

# 2025

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## Long-Term Vision 2030 and Mid-Term Plan 2025

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Tsubakimoto Chain Co.

# 2030

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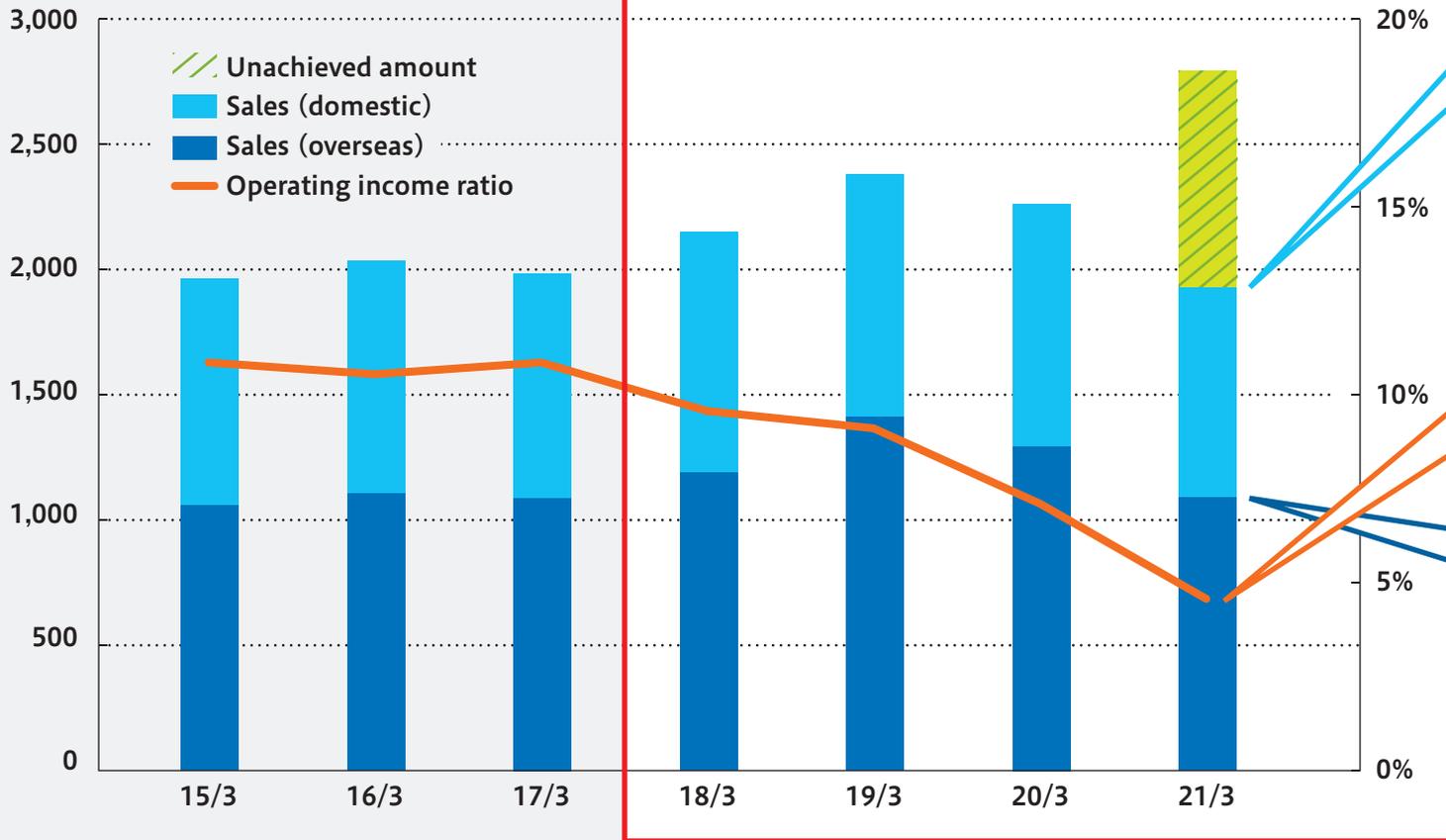
## Summary of Mid-Term Plan 2020

## Summary

Numerical targets were not achieved due to such things as rapid changes in the external environment

## Targets and results

(JPY 100 million)



**(1) Consolidated Sales**  
 Target: JPY 280 billion  
 Result: JPY 193.3 billion

**(2) Consolidated Operating Income (%)**  
 Target: JPY 28 billion (10.0%)  
 Result: JPY 8.8 billion (4.6%)

**(3) Overseas Sales Ratio (%)**  
 Target: 70%  
 Result: 57%

## Evaluation of overall company policy

### (1) Convert our corporate culture to a market-focused approach

- Results →
- Strengthened marketing functions
  - Launched a chain for the European standard market
  - Improved market share in each division, etc.

Evaluation → **△** (Delay in development of "only one" products)



### (2) Exercise comprehensive strengths of the Group

- Results →
- Established Motion Control Division (merged with Tsubaki E&M)
  - Utilized the Group's overseas sales network, and integrated sales functions in China (from 3 companies to 1), etc.

Evaluation → **△** (Limited collaboration between businesses)



### (3) Achieve our objectives for 2020, "The way it should be"

- Results →
- Improved market share in each division, etc.

Evaluation → **△** (While we established a position in our target market, we didn't achieve our numerical targets due to such things as rapid changes in the external environment)

## What we should be in 2020

- Establish and expand production bases for an optimal global supply system
- Attain manufacturing plants with innovative production methods (high productivity, high profitability, low environmental impact)



## Main results

- Unified global specifications for small-size roller chain parts, and completed supply system for Japan and US production bases
- Strengthened earnings base through production reform activities at main plants in Japan (MIK2018\*) and the US

## Remaining challenge

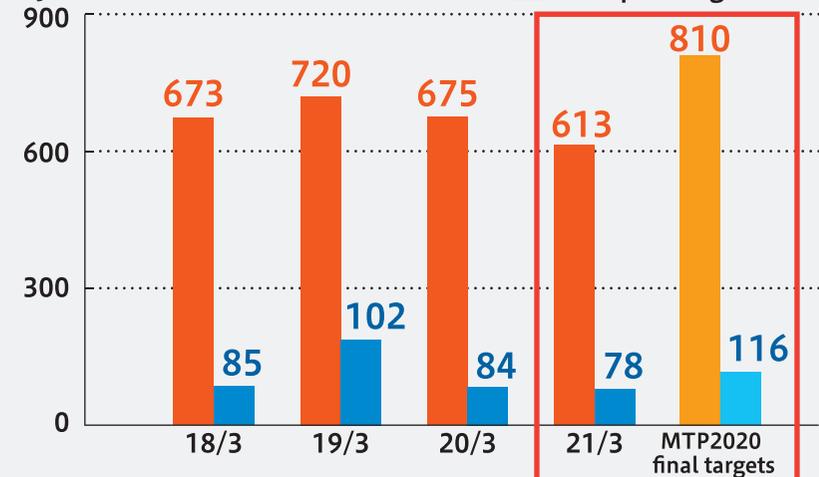
- Establish manufacturing base in Europe

\*MIK2018: Manufacturing Innovation in Kyotanabe



## ● Net sales and operating income

(JPY 100 million)      Sales      Operating income



● Operating income ratio      12.6%      14.3%      12.4%      12.8%      14.3%

## What we should be in 2020

- Establish a solid position as a category leader with core products that can demonstrate technological and cost superiority



## Main results

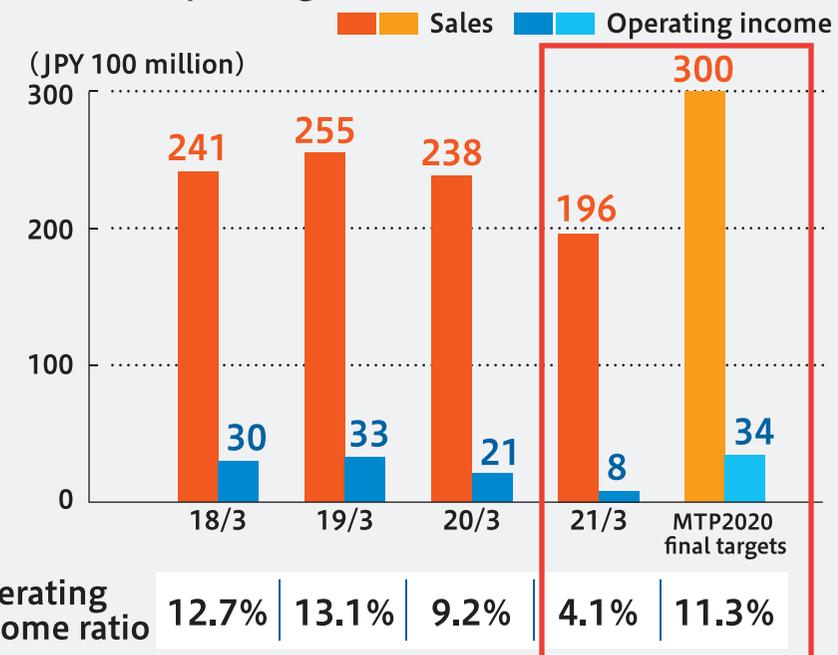
- Maintained top share of power lock market in Japan (FY2016:55% → FY2020:57%\*)
- Increased domestic market share of worm reducers (FY2016:31% → FY2020:36%\*)

## Remaining challenge

- Develop new and innovative products

\*Market share is based on in-house research

## • Net sales and operating income



## • Operating income ratio

12.7% | 13.1% | 9.2% | 4.1% | 11.3%

## What we should be in 2020

- No.1 share of global timing chain system market
- Expansion of non-internal combustion engine-related business



## Main results

- Held top share of global market (FY2020: 37%\*)
- Established production system for global manufacturing bases (12 bases in 8 countries)
- Obtained orders for large projects from new customers in Europe (reflect in sales from FY2022 onwards)

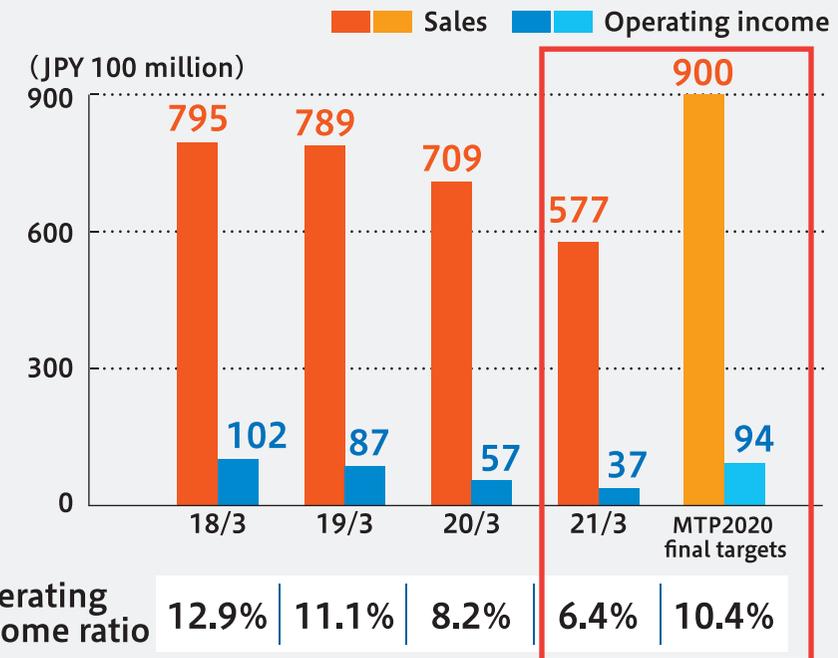
## Remaining challenge

- Expand sales of new non-internal combustion engine-related products

\*Market share is based on in-house research



## ● Net sales and operating income



## ● Operating income ratio

12.9%	11.1%	8.2%	6.4%	10.4%
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## What we should be in 2020

- Strengthen profitability
- Have top share in specific markets



## Main results

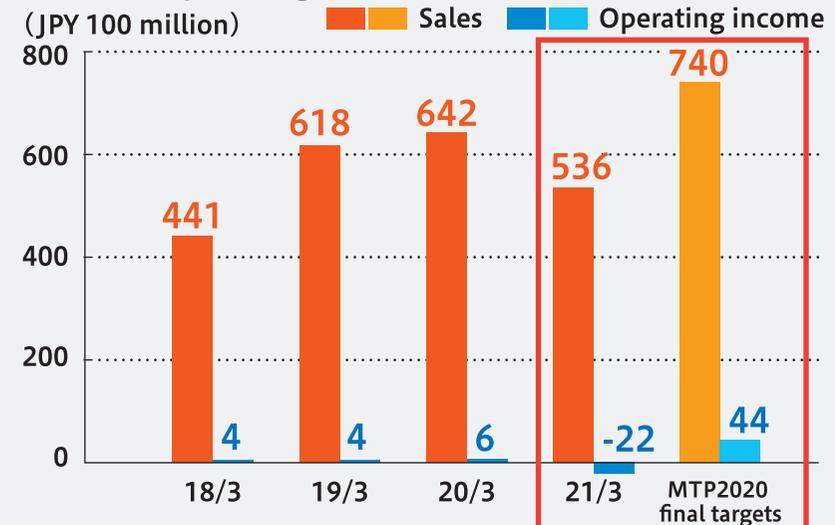
- Improved profitability of TC Saitama and domestic subsidiaries
- Accelerated development of new products in automated sorting equipment and life science fields
- Maintained top share in niche markets\*

## Remaining challenge

- Improve profitability of overseas subsidiaries

\*Market share is based on in-house research

### ● Net sales and operating income



### ● Operating income ratio

0.9%	0.7%	1.0%	△4.1%	5.9%
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### ● Operating income ratio, excl. CCC\*

0.9%	4.5%	4.3%	5.3%	
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\*CCC: Central Conveyor Company, LLC (US subsidiary)

## ESG Initiatives — Society & Governance —

Separate supervision and execution  
Strengthen transparency and independence

- Increased number of outside directors to 3, and ratio of outside directors to 30% (FY2017)
- Newly established heads of each business division (FY2018)
- Separated strategy formulation and supervision (Board of Directors) from business execution (Executive Officers) (FY2019)
- Introduced stock-based compensation plan for internal directors (FY2020)

Strengthen risk management system

- Focused on preventing risks and minimizing losses under leadership of Group Risk Management Committee

Respect human rights by promoting diversity

- Promoted employment of physically challenged
- Appointed female executive officers (FY2018) and outside directors (FY2020)
- Adopted mandatory retirement age of 65 (previously 60) (FY2020)

## ESG Initiatives — Environment —

Actively promoted reduction of environmental impact from mid- to long-term perspective

KPIs	FY2019 Results	Target	When by	Scope
Total CO <sub>2</sub> emissions (vs FY2013)	85.0%	70% or less	FY2030	Domestic
Waste recycling rate	97.6%	99% or more	FY2030	Domestic
PRTR-substance* emissions	116.5 tons	130.9tons or less	FY2030	Domestic
CDP climate change response boundary rate	92.6%	90% or more	FY2021	Global



\*Chemical substances subject to the Law of Pollutant Release and Transfer Register

Developed and launched sales of new "Eco Products" with addition of two new perspectives



1. Contributed to global environmental conservation by reducing CO<sub>2</sub> emissions from a lifecycle perspective



2. Indirectly contributed to global environmental conservation for environmentally friendly markets (low-carbon and decarbonization)

# 2025 2030

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## Long-Term Vision 2030

TSUBAKI  
SPIRIT

Long-Term  
vision 2030

## TSUBAKI's Mission

Advance the "art of moving"  
beyond expectations

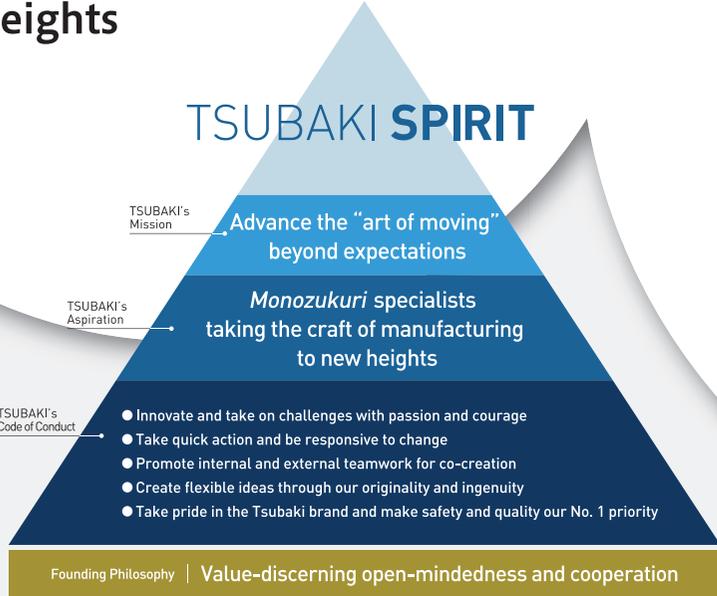
## TSUBAKI's Aspiration

*Monozukuri* specialists taking  
the craft of manufacturing to  
new heights

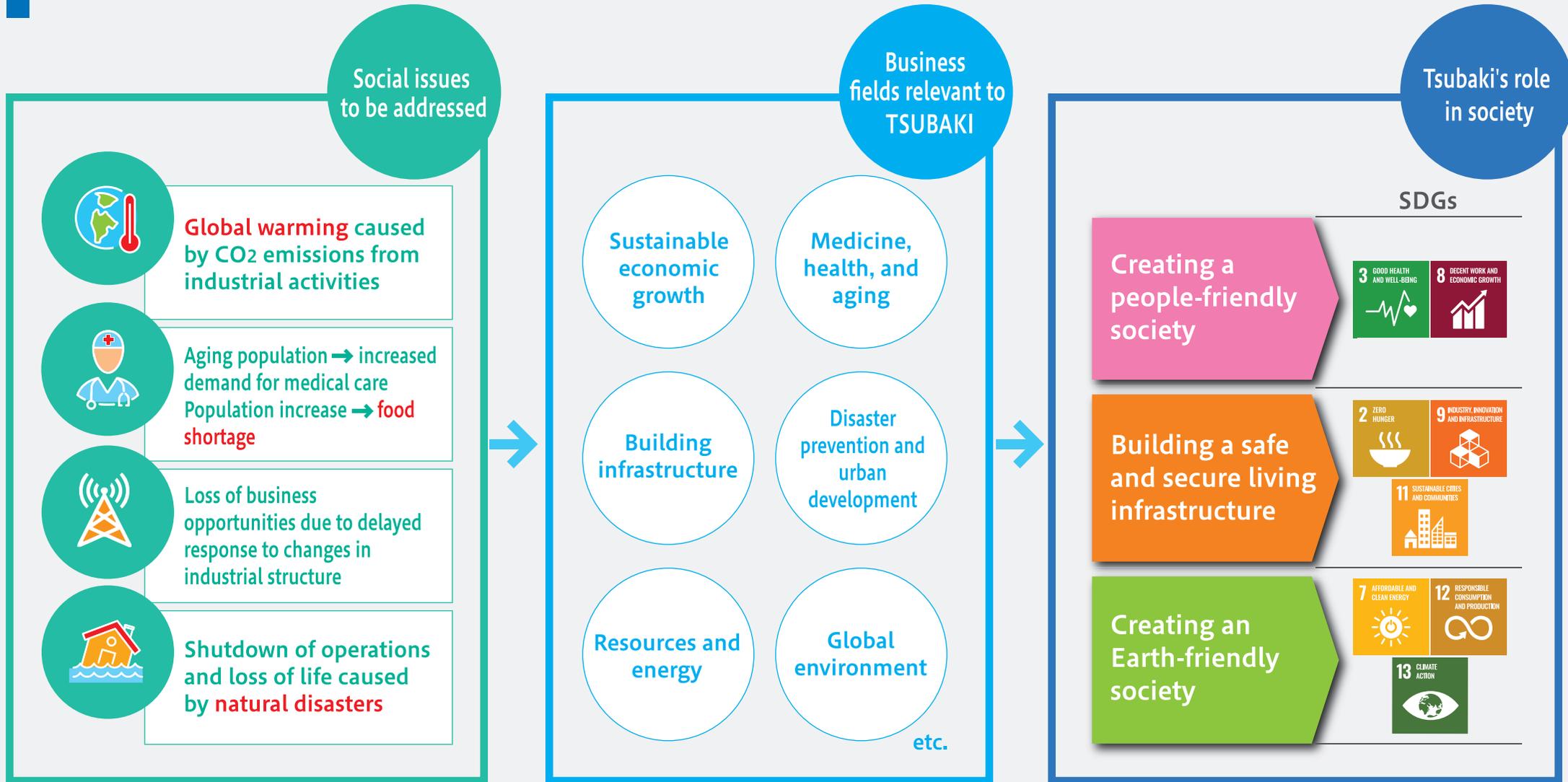
## The direction we want to go / Where we want to be

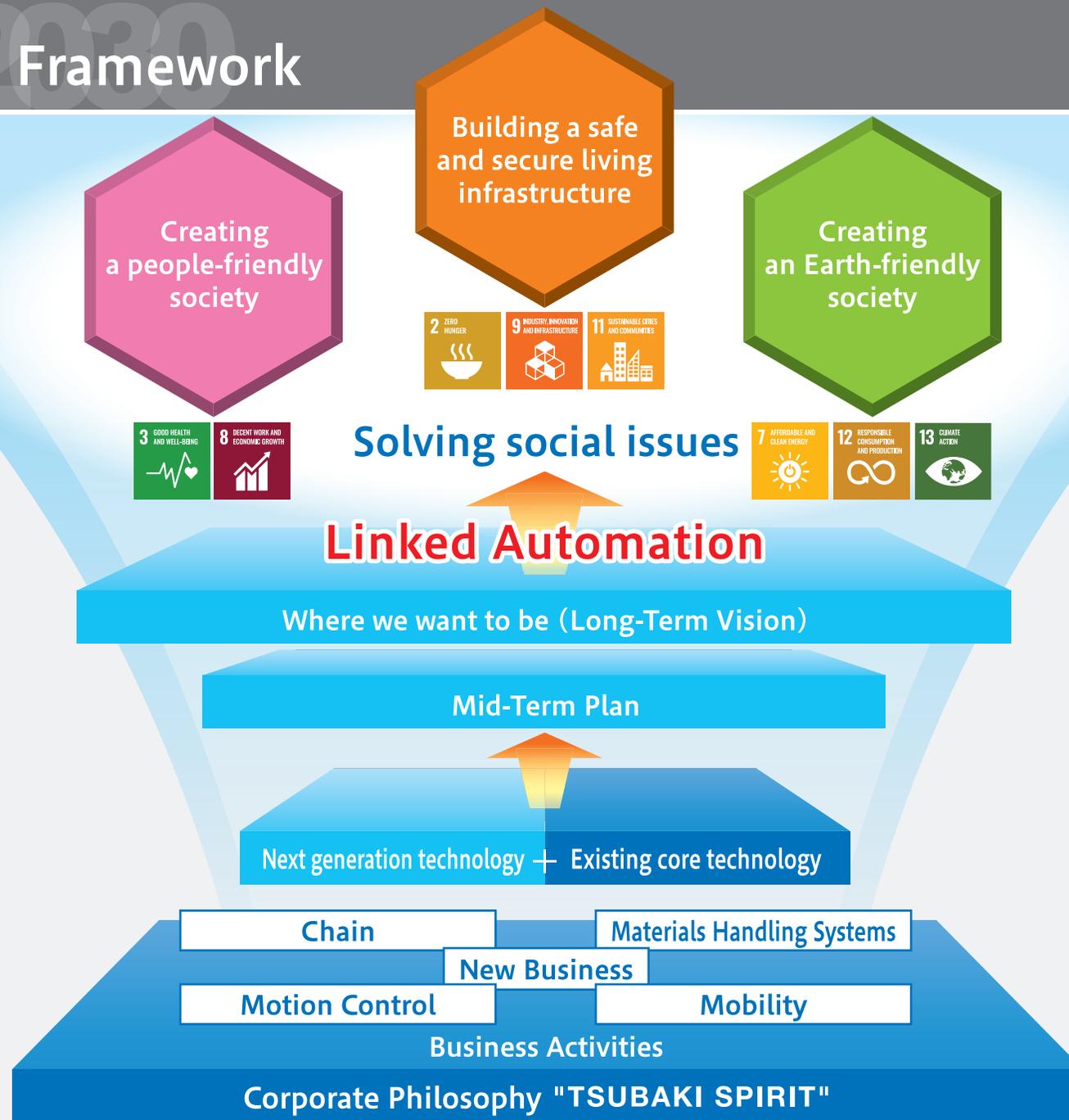
We aim to become a corporate group that  
contributes to **solving social issues** through  
**Linked Automation** technology

\*Linked Automation: A technology domain that is  
highly functional and highly automated



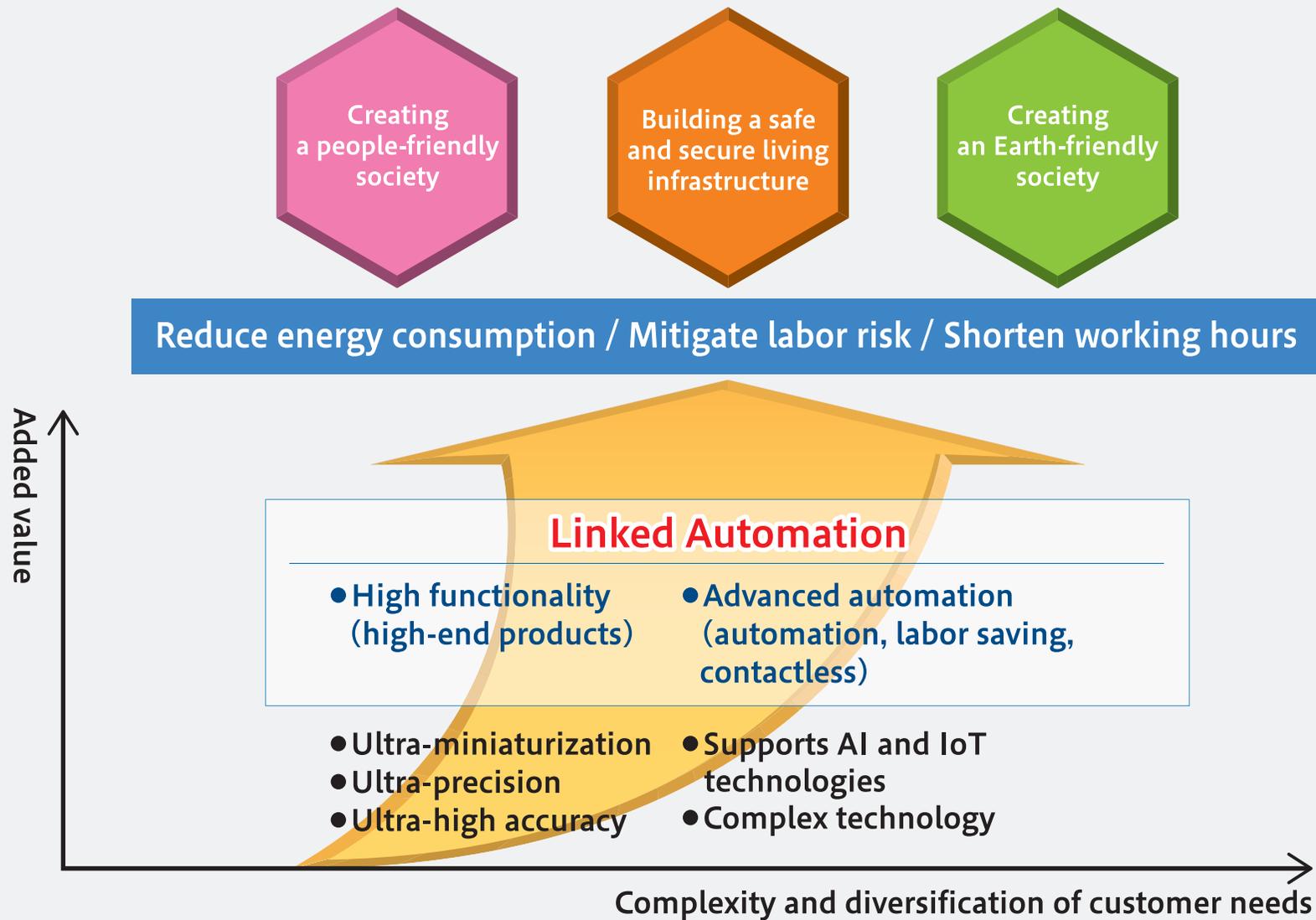
Identify possible risks and create opportunities from the future social environment  
 → Determine social issues that Tsubaki should address and roles it should play





\*Linked Automation: A technology domain that is highly functional and highly automated

Contribute to the realization of a sustainable society through **Linked Automation** technology

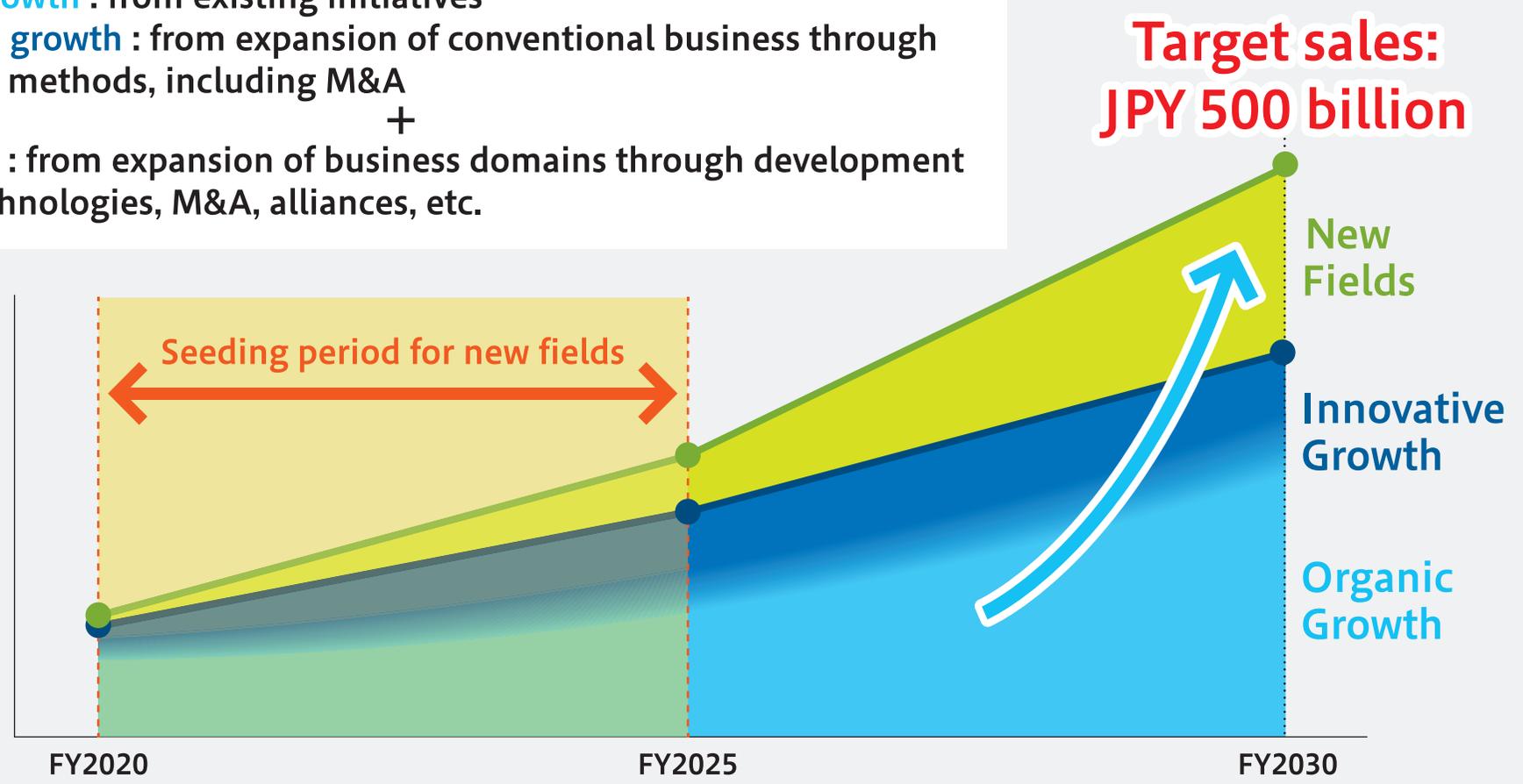


\*Linked Automation: A technology domain that is highly functional and highly automated

We aim to expand and grow toward 2030 in order to become a company that can contribute to society and the Earth

## Organic Growth / Innovative Growth + New Fields

**Organic growth** : from existing initiatives  
**Innovative growth** : from expansion of conventional business through innovative methods, including M&A  
+  
**New fields** : from expansion of business domains through development of new technologies, M&A, alliances, etc.



# 2025 2030

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## Mid-Term Plan 2025 — FY2021 to FY2025 —

In addition to strengthening the profitability of existing business fields, **the next 5 years will be used to plant seeds for new business fields** that will lead to sustainable growth toward realizing our Long-Term Vision 2030

1

**Create next-generation businesses** that will enable sustainable growth

- Enter new business fields that address social issues
- Create and develop new products and technologies to solve social issues

2

Further establish market position and **strengthen profitability** of existing businesses

- Leading global products: Maintain and strengthen competitive advantage
- Leading niche products: Expand sales by improving price competitiveness

3

**Strengthen business foundation** through manufacturing reform and enhanced human resource development

4

**Strengthen ESG initiatives**

- Reduce total CO2 emissions **E**
- Enhance social value (CSV) through products **S**
- Strengthen governance and business infrastructure **G**

## External Environment

## Future Trends



### Global environment

- High dependence on fossil fuels, including CO<sub>2</sub> emission problems
- Stronger initiatives for renewable energy



- Increased demand for clean energy
- Realization of a hydrogen society
- Development of next-generation batteries
- Use of new materials



### Medical and logistics

- Lack of medical care, nurses, and medical equipment
- Expansion of the EC market, increase in small-lot shipments, and deterioration of the labor environment



- Market expansion of wearable devices and surgical support robots
- Automation and upgrading of logistics operations
- Sophistication of last mile delivery



### Industrial structure

- Realization of a decarbonized society  
→ Promotion of EVs
- Digitalization of all things, and evolution of IoT & AI



- Vehicle intelligence and powertrain innovation
- Automation and unmanned operations at production sites



### Natural disasters and food

- Disasters caused by abnormal weather due to climate change, etc.
- Responding to earthquakes and other natural disasters and disaster prevention
- Hunger in developing countries, food loss in developed countries



- Prediction of climate change
- Use of ICT in evacuation
- Installation of various disaster prevention equipment
- Expansion of plant factories



## Growth Strategy | 1

### Initiatives for "creating a people-friendly society"

#### Human Assist

#### Enter automation and support equipment businesses for general consumers

- Expand business into comprehensive welfare equipment
- Provide automation and labor-saving devices to welfare (medical), agriculture and forestry sectors, etc.

#### New Initiatives

- ▶ Establish avatar technology (remote presence technology)
- ▶ Develop and master key core technologies for electrically powered actuators, object recognition, and autonomous control



#### Maintenance

#### Strengthen maintenance service structure for systems (things that move) to contribute to stable operation of customer facilities

- Shift from "product sales" to "service sales"
- Improve customer satisfaction by providing comprehensive Group support

#### New Initiatives

- ▶ Establish FSM (Field Service Management)



## Growth Strategy

2

### Initiatives for "building a safe and secure living infrastructure"

Building a safe and secure living infrastructure

#### Agriculture Business

#### Expand agriculture business using **Linked Automation** technology

- Plant factories: Establish a leading niche in automated systems  
Enter smart agriculture to improve workability and productivity
- Develop a cultivation mini-system with a view to industry 6.0, and create a "food and agriculture" business

#### New Initiatives

- ▶ Acquire and practice cultivation know-how
- ▶ Strengthen relationships with companies involved in farming and agriculture



#### Life Science

#### Participate in the field of **regenerative medicine**

- Manufacture and sell equipment that automates cell culture processing

#### New Initiatives

- ▶ Acquire bio-related knowledge
- ▶ Gain trust by pursuing cell quality from ultra-low temperature storage to total processing





## Growth Strategy 3

### Initiatives for "creating an Earth-friendly society"

#### Energy Infrastructure

#### Expand into carbon-neutral-related markets

- Expand business in EV charging infrastructure market
- Expand renewable energy infrastructure business
- Propose V2X charging/discharging equipment and systems for linking with solar power generation and storage batteries

New Initiatives ▶ Acquire inverter-related technologies



#### Mobility

#### Transform from internal combustion engine parts to mobility parts

- Supply drive components, transmission mechanisms and units for personal mobility
- Ultra-small precision actuators (ZIP chain) for automotive industry
- Supply 4-wheel clutches and Enedrive Chain for EVs

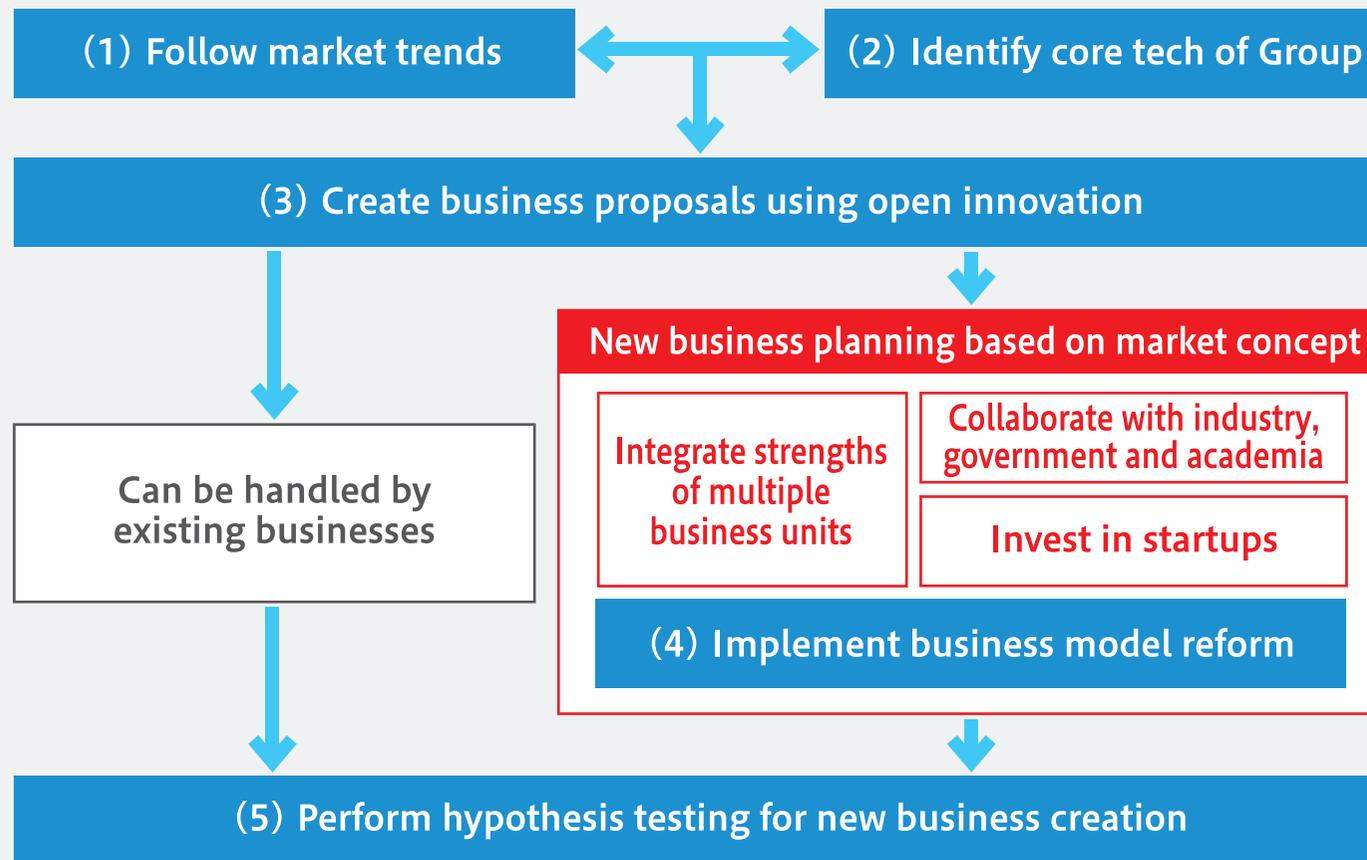
New Initiatives ▶ Jointly develop with automotive manufacturers



**Growth Strategy** | **4**

## Establish a continuous new business search structure

**Set up a new independent and dedicated department to continuously generate seeds for new business**



## Growth Strategy

5

## Initiatives for "realizing people-friendly, loss-free factories"

### Strengthen Profitability

### Link market information with manufacturing to enhance competitiveness and utilize human resources

- Promote automation through information linkage (quotation to shipping), and implement administrative and manufacturing reform
- Improve ability to provide solutions to customers (respond to market needs)

### Manufacture based on automation with "fewer workers, zero human burden, and zero loss in quality, safety, and equipment"

- Strengthen manufacturing capabilities by utilizing core and new technologies
- Use IT to make production sites smarter and more visible
- Mechanize and automate monotonous, ancillary, and low value-added work



LinK2025

### Manufacturing DX

### Manufacturing DX reform

DXification of manufacturing → Implement new manufacturing concepts

- Production progress, visualization, and statistical analysis
- AI-based data analysis, including human operation
- Productivity improvement consulting



MitaMon

Business position →

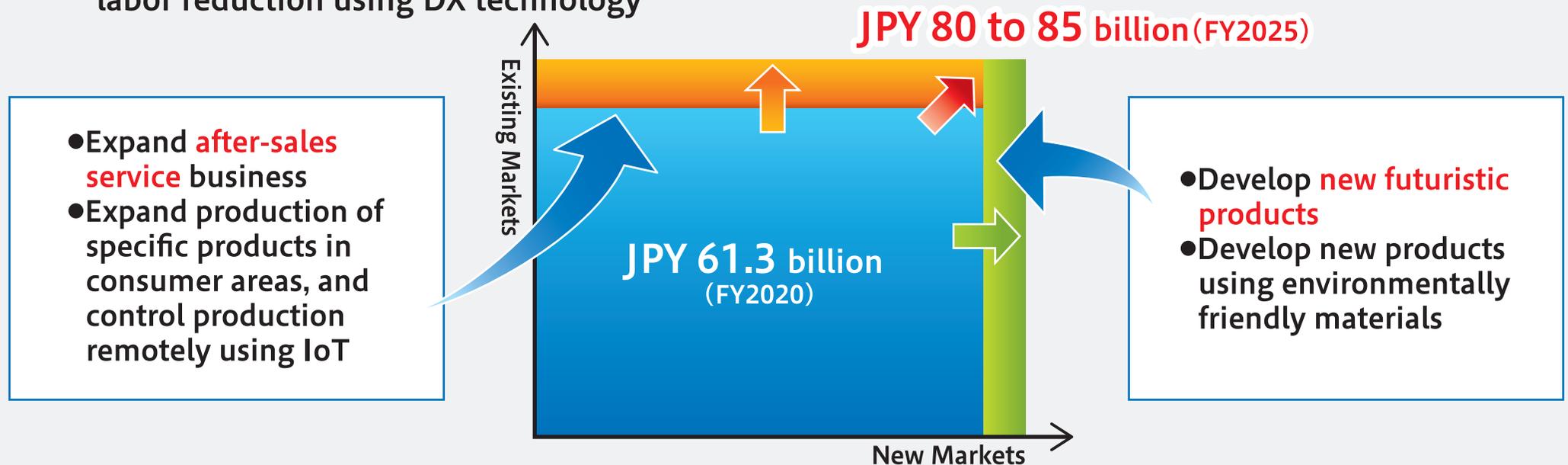
**Stability and Profit Enhancement**

## Long-Term Vision

- Contribute to resolution of social issues in the fields of winding transmission and parts conveyance
- Establish a position as the most trusted chain brand by customers worldwide

## Goals for FY2025

- Develop new and highly functional products that contribute to business growth and resolution of social issues
- Strengthen profitability through productivity improvement activities by promoting automation and labor reduction using DX technology



Business position →

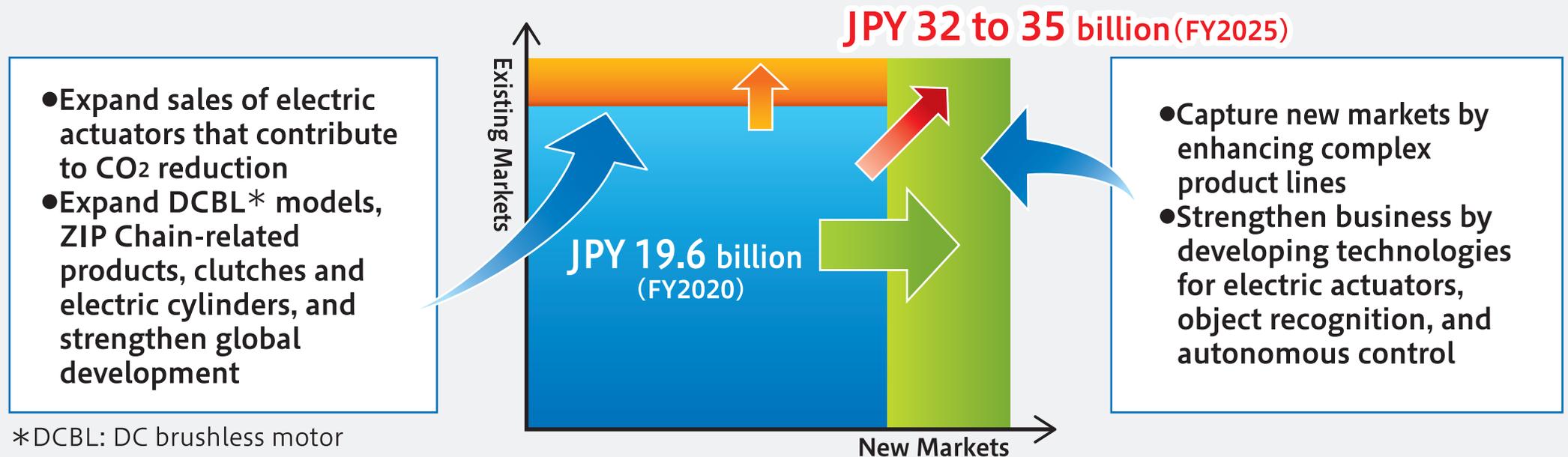
**Expansion and Growth**

## Long-Term Vision

- Contribute to an automated society with new unit/system products that make full use of complex and systemized technologies

## Goals for FY2025

- Establish new businesses by launching new complex products (smart motion units) and strengthening the lifter business in order to build a foundation for expansion and growth



\*DCBL: DC brushless motor

Business position →

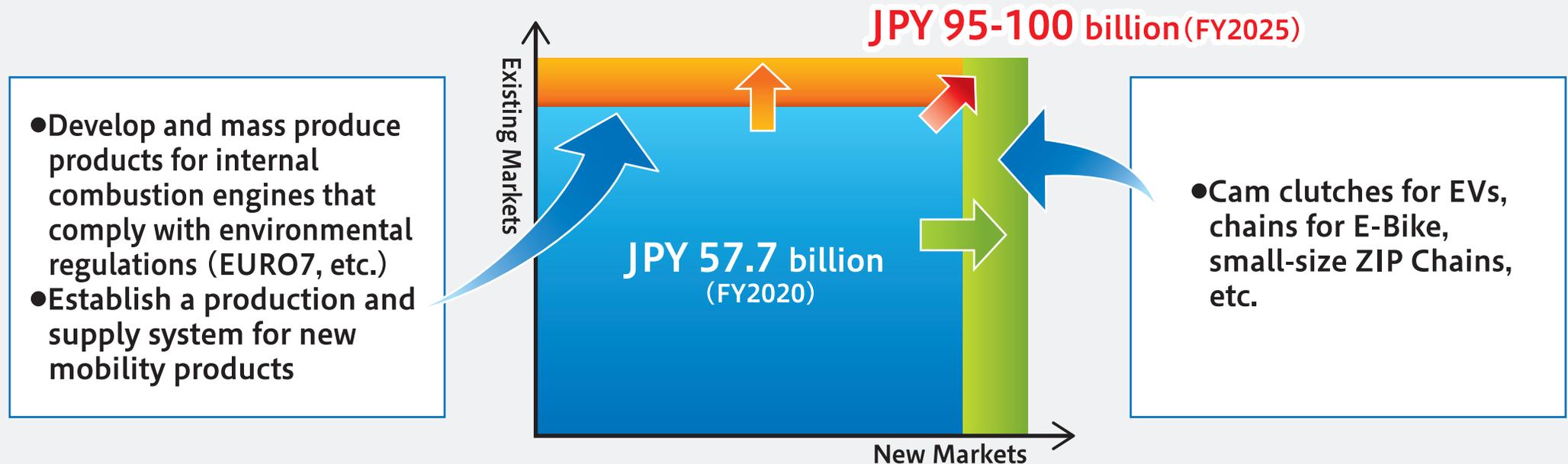
**Stability and Profit Enhancement**

## Long-Term Vision

- Contribute to the development of mobility that is people and Earth-friendly by creating new products that contribute to improved environmental performance

## Goals for FY2025

- Develop and launch "only one" products in the field of mobility
- Capture new mobility business and expand existing business through eco-friendly products



## BEV (In-wheel motor drive, etc.)

## BEV and FCV vehicles

## HV and PHV vehicles

## Hydrogen-engine vehicles and E-Fuel e-Gasoline/e-diesel



**Timing Chain Systems**



[Guide levers]



[Tensioners]



[Roller chain]



[Silent chain]



**Power drive chain  
Ene-drive Chain**



**One-way  
clutches**

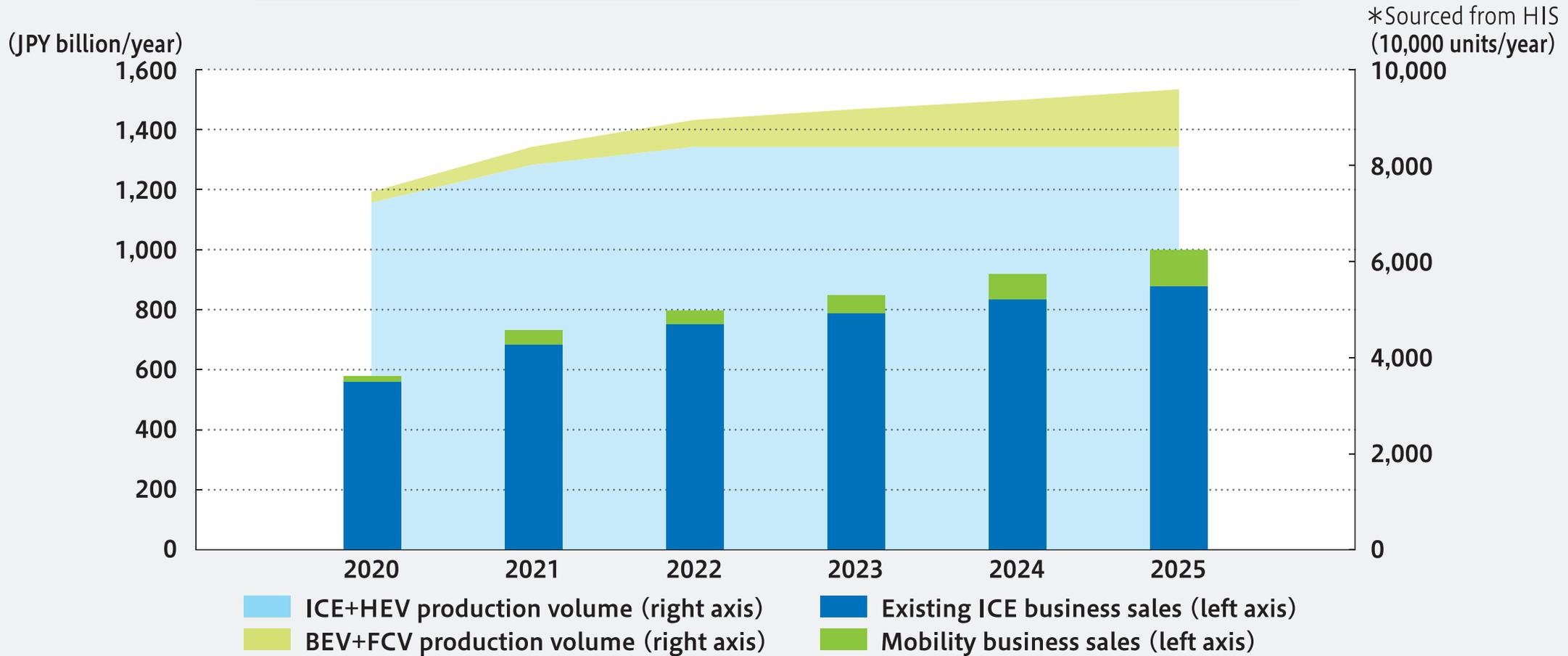


**Cable Carriers**



**ZIP Chain  
Actuators**

## Automobile production volume and sales forecasts trend



Expand existing business with environmentally friendly products for next-generation engines  
 Capture new mobility business through "only one" products for electrified systems

Business position →

**Expansion and Growth**

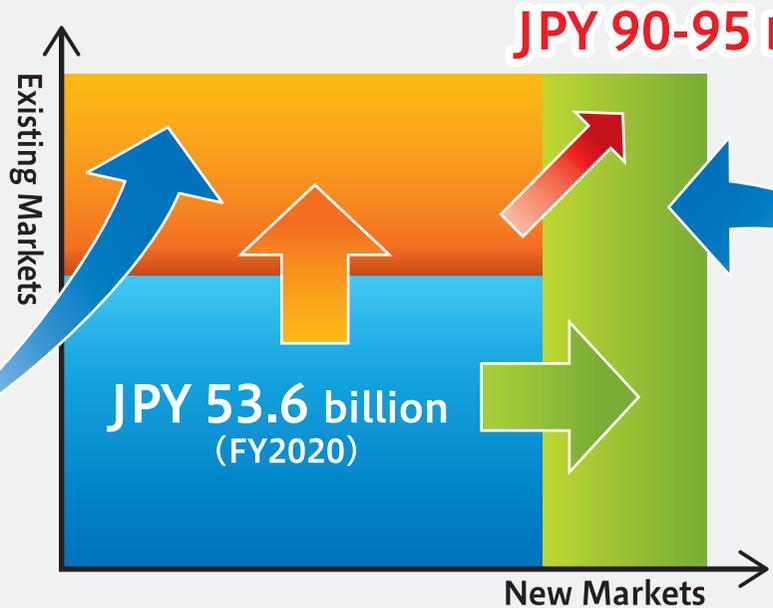
## Long-Term Vision

- Contribute to resolution of social issues by strengthening and establishing systemization, automation, IT and AI technologies

## Goals for FY2025

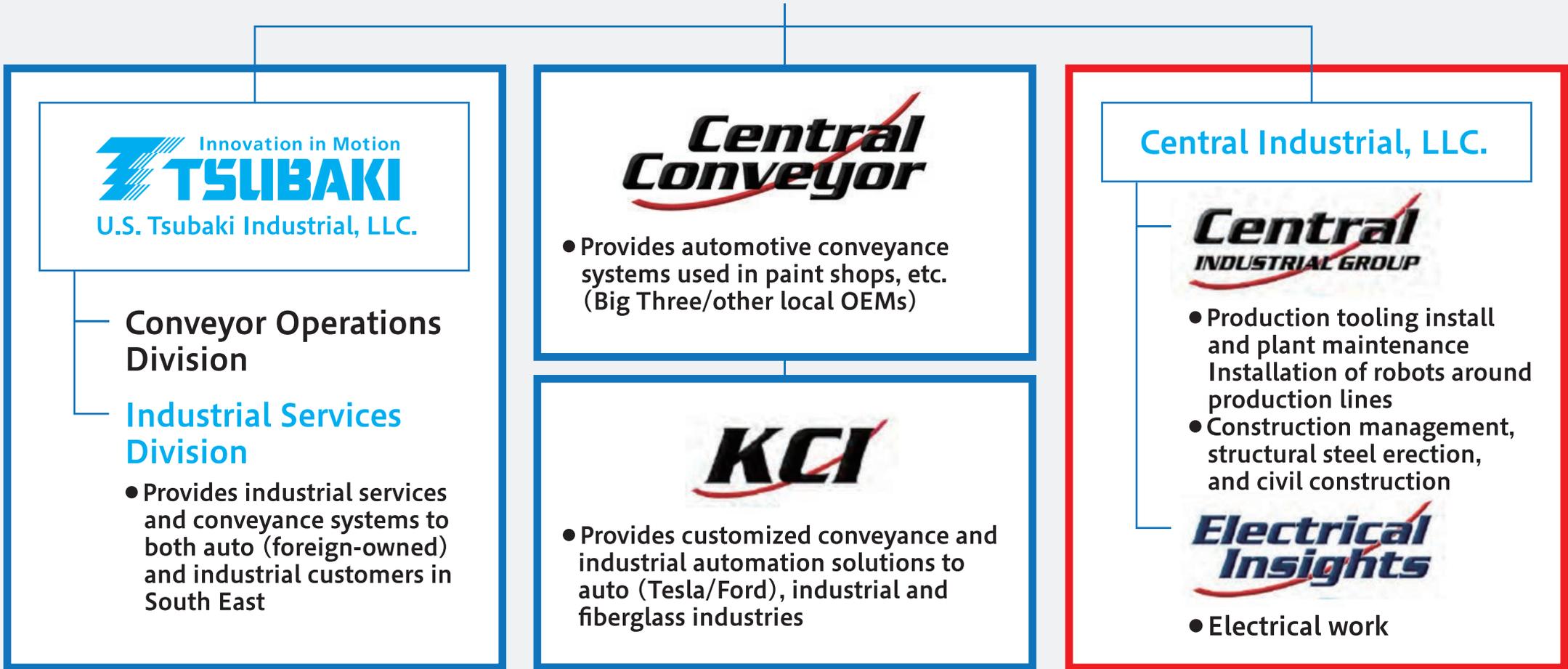
- Achieve operating income ratio of 6% or higher by strengthening existing core technologies, advanced technologies such as IT and AI, and engineering capabilities
- Grow business by expanding system integration and maintenance

- Expand system integration business by actively adopting new technologies and products
- Expand maintenance business



- Launch new products in fields of social infrastructure (EC market, recycling-oriented society, etc.), food, and **regenerative medicine**

Strengthen maintenance business through organizational changes





New president

## Jeff Brinker

(Appointed President in Mar 2021)

Jan-Sep 2020 President, Dearborn Mid-West Company\*

2017-2020 President, Dearborn Contracting Company (Dearborn Mid-West Group)

2009-2017 VP, C&T Install Div, Dearborn Mid-West\*

2000-2009 Project Manager, Commercial Contracting Corporation

\*CCC's largest competitor, specializing in automotive equipment

1

### Strengthen project management and involvement by TC's MHD and USTH

- QA division was reorganized by having them report directly to the President, and a new director was hired to oversee it
- Project management process is being reconstructed and a formal training system is being established
- Projects above a certain amount are now being reviewed by the three companies from the quotation stage, and PMs from TC will be dispatched to CCC (on an as-needed basis) when large orders are received

2

### Demonstrate synergies among Tsubaki Group and Power Transmission distributors

- Establish a team capable of providing non-automotive systems (engineering, design, manufacturing, installation)

3

### Strengthen ties with existing customers and emerging automakers



President **Mark Kalfayan**

## Central Industrial, LLC.



- Production tooling install and plant maintenance  
Installation of robots around production lines
- Construction management, structural steel erection, and civil construction



- Electrical work

## 1 Reason for establishment

- **To break away from a focus on automobiles** and expand business through diversification

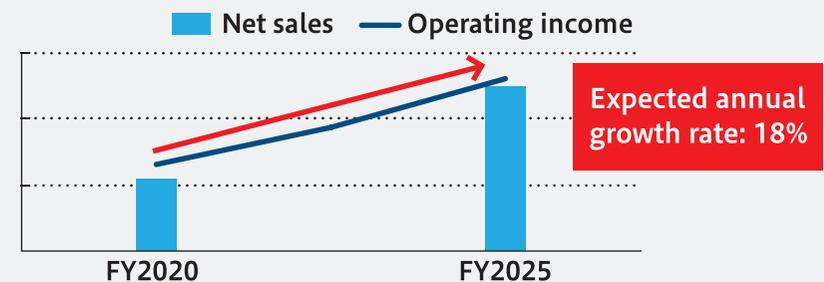
## 2 Business areas of focus

Segment	Main fields	Business description
System installation	Robotics	System installation
Contract maintenance	Auto/Non-auto (steel, etc.)	Production line maintenance
Structural steel construction	Construction and infra	Construction of basic industrial structures
Civil, concrete, and foundations	Civil construction	Piers, pits and foundation work, etc.

## 3 Characteristics of CI

- Selective bidding from a wider scope of projects small in scale  
→ Minimize risk and achieve higher profit margins

### • Net sales and operating income ratio

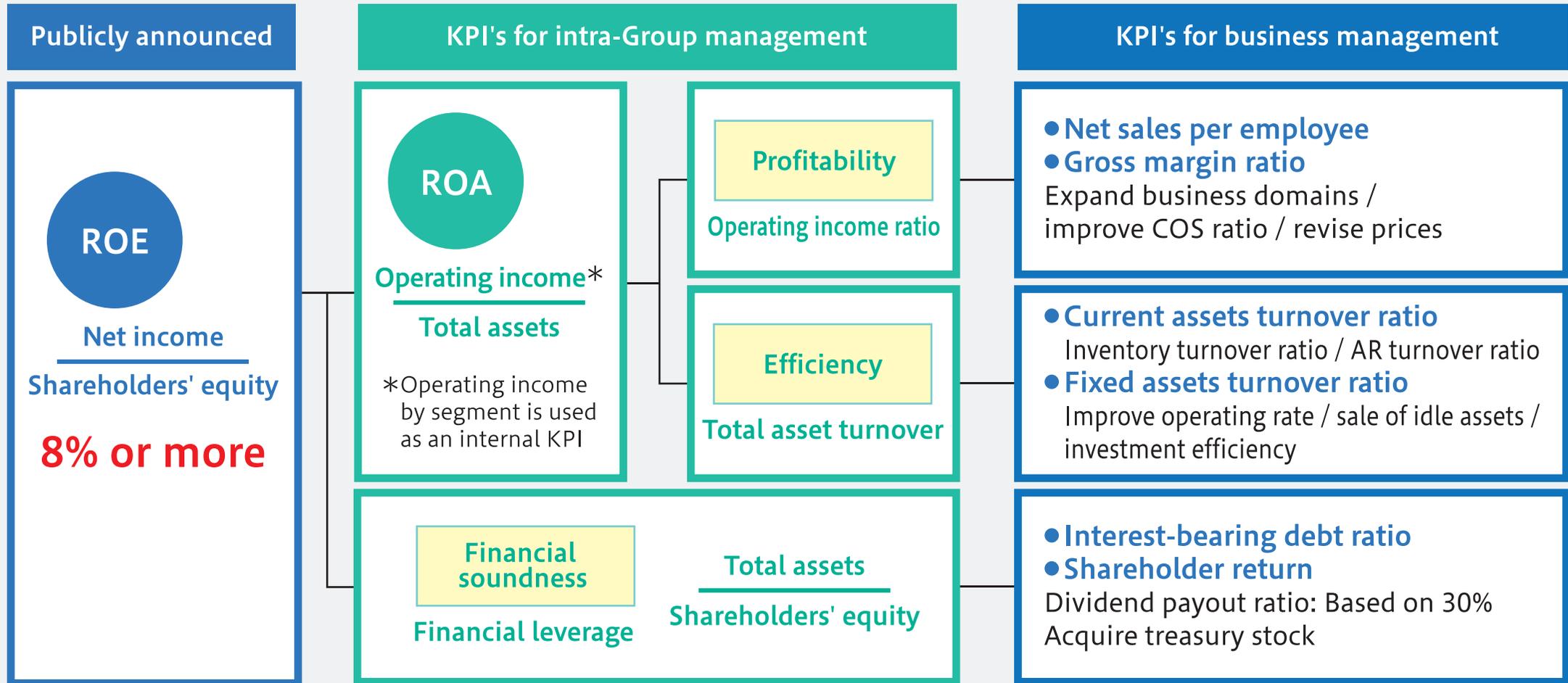


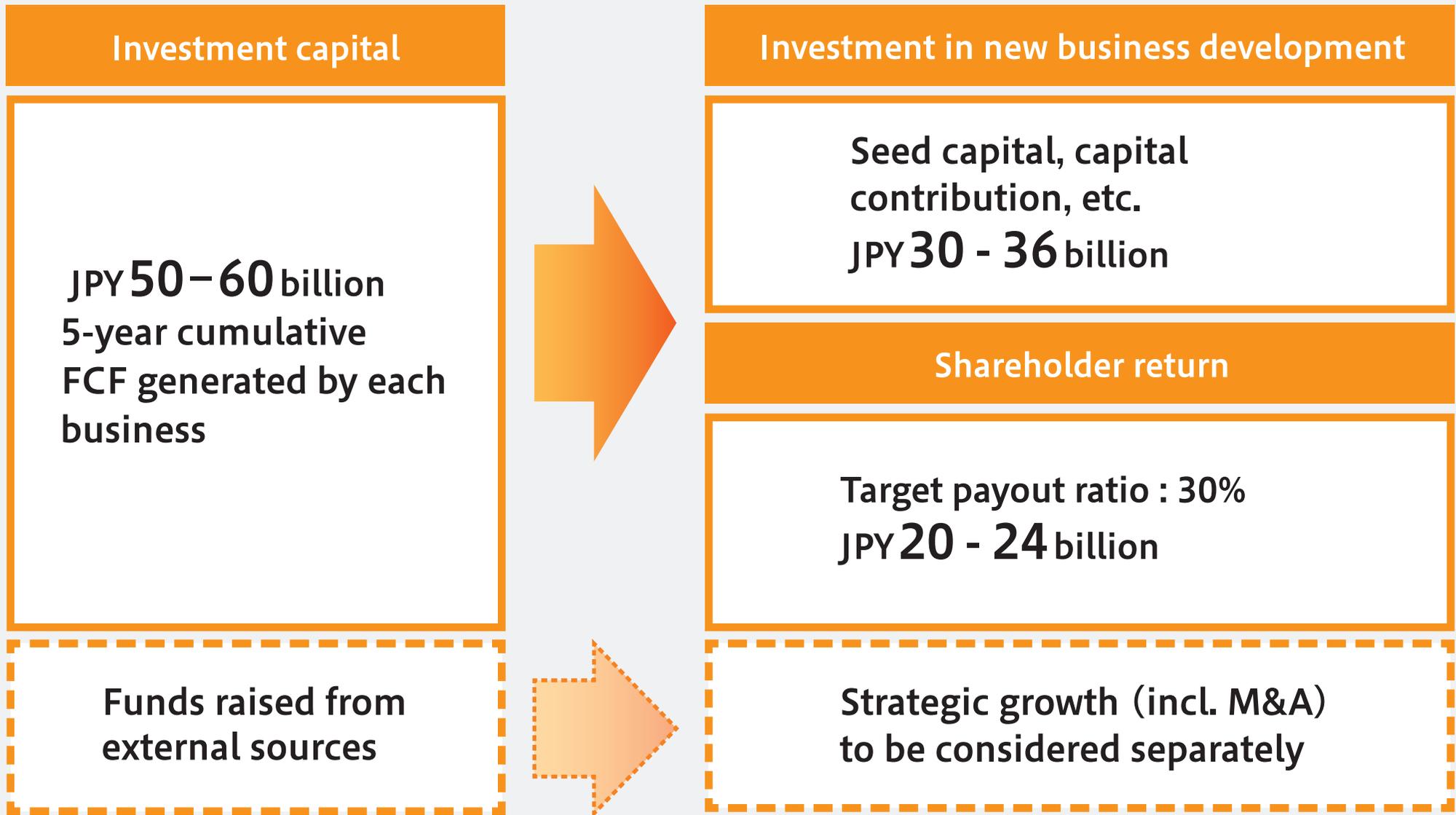
Objective	KPI	FY2025
Profitability	Net sales	JPY <b>300-320</b> billion
	Operating income ratio	<b>9-11</b> %
Capital efficiency	ROE	<b>8</b> % or more
Shareholder returns	Dividend payout ratio	Based on <b>30</b> %
ESG	Reduction of CO2 emissions	<b>Down 30</b> % from FY2013 (target: domestic group companies) <b>Down 20</b> % or more from FY2018 (target: overseas group companies)

Business Segments	FY2020 Results		FY2025 Targets	
	Net sales (JPY 100 million)	Operating income ratio (%)	Net sales (JPY 100 million)	Operating income ratio (%)
Chain	613	12.8%	800~850	15% or more
Motion Control	196	4.1%	320~350	12% or more
Mobility	577	6.4%	950~1,000	11% or more
Materials Handling Systems	536	△ 4.1%	900~950	6% or more

\*Excludes "other business" and expenses related to new business development

Set ROE to 8% or higher as a financial KPI and aim to increase corporate value by improving profitability and capital efficiency





ESG

## Environmental initiatives



### TC Group's total CO<sub>2</sub> emission reduction target

#### Domestic Group companies:

Compared to FY2013, 30% and 46% reduction by FY2025 and FY2030, respectively

#### Overseas Group companies:

Compared to FY2018, 20% or more and 30% or more by FY2025 and FY2030, respectively

### Initiatives to reduce CO<sub>2</sub> emissions

#### 1. Reduce CO<sub>2</sub> emissions through production reform

- Increase energy efficiency by switching to energy-saving production methods and investing in equipment
- Expand solar power generation
- Purchase optimal amount of renewable energy

#### 2. Develop and promote products with reduced environmental impact

- Develop and expand sales of new products that contribute to reduction of environmental impact throughout product lifecycles

## ESG

### Contribute to the resolution of social issues



#### Take aggressive steps to create opportunities

1. Enhance social value (CSV) through our products
  - Provide innovations that originate from "environmental and social issues" faced by our business sector-related industries
2. Strengthen HR base and improve engagement by expanding human resources and implementing work style reform to achieve sustainable growth
  - Invest in human resources that drive business
  - Emphasize diversity, and implement work style reform using DX

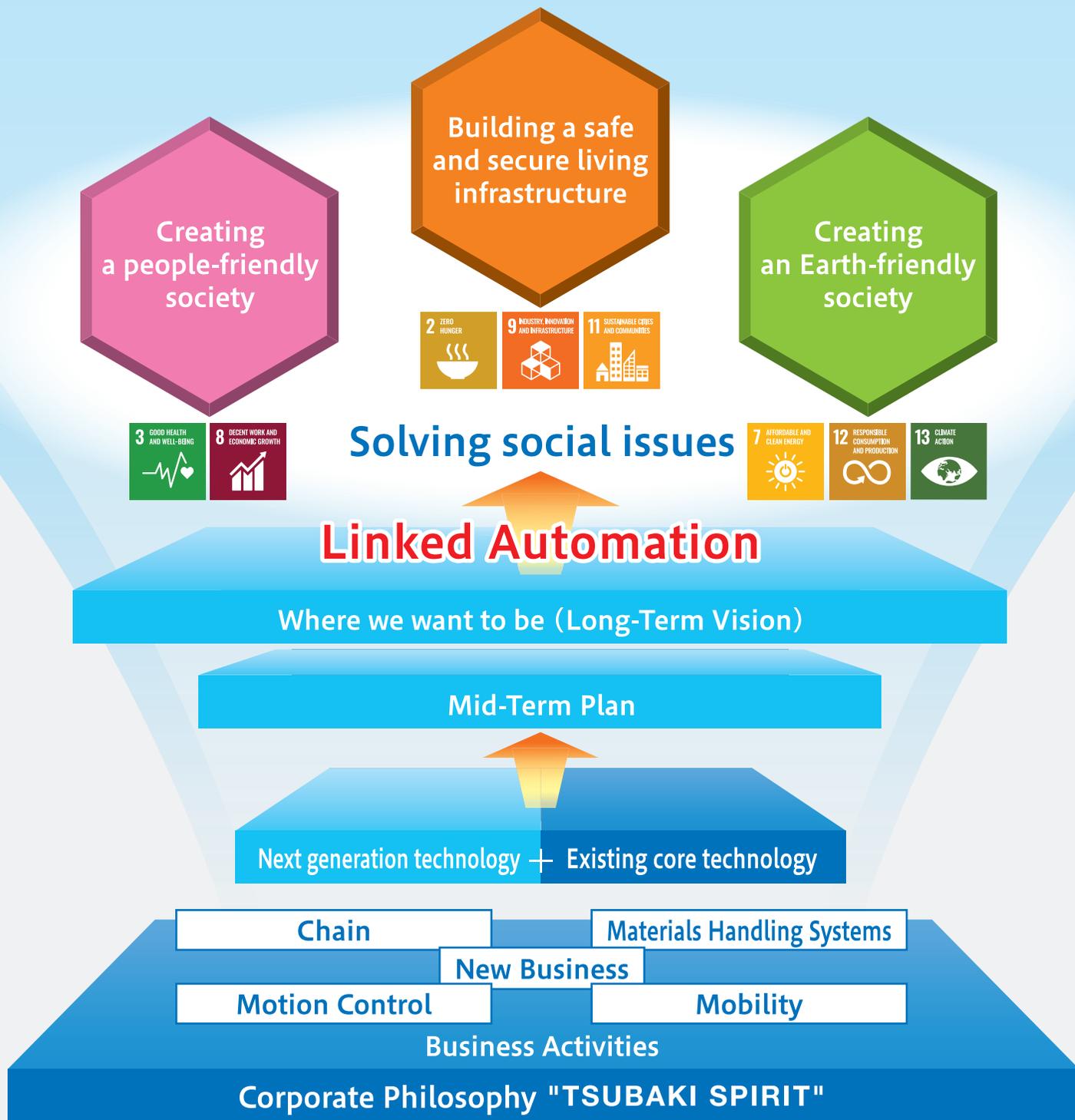
## ESG

### Strengthen governance



#### Enhance business foundation by strengthening governance and minimizing business risks among global operations

1. Strengthen corporate governance
  - Strengthen governance system to comply with new Corporate Governance Code
2. Ensure thorough global risk management
  - Strengthen risk management structure and establish risk management system
  - Strengthen IT security, improve compliance, and implement BCP measures at each business location



\*Linked Automation: A technology domain that is highly functional and highly automated

The statements in this document regarding business plans and forecasts are based on information available to the Company at the time of preparation and on certain assumptions that the Company considers reasonable. Please be aware that actual results may differ from these forecasts due to various factors.