

Sustainability
Report
2022





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.

Sustainability Policy

Through our creative technologies in measurement, cognition, and control, the TOKYO KEIKI Group aims to realize a sustainable society and enhance our corporate value over the medium to long term while earning public trust.

1. Identify the underlying needs of our customers and society, and continue to solve problems through our business activities.
2. Strive to reduce environmental impact and ensure respect for human rights throughout our supply chain.
3. Continue to foster a corporate culture in which diverse human resources can demonstrate their individual strengths and thrive.

Company profile (as of March 31, 2022)

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:	1,304 (Consolidated: 1,696)

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 2021 (April 2021 to March 2022)

Some data and information on activities from April 2022 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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Although the global economy showed signs of recovery due to the easing of behavioral restrictions that followed the rollout of vaccinations against COVID-19, the outlook remains uncertain due to prolonged supply chain disruptions and other factors. In addition, there are also concerns about the effects of global climate change, with natural disasters becoming more severe and more frequent in recent years. If we are to stop further deterioration, we cannot afford to halt our progress toward a carbon-free society. In addition, as society becomes more diverse, companies are now strongly expected to contribute to the realization of a society where all people are respected and can lead their lives in peace.

The TOKYO KEIKI Vision 2030 – Defining our Aspirations for 2030

At the beginning of fiscal 2021, the TOKYO KEIKI Group anticipated the society of 2030 and defined five business areas as social issues to be solved through our business: “Protect the global environment,” “Ensure a secure society and people’s health,” “Overcome the problems of the low birth rate and population aging,” “Build the future by serving as a key player in the AI/ICT revolution,” and “Advance the mobility-based society.” Furthermore, to address these social issues, we have formulated TOKYO KEIKI Vision 2030, identifying candidates for growth drivers by comparing our current businesses and technologies to areas of business we wish to enhance. With this vision as a foundation, we aim to shift to a

stage of medium- to long-term corporate value enhancement and sustainable growth by responding to rapidly changing social needs and taking the SDGs as a starting point for creating new global niche-leading businesses.

As an example of new projects currently underway, in the area of “protecting the global environment,” we are working on projects involving reducing greenhouse gas (GHG) emissions under the theme of solving environmental issues to achieve carbon neutrality. Currently, as part of our hydrogen-related business, we provide hydraulic-drive hydrogen compressors for hydrogen filling stations, and going forward, we will pursue further research and development of hydrogen-related equipment to broaden the scope of our business.

Another example, in the area of “Ensure a secure society and people’s health,” is our contributions to disaster preparedness through our aerospace business. The first step in this direction is the small synthetic aperture radar (SAR) satellites for which we provide microwave amplifiers. Synthetic Aperture Radar is a radar that emits microwaves onto the earth’s surface and receives the reflected waves to produce an image. Analysis of satellite image data acquired from the reaches of space is expected to be useful in responding to earthquakes, floods, and other disasters. Our microwave amplifiers are installed in the core of the satellite, and we are currently constructing a new facility at our Nasu Plant to further expand our involvement to include assembly of the satellite as a whole.

Meanwhile, in the areas of “Overcome the challenges of the low birth rate and population aging” and “Build the future by serving as a key player in the AI/ICT revolution,” our railway business is developing a new railway maintenance inspection system incorporating AI to support rail maintenance personnel, a workforce that is suffering severe labor shortages, thereby achieving further safety and efficiency in railway maintenance.

A Sustainability Promotion Framework to Create Distinctive TOKYO KEIKI Value

The key strength of the TOKYO KEIKI Group lies in the fact that it has developed by harmonizing its various businesses. Therefore, even when considering sustainability, we are working to build a framework based on the idea of reexamining what is distinctive about TOKYO KEIKI and drawing out new ideas. Corporate sustainability activities often end up being formulaic, but we will continue to conduct activities that incorporate the values, originality, and creativity distinctive to the TOKYO KEIKI Group.

The organizations that form the foundation of the Group’s sustainability activities are the Sustainability Promotion Office and the Sustainability Committee, which are designed to serve as a top-down activity framework. Policies and measures involving sustainability management are proposed by the relevant divisions, led by the Sustainability Promotion Office. These are then deliberated and decided on a committee, made up of management personnel and executive officers and chaired by myself, before being implemented throughout the company. In fiscal 2021, one of our main activities was to identify materialities, which are important issues shared by the Group and our various stakeholders. From fiscal 2022 onwards, the divisions involved collaborate under the committee to study and promote specific measures for these materiality issues. As another example of our activities, we have decided to set our GHG reduction target in Scope 1 and 2 (direct/indirect GHG emissions by the company) for fiscal 2030 at minus 37% (relative to fiscal 2013), the target set by the government for the industrial sector. As a company on the Prime market, the things we must do for the environment are many and varied. Going forward, we will continue to work in line with the Task Force on Climate-related Financial Disclosures (TCFD) proposals and enhance our information disclosure efforts.

Based on the belief that the promotion of sustainability



management requires not only strong top-down action, but also bottom-up action, in which each and every employee sees sustainability as their own responsibility and acts accordingly, we have also established the “Future Design Unit” within the Promotion Office. The mission of this unit is to facilitate proposals for improving operational efficiency at the ground level, to develop employees’ ideas for products and businesses that solve social issues to the stage where they can win the approval of top management, and to put them into practice. We hope that the Future Design Unit will serve as a hub for a variety of opinions and ideas for contributing to the environment and society, both internally and externally, and raise awareness of the ongoing improvements that have been a vital part of the company for more than 125 years, as well as its achievements in social contribution.

Meeting Stakeholder Expectations

In April 2022, TOKYO KEIKI moved to the Prime Market of the Tokyo Stock Exchange as part of a major turn toward growth and an even greater focus on solving social issues through innovative technology. We are also working to comply with the TSE’s Corporate Governance Code, which was revised in June 2021, and plan to disclose the status of human resource development and the implementation of higher governance systems in the future. We will meet the expectations of our stakeholders by ensuring high standards of governance and providing products that meet the demands of the environment and society, thereby leading to sustainable growth.

I hope that we can continue to count on your generous support.

Representative Director
President & CEO

T. Ando



Message from the Chief Sustainability Promotion Officer

A year and a half has passed TOKYO KEIKI Group established new organizations (the Sustainability Committee and the Sustainability Office) to serve as the foundation of its sustainability management. During that time, the climate change situation facing us has continued to worsen, with four key indicators — greenhouse gas concentrations, sea level rise, sea surface temperature rise, and ocean acidification—reaching new highs by 2021. As such, the IPCC (Intergovernmental Panel on Climate Change) prediction of a 1.5°C increase in average global temperature relative to the pre-industrial era by 2030 is now beyond doubt. Even in the midst of these ongoing global issues, the risk of dependence on fossil fuel-derived energy has become apparent due to the international tensions triggered by Russia's invasion of Ukraine in February of this year, making the move toward decarbonization an urgent imperative.

Given these circumstances, our Group has decided to address the “realization of an environmentally conscious society” as one of our materialities (important issues for the company and its stakeholders). Initially, we will work to reduce GHG (greenhouse gas) emissions by 37% relative to fiscal 2013, the government's target for the industrial sector, but in the future we will strive to reduce emissions throughout our supply chain.

We have established a “Sustainability Policy” to clarify the Group's approach to sustainable corporate activities, including the resolution of the decarbonization issues

mentioned above, and have decided to communicate this approach both internally and externally. This policy, the details of which are provided in this report, represents the Group's management philosophy for the future, and the core spirit in which it will continue its corporate activities. In addition, we have identified “materiality” issues that we must address in order to conduct future corporate and business activities in line with our sustainability policy, and by steadily resolving these issues, we will realize the future we are aiming for as a Group.

There are many things that should and must be done to improve the Group's sustainability while contributing to society and the environment, but management and all employees will continue to work together to improve the quality of the Group's sustainability management as we change our mindset to make these issues “things we want to do.”

Director & Executive Officer, Chief of Sustainability Promotion

Yukihiko 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

1930 ● Company name changed to TOKYO KEIKI SEIZOSHO

1948 ● 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



1963 ●
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.



1996 ●
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

Marine Systems Company

MOCOS JAPAN

Supporting the safety and security of ocean navigation through leading-edge gyrocompass technology and marine autopilot technology

- As a pioneer in nautical equipment, having been the first company in Japan to manufacture marine radar, gyrocompasses, and autopilots, we offer a comprehensive lineup of navigational instruments necessary for ship operation and supply them on a global scale.
- As a top manufacturer of gyrocompasses and autopilots, we are also participating in projects to develop unmanned vessels and to reduce GHG emissions.



Autopilot



Gyrocompasses



Electronic Chart Display and Information System

Hydraulics and Pneumatics Business

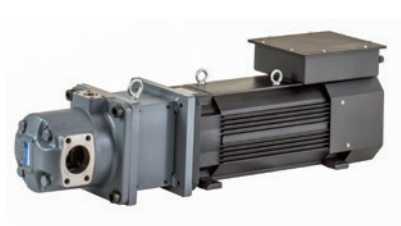
Fluid Power & Control Systems Company

TOKYO KEIKI POWER SYSTEMS INC.

TOKYO KEIKI PRECISION TECHNOLOGY

Supporting manufacturing and infrastructure development on the ground

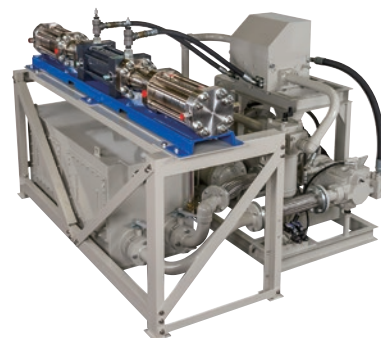
- We support the creation of social infrastructure by providing hydraulic, pneumatic, and electronic products that feature excellent energy efficiency and operability, principally for the industrial machinery and construction equipment markets.
- Our hydrogen compression equipment contributes to the proliferation of next-generation energy.



Energy-saving pump systems for industrial machinery



Display for construction machinery



Hydraulic hydrogen compressors for hydrogen filling stations

Fluid Measurement Equipment Business

Measurement Systems Company

Contributing to the safety of everyday life through water resource management and river disaster prevention

- 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 a variety of attitude control systems that combine our core technologies, including gyroscopes, accelerometers, and magnetic azimuth sensors, for use in news helicopters, broadcasting vans, 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

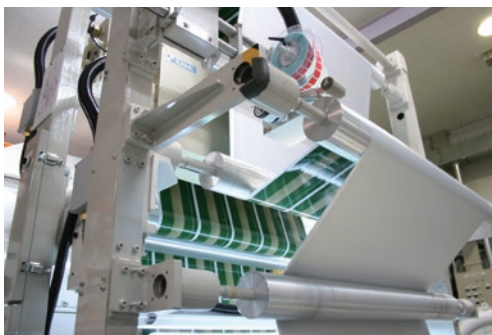
Other Businesses

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 problems and helps improve the quality of printed materials.



Printing quality inspection system

Our Railway Maintenance business supports safe transport on railways

- We support rail maintenance operations with ultrasonic rail inspection cars and rail flaw detectors that are in operation at more than 70% of Japan's railway companies.

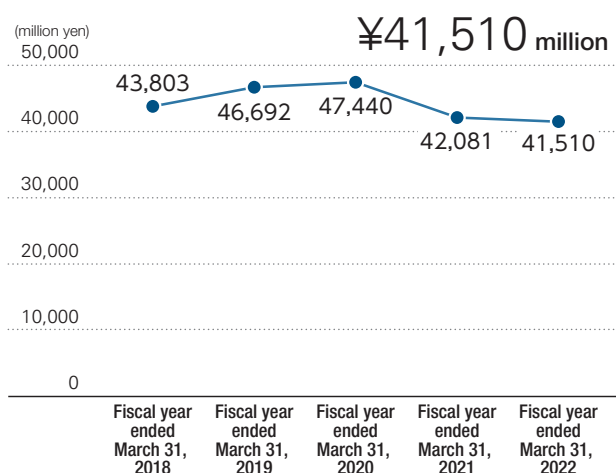


Ultrasonic rail inspection cars

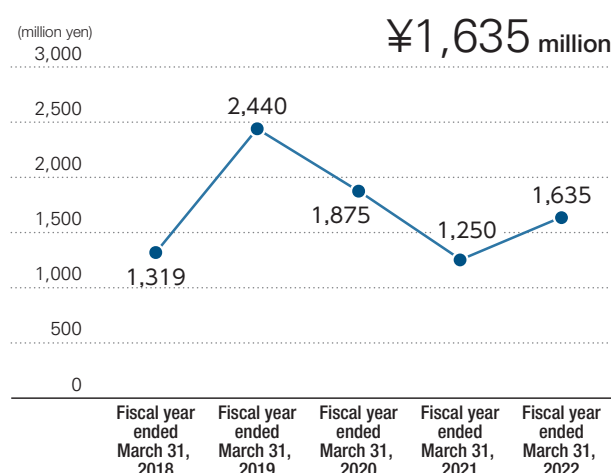
Financial and Non-Financial Highlights

Financial information

Changes in consolidated net sales

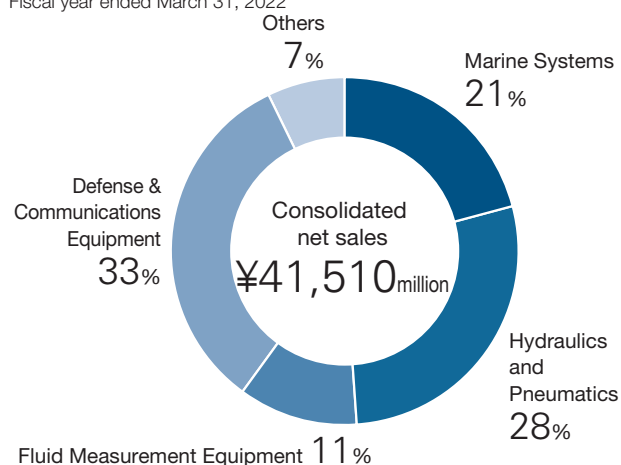


Changes in consolidated operating profit



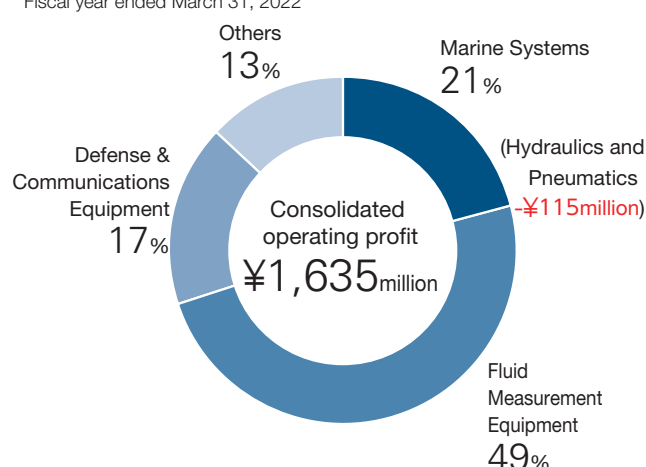
Consolidated net sales segment ratios

Fiscal year ended March 31, 2022

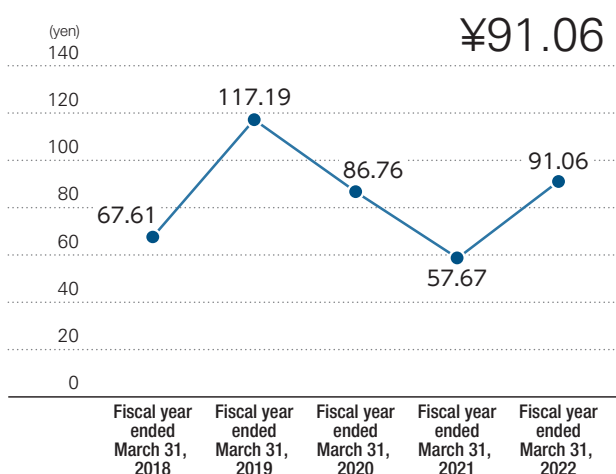


Consolidated operating profit segment ratios

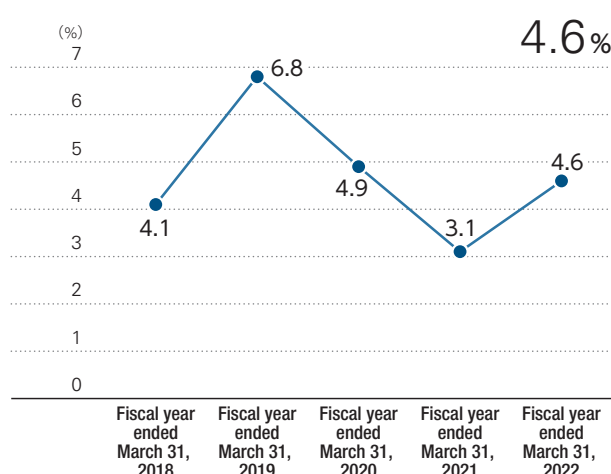
Fiscal year ended March 31, 2022



Changes in earnings per share



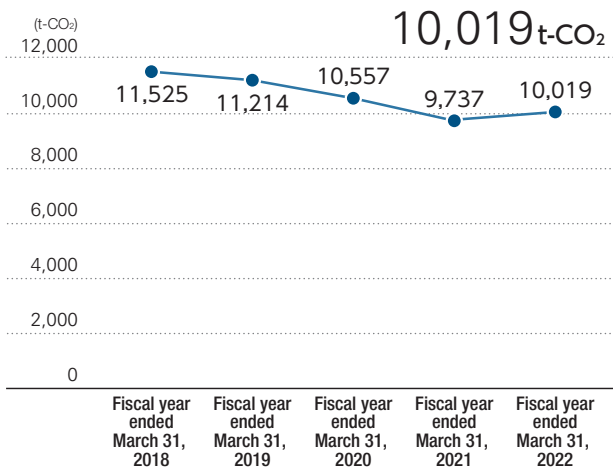
ROE



Non-financial information

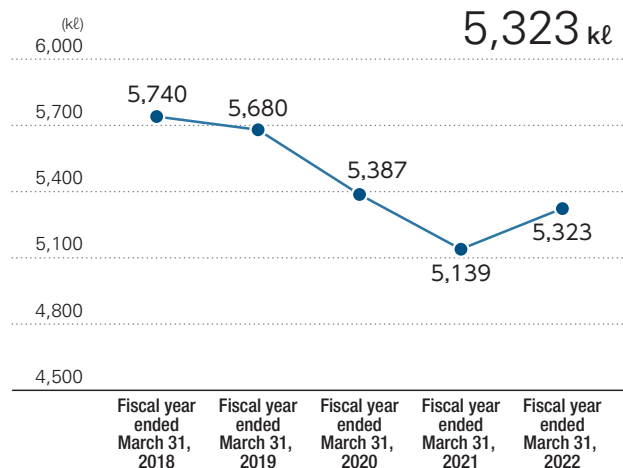
GHG emissions (Scope 1, Scope 2) (see p.19)

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

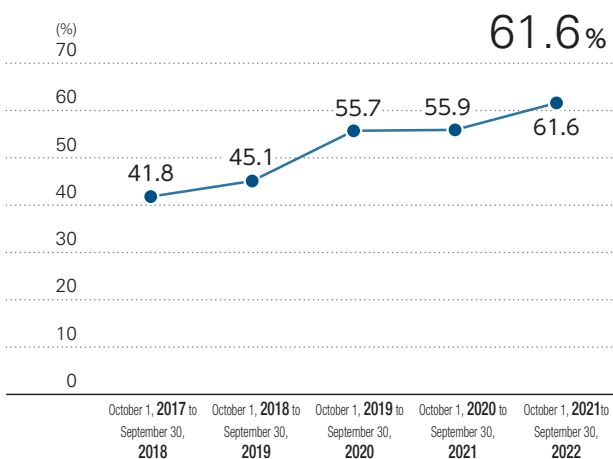


Energy usage (crude oil equivalent) (see p.19)

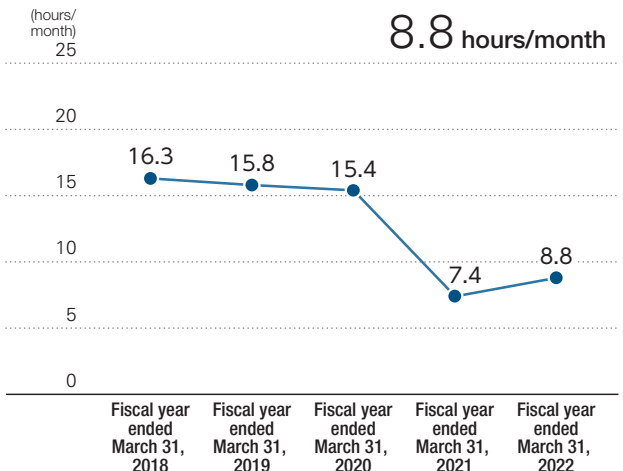
Note: Data is aggregated for the Head Office, Nasu Plant, Sano Plant, Yaita Plant, Tanuma Plant, Hanno Plant, and TOKYO KEIKI PRECISION TECHNOLOGY (Vietnam)



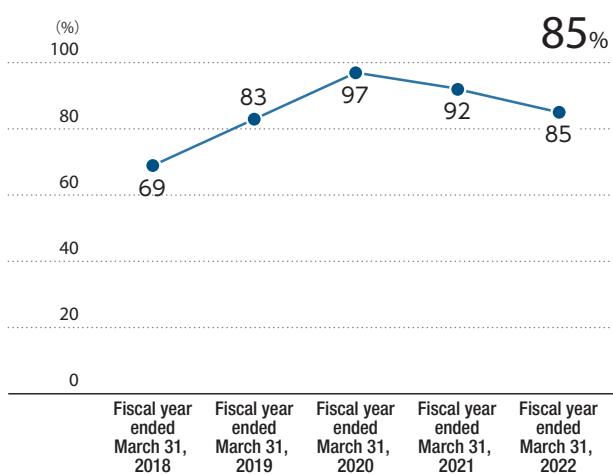
Annual leave utilization ratio



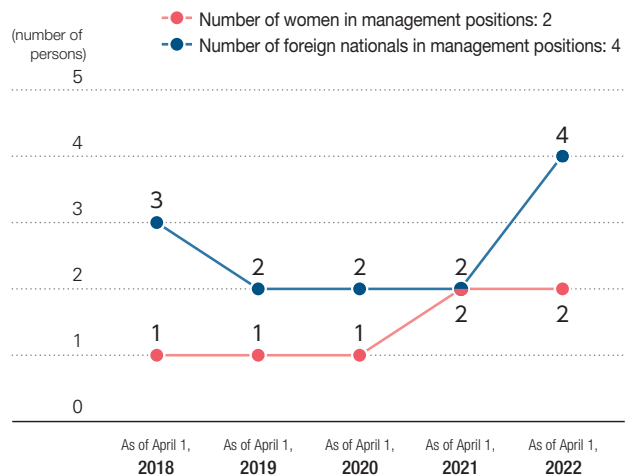
Average overtime hours



Reemployment rate for employees past retirement age



Women/foreign nationals in management positions



Establishment of a Sustainability Policy and Identification of Materialities

Establishment of a Sustainability Policy

Sustainability Policy

Through our creative technologies in measurement, cognition, and control, the TOKYO KEIKI Group aims to realize a sustainable society and enhance our corporate value over the medium to long term while earning public trust.

1. Identify the underlying needs of our customers and society, and continue to solve problems through our business activities.
2. Strive to reduce environmental impact and ensure respect for human rights throughout our supply chain.
3. Continue to foster a corporate culture in which diverse human resources can demonstrate their individual strengths and thrive.

As a company that supports social infrastructure, the TOKYO KEIKI Group has newly established a “Sustainability Policy” based on the perspectives of environmental, social, and economic sustainability, while upholding its previous management philosophy and action guidelines.

This policy represents the basic concept and code of conduct underlying the Group’s sustainability management, and based on this policy, each and every employee will work to develop a sustainable society and enhance corporate value over the medium to long term.

Identification of Materialities (Important Issues)

In accordance with the Sustainability Policy described above, we have identified four materialities that reflect the expectations of our stakeholders and important management issues for the TOKYO KEIKI Group. These are matters that the Group considers particularly important to enhance its corporate value with a view to realizing a sustainable society. Furthermore, in addressing these four materialities, we have adopted “establishment of a business fundamentals to support sustainable growth” as the guiding vision for the Group’s governance.

Identifying Materialities for the Group



Goals for Each Materiality



Provision of Products that Solve Social Issues

In providing products and services, we will continue to search for and resolve not only longstanding social issues but also new or latent issues that emerge in our rapidly changing society, thereby meeting the expectations and trust of our many stakeholders.



Realization of an Environmentally Conscious Society

Through its business activities, the Group is working to reduce GHG (greenhouse gas) emissions, which is an important issue of global scale. In response to market and customer demands for environmental friendliness, we will integrate the design, procurement, and manufacturing processes for our products and services to provide added value, such as energy savings. In addition, to reduce greenhouse gas emissions in Scope 1 and 2, we will pursue efficient energy use by harnessing the creativity and ingenuity of all our employees.



Enhancement of Supply Chain Management

As a manufacturer, the Group's lifeline lies in its supply chain. In order to make it sustainable and strong, we will transform it into a robust materials purchasing system that can respond to rapid changes in the market, society, and the environment, while ensuring co-existence and mutual prosperity with our suppliers. We will also address various social imperatives, such as the reduction of greenhouse gas emissions in Scope 3, the handling of hazardous substances, and human rights issues.



Support for the Activities of a Diverse Workforce

In order to meet our goals with respect to this materiality, the TOKYO KEIKI Group will promote the recruitment and advancement of a diverse range of personnel regardless of age, gender, nationality, disability, or employment status, providing a place where employees with a diverse range of attributes can play an active role. In promoting the advancement of women, we will not limit ourselves to the scope of the Act on the Promotion of Women's Active Engagement in Professional Life, but will continue to develop a comfortable working environment and expand opportunities for women to play an active role in the company.

The Materiality Identification Process

STEP 1 Ascertaining Social Issues

We have compiled an extensive list of environmental, social, and economic issues, referring to international frameworks and guidelines such as the GRI Standards, as well as the 169 targets of the SDGs.

STEP 2 Initial Screening

After conducting consultations with relevant departments within the company regarding the Group's current situation and problems with the social issues listed, we narrowed down the list to those items most relevant to the Group.

STEP 3 Developing Evaluation Criteria and Conducting Evaluations

These issues were comprehensively evaluated on two axes, "significance for stakeholders" and "significance for the Group," and represented on a "Materiality Map."

STEP 4 Determining Materialities

Issues that were rated high on both axes in the materiality evaluation were grouped together as final candidates following discussions with experts. After receiving approval from the Sustainability Committee, the Management Conference and the Board of Directors deliberated on suitability and comprehensiveness of the issues in question before coming to a final decision.

Materialities Identified



Provision of Products that Solve Social Issues



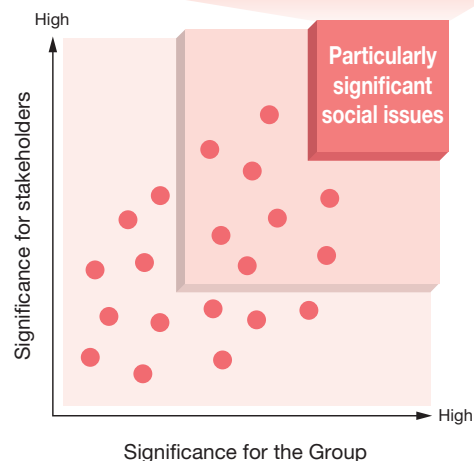
Realization of an Environmentally Conscious Society



Enhancement of Supply Chain Management



Support for the Activities of a Diverse Workforce



● indicates other social issues.

TOKYO KEIKI's Technologies to Address Social Issues in Maritime Traffic

The mission of the TOKYO KEIKI Group is to create a safe and secure society, and we have conducted our business under a philosophy of solving social issues. Following last year's spotlight on solving social issues in the field of national disaster readiness, this issue introduces TOKYO KEIKI's technologies for helping to ensure the safety and security of ships and maritime traffic.



TOKYO KEIKI's Nautical Equipment

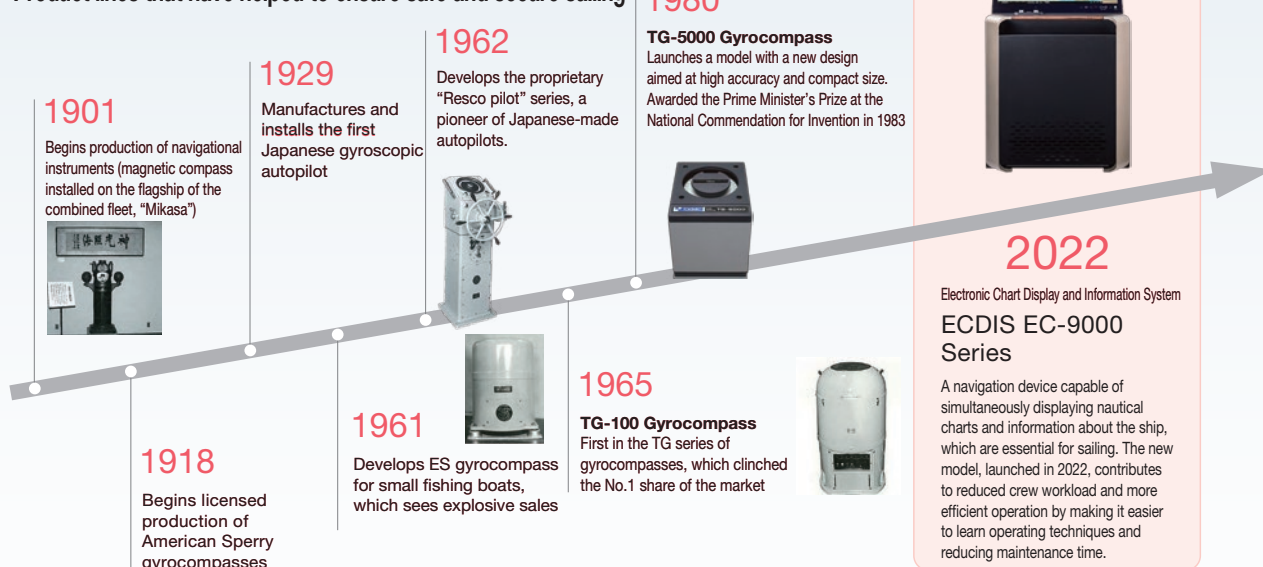
Since its establishment in 1896, the TOKYO KEIKI Group has promoted the domestic production of navigation instruments, an industry that relied heavily on imports at the time. Accordingly, we have contributed to ensure the safety of ships by creating products indispensable for sailing, from magnetic compasses to gyrocompasses*1, and even the forerunner of today's autopilots*2, the Resco pilot. Despite the dramatic expansion of our fields of activity, as our founding business, our passion for developing products that protect the safety of maritime traffic remains unchanged.

Now, with the times at a turning point, the challenges required of the nautical world are also beginning to change. In addition to ensuring safe and secure navigation, there is now a pressing

need to address social issues such as climate change. By further evolving the technologies we have built up over the years, we hope to help tackle social issues by developing of new technologies that will lead to environmental measures such reductions in GHG (greenhouse gas) emissions and measures to deal with the declining birth rate and aging population.

In this spotlight, we introduce our efforts to address climate change through energy-efficient ship operation technology (p.14), to address the shortage of crew members through automated navigation technology (p.15), and to improve the safety of maritime traffic through maritime surveillance radar and ship information management technology (p.16).

Product lines that have helped to ensure safe and secure sailing



(Notes) *1 Gyrocompass: A device that points to the bow direction of a ship.

*2 Autopilot: An automatic steering system. It functions by performing automatic calculations, turning the bow to a set heading, and maintaining that heading after the bow is turned.

Contributing to solving social issues through ship-related technologies



Helping to Reduce GHG (Greenhouse Gas) Emissions through Energy-Efficient Ship Operation

The Wind Challenger Project



Energy-efficient operation using a hybrid of huge sails and engines

The Wind Challenger Project is a joint research project led by Mitsui O.S.K. Lines, Ltd. and Oshima Shipbuilding Co., Ltd. that focuses on making the energy used to drive ships greener. The TOKYO KEIKI Group is providing gyrocompass and autopilot systems for the large sailing vessels under development in order to help achieve energy-efficient sailing. The first large commercial vessel of this type was completed in October 2022.



The hard sail can be automatically extended, retracted, and redirected depending on wind direction and speed.



Participating in the project with autopilots and gyrocompasses

NCTeN: a new control system

For ships with sails, which are affected by wind to a greater extent than normal ships, energy-efficient sailing cannot be achieved unless the wind is properly gauged and external disturbances such as waves, swells, and tidal currents are estimated more accurately, thereby enabling optimal rudder control. To address these needs, TOKYO KEIKI has developed a new control method, "NCTeN," which takes advantage of the advanced control technology we have honed through the development of autopilot systems. NCTeN uses a variety of navigational data to estimate the components of disturbances and the vessel's distinctive hull motion characteristics, enabling it to maintain a proper course without unnecessary steering when it meets these external disturbances.

Social Impact

It is said that the GHG emissions of the shipping industry as a whole are equivalent to those of Germany. The volume of global maritime transport, which had temporarily stalled due to the impact of the COVID-19, is rebounding again as the global economy recovers. Given such circumstances, reducing GHG emissions from the shipping industry represents a pressing issue.

The Wind Challenger Project has developed a wind propulsion system that uses an extendable

hard sail made of glass fiber-reinforced plastic. A single hard sail is expected to reduce GHG emissions by approximately 5–8% compared to a conventional vessel of the same type, and its excellent environmental performance is attracting attention from all quarters. The gyrocompass and autopilot provided by TOKYO KEIKI contribute to energy-efficient sailing by incorporating control algorithms optimized for large sailboats with hard sails.



Addressing Crew Shortages and Reducing Workloads

The Fully Autonomous Ship Program

無人運航船プロジェクト
MEGURI
2040

日本財団
THE NIPPON
FOUNDATION

DFFAS
Designing the Future of Fully Autonomous Ship

Tokyo Keiki's technology proven in demonstration tests of fully autonomous ships

TOKYO KEIKI is participating in the Designing the Future of Fully Autonomous Ship (DFFAS) consortium, part of the Nippon Foundation's MEGURI2040 Fully Autonomous Ship Program, and is responsible for developing an automated onboard navigation system and its Fleet Operation Center for emergency monitoring and operation. In February 2022, the consortium conducted a trial simulating the actual operation of a fully autonomous ship at a distance of approximately 790 kilometers between Tokyo Bay and Tsu-Matsusaka Bay. Our autopilot and FOG-Compass (fiber optic gyrocompass) have been installed on the container ship SUZAKU, which is equipped with autonomous navigation features. The onboard autopilot PR-9000 is an original system reconfigured for DFFAS, and it constantly controls the rudder to keep SUZAKU on its scheduled course. Furthermore, it has

been demonstrated that remote operation of the vessel from the fleet operation center can be reliably performed by interfacing with our multi-functional joystick controller built into the emergency response block.

The PR-9000's onboard track control system* enables highly accurate automatic navigation along a set route line by sequentially adjusting the course to minimize any deviation between the vessel's position and the route based on route and sensor information. Reducing deviations from the route also reduces fuel consumption, thereby helping to reduce GHG emissions.

The FOG compass, which is incorporated into the automatic navigation system, is responsible for measuring bow heading, rolling, and pitching, and promises to be the kind of high-precision attitude and heading sensor required for fully autonomous vessels.

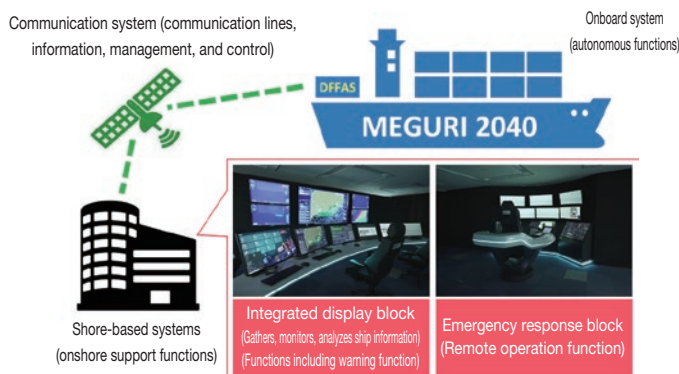
(Note) *Track control system: A system combining autopilot and ECDIS.

Social Impact

Currently, the domestic coastal shipping industry is facing an aging workforce and a growing shortage of crew members, and it is feared that if this situation continues, not only will the safety at sea be compromised, but distribution using maritime transport may also come to a standstill. The labor shortage will become even more acute as a large number of veteran seafarers begin to retire, and there are also concerns about a lack of skills among the crew who will replace them in the industry. There are growing hopes that with further maritime traffic congestion expected, fully

autonomous ships will ensure safe sailing and reduce the workload on navigators as crew numbers shrink.

The fact that the fully autonomous navigation system was able to sail in Tokyo Bay, one of the world's most congested sea areas with approximately 500 vessels passing through per day, raises the possibility of reducing maritime accidents and helping to compensate for the labor shortage in the domestic coastal shipping industry, which is expected to lead to new ways of working and increased labor capacity for crews.



The PR-9000 autopilot installed onboard the container ship "SUZAKU"



The joystick controller installed in the onshore emergency response block. The autopilot can be controlled by simply moving this small control lever.



Helping to Achieve Safe Sailing

VTS system for Vessel Traffic Service Centers

TOKYO KEIKI's VTS systems in operation throughout Japan

VTS^{*1} systems are systems that provide navigational assistance on congested maritime traffic routes, and can be considered the port version of air traffic control in aviation. TOKYO KEIKI provides VTS systems to Japan Coast Guard Vessel Traffic Service Centers nationwide to help ensure the safety of navigation.

A VTS system includes maritime surveillance radars, an AIS^{*2} information management system, and a VTS operational console. Moving vessels are monitored by high-resolution^{*3} radar, and various information on vessel movements, including AIS information, is processed centrally by the maritime traffic information processing system. This displays the expected location of ships in transit and identifies areas of the sea where there is a risk of collisions and other hazards. This information is used to support operations such as the provision to vessels of warnings, navigational corrections, and other information.

(Note) *1 VTS: Vessel Traffic Service

*2 AIS: Automatic Identification System

A system installed on board a vessel that automatically transmits and receives data such as the vessel's name, position, course, speed, and destination to other vessels and land-based facilities by radio.

*3 Resolution: Ability to identify objects.



Japan Coast Guard Vessel Traffic Service Center

Social Impact

In crowded waters with limited space, such as Tokyo Bay and the Seto Inland Sea, there is always the possibility of a maritime accident. Ensuring the safety of maritime traffic is essential for protecting the sea and the lives of those who work there, as well as for maintaining stable logistics. Our VTS systems have been installed in all of the seven vessel traffic service centers managed and operated by the Japan Coast Guard, protecting the safety and security of vessels in Japan's ports and harbors.

The radar used in the VTS system is a high-resolution, Ku-band solid-state radar. Ku-band is one of the microwave frequency bands used in radar, and its use of higher frequencies than the commonly used X-band allows higher resolution can be achieved. As such, although two vessels close to each other may line up and appear as one vessel with X-band radar, Ku-band radar will be able to clearly distinguish them. Backed by this advanced technology, we have begun offering high-resolution Ku-band solid-state radars for the domestic and international markets. This product, a Japanese version adapted to EU safety performance standards, has won high acclaim for the high resolution that it can provide, which could not be obtained with the X-band products used in Europe until now. Going forward, we will also contribute to the monitoring of Europe's crowded coasts and rivers.



High-resolution solid-state radar equipment



Maritime traffic information processing system



AIS base station

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.

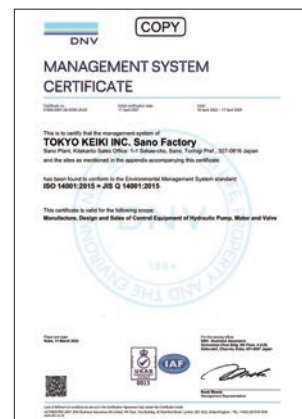
1. We will evaluate the environmental impact of all our business activities and the products we provide to our customers at during production, use, and disposal, and strive to save resources and energy, reduce waste, and prevent pollution.
2. We will establish and maintain a PDCA cycle by setting environmental 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, the environmental managers of each plant have drawn up environmental policies and is working actively to acquire various certifications, including ISO 14001.

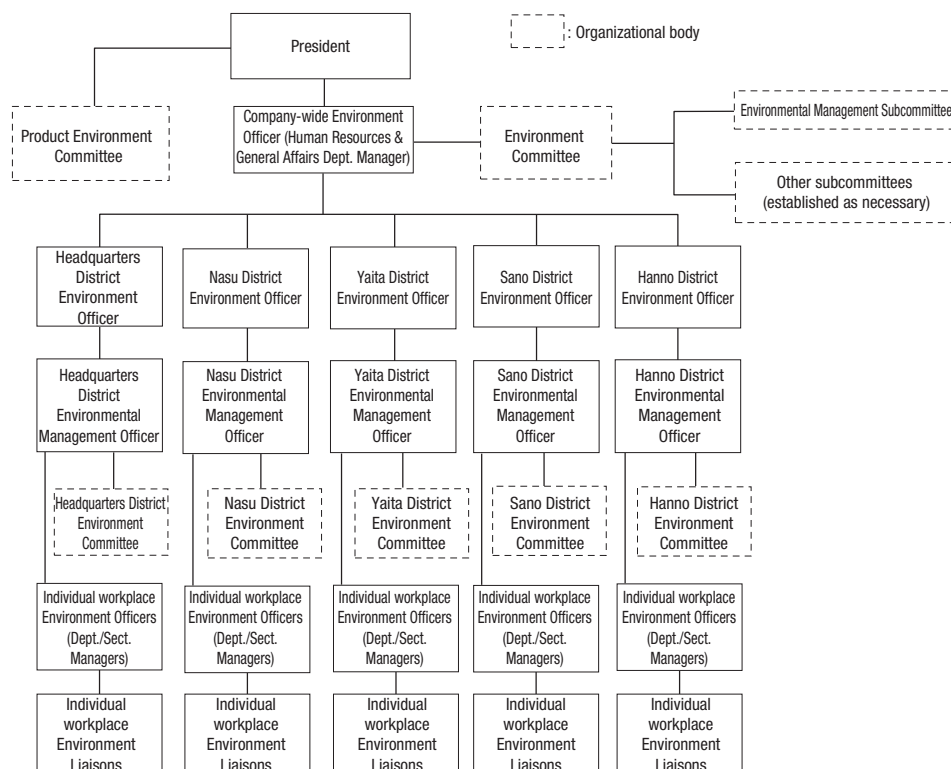
ISO 14001 compliance status

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

The Group's Environmental Management Subcommittee, headed by the head of the 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) emissions reduction

targets, which were then deliberated on and approved by the Sustainability Committee. In line with the thinking behind the Japanese government's GHG emissions reduction targets (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 to and taking measures to prevent climate change, which poses an international threat to human security, 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 realization of a sustainable world.

Our approach to climate change

The TOKYO KEIKI Group strongly recognizes the impact and risk posed by climate change to the group's businesses and all of our stakeholders as important business issues. In order to fulfill our responsibility as a company to mitigate climate change, we are promoting initiatives to reduce greenhouse gas (GHG) emissions from each of our divisions.

As part of this, we announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations

in August 2022 and have started an initiative aligned with the recommendations' framework of governance, risk management, strategy, and metrics and targets. Through this initiative, we will strive to enhance our climate change-related information disclosure and will also be working to further increase the Group's resilience.



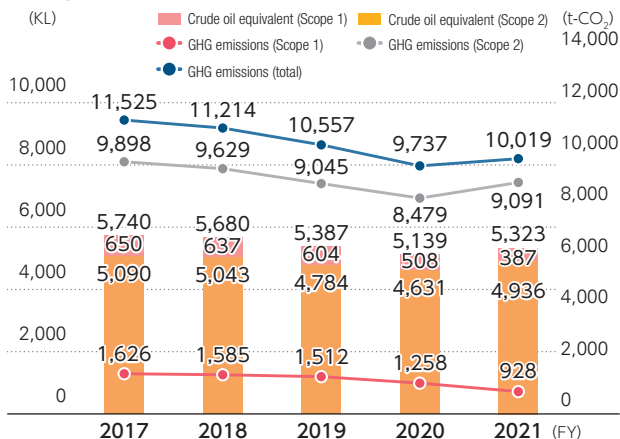
Specific measures to fight climate change

FY 2021 targets and performance

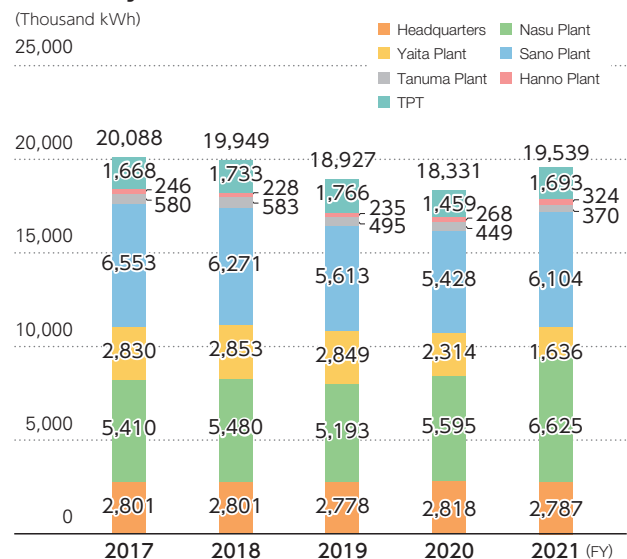
The Group established a new environmental target for FY 2030 to reduce Scope 1 and 2 GHG emissions by 37% in comparison with FY 2013. However, due to a recovery in orders, which had declined because of the impact of COVID-19, facility operating hours increased. As a result of this and other factors, our emissions were 10,019 t-CO₂, a 2.9% increase in comparison with the previous fiscal year.

Going forward, we will accelerate reduction of our GHG emissions, promoting not only routine energy-saving initiatives, but also the introduction of renewable energy facilities and the procurement of renewable power.

Energy consumption and GHG emissions (Scope 1, 2)



Electricity use



More efficient energy use to reduce GHG emissions

We are working to make efficient use of energy. Our efforts include implementing energy-saving measures at our facilities, such as switching to new energy-saving air conditioners, high-efficiency power reception facilities, and inverter compressors; increasing transformer energy conservation; and using heat shield paint on roofs and exterior walls. We are also engaging in activities to conserve energy, including power demand-based power monitoring, and proactively turning off lights. Other measures we are taking include curbing the occurrence of defects in the design stage, and engaging in continuous improvement of production processes.

Conclusion of power purchase agreement for solar power

TOKYO KEIKI PRECISION TECHNOLOGY (TPT), which produces hydraulic equipment for Asia in Vietnam, made the decision to switch approximately 30% of the power used in its factory to solar power as an initiative to reduce GHG emissions and concluded a power purchase agreement (PPA) for solar power in March 2022. With this agreement, TPT expects to reduce its GHG emissions by approximately 400 tons annually.

This initiative is a first for our Group, and we will be considering similar arrangements for other production sites.

Heat shield paint applied to the roof of Sano Plant

Due to climate change, in recent years, severe rainfall occurs frequently in the Sano Plant area. Because of the increased risk of such damage as roof leaks resulting from the sudden increase in rainfall, we, at Sano Plant, conducted maintenance and repainted on the plant's entire roof. As a result of using a heat shield paint, which reflects infrared rays to control an increase in the temperature of the roof, we confirmed an energy conservation effect by reducing the load on air conditioning equipment during the summer months.



Calculating Scope 3 greenhouse gas emissions

In order to understand supply chain GHG emissions across all of our business activities and effectively reduce them, we calculated the total emissions of all of our supply chains.

The table to the right provides a breakdown of our Scope 3 emissions (indirect emissions other than a company's own from its supply chain).

Emissions from purchased goods and services (category 1) were the greatest at 49.6% of the total, followed by use of sold products (category 11) at 38.4%.

Going forward, we will continue to maintain an awareness of, and promote reductions of, GHG emissions across all of our supply chains.

Overview of Scope 3 CO₂ emissions calculation (FY2021)

	Category	CO ₂ emissions (t-CO ₂)	Percentage
1	Purchased goods and services	114,172	49.6%
2	Capital goods	1,992	0.9%
3	Fuel- and energy-related activities	1,520	0.7%
4	Upstream transportation and distribution	721	0.3%
5	Waste generated in operations	398	0.2%
6	Business travel	808	0.4%
7	Employee commuting	611	0.3%
8	Upstream leased assets ^{*1}	-	
9	Downstream transportation and distribution ^{*2}	-	
10	Processing of sold products ^{*3}	-	
11	Use of sold products	88,398	38.4%
12	End-of-life treatment of sold products	21,498	9.3%
13	Downstream leased assets ^{*4}	-	
14	Franchises ^{*5}	-	
15	Investments ^{*6}	-	
	Total	230,118	100.0%

*1: Not applicable (emissions from leased assets included in Scope 1 and 2).

*2: Not applicable (finished product logistics outsourced and thus included in category 4).

*3: Not applicable (as TOKYO KEIKI's products are finished products, they are not processed after sale).

*4: Not applicable (no relevant leased assets).

*5: Not applicable (no relevant franchises).

*6: Not applicable (no relevant investments).

Calculation method: Based on standard guidelines from the Ministry of the Environment and the Ministry of Economy, Trade and Industry concerning the calculation of greenhouse gas emissions from supply chains.

Calculation period: April 1, 2021–March 31, 2022

Calculation scope: TOKYO KEIKI (non-consolidated)

MIRAI, a fuel cell vehicle, selected for President's vehicle

MIRAI is a fuel cell vehicle (FCV) from Toyota that runs on hydrogen fuel and emits zero GHGs. The Group's TOKYO KEIKI Vision 2030 identifies hydrogen and other energy businesses as candidates for new growth drivers. Based on this, the MIRAI was selected when updating the President's vehicle.



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. By fulfilling this responsibility while engaging in business activities, we will contribute to the realization of a sustainable society.

Our approach to the creation of a recycling-oriented society

Based on a recognition of the fact that all activities of human civilization, including those of the TOKYO KEIKI Group, are dependent on coexistence with the natural

environment, the Group is promoting 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

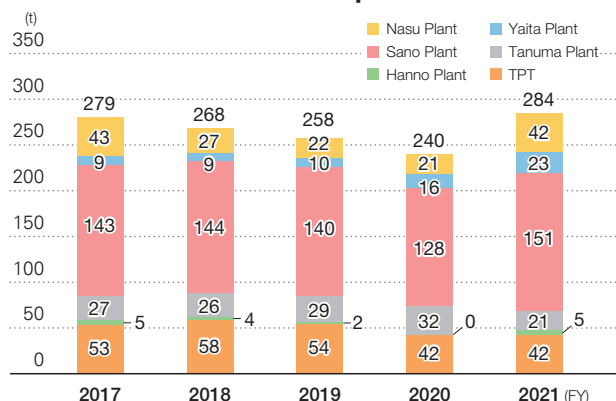
We are now reusing some of our used products and parts (including electronic parts) with the approval of our customers.

• Reduce

We are engaging in an initiative in which we have introduced reusable containers with some of our customers and our partner factories that can be used to move goods between each other's factories, eliminating waste such as cardboard and packaging materials. In addition, the use of equipment to reclaim wash oil and the evaporation and drying of waste water from glass processing are helping to reduce the amount of waste water and waste oil we produce.

In FY 2021, the amount of industrial waste we output increased due to such factors as increased PCB waste at the Sano Plant and etchant at the Nasu Plant. Note that figures from TOKYO KEIKI PRECISION TECHNOLOGY (TPT) are included from this report forward.

Amount of industrial waste produced

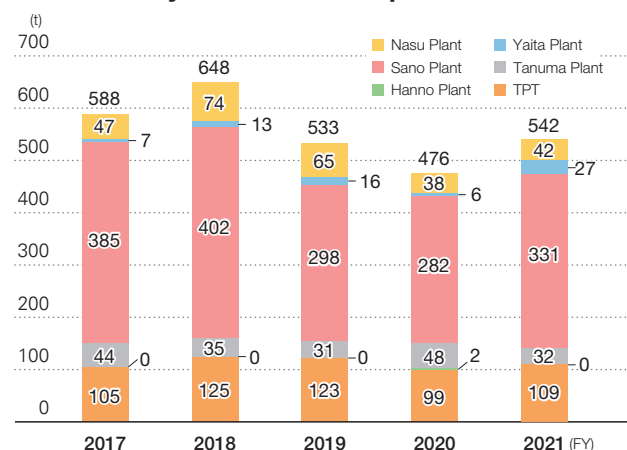


• Recycle

We hire contractors to take our scrap metal, waste oil, and waste paper, which are valuable recyclable materials, and accordingly thoroughly separate our waste.

The breakdown for these valuable recyclable materials for FY 2021 was 469 t of scrap metal, 19 t of waste oil, and 54 t of waste paper.

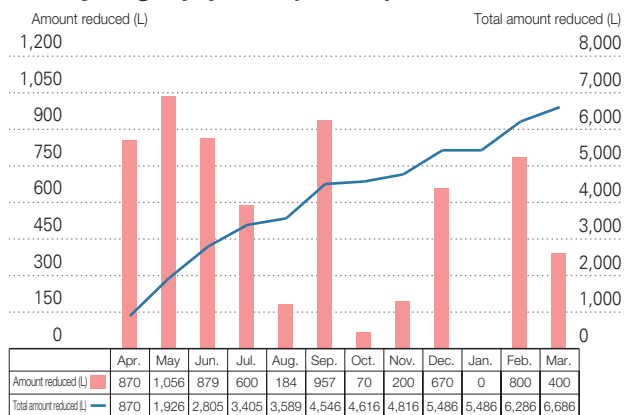
Valuable recyclable materials produced



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. To date, we have hired contractors to collect all of this. Having established a goal of reducing waste, however, we installed equipment in the factories to recycle hydrocarbon wash oil, making it possible to separate the oil content from wash oil before disposing of the leftover fluid. This has enabled us to recycle 90% of waste oil and use it like new wash oil, contributing to the effective utilization of resources. In FY 2021, we achieved a reduction in waste oil of 6,686 liters, double that of FY 2020. Going forward, we will continue to recycle waste oil to reduce our waste output.

Amount of waste oil reduced through use of wash oil recycling equipment (FY2021)



Initiative to reduce waste from processing defects

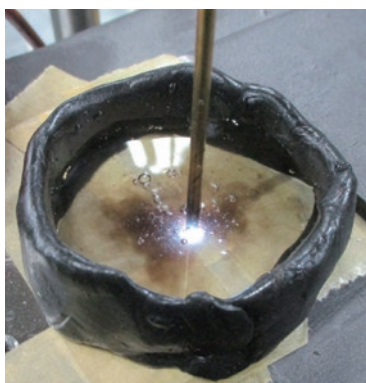
Ductile iron is a very strong material used in our high-pressure hydraulic products, and when drilling small-diameter holes or tapping this material, tools can sometimes break. In the past, when this happened, we would discard the entire part being worked on. Because of this, when such a defect occurred with a large part just before being completed, not only was there a loss of material; there was also a significant loss in terms of the energy put into processing, and it could even lead to delayed product delivery.

Because this issue could not be completely prevented solely by improving the tools or processing conditions, we installed an electrical discharge machine at the Sano Plant that enables broken tools to be removed without damaging the part being worked on.

In the one-year period after installing the machine, approximately 50 parts were able to be saved without discarding them, including large parts weighing over 30 kilograms. This also enabled savings in power consumption by processing equipment, which takes over an hour per part. Going forward, we will continue to promote initiatives aimed at the effective use of limited resources.



Broken tap drill bit



Electrical discharge machining in progress

Going paperless with design issuing

In the past, the design section in the Engineering Department was in charge of issuing design documents used by the Production Department, printing blueprints and parts lists before sending them. However, the fact that the printing work took time as well as that a large amount of paper resources were consumed for each issue were problems. In order to improve on these problems, the Engineering & Products Service Office, which supervises the entire Group, developed a design issue management tool.

The genres of the products that the Group produces differ greatly depending on business segment and production site, and their production flows also differ. Accordingly, it was thought that development of such a tool would be extremely difficult. It was determined, however, that swift improvements were necessary from a sustainability perspective and, with the help and understanding of a great number of departments, development moved forward in a short span of time. The Production Departments provided full cooperation in the development of the tool. After analyzing the flow of production, every effort was made to avoid significantly impacting existing work operations in the perfection of a generic, all-purpose routine for issuing electronic designs for products at the Yaita Plant, serving as a first stage for the development of the tool.

The result was the elimination of an equivalent of 160,000 A4-sized printed pages of paper, as well as an approximate 1,000-hour reduction in the work involved in issuing and receiving blueprints over a one-year span. There was also an incidental benefit in terms of a reduction in time spent dealing with inquiries regarding the progress of designs being issued.

Going forward, these results will be extended to the Nasu and Sano Plants as we engage in continuous improvements in work operations and contribute to the conservation of resources.

A screenshot of the design issue management tool input 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 services 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. We made the decision to switch to a less toxic hydrocarbon-based cleaning agent and designed and built our own dedicated cleaning equipment. We began using this equipment in January 2021 and ultimately used 495 kilograms of dichloromethane in FY 2021. This was a drastic 95% reduction in comparison with FY 2020.



PRTR emissions: Sano Plant *Emissions only (excluding transfers)

FY	Dichloromethane (kg)	Toluene (kg)
2017	15,400	1,140
2018	18,400	1,330
2019	14,000	1,100
2020	11,000	990
2021	495	989

PRTR emissions: Nasu Plant *Emissions only (excluding transfers)

FY	Xylene (kg)	1,2,4-Trimethylbenzene (kg)
2017	43	11
2018	66	17
2019	51	12
2020	50	12
2021	49	13

Specific measures on biodiversity

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.

Now, more than 30 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."



Ota Ward Protected Forest

Measures to prevent the death of cherry trees due to an invasive insect

Several large cherry trees that are nearly 50 years old grow on the grounds of the Sano Plant. Each year, they bloom stunningly, delighting the eyes of many people who live in the area. In recent years, however, cherry trees withering and dying due to *Aromia bungii* or the red-necked longhorn, an invasive insect that has entered the area from neighboring prefectures, has become a problem. We received contact that damage due to this insect had also occurred at the Sano Industrial Park. We conducted an inspection of the cherry trees on the grounds and discovered signs of damage caused by the insect's larvae feeding. Accordingly, we injected the trees with larvicide and set up nets to capture adult insects. Going forward, we will continue to carefully maintain these trees as a symbol of the Sano Plant.



Injecting a tree with larvicide



Capturing an adult insect



Installation of netting

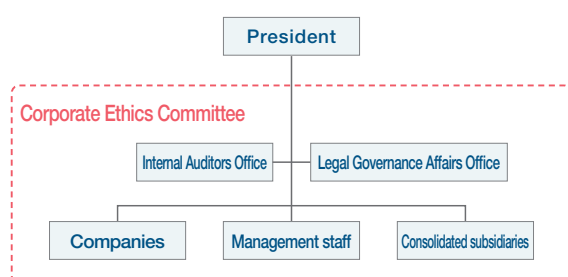
Compliance and Risk Management

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 2021 Code of Ethical Conduct education, which had previously 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 was 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 2021, there was one case of whistleblowing, which involved a minor issue, handled by the company's internal 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.

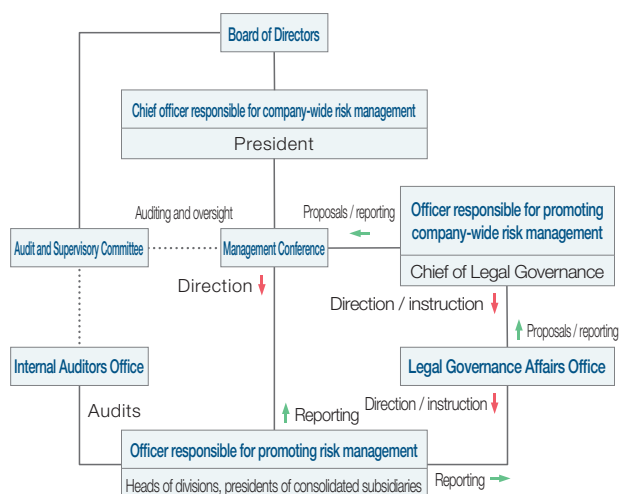
Conducted mainly as hierarchy-specific education for managerial-class employees in e-learning and classroom formats, this education includes overviews of laws on the prevention of bribery of foreign civil servants, the US Foreign Corrupt Practices Act, and cases of exposure of bribery of foreign public 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, and this task force was still in operation in FY 2021.

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

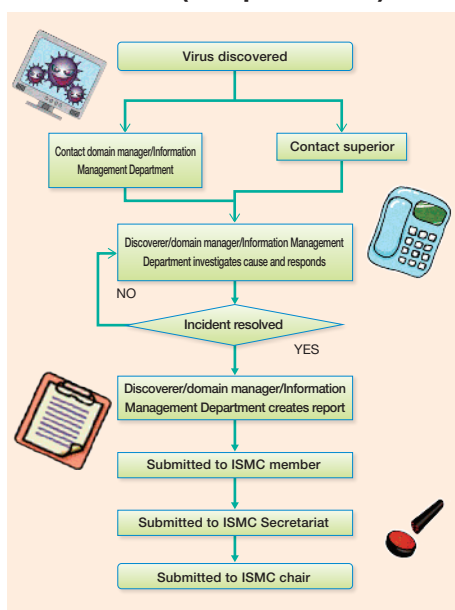
We have established an Information Security Management Committee (ISMC), chaired by the Chief Information Officer and composed of members selected from departments. Our Strategic Information Planning Department under the Corporate Planning & Administration Office oversees formulation of measures related 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. In FY 2021, the department called attention to Emotet, a computer virus wreaking havoc; and business email compromise (BEC) scams. As a specific example, the department conducted targeted attack email training. Email training is considered an effective measure in a time when the threat of targeted emails is on the rise. By sending mock emails in the training, individual employees gain the knowledge to make proper decisions and take the correct action when they receive a suspicious email, making it possible to increase the level of awareness among employees.

Further, in response to the COVID-19 pandemic, we worked to strengthen our remote access environment, previously only used by a small section of users, and expanded 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

2022.06.19 更新 (とどろ) (TOKINET)

皆さんへ

我々は今まで未曾有の事態に遭遇しています。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だと思います。4月7日に政府より発表された緊急事態宣言を契機として、先般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被害を及ぼすと共に、事業活動にも多大な被害を招くことになります。感染のリスクを低減、より安全な行動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

2022.06.10(金) 当社における新型コロナウイルスの対応について (110)(今後対応のコロナ対応) [PDF] [new](#)

2022.06.09(木) 当社における新型コロナウイルスの対応について (112)(本社緊急報告) [PDF] [new](#)

2022.05.31(火) 当社における新型コロナウイルスの対応について (111)(運用緊急報告) [PDF]

2022.05.20(金) 当社における新型コロナウイルスの対応について (110)(運用緊急報告) [PDF]

2022.05.11(水) 当社における新型コロナウイルスの対応について (109)(運用緊急報告) [PDF]

2022.04.28(木) 当社における新型コロナウイルスの対応について (108)(運用緊急報告) [PDF]

2021.01.07(木) 新型コロナウイルス感染症予防のための、当社グループ各事業所への「通勤時のお願い」 [PDF]

2021.01.07(木) 新型コロナウイルス感染症防止に向けた当社社務対応について (5) [PDF]

社内関連文書

USGとS&Pの取扱いについて (0) 情報情報管理サイト

USGとS&Pの取扱いについて (5) (メールサイト)

情報セキュリティガイドライン (PDF) コピー

緊急情報管理規程 (PDF) コピー

新型コロナウイルス感染症について (0) (人権サイト)

新型コロナウイルス感染症について (0) (人権サイト)

社外お知らせ (開示情報)

R&D and Quality Management Initiatives

The TOKYO KEIKI 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 whose commercialization is still years away, 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.

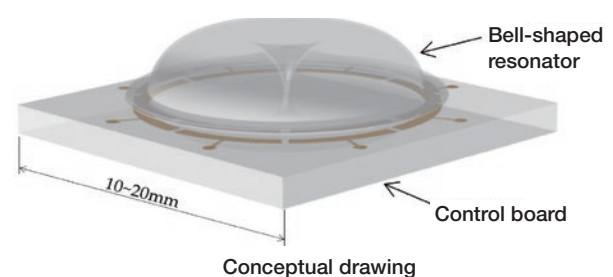
Industry-government-academia collaborative research

Our Company also proactively engages in industry-government-academia collaborative research.

MEMS* hemispherical resonator gyroscopes

Moving devices, such as drones, use inertial navigation systems to measure their acceleration and angular velocity to move while maintaining an awareness of the direction and distance they have moved. This enables them to move autonomously without a GPS signal. Moving accurately over long periods of time, however, requires the use of an ultra-high precision gyroscope. In connection to such ultra-high precision gyroscopes, TOKYO KEIKI's research into MEMS hemispherical resonator gyroscopes using 3D integral molding was selected in FY 2021 for the Japanese government's National Security Technology Research Promotion Fund. The aim of this research is to apply TOKYO KEIKI's strengths in gyroscope technology to MEMS to create gyroscopes that are highly precise yet small, lightweight, energy efficient, and low in cost. Such gyroscopes could be used in a wide variety of applications in a society that is seeing more and more drones as well as a variety of other autonomous, automated moving devices.

*MEMS (micro-electro-mechanical systems): Micron-level components mounted on silicon or glass substrates or organic materials, etc., and which are equipped with electronic circuits, mechanical components, sensors, and actuators (devices that convert energy into physical movement), etc.



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

ISO9001	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

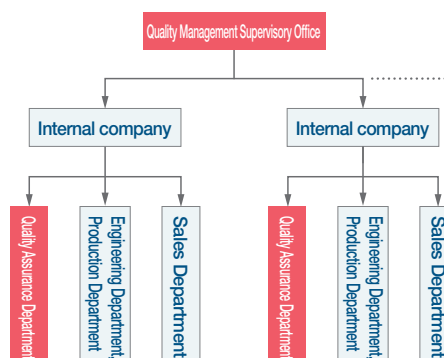
Two tiers of quality assurance activities

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 of Quality at a Quality Subcommittee meeting. If the Chief of Quality 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

Aiming to further improve product quality, the Quality Subcommittee has worked to build a defect database to share throughout the Group information on defects as well as peripheral knowledge, which had previously been accumulated on an individual basis by each internal company and subsidiary. Currently, the subcommittee is engaged in gathering internal examples of defects and organizing this information in order to begin sharing the database.

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.

Seven kinds of workplace waste

- | |
|--------------------|
| 1. Over-processing |
| 2. Inventory |
| 3. Overproduction |
| 4. Waiting |
| 5. Motion |
| 6. Transport |
| 7. Defects |

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 of 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 until their problems are overcome, 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.

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); supervises purchasing and procurement; maintains and manages our core information system (TBB system); manages credit based on supplier management information; and supports the activities of

cooperatives and partner association members. 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 FY2021, 16 out of 56 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 our machined component business partners, in particular, are small in scale, and with them 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 2021, we conducted a total of 46 supplier audits.

In addition, there is a system to certify suppliers involved in 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 the TOKYO KEIKI Group. Our basic policy is to cultivate independent, growth-oriented human resources, and we 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.

TOKYO KEIKI Vision 2030, our vision for what the Group should be in FY 2030, establishes the strengthening human capital as our human resources strategy and policy, and in order to achieve this vision, we are focusing on human resources cultivation and organizational reform.

Concepts and policies regarding human resources

Policies regarding hiring initiatives

Amid great changes taking place in the business environment, it is essential for the sustainable growth and development of our Group that we secure the human resources which form the wellspring of competitiveness and the pillar of change. In order for all employees to maximize their individual personalities and abilities, and to take on the challenge of resolving social issues, our vision for the human resources sought by our Group is people who take on challenges with determination.

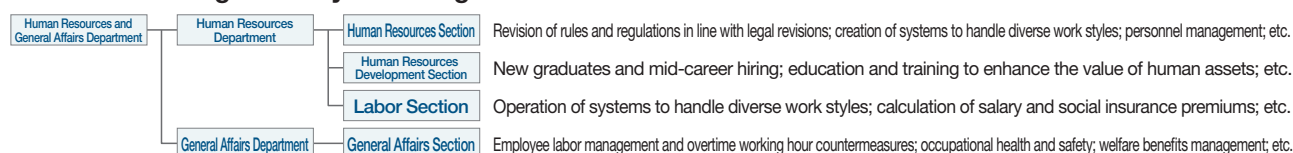
The Human Resources & General Affairs Department is engaging in recruiting activities while at the same time coordinating this future-oriented vision for human resources with the needs of each department.

Our policies for undertaking human resources development

While working to solve social issues through innovation, the TOKYO KEIKI Group is aiming to 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 multi-skill development and other human resource development that enhances added value.

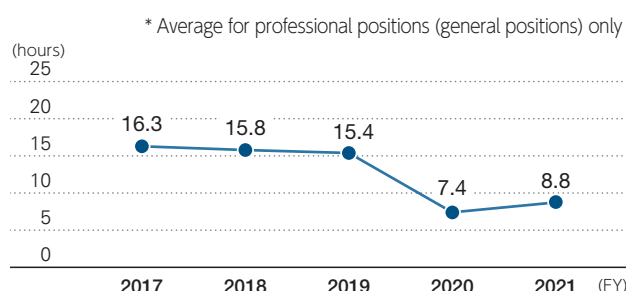
Personnel management system diagram



Initiatives for work style reform

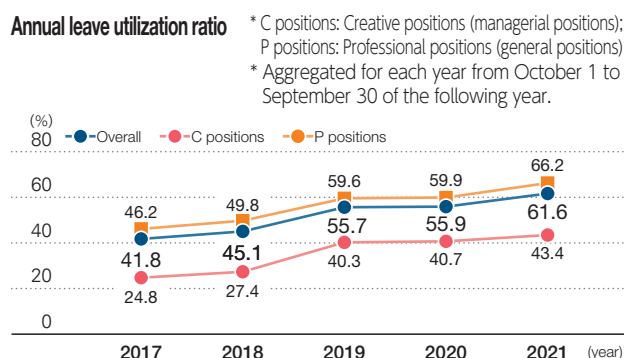
The Company enacts numerous measures and has established programs including telework, flextime, no-overtime days, and childcare and nursing care leave programs to flexibly accommodate diverse work styles and let all employees fully exert their capabilities.

Monthly average overtime hours



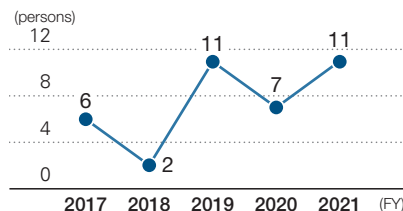
For employees seeking venues for communication outside of work, such as club activities and social gatherings at workplaces, the Company strives to provide opportunities by bearing a portion of expenses.

Annual leave utilization ratio



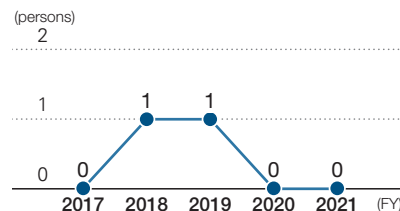
Number of persons taking childcare leave

*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

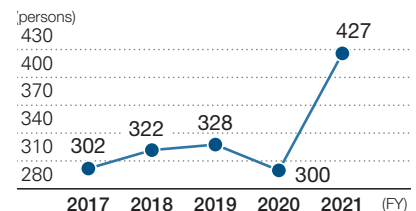
*The number of persons newly taking nursing care leave each fiscal year is counted; persons continuing nursing care leave from the previous year are not counted in the year of continued leave.



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.

*The number of persons taking special annual leave increased in FY 2021 due to people receiving vaccinations against COVID-19.



Education system

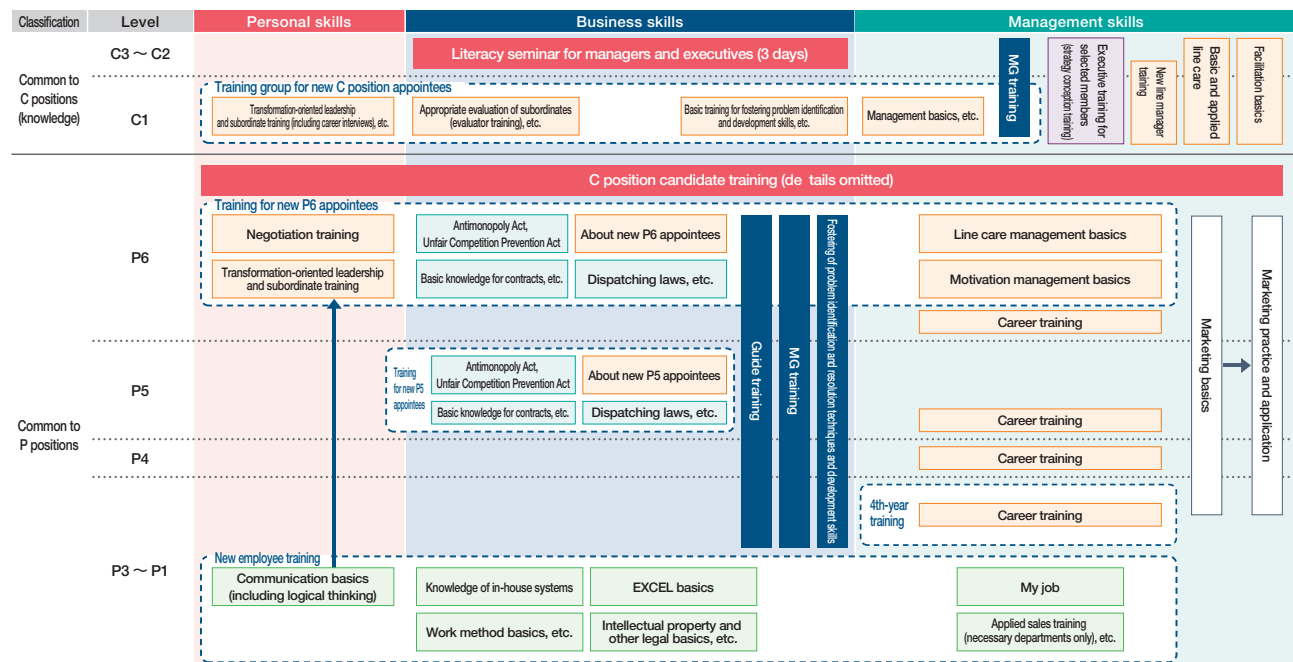
Career plan

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)

Creating a suitable evaluation system

Suitable evaluations of each employee's work are essential to maintaining individual employee motivation while also attending to day-to-day operations.

TOKYO KEIKI has established a target management system and, in order to ensure fair and transparent employee performance evaluations, opportunities are established twice a year for superiors to meet with their subordinates to set goals and discuss results. Having superiors provide direct feedback on the results of evaluations to subordinates increases subordinates' understanding of their evaluation results. Further, we operate a system which encourages employees

to feel motivated in working to achieve results sought by the company by establishing appropriate work targets, derived from management targets, for each individual employee.

Our TOKYO KEIKI Vision 2030, formulated in June 2021, promotes investment in human capital for our sustainable corporate growth. For our human resources strategy, the plan specifically sets forth reforming our human resources system, supporting diversifying work styles, and revising our evaluation system. In FY 2021, we formulated a new human resources system oriented toward taking on new challenges, and began operation of this system in FY 2022.

Policies and initiatives for diversity

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

Promotion of men taking childcare leave

The TOKYO KEIKI Group also promotes the utilization of our childcare leave system by men in order to support balance between work and childcare. In FY 2021, the rate for taking such leave was high, with 7 out of 30 applicable male employees taking childcare leave.

Participation in the Women Activity Network

Tochigi Prefecture, the location of our plants, supports women working at companies and other workplaces in forming networks and building their career. The prefecture holds exchange, study, and training meetings where working women of differing industries, ages, and years of experience can exchange information. TOKYO KEIKI participates in the Women Activity Network for women who work in the Sano Industrial Park. FY 2021 marked our sixth year of participation.

At each network event, around 10 employees from each member company participate with the aim of improving work motivation and expanding horizons. Taking into consideration the COVID-19 pandemic, in FY 2021 the network continued to operate but its activities were limited to a single class. Nevertheless, the network promoted incorporating the theme of this class, assertiveness,* into one's work.



*Assertiveness: A communication skill in which one respects the person one is speaking to while expressing oneself using appropriate means.

Providing first-time employment to a special needs school graduate

At the request of a special needs school in Tochigi Prefecture, in FY 2020, the Sano Plant provided internships to students with mild intellectual disabilities and welcomed one of them back again in FY 2021. Four internship sessions in total were held over the two-year period, each session lasting around 10 to 15 days.

During his internship sessions, the student worked together with employees from the Factory Administration Section, engaging in cleaning and green space management work. This year, once again, the student performed his jobs appropriately with full understanding of the instructions given to him.

Both school staff and guardians told us that the participant had found the work rewarding and strove to improve each day. In response to a strong desire for the participant to join TOKYO KEIKI after graduation, the decision was made for TOKYO KEIKI to hire him as the company's first employee from this school in April 2022.

Employment of persons with disabilities

We have established a satellite office to provide a work environment that makes it easy for people with disabilities to work, and strive to ensure appropriate labor management and necessary care through means such as regular workplace visits by Human Resources Department personnel. In FY 2021, we continued to work on our hiring of people with disabilities. In addition to hiring three new people, we also expanded the scope of their responsibilities from HR-related work to include accounting and some business department tasks.

Number of persons with disabilities employed *1	
Headquarters	12
Nasu Plant	5
Yaita Plant	6
Sano Plant	9.5
Total	32.5

Employment rate of persons with disabilities *2
2.07%

*1, 2 Calculated based on the Ministry of Health, Labour and Welfare's Employment Quota System for Persons with Disabilities

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. The TOKYO KEIKI 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

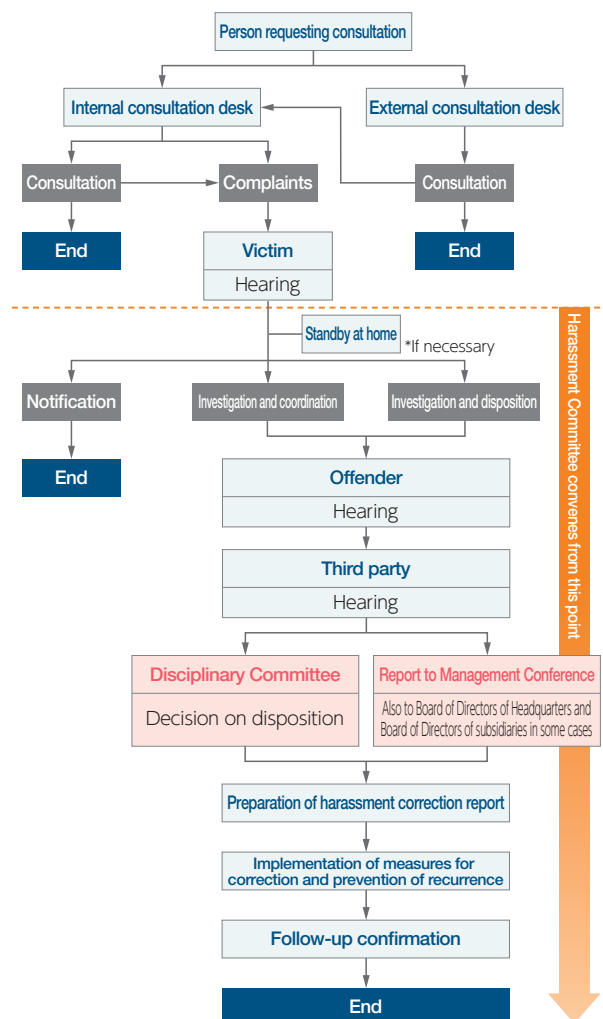
The Group creates work environments in which all employees can exert their capabilities to the utmost and pursue their potential. At the same time, to achieve pleasant workplaces where people can actively collaborate and cooperate with others, we seek to take measures to prevent and eliminate harassment 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 Group but also to customers and business partners when the noted parties are involved.

We have set up consultation desks shared across the 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 corrective action 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, the TOKYO KEIKI Group 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

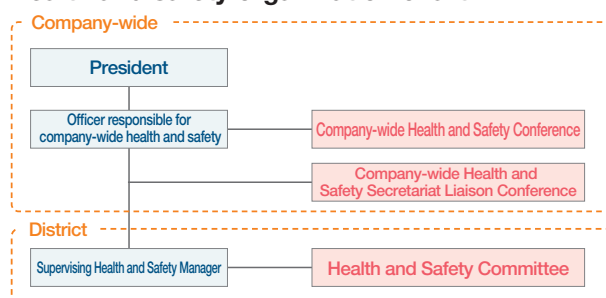
Our health and safety system is composed of a district organization that consists of employees working at our sites and a company-wide organization that coordinates the district organizations. (See the health and safety organization chart.)

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



Work-related accidents in FY 2021

Looking at work-related accidents in FY 2021, industrial accidents increased by 2 incidents from the previous fiscal year to 9 incidents, commuting-related accidents decreased by 2 incidents to 9, and traffic accidents increased by 9 incidents to 18 incidents. We will continue striving to ensure safety to prevent further work-related accidents.

Initiative to prevent recurrence of industrial accidents

When an industrial accident occurs, members of the district Health and Safety Committee conduct an on-site inspection in the presence of the victim and determine measures to prevent recurrence. The content of these measures is recorded in a work-related accident incident report and submitted to the Company-wide Health and Safety Secretariat Liaison Conference. The measures are also horizontally deployed to the district Health and Safety Committees.

In recent years, such accidents have tended to be less the result of negligence due to familiarity by experienced workers and more caused by inexperienced workers. Accordingly, we are striving to prevent industrial accidents before they occur by reinforcing instruction provided by experienced workers during the period when inexperienced workers are acquiring the basics of safe operation.

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.

One example initiative is our provision of training for self-care and for workplace-based care through occupational health nurses and Human Resources and General Affairs

Department staff in charge of health care. We also conduct stress checks for employees and provide feedback on the results. In fiscal 2021, we conducted stress checks for 1,909 persons, with a response rate of 93.3% (1,782 persons analyzed).

Social Contribution

With awareness of our existence as a public entity within society, the TOKYO KEIKI 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

• Plant area beautification activities

In late fall, the Hanno Plant cleans up sidewalks in the vicinity, clearing away the deep piles of leaves from the roadside trees in the area. The plant manager and the entire managerial staff engage in the work of maintaining the community environment in an effort to preserve the environment of the community.

Because the sidewalks around the plant have a steep incline and are easy to slip on, this work is believed to help prevent falls and slips by pedestrians and bicycle riders due to fallen leaves, and to also contribute to improving community scenery.



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. In the past two years 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 continued shortage of blood donors. Desiring to boost the supply of blood needed for transfusions, we have responded with measures including an increase in blood drives at our plants.

Leave systems

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.

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, the TOKYO KEIKI group hopes that our shareholders will 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.

In April 2022, we transitioned to the Prime Market as our new market segment on the Tokyo Stock Exchange.

To provide a high level of governance appropriate to a company listed on the Prime Market, we will continue working to strengthen initiatives and enhance our sustainable growth as well as 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 and its 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 Audit and Supervisory Committee Members. 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

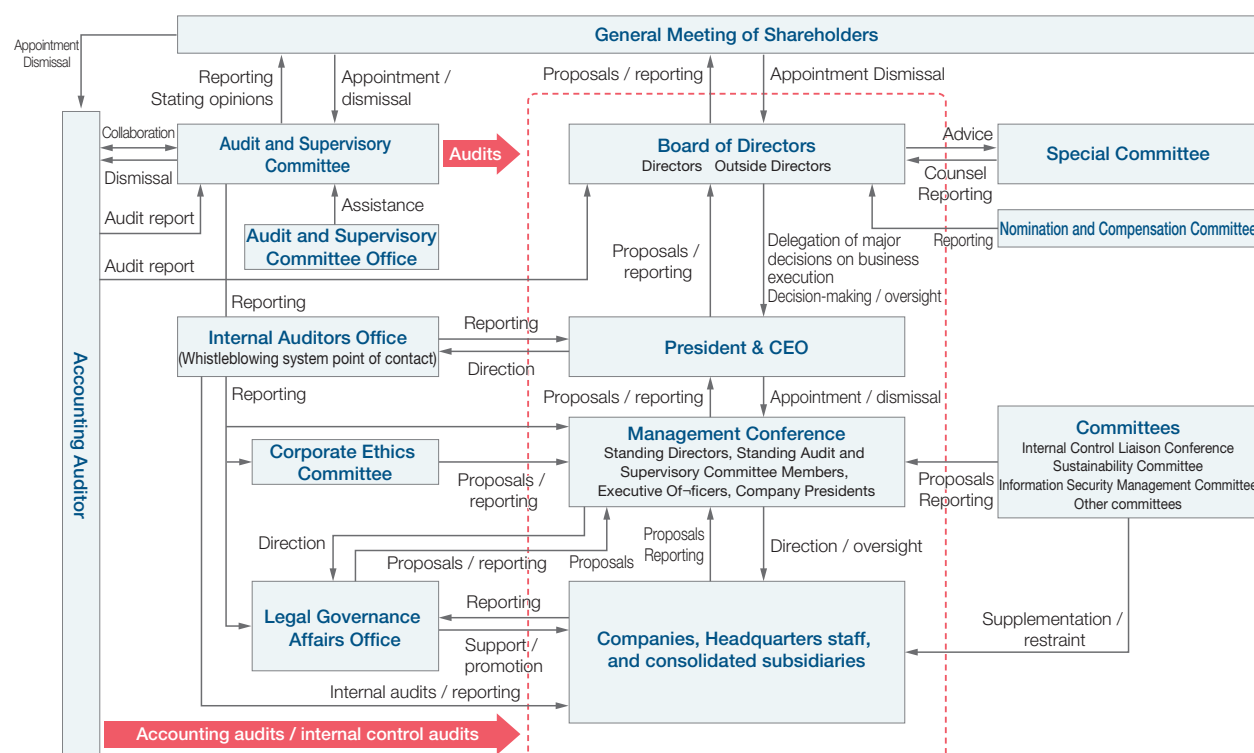
The Audit and Supervisory Committee is composed of two Outside Directors and one Internal Director. The Internal Director, as Standing Audit and Supervisory Committee Member, serves as Chair of the Committee. We have also established the Audit and Supervisory Committee Office, with one dedicated staff 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.

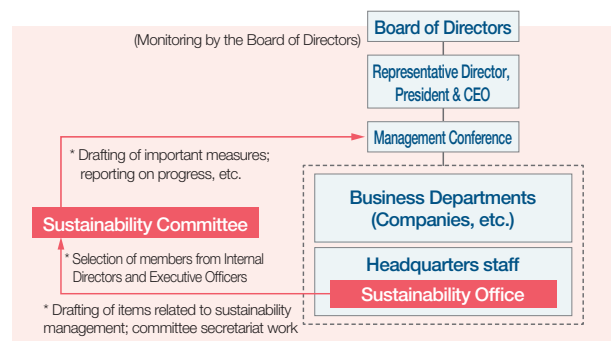
As a decision-making body for execution of management by the President & CEO, we have established a Management Conference to deliberate company-wide basic management strategy and its execution. The Management Conference is composed of Standing Directors, Executive Officers, and Company Presidents. The 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 Office and the Sustainability Committee in June 2021. 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.



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 31 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 the results in our Corporate Governance Report.

Initiatives to address issues raised in the 90th term

In our evaluation of our 90th term (FY 2020, ended in March 2021), as a concrete measure in the 91st term (FY 2021, ended in March 2022) to address issues in the 90th term, we established the development of an environment for members of the Board of Directors to hold deeper discussions on key items, in addition to continuing ongoing measures.

Specific measures given included isolating and clarifying the deliberation matters attached to the reported matters provided as the agenda for the Board of Directors, improving the quality and optimizing the volume of materials presented to the Board of Directors, increasing opportunities for deliberation in order to enhance disclosure of non-financial information in light of the ESG investment trend, and improving Director training opportunities.

As a result, we assessed that active discussions on every project have increased compared with the previous fiscal year, and that the Board of Directors' awareness of its effectiveness has risen.

Results of evaluation of the 91st term

We conducted a questionnaire survey aimed at all directors, including Audit and Supervisory Committee Members, to evaluate

the effectiveness of the Board of Directors in the 91st 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 2022, 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. Deliberation of management and business strategies was raised as an issue in the previous year. Our evaluation confirmed a degree of improvement in this area, recognizing that in the formulation of TOKYO KEIKI Vision 2030, the Board of Directors contributed to coordinating the direction for strategy and spent a large amount of time deliberating with management, with the end result being the disclosure of TOKYO KEIKI Vision 2030 along with our medium-term business plan in June 2021. However, we also affirmed that there was room for improvement in the areas of the setting of Board of Directors' deliberation matters, and in the provision of information related to the same. These issues were shared with the Board of Directors. Looking ahead, we will establish a concrete action plan for these 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 and 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, and 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.

Skills matrix

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.

Skills matrix

In order to verify whether the TOKYO KEIKI Group is furnished with the management capabilities needed to resolve the Group's challenges, we have outlined in the following table the knowledge and expertise (skills) possessed by all of our Directors in various fields based on two perspectives: items required for the management of a listed company, and matters required per our business activities. The determination of each Director's skills took into consideration their accomplishments as Directors and Executive Officers in each field as well as their past professional experience.

As of June 29, 2022

Name (Position)	Nomination and Compensation Committee	1 Corporate management	2 Marketing / sales	3 Finance	4 IT / digital technology	5 HR / labor / HR development	6 Legal affairs / risk management	7 Global experience	8 Production systems	9 Quality management	10 R&D / technology development	11 ESG / sustainability	12 Compliance / governance	13 M&As
Tsuyoshi ANDO (Representative Director, President & CEO)	●	●	●		●		●	●			●		●	●
Motoo UENOYAMA (Director & Executive Officer)		●	●	●		●						●	●	●
Yukihiko SUZUKI (Director & Executive Officer)					●		●		●	●	●	●		
Takahiro KASHIMA (Director & Audit & Supervisory Committee Member [full-time])		●		●	●								●	
Nanpei YANAGAWA (Outside Director & Audit & Supervisory Committee Member)	●	●	●	●			●	●					●	
Takashi NAKAMURA (Outside Director & Audit & Supervisory Committee Member)	●	●		●	●	●							●	

Note: Directors who possess relevant national qualifications: Motoo UENOYAMA (Small and Medium Enterprises Management Consultant, Labor and Social Security Attorney)

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. However, 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	Transfer-restricted stock compensation ^(Note 2)	Performance-linked compensation	
Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors)	74	54	11	9	4
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. The total amount of compensation, etc. is the amount of monetary compensation credits paid under the transfer-restricted stock compensation system.

3. 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.

Stakeholder Engagement

To the extent possible, the TOKYO KEIKI Group provides 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	<ul style="list-style-type: none"> • Daily sales activities • Explanation of product operation • Training • Product maintenance and service • Exhibitions, etc. • Hydraulic School (course on hydraulics) 	<ul style="list-style-type: none"> • Business Divisions (sales/service departments) • Corporate Communications Office
Shareholders / Investors	<ul style="list-style-type: none"> • 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} 	<ul style="list-style-type: none"> • Legal Governance Affairs Office (Handling of General Meeting of Shareholders) • Corporate Communications Office
Suppliers / partner companies	<ul style="list-style-type: none"> • Holding of business policy briefing sessions (cooperating factories, distributors, agents) • Daily procurement activities • Auditing of cooperating factories 	<ul style="list-style-type: none"> • Material Management & Purchasing Office, factories' materials sections • Business Divisions (sales departments)
Employees	<ul style="list-style-type: none"> • Labor-Management Negotiations / Management Council (labor-management deliberations) • Briefings on programs, dialogs with the President & CEO^{*4} • Evaluation interviews 	<ul style="list-style-type: none"> • Human Resources and General Affairs Department • Corporate Planning & Administration Office
Communities	<ul style="list-style-type: none"> • Dialogue with industrial park unions, etc. • Dialogue with local residents' associations, etc. • Community cleanup campaigns together with companies in vicinity of industrial parks • Sponsorship of local events (fireworks displays, etc.) 	<ul style="list-style-type: none"> • (Headquarters District) Human Resources and General Affairs Department • (Factories) Factory administration sections • (Hanno) TKA Administration Department^{*5} • (Tanuma) TPS Administration Section^{*6}
Government	<ul style="list-style-type: none"> • Dialogue with government officials (local government, police, fire department, etc.) • Response to government agencies in the event of accident or incident 	<ul style="list-style-type: none"> • (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 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 have requested limitations on the number of participants, and have streamed the meetings online after they have finished since 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, we have also made it possible for shareholders to exercise electronic voting rights, increasing convenience for shareholders and achieving lower environmental impact by reducing mailings.

Online stream of the 91st 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, per the trend toward refraining from face-to-face meetings, we have incorporated telephone conferences and online conferences for our IR interviews.

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 2022



Communication of information through the media

Our Group works to deepen understanding of our business activities by communicating information to stakeholders through varied media.

In FY 2021, President & CEO Ando was featured in the following media. He introduced such as our Group's products and business activities, which are widely deployed throughout society yet rarely seen by the public, deepening understanding among our stakeholders.

Communication of information through the media

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
April 2021	DIAMOND Zai	Business overview; corporate history; growth businesses
June 2021	Nikkei CNBC, "Toppu ni kiku" (Top-Level Interview)	Business overview; TOKYO KEIKI Vision 2030
December 2021	ZAikai, "Zaikai Report"	Niche-leading businesses; management policy
April 2022	Keizaikai, "Company Report"	Business overview; growth businesses

Engagement with the local community

TOKYO KEIKI was registered as a Tochigi SDGs

Promotion Company

We applied to the Tochigi SDGs Promotion Company Registration System operated by the Tochigi Industrial Promotion Center, with our three plants in Tochigi (Nasu, Yaita, and Sano) being registered in March 2022.



A registered mark of Tochigi SDGs Promotion Company

The system encourages companies in Tochigi Prefecture to proactively engage in corporate activities aimed at the achievement of the SDGs by establishing goals for 2030 in the areas of the environment, society, and the economy and registering these as a written declaration. Per its own declaration, TOKYO KEIKI will be aiming to create workplaces that are easier to work in, reduce its environmental burden, enhance its corporate value, and strengthen its competitiveness.

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