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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

October 31, 2024

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Listing: Tokyo
Securities code: 6371
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Scheduled date to file semi-annual securities report: November 7, 2024
Scheduled date to commence dividend payments: December 2, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

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

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

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	136,360	5.9	9,459	9.7	11,225	8.3	10,014	37.2
September 30, 2023	128,760	8.3	8,622	2.9	10,364	4.8	7,300	8.1

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 4,550 million [(81.1)%]
Six months ended September 30, 2023: ¥ 24,101 million [22.8%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	94.96	-
September 30, 2023	66.38	-

(Note) As of October 1, 2024, the Company is implementing a stock split at a ratio of three (3) post-split shares for every one (1) pre-split common share. Basic earnings per share is calculated assuming that such stock split was conducted at the beginning of the previous consolidated accounting year.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	369,002	252,419	67.8
March 31, 2024	391,298	260,559	66.0

(Reference) Equity: As of September 30, 2024: ¥ 250,032 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	-	99.00			
Fiscal year ending March 31, 2025 (Forecast)			-	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)

Effective October 1, 2024, the Company split its common shares at a ratio of 1 to 3. 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. 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
Full year	274,000	2.7	20,000	(5.9)	22,000	(6.2)	20,000	7.8	192.25

(Note) Revision to the financial results forecast announced most recently: Yes

(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 semi-annual 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):

September 30, 2024: 111,244,179 shares
March 31, 2024: 111,244,179 shares

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

September 30, 2024: 8,229,798 shares
March 31, 2024: 3,685,347 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 105,456,729 shares
Six months ended September 30, 2023: 109,989,921 shares

(Note) As of October 1, 2024, the Company is implementing a stock split at a ratio of three (3) post-split shares for every one (1) pre-split common share. Total number of issued shares at the end of the period, Number of treasury shares at the end of the period, and Average number of shares outstanding during the period are calculated assuming that such stock split was conducted at the beginning of the previous consolidated accounting year.

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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: 576.75 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. Analysis of Business Results and Financial Position

(1) Analysis of Business Results

Regarding the global economy in the six-month period ended September 30, 2024, although the economy in China is in a sustained stagnation as a result of the prolonged real estate slump, the U.S. economy remained robust with strong personal consumption, and even in Europe, the economy is continuing to recover as inflationary pressures ease. As a result of these and other factors, the global economy continued to recover, although moderately. In Japan as well, although there were signs of instability in financial markets, capital investment maintained its underlying strength, and personal consumption began to rise slightly along with improvements in employment and income. As a result of these and other factors, the Japanese economy has begun to recover.

Moving forward, the situation in the global economy is expected to become even more unclear due to various factors such as growing tension in the Middle East, a lagging economic recovery in China, and the presidential election in the U.S. In Japan as well, capital investment is expected to increase in response to digitalization, decarbonization, and labor shortages, although the increasingly unclear situation in the global economy and other factors are expected to keep the economic recovery at a moderate pace.

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 six-month period were up 4.9% year-on-year to ¥137,621 million, and net sales increased 5.9% year-on-year to ¥136,360 million.

Operating income increased 9.7% year-on-year to ¥9,459 million, and ordinary income increased 8.3% year-on-year to ¥11,225 million, while net income attributable to parent company shareholders increased 37.2% year-on-year to ¥10,014 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 the effects of the weakening of the yen.

The segment recorded a year-on-year increase of 3.1% in orders received to ¥45,214 million, and a year-on-year increase of 0.9% in net sales to ¥46,343 million, although operating income decreased 8.5% year-on-year to ¥7,247 million due to a rise in various costs.

[Motion Control]

In the Motion Control segment, net sales increased year-on-year due to such factors as a rise in sales in Japan, South Korea, and Taiwan, despite a fall in sales in the Americas, Europe, the Indian Ocean Rim, and China.

The segment recorded a year-on-year increase of 7.2% in orders received to ¥11,024 million, and a year-on-year increase of 2.2% in net sales to ¥11,126 million, although operating income decreased 37.7% year-on-year to ¥145 million due to a rise in parts purchasing costs as a result of the weakening of the yen.

[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 including in the Americas, Europe, and South Korea.

The segment recorded a year-on-year increase of 7.5% in orders received to ¥44,257 million, a year-on-year increase of 10.1% in net sales to ¥44,681 million, and a year-on-year increase of 14.9% in operating income to ¥3,684 million.

[Materials Handling Systems]
In the Materials Handling Systems segment, although there was a decrease in sales of metalworking chips handling and coolant processing systems in Europe, sales of systems for the automotive industry increased in the Americas, and sales of bulk handling systems and systems for the logistics industry and automobile industry increased in Japan. These and other factors resulted in a year-on-year increase in net sales.
The segment recorded a year-on-year increase of 3.4% in orders received to ¥35,781 million, and a year-on-year increase of 9.8% net sales to ¥32,944 million. Even so, the segment recorded an operating loss of ¥106 million (operating loss of ¥1,637 million in the same period of the previous fiscal year).

[Other]
Other orders received increased 0.8% year-on-year to ¥1,341 million. However, net sales decreased 7.8% year-on-year to ¥1,264 million, and the Group recorded an operating loss of ¥504 million (operating loss of ¥433 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 ended September 30, 2024 were ¥369,002 million, down ¥22,295 million from the end of the previous consolidated fiscal year.
Current assets totaled ¥193,288 million, a decrease of ¥12,565 million from the end of the previous consolidated fiscal year, mainly due to a decrease of ¥8,737 million in cash and deposits and a decrease of ¥4,914 million in electronically recorded monetary claims, despite an increase of ¥1,022 million in other current assets due to an increase in prepaid expenses.
Non-current assets amounted to ¥175,714 million, down ¥9,730 million from the end of the previous consolidated fiscal year. The decrease was partly attributable to a ¥7,975 million decrease in investment securities due to the fall in market values of securities held by the company and other factors, a ¥953 million decrease in property, plant and equipment, and a ¥752 million decrease in intangible fixed assets.

(Liabilities)
Liabilities were ¥116,583 million, down ¥14,155 million from the end of the previous consolidated fiscal year. This decrease was partly attributable to a ¥3,361 million decrease in electronically recorded monetary obligations, a ¥2,555 million decrease in other non-current liabilities due to a decrease in deferred tax liabilities and other factors, a ¥2,061 million decrease in notes and accounts payable, a ¥1,809 million decrease in borrowings, a ¥1,455 million decrease in non-operating electronically recorded monetary obligations, a ¥1,193 million decrease in other current liabilities due to a decrease in accounts payable-other and other factors, and a ¥1,079 million decrease in provision for bonuses.

(Net assets)
Net assets were ¥252,419 million, down ¥8,140 million from the end of the previous consolidated fiscal year, and the equity ratio was 67.8%. This was attributable to numerous factors, including a ¥6,429 million increase in retained earnings and a ¥922 million increase in foreign currency translation adjustments, despite a ¥9,085 million increase (decrease in net assets) in treasury stock acquired, etc., and a ¥6,796 million decrease in valuation difference on available-for-sale securities.

(Cash flow status)

Cash and cash equivalents (hereafter referred to as "cash") at the end of the six-month period ended September 30, 2024 amounted to ¥64,821 million, down ¥9,833 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 ¥11,718 million (¥18,250 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 ¥14,007 million, depreciation and amortization of ¥7,006 million, and a ¥5,207 million decrease in trade receivables, which offset a ¥6,148 million decrease in accounts payable, income taxes paid of ¥4,723 million, and a gain on sale of investment securities of ¥2,781 million.

(Cash used in investing activities)

Net cash used in investing activities was ¥6,233 million (¥4,669 million in the same period of the previous fiscal year). This resulted from factors such as ¥6,333 million being used for the acquisition of fixed assets, and ¥2,094 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 ¥15,251 million (¥7,501 million in the same period of the previous fiscal year). This resulted from various factors such as ¥9,150 million used to acquire treasury stock, ¥3,621 million used to pay for dividends, and a ¥1,987 million decrease in borrowings.

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

Based on the actual results for the six-month period ended September 30, 2024 and the current outlook, we have revised the full-term consolidated results forecast announced on May 14, 2024, for the fiscal year ending March 31, 2025, 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=145 JPY, and 1 Euro=155 JPY.

Revised full-term consolidated results forecast for the fiscal year ending March 31, 2025 (April 1, 2024 – March 31, 2025)

	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
Previously released forecast (A) (Released May 14, 2024)	280,000	23,000	24,000	22,000	208.86
Revised forecast (B)	274,000	20,000	22,000	20,000	192.25
Increase/(Decrease) (B-A)	(6,000)	(3,000)	(2,000)	(2,000)	—
Percentage increase/(decrease) (%)	(2.1)	(13.0)	(8.3)	(9.1)	—

(Note) Effective October 1, 2024, the Company split its common shares at a ratio of 1 to 3. Net income per share in the full-term consolidated results forecast for the fiscal year ending March 31, 2025 reflects the effect of the stock split. The net income per share forecast for the fiscal year ending March 31, 2025, not reflecting the stock split, will now be 576.75 yen (the previous forecast was 626.57 yen).

2. Semi-annual Consolidated Financial Statements

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	77,321	68,583
Notes and accounts receivable - trade, and contract assets	47,095	47,202
Electronically recorded monetary claims - operating	20,255	15,340
Securities	603	733
Merchandise and finished goods	26,217	25,947
Work in process	16,959	17,433
Raw materials and supplies	14,980	14,603
Other	3,359	4,381
Allowance for doubtful accounts	(938)	(936)
Total current assets	205,853	193,288
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	34,534	34,042
Machinery, equipment and vehicles, net	35,888	34,749
Tools, furniture and fixtures, net	4,373	4,569
Land	38,533	38,588
Construction in progress	5,612	6,038
Total property, plant and equipment	118,942	117,988
Intangible assets		
Goodwill	1,216	1,056
Other	7,688	7,095
Total intangible assets	8,904	8,152
Investments and other assets		
Investment securities	47,052	39,077
Retirement benefit asset	298	320
Other	10,354	10,282
Allowance for doubtful accounts	(106)	(106)
Total investments and other assets	57,598	49,573
Total non-current assets	185,444	175,714
Total assets	391,298	369,002

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,592	16,530
Electronically recorded obligations - operating	14,699	11,337
Short-term borrowings	4,183	4,354
Current portion of long-term borrowings	5,801	3,180
Income taxes payable	2,906	2,161
Provision for bonuses	6,133	5,054
Provision for loss on construction contracts	179	112
Provision for shareholder benefit program	46	10
Electronically recorded obligations - non-operating	2,809	1,353
Other	22,148	20,954
Total current liabilities	77,499	65,050
Non-current liabilities		
Bonds payable	15,000	15,000
Long-term borrowings	3,728	4,368
Provision for retirement benefits for directors (and other officers)	144	145
Retirement benefit liability	12,497	12,695
Asset retirement obligations	600	611
Other	21,267	18,711
Total non-current liabilities	53,238	51,533
Total liabilities	130,738	116,583
Net assets		
Shareholders' equity		
Share capital	17,076	17,076
Capital surplus	12,582	12,598
Retained earnings	185,285	191,714
Treasury shares	(4,375)	(13,460)
Total shareholders' equity	210,568	207,928
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,667	18,871
Deferred gains or losses on hedges	(61)	88
Revaluation reserve for land	(10,597)	(10,597)
Foreign currency translation adjustment	31,991	32,913
Remeasurements of defined benefit plans	831	827
Total accumulated other comprehensive income	47,831	42,103
Non-controlling interests	2,159	2,386
Total net assets	260,559	252,419
Total liabilities and net assets	391,298	369,002

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	128,760	136,360
Cost of sales	91,855	97,289
Gross profit	36,905	39,070
Selling, general and administrative expenses	28,283	29,610
Operating profit	8,622	9,459
Non-operating income		
Interest income	429	700
Dividend income	811	1,147
Foreign exchange gains	525	-
Settlement received	636	-
Other	503	812
Total non-operating income	2,906	2,660
Non-operating expenses		
Interest expenses	159	139
Foreign exchange losses	-	357
Loss on valuation of derivatives	476	-
Restructuring expenses	260	-
Other	267	398
Total non-operating expenses	1,164	894
Ordinary profit	10,364	11,225
Extraordinary income		
Gain on sale of investment securities	1,192	2,781
Total extraordinary income	1,192	2,781
Extraordinary losses		
Impairment losses	124	-
Loss on valuation of investment securities	502	-
Loss on valuation of shares of subsidiaries and associates	120	-
Total extraordinary losses	747	-
Profit before income taxes	10,809	14,007
Income taxes - current	3,249	3,808
Income taxes - deferred	253	160
Total income taxes	3,503	3,968
Profit	7,306	10,039
Profit attributable to non-controlling interests	5	24
Profit attributable to owners of parent	7,300	10,014

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	7,306	10,039
Other comprehensive income		
Valuation difference on available-for-sale securities	5,817	(6,796)
Deferred gains or losses on hedges	10	150
Foreign currency translation adjustment	10,904	1,119
Remeasurements of defined benefit plans, net of tax	40	(4)
Share of other comprehensive income of entities accounted for using equity method	22	41
Total other comprehensive income	16,795	(5,489)
Comprehensive income	24,101	4,550
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	23,989	4,286
Comprehensive income attributable to non-controlling interests	111	263

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	10,809	14,007
Depreciation	6,585	7,006
Impairment losses	124	-
Amortization of goodwill	90	97
Loss (gain) on sale and retirement of non-current assets	43	14
Loss (gain) on valuation of investment securities	502	-
Loss on valuation of shares of subsidiaries and associates	161	96
Loss (gain) on sale of investment securities	(1,192)	(2,781)
Increase (decrease) in allowance for doubtful accounts	(87)	14
Increase (decrease) in retirement benefit liability	288	179
Decrease (increase) in trade receivables	(78)	5,207
Decrease (increase) in inventories	391	677
Increase (decrease) in trade payables	1,060	(6,148)
Other, net	1,238	(3,452)
Subtotal	19,937	14,918
Interest and dividends received	1,255	1,653
Interest paid	(129)	(130)
Income taxes paid	(2,812)	(4,723)
Net cash provided by (used in) operating activities	18,250	11,718
Cash flows from investing activities		
Payments into time deposits	(1,146)	(2,889)
Proceeds from withdrawal of time deposits	486	2,000
Purchase of investment securities	(613)	(11)
Proceeds from sale of investment securities	1,332	2,987
Purchase of shares of subsidiaries and associates	-	(2,094)
Net decrease (increase) in short-term loans receivable	(20)	4
Long-term loan advances	(8)	(6)
Proceeds from collection of long-term loans receivable	8	8
Purchase of non-current assets	(4,786)	(6,333)
Proceeds from sale of non-current assets	79	101
Net cash provided by (used in) investing activities	(4,669)	(6,233)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,285)	(4)
Proceeds from long-term borrowings	-	2,150
Repayments of long-term borrowings	(187)	(4,132)
Repayments of finance lease liabilities	(320)	(493)
Dividends paid	(2,593)	(3,585)
Dividends paid to non-controlling interests	(33)	(35)
Purchase of treasury shares	(3,081)	(9,150)
Proceeds from sale of treasury shares	-	0
Net cash provided by (used in) financing activities	(7,501)	(15,251)
Effect of exchange rate change on cash and cash equivalents	3,232	(66)
Net increase (decrease) in cash and cash equivalents	9,311	(9,833)
Cash and cash equivalents at beginning of period	56,978	74,655
Cash and cash equivalents at end of period	66,289	64,821