

FYE 2008 Settlement of Accounts Presentation Meeting



May 19, 2008
Tsubakimoto Chain Co.

Report on FYE 2008 Business Performance, and Future Outlook

- Report on Business Performance
- Future Outlook and Strategies

President and Representative Director
Tatsuhiko Mimoto

Report on Business Performance

- **Sustained Growth** – An increase in both sales and profits for the sixth consecutive term and highest- ever profits for the third consecutive term were achieved.
- **Improving Profitability** – Ordinary income ratio is 10.8%. (+1.5%)
ROE is 11.9%. (+1.4%)
- **A portion of returns from favorable business performance were distributed to shareholders – Dividend increase of ¥1**

*Major exchange rate applied in FYE 2008 results: US\$1 = ¥114.43, €1 = ¥161.59

2. FYE 2008 Review Factors of Increase/Decrease in Operating Income

- The significant increase in profits was driven by the increase in net sales and improvement of cost ratio.
 - Major factors behind decrease/increase in FYE 2008

Increase in FYE 2008 operating income from FYE 2007: Approximately ¥3.8 billion

- Factors behind profit increase
 - ¥2.8 billion - Increase in net sales
 - ¥1.9 billion - Improvement of cost ratio
 - ¥0.7 billion - Losses from sales at the former TCA in FYE 2007
 - ¥0.6 billion - Two new consolidated entities
 - ¥0.1 billion - Exchange fluctuation
- Factors behind profit decrease
 - ¥2.3 billion - Increase in general and administrative expenses

*TCA: Tsubaki Conveyor of America, INC.

(Subsidiary in North America. Dissolved March 31, 2007. Completed liquidation March 20, 2008)

3. FYE 2008 Review Breakdown by Segment and Operations

- **Power Transmission Products Segment: Continuous, strong growth (Especially in Automotive Parts during first half)**
- **Materials Handling Systems Segment: Significant recovery (Double-digit operating income ratio)**

(Yen, millions)

	Result in FYE 2008	Increase / Decrease			
		Comparison with previous term		Comparison with projection (as of November 15, 2007)	
• Net sales					
Power Transmission Products Segment					
- GB value (reference) -					
Chain Operations	49,800	+ 1,200	(+2.4%)	- 800	(-1.6%)
Power Transmission Units and Components Operations	27,900	+ 1,000	(+3.7%)	+ 300	(+1.1%)
Automotive Parts Operations	53,600	+ 9,100	(+20.4%)	+ 700	(+1.3%)
Materials Handling Systems Segment					
- GB value (reference) -					
Materials Handling Systems Operations	33,600	+ 1,000	(+3.0%)	+ 3,400	(+11.3%)
• Operating income ratio					
Power Transmission Products Segment	14.5%	+ 0.4%		+ 1.2%	
Materials Handling Systems Segment	11.9%	+ 6.1%		- 0.2%	

- Result: Continued improvement in profitability in overseas countries, especially North America

(Yen, millions)

		Result in FYE 2008	Increase/decrease from previous term (Percentage of increase/decrease)	
Japan	Net sales	130,544	+ 4,146	(+3.2%)
	Operating income	16,485	+ 707	(+4.4%)
	Operating income margin	12.6%		(+0.1%)
North America	Net sales	36,002	+ 7,133	(+24.7%)
	Operating income	3,145	+ 1,845	(+141.9%)
	Operating income margin	8.7%		(+4.1%)
Europe	Net sales	10,070	+ 928	(+10.1%)
	Operating income	1,204	+ 359	(+42.4%)
	Operating income margin	11.9%		(+2.6%)
Asia / Oceania	Net sales	11,966	+ 4,425	(+58.6%)
	Operating income	1,997	+ 888	(+80.0%)
	Operating income margin	16.6%		(+1.8%)
Other areas	Net sales	327	—	
	Operating income	41	—	
	Operating income margin	12.5%	—	
Consolidated	Net sales	167,202	+ 11,456	(+7.3%)
	Operating income	19,805	+ 3,797	(+23.7%)
	Operating income margin	11.8%		(+1.5%)

- Percentage of overseas sales is 37.5% - a 0.1% increase from the previous term
- Overseas sales remained strong, especially in North America and Europe.

(Yen, millions)

	Result in FYE 2008	Increase/decrease from previous term (Percentage of increase/decrease)	
Total domestic sales	104,581	+ 7,093	(+7.2%)
Domestic sales as percentage of total sales	62.5%		(-0.1%)
Total overseas sales	62,621	+ 4,363	(+7.4%)
Overseas sales as percentage of total sales	37.5%		(+0.1%)
North America	35,673	+ 6,844	(+23.7%)
Percentage of total sales	21.3%		(+2.8%)
Europe	10,744	+ 878	(+8.8%)
Percentage of total sales	6.4%		(+0.1%)
Asia / Oceania	15,278	- 841	(-5.2%)
Percentage of total sales	9.1%		(-1.3%)
Other areas	923	- 2,520	(-73.1%)
Percentage of total sales	0.6%		(-1.6%)

6. FYE 2008 Review Overview of Sales Performance by Operations

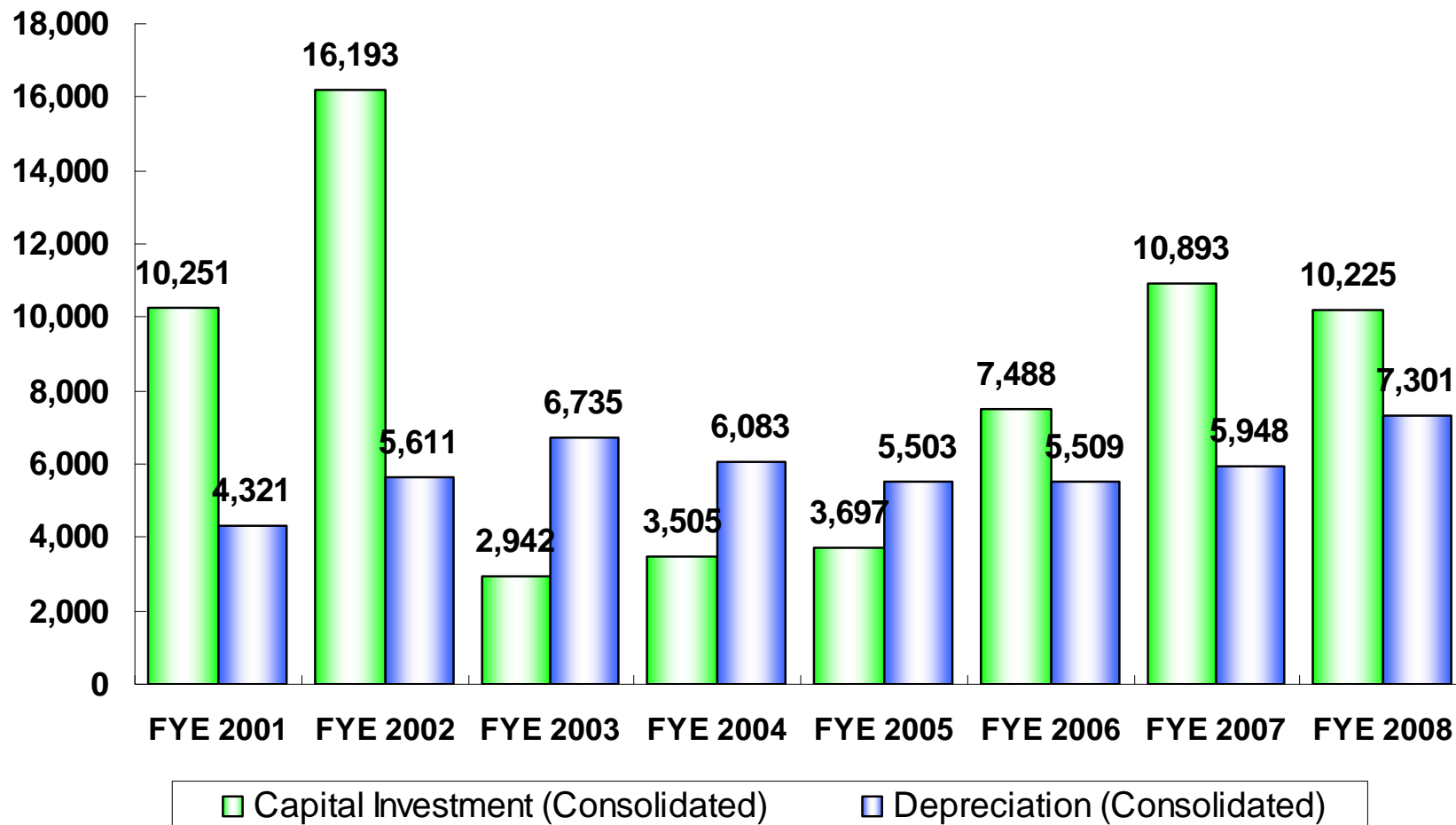
- Major power transmission products (timing chains, etc.) remained firm. Transfer equipment for machining tool industry and foreign cement industry served as a driving force.

Operations	Overview
Chain Operations	<ul style="list-style-type: none"> - Growth of chains for steel industry (84.2% up from the previous term). - Growth of chains for machining tool industry (12.7% up from the previous term). - Large pitch conveyor chains (13.6% up from the previous term). Plastic chains (59.4% up from the previous term).
Power Transmission Units and Components Operations	<ul style="list-style-type: none"> - Sales for automobile, steel, shipbuilding and machining tool industries remained robust. - Sales for liquid crystal displays, and IT industry related products, recovered rapidly in the second half. - Sales of clutch group were robust (12.6% up from the previous term).
Automotive Parts Operations	<ul style="list-style-type: none"> - Sales at U.S. TSUBAKI, INC. (North America) and TSUBAKIMOTO AUTOMOTIVE (THAILAND) CO., LTD. (Thailand) increased by 44.4% and 36.1%, respectively from the previous term. - TSUBAKIMOTO AUTOMOTIVE (SHANGHAI) CO., LTD. (China) was consolidated.
Materials Handling Systems Operations	<ul style="list-style-type: none"> - Sales of automotive body paint shop conveyor systems for automobile industry decreased. - Sales of powder and particle transfer equipment for foreign cement industry were brisk, especially in India and China. - Sales of chip conveyors for machining tools were brisk.

7. FYE 2008 Review Capital Investment and Depreciation

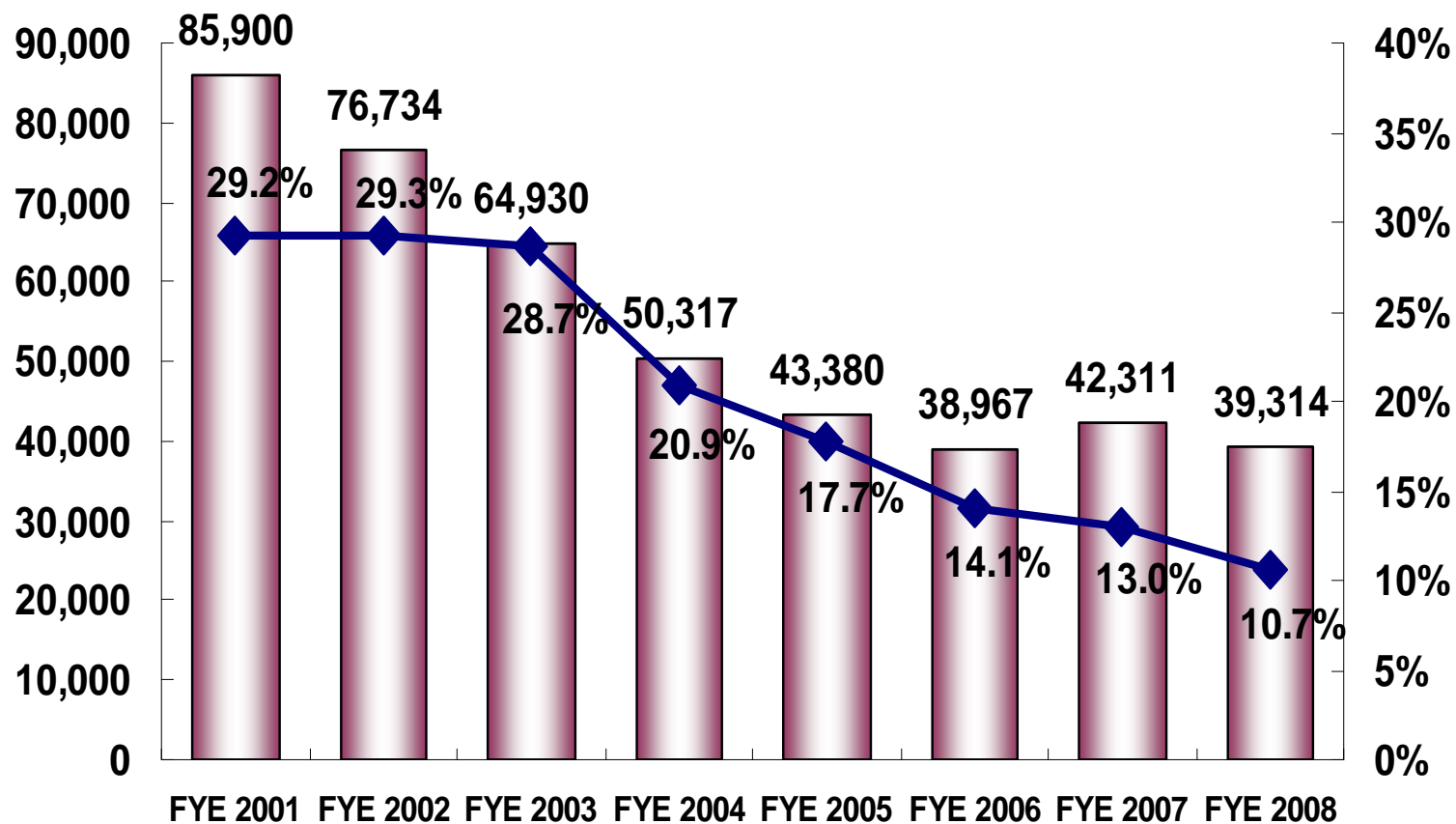
- Investment in plant and equipment has been expanded since FYE 2006 in order to strengthen production capacity.

(Yen, millions)



- Stronger financial base. Achievement of "A-" rating

(Yen, millions)



Total amount of interest-bearing debt
 Ratio of net interest-bearing debt

Future Outlook and Strategies

- **Expecting decrease in profits. Cautious stance due to concerns regarding deteriorating external environment**
 - Numerical target: Net sales ¥169 billion (1.1% up from the previous term)
Ordinary income ¥17 billion (5.8% down from the previous term)
 - Precondition (Major exchange rate): US\$1 = ¥100
€1 = ¥159
 - Causes for concern:
 - High price of raw materials including crude oil and steel products
 - Influence of exchange rate (weak dollar)
 - Concern about the U.S. economic recession and its impact on the global economy
 - Decreasing trend in automobile production

2. FYE 2009 Factors behind Increase/Decrease in Operating Income

- Decrease in profits expected due to rising price of raw materials, increase in depreciation and amortization expenses, influence of exchange rate fluctuation, and other factors
 - Major factors behind increase/decrease in FYE 2009

Increase in FYE 2009 operating income from FYE 2008: Approximately ¥1.2 billion

- Factors behind profit decrease
 - ¥4.4 billion - Rising price of raw materials
 - ¥1.3 billion - Increase in depreciation and amortization expenses, etc.
 - ¥1 billion - Exchange rate fluctuation
 - ¥0.3 billion - Increase in general and administrative expenses
- Factors behind profit increase
 - ¥3.2 billion - Price increase
 - ¥2.2 billion - Increase in net sales
 - ¥0.4 billion - Rationalization

3. "STEP10" Medium-term Management Plan

- Establishment of continuous growth base independent from economic environment
 - Sales growth ratio from FYE 2009 to 2011: Approx. 12 %
 - Maintaining ratio of ordinary income to sales of 10%

(Yen, millions)

	Result in FYE 2008	FYE 2009 (Plan)	FYE 2010 (Plan)	FYE 2011 (Plan)
• Net sales (Consolidated)	167,202	169,000	179,100	189,200
Power Transmission Products Segment				
Chain Operations	49,800	51,200	55,500	58,500
Power Transmission Units and Components Operations	27,900	29,400	30,400	32,100
Automotive Parts Operations	53,600	54,100	54,900	57,500
Materials Handling Systems Segment	33,600	32,000	35,200	36,800
• Ordinary income (Consolidated)	18,051	17,000	18,800	20,500

*Applied exchange rate in FYE 2008: US\$1 = ¥114.43, €1 = ¥161.59

*Assumed exchange rate for FYE 2009 to 2011: US\$1 = ¥100, €1 = ¥159

- **Strategy for establishing continuous growth base**

- 1) Traditional strategy**

- (1) Enhancement of advantages in product strength
- (2) Expansion of advantages in manufacturing strength
- (3) Expansion of advantages in financial position

- 2) Strategy for further acceleration of business operations**

- (1) Diversification of plants for the Automotive Parts**

- Operations and strengthening of production capacity**

- Concentration of domestic plants in Saitama → Dispersion
- Construction of a new plant in East Europe, production growth in North America and expansion of plant in Thailand

- (2) Optimization of production and procurement including overseas procurement**

- Aiming for 20% LCC* ratio for precision machinery (FYE 2009 target)
- Aiming for 50% localization ratio for automotive parts

- (3) Development of new (overseas) markets (emerging markets such as BRICs)**

- Setting up new business bases in Brazil and India, etc.

- (4) Development of new products**

- Power drive chains, etc.
- Immediate target is 30% new product ratio (currently, approx. 20%)

- (5) M&A**

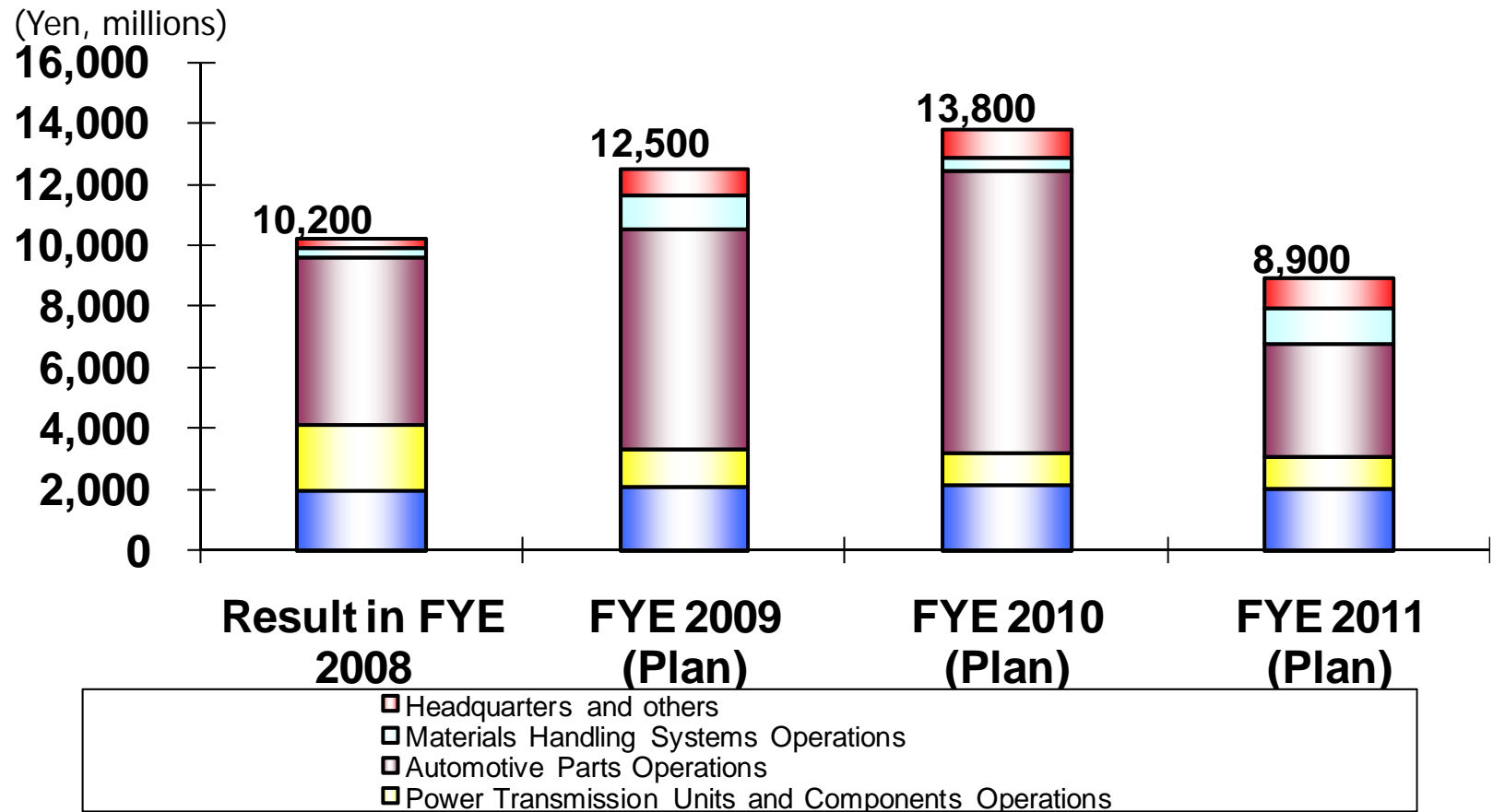
Prior investment burden will be a negative factor in the short term.

An increase in resistance to the strong yen will be a positive factor in the middle term.

*LCC: Leading Competitive Countries

5. Plans for Investment in Plant and Equipment

- Continuing investment in plant and equipment to increase production capacity in the Automotive Parts Operations
 - Investing approx. ¥35 billion in total from FYE 2009 to 2011



Our Mission

**Excellence in Manufacturing for Customers
around the World**

We will provide the **best value** to customers around the world by capitalizing on our technical strengths in power transmission products and materials handling systems.

Our Vision

We aim to be a **leading company** in the global markets for our products.

This reference document describes the outlook of our business performance and business plans. Contents of this document are based on the economic environment and our business policies at the time of preparation of the reference data. Therefore, please note that actual results may be different from the business outlook described here, depending on a variety of factors.