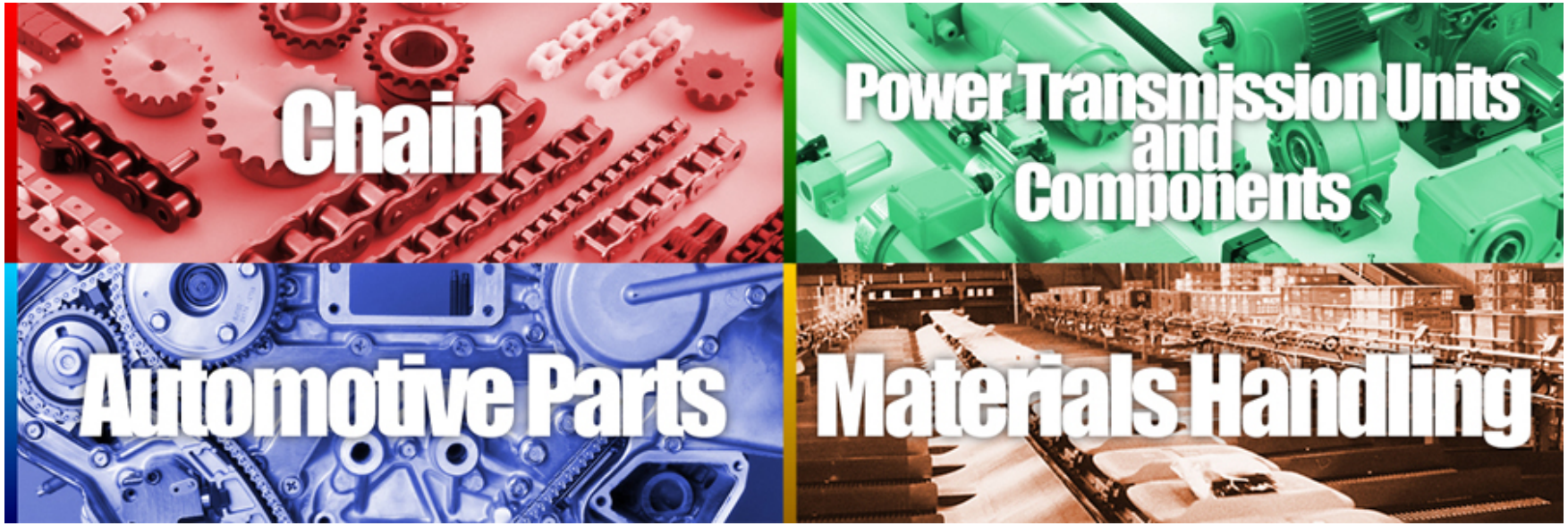
Tsubakimoto Chain Co.
FYE 2015 Interim Settlement of Accounts Presentation Meeting



November 18, 2014

FYE 2015 Interim Settlement of Accounts
Consolidated Business Report

Note: The "first half" referred to in this report indicates the period from April 1 through September 30 of the applicable consolidated accounting year, while the "second half" indicates from October 1 of the same year through March 31 of the following year.
(For some overseas subsidiaries, these periods are from January 1 through June 30 and from July 1 through December 31 respectively of the applicable year.)

Highlights of Consolidated Settlement of Accounts

Earnings set a new 1H record in FYE 2015 (net sales, operating income, ordinary income, and net income).

(Yen, millions)

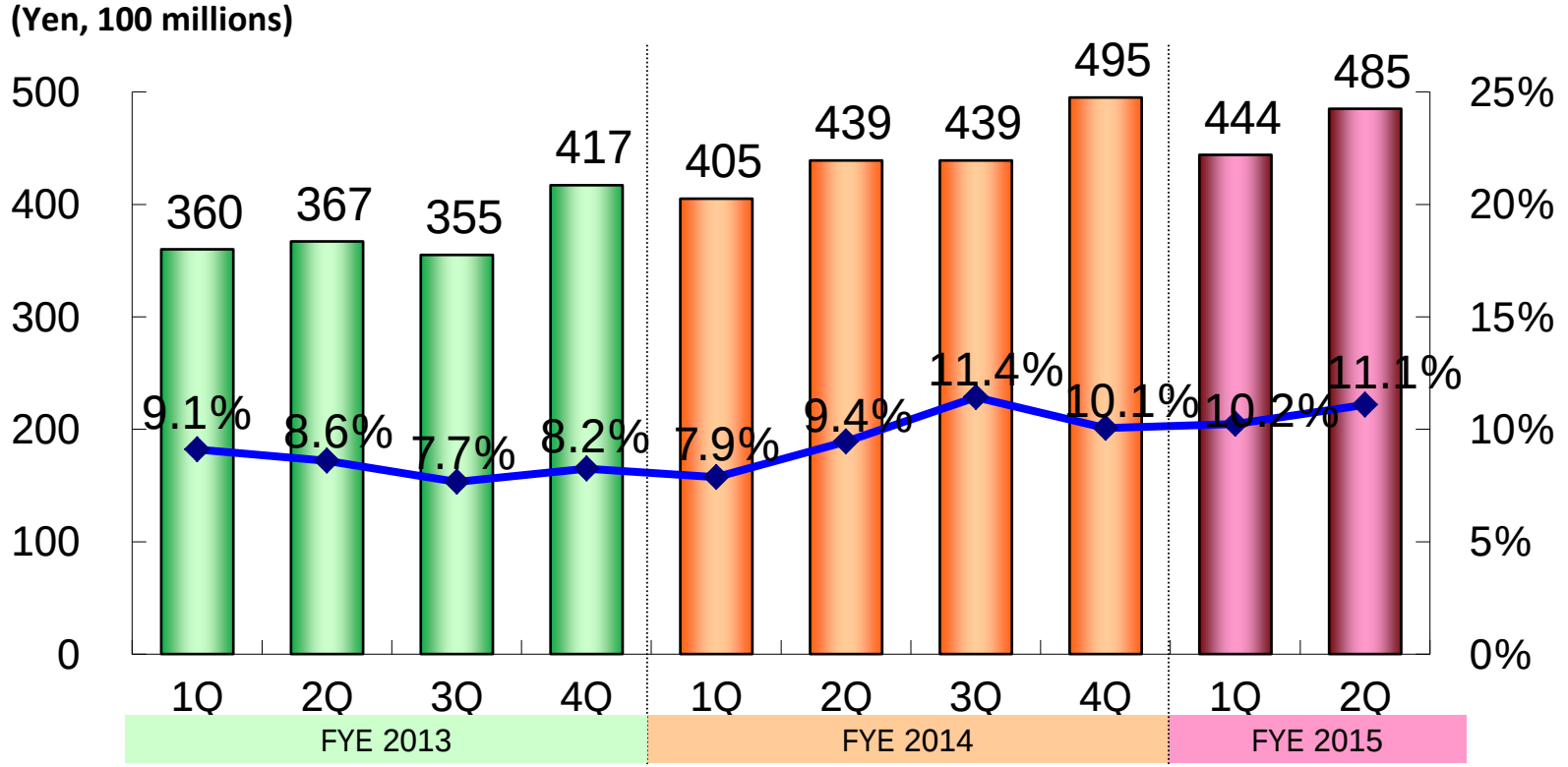
	FYE 2014	FYE 2015	YoY
	First half figure(actual)	**First half figure (actual)**	Increase/decrease
Net sales	84,532	**92,948**	10.0%
Operating income	7,347	**9,922**	35.0%
Operating income margin	8.7%	**10.7%**	
Ordinary income	7,511	**10,416**	38.7%
Net income for the quarter	4,370	**6,578**	50.5%
First-quarter net income per share	23.35	**35.16**	—
(Exchange rates US$1)	98.86	**103.01**	—
(Exchange rates €1)	129.98	**138.89**	—
Shareholders' equity ratio*1	50.0%	**52.6%**	
Net D/E ratio*2	0.14	**0.13**	
Interim dividend per share (yen)	4.00	**7.00**	—

*Note 1: Shareholders' equity ratio = Equity capital / total assets

*Note 2: Net D/E ratio = (Interest-bearing debt – Cash equivalent) / (Capital adequacy)

Trend in Quarterly Consolidated Settlement of Accounts

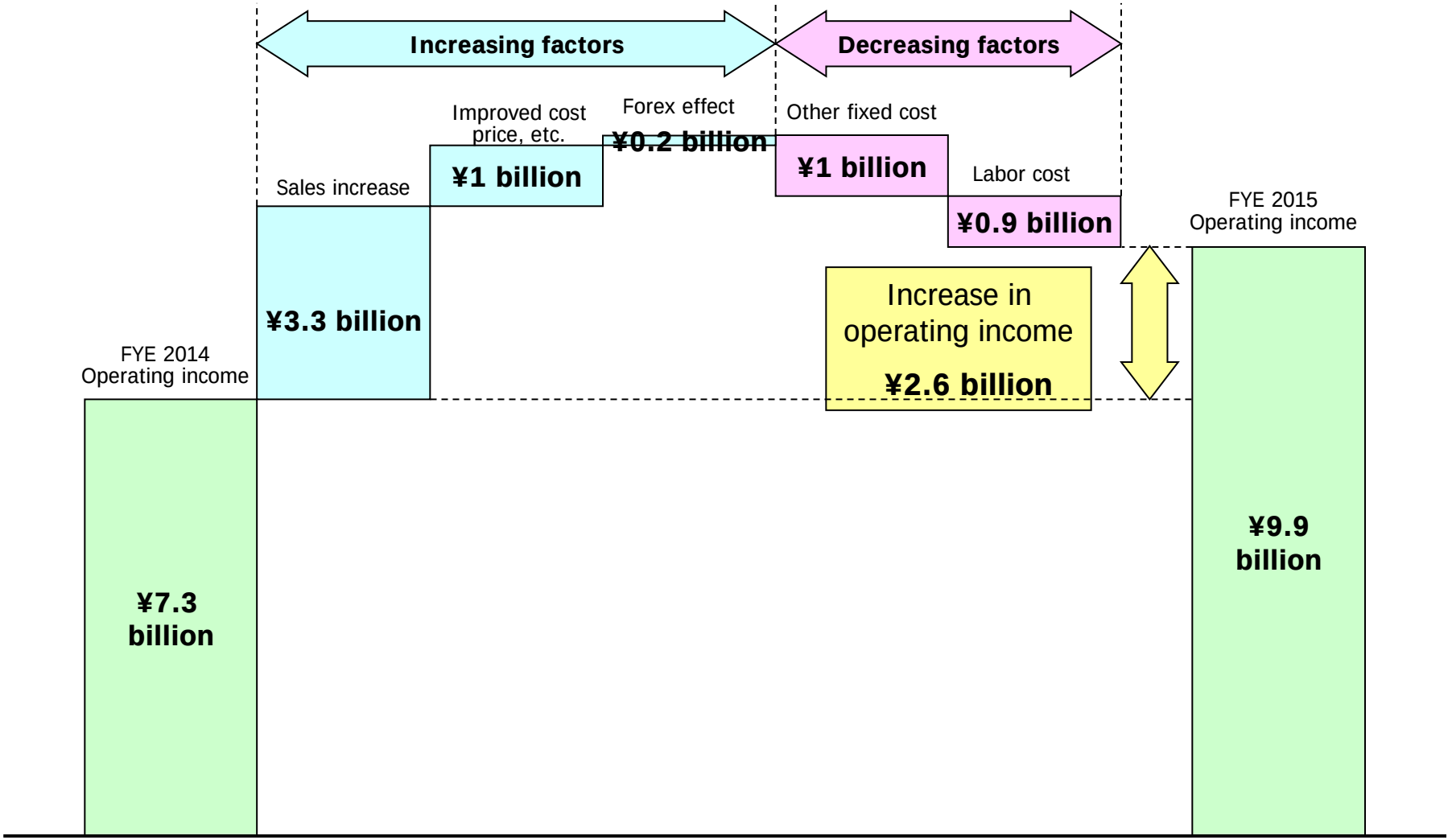
Trends in sales and operating income margin (Consolidated)



Major exchange rates	FYE 2013	FYE 2014	FYE 2015 (2Q cumulative)
US$	¥82.92	¥100.16	¥103.01
Euro€	¥106.78	¥134.21	¥138.89

(Unit: Yen, 100 million) : Net sales : Operating income margin

First half of FYE 2014 (actual figures) vs. First half of FYE 2015 (actual figures)



Note: Operating income values are rounded off.

Breakdown by Business Segment

■ **Growth continued in Automotive Parts Operations. Chain and Power Transmission Units and Components Operations remained firm. Materials Handling Systems Operations recorded sales and income growth on solid performance by distribution- and steel-related products.**

(Yen, million)

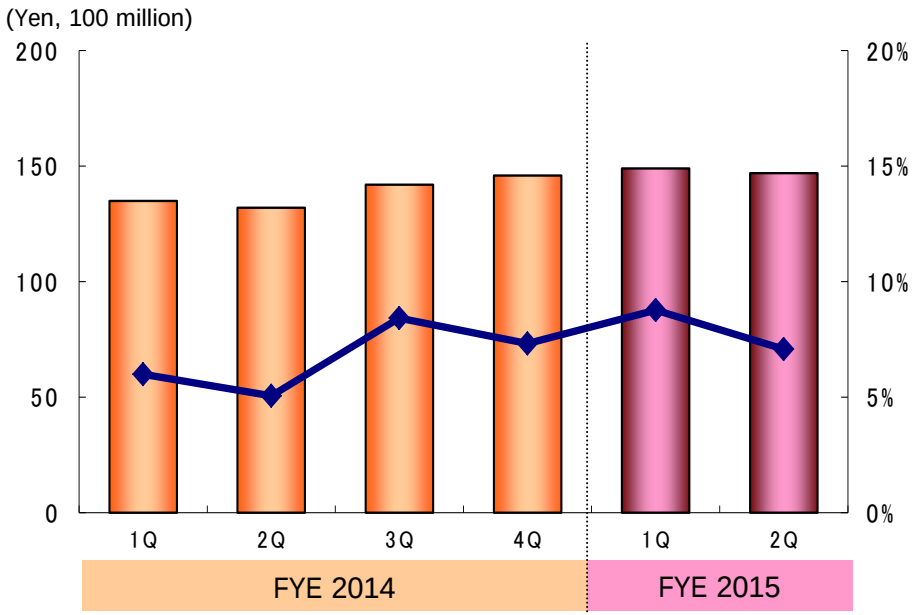
		FYE 2014	FYE 2015	YoY
		First half figure (actual)	**First half figure (actual)**	Increase/decrease
Chain Operations	Net sales*1	26,876	**29,694**	10.5%
	Operating income	1,486	**2,354**	58.4%
	Operating income margin	5.5%	**7.9%**	
Power Transmission Units and Components Operations	Net sales*1	10,340	**11,200**	8.3%
	Operating income	932	**1,119**	20.0%
	Operating income margin	9.0%	**10.0%**	
Automotive Parts Operations	Net sales*1	29,492	**32,490**	10.2%
	Operating income	4,823	**6,168**	27.9%
	Operating income margin	16.4%	**19.0%**	
Materials Handling Systems Operations	Net sales*1	17,551	**19,484**	11.0%
	Operating income	91	**209**	130.1%
	Operating income margin	0.5%	**1.1%**	
Other*2	Net sales*1	1,396	**1,427**	2.3%
	Operating income	28	**47**	67.4%
	Operating income margin	2.0%	**3.3%**	

*1: Sales figures include internal sales and transfers between segments.
*2: "Other" is not a reportable segment.

Earnings Trend by Business Segment

Trends in sales and operating income margin

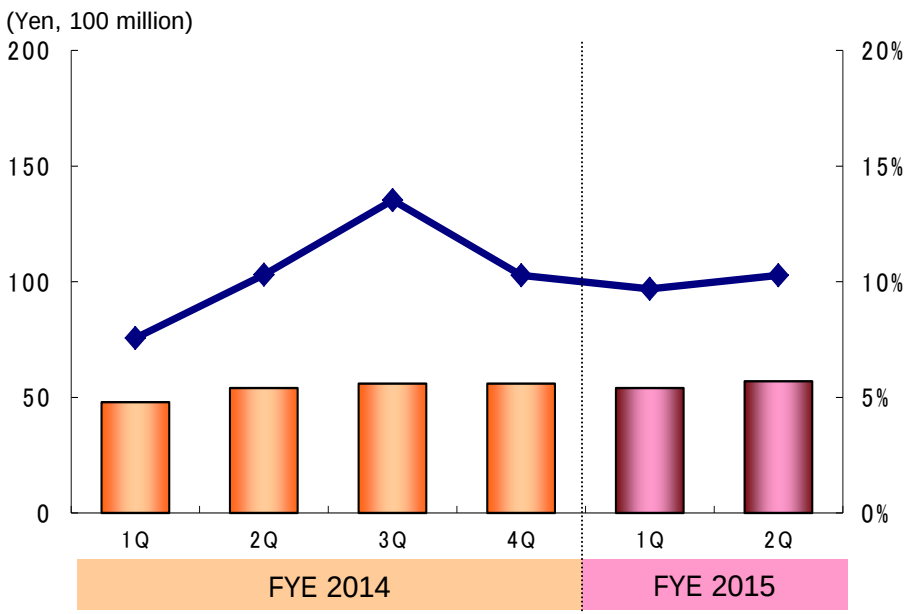
● Chain Operations



<Sales by region>

- In Japan and North America, performance was solid.
- In Europe, the weak-yen effect helped to boost sales greatly.
- In Asia, results were solid overall.
- In China, the Tianjin Plant faced a tough order environment and failed to match expectations.

● Power Transmission Units and Components Operations



<Sales by region>

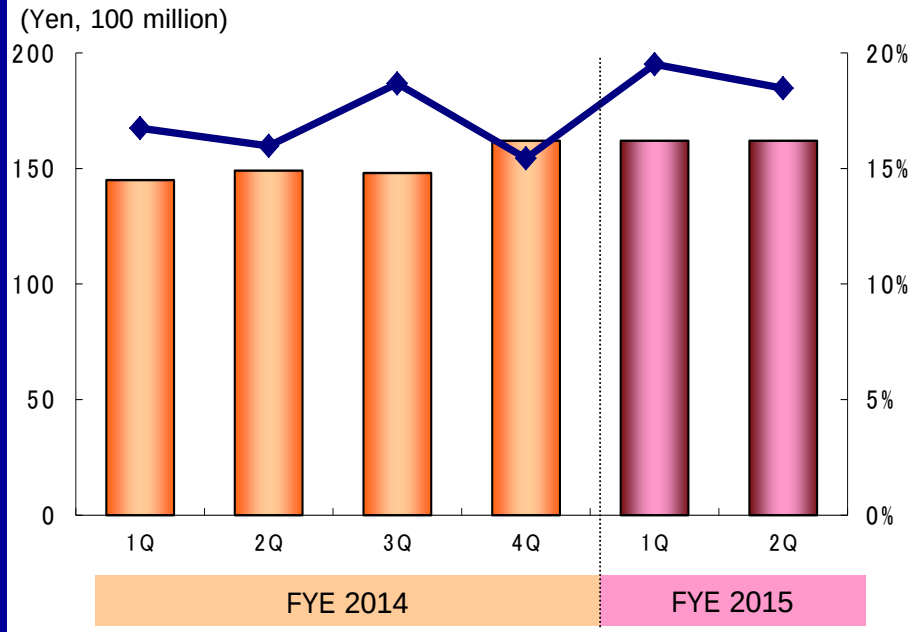
- Domestic performance was favorable.
- In China, the Shanghai subsidiary did well, while the Tianjin subsidiary's sales were about the same year-on-year.

Unit: Yen, 100 million : Sales : Operating income margin

Earnings Trend by Business Segment

Trends in sales and operating income margin

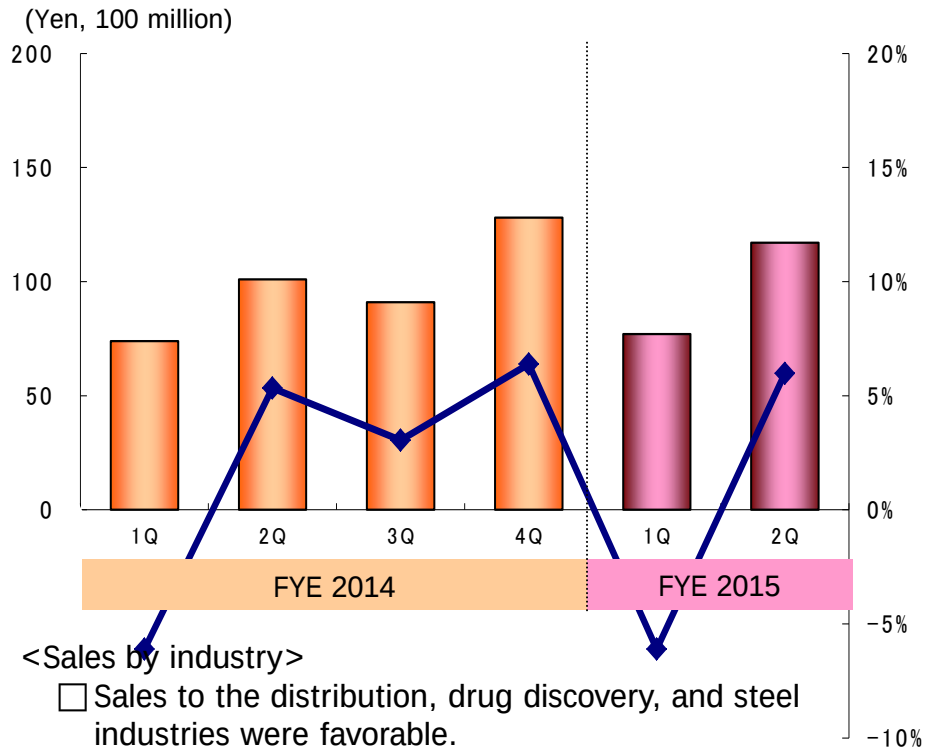
● Automotive Parts Operations



<Sales by region>

- Production in Japan for overseas subsidiaries was strong.
- Rapid growth was recorded in China and South Korea.
- In the US and Europe, favorable results were maintained.
- Sales in Thailand were good in 1Q, but trended downward in 2Q.

● Materials Handling Systems Operations



<Sales by industry>

- Sales to the distribution, drug discovery, and steel industries were favorable.
- Conveyors for the domestic machine tool industry sold well.
- Big orders for granular materials conveyance equipment declined, impacting sales.

Unit: Yen, 100 million : Sales : Operating income margin

Overview by Region

■ The Company has reclassified its regional segments.*

America	Net sales*1	21,075	**22,573**	7.1%
	Operating income	1,744	**2,220**	27.3%
	Operating income margin	8.3%	**9.8%**	
Europe	Net sales*1	10,173	**11,932**	17.3%
	Operating income	▲ 22	**137**	—
	Operating income margin	—	**1.1%**	
Trans-Indian Ocean region	Net sales*1	4,833	**5,129**	6.1%
	Operating income	648	**773**	19.3%
	Operating income margin	13.4%	**15.1%**	
China	Net sales*1	4,829	**6,686**	38.4%
	Operating income	355	**583**	64.2%
	Operating income margin	7.4%	**8.7%**	
Taiwan & South Korea	Net sales*1	2,504	**3,365**	34.4%
	Operating income	225	**260**	15.7%
	Operating income margin	9.0%	**7.8%**	
Japan	Net sales*1	52,637	**57,417**	9.1%
	Operating income	3,807	**5,572**	46.3%
	Operating income margin	7.2%	**9.7%**	

*Sales figures include internal sales and transfers between segments.

<Major exchange rates>

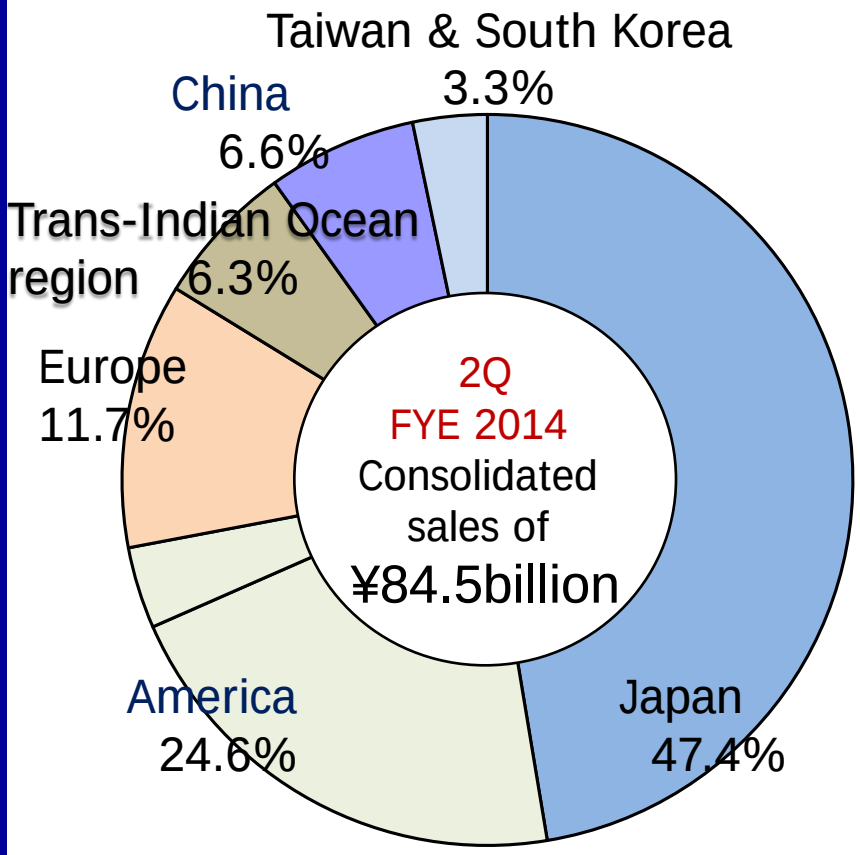
1H FYE 2014: US$=¥98.86, Eur€=¥129.98, Can$=¥95.84, A$=¥94.22, THB=¥3.21, NT$=¥3.31, RMB=¥15.49, WON=¥0.087

1H FYE 2015: US$=¥103.01, Eur€=¥138.89, Can$=¥94.57, A$=¥95.76, THB=¥3.15, NT$=¥3.42, RMB=¥16.64, WON=¥0.098

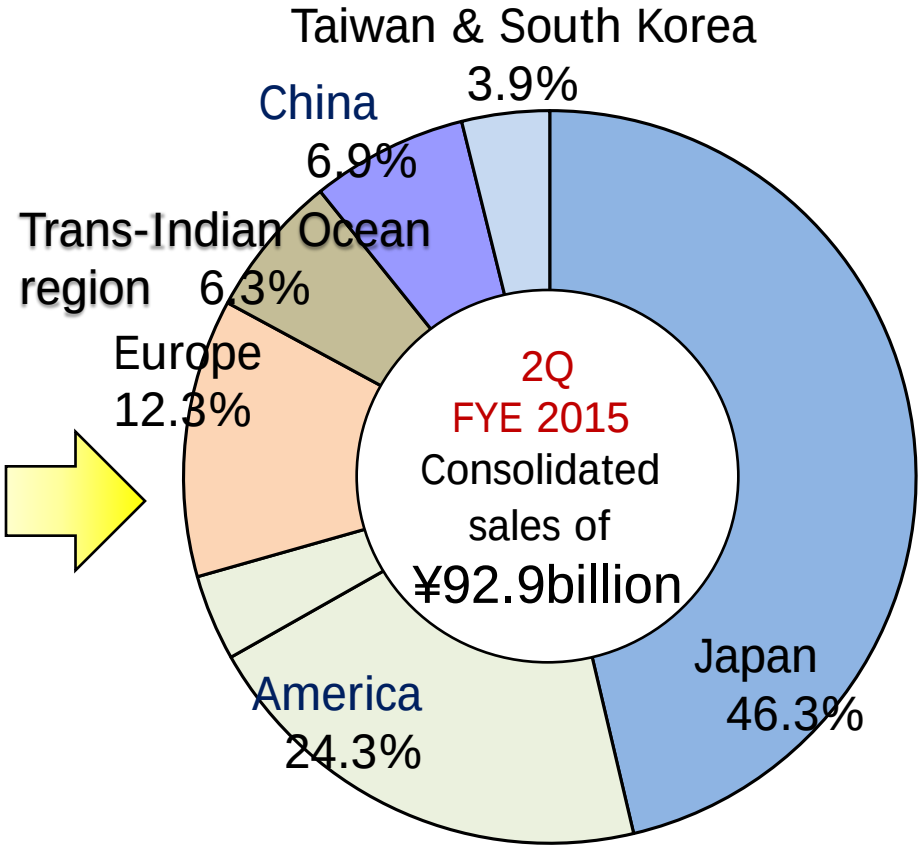
***Please refer to the supplementary documentation for comparisons with segments prior to last year.**

Overseas Sales Ratio

FYE 2014 Interim
Overseas sales ratio : 52.6%



FYE 2015 Interim
Overseas sales ratio : 53.7%



Notes: Sales are based on the location of the customer and classified by country or region.

Full Year Consolidated Settlement of Accounts Forecasts for FYE 2015

Full Year Consolidated Earnings Forecast

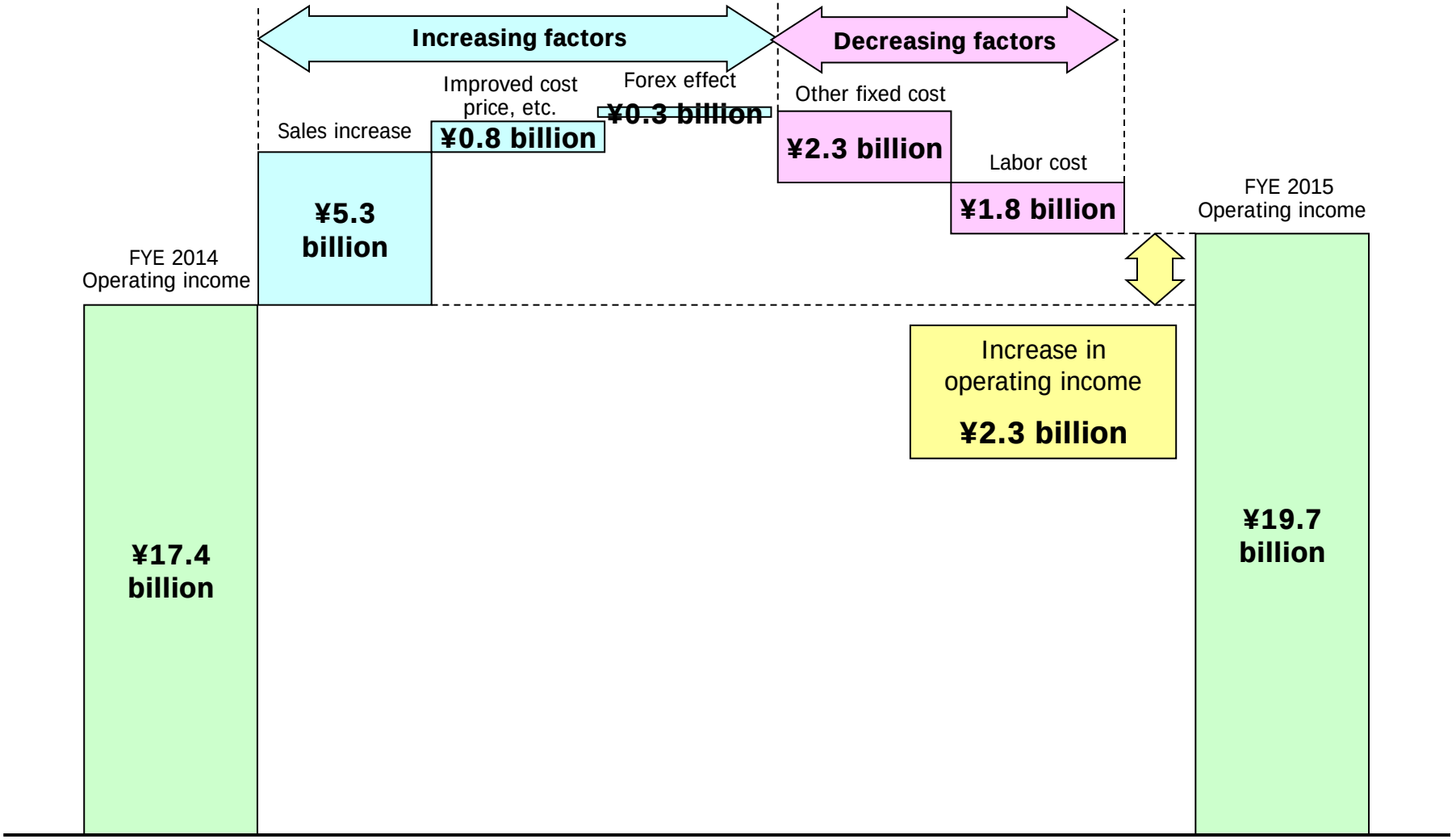
■ **In light of 1H earnings and recent business conditions, we have raised our full-term consolidated forecast to: operating income of ¥19.7 billion, operating income margin of 10.3%. (as of November 7, 2014)**

(Yen, million)

	FYE 2014		FYE 2015		YoY
	Full year figure (actual)	First half figure (actual)	Second half forecast	**Full year forecast**	Increase/decrease
Net sales	178,022	92,948	98,052	**191,000**	+ 7.3%
Operating income	17,354	9,922	9,778	**19,700**	+ 13.5%
Operating income margin	9.7%	10.7%	10.0%	**10.3%**	
Ordinary income	17,993	10,416	9,884	**20,300**	+ 12.8%
Net income	10,213	6,578	6,422	**13,000**	+ 27.3%
Net income per share	¥54.58	¥35.16	-	**¥69.48**	-
(Exchange rates US$1)	¥100.16	¥103.01	¥105.00	-	-
(Exchange rates €1)	¥134.21	¥138.89	¥135.00	-	-
Dividend per share (yen)	10.00	7.00	7.00	**14.00**	-
Dividend payout ratio (consolidated)	18.3%	-	-	**20.1%**	-

Analysis of Factors Consolidated Increasing/Decreasing Operating Income

FYE 2014 (actual figures) vs. FYE 2015 (forecast)



Note: Operating income values are rounded off.

Settlement of Accounts Forecasts by Business Segment

(Yen, million)

		FYE 2014	FYE 2015			YoY
		Full year figure (actual)	First half figure (actual)	Second half forecast	**Full year forecast**	Increase/ decrease
Chain Operations	Net sales *1	55,828	29,694	30,006	**59,700**	+ 6.9%
	Operating income	3,763	2,354	2,356	**4,710**	+ 25.2%
	Operating income margin	6.7%	7.9%	7.9%	**7.9%**	
Power Transmission Units and Components Operations	Net sales *1	21,612	11,200	11,000	**22,200**	+ 2.7%
	Operating income	2,273	1,119	1,081	**2,200**	▲3.2%
	Operating income margin	10.5%	10.0%	9.8%	**9.9%**	
Automotive Parts Operations	Net sales *1	60,674	32,490	33,410	**65,900**	+ 8.6%
	Operating income	10,119	6,168	5,662	**11,830**	+ 16.9%
	Operating income margin	16.7%	19.0%	16.9%	**18.0%**	
Materials Handing Systems Operations	Net sales *1	39,565	19,484	23,816	**43,300**	+ 9.4%
	Operating income	1192	209	921	**1,130**	▲5.2%
	Operating income margin	3.0%	1.1%	3.9%	**2.6%**	
Other*2	Net sales *1	2,719	1,427	1,573	**3,000**	+ 10.3%
	Operating income	63	47	▲ 7	**40**	▲36.5%
	Operating income margin	2.3%	3.3%	▲ 0.4%	**1.3%**	

*1: Sales figures include internal sales and transfers between segments.
*2: "Other" is not a reportable segment.

Introduction of Basic Policy Initiatives in Mid-term Management Plan 2016

1. Transition to a market-oriented corporate culture
Product development and manufacturing strategies that consistently respond to the needs of the market (region/industry)

2. Expansion of businesses that leverages the collective strengths of the group

→ Reinforcement of global supply system for sprockets

→ Business expansion in the plant factory field
Establishment of “Agribusiness Division”

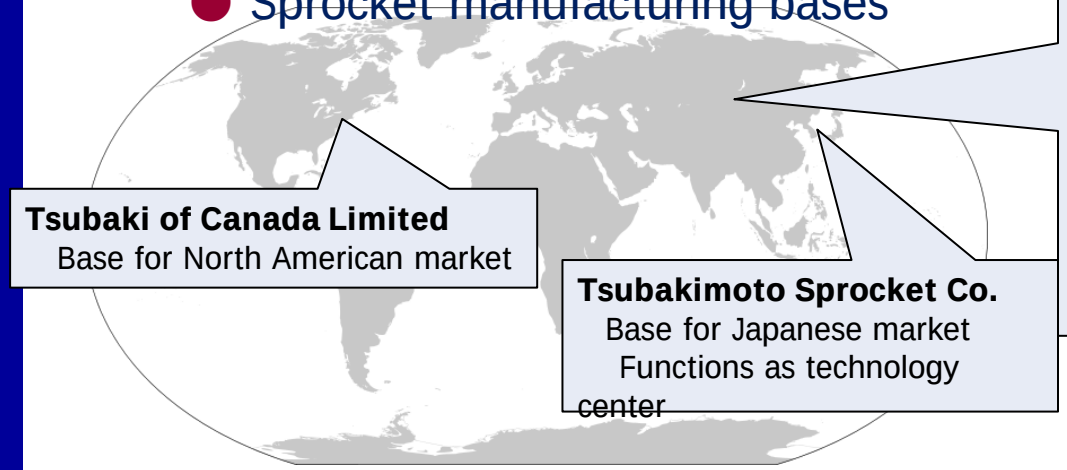
1. Reinforcement of Sprocket Business (Chain Operations)

■ Investment in Chinese (Shijiazhuang) sprocket manufacturing company

Goals

1. To reinforce our global supply system for sprocket timing pulleys
   - Shijiazhuang: A manufacturing base for standard products (to Japan & North America) and products for the Chinese market
   - Japan & Canada: Show strengths in large conveyor chains, special processing
2. To expand sprocket business in Chinese market
   - Strengthen sales of large conveyor chains and sprockets (As a second step, roller chain-use sprockets)
3. To establish a procurement base for processed machine parts used in power transmission units

● Sprocket manufacturing bases



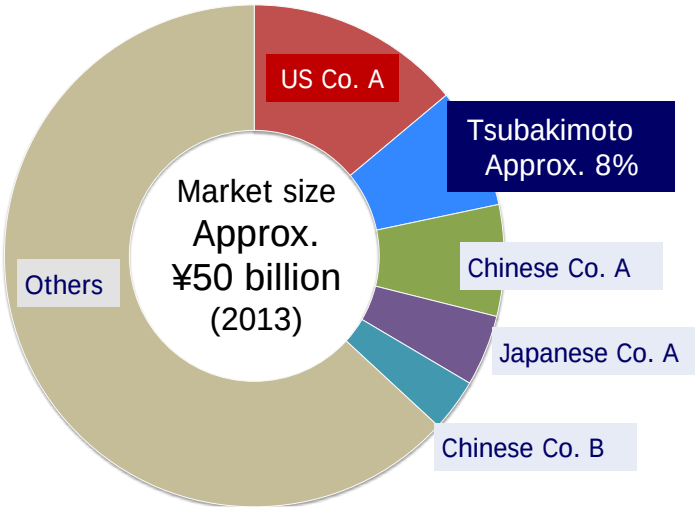
Tsubaki of Canada Limited
Base for North American market

Tsubakimoto Sprocket Co.
Base for Japanese market
Functions as technology center

TSUBAKI CAPT Power Transmission (Shijiazhuang) Co., Ltd.
Location: Hebei, China
No. of employees: Approx. 550
Business: Manufacture and sales of sprockets, timing pulleys, etc.
Tsubakimoto's share: 51%
Investment made: September 26, 2014

2.Reinforcement of Sprocket Business (Chain Operations)

■Sprocket market and shares



■Global sales plan

□FYE 2016 sales of ¥5.3 billion
Aim for a 10% global share

・Expand sprocket sales to markets other than Japan & North America

1. Shijiazhuang: From export-centered to new business with Chinese companies and Japanese companies in China, thus stronger sales in Chinese market
2. Boost sales of chains & sprockets as a set

Sprocket product group

Chain sprockets (Europe, Asia)

Standard products

For large conveyor chains

For timing belts

Pin gear drive unit

3. Agribusiness Launch

Our target market

Plant factory

- 100% artificially lit plant factory
- Sunlit plant factory

Inside the facility, human-controlled LED lighting, air-conditioning, and liquid fertilizer creates the necessary environment for plant growth. The goal is an artificially lit plant factory that produces continually regardless of the season. We provide the automated equipment & systems to raise productivity, cut energy use, reduce production costs, and boost added value.

Background of our entry into agribusiness

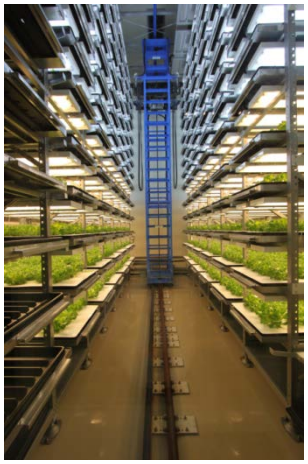
Industry-academia tie-up with Osaka Prefecture University, a leader in plant factories.
Development of automated systems

2011
Our R&D division put a person in charge of agribusiness.
Market surveys and R&D began.

2010

Shanghai Expo display model
Automated conveyance-type cultivation system

2011



R&D Center for the Plant Factory
Three-dimensional warehouse-type automated cultivation system

2014

Green Clocks (Next-generation plant factory)
Joint development of superior seed examination & automated transplanting system

4. Agribusiness Launch

Our superior position in agribusiness

1. Tsubakimoto's automation technology is used in plant cultivation systems, for transfer, conveyance, picking, etc.

   While making use of our existing technology, we surpass its limitations through flexible thinking and design to achieve better functions, cost, delivery times, and all-round competitiveness.

2. Speedy development and technical responsiveness

   Teamwork with existing business partners, universities, research institutes, etc.

Agribusiness Division inaugurated

(October 1)

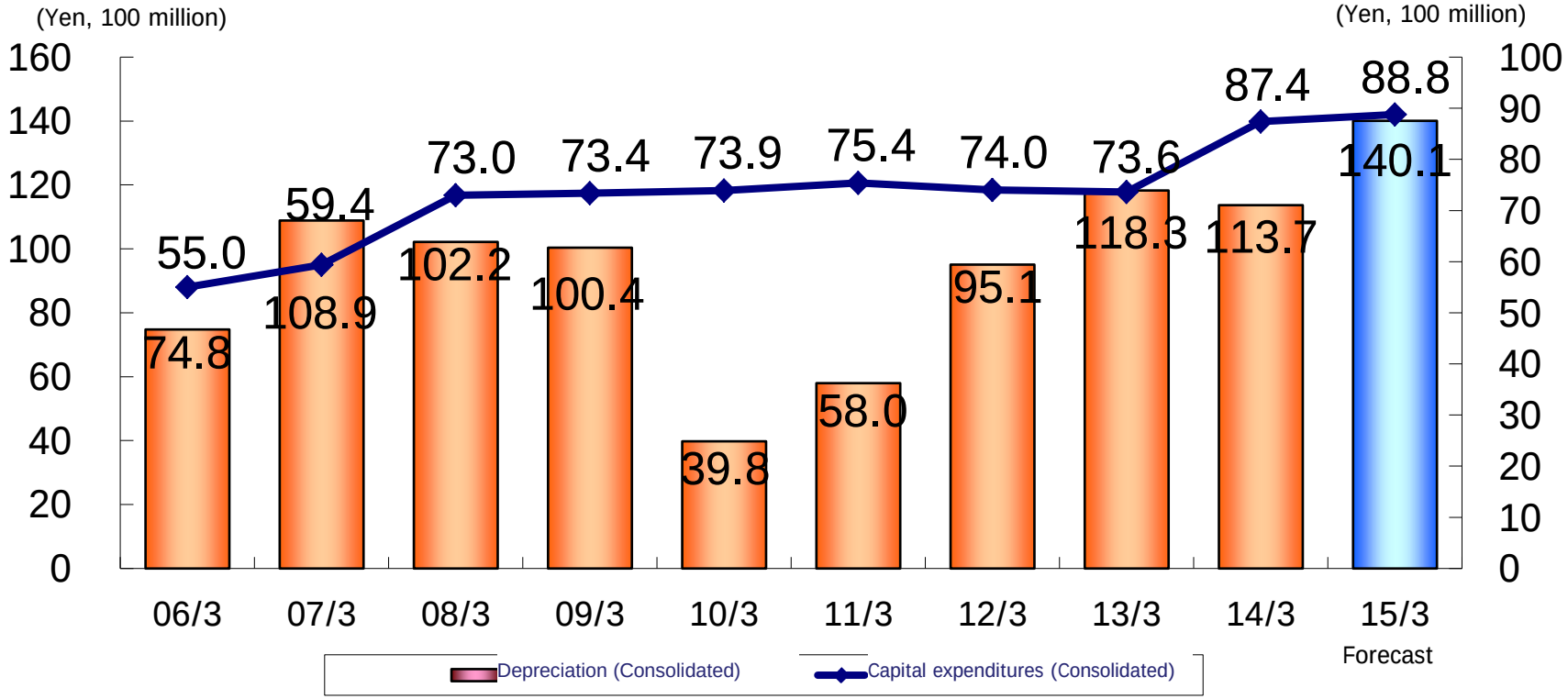
- Three orders won
  Six projects underway
- FYE 2016
  Targeting orders of ¥1.2 billion

Capital Expenditures and Depreciation Expenses

Main capital expenditures

1. Enhancement of the global production system (in China, Thailand and elsewhere) for Automotive Parts Operations
2. Related production facilities for Chain Operations (Kyotanabe Plant, and elsewhere)

Trends in capital expenditures and depreciation expenses



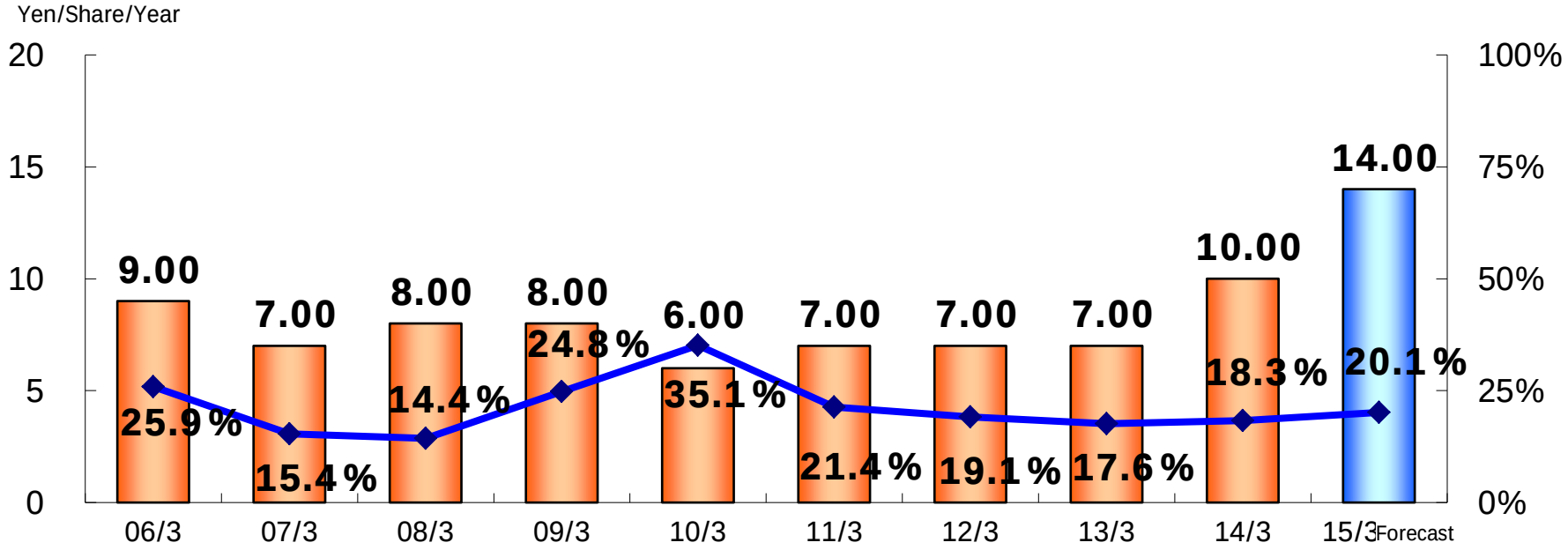
6. Dividend, Consolidated Dividend Payout Ratio

Distribution policies

1. Change from stable dividend policy to policy emphasizing dividend payout ratio
2. Aim to achieve a consolidated dividend payout ratio of 30% within 3 years

Dividend per share, dividend payout ratio

Interim dividend payment to be raised ¥1, annual dividend revised to ¥14/share. (2014.11.07)



This reference document describes our business plans and our earnings outlook. The content of this document is based on current information available to our company and on certain assumptions determined as reasonable. It is not intended to represent a performance commitment. Note that actual results may differ from the earnings outlook described herein, as the results are dependent upon a variety of variables.