

Tsubakimoto Chain Co. FYE 2010 Settlement of Accounts Presentation Meeting



May 18, 2010

Report on FYE 2010 Business Performance, Medium-term Management Plan, and Forecast for FYE 2011

- Report on FYE 2010 Business Performance
- Medium-Term Management Plan 2012 (April 1, 2010–March 31, 2013)
- Forecast for FYE 2011

President and Representative Director
Isamu Osa

Report on FYE 2010 Business Performance

1. FYE 2010 Review

Main Points of Settlement of Accounts

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- Despite the continuing impact of the global recession and decline in our earnings and income, we exceeded our profit expectations thanks to our ongoing efforts to cut costs.

(Yen, millions)

	FYE 2009	FYE 2010	Increase / Decrease (Percentage Change)	
			Comparison with previous term	
Net sales	141,517	112,759	-28,758	(-20.3%)
Operating income	9,095	4,737	-4,358	(-47.9%)
Operating income margin	6.4%	4.2%		
Ordinary income	9,328	4,990	-4,338	(-46.5%)
Net income	6,188	3,175	-3,013	(-48.7%)
Shareholders' equity ratio	43.9%	44.3%		
Net D/E ratio	0.48	0.48	(Interest-bearing liabilities/ shareholders' equity)	
Return on equity	7.7%	4.0%	(Net income/average shareholder's equity)	
Net income per share	33.26	17.07		
Dividends per share	8.00	6.00		

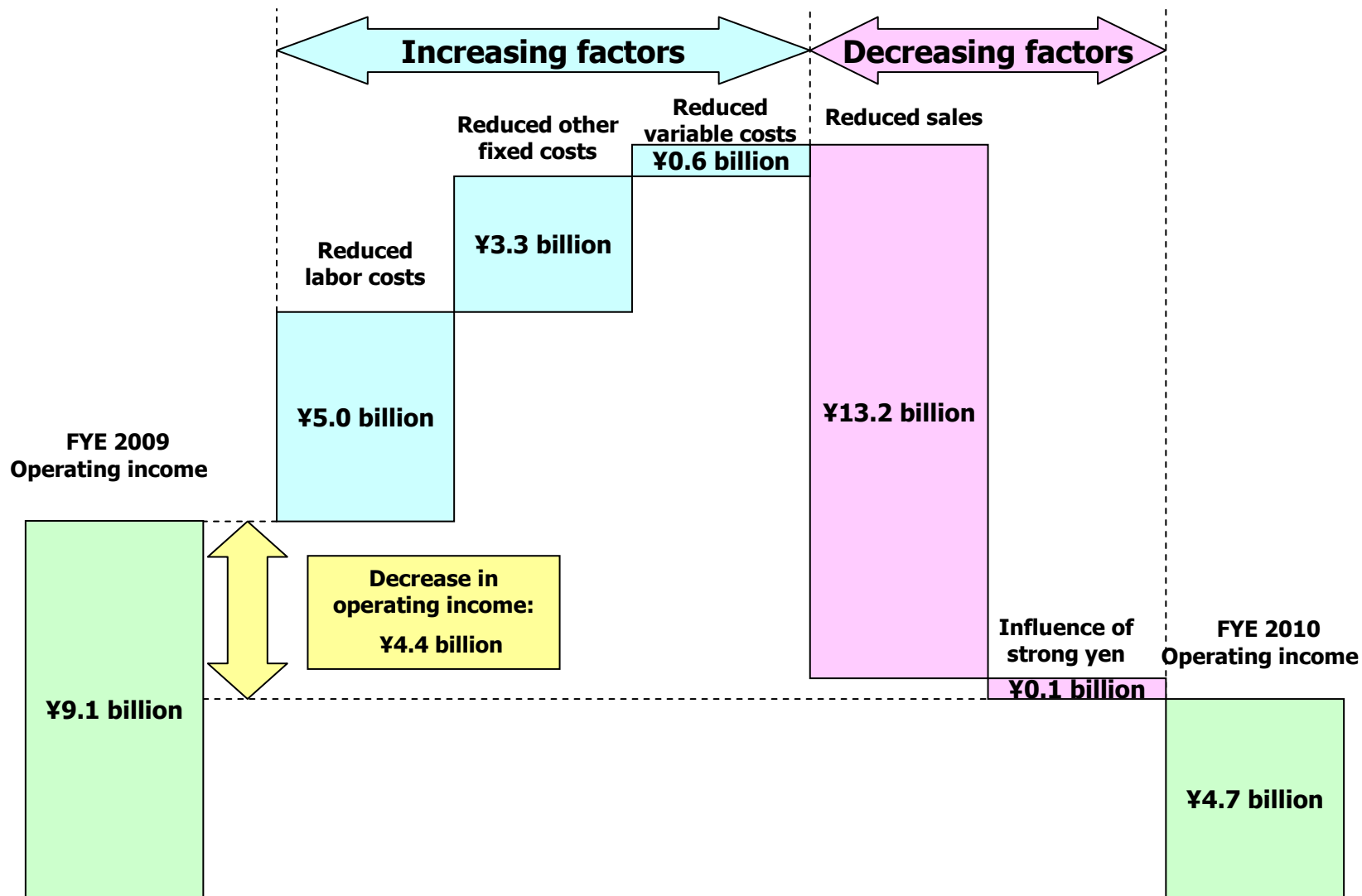
Major exchange rates

FYE 2009: US\$1 = ¥100.72, €1 = ¥144.07

FYE 2010: US\$1 = ¥ 92.90, €1 = ¥131.18

2. FYE 2010 Review Factor Analysis of Fluctuation in Operating Income

■ FYE 2009 vs. FYE 2010



3. FYE 2010 Review

Breakdown by Segment and Operations

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- **Power Transmission Products Segment:** All three operating segments recorded reduction in earnings, but we are on a steady recovery trend mainly in the automotive parts segment.
- **Materials Handling Systems Segment:** A decline in capital spending led to a decrease in income.

(Yen, millions)

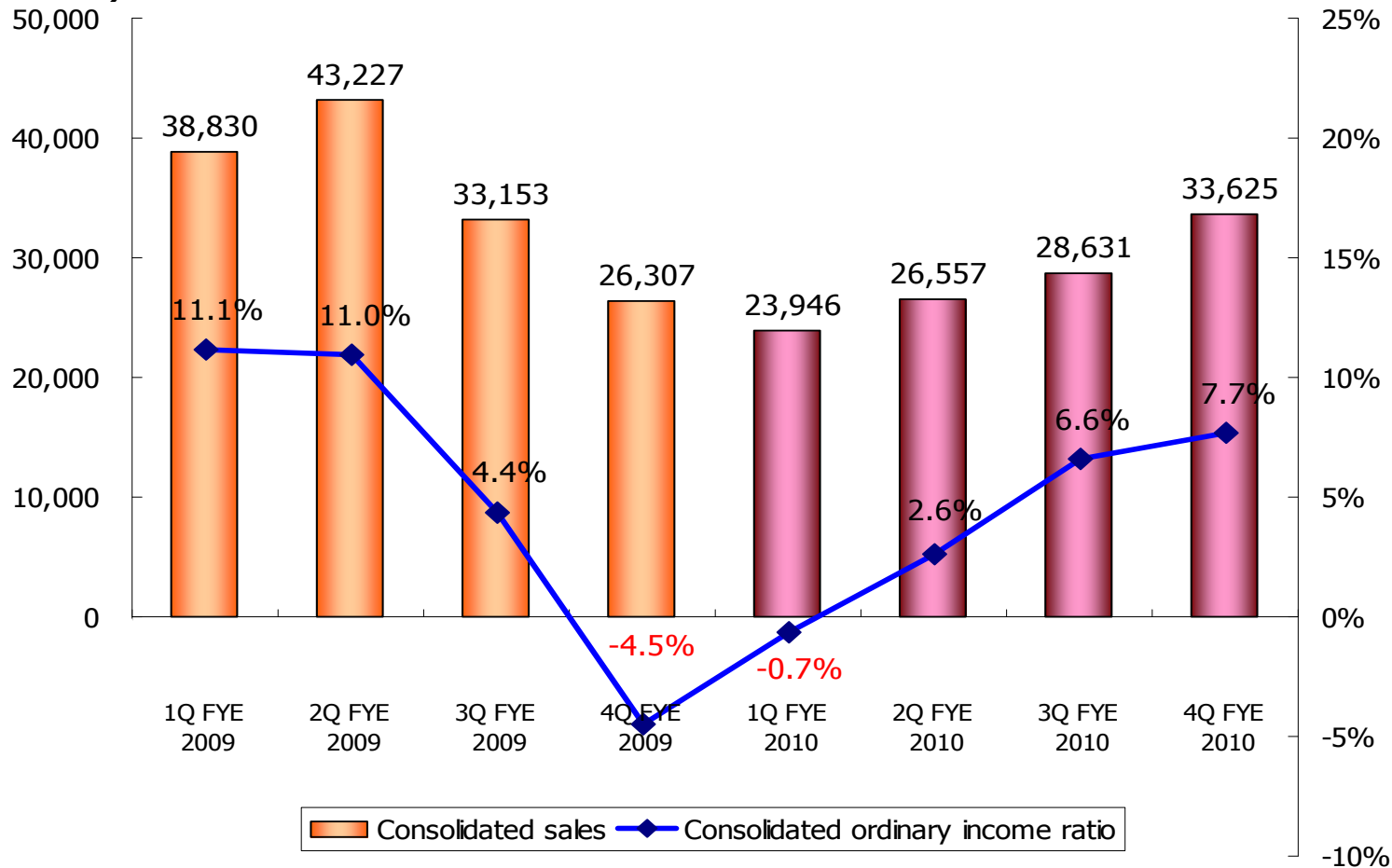
	FYE 2009	FYE 2010	Increase / Decrease (Percentage Change)	
			Comparison with previous term	
■ Net sales				
Power Transmission Products Segment	- GB value (reference) -			
Chain Operations	43,900	35,200	-8,700	(-19.8%)
Power Transmission Units and Components Operations	26,200	18,500	-7,700	(-29.4%)
Automotive Parts Operations	42,200	38,200	-4,000	(-9.5%)
Materials Handling Systems Segment	- GB value (reference) -			
Materials Handling Systems Operations	27,600	20,400	-7,200	(-26.1%)
■ Operating income ratio				
Power Transmission Products Segment	9.7%	7.8%		
Materials Handling Systems Segment	6.3%	1.0%		

Major exchange rates FYE 2009: US\$1 = ¥100.72, €1 = ¥144.07
 FYE 2010: US\$1 = ¥ 92.90, €1 = ¥131.18

4. FYE 2010 Review Trend in Quarterly Results

■ Sales bottomed in 1Q FYE 2010. Since then, a slow recovery has been under way. On the earnings side, emergency economic measures took effect with a return to profitability in 2Q FYE 2010.

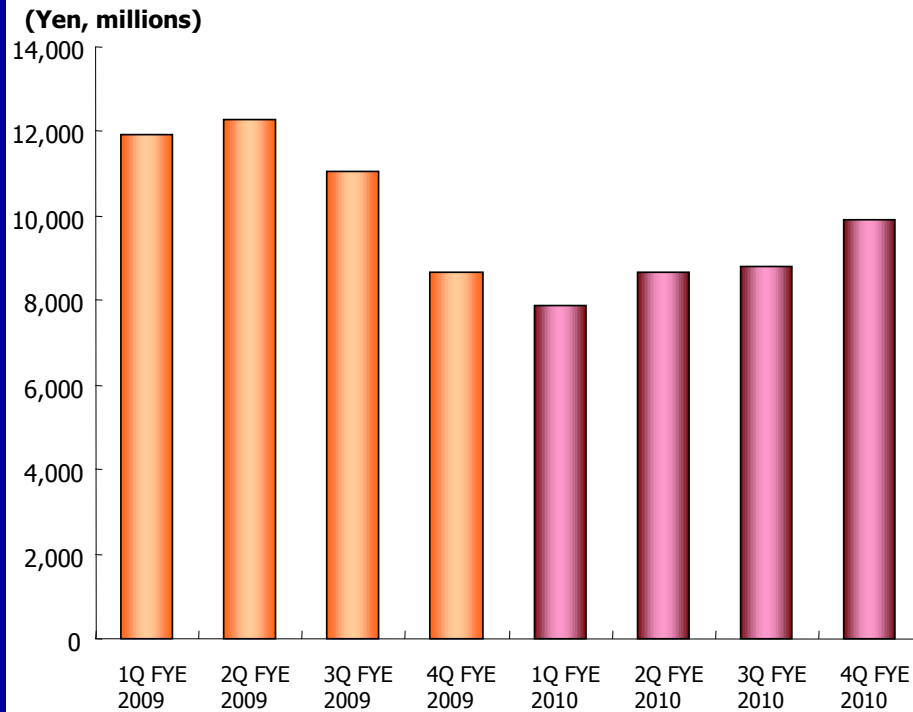
(Yen, millions)



5. FYE 2010 Review

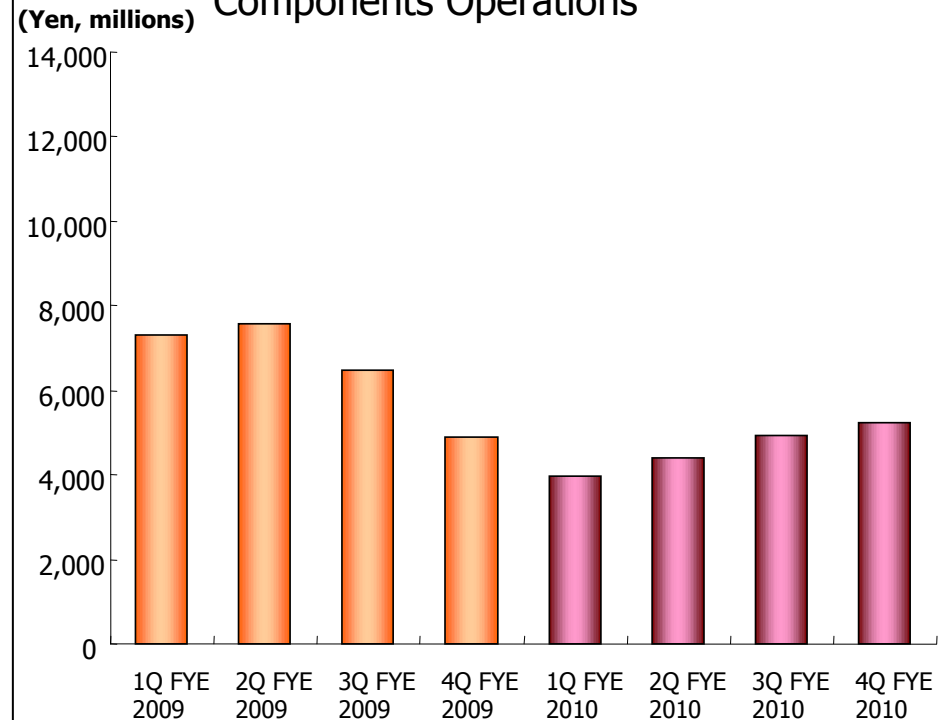
Sales Trends by Operations

● Chain Operations



-Sales to LCD and semiconductor industries improved in the second half of the year. Sales of chains to the food industry maintain steady. Beginning in the second half of the year, a slow recovery trend was seen for capital investment in the automobile industry.

● Power Transmission Units and Components Operations

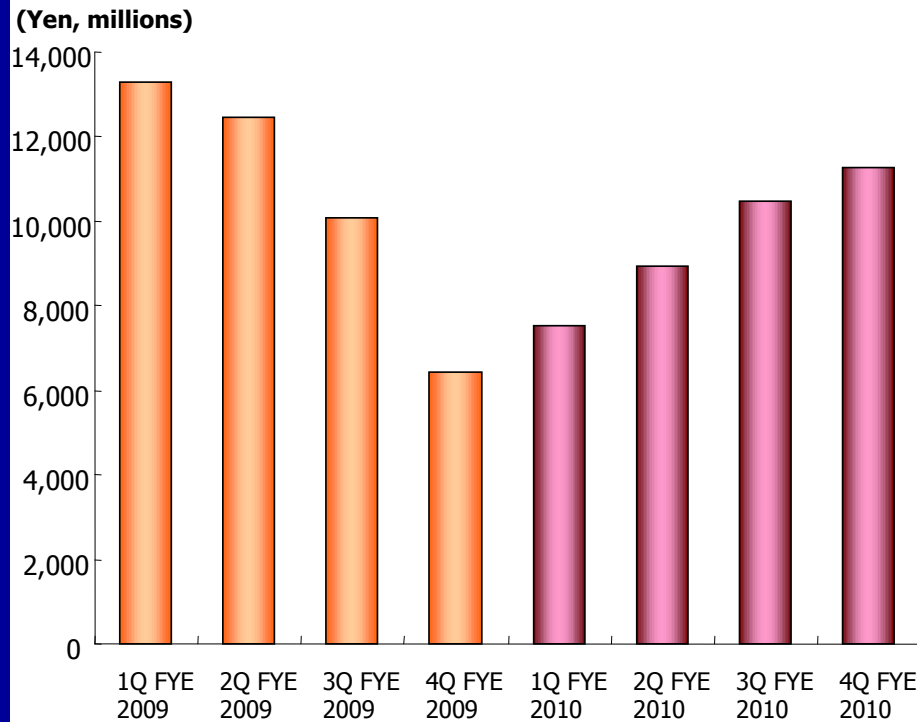


-The shipbuilding industry showed stability. While the LCD and IT industries exhibited a recovery trend, the speed of recovery of other industries was generally slow.

5. FYE 2010 Review

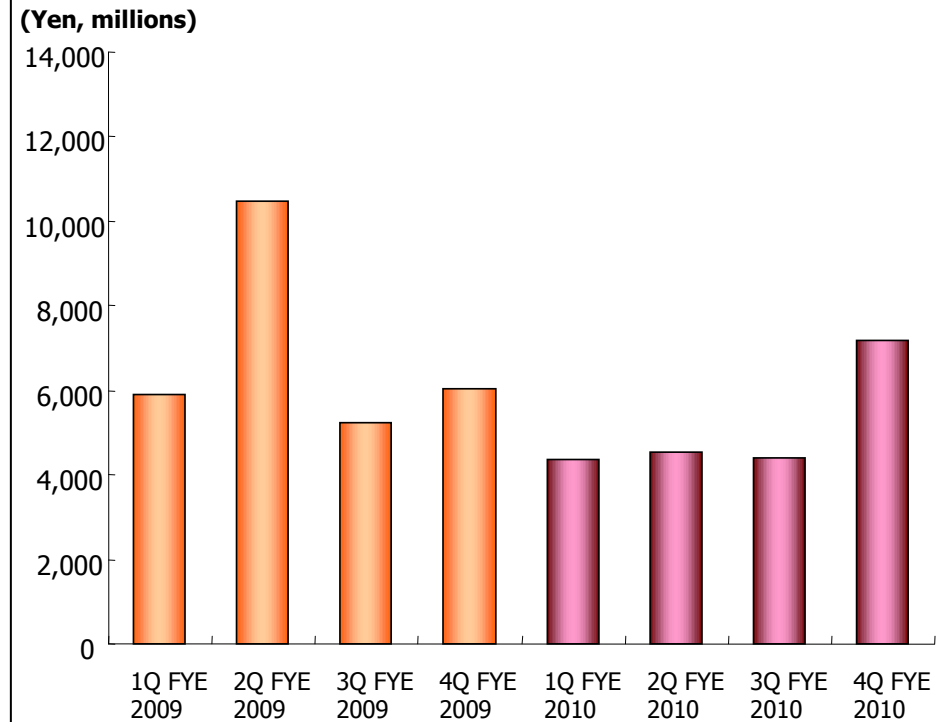
Sales Trends by Operations

● Automotive Parts Operations



- All regions bottomed between January and March FYE 2010. (Japan, North America, and Europe in 4Q of FYE 2009; Asia in 1Q of FYE 2010)
- While Japan, North America and Asia were on a favorable recovery trend, Europe remained stagnant since 2Q.

● Materials Handling Systems Operations



- Sales to the steel industry and the distribution industry are on a comparatively favorable transition.
- Sales of bulk handling systems remained strong.
- In the second half of the fiscal year, major sales were made to the automobile industry, but sales dropped significantly compared with the first half of the fiscal year.
- Sales to the machine tool industry remained sluggish.

6. FYE 2010 Review Segment by Region

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- Although most regions showed a broad decline along with a decline in profits, Asia and Oceania maintained an operating income in the 10% range.

		FYE 2009	FYE 2010	Increase/decrease from previous term	
				Change	Percentage
Japan	Net sales	116,292	89,863	-26,429	(-22.7%)
	Operating income	10,047	5,504	-4,543	(-45.2%)
	Operating income margin	8.6%	6.1%		
North America	Net sales	24,098	20,042	-4,056	(-16.8%)
	Operating income	861	334	-527	(-61.2%)
	Operating income margin	3.6%	1.7%		
Europe	Net sales	7,370	5,464	-1,906	(-25.9%)
	Operating income	467	201	-266	(-57.0%)
	Operating income margin	6.3%	3.7%		
Asia / Oceania	Net sales	12,485	9,819	-2,666	(-21.4%)
	Operating income	1,862	1,044	-818	(-43.9%)
	Operating income margin	14.9%	10.6%		
Other areas	Net sales	143	28	-115	(-80.4%)
	Operating income	-10	-54	-44	(-)
	Operating income margin	-	-		
Consolidated	Net sales	141,517	112,759	-28,758	(-20.3%)
	Operating income	9,095	4,737	-4,358	(-47.9%)
	Operating income margin	6.4%	4.2%		

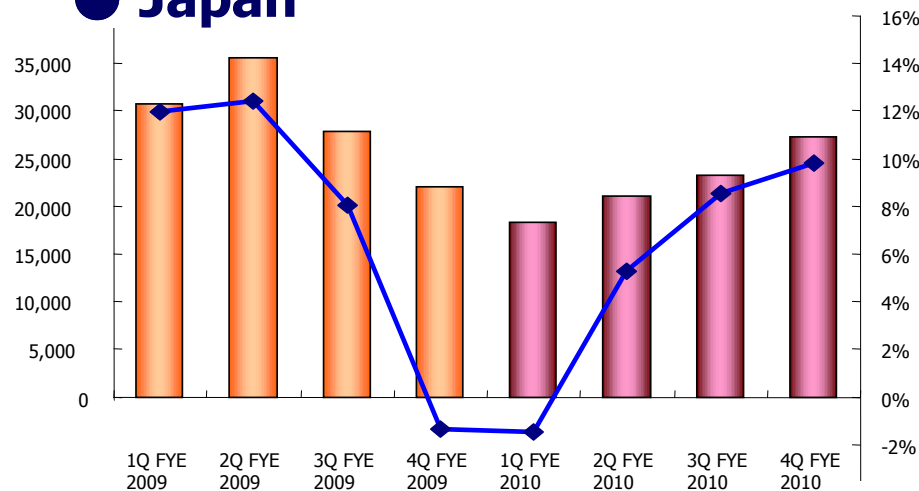
Actual exchange rate

FYE 2009: US\$1 = ¥100.72, €1 = ¥144.07, CAD\$1 = ¥90.86, AUD\$1 = ¥80.79, THB1 = ¥3.14, NT\$1 = ¥3.15, RMB1 = ¥14.89

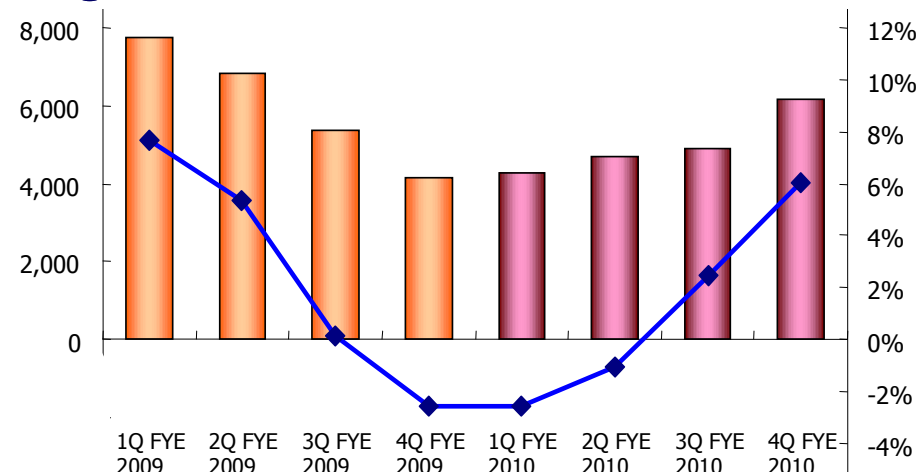
FYE 2010: US\$1 = ¥92.90, €1 = ¥131.18, CAD\$1 = ¥85.21, AUD\$1 = ¥78.91, THB1 = ¥2.729, NT\$1 = ¥2.85, RMB1 = ¥13.70

7. FYE 2010 Review Regional Trends by Fiscal Quarter

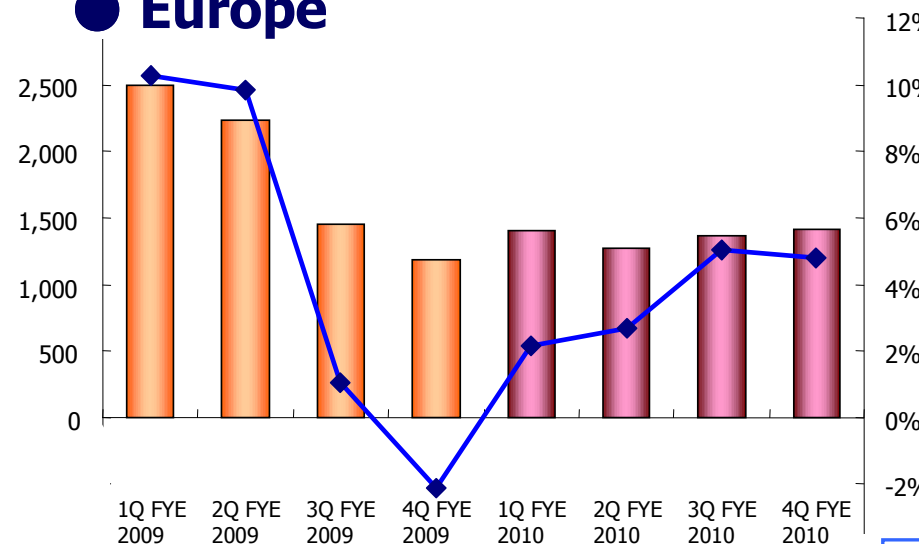
● Japan



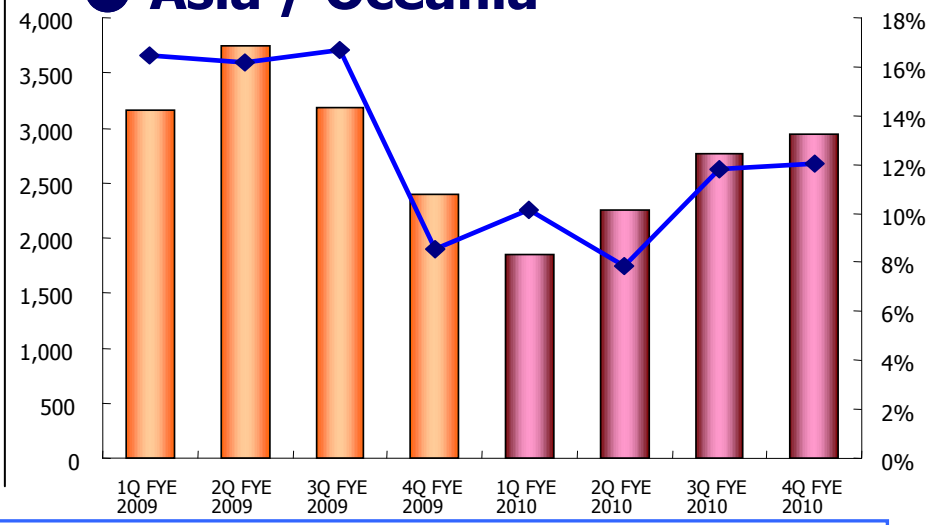
● North America



● Europe



● Asia / Oceania

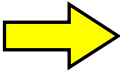


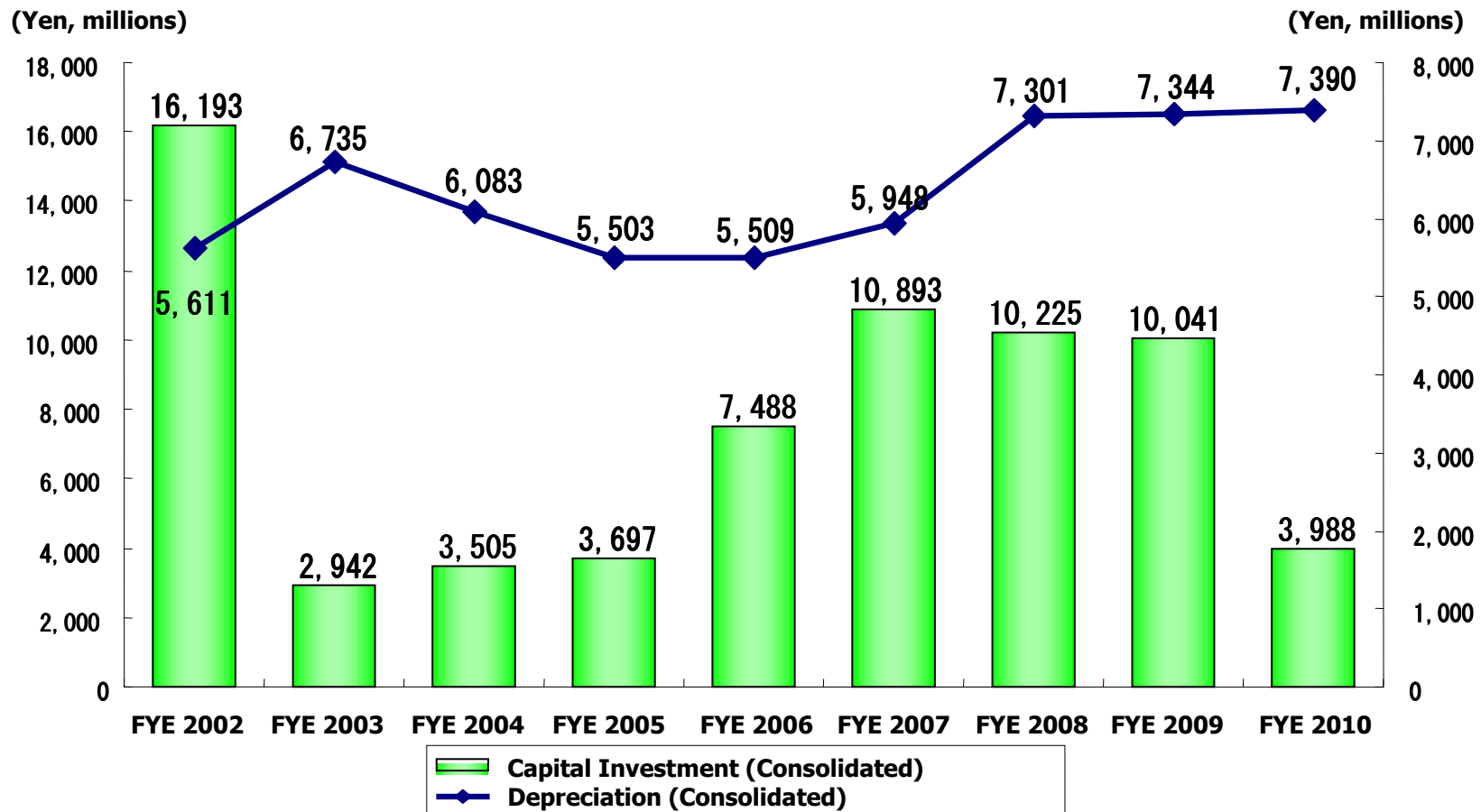
Yen, millions, : Net sales, : Operating income margin

8. FYE 2010 Review

Capital Investment and Depreciation

■ **Nonessential capital investment was effectively limited due to the deterioration of the business environment.**

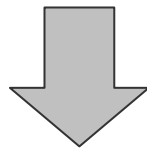
Initially projected capital investment: ¥5.4 billion  Actual capital investment in FYE 2010: ¥4 billion (1.4 billion less than projected)



Medium-Term Management Plan 2012
(April 1, 2010-March 31, 2013)

1. Medium-Term Management Plan Outline of Medium-Term Management Plan 2012

A 3-year plan for strengthening our management foundation in response to the sudden upheaval in the economic environment



Not bound by existing notions, we are changing the composition of our earnings by reviewing our product strategy and regional strategy from a medium-to-long-term perspective.

Medium-Term Management Plan 2012 Projected Consolidated Financial Performance		
	FYE 2011	FYE 2013
Sales	¥127.0 billion	¥150.0 billion
Operating Income	¥6.4 billion	¥13.5 billion
Operating Income Margin	5.0%	9.0%

(For 3-yr period)

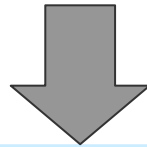
Medium-Term Management Plan 2012



I. Hone the 'Global-Best' strategy

In order to achieve superior competitiveness in the global market, we will define a clear CBO system in our four businesses.

Implement comprehensive optimization (optimal location for production, optimal location for procurement, optimal location for marketing).

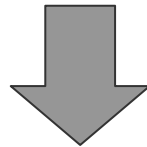


■ Increasing our market share in the global market

- Enhance marketing in high-end markets (especially in Europe).
- Reconsider our sales strategy for growth markets (volume zones), beginning with markets in the BRIC economies.

II. Strengthen foundation as a manufacturer

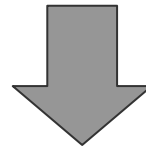
We will review our production system as a means of strengthening our manufacturing technology to improve Quality, Cost, Delivery and Safety (QCDS), in response to the sudden upheaval in global markets.



- We will review our production bases and product lines with a focus on global markets.
- We will expand to all group companies the adoption of “*dantotsu* activities” as a manufacturing innovation activity targeting Zero Quality Defects.
- We will strengthen systematic personnel training such as assigning engineers and dispatching personnel overseas.

III. Become a solutions provider

Building on our power transmission business, materials handling business, and intermediate business (modules), we will establish ourselves as a solutions provider.



■ Expanding our new module* business

* An intermediate business situated between power transmission (parts and units) and materials handling (systems)

■ Maintaining a consistent “Customer First” policy

- Reconfiguring our organization so that it can instantly respond with solutions to our customers’ business challenges.

I. Outline of KabelSchlepp



Company

KabelSchlepp GmbH

Location

Wenden, a city near Cologne, Germany

Year established

1954

Number of employees

Approximately 570

Sales

Approximately ¥9 billion (as of the end of 2008)

Scope of business

Manufacture and sales of cable/hose support and guidance equipment (Cableveyor brand products); telescopic covers (a machine tool component), and other products



II. Synergies resulting from this purchase

Global

- Global expansion of Cableveyor sales
- Expanded market share in Europe for power transmission products
(taking advantage of the European customers of KabelSchlepp)
- Taking advantage of the global networks of KabelSchlepp
 - Manufacturing locations: Germany, Slovakia, and North America
 - Sales locations: Italy, Poland, China in addition to the above

Solutions

- Complementary strengths: KabelSchlepp has strong direct marketing (machine tools, automobiles, etc.)
+ Tsubakimoto has strong route sales

Manufacturing

- Optimization of product development and production system
(taking advantage of KabelSchlepp's outstanding die technology, etc.)

Effect on Consolidated Results

- As a consolidated subsidiary, KabelSchlepp will be included in our consolidated results for FYE 2011.

	FYE 2010	FYE 2011 (projected)
Sales	46.4 million Euros	53.5 million Euros/¥6.15 billion
Operating income	-4.8 million Euros	-1.9 million Euros/¥-0.22 billion

■ Financial impact

- Acquisition value: 20 million Euros
- Goodwill: 4.8 million Euros amortized over 5 years (¥120 million/yr)

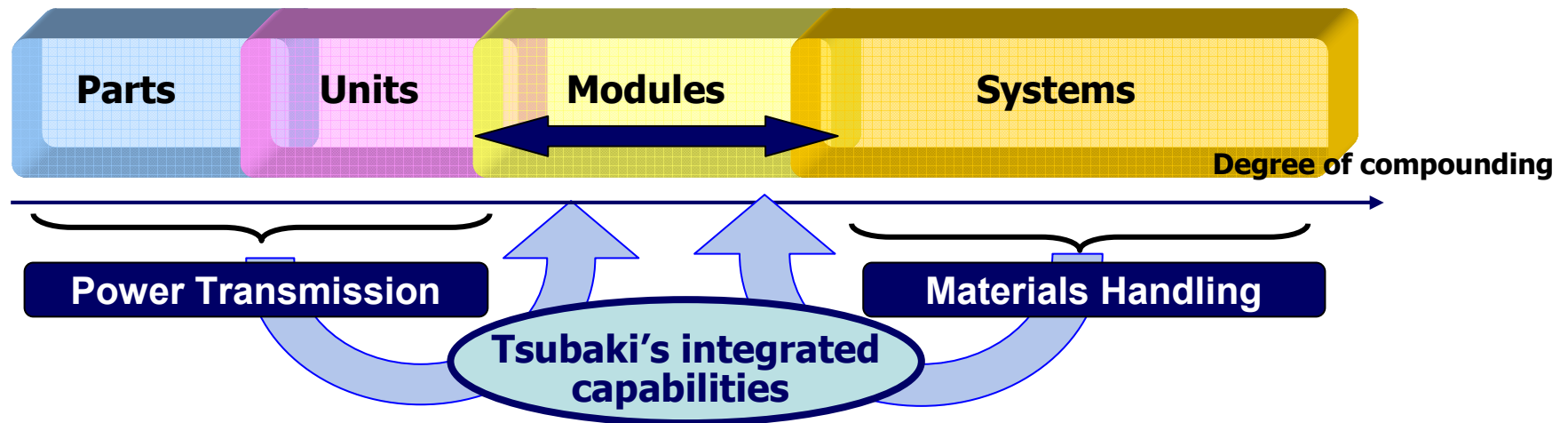
4. Example 2 Expansion of the Module Business

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Intention: Expand the scope of our business in order to offer customer solutions.

To leverage the technological strengths and appeal of our power transmission and materials handling products, we will promote sales of modular conveyors, our intermediate products.

■ Product areas



■ Marketing organization

Newly organize the Module Business Department in the Materials Handling Systems Segment.

■ Introduction of modular conveyors

■ Example use of the Zip Chain Lifter ultra-high-speed elevator

1. Better Place is using EV Taxis with exchangeable batteries. An automatic unit is used for battery exchange at the Battery Station.



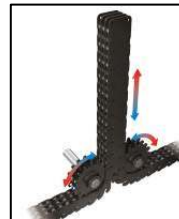
The battery exchange operation. A Zip Chain Lifter incorporated in an automated flatcar is used to attach and detach the battery from the bottom of the chassis. The battery replacement can be performed in about one minute.



2. The Zip Lator is a vertical conveyor jointly developed with Shikoku Kakoki Co., Ltd.

Advantages: Space-saving design yet capable of high-speed operation

Zip Chain mechanism is capable of pushing and pulling.



■ Direflex Modular Unit

In addition to the transfer function of the Direflex Modular Unit Conveyor incorporating a Beltop Chain, this refined and compact monofunctional conveyor unit is also capable of paying out, rotation while stopped and rotation while traveling.



■ U-Top Conveyor System

With a hygienic stainless steel frame as a standard unit, this conveyor system uses a plastic chain and allows for construction of a simply designed conveyor line with a three-dimensional layout.



Forecast for FYE 2011

1. FYE 2011 Full Year Forecast

- Sales are gradually growing with the recovery in capital investment accompanied by an improvement in corporate earnings.
- We will improve profitability while maintaining the earnings composition of the preceding fiscal year.

(Yen, millions)

	FYE 2010	FYE 2011 Forecast			Percentage of increase/decrease (FYE 2010 vs. FYE2011)
		First Half	Second Half	Full-Term	
Net sales	112,759	63,000	64,000	127,000	+12.6%
Operating income	4,737	2,500	3,900	6,400	+35.1%
Operating income margin	4.2%	4.0%	6.1%	5.0%	
Ordinary income	4,990	2,300	3,700	6,000	+20.2%
Ordinary income ratio	4.4%	3.7%	5.8%	4.7%	
Net income	3,175	1,000	2,200	3,200	+0.8%

Major exchange rates FYE 2010 (actual): US\$1 = ¥92.90, €1 = ¥131.18

FYE 2011 (assumed): US\$1 = ¥85, €1 = ¥115

2. FYE 2011 Full Year Forecast by Operations

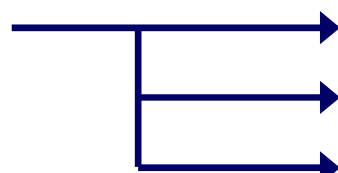
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Change in business segments from the current fiscal year (accompanied by changes in the production base)

Up to FYE 2010

Power Transmission Products

Materials Handling Systems



From FYE 2011

Chain

Power Transmission Units and Components

Automotive Parts

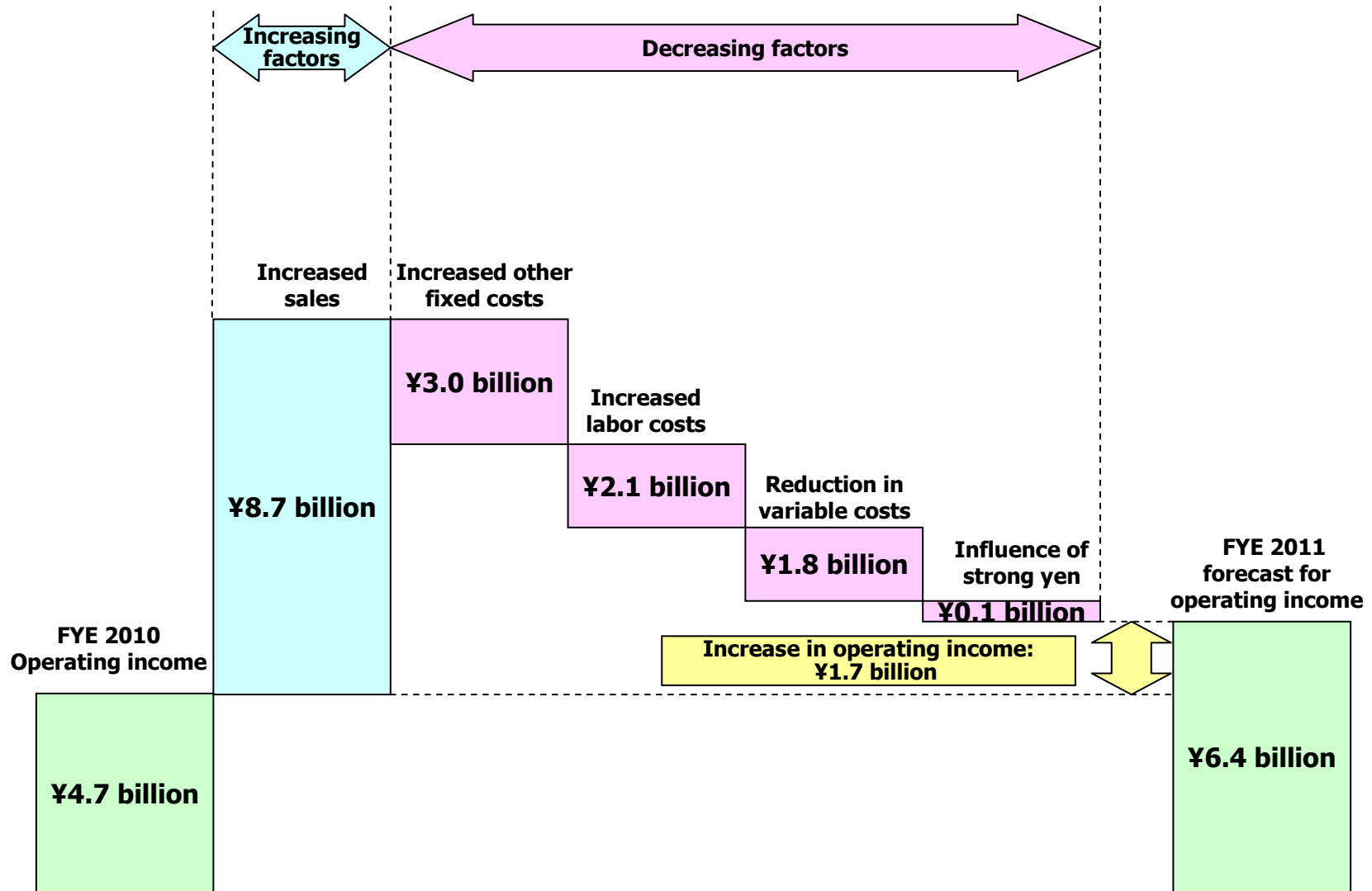
Materials Handling Systems

(Yen, millions)

		FYE 2010*	FYE 2011		
			1H	2H forecast	Full year forecast
Chain Operations	Net sales	35,240	22,000	22,600	44,600
	Operating income	70	100	700	800
Power Transmission Units and Components Operations	Net sales	18,560	9,000	9,400	18,400
	Operating income	-140	600	600	1,200
Automotive Parts Operations	Net sales	38,200	20,000	18,700	38,700
	Operating income	3,630	2,000	1,900	3,900
Materials Handling Systems Operations	Net sales	20,400	11,900	13,300	25,200
	Operating income	-70	-300	300	0

* The results for FYE 2010 are GB values (consolidated reference values); therefore, no simple direct comparison can be made with FYE 2011 results.

■ FYE 2010 results vs. FYE 2011 forecast



■ Improving our marketing ability

1. Going forward, we will identify future growth markets with a global perspective, sell compatible products to these markets, and strengthen our product development capabilities.

■ Strengthening our product lines

1. We plan to enhance our development of products that predict market needs by maintaining close contact with customers, through initiatives such as dispatching engineers to the front lines of sales.
2. By enhancing our eco products (affordable environmentally-friendly products), we will address our customers' environmental needs. → We will formulate our own eco standards and will ensure that all our new products meet these standards.

■ Strengthening manufacturing

1. We will enhance our cost competitiveness by optimizing the allocation of products to our manufacturing facilities inside and outside Japan.
2. We will aim to achieve a world-leading level of quality and productivity by meeting our goal of Zero Quality Defects through the adoption of *dantotsu* activities at all our manufacturing facilities.

● Priority Industries and Products

1. **Aggressively increase orders and target priority industries.**
In Japan: Photovoltaic panels & lithium-ion batteries
Outside Japan: Mining and steelmaking
2. **Enhancing marketing of target products**
Drive chains: Acquire OEMs and cultivate high-end markets
(industrial vehicles and steelmaking equipment)
with high-efficiency roller chains.
Conveyor chains: Focus on conveyor chains for reclaimers and
small conveyance equipment and the like.

● Pursuing the 'Global-Best' strategy

1. **The synergy effect of the KabelSchlepp acquisition will strengthen our product lines, development capabilities, and global marketing power.**

● Strengthening manufacturing

1. **We will implement global production innovation activities.**
 - We will revise the structure of our industrial technology functions by taking charge of global production control.
 - We will review the product mix at all our international production facilities in order to strengthen our global competitiveness in terms of quality, cost, and delivery time (achieving optimal production by location).

● Business expansion, priority industries and products

1. We will identify global products in order to expand international marketing.
Backstops (clutches), actuator products, worm gear reducers
2. We will focus on priority industries and expand our marketing of priority products.
Backstops, automobile cylinders ⇒ targeting global OEM cultivation such as the mining industry, etc.
Drum worm gear reducer ⇒ North American market
3. We will aggressively focus on global OEMs by leveraging KabelSchlepp's customer base.
We will offer combination products incorporating couplings and power locks.

● Strengthening our product lines

1. We will develop our basic technologies for worm gear reducers.
2. We will enhance our linear motion products.
3. We will expand our offering of eco products: power cylinders, and starter cam boxes.

● Strengthening manufacturing

1. We will implement process innovations for starter cams for two-wheeled and four-wheeled vehicles.
By developing innovations in production technologies and production processes, we can rapidly increase our price competitiveness.

● Pursuing the 'Global-Best' strategy

1. We will expand our global market share.

Markets in developed economies: (Japan, North America, Europe): Win new projects of the top five manufacturers

Markets in developing economies (BRIC): Implement product development with project teams to meet the needs of local manufacturers.

● Strengthening manufacturing

1. We will strengthen our Mother Plant system.

With the Saitama Plant as our "mother plant," we will reinforce the functions licensing technology and supplying parts to each hub (production facility).

2. We will establish a six-hub system around the world: Accelerate the construction of the new TAK plant in South Korea.

3. We will reduce currency risk in order to reinforce a mutually complementary system for each hub.

● Strengthening our technology (evaluation system)

1. We will become a full service supplier (FSS).

At our Auto Engineering Lab in our Saitama Plant, we are developing our evaluation technology for real engines and motor vehicles.

● Gaining new customers by providing solutions

1. Strengthen the services we offer in order to provide solutions closely tied to the customer's business.
2. Strengthen the after-sales service system
(Inspection → Ensure long service life → Reform → New customers & renewal)

● Product improvements

1. Introducing a world-leading sorter
Improve to become the world's top automatic sorter system.
2. Develop material-handling equipment for environment/biomass applications
(bulk conveyor).

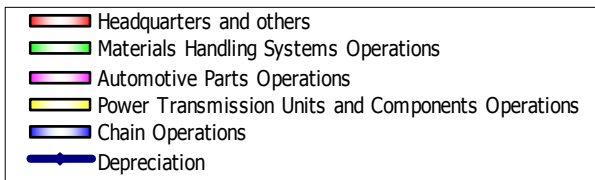
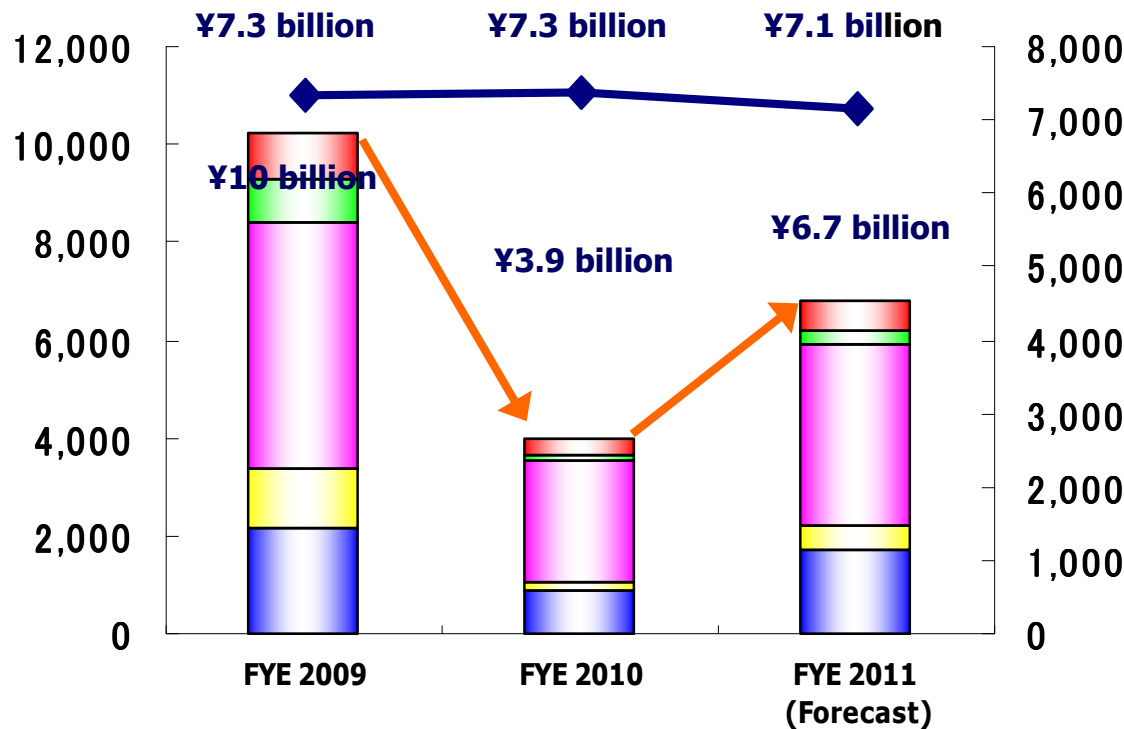
● Expanding business internationally

1. Develop a business model for the Chinese/Southeast Asian market.
2. Undertake business research on the Indian/Brazilian markets.

6. Capital Investment in FYE 2011

■ Continue to restrain nonessential capital investment while investing for growth

● Capital Investment and Depreciation



● Major Capital Investments and Objectives

1. Maintaining and upgrading facilities: ¥1.2 billion
2. R&D/new products: ¥2.2 billion
3. QA/safety: ¥0.8 billion
4. Expanding/streamlining production: ¥1.7 billion
5. Administration/sales facilities: ¥0.8 billion

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.