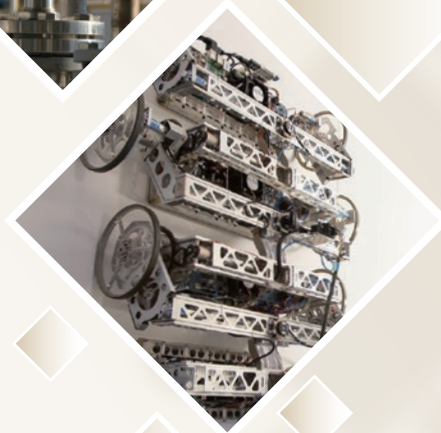


Sustainability
Report

2021





Management Philosophy

It is the mission of our Company and our Group to contribute to society, with a focus on our business of leveraging electronics and other advanced technology to create products that embody functions of human senses: measurement, cognition, and control.

1. Continually hone our technology to develop products that lead the world.
2. Anticipate changes in the market and create new value.
3. Prioritize quality in our products and earn the trust of customers.
4. Develop human resources who improve their abilities and their character to contribute to fulfilling our mission.
5. Engage in sound and fair corporate activities in line with social norms.
6. Protect the environment and work to conserve limited resources.
7. Increase our overall corporate value and meet the expectations of our stakeholders.

Company profile (as of Thursday, September 30, 2021)

Trade name:	Tokyo Keiki Kabushiki-gaisha
Company name in English:	TOKYO KEIKI INC.
Founded:	May 1, 1896
Established:	December 21, 1948
Paid-in capital:	¥7,217,597,300
Employees:	1,319 (Consolidated: 1,709)

Editorial policy

We issue this report for the purpose of providing easily understood information on sustainability at TOKYO KEIKI to stakeholders including customers, business partners, shareholders, investors, local communities, and employees. Our goal is to make this report a useful tool for communication with our stakeholders.

Period covered

Fiscal 2020 (April 2020 to March 2021)

Some data and information on activities from April 2021 are also included.

Scope of coverage

Financial information:

TOKYO KEIKI INC. and its domestic and overseas consolidated subsidiaries

Non-financial information:

TOKYO KEIKI INC.
TOKYO KEIKI AVIATION INC.
TOKYO KEIKI POWER SYSTEMS INC.
TOKYO KEIKI RAIL TECHNO INC.
MOCOS JAPAN CO., LTD.
TOKYO KEIKI PRECISION TECHNOLOGY CO., LTD.

Referenced guidelines

GRI Standards

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Message from the President

With the world at the mercy of COVID-19 in fiscal 2020, our Company was forced to restrict its activities in many scenarios, making the year one that tested our patience with the inability to move forward with plans. Looking at our operating results, net sales declined 11.3% year on year to ¥42.08 billion, operating profit declined 33.3% to ¥1.25 billion, ordinary profit declined 27.5% to ¥1.46 billion, and profit attributable to owners of parent declined by 33.7% to ¥950 million.

Major changes are taking place in circumstances surrounding our Group. In response to the global heightening of environmental awareness spurred by climate change and the biodiversity crisis, the achievement of a carbon-neutral society has become an urgent issue. The government of Japan has declared its aim to realize such a society by cutting greenhouse gas emissions to virtually zero by 2050. As a company existing in this age, we recognize our natural responsibility to act with consideration of the sustainability of society and the planet by making efforts not only in the environmental field but also in matters such as gender equality and achieving a just society. We further recognize that companies unable to respond

to change will necessarily disappear. Another pressing issue for us is adapting to the scheduled spring 2022 market restructuring of the Tokyo Stock Exchange, which will set up a Prime Market with stricter listing standards.

Continuing as a company needed by society

In May 2021, we celebrated the 125th anniversary of our founding. Long before the terms “SDGs” and “ESG” came into being, we have engaged in business with a mission of creating a safe and secure society and under a principle of solving issues in society. We were the first company in Japan to tackle many of our fields of business, and we have created products that boast top spots within their business niches. We were also early to undertake improvement of the work environment and employee welfare, during a history that includes the establishment of Japan’s first health insurance association. These achievements have come down to us today as the DNA of TOKYO KEIKI, which strives to solve social issues while also advancing our business. Now, at this major turning point in our history, we hope to return anew to our origin and connect it to the development of our business.

A growth strategy that starts with sustainability

By continuing to grow sustainably through the dual activities of contributing to protection of the global environment and solving social issues to ensure people's safety and security, we seek to continue as a company that is needed by society. With this determination in mind, in June 2021 we launched TOKYO KEIKI Vision 2030 with the aim of achieving sustainable growth and improvement of our medium- to long-term corporate value through the creation of global niche-leading businesses from the approach of the SDGs.

TOKYO KEIKI Vision 2030 is our declaration of intent to make a sharp turn toward growth rooted in sustainability and ESG initiatives. To achieve this, we identified the management issues faced by our Group and the social issues toward which our Company can make contributions. We further clarified five business domains that we should strengthen, key points for deepening our existing businesses, and issues related to human resource development and organizational reform, among other matters. Based on our vision, we seek to grow as a company that once again takes on the challenge of leading the resolution of social issues.

As a part of our internal reforms aimed at this, we created two new organizations: the Future Design Unit that aims for bottom-up innovation, and the Sustainability Office that seeks to promote ESG- and SDG-related activities across the company. To supervise the Sustainability Promotion Office, we also established a Sustainability Committee, of which I serve as Chairman. Under this new structure, we intend to draw out innovation from the standpoint of sustainability and connect this to growth strategies.

Medium-term Business Plan

Spanning three years from fiscal 2021, our Medium-term Business Plan has the primary goal of strengthening foundations and solidifying fundamentals based on our medium- to long-term strategy, to achieve the ten-year goals set in TOKYO KEIKI Vision 2030. The three-year period also marks a phase of identification, incorporation, and development of the growth drivers that will support our future.



Our basic policy is to continue creating unique, high-value-added products aimed at solving the social issues addressed by the SDGs. By growing profits through contributions to safety and the environment and by achieving sustainable growth and enhancing our medium- to long-term corporate value, we intend to meet the demands and expectations of our stakeholders. To achieve this, we plan to move forward with initiatives based on three basic policies: (1) Expansion of our business domains, (2) Promotion of globalization, and (3) Continuous strengthening of our existing businesses.

We applied for a transition to the Tokyo Stock Exchange's Prime Market in the spring of 2022, and have made it our mission to prepare a commensurate level of governance and to continuously enhance our corporate value. At the same time, the number of issues that our Group must solve, such as the creation of a sustainable society and the advance of a digital society, is increasing. While linking these to each other, we will continue our efforts toward becoming a company that grows sustainably.

I ask all of our stakeholders for their continued guidance and support.

Representative Director
President & CEO

Message from the Chief Sustainability Promotion Officer



Since our founding and long before the word “sustainability” became recognized, our Group has made contributions to society by providing products and services that solve issues in Japan’s social infrastructure.

While we acknowledge that this historical background makes us a company that is highly attuned to the sustainability concept of connecting company growth with contribution to solving environmental and social issues, our launch of sustainability organizations took place in June 2021. As such, we have just begun corporate management with awareness rooted in the context of sustainability.

With my appointment as the person in charge of promoting sustainability, I recognize my mission as reorganizing our conventional business from the modern perspective of sustainability management and connecting this to the future vision indicated in TOKYO KEIKI Vision 2030, to lay a foundation for our next 100 years of development.

Recent years have seen active movement around the world involving sustainability, including the expansion of ESG-related investment and the European Green Deal set of policy initiatives. In order for our Group to continue as a sustainable company listed on the Tokyo Stock Exchange Prime Market and to remain a company that will long be needed by society, I believe it is imperative that we not only demonstrate superiority in our conventional products and services and in our financial base, but also

continuously add new ability to create corporate value that solves environmental problems and social issues.

To sustainably add this new value, all of our employees must hold a strong sense of responsibility that seeks to contribute to society through the business activities they are involved in. Transforming the Group as a whole into a collection of employees that hold this mindset is also one of the roles assigned to the person in charge of sustainability promotion.

We will organize our in-house structure and examine diverse sustainability initiatives, including the earlier-mentioned enhancement of corporate value in a manner considerate of the environment and society, actions aimed at carbon neutrality and TCFD recommendations, and promotion of diversity and inclusion, and will press forward to demonstrate concrete initiatives.

Executive Officer, Chief of Sustainability Promotion

Yukihiro Suzuki

Company History

Begins manufacture of navigational instruments such as compasses and depth sounders



Compass installed in bridge of the flagship "Mikasa"

Successfully develops Japan's first marine radar system



MK-II Mod.0 Radar Display

Begins manufacture of Sperry gyrocompasses

Head Office moves to Kamata, Tokyo



Successfully develops the world's first ultrasonic flowmeter and moves into the field of flow measurement



UF-100 Ultrasonic Flowmeter

Establishes NEW TOKYO KEIKI (now TOKYO KEIKI Yaita Plant) for mass production of electronic and measurement products



Develops radar warning system used in the F-4EJ fighter plane

Celebrates 100 years of operations

Establishes Maritime Traffic Department in the Electronics Systems Division



Restores the "TOKYO KEIKI" corporate name

Establishes Chinese subsidiary TOKYO KEIKI (SHANGHAI) CO., LTD.

Introduces company-based organizational structure

Changes corporate governance system to have an Audit and Supervisory Committee

1896 ● Begins production of pressure gauges in Koishikawa, Tokyo as Wada Keiki Seisakusho, Japan's first instrument factory



1901 ●
1917 ● Company reorganized as TOKYO KEIKI CO., LTD.
● Optical instruments business spun off and established as Nippon Kogaku K.K. (now Nikon) with Mitsubishi joint-stock company

1918 ●
1923 ● Begins development of aeronautic instruments

Company name changed to TOKYO KEIKI SEIZOSHO

1948 ● 株式会社 東京計器製造所
TOKYO KEIKI



Flight Compass

1952 ●
1954 ● Begins manufacture of hydraulic equipment

1962 ● Develops a rail inspection car using ultrasonic flaw detection technology



1968 ● Establishes TOKYO VICKERS CO., LTD. (now TOKYO KEIKI Sano Plant) for mass production of hydraulic equipment

1969 ●
1970 ● Company name changed to TOKYO KEIKI CO., LTD.



1971 ●
1973 ● Establishes DAICHI TOKYO KEIKI CO., LTD. (now TOKYO KEIKI Nasu Plant) as a specialized factory for the manufacture of aerospace and terrestrial electronic products

1990 ● Company name changed to TOKIMEC, INC.



1999 ● MRG-10 microwave level gauge goes on sale



2005 ●
2008 ●
2011 ● Establishes TOKYO KEIKI PRECISION TECHNOLOGY CO., LTD. in Vietnam as a base for hydraulic equipment manufacturing

2012 ●

2013 ●
2016 ●
2021 ● Celebrates 125 years of operations



Our Businesses

Marine Systems Business

Supporting safe and secure ocean navigation through cutting-edge gyrocompass technology and marine autopilot technology

- As the nautical equipment pioneer and the first manufacturer of marine radar, gyrocompasses, and autopilots in Japan, we offer a lineup of nautical equipment necessary for piloting. We supply these products around the world.
- As a top manufacturer of marine gyrocompasses and marine autopilots, we also participate in unmanned vessel development projects.

Marine Systems Company

MOCOS JAPAN



Autopilot



Electronic Chart Display and Information System

Hydraulics and Pneumatics Business

Supporting manufacturing and infrastructure development on the ground

- We provide hydraulic, pneumatic, and electronic products that feature excellent energy efficiency and operability, mainly in the industrial machinery and construction equipment markets. We support the creation of societal infrastructure.
- We contribute to the proliferation of next-generation energy through our hydrogen compression system.

Fluid Power & Control Systems Company

TOKYO KEIKI POWER SYSTEMS INC.

TOKYO KEIKI PRECISION TECHNOLOGY



High-pressure, low-noise, variable-displacement piston pump



Display for construction machinery



Hydraulic hydrogen compressors for hydrogen filling stations

Fluid Measurement Equipment Business

Measurement Systems Company

Supporting the management of water resources and prevention of river disasters through accurate measurement technology

- We achieved the world's first practical application of ultrasonic flowmeters. We contribute to the effective use of valuable water resources through flow rate monitoring of water and sewerage systems and of agricultural water.
- Our microwave level gauge-based water level monitoring system aids in prevention and mitigation of river flooding and urban flooding.



High-precision ultrasonic flowmeter



Microwave level gauge

Supporting safe living through gas-based fire extinguishing systems

- Ever since we became the first in Japan to develop inert gas-based fire extinguishing systems, we have protected valuable assets from fires at facilities not suited to water- and foam-based fire extinguishing.



Gas-based fire extinguishing systems

Defense & Communications Equipment Business

Electronics Systems Company

Communication & Control Systems Company

TOKYO KEIKI AVIATION INC.

Supporting society through proprietary microwave application technology and inertial sensor technology

- We develop and provide aircraft electronic equipment and submarine inertial navigation systems for the defense market.
- We provide a vessel traffic service system that handles vessel traffic control in congested sea lanes, including in Tokyo Bay and Osaka Bay.
- Our high-performance microwave application products contribute to the miniaturization of semiconductors and to space projects.
- We support smart agriculture through inertial sensors and control technology.
- We provide attitude control systems that bring together our core technologies, including gyrosensors, accelerometers, and magnetic azimuth sensors, for helicopters, media relay vehicles, and more.



Aircraft radar warning receivers



Vessel traffic service system



Solid state microwave power supply



Automated straight-line assistance device for agricultural vehicles



Antenna directioning system

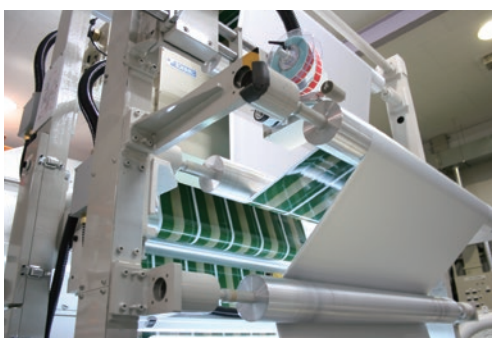
Other Businesses

Inspection Systems Company

TOKYO KEIKI RAIL TECHNO INC.

Our Printing Inspection Equipment business contributes to maintaining quality in printing

- Our high-precision image processing technology detects printing troubles, contributing to improved quality in printed matter.



Printing quality inspection system

Our Railway Maintenance business supports safe transport on railways

- We support railway maintenance work through rail inspection cars and rail flaw detectors. Our products are used by over 70% of Japan's railway companies.

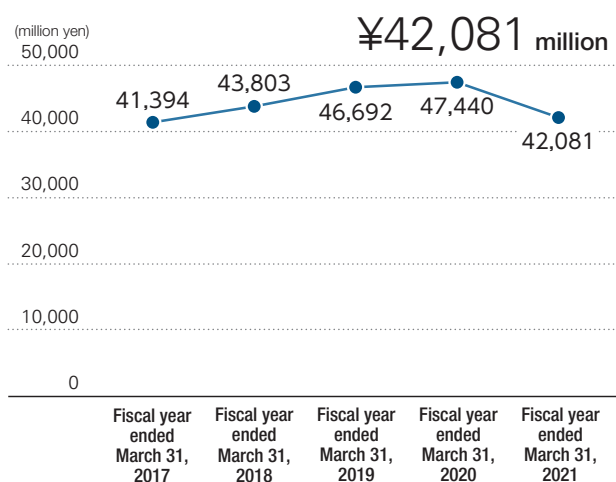


Rail inspection car

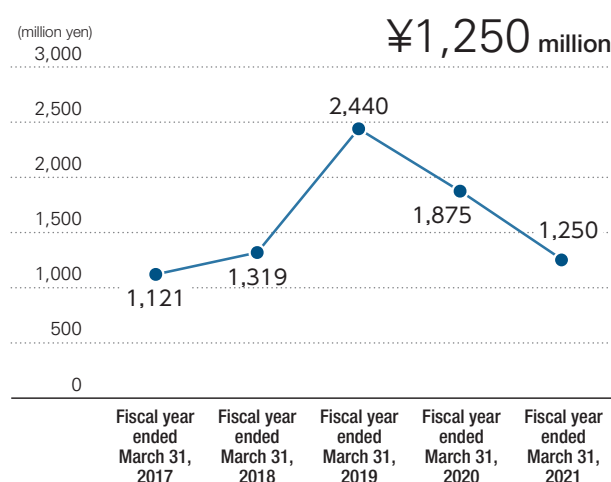
Financial and Non-Financial Highlights

Financial information

Changes in consolidated net sales

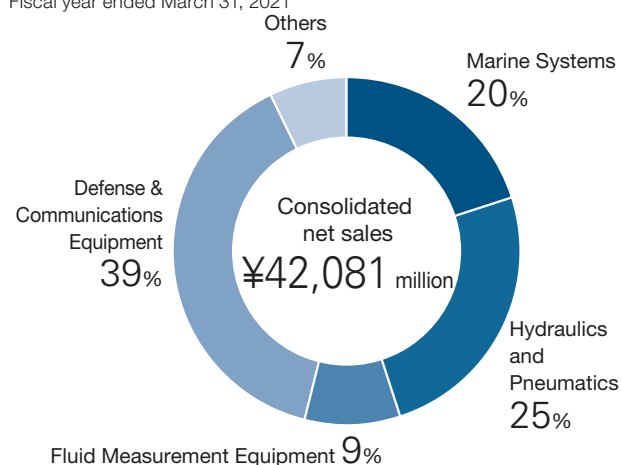


Changes in consolidated operating profit



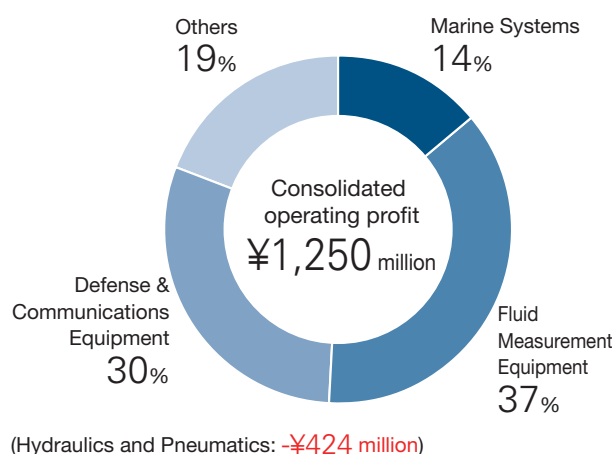
Consolidated net sales segment ratios

Fiscal year ended March 31, 2021

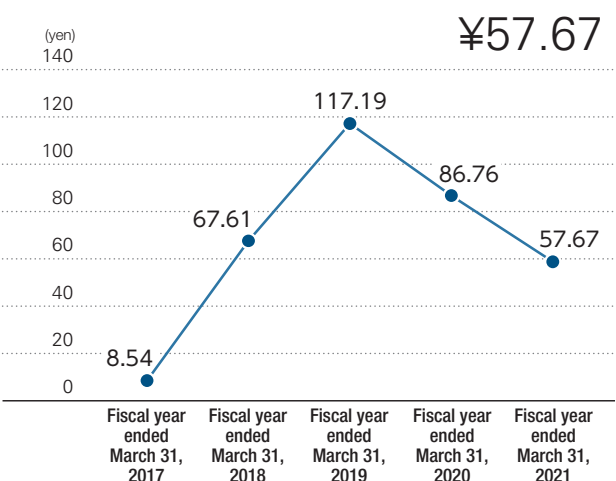


Consolidated operating profit segment ratios

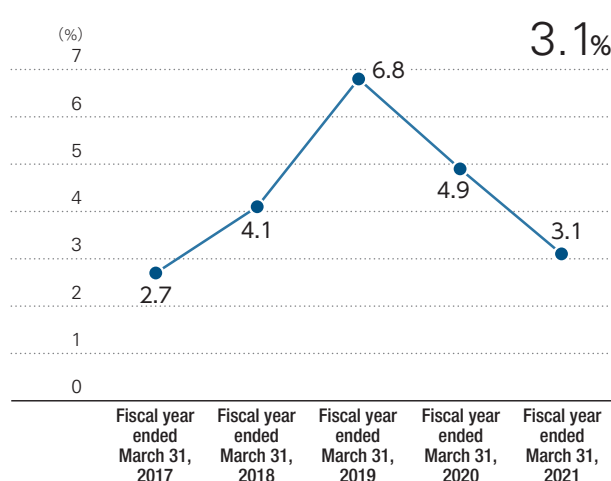
Fiscal year ended March 31, 2021



Changes in earnings per share



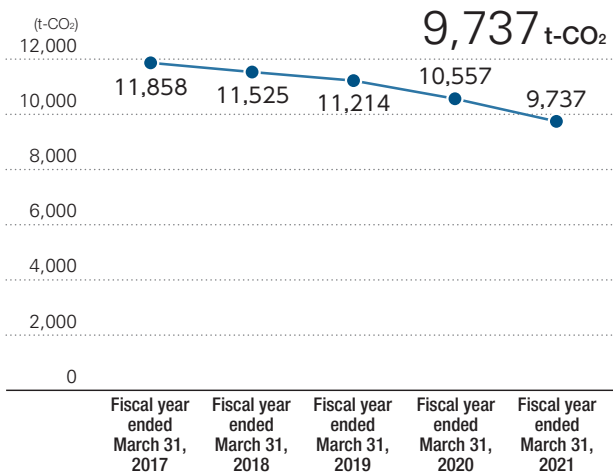
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Non-financial information

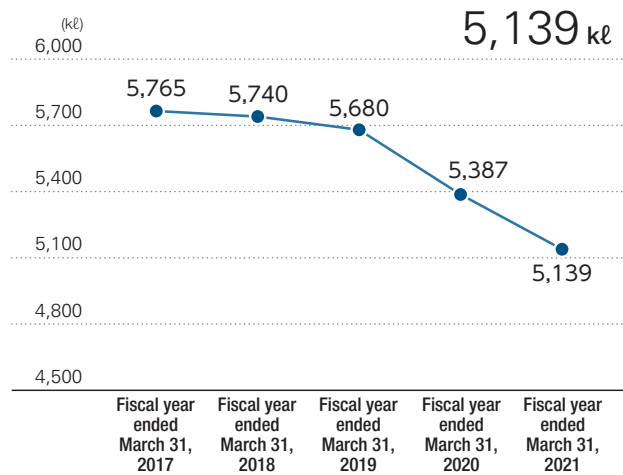
Carbon dioxide emissions

Note: Data is aggregated for the Head Office, Nasu Plant, Sano Plant, Yaita Plant, Tanuma Plant, Hanno Plant, and TOKYO KEIKI PRECISION TECHNOLOGY (Vietnam)

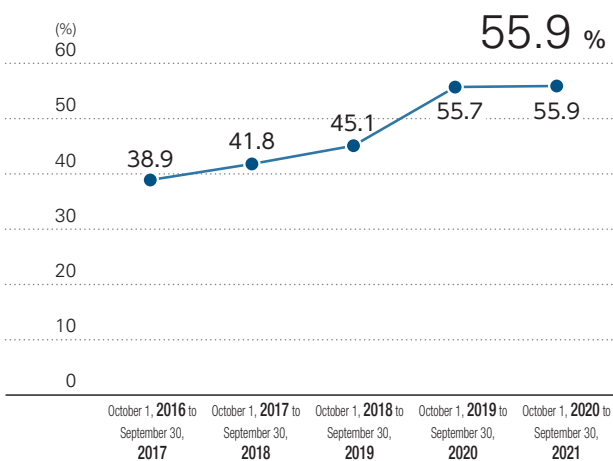


Energy usage (crude oil equivalent)

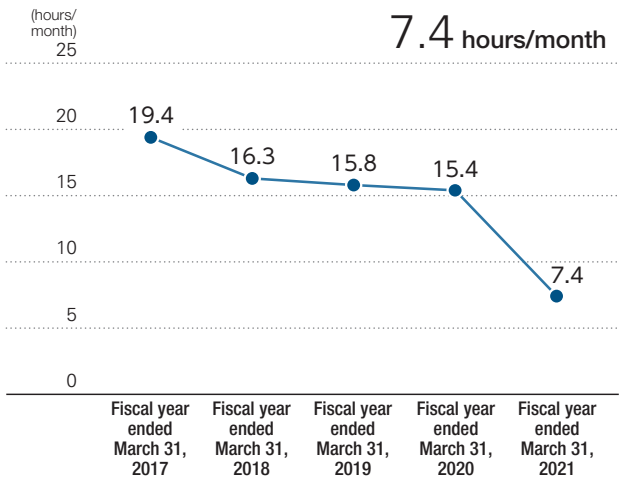
Note: Data is aggregated for the Head Office, Nasu Plant, Sano Plant, Yaita Plant, Tanuma Plant, Hanno Plant, and TOKYO KEIKI PRECISION TECHNOLOGY (Vietnam)



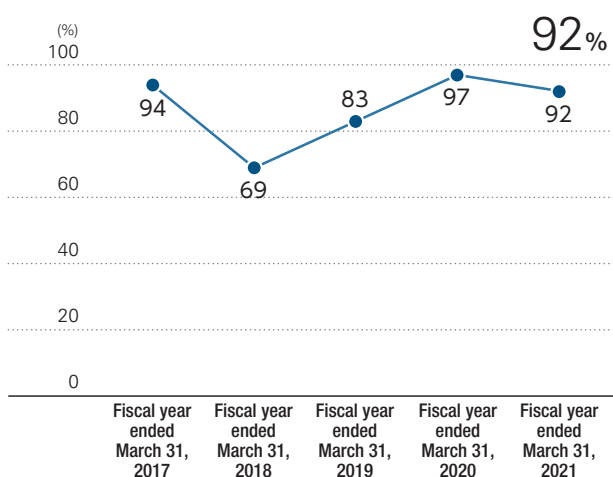
Annual leave utilization ratio



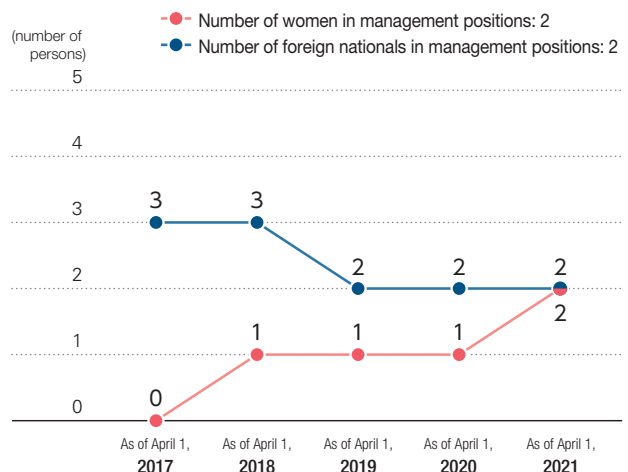
Average overtime hours



Reemployment rate for employees past retirement age



Women/foreign nationals in management positions



Microwave Level Gauges Active in the Field of National Disaster Readiness

Since our founding, our Group has engaged in business under a mission of creating a safe and secure society and a philosophy of solving issues in society. The DNA of TOKYO KEIKI, which tackles solutions to social issues as a pioneer, lives on in the field of national disaster readiness. The following is an introduction to an application employing microwave level gauges, which have attracted particular attention in recent years.

The history of our Group's microwave level gauges

From around 1955, our Company entered the field of process control systems with a focus on petrochemicals. We began developing markets in the automation field in partnership with overseas companies, centered on the “microsen” electronic process control device. In the process of doing so, we developed and sold capacitance-type and ultrasonic-type level gauges. In 1974, ahead of competitors, we began joint development of microwave level gauges with the University of Electro-Communications. We subsequently strengthened our microwave level gauge business through a domestic exclusive sales agreement for high-precision marine microwave level gauges developed by SAAB Marine Electronics (SME), a division of Swedish company SAAB. In 1993, we expanded our business domains, including supplying SME with our microwave transmitter/receiver modules. We currently offer a varied lineup of microwave level gauges developed in-house, along with microwave level gauges for ships (manufactured by Rosemount Tank

Radar, originally SME).

A microwave level gauge is a measuring instrument that calculates liquid level from the time required for microwaves transmitted from the device and reflected from the measured liquid level to return to the instrument. Ultrasonic-type devices based on the same principle also exist, but as ultrasonic waves are sound waves, these devices face problems including an inability to accurately measure propagation time when, for example, the speed of sound changes due to change in the temperature of the space between the device and the measured surface. Accurately measuring and correcting temperature distribution along the propagation path is particularly difficult outdoors, and wind and rain can also affect measurement. Microwaves, by contrast, are electromagnetic waves (i.e., light) and are nearly unaffected by these factors. Accordingly, microwave level gauges have found wide use in many fields in recent years.

Tide level and tsunami observation facilities, and crisis management water gauges

Surrounded by the sea, Japan constantly faces the risk of disasters caused by major earthquakes and tsunamis. In response, the Japan Meteorological Agency has set up tide level and tsunami observation facilities around Japan to monitor the coast. Our microwave level gauges are active in the facilities as measuring equipment used for observation and measurement of tide levels.

Recent years have seen many natural disasters attributed to climate change caused by global warming. If global warming further progresses and the atmospheric temperature rises by 2°C, predicted changes related to climate change include precipitation in Japan increasing to about 1.1 times the current level and the probability of

flooding roughly doubling. Due to the climate change-related increase in heavy rainfalls, the number of rivers in which water has exceeded the flood hazard level (i.e., the water level at which overflowing may occur) is on the rise.

Under these conditions, the importance of river water level gauges is growing day by day. At the same time, the high cost of conventional water level gauges has made installation and maintenance costs an issue for widespread use along small- and medium-sized rivers. To solve these problems, the Ministry of Land, Infrastructure, Transport and Tourism has taken the lead in developing low-cost water level gauges (with a cost of under 1 million yen for the gauge unit) specialized

in water level observation during floods. Our new crisis management water gauge seeks to promote the proliferation of water level gauges in rivers previously lacking these and rivers requiring detailed water level assessment at the level of riverside land, thereby

enhancing the water level monitoring network.

Pressure-type, ultrasonic-type, microwave-type, and other sensors exist for these water level gauges. Our Group provides high-performance microwave level gauges.

The TOKYO KEIKI Group's microwave level gauges for crisis management-oriented and disaster readiness monitoring water level gauges

MD-10 microwave level gauge for crisis management water gauges

Our MD-10 microwave level gauge is a microwave water level gauge widely adopted for crisis management by the Ministry of Land, Infrastructure, Transport and Tourism, with a record of delivery of about 2,500 units so far. Developed by leveraging our technology and know-how gained through extensive experience and achievements in the field of river water level measurement, the MD-10 achieves accurate and stable water level observation even during floods.



MD-10 microwave level gauge for crisis management water gauges

RPL-10 flood control level gauge

The frequent occurrence of localized heavy rains in recent years has increased the risk of inland flooding in which water flows in reverse out of drainage manholes, creating a need for water level monitoring inside manholes. Our RPL-10 flood control level gauge was developed to meet this new need for monitoring the water level of inland inundation. It combines the merits of a microwave level gauge and a pressure-type level gauge to reliably measure water levels in manholes. This product for mitigating flood damage is unique to our Group and unrivaled by other companies.



RPL-10 flood control level gauge

Addressing increasingly severe natural disasters

In addition to the products introduced above, our Group is advancing development of varied equipment for national disaster readiness. We are focusing on the particularly urgent field of flood preparedness, and have set a business strategy of contributing to the safety of society through fluid measurement, monitoring, and management. Microwave level gauges have recently found application not only in simple water level measurement but also in flood control areas such as automatic control of discharge gates in reservoirs where emergency release is required when water inflow increases due to heavy rain.

We will continue making it our mission to achieve safety for society and happiness for people through proprietary technology centered on “measurement,

cognition, and control,” and will continue our untiring challenge to make this mission a reality. We invite you to closely watch our Group's activities in the future.



Reservoir gate automation equipment

Establishment of the Sustainability Office

In June 2021, our Group established the Sustainability Committee and the Sustainability Office as Group-wide organizations to promote sustainability management, which seeks to enhance business sustainability through consideration of environmental, social, and economic sustainability. The background to the establishment of these new organizations and their structures are introduced below.

Background to the establishment of the Sustainability Office

In May 2021, our Group celebrated its 125th anniversary, marking what is truly a history of innovation. Long before the terms “SDGs” and “ESG” came into being, our Group engaged in business under a mission of creating a safe and secure society and under the principle of solving issues in society. At this 125-year juncture, we are making a major course change from “stability” to “growth” that takes in a broader perspective, to shift to a stage of medium- to long-term corporate value enhancement and sustainable growth through the creation of global niche top businesses that take the SDGs as their approach.

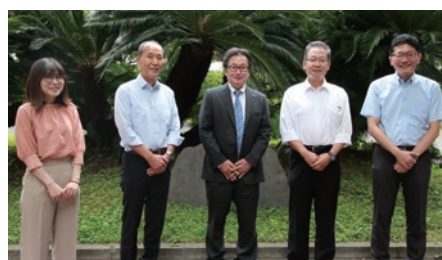
We have also decided to transition to the Prime Market amid the market restructuring of the Tokyo Stock Exchange. From here on out, we will be tasked with the mission of maintaining a level of governance appropriate to a company listed on the Prime Market, and of constantly pursuing enhancement of our corporate value. At the same time, as the world now takes great steps toward the achievement of the SDGs and drastic changes begin, initiatives that consider ESG are becoming important corporate management metrics for achieving corporate value, and movements to demand ESG information disclosure by companies are gaining strength. Issues related to the elements of ESG that our Group must solve, such as the creation of a sustainable society and the advance of a digital society, are expected to increase significantly.

Under these circumstances, last year we produced our first ESG report. Doing so made clear to us that our Group-wide functions and organizations for addressing issues and goals pertaining to elements of

ESG are weak. Reflecting on this, we established the Sustainability Office as an organization that will provide a top-down view of ESG issues in our Group as a whole and will propose strategies and measures for connecting this view to sustainable growth of the Group by resolving the issues. The goal of the Sustainability Office is to share our visions for the coming 10 years and 20 years with all Group employees, to create new innovation toward that end, and to create a new TOKYO KEIKI Group that achieves sustainable growth while solving social issues.

We also established a Sustainability Committee chaired by the President & CEO. This Committee deliberates and shares sustainability management-related policies and measures drafted by the Sustainability Office in collaboration with other Head Office staff departments, and executes decisions across the Group without delay.

Last year, to provide information concerning ESG, we published an ESG Report with an awareness of IR aspects. From this year, in light of the report's significance as a report on the activities of the Sustainability Office and the Sustainability Committee, we have changed its name to Sustainability Report.



Members of the Sustainability Office

Sustainability Management and TOKYO KEIKI Vision 2030

Sustainability management is the formulation of business strategy with consideration of the impacts of the company on the environment and society, while at the same time considering the impacts of these on the company. It is not possible for a company to survive in an era of rapid change without making changes itself, taking the influence of its surroundings into consideration. Sustainability management also means responding from a long-term perspective to opportunities and risks that the environment and society pose to our Group, and reallocating management resources accordingly. In other words, sustainability management is business management itself. To achieve sustainability management, our newly established TOKYO KEIKI Vision 2030 reaffirms the Group DNA that has been handed down over 125 years and aims for continued sustainable growth into the future. The Sustainability Office is planning a number of measures aimed at making TOKYO

KEIKI Vision 2030 a reality.

We have made the content of TOKYO KEIKI Vision 2030 available on our website.

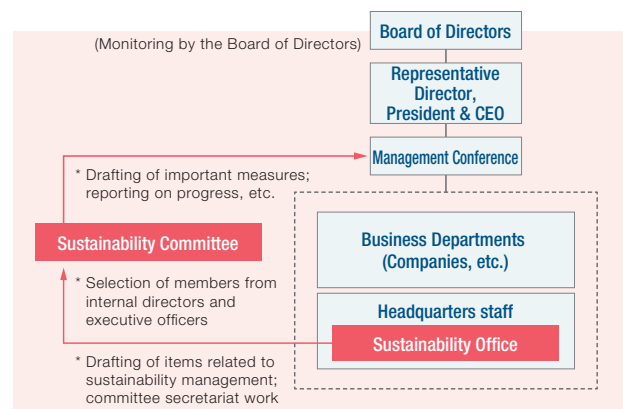
TOKYO KEIKI Vision



Sustainability promotion system

At the center of our Group, the Sustainability Office plans and promotes measures involving sustainability management.

The Sustainability Committee is chaired by the President & CEO and selects Members from Internal Directors and Executive Officers. It functions as a meeting body that discusses and shares sustainability management-related policies and measures, and executes decisions without delay across the Group. It also makes proposals on key measures and issues progress reports to the Management Conference and the Board of Directors.



Message from the Sustainability Office

The slogan of the Sustainability Office is “Let’s all be happy!” We cannot achieve the ultimate goal of the SDGs, a world that leaves no one behind, unless each of our stakeholders is happy.

For all of us, including our stakeholders, to be happy, it is essential that our Group generate sustainable profits and grow. At the same time, we exist in an age in which companies that do not consider the environment and society will be abandoned by customers, by suppliers, and even by markets and shareholders, and will necessarily disappear. Not being content with our history

of enduring for 125 years, the Sustainability Office will boldly transform our behavior to meet the coming era, with all members of the Office working as one to create a company that is better than ever. Our Group has many employees who hold an awareness of issues and who will support our future. We hope to involve employees like these in creating a new history for our Group.

Stakeholder Engagement

To the extent possible, we provide opportunities for dialogs with stakeholders to discuss and exchange thoughts on the status of our business and our initiatives to resolve social issues through our business. We will continue such efforts to enhance communication.

Major areas of stakeholder engagement

Stakeholders	Communication method	Point of contact for dialog
Customers	• Daily sales activities • Explanation of product operation • Training • Product maintenance and service • Exhibitions, etc. • Hydraulic School (course on hydraulics)	• Business Divisions (sales/service departments) • Corporate Communications Office
Shareholders / Investors	• General Meeting of Shareholders^{*1} • Financial results briefings^{*2} • Disclosure of financial results briefing materials on IR-related web pages • Individual meetings with institutional investors^{*3}	• Legal Governance Affairs Office (Handling of General Meeting of Shareholders) • Corporate Communications Office
Suppliers / partner companies	• Holding of business policy briefing sessions (cooperating factories, distributors, agents) • Daily procurement activities • Auditing of cooperating factories	• Material Management & Purchasing Office, factories' materials sections • Business Divisions (sales departments)
Employees	• Labor-Management Negotiations / Management Council (labor-management deliberations) • Briefings on programs, dialogs with the President & CEO^{*4} • Evaluation interviews	• Human Resources and General Affairs Department • Corporate Planning & Administration Office
Communities	• Dialogs with industrial park unions, etc. • Dialogs with local residents' associations, etc. • Community cleanup campaigns together with companies in vicinity of industrial parks • Sponsorship of local events (fireworks displays, etc.)	• (Headquarters District) Human Resources and General Affairs Department • (Factories) Factory administration sections • (Hanno) TKA Administration Department^{*5} • (Tanuma) TPS Administration Section^{*4}
Government	• Dialogs with government officials (local government, police, fire department, etc.) • Response to government agencies in the event of accident or incident	• (Headquarters District) Human Resources and General Affairs Department • (Factories) Factory administration sections • (Hanno) TKA Administration Department^{*5} • (Tanuma) TPS Administration Section^{*6} • Corporate Planning & Administration Office (Government agency response)

Notes *1 Video streamed following the General Meeting of Shareholders due to the COVID-19 pandemic (from June 2021)

*2 Video streamed due to the COVID-19 pandemic (from June 2020)

*3 Telephone conferences and online conferences held due to the COVID-19 pandemic

*4 Held with a limited number of participants and support for online conferencing due to the COVID-19 pandemic

*5 TKA: TOKYO KEIKI AVIATION INC.

*6 TPS: TOKYO KEIKI POWER SYSTEMS INC.

Specific initiatives

Engagement with customers

Our Group is working to promote smart agriculture aimed at labor efficiency and greater precision in agricultural work through the use of inertial measurement technology and automatic control technology. Our automated straight-line assistance device for agricultural machinery uses advanced technology to automate straight-line driving by skilled tractor operators. During development, we had both experienced drivers and those not accustomed to straight-line driving perform driving, and

listened to their opinions.

In November 2020, we participated in a Nasu District workshop on smart agriculture in Otawara, Tochigi Prefecture, sponsored by the Nasu District Certified Agriculture Council and the Nasu Agricultural Promotion Office. There we demonstrated a tractor equipped with our AG-GEAR3 automated straight-line assistance device for agricultural machinery. Customers participating in the event experienced automated steering and offered their opinions from users' perspectives. We will continue to

deepen our engagement with agricultural practitioners to aid in solving issues such as ensuring stable supplies of food, and will connect this engagement to product development that contributes to the sustainable development of agriculture.



Engagement with shareholders

We view the General Meeting of Shareholders as a valuable forum for dialog with our shareholders, and have held these meetings at our Head Office. However, to prevent COVID-19 contagion we requested limitations on the number of participants, and decided to stream the meetings online from the end of the annual General Meeting of Shareholders held in June 2021. By doing so, we hope to deepen understanding of the Group's business activities among our many shareholders, including those who refrained from attending in person and those located far away.

In January 2021, we introduced the TOKYO KEIKI Premium Benefits Club shareholder benefit program. Through a questionnaire aimed at shareholders who register as users for the online service of this benefit program, we have been able to listen to shareholders more directly than ever. We reflect the encouragement that we receive from many shareholders in our management activities. We also make use of a "Shareholders Post" function on the Club website to deliver information from our Company to registered shareholders. From June 2021, shareholders are also able to exercise electronic voting rights through the TOKYO KEIKI Premium Benefits Club, increasing convenience for shareholders and achieving lower environmental impact by reducing mailings.

Online stream of the 90th General Meeting of Shareholders

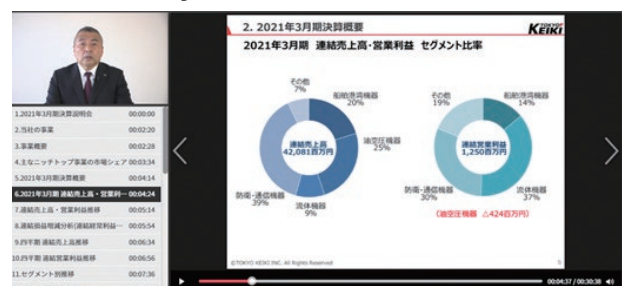


Engagement with institutional investors

We normally hold financial results briefings at meeting venues, primarily for institutional investors. From June 2020, however, we have been streaming videos online to prevent COVID-19 contagion. The streamed financial results briefings have been well received as, unlike physical venues, they place no restrictions on date, time, or place. In addition, we handle IR interviews through telephone conferences and online conferences to avoid face-to-face meetings.

As our Group's businesses are diverse, we make refinements to materials for every financial results briefing, to make our business activities more easily understood.

Online stream of the financial results briefing for the fiscal year ended March 2021



Communication of information through the media

Our Group works to deepen understanding of our business activities by communicating information to stakeholders through varied media. President & CEO Ando has made appearances recently in the following media to explain our Group's products and business activities, which are widely deployed throughout society yet rarely seen by the public. The media appearances also allow explanation of our long-term plan expressing management targets through 2030 under the TOKYO KEIKI Vision 2030 announced in June 2021, along with the growth drivers and other factors by which we will achieve that plan, to deepen understanding among our stakeholders.

Communication of information through media appearances

Date	Media	Information communicated
April 2021	Radio NIKKEI, "Kono kigyo ni chumoku! Soba no fukunokami (Company Watch! The Market God of Luck)"	Business overview; growth businesses
June 2021	Nikkei CNBC, "Toppu ni kiku (Top-Level Interview)"	Business overview; TOKYO KEIKI Vision 2030

Environmental Policies and Frameworks

“Protect the environment and work to conserve limited resources” is part of our management philosophy. Bearing the importance of conserving the global environment in mind, we will conduct our operations so as to reduce environmental impact in all our business areas, thereby helping to achieve a society that can develop sustainably and a healthy global environment.

Environmental policies

TOKYO KEIKI has contributed to society by using electronics technology to commercialize the functions of human senses, such as measurement, cognition, and control.

We have always given full consideration to the environment in the course of our business activities, but we have now reaffirmed the importance of environmental conservation on a global scale. As such, in order to pass on a rich natural environment and limited resources to the next generation, we will go one step further and work with the participation of all employees to conserve and improve the environment to the extent technically and economically possible.

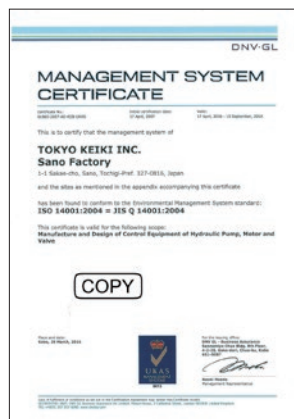
1. We will evaluate the environmental impact of all our business activities and the products we provide to our customers at during production, use, and disposal, and strive to save resources and energy, reduce waste, and prevent pollution.
2. We will establish and maintain a PDCA cycle by setting environmental objectives and targets for these initiatives.
3. In addition to complying with environmental laws and regulations, ordinances, industry codes of conduct, and agreements with local communities, we will establish and maintain independent management standards wherever possible.
4. We will establish an environmental management system in which all employees participate, using audits and reviews to make improvements on an ongoing basis.
5. We will provide education to all employees to improve their awareness of the environment and the environmental management system, as well as asking our affiliates and partner companies for their understanding and cooperation.
6. These environmental policies shall be publicly disclosed.

Environmental policies at our plants

Our Nasu, Yaita, and Sano plants have drawn up their own environmental policies based on the company-wide policies, taking into account the characteristics of the manufacturing they perform and consideration for the surrounding environment. In order to put our basic philosophy into practice, each internal company has formulated its own environmental policies and is working actively to acquire various certifications, including ISO 14001.

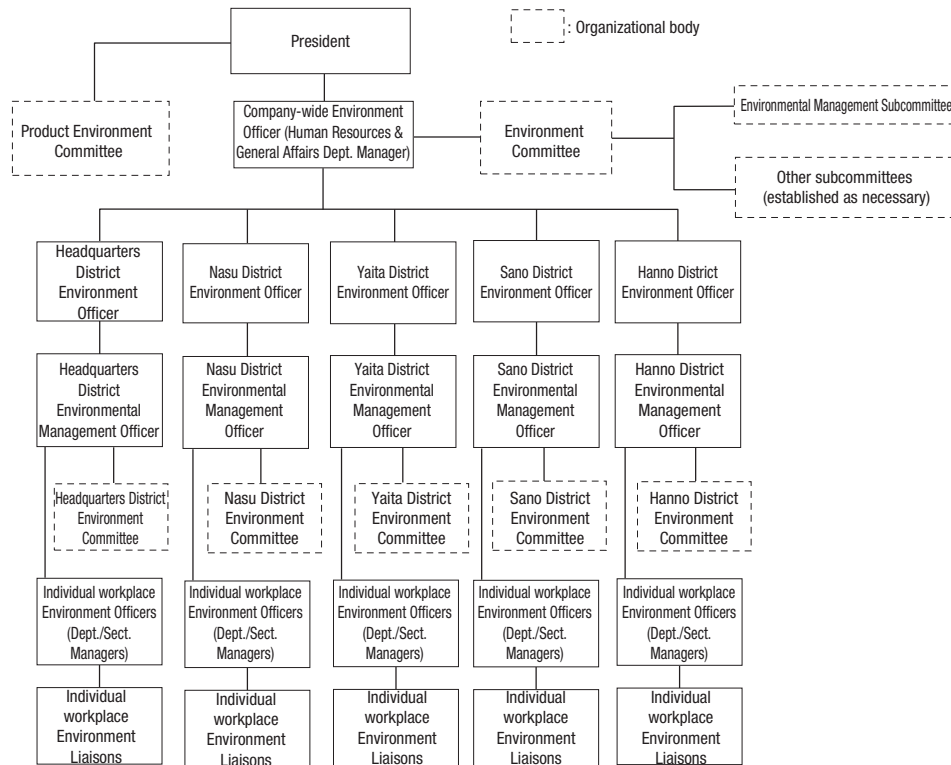
ISO 14001 compliance status

Location	Date acquired
Nasu Plant	December 2005
Yaita Plant	January 2007
Sano Plant	April 2007
Tanuma Plant	November 2006



Organizational structure

The Environment Committee is in charge of company-wide environmental policy, and the Environmental Management Subcommittee has been established beneath it. The head of the Human Resources & General Affairs Department chairs both committees, and the managers of the Nasu, Yaita, and Sano plants serve as committee members.



Environmental targets and performance

The Environmental Management Subcommittee, headed by the head of TOKYO KEIKI's Human Resources & General Affairs Department, sets targets for environmental activities, draws up environmental plans, and puts them into practice. In addition to company-wide targets, targets have also been set for each plant, with efforts ongoing at each.

New TOKYO KEIKI Group environmental targets

As part of the environmental management system, our Group has long worked to reduce its overall energy usage. In FY 2021, we aimed to engage in management that is even more environmentally and socially conscious than ever before. The newly established Sustainability Office took the lead in re-evaluating our Group's medium- to long-term greenhouse gas (GHG) reduction target, which was then deliberated on and approved by the Sustainability Committee. In line with the thinking behind

the Japanese government's GHG reduction target (in the industry sector) for FY 2030, our new target for FY 2030 for Scope 1 and 2 GHG emissions is a 37% reduction in comparison with FY 2013.

Business-specific targets

For each plant, reduction targets are set for failure costs, electricity consumption, waste, material consumption, etc., and KPIs are set to serve as indicators for meeting these targets. By implementing a PDCA cycle to promote initiatives aimed at achieving these KPIs, we are working to reduce our environmental impact.

Climate Change Initiatives

Adapting and taking measures to prevent climate change, which poses a threat to human security that transcends national borders, are shared global challenges. As a company that operates globally, we are committed to reducing the environmental impact of our business activities, thereby contributing to the resolution of climate change and the development of a sustainable world.

Our approach to climate change

We at TOKYO KEIKI are strongly aware that the impact and risk posed by climate change to our businesses and all of our stakeholders are important business issues. In

order to fulfill our responsibility as a company to mitigate climate change, we are promoting initiatives to reduce GHG emissions from each of our divisions.

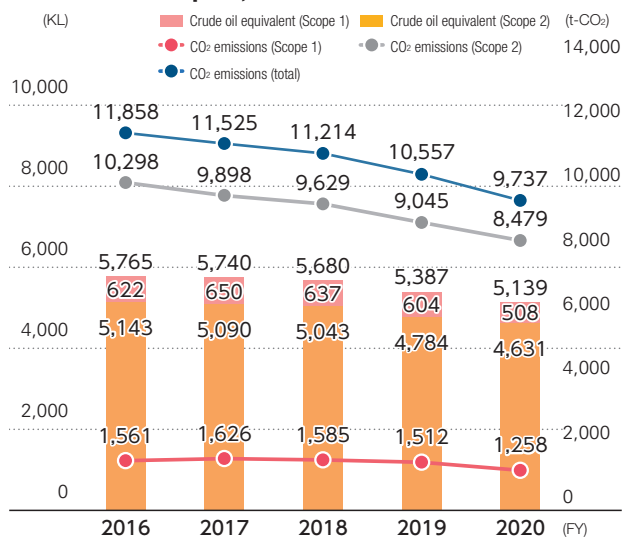
Specific measures to fight climate change

More efficient energy use to reduce GHG emissions

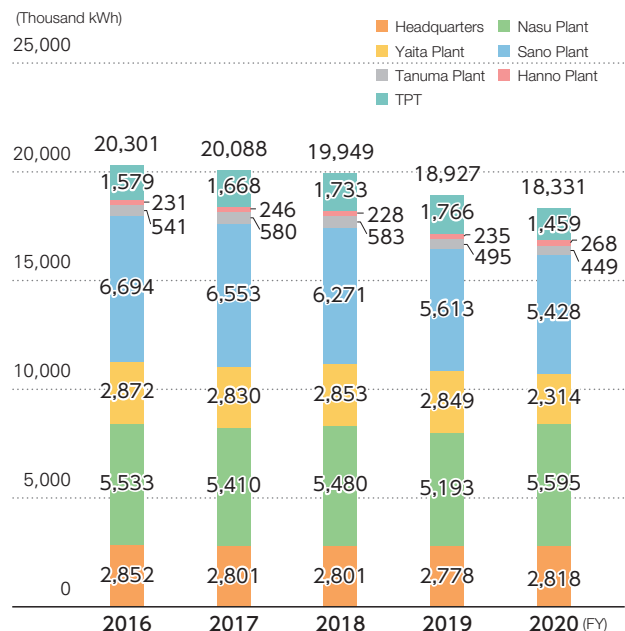
In hardware terms, we are replacing plant equipment with that which emphasizes energy efficiency. Specific measures include switching to LED lighting and energy-efficient air conditioners, replacing power receiving equipment with high-efficiency devices, introducing energy-efficient transformers, upgrading air compressors to inverter systems, using thermal barrier paints on roofs and exterior walls, and using “green curtains” of plants to reduce use of air conditioning.

On the operational side, we are pursuing more efficient energy use through measures such as overall optimization using demand-based power monitoring, reduction of power consumption through combined heat-treatment operations, turning off lights when no one is present, making efficiency improvements to cut down operating hours, and implementing mixed loading of delivery trucks to reduce the number in operation.

Energy consumption and carbon dioxide emissions (Scope 1, 2)



Electricity use



Switch to LED lighting

As part of the ISO 14001 initiative, each of our plants is switching from fluorescent to LED light bulbs to reduce electricity use by an average of 1% per year, in line with the non-binding targets set by the Energy Conservation Act. With the exception of a few areas, this initiative, which started in FY 2014, was completed at the end of FY 2019, and the Sano Plant and Hanno Plant have already achieved a 100% LED conversion rate.

The Nasu and Yaita plants, which have LED conversion rates of 99% and 98% respectively, will continue to work towards full conversion.

Through the replacement of fluorescent bulbs with LEDs, we have achieved total reductions in energy consumption of 1,248,393 kWh/year at our major business sites.

Upgrading to energy-saving equipment

When upgrading or introducing new equipment for use in offices and plants, we work to reduce the amount of energy we use by selecting energy-efficient products.

When introducing new equipment, the staff member in charge selects a model and vendor after assessing the energy efficiency of multiple products, and this selection is then approved by a supervisor. At that time, the Workplace Environment Officer also checks the relevant legal regulations, and the results are reported to the Environmental Management Officer for approval via the Environment Office.



Sequential replacement of water-cooled air conditioners with energy-saving air-cooled models

Reduction of design defects

Design defects can not only lead to serious incidents, but also to significant material and energy losses due to reduced yield rates. As such, reducing design defects is also essential to minimizing environmental impact.

We are continuing our efforts to prevent design defects by conducting design reviews for all new products, existing products, and products with design changes. For software, design management is carried out using operating procedure manuals. By creating a database of past design defect information, design defects can be shared companywide and checked as needed to prevent new design defects from occurring.

Reducing electricity use by promoting process improvement

Even with highly energy efficient equipment and the prevention of defects in the design stage, waste in production processes limits the effectiveness of energy conservation. Our Group is working to reduce electricity use in the production stage as well by eliminating waste in production processes.

The Nasu Plant boasts the largest scale in our Group. As a production site for precision mechatronics devices,

in addition to assembling electronic equipment, the plant also engages in the machining of mechanical components utilizing a variety of machine tools, and here we pursue optimum work processes.

Improving hydraulic valve spool and sleeve machining

In the machining of spools and sleeves for hydraulic valves, we took on the challenge of reducing operating hours for machine tools used in sleeve polishing (lapping), something that previously required many hours. Previously, 3 μ lapping powder was used for all relevant sleeve lapping. We then switched to using 6 μ lapping powder to perform a “rough” lapping before using the conventional 3 μ lapping powder to perform a “finishing” lapping. This improvement resulted in a 3,498-minute annual reduction in machine tool operating hours, helping to reduce power consumption by 64 kWh per year.

Reducing machining times for internal high-precision gyrosensor components

Worm gears, screw-like gears used in high-performance gyrosensors, are produced at the Nasu Plant. The existing machining method was an issue. It involved many processes and required a lot of time. Revising the machining method to reduce the number of processes from eight to five and switching to numerical control (NC) made it possible to drastically reduce machine tool operating hours by 84%. This improvement resulted in a 1,802-minute annual reduction in machine tool operating hours, helping to reduce power consumption by 45 kWh per year.

Reducing machine operating hours for drill machine processes

Aluminum sensor blocks used for high-precision inertial measurement units are produced at the Nasu Plant. Each block has 158 screw holes for mounting components, requiring numerous taps to be drilled. As this required much time, efforts were made to improve the work process. The process was changed and a switch was made from using a radial drill machine to perform the work, to using two machining centers (MCs). This improvement resulted in a 2,922-minute annual reduction in machine tool operating hours, helping to reduce power consumption by 330 kWh per year.

Realization of a Recycling-Oriented Society

In the manufacturing industry, it is our social responsibility to try to minimize our impact on the environment when we choose materials and use energy to make our products. We are committed to delivering sustainable growth by carrying out our business activities.

Our approach to the creation of a recycling-oriented society

In recognition of the fact that all human activities, including those of TOKYO KEIKI, are dependent on co-existence with the natural environment, we are pursuing

initiatives for the development of a sustainable, recycling-oriented society.

Specific measures for reducing waste

Compliance with laws and regulations

Waste is disposed of appropriately in accordance with laws and government ordinances, as well as the regulations of the municipalities where our factories and plants are located.

Promoting the “3 Rs”

• Reuse

We are now reusing some of our used products and parts (including electronic parts) instead of disposing of them.

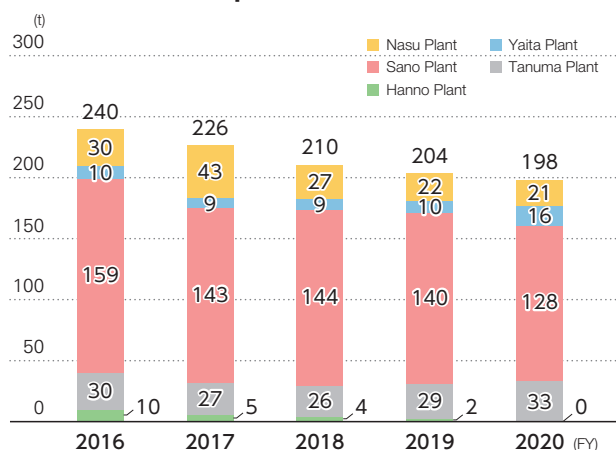
• Reduce

Some of our customers and our partner factories have introduced reusable containers that can be used to move goods between each other's factories, thereby eliminating waste of consumable materials such as cardboard and packaging materials. In addition, the evaporation and drying of waste water from glass processing and the use of equipment to reclaim cleaning solutions are helping to reduce the amount of industrial waste water we produce.

• Recycle

We are continuously taking measures to prevent the waste of resources, such as promoting the recycling of paper, ensuring proper separation of water and oil before collection, and sorting shavings by metal type for recycling.

Amount of waste produced



As a result of promoting the “3 Rs” at each plant, the company's overall waste output is on a downward trend. Although reducing waste while increasing production volume and making capital investments is a big challenge, TOKYO KEIKI, as a company with a responsibility to the environment, will continue looking for various ways to cut our waste output.

Recycling metal shavings

At our Nasu Plant, we are working to recycle the metal shavings produced during the machining process. Scrap metal (aluminum, iron, etc.) produced during lathing, milling, and other stages of the parts machining process is taken to an industrial waste disposal company, which recycles the scrap aluminum into aluminum products and the scrap iron into iron products. In FY 2020, we managed to recycle 4,717 kg of scrap metal (1,218 kg of aluminum, 3,150 kg of iron, and 349 kg of other metals).

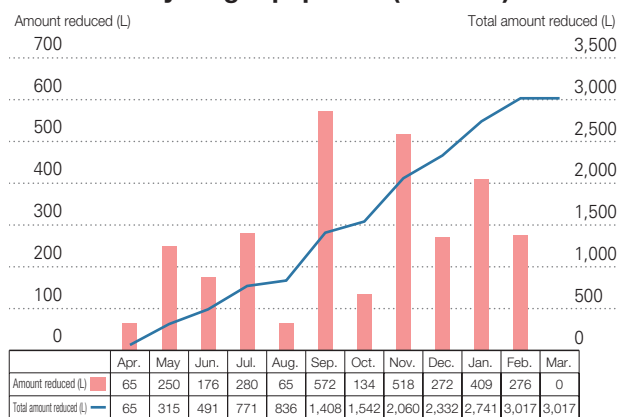


Metal shavings to be separated and stored for recycling

Recycling used wash oil

The Sano Plant alone accounts for approximately two-thirds of the company's overall waste output, and roughly half of that is water-soluble cutting fluid, wash oil, and other types of waste oil. In the past, contractors were hired to collect all of this. Having established a goal of reducing waste, however, we installed equipment to recycle hydrocarbon wash oil. As a result, we were able to separate the oil content from wash oil and recycle approximately 90% of our wash oil. We confirmed that the amount disposed was one-tenth of what it was previously. In FY 2020, we achieved 3,017 L, and we plan on reducing waste output even further by expanding this initiative to other departments going forward.

Amount of waste oil reduced through use of wash oil recycling equipment (FY 2020)



Introduction of reusable containers

The reusable containers, which are used as part of our efforts to reduce the amount of cardboard, packing materials, and other consumable materials produced as waste, have been introduced to carry items between our factories and those of nearby assembly contractors and customers. At the Nasu Plant, for example, their use currently accounts for 8% of total order value, resulting in an annual waste reduction of about 1,000 kg of cardboard.



Reusable containers used at our plants

Reducing paper consumption

- Going paperless with a general purpose workflow system

In the 1980s, ahead of our competitors, our Group utilized a total office automation (TOA) system powered by a core system implemented on a general purpose mainframe computer. Via this TOA system, we were able to digitalize schedule management, time cards, and various applications such as business trip expenses, increasing work efficiency.

The functions of this TOA system were retained when we switched to an open system and built our current core system, but during the switchover, we still had many paper-based applications. In addition to the issue that processing these paper-based applications required many sheets of paper to be used, there were a variety of other problems, such as the need to physically come to the company to make an application, and the inability to know the progress of a matter while an application was being processed. This also meant that, particularly for plants and regional offices, there were many inefficient work processes, such as mailing applications to Headquarters and post-approval filing taking large amounts of time. Building an application system into our core system in order to resolve these challenges would have required a great deal of time and money. In addition, with each matter involving its own individual planning and design, resulting in operations and input that were neither uniform nor unified, it was feared that this would actually decrease efficiency.

Accordingly, in 2019 we introduced a general purpose workflow system in order to enable the digitization of numerous applications. The introduction of this system made it possible to design and implement workflows in one's own department without having to request its development by an information system division. After it was introduced as a package, a total of 50 applications from a variety of departments were implemented as part of the workflow system. In FY 2020, 2,244 applications were digitized, with the majority being those of Headquarters staff departments. As a result, we significantly reduced the amount of paper used annually, including duplicates and multiple attached documents.

Going forward, we aim to increase the types of applicable applications, reducing paper usage and, at the same time, further increasing work efficiency.

General purpose workflow system entry screen

Specific measures for proper management of chemicals

Policies

Some chemical substances have harmful effects on the environment and human body. As such, it is companies' social responsibility to manage them properly and to take the environment and occupational safety into account. We are working to cut our emissions of chemicals by setting voluntary reduction targets.

Switching to alternatives to hazardous chemicals

Each of our factories is actively switching to alternative materials to hazardous chemicals.

- **Cleaning agents for hydraulic products**
Switched from dichloromethane to hydrocarbon-based
- **Thinners**
Switched to alternatives free from toluene and xylene
- **Cutting fluid**
Switched to alternatives free from chlorine

Green partner initiative

The "Green Partner System" is an initiative to eliminate hazardous substances from production processes throughout the supply chain in order to encourage environmentally friendly manufacturing. TOKYO KEIKI is putting this system into practice alongside our suppliers, subcontractors, and other partners.

Under this initiative, partners who meet our management standards and have the ability to conduct independent quality management to prevent hazardous substances being used in or contaminating their production lines are certified as Green Partners. This eliminates the need to submit a non-inclusion certificate for each product or part and to conduct some of the tests on the chemical substances they contain. We also provide various benefits to Green Partners, such as support for the testing and analysis of chemical substances contained in parts and materials, provision of environment-related information, and support for environment-related education.

Reducing hazardous waste

We are working to reduce the amount of hazardous substances that we dispose of by reviewing purchase lots, reducing excess inventory by subdividing orders, and encouraging the purchase of products that do not use hazardous substances.

In the past, we used dichloromethane to remove oil from the surface of hydraulic products produced at the

Sano Plant prior to the coating process. Dichloromethane, however, is a highly toxic chemical substance. After selecting, studying, and testing substitute cleaning agents, we believed we could switch to a less toxic hydrocarbon-based cleaning agent. We built our own dedicated cleaning equipment and began using it in January 2021. Excluding certain large-sized products, we are now able to use this equipment to clean our main products and have decreased our use of dichloromethane by 85% compared to before making the change.



PRTR emissions: Sano Plant

* Emissions only (excluding transfers)

FY	Dichloromethane (kg)	Toluene (kg)
2016	11,900	1,300
2017	15,400	1,140
2018	18,400	1,330
2019	14,000	1,100
2020	11,000	990

PRTR emissions: Nasu Plant

* Emissions only (excluding transfers)

FY	Xylene (kg)	1,2,4-Trimethylbenzene (kg)
2016	68	10
2017	43	11
2018	66	17
2019	51	12
2020	50	12

Specific measures on biodiversity

Protecting the red pine forest along the Nasu Kaido Road

Through the Nasunogahara Branch of the Nippon Bonsai Association, we are participating in efforts in support of the Enna Forest Management Office to protect red pine trees in national forests. (For details, please visit our social contributions page.)

Greening and cleaning of areas around plants

The Hanno Plant replaced aging cherry trees with evergreen shrubbery (azaleas) in order to conserve green space on the grounds. The Hanno Plant also participated in community activities, such as cleaning up leaf litter around the plant.



At the Yaita Plant, as part of efforts to create an environment that is more suitable for birds and insects, the cedar trees planted on the green space in the north parking lot have been replaced with cherry trees. In FY 2017 and 2018, 52 cherry trees were planted at intervals of about 5 meters. As a result, insects that could not be seen when the cedars were planted have been confirmed to be living in the area.



A row of cherry trees planted in place of cedars (Yaita Plant)

Headquarters grounds certified as an Ota Ward Protected Forest

Technoport Kamata, the location of TOKYO KEIKI's Headquarters, is an office building block that was built as a redevelopment of the site of our former headquarters and plant. Construction was completed in September 1990. Two-thirds of the vast grounds were turned into a tranquil green space environment. For the convenience of the local community, walkways around the area were provided, reflecting the original aim of the redevelopment project to contribute to the enhancement of the area.

Thirty years after the completion of construction, the trees planted at that time have grown, turning the grounds into a conspicuous green oasis in Kamata, a district with little verdure.

The area around our Headquarters, in particular, is surrounded by a variety of trees, and Ota Ward has designated the more than 2,000-m² green space around the Headquarters building as a "Protected Forest."

Message from a representative of the Ota Ward Office

"In order to conserve precious greenery in the ward, Ota Ward designates trees and green spaces that meet certain criteria as Protected Trees, etc. The greenery of your company that Ota Ward has designated as a Protected Forest serves as scenic symbol of the area. Ota Ward hopes that your company will continue to protect this greenery, which provides peace and tranquility to the community."

(Kou Machida, Ota Ward, Environmental Measures Division, Environmental Sanitation Department)



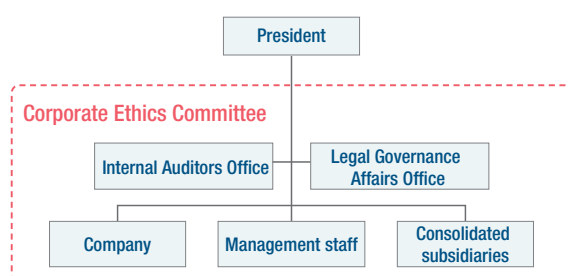
Compliance and Risk Management

Our company has established the TOKYO KEIKI Group Code of Ethical Conduct as a code for acting in compliance with laws, regulations, our Articles of Incorporation, and social norms. We recognize that the awareness of every employee is of utmost importance in the establishment of corporate ethics, and strive to uphold corporate ethics in our everyday activities. We also refuse any relationships with antisocial forces that threaten order and security in civil society.

Concepts and policies regarding compliance

To manage corporate ethics activities across the organization, we have established a permanent Corporate Ethics Committee chaired by the Chief Legal Governance Officer.

Corporate ethics-related organizational chart



Code of Conduct

The TOKYO KEIKI Group Code of Ethical Conduct* forms a basis for encouraging sound behavior by every employee. Working from basic stances that include the avoidance of words and acts in violation of laws and regulations, and appropriate response to acts that violate corporate ethics, the Code of Ethical Conduct sets out our responsibilities to all stakeholders, including the provision of products and services of benefit to society, contribution to society through our corporate activities, and the creation of safe and comfortable working environments. By complying with this code of conduct, we will fulfill our responsibilities to society.

Note that we also translate the Code of Ethical Conduct into local languages and ensure that our overseas subsidiaries are thoroughly versed in the code.

* <https://www.tokyokeiki.jp/company/rinri.html>

Initiatives aimed at raising awareness of compliance

Under the recognition that the awareness of all employees is of utmost importance in establishing corporate ethics, every year in April we carry out education on our code of conduct (the Code of Ethical Conduct) for all employees.

Status of training implementation

In response to the COVID-19 pandemic, we changed the way we ran our FY 2020 Code of Ethical Conduct education, which in normal years was focused on classroom-based group training. In order to enable all employees to take and complete the education, training was primarily conducted via e-learning and online meetings, and the period over which education was provided also lengthened. Following completion of the course, all employees submitted an Affidavit Concerning the Code of Ethical Conduct.

Internal audits

Based on Internal Audit Rules shared by the entire Group, internal audits are conducted with the aim of helping to increase Group management soundness and efficiency. Internal audits investigate the appropriateness and effectiveness of internal control systems from a standpoint that is independent of the division, department,

or subsidiary being audited. Improvements are then implemented based on the results.

The results of internal audits are reported to the President & CEO. The results of internal audits as well as corrective measures aimed at any identified deficiencies are also reported and shared in Corporate Ethics Committee meetings.

Whistleblowing system

Our Group has set up contact points inside and outside the company for directly accepting information on legally suspect acts or similar information, with the guarantee that no disadvantage will befall whistleblowers.

Two contact points inside the company are the Internal Auditors Office and the Audit and Supervisory Committee. The latter handles violations of laws and regulations by directors and executive officers, playing a role in preventing the concealment of violations by officers.

In FY 2020, four cases of whistleblowing, all of which involved minor issues, were handled by the points of contact. We will continue working to entrench this system and enforce compliance with laws and regulations.

Initiatives to prevent corruption

Our Group's Code of Ethical Conduct stipulates that we will not pursue profits through improper means, and that we will conduct dealings in accordance with domestic and foreign laws and rules.

To address overseas dealings, we have established Regulations for the Prevention of Bribery of Foreign Public Officials, and offer education every year to deepen understanding of laws and regulations related to the

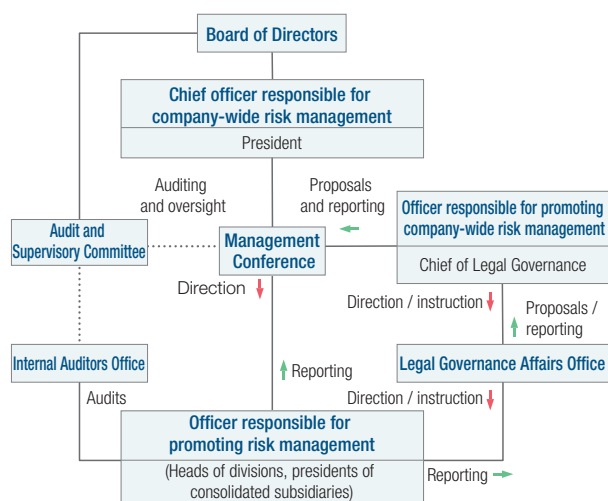
prevention of bribery in key countries. Conducted mainly as hierarchy-specific education for managerial-class employees in e-learning and classroom formats, this education includes overviews of laws on the prevention of bribery of foreign civil servants, the US Foreign Corrupt Practices Act, and cases of exposure of bribery of foreign public servants in Japan.

As many of our projects in Japan involve government agencies, we also strictly prohibit related collusion.

Concepts, policies, and structures for risk management

In our business activities, we face risks that must be identified, evaluated, and analyzed at the management level, and for which the priority of responses must be made clear. Our Group's risk management system is organized into a Legal Governance Affairs Office, Internal Auditors Office, Audit and Supervisory Committee, and other bodies, centered on the Management Conference and with the President & CEO as the chief officer responsible for company-wide risk management.

Risk management system diagram



Risk management implementation

We have established Risk Management Rules that are shared Group-wide and that apply to the entire Group.

We implement risk management separately for “serious management risks” and for all other risks.

What is deemed serious management risks is reviewed and re-drafted annually by the Legal Governance Affairs Office in accordance with the Risk Management Rules as a report titled “Serious Management Risks and Key Measures.” The Chief Legal Governance Officer submits this report for approval to the Management Conference and the Board of Directors. Various divisions, departments, and subsidiaries are identified as being in charge in “Serious

Management Risks and Key Measures.” Based on the ideal situations and key measures described in the report, these divisions, departments, and subsidiaries create “Serious Risk Measure Programs” for each specific measure that are submitted to the Legal Governance Affairs Office by the end of each year. The Legal Governance Affairs Office verifies the content of the “Serious Risk Measure Programs” submitted by the various departments in charge and, in the event of any deficiencies, indicates improvements to the relevant department. Each department integrates the determined risk measures into their medium-term business plans, and those measures that can be put into effect immediately are implemented as required.

Risks other than serious management risks are handled in accordance with the Risk Management Rules. Each department, etc. follows a risk questionnaire to discover and identify risks that pose the possibility of causing a loss to the department. Departments conduct this process by investigating each risk category identified in the rules for that department's own business goals. Even when risks may not be applicable at the current time, full consideration is given to enumerating risks that can be expected to arise in the future due to environmental changes.

Each department then engages in evaluation and calculation of all identified risks. This evaluation and calculation includes an evaluation of the frequency of occurrence and the impact of each risk. These values are in turn multiplied to produce an overall evaluation. Risks whose overall evaluation score is 10 or more points are identified as serious risks. Measures for these serious risks are recorded according to a set format and submitted to the Legal Governance Affairs Office. They are also integrated into the department's own medium-term business plan. In addition, those measures that can be put into effect immediately are implemented as required. Those risks whose overall evaluation score is less than 10 points are, based on the respective department's controls (measures, practices, and self-evaluation), tackled as part of work efficiency improvement activities, etc.

At the end of each term, the departments evaluate the status of the implementation of the risk measures they formulated in the preceding fiscal year and report the results to the Legal Governance Affairs Office.

The Internal Auditors Office evaluates the “Serious Risk Measure Programs” from an independent perspective and, as necessary, conducts internal audits (inspections) and indicates corrections and improvements.

Examples of serious management risks

1. Domestic and foreign economic changes	7. Transactions with public agencies
2. Natural disasters and epidemics	8. Increasing competition
3. Development of new products	9. Material and component procurement
4. Product quality	10. Information security
5. Securing human resources	11. Intellectual property rights
6. Interest rate fluctuations	12. Retirement benefit liabilities

* Details regarding the above risks are provided in our Annual Securities Report.

BCP

Overview of BCP

In the event of emergencies, we place utmost priority on ensuring the safety of human life and promptly resolving the situation. The foundation of our response is minimization of losses and quick recovery from damage to ensure business continuity. Toward this end, we maintain and improve regulations and work manuals common across our Group, namely, the Crisis Management Regulations that set forth basic matters concerning crisis management, and the Crisis Management Manual that describes procedures for responding to specific incidents.

BCP system

The chief officer responsible for crisis management is the President & CEO, or a director or executive officer who is appointed to the position by the President & CEO. The organization that actually responds to an emergency is generally the department in charge involved in the crisis situation, with the Legal Governance Affairs Office providing support. When deemed necessary by the chief responsible officer, an emergency response task force is set up with the chief responsible officer as the task force head and the department in charge as the secretariat.

In 2020, we established a COVID-19 Emergency Response Task Force with the President & CEO as the chief responsible officer. This task force is still in operation.

Information security

Information security policy

Our Information Security Basic Policy is aimed at ensuring the confidentiality, integrity, and availability of the information that constitutes a vital asset of ours, as well as protecting that information from threats including disasters and accidents. The appropriate discretionary measures that we undertake in this area are grounded in the aims of this Basic Policy.

The Information Security Basic Policy consists of the following four categories.

Information Security Basic Policy

- ① Information security initiatives
- ② Compliance with laws and regulations, etc.
- ③ Protection of information assets
- ④ Incident response

System for promoting information security

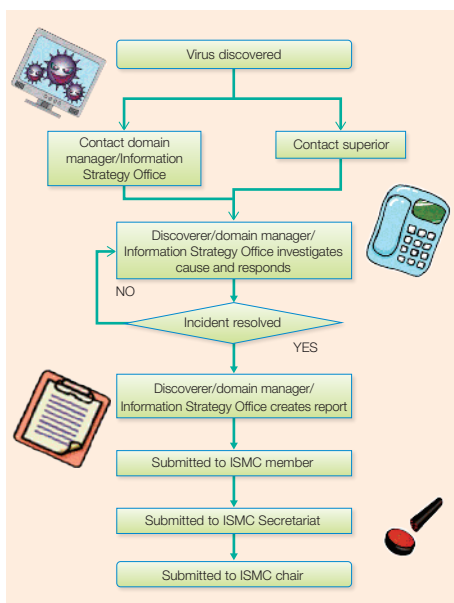
We have established an Information Security Management Committee (ISMC), chaired by the Chief Information Officer and composed of members selected from departments. Our Strategic Information Planning Department under the Corporate Planning & Administration Office oversees formulation of measures related to information security. When formulating key measures, the department submits these to the ISMC and, depending on the content, consults with the Management Conference. In addition, TOKYO KEIKI INFORMATION SYSTEMS INC. (TIS), a subsidiary of ours, is in charge of our Group's information system development and operation. TIS has acquired ISO/IEC 27001 certification, an international standard for an information security management system (ISMS).



Information security incident response

We have created flowcharts and made these available on our intranet explaining in an easy-to-understand way what actions a user should immediately take in order to respond quickly when the risk of an information leak occurs due to the loss of a PC or smartphone, or when there is a serious information asset threat due to a computer virus infection, etc. Depending on the scope of the incident as reported by the chairperson of the ISMC, in accordance with the Crisis Management Regulations and per the judgment of the President & CEO, an emergency response task force for the information security incident may be established with the aim of swiftly bringing the incident under control and resolving it.

Example of information security incident response flowchart (computer virus)



Information system user support

User education is extremely important in order to increase the effectiveness of information security management. The Strategic Information Planning Department under the Corporate Planning & Administration Office holds briefings for users when new systems and services are implemented. The department also conducts e-learning classes on basic information security.

Due to the COVID-19 pandemic, in FY 2020, we worked to strengthen our remote access environment, previously only used by a small section of users, and expand the number of users of this system. Improvements included augmenting network equipment and expanding services available for use via remote access.

In addition, we made it possible for all remote access users to access the intranet site of the COVID-19 Emergency Response Task Force established in response to the COVID-19 pandemic, so that they may know what actions to take even when working from home.

COVID-19 Emergency Response Task Force page

新型コロナウイルスに係る緊急対策本部

2021.11.04 更新 (たどる) (TOKINET)

皆さんへ

我々は今未曾有の事態に直面しています。人類が戦争以外で今回のような地球規模の共通問題を抱え、もがき苦しんでいることは過去なかったこととします。4月7日に政府より発表された緊急事態宣言を踏まえて、先週緊急対策本部で決定した在宅勤務内容を変更しました。ここで大切なことは、我々一人一人の自覚ある行動です。一人の感染が家族、会社、お客様、地域など他の多くの人に影響を及ぼすと共に、事業活動にも多大な障害を招くことになります。感染のリスクを低減、なから色々な形がある中での業務の遂行は困難ではありますが、緊急事態であることを理解し、力をあわせ、知恵を出し、前を向いて、明るい未来が来ることを信じて、この大きな困難を乗り越えましょう。

取締役社長 安藤 毅

緊急対策本部からの連絡		社内関連文書	
2021.11.04 (木)	当社における新型コロナウイルスの対応について (感染対策) (PDF) 見る	USBメモリの取扱について (01情報戦略室サイト)	USBメモリの取扱について (ミラーサイト)
2021.10.29 (木)	当社における新型コロナウイルスの対応について (感染対策) (PDF)	情報セキュリティガイドライン (PDF) エドール	情報セキュリティガイドライン (PDF) エドール
2021.10.28 (火)	当社における新型コロナウイルスの対応について (感染対策) (PDF)	新型コロナウイルス感染症について、Q&A (人総サイト)	新型コロナウイルス感染症について、Q&A (ミラーサイト)
2021.10.04 (月)	当社における新型コロナウイルスの対応について (感染対策) (PDF)	新型コロナウイルス感染症について、Q&A (人総サイト)	新型コロナウイルス感染症について、Q&A (ミラーサイト)
2021.09.30 (木)	当社における新型コロナウイルスの対応について (感染対策) (PDF)	新型コロナウイルス感染症について、Q&A (人総サイト)	新型コロナウイルス感染症について、Q&A (ミラーサイト)
2021.09.01 (金)	当社における新型コロナウイルスの対応について (感染対策) (PDF)	新型コロナウイルス感染症について、Q&A (人総サイト)	新型コロナウイルス感染症について、Q&A (ミラーサイト)

R&D and Quality Management Initiatives

Our Group's products flourish in a variety of fields around the world, including shipping, aerospace, industrial machinery, farming, construction machinery, and social infrastructure. As the manufacturer providing these products, we understand that research and development, and quality management serve as the foundation of the Group's management. In both research and development, and quality management, we promote the development of products that contribute to society, as well as the improvement of their quality, through Group-wide initiatives implemented by our administrative divisions, and through the initiatives of the internal companies and subsidiaries who engage in close contact with our customers.

Research and development approach

The basic policy of our Group's research and development is based on our Management Philosophy—"To contribute to society, with a focus on our business of leveraging electronics and other advanced technology to create products that embody functions of human senses: measurement,

cognition, and control." Research and development is carried out based on the technology strategy and R&D plans of our research arm, the Research & Development Center, and is also implemented as part of product development by our internal companies and subsidiaries.

Research and development system

Our Research & Development Center primarily engages in relatively long-term research and development and, in general, the development of products utilizing the center's results is conducted by the development departments of our internal companies and subsidiaries. Seizing future business opportunities, the Research & Development Center researches and develops technologies that will serve as the core of a business. At the same time, our internal companies and subsidiaries engage in product development, including the development of products that won't be commercialized for years to come, based on customer needs. In addition, the Research & Development Center is also responsible for providing technical support for individual projects, and for undertaking research and development that would be inefficient for our internal companies and subsidiaries to perform on their own.

Development Committee

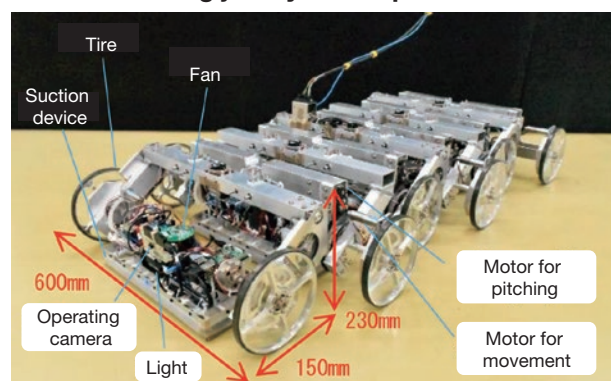
The Development Committee is an organizational body chaired by the Chief Engineering Officer. Its members include the Chief of the Research & Development Center and engineering managers from various internal companies. The Development Committee determines a variety of matters concerning the drafting and execution of our Group's technology strategies, with the committee chair making proposals and reports to the Management Conference as necessary.

Industry-government-academia collaborative research

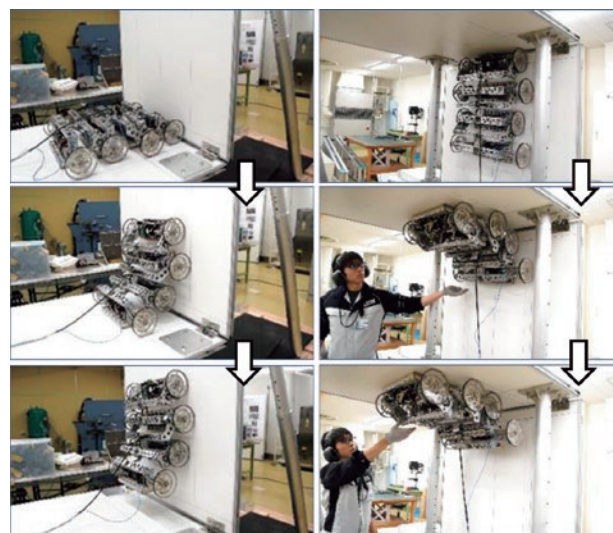
Our Company also proactively engages in industry-government-academia collaborative research. In the past, we participated in high-precision wearable motion sensor research under NEDO's Industry-Academia Collaboration Practical Application Support Project. In addition, one example of research and development we are currently engaged in is collaborative research into hull inspection robots together with Nippon Kaiji Kyokai. We are jointly researching and developing robots that

use suction to adhere to move on and between walls and ceilings in order to conduct inspections inside the cargo holds of bulk carriers. Going forward, we plan on continuing to proactively engage in collaborative research projects like this with outside organizations.

The robot being jointly developed



The robot's appearance and components



From floor to vertical wall

From vertical wall to ceiling

Moving between surfaces

Our approach to quality management

Our Group's basic philosophy regarding quality is to "Prioritize quality in our products and earn the trust of customers." This philosophy is embodied by and integrated on an organizational level through the Group Code of Conduct and the Code of Ethical Conduct, among others.

Common quality control policies

In order to put our basic philosophy into practice, each internal company has formulated its own quality policy and is working actively to acquire and maintain various

certifications, including ISO 9001.

Acquisition of ISO 9001 and other certifications

ISO 9001	Marine Systems Company Measurement Systems Company Fluid Power & Control Systems Company Inspection Systems Company Communication & Control Systems Company
JIS Q 9100	Electronics Systems Company

Quality management promotion system

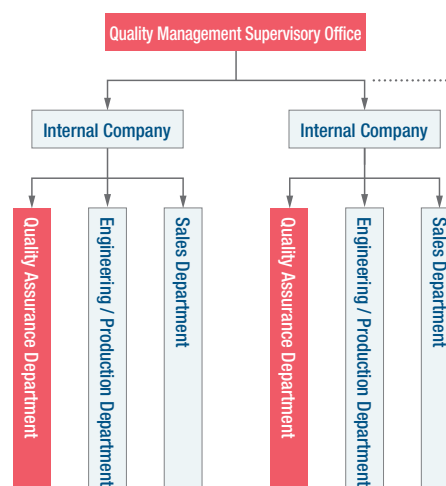
Two tiers of quality assurance activities

We have established a Quality Management Supervisory Office to deal with company-wide issues relating to quality under our Headquarters' administrative divisions.

The Quality Management Supervisory Office engages in the cross-organizational management and supervision of quality to ensure that our Group's products remain above a certain level of quality. The office also engages in activities to prevent risks to quality before they manifest. More specifically, in addition to maintaining and managing the Technical Production Regulations, which are company-wide rules regarding the quality of our products, the Quality Management Supervisory Office complements the independent quality management efforts of individual quality assurance departments by conducting inspection quality audits of each internal company and subsidiary.

Within each internal company, the Quality Assurance Department is established independently from the Sales, Engineering, and Production departments, providing advice and guidance in the contracting, design and development, purchasing, production, inspection, and service stages of the work process. In addition, we have established a Company Technical Production Rules framework, allowing each internal company, with their varying characteristics, to draw up its own operational rules as long as they do not violate the Technical Production Rules.

Schematic of the two-tier quality management system



Quality subcommittee

The Quality Subcommittee was established as a forum for sharing information and resolving cross-organizational quality issues within the Company. It meets under the jurisdiction of the Chief Quality Officer, with the quality managers of each internal company and subsidiary as members. It is held four times a year by the Quality Management Supervisory Office to identify Company-wide problems and future challenges relating to quality, and to formulate measures to resolve them. In the event that concerns emerge regarding quality at an internal company or subsidiary, a report is made to the Chief Quality Officer at a Quality Subcommittee meeting. If the Chief Quality Officer deems it necessary, corrections may be indicated and information about the issue may be escalated to the necessary level, such as the Management Conference.

Specific measures for quality management

Inspection quality audits

The Quality Management Supervisory Office conducts inspection quality audits on each internal company and subsidiary. In order to ensure audit effectiveness and improve the quality management capabilities of our internal companies and subsidiaries, audit methods and scope are revised annually.

Activities of the Quality Subcommittee

In order to share company-wide examples of defects and peripheral knowledge accumulated by our various internal companies and subsidiaries, the Quality Subcommittee has set about building a Group-wide defect database with the aim of improving quality through the sharing of defect examples.

Improvement proposal (M-tag) activities

We are using so-called “M-tags” to promote improvements within the Company. M-tags are a way to identify M (“muda,” or waste) in the workplace and describe it on a tag such that it leads to improvements. All employees participate in this activity, and the seven kinds of workplace waste are tallied for each site and categorized into “individual” and “circle.” The aim is to improve work operations, including the work environment itself, and in turn help increase quality consistency.

Quality training

Examples of defects are used to create educational materials such as Defect Example Reports and One-Point Lessons. Relevant personnel are also informed about such defects and horizontal deployment and education are provided to change employee behavior with the aim of preventing a defect’s reoccurrence. In addition, internal quality audits are one means we use to strengthen quality management systems, and we conduct internal auditor education in order to maintain and enhance the capabilities of our lead and regular auditors. Further, each of our internal companies holds quality meetings to report defects and share solutions.

Specific activity examples include hierarchy-specific education on quality assurance and quality management systems at the time of company entry as well as when being promoted to a higher position at the Nasu Plant’s Electronics Systems Company and Communication &

Control Systems Company. An example of an everyday education activity is our holding of human error debriefings, whose aim is the prevention of defects. In addition, we hold a quality assurance month. Aiming to maintain and enhance awareness of quality on a routine basis, during the month we solicit quality slogans from employees, posting outstanding examples in our plants and also adding them to the signatures to employee emails.

Numerical results: customer satisfaction

The aim of our Group’s quality management is to improve customer satisfaction through the thorough implementation of problem solving-oriented quality assurance that engages with customers from start to finish and that resolves customer issues, even when those issues are inherent to the customer and not caused by the quality of our products. In order to understand and improve customer satisfaction, each internal company is devising various ways to quantitatively measure customer satisfaction in accordance with the characteristics of their respective businesses.

Moreover, because ensuring quality is directly linked to customer satisfaction, we also perform quantitative management based on failure costs and aim to share causes and countermeasures.

Example of a customer satisfaction survey

* Excerpt of FY 2020 Communication & Control Systems Company RF Products Department contract process customer satisfaction data

	Quality	Delivery	Customer service
Target	6.1 or higher	5.2 or higher	6.1 or higher
Actual	6.4	6.3	6.4

Setting quality, delivery, and customer service targets at the start of the period, the company surveyed customers each quarter and achieved its targets for all categories.

Supply chain management

Our basic approach

The essence of production activities is to procure the materials necessary for product manufacturing at the right time. By building and maintaining relationships of trust with our Group's suppliers and working to realize reciprocal benefits, we will achieve stable production and contribute to society by providing reliable quality.

Our Basic Materials Management Policy

Our basic approach to material procurement is to obtain products of reliable quality, at reasonable prices, at the right time, and in the right quantities.

To this end, we will develop, maintain, and manage our role as the center of a company-wide purchasing organization, thereby helping to ensure that the procurement of materials is conducted in a smooth and appropriate manner.

In addition, we will strive to maintain and improve a robust and stable supply system for material procurement that is based on relationships of cooperation and trust with our suppliers.

1. Maintain and manage TBB, the core system for purchasing operations, and related systems (purchase requisition B sheet system, accounts payable system, factoring system, Web-EDI, and lease system), and conduct purchasing and related operations based on mutual cooperation.
2. Cooperate with the Factory Materials Department to improve the efficiency of purchasing operations through ongoing promotion of subscription to Web-EDI.
3. Continue to implement internal controls (compliance with laws and internal regulations, risk management, and purchasing processes relevant to financial reporting) in purchasing management operations.
4. Conduct static observations of major suppliers and provide feedback to relevant departments in order to maintain and improve a robust and stable materials supply system. In addition, maintain close relationships with cooperative associations and their members through regular and irregular cooperation on various occasions.
5. As the purchasing department of the head office, work on cost reduction and improvement activities aimed at strengthening our organizational capabilities.

Supply chain management system

Our Group's supply chain management system comprises the Material Management & Purchasing Office, the Headquarters' administrative divisions; and the purchasing divisions of each internal company. The relationship between the Material Management & Purchasing Office and company purchasing divisions is non-hierarchical, and, as an organization under the direct control of the President, the Material Management & Purchasing Office supports each company's purchasing activities.

Purchasing management initiatives

The Material Management & Purchasing Office engages in administrative tasks such as maintaining and managing basic companywide policies, the Standard Purchasing Rules, and standard basic business agreements used by our Group. The office also provides companywide guidance on the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontract Act), and maintains and manages our core purchasing information system (TBB system). In addition, the Material Management & Purchasing Office is in charge of procuring materials for product development in the Headquarters district.

Each internal company's purchasing division primarily purchases the production materials necessary for that company's production activities, engaging in efficient, fair, and equitable transactions with our suppliers in Japan and overseas. When initiating a transaction, it is standard practice to conclude a standard basic business agreement prepared by the Material Management & Purchasing Office. Actual purchasing is conducted using our TBB system, ensuring that the transaction is in accordance with the Standard Purchasing Rules. Each individual company engages in the development of the skills of its purchasers. The Material Management & Purchasing Office also encourages purchasers to take a seminar on the Subcontract Act, and urges the individual purchasing divisions to promote the taking of the same. In 2020, 20 out of 47 purchasers took the seminar.

Improving quality across the supply chain

Business policy briefings for suppliers are held in May every year primarily at each of the Group's production sites (the Nasu Plant, Yaita Plant, and Sano Plant) in an effort to provide accurate information. Quality audits are based on each internal company's quality management system and are conducted at the start of transactions, on a regular basis, and on other occasions as deemed appropriate. The scale of our Group's suppliers is varied. Many of the companies to which we outsource machined components, in particular, are small in scale, and with these we value face-to-face dialogue with purchasers. Placing importance on direct communication makes it easier to know a supplier's working conditions and quality management, and also helps to build long-term relationships of trust with suppliers. In FY 2020, we conducted a total of 90 supplier audits.

In addition, there is a system to certify suppliers involved cutting and sheet metal processing, assembly processing, etc. as green procurement companies (companies taking measures against environmentally hazardous substances), which are subject to green procurement inspections that we perform. During these inspections, we provide explanations and guidance on reducing or eliminating environmentally hazardous substances.

Toki-mate J-Kai

Toki-mate J-Kai is an organization for young managers at the Group's small and medium-sized suppliers and the next generation of business managers. In addition to technical exchanges and study sessions, the association regularly holds events to visit our domestic and overseas production sites for training purposes. The association is fully supported by the Material Management & Purchasing Office and the purchasing departments of each production site.

Together with Employees

Human resources are the most important asset of our Group. We make the cultivation of independent growth-oriented human resources our basic policy for human resource development, and require all employees to take action on their own to generate results. Toward this end, we seek to increase our corporate value by supporting employees' capacity development and by continuously enhancing the value of our human capital.

Concepts and policies regarding human resources

Policies regarding hiring initiatives

Amid great changes taking place in the business environment, securing the diverse, outstanding human resources that are the wellspring of competitiveness is essential to the sustainable development of our Group. In order for all employees to maximize their individual personalities and abilities, and to consolidate these into a powerful force aimed at creating new value, we hold the following image of the human resources that our Group seeks.

- Persons who possess passion, persistence, and the toughness to carry through to the end
- Persons who possess the initiative to jump into new areas despite inexperience
- People who think for themselves and seek to solve problems

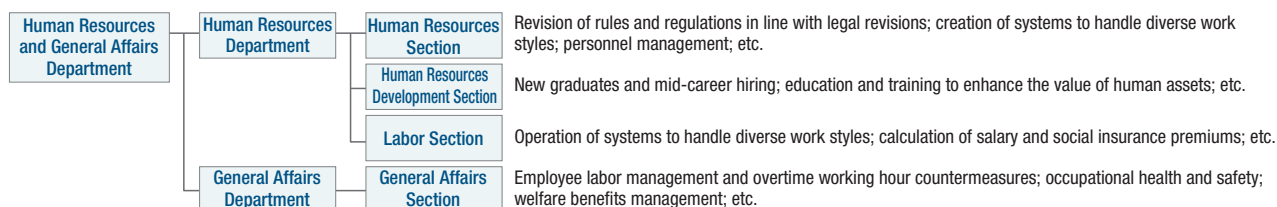
In creating this image of the human resources we seek, we compare notes against departments' specific

needs and the human resources management visions of the Human Resources & General Affairs Dept. This Department undertakes its yearly recruiting activities on the basis of hearings with individual departments.

Our policies for undertaking human resources development

While working to solve social issues through innovation, we will meet the expectations of our customers and enhance the profitability that forms the foundation of sustainable growth. Toward that end, developing the capabilities of the employees who support our management foundation is indispensable. In addition to actively developing company-wide improvement activities in production, sales, engineering, services, and elsewhere to raise the efficiency of all work and turn the reserves thus created into resources for growth, we will tackle cross-training and other human resource development that enhances added value.

Personnel management system diagram



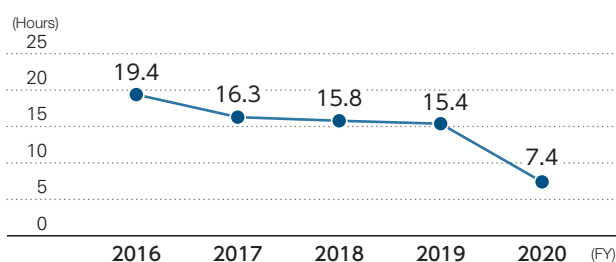
Initiatives for work style reform

The Company enacts numerous measures and has established programs including telework, flextime, no-overtime days, and childcare and nursing care leave programs to flexibly accommodate diverse work styles and let all employees fully exert their capabilities.

For employees seeking venues for communication outside of work, such as club activities and social gatherings at workplaces, the Company strives to provide opportunities by bearing a portion of expenses.

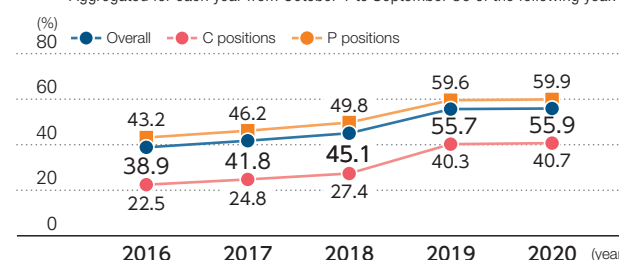
Monthly average overtime hours

* Average for professional positions only



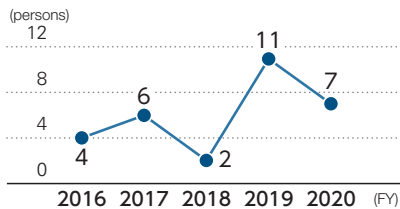
Paid annual leave utilization ratio

* C positions: Creative positions (managerial positions);
P positions: Professional positions (general positions)
* Aggregated for each year from October 1 to September 30 of the following year.



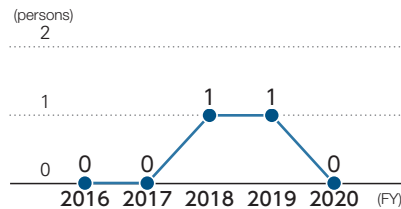
Number of persons taking childcare leave

* The number of persons newly taking childcare leave each fiscal year is counted; persons continuing childcare leave from the previous year are not counted in the year of continued leave.



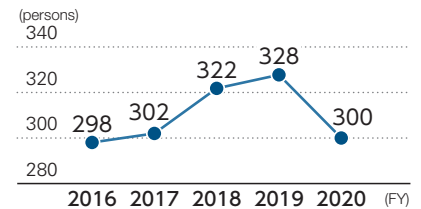
Number of persons taking nursing care leave

* The number of persons newly taking childcare leave each fiscal year is counted; persons continuing childcare leave from the previous year are not counted in the year of continued leave.



Number of persons taking special annual leave

* Special annual leave refers to leave days newly granted on October 1 in number equal to days of annual paid leave that had expired in the previous year. It is used for treatment of non-occupational injuries or illnesses, etc., for the purpose of employee welfare. Persons who have used at least one day of the year during the fiscal year are counted.



Education system

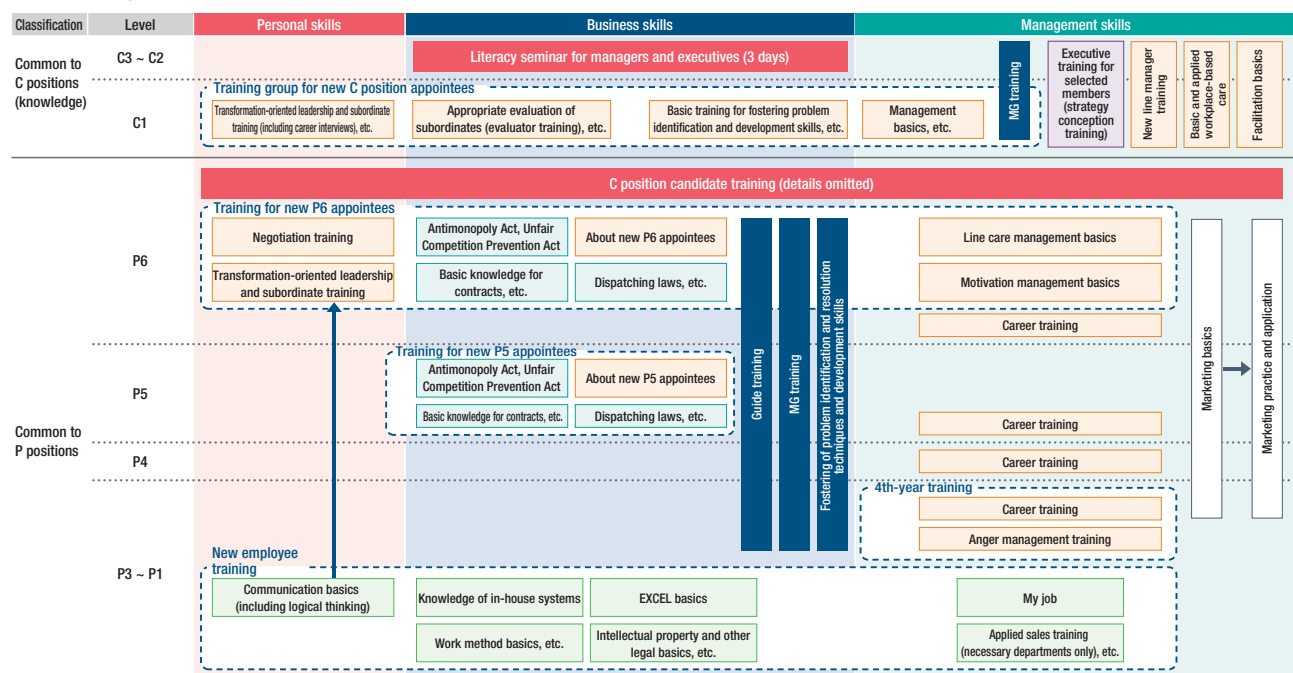
Career plan

To enhance the value of our human capital, we offer education and training to all employees, from new entrants to executives.

Specific examples include hierarchical education in

the form of level-specific training for the maintenance of knowledge and skills, line manager education in the form of training for the acquisition of management skills and knowledge, and training of selected candidates as future executives.

Knowledge and skills acquired at each level of hierarchy



* C positions: Creative positions (managerial positions); P positions: Professional positions (general positions)

Education Initiatives in Fiscal 2020

Use of external training during the COVID-19 pandemic

The unprecedented turmoil caused by the COVID-19 pandemic has had major impacts on education and training. Group education, external training, and other activities normally carried out face-to-face have become difficult. We have switched to remote methods for these activities, and are working to address employees' motivation for voluntary study by developing flexible training formats. As one example, in fiscal 2020 we enhanced the business skills courses that all employees can audit online.

Training by in-house instructors

In the past, our educational activities have made use of external resources including instructors from outside the

Group and course attendance at external institutions. In some areas of curriculum, however, including training in legal affairs, sales, and manufacturing, we appoint our employees as instructors. Merits of this initiative include the ability to acquire knowledge and case study information that are specific to the Group and not readily available from outside lecturers, as well as the ability to raise awareness of in-house education through collaboration with departments in the Company.

While some courses were canceled in fiscal 2020 because of the COVID-19 pandemic, we are carrying out education in 20 of our 42 major courses under in-house instructors.

Through a hybrid curriculum that combines these internal resources with external resources, we are working to maximize educational impact.

Policies and initiatives for diversity

Our Group is strengthening the employment of women and persons with disabilities, and is developing environments conducive to work.

Promotion of active participation by women

By addressing legal revisions and holding discussions with labor unions, we are advancing the creation of environments that are conducive to work by female employees. As in-house programs, we have established childcare and nursing care leave programs along with a reduced working hours program for childcare.

Accepting special needs school students as factory trainees

Every year, our Sano Plant accepts student interns from neighboring prefectural high schools. In fiscal 2020, we accepted students with mild intellectual disabilities from a special needs school in Tochigi Prefecture in response to a factory training request from the school. Prior to the two-week training, we held preliminary meetings with the teachers from the school and the students' guardians, and agreed to make safety the highest priority in the training and to set a goal of teaching participants to perform their tasks on their own.

Teachers and guardians made observation visits several times during the training, during which we received thanks for the work procedure manual that we created for the students. The students gained proficiency more quickly than expected, and yielded results that satisfied both sides in post-training reviews. The plant views the experience as a positive one for the future

hiring of persons with disabilities.

Employment of persons with disabilities

When hiring people with disabilities, we make physical enhancements incorporating wheel-chair accessible workplace layouts and offices with improved toilets, and also prepare opportunities for education to promote understanding of disabilities among members of the accepting workplaces. After individuals join the Company and receive assignments, the Human Resources Dept. checks regular reports from the workplace, makes regular workplace visits, and communicates closely in providing labor management and necessary care.

Number of persons with disabilities employed

Headquarters	11
Nasu Plant	9
Yaita Plant	5
Sano Plant	8
Total	33

Employment rate of persons with disabilities

2.12%

Human Rights

Companies must recognize their potential for unintentionally affecting human rights, directly or indirectly, in the conduct of their business, and must engage in business activities with awareness of respect for human rights. Our Group will fulfill its corporate responsibilities on a basis of respect for the human rights of our stakeholders and of all people.

Concepts and policies regarding human rights

We will respect human rights and will appropriately manage personal information. Under the idea that providing motivating workplaces while respecting the human rights, personalities, and individualities of employees aids in maintaining and strengthening our competitiveness, we aim to be a company where diverse

human resources can play active roles regardless of race, nationality, gender, age, or other characteristics. We also monitor the business activities of overseas subsidiaries and suppliers in everyday work to ensure the absence of human rights violations.

(From our Code of Conduct and Corporate Governance Guidelines)

Initiatives related to human rights

Initiatives to prevent harassment

• Policy on the prevention of harassment

The TOKYO KEIKI Group creates work environments in which all employees can exert their capabilities to the utmost and pursue their potential. At the same time, to achieve pleasant workplaces where people can actively collaborate and cooperate with others, we seek to take measures to prevent and eliminate harassment in workplaces and to respond promptly and fairly to complaints and requests for consultations concerning harassment.

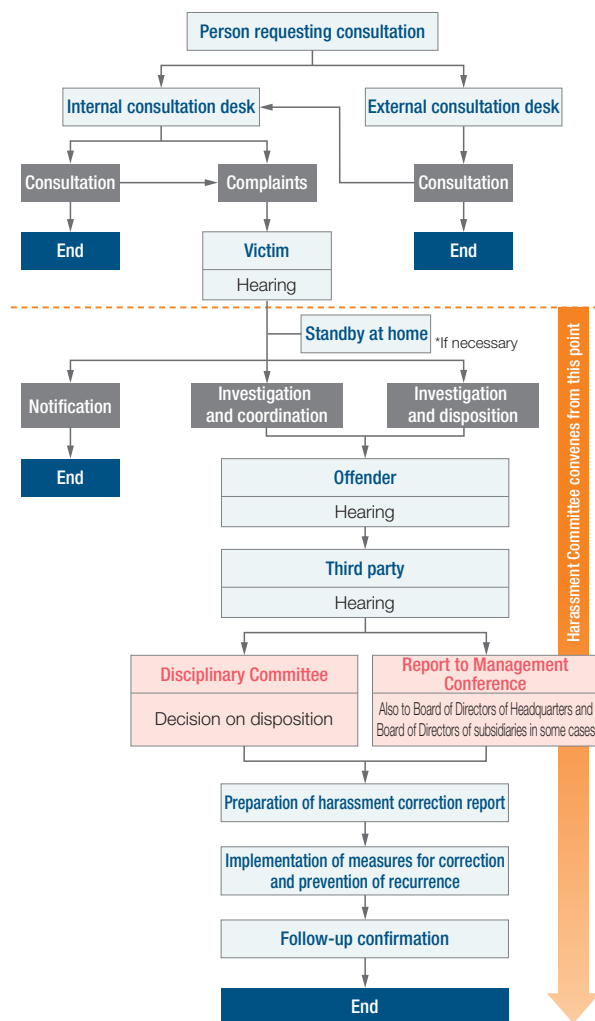
• Regulations for the prevention of harassment

Our Harassment Prevention Regulations define power harassment, sexual harassment, and other forms of harassment, and address topics including prohibited actions and LGBT issues. The regulations are applied not only to all officers and employees working in the TOKYO KEIKI Group but also to customers and business partners when the noted parties are involved.

We have set up consultation desks shared across the TOKYO KEIKI Group, both inside and outside the Company, to accept information from persons who have been subjected to harm, from persons who have witnessed or heard of incidents of harassment, or from other third parties who experience suspicions. When a matter is deemed to be of severe degree, the Harassment Committee will make a determination of whether harassment has occurred, seeking input from attorneys and other experts. Following that, the Committee will report to the Management Conference (in the case of a subsidiary, to the subsidiary's Board of Directors as well) and to the Board of Directors of Headquarters as necessary, and will make a report and entrust consideration of disposition to the Disciplinary Committee. The Harassment Committee will then consider and implement measures for correction and

prevention of recurrence, after which the Committee, the head of the relevant department, and management supervisors will prepare a harassment correction report.

The problem-solving process



Occupational Health and Safety

Employee health and safety forms the foundation for our corporate activities. As a part of the manufacturing industry, we realize that the physical and mental health of all of our employees is a key factor in continuing operations with safety at the forefront. Under this recognition, we will strive to create and maintain workplaces where employees can work with peace of mind, and will continuously work to create environments in which accidents do not happen.

Occupational Health and Safety Policy and System

Occupational Health and Safety Policy

Recognizing that, based on principles of respect for people, the securing of safety takes priority over all other activities and that health forms the foundation for corporate activity, our Company engages in business in accordance with the following provisions.

1. We will eliminate risk factors related to occupational health and safety in the workplace, strive to create comfortable workplaces, and promote the maintenance and improvement of physical and mental health.
2. We will build a health and safety management system that includes occupational health and safety policies, and will maintain its appropriateness, validity, and effectiveness by making continuous improvements.
3. We will make occupational health and safety policies and other necessary matters known to all persons who work at the Company, and will work to enhance awareness of health and safety.
4. We will comply with laws and regulations related to occupational health and safety management systems, with agreements concluded by the Company, and with matters set forth in internal rules.

Systems for occupational health and safety

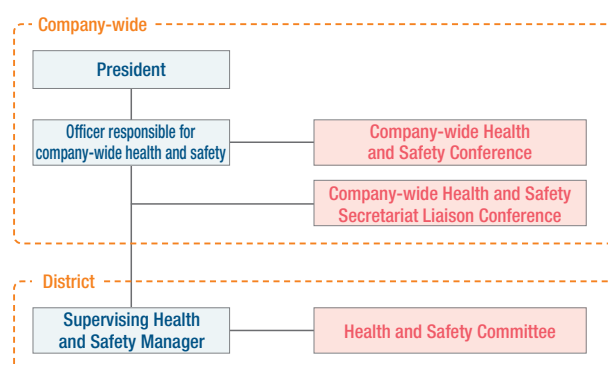
Our health and safety system is composed of a district organization that consists of employees working at our sites and a company-wide organization that coordinates the district organizations. (See the health and safety organization chart.)

Our Company-wide Health and Safety Conference is convened in accordance with our Company-wide Health and Safety Conference Regulations. Its members are the manager of the Human Resources & General Affairs Dept. and its General Affairs Section manager, the managers of the Nasu, Yaita, Sano, Hanno, and Tanuma plants, and a matching number of labor union members (usually the Central Executive Committee). As a rule, the Conference convenes once a year to consider the revision and abolition of regulations concerning health

and safety, and to discuss the content of regulations.

The Company-wide Health and Safety Secretariat Liaison Conference is convened every month before the Health and Safety Committee meeting in each district. The districts' Committee secretariats gather to discuss and exchange information on agendas for respective Health and Safety Committee meetings, matters that should be shared across organizations, company-wide initiatives, and more. Labor unions do not participate.

Health and safety organization chart



Occupational accidents in fiscal 2020

Looking at work-related accidents in fiscal 2020, occupational accidents decreased by 2 incidents from the previous fiscal year to 7 incidents, commuting-related accidents decreased by 3 incidents to 11, and traffic accidents decreased by 3 incidents to 9 incidents. To prevent further work-related accidents, we will continue striving to ensure safety by enforcing safety and disaster readiness at factories and during commuting.

Thinking about health

As stated in our Occupational Health and Safety Policy, we recognize that the physical and mental health of our employees forms the foundation of our corporate activities.

Specific initiatives

• Initiatives for health management

We engage in initiatives such as the following for the improvement and maintenance of our employees' health.

- Display of calories on menus in our workplace cafeterias and the regular provision of healthy menus
- Influenza vaccination

We are promoting influenza vaccinations company-

wide, with the Company and the health insurance association subsidizing vaccination fees. In fiscal 2020, 87.6% of all employees underwent vaccination.

• Initiatives for mental health

Through occupational health nurses and Human Resources and General Affairs Department staff in charge of health care, we provide training for self-care and for workplace-based care. We also conduct stress checks for employees and provide feedback on the results. In fiscal 2020, we conducted stress checks for 1,915 persons, with a response rate of 95.7% (1,833 persons analyzed).

Social Contribution

With awareness of our existence as a public entity within society, our Group contributes to the development of the communities in which we conduct business and readily contributes to society through a variety of activities.

Concepts and systems for social contribution

Our concept of social contribution under our Management Philosophy

Taking the items “Engage in sound and fair corporate activities in line with social norms” and “Protect the environment and work to conserve limited resources” stated in our Management Philosophy as the foundation for our approach to social contribution, we make contributions to the areas around our workplaces and engage in environmental protection activities.

System for social contribution activities

Our measures for everyday community contribution are planned and handled by the Human Resources and General Affairs Department in the Headquarters district and the Factory Management Section in individual factories.

Planning for aid, relief funds, and so on in the event of serious damage due to natural disaster is coordinated group-wide by a disaster task force set up during an emergency or by the Corporate Planning & Administration Office.

Examples of social contribution

Maintenance of local environments

• Japanese red pine conservation activities in a state-owned forest (town of Nasu, Tochigi Prefecture)

Near the Nasu Plant in the town of Nasu in Tochigi Prefecture is a state-owned forest of Japanese red pine. This vast forest, loved by Emperor Showa, was once a beautiful location with thickets of Japanese red pine. Damage by pine weevils, however, has sharply decreased the number of trees.

Every year, employee volunteers from the Nasu Plant take part in Japanese red pine conservation activities. Responding to the Enna Forest Management Office's campaign to protect Japanese red pine tree forest along the Nasu Kaido Road and preserve the landscape, volunteers carry out Japanese red pine sapling planting and leaf pickup every March. In March 2021, they performed thinning and pruning of the planted trees. In June, about 10 employees carried out undergrowth cutting under the commissioner of the Office.



This cutting is not simply cutting grass with a brush cutter or a sickle, but must be performed with great care to avoid cutting the planted pine seedlings and the wild golden-rayed lilies that grow in clusters.

This volunteer activity is now in its 6th year. We hope to continue working alongside people in local communities.

• Beautification activities around plants in Tochigi Prefecture

Employees of the Nasu Plant take part in community beautification activities in the greenery-rich areas around the plant. Employees of the Sano Plant in Sano participate in community cleanup activities conducted several times a year, cooperating with neighboring companies in the same industrial park.

• Maintaining street lights around the Yaita Plant

The seven street lights to the north of the Yaita Plant were installed in the past by a commerce and industry association neighboring the plant. The association is now dormant, however, and the street lights are no longer maintained. The street is used by students from nearby schools, and traffic- or crime-related risks could arise if the street lights go out of order. For that reason, the Company performs maintenance of the street lights, contributing to safety and security in the area.

Medical-related

• Cooperation in Japanese Red Cross Society blood drive

Our Head Office, plants in Tochigi, and the Hanno Plant cooperate in blood drives by the Japanese Red Cross Society. This past year in particular, the temporary closure of major commercial facilities, cancellation of various large-scale events, requests to refrain from leaving home, and other effects of the COVID-19 pandemic have resulted in a shortage of blood donors. As continuation of this situation will lead to severe impediments in the supply of blood needed for transfusions, we have responded with measures including an increase in blood drives at our plants.

Community contribution, etc.

Our Sano Plant participates in street-level awareness activities two to three times a year during Traffic Safety Week. Together with the local police station and neighboring companies, we put up banners at major intersections in the Sano Industrial Park and at Roadside Station rest areas, and take part in flyer distribution and litter collection.

Other examples of yearly community contribution by our plants include the acceptance of interns from local high schools, small contributions to local festivals, donations to elementary school student softball competitions, cosponsorship of fireworks displays, dispatch of instructors for special classes at schools, and many other activities.

The COVID-19 pandemic resulted in the cancellation of events and acceptance of interns over the past year, and donations have been smaller than usual as well. However, we plan to continue these activities to aid the development of local communities where we do business.

Special annual leave program

As a program to encourage employee participation in volunteer activities, we have augmented our normal annual paid leave program with a special annual leave program that grants a number of leave days equal to unused, expired paid annual leave days. This leave can be used in special circumstances such as continued leave to aid neighboring residents or to take part in regional reconstruction after a disaster. In addition to annual leave and special annual leave, persons affected by disaster may take up to 7 days within a period of 14 calendar days following the disaster as general leave (paid leave).

In addition, paid leave is granted for the exercise of civil rights in cases of performing civil duties such as lay judge duty and Committees for the Inquest of Prosecution duty.

Donations under the shareholder benefits program

The TOKYO KEIKI Premium Benefits Club, a shareholder benefits program introduced by the Company in fiscal 2020, grants special benefit points in accordance with the number of shares held by shareholders. Shareholders can exchange points for over 4,000 products, such as food items and electrical appliances.

Within these items, we prepared a category named “Social Contribution” that allows shareholder benefit points granted by the Company to be donated to public interest corporations including the Japanese Red Cross Society, NPOs, environmental NGOs, and international NGOs.

This year, donations totaling 117,100 yen were directed to the Japanese Red Cross Society, the NPO Katariba, and the NGO Save the Children Japan under this shareholder benefit program.



Corporate Governance

By improving our corporate value through the realization of our Management Philosophy, and by increasing shared benefit with our stakeholders in the long term, we want shareholders to feel confident in long-term ownership of our shares. Toward this end, we continuously pursue and work to enhance excellent corporate governance.

Concepts of corporate governance

Along with an understanding of the importance of corporate ethics, we recognize that achieving health, transparency, efficiency, and highly agile corporate management is the key point of corporate management systems for the sustainable growth and development of a company and the increase in its long-term corporate value as it responds swiftly to rapid changes in society and the environment – that is, it is the key point of corporate governance. We are enhancing our corporate governance in line with the following basic approaches.

■ Relationship with shareholders and other stakeholders

1. We will respect the rights of shareholders.
2. We will ensure the equality of shareholders.

3. We will build positive and smooth relationships with our shareholders and many other stakeholders.

4. We will properly disclose company information and ensure transparency in our corporate management.

The Board of Directors resolved to apply for listing on the Prime Market, the new market category of the Tokyo Stock Exchange, and applied in September 2021. To prepare a higher level of governance appropriate to a company migrating to the Prime Market, we will work to strengthen initiatives and enhance our sustainable growth and our medium- to long-term corporate value by solving diverse social issues.

System of corporate governance

Organizational structure

As the organizational structure of our Company under the Companies Act, we have adopted the form of a company with an Audit and Supervisory Committee. We have an Audit and Supervisory Committee in which Outside Directors with independence and neutrality make up a majority of Members, and delegate a substantial portion of the Board of Directors' authority for business execution to Directors. Doing so allows us to separate the oversight and execution of business and engage in speedy decision-making.

Basic policy on the composition of the Board of Directors

Representative Directors, Management Executives (President & CEO, Vice President & Executive Officer, Senior Executive Officer, Senior Managing Executive Officer), and Directors who are not Audit and Supervisory Committee Members are appointed with comprehensive consideration of the balance of the Board of Directors overall and whether candidates possess the knowledge, experience, and capabilities required to satisfy diversity.

Candidates for Directors who are Audit and Supervisory Committee Members are appointed based on comprehensive judgment of whether the candidates possess sufficient knowledge to properly perform the duties of Members of the Audit and Supervisory Committee. In particular, we include one or more persons who possess sufficient financial and accounting knowledge.

We also strive to appoint Outside Directors with independence and neutrality to at least one third of Director positions.

Concepts concerning the functions of the Board of Directors and independence

Outside Directors are Directors who are personally and financially independent from the Company and who fulfill the requirements for independent officers established by the Tokyo Stock Exchange, as well as the requirements for outside directors set forth in the Companies Act. Outside Directors make efforts to achieve excellent corporate governance by providing counsel from perspectives differing from those of other Directors. As necessary, they may request submission of internal company materials or explanation and reporting of internal company information from other Directors, Executive Officers, or employees.

Audit and Supervisory Committee Members bear the role of working to establish an effective corporate governance system by overseeing and auditing the execution of duties by Directors. The Audit and Supervisory Committee composed of those members conducts verification of the content of reports received from Directors, Executive Officers, employees, Accounting Auditors, and other parties, as well as investigation of the status of the Company's business and assets. The Committee enacts necessary measures in a timely manner, including the provision of counsel, recommendations, and other opinions to Directors and suspension of the actions of Directors.

Composition of the Board of Directors

The Board of Directors invites two Outside Directors (including two Directors who are Audit and Supervisory Committee Members) for inclusion among its six Directors (including three Directors who are Audit and Supervisory Committee Members), from whom the

Board receives candid comments from an external perspective and opinions of benefit to the Company's management based on the individuals' abundant experience. By doing so, we are making efforts to enhance the impartiality of our management and strengthen functions for the oversight of decision-making and execution of duties by business executives. Delegating important decisions on business execution to the Representative Director, President & CEO in accordance with the provisions of the Articles of Incorporation and resolutions by the Board of Directors enables swift decision-making in management and agile business execution, and allows the Board of Directors to focus on the oversight of business executives.

Related Committees

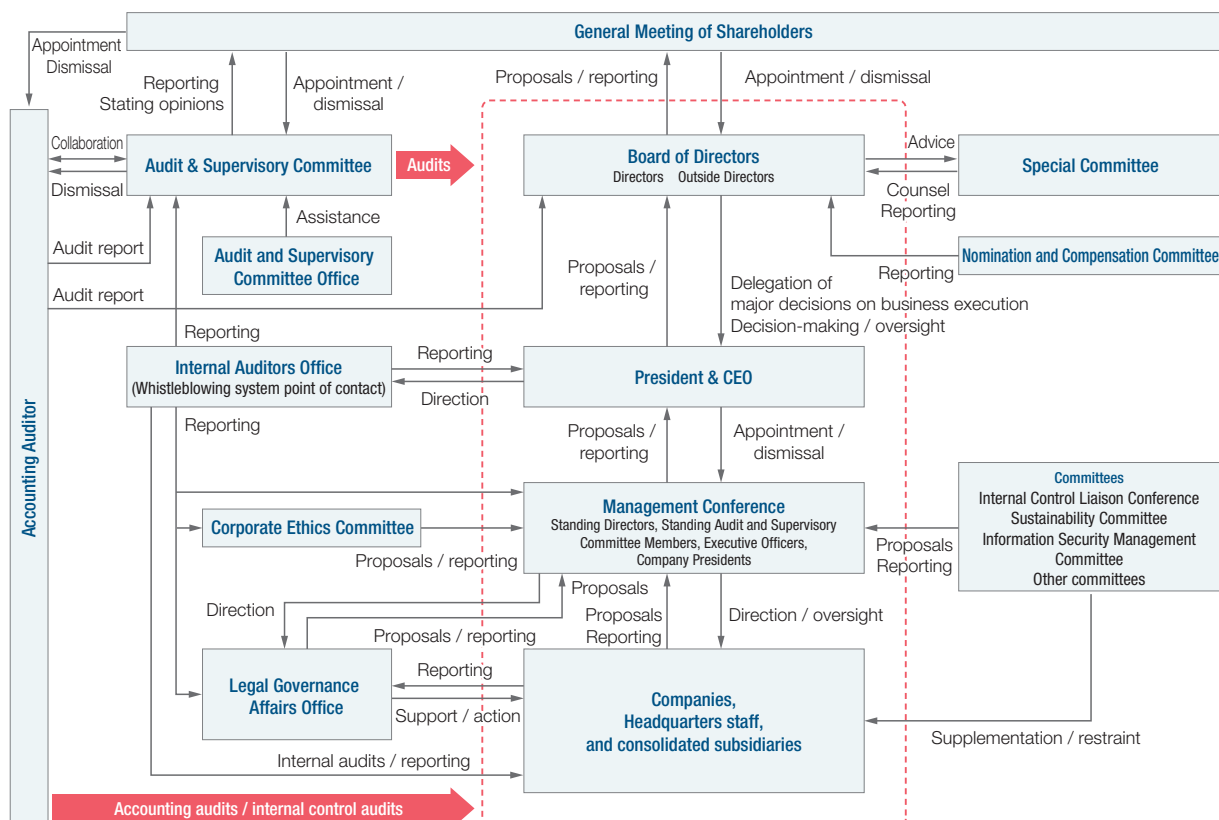
The Audit and Supervisory Committee is composed of two Outside Directors and one Internal Director. The Internal Director, as Standing Audit and Supervisory Committee Member, serves as Chair of the Committee. We have also established the Audit and Supervisory Committee Office, with one dedicated staff person and one staff person concurrently holding another position. This office supports auditing work and smooth execution of duties by the Audit and Supervisory Committee.

The Company has also established a Nomination and Compensation Committee under the Board of Directors to deliberate on proposals for director appointment and compensation. This Committee is chaired by Representative Director, President & CEO Tsuyoshi Ando, with Outside Directors Nanpei Yanagawa and Takashi Nakamura as Members.

As a decision-making body for execution of management by the President & CEO, we have established a Management Conference to deliberate company-wide basic management strategy and its execution. The Management Conference is composed of Standing Directors, Executive Officers, and Company Presidents. The Corporate Ethics Committee, chaired by the Chief Legal Governance Officer, is composed of corporate ethics managers in the Group. It manages corporate ethics activities across the Group, enforces corporate ethics education for directors and employees, and works to prevent violations. We have also established a whistleblowing system as a means of directly providing information on legally suspect actions, and ensure that no disadvantage befalls whistleblowers.

The Special Committee is composed of experts including one or more university professors, attorneys, and certified accountants who have no affiliations with the Company. Our Large-scale Purchase Rules (an anti-takeover defense measure), which clearly and specifically indicate procedures that takeover proposers should take prior to executing specific acts of purchase, in principle require judgment by the Special Committee on decisions regarding whether to implement specific measures, to exclude arbitrary decisions by the Company's Board of Directors.

Moreover, to promote sustainability management by which our Group seeks to improve the sustainability of our business through consideration of the sustainability of the environment, society, and economy, we established the Sustainability Committee as a Group-wide organization in June 2021. (See the Spotlight page for details.)



Evaluation of effectiveness

Implementation guidelines for evaluations of the effectiveness of the Board of Directors during the reporting period

We carry out evaluations of effectiveness on the basis of Article 30 of our Corporate Governance Guidelines, which states, “The Board of Directors will, to evaluate its effectiveness, conduct self-evaluation at the end of each fiscal year with a focus on whether the execution of duties by the Board of Directors was performed in accordance with these Guidelines, and will analyze and evaluate the results. An outline of the results of the analysis and evaluation will also be disclosed as appropriate.” We disclose results in our Corporate Governance Report.

Initiatives to address issues raised in the 89th term

In our evaluation of our 89th term (fiscal 2019, ended in March 2020), as a concrete measure in the 90th term (fiscal 2020, ended in March 2021) to address issues in the 89th term, we made the decision to create opportunities for Members of the Board of Directors to hold deeper upstream discussions on key items in our securities report, in addition to continuing ongoing measures. Items specifically noted included management policy, the business environment, issues to be addressed, and business risks, as well as explanations of financial condition and analysis of business performance and cash flow status (MD&A) by managers.

As a result, active discussions on every project have increased compared to the previous fiscal year, and evaluation of the effectiveness of the Board of Directors has risen.

Results of evaluation of the 90th Term

We conducted an anonymous questionnaire survey aimed at all directors, including Audit and Supervisory Committee

Members, to evaluate the effectiveness of the Board of Directors in the 90th Term. Preparation, distribution, tabulation, and analysis of the anonymous response sheets were conducted by the Legal Governance Affairs Office, which serves as the secretariat for evaluation of effectiveness. The answer sheet consists of 17 questions covering areas of the Board of Directors' composition, operation, deliberation, support structure, relationships with stakeholders, and the degree of contribution of individual directors.

At the Board of Directors meeting held in May 2021, the Chief Legal Governance Officer reported on the aggregation of responses and the findings of analysis, and Members discussed current circumstances and recognition of issues.

As a result, our Company's Board of Directors has determined that the duties of the Board of Directors are being performed appropriately and that no problem exists in its effectiveness. Some improvement was seen in deliberation of management strategy and business strategy, an issue raised in the previous year. However, in evaluation of the outcomes of key management strategy and business strategy execution, we affirmed room for improvement in deliberation and evaluation in Board of Directors discussions, and shared these matters with the Board of Directors. Looking ahead, we will continue our ongoing improvement measures, determine specific improvement measures for the identified issues, and reconfirm progress and results in the next effectiveness evaluation.

The Company will endeavor to further improve the effectiveness of the Board of Directors by conducting appropriate evaluations every year, through resolution of issues recognized in effectiveness evaluations and continuous review of implementation guidelines for evaluation.

Policy for appointment of directors

Policy for appointing Internal Directors who are not Audit and Supervisory Committee Members

In accordance with guidelines outlining seven requirements, the Company appoints Internal Directors who are not Audit and Supervisory Committee Members from among Executive Officers, employees, etc. who have the strong will, abundant experience, high level of insight, and high level of expertise needed to carry out the duties of a director.

Policy for appointing Internal Directors who are Audit and Supervisory Committee Members

In accordance with guidelines outlining six requirements, the Company appoints Internal Directors who are Audit and Supervisory Committee Members from among current (or incumbent) Audit and Supervisory Committee Members,

Executive Officers, employees, etc. who have the strong will, abundant experience, high level of insight, and high level of expertise needed to carry out the duties of a director. We particularly emphasize a deep understanding of matters such as finance, accounting, and internal control, as well as sufficient experience and expert knowledge.

Policy for appointment of Outside Directors

In accordance with guidelines outlining seven requirements, the Company appoints Outside Directors from among persons who possess abundant experience, a high level of insight, and a high level of expertise; persons who possess a practical perspective as an outside company manager or other position; and persons who possess an objective and expert perspective based on a high level of knowledge of global conditions and socio-economic trends.

Compensation system for directors

Basic policies

Compensation for directors who are not Audit and Supervisory Committee Members is composed of monthly fixed compensation (basic compensation), performance-linked compensation, and transfer-restricted stock compensation, with the aim of reflecting business performance and sharing the values of shareholders. Transfer-restricted stock compensation was introduced in June 2020 in place of compensation for the purpose of acquiring shares. Outside Directors who are not Audit and Supervisory Committee Members receive only monthly fixed compensation. For all compensation amounts, proposals prepared by the Representative Director, President & CEO are submitted to the Nomination and Compensation Committee. The Representative Director, President & CEO then receives a Memorandum on Director Compensation from the Committee and, based on this, finally determines and proposes compensation amounts that are resolved by the Board of Directors.

Compensation for Audit & Supervisory Committee Members, consisting of only basic compensation in the form of monthly fixed compensation, is determined through deliberation by Audit and Supervisory Committee Members on the basis of Members' roles, duties, and categorization of standing or non-standing status, within the total amount determined at the General Meeting of Shareholders.

Monthly fixed compensation

The Representative Director, President & CEO will set a monthly fixed compensation proposal for each director who is not an Audit and Supervisory Committee Member, making reference to necessary information on director compensation allowing comparison with our Company, obtained through sources including surveys on trends in director compensation. After monthly fixed

compensation is determined, amounts may be reduced in consideration of matters including the Company's business situation.

Performance-linked compensation

The Representative Director, President & CEO will determine whether performance-linked compensation will be paid, through discussions with the Representative Director in accordance with criteria for the payment of performance-linked compensation as set forth in the Rules for Directors' Compensation. Criteria for the payment of performance-linked compensation include positive operating profit, a given level of profit attributable to owners of parent, payment of dividends not below initial projections, and ROE that does not fall below initial projections by a given percentage.

Transfer-restricted stock compensation

The Company sets and pays monetary compensation credits in an amount equal to an individual's monthly fixed compensation converted to a yearly amount, multiplied by a coefficient based on position. Each eligible director receives an allocation of transfer-restricted stock through the granting of all monetary compensation credits as in-kind contribution. The paid-in amount of the transfer-restricted stock is determined by the Company's Board of Directors within an extent that is not overly advantageous to the receiving directors, based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day prior to resolution by the Board of Directors concerning issuance or disposal of the stock (or, if no transactions took place on said business day, the closing price on the most recent trading day).

Similar transfer-restricted stock is also allocated to the Executive Officers of the Company and Representative Directors of subsidiaries of the Company.

Amount of compensation by officer category

Officer category	Total amount of compensation, etc. (million yen)	Total amount by type of compensation, etc. (million yen)				Number of eligible officers
		Basic compensation	Compensation for the purpose of stock acquisition (Note 2)	Transfer-restricted stock compensation (Note 3)	Performance-linked compensation	
Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors)	92	69	3	10	10	3
Directors who are Audit and Supervisory Committee Members (excluding Outside Directors)	17	17	—	—	—	1
Outside Directors (Note 1)	10	10	—	—	—	2

Notes 1. The total amount of compensation, etc. for Outside Directors is the amount of compensation for Outside Audit and Supervisory Committee Members.

2. Compensation for the purpose of stock acquisition has been suspended as of June 2020 in line with the introduction of transfer-restricted stock compensation.

3. Transfer-restricted stock compensation has been paid since July 2020. The total amount of compensation, etc. is the amount of monetary compensation credits paid under the transfer-restricted stock compensation system.

4. The total amount of the above compensation, etc. for Directors does not include amounts equivalent to the employee salaries of Directors who serve concurrently as employees.

TOKYO KEIKI INC.

2-16-46, Minami-Kamata, Ohta-Ku, Tokyo 144-8551 JAPAN

TEL : +81-3-3732-2111

FAX : +81-3-3736-0261

www.tokyokeiki.jp