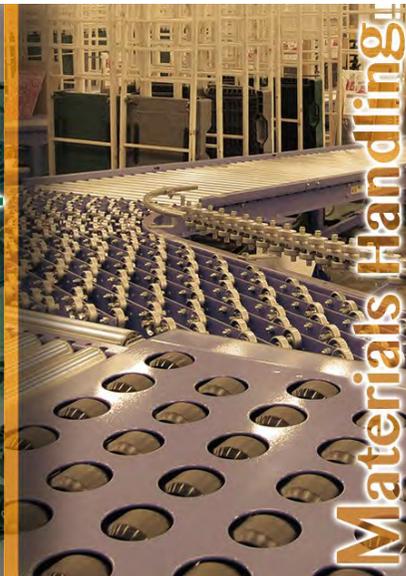
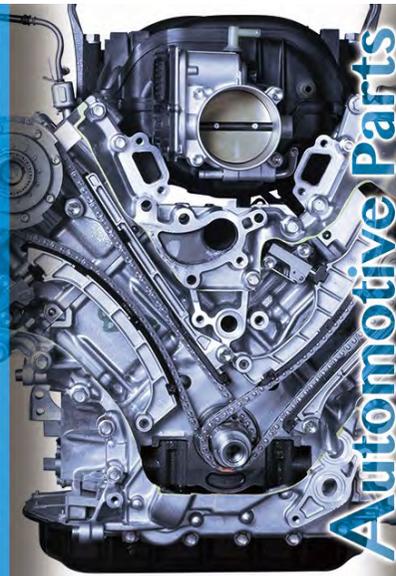
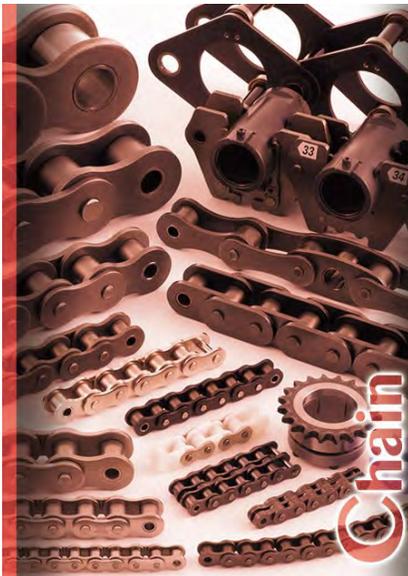


# Tsubakimoto Chain Co. FYE 2018 Interim Settlement of Accounts Presentation Meeting



November 14, 2017

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# FYE 2018 Interim Settlement of Accounts Consolidated Business Report

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Note: The "first half" referred to in this report indicates the period from April 1 through September 30 of the applicable consolidated accounting year, while the "second half" indicates from October 1 of the same year through March 31 of the following year.  
(For some overseas subsidiaries, these periods are from January 1 through June 30 and from July 1 through December 31 respectively of the applicable year.)

- Domestic sales continue to drive results, and income and profits have increased compared to the same period of the previous year.

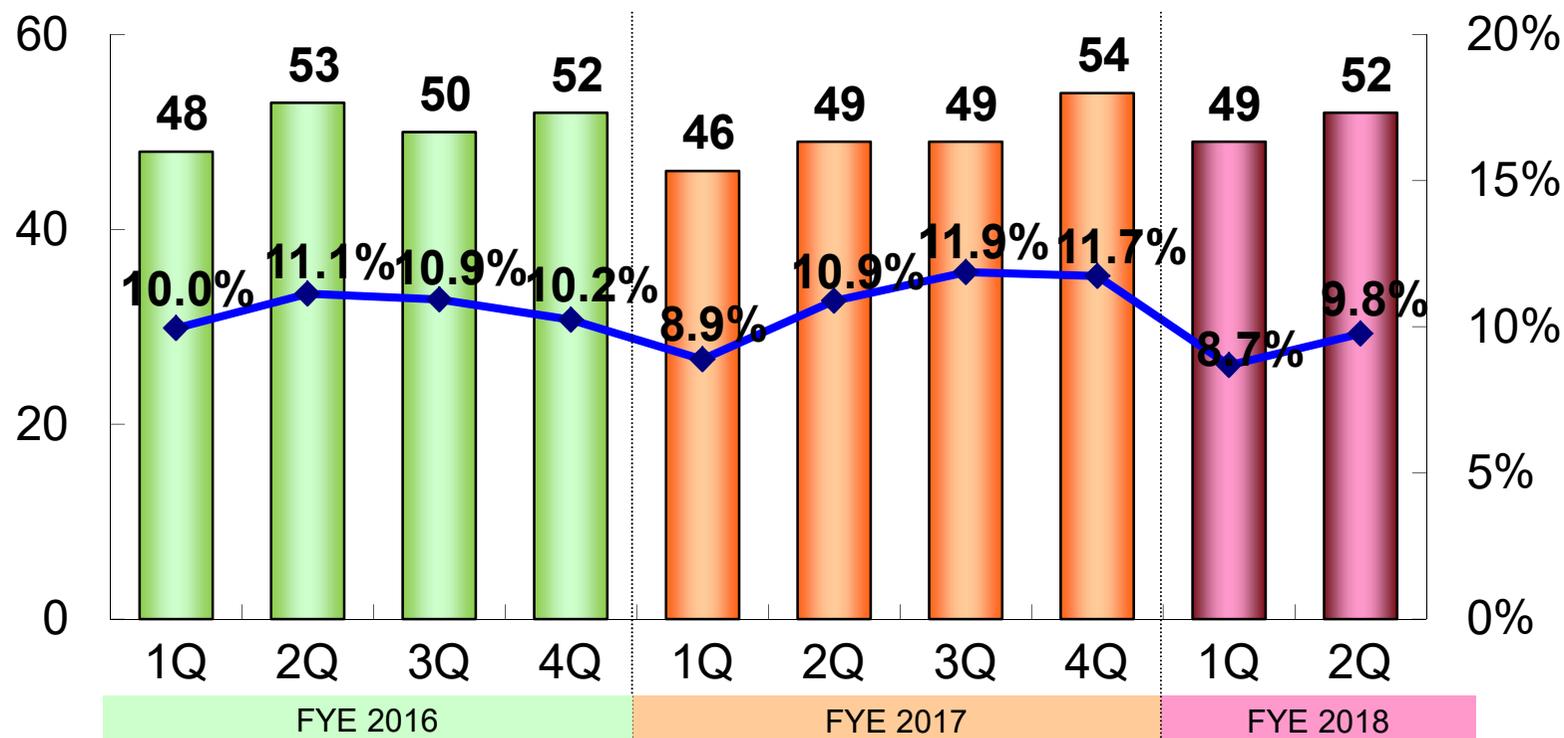
Sales and profits both continue to grow faster than initial forecast.

(Yen, millions)

	FYE 2017	FYE 2018	Year on Year	Change from Initial Forecast	
	First half figure (actual)	First half figure (actual)	Increase/decrease	Budget	Increase/decrease
Net sales	95,740	102,778	7.4%	100,000	2.8%
Operating income	9,490	9,500	0.1%	8,800	8.0%
Operating income margin	9.9%	9.2%		8.8%	
Ordinary income	9,655	10,239	6.0%	9,100	12.5%
Quarterly net income owned by parent company shareholders	6,392	6,835	6.9%	6,300	8.5%
Quarterly net income per share (Yen)	34.17 yen	36.11 yen	—	33.28	—
(Exchange rates US\$1)	105.21 yen	111.05 yen	—	105.00 yen	—
(Exchange rates €1)	118.05 yen	126.32 yen	—	113.00 yen	—
Shareholders' equity ratio	56.0%	58.7%	Equity capital/total assets		
Net D/E ratio	0.04	-0.01	(Interest-bearing debt - Cash equivalent)/(Capital adequacy)		

■ Trends in sales and operating income margin (Consolidated)

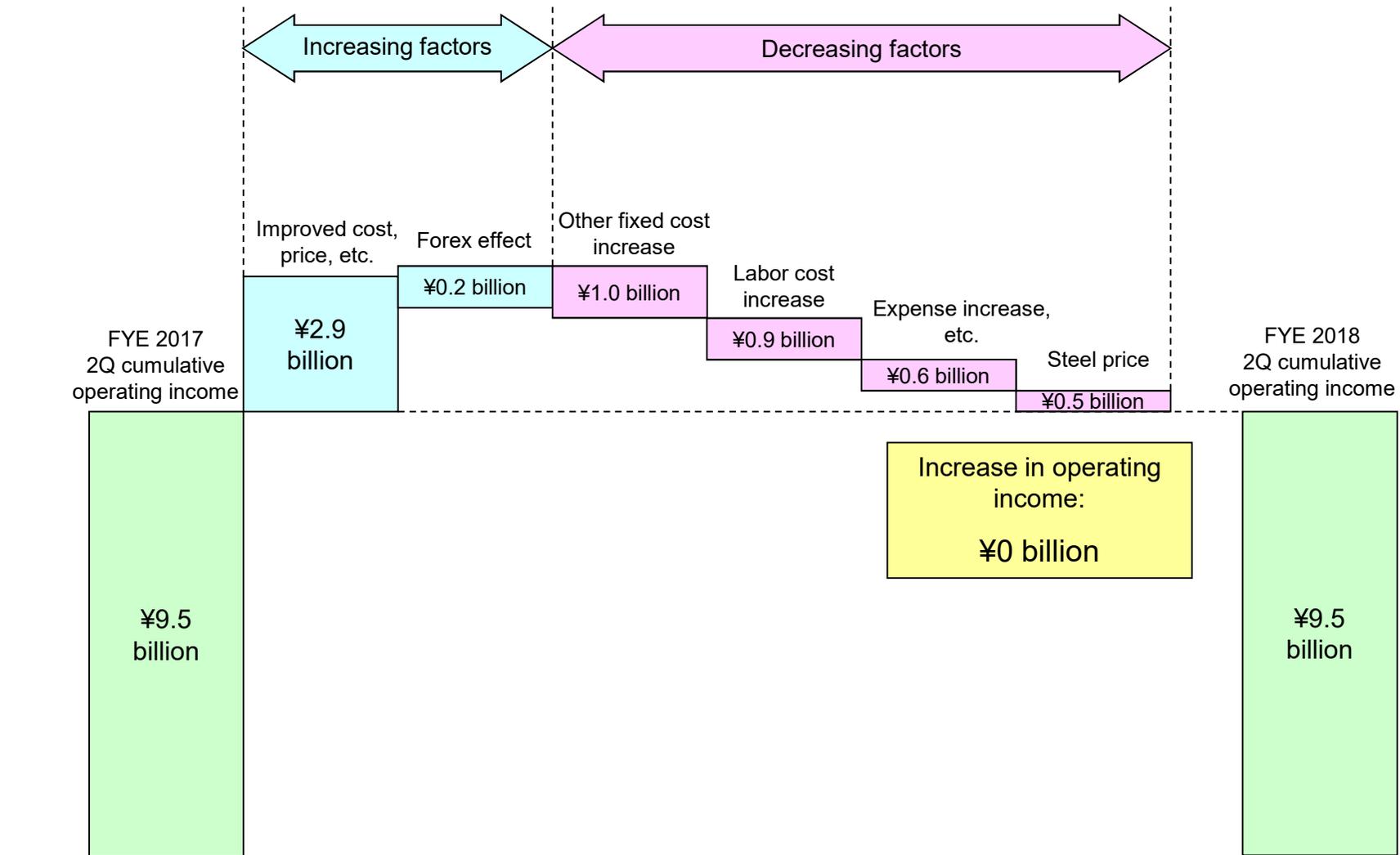
(Billions of yen)



Major exchange rates	FYE 2016	FYE 2017	FYE 2018 (2Q cumulative)
US\$	¥120.15	¥108.35	¥111.05
Euro	¥132.60	¥118.76	¥126.32

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

■ 2Q cumulative of FYE 2017 vs. 2Q cumulative of FYE 2018



Note: Operating income values are rounded off.

## 4. Interim Review Breakdown by Business Segment

5

- Income and profits from the Chain Operations and the Power Transmission Units and Components Operations increased. The Materials Handling Systems Operations has also been turning profits. Due to increased depreciation and other factors, the Automotive Parts Operations saw decreased profits despite increased income.

(Yen. million)

		FYE 2017	FYE 2018	Year on Year	Change from Initial Forecast	
		First Half figure (actual)	First Half figure (actual)	Increase/decrease	Budget	Increase/decrease
Chain Operations	Net sales <sup>*1</sup>	29,110	32,272	10.9%	30,700	5.1%
	Operating income	3,065	3,712	21.1%	2,700	37.5%
	Operating income margin	10.5%	11.5%		8.8%	
Power Transmission Units and Components Operations	Net sales <sup>*1</sup>	10,453	11,705	12.0%	11,100	5.5%
	Operating income	954	1,301	36.3%	1,000	30.1%
	Operating income margin	9.1%	11.1%		9.0%	
Automotive Parts Operations	Net sales <sup>*1</sup>	36,473	38,535	5.7%	38,700	-0.4%
	Operating income	5,822	5,161	-11.3%	5,600	-7.8%
	Operating income margin	16.0%	13.4%		14.5%	
Materials Handling Systems Operations	Net sales <sup>*1</sup>	19,699	20,140	2.2%	19,700	2.2%
	Operating income	-37	133	—	100	—
	Operating income margin	—	0.7%		0.5%	
Other <sup>*2</sup>	Net sales <sup>*1</sup>	1,397	1,492	6.8%	1,500	-0.5%
	Operating income	-25	-29	—	0	—
	Operating income margin	—	-2.0%		0.0%	

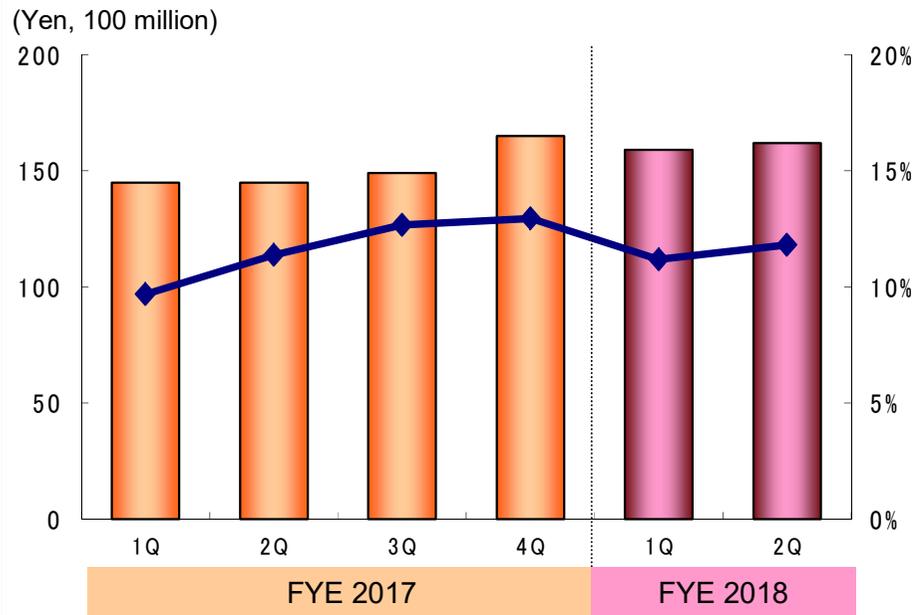
\*1: Sales figures include internal sales and transfers between segments. \*2: "Other" is not a reportable segment.

## 5. Interim Review Earnings Trend by Business Segment

6

### ■ Trends in sales and operating income margin

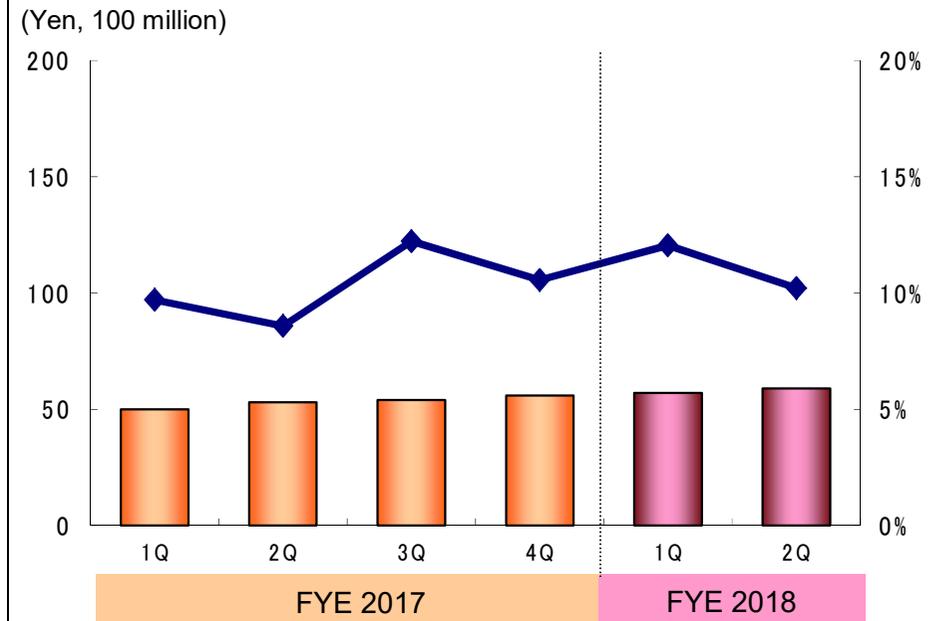
#### ● Chain Operations



#### <Sales by region>

- Japan: The trend for demand was strong, resulting in increased income and profits.
- The Americas: Favorable demand in Canada lead to increases in income.
- Europe: Strong demand resulted in increased income and profits.
- Indian Ocean Rim: ASEAN trends continue to be strong. The market in Australia tends to be bearish.
- China: Demand is improving, and income has increased compared to the same period of the previous year.
- East Asia: The trend for demand was strong, resulting in increased income and profits.

#### ● Power Transmission Units and Components Operations



#### <Sales by region>

- Japan: The trend for demand was strong, resulting in increased income and profits.
- China: Demand is improving, leading to increased income and profits compared to the same period of the previous year.
- The Americas, Europe: Despite the small scale, trends show steady performance.
- Indian Ocean Rim: A new consolidated subsidiary was established in Thailand (in first quarter).

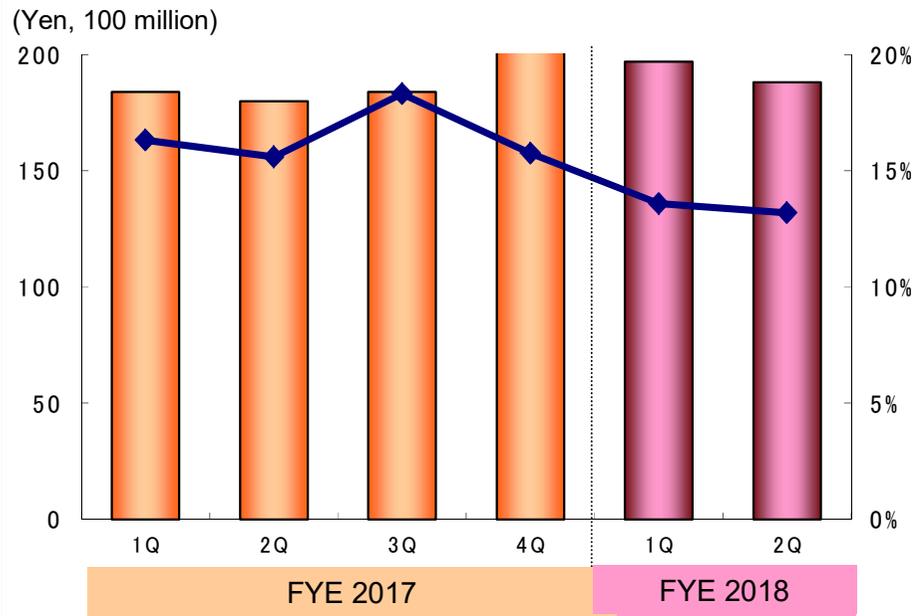
Unit: Yen, 100 million    ■ : Sales    ◆ : Operating income margin

## 5. Interim Review Earnings Trend by Business Segment

7

### ■ Trends in sales and operating income margin

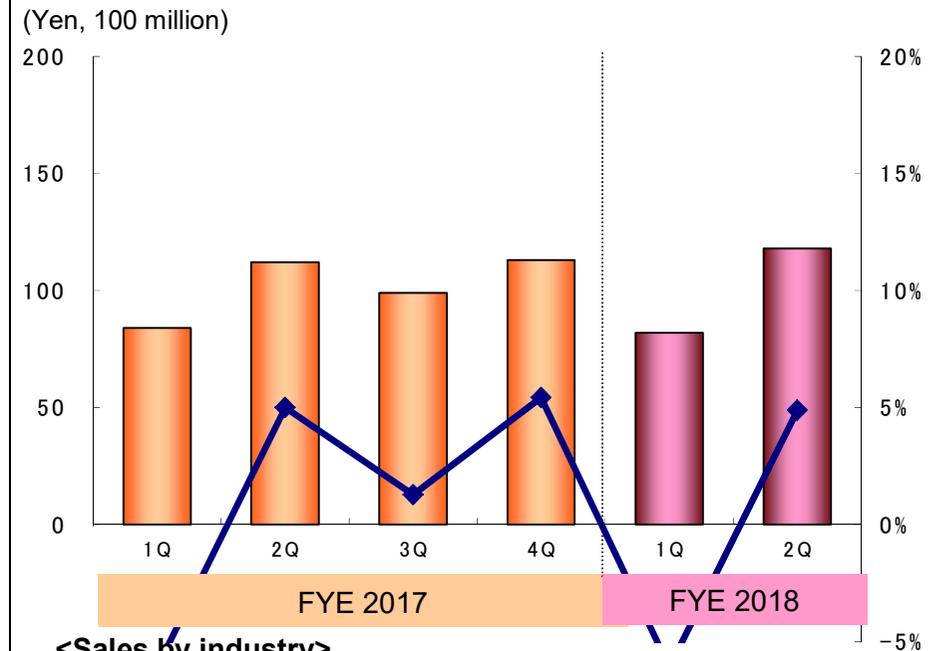
#### ● Automotive Parts Operations



#### <Sales by region>

- Japan: Decrease in income and profits due to the decline in domestic automotive production
- The Americas: Sales declined for both Japanese and American manufacturers.
- Mexico: Strong demand resulted in increased income.
- Europe, Thailand, and Korea: Demand remained high, leading to increased income and profits.
- China: Despite strong demand, deteriorating project profitability and other factors lead to a decrease in profits.

#### ● Materials Handling Systems Operations



#### <Sales by industry>

- The newspaper industry saw slight decreases, while the distribution industry saw significant increases (both specific to Japan).
- Conveyors for machine tools: Demand is firm in Japan and US.
- Bulk handling systems: Flat demand, but increase in profit

Unit: Yen, 100 million    ■ : Sales    ◆ : Operating income margin

## 6. Interim Review Overview by Region

8

(Yen. million)

		FYE 2017	FYE 2018	Year on Year
		First Half figure (actual)	First Half figure (actual)	Increase/decrease
The Americas	Net sales <sup>*</sup>	25,070	25,455	1.5%
	Operating income	2,673	1,659	-37.9%
	Operating income margin	10.7%	6.5%	
Europe	Net sales <sup>*</sup>	11,796	12,162	3.1%
	Operating income	198	58	-70.4%
	Operating income margin	1.7%	0.5%	
Indian Ocean Rim	Net sales <sup>*</sup>	6,084	6,919	13.7%
	Operating income	843	940	11.6%
	Operating income margin	13.9%	13.6%	
China	Net sales <sup>*</sup>	8,146	10,115	24.2%
	Operating income	230	396	72.1%
	Operating income margin	2.8%	3.9%	
South Korea, Taiwan	Net sales <sup>*</sup>	4,175	5,241	25.5%
	Operating income	160	493	207.7%
	Operating income margin	3.8%	9.4%	
Japan	Net sales <sup>*</sup>	56,107	59,598	6.2%
	Operating income	4,627	5,197	12.3%
	Operating income margin	8.2%	8.7%	

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

<Actual exchange rate>

FYE 2017 1H: US\$=¥105.21, EURO=¥118.05, Can\$=¥81.11, A\$=¥79.04, THB=¥3.1507, NT\$=¥3.27, RMB=¥17.05, WON=¥0.094, MXN=¥6.18

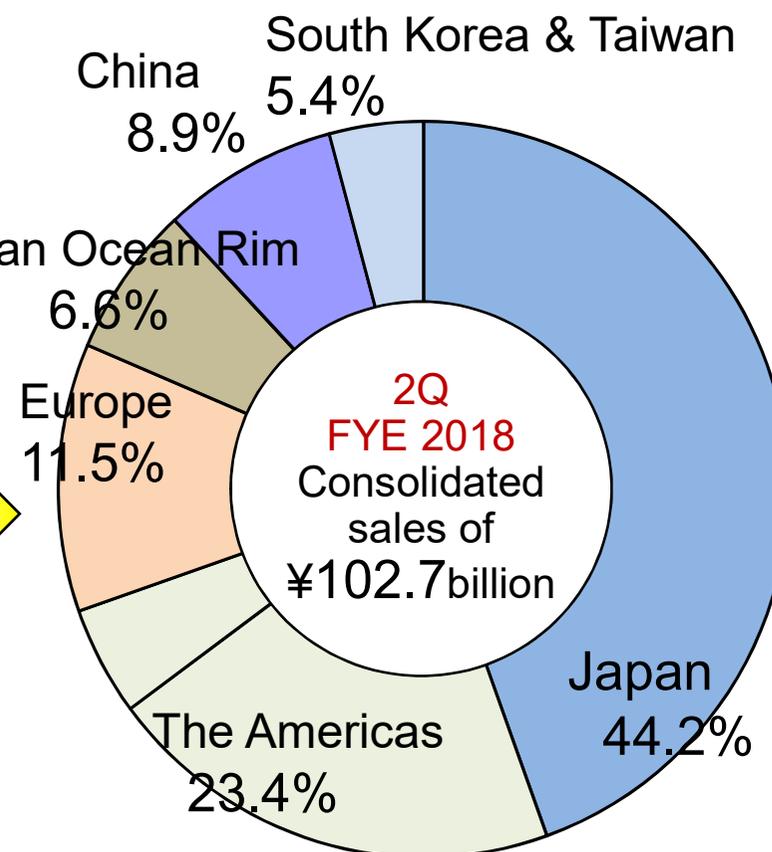
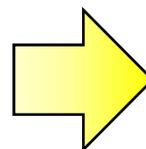
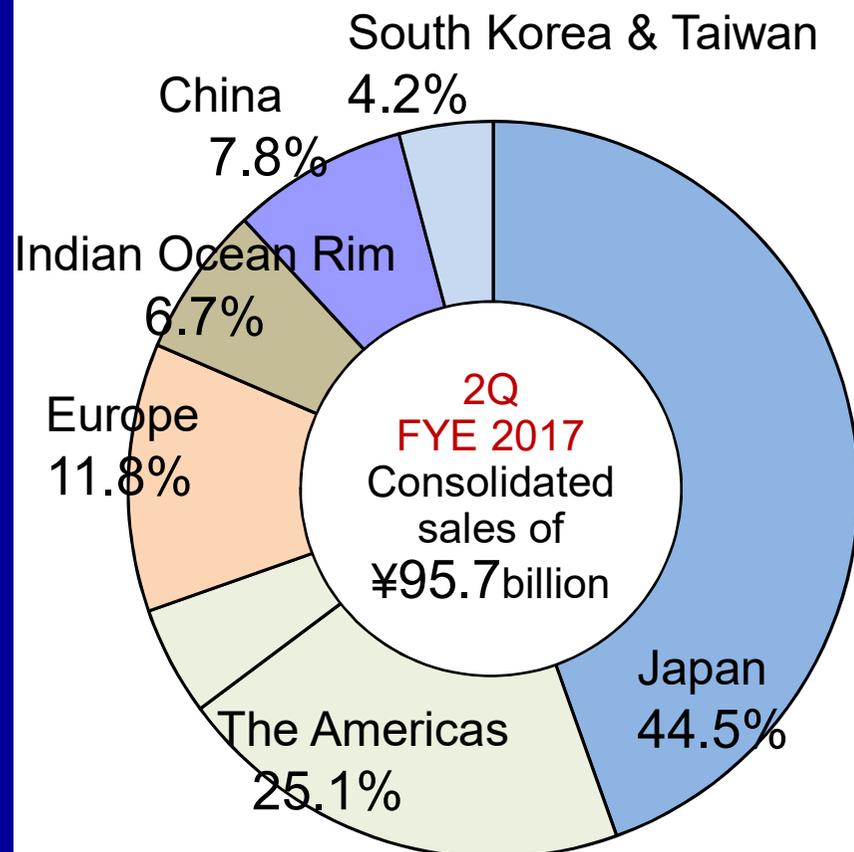
FYE 2018 1H: US\$=¥111.05, EURO=¥126.32, Can\$=¥85.58, A\$=¥85.53, THB=¥3.2393, NT\$=¥3.66, RMB=¥16.38, WON=¥0.098, MXN=¥5.79

## 7. Interim Review Breakdown of Sales by Region

9

FYE 2017 Interim  
Overseas sales\* ratio: 55.5%

FYE 2018 Interim  
Overseas sales\* ratio: 55.8%



\*Notes: 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 2018**

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## 1. FYE 2018 forecast Consolidated Settlement of Accounts

11

- Although results from the first half were unsteady, the forecast for the year is unchanged.

(Yen, million)

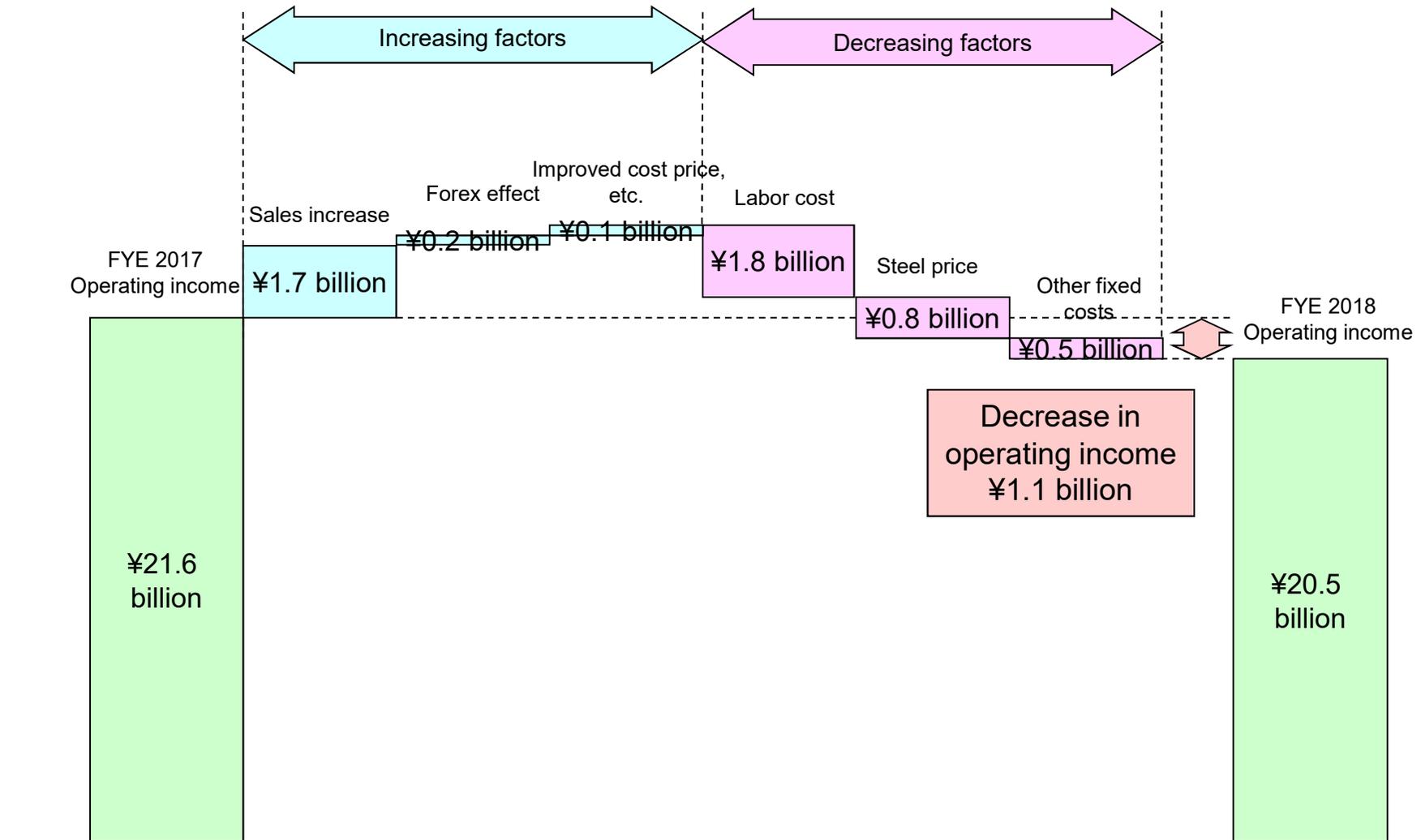
	FYE 2017	FYE 2018			Year on Year
	Full year figure (actual)	First half (actual)	Second half forecast	Full year forecast	Increase/decrease
Net sales	198,762	102,778	102,222	205,000	3.1%
Operating income	21,647	9,500	11,000	20,500	- 5.3%
Operating income margin	10.9%	9.2%	10.8%	10.0%	
Ordinary income	22,004	10,239	10,761	21,000	- 4.6%
Net income owned by parent company shareholders	14,596	6,835	7,665	14,500	- 0.7%
Net income per share (Yen)	78.03 yen	36.11 yen	—	76.61 yen	—
(Exchange rates US\$1)	108.35 yen	111.05 yen	110.00 yen	—	—
(Exchange rates €1)	118.76 yen	126.32 yen	130.00 yen	—	—
Dividends per share (Yen)	24.00*	11.00	12.00	23.00	
Payout per share (Yen)	30.8%	—	—	30.0%	—

\* Includes 2 yen commemorating the 100th anniversary

## 2. FYE 2018 forecast

# Analysis of Factors Consolidated Increasing/Decreasing Operating Income <sup>12</sup>

### ■ FYE 2017 (actual figures) vs. FYE 2018 (forecast)



\* Operating income: Figures have been rounded.

### 3. FYE 2018 forecast Settlement of Accounts by Business Segment

13

- The consolidated settlement of accounts forecasts remains unchanged, but the business forecast has been revised.

(Yen, million)

		FYE 2017	First half (actual)	FYE 2018		Year on Year	Initial Forecast
		Full year figure (actual)		Second half forecast	Full year forecast	Increase /decrease	
Chain Operations	Net sales <sup>*1</sup>	60,600	32,272	31,628	63,900	5.4%	61,500
	Operating income	7,102	3,712	3,268	6,980	- 1.7%	5,910
	Operating income margin	11.7%	11.5%	10.3%	10.9%		9.6%
Power Transmission Units and Components Operations	Net sales <sup>*1</sup>	21,563	11,705	11,495	23,200	7.6%	22,500
	Operating income	2,218	1,301	1,299	2,600	17.2%	2,090
	Operating income margin	10.3%	11.1%	11.3%	11.2%		9.3%
Automotive Parts Operations	Net sales <sup>*1</sup>	75,147	38,535	38,865	77,400	3.0%	77,400
	Operating income	12,385	5,161	5,399	10,560	- 14.7%	11,860
	Operating income margin	16.5%	13.4%	13.9%	13.6%		15.3%
Materials Handling Systems Operations	Net sales <sup>*1</sup>	41,043	20,140	22,360	42,500	3.5%	42,500
	Operating income	706	133	1,447	1,580	123.8%	1,580
	Operating income margin	1.7%	0.7%	6.5%	3.7%		3.7%
Other <sup>*2</sup>	Net sales <sup>*1</sup>	3,001	1,492	1,408	2,900	- 3.4%	3,800
	Operating income	- 1	- 29	49	20	-	80
	Operating income margin	—	- 1.9%	3.5%	0.7%		2.1%

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

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

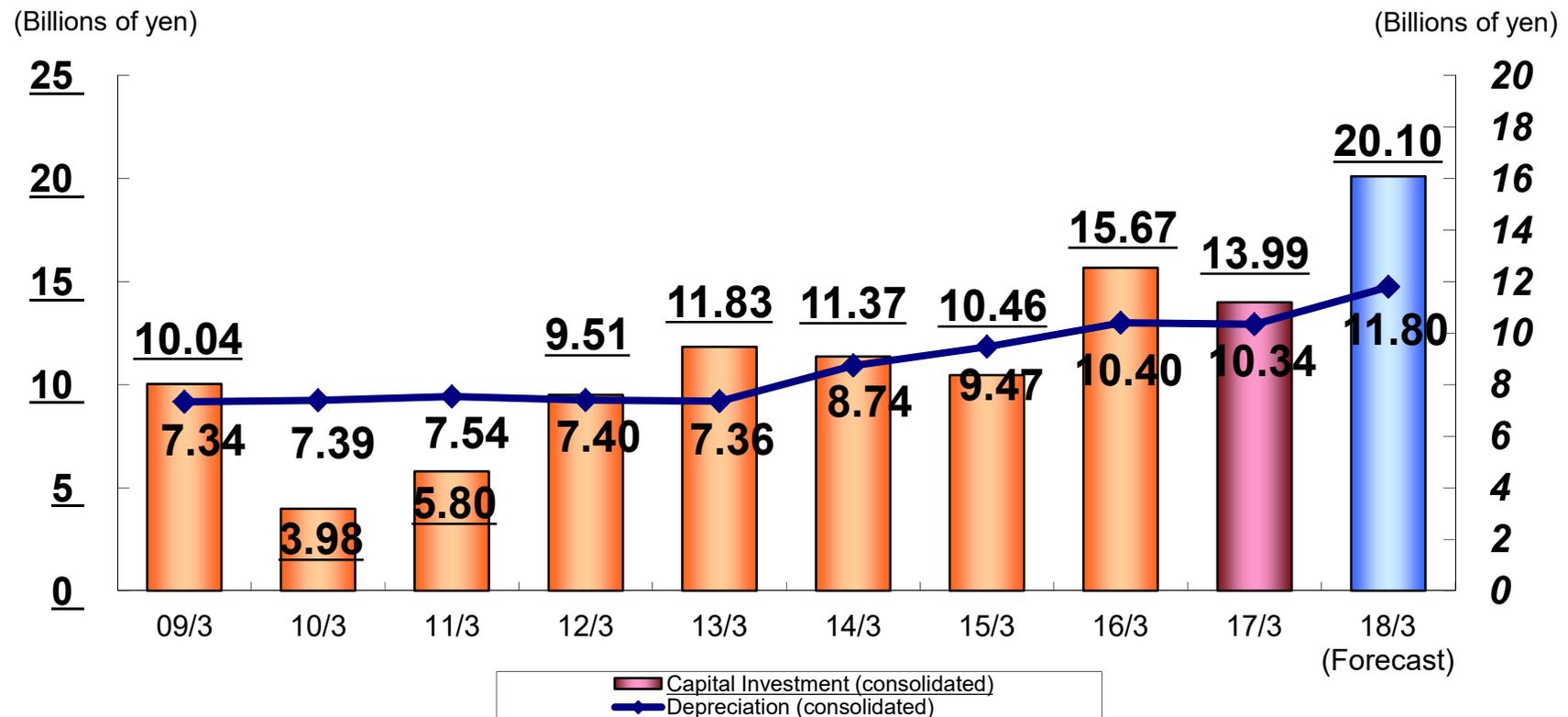
## 4. FYE 2018 forecast Capital Investment and Depreciation

14

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

- (1) Enhancement of the global production system for Automotive Parts Operations  
(Saitama Plant, US and elsewhere)
- (2) Related production facilities for Chain Operations (Kyotanabe Plant, US and elsewhere)

### < Capital investment and depreciation transitions >

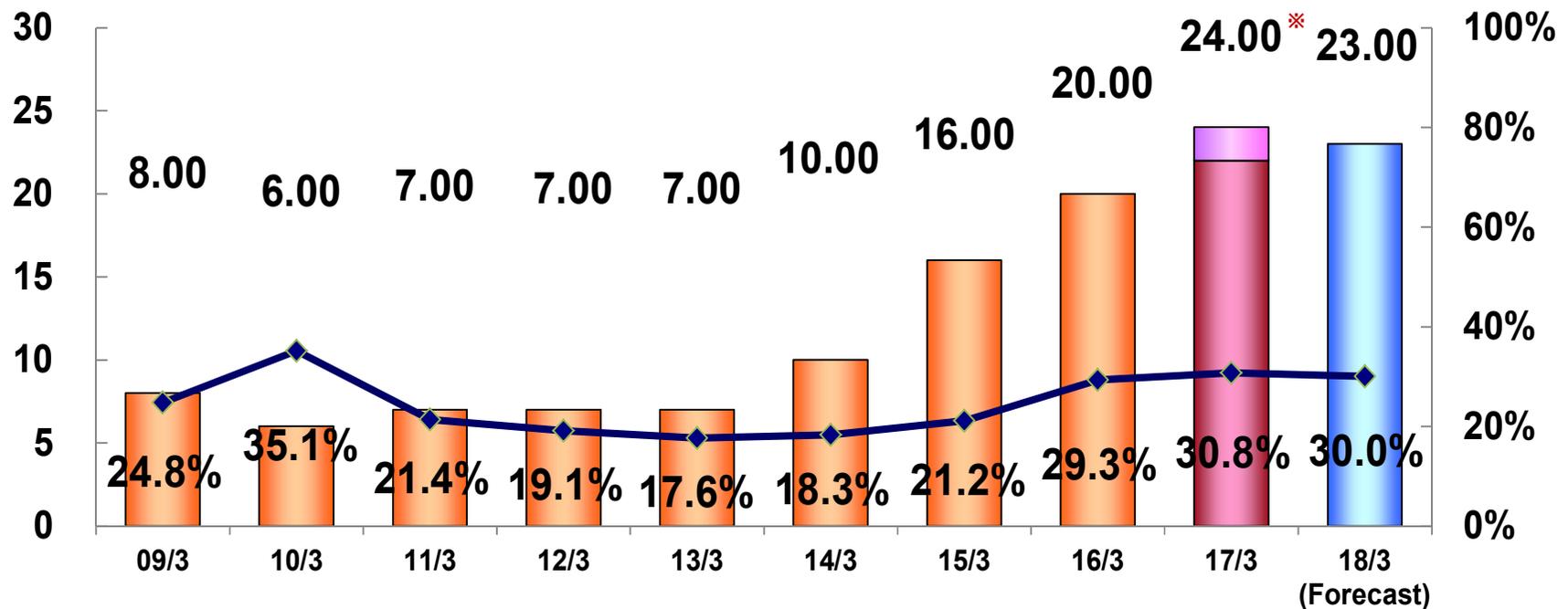


■ Dividend policy

- 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)



※: Includes 2 yen commemorating the 100th anniversary

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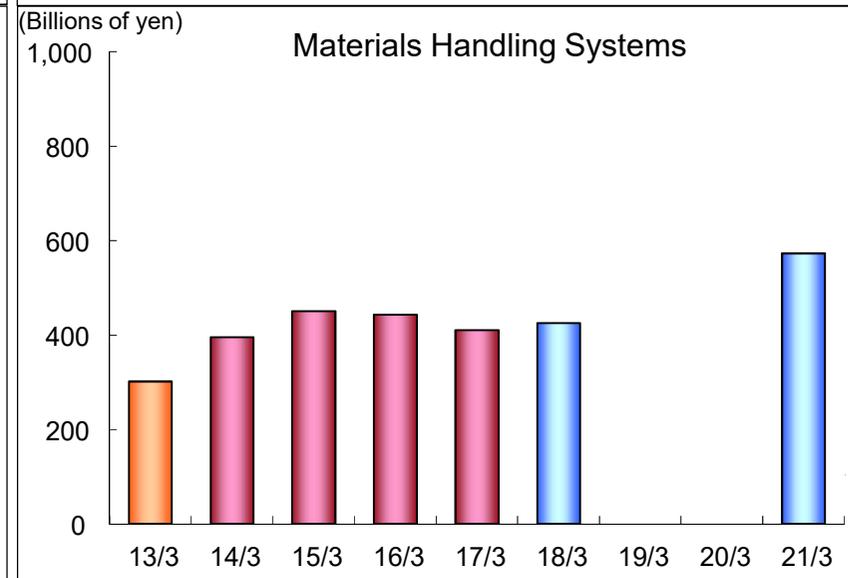
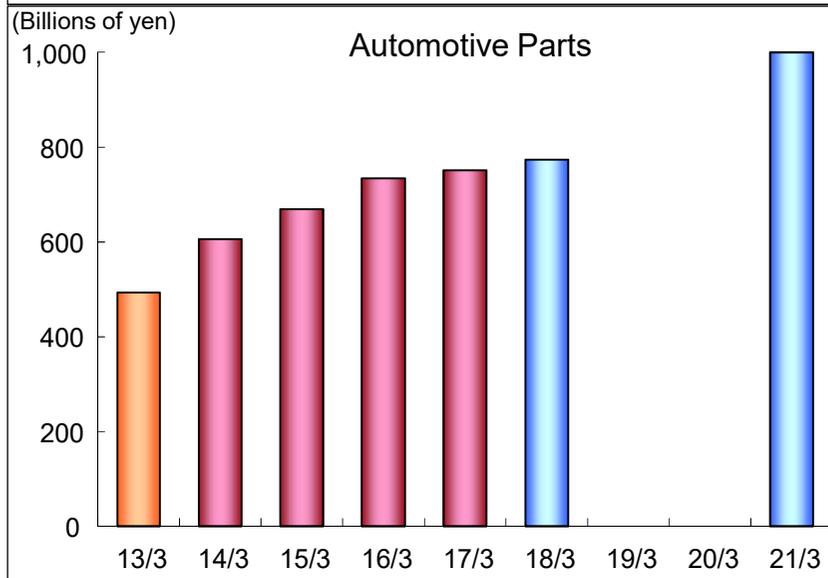
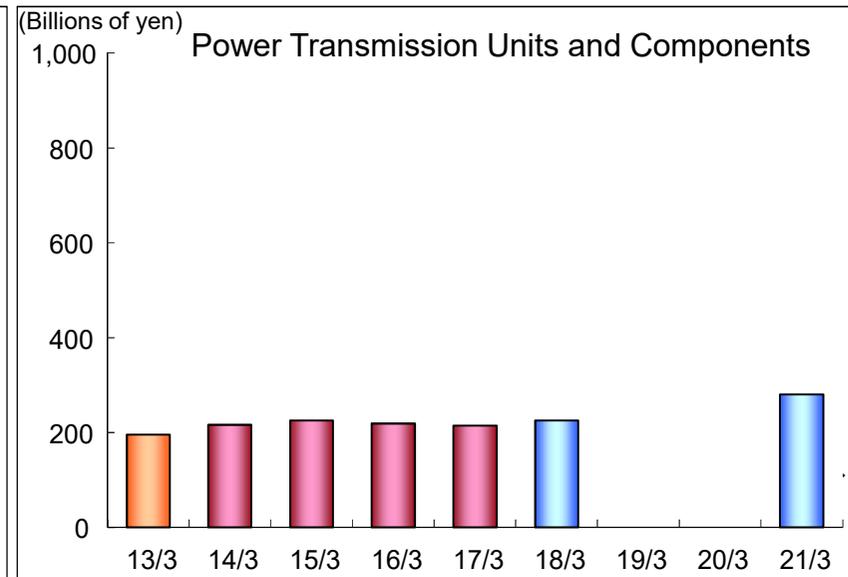
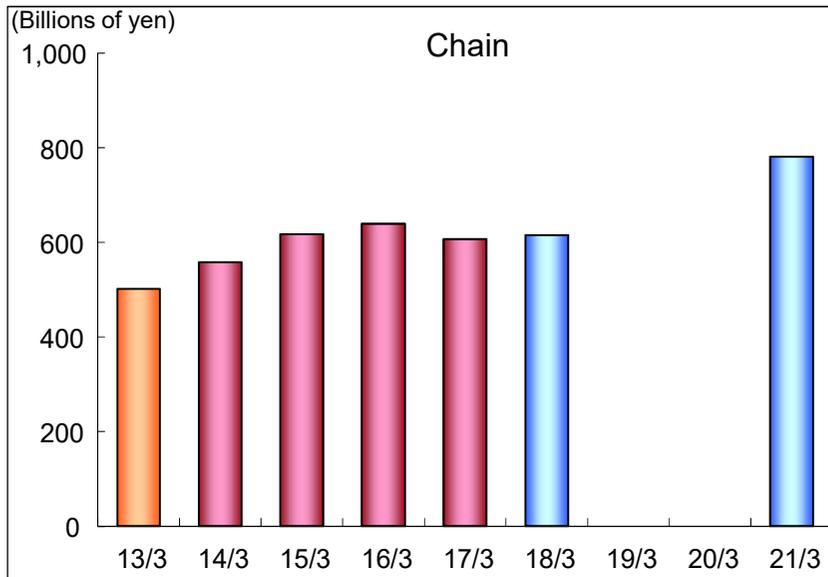
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## Achieving the goals of our Mid-term Management Plan 2020

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# 1. Sales Trends and Growth Rate by Business Group



### ■ Expand business in the European market

#### ① Strengthen the sales structure in Europe

- Restructure the sales structures in individual countries
- Strengthen sales in the Iberian Peninsula  
(through the establishment of a sales company in Spain)

#### ② Expand local production

- Expand small pitch conveyor chain production in Italy

### ■ Utilized manufacturing bases in China

#### ① Expand business in the Chinese market

- Strengthen sales in the automotive and heavy industry markets  
(including unloaders and reclaimers)

#### ② Expand exports with a focus on ASEAN countries

- Expand exports with a main focus on palm oil, rubber gloves, cement, and sugar industries



Conveyor chains

### 3. Power Transmission Units and Components Operations Growth Strategy

- Expand gear reducer market share

- ① Develop new products

- Axia Motor orthogonal shaft gear motor, etc.



Axia Motor

- ② Strengthen price competitiveness

- Reduce costs through improved productivity (via plant restructuring)

- Strengthen control technology

- Develop new products that include IoT capabilities



Shock Monitor

- Strengthen competitiveness of cam clutches

- Strengthen competitiveness of motorcycle star clutches and cam clutches for overseas markets



Cam Clutch

Speedy execution

Absorption of Tsubaki E&M

### ■ Expand sales in European and Chinese markets

#### ① European market

Promote development of new products to meet customer needs

#### ② Chinese market

- Strengthen price competitiveness by utilizing the Tianjin plant
- Japanese manufacturers: Secure market share
- Western manufacturers: Localize projects for home countries
- Chinese manufacturers: Meet needs of target customers

### ■ Strengthen non-timing-chain business

#### ① Power transmissions for powertrains

#### ② Electric device operation, etc.



Power drive chains

### ■ Global market trends

- America: **ZEV** (Zero Emission Vehicle) **regulations**

Automobile manufacturers in California selling more than a certain number of vehicles must offer **ZEV** models for a specific percentage of sales volumes

- China: **NEV** (New Energy Vehicle) **regulations**

Scheduled introduction (18% by 2019, 20% by 2020) of China's version of the ZEV

- Europe: **Prohibition on sales of internal combustion engines**

Germany → Passed by parliament (2030 implementation)

France, UK → Announced (2040 implementation)

Netherlands → Bill under revision (2025 implementation)

- India: EV versions only of domestically sold vehicles (2030)

■ EV types

**BEV** = Battery Electric Vehicle

**PHEV** = Plug-In Hybrid Electric Vehicle

**HEV** = Hybrid Electric Vehicle

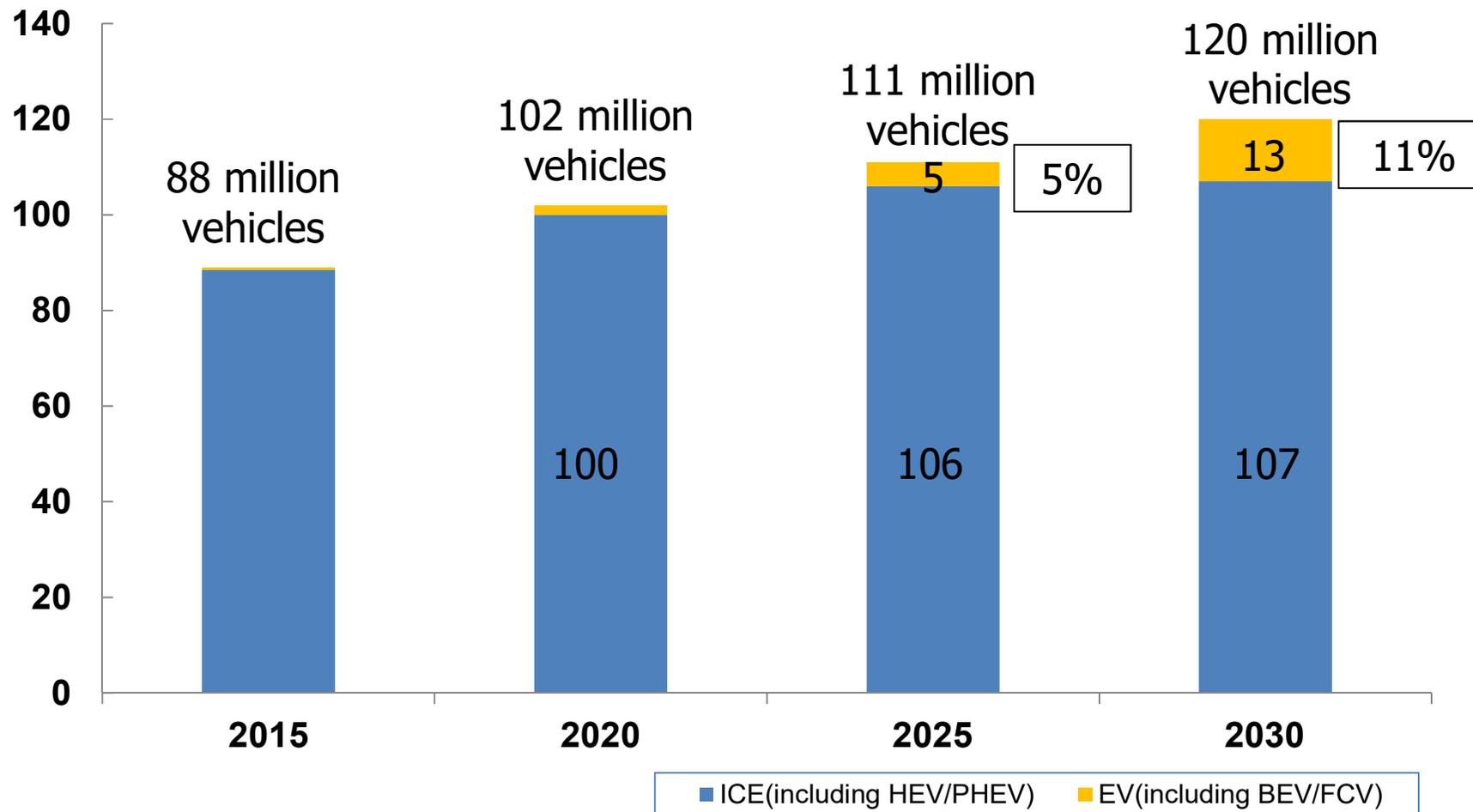


	BEV	PHEV	HEV	Notes
USA	○	○	×	Changes to range expected in 2018
China	○	○	×	Introduction expected in 2019
Germany	○	○	○	
France	○	○	○	
UK	○	○	○	
Netherlands	○	×	×	Will PHEVs actually be available?
Norway	○	×	×	
India	○	○	○	

## ■ Market forecast (Internal combustion engines vs EV)

As of January 2017

(Million vehicles)



※ ICE = Internal Combustion Engine

Source : IHS Automotive / Fuji Keizai

### ■ Promote development of new products

① High-speed automatic sorting machine for distribution industry  
LiniSort™ S-C



LiniSort™ S-C

② Transport equipment for automobile manufacturing lines  
SYMTRACK, etc.



SYMTRACK

### ■ Utilize manufacturing bases throughout the world

① Construction of new materials handling plant (Saitama)  
Strengthen promotion efforts and manufacturing by utilizing  
“fascinating factory”

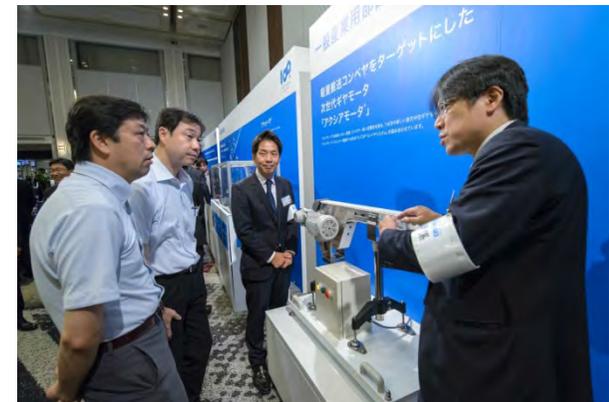
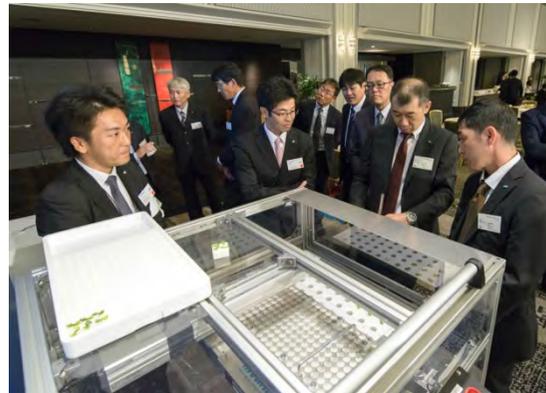
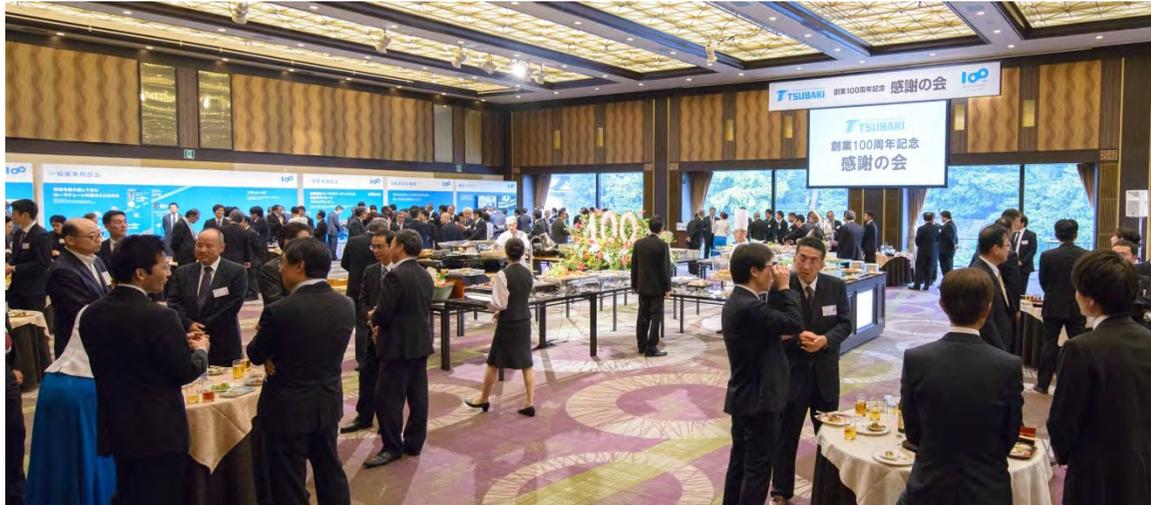
② Utilize plant in Indonesia  
▪ Manufacturing of chip conveyors / bulk conveyors  
▪ Collaboration with other companies



Indonesia Plant

- Customer appreciation events held in Tokyo, Nagoya, and Osaka

Emphasizing Tsubaki's history, four business areas and new business areas, and Tsubaki's overall strengths



■ Company PR activities (advertisements, signage)

Appealing to manufacturers about evolutions in the “art of moving”

Two-Time Award-Winning Designs

2017 Japan Industry Advertising Award  
66th Nikkei Advertising Award

世界を、未来を、動かせ。

これまでの100年に感謝を込めて。つぎの100年も、変革とチャレンジを。

Innovation in Motion  
**TSUBAKI 100**  
株式会社 橋本チエイン  
ANNIVERSARY since 1917

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を、動かせ。

大原 亨

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最先端の医療研究  
を、動かせ。

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バイオマス発電所  
を、動かせ。

TSUBAKI 100  
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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.