty rates included in the business plan are subjective and subject to uncertainty, and management's judgment has a significant impact on the results of the impairment test. Discount rate estimates require a high degree of evaluation expertise in selecting calculation methods and input data. Based on the above, we have determined that the evaluation of goodwill and trademark rights relating to CCC was particularly important for the fiscal year ended March 31, 2023 and is a key audit matter.	

Other Information

The other information comprises the information included in the Annual Securities Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Corporate Auditor and the Board of Corporate Auditors is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We communicate with the Corporate Auditor and the Board of Corporate Auditors that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to remove or mitigate obstructions.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of Internal Control over Financial Reporting>

Opinion

Pursuant to Article 193-2, paragraph 2 of the Financial Instruments and Exchange Act, we also have audited the accompanying management's report on internal control over financial reporting of TSUBAKIMOTO CHAIN Co. and its subsidiaries (the Group) as of March 31, 2023.

In our opinion, the accompanying management's report on internal control over financial reporting, which states that the internal control over financial reporting was effective as of March 31, 2023, present fairly, in all material respects, the results of the internal control over financial reporting in accordance with assessment standards for internal over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards on internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management's and the Corporate Auditor and the Board of Corporate Auditors for Internal Control Report

Management is responsible for designing and implementing internal control over financial reporting, and for the preparation and fair presentation of Internal Control Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan. The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing and verifying the design and implementation of internal control over financial reporting. Internal control over financial reporting may not prevent or detect misstatements.

Auditor's Responsibilities for the Audit of Internal Control

Our objectives are to obtain reasonable assurance about whether Internal Control Report is free from material misstatement based our internal control audit performed, and to issue an auditor's report that includes our opinion from an independent standpoint. As part of an audit in accordance with auditing standards on internal control generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence relating to the result of management's assessment of internal control over financial reporting in Internal Control Report. The design and performance of audit procedures for internal control audit is based on our judgement in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of Internal Control Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.
- Obtain sufficient appropriate audit evidence regarding the result of management's assessment of internal control over financial reporting in Internal Control Report. We are responsible for the direction, supervision, and performance of the audit of Internal Control Report. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, any significant deficiencies in internal control that we identify, and the results of corrective measures for such significant deficiencies.

We communicate with the Corporate Auditor and the Board of Corporate Auditors that we have complied with the ethical requirements regarding independence that are relevant to our audit of internal control in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to remove or mitigate obstructions.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan
Our firm and its designated engagement partners do not have any interest in the Company and its consolidated subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Note to Readers of Independent Auditor's Report
This is an English translation of the Independent Auditor's Report ordinally issued in Japanese as required by the Financial Instruments and Exchange Act.
The other information described in the "Other Information" section may differ from the information in the Integrated Report.