



TSUBAKIMOTO CHAIN CO.

FY2023 Settlement of Accounts Presentation Meeting

May 31, 2024

[Number of Speakers]

5	
Takatoshi Kimura	President and Representative Director, Chief Operations Officer
Yasushi Nagai	Senior Managing Executive Officer, Power Transmission Operation
Masafumi Okamoto	Managing Executive Officer, Materials Handling Operations
Isao Sato	Managing Executive Officer, Mobility Operations
Yasuhiro Akesaka	Senior Executive Officer, Finance & Accounting/Corporate Planning

- ↑ Both net sales and income increased.
- ↑ Compared with forecasts also, net sales came almost in line with the forecast and income exceeded the estimates.

(million yen)

	FY2022 Actual	FY2023		Inc / Dec			
		Forecast	Actual	YOY	Rate of change (%)	Vs forecast	Rate of change (%)
Net sales	251,574	267,000	266,812	+ 15,238	+ 6.1%	- 187	- 0.1%
Operating income	18,985	19,000	21,262	+ 2,276	+ 12.0%	+ 2,262	+ 11.9%
%	7.5%	7.1%	8.0%				
Ordinary income	20,958	20,900	23,450	+ 2,492	+ 11.9%	+ 2,550	+ 12.2%
Net income	13,742	16,700	18,551	+ 4,809	+ 35.0%	+ 1,851	+ 11.1%
ROE	6.4%	—	7.7%	+ 1.3%	—	—	—
Exchange rate							
(USD)	135.50	143.75	144.59				
(EUR)	141.00	155.25	156.75				
(RMB)	19.50	19.82	19.82				

Thank you for taking time out of your busy schedule today to attend our earnings presentation.

I am Kimura, President and Representative Director.

I will now explain our financial results and future management strategies.

First, I would like to explain our consolidated financial results for FY2023.

Net sales totaled JPY266.8 billion, up 6.1% from the previous year.

Operating income was JPY21.2 billion, up 12% from the previous fiscal year, with an increase in both sales and income.

- ↑ Both net sales and income increased, as the chain business maintained its strong performance and the impact of semiconductor shortage eased in the mobility business.
- ↓ Though net sales of the materials handling business increased year on year, it posted a loss. Motion control business also struggled.

(million yen)

	Net sales ^{*1}					Operating income				
	FY2022 Actual	FY2023		Rate of change (%)		FY2022 Actual	FY2023		Rate of change (%)	
		Forecast	Actual	YOY	Vs forecast		Forecast	Actual	YOY	Vs forecast
Chain	90,096	94,000	94,151	+ 4.5%	+ 0.2%	13,687	15,500	16,396	+ 19.8%	+ 5.8%
Motion Control	23,316	22,000	22,731	- 2.5%	+ 3.3%	1,710	400	660	- 61.4%	- 65.1%
Mobility	77,275	85,000	84,616	+ 9.5%	- 0.5%	6,376	7,200	7,815	+ 22.6%	+ 8.5%
Materials Handling	60,973	66,000	65,312	+ 7.1%	- 1.0%	- 888	- 1,500	- 1,165	—	—
Other ^{*2}	3,200	3,000	3,404	+ 6.4%	+ 13.5%	- 534	- 1,000	- 944	—	—
Adjustment	- 3,287	- 3,000	- 3,402	—	—	- 1,365	- 1,600	- 1,499	—	—
Total	251,574	267,000	266,812	+ 6.1%	- 0.1%	18,985	19,000	21,262	+ 12.0%	+ 11.9%

*1. Net sales include internal sales and transfers between segments.

*2. Other is not a reportable segment.

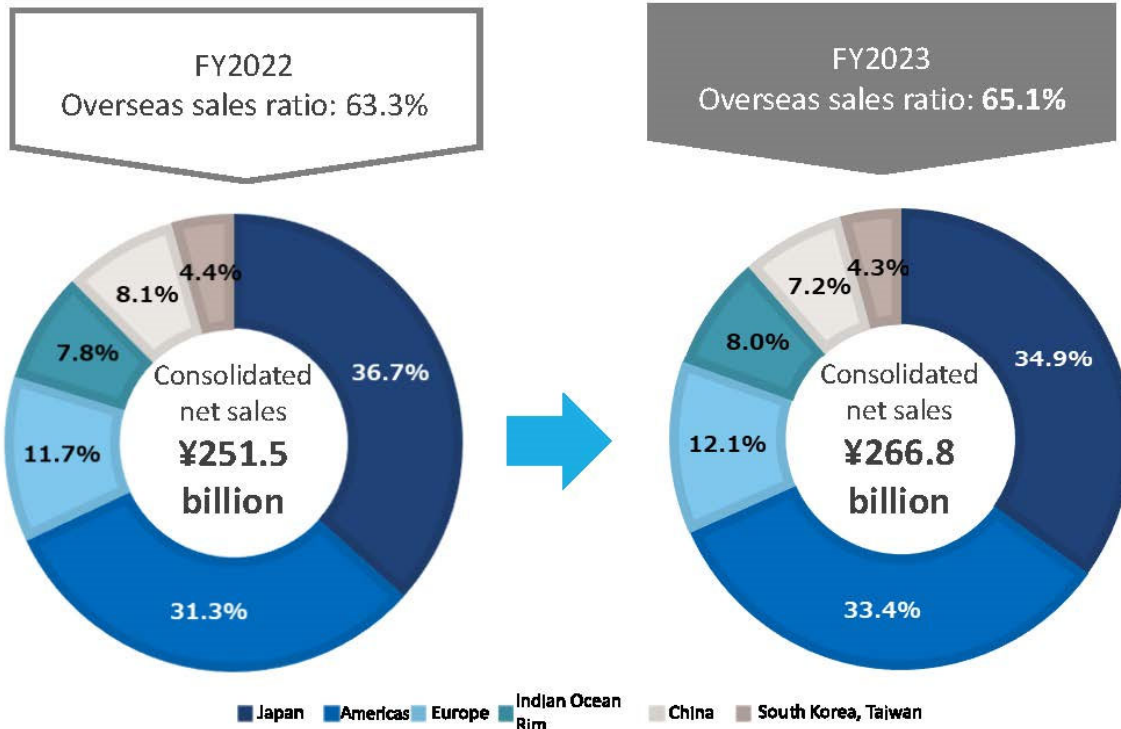
Here are the results by business segment.

The two businesses that increased revenues and profits compared to the previous year were Chain and Mobility.

Both sales and income increased in the Chain business due to strong sales in North America, and in the Mobility business due to a pickup in automobile production following the resolution of the semiconductor shortage.

On the other hand, Motion Control business struggled due to sluggish sales to the machine tool industry and semiconductor industry.

Materials Handling business recorded an increase in revenue from the previous fiscal year but posted a loss due to increased costs incurred on a large project in North America and sluggish projects for logistics in Japan.

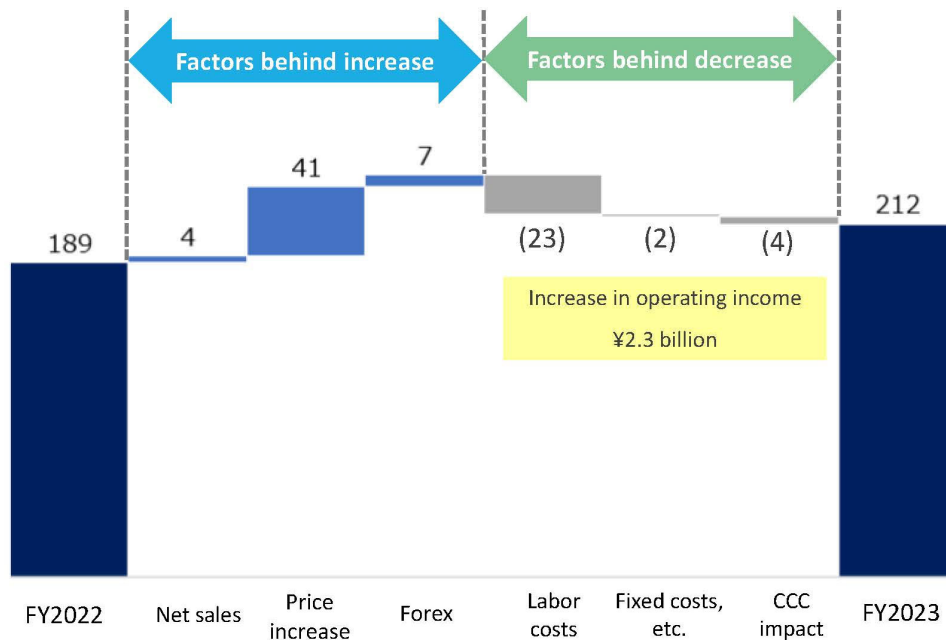


Next, I will explain sales by region.

Although sales in China declined due to the sluggish Chinese economy, sales in the Americas, Europe, and the Indian Ocean Rim increased, and the ratio of overseas sales to total sales rose 1.8% from the previous year to 65.1%.

FY2023 Financial Results: Analysis of Inc/Dec in Consolidated Operating Income

FY2022 results vs FY2023 results

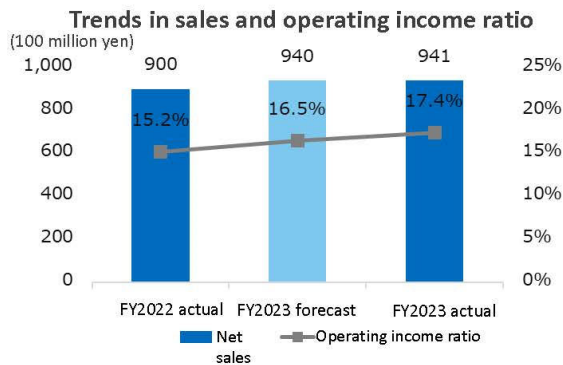


This is an analysis of the factors that contribute to the increase or decrease in operating income.

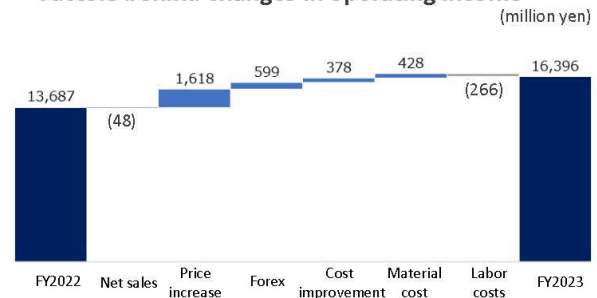
Operating income increased JPY2.3 billion from JPY18.9 billion to JPY21.2 billion.

Increasing factors included an increase of JPY0.4 billion due to higher sales and an increase of JPY4.1 billion due to the effect of product price increases.

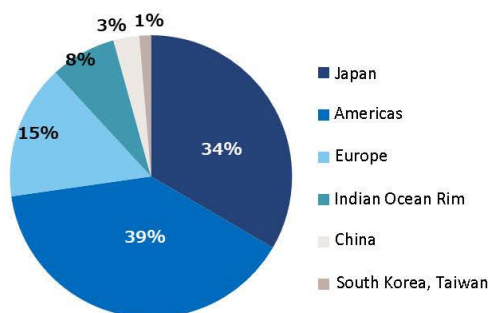
The JPY2.3 billion decrease in profit was due to an increase in labor costs. This is partly due to higher labor costs overseas as a result of inflation, as well as efforts to secure labor and increase salary bases in Japan.



Factors behind changes in operating income



Net sales by region



✓ YOY

- Sales continued to be strong in Japan and Europe. Income increased partly due to the depreciation of yen, while demand in North America slowed down through the second half of the fiscal year. Both net sales and income increased in total.

✓ Vs forecast

- Net sales were roughly in line with the forecast. Income exceeded the forecast reflecting a decline in transportation costs in North America and other factors.

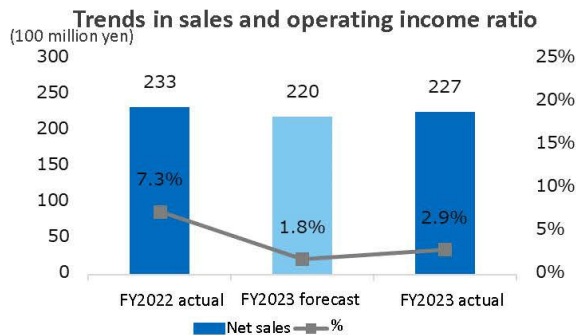
I will now explain in a little more detail by segment.

The Chain business reported a 4.5% increase in sales and a 19.8% increase in income compared to the previous year.

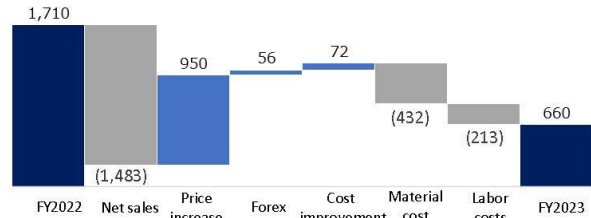
Foreign exchange rates contributed JPY4.1 billion to net sales and JPY590 million to operating income in a positive direction.

Although a lull in demand in North America began to appear in Q4, sales were strong throughout the fiscal year, and sales volume was almost on par with the previous year.

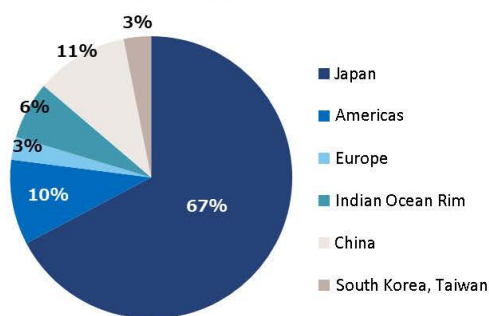
In addition, price increases mainly in the Americas and Japan contributed to the increase in profits.



Factors behind changes in operating income
(million yen)



Net sales by region



✓ YOY

- Delays in recovery of sales to the machine tool industry and for LCD / semiconductor manufacturing equipment. Both sales and income declined as the business struggled in general, although sales for LCD / semiconductor manufacturing equipment have been recovering since the second half.

✓ Vs forecast

- Net sales were roughly in line with the forecast. Operating income exceeded the forecast as we made efforts to reduce various costs.

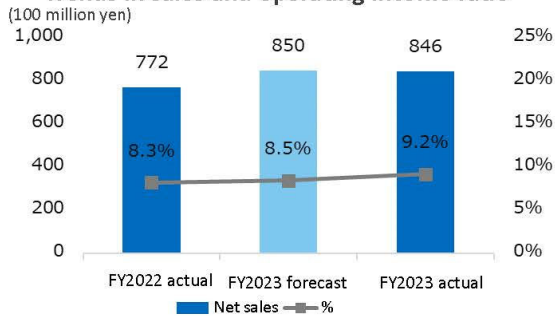
The Motion Control business posted a 2.5% decrease in sales and a 61.4% decrease in income compared to the previous year.

Foreign exchange rates contributed JPY290 million to net sales and JPY50 million to operating income in a positive direction.

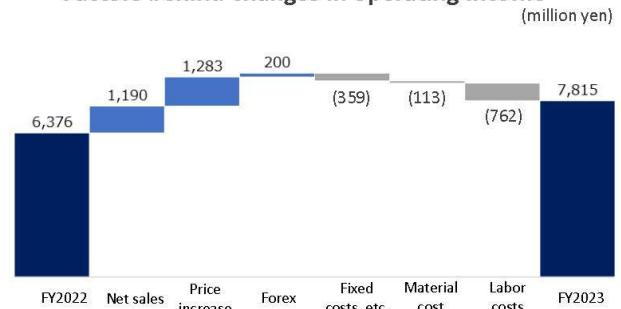
The main reason for the YoY decline in sales and profit was due to a slow recovery in sales volume to the machine tool industry and to LCD and semiconductor manufacturing equipment, which was a major factor in the sluggish sales volume growth.

On the other hand, we reviewed product prices, and the effect of price increases on income was a positive JPY950 million.

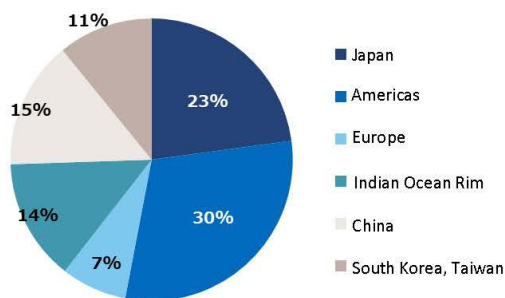
Trends in sales and operating income ratio



Factors behind changes in operating income



Net sales by region



✓ YOY

- Both net sales and income increased as sales rose in various areas excluding China and Indian Ocean Rim following the end to semiconductor shortage.

✓ Vs forecast

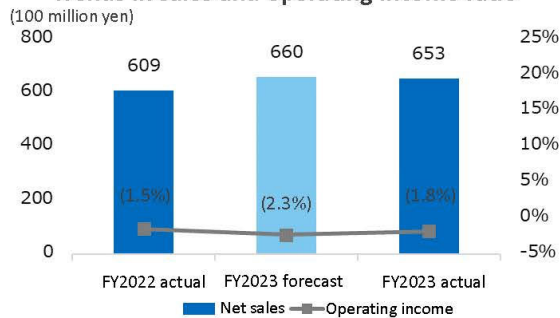
- Net sales were roughly in line with the forecast. Operating income exceeded the forecast given strong sales in Japan and the U.S.

The Mobility business reported a 9.5% increase in revenue and a 22.6% increase in income compared to the previous year.

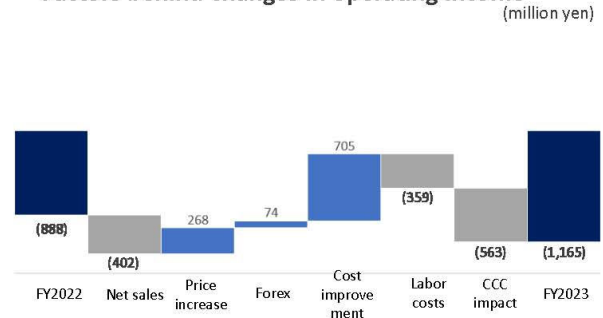
Foreign exchange rates contributed JPY4.6 billion to net sales and JPY0.2 billion to operating income in a positive direction.

Demand from car manufacturers increased as the shortage of semiconductors was resolved, and despite the sluggish Chinese market and the impact of the earthquake in Japan, the profit margin recovered to over 9% due to strong sales of hybrid vehicles in the North American market and the effect of a review of selling prices.

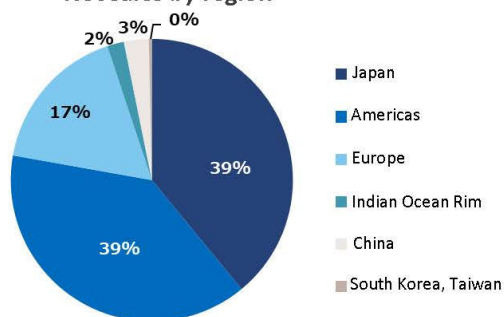
Trends in sales and operating income ratio



Factors behind changes in operating income



Net sales by region



✓ YOY

- Net sales increased as sales of bulk material handling systems were strong in Japan for biomass power generation, etc. and sales of Mayfran business grew in Americas.
- Loss increased as a subsidiary in North America posted loss and sales of systems for the logistics industry in Japan declined.

✓ Vs forecast

- Net sales came roughly in line with the forecast.
- Narrowed the loss through cost reduction.

The Materials Handling business increased revenues by 7.1% from the previous fiscal year, but the loss expanded by JPY276 million.

Foreign exchange rates had a positive contribution of JPY2.7 billion to net sales and a negative impact of JPY60 million on operating income.

Powder and granular material conveying facilities in Japan performed well for biomass power generation and other applications.

Although sales of metal swarf conveyors and coolant treatment systems increased in the Americas and Europe, losses increased due to losses recorded by a North American subsidiary and lower sales of systems for the logistics industry in Japan.

↑ Projecting increases in both net sales and income with 4.9% and 8.2% YoY rises in net sales and operating income, respectively.
Net income is projected to rise by 18.6% including sales of cross-shareholdings.

(million yen)

	FY2023 Actual	FY2024			YOY Rate of change (%)
		1st half forecast	2nd half forecast	Full year forecast	
Net sales	266,812	136,000	144,000	280,000	4.9%
Operating income	21,262	9,400	13,600	23,000	8.2%
%	8.0%	6.9%	9.4%	8.2%	
Ordinary income	23,450	10,000	14,000	24,000	2.3%
Net income	18,551	9,000	13,000	22,000	18.6%
Exchange rates (USD)	144.59 yen	145.00 yen		145.00 yen	
(EUR)	156.75 yen	155.00 yen		155.00 yen	
(RMB)	19.82 yen	20.32 yen		20.16 yen	

Next, I will explain our full-year forecast for the fiscal year ending March 31, 2025.

For FY2024, we plan net sales of JPY280 billion and operating income of JPY23 billion.

Compared to the previous year, sales and operating income will increase by 4.9% and 8.2%, respectively.

↑ Net sales of all businesses are projected to increase.
The material handling and motion control businesses are projected to have higher income thanks to profitability improvement, while income of the chain business is likely to decline as demand in North America settles down.

(million yen)

	Net sales*1			Operating income		
	FY2023 Actual	FY2024 Forecast	Rate of change (%)	FY2023 Actual	FY2024 Forecast	Rate of change (%)
Chain	94,151	95,000	+ 0.9%	16,396	15,500	- 5.5%
Motion Control	22,731	24,000	+ 5.6%	660	1,000	+ 51.4%
Mobility	84,616	90,000	+ 6.4%	7,815	8,200	+ 4.9%
Materials Handling	65,312	71,000	+ 8.7%	- 1,165	1,200	—
Other*2	3,404	4,000	+ 17.5%	- 944	- 1,000	—
Adjustment	- 3,402	- 4,000	—	- 1,499	- 1,900	—
Total	266,812	280,000	+ 4.9%	21,262	23,000	+ 8.2%

*1. Net sales include internal sales and transfers between segments.

*2. Other is not a reportable segment.

This is the performance forecast by segment.

Sales are planned to increase in all businesses.

Although operating income is expected to decrease by 5.5% in the Chain business due to stabilized demand in North America, overall operating income is projected to increase due to continued strong performance in the Mobility business and improved profitability in the Motion Control and Materials Handling businesses.

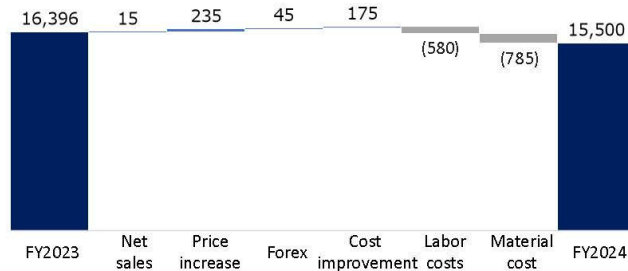
*1. Net sales include internal sales and transfers between segments.

(million yen)

Net sales*1					Operating income				
FY2023 Actual	FY2024 forecast			Rate of change (%)	FY2023 Actual	FY2024 forecast			Rate of change (%)
	1st half	2nd half	Full year			1st half	2nd half	Full year	
94,151	47,000	48,000	95,000	+ 0.9%	16,396	7,000	8,500	15,500	- 5.5%

Factors behind changes in operating income

(million yen)



✓ Net sales

Net sales are projected to remain at a similar level to the previous year due to slowing overseas demand, etc.

✓ Operating income

Assuming a 5.5% decline in income year on year due to increase in labor costs and other factors, while we will try to improve costs through automation and manpower saving of production and insourcing.

I will explain in more detail by business segment.

First, in the Chain business, we expect demand in North America, which has been showing signs of slowing down, to increase again in H2 of this fiscal year.

In addition to higher labor costs, we expect material prices to rise again, especially overseas, due to inflation and other factors, and we plan to reduce operating income compared to the previous year.

Forecast by Segment: Motion Control Business

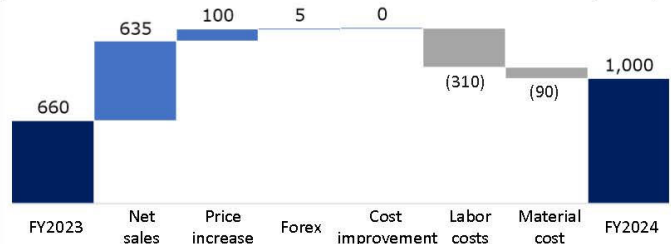
*1. Net sales include internal sales and transfers between segments.

(million yen)

Net sales*1					Operating income				
FY2023 Actual	FY2024 forecast		Rate of change (%)		FY2023 Actual	FY2024 forecast		Rate of change (%)	
	1st half	2nd half	Full year			1st half	2nd half	Full year	
22,731	11,000	13,000	24,000	+ 5.6%	660	300	700	1,000	+ 51.4%

Factors behind changes in operating income

(million yen)



✓ Net sales

Net sales are projected to increase 5.6% year on year, on the expectation of full recovery in sales for the semiconductor industry and machine tool industry in the second half of FY2024.

✓ Operating income

Projecting a 51.5% increase year on year in operating income thanks to profitability improvement due to growth in net sales and increases in product prices, despite rising labor costs and the impact of price increase of materials for motors, etc.

Next is the Motion Control business.

Demand from the semiconductor and machine tool industries remains weak, but we expect demand to gradually return in H2.

However, prices of motors and other materials continue to rise, and we expect the situation to remain difficult.

Nevertheless, we will focus on establishing a business for next-generation focused products, improve productivity, and work to increase profitability in a sustainable manner.

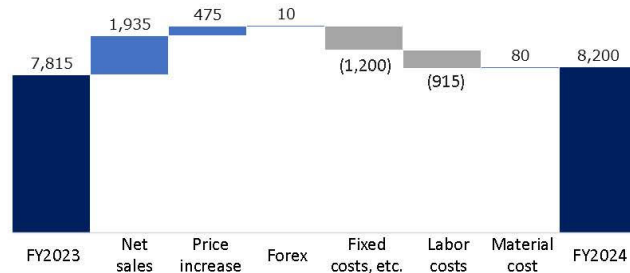
*1. Net sales include internal sales and transfers between segments.

(million yen)

Net sales*1					Operating income				
FY2023 Actual	FY2024 forecast		Rate of change (%)		FY2023 Actual	FY2024 forecast		Rate of change (%)	
	1st half	2nd half	Full year			1st half	2nd half	Full year	
84,616	44,000	46,000	90,000	+ 6.4%	7,815	3,300	4,900	8,200	+ 4.9%

Factors behind changes in operating income

(million yen)



✓ Net sales

Net sales are projected to rise 6.4% from FY2023 as global automobile sales pick up.

✓ Operating income

Projecting a 4.9% increase year on year in operating income reflecting profitability improvement due to the growth in net sales and increases in product prices, although there are rising labor costs and increases in manufacturing costs from production increase.

In the Mobility business, we expect both sales and operating income to increase in FY2024 on the back of solid demand.

Despite higher manufacturing costs and fixed costs due to rising labor costs and inflation overseas, we will continue to work to improve profitability by increasing sales and raising product prices.

Forecast by Segment: Materials Handling Operations Business

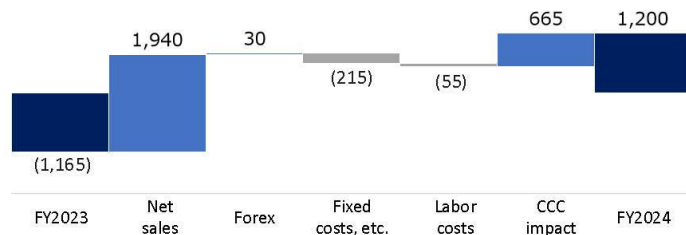
*1. Net sales include internal sales and transfers between segments.

(million yen)

Net sales*1					Operating income				
FY2023 Actual	FY2024 forecast		Rate of change (%)		FY2023 Actual	FY2024 forecast		Rate of change (%)	
	1st half	2nd half				1st half	2nd half		
65,312	34,000	37,000	+ 8.7%		- 1,165	100	1,100	—	

Factors behind changes in operating income

(million yen)



✓ Net sales

Projecting net sales to increase 8.7% year on year on continued strength in bulk material handling systems and increases in sales to the logistics industry and of automobile handling systems in Japan.

✓ Operating income

Projecting ¥1.2 billion in operating income owing to the sales increase in Japan and profitability improvement at CCC.

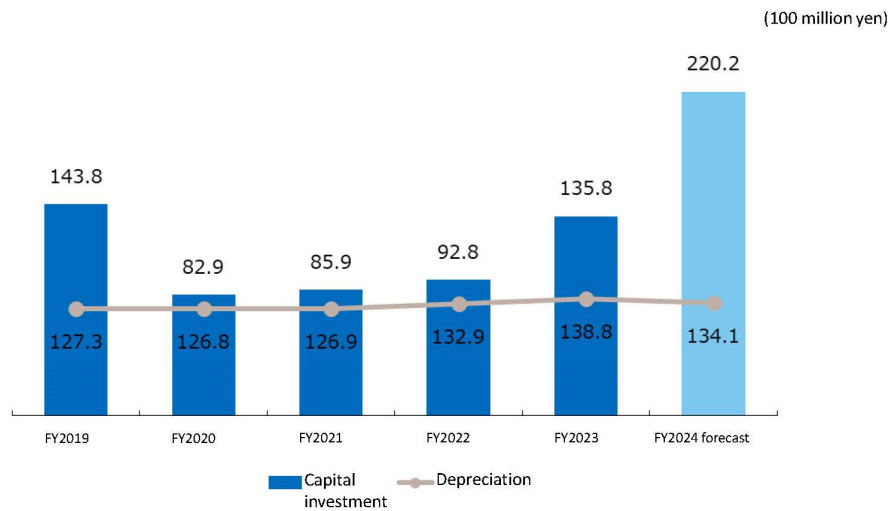
In the Materials Handling business, both sales and operating income are planned to increase.

We expect to maintain sales of powder and granular material handling equipment, which were strong last year, and increase sales of equipment for the logistics industry and automobile handling equipment in Japan.

The Company plans to record an overall positive operating income, mainly due to improved profitability resulting from increased sales and increased sales at its US subsidiary.

✓ Capital investment to strengthen growth potential

- Investment in more efficient and automated production system (all businesses)
- Enhancement of facilities for the chain business in North America



Next, I will explain capital investment.

We will aggressively invest capital to strengthen our ability to sustain growth.

We plan to invest a total of JPY22 billion in automation and streamlining of production systems and expanding facilities for our Chain business in North America and Europe for stable production.

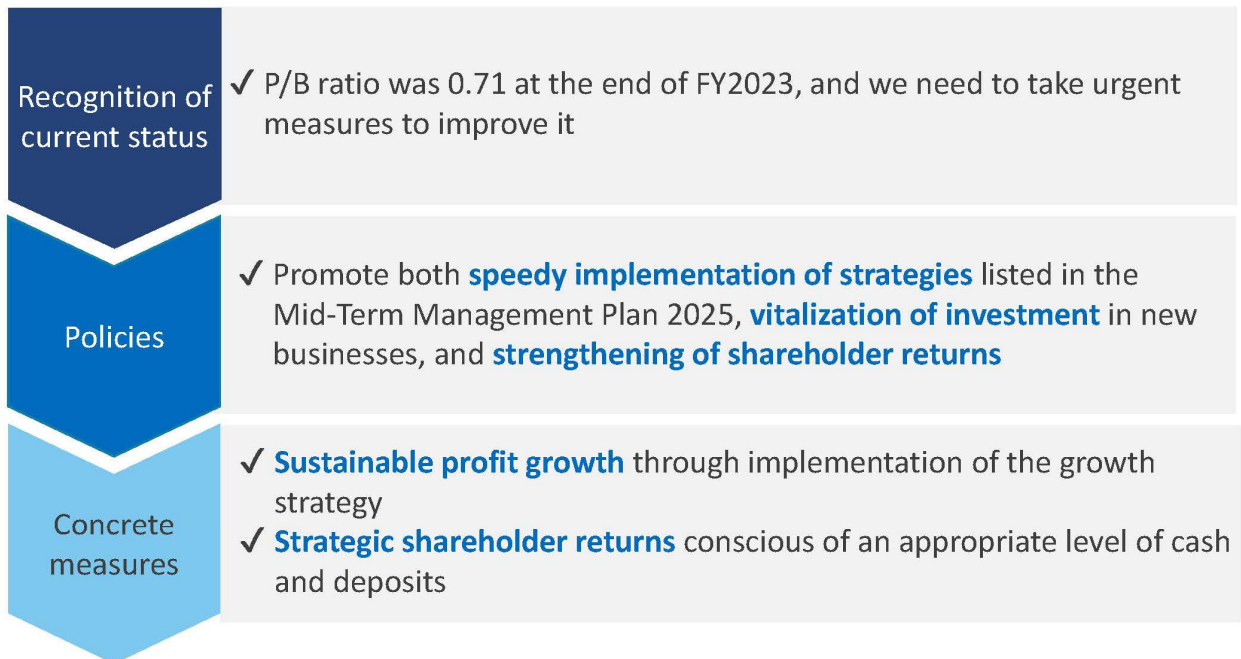
Mid-Term Management Plan 2025 target figures

Net sales of ¥300 to 320 billion, operating income ratio of 9 to 11%, ROE of 8% or more in FY2025



Next, I will explain our efforts to achieve sustainable growth.

Mid-Term Plan 2025 calls for net sales of JPY300 billion to JPY320 billion, operating margin of 9% to 11%, and ROE of at least 8% in FY2025.



As for the current situation, the PBR as of the end of March was 0.71x, and we recognize that efforts to improve the situation are a pressing issue.

To this end, we will promote the speedy implementation of the strategies set forth in Mid-Term Plan 2025 for both the revitalization of investment in new businesses, etc., and the strengthening of shareholder returns.

Specifically, we will implement sustainable profit growth through the implementation of growth strategies and strategic shareholder returns with an awareness of appropriate cash and cash equivalents levels.

Actively promote three types of investments for sustainable growth



New products, new businesses



Environment (carbon neutrality)



Human capital
(human resource development, employee engagement)

We will aggressively pursue investments in three main areas for sustainable growth.

The first is investment in new products and businesses to solve social issues.

Next is investment in the environment to achieve carbon neutrality, and then investment in people to implement these strategies.

Medium- to long-term policy for business expansion and sustainable profit growth

- ✓ New manufacturing bases and strengthening of supply structure
 - Improve quality, supply capability, and profitability through promotion of automation and DX at manufacturing bases around the world, development of new manufacturing technology, etc.
 - Consider new manufacturing bases (Europe and India)
 - Enhance functions that can be customized at sales bases

Systematically implement investment in product development and M&A for implementation of the above

- ✓ Global expansion of sales
 - Expand sales in existing markets (Americas, Europe, China, and Southeast Asia)
 - Develop markets in areas without presence (India, South Africa, and Middle East)



I will now explain specific investment strategies for each segment.

First, in the Chain business, we will strengthen our global production system.

We will improve quality, supply capacity, and profitability by promoting automation and digital transformation at our global manufacturing bases and developing new manufacturing technologies.

In addition, we are considering new manufacturing bases in Europe and the India region, and in executing the above, we will systematically execute product development investments and M&A.

By implementing these measures, we aim to expand sales in existing markets, as well as in new markets, with the goal of increasing sales on a global basis.

Short-term goals, ongoing projects

✓ Further strengthen No. 1 products

- Introduction of ultra-small and world's smallest roller chains

Develop new markets in addition to general industries



- Introduction of the next-generation roller chain G9 (planned in 2026)

Development concept
"Gentle for the earth,
gentle for you"

Development goals (vs the previous model)

- ✓ Fatigue strength improvement: 20%
- ✓ Wear resistance improvement: 40%
- ✓ Safety improvement, etc.

Under development



- Introduction of environmentally friendly products

Development and introduction of products using recycled and biomass materials

Idle for plastic chains



Cable carrier



In terms of specific product enhancements, we will further strengthen our global number-one position.

We plan to launch the world's smallest ultra-compact roller chain on the market this fiscal year.

In addition, the next generation G9 roller chain, which has been continuously upgraded every 10 years, is scheduled to be introduced to the market in 2026.

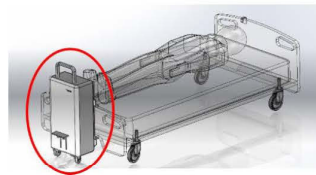
Furthermore, as environmentally friendly products, we will develop and market products that use recycled materials and biomass materials.

Sustainable Profit Growth through Implementation of Growth Strategies: Motion Control

Medium- to long-term policy for business expansion and sustainable profit growth

- ✓ Product development with a clear global roadmap
(product development suitable for the markets with focus on core products)

- ① Linear actuator
- ② Cam clutch
- ③ Worm reducer
- ④ Drive control unit



- ✓ Globalization of manufacturing bases and sales
Local production of key (core) products in European countries, which strongly prefer OEM
Overseas sales ratio: present 30% ⇒ aim for 50%

In the Motion Control business, we will implement product development with a clear global roadmap and focus on our core products to develop products that fit the market.

Here is an example.

The photos on the left show examples of the adoption of our electric cylinder from a conventional hydraulic unit.

The upper right photo shows a shutter drive control unit under development, which is expected to be adopted in the near future.

In addition, the lower right side shows a drive control unit for bed transfer assistance in hospitals, and operability evaluation tests are underway with the cooperation of the National Hospital Organization Osaka National Hospital.

Short-term goals, ongoing projects

✓ Bolster sales engineers and promote zip products in the market

- Develop and sell Arc Chain* Actuator™
Mass production was finalized for the product, which is adopted for the opening and closing device of cargo compartment of wing trucks. Promote sales expansion

*Interlocking chain that extends and contracts in an arch shape



✓ Globally roll out local knockdown production and after-sales service business

- Approach key customers to which we supply large-sized conveyor chains
Regions: Australia, Canada, Europe, South Africa, etc.
Industries: Mining, steel, forestry, sugar production, bulk material handling infrastructure-related, etc.
Products: Linear actuator, cam clutch

In Japan, our Zip-type arc chain has been adopted for opening and closing the wings of trucks.

Replacing conventional hydraulic equipment with arc chain actuators prevents oil leaks from contaminating the cargo.

We received a great response at the recent truck exhibition in Yokohama and have received numerous inquiries from truck manufacturers and logistics companies around the world.

Medium- to long-term policy for business expansion and sustainable profit growth

✓ Acquire and expand new businesses (non-timing businesses)

- A battery-assisted tricycle which anyone can ride

“おもい”をのせて どこまでも、らしく。
LA SI QUE Promote development of LASIQUE

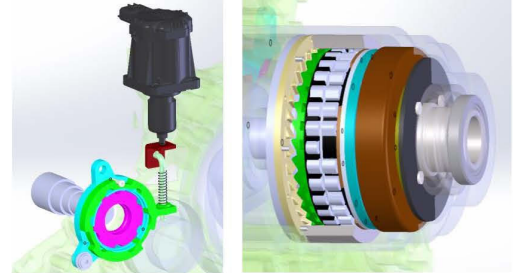


Reduce burden, improve work efficiency, and develop worker-friendly environment



▶ Began demonstration experiment for commercial use with Sugunami Ward, Tokyo (from June 2024)

- Clutches and units for four-wheelers



For parking lock
(for xEV and ICE)

For switching 2WD and 4WD
(for HEV and BEV)

-Chain and clutch for personal mobility

In the Mobility business, we are investing in development in areas other than the engine timing chain business in line with the shift to EVs.

The photo on the right shows an example of the development of a clutch for four-wheeled vehicles. One example is a clutch for a parking lock.

While conventional parking lock systems are complex and require a large space, the parking lock system we have developed is simple and compact.

We are currently receiving many inquiries from Japanese car manufacturers as well as European and Chinese manufacturers, and expect to start business with them as soon as possible.

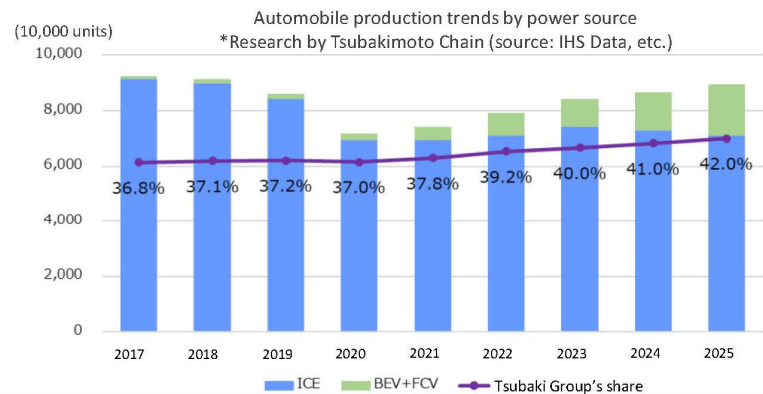
Also, the photo on the left shows the development of the multi-purpose e-cargo bicycle, LA SI QUE.

The concept of the electrically power assisted three-wheeled bicycle is that anyone can easily ride it, and we will start a demonstration experiment next month for business use in Sugunami Ward, Tokyo.

Short-term goals, ongoing projects

✓ Expand ICE business and ensure profit

- Develop and supply timing system in response to new exhaust gas regulations such as EURO7
- Develop and supply timing system for HEV and PHEV
- Capture and win orders for PHEV and range extender in the Chinese market
- Rebuild manufacturing through review of demand in the North American market
- Improve productivity by leveraging DX



Meanwhile, we will expand our traditional internal combustion engine business and thoroughly secure profits.

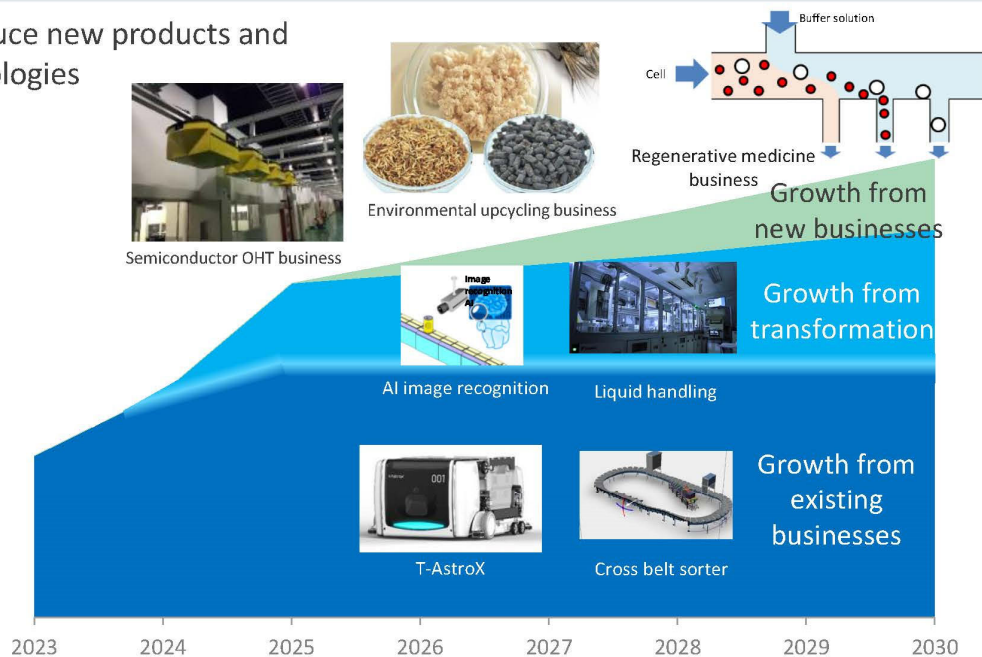
Car manufacturers are actively developing new engines with improved combustion efficiency, lower noise and vibration, and other new engine features, requiring more sophisticated timing systems.

Based on our past expertise, we will proceed with the development and delivery of a new timing system for the new engines.

Sustainable Profit Growth through Implementation of Growth Strategies: Material Handling

Medium- to long-term policy for business expansion and sustainable profit growth

- ✓ Introduce new products and technologies



In the Materials Handling business, we plan to bring new products and technologies to market in each of the following areas: existing business, innovative growth, and new growth.

In existing growth areas, we will invest in T-AstroX and cross-belt sorters; in innovative growth areas, AI image recognition and liquid handling; and in new growth areas, semiconductor production lines and regenerative medicine.

Short-term goals, ongoing projects

✓ Promote differentiation strategy

System integration business
[Promote DX of logistics]

★ Establishment of Nexa Ware Co., Ltd.
A joint venture with KDDI Corporation



Transform logistics with customers

Propose a scheme that enables introduction of new solutions for lowering hurdles for investment by leveraging data

After-sales service business
[Expand maintenance business domains]

★ The growth leader of the Tsubaki Group

- Transform call centers (enhance functions)
- Promote computerization



Transform into the No. 1 service provider in the industry

Support operation of customer facilities around the clock

In April of this year, we established Nexa Ware, a joint venture with KDDI Corporation.

This company aims to be a vendor-free systems integration business with digital transformation for logistics.

We are proposing a system that leverages data, lowers the investment hurdle, and makes it easy to implement new solutions.

Together with our customers, we will transform logistics.

In addition, we will expand the business areas of the after-sales service business and maintenance business.

Last year we opened our new Tokyo Service Center in Odaiba, Tokyo.

Here, we have a 24-hour call center to respond to customer requests.

Immediately after the Noto Peninsula earthquake on January 1 of this year, we confirmed the operational status of facilities by e-mail or telephone with customers in areas where the impact of the earthquake was large and were able to quickly restore facilities for customers who suffered damage.

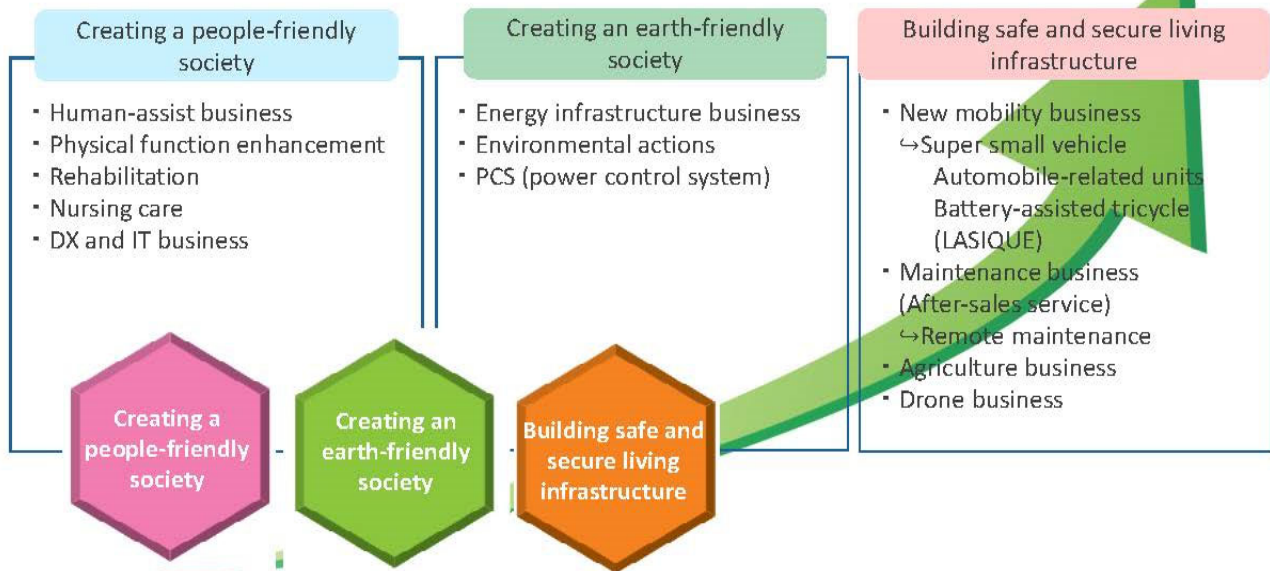
We will support our customers' facility operations 24 hours a day and transform ourselves into the number-one service company in the industry.

Sustainable Profit Growth through Implementation of Growth Strategies: New Businesses

Medium- to long-term strategy for expanding business and improving profit



✓ Business domains envisioned by the New Business Development Center



As for investment in new businesses, the goal in our Long-Term Vision 2030 is to become a corporate group that can contribute to solving social issues.

We focus on three social issues as areas in which we can contribute: creating a people-friendly society, building a safe and secure infrastructure for living, and creating an Earth-friendly society.

Specifically, we will promote investment in such areas as the human assistance business, digital transformation/IT business, energy infrastructure environmental response business, power control system business, new mobility business, maintenance business, agri-business, and drone business.



Expansion of environment-related investment

- ✓ Changed targets for Scope 1 and 2 emission reduction following acquisition of the SBT certification
 - ⇒ Tsubaki Group to **reduce emissions 42% by FY2030 compared to FY2021**
 - Transform processes including heat treatment process, **expand decarbonization investment**
 - Expand environmentally friendly products

✓ Investment for renewal of manufacturing bases

- ⇒ Maintain and improve productivity and realize people-friendly production plants
 - Consider rebuilding Nagaokakyo Plant (motion control business), which is more than 50 years old, including reorganization for implementing production method reforms aimed at achieving carbon neutrality



The second investment is in the environment.

With the acquisition of SBT certification, we have changed our CO2 emissions reduction target for Scope 1 and Scope 2 to 42% reduction in FY2030 compared to FY2021.

Furthermore, zero CO2 emissions by 2050 is a goal shared by all humankind.

Especially for our company, which is mainly manufacturing plants, it is important to take concrete measures to bring CO2 emissions to zero.

In particular, the heat treatment process in the manufacturing process emits a large amount of CO2.

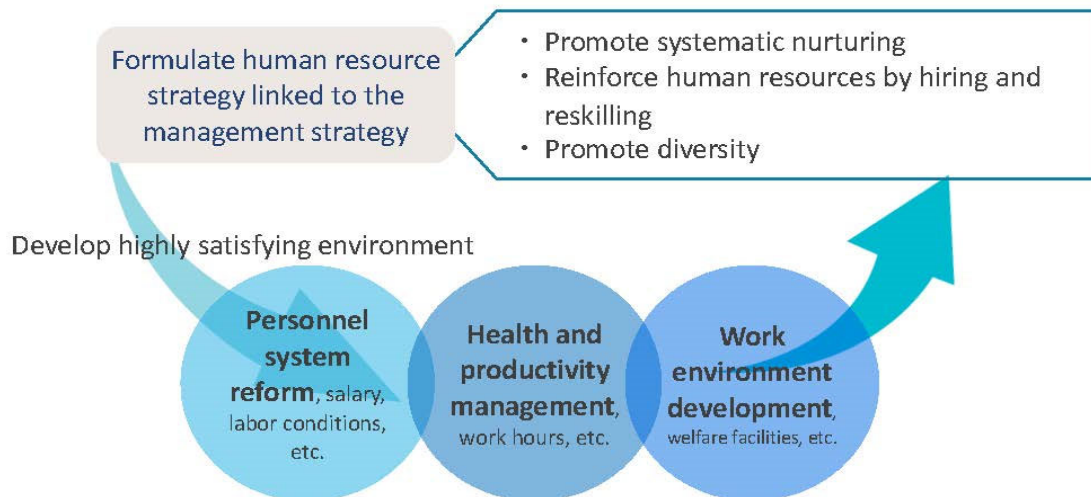
We will actively invest in the development of heat treatment facilities that do not emit CO2 and manufacturing that does not require heat treatment itself, through radical and revolutionary changes in heat treatment methods.



Human capital investment and employee engagement

✓ Make active investment in human capital

⇒ Improve medium- to long-term corporate values by raising employee engagement and maximizing the value of human capital



The third investment is in people.

As we have explained, we will also invest in people to execute our Mid-Term Plan.

We will improve employee wages as well as labor conditions, create a comfortable work environment, promote human resource development management, increase employee engagement, and maximize the value of our human resources, thereby increasing our corporate value over the medium to long term.

Strategic Shareholder Returns Conscious of Appropriate Level of Cash and Deposits

- ✓ Raised the basic policy of the consolidated dividend payout ratio of ordinary dividend from 30% as a base to 35% or higher
- ✓ Flexibly implement share repurchase, etc.
- ✓ Promote sale of cross-shareholdings with a target of 10% or lower of consolidated net assets as of the end of March 2026



Share repurchase

Implemented
¥5.0 billion worth of
repurchase
3.2% of outstanding
shares

To implement
¥10.0 billion worth
of repurchase
5.0% of outstanding
shares

We will aggressively implement these investments to secure profitability and increase corporate value for the future, while at the same time strategically returning profits to shareholders with an awareness of an appropriate level of cash and cash equivalents.

As stated in the notice of revision of dividend policy released on May 14, we have decided to raise the basic policy for ordinary dividends from a consolidated dividend payout ratio of 30% to a consolidated dividend payout ratio of 35% or more.

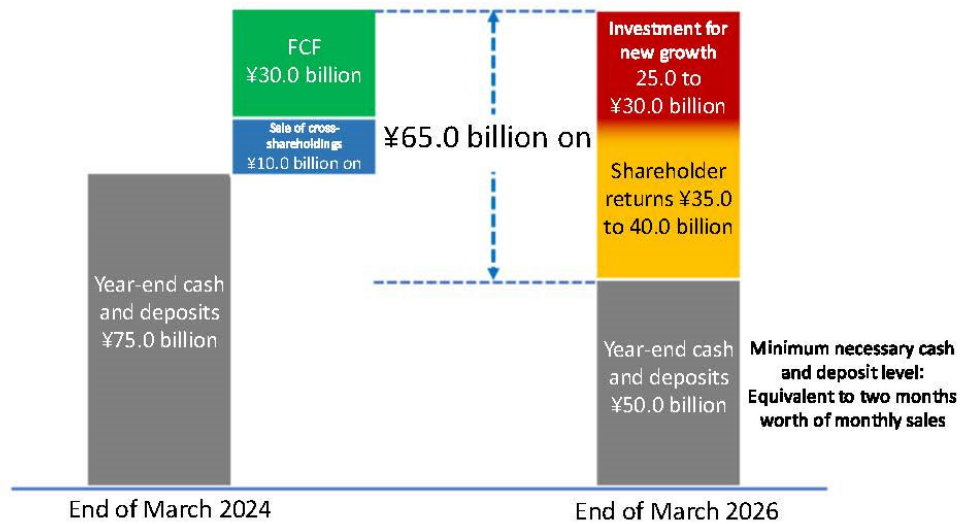
The Company will conduct a 3-for-1 stock split of common stock with a record date of September 30.

Assuming that the stock split had not been conducted, the annual dividend per share for FY2024 would be 240 yen.

In terms of other shareholder returns, the Company plans to flexibly implement share buybacks while taking into consideration the necessary cash on hand and the amount of profit to be generated.

The Company plans to repurchase up to JPY10 billion of its own shares this fiscal year.

- ✓ Promote both growth investment and shareholder returns for achievement of Long-Term Vision 2030



The cash allocation for active investment for sustainable growth and shareholder returns as discussed can be summarized as listed.

We aim to achieve business growth and improve return on capital by strategically using cash on hand for operations, cash generated from operations, and proceeds from the sale of strategic equity holdings to invest in new growth and return profits to shareholders.

Expo 2025 Osaka, Kansai, Japan

Sponsoring and participating in Osaka Healthcare Pavilion



Conceptual drawings of Osaka Healthcare Pavilion Nest for Reborn

We will be exhibiting at the Osaka healthcare pavilion of the Osaka Kansai Expo to be held in 2025.

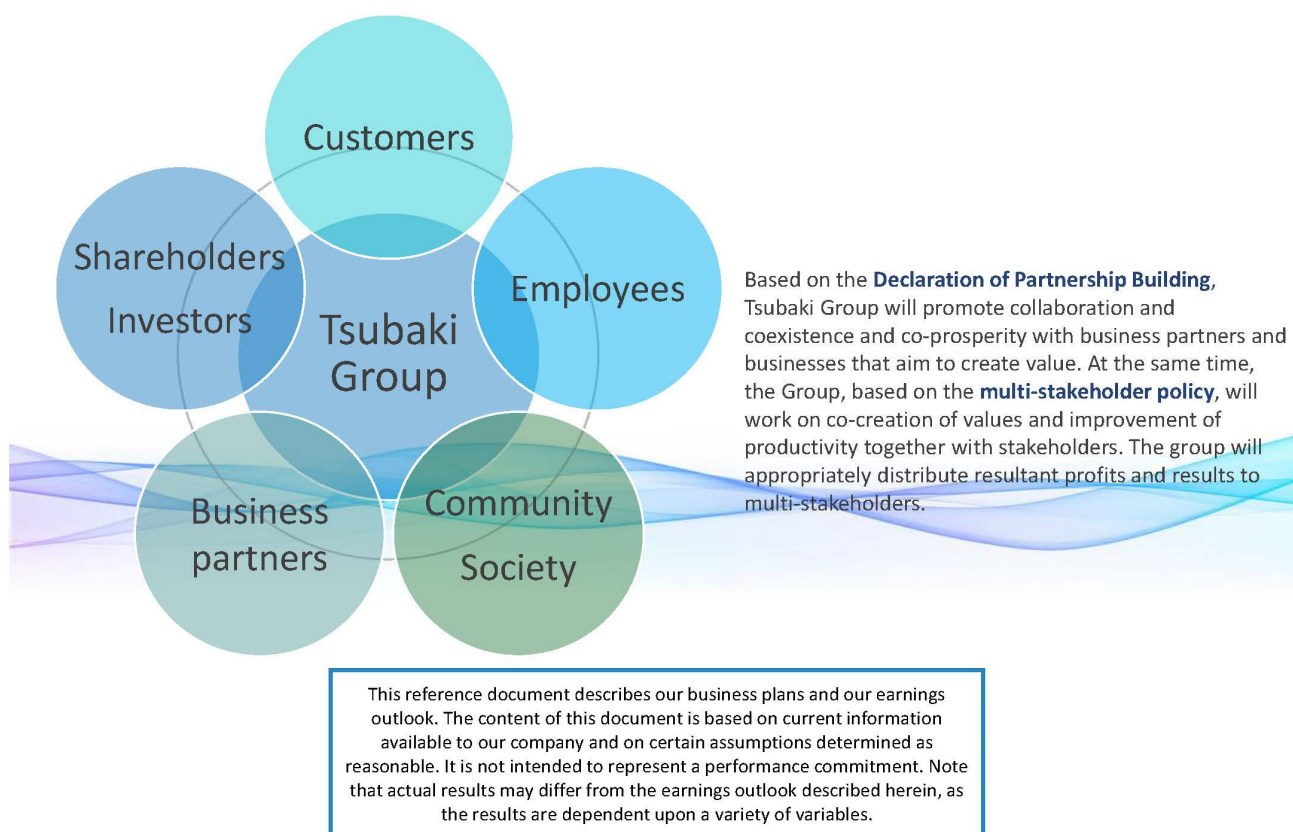
Under the theme of "REBORN (people can be reborn, take a new step forward)," this is an all-Osaka pavilion with the combined efforts of industry, government, academia, and the private sector.

Our exhibition concept is "MOTION CREATES EMOTION." The concept is to "move" the body and mind with "moving" technology.

We have contributed to society as professionals of movement, as well as our social mission to bring evolution to movement and to exceed society's expectations.

From now on, we will contribute to the realization of a people-friendly society and create a safe and secure infrastructure for people's lives. Also, by moving things, we will try to move even hearts.

We hope you will enjoy our booth, where we will display various exciting things that will move your hearts and minds while allowing you to fully experience our movement technology.



Finally, based on the declaration on building partnerships, the Group will promote cooperation, coexistence, and co-prosperity with its business partners and other value-creating businesses.

In support of the Japanese government and the Japan Business Federation's objective that in order to realize a sustainable future, it is important to create new value in cooperation with various stakeholders, including employees, business partners, local communities, shareholders, and customers, we have established a multi-stakeholder policy as of April 21, 2023.

Under the policy, in addition to appropriate collaboration with multi-stakeholders, the Company will appropriately distribute to multi-stakeholders the earnings and results generated through value co-creation and productivity improvement.

This concludes my explanation. Thank you for your attention.

Question & Answer

Sasao [Q]: This is Sasao from SMBC Nikko Securities. Thank you as always. I would like to ask a couple of questions. As for the short-term performance, looking at the trend of orders in the Chain business, I believe that in H2 of the last fiscal year, there was a YoY turnaround to positive growth, but I think that there is a slight slowdown, so I would appreciate it if you could tell us a little bit more about the trend of orders by region, volume basis or whatever you are analyzing, and also about the outlook for this fiscal year, as you commented that North America will return in H2 of the current fiscal year.

Nagai [A]: I would like to explain the current state and then the concept of the 2024 plan. First of all, looking at the current situation from an overseas perspective, the figures for the US were very strong in the previous year in sales and profit, but in fact orders received in 2021 and 2022 were very good. There is still a very large amount of the order backlog, and with this and the increase in orders from the market, we are proud to say that we had a very good performance in FY2023.

However, it is said that currently such market orders are slowing down. Especially for standard parts like those from Japan, orders to Japan have also been decreasing, and the inventory of large distributors and UST itself has been slowing down a bit. However, we are reading that after the adjustment in that area is completed, the market will recover in H2.

Then, Europe is also the same, with orders falling very much from H2 of FY2023. One of the reasons for this, I believe, is that with overall demand falling due to inflation, companies are becoming a bit hesitant to invest. Based on local information, as is the case in the US, we expect things to pick up again in H2.

In Japan, the Motion Control business has been the most affected, but semiconductors and LCDs have also declined slightly. Secondary batteries declined as well. The machine tools business has completely stopped, and this has had an impact on the Chain business, even though it has a broad base. I believe that the sales will start moving earlier than overseas, although there is some wishful thinking, and overall sales of the current fiscal year will be higher than the previous year, but I think that Japan will lead the way.

We believe that the US and Europe will remain flat in H1 and H2 combined.

In the rest of the world, China has been in the doldrums for a long time. We are also looking at higher figures for the current fiscal year, and there is talk of a government-led policy to boost capital investment. As for this, we are raising China by factoring in that as well. If we sum up FY2024 one more time, it is Japan and China that will raise the numbers. In Europe, we expect that H1 will be very difficult, but that H2 will be better. Did I answer your question?

Sasao [Q]: Thank you for the details. Considering such demand, I think the price increases had a positive effect on both profit and sales in the previous fiscal year, but Europe and the US will be in a difficult situation in FY2024, so is it natural to assume that the price increases will not have that much of an effect as you have planned?

Nagai [A]: We had been planning to raise prices in 2021, 2022, and 2023, but first of all, the competition in each region is very uneven, and secondly, according to the logic of the manufacturers, we should raise prices because many things are going up, but we also have to very much consider the choices of our customers.

In Japan in particular, we believe that the choices of our customers will have a great impact, and we are considering price increases rather than an average increase across the board. In the current situation, there are still many instances where we are receiving orders at unprofitable rates.

This year, we are thinking of taking steps to increase the actual price by first addressing such instances.

Sasao [Q]: Thank you. One more point regarding the Materials Handling business performance. I understand that you have been having some difficulty in producing a large number of projects for logistics and automobile transportation in Japan since the previous fiscal year. I think there was a comment earlier about the recovery of these areas this fiscal year, but I would appreciate it if you could explain a little bit about the status of orders here, whether you are seeing a recovery or some other positive sign.

Okamoto [A]: Hello, I am Okamoto. As to your current question, we have seen a very strong start to the current fiscal year compared to the previous year in terms of orders for logistics, factory automation, and automobiles, and we have seen an increase in orders.

However, orders do not necessarily lead to immediate sales, but are rather long lived, so these orders will contribute to sales in the latter half of FY2024 and FY2025. In terms of sales for the current fiscal year, the answer to your question is not quite the same, but we can expect sales in the maintenance and logistics fields, including short-term items, to increase. Did that answer your question?

Sasao [Q]: Yes. So, rather than the large-scale Japanese logistics projects that I was concerned about, you would say that the profitability of maintenance and such will increase as a single business unit.

Okamoto [A]: Yes, that's right. I think that is the way to think about it. However, I was a little short on the logistics sector, but the logistics projects themselves are still growing, and I expect that we will be taking orders for them this fiscal year.

Sasao [Q]: I understand. Thank you. Third, I would like to ask you about Mobility. On page 26 of the materials you gave us, in the growth strategy section, there is a graph showing your company's share of the internal combustion engine business. I think there was a projection that it has been gradually rising over the past few years and will continue to rise again through 2025. It would be great if you could give us a little background on the increase in market share here and why we can expect it to continue to go up from here.

Sato [A]: Okay, I am Sato, and I will answer. Europe is largely responsible for one factor in the growth of market share. Of these, we also received a large order from Europe several years ago. This is finally going into full-scale operation, or rather, mass production is going into full swing, and sales are expected to grow over 2025 and 2026.

In Europe now, hybrids and plug-in hybrids are the mainstream, and if anything, we believe that the use of diesel engines will continue to decline in the future. In that sense, our market share will increase.

And North America. In North America as well, Ford just announced today that it plans to offer hybrid versions of all of its models by 2030, and hybrids are growing very rapidly in the US as well. From that perspective, given that we are delivering to companies other than Japanese-affiliated companies, such as General Motors and Ford, and expect hybrid engines to grow from now on, we also expect our market share to increase.

Sasao [Q]: I understand that there are still some strong manufacturers in the market, but have there been any changes in the competitive situation?

Sato [A]: There are only a few manufacturers in the world that can supply timing systems, but there has been a small amount of restructuring, which has benefited us in some ways.

Sasao [Q]: Thank you for the details. The fourth and final point is on page 33. I was wondering if you could tell us a little bit about your policy shareholdings. I think you wrote that the cash flow from the sale was more than JPY10 billion. With the various shares your company holds, would you please allow me to review once again how you intend to proceed with the sale of these shares?

Akesaka [A]: Okay, I am Akesaka, and I will answer. We are reviewing the significance of our shareholdings, and although we do this every year, we are also taking social conditions into account and considering them more rigorously.

As a result, we are now selling off the assets that have lost their significance as holdings in order to reduce the ratio to net assets to less than 10% by the end of FY2025, the period of this mid-term plan, and we are accelerating this pace.

Therefore, although the figure on page 33 is expressed as JPY10 billion or more, we are currently considering the sale of assets that have lost their significance as much as possible over the medium to long term, with the aim of achieving practically zero.

Sasao [M]: Thank you. That is all.

Moderator [M]: Thank you. Now, we are happy to answer your anonymous questions in the Q&A text. I will read them out.

Participant [Q]: You explained your growth strategy regarding Materials Handling and Motion Control businesses. Despite the fact that three years have passed since the start of the current mid-term plan, these two businesses have performed far short of the mid-term plan targets. I am asking how you recognize the root cause of the lack of profit growth and improvement in profit margins in the two businesses and what measures you will implement in the future.

Moderator [M]: Nagai of Power Transmission Operations, and Okamoto of Materials Handling Operations, please.

Nagai [A]: I will explain the status of Motion Control and future policy. In 2019, Motion Control looked to the future and discontinued products that had no future.

In the midst of this situation, we have been thinking of various alternative businesses, and although this cannot be blamed on COVID-19, it has had an impact, and as I explained earlier, semiconductors, machine tools, and rechargeable batteries, which are very important industries for Motion Control, have also come to a halt. LCDs are also stagnant, and sales here alone have fallen by more than JPY2 billion per year.

As for the future, as I mentioned earlier, the first step is to make sure we are taking orders as this industry recovers.

There are two points for the future. One is to strengthen our core products, and we actually have a number of products that have a high market share in Motion Control. We have not been able to strengthen our efforts in this area over the past few years, and Motion Control's strength is that we are able to provide customers with the movements they need as a unit by combining sensing, control, and partner products related to these.

We decided to enhance our products that take advantage of this. As the President explained earlier, we have received several inquiries for units to open and close truck wings, as well as for platform doors at train stations and shutters, which are being installed at a rapid pace.

We have been trying to strengthen our technical capabilities, including the number of engineers, for several years, but we have not been able to hire enough people, and we are finally getting the numbers where they need to be. In the area of strengthening the technology itself, we are dispatching our people to customers who are ahead in such areas and work with them to develop engineers to work on those themes.

In order to sell motion control products, it is very important for sales staff to have such knowledge, so we established a special unit for this purpose in April and have been training sales staff since.

Another measure is globalization, as per the Chain business, but for Motion Control, domestic sales are 70% and overseas sales are 30%. We are trying to get to 50/50 first.

The Senior Executive Officer of Motion Control, Kawakami, has been in charge of this division since FY2024. Kawakami has very good information on the United States, Europe, and Southeast Asia. Last year, we sold motion control products in various locations, and now we are working on Materials Handling. We have started discussions on expanding sales of motion control products, including maintenance in this area.

We intend to put a plan together by the end of this fiscal year and develop measures to expand sales accordingly.

So, two points. Enhance products that have strengths as motion control and bolster measures to sell them globally. We hope to do these two things well and raise the numbers.

Okamoto [A]: Now, I, Okamoto, will explain about the Materials Handling business. One of the main reasons why performance has been sluggish and not in line with the Mid-Term Plan is the poor performance of Central Conveyor in North America.

We finally eliminated all of the problem last year, and from this fiscal year, as I have explained before, we will send a member from Japan to oversee materials handling in North America, change both the organization and the overall North American organization of Materials Handling, and create such a structure and organization. In addition, in the current fiscal year, the performance of Central Conveyor's Wixom location, which was the biggest challenge, has improved and the order backlog has increased. We believe that Central Conveyor is on a recovery trend and will recover in FY2024. That is what we are doing as far as North America is concerned.

As for the rest of the Materials Handling Division, there are two major strategies: one is a strategy of differentiation, which we are thoroughly promoting. As mentioned in the presentation, we have a joint venture company called Nexa Ware, in which we have partnered with KDDI, and we are going to invest and focus on the system integration business centered on this joint venture.

Then, there is the maintenance business mentioned earlier. We intend to make these two a central part of our growth differentiation strategy.

Also, one more point. With the idea of introducing new products to the market and making this the centerpiece of our Mid-Term Plan, in addition to the T-AstroX and cross-belt sorters, as you can see on page 27 of the presentation material, we have also established a business development department this fiscal year, where top management will take the lead in developing these areas, and we will do our best to reach the goals of the Mid-Term Plan.

Moderator [M]: Thank you. Continuing with the Q&A, we have two more questions from the same person, anonymously.

Participant [Q]: One is, what are your thoughts, discussions, and strategies regarding the medium- to long-term optimal portfolio based on ROIC management as described in the integrated report? Also, I was wondering if you could comment on the creation of new businesses and mergers and acquisitions, if you can.

Moderator [M]: Akasaka of Finance & Accounting/Corporate Planning, please.

Akasaka [A]: First of all, regarding ROIC management and portfolio review centered on ROIC, we started calculating ROIC for each business segment last fiscal year and have started internal discussions on ROIC. The Board of Directors is also trying to discuss the need for such discussions, and then hold discussions later on a sequential and periodic basis.

In the area of new businesses and M&A, we established the New Business Development Center last year, which is involved in a variety of independent projects, as well as an internal proposal system. From that, about six or seven themes have been added over the past two years and are now in process. We will continue to do this and weed out the companies that have reached the point of growth, and for those that have reached the point of growth, we will make very aggressive use of M&A as a means to achieve this.

Although we cannot give specifics at this stage yet, we are also diligently considering several M&As. I will report back to you when the timing is right.

Moderator [M]: Thank you. One more question we have received anonymously.

Participant [Q]: In the Mobility business, the trend toward EVs seems to be slowing down, especially in Europe and the US. In light of this situation, how do you see the probability of achieving your company's Mid-Term Plan 2025?

Moderator [M]: Sato of Mobility Operations, please.

Sato [A]: Yes. I am Sato, and I will answer. As President Kimura explained earlier, we are aiming for a figure of approximately JPY90 billion this fiscal year. With the recent trend of hybrids, new orders and commencement of deliveries in China, although the Chinese market is bad, we believe that the 2025 target will be achievable.

Moderator [M]: Thank you. Those were the questions we received. There is still a little time left, but it seems that we have run out of questions, so we will conclude the Q&A session now.

A transcript of today's content, including the Q&A session, will be posted on our website and elsewhere, so please take advantage of it.

Thank you very much for your participation today.

[END]