
TOKYO KEIKI INC.

**Financial Results Briefing for
1Q of the Fiscal Year Ended March 31, 2021 (Fiscal 2020)
—From April 1 to June 30, 2020—**

August 11, 2020

The forward-looking statements contained in this material reflect the management's assumptions based on currently available information as of the date of announcement. Future changes in business environment and other factors may therefore cause differences with the actual situation.

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Summary of 1Q Results (From April 1 to June 30, 2020)

- ◆ The Hydraulics and Pneumatics Business experienced a decline in demand from major markets due to the COVID-19 pandemic as well as U.S.-China trade friction.
- ◆ The full-year earnings forecast made changes to the forecast disclosed on May 19, 2020 taking into account the current business climate and earnings trends reflecting the impacts of COVID-19 up until now (see supplement on next page).

Supplement to full-year earnings forecast for FY2020

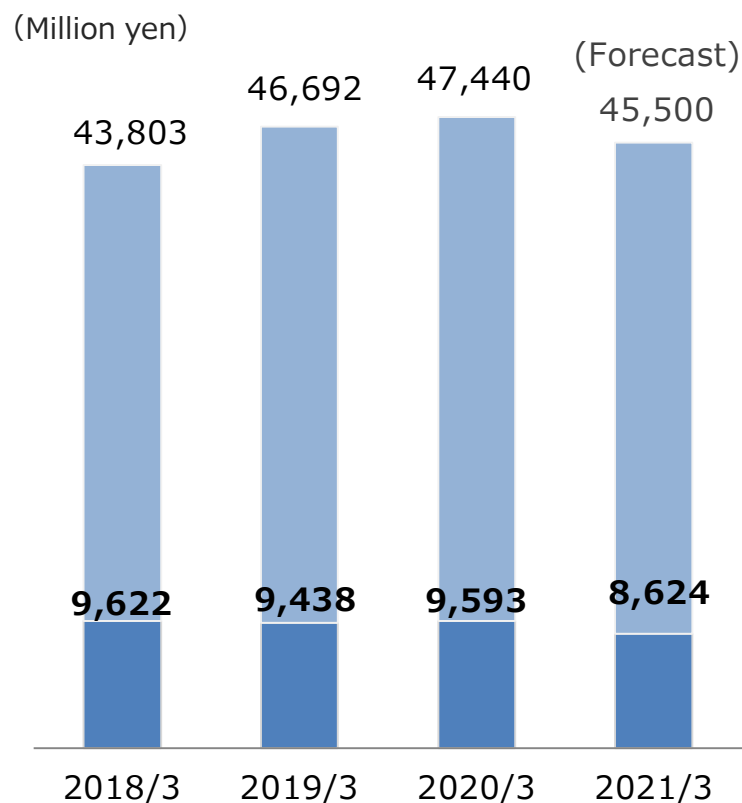
- ◆ Regarding the COVID-19 pandemic, the Japanese government withdrew its state of emergency on May 25, 2020, and since then, we find that economic activities are in the process of recovering, including sales activities and production activities.
- ◆ Our group's earnings are being affected due to changes in customers' production plans and maintenance plans along with deferrals of projects to the next fiscal year, caused by COVID-19. However, as of the end of the first quarter, the impacts on the full-year earnings forecast for the Marine Systems Business, Fluid Measurement Equipment Business, and Defense & Communications Equipment Business are expected to be limited.
- ◆ The Hydraulics and Pneumatics Business saw a downturn in orders on the temporary closure and reduced production of customers in the plastic processing machinery market, machine tool market, and construction machinery market, where our main customers do business, caused by COVID-19. However, manufacturing PMI has risen for two straight months from June, suggesting a recovery is in place, and parts of the plastic processing machinery market are seeing rising demand from COVID-19. This indicates that there are not just negative factors at play, but positive ones as well.
- ◆ As factors outside of the earnings of each business segment, we expect to see an increase in SG&A expenses for reinforcing risk management, including strengthening business continuity systems, such as the work-from-home environment.

2. Trend of Business Results

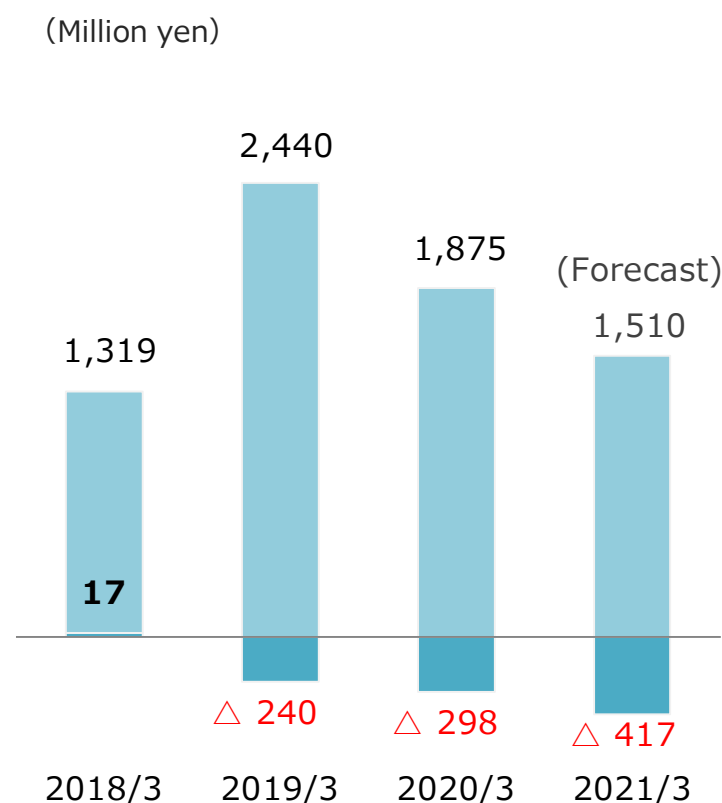
Changes in consolidated profit & loss

Full year
1Q

【Net Sales】



【Operating Profit】

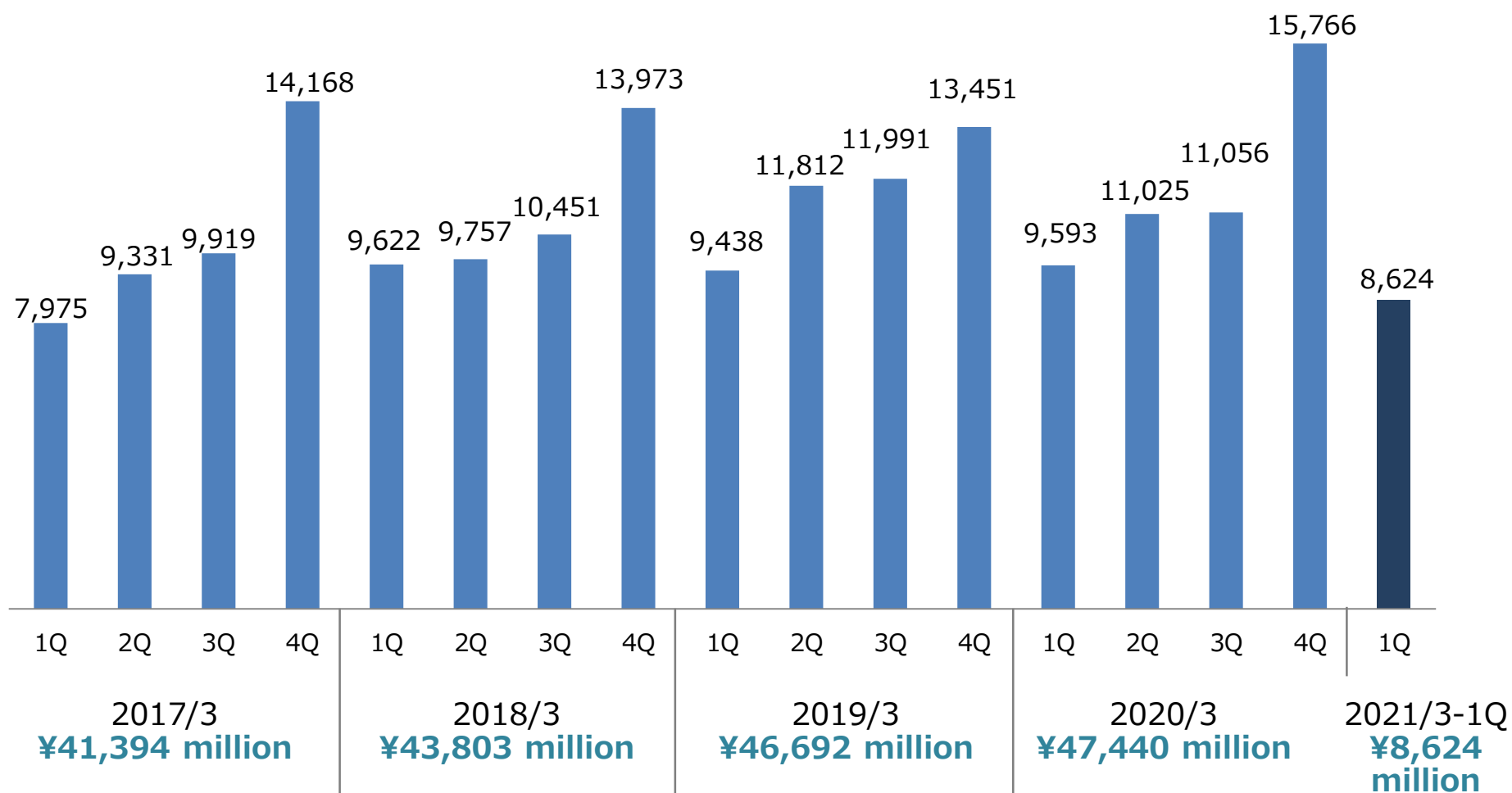


*Full year forecast of Fiscal 2020 was changed in "Summary of financial results for the first-quarter of fiscal 2020" on June 11, 2020.

2. Trend of Business Results

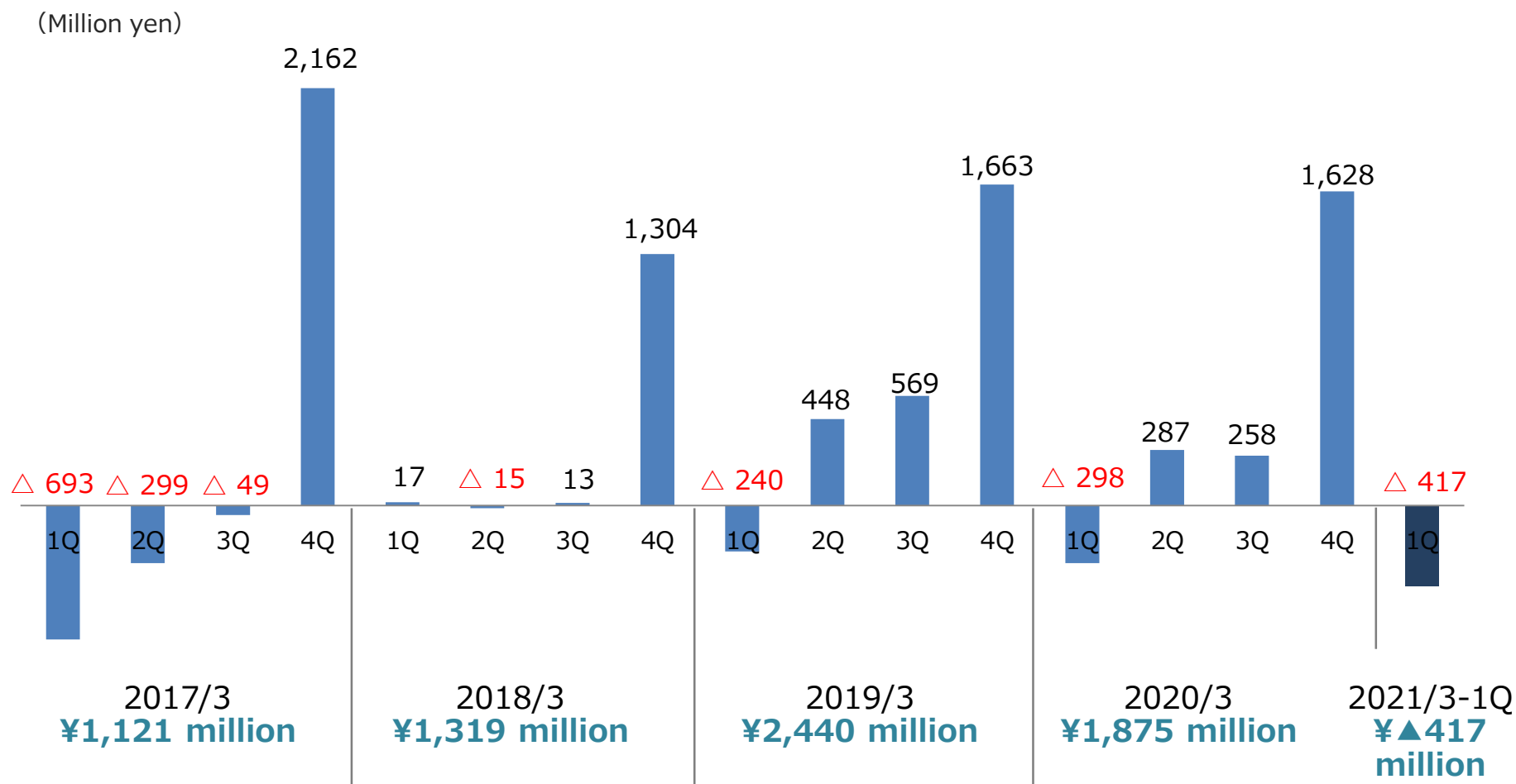
Quarterly changes in net sales

(Million yen)



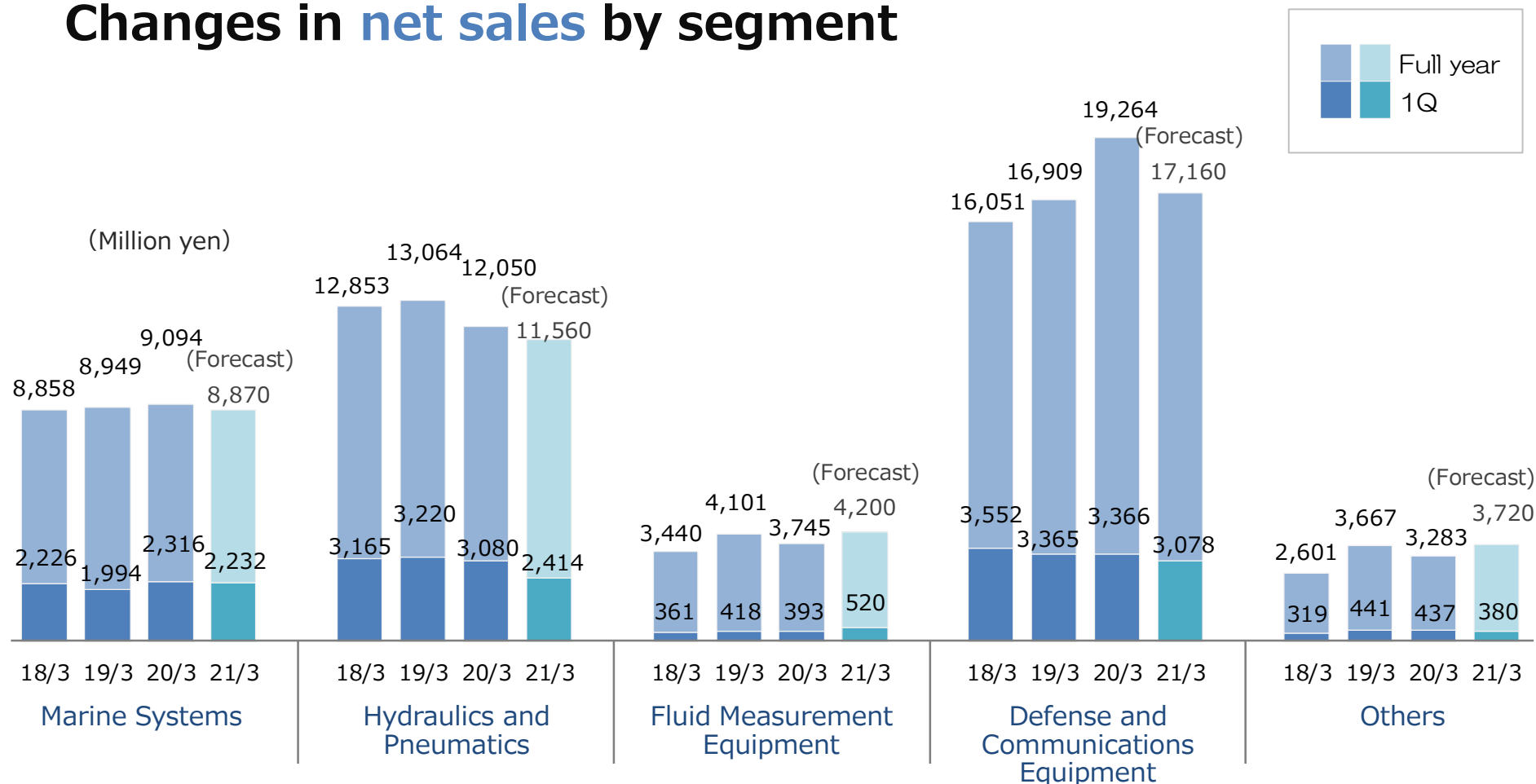
2. Trend of Business Results

Quarterly changes in operating profits



2. Trend of Business Results

Changes in net sales by segment



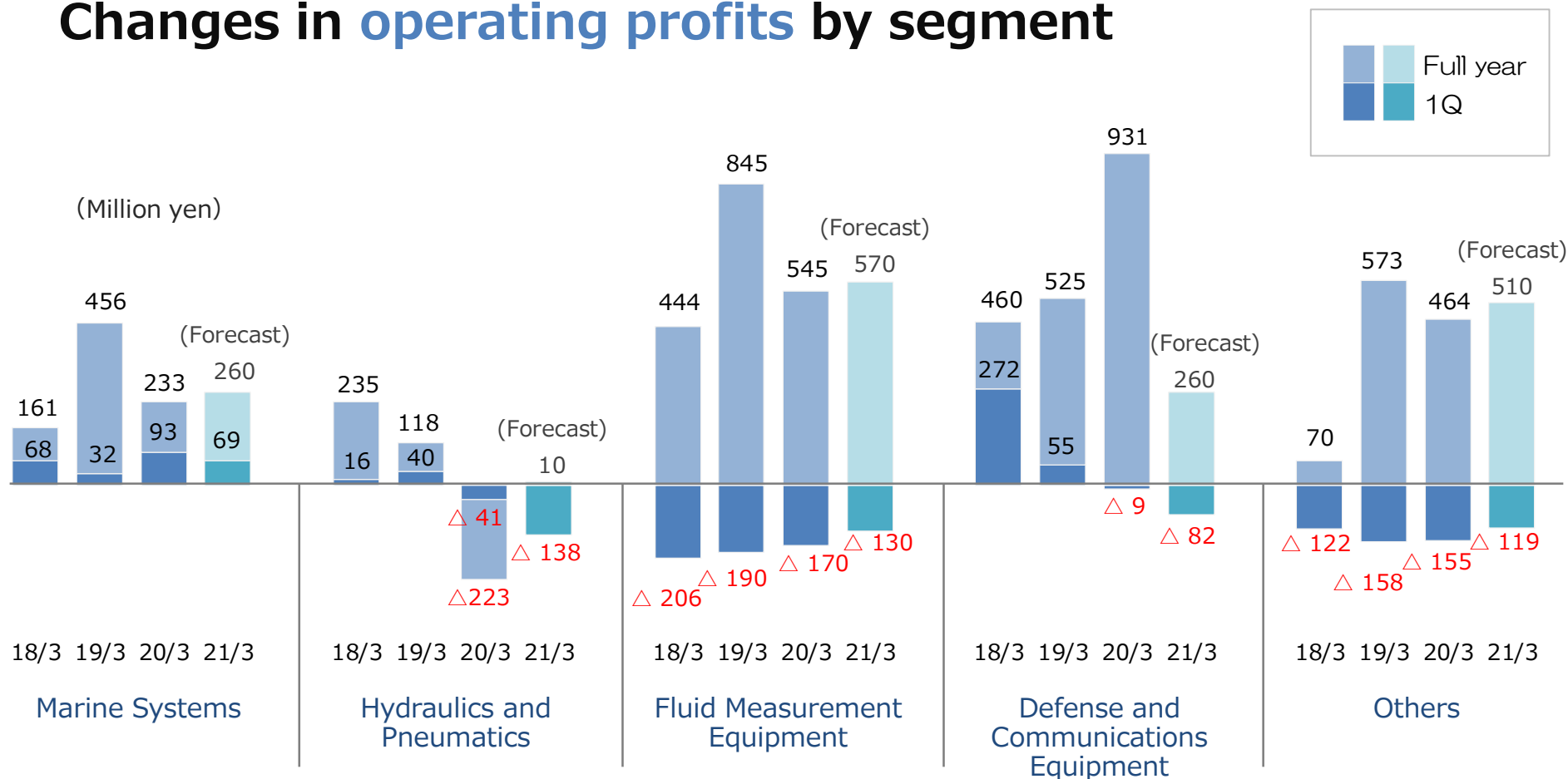
*Net sales before adjustment.

*"Fire Extinguishing Systems Business", which has been included under "Other Businesses", is included under the "Fluid Measurement Equipment Business" in Fiscal 2018. The amounts before Fiscal 2018 are updated to reflect the segment change.

*Full year forecast of Fiscal 2020 was changed in "Summary of financial results for the first-quarter of fiscal 2020" on August 11, 2020.

2. Trend of Business Results

Changes in operating profits by segment



*Operating profits before adjustment.

*"Fire Extinguishing Systems Business", which has been included under "Other Businesses", is included under the "Fluid Measurement Equipment Business" in Fiscal 2018. The amounts before Fiscal 2018 are updated to reflect the segment change.

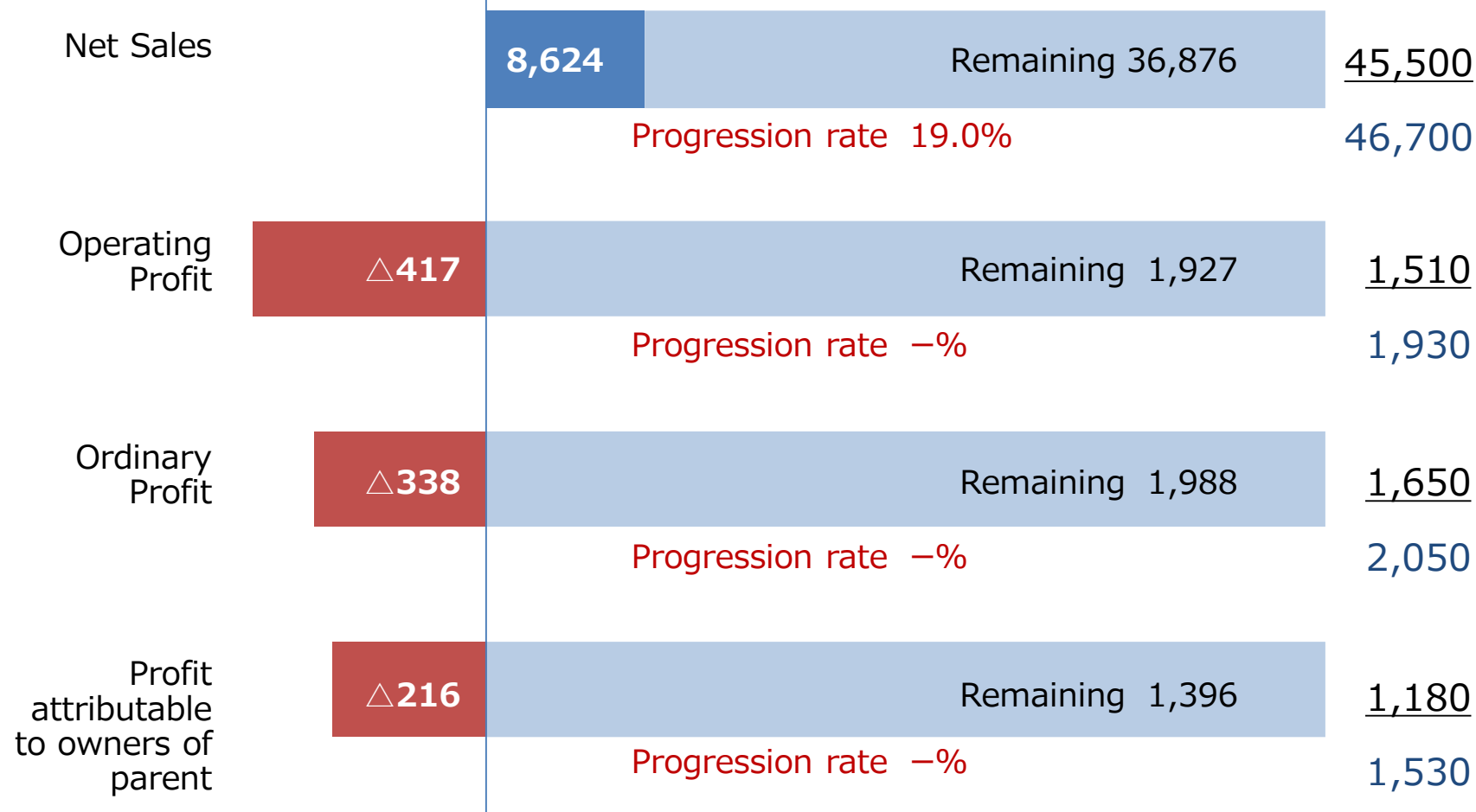
*Full year forecast of Fiscal 2020 was changed in "Summary of financial results for the first-quarter of fiscal 2020" on August 11, 2020.

3. Fiscal 2020 1Q Progress

Fiscal 2020 1Q progress

(Million yen)

Full year forecast
Forecast at the beginning of
the fiscal year



*Full year forecast of Fiscal 2020 was changed in “Summary of financial results for the first-quarter of fiscal 2020” on August 11, 2020.

3. Fiscal 2020 1Q Progress

Progress of **net sales** by segment

(Million yen)

			Full year forecast
		Forecast at the beginning of the fiscal year	
Marine Systems	2,232	Remaining 6,638	8,870
	Progression rate 25.2%		9,200
Hydraulics and Pneumatics	2,414	Remaining 9,146	11,560
	Progression rate 20.9%		12,500
Fluid Measurement Equipment	520	Remaining 3,680	4,200
	Progression rate 12.4%		4,200
Defense and Communications Equipment	3,078	Remaining 14,082	17,160
	Progression rate 17.9%		17,000
Others	380	Remaining 3,340	3,720
	Progression rate 10.2%		3,700

- In contrast with strong sales of purchased goods in the domestic coastal vessels market, the commercial vessels market and overseas market mainly in Asia saw weaker demand for new shipbuilding.

- The plastic processing machinery market, machine tool market, and construction machinery market each saw a downturn in demand, including due to the impacts of COVID-19.

- The fire extinguishing systems market was on par with the previous first quarter.
- The public-sector market saw completion of major projects contribute to higher sales.

- The public-sector market continued to see deliveries of mass-produced products, such as radar warning receivers, but some projects were deferred to the second quarter and beyond, causing a decline year on year.

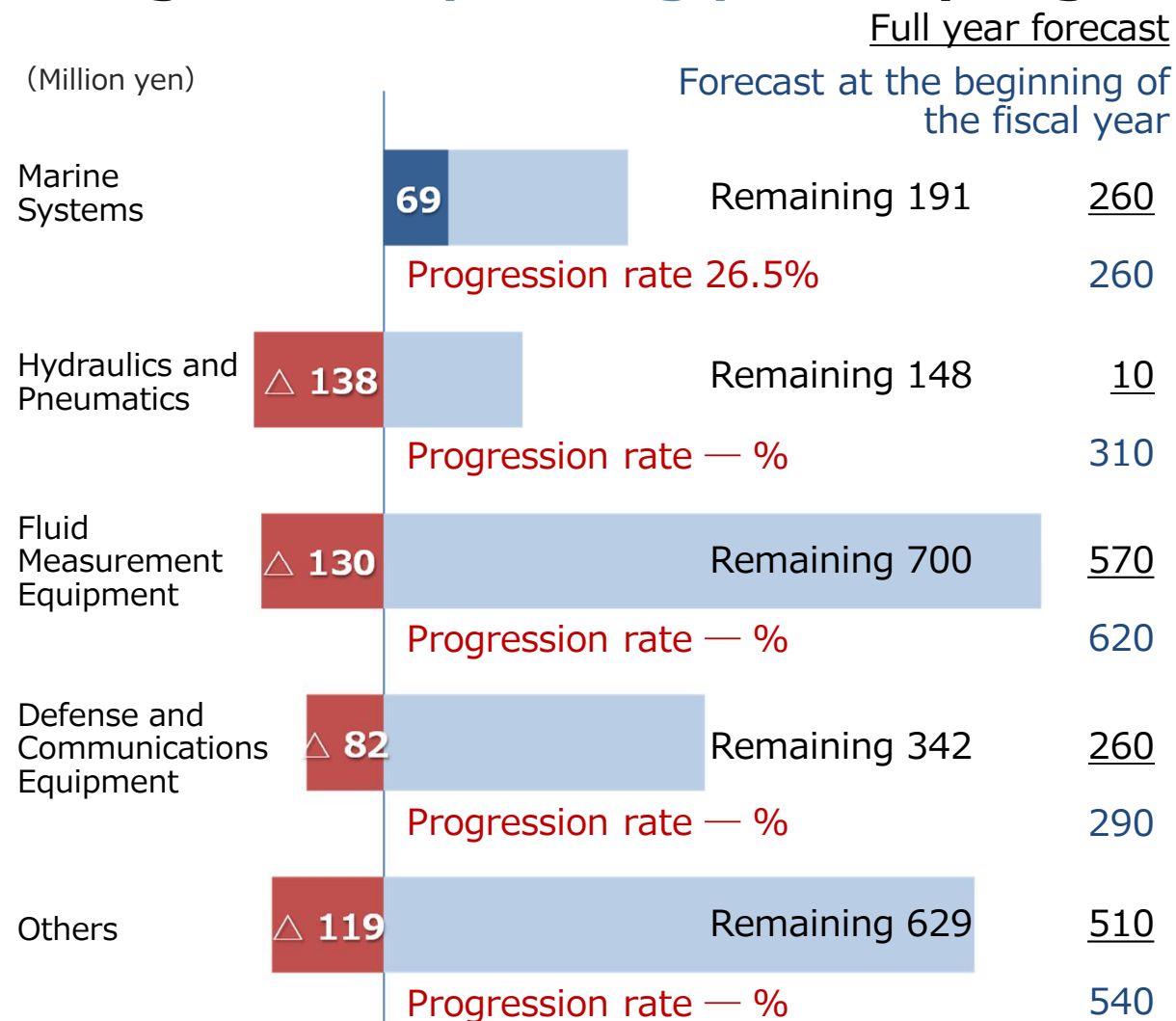
- The Printing Inspection Equipment Business trended at levels on par with the previous first quarter.
- The Railway Maintenance Business saw equipment sales decline because of a lack of large projects seen in the previous first quarter.

*Net sales before adjustment.

*Full year forecast of Fiscal 2020 was changed in "Summary of financial results for the first-quarter of fiscal 2020" on August 11, 2020.

3. Fiscal 2020 1Q Progress

Progress of operating profit by segment



- Profit declined year on year following the drop in sales.
- FX saw the yen at weaker levels than the initial assumption (initial exchange rate: 1 dollar = 103 yen).

- The operating loss increased year on year on worsening cost price rate caused by lower utilization rate, in addition to the drop in sales.

- The operating loss was reduced year on year from the increase in sales.

- The operating loss increased year on year due to the drop in sales.

- The operating loss of the Railway Maintenance Business, which tends to see profits mostly recorded in the second half in normal years, was reduced year on year.

*Operating profit before adjustment.

*Full year forecast of Fiscal 2020 was changed in "Summary of financial results for the first-quarter of fiscal 2020" on August 11, 2020.

4. Status of Orders Received and Order Backlog

	Amount of orders received for 1Q of Fiscal 2020		Amount of order backlog at the end of 1Q of Fiscal 2020		
(Million yen)	Amount	YoY change	Amount	YoY change	Change from the end of FY2019
Marine Systems	2,285	+5.1%	2,729	+2.0%	+2.2%
Hydraulics and Pneumatics	2,266	△29.3%	2,400	△5.8%	△29.4%
Fluid Measurement Equipment	682	△4.1%	1,124	+16.8%	+8.9%
Defense & communications Equipment	1,698	△32.4%	13,888	△9.0%	△30.6%
Reported segment total	6,931	△19.4%	20,141	△6.1%	△25.7%
Others	1,290	+27.0%	1,342	+211.8%	+20.5%
Total	8,222	△14.5%	21,482	△1.8%	△23.9%

- ◆ The Hydraulics and Pneumatics Business experienced a large downturn in orders and order backlog due to the U.S.-China trade conflict and to declining demand in the plastic processing machinery market, machine tool market, and construction machinery market caused by COVID-19.
- ◆ The order backlog for the Defense & Communications Equipment Business declined largely year on year after a peak in mass-production orders for radar warning receivers in the public-sector market, which continued up to the previous first quarter.

5. Consolidated Balance Sheets (Main accounting items only) **TOKYO KEIKI**

(Assets)				(Liabilities and net assets)			
(Million yen)	As of Mar 31, 2020	As of Jun 30, 2020	Amount of change	(Million yen)	As of Mar 31, 2020	As of Jun 30, 2020	Amount of change
Current assets	42,695	40,792	△1,902	Current liabilities	21,736	20,494	△1,243
Cash and deposits	7,709	10,579	+2,870	Notes and accounts payable	5,800	5,411	△359
Notes and accounts receivable	15,262	10,309	△4,952	Short-term loans payable	11,692	11,692	—
Electronically recorded monetary claims	4,404	3,773	△631	Provision for bonuses	1,123	552	△570
Inventories	15,001	15,533	+532	Non-current liabilities	3,197	2,968	△228
Accounts receivable	81	258	+177	Long-term loans payable	1,076	869	△207
Other	240	340	+100	Net defined benefit liability	1,229	1,215	△14
Non-current assets	11,882	11,740	△142	Total liabilities	24,933	23,462	△1,471
Tangible assets	7,004	6,824	△179	Shareholders' equity	29,065	28,439	△626
Intangible assets	0	0	—	Retained earnings	22,542	21,916	△626
Investment securities	2,991	3,101	+110	Total net assets	29,644	29,070	△574
Total assets	54,577	52,532	△2,045	Total liabilities and net assets	54,577	52,532	△2,045

- ◆ Cash and deposits increased significantly because net sales in the fourth quarter of the previous fiscal year were larger than normal (up 2,316 million yen year on year).
- ◆ Inventory assets increased 532 million yen (of which works in process increased 226 million yen), but this figure is down 2,452 million yen compared to the previous first quarter.
- ◆ Retained earnings decreased due to dividends (409 million yen) and net loss attributable to owners of parent (216 million yen).

6. Others

Profit returns to shareholders

[Basic policy]

Implement stable returns to shareholders while maintaining balance with financial capacity.

Regarding the use of internal reserves

Allocate investments aimed at “new technology research” “new product development,” “productivity improvement,” “overseas base expansion,” “human resource development,” “organizational capacity building,” “management resource enhancement,” etc., which serve as the sources for profitability (earning power), in order to achieve sustainable growth and improve medium-to-long-term corporate value, while taking capital efficiency into account.

Dividend for the last five years and forecast for Fiscal 2020

	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3 (Forecast)
Annual dividend per share (yen)	5.00 (Common, 4 + Commemorative, 1)	4.00	20.00	25.00	25.00	25.00
Payout ratio (consolidated) (%)	33.2	46.8	29.6	21.3	28.8	26.7
Total return ratio (consolidated) (%)	39.8	46.8	37.1	25.6	34.7	—

*From Fiscal 2017 (2018/3) onward, dividend amounts are those after consolidation of shares.
(Dividend amount before consolidation of shares is 1/5 of amount shown.)

Status of recent acquisition of treasury shares

	May 2014	May 2015	Nov 2015	Nov 2017	Feb 2019	Nov 2019
Total number of reacquired shares* (yen)	310,000	300,000	335,000	58,000	76,800	84,700
Acquisition cost (million yen)	84	84	84	85	85	85

*From Nov 2017 onward, total numbers of reacquired shares are those after consolidation of shares.

Introduction of a restricted stock compensation plan

(1) Purpose of introducing the plan

The Plan is introduced as a compensation plan that allots restricted shares to executive directors who are not Audit & Supervisory Committee members, the Company's executive officers, and the representative directors of the Company's subsidiaries (hereinafter, "eligible persons under the Plan") in order for eligible persons under the Plan to share the benefits and risks of stock price movements with shareholders more so than before and to further elevate their motivation to contribute to increasing the share price and increasing corporate value.

Furthermore, by introducing the Plan, the provisions of the amount of "stock acquisition compensation" paid out to directors until now will be abolished.

(2) Overview of the Plan

- The Company will pay monetary compensation to the eligible persons under the Plan as compensation for restricted stock pursuant to the resolution passed by the Company's Board of Directors.
- Eligible persons under the Plan will receive allotment of restricted shares by payment of all applicable monetary compensation according to the method of investment in kind.
- The amount to be paid-in per restricted share shall be decided by the Board of Directors based on the closing price of the Company's common share on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution related to the issuance or disposition of such by the Board of Directors (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day), to the extent that will not constitute an especially advantageous sum with respect to the persons eligible under the Plan subscribing to the restricted shares.

(Reference)

The allotment of these shares in the current fiscal year is planned for a total of 19,713 shares on August 19, 2020 as a basis for the disposition of treasury stock.

