

For the Fiscal Year Ended March 31, 2020

Annual Select[®] 2020

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 124 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.

* Annual Select is an English-language disclosure format developed by ZAIHON, INC. to increase the level of convenience of investors outside Japan based on Japanese-language statutory disclosure material, timely disclosure material prescribed by securities exchanges and voluntarily disclosed IR material. Annual Select is a registered trademark of ZAIHON, INC. Reproduction or copying without prior permission is prohibited.

* While every best effort has been made to provide a translation meeting the quality standards required of professionals, the Company does not guarantee it is 100% accurate. Therefore, please verify the original Japanese text for any final judgments made based on this information.

I. Summary of Selected Financial Data (Consolidated)

	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	89th fiscal year From April 1, 2019 to March 31, 2020
Net sales (Million yen)	43,439	41,394	43,803	46,692	47,440
Ordinary profit (Million yen)	1,979	1,252	1,511	2,660	2,011
Profit attributable to owners of parent (Million yen)	1,252	709	1,120	1,936	1,425
Comprehensive income (Million yen)	(356)	1,370	1,508	1,476	676
Net assets (Million yen)	26,419	27,356	28,425	29,481	29,644
Total assets (Million yen)	50,747	52,206	58,045	58,349	54,577
Net assets per share (Yen)	1,570.53	1,624.07	1,695.16	1,764.15	1,782.35
Basic earnings per share (Yen)	75.24	42.72	67.61	117.19	86.76
Diluted earnings per share (Yen)	–	–	–	–	–
Equity ratio (%)	51.35	51.61	48.28	49.75	53.46
Return on equity (ROE) (%)	4.72	2.67	4.08	6.79	4.90
Price-earnings ratio (PER) (Times)	10.83	27.03	16.70	9.39	8.01
Net cash provided by (used in) operating activities (Million yen)	4,703	(2,949)	463	1,638	2,915
Net cash provided by (used in) investing activities (Million yen)	(1,781)	(1,569)	(1,374)	(1,135)	(1,139)
Net cash provided by (used in) financing activities (Million yen)	(1,542)	741	2,589	(920)	(3,456)
Cash and cash equivalents at end of period (Million yen)	11,955	8,163	9,828	9,397	7,709
Number of employees [Separately, average number of temporary employees] (Persons)	1,446 [398]	1,495 [391]	1,522 [358]	1,571 [333]	1,660 [232]

- 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 85th fiscal year.

II. To Our Stakeholders



Tsuyoshi ANDO
President

FY2019 Operating Results and FY2020 Forecasts

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

In fiscal 2019 (fiscal year ended March 31, 2020), amid weakness in both production and exports in the Japanese economy, the impact of the global spread of the novel coronavirus disease (COVID-19) began to show in the latter half of the fourth quarter.

Under these economic conditions, the Group's consolidated net sales for fiscal 2019 increased from fiscal 2018 by ¥749 million (1.6%) to ¥47,440 million. The main factors for this good performance were a strong overseas market for the Marine Systems Business, full-scale mass production contracts and deliveries, including those for radar warning systems, in the Defense & Communications Equipment Business, increased demand for automatic straight-line driving assist devices for agricultural machinery, and the launch of new products such as TVACS-V, an anti-vibration system for vehicle-mounted

cameras for the broadcasting market, and ADS, an antenna directioning system for helicopters used to transmit 8K Super Hi-Vision Video.

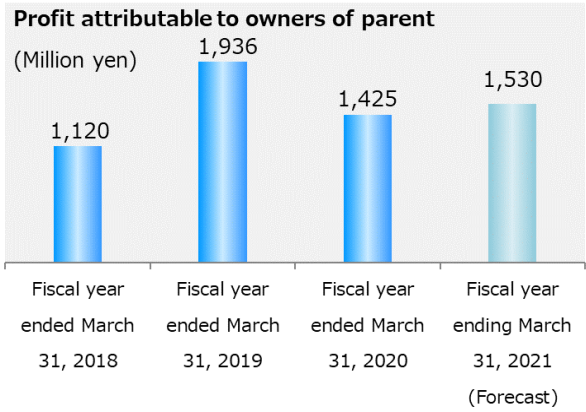
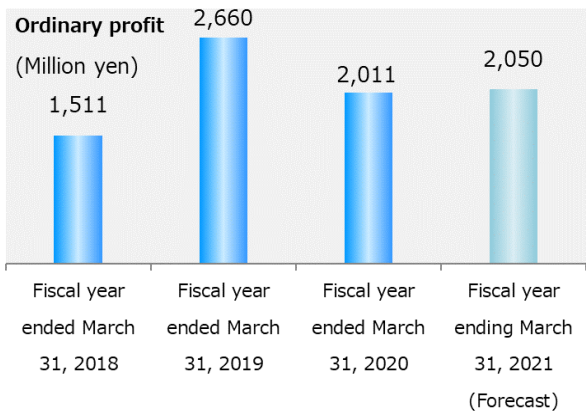
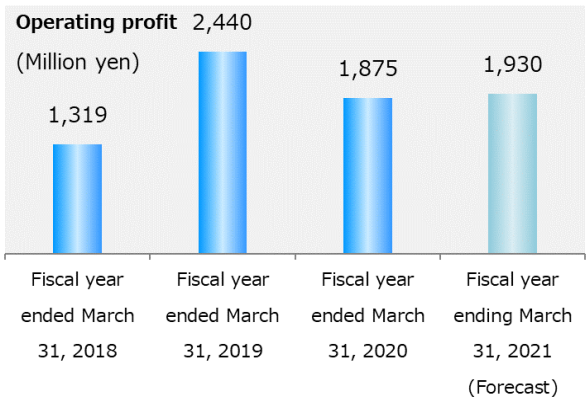
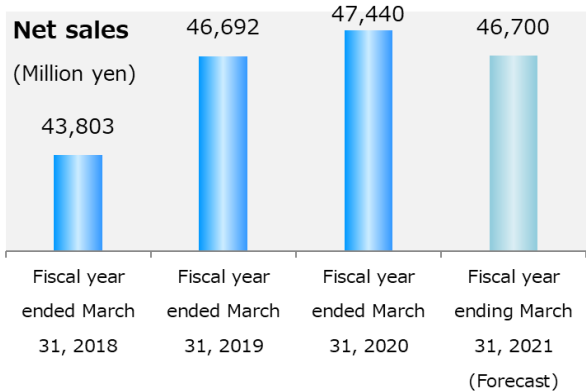
Meanwhile, operating profit decreased ¥565 million (-23.2%) to ¥1,875 million, ordinary profit decreasing ¥649 million (-24.4%) to ¥2,011 million, and profit attributable to owners of parent declining ¥511 million (-26.4%) to ¥1,425 million. The main factors for the decline in profit include a deterioration of the cost of sales ratio by 1.7 percentage points brought about by a shifting product mix. The operating margin fell by 1.2 percentage points compared with the previous fiscal year to 4.0%, which was below the target of 8%.

The equity ratio improved by 3.7 percentage points compared with the previous fiscal year to 53.5%, which was mainly attributable to a 0.5% increase in net assets and a 6.5% decrease in total assets. Although the target for return on equity (ROE) was 8%, ROE dropped by 1.9 percentage points compared with the previous fiscal year to 4.9% due to a decrease in profit.

Extremely challenging conditions are expected to continue in the Japanese economy for fiscal 2020 (fiscal year ending March 31, 2021) as the economic climate has started to rapidly deteriorate due to the global spread of COVID-19.

Amid this business environment, our outlook for fiscal 2020 anticipates sales of ¥46,700 million, a decrease of ¥740 million (1.6%) compared with fiscal 2019, as deliveries for large orders in the Defense & Communications Equipment Business have peaked. On the other hand, in addition to an improving cost of sales ratio brought about by a shifting product mix, we are promoting further cost reductions and other measures. Considering the effect of these measures, we forecast that operating profit will increase by ¥55 million (3.0%) to ¥1,930 million, ordinary profit will increase by ¥39 million (1.9%) to ¥2,050 million and profit attributable to owners of parent will increase by ¥105 million (7.4%) to ¥1,530 million. We will focus on further improvements in business revenue and work to enhance capital efficiency, while taking ongoing measures to strengthen risk management.

Regarding the impact of COVID-19, we are currently starting to see short-term effects on the Group’s operating activities due to some delays from our suppliers in deliveries of materials and parts necessary in the Group’s manufacturing, and temporary factory closures and requests for delaying deliveries by our customers. However, a characteristic of the Group’s business performance is that it is not easily affected directly by the external environment. This is due to a large number of sales in the market for public-sector demand, which tend to be weighted toward the second half of typical years. In addition, we have many orders remaining in the medium to long term and the percentage of sales overseas is low. It is, therefore, difficult to reasonably estimate the impact of the spread of COVID-19 on the full-year forecasts for the fiscal year ending March 31, 2021 at this stage. If any matter to be disclosed arises, such information will be promptly announced.



The medium-term management policy

The aim of the medium-term management policy of the Group is premised upon the following three growth strategies. As a market leader, the Group will continue creating proprietary, high value added products that are indispensable to solving social issues identified by SDGs (sustainable development goals); for example, by contributing to safety and environmental issues through contributions to automation in agriculture, reductions in greenhouse gas emissions, disaster-preparedness issues and proper utilization of water resources. We will also strive to live up to the trust and expectations of our stakeholders by increasing revenue while achieving sustainable growth and enhancing corporate value in the medium to long term.

1) Expanding business areas

The Group has cultivated over time a range of tangible and intangible experiences and strengths. By leveraging these assets and embracing a “top-of-the-niche” strategy for creating new products and businesses that will contribute to solving social issues and rank at the top of their respective markets, we will tackle the challenges to continuously expand these areas of business. 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, as for new products and businesses, 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, addressing the increasingly stringent competitive environment, and grappling with soaring R&D expenses, given the prevailing rapid pace of innovation along with shorter technology and product lifecycles.

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 from a viewpoint of solving social issues, while also further upgrading and enhancing our sales and service networks.

3) Sustained strengthening of existing businesses

By providing innovative solutions that satisfy customer needs while pursuing solutions to social issues, we ensure a higher added value in our products and higher work efficiency, and focus on maintaining and expanding existing leading-niche businesses. In addition, by achieving a high level of cash flow, we will improve our earning power to serve as the foundation for sustainable growth. 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.

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 and further support and cooperation.



Tsuyoshi ANDO
President

III. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	9,397	7,709
Notes and accounts receivable - trade	13,723	15,262
Electronically recorded monetary claims - operating	5,316	4,404
Merchandise and finished goods	1,673	1,725
Work in process	9,894	8,037
Raw materials and supplies	5,423	5,239
Accounts receivable - other	76	81
Other	624	240
Allowance for doubtful accounts	(1)	(1)
Total current assets	46,124	42,695
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,401	13,566
Accumulated depreciation	(11,335)	(11,319)
Buildings and structures, net	2,065	2,247
Machinery, equipment and vehicles	12,738	12,784
Accumulated depreciation	(10,767)	(10,991)
Machinery, equipment and vehicles, net	1,971	1,793
Tools, furniture and fixtures	10,218	10,463
Accumulated depreciation	(9,074)	(9,443)
Tools, furniture and fixtures, net	1,143	1,020
Land	1,873	1,873
Construction in progress	193	71
Total property, plant and equipment	7,246	7,004
Intangible assets		
Other	0	0
Total intangible assets	0	0
Investments and other assets		
Investment securities	3,401	2,991
Deferred tax assets	950	1,197
Guarantee deposits	561	547
Other	120	197
Allowance for doubtful accounts	(54)	(54)
Total investments and other assets	4,978	4,878
Total non-current assets	12,224	11,882
Total assets	58,349	54,577

(Million yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,027	5,800
Short-term borrowings	10,757	11,692
Accounts payable - other	804	627
Income taxes payable	493	213
Provision for bonuses	1,121	1,123
Other	2,086	2,281
Total current liabilities	22,289	21,736
Non-current liabilities		
Long-term borrowings	4,954	1,076
Provision for retirement benefits for directors (and other officers)	51	56
Asset retirement obligations	788	788
Retirement benefit liability	721	1,229
Other	64	47
Total non-current liabilities	6,579	3,197
Total liabilities	28,868	24,933
Net assets		
Shareholders' equity		
Share capital	7,218	7,218
Capital surplus	14	14
Retained earnings	21,528	22,542
Treasury shares	(623)	(708)
Total shareholders' equity	28,137	29,065
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	844	534
Foreign currency translation adjustment	19	(23)
Remeasurements of defined benefit plans	29	(400)
Total accumulated other comprehensive income	892	112
Non-controlling interests	452	467
Total net assets	29,481	29,644
Total liabilities and net assets	58,349	54,577

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

Consolidated Statements of Income

(Million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	46,692	47,440
Cost of sales	34,504	35,876
Gross profit	12,187	11,564
Selling, general and administrative expenses	9,747	9,690
Operating profit	2,440	1,875
Non-operating income		
Interest income	5	5
Dividend income	83	94
Dividend income of life insurance	42	35
Rental income from facilities	9	9
Share of profit of entities accounted for using equity method	93	29
Subsidy income	6	8
Other	80	82
Total non-operating income	319	263
Non-operating expenses		
Interest expenses	75	71
Rental expenses on facilities	14	14
Foreign exchange losses	1	19
Other	9	23
Total non-operating expenses	99	126
Ordinary profit	2,660	2,011
Extraordinary income		
Gain on sales of investment securities	–	1
Total extraordinary income	–	1
Extraordinary losses		
Loss on sales and retirement of non-current assets	7	5
Total extraordinary losses	7	5
Profit before income taxes	2,653	2,007
Income taxes - current	655	508
Income taxes - deferred	7	43
Total income taxes	662	551
Profit	1,991	1,456
Profit attributable to non-controlling interests	55	31
Profit attributable to owners of parent	1,936	1,425

Consolidated Statements of Comprehensive Income

(Million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	1,991	1,456
Other comprehensive income		
Valuation difference on available-for-sale securities	(357)	(310)
Foreign currency translation adjustment	(68)	(42)
Remeasurements of defined benefit plans, net of tax	(89)	(428)
Share of other comprehensive income of entities accounted for using equity method	(1)	(0)
Total other comprehensive income	(516)	(780)
Comprehensive income	1,476	676
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,420	645
Comprehensive income attributable to non- controlling interests	55	31

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2019

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,218	14	19,923	(538)	26,617
Changes 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 in items other than shareholders' equity					
Total changes during period	–	–	1,605	(85)	1,520
Balance at end of 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 period	1,202	88	118	1,407	401	28,425
Changes during period						
Dividends of surplus						(331)
Profit attributable to owners of parent						1,936
Purchase of treasury shares						(85)
Net changes in items other than shareholders' equity	(357)	(69)	(89)	(516)	52	(464)
Total changes during period	(357)	(69)	(89)	(516)	52	1,056
Balance at end of period	844	19	29	892	452	29,481

Fiscal year ended March 31, 2020

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,218	14	21,528	(623)	28,137
Changes during period					
Dividends of surplus			(411)		(411)
Profit attributable to owners of parent			1,425		1,425
Purchase of treasury shares				(85)	(85)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,013	(85)	928
Balance at end of period	7,218	14	22,542	(708)	29,065

	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 period	844	19	29	892	452	29,481
Changes during period						
Dividends of surplus						(411)
Profit attributable to owners of parent						1,425
Purchase of treasury shares						(85)
Net changes in items other than shareholders' equity	(310)	(42)	(428)	(780)	15	(766)
Total changes during period	(310)	(42)	(428)	(780)	15	162
Balance at end of period	534	(23)	(400)	112	467	29,644

(4) Consolidated Statements of Cash Flows

(Million yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	2,653	2,007
Depreciation	1,338	1,230
Amortization of guarantee deposits	12	12
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in provision for bonuses	11	1
Increase (decrease) in provision for retirement benefits for directors (and other officers)	10	5
Interest and dividend income	(88)	(99)
Increase (decrease) in retirement benefit liability	(56)	(108)
Interest expenses	75	71
Share of loss (profit) of entities accounted for using equity method	(93)	(29)
Loss (gain) on sales of investment securities	-	(1)
Loss (gain) on sales and retirement of non-current assets	7	4
Decrease (increase) in trade receivables	(842)	(627)
Decrease (increase) in inventories	(489)	1,989
Increase (decrease) in trade payables	(436)	(1,225)
Decrease (increase) in other assets	23	300
Increase (decrease) in other liabilities	37	147
Other, net	9	10
Subtotal	2,170	3,687
Interest and dividends received	88	100
Interest paid	(85)	(82)
Income taxes paid	(535)	(791)
Net cash provided by (used in) operating activities	1,638	2,915
Cash flows from investing activities		
Purchase of investment securities	(8)	(9)
Proceeds from sales of investment securities	-	1
Purchase of non-current assets	(1,125)	(1,134)
Proceeds from sales of non-current assets	0	2
Payments of leasehold and guarantee deposits	(5)	(18)
Proceeds from refund of leasehold and guarantee deposits	4	19
Other, net	(1)	(1)
Net cash provided by (used in) investing activities	(1,135)	(1,139)
Cash flows from financing activities		
Proceeds from long-term borrowings	500	-
Repayments of long-term borrowings	(1,001)	(2,943)
Purchase of treasury shares	(85)	(85)
Dividends paid	(331)	(411)
Dividends paid to non-controlling interests	(3)	(17)
Net cash provided by (used in) financing activities	(920)	(3,456)
Effect of exchange rate change on cash and cash equivalents	(13)	(8)
Net increase (decrease) in cash and cash equivalents	(431)	(1,688)
Cash and cash equivalents at beginning of period	9,828	9,397
Cash and cash equivalents at end of period	9,397	7,709

IV. Company Information / Stock Information

Company Information (as of March 31, 2020)

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:	1,660 (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 26, 2020)

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, 2020)

Total number of authorized shares:	50,000,000 shares
Total number of shares issued:	17,076,439 shares
Number of shareholders:	7,995
Major shareholders (Top 10)	

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (excluding treasury shares) (%)
TOKYO KEIKI ASSOCIATION	1,086	6.63
Japan Trustee Services Bank, Ltd.	1,016	6.20
Sumitomo Mitsui Banking Corporation	821	5.01
The Master Trust Bank of Japan, Ltd.	659	4.03
TOKYO KEIKI TRADING-PARTNER SHAREHOLDING ASSOCIATION	647	3.95
TOKYO KEIKI EMPLOYEE SHAREHOLDING ASSOCIATION	535	3.27
Nippon Life Insurance Company	470	2.87
The Bank of Yokohama, Ltd.	466	2.85
Mitsubishi UFJ Trust and Banking Corporation	423	2.59
Masayoshi YAMAUCHI	387	2.36

(Source: Annual Securities Report)