

# FY2024–2026 Medium-term Business Plan

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May 10, 2024

**TOKYO KEIKI INC.** (Securities code: 7721)



## Contents

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- 1. Review of Previous Medium-term Business Plan (FY2021–2023)**
2. Positioning of FY2024–2026 Medium-term Business Plan
3. FY2024–2026 Medium-term Business Plan

Evaluation of Achievements of Basic Policies under Previous Medium-term Business Plan

Position of three-year medium-term business plan in TOKYO KEIKI Vision 2030

The phase in which we strengthen our core and solidify our foundation, as well as identify, incorporate, and develop growth drivers

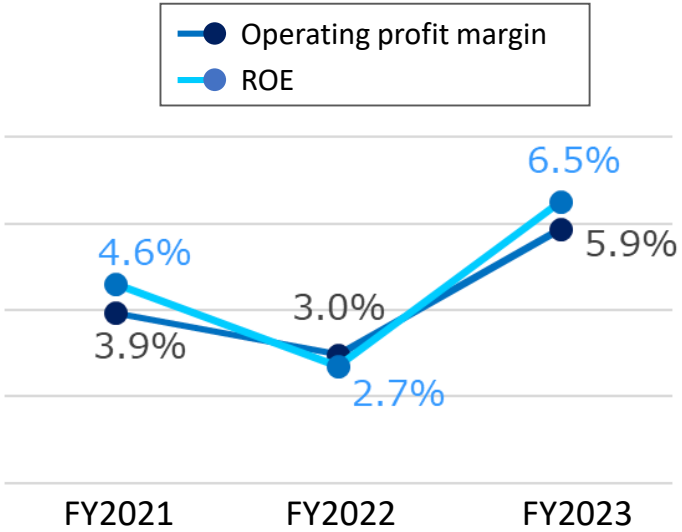
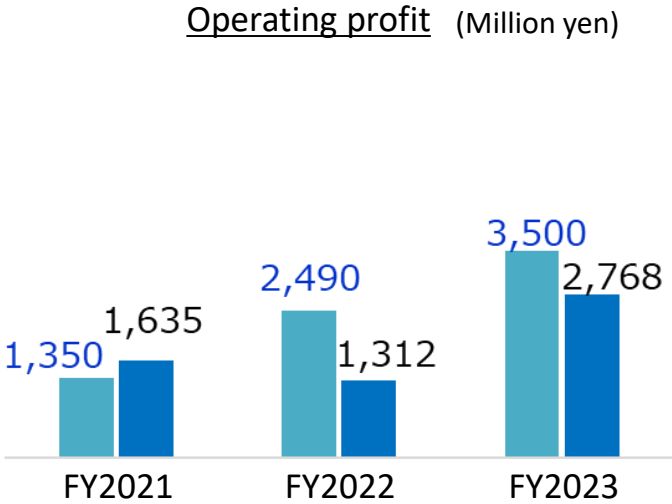
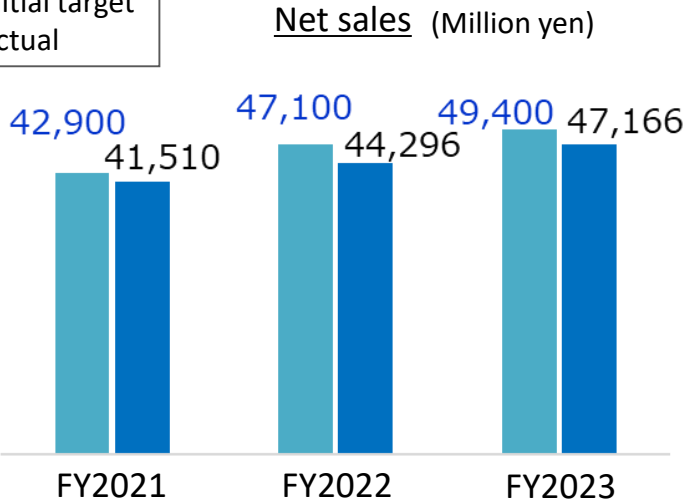
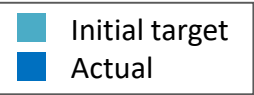
G: Good  
S: Satisfactory

[Basic policies]	[Achievements]		[Evaluation]
Expand business areas	● Hydraulics and Pneumatics Business	• Manufactured compression packages for hydrogen filling stations and developed hydrogen-related products.	G Expanded sales of products for new markets.
	● Defense & Communications Equipment Business	• Expanded sales of straight-line assistance for agricultural vehicles. • Received order for components for loading on small satellites and established small-satellite assembly system.	
Promote globalization	● Hydraulics and Pneumatics Business	• Further utilized a subsidiary in Vietnam to expand production items of hydraulic equipment.	S The number of products for overseas markets that saw expanded sales was small.
	● Fluid Measurement Equipment Business	• Developed microwave level gauges and flowmeters aimed also at overseas markets.	
Sustainably strengthen existing businesses	● Marine Systems Business	• Expanded sales of new-type ECDIS (electronic chart display and information systems). • Participated in a project to develop fully autonomous ships.	G Expanded sales of existing technologies and products.
	● Fluid Measurement Equipment Business	• Expanded sales of microwave level gauges for food-product market.	
	● Defense & Communications Equipment Business	• Established system to increase production in response to increase in defense-related orders. • Increased sales of accelerometers in seismic isolation market.	
	● Others	• Brought track diagnosis support system to market	
	● Research	• Developed HRG (hemispherical resonator gyroscope).	

## Review of Management Indicators

- Figures were lower than targeted due to stagnation of business activities and high costs caused by the spread of COVID-19, higher resource prices, and difficulties in obtaining components/materials.
- Increases in profits lagged behind increases in net sales, making improvement of profitability our top priority.
- Our market valuation increased in FY2023, but the task of enhancing return on capital and efficiency remained.

Formulated new medium-term Business Plan to resolve issues (from p.10)

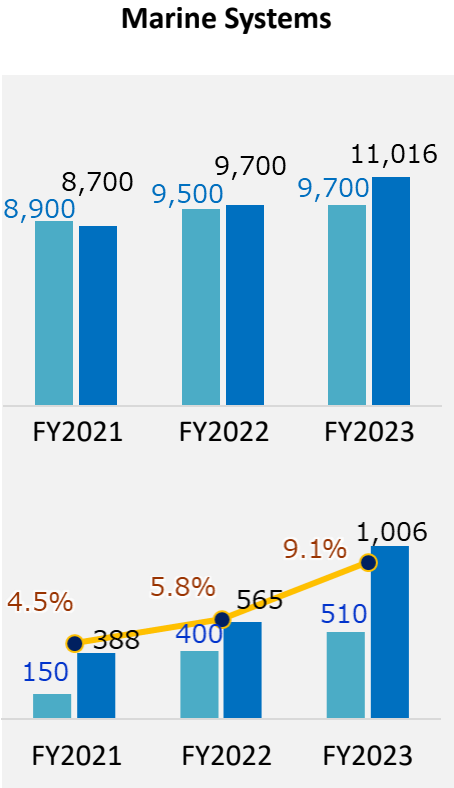
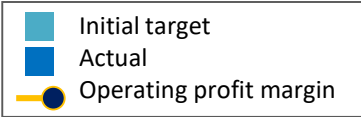


		Final-year (FY2023) targets	Final-year (FY2023) actual
Profitability	Net sales	¥49.4 bn	¥47.2 bn
	Operating profit	¥3.50 bn	¥2.77 bn
	Operating profit margin	7.1 %	5.9 %
	ROE	7.5 %	6.5 %

Market valuation	As of March 31, 2023	As of March 31, 2024
Stock price	¥1,215	¥2,719
PBR	0.61	1.21
Shareholder returns	Plan to increase dividend for third straight year	

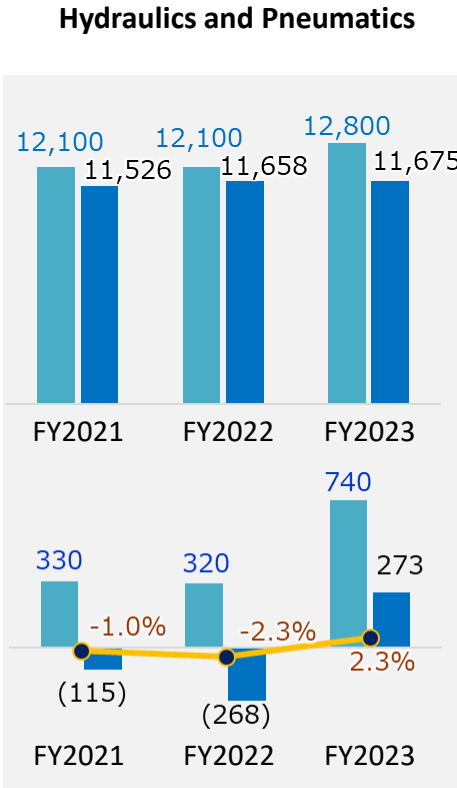
Review by Segment

Upper graphs: net sales, Bottom graphs: operating profit and operating profit margin (million yen)



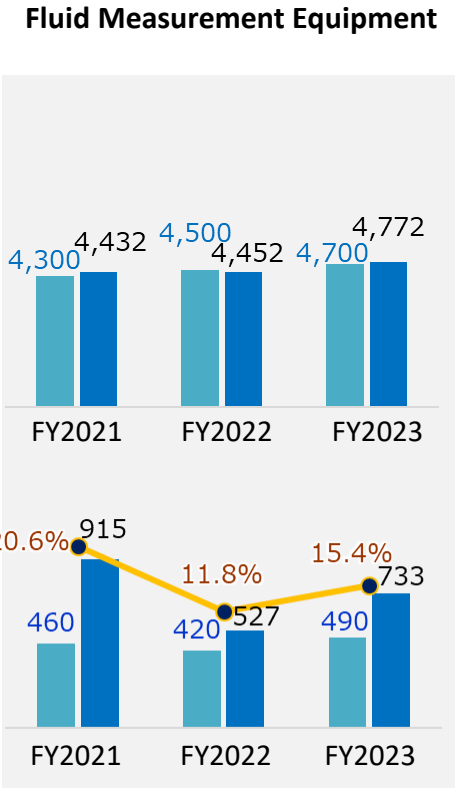
Thanks to the resurgence of the shipbuilding and shipping markets, as well as the depreciation of the yen, both sales and operating profit significantly exceeded targets.

Future: Secure profits even if the yen appreciates



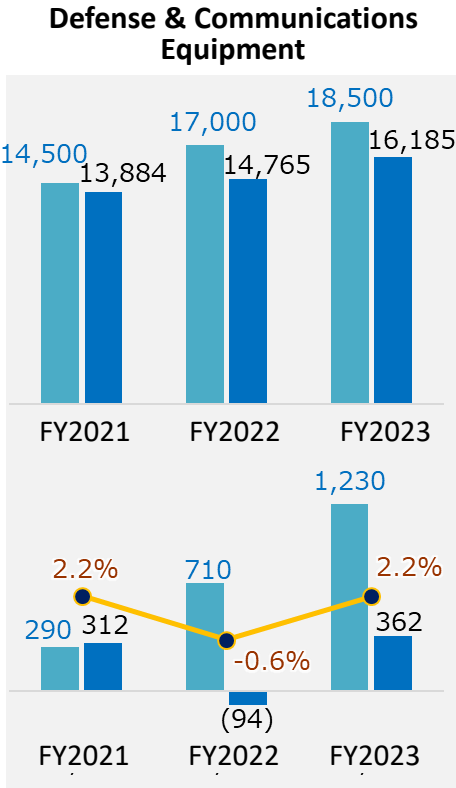
Due to the COVID-19 pandemic, high resource prices, and a slump in the markets of business partners, both sales and operating profit missed targets. However, there were signs of improvement in profit margins.

Future: Improve profit margins by expanding sales of high-value-added products and reducing cost-of-sales ratios



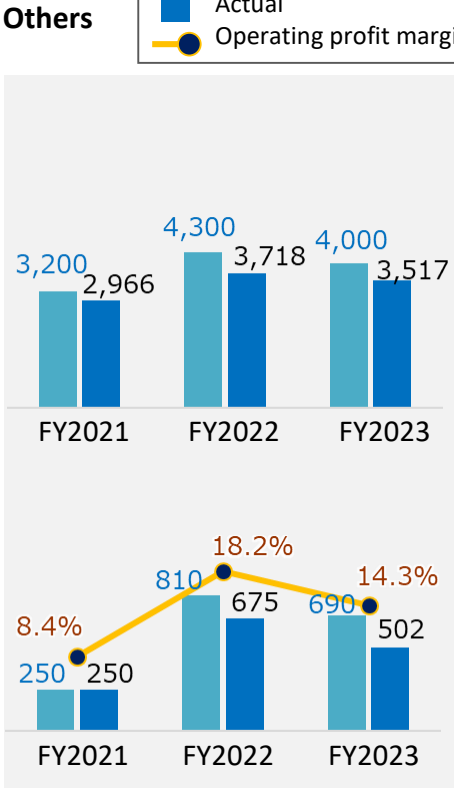
Sales were on target. Operating profit exceeded the target thanks to changes in the product mix.

Future: Implement measures that will lead to medium- to long-term growth



Due to sluggishness in the communication & control equipment business, which had been expected to see growth, both sales and operating profit missed targets.

Future: Continue to invest in growth in the communication & control equipment business. Respond to orders received in the defense business



In the railway maintenance business, due to a delay in the timing of sales of large-scale projects, both sales and operating profit missed targets.

Future: Increase product variation to generate stable profits

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# TOKYO KEIKI Vision 2030

**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.

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

**Our Mission**

**Apply our proprietary measurement, recognition, and control technology to support society**

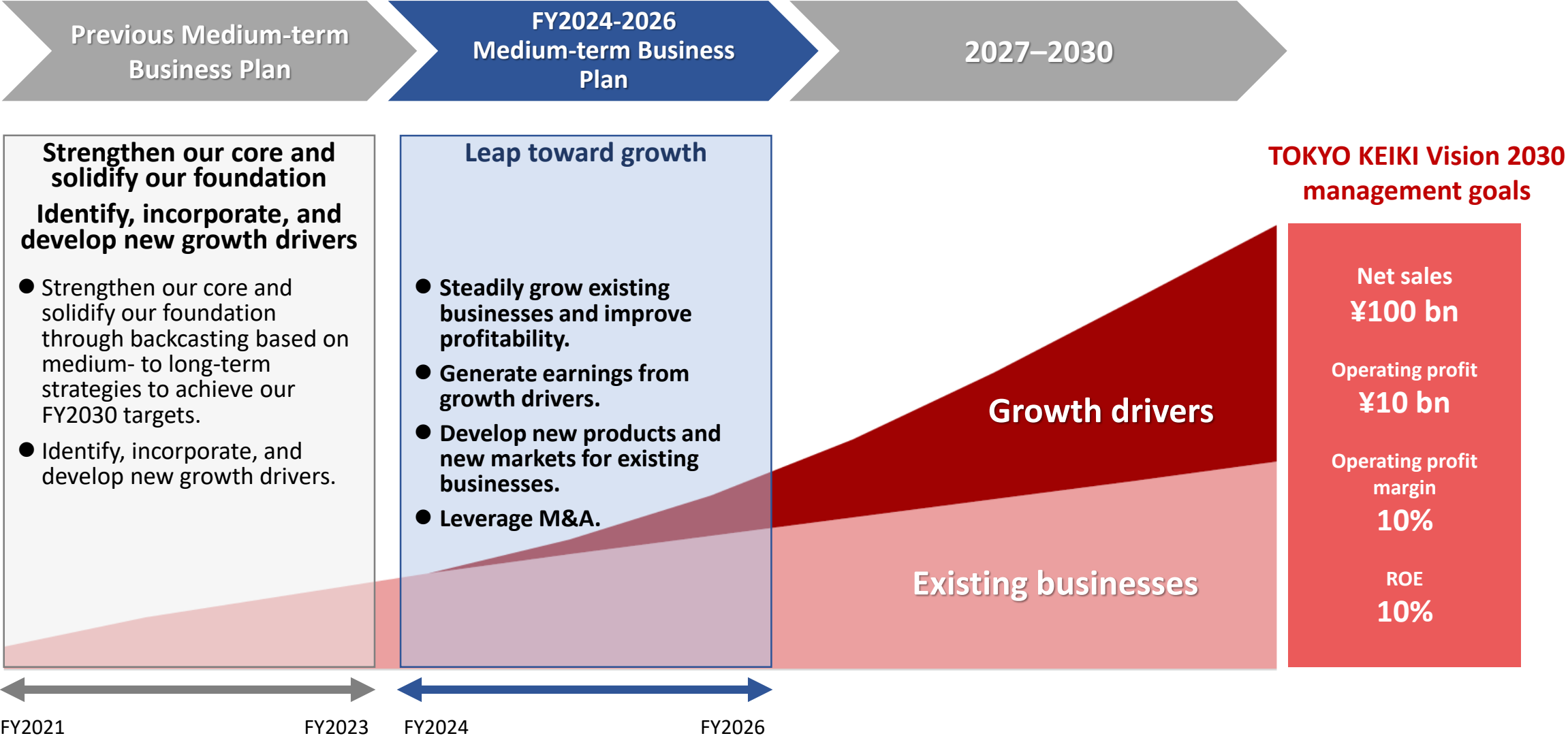
**Our Vision**

**In a variety of global niche top businesses, contribute to the development of stakeholders**

**Our Values**

**Relentlessly taking on challenges**

Positioning FY2024–2026 Medium-term Business Plan in TOKYO KEIKI Vision 2030





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## Overview of Medium-Term Business Plan

Activity phase

Leap toward growth

For this new phase, in order to shift to a stage where we aim for sustainable growth and medium- to long-term enhancement of enterprise value, we have modified our basic policies to focus not only on expanding sales but also on **expanding profits**.

In addition, another of our basic policies will be to **bolster the foundation for improving profit margins and expanding sales**.

Basic policies

(1) Improve profitability

(2) Expand business areas

(3) Strengthen business foundation

Key strategies

Enterprise-wide management of profitability assessment based on management indicators  
(ROIC monitoring and business portfolio analysis)

With a focus on generating earnings from growth drivers:

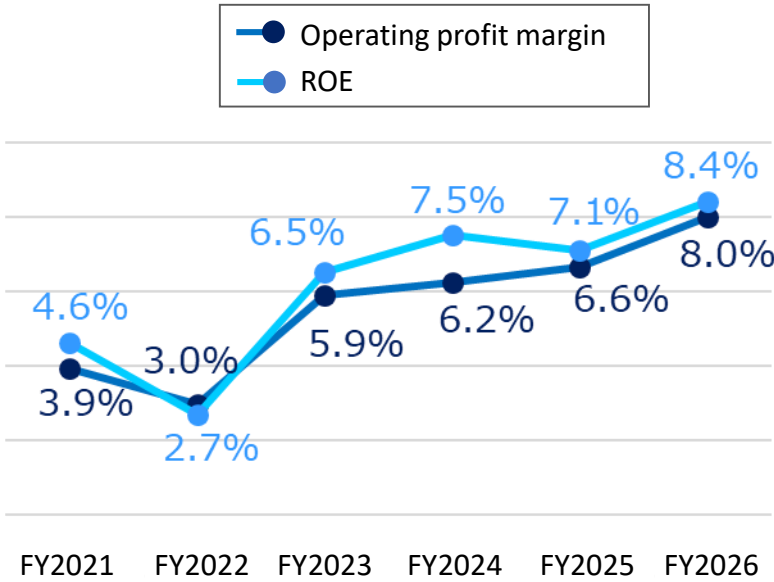
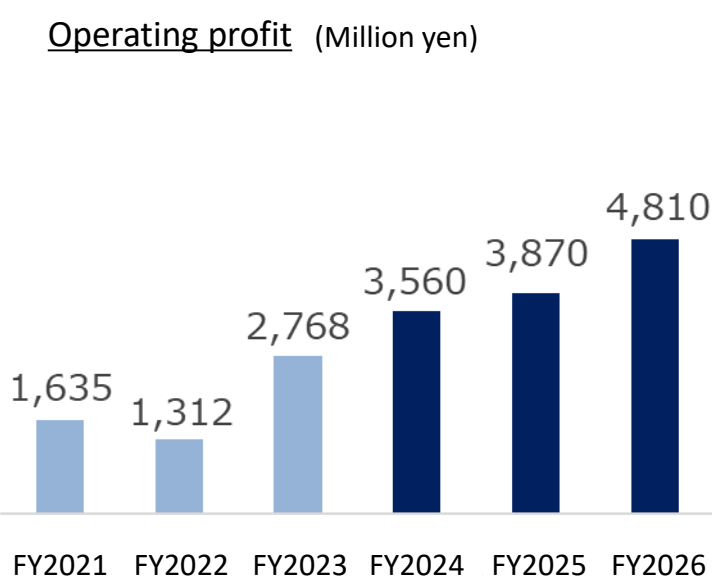
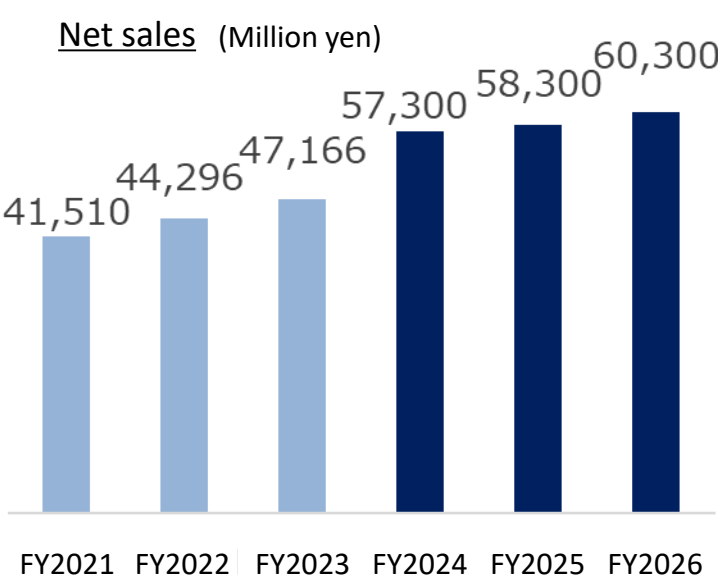
- Continued development of new products, tapping of new markets, and diversification
- M&A and open innovation from a global perspective

- Financial strategies for improving capital efficiency
- Sustainability management based on ESG initiatives
- Digital transformation (DX)

Basic policy (1) Improve Profitability

Management indicators

- Three-year net sales were estimated based on the heavy backlog of orders received in the Defense & Communications Equipment Business against the backdrop of increases in the government's defense budget.
- Aim for record-high profits. (Current record net sales: ¥68.18 bn in FY1991, Current record operating profit: ¥3.85 bn in FY2007)

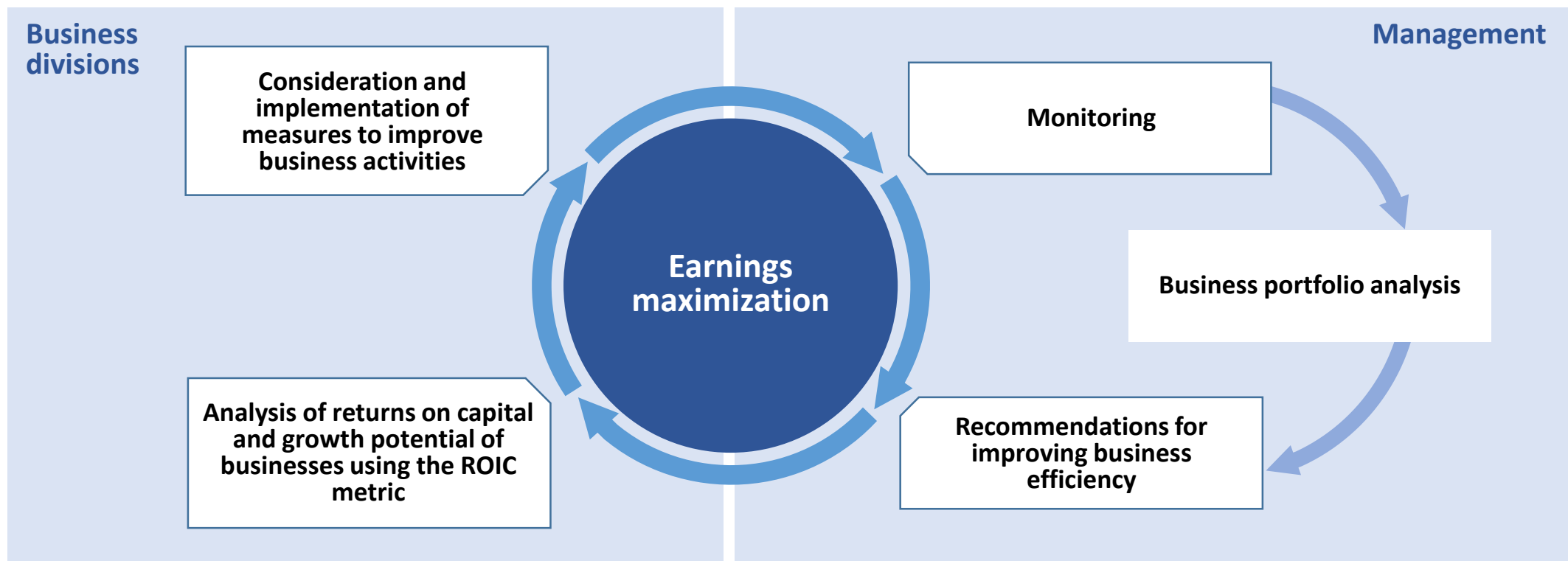


		FY2024	FY2025	FY2026
Profitability	Net sales	¥57.3 bn	¥58.3 bn	¥60.3 bn
	Operating profit	¥3.56 bn	¥3.87 bn	¥4.81 bn
	Operating profit margin	6.2 %	6.6 %	8.0 %
	ROE	7.5 %	7.1 %	8.4 %

## Basic policy (1) Improve Profitability

### Utilization of ROIC and business portfolio analysis

- After identifying the “earning power” of each business unit and analyzing the level of return on capital and the growth potential of each business, explore management strategies for the businesses.
- Based on these studies, conduct business more efficiently and aim to improve profitability to realize the TOKYO KEIKI Vision 2030.



Basic policy (2) Expand Business Areas

Monetization of growth drivers

■ Activity policy: Continue to identify, incorporate, and develop growth drivers, and promote sales of commercialized products

Growth drivers	Progress in FY2021–2023	Planned activities in FY2024–2026
Edge AI business	<ul style="list-style-type: none"><li>● Launched internal project and started taking action toward commercialization.</li><li>● Exhibited at various trade shows and gave lectures to raise profile.</li></ul>	<ul style="list-style-type: none"><li>● While raising awareness by exhibiting at trade shows, increase number of partner companies and aim to achieve commercialization as soon as possible.</li></ul>
Hydrogen & energy business	<ul style="list-style-type: none"><li>● Launched internal project and started taking action toward commercialization.</li><li>● Exhibited at various trade shows and gave lectures to raise profile.</li><li>● To promote collaboration with external parties, started joint research with AIST (National Institute of Advanced Industrial Science and Technology) on a high-pressure hydrogen production device that uses formic acid.</li><li>● Promoted collaboration with external parties in development of compressors.</li><li>● Continued to deliver compressors for conventional large-scale hydrogen filling stations.</li></ul>	<ul style="list-style-type: none"><li>● Plan to start deliveries of small hydrogen compression packages, for which orders have already been received, in June 2025.</li><li>● Exhibit newly developed compact hydrogen filling system at trade shows to raise awareness and expand sales.</li><li>● Have the Hydraulics and Pneumatics Business supply compressors.</li></ul>
Aerospace business	<ul style="list-style-type: none"><li>● Supplied microwave devices for use in small SAR satellites.</li><li>● Completed preparation of facility for assembly of small satellites.</li></ul>	<ul style="list-style-type: none"><li>● Establish small satellite assembly business.</li><li>● Pursue collaboration with space-related startups.</li><li>● Have the Defense &amp; Communications Equipment Business handle the expansion of the Aerospace business.</li></ul>
Railway business	<ul style="list-style-type: none"><li>● Moved forward with development of labor-saving products such as car-mounted equipment, and delivered first track diagnosis support system.</li><li>● Started developing new railway maintenance inspection equipment in anticipation of market expansion.</li></ul>	<ul style="list-style-type: none"><li>● Continue to search for areas for potential development in field of railway maintenance.</li></ul>
Life science business	<ul style="list-style-type: none"><li>● Continued to explore market.</li><li>● Conducted research on microwave applied equipment.</li></ul>	<ul style="list-style-type: none"><li>● Continue to explore market.</li><li>● Aim to contribute in new ways in environmental field, e.g., chemical processes.</li></ul>

**Basic policy (3) Strengthen Business Foundation**

**Financial strategies for improving capital efficiency**

**■ Make more efficient use of assets by improving cash conversion cycle (CCC)**

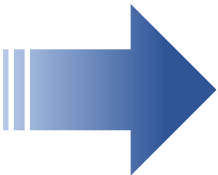
**Measures**

**Shorten inventory turnover period**

**Inventory turnover period:**

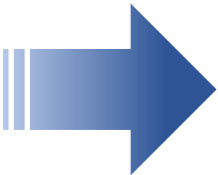
**219.4 days** (as of March 31, 2024)

**Inventory turnover period has lengthened due to increase in inventory**



- Continue to ensure stable procurement of components/materials.
- Achieve company-wide inventory reduction by maintaining appropriate inventory levels.

**Shorten trade receivables turnover period**



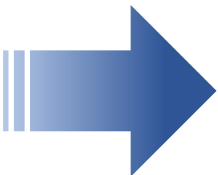
- Take action to shorten accounts receivable turnover period.

**■ Continue to reduce cross-shareholdings**

**Ratio of cross-shareholdings to net assets:**

**Approx. 8.9%** (valuation as of March 31, 2024)

All cross-shareholdings in four companies have been sold and cross-shareholdings in three companies have been reduced.



- Continue to reduce with aim of improving asset efficiency.

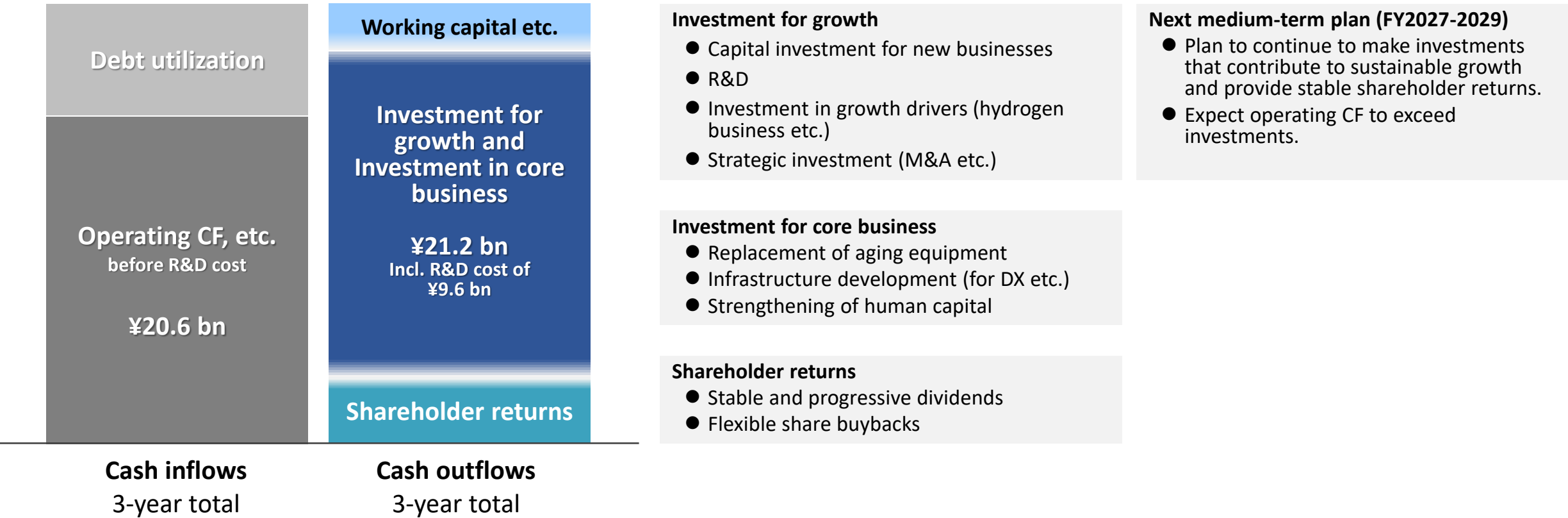
Basic policy (3) Strengthen Business Foundation

Cash allocation (FY2024–2026)

- Make investments that contribute to sustainable growth and provide stable shareholder returns by not only allocating cash flow from operating activities (operating CF) but also utilizing debt.









Cash allocation policy

- In line with the expansion of our business, particularly the Defense Business, actively invest in growth and strengthening our core businesses.
- Continue to pay stable dividends.
- Conduct business operations with aim of improving capital efficiency.



Basic policy (3) Strengthen Business Foundation

Sustainability management based on ESG initiatives

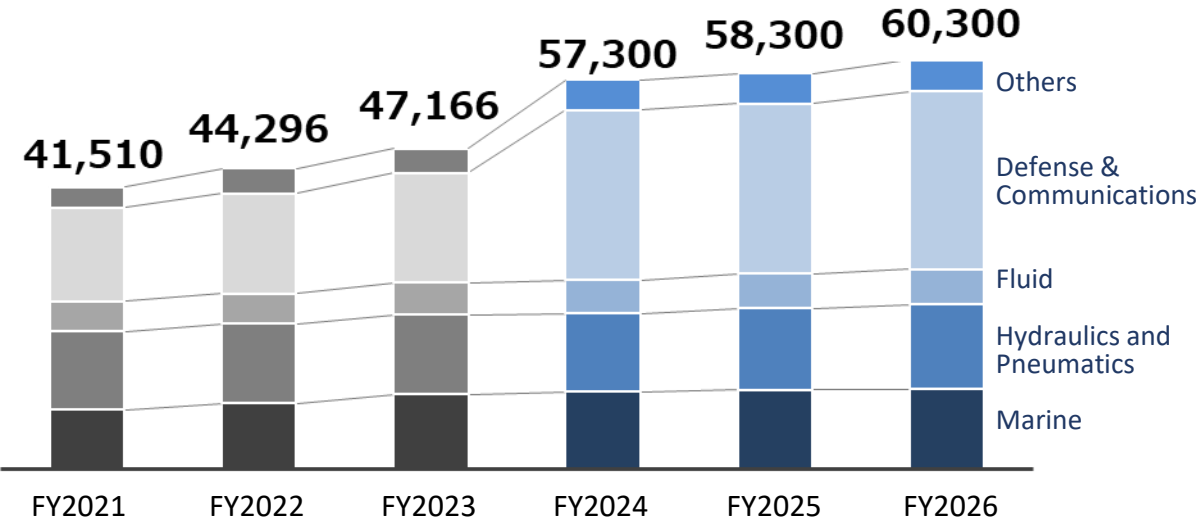
Materialities (priority tasks)	 Provision of Products That Solve Social Issues	 Realization of Environmentally Conscious Society	 Enhancement of Supply Chain Management	 Support for the Activities of a Diverse Workforce
	Action	Vision	Activities	
E: Environment	 Realization of Environmentally Conscious Society	<ul style="list-style-type: none"><li>● Leverage shift toward decarbonization to create new business opportunities.</li></ul>	<ul style="list-style-type: none"><li>● Endeavor to reduce greenhouse gas (GHG) emissions.</li><li>● Reduce Scope 1 and 2 emissions.</li><li>● Endeavor to utilize renewable energy.</li><li>● Reduce environmental impact via EMS (environmental management system).</li></ul>	
S: Social	 Enhancement of Supply Chain Management	<ul style="list-style-type: none"><li>● Secure robust supply chains.</li><li>● Co-exist and co-prosper with suppliers.</li></ul>	<ul style="list-style-type: none"><li>● Engage with suppliers.</li><li>● Calculate Scope 3 emissions and determine reduction targets.</li></ul>	
	 Support for the Activities of a Diverse Workforce	<ul style="list-style-type: none"><li>● Recruit and promote talent regardless of attributes.</li><li>● Provide opportunities for a diverse range of personnel to thrive.</li><li>● Create comfortable working environments.</li></ul>	<ul style="list-style-type: none"><li>● Overhaul personnel systems.</li><li>● Empower women.</li><li>● Adapt to diverse workstyles.</li></ul>	
	 Provision of Products That Solve Social Issues	<ul style="list-style-type: none"><li>● Develop new businesses and new products.</li><li>● Provide products in existing businesses.</li><li>● Pursue R&amp;D that leads to resolution of social issues.</li></ul>	<ul style="list-style-type: none"><li>● Create new businesses and products based on potential growth drivers.</li><li>● Expand markets through development of new products within existing businesses.</li></ul>	
G: Governance	<ul style="list-style-type: none"><li>● Build healthy, smooth relationships through dialogue with stakeholders.</li><li>● Ensure transparency through appropriate disclosure of corporate information.</li><li>● Enhance corporate value through initiatives for materialities (priority tasks).</li></ul>	<ul style="list-style-type: none"><li>● Boost enterprise value to amplify mutual gains with stakeholders.</li><li>● Pursue sound, transparent, efficient, and agile corporate management.</li></ul>	<ul style="list-style-type: none"><li>● Monitor information used in communication with stakeholders.</li><li>● Continue working to improve the effectiveness of the Board of Directors.</li><li>● Oversee sustainability management via the Sustainability Committee.</li></ul>	



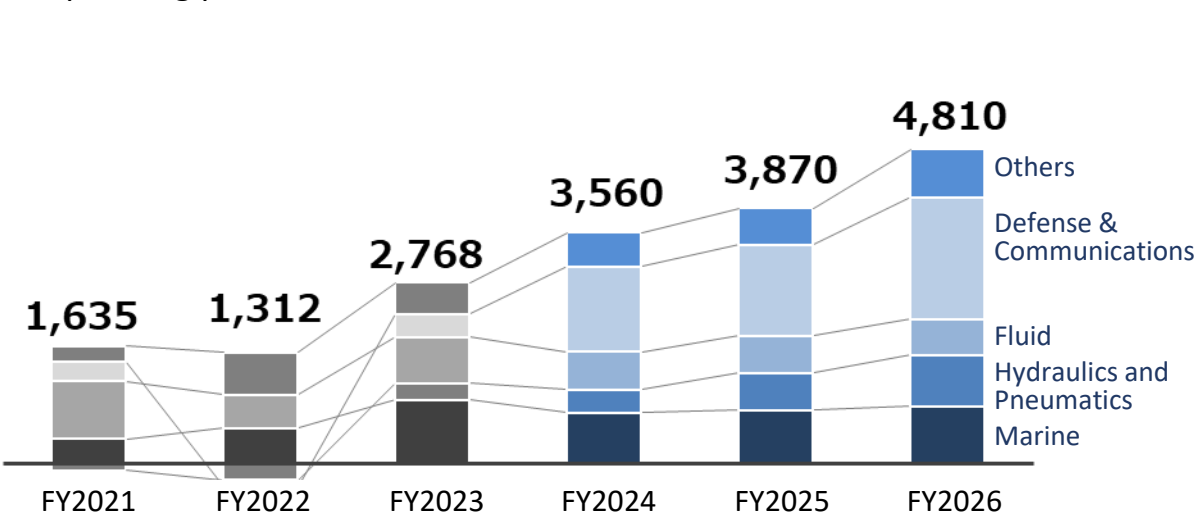
Business Plan by Segment

- Anticipate higher net sales and operating profit in the Defense & Communications Equipment Business to drive company's overall growth.
- Expect to see stable net sales and operating profit in businesses other than the Defense & Communications Equipment Business.
- Focus on R&D investment and securing human resources to accomplish goals of TOKYO KEIKI Vision 2030.

Net sales (Million yen)



Operating profit (Million yen)



	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Others	2,966	3,718	3,517	4,400	4,500	4,700
Defense & Communications	13,884	14,765	16,185	25,100	25,000	26,200
Fluid	4,432	4,452	4,772	4,900	5,100	5,200
Hydraulics and Pneumatics	11,526	11,658	11,675	11,500	12,000	12,400
Marine	8,700	9,700	11,016	11,400	11,700	11,800
Total	41,510	44,296	47,166	57,300	58,300	60,300

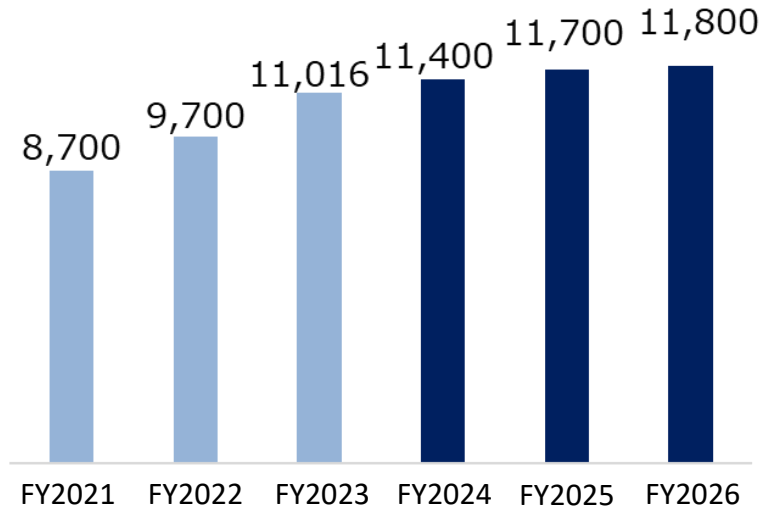
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Others	250	675	502	540	580	770
Defense & Communications	312	(94)	362	1,350	1,450	1,940
Fluid	915	527	733	610	590	570
Hydraulics and Pneumatics	(115)	(268)	273	360	590	810
Marine	388	565	1,006	810	850	910
Total	1,635	1,312	2,768	3,560	3,870	4,810

Business Plan by Segment

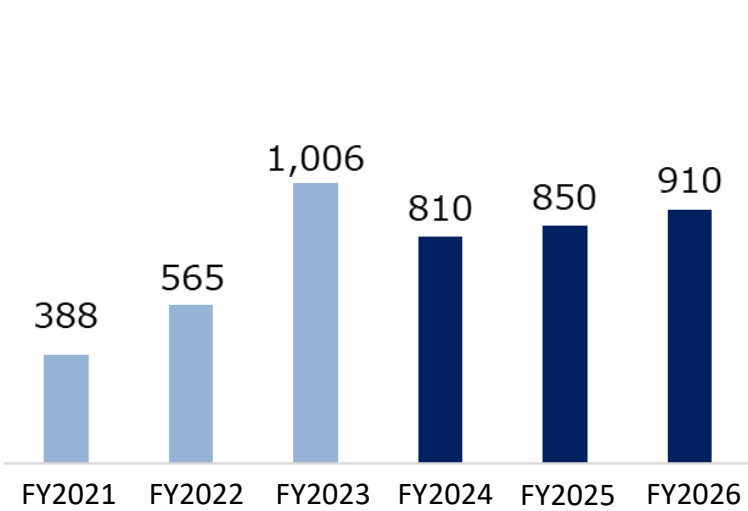
Marine Systems Business

- Although shipbuilding capacity will not increase rapidly, net sales are expected to rise over the medium to long term as demand for vessels looks set to climb going forward.
- Focus on R&D investment and securing human resources.

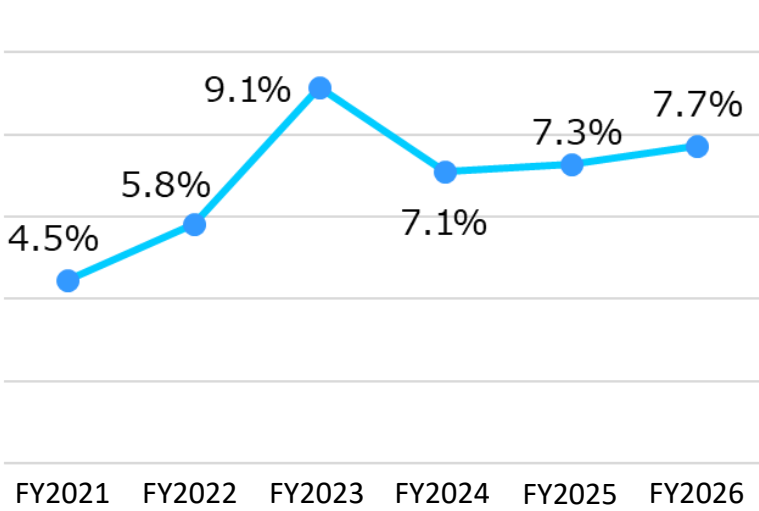
Net sales (Million yen)



Operating profit (Million yen)



Operating profit margin



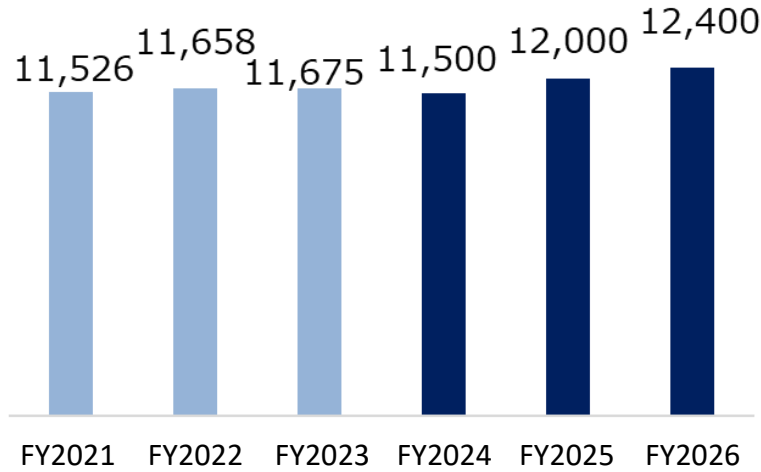
Market trends	Business policies	Key measures
<ul style="list-style-type: none"><li>● Era of large-scale shipbuilding expected to arrive against backdrop of construction of substitute ships and pursuit of carbon neutrality.</li><li>● Rise of high-performance marine gyrocompasses made in China.</li><li>● Medium- to long-term shipping market themes: Emergence of autonomous vessels as means of conserving energy, saving labor, and operating safely and stably.</li></ul>	<ul style="list-style-type: none"><li>● Maintain and build on top shares of marine gyrocompass and autopilot markets.</li><li>● Develop new markets with new products that push beyond boundaries of navigational instruments.</li><li>● Establish development system ahead of development of autonomous vessels.</li></ul>	<ul style="list-style-type: none"><li>● Product technology evolution and expansion:<ul style="list-style-type: none"><li>• Prepare for era of large-scale shipbuilding: Strengthen cost competitiveness, expand product lineup, and digitally transform (DX) operations.</li><li>• Conceptualize autonomous vessel technology.</li></ul></li><li>● Human resources development for sustainable growth:<ul style="list-style-type: none"><li>• Produce innovators, global leaders, and executives.</li><li>• Run workshops and conduct kaizen activities in workplaces to produce experts.</li></ul></li></ul>

Business Plan by Segment

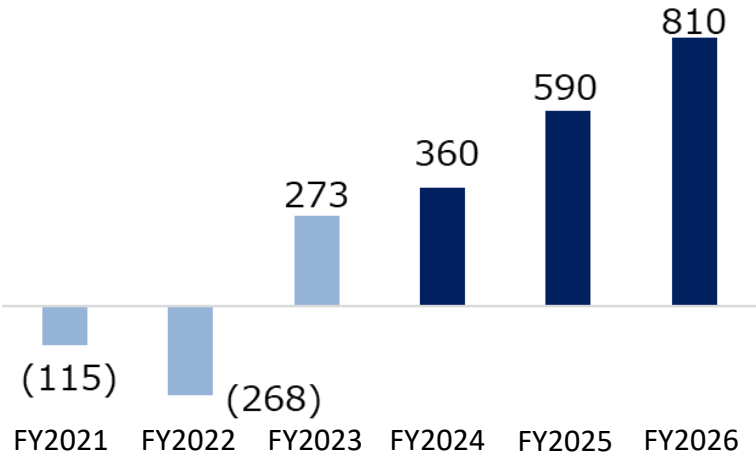
Hydraulics and  
Pneumatics Business

- Improve operating profit margin by expanding sales of high-value-added products.
- Restructure production plants and reduce cost ratios.

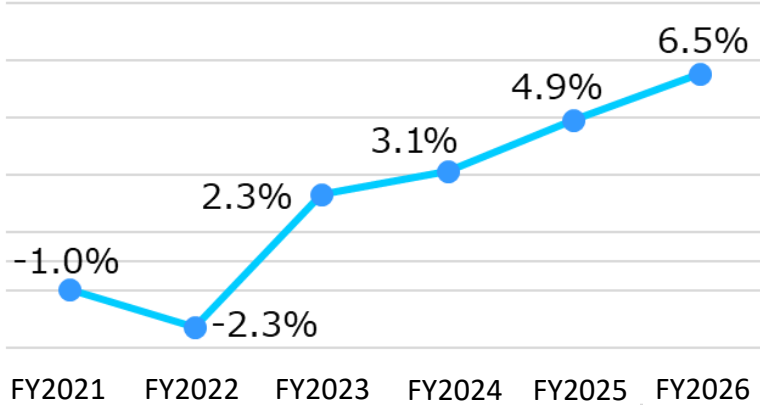
Net sales (Million yen)



Operating profit (Million yen)



Operating profit margin



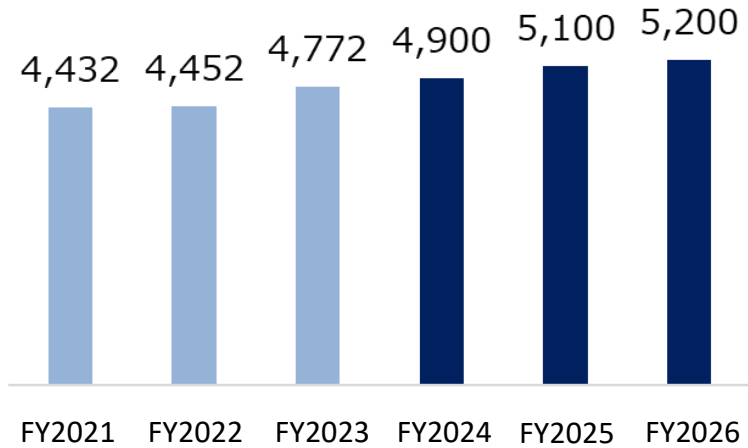
Business policies		Key measures
<ul style="list-style-type: none"><li>● In the machine tool market, overseas demand, e.g., in the West and China is falling, but domestic demand is on the rise.</li><li>● In the construction machinery market, demand is expected to remain at high levels for the second consecutive year.</li><li>● Advent of a hydrogen-based society as part of pursuit of carbon neutrality.</li></ul>	<ul style="list-style-type: none"><li>● Strengthen existing businesses and revive earning power.</li><li>● Take on challenge of leveraging new technology to create businesses.</li><li>● Pursue total cost reduction by optimizing production structure.</li><li>● Increase profitability with high-value-added products.</li><li>● Advance Hydrogen &amp; Energy business.</li></ul>	<ul style="list-style-type: none"><li>● Improving profitability of equipment for industrial machinery:<ul style="list-style-type: none"><li>• Employ select-and-focus approach to markets and optimize selling prices.</li><li>• Pursue production automation and labor-saving.</li><li>• Expand Vietnam plant and transfer production to it.</li></ul></li><li>● Develop and bring to market electronics for construction machinery.</li><li>● Sell small hydrogen filling stations in addition to hydrogen compressors.</li></ul>

Business Plan by Segment

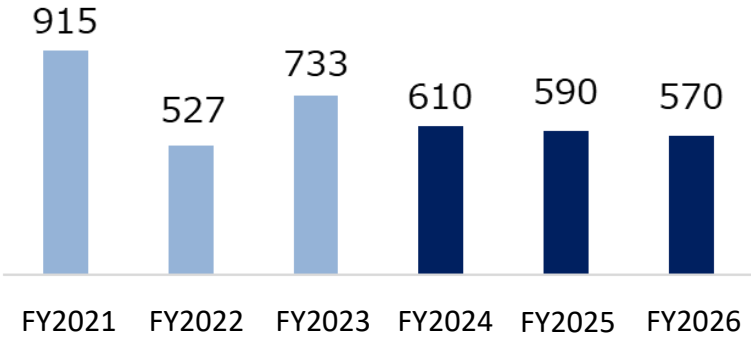
Fluid Measurement  
Equipment Business

■ Implement measures that will lead to medium- to long-term growth while securing stable earnings.

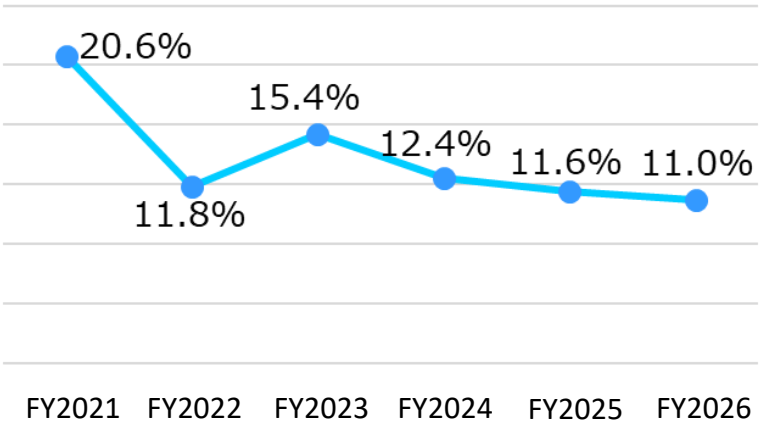
Net sales (Million yen)



Operating profit (Million yen)



Operating profit margin

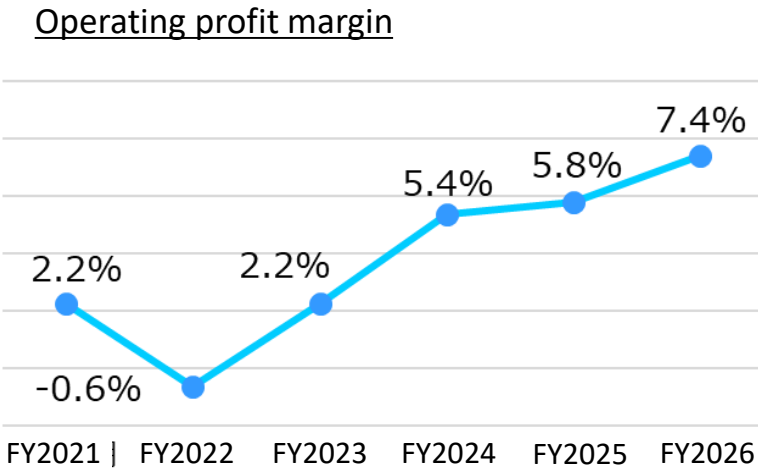
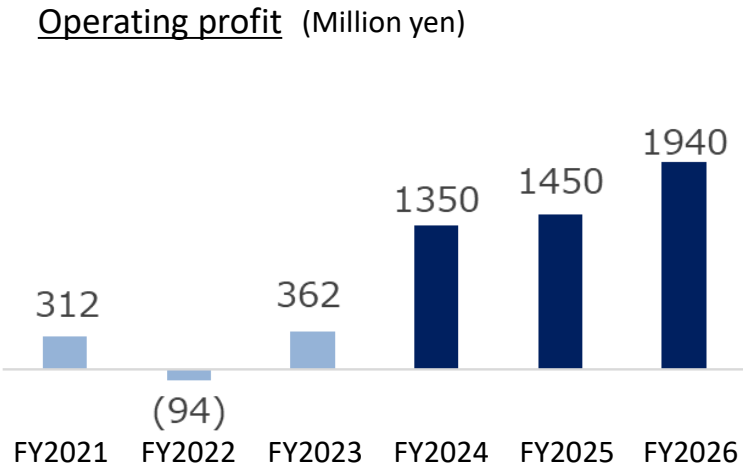
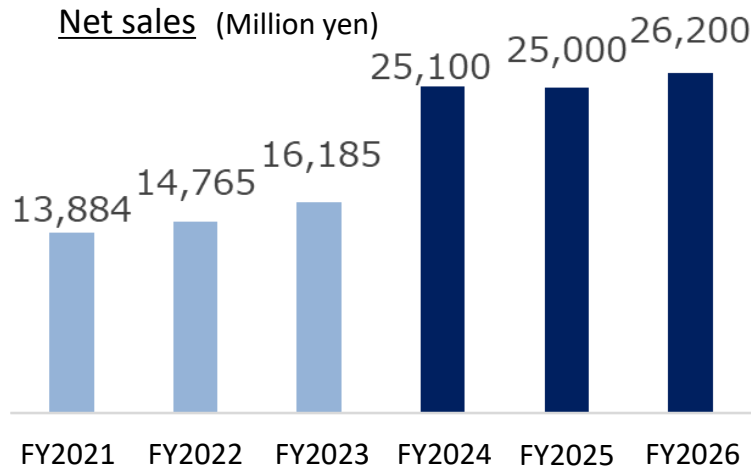


Market trends		Business policies		Key measures
Measuring instruments	<ul style="list-style-type: none"><li>While there is replacement demand due to aging water infrastructure, the extent of this demand varies as facilities are also being consolidated or shut down as the declining population is leading to wide-area cooperation in the provision of water services.</li><li>Increase in river flooding and seriousness of water-related disasters due to climate change.</li></ul>	<ul style="list-style-type: none"><li>Secure sales and profits in public-sector market.</li><li>Expand sales in private-sector market and overseas markets.</li></ul>		<ul style="list-style-type: none"><li>Expand sales of high-value-added products such as high-precision ultrasonic flowmeters.</li><li>Develop and bring to market new types of flowmeters and level gauges.</li><li>Expand overseas market share by improving distribution networks.</li></ul>
Fire extinguishing systems	<ul style="list-style-type: none"><li>Demand for gas cylinder valve inspections has peaked.</li></ul>	<ul style="list-style-type: none"><li>Expand sales by winning orders for large-scale projects.</li></ul>		<ul style="list-style-type: none"><li>Develop human resources and strengthen organizational capabilities to handle large-scale projects.</li></ul>

Business Plan by Segment

Defense & Communications  
Equipment Business

- Respond to orders received in the defense business and conduct R&D for the future.
- In the communication and control equipment business, continue to invest in growth as earnings stabilize.

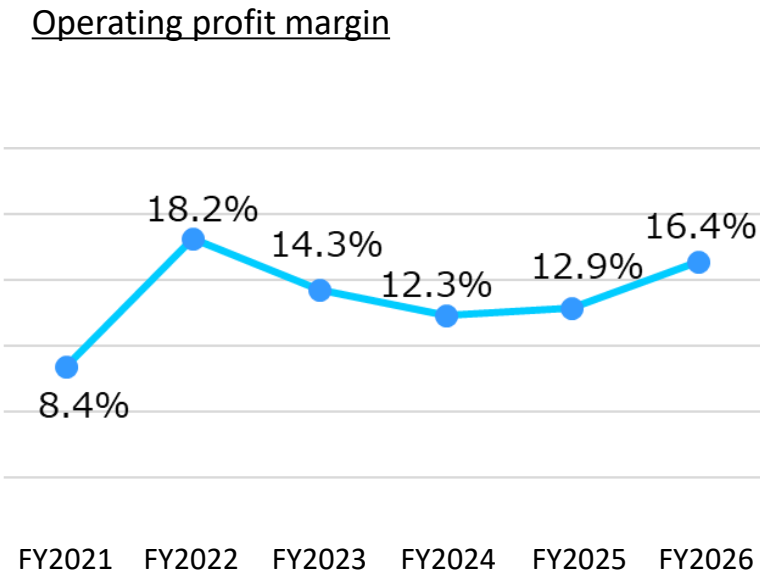
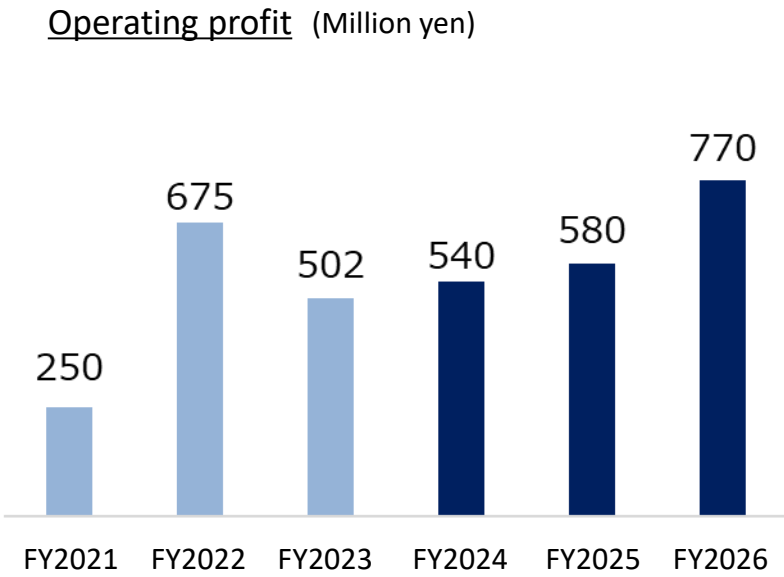
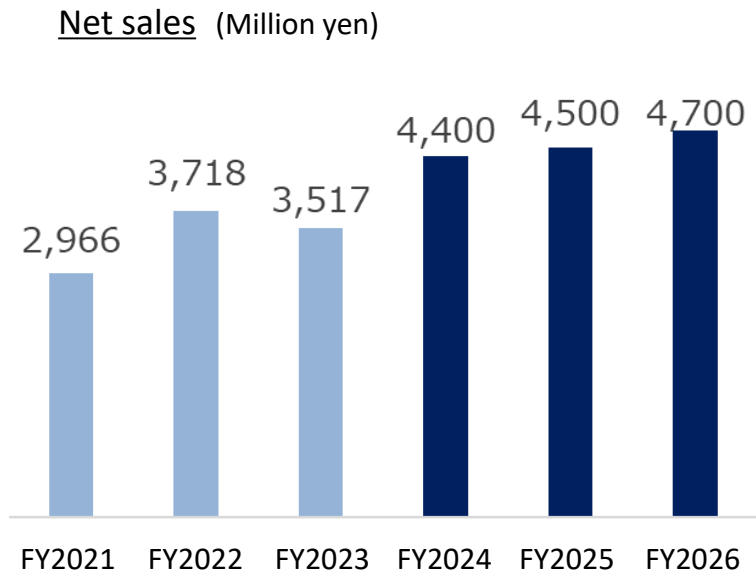


Market trends		Business policies		Key measures
Defense equipment	<ul style="list-style-type: none"><li>● The Ministry of Defense has announced that contracts related to new projects required over the five years to FY2027 will amount to ¥43.5 trillion.</li><li>● It is expected to disburse budgets for replacement parts and repair projects, and to promote new development projects.</li></ul>	<ul style="list-style-type: none"><li>● Secure reliable production system to respond to increase in incoming orders, and expand business fields through R&amp;D and proposals for new projects.</li></ul>	<ul style="list-style-type: none"><li>● Respond to Ministry of Defense's measures to improve suppliers' profits.</li><li>● Conduct R&amp;D in new inertial sensors (FOG, HRG) and develop product offerings.</li><li>● Continue sales activities in preparation for entering next-generation fighter market.</li></ul>	
Marine traffic equipment	<ul style="list-style-type: none"><li>● Marine traffic safety measures are being promoted based on the Ministry of Land, Infrastructure, Transport and Tourism's "Initiatives for Maritime Safety Including Ship Traffic in the New Era (Fifth Traffic Vision)".</li></ul>	<ul style="list-style-type: none"><li>● Become manufacturer of vessel traffic service (VTS) radars and other products that provide the world with safety and security in ship navigation.</li></ul>	<ul style="list-style-type: none"><li>● Strengthen sales activities for SeaKu (VTS radar) overseas.</li><li>● Strengthen and expand VTS-related business in Japan.</li></ul>	
Communication and control equipment	<ul style="list-style-type: none"><li>● Promotion of use of small satellite constellations to strengthen national security.</li><li>● Due to labor shortages, there is a growing demand in society for automation and labor-saving.</li></ul>	<ul style="list-style-type: none"><li>● Utilize core technologies to take on challenge of developing new businesses and products.</li><li>● Enhance competitiveness of sensor technology and contribute to advancement of smart agriculture.</li></ul>	<ul style="list-style-type: none"><li>● Develop and expand Aerospace business, including satellite assembly and satellite-mounted equipment.</li><li>● Expand sales related to smart agriculture through development of new products for agricultural machinery.</li></ul>	

Business Plan by Segment

Others (Printing inspection equipment and Railway maintenance)

■ In addition to securing stable earnings, aim to further increase revenues and profits.



Market trends		Business policies		Key measures
Railway Maintenance	<ul style="list-style-type: none"><li>Progress is being made with efforts to cut costs by developing autonomous driving technology and streamlining maintenance through digitalization and labor-saving.</li></ul>	<ul style="list-style-type: none"><li>Dig deeper into customer needs and pursue new product development strategies.</li></ul>	<ul style="list-style-type: none"><li>Develop new products and bring them to market.</li><li>Expand sales of track diagnosis support systems.</li></ul>	
Printing Inspection Equipment	<ul style="list-style-type: none"><li>In the domestic market, labor shortages are becoming more serious, and the need for inspection equipment that adds value through automation and standardization of inspection processes is increasing.</li></ul>	<ul style="list-style-type: none"><li>By applying AI technology to inspection equipment, offer a product lineup that meets the needs of customers at manufacturing sites.</li></ul>	<ul style="list-style-type: none"><li>Expand distribution channels beyond gravure flexible plastic material market.</li><li>Develop and sell applied products such as bag-making inspection equipment and plate reconciliation systems.</li></ul>	

## Cautionary Note on forward-looking information

The data and forecasts disclosed in this document are based on judgments and information available as of the date of publication. They are subject to change due to various factors and do not guarantee future performance or the achievement of the stated goals or forecasts. Additionally, the information contained herein may change in the future without notice.

We assume no responsibility for any damages that may arise as a result of using this document.

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