



TSUBAKIMOTO CHAIN CO.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2023

November 18, 2022

[Number of Speakers]	5	
	Takatoshi Kimura	President and Representative Director, Chief Operations Officer
	Yasushi Nagai	Managing Executive Officer, Power Transmission Operations
	Masafumi Okamoto	Senior Executive Officer, Materials Handling Operations
	Isao Sato	Senior Executive Officer, Mobility Operations
	Yasuhiro Akesaka	Executive Officer, Finance & Accounting, Corporate Planning, IT, and New Business Development

Tsubakimoto Chain Co. FY2022 Q2 Settlement of Accounts

<Agenda>

Contents	Presenters	Time
<ul style="list-style-type: none">• FY 2022 Second Quarter Results• Topics	Takatoshi Kimura President and COO Representative Director	35 mins
<ul style="list-style-type: none">• Q&A	President, Executive Officers in Charge of Business Operations and Financial Affairs	25 mins

November 18, 2022

Kimura: Hello, everyone. I'm Kimura of TSUBAKIMOTO CHAIN CO. I have been appointed President of the Company effective this year. Thank you very much for your cooperation.

- Net sales and income increased due to strong performance in the chain business and an increase in foreign currency translation due to the weaker yen. However, operating income margin declined due to higher prices of materials and parts.

(Yen, millions)

	FY 2021	FY 2022	YOY	Forecast (as of May 11, 2022)	
	Q2	Q2	Inc / Dec	Forecast	Inc / Dec
Net sales	102,518	118,933	16.0%	117,000	1.7%
Operating income	8,185	8,375	2.3%	8,600	-2.6%
%	8.0%	7.0%		7.4%	
Ordinary income	9,156	9,889	8.0%	9,200	7.5%
Net income	6,624	6,756	2.0%	6,800	-0.6%
Net income per share	178.96 yen	182.49 yen		183.69 yen	—
(Exchange rates 1 USD)	109.81 yen	134.04 yen		120.00 yen	—
(Exchange rates 1 EUR)	130.88 yen	138.77 yen		135.00 yen	—
(Exchange rates 1 RMB)	16.66 yen	18.96 yen		18.90 yen	—



Kimura: We will now begin our consolidated financial results briefing for Q2 of the fiscal year ending March 2023.

For H1 of the fiscal year ending March 2023, both sales and income increased due to the strong performance of the chain operations and the effect of the yen's depreciation. On the other hand, although net sales exceeded the May 11 forecast by 1.7%, operating income and net income attributable to owners of parent fell slightly short.

The positive effect of foreign currency translation on net sales was about JPY 9.7 billion, as the yen weakened against the US dollar. Operating income decreased by 3.6%, given that the positive effect of foreign exchange was about JPY500 million.

(Yen, millions)

		FY 2021	FY 2022	YOY	Forecast (as of May 11, 2022)	
		Q2	Q2	Inc / Dec	Forecast	Inc / Dec
Chain	Net sales ^{*1}	35,348	43,609	23.4%	38,000	14.8%
	Operating income	5,142	6,285	22.2%	5,400	16.4%
	%	14.5%	14.4%		14.2%	
Motion Control	Net sales ^{*1}	9,539	10,886	14.1%	11,000	- 1.0%
	Operating income	426	745	74.5%	700	6.4%
	%	4.5%	6.8%		6.4%	
Mobility	Net sales ^{*1}	32,420	36,429	12.4%	38,000	- 4.1%
	Operating income	3,648	2,375	-34.9%	3,200	- 25.8%
	%	11.3%	6.5%		8.4%	
Materials Handling	Net sales ^{*1}	25,334	28,066	10.8%	30,000	- 6.4%
	Operating income	(221)	(74)	—	300	—
	%	—	—		1.0%	
Other ^{*2}	Net sales ^{*1}	1,338	1,477	10.4%	1,000	47.7%
	Operating income	(222)	(265)	—	(300)	—
	%	—	—		—	

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

*2: "Other" is not a reportable segment.



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

Breakdown by operations. The details will be explained later, so here is a brief introduction of only the amount and the impact of the exchange rate.

The chain operations ended the year with higher sales and income. The amount of foreign exchange impact in the chain operations was about JPY 4 billion in net sales and about JPY 500 million in operating income, both positive effects.

The motion control operations also saw an increase in sales and income. The amount of the foreign exchange impact is a positive effect of about JPY 500 million in sales and JPY 40 million in operating income, respectively.

In the mobility operations, sales increased, but unfortunately income decreased. The foreign exchange impact here was about positive JPY 3.6 billion in net sales and about negative JPY 10 million in operating income.

In the materials handling operations, sales increased by JPY 2.7 billion and income improved. The foreign exchange impact was about positive JPY 1.7 billion for net sales and about negative JPY 90 million for operating income.

(Yen, millions)

		FY 2021	FY 2022	YOY
		Q2	Q2	Inc /dec
Americas	Net sales*	27,778	37,731	35.8%
	Operating income	1,555	1,535	-1.3%
	%	5.6%	4.1%	
Europe	Net sales*	11,904	14,699	23.5%
	Operating income	545	644	18.0%
	%	4.6%	4.4%	
Indian Ocean Rim	Net sales*	8,329	9,678	16.2%
	Operating income	1,201	1,143	-4.8%
	%	14.4%	11.8%	
China	Net sales*	9,693	10,619	9.6%
	Operating income	641	599	-6.5%
	%	6.6%	5.6%	
South Korea, Taiwan	Net sales*	5,147	5,362	4.2%
	Operating income	219	184	-16.3%
	%	4.3%	3.4%	
Japan	Net sales*	56,402	58,723	4.1%
	Operating income	3,796	3,629	-4.4%
	%	6.7%	6.2%	

*Sales figures include internal sales and transfers between segments.

<Actual exchange rates>

	USD	EUR	CAD	AUD	THB	TWD	RMB	KRW	MXN
FY2021 1st half	109.81	130.88	88.30	82.61	3.50	3.92	16.66	0.10	5.34
FY2022 1st half	134.04	138.77	103.85	93.60	3.65	4.47	18.96	0.10	6.08



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

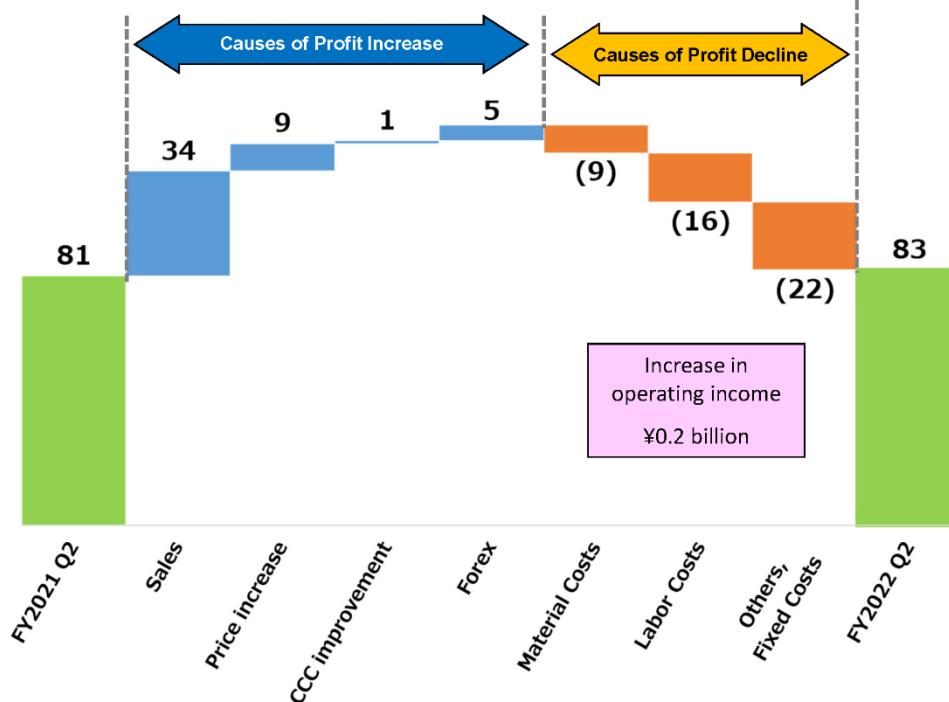
Business location results are shown in the table. I will spare you the detailed explanation.

4. FY 2022 Q2 Review Analysis of Inc/Dec in Consolidated Operating Income

6

■ FY 2021-1H vs. FY 2022-1H

(Unit: ¥100 million)



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

This is an analysis of increase/decrease in operating income.

First, as for the increase factors, operating income increased by about JPY 3.4 billion due to the increase in sales, about JPY 900 million due to the effect of price increase, about JPY 100 million due to the improvement of income and loss of Central Conveyor Company, and about JPY 500 million due to the effect of foreign exchange.

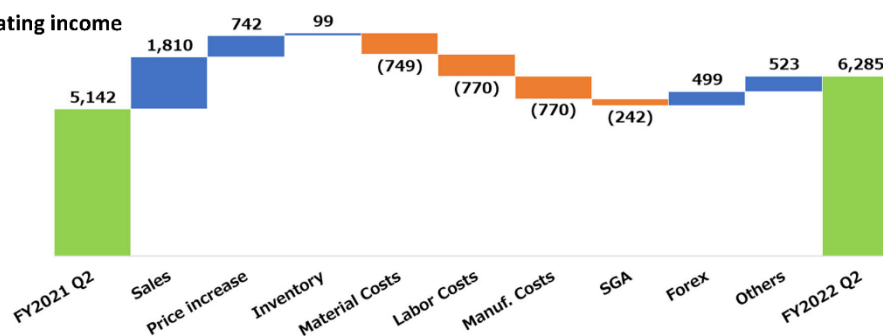
On the other hand, operating income decreased by about JPY 0.9 billion due to an increase in material costs, about JPY 1.6 billion due to an increase in labor costs, and about JPY 2.2 billion due to an increase in other/fixed costs. Details will be explained later by segment.

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

(Yen, millions)

		FY 2021	FY 2022	YOY	Forecast (as of May 11, 2022)	
		Q2	Q2	Inc / Dec	Forecast	Inc / Dec
Chain	Net sales ^{*1}	35,348	43,609	23.4%	38,000	14.8%
	Operating income	5,142	6,285	22.2%	5,400	16.4%
	%	14.5%	14.4%		14.2%	

Causes of change in operating income



〈YOY〉

Sales and income increased due to strong orders in Japan, the Americas, Europe, and the Indian Ocean Rim.

〈Comparison with May 11 Forecast〉

Sales increased due to strong sales in Japan and the U.S. Operating income increased as a result of continued focus on cost reduction.



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

Here is an overview by operation.

In the chain operations, net sales were JPY 43.6 billion and operating income was JPY 6.2 billion. On a YoY basis, sales increased by JPY 8.2 billion and income increased by JPY 1.1 billion. The Company's sales and operating income were also significantly higher than the forecast as of May this year, up 14.8% and 16.4%, respectively.

In the chain operations, both domestic and overseas sales were strong. Global sales also remained strong in the Americas, Europe, and the Indian Ocean Rim. Income increased in all regions despite higher costs, including higher raw material prices and labor costs associated with increased production.

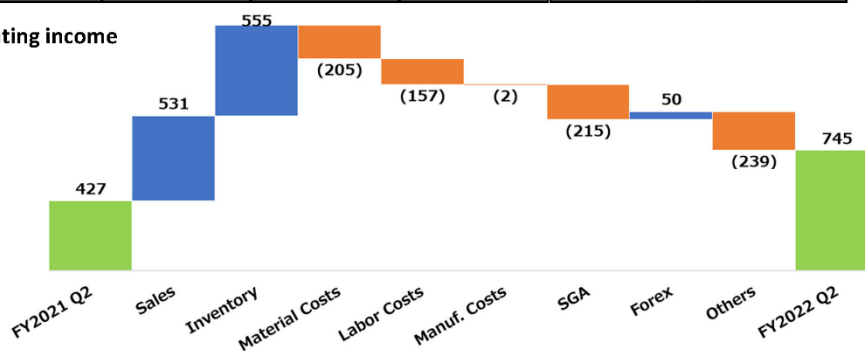
Operating income increased by 22.2% YoY to JPY 6.2 billion, mainly due to an increase in sales of about JPY 1.81 billion and the effect of price hikes of about JPY 0.74 billion, despite factors that reduced profits, including about JPY 0.74 billion due to higher material prices, JPY 0.77 billion due to increased labor costs, and JPY 0.77 billion due to increased manufacturing costs.

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

(Yen, millions)

		FY 2021	FY 2022	YOY	Forecast (as of May 11, 2022)	
		Q2	Q2	Inc / Dec	Forecast	Inc / Dec
MC	Net sales ^{*1}	9,539	10,886	14.1%	11,000	-1.0%
	Operating income	426	745	74.5%	700	6.4%
	%	4.5%	6.8%		6.4%	

Causes of change in operating income



〈YOY〉

Sales and income increased in all regions except South Korea and Taiwan.

〈 Comparison with May 11 Forecast 〉

Due to difficulties in parts supply, especially in Japan, sales did not reach the target, but income was secured.



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

The motion control operations reported net sales of JPY 10.8 billion and operating income of JPY 0.7 billion. On a YoY basis, sales increased by JPY 1.3 billion and income increased by JPY 0.3 billion. While sales fell slightly short of the May forecast, income was 6.4% higher.

In the motion control operations, sales of all product groups except the module division were up YoY. However, the backlog of orders remained high because some components and processed goods were not purchased in time, and the order backlog at the end of Q2 was about JPY 9.8 billion, a record high.

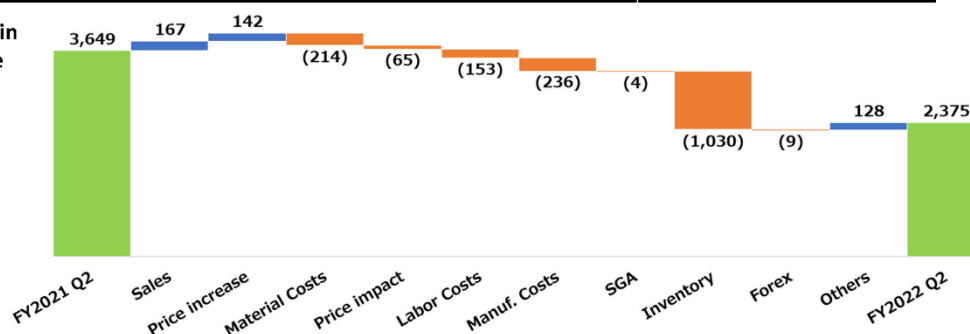
Factors of change in operating income included an increase in material costs of about JPY 200 million, an increase in labor costs of about JPY 150 million, and an increase in manufacturing costs and SG&A expenses of about JPY 220 million, but there was an effect of increased sales of about JPY 530 million and an increase in work in process inventory of about JPY 550 million due to delayed delivery of motors and other products. In total, operating income increased by 74.5% YoY to about JPY 750 million.

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

(Yen, millions)

		FY 2021	FY 2022	YOY	Forecast (as of May 11, 2022)	
		Q2	Q2	Inc / Dec	Forecast	Inc / Dec
Mobility	Net sales *1	32,420	36,429	12.4%	38,000	-4.1%
	Operating income	3,648	2,375	-34.9%	3,200	-25.8%
	%	11.3%	6.5%		8.4%	

Causes of change in operating income



〈YOY〉

Sales increased in the Americas, Europe, and South Korea due to improved market demand, despite the difficult situation caused by the decline in automobile production and the impact of the Shanghai lockdown in China.

Income decreased due to higher raw material prices and other costs.

〈Comparison with May 11 Forecast〉

Sales decreased due to lower-than-expected growth in automobile production. Profit decreased due to higher costs.



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

The mobility operations posted sales of JPY 36.4 billion and operating income of JPY 2.3 billion, an increase of JPY 4 billion YoY, but a decrease in income of JPY 1.2 billion. The results were also 4.1% lower in sales and 25.8% lower in operating income than the May forecast.

In Japan, in addition to the problem of supply shortages of semiconductors and components, the Russian-Ukrainian problem has resulted in production cuts by domestic car manufacturers. The situation is difficult. The same is true of the US. In Q2, the impact of the Shanghai lockdown was also felt, and while group sales as a whole were positive YoY, they were negative relative to the earnings forecast. Income also declined despite efforts to reduce fixed costs, due in part to higher material and labor costs.

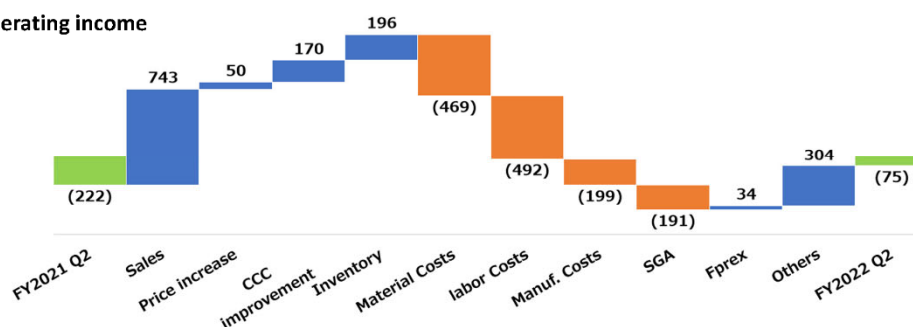
Operating income decreased YoY to about JPY 2.4 billion, due to material costs of about JPY 210 million, selling price effects of about JPY 0.06 billion, labor costs of about JPY 150 million, and inventory reduction effects of about JPY 1.03 billion, despite the effects of increased sales of about JPY 160 million and price increases of about JPY 140 million.

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

(Yen, millions)

		FY 2021	FY 2022	YOY	Forecast (as of May 11, 2022)	
		Q2	Q2	Inc / Dec	Forecast	Inc / Dec
Materials Handling	Net sales *1	25,334	28,066	10.8%	30,000	-6.4%
	Operating income	-221	-74	—	300	—
	%	—	—		1.0%	

Causes of change in operating income



〈YOY〉

Sales of systems for the logistics industry in Japan and the automobile industry in the U.S. declined, but sales of Mayfran business in Japan, the Americas, and Europe increased and losses were reduced.

〈Comparison with May 11 Forecast〉

Sales and income decreased mainly due to a decrease in sales to the logistics industry in Japan.



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

The materials handling operations posted sales of JPY 28 billion, but unfortunately posted an operating loss of JPY 74 million. Sales increased by JPY 2.7 billion YoY. In addition, there was an improvement of JPY 100 million in the loss. However, sales fell 6.4% short of the May forecast. Unfortunately, operating income also did not reach profitability.

In Japan, sales increased due to strong Mayfran business, which offset sales declines in the distribution and FA divisions. In the US, Central Conveyor Company experienced a decrease in sales, but the loss itself shrank. Although the operation group's total sales increased, it was unfortunately not enough to cover the operating loss of the US subsidiaries due to the decrease in the materials handling operations' income and other factors, resulting in the total loss recorded.

Regarding the factors of change in operating income, despite the negative factors such as about JPY 460 million due to an increase in material costs, about JPY 490 million due to an increase in labor costs and about JPY 190 million due to an increase in SG&A expenses, the amount of loss decreased to JPY 74 million in total, mainly due to an increase in sales of about JPY 740 million and the impact of improvements at Central Conveyor of about JPY 170 million.

- Despite the continued strong performance of the chain business and the effect of yen depreciation, the forecasts were kept the same due to strong upward pressure on costs.

(Yen, millions)

	FY2021	FY2022			YOY
	Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Net sales	215,879	118,933	121,067	240,000	11.2%
Operating income	17,842	8,375	11,625	20,000	12.1%
%	8.3%	7.0%	9.6%	8.3%	
Ordinary income	20,045	9,889	10,711	20,600	2.8%
Net income	14,543	6,756	8,144	14,900	2.5%
Net income per share	392.88 yen	182.49 yen	220.01 yen	402.50 yen	—
(Exchange rates 1 US\$)	112.40 yen	134.04 yen	140.00 yen	137.02 yen	—
(Exchange rates 1 EUR)	130.55 yen	138.77 yen	140.00 yen	139.39 yen	—
(Exchange rates 1 RMB)	17.04 yen	18.96 yen	20.00 yen	19.54 yen	—



Next, we present our consolidated earnings forecast for the fiscal year ending March 2023.

We have maintained our consolidated forecasts for net sales and operating income that we announced on May 11. Net sales are expected to be JPY 240 billion, an increase of JPY 24.1 billion or 11.2% YoY, due to uncertainties such as the current order situation and the continuing shortage of parts, while the effects of yen depreciation and the chain operations are expected to continue to be strong.

Regarding foreign exchange rates, we expect the yen to continue to depreciate, and have revised our H2 exchange rates for dollar, euro, and yuan in the direction of a weaker yen. Of this JPY 240 billion in net sales, the impact of foreign exchange rate fluctuations is expected to account for about JPY 19 billion.

Operating income is expected to increase by JPY 2.1 billion or 12.1% YoY to JPY 20 billion for the full year, despite the high upward pressure on various costs, including the cost of materials. We estimate that the impact of foreign exchange rate fluctuations on income will be about JPY1 billion.

(Yen, millions)

		FY 2021	FY 2022			YOY
		Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Chain	Net sales ^{*1}	74,174	43,609	43,891	87,500	18.0%
	Operating income	11,005	6,285	6,715	13,000	18.1%
	%	14.8%	14.4%	15.3%	14.9%	
Motion Control	Net sales ^{*1}	19,906	10,886	10,114	21,000	5.5%
	Operating income	1,129	745	955	1,700	50.6%
	%	5.7%	6.8%	9.4%	8.1%	
Mobility	Net sales ^{*1}	66,027	36,429	39,571	76,000	15.1%
	Operating income	6,568	2,375	3,925	6,300	-4.1%
	%	9.9%	6.5%	9.9%	8.3%	
Materials Handling	Net sales ^{*1}	55,728	28,066	29,734	57,800	3.7%
	Operating income	799	-74	574	500	-37.4%
	%	1.4%	—	1.9%	0.9%	
Other ^{*2}	Net sales ^{*1}	3,074	1,477	1,223	2,700	-12.2%
	Operating income	-442	-265	-135	-400	—
	%	—	—	—	—	

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

*2: "Other" is not a reportable segment.



Tsubakimoto Chain Co.

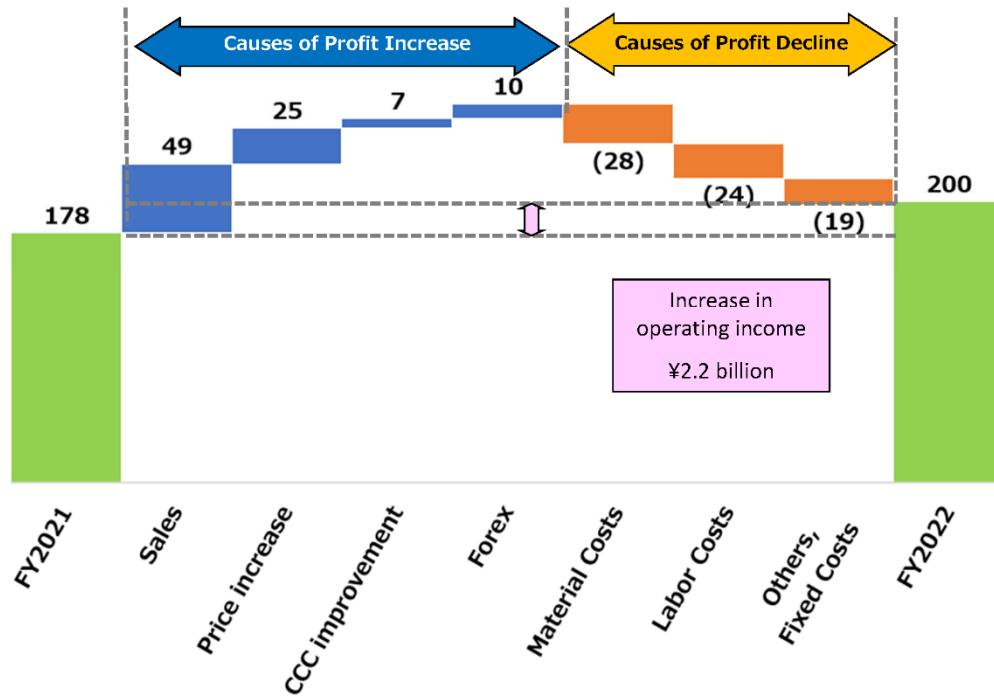
FY 2022 Q2 Settlement of Accounts

The forecast figures by segment are as stated. We will explain in detail later.

Analysis of Inc/Dec in Consolidated Operating Income

■ FY2021 Actuals vs. FY2022 Forecast

(Unit: ¥100 million)



This is an analysis of increase/decrease in operating income.

First, the analysis of increase factors. We estimate an increase in operating income of about JPY 4.9 billion due to higher sales, an effect of about JPY 2.5 billion from price increases, an improvement of about JPY 700 million in Central Conveyor's loss, and an effect of about JPY1 billion from foreign exchange rates. On the other hand, operating income is expected to decrease by about JPY 2.8 billion due to an increase in material costs, JPY 2.4 billion due to an increase in labor costs, and JPY 1.9 billion due to an increase in other/fixed costs.

9. FY 2022 Chain Operations Forecast

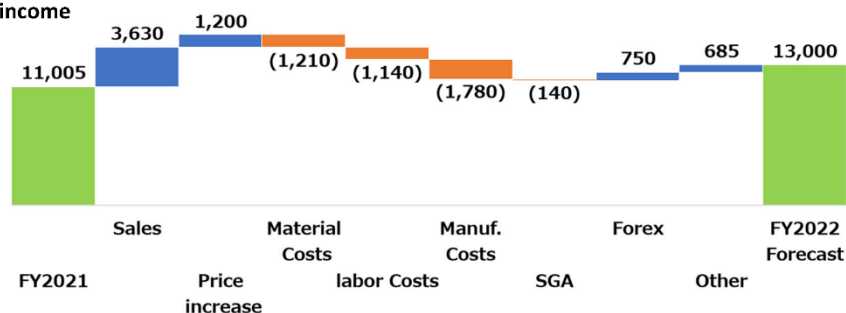
15

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

(Yen, millions)

		FY 2021	FY 2022			YOY	Forecast (as of May 11, 2022)	
		Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec	Forecast	Inc / Dec
Chain	Net sales ^{*1}	74,174	43,609	43,891	87,500	18.0%	76,000	15.1%
	Operating income	11,005	6,285	6,715	13,000	18.1%	10,500	23.8%
	%	14.8%	14.4%	15.3%	14.9%		13.8%	

Causes of change in operating income



<YOY>

Although demand is expected to slow down slightly in the 2H, sales and income are expected to remain strong, especially in Japan and the Americas. We expect an increase in sales and income.

<Comparison with May 11 Forecast >

Despite the increase in various costs, both sales and income were revised upward due to increased sales and the effect of price increase.



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

I will now explain the forecast by segment.

In the chain operations, we revised upward our forecasts for net sales and operating income by 15.1% and 23.8%, respectively, to JPY 87.5 billion and JPY 13 billion, compared with the forecasts announced in May. As a result, both sales and operating income are expected to reach record highs.

Operating income is expected to increase 18.1% YoY to JPY 13 billion due to factors such as an increase in sales of about JPY 3.6 billion and the effect of price increases of about JPY 1.2 billion, despite factors that will reduce income by about JPY 1.2 billion due to higher material costs, JPY 1.1 billion due to increased labor costs, and JPY 1.7 billion due to increased manufacturing costs.

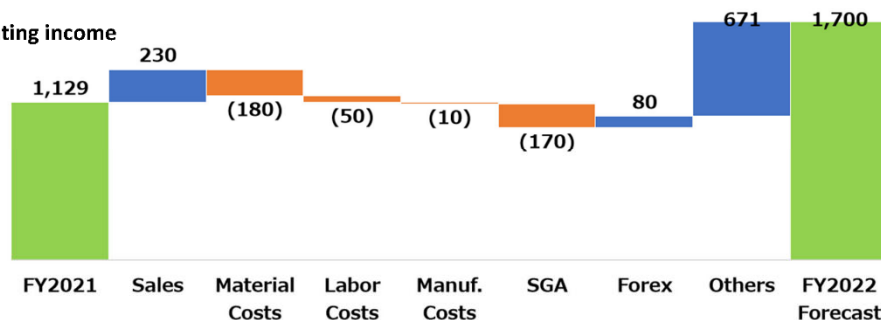
9. FY 2022 Motion Control Operations Forecast

16

*1: Sales figures include internal sales and transfers between segments. (Yen, millions)

		FY 2021	FY 2022			YOY	Forecast (as of May 11, 2022)	
		Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec	Forecast	Inc / Dec
Motion Control	Net sales*1	19,906	10,886	10,114	21,000	5.5%	23,000	-8.7%
	Operating income	1,129	745	955	1,700	50.6%	2,000	-15.0%
	%	5.7%	6.8%	9.4%	8.1%		8.7%	

Causes of change in operating income



<YOY>

Based on the current order situation and other factors, although sales are expected to decline YoY in 2H, we expect to see an increase in the full year sales. Income is expected to increase due to production improvements and the effect of price increases.

<Comparison with May 11 Forecast >

Sales and income were both revised downward due to parts supply issues that will continue to affect the 2H.



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

The full-year forecast for the motion control operations was revised downward by 8.7% for net sales and 15% for operating income, to JPY 21 billion and JPY 1.7 billion, respectively, compared with the forecast announced in May.

As for factors that may cause operating income to increase or decrease, we expect operating income to increase 50.6% YoY to JPY 1.7 billion, due to factors such as an increase in material costs of about JPY 180 million, an increase in labor costs of JPY 50 million and an increase in manufacturing and SG&A expenses of about JPY 180 million, offset by an increase in sales of about JPY 230 million and other factors such as a boost to income from an unresolved increase in work in process inventory caused by parts inventories.

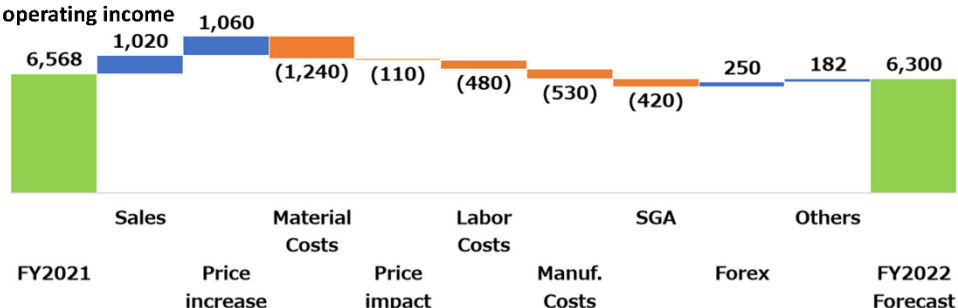
9. FY 2022 Mobility Operations Forecast

17

*1: Sales figures include internal sales and transfers between segments. (Yen, millions)

		FY 2021	FY 2022			YOY	Forecast (as of May 11, 2022)	
		Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec	Forecast	Inc / Dec
Mobility	Net sales*1	66,027	36,429	39,571	76,000	15.1%	78,000	-2.6%
	Operating income	6,568	2,375	3,925	6,300	-4.1%	7,800	-19.2%
	%	9.9%	6.5%	9.9%	8.3%		10.0%	

Causes of change in operating income



<YOY>

Sales are expected to increase, assuming an increase in automobile sales. Income is expected to decrease as price increases in steel, plastics, and energy prices cannot be fully covered by price pass-throughs.

<Comparison with May 11 Forecast >

Sales revised slightly downward due to sluggish automobile production in the 1H. Income was also revised downward due to the significant impact of various cost increases.



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

In the mobility operations, we revised downward our full-year forecasts for net sales and operating income to JPY 76 billion and JPY 6.3 billion, respectively, 2.6% and 19.2% lower than the forecasts announced in May. Although it will not reach our initial projection, we expect automobile production itself to be higher than in H1, and prices of steel and other materials will be higher than expected, but we will aim for a profit margin of 9.9% in H2, as sales will be higher than in H1.

Operating income is expected to decrease by 4.1% YoY to about JPY 6.3 billion due to an increase in material costs of about JPY 1.24 billion, an impact of selling prices of about JPY110 million, labor costs of about JPY 480 million, manufacturing costs of about JPY530 million, and an increase in SG&A expenses of about JPY 420 million, despite the effect of increased sales of about JPY 1.02 billion and price increases of about JPY1.06 billion.

9. FY 2022 Materials Handling Operations Forecast

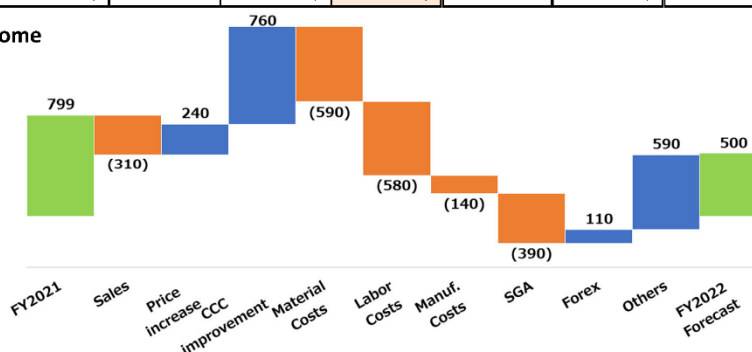
18

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

(Yen, millions)

		FY 2021	FY 2022			YOY	Forecast (as of May 11, 2022)	
		Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec	Forecast	Inc / Dec
Materials Handling	Net sales ^{*1}	55,728	28,066	29,734	57,800	3.7%	64,000	-9.7%
	Operating Income	799	-74	574	500	-37.4%	1,600	-68.8%
	%	1.4%	—	1.9%	0.9%		2.5%	

Causes of change in operating income



<YOY>

Sales and income are forecast to decrease due to lower sales of systems for the automobile industry in Japan and North America, and systems for the logistics industry in Japan.

<Comparison with May 11 Forecast >

Sales and income were revised downward in order to reflect the current status of orders for this fiscal year's sales projects.



Tsubakimoto Chain Co.

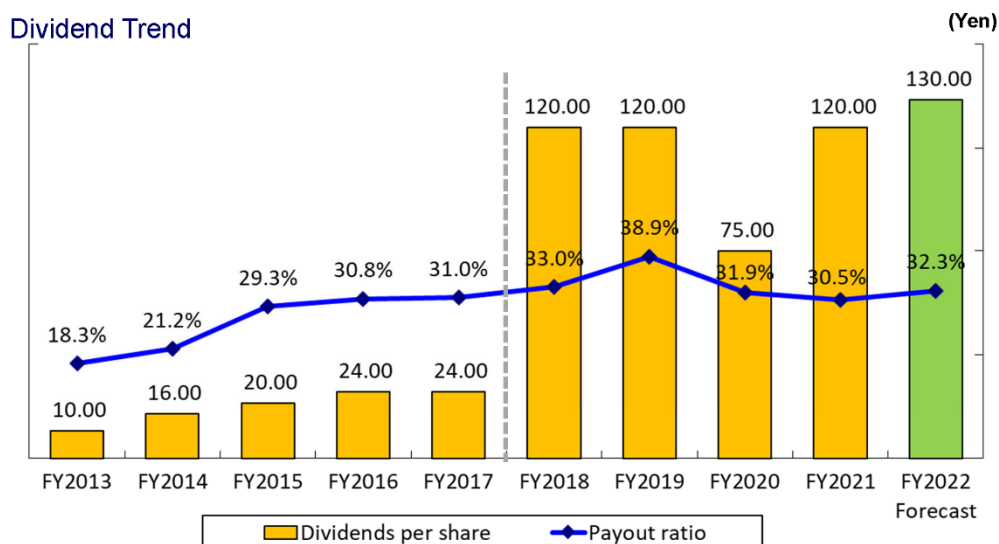
FY 2022 Q2 Settlement of Accounts

The forecast for the materials handling operations was revised downward by 9.7% for net sales and 68.8% for operating income, to JPY 57.8 billion and JPY 0.5 billion, respectively, from the forecast announced in May.

Operating income is expected to decrease by 37.4% YoY to JPY 500 million, due to a decrease in sales of JPY 310 million, an increase in material costs of JPY 590 million, and an increase in labor costs of JPY 580 million, despite the effects of price increases of about JPY 240 million and improvements at Central Conveyor of about JPY 760 million.

■ Dividend policy

- The company aims to maintain its profit distribution based on the consolidated dividend payout ratio of 30%, under a basic policy of reflecting consolidated results in the dividend.



* A share consolidation was implemented on October 1, 2018. The dividend for the fiscal year ending March 31, 2019 was calculated after the consolidation.



Next, shareholder returns and dividends are as described.

The Company plans to pay an interim dividend of JPY 60 per share and a year-end dividend of JPY 70 per share, for a total of JPY 130 per share for the current fiscal year, unchanged from the May 11 announcement. The consolidated dividend payout ratio is expected to be 32.3%.

These are the interim financial results and the forecast for the current fiscal year.

◆ Held "T-Startup" new business proposal contest



1. "New growth" in new fields and domains
2. "Innovative growth" in existing areas



Tsubaki invited proposals that lead to solutions to the "three social issues" to be addressed by Tsubaki.



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

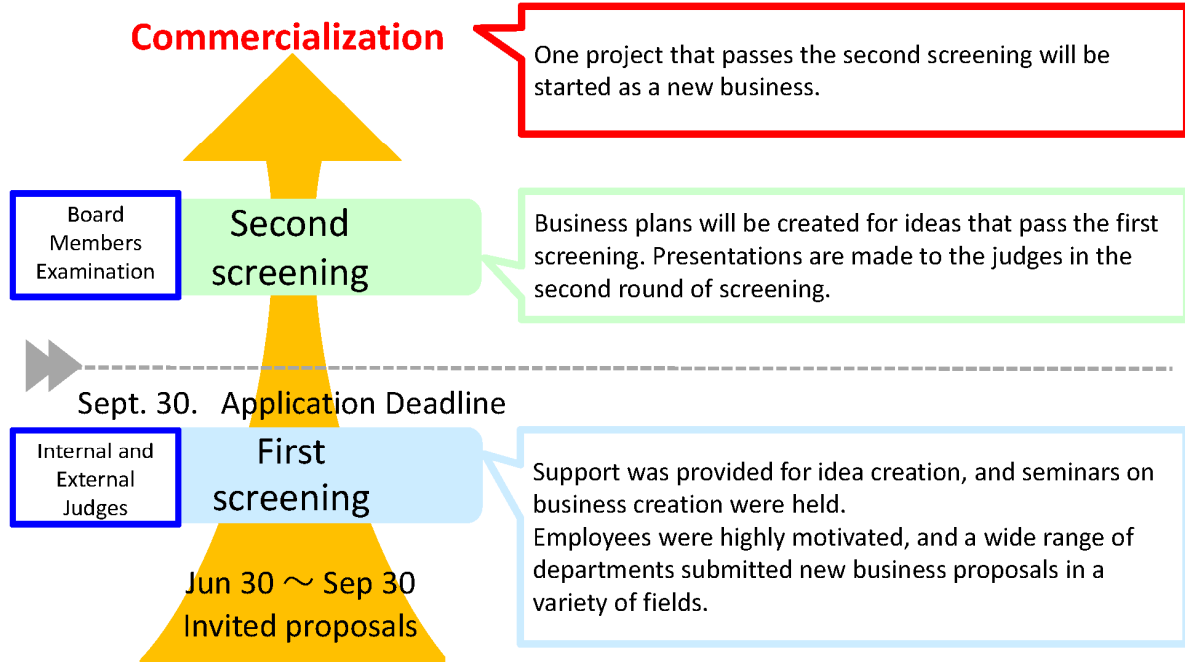
From here, I would like to introduce some of the topics we are currently working on, focusing on new products and new businesses.

Last year, in FY2021, we launched our mid-term plan 2025. We are working to achieve growth in three areas: growth in existing businesses, transformational growth that adds to existing businesses, and new growth in new businesses.

First, I would like to introduce T-Startup, our in-house venture system. This is a new business proposal contest that started this fiscal year. We are trying to solicit new business ideas from our employees as often as possible, and if there is a wish, the proposer will become the project leader and bring the idea to fruition.

Through new growth in new fields and domains and transformational growth in existing fields, Tsubaki will contribute to solving social issues in the three social challenges it must address: creating a people-friendly society, building a safe and secure living infrastructure, and creating an Earth-friendly society.

◆ Held "T-Startup" new business proposal contest



This year, we solicited proposals for three months from June 30 to September 30, and despite being the first time, we received a total of over 100 proposals from within the Company. In October, we carefully screened those 100 proposals as the first round and narrowed them down to 8. Currently, we are deepening our planning for the eight themes, including concrete measures for their commercialization.

In March, we will conduct a second round of screening, and for the one or two projects that pass the screening, we would like to start a project to realize it as a new operation in the next fiscal year. We would like to continue this T-Startup in the same manner in the next fiscal year and beyond and expand TSUBAKIMOTO CHAIN's new business from within the T-Startup.

★ 3-Division Manufacturing Automation PJ

3 Main Project Divisions:

- **Chain Division**
Link2025
- **Motion Control Division**
Connect2025
- **Mobility Division**
MAC2025



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

On the other hand, we are a manufacturing company. After all, the foundation of our business is the site, especially the manufacturing site. Therefore, the chain operations, the motion control operations and the mobility operations have launched an unmanned Monozukuri project in these three operations, targeting 2025.

◇ Creating Synergies Beyond Business Divisions

【 Factory Goals 】

- [Toward TSUBAKI-Manufacturing DX](#)
◀ Digitalization to revolutionize factories ▶
- [Toward Factory-Automation](#)
◀ Automation and manpower reduction ▶

“ Initiatives by Converging Business Units for the Development of TSUBAKI ”

Cross-company support for 3 main PJ divisions
(Materials Handling Division, R&D Center DX Technology Section, IT Department)



It has started as a company-wide activity for manufacturing that are suited to each operation and to create new unmanned plants, although the products and manufacturing processes handled by each operation differ.

We are working to realize our ideal state, digitalization of on-site innovation toward TSUBAKI-MONOUZUKURI DX and automation and labor reduction toward Factory-Automation, by bringing together the operations for the development of TSUBAKI.

In addition to the chain operations, motion control operations and mobility operations I mentioned earlier, the materials handling operations, DX technology section at the R&D Center, and Information Systems are providing support, and the entire company is working as one. Specifically, the following activities are ongoing: horizontal introduction of on-site analysis and monitoring, exchange of ideas on the concept of tools and equipment necessary for assembly automation and labor reduction concepts, sharing of digital technology among operations, and as a company-wide horizontal support request, digitalization and engineering support for the DX technology section, and coordination support of materials handling technology in plant logistics.

13. Initiatives in all business segments (New products)

25

<p style="text-align: right; color: blue;">Chain</p>  <p>World's smallest pitch power transmission chain 「RS® Roller Chain (RS6)」</p>	<p style="text-align: right; color: blue;">Mobility</p>  <p>Clutch for eBikes</p> <p>Unique cam design for accurate & efficient torque transmission</p> <p>Improved rollers reduce drag for a smooth & quiet ride</p>
<p style="text-align: left; color: blue;">Motion Control</p>  <p>DC Brushless Hypoid Motor and Dedicated driver for advanced speed control</p>	<p style="text-align: left; color: blue;">Materials Handling</p>  <p>Automatic picking system with 3D traveling cart 「T- AstroX」</p>



Tsubakimoto Chain Co.

FY 2022 Q2 Settlement of Accounts

Now I would like to introduce new products and new initiatives in each of our operations.

First, the upper left. The chain operations. A comparison in this photo may give you some idea. We have developed RS No. 6 chain with the world's smallest pitch of 1.905 mm. This is the world's smallest roller chain.

Replacing the wires used in medical equipment and robots with this chain will lead to reliable movement through interlocking, and we have received a lot of positive feedback from our customers. We are currently discussing with each customer based on specific development themes.

On the upper right, the mobility operations. We have developed a one-way clutch with an original mechanism for eBike. Global eBike shipments are expected to reach 29 million units by 2025. Applying the clutch technology, we originally developed in our motion control operations, we have begun supplying one-way clutches with our original mechanism to e-bike manufacturers around the world.


On the bottom left, the motion control operations launched a DC brushless motor as of October 1 of this year. This motor uses a permanent magnet on the rotor shaft, making it compact and highly efficient. In addition, we have prepared a dedicated driver to achieve excellent speed control, and we have already received many inquiries and orders.

On the bottom right is T-AstroX, developed by the materials handling operations. We exhibited this at the Logis-Tech Tokyo 2022 held in September. This is a temporary storage system with a sorting function, in which picking is performed by a three-dimensional cart that moves vertically and horizontally.

Although there have been similar products made in other countries in the past, this is the first time we have developed a purely domestic product. Although the specific mechanism is not clear from this table, we have


applied for several patents, and the mechanism has high speed and sorting capacity. We are currently in the final stage of refinement and development and have already received numerous inquiries from several e-commerce and other customers. We hope to complete development and bring the product to market as soon as possible.

13. Initiatives in all business segments (Regeneration Medicine) 26




Ultra-low Temperature Automated Sample Storage System


Evolution and deepening of ultra-low temperature storage technology



Refining Automation Technology

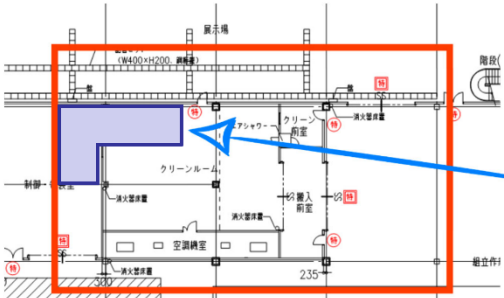


From Container Handling to Bioprocessing




Automated extraction system for Plasma/DNA

Developing cold chain automation technology to maintain the quality of cells and cell-derived products with the aim of delivering regenerative medicine when and where it is needed.



- Oct. 2021: Hired biotech specialists, launched regenerative medicine PJ
- Dec. 2022: Set up lab in the clean room at Saitama Factory

⇒ **Established a structure of equipment and systems capable of evaluating biotechnology**





Tsubakimoto Chain Co.

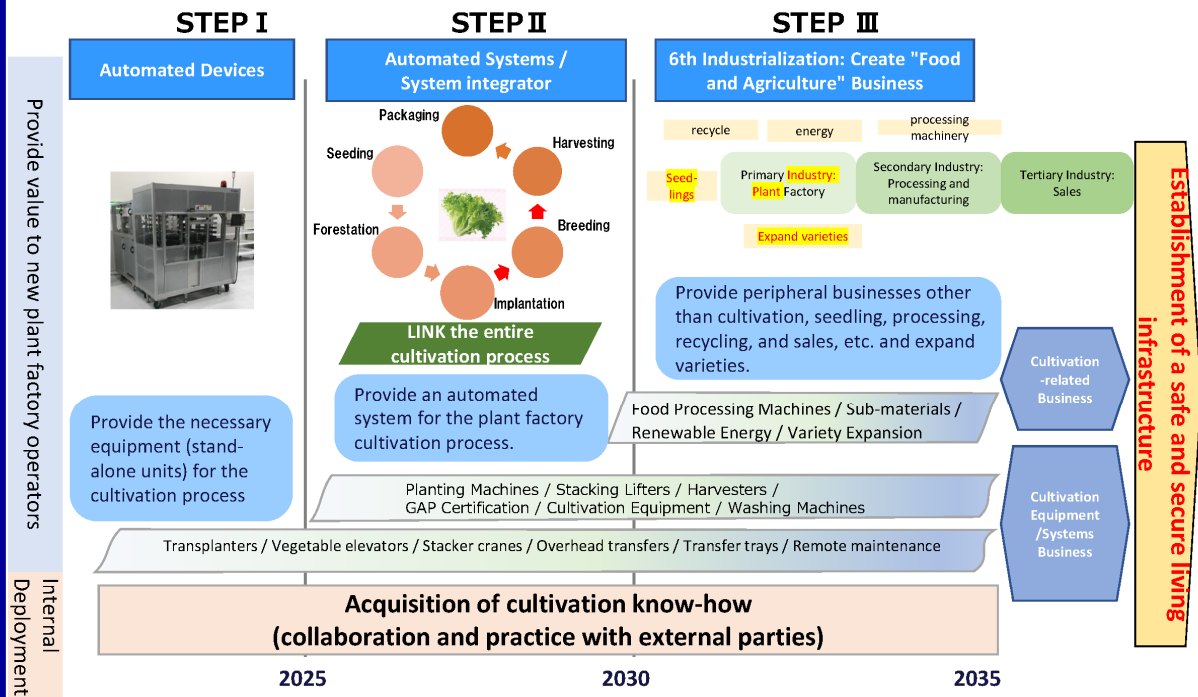
FY 2022 Q2 Settlement of Accounts

Next is the field of regenerative medicine.

In its materials handling operations, TSUBAKIMOTO CHAIN has launched a product called Labo-Stocker, which enables automatic picking at ultra-low temperatures of negative 150 degrees Celsius. As an extension of this development, we have decided to enter the field of regenerative medicine, which is currently the focus of attention, by developing cold chain automation technology that can maintain the quality of cells and cell-derived products, with the aim of delivering regenerative medicine when and where it is needed. We have already received multiple themes from several university professors and research institutes and are proceeding with joint development.

Since last year, we have hired a number of specialists in this area and launched a regenerative medicine project. In December of this year, we will set up a laboratory in a clean room at our Saitama Plant to establish a system for bio-evaluation of equipment and systems. We hope to continue to develop in the field of regenerative medicine toward 2025 and 2030.

Business expansion in plant factories with artificial light



Next, I will introduce our agribusiness.

In the past, our agribusiness was limited to the business of equipment used in the process, such as a tomato harvester or artificial cultivation of lettuce, but as the next step, we have decided to expand into automated systems that link processes and, beyond that, into peripheral businesses and the sixth industry, starting with plant factories. Through these steps, we aim to become the leading manufacturer of automated equipment for artificial light-type plant factories. We would like to expand our business in the field of agribusiness as well, in order to build a safe and secure living infrastructure.

13. Initiatives in all business segments (PCS Business)

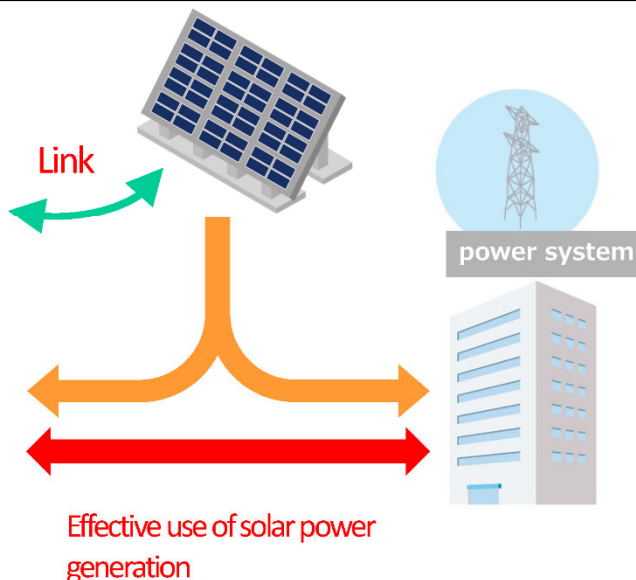


Contributing to the construction of next-generation energy and social systems to achieve carbon neutrality by optimizing the movement of information and energy through communication, control, and visualization technologies.

V2X compatible charging and discharging equipment

eLINK

Capable of charging and discharging electric vehicle batteries



Tsubakimoto Chain Co.

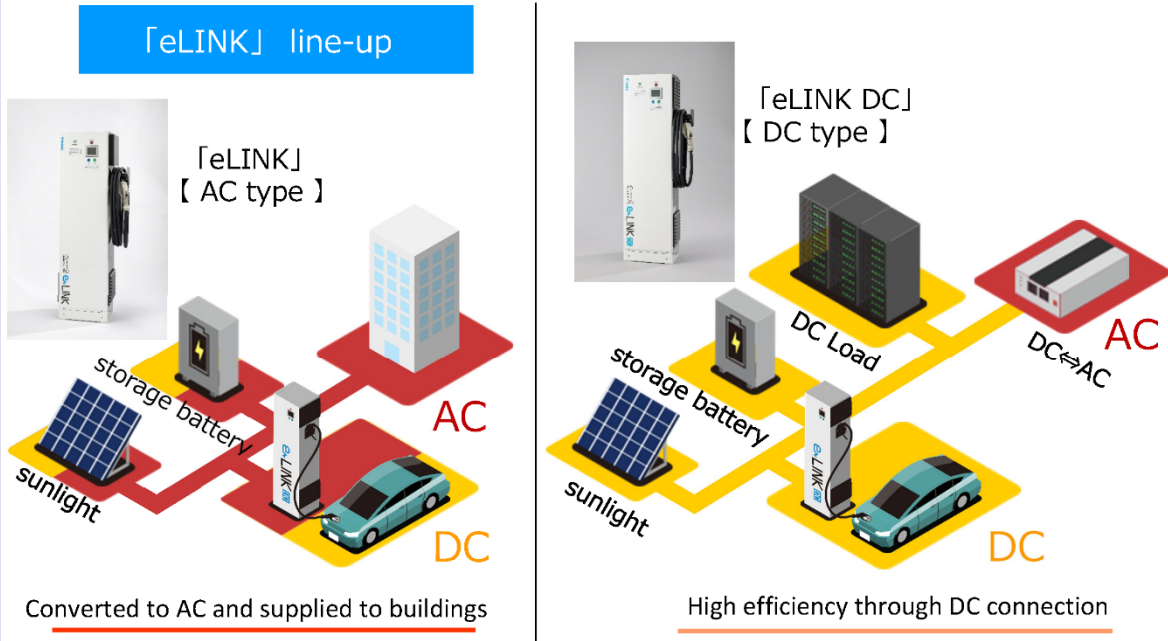
FY 2022 Q2 Settlement of Accounts

Next is the PCS business.

To solve the social issue of creating an Earth-friendly society, we aim to contribute to building next-generation energy and social systems to achieve carbon neutrality by optimally moving information and energy through communication, control, and visualization technologies.

We are developing Tsubaki eLINK, a charging and discharging device that can not only charge a car, but also extract electricity from the car battery and supply it to a building.

In combination with solar power generation, by utilizing electric vehicles as a power storage function, we hope to realize a stable supply of electric power and contribute to the realization of carbon neutrality.

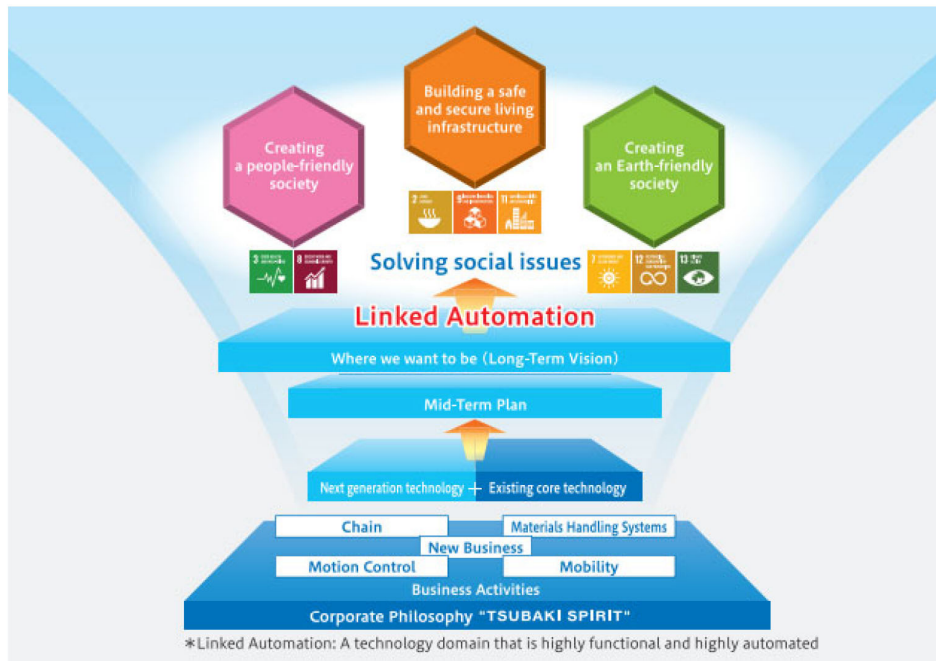


Tsubaki's advantage is offering both AC and DC



For our eLINK, we have both AC and DC types. It is rare for a company to have both, and this is one of our strengths.

We are committed to contributing to society by through our ability to make proposals to our customers in both AC and DC.



This reference document describes our business plans and our earnings outlook. The content of this document is based on current information available to our company and on certain assumptions determined as reasonable. It is not intended to represent a performance commitment. Note that actual results may differ from the earnings outlook described herein, as the results are dependent upon a variety of variables.



Finally, here is the concept of the mid-term plan 2025.

In the field of linked automation, TSUBAKIMOTO CHAIN will contribute to helping solve social issues such as creating a people-friendly society, building a safe and secure living infrastructure, and creating an Earth-friendly society.

I would like to conclude my presentation by asking for your continued support and encouragement. Thank you very much for your time today.

Question & Answer

Ms. Sasao [Q]: I'm Sasao from SMBC Nikko Securities. Thank you for all your help. I would like to ask you three questions.

The first is about the chain situation. There was a comment that there might be a slight adjustment in H2, but I think the level is still high. What is the actual demand situation by region? Also, I wonder if there is a recessionary outlook for the next fiscal year due to interest rate hikes in North America, etc. Could you tell us a little bit about the risks and other situations that we should be aware of?

Nagai [A]: First, regarding the outlook for orders, we believe that the same situation will continue for the current fiscal year as a whole. However, the current situation is a combination of various problems, such as the impact of COVID-19, the shortage of semiconductors, logistics problems, inflation, and Russia/Ukraine, and we are currently analyzing with people from various departments to determine where the numbers really lie in terms of our true capabilities.

Then, speaking about the situation by region, for Japan, we are seeing continued strong performance in a variety of areas, including semiconductors, rechargeable batteries, machine tools, food, steel, logistics, and multi-storey car park.

In North America, we have received a large number of orders, including orders that have been resubmitted to us from our competitor because of its supply problems.

As for Europe, orders to Russia and Ukraine are almost zero, but the overall target has been achieved.

Then, for the Indian Ocean rim, where there is a lack of various activities during the pandemic, the market has recovered, and we are doing very well because of that.

As for South Korea, orders for semiconductors, construction machinery, food and IT-related products have been strong, with orders continuing to be almost on the same level as the previous year.

However, in China, due to the lockdown, we have not been able to conduct various sales activities, and the numbers are very low.

However, to see if these figures will continue for H1 of the next fiscal year, we would like to analyze our actual capabilities again, and reflect this in our plans for the next fiscal year, as I mentioned earlier.

Ms. Sasao [Q]: I would like you to add one point. You mentioned the continued transfer of orders from the competitor having a tough time in North America, but this is something you have been saying for quite some time, and I remember hearing that it may be time for it to go away. As for the effect, can we assume that the competitor still continues to be in a tough situation?

Nagai [A]: I am aware that it is continuing. We have heard from a user who has placed orders there that it will continue for another year or so, and naturally we would like to continue our activities so that users who have placed orders with us will be aware of the quality of our products and will keep placing further orders with us.

Ms. Sasao [Q]: Thank you very much. I would like to ask you about materials handling.

Could you tell us the reason why you have lowered the sales volume outlook, and why the profit increase factor of Central Conveyor Company has shrunk from your initial expectation?

Okamoto [A]: First, in terms of sales, distribution-related sales were a bit sluggish. There are a great many distribution centers for e-commerce and mail-order businesses, and we have received many inquiries about them. However, in the current fiscal year, there was a shortage of semiconductors and delays in the delivery of such materials, which caused some delays in the delivery period. In this sense, one of the reasons is that sales have been pushed back farther than we had initially anticipated.

In addition, there is a general trend in other industries as well, and while the order backlog is not decreasing that much, sales are shifting, which is a strange phenomenon. Inquiries have been firm, so we would like to operate while making corrections in that area in the future.

As for the Central Conveyor, we had a large project that took a lot of time and effort, and we have finally completed and received the acceptance inspection for that project.

Therefore, we are not worried about that. However, during this period, we instructed to concentrate on those projects as much as possible, which resulted in a slowdown in order-taking activities such as inquiries. As a result, in the current fiscal year, there has been an imbalance in these areas, and the sales of Central Conveyor itself have actually declined significantly.

However, we are finally beginning to receive an increasing number of inquiries, and CCC and our Japanese counterparts are currently working to provide support for this lack of sales.

Ms. Sasao [M]: Thank you very much.

Ms. Sasao [Q]: Thank you. Last question. You have shown us the roadmap for Tsubaki's Monozukuri reform up to 2025. As you implement these various initiatives, what will be the level of capital investment and IT investment over the next few years? If you have a vision, could you tell us if it will not increase that much or if it will increase a little?

Akesaka [A]: From about 2017 to 2021, we have made considerable upfront investments, especially in the mobility operations. At that time, on a consolidated basis, we invested about JPY15 billion per year in capital equipment. Without such special factors, we estimate that the current capital investment in existing businesses is roughly JPY11 billion to JPY12 billion per year.

We are considering investments related to the evolution of IT and manufacturing separately from existing investments. The current fiscal year, investments for renewal and maintenance of existing projects, etc. will be about JPY11 billion, and probably the next fiscal year will be about the same. And capital investment in manufacturing and new business development will be added separately.

In the area of manufacturing, we have not yet invested a huge amount of money in DX because we are still in the stage of developing products for that purpose. I believe it will come up in the future.

Ms. Sasao [M]: Yes. Thank you very much.

MC [Q]: Now, let me introduce one question that we received by e-mail in advance. This is a question regarding mobility operations.

Excluding foreign exchange, it appears that sales growth has been sluggish, but is this solely due to the decline in automobile production due to semiconductor and parts shortages? Is there any indication that EVs are growing faster than expected? Senior Executive Officer Sato in charge of Mobility Operations, please.

Sato [A]: At present, semiconductors are still causing problems, and Japanese-affiliated manufacturers who are engaged in global procurement are suffering greatly. As a matter of fact, when we look at each market,

there is no inventory of cars. Car manufacturers are willing to make and sell, but due to a shortage of parts, we are still stuck in this situation. So, we have not yet seen that EVs are growing.

On the other hand, I have not been able to visit China, and I have not seen what the Chinese market is really like or what kind of cars are on the streets, so I cannot speak only for China. But in other markets, the shortage of semiconductors and parts is still a major factor.

However, we are finally seeing some bright signs in some markets. First, in North America, we are finally able to produce cars at or above the level of the previous year. In Asia, many cars are rather low in semiconductor use, and in that sense, Asia is recovering very well. Although there are some differences depending on the market, we expect that the situation up to now, where cars cannot be made due to lack of semiconductors or parts, will be resolved in the future.

[END]