

October 31, 2023

CONSOLIDATED FINANCIAL STATEMENTS

<under Japanese GAAP>

For the six-month period ended September 30, 2023

Name of the company: Tsubakimoto Chain Co.
 Code number: 6371
 Stock exchange listings: Tokyo
 URL: <http://tsubakimoto.com/>
 Representative: Takatoshi Kimura, President and Representative Director
 Inquiries: Naoshige Sakai, Manager, Corporate Planning Department
 Tel +81 (6) 6441-0054

Scheduled quarterly
 report issuance date: November 7, 2023
 Scheduled dividend
 payment date: December 4, 2023

*Amounts less than ¥1 million are omitted.

1. Consolidated Operating Results for the Six Months Ended September 30, 2023

(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	%
6-month period ended September 30, 2023	128,760	8.3	8,622	2.9	10,364	4.8	7,300	8.1
6-month period ended September 30, 2022	118,933	16.0	8,375	2.3	9,889	8.0	6,756	2.0

Note: Comprehensive income

6-month period ended September 30, 2023 : ¥ 24,101 million 22.8%

6-month period ended September 30, 2022 : ¥ 19,620 million 81.2%

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
6-month period ended September 30, 2023	199.14		—	
6-month period ended September 30, 2022	182.49		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2023	374,983		245,032		64.7	
As of March 31, 2023	345,878		226,582		64.9	

Note: Shareholders' equity

As of September 30, 2023 : ¥ 242,790 million

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

2. Dividends

	Dividends per share					
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total	
	Yen		Yen		Yen	
FY2022	—	60.00	—	70.00	130.00	
FY2023	—	60.00	—	—	—	
FY2023 (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, 2024

(% 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, 2024	263,000	4.5	16,100	(15.2)	19,200	(8.4)	13,800	0.4	380.60

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 September 30, 2023:	38,281,393 shares
As of March 31, 2023:	38,281,393 shares
- 2 Number of treasury shares at end of period

As of September 30, 2023:	2,046,010 shares
As of March 31, 2022:	1,248,696 shares
- 3 Average number of shares during the period

As of September 30, 2023:	36,663,307 shares
As of September 30, 2022:	37,025,582 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 six-month period ended September 30, 2023, the US economy maintained its underlying strength with strong employment and income even in an environment of rising interest rates. In contrast, the economy in Europe remained at low growth levels with stagnant internal demand due to rising prices and higher interest rates, and the post-COVID-19 economic recovery in China has been lagging even after the removal of the country's Zero-COVID policies. These and other factors have resulted in a slow recovery in the global economy. In Japan as well, although the ongoing weakening of the yen is favorable for exports, in addition to a slowdown in external demand due to a stagnant overseas economy, personal consumption has been sluggish due to rising energy prices and the higher cost of living. As a result, the economy has been slow to recover.

The outlook moving forward is for the global economy to become increasingly stagnant due to the impact of tight monetary policies actualizing in the US and Europe, and a lagging economic recovery in China. In Japan as well, although inbound tourism demand and other areas are continuing to recover, the impact of a stagnant overseas economy is likely to keep the domestic economy relatively flat.

In this environment, the Tsubaki Group will continue to develop new businesses that will lead to sustainable growth and strengthen the earning power of our existing businesses, as well as contribute to finding solutions to community problems, as we strive to achieve the Mid-Term Management Plan 2025 that we started in fiscal 2021 and realize "What we want to be in 2030" that we raised in the Long-Term Vision 2030.

As a result, orders received by the Tsubaki Group for this six-month period were up 1.1% year on year to ¥131,234 million, and net sales increased 8.3% year on year to ¥128,760 million.

Operating income increased 2.9% year on year to ¥8,622 million, and ordinary income increased 4.8% year on year to ¥10,364 million, while net income attributable to parent company shareholders increased 8.1% year on year to ¥7,300 million.

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, China, and the Indian Ocean Rim.

Consequently, the segment recorded a year-on-year decrease of 6.3% in orders received to ¥43,834 million, a 7.7% increase in net sales over the same period to ¥45,924 million, and a year-on-year increase of 26.0% in operating income to ¥7,916 million.

[Motion Control]

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

Consequently, the segment recorded a year-on-year decrease of 17.9% in orders received to ¥10,288 million, and a 2.6% increase in net sales over the same period to ¥10,883 million. However, there was a year-on-year decrease of 68.6% in operating income to ¥233 million, due to a fall in sales in Japan.

[Mobility]

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

Consequently, the segment recorded a year-on-year increase of 11.8% in orders received to ¥41,160 million, a 11.4% increase in net sales over the same period to ¥40,584 million, and a year-on-year increase of 34.9% in operating income to ¥3,205 million.

[Materials Handling Systems]

In the Materials Handling Systems segment, although there was a decrease in sales of items such as bulk handling systems and systems for the logistics industry and automobile industry in Japan, sales of metalworking chips handling and coolant processing systems increased in 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 7.0% in orders received to ¥34,620 million, and a 6.9% increase in net sales over the same period to ¥29,995 million. However, the segment recorded an operating loss of ¥1,637 million (operating loss of ¥74 million in the same period of the previous fiscal year), due to factors such as a fall in net sales in Japan and delays in construction work at our US subsidiaries that was partly due to the impact of extremely hot weather in the southern part of the US, as well as an increase in selling, general and administrative expenses.

[Other]

Other orders received decreased 1.2% year on year to ¥1,331 million, and net sales increased 16.3% over the same period to ¥1,372 million. Despite that, the Group recorded an operating loss of ¥433 million (operating loss of ¥265 million in the same period of the previous fiscal year).

(2) Analysis of Financial Position

(Assets)

Total assets at the end of the six-month period on September 30, 2023 were ¥374,983 million, up ¥29,104 million from the end of the previous consolidated fiscal year.

Current assets totaled ¥198,340 million, an increase of ¥16,285 million from the end of the previous consolidated fiscal year, mainly due to an increase of ¥12,241 million in cash and deposits and an increase of ¥5,677 million in electronically recorded monetary claims, despite a decrease of ¥2,560 million in notes and accounts receivables and contract assets.

Non-current assets amounted to ¥176,643 million, up ¥12,819 million from the end of the previous consolidated fiscal year. This was due to various factors such as a ¥8,202 million increase in investments in securities due to a rise in the market value of securities held by the Company, a ¥4,080 million increase in tangible fixed assets, and a ¥440 million increase in intangible fixed assets.

(Liabilities)

Liabilities were ¥129,950 million, up ¥10,654 million from the end of the previous consolidated fiscal year. This was attributable to various factors such as a ¥3,946 million increase in other current liabilities due to an increase in accrued expenses and other factors, a ¥3,259 million increase in other non-current liabilities due to an increase in deferred tax liabilities and other factors, and a ¥2,287 million increase in electronically recorded monetary obligations, all of which outweighed a ¥424 million decrease in provision for bonuses.

(Net assets)

Net assets were ¥245,032 million, up 18,450 million from the end of the previous consolidated fiscal year, and the equity ratio was 64.7%. This was attributable to numerous factors, including a ¥10,820 million increase in foreign currency translation adjustments due to exchange rate fluctuations, a ¥5,817 million increase in valuation difference on available-for-sale securities, and a ¥4,689 million increase in retained earnings, despite an increase (decrease in net assets) of ¥3,006 million in treasury stock acquired, etc.

(Cash flow status)

Cash and cash equivalents (hereafter referred to as “cash”) at the end of the second-quarter consolidated period amounted to ¥66,289 million, up ¥9,311 million from the end of the previous consolidated fiscal year.

Respective cash flows and their causes are as follows:

(Cash provided by operating activities)

Net cash provided by operating activities was ¥18,250 million (¥6,056 million in the same period of the previous fiscal year). This was attributable to various factors such as income before income taxes and minority interests of ¥10,809 million, depreciation and amortization of ¥6,585 million, interest and dividend income of ¥1,255 million, and a ¥1,060 million increase in accounts payable, which offset income taxes paid of ¥2,812 million.

(Cash used in investing activities)

Net cash used in investing activities was ¥4,669 million (¥5,061 million in the same period of the previous fiscal year). This resulted from factors such as ¥4,786 million being used for the acquisition of fixed assets, and ¥1,146 million being used for time deposits, despite an income of ¥1,332 million from the sale of securities.

(Cash used in financing activities)

Net cash used in financing activities was ¥7,501 million (¥6,320 million in the same period of the previous fiscal year). This resulted from ¥3,081 million used to acquire treasury stock, ¥2,593 million being used to pay for dividends, and other items.

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

Based on the actual results for the second-quarter consolidated period and the current outlook, we have revised the full-term consolidated results forecast announced on May 11, 2023, for the fiscal year ending March 31, 2024, as below.

The exchange rate used for the second half of this fiscal year, which is an assumption on which the full-term consolidated business results forecasts are based, is set at 1 USD=140 JPY, and 1 Euro=150 JPY.

Revised full-term consolidated results forecast for the fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previously released forecast (A) (Released May 11, 2023)	255,000	19,000	19,900	14,400	388.85
Revised forecast (B)	263,000	16,100	19,200	13,800	380.60
Increase/(Decrease) (B-A)	8,000	(2,900)	(700)	(600)	—
Percentage increase/(decrease) (%)	3.1	(15.3)	(3.5)	(4.2)	—