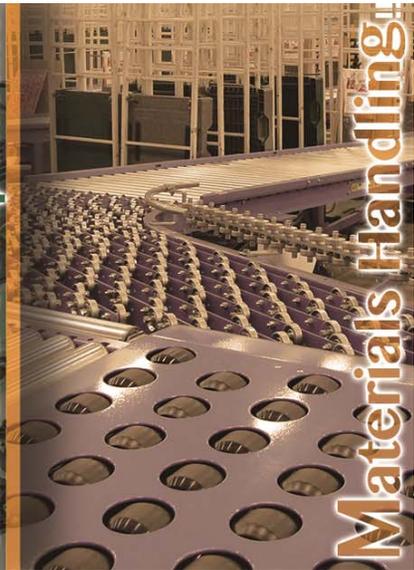
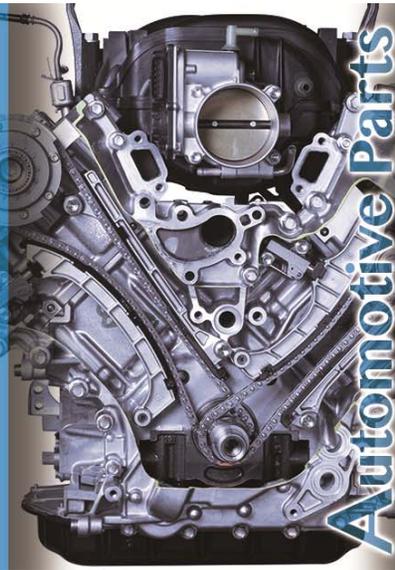
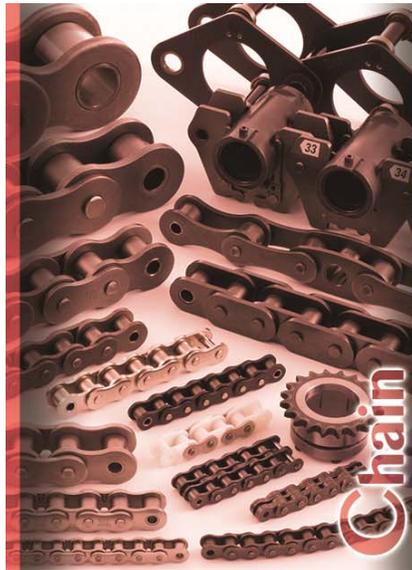


# Tsubakimoto Chain Co. FYE 2016 Settlement of Accounts Presentation Meeting



May 24, 2016

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# FYE 2016 Full Year Settlement of Accounts Business Report

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Note: 'Full year,' as referred to in this report, indicates the period from April 1 through March 31 of the next year of the applicable consolidated accounting year.  
(For some overseas subsidiaries, the 'full year' indicates the period from January 1 through December 31 of the applicable year.)

## 1. FYE 2016 Review

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### Highlights of Consolidated Settlement of Accounts

- Compared with our initial sales forecast, we achieved our sixth consecutive year of growth in sales and income despite some shortfall in net sales and net income. (net sales and operating income posted record highs.)

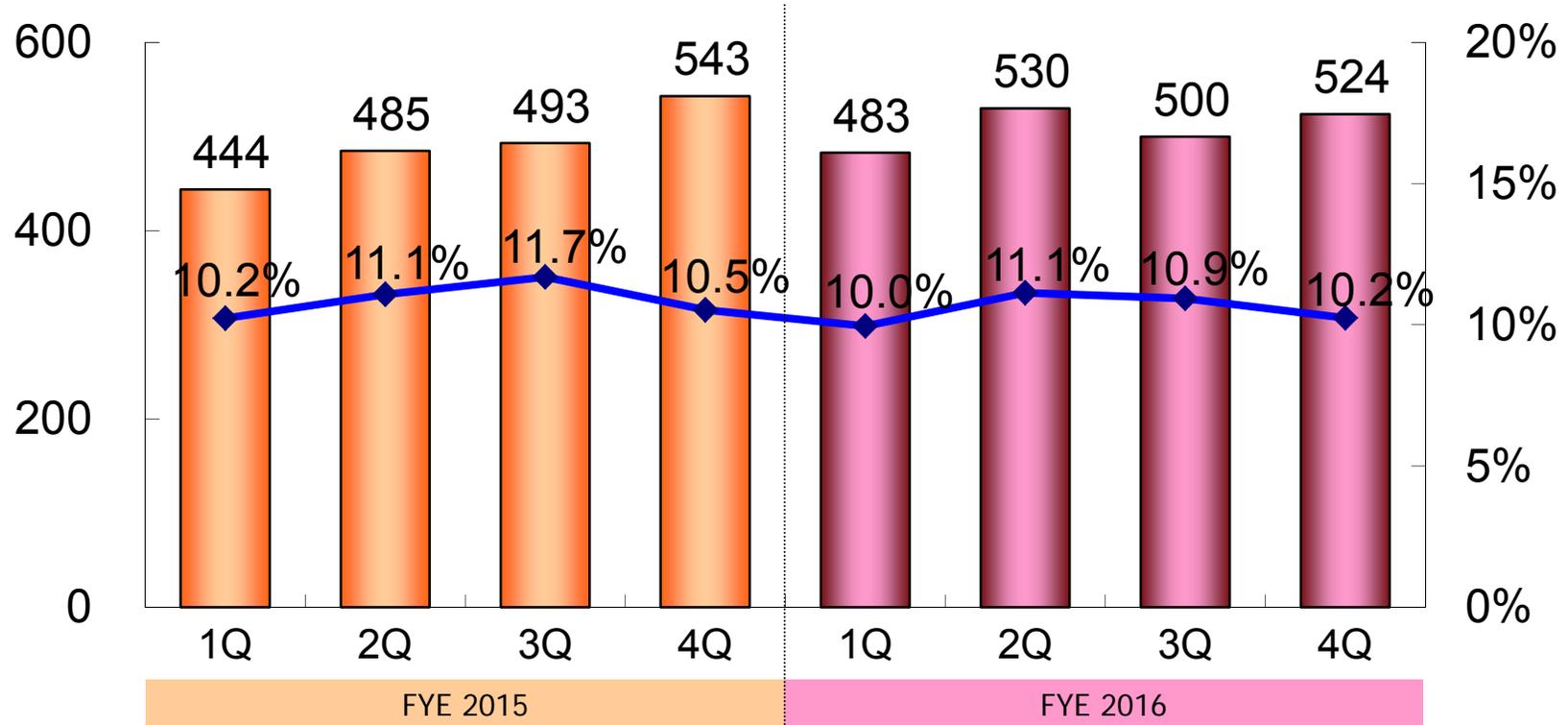
	(Yen, millions)				
	FYE 2015	FYE 2016	Comparison with previous term	Budgeted Amount (May. 8, 2015)	
	Full year figure (actual)	Full year figure (actual)	Increase/decrease	Budget	Increase/decrease
Net sales	196,738	203,976	4%	206,000	-1%
Operating income	21,427	21,570	1%	22,000	-2%
Operating income margin	10.9%	10.6%		10.7%	
Ordinary income	22,263	22,109	-1%	22,400	-1%
Net income	14,153	12,766	-10%	15,000	-15%
Net income per share (Yen)	75.65 yen	68.24 yen	—	80.17	—
(Exchange rates 1 US\$)	109.76 yen	120.15 yen	—	115 yen	—
(Exchange rates 1 EURO)	138.69 yen	132.60 yen	—	125 yen	—
Shareholders' equity ratio	54.3%	55.9%	Equity capital/total assets		
Return on equity (ROE)	10.9%	9.0%	Net income/Average return on equity during term		
Net D/E ratio	0.07	0.06	(Interest-bearing debt - Cash equivalent)/(Capital adequacy)		

## 2. FYE 2016 Review

### Trend in Quarterly Consolidated Settlement of Accounts

#### ◆ Trend in sales and operating income margin (consolidated)

(Yen, 100 million)



Major exchange rates	FYE 2015	FYE 2016
US\$	109.76 yen	120.15 yen
Euro	138.69 yen	132.60 yen

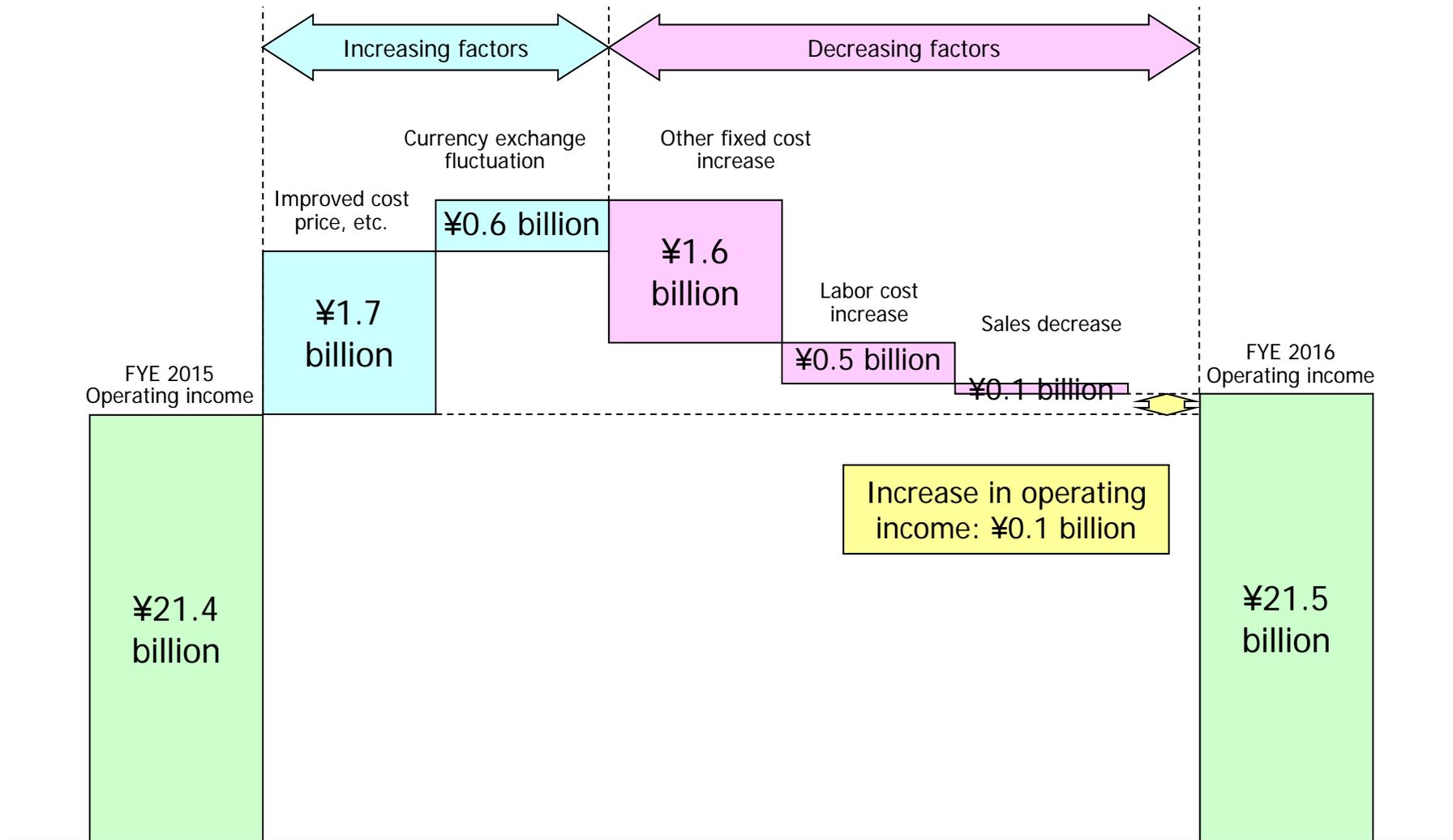
(Yen, 100 million) ■ : Net sales ◆ : Operating income margin



### 3. FYE 2016 Review

## Analysis of Factors Consolidated Increasing/Decreasing Operating Income <sup>4</sup>

### ◆ FYE 2015 (actual figures) vs. FYE 2016 (actual figures)



## 4. FYE 2016 Review Breakdown by Segment and Operations

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- Chain Operations and Automotive Parts Operations posted growth in sales and income. Materials Handling Systems Operations posted a large decrease in income due to slumping sales at subsidiaries outside Japan.

		(Yen, millions)				
		FYE 2015	FYE 2016	Comparison with previous term	Budgeted Amount (May 8, 2015)	
		Full year figure (actual)	Full year figure (actual)	Increase/decrease	Budget	Increase/decrease
Chain Operations	Net sales <sup>*1</sup>	61,721	63,998	3.7%	64,200	- 0.3%
	Operating income	5,002	6,172	23.4%	5,700	8.3%
	Operating income margin	8.1%	9.6%		8.9%	
Power Transmission Units and Components Operations	Net sales <sup>*1</sup>	22,557	21,975	- 2.6%	23,300	- 5.7%
	Operating income	2,400	2,428	1.1%	2,400	1.1%
	Operating income margin	10.6%	11.0%		10.3%	
Automotive Parts Operations	Net sales <sup>*1</sup>	66,978	73,473	9.7%	73,500	- 0.0%
	Operating income	11,916	12,258	2.9%	12,200	0.5%
	Operating income margin	17.8%	16.7%		16.6%	
Materials Handling Systems Operations	Net sales <sup>*1</sup>	45,169	44,354	- 1.8%	44,600	- 0.6%
	Operating income	1,940	659	- 66.0%	1,600	- 58.8%
	Operating income margin	4.3%	1.5%		3.6%	
Other <sup>*2</sup>	Net sales <sup>*1</sup>	2,968	3,186	7.3%	3,000	6.2%
	Operating income	123	84	- 32.0%	0	—
	Operating income margin	4.2%	2.6%		0.0%	

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

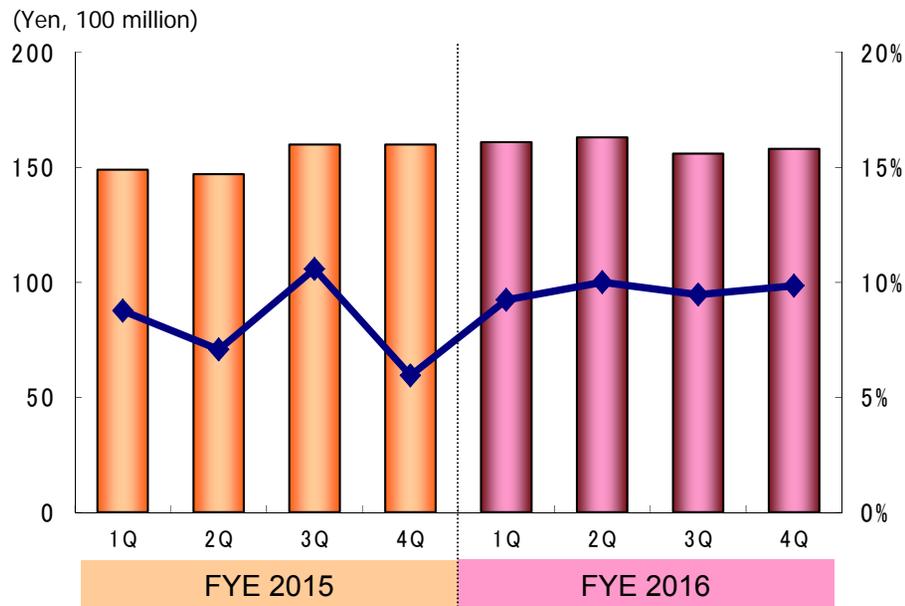
\*2: "Other" is not a reportable segment.

## 5. FYE 2016 Review Breakdown by Segment and Operations

6

### ◆ Trends in sales and operating income margin

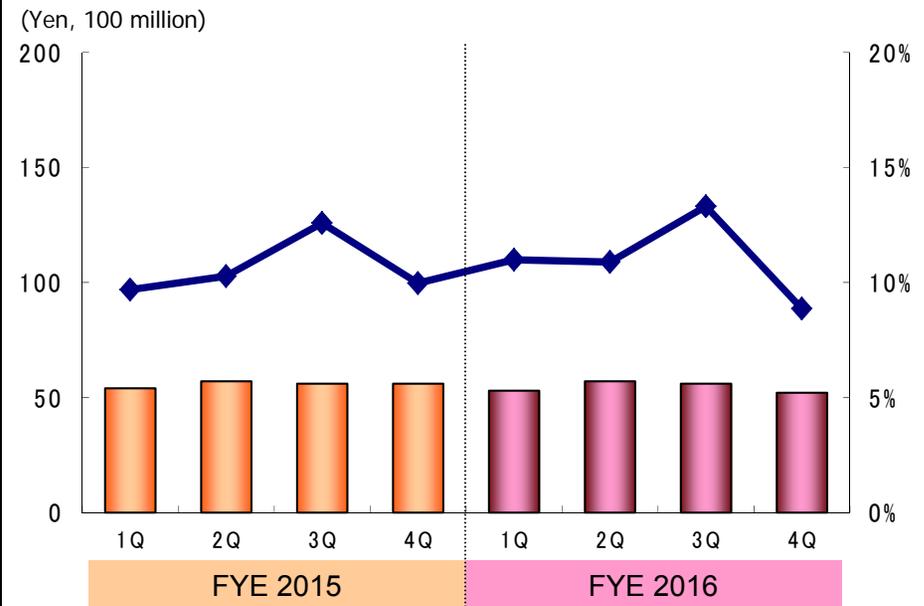
#### ● Chain Operations



#### <Breakdown by Region>

- Japan, Europe and the Indian Ocean Rim are doing well.
- In the US, resource industries remain slack, but despite slightly decreased sales the region registered increased income on a local currency basis.
- China posted increased sales on a year-on-year basis, but the loss increased due to increased investment in facilities and the like.

#### ● Power Transmission Units and Components Operations



#### <Breakdown by Region>

- We achieved good performance in Japan, with increased sales and income.
- In China, our subsidiaries in Tianjin and Shanghai remain in a slump.

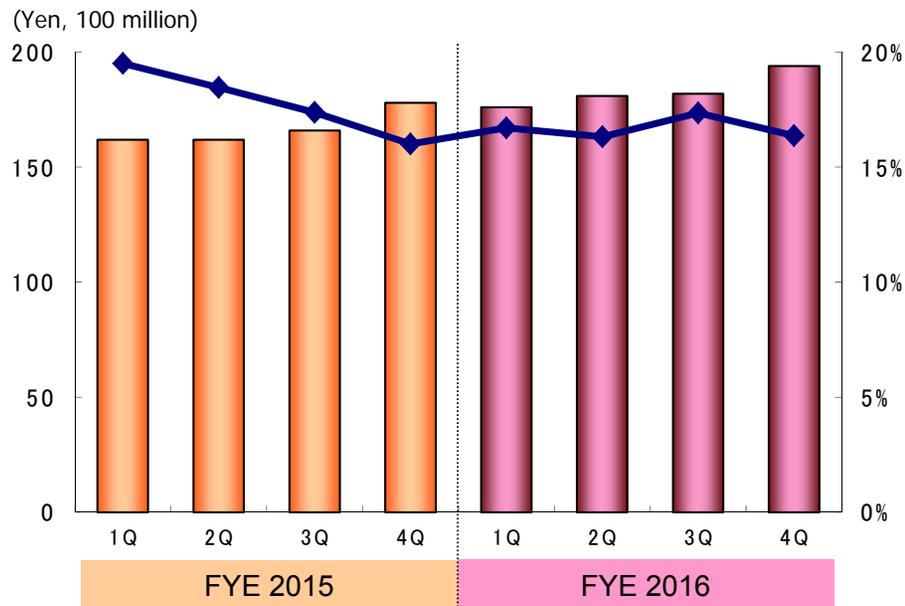
(Yen, 100 million) ■ : Net sales ◆ : Operating income margin

## 5. FYE 2016 Review Breakdown by Segment and Operations

7

### ◆ Trends in sales and operating income margin

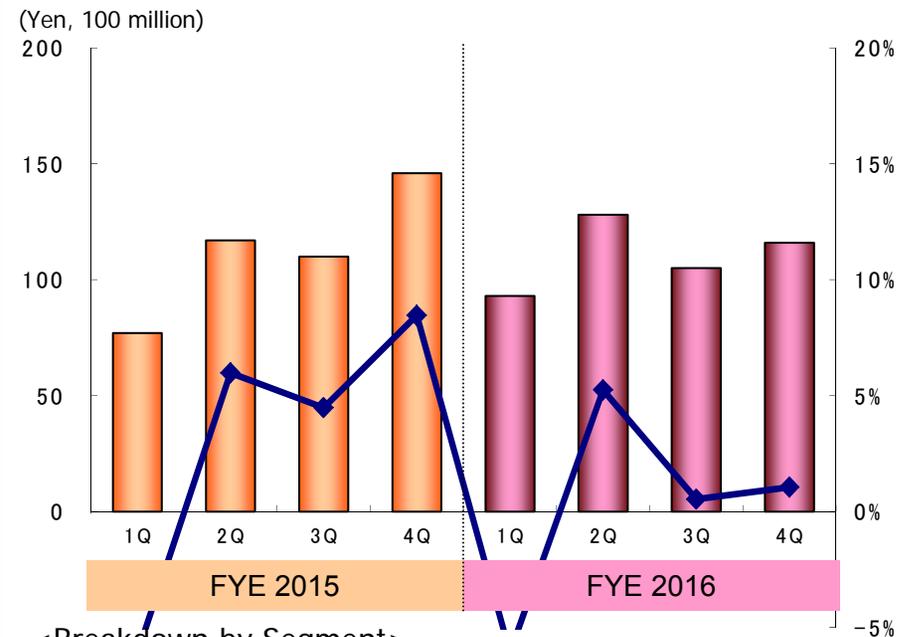
#### ● Automotive Parts Operations



#### <Breakdown by Business Location>

- Japan posted strong production for overseas subsidiaries.
- Our subsidiaries in Thailand and South Korea are maintaining their strength.
- The US continued its strong sales and income.
- China and Europe are doing well, but income has declined due to increased expenses for facility construction and the like.

#### ● Materials Handling Systems Operations



#### <Breakdown by Segment>

- Operations in Japan did well in relation to the automotive, newspaper and steel sectors, but income fell because of decreased profitability of some items.
- Conveyance facilities for granulated materials remained strong.
- In Europe and the US, conveyers for machine tools posted lackluster performance.

(Yen, 100 million) ■ : Net sales —◆ : Operating income margin

## 6. FYE 2016 Review Segment by Region

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		(Yen, millions)		
		FYE 2015	FYE 2016	Comparison with previous term
		Full year figure (actual)	Full year figure (actual)	Increase/decrease
America	Net sales <sup>*</sup>	48,749	51,671	6%
	Operating income	4,162	4,496	8%
	Operating income margin	8.5%	8.7%	
Europe	Net sales <sup>*</sup>	26,545	24,219	-9%
	Operating income	890	531	-40%
	Operating income margin	3.4%	2.2%	
Indian Ocean Rim	Net sales <sup>*</sup>	10,718	12,626	18%
	Operating income	1,385	1,680	21%
	Operating income margin	12.9%	13.3%	
China	Net sales <sup>*</sup>	14,062	16,494	17%
	Operating income	1,008	273	-73%
	Operating income margin	7.2%	1.7%	
South Korea, Taiwan	Net sales <sup>*</sup>	7,115	8,578	21%
	Operating income	258	405	57%
	Operating income margin	3.6%	4.7%	
Japan	Net sales <sup>*</sup>	119,349	121,347	2%
	Operating income	12,694	12,621	-1%
	Operating income margin	10.6%	10.4%	

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

<Actual exchange rate>

FYE 2015: US\$=¥109.76, EURO=¥138.69, Can\$=¥96.42, A\$=¥95.75, THB=¥3.26, NT\$=¥3.58, RMB=¥17.17, WON=¥0.100

FYE 2016: US\$=¥120.15, EURO=¥132.60, Can\$=¥91.84, A\$=¥88.50, THB=¥3.55, NT\$=¥3.74, RMB=¥19.22, WON=¥0.107

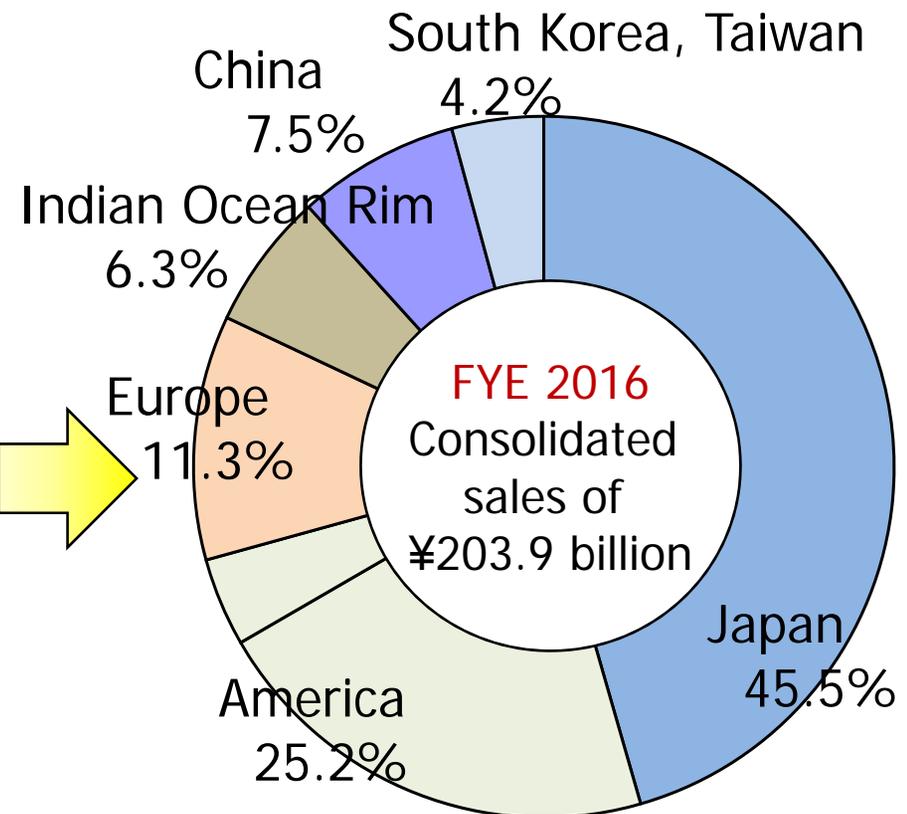
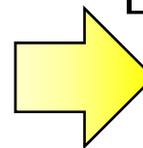
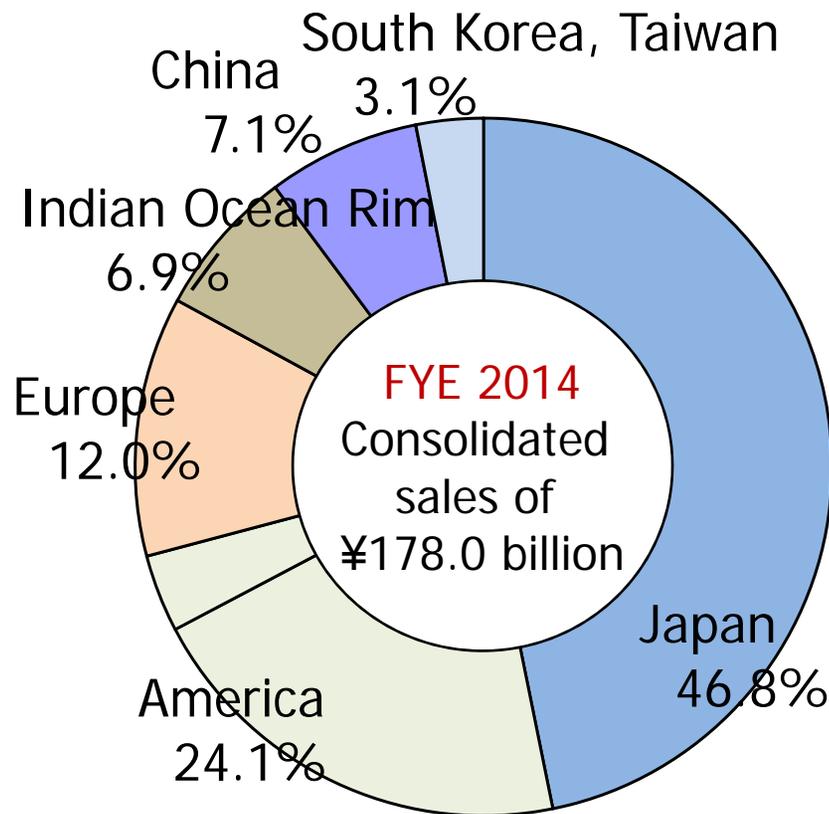
## 7. FYE 2016 Review Breakdown of Sales by Region

FYE 2014

International sales\* ratio : 53.2%

FYE 2016

International sales\* ratio : 54.5%



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

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## **Consolidated Settlement of Accounts Forecasts for FYE 2017**

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## Consolidated Settlement of Accounts

- Income declined by 3.6% due to exchange rate fluctuations (yen appreciation) and increased expenses from forward-looking investments. (This represents a decline of 5.5% from the earnings target contained in Mid-term Management Plan 2016.)

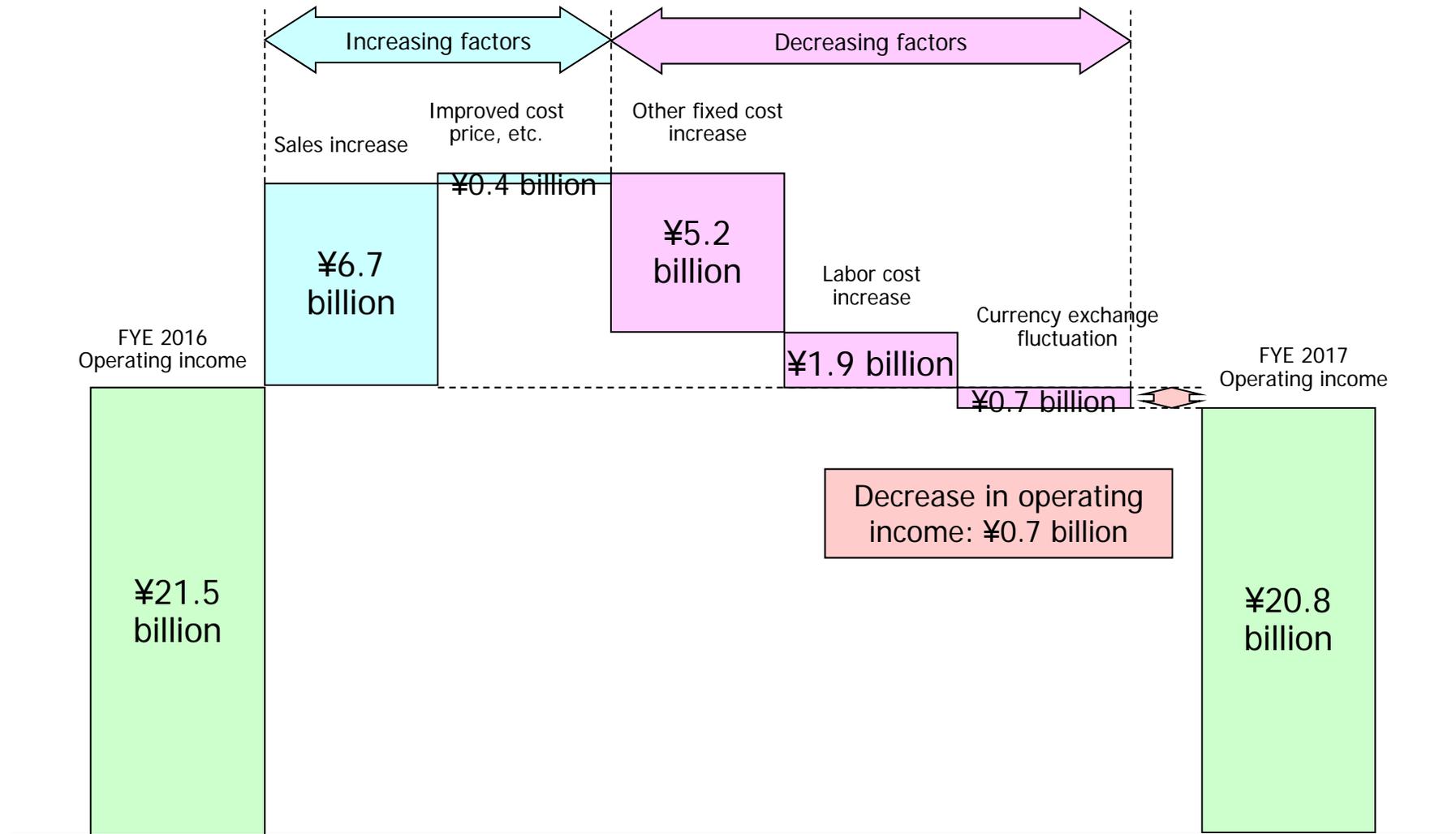
	FYE 2016	FYE 2017			Comparison with previous term
	Full year figure (actual)	First half forecast	Second half forecast	Full year forecast	Increase/decrease
Net sales	203,976	100,000	106,000	206,000	1.0%
Operating income	21,570	9,200	11,600	20,800	- 3.6%
Operating income margin	10.6%	9.2%	10.9%	10.1%	
Ordinary income	22,109	9,400	11,600	21,000	- 5.0%
Net income	12,766	5,800	7,600	13,400	5.0%
Net income per share	68.24 yen	-	-	71.63 yen	—
(Exchange rates 1 US\$)	120.15 yen	-	-	105 yen	—
(Exchange rates 1 EURO)	132.60 yen	-	-	120 yen	—

## 2. FYE 2017 forecast

### Analysis of Factors Consolidated Increasing/Decreasing Operating Income

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#### ◆ FYE 2015 (actual figures) vs. FYE 2016 (forecasts)



### 3. FYE 2017 forecast

## Settlement of Accounts by Business Segment

- Because of increased production at Automotive Parts Operations and a reorganization of domestic plants in Power Transmission Units and Components Operations, both segments posted a decline in income due to higher costs.

		(Yen, millions)				
		FYE 2016	FYE 2017			Comparison with previous term
		Full year figure (actual)	First half forecast	Second half forecast	Full year forecast	Increase/decrease
Chain Operations	Net sales <sup>*1</sup>	63,998	30,000	32,000	62,000	- 3.1%
	Operating income	6,172	2,700	3,600	6,300	2.1%
	Operating income margin	9.6%	9.0%	11.3%	10.2%	
Power Transmission Units and Components Operations	Net sales <sup>*1</sup>	21,975	10,900	11,300	22,200	1.0%
	Operating income	2,428	950	950	1,900	- 21.7%
	Operating income margin	11.0%	8.7%	8.4%	8.6%	
Automotive Parts Operations	Net sales <sup>*1</sup>	73,473	37,600	40,300	77,900	6.0%
	Operating income	12,258	5,600	6,400	12,000	- 2.1%
	Operating income margin	16.7%	14.9%	15.9%	15.4%	
Materials Handling Systems Operations	Net sales <sup>*1</sup>	44,354	21,200	21,600	42,800	- 3.5%
	Operating income	659	250	850	1,100	66.9%
	Operating income margin	1.5%	1.2%	3.9%	2.6%	
Other <sup>*2</sup>	Net sales <sup>*1</sup>	3,186	1,800	2,200	4,000	25.5%
	Operating income	84	0	0	0	-
	Operating income margin	2.6%	0.0%	0.0%	0.0%	

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

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

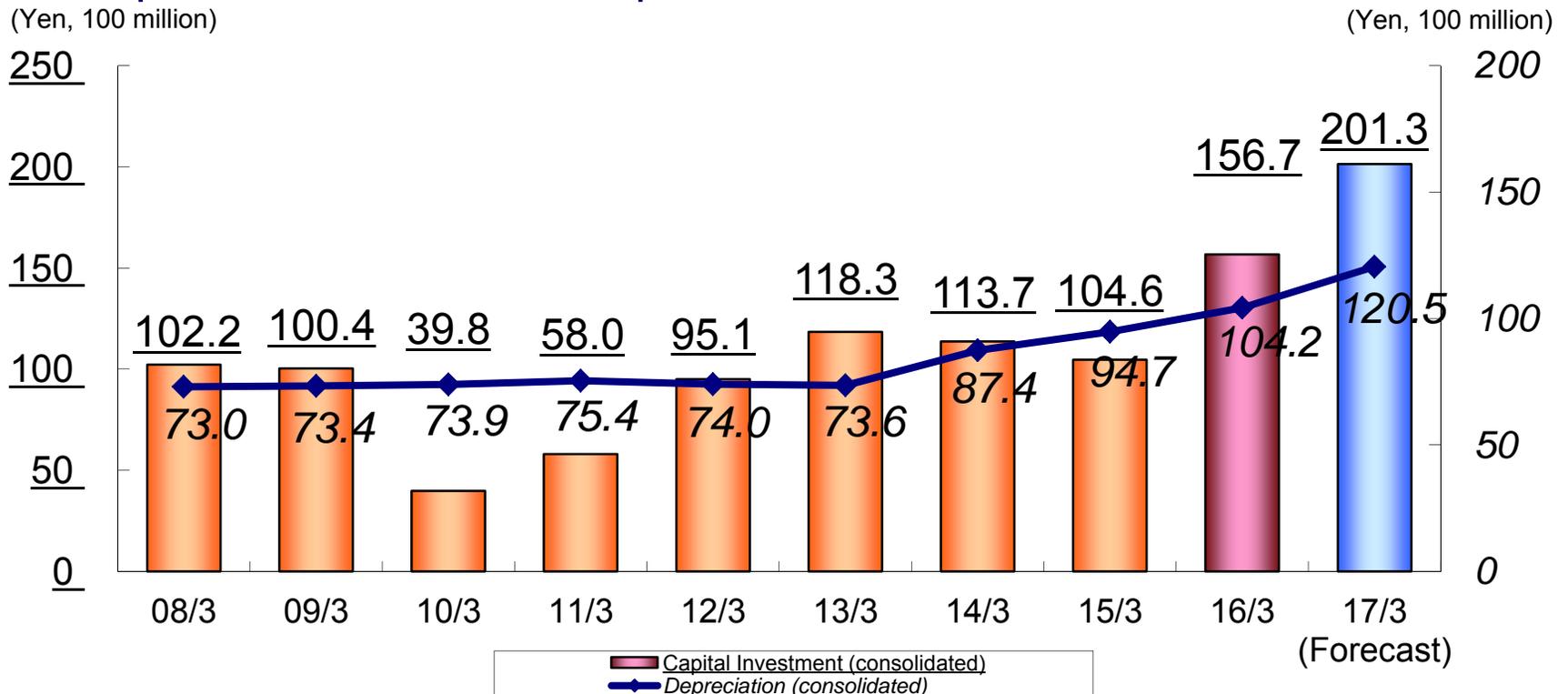
## Capital Investment and Depreciation

### An injection of capital is intended to strengthen growth

1. Enhancement of the global production system for Automotive Parts Operations (Saitama Plant, U.S.A and elsewhere)
2. Related production facilities for Chain Operations (Kyotanabe Plant, U.S.A and elsewhere)

#### < Capital investment and depreciation transitions >

(Yen, 100 million)



## 5. FYE2017 forecast Return to stockholders

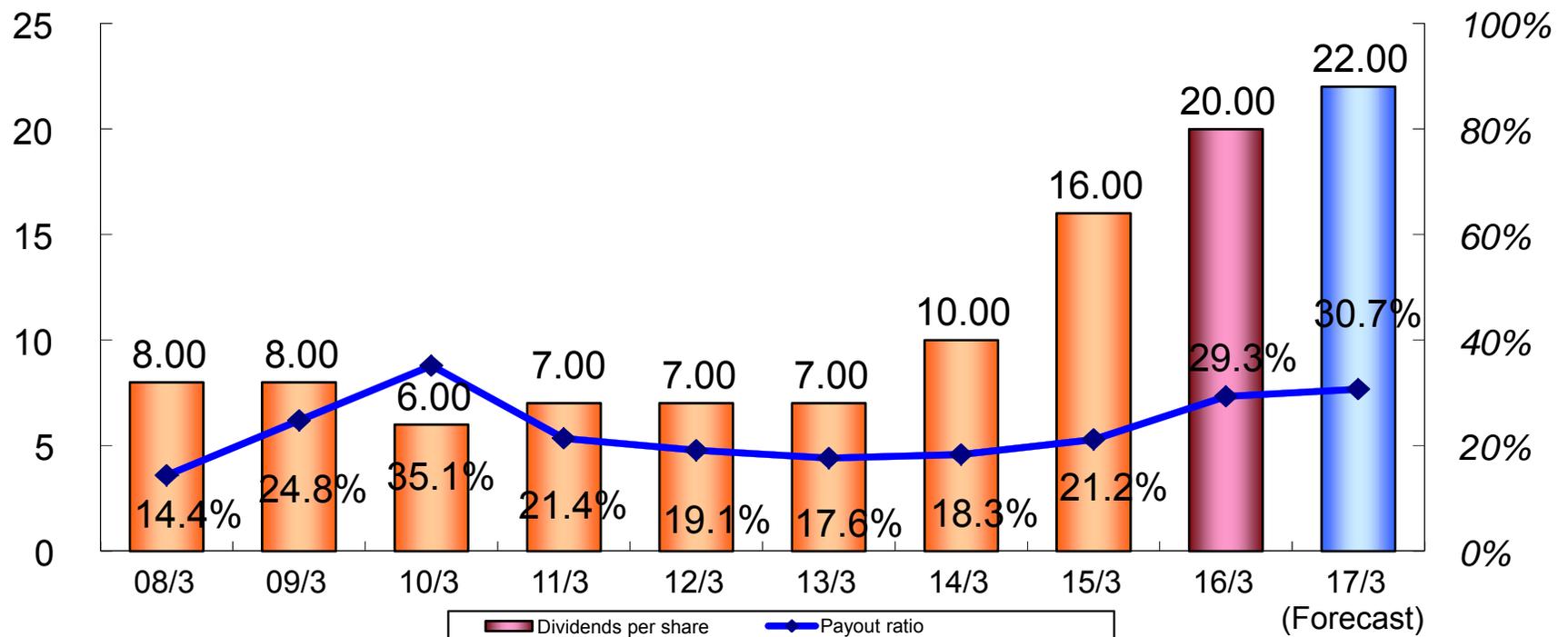
15

### ◆ Dividend policy

- Our policy is to maintain a dividend that reflects our consolidated results with the aim of distributing a 30% payout ratio from consolidated profits.

### < Trend in dividend per share >

( Yen /Share /Year )



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## Challenges Related to the Final Fiscal Year of the Mid-term Management Plan 2016

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# 1. Mid-term Management Plan 2016

◆ “The way it should be in 2020” = **Leading Global Company**

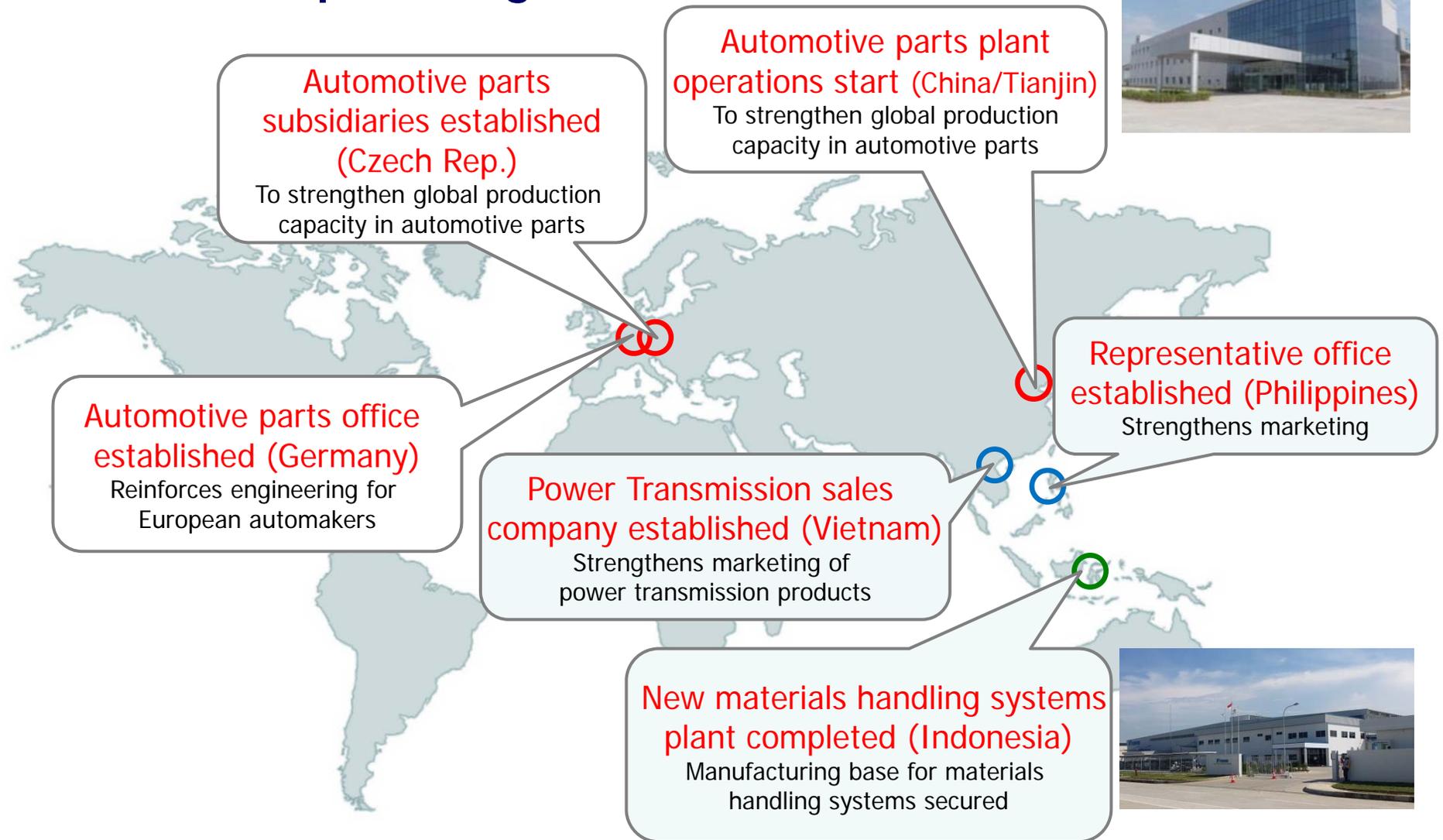
Although we fell short of our forecasted numerical targets, our challenges for 2020 remain unchanged.



## 2. Expansion of Overseas Bases

18

### ■ Results of preceding term



# 3. Priority Challenges by Segment

## ■ Chain Operations

1. Increase exports of conveyor chains made at the Tianjin Plant.
2. Expand the small conveyor chain business in the European market.

## ■ Power Transmission Units and Components Operations

1. Improve productivity through reorganization of plants in Japan.
2. Expand the cam clutch business in the American market.

## ■ Automotive Parts Operations

1. Increase global production capacity.
2. Target new projects (for Long-term Vision 2020)

## ■ Materials Handling Systems Operations

1. Improve profitability of the Mayfran business.  
- *Enhance products and reduce costs by utilizing a manufacturing plant in Indonesia.*

<Product development intended to meet market needs>

## 1. Drive chains

### 100th Anniversary Model G8 Series

- Updated about every ten years for improved performance.
- 4 models released in succession over 15–16 years.



## 2. Power Cylinders

- We will accommodate the replacement cycle for oil pressure cylinders and air pressure cylinders

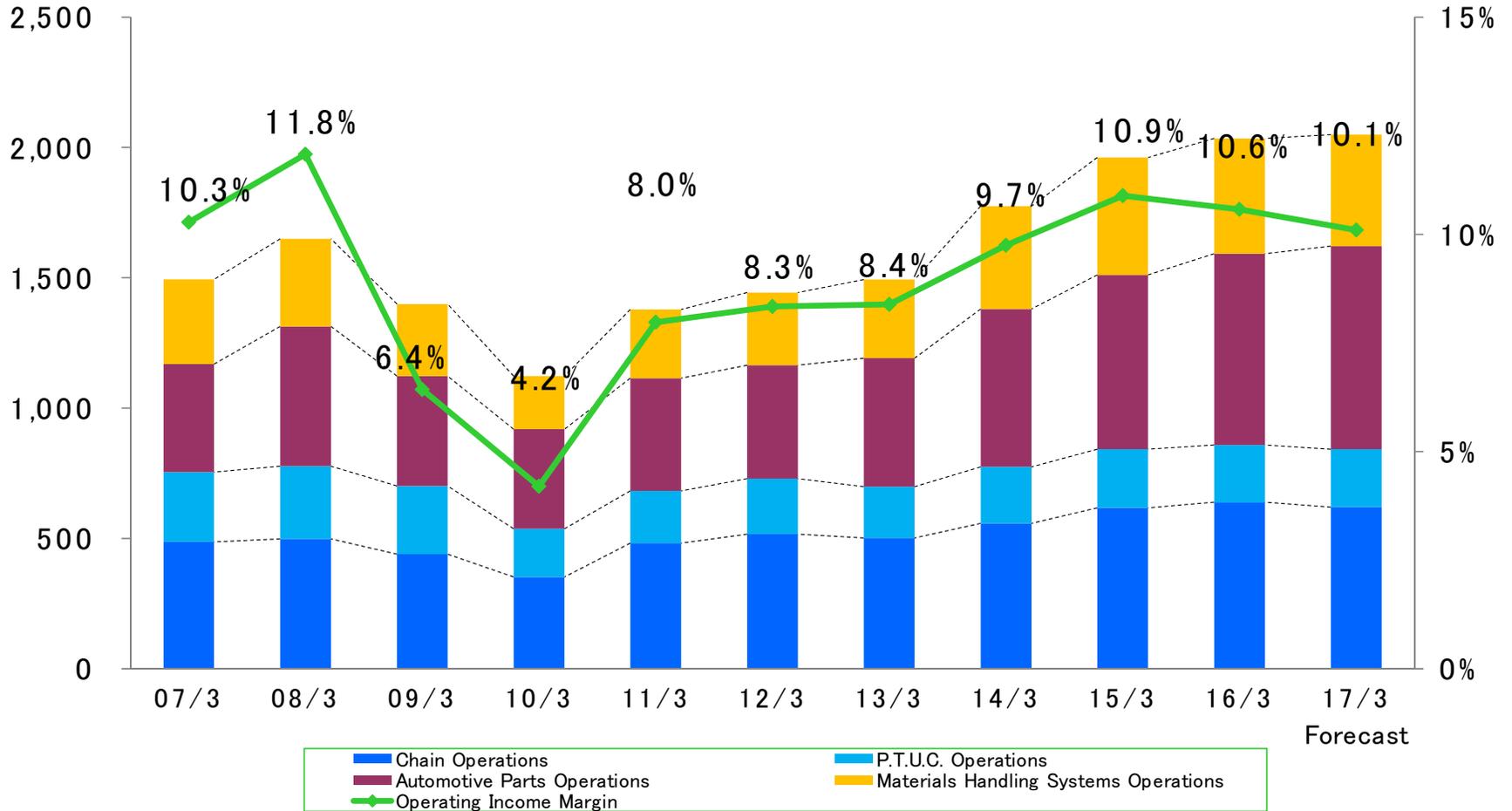


## 5. Exercise Comprehensive Strengths of Group

21

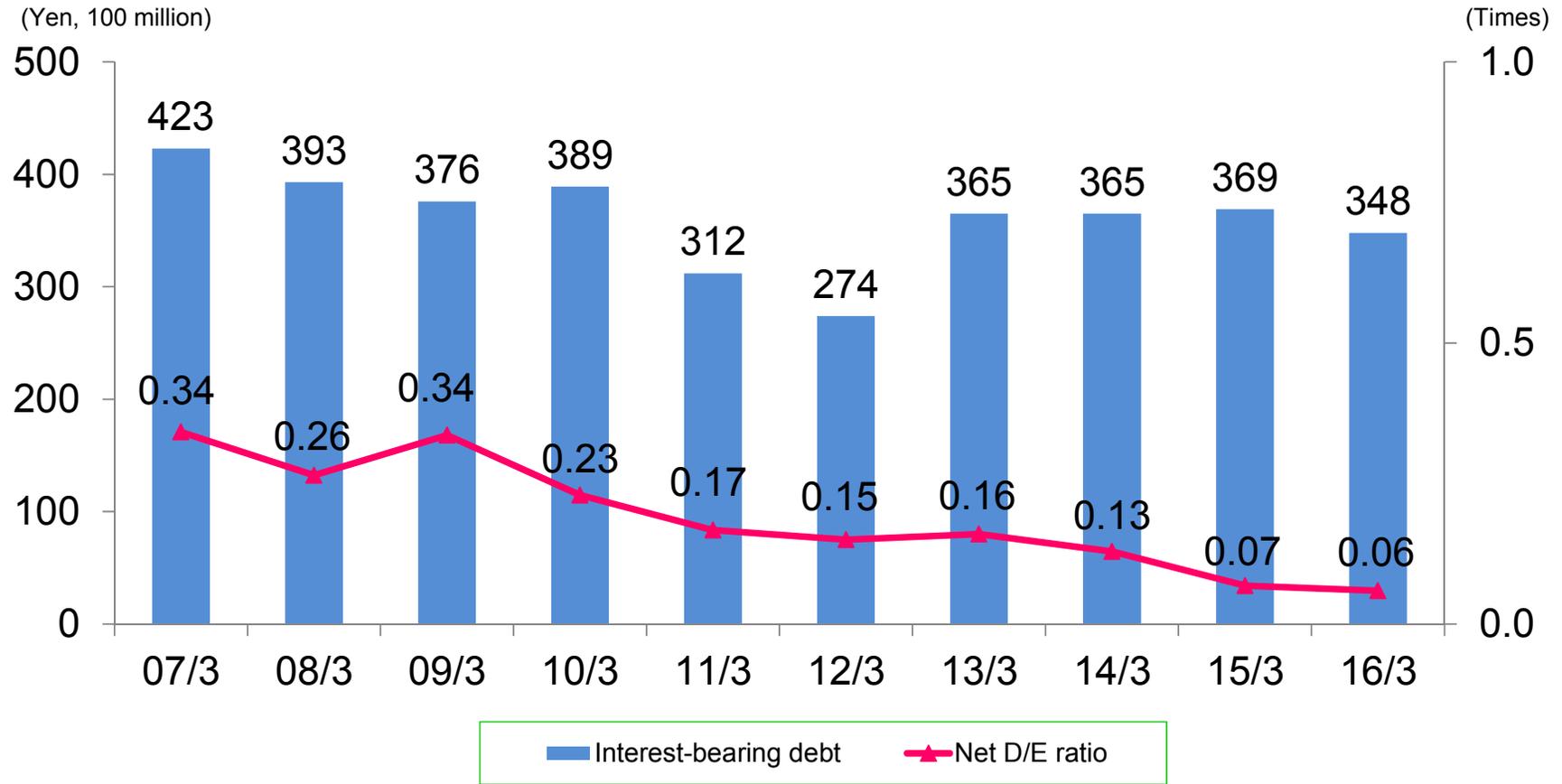


(Yen, 100 million)



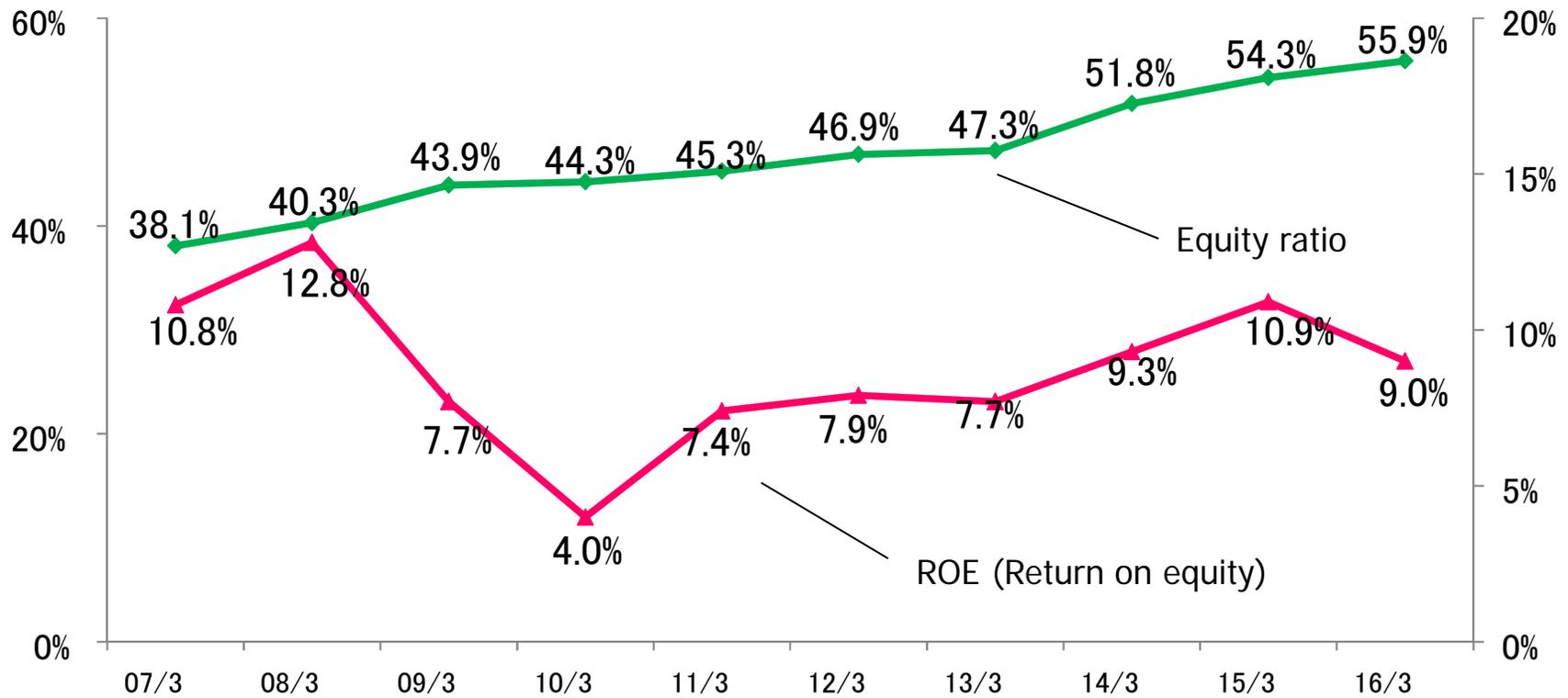
(Yen, 100 million)

	07/3	08/3	09/3	10/3	11/3	12/3	13/3	14/3	15/3	16/3	17/3 Forecast
Net sales	1,557	1,672	1,415	1,127	1,382	1,448	1,500	1,780	1,967	2,039	2,060
Operating income	160	198	90	47	110	120	125	173	214	215	208



	(Yen, 100 million)									
	07/3	08/3	09/3	10/3	11/3	12/3	13/3	14/3	15/3	16/3
Interest-bearing debt	423	393	376	389	312	274	365	365	369	348
Net D/E ratio (Times)	0.34	0.26	0.34	0.23	0.17	0.15	0.16	0.13	0.07	0.06

<Reference>  
Trends in Equity Ratio, ROE



	07/3	08/3	09/3	10/3	11/3	12/3	13/3	14/3	15/3	16/3
Equity ratio	38.1%	40.3%	43.9%	44.3%	45.3%	46.9%	47.3%	51.8%	54.3%	55.9%
ROE	10.8%	12.8%	7.7%	4.0%	7.4%	7.9%	7.7%	9.3%	10.9%	9.0%

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