



TSUBAKIMOTO CHAIN CO.

FY2022 Settlement of Accounts Presentation Meeting

May 31, 2023

[Number of Speakers]

5	
Takatoshi Kimura	President and Representative Director, Chief Operations Officer
Yasushi Nagai	Senior 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

1. Highlights of Consolidated Results

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■ Net sales increased year-on-year.

Although operating income and ordinary income increased, operating income ratio declined to 7.5% due to soaring material prices and labor costs.

(Yen, millions)

	FY 2021	FY 2022	YOY	Vs Forecast (as of Feb 3, 2022)	
	Actual	Actual	Inc / Dec	Forecast	Inc / Dec
Net sales	215,879	251,574	16.5%	245,000	2.7%
Operating income	17,842	18,985	6.4%	17,500	8.5%
%	8.3%	7.5%		7.1%	
Ordinary income	20,045	20,958	4.6%	19,000	10.3%
Net income	14,543	13,742	-5.5%	13,600	1.0%
Net income per share	392.88 yen	371.12 yen		367.29 yen	—
(Exchange rates 1 USD)	112.40 yen	135.50 yen		134.88 yen	—
(Exchange rates 1 EUR)	130.55 yen	141.00 yen		140.47 yen	—
(Exchange rates 1 RMB)	17.04 yen	19.50 yen		19.50 yen	—
	Actual	Actual			
ROE	7.4%	6.4%	Net income/Average return on equity during term		



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Kimura: I am President Kimura. Thank you very much for your cooperation today.

I would like to begin by reporting our consolidated financial results for the fiscal year ending March 31, 2023.

The results for the fiscal year ending March 31, 2023 were boosted by the strong performance of the Chain Operations and the effect of the yen's depreciation. Consolidated net sales totaled JPY251,574 million, up 16.5% or JPY35,694 million from the previous year, and 2.7% above the forecast revised on February 3 of this year. Of this amount, the impact of foreign exchange rates was approximately positive JPY21.9 billion compared to the previous year.

Operating income was JPY18,985 million, up 6.4% or JPY1,143 million from the previous year, also up 8.5% from the forecast. Foreign exchange effects had a positive impact of approximately JPY1.1 billion. However, the operating margin was only 7.5%, down 0.8 percentage point from the previous year, due to soaring energy and steel prices and a slump in the Materials Handling Operations.

Ordinary income was JPY20,958 million, up 4.6% or JPY912 million from the previous year.

Net income attributable to parent company shareholders was JPY13,742 million, a 5.5% or JPY801 million decrease from the previous year.

ROE also decreased by 1 point from the previous period. This was mainly due to a goodwill impairment loss related to the US subsidiary in the Materials Handling Operations acquired in 2018.

2. Breakdown by Operations

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(Yen, millions)

		FY 2021	FY 2022	YOY	Vs Forecast (as of Feb 3, 2022)	
		Actual	Actual	Inc / Dec	Forecast	Inc / Dec
Chain	Net sales ^{*1}	74,174	90,096	21.5%	87,500	3.0%
	Operating income	11,005	13,687	24.4%	13,000	5.3%
	%	14.8%	15.2%		14.9%	
Motion Control	Net sales ^{*1}	19,906	23,316	17.1%	22,500	3.6%
	Operating income	1,129	1,710	51.4%	1,500	14.0%
	%	5.7%	7.3%		6.7%	
Mobility	Net sales ^{*1}	66,027	77,275	17.0%	76,000	1.7%
	Operating income	6,568	6,376	-2.9%	6,300	1.2%
	%	9.9%	8.3%		8.3%	
Materials Handling	Net sales ^{*1}	55,728	60,973	9.4%	59,000	3.3%
	Operating income	799	(888)	—	(1,000)	—
	%	1.4%	—		—	
Other ^{*2}	Net sales ^{*1}	3,074	3,200	4.1%	3,000	6.7%
	Operating income	(442)	(534)	—	(700)	—
	%	—	—		—	

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

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



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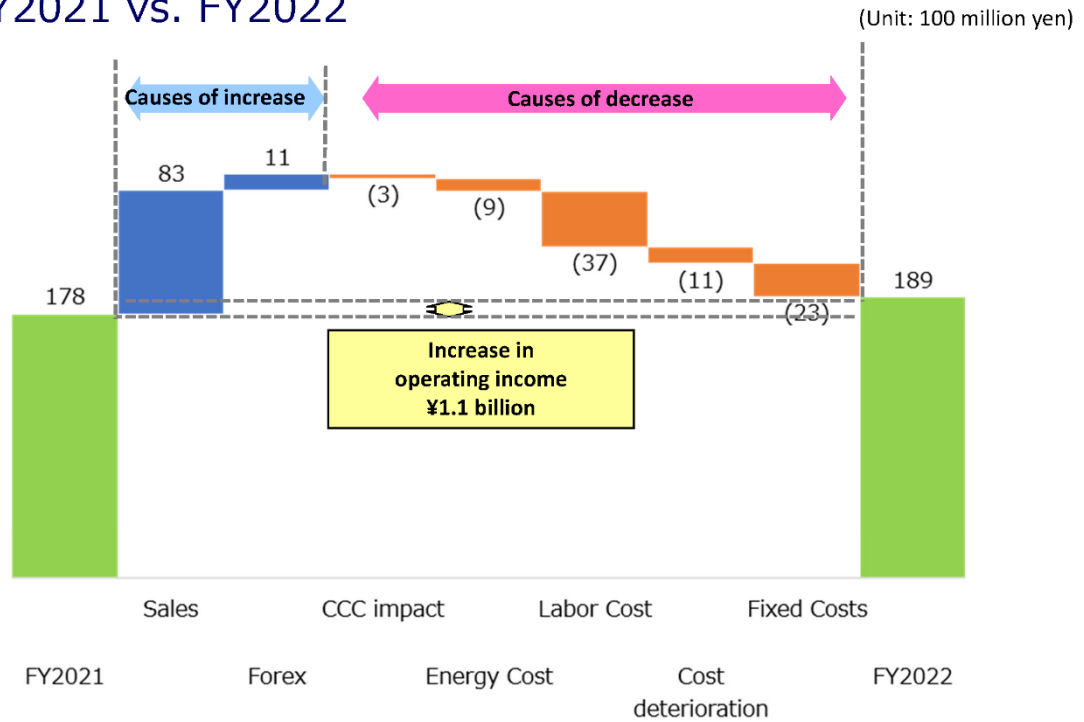
Sales and operating income by business segment.

Details will be explained later.

3. Analysis of Inc/(Dec) in Consolidated Operating Income

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■ FY2021 vs. FY2022



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This is an analysis of factors contributing to the increase or decrease in operating income.

First of all, as for the increase factors, operating income increased approximately JPY8.3 billion due to higher sales, and the impact of foreign exchange rate fluctuations was approximately JPY1.1 billion.

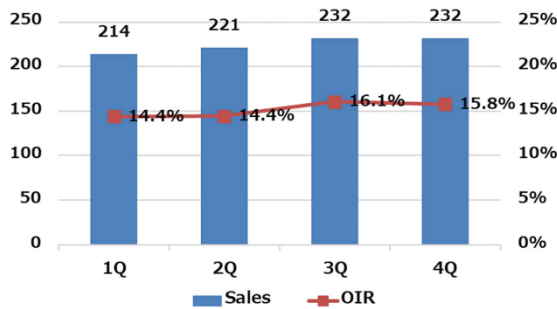
On the other hand, the decrease in operating income was due to the deterioration of Central Conveyor Company's profit and loss in the US by approximately JPY300 million, an increase in energy costs by approximately JPY900 million, an increase in personnel costs by approximately JPY3.7 billion, a deterioration in cost of sales by approximately JPY1.1 billion, and an increase in fixed costs by approximately JPY2.3 billion.

More details will be provided later for each segment.

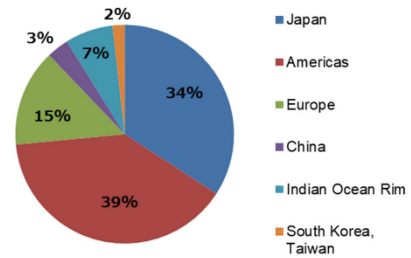
4. Breakdown of Chain Operations

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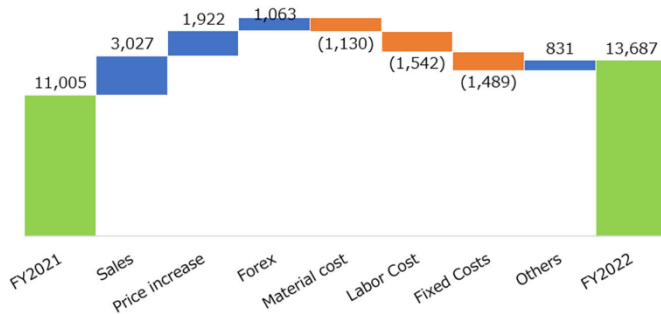
(Yen, 100 million) **Sales and Operating Income Ratio Trend**



Sales Breakdown (by region)



Causes of Change in Operating Income (Yen, millions)



Vs. FY2021

- Strong demand in all regions except China led to an increase in sales. Sales in North America were particularly strong.
- Despite higher labor costs in North America and Europe, income increased due to the increase in sales and cost reductions.

Vs. Forecast

- Sales and income increased by strong sales.



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Next is an overview of each business operation.

The Chain Operations reported net sales of JPY90,096 million and operating income of JPY13,687 million, up 21.5% from the previous year in sales and up 24.4% in profit. Sales and operating income were up 3% and 5.3%, respectively, from the February forecast.

In Japan, both domestic and overseas exports were strong. Sales also remained strong in the Americas, Europe, and the Indian Ocean Rim.

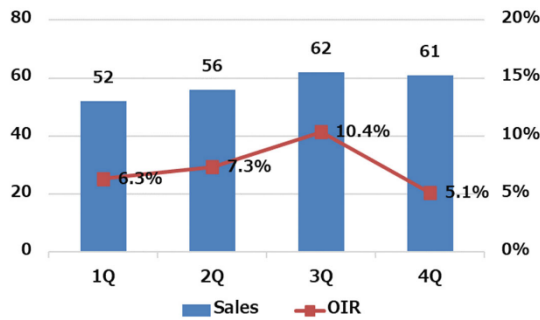
Profits increased despite higher costs in each region, including higher raw material prices and labor costs associated with increased production.

Factors that decreased operating income include approximately JPY1.13 billion from higher material prices, approximately JPY1.54 billion from higher labor costs, and approximately JPY1.49 billion from higher fixed costs associated with increased production. On the other hand, factors that increased operating income include approximately JPY3 billion from higher sales and approximately JPY1.92 billion from the effect of price increases, resulting in an operating income of JPY13.6 billion, a 24.4% increase over the previous year's level.

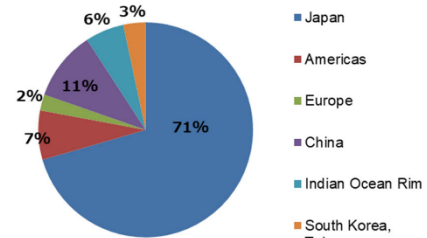
4. Breakdown of Motion Control Operations

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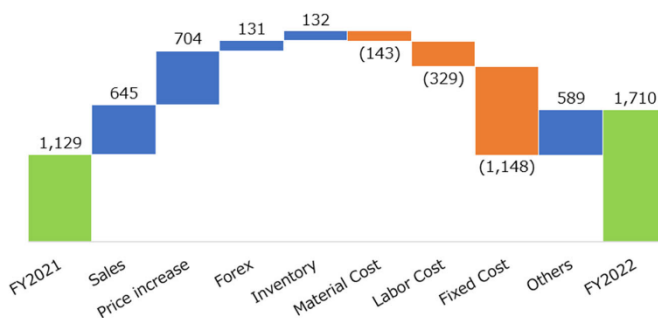
(Yen, 100 million) **Sales and Operating Income Ratio Trend**



Sales Breakdown (by region)



Causes of Change in Operating Income (Yen, millions)



Vs. FY2021
 • Although the parts supply problems was protracted, sales and income increased due to an increase in sales in all regions except China.

Vs. Forecast
 • Sales and income increased due to higher sales.



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Motion Control Operations.

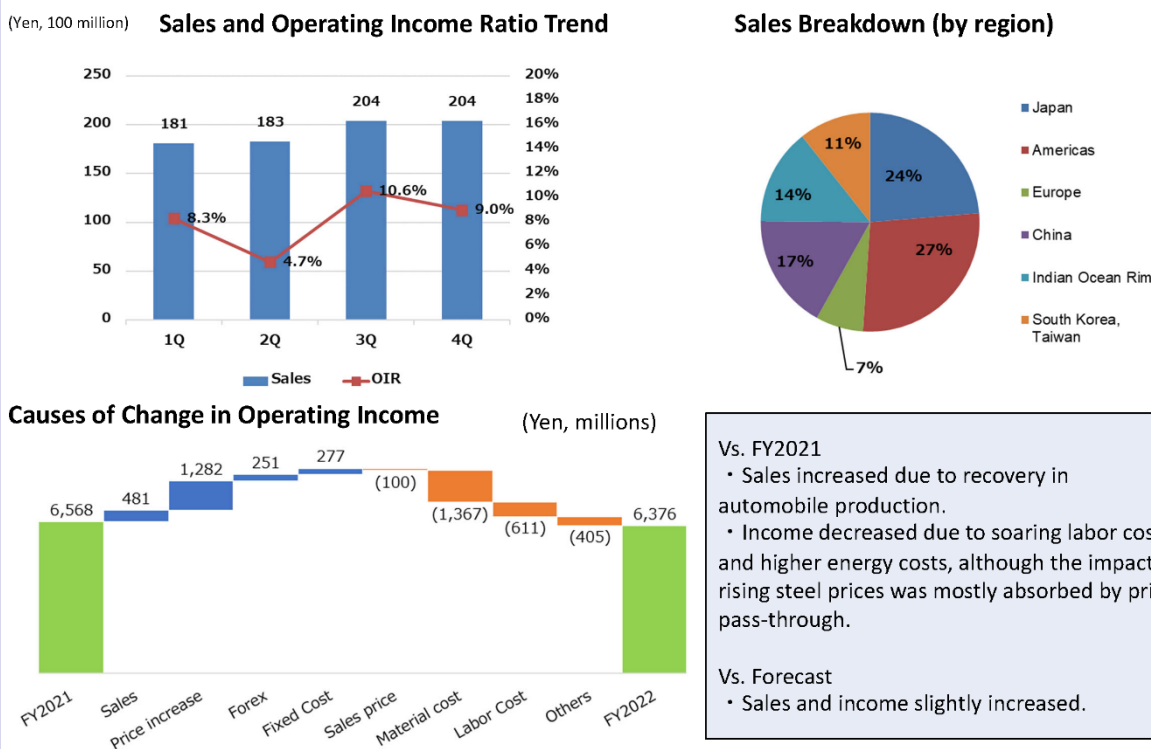
Net sales were JPY23,316 million and operating income was JPY1,710 million. This represents a 17.1% increase in revenue and a 51.4% increase in profit over the previous year. Sales and profits were also up 3.6% and 14%, respectively, over the February forecast.

Factors that increased or decreased operating income included material price hikes of about JPY0.14 billion and an increase in personnel expenses of about JPY0.32 billion. Although fixed costs increased by approximately JPY1.14 billion, operating income increased by 51.4% from the previous year to approximately JPY1.7 billion, due to factors including an effect of increased sales of approximately JPY0.64 billion and the effect of price increases of approximately JPY0.7 billion.

In this business operation, a US company that manufactures and sells couplings was acquired in July and made a consolidated subsidiary. Sales of this company were also strong, which boosted both sales and operating income.

4. Breakdown of Mobility Operations

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Mobility Operations.

Net sales were JPY77,275 million and operating income was JPY6,376 million, a 17% increase in sales from the previous year, but a 2.9% decrease in profit. Compared to the February forecast, sales and operating income were up 1.7% and 1.2%, respectively.

The impact of the semiconductor shortage will continue until the middle of the period at all locations worldwide. In Japan, the impact of the shortage continued to be felt to some extent in the current fiscal year, but has largely dissipated outside of Japan.

In Q2, sales growth was sluggish in H1 due in part to the impact of the Shanghai lockdown, but the recovery trend strengthened in H2, resulting in an increase in sales.

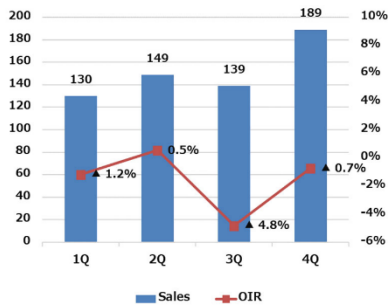
Factors contributing to the increase or decrease in operating income included approximately JPY0.48 billion from the effect of increased sales and approximately JPY1.28 billion from the effect of price hikes. Although fixed costs, excluding personnel expenses, decreased by approximately JPY0.27 billion, operating income decreased slightly from the previous year to JPY6.3 billion due to material price hikes of approximately JPY1.36 billion, selling price effects of approximately JPY0.10 billion, and an increase in personnel expenses of approximately JPY0.61 billion.

4. Breakdown of Materials Handling Operations

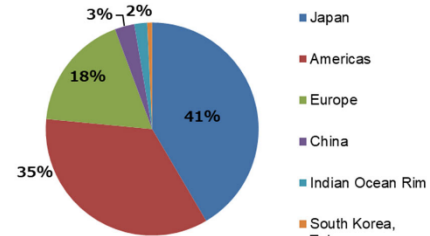
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(Yen, 100 million)

Sales and Operating Income Ratio Trend

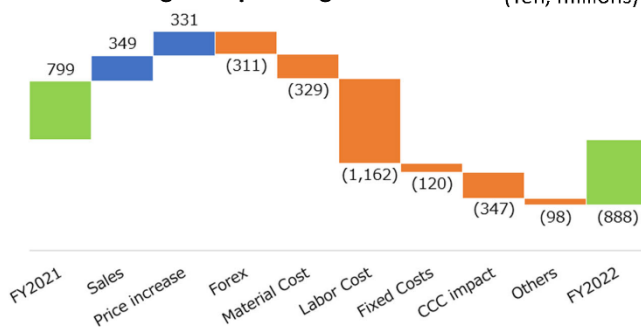


Sales Breakdown (by region)



Causes of Change in Operating Income

(Yen, millions)



Vs. FY2021

- Sales increased due to higher sales of Mayfran business in Japan and the Americas.
- Income decreased due to deterioration in profitability by a decrease in domestic large-scale projects and aggressive recruitment of human resources to strengthen growth potential.

Vs. Forecast

- Sales slightly increased and deficit decreased due to cost reductions.



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Materials Handling Operations.

Net sales were JPY60,973 million and operating loss was JPY888 million, an increase of 9.4% in sales from the previous year, but the loss widened by JPY1,688 million.

Compared to the February forecast, sales were up 3.3% and losses were slightly reduced. The strong performance of the Mayfran business and other factors covered the decline in sales in the distribution and factory automation businesses, resulting in an increase in total sales for the business group. However, the operating loss of the US subsidiary could not be fully offset, mainly due to lower profits in the Materials Handling division of Tsubakimoto Chain, and a loss was recorded.

Factors contributing to the increase or decrease in operating income included about JPY0.34 billion from the effect of sales and about JPY0.33 billion from the effect of price hikes. However, a total loss of JPY0.88 billion was recorded due to factors such as about JPY0.32 billion from material price hikes, about JPY1.16 billion from increased labor costs, about JPY0.12 billion from increased fixed costs, and about JPY0.34 billion from the effect of a deteriorating CCC.

5. Business Location Results

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(Yen, millions)

		FY 2021	FY 2022	YOY
		Actual	Actual	Inc/dec
Americas	Net sales*	59,484	80,097	34.7%
	Operating income	3,026	3,879	28.2%
	%	5.1%	4.8%	
Europe	Net sales*	24,409	30,849	26.4%
	Operating income	1,255	1,675	33.4%
	%	5.1%	5.4%	
Indian Ocean Rim	Net sales*	16,539	20,128	21.7%
	Operating income	1,970	2,352	19.4%
	%	11.9%	11.7%	
China	Net sales*	22,311	24,012	7.6%
	Operating income	1,686	1,375	-18.4%
	%	7.6%	5.7%	
South Korea, Taiwan	Net sales*	10,019	11,062	10.4%
	Operating income	312	291	-6.8%
	%	3.1%	2.6%	
Japan	Net sales*	118,089	122,196	3.5%
	Operating income	8,772	7,946	-9.4%
	%	7.4%	6.5%	

*Sales figures include internal sales and transfers between segments.

<Actual exchange rate >

	USD	EUR	CAD	AUD	THB	TWD	RMB	KRW	MXN
FY 2021	112.40	130.55	89.65	83.06	3.44	4.02	17.04	0.10	5.41
FY 2022	135.50	141.00	102.48	92.67	3.75	4.45	19.50	0.10	6.55



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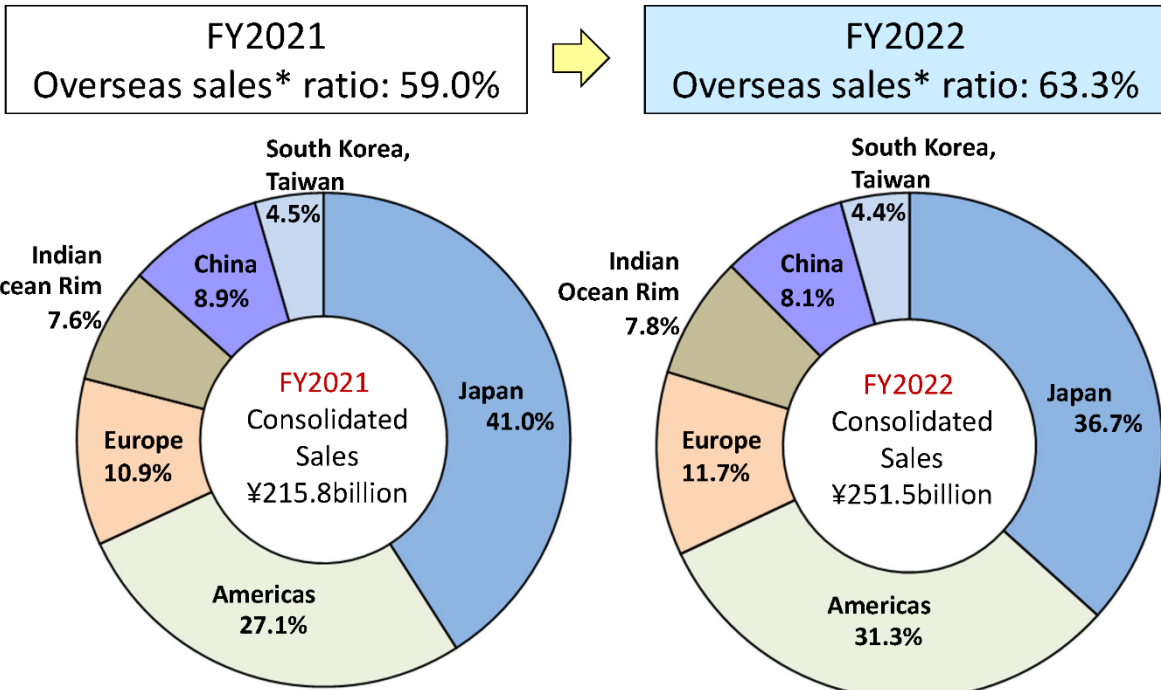
Then, here are the results by location.

Sales increased in all regions due to strong performance in the chain business and recovery in the mobility business, as well as the yen's depreciation.

However, profits in China declined 18.4% from the previous year due to the impact of the Shanghai lockdown and other factors, and profits in Japan declined 9.4% due to lower sales in the materials handling business, while profits in Korea and Taiwan also declined 6.8%.

6. Regional Sales Breakdown

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*Sales are based on the location of the customer and classified by country or region.



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Next is the ratio of sales by region.

Due to the overall depreciation of the yen and the improvement of the chain business in the US, the ratio of overseas sales to total sales rose 4.3% from the previous year to 63.3%.

8. FY2023 Consolidated Forecast

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■ Recovery in automobile production expected, but sales and income are projected to remain about the same level as FY2022 due to demand slowing down in the power transmission business and an assumption of yen appreciation.

(Yen, millions)

	FY2022	FY2023			YOY
	Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Net sales	251,574	125,000	130,000	255,000	1.4%
Operating income	18,985	7,600	11,400	19,000	0.1%
%	7.5%	6.1%	8.8%	7.5%	
Ordinary income	20,958	8,300	11,600	19,900	- 5.0%
Net income	13,742	5,800	8,600	14,400	4.8%
Net income per share	371.12 yen	156.62 yen	232.23 yen	388.85 yen	—
(Exchange rates 1 US\$)	135.50 yen			125.00 yen	—
(Exchange rates 1 EUR)	141.00 yen			130.00 yen	—
(Exchange rates 1 RMB)	19.50 yen			18.34 yen	—



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Next, we present our consolidated earnings forecast for the fiscal year ending March 31, 2024.

First, as for exchange rates, as noted, we assume yen appreciation against the US dollar, euro, yuan, and all other currencies, which will have a negative impact on sales and profits.

Consolidated sales will be JPY255 billion, up 1.4% or JPY3,426 million from the previous year. Of this amount, the impact of foreign currency translation is estimated to be negative JPY11.5 billion. Operating income is expected to be JPY19 billion, also up 0.1% from the previous year, or JPY15 million, with a negative foreign exchange impact of approximately JPY0.6 billion.

The operating margin is set at 7.5%, the same as the previous year. Ordinary income is projected at JPY19.9 billion, a 5% or JPY1.1 billion decrease from the previous year, and net income attributable to owners of the parent at JPY14.4 billion, an increase of 4.8% or JPY0.658 billion from the previous year.

9. FY2023 Consolidated Forecast by Operation

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(Yen, millions)

		FY 2022	FY 2023			YOY
		Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Chain	Net sales ^{*1}	90,096	43,000	43,000	86,000	- 4.5%
	Operating income	13,687	5,800	6,000	11,800	- 13.8%
	%	15.2%	13.5%	14.0%	13.7%	
Motion Control	Net sales ^{*1}	23,316	11,000	13,000	24,000	2.9%
	Operating income	1,710	500	1,000	1,500	- 12.3%
	%	7.3%	4.5%	7.7%	6.3%	
Mobility	Net sales ^{*1}	77,275	39,000	41,000	80,000	3.5%
	Operating income	6,376	2,200	4,700	6,900	8.2%
	%	8.3%	5.6%	11.5%	8.6%	
Materials Handling	Net sales ^{*1}	60,973	32,000	34,000	66,000	8.2%
	Operating income	(888)	100	900	1,000	—
	%	—	0.3%	2.6%	1.5%	
Other ^{*2}	Net sales ^{*1}	3,200	1,000	1,000	2,000	- 37.5%
	Operating income	(534)	(400)	(400)	(800)	—
	%	—	—	—	—	

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

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



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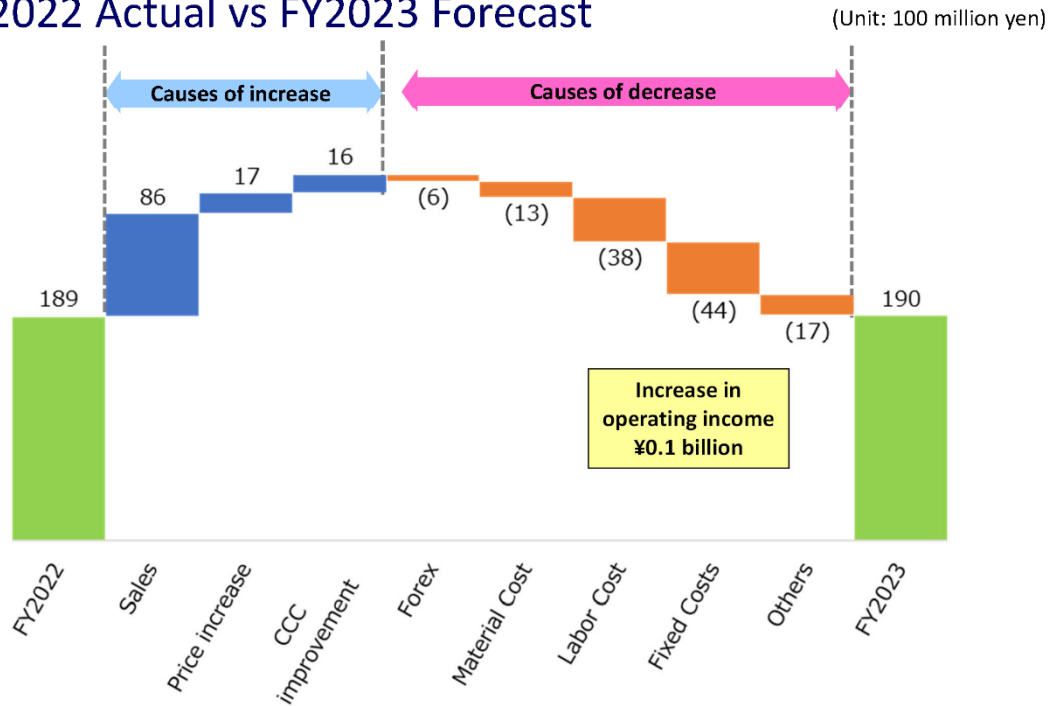
The following is the forecast of net sales and operating income by business segment.

Details will be explained later.

10. Analysis of Inc/(Dec) in Consolidated Operating Income

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■ FY2022 Actual vs FY2023 Forecast



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This is an analysis of factors contributing to the increase or decrease in operating income.

First, operating income will increase by approximately JPY8.6 billion due to the increase in sales, JPY1.7 billion due to the effect of price hikes, and JPY1.6 billion due to the improvement of Central Conveyor Company's profit and loss.

On the other hand, operating income is expected to decrease due to the exchange rate and yen appreciation, which will have a negative impact of approximately JPY0.6 billion. We expect an increase in material prices of about JPY1.3 billion, an increase in labor costs of about JPY3.8 billion, and an increase in fixed costs of about JPY4.4 billion.

Details will be explained later by segment.

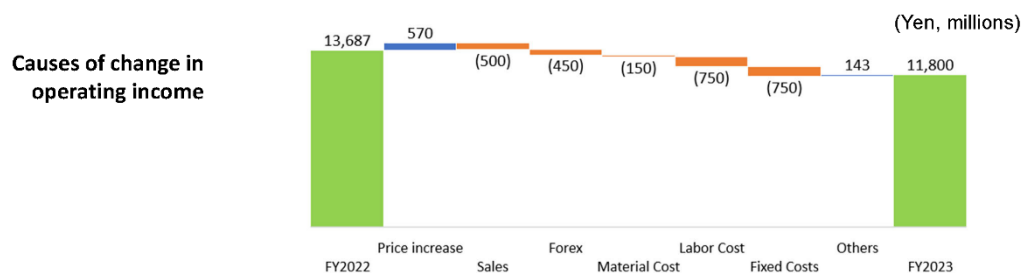
11. FY2023 Chain Operations Forecast

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(Yen, millions)

		FY 2022	FY 2023			YOY
		Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Chain	Net sales* ¹	90,096	43,000	43,000	86,000	- 4.5%
	Operating income	13,687	5,800	6,000	11,800	- 13.8%
	%	15.2%	13.5%	14.0%	13.7%	

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



Sales

- Demand in Japan and North America will slow down, so we expect a decrease in sales.

Operating income

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



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Chain Operations.

We plan net sales of JPY86 billion and operating income of JPY11.8 billion. This is a 4.5% decrease in net sales and a 13.8% decrease in operating income compared to the previous fiscal year, but excluding the effect of foreign exchange rates, sales will increase, but income is projected to decrease.

Sales are expected to decline in Japan, where demand was strong until FY2022, and in North America, where there was a large increase in demand, sales are expected to settle down.

As for factors that may cause operating income to increase or decrease, while the effect of price hikes will increase operating income by approximately JPY500 million, we expect a decrease of approximately JPY500 million due to lower sales, approximately JPY100 million due to higher steel prices, approximately JPY800 million due to higher labor costs, and approximately JPY800 million due to higher fixed costs, resulting in a 13.8% decrease in operating income from the previous period to JPY11.8 billion.

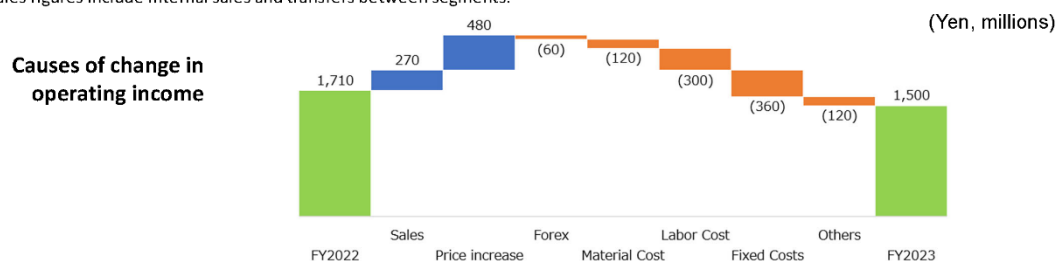
11. FY2023 Motion Control Operations Forecast

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(Yen, millions)

		FY 2022	FY 2023			YOY
		Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Motion Control	Net sales*1	23,316	11,000	13,000	24,000	2.9%
	Operating income	1,710	500	1,000	1,500	- 12.3%
	%	7.3%	4.5%	7.7%	6.3%	

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



Sales

- Parts supply problems will improve, so sales are expected to increase.

Operating income

- Although we will continue efforts to improve production, we expect a drop in income due to an increase in labor costs and fixed costs.



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Motion Control Operations.

We plan net sales of JPY24 billion and operating income of JPY1.5 billion. This is based on the assumption of a 2.9% increase in net sales and a 12.3% decrease in operating income compared to the previous year.

Sales are planned to increase in anticipation of the resolution of the parts supply shortage problem.

As for factors contributing to the increase in operating income, as shown in the graph, we expect an increase of approximately JPY200 million due to the increase in net sales and approximately JPY400 million as a result of price hikes.

On the other hand, operating income is expected to decrease 12.3% from the previous year to JPY1.5 billion, due to factors such as an increase in steel prices of approximately JPY100 million, an increase in personnel expenses of approximately JPY300 million, and an increase in fixed costs of approximately JPY300 million.

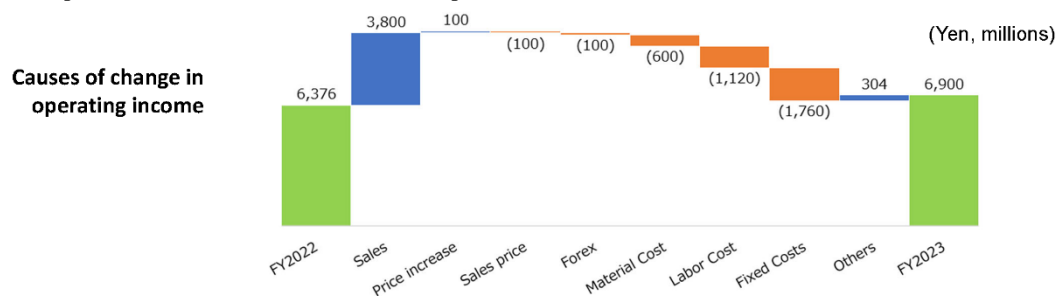
11. FY2023 Mobility Operations Forecast

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(Yen, millions)

		FY 2022	FY 2023			YOY
		Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Mobility	Net sales*1	77,275	39,000	41,000	80,000	3.5%
	Operating income	6,376	2,200	4,700	6,900	8.2%
	%	8.3%	5.6%	11.5%	8.6%	

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



Sales

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

Operating income

- Despite an increase in material price, labor costs and fixed costs, which is caused by production recovery, income is expected to increase due to an increase in sales and ongoing efforts to improve production.



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Mobility Operations.

We plan net sales of JPY80 billion and operating income of JPY6.9 billion. Compared to the previous year, we plan a 3.5% increase in net sales and an 8.2% increase in operating income.

Sales are planned to increase due to the recovery trend of production in the automotive industry.

As for the factors that will contribute to the decrease in operating income, as shown in the graph, the price increase of steel products will amount to approximately JPY600 million, and the increase in personnel expenses to approximately JPY1.1 billion.

In addition, although there will be an increase of approximately JPY1.7 billion in fixed costs due to increased production, operating income is expected to increase by 8.2% from the previous year to JPY6.9 billion, mainly due to an increase of approximately JPY3.8 billion from increased sales and approximately JPY100 million from the effects of price hikes.

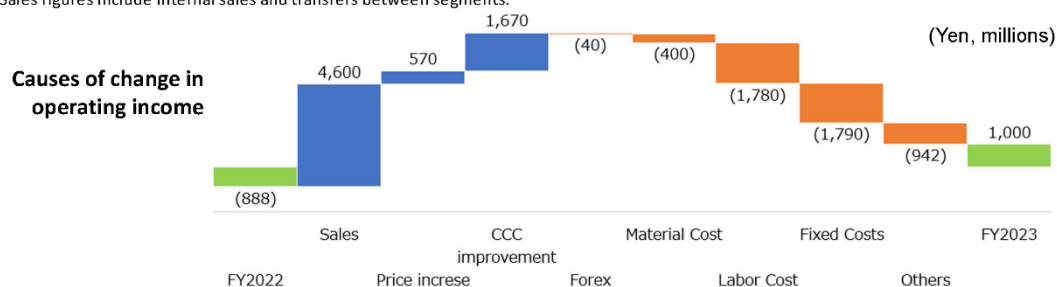
11. FY2023 Materials Handling Operations Forecast

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(Yen, millions)

		FY 2022	FY 2023			YOY
		Actual	1st half (Forecast)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Materials Handling	Net sales ^{*1}	60,973	32,000	34,000	66,000	8.2%
	Operating income	(888)	100	900	1,000	—
	%	—	0.3%	2.6%	1.5%	

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



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 an increase in sales and a decrease in losses in the Americas.



Tsubakimoto Chain Co.

FY 2022 Settlement of Accounts
Presentation Meeting

Materials Handling Operations.

The Company plans net sales of JPY66 billion and operating income of JPY1 billion, assuming an 8.2% increase in net sales and an approximately JPY1.8 billion increase in operating income compared to the previous fiscal year.

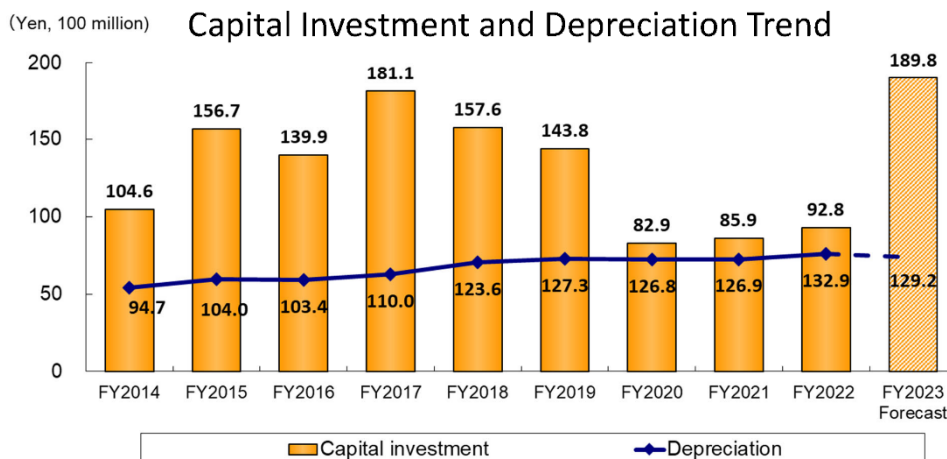
Sales are expected to increase due to the recovery of powder and granular material conveying equipment in Japan and the growth of subsidiaries for the construction field in the Americas.

As for the factors that will contribute to the increase in operating income, as shown in the graph, although there will be an increase in steel prices of approximately JPY400 million, an increase in labor costs of approximately JPY1.7 billion, and an increase in fixed costs of approximately JPY1.7 billion due to increased sales, operating income will improve by approximately JPY4.6 billion due to the increase in sales, approximately JPY500 million from price increases, and approximately JPY1.6 billion from the improvement effect of CCC. Operating income is expected to improve to approximately JPY1 billion.

12. Capital Investment and Depreciation

20

- “Capital investment” to strengthen growth potential
 - Investment in more efficient and automated production systems (all operations)
 - Equipment expansion in chain operations in North America
 - New product-related investments in materials handling operations



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This is the CapEx and depreciation trend.

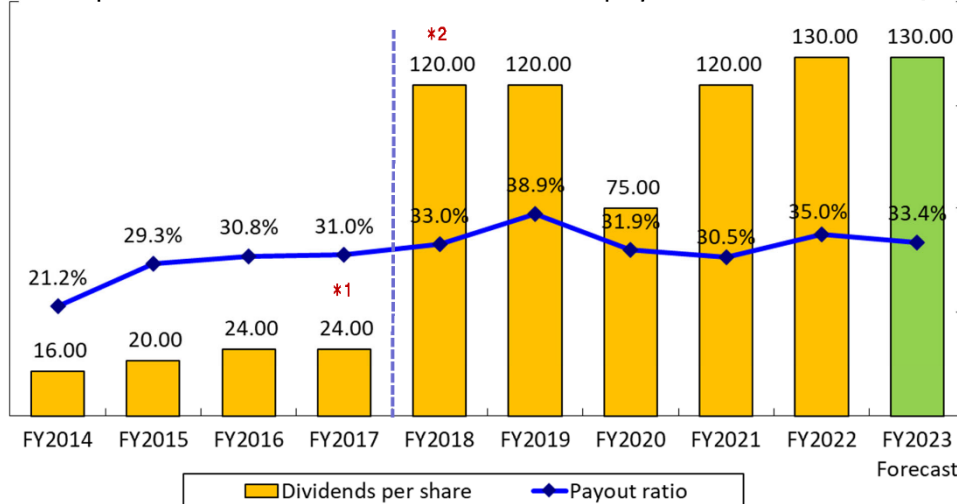
CapEx for the previous period totaled JPY9.28 billion, which is about 70% of the planned JPY13.5 billion. On the other hand, the plan for the current fiscal year is to invest approximately JPY18.9 billion in facilities, not only to expand production and improve efficiency, but also to aggressively invest in Monozukuri DX and new businesses.

For depreciation and amortization, we realized approximately JPY13.2 billion in the previous fiscal year and forecast approximately JPY12.9 billion in the current fiscal year.

■ Dividend Policy

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

Dividends per share and consolidated dividend payout ratio trend (Yen)



*1: Includes additional 2 yen to commemorate our 100th anniversary. *2: A share consolidation (5 shares → 1 share) was implemented in October '18.



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I would like to explain our shareholder return policy.

We aim to increase our corporate value by strengthening our ability to achieve sustainable growth and we consider the return of profits to our shareholders to be our most important management priority.

Our dividend policy is based on a consolidated dividend payout ratio of 30%, reflecting consolidated business performance, while comprehensively taking into account capital, financial condition, and other factors.

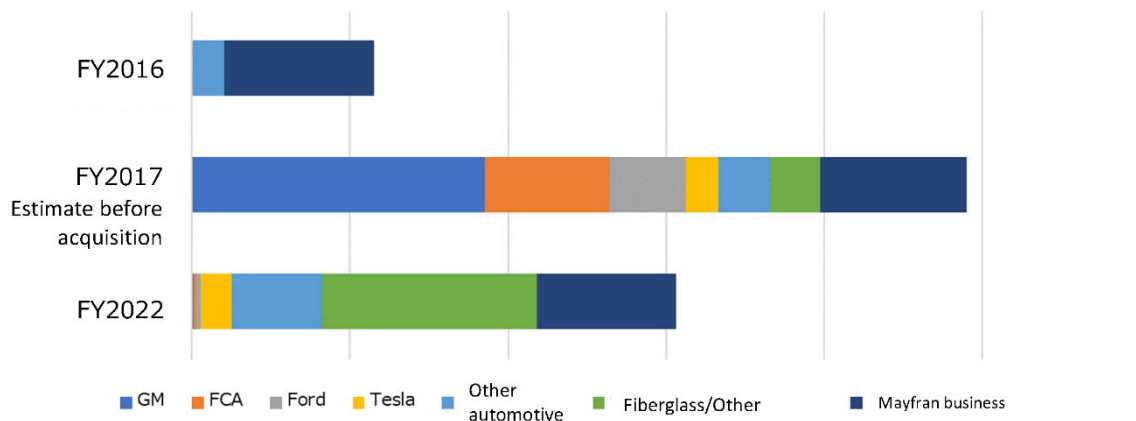
For the fiscal year ending March 31, 2023, the Company plans to implement an annual dividend of JPY130 per share, as originally planned. This will result in a consolidated dividend payout ratio of 35%. For the fiscal year ending March 31, 2024, we expect to pay an interim dividend of JPY60 and a year-end dividend of JPY70, for an annual dividend of JPY130, which represents a payout ratio of 33.4%.

1. Target market and purpose of acquisition of CCC

• Purpose of acquisition

- ✓ Absorb expertise which the company has as an integrator having strong customer base mainly in the U.S. automobile industry.
- ✓ Expand Material handling operations in the U.S. market.

• Sales by customer (Material Handling Operations in the Americas)



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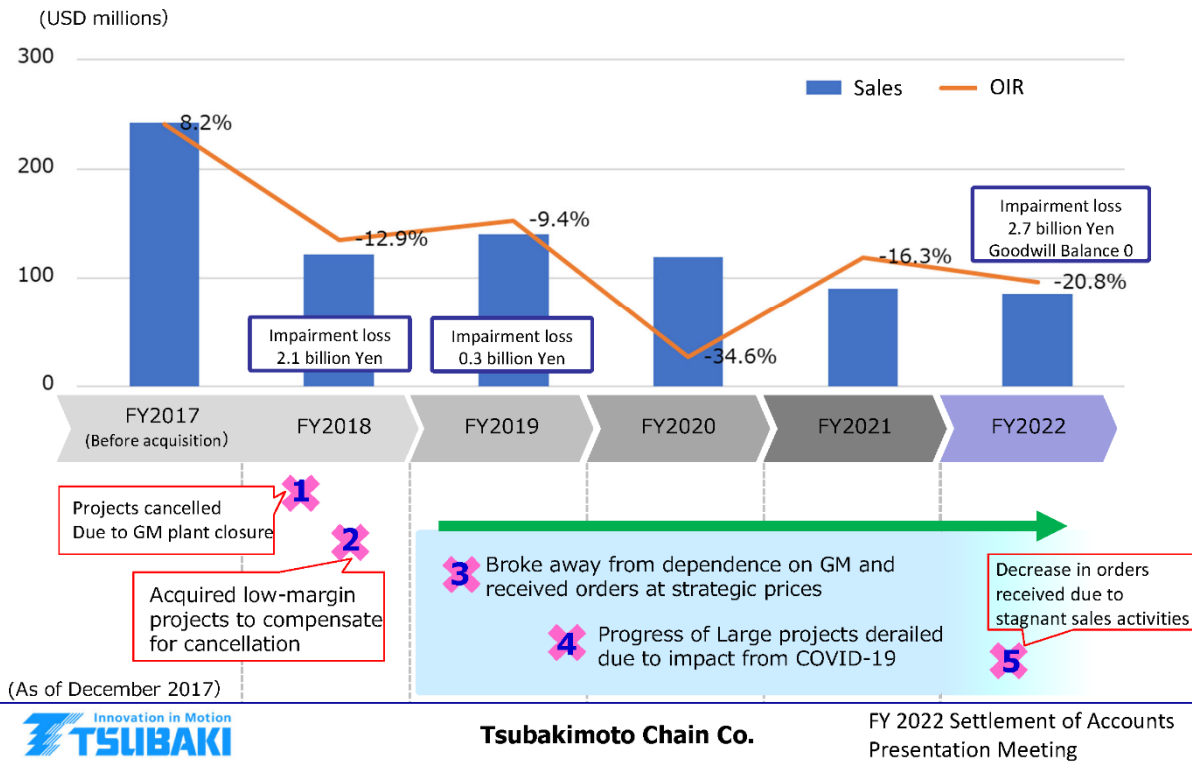
I would like to give a brief report on Central Conveyor Company's current situation and future plans.

First, I would like to explain the purpose of the acquisition of CCC, Central Conveyor Company. One of the aims was to expand the materials handling business significantly in the Americas, which until then had been solely for the automotive industry, especially for Japanese companies, by acquiring the commercial rights CCC had for those users in order to expand sales in the Americas, especially to the Big Three.

This graph shows the materials handling business in the Americas prior to the acquisition, the goals envisioned at the time of acquisition, and, at the bottom, last year's results. As you can see, the bottom line, the materials handling business in FY2022, compared to FY2016, has grown significantly in the automotive industry and other sectors, but unfortunately has not reached the numbers we had originally anticipated.

These backgrounds are explained on the next page.

2. Performance after acquisition of CCC and five causes of losses



This section describes the transition that has occurred since FY2017.

First, in FY2018, immediately after the acquisition, sales declined significantly due to GM's plant shutdowns and subsequent changes in purchasing policies.

Subsequently, we received an order for a large project for another user, and sales recovered. However, due to the impact of the COVID-19 pandemic that broke out immediately afterward, the construction schedule was significantly delayed and schedule adjustments were made, and costs increased significantly more than initially expected due to difficulties in hiring workers and increased labor costs, resulting in a larger deficit.

We have since made a new start with a new president in 2021.

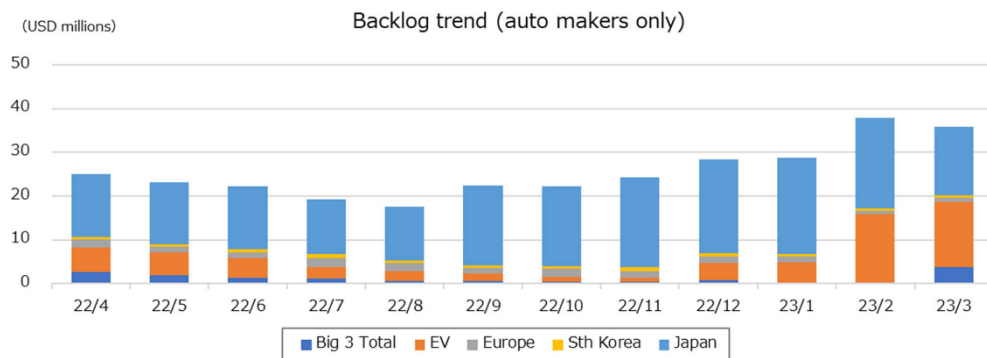
3. Approach for acquiring projects

◆ **Increase orders from the 'Big Three' U.S. Auto Makers**

- Continue performing well on small projects for the purpose of improving customer service and sales activities such as inviting customers to tour our factory.
Strengthen after-sales service for the BIG Three where there's demand for retrofitting old equipment.
→ Orders are recovering

◆ **Reap benefits of joining the Tsubaki Group**

- Consider collaboration with TMF and TBS
Expand supply of parts (chain & sprockets) from USTP to KCI.



Tsubakimoto Chain Co.

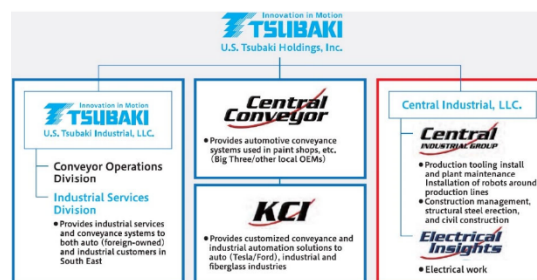
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This graph shows the order backlog from last year.

Unfortunately, we have not yet reached a full-fledged recovery in FY2022, with few orders, but as you can see, inquiries from the "Big Three" have increased and are steadily recovering.

4. Impact of spin-off

- Enhance governance through spin-off.
- Expand KCI and CI businesses by concentrating on their strong fields.



5. Plan for future of CCC

① Core function of Material Handling Business in North America

- In addition to the FA automotive industry, utilize as a base to market new distribution and Life Science products in the North American market developed by MHD in Japan.

② Enhancement of specific industry capture functions

- Concentrate on fiberglass industry and construction (KCI, etc.)

③ Expansion of maintenance business

- Expanding the maintenance business as a starting point is one of the directions that the Tsubaki Group is aiming for. We aim to expand the Group as a whole.

Outside of the "Big Three," we have received stable orders from Tesla, and our conveyor system business for the fiberglass industry outside of the automotive industry is also expanding steadily. Collaboration with group companies in the US has also become very active.

We intend to expand our business for the "Big Three" and expand the use of Central Conveyor Company as a core plant in the new field of materials handling business in the Americas to achieve our original plan.

◆ Mid-Term Management Plan 2025

The period will be used to strengthen profitability in existing businesses and to plant seeds for new businesses that will lead to sustainable growth toward the realization of the Long-Term Vision 2030.

- 1 Create next-generation businesses that will enable sustainable growth
- 2 Further establish market position and strengthen profitability of existing businesses
- 3 Strengthen business foundation through manufacturing reform and enhanced human resource development
- 4 Strengthen ESG initiatives (E: Environment S: Society G: Governance)

Target sales: 500 billion yen



Tsubakimoto Chain Co.

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Next, I will explain our Mid-Term Management Plan 2025.

The basic policy of the Mid-Term Management Plan 2025 is to strengthen the profitability of existing businesses and to plant the seeds for new businesses that will lead to sustainable growth toward the realization of the Long-Term Vision 2030.

We intend to create next-generation businesses that will enable us to achieve sustainable growth, further acquire market positions in existing businesses and enhance profitability, strengthen our business foundation by reforming manufacturing and enhancing human resource development, and enhance our ESG initiatives to develop into a JPY500 billion company in FY2030.

1 Initiatives for new business creation

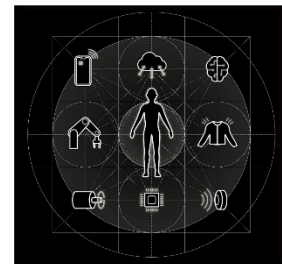
Business collaboration with KDDI for logistics DX (TC · TMC)

Business collaboration with KDDI to save manpower, reduce costs, and improve productivity in distribution warehouses. The company aims to promote DX in the logistics industry by providing **vendor-free "warehouse automation solutions"** that are compatible with a wide variety of manufacturers and equipment.



Launched "Human-Assist Business"

In collaboration with SHIJIGEN, which is involved in products and services utilizing robotics, the company aims to **expand its "Human-Assist Business" in the medical, nursing care, healthcare, and agriculture/forestry fields** utilizing robotics.



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This is an initiative to create new businesses. Here is an example of what we are currently working on.

As announced last year, we have formed a business alliance with KDDI to provide vendor-free warehouse automation solutions compatible with a wide variety of manufacturers and equipment for labor saving, cost reduction, and productivity in logistics warehouses, with the aim of promoting DX in the logistics industry.

The human-assist business has been launched in earnest. This joint project with SHIN-JIGEN aims to expand into the human-assist business in the fields of medicine, nursing care, health care, and agriculture and forestry.

1 Initiatives for new business creation

Next-generation model of plant factory to construct

With the support of KIDAYA SHOTEN Co., Ltd. we decided to **construct a next-generation model factory** based on a new cultivation method, utilizing the cultivation technology of KIDAYA SHOTEN and the automation technology and knowledge that we have cultivated in the agribusiness.

By operating the plant factory and farming on its own, the company aims to expand into peripheral businesses (expansion of new products and types, etc.) with an eye toward 6th industrialization.



Plant factory rendering



Signing ceremony



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As you are already aware, we have decided to construct a next-generation model plant factory.

We plan to construct a state-of-the-art plant factory in Fukui Prefecture, utilizing the plant factory automation and transport technologies we have developed to date, and to begin operations in 2025.

Here, we hope to produce lettuce for commercial use, and by producing lettuce in its aseptic state, we hope to produce lettuce with double the life span of conventional lettuce, and then supply that to the market.

1 Initiatives for new business creation

- ◆ Implemented **T-Startup** which is a new business proposal contest involving all employees



- We searched for proposals that would lead to solutions for the “3 social issues” Tsubaki should address.
- We received over 100 applications from domestic and overseas subsidiaries.
- Activities toward commercialization have commenced for projects that passed both the first and second screening.



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In addition, as an internal initiative, we have launched T-Startup, a new business contest in which all employees can participate.

Dreams can come true. When we solicited proposals that would help Tsubaki solve the three social issues it must address, we received as many as 100 applications, including from group companies in Japan and overseas. We have now begun activities to commercialize several of the proposals that passed the first and second screening.

2 Establish market position of existing businesses

Chain Operations

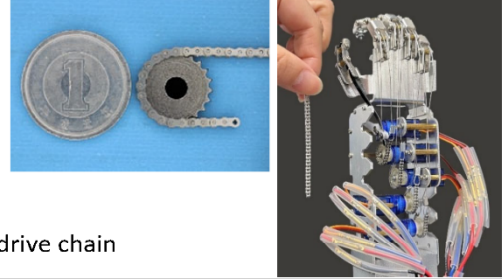
~Develop upgraded new products~

9th generation "RS® roller chain"

~Develop visionary new products~

"RS® roller chain (RS6) "

Expand applications for the world's smallest pitch drive chain

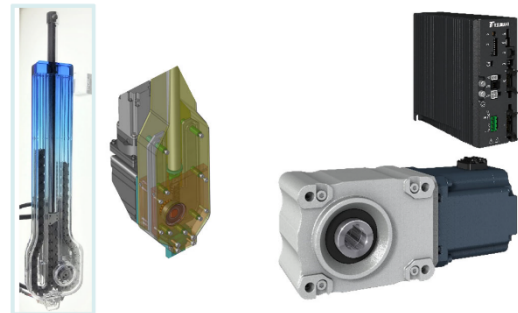


Motion Control Operations

~ Develop upgraded new products ~

Develop "ZIP cylinder"

Launch sales of "DCBL Hypoid Motor"



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Next is the expansion of existing businesses.

In the Chain Operations, the Company began development of the next generation G9 series as the next generation roller chain. We also hope to develop the world's smallest pitch chain and offer it to the world.

In the Motion Control Operations, we will offer a wide range of new products such as ZIP cylinders and DC brushless motors.

2 Establish market position of existing businesses

Mobility Operations

~Expand businesses for EV-use Drive train, Personal Mobility~

- Enedrive® Chain
- Clutch for four-wheels
- Cam clutch for e-Bike
- Electric three-wheel bike (multi-purpose e-Cargo) ,etc



Multi-purpose e-Cargo



Materials Handling Operations

- **"T-AstroX"**
Automated order sorting system with picking and storage functions for distribution centers that underpin E-commerce
Developing to launch sales in September 2023



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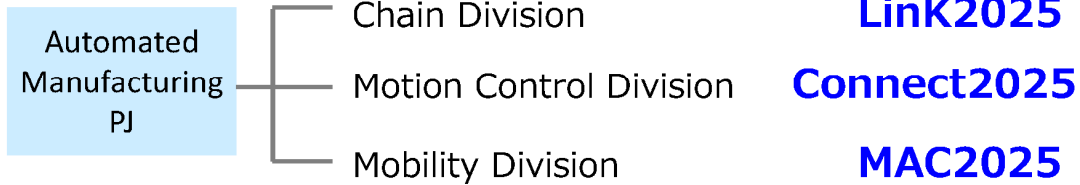
In our Mobility Operations, we are developing a multi-purpose e-Cargo, which received a great response at an exhibition held in Tokyo in May.

In the Materials Handling Operations, we developed a new product for e-commerce, T-AstroX.

This product is the first picking device with a storage function to be successfully produced in Japan, and we have already received many inquiries in preparation for sales this fall.

3 Manufacturing reform

Initiatives for Tsubaki’s development by converging business divisions



【Our Vision】

- **TSUBAKI-manufacturing DX**
 «digitalization for factory site innovation»
- **Factory-Automation**
 «Automation, Labor-saving»



We are a manufacturing company. As part of the manufacturing reform, we have started a project for unmanned manufacturing across business divisions within the Company.

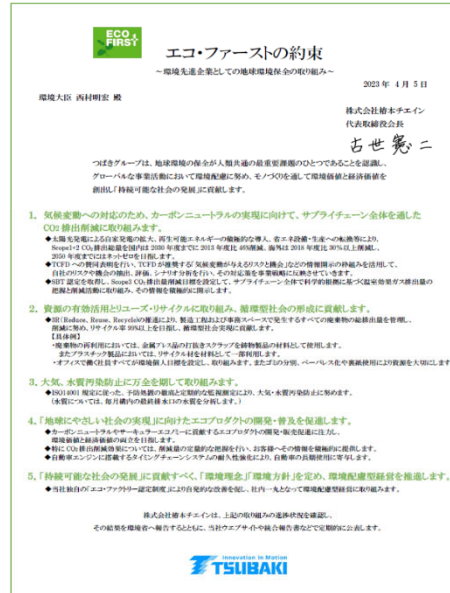
We are steadily implementing activities to realize Tsubaki-style manufacturing DX and smart factories.

4 Sustainability initiatives

◆ Certified as “Eco-first company” by Ministry of Environment (April 5, 2023)
 ~global environmental conservation initiatives as an environmentally leading company~



• On the same day, we submitted our “Eco-First Commitment” to the Minister of the Environment which reflects the Tsubaki Group’s goals and initiatives to protect the global environment.



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As part of our sustainability efforts, we were certified as an Eco-First Company by the Ministry of the Environment in April of this year. This photo was taken at the presentation ceremony.

4 Sustainability initiatives

◆ Goal by FY2025 (efforts toward carbon neutrality)

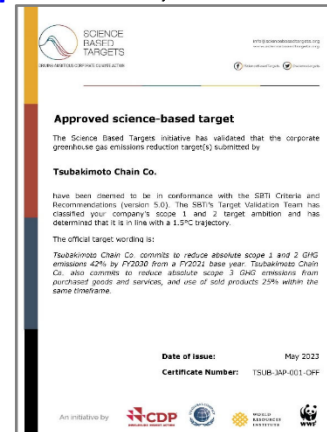
- Strengthen efforts to achieve carbon neutrality in line with the IPCC 1.5°C scenario, the global standard for CO₂ emission reductions

◆ “SBT (Science Based Target) certification” acquired (May 2023)

- Recognizes that the Tsubaki Group's greenhouse gas emission reduction targets are consistent with the levels required by the Paris Agreement (1.5°C scenario).

*SBTi's website posting is scheduled for June 15

(369 Japanese companies have been certified as of the end of March 2023)

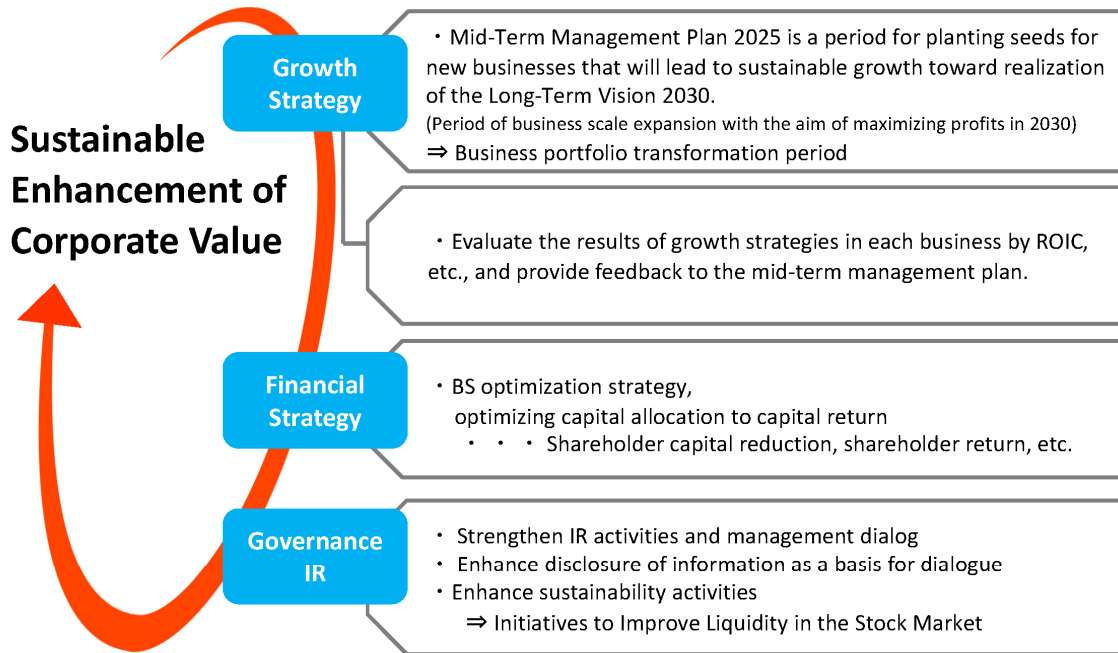


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In May of this year, we also obtained SBT (Science Based Target) certification, and we are promoting our efforts to become carbon neutral.

◇ Management approach to cost of capital and stock price awareness



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Going forward, TSUBAKIMOTO CHAIN will continue to take on the challenge of achieving its Mid-Term Management Plan 2025, its Long-Term Vision 2030, and its goal of becoming a company that contributes to solving social issues.

We are confident that these efforts will lead to an increase in corporate value. We look forward to your continued support and cooperation.

We now report the financial results of Tsubakimoto Chain Co. for the fiscal year ended March 31, 2023.

Thank you for your attention.

Question & Answer

MC [Q]: Your first question has been received via text.

"You recently announced a share repurchase program. Do you plan to continue this program in the future?"

We will have Akesaka, Executive Officer, Finance & Accounting / Corporate Planning, answer this question.

Akesaka [A]: Okay, I, Akesaka, in charge of Finance and Corporate Planning, will now respond.

As mentioned earlier by President Kimura, our dividend policy is based on dividends reflecting consolidated business performance. However, we will do so while comprehensively taking into account the funds, financial situation, and other factors.

As for the repurchase of treasury stock, as per our dividend policy, we have implemented this repurchase in consideration of our cash and financial situation.

We have not yet decided to revise our dividend policy, but we will consider it flexibly on a case-by-case basis, taking into account our financial situation and our cash situation.

MC [Q]: Thank you very much. We have received another question via text.

"With regard to the chain business, I understand that sales growth is sluggish due to foreign exchange effects, but what is the reason for the large drop in profit margins?"

We will have Nagai, Senior Managing Executive Officer, Power Transmission Operations, answer this question.

Nagai [A]: I will answer your question.

As mentioned earlier by the President, price increases will impact chain business profit positively by JPY500 million, however, there will be a negative impact of approximately JPY2 billion due to increases in steel material prices, labor costs, and fixed costs. We are seeing a decrease in profit margin as a result of these factors.

MC [Q]: Thank you very much. The next one is also sent to us via text.

"Regarding the materials handling business. Is the maintenance business growing, which was your focus in the mid-term management plan? Also, how is the progress being made in strengthening the systems integration business?"

Senior Executive Officer, Materials Handling Operations, Okamoto, please answer this question.

Okamoto [A]: Okay, I will now answer your question, from Okamoto, Materials Handling Business Manager.

First of all, in the maintenance business, the President mentioned earlier that sales in the materials handling business have been a bit sluggish, but sales in the maintenance business have been increasing. In order to expand our maintenance business, we have recently relocated our Tokyo service center and are attempting to make it a full-fledged maintenance headquarters.

We are working to expand the maintenance business of the entire Tsubaki Group, not only in the materials handling, but in all of our business divisions. In this sense, we are prepared to continue to expand our maintenance business.

As for the system integration business, as mentioned earlier by the President, the alliance with KDDI will play a part in this. We have a new product called T-AstroX, a picking system with storage function, and we are trying to expand our system integration business based on this product.

We believe that the system integration business is a key business not only for the materials handling business but also for other businesses as well.

MC [Q]: Thank you very much. We have received another question via text.

I have a question regarding the mobility business. I would like to know about the status of development of new products compatible with EVs or electric vehicles, or about progress in the personal mobility business, such as e-Bikes. Senior Executive Officer, Mobility Operations, Sato, please answer this question.

Sato [A]: Okay, Sato, Mobility Business Manager, will answer your question.

First, the clutch business was transferred from the MC division two years ago. Since then, we have been expanding sales of clutches for EVs, including hybrids, in earnest, and recently we have been receiving inquiries from many customers about parking lock functions and overload protection functions for battery EVs. We have received inquiries not only from Japan but also from overseas, especially from Europe, and we are currently working on the development of this product. However, we are meeting with customers to see if this kind of development can be seen after 2025.

On the other hand, we are also focusing on the field of personal mobility, including the in-house development of e-Cargo, an electrically power assisted tricycle and cam clutches in electric power assisted units for e-bikes. Although we are planning to launch sales of e-Cargo after 2025, through this development, we are developing both the e-Cargo itself and its units and parts, with an eye to developing original units or parts such as chains.

As for clutches for e-bikes, we are in contact with a European manufacturer and have received inquiries for this as well. Therefore, we are now trying to expand our business not only in Japan but also in Europe and China on a global scale.

MC [Q]: Thank you very much. This is followed by another text question.

This is a question regarding the materials handling business. "You are forecasting an operating income of JPY1 billion for the current fiscal year. Where do you see the recovery being driven? Please explain the status of current orders as well."

Senior Executive Officer, Materials Handling Operations, Okamoto, please.

Okamoto [A]: Last year we posted a loss, and one of the main reasons for this was the deterioration of Central Conveyor's performance. As the President mentioned earlier, we are currently taking various steps to steadily generate profits, and one of the first steps to achieve profitability this time is to reduce Central Conveyor's deficit.

The other point is that we are trying to attract inquiries and win orders for logistics facilities that will be used for manpower saving and automation related to the 2024 problem in the domestic logistics industry and other areas.

In addition, the Mayfran business and the bulk business, which we call the powder/granular business, are performing well, and this area is also tied to environmental capital investment in the world, and we expect to make a profit in the current fiscal year in this area also.

MC [Q]: Thank you very much. The next question is also via text.

We have received a question about new business. "You mentioned that you would invest JPY50 billion to JPY60 billion in new businesses during the period of the mid-term management plan. Are you currently making progress as expected?"

Executive Officer, Finance & Accounting / Corporate Planning, Akesaka, please.

Akesaka [A]: Regarding investment in facilities and equipment during the period of the mid-term management plan, we have said that out of the JPY50 billion to JPY60 billion, excluding shareholder returns, pure investment in new businesses will be in the range of JPY30 billion to JPY36 billion.

Among these, the amount of investment that can be said to have been purely new business-related up to the last fiscal year was still less than the JPY1 billion range. As we have already announced, capital investment in FY2023, excluding expenses, will total about JPY2 billion, including the construction of a new agri-factory in Fukui Prefecture. We expect this to increase in the future as progress is made and as the fiscal year progresses.

MC [Q]: Thank you very much. The next question is also by text. This question is about the chain business.

"In the past, you mentioned that you had seen an uptick in orders in North America as a result of customers shifting their business away from rival manufacturers. Is this situation still ongoing? Please tell us about the current situation, outlook, etc."

Senior Managing Executive Officer, Power Transmission Operations Nagai, please.

Nagai [A]: I will answer your question.

As I explained at the last meeting, D-Company has had a difficult time starting up production due to the relocation of its plant. We have heard that the situation is now in a state where they can conduct normal operations.

However, looking at the trend of products being ordered that were subsequently transferred to us, we are still seeing orders from major distributors coming to us without returning to the original state. Therefore, we intend to establish a sales structure and conduct sales activities that will enable us to continue this connection and ensure that the situation does not revert back to its original state.

MC [Q]: Thank you very much. Continuing on, here is another question by text. This is a question regarding the materials handling business.

"Is there a plan in place for CCC (Central Conveyor Company) to reduce its losses or return to profitability in the fiscal year ending March 31, 2024? Also, how do you view the risk of impairment in the future?"

Okamoto, Senior Executive Officer, Materials Handling Operations, will answer your question.

Okamoto [A]: Okay, I will answer.

With respect to reducing the deficit or returning to profit, we will first work towards reducing the deficit. Our first priority is to increase the backlog (of orders), and in that sense, we are seeing an increase in quotations

and inquiries, and we will convert these into orders. It is not surprising, but that is what Central Conveyor is working hard at.

Central Conveyor is a group of various companies, of which Central Conveyor's headquarters, Wixom, in particular, is currently experiencing sluggish sales, but others are proceeding very well. Therefore, our first priority is to bolster support of and increase the number of orders for Wixom. We believe that if we do so, we will surely turn the Company into a profitable business.

MC [Q]: We have one more question about how we view the risk of impairment in the future. This will be answered by Akesaka, Executive Officer, Finance & Accounting / Corporate Planning, please.

Akesaka [A]: I will now respond.

Regarding the risk of future impairment, we are reviewing our future sales plan in a very conservative manner. In addition, since all the goodwill has been reduced by the most recent impairment loss, and the sales plan has a high probability of achievement, we believe that the risk of future impairment loss is quite low.

MC [M]: Thank you. That is all the questions we have received.

We are slightly ahead of schedule, but since we have answered all of the questions, I would like to conclude this Q&A session. A script of today's content, including the Q&A session, will be posted on our website, etc. We hope you will find it useful.

This concludes the presentation of TSUBAKIMOTO CHAIN's financial results. Thank you very much for your time today.

[END]