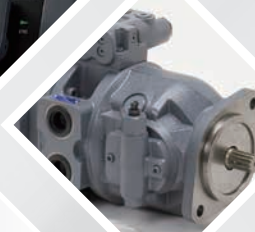


ESG Report  
**2020**





## Management Philosophy

It is the mission of our Company and our Group to contribute to society, with a focus on our business of leveraging electronics and other advanced technology to create products that embody functions of human senses: measurement, cognition, and control.

1. Continually hone our technology to develop products that lead the world.
2. Anticipate changes in the market and create new value.
3. Prioritize quality in our products and earn the trust of customers.
4. Develop human resources who improve their abilities and their character to contribute to fulfilling our mission.
5. Engage in sound and fair corporate activities in line with social norms.
6. Protect the environment and work to conserve limited resources.
7. Increase our overall corporate value and meet the expectations of our stakeholders.

## Group Code of Conduct

1. We will aim to develop the best technologies and products through ingenuity and unceasing effort.
2. We will work to create new products and new businesses that anticipate the needs of the market.
3. We will provide safe, reliable products and services to earn the trust of our customers.
4. We will devote ourselves to self-improvement and will seek to be the leader in our fields.
5. We will observe laws and regulations and will strive to act sincerely and conscientiously as a member of society.
6. We will protect beautiful nature and will value precious resources.
7. We will share our Company's policies with stakeholders and will focus on achieving our goals with passion and a sense of mission.

## Company profile (as of September 30, 2020)

|                          |                              |
|--------------------------|------------------------------|
| Trade name:              | Tokyo Keiki Kabushiki-gaisha |
| Company name in English: | TOKYO KEIKI INC.             |
| Founded:                 | May 1, 1896                  |
| Established:             | December 21, 1948            |
| Paid-in capital:         | ¥7,217,597,300               |
| Employees:               | 1,307 (Consolidated: 1,673)  |

### Editorial policy

We issue this report for the purpose of providing easily understood information on ESG at TOKYO KEIKI to stakeholders including customers, business partners, shareholders, investors, local communities, and employees. Our goal is to make this report a useful tool for communication with our stakeholders.

### Period covered

Fiscal 2019 (April 2019 to March 2020)  
Some data and information on activities from April 2020 are also included.

### Scope of coverage

Financial information:  
TOKYO KEIKI INC. and its domestic and overseas consolidated subsidiaries

Non-financial information:  
TOKYO KEIKI INC.  
TOKYO KEIKI AVIATION INC.  
TOKYO KEIKI POWER SYSTEMS INC.  
TOKYO KEIKI RAIL TECHNO INC.  
MOCOS JAPAN CO., LTD.

### Referenced guidelines

GRI Standards

## Contents

|  |   |
|--|---|
| Management Philosophy /                    |   |
| Group Code of Conduct .....                | 1 |
| Editorial policy / Contents .....          | 2 |
| Message from the President .....           | 3 |
| Company History .....                      | 5 |
| Our Businesses .....                       | 6 |
| Financial and Non-Financial Highlights ... | 7 |

### Spotlight

125 Years of TOKYO KEIKI and our Contributions to Society

#### Spotlight 1

|  |   |
|--|---|
| Our History of Contribution to Society ... | 9 |
|--|---|

#### Spotlight 2

|  |    |
|--|----|
| Solving Social Issues with Technological Development ..... | 11 |
|--|----|

### Environmental Initiatives

|   |    |
|---|----|
| Environmental Policies and Frameworks ...                           | 13 |
| Environmental Targets and Performance ...                           | 14 |
| Climate Change Initiatives .....                                    | 15 |
| Initiatives for a Recycling-Oriented Society and Biodiversity ..... | 17 |

### Social Initiatives

|                                      |    |
|--------------------------------------|----|
| Compliance and Risk Management ..... | 21 |
| Commitment to Quality .....          | 23 |
| Together with Employees .....        | 25 |
| Human Rights .....                   | 27 |
| Occupational Health and Safety ..... | 28 |
| Social Contribution .....            | 29 |

### Corporate Governance

|                              |    |
|------------------------------|----|
| Corporate Governance .....   | 31 |
| Stakeholder Engagement ..... | 34 |

# Message from the President



## A pioneer in instruments

The year 1896 marked our Company's start in the manufacturing of pressure gauges, indispensable equipment for ships, at a time when Japan had accumulated nearly no industrial technology and its only option was importing advanced technology products from overseas. Since that time, by developing, commercializing, and broadly disseminating the advanced precision equipment required by every era, we have played a part in the modernization of Japan as the country's first instrument manufacturing company. The word "keiki" appearing in our company name was also coined by our company's founder, from the English term "measuring instrument."

Although 125 years have passed since our founding, we have remained consistent in always tackling the development of new things and meeting the expectations of persons around us. Our products may not be conspicuous in everyday life, but our key technologies are placed into vital roles in countless areas including transportation, energy, fisheries, agriculture, and disaster readiness, supporting safety in people's lives. We believe that we bear a responsibility to ensure people's safety, address social issues, and contribute to the realization of a

sustainable society through innovations and technological resources born from our development process.

## What we can do to prepare for and mitigate disasters

This past year left us all at the mercy of a newly emerged virus. Indeed, it would be no exaggeration to call 2020 a year that started with and ended with the coronavirus.

Moreover, under the effects of climate change, the recurrence of unexpectedly severe rains nearly every year is becoming commonplace in Japan. Heavy rains in July of 2020 caused significant damage in the Chubu region and Kyushu, especially in Kumamoto Prefecture. Some observers see such climate change and new infectious diseases as signs that the planet is becoming unable to withstand the burden of humankind's economic activities.

Our Company can contribute to disaster readiness and mitigation in a wide range of fields. Our products are used in many areas of disaster readiness, including prediction and warning of flooding due to rising river levels, early warning of mudflows due to heavy rain, early detection of earthquakes, and tide level monitoring to warn of tsunami or storm surge, to guard the safety of people.

We can no longer ignore the destruction of nature caused by human activities. The time has come for

companies, too, to fulfill their responsibilities toward the environment as members of society. Our Company will strengthen its ESG initiatives so that we can continue sustainable growth as a company while protecting the earth's environment.

## **Aiming for growth from a global perspective with the SDGs at the core**

Our Company has many businesses and products that support social infrastructure, and there are many cases in which meeting customers' demands has led to solutions to social issues and the assurance of safety. We are in a privileged position in which satisfying our customers is simultaneously beneficial to society, a fortuitous circumstance for our Company as a gathering of engineers. Furthermore, many of our products have earned the top share in their varied fields, while also making major contributions to the stability of our management. Examples of these include marine equipment such as our marine gyrocompasses and autopilot products, which command an overwhelming share in Japan and overseas; our ultrasonic rail inspection cars that guard the safety of railway rails; our high-performance radars that see active use on land, on the sea, and in the air; and our ultrasonic flowmeters that are indispensable in water and sewerage systems and in agricultural water management.

At the same time, we cannot deny that our global expansion is lagging, as evidenced by our high dependence on specific markets and the fact that the domestic market accounts for over 80% of our total sales. Relying solely on the Japanese market, with its declining birthrate and aging population, will leave us to face difficulties in achieving sustainable growth. We must leverage the strengths we have built up, expand our business domains, and work more than ever to open up overseas markets. Our recognition of this is reflected in the three basic policies that we have set in our fiscal 2019 medium-term management policy: (1) Expansion of our business domains, (2) Promotion of globalization, and (3) Continuous strengthening of our existing businesses.

An ESG perspective is particularly vital in the promotion of globalization. Taking the SDGs as a relevant metric, we

aim to actively tackle solutions to social issues that involve the safety of people around the world. We will earn profits by uncovering ways to solve global social issues and by contributing to the achievement of a sustainable society. We seek to be a company that continuously grows through such a positive cycle.

## **Creating value for a new era through proactive wisdom and mindset**

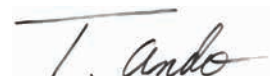
To achieve social contribution and secure corporate profits, we need to develop markets by solving social issues through innovation while exerting wisdom that utilizes the strengths of our products, technologies, sales, and services in a proactive, not passive, manner. However, the social issues linked to the SDGs encompass vast fields involving the entire world, and there are limits to what a single division or department can do. All of our employees must acquire a deep understanding of the SDGs and ESG issues, and must adopt a mindset of taking independent action while sharing wisdom across departmental borders.

We are also making attempts to enhance employee awareness through collaboration on company-wide improvement activities that we have conducted since fiscal 2018. We plan to greatly expand these activities, successively linking them to form a greater whole, in order to create the value that TOKYO KEIKI offers in environmental protection.

The global novel coronavirus pandemic continues to threaten human lives and hit economies hard. It has affected the performance of our Group as well, particularly in our civilian sector business. To ensure the safety of employees, who are important stakeholders, we are undertaking new work systems that include staggered commuting hours, satellite offices, and working from home.

As we continue to meet the expectations of our stakeholders and work to grow our business and contribute to society, we ask for your ongoing guidance and support.

President



# Company History

Begins manufacture of navigational instruments such as compasses and depth sounders



Compass installed in bridge of the flagship "Mikasa"

Successfully develops Japan's first marine radar system



MK-II Mod.0 Radar Display

Begins manufacture of Sperry gyrocompasses

Head Office moves to Kamata, Tokyo



Successfully develops the world's first ultrasonic flowmeter and moves into the field of flow measurement



UF-100 Ultrasonic Flowmeter

Establishes NEW TOKYO KEIKI (now TOKYO KEIKI Yaita Plant) for mass production of electronic and measurement products



Develops radar warning system used in the F-4EJ fighter plane

Celebrates 100 years of operations

Establishes Maritime Traffic Department in the Electronics Systems Division



Restores the "TOKYO KEIKI" corporate name

Establishes Chinese subsidiary TOKYO KEIKI (SHANGHAI) CO., LTD.

Introduces company-based organizational structure

Changes corporate governance system to have an Audit and Supervisory Committee

1896

Begins production of pressure gauges in Koishikawa, Tokyo as Wada Keiki Seisakusho, Japan's first instrument factory



1901

1917

Company reorganized as TOKYO KEIKI CO., LTD.  
Optical instruments business spun off and established as Nippon Kogaku K.K. (now Nikon) with Mitsubishi joint-stock company

1918

1923

Begins development of aeronautic instruments

1930

Company name changed to TOKYO KEIKI SEIZOSHO

1948

東京計器製造所  
TOKYO KEIKI



Flight Compass

1952

1954

Begins manufacture of hydraulic equipment

1962

Develops a rail inspection car using ultrasonic flaw detection technology



1963

1968

Establishes TOKYO VICKERS CO., LTD (now TOKYO KEIKI Sano Plant) for mass production of hydraulic equipment

1969

1970

Company name changed to TOKYO KEIKI CO., LTD.



1971

1973

Establishes DAICHI TOKYO KEIKI CO., LTD. (now TOKYO KEIKI Nasu Plant) as a specialized factory for the manufacture of aerospace and terrestrial electronic products

1990

Company name changed to TOKIMEC, INC.



1996

1999

MRG-10 microwave level gauge goes on sale



2005

2008

2011

Establishes TOKYO KEIKI PRECISION TECHNOLOGY CO., LTD in Vietnam as a base for hydraulic equipment manufacturing

2012



2013

2016

# Our Businesses

## Marine Systems Business

Marine Systems Company

MOCOS JAPAN



- Manufacture, sale, and repair of various types of navigational equipment
  - ▶ Marine gyrocompasses
  - ▶ Marine autopilots
  - ▶ Electronic Chart Display and Information System (ECDIS)
  - ▶ Marine radars
- Manufacture, sale and repair of satellite communication equipment, radio equipment and other marine communication equipment



## Defense & Communications Equipment Business

Electronics Systems Company

Communication & Control Systems Company

TOKYO KEIKI AVIATION INC.



- Manufacture, sale, and repair of various types of defense equipment
  - ▶ Radar warning receivers
  - ▶ Naval gyrocompasses, submarine inertial navigation systems
- Manufacture, sale, and repair of inertial sensors and applied equipment
- Manufacture, sale and repair of various microwave devices and communication control equipment

## Hydraulics and Pneumatics Business

Fluid Power & Control Systems Company

TOKYO KEIKI POWER SYSTEMS INC.



- Manufacture and sale of various types of hydraulic and pneumatic equipment
  - ▶ Solenoid directional valves
  - ▶ Hydraulic pumps
  - ▶ Hydraulic motors
- Manufacture, sale, and repair of electronic equipment for construction machinery
- Manufacture, sale, and repair of hydraulic applied systems

## Fluid Measurement Equipment Business

Measurement Systems Company



- Manufacture, sale, and repair of various flowmeters
- Manufacture, sale, and repair of various level gauges
- Manufacture, sale, and repair of gas-based fire extinguishing systems

## Other Businesses

Inspection Systems Company

TOKYO KEIKI RAIL TECHNO INC.

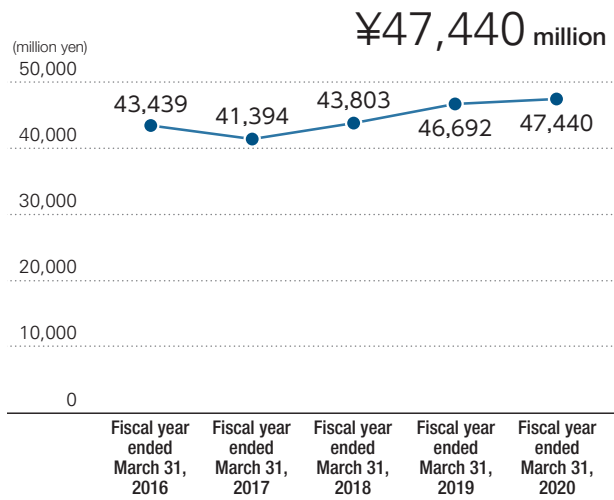
- Track inspection services and manufacture, sale, and repair of railway maintenance equipment
- Manufacture, sale and repair of printing quality inspection systems and material surface inspection systems



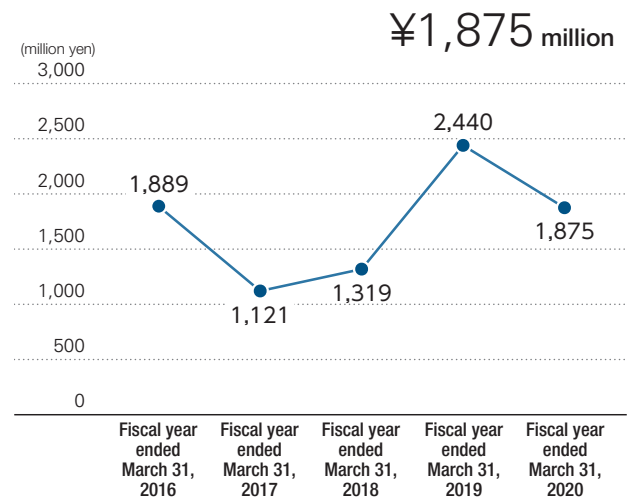
# Financial and Non-Financial Highlights

## Financial information

### Changes in consolidated net sales

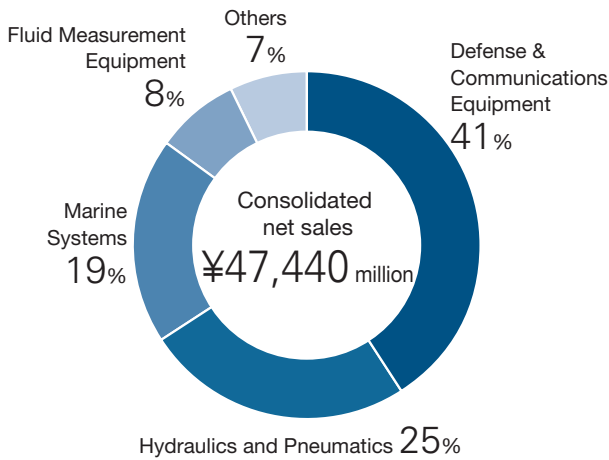


### Changes in consolidated operating profit



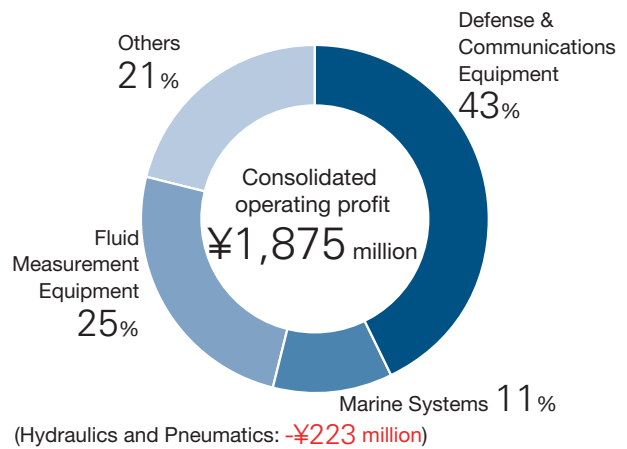
### Consolidated net sales segment ratios

Fiscal year ended March 31, 2020

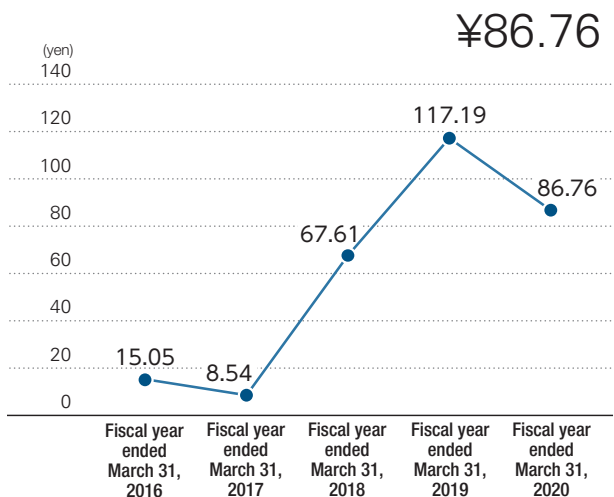


### Consolidated operating profit segment ratios

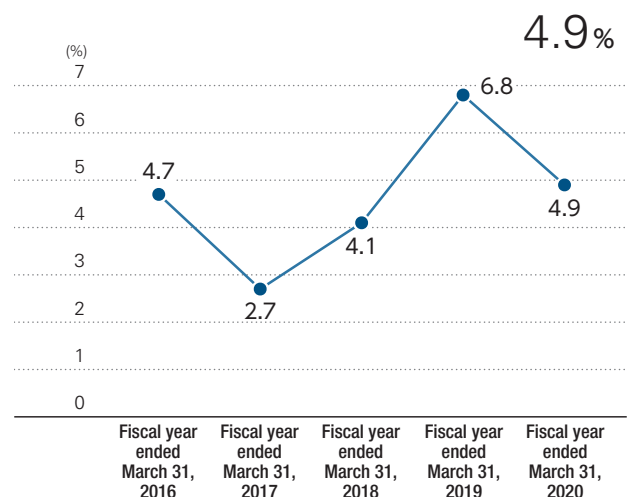
Fiscal year ended March 31, 2020



### Changes in earnings per share



### ROE

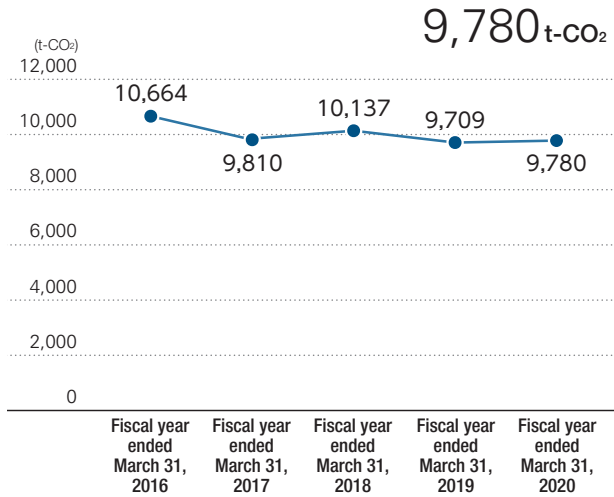




## Non-financial information

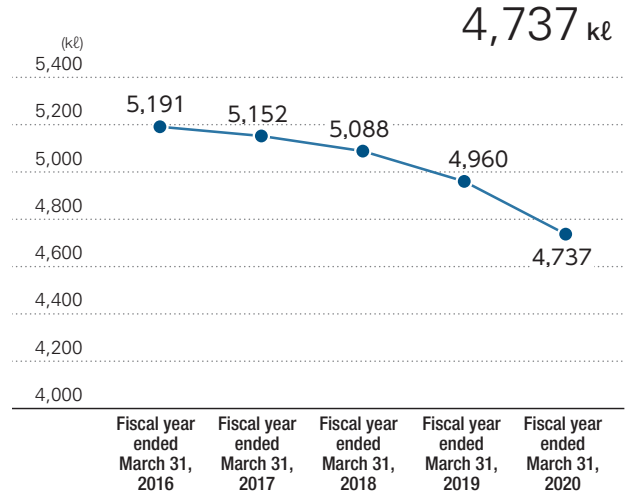
### Carbon dioxide emissions

Note: Data is aggregated for Headquarters, the Nasu Plant, the Sano Plant, and the Yaita Plant

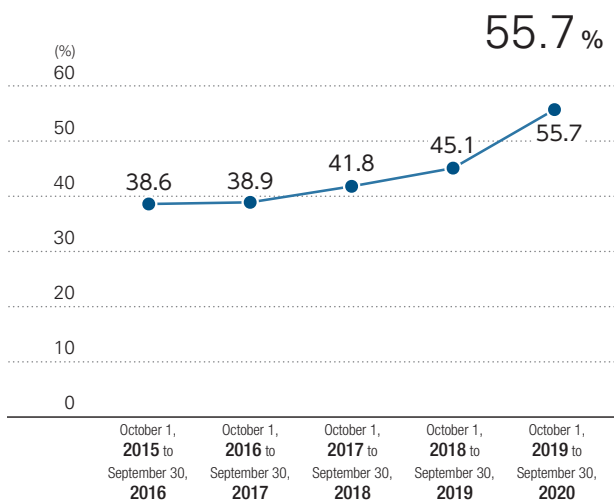


### Energy usage (crude oil equivalent)

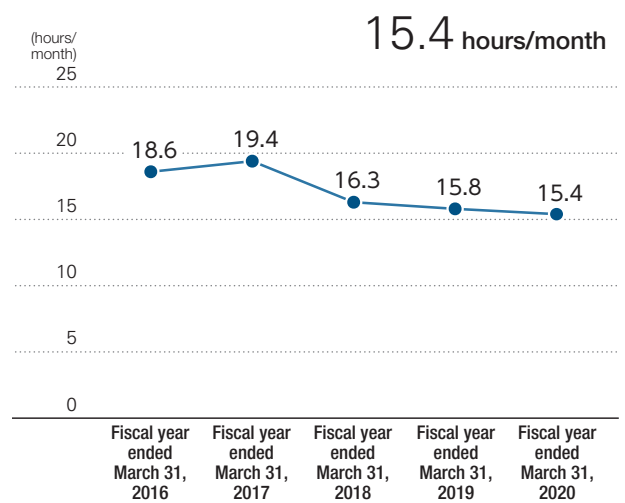
Note: Data is aggregated for Headquarters, the Nasu Plant, the Sano Plant, and the Yaita Plant



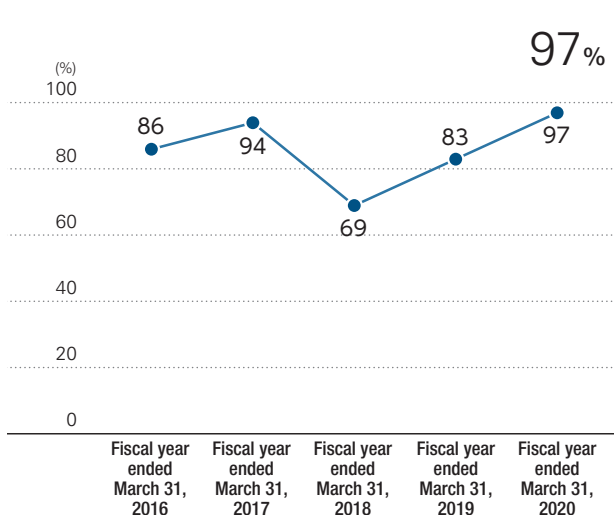
### Annual leave utilization ratio



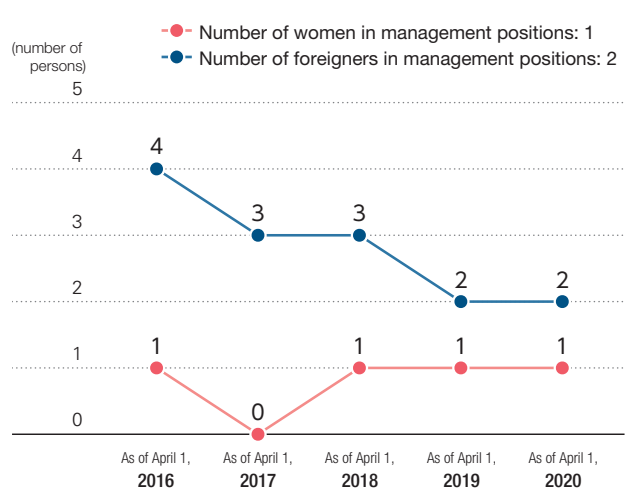
### Average overtime hours



### Reemployment rate for employees past retirement age



### Women/foreigners in management positions





## Our History of Contribution to Society

There are many systems and frameworks that underpin the way we live our daily lives. Many of the things we take for granted today were made possible through the efforts and ingenuity of our predecessors. Throughout its long history, TOKYO KEIKI has also undertaken many initiatives that have later made an impact on society. A few of these are shown below.



### Japan's first health insurance association

1926

On November 5, 1926, with the approval of the Home Ministry, TOKYO KEIKI established the TOKYO KEIKI Health Insurance Association. This was Japan's first health insurance association, and received the approval number "To-1," indicating No. 1 in Tokyo Prefecture\*.

Prior to this, in 1909, the Company had established a relief association based on the principle of mutual support, providing benefits for ceremonial occasions such as weddings and funerals, as well as medical care for employees and their families.

In establishing the relief association, the Company's founder (and then President) Yoshihira Wada personally assumed the position of honorary chairman. Taking charge of its operations through the executive committee, he implemented a social security system ahead of that run by the government, demonstrating his foresight and the esteem in which he held his employees.

Because TOKYO KEIKI had established and operated such a system before the government had, when the Home Ministry established the health insurance association system, our knowledgeable staff in the General Affairs Division received inquiries from the Home Ministry about the details of the regulations and the calculation of premium rates.

\* The predecessor of today's Tokyo Metropolitan Government



## Japan's first school established by a private company

1932

In February 1932, in recognition of the importance of education in improving the skills of its employees, the Company established the private TOKYO KEIKI Youth Training Center. Youth Training Centers were four-year educational institutions established by the Youth Training Center decree of 1926. The TOKYO KEIKI Youth Training Center was the first youth training center in Japan to be established within a private company, and the first to be approved by the Tokyo Prefectural Government. The school opened in April of the same year, offering a one-year research course in addition to the four-year regular course, and using the conference room in the main building of the Kamata Head Office as a classroom.

In April 1935, in accordance with the Youth School Order, which integrated youth training centers and industrial training schools into youth schools, the center was renamed the TOKYO KEIKI Youth School, and it further enhanced its educational offerings by employing specialists in secondary education.

The school had more than 500 enrolled students at its peak, and produced more than 700 graduates. Some of these went on to work in planning and practical training,

while most of the others worked as mid-level workers or group leaders in various company factories. The youth school system was abolished with the end of the Second World War, but those who were in the second and third years of study at the end of the war continued their education afterwards and were awarded diplomas.



Classes and practical training at the TOKYO KEIKI Youth School (old school building)

Courtesy of Asao Shinozaki (joined the Company in 1939)

## Japan's first use of color dynamics in factory equipment

1950

Color dynamics involves brightening ceilings, walls, and other parts of the work environment to provide an overall psychological benefit to workers, thereby improving production efficiency, making the work environment more comfortable, and preventing accidents and injuries.

In the fall of 1950, aiming to produce a safer working environment, TOKYO KEIKI became the first company in Japan to introduce color dynamics. Machines, equipment, electrical systems, passageways, etc. were color-coded, such as by painting overhead travelling cranes in cream. This led not only to improved work efficiency, but also to a better work environment and enhanced health and safety management. In the following year, after several months of experimentation, we also changed the walls of the machine shops to pale green, the ceilings to pale blue, and the machines themselves to green, producing a calmer environment and further gains in safety and productivity.

These efforts attracted a great deal of attention, including coverage by the Japan Institute of Invention and Innovation (now the Japan Institute for Promoting Invention and Innovation) and the Japan Management Association. Not only were lectures and roundtable discussions held

throughout Japan, but more than 1,000 people from all over the country also visited the Company for tours. Today, color dynamics is used by rail, electrical, and automobile manufacturers and a host of other companies.



Color dynamics in action



## Solving Social Issues with Technological Development



As a company involved in cutting-edge technology, using technological development to solve social issues is both what we do best and what is expected of us. In this section, we will introduce the marine gyrocompass, which has made a great contribution to improving safety at sea, and also the automation technology that will shape the future.

### TOKYO KEIKI's gyrocompasses: A dramatic improvement to safety at sea Ultra-compact Es-Series Gyrocompass

1961

Navigating the seas requires a number of different instruments, but one of the most important is the magnetic compass, which has been used since antiquity to determine a ship's heading. However, because of the difference between magnetic north, which is what is indicated by a magnetic compass, and true north, large discrepancies may occur depending on your position on the earth. For example, the crews of salmon ships operating in the Arctic Ocean, where the earth's magnetic field is highly variable, had to rely on magnetic compasses misaligned by more than 30 degrees, risking their lives in the bitterly cold and rough seas. Another problem was that automatic steering based on heading information from magnetic compasses would cause ships to deviate from their course, resulting in unnecessary consumption of fuel.

The marine gyrocompass, which is unaffected by the earth's magnetism and always points to true north, was introduced in the early 20th century, but its large size and high cost prevented it from being installed on small and medium-sized vessels. Most fishing boats relied on the traditional magnetic compass to navigate dangerous waters.

With a diameter of 30 cm, height of 45 cm, and weight of 25 kg, the Es-series gyrocompass was a revolutionary product that achieved high accuracy and outstanding environmental resistance, while also being extremely compact and lightweight compared to conventional models. This led to dramatic improvements in navigational safety, and also greatly contributed to fuel savings, as ships that previously could not be accurately steered automatically were now able to take the shortest route possible. In 1963, it was awarded the Minister of Transport Prize for its contribution to safe navigation.



Es-Series Gyrocompass

### TG-5000-Series Gyrocompass

1980

The gyrocompass, an extremely important instrument for ships, was usually installed in a room called the "gyro room," located in the part of the ship's hull subject to the least motion. However, from the mid-1960s, the cost of hull space per cubic meter soared, and there was a demand for marine gyrocompasses that did not require a dedicated room.

In response, TOKYO KEIKI began to develop a gyrocompass that was compact, resistant to motion, and did not require a dedicated gyro room. Using an unprecedented and unique technique for supporting the gyro case, known as the "suspension wire float method,"



TG-5000-Series Gyrocompass

we succeeded in developing an ultra-compact and highly accurate gyrocompass. The TG-5000 gyrocompass, the first to use this method, was patented in nine countries, including the United States, and received the Prime Minister's Prize at the National Invention Awards in 1983.

The suspended wire floating gyrocompass is also known as the "TOKYO KEIKI Gyrocompass," and the TG-5000 firmly established TOKYO KEIKI as a world leader in the field.

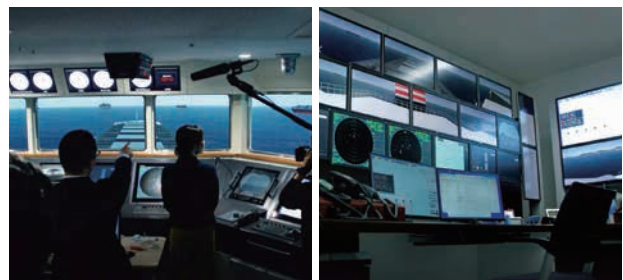
## The automation technology shaping the future Research on automated ship operation

Like Japan as a whole, the world of shipping is also facing an aging population, with more than half of all crew members over the age of 50. As such, it is seeing an increasingly serious shortage of labor. In addition, since about 80% of maritime accidents are caused by human error, there has been a great deal of interest in the development of autonomous ships that can be operated without human intervention. The introduction of this technology is expected to increase the competitiveness of Japan's marine industry by streamlining logistics, while at the same time reducing the use of fuel and other resources, improving the safety of crew by eliminating accidents, and reducing the impact on the environment.

We are promoting research and testing on the practical application of autonomous ships by applying automated steering technology developed in the field of autopilots and high-precision attitude and heading measurement technology based on FOG compasses (fiber optic gyrocompasses).

In addition, with the support of the Nippon Foundation,

we are participating alongside other companies in the "Designing the Future of Full Autonomous Ship Project," making ambitious proposals. It is estimated that if unmanned ships were developed, and they replaced 50% of Japan's domestic coastal vessels by 2040, this would have an annual economic benefit of about 1 trillion yen. We will continue to pursue research and development aimed at safe navigation and the further growth of Japan's marine industry.



Media release of the results of joint research using simulators (December 2017)

## Promotion of smart agriculture

The number of people working in agriculture continues to decline year after year. In such circumstances, there is a crucial need to improve the productivity and labor efficiency of agricultural work in order to ensure a stable food supply and sustainable agricultural development. To address this issue, we are working to promote smart and automated agriculture by harnessing the automated steering technology we have developed over the years.

AG-GEAR3 is an automated straight-line assistance device that can be retrofitted to existing agricultural machinery. As well as reducing the cost of conversion, the AG-GEAR3 is simple to operate and automatically provides accurate straight-line steering control even on uneven terrain with no lane markings, allowing the operator to concentrate on operating the work equipment behind without touching the steering wheel.

With so much attention being paid to the Sustainable Development Goals, we will continue to develop

products that meet the needs of agricultural workers and local communities, thereby helping to solve the social issue posed by the implementation of smart agriculture.



# Environmental Policies and Frameworks

“Protect the environment and work to conserve limited resources” is part of our management philosophy.

Bearing the importance of conserving the global environment in mind, we will conduct our operations so as to reduce environmental impact in all our business areas, thereby helping to achieve a society that can develop sustainably and a healthy global environment.

## Environmental policies

TOKYO KEIKI has contributed to society by using electronics technology to commercialize the functions of human senses, such as measurement, cognition, and control.

We have always given full consideration to the environment in the course of our business activities, but we have now reaffirmed the importance of environmental conservation on a global scale. As such, in order to pass on a rich natural environment and limited resources to the next generation, we will go one step further and work with the participation of all employees to conserve and improve the environment to the extent technically and economically possible.

1. We will evaluate the environmental impact of all our business activities and the products we provide to our customers at during production, use, and disposal, and strive to save resources and energy, reduce waste, and prevent pollution.
2. We will establish and maintain a PDCA cycle by setting environmental objectives and targets for these initiatives.
3. In addition to complying with environmental laws and regulations, ordinances, industry codes of conduct, and agreements with local communities, we will establish and maintain independent management standards wherever possible.
4. We will establish an environmental management system in which all employees participate, using audits and reviews to make improvements on an ongoing basis.
5. We will provide education to all employees to improve their awareness of the environment and the environmental management system, as well as asking our affiliates and partner companies for their understanding and cooperation.
6. These environmental policies shall be publicly disclosed.

## Environmental policies at our plants

Our Nasu, Yaita, and Sano plants have drawn up their own environmental policies based on the company-wide policies, taking into account the characteristics of the manufacturing they perform and consideration for the surrounding environment.

### ISO 14001 compliance status

| Location    | Date acquired |
|-------------|---------------|
| Nasu Plant  | December 2005 |
| Yaita Plant | January 2007  |
| Sano Plant  | April 2007    |



## Organizational structure

The Environment Committee is in charge of company-wide environmental policy, and the Environmental Management Subcommittee has been established beneath it. The head of the General Affairs Department chairs both committees, and the managers of the Nasu, Yaita, and Sano plants serve as committee members.

# Environmental Targets and Performance

The Environmental Management Subcommittee, headed by the head of TOKYO KEIKI's General Affairs Department, sets targets for environmental activities, draws up environmental plans, and puts them into practice. In addition to company-wide targets, targets have also been set for each plant and, with efforts ongoing at each.

## Environmental targets and performance

### Company-wide targets

The Company's overall environmental goal is to "establish efficient use of energy." As such, the company-wide targets are to reduce unnecessary man-hours, including failure costs, and to use efficient business practice and facility improvements to improve energy use in each district, either in terms of total amount used or on a per-unit basis.

### Business-specific targets

For each plant, reduction targets are set for failure costs, electricity consumption, waste, material consumption, etc., and KPIs are set to serve as indicators for meeting these targets. By putting this cycle of achievement into action, we are working to reduce our environmental impact.

### FY 2019 company-wide targets

Use efficient business practice and facility improvements to improve energy use in each district by 3% or more relative to FY 2016, either in terms of total amount used or on a per-unit basis. Alternatively, make improvements equivalent to or greater than the above in the three years ending FY 2019.

#### Example of environmental targets and performance by business site in FY 2019: Nasu Plant

| Department                               | Environmental policy / Environmental target   | Item  | Method of result evaluation<br>Performance indicator   | Achievement status<br>(Achieved: ○, Not achieved: ×)   |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
|--|---|---|--|--|------------------|-----------------------------|--|-------------|------------------|--------------------|--|-------------|-------------|-------------|--------|------------|----|---------|------------|-----------|----|------------|----|-----------|------------|
| Production                               | <p><b>Energy Saving</b></p> <p>Reduce total electricity consumption of heat treatment furnaces to 204,000 kWh/year or less.</p>   | Reduce electricity consumption through efficient operation of furnaces (mainly combined processing).  | Total electricity consumption 204,000 kWh/year<br>51,000 kWh per quarter<br>Monitoring of 5 furnaces   | <p><b>Total electricity consumption</b> ○</p> <table border="1"> <tr> <td>Target</td> <td>Yearly</td> <td>204,000 kWh or less</td> </tr> <tr> <td></td> <td>Per quarter</td> <td>51,000 kWh or less</td> </tr> <tr> <td>Performance</td> <td>Yearly</td> <td>169,165 kWh</td> </tr> <tr> <td></td> <td>Q1</td> <td>55,267 kWh</td> </tr> <tr> <td></td> <td>Q2</td> <td>37,061 kWh</td> </tr> <tr> <td></td> <td>Q3</td> <td>39,282 kWh</td> </tr> <tr> <td></td> <td>Q4</td> <td>37,553 kWh</td> </tr> </table>   | Target           | Yearly                      | 204,000 kWh or less                      |             | Per quarter      | 51,000 kWh or less | Performance                              | Yearly      | 169,165 kWh |             | Q1     | 55,267 kWh |    | Q2      | 37,061 kWh |           | Q3 | 39,282 kWh |    | Q4        | 37,553 kWh |
| Target                                   | Yearly  | 204,000 kWh or less   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
|  | Per quarter   | 51,000 kWh or less  |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Performance                              | Yearly  | 169,165 kWh   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
|  | Q1  | 55,267 kWh  |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
|  | Q2  | 37,061 kWh  |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
|  | Q3  | 39,282 kWh  |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
|  | Q4  | 37,553 kWh  |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Management                               | <p><b>Energy Saving</b></p> <p>Implement the upgrade of chiller equipment planned for FY2019 to reduce electricity consumption by 1% or more.</p> <p><b>Electricity consumption reduction target</b></p> <p>72,317 kWh/year<br/>1.32% reduction</p>   | Reduce energy use by ensuring that equipment is upgraded (energy-saving equipment).   | Upgrades performed relative to number budgeted for<br><br>Reduction in electricity consumption   | <p><b>Electricity used</b> ○</p> <p>Target (upgrade plan)</p> <table border="1"> <tr> <td>Chiller upgrades</td> <td>1</td> </tr> <tr> <td>Electricity consumption reduction target</td> <td>72,317 kWh</td> </tr> </table> <p>Performance</p> <table border="1"> <tr> <td>Chiller upgrades</td> <td>1</td> </tr> <tr> <td>Electricity consumption reduction target</td> <td>266,096 kWh</td> </tr> </table>  | Chiller upgrades | 1                           | Electricity consumption reduction target | 72,317 kWh  | Chiller upgrades | 1                  | Electricity consumption reduction target | 266,096 kWh |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Chiller upgrades                         | 1   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Electricity consumption reduction target | 72,317 kWh  |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Chiller upgrades                         | 1   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Electricity consumption reduction target | 266,096 kWh   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Production                               | <p><b>Energy Saving</b></p> <p>Hold no-overtime days to reduce energy use.</p> <p><b>Target value</b> (3% reduction in actual overtime work days in FY 2016)</p> <p>Overtime work days: 207 or fewer<br/>Electricity used: 5,262.35 kWh or less</p> <p><b>FY 2016 performance</b></p> <p>Overtime work days: 213<br/>(242 total working days in the year, with 29 no-overtime days)<br/>Electricity used: 5,414.886 kWh<br/>(25.422 kWh/day x working days)</p> | <p>Schedule and implement no-overtime days.</p> <ul style="list-style-type: none"> <li>In principle, every Wednesday throughout the year will be designated a no-overtime day. Also, during quieter periods, schedule no-overtime days in addition to Wednesdays.</li> <li>Promote awareness of no-overtime days at morning meetings, etc.</li> <li>In order to return home on time, each individual should set a daily work schedule and make arrangements accordingly.</li> </ul> | <p>Monthly table of no-overtime days held and amount of electricity used</p> <p>Comparison of actual performance relative to targets of 207 overtime work days or less and electricity use of 5,262.35 kWh or less</p> <p>Target for each Q:<br/>1,315.589 kWh or less</p> | <p><b>Electricity used</b> ○</p> <p>Target</p> <table border="1"> <tr> <td>Yearly</td> <td>5,262.35 kWh or less</td> </tr> <tr> <td>Q1</td> <td>1,315.6 kWh</td> </tr> <tr> <td>Q2</td> <td>1,315.6 kWh</td> </tr> <tr> <td>Q3</td> <td>1,315.6 kWh</td> </tr> <tr> <td>Q4</td> <td>1,315.6 kWh</td> </tr> </table> <p>Performance</p> <table border="1"> <tr> <td>Yearly</td> <td>4,296 kWh</td> </tr> <tr> <td>Q1</td> <td>814 kWh</td> </tr> <tr> <td>Q2</td> <td>1,169 kWh</td> </tr> <tr> <td>Q3</td> <td>1,271 kWh</td> </tr> <tr> <td>Q4</td> <td>1,042 kWh</td> </tr> </table> | Yearly           | 5,262.35 kWh or less        | Q1                                       | 1,315.6 kWh | Q2               | 1,315.6 kWh        | Q3                                       | 1,315.6 kWh | Q4          | 1,315.6 kWh | Yearly | 4,296 kWh  | Q1 | 814 kWh | Q2         | 1,169 kWh | Q3 | 1,271 kWh  | Q4 | 1,042 kWh |            |
| Yearly                                   | 5,262.35 kWh or less  |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Q1                                       | 1,315.6 kWh   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Q2                                       | 1,315.6 kWh   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Q3                                       | 1,315.6 kWh   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Q4                                       | 1,315.6 kWh   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Yearly                                   | 4,296 kWh   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Q1                                       | 814 kWh   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Q2                                       | 1,169 kWh   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Q3                                       | 1,271 kWh   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Q4                                       | 1,042 kWh   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Production                               | <p><b>Energy Saving</b></p> <p><b>Waste Reduction</b></p> <p>High-output amplifier component failure<br/>→ 1 case or less/46 units, incidence rate 2%</p>   | <p>Create a jig for the power sequence of the final adjustment test for high-output amplifiers</p> <p>Create a jig that can automatically perform the power sequence for semiconductor parts that use two different power supplies and can be damaged if they are turned on/off in the wrong order.</p>   | Investigate improvements to testing method and applied to products manufactured this fiscal year; confirm observed component damage  | <p><b>Target</b></p> <table border="1"> <tr> <td>Incidence</td> <td>1 case or less/<br/>46 units</td> </tr> <tr> <td>Incidence rate</td> <td>2% or less</td> </tr> </table> <p><b>Performance</b></p> <table border="1"> <tr> <td>Incidence</td> <td>0/46 units</td> </tr> <tr> <td>Incidence rate</td> <td>0%</td> </tr> </table>   | Incidence        | 1 case or less/<br>46 units | Incidence rate                           | 2% or less  | Incidence        | 0/46 units         | Incidence rate                           | 0%          |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Incidence                                | 1 case or less/<br>46 units   |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Incidence rate                           | 2% or less  |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Incidence                                | 0/46 units  |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |
| Incidence rate                           | 0%  |   |  |  |                  |                             |  |             |                  |                    |  |             |             |             |        |            |    |         |            |           |    |            |    |           |            |

# Climate Change Initiatives

The prevention of climate change, which poses a threat to human security that transcends national borders, is a shared global challenge. As a company that operates globally, we are committed to reducing the environmental impact of our business activities, thereby contributing to the resolution of climate change and the development of a sustainable world.

## Our approach to climate change

We at TOKYO KEIKI are strongly aware that the impact and risk posed by climate change to our businesses and all of our stakeholders is an important business issue. In order to fulfill our responsibility as a company to prevent

climate change, we are promoting initiatives to reduce greenhouse gas (GHG) emissions from each of our divisions.

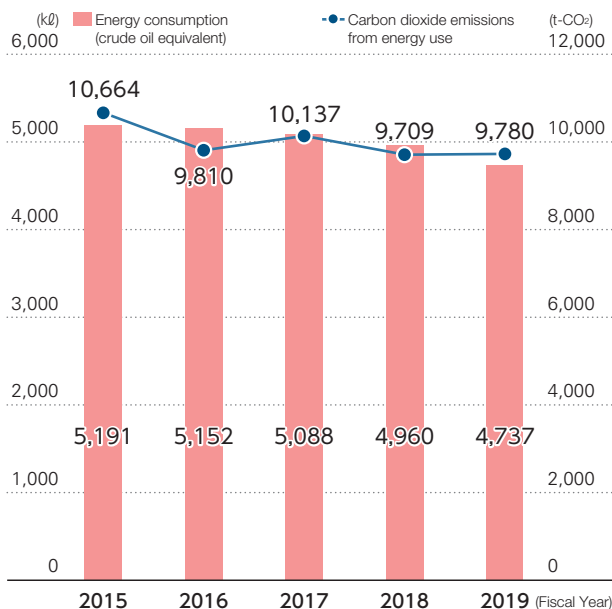
## Specific measures to fight climate change

### More efficient energy use to reduce GHG emissions

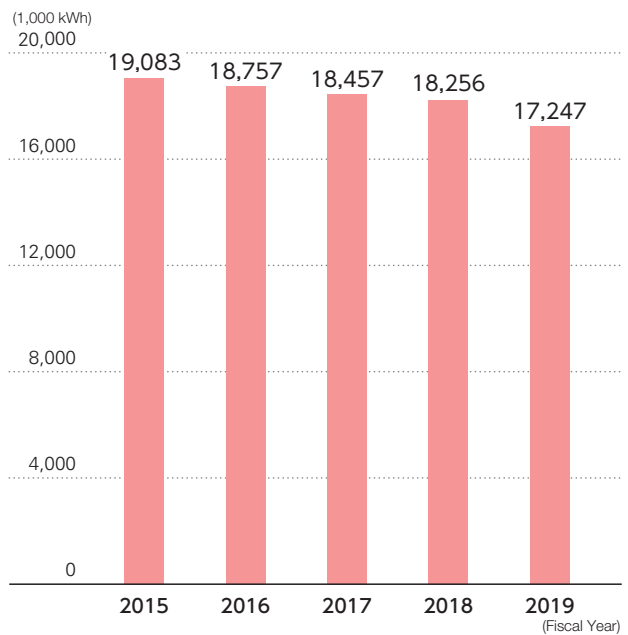
In hardware terms, we are replacing products with those that emphasize energy efficiency. Specific measures include switching to LED lighting and energy-efficient air conditioners, replacing power receiving equipment with high-efficiency devices, introducing energy-efficient transformers, upgrading air compressors to inverter systems, using thermal barrier paints on roofs and exterior walls, and using “green curtains” of plants to reduce use of air conditioning.

On the operational side, we are pursuing more efficient energy use through measures such as overall optimization using demand-based power monitoring, reduction of power consumption through combined heat-treatment operations, turning off lights when no one is present, making efficiency improvements to cut down operating hours, and implementing mixed loading of delivery trucks to reduce the number in operation.

### Energy consumption and carbon dioxide emissions



### Electricity use



### Switch to LED lighting

As part of the ISO 14001 initiative, each of our plants is switching from fluorescent to LED light bulbs to reduce electricity use by an average of 1% per year, in line with the non-binding targets set by the Energy Conservation Law. With the exception of a few areas, this initiative, which started in FY 2014, was completed at the end of FY 2019, and the Sano Plant and Hanno Plant have already achieved a 100% LED conversion rate. The Nasu and Yaita plants, which have LED conversion rates of 99% and 98% respectively, will continue to work towards full conversion.

Through the replacement of fluorescent bulbs with LEDs, we have achieved total reductions in energy consumption of 1,248,393 kWh/year at our major business sites.



### Upgrading to energy-saving equipment

When upgrading or introducing new equipment for use in offices and plants, we work to reduce the amount of energy we use by selecting energy-efficient products.

When introducing new equipment, the staff member in charge selects a model and vendor after assessing the energy efficiency of multiple products, and this selection is then approved by a supervisor. At that time, the Workplace Environment Officer also checks the relevant legal regulations, and the results are reported to the Environmental Management Officer for approval via the Environment Office.



Sequential replacement of water-cooled air conditioners with energy-saving air-cooled models

### Reduction of design defects

Design defects can not only lead to serious incidents, but also to significant material and energy losses due to reduced yield rates. As such, reducing design defects is also essential to minimizing environmental impact.

We are continuing our efforts to prevent design defects by conducting design reviews for all new products, existing products, and products with design changes. For software, design management is carried out using operating procedure manuals. By creating a database of past design defect information, all employees can share examples of design defects and check them as needed to prevent new design defects from occurring.

### Reducing CO<sub>2</sub> emissions through in-house manufacturing

As part of our efforts to reduce costs, we are implementing measures to reduce material costs by producing outsourced parts in-house, while at the same time reducing CO<sub>2</sub> emissions.

By retooling its machining jigs, the Sano Plant has brought production in-house, leading to reductions in costs and power consumption. In order to achieve in-house production without increasing the workload of the milling process, the Sano Plant has examined methods for using drilling equipment for milling. When milling with a conventional drilling jig, the jig and tools interfere with each other, so we designed a new jig that can be used for both milling and drilling. As a result, machining time was reduced by 21 minutes per item, resulting in annual power savings of 9,438 kWh. In addition, by eliminating one of the steps in the manufacturing process, we were able to reduce lead time and man-hours.

### Aluminum manifold block machining: CO<sub>2</sub> reduction using multi-part jigs

The manufacturing section at the Sano Plant has a machining center that performs aluminum processing using six-sided and two-sided pallets. Both machines perform unmanned machining operations at night, but the machine with the two-sided pallet completes its work in as little as 160 minutes when working on items with short machining times, resulting in idle time from dawn until morning.

Therefore, by newly designing and manufacturing a special jig, we have made it possible for the machine to work for longer periods of time than before. In addition, by reviewing the machining conditions and other factors, we have succeeded in reducing machining time per item, leading to an annual reduction in electricity consumption of 29,116 kWh.

# Initiatives for a Recycling-Oriented Society and Biodiversity

In the manufacturing industry, it is our social responsibility to try to minimize our impact on the environment when we choose materials and use energy to make our products. We are committed to delivering sustainable growth by carrying out our business activities.

## Our approach to biodiversity and the creation of a recycling-oriented society

In recognition of the fact that all human activities, including those of TOKYO KEIKI, are dependent on co-existence with the natural environment, we are pursuing

initiatives for the development of a sustainable, recycling-oriented society.

## Specific measures for reducing waste

### Compliance with laws and regulations

Waste is disposed of appropriately in accordance with laws and government ordinances, as well as the regulations of the municipalities where our factories and plants are located.

### Promoting the “3 Rs”

#### • Reuse

We are now reusing some of our used products and parts (including electronic parts) instead of disposing of them.

#### • Reduce

Some of our customers and our partner factories have introduced reusable containers that can be used to move goods between each other’s factories, thereby eliminating waste of consumable materials such as cardboard and packaging materials. In addition, the evaporation and drying of waste water from glass processing and the use of equipment to reclaim cleaning solutions are helping to reduce the amount of industrial waste water we produce.

#### • Recycle

We are continuously taking measures to prevent the waste of resources, such as promoting the recycling of paper,

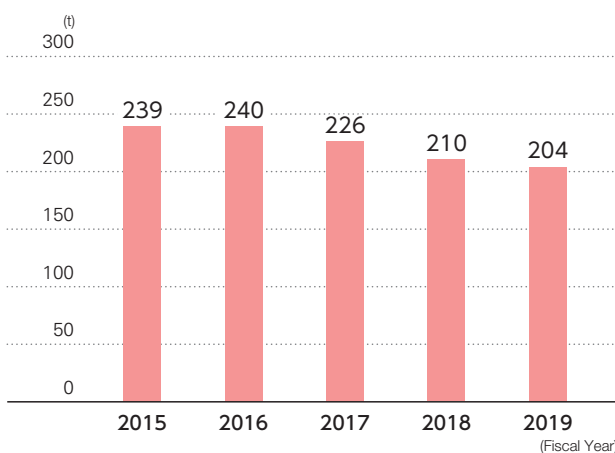
ensuring water and oil are separated before collection, and sorting shavings by metal type for recycling.

As a result of promoting the “3 Rs” at each plant, the Company’s overall waste output is on a downward trend. Although reducing waste while increasing production volume and making capital investments is a big challenge, TOKYO KEIKI, as a company with a responsibility to the environment, will continue looking for various ways to cut our waste output.

### Recycling metal shavings

At our Nasu Plant, we are working to recycle the metal shavings produced during the machining process. Scrap metal (aluminum, iron, etc.) produced during lathing, milling, and other stages of the parts machining process is taken to an industrial waste disposal company, which recycles the scrap aluminum into aluminum products and the scrap iron into iron products. In FY 2019, we managed to recycle 9,469 kg of scrap metal (1,372 kg of aluminum, 8,097 kg of iron).

### Amount of waste produced



Metal shavings to be separated and stored for recycling

**Introduction of reusable containers**

The reusable containers, which are used as part of our efforts to reduce the amount of cardboard, packing materials, and other consumable materials produced as waste, have been introduced to carry items between our factories and those of nearby assembly contractors and customers. At the Nasu Plant, for example, their use currently accounts for 8% of total order value, resulting in an annual waste reduction of about 1,000 kg of cardboard.



Reusable containers used at our plants

**Reducing paper consumption**

**• Paperless work contact sheets (urgent shipment request forms)**

Changes in manufacturing schedules occur on a daily basis. When there is an item that needs to be assembled, inspected, or packed with priority over normal products, the planning group issues a work contact sheet and informs the work site, which in turn reassigns the priority of product assembly. The work contact sheets are sent to the work sites every evening, but in the past, the data was printed out on paper and faxed to the work sites, so each sender and receiver had to print it out on paper.

In order to reduce this waste, we created a shared folder on the network so that the data can be viewed and edited on both the sending and receiving sides. By establishing operational rules that allow both parties to view and update work contact sheets created in the shared folder, we have eliminated the need for sending and receiving faxes. As a result, it is now possible to update progress status on the work contact sheets, and this has also led to a reduction in the amount of time spent on revising progress status on the output forms by hand.

| 業務連絡表            |         | 緊急出荷依頼書            |    | 出荷履歴 |    |
|------------------|---------|--------------------|----|------|----|
| TMCD品ID          | 品名      | TMCD品ID            | 品名 | 品名   | 数量 |
| 13-2879-001-0000 | 8828963 | TMCD-1973          |    |      |    |
| 13-1805-001-0000 | 8828970 | TMCD-1902          |    |      |    |
| 13-1813-001-0000 | 8100029 | TMCD-1819C         |    |      |    |
| 13-1809-001-0000 | 4102647 | U-DC45M-3-4S-14558 |    |      |    |
| 13-6255-001-0000 | 8829744 | 8829744            |    |      |    |

Work contact sheets online

**• Using double-sided printing for business charts to reduce paper consumption**

The Technical Services Department of our Marine Systems Company prints and binds business documents such as delivery specifications, construction drawings, and as-built drawings for ordered products, and delivers them to customers. For overseas projects, the delivery specifications have been completely replaced by PDF files, but in Japan, we are still often required to submit them on paper. In addition, about five copies each of construction and as-built drawings are required to be printed and bound for each project or product, regardless of whether it is in Japan or overseas, leading to increased costs and environmental impact.

Therefore, by printing these books of business drawings on both sides of the paper, we have reduced the amount of paper used by about half. Limitations of the copiers meant that it was not possible to mix A3 folded and A4 double-sided printing, so this was implemented only for A4 drawings and those for which it would not be a problem to print A3 reduced to A4.

Going forward, we plan to increase the number of business drawings that this can be done for by reviewing the drawings such that they can be printed in reduced size on A4, and by changing A3 drawings to A4 drawings.

**• Introducing online delivery of instruction manuals**

Instruction manuals for each measuring product are printed, bound, and sent to customers. For our mainstay products, such as the UF900G flowmeter, the MRG-10C and MD-10 water level gauges, and other products, we have made efforts to switch over to electronic instruction manuals that can be downloaded from our website.



Instruction manual download page

**• Eliminating printing of receipts**

In the sales management system, we eliminated the printing of sales receipts, instead downloading the csv files and pasting them into the check sheets to reduce the amount of paper used, while at the same time displaying only the necessary information for easier checking.

## Specific measures for reducing water consumption

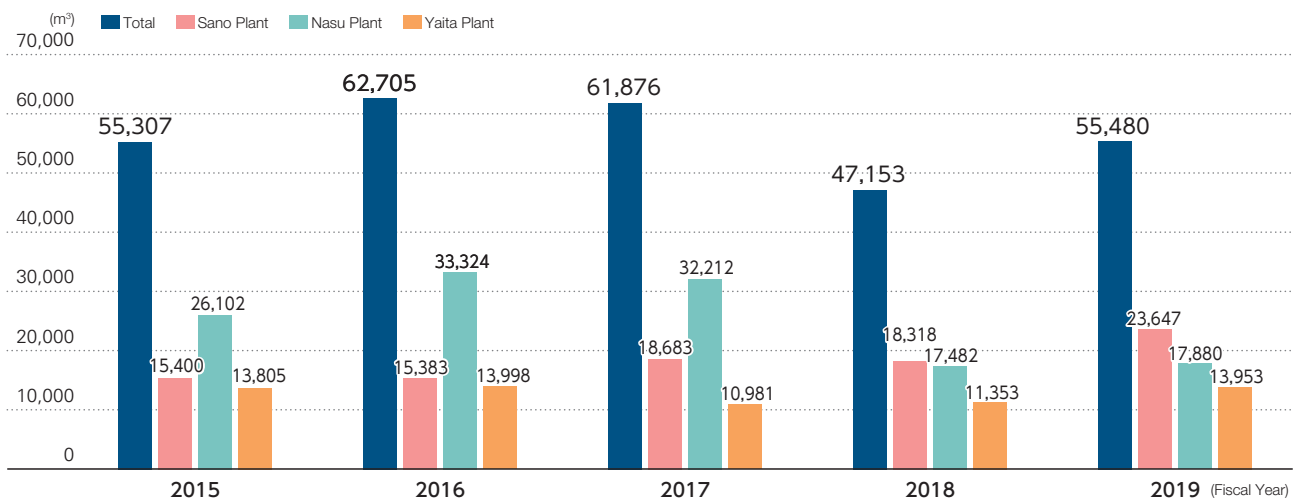
### Policies

Water is an essential resource in the manufacturing process. We have set reduction targets for the amount of water we use, and by visualizing them in various ways, we are working to raise awareness of water conservation among all our employees.

### Measures for reducing water consumption

Specific measures to reduce water consumption include recycling and reusing the water used in our plants, upgrading the water-cooled chillers to air-cooled models, and replacing toilet and sinks with water-saving versions. However, in FY 2019, water consumption at the Sano Plant rose due to a temporary increase in workload for some production processes.

### Trends in water usage (m<sup>3</sup>)



## Specific measures on biodiversity

### Protecting the red pine forest along the Nasu Kaido Road

Through the Nasunogahara Branch of the Nippon Bonsai Association, we are participating in efforts in support of the Enna Forest Management Office to protect red pine trees in national forests. In 2020, the COVID-19 crisis led to the cancellation of planting work scheduled for March, but at the request of the forest office, thinning and pruning work was carried out on March 22, and weeding work on June 20.

### Greening and cleaning of areas around plants

At the Yaita Plant, as part of efforts to create an environment that is more suitable for birds and insects, the cedar trees planted on the green space in the north parking lot have been replaced with cherry trees. In FY 2017 and 2018, 52 cherry trees were planted at intervals of about 5 meters. As a result, insects that could not be seen when the cedars were planted have been confirmed to be living in the area.



A row of cherry trees planted in place of cedars (Yaita Plant)

## Specific measures for proper management of chemicals

### Policies

Some chemical substances have harmful effects on the environment and human body. As such, it is companies' social responsibility to manage them properly and to take the environment and occupational safety into account. We are working to cut our emissions of chemicals by setting voluntary reduction targets.

### Centralizing chemicals for experiments in the prototype section

As part of our efforts to manage chemical substances, those used for experiments at the head office are centralized and managed in a single department, which is monitored during regular monthly inspections by industrial physicians and twice yearly special patrols, with guidance provided on a case-by-case basis.

### Switching to alternatives to hazardous chemicals

Each of our factories is actively switching to alternative materials to hazardous chemicals.

- **Cleaning agents for hydraulic products**  
Switched from dichloromethane to hydrocarbon-based
- **Thinners**  
Switched to alternatives free from toluene and xylene
- **Cutting fluid**  
Switched to alternatives free from chlorine

### Green partner initiative

The "Green Partner System" is an initiative to eliminate hazardous substances from production processes throughout the supply chain in order to encourage environmentally friendly manufacturing. TOKYO KEIKI is putting this system into practice alongside our suppliers, subcontractors, and other partners.

Under this initiative, partners who meet our management standards and have the ability to conduct independent quality management to prevent hazardous substances being used in or contaminating their production lines are certified as Green Partners. This eliminates the need to submit a non-inclusion certificate for each product or part and to conduct some of the tests on the chemical substances they contain. We also provide various benefits to Green Partners, such as support for the testing and analysis of chemical substances contained in parts and materials, provision of environment-related information, and support for environment-related education.

### Reducing hazardous waste

We are working to reduce the amount of hazardous substances that we dispose of by reviewing purchase lots, reducing excess inventory by subdividing orders, and encouraging the purchase of products that do not use hazardous substances.

At the Nasu Plant, we are reducing the total amount of organic solvents used per day at each workplace by using applicator bottles and similar tools. Furthermore, by labeling containers containing chemical substances with their hazards, users themselves can take safety into consideration, and at the same time, by raising awareness of the workplace and the surrounding environment, we can prevent the use of substances in greater quantities than necessary and promote consideration of low-risk alternative substances.

In addition, the Nasu Plant produces a wide variety of products in small quantities, which means that hundreds of different types of paints are used. Many of the paints have short expiration dates, and many of them were discarded without ever being used in production. To solve this problem, we reduced the number of paints in stock to a minimum by monitoring inventory levels and production plans more closely. This allowed us to reduce the amount of waste produced as well as the costs involved in disposing of it.

At the Sano Plant, meanwhile, the establishment of alternatives to dichloromethane, the use of which has been on the rise in recent years, is expected to reduce emissions of this substance in the future.

### PTRR emissions \*Emissions only (excluding transfers)

| Sano Plant | Dichloromethane (kg) | Toluene (kg) |
|------------|----------------------|--------------|
| 2015       | 8,800                | 1,100        |
| 2016       | 11,900               | 1,300        |
| 2017       | 15,400               | 1,140        |
| 2018       | 18,400               | 1,330        |
| 2019       | 14,000               | 1,100        |

| Nasu Plant | Xylene (kg) | 1,2,4-Trimethylbenzene (kg) |
|------------|-------------|-----------------------------|
| 2015       | 76          | 10                          |
| 2016       | 68          | 10                          |
| 2017       | 43          | 11                          |
| 2018       | 66          | 17                          |
| 2019       | 51          | 12                          |

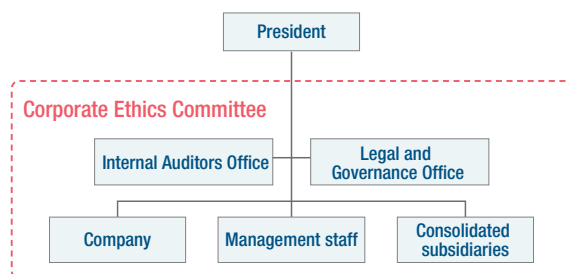
# Compliance and Risk Management

Our company has established the TOKYO KEIKI Group Code of Ethical Conduct as a code for acting in compliance with laws, regulations, our Articles of Incorporation, and social norms. We recognize that the awareness of every employee is of utmost importance in the establishment of corporate ethics, and will strive to uphold corporate ethics in our everyday activities. We also refuse any relationships with antisocial forces that threaten order and security in civil society.

## Concepts and policies regarding compliance

To manage corporate ethics activities across the organization, we have established a permanent Corporate Ethics Committee chaired by the officer in charge of legal affairs and governance.

### Corporate ethics-related organizational chart



### Code of Conduct

The TOKYO KEIKI Group Code of Ethical Conduct\* forms a basis for encouraging sound behavior by every employee. Working from basic stances that include the avoidance of words and acts in violation of laws and regulations, and appropriate response to acts that violate corporate ethics, the Code of Ethical Conduct sets out our responsibilities to all stakeholders, including the provision of products and services of benefit to society, contribution to society through our corporate activities, and the creation of safe and comfortable working environments. By complying with this behavioral code, we will fulfill our responsibilities to society.

\* <https://www.tokyokeiki.jp/company/rinri.html>

## Initiatives aimed at raising awareness of compliance

Under the recognition that the awareness of all employees is of utmost importance in establishing corporate ethics, every year in April we carry out education on our code of conduct (the Code of Ethical Conduct) for all employees.

### Status of training implementation

Our FY 2019 corporate ethics education was conducted from April to May for all employees, using both classroom and e-learning formats. The educational program is structured along lines of practical work, using case studies and other tools suited to specific businesses.

Following completion of the course, all employees submitted an Affidavit Concerning the Code of Ethical Conduct.

### Whistleblowing system

Our Group has set up contact points inside and outside the company for directly accepting information on legally suspect acts or similar information, with the guarantee that no disadvantage will befall whistleblowers.

Two contact points inside the company are the Internal Auditors Office and the Audit and Supervisory Committee. The latter handles violations of laws and regulations by directors and executive officers, playing a role in preventing the concealment of violations by officers.

In FY 2019, six cases of whistleblowing (reports and consultations, all of which involved minor issues) were handled by the points of contact. We will continue working to entrench this system and enforce compliance with laws and regulations.

## Initiatives to prevent corruption

Our Group's Code of Ethical Conduct stipulates that we will not pursue profits through improper means, and that we will conduct dealings in accordance with domestic and foreign laws and rules.

To address overseas dealings, we have established Regulations for the Prevention of Bribery of Foreign Public Officials, and offer education every year to deepen understanding of laws and regulations related to the

prevention of bribery in key countries. Conducted mainly as hierarchy-specific, managerial-class education in e-learning and classroom formats, this education includes overviews of laws on the prevention of bribery of foreign civil servants, the US Foreign Corrupt Practices Act, and cases of exposure of bribery of foreign public servants in Japan.

As many of our projects in Japan involve government agencies, we also strictly prohibit related collusion.

## Concepts, policies, and structures for risk management

In our business activities, we face risks that must be identified, evaluated, and analyzed at the management level, and for which the priority of responses must be made clear. Our Group's risk management system is organized into a Legal and Governance Office, Internal Auditors Office, Audit and Supervisory Committee, and

other bodies, centered on the Management Conference and with the President as the chief officer responsible for company-wide risk management.

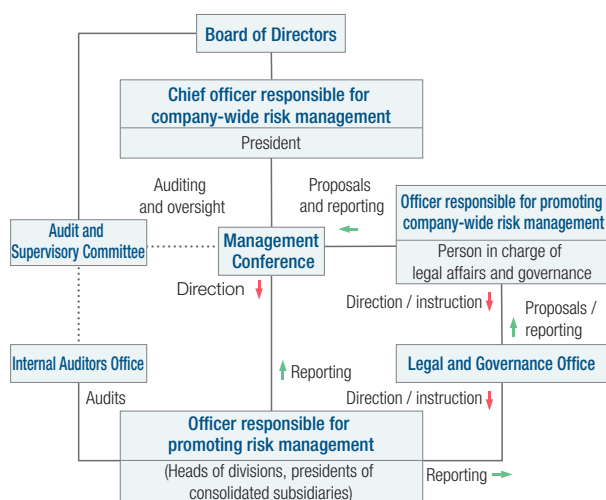
### Addressing major risks

Our Company provides services in a number of countries, and is affected by economic conditions in those countries. In addition, many of our projects in Japan involve government agencies, meaning that we face the risk of significant changes in the outlook for orders due to agencies' budget allocations, disasters, and so on.

To deal with such risks, we engage in careful information collection and seek to quickly assess any emerging risks. Moreover, the Management Conference closely examines progress reports for all business plans every quarter, then executes effective and prompt responses.

Our Internal Auditors Office performs monitoring to determine whether our risk management is functioning properly.

### Risk management system diagram



## Information security

### Policy

Our Information Security Basic Policy is aimed at ensuring the confidentiality, integrity, and availability of the information that constitutes a vital asset of ours, as well as protecting that information from threats including disasters and accidents. The appropriate discretionary measures that we undertake in this area are grounded in the aims of this Basic Policy.

### System of policy promotion

We have established an Information Security Management Committee, chaired by the officer in charge of information and composed of members selected from departments. Our Information Strategy Office oversees formulation of measures related to information security. When formulating key measures, the office submits these to the Information Security Management Committee and consults with the Management Conference.

## BCP

### Overview of BCP

In the event of emergencies, we place utmost priority on ensuring the safety of human life and promptly resolving the situation. The foundation of our response is minimization of losses and quick recovery from damage to ensure business continuity. Toward this end, we maintain and improve regulations and work manuals common across our Group, namely, the Crisis Management Regulations that set forth basic matters concerning crisis management, and the Crisis Management Manual that describes procedures for responding to specific incidents.

### BCP system

The chief officer responsible for crisis management is the president, or a director or executive officer who is appointed to the position by the president. The organization that actually responds to an emergency is generally the department in charge involved in the crisis situation, with the Legal and Governance Office providing support. When deemed necessary by the chief responsible officer, an emergency response task force is set up with the chief responsible officer as the task force head and the department in charge as the secretariat.

# Commitment to Quality

In recognition of the fact that quality is the cornerstone of corporate value, we have shared our approach to quality management throughout the Company, and are implementing two tiers of quality management: Company-wide efforts by the Quality Management Supervisory Office, made up of head office staff, and independent efforts by each internal company. In order to oversee this two-tiered quality assurance system, regular meetings are held by a cross-organizational body to promote multifaceted and well-regulated activities for ensuring product quality.

## Our approach to quality management

TOKYO KEIKI's basic philosophy regarding quality is to place the highest priority on "ensuring safety and security" and "earning customers' trust."

These principles have been developed into the Management Philosophy, the Group Code of Conduct, and the Code of Ethical Conduct, forming the backbone of quality management for each internal company and the Company as a whole.

### Common quality control policies

In order to put our basic philosophy into practice, each internal company has formulated its own quality policy

and is working actively to acquire various certifications, including ISO 9001.

### Acquisition of ISO9001 and other certifications

|                   |   |
|-------------------|---|
| <b>ISO9001</b>    | Marine Systems Company<br>Measurement Systems Company<br>Fluid Power & Control Systems Company<br>Inspection Systems Company<br>Communication & Control Systems Company |
| <b>JIS Q 9100</b> | Electronics Systems Company   |

## Quality management promotion system

### Two tiers of quality management

An impropriety in the product inspection process uncovered at our Fluid Power & Control Systems Company in August 2018 caused a great deal of trouble to our customers and to wider society.

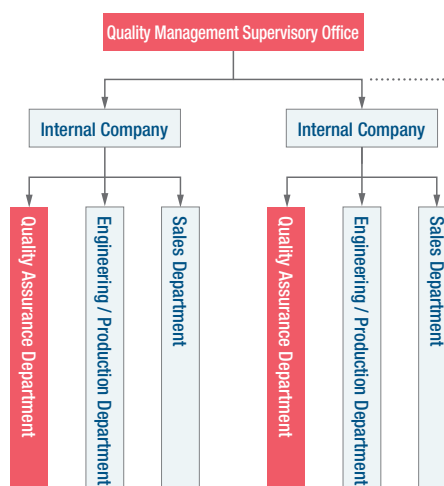
In FY 2019, in order to prevent such an event from occurring again, we established a new Quality Management Supervisory Office to deal with company-wide issues relating to quality.

In addition to maintaining and managing the Technical Production Regulations, which are company-wide rules regarding the quality of our products, the Quality Management Supervisory Office complements the independent quality management efforts of individual quality assurance departments by conducting annual inspection quality audits of each internal company and group manufacturing company to prevent any irregularities.

Within each internal company, the Quality Assurance Department is established independently from the Sales, Engineering, and Production departments, providing advice and guidance in the contracting, design and development, purchasing, production, inspection, and

service stages of the work process. In addition, we have established a Company Technical Production Rules framework, allowing each internal company, with their varying characteristics, to draw up its own operational rules as long as they do not violate the Technical Production Rules.

### Schematic of the two-tier quality management system





## Specific measures for quality management

### Quality subcommittee

The Quality Subcommittee was established as a forum for sharing information and resolving cross-organizational quality issues within the Company. It meets under the jurisdiction of the Director in charge of quality, with the quality managers of each internal company and subsidiary as members. It is held four times a year by the Quality Management Supervisory Office to identify Company-wide problems and future challenges relating to quality, and to formulate measures to resolve them.

### Improvement proposal (M-tag) activities

We are using so-called “M-tags” to promote improvements within the Company. M-tags are a way to identify M (“muda,” or waste) in the workplace and describe it on a tag such that it leads to improvements. All employees participate in this activity, and the seven kinds of workplace waste are tallied for each site and categorized into “individual” and “circle.”

The results of the improvements made by each department are compiled for each fiscal year to visualize the results of the initiative.

## Supply chain management

### Our basic approach

The essence of production activities is to procure the materials necessary for product manufacturing at the right time. By building and maintaining relationships of trust with our suppliers and working to realize reciprocal benefits, we will achieve stable production and contribute to society by providing reliable quality.

### Our Basic Materials Management Policy

Our basic approach to material procurement is to obtain products of reliable quality, at reasonable prices, at the right time, and in the right quantities.

To this end, we will develop, maintain, and manage our role as the center of a company-wide purchasing organization, thereby helping to ensure that the procurement of materials is conducted in a smooth and appropriate manner.

In addition, we will strive to maintain and improve a robust and stable supply system for material procurement that is based on relationships of cooperation and trust with our suppliers.

1. Maintain and manage TBB, the core system for purchasing operations, and related systems (purchase requisition B sheet system, accounts payable system, factoring system, Web-EDI, and lease system), and conduct purchasing and related operations based on mutual cooperation.
2. Cooperate with the Factory Materials Department to improve the efficiency of purchasing operations through ongoing promotion of subscription to Web-EDI.
3. Continue to implement internal controls (compliance with laws and internal regulations, risk management, and purchasing processes relevant to financial reporting) in purchasing management operations.
4. Conduct static observations of major suppliers and provide feedback to relevant departments in order to maintain and improve a robust and stable materials supply system. In addition, maintain close relationships with cooperative associations and their members through regular and irregular cooperation on various occasions.
5. As the purchasing department of the head office, work on cost reduction and improvement activities aimed at strengthening our organizational capabilities.

### Numerical results: customer satisfaction

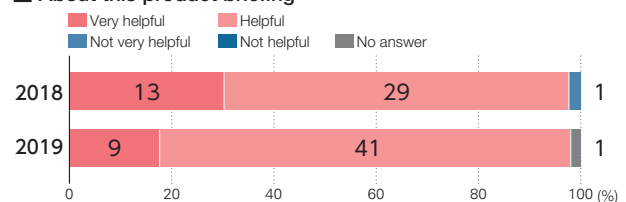
In order to understand and improve customer satisfaction, each internal company is devising various ways to quantitatively measure customer satisfaction in accordance with the characteristics of their respective businesses. Moreover, because ensuring quality is directly linked to customer satisfaction, we are also performing quantitative management based on failure costs.

### Example of a customer satisfaction survey

#### 2019 TOKYO KEIKI Yayoi-kai Working-Level Conference Questionnaire Results

- Dates working-level conferences held: November 8 and 15, 2019
- Total number of questionnaires collected: 51 (23 from East, 28 from West)

#### About this product briefing



In FY 2019 there were no responses of “Not very helpful”

### Examples of purchasing management initiatives

Business policy briefings for suppliers are held in May every year at each of the Group’s production sites (the Nasu Plant, Yaita Plant, and Sano Plant) in an effort to provide accurate information. Quality audits are based on each internal company’s QMS (Quality Management System) and are conducted at the start of transactions, on a regular basis, and on other occasions as deemed appropriate. In addition, there is a system to certify suppliers involved cutting and sheet metal processing, assembly processing, etc. as green procurement companies (companies taking measures against environmentally hazardous substances), which are subject to green procurement inspections that we perform. During these inspections, we provide explanations and guidance on reducing or eliminating environmentally hazardous substances.

#### Toki-mate J-Kai

Toki-mate J-Kai is an organization for young managers at the Group’s small and medium-sized suppliers and the next generation of business managers. In addition to technical exchanges and study sessions, the association regularly holds events to visit our domestic and overseas production sites for training purposes. The association is fully supported by the Material Management & Purchasing Office and the purchasing departments of each production site.

# Together with Employees

Human resources are the most important asset of our Group. We make the cultivation of independent growth-oriented human resources our basic policy for human resource development, and require all employees to take action on their own to generate results. Toward this end, we seek to increase our corporate value by supporting employees' capacity development and by continuously enhancing the value of our human assets.

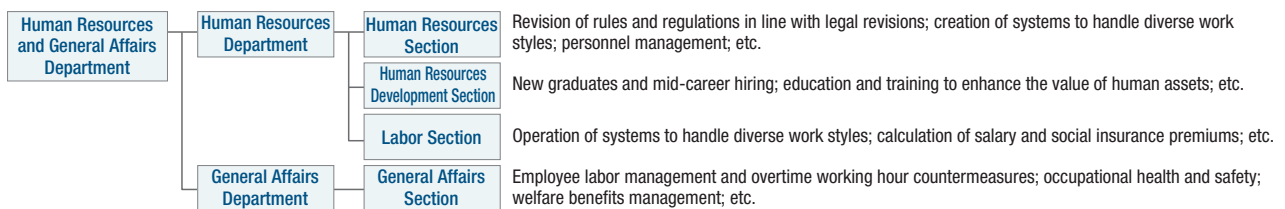
## Concepts and policies regarding human resources

### Our policies for undertaking human resources development

While working to solve social issues through innovation, we will satisfy the needs of our customers and enhance the profitability that forms the foundation of sustainable growth. Toward that end, developing the capabilities of the employees who support that profitability is indispensable. In addition to actively developing company-wide

improvement activities in production, sales, engineering, services, and elsewhere with the aim of solidly raising efficiency for all employees, we will tackle multi-skill development and other human resource development that enhances added value.

### Personnel management system diagram



## Education system

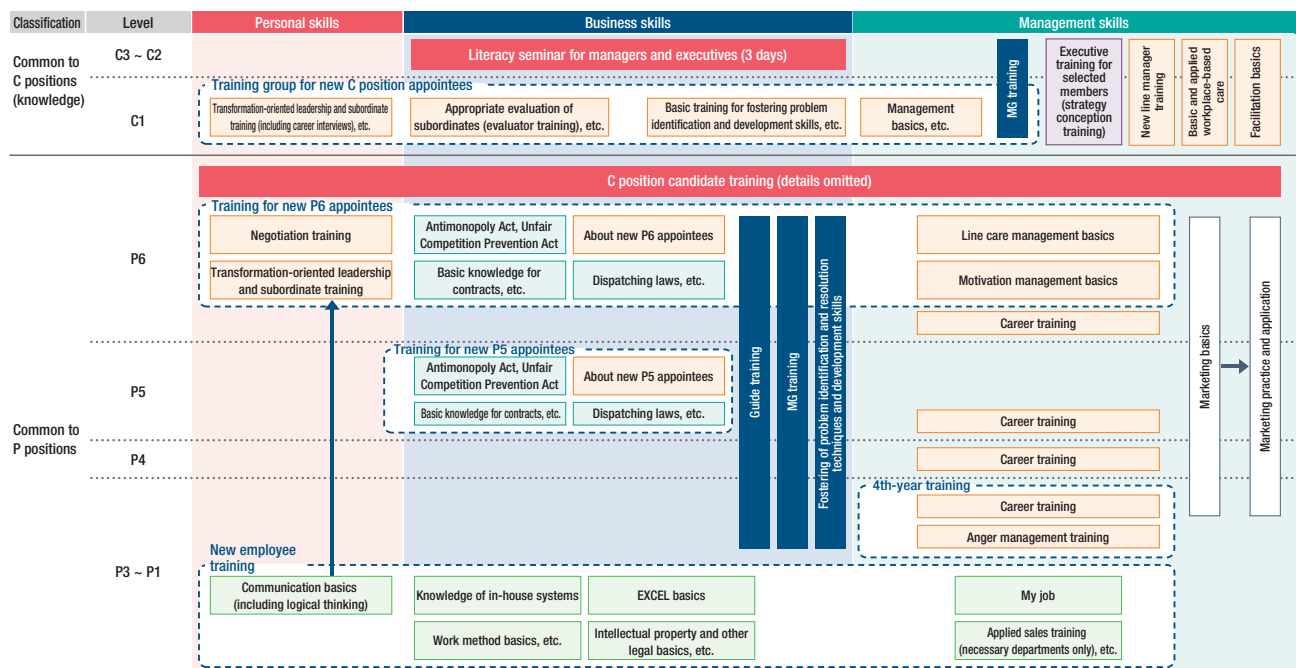
### Career plan

To enhance the value of our human assets, we offer education and training to all employees, from new entrants to executives.

Specific examples include hierarchical education in the form of level-specific training for the maintenance of

knowledge and skills, line manager education in the form of training for the acquisition of management skills and knowledge, and training of selected candidates as future executives.

### Knowledge and skills acquired at each level of hierarchy



\* C positions: Creative positions (managerial positions); P positions: Professional positions (general positions)

## Policies and initiatives for diversity

Our Group strives to employ women and persons with disabilities who seek work, and creates environments conducive to work. In addition to currently active workers with physical disabilities, in 2020 we performed hiring of persons with mental disabilities for the first time. The two hired persons perform work in the Human Resources Department.

While in the midst of the COVID-19 pandemic, the new employees have begun the work of digitalizing the large volumes of paper documents in the Human Resources Department. The Accounting Department has also reported delays in confirmation work involving checking of vouchers that cannot be taken outside the Company, due to the introduction of remote work. The new employees have taken on the work at a satellite office. Their careful work is highly regarded, and has turned into regular monthly work for them. An increasing number of

similar requests have come in from outside the Human Resources Department to which the employees belong.

Case study materials are also being used to expand the area of their work. Highlighting the strengths of members with disabilities and introducing details of the work they have performed is leading to requests from other divisions. We will continue to actively enhance the potential of persons with disabilities and engage in initiatives including the improvement of systems for mental care.

### Number of persons with disabilities employed

|              |           |
|--------------|-----------|
| Headquarters | 12        |
| Nasu Plant   | 10        |
| Yaita Plant  | 7         |
| Sano Plant   | 6         |
| <b>Total</b> | <b>35</b> |

### Employment rate of persons with disabilities

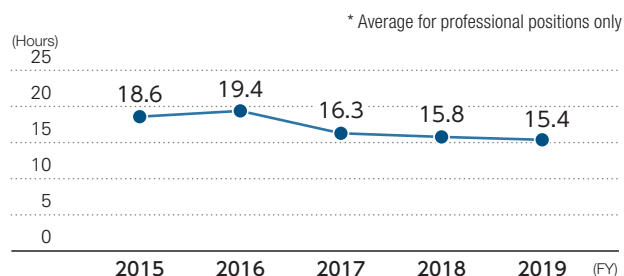
2.24%

## Initiatives for work style reform

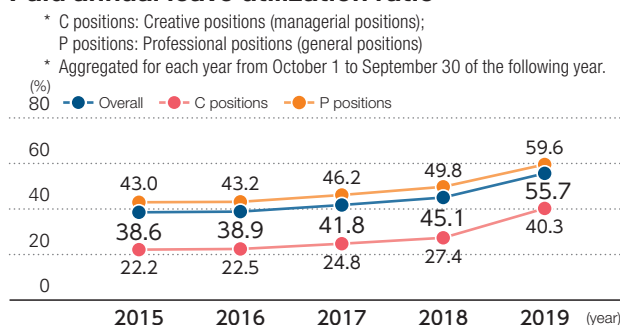
The Company has established programs including telework, flextime, and no-overtime days to flexibly accommodate diverse work styles and let all employees fully exert their capabilities. To help employees stay on the job while raising children, we also enact measures such as allowing shorter working hours until an employee's

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

### Monthly average overtime hours

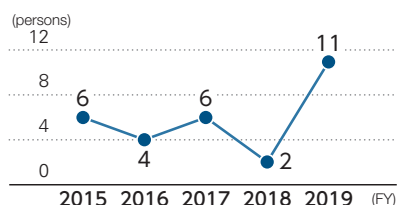


### Paid annual leave utilization ratio



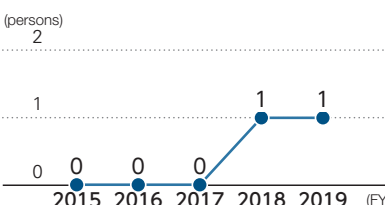
### Number of persons taking childcare leave

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



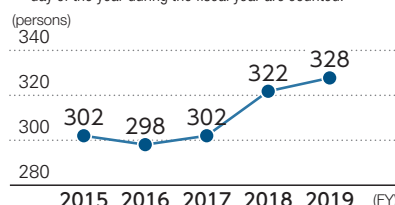
### Number of persons taking nursing care leave

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



### Number of persons taking special annual leave

\* Special annual leave refers to leave days newly granted on October 1 in number equal to days of annual paid leave that had expired in the previous year. It is used for treatment of non-occupational injuries or illnesses, etc., for the purpose of employee welfare. Persons who have used at least one day of the year during the fiscal year are counted.



# Human Rights

Companies must recognize their potential for unintentionally affecting human rights, directly or indirectly, in the conduct of their business, and must engage in business activities with awareness of respect for human rights. We will fulfill our responsibilities as a company on a basis of respect for the human rights of our stakeholders and of all people.

## Concepts and policies regarding human rights

We will respect human rights and will appropriately manage personal information. Under the idea that providing motivating workplaces while respecting the human rights, personalities, and individualities of employees aids in maintaining and strengthening our

competitiveness, we aim to be a company where diverse human resources can play active roles regardless of race, nationality, gender, age, or other characteristics.

/ From our Code of Conduct and Corporate Governance Guidelines

## Initiatives related to human rights

### Initiatives to prevent harassment

#### • Policy on the prevention of harassment

The TOKYO KEIKI Group creates work environments in which all workers can exert their capabilities to the utmost and pursue their potential. At the same time, to achieve pleasant workplaces where people can actively collaborate and cooperate with others, we seek to take measures to prevent and eliminate harassment in workplaces and to respond promptly and fairly to complaints and requests for consultations concerning harassment.

#### • Regulations for the prevention of harassment

Our Harassment Prevention Regulations compile definitions of harassment and prohibited acts that had been dispersed among different work regulations. In 2019, we renewed the regulations to add definitions related to power harassment and sexual harassment and to address LGBT employees. These prevention regulations apply to officers, executive officers, creative employees, professional employees, senior employees, contractors, pre-professional employees, fixed-term contract employees, and temporary employees working in the TOKYO KEIKI Group (including persons seconded to companies outside the Group), as well as to customers and business partners where the noted persons are involved.

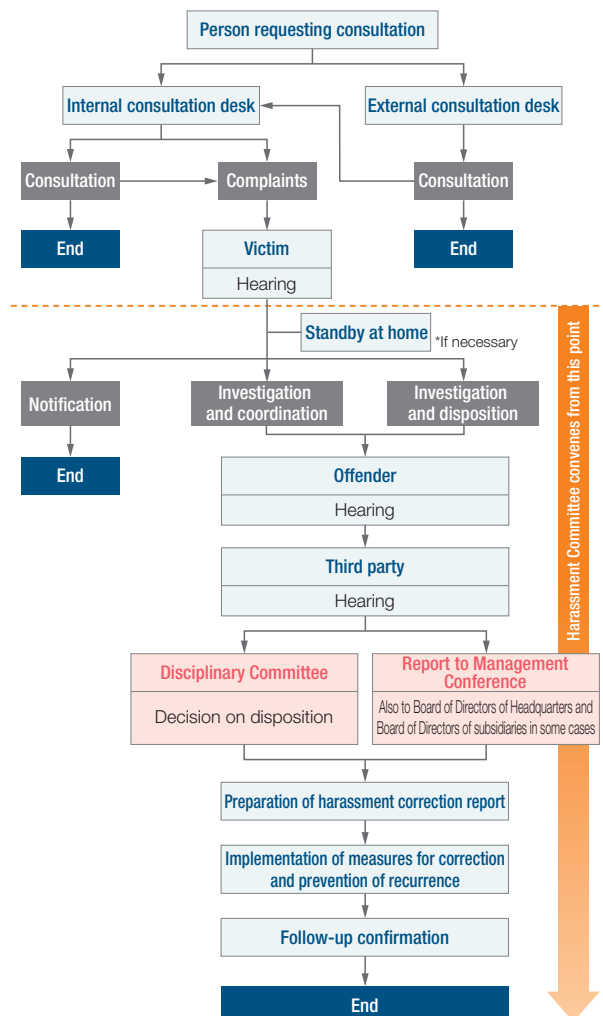
#### • Programs to prevent harassment

We have set up consultation desks shared across the TOKYO KEIKI Group, both inside and outside the Company, to accept information from persons who have been or who feel they have been subjected to harm, from persons who have witnessed or heard of incidents of harassment, or from other third parties who experience suspicions.

When a matter is deemed to be of severe degree, the Harassment Committee will make a determination of whether harassment has occurred, seeking input from attorneys and other experts. Following that, the committee will report to the Management Conference (in the case of a subsidiary, to the subsidiary's Board of Directors as well) and to the Board of Directors of

Headquarters as necessary, and will make a report and entrust consideration of disposition to the Disciplinary Committee. The Harassment Committee will then consider and implement measures for correction and prevention of recurrence, after which the committee, the head of the relevant department, and management supervisors will prepare a harassment correction report.

### The problem-solving process



# Occupational Health and Safety

Employee health and safety forms the foundation for our corporate activities. As a part of the manufacturing industry, we realize that the physical and mental health of all of our employees is a key factor in continuing operations with safety at the forefront. Under this recognition, we will strive to create and maintain workplaces where employees can work with peace of mind, and will continuously work to create environments in which accidents do not happen.

## Concepts, policies, and systems for occupational health and safety

### Occupational Health and Safety Policy

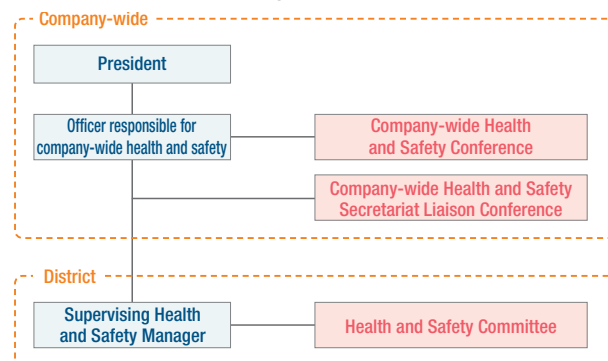
Recognizing that, based on principles of respect for people, the securing of safety takes priority over all other activities and that health forms the foundation for corporate activity, TOKYO KEIKI INC. engages in business in accordance with the following provisions.

1. We will eliminate risk factors related to occupational health and safety in the workplace, strive to create comfortable workplaces, and promote the maintenance and improvement of physical and mental health.
2. We will build a health and safety management system that includes occupational health and safety policies, and will maintain its appropriateness, validity, and effectiveness by making continuous improvements.
3. We will make occupational health and safety policies and other necessary matters known to all persons who work at the Company, and will work to enhance awareness of health and safety.
4. We will comply with laws and regulations related to occupational health and safety management systems, with agreements concluded by the Company, and with matters set forth in internal rules.

### Systems for occupational health and safety

Our health and safety organization is composed of a district organization that consists of employees working at our sites and a company-wide organization that coordinates the district organizations. (See the health and safety organization chart.) Workplace health and safety conferences held monthly at each workplace conduct explanations of the content of health and safety implementation reports, discuss safety directives and arrangements concerning tasks accompanied by risk, and work to resolve other matters noted as health and

### Health and safety organization chart



safety issues. Matters that cannot be resolved at the conferences are sent to the Occupational Health and Safety Management Conference.

### Occupational accidents in fiscal 2019

Looking at work-related accidents in fiscal 2019 compared to the previous fiscal year, occupational accidents were unchanged at 9 incidents, commuting-related accidents increased by 4 incidents to 14 incidents, and traffic accidents fell by 15 incidents to 12 incidents. To prevent further work-related accidents, we will continue striving to ensure safety by enforcing safety and disaster readiness at factories and during commuting.

## Thinking about health

As stated in our Occupational Health and Safety Policy, we recognize that the physical and mental health of our employees forms the foundation of our corporate activities.

### Specific initiatives

#### • Initiatives for health management

We engage in initiatives such as the following for the improvement and maintenance of our employees' health.

- Display of calories on menus in our workplace cafeterias and the regular provision of healthy menus
- Holding of walking events by the health insurance association
 

We hold a walking event aimed at improving employees' health, led by the health insurance

association. A total of 559 employees have taken part in the event since its start in 2012.

#### ○ Influenza vaccination

We promote influenza vaccination across the Company. In fiscal 2019, 87.6% of all employees underwent vaccination.

#### • Initiatives for mental health

Through occupational health nurses and Human Resources and General Affairs Department staff in charge of health care, we provide training for self-care and for workplace-based care. We also conduct stress checks for employees and provide feedback on the results. In fiscal 2019, we conducted stress checks for 1,934 persons, with a response rate of 95.2% (1,842 persons analyzed).

# Social Contribution

With awareness of our existence as a public entity within society, our Group contributes to the development of the communities in which we conduct business and readily contributes to society through a variety of activities.

## Concepts and systems for social contribution

### Our concept of social contribution under our Management Philosophy

Taking the items “Engage in sound and fair corporate activities in line with social norms” and “Protect the environment and work to conserve limited resources” stated in our Management Philosophy as the foundation for our approach to social contribution, we make contributions to the areas around our workplaces and engage in environmental protection activities.

### System for social contribution activities

Our measures for everyday community contribution are planned and handled by the Human Resources and General Affairs Department in the Headquarters district and the Factory Management Section in individual factories.

Planning for aid, relief funds, and so on in the event of serious damage due to natural disaster is coordinated group-wide by a disaster task force set up during an emergency or by the Corporate Planning & Administration Office.

## Examples of social contribution

### Environment-related

#### • Japanese red pine conservation activities in a state-owned forest (town of Nasu, Tochigi Prefecture)

Near the Nasu Plant in the town of Nasu in Tochigi Prefecture is a state-owned forest of Japanese red pine. This vast forest, loved by Emperor Showa, was once a beautiful location with thickets of Japanese red pine. Damage by pine weevils, however, has sharply decreased the number of trees.

Employee volunteers from the Nasu Plant take part in activities to conserve the trees. Responding to the Enna Forest Management Office’s campaign to protect Japanese red pine tree forest along the Nasu Kaido Road and preserve the landscape, volunteers working under the office’s commissioner began with sapling planting and leaf pickup in March, followed by thinning and pruning of the planted Japanese red pine trees, then undergrowth cutting in June and July.

This volunteer activity is now in its 5th year. We hope to continue working alongside people in local communities.



Japanese red pine forest conservation activity

#### • Participation in UMIGOMI Zero WEEK

The problem of marine litter is a growing one across the planet. Under the UMIGOMI Zero Campaign, a joint project of The Nippon Foundation and the Ministry of the Environment, the roughly week-long period from Zero Litter Day on May 30 to World Oceans Day on June 8 is designated UMIGOMI Zero WEEK, with events to reduce “umigomi” (ocean litter) held all over the country. We also take part in cleanup campaigns, centered on the Marine Systems Company. In June 2019, about 50 people from 7 companies took part in a cleanup at Kasai Rinkai Park in Tokyo. Despite a beautiful appearance, the park contained many kinds of garbage including fishing lines, food-related trash, and even blankets, yielding enough litter to fill a light truck.



UMIGOMI Zero WEEK cleanup

### Medical-related

#### • Cooperation in Japanese Red Cross Society blood drive

At the Headquarters district and at factories, we cooperate in regular blood drives of the Japanese Red Cross Society.

• Donation of surgical masks to medical institutions

On April 30 and May 1, 2020, during the state of emergency issued under the COVID-19 pandemic, we donated 3,000 surgical masks to each of two Ota Ward medical institutions with which our Company has a close relationship (Tokyo Kamata Medical Center and Toho University Omori Medical Center).

The masks were sent as aid by Group company TOKYO KEIKI (SHANGHAI) CO., LTD. (TKS) in response to the announcement of the state of emergency in Japan. Two types of masks arrived from TKS: surgical masks for medical use and general non-woven material masks. The decision was made to donate the 6,000 surgical masks to medical institutions at the forefront of the fight against the novel coronavirus.

The general non-woven material masks will be stockpiled for emergencies, and will be used in workplaces as needed as masks for infectious disease control.



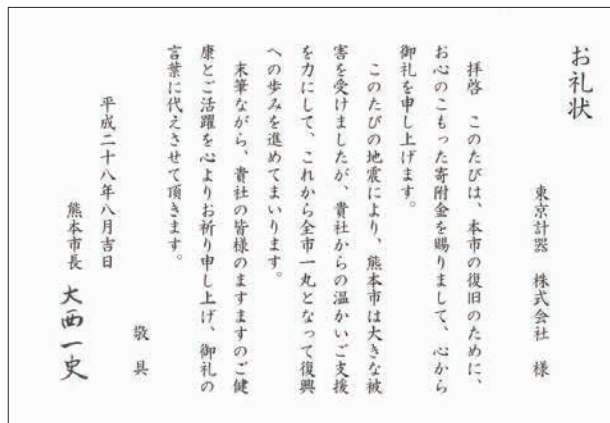
Letter of appreciation from Toho University Omori Medical Center

Disaster-related

• Disaster relief fund contributions

We contributed donations and relief fund aid through local governments in disaster-stricken areas and through the Japanese Red Cross Society to help affected persons and to assist in recovery.

- 2019: Typhoon No. 19 (Sano / ¥2 million)
- 2018: Heavy rains in July (Japanese Red Cross Society / ¥3 million)
- 2016: Kumamoto Earthquake (Kumamoto / ¥3 million)



Letter of appreciation for Kumamoto earthquake relief aid

Community contribution, special annual leave program, etc.

As contributions to local communities at our sites, we engage in numerous activities such as donations to festivals and elementary school softball competitions, co-sponsorship of fireworks displays, and dispatch of instructors for special classes at schools.

As a program to encourage employee participation in volunteer activities, in addition to our normal annual paid leave program, we have established a special annual leave program that grants leave days in number equal to unused paid annual leave days that expired in the previous year. This leave can be used in special circumstances such as taking continuous leave for regional reconstruction in the event of a disaster. In addition to annual leave and special annual leave, persons affected by disaster may take up to 7 days within a period of 14 calendar days following the disaster as general leave (paid leave).

In addition, paid leave is granted for the exercise of civil rights in cases of performing civil duties such as lay judge duty and Committee for Inquest into the Prosecution duty.



Dispatched lecture at Yaita Junior High School in Yaita, Tochigi Prefecture

# Corporate Governance

By improving our corporate value through the realization of our Management Philosophy, and by increasing shared benefit with our stakeholders in the long term, we want shareholders to feel confident in long-term ownership of our shares. Toward this end, we continuously pursue and work to enhance excellent corporate governance.

## Concepts of corporate governance

Along with an understanding of the importance of corporate ethics, we recognize that achieving health, transparency, efficiency, and highly agile corporate management is the key point of corporate management systems for the sustainable growth and development of a company and the increase in its long-term corporate value as it responds swiftly to rapid changes in society and the environment – that is, it is the key point of corporate governance. We are enhancing our corporate governance in line with the following basic approaches.

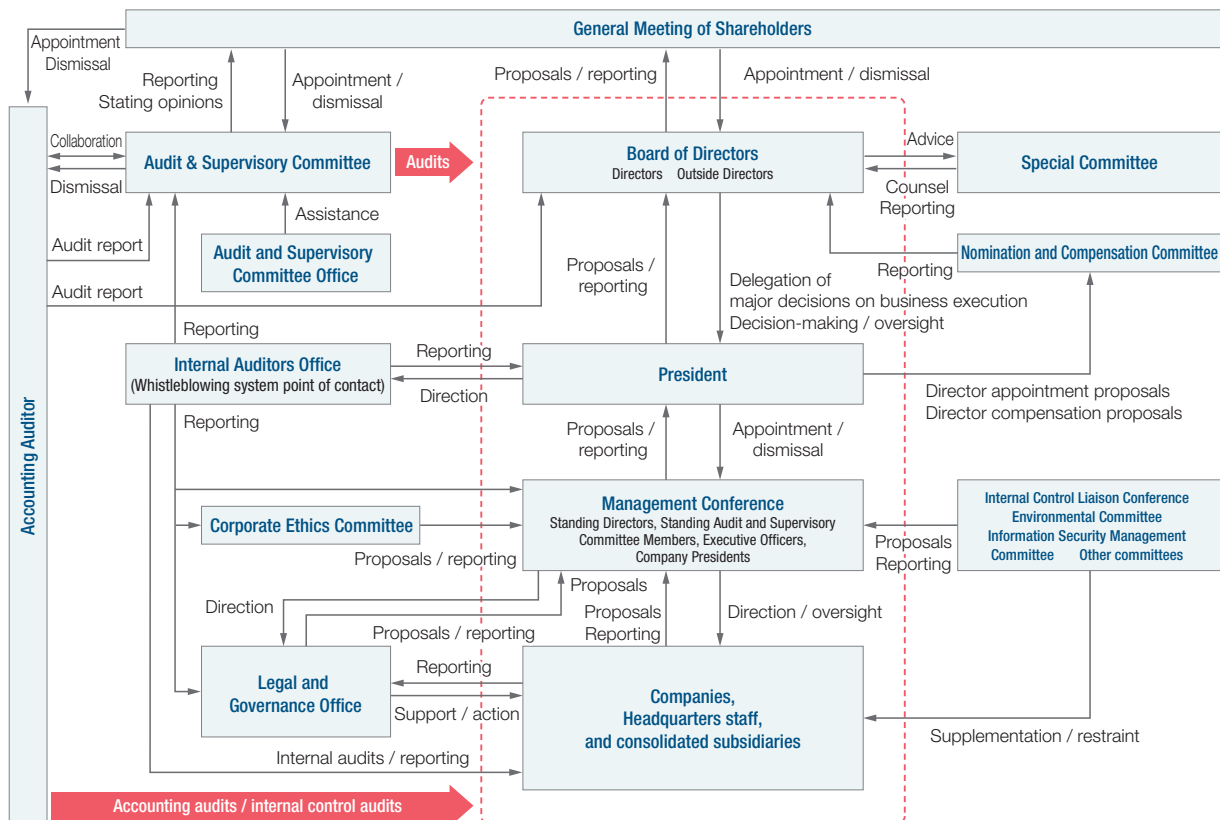
### Relationship with shareholders and other stakeholders

1. We will respect the rights of shareholders.
2. We will ensure the equality of shareholders.
3. We will build positive and smooth relationships with our shareholders and many other stakeholders.
4. We will properly disclose company information and ensure transparency in our corporate management.

## System of corporate governance

As the organizational structure of our Company under the Companies Act, we have adopted the form of a company with an Audit and Supervisory Committee. We have an Audit and Supervisory Committee in which Outside Directors with independence and neutrality make up a majority of Members, and delegate a substantial portion of the Board of Directors' authority for business execution to Directors. Doing so allows us

to separate the oversight and execution of business and engage in speedy decision-making. Looking ahead, we intend to ensure reliability in our financial statements and otherwise further enhance internal control within the Group overall, and will further strengthen systems including risk analysis in order to stay abreast of changes in the business environment under globalization.





## Composition and functions of the Board of Directors

### Basic policy on the composition of the Board of Directors

Directors who are not Management Executives (Representative Director and Executive Directors (President, Vice President, Senior Executive Director, Executive Director)) or Audit and Supervisory Committee Members are appointed, fully taking into account the overall balance of the Board of Directors and whether the candidates possess the knowledge, experience, and capabilities required to satisfy diversity.

Director candidates who are Audit and Supervisory Committee Members are appointed based on comprehensive judgment of whether the candidates possess sufficient knowledge to properly perform the duties of Members of the Audit and Supervisory Committee. In particular, we include one or more persons who possess sufficient financial and accounting knowledge.

We also strive to appoint Outside Directors with independence and neutrality to at least one third of Director positions.

### Concepts concerning the functions of the Board of Directors and independence

Outside Directors are Directors who are personally and financially independent from the Company and who fulfill the requirements for independent officers established by the Tokyo Stock Exchange, as well as the requirements for outside directors set forth in the Companies Act. Outside Directors make efforts to achieve excellent corporate governance by providing counsel from perspectives differing from those of other Directors. As necessary, they may request submission of internal company materials or explanation and reporting of internal company information from other Directors, Executive Officers, or employees.

Audit and Supervisory Committee Members bear the role of working to establish an effective corporate governance system by overseeing and auditing the execution of duties by Directors. The Audit and Supervisory Committee composed of those members conducts verification of the content of reports received

from Directors, Executive Officers, employees, Accounting Auditors, and other parties, as well as investigation of the status of the Company's business and assets. The Committee enacts necessary measures in a timely manner, including the provision of counsel, recommendations, and other opinions to Directors and suspension of the actions of Directors.

### Composition of the Board of Directors

The Board of Directors invites two Outside Directors (including two Directors who are Audit and Supervisory Committee Members) for inclusion among its six Directors (including three Directors who are Audit and Supervisory Committee Members), from whom the Board receives candid comments from an external perspective and opinions of benefit to the Company's management based on the individuals' abundant experience. By doing so, we are making efforts to enhance the impartiality of our management and strengthen functions for the oversight of decision-making and execution of duties by business executives. Delegating important decisions on business execution to the President in accordance with the provisions of the Articles of Incorporation and resolutions by the Board of Directors enables swift decision-making in management and agile business execution, and allows the Board of Directors to focus on the oversight of business executives. The Company has also established a Nomination and Compensation Committee under the Board of Directors to deliberate on proposals for Director appointment and compensation. This committee is chaired by the President, with two Outside Directors serving as Members.

The Audit and Supervisory Committee is composed of two Outside Directors and one Internal Director. The Internal Director, as Standing Audit and Supervisory Committee Member, serves as Chair of the Committee. We have also established the Audit and Supervisory Committee Office, with one dedicated staff person and one staff person concurrently holding another position. This office supports auditing work and smooth execution of duties by the Audit and Supervisory Committee.

## Evaluation of effectiveness

### Points in conducting evaluations of the Board of Directors during the reporting period

We carry out evaluations of effectiveness on the basis of Article 30 of our Corporate Governance Guidelines, which states, “The Board of Directors will, to evaluate its effectiveness, conduct self-evaluation at the end of each fiscal year with a focus on whether the execution of duties by the Board of Directors was performed in accordance with these Guidelines, and will analyze and evaluate the results. An outline of the results of the analysis and evaluation will also be disclosed as appropriate.” We disclose results in our Corporate Governance Report.

Regarding the evaluation of effectiveness of the Board of Directors in the 89th term (the fiscal 2019/March 2020 term), we conducted a questionnaire survey (consisting of 17 questions covering Board composition, operation, deliberations, support system, relationship with stakeholders, and degree of contribution of individual Directors), with anonymous response answer sheets, for all Directors including Audit and Supervisory Committee

Members. The responses were aggregated and analyzed, and the results were discussed at the Board of Directors meeting held in May.

As a result, our Company’s Board of Directors has determined that the duties of the Board of Directors are being performed appropriately and that no problem exists in its effectiveness. Some improvements were seen in deliberation of management strategy and business strategy, an issue addressed in the previous year. However, in advance deliberation regarding management policy and business planning and in evaluation of progress, issues were recognized in methods of discussion and evaluation in Board of Directors meetings and in the allocation of time; these issues were shared with the Board of Directors. Looking ahead, we will continue our ongoing improvement measures, determine specific improvement measures for the identified issues, and reconfirm progress and results in the next effectiveness evaluation.

## Officer compensation system

### Basic policies

Compensation for directors who are not Audit and Supervisory Committee Members is composed of monthly fixed compensation (basic compensation), performance-linked compensation, and transfer-restricted stock compensation, with the aim of reflecting business performance and sharing the values of shareholders. Transfer-restricted stock compensation was introduced in June 2020 in place of compensation for the purpose of acquiring shares. Outside Directors who are not Audit and Supervisory Committee Members receive only monthly fixed compensation. For all compensation amounts, proposals are first submitted by the President to the

Nomination and Compensation Committee, then received by the Board of Directors from the Committee in the form of a Memorandum on Director Compensation, based on which compensation amounts are finally determined, proposed, and resolved by the Board of Directors.

Compensation for Audit & Supervisory Committee Members, consisting of only basic compensation in the form of monthly fixed compensation, is determined through deliberation by Audit and Supervisory Committee Members on the basis of Members’ roles, duties, and categorization of standing or non-standing status, within the total amount determined at the General Meeting of Shareholders.

### Amount of compensation by officer category

| Officer category  | Total amount of compensation, etc. (million yen) | Total amount by type of compensation, etc. (million yen) |   |                                 | Number of eligible officers |
|---|--|--|---|---------------------------------|-----------------------------|
|   |  | Basic compensation                                       | Compensation for the purpose of stock acquisition<br>(Note 2) | Performance-linked compensation |                             |
| Directors who are not Audit and Supervisory Committee Members (excluding Outside Directors) | 95   | 71   | 14  | 10                              | 4                           |
| Directors who are Audit and Supervisory Committee Members (excluding Outside Directors)     | 17   | 17   | –   | –                               | 2                           |
| Outside Officers (Note 1)   | 10   | 10   | –   | –                               | 2                           |

Notes 1. The total amount of compensation, etc. for Outside Officers is the amount of compensation for Outside Audit and Supervisory Committee Members.

2. Compensation for the purpose of stock acquisition is suspended as of June 2020, due to the introduction of transfer-restricted stock compensation.

3. The total amount of the above compensation, etc. for Directors does not include amounts equivalent to the employee salaries of Directors who serve concurrently as employees.

# Stakeholder Engagement

To the extent possible, we provide opportunities for dialogs with stakeholders to discuss and exchange thoughts on the status of our business and our initiatives to resolve social issues through our business. We will continue such efforts to enhance communication.

## Major areas of stakeholder engagement

| Stakeholders                  | Communication method   | Point of contact for dialog  |
|-------------------------------|--|--|
| Customers                     | <ul style="list-style-type: none"> <li>• Daily sales activities</li> <li>• Explanation of product operation</li> <li>• Training</li> <li>• Product maintenance and service</li> <li>• Exhibitions, etc.</li> <li>• Hydraulic School (course on hydraulics)</li> </ul>  | <ul style="list-style-type: none"> <li>• Business Divisions (sales/service departments)</li> <li>• Corporate Communications Office</li> </ul>  |
| Shareholders / Investors      | <ul style="list-style-type: none"> <li>• Financial results briefings*1</li> <li>• Delivery of financial results briefing materials on IR-related web pages</li> <li>• Individual meetings with institutional investors (two to three companies per month on average)*1</li> <li>• General Meeting of Shareholders</li> </ul> | <ul style="list-style-type: none"> <li>• Corporate Communications Office</li> <li>• Legal and Governance Office (General Meeting of Shareholders)</li> </ul>   |
| Suppliers / partner companies | <ul style="list-style-type: none"> <li>• Holding of business policy briefing sessions (cooperating factories, distributors, agents)</li> <li>• Daily procurement activities</li> <li>• Auditing of cooperating factories</li> </ul>  | <ul style="list-style-type: none"> <li>• Material Management &amp; Purchasing Office, factories' materials sections</li> <li>• Business Divisions (sales departments)</li> </ul>   |
| Employees                     | <ul style="list-style-type: none"> <li>• Labor-Management Negotiations / Management Council (labor-management deliberations)</li> <li>• Briefings on programs, dialogs with the President*2</li> <li>• Evaluation interviews</li> </ul>  | <ul style="list-style-type: none"> <li>• Human Resources and General Affairs Department</li> <li>• Corporate Planning &amp; Administration Office</li> </ul>   |
| Communities                   | <ul style="list-style-type: none"> <li>• Dialogs with industrial park unions, etc.</li> <li>• Dialogs with local residents' associations, etc.</li> <li>• Community cleanup campaigns together with companies in vicinity of industrial parks</li> <li>• Sponsorship of local events (fireworks displays, etc.)</li> </ul>   | <ul style="list-style-type: none"> <li>• (Headquarters District) Human Resources and General Affairs Department</li> <li>• (Factories) Factory administration sections</li> <li>• (Hanno) TKA Administration Department*3</li> <li>• (Tanuma) TPS Administration Section*4</li> </ul>  |
| Government                    | <ul style="list-style-type: none"> <li>• Dialogs with government officials (local government, police, fire department, etc.)</li> <li>• Response to government agencies in the event of accident or incident</li> </ul>  | <ul style="list-style-type: none"> <li>• (Headquarters District) Human Resources and General Affairs Department</li> <li>• (Factories) Factory administration sections</li> <li>• (Hanno) TKA Administration Department*3</li> <li>• (Tanuma) TPS Administration Section*4</li> <li>• Corporate Planning &amp; Administration Office (Government agency response)</li> </ul> |

Notes \*1 Conducted online due to COVID-19 pandemic

\*2 Currently suspended due to COVID-19 pandemic safety concerns

\*3 TKA: TOKYO KEIKI AVIATION INC.

\*4 TPS: TOKYO KEIKI POWER SYSTEMS INC.

### TOKYO KEIKI Hydraulic School (course on hydraulics)

TOKYO KEIKI conducts a Hydraulic School to promote a broad understanding of hydraulics.

The course targets persons who have rudimentary knowledge and experience in the area of hydraulics, and who want to acquire comprehensive basic knowledge of hydraulics and the maintenance and inspection of hydraulic systems. Many attendees have passed through the course in the 60-plus years since it began in 1956, contributing to the development and proliferation of hydraulic technology.

The course covers the principle structure and maintenance of pumps, motors, control valves, and other hydraulic control equipment, as well as practical repair and maintenance training using actual equipment.

The school was held twice in 2019, in May and October (with a capacity of 25 attendees each time), at the headquarters building in Kamata, Ota Ward, Tokyo.

Please visit our website for more information.

URL <https://www.tokyokeiki.jp/products/hyd/school.html>

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