



TSUBAKI REPORT 2019

Integrated Report



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Main Disclosure Tools

	Financial information	Non-financial information
Reports	<p>TSUBAKI REPORT 2019 Mainly provides an overview of the Tsubaki Group and reports on the Group's business activities, environmental initiatives, and management systems</p> <p>Financial statements Securities reports (Only available in Japanese)</p>	
Website (latest information and more detailed information)	<p>Investor Relations section</p> <p>Discloses financial information for shareholders and investors and information on shareholders and shares https://tsubakimoto.com/ir/</p> 	<p>Environmental Approach section</p> <p>Discloses details on initiatives to preserve the environment and coexist with society https://tsubakimoto.com/csr/</p> 

A future for the world of motion because of Tsubaki

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Editorial Policy

The TSUBAKI REPORT aims to present in an easy-to-understand format for our stakeholders, the Tsubaki Group's initiatives for sustainable growth and medium- to long-term value creation processes by comprehensively compiling financial and non-financial information (corporate philosophy, business overview, management strategies, corporate governance, technological capability, the environment, social contribution, and other areas).

Forward-Looking Statements

In certain cases, the information in this report is based on estimates and forecasts made by the Tsubaki Group. The accuracy of data from external sources, including statistics, is not guaranteed. As a general rule, figures less than one unit have been rounded down to the nearest whole number. Also, unless otherwise specifically stated all numerical values relating to Company performance and its financial position have been calculated on a consolidated basis.

Data Regarding Environmental and Social Initiatives

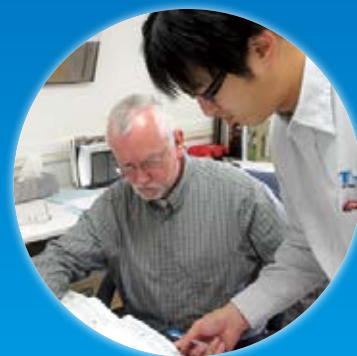
This report was prepared with reference to the Ministry of the Environment of Japan's "Environmental Reporting Guidelines 2012," the Ministry of the Environment of Japan's "Environmental Accounting Guidelines 2005," and the Global Reporting Initiative (GRI)'s "Sustainability Reporting Standards." Reporting Period: April 2018 to March 2019

(includes some activities after the reporting period)

Scope of Data Collection: Tsubakimoto Chain Kyotanabe Plant, Saitama Plant, Nagaokakyo Plant, Hyogo Plant, Okayama Plant, and major Tsubakimoto Chain subsidiaries and affiliates in Japan and overseas

Tsubakimoto Custom Chain, Tsubakimoto Sprocket, Tsubakimoto Bulk Systems, Tsubakimoto Mayfran, Tsubakimoto Iron Casting, Tsubaki Yamakyu Chain, U.S. Tsubaki Holdings, Tsubakimoto Europe, etc.

Become a Leading Global Company by



Corporate Philosophy

TSUBAKI SPIRIT

"Tsubaki Spirit" is the Tsubaki Group's shared corporate philosophy and code of conduct. The formulation of this corporate philosophy entailed reevaluating the Tsubaki Group DNA inherited from predecessors as well as the value that we can offer society going forward. We then clearly expressed and systemized the attributes that we should continue to value—as well as new challenges we should tackle—in the form of Tsubaki's Mission, Tsubaki's Aspiration, Tsubaki's Code of Conduct, and a Founding Philosophy.

We will provide real value that customers and society want by continuing to be a *monozukuri* (manufacturing) specialist and by using our capabilities to provide solutions that transcend the boundaries of *monozukuri*. We will aim to remain a company that society needs by advancing the "art of moving" and providing value that surpasses society's expectations.



Creating Value that Surpasses Expectations



TSUBAKI SPIRIT

TSUBAKI's
Mission

Advance the "art of moving"
beyond expectations

TSUBAKI's
Aspiration

Monozukuri specialists
taking the craft of manufacturing
to new heights

TSUBAKI's
Code of Conduct

- Innovate and take on challenges with passion and courage
- Take quick action and be responsive to change
- Promote internal and external teamwork for co-creation
- Create flexible ideas through our originality and ingenuity
- Take pride in the Tsubaki brand and make safety and quality our No. 1 priority

Founding Philosophy | Value-discerning open-mindedness and cooperation





By steadily strengthening our business foundation, we will take on the challenge of achieving both sustainable growth and social value creation.

Isamu Osa

Chairman and CEO,
Representative Director

Technologies in the Field of Motion Control

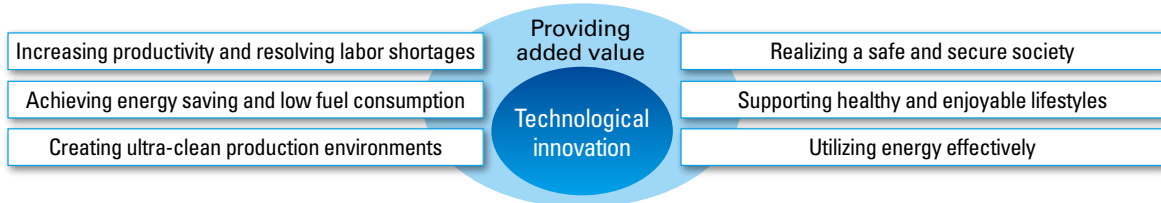
Providing Added Value to Society

Since its establishment, the Tsubaki Group has continued to cultivate technological capabilities in the field of motion control. On that foundation, we have grown by developing products that contribute to the resolution of issues faced by customers and society, and by enhancing our reliable, safe, high-quality products.

In recent years, in accordance with the concept of Ecology & Economy, we have worked rigorously to develop new products that simultaneously realize

lower burdens on the natural environment and cost benefits for customers. The Group has advanced motion control technologies and contributed to the development of global industry and society in a variety of fields, from the achievement of energy saving and low fuel consumption to the resolution of labor shortages, the establishment of ultra-clean production environments, and the realization of abundant lifestyles.

Example of How the Tsubaki Group's Motion Control Technologies Have Driven Progress



Strengthening our Foundation to Support Sustainable Growth

In the fiscal year ended March 31, 2019, we achieved record highs in consolidated net sales and operating income. When I became president in the fiscal year ended March 31, 2010, the Tsubaki Group faced challenging circumstances, with two consecutive years of lower sales and profits due to the 2008 global financial crisis. However, our results turned around that year, and by the fiscal year ended March 31, 2019, our net sales had increased to 2.1 times the level in the fiscal year ended March 31, 2010, and operating income had increased to 4.6 times.

These results were due in large part to the renewed strength of the chain business, which we reinforced by steadily bolstering our business foundation. Chains have been our core business since the founding of the Group, and we were proud to be the number one chain manufacturer in terms of performance and quality. On the other hand, I had a strong sense of concern that our pride in being a leader could eventually reduce our competitiveness.

Chains are used in a variety of industries and applications, and accordingly there is a wide range of targets. In addition, indirect sales were the standard practice, and we didn't have a clear understanding of the end user. We had fallen into a product-oriented style of development, and we were implementing rigidly uniform manufacturing, without accommodating high-variety variable-lot production. I considered these to be the major issues in Chain Operations.

These problems were also shared by Power

Transmission Units and Components Operations. This is a major point of difference from the market-oriented development style of Automotive Parts Operations and Materials Handling Systems Operations. Accordingly, we divided the global market into five regions and implemented another round of market research. Based on the needs of end users, we revised our product lineup and accelerated the development of high-value-added products.

In addition, to foster discussion about the future of the chain business, we launched innovation workshops for general managers. To take on the challenge of using new methods to produce new chains for specific applications, we built integrated production lines (innovative lines) to use in place of the conventional lot-based production lines. This generated opportunities for us to revise our manufacturing processes and take on the challenge of change, without being limited by established concepts.

In addition, in April 2014 we launched the MIK 2018* production reform activities at the Kyotanabe Plant, our main chain plant. Targeting completion in the fiscal year ended March 31, 2019, we worked to build a compact, efficient production line, and we achieved our target two years ahead of schedule.

As a result, over the past 10 years, Chain Operations have achieved significant increases in sales and profitability and have regained their position as the driving force behind the growth of the Tsubaki Group.

* Manufacturing Innovation in Kyotanabe 2018

Toward Further Reforms

1. Toward the Second Stage of Manufacturing Reform at the Kyotanabe Plant

The Kyotanabe Plant has had major success with MIK 2018, and from the fiscal year ending March 31, 2020, we are advancing new manufacturing reforms at this plant.

In addition to further production line automation, we will use IoT and AI technologies and aim to realize a lean manufacturing plant by completely linking information and manufacturing, including indirect operations, from estimates to shipments. We plan to reduce the burden on employees, including in indirect departments, and to resolve the labor shortage, while simultaneously activating the workforce by shifting employees to work that can only be done by people.

Moving forward, we will advance manufacturing reforms in line with the characteristics of Power Transmission Units and Components Operations, Automotive Parts Operations, and Materials Handling Systems Operations.

2. Ongoing Pursuit of Safety and Quality

The pursuit of reliability, safety, and high quality is among the most fundamental of all issues faced by manufacturing companies. On the other hand, there is a tendency for the fundamentals to become empty formalities without anyone realizing it. Now, we will return to the fundamentals, and everyone at the Group will work together to thoroughly enhance safety and quality.

In safety, these activities will focus on the rigorous prevention of serious accidents. In quality, the Quality Management Department, which was newly established within Headquarters Operations as a Companywide organizational unit in April 2018, will coordinate the quality assurance activities of the business divisions and work to bolster quality control initiatives.

Making an Even Greater Contribution to Society "Taking the Craft of Manufacturing to New Heights"

As a manufacturer, how can we broaden the scope of our value creation as we steadily reinforce our business foundations? How can we make a larger contribution to society? Moving forward, the Tsubaki Group will aim to continually take on the challenge of providing solutions that transcend manufacturing.

1. Developing New Businesses

Our business fields are not limited to power transmission and materials handling. Our corporate philosophy is "Tsubaki Spirit," which we revised in 2017 on the occasion of the 100th anniversary of the Group's founding. This philosophy incorporates a commitment to taking on the challenge of technological innovation in the wide-ranging field of motion control while simultaneously making an enhanced contribution to society.

Under the Mid-Term Management Plan 2020, we announced new business development as an issue that we would address. On that basis, we are working in a number of areas, including (1) automated plant factories (agribusiness) that are reliable and safe and less susceptible to the influence of the weather, (2) V2X bi-directional EV charging systems (eLINK) that

contribute to responses to disasters and to the establishment of a smart electric power grid, and (3) remote monitoring systems in the monitoring business, in which we will leverage our manufacturing know-how.

However, we have not yet fully developed these new businesses. Moving forward, we will take steps to rapidly advance these businesses, including the allocation of management resources, while maintaining a focus on the probability of commercialization.

2. Contributing to the SDGs

The Sustainable Development Goals (SDGs) are international goals that were adopted at the UN Summit in September 2015. The Tsubaki Group has contributed directly and indirectly to multiple SDGs through the provision of a variety of high-value-added products. In addition, we have designated model factories for environmental friendliness, safety, and quality, and committees have revised their basic policies. In these ways, the Group has worked to strengthen its activities that contribute to the SDGs. Moving forward, the Group will clarify which objectives will be given priority and then incorporate those objectives into its

The Tsubaki Group's Priority Issues for the SDGs



About the SDGs

The Sustainable Development Goals (SDGs) comprise seventeen international goals for the realization of a sustainable world that were adopted at the UN summit in September 2015.



management strategies. In this way, we will accelerate activities targeting the resolution of social issues.

In November 2018, we established a project team and identified five priority issues, including industrial and technological innovation, climate change, and clean energy. Our next steps will be to establish KPIs* and incorporate them into our management by the end of March 2020, and subsequently to incorporate them into our growth strategies in the fiscal year ending March 31, 2021.

The Tsubaki Group's value creation activities involve more than just the provision of products. We have implemented a range of activities to address shared value with stakeholders, including employees, local communities, cooperating companies, and shareholders. Going forward, the Group will systematize these activities and implement them even more actively, while maintaining a focus on their relationship to the SDGs.

* KPIs = Key Performance Indicators

3. Reforming the Management System and Strengthening Corporate Governance

On June 27, 2019, we reformed our management system, completely separating management strategy formulation and supervision from business execution.

Our operating environment is increasingly uncertain due to a range of issues, including U.S.-China trade friction and the withdrawal of the U.K. from the EU. In addition, technological innovation is accelerating that trend, and competition among companies is intensifying. In these circumstances, the objective of these management system reforms is to promote the rapid formulation of strategies and to expand the scope of delegation of business execution authority and bolster the effectiveness of strategies.

We also decided to establish the Nomination and Remuneration Committee, which will be chaired by an outside director. This committee will help to increase management transparency and to further clarify management responsibility and incentives.

The Tsubaki Group will take steps to enhance its technological capabilities as a manufacturer and bolster its business foundation. Moreover, we will work to become a global company that is trusted by customers and society and can contribute to the realization of a more affluent society. I would like to ask our stakeholders for their continued support and encouragement.

Isamu Osa
Chairman and CEO,
Representative Director

**Special
Feature**

Taking on the Challenge of Sustainable Value Creation

Based on the technological capabilities that it has cultivated since its founding in 1917 and its pioneering spirit, the Tsubaki Group has provided high-quality and innovative products, technologies, and solutions to customers in a variety of fields in motion control.

We have tackled a variety of themes with our proprietary technology, such as enhancing productivity through energy saving, automation, and labor-saving, and helped to solve customers' issues and social issues. From this proprietary technology, many products with leading shares in their markets have been born, and we have grown to become a brand that is trusted by customers worldwide.

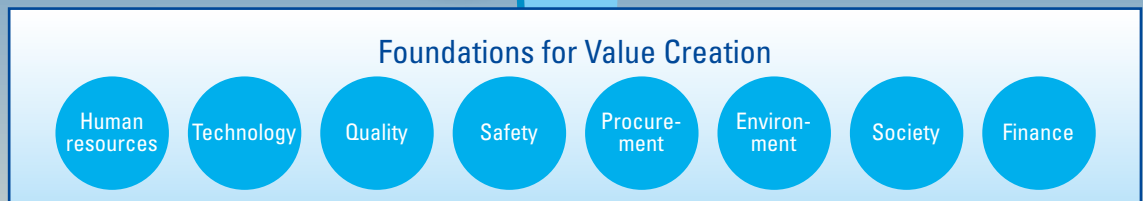
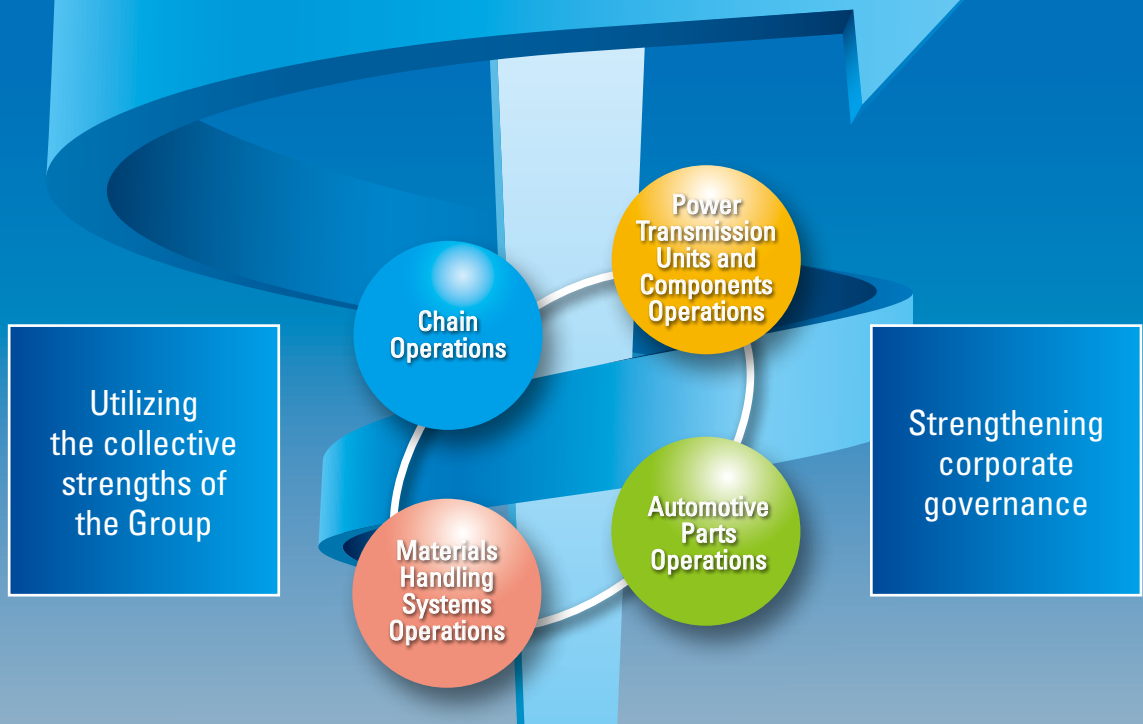
We are taking on the challenge not simply of technological innovation or the creation of high-value-added products. We will fulfill our social responsibility as a corporation while aiming for sustainable growth by strengthening our response measures to various business continuity risks.

The Tsubaki Group will continually take on the challenge of sustainable value creation through these activities.

Sustainable Value Creation

The Tsubaki Group's Bold Initiatives

- Solving social problems through technological innovation
- Fulfilling our social responsibility as a corporation
- Strengthening our response measures to risks



Corporate Philosophy **TSUBAKI SPIRIT**

Taking on the Challenge

Solving Social Problems through

Increasing Productivity and Resolving Labor Shortages

We are contributing significantly to productivity enhancement at our client companies in areas such as reducing maintenance man-hours, and solving labor shortages through automation by providing high-quality, highly functional products and optimal solutions.



**Large-size conveyor chains
DTA Series (advanced model)**

Wear resistance

3 times

(Compared with previous model)



**Space-saving type automatic
sorting systems
LiniSort® S-C**

Maximum sorting
capabilities

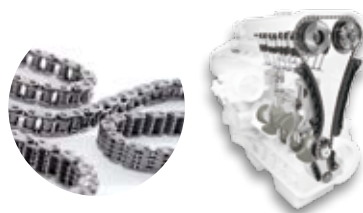
6,000
pieces per hour

Minimum
installation space

25 m²

Achieving Energy Saving and Low Fuel Consumption

Outstanding environmental performance that results in the low fuel consumption of automobile engines underpins our 37% global market share of timing chain systems. Tsubaki's ecological technology also contributes to energy saving and cost reductions at client companies in other fields.



**Timing chain systems
Zerotech® Series**

Friction loss

Down **30** %

(Compared with previous model)



**Power cylinders
U Series Power Cylinder**

Power consumption

Approximately **80** % reduction
(Compared with hydraulic cylinders)

Creating Ultra-Clean Production Environments

In addition to realizing low noise, Tsubaki's products are active in realizing ultra-clean production environments with minimal dust emissions and scatterings of oil.



**Cable systems for clean rooms
Cleanveyor®**

Low-dust emission

ISO Class 1

(Highest level of cleanliness)



**Lubricant-free chains
Lambda® Chain**

Adding lubricant

Not required

of Sustainable Value Creation

Through Technological Innovation

Realizing a Safe and Secure Society

In the area of public transport, brushless motors and timing belts for movable barriers at train station platforms that protect the safety of passengers, and Zip Chain units for watertight doors as a countermeasure to subway flooding due to sudden torrential rain and other factors have been adopted and are contributing to the realization of a safe and secure society.

Supporting Safety and Disaster Prevention Countermeasures



Movable barriers for train station platforms
Brushless motors, others

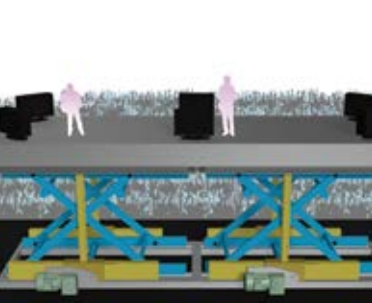


Motorized watertight doors for subway stations
Zip Chain® unit

Supporting Healthy and Enjoyable Lifestyles

Tsubaki's drive parts and conveyance systems, such as Zip Chain Lifters, plastic chains, and other products, are used in a variety of settings essential to an enriched lifestyle, such as entertainment facilities and the food service industry.

Contribution to Entertainment and Eating Habits



Concert venue
Zip Chain Lifter®



Conveyor belt sushi restaurants
Plastic top chains

Utilizing Energy Effectively

Tsubaki's technologies are also being utilized in new fields, such as for bulk handling systems at biomass power plants and for V2X bi-directional EV charging systems that enable the bi-directional supply of the electricity stored in electric vehicles with buildings, factories, and other facilities in the event of power outage.

Contributing to New Energy and Disaster Responsiveness



Biomass power plants
Bucket elevators, others



Connecting electric vehicles with emergency power supplies
V2X bi-directional EV charging systems, eLINK

Strengthening Corporate Governance

To enable it to contribute to the realization of a sustainable society through its own sustainable growth, the Tsubaki Group is striving to strengthen its corporate governance.

We are moving ahead with appropriate reorganization in accordance with business conditions while pursuing sincere and highly transparent management as well as implementing proactive information disclosure.

[Principal Initiatives]

Separation of strategy formulation and business execution

Establishment of a Nomination and Remuneration Committee

Internal control activities

See pages **P44–49** for details



Cultivating Human Resources and Creating a Comfortable Workplace Environment

The Tsubaki Group views the human resources that underpin its technological capabilities as an important management resource and concentrates its efforts on nurturing human resources and passing on technical skills.

Moreover, we value the diversity of our employees and have prohibited discrimination. At the same time, we thoroughly implement health and safety initiatives and strive to create a comfortable workplace environment.

[Principal Initiatives]

Employment diversification and work style reforms

Tsubaki Techno School, Tsubaki Technical Skills Olympics

Activities to prevent the occurrence of a serious accident

See pages **P50–51, 54** for details



Providing Reliable and Safe Products

As a manufacturer, the Tsubaki Group maintains and enhances the Tsubaki brand by prioritizing reliability, safety, and high quality while strengthening its system to maintain and strictly keep its promises to customers.

We are strengthening our technological capabilities and systems for furthering quality management while conducting education on quality in order to cultivate quality-specialist human resources.

[Principal Initiatives]

Establishment of a Quality Management Department

Cultivation of quality management specialists

See pages **P52–53** for details



Responsibility as a Corporation

Sustainable Procurement

To facilitate reliable, safe, and high-quality manufacturing, the Tsubaki Group conducts fair and sustainable procurement activities in Japan and overseas under the guidance of its Basic Procurement Policy.

We promote green procurement while seeking to cooperate with suppliers and taking steps to build a sustainable supply chain.

[[Principal Initiatives](#)]

Establishment of the Green Procurement Guidelines

Cooperation with suppliers

See page **P55** for details



Environmental Conservation Initiatives

The Tsubaki Group promotes specific initiatives toward conservation of the environment guided by its Basic Environmental Policy in order to reduce the environmental impact of its business activities.

We are making efforts to reduce greenhouse gas emissions such as CO₂ and reduce water consumption as well as proactively disclosing environmental data.

[[Principal Initiatives](#)]

Establishment of long-term objective for reducing total CO₂ emissions and initiatives to achieve that objective

Ecofactory certification system

See pages **P56–57** for details



Contributing to Local Communities

The Tsubaki Group not only contributes to society through its business activities but also advances a variety of measures as a member of local communities, such as social and environmental contribution activities in line with the circumstances of communities.

The Tsubaki Group operates its business on a global scale while carrying out social contribution activities in a variety of communities.

[[Principal Initiatives](#)]

Holding and participating in community-based events

Donation activities, volunteer activities

See pages **P58–59** for details



Taking on the Challenge of Sustainable Value Creation

We confront with sincerity the various risks that face us and steadily address them. This approach underpins the Tsubaki Group's value creation.

Strengthening Our Response Measures to Risks

Product Defects

[Strengthening our Quality Management System]

As a manufacturer, the Tsubaki Group is making concerted efforts to maintain and improve quality. In addition to traditional quality control assurance activities in each division, we established the Quality Management Department to manage quality for the entire Group in 2018. We have revised the Tsubaki Group Quality Basic Policy and are working to further reinforce quality management.

Changes in Economic Trends and the Market Environment

[Diversification of Operations and Dispersion of Customer Base]

Since our founding as a chain manufacturer, we have diversified our operations to include materials handling systems, automotive parts, and the power transmission field while expanding our business to encompass not only components but units and systems. Our customer base is widely dispersed among industries including the machinery, automotive, energy, food, IT, distribution, and life science industries.

[Diversification of Supply Regions]

Since establishing its first overseas base in 1970, the Tsubaki Group has proactively advanced globalization through local production and M&A. As a result, 59.4% of the Group's total net sales came from overseas in the fiscal year ended March 31, 2019, and we are now targeting a ratio of 70% in the fiscal year ending March 31, 2021. By diversifying supply regions across a wide range of countries and regions, from developed countries to developing countries, we have established a system that is not dependent on the economic trends of a particular region.

Fluctuations in Exchange Rates and the Prices of Raw Materials

[Globally Optimized Production]

While globalization of operations drives growth, it also increases our exposure to exchange rate fluctuations. For this reason, we are diversifying forward exchange contracts and proactively decentralizing production. 45.9% of production was conducted overseas in the fiscal year ended March 31, 2019. By proactively advancing local procurement of raw materials, we are helping to reduce the impact of exchange rates.

Leakage of Confidential Information and Cyber Terrorism

[Tightening Rules and Raising Awareness]

We are enacting appropriate countermeasures in response to information leakage risks by clearly stipulating definitions and risk management on confidential information. We hold regular meetings of the Information Committee attended by responsible persons from Group companies in Japan and overseas to share information strategies while expanding countermeasures to information leaks, cyber terror, and other risks throughout the entire Group. Moreover, we also utilize e-learning to implement information security education and other measures for employees.

Natural Disasters and Work-Related Accidents

[Establishing Rules to Ensure Prevention and Conducting Training]

We are taking steps to manage risks and develop countermeasures for unforeseen situations such as natural disasters. At the same time, we have established an Initial Response to Crisis Manual in order to limit the spread of damage through a swift initial response in the event of an emergency, and we are implementing initial response training. Moreover, as a manufacturer we have adopted "safety and quality first" in our Code of Conduct and take measures to prevent work-related accidents and maintain and enhance the health of our employees.

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Driving the World...
and the Future

Tsubaki's Business and Principal Products

Chain Operations

We provide various industries, such as the machine tool, automobile, steel, LCD/semiconductor, and food industries, with a diverse lineup of drive chains, conveyor chains, and other chains optimized for their needs.



Drive chains



Small-size conveyor chains



Large-size conveyor chains

[Industrial-Use Steel Chains]

No. 1 share of the global market

15%

(Source: Tsubakimoto Chain Co.)



Plastic top chains



Support and guidance systems for cables and hoses



Linear / rotating drives (Pin Gear Drive Unit)

Power Transmission Units and Components Operations

We provide optimal power transmission products by utilizing a diverse lineup of reducers, actuators, clutches, and other products in the motion control field and by combining the technologies related to these products.



Reducers



Linear actuators



Clutches

[Cam Clutches]

No. 1 share of the Japanese market

90%

(Source: Tsubakimoto Chain Co.)



Shaft couplings / Locking devices



Electrical controllers

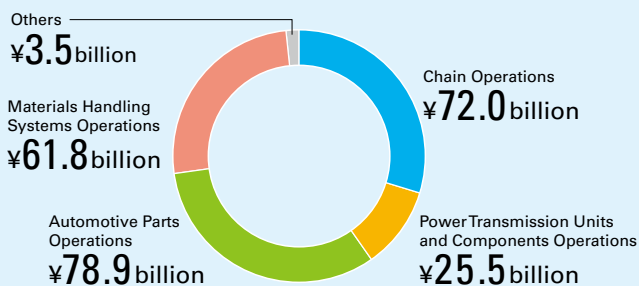


Chain meshing type (Zip Chain®) units

FYE 2019 Net Sales (Consolidated)

¥238.5 billion

Net Sales by Segment*1

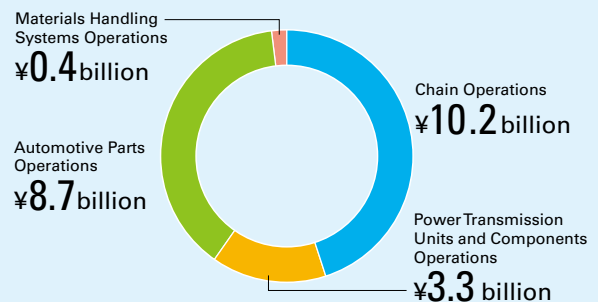


*1 Net sales includes intersegment sales and transfers

FYE 2019 Operating Income (Consolidated)

¥21.7 billion

Operating Income by Segment*2



*2 "Others" refers to an operating loss of ¥43 million and is not shown in the graph

Automotive Parts Operations

These operations provide automobile manufacturers around the world with timing chain systems that heighten the performance of automobile engines and help make them lighter and more environment-friendly. Automotive Parts Operations has also developed Ene-drive Chains that are compatible with next-generation eco cars such as electric vehicles.

[Timing Chain Systems]
No. 1 share of the global market

37%

(Source: Tsubakimoto Chain Co.)



Timing chain systems



Timing chain system parts



Timing chains
(RS Roller Chains, Silent Chains)



Timing chain system parts
(Tensioners)



Power Drive Chains



Ene-drive® Chain for next-generation eco-friendly vehicles

Materials Handling Systems Operations

Our Materials Handling Systems Operations provide sophisticated solutions that improve customer productivity by controlling the flow of objects and information through sorting, conveyance, and storage systems.

[AGV Roll Paper Feeding Systems for Newspaper Printing Plants]

No. 1 share of the Japanese market

70%

(Source: Tsubakimoto Chain Co.)



Conveyance system for manufacturing line



Automatic sorting equipment



LaboStocker® automatic ultra-low temperature storage units



AGV roll paper feeding systems for newspaper printing plants



Bulk handling systems

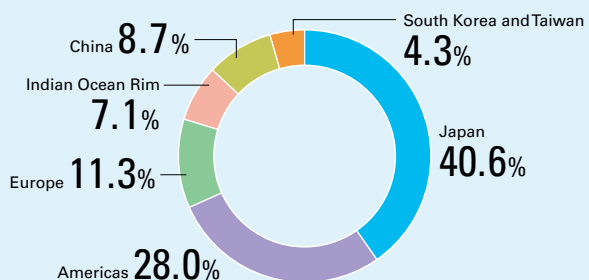


Metalworking chip handling / coolant processing systems

Ratio of Overseas Sales

59.4%

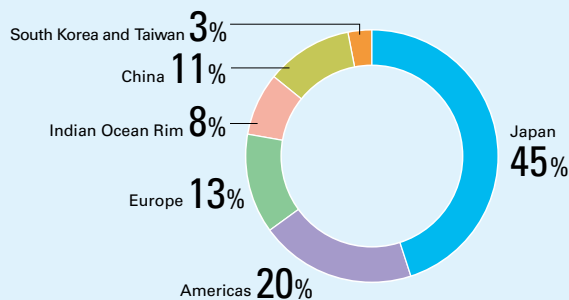
Share of Net Sales by Region*3



Number of Employees / Ratio of Overseas Employees

8,818 / 55%




















Distribution of Employees by Region



*3 Overseas sales are based on the location of the customer and classified by country or region

Tsubaki Products Supporting Society in a Wide Range

Tsubaki's varied and diverse products are used in a wide variety of applications in a broad range of fields.

	General Industrial Applications	Vehicles	Resources / Materials
Chain Operations Power Transmission Units and Components Operations	 <p>Machine part manufacturing equipment RS Roller Chains, Zip Chain Actuators, gear reducers, other</p>	 <p>Automotive power sliding doors Cable carriers</p>	 <p>Offshore oilfield platforms Cable carriers</p>
	 <p>Lines manufacturing medical rubber gloves Large-size conveyor chains</p>	 <p>Man conveyors for vehicle assembly Plastic modular chains</p>	 <p>Conveyor equipment for coal mines Mining chains</p>
	 <p>Machine tools ATC chains</p>  <p>Robots Cable carriers</p>	 <p>Nursing care vehicles Gear reducers, chains, couplings, cable carriers</p>	 <p>Iron ore unloaders Unloader chains</p>
Materials Handling Systems Operations	 <p>Transporting machine tool swarf Chip conveyors</p>	 <p>Part conveyor equipment for vehicle service plants Autoran Vanguard</p>	 <p>Coil stockyards Coil Robo</p>
	 <p>Press plants Scrap conveyors</p>	 <p>Vehicle painting lines New Traverser Systems</p>	 <p>Cement plants Bucket elevators</p>
	 <p>Timing chain systems for automobile engines</p>	 <p>Power Drive Chains for four-wheel drive units</p>	 <p>Enedrive Chains for power trains (electric vehicles / hybrid electric vehicles)</p>
New Business			

of Areas

Food / Medicine



Sorting machines for apple processing plants
Small-size conveyor chains



Beverage plants
Plastic top chains



CT (computed tomography) scanners
Power Cylinders, gear reducers, other



Produce sorting system
LiniSort S-C



Regenerative medicine / new drug research
LaboStocker automatic ultra-low temperature storage units

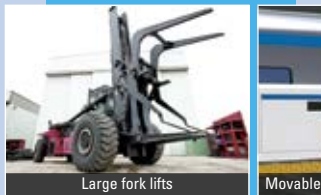


Plant factories
Automatic seedling transplanter unit

Infrastructure / Environment



Passenger boarding bridges for airports
Power Cylinders, cable carriers, other



Large fork lifts
RS Roller Chains, cable carriers



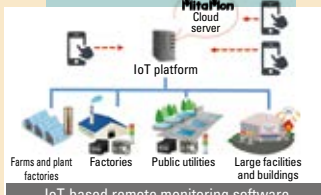
Floodgates
Cable carriers



Biomass power plants
Bucket elevators, conveyor chains



Steel plants
PB Pivotveyor for conveying activated charcoal



IoT-based remote monitoring software
MitaMon

Consumer / Entertainment Facilities



Claw crane arcade games
Cable carriers



Conveyors for conveyor belt sushi restaurants
Plastic top chains



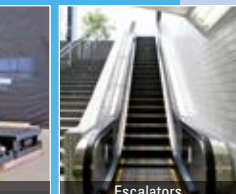
Movable barriers for train station platforms
Brushless motors, timing belts, other



Seat-moving equipment for domed stadiums
Jacks



Stage elevator equipment
Zip Chain Lifter



Escalators
Step chains



Mail-order shopping distribution systems
QuickSort



Bond document management systems
Security Stocker



Newspaper printing plants
Paper-feeding AGV



V2X bi-directional EV charging systems
eLINK

Tsubaki's Growth Track

Progress of Operations

Building foundations as a *monozukuri* (manufacturing) specialist

- 1917** Founded as a manufacturer of bicycle chains
- 1923** Taking a cue from an overseas catalog, began manufacturing chains for machinery
- 1924** Began manufacturing conveyor chains
- 1928** Ceased bicycle chain manufacturing and shifted to manufacturing chains for machinery
- 1937** Delivered a large-scale conveyor plant (commenced Materials Handling Systems Operations)
- 1938** Completed construction of and moved to headquarters plant in Asahi-ku, Osaka (now Tsurumi-ku, Osaka)



Founder, Setsuzo Tsubakimoto

From the post-war period to the era of high economic growth. Expanding operations in step with the development of society

- 1949** Listed shares on the Osaka and Tokyo Stock Exchanges
- 1957** Began production of automobile timing chains (commenced Automotive Parts Operations)
- 1958** Developed large chain reducers (commenced Power Transmission Units and Components Operations)
- 1962** Completed Saitama Plant in Hanno City, Saitama Prefecture. Expanded production of conveyors for the automobile, steel, and consumer electronics industries
- 1966** Completed automotive parts plant at Saitama Plant
- 1971** Completed Kyoto Plant in Nagaokakyo City, Kyoto (manufacturing power transmission units and components)
- 1980** Began delivery of timing belts for automobile engines (sales declined after achieving monthly production of 1 million timing chains)
- 1982** Completed Hyogo Plant in Kasai City, Hyogo Prefecture (manufacturing materials handling systems)
- 1987** Launched a small, lightweight, single strand timing chain. Subsequently, return to chains from belts continued



Mass production of timing chains

Net Sales (non-consolidated)

¥0.26 billion

FYE 1950

(Graph of net sales: collection of data on net sales began in the FYE 1950. Net sales up to the FYE 1999 are for Tsubakimoto Chain on a non-consolidated basis, and on a consolidated basis from the FYE 2000)

Progress of Globalization

- 1931** Began sales via agents throughout Asia

- 1950** Exported roller chains to the United States for the first time
- 1965** Established Tsubakimoto Morse Co., a joint venture company, with Borg Warner (U.S.)
- 1970** Established a joint venture company in Taiwan (first overseas base)
- 1971** Established Tsubakimoto USA, Inc. (later U.S. Tsubaki, Inc.) in the U.S., entering the North American market
- 1972** Established Tsubakimoto Europe B.V. in the Netherlands. Later established sales companies in Canada and the Asian region
- 1983** Established Materials Handling Systems Operations' first overseas base in the U.S.



Since its founding in 1917, Tsubaki has responded to changes in the social environment to develop a variety of products. Solving social issues through high-quality products, Tsubaki's bold initiatives are expanding on a global scale.

Developing a global production system

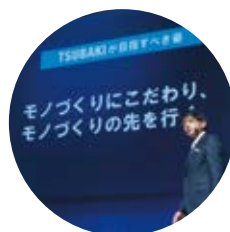
- 1998** Launched Tsubaki Techno School with aim of cultivating young engineers and passing on skills
- 1999** Announced business restructuring plan (consolidated materials handling systems production bases, spun-off Power Transmission Units and Components Operations as a separate company, consolidated sales companies in Japan, etc.)
- 2000** Established Tsubaki Group Basic Environmental Policy. Subsequently established the Corporate Work Ethics in 2002 and the Tsubaki Group Risk Management Basic Strategy in 2003
- 2001** Completed Kyotanabe Plant in Kyotanabe City, Kyoto. Transferred all operations from headquarters plant (chain factory)
- 2002** Merged Power Transmission Units and Components Operations unit with Tsubakimoto Emerson Co., established Tsubaki Emerson Co. (converted into a wholly owned subsidiary and renamed as Tsubaki E&M Co. in 2013)
- 2004** Introduced the executive officer system to expedite operational execution
- 2006** Converted plastic chain manufacturer and seller Yamakyu Chain Co., into a consolidated subsidiary



Kyotanabe Plant

Taking on the challenge of becoming a leading global company

- 2014**
 - Established Long-Term Vision 2020, which set out a target corporate profile for the fiscal year ending March 31, 2021. Strengthened marketing and aimed to become a leading global company through a worldwide five region system
 - Entered the agribusiness. Subsequently took on challenges in new businesses, such as V2X bi-directional EV charging systems
- 2017**
 - 100th anniversary of founding. Strengthened Group capabilities through establishment of new corporate philosophy, "Tsubaki Spirit"
 - Merged with wholly owned subsidiary Tsubaki E&M Co. and established it as the Motion Control Division



Announced new corporate philosophy

Net Sales (consolidated)

¥238.5 billion

FYE 2019

Ratio of Overseas Sales

59.4%

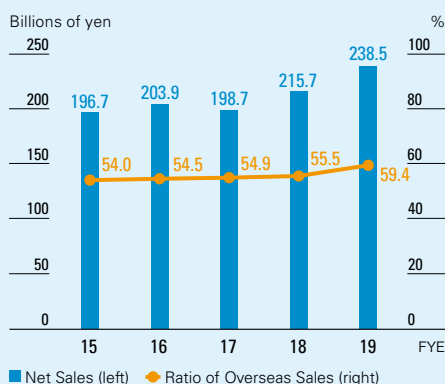
- 1986** U.S. Tsubaki Inc. (UST) acquired Union Chain and, in 1988, ACME Chain, and began local production of chains for machinery in North America
- 1989** Began local production of timing chains at UST in the U.S., and delivery to General Motors
- 1997** Established a joint venture company to manufacture chains for machinery in China (withdrew in 2001)
- 2002** Established a manufacturing subsidiary for automotive parts in Thailand. Subsequently established manufacturing subsidiaries in Shanghai, China (2004), South Korea (2009), and Mexico (2012)

- 2010** Converted Kabelschlepp GmbH, German manufacturer and seller of cable carriers, into a consolidated subsidiary
- 2012**
 - Converted Mayfran Holdings, Inc., manufacturer and seller of chip conveyors, into a consolidated subsidiary
 - Established chain manufacturing subsidiary in Tianjin, China
- 2016** Established automotive parts manufacturing subsidiary in the Czech Republic (Automotive Parts Operations became a 12-plant system in eight countries worldwide)
- 2018** Converted Central Conveyor Company, LLC of the U.S., manufacturer and seller of materials handling systems, into a consolidated subsidiary

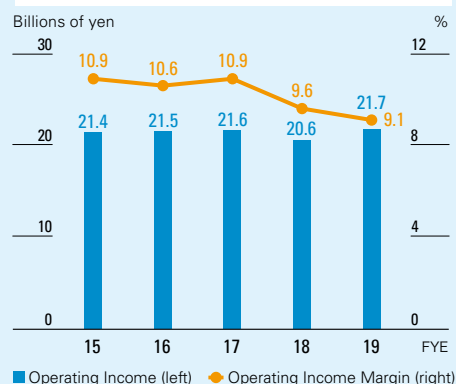


Consolidated Financial and Non-Financial Highlights

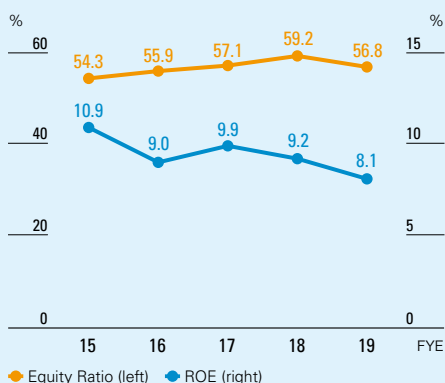
Net Sales / Ratio of Overseas Sales



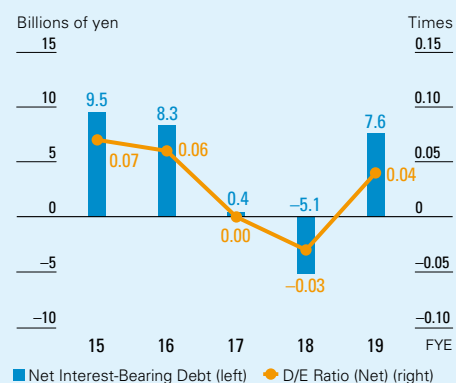
Operating Income / Operating Income Margin



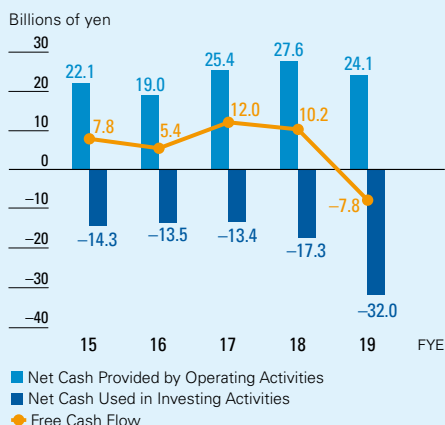
Equity Ratio / ROE



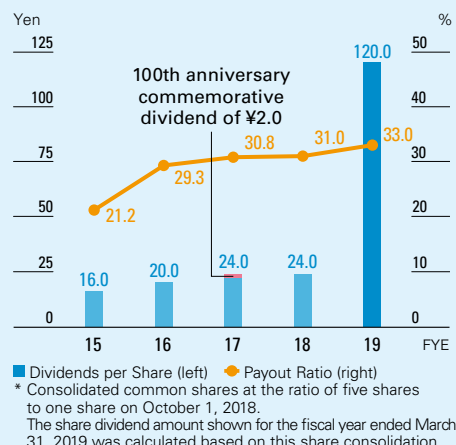
Net Interest-Bearing Debt / D/E Ratio (Net)



Cash Flows



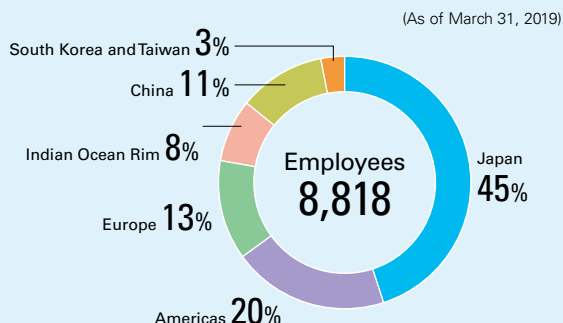
Dividends per Share* / Payout Ratio



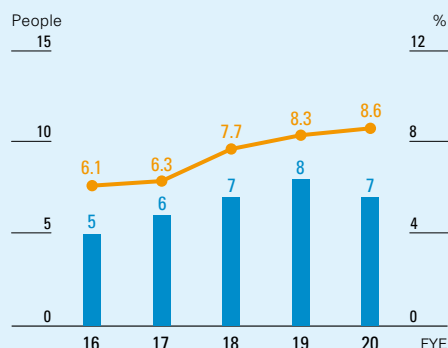
Key Points of Financial Activities

- 1 Net sales and the ratio of overseas net sales are both increasing; the challenge is to improve the operating income margin
- 2 Conduct proactive investment activities while maintaining the soundness of our financial base
- 3 Raise the dividend payout ratio to the 30% or more level by increasing shareholder returns

Number of Employees / Distribution of Employees by Region

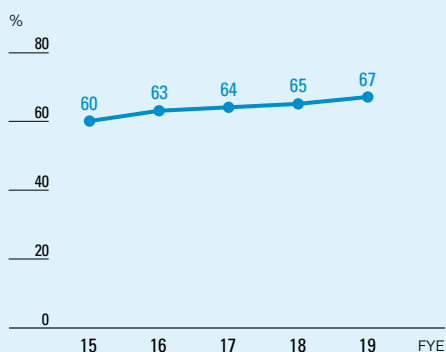


Number of Female Employees in Managerial Roles* / Ratio of Female Employees*



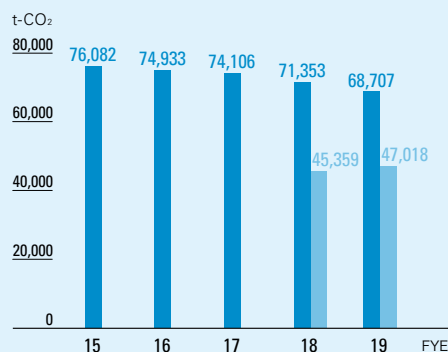
* For Tsubakimoto Chain on an unconsolidated basis

Ratio of Paid Leave Acquisition*



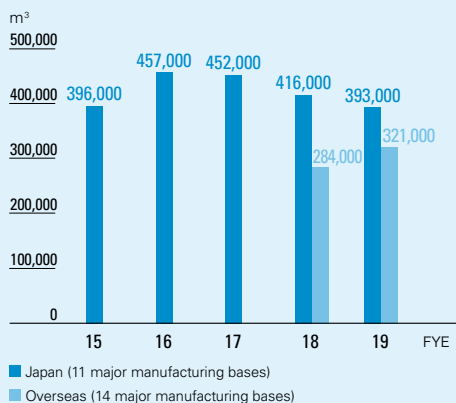
* For Tsubakimoto Chain on an unconsolidated basis

Total CO₂ Emissions*

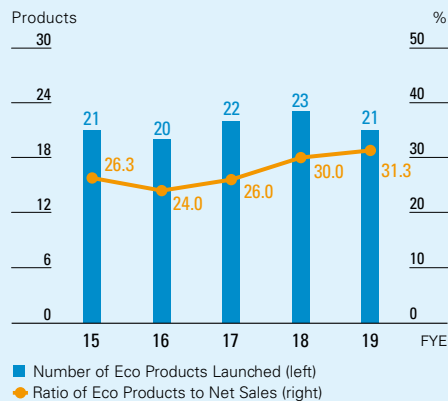


* The CO₂ emissions factors for electricity are as follows.
 Japan: emissions factors of power companies from which electricity was purchased
 Overseas: International Energy Agency (IEA), Emissions Factors (2018 edition), 2016 CO₂ emissions factors

Water Consumption



Eco Products (New Products): Number of Products Launched / Ratio of Net Sales



Key Points of Non-Financial Activities

- 1 Expand the employment of diverse human resources, regardless of nationality or gender
- 2 Pursue work style reforms and raise the acquisition ratio of paid leave
- 3 Strike a balance between reducing environmental impact in manufacturing and increasing sales of environment-friendly products (eco products)

Tsubaki's Strengths

Since its founding in 1917, the Tsubaki Group has reinforced the strengths that underpin its value creation while leveraging them as the foundations of further growth.

Technological Capabilities

As a manufacturer, we have continuously reinforced our technological foundations.

We are passing on that technology to the next generation while adapting to changes in the external environment and rapid technological evolutions as we proactively develop new products that address market needs.

Moreover, we are striving to utilize the collective strengths of the Group by leveraging synergies among the businesses we manage, from machinery parts to systems.

Capital Strength

We are striking a balance between reinforcing the foundations of growth and maintaining our financial base.

While proactively conducting capital investments and shareholder returns, we are establishing a solid financial base in which we are debt-free and have an equity ratio of 56.8%.

This capital strength also plays a vital role in enabling us to prepare for the future.

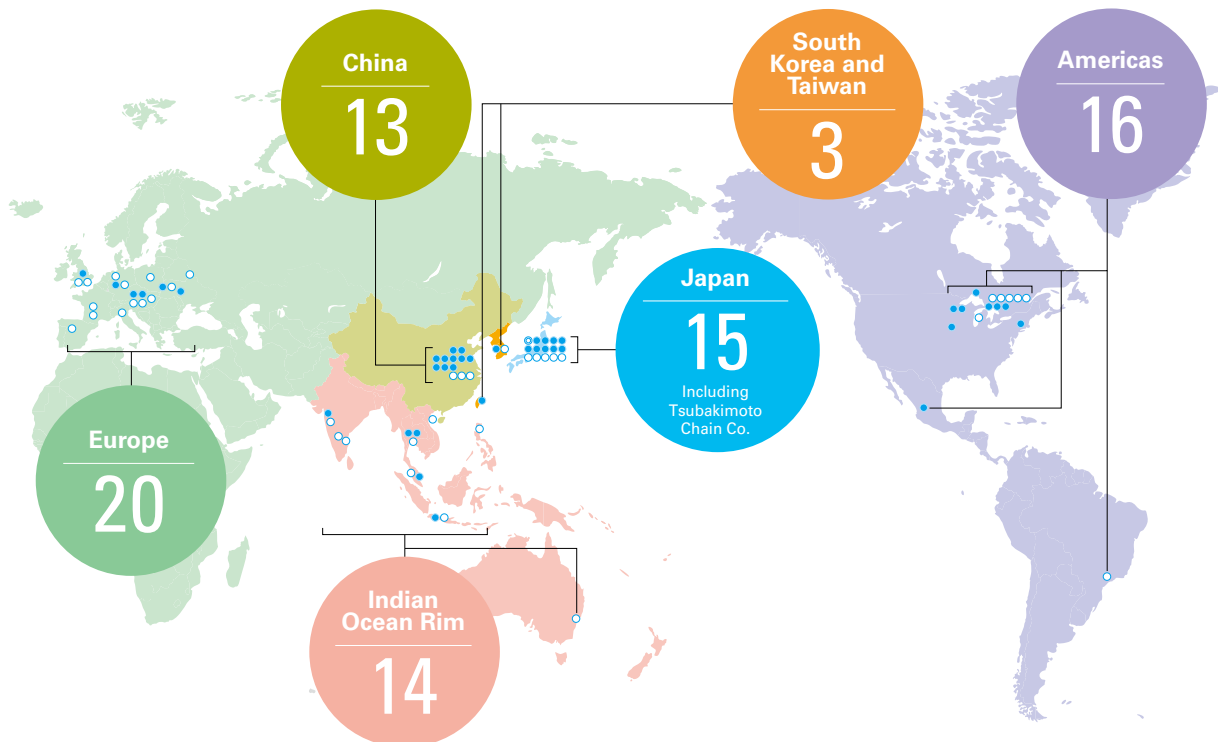
Customer Base

Since our founding, we have changed and expanded our business lines in accordance with the needs of the times and established a broad customer base that now encompasses fields including general industrial applications, vehicles, distribution, medicine, infrastructure, and entertainment facilities.

Furthermore, we are continuing to expand our global customer base through business expansion and M&A around the world.

Tsubaki's Global Network (81 Companies in 26 Countries)

We promptly develop and provide products based on an accurate understanding of customer needs by utilizing our global network. Furthermore, globally optimized production and globally optimized procurement are also our strengths.



- Tsubakimoto Chain Co.
- Manufacturing subsidiary (41 companies)
- Other subsidiary (39 companies)

Number of Group companies by region as of July 31, 2019

The Tsubaki Group's Growth Strategies

- 26 Progress of the Mid-Term Management Plan
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- 40 FYE 2019 Topics

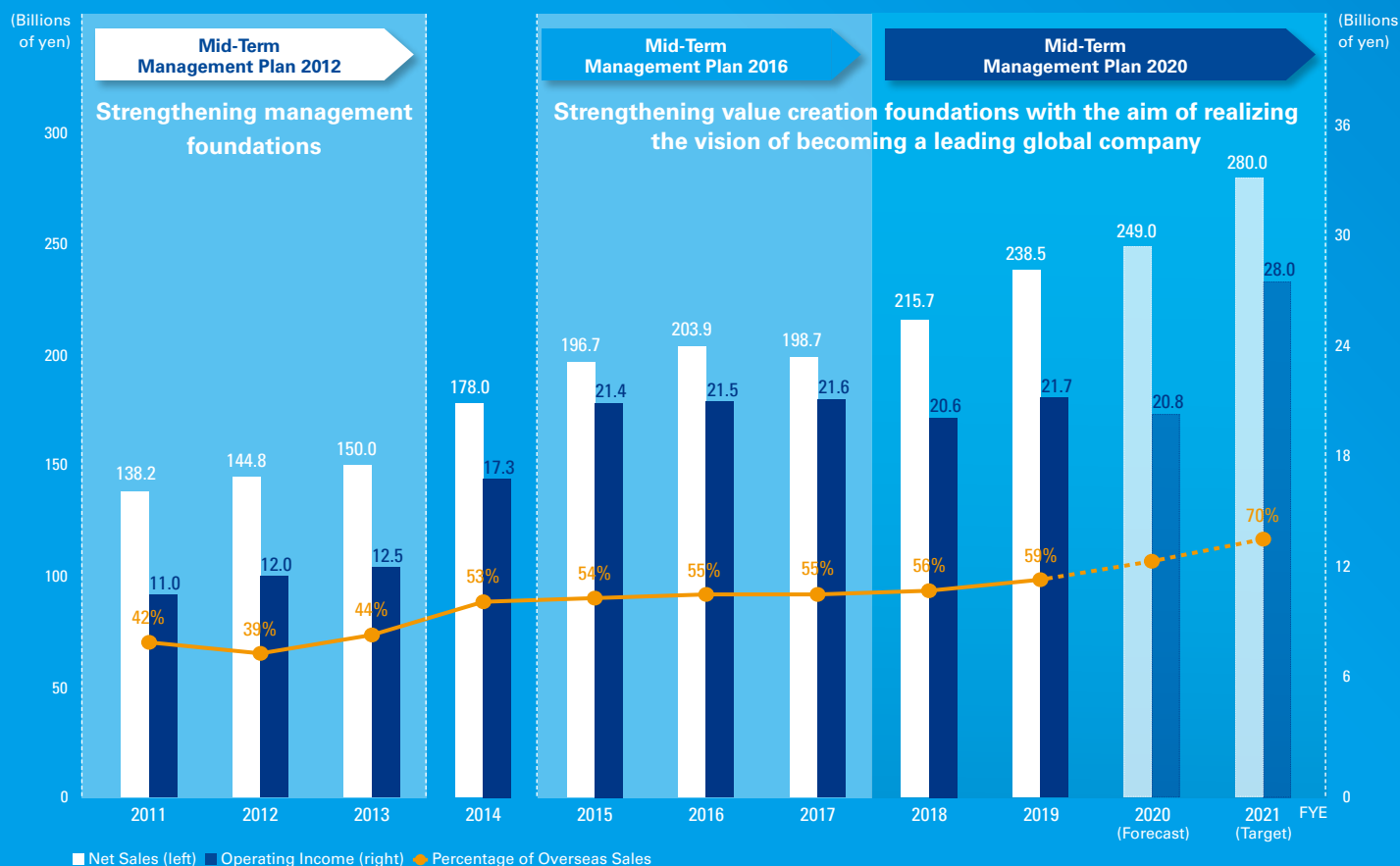
Driving the World...
and the Future

The Tsubaki Group's Growth Strategies

Progress of the Mid-Term Management Plan

Aiming to realize its goal of becoming a leading global company, the Tsubaki Group is continuing to grow through the steady strengthening of value creation foundations.

Numerical Targets and Performance



Mid-Term Management Plan 2012 (FYE 2011 to FYE 2013)

Background and Aims

In light of recording decreases in sales and income for two consecutive years starting with the fiscal year ended March 31, 2009 as a result of the impact of the 2008 global financial crisis, the Mid-Term Management Plan 2012 prioritized strengthening sustainable growth foundations that can adapt to changes in the business environment. Under that plan, aiming to become a solutions provider, we increased the appeal of our products, bolstered sales and manufacturing foundations, and cultivated human resources, among other measures.

Basic Policies

- Strengthen foundation as a manufacturer
- Become a solutions provider
- Always place customers first
- Hone the "Global Best" management strategy

Results

We significantly improved productivity by enacting manufacturing innovation activities centered on Chain Operations and Automotive Parts Operations. Moreover, in terms of product strategies, we stepped up the development of new products designed to realize superior levels of energy efficiency and environmental performance.

In developing human resources, we improved employee awareness and motivation through the introduction of new initiatives such as the global trainee system, the Tsubaki Technical Skills Olympics, and innovation workshops.

Meanwhile, in Chain Operations and Materials Handling Systems Operations, we conducted two overseas M&A transactions, and advanced the globalization of our operations by establishing a chain manufacturing base in China and a materials handling systems manufacturing base in Indonesia.

As a result of the above, net sales for the fiscal year ended March 31, 2013, the final year of the Mid-Term Management Plan 2012, grew 1.3 times, and operating income grew 2.7 times compared with the fiscal year ended March 31, 2010, the final year of the preceding mid-term management plan.

Mid-Term Management Plan 2020 numerical targets

Net sales	¥280 billion
Operating income	¥28 billion
Percentage of overseas sales	70%

Long-Term Vision 2020

The way it should be Leading Global Company

Background and Aims

The Tsubaki Group formulated its long-term vision in 2014, three years prior to the 100th anniversary of its founding in 2017, looking beyond its 100th anniversary to 2020. Our target corporate profile is one in which we have established unshakeable positions (shares) in our target markets, becoming a leading global company. Becoming a global leader, or a niche leader in specific fields or regions, will accelerate the provision of added value to society, in addition to increasing market share and business performance.

As practical action plans to realize the Long-Term Vision 2020, we pursued the Mid-Term Management Plan 2016 from the fiscal year ended March 31, 2015, and the

Mid-Term Management Plan 2020 from the fiscal year ended March 31, 2018.

Mid-Term Management Plan 2020 established initial numerical targets of consolidated net sales of ¥300.0 billion, operating income of ¥30.0 billion, and a percentage of overseas sales of 70%. Subsequently, as a result of factors such as the deterioration of the global economic climate, including intensifying trade disputes between the United States and China and stagnating automobile sales in China, we revised the numerical targets in May 2019 to consolidated net sales of ¥280.0 billion and operating income of ¥28.0 billion.

Mid-Term Management Plan 2016 (FYE 2015 to FYE 2017)

Basic Policies

- Transition to a market-oriented corporate culture
- Expansion of businesses that leverage the collective strengths of the Group
- Enhancement of earning power

Results

Each business division accelerated the development of new products in response to the needs of the market. Moreover, we advanced globalization even further by expanding our overseas base network. For example, in Automotive Parts Operations, we built new plants in South Korea, Tianjin in China, and the Czech Republic in order to cope with increases in orders. In Chain Operations, we laid the foundations for local production by concluding technical assistance agreements with Italian manufacturers.

As a result of the above, net sales for the fiscal year ended March 31, 2017, the final year of the Mid-Term Management Plan 2016, grew 1.3 times, and operating income grew 1.7 times compared with the fiscal year ended March 31, 2013, the final year of the preceding mid-term management plan.

Mid-Term Management Plan 2020 (FYE 2018 to FYE 2021)

Basic Policies

- Convert our corporate culture to a market-focused approach
- Exercise comprehensive strengths of the Group
- Achieve our objectives for 2020, "The way it should be"

Results

Continuing from the Mid-Term Management Plan 2016, each business division developed new products with heightened added value in terms of performance and quality, and accelerated rollouts to the market.

In Chain Operations, productivity improved dramatically as a result of promoting manufacturing innovation activities, and profitability increased. In Materials Handling Systems Operations, we acquired Central Conveyor Company, LLC of the United States, with a view to global expansion going forward. Furthermore, in order to heighten the appeal of products and development capabilities, we started operations of a new materials handling systems factory that is an environmental model plant within the Saitama Plant.

Net sales for the fiscal year ended March 31, 2019, the second year of the Mid-Term Management Plan 2020, continued to grow, increasing 1.2 times compared with the fiscal year ended March 31, 2017, the final year of the preceding mid-term management plan. Additionally, while operating income also posted a new record high for the fiscal year ended March 31, 2019, the rate of growth is slowing down slightly due to higher costs related to capital investment centered on Automotive Parts Operations and the starting up of a new factory, as well as a worldwide stagnation in the production of automobiles.

Interview with the COO



We will strive to enhance sustainability by creating value that is shared with stakeholders

Yasushi Ohara

President and COO,
Representative Director

Q1

What are your thoughts about human resources and organizational units, the management resources that are being given the most emphasis?

Human Resources and Organizational Units—Foundations for the Creation of Added Value

The Tsubaki Group has made contributions to customers and society by enhancing its *monozukuri* technologies—including product, manufacturing, and production technologies—and creating products with higher added value.

A wide range of people and organizational units are involved in efforts to enhance and leverage technological capabilities. Human resources are the key not only in sales and marketing divisions but also in development and technology divisions and manufacturing and production technology divisions, as well as in the indirect divisions that support smooth manufacturing. After all, it is human resources and organizational units that formulate strategies and then move on to the execution of those strategies. That is the reason why the Group treasures its founding philosophy, which was the favorite saying of our founder—“Value-discerning open-mindedness and cooperation.”

Fully Leveraging the Collective Strengths of Our Four Businesses

Since I became COO, my motto within the Group has been “One Tsubaki—See the trees and see the forest.” On that basis, I have held interviews with general managers and town hall meetings with managers and other personnel. In these ways, I have worked to implement

two-way communications. In these circumstances, I want to break down the ineffective aspects of the business division system and leverage our collective strengths.

The Tsubaki Group has four businesses—chains, power transmission units and components, automotive parts, and materials handling systems. However, as the scale of our operations increased, vertical barriers grew between the divisions, and horizontal organizational links were weakened. We realized we had a problem. To provide a wide range of solutions in the field of motion control, we will need to leverage our collective strengths. We have shared this idea with employees, and as a result collaboration among the business divisions is advancing step by step, and we are starting to see the effects in our product development initiatives.



Discussion with young engineers

Q2

What is being done to foster a better understanding of the Company among its stakeholders?

In the past, there was a tendency to think that it was sufficient for a manufacturer to simply make good products. In fact, the foundation of our business is the straightforward production of high-quality, high-value-added products that are reliable and safe. We believe that continuing to value this foundation, while simultaneously leveraging the appeal of the Tsubaki brand with a focus on the changes of the times, will lead to the next stage of value creation.

Aggressively Providing Information

What is important is not the satisfaction of the manufacturer but rather the provision of added value for customers and society. A value creation company is defined by the satisfaction of large numbers of customers with its products and services. Accordingly, to foster a deeper understanding of the Company, aggressive information disclosure is essential.

The provision of information, such as through corporate PR activities, is also useful for securing the human resources who will determine the future of the Company. Moving forward, we will leverage opportunities to actively engage with the media and highlight our strengths.

Increasing the Motivation of Employees

Gains in corporate name recognition are strongly connected with the motivation of employees. We have a sense of pride and gratification as a manufacturer. In addition, being evaluated by others as a company that contributes to society leads to enhanced motivation and a sense that our work is worth doing. This is then reflected in the subsequent creation of high-value-added products, which starts a positive cycle in which satisfied customers become supporters of the Company.

Interview with the COO

Q3

The Mid-Term Management Plan 2020 covers the four-year period up to the fiscal year ending March 31, 2021. The first two years of the plan have passed, and the Company has now reached the midpoint of the plan. Could you provide an overview of the results to date?

Chain Operations

Achieving dramatic gains in productivity

In Chain Operations, we are recording favorable results with the development and sales of new products that offer enhanced performance, such as strength and corrosion-resistance, centered on our mainstay drive chains. In addition, at the flagship Kyotanabe Plant, we implemented production reform activities that incorporated the theory of constraints. In this way, we resolved production process bottlenecks and achieved the challenging goal of increasing productivity by 30%. At the same time, we also achieved shorter delivery times.

Power Transmission Units and Components Operations

Reorganizing and consolidating plants and starting to implement the selection and concentration strategy for products

In Power Transmission Units and Components Operations, in 2016 we consolidated three domestic plants into two in order to increase productivity. In addition, from the perspectives of profitability and capital efficiency, from the fiscal year ended March 31, 2019, we have started taking steps to revise our product portfolio, such as withdrawing from large-scale reducers.

Automotive Parts Operations

Further strengthening the global production system

We strengthened our global production system by expanding our production bases in Hyogo Prefecture in Japan and in the Czech Republic, China, and the U.S. overseas.

Due to such factors as the sluggish conditions in

automobile production in China, the operating environment cannot be described as favorable.

Moreover, depreciation and amortization expenses have increased due to the steps we have taken to increase production capacity. On the other hand, in the fiscal year ending March 31, 2020, we received an order for a new project from a European manufacturer. In addition to advantages in performance and quality, our global production system has become a key point in the evaluation of the Tsubaki Group. Moving forward, from a medium- to long-term perspective, we will need to fulfill our responsibilities as a supplier by increasing production of timing chain systems for automobile engines in optimal locations worldwide.

Materials Handling Systems Operations

From balanced contraction to aggressive business operations

In Materials Handling Systems Operations, sales have increased substantially, due principally to two M&A transactions. Materials Handling Systems Operations have also achieved substantial improvements in growth potential and profitability on a Tsubakimoto Chain non-consolidated basis. With support from the launch of new products, automatic sorting systems for the distribution industry have recorded favorable results. In addition, we made progress with measures to increase productivity, centered on design, and to reduce costs.

Materials Handling Systems Operations were previously in a negative cycle, where sluggish results led to reduced investment, and in turn the reduced investment delayed the recovery in results. Now, however, the division is at a turning point as it reverses that situation and moves into a favorable cycle.

Q4

The numerical targets for the final year of the Mid-Term Management Plan 2020 have been revised downward. Could you discuss the circumstances regarding this revision? Also, going forward, what issues and strategies will be given priority?

Working from a medium- to long-term perspective to reinforce the foundation for Automotive Parts Operations, which are in a period of sluggish growth

Specifically, we reduced the target for consolidated net sales from ¥300.0 billion to ¥280.0 billion, and the target for operating income from ¥30.0 billion to ¥28.0 billion.

Automotive Parts Operations were the primary reason for the downward revisions in operating income.

The target was reduced by ¥2.0 billion overall, but this reflects a downward revision of ¥5.6 billion for Automotive Parts Operations and an upward revision of ¥3.6 billion in other operations.

As I explained, for Automotive Parts Operations, the fiscal year ending March 31, 2020, will be a period of sluggish growth, due to such factors as the dramatic changes in the market environment and higher depreciation and amortization and plant start-up costs resulting

from the upfront investment that we have implemented for the purpose of augmenting production capacity. However, the adoption of our timing chain systems for new automobile engines is expanding, and our product competitiveness is steadily increasing as we work to make our No. 1 global market share undisputable. The external environment is marked by uncertainty, but there is no change to the growth potential of Automotive Parts Operations over the medium to long term. We will continue to fulfill our mission of providing a stable supply in global markets as we expand our market share.

Future Issue 1

Chain Operations—Advances in the Chinese and European markets

While Automotive Parts Operations are in a period of sluggish growth, we will face the issue of further increasing the growth potential of Chain Operations, which have recovered to become the largest contributor to the Group's profits. Accordingly, we will work to steadily make advances in China and Europe, where there is the potential for strong growth, but our market shares are low in comparison with Japan and the U.S.

In China, the strengthening of environmental regulations and a growing awareness of production efficiency has led to rising demand for the advanced functionality chains that are our specialty. Our manufacturing subsidiary in Tianjin, which we established in 2012, is recording significant improvement in its results. To accelerate this favorable trend, we will work to make further progress in customer development.

In Europe, we have concluded technical assistance agreements with Italian manufacturers, and we have started to outsource production of certain products. We have also launched products that meet European standards. Although sales are increasing, local production is essential to increasing cost competitiveness. The establishment of European manufacturing bases is something that we definitely want to achieve during the period of the current Mid-Term Management Plan.



Future Issue 2

Power Transmission Units and Components Operations and Materials Handling Systems Operations—Bolstering medium- to long-term growth potential

As I explained for Power Transmission Units and Components Operations, we have started taking steps to increase productivity and revise the product portfolio. These efforts have just gotten under way, but as we move forward, we will strive to address these issues rapidly. In addition to reevaluating our product portfolio and withdrawing from unprofitable products, we will take steps to strengthen the module business and advance the development of new high-value-added products. Targeting the development of next-generation businesses that have the potential to become pillars of the motion control business, we have launched a project team and are considering specific measures.

In Materials Handling Systems Operations, in recent years our original high-value-added products have continued to record favorable results, centered on products for the distribution industry. Nonetheless, it is important to always continue to focus on technological innovation that anticipates the needs of the times. In Materials Handling Systems Operations, we will strive to develop high-value-added products that are directly related to the resolution of social issues, such as labor shortages and health maintenance.

Q5

Finally, do you have a message for stakeholders?

A company is a public institution, and corporate sustainability requires the creation of both economic value and social value.

In addition to making a social contribution through our business activities, we also want to continue to create value that is shared with all stakeholders, including not only customers but also employees, cooperating companies, local communities, and shareholders.

Moving forward, the Tsubaki Group will strive to foster the realization of happiness for all of its stakeholders. I would like to ask our stakeholders for their continued support in the years ahead.

Yasushi Ohara
President and COO,
Representative Director

Strategies for Enhancing Value by Business Segment

Chain Operations

Expand manufacturing innovation and market presence

Advantages of Chain Operations

- Overwhelming technological superiority in terms of fatigue strength and wear resistance, etc.
- A global sales network and stable supply system
- Application technologies that address a variety of needs

Challenges for Chain Operations

- Understanding the needs of end users and strengthening market analysis capability
- Expanding our presence in the Chinese and European markets



Yasushi Nagai

Executive Officer
Chain Operations

Business Conditions and Performance

Medium- to Long-Term Performance (FYE 2015 to FYE 2019)

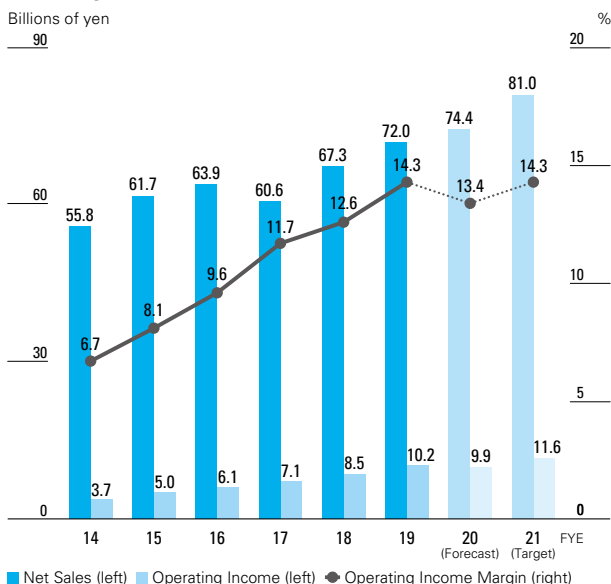
Following the launch of initiatives in the fiscal year ended March 31, 2015 in order to realize the Long-Term Vision 2020, the annual growth rate in the consolidated net sales and operating income of Chain Operations was 5.2%* and 22.3%*, respectively. Net sales grew on the back of an increase in demand for high-end chain products from the mass-market segment, reflecting an increase in needs at our client companies related to productivity improvement and energy saving. Substantial indirect sales in Chain Operations makes it difficult to analyze the market and the needs of end

users. However, we have made efforts to bolster our market-analysis capabilities in recent years and the development and launch of new products tailored to market needs has led to an increase in sales.

We were able to realize a high level of growth for operating income thanks to the increase in sales and the effect of productivity enhancement activities. In particular, through the Manufacturing Innovation in Kyotanabe 2018 (MIK 2018) activities—based on the concept of establishing a compact production system at the Kyotanabe Plant—that were launched in the fiscal year ended March 31, 2015 and were scheduled to run for five years, we were able to achieve an increase in productivity of 30% two years ahead of schedule and produce major results, such as significantly reducing lead times.

* Growth rates for net sales and operating income were calculated by annualizing growth rates from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2019, with results from the fiscal year ended March 31, 2014 as the base year for comparison.

Chain Operations Performance Trends and Outlook



Review of Sales for the Fiscal Year Ended March 31, 2019

By product, sales of G8 Series Drive Chain featuring heightened added value in terms of performance, such as strength and corrosion resistance, were favorable in the global market. By region, performance was driven particularly by both net sales and operating income in Japan and North America. In Japan, sales of construction machinery and machine tool applications were solid, while in North America, sales to Japanese automobile manufacturers and the food and sawmill industries increased.

Key Strategies Going Forward

Toward an Employee-Friendly Manufacturing Plant with No Losses or Risks

At the Kyotanabe Plant in the fiscal year ending March 31, 2020, we have taken up the challenge of establishing a “lean manufacturing plant” based on reducing the need for labor through automation. We have labeled this initiative Lean manufacturing in Kyotanabe 2025 (LinK 2025). The manufacturing innovation activities carried out to date were primarily aimed at facilitating manufacturing processes. However, LinK 2025 takes on the challenge of reforming both indirect operations and manufacturing that link the entire plant through information from the plant entrance to the plant exit, encompassing everything from quotations to design, production, and shipment.

We will free employees from monotonous, dirty, dangerous, and difficult work by fully leveraging robots, AI, and IoT technology while promoting the utilization of human resources by introducing original work duties with higher added value. Furthermore, we aim to realize a manufacturing plant free of losses and risks in terms of safety, quality, the environment, and equipment that lie within the production process as a whole.

Continue to Develop Markets in China and Europe and Establish a Manufacturing Base in Europe at the Earliest Opportunity

Although we are demonstrating our strengths in the Japanese and North American markets, it is necessary to expand our presence in the Chinese and European markets,

where our market shares are low, in order to facilitate further growth in Chain Operations.

In the Chinese market, we established a manufacturing base in Tianjin in 2012. In recent years, we have been seeing an increase in demand for high-end products, which is our target market, as customers seek to address stricter environmental regulations and interest rises in productivity enhancement. In order to capitalize on this trend, we will increase sales in the Chinese market by reinforcing our market analysis and marketing capabilities. Our highest priority task for the European market is to establish a full-fledged local manufacturing base and heighten our competitiveness in the areas of cost and lead time. We will accomplish the establishment of a manufacturing base in Europe during the period of the Mid-Term Management Plan 2020 while expanding a lineup of products that comply with European standards (British Standards).



Manufacturing at the Kyotanabe Plant

FOCUS

Social Contribution—Product Focus

Tsubaki's lube-free chain (Lambda® Chain)

Lambda Chain is a lube-free chain that is the first in the industry to adopt special bushings that include lubricant (sintered components). Since these bushings self-lubricate, they do not require lubricant and have longer life. Lambda Chain offers significant benefits to customers, such as reducing maintenance man-hours and costs and maintaining a clean usage environment. The Company commenced in-house production of special bushings that include lubricant in 2014. We realized further quality stabilization and improved performance by conducting integrated production management. Moreover, through using oil that is approved for use with food-processing machinery, Lambda Chain can be used in industries such as the food industry with peace of mind.

The Tsubaki Group will focus on the needs of customers and society as it continues to take on the challenge of enhancing performance and quality while expanding applications.



The Tsubaki Group's Growth Strategies

Strategies for Enhancing Value by Business Segment

Power Transmission Units and Components Operations

Drastic structural improvement

Advantages of Power Transmission Units and Components Operations

- Solutions and customizing capabilities that address a variety of customer needs
- Technological development capabilities for cam clutches, Power-Lock, large-size power cylinders, and other products with leading shares of niche markets

Challenges for Power Transmission Units and Components Operations

- Improve profitability and capital efficiency through product selection and concentration



Hiromasa Kawaguchi

Senior Managing Executive Officer
Power Transmission Units and Components Operations

Business Conditions and Performance

Medium- to Long-Term Performance (FYE 2015 to FYE 2019)

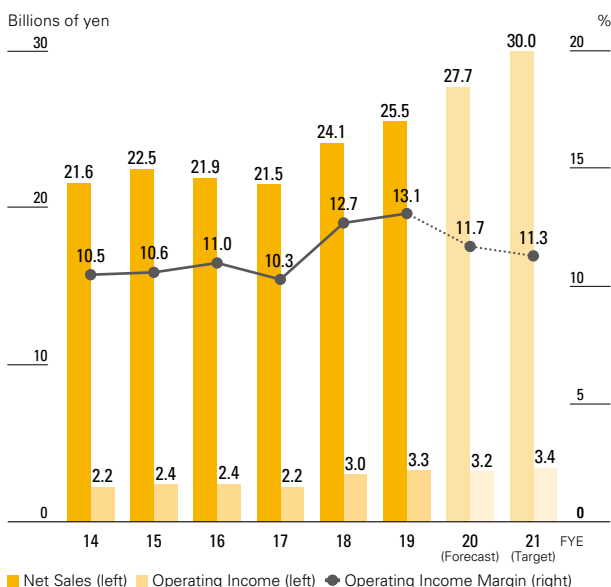
Following the launch of initiatives in the fiscal year ended March 31, 2015 in order to realize the Long-Term Vision 2020, the annual growth rate in the consolidated net sales and operating income of Power Transmission Units and Components Operations was 3.4%* and 8.0%*, respectively. Sales were favorable for linear actuators such as Power Cylinders due to energy saving and rising environmental awareness, as well as the tailwind provided by replacements of hydraulic and pneumatic cylinders with electric cylinders, a product category

for which the Tsubaki Group has particular competence. Sales from the fiscal year ended March 31, 2018 and the first half of the fiscal year ended March 31, 2019 in Power Transmission Units and Components Operations demonstrated significant growth as a result of the favorable performance of the semiconductor and liquid crystal display industries.

Moreover, we achieved an approximate 15% improvement in productivity by the fiscal year ended March 31, 2019 compared with the fiscal year ended March 31, 2014, through a reorganization of plants in Japan that consolidated three plants into two in the fiscal year ended March 31, 2017. In addition to higher sales, operating income margin also grew as a result of this improvement in productivity.

* Growth rates for net sales and operating income were calculated by annualizing growth rates from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2019, with results from the fiscal year ended March 31, 2014 as the base year for comparison.

Power Transmission Units and Components Operations Performance Trends and Outlook



Review of Sales for the Fiscal Year Ended March 31, 2019

In Japan, sales of products such as reducers, actuators, and cam clutches grew, supported by the strong performance of the semiconductor and liquid crystal display industries as well as the machine tools industry, particularly in the first half of the fiscal year. For actuators, a product group that leverages unique technology in terms of performance, such as Power Cylinders with features that include being lightweight, compact, and power saving, and next-generation linear motion products such as Zip Chain Lifter and Zip Master, sales were favorable.

Overseas, the Thai subsidiary that manufactures motorcycle starter clutches continues to grow strongly. In China, the subsidiary that manufactures reducers performed steadily and sales of power transmission products in general were favorable.

Key Strategies Going Forward

Drastic Structural Improvements with a Focus on the Medium to Long Term

The performance of Power Transmission Units and Components Operations is easily influenced by the economy, particularly the economic cycles of the semiconductor and liquid crystal display industries. By improving the structure of Power Transmission Units and Components Operations through the following three strategies, the Company will transform it into a business segment with enhanced sustainable growth capacity.

An extensive lineup of products and management resources that tended to be dispersed posed issues for Power Transmission Units and Components Operations. In the fiscal year ended March 31, 2019, we executed structural reforms in which we withdrew from certain products, primarily reducers. Going forward, we will concentrate management resources on new products and growth domains.

One such growth domain is the linear motion domain that uses Zip Chain, sales of which have begun to grow. Compared with conventional screw mechanism and hydraulic and pneumatic mechanism products, this domain is characterized by a variety of aspects where we can draw upon our advantages. In addition to this domain, we will improve the product lineup of Power Transmission Units and Components Operations by accelerating the development of new products with heightened added value.

As for manufacturing, we will accelerate the productivity improvement activities that we commenced after the plant reorganization and consolidation in the fiscal year ended March 31, 2017 to achieve further reductions in lead times and improvements in profitability.

We aim to increase productivity by 30% in the fiscal year ending March 31, 2020, compared with that of the fiscal year ended March 31, 2014.

Accelerate the Growth of Starter Clutches for Motorcycles

India is experiencing dramatic economic development and has come to be the world's manufacturing base for motorcycles. We built a trusting relationship with local motorcycle manufacturers from an early stage and supplied starter clutches to them from the manufacturing subsidiary we established in Thailand. We have realized a high level of growth in terms of net sales and operating income. In Power Transmission Units and Components Operations, we will invigorate the entire business segment and enhance profitability and capital efficiency by further expanding this starter clutch business.



Thai subsidiary that manufactures starter clutches for motorcycles

FOCUS

Social Contribution—Product Focus

Chain meshing type (Zip Chain®) linear motion

Zip Chain is a revolutionary chain consisting of two chains that interlock in a zipper-like fashion to form a single, strong column to perform pushing and pulling motions. The Company's products that utilize this zip chain are lifters (Zip Chain Lifter and Zip Master) and a linear actuator (Zip Chain Actuator). With features including, (1) high-speed, high-frequency operation, (2) high stopping precision and durability, (3) compactness (easy to install), and (4) energy saving, this Tsubaki proprietary product is bringing innovation to the world of linear motion.

The Tsubaki Group's linear motion products are being utilized in a wide range of situations, including automobile assembly lines, stages, and watertight doors for disaster prevention purposes, thereby contributing significantly to the industrial world and society.



Zip Chain (above) and subway station entrance watertight doors for disaster prevention purposes (right)

The Tsubaki Group's Growth Strategies

Strategies for Enhancing Value by Business Segment

Automotive Parts Operations

Increase market share and improve profitability

Advantages of Automotive Parts Operations

- The world's only manufacturer that can handle two types of timing chains
- High level of trust in terms of performance and quality such as wear resistance and friction reduction

Challenges for Automotive Parts Operations

- The cultivation of next-generation mainstay products that will replace timing chain systems (long-term task)



Masaki Miyaji

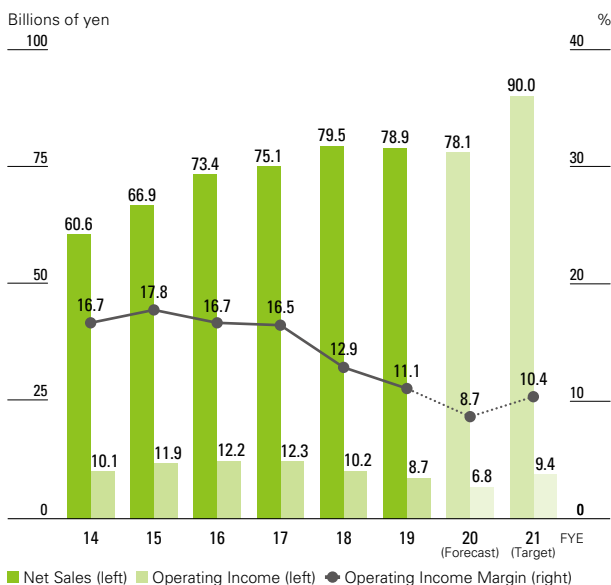
Senior Executive Officer
Automotive Parts Operations

Business Conditions and Performance

Medium- to Long-Term Performance (FYE 2015 to FYE 2019)

Following the launch of initiatives in the fiscal year ended March 31, 2015 in order to realize the Long-Term Vision 2020, the annual growth rate in the consolidated net sales of Automotive Parts Operations was 5.4%*. The system configuration for timing chain systems used in camshaft drives differs according to the automobile manufacturer and the engine. In addition to roller chains, for which we have particular competence, we strengthened the quality and environmental performance of silent chains, which were developed later.

Automotive Parts Operations Performance Trends and Outlook



Furthermore, we refined our system compatibility capabilities and evaluation technologies. As a result, our share of the timing chain systems market increased and this contributed to the growth in net sales.

Looking at performance after the fiscal year ended March 31, 2018, operating income declined for two consecutive years while net sales for the fiscal year ended March 31, 2019 declined year on year. An increase in capital investments for augmenting production capacity to cater to an increase in orders preceded sales, and this was one of the causes of the decline in sales and income. As we proactively expanded manufacturing bases with the aim of bolstering our global supply system, we incurred depreciation and amortization as well as plant start-up costs prior to sales. Furthermore, the external factor of effects from the trade conflict between the United States and China caused the growth of vehicle production worldwide to stagnate with a decline in China.

* The growth rate for net sales was calculated by annualizing growth rate from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2019, with results from the fiscal year ended March 31, 2014 as the base year for comparison.

Review of Sales for the Fiscal Year Ended March 31, 2019

Despite steady sales in the first half of the fiscal year ended March 31, 2019, the second half of the fiscal year saw a slump in sales at overseas bases as a whole. While vehicle production overall remained steady in the United States market, sales of vehicles other than SUVs, for which the usage rate of timing chain systems is low by vehicle type, declined. Sluggish consumption in China is clearly having an impact, both directly and indirectly. In Japan, parts exports to overseas subsidiaries declined, leading to a deterioration in business performance.

Key Strategies Going Forward

Bolstering our Presence in China and Europe and Responding to the Diversification of Next-Generation Power Trains

Conditions continue to be severe for Automotive Parts Operations. However, the number of adoptions of the Tsubaki Group's timing chain systems is rising steadily for the development of new-model engines by global automobile manufacturers. The strong reputation of our system technology capabilities and evaluation technologies, among other technologies, led to an increase in market share. Restoring growth by increasing orders in the Chinese and European markets—where we have a lower share compared with the Japanese, United States, and South Korean markets—is the primary task of Automotive Parts Operations.

The Chinese market is seeing a shift in demand toward high-quality timing chain systems as a result of stricter environmental regulations. In addition, due to an acceleration of the trend away from diesel engine use in Europe, we are seeing a shift in timing systems from bushed chain types and timing belts toward roller chains and silent chains. We will steadily take advantage of these tailwinds in China and Europe and strengthen our marketing capabilities to achieve the highest global market share.

As outlined above, we anticipate that the market for vehicles with internal combustion engines, which includes hybrid electric vehicles and plug-in hybrid electric vehicles, will increase going forward. At the same time, next-generation power trains are diversifying rapidly, centered on electric vehicles (EV). We will concentrate efforts on cultivating next-generation mainstay products with a focus on the

future, such as Ene-drive Chain, designed for use in regenerative braking and auxiliary drive systems.

Targeting Further Productivity Increases by Reorganizing the Saitama Plant

We have completed a new tensioner factory within the Saitama Plant and plan to make it fully operational from December 2019. Through a highly versatile production line that is suitable for many types of products in small lot sizes and measures such as the introduction of automatic conveyor equipment, we aim to increase productivity more than 30% in the fiscal year ending March 31, 2021, compared with that of the former tensioner factory. Moreover, we will step up reorganization of the Saitama Plant, including the former tensioner factory, to further increase its productivity and improve its profit structure as the mother plant of the Automotive Parts Operations.



New tensioner factory based on a construction concept of productivity, the environment, and disaster prevention

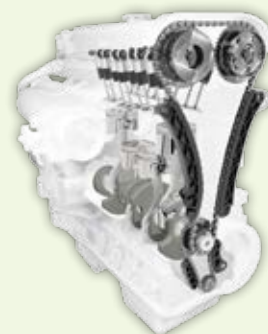
FOCUS

Social Contribution—Product Focus

Timing chain systems suitable for next-generation engines

In the development of timing chain systems for next-generation engines, it was a challenge to realize to a high degree and in a well-balanced fashion, a variety of functions such as high efficiency, compactness, lightness, low noise, high strength, and improved chain wear resistance. For roller chains, through efforts such as making them rollerless and making link plates thinner, we achieved a 40% reduction in weight without reducing required performance. For systems as a whole, including products such as tensioners, we were able to realize a 45% decrease in weight and a 15% increase in space saving compared with conventional systems in the same displacement class, thereby contributing to the mass production of next-generation engines that pursue environmental and output performance.

The Tsubaki Group will continue striving to enhance fuel efficiency and environmental performance, which are important issues for the automotive industry.



The Tsubaki Group's Growth Strategies

Strategies for Enhancing Value by Business Segment

Materials Handling Systems Operations

Transition to aggressive management

Advantages of Materials Handling Systems Operations

- Customizing capabilities that meet customer needs (such as high-speed sorting equipment for the distribution industry and painting line conveyor equipment for the automotive industry)
- A global supplier of metalworking chip handling and coolant processing systems

Challenges for Materials Handling Systems Operations

- Raising capacity for growth (from defense to offense)
- Accelerating development of technologically differentiated products



Takatoshi Kimura

Senior Executive Officer
Materials Handling
Systems Operations

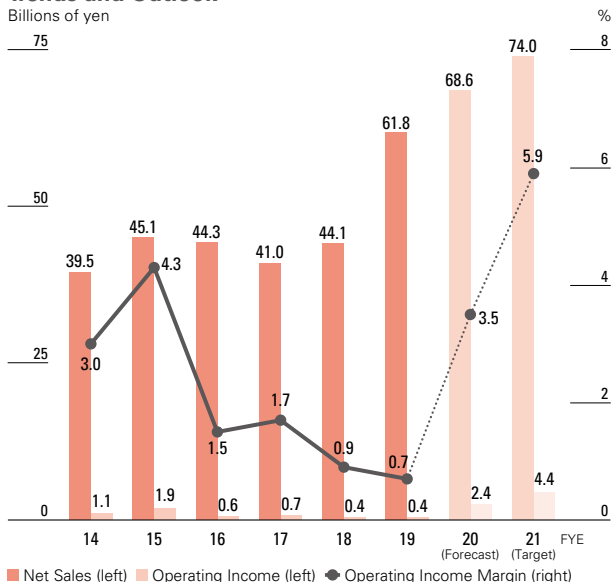
Business Conditions and Performance

Medium- to Long-Term Performance (FYE 2015 to FYE 2019)

Following the launch of initiatives in the fiscal year ended March 31, 2015 in order to realize the Long-Term Vision 2020, the annual growth rate in the consolidated net sales of Materials Handling Systems Operations was 9.3%*. Implementation of two overseas M&A and an expansion in sales of automatic sorting equipment for the distribution industry in recent years contributed significantly to this increase. However, operating income was sluggish.

We bolstered the product appeal of sorting equipment by developing a multi-stage compact version of LiniSort, which

Materials Handling Systems Operations Performance Trends and Outlook



has a long-established reputation for sorting capabilities, including high speed and a high level of reliability, and through unit sales of QuickSort, among other measures. Moreover, for bulk handling systems, in addition to the cement industry, we have seen an increase in biomass-related business in Japan in recent years. Furthermore, in light of stricter environmental regulations in China, sales of bulk handling systems used in desulfurization and denitrification devices are growing. Meanwhile, in the metalworking chip handling field, we are also developing new products, and are expanding sales not only to the machine tools industry but also to the food industry.

Despite an increase in consolidated net sales, the operating income margin for Materials Handling Systems Operations was a low 0.7% in the fiscal year ended March 31, 2019. The main cause of that was the deterioration in the business performance of Central Conveyor Company, LLC (CCC), the company we acquired and converted to a consolidated subsidiary in the fiscal year ended March 31, 2019. As a materials handling systems integrator boasting a robust customer base centered on the U.S. automotive industry, CCC had maintained a high level of profitability. However, as a result of a sharp decline in capital investments in the U.S. automotive industry in the fiscal year ended March 31, 2019, among other things, CCC's business performance rapidly deteriorated. Although business inquiries have been increasing since the second half of the fiscal year ended March 31, 2019, CCC will expand business other than for the automotive industry and concentrate efforts on realizing synergies with the Group in order to adapt flexibly to changes in market structure going forward.

* The growth rate for net sales was calculated by annualizing growth rate from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2019, with results from the fiscal year ended March 31, 2014 as the base year for comparison.

Review of Sales for the Fiscal Year Ended March 31, 2019

Sales of systems for the automotive industry, systems for the distribution industry, and systems for newspaper printing plants were favorable in Japan. In the distribution industry in particular, sorting equipment needs for smaller parcels are growing due to an increase in parcel volumes accompanying

buoyant mail-order sales. In addition, moves toward reducing labor needs are being accelerated amid the promotion of work style reforms. At the same time as these increases in orders, we have been able to cultivate a new customer base due to the introduction of a new LiniSort product that realizes space saving through a multi-stage system to meet these needs.

Key Strategies Going Forward

From Defense to Offense

Due in part to the development of products that are differentiated in terms of technology beginning to get on track, Materials Handling Systems Operations are breaking free from the condition of balanced contraction and switching to offensive management. In the fiscal year ended March 31, 2019, we completed the new factory within the Saitama Plant, based on the concept of a development-oriented showcase factory. We also established exhibition spaces where new products are displayed according to industries and customers can appreciate the functions and usability of actual products. The number of visitors to the factory has far exceeded our initial projections, helping to increase orders.

Key Domains are the Distribution Industry and the Life Science Field

By customer industry, we will concentrate efforts on the distribution industry and the life science field. In the distribution industry, we will continue to focus on increasing orders for high-speed sorting equipment while expanding sales of QuickSort and LiniSort to Southeast Asia, which are currently being sold in China. Moreover, over the medium to long term, we are also considering entering the field for unmanned distribution systems leveraging robots and AI technology.

As for the life science field, we have commenced various measures designed to expand sales channels in order to promote LaboStocker, an automated ultra-low-temperature storage system developed independently by the Company and for which we have a strong delivery track record to pharmaceutical manufacturers and research institutions, not only in Japan but also overseas, including the U.S., China, and elsewhere in Asia.

At the same time, we aim to steadily grow our business in the automotive industry through market division and cooperation with CCC, the company we acquired, while leveraging synergies.



Two-stage automatic sorting equipment (LiniSort® S-C)

FOCUS

Social Contribution—Product Focus

LaboStocker® Series for the life science field

We believe that Materials Handling Systems Operations contribute to society through advancing areas such as automation and labor-saving, thereby providing added value. For example, LaboStocker 150 developed by the Company is a leading-edge product that enables the picking of individual samples automatically at -150°C. It has been attracting attention not only in pharmaceutical development but also in the induced pluripotent stem (iPS) cell research field, where adoption of it is increasing as an automated ultra-low-temperature storage system for biological samples and DNA. Not only does it store at ultra-low temperatures, it also demonstrates capability in loading and unloading samples through picking. Automating these tasks, on which researchers had to otherwise spend time and effort, enables researchers to concentrate on research.

Going forward, The Tsubaki Group will also move the future in the life science field.



FYE 2019 Topics

Strengthening Business Foundations

May 2018 Exhibited power transmission units for electric vehicles at exhibitions in Japan and overseas

We exhibited new products (Ene-drive Chains, power transmission units, clutches, etc.) at motor shows in Japan and the United States and made proposals to automobile manufacturers of these products that cater to the diversification of powertrains.



June 2018 Completed the new materials handling systems factory at the Saitama Plant

We completed construction of the new materials handling systems factory with a display area as a development-oriented "showcase factory" for strengthening the development of new products and new technologies.



June 2018 Converted Central Conveyor Company, LLC into a consolidated subsidiary

We converted materials handling systems integrator Central Conveyor Company, LLC, (the United States) into a consolidated subsidiary with the goal of strengthening the global competitiveness of Materials Handling Systems Operations.



Product Development

May 2018 T-TrayReader, an RFID tag reader for tray sorters

We launched T-TrayReader, an RFID tag reader for tray sorters that simplifies work and improves the efficiency of work loading and sorting accuracy.



June 2018 Electric cantilever lifter, Zip Master

We launched Zip Master, an electric cantilever lifter that enables high-speed, high-frequency operation by adopting the Company's proprietary zip chain technology.



September 2018 LiniSort® S-C ∞ (Eight), a tilt-tray sorting system

We launched LiniSort S-C ∞ (Eight), a tilt-tray sorting system that realizes high-efficiency sorting and space saving through its multi-stage, spiral structure.



January 2019 Version upgrade of MitaMon Starter Kit for IoT-enabled remote monitoring

We launched an upgraded version of MitaMon Starter Kit, a product that simplifies the implementation of IoT-enabled remote monitoring, adding a compatibility function for a variety of sensors.



March 2019 New V2X bi-directional EV charging systems, eLINK

We launched an upgraded version of V2X bi-directional EV charging systems, eLINK, that bi-directionally connect electric vehicles (EV) with the power grids of buildings and other facilities. We enhanced the functions of V2X with the aim of facilitating its utilization at virtual power plant (VPP) resources.



The Tsubaki Group's Foundations for Value Creation

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Driving the World...
and the Future

Interview with an Outside Director

Toward Further Enhancement of Corporate Value Innovation and Integration are Imperative



Shuji Abe

Outside Director

1967	Joined Yanmar Diesel Co., Ltd. (Now Yanmar Co., Ltd.)
2007	President, Yanmar Agricultural Equipment Co., Ltd., Executive Vice President, Yanmar Co., Ltd.
2009	Executive Vice President, Yanmar Co., Ltd.
2010	Advisor, Yanmar Co., Ltd.
2012	Consultant, Yanmar Co., Ltd. (incumbent)
2013	Outside Director, Tsubakimoto Chain Co. (incumbent)

Q1

After treading a path in the technology and manufacturing fields at Yanmar, you have observed the Company as a member of the management of Yanmar, and as an outside director of Tsubakimoto Chain since 2013. What are your thoughts on the Tsubaki Group's strengths, growth potential, and challenges?

The Tsubaki Group has been supported by a thorough commitment to its core technology and constant pursuit of innovation

In a little more than a century since its founding in 1917, the Tsubaki Group has grown into a corporation boasting net sales of ¥238.5 billion and a percentage of overseas sales of approximately 60%. I believe that such growth has been underpinned by the following two factors. The first is a thorough commitment to the Group's core technology centered on Chain Operations ever since its founding. In particular, the pride in being the leader in the field of chains, no matter how times may change, and the stance of fully pursuing technology, are absolutely fundamental to the growth of a *monozukuri* (manufacturing) specialist.

The second factor is our constant pursuit of innovation. While focusing on its core technology, the Tsubaki Group has developed and applied that core technology in step with the times to expand its product and business domains. I

regard the Tsubaki Group as a corporation with a particular strength in the promotion of innovation.

Accelerating integration is the challenge going forward

If "Innovation" is the first "I" that is necessary for a corporation to achieve sustainable growth, then "Integration" is the second "I" that is indispensable to accelerating the pace of that sustainable growth. The first step to integration is to fuse technologies within the Group, or in other words, to create One Tsubaki. Then, we should incorporate into our own business the cutting-edge technologies held by other corporations, such as AI and IoT-related technologies. Depending on the circumstances, we may use M&A as a means to achieve integration. However, I believe that the key to raising the Tsubaki Group's corporate value to a new level lies in how proactively and appropriately we carry out integration and in how we accelerate it.

Q2

What is your frank opinion of the reorganization focused on enhancing the Company's corporate governance? Also, do you believe that the Company's system of Outside Directors is functioning effectively?

In the case of Tsubakimoto Chain, enlivening discussions at meetings of the Board of Directors was a challenge from a corporate governance standpoint. When directors are concurrently in charge of operational execution, they tend to become the spokespeople for the business segment under their jurisdiction and there is a risk that they will refrain from intervening proactively in other business segments. I believe that the separation of strategy formulation and oversight from operational execution from the end of June 2019 was highly significant in enlivening the discussions at meetings of the Board of Directors.

The challenge going forward is not simply to transfer the authority for execution to executive officers, but to steadily widen it from executive officers to general managers, and from general managers to the frontlines. Doing that will quicken the pace of management execution and, most importantly, lead to the cultivation of human resources by raising their level of motivation. In order for the Tsubaki Group, which boasts a history of over 100 years since its founding, to develop sustainably for 200 or 300 years, it is vital to retain human resources.

Another pillar of the policies for strengthening the corporate governance system in the fiscal year ending March 31, 2020, is the establishment of the Nomination and Remuneration Committee, as a voluntary advisory body to the Board of Directors, to be chaired by an outside director. The primary objective of this measure is to clarify the rules for deciding nominations and compensation and to significantly enhance the objectivity of the decision-making process. Determination of nominations and compensation should be sufficiently convincing for shareholders and other stakeholders.

Next, with regard to the effectiveness of the system of outside directors, I think that the system of outside directors is working relatively effectively in the case of Tsubakimoto Chain. At present, three outside directors have been appointed. Their respective areas of expertise and fields are varied and well-balanced. Moreover, I believe that lively discussions that capitalize on that outside expertise are being held at meetings of the Board of Directors.

Q3

In conclusion, what are your aspirations as an outside director?

For corporations to survive in this period of dramatic change, it is important that they have a strong sense of the path they should take and of their greater management purpose, while always making sure that each and every strategy is guided by that purpose.

We three outside directors will use the expertise that each of us possesses to scrutinize and oversee whether or not there is proper consistency between the greater purpose of management and strategies. At the same time, we intend to contribute to the further enhancement of corporate value by offering a variety of advice on the point of accelerating integration, which I mentioned earlier.



Corporate Governance System



Basic Approach to Corporate Governance

The Tsubaki Group regards strengthening corporate governance to realize its mission of creating value for customers and contributing to society as one of the most important tasks of business management.

The Group has formulated this approach into the basic policy stated below and is working to realize this policy and enhance corporate governance.

Basic Policy

Ensuring the Rights and Equality of Shareholders


We will respect the rights of shareholders, ensure the equality of shareholders, and establish conditions to facilitate the appropriate exercise of rights.

Appropriate Cooperation with Stakeholders Other than Shareholders

We will maintain and enhance relationships of trust with all stakeholders based on the "Tsubaki Spirit" corporate philosophy.

Ensuring Appropriate Disclosure and Transparency

We have defined our basic disclosure policy as continuously providing our shareholders, investors, and other stakeholders with timely, accurate, impartial, and proactive disclosure of information. This policy can be viewed on the Company's website.

 <https://tsubakimoto.com/ir/>

Responsibilities of the Board of Directors and Other Matters

- (1) We will heighten competitiveness amid volatile business conditions and aim for management that is legally compliant, efficient, and transparent.
- (2) We will enhance and expedite the decision-making of the Board of Directors, concentrate efforts on strategy formulation, and strengthen the oversight function of operational execution by clearly separating strategy formulation and oversight by the Board of Directors and operational execution by executive officers.
- (3) Through the appointment of outside directors and outside Audit & Supervisory Board members, we will endeavor to enhance the independence of the Board of Directors, heighten the oversight function and transparency of business management, and enhance corporate value.

Dialogue with Shareholders

We work to practice sincere and transparent management that is flexible enough to incorporate outside opinions. In addition, we endeavor to improve the quality and frequency of information disclosures and other communications.

Initiatives to Strengthen Corporate Governance

The Company implemented the following management organizational reforms in order to heighten the independence of the Board of Directors, further invigorate discussions at meetings of the Board of Directors on formulating strategies aimed at medium- to long-term growth, and strengthen the oversight function of operational execution.

Organizational Reforms in the Fiscal Year Ending March 31, 2020

- 1 Clearly separate strategic formulation and oversight by the Board of Directors from operational execution by executive officers
- 2 Establish a Nomination and Remuneration Committee as a voluntary advisory body to the Board of Directors
- 3 Abolish the concurrent serving of directors and executive officers

Initiatives to Date

FYE 2014	Increased the number of outside directors from one to two
FYE 2016	<ul style="list-style-type: none"> · Reformed management system to separate the roles of Chief Executive Officer (CEO) and Chief Operating Officer (COO) · Responded to Japan's Corporate Governance Code
FYE 2018	Increased the number of outside directors from two to three
FYE 2019	Transferred to a system in which executive officers serve as general managers of business segments

Systems for Decision Making and Strategy Formulation and Operational Execution

Through a system in which the Board of Directors performs strategy formulation and oversight, and the Management Committee comprising executive officers under the COO conducts operational execution in a responsible manner, we are clearly separating strategy formulation and oversight from operational execution.

As a result, we are taking steps to expedite management by revising agenda items at committees and expanding the scope of the transfer of authority to lower ranked committees.

The Strategy Committee has been positioned as the second highest authority in the Company after the Board of Directors. This committee deliberates on and makes decisions regarding important Groupwide business strategies and management policies.

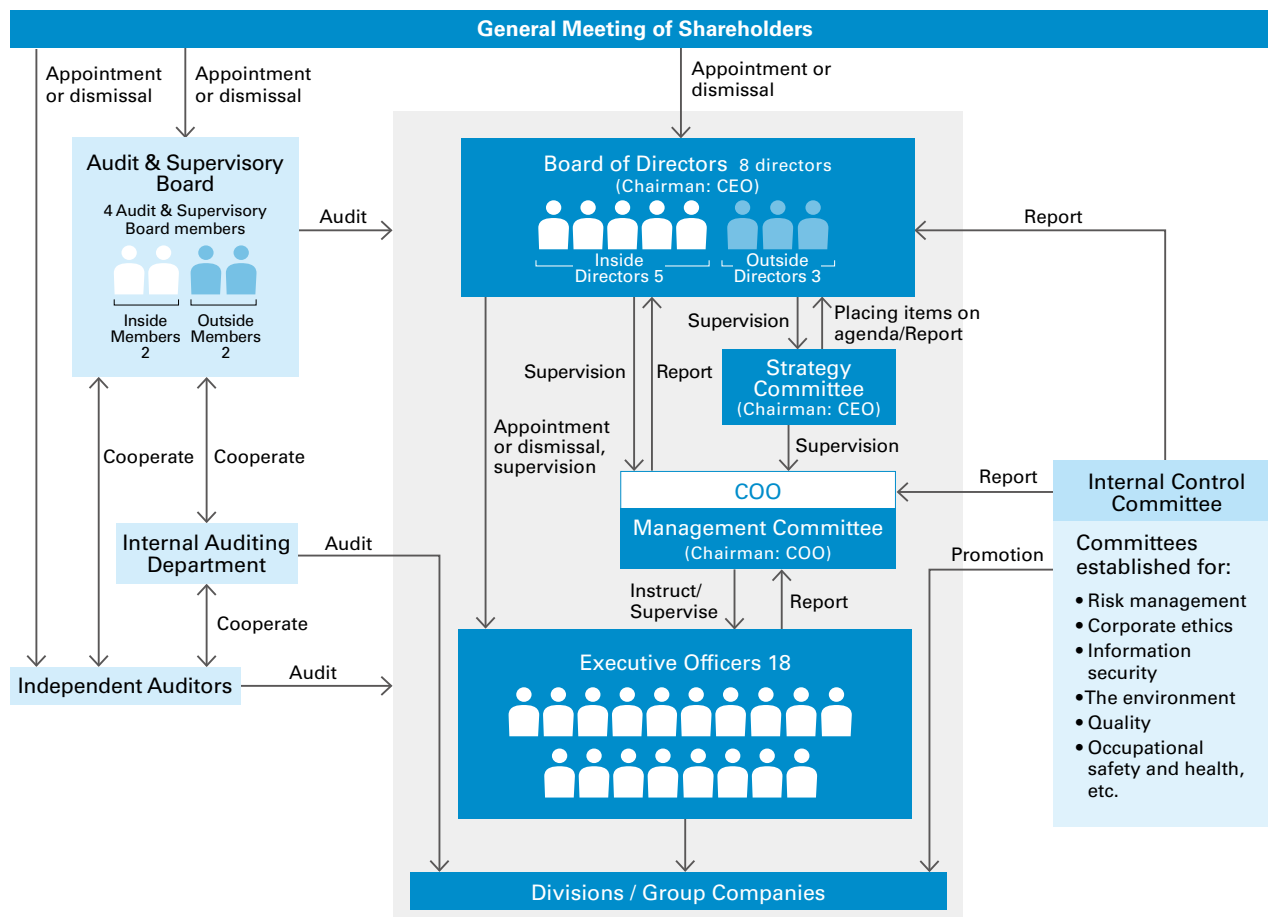
Moreover, in the fiscal year ending March 31, 2020, we are preparing to establish a Nomination and Remuneration Committee to be chaired by an outside director as a voluntary advisory body to the Board of Directors. In doing so, we are enhancing the objectivity of the decision-making process on matters such as nomination and remuneration of the directors and the appointment and dismissal of the CEO and COO.

Overview of Corporate Governance System

(As of June 27, 2019)

Organizational structure	Company with Auditors
Chairman of the Board of Directors	Chairman of Tsubakimoto Chain Co.
Number of directors	8 (of which 3 are outside directors)
Number of Audit & Supervisory Board members	4 (of which 2 are outside Audit & Supervisory Board members)
Independent officers	3 outside directors and 2 outside Audit & Supervisory Board members
Meetings of the Board of Directors in the fiscal year ended March 31, 2019	14
Meetings of the Audit & Supervisory Board in the fiscal year ended March 31, 2019	19
Total compensation paid to directors in the fiscal year ended March 31, 2019	¥365 million paid to 10 directors
Total compensation paid to Audit & Supervisory Board members in the fiscal year ended March 31, 2019	¥63 million paid to 4 Audit & Supervisory Board members (decided by the Audit & Supervisory Board)
Total compensation paid to outside directors and outside Audit & Supervisory Board members in the fiscal year ended March 31, 2019	¥30 million paid to 5 individuals

Corporate Governance System (As of June 27, 2019)



The Tsubaki Group's Foundations for Value Creation

Corporate Governance System

Systems to Ensure Management Transparency and Flexibility

Systems to ensure management transparency and flexibility include appointing three of eight directors as outside directors. The Group's outside directors meet the requirements for outside directors pursuant to the Companies Act of Japan as well as the independence criteria for outside directors (independent officers) that the financial instruments exchange stipulates.

Further, two of the Group's four Audit & Supervisory Board members are outside Audit & Supervisory Board members (independent officers). The Group has appointed outside Audit & Supervisory Board members who have expertise and extensive experience as attorneys.

Reasons for Appointing Outside Directors (Independent Officers) and Their Attendance at Meetings of the Board of Directors

Name	Reason for appointment	Attendance at meetings of the Board of Directors in the fiscal year ended March 31, 2019
Hidetoshi Yajima	The Group appointed Mr. Yajima to receive objective advice concerning its focus on technologies, development, and manufacturing as three core areas based on his wealth of insight and experience as the manager of a manufacturing company.	Attended 13 of 14 meetings
Shuji Abe	The Group appointed Mr. Abe to receive objective advice concerning its focus on technologies, development, and manufacturing as three core areas based on his wealth of insight and experience as the manager of a manufacturing company.	Attended all 14 meetings
Keiichi Ando	The Group appointed Mr. Ando to receive objective advice concerning its overall business management based on his wealth of insight and experience as the manager of a financial institution.	Attended 13 of 14 meetings

Reasons for Appointing Outside Audit & Supervisory Board Members (Independent Officers) and Their Attendance at Meetings of the Board of Directors and the Audit & Supervisory Board

Name	Reason for appointment	Attendance at meetings of the Board of Directors and the Audit & Supervisory Board in the fiscal year ended March 31, 2019	
Shozo Seki	The Group appointed Mr. Seki so that its audit system could benefit from his expertise and knowledge as an attorney.	Board of Directors Attended all 14 meetings	Audit & Supervisory Board Attended all 19 meetings
Hidefumi Naito	The Group appointed Mr. Naito so that its audit system could benefit from his expertise and knowledge as an attorney.	Attended all 14 meetings	Attended all 19 meetings

System for Heightening the Motivation of Directors

The Group has strengthened linkage between the compensation of directors and corporate performance to heighten directors' motivation to improve it. Under this system, we evaluate the contribution of each director to the improvement of consolidated management benchmarks,

the level of market capitalization, and the achievement of priority goals. In addition, the Group abolished bonuses for directors on June 29, 2006, and abolished retirement benefits for directors on June 27, 2008.

Effective Audits

Directors and executive officers make reports to Audit & Supervisory Board members whenever deemed necessary. Reports are issued on matters that can seriously impact the Company or Group companies and the status of internal audits in addition to issues that are legally required to be reported. Further, employees are encouraged to quickly submit reports on the execution of their business duties to Audit & Supervisory Board members when requested. In addition to participating in meetings of the Board of

Directors, Audit & Supervisory Board members attend meetings of the Strategy Committee and Management Committee and other important meetings to maintain an understanding of the status of operational execution and supervise proceedings in order to ensure sound and proper management.

To enable the implementation of independent auditing that is more effective, we appointed auditing-related personnel in April 2018.

Internal Control

For the Company and Group companies, we have formulated internal control regulations and established the Internal Control Committee in accordance with basic policies on internal control. Under the guidance of the president and representative director, the Internal Control Committee is responsible for advancing ongoing initiatives in the following areas that are inclusive of the entire organization and participated in by all employees.

(1) Internal control initiatives stipulated by the Companies Act

We have established an emergency contact system on a global scale to enable information on risks that occur within the Group to be promptly communicated to senior management. We also implement annual risk management status surveys of major subsidiaries in Japan and overseas to ascertain the status of their risk management and follow up on their activities.

(2) Internal control initiatives described in the Financial Instruments and Exchange Act

Based on the Financial Instruments and Exchange Act, the Group has established internal control initiatives to ensure the appropriateness of the preparation process of its consolidated financial statements. As overseas sales have increased in recent years, the number of overseas subsidiaries covered by these initiatives has increased each year. For this reason, with the aim of

quickly introducing these initiatives at overseas subsidiaries, we are taking steps toward establishing related materials for, and the sharing of expertise with, overseas subsidiaries while concentrating efforts on enhancing the efficiency and accuracy of evaluations.

(3) Internal control initiatives conducted by the Group on a voluntary basis

The Group is advancing Tsubaki Internal Control Operation (TICO) initiatives for documenting the procedures of important work in each department. As activities that ensure the appropriateness of controls of risks for each type of work and objectively judge if there is unreasonableness or waste through visualizing important work, the TICO activities play a part in the Group's important internal control initiatives.



An internal control meeting at an overseas subsidiary

Risk Management

In accordance with the Risk Management Basic Strategy, the Tsubaki Group has established several committees under the Internal Control Committee in relation to such matters as risk management, corporate ethics, information security, the environment, quality, and occupational safety and health. They coordinate among one another to advance various ongoing measures geared toward identifying and evaluating risks as well as preventing the actualization of these risks, and are thereby raising Groupwide risk management awareness. Should a risk materialize, we will respond by strengthening risk management through the development of systems for reducing the related losses and the implementation of education on matters such as compliance and information security.

Moreover, by implementing annual overseas risk management surveys at overseas bases, which tend to be late in ascertaining risk conditions, we are making efforts to

ascertain the circumstances at bases. The challenge going forward is to propose feasible countermeasures to risk categories that are expected to have a significant impact on the entire Group. Through communication activities with overseas bases and other efforts, we will reduce Group risks.



Group companies in Japan taking part in a meeting of the Information Committee

The Tsubaki Group's Foundations for Value Creation

Corporate Governance System

Compliance

The Group has formulated the Corporate Work Ethics, which are a clearly defined set of ethical guidelines and a code of conduct for all officers and employees. Based on these guidelines, we are working to raise the awareness of corporate ethics throughout the Group through corporate ethics training and other initiatives. The progress of these initiatives is periodically reported to the Board of Directors. The Ethics Committee develops and institutes measures to prevent violations of the Corporate Work Ethics while administering penalties to violators as appropriate. In this way, it is helping strengthen compliance systems. Moreover, we have established the Corporate Ethics Hotline to be used for reporting violations of the Corporate Work Ethics. This hotline can be used to receive consultation from or report issues to either an internal consultant or an outside lawyer.

We have designated February of every year as Strengthening Corporate Ethics Month, in which Group companies in Japan and overseas take part (in the fiscal year ended March 31, 2019, 51 companies took part). Guided by the Corporate Work Ethics, and taking into account the laws and customs of each country, we are carrying out activities aimed at strict compliance with laws and rules.



Tsubaki Corporate Ethics Handbook translated into six languages

Number of Companies who Participated in Strengthening Corporate Ethics Month

(FYE)

2015	2016	2017	2018	2019
47	49	51	51	51

Number of Participants in Compliance Education (Japan)

(FYE)

2015	2016	2017	2018	2019
1,969	622	1,643	622	749



Reading aloud from the Corporate Work Ethics (China)

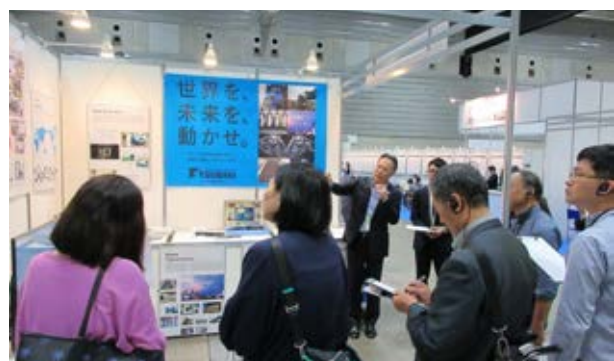
Constructive Dialogue with Shareholders and Investors

Presentations for institutional investors and securities analysts are held twice a year following interim and full-year earnings announcements, and the materials used in these presentations are posted to the Tsubaki Group's website. Financial statements, press releases, and other materials that contain information crucial to making investment decisions are disclosed on the Company's website in a timely, accurate, and impartial manner. Through these measures, we are striving to conduct proactive information disclosure.

Furthermore, we have positioned the General Meeting of Shareholders as an opportunity for reciprocal communication with shareholders. Accordingly, we mail convocation notices for these meetings as early as possible. We also choose the site for the meeting in consideration of attendee convenience.

The department responsible for investor relations gathers opinions received from shareholders and investors

through such dialogues. Opinions deemed particularly important are discussed fully, and information regarding them is shared with directors, executive officers, and other members of the senior management team.



Participating in an event for individual investors

Board of Directors, Audit & Supervisory Board Members, and Executive Officers (As of June 27, 2019)



<u>Back row</u>	Keiichi Ando Outside Director	Hidetoshi Yajima Outside Director	Tetsuya Yamamoto Director	Tadasu Suzuki Director	Kenji Kose Director	Shuji Abe Outside Director
<u>Front row</u>		Yasushi Ohara President and COO Representative Director	Isamu Osa Chairman and CEO Representative Director			

■ Audit & Supervisory Board Members (Standing)

Kikuo Tomita
Koji Tanaka

■ Audit & Supervisory Board Members (Outside)

Shozo Seki
Hidefumi Naito

■ Senior Managing Executive Officer

Hiromasa Kawaguchi

■ Senior Executive Officers

Masahiko Yamamoto
Tadahiro Otsuki

■ Executive Officers

Nobuaki Haga
Yukihiro Fujii
Atsushi Kumakura
Kevin Richard Powers
Toshihiro Ageta
Isao Sato
Futoshi Tanyama

Takatoshi Kimura
Masaki Miyaji

Kazutomo Nakamura
Hiromi Ishida
Masafumi Okamoto
Kozo Inoue
Yasushi Nagai
Yasuhiro Akesaka

Human Resources



At the Tsubaki Group, we view human resources as the most vital component of our management base. We are establishing an environment where people from various backgrounds can work positively and vigorously while striving to cultivate the human resources who will support business growth going forward.

Respect for Human Rights

To ensure that nobody involved in our businesses is subject to any form of discrimination or harassment on the grounds of race, gender, age, nationality, religion, disability, or other reason, the Tsubaki Group is implementing measures to enhance ethical awareness among employees. We regularly carry out compliance education and promote activities aimed at eradicating legal violations, discrimination, and harassment. We have designated February of every year as a "Strengthening Corporate Ethics

Month" while conducting activities designed to promote strict adherence to laws and rules in the countries that Group companies operate in. In the fiscal year ended March 31, 2019, 51 Group companies in Japan and overseas took part in these activities.

Moreover, we have established a routine consultation system to respond to a variety of consultations from employees in Japan, thereby advancing the development of a comfortable working environment.

Promoting Diversity

The Group is establishing a personnel system aimed at diversifying employment patterns and improving job satisfaction in preparation for labor shortages going forward, while continuing with our traditional emphasis on capabilities and results.

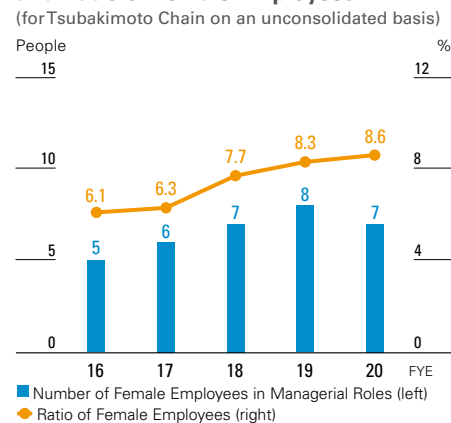
We have promoted employment that takes into account work duties and work locations and the diversification of forms of employment aimed at the active participation of non-Japanese and elderly people. Meanwhile, we have introduced flexible and efficient work styles such as flextime and discretionary labor systems. Moreover, by enhancing leave systems for childcare and nursing care for family members and promoting work style reform activities aimed at reducing working hours, we are striving to develop an environment that enables people of diverse backgrounds to flourish.

In the fiscal year ended March 31, 2019, the childcare leave acquisition and return ratio among female employees was 100%. Moreover, as part of efforts to empower female employees, we are proactively recruiting women into the workforce. As a result of these efforts, we have increased the ratio of female employees from 6.1% in the fiscal year ended March 31, 2016, to 8.6% in the fiscal year ending March 31, 2020. Concurrently, we are aiming to raise the number of women in management positions.

Senior employees over the age of 60 are expected to

undertake activities that make the most of their experience and skills and provide education for younger employees. Since introducing a rehiring system in 1991, we have successively revised eligibility for the system and its upper age limit and now employ all those up to the age of 65 who wish to be rehired. In the fiscal year ended March 31, 2017, we changed the system to enable employment up to the age of 70 for some employees and are increasing the number of people employed under this system year by year.

Number of Female Employees in Managerial Roles and Ratio of Female Employees

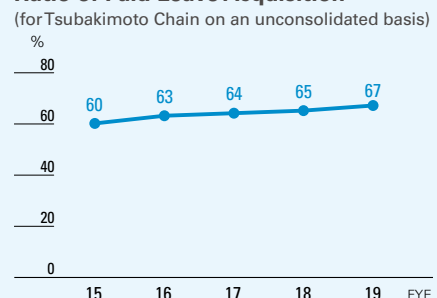


Initiatives Toward Work Style Reforms

In order to develop an environment where employees can harness their abilities, it is important to have an organizational culture that encourages new challenges and a work-life balance based on appropriate working hours.

In the fiscal year ended March 31, 2019 we established the Work Style Reform Department, and we have pursued the development of systems for strengthening time management as well as changing the mindsets of employees and managers. We have promoted activities that result in reduced working hours, such as "shut down time," establishing rules on meetings and emails, and time-management education. In the fiscal year ending March 31, 2020, we are proactively expanding improvement activities aimed at optimizing the efficiency of work duties.

Ratio of Paid Leave Acquisition



Cultivation of Human Resources

Enhancing our Training and Educational System

The drivers of the Group's growth are the technological capabilities and advanced technical skills we have continuously refined as a manufacturer since our founding in 1917. With the aim of passing on expertise to the next generation and reinforcing technical skills, we launched the Tsubaki Techno School in April 1998 for young engineers. Subsequently, we expanded the curriculum to include technical and sales categories. In the fiscal year ended March 31, 2018, we reorganized the curriculum by dividing it into a Techno School for engineers, a Skills School for technicians, and a Business School for office and sales staff. In doing so, we expanded and improved the respective courses. By combining training by function with level-specific training across all job categories, we have generated a positive cycle in which we increase the awareness of employees and enhance technological and technical levels.

In addition to training, through holding a Technology Forum for engineers in which departments present their latest technologies, we are widening opportunities for employees to share ideas, interact, and engage in co-creation in a way that transcends departments. We hold the Tsubaki Technical Skills Olympics for technicians which sees the Group's outstanding technicians assemble. In addition to heightening technical skills, this event helps to invigorate the organization via technological exchange among employees, different business divisions, and between Japan and overseas.



Tsubaki Techno School



Tsubaki Technical Skills Olympics
(measurement competition)



Global trainees (United States)

Strengthening and Cultivation of Global Human Resources

In the fiscal year ended March 31, 2019, 59.4% of the Group's total net sales came from overseas, a substantial increase from 34.9% in the fiscal year ended March 31, 2009, demonstrating the rapid globalization of our operations. The ratio of Group employees positioned overseas stands at 55%.

This situation has made the cultivation and strengthening of human resources compatible with globalization a task of extreme importance for the Group. We introduced the global trainee system in the fiscal year ended March 31, 2011. This system allows young employees to be dispatched to overseas subsidiaries for training, and is designed to teach them foreign languages and international business manners as well as help them to better understand other cultures. By the end of March 2019, we had dispatched 95 young employees under this system. From the fiscal year ending March 31, 2020, we have launched month-long overseas foreign language training for new employees.

In addition, we have also begun inviting employees from overseas subsidiaries to undergo training in Japan. In this way, we are cultivating and strengthening Groupwide human resources compatible with globalization.

Health Promotion

Maintenance and improvement of health is the driving force that enables employees to work positively and vigorously. In terms of health promotion, in addition to regular health checkups and special health examinations, we implement health checks for employees who work long hours in collaboration with industrial physicians, health management staff, and managers to prevent disease and strengthen early detection activities.

As for support for mental health, we regularly implement education on mental health for employees and supervisors.

We have strengthened initiatives toward disease prevention and early treatment by establishing a consultation service operated by dedicated staff. In the fiscal year ended March 31, 2017, we launched a stress check for all of our employees. We are also expanding and improving mental healthcare activities such as conducting follow-up meetings with employees not only when they join the company but also in their third year of employment.

Technology



By continuously enhancing its technological capabilities, the Tsubaki Group has maintained a strong product lineup capable of winning out against fierce global competition.

Strengthening our Technological Base

Technologies are one of the most important management foundations for manufacturers and a major factor underpinning competitiveness. The Tsubaki Group has continued to invest in strengthening its technologies without being influenced by short-term economic fluctuations.

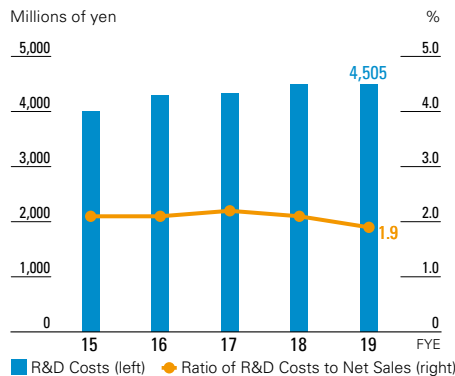
Amid changes in the external environment and rapidly evolving technology, each business division of the Tsubaki Group continues to develop products based on the needs of the market, while the Development & Technology Center promotes strengthening technological capabilities across all businesses. The center enhances foundation and advanced technologies, such as surface treatment, processing, lubricant, control, evaluation, and analysis technologies. In addition, the center focuses on developing new products and businesses in collaboration with each business division. The center also maintains close partnerships with external institutions, such as universities, to promote research and development of cutting-edge technologies in an effective manner.

Furthermore, we are accelerating the development of power transmission parts for fields other than that of engines to cater to the diversification of powertrains for electric vehicles and other automobiles. As a result, we established the Automotive New Product Development Department at the Development & Technology Center in April 2018. In these ways, we are accelerating the development of new products.



The Technology Forum—offering opportunities for inter-business co-creation

Trends of R&D Costs and Ratio of R&D Costs to Net Sales



Global Intellectual Property Strategies

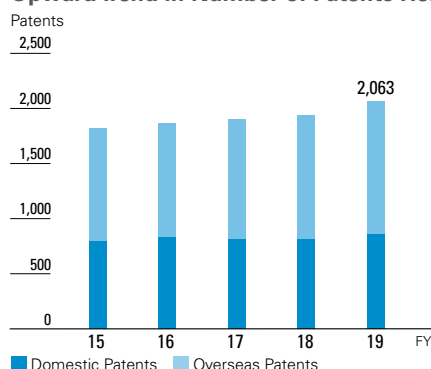
The Tsubaki Group is globally advancing aggressive intellectual property strategies by extending patent application and acquisition of industrial property rights in Japan and overseas through an approach aimed at strengthening product competitiveness. Guided by this strategy, the number of patents held by the Group has been increasing, and as of the end of the fiscal year ended March 31, 2019, we held 860 patents in Japan and 1,203 overseas for a total of 2,063 patents.

As the Group has been promoting the swift expansion of its business in China, South Korea, Taiwan, and emerging countries, there continues to be an urgent need to expand patent application efforts and implement measures to prevent violation of intellectual property rights in these countries. For this reason, we applied for 54 patents in this region during the fiscal year ended March 31, 2019, and increased our coordination with overseas patent offices.

Tsubakimoto Chain's intellectual property division centralizes affairs regarding the application of industrial property rights and the prevention of infringement. Meanwhile,

Tsubakimoto Chain's legal affairs division has established internal regulations on managing confidential business information and spearheads Groupwide management of information on confidential technologies and business information. The drafting and review of contracts is carried out through the cooperation of the legal affairs division and the intellectual property division.

Upward Trend in Number of Patents Held by the Group



Quality



As a manufacturer, the Tsubaki Group pursues high quality while maintaining and enhancing the Tsubaki brand through exhaustive quality management.

Tsubaki Group Quality Basic Policy

We do not pass defects on to the subsequent job process.
We will all follow the rules, and make quality products.

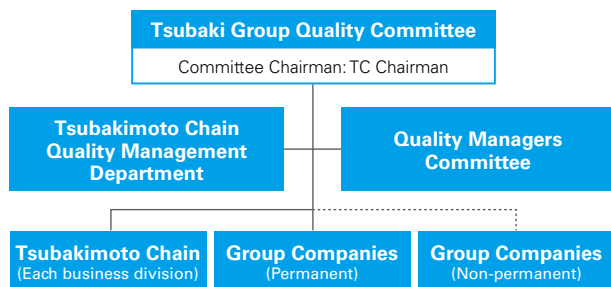
System for Promoting Quality Management

The Tsubaki Group has established a system for promoting quality management led by the Tsubaki Group Quality Committee.

In order to ensure further effectiveness, we established the Quality Management Department within Headquarters Operations, which oversees the entire Group, and the Quality Managers Committee in April 2018, as a cross-organizational implementation body. In addition to traditional quality control assurance activities in each division, the Company has put forth three strategies: (1) Conduct audits from a third-party perspective; (2) Establish Group quality guidelines; and (3) Implement cross-organizational activities

to improve quality. Through methods such as the ones stated, the Group not only aims for zero defects in quality, but also to strengthen our system to better keep promises made to our customers. In doing so, we plan to strengthen the governance of quality management while maintaining and improving the Tsubaki brand.

System for Promoting Quality Management



Accomplishments in FYE 2019

- Established the Quality Management Department that oversees the entire Group
- Revised the Tsubaki Group Quality Basic Policy
- Launched activities aimed at raising the quality awareness of all Group employees

Activities

- 1 Formulation of Group quality guidelines for handling test data and developing new products, with the aim of raising the quality levels of the entire Group
- 2 Established the Quality Managers Committee and implemented thorough quality inspections (mutual audits) at all worksites in Japan, with the aim of deterring the risk of defective products

Energizing Human Resource Development and Interactions

The Group aims to improve quality management skills by developing level-specific education on “quality” and “improvement” in its Companywide educational system.

As we move forward, we will enhance quality specialist education centered on the Quality Management Department, such as provide education on statistical methodology, nurture lecturers, and promote the acquisition of quality control examination certificates as well as implement initiatives such as fieldwork for quality training participants from Group companies for a period of one year. At the same time, we are introducing “individual quality targets” and “quality model factory” systems aimed at raising quality awareness of all employees.



Quality audit at an overseas subsidiary (Thailand)

Safety



As a manufacturer, the Tsubaki Group has adopted safety as the highest priority in its Code of Conduct and advances activities aimed at enhancing occupational safety and health throughout the Group.

Basic Principles of Safety

Out of respect for each individual human, the Tsubaki Group endeavors to create a workplace where people can work safely and comfortably as well as to promote all employees' health. We believe that all employees working safely and healthily on a daily basis leads to rich lives and the wholesome development of society.

Activities to Prevent the Occurrence of Serious Accidents

In the second half of the fiscal year ended March 31, 2019, the Tsubaki Group launched initiatives making the prevention of serious accidents a Groupwide priority issue. In February 2019, the Tsubaki Group Safety Committee prepared hazard maps for Group companies. By indicating places where a serious accident could potentially occur, we are striving to prevent such accidents from taking place.

In preparing hazard maps, we implemented risk assessments and analyzed serious accident categories on a Groupwide basis. As a result, we identified that there were many accidents due to employees getting trapped or caught in machinery. In addition, we classified serious accidents into a total of six categories in order of frequency of occurrence, and prepared a check sheet aimed at accident prevention, which we are utilizing to conduct safety management.

We will continue to implement risk reduction activities in a planned manner and successively revise occupational safety

and health regulations, thereby promoting the establishment of a safer and more comfortable working environment.

Number of Work-Related Accidents and Rate of Frequency



Understanding and Improving Frontline Conditions

As part of our efforts to strengthen safety patrols at manufacturing sites, the Group is implementing fixed point observations and inquiry patrols. During the inquiry patrols, occupational safety and health staff get information on what workers really think by asking them questions, such as if

there is any work where they are either not able to observe the rules or if it is hard for them to do so, and whether or not there is any work that is difficult to do, and use this information to improve safety conditions at manufacturing sites.



Safety patrol (Kyotanabe Plant)



Safety education at an overseas manufacturing base (United States)

Procurement



In order to realize high-quality manufacturing and a sustainable society, the Tsubaki Group is cooperating with its suppliers to conduct procurement activities.

Basic Procurement Policy				
1. Fair and equitable dealings	2. Developing relationships of mutual trust	3. Promotion of developmental procurement	4. Legal compliance (safeguarding of confidential information)	5. Prioritizing the environment (green procurement)

Green Procurement Initiatives

The Tsubaki Group has established Green Procurement Guidelines to ensure strict compliance with laws and regulations in all countries and regions and to proactively procure products containing fewer substances that have an environmental impact and products with low environmental impact throughout their product lifecycle from business

partners who also strive to reduce their environmental impacts. We ask our business partners to carry out self-assessments and surveys of current conditions, thereby enabling us to contribute to a reduction of environmental impact in the supply chain and conservation of the global environment.

Requests to Business Partners

Requests		Raw materials, parts, packaging materials, sub-materials, etc.	Jigs, tools, production equipment, etc.
Prerequisites	(1) Compliance with environment-related laws on products and business activities	Required	Required
	(2) Management of hazardous chemical substances		Recommended*
Matters we ask of business partners	(1) Establishment of an environmental management system	Recommended	Recommended
	(2) Reduction of greenhouse gas emissions		Recommended
	(3) Promotion of resource recycling	Optional	Optional
	(4) Effective use of water resources		Optional
	(5) Environment-friendly design and product proposals		Recommended

* Management of hazardous chemical substances is required in the event of hazardous chemical substances scattering or falling from equipment onto products or in the event of hazardous chemical substances becoming attached to or transferred onto products through contact with equipment.

Mutual Communication with Business Partners

Under the Basic Procurement Policy, the Company is advancing a variety of initiatives, such as guarantees of open bidding, pursuit of mutual development through fair business transactions, and proactive evaluation of new technology proposals.

In Japan, approximately 200 of our suppliers are members of the Tsubaki Business Partners Club. The Club fosters friendship among member corporations while allowing the Company to share information with suppliers on its environmental conservation and productivity enhancement activities through the holding of general meetings, regular gatherings, and other events to promote mutual study.



Overseas facility tour held by the Osaka Tsubaki Business Partners Club at Tsubakimoto Chain (Tianjin) Co., Ltd.



Environment

Given that environmental conservation is one of humanity's most important tasks, the Tsubaki Group is advancing medium- to long-term initiatives focused on preserving the environment through operations, products, and services.

Tsubaki Group Basic Environmental Policy

Philosophy

The Tsubaki Group recognizes that environmental conservation is one of the most important issues shared by humankind, and seriously considers the environment in all aspects of its global business activities and contributes to the "development of a sustainable society" by generating environmental value and economic value through manufacturing.

Environmental Policy

- | | | | | |
|--------------------------------|------------------------------------|--|------------------------------------|--|
| 1. Reduce environmental impact | 2. Develop and spread eco-products | 3. Observe laws and other requirements | 4. Improve environmental awareness | 5. Promote environmental communication |
|--------------------------------|------------------------------------|--|------------------------------------|--|

Long-Term Objective: Reduce total CO₂ emissions in Japan by 30% by FYE 2031 (Base year: FYE 2014)

<https://tsubakimoto.com/csr/>

Ecofactory Certification System

In order to proactively expand its environmental impact reduction activities, the Tsubaki Group introduced the Ecofactory Certification System in August 2018. We established the Group's own quantitative criteria on a number of environmental impact factors, such as CO₂ emission reductions, and we certify worksites that meet these criteria as Ecofactories.

The Ecofactory Certification System is a measure that boosts activities designed to achieve the Tsubaki Group's long-term objective of reducing total CO₂ emissions in Japan by 30% by the fiscal year ending March 31, 2031. All worksites are enhancing their environmental activities and management levels with the goal of obtaining certification.

Initiatives at Factories

At the Okayama Plant we have implemented gas-fired power generation through the installation of an 815 kW gas engine cogeneration system using liquefied natural gas (LNG). Furthermore, through the installation of waste heat-recovery type absorption chillers (GeneLink), we constructed a new heat supply system that uses waste heat steam generated during power generation for cooling the plant and waste heat water for heating and hot water supply, and the system became fully operational in January 2019. This new system has made possible significant energy and CO₂ emission savings (estimated reduction in CO₂ emissions of 677 tons per year).

The Kyotanabe Plant began implementing improvements to its factory air-conditioning and water-cooling systems from the fiscal year ended March 31, 2018 and completed them in December 2018. As a result, factory air-conditioning and water-cooling are now supplied by an upgraded high-efficiency chiller and gas absorption chiller, and energy efficiency has been heightened through optimal and proper management, resulting in CO₂ emission reductions of 900 tons annually.

Additionally, we have modified the previous air-conditioning heat storage and control system to precisely control heat dissipation for the air-conditioning's peak heat load, thereby controlling peak power demand. As well, we will operate the previous cogeneration system as an emergency power generator to be utilized in the event of an emergency.

The Group will continue to proactively introduce a variety of environmental impact reduction measures and continuously strive to reduce CO₂ emissions.



Heat supply system through gas power generation (Okayama Plant)



High efficiency chiller (Kyotanabe Plant)

FYE 2019 Environmental Data

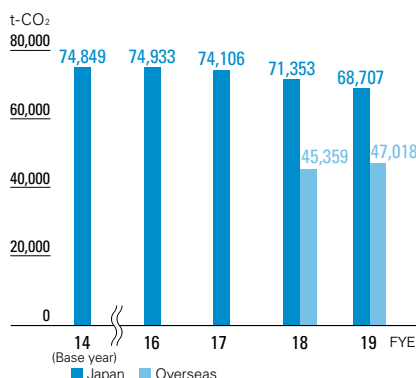
Scope of the collection of performance data

Japan: 11 major manufacturing bases
Overseas: 14 major manufacturing bases in North America, Europe, and Asia

Flow of Energy and Materials (Japan)

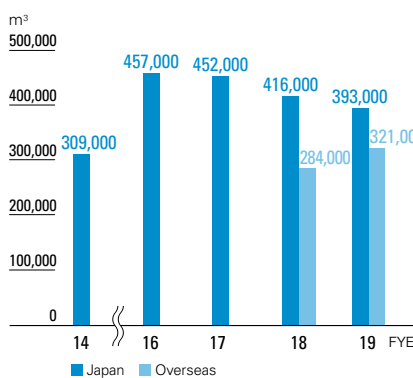
INPUT		OUTPUT	
Raw materials	69,827 t	Total product manufacturing	¥95,694 million
Electricity	121,238,000 kWh	Valuables	24,668 t
Heavy oil A	394 kL	Industrial waste 6,452t	Recycle 6,745 t Other 147 t
Gasoline	73 kL	Non-industrial waste 440t	
Kerosene	12 kL	Hazardous chemical substances under the PRTR Law	
Diesel oil	4 kL	Release/transfer	152 t
City gas (excluding cogeneration)	3,533,000 m ³	Release into the atmosphere	
City gas (for cogeneration)	208,000 m ³	CO ₂	68,707 t-CO ₂
Butane gas	519 t	Release into the water	393,000 m ³
Propane gas	74,000 m ³		
LNG	245,000 m ³		
Water	393,000 m ³		

Total CO₂ Emissions



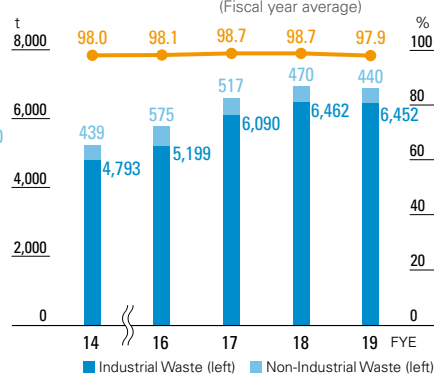
* The CO₂ emissions factors for electricity are as follows.
Japan: emissions factors of power companies from which electricity was purchased
Overseas: International Energy Agency (IEA), Emissions Factors (2018 edition), 2016 CO₂ emissions factors

Water Consumption



Waste Emissions / Recycling Rate

(Fiscal year average)



* Data collected only in Japan

Environmental Conservation Costs (Business Activity Classification)

Thousands of yen

Classification	Details of major initiatives	FYE 2019	
		Amount invested	Costs
(1) Business area costs		597,355	666,295
Breakdown	(1) - 1 Pollution prevention costs	234,900	152,361
	(1) - 2 Global environmental conservation costs	348,880	166,941
	(1) - 3 Resource recycling costs	13,575	346,992
(2) Upstream/downstream costs	Outsourcing analysis costs, such as for substances with environmental impact	0	636
(3) Administration costs	Establishment and operation of environmental management systems (EMSs), worksite greening and maintenance, installation of air and water measurement equipment	48,138	234,661
(4) R&D costs	R&D of environment-friendly products (reduction of environmental burden during product use)	60,074	233,712
(5) Social activity costs	Regional environmental conservation initiatives	0	641
(6) Environmental remediation costs	Groundwater purification measures, etc.	0	0
Total		705,567	1,135,945



Society

Acting as a good corporate citizen, the Tsubaki Group is working to build trusting relationships with the communities in which it operates by conducting social contribution and environmental conservation activities, tailoring these activities to meet the needs of each individual community.

Japan

Tsubakimoto Chain

Providing Opportunities for Learning to National Institute of Technology Students on the Subject of Zip Chain Actuator®

The Company plans and hosts events designed to deepen understanding of manufacturing corporations through visiting national institutes of technology to give lectures to students.

In the fiscal year ended March 31, 2019, we conducted an idea contest for new products using Zip Chain Actuators (ZCA) at the National Institute of Technology, Maizuru College, and the National Institute of Technology, Kagoshima College. Students were very interested in ZCAs and there was a unique proposal for making people's movements (daily lives) easier (happier). The contest provided a good opportunity to experience the enjoyment and challenge of *monozukuri* (manufacturing) and the importance of imaginative thinking.



Tsubakimoto Chain Kyotanabe Plant

Events for Elementary and Junior High School Students to Experience *Monozukuri*

We hold science events for local junior high school students. We expanded and improved the content of workplace tours by adding a *monozukuri* experience program. Furthermore, at our annual summer vacation factory tours, local elementary school students and their parents were given the chance to experience a manufacturing site. In addition, we deepened interactions with the local community by opening the grounds of the plant for viewing of its one thousand cherry blossom trees and taking part in local events.



Tsubakimoto Chain Saitama Plant

Supporting a Walking Event

We helped the 16th Hanno Shinryoku Two-Day March, a local walking event, by making available Tsubakimoto Chain's recreation facilities as a resting place for participants. At the recreation facilities, volunteers from the plant's personnel offered beverages and provided support for participants.



Tsubakimoto Mayfran

A Visiting Lecture on the Environment at a Local Elementary School

We carried out a visiting lecture on the environment for 24 fifth-grade students at a local elementary school. The theme of the lecture was the processes by which industrial wastewater flows into rivers. In addition, we made a presentation on chip conveyors, one of our mainstay products, and introduced our initiatives on environmental conservation during the manufacturing process, as well as corporate social responsibility.



Americas

**[United States] U.S. Tsubaki Automotive, LLC (USTA)
U.S. Tsubaki Power Transmission, LLC (USTP)**

Participation in the Community-Based Volunteer Week

Volunteer Week is organized by a Japanese automobile manufacturer. Approximately 25,000 employees of the manufacturer and its business partners take part as volunteers throughout North America in nearly 600 types of volunteer activities, such as foodbanks, blood donations, and cleaning up parks and beaches. U.S. Tsubaki Automotive, LLC (USTA) and U.S. Tsubaki Power Transmission, LLC (USTP) took part in these activities to rearrange and clean the warehouse of a foodbank and prepare evening meals.



Europe

[Netherlands] Tsubakimoto Europe B.V. (TEU)

Charity Activities through Participation in a Marathon

"Team Tsubaki" from Tsubakimoto Europe B.V. (TEU) took part in the world-famous NN Marathon Rotterdam. At TEU, donation amounts are based on the marathon finishing time. On this occasion, donations were made to an organization supporting the participation in sport of people with disabilities. The marathon was a fun charity activity via a company event.



[Germany] Tsubaki Kabelschlepp GmbH (TKG)

Fundraising Activities by Employees

We undertook fundraising activities in order to support the activities of a charitable organization in Olpe, Germany, where management matched the amount of money raised by employee volunteers. This time, the money raised was delivered to a foodbank and two organizations that provide support to children suffering from illness and their families.



Indian Ocean Rim

[India] Mahindra Tsubaki Conveyor Systems Private Limited (MTC)

Joint Indian and Japanese Community Contribution Activities

In the spirit of mutual assistance, corporations and other entities in India are required to donate 2% of their profits to support underprivileged communities and organizations. At Mahindra Tsubaki Conveyor Systems Private Limited (MTC), in partnership with Tsubakimoto Bulk Systems Corp., 20 sets of desks and chairs, cabinets, tables for computers, and colored pencils were donated to a local elementary school.



[Thailand] Tsubakimoto Automotive (Thailand) Co., Ltd. (TAT)

27,253 Mangrove Trees Planted in 11 Years

Tsubaki Automotive (Thailand) Co., Ltd. (TAT) began its mangrove-planting activities in 2008. Every year employees take part on a voluntary basis and, over a period of 11 years, have planted a total of 27,253 trees. This equates to a carbon dioxide reduction of 340.56 tons. These steady and continuous activities contributed to global warming countermeasures. Furthermore, in 2019, we are scheduled to plant 2,700 mangrove trees.





Finance

The Tsubaki Group will maintain the soundness of its financial base while striking a balance between enhancing shareholder returns and strengthening business foundations for further growth.

Enhanced Generating Capabilities of Net Cash Provided by Operating Activities

The Tsubaki Group's cash generation capabilities (net cash provided by operating activities) have been increasing favorably. Specifically, on a fiscal year basis, net cash provided by operating activities averaged ¥14.4 billion during the term of Mid-Term Management Plan 2012 (between the fiscal year ended March 31, 2011, and the fiscal year ended March 31, 2013); ¥19.7 billion in the fiscal year ended March 31, 2014;

¥22.2 billion during the term of Mid-Term Management Plan 2016 (between the fiscal year ended March 31, 2015, and the fiscal year ended March 31, 2017); and an average of ¥25.9 billion in the first two years of Mid-Term Management Plan 2020 (between the fiscal year ended March 31, 2018, and the fiscal year ending March 31, 2021).

Increase in Returns to Shareholders

The Company consolidated common shares at the ratio of five shares to one share on October 1, 2018. After being recalculated based on this share consolidation, the past annual dividends per share have increased for four consecutive years. In the fiscal year ended March 31, 2013, the annual dividend per share was ¥35; in the fiscal year ended March 31, 2014, it was ¥50; in the fiscal year ended March 31, 2015, it was ¥80; in the fiscal year ended March 31, 2016, it was ¥100; and in the fiscal year ended March 31, 2017, it was ¥120 (ordinary dividend of ¥110 and a 100th anniversary commemorative dividend of

¥10). In the fiscal year ended March 31, 2018, the previous fiscal year's commemorative dividend was converted into an ordinary dividend for an annual dividend of ¥120. The annual dividend per share was also ¥120 for the fiscal year ended March 31, 2019. The consolidated dividend payout ratio was 30.8% in the fiscal year ended March 31, 2017, 31.0% in the fiscal year ended March 31, 2018, and 33.0% in the fiscal year ended March 31, 2019, allowing the Company to maintain a consolidated dividend payout ratio at a level of 30% or more for three consecutive years, which it has set as a standard.

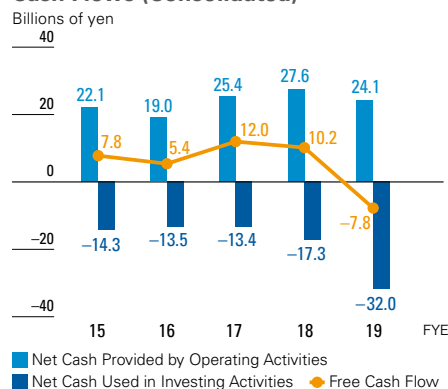
Investing in Business Foundations and Maintaining the Soundness of Our Financial Base

While enhancing shareholder returns, we are increasing investment aimed at strengthening business foundations from a medium- to long-term perspective. In addition to investment in production facilities, we have also implemented activities such as M&A. As a result, the amount of funds (net cash used in investing activities) allocated on an annual basis to investments averaged ¥13.7 billion during the term of Mid-Term Management Plan 2016, increasing to ¥17.3 billion in the fiscal year ended March 31, 2018, and ¥32.0 billion in the fiscal year ended March 31, 2019, during the term of Mid-Term Management Plan 2020.

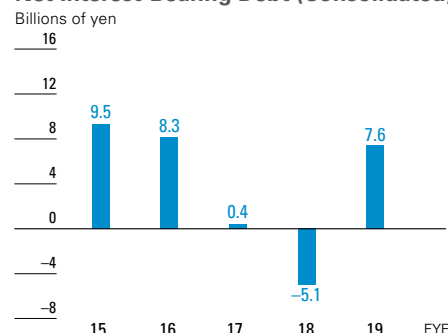
In the fiscal year ended March 31, 2019, in particular, interest-bearing debt at the end of the fiscal year increased due to the impact of implementing a large-scale overseas M&A and other factors. However, D/E ratio (net) was low, at 0.04 times, as we maintained the soundness of our financial base.

The Group is taking steps to maintain the soundness of its financial base while striking a balance between enhancing shareholder returns and strengthening business foundations.

Cash Flows (Consolidated)



Net Interest-Bearing Debt (Consolidated)



Financial and Supplementary Information

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Driving the World...
and the Future

Consolidated Financial and Non-Financial Summary

For the year (Millions of yen)	FYE 2009	FYE 2010	FYE 2011
Net sales	141,517	112,759	138,243
Operating income	9,095	4,737	11,022
Ordinary income	9,328	4,990	11,111
Profit attributable to owners of parent	6,188	3,175	6,093
Capital expenditures	10,041	3,988	5,807
Depreciation and amortization	7,344	7,390	7,544
R&D costs	3,847	3,543	4,144
Net cash provided by operating activities	7,263	14,508	16,293
Net cash used in investing activities	(9,723)	(5,020)	(8,281)
Net cash (used in) provided by financing activities	(3,540)	(373)	(10,578)
Cash and cash equivalents at end of the year	11,269	20,379	17,308
At year-end (Millions of yen)			
Total assets	178,455	182,641	184,206
Shareholders' equity	78,422	80,847	83,413
Interest-bearing debt	37,600	38,910	31,240
Net interest-bearing debt	26,330	18,531	13,931
Indexes			
Operating income margin (%)	6.4	4.2	8.0
ROE*1 (%)	7.7	4.0	7.4
Equity ratio*2 (%)	43.9	44.3	45.3
D/E ratio (net)*3 (Times)	0.31	0.21	0.17
Profit attributable to owners of parent per share*4 (Yen)	33.26	17.07	32.76
Net assets per share*4 (Yen)	421.53	434.59	448.43
Total CO ₂ emissions (t-CO ₂ /year)*5,6	58,944	49,996	55,721
CO ₂ emissions (t-CO ₂) (Per million yen of output)*5,6	0.691	0.748	0.680
Employees*7	5,339	5,271	5,891

Amounts less than one million yen have been truncated.

*1 ROE = Profit attributable to owners of parent ÷ Average shareholders' equity

*2 Equity ratio = Shareholders' equity ÷ Total assets

*3 D/E ratio (net) = Net interest-bearing debt ÷ Shareholders' equity

*4 Consolidated common shares at the ratio of five shares to one share on October 1, 2018.

Profit attributable to owners of parent per share and net assets per share are calculated based on the assumption that the share consolidation was conducted at the beginning of the fiscal year ended March 31, 2018.

*5 The scope of calculation is the Group's 11 major manufacturing bases in Japan

*6 The CO₂ emissions factors for electricity used are the emissions factors of power companies from which electricity was purchased.

*7 Including contracted staff and temporary staff, etc.

TSUBAKIMOTO CHAIN CO. and Consolidated Subsidiaries
Fiscal years from April 1 to March 31

FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
144,896	150,002	178,022	196,738	203,976	198,762	215,716	238,515
12,081	12,579	17,354	21,427	21,570	21,647	20,694	21,789
12,140	12,813	17,993	22,263	22,109	22,004	21,743	21,621
6,814	7,428	10,213	14,153	12,766	14,596	14,666	13,779
9,518	11,833	11,372	10,466	15,677	13,995	18,116	15,765
7,403	7,360	8,745	9,476	10,402	10,342	11,005	12,366
4,231	4,319	4,061	4,048	4,300	4,341	4,495	4,505
11,626	15,350	19,761	22,189	19,090	25,434	27,657	24,197
(10,487)	(18,401)	(17,166)	(14,306)	(13,593)	(13,420)	(17,389)	(32,088)
(5,460)	6,325	(3,196)	(2,647)	(5,476)	(4,084)	(13,191)	12,679
13,916	20,194	21,291	27,360	26,422	34,142	31,712	36,087
191,766	215,837	228,840	258,742	254,106	267,215	283,574	305,916
89,923	102,019	118,433	140,439	142,041	152,473	167,916	173,734
27,405	36,507	36,538	36,907	34,817	34,634	26,581	43,772
13,488	16,312	15,246	9,547	8,394	492	(5,131)	7,685
8.3	8.4	9.7	10.9	10.6	10.9	9.6	9.1
7.9	7.7	9.3	10.9	9.0	9.9	9.2	8.1
46.9	47.3	51.8	54.3	55.9	57.1	59.2	56.8
0.15	0.16	0.13	0.07	0.06	0.00	(0.03)	0.04
36.60	39.69	54.58	75.65	68.24	78.03	387.44	364.03
480.46	545.14	632.94	750.63	759.27	815.10	4,435.96	4,590.06
68,730	72,529	74,849	76,082	74,933	74,106	71,353	68,707
0.795	0.868	0.892	0.840	0.817	0.821	0.747	0.718
6,160	6,792	7,068	7,398	7,579	7,886	8,358	8,818

Report and Analysis of Consolidated Financial Condition

Review of Management Performance

Key Points

1. Net sales increased 10.6% year on year, marking a new record high
2. Operating income achieved a record high despite an increase in depreciation and amortization and expenses related to M&A
3. Revised the fair value of the intangible assets of an acquired subsidiary and posted an impairment loss

Net Sales and Operating Income

In the fiscal year ended March 31, 2019, although the United States economy continued its generally strong recovery, there were increasing signs of a slowdown in China's economy, which had previously continued high levels of growth. Meanwhile, the real GDPs of Europe and Japan were approximately 1%, a low rate of growth. There was an increase in factors of uncertainty, such as the intensifying of trade disputes between the U.S. and China and the United Kingdom's withdrawal from the European Union. As a result, a sense of unease over the outlook for the world economy heightened, particularly in the second half of the fiscal year.

Amid these conditions, the Tsubaki Group's net sales increased 10.6% year on year, to ¥238,515 million, and operating income increased 5.3% year on year, to ¥21,789 million, both of which were record highs. Although the operating income margin decreased from 9.6% in the fiscal year ended March 31, 2018, to 9.1% in the fiscal year ended March 31, 2019, this was the result of (1) a year-on-year increase in depreciation and amortization of ¥1,360 million due to proactive capital investments and (2) the impact of costs arising from the acquisition of materials handling systems integrator, Central Conveyor Company, LLC, of the U.S., and its five subsidiaries (CCC, collectively).

Profit Attributable to Owners of Parent

Profit attributable to owners of parent declined 6.0% year on year, to ¥13,779 million. Despite a year-on-year increase in operating income, profit attributable to owners of parent declined for the fiscal year ended March 31, 2019, primarily because impairment losses of ¥2,123 million in respect of the aforementioned CCC acquisition were recorded as extraordinary loss. This was attributable to a sharp decrease in capital investments in CCC's principal target market of the U.S. automotive industry and other factors. As a result, as we fell below the financial balance plan anticipated at the time of the acquisition of CCC, an impairment loss was recorded for the goodwill incurred at the time of the acquisition and intangible assets to which a portion of the acquisition price had been allocated.

Trends by Business Segment

In Chain Operations, net sales increased 7.0% year on year, while operating income was up 21.0%.

Operating income margin was 14.3%, its highest level since the start of statistical disclosure based on the current business segment structure. This was due to brisk sales of high-value-added products in Japan and overseas, centered on drive chains featuring heightened performance and quality, and significantly increased productivity as a result of manufacturing innovation activities at the Kyotanabe Plant.

In Power Transmission Units and Components Operations, net sales increased 5.9% year on year, while operating income increased 9.2%.

In addition to favorable sales of clutches and reducers in Japan, our reducer manufacturing company in China and manufacturer of clutches for motorcycles in Thailand performed strongly. As well as the benefits of these higher sales, cost reduction benefits in Japan led to the operating income margin rising from 12.7% in the fiscal year ended March 31, 2018, to 13.1% in the fiscal year ended March 31, 2019.

In Automotive Parts Operations, net sales decreased 0.7% year on year, while operating income declined 14.9%.

Net sales declined due to lower automotive production in China, and an increase in production of large vehicles such as SUVs and pickup trucks in the U.S., rather than in sedan-type automobiles, for which the Company's products have a high adoption rate. Moreover, on the cost front, operating income margin declined from 12.9% in the fiscal year ended March 31, 2018, to 11.1% in the fiscal year ended March 31, 2019, as a result of increases in depreciation and amortization and factory construction costs.

In Materials Handling Systems Operations, net sales jumped 39.9% year on year, while operating income declined 3.3%.

Net sales increased significantly thanks to robust sales of products for the automotive and distribution industries in Japan, and the acquisition of CCC also contributed to the increase. However, in terms of profit performance, a decline in income was recorded due to factors such as an increase in the acquisition cost of CCC and the deterioration in their performance.

and Results of Operations for the FYE 2019

Review of Financial Condition

Key Points

1. Assets increased, reflecting steadily increasing net sales and proactive capital investment and M&A
2. With the D/E ratio (net) at 0.04 times, the soundness of the Group's financial base was maintained, despite an increase in interest-bearing debt as a result of factors such as M&A

Assets

Assets on March 31, 2019, stood at ¥305,916 million, up ¥22,341 million from the previous fiscal year-end. This increase mainly stemmed from a ¥4,135 million increase in trade notes and accounts receivable and a ¥4,057 million increase in cash and deposits that accompanied steadily increasing net sales, a ¥3,660 million increase in property, plant and equipment which reflected proactive capital investment, and a ¥9,818 million increase in intangible assets due to such factors as the acquisition of the aforementioned CCC.

Liabilities

Liabilities on March 31, 2019 stood at ¥130,461 million, up ¥16,652 million from the previous fiscal year-end, stemming from a ¥15,000 million increase in bonds due to such factors as the use of funds to acquire CCC.

Net Assets

Net assets totaled ¥175,454 million on March 31, 2019, up ¥5,689 million from the previous fiscal year-end, due to such factors as an increase of ¥9,047 million in retained earnings in light of robust business performance, which offset a decrease of ¥2,343 million in net unrealized holding gain on securities, resulting from a decline in the market value of securities held by the Company.

Equity Ratio and D/E Ratio (Net)

As a result of the above, the equity ratio on March 31, 2019 was 56.8%, down 2.4 percentage points from the previous fiscal year-end. Meanwhile, the D/E ratio (net) maintained a low level of 0.04 times on March 31, 2019, despite rising from minus 0.03 times at the previous fiscal year-end, as a result of an increase in interest-bearing debt accompanying the aforementioned acquisition.

Performance by Business Segment

		(Millions of yen)	
		FYE 2018	FYE 2019
Chain Operations	Net sales*1	67,338	72,023
	Operating income	8,502	10,292
	Operating income margin	12.6%	14.3%
Power Transmission Units and Components Operations	Net sales*1	24,156	25,591
	Operating income	3,060	3,340
	Operating income margin	12.7%	13.1%
Automotive Parts Operations	Net sales*1	79,545	78,992
	Operating income	10,258	8,734
	Operating income margin	12.9%	11.1%
Materials Handling Systems Operations	Net sales*1	44,187	61,827
	Operating income	416	402
	Operating income margin	0.9%	0.7%
Others*2	Net sales*1	3,331	3,548
	Operating income	(41)	(43)
	Operating income margin	—	—

*1 Net sales includes intersegment sales and transfers.

*2 "Others" is not a reported segment.

Performance by Geographic Segment

		(Millions of yen)	
		FYE 2018	FYE 2019
Japan	Net sales*3	125,380	127,439
	Operating income	12,231	12,702
	Operating income margin	9.8%	10.0%
Americas	Net sales*3	52,862	67,462
	Operating income	3,034	2,664
	Operating income margin	5.7%	3.9%
Europe	Net sales*3	25,620	27,779
	Operating income	176	187
	Operating income margin	0.7%	0.7%
Indian Ocean Rim	Net sales*3	14,850	17,488
	Operating income	2,138	2,837
	Operating income margin	14.4%	16.2%
China	Net sales*3	22,251	22,946
	Operating income	864	1,175
	Operating income margin	3.9%	5.1%
South Korea and Taiwan	Net sales*3	9,684	9,440
	Operating income	471	314
	Operating income margin	4.9%	3.3%

*3 Net sales includes intersegment sales and transfers.

Principal Tsubaki Group Companies (As of July 31, 2019)



Japan

Tsubakimoto Custom Chain Co.
 Tsubakimoto Sprocket Co.
 Tsubaki Yamakyu Chain Co.
 Tsubakimoto Iron Casting Co.
 Tsubakimoto Machinery Co.
 Tsubakimoto Bulk Systems Corp.
 Tsubakimoto Mayfran Inc.
 Tsubaki Support Center Co.

6 other companies

Americas

U.S. Tsubaki Holdings, Inc.
 U.S. Tsubaki Power Transmission, LLC
 U.S. Tsubaki Automotive, LLC
 Tsubaki Kabelschlepp America, Inc.
 Tsubaki Brasil Equipamentos Industriais Ltda.
 Central Conveyor Company, LLC
 Central Process Engineering, LLC
 Electrical Insights, LLC
 KCI, Incorporated
 Tsubaki of Canada Limited
 Mayfran International, Incorporated
 Conergics International LLC
 Press Room Techniques Co.
 Tsubakimoto Automotive Mexico S.A. de C.V.

2 other companies

Europe

Tsubakimoto Europe B.V.
 Tsubakimoto UK Ltd.
 Tsubaki Deutschland GmbH
 Tsubaki Automotive Czech Republic s.r.o.
 Tsubaki Iberica Power Transmission, S.L.
 Tsubaki Kabelschlepp GmbH
 Kabelschlepp GmbH - Hünsborn
 Kabelschlepp Italia S.R.L.
 Metool Products Limited
 Kabelschlepp France S.A.R.L.
 Kabelschlepp Systemtechnik spol. s.r.o.
 OOO Tsubaki Kabelschlepp

Schmidberger GmbH
 Mayfran U.K. Limited
 Mayfran GmbH
 Mayfran Limburg B.V.
 Mayfran International B.V.
 Mayfran France S.A.R.L.
 Mayfran CZ s.r.o.

1 other company

Indian Ocean Rim

Tsubakimoto Singapore Pte. Ltd.
 PT.Tsubaki Indonesia Manufacturing
 PT.Tsubaki Indonesia Trading
 Tsubaki Power Transmission (Malaysia) Sdn. Bhd.
 Tsubakimoto (Thailand) Co., Ltd.
 Tsubaki India Power Transmission Private Limited
 Tsubakimoto Vietnam Co., Ltd.
 Tsubakimoto Philippines Corporation
 Tsubaki Australia Pty. Limited
 Tsubakimoto Automotive (Thailand) Co., Ltd.
 Tsubaki Motion Control (Thailand) Co., Ltd.
 Kabelschlepp India Private Limited

2 other companies

China

Tsubakimoto Chain (Shanghai) Co., Ltd.
 Tsubaki Motion Control (Shanghai) Co., Ltd.
 Tsubakimoto Automotive (Shanghai) Co., Ltd.
 Tsubaki Everbest Gear (Tianjin) Co., Ltd.
 Tsubakimoto Chain (Tianjin) Co., Ltd.
 Tsubakimoto Bulk Systems (Shanghai) Corp.
 Kabelschlepp China Co., Ltd.
 Tianjin Tsubakimoto Conveyor Systems Co., Ltd.
 Tsubakimoto Mayfran Conveyor (Shanghai) Co., Ltd.
 Tsubaki CAPT Power Transmission (Shijiazhuang) Co., Ltd.

3 other companies

South Korea and Taiwan

Taiwan Tsubakimoto Co.
 Tsubakimoto Automotive Korea Co., Ltd.
 Tsubakimoto Korea Co., Ltd.

Corporate Data and Stock Information (As of March 31, 2019)

Corporate Data

Company Name	Tsubakimoto Chain Co.	Number of Consolidated Subsidiaries	64
Date of Foundation	December 1917	Number of Unconsolidated Subsidiaries	7
Date of Incorporation	January 31, 1941	Number of Affiliates	9 (including 1 equity-method affiliate)
Paid-in Capital	¥17,076 million	Number of Employees* ¹	8,818
Headquarters	3-3-3, Nakanoshima, Kita-ku, Osaka 530-0005, Japan	Manufacturing facilities	Kyotanabe, Saitama, Nagaokakyo, Hyogo, Okayama
Phone	+81 (6) 6441-0011 (Reception)		
Fiscal Year-End	March 31		

*1 Including contracted staff and temporary staff, etc.

Stock Information

Shareholder Register	Sumitomo Mitsui Trust Bank, Limited
Stock Listing	Tokyo
Common Stock* ²	
Authorized:	59,800,000 shares
Issued:	38,281,393 shares
Number of Shareholders	9,007

*2 Consolidated common shares at the ratio of five shares to one share on October 1, 2018.

Major Shareholders (Top 10 Companies)

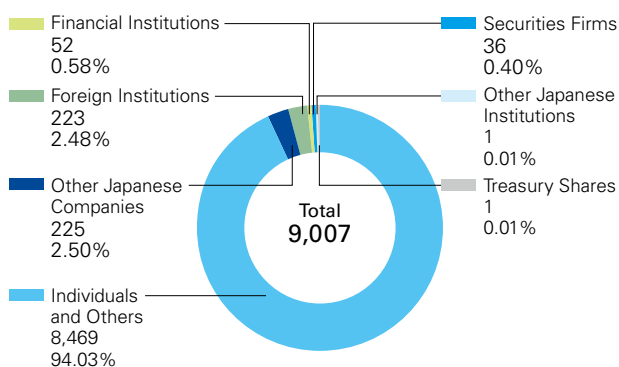
Name	Number of Shares Held (Thousands)	Percentage of Total Shares Issued (%)
Taiyo Life Insurance Company	3,559	9.40
The Master Trust Bank of Japan, Ltd. (Trust account)	2,196	5.80
Nippon Life Insurance Company	1,970	5.20
Toyota Motor Corporation	1,544	4.08
Sumitomo Mitsui Banking Corporation	1,406	3.71
Japan Trustee Services Bank, Ltd. (Trust account)	1,351	3.57
Kyoeikai Members Stock Ownership Association	1,342	3.54
SSBTC Client Omnibus Account	1,229	3.24
Tsubakimoto Kogyo Co., Ltd.	1,058	2.79
Sumitomo Mitsui Trust Bank, Limited	849	2.24

1. Numbers less than 1,000 have been rounded down.

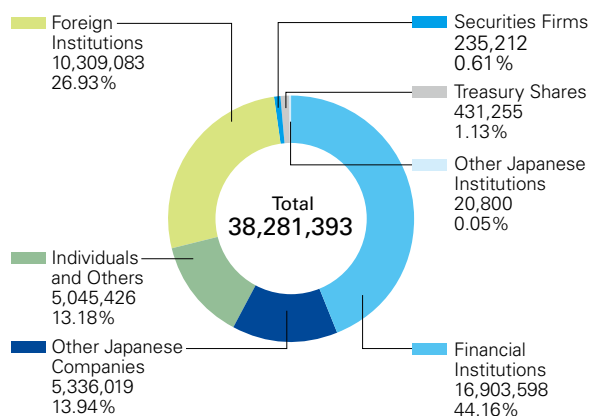
2. Percentage of total shares issued has been calculated excluding the treasury stock of 431,255 shares.

Shareholder Composition

Number of Shareholders



Number of Shares Held



Contact for Inquires with Regard to the TSUBAKI REPORT

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