

For the Fiscal Year Ended March 31, 2021

Annual Select[®] 2021
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 125 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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* 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)

	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	90th fiscal year From April 1, 2020 to March 31, 2021
Net sales (Million yen)	41,394	43,803	46,692	47,440	42,081
Ordinary profit (Million yen)	1,252	1,511	2,660	2,011	1,458
Profit attributable to owners of parent (Million yen)	709	1,120	1,936	1,425	945
Comprehensive income (Million yen)	1,370	1,508	1,476	676	2,695
Net assets (Million yen)	27,356	28,425	29,481	29,644	31,939
Total assets (Million yen)	52,206	58,045	58,349	54,577	53,546
Net assets per share (Yen)	1,624.07	1,695.16	1,764.15	1,782.35	1,919.21
Basic earnings per share (Yen)	42.72	67.61	117.19	86.76	57.67
Diluted earnings per share (Yen)	–	–	–	–	–
Equity ratio (%)	51.61	48.28	49.75	53.46	58.74
Return on equity (ROE) (%)	2.67	4.08	6.79	4.90	3.12
Price-earnings ratio (PER) (Times)	27.03	16.70	9.39	8.01	16.37
Net cash provided by (used in) operating activities (Million yen)	(2,949)	463	1,638	2,915	7,068
Net cash provided by (used in) investing activities (Million yen)	(1,569)	(1,374)	(1,135)	(1,139)	(928)
Net cash provided by (used in) financing activities (Million yen)	741	2,589	(920)	(3,456)	(2,247)
Cash and cash equivalents at end of period (Million yen)	8,163	9,828	9,397	7,709	11,588
Number of employees [Separately, average number of temporary employees] (Persons)	1,495 [391]	1,522 [358]	1,571 [333]	1,660 [232]	1,672 [221]

- 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 86th fiscal year.

II. To Our Stakeholders



Tsuyoshi ANDO
Representative Director, President & CEO

FY2020 Operating Results and FY2021 Forecasts

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

May 1, 2021 marked the 125th anniversary of the founding of TOKYO KEIKI. We are deeply honored by the kind support and patronage you have shown to us over the many years that have made it possible to continue our various business activities for such a long time, culminating to this day.

Established in 1896 as Japan's first manufacturer of measuring instruments, TOKYO KEIKI had its start as a developer of pressure gauges that are vital for ships. In an era when cutting-edge technologies had to be imported from overseas, our initiatives for the domestic production of precision instruments formed part of Japan's modernization. Our constant drive since

foundation has been to always take the challenge to develop new things and to meet the expectations of society. Although our products may not be easily visible in everyday life, they fulfill important roles in many fields such as in traffic, energy, agriculture, fisheries, and disaster prevention, and also support safety of people's lives. We believe we have a duty to continue ensuring people's safety and to solve social issues with the technological resources we have accumulated to date through innovation.

Long before the advent of the term ESG, TOKYO KEIKI has been sincerely looking at solving social issues. We have also been active in initiatives for improving the workplace environment and welfare benefits for our employees. We will steadfastly promote management for constant growth, i.e., sustainable management, toward future milestones of our 150th and 200th years.

With regard to the Group's consolidated earnings for fiscal 2020, there was a decrease in deliveries of large projects in the public-sector market for the Defense & Communications Equipment Business, and the impact of the spread of the novel coronavirus disease (COVID-19) caused weak performance in the Hydraulics and Pneumatics Business. As a result, net sales decreased from fiscal 2019 by 11.3% to ¥42,080 million, operating profit decreased 33.3% to ¥1,250 million, ordinary profit decreased 27.5% to ¥1,460 million, and profit attributable to owners of parent decreased by 33.7% to ¥950 million.

The operating margin fell by 1.0 percentage points from the previous fiscal year to 3.0%, which was below the target of 8%. Meanwhile, the equity ratio improved by 5.2 percentage points compared with the previous fiscal year to 58.7%, which was mainly attributable to a 7.8% increase in equity and a 1.9% decrease in total assets. Return on equity (ROE) dropped by 1.8 percentage points compared with the previous fiscal year to 3.1%, due to a decrease in profit, and did not reach the 8% target.

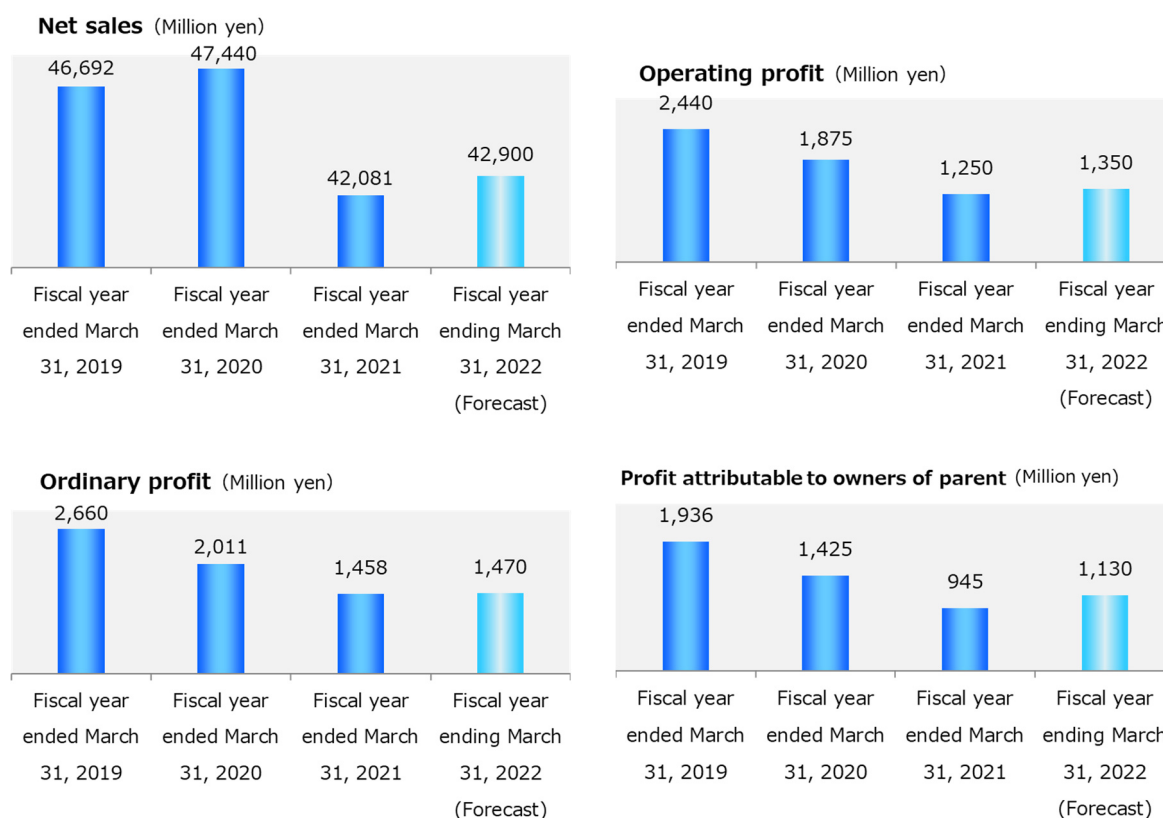
In fiscal 2021 (fiscal year ending March 31, 2022), the Japanese economy is expected to continue to be undermined, with inevitable renewed restrictions on various corporate activities given that containment of COVID-19 is still not in sight.

Amid this business environment, our outlook for fiscal 2021 anticipates sales of ¥42,900 million, an

increase of ¥820 million (1.9%) due to increased revenues in all businesses other than Defense & Communications Equipment Business, while we do expect a temporary decline in sales in the Defense & Communications Equipment Business during the in-between season for large orders. In addition, despite an increase in selling, general and administrative expenses including research and development expenses for growth, such as for expansion of business areas and acceleration of global expansion, we forecast an increase in gross profit and improvement in the cost of sales ratio. Therefore, we expect increased revenue and increased profits, and forecast operating profit to increase by ¥100 million (8.0%) to ¥1,350 million, ordinary profit to increase by ¥10 million (0.8%) to ¥1,470 million, and profit attributable to owners of parent to increase by ¥190 million (19.6%) to ¥1,130 million as well.

In terms of the impact of COVID-19 on our earnings forecast for fiscal 2021 (fiscal year ending March 2022), we forecast the following: Earnings in the Hydraulics and Pneumatics Business, which was greatly affected in the previous fiscal year (fiscal year ended March 2021), have continued to recover since the third quarter of the previous fiscal year, mainly in overseas markets. In addition, since a market recovery trend has also been evident from the production trends of major clients and from the forecasts of each industry association, we forecast sales to return to pre-COVID levels in the fiscal year ending March 2022. Earnings in the Marine Systems Business are expected to be firm in the future, although they have suffered little impact since the third quarter of the previous fiscal year, despite impacts on deliveries to overseas shipyards and onboard operations in the previous fiscal year. Apart from these, we anticipate sales coming in from projects in each business that had been delayed in the previous fiscal year. Nevertheless, the railway equipment business, included in the Others Business, is likely to be impacted by the substantial decline in business profits of railway operators due to the COVID-19 pandemic. The COVID-19 vaccine rollout is progressing in Japan and should lead to normalization of the economy from the second half of the fiscal year. Since sales of our major businesses in a year are weighted toward the third quarter and beyond, we do not anticipate the overall impact of COVID-19 in fiscal 2021 to be as great as it has been in fiscal 2020.

Going forward, we will continue to work towards achieving our plan while monitoring the state of COVID-19, and will promptly disclose any matters arising that should be disclosed.



We distributed an ordinary dividend of ¥25 per share in fiscal 2020. Furthermore, for fiscal 2021, in addition to an ordinary dividend of ¥25 per share, we intend to distribute a special commemorative dividend of ¥5 for the 125th anniversary, making a total annual dividend of ¥30.

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.

A handwritten signature in black ink, appearing to read "T. Ando". The signature is written in a cursive style with a horizontal line above the first part of the name.

Tsuyoshi ANDO

Representative Director, President & CEO

III. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	7,709	11,620
Notes and accounts receivable - trade	15,262	12,568
Electronically recorded monetary claims - operating	4,404	3,816
Merchandise and finished goods	1,725	1,477
Work in process	8,037	6,164
Raw materials and supplies	5,239	5,032
Accounts receivable - other	81	32
Other	240	245
Allowance for doubtful accounts	(1)	(4)
Total current assets	42,695	40,950
Non-current assets		
Property, plant and equipment		
Buildings and structures	13,566	13,721
Accumulated depreciation	(11,319)	(11,151)
Buildings and structures, net	2,247	2,570
Machinery, equipment and vehicles	12,784	12,769
Accumulated depreciation	(10,991)	(11,158)
Machinery, equipment and vehicles, net	1,793	1,611
Tools, furniture and fixtures	10,463	10,670
Accumulated depreciation	(9,443)	(9,798)
Tools, furniture and fixtures, net	1,020	871
Land	1,873	1,873
Construction in progress	71	45
Total property, plant and equipment	7,004	6,970
Intangible assets		
Software	–	18
Software in progress	–	15
Other	0	0
Total intangible assets	0	33
Investments and other assets		
Investment securities	2,991	3,606
Deferred tax assets	1,197	281
Guarantee deposits	547	532
Retirement benefit asset	–	1,068
Other	197	161
Allowance for doubtful accounts	(54)	(54)
Total investments and other assets	4,878	5,593
Total non-current assets	11,882	12,596
Total assets	54,577	53,546

(Million yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,800	5,093
Short-term borrowings	11,692	8,516
Accounts payable - other	627	496
Income taxes payable	213	115
Provision for bonuses	1,123	1,097
Provision for shareholder benefit program	–	72
Other	2,281	2,331
Total current liabilities	21,736	17,722
Non-current liabilities		
Long-term borrowings	1,076	2,424
Provision for retirement benefits for directors (and other officers)	56	58
Asset retirement obligations	788	788
Retirement benefit liability	1,229	531
Other	47	83
Total non-current liabilities	3,197	3,884
Total liabilities	24,933	21,607
Net assets		
Shareholders' equity		
Share capital	7,218	7,218
Capital surplus	14	14
Retained earnings	22,542	23,076
Treasury shares	(708)	(688)
Total shareholders' equity	29,065	29,619
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	534	1,031
Foreign currency translation adjustment	(23)	(52)
Remeasurements of defined benefit plans	(400)	856
Total accumulated other comprehensive income	112	1,835
Non-controlling interests	467	485
Total net assets	29,644	31,939
Total liabilities and net assets	54,577	53,546

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

Consolidated Statements of Income

(Million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	47,440	42,081
Cost of sales	35,876	31,415
Gross profit	11,564	10,666
Selling, general and administrative expenses	9,690	9,417
Operating profit	1,875	1,250
Non-operating income		
Interest income	5	4
Dividend income	94	83
Dividend income of life insurance	35	32
Rental income from facilities	9	10
Share of profit of entities accounted for using equity method	29	16
Subsidy income	8	45
Foreign exchange gains	–	7
Other	82	89
Total non-operating income	263	287
Non-operating expenses		
Interest expenses	71	57
Rental expenses on facilities	14	13
Foreign exchange losses	19	–
Other	23	9
Total non-operating expenses	126	79
Ordinary profit	2,011	1,458
Extraordinary income		
Gain on sale of investment securities	1	24
Total extraordinary income	1	24
Extraordinary losses		
Loss on sale and retirement of non-current assets	5	17
Total extraordinary losses	5	17
Profit before income taxes	2,007	1,465
Income taxes - current	508	324
Income taxes - deferred	43	170
Total income taxes	551	493
Profit	1,456	972
Profit attributable to non-controlling interests	31	27
Profit attributable to owners of parent	1,425	945

Consolidated Statements of Comprehensive Income

(Million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	1,456	972
Other comprehensive income		
Valuation difference on available-for-sale securities	(310)	497
Foreign currency translation adjustment	(42)	(29)
Remeasurements of defined benefit plans, net of tax	(428)	1,256
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(780)	1,724
Comprehensive income	676	2,695
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	645	2,668
Comprehensive income attributable to non- controlling interests	31	27

(3) Consolidated Statements of Changes in Equity

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)
Disposal of treasury shares					–
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)
Disposal of treasury shares						–
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

Fiscal year ended March 31, 2021

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,218	14	22,542	(708)	29,065
Changes during period					
Dividends of surplus			(409)		(409)
Profit attributable to owners of parent			945		945
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(1)	20	19
Net changes in items other than shareholders' equity					
Total changes during period	-	-	535	20	554
Balance at end of period	7,218	14	23,076	(688)	29,619

	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	534	(23)	(400)	112	467	29,644
Changes during period						
Dividends of surplus						(409)
Profit attributable to owners of parent						945
Purchase of treasury shares						(0)
Disposal of treasury shares						19
Net changes in items other than shareholders' equity	497	(29)	1,256	1,724	18	1,741
Total changes during period	497	(29)	1,256	1,724	18	2,295
Balance at end of period	1,031	(52)	856	1,835	485	31,939

(4) Consolidated Statements of Cash Flows

(Million yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	2,007	1,465
Depreciation	1,230	1,128
Amortization of guarantee deposits	12	12
Increase (decrease) in allowance for doubtful accounts	0	4
Increase (decrease) in provision for bonuses	1	(25)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	5	1
Increase (decrease) in provision for shareholder benefit program	–	72
Interest and dividend income	(99)	(87)
Increase (decrease) in retirement benefit liability	(108)	42
Interest expenses	71	57
Share of loss (profit) of entities accounted for using equity method	(29)	(16)
Loss (gain) on sale of investment securities	(1)	(24)
Loss (gain) on sale and retirement of non-current assets	4	17
Decrease (increase) in trade receivables	(627)	3,278
Decrease (increase) in inventories	1,989	2,323
Increase (decrease) in trade payables	(1,225)	(704)
Decrease (increase) in other assets	300	58
Increase (decrease) in other liabilities	147	(168)
Other, net	10	9
Subtotal	3,687	7,442
Interest and dividends received	100	87
Interest paid	(82)	(66)
Income taxes paid	(791)	(396)
Net cash provided by (used in) operating activities	2,915	7,068
Cash flows from investing activities		
Payments into time deposits	–	(32)
Purchase of investment securities	(9)	(7)
Proceeds from sale of investment securities	1	116
Purchase of non-current assets	(1,134)	(1,014)
Proceeds from sale of non-current assets	2	0
Payments of leasehold and guarantee deposits	(18)	(2)
Proceeds from refund of leasehold and guarantee deposits	19	5
Other, net	(1)	6
Net cash provided by (used in) investing activities	(1,139)	(928)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	2,050
Repayments of long-term borrowings	(2,943)	(3,878)
Purchase of treasury shares	(85)	(0)
Dividends paid	(411)	(409)
Dividends paid to non-controlling interests	(17)	(9)
Net cash provided by (used in) financing activities	(3,456)	(2,247)
Effect of exchange rate change on cash and cash equivalents	(8)	(15)
Net increase (decrease) in cash and cash equivalents	(1,688)	3,879
Cash and cash equivalents at beginning of period	9,397	7,709
Cash and cash equivalents at end of period	7,709	11,588

IV. Company Information / Stock Information

Company Information (as of March 31, 2021)

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:	1,672 (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 29, 2021)

President	Tsuyoshi ANDO	Director, Audit & Supervisory Committee Member
Director	Ryoji TANEGU	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, 2021)

Total number of authorized shares:	50,000,000 shares
Total number of shares issued:	17,076,439 shares
Number of shareholders:	9,400
Major shareholders (Top 10)	

Shareholder name	Number of shares held (Thousands)	Share-holding ratio (excluding treasury shares) (%)
TOKYO KEIKI ASSOCIATION	1,146	6.99
Custody Bank of Japan, Ltd.	1,032	6.30
TOKYO KEIKI TRADING-PARTNER SHAREHOLDING ASSOCIATION	685	4.18
Sumitomo Mitsui Banking Corporation	653	3.99
The Master Trust Bank of Japan, Ltd.	577	3.52
TOKYO KEIKI EMPLOYEE SHAREHOLDING ASSOCIATION	498	3.04
Mitsubishi UFJ Trust and Banking Corporation	423	2.58
Nippon Life Insurance Company	376	2.29
The Bank of Yokohama, Ltd.	373	2.27
KODEN Holdings Co., Ltd.	360	2.20

(Source: Annual Securities Report)