

For the Fiscal Year Ended March 31, 2019

Annual Select[®] 2019
TOKYO KEIKI INC.

2-16-46 Minami-Kamata, Ohta-ku, Tokyo

(Securities Code: 7721)

+81-3-3732-2111

Corporate Profile

Established in 1896 as Japan's first manufacturer of measuring instruments, TOKYO KEIKI INC. had its start as a producer of pressure gauges. For 123 years, we have embraced the themes of world-class technology, quality that responds to the expectations of our customers and creation of new value in the development and manufacture of numerous new products that are reflective of the times and dramatic advances in technology.

TOKYO KEIKI INC. is comprised of the Marine Systems, Measurement Systems, Fluid Power & Control Systems, Inspection Systems, Electronics Systems, and Communication & Control Systems Companies. The products and services provided to customers by these six companies contribute to the enhancement of our society.

Navigational safety and energy savings of ships is greatly improved by the autopilots, radars, electronic chart display & information systems, and other products provided to the large and diverse maritime market by the Marine Systems Company. The Measurement Systems Company's highly regarded and proven ultrasonic flowmeter and its radar level gauge products are vital components in water and wastewater management systems and river monitoring disaster prevention systems. Addressing the themes of energy savings, environmental compatibility, and computerization, the Fluid Power & Control Systems Company provides a wide variety of hydraulic products for injection molding machinery and machine tools. The remote control of construction equipment enabled by the wireless control systems and other products manufactured by the Company factors greatly in the realization of unmanned construction and labor savings. Inspection equipment provided by the Inspection Systems Company is utilized by the printing industry to detect imperfections in printed material as well as problems in the printing process, issues that are critical for rigorous quality control. The Communication & Control Systems Company supplies microwave devices which are core components in wireless information equipment and power electronics. The Company also provides helicopter broadcasting systems that optimize television relay circuits and inertial sensors that are essential for attitude control of autonomous mobile robots and other applications. Advanced aerospace electronic equipment for the defense market and marine traffic systems for the Japan Coast Guard are among the products offered by the Electronics Systems Company.

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I. Summary of Selected Financial Data (Consolidated)

	84th fiscal year From April 1, 2014 to March 31, 2015	85th fiscal year From April 1, 2015 to March 31, 2016	86th fiscal year From April 1, 2016 to March 31, 2017	87th fiscal year From April 1, 2017 to March 31, 2018	88th fiscal year From April 1, 2018 to March 31, 2019
Net sales (Million yen)	43,371	43,439	41,394	43,803	46,692
Ordinary profit (Million yen)	3,132	1,979	1,252	1,511	2,660
Profit attributable to owners of parent (Million yen)	2,311	1,252	709	1,120	1,936
Comprehensive income (Million yen)	3,545	(356)	1,370	1,508	1,476
Net assets (Million yen)	27,332	26,419	27,356	28,425	29,481
Total assets (Million yen)	51,191	50,747	52,206	58,045	58,349
Net assets per share (Yen)	1,616.03	1,570.53	1,624.07	1,695.16	1,764.15
Basic earnings per share (Yen)	138.18	75.24	42.72	67.61	117.19
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	52.78	51.35	51.61	48.28	49.75
Return on equity (ROE) (%)	9.10	4.72	2.67	4.08	6.79
Price-earnings ratio (PER) (Times)	9.63	10.83	27.03	16.70	9.39
Net cash provided by (used in) operating activities (Million yen)	2,568	4,703	(2,949)	463	1,638
Net cash provided by (used in) investing activities (Million yen)	(1,102)	(1,781)	(1,569)	(1,374)	(1,135)
Net cash provided by (used in) financing activities (Million yen)	(501)	(1,542)	741	2,589	(920)
Cash and cash equivalents at end of period (Million yen)	10,579	11,955	8,163	9,828	9,397
Number of employees [Separately, average number of temporary employees] (Persons)	1,443 [388]	1,446 [398]	1,495 [391]	1,522 [358]	1,571 [333]

- Notes:
1. Net sales do not include consumption taxes.
 2. Diluted earnings per share is not described since no dilutive shares exist.
 3. On October 1, 2017, TOKYO KEIKI INC. carried out a one-for-five common share consolidation. Accordingly, net assets per share and basic earnings per share have been calculated as if the share consolidation had been carried out at the beginning of the 84th fiscal year.
 4. The Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant guidelines effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, the figures presented in the selected financial data for the 84th to 87th fiscal year have been adjusted by retrospectively applying the aforementioned standard, etc.

II. To Our Stakeholders



Tsuyoshi ANDO
President

FY2018 Operating Results and FY2019 Forecasts

I would like to extend my sincerest appreciation for your patronage of TOKYO KEIKI.

During the previous fiscal year ended March 31, 2019 (fiscal 2018), the Japanese economy encountered some weakness with respect to production amid lackluster exports to Asia and other markets, yet continued to mount a moderate recovery overall due to factors that included increasing capital expenditure among corporations combined with steady improvement in the employment situation.

Under these economic conditions, the Group's consolidated net sales for fiscal 2018 increased

by ¥2.89 billion (6.6%) to ¥46.69 billion. The increase is mainly attributable to higher sales across all of the Group's business segments compared to fiscal 2017 (ended March 31, 2018) and due in large part to the favorable market for public-sector demand of the Defense and Communications Equipment Business as well as strong sales of crisis management water level gauges in the Fluid Measurement Equipment Business. Earnings also increased substantially across the board, with operating profit increasing ¥1.12 billion (85.1%) to ¥2.44 billion, ordinary profit increasing ¥1.15 billion (76.0%) to ¥2.66 billion, and profit attributable to owners of parent increasing ¥0.82 billion (72.8%) to ¥1.94 billion.

Net cash provided by operating activities totaled ¥1.64 billion, an increase of ¥1.17 billion compared with fiscal 2017. The main sources of cash were ¥2.65 billion in profit before income taxes and ¥1.34 billion in depreciation. The main uses of cash were a ¥0.84 billion increase in notes and accounts receivable-trade and a ¥0.49 billion increase in inventories. Cash and cash equivalents totaled ¥9.40 billion, a decrease of ¥0.43 billion compared with fiscal 2017. The main factors behind the decrease were net cash provided by operating activities of ¥1.64 billion, net cash used in investment activities of ¥1.14 billion, mainly due to acquisitions of non-current assets, and net cash used in financing activities of ¥0.92 billion, mainly due to a decrease in long-term loans payable.

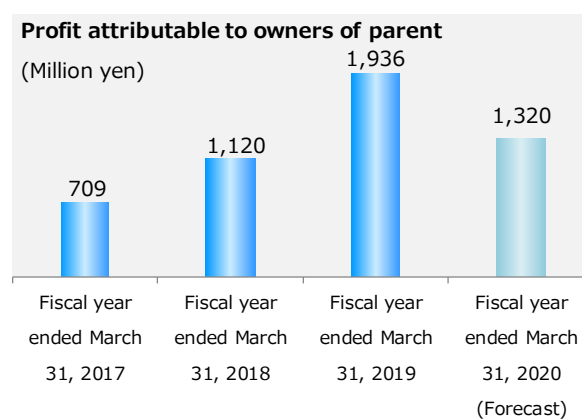
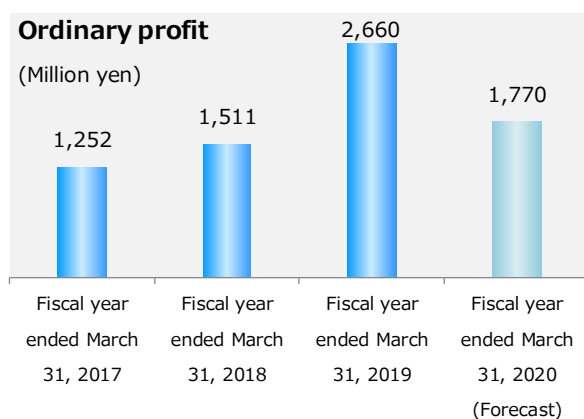
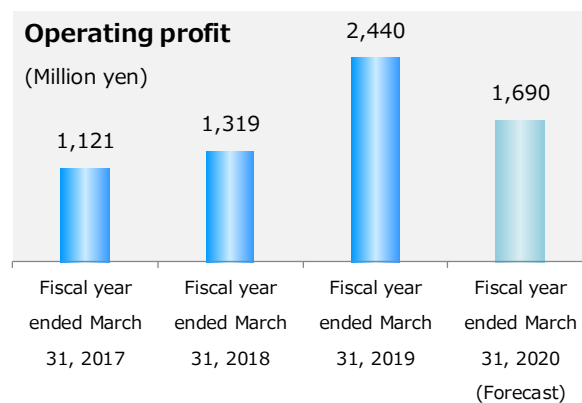
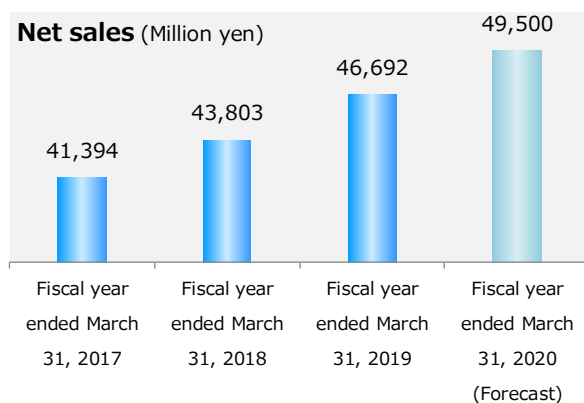
Return on equity (ROE) was 6.8%, having improved by 2.7 percentage points compared with 4.1% in fiscal 2017. ROE for the five-year period beginning in fiscal 2014 has averaged 5.5% (9.1%, 4.7%, 2.7%, 4.1% and 6.8%).

Regarding consolidated subsidiaries, five subsidiaries posted both higher sales and profits and the sum totals of all nine subsidiaries increased ¥0.36 billion in net sales and ¥0.09 billion in profit. This is largely attributed to increased sales and profits of our railway-related equipment sales and inspection services company TOKYO KEIKI RAIL TECHNO INC., that were fueled by their first large-scale overseas business project for ultrasonic rail inspection cars; business gains generated by TOKYO KEIKI AVIATION INC. for defense-related equipment repair and maintenance work; and positive results for TOKYO KEIKI PRECISION TECHNOLOGY CO., LTD. that were achieved for the first time since completion of its factory in Vietnam in May 2015. All of the subsidiaries consequently ended up posting bottom-line profits.

The circumstances described above have enabled the Group to once again achieve higher sales and profit on a consolidated basis compared with fiscal 2017.

With regard to fiscal 2019 (ending March 31, 2020), although we expect the Japanese economy, bolstered by various government measures, to make a gradual recovery, the overall scenario remains unpredictable because of circumstances overseas that include the impact of US-China trade disputes on the global economy, pressure exerted by the US on various countries for embargoes and sanctions related to Iranian crude oil, and prevailing uncertainties surrounding various government measures.

Amid this business environment, our outlook for fiscal 2019 anticipates increases in sales across all of the Group's reportable segments, and accordingly we forecast consolidated net sales of ¥49.5 billion, an increase of ¥2.81 billion (6.0%) in comparison with fiscal 2018. On the other hand, in addition to a deteriorating cost of sales ratio brought about by a shifting product mix, we are also stepping up R&D in line with our growth strategy which entails expanding business areas and hastening global development. Considering the effect of these increases in R&D expenses and capital expenditure, etc., we forecast year-on-year decreases of ¥0.75 billion (30.7%) in operating profit to ¥1.69 billion; of ¥0.89 billion in ordinary profit (33.5%) to ¥1.77 billion, and; of ¥0.62 billion (31.8%) in profit attributable to owners of parent to ¥1.32 billion. We will take steps to achieve profit gains by implementing measures during the fiscal year that enable us to recoup such decreases in profitability.



The medium-term management policy

The aim of the medium-term management policy of the Group is premised upon the following three growth strategies. Consistent with them and in its function as a market leader, the Group will spur improvement and innovation in technologies and skills and contribute to safety and the environment with proprietary, high value added products that are indispensable to society and the times. We will also strive to meet the demands and expectations of our stakeholders by amassing sales and profit gains while heightening our capacity to generate profits, and increasing levels of cash.

1) Expanding business areas

The Group has cultivated over time a range of experiences and strengths in niche markets, both tangible and intangible. By leveraging these assets and embracing a “top-of-the-niche” strategy for creating new products and businesses that will rank at the top of their respective markets, we will tackle the challenges to expand these areas of business. Regarding new products, we will create a diverse range of niche items at an unprecedented pace in order to better address the whirlwind of changes currently taking place in our business environment. We furthermore aim to expand into robust businesses that maintain a strong presence in markets by combining multiple products in addition to business expansion involving single products. Moreover, we will turn to M&A deals and implement our “Open & Close” strategy with the aim of taking on challenges that include reducing product and service development lead times particularly given the prevailing rapid pace of innovation along with shorter technology and product lifecycles, while also addressing the increasingly stringent competitive environment and grappling with soaring R&D expenses.

2) Promoting globalization

We will increase earnings by further developing overseas markets, particularly those of emerging economies promising sustainable growth. To such ends, we will take steps that include becoming more cost competitive, developing and rolling out differentiated products tailored to market profiles, while also further upgrading and enhancing our sales and service networks.

3) Sustained strengthening of existing businesses

We will improve our earning power by pursuing overwhelming dominance in our existing leading niche businesses through innovative solutions and higher efficiencies that satisfy customer needs. To such ends, we will actively extend company-wide initiatives to achieve extensive improvements in terms of making substantial efficiency gains in production, sales, technology, services and staff. This will also involve initiatives that entail streamlining production through implementation of smart manufacturing employing IoT approaches as well as developing human resources such as personnel with multiple skill sets that enhance added value.

We will meet the expectations and demands of our investors and various other stakeholders in a manner that involves increasing our corporate value pursuant to the basic guidelines, as described above.

In addition, we intend to distribute an ordinary dividend of ¥25 per share in fiscal 2019. On behalf of the senior management and workforce at TOKYO KEIKI, I would like to close by asking all investors for your ongoing guidance and encouragement.



Tsuyoshi ANDO
President

III. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	9,828	9,397
Notes and accounts receivable - trade	15,458	13,723
Electronically recorded monetary claims - operating	2,740	5,316
Merchandise and finished goods	1,445	1,673
Work in process	10,173	9,894
Raw materials and supplies	4,885	5,423
Accounts receivable - other	151	76
Other	594	624
Allowance for doubtful accounts	(2)	(1)
Total current assets	45,273	46,124
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,280	13,401
Accumulated depreciation	(11,275)	(11,335)
Buildings and structures, net	2,005	2,065
Machinery, equipment and vehicles	13,697	12,738
Accumulated depreciation	(11,527)	(10,767)
Machinery, equipment and vehicles, net	2,169	1,971
Tools, furniture and fixtures	11,129	10,218
Accumulated depreciation	(9,835)	(9,074)
Tools, furniture and fixtures, net	1,294	1,143
Land	1,873	1,873
Construction in progress	183	193
Total property, plant and equipment	7,524	7,246
Intangible assets		
Software	1	-
Other	1	0
Total intangible assets	1	0
Investments and other assets		
Investment securities	3,857	3,401
Deferred tax assets	777	950
Guarantee deposits	572	561
Other	96	120
Allowance for doubtful accounts	(54)	(54)
Total investments and other assets	5,247	4,978
Total non-current assets	12,772	12,224
Total assets	58,045	58,349

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,467	7,027
Short-term loans payable	8,815	10,757
Accounts payable - other	603	804
Income taxes payable	420	493
Provision for bonuses	1,110	1,121
Other	2,164	2,086
Total current liabilities	20,580	22,289
Non-current liabilities		
Long-term loans payable	7,397	4,954
Provision for directors' retirement benefits	41	51
Asset retirement obligations	788	788
Net defined benefit liability	649	721
Other	166	64
Total non-current liabilities	9,041	6,579
Total liabilities	29,620	28,868
Net assets		
Shareholders' equity		
Capital stock	7,218	7,218
Capital surplus	14	14
Retained earnings	19,923	21,528
Treasury shares	(538)	(623)
Total shareholders' equity	26,617	28,137
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,202	844
Foreign currency translation adjustment	88	19
Remeasurements of defined benefit plans	118	29
Total accumulated other comprehensive income	1,407	892
Non-controlling interests	401	452
Total net assets	28,425	29,481
Total liabilities and net assets	58,045	58,349

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	43,803	46,692
Cost of sales	32,864	34,504
Gross profit	10,939	12,187
Selling, general and administrative expenses	9,621	9,747
Operating profit	1,319	2,440
Non-operating income		
Interest income	5	5
Dividend income	76	83
Dividend income of life insurance	40	42
Rent income on facilities	11	9
Share of profit of entities accounted for using equity method	71	93
Subsidy income	4	6
Other	95	80
Total non-operating income	302	319
Non-operating expenses		
Interest expenses	78	75
Rent expenses on facilities	15	14
Foreign exchange losses	3	1
Other	13	9
Total non-operating expenses	109	99
Ordinary profit	1,511	2,660
Extraordinary income		
Gain on sales of investment securities	37	–
Total extraordinary income	37	–
Extraordinary losses		
Loss on sales and retirement of non-current assets	6	7
Loss on valuation of investment securities	3	–
Total extraordinary losses	8	7
Profit before income taxes	1,540	2,653
Income taxes - current	392	655
Income taxes - deferred	17	7
Total income taxes	409	662
Profit	1,131	1,991
Profit attributable to non-controlling interests	11	55
Profit attributable to owners of parent	1,120	1,936

Consolidated Statements of Comprehensive Income

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	1,131	1,991
Other comprehensive income		
Valuation difference on available-for-sale securities	143	(357)
Foreign currency translation adjustment	43	(68)
Remeasurements of defined benefit plans, net of tax	191	(89)
Share of other comprehensive income of entities accounted for using equity method	0	(1)
Total other comprehensive income	377	(516)
Comprehensive income	1,508	1,476
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,497	1,420
Comprehensive income attributable to non- controlling interests	11	55

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2018

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,218	14	19,135	(450)	25,915
Changes of items during period					
Dividends of surplus			(332)		(332)
Profit attributable to owners of parent			1,120		1,120
Purchase of treasury shares				(87)	(87)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	788	(87)	701
Balance at end of current period	7,218	14	19,923	(538)	26,617

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,059	45	(73)	1,030	410	27,356
Changes of items during period						
Dividends of surplus						(332)
Profit attributable to owners of parent						1,120
Purchase of treasury shares						(87)
Net changes of items other than shareholders' equity	143	43	191	377	(9)	368
Total changes of items during period	143	43	191	377	(9)	1,069
Balance at end of current period	1,202	88	118	1,407	401	28,425

Fiscal year ended March 31, 2019

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,218	14	19,923	(538)	26,617
Changes of items during period					
Dividends of surplus			(331)		(331)
Profit attributable to owners of parent			1,936		1,936
Purchase of treasury shares				(85)	(85)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,605	(85)	1,520
Balance at end of current period	7,218	14	21,528	(623)	28,137

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,202	88	118	1,407	401	28,425
Changes of items during period						
Dividends of surplus						(331)
Profit attributable to owners of parent						1,936
Purchase of treasury shares						(85)
Net changes of items other than shareholders' equity	(357)	(69)	(89)	(516)	52	(464)
Total changes of items during period	(357)	(69)	(89)	(516)	52	1,056
Balance at end of current period	844	19	29	892	452	29,481

(4) Consolidated Statements of Cash Flows

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	1,540	2,653
Depreciation	1,221	1,338
Amortization of guarantee deposits	12	12
Increase (decrease) in allowance for doubtful accounts	(1)	(0)
Increase (decrease) in provision for bonuses	96	11
Increase (decrease) in provision for directors' retirement benefits	(33)	10
Interest and dividend income	(80)	(88)
Increase (decrease) in net defined benefit liability	15	(56)
Interest expenses	78	75
Share of loss (profit) of entities accounted for using equity method	(71)	(93)
Loss (gain) on sales of investment securities	(37)	–
Loss (gain) on valuation of investment securities	3	–
Loss (gain) on sales and retirement of non-current assets	6	7
Decrease (increase) in notes and accounts receivable - trade	(1,893)	(842)
Decrease (increase) in inventories	(2,449)	(489)
Increase (decrease) in notes and accounts payable - trade	1,336	(436)
Decrease (increase) in other assets	327	23
Increase (decrease) in other liabilities	231	37
Other, net	9	9
Subtotal	309	2,170
Interest and dividend income received	80	88
Interest expenses paid	(86)	(85)
Income taxes paid	160	(535)
Net cash provided by (used in) operating activities	463	1,638
Cash flows from investing activities		
Purchase of investment securities	(166)	(8)
Proceeds from sales of investment securities	44	–
Purchase of non-current assets	(1,266)	(1,125)
Proceeds from sales of non-current assets	1	0
Payments for lease and guarantee deposits	(8)	(5)
Proceeds from collection of lease and guarantee deposits	4	4
Other, net	17	(1)
Net cash provided by (used in) investing activities	(1,374)	(1,135)

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Proceeds from long-term loans payable	6,050	500
Repayments of long-term loans payable	(3,022)	(1,001)
Purchase of treasury shares	(87)	(85)
Cash dividends paid	(332)	(331)
Dividends paid to non-controlling interests	(20)	(3)
Net cash provided by (used in) financing activities	2,589	(920)
Effect of exchange rate change on cash and cash equivalents	(13)	(13)
Net increase (decrease) in cash and cash equivalents	1,664	(431)
Cash and cash equivalents at beginning of period	8,163	9,828
Cash and cash equivalents at end of period	9,828	9,397

IV. Company Information / Stock Information

Company Information (as of March 31, 2019)

Trade name:	TOKYO KEIKI INC.
Date of establishment:	May 1896
Listing date:	May 1949
Business year:	From April 1 to March 31
Paid-in capital:	¥7,218 million
Number of employees:	1,571 (excluding those seconded out of the Group and including those seconded into the Group) (Consolidated)
Head office:	2-16-46 Minami-Kamata, Ohta-ku, Tokyo
Telephone:	+81-3-3732-2111
Consolidated subsidiaries:	TOKYO KEIKI AVIATION INC. TOKYO KEIKI POWER SYSTEMS INC. TOKYO KEIKI INFORMATION SYSTEMS INC. TOKYO KEIKI TECHNOPORT INC. TOKYO KEIKI RAIL TECHNO INC. MOCOS JAPAN CO., LTD. TOKYO KEIKI U.S.A., INC. TOKYO KEIKI (SHANGHAI) CO., LTD. TOKYO KEIKI PRECISION TECHNOLOGY CO., LTD.

Directors, Audit and Supervisory Committee Members (as of June 27, 2019)

President	Tsuyoshi ANDO	Director, Audit & Supervisory Committee Member
Senior Executive Director	Hidemitsu YAMADA	Takahiro KASHIMA
Director	Motoo UENOYAMA	Director, Audit & Supervisory Committee Member*
		Nanpei YANAGAWA
		Director, Audit & Supervisory Committee Member*
		Takashi NAKAMURA

* Outside Director

Stock Status (as of March 31, 2019)

Total number of authorized shares:	50,000,000 shares
Total number of shares issued:	17,076,439 shares
Number of shareholders:	8,058
Major shareholders (Top 10)	

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (excluding treasury shares) (%)
Japan Trustee Services Bank, Ltd.	1,108	6.73
TOKYO KEIKI ASSOCIATION	1,035	6.29
Sumitomo Mitsui Banking Corporation	824	5.01
Masayoshi YAMAUCHI	637	3.87
TOKYO KEIKI TRADING-PARTNER SHAREHOLDING ASSOCIATION	617	3.75
TOKYO KEIKI EMPLOYEE SHAREHOLDING ASSOCIATION	534	3.25
The Master Trust Bank of Japan, Ltd.	481	2.92
Nippon Life Insurance Company	470	2.86
The Bank of Yokohama, Ltd.	466	2.83
Mitsubishi UFJ Trust and Banking Corporation	423	2.57

(Source: Annual Securities Report)