

February 3, 2023

CONSOLIDATED FINANCIAL STATEMENTS
<under Japanese GAAP>

For the nine-month period ended December 31, 2022

Name of the company: Tsubakimoto Chain Co.
Code number: 6371
Stock exchange listings: Tokyo
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Scheduled quarterly report issuance date: February 10, 2023

*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results for the Nine Months Ended December 31, 2022

(1) Consolidated Results of Operation

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
9-month period ended December 31, 2022	182,864	17.6	13,791	6.0	15,633	6.4	10,921	2.9
9-month period ended December 31, 2021	155,459	13.0	13,005	202.3	14,692	146.7	10,619	107.4

Note: Comprehensive income

9-month period ended December 31, 2022: ¥ 20,393 million : 25.4%

9-month period ended December 31, 2021: ¥ 16,258 million :198.2%

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
9-month period ended December 31, 2022	294.96		—	
9-month period ended December 31, 2021	286.87		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2022	351,846		225,334		63.4	
As of March 31, 2022	332,620		209,757		62.5	

Note: Shareholders' equity

As of December 31, 2022: ¥ 223,009 million

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

2. Dividends

	Dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen				
FY 2021	—	50.00	—	70.00	120.00
FY 2022	—	60.00	—	70.00	130.00
FY 2022 (Forecasted)	—	—	—	70.00	130.00

Note: Revision of cash dividends forecast in quarter under review: No

3. Outlook for Consolidated Operating Results for the 12 Months Ending March 31, 2023

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
12-month period ending March 31, 2023	245,000	13.5	17,500	(1.9)	19,000	(5.2)	13,600	(6.5)	367.29

Note: Revision of outlook for consolidated operating results in quarter under review: Yes

* Notes

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

(2) Adoption of specific accounting procedures for preparing quarterly consolidated financial statements: None

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

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

(4) Number of shares issued (common shares)

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

As of December 31, 2022:	38,281,393 shares
As of March 31, 2022:	38,281,393 shares
- 2 Number of treasury shares at end of period

As of December 31, 2022:	1,248,450 shares
As of March 31, 2022:	1,263,127 shares
- 3 Average number of shares during the period

As of December 31, 2022:	37,028,068 shares
As of December 31, 2021:	37,017,523 shares

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

* Explanation regarding the appropriate usage of consolidated operating results and other items

The outlook for consolidated operating results is based on information available at the present juncture and certain assumptions believed to be reasonable. However, it includes risks and uncertainties. Actual business results may differ materially from the figures of the outlook for consolidated operating results due to changes in business conditions, market trends, or fluctuation in currency exchange rates. Furthermore, factors that may affect business results are not limited to those factors.

1. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

In the nine-month period ended December 31, 2022, the outlook for the global economy remained unclear due to various factors including the skyrocketing prices of raw materials and energy, and shortage of parts supply due to the ongoing situation in Russia and Ukraine, disruption of the supply chain due to the lockdown of major cities in China as a result of the spread of COVID-19 infections, and rising interest rates in Europe and the United States as a result of accelerated inflation.

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

In this environment, the Tsubaki Group was also impacted by shortages of parts and the effect of skyrocketing raw material prices. However, as a result of strong sales in Chain Operations and the weaker yen and other factors, orders received in this nine-month period were up 14.5% year on year to ¥195,315 million, and net sales increased 17.6% year on year to ¥182,864 million.

Operating income increased 6.0% year on year to ¥13,791 million, and ordinary income increased 6.4% year on year to ¥15,633 million, while net income attributable to parent company shareholders increased 2.9% year on year to ¥10,921 million.

The Tsubaki Group will keep striving to contribute to solving social issues through the use of Linked Automation Technology, as we work toward realizing “What we want to be in 2030” in our Long-Term Vision 2030.

We will also focus on both developing new businesses that will lead to sustainable growth and strengthening the earning power of our existing businesses, as we strive to achieve the Mid-Term Management Plan 2025 that we started in fiscal 2021.

(Linked Automation Technology: Technical field of high functionality and advanced automation)

Segment results are summarized as follows:

[Chains]

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

Consequently, the segment recorded a year-on-year increase of 14.6% in orders received to ¥69,169 million, a 23.1% increase in net sales over the same period to ¥65,394 million, and a year-on-year increase of 22.2% in operating income to ¥10,015 million.

[Motion Control]

In the Motion Control segment, net sales were up year on year due to an increase in sales in Japan, the Americas, Europe, Indian Ocean Rim, and China.

Consequently, the segment recorded a year-on-year increase of 4.7% in orders received to ¥18,228 million, a 16.8% increase in net sales over the same period to ¥16,704 million, and a year-on-year increase of 67.4% in operating income to ¥1,394 million.

[Mobility]

In the Mobility segment, despite a slight decrease in the sales of timing chain systems for automobile engines and other items in Japan, sales of the same product increased at bases in the Americas, Europe, Indian Ocean Rim, China, and South Korea. This and other factors resulted in a year-on-year increase in net sales.

Consequently, the segment recorded a year-on-year increase of 19.3% in orders received to ¥57,290 million, and an 18.7% increase in net sales over the same period to ¥56,832 million. However, owing to factors such as the skyrocketing prices of energy and raw materials, operating income declined 10.1% year-on-year to ¥4,531 million.

[Materials Handling Systems]

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

Consequently, the segment recorded a year-on-year increase of 13.5% in orders received to ¥48,618 million, and a 9.0% increase in net sales over the same period to ¥41,999 million. However, the segment recorded an operating loss of ¥748 million (operating income of ¥203 million in the same period of the previous fiscal year), due to factors such as deteriorating profitability associated with a fall in large orders in Japan, and an increase in up-front costs in new fields for strengthening growth capacity.

[Other]

Other orders received increased 4.4% year on year to ¥2,008 million, and net sales increased 18.2% over the same period to ¥1,933 million. However, the Group recorded an operating loss of ¥374 million (operating loss of ¥339 million in the same period of the previous fiscal year).

(2) Analysis of Financial Position

(Assets)

Total assets at the end of the nine-month period on December 31, 2022 were ¥351,846 million, up ¥19,226 million from the end of the previous consolidated fiscal year.

Current assets totaled ¥184,663 million, an increase of ¥18,151 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥9,412 million in inventories due to an increase in work in process, an increase of ¥3,420 million in electronically recorded monetary claims, an increase of ¥2,996 million in cash and deposits, and an increase of ¥2,642 million in notes and accounts receivables and contract assets, despite a decrease of ¥1,666 million in securities.

Non-current assets amounted to ¥167,182 million, up ¥1,074 million from the end of the previous consolidated fiscal year. This was partly due to a ¥1,098 million increase in tangible fixed assets due to capital investment in production facilities, and a ¥1,237 million increase in goodwill arising from the acquisition by the consolidated subsidiary U.S. TSUBAKI HOLDINGS, INC. of all shares of ATR Sales, Inc., all of which offset a ¥1,551 million decrease in investments in securities as a result of the decline in the market value of securities held by the Company and other factors.

(Liabilities)

Liabilities totaled ¥126,512 million, an increase of ¥3,649 million from the end of the previous consolidated fiscal year, mainly due to an increase of ¥3,868 million in other current liabilities due to an increase in advances received and other factors, and an increase of ¥3,156 million in electronically recorded monetary obligations, despite a decrease of ¥3,549 million in debt.

(Net assets)

Net assets were ¥225,334 million, up ¥15,577 million from the end of the previous consolidated fiscal year, and the equity ratio was 63.4%. This was attributable to numerous factors, including an increase of ¥6,101 million in retained earnings, and an increase of ¥9,542 million in foreign currency translation adjustments due to exchange rate fluctuations.

(3) Discussion of Future Outlook including Consolidated Operating Results Forecast

Based on the actual results for the third-quarter consolidated period and the current outlook, we have revised the full-term consolidated results forecast announced on May 11, 2022, for the fiscal year ending March 31, 2023, as below.

The exchange rate used for the fourth quarter of this fiscal year, which is an assumption on which the full-term consolidated business results forecasts are based, is set at 1 USD=130 JPY, and 1 Euro=140 JPY.

Revised full-term consolidated results forecast for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previously released forecast (A) (Released May 11, 2022)	Million yen 240,000	Million yen 20,000	Million yen 20,600	Million yen 14,900	Yen 402.50
Revised forecast (B)	245,000	17,500	19,000	13,600	367.29
Increase/(Decrease) (B-A)	5,000	(2,500)	(1,600)	(1,300)	—
Percentage increase/(decrease) (%)	2.1	(12.5)	(7.8)	(8.7)	—