

# TOKYO KEIKI INC.

## Financial Results Briefing for 1Q of the Fiscal Year Ended March 31, 2023 (FY2022) —From April 1 to June 30, 2022—

August 12, 2022

Forward-looking statements in this presentation are based on assumptions made by our management based on information available at the time of publication. Therefore, please be aware that there may be differences due to factors such as the business environment in the future.

## Summary of Financial Results for 1Q of Fiscal 2022

### ◆ Financial Results for the 1Q of FY2022

- Net sales increased year on year, and profits and losses remained unchanged from the same period of the previous fiscal year.
- Net sales increased as Defense & Communications Equipment Business began to recover from the trough in projects for defense equipment up to the previous fiscal year.
- Profits remained unchanged from the same period of the previous fiscal year due to an increase in the cost of sales ratio due to the impact of soaring raw material prices and changes in the product mix.

### ◆ Full-year Forecast for FY2022

- There are no changes to the earnings forecasts disclosed on May 13, 2022, and sales and profits are forecast to increase year on year.
- The annual dividend is planned to be ¥30 per share, with an increase of ¥5 per share in the ordinary dividend in line with the initial forecast.

# Table of Contents

---

1. Summary of financial results for 1Q of FY2022
  2. Full-year forecasts of FY2022
  3. Topics
- <References>

## 1Q Net Sales and P/L

- ◆ Despite the impact of Shanghai lockdown and soaring raw material prices, sales increased and operating profit remained unchanged from the same period of the previous fiscal year due to the recovering of Defense & Communications Equipment Business.

(Million yen)	FY 2021 1Q Results	FY 2022 1Q Results	Year on Year Change	
			Amount	Rate
Net sales	8,028	8,924	+896	+11.2%
Operating profit	▲517	▲533	▲16	-
Ordinary profit	▲404	▲372	+32	-
Profit attributable to owners of parent	▲250	▲242	+8	-

# 1Q Net Sales and Operating Profit by Segment

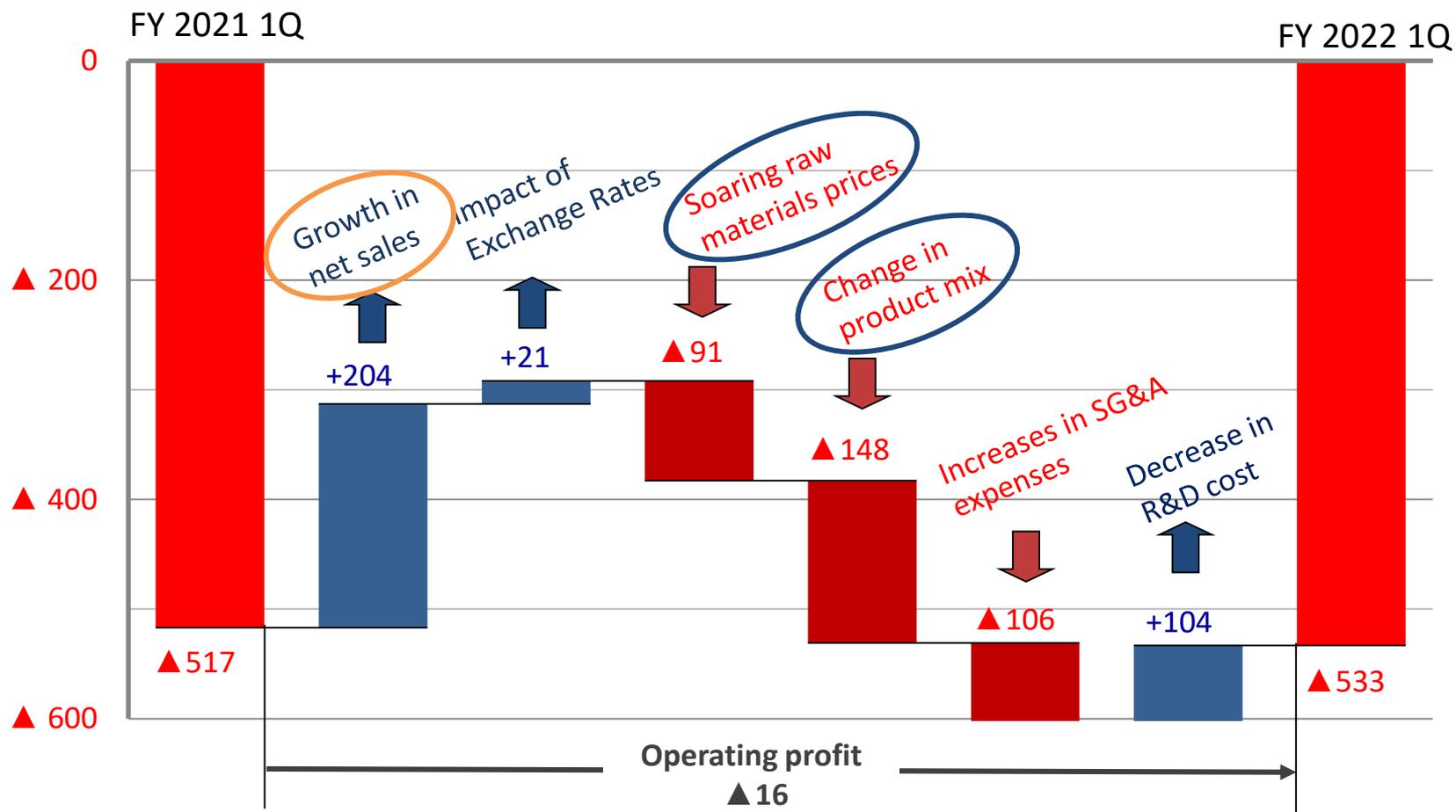
- ◆ Marine Systems : Sales increased due to robust sales of products for coastal vessels and for Europe and the United States, as well as maintenance services. Profits declined due to soaring raw material prices, despite the positive impact of the yen's depreciation.
- ◆ Hydraulics and Pneumatics : Lower sales and profits due to lower demand in overseas markets caused by Shanghai lockdowns and soaring raw material prices.
- ◆ Fluid Measurement Equipment : Sales and profits declined due to a decrease in public-sector projects, despite strong sales of fire extinguishing equipment and inspection work.
- ◆ Defense & Communications Equipment : Sales and profits increased as defense equipment began to recover from the trough in the project, and sales of automatic steering assist devices for agricultural machinery and other equipment increased in the private sector.

(Million yen)	Net sales				Operating profit			
	FY 2021 1Q Results	FY 2022 1Q Results	Year on Year Change		FY 2021 1Q Results	FY 2022 1Q Results	Year on Year Change	
			Amount	Rate			Amount	Rate
Marine Systems	2,019	2,078	+58	+2.9%	15	8	▲6	▲44.1%
Hydraulics and Pneumatics	2,835	2,819	▲16	▲0.6%	▲19	▲88	▲70	-
Fluid Measurement Equipment	597	583	▲14	▲2.4%	▲130	▲142	▲11	-
Defense & Communications Equipment	2,126	2,976	+850	+40.0%	▲266	▲175	+91	-
Others	450	469	+19	+4.2%	▲101	▲111	▲10	-
Adjustment	0	0	+0	-	▲15	▲25	▲10	-
Total	8,028	8,924	+896	+11.2%	▲517	▲533	▲16	-

# 1Q Changes in Operating Profit (YoY)

- ◆ Operating profit decreased due to a sharp rise in raw material prices and changes in the product mix, including an increase in sales of defense equipment which had a high cost ratio.

(Million yen)



## Status of Orders Received and Order Backlog

- ◆ Overall, both orders and order backlog increased YoY, contributing to sales growth from Q2 onward. There were discrepancies when viewed by segment.
- ◆ Marine Systems : Orders decreased due to a decrease in demand for new vessels. Order backlog increased due to delays in shipments caused by component shortages.
- ◆ Hydraulics and Pneumatics : Orders declined due to a decrease in demand in overseas markets, particularly China. Order backlog increased due to an increase in orders received for long term delivery dates.
- ◆ Fluid Measurement Equipment : Both orders and order backlog increased due to strong performance in public and private-sector projects.
- ◆ Defense & Communications Equipment : Both orders and order backlog increased due to increased demand for the Japan Coast Guard.

(Million yen)	Amount of orders received for 1Q of FY2022		Amount of order backlog at the end of 1Q of FY2022		
	Amount	YoY change	Amount	Change from the end of FY2020	YoY change
Marine Systems	2,231	▲10.4%	3,502	+4.6%	+27.5%
Hydraulics and Pneumatics	3,105	▲2.9%	3,547	+8.8%	+17.3%
Fluid Measurement Equipment	1,082	+6.7%	1,652	+43.3%	+15.4%
Defense & Communications Equipment	2,297	+32.3%	16,096	▲4.0%	+6.0%
Others	811	▲15.5%	1,820	+24.1%	+28.1%
<b>Total</b>	<b>9,526</b>	<b>+1.4%</b>	<b>26,616</b>	<b>+2.4%</b>	<b>+11.8%</b>

## Balance Sheet (Main accounting items only)

- ◆ The equity ratio stood at 59.0% at the end of June 2022, continuing to maintain financial soundness. (58.7% as of March 31, 2022)
- ◆ Inventories increased because advanced arrangements and orders received increased as a countermeasure to soaring raw material prices and lengthening procurement periods.

## (Assets)

## (Liabilities and Net Assets)

(Million yen)	As of Mar. 31, 2022	As of June 30, 2022	Amount of change	(Million yen)	As of Mar. 31, 2022	As of June 30, 2022	Amount of change
<b>Current assets</b>	<b>43,102</b>	<b>41,585</b>	<b>▲1,517</b>	<b>Current liabilities</b>	<b>19,031</b>	<b>18,200</b>	<b>▲831</b>
Cash and deposits	12,244	10,895	▲1,349	Notes and accounts payable	6,565	6,494	▲71
Notes and accounts receivable	11,976	9,544	▲2,432	Short-term loans payable	8,102	8,043	▲59
Electronically recorded monetary claims	3,353	3,818	+465	Provision for bonuses	1,159	578	▲581
Inventories	14,979	16,601	+1,622	<b>Non-current liabilities</b>	<b>3,640</b>	<b>3,682</b>	<b>+42</b>
Accounts receivable	245	293	+48	Long-term loans payable	2,136	2,107	▲30
Other	307	436	+129	<b>Total liabilities</b>	<b>22,671</b>	<b>21,882</b>	<b>▲788</b>
<b>Non-current assets</b>	<b>12,916</b>	<b>12,834</b>	<b>▲83</b>	<b>Shareholders' equity</b>	<b>30,708</b>	<b>29,978</b>	<b>▲730</b>
Tangible assets	6,617	6,424	▲192	Retained earnings	24,152	23,418	▲734
Intangible assets	94	109	+16	<b>Accumulated other comprehensive income</b>	<b>2,180</b>	<b>2,123</b>	<b>▲56</b>
Investment securities	3,956	3,904	▲52	<b>Total net assets</b>	<b>33,348</b>	<b>32,537</b>	<b>▲811</b>
<b>Total assets</b>	<b>56,018</b>	<b>54,419</b>	<b>▲1,599</b>	<b>Total liabilities and Net assets</b>	<b>56,018</b>	<b>54,419</b>	<b>▲1,599</b>

# Table of Contents

---

1. Summary of financial results for 1Q of FY2022
  2. Full-year forecasts of FY2022
  3. Topics
- <References>

## Fiscal 2022 Full-year Earnings Forecast

- ◆ Despite some factors of fluctuation, there are no changes to the earnings forecasts disclosed on May 13, 2022, and the Company aims to increase sales and profits YoY. (in line with initial forecast)
- ◆ On the positive side, Defense & Communications Equipment Business is expected to recover from the trough in projects and the yen is expected to depreciate further than expected.
- ◆ On the negative side, the outlook remains uncertain due to factors such as a shortage in the supply of semiconductors and other parts and the impact of soaring crude oil and raw material prices. But the Company is implementing measures such as price increases and advanced arrangements for parts.

(Million yen)	FY 2021 Results	FY 2022 Forecast	Year on Year Change
			Amount (Rate)
Net sales	41,510	<b>45,400</b>	+3,890 (+9.4%)
Operating profit	1,635	<b>1,850</b>	+215 (+13.2%)
Ordinary profit	1,926	<b>2,100</b>	+174 (+9.0%)
Profit attributable to owners of parent	1,493	<b>1,550</b>	+57 (+3.8%)

## Fiscal 2022 Full-year Earnings Forecast by Segment

◆ Net sales and operating profit forecasts by segment are also in line with initial forecasts.

(Million yen)	Net sales			Operating profit		
	FY 2021 Results	FY2022		FY 2021 Results	FY2022	
		Forecast	YoY Amount (Rate)		Forecast	YoY Amount (Rate)
Marine Systems	8,700	9,500	+800 (+9.2%)	388	330	▲58 (▲14.9%)
Hydraulics and Pneumatics	11,526	12,400	+874 (+7.6%)	▲115	270	+385 (-)
Fluid Measurement Equipment	4,432	4,500	+68 (+1.5%)	915	500	▲415 (▲45.4%)
Defense & Communications Equipment	13,884	15,200	+1,316 (+9.5%)	312	420	+108 (+34.6%)
Others	2,966	3,800	+834 (+28.1%)	250	490	+240 (+96.0%)
Total	41,510	45,400	+3,890 (+9.4%)	1,635	1,850	+215 (+13.1%)

(Segment sales and operating profit are before adjustments.)

## Business Outlook by Segment

<b>Marine Systems Business</b>	<ul style="list-style-type: none"> <li>• Recovery trend is seen in demand for new shipbuilding in East Asian markets.</li> <li>• The business focuses on expanding sales of new ECDIS (Electronic Chart Display and Information System).</li> <li>• Maintenance services for marine equipment are expected to be steady.</li> <li>• If the yen continues to depreciate, there will be a positive impact.</li> <li>• Uncertainty continues due to soaring raw material prices and delays in receiving parts.</li> </ul>
<b>Hydraulics and Pneumatics Business</b>	<ul style="list-style-type: none"> <li>• Domestic demand is expected to remain firm in all markets.</li> <li>• In overseas markets, mainly in China, focus on expanding profits.</li> <li>• Secure profits by focusing on price hikes in response to rising raw material prices, etc.</li> <li>• Uncertainty continues due to soaring raw material prices and delays in receiving parts.</li> </ul>
<b>Fluid Measurement Equipment Business</b>	<ul style="list-style-type: none"> <li>• The public-sector market is expected to remain steady.</li> <li>• The fire extinguishing systems market is expected to see steady demand for parking garage projects, for parts sales and for replacement work required for “statutory safety inspections of valves for gas-based fire extinguishers”.</li> </ul>
<b>Defense &amp; Communications Equipment Business</b>	<ul style="list-style-type: none"> <li>• The defense business is recovering from the trough in defense equipment projects.</li> <li>• In communication &amp; control equipment business, sales are expected to be steady for automatic steering assist devices for agricultural machinery, equipment for semiconductor production equipment, space-related equipment, and antenna directioning systems.</li> </ul>
<b>Other Businesses</b>	<ul style="list-style-type: none"> <li>• In Printing Inspection Equipment business, demand for projects delayed from the previous fiscal year and renovation will increase.</li> <li>• In Railway Maintenance business, we plan to deliver the ultrasonic rail inspection cars, our mainstay products, as expected at the beginning of the fiscal year.</li> </ul>

## Status of External Environmental Risks

	Occurrences	Target Business	Response	Degree of impact
Difficulty of obtaining materials and rises in raw material prices	<ul style="list-style-type: none"> <li>• In private-sector products, difficulty in obtaining some electronic components continues.</li> <li>• Difficulty in obtaining some overseas purchased products is chronic.</li> <li>• Material costs continue to rise due to soaring prices for metal materials such as iron, copper, and aluminum, semiconductors, connectors, and switches.</li> <li>• The situation in Ukraine deteriorates further.</li> </ul>	<ul style="list-style-type: none"> <li>✓ All businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Continue negotiations with customers to raise prices.</li> <li>• Continue delivery adjustment, including advance arrangements.</li> <li>• Secure market inventory by expanding suppliers.</li> <li>• Adjust delivery timing.</li> <li>• Procure substitutes.</li> </ul>	High
Shanghai Lockdown	<ul style="list-style-type: none"> <li>• Difficulty in obtaining parts and purchased products continues.</li> <li>• Delay in ordering continues due to decrease in our customers' operating ratio.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Marine Systems Business</li> <li>✓ Hydraulics and Pneumatics Business</li> </ul>	<ul style="list-style-type: none"> <li>• Adjust delivery timing.</li> <li>• Strengthen confirmation of the customers' forecasts.</li> </ul>	Medium
Situation in Ukraine (Sales side)	<ul style="list-style-type: none"> <li>• Sales to Russia have decreased, but the impact is minor.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Marine Systems Business</li> </ul>	<ul style="list-style-type: none"> <li>• Recover through sales activities in other countries.</li> </ul>	Low
Exchange rate	<ul style="list-style-type: none"> <li>• Depreciation of the yen contributes to higher sales and profits.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Marine Systems Business (+)</li> <li>✓ Hydraulics and Pneumatics Business (-)</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to be cautious about an increase in the price of purchased parts.</li> </ul>	Low

## Profit returns to shareholders

### [Dividend Policy]

Our basic policy is to implement optimal shareholder returns measures that take into account an optimal capital structure, while giving top priority to growth-oriented investments, with a view to balancing these investments with our financial base, in order to increase corporate value by realizing TOKYO KEIKI Vision 2030. In accordance with this stance, we will strive for stable and continuous shareholder returns with regard to dividends for each fiscal year, taking into account our past dividend performance.

### [Commemorative dividend]

In FY2022, we plan to pay an ordinary dividend of ¥30 per share.

### [Shareholder benefits program (TOKYO KEIKI Premium Benefits Club)]

No plans at present to change the shareholder benefits program.

### Dividend for the last five years and forecast for FY2022

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (Forecast)
Annual dividend per share (yen)	20.00	25.00	25.00	25.00	Common, 25.00 +Commemorative 5.00	<b>30.00</b>
Payout ratio (consolidated) (%)	29.6	21.3	28.8	43.4	32.9	<b>31.7</b>
Total return ratio (consolidated) (%)	37.1	25.6	34.7	43.4	33.0	—

### Status of recent acquisition of treasury shares

	May 2014	May 2015	Nov. 2015	Nov. 2017	Feb. 2019	Nov. 2019
Total number of reacquired shares (yen) *	310,000	300,000	335,000	58,000	76,800	84,700
Acquisition cost (million yen)	84	84	84	85	85	85

\*From Nov. 2017 onward, the numbers of shares are those after consolidation of shares.  
(The numbers before consolidation shares are 1/5 of the stated numbers.)

# Table of Contents

---

1. Summary of financial results for 1Q of FY2022
  2. Full-year forecasts of FY2022
  3. Topics
- <References>

**Topic 1****Expansion of Space Business:  
Entering the Small SAR Satellite Assembly Business**

In June 2022, TOKYO KEIKI entered into a partnership with Synspecive Co., Ltd. (Koto-ku, Tokyo, hereinafter "Synspecive") for commercial produce of small SAR satellites.

**[Assembly of small SAR satellites]**

- Synspecive has launched 2 satellites to date, and is aiming to build a total of 6 satellites during 2023 and a constellation of 30 satellites around 2026.
- To handle the assembly of these satellites, TOKYO KEIKI is planning to build a satellite assembly building with a clean room in Nasu Plant, and intend to begin commercial production in a few years.
- In TOKYO KEIKI Vision 2030, we have identified the space business as a potential driver for new growth. In the future, we aim to realize a safe society through satellite-based businesses.



Synspecive's small SAR satellite  
©Synspecive Inc.



TOKYO KEIKI Nasu Plant  
(Nasu, Tochigi)

**[TOKYO KEIKI Technology]**

Taking advantage of the microwave application technologies accumulated over many years, TOKYO KEIKI has delivered microwave power amplifier modules for small SAR satellites manufactured by Synspecive.

As the reliability of the quality management system cultivated in the manufacture of defense products and the achievements of assembly and inspection of aerospace-related equipment have been highly evaluated, this partnership with Synspecive has been realized.

## Topic 2

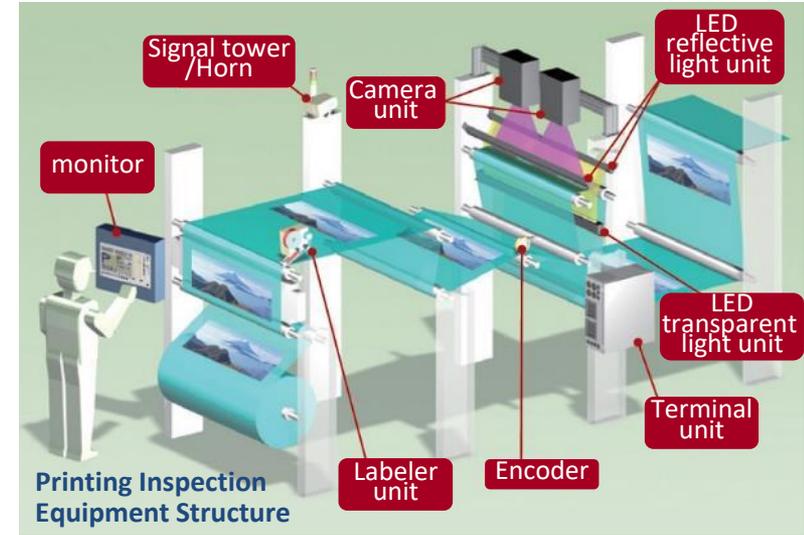
# Print quality inspection device's Overseas Expansion: Progress with Online Utilization in the COVID-19 pandemic

In Inspection Equipment business, we are expanding print quality inspection device globally in Southeast Asia.

In Indonesia in particular, sales are increasing as we strengthen our cooperation with local agencies online amid restrictions on the dispatch of engineers from Japan due to the COVID-19 pandemic.

### [TOKYO KEIKI's Print quality inspection device]

- Our print quality inspection device incorporates digital camera units capable of high-speed image-processing into printing machinery to detect printing imperfections and scratches in real time.
- We boast the top share of the domestic market for gravure printing machinery, which enables high-quality printing. Especially, we specialize in printing presses for flexible plastic materials used for packaging materials, such as food packaging and plastic bottle labels.
- In the Southeast Asian region, which is experiencing remarkable economic growth, there is growing demand for gravure printing for food packaging and other applications that produce beauty like photographs. In particular, Indonesia is the world's fourth largest country with a population of just under 300 million, so we are focusing on expanding sales.



### [Overseas Business Development in the COVID-19 pandemic]

- Due to the COVID-19 pandemic, we were unable to dispatch service engineers from Japan. Then, although the equipment was delivered locally, it stays not to be installed or be adjusted for defects.
- In Indonesia, therefore, we began remote technical training and on-site guidance for local agencies. Currently, most equipment and maintenance services are available on the agency side.
- On the agencies' side, they do not have to add a high engineer dispatch fee from Japan to the price, their service fees go into sales, and they can respond promptly to customers. As a result, their sales motivation has greatly increased.
- We also have significant advantages in transferring service operations to local markets, because we are able to save the labor and time required to dispatch engineers overseas that reduces profit margins.
- Going forward, we plan to expand sales by introducing similar methods in not only Indonesia but also Thailand, Vietnam, and Taiwan.

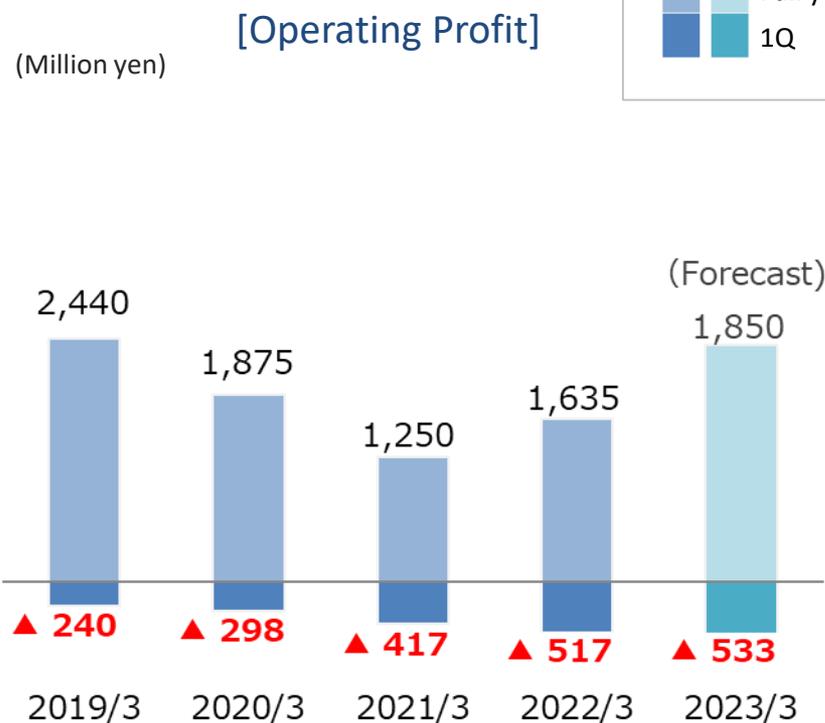
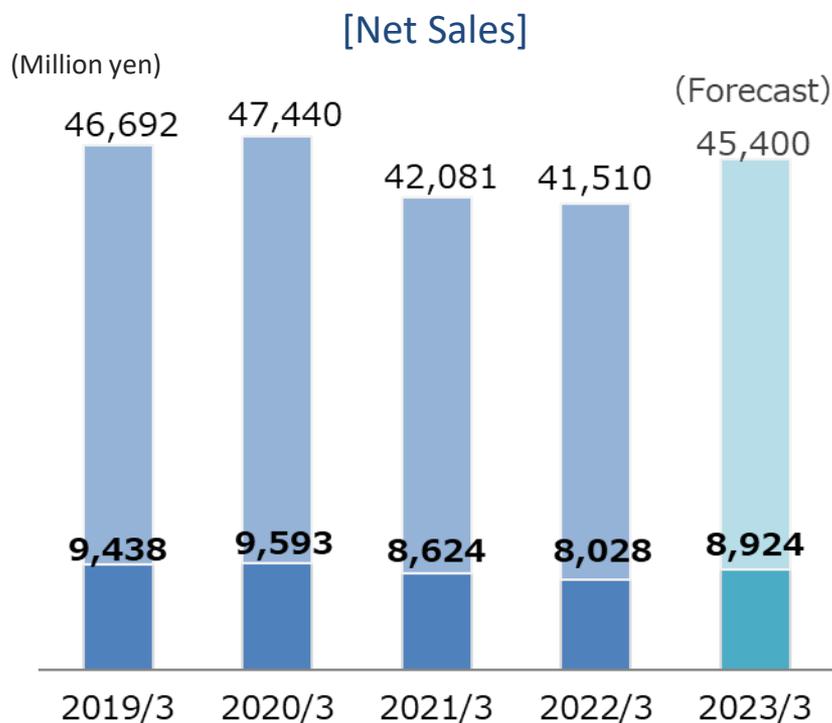


Technical training videos for local agencies

## References

---

## Changes in Net Sales and Operating Profit

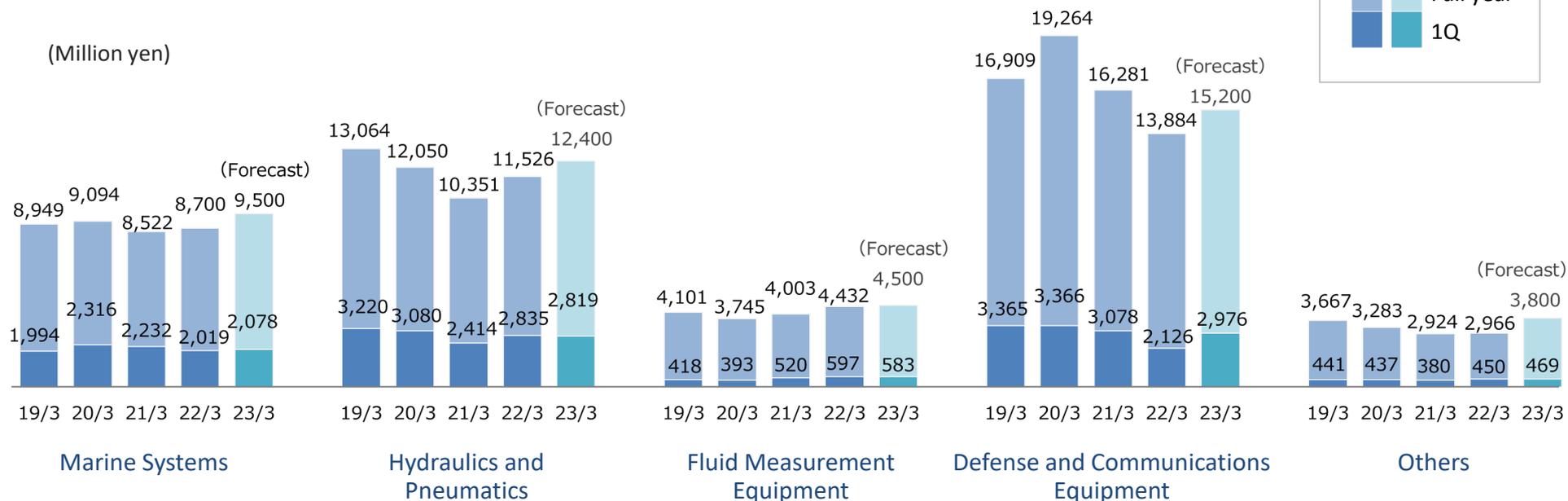


(Million yen)	FY2018-1Q	FY2019-1Q	FY2020-1Q	FY2021-1Q	FY2022-1Q	YoY change (amount)	YoY change (rate)
Net sales	9,438	9,593	8,624	8,028	8,924	+896	+11.2%
Operating profit	▲ 240	▲ 298	▲ 417	▲ 517	▲ 533	▲ 16	—
Ordinary profit	▲ 155	▲ 253	▲ 338	▲ 404	▲ 372	+32	—
Net Profit*	▲ 89	▲ 157	▲ 216	▲ 250	▲ 242	+8	—

\*Profit attributable to owners of parent

## Changes in net sales by segment

(Million yen)



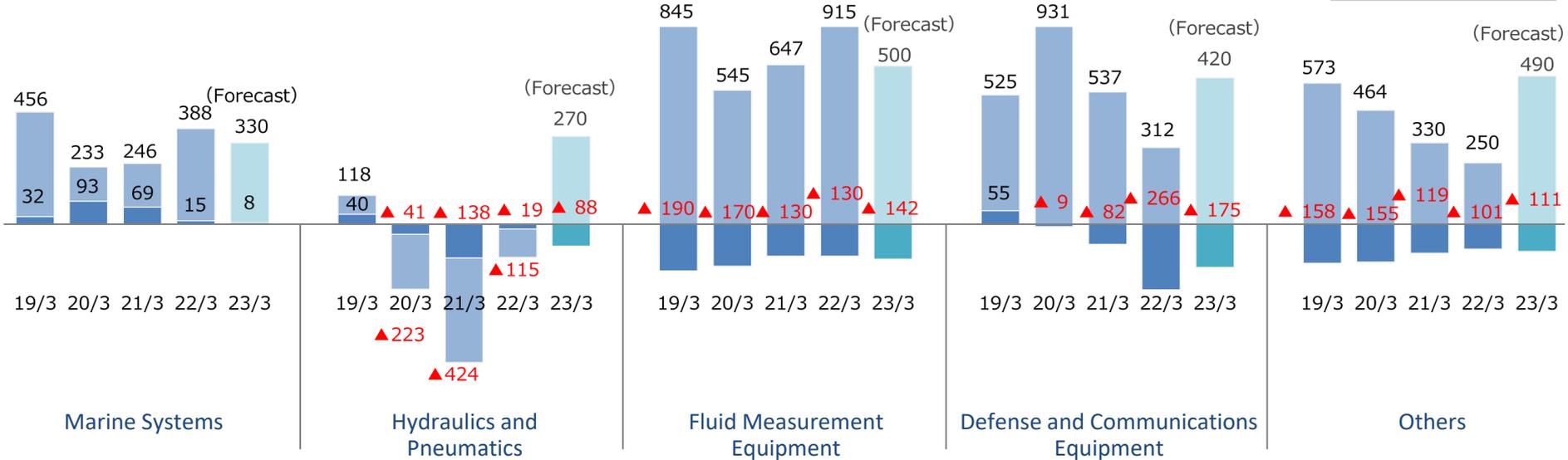
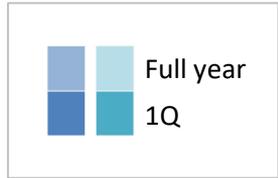
(Million yen)	FY2018-1Q	FY2019-1Q	FY2020-1Q	FY2021-1Q	FY2022-1Q	YoY change (amount)	YoY change (rate)
Marine Systems	1,994	2,316	2,232	2,019	2,078	+58	+2.9%
Hydraulics and Pneumatics	3,220	3,080	2,414	2,835	2,819	▲16	▲0.6%
Fluid Measurement Equipment	418	393	520	597	583	▲14	▲2.4%
Defense and Communications Equipment	3,365	3,366	3,078	2,126	2,976	+850	+40.0%
Others	441	437	380	450	469	+19	+4.2%

\*Net sales before adjustment.

# References

## Changes in operating profits by segment

(Million yen)

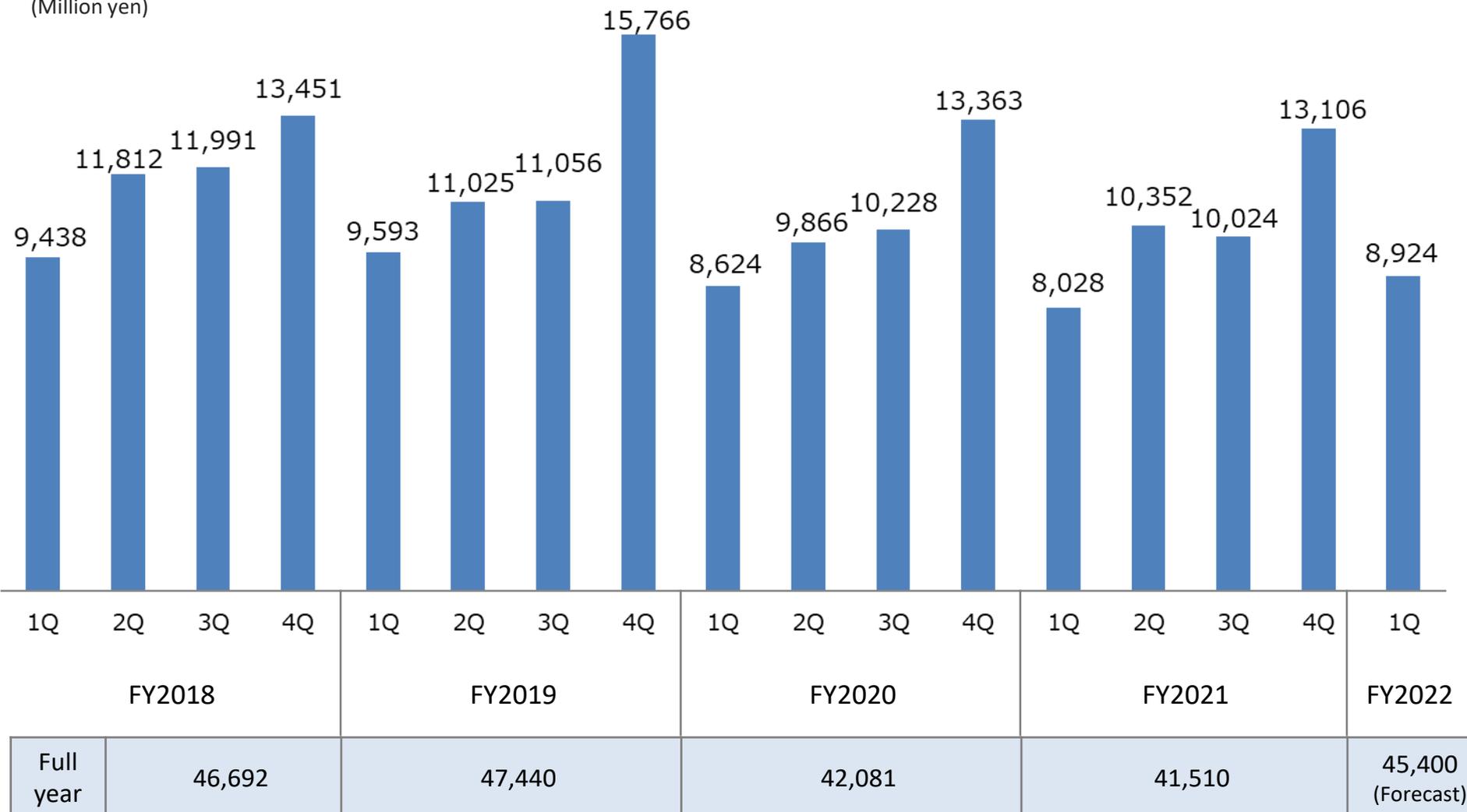


(Million yen)	FY2018-1Q	FY2019-1Q	FY2020-1Q	FY2021-1Q	FY2022-1Q	YoY change (amount)	YoY change (rate)
Marine Systems	32	93	69	15	8	▲6	▲44.1%
Hydraulics and Pneumatics	40	▲41	▲138	▲19	▲88	▲70	—
Fluid Measurement Equipment	▲190	▲170	▲130	▲130	▲142	▲11	—
Defense and Communications Equipment	55	▲9	▲82	▲266	▲175	+91	—
Others	▲158	▲155	▲119	▲101	▲111	▲10	—

\*Operating profits before adjustment

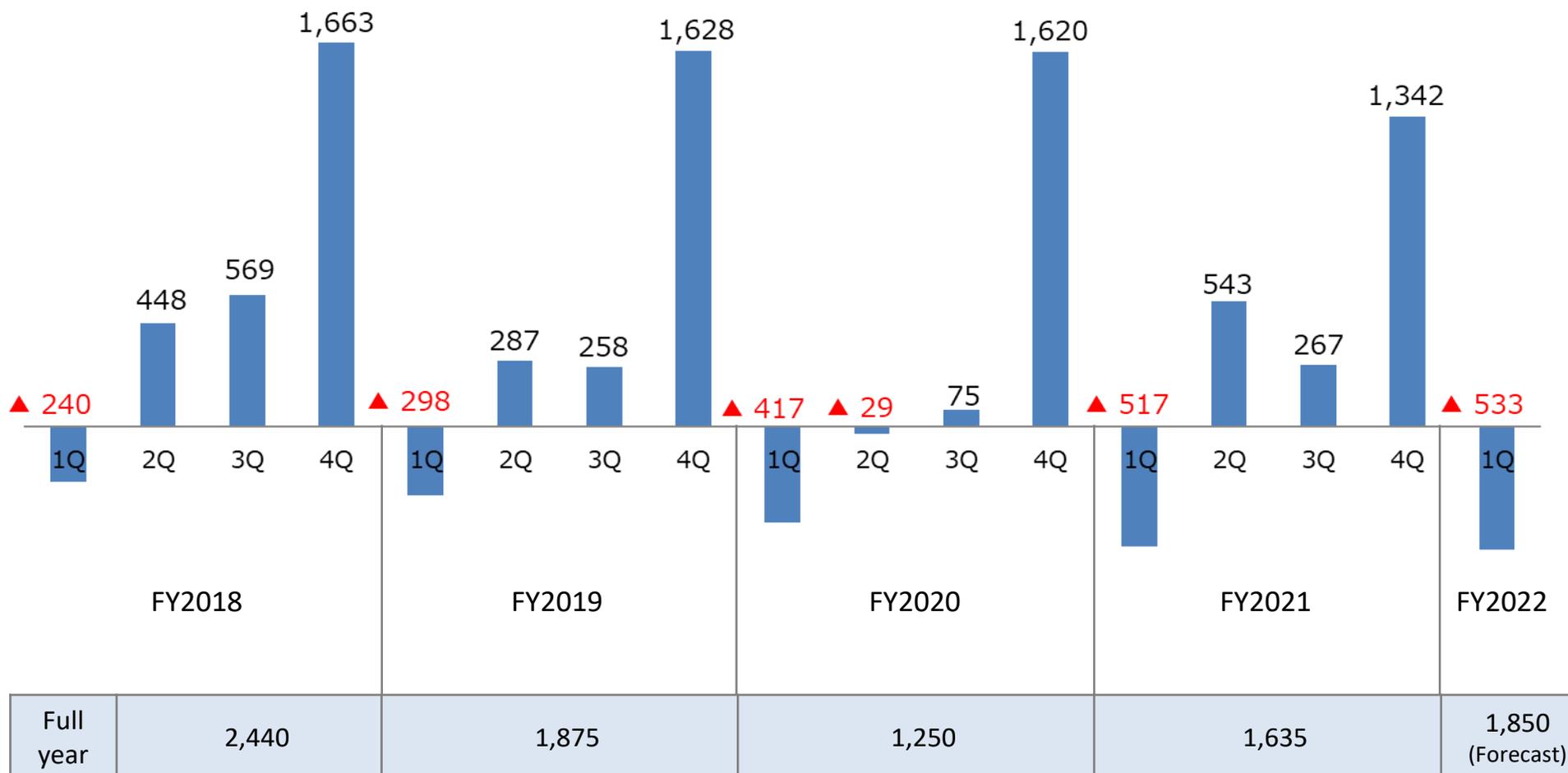
## Quarterly changes in net sales

(Million yen)



## Quarterly changes in operating profits

(Million yen)



**TOKYO**  
**KEIKI**