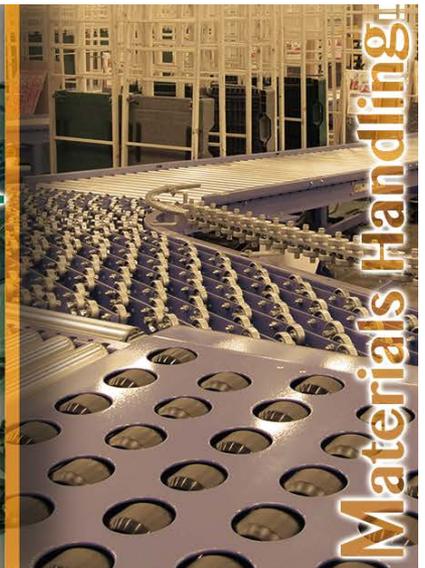
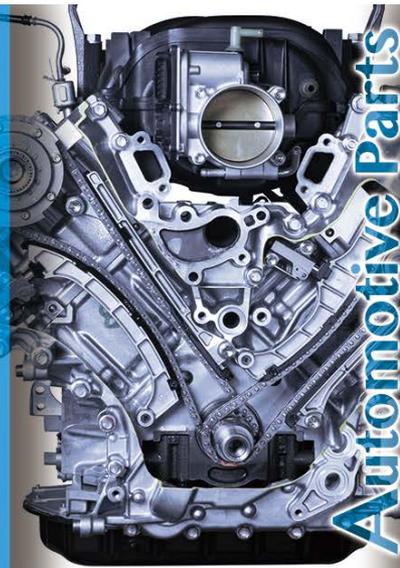
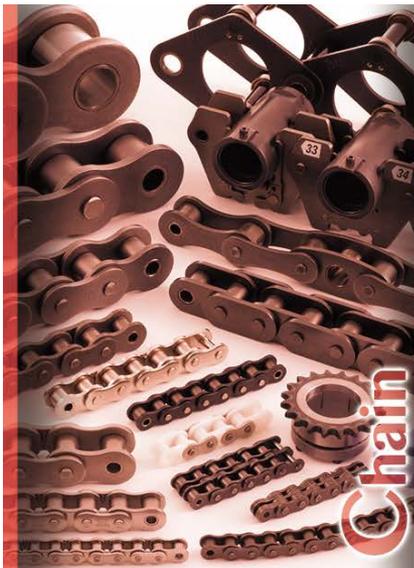


# Tsubakimoto Chain Co. FYE 2018 Settlement of Accounts Presentation Meeting



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# FYE 2018 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.)

## Highlights of Consolidated Settlement of Accounts

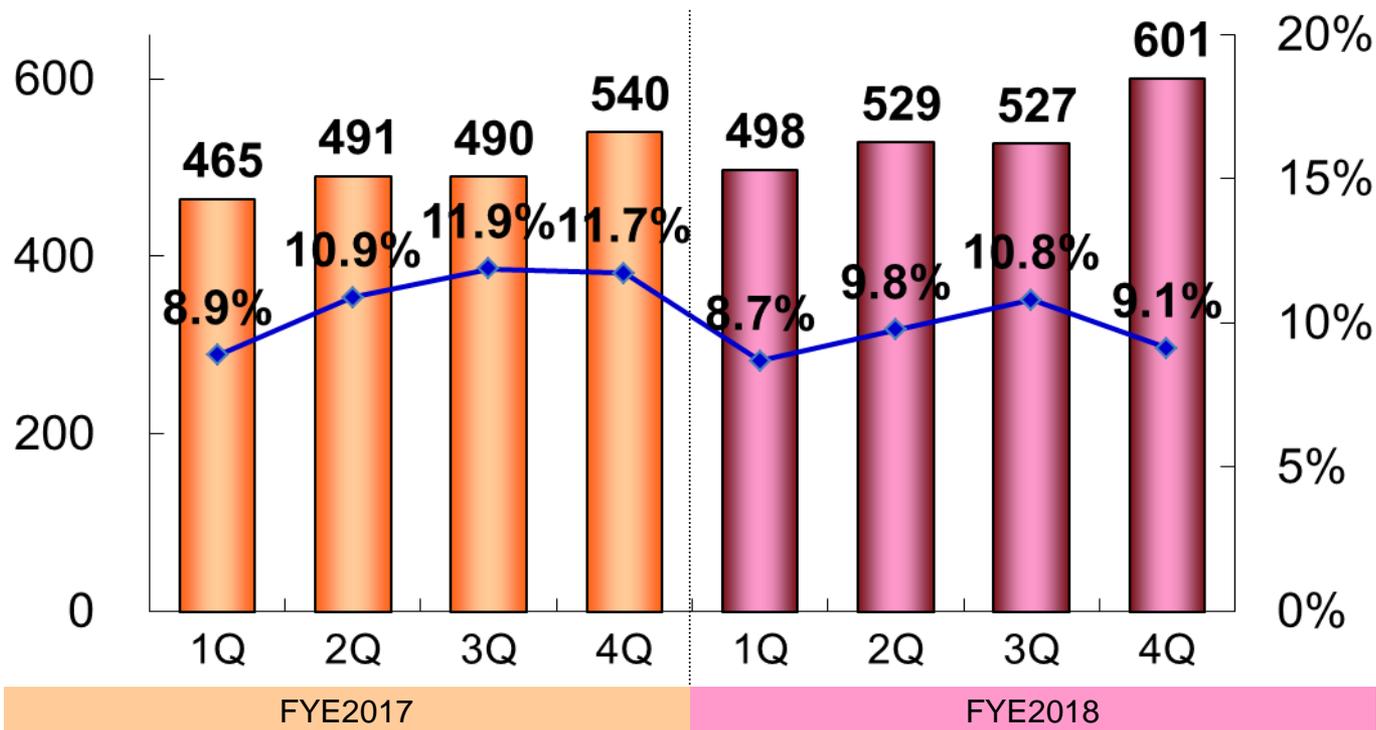
- While sales increased by 8.5% measured against the preceding fiscal period, operating income declined 4.4% due to prior investment burden, increased depreciation expenses, and increased steel prices.

(Yen, millions)					
	FYE 2016	FYE 2017	Comparison with previous term	Budgeted Amount (May. 8, 2015)	
	Full year figure (actual)	Full year figure (actual)	Increase/decrease	Budget	Increase/decrease
Net sales	198,762	215,716	8.5%	205,000	5.2%
Operating income	21,647	20,694	-4.4%	20,500	1.0%
Operating income margin	10.9%	9.6%		10.0%	
Ordinary income	22,004	21,743	-1.2%	21,000	3.5%
Net income	14,596	14,666	0.5%	14,500	1.1%
Net income per share (Yen)	78.03 yen	77.49 yen	—	76.61	—
(Exchange rates 1 US\$)	108.35 yen	110.86 yen	—	—	—
(Exchange rates 1 EURO)	118.76 yen	129.66 yen	—	—	—
Shareholders' equity ratio	57.1%	58.7%	Equity capital/total assets		
Return on equity (ROE)	9.9%	9.2%	Net income/Average return on equity during term		
Net D/E ratio	0.00	-0.03	(Interest-bearing debt - Cash equivalent)/(Capital adequacy)		

# Trend in Quarterly Consolidated Settlement of Accounts

## ◆ Trends in net sales and operating income margin (consolidated)

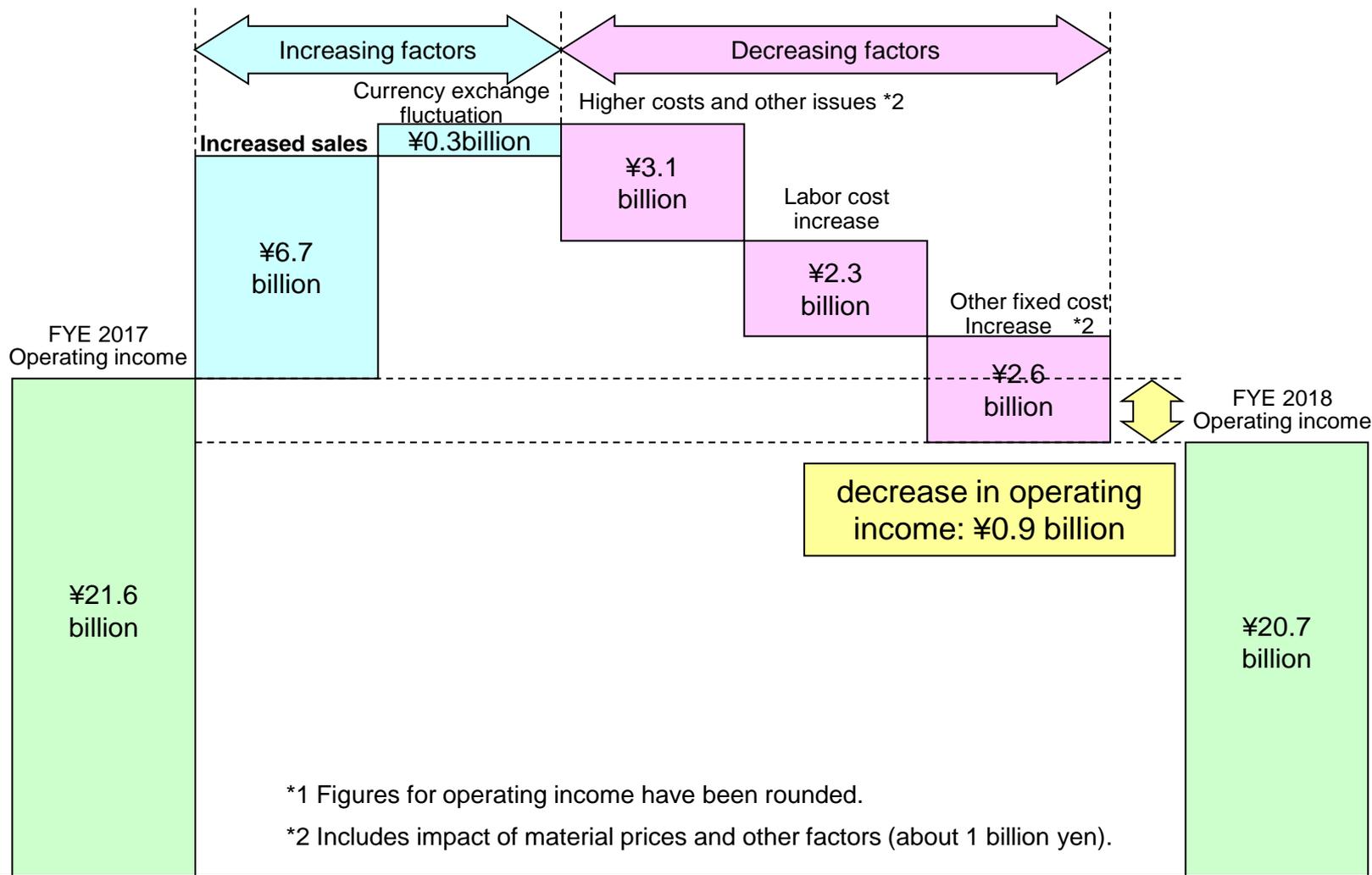
(Yen, 100 million)



Major exchange rates	FYE2017	FYE2018
US\$	¥108.35	¥110.86
Euro	¥118.76	¥129.66

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

◆ FYE 2017 (actual figures) vs. FYE 2018 (actual figures)



## 4. FYE 2018 Review Breakdown by Segment and Operations

- The Chain segment and Power Transmission Units and Components segment posted increased income and profit. The Materials Handling Systems segment declined due to a slump in subsidiaries outside Japan.

		(Yen, millions)				
		FYE 2017	FYE 2018	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>	60,600	67,338	11.1%	63,900	5.4%
	Operating income	7,102	8,502	19.7%	6,980	21.8%
	Operating income margin	11.7%	12.6%		10.9%	
Power Transmission Units and Components Operations	Net sales <sup>*1</sup>	21,563	24,156	12.0%	23,200	4.1%
	Operating income	2,218	3,060	37.9%	2,600	17.6%
	Operating income margin	10.3%	12.7%		11.2%	
Automotive Parts Operations	Net sales <sup>*1</sup>	75,147	79,545	5.9%	77,400	2.8%
	Operating income	12,385	10,258	- 17.2%	10,560	- 2.9%
	Operating income margin	16.5%	12.9%		13.6%	
Materials Handling Systems Operations	Net sales <sup>*1</sup>	41,043	44,187	7.7%	42,500	4.0%
	Operating income	706	416	- 41.0%	1,580	- 73.7%
	Operating income margin	1.7%	0.9%		3.7%	
Other <sup>*2</sup>	Net sales <sup>*1</sup>	3,001	3,331	11.0%	2,900	14.9%
	Operating income	-1	-41	—	20	—
	Operating income margin	—	—		0.7%	

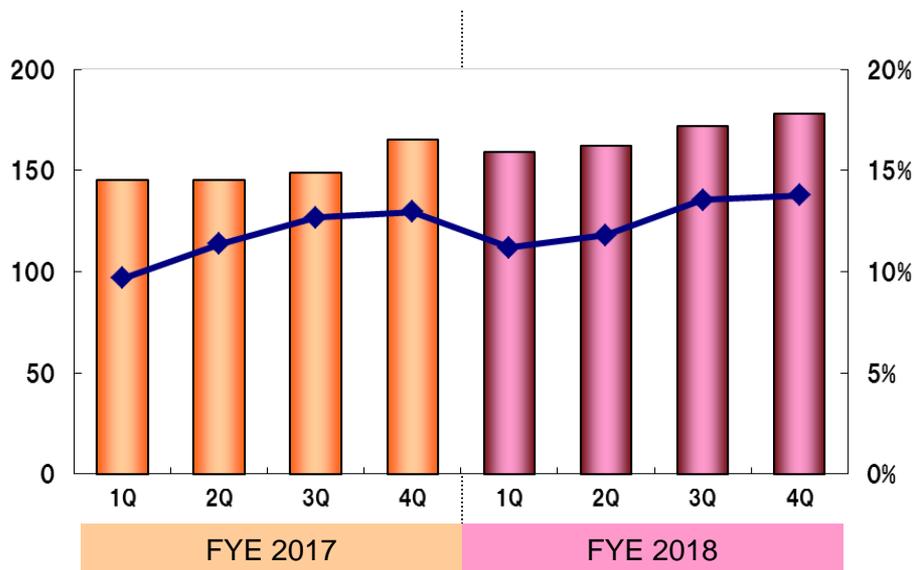
\*1: Sales figures include internal sales and transfers between segments.

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

◆ Trends in sales and operating income margin

● Chain Operations

(Yen,100 million)



Sales by region

- The Japanese market, the main driver of earnings, has been performing well.
- The Americas have remained steady, especially in terms of chains for power transmission applications.
- Europe also performed well.
- China posted increased income and a declining deficit compared with the preceding fiscal period.
- The Indian Ocean Rim has remained flat.

● Power Transmission Units and Components Operations

(Yen,100 million)



Sales by region

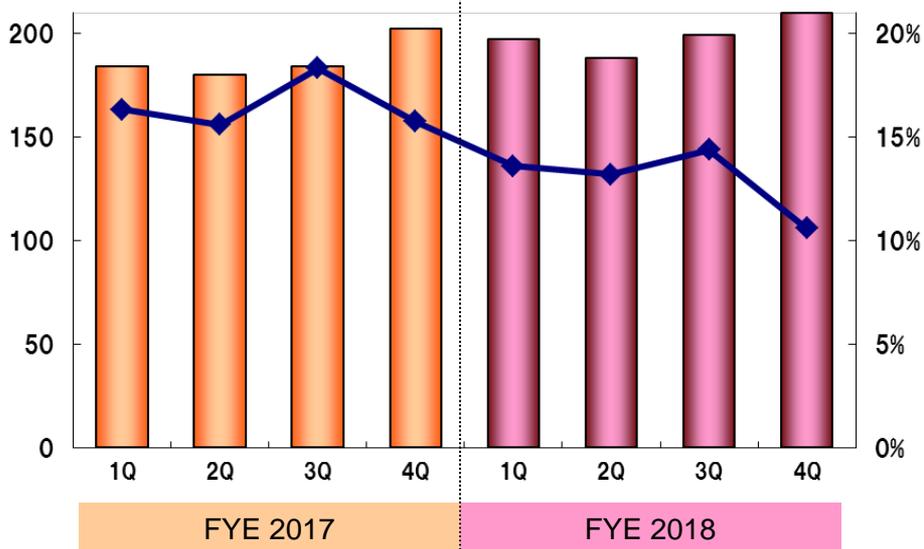
- Japan has remained generally steady. Profit increased significantly as a result of higher income and the effect of plant restructuring.
- Subsidiaries in Shanghai and elsewhere in China are doing well. The Tianjin subsidiary is also on track for recovery.

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

◆ Trends in sales and operating income margin

● Automotive Parts Operations

(Yen, 100 million)

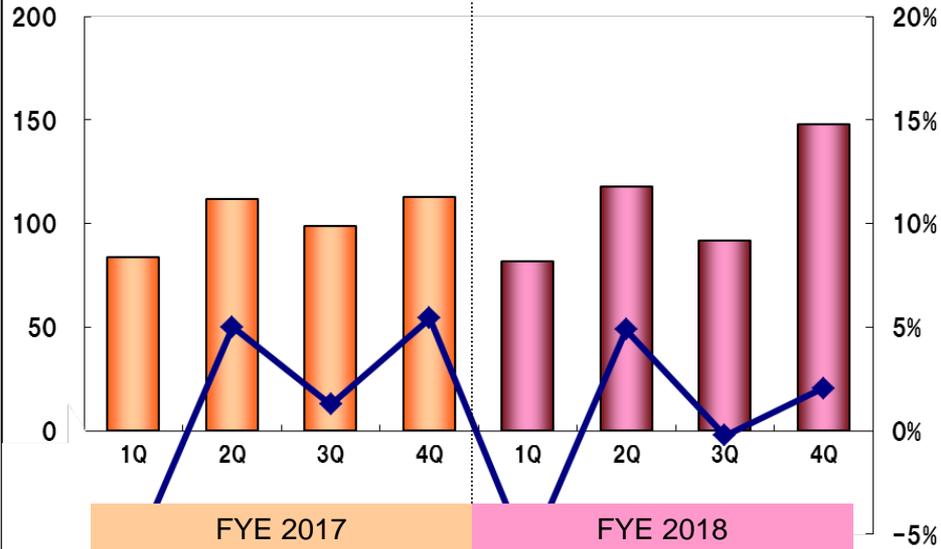


Sales by region

- In Japan, production destined for subsidiaries outside Japan was strong. Sales in Japan declined, however, resulting in a decrease in income and profits.
- Subsidiaries in Europe, Thailand, China, South Korea and Mexico maintained their strong performance.
- In the US, sales declined due to the market resurgence of large vehicles, resulting in a decrease in deliveries of our products.

● Materials Handling Systems Operations

(Yen, 100 million)



Sales by industry

- In Japan, sales of systems to the distribution industry and auto industry as well as sales of bulk conveyors and other products were strong, contributing to increased income and profits.
- Conveyors for machine tools faced difficult markets in Europe and the US, leading to decreased income and profits.

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

## 6. FYE 2018 Review Segment by Region

		(Yen, millions)		
		FYE 2017	FYE 2018	Comparison with previous term
		Full year figure (actual)	Full year figure (actual)	Increase/decrease
America	Net sales <sup>*</sup>	50,830	52,862	4%
	Operating income	4,853	3,034	-38%
	Operating income margin	9.5%	5.7%	
Europe	Net sales <sup>*</sup>	23,181	25,620	11%
	Operating income	687	204	-70%
	Operating income margin	3.0%	0.8%	
Indian Ocean Rim	Net sales <sup>*</sup>	12,763	14,850	16%
	Operating income	1,744	2,138	23%
	Operating income margin	13.7%	14.4%	
China	Net sales <sup>*</sup>	18,186	22,251	22%
	Operating income	925	864	-7%
	Operating income margin	5.1%	3.9%	
South Korea, Taiwan	Net sales <sup>*</sup>	8,378	9,684	16%
	Operating income	273	471	72%
	Operating income margin	3.3%	4.9%	
Japan	Net sales <sup>*</sup>	117,795	125,380	6%
	Operating income	11,351	12,203	8%
	Operating income margin	9.6%	9.7%	

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

<Actual exchange rate>

FYE 2017: US\$=¥108.35, EUR=¥118.76, Can\$=¥82.51, A\$=¥81.55, THB=¥3.08, NT\$=¥3.41, RMB=¥16.35, WON=¥0.094, MXN=¥5.83

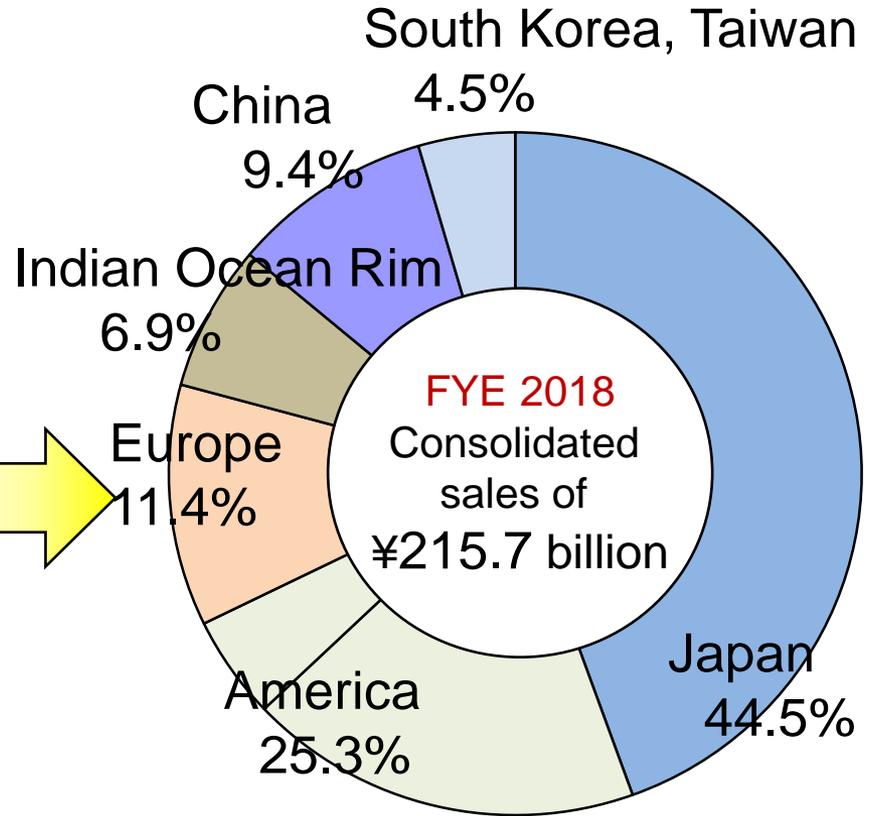
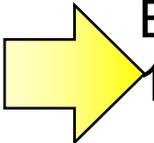
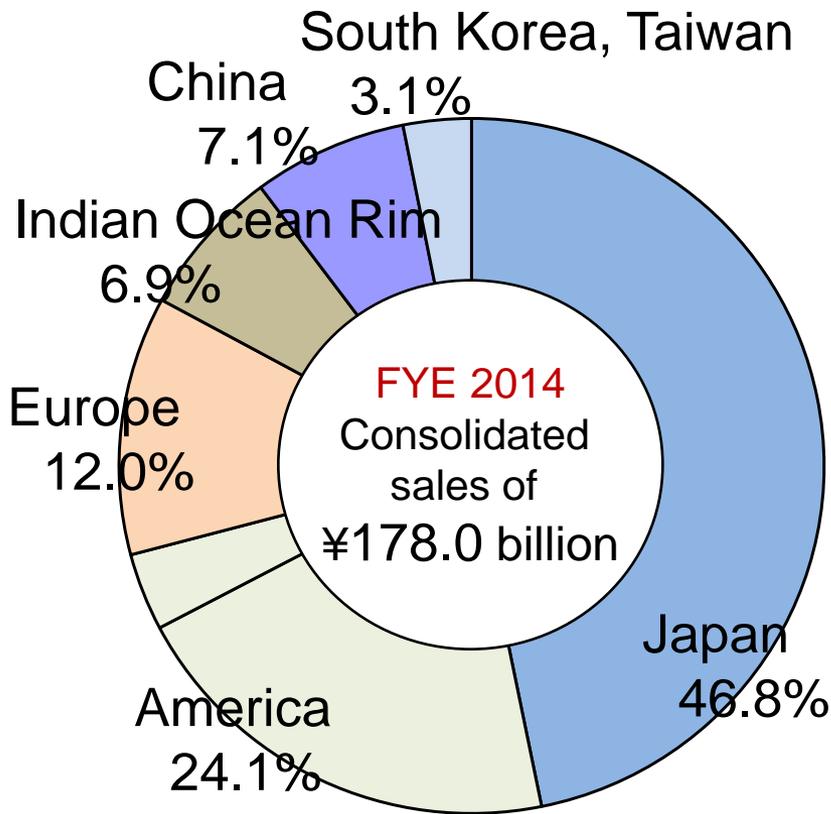
FYE 2018: US\$=¥110.86, EUR=¥129.66, Can\$=¥86.43, A\$=¥85.78, THB=¥3.31, NT\$=¥3.69, RMB=¥16.62, WON=¥0.10, MXN=¥5.94

# 7. FYE 2018 Review

## Breakdown of Sales by Region

FYE 2014  
International sales\* ratio : 53.2%

FYE 2018  
International sales\* ratio : 55.5%



\* 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 2019**

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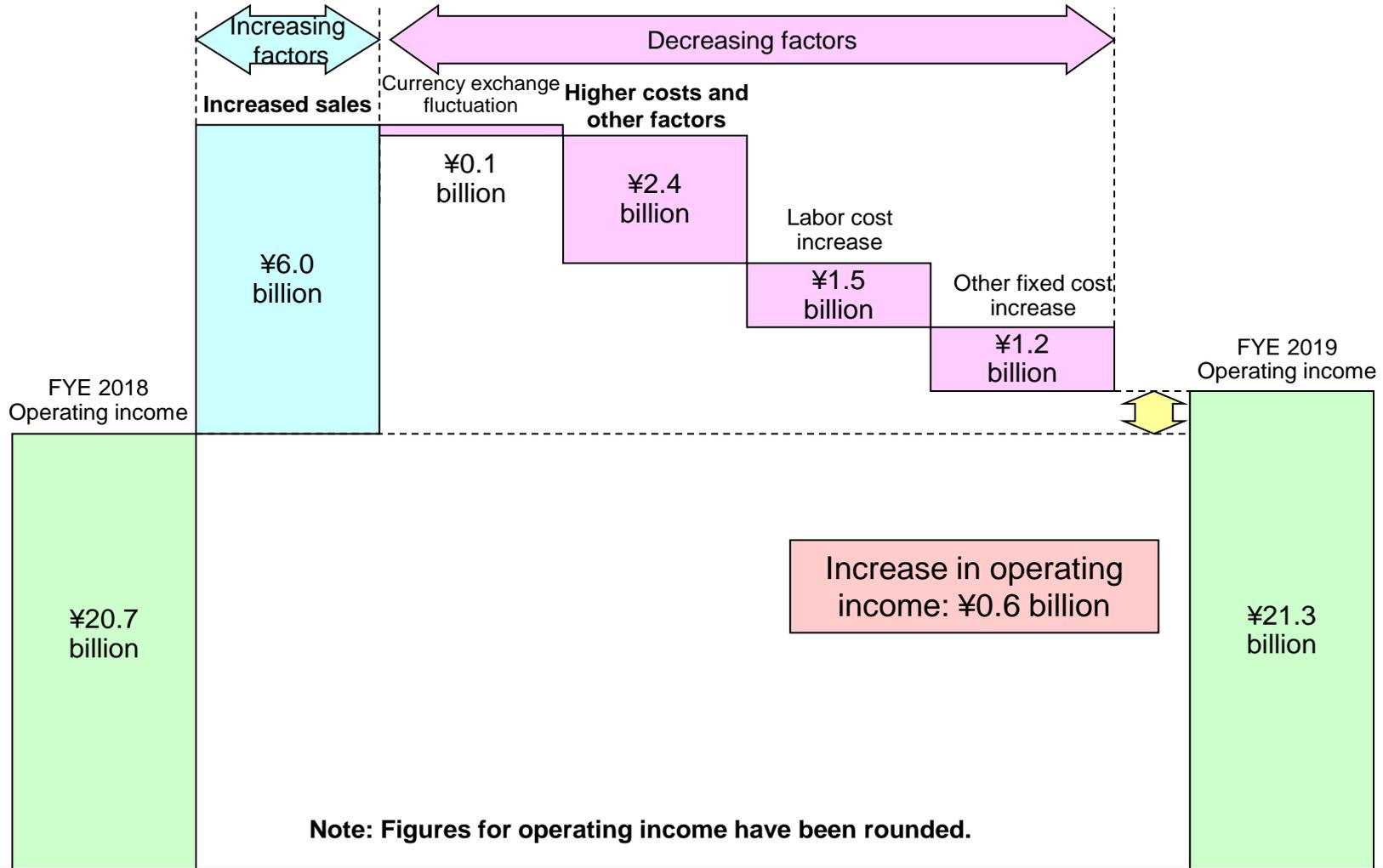
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## Consolidated Settlement of Accounts

- As a result of increased depreciation and amortization costs and other factors, sales grew 4.3% and operating profit is expected to increase by 2.9%.

	(Yen, millions)				
	FYE 2018	FYE 2019			Comparison with previous term
	Full year figure (actual)	First half forecast	Second half forecast	Full year forecast	Increase/decrease
Net sales	215,716	110,000	115,000	225,000	4.3%
Operating income	20,694	10,000	11,300	21,300	2.9%
Operating income margin	9.6%	9.1%	9.8%	9.5%	0.0%
Ordinary income	21,743	10,400	11,400	21,800	0.3%
Net income	14,666	7,500	7,600	15,100	3.0%
Net income per share	77.49 yen	-	-	79.78 yen	—
(Exchange rates 1 US\$)	110.86 yen	-	-	105 yen	—
(Exchange rates 1 EURO)	129.66 yen	-	-	130 yen	—

◆ FYE 2018 (actual figures) vs. FYE 2019 (forecasts)



## Settlement of Accounts by Business Segment

- A decline of 10.6% is forecast for auto parts as a result of ongoing investment in increased production.

		FYE 2018 Full year figure (actual)	FYE 2019			(Yen, millions)
			First half forecast	Second half forecast	Full year forecast	Comparison with previous term Increase/decrease
Chain Operations	Net sales <sup>*1</sup>	67,338	34,300	34,800	69,100	2.6%
	Operating income	8,502	4,160	4,350	8,510	0.1%
	Operating income margin	12.6%	12.1%	12.5%	12.3%	
Power Transmission Units and Components Operations	Net sales <sup>*1</sup>	24,156	12,600	13,000	25,600	6.0%
	Operating income	3,060	1,400	1,470	2,870	- 6.2%
	Operating income margin	12.7%	11.1%	11.3%	11.2%	
Automotive Parts Operations	Net sales <sup>*1</sup>	79,545	41,500	42,200	83,700	5.2%
	Operating income	10,258	4,530	4,640	9,170	- 10.6%
	Operating income margin	12.9%	10.9%	11.0%	11.0%	
Materials Handling Systems Operations	Net sales <sup>*1</sup>	44,187	21,700	24,600	46,300	4.8%
	Operating income	416	780	1,400	2,180	424.0%
	Operating income margin	0.9%	3.6%	5.7%	4.7%	
Other <sup>*2</sup>	Net sales <sup>*1</sup>	3,331	1,700	1,700	3,400	2.1%
	Operating income	-41	30	40	70	-
	Operating income margin	—	1.8%	2.4%	2.1%	

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

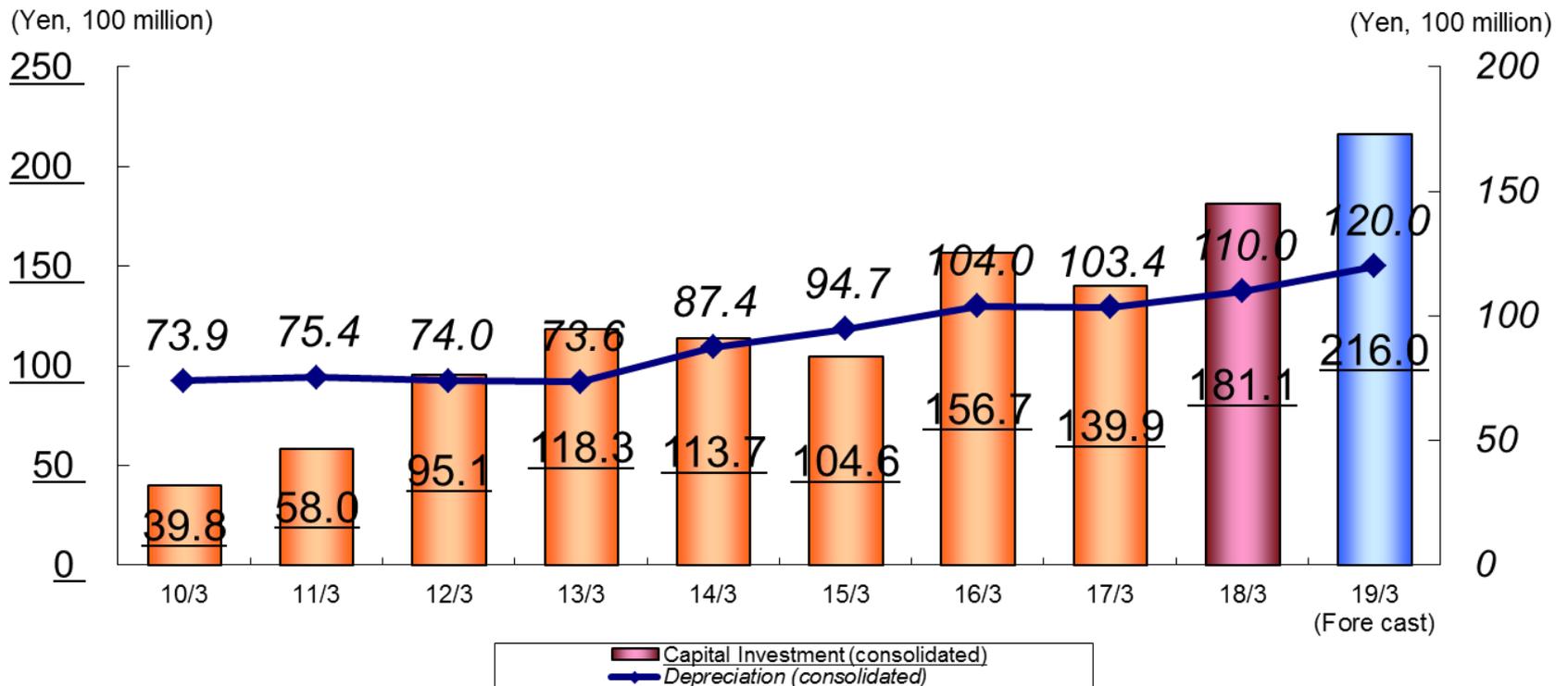
\*2: "Other" is not a reportable segment.

## 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, US and elsewhere)
- (2) Construction of related production facilities for Chain Operations (Kyotanabe Plant, US and elsewhere)

### Capital investment and depreciation transitions

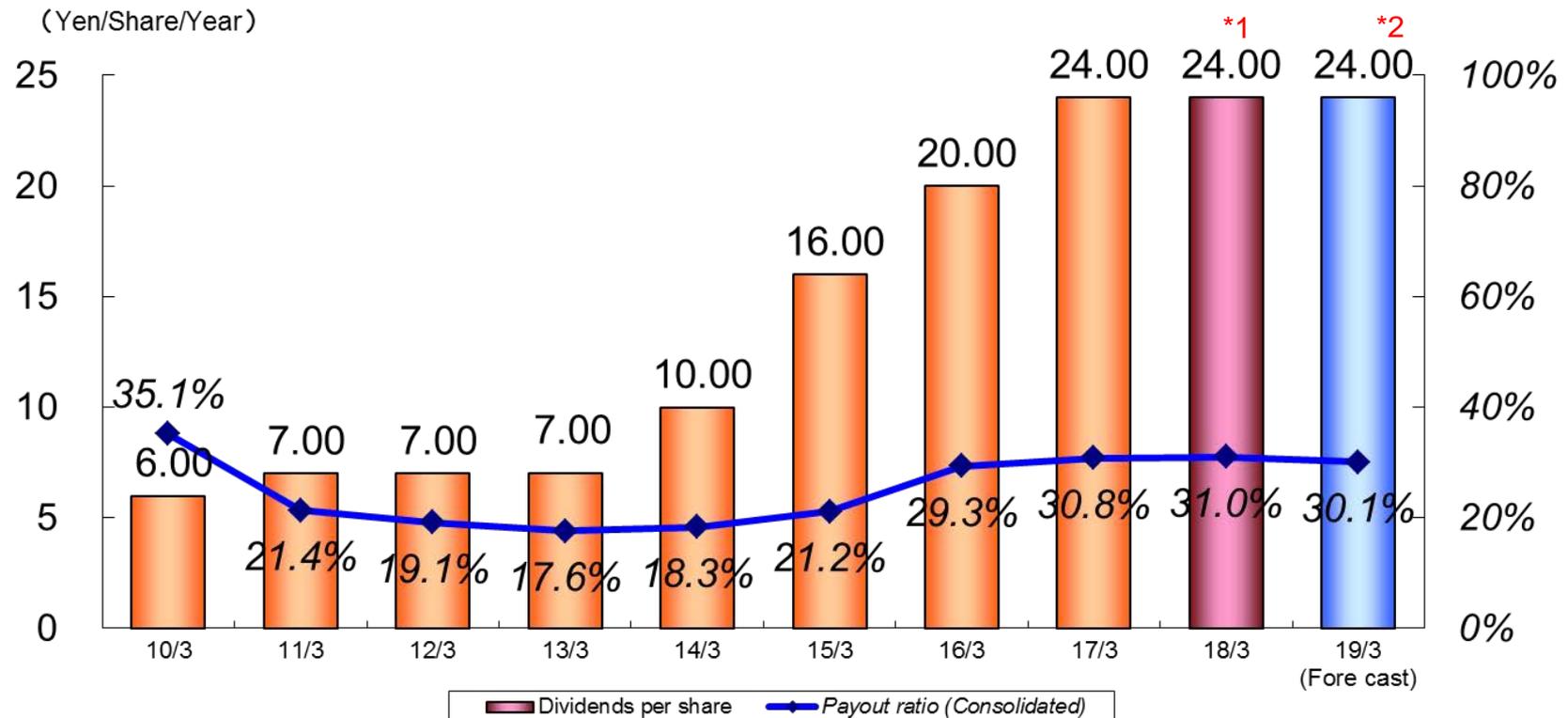


## Return to stockholders

## ◆ 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. For the fiscal year ended March 31, 2018, we increased the dividend by 1 yen.

## Trend in dividend per share



\*1 Includes the special dividend (2 yen/share) marking the company's centennial. \*2 The stock consolidation coming into force on October 1 is excluded.

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

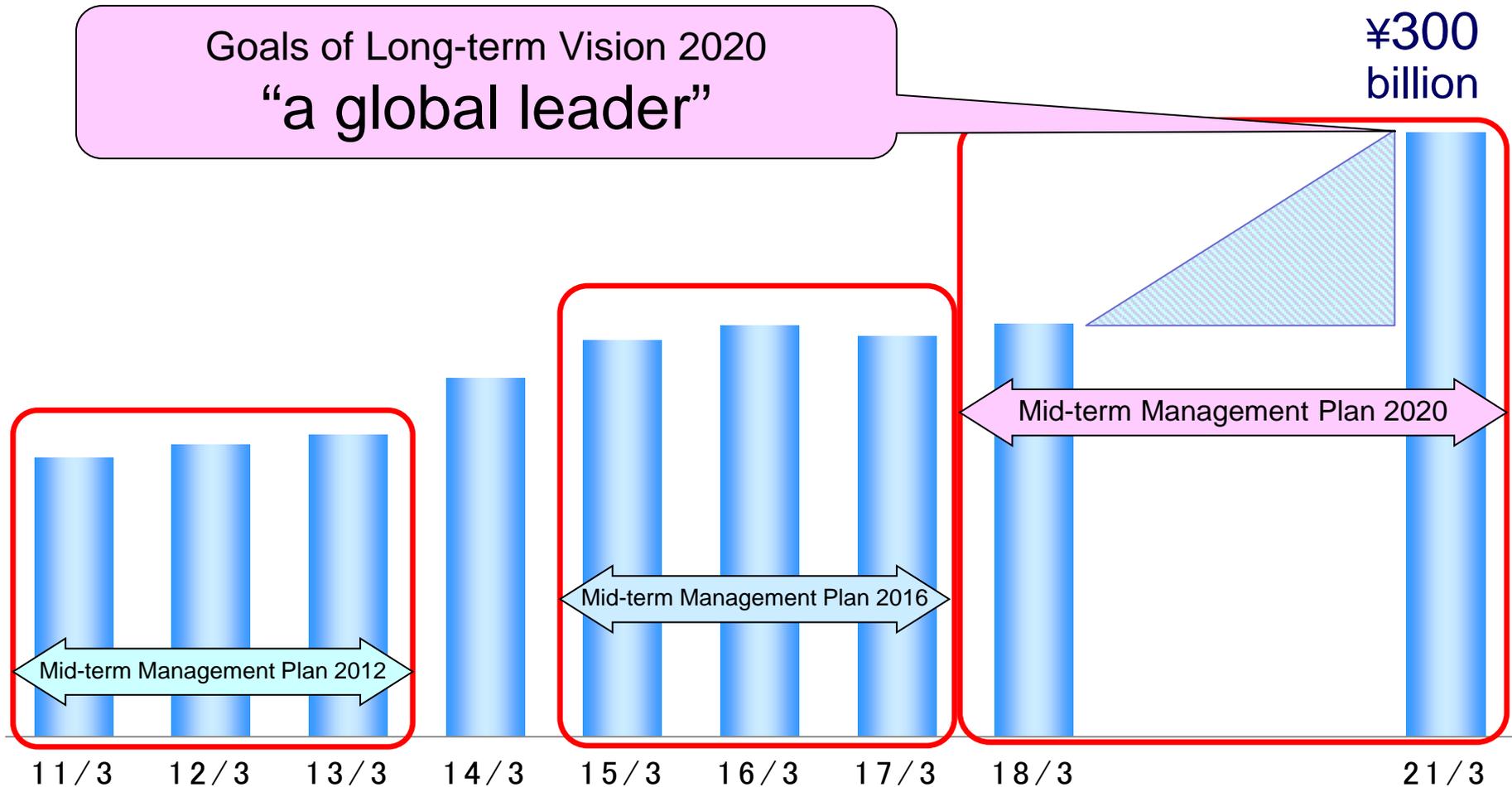
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- (1) Convert our corporate culture to a market-focused approach
  - (2) Exercise comprehensive strengths of Group
  - (3) Achieve our objectives for 2020, “The way it should be”

## ◆ Mid-term Management Plan 2020

⇒ Execution plan for achieving our Long-term Vision 2020



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# Results for the Fiscal Year Ended March 31, 2018

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## Explanatory points

### By business segment

- Chain Operations
- Power Transmission Units and Components Operations
- Automotive Parts Operations
- Materials Handling Systems Operations

### By subject

- New products, marketing
- Manufacturing, profitability



### New Products & Marketing

- (1) Sales of G8 Series standard roller chain outside Japan
- (2) Introduction of Smart Conveyor Chain®  
(Heavy-duty Conveyor Chain: June 2017,  
Corrosion Resistant Conveyor Chain: October 2017)
- (3) Increase in model selection of Lambda Chain  
(April 2017)
- (4) Growth in Cableveyor® (power sliding door: PSD) {2}



Smart Conveyor Chain

### Manufacturing & Profitability

- MIK 2018 Reform Activities, Reform of Production Flow
- October 2017–January 2018, Productivity increased by 118% compared with FY 2013  
⇒ Continued follow-up through reform of overall flow  
aiming for further improvements in productivity



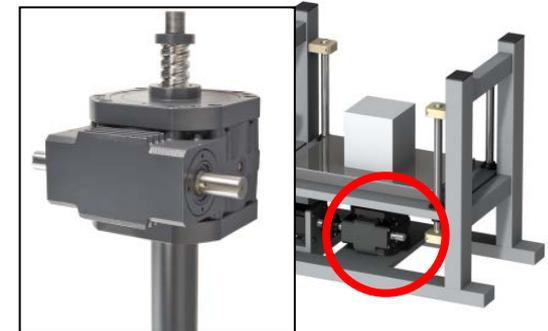
Lambda Chain

## New Products & Marketing

- (1) U Series Power Cylinder<sup>®</sup> released (June 2017)
- (2) Shock Monitor<sup>®</sup> for tool breakage introduced  
(October 2017)
- (3) LiniSpeed Jack<sup>™</sup> introduced  
(January 2018)
- (4) Expanded sales of clutches for use  
in motorcycle starters



U Series Power Cylinder



LiniSpeed Jack

## Manufacturing & Profitability

- (1) Improved productivity through restructuring of plants in Japan
- (2) Introduction of SKD\* gear reducers for Cam Clutches and Chip C/V  
outside Japan

\*SKD: Semi Knock Down

## New Products & Marketing

- (1) Thick plate silent chain
- (2) FB Series silent chain for construction
- (3) Sprocket with rubber cushion
- (4) Increased sales to auto makers outside Japan



Thick plate silent chain



FB Series silent chain for construction

## Manufacturing & Profitability

- Enhancing the global production system
  - Hyogo Plant: Start of operation (October 1, 2017)
  - Czech Republic: Opening Ceremony (October 18, 2017)
  - Chicopee: Plant constructed (February 2018)
  - Tianjin: Groundbreaking for Building No. 1 of first plant (June 2017)
  - Tennessee: Land acquired for new plant (August 2017)



Plant in Czech Republic

## New Products & Marketing

(1) Improved LiniSort® S-C

(2) Improved SymTrack®

(3) LaboStocker® 150 M

- Investment in one-stop bioresource project company (March 5, 2018)



LiniSort S-C



SymTrack

## Manufacturing & Profitability

(1) Construction of new plant (Opening ceremony held on May 28, 2018; operation started in June)

(2) Reduction in planned sales ratio

(3) Utilization of Indonesia Plant

- Manufacture of bulk conveyors & chip conveyors



Indonesia Plant

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# Issues for the Fiscal Year Ending March 31, 2019

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## ◎ Aim

### (1) To strengthen governance

- To clarify management responsibilities (for directors) and business execution responsibilities (for executive officers)

## ◎ Main Points

### (1) Establish new businesses

- Oversee the four current divisions and Group companies inside and outside Japan

### (2) Establish new Headquarters Division

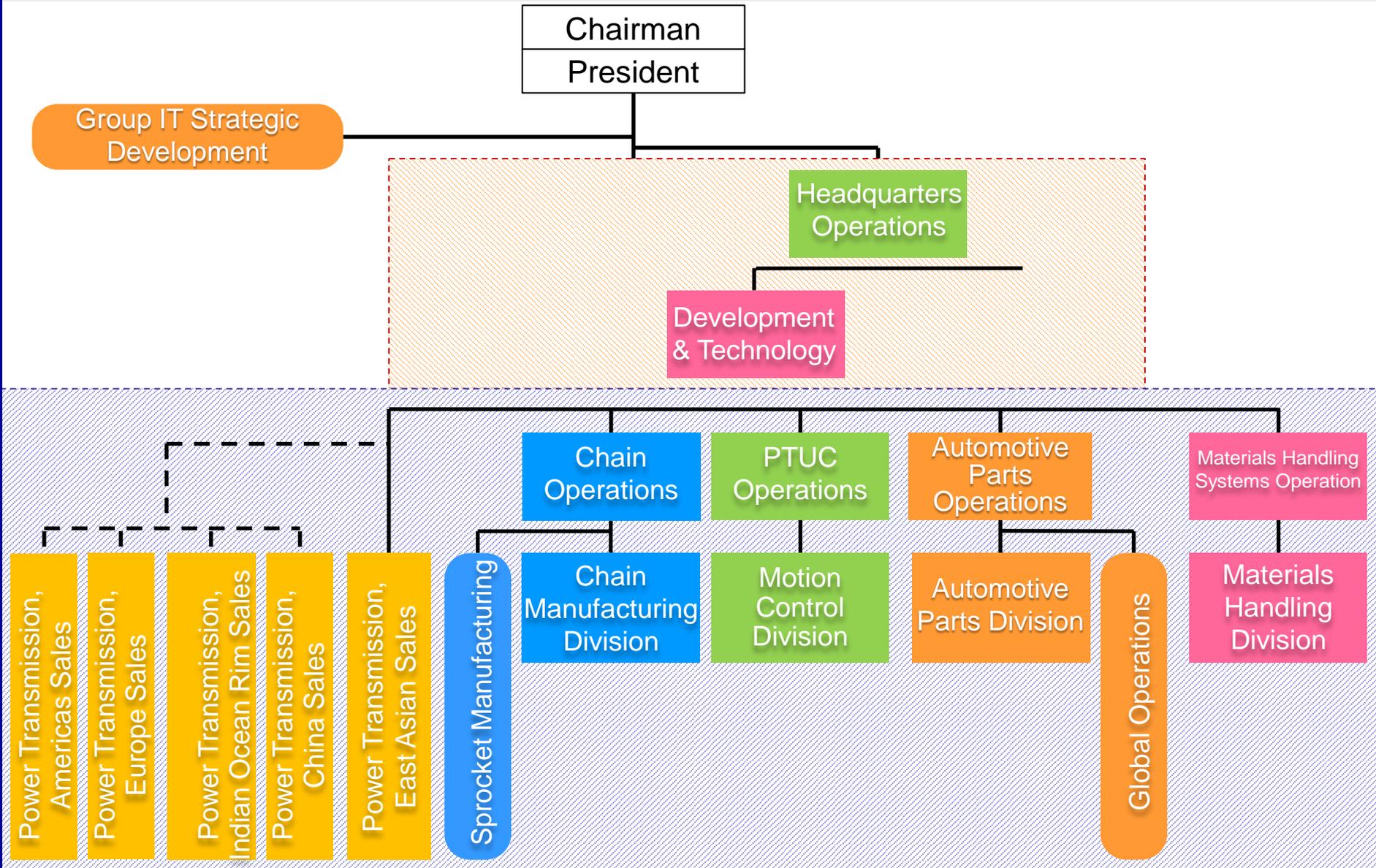
### (3) Establish Quality Control Department (within Headquarters Division)

### (4) Establish new Automotive Product Development Office (within Development & Technology Center)

### (5) Establish new Work Style Reform Promotion Office (under direct supervision of the president)

### (6) Utilize the resources of each business and each site in order to demonstrate the Group's comprehensive strength

# 2. FY 2019 Organizational Structure



## Explanatory Points



### **By business segment**

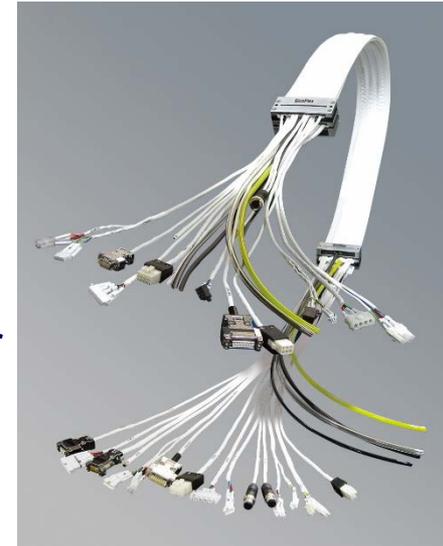
- Chain Division
- Power Transmission Units and Components Operations
- Automotive Parts Division
- Materials Handling Systems Operations

### **By subject**

- Marketing & Sales
- New Products & New Technologies
- Manufacturing & Profitability

## New Products & Marketing

- (1) Global expansion of the G8 Series
- (2) Expansion of Smart Conveyor Chain
- (3) Capturing the market for Cableveyor, the niche leader  
Cableveyor® (PSD)  
→ Automotive Business, Cableveyor-less Products
- (4) Develop products to capture the BS (Europe) market



Cableveyor-less products



Titan (ANSI)

## Manufacturing & Profitability

- (1) MIK 2018 (Chapter 2) Reform initiatives and Reform of Production Flow
- (2) Establishment of European production base and global optimum production

## Marketing/Sales

(1) Expanding sales in markets outside Japan

Cam Clutch  
Power Cylinders

(2) Expanding sales in the Japanese market

- Establishment of a module/motion sales department

(3) Expanding sales of cam clutches  
(Entering the four-wheel and other new markets)

(4) New release of Zip Master



Power Cylinder  
(For palm oil mill)

## Manufacturing

- Toward global optimum production  
Classifying and delivering product categories

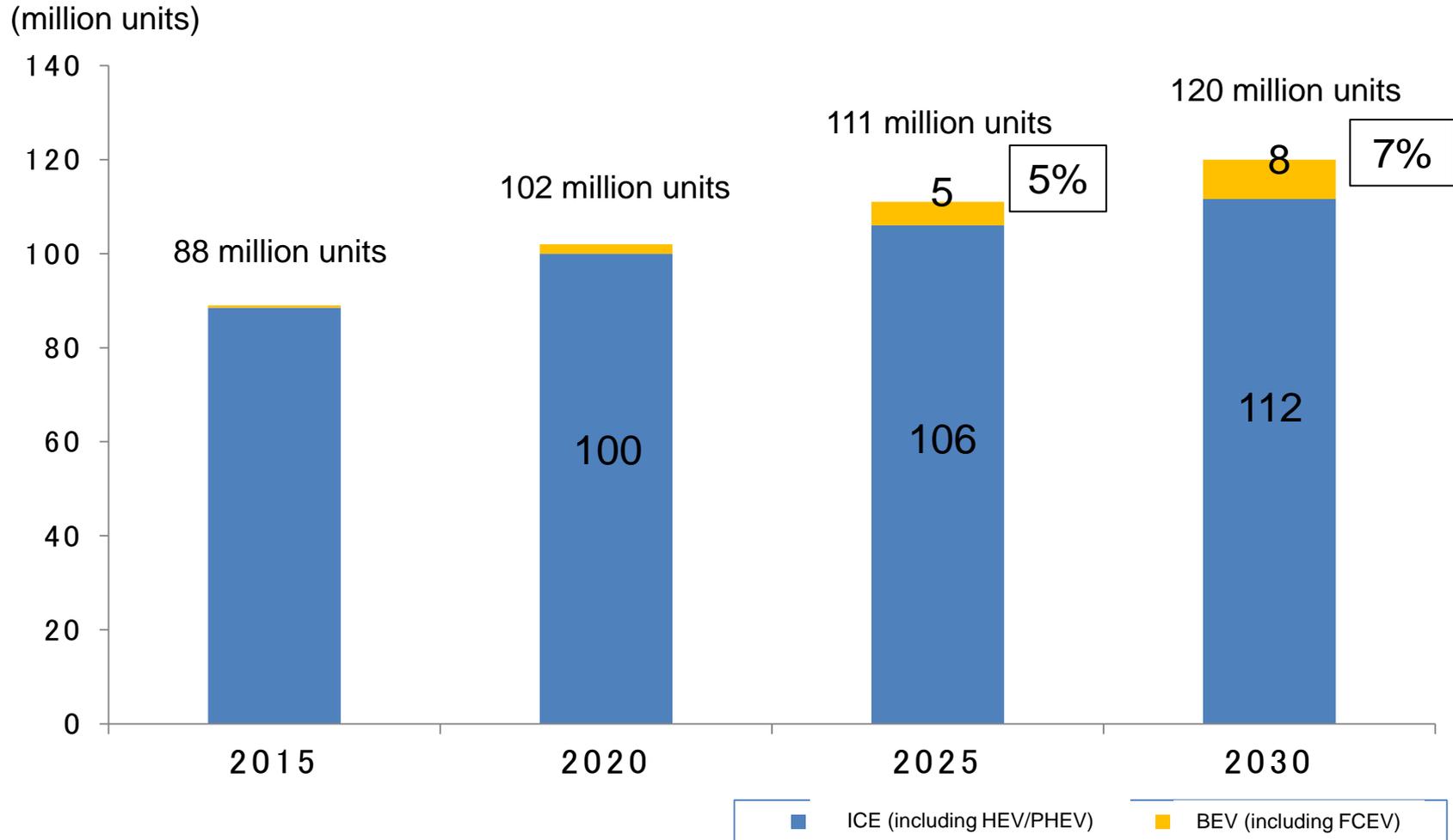


Zip Master

# 6. Issues for the Fiscal Year Ending March 31, 2019 (Automotive Parts Operations)

■ Latest Market Forecast (Vehicle production volume for internal combustion engines vs. EVs)

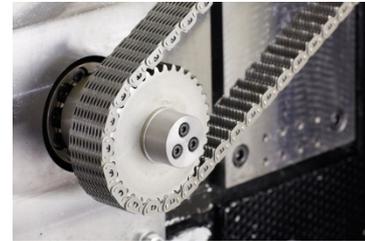
\*January 2018



Source : IHS Automotive/Fuji Keizai

## New Products & Marketing

- (1) Development and marketing of new chains for electric vehicles (EneDrive Chain)
- (2) Strengthen orders for China and Europe



Power Drive Chains  
(Non-timing-chain business)

## Manufacturing & Profitability

- (1) Continual improvement in productivity and strengthening of VA/VE
- (2) Strengthening global operations
- (3) Reorganization of the Saitama Plant for improved productivity

## New Products & Marketing

- (1) Expansion of global business based in China, India & Indonesia
- (2) Product development, cost reduction and growth in orders through utilization of new plants and machinery exhibits



New Saitama Plant

## Manufacturing & Profitability

- (1) Implement thorough management with regard to each cell and project and shift profit structure by reducing BEP
- (2) Reduce costs and improve quality by implementing MD (modular design) activities, VA/VE activities, and “plug and play” activities

# 7. Issues for the Fiscal Year Ending March 31, 2019 (Materials Handling Operations)

## New Materials Handling Plant (Saitama Plant)

- Fascinating factory  
(Includes a product showroom)
- Eco-friendly plant



⇒ Opening ceremony held on May 28, 2018, with operation commencing in June



**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.**

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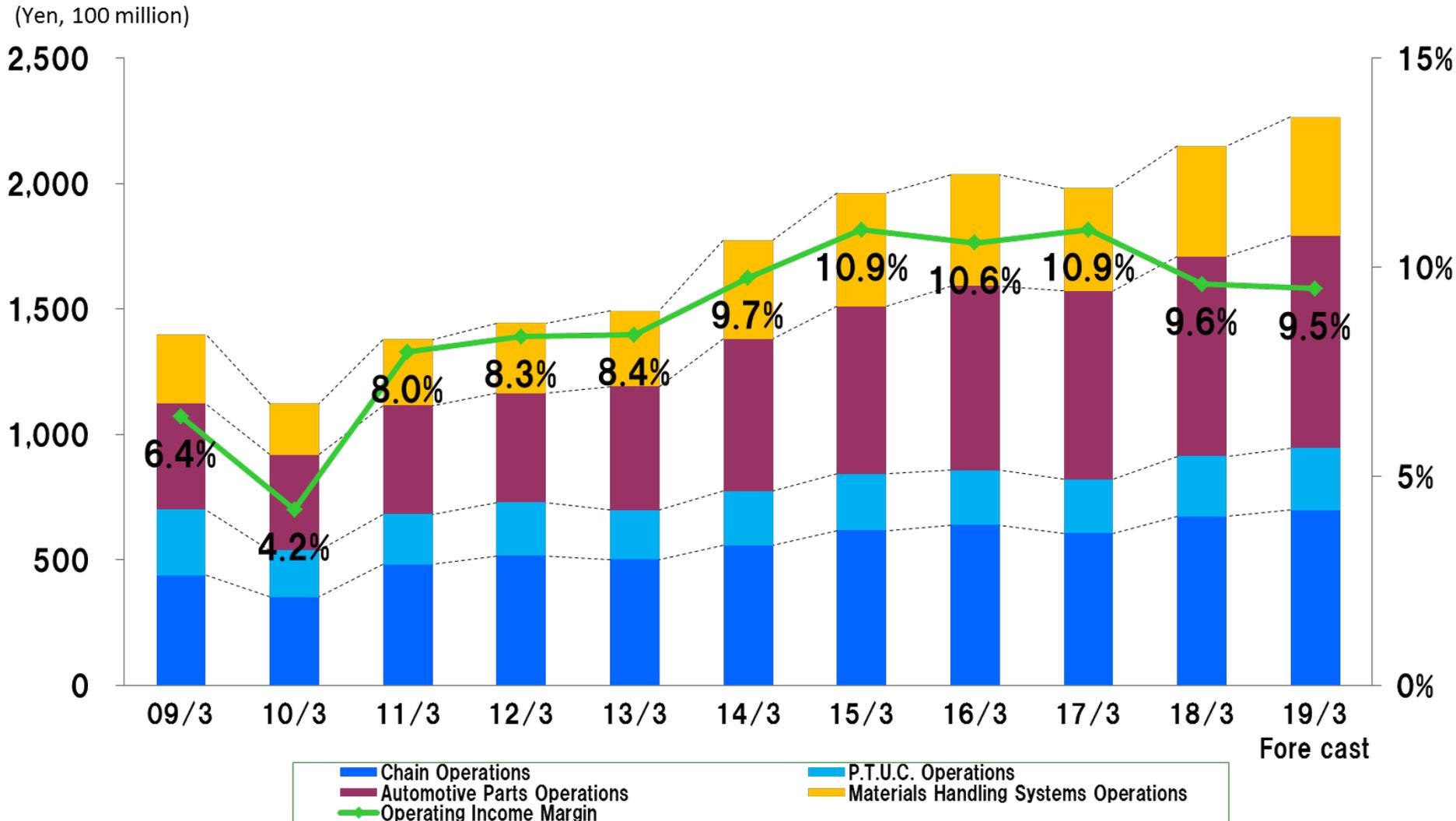
# Reference

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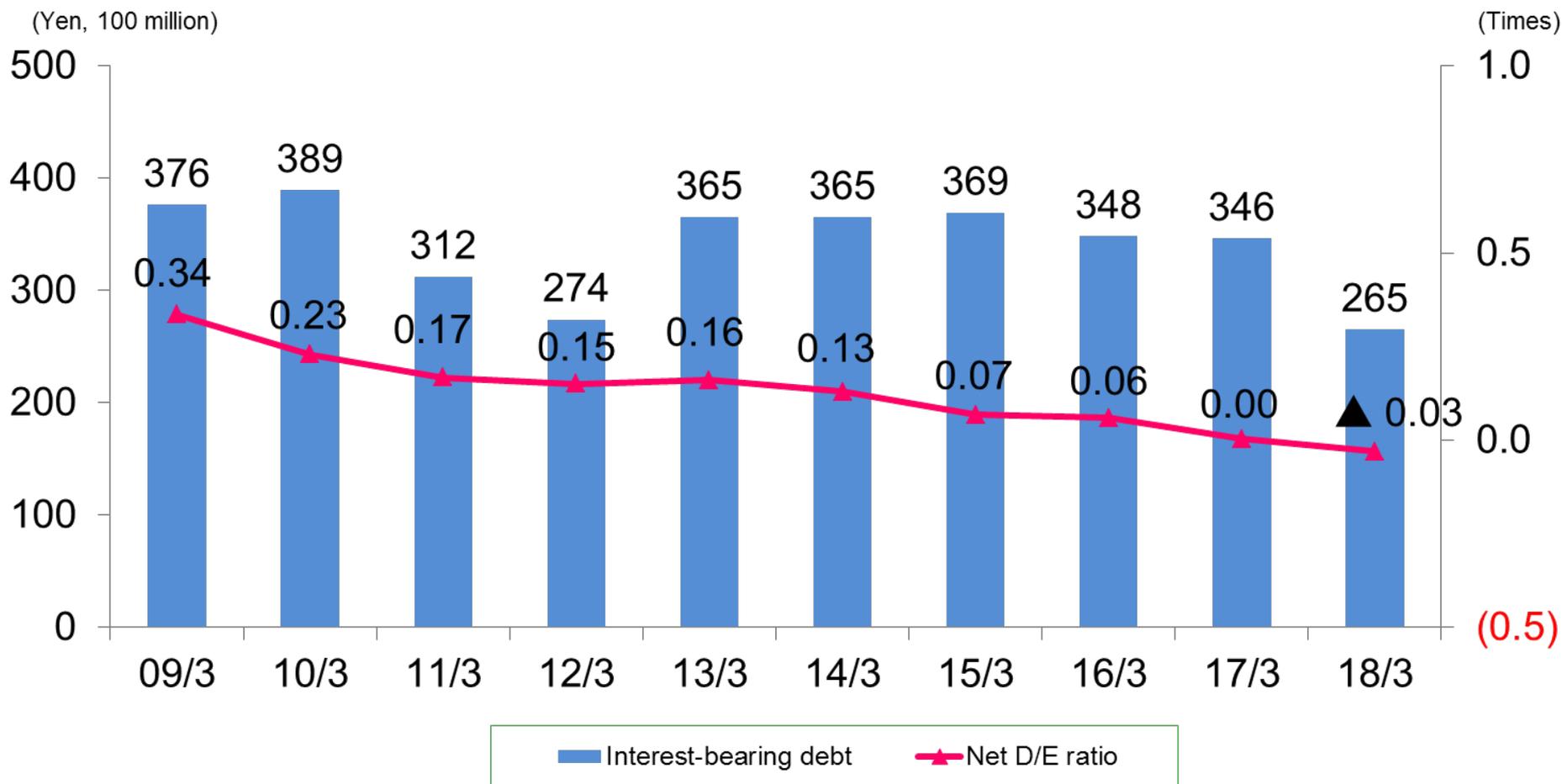
<Reference>

# Trends in Sales and Operating Income Margin (Consolidated)



<Reference>

## Trends in Interest-Bearing Debt, Net D/E Ratio

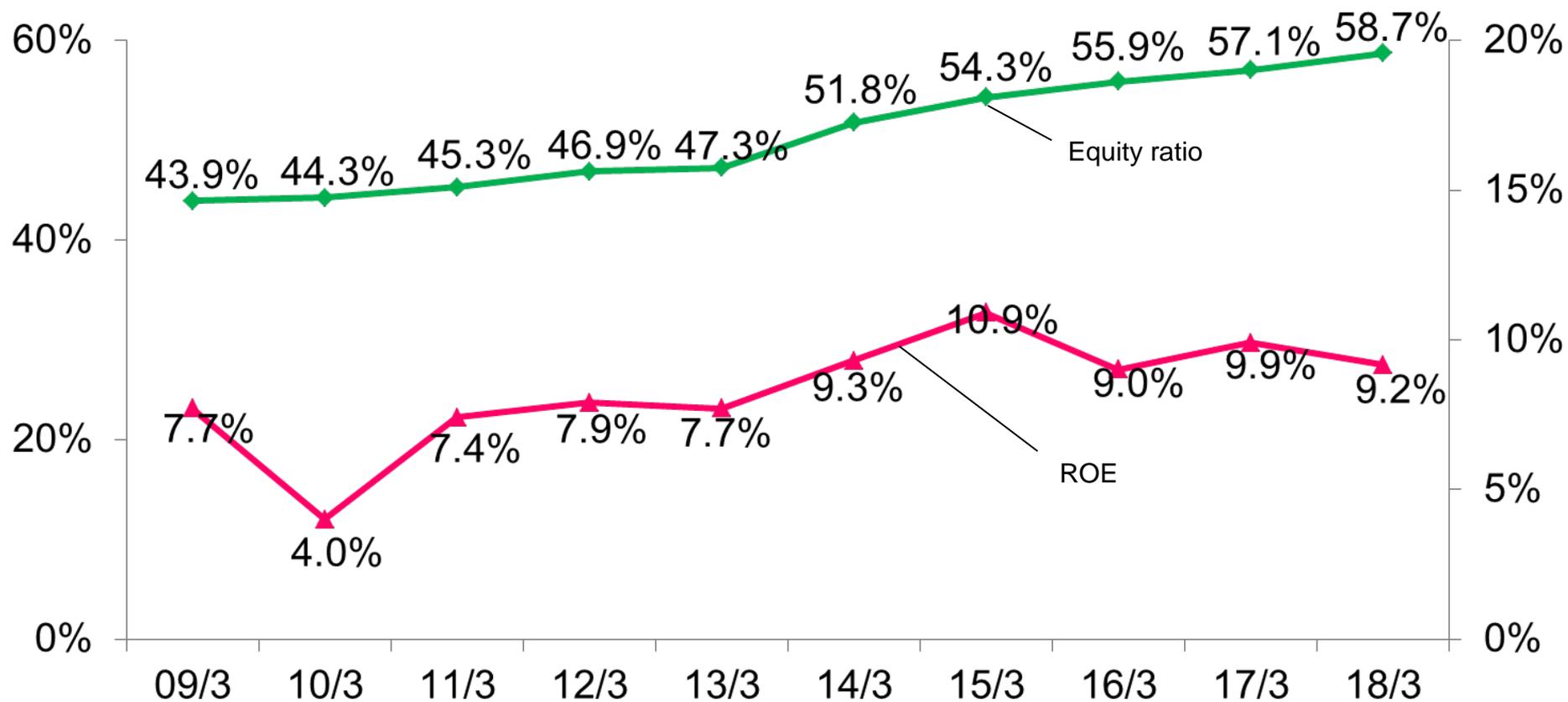


(Yen, 100 million)

	09/3	10/3	11/3	12/3	13/3	14/3	15/3	16/3	17/3	18/3
Interest-bearing debt	376	389	312	274	365	365	369	348	346	265
Net D/E ratio (Times)	0.34	0.23	0.17	0.15	0.16	0.13	0.07	0.06	0.00	-0.03

<Reference>

## Trends in Equity Ratio, ROE



	09/3	10/3	11/3	12/3	13/3	14/3	15/3	16/3	17/3	18/3
Equity ratio	43.9%	44.3%	45.3%	46.9%	47.3%	51.8%	54.3%	55.9%	57.1%	58.7%
ROE	7.7%	4.0%	7.4%	7.9%	7.7%	9.3%	10.9%	9.0%	9.9%	9.2%