

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, 2025
with Independent Auditor’s Report*

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Consolidated Balance Sheet

As of March 31, 2025

(Unit: Millions of yen)

		2024	2025
Assets			
Current assets			
Cash and deposits		77,321	67,945
Notes and accounts receivable - trade, and contract assets	※4, ※9	47,095	47,041
Electronically recorded monetary claims - operating	※4	20,255	17,598
Securities		603	780
Merchandise and finished goods		26,217	23,763
Work in process	※1	16,959	17,668
Raw materials and supplies		14,980	14,728
Other		3,359	4,796
Allowance for doubtful accounts		(938)	(1,011)
Total current assets		<u>205,853</u>	<u>193,313</u>
Non-current assets			
Property, plant and equipment			
Buildings and structures		89,387	91,343
Accumulated depreciation		(54,853)	(57,664)
Buildings and structures, net		<u>34,534</u>	<u>33,679</u>
Machinery, equipment and vehicles		161,640	165,403
Accumulated depreciation		(125,752)	(131,575)
Machinery, equipment and vehicles, net		<u>35,888</u>	<u>33,828</u>
Tools, furniture and fixtures		36,972	38,965
Accumulated depreciation		(32,599)	(34,129)
Tools, furniture and fixtures, net		<u>4,373</u>	<u>4,836</u>
Land	※7	38,533	38,686
Construction in progress		5,612	6,665
Total property, plant and equipment		<u>118,942</u>	<u>117,695</u>
Intangible assets			
Goodwill		1,216	1,677
Other		7,688	7,567
Total intangible assets		<u>8,904</u>	<u>9,245</u>
Investments and other assets			
Investments in securities	※2	47,052	39,876
Long-term loans receivable		13	9
Deferred tax assets		4,120	4,733
Retirement benefit asset		298	344
Other	※2	6,219	6,394
Allowance for doubtful accounts		(106)	(102)
Total investments and other assets		<u>57,598</u>	<u>51,255</u>
Total non-current assets		<u>185,444</u>	<u>178,197</u>
Total assets		<u>391,298</u>	<u>371,510</u>

(Unit: Millions of yen)-

		2024	2025
Liabilities			
Current liabilities			
Notes and accounts payable - trade	※4	18,592	16,284
Electronically recorded obligations - operating	※4	14,699	3,650
Short-term borrowings		4,183	4,271
Current portion of bonds payable		—	5,000
Current portion of long-term borrowings		5,801	1,573
Lease liabilities		758	753
Income taxes payable		2,906	2,239
Accrued consumption taxes		545	544
Provision for bonuses		6,133	6,141
Provision for loss on construction contracts	※1	179	※1
Provision for shareholder benefit program		46	126
Electronically recorded obligations - non-operating	※4	2,809	1,315
Other	※4,※10	20,843	20,524
Total current liabilities		<u>77,499</u>	<u>62,505</u>
Non-current liabilities			
Bonds payable		15,000	10,000
Long-term borrowings		3,728	4,300
Lease liabilities		1,392	1,340
Deferred tax liabilities		13,713	11,738
Deferred tax liabilities for land revaluation	※7	5,001	※7
Provision for retirement benefits for directors (and other officers)		144	159
Retirement benefit liability		12,497	12,461
Asset retirement obligations		600	631
Other		1,159	1,060
Total non-current liabilities		<u>53,238</u>	<u>46,842</u>
Total liabilities		<u>130,738</u>	<u>109,348</u>
Net assets			
Shareholders' equity			
Share capital		17,076	17,076
Capital surplus		12,582	12,587
Retained earnings		185,285	192,135
Treasury shares		(4,375)	(6,018)
Total shareholders' equity		<u>210,568</u>	<u>215,781</u>
Accumulated other comprehensive income			
Valuation difference on other securities		25,667	19,495
Deferred gain or loss on hedges		(61)	(13)
Revaluation reserve for land	※7	(10,597)	※7
Foreign currency translation adjustment		31,991	34,446
Retirement benefits liability adjustments		831	844
Total accumulated other comprehensive income		<u>47,831</u>	<u>44,028</u>
Non-controlling interests		<u>2,159</u>	<u>2,352</u>
Total net assets		<u>260,559</u>	<u>262,162</u>
Total liabilities and net assets		<u>391,298</u>	<u>371,510</u>

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
 Consolidated Statement of Income

For the fiscal year ended March 31, 2025

	(Unit: Millions of yen)			
	2024	2025		
Net sales	※1 ※2,※ 3,※5	266,812 189,046	※1 ※2,※ 3,※5	279,193 197,010
Cost of sales				
Gross profit		77,766		82,182
Selling, general and administrative expenses	※4,※5	56,503	※4,※5	59,328
Operating profit		21,262		22,854
Non-operating income				
Interest income		1,039		1,409
Dividend income		1,248		1,657
Share of profit of entities accounted for using equity method		17		—
Foreign exchange gain/		308		—
Other		1,157		1,142
Total non-operating income		3,770		4,209
Non-operating expenses				
Interest expenses		319		295
Loss on sale and retirement of non-current assets		215		193
Share of loss of entities accounted for using equity method		—		2
Foreign exchange loss		—		384
Loss on valuation of derivatives		211		—
Restructuring expenses		279		—
Other		556		854
Total non-operating expenses		1,582		1,731
Ordinary profit		23,450		25,332
Extraordinary income				
Settlement income		1,270		—
Gain on sale of investments in securities		2,448		5,088
Total extraordinary income		3,719		5,088
Extraordinary loss				
Impairment loss	※6	594	※6	21
Loss on valuation of investments in capital of subsidiaries and associates		—		113
Loss on valuation of investments in securities		502		—
Loss on valuation of shares of subsidiaries and associates		178		118
Total extraordinary loss		1,275		253
Profit before income taxes		25,894		30,167
Income taxes - current		8,040		8,225
Income taxes - deferred		(758)		(226)
Total income taxes		7,282		7,998
Profit		18,611		22,169
Profit attributable to non-controlling interests		60		46
Profit attributable to owners of parent		18,551		22,122

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
 Consolidated Statement of Comprehensive Income

For the fiscal year ended March 31, 2025

(Unit: Millions of yen)

	2024	2025
Profit	18,611	22,169
Other comprehensive income		
Valuation difference on other securities	11,725	(6,171)
Deferred gain or loss on hedges	(2)	47
Revaluation reserve for land	—	(147)
Foreign currency translation adjustment	12,128	2,618
Retirement benefits liability adjustments, net of tax	927	12
Share of other comprehensive income of entities accounted for using equity method	22	33
Total other comprehensive income	24,801	(3,606)
Comprehensive income	43,412	18,562
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	43,246	18,319
Comprehensive income attributable to non-controlling interests	165	243

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

For the fiscal year ended March 31, 2024

(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	13,573	174,799	(4,171)	201,279	13,941	(59)	(10,614)	19,946	(95)	23,119	2,184	226,582
Changes during period													
Dividends of surplus			(4,767)		(4,767)								(4,767)
Profit attributable to owners of parent			18,551		18,551								18,551
Purchase of treasury shares													(4,554)
Disposal of treasury shares			4		52		56						56
Cancellation of treasury shares			(993)	(3,279)	4,273		—						—
Increase by share exchanges			(0)		23		23						23
Purchase of shares of consolidated subsidiaries			(3)			(3)							(3)
Transfer from retained earnings to capital surplus			1	(1)			—						—
Reversal of revaluation reserve for land				(17)		(17)							(17)
Net changes in items other than shareholders' equity						11,725	(2)	17	12,045	927	24,712	(25)	24,687
Total changes during period	—	(991)	10,485	(203)	9,289	11,725	(2)	17	12,045	927	24,712	(25)	33,977
Balance at end of period	17,076	12,582	185,285	(4,375)	210,568	25,667	(61)	(10,597)	31,991	831	47,831	2,159	260,559

For the fiscal year ended March 31, 2025

(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	12,582	185,285	(4,375)	210,568	25,667	(61)	(10,597)	31,991	831	47,831	2,159	260,559	
Changes during period														
Dividends of surplus			(6,984)		(6,984)									(6,984)
Profit attributable to owners of parent			22,122		22,122									22,122
Purchase of treasury shares				(10,005)	(10,005)									(10,005)
Disposal of treasury shares				65	81									81
Cancellation of treasury shares			(15)	(8,281)	8,297		—							—
Increase by share exchanges							—							—
Purchase of shares of consolidated subsidiaries							—							—
Transfer from retained earnings to capital surplus			5	(5)			—							—
Reversal of revaluation reserve for land							—							—
Net changes in items other than shareholders' equity						(6,171)	47	(147)	2,455	12	(3,803)	192		(3,610)
Total changes during period	—	5	6,850	(1,642)	5,212	(6,171)	47	(147)	2,455	12	(3,803)	192		1,602
Balance at end of period	17,076	12,587	192,135	(6,018)	215,781	19,495	(13)	(10,744)	34,446	844	44,028	2,352		262,162

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows

For the fiscal year ended March 31, 2025

	(Unit: Millions of yen)	
	2024	2025
Cash flows from operating activities		
Profit before income taxes	25,894	30,167
Depreciation and amortization	13,883	14,211
Impairment loss	594	21
Amortization of goodwill	184	212
Loss (gain) on sale and retirement of non-current assets	184	123
Loss (gain) on valuation of investments in securities	502	72
Loss (gain) on sale of investments in securities	(2,448)	(5,088)
Loss on valuation of shares of subsidiaries and associates	178	118
Loss on valuation of investments in capital of subsidiaries and associates	—	113
Subsidies for employment adjustment	(4)	—
Increase (decrease) in allowance for doubtful accounts	22	68
Increase (decrease) in retirement benefit liability	338	(88)
Decrease (increase) in trade receivables	(845)	3,414
Decrease (increase) in inventories	1,713	2,809
Increase (decrease) in trade payables	1,756	(14,006)
Other, net	1,114	(4,585)
Subtotal	43,070	27,565
Interest and dividends received	2,339	3,075
Interest paid	(298)	(297)
Subsidies for employment adjustment received	4	—
Income taxes paid	(6,534)	(9,045)
Net cash provided by (used in) operating activities	38,580	21,297
Cash flows from investing activities		
Payments into time deposits	(3,797)	(5,237)
Proceeds from withdrawal of time deposits	3,249	3,403
Purchase of investments in securities	(620)	(21)
Proceeds from sale of investments in securities	2,775	5,668
Payments for acquisition of capital of subsidiary resulting in change in scope of consolidation	—	(624)
Purchase of shares of subsidiaries and affiliates	(70)	(2,094)
Net decrease (increase) in short-term loans receivable	(17)	(13)
Long-term loan advances	(20)	(13)
Proceeds from collection of long-term loans receivable	16	16
Purchase of non-current assets	(10,844)	(13,159)
Proceeds from sale of non-current assets	178	240
Payments for asset retirement obligations	(12)	—
Net cash provided by (used in) investing activities	(9,161)	(11,834)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(5,226)	(9)
Proceeds from long-term borrowings	36	2,150
Repayments of long-term borrowings	(315)	(5,817)
Repayments of finance lease liabilities	(698)	(937)
Dividends paid	(4,767)	(6,984)
Dividends paid to non-controlling interests	(170)	(50)
Purchase of treasury shares	(4,554)	(10,005)
Proceeds from sale of treasury shares	—	0
Net cash provided by (used in) financing activities	(15,695)	(21,655)
Effect of exchange rate change on cash and cash equivalents	3,952	854
Net increase (decrease) in cash and cash equivalents	17,677	(11,338)
Cash and cash equivalents at beginning of period	56,978	74,655
Cash and cash equivalents at end of period	74,655	63,316
※1	74,655	63,316

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
As of and for the fiscal year ended March 31, 2025

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

1. Scope of consolidation

(1) Consolidated subsidiaries 68

The list of names of consolidated subsidiaries is omitted.

EUROCATENA GmbH was merged into TSUBAKIMOTO EUROPE B.V., a consolidated subsidiary of the Company, in the fiscal year ended March 31, 2025. Thus, EUROCATENA GmbH and its consolidated subsidiaries, Karl Jungbluth Kettenfabrik GmbH & Co. KG and Karl Jungbluth GmbH, have been included in the scope of consolidation.

(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
EUROCATENA GmbH	*2
Karl Jungbluth Kettenfabrik GmbH & Co. KG	*2
Karl Jungbluth GmbH	*2

January 31

TSUBAKIMOTO (THAILAND) CO., LTD.	*1
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*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 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

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.

a. 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.

b. 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.

c. 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 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, 2024

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)
Revenue recognized over time as performance obligations are satisfied	2024 26,368

(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 in construction 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 customer-related assets

(1) Amounts recorded on the consolidated financial statements

(Unit: Millions of yen)

	2024
Impairment loss	—
Customer-related assets	4,536

(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

Customer-related assets 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. Comparing the total amount of undiscounted future cash flows of the asset group to which customer-related assets belong with the carrying value of the asset group, the Company recognizes an impairment loss if the total amount of undiscounted future cash flows is less than the carrying value.

As at March 31, 2024, the total amount of undiscounted future cash flows is more than the carrying value; thus, the Company determines that the recognition of an impairment loss is not necessary.

b. Major assumptions used in significant accounting estimates

Undiscounted future cash flows are estimated based on an internally authorized business plan that takes into consideration forecasts of the market environment. Major assumptions in estimating undiscounted future cash flows are net sales and growth rates in the business plan based on forecasts of the market environment. The business plan involves 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, 2025

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)

	2025
Revenue recognized over time as performance obligations are satisfied	31,654

(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 in construction 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 customer-related assets

(1) Amounts recorded on the consolidated financial statements		(Unit: Millions of yen)
		2025
Impairment loss		–
Customer-related assets		3,940

(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

Customer-related assets 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. Comparing the total amount of undiscounted future cash flows of the asset group to which customer-related assets belong with the carrying value of the asset group, the Company recognizes an impairment loss if the total amount of undiscounted future cash flows is less than the carrying value.

As at March 31, 2025, the total amount of undiscounted future cash flows is more than the carrying value; thus, the Company determines that the recognition of an impairment loss is not necessary.

b. Major assumptions used in significant accounting estimates

Undiscounted future cash flows are estimated based on an internally authorized business plan that takes into consideration forecasts of the market environment. Major assumptions in estimating undiscounted future cash flows are net sales and growth rates in the business plan based on forecasts of the market environment. The business plan involves 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.

3. Valuation of non-current assets

(1) Amounts recorded on the consolidated financial statements

(Unit: Millions of yen)

	2025
Impairment loss	21
Property, plant and equipment	117,695
Intangible assets	9,245

(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

In applying impairment accounting for non-current assets, the Group's business assets are grouped by the minimum unit that generates generally independent cash flows based on business segmentation.

When there are indications of impairment for an asset group, the Group estimates the undiscounted future cash flows expected to be generated by the asset group. If the undiscounted future cash flows are less than the carrying value, the carrying value is reduced to the recoverable amount, and the difference is recognized as an impairment loss.

As of March 31, 2025, the Group identified indications of impairment for asset groups related to the Motion Control operations and the Materials Handling operations of the Company since they showed continuous negative results of operations.

As a result of comparing the total undiscounted future cash flows from these asset groups with their carrying value, the Group determined not to recognize an impairment loss since the undiscounted future cash flows exceeded the carrying value.

The carrying value of property, plant and equipment and intangible assets of the Motion Control operations is 9,502 million yen and that of the Materials Handling operations is 3,747 million yen.

b. Major assumptions used in significant accounting estimates

Undiscounted future cash flows are estimated based on an internally authorized business plan that takes into consideration forecasts of the market environment. Major assumptions in estimating undiscounted future cash flows are future net sales and growth rates in the business plan. The business plan involves 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.

(Accounting Standards and Guidance Not Yet Applied)

“Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)

“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024), etc.

1. Overview

As part of efforts to align Japanese GAAP with international standards, the ASBJ has been discussing the development of an accounting standard for leases that would require lessees to recognize an asset and a liability for all leases, in line with international accounting standards. As a general policy, while IFRS 16's single accounting model serves as a basis, the ASBJ has primarily adopted its major provisions, rather than all of its provisions. Accordingly, the new accounting standard was issued with the aim of being simple and practical, as well as compatible with the application of IFRS 16 provisions in non-consolidated financial statements without requiring adjustments.

As the accounting treatment for lessees, a single accounting model is applied to all leases in the same manner as IFRS 16, whereby depreciation on the right-of-use asset and interest expense on the lease liability are recognized, regardless of whether the lease is a finance lease or an operating lease.

2. Planned date of application

The Company plans to apply the new accounting standard and guidance from the beginning of the fiscal year ending March 31, 2028.

3. Effect of application

The impact on the Company's consolidated financial statements from the application of the new accounting standard and guidance is under evaluation.

(Changes in Presentation)

Consolidated Statement of Income

For the fiscal year ended March 31, 2025, “Loss on valuation of derivatives,” which was previously shown as a separate line item under non-operating expenses, has been included in “Other” under non-operating income since it turned to be “Gain on valuation of derivatives” and the amount was less than 10% of total non-operating income. For the fiscal year ended March 31, 2025, the amount of “Gain on valuation of derivatives” is 126 million yen.

(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)

	2024	2025
Work in process	37	56

*2 Unconsolidated subsidiaries and affiliates

Unconsolidated subsidiaries and affiliates are included in the following accounts:

(Unit: Millions of yen)

	2024	2025
Investments and other assets		
Investments in securities (equity securities)	2,458	4,447
Other (investments in capital)	2,123	1,987

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)

	2024	2025
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	406	83

(2) Employees

(Unit: Millions of yen)

2024	2025
7	5

*4 Notes maturing at the end of the fiscal year

Notes maturing at the end of the fiscal year is settled on the clearance date. Since March 31, 2024 was a bank holiday, the following notes matured at March 31, 2024 is included in the balances of notes receivable and payable as of March 31, 2024.

(Unit: Millions of yen)

	2024	2025
Notes receivable	214	—
Notes payable	177	—
Current liabilities, other (notes payable related to facilities)	20	—

In addition, certain receivable and payable are settled in cash in the same manner as notes. Thus, similar to the aforementioned notes matured at March 31, 2024, the following receivable and payable with payment date of March 31, 2024 are included in the respective balances as of March 31, 2024.

(Unit: Millions of yen)

	2024	2025
Accounts receivable - trade	56	—
Electronically recorded monetary claims - operating	4,404	—
Accounts payable - trade	1,027	—
Electronically recorded obligations - operating	3,443	—
Accounts payable - other	111	—
Electronically recorded obligations - non-operating	294	—
Accounts payable -other, non-operating (related to facilities)	129	—

5 Discounted electronically recorded monetary claims - operating

(Unit: Millions of yen)

	2024	2025
Discounted electronically recorded monetary claims - operating	2	2

6 Transferred electronically recorded monetary claims - operating

(Unit: Millions of yen)

	2024	2025
Transferred electronically recorded monetary claims - operating	—	14

*7 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)

	2024	2025
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)	5,600	5,500

8 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)

	2024	2025
Lines of credit	15,000	15,000
Credit utilized	—	—
Available credit	15,000	15,000

*9 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)

	2024	2025
Notes receivable - trade	1,775	1,038
Accounts receivable - trade	41,044	43,229
Contract assets	4,275	2,773

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

(Unit: Millions of yen)

	2024	2025
Contract liabilities	4,009	3,623

(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 (negative amount is a reversal of the provision) included in cost of sales is as follows:

(Unit: Millions of yen)

	2024	2025
	96	(74)

*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)

	2024	2025
	230	717

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

(Unit: Millions of yen)

	2024	2025
Salary and allowance	19,082	20,516
Provision for bonuses	2,179	2,208
Retirement benefit expenses	707	840
Provision for retirement benefits for directors (and other officers)	23	21
Shipping cost	5,954	6,151
Depreciation and amortization	2,374	2,762
Provision of allowance for doubtful accounts	185	160
Provision for shareholder benefit program	53	126

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

(Unit: Millions of yen)

	2024	2025
	6,346	6,820

*6 Impairment loss

For the fiscal year ended March 31, 2024

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

(1) Description of impaired asset group

Location	Use	Classification
Kato-City, Hyogo	Training center	Buildings, etc.
State of Michigan, U.S.A.	Other	Trademark rights

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

In connection with the closure of the training center, the carrying value of the asset was reduced to its recoverable amount, and the amount of the reduction was recorded as an impairment loss under extraordinary loss. The recoverable amount is measured at net realizable value.

Breakdown of impairment loss (Unit: Millions of yen)

	2024
Buildings and structures	94
Land	29
Tool, furniture and fixtures	0
Total	124

Regarding 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 due to changes in the market structure and other factors. As a result of the review, the fair value of trademark rights was determined to be less than their carrying value; thus, the carrying value of 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 relief-from-royalty method based on an internally approved business plan with taking into account projected market conditions.

Breakdown of impairment loss (Unit: Millions of yen)

	2024
Trademark rights	469
Total	469

(3) Method of asset grouping

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

For the fiscal year ended March 31, 2025

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

(1) Description of impaired asset group

Location	Use	Classification
Guanajuato, Mexico	Power transmission production facilities	Machinery and equipment

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

In connection with the discontinued production of certain products at Tsubakimoto Automotive Mexico S.A. de C.V., a consolidated subsidiary in Mexico, the carrying value of production facilities which cannot be used for other purposes was reduced to the recoverable amount and the difference was recognized as an impairment loss under extraordinary loss. The recoverable amount is determined based on the fair value less costs to sell. For assets that are difficult to sell, the recoverable amount is assessed at zero.

Breakdown of impairment loss	(Unit: Millions of yen)
	2025
Machinery, equipment and vehicles	21
Total	21

(3) Method of asset grouping

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

(Consolidated Statement of Comprehensive Income)

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

(Unit: Millions of yen)

	2024	2025
Valuation difference on other securities:		
Amount arising during the fiscal year	19,319	(3,579)
Reclassification adjustments	(2,448)	(4,953)
Before income taxes and tax effect	16,870	(8,532)
Income taxes and tax effect	(5,145)	2,360
Valuation difference on other securities	11,725	(6,171)
Deferred gain or loss on hedges:		
Amount arising during the fiscal year	(4)	82
Reclassification adjustments	—	—
Before income taxes and tax effect	(4)	82
Income taxes and tax effect	1	(34)
Deferred gain or loss on hedges	(2)	47
Revaluation reserve for land:		
Amount arising during the fiscal year	—	—
Reclassification adjustments	—	—
Before income taxes and tax effect	—	—
Income taxes and tax effect	—	(147)
Revaluation reserve for land	—	(147)
Foreign currency translation adjustment:		
Amount arising during the fiscal year	12,128	2,618
Reclassification adjustments	—	—
Foreign currency translation adjustment	12,128	2,618
Retirement benefits liability adjustments:		
Amount arising during the fiscal year	1,219	45
Reclassification adjustments	116	(11)
Before income taxes and tax effect	1,335	33
Income taxes and tax effect	(408)	(21)
Retirement benefits liability adjustments	927	12
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the fiscal year	22	33
Reclassification adjustments	—	—
Share of other comprehensive income of entities accounted for using equity method	22	33
Total other comprehensive income	24,801	(3,606)

(Consolidated Statement of Changes in Net Assets)

For the fiscal year ended March 31, 2024

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	–	1,200	37,081

(Reason for changes)

The reason for decreases is as follows:

Decrease due to cancellation of treasury shares based on the resolution of the Board of Directors' meeting
1,200 thousand shares

2. Matters regarding treasury shares

Class of shares	Beginning of the year	Increase	Decrease	End of the year
Common stock (Thousands of shares)	1,248	1,201	1,221	1,228

(Reason for changes)

The reason for increases is as follows:

Increase due to purchase of treasury shares based on the resolution of the Board of Directors' meeting
1,200 thousand shares

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 cancellation of treasury shares based on the resolution of the Board of Directors' meeting
1,200 thousand shares

Decrease due to share exchange based on the resolution of the Board of Directors' meeting
7 thousand shares

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

3. Cash dividends

(1) 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, 2023	Common stock	2,592	70.0	March 31, 2023	June 30, 2023
Board of Directors' Meeting held on October 31, 2023	Common stock	2,174	60.0	September 30, 2023	December 4, 2023

(2) 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 27, 2024	Common stock	Retained earnings	3,585	100.00	March 31, 2024	June 28, 2024

For the fiscal year ended March 31, 2025

1. Matters regarding the outstanding shares

Class of shares	Beginning of the year	Increase	Decrease	End of the year
Common stock (Thousands of shares)	37,081	74,162	5,030	106,213

(Reason for changes)

The reason for the increase is as follows:

Increase due to stock split based on the resolution of the Board of Directors' meeting

74,162 thousand shares

The reason for the decrease is as follows:

Decrease due to cancellation of treasury shares based on the resolution of the Board of Directors' meeting

5,030 thousand shares (5,030 thousand shares after the split)

2. Matters regarding treasury shares

Class of shares	Beginning of the year	Increase	Decrease	End of the year
Common stock (Thousands of shares)	1,228	7,464	5,044	3,648

(Reason for changes)

The reasons for the increases are as follows:

Increase due to purchase of treasury shares based on the resolution of the Board of Directors' meeting

1,976 thousand shares (1,527 thousand shares before the split, 449 thousand shares after the split)

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

1 thousand shares (0 thousand shares before the split, 1 thousand shares after the split)

Increase due to stock split based on the resolution of the Board of Directors' meeting

5,486 thousand shares

The reasons for the decreases are as follows:

Decrease due to cancellation of treasury shares based on the resolution of the Board of Directors' meeting

5,030 thousand shares (5,030 thousand shares after the split)

Decrease due to disposal of treasury shares as restricted stock compensation

13 thousand shares (13 thousand shares before the split)

Decrease due to request for sale of fractional shares of less than one unit

0 thousand shares (0 thousand shares before the split, 0 thousand shares after the split)

3. Cash dividends

(1) 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 27, 2024	Common stock	3,585	100.0	March 31, 2024	June 28, 2024
Board of Directors' Meeting held on October 31, 2024	Common stock	3,399	99.0	September 30, 2024	December 2, 2024

Note: Regarding dividend per share based on the resolution of Board of Directors' Meeting held on October 31, 2024, the stock split (three-for-one stock split) conducted on October 1, 2024 is not reflected since the record date is September 30, 2024.

(2) 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 27, 2025 (Planned)	Common stock	Retained earnings	4,820	47.0	March 31, 2025	June 30, 2025

(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)

	2024	2025
Cash and deposits	77,321	67,945
Time deposits with original maturities of over three months	(3,269)	(5,409)
Cash equivalents included in securities	603	780
Cash and cash equivalents	74,655	63,316

(Leases)

1. Finance lease transactions

Finance lease transactions involving the transfer of ownership

(1) Details of leased assets

Property, plant and equipment

Mainly processors (machinery and equipment) in the Chains operations

(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 Chains 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)

	2024	2025
Within one year	68	47
Over one year	68	121
Total	136	168

(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

A portion of temporary surplus funds is invested in foreign currency deposits. While foreign currency deposits are exposed to the foreign currency fluctuation risk, the Group hedges the risk by keeping the amount of deposits within actual demand.

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 foreign currency fluctuation risk. 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, 2024

(Unit: Millions of yen)

	Carrying value	Fair value	Difference
(1) Securities and investments in securities	44,720	44,720	—
Assets, total	44,720	44,720	—
(2) Bonds payable	15,000	15,212	(212)
(3) Long-term borrowings (*3)	9,529	9,503	26
Liabilities, total	24,529	24,715	(186)
Derivative transactions (*4)	[267]	[267]	—

(*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)

	2024
Unlisted equity securities and investments in capital	5,059

(*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, 2025

(Unit: Millions of yen)

	Carrying value	Fair value	Difference
(1) Securities and investments in securities	35,917	35,917	—
Assets, total	35,917	35,917	—
(2) Bonds payable (*3)	15,000	15,119	(119)
(3) Long-term borrowings (*4)	5,874	5,806	67
Liabilities, total	20,874	20,925	(51)
Derivative transactions (*5)	[68]	[68]	—

(*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)

	2025
Unlisted equity securities and investments in capital	6,728

(*3) The balance of bonds payable includes current portion.

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

(*5) 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, 2024

(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	77,321	—	—	—
Notes receivable – trade	1,775	—	—	—
Accounts receivable – trade	41,044	—	—	—
Electronically recorded monetary claims – operating	20,255	—	—	—
Securities and investments in securities				
Other securities with maturity dates				
(1) Debt securities	—	—	—	—
(2) Other	603	—	—	—
Total	140,999	—	—	—

As of March 31, 2025

(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	67,945	—	—	—
Notes receivable – trade	1,038	—	—	—
Accounts receivable – trade	43,229	—	—	—
Electronically recorded monetary claims – operating	17,598	—	—	—
Securities and investments in securities				
Other securities with maturity dates				
(1) Debt securities	—	—	—	—
(2) Other	780	—	—	—
Total	130,593	—	—	—

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

As of March 31, 2024

(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	5,801	1,549	99	2,063	—	16

As of March 31, 2025

(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	1,573	104	2,046	—	150	2,000

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, 2024

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities				
Other securities				
Equity securities	44,116	—	—	44,116
Total assets	44,116	—	—	44,116
Derivative transactions				
Currency related	—	267	—	267
Total liabilities	—	267	—	267

As of March 31, 2025

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities				
Other securities				
Equity securities	35,136	—	—	35,136
Total assets	35,136	—	—	35,136
Derivative transactions				
Currency related	—	68	—	68
Total liabilities	—	68	—	68

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

As of March 31, 2024

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities				
Other securities				
Other	—	603	—	603
Total assets	—	603	—	603
Bonds payable	—	15,212	—	15,212
Long-term borrowings	—	9,503	—	9,503
Total liabilities	—	24,715	—	24,715

As of March 31, 2025

(Unit: Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investments in securities				
Other securities				
Other	—	780	—	780
Total assets	—	780	—	780
Bonds payable	—	15,119	—	15,119
Long-term borrowings	—	5,806	—	5,806
Total liabilities	—	20,925	—	20,925

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

Securities and investments in securities

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, 2024

(Unit: Millions of yen)

	Carrying value	Acquisition cost	Difference
Other securities whose carrying value exceeds acquisition cost:			
(1) Equity securities	44,116	7,266	36,850
(2) Debt securities	—	—	—
(3) Other	—	—	—
Subtotal	44,116	7,266	36,850
Other securities whose carrying value does not exceed acquisition cost:			
(1) Equity securities	—	—	—
(2) Debt securities	—	—	—
(3) Other	603	603	—
Subtotal	603	603	—
Total	44,720	7,870	36,850

As of March 31, 2025

(Unit: Millions of yen)

	Carrying value	Acquisition cost	Difference
Other securities whose carrying value exceeds acquisition cost:			
(1) Equity securities	35,123	6,803	28,319
(2) Debt securities	—	—	—
(3) Other	—	—	—
Subtotal	35,123	6,803	28,319
Other securities whose carrying value does not exceed acquisition cost:			
(1) Equity securities	13	15	(1)
(2) Debt securities	—	—	—
(3) Other	780	780	—
Subtotal	794	796	(1)
Total	35,917	7,599	28,317

2. Other securities sold

For the fiscal year ended March 31, 2024

(Unit: Millions of yen)

	Sales proceeds	Total gain	Total loss
(1) Equity securities	2,775	2,448	—
(2) Debt securities	—	—	—
(3) Other	—	—	—
Total	2,775	2,448	—

For the fiscal year ended March 31, 2025

(Unit: Millions of yen)

	Sales proceeds	Total gain	Total loss
(1) Equity securities	5,668	5,088	—
(2) Debt securities	—	—	—
(3) Other	—	—	—
Total	5,668	5,088	—

3. Securities for which impairment loss is recognized

For the fiscal year ended March 31, 2024

Impairment loss on securities is recognized in the amount of 681 million yen (unlisted equity securities: 502 million yen, shares of subsidiaries and affiliates: 178 million yen).

For the fiscal year ended March 31, 2025

Impairment loss on securities is recognized in the amount of 191 million yen (unlisted equity securities: 72 million yen, shares of subsidiaries and affiliates: 118 million yen).

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

(1) Currency related

As of March 31, 2024

(Unit: Millions of yen)

	Type	Notional amount			Unrealized gain (loss)
			Due after 1 year	Fair value	
Over-the-counter transaction	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	1,359	—	(92)	(92)
	Euros	888	—	(51)	(51)
	Canadian dollars	132	—	(7)	(7)
	Australian dollars	106	—	(5)	(5)
	Chinese yuan	492	—	(29)	(29)
	Buy:				
	Yen	523	—	5	5
	Total	3,502	—	(182)	(182)

As of March 31, 2025

(Unit: Millions of yen)

	Type	Notional amount			Unrealized gain (loss)
			Due after 1 year	Fair value	
Over-the-counter transaction	Forward foreign exchange contracts				
	Sell:				
	U.S. dollars	1,228	—	(45)	(45)
	Euros	1,003	—	(18)	(18)
	Canadian dollars	60	—	0	0
	Australian dollars	71	—	1	1
	Chinese yuan	302	—	4	4
	Buy:				
	Yen	114	—	(4)	(4)
	Total	2,780	—	(61)	(61)

(2) Interest rate related

Not applicable.

2. Derivative transactions for which hedge accounting is applied

(1) Currency related

As of March 31, 2024

(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		1,693	—	(51)
	Euros	Accounts receivable	1,300	—	(28)
	Australian dollars	– trade (Forecasted transactions)	156	—	(2)
	Canadian dollars		132	—	(3)
	Chinese yuan		259	—	(5)
	Total		3,542	—	(91)
	Buy:				
	U.S. dollars	Accounts payable (Forecasted transactions)	15	—	1
	Total		15	—	1

(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, 2025

(Unit: Millions of yen)

Method of hedge accounting	Transactions	Major hedged item	Notional amount		Fair value
			Due after 1 year		
Principle-based accounting	Forward foreign exchange contracts				
	Sell:	Accounts receivable			
	U.S. dollars	– trade (Forecasted transactions)	482	—	(30)
	Polish zloty		24	—	(0)
	Total		506	—	(30)
	Forward foreign exchange contracts				
	Sell:	Accounts receivable			
	U.S. dollars	– trade (Forecasted transactions)	1,223	—	16
	Euros		1,112	—	4
	Chinese yuan		226	—	3
	Total		2,562	—	24
Allocation method for forward foreign exchange contracts	Buy:	Accounts payable (Forecasted transactions)			
	U.S. dollars		21	—	(0)
	Total		21	—	(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)	
	2024	2025
Balance at beginning of period	14,387	13,875
Service cost	731	662
Interest cost	148	241
Actuarial differences	(1,230)	(70)
Retirement benefits paid	(358)	(895)
Prior service cost	(65)	(30)
Other	260	47
Balance at end of period	13,875	13,830

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

(Unit: Millions of yen)

	2024	2025
Balance at beginning of period	3,083	3,377
Expected return on plan assets	56	61
Actuarial differences	71	(98)
Contributions by the Group	103	104
Retirement benefit paid	(32)	(30)
Other	93	(1)
Balance at end of period	3,377	3,412

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

(Unit: Millions of yen)

	2024	2025
Balance at beginning of period	1,728	1,700
Retirement benefit expenses	164	167
Retirement benefits paid	(160)	(113)
Contributions to the plans	(29)	(44)
Other	(2)	(10)
Balance at end of period	1,700	1,699

(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)

	2024	2025
Funded retirement benefit obligation	12,723	12,889
Plan assets at fair value	(3,766)	(3,818)
	8,956	9,071
Unfunded retirement benefit obligation	3,241	3,045
Net liability for retirement benefits in the balance sheet	12,198	12,116
Retirement benefit liability	12,497	12,461
Retirement benefit asset	(298)	(344)
Net liability (assets) for retirement benefits in the balance sheet	12,198	12,116

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

(5) The components of retirement benefit expenses

(Unit: Millions of yen)

	2024	2025
Service cost	731	662
Interest cost	148	241
Expected return on plan assets	(56)	(61)
Amortization of unrecognized actuarial differences	33	61
Amortization of unrecognized prior service cost	(65)	(30)
Retirement benefit expense calculated by the simplified method	164	167
Other	4	9
Retirement benefit expenses	960	1,049

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

(Unit: Millions of yen)

	2024	2025
Actuarial differences	1,335	33

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

(Unit: Millions of yen)

	2024	2025
Unrecognized actuarial differences	(1,198)	(1,232)

(8) Plan assets

a. The composition of plan assets

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

	2024	2025
Debt securities	18%	17%
Equity securities	9	9
General accounts at life insurance companies	18	18
Other	55	56
Total	100%	100%

(Note) The total includes retirement benefit trusts of 41% and 40% as of March 31, 2024 and 2025, 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

	2024	2025
Discount rates	Principally 1.02%	Principally 1.02%
Expected rates of return on plan assets	Principally 1.2%	Principally 1.2%

3. Defined contribution pension plans

Total contributions required to be paid by the Company and its consolidated subsidiaries to the defined contribution pension plans amounted to 1,329 million yen and 1,558 million yen for the fiscal years ended March 31, 2024 and 2025, respectively.

(Tax Effect Accounting)

1. The significant components of deferred tax assets and liabilities

(Unit: Millions of yen)

	2024	2025
Deferred tax assets:		
Tax loss carryforwards (Note)	1,392	1,485
Retirement benefit liability	4,087	4,191
Provision for bonuses	1,167	1,244
Inventories	914	842
Impairment loss	1,451	1,276
Enterprise taxes payable	188	179
Social insurance on bonuses	165	176
Asset retirement obligations	169	179
Other	5,312	5,513
Subtotal	14,848	15,088
Valuation allowance for tax loss carryforwards (Note)	(919)	(978)
Valuation allowance for deductible temporary differences	(843)	(906)
Total valuation allowance, subtotal	(1,763)	(1,885)
Total deferred tax assets	13,085	13,203
Deferred tax liabilities:		
Valuation difference on other securities	(11,164)	(8,803)
Deferred gain on replacement of property	(4,036)	(4,103)
Undistributed earnings of overseas subsidiaries	(3,814)	(3,970)
Net unrealized gain on revaluation of assets and liabilities of subsidiaries	(617)	(644)
Other	(3,046)	(2,687)
Total deferred tax liabilities	(22,678)	(20,209)
Net deferred tax assets (liabilities)	(9,593)	(7,005)

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

As of March 31, 2024

(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)	11	32	33	15	29	1,270	1,392
Valuation allowance	(3)	(32)	(33)	(15)	(29)	(805)	(919)
Deferred tax assets	7	—	—	—	—	465	472

- (a) The tax loss carryforwards in the above table were measured using the statutory tax rates.
- (b) Deferred tax assets of 472 million yen were recognized for a portion of the balance of the tax loss carryforwards for consolidated subsidiaries of 1,392 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 were recoverable and has not recognized a valuation allowance.

As of March 31, 2025

(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)	30	32	14	40	61	1,305	1,485
Valuation allowance	(30)	(32)	(14)	(30)	(61)	(809)	(978)
Deferred tax assets	—	—	—	10	—	496	506

- (a) The tax loss carryforwards in the above table were measured using the statutory tax rates.
- (b) Deferred tax assets of 506 million yen were recognized for a portion of the balance of the tax loss carryforwards for consolidated subsidiaries of 1,485 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 were 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

	2024	2025
Statutory tax rate	30.6%	30.6%
(Adjustments)		
Non-deductible entertainment expenses and others	0.6	0.6
Non-taxable dividend income and others	(1.0)	(1.0)
Inhabitants' per capita taxes	0.2	0.2
Changes in valuation allowance	0.9	0.2
Tax exemption regarding research and development costs	(2.6)	(2.4)
Tax exemption regarding tax system to encourage higher wages	(0.1)	(1.2)
Equity in earnings of affiliates	(0.0)	(0.0)
Differences of statutory tax rate in consolidated subsidiaries	(0.9)	(1.4)
Other	0.4	0.9
Effective tax rates	28.1%	26.5%

3. Adjustments of deferred tax assets and liabilities due to changes in corporate tax rates, etc.

Based on the “Act to Partially Revise the Income Tax Act and Others (Act No.13 of 2025)” enacted on March 31, 2025, the “Special Defense Tax” will be imposed effective from the fiscal year beginning on and after April 1, 2026.

Accordingly, the statutory effective tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from 30.6% to 31.5% for temporary differences expected to be settled in the fiscal years beginning on or after April 1, 2026. Due to this change, as of March 31, 2025, deferred tax liabilities, after offsetting by deferred tax assets, increased by 263 million yen, deferred tax liabilities related to revaluation of land increased by 147 million yen, income tax-deferred increased by 1 million yen, while valuation difference on other securities decreased by 251 million yen, revaluation reserve for land decreased by 147 million yen, and retirement benefits liability adjustments decreased by 11 million yen.

(Business Combination)

Business combination by acquisition

1. Outline of the business combination

(1) Name and business description of the acquiree

Name EUROCATENA GmbH

Business description Manufacturing and sale of conveyer chains

(2) Reason for the business combination

To enhance manufacturing and sale of industrial steel chains in Europe

(3) Date of the business combination

January 2, 2025

(4) Legal form of the business combination
Acquisition of interest in equity (100%)

(5) Name after the business combination
No change

(6) Voting right ratio acquired
Voting right ratio before acquisition 0%
Voting right ratio after acquisition 100%

(7) Main basis for determining the acquiring company
It is the acquisition by TSUBAKIMOTO EUROPE B.V., a consolidated subsidiary of the Company, for the exchange of cash as consideration.

2. Period of the acquiree's result of operations included in the consolidated financial statements
From January 2, 2025 to March 31, 2025

3. Acquisition cost of the acquiree and breakdown by type of consideration

Consideration for acquisition (Cash)	1,003 million yen
Acquisition cost	1,003 million yen

(Note) The price adjustment will be made at a later date, reflecting the change in working capital till the closing date to this amount.

4. Detail and amounts of major acquisition-related expenses

Remuneration and fees for due diligence 67 million yen

5. The amount of goodwill recognized, the cause for recognition, amortization period and amortization method

(1) Amount of the goodwill recognized
684 million yen

(2) Cause for the goodwill recognized
It is generated from the future excess earnings power expected from future business development.

(3) Amortization period and amortization method
Straight-line basis over 10 years

6. Amounts and detail of assets acquired and liabilities assumed on the date of business combination

Current assets	414 million yen
Non-current assets	47 million yen
Assets, total	461 million yen
Current liabilities	105 million yen
Non-current liabilities	36 million yen
Liabilities, total	142 million yen

7. Estimated amount of the effect of the business combination on the consolidated statement of income for the current fiscal year with the assumption that the business combination had been completed at the beginning of the fiscal year, and its method of calculation

The disclosure is omitted due to immateriality in amount.

(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, 2024

(Unit: Millions of yen)

	Reportable segment					Other (Note)	Total
	Chains	Motion Control	Mobility	Materials Handling	Subtotal		
By geographical area							
Japan	30,818	14,812	19,343	25,468	90,442	2,740	93,183
U.S.A.	36,255	2,144	25,499	25,287	89,187	—	89,187
Europe	14,206	580	6,379	11,150	32,317	—	32,317
Indian-Ocean Rim	6,960	1,449	11,792	1,255	21,457	1	21,458
China	2,742	2,341	12,386	1,853	19,323	—	19,323
Korea and Taiwan	1,224	690	9,203	223	11,342	—	11,342
Revenue from contracts with customers	92,208	22,018	84,604	65,240	264,070	2,741	266,812
Net sales to third parties	92,208	22,018	84,604	65,240	264,070	2,741	266,812

(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, 2025

(Unit: Millions of yen)

	Reportable segment					Other (Note)	Total
	Chains	Motion Control	Mobility	Materials Handling	Subtotal		
By geographical area							
Japan	32,152	15,808	19,454	26,621	94,036	2,708	96,745
U.S.A.	36,468	2,274	28,589	28,202	95,535	—	95,535
Europe	14,706	482	8,201	10,834	34,225	—	34,225
Indian-Ocean Rim	6,744	1,402	11,726	1,181	21,055	1	21,056
China	3,042	2,219	12,615	1,009	18,886	—	18,886
Korea and Taiwan	1,138	756	10,592	257	12,744	—	12,744
Revenue from contracts with customers	94,254	22,944	91,179	68,106	276,483	2,709	279,193
Net sales to third parties	94,254	22,944	91,179	68,106	276,483	2,709	279,193

(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, 2024

(Unit: Millions of yen)

	2024	
	Beginning of the year	End of the year
Receivables arising from contracts with customers	44,026	42,819
Contract assets	4,691	4,275
Contract liabilities	3,205	4,009

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 2,566 million yen.

In the fiscal year ended March 31, 2024, 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.

For the fiscal year ended March 31, 2025

(Unit: Millions of yen)

	2025	
	Beginning of the year	End of the year
Receivables arising from contracts with customers	42,819	44,268
Contract assets	4,275	2,773
Contract liabilities	4,009	3,623

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 3,854 million yen.

In the fiscal year ended March 31, 2025, the amount of contract assets decreased in a net basis because an increase due to revenue recognition was below 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, Plastic modular chains, Top chains, Plastic blockchain, 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, Units (Zip Chains/ Lifters) and other
Mobility	Timing Chain Systems (Cam drive, Accessary drive, etc.), Transfer Case Chain, EV/HV 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 and Scrap Handling Equipment, Coolant Processing Systems, Systems for Food Industry, Maintenance and other
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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, 2024

(Unit: Millions of yen)

	Reportable segment					Other (Note 1)	Total	Adjust- ments (Note 2)	Consolid- ated
	Motion Chains	Motion Control	Mobility	Materials Handling	Subtotal				
Net sales									
Net sales to third parties	92,208	22,018	84,604	65,240	264,070	2,741	266,812	—	266,812
Inter-segment and transfers	1,942	712	11	72	2,739	662	3,402	(3,402)	—
Total	94,151	22,731	84,616	65,312	266,810	3,404	270,215	(3,402)	266,812
Segment profit (loss) (Operation profit (loss))	16,396	660	7,815	(1,165)	23,706	(944)	22,761	(1,499)	21,262
Segment assets	107,062	34,670	113,051	59,052	313,837	4,259	318,096	73,201	391,298
Other items:									
Depreciation and amortization	3,907	1,276	6,937	1,695	13,816	66	13,883	—	13,883
Investments in affiliates accounted for by equity method	15	—	—	439	455	—	455	—	455
Increase in property, plant and equipment and intangible assets	5,321	1,485	3,576	2,218	12,602	979	13,581	—	13,581

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 (1,499) million yen include intersegment eliminations of 53 million yen, corporate expenses, which are not allocated to the reportable segments, of (1,552) million yen. Corporate expenses present mainly general and administrative expenses which do not belong to the reportable segments.
- (2) Adjustments to segment assets of 73,201 million yen include intersegment eliminations of (1,192) million yen, corporate assets, which are not allocated to the reportable segments, of 74,393 million yen. Corporate assets present cash and deposits and investments in securities, etc. which do not belong to the reportable segments.

For the fiscal year ended March 31, 2025

(Unit: Millions of yen)

	Reportable segment					Other (Note 1)	Total	Adjust- ments (Note 2)	Consolid- ated
	Motion Chains	Motion Control	Mobility	Materials Handling	Subtotal				
Net sales									
Net sales to third parties	94,254	22,944	91,179	68,106	276,483	2,709	279,193	—	279,193
Inter-segment and transfers	2,023	442	14	207	2,687	837	3,525	(3,525)	—
Total	96,277	23,387	91,193	68,313	279,171	3,547	282,719	(3,525)	279,193
Segment profit (loss) (Operation profit (loss))	15,585	770	8,287	1,247	25,890	(833)	25,057	(2,203)	22,854
Segment assets	109,946	34,598	112,675	58,687	315,908	5,715	321,623	49,886	371,510
Other items:									
Depreciation and amortization	3,906	1,346	6,930	1,951	14,134	77	14,211	—	14,211
Investments in affiliates accounted for by equity method	8	—	—	418	426	—	426	—	426
Increase in property, plant and equipment and intangible assets	5,747	1,258	3,156	1,442	11,604	1,563	13,168	—	13,168

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 (2,203) million yen include intersegment eliminations of 29 million yen, corporate expenses, which are not allocated to the reportable segments, of (2,233) million yen. Corporate expenses present mainly general and administrative expenses which do not belong to the reportable segments.
- (2) Adjustments to segment assets of 49,886 million yen include intersegment eliminations of (1,189) million yen, corporate assets, which are not allocated to the reportable segments, of 51,076 million yen. Corporate assets present cash and deposits and investments in securities, etc. which do not belong to the reportable segments.

【Related information】

For the fiscal year ended March 31, 2024

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
93,183	72,852	32,317	21,458	19,323	11,342	16,334	266,812

(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
74,788	19,757	7,981	2,963	7,369	3,379	2,700	118,942

3. Information on major customers

(Unit: Millions of yen)

Name of customer	Net sales	Related segments
TSUBAKIMOTO KOGYO CO., LTD.	27,454	Chains, Motion Control, Mobility, Materials Handling and other

For the fiscal year ended March 31, 2025

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
96,745	78,883	34,225	21,056	18,886	12,744	16,652	279,193

(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
75,646	18,510	8,109	2,896	6,989	2,994	2,548	117,695

3. Information on major customers

(Unit: Millions of yen)

Name of customer	Net sales	Related segments
TSUBAKIMOTO KOGYO CO., LTD.	28,247	Chains, Motion Control, Mobility, and Materials Handling

【Information on impairment loss by reportable segments】

For the fiscal year ended March 31, 2024

(Unit: Millions of yen)

	Chains	Motion Control	Mobility	Materials Handling	Other	Corporate and eliminations	Consolidated
Impairment loss	—	—	—	469	—	124	594

For the fiscal year ended March 31, 2025

(Unit: Millions of yen)

	Chains	Motion Control	Mobility	Materials Handling	Other	Corporate and eliminations	Consolidated
Impairment loss	—	—	21	—	—	—	21

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

For the fiscal year ended March 31, 2024

(Unit: Millions of yen)

	Chains	Motion Control	Mobility	Materials Handling	Other	Corporate and eliminations	Consolidated
Amortization	—	184	—	—	—	—	184
Unamortized balance	—	1,216	—	—	—	—	1,216

For the fiscal year ended March 31, 2025

(Unit: Millions of yen)

	Chains	Motion Control	Mobility	Materials Handling	Other	Corporate and eliminations	Consolidated
Amortization	17	194	—	—	—	—	212
Unamortized balance	667	1,010	—	—	—	—	1,677

【Information on negative goodwill by reportable segments】

For the fiscal year ended March 31, 2024

Not applicable

For the fiscal year ended March 31, 2025

Not applicable

【Related parties information】

Not applicable

(Per Share Information)

	2024	2025
Net assets per share	2,402.41 yen	2,533.14 yen
Profit per share	170.55 yen	212.65 yen

Notes 1. Effective October 1, 2024, the Company conducted a three-for-one stock split. Per share information is calculated with the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

2. Diluted profit per share is not stated since there are no diluted shares

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

	2024	2025
Profit per share		
Profit attributable to owners of parent (Millions of yen)	18,551	22,122
Profit not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	18,551	22,122
Average number of common stock during the fiscal year (Thousands of shares)	108,774	104,031

(Significant Subsequent Events)

(Execution of Business Integration Agreement and Share Exchange Agreement)

The Company and DAIDO KOGYO CO., LTD. (“Daido Kogyo,” together with the Company, the “Companies”) resolved at their respective Board of Directors’ meetings held on May 14, 2025 to integrate business between the Companies and to conduct a share exchange (the “Share Exchange”) through which the Company will become a wholly-owning parent company resulting from the share exchange and Daido Kogyo will become a wholly-owned subsidiary resulting from the share exchange, and have executed a business integration agreement (the “Business Integration Agreement”) and a share exchange agreement (the “Share Exchange Agreement”) between the Companies as follows. Subject to approvals by the relevant authorities under applicable competition laws in Japan and Thailand, the Share Exchange will be conducted, in the case of the Company, by way of a simplified share exchange that does not require approval by a resolution of its General Meeting of Shareholders, as prescribed in Article 796, paragraph 2 of the Companies Act, and in the case of Daido Kogyo, with the Share Exchange being approved by a resolution at its annual general meeting of shareholders held on June 24, 2025. The effective date of the Share Exchange is scheduled to be January 1, 2026.

Prior to the effective date of the Share Exchange, Daido Kogyo plans to delist its shares of common stock (the “Daido Kogyo Shares”) from the Standard Market of the Tokyo Stock Exchange, Inc. (“TSE”) on December 29, 2025 (with a final trading date of December 26, 2025).

1. Purposes of Business Integration

Through the business integration, the Company aims to achieve an optimal organizational structure, expanding business opportunities through information consolidation, streamlining duplicate operations across locations, and

implementing optimal financial strategies. Further, by combining the comprehensive strengths of the Companies and strengthen their competitiveness in the global market, the Company also aims to protect Japanese industry, ultimately contribute to the development of global industry, and enhance the corporate values of the Companies.

It is expected that the following synergies and advantages will be produced from the business integration via the Share Exchange for the Companies.

- Expansion of overseas business
- Cross-selling in existing businesses
- New businesses and joint development

2. Overview of the Share Exchange

(1) Schedule of the Share Exchange

Record date for annual general meeting of shareholders (Daido Kogyo)	Monday, March 31, 2025
Resolution date of the Board of Directors' meeting for executing the Business Integration Agreement and the Share Exchange Agreement (the Companies)	Wednesday, May 14, 2025
Execution date of the Business Integration Agreement and the Share Exchange Agreement (the Companies)	Wednesday, May 14, 2025
Resolution date of annual general meeting of shareholders for approval of the Share Exchange Agreement (Daido Kogyo)	Tuesday, June 24, 2025
Final trading date (Daido Kogyo)	Friday, December 26, 2025 (scheduled)
Date of delisting (Daido Kogyo)	Monday, December 29, 2025 (scheduled)
Scheduled implementation date of the Share Exchange (effective date)	Thursday, January 1, 2026 (scheduled)

Notes: 1. The Company plans to implement the Share Exchange by way of a simplified share exchange that does not require approval by resolution of its General Meeting of Shareholders, as prescribed in Article 796, paragraph 2 of the Companies Act.

2. The above schedule can be changed upon agreement by the Companies if necessary for the performance of procedures for the Share Exchange or for other reasons (including the status of obtaining approvals required for the implementation of the Share Exchange from relevant authorities in Japan and Thailand pursuant to applicable competition laws). Notifications will be made promptly should there arise any changes to the above schedule.

(2) Method of the Share Exchange

The Share Exchange is a share exchange through which the Company will become a wholly-owning parent company resulting from the share exchange and Daido Kogyo will become a wholly-owned subsidiary resulting from the share exchange. The Share Exchange will be conducted, in the case of the Company, by way of a simplified share exchange that does not require approval by a resolution of its General Meeting of

Shareholders, as prescribed in Article 796, paragraph 2 of the Companies Act, and in the case of Daido Kogyo, with the Share Exchange Agreement being approved by a resolution at its annual general meeting of shareholders held on June 24, 2025. The effective date of the Share Exchange is scheduled to be January 1, 2026.

(3) Allotments in Connection with the Share Exchange

	The Company (a wholly-owning parent company resulting from the share exchange)	Daido Kogyo (a wholly-owned subsidiary resulting from the share exchange)
Allotment ratio in connection with the Share Exchange	1	0.65
Number of shares to be delivered in the Share Exchange	6,558,107 shares of common stock of the Company (scheduled)	

Notes: 1. Share allotment ratio

The Company will allot and deliver 0.65 shares of common stock of the Company (the “Company’s Shares”) per Daido Kogyo Share. However, Daido Kogyo Shares held by the Company at the Record Time (as defined below) will not be allocated. The allotment ratio in connection with the Share Exchange written above may be changed upon discussions and agreement between both companies if there are significant changes to the terms and conditions on which the calculation is based.

2. Number of the Company’s Shares to be delivered in the Share Exchange

Upon the Share Exchange, the Company will deliver, to the shareholders of Daido Kogyo (meaning shareholders after the cancellation of treasury shares as described below, and excluding the Company) at the time immediately prior to its acquisition via the Share Exchange of all the issued Daido Kogyo Shares (excluding Daido Kogyo Shares held by the Company) (the “Record Time”), the number of the Company’s Shares calculated by multiplying the total number of Daido Kogyo Shares held by the shareholders by 0.65, in exchange for Daido Kogyo Shares held by them. All of the shares to be delivered by the Company will be allocated from the treasury shares held by the Company as of May 14, 2025 and a portion of the treasury shares that the Company will acquire in the future. For more information on the new acquisition of treasury shares by the Company in the future, please refer to the “Acquisition of Treasury Shares” below.

Daido Kogyo plans to cancel, immediately prior to the Record Time, all of the treasury shares in its possession as of the point in time immediately prior to the Record Time (including treasury shares acquired by Daido Kogyo in response to a share purchase demand by a dissenting shareholder as prescribed in Article 785, paragraph 1 of the Companies Act that may be made in relation to the Share Exchange), by a resolution at the meeting of its Board of Directors held before the day immediately prior to the effective date of the Share Exchange.

(4) Treatment of stock acquisition rights and bonds with stock acquisition rights in connection with the Share Exchange

Not applicable, since Daido Kogyo has not issued any stock acquisition right nor bond with stock acquisition

right.

3. Outline of the wholly-owned subsidiary resulting from the share exchange

(1)	Name	DAIDO KOGYO CO., LTD.		
(2)	Address	i-197 Kumasakamachi, Kaga-shi, Ishikawa		
(3)	Name and title of representative	Hiroyuki Araya, President and Representative Director		
(4)	Description of business	Manufacture and sale of power transmission and conveying related products (chains, conveyors), rim wheel-related products (rims, wheels, spokes, bolts), and other products (assistive devices, etc.)		
(5)	Stated capital	3,536 million yen (as of March 31, 2025)		
(6)	Date of incorporation	May 25, 1933		
(7)	Number of issued shares	Common stock 10,924,201 shares (as of March 31, 2025)		
(8)	End of fiscal period	March 31		
(9)	Number of employees	Consolidated 2,454 (as of March 31, 2025)		
(10)	Operating results and financial position for the past three years (Unit: Millions of yen)			
For the years ended March 31,		2023	2024	2025
Consolidated net assets		32,276	36,685	36,787
Consolidated total assets		73,029	79,121	77,803
Consolidated net sales		55,054	56,041	57,515
Consolidated operating profit		1,379	227	1,382

4. Summary of Accounting

In consolidated accounting of the Company, the Share Exchange will fall under an acquisition under the Accounting Standard for Business Combination, and the purchase method is expected to be applied. The amount of goodwill (or negative goodwill) arising from the Share Exchange has not been determined yet.

(Acquisition of Treasury Shares)

At the Board of Directors' meeting held on May 14, 2025, the Company resolved to acquire treasury shares as prescribed in 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.

1. Reason for acquiring treasury shares

As described in (Execution of Business Integration Agreement and Share Exchange Agreement) above, the Company will conduct a share exchange with effective date of January 1, 2026, under which the Company will become a wholly-owning parent company and Daido Kogyo will become a wholly-owned subsidiary. In this connection, the Company will acquire its treasury shares in order to allocate these acquired treasury shares as a portion of the Company's common stock to be allotted and delivered to the Daido Kogyo's shareholders.

(excluding the Company), as well as to execute flexible capital policies in response to future changes in the business environment.

2. Details of acquisition

(1) Class of shares to be acquired	Common stock of the Company
(2) Total number of shares to be acquired	Up to 6,500,000 shares
(3) Total purchase price of shares	Up to 10,000 million yen
(4) Period of acquisition	From June 2, 2025 to December 30, 2025

(Sale of Investment Securities)

At the Board of Directors' meeting held on May 14, 2025, the Company resolved to sale investment securities as follows:

Details of sale

Securities to be sold	Listed securities held by the Company
Schedule date of sale	During fiscal year ending March 31, 2026 (planned)
Gain on sale of investment securities	Approximately 4,700 million yen (estimate) Gain on sale of investment securities is an estimate calculated based on the current stock price of the securities and are subject to change.
Purpose of sale	To reduce policy shareholdings as part of the Company's measures to achieve management that takes into account capital costs and share prices.

【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 10 th unsecured corporate bonds	December 20, 2018	5,000	5,000 [5,000]	0.30	Unsecured	December 19, 2025
TSUBAKIMOTO CHAIN CO.	The 11 th unsecured corporate bonds	December 20, 2018	10,000	10,000	0.52	Unsecured	December 20, 2028
Total	—	—	15,000	15,000 [5,000]	—	—	—

Note: Figures in square brackets in “Ending Balance” column are current portion.

(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	—	—	10,000	—

【Details of borrowings】

	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average rate (%)	Due dates
Short-term borrowings	4,183	4,271	1.9	—
Current portion of long-term borrowings	5,801	1,573	0.5	—
Current portion of lease liabilities	758	753	—	—
Long-term borrowings (excluding current portion)	3,728	4,300	0.9	From May 31, 2027 to June 14, 2031
Lease liabilities (excluding current portion)	1,392	1,340	—	From April 23, 2026 to February 28, 2031
Total	15,864	12,240	—	—

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	104	2,046	—	150
Lease obligations	639	350	192	83

【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, 2025 are below 1% of the total of liabilities and net assets at the beginning and end of the fiscal

year ended March 31, 2025.

【Other】

Semi-annual financial information

Cumulative	Interim fiscal period	Fiscal year end
Net sales (Millions of yen)	136,360	279,193
Interim profit before income taxes (Millions of yen)	14,007	30,167
Interim profit attributable to owners of parent (Millions of yen)	10,014	22,122
Interim profit per share (Yen)	94.96	212.65

Note: Effective October 1, 2024, the Company conducted a three-for-one stock split. Per share information is calculated with the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

English Translation

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

June 26, 2025

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 Consolidated 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, 2025, 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, 2025, 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.

Emphasis of Matter

As described in Significant Subsequent Events, at the board of directors meeting on May 14, 2025, the Company resolved to conduct a share exchange through which it will become a wholly owning parent company and Daido Kogyo Co., Ltd. will become a wholly owned subsidiary. The Company and Daido Kogyo Co., Ltd. executed a business integration agreement and a share exchange agreement between the companies.

Our opinion is not qualified in respect of this matter.

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.

Valuation of non-current assets at TSUBAKIMOTO CHAIN CO.	
Description of Key Audit Matter	Auditor's Response
<p>TSUBAKIMOTO CHAIN CO. (the "Company") is mainly engaged in four business segments: Chains, Motion Control, Mobility and Materials Handling. As described in the note "(Significant Accounting Estimates), 3. Valuation of non-current assets," the consolidated balance sheet for the consolidated fiscal year ended March 31, 2025 (the "current fiscal year"), includes ¥9,502 million in property, plant and equipment and intangible assets related to the Company's Motion Control operations, and ¥3,747 million in property, plant and equipment and intangible assets related to the Company's Materials Handling operations.</p> <p>The Company groups its business assets by the minimum unit that generates generally independent cash flows based on business segmentation, in order to assess whether there are indications of impairment. If indications of impairment are identified, the Company estimates the future cash flows generated by the asset group to determine whether to recognize an impairment loss.</p> <p>During the current fiscal year, the Company identified an indication of impairment in the Motion Control and Materials Handling operations; however, it determined that recognition of impairment losses was not necessary as the undiscounted future cash flows exceeded corresponding carrying values.</p> <p>Undiscounted future cash flows are estimated based on the internally approved business plan. The significant assumptions used in estimating the undiscounted future cash flows are the future net</p>	<p>We mainly performed the following audit procedures in assessing the valuation of non-current assets associated with the Company's Motion Control and Materials Handling operations.</p> <ul style="list-style-type: none"> • We compared the cash flow estimation period with the remaining useful lives of major assets. • With regard to the business plan, which serves as the basis for the estimates of the undiscounted future cash flows, we assessed whether appropriate approval had been obtained. • We examined the consistency of the projected net sales and operating income for the next fiscal year in the business plan with the budget for that fiscal year approved by the board of directors. • We inquired of management regarding the future net sales and growth rates, which are significant assumptions included in the business plan, and assessed whether they were consistent with available internal and external information. • To assess the uncertainty of the undiscounted future cash flows, we performed sensitivity analysis for the future net sales and growth rates taking into consideration future fluctuation risks.

<p>sales and growth rates included in the business plan.</p> <p>The future net sales and growth rates included in the business plan involve subjectivity and uncertainty, and management's judgments have a significant impact on determining whether impairment losses should be recognized.</p> <p>Based on the above, we have determined that the valuation of non-current assets associated with the Company's Motion Control and Materials Handling operations are of particular significance for the current fiscal year, and, accordingly, that this is a key audit matter.</p>	
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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 are 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 are 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.
- Plan and perform the group audit to 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 review 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 also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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, 2025.

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, 2025, present fairly, in all material respects, the results of the internal control over financial reporting in accordance with assessment standards for internal control 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.

Emphasis of Matter

As described in Notes to the Internal Control Report, at the board of directors meeting on May 14, 2025, the Company resolved to conduct a share exchange through which it will become a wholly owning parent company and Daido Kogyo Co., Ltd. will become a wholly owned subsidiary. Additionally, a business integration agreement and a share exchange agreement have been executed between the companies.

Our opinion is not qualified in respect of this matter.

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 the 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 the 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 over financial reporting 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 the Internal Control Report. The design and performance of audit procedures for the internal control audit is based on our judgment in consideration of the materiality of the effect on the reliability of financial reporting.
- Consider the overall presentation of the Internal Control Report with regards to the scope, procedures, and result of the assessment of internal control over financial reporting including descriptions by management.
- Plan and perform the audit of internal control to obtain sufficient appropriate audit evidence regarding the result of management's assessment of internal control over financial reporting in the Internal Control Report. We are responsible for the direction, supervision, and review of the audit of the 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 also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of internal control in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

Fee-related information

The fees for the audits of the financial statements of the Company and its subsidiaries and other services provided by us and other EY member firms for the year ended March 31, 2025 are presented in “(Information about Corporate Governance and Others (3) Information about audit)” included in “(Information about Reporting Company).”

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 document is an English translation of the Independent Auditor's Report originally 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.