TSUBAKIMOTO CHAIN CO.

FY2021 Settlement of Accounts Presentation Meeting

May 27, 2022

[Number of Speakers]	6	
	Kenji Kose	President and Representative Director, Chief Operating Officer
	Yasushi Nagai	Managing Executive Officer, Power Transmission Operations
	Masaki Miyaji	Senior Executive Officer, Mobility Operations
	Masafumi Okamoto	Senior Executive Officer, Materials Handling Operations
	Yasuhiro Akesaka	Executive Officer, Finance & Accounting/Corporate Planning/IT/New Business Development
	Shigeki Tanabe	MC IR Manager, Corporate Planning Section

Tsubakimoto Chain Co.
FY2021 Settlement of Accounts Presentation Meeting

＜Agenda＞

Contents	Presenters	Time
・FY2021 Full Year Settlement of Accounts Business Report ・Other topics	Kenji Kose President and COO Representative Director	40 mins

May 27, 2022

Kose: Hello, everyone. I am Kenji Kose, President. Thank you for taking time out of your busy schedules to attend today's financial results briefing.

What's shown here is today's agenda.

I will now explain the financial results for the full fiscal year ended March 31, 2022. The end time may vary slightly, but we appreciate your patience until the end.

1. Highlights of Consolidated Results

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■ Net sales and income increased year-on-year.
Operating margin improved to 8.3%.

(Yen, millions)

	FY 2020	FY 2021	YOY	Forecast (as of Oct 29, 2021)	
	Actual	Actual	Inc / Dec	Forecast	Inc / Dec
Net sales	193,399	215,879	11.6%	211,000	2.3%
Operating income	8,896	17,842	100.5%	15,000	19.0%
%	4.6%	8.3%		7.1%	
Ordinary income	11,026	20,045	81.8%	16,500	21.5%
Net income	8,706	14,543	67.0%	11,900	22.2%
Net income per share	235.23 yen	392.88 yen		321.47 yen	—
(Exchange rates 1 USD)	106.10 yen	112.40 yen		111 yen	—
(Exchange rates 1 EUR)	123.76 yen	130.55 yen		130 yen	—
(Exchange rates 1 RMB)	15.48 yen	17.04 yen		17 yen	—

	Actual	Actual	
ROE	4.8%	7.4%	Net income/Average return on equity during term

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First, here are some highlights of the consolidated financial results.

In the current fiscal year, sales and profits increased compared to the previous fiscal year, which was significantly affected by COVID-19. Despite the prolonged effects of the shortage of semiconductors in the Mobility business and parts procurement problems in the MC business, the strong performance of the Chain business, various production reforms, and cost reductions resulted in higher sales and profit compared to the forecast.

The result is JPY215,879 million in net sales, an increase of 11.6% over the previous year, or JPY22,480 million. This represents an increase of 2.3%, or JPY4,879 million, over the figure announced last October 29. The impact of the exchange rate was approximately JPY8.5 billion due to the weakening of the yen.

Operating income was JPY17,842 million, an increase of 100.5% over the previous year, which is more than double the previous year's figure. This represents an increase of JPY8,945 million. Compared to the forecast announced last year, the increase is 19%, or JPY2,842 million. The foreign exchange impact here is approximately JPY500 million on the positive side.

The operating income margin was 8.3%, up 3.7 points from the previous year.

As a result, return on equity, or ROE, ended up at 7.4%, an improvement of 2.6 percentage points from the previous year.

2. Breakdown by Operations

(Yen, millions)

		FY 2020	FY 2021	YOY	Forecast (as of Oct 29, 2021)	
		Actual	Actual	Inc / Dec	Forecast	Inc / Dec
Chain	Net sales*1	61,312	74,174	21.0%	70,000	6.0%
	Operating income	7,862	11,005	40.0%	9,100	20.9%
	%	12.8%	14.8%		13.0%	
Motion Control	Net sales*1	18,024	19,906	10.4%	20,800	- 4.3%
	Operating income	747	1,129	51.1%	1,100	2.6%
	%	4.1%	5.7%		5.3%	
Mobility	Net sales*1	59,450	66,027	11.1%	65,800	0.3%
	Operating income	3,782	6,568	73.6%	5,900	11.3%
	%	6.4%	9.9%		9.0%	
Materials Handling	Net sales*1	53,618	55,728	3.9%	55,000	1.3%
	Operating income	(2,202)	799	—	600	33.2%
	%	—	1.4%		1.1%	
Other*2	Net sales*1	3,941	3,074	-22.0%	2,500	23.0%
	Operating income	(330)	(442)	—	(400)	—
	%	—	—		—	

*1: Sales figures include internal sales and transfers between segments.
*2: "Other" is not a reportable segment.
*3: Effective from FY2021, a portion of the business previously included in the Motion Control segment was transferred to the Mobility segment. The reflect this change.

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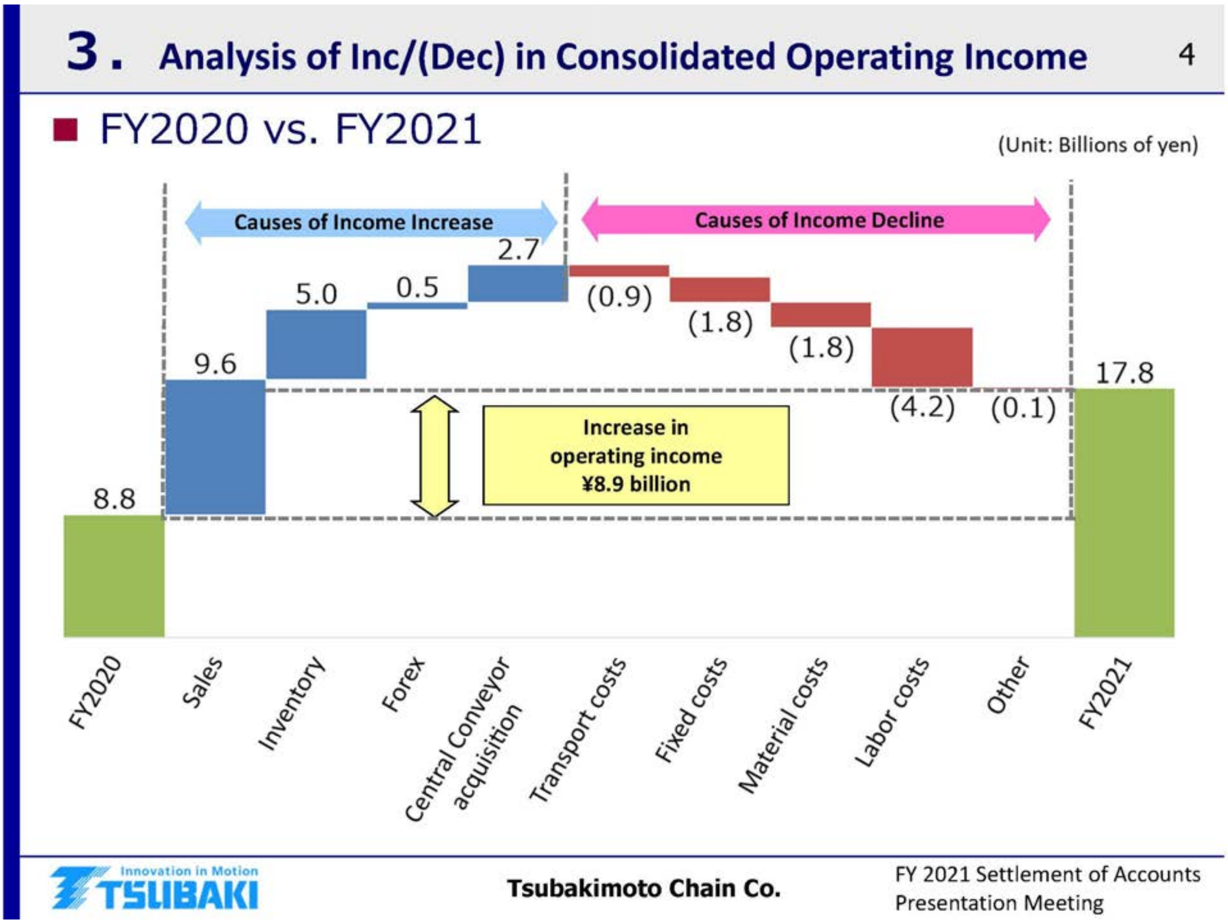
Next, I would like to present the results by business segment.

The details will be explained later, so here is an overview. Compared to the previous year, the Materials Handling business also turned from a loss to a profit. So, all four major businesses have achieved increases in both sales and profit.

Compared to the forecast announced on October 29, 2021, the Motion Control business saw a slight decrease in sales, but the Company posted an increase in profit. For Chain, Mobility, and Materials Handling, all businesses posted increased revenue and profit.

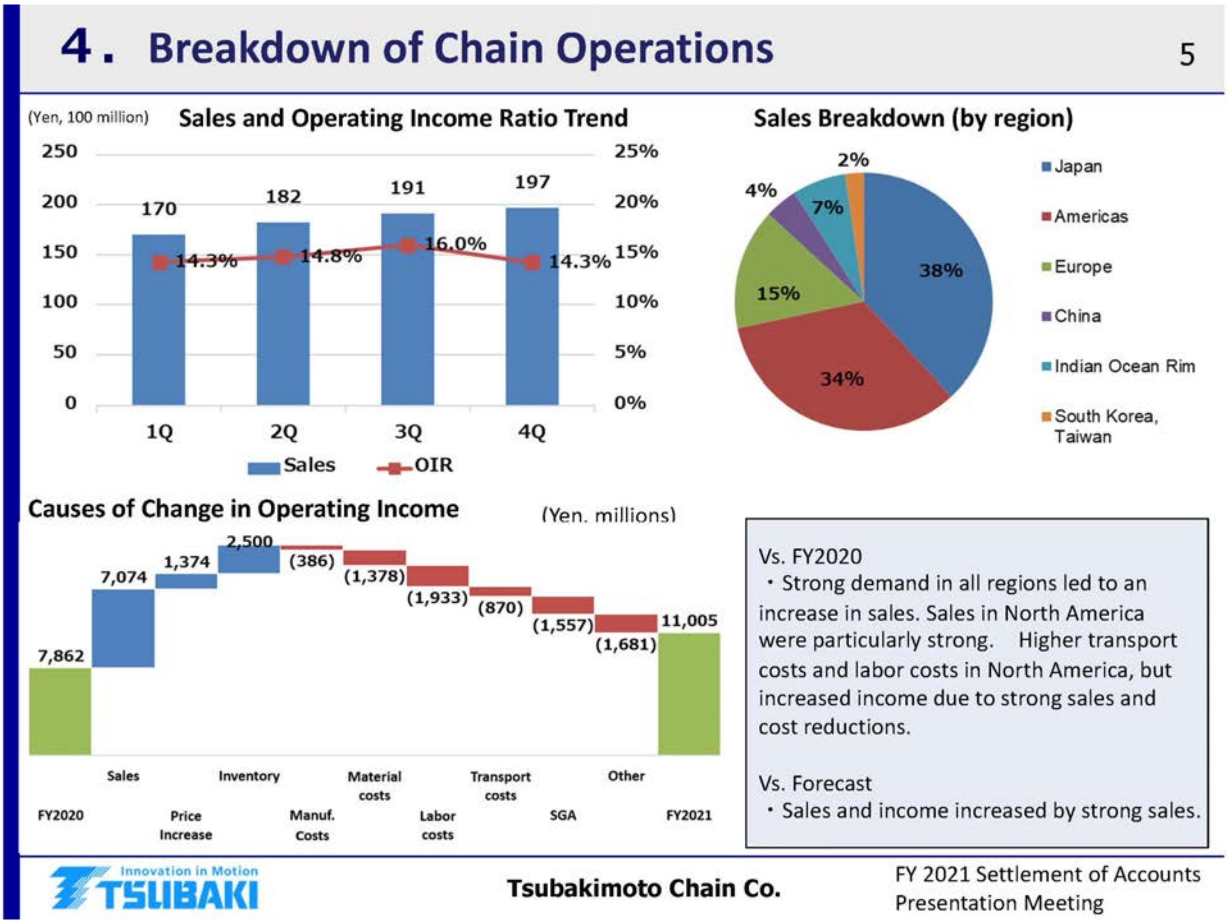


Next, here is an analysis of the factors that contributed to the increase and decrease in consolidated operating income.

First, on the profit increase factor side, in short, the positive factor, as I mentioned earlier, are about JPY500 million due to the effect of foreign exchange rates, JPY9.6 billion due to higher sales, and JPY5 billion due to higher inventories are the result of large orders, higher production sales, and the accumulation of work-in-process parts and products to meet those orders. The P&L of CCC (Central Conveyor Company in the USA) has improved resulting in a positive impact of JPY2.7 billion.

On the contrary, the factors for the decrease in operating income are the increases in packing and transportation costs of about JPY900 million, other fixed costs of JPY1.8 billion, and material costs of JPY1.8 billion, which we see as major issues to be addressed in the future. The increase in personnel expenses was JPY4.2 billion, which was due to an increase in personnel for production, overtime allowances, and recruiting expenses for the shortage of human resources.

As a result, operating income for the fiscal year ended March 31, 2022 was JPY17.8 billion, up from JPY8.8 billion in the fiscal year ended March 31, 2021.



Next, I would like to present the results by business segment. First is the Chain business.

The Chain business posted net sales of JPY74,174 million, operating income of JPY11,005 million, and a profit margin of 14.8%. Compared to the previous year, net sales were JPY12,862 million and operating income was JPY3,142 million higher, resulting in an increase in both sales and profit. The Chain business did very well, exceeding the announced figures on October 29, 2021.

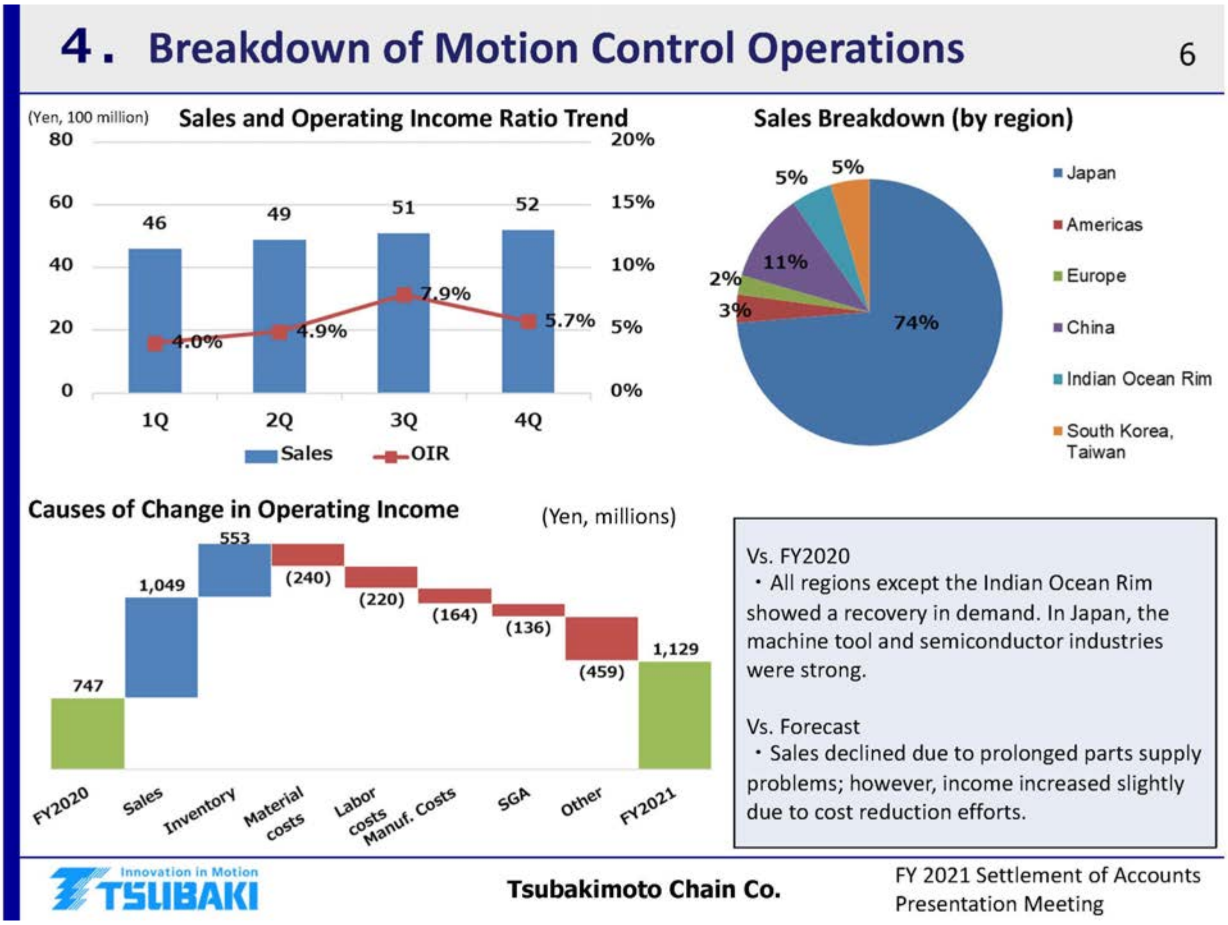
As for the sales figures, sales were strong in all regions, and grew for four consecutive quarters. Particularly strong sales in Japan and North America were the main reasons for the strong sales. In Japan, especially the Chain Division, demand was very strong, particularly from overseas markets, as well as from the machine tool, steel, and food industries in Japan. In addition, our main subsidiary in the United States maintained its strong performance from the previous fiscal year, and despite higher labor and distribution costs, the strong performance resulted in an increase in both sales and profit, due in part to the transfer of orders from other companies to the Company.

As a result, the order backlog is very high at JPY23.1 billion as of the end of this March. In particular, the Kyotanabe Plant and the Chain Division have a record high order backlog, which we hope to translate into increased production and sales this fiscal year.

This is the foreign exchange impact on the Chain business. The result was a positive effect of approximately JPY3.1 billion in net sales and JPY400 million in operating income compared to the previous year.

As for operating Income, the operating margin for the previous year, 12.8%, improved to 14.8%. In fact, until now, the highest profit margin was 14.3% in FY2018, the fiscal year ending March 31, 2019, but this time we have surpassed that to reach 14.8%.

The positive effects are JPY7 billion from the increase in sales, JPY1.37 billion from price increases, and JPY10.9 billion if we add up all the inventory buildup and other factors I mentioned earlier. The negative impact was JPY1.37 billion in materials price hikes, but this was offset by the price hikes mentioned earlier, which were passed on to sales prices. The negative factors are JPY1.9 billion from personnel expenses and transportation, SG&A, and other expenses, totaling JPY7.8 billion. Subtracting the minus from the plus side, the result was a plus of about JPY3.1 billion.



Next is the Motion Control business.

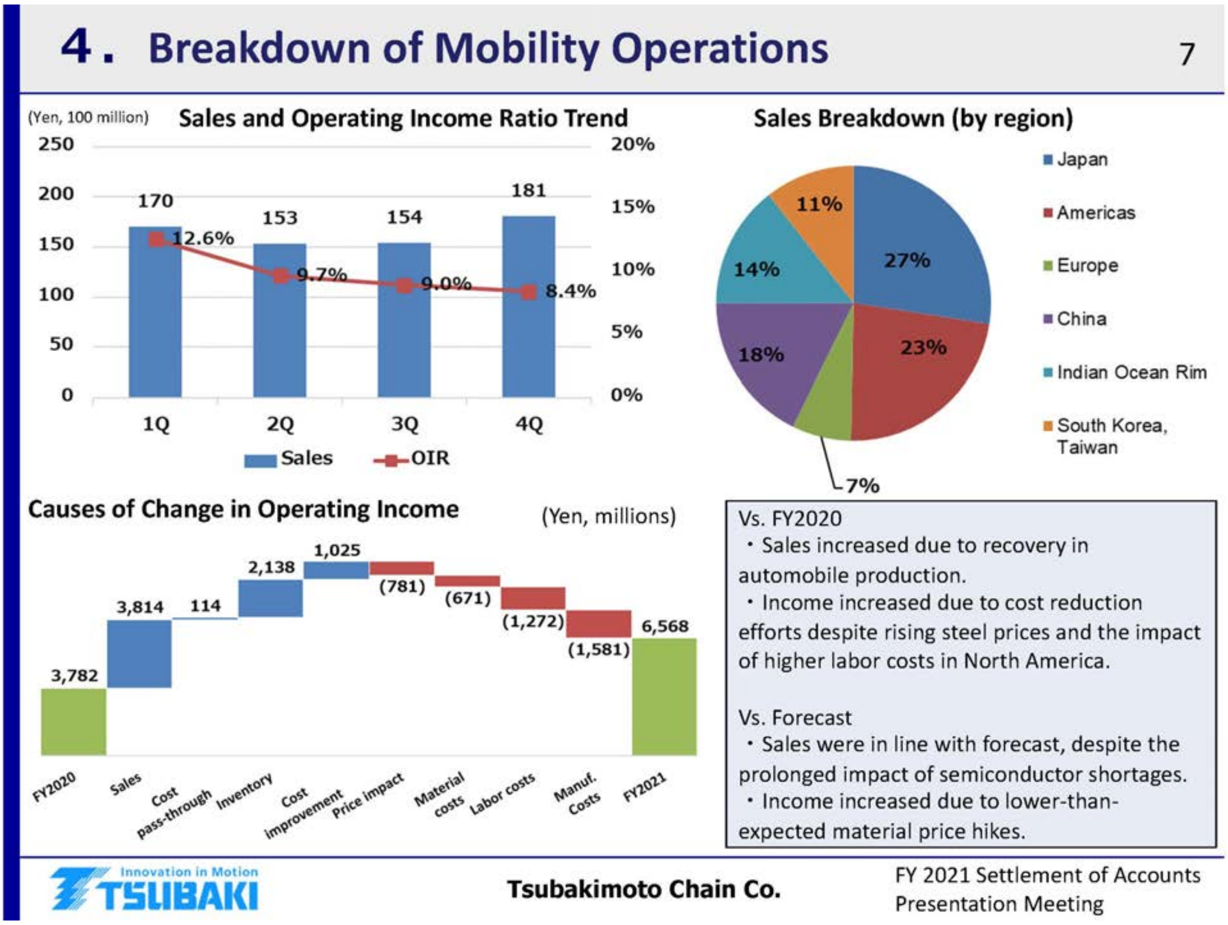
Net sales were JPY19,906 million, operating income was JPY1,129 million, the profit margin was 5.7%, and compared to the previous year, net sales were JPY1,881 million and operating income was JPY381 million higher. Although net sales fell slightly short of the October 29, 2021 announcement, operating income exceeded the figure.

The business recovered in all regions except the Indian Ocean Rim, especially Singapore. However, delays in receiving material components have been prolonged, and momentum is slow. In Japan, sales to the Motion Control Division, the machine tool industry, and the semiconductor industry were very strong, but delays in receiving motors and other electrical and electronic components were an obstacle. We would like to develop a plan to eliminate the impact on production and sales this fiscal year, and to strengthen procurement. Next, sales of reducers and other products were also strong in China.

As a result, the order backlog was as high as JPY7.8 billion at the end of March due to parts procurement issues and other factors. Like Chain mentioned earlier, the Motion Control Division also has a record high order backlog, so we intend to increase production and sales this fiscal year.

The foreign exchange impact in the Motion Control Division had a positive effect of approximately JPY530 million on net sales and JPY0.5 billion on operating income.

In terms of operating income, increased sales and inventory led to a JPY1.6 billion increase in operating income. On the negative side, material prices, labor costs, manufacturing costs, SG&A expenses, and others led to a total decrease in operating income of about JPY1.2 billion.



Next is the Mobility business.

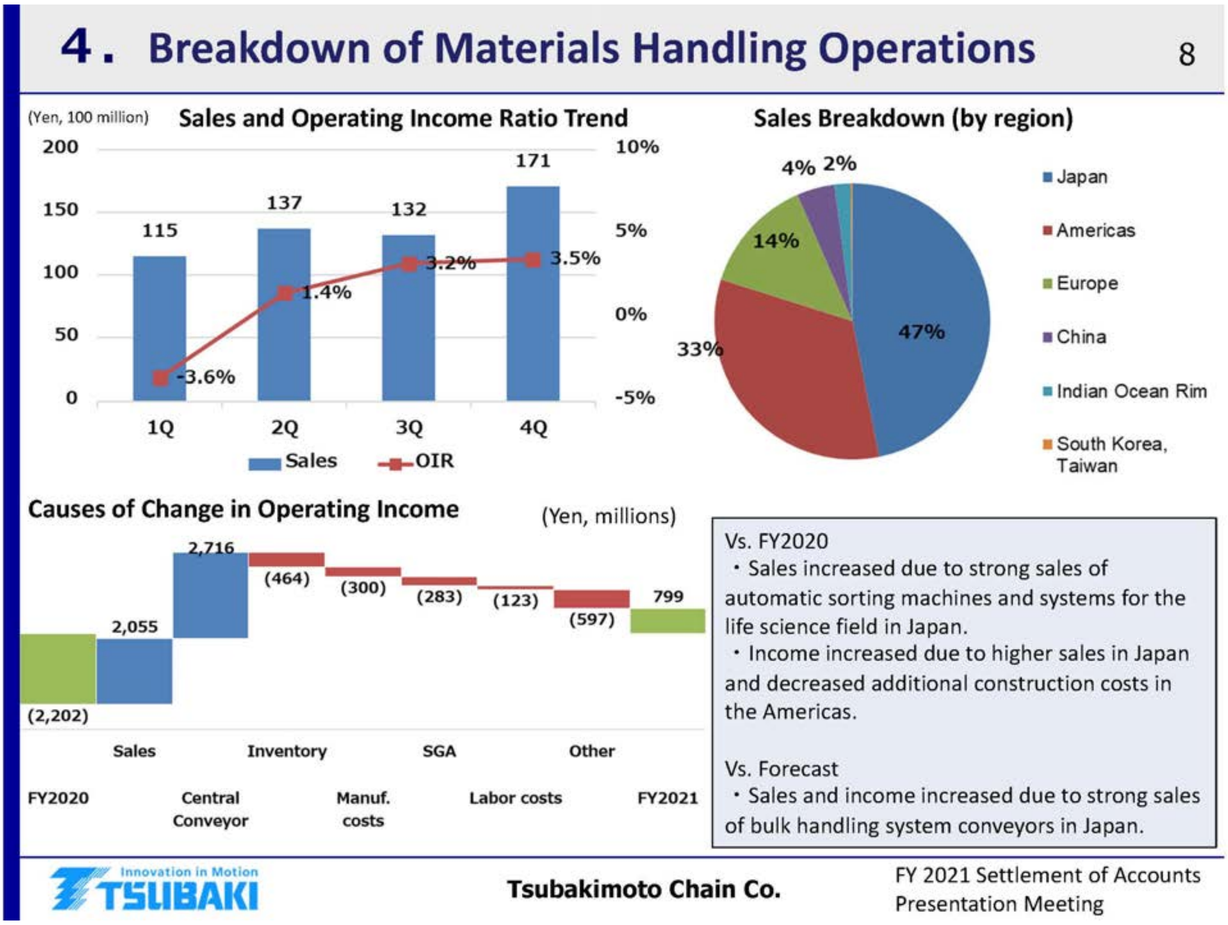
Net sales were JPY66,027 million, operating income was JPY6,568 million, and profit margin was 9.9%. Compared to the previous year, net sales and operating income increased by JPY6,576 million and JPY2,785 million, respectively. Net sales and operating income exceeded the figures announced on October 29, 2021.

In terms of sales, although there was an impact from the reduced production by manufacturers due to the shortage of semiconductors, sales increased in all regions. In the first half of 2020, the plant lockdown due to the COVID-19 pandemic was resolved, leading to an increase in revenue. In the domestic Mobility Division, recovery from the previous fiscal year, which was severely affected by the COVID-19 pandemic, has been gradual due to continued production adjustments at various manufacturers, which have led to stoppages of operations. The situation is almost the same in the USA, Europe, China, and South Korea.

The foreign exchange impact of this division had a positive effect of approximately JPY3.3 billion on net sales and JPY140 million on operating income.

The main factors for the increase or decrease in operating income were as follows. On the positive side, the increase in net sales contributed JPY3.8 billion. Although we passed on some of the price increases in steel and resins to selling prices, the increase still amounted to JPY0.1 billion. Also, inventory buildup, cost improvement, and other factors had a positive effect, totaling JPY7.1 billion.

Negative factors include selling prices, which are due to increased demand for unprofitable products. In addition, materials price hikes lowered operating income by JPY670 million, labor costs by JPY1.2 billion, and manufacturing costs by 1.6 billion, for a total of JPY4.3 billion.



Next, the Materials Handling operations.

Net sales were JPY55,728 million, operating income was JPY799 million, and the profit margin was 1.4%. Compared to the previous year, net sales and operating income increased by JPY2,110 million and JPY3,002 million, respectively. Net sales and operating income exceeded the forecast announced on October 29, 2021.

In terms of sales, sales in the USA and China were down, but sales in Japan were very strong, resulting in an overall increase in sales. In Japan, the Materials Handling Division reported an increase in revenue due to strong sales, especially in the distribution sector. As for CCC in the USA, sales were down due to the absence of large projects, but the deficit has narrowed, and the additional project scope, which had caused major problems, has been completed.

The foreign exchange impact on the Materials Handling business resulted in a positive impact of approximately JPY1.5 billion on sales and a negative impact of JPY0.5 billion on operating income.

First of all, positive factors such as the increase in sales and the reduction of CCC's deficit have resulted in a positive effect of JPY4.8 billion on operating income. On the negative side, inventory reduction, manufacturing costs, labor costs, and SG&A expenses resulted in a negative impact of JPY1.7 billion.

5. Business Location Results

(Yen, millions)

		FY 2020	FY 2021	YOY
		Actual	Actual	Inc /dec
Americas	Net sales*	53,473	59,484	11.2%
	Operating income	-666	3,026	—
	%	—	5.1%	
Europe	Net sales*	20,267	24,409	20.4%
	Operating income	897	1,255	40.0%
	%	4.4%	5.1%	
Indian Ocean Rim	Net sales*	12,752	16,539	29.7%
	Operating income	1,215	1,970	62.1%
	%	9.5%	11.9%	
China	Net sales*	19,682	22,311	13.4%
	Operating income	1,280	1,686	31.7%
	%	6.5%	7.6%	
South Korea, Taiwan	Net sales*	8,054	10,019	24.4%
	Operating income	-47	312	—
	%	—	3.1%	
Japan	Net sales*	104,416	118,089	13.1%
	Operating income	4,577	8,772	91.6%
	%	4.4%	7.4%	

*Sales figures include internal sales and transfers between segments.

<Actual exchange rates>

	USD	EUR	CAD	AUD	THB	TWD	RMB	KRW	MXN
FY 2020	106.10	123.76	80.34	76.20	3.42	3.66	15.48	0.09	4.99
FY 2021	112.40	130.55	89.65	83.06	3.44	4.02	17.04	0.10	5.41

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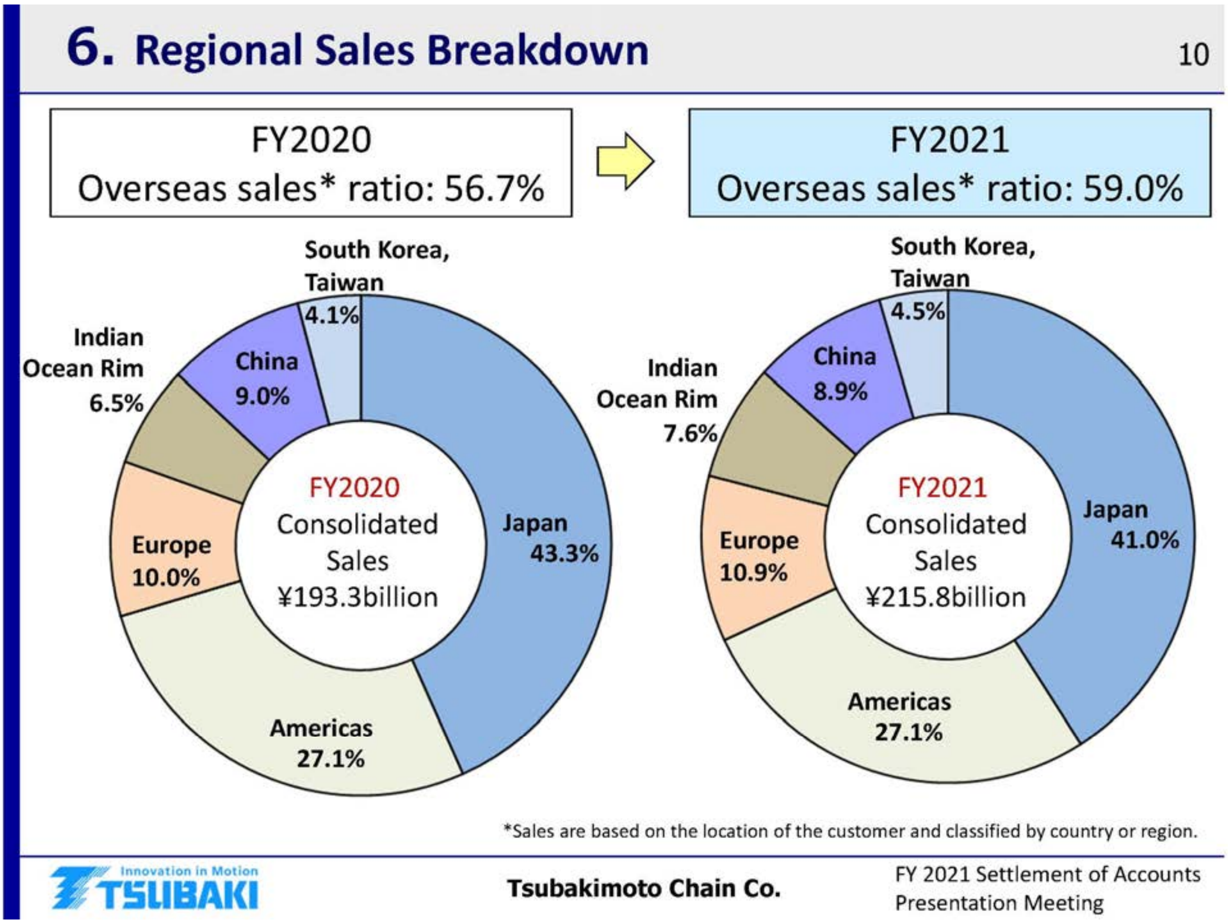
Next, I would like to show you our performance by location. This was based on the location of offices that recorded sales by region.

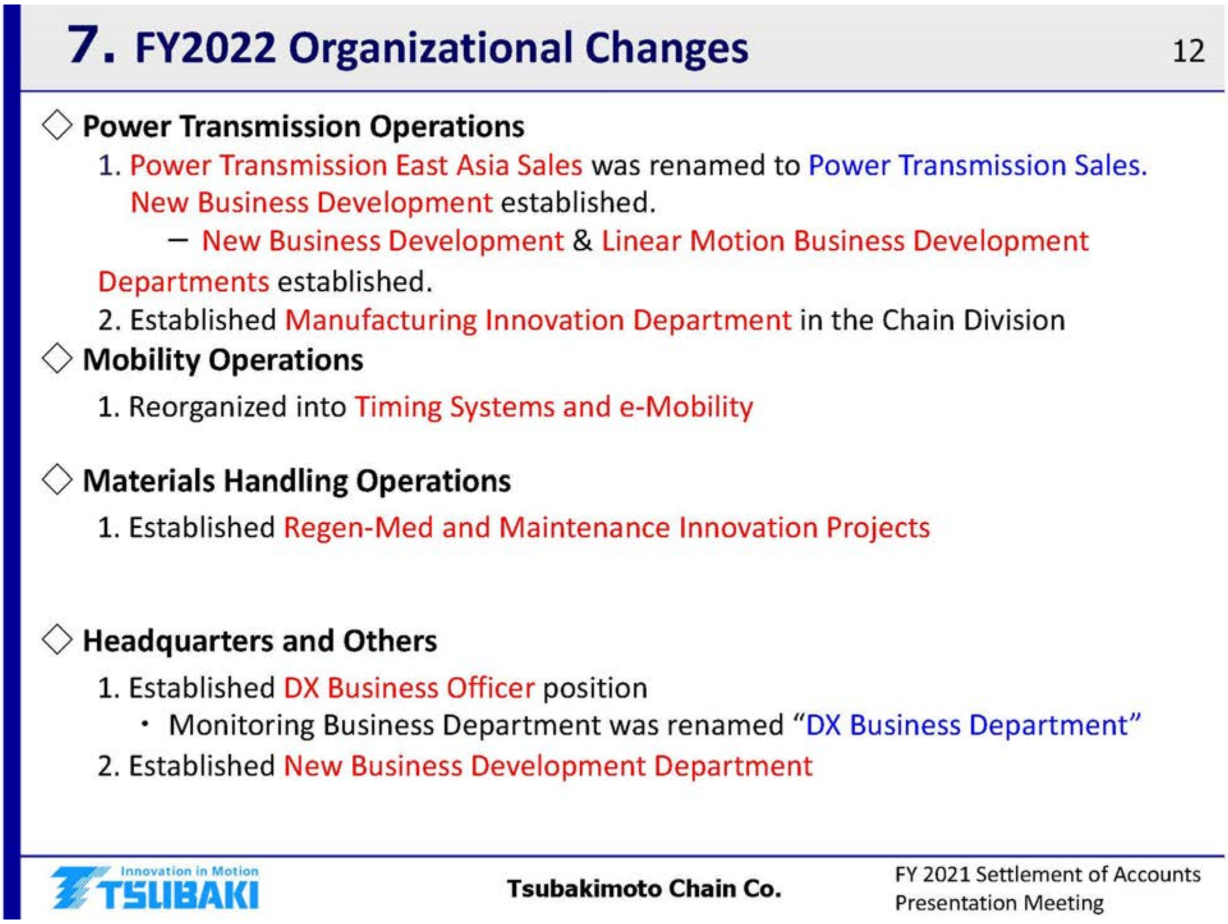
Details are as shown. In all regions, sales and profit increased due to a strong performance in the Chain business and recovery in the Mobility bushiness. As for the USA, operating income increased by approximately JPY3.7 billion due to a narrowing of the deficit from CCC, Central Conveyor Company. As I mentioned earlier, the depreciation of the yen against the US dollar was also a very significant factor.



Next is the sales ratio by region.

Japan, too, saw a drop from 43.3% last year to 41% this year. Last year, the ratio of overseas sales to total sales was 56.7%. Although sales in Japan grew, the ratio decreased, due to about 80% of the growth in overall sales coming from overseas sales, leading to the decline in Japan's share.

Accordingly, the ratio of overseas sales to total sales increased to 59% this fiscal year from 56.7% last year.



Next is our consolidated earnings forecast for the fiscal year ending March 31, 2023.

Prior to this we reorganized the Company's structure in April 2022 in order to aim for new business development. We would like to introduce some of the details and the objectives.

First is the Power Transmission Operations. The name, "Power Transmission East Asia Sales" has been changed to "Power Transmission Sales." The officer who was originally responsible for sales at Materials Handling Operations has been put in charge of Power Transmission sales. The aim is to create a new business development headquarters for power transmission, and to develop new businesses and linear operation businesses.

The Chain Division has newly established a *Monozukuri* Reform Division. We are expanding our DX (digital transformation) and automation promotion projects. Furthermore, we would like to expand our three businesses at the *Monozukuri* Summit to develop and expand globally.

Mobility Operations was reorganized into Timing Systems and e-Mobility. Timing Systems will further strengthen itself for internal combustion engines, including new projects. e-Mobility will aim to strengthen powertrains for battery EVs, cam clutches, Enedrive, etc., as well as develop the mobility business as a general means of mobility.

Materials Handling Operations. A Regen-Med Project and Maintenance Reform Project were newly established. Beyond Life Sciences and LaboStockers, we would like to enter the cell culture business and regenerative medicine, if possible.

Regarding maintenance reform, the Power Transmission business is currently expanding its materials handling maintenance business, as well as developing a maintenance service called Pro Service. We are looking to greatly expand our maintenance business, including power transmission.

In addition, we established the DX Business Department. Traditionally, we have sold monitoring software called, “MitaMon,” as part of our Monitoring business. From now on, we are reorganizing our business as a DX business in the hope of expanding our digital transformation technology and, if possible, developing it into a consulting business for factory operations.

And finally, the New Business Development Department. This is due to our desire to pursue new growth and expansion into new businesses, which I will introduce later.

8. FY2022 Full Year Forecast

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- Forecast to increase sales and income in all segments. Despite a shortage of semiconductors, prolonged parts supply problems, and steel and other cost increases, operating income is forecasted at 20.0 billion yen.

(Yen, millions)

	FY2021	FY2022			YOY
	Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Net sales	215,879	117,000	123,000	240,000	11.2%
Operating income	17,842	8,600	11,400	20,000	12.1%
%	8.3%	7.4%	9.3%	8.3%	
Ordinary income	20,045	9,200	11,400	20,600	2.8%
Net income	14,543	6,800	8,100	14,900	2.5%
Net income per share	392.88 yen	183.69 yen	218.81 yen	402.50 yen	—
(Exchange rates 1 US$)	112.40 yen			120.00 yen	—
(Exchange rates 1 EUR)	130.55 yen			135.00 yen	—
(Exchange rates 1 RMB)	17.04 yen			18.90 yen	—

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I would now like to explain the consolidated earnings forecast.

For the full year, we are targeting sales of JPY240 billion, an increase of 11.2% over the previous year, or JPY24,121 million. The exchange rates for the dollar, euro, and yuan are as stated. Operating income is JPY20 billion, which doesn’t quite reach the record peak of JPY21.8 billion in the fiscal year ended March 31, 2019, but we are determined to return to pre-pandemic levels. The operating income margin target is 8.3%, which is the same as the previous year’s result, but as with the profit amount mentioned earlier, we hope to bring it to 10% or more like before the pandemic.

Although there are some concerns about sales, such as the prolonged impact of the semiconductor shortage and parts procurement problems, and about operating income, such as the rising cost of resources and steel materials, and the soaring cost of labor, especially in North America, we will aim to recover operating income to the level from before the pandemic, as I mentioned earlier, by continuing productivity improvement activities at each business site, etc.

9. FY2022 Consolidated Forecast by Operation

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(Yen, millions)

		FY 2021	FY 2022			YOY
		Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Chain	Net sales*1	74,174	38,000	38,000	76,000	2.5%
	Operating income	11,005	5,400	5,100	10,500	- 4.6%
	%	14.8%	14.2%	13.4%	13.8%	
Motion Control	Net sales*1	19,906	11,000	12,000	23,000	15.5%
	Operating income	1,129	700	1,300	2,000	77.1%
	%	5.7%	6.4%	10.8%	8.7%	
Mobility	Net sales*1	66,027	38,000	40,000	78,000	18.1%
	Operating income	6,568	3,200	4,600	7,800	18.8%
	%	9.9%	8.4%	11.5%	10.0%	
Materials Handling	Net sales*1	55,728	30,000	34,000	64,000	14.8%
	Operating income	799	300	1,300	1,600	100.3%
	%	1.4%	1.0%	3.8%	2.5%	
Other*2	Net sales*1	3,074	1,000	1,000	2,000	- 34.9%
	Operating income	-442	-300	-200	-500	—
	%	—	—	—	—	

*1: Sales figures include internal sales and transfers between segments.
*2: "Other" is not a reportable segment.

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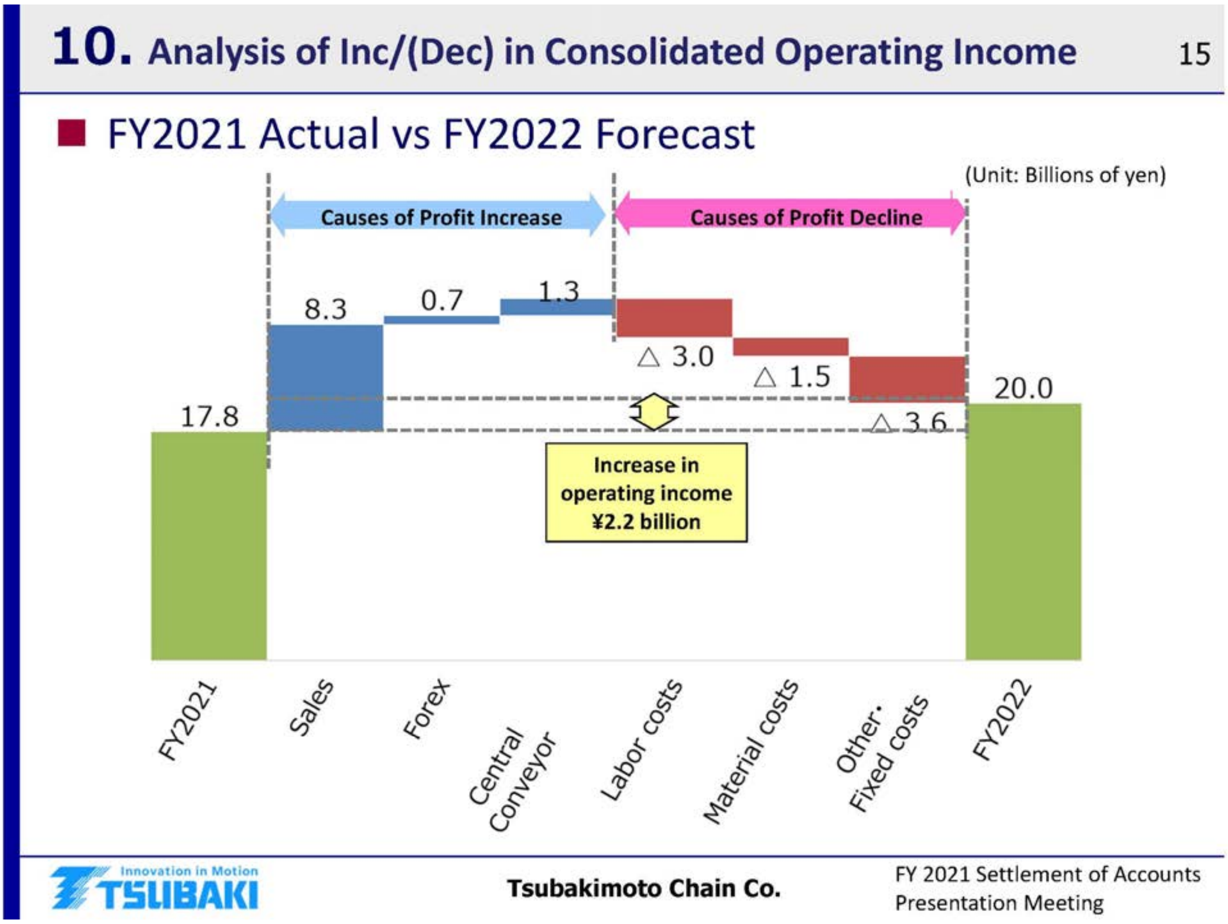
The following is the forecast by business segment.

Figures for each business group are as stated. See the percent change on the far right. The Chain business is expected to increase its revenue, but we currently anticipate a slight decrease in profit. The Motion Control, Mobility, and Materials Handling Divisions are forecasting an increase in revenue and profit, and I will provide more details in the next section.



The following is an analysis of the factors behind the increase and decrease in consolidated operating income.

First, on the profit increase factor side. Foreign exchange is expected to be approximately JPY700 million. The increase in profit from higher sales is expected to be JPY8.3 billion, and cost improvements at CCC, Central Conveyor Company are expected to add another JPY1.3 billion to a total of JPY10.3 billion.

Conversely, we expect a total of JPY8.1 billion in negative or decreasing factors for profit, including increased labor costs, higher materials prices, and increased fixed costs.

11. FY2022 Chain Operations Forecast

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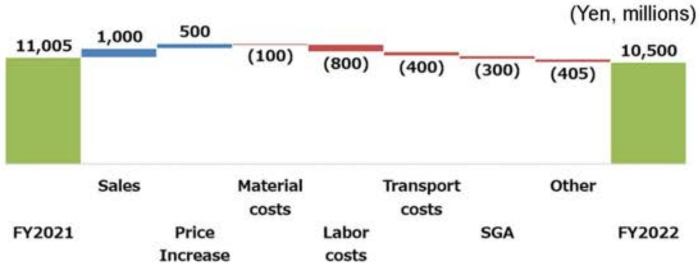
(Yen, millions)

		FY 2021	FY 2022			YOY
		Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Chain	Net sales[*1]	74,174	38,000	38,000	76,000	2.5%
	Operating income	11,005	5,400	5,100	10,500	- 4.6%
	%	14.8%	14.2%	13.4%	13.8%	

*1: Sales figures include internal sales and transfers between segments.

(Yen, millions)

Causes of change in operating income



Sales

・Despite the strong order backlog, overseas demand, which had been driven by special demand, is expected to slow down and remain at about the same level as last fiscal year.

Operating income

・Although we will continue our efforts to improve production, we expect a drop in income due to the rising cost of steel and higher cost of labor, especially in North America.

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Forecasts by business segment. First is the Chain business.

The Company is targeting net sales of JPY76 billion and an operating income of JPY10.5 billion. Compared to the previous year, we expect a 2.5% increase in net sales and a 4.6% decrease in operating income, as I mentioned earlier.

As for sales, we expect sales in Japan to remain strong, but sales in North America, where there has been a significant increase in demand, are expected to settle down in the second half of FY2022 and then in FY2023. However, we will keep a close eye on developments and be ready to respond quickly to avoid supply delays.

On the positive side, we expect a total of JPY1.5 billion from the increase in net sales and the effect of price hikes. On the negative side, the increase in steel prices, labor costs, transportation costs, and selling, and general and administrative (SG&A) expenses will result in a decrease of JPY2 billion. In total, operating income will drop by about JPY500 million.

Therefore, operating income is expected to be JPY10.5 billion, down 4.6% from the previous year. However, we are hoping to exceed this forecast through global production improvement activities, cost reductions, and optimization of operations between our business sites.

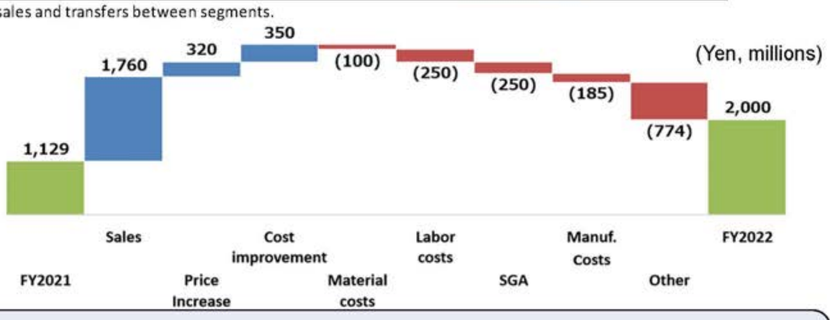
11. FY2022 Motion Control Operations Forecast 17

(Yen, millions)

		FY 2021	FY 2022			YOY
		Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Motion Control	Net sales[*1]	19,906	11,000	12,000	23,000	15.5%
	Operating income	1,129	700	1,300	2,000	77.1%
	%	5.7%	6.4%	10.8%	8.7%	

*1: Sales figures include internal sales and transfers between segments.

Causes of change in operating income



Sales
・Parts supply problems will continue in the first half of the year, so recovery will be slow, but sales are projected to increase.

Operating income
・Despite an increase in parts procurement costs, we expect an increase in profit due to ongoing efforts to improve production.

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Next is the Motion Control business.

We are targeting net sales of JPY23 billion and operating income of JPY2 billion, which are a 15.5% increase in net sales and a 77.1% increase in operating income compared to the previous year.

Although the parts procurement problem remains, we expect it to be resolved in the second half of the year, and as you can see from the profit figures, we have set the second half of the year higher.

The positive factors for the increase in operating income totaled JPY2.4 billion, including the increase in sales, the effect of price hikes, and cost improvements. On the negative side, we expect increases in personnel expenses, SG&A expenses, and manufacturing expenses, etc., which will result in a negative impact of JPY1.5 billion.

Operating income is expected to improve by 3 percentage points to JPY2 billion.

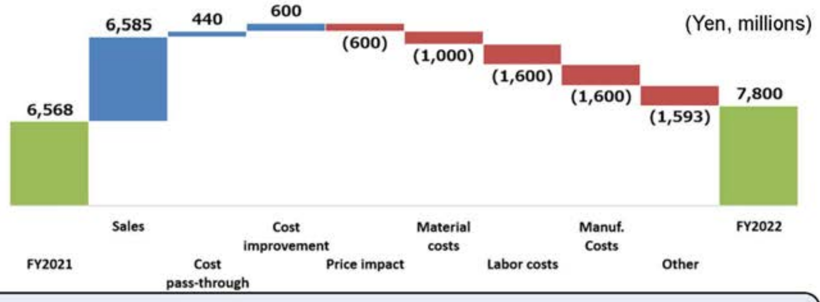
11. FY2022 Mobility Operations Forecast

(Yen, millions)

		FY 2021	FY 2022			YOY
		Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Mobility	Net sales*1	66,027	38,000	40,000	78,000	18.1%
	Operating income	6,568	3,200	4,600	7,800	18.8%
	%	9.9%	8.4%	11.5%	10.0%	

*1: Sales figures include internal sales and transfers between segments.

Causes of change in operating income



Sales
・Recovery is expected in all regions of Japan, the Americas, Europe, Indian Ocean Rim, China, and South Korea.

Operating income
・Income is expected to increase due to sales recovery, but operating income margin is expected to remain almost flat compared to last fiscal year due to higher labor costs in North America.

Next is the Mobility business.

We are targeting net sales of JPY78 billion and an operating income of JPY7.8 billion. Compared to the previous year, we expect an 18.1% increase in net sales and an 18.8% increase in operating income.

Regarding net sales, despite the prolonged impact of semiconductor shortages in the first half of the year, we expect an increase in net sales due to a recovery in automobile production and the start of new projects. Toyota Motor Corporation, our largest customer, plans to produce 9.7 million units this fiscal year, up 13% from the previous year. They had a plan of 11 million units at the beginning of the year, so we believe that if that number recovers, we will be heading in an even better direction.

This shows the factors for the increase and decrease in operating income. On the plus side, we expect a total increase of JPY7.6 billion, which includes an increase in sales, partial price shift of steel and resin price hikes, and cost improvements. On the negative side, as mentioned earlier, the sales price issue will lead to negative JPY600 million, meaning that demand for unprofitable items will increase. In total, we expect JPY6.4 billion on the negative side, due to materials price increases, labor cost increases, manufacturing expenses, etc.

As a result, operating income is expected to improve by 0.1 of a percentage point to JPY7.8 billion.

11. FY2022 Materials Handling Operations Forecast 19

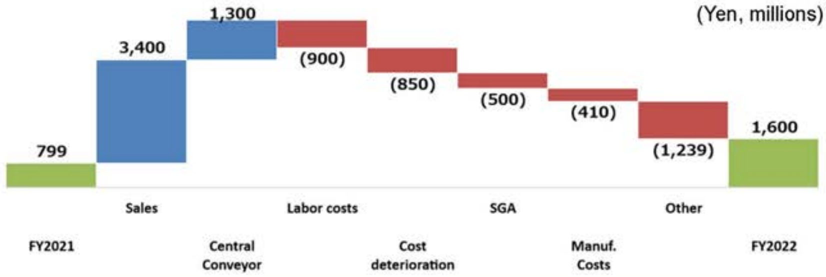
(Yen, millions)

		FY 2021	FY 2022			YOY
		Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Materials Handling	Net sales[*1]	55,728	30,000	34,000	64,000	14.8%
	Operating income	799	300	1,300	1,600	100.3%
	%	1.4%	1.0%	3.8%	2.5%	

*1: Sales figures include internal sales and transfers between segments.

Causes of change in operating income

(Yen, millions)



sales
・Sales is expected to increase due to higher sales in each region.

Operating income
・Although income in Materials Handling Division (Tsubakimoto Chain) will decrease due to aggressive investment in new businesses, we expect to see an overall increase in income due to a decrease in losses in the Americas.

Tsubakimoto Chain Co.

FY 2021 Settlement of Accounts Presentation Meeting

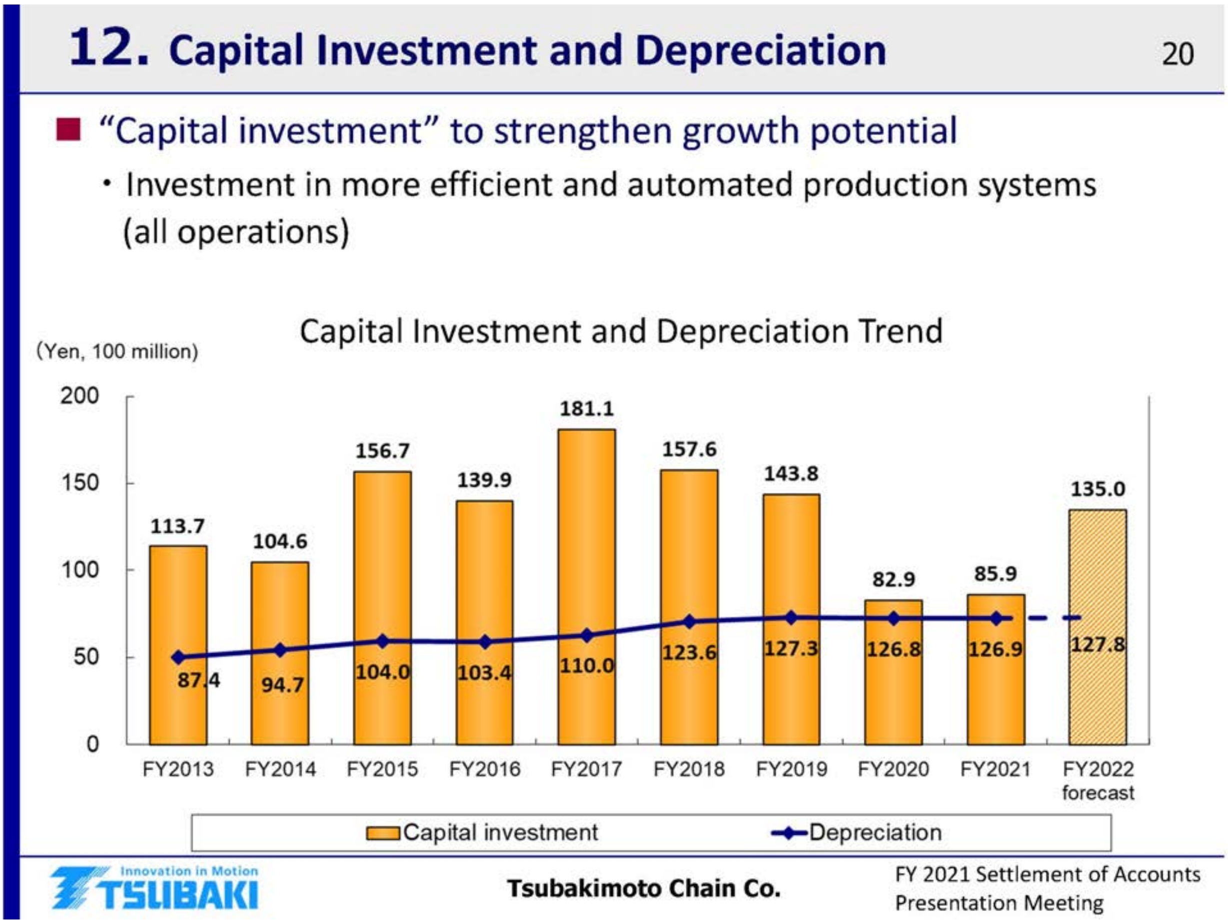
Next is the Materials Handling business.

We are targeting net sales of JPY64 billion and operating income of JPY1.6 billion. Compared to the previous fiscal year, we expect a 14.8% increase in net sales and a 100.3% increase in operating income, which means that we expect to double our profit.

We expect sales in Japan to remain strong in the distribution sector, and sales in the USA are expected to increase due to the growth of the subsidiary for the construction sector, which was spun off from CCC.

As for the factors that may affect operating income, we expect a total of JPY4.7 billion in positive factors, including a JPY3.4 billion from an increase in net sales and a JPY1.3 billion reduction in CCC's deficit. On the negative side, we expect an increase in labor costs, SG&A expenses, and manufacturing costs, and a fairly large number in the last category, others, which consists of approximately JPY1.2 billion in aggressive investments for future growth, including regenerative medicine and maintenance projects.

Operating income is expected to improve by 1.1 percentage points to JPY1.6 billion.



This is the status of capital investment and depreciation.

We are investing in capital to strengthen our growth potential and the automation and efficiency of our production systems in all of our businesses. In the fiscal year ending March 31, 2023, we will make an investment of JPY13.5 billion.

In the fiscal years ended March 31, 2021 and 2022, capital investment amounted to only JPY8.3 billion and JPY8.6 billion, respectively. The plan originally called for JPY11.7 billion for the fiscal year ended March 31, 2021. This is where we have slightly curbed our investments due to sluggish performance.

In addition, we had planned to invest JPY10.5 billion in the fiscal year ended March 31, 2022, but the COVID-19 pandemic caused a slight delay in the investment, so depreciation will be lower in the future. We are now looking to bring this to a more normal state by investing JPY13.5 billion in the fiscal year ending March 31, 2023.

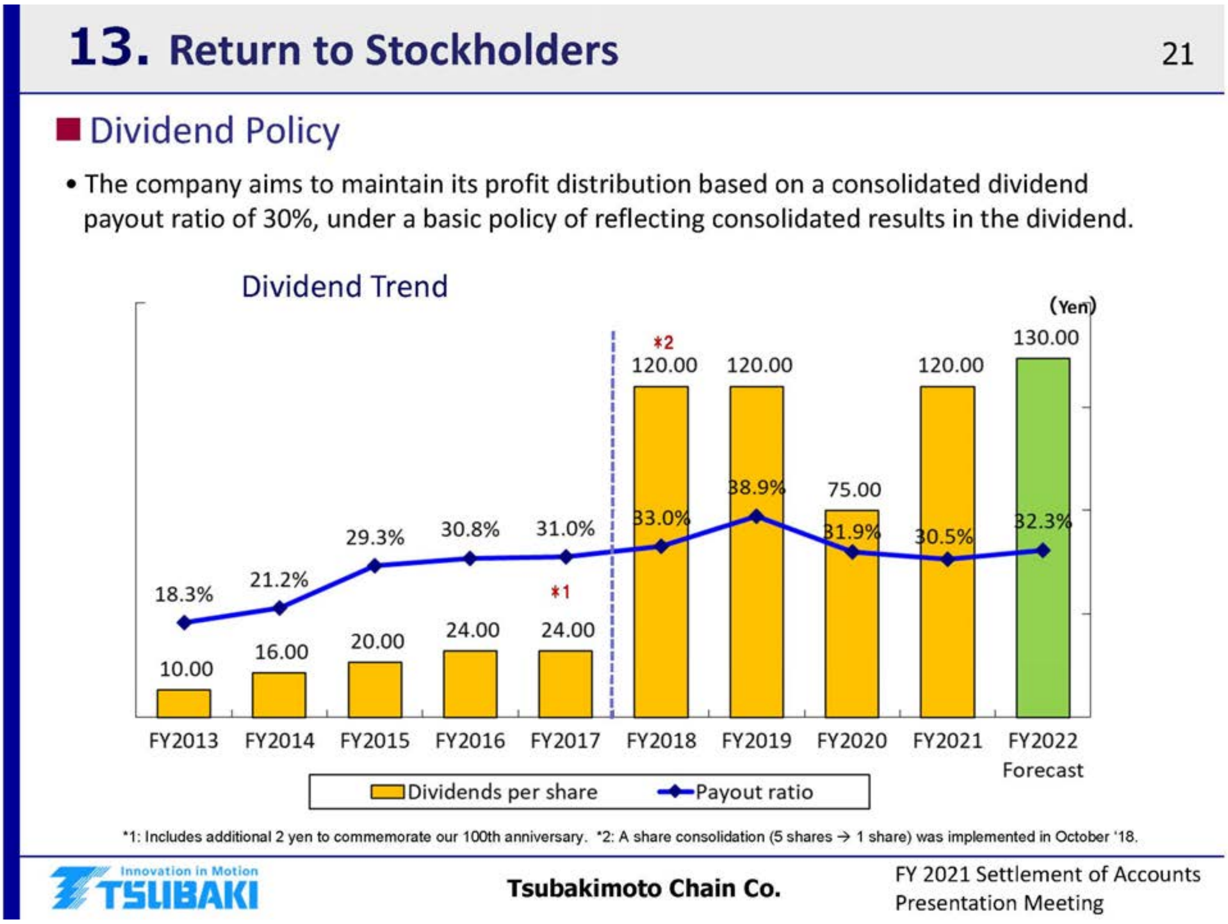
I would like to introduce our main investments.

The Chain Division will invest JPY1.4 billion in the automation of the new No. 80 assembly line, which is being developed under LinK 2025, and the MC Division will also upgrade the efficiency of its facilities through the production reforms of CONNECT 2025. In addition, the Mobility Division is also developing an improvement and reform initiative called MAC 2025.

We will invest in wear elongation testers and rotary fatigue testers for the development of new technologies and products, as well as in an automation project to bring about a major production reform.

The Materials Handling division will also invest in the development of new products for distribution, picking equipment with storage functions, which we hope to bring to the market.

We intend to make more and more investments in efficiency toward reform and the *Monozukuri* Summit.

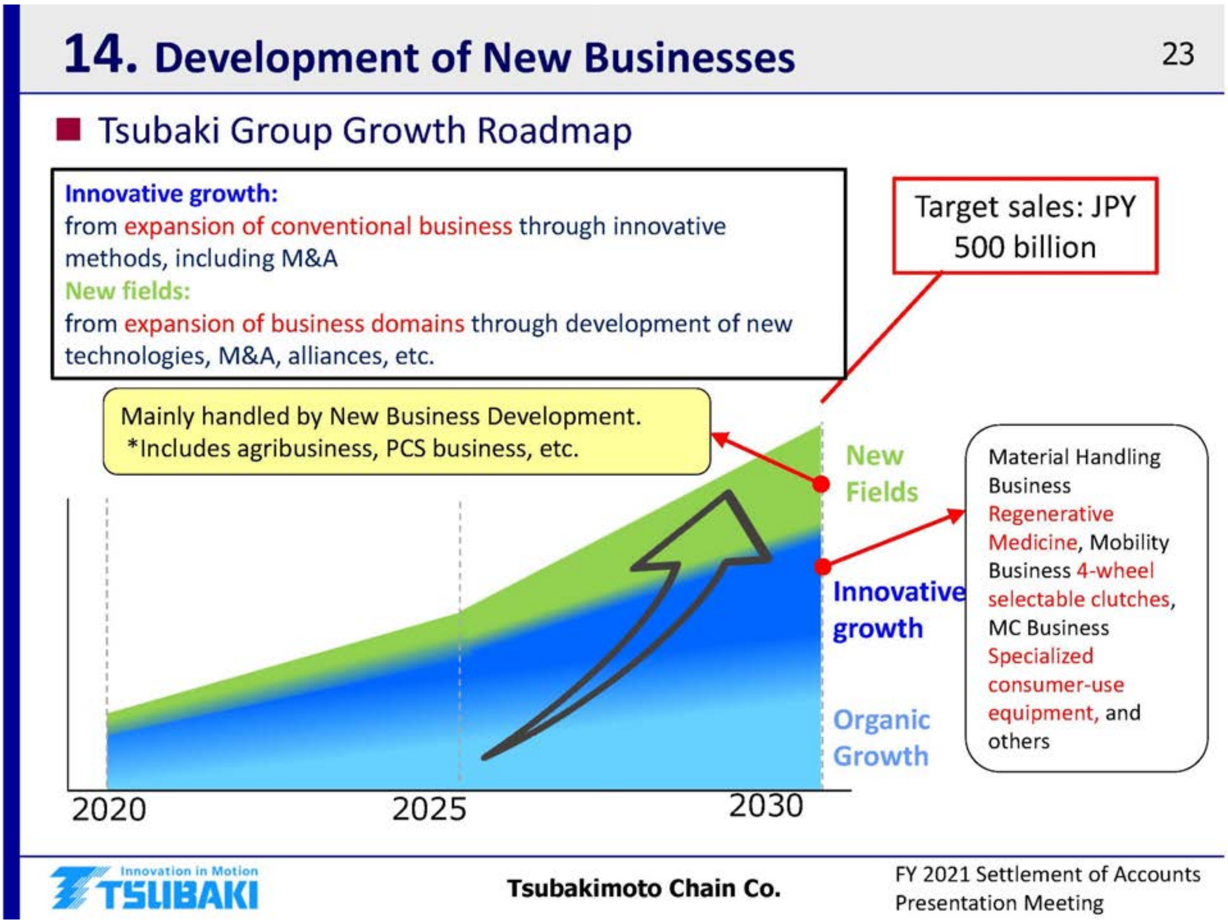


Shareholder returns.

As we have already stated in the past, our basic dividend policy is to pay dividends that reflect our consolidated business performance, and we aim to distribute profits based on a dividend payout ratio of 30%.

The interim dividend for the fiscal year ended March 31, 2022 was JPY50 per share. The Company had planned to pay a year-end dividend of JPY60 per share, but decided to increase the year-end dividend by JPY10 per share since profit attributable to owners of parent exceeded the forecast. So, we have set the annual dividend at JPY120 per share. The dividend payout ratio is 30.5%.

For the fiscal year ending March 31, 2023, the Company plans to pay an interim dividend of JPY60 per share and a year-end dividend of JPY70 per share, for an annual dividend of JPY130 per share with a payout ratio of 32.3%. We are eager to develop this into a reality.



Last but not least, I would like to introduce some of the various developments we are working on. I am sorry, but I will not explain the specifics of the topics related to the transformation of each business and business development for new growth, but I would like to introduce some of the current developments.

First, I would like to discuss new business development.

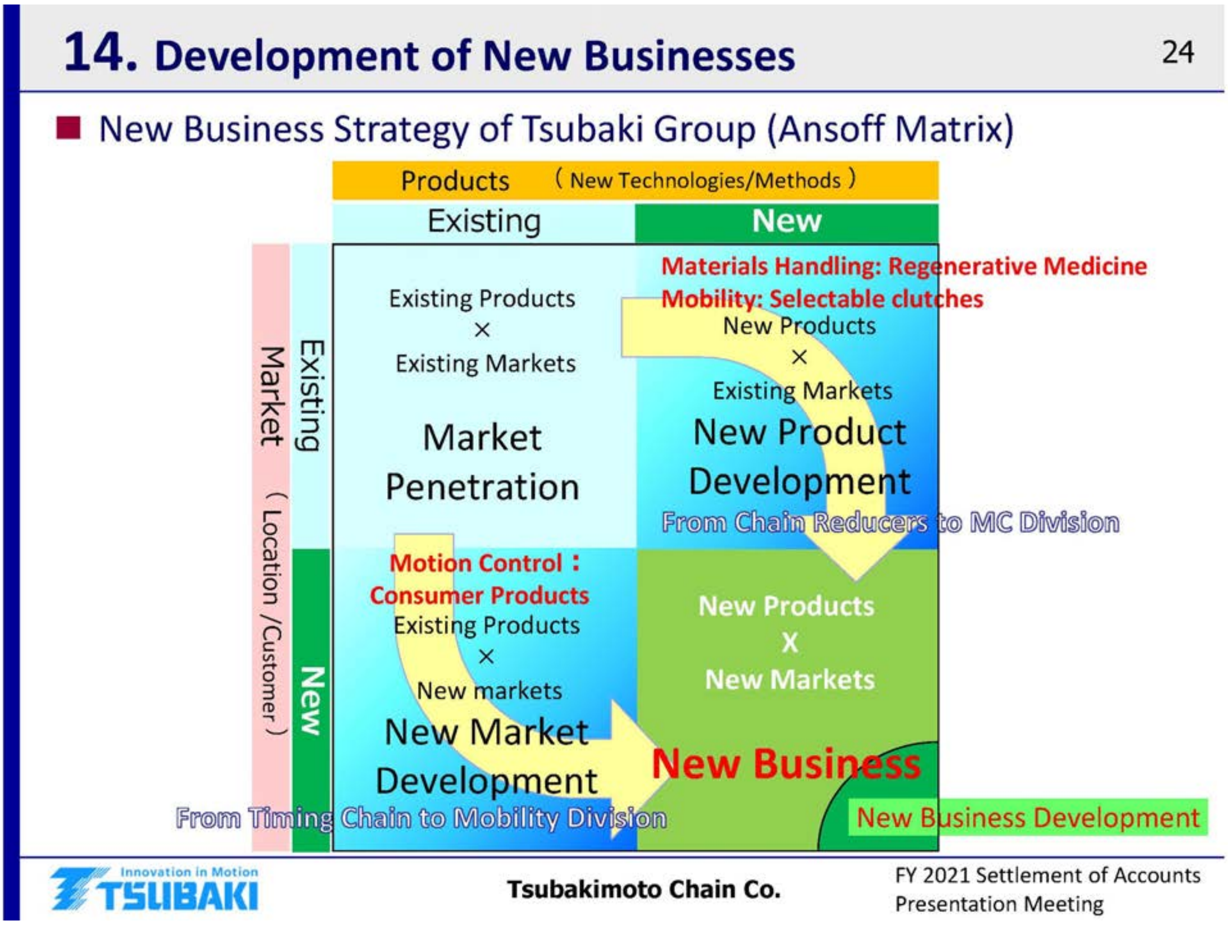
This is the roadmap for growth introduced in our Long-Term Vision 2030. We have three major growth strategies.

The first is organic growth of existing businesses. We would like to expand the market globally, expand products according to the region by means of a matrix of products, businesses and the global market, and develop measures to strengthen and expand our products. Specifically, we would like to expand our applications and continue to push forward with market expansion. This is organic growth of existing businesses.

The second is, innovative growth, which is the expansion of business areas through innovative methods. As an example of some of our efforts, in the field of regenerative medicine in the Materials Handling business, we are expanding our LaboStocker lineup from -80°C to -150°C, exploring new applications, and as I mentioned earlier, we are aiming to enter the field of cell culture and regenerative medicine.

Also, we would like to evolve and expand into starter clutches for 2-wheelers in the Mobility business, and further into selectable clutches for 4-wheelers, battery EVs, and hybrids. In order to make the products of our Motion Control business more consumer- and application-focused, we are now expanding into human-assistive devices.

And finally, new growth, or entry into new fields. This past April, we expanded the New Business Development Function into the New Business Development Department. We hope to achieve these three types of growth through this, but these three types of growth are not completely independent. We hope to further generate synergy effects while engaging in each of these activities.



Now, I would like to introduce our new business development.

In particular, we considered changes in the social environment and growth strategies by applying the Ansoff Matrix.

In the past, we have incorporated this idea in our definition of new product proposals and have considered technology and existing markets to be out of scope, according to the new technology or process and market matrix. We view innovative growth as the development of technologies and manufacturing methods for existing products into new products, as well as the entry of existing products into new geographic and customer segments on a global basis.

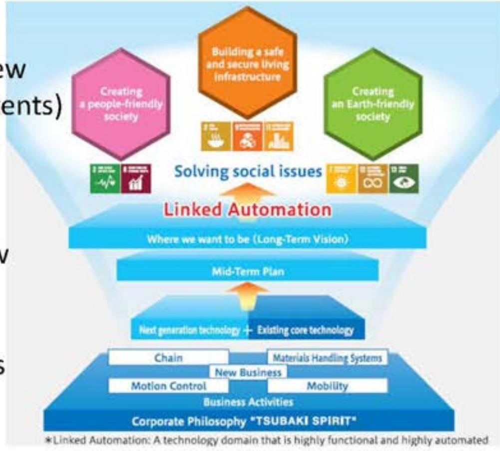
This slide shows new business beyond both of these innovative growth expansions. This is the idea of connecting the expansion to new growth and new areas. In addition, the New Business Development Department will be spearheading this new business area and will be responsible for new developments.

14. Development of New Businesses

Overview of New Business Activities

- Received advice from a consultant on starting a new business based on technological assets (public patents)
  - ➢ Over 100 ideas were submitted, 35 of which were merged into new business concepts

- Held discussions with our top management on new business concepts with high growth potential.
  - ➢ Focused on synergies with existing businesses
  - ➢ Significance of Tsubakimoto Chain's participation is important (utilization and application of existing technology, etc.)



「Creating a people-friendly society」
「Establish a safe and secure living infrastructure」
「Creating an Earth-Friendly Society」
New business development that solves social issues.

Established New Business Development Department in April '22 to **transition from a phase of searching for new businesses to a phase of developing new businesses.**

I would like to introduce what the New Business Development Department is developing, which you can see in the lower right-hand corner of the previous matrix.

We are developing new businesses by collaborating with outside consultants and utilizing our intellectual property and technology. We have about 2,000 intellectual properties. From these patents, we hope to conceptualize an additional 100 ideas and 35 new businesses, and then further develop promising candidates into the new business development phase. We would like to present you with specifics as soon as possible.

15. Topics（Power Transmission Operations）

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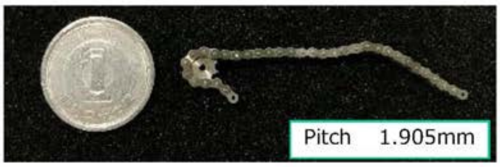
Chain Operations

"Ultra-small RS® roller chain"

Developing **the World's Smallest Chain**



Motion Control Operations

"SMU（Smart Motion Unit）"

Toward **"Creating a people-friendly society"**

Medicine, agriculture, forestry, construction, and factories, etc.
Supporting human activities

Innovation in Motion TSUBAKI

Tsubakimoto Chain Co.

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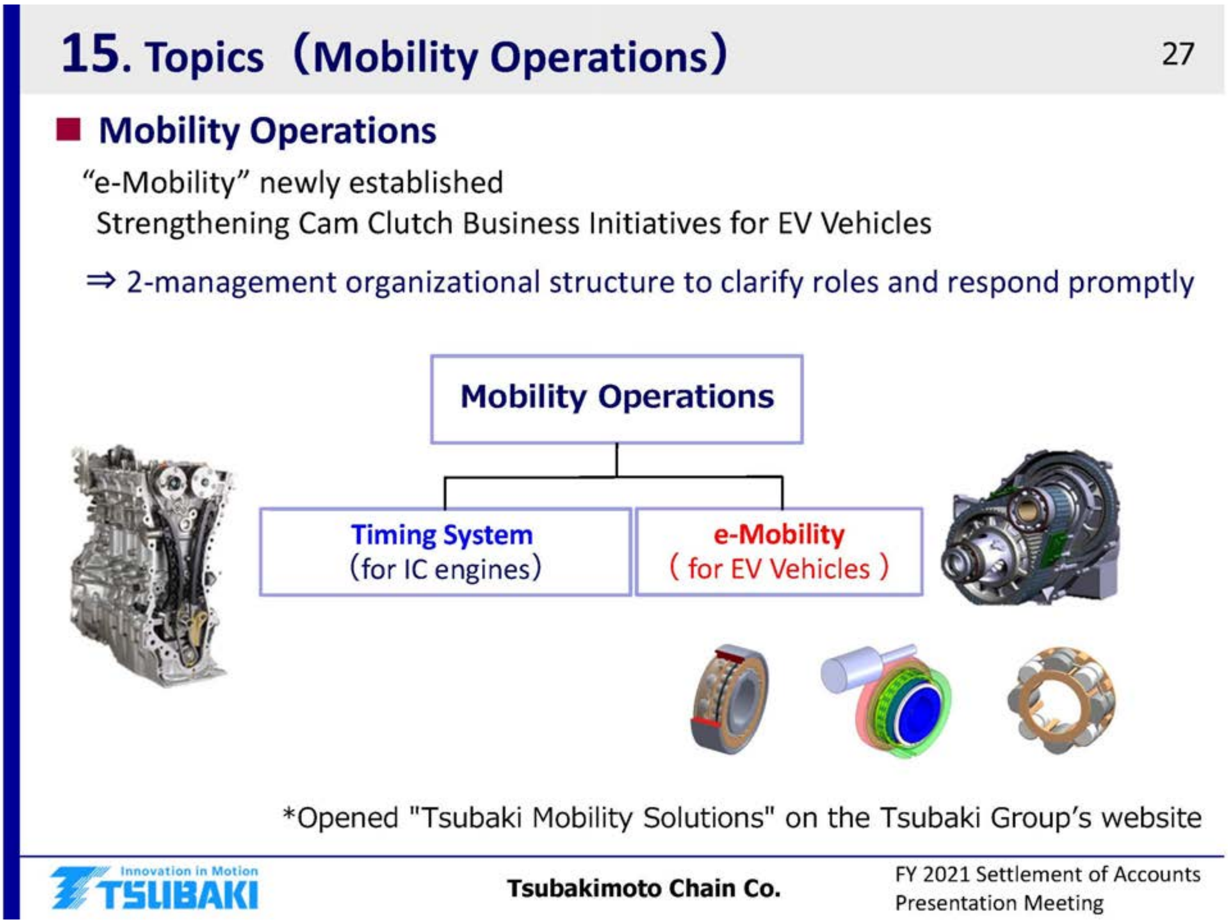
Next, I would like to discuss the Power Transmission Operations.

Each of our businesses is developing initiatives for visionary-type products with the aim of achieving innovative growth. In the Chain business, as you can see in this picture, we have the world's smallest chain, which we call RS6. The pitch is 1.905 mm. If possible, we would like to change the method of using wires for various ultra-precision applications to this chain method, and expand it to the development of precision and ultra-compact applications.

In the MC business, we have introduced SMUs (Smart Motion Units) in the past, and we are now in the process of developing human-assist devices that support human movement.



Next, Mobility Operations.

This is a specialized organization for timing system management, as I mentioned earlier, aimed at strengthening the conventional timing chain system for internal combustion engine engines. To further strengthen the Company, we hope to achieve a global market share of 46%.

We will expand our e-mobility control organization to expand cam clutches, Enedrive, and power drive areas to battery EVs, hybrids, and plug-in hybrids.

15. Topics（Materials Handling Operations）

■ Materials Handling Operations

“ Strengthen system integration business “

1. KISAI BASE opened (Oct. 2021)
   Strategic development base for logistics engineering business (with “Ryutsu Service Co., Ltd.)

Mixed reality (MR) for visual experience of scale, workability, etc.

2. Signed a sales partnership agreement for Autonomous Material Handling Robots (AMR) (Jan ‘22)
   Sales partner agreement with ForwardX Robotics (China) to provide optimal distribution systems.

AMR Flex series

“Entered the medical field (KBIC: KOBE Biomedical Innovation Cluster)”

3. Established a new R&D center in KBIC.
   Promote research and development of automated equipment and management systems for regenerative medicine and cell therapy

Lastly, Materials Handling Operations.

To strengthen and expand our system integration business, we have established KISAI BASE in Saitama with a logistics company called, “Ryutsu Service Co., Ltd.” Here, we also incorporate MR, or mixed reality that allows for actual experience and visibility of the system scale, workability, etc.

In addition, we have concluded a sales partner agreement with a Chinese manufacturer for autonomous transfer robots. By combining these two aspects, we are developing a system that provides an optimal logistics system and appeals to our customers.

As for our entry into the medical field, as I have mentioned before, we have established a research and development base in the Kobe Biomedical Innovation Cluster to accelerate our business in regenerative medicine and cell biotechnology.

We will promote the development of each topic as much as possible so that we can introduce specific developments at the next briefing.

This concludes the presentation of the consolidated earnings report for the fiscal year ended March 31, 2022, as well as the consolidated earnings forecast and topics for the fiscal year ending March 31, 2023 of TSUBAKIMOTO CHAIN CO.

Thank you for watching.

Question & Answer

Tanabe [Q]: Let me introduce again the board members who will answer your questions.

Kenji Kose, President and Representative Director, Chief Operating Officer; Yasushi Nagai, Managing Executive Officer, Power Transmission Operations; Masaki Miyaji, Senior Executive Officer, Mobility Operations; Masafumi Okamoto, Senior Executive Officer, Materials Handling Operations; Yasuhiro Akesaka, Executive Officer, Finance & Accounting/Corporate Planning/IT/New Business Development.

We will now begin the question-and-answer session.

First question. I would like to know what you expect the earnings impact to be due to the Shanghai lockdown and the prolonged Russia/Ukraine issue.

President Kose, please go ahead.

Kose [A]: I would like to answer your question. The lockdown in Shanghai is particularly impacts the Mobility business, and Mr. Miyaji will comment on this later.

Regarding the Russia/Ukraine issue, our sales to Russia from our European base totaled approximately JPY1.2 billion last year. We are currently suspending shipments from a humanitarian standpoint, and if this situation is prolonged, we expect a similar annual impact of about JPY1.2 billion. I hope that this war, or should I say crisis, will be resolved soon and we can return to normal. That is all.

Miyaji [A]: In the automotive industry, the major issue regarding the war in Ukraine is where to deliver our parts. Fortunately, we do not supply most of our parts to Russia, so I think this has not had any impact on our business.

However, in Europe, the supply of parts from Ukraine has been slowing down, and our production volume has dropped a little as a result. Is it at about 75%? I guess. In short, we were affected by about 25% of our target, but since our sales in Europe are not rising that much, we do not expect such a large fluctuation in sales.

On the other hand, the lockdown in Shanghai was so damaging that we had no choice but to close our factory there in May, resulting in a 50% decrease in sales. The Shanghai factory will finally be able to return to production next month, and other parts suppliers will be able to supply parts to automakers, so the situation will gradually recover from June onward. We are of the view that the total impact will not be very significant. That's all for Mobility.

Tanabe [Q]: Thank you very much. Next, I would like to ask a question regarding the Mobility business.

You are planning an 18% increase in sales for the mobility business for the fiscal year ending March 31, 2023, and I would like you to break down this increase in sales into the assumed vehicle production volume, the boost from foreign currency translation, and the contribution from new projects.

Mr. Miyaji, Executive Officer, please go ahead.

Miyaji [A]: As explained on page seven of the presentation material, one of the major impacts was that the exchange rate is expected to depreciate considerably in general, which is about JPY600 million. As we reported in our previous report, investments in areas where sales are growing have already been completed, and investments have been curtailed, resulting in a benefit of about JPY300 million, especially in depreciation and amortization.

The steel price hike also caused significant damage, but the impact in FY2021 was not that great, and was limited to about JPY670 million, as reported by the President earlier.

Another thing is that we have been increasing our inventories in accordance with our production plan, which was affected by the current semiconductor crisis, the Chinese lockdown, and other factors that prevented car manufacturers from building cars even if they had wanted to. The positive impact of the profit on this area was about JPY2.1 billion, and we believe that this area led to the large increase in earnings. That is all.

Tanabe [M]: I'm sorry, the question is for the earnings forecast for the fiscal year ending March 31, 2023.

Miyaji [A]: I'm sorry. My apologies.

For FY2022, as shown on page 18, there are various positive factors. One of them is that we plan to make up for the volume of production planned for FY2021, both in Japan and overseas, in FY2022. After gathering information using various surveys of the market, we have learned that sales will probably increase by about 17% this fiscal year, and we expect to increase our earnings in response to this increase.

We will also implement various cost reduction measures, but steel products in particular will have an extremely large impact on profit in the future, and we will make every effort to pass on this cost to customers as much as possible. We are hoping to somehow secure a profit margin of 10%. That is all.

Tanabe [Q]: Thank you very much. Next question is about the Chain business.

Regarding the earnings forecast, I feel that the 2.5% growth in sales will not be enough to grow sales, considering the foreign exchange rate. What are the factors contributing to this and to the lack of sales growth? If you have any concerns, I want to know them too.

Mr. Nagai, Executive Officer, please go ahead.

Nagai [A]: I will answer your question.

You mentioned sluggish sales, but rather, the orders for FY2022 were very strong compared to the original plan. In particular, there was an increase in orders that we had not anticipated, caused by such things as logistics challenges in North America, special demand for housing, and in the USA, where supply by chain manufacturers, our competitors, had become extremely difficult, major distributors began handling our products instead of those of our competitors.

In FY2023, the industry is expected to see a slowdown in special demand, and some orders are being placed in advance due to a shortage of goods. Taking these factors into account, excluding foreign exchange, sales will decrease. However, the numbers are in line with that of the original Mid-Term Plan.

And as for the orders transferred from other companies, we will, of course, make sure that they are secured. In FY2021, we were having a difficult time because of the COVID-19 situation, but this has been alleviated this year, and we will continue to promote the original initiatives and work to bring positive results despite this plan.

Tanabe [Q]: Thank you very much. Next is a question regarding the Materials Handling business.

I would like to know the current status of orders and inquiries for the Materials Handling business, trends including those for Central Conveyor, and the timing of Central Conveyor's return to profitability.

Mr. Okamoto, Senior Executive Officer, please go ahead.

Okamoto [A]: Okay, I, Okamoto, will answer this.

Currently, as the president mentioned earlier, the domestic market, including the distribution and automobile industries, has been very strong, and we intend to expand into new fields based on this strength.

Regarding Central Conveyor, which has been causing you a lot of concern, we finally completed the additional work pertaining to a large project by the end of March this year, and we are now in the maintenance phase.

Therefore, we are now at the stage where we are looking for new inquiries or projects for Central Conveyor, and we are now in the process of expanding our business.

In this sense, sales for this fiscal year will depend on future inquiries, projects, and orders, so we are in a rather difficult situation and are wondering if we will experience a slight deficit this year, too. We are trying to make the business as profitable as possible by winning orders to resolve the situation.

Tanabe [Q]: Thank you very much. The next question is about new businesses.

How is the current progress in new business development compared to what was envisioned when the Mid-Term Plan was formulated? I would also like to know what the goal for new businesses is in 2025.

Officer Akesaka, please go ahead.

Akesaka [A]: President Kose has already told you a little about this, but we are not at the stage of being able to announce specific details yet, so we would like to announce them as soon as possible. Please wait.

Initially, the five-year period of this Mid-Term Plan is a seed-planting period, and we are working on a schedule of what should be done during that seed-planting period. This is progressing according to internal targets.

Last year, as Mr. Kose mentioned earlier, we were engaged in exploration and commercialization concept creation. This fiscal year, we will be investigating the actual feasibility of commercializing some of the promising ideas. For this purpose, we created an upgraded new organization called, “New Business Development Department” with a few new staff members. We will work steadily on this and will explain it to you again as soon as possible.

As for the scale of the project in 2025, I would like to refrain from discussing it at this stage, but I will talk about it as soon as it becomes more concrete.

Tanabe [Q]: Thank you very much.

The next question is about the Motion Control business with respect to the earnings forecasts.

I feel that the operating margin in the second half of the year for the motion control business may be too bullish compared to the first half. Please let me know the factors behind the recovery of the profit margin to the 10% level in the second half of the year.

Mr. Nagai, Executive Officer, please go ahead.

Nagai [A]: I will answer your question.

I would like to discuss this together with the Chain business as well. First, at the start of FY2021, both divisions created business plans assuming various risks, such as price increases for steel and resin materials and various related purchased items, difficulty in obtaining them, logistics problems, the China risk, and so on.

As for the Chain business, we were able to develop countermeasures against it very successfully, which led to our good performance in FY2021. On the other hand, in the area of Motion Control, other companies were also having a very difficult time obtaining motors, electronic components, etc., and we also raised our prices in October to pass on the price increases of various items.

For that matter, the Chain business is much the same. Increases and decreases were offset. However, as I mentioned earlier, sales in the Motion Control business were not as strong as expected due to the difficulty in obtaining procurement items. There are still products and orders remaining from before the price increase, and the current sales are coming from those products.

So, to put it another way, we are continuing to sell at the price before the price increase while buying parts that have been raised. For FY2022, we are currently working on resolving the procurement problem first, and this is being done as quickly as possible, and we expect the major problems to disappear by the second half of the year.

Sales will increase accordingly. In addition, as I mentioned earlier, products with price increases will account for a larger percentage of sales. In addition, we are also promoting cost reductions under various themes. For the second half of FY2021, the effects of these efforts have been more effective and profitable than in the first half.

We are planning to resolve the three procurement problems and increase sales in FY2022, and to raise the rate of price increases by passing on the price increases to our customers, and to reduce the cost of goods sold. Naturally, we would like to move this forward as much as possible so that we can achieve the desired results.

Tanabe [Q]: Thank you very much. The last question is about the Mobility business.

What are the advantages of selectable clutches for 4-wheels? Please tell us as much as you can about the commercialization potential.

Mr. Miyaji, Senior Executive Officer, please go ahead.

Miyaji [A]: We are currently developing a selectable clutch for 4-wheelers, and are in the process of finalizing specifications according to the customer's application. This selectable clutch is a mechanism that other companies also have, or that is already available in the market, but we have a strong customer need for a clutch with excellent response, or in other words, excellent response in stopping and releasing the shaft. And, the clutch has a clicking sound that is a bit annoying, so customers are asking us for a solution to that problem.

I think it applies to the responsiveness I mentioned earlier, but improvements to reduce electricity consumption as much as possible are appreciated and we are currently receiving inquiries from about four companies for the improvement of consumption. We are now moving to the stage of cost reduction by taking advantage of these special characteristics in our manufacturing process.

However, since the future outlook, including applications, is still unclear and cannot be disclosed, we hope that we will be able to win an order from one company first, and that this will lead to a business that will be adapted not only for battery EVs but also for hybrid cars and other eco-friendly vehicles in the world.

However, in terms of new business, we need to earn billions of yen, so we are currently developing not only sales capabilities, but also mass production capabilities in the area of manufacturing, with the aim of introducing our products to the market. That is all.

Tanabe [M]: Thank you very much.

That concludes the Q&A session. It seems that there are no more questions, so I will conclude today's financial results briefing.

Today's event will also be available on-demand. Please use the on-demand broadcasting service in the event that you were unable to view the video due to communication problems or other unforeseen problems today.

Thank you very much for your time today.

[END]