



Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

July 26, 2024

Company name: TSUBAKIMOTO CHAIN CO.

Listing: Tokyo

Securities code: 6371

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: None

President and Representative Director

Manager, Corporate Planning Department

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	66,455	7.3	4,089	5.4	6,058	10.3	6,383	98.1
June 30, 2023	61,946	6.9	3,878	(10.4)	5,493	1.7	3,222	(14.1)

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 10,899 million [(19.2)%]
Three months ended June 30, 2023: ¥ 13,496 million [9.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	178.82	-
June 30, 2023	87.24	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	392,070	265,100	67.0
March 31, 2024	391,298	260,559	66.0

(Reference) Equity: As of June 30, 2024: ¥ 262,819 million
As of March 31, 2024: ¥ 258,400 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	60.00	-	100.00	160.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025(Forecast)		99.00	-	47.00	-

(Note) Revision to the forecast for dividends announced most recently: None

(Note) Year-end dividend per share for the fiscal year ending March 31, 2025 (forecast)

We plan to conduct a 3-for-1 stock split of shares of common stock, effective October 1, 2024, and the year-end dividend per share for the fiscal year ending March 31, 2025 (forecast) reflects the effect of this stock split, and the total annual dividend per share is "-". If the stock split is not taken into account, the year-end dividend per share forecast for the fiscal year ending March 31, 2025 is 141 yen, the annual dividend per share is 240 yen, and the dividend payout ratio is 38.3%. For details, please refer to "Proper use of earnings forecasts, and other special matters."

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	136,000	5.6	9,400	9.0	10,000	(3.5)	9,000	23.3	252.64
Full year	280,000	4.9	23,000	8.2	24,000	2.3	22,000	18.6	208.86

(Note) Revision to the financial results forecast announced most recently: None

(Note) Net income per share in the full-year financial results forecast for the fiscal year ending March 31, 2025 takes into account the effect of the stock split. For details, please refer to " Proper use of earnings forecasts, and other special matters."

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2024:	37,081,393 shares
March 31, 2024:	37,081,393 shares

2) Number of treasury shares at the end of the period:

June 30, 2024:	1,697,808 shares
March 31, 2024:	1,228,449 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024:	35,696,329 shares
Three months ended June 30, 2023:	36,935,540 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

The outlook for consolidated financial 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.

(Dividends and financial results forecast after stock split)

At a meeting of the Board of Directors held on May 14, 2024, we resolved to conduct a stock split, whereby each share of common stock shall be divided into 3 shares effective October 1, 2024. As a result, the dividend forecast and consolidated financial results forecast for the fiscal year ending March 31, 2025, as converted before the stock split, shall be as follows.

1. Dividend forecast for the fiscal year ending March 31, 2025

Dividends per share at the end of the second quarter 99 yen (Note 1); Year-end 141 yen (Note 2)

Annual dividend per share for the fiscal year ending March 31, 2025 (before stock split) shall be 240 yen.

2. Consolidated net income forecast per share for the fiscal year ending March 31, 2025: 626.57 yen at the end of the fiscal year.

(Note 1) Dividends at the end of the second quarter shall be paid based on the number of shares before the stock split.

(Note 2) The dividend amount is calculated before the stock split.

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1. Summary of Business Results, Etc.

(1) Summary of Business Results of the Quarterly Consolidated Period

Regarding the global economy in the three-month period ended June 30, 2024, although the economy in China is stagnant as a result of the prolonged real estate slump, the US economy remained robust with strong employment and income, and even in Europe, the economy is showing signs of a recovery centering on personal consumption. As a result of these and other factors, the global economy continued to recover, although moderately.

Meanwhile, the Japanese economy remained flat with no improvement due to stagnant demand against a slump in personal consumption caused by the rising cost of living and increasing burden of costs associated with the weakening of the yen.

The outlook is for a continual recovery, even with downward risks in overseas economies such as the actualization of restraints in demand due to tight monetary policies in Europe and the US, and a further deterioration in geopolitical risks primarily in the Middle East.

The Japanese economy is expected to recover with growth in inbound demand and an expansion in capital investment as a response to labor shortages and other factors. However, sluggish growth in real wages is causing a prolonged slump in personal consumption, and these and many other areas of concern will likely keep the outlook unclear.

In such circumstances, the Tsubaki Group will remain focused on achieving the Mid-term Management Plan 2025, and concentrate on rolling out various measures with an awareness of capital costs, while also bolstering manufacturing and strengthening the earning power of our existing businesses, as well as moving forward with the development of new businesses that will lead to sustainable growth.

As a result, orders received by the Tsubaki Group for this three-month period were up 2.6% year on year to ¥66,486 million, and net sales increased 7.3% year on year to ¥66,455 million.

Operating income increased 5.4% year on year to ¥4,089 million, and ordinary income increased 10.3% year on year to ¥6,058 million, while net income attributable to parent company shareholders increased 98.1% year on year to ¥6,383 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 and China, and an all-around weakening of the yen in exchange rates.

Consequently, the segment recorded a year-on-year increase of 4.7% in orders received to ¥22,687 million, a 2.7% increase in net sales over the same period to ¥23,660 million. However, owing to factors such as the rising prices of raw materials and labor costs, operating income declined 5.4% year-on-year to ¥3,849 million.

[Motion Control]

In the Motion Control segment, net sales were up slightly year on year due to an increase in sales in Japan, despite sluggish growth in sales in other regions.

Consequently, the segment recorded a year-on-year increase of 7.5% in orders received to ¥5,497 million, and a 1.5% increase in net sales over the same period to ¥5,391 million. However, owing to factors such as the rising prices of parts and labor costs, operating income declined 98.2% year-on-year to ¥3 million.

[Mobility]

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

Consequently, the segment recorded a year-on-year increase of 9.2% in orders received to ¥21,901 million, an 11.7% increase in net sales over the same period to ¥21,879 million, and a year-on-year increase of 10.4% in operating income to ¥1,518 million.

[Materials Handling Systems]

In the Materials Handling Systems segment, although there was a decrease in sales of systems for life sciences in Japan, there was also an increase in sales of bulk conveyance equipment in Japan. Additionally, an increase in sales of systems for the automotive industry, metalworking chips handling, and coolant processing systems in the Americas and other factors resulted in a year-on-year increase in net sales.

Consequently, the segment recorded a year-on-year decrease of 8.4% in orders received to ¥15,824 million, and a 12.2% increase in net sales over the same period to ¥14,942 million. The segment recorded an operating loss of ¥558 million (operating loss of ¥1,208 million in the same period of the previous fiscal year), due to factors such as the ongoing deterioration of profitability associated with a fall in large orders in Japan.

[Other]

Other orders received decreased 14.5% year on year to ¥575 million, and net sales decreased 16.1 % over the same period to ¥582 million. Consequently, the Group recorded an operating loss of ¥197 million (operating loss of ¥222 million in the same period of the previous fiscal year).

(2) Summary of Financial Position of the Quarterly Consolidated Period

(Assets)

Total assets at the end of the three-month period on June 30, 2024 were ¥392,070 million, up ¥772 million from the end of the previous consolidated fiscal year.

Current assets totaled ¥207,954 million, an increase of ¥2,100 million from the end of the previous consolidated fiscal year. This was partly due to an increase of ¥3,091 million in inventories due to an increase in work in process and other factors, and an increase of ¥713 million in notes and accounts receivables and contract assets, despite a decrease of ¥2,238 million in cash and deposits.

Non-current assets amounted to ¥184,116 million, down ¥1,328 million from the end of the previous consolidated fiscal year. The decrease was partly attributable to a ¥3,273 million decrease in investments in securities from the sale of securities held by the Company and other factors, despite a ¥1,338 million increase in property, plant, and equipment, and a ¥257 million increase in intangible fixed assets.

(Liabilities)

Liabilities on June 30, 2024 were ¥126,970 million, down ¥3,767 million from the end of the previous consolidated fiscal year. This was attributable to various factors such as a ¥2,439 million decrease in provision for bonuses, a ¥1,860 million decrease in borrowings, a ¥1,201 million decrease in income taxes payable, and a ¥394 Million decrease in other non-current liabilities due to a decrease in deferred tax liabilities, all of which outweighed a ¥2,289 million increase in other current liabilities due to an increase in accounts payable and other items.

(Net assets)

Net assets were ¥265,100 million, up ¥4,540 million from the end of the previous consolidated fiscal year, and the equity ratio was 67.0%. This was attributable to numerous factors, including a ¥6,963 million increase in foreign currency translation adjustments due to exchange rate fluctuations, and a ¥2,797 million increase in retained earnings, despite an increase (decrease in net assets) of ¥2,773 million in treasury stock acquired, etc., and a ¥2,539 million decrease in valuation difference on available-for-sale securities due to the sale of securities held by the Company.

(3) Summary of Cash Flow of the Quarterly Consolidated Period

Cash and cash equivalents (hereafter referred to as "cash") at the end of the first-quarter consolidated period amounted to ¥71,993 million, down ¥2,662 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 ¥4,056 million (up ¥9,080 million in the same period of the previous fiscal year).

This was attributable to various factors such as quarterly profit before income taxes of ¥8,840 million and depreciation of ¥3,464 million, which offset a gain on sale of investment securities of ¥2,781 million and income taxes paid of ¥2,550 million, a ¥1,944 million decrease in trade payables, and a ¥947 million increase in inventories (decrease in cash flow).

(Cash used in investing activities)

Net cash used in investing activities was ¥627 million (down ¥3,585 million in the same period of the previous fiscal year). This resulted from factors such as ¥2,550 million being used for the acquisition of fixed assets, and ¥644 million being used for the acquisition of shares of subsidiaries and associates, despite an income of ¥2,987 million from the sale of investments in securities.

(Cash used in financing activities)

Net cash used in financing activities was ¥8,515 million (down ¥3,748 million in the same period of the previous fiscal year). This resulted from various factors such as ¥3,585 million being used to pay for dividends, ¥2,773 million used to acquire treasury stock, and a ¥1,935 million decrease in borrowings.

(4) Outlook

The main exchange rate for the fiscal year ending March 31, 2025 (FY2024) has been revised from the rate published on May 14, 2024 taking into consideration the current exchange rate situation. The revised exchange rate is set at 1 USD=150 JPY, and 1 EUR=160 JPY.

In regard to the (cumulative) second quarter and full-year consolidated financial results forecast of the fiscal year ending March 31, 2025, taking into consideration the orders situation, the forecasts announced on May 14, 2024 remain unchanged.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	77,321	75,082
Notes and accounts receivable - trade, and contract assets	47,095	47,808
Electronically recorded monetary claims - operating	20,255	20,443
Securities	603	754
Merchandise and finished goods	26,217	27,582
Work in process	16,959	18,662
Raw materials and supplies	14,980	15,004
Other	3,359	3,616
Allowance for doubtful accounts	(938)	(1,000)
Total current assets	205,853	207,954
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,534	34,914
Machinery, equipment and vehicles, net	35,888	36,092
Tools, furniture and fixtures, net	4,373	4,501
Land	38,533	38,708
Construction in progress	5,612	6,063
Total property, plant and equipment	118,942	120,280
Intangible assets		
Goodwill	1,216	1,242
Other	7,688	7,919
Total intangible assets	8,904	9,161
Investments and other assets		
Investment securities	47,052	43,779
Retirement benefit asset	298	309
Other	10,354	10,691
Allowance for doubtful accounts	(106)	(106)
Total investments and other assets	57,598	54,674
Total non-current assets	185,444	184,116
Total assets	391,298	392,070

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,592	18,440
Electronically recorded obligations - operating	14,699	14,360
Short-term borrowings	4,183	4,271
Current portion of long-term borrowings	5,801	3,173
Income taxes payable	2,906	1,704
Provision for bonuses	6,133	3,693
Provision for loss on construction contracts	179	156
Provision for shareholder benefit program	46	20
Electronically recorded obligations - non-operating	2,809	2,946
Other	22,148	24,437
Total current liabilities	77,499	73,205
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	3,728	4,406
Provision for retirement benefits for directors (and other officers)	144	150
Retirement benefit liability	12,497	12,725
Asset retirement obligations	600	609
Other	21,267	20,873
Total non-current liabilities	53,238	53,765
Total liabilities	130,738	126,970
Net assets		
Shareholders' equity		
Share capital	17,076	17,076
Capital surplus	12,582	12,582
Retained earnings	185,285	188,083
Treasury shares	(4,375)	(7,149)
Total shareholders' equity	210,568	210,593
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,667	23,127
Deferred gains or losses on hedges	(61)	(89)
Revaluation reserve for land	(10,597)	(10,597)
Foreign currency translation adjustment	31,991	38,955
Remeasurements of defined benefit plans	831	829
Total accumulated other comprehensive income	47,831	52,226
Non-controlling interests	2,159	2,280
Total net assets	260,559	265,100
Total liabilities and net assets	391,298	392,070

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	61,946	66,455
Cost of sales	43,647	47,249
Gross profit	18,299	19,205
Selling, general and administrative expenses	14,420	15,116
Operating profit	3,878	4,089
Non-operating income		
Interest income	184	360
Dividend income	806	977
Foreign exchange gains	516	825
Settlement received	620	-
Other	211	194
Total non-operating income	2,338	2,356
Non-operating expenses		
Interest expenses	64	50
Loss on valuation of derivatives	504	192
Other	153	143
Total non-operating expenses	723	387
Ordinary profit	5,493	6,058
Extraordinary income		
Gain on sale of investment securities	-	2,781
Total extraordinary income	-	2,781
Extraordinary losses		
Loss on valuation of investment securities	502	-
Total extraordinary losses	502	-
Profit before income taxes	4,990	8,840
Income taxes - current	1,189	1,862
Income taxes - deferred	581	576
Total income taxes	1,770	2,438
Profit	3,220	6,401
Profit (loss) attributable to non-controlling interests	(1)	18
Profit attributable to owners of parent	3,222	6,383

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	3,220	6,401
Other comprehensive income		
Valuation difference on available-for-sale securities	3,464	(2,539)
Deferred gains or losses on hedges	(58)	(27)
Foreign currency translation adjustment	6,838	7,046
Remeasurements of defined benefit plans, net of tax	20	(2)
Share of other comprehensive income of entities accounted for using equity method	11	19
Total other comprehensive income	10,275	4,497
Comprehensive income	13,496	10,899
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,454	10,778
Comprehensive income attributable to non-controlling interests	41	121

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	4,990	8,840
Depreciation	3,250	3,464
Amortization of goodwill	43	49
Loss (gain) on sale and retirement of non-current assets	4	(6)
Loss (gain) on valuation of investment securities	502	-
Loss on valuation of shares of subsidiaries and associates	41	67
Loss (gain) on sale of investment securities	-	(2,781)
Increase (decrease) in allowance for doubtful accounts	(101)	9
Increase (decrease) in retirement benefit liability	135	135
Decrease (increase) in trade receivables	4,685	1,385
Decrease (increase) in inventories	(1,373)	(947)
Increase (decrease) in trade payables	(1,501)	(1,944)
Other, net	(1,037)	(2,922)
Subtotal	9,640	5,349
Interest and dividends received	1,051	1,302
Interest paid	(68)	(44)
Income taxes paid	(1,543)	(2,550)
Net cash provided by (used in) operating activities	9,080	4,056
Cash flows from investing activities		
Payments into time deposits	(679)	(1,352)
Proceeds from withdrawal of time deposits	193	879
Purchase of investment securities	(609)	(7)
Proceeds from sale of investment securities	-	2,987
Purchase of shares of subsidiaries and associates	-	(644)
Net decrease (increase) in short-term loans receivable	3	(0)
Long-term loan advances	(5)	(4)
Proceeds from collection of long-term loans receivable	4	4
Purchase of non-current assets	(2,514)	(2,550)
Proceeds from sale of non-current assets	22	60
Net cash provided by (used in) investing activities	(3,585)	(627)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	249	(2)
Proceeds from long-term borrowings	-	2,150
Repayments of long-term borrowings	(145)	(4,083)
Repayments of finance lease liabilities	(161)	(220)
Dividends paid	(2,593)	(3,585)
Purchase of treasury shares	(1,099)	(2,773)
Net cash provided by (used in) financing activities	(3,748)	(8,515)
Effect of exchange rate change on cash and cash equivalents	2,247	2,423
Net increase (decrease) in cash and cash equivalents	3,993	(2,662)
Cash and cash equivalents at beginning of period	56,978	74,655
Cash and cash equivalents at end of period	60,971	71,993