TSUBAKIMOTO CHAIN CO.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

November 17, 2023

[Number of Speakers]	5	
	Takatoshi Kimura	President and Representative Director, Chief Operating 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. FY 2023 Q2 Review Highlights of Consolidated Results

- Sales and income increased due to strong chain business and the effect of yen depreciation. However, operating income ratio declined due to losses in the Materials Handling business and other factors.

(Yen, millions)

	FY 2022	FY 2023	YOY	Forecast (as of May 11, 2023)	
	Q2	Q2	Inc / Dec	Forecast	Inc / Dec
Net sales	118,933	128,760	8.3%	125,000	3.0%
Operating income	8,375	8,622	2.9%	7,600	13.4%
%	7.0%	6.7%		6.1%	
Ordinary income	9,889	10,364	4.8%	8,300	24.9%
Net income	6,756	7,300	8.1%	5,800	25.9%
Net income per share	182.49 yen	199.14 yen		156.62 yen	—
(Exchange rates 1 USD)	134.04 yen	141.06 yen		125.00 yen	—
(Exchange rates 1 EUR)	138.77 yen	153.46 yen		130.00 yen	—
(Exchange rates 1 RMB)	18.96 yen	19.45 yen		18.34 yen	—

Kimura: Thank you all for joining us today. I am Kimura, President and Representative Director.

I will now explain the financial results for Q2 of the fiscal year ending March 31, 2024.

First of all, here is a summary of the financial results.

For H1 of the fiscal year ending March 31, 2024, both sales and income increased due to the strong performance of the chain business and the effect of the yen's depreciation.

Although both sales and profits exceeded the forecast announced on May 11, the operating income margin declined 0.3 percentage point YoY due to higher procurement and labor costs.

Net sales totaled JPY128,760 million, up 8.3% or JPY9,827 million YoY.

The yen depreciated against the US dollar, euro, and yuan, resulting in a positive effect of about JPY5 billion from currency translation.

Operating income was JPY8,622 million, up 2.9% or JPY246 million YoY. However, since the positive effect of foreign exchange was about JPY250 million, excluding the effect of foreign exchange, operating income was down 0.2%. Operating margin is 6.7%.

Ordinary income and net income attributable to the parent company are as stated.

Breakdown by Operations

(Yen, millions)

		FY 2022	FY 2023	YOY	Forecast (as of May 11, 2023)	
		Q2	Q2	Inc / Dec	Forecast	Inc / Dec
Chain	Net sales*1	43,609	46,908	7.6%	43,000	9.1%
	Operating income	6,285	7,916	26.0%	5,800	36.5%
	%	14.4%	16.9%		13.5%	
Motion Control	Net sales*1	10,886	11,165	2.6%	11,000	1.5%
	Operating income	745	233	-68.6%	500	- 53.4%
	%	6.8%	2.1%		4.5%	
Mobility	Net sales*1	36,429	40,591	11.4%	39,000	4.1%
	Operating income	2,375	3,205	34.9%	2,200	45.7%
	%	6.5%	7.9%		5.6%	
Materials Handling	Net sales*1	28,066	30,042	7.0%	32,000	- 6.1%
	Operating income	(74)	(1,637)	—	100	—
	%	—	—		0.3%	
Other*2	Net sales*1	1,477	1,707	15.5%	1,000	70.7%
	Operating income	(265)	(433)	—	(400)	—
	%	—	—		—	

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

Net sales and operating income by business segment. Details will be explained later, so here is a brief introduction.

Chain business and mobility business increased in both sales and income compared to the same period of the previous year.

The motion control and material handling businesses reported higher sales and lower profits.

Breakdown by Business Locations

(Yen, millions)

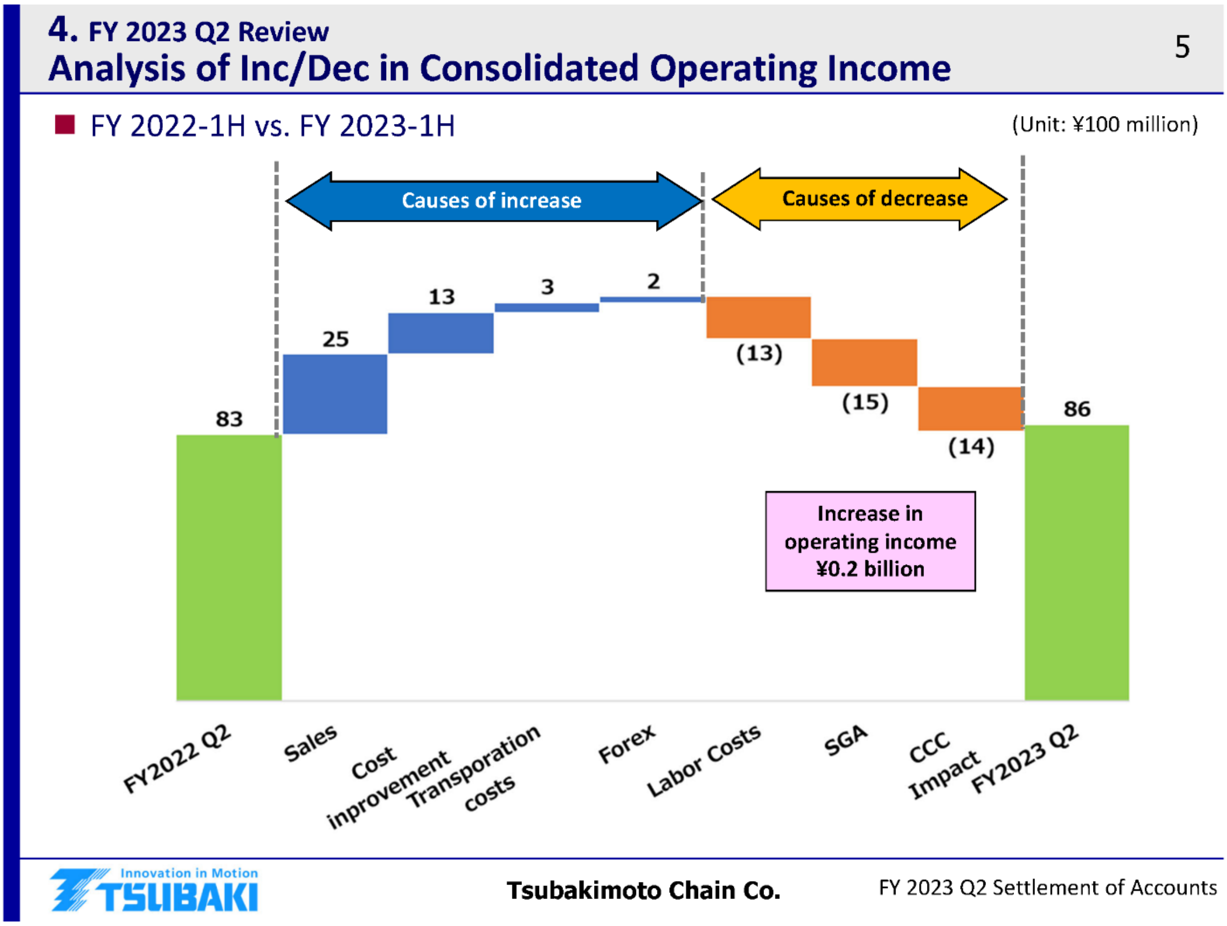
		FY 2022 Q2	FY 2023 Q2	YOY Inc /dec
Americas	Net sales*	37,731	43,818	16.1%
	Operating income	1,535	2,660	73.3%
	%	4.1%	6.1%	
Europe	Net sales*	14,699	17,112	16.4%
	Operating income	644	1,377	113.8%
	%	4.4%	8.0%	
Indian Ocean Rim	Net sales*	9,678	10,511	8.6%
	Operating income	1,143	1,342	17.4%
	%	11.8%	12.8%	
China	Net sales*	10,619	9,280	-12.6%
	Operating income	599	(297)	—
	%	5.6%	—	
South Korea, Taiwan	Net sales*	5,362	5,768	7.6%
	Operating income	184	86	-53.0%
	%	3.4%	1.5%	
Japan	Net sales*	58,723	59,565	1.4%
	Operating income	3,629	2,197	-39.5%
	%	6.2%	3.7%	

*Sales figures include internal sales and transfers between segments.

<Actual exchange rates>

	USD	EUR	CAD	AUD	THB	TWD	RMB	KRW	MXN
FY2022 1st half	134.04	138.77	103.85	93.60	3.65	4.47	18.96	0.10	6.08
FY2023 1st half	141.06	153.46	105.14	93.25	3.95	4.51	19.45	0.10	7.45

Results by geographic area are as stated.



This is an analysis of changes in operating profit. First, factor for the increase.

Operating income increased by about JPY2.5 billion due to the increase in sales, cost improvement by about JPY1.3 billion, decrease in transportation cost by about JPY0.3 billion, and foreign currency translation effect of about JPY0.2 billion.

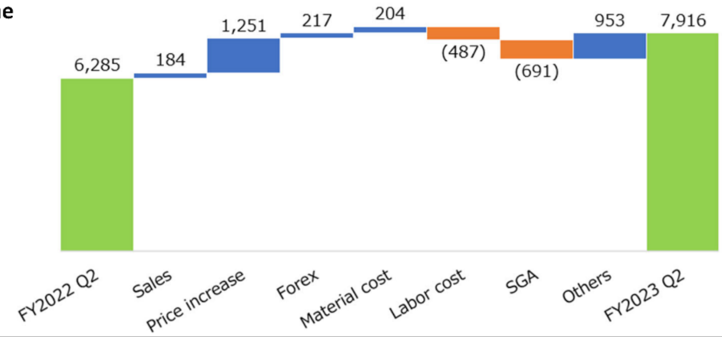
On the other hand, the decrease was due to an increase in personnel expenses of approximately JPY1.3 billion, an increase in SG&A expenses including R&D expenses of approximately JPY1.5 billion, and the impact of Central Conveyor in the US of approximately JPY1.4 billion. Details will be explained later by segment.

Chain Operations

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

		FY 2022	FY 2023	YOY	Forecast (as of May 11, 2023)	
		Q2	Q2	Inc / Dec	Forecast	Inc / Dec
Chain	Net sales*1	43,609	46,908	7.6%	43,000	9.1%
	Operating income	6,285	7,916	26.0%	5,800	36.5%
	%	14.4%	16.9%		13.5%	

Causes of change in operating income



〈YOY〉
・Sales increased due to strong sales in Japan, the Americas, Europe, China, and the Indian Ocean Rim.
Despite higher personnel and other costs, efforts to improve productivity led to an increase in operating income.

〈 Comparison with May 11 Forecast 〉
・Sales and income increased due to strong sales in the U.S. and the Indian Ocean Rim.

Next is a summary by business segment.

First, in the chain business, net sales for H1 totaled JPY46,908 million and operating income JPY7,916 million, increasing by JPY3,298 million and JPY1,631 million YoY, respectively.

The Company's sales and operating income were also significantly higher than the May forecast for this year, both increasing by 9.1% and 36.5%, respectively.

Foreign exchange rates had a positive impact of approximately JPY1.6 billion on net sales and approximately JPY200 million on operating income, both positive effects.

Although the initial plan anticipated a slowdown in demand in the Americas, sales in the Americas remained strong through Q2, and sales in the Indian Ocean Rim were also stronger than expected, resulting in an increase in sales in both regions.

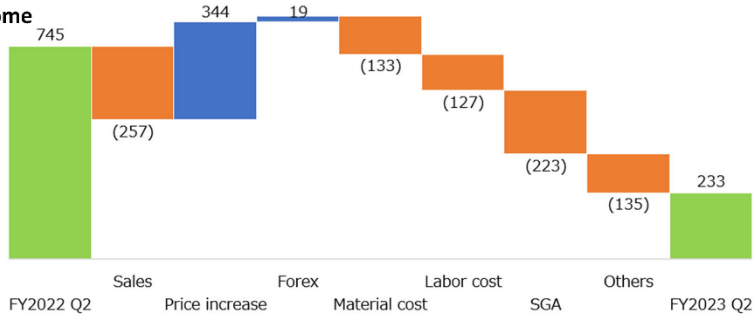
Operating income increased 26% YoY, mainly due to an increase in sales attributing to about JPY180 million and a price increase effect of about JPY1.25 billion, despite factors that reduced profits, including an increase in personnel expenses of about JPY480 million and an increase in SG&A expenses, including research expenses, of about JPY690 million.

5. FY 2023 Q2 Review Motion Control Operations 7

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

		FY 2022	FY 2023	YOY	Forecast (as of May 11, 2023)	
		Q2	Q2	Inc / Dec	Forecast	Inc / Dec
MC	Net sales *1	10,886	11,165	2.6%	11,000	1.5%
	Operating income	745	233	- 68.6%	500	-53.4%
	%	6.8%	2.1%		4.5%	

Causes of change in operating income



〈YOY〉

・Sales increased due to higher sales in the Americas, China, and the Indian Ocean Rim, but operating income decreased due to lower sales in Japan, due to inventory adjustments.

〈 Comparison with May 11 Forecast 〉

・ Sales increased due to yen depreciation, but income decreased due to lower sales in Japan and other factors.

Innovation in Motion TSUBAKI Tsubakimoto Chain Co. FY 2023 Q2 Settlement of Accounts

The motion control business reported net sales of JPY11,165 million, up JPY279 million YoY, and operating income of JPY233 million, down JPY511 million YoY.

Even against the May forecast, sales increased slightly, but profits were not achieved.

The positive effect of the exchange rate was approximately JPY100 million on net sales and JPY19 million on operating income. Factors that contributed to the sluggish sales included a slowdown in sales to the machine tool industry and semiconductor manufacturing equipment, as well as inventory adjustments of prior orders due to the effects of parts shortages to date.

Operating income decreased significantly due to deteriorating profitability resulting from declining sales in Japan. Operating income decreased 68.6% YoY due to factors that reduced profits, including: a decline in sales attributing to a drop of approximately JPY250 million; an increase in personnel expenses of approximately JPY130 million; an increase in procurement costs of materials and parts of approximately JPY130 million; and an increase in SG&A expenses of approximately JPY200 million.

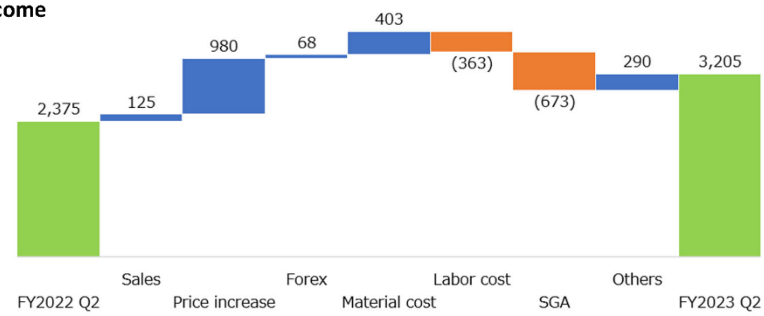
These negative factors offset the price increase effects that improved profits by approximately JPY340 million. As a result, operating income decreased by 68.6% YoY.

5. FY 2023 Q2 Review　Mobility Operations　8

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

		FY 2022	FY 2023	YOY	Forecast (as of May 11, 2023)	
		Q2	Q2	Inc / Dec	Forecast	Inc / Dec
Mobility	Net sales*1	36,429	40,591	11.4%	39,000	4.1%
	Operating income	2,375	3,205	34.9%	2,200	45.7%
	%	6.5%	7.9%		5.6%	

Causes of change in operating income



〈 YOY 〉
・Sales and operating income increased due to higher sales at bases in Japan, the Americas, the Indian Ocean Rim, and South Korea, along with a recovery in automobile production.
〈 Comparison with May 11 Forecast 〉
・ As in the same year-on-year period, both sales and income increased due to the recovery of automobile production.

Tsubakimoto Chain Co.　FY 2023 Q2 Settlement of Accounts

The mobility business reported net sales of JPY40,591 million and operating income of JPY3,205 million, increasing by JPY4,161 million and JPY829 million YoY, respectively. Sales and operating income were up 4.1% and 45.7%, respectively, over the May forecast.

Foreign exchange effects had a positive impact of approximately JPY2 billion on net sales and approximately JPY68 million on operating income.

In China, automobile sales declined, but in the rest of the world, automobile production recovered as the semiconductor supply shortage was resolved, resulting in an increase in sales.

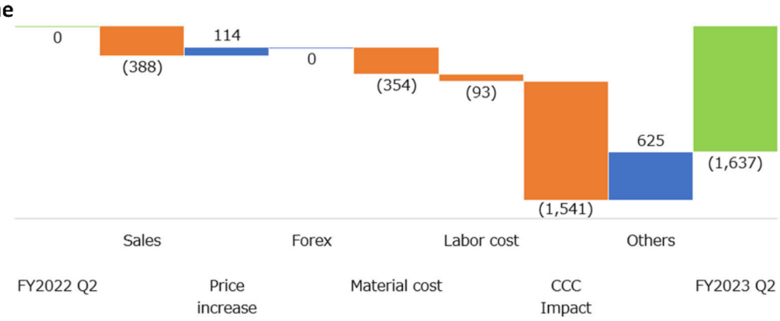
Operating income increased 34.9% YoY, due to factors such as a JPY130 million effect from increased sales and a JPY980 million increase in steel material price pass-through, which offset an approximately JPY360 million increase in personnel expenses and a JPY670 million decrease in income due to increased SG&A expenses.

Materials Handling Operations

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

		FY 2022	FY 2023	YOY	Forecast (as of May 11, 2023)	
		Q2	Q2	Inc / Dec	Forecast	Inc / Dec
Materials Handling	Net sales *1	28,066	30,042	7.0%	32,000	-6.1%
	Operating income	-74	-1,637	—	100	—
	%	—	—		0.3%	

Causes of change in operating income



〈 YOY 〉

・Sales increased due to higher sales of Mayfran business in the Americas and Europe, despite lower sales of systems for the logistics industry and automotive industry in Japan. Operating loss at a U.S. subsidiary led to a deterioration in profitability.

〈 Comparison with May 11 Forecast 〉

・Decrease in sales and operating income due to lower sales to the logistics industry in Japan, etc.

The material handling business reported net sales of JPY30,042 million, an increase of JPY1,976 million from the same period last year, and an operating loss of JPY1,637 million, a further deterioration of JPY1,563 million. Compared to the May forecast, sales fell 6.1%, and operating income also showed a significant deterioration in profitability.

The foreign exchange impact had a positive effect of approximately JPY1 billion in terms of sales and a negative effect of approximately JPY58 million in terms of operating income.

Despite lower sales of equipment for the logistics and automobile industries in Japan, sales increased due to higher sales in the Mayfran business in the Americas and Europe.

Factors contributing to the increase or decrease in operating income included a decrease in sales in Japan attributing to approximately JPY390 million, an increase in labor costs of approximately JPY100 million, an increase in materials and parts procurement costs of approximately JPY350 million, and an increase in project costs of equipment installation for the automotive industry in the Americas, which resulted in an operating loss of JPY1,637 million.

6. FY 2023 Full Year Forecast

■ Sales were revised upward due to strong first-half performance of the chain business and the effect of yen depreciation, but operating income was revised downward due to a loss in the material handling business.

(Yen, millions)

	FY2022	FY2023			YOY
	Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Net sales	251,574	128,760	134,240	263,000	4.5%
Operating income	18,985	8,622	7,478	16,100	- 15.2%
%	7.5%	6.7%	5.6%	6.1%	
Ordinary income	20,958	10,364	8,836	19,200	- 8.4%
Net income	13,742	7,300	6,500	13,800	0.4%
Net income per share	371.12 yen	199.14 yen	181.46 yen	380.60 yen	—
(Exchange rates 1 USD)	135.50 yen	141.06 yen	140.00 yen	140.53 yen	—
(Exchange rates 1 EUR)	141.00 yen	153.46 yen	150.00 yen	151.73 yen	—
(Exchange rates 1 RMB)	19.50 yen	19.45 yen	19.62 yen	19.59 yen	—

Innovation in Motion TSUBAKI **Tsubakimoto Chain Co.** FY 2023 Q2 Settlement of Accounts

The following is the forecast for the full year.

Net sales were revised up 4.5% from the previous year and 3.1% from the May forecast due to strong H1 performance of the chain business and the effect of yen depreciation.

On the other hand, operating income was revised downward 15.2% from the previous year and 15.3% from the forecast, reflecting the loss in the material handling business and sluggish orders in the motion control business.

7. FY 2023 Consolidated Forecast by Operation

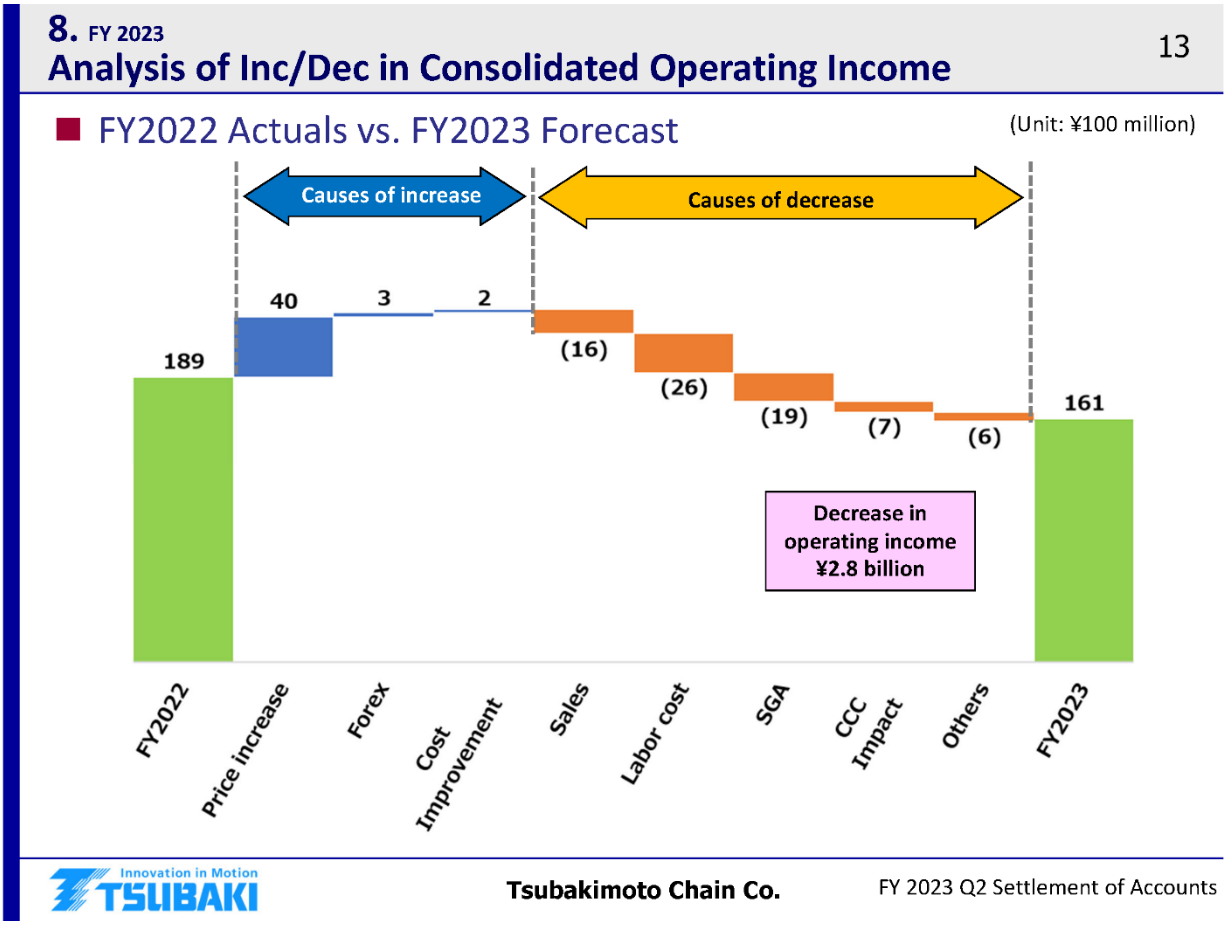
(Yen, millions)

		FY 2022	FY 2023			YOY
		Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec
Chain	Net sales*1	90,096	46,908	45,092	92,000	2.1%
	Operating income	13,687	7,916	5,884	13,800	0.8%
	%	15.2%	16.9%	13.0%	15.0%	
Motion Control	Net sales*1	23,316	11,165	10,835	22,000	- 5.6%
	Operating income	1,710	233	-233	0	—
	%	7.3%	2.1%	—	0.0%	
Mobility	Net sales*1	77,275	40,591	43,409	84,000	8.7%
	Operating income	6,376	3,205	3,395	6,600	3.5%
	%	8.3%	7.9%	7.8%	7.9%	
Materials Handling	Net sales*1	60,973	30,042	34,958	65,000	6.6%
	Operating income	-888	-1,637	-163	-1,800	—
	%	—	—	—	—	
Other*2	Net sales*1	3,200	1,707	1,293	3,000	- 6.3%
	Operating income	-534	-433	-667	-1,100	—
	%	—	—	—	—	

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

The forecast figures by business segment are as stated.

Details will be explained later.



Factors contributing to increase/decrease in operating income.

First, we expect an increase of approximately JPY4 billion due to price increases, approximately JPY0.3 billion due to foreign currency translation, and approximately JPY0.2 billion due to cost improvement. At the same time, we expect a decrease of approximately JPY1.6 billion due to lower sales, approximately JPY2.6 billion due to higher personnel costs, approximately JPY1.9 billion due to SG&A expenses, and approximately JPY0.7 billion due to Central Conveyor.

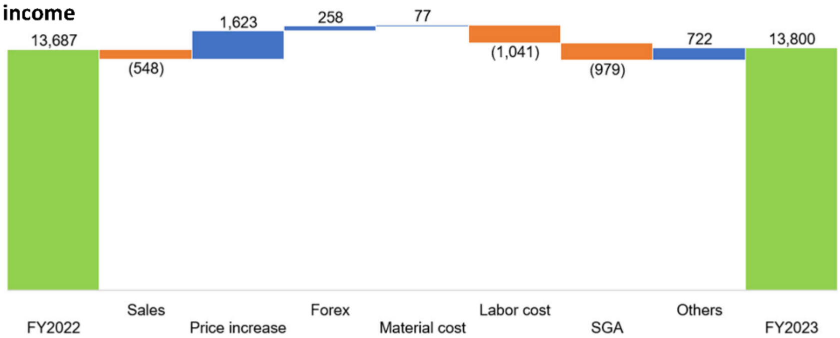
As a result, we expect a decrease of JPY2.8 billion from the previous year. Details will be explained later.

9. FY 2023 Chain Operations Forecast

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

		FY 2022	FY 2023			YOY	Forecast(as of May 11, 2023)	
		Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec	Forecast	Inc / Dec
Chain	Net sales*1	90,096	46,908	45,092	92,000	2.1%	86,000	7.0%
	Operating income	13,687	7,916	5,884	13,800	0.8%	11,800	16.9%
	%	15.2%	16.9%	13.0%	15.0%		13.7%	

Causes of change in operating income



〈YOY〉
・Despite the current slowdown in orders, sales and profits are expected to increase due to strong sales through the first half of the fiscal year and the yen's depreciation.
〈 Comparison with May 11 Forecast 〉
・ Sales and income were revised upward due to strong performance through the first half of the year, as well as the yen's depreciation.

The full-year forecast for the chain business was revised upward by 7% for net sales and 16.9% for operating income, to JPY92billion and JPY13.8 billion, respectively, compared with the forecast announced in May.

Although there is a slight slowdown in current orders, the current forecast reflects strong sales through H1 of the fiscal year and the yen's depreciation. As a result, both sales and operating income are expected to reach record highs.

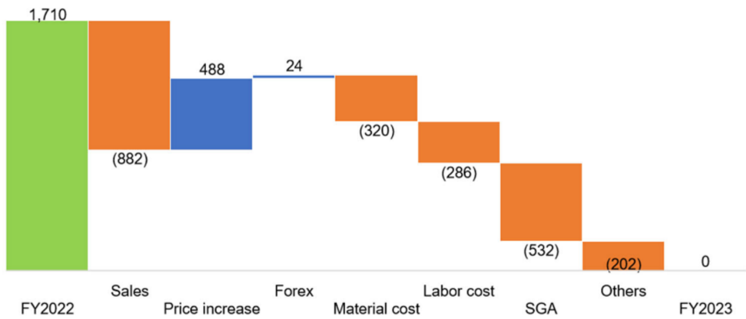
Operating income is expected to increase 0.8% YoY due to factors such as a price increase effect of approximately JPY1.6 billion, despite factors that will reduce income by approximately JPY550 million due to a decrease in sales, approximately JPY1 billion due to an increase in personnel expenses, and approximately JPY980 million due to an increase in SG&A and other expenses.

9. FY 2023 Motion Control Operations Forecast

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

		FY 2022	FY 2023			YOY	Forecast(as of May 11, 2023)	
		Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec	Forecast	Inc / Dec
Motion Control	Net sales*1	23,316	11,165	10,835	22,000	- 5.6%	24,000	-8.3%
	Operating income	1,710	233	-233	0	―	1,500	―
	%	7.3%	2.1%	―	0.0%		6.3%	

Causes of change in operating income



〈YOY〉
・Sales and operating income are expected to decline due to the downturn in orders, especially in Japan.

〈 Comparison with May 11 Forecast 〉
・ Sales and income were revised downward due to the slowdown in orders in Japan, as in the previous year.

Innovation in Motion TSUBAKI **Tsubakimoto Chain Co.** FY 2023 Q2 Settlement of Accounts

The full-year forecast for the motion control business is JPY22 billion in net sales and break-even for operating income. Compared to the forecast announced in May, we have revised downward by 8.3% for net sales and JPY1.5 billion for operating income.

Sales were revised downward due to prolonged inventory adjustments at distributors, which have been affected by prior orders placed to date, as well as a decline in orders received in the machine tool industry and semiconductor-related markets. Operating income has also been revised downward due to lower sales and higher parts procurement costs.

As for factors that may cause operating income to increase or decrease, we expect operating income to decrease by JPY1.71 billion from the previous year, due to factors that reduce income by approximately JPY0.9 billion from a decrease in sales, JPY0.3 billion from an increase in personnel expenses, and JPY0.53 billion from an increase in SG&A expenses, despite price increases that will improve income by approximately JPY0.48 billion.

9. FY 2023 Mobility Operations Forecast

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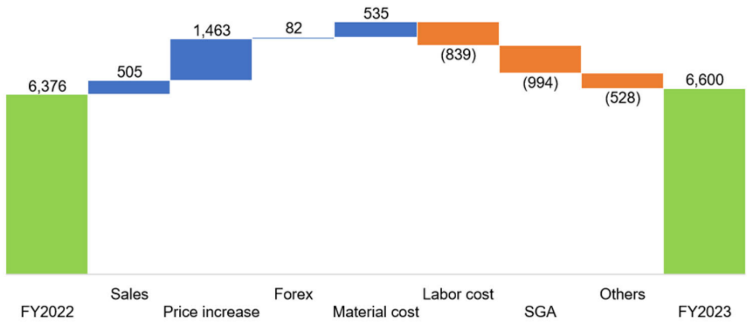
*1: Sales figures include internal sales and transfers between segments. (Yen, millions)

		FY 2022	FY 2023			YOY	Forecast(as of May 11, 2023)	
		Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec	Forecast	Inc / Dec
Mobility	Net sales[*1]	77,275	40,591	43,409	84,000	8.7%	80,000	5.0%
	Operating income	6,376	3,205	3,395	6,600	3.5%	6,900	-4.3%
	%	8.3%	7.9%	7.8%	7.9%		8.6%	

Causes of change in operating income



〈 YOY 〉
・ Assuming an increase in automobile production. Expect to increase sales and profits.

〈 Comparison with May 11 Forecast 〉
・ Sales were revised upward due to higher automobile production and yen depreciation, but operating income was revised downward due to delayed recovery in China.

Innovation in Motion TSUBAKI **Tsubakimoto Chain Co.** FY 2023 Q2 Settlement of Accounts

The full-year forecast for the mobility business is JPY84 billion in net sales and JPY6.6 billion in operating income, a 5% upward revision of the May forecast for net sales, but unfortunately a 4.3% downward revision for operating income.

Although sales were revised upward due to the steady recovery of automobile production in the Americas, Japan, and other regions, and the yen's depreciation, profits were revised downward due to the delay in price pass-through in some regions.

As for factors that may cause operating income to increase or decrease, although personnel expenses and SG&A expenses, etc. will decrease profits by approximately JPY830 million and JPY990 million, respectively, we expect operating income to increase 3.5% from the previous year, with the effect of increased sales of approximately JPY500 million and the effect of steel material price pass-on of approximately JPY1.46 billion.

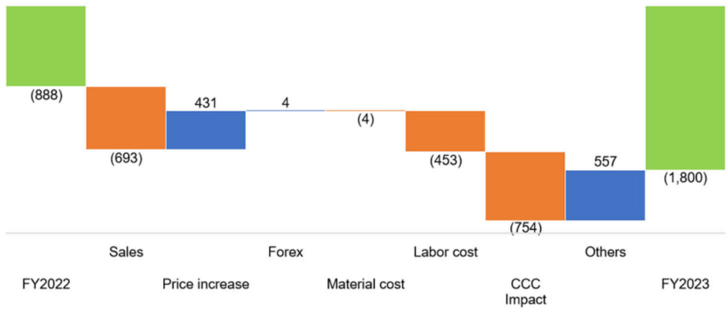
9. FY 2023 Materials Handling Operations Forecast

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

(Yen, millions)

		FY 2022	FY 2023			YOY	Forecast(as of May 11, 2023)	
		Actual	1st half (Actual)	2nd half (Forecast)	Full year (Forecast)	Inc / Dec	Forecast	Inc / Dec
Materials Handling	Net sales*1	60,973	30,042	34,958	65,000	6.6%	66,000	-1.5%
	Operating income	-888	-1,637	-163	-1,800	—	1,000	—
	%	—	—	—	—		1.5%	

Causes of change in operating income



〈 YOY 〉

・Sales are expected to increase due to higher sales of Mayfran business in the Americas and Europe, despite lower sales of systems for the logistics industry in Japan. Loss is expected to be recorded for the full year due to the 1H results and lower orders in Japan.

〈 Comparison with May 11 Forecast 〉

・ Revised downward both net sales and operating income in light of 1H results and orders received for projects to be recognized in this fiscal year.

Innovation in Motion TSUBAKI　**Tsubakimoto Chain Co.**　FY 2023 Q2 Settlement of Accounts

The full-year forecast for the materials handling business was revised downward by 1.5% for net sales and JPY2.8 billion for operating income, to JPY65 billion in net sales and JPY1.8 billion in operating loss, compared with the forecast announced in May.

Since the number of projects won this fiscal year has been less than expected at the beginning of the fiscal year, we do not expect to post a profit in H2 of the fiscal year, and we expect to post a loss for the full fiscal year as well. Although the material handling business continues to face difficult conditions, we have been making every effort to recover our business performance by launching new products for the logistics industry starting October 1 of this year.

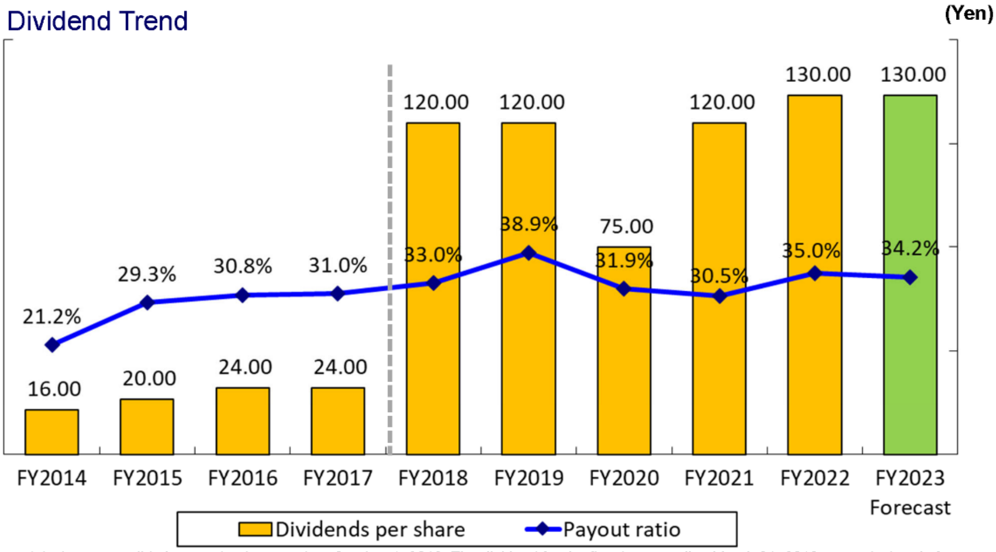
As for factors that may cause operating income to increase or decrease, although there will be a price increase effect of about JPY430 million from the Mayfran business, there will be a decrease in income of about JPY690 million due to a decrease in sales in Japan, an increase in personnel expenses of about JPY450 million, and a decrease in profit of about JPY750 million in the Americas due partly to the impact of the strike by the United Auto Workers Union of America, resulting in a forecasted operating loss of JPY1.8 billion.

10. FY 2023 Return to Shareholders

■ 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.

Dividend Trend

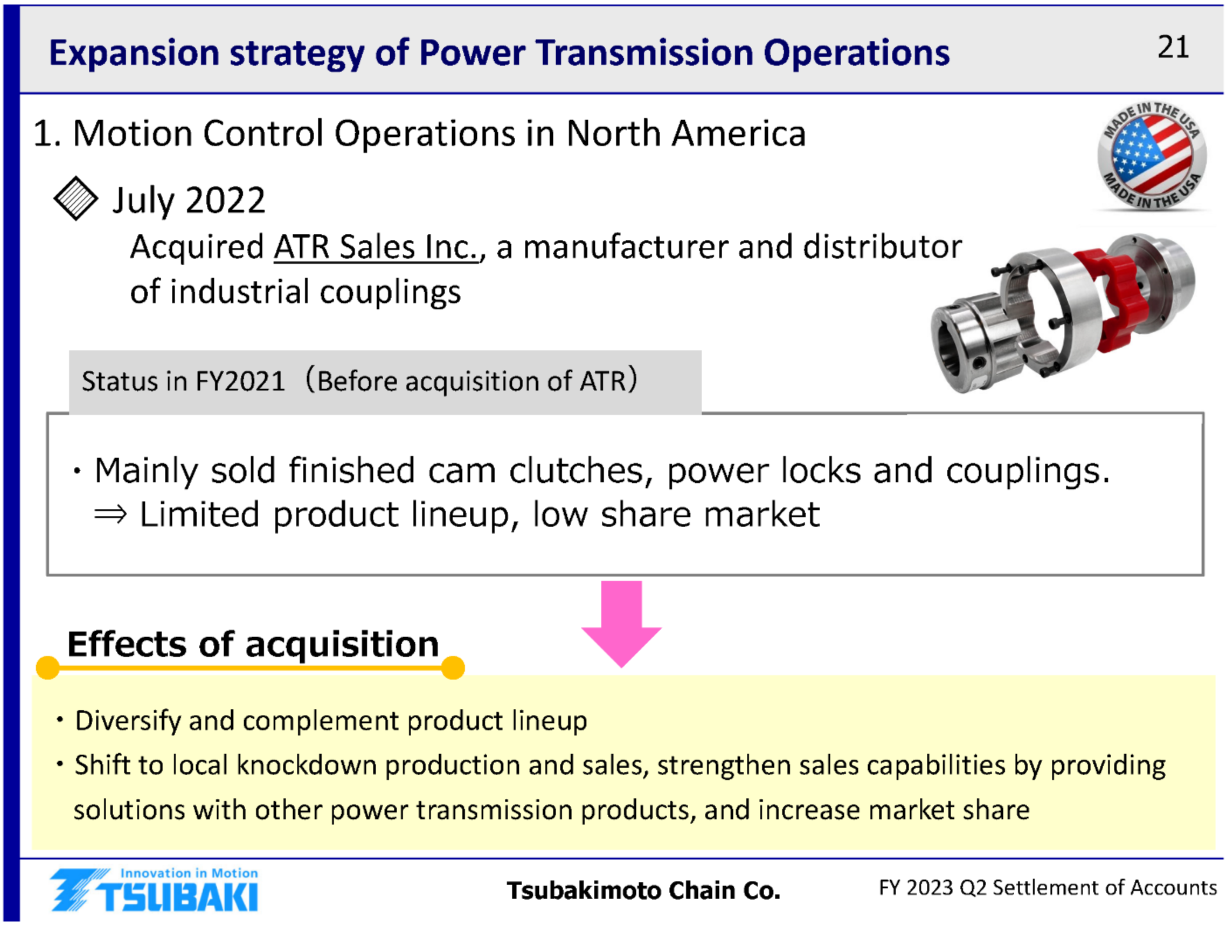


* A share consolidation was implemented on October 1, 2018. The dividend for the fiscal year ending March 31, 2019 was calculated after the consolidation.

Changes in shareholder returns and dividends are as described.

For the current fiscal year, the Company plans to pay an interim dividend of JPY60 and a year-end dividend of JPY70, for a total of JPY130 per share, as announced on May 11. The consolidated dividend payout ratio is expected to be approximately 34.2%.

The repurchase of 1.2 million shares for JPY5 billion, announced in May of this year, was completed at the end of October, having reached the planned maximum number of shares. We will continue to speedily review our capital policy, including shareholder returns, and will make every effort to report new initiatives to you.



The following are some of the main topics. First, we have a strategy to expand the power transmission business.

Here we introduce our motion control business initiatives in North America. I would like to explain our acquisition of ATR in North America last July.

ATR is a company engaged in the manufacture and sale of industrial couplings. Our motion control business in North America had been mainly selling products such as cam clutches and couplings, but we had been relying on imports of finished products from group companies in Japan and China, and the size of the business was only a few hundred million yen.

By acquiring ATR, we aim to diversify and complement our product lineup, and at the same time, strengthen our sales capabilities by shifting from import sales of finished products to local production and sales, as well as by providing solutions in combination with other power transmission products.

Thanks to the acquisition, sales have remained strong for about a year, and the operating profit margin has exceeded 10% even after amortization of goodwill. Sales of the motion control business in the US are also off to a good start, having roughly doubled since before the acquisition.

Expansion strategy of Power Transmission Operations

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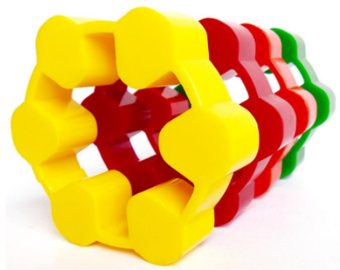
2． Features and strengths of ATR couplings（ATRA-FLEX）

<Features> Insert part is made of plastic

1. No lubrication required
2. No metal-to-metal contact, wear/replacement is for insert parts only
3. High lubricity and elasticity, high performance and wide coverage



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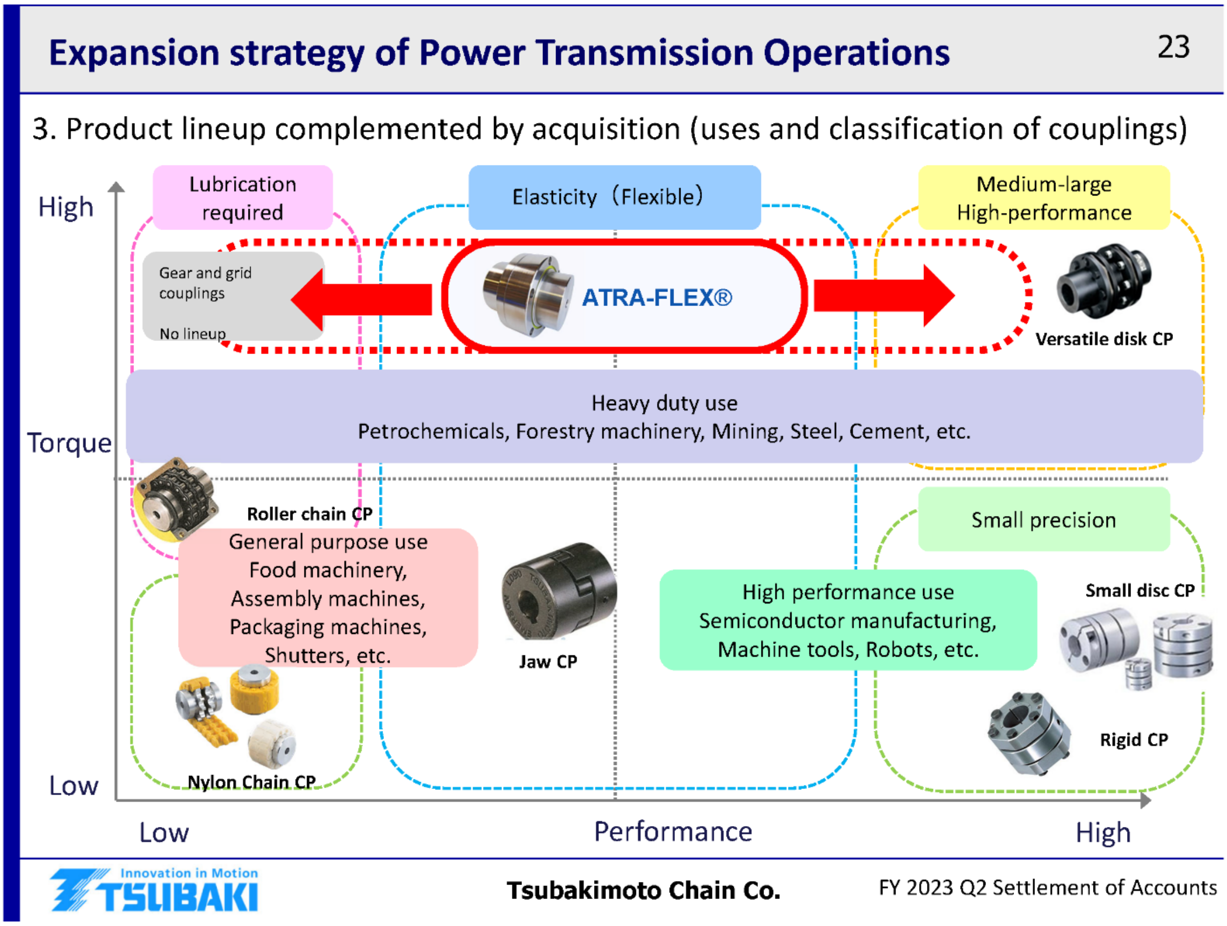
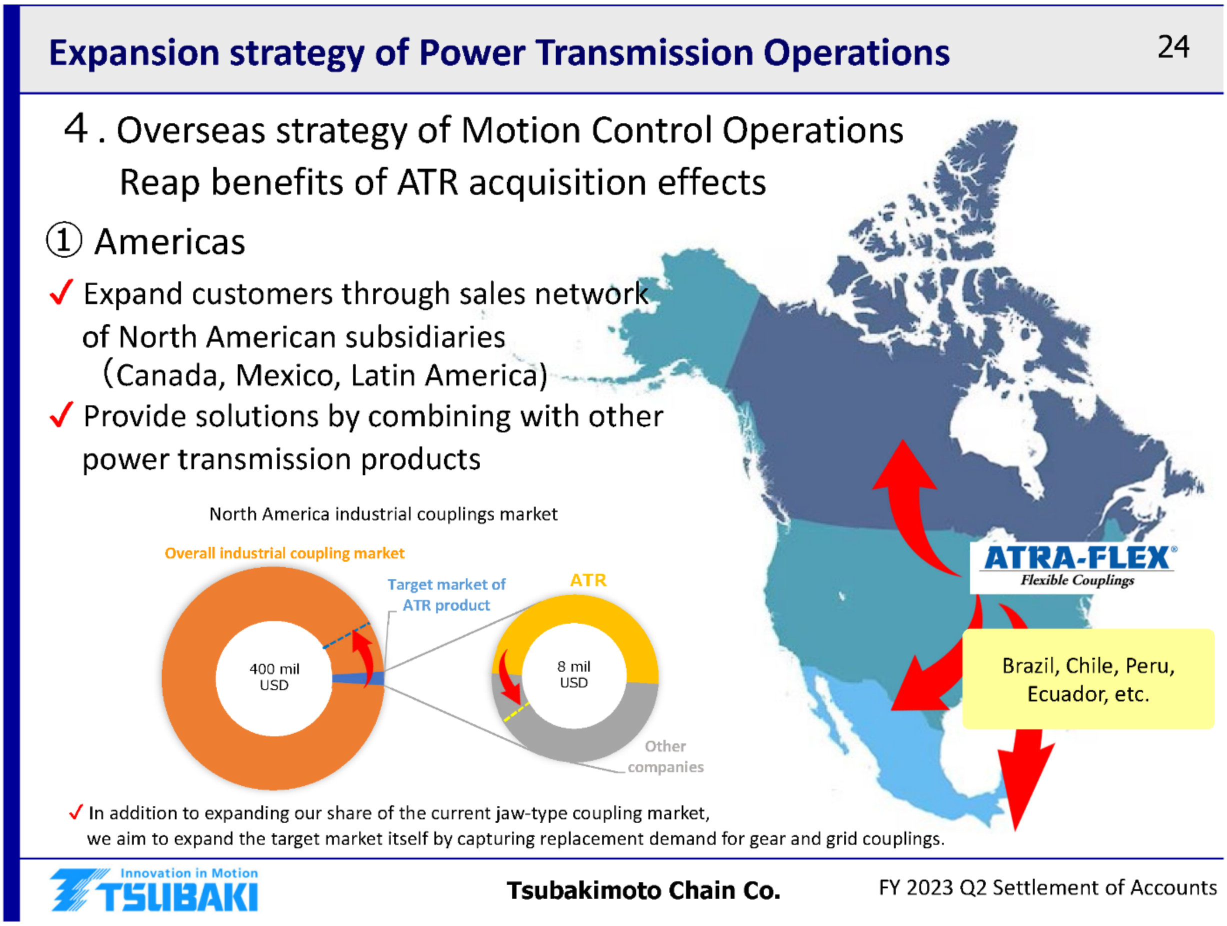
The features and strengths of ATR's couplings are that the insert part is made of resin. This eliminates the need for lubrication.

Second, installation and replacement is easier, and maintenance time and cost is greatly reduced.

It also offers high lubricity and elasticity, high performance, and wide coverage.



With the introduction of ATR's products, we now have a lineup of couplings that can meet a wide range of user needs.



In the Americas, we will continue to expand our sales partners and provide solutions across partner products by utilizing our strong sales network.

Expansion strategy of Power Transmission Operations

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② Other areas

✓ **Expand sales area by leveraging the strength of ATR couplings**

<Industries>
Petrochemicals, Forestry machinery, Mining, etc.

<Sales area>
Australia, Europe, Japan

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In the future, we plan to further expand sales globally, starting with South America.

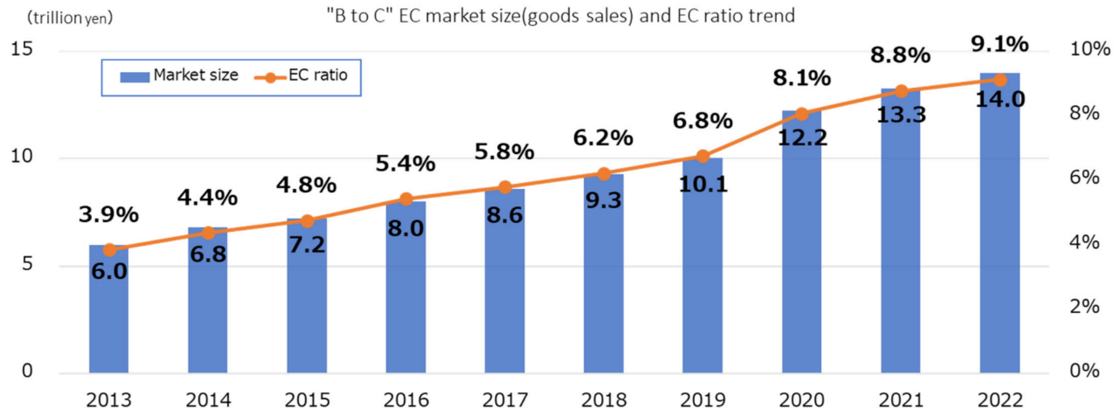
Development of T-AstroX　(3D material handling system)　27

✓ Background of development

① **Growth in e-commerce(EC) market**

② **Decrease in working population**

③ **Transition from "storage" center to "transfer" center**



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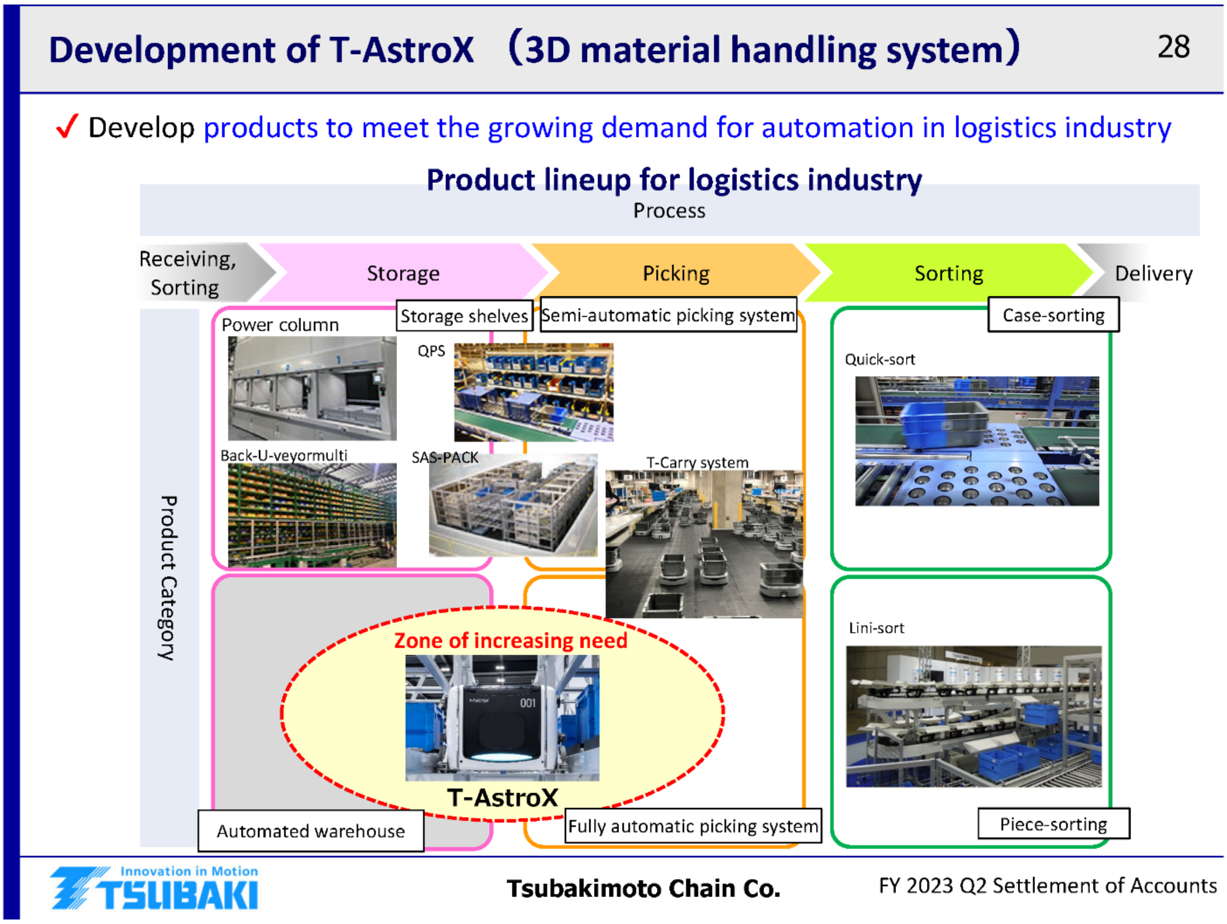
Next, I would like to explain our new product in the material handling business, T-AstroX, which was launched on October 1 this year.

First, here is some background on this product. We have supplied many high-speed automatic sorting systems, such as Linisort and Quicksort, to distribution centers. In particular, Linisort boasts a nearly 80% share of the market for turn sorters in distribution centers.

However, in the past few years, consumers' purchasing styles have changed dramatically from store-based to internet-based shopping, and the e-commerce market has been growing rapidly. As a result, distribution centers are no longer storing large amounts of inventory in multi-story warehouses and sorting and shipping the necessary products to a limited number of stores. Instead, they are using transit warehouses where products such as fresh food with short expiration dates, for example, are temporarily stored after entering the center and immediately shipped to each household. The number of transit warehouses has been increasing.

In addition, the decline in the working population has made it difficult to secure human resources to support the logistics industry, and this has made it desirable for logistics centers to be manpower-saving and unmanned.



In anticipation of these changing times, we began developing new products several years ago and have now launched the T-AstroX to ensure that we meet the growing need for picking machines. This chart shows our product lineup for the logistics industry.

While our sales had previously focused on Quicksorts and Linisorts in the sorting field, the launch of T-AstroX enables us to respond to the ever-increasing needs of e-commerce and other businesses.

Development of T-AstroX （3D material handling system） 29

① Features of **T-AstroX**

✓ **Goods to Person**

・Convey goods to the worker's hand

⇒ Reduce worker workload and errors

✓ **In-house development and design**

⇒ Enable optimal station configuration ex. e-commerce, logistics in plant, etc.

✓ **Storage in any shape and form**
High-density storage by double reach system

⇒ No need to transfer to a special case
⇒ Can be stored in front and back of shelves

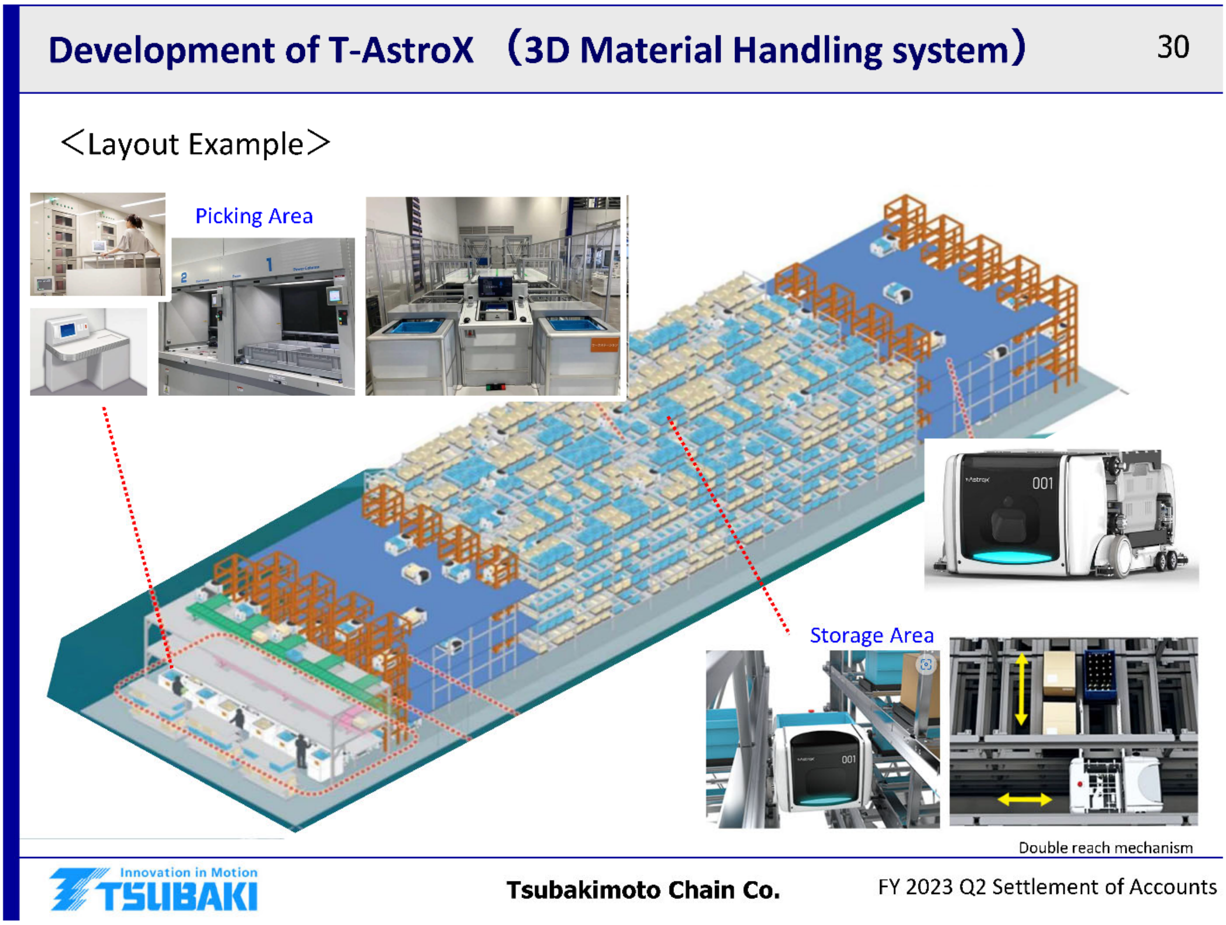
Innovation in Motion TSUBAKI　**Tsubakimoto Chain Co.**　FY 2023 Q2 Settlement of Accounts

Here are the features of T-AstroX.

Goods to Person. The cart transports the goods to the operator's hand, reducing the operator's workload and decreasing errors.

The first of its kind in Japan to be developed and designed in-house. This allows for flexible and speedy response, enabling optimal station configurations for e-commerce, in-plant logistics, and other customer requirements.

And, because it is a storage form that can be used for any type of cargo, there is no need to transfer the cargo to a special case when receiving and storing it.



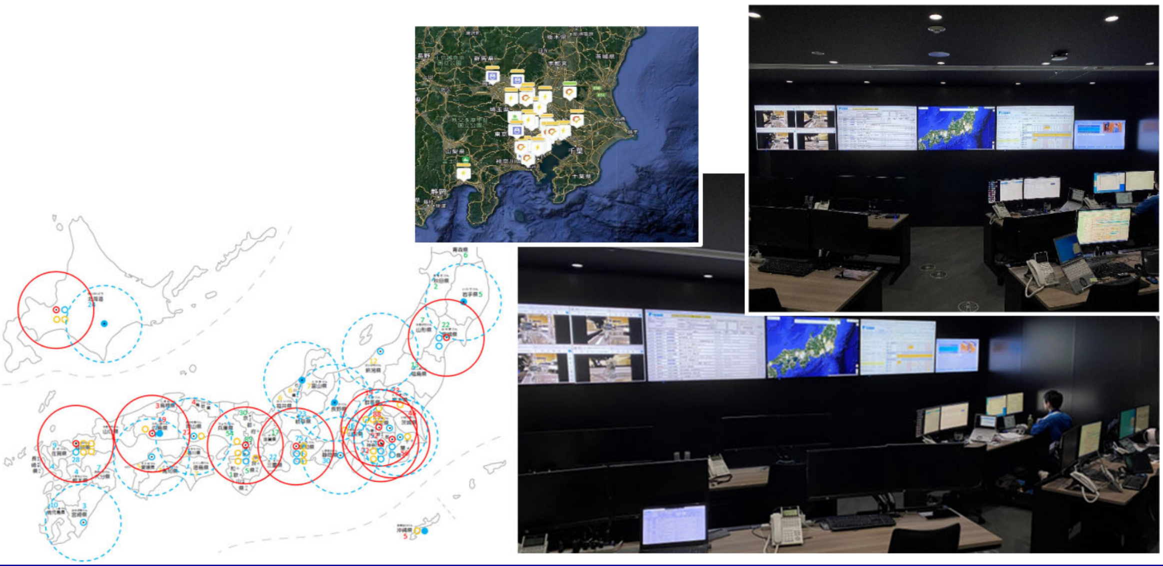
Here is an example of a T-AstroX layout. Please watch the video.

After-sales service system

31

② Advanced maintenance support in case of problems

- ✓ **On-site management by call center system**
- ✓ **Rapid dispatch of repair personnel and restoration**



Tsubakimoto Chain Co.

FY 2023 Q2 Settlement of Accounts

Here we explain our after-sales service.

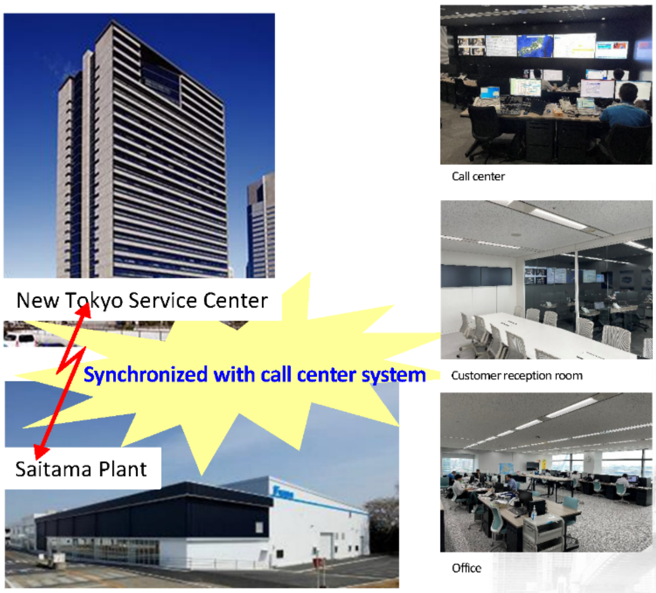
After-sales service is an important issue for us and we are working to transform our maintenance business.

After-sales service system

32

New Tokyo Service Center（SC）opened

- **Maintenance Business Headquarters** established
- **Two Call center** locations

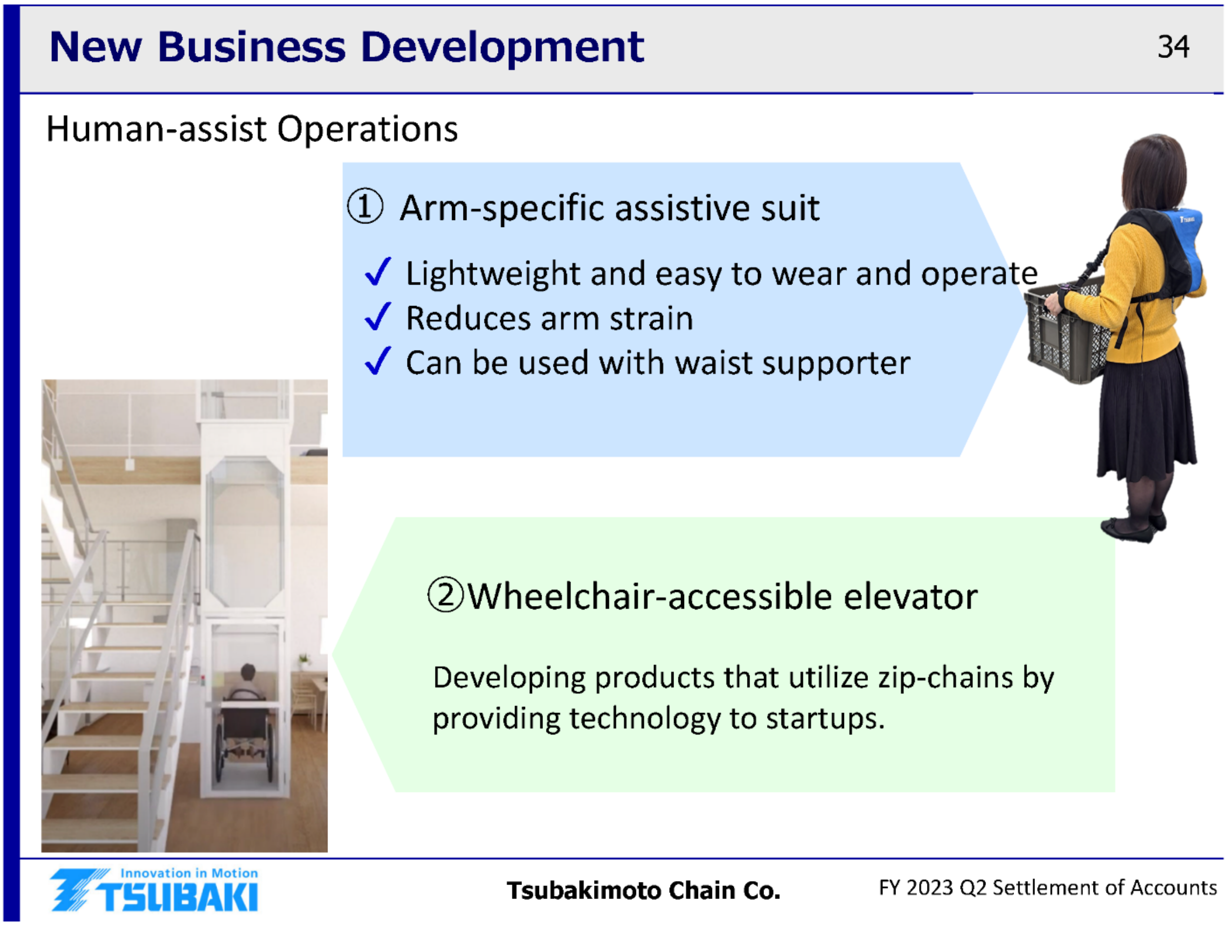


Tsubakimoto Chain Co. FY 2023 Q2 Settlement of Accounts

This photo shows the operations room at the new Tokyo Service Center, which opened this year in Odaiba, Tokyo.

In addition to monitoring the condition of our customers' facilities during normal times, we have established a complete support system to investigate the causes of problems and take essential countermeasures by remote operation via the web and prompt dispatch of personnel. In the future, we will support our customers not only domestically but also globally by becoming a command post for maintenance.

We are currently developing various initiatives to recover our materials handling business. In fact, we plan to introduce these measures in detail at a materials handling business briefing and factory tour to be held at our Saitama Plant in Hanno City, Saitama Prefecture, on December 11 this year, so we hope you will join us. For more information about the event, please contact our IR department.



Finally, we would like to introduce our new business development.

The three items listed are just a few examples and are currently under final development. Here, we are developing human-assist-related products, such as lightweight, easy-to-operate arm-specific power-assist suits and wheelchair-specific step-climbing elevators that utilize zip chains.

New Business Development

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Agriculture Business

①Plant factory with artificial light

- ✓ Next-generation model of plant factory
- ✓ Plant factory operation and Farming
  (Production of lettuce for commercial use)
- ✓ Contribution to “**food safety**” and ”**food loss reduction**”

※28th November Groundbreaking ceremony

A plant factory rendering

②Soybean cultivation in a closed artificial light plant factory

Contribute to production of soy meat and functional food with domestically produced soybeans.

Tsubakimoto Chain Co. FY 2023 Q2 Settlement of Accounts

In agribusiness, we plan to hold a groundbreaking ceremony for the plant factory in Fukui Prefecture on November 28 of this year, which was introduced at the May meeting.

We will start construction to begin operations in May 2025, and hope to contribute to food safety and food loss reduction through the stable supply of safe, high-quality plants.

In addition, with regard to soybean cultivation in closed artificial light plant factories, we aim to contribute to meat substitutes and functional foods using domestically produced soybeans. Through the expansion of these and many other new businesses, we hope to continue to make an ever-increasing contribution to society and to you. We look forward to your continued support.

This concludes my briefing. Thank you very much for your attention.

Question & Answer

Sasao SMBC Nikko**[Q]:** I am Sasao from SMBC Nikko Securities. I would like to ask you three questions.

The first point is about materials handling, and I would like to know a little bit about the situation at CCC, Central Conveyor Company.

You have explained that it was difficult to improve profitability in H1 of the year due to the strike in North America, but how is the situation now? Also, I think you have factored in the trend of improvement in H2 of the year compared to last year, if we subtract the Central Conveyor's portion. I would like to know a little bit about Central Conveyor's situation here and the outlook for H2 of the year, such as whether the company has secured enough orders to make a solid improvement and whether it has a system in place.

Okamoto [A]: I, Okamoto, in charge of materials handling operations, will explain the situation at Central Conveyor in a little more detail.

As mentioned earlier, there was a strike in H1 of the year, but in fact the backlog, or order backlog, was quite small, and in that sense the situation was very difficult in terms of sales, without a doubt.

However, Central Conveyor has five different companies, each of which has its own sales and orders. Particularly difficult was the main body of Central Conveyor, or rather, the original automotive-related business, which was in a very difficult situation.

If possible, I would like to explain Central Conveyor in more detail when you visit the Saitama Plant in December. Each individual company is running around and taking orders from their respective customer relationships. The backlog is increasing, and I visited North America the other week to check on the situation, and I believe the situation is improving considerably.

In H2 of the fiscal year, sales may be a little difficult, but we intend to increase the backlog and operate the company as a base for our material handling business in North America in the future. That concludes my answer to your question.

Sasao [Q]: Thank you very much. I would be happy if you could elaborate on the answer I just received. For example, which industry are you seeing growth in the backlog? I believe it is mainly automotive, so which customers are supporting the growth?

Okamoto [A]: Originally, Central Conveyor was a GM-based company focusing on the big three. Although GM's actual backlog was very low, the backlog of Stellantis and Ford has been increasing.

Sasao[Q]: Thank you very much. In terms of the type of capital investment in automobiles, I imagine the timing is right for an increase in EVs and new generation production, especially in the US. What do you think is the best way of winning such projects?

Okamoto [A]: Central Conveyor is also doing conveyors, so there is not much difference whether it is an EV or any other PHV. We have received several orders for EVs in response to capital investment by Tesla and other US-based EV companies.

Sasao[Q]: Thank you very much. On my second point, I would like to know a little bit about the demand situation for chains.

Orders have been slowing down a bit, as you have seen since the beginning of the fiscal year, but I would like to know a little more about the outlook for H2 of the fiscal year and beyond, into the next fiscal year.

How long do you expect the slowdown to continue? Will this slowdown become stronger, do you think it will be a gradual slowdown, or do you think it will recover earlier? It would be great if you could tell us what kind of outlook we should be looking at in H2 of this fiscal year and beyond.

Nagai [A]: I, Nagai, in charge of power transmission operations, would like to explain.

Regarding orders for H2 of the fiscal year, the second half of H1 has shown that equipment manufacturers themselves are processing orders for projects that could not be completed in FY2022 due to parts shortages, and that our orders have been delayed. The inventory secured by the distributors and others at the time of the shortage was slightly stagnant. As you are probably aware, the industry has been affected by weak demand for semiconductors, electronic components, and machine tools.

In terms of Canada, we have seen a drop in orders from our main forestry industry, where the demand for housing in the US has dropped. As I have mentioned in the past, the supply of our competitors' factories in the US has been extremely slow due to the relocation of their plants. The US market is now beginning to receive the products that we have been subcontracting, and I suspect that the market will return to its previous state. In this context, the US is still likely to face a difficult situation in terms of prices.

Also, China's economy continues to be very sluggish, and South Korea and Vietnam, which depend on it, are also experiencing a slowdown.

Then in Europe, as I mentioned earlier, there is a surplus of parts as the overall market declines. Until that is digested, we expect that no orders will come in to us.

Another concern regarding profit is that some products are shipped overseas from Japan, and under Japanese circumstances, the prices of some products have been raised to take into account the increased purchase price of steel materials and procurement costs.

However, as I mentioned earlier, there are a variety of products on the market overseas, including competitors' products, and it is becoming very difficult to pass on the price increases from Japan to the overseas market. We’re keeping an eye out when that will be sorted out. Our worst-case assumption now is that it will take the rest of this fiscal year.

We are looking at the order situation right now, and there is a sense that the market has bottomed out. We would like to establish a system that can respond firmly to such a market return and be ready to handle any increase in orders at any time.

Sasao [Q]: Thank you very much. What is your worst-case scenario? That it will take until the end of this fiscal year? Is that due to inventory backlogs at distributors, or some other parts glut?

Nagai [A]: It's about how much of an order backlog the equipment manufacturer is holding. This has more of an impact on the MC, motion control division, though. As for both businesses, I think this is just a matter of when such backlog will be depleted and when orders will need to be placed.

Sasao [Q]: Thank you very much. Third, I would like to know about mobility.

In your earlier comment, I think you pointed out that there is a delay in transferring price increases to customers in some areas, but I would like to know in what areas such delays are occurring and whether there is a roadmap for resolving them.

Sato [A]: I, Sato, in charge of mobility operations, will answer.

As to your question, in Japan, Europe, and the Americas, transferring price increases has basically progressed. In fact, these regions are where car manufacturers have taken care of not only material costs, but also transportation costs, electricity costs, and so on.

On the other hand, the region where this is still not being seen is Asia. This is especially true in China, where, unlike Japan, the economy is in a slowdown. In this sense, there is a surplus of steel and steel prices are falling, making such price increases difficult to accept in this market.

And, again, Asia, including Thailand, is not readily accepting of this practice. This is partly because prices are originally set high, but also because of this, Asia and China are in a very difficult situation.

However, as you know, car manufacturers have been requesting us reduce prices every year by cutting costs, and we are taking measures to stop this as much as possible, such as informing our customers that if they do not accept price rises, we will discontinue our cost cutting efforts.

Sasao [M]: Thank you very much. So you are saying that Asia is not a region where timing is not an issue, but one that must be viewed as a region where H2 of the year and beyond will be a bit more challenging. Understood, thank you. That's all from me.

MC [Q]: Thank you very much. We continue with an anonymous question. I have a question about materials handling.

MC [Q]: The increase in sales appears to be small relative to the order backlog you are building up. What is the reason for this? Also, profitability has been sluggish. What is your outlook for the future?

MC [Q]: Mr. Okamoto, who is in charge of materials handling business, please.

Okamoto [A]: I will answer then. It is true that orders have been sluggish, and it has been difficult.

However, as a trend, there are very few short-term projects that are ordered in the current fiscal year, or in other words, projects whose sales will be recognized in the current fiscal year, but there are projects that are scheduled for fiscal 2024 or later. We are trying our best to get orders to increase sales this fiscal year, but I think the reality is that it is not having the desired effect.

In this context, the maintenance business was very brisk. It may sound strange, but maintenance orders are brisker than system orders, and I think it can be said that the maintenance business is supporting sales and earnings this fiscal year.

As for profitability, it is difficult to obtain a profitable system when there is a shortage of sales. In that sense, the T-AstroX product that the president just described is a product that will serve as a base for building a highly profitable system. As explained earlier, T-AstroX can handle everything from storage to picking in response to the booming so-called e-commerce in the logistics industry and the automation and manpower saving that is expected in the logistics industry by the year 2024. We are finally able to sell these products, and we hope to use them as a catalyst to increase profitability. We would also like to expand our business by considering maintenance, which I mentioned earlier, as well as maintenance for the entire Group.

MC [Q]: Thank you very much. I have an additional question about T-AstroX. This is also an anonymous question.

MC [Q]: What are T-AstroX's chances of success, the status of inquiries, and future sales prospects?

MC [Q]: Mr. Okamoto, who is in charge of material handling business, please.

Okamoto [A]: As you have just seen in the video, an actual T-AstroX system will be exhibited in a rather large scale at the Material Handling Zone of the International Robot Exhibition, which will be held at Tokyo Big Sight from November 29 to December 2.

Actually, we exhibited it a year ago, but that was a trial sale. This time, as an official sale, we will have five units running around in all directions, thereby showcasing the system and unveiling it to you.

We are already carrying out PR activities towards for our existing customers, by inviting them to come to the International Robot Exhibition while we do so. We are receiving various inquiries already. Our goal for this fiscal year is to receive an order for one system, and then one more in FY2024, with the intention of further expanding sales on that basis.

Tai [Daiwa]: I am Tai from Daiwa Securities, The first question I have is about motion control. I think the plan is to sell JPY22 billion and make zero profit or loss this fiscal year. I think that profitability has declined considerably compared to the past, but I would like to know if it will be possible to increase this when we look at next year and beyond. For example, if sales return to JPY23 billion or JPY24 billion next year, to what extent will the profit margin be restored at that time? This is the first question.

Nagai [A]: I understand that while the Company has stopped unprofitable products, with the idea of revitalization in 2022, profitability declined due to fixed costs remaining the same without any new products being introduced.

However, we are creating several new products that will become centerpieces of our company. As the president introduced earlier, the acquisition of ATR has enabled us to add a new coupling to our lineup. With this acquisition, we now have everything from couplings that require extreme precision to those with high torque loads.

ATR's sales alone have tripled in size since we acquired them, compared to their original business. And this is only in the US! By developing this business globally, we are aiming for sales of about JPY4 billion, up from JPY1 billion.

Then there's the zip chain, which uses a combination of two chains to create a pushing mechanism. We also have a new project using this mechanism, which we cannot announce at this time, but we expect it to become a big business next fiscal year.

As Okamoto just explained, power transmission is also trying to increase sales of maintenance products, including chains, as well as MC. I can't mention all of those products today, but we want to make sure those products are available to drive sales and restore profits.

Tai [Q]: Basically, in that sense, are you saying that you need to increase sales? On the cost side, is there much you can do as TSUBAKIMOTO?

Nagai [A]: One thing is that we are very dependent on procurement, so in that sense, we are trying to increase the value added within the Company while reviewing such things. In addition, there are areas of manufacturing that are extremely inefficient, and TSUBAKIMOTO CHAIN as a whole is already promoting factory reforms to address these inefficiencies. We are thinking of making improvements on the manufacturing side to ensure that such things are also effective at MC.

Tai [Q]: Okay, I understand. Thank you. Another thing is materials handling. You explained earlier about various new products, but I am not very familiar with them. I think there are many similar systems out there, but in comparison, I think there are plenty of automated warehouses like this, though not limited to

Tsubakimoto alone. I was wondering if you could tell me a little more about what are the advantages that will stick with customers when you are coming up with something new.

Okamoto [A]: I would like to invite you to come and see the robot exhibition.

Also, if possible, I would like to have a long talk with you when you come to the Saitama Plant in December.

First of all, one of the features of our products is that the current competitors' products have a certain work size, or container size, although there are other types of products as well. In contrast, one feature of our products is that they can handle anything as long as it has a certain shape.

Another point is that the product is purely domestic, so the market has high expectations in terms of maintenance, as mentioned earlier.

And the last thing I want to talk about is engineering. We are now placing great emphasis on engineering that combines the two. We would like to bring our capabilities as a system engineering integrator, which other companies do not have, to the market in the future on that basis. We hope to see you in December.

Tai [Q]: Okay, I understand. Thank you. Also, lastly, I would like to ask the president a few questions.

The announcement of financial results was on October 31, and today is already November 17, and Q3 is already halfway through, so I am wondering if there is anything more that can be done in the way of quick IR or disclosure.

As of the 31st, for example, we don't even know the sector-specific numbers for the new fiscal year guidance, and if we did, we would have already been completely left out of the loop for the past two weeks from an investor's perspective. It would be in the form of not knowing whether I should buy or sell your company's stock at all. The P/B ratio is at 0.5x, although that may be part of what you don't know.

Considering such a situation, I think it would be a good idea to think a little more about how to do things, but I wonder if it would be possible to have the president's one voice to make changes in this area. Sorry, I have a strange question.

Kimura [A]: Thank you for your advice.

Certainly, we have said within the Company that the speed of the closing itself could not be faster than in the past. We are already working on such a project. One of the reasons for this is that we have 82 group companies, and the consolidated accounting process is a bit time-consuming and inefficient, so we are wondering if we can make the process itself faster.

Then there is the speed of disclosure of the various information you mention. I think that if the detailed segment-by-segment figures are announced two weeks later, it would be difficult to understand what is in the overall figures. I’m very sorry for the inconvenience, but I would like to instruct the secretariat to reflect this in the next meeting.

Tai [M]: I see. I understand. Thank you.

Kimura [M]: Mr. Akesaka, do you have anything?

Akesaka [M]: Yes. I would like to bring the issue up.

Tai [M]: I'm sorry for the question. Thank you. That's all from me. Thank you.

MC [Q]: Thank you very much. One more question has been asked anonymously.

MC [Q]: What is your estimate of the scale of sales of the new business in 2025? You are just at the halfway point since the start of the medium-term plan. Has the seeding progressed as expected?

MC [Q]: Mr. Akesaka, in charge of finance and corporate planning, please.

Akesaka [A]: I am Akesaka, in charge of finance and corporate planning.

In terms of new businesses, some of the businesses we have categorized are already in the past and have already generated sales, such as the agribusiness and the PCS sector, which is the charging and discharging equipment for EVs. However, these, too, have not yet reached profitability, although sales are already there.

In addition, we are voluntarily implementing themes such as human assist, which was mentioned earlier, and four other themes that were solicited from within the Company last year. Since we are still in the process of verifying the items that we started last year, such as human assist, we have not yet made any sales for these items.

The agribusiness, which is the most advanced in terms of sales, will finally build a new plant in Fukui in the next fiscal year with an investment of JPY3 billion. Naturally, we calculate the sales that we can expect to recover our investment, and we are still selling the equipment we developed there to outside customers. We are at the stage now where we are trying to expand external sales as a total system. Therefore, as of today, we are not yet able to make a clear statement regarding the scale of sales, including future plans.

Also, regarding the progress of new material, there are about seven new items that I have just mentioned, and we are also adding new items this year. There are a little over two years left in this medium-term plan, and in this context, we are now steadily following the schedule to start the replacement process and to leave several promising ones at the end of FY2025, when this Five-year Mid-term Plan ends. That’s all from me.

MC: Thank you very much. Now, since our time is up, we will conclude the question-and-answer session. A script of today's content, including the Q&A session, will be posted on our website and elsewhere, so please take a look when you have time.

Thank you very much for joining us today.

[END]