

# TOKYO KEIKI INC.

**Financial Results Briefing for  
2Q of the Fiscal Year Ended March 31, 2022 (Fiscal 2021)  
—From April 1 to September 30, 2021—**

November 9, 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 Financial Results for 2Q of Fiscal 2021

### ◆ Summary of 2Q Results

- Sales were on par with the previous 2Q. Profits were up and returned to the black in 1H.
- The Hydraulics and Pneumatics Business, which was significantly impacted by COVID-19 in the previous fiscal year, posted higher sales and profits year on year (however, the impacts of soaring raw materials prices resulted in a slower decline in operating loss compared to 1Q).

### ◆ Full-Year Forecast

- The earnings forecast disclosed on May 14, 2021 remains unchanged, with both revenue and profits expected to increase year on year.
- The impacts of soaring raw materials prices and delayed delivery of parts due to the semiconductor shortage at present has been reflected in the forecast.

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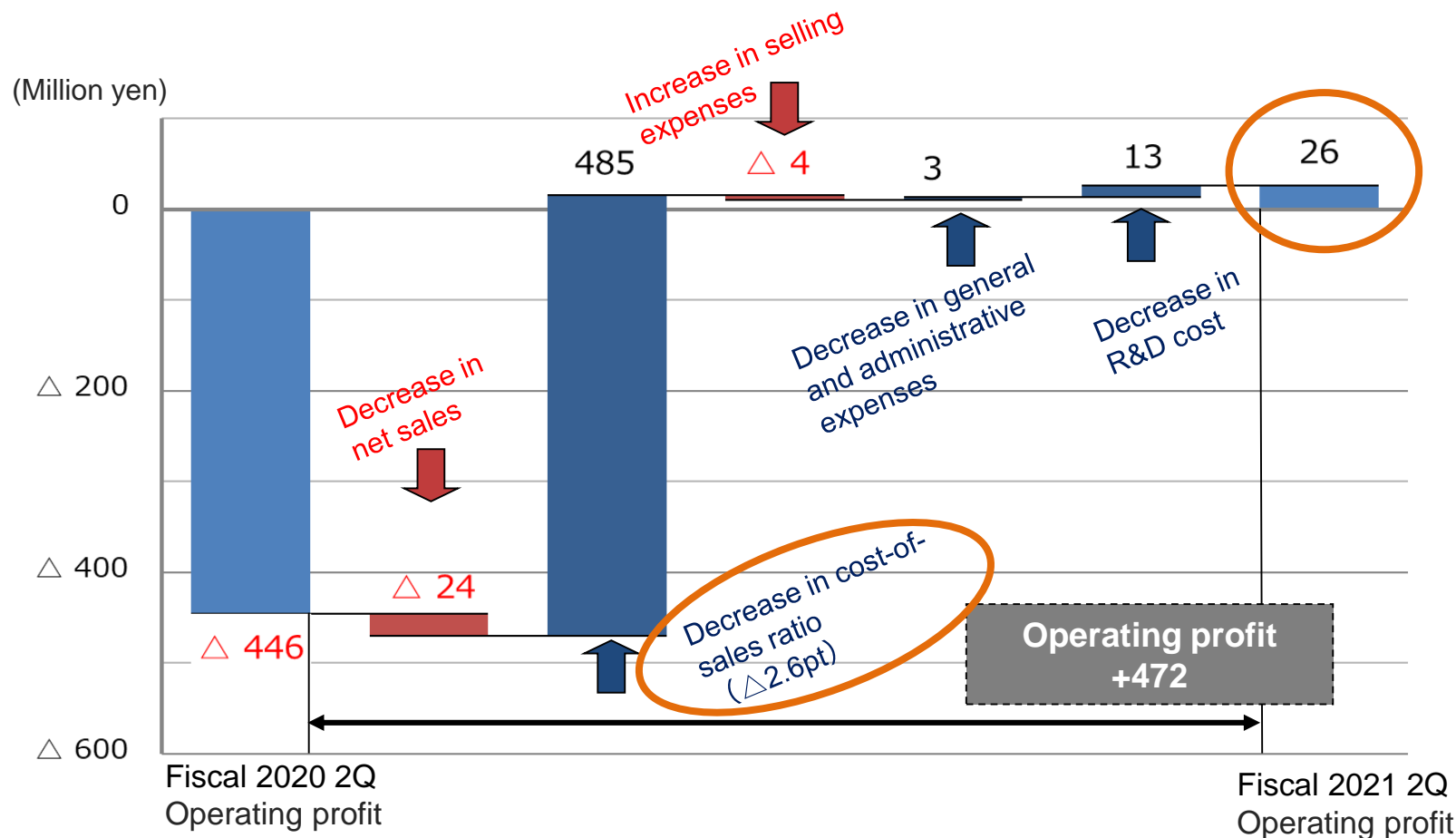
## 2Q Consolidated Net Sales and P/L

- ◆ Net sales were on par with the previous 2Q; P/L turned back to the black amid improvements in all profit indicators.
- Net sales: The downturn in net sales of the Defense and Communications Equipment Business per the initial forecast was nearly offset by an increase in net sales of the Hydraulics and Pneumatics Business and the Fluid Measurement Equipment Business.
- P/L: Profits increased on improving cost-of-sales ratio across all segments excluding other businesses.

(Million yen)	Fiscal 2020 2Q Results	Fiscal 2021 2Q Results	Year on Year Change	
			Amount	Rate
Consolidated net sales	18,490	18,380	△110	△0.6%
Consolidated Operating profit	△446	26	+472	—
Consolidated Ordinary profit	△310	235	+545	—
Profit attributable to owners of parent	△210	229	+439	—

## 2Q Changes in Consolidated Operating Profit (YoY)

- ◆ Shifted to operating profit from operating loss in previous 2Q.
- ◆ Cost-of-sales ratio improved on the more favorable product mix in the Defense and Communications Equipment Business and higher productivity due to increased production volume in the Hydraulic and Pneumatics Business despite the impacts of soaring raw materials prices on the Hydraulics and Pneumatics Business.



## 2Q Net Sales and Operating Profit by Segment

- ◆ Marine Systems business: Decreased sales and profits on weaker sales of purchased goods compared to the previous 2Q, despite strong sales of maintenance services related to marine systems.
- ◆ Hydraulics and Pneumatics business: Increased sales and profits on improving demand in all markets compared to previous 2Q.
- ◆ Fluid Measurement Equipment business: Strong sales of mainstay ultrasonic flowmeters. Increased sales on delivery of fire extinguishing systems for major projects.
- ◆ Defense & Communications Equipment business: Shifted to black on rising sales in the private-sector market despite a downturn in sales for public-sector projects due to the off-period that lasted until this fiscal year.

(Million yen)	Net sales				Operating profit			
	Fiscal 2020 2Q Results	Fiscal 2021 2Q Results	YoY Change		Fiscal 2020 2Q Results	Fiscal 2021 2Q Results	YoY Change	
			Amount	Rate			Amount	Rate
Marine Systems	4,456	4,223	△233	△5.2%	226	177	△49	△21.8%
Hydraulics and Pneumatics	4,800	5,523	+723	+15.1%	△334	△60	+274	—
Fluid Measurement Equipment	1,189	1,451	+262	+22.1%	△176	△78	+98	—
Defense & Communications Equipment	7,045	6,000	△1,045	△14.8%	△23	69	+92	—
Others	1,000	1,182	+182	+18.2%	△107	△42	+65	—
Adjustment	0	1	+0	—	△31	△40	△9	—
Total	18,490	18,380	△110	△0.6%	△446	26	+472	—

## Status of Orders Received and Order Backlog

◆ Orders received and order backlog increased in total.

- Marine Systems business: Demand for new shipbuilding sharply recovered in East Asian markets resulting in an increase in orders received and order backlog.
- Hydraulics and Pneumatics business: Both orders received and order backlog increased on the ongoing recovery in demand across all markets.
- Fluid Measurement Equipment business: Both orders received and order backlog increased on strong results for projects planned to be converted to sales in 2H.
- Defense and Communications Equipment business: Orders received declined because there were no large projects in the public-sector market as in the previous 2Q.
- Other businesses: The higher order backlog was due to rail inspection cars ordered in 2H of the previous fiscal year in the Railway Maintenance Business (sales to be booked next fiscal year).

(Million yen)	Amount of orders received for 2Q of FY2021		Amount of order backlog at the end of 2Q of FY2021		
	Amount	YoY change	Amount	Change from the end of FY2020	YoY change
Marine Systems	4,869	+17.8%	2,923	+28.4%	+24.1%
Hydraulics and Pneumatics	6,144	+31.1%	3,281	+23.4%	+34.8%
Fluid Measurement Equipment	2,301	+23.1%	1,864	+83.7%	+13.5%
Defense & Communications Equipment	3,877	△37.1%	13,448	△13.6%	△6.5%
<b>Reported segment total</b>	<b>17,191</b>	<b>+2.0%</b>	<b>21,516</b>	<b>0.0%</b>	<b>+3.3%</b>
Others	1,785	△1.3%	1,515	+67.8%	+22.3%
<b>Total</b>	<b>18,977</b>	<b>+1.7%</b>	<b>23,031</b>	<b>+2.7%</b>	<b>+4.4%</b>

## Supply Chain Situation

### Features of the Group's supply chain

- The Group's net sales are weighted toward public-sector products. Parts procurement for these products is carried out systematically from a relatively early stage, which means they are less susceptible to the impacts of difficulty sourcing parts occurring this fiscal year.
- Marine Systems business: Room for addressing the impacts of sourcing difficulties because of the relatively long manufacturing lead time, while sales have little in the way of seasonal fluctuations.
- Hydraulics and Pneumatics business: Little in the way of seasonal fluctuations in net sales and susceptible to sourcing difficulties and soaring resource prices because of short manufacturing lead time.

	Situation in 2Q	Responses
Difficulty obtaining parts	<ul style="list-style-type: none"> <li>• Products in Marine Systems and private-sector products in Defense &amp; Communications Equipment have seen sourcing difficulties emerge for some electronic parts.</li> <li>• Hydraulics and Pneumatics have seen sourcing difficulties of purchased products overseas despite an easing for some electronic parts.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued to adjust deliveries with suppliers including arranging sourcing in advance.</li> <li>• Secured market inventory by expanding suppliers.</li> <li>• Adjusted delivery timing with customers.</li> </ul> <p>*Risks understood as of present have been reflected in the full-year sales forecast. Soaring raw materials prices</p>
Soaring raw materials prices	<ul style="list-style-type: none"> <li>• Hydraulics and Pneumatics have seen worsening materials costs due to soaring prices for metal parts including steel, copper and aluminum.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing with price negotiations with customers</li> </ul> <p>*Risks understood as of present have been reflected in the full-year profit/loss forecast.</p>



## Consolidated Balance Sheets (Main accounting items only)

- ◆ The equity ratio stands at 58.9% as of September 30, 2021, maintaining financial soundness (58.7% on March 31, 2021).
- Cash and deposits increased by 1,396 million yen as progress was made in the monetization of notes and accounts receivable on deliveries in the previous fiscal year in the Defense & Communications Equipment Business.
- Inventories increased by 1,917 million yen due to progress in works for next fiscal year and beyond in the Defense & Communications Equipment Business (of which works in progress totaled 1,337 million yen). Declined by 595 million yen compared to previous 2Q.

## (Assets)

## (Liabilities and net assets)

(Million yen)	As of Mar 31, 2021	As of Sep 30, 2021	Amount of change	(Million yen)	As of Mar 31, 2021	As of Sep 30, 2021	Amount of change
<b>Current assets</b>	<b>40,950</b>	<b>40,728</b>	<b>△222</b>	<b>Current liabilities</b>	<b>17,722</b>	<b>17,719</b>	<b>△3</b>
Cash and deposits	11,620	13,016	+1,396	Notes and accounts payable	5,093	5,862	+768
Notes and accounts receivable	12,568	9,849	△2,719	Short-term loans payable	8,516	8,280	△236
Electronically recorded monetary claims	3,816	2,736	△1,080	Provision for bonuses	1,097	1,080	△17
Inventories	12,673	14,590	+1,917	<b>Non-current liabilities</b>	<b>3,884</b>	<b>3,752</b>	<b>△132</b>
Accounts receivable	32	226	+194	Long-term loans payable	2,424	2,246	△178
Other	245	316	+71	<b>Total liabilities</b>	<b>21,607</b>	<b>21,471</b>	<b>△135</b>
<b>Non-current assets</b>	<b>12,596</b>	<b>12,614</b>	<b>18</b>	<b>Shareholders' equity</b>	<b>29,619</b>	<b>29,438</b>	<b>△182</b>
Tangible assets	6,970	6,656	△314	Retained earnings	23,076	22,881	△195
Intangible assets	33	46	+13	<b>Accumulated other comprehensive income</b>	<b>1,835</b>	<b>1,979</b>	<b>+144</b>
Investment securities	3,606	3,914	+308	<b>Total net assets</b>	<b>31,939</b>	<b>31,870</b>	<b>△69</b>
<b>Total assets</b>	<b>53,546</b>	<b>53,341</b>	<b>△204</b>	<b>Total liabilities and net assets</b>	<b>53,546</b>	<b>53,341</b>	<b>△204</b>

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## Fiscal 2021 Full-year Earnings Forecast

◆ There are no changes to the earnings forecast disclosed on May 14, 2021 (forecast for increase in net sales and profits year on year).

(Million yen)	Fiscal 2020 Results	Fiscal 2021 Forecast	YoY Change	
			Amount	Percentage
Consolidated net sales	42,081	42,900	+819	+1.9%
Consolidated Operating profit	1,250	1,350	+100	+8.0%
Consolidated Ordinary profit	1,458	1,470	+12	+0.8%
Profit attributable to owners of parent	945	1,130	+185	+19.6%

## Full-year Earnings Forecast by Segment

- ◆ The situation for each segment is as follows based on the impacts of the semiconductor shortage and soaring raw materials prices at present and reflecting the results of cutbacks in SG&A expenses. Overall, there are no revisions to the initial forecast.

(Million yen)	Net sales						Operating profit					
	2021/3 Results	2022/3		YoY Change		Change in Amount vs. Initial Forecast	2021/3 Results	2022/3		YoY Change		Change in Amount vs. Initial Forecast
		Initial Forecast	Current Forecast	Amount	Rate			Initial Forecast	Current Forecast	Amount	Rate	
Marine Systems	8,522	8,900	8,890	+368	+4.3%	△10	246	150	210	△36	△14.6%	+60
Hydraulics and Pneumatics	10,351	12,100	12,080	+1,729	+16.7%	△20	△424	330	10	+434	—	△320
Fluid Measurement Equipment	4,003	4,300	4,330	+327	+8.2%	+30	647	460	600	△47	△7.3%	+140
Defense & Communications Equipment	16,281	14,500	14,470	△1,811	△11.1%	△30	537	290	400	△137	△25.5%	+110
Others	2,924	3,200	3,150	+226	+7.7%	△50	330	250	250	△80	△24.2%	0
Adjustment	1	△100	△20	△21	—	+80	△87	△130	△120	△33	—	+10
Total	42,081	42,900	42,900	+819	+1.9%	0	1,250	1,350	1,350	+100	+8.0%	0

## Full-year Earnings Forecast by Segment

### Marine Systems

- Sharp recovery in demand for new shipbuilding in East Asian markets.
- Maintenance services for marine systems are expected to trend steadily.
- The exchange rate is expected to trend toward a weaker yen compared to the initial assumption of 104 yen/US dollar.

### Hydraulics and Pneumatics

- All markets in a recovery mode; continuing to contribute to net sales in 3Q and beyond.
- In terms of P/L, profit is expected to contract on deteriorating cost-of-sales ratio due to soaring raw materials prices and other factors.

### Fluid Measurement Equipment

- Public-sector markets are expected to continue trending steadily.
- The fire extinguishing systems market will see increased demand for halon and nitrogen fire extinguishing systems

### Defense & Communications Equipment

- The public-sector market is expected to see weaker sales due to the off-period in large projects up to this fiscal year as initially forecast.
- The private-sector market is expected to see steady demand for equipment for semiconductor manufacturing, antenna stabilizers for mobile satellite communication, and accelerometers, etc.

### Others

- Both Railway Maintenance and Printing Inspection Equipment are expected to trend according to the initial forecast.

## Profit returns to shareholders

### [Commemorative dividend]

We marked our 125th anniversary on May 1, 2021. We are extremely grateful for the long-standing support of our shareholders and stakeholders which made this milestone possible.

As a result, we have decided to offer a commemorative dividend of 5 yen per share as part of the dividend for FY2021 to express our appreciation for your support over the years.

### [Shareholder benefits program (TOKYO KEIKI Premium Benefits Club)]

No plans at present to change the shareholder benefits program.

### Dividend for the last five years and forecast for Fiscal 2020

	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3 (Forecast)
Annual dividend per share (yen)	4.00	20.00	25.00	25.00	25.00	Common, 25.00 + Commemorative, 5.00
Payout ratio (consolidated) (%)	46.8	29.6	21.3	28.8	43.4	43.5
Total return ratio (consolidated) (%)	46.8	37.1	25.6	34.7	43.4	—

\*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

\*November 2017 and February 2019 show the numbers after consolidation of shares.

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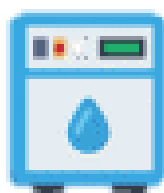
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## Topics1

# TOKYO KEIKI's hydrogen compressor and filling machine supporting a hydrogen energy society

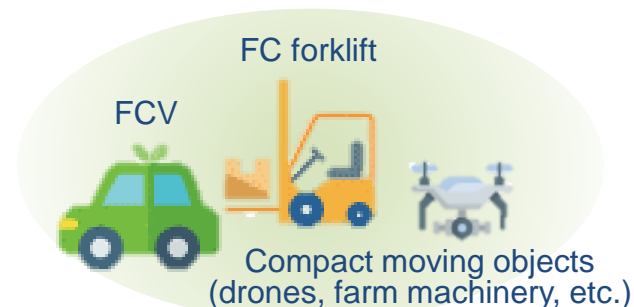
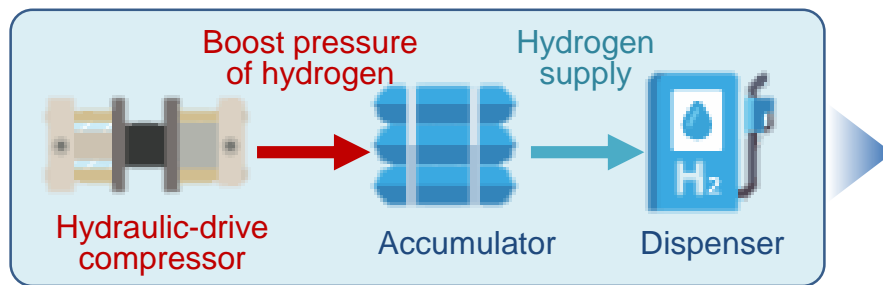
Hydrogen stations are required to supply FCV with hydrogen with expectations as a clean energy. The TOKYO KEIKI Group is developing and manufacturing machines that increase pressure of hydrogen to 700 times the atmosphere to fill vehicles at hydrogen stations using its hydraulic and pneumatic control technologies.

## Hydrogen manufacturing system



Hydrogen supply

## Hydrogen station equipment



## Mobile hydrogen station



High pressure hydrogen compressor installed at mobile hydrogen stations

## Stationary hydrogen station



High-pressure hydrogen compressor for hydrogen stations

## Small hydrogen filling system



New

We made a smaller sized hydrogen filler by combining the layout of hydrogen pipes and drive unit using our compact compressor and hydraulic drive source.



## Topics2

## Supplied joystick controller to onshore monitoring facility used to support crewless maritime autonomous surface ships

TOKYO KEIKI is participating in demonstration trials under the DFFAS\* Project comprising thirty Japanese companies with the goal of “the practical use of a crewless maritime autonomous surface ship (hereafter, “crewless ship”) by 2025.”

The DFFAS Project built an onshore fleet operation center (FOC) in Makuhari, Chiba City to support the operation of crewless ships. This center carries out monitoring of crewless ships and conducts remote ship operations in the event of a contingency.

TOKYO KEIKI has provided **a marine autopilot with high performance Fiber Optic Gyrocompass (FOG)** for the crewless ship. We have also supplied **a MJS-9000 multifunctional joystick controller** to the center. By connecting this MJS-9000 and the marine autopilot carrying out autonomous operation at sea, we are contributing to the reliable remote operation of this crewless ship.

TOKYO KEIKI will continue contributing to the DFFAS Project using its automatic steering technologies cultivated in the field of marine autopilots and instrumentation technology for highly accurate positional and directional control using a FOG aimed at the practical use of this crewless ship being pursued by the project.

\*DFFAS: Designing the Future of Full Autonomous Ship

The Project is sponsored by the Joint Technological Development Programme for the Demonstration of Unmanned Ships under the administration of the Nippon Foundation.

無人運航船プロジェクト

MEGURI  
2040



Emergency response block of the fleet operation center (remote ship operation function)  
(Joystick controller located on the operator's left side)



TOKYO KEIKI's joystick controller installed at the emergency response block

Photo courtesy of: DFFAS CONSORTIUM :  
Unauthorized use or reproduction strictly prohibited.

## Topics3 TOKYO KEIKI's 125th Anniversary

### Our pioneering history and the future



TOKYO KEIKI's journey began in 1896 with the start of development of marine instruments as Japan's first factory for manufacturing measuring instruments. The company worked to produce precision instruments in Japan during a time in which advanced technologies had to be imported from other countries, playing an important role in Japan's modernization. Consistently since our founding, we have always tackled the challenges of developing new products and lived up to the expectations placed in us by society.

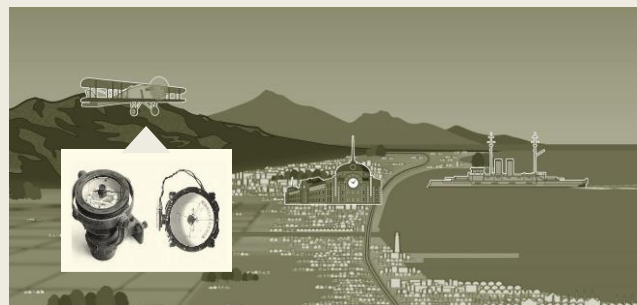
“Tackling the challenges of resolving social issues as a pioneer”

We will continue to grow over the next 50 years and beyond by passing down this unique TOKYO KEIKI DNA.

We have set up a page (available in Japanese only) on our corporate website to mark our 125th anniversary with a history of the company.

<https://www.tokyokeiki.jp/125th/>

### Website to mark our 125th anniversary



History: Introduction of main products during each respective time period



Founder's story (to be released soon)

## Topics4 Revamping of TOKYO KEIKI's Historical Records Room

As part of our 125th anniversary, we made improvements to our Historical Records Room. Although it is a small space, the room showcases our history for employees to appreciate and understand the founder's commitment and use this knowledge for the future.

**Display items convey turning points in our history of product development and focus on our mainstay products at the time**



\*Currently not open to the public

### Examples of display items



1901

Began manufacturing marine magnetic compasses used onboard the Japanese battleship Mikasa which played an important role at the Battle of Tsushima during the Russo-Japanese War of 1905.



1913

Developed Japan's first electric clock. These clocks adorned many of Japan's public buildings, including the Yasuda Auditorium at the University of Tokyo and major railway stations such as Tokyo Station.



1964

The first in the world to successfully commercialize an ultrasonic flowmeter considered to be impossible using technologies of the time. Our ultrasonic flowmeters contributed to optimal water management in water supply/sewerage systems and agricultural irrigation, etc.

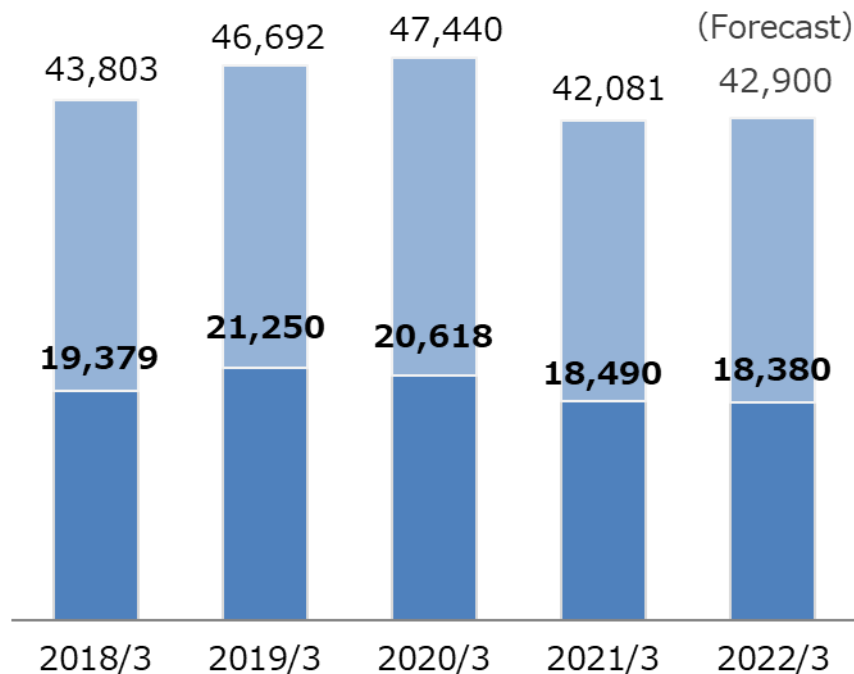
## References

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## Changes in consolidated profit &amp; loss

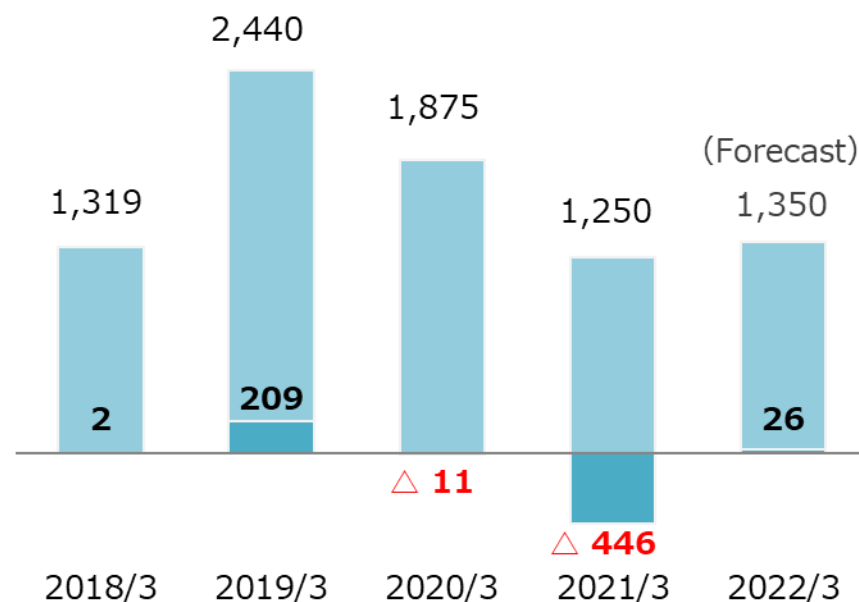
【Net Sales】

(Million yen)



【Operating Profit】

(Million yen)



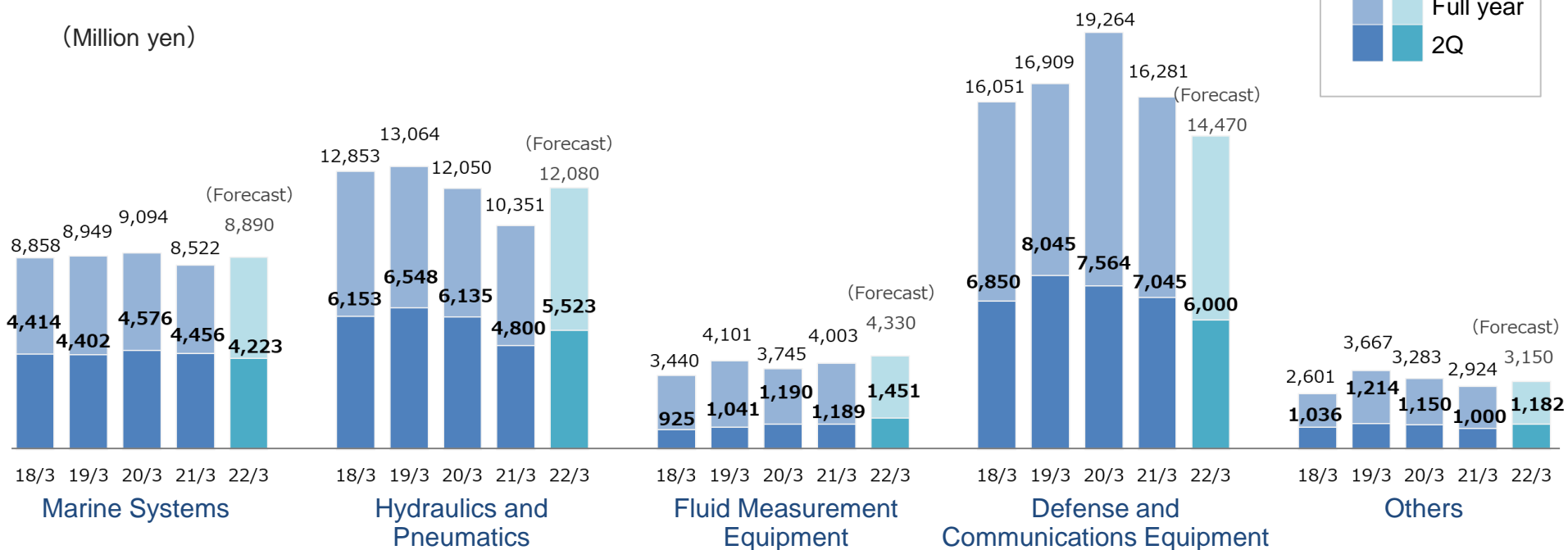
Full year  
2Q

(Million yen)	2019/3-2Q	2020/3-2Q	2021/3-2Q	2022/3-2Q	YoY change (amount)	YoY change (rate)
Net sales	21,250	20,618	18,490	18,380	△110	△0.6%
Operating profit	209	△11	△446	26	+472	—
Ordinary Profit	413	83	△310	235	+545	—
Net Profit*	303	48	△210	229	+439	—



# Changes in net sales by segment

(Million yen)

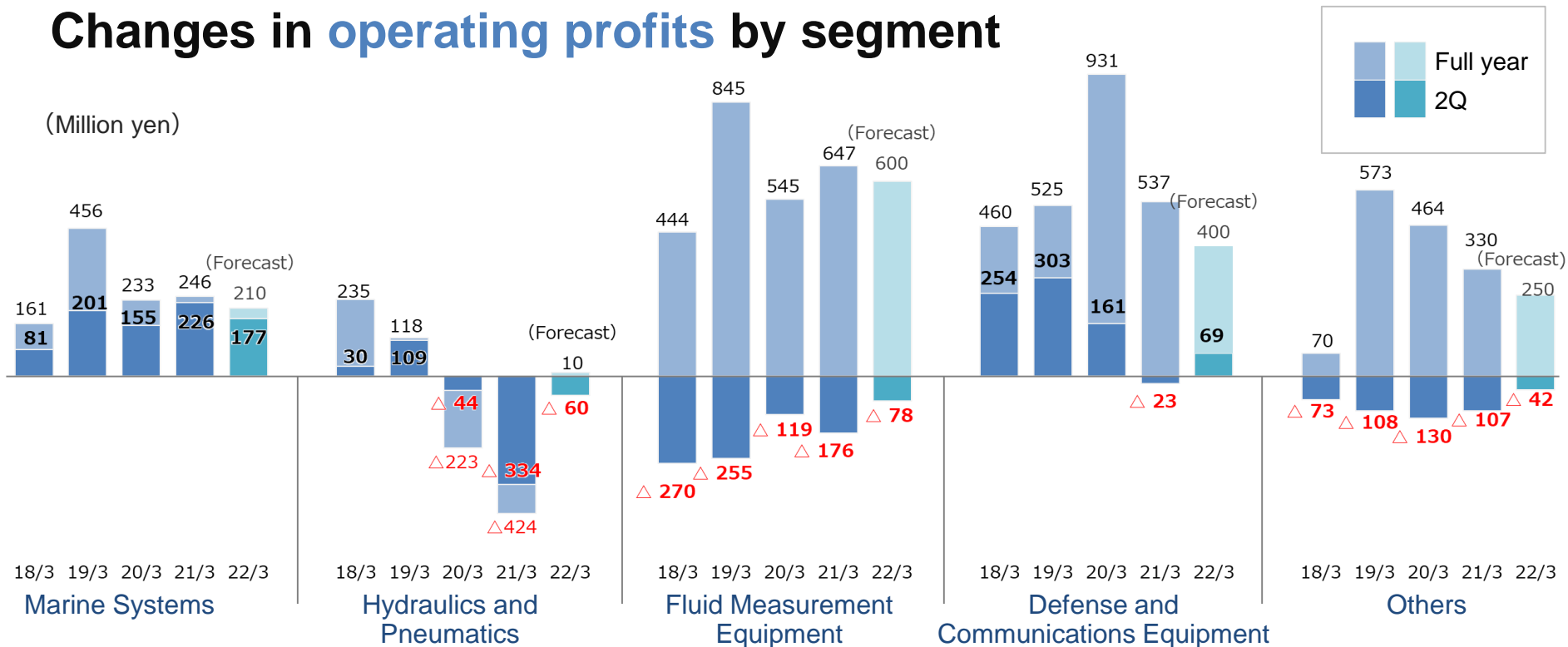


(Million yen)	2018/3-2Q	2019/3-2Q	2020/3-2Q	2021/3-2Q	2022/3-2Q	YoY change (amount)	YoY change (rate)
Marine Systems	4,414	4,402	4,576	4,456	4,223	△233	△5.2%
Hydraulics and Pneumatics	6,153	6,548	6,135	4,800	5,523	+723	+15.1%
Fluid Measurement Equipment	925	1,041	1,190	1,189	1,451	+262	+22.1%
Defense and Communications Equipment	6,850	8,045	7,564	7,045	6,000	△1,045	△14.8%
Others	1,036	1,214	1,150	1,000	1,182	+182	+18.2%

\*Net sales before adjustment.

## Changes in operating profits by segment

(Million yen)

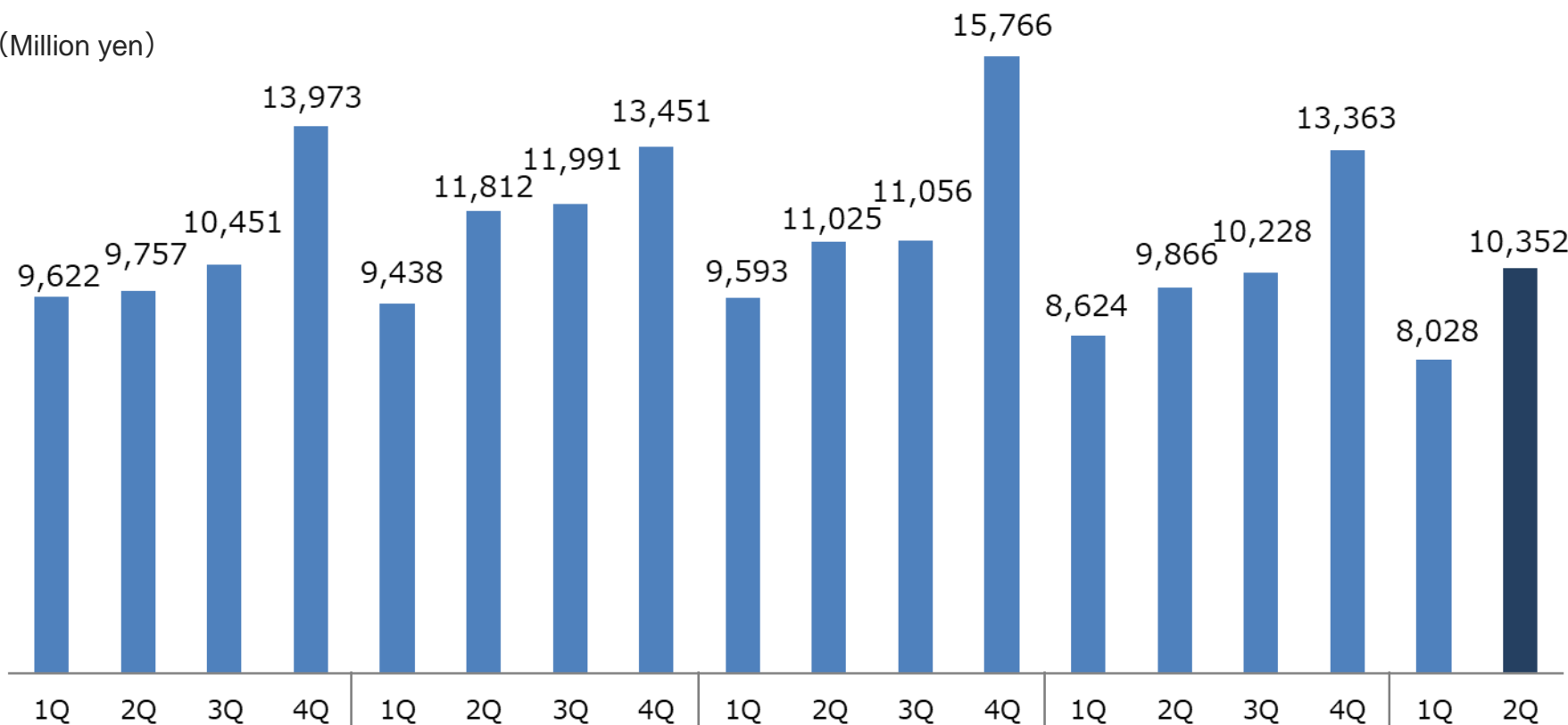


(Million yen)	2018/3-2Q	2019/3-2Q	2020/3-2Q	2021/3-2Q	2022/3-2Q	YoY change (amount)	YoY change (rate)
Marine Systems	81	201	155	226	177	△49	△21.8%
Hydraulics and Pneumatics	30	109	△44	△334	△60	+274	—
Fluid Measurement Equipment	△270	△255	△119	△176	△78	+98	—
Defense and Communications Equipment	254	303	161	△23	69	+92	—
Others	△73	△108	△130	△107	△42	+65	—

\*Operating profits before adjustment

Quarterly changes in **net sales**

(Million yen)



2018/3

2019/3

2020/3

2021/3

2022/3

Full  
year

43,803

46,692

47,440

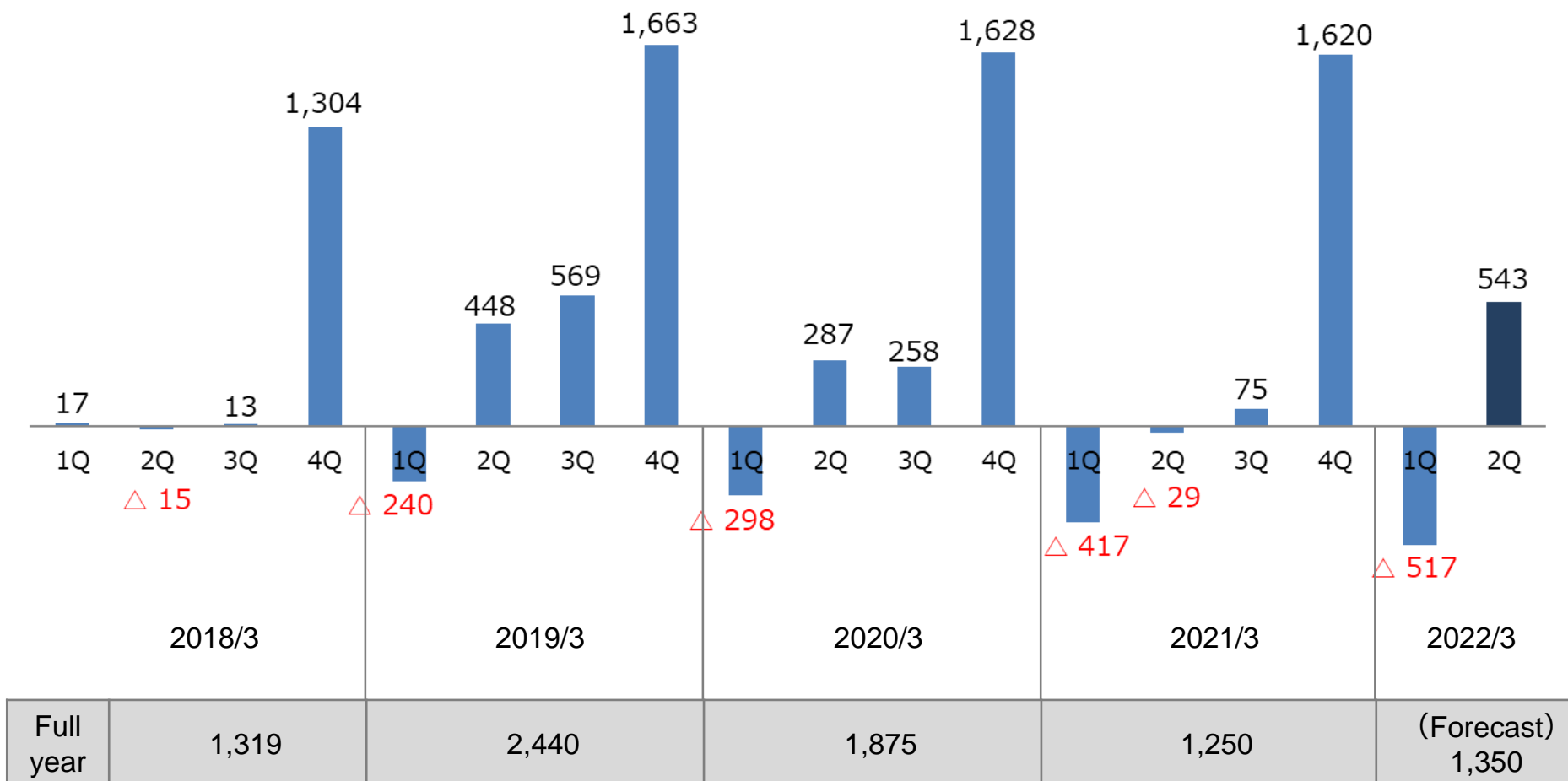
42,081

(Forecast)  
42,900



## Quarterly changes in operating profits

(Million yen)



**TOKYO**  
**KEIKI**