
TOKYO KEIKI INC.

Financial Results Briefing for 3Q of the Fiscal Year Ended March 31, 2021 (Fiscal 2020) —From April 1 to December 31, 2020—

February 10, 2021

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.

Summary of 3Q Results (From April 1 to December 31, 2020)

- ◆ The Hydraulics and Pneumatics Business saw a firm recovery trend on the Chinese market. However, market recovery was sluggish in Japan despite the bottoming out of demand decline on major markets due to COVID-19.
- ◆ Full-year earnings forecast is for a slight increase in profits driven by a reduction in SG&A expenses.
- ◆ The Defense & Communications Equipment Business launched new products for the semiconductor production equipment market.
- ◆ Adopted new shareholder benefits program.

1. Summary of financial results for 3Q of FY2020

Topics

Launched new products on semiconductor production equipment market
“Solid state microwave power supply for film deposition equipment”

In addition to our existing products for etching equipment, in 3Q we released a microwave power supply for film deposition equipment.

Planning to start full-scale mass production beginning in FY2022.

We will apply our expertise in microwave technology to advance the development of semiconductor microfabrication and make continuous technology advancements towards the realization of Society 5.0, the vision for a future digital society.

Product features

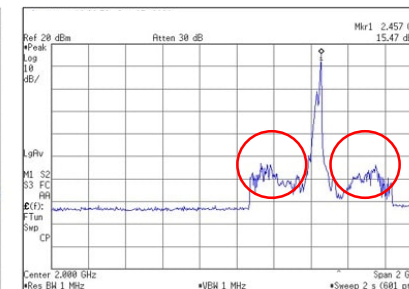
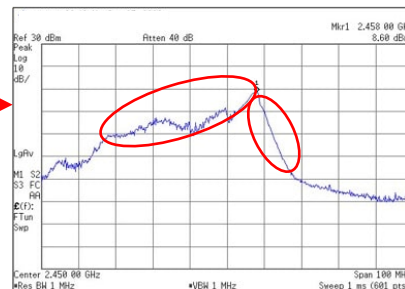
Using a solid state device as the microwave power source instead of a conventional magnetron enables us to provide greater advantage, such as stable frequency characteristics and higher precision microfabrication.

Frequency characteristics | Comparison

【Magnetron】



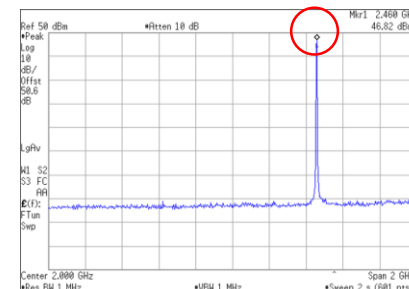
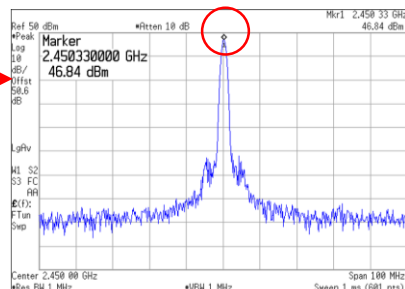
Unnecessary components are generated in the vicinity of the required frequency



【Solid state】



Allows for easy selection of required frequency only



2. Trend of Business Results

Changes in consolidated profit & loss

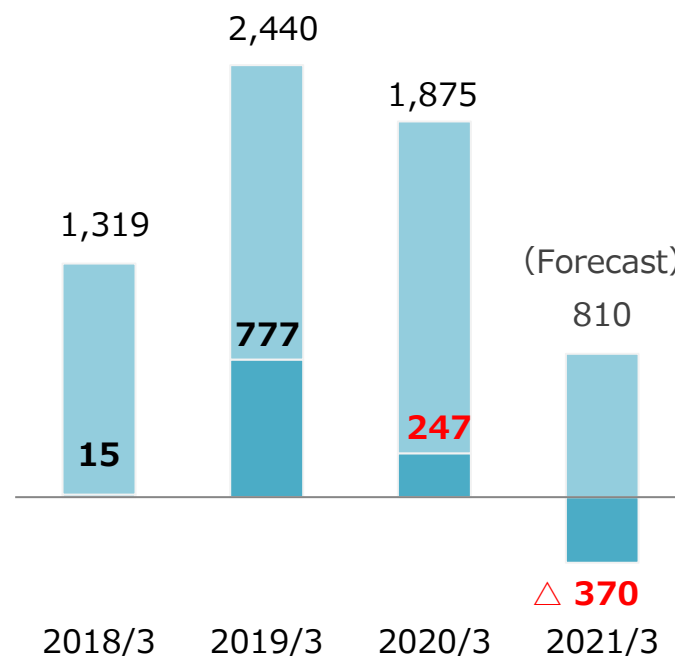
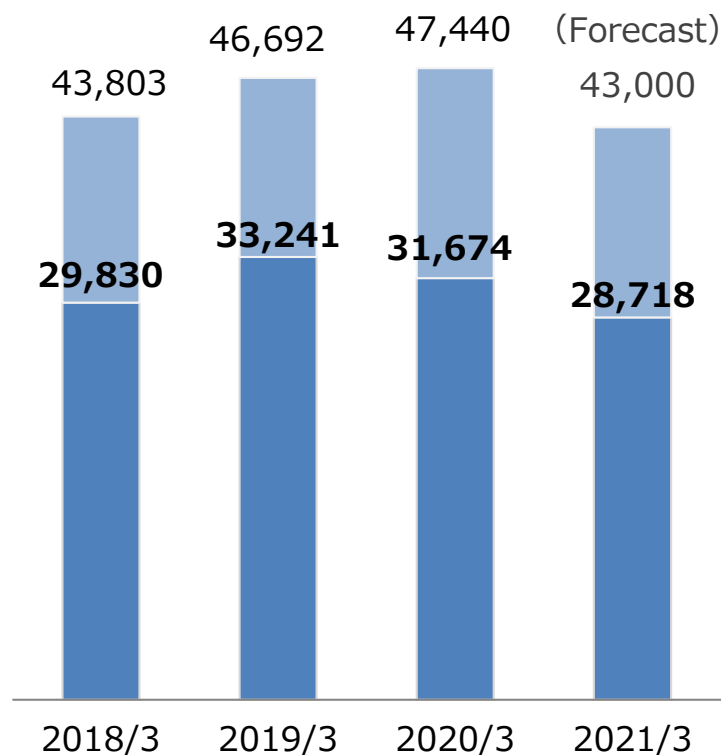


【Net Sales】

【Operating Profit】

(Million yen)

(Million yen)

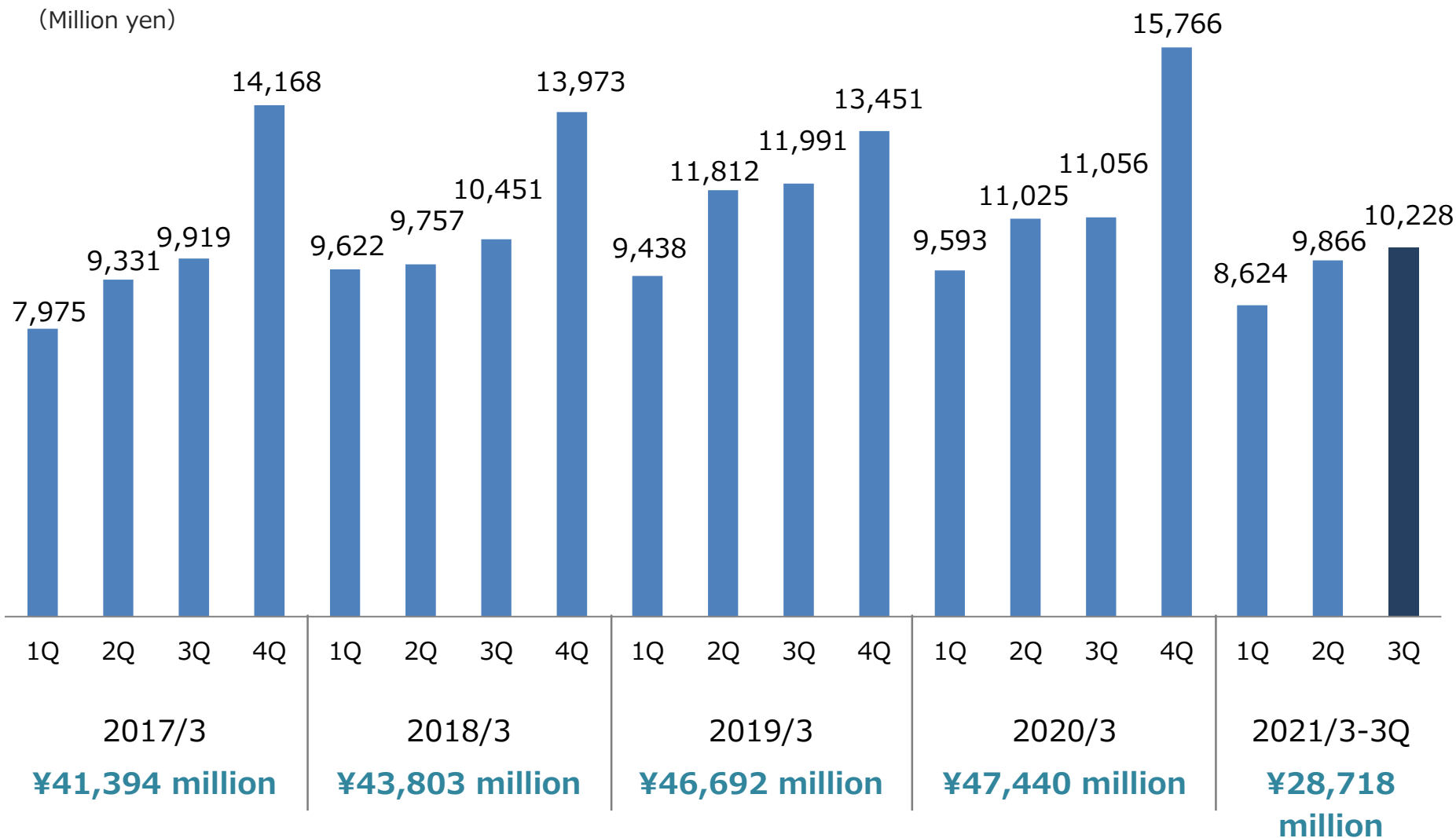


*Full year forecast of Fiscal 2020 was changed in "Summary of financial results for the third-quarter of fiscal 2020" on February 10, 2021.

2. Trend of Business Results

Quarterly changes in net sales

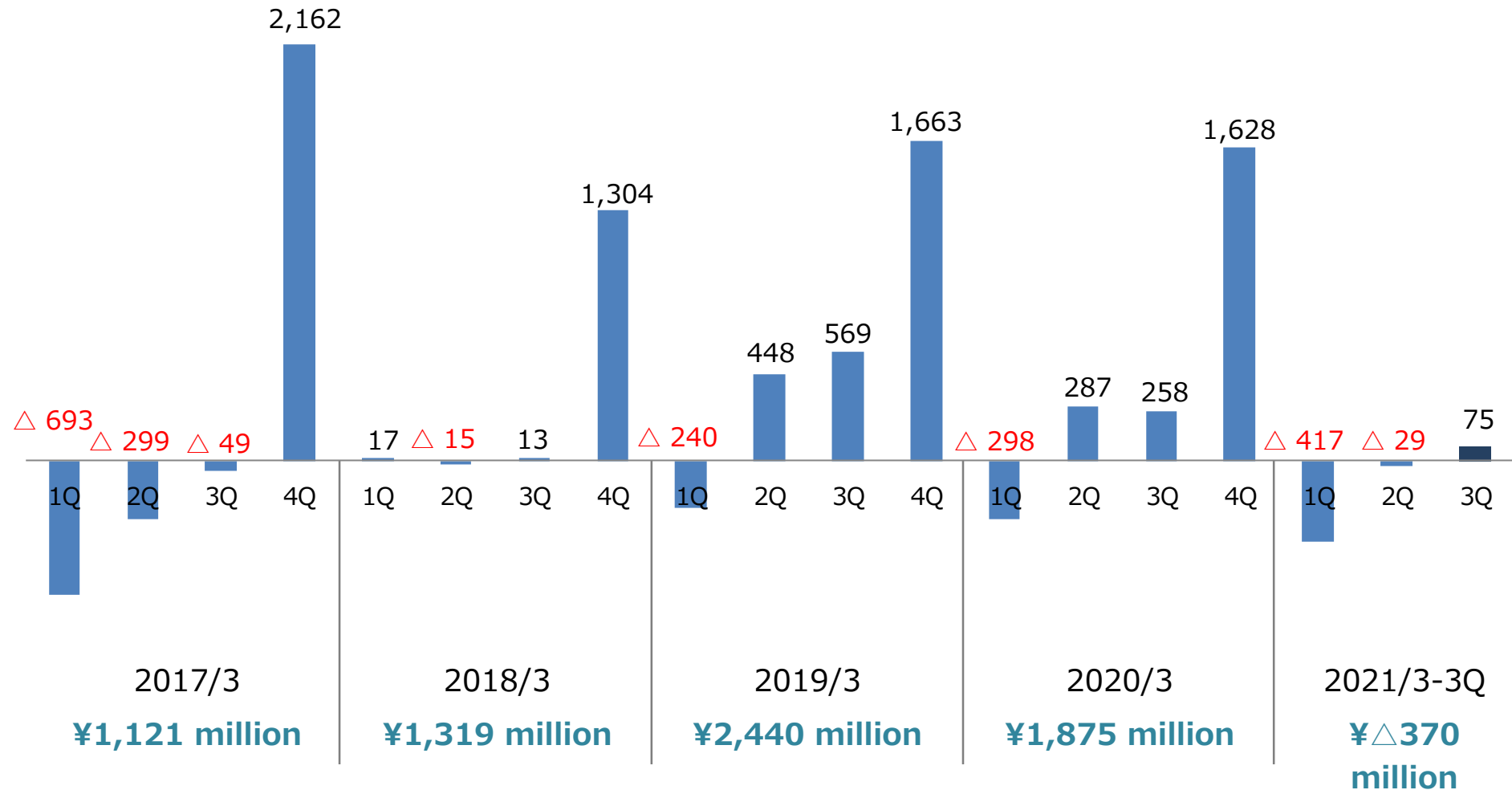
(Million yen)



2. Trend of Business Results

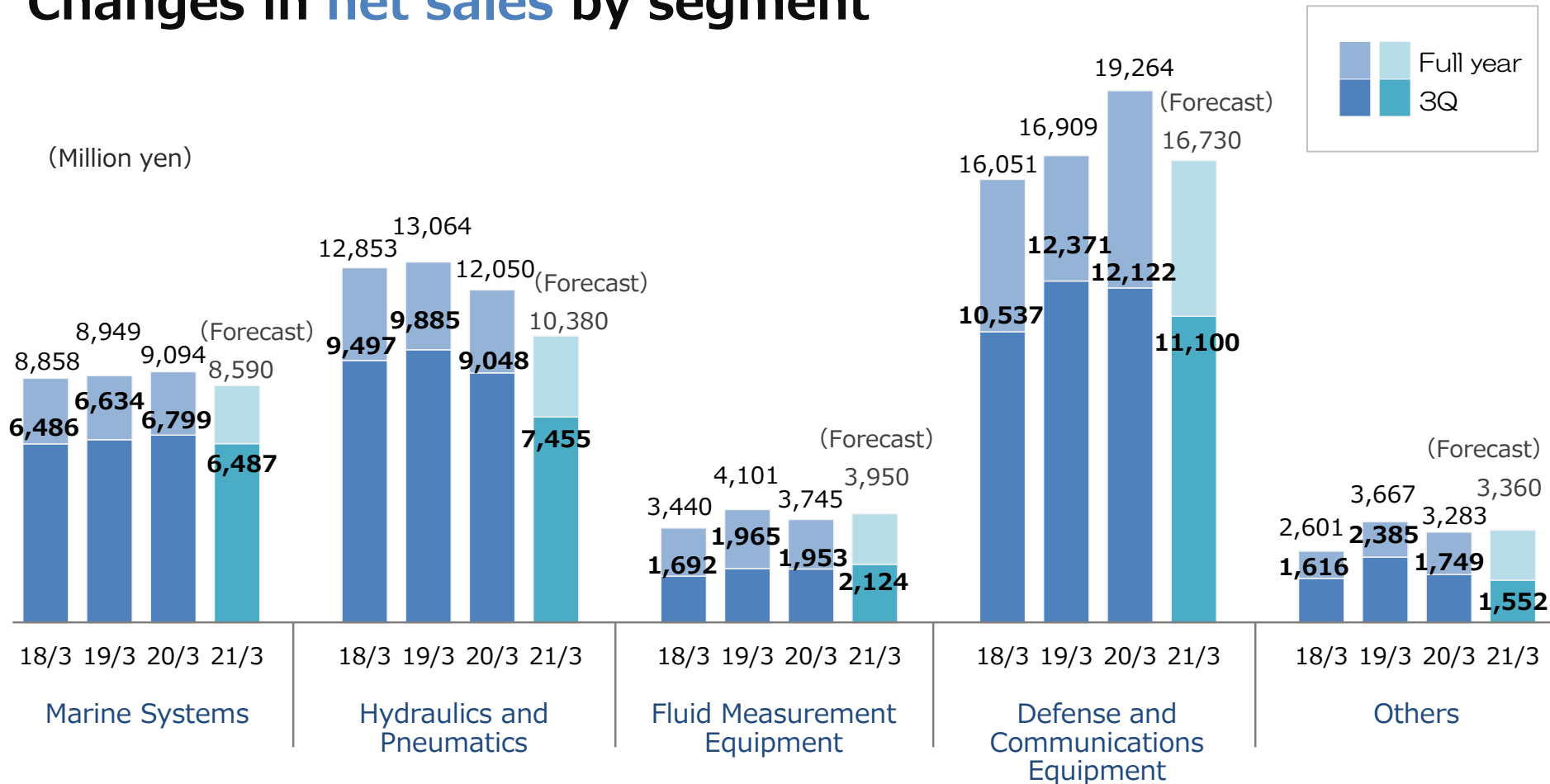
Quarterly changes in operating profits

(Million yen)



2. Trend of Business Results

Changes in net sales by segment



*Net sales before adjustment.

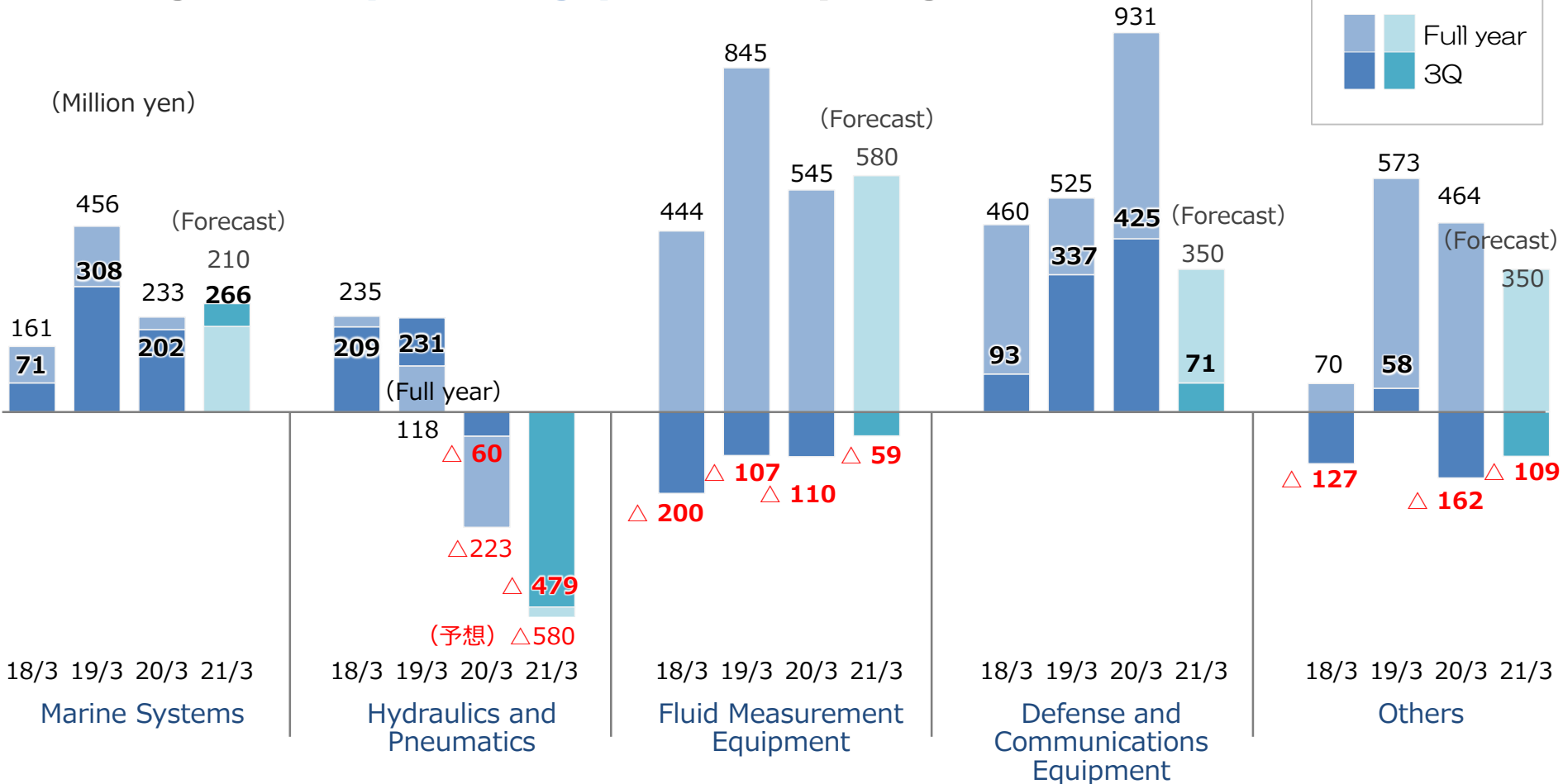
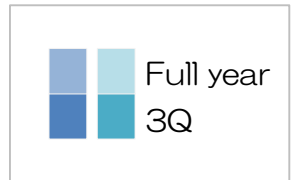
*"Fire Extinguishing Systems Business", which has been included under "Other Businesses", is included under the "Fluid Measurement Equipment Business" in Fiscal 2018. The amounts before Fiscal 2018 are updated to reflect the segment change.

*Full year forecast of Fiscal 2020 was changed in "Summary of financial results for the third-quarter of fiscal 2020" on February 10, 2021.

2. Trend of Business Results

Changes in operating profits by segment

(Million yen)



*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.

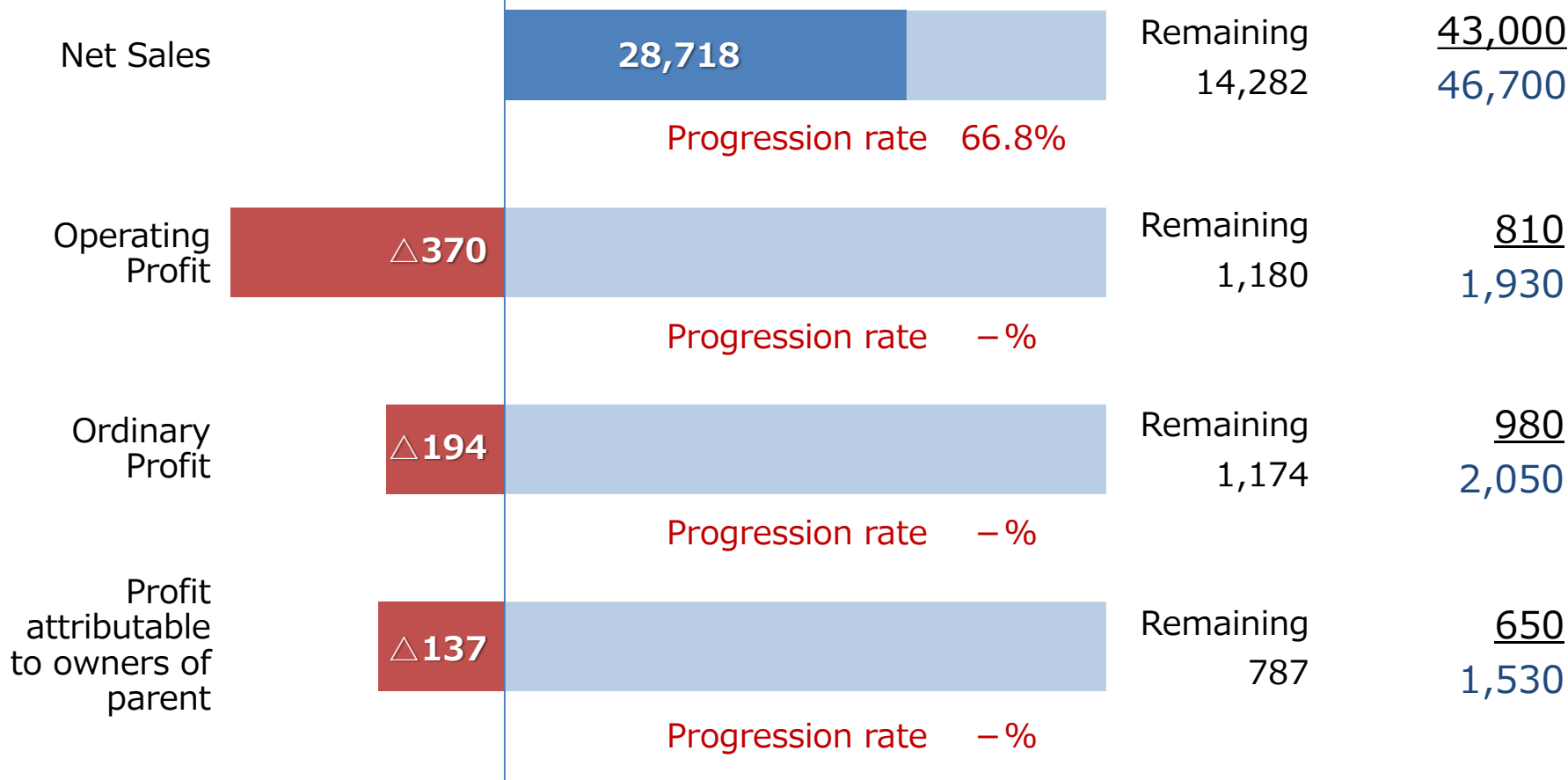
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3. Fiscal 2020 3Q Progress

Fiscal 2020 3Q 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 third-quarter of fiscal 2020" on February 10, 2021.

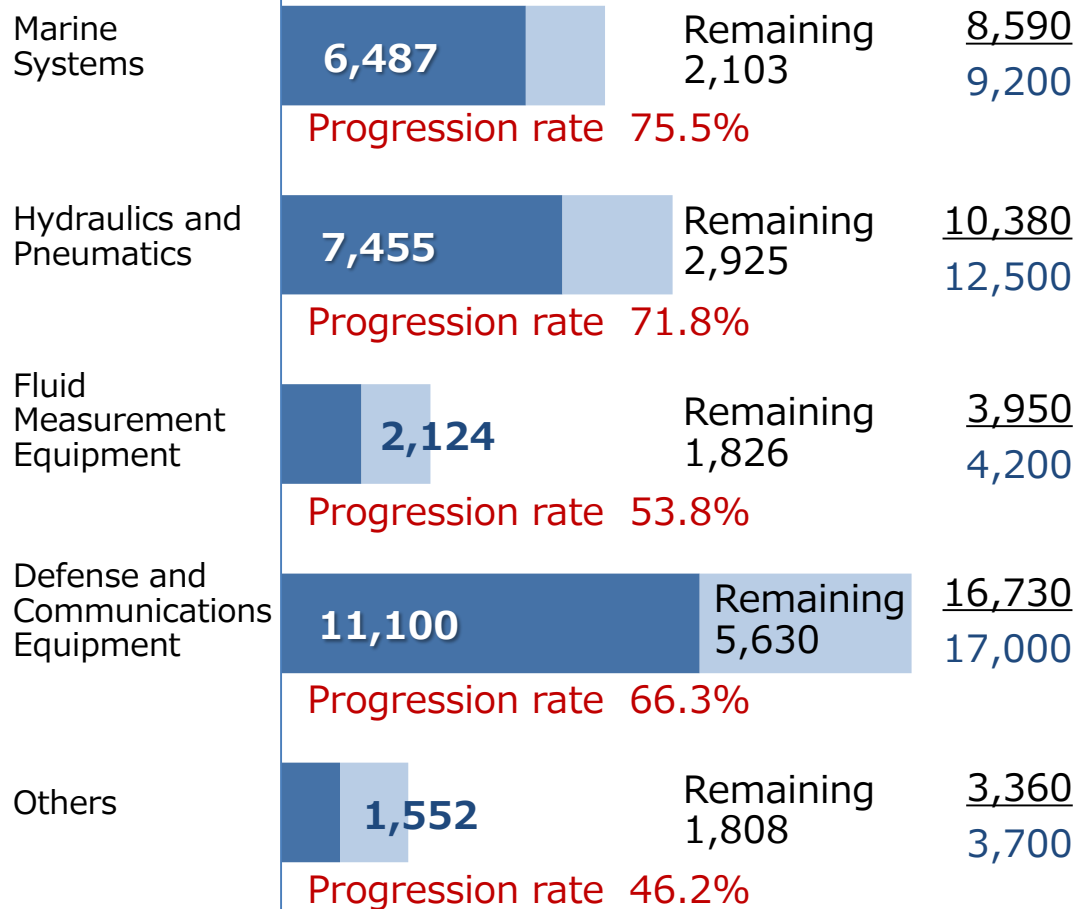
3. Fiscal 2020 3Q Progress

Progress of net sales by segment

(Million yen)

Full year forecast

Forecast at the beginning of the fiscal year



-Forecasting decreased net sales due to lower demand for new shipbuilding on the commercial vessel market and in overseas markets, particularly Asia, due to the impact of COVID-19.

-Forecasting decreased net sales due to sluggish recovery on mainstay markets, plastic processing machinery, machining tools, and construction machinery, in markets other than China as a result of the impact of COVID-19.

-The public-sector market is expected to trend roughly according to forecasts, but net sales are expected to decline because some projects in private-sector market and overseas markets will be postponed to next fiscal year due to COVID-19.

-There was an increase in sales volume of satellite communications antenna stabilizers, but net sales are expected to decline because some overseas projects and private-sector projects have been postponed to next fiscal year due to COVID-19.

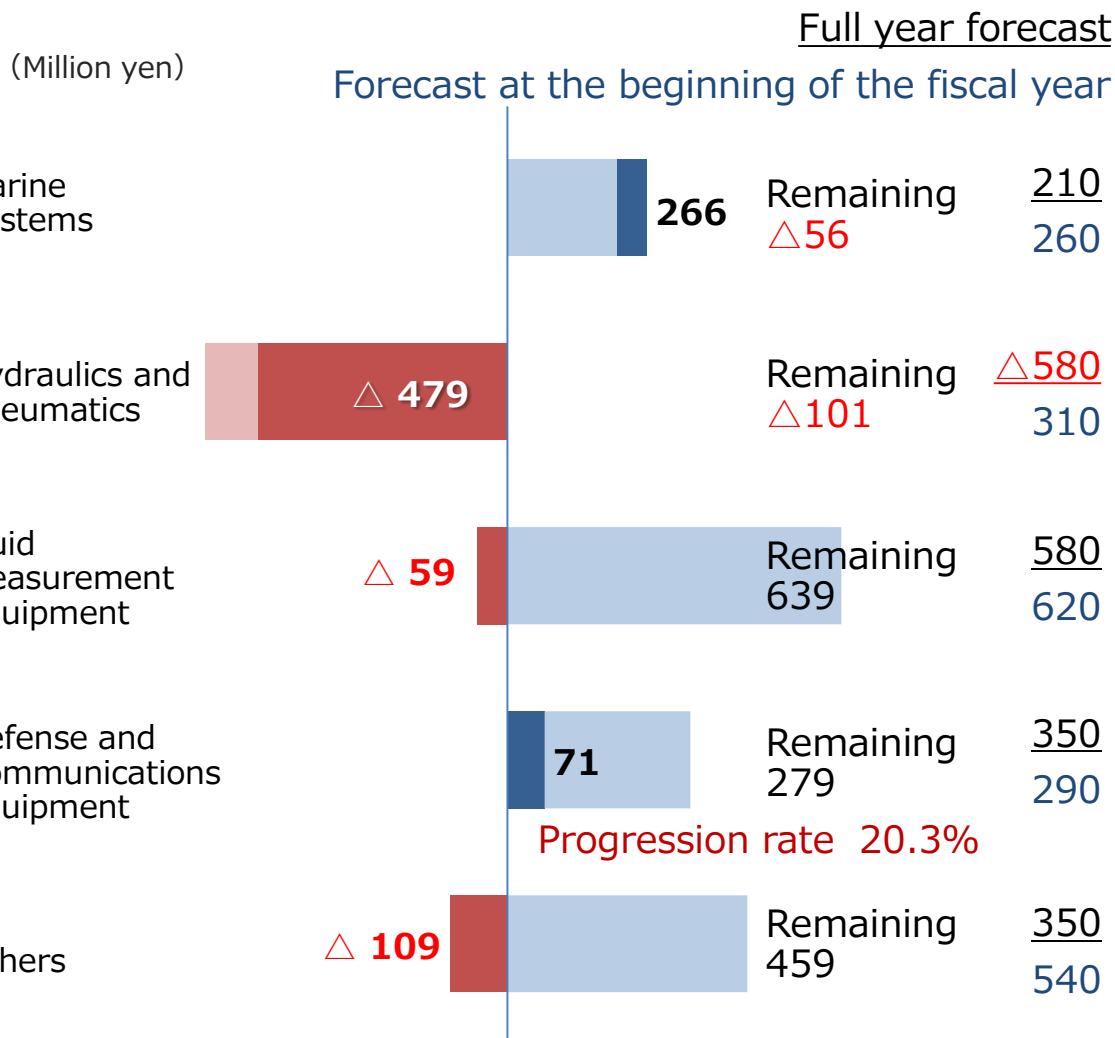
-Railway Maintenance Business net sales forecast as largely on par with plans but forecasting decreased net sales in other businesses due to the suspension or postponement of certain projects as a result of the impact of COVID-19.

*Net sales before adjustment.

*Full year forecast of Fiscal 2020 was changed in "Summary of financial results for the third-quarter of fiscal 2020" on February 10, 2021.

3. Fiscal 2020 3Q Progress

Progress of operating profit by segment



-Although operating profits improved compared to 2Q forecasts (+110 million yen), we forecast operating profits will fall below initial forecasts due to the impact of decreased net sales.

-Expecting an operating loss due to weaker net sales and deteriorating cost-of-sales ratio from decline in operation capacity.

-Although operating profits improved compared to 2Q forecasts (+60 million yen), we forecast operating profits will fall below initial forecasts due to the impact of decreased net sales.

-Forecasting increased operating profits compared to 2Q forecast (+30 million yen).

-The Railway Maintenance Business is expected to trend according to forecasts, but all others are expected to see a decline in operating profit due to weaker net sales.

*Operating profits before adjustment.

*Full year forecast of Fiscal 2020 was changed in "Summary of financial results for the third-quarter of fiscal 2020" on February 10, 2021.

4. Status of Orders Received and Order Backlog

	Amount of orders received for 3Q of Fiscal 2020		Amount of order backlog at the end of 3Q of Fiscal 2020		
(Million yen)	Amount	YoY change	Amount	Change from the end of FY2019	YoY change
Marine Systems	5,971	△6.2%	2,161	△19.3%	△9.3%
Hydraulics and Pneumatics	7,369	△15.6%	2,462	△3.4%	△16.6%
Fluid Measurement Equipment	3,305	+3.7 %	2,144	+122.7%	+10.1%
Defense & communications Equipment	10,088	+8.2%	14,256	△6.6%	△21.1%
Reported segment total	26,733	△3.2%	21,021	△2.0%	△17.1%
Others	2,792	+11.6%	1,670	+288.0%	+29.8%
Total	29,526	△1.9%	22,691	+3.7%	△14.8%

- ◆ The Hydraulics and Pneumatics Business experienced a large downturn in orders and order backlog due to declining demand in the plastic processing machinery market, machine tool market, and construction machinery market caused by COVID-19 from the second quarter on.
- ◆ 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 third 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 Dec 31, 2020	Amount of change	(Million yen)	As of Mar 31, 2020	As of Dec 31, 2020	Amount of change
Current assets	42,695	40,101	△2,593	Current liabilities	21,736	19,571	△2,166
Cash and deposits	7,709	11,003	+3,294	Notes and accounts payable	5,800	5,121	△679
Notes and accounts receivable	15,262	9,474	△5,787	Short-term loans payable	11,692	10,935	△758
Electronically recorded monetary claims	4,404	4,168	△236	Provision for bonuses	1,123	562	△560
Inventories	15,001	14,696	△305	Non-current liabilities	3,197	3,302	+105
Accounts receivable	81	449	+367	Long-term loans payable	1,076	1,213	+137
Other	240	315	+75	Net defined benefit liability	1,229	1,180	△48
Non-current assets	11,882	12,177	+295	Total liabilities	24,933	22,872	△2,061
Tangible assets	7,004	7,051	+47	Shareholders' equity	29,065	28,538	△527
Intangible assets	0	13	+13	Retained earnings	22,542	21,995	△547
Investment securities	2,991	3,416	+424	Total net assets	29,644	29,407	△237
	54,577	52,279	△2,298	Total liabilities and net assets	54,577	52,279	△2,298

- ◆ Accounts receivable-trade (notes and accounts receivable and electronically recorded monetary claims) decreased significantly thanks to the collection of accounts receivable for the Defense & Communications Equipment Business that had increased at the end of the previous fiscal year. (down 6,023 million yen compared to end of previous fiscal year)
- ◆ Liabilities decreased due to a decrease in purchase liabilities (notes and accounts payable) and repayment of loans payable (long- and short-term liabilities collectively decreased by 621 million yen)
- ◆ Retained earnings decreased due to dividends (409 million yen) and net loss attributable to owners of parent (137 million yen).

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	63.0
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.

Shareholder benefits program

1) Purpose of adoption

We established the new TOKYO KEIKI Premium Benefits Club as a new shareholder benefits program to express our gratitude for the ongoing support of our shareholders, to further increase the appeal of investing in our stock, and to increase shareholders interested in medium- to long-term stock retention. Through the adoption of this program, we will work to further increase our communication with our shareholders.

2) Overview

- Eligibility for shareholders retaining 3 or more trading units (300 shares) as of the end of March each year.
- Eligible shareholders are awarded points based on their number of retained shares. Shareholders can access the TOKYO KEIKI Premium Benefits Club members-only website to select from over 4,000 products for which they can exchange points. The points can be also donated to social contribution activities. Alternatively, shareholders can exchange points for WILLsCoin, the universal shareholder benefits coin. WILLsCoin balances can be added to the points earned through the stock benefits programs of other companies enrolled in the Premium Benefits Club.

Retained shares	Awarded points	Allocation timing
300 shares or less	0 points	—
300 to 499 shares	3,000 points	Annually in May
500 to 699 shares	6,000 points	
700 to 999 shares	9,000 points	
1,000 to 2,999 shares	20,000 points	
3,000 or more shares	50,000 points	

