

FYE 2008 Interim Settlement of Accounts Presentation Meeting



November 21, 2007
Tsubakimoto Chain Co.

Interim Report on FYE 2008 Business Performance and Full Year Forecast

- Interim Report on FYE 2008 Business Performance
- First Term Results and Second Term Challenges by Operations
- FYE 2008 Full Year Forecast

President and
Representative Director
Tatsuhiko Mimoto

Interim Report on FYE 2008 Business Performance

- **Sustained Growth** – (1) Record interim profits
 (2) Increasing orders sustained
 (3) Globalization progressing steadily
- **Improving Profitability** – Rising profit margins
 (both domestic and overseas)

(yen, millions)

	FYE 08 Interim Results	Increase/Decrease	
		Compared to Same Period Last Year	
Net sales	79,846	+2,372	(3.1%)
Operating income	8,788	+3,093	(54.3%)
Ordinary income	8,458	+3,154	(59.5%)
Ordinary income ratio	10.6%	+ 3.8%	
Interim net income	4,583	+2,869	(167.3%)

Automotive Parts Operations expanding in North America and Asia

Large gains due to improved profitability in Materials Handling Systems Segment, and development of Chain/Automotive Parts Operations

2. FYE 2008 Interim Review Main Points of Settlement of Accounts (Non-consolidated)

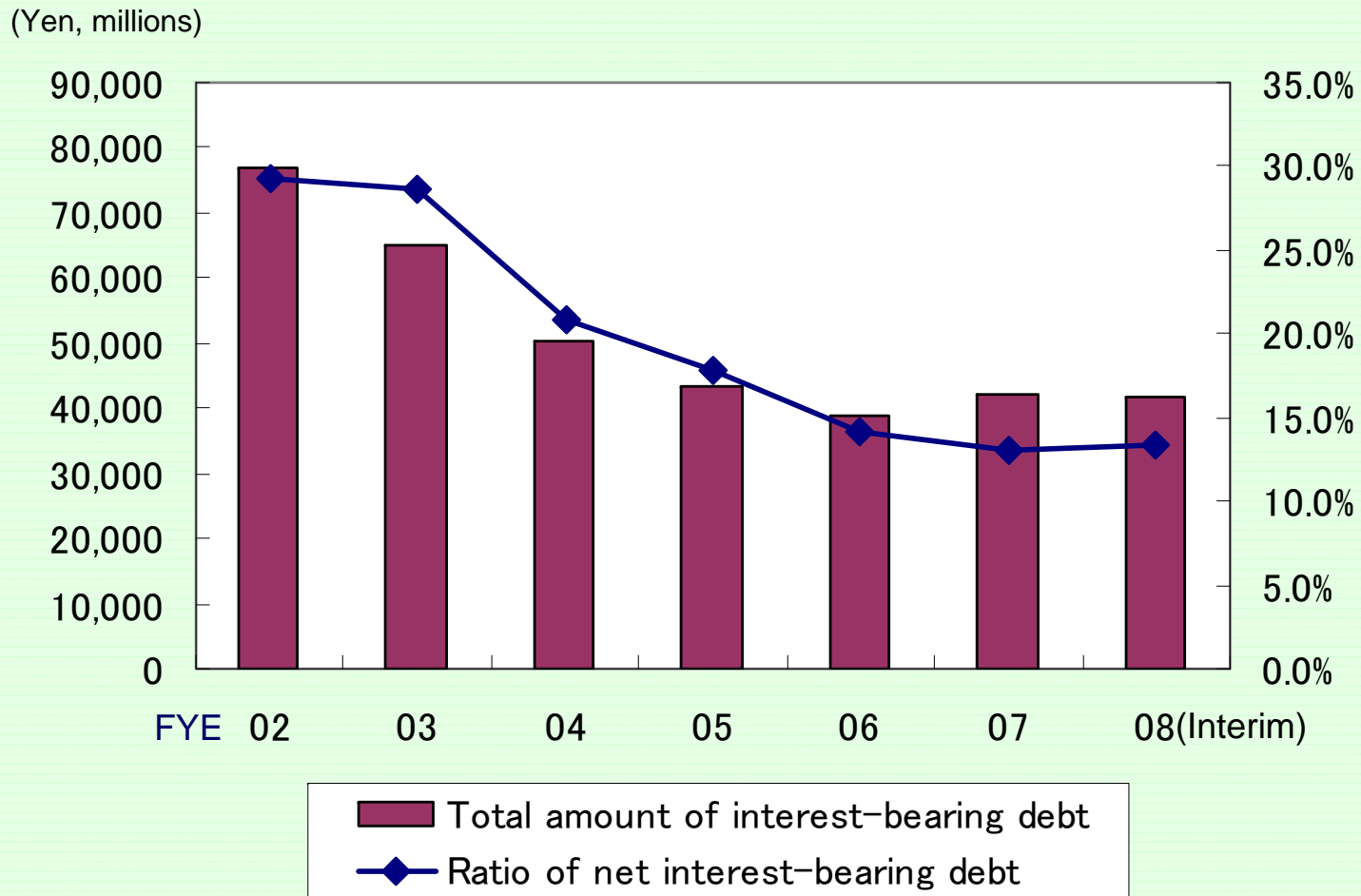
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- Increase in revenue and profits from Chain Division due to steady domestic demand.
- Increase in revenue and profits from Automotive Parts Division due to increased exports from strong sales by overseas subsidiaries.
- Decreased revenue in Materials Handling Systems Division due to major round of investment in products aimed at automotive industry. Increased profits from elimination of unprofitable product lines and thorough cost reduction.

(yen, millions)

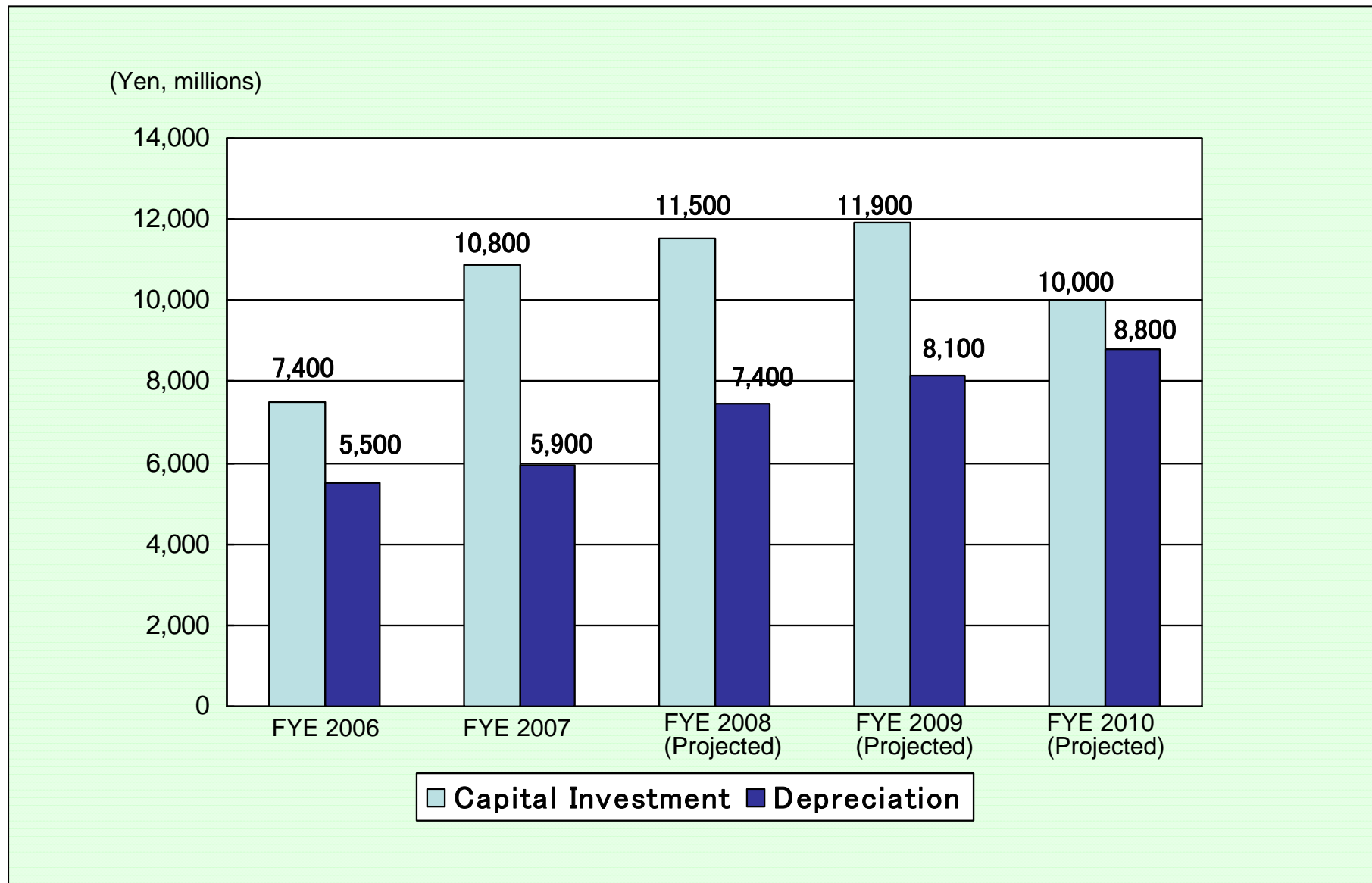
	FYE 08 Interim Results	Increase/Decrease	
		Compared to Same Period Last Year	
Net sales	42,926	▲ 1,907	(▲ 4.3%)
Operating income	3,616	+ 709	(24.4%)
Ordinary income	4,857	+ 605	(14.2%)
Ordinary income ratio	11.3%	+ 1.8%	
Interim net income	3,119	+ 1,585	(103.4%)

- Net debt interest-bearing debt ratio has increased slightly, but fiscal health continues to be sound.



4. FYE 2008 Interim Review Capital Investment and Depreciation

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Substantial increase in profits in Automotive Parts and Materials Handling Systems Operations

(yen, millions)

	FYE 08 Interim Results	Increase/Decrease Compared to Same Period Last Year	
Net Sales Power Transmission Products Segment	64,495	+ 5474 (9.3%)	Chain Operations: Increased revenue from steady domestic demand. Automotive Parts Operations: Strong sales by overseas subsidiaries. Power Transmission Units and Components: Sluggish sales of actuators in IT industries.
Materials Handling Systems Segment	15,088	▲ 3089 (▲17.0%)	
Operating income ratio Power Transmission Products Segment Materials Handling Systems Segment	13.5% 12.2%	+ 1.2% + 12.1%	

• Result: Steady expansion of sales by overseas subsidiaries

(yen, millions)

		FYE 08 Interim Results	Increase/Decrease Compared to Same Period Last Year
Japan	Net sales	53,762	▲ 2,875 (▲ 5.1%)
	Operating income	7,566	+ 705 (10.3%)
	Operating income margin	14.1%	+ 2.0%
North America	Net sales	16,150	+ 2,921 (20.7%)
	Operating income	1,427	+ 1,914 (—)
	Operating income margin	8.8%	+ 12.3%
Europe	Net sales	4,995	+ 691 (16.1%)
	Operating income	534	+ 161 (43.2%)
	Operating income margin	10.7%	+ 2.0%
Asia / Oceania	Net sales	4,937	+ 1,635 (48.3%)
	Operating income	890	+ 404 (83.1%)
	Operating income margin	18.0%	+ 3.3%
Consolidated	Net sales	79,846	+ 2,372 (3.1%)
	Operating income	8,788	+ 3,093 (54.3%)
	Operating income margin	11.0%	+ 3.7%

7. FYE 2008 Interim Review Overseas Sales (by Destination)

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- Reduced sales of Materials Handling Systems Segment automotive products due to major round of investment in products aimed at automotive industry
- Increased sales by Automotive Parts Operations in North America and Europe

* Ratio of overseas sales was 36.0% (cf. 30.0% in FYE 2002)

(yen, millions)

	FYE 08 Interim Results	Increase/Decrease Compared to Same Period Last Year
Total of domestic sales	51,112	+ 4,455 (9.5%)
Domestic sales as percent of total sales	64.0%	+ 3.8%
Total of overseas sales	28,734	▲ 2,083 (▲ 6.8%)
Overseas sales as percent of total sales	36.0%	▲ 3.8%
North America	16,305	+ 2,826 (21.0%)
Percent of total sales	20.4%	+ 3.0%
Europe	5,331	+ 649 (13.9%)
Percent of total sales	6.7%	+ 0.7%
Asia / Oceania	6,810	▲ 2,637 (▲ 27.9%)
Percent of total sales	8.5%	▲ 3.7%
Other area	287	▲ 2,920 (▲ 91.0%)
Percent of total sales	0.4%	▲ 3.8%

First Term Results and Second Term Challenges by Operations

1. First Term Results and Second Term Challenges by Operations Chain Operations

• First Term Results

- (1) Strong sales of drive chains in the machine tool, automotive, steel, and other industries.
- (2) Reduction of cost rate by lowering manufacturing expenses and improving productivity.
- (3) Improving profitability through cost correction.

• Second Term Challenges and Countermeasures

Challenge	Countermeasure
(1) Increasing costs of raw materials and other items	• Enhancement and price correction of value added sales of conveyor chains
(2) Stagnation of demand in North America due to the influence of the sub-prime loan crisis in North America	• Enhancement of sales in Europe, Australia, Canada, and Asia where local currencies are strong

2. First Term Results and Second Term Challenges by Operations Automotive Parts Operations

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· First Term Results

- (1) While domestic sales are slowing down, overseas sales are expanding.
- (2) Steady sales to Japanese automakers in Thailand, China, Europe, and North America.
- (3) Steady deliveries to Company F in North America.

· Second Term Challenges and Countermeasures

Challenge	Countermeasure
(1) Stagnating domestic auto sales	▪ Cover falling domestic demand by increased sales in Thailand, China, and other Asian markets
(2) Stagnation of auto sales in North America due to sub-prime loan crisis and high crude prices	▪ Secure increased sales through superior fuel efficiency of Japanese automobiles

3. First Term Results and Second Term Challenges by Operations Power Transmission Units and Components Operations

· First Term Results

- (1) Increased revenues from TEGT (China) have contributed to increased total operations revenue, however, revenue was also influenced significantly by the performance of Tsubaki Emerson, and profits have decreased.
- (2) Construction hoists and escalator gear reducers made significant contributions to TEGT's increased revenue.
- (3) Tsubaki Emerson is under pressure from product mix issues, sluggish sales of actuators due to the stagnating LCD industry, the burden of depreciation expenses, rising material costs, and other factors.

· Second Term Challenges and Countermeasures

Challenge	Countermeasure
Improving performance of Tsubaki Emerson (1) Gear reducers	Narrow down users to secure sales and profits (Accepting orders of industry-specific specifications)
(2) Actuators	Obtain major orders in conjunction with recovery of IT-related industries
(3) Equipment	Encourage substitution of rivals, and obtain new orders by stimulating replacement demand

4. First Term Results and Second Term Challenges by Operations Materials Handling Systems Operations

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· First Term Results

- (1) Sales of automotive industry products have slowed. Decreased revenue compared to the same period last year.
- (2) Strong overseas sales of cement conveyors.
- (3) Substantial profit increases achieved through cleanup of unprofitable product lines, and reduction of design and installation costs.

· Second Term Challenges and Countermeasures

Challenge	Countermeasure
(1) Profit management of major products aimed at overseas automotive industries	<ul style="list-style-type: none">· Proceed under TC initiative with clear division of roles· Acceleration and optimization of decision making and communication of information via Project Leader System
(2) Obtain orders in non-automotive fields such as distribution and newspaper industries	<ul style="list-style-type: none">· Obtain orders and sales in non-automotive fields and maintenance operations (Release of New Tsubaki AGV for newspaper industry)

Full Year Forecast

- **Record profits mark sixth consecutive term of increased revenue and increased profits**
 - Downward adjustment of sales from Beginning of Term Plan. Profits according to plan.
 - Automotive Parts Operations continue to drive profits.

(yen, millions)

	FYE 08 Interim Results	2nd Term Prospects	Full Year Prospects	Compared to Last Year	Reference (May 21)
▪ Net Sales	79,846	84,154	164,000	+ 8,254 (5.3%)	170,000
▪ Operating Income	8,788	8,812	17,600	+ 1,592 (9.9%)	17,600
▪ Ordinary income	8,458	7,842	16,300	+ 1,755 (12.1%)	16,300
▪ Net income in term	4,583	4,217	8,800	+ 259 (3.0%)	8,800

FYE 2008 Main Points of Interim Settlement of Accounts

- Main Points of FYE 2008 Interim Settlement of Accounts
- Factors Responsible for Increase/Decrease in Consolidated Operating Income
 - Comparison of First Term FYE 2007 and First Term FYE 2008
 - Comparison of First Term FYE 2008 and Second Term FYE 2008
 - Comparison of Full Year FYE 2007 and Full Year FYE 2008

Director and Managing Executive Officer
Management Planning Center Director
Isamu Osa

Main Points of FYE 2008 Interim Settlement of Accounts

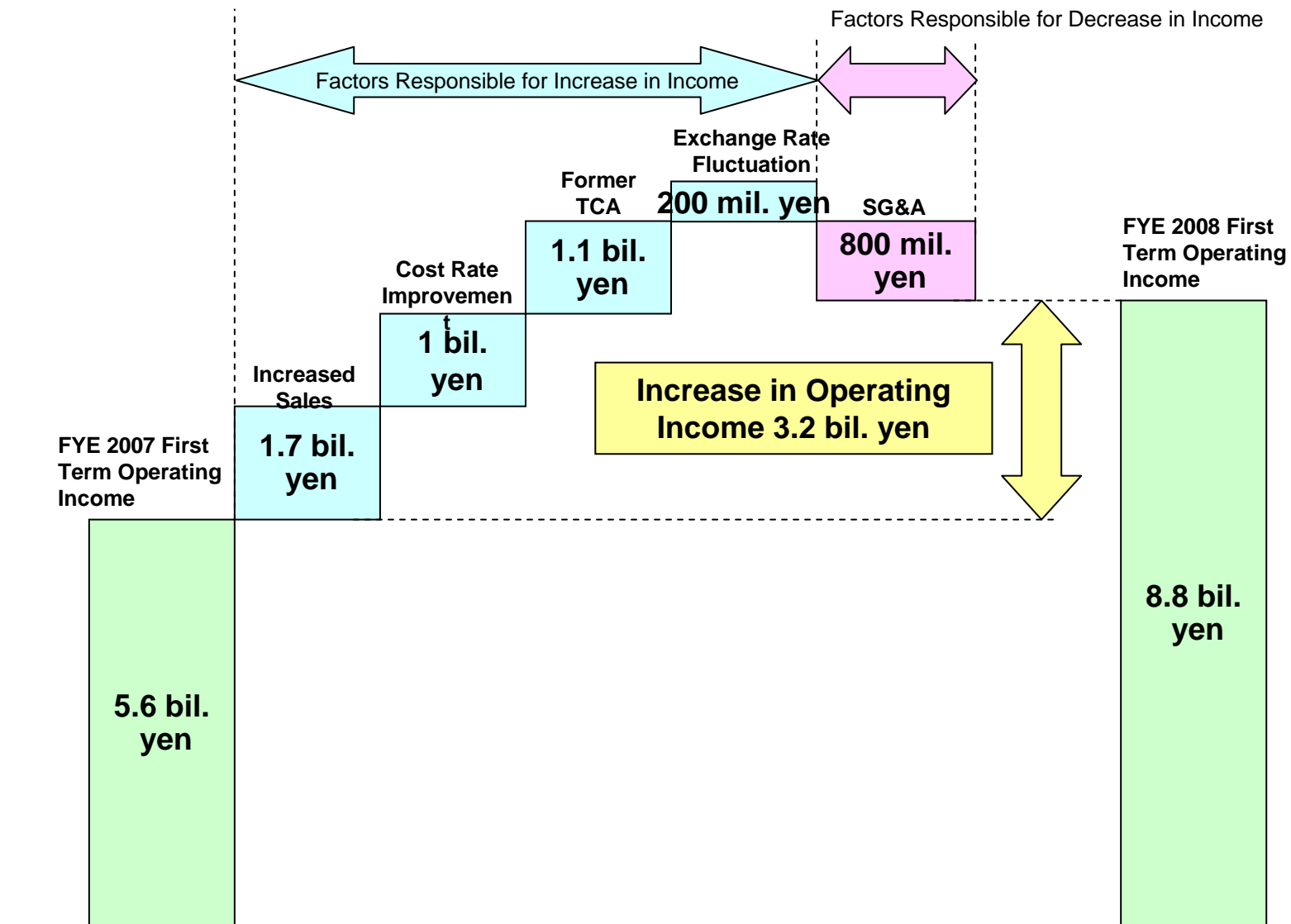
▶ **New Consolidation** Two Companies

▶ **Capital Investment** Tsubakimoto Chain
and Subsidiaries

▶ **Interest-bearing Debt** Relationship to
Capital Investment

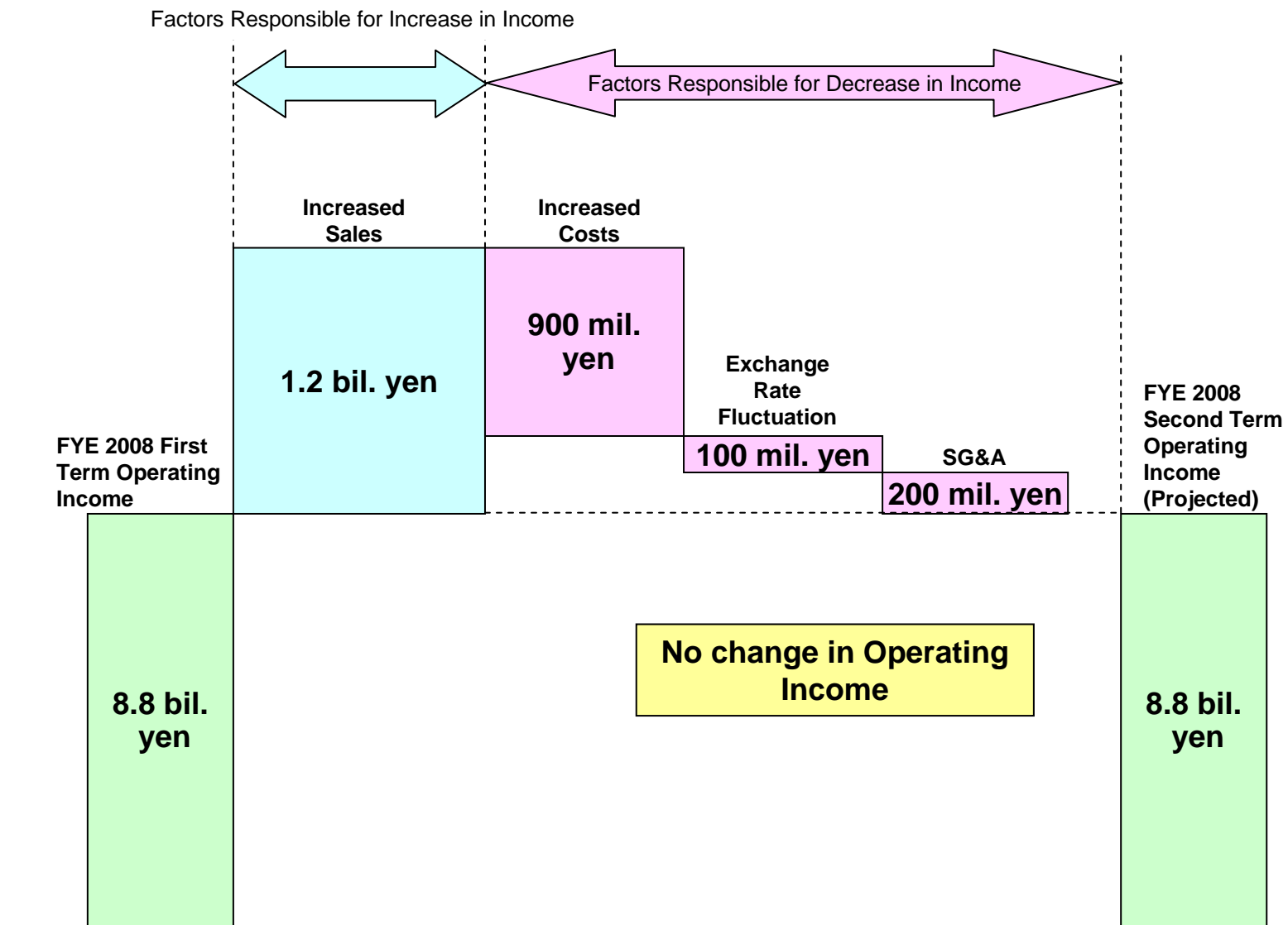
Factors Responsible for Increase/Decrease in Consolidated Operating Income

1. Factors Responsible for Increase/Decrease in Consolidated Operating Income Comparison of First Term FYE 2007 and First Term FYE 2008

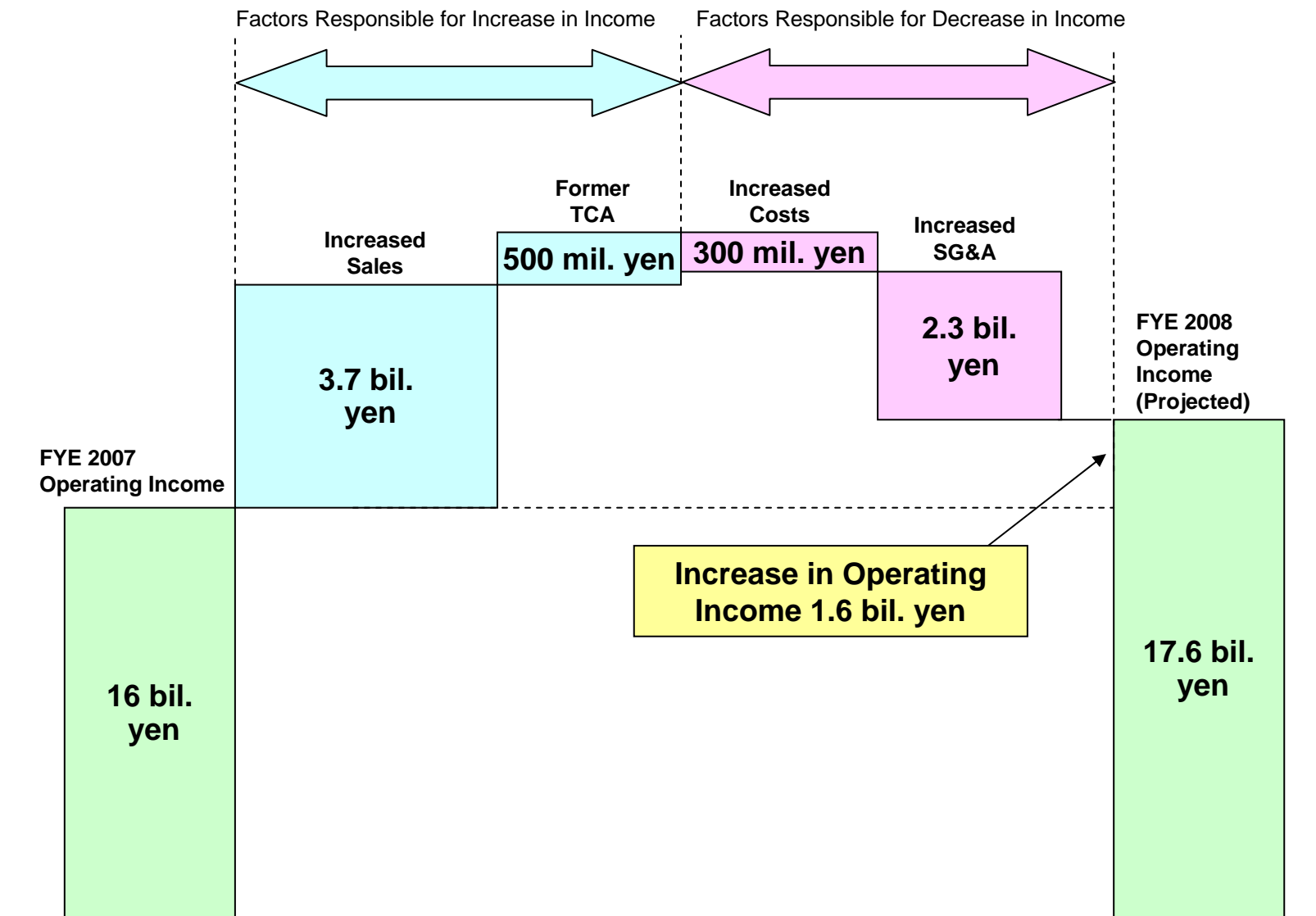


2. Factors Responsible for Increase/Decrease in Consolidated Operating Income Comparison of First Term FYE 2008 and Second Term FYE 2008

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3. Factors Responsible for Increase/Decrease in Consolidated Operating Income Comparison of Full Year FYE 2007 and Full Year FYE 2008



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 forecast 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 forecast described here, depending on a variety of factors.