

# TOKYO KEIKI INC.

## **Financial Results Briefing for 3Q of the Fiscal Year Ended March 31, 2022 (Fiscal 2021) —From October 1 to December 31, 2021—**

February 10, 2022

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 3Q of Fiscal 2021

### ◆ Summary of 3Q Results

- Sales were on par with the previous 3Q and profits were up across all indicators.
- The Hydraulics and Pneumatics Business, which was significantly impacted by the COVID-19 pandemic in the previous fiscal year, posted higher sales and profits year on year (the operating loss lessened compared to the first half).

### ◆ Full-Year Forecast

- There was protracted production lead time caused by disruptions in the supply chain and deferral of planned public-sector projects, which is expected to cause net sales to decline slightly compared to the previous earnings forecast. In terms of profits, the strong sales of the Fluid Measurement Equipment Business, a high operating profit margin business, is forecast to boost profits.
- Both sales and profits are forecast to increase year on year.
- The impacts of soaring raw materials prices and delayed delivery of parts at present has been reflected in the forecast.

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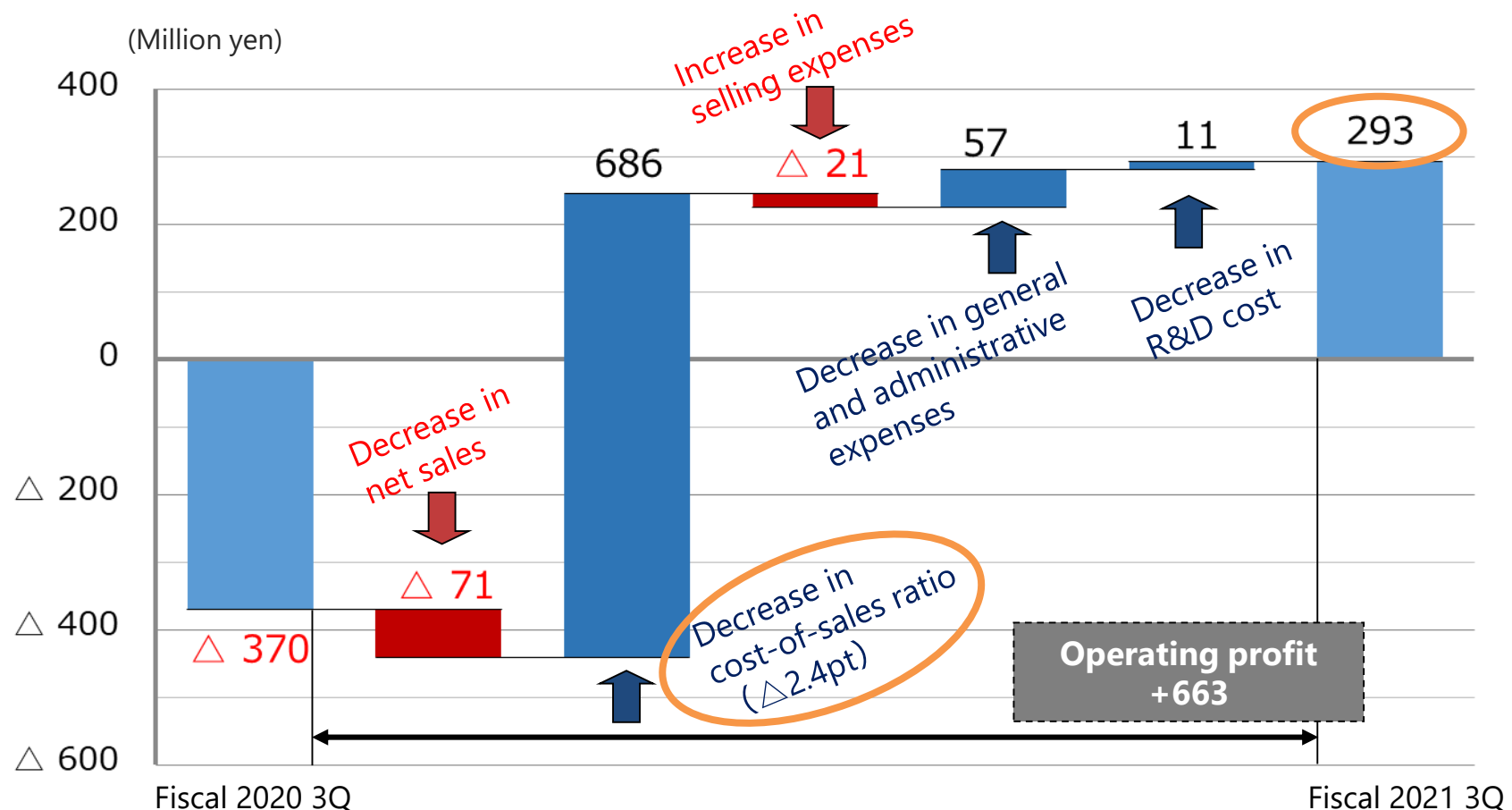
## 3Q Net Sales and P/L

- ◆ Net sales were on par with the previous 3Q and profits increased across all indicators.
  - The breakdown of net sales included a decrease in net sales of the Defense & Communications Equipment Business as initially forecast and a large increase in net sales of the Hydraulics and Pneumatics Business and the Fluid Measurement Equipment Business.
  - As for P/L, profits increased on the improving cost-of-sales ratio across all business segments excluding Other Businesses.

(Million yen)	Fiscal 2020 3Q Results	Fiscal 2021 3Q Results	Year on Year Change	
			Amount	Rate
Net sales	28,718	28,404	△314	△1.1%
Operating profit	△370	293	+663	—
Ordinary profit	△194	577	+770	—
Profit attributable to owners of parent	△137	507	+644	—

## 3Q Changes in Operating Profit (YoY)

- ◆ Shifted to operating profit from operating loss in previous 3Q due to the improvement of cost-of-sales ratio.
- ◆ The cost-of-sales ratio improved on the rising production volume in the Hydraulics and Pneumatics Business, despite the impacts of soaring raw materials prices. In addition, changes in the product mix of the Fluid Measurement Equipment Business improved the cost-of-sales ratio as well.



## 3Q Net Sales and Operating Profit by Segment

- ◆ Marine Systems: Maintenance services for marine systems trended steadily, but overall sales decreased and profit increased because of the declining sales of purchased products compared to the previous 3Q and yen weakening against other currencies.
- ◆ Hydraulics and Pneumatics: Increased sales and profits on improving demand in all markets compared to previous 3Q.
- ◆ Fluid Measurement Equipment: Sales increased and operating profits returned to the black thanks to steady sales of mainstay ultrasonic flowmeters and fire extinguishing systems and their inspection work.
- ◆ Defense & Communications Equipment: Both sales and profits declined due to the off-period for public-sector projects up to the current fiscal year, despite increased sales in private-sector markets.

(Million yen)	Net sales				Operating profit			
	Fiscal 2020 3Q Results	Fiscal 2021 3Q Results	YoY Change		Fiscal 2020 3Q Results	Fiscal 2021 3Q Results	YoY Change	
			Amount	Rate			Amount	Rate
Marine Systems	6,487	6,347	△139	△2.1%	266	305	+39	+14.6%
Hydraulics and Pneumatics	7,455	8,525	+1,070	+14.4%	△479	△19	+459	—
Fluid Measurement Equipment	2,124	2,508	+384	+18.1%	△59	131	+190	—
Defense & Communications Equipment	11,100	9,239	△1,861	△16.8%	71	5	△66	△92.7%
Others	1,552	1,785	+233	+15.0%	△109	△72	+37	—
Adjustment	1	1	+0	+35.3%	△61	△57	+4	—
Total	28,718	28,404	△314	△1.1%	△370	293	+663	—

## Status of Orders Received and Order Backlog

- ◆ Orders received and order backlog both increased in total. However, there were discrepancies when viewed by segment.
- Marine Systems: Demand for new shipbuilding recovered in East Asian markets resulting in an increase in orders received and order backlog.
- Hydraulics and Pneumatics: Both orders received and order backlog increased on the ongoing recovery in demand across all markets.
- Fluid Measurement Equipment: Both orders received and order backlog increased on strong results for projects planned to be converted to sales in 4Q.
- Defense and Communications Equipment: Orders received declined because there were no large projects in the public-sector market as in the previous 3Q.

(Million yen)	Amount of orders received for 3Q of FY2021		Amount of order backlog at the end of 3Q of FY2021		
	Amount	YoY change	Amount	Change from the end of FY2020	YoY change
Marine Systems	7,255	+21.5%	3,185	+39.9%	+47.4%
Hydraulics and Pneumatics	9,236	+25.3%	3,370	+26.7%	+36.9%
Fluid Measurement Equipment	3,981	+20.5%	2,488	+145.3%	+16.1%
Defense & Communications Equipment	7,440	△26.2%	13,773	△11.5%	△3.4%
Others	2,584	△7.5%	1,712	+89.6%	+2.5%
<b>Total</b>	<b>30,498</b>	<b>+3.3%</b>	<b>24,528</b>	<b>+9.4%</b>	<b>+8.1%</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 3Q	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.</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.</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 sales forecast.</p>



## Consolidated Balance Sheets (Main accounting items only)

(Assets)

(Liabilities and net assets)

(Million yen)	As of Mar 31, 2021	As of Dec 31, 2021	Amount of change	(Million yen)	As of Mar 31, 2021	As of Dec 31, 2021	Amount of change
<b>Current assets</b>	<b>40,950</b>	<b>41,069</b>	<b>+119</b>	<b>Current liabilities</b>	<b>17,722</b>	<b>17,958</b>	<b>+235</b>
Cash and deposits	11,620	10,801	△819	Notes and accounts payable	5,093	6,273	+1,180
Notes and accounts receivable	12,568	10,265	△2,303	Short-term loans payable	8,516	8,162	△355
Electronically recorded monetary claims	3,816	3,568	△248	Provision for bonuses	1,097	552	△545
Inventories	12,673	15,690	+3,017	<b>Non-current liabilities</b>	<b>3,884</b>	<b>3,649</b>	<b>△236</b>
Accounts receivable	32	376	+344	Long-term loans payable	2,424	2,166	△258
Other	245	372	+127	<b>Total liabilities</b>	<b>21,607</b>	<b>21,606</b>	<b>△0</b>
<b>Non-current assets</b>	<b>12,596</b>	<b>12,602</b>	<b>+6</b>	<b>Shareholders' equity</b>	<b>29,619</b>	<b>29,719</b>	<b>+100</b>
Tangible assets	6,970	6,629	△341	Retained earnings	23,076	23,162	+86
Intangible assets	33	46	+13	<b>Accumulated other comprehensive income</b>	<b>1,835</b>	<b>1,901</b>	<b>+66</b>
Investment securities	3,606	3,903	+297	<b>Total net assets</b>	<b>31,939</b>	<b>32,065</b>	<b>+125</b>
<b>Total assets</b>	<b>53,546</b>	<b>53,671</b>	<b>+125</b>	<b>Total liabilities and net assets</b>	<b>53,546</b>	<b>53,671</b>	<b>+125</b>

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## Fiscal 2021 Full-year Earnings Forecast

- ◆ The previous earnings forecast disclosed on November 9, 2021 has been reviewed taking into account the negative factors of supply chain disruptions and the positive factors of improving cost-of-sales ratio.
- ◆ Both sales and profits are forecast to increase year on year.

\* In the previous forecast disclosed on November 9, 2021, the total of net sales and profits remained unchanged from the initial forecast on May 14, 2021, while changes were made by each segment.

(Million yen)	Forecast	Previous forecast	Vs. previous forecast		Fiscal 2020 Results	YoY Change	
			Amount	Rate		Amount	Rate
Net sales	42,100	42,900	△800	△1.9%	42,081	+19	+0.0%
Operating profit	1,440	1,350	+90	+6.7%	1,250	+190	+6.7%
Ordinary profit	1,730	1,470	+260	+17.7%	1,458	+272	+17.7%
Profit attributable to owners of parent	1,310	1,130	+180	+15.9%	945	+365	+15.9%

## Fiscal 2021 Full-year Earnings Forecast by Segment

- ◆ Marine Systems Business: Profits expected to increase on declining SG&A expenses.
- ◆ Hydraulics and Pneumatics Business: Net sales reviewed because certain projects were deferred to next fiscal year due to supply chain disruptions.
- ◆ Fluid Measurement Equipment Business: Profits expected to rise on changes in product mix.
- ◆ Defense & Communications Equipment Business: Net sale and profit reviewed because of deferral of some projects to next fiscal year.

(Million yen)	Net sales							Operating profit						
	Forecast	Previous forecast	Vs. previous forecast		Fiscal 2020 Results	YoY Change		Forecast	Previous forecast	Vs. previous forecast		Fiscal 2020 Results	YoY Change	
			Amount	Rate		Amount	Rate			Amount	Rate		Amount	Rate
Marine Systems	8,800	8,890	△90	△1.0 %	8,522	+278	+3.3 %	340	210	+130	+61.9 %	246	+94	+38.2 %
Hydraulics and Pneumatics	11,830	12,080	△250	△2.1 %	10,351	+1,479	+14.3 %	20	10	+10	+100.0 %	△424	+444	—
Fluid Measurement Equipment	4,350	4,330	+20	+0.5 %	4,003	+347	+8.7 %	750	600	+150	+25.0 %	647	+103	+15.9 %
Defense & Communications Equipment	14,130	14,470	△340	△2.3 %	16,281	△2,151	△13.2 %	270	400	△130	△32.5 %	537	△267	△49.7 %
Others	2,990	3,150	△160	△5.1 %	2,924	+66	+2.3 %	150	250	△100	△40.0 %	330	△180	△54.5 %
Adjustment	0	△20	+20	—	1	△1	—	△90	△120	+30	—	△87	△3	—
Total	42,100	42,900	△800	△1.9 %	42,081	+19	+0.0 %	1,440	1,350	+90	+6.7 %	1,250	+190	+15.2 %

## Business Outlook by Segment

### Marine Systems Business

- Recovery trend 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 Business

- All markets in a recovery mode and orders received are strong.
- Protracted production lead time due to slow product supply, leading to deferrals of some projects to next fiscal year.
- 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 Business

- Public-sector markets are expected to continue trending steadily.
- The fire extinguishing systems market is expected to see steady demand for parking garage projects, for parts sales and for replacement work required for "statutory safety inspections of valves for gas-based fire extinguishers".

### Defense & Communications Equipment Business

- Public-sector markets are expected to see some projects deferred to next fiscal year, in addition to 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.

### Other Businesses

- The Railway Maintenance Business is expected to see weaker equipment sales at fiscal year end due to the resurgence of COVID-19 cases.

## 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 2021

	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	37.6
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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## Topic 1

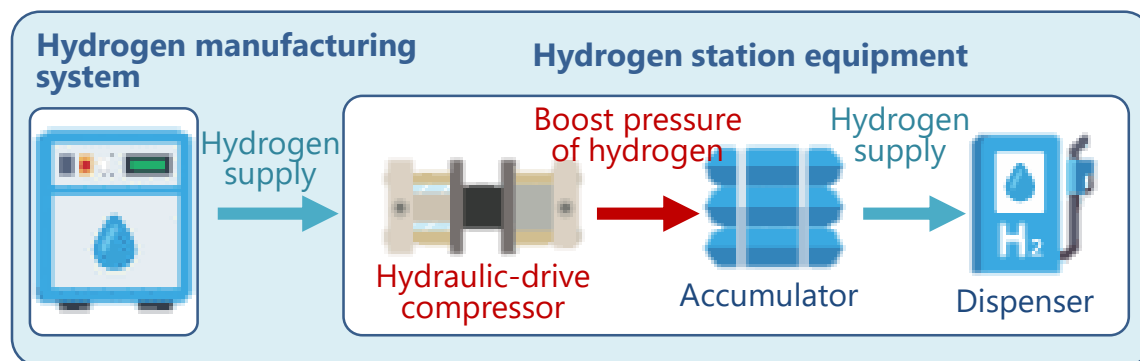
## Growth of the Hydrogen Related Business

### TOKYO KEIKI Vision 2030: New Growth Drivers – Business Development

On January 20, 2022, TOKYO KEIKI and its subsidiary TOKYO KEIKI POWER SYSTEMS INC. (TPS) concluded a business partnership agreement with Sunny Limited (Chiyoda-ku, Tokyo) regarding the hydrogen related business.

Previously, TPS and Sunny Limited have worked together to manufacture and sell hydrogen compressors used at hydrogen stations.

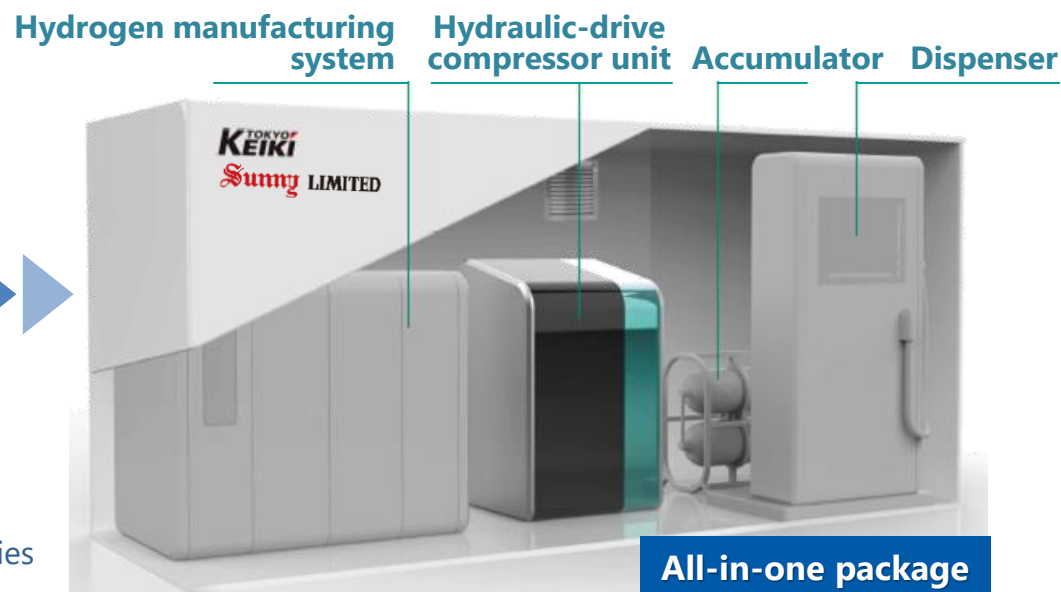
Going forward, the three companies will mutually utilize their management resources in development, manufacturing, sales, and maintenance services to further develop the hydrogen related business, including the integrated development, manufacturing and sales of equipment for manufacturing, compressing and filling hydrogen.



#### Hydraulic-drive high-pressure compressor for Stationary hydrogen station



Previous manufacturing and sales by the two companies





## Topic 2

New

**Delivery and installation of the first SeaKu, a high-resolution solid-state radar system for coastal monitoring in overseas markets, in Europe**

In December 2021, TOKYO KEIKI delivered and completed installation of its first SeaKu unit, a high-resolution Ku-band and solid-state radar system, in Europe for use as a Vessel Traffic Service (VTS). This business is part of our globalization efforts under TOKYO KEIKI Vision 2030.

- Our VTS system has been delivered to **all seven of the Vessel Traffic Service Center locations of the Japan Coast Guard**, protecting ships as they operate in Japanese ports. These VTS systems feature a total of **25 of the world's first** high-resolution Ku-band and solid-state radar system.
- This track record and technological reputation earned TOKYO KEIKI **its first overseas order** for a high-resolution solid-state radar system. Going forward, these systems will contribute to safety at seas not only in Japan, but **overseas** as well.

**[Future business expansion]**

- Following this first delivery, TOKYO KEIKI has been chosen to supply a river radar system for a river with congested vessel traffic.
- Leveraging this track record, TOKYO KEIKI will focus on expanding sales of radar systems in Europe.

**[SeaKu's features]****➢ Delivers high resolution using Ku-band**

Conventional X-band radar systems already in use in Europe do not offer the high-resolution required of VTS operators. SeaKu delivers this high-resolution by utilizing TOKYO KEIKI's know-how in solid-state radar systems for VTS in Japan using Ku-band.

- X-band and Ku-band refers to microwave frequency bands used in radar. Ku-band is a higher frequency than X-band. Generally speaking, higher frequencies deliver higher resolution.
- Resolution is the ability to identify objects. High resolution allows accurate identification and monitoring of each vessel coming and going.



The radar installed atop an approx. 110-meter tall tower



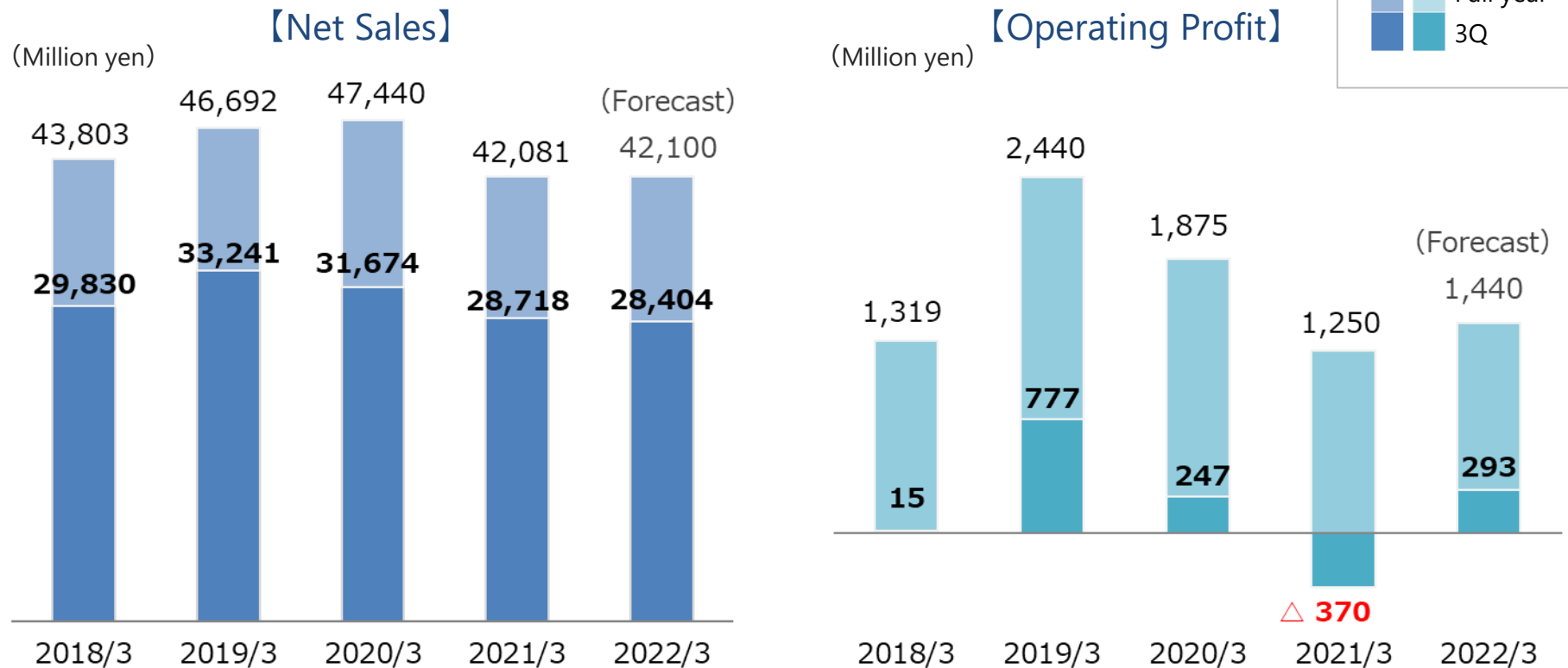
Our website: <https://www.tokyoikei.jp/products/mts/>

<https://www.tokyoikei.jp/Portals/0/images/company/report/pdf/tkr126.pdf>

## References

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## Changes in consolidated profit & loss

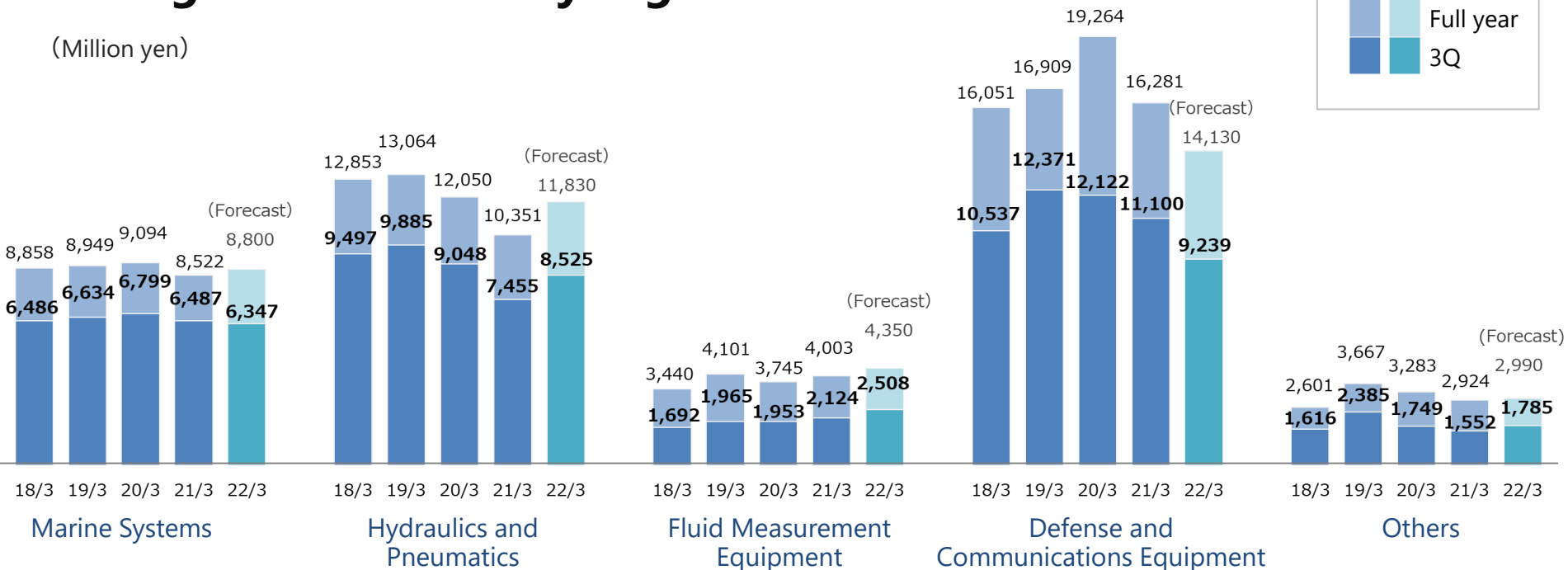


(Million yen)	2019/3-3Q	2019/3-3Q	2020/3-3Q	2021/3-3Q	2022/3-3Q	YoY change (amount)	YoY change (rate)
Net sales	29,830	33,241	31,674	28,718	28,404	△314	△1.1%
Operating profit	15	777	247	△370	293	+663	—
Ordinary Profit	198	1,019	362	△194	577	+770	—
Net Profit*	170	725	262	△137	507	+644	—

\*Profit attributable to owners of parent

## Changes in net sales by segment

(Million yen)

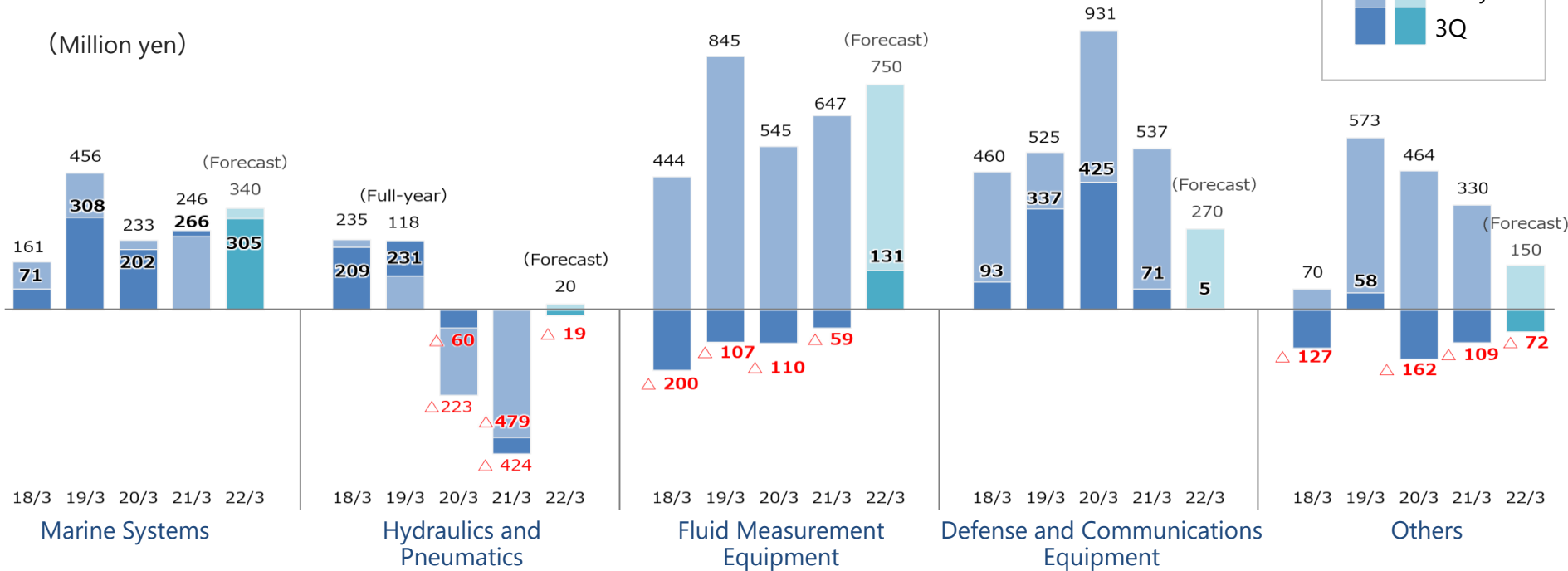


(Million yen)	2018/3-3Q	2019/3-3Q	2020/3-3Q	2021/3-3Q	2022/3-3Q	YoY change (amount)	YoY change (rate)
Marine Systems	6,486	6,634	6,799	6,487	6,347	△139	△2.1%
Hydraulics and Pneumatics	9,497	9,885	9,048	7,455	8,525	+1,070	+14.4%
Fluid Measurement Equipment	1,692	1,965	1,953	2,124	2,508	+384	+18.1%
Defense and Communications Equipment	10,537	12,371	12,122	11,100	9,239	△1,861	△16.8%
Others	1,616	2,385	1,749	1,552	1,785	+233	+15.0%

\*Net sales before adjustment.

## Changes in operating profits by segment

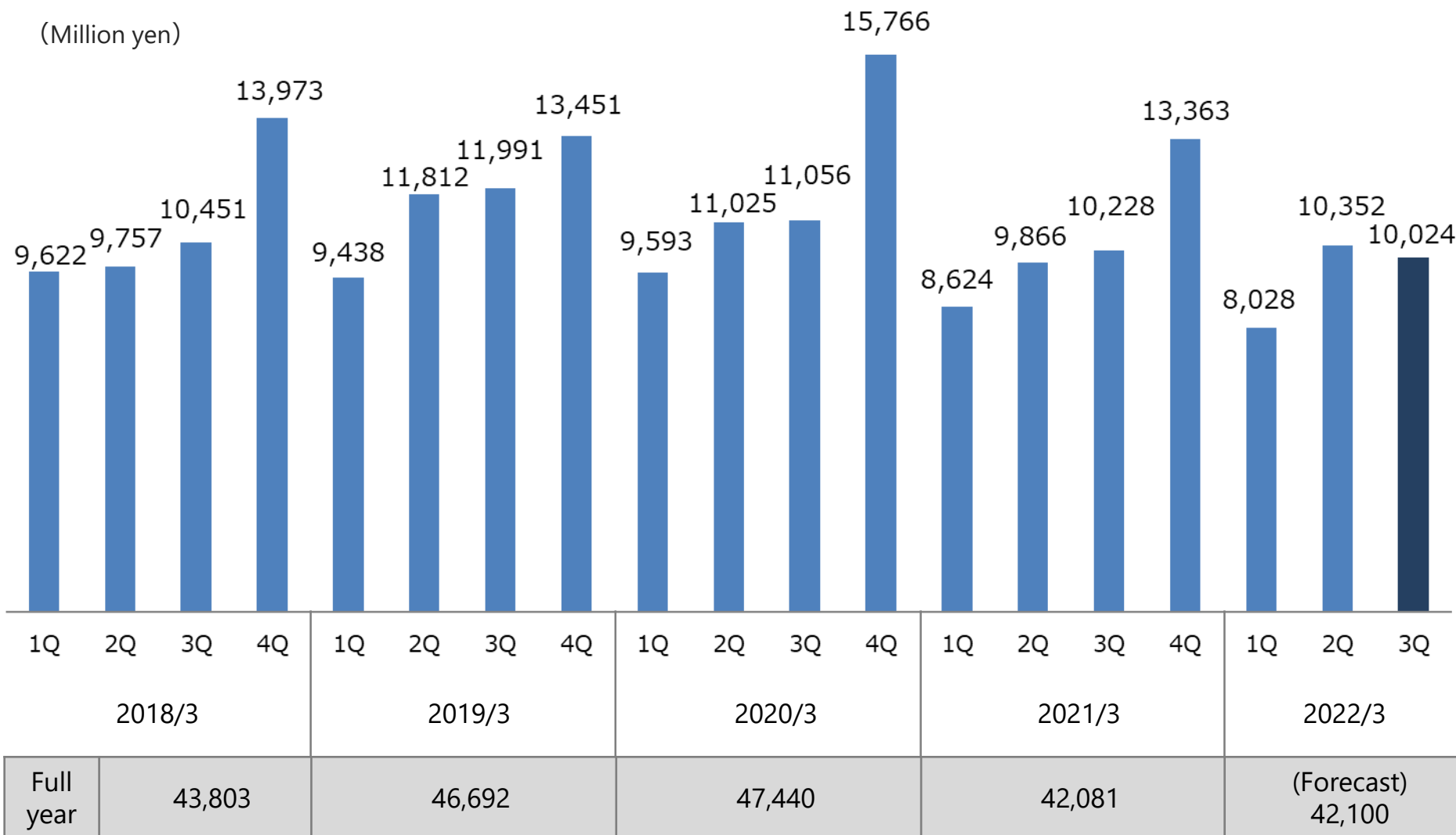
(Million yen)



(Million yen)	2018/3-3Q	2019/3-3Q	2020/3-3Q	2021/3-3Q	2022/3-3Q	YoY change (amount)	YoY change (rate)
Marine Systems	71	308	202	266	305	+39	+14.6%
Hydraulics and Pneumatics	209	231	△60	△479	△19	+459	—
Fluid Measurement Equipment	△200	△107	△110	△59	131	+190	—
Defense and Communications Equipment	93	337	425	71	5	△66	△92.7%
Others	△127	58	△162	△109	△72	+37	—

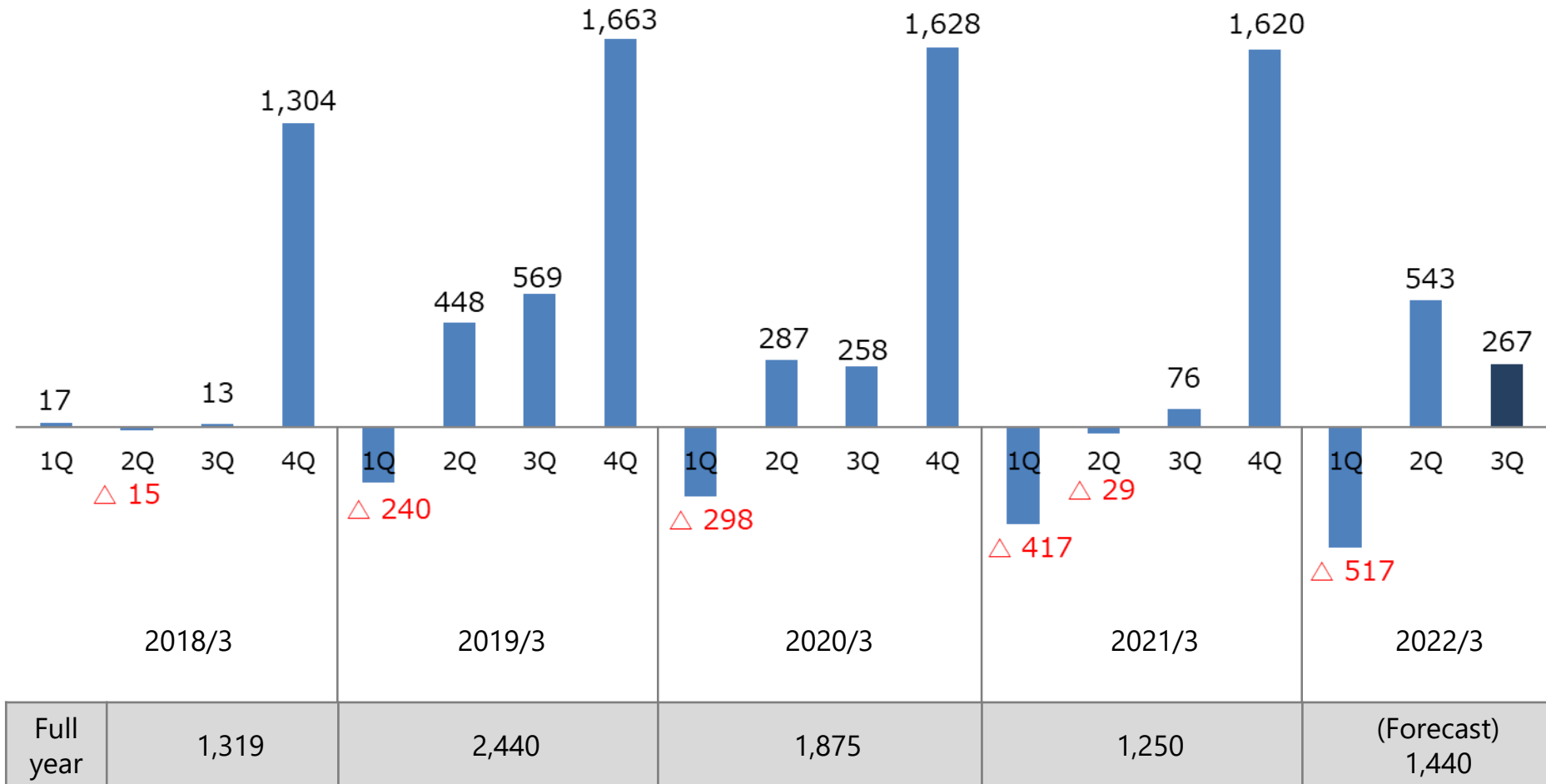
## Quarterly changes in net sales

(Million yen)



## Quarterly changes in operating profits

(Million yen)



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