

# TOKYO KEIKI INC.



## TOKYO KEIKI Vision 2030

June 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.

## About the creation of the TOKYO KEIKI Vision 2030

TOKYO KEIKI celebrated the 125th anniversary of our founding in May 2021.

Long before the birth of concepts like SDGs and ESG, our Group has engaged in business with an underlying mission of contributing to the realization of a safe and secure society, and has maintained a commitment to resolving the problems of society. TOKYO KEIKI has pioneered numerous businesses in Japan and we now boast a top share in multiple business domains. We also have a long history of being a pioneer in Japan for workplace environment development and employee welfare and benefits.

**Serving as pioneers and accepting the challenge of resolving the problems of society;  
That is TOKYO KEIKI's DNA.**

Thus far, we have largely focused on expanding our share of domestic markets. However, we will use our 125th anniversary and our commitment to the SDGs as an opportunity to shift into **a stage of pursuing sustainable growth and long-term improvement in our corporate value by becoming a top business for niche global markets.** To achieve this growth, we created the TOKYO KEIKI Vision for 2030. This Vision reaffirms the Group heritage that has guided us since our founding and outlines a plan for sustainable growth for the next 50 years and beyond.

As part of the reorganization of Tokyo Stock Exchange market categories and TOPIX, we chose to transfer to the Prime Market with the goal of being included in the new TOPIX index. We will maintain the level of governance expected of a company listed on the Prime Market and will embrace the mission of making continuous improvements to our corporate value as we strive to contribute to the formation of a sustainable society and the development of a digital society.

## TOKYO KEIKI Vision

### Our Mission

Apply our proprietary measurement, recognition, and control technology towards the realization of a safe, kind society

### Our Vision

Use our unique technology to resolve societal issues related to global security and contribute to the realization of a sustainable society

### Our Values

**The value we uphold as the key to achieving our mission and realizing our vision**

**Never-ending Challenge**

## Strategy scenario for achieving the TOKYO KEIKI Vision 2030

To realize our vision, we identified management issues facing the Group and the issues society is projected to face in 2030 in order to outline business strategy and strategy for strengthening our foundation.

### ◆ Domains for strengthening business

We will strengthen five business domains to resolve societal issues through our main operations.

### ◆ Strategy for new business

To strengthen those five business domains, we will identify, select, and develop new businesses as growth drivers.

### ◆ Strategy for existing business

For existing business, we will achieve the targets of our three-year medium-term business plan by expanding business domains, promoting globalization, and continuously strengthening existing business. Furthermore, we will engage in backcasting to achieve our medium- and long-term strategy.

### ◆ Strengthening our foundation

We will strengthen three core areas by reforming into a corporate culture that enables us to achieve our targets.

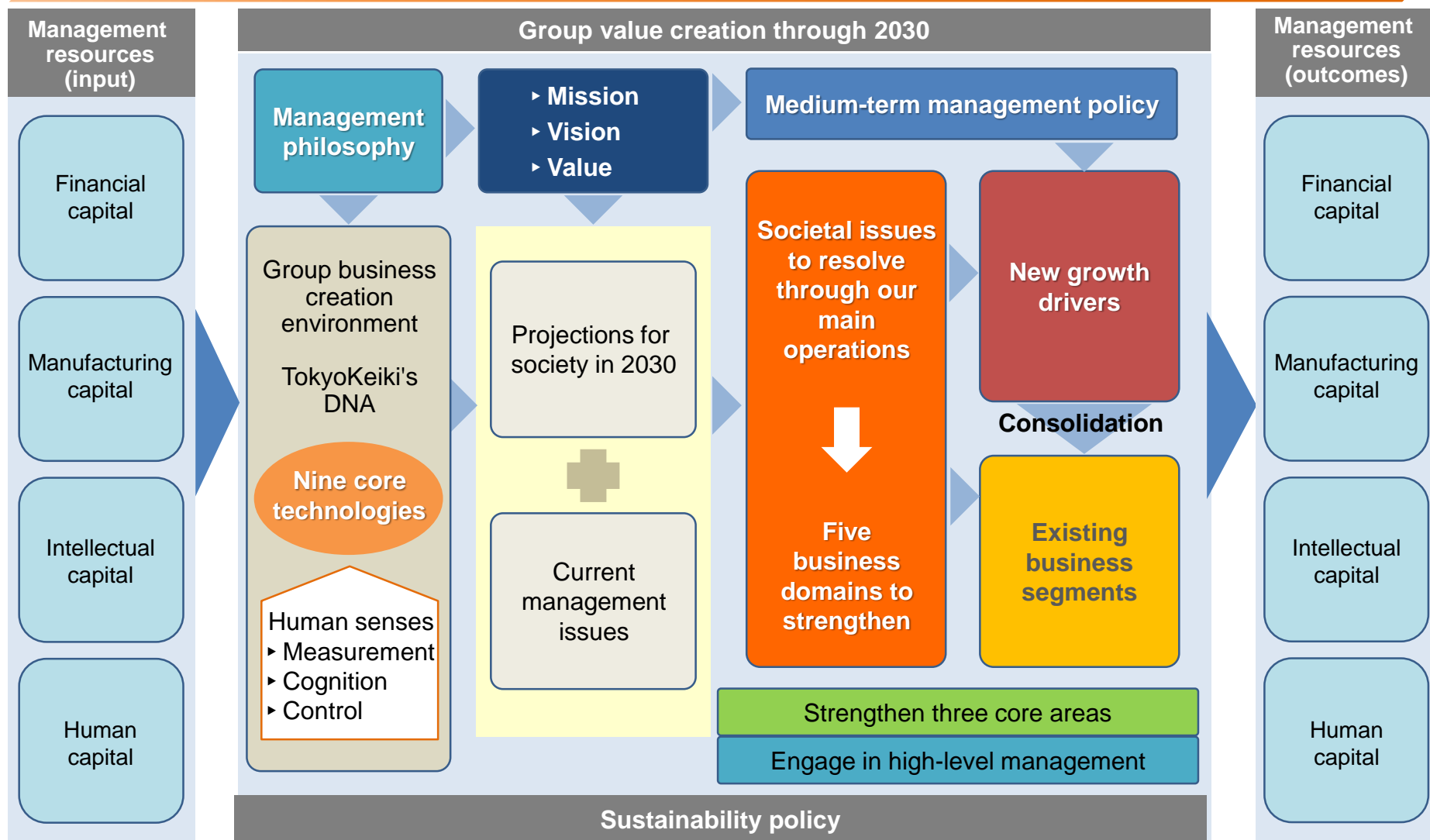
### ◆ Engaging in high-level management

We will engage in sustainability management, ROIC management, and DX initiatives to implement corporate strategies, including our organizational strategy, human resource strategy, financial strategy, information strategy, and external alliance strategy.

# 1. TOKYO KEIKI Vision 2030

## Overview of TOKYO KEIKI Vision for 2030

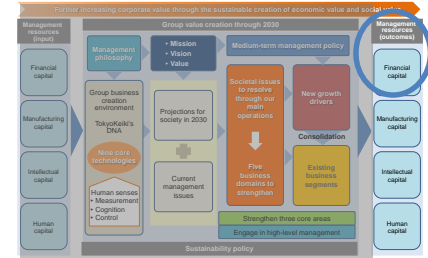
Further increasing corporate value through the sustainable creation of economic value and social value



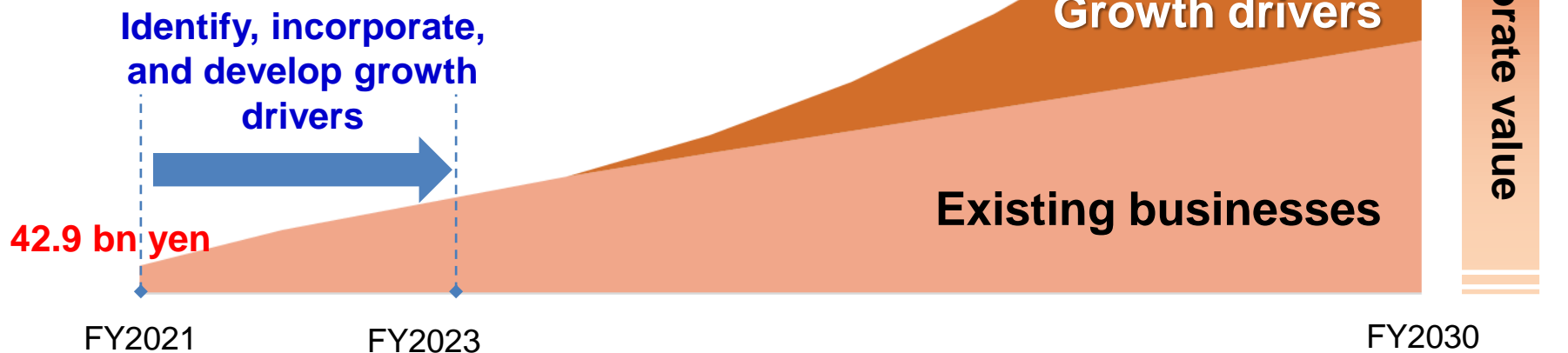
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## Management goals through 2030

- ◆ **Growth: Consolidated net sales of 100 bn yen or more**
- ◆ **Profitability: Consolidated operating profit of 10 bn yen or more**  
**Consolidated operating margin of 10% or higher**  
**Return on equity (ROE) of 10% or higher**
- ◆ **Corporate value: Market capitalization 50 bn yen or more**

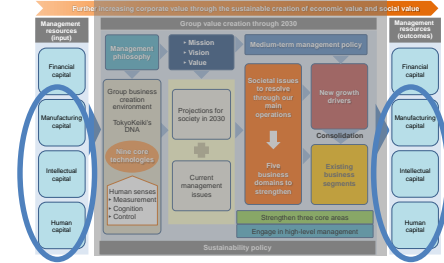


Achieving consolidated net sales of 100 bn yen or more



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## Growth investments through 2030



### Manufacturing capital

- ◆ **Capital expenditures:**
  - **40 bn yen over 10 years** (11.6 bn yen over past 10 years)
  - Add/expand production facilities
  - DX-related investments
- ◆ Aggressively engage in domestic and overseas M&A

### Intellectual capital

- ◆ **R&D expenses:**
  - **40 bn yen over 10 years** (26.4 bn yen over past 10 years)
  - Focus investments on growth drivers
- ◆ Alliances with external institutions and corporations

### Human capital

- ◆ Expand and diversify human resources
- ◆ Foster female managers and executives
- ◆ Expand hiring of foreign nationals

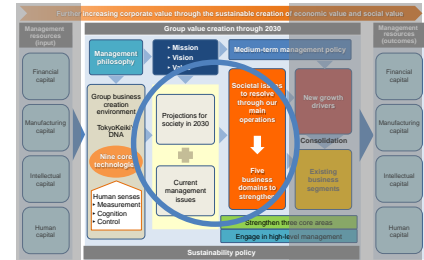
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## Five domains to strengthen business

Defining the five domains to strengthen business based on projections for society in 2030

### Projections for society in 2030

- Global sharing and pursuit of SDGs
- Diversification and advancement of sensor functions applicable for use in AI, IoT, and big data
- Advancement of clean energy revolution
- Full-scale development of aerospace business
- Advancements in software technology in the mobility domain



### Societal issues to resolve through our main operations : 5 domains to strengthen

Building the future by serving as a key player in AI and ICT revolution

Protecting the global environment

Advancing mobility-based society

Overcoming problem of low birth rates and population aging

Ensuring a secure and healthy society





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## Business domains to strengthen and existing businesses

We will select growth driver candidates with a focus on strengthening existing businesses and technology



Marine Systems Business



Fluid Measurement Equipment Business



Inspection Systems business



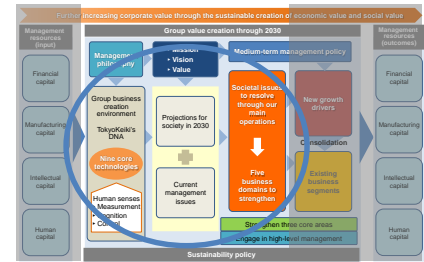
Hydraulics and Pneumatics Business



























Defense & Communications Equipment Business



Railway Maintenance business



Domain to strengthen	Related existing businesses
Building the future by serving as a key player in AI and ICT revolution	    
Protecting the global environment	   
Advancing mobility-based society	   
Overcoming problem of low birth rates and population aging	     
Ensuring a secure and healthy society	    

## Core technologies

Microwave technology

Gyro technology

Ultrasonics technology

Hydraulics technology

Precision machining technology

Image processing technology

Inertial sensor technology

Software technology

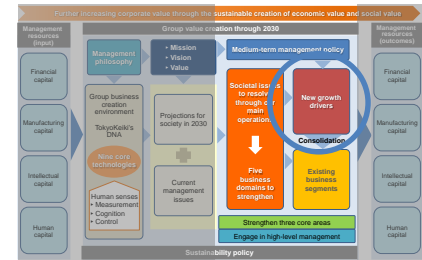
Information technology

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## New growth drivers

We will select growth driver candidates with a focus on strengthening existing businesses and technology

### Business domains to strengthen



Building the future by serving as a key player in AI and ICT revolution

Protecting the global environment

Advancing mobility-based society

Overcoming problem of low birth rates and population aging

Ensuring a secure and healthy society

### Growth driver candidates

Candidates	Background of candidates
Edge AI business	In response to industry changes driven by the shift to an AI society, we will develop our base technology for machine learning into Edge AI in order to <b>overcome societal issues related to low birth rates and population aging</b> .
Hydrogen & energy business	We will develop products related to hydrogen stations to <b>resolve environmental issues towards achieving carbon neutral</b> in a mobility-based society.
Aerospace business	Backed by our track record as a microwave device manufacturer for the aviation and aerospace industry, we will contribute to <b>the realization of a secure society</b> through our business related to utilizing satellites in existing business markets.
Railway business	We will expand our existing rail line maintenance business to resolve problems related to <b>the railway safety and security and the issue of low birth rates and population aging</b> by conducting low-labor infrastructure inspections.
Life sciences	<ul style="list-style-type: none"> <li>-We will expand the use of microwave and plasma applied technology in the medical and hygiene sectors to contribute to <b>secure societies and the healthy lifestyles of people</b>.</li> <li>-We will expand on the human activity domain that combines reality and virtual reality to <b>increase security, safety, health, and comfort in an age of low birth rates and population aging</b>.</li> </ul>

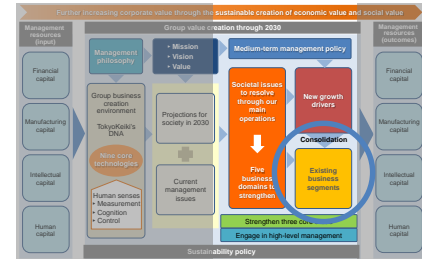
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## Strategy for existing business

**Backcasting-driven medium and long-term business strategy**



**Three-year medium-term business**



## Enhancing existing business based on domains for strengthening business

Building the future by serving as a key player in AI and ICT revolution

Protecting the global environment

Advancing mobility-based society

Overcoming problem of low birth rates and population aging

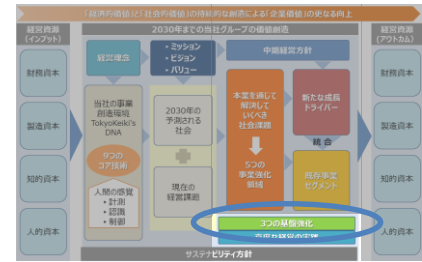
Ensuring a secure and healthy society

Business segments	Key points of business enhancement
Marine Systems Business	Resolve societal issues related to safety, energy conservation, labor-saving, and environment measures by developing business and products for autonomous and unmanned vessels, and developing technology for energy-saving ship maneuvering that contribute to reductions in greenhouse gasses.
Hydraulics and Pneumatics Business	Contribute to the advancement of a mobility-based society and energy shifts by developing facilities for hydrogen stations and developing pump systems for EV/FCV construction machinery.
Fluid Measurement Equipment Business	Contribute to secure lifestyles by measuring, monitoring, and managing fluid with a focus on flood prevention fields such as rivers and ponds.
Defense & Communications Equipment Business	<ul style="list-style-type: none"> <li>-In the private sector, we will engage in the AI &amp; ICT revolution by developing microwave products for the semiconductor market and equipment related to smart agriculture.</li> <li>-In the public sector, we will contribute to security by engaging in R&amp;D for equipment used in next-generation fighters.</li> </ul>
Other Business	For railway maintenance, we will advance the commercialization of next-generation products that contribute to safe transportation.

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## Strengthen three core areas

To achieve our vision, we have identified three core areas to strengthen for developing human resources as the source of competitiveness and promoting company-wide changes in awareness regarding organizational reforms.



## Strengthen three core areas

Issues concerning developing the personnel who serve as the source of our competitiveness and issues related to organizational reforms

**Promoting open innovation with partners who share our vision of the future**

### Strategic use of external resources

- In addition to in-house development of knowhow in new domains, we will aggressively incorporate external resources
- Investments in open innovation



**Creating a motivating and pioneering culture**

### Reforming into an HR system that encourages a challenging spirit

- Adopt an HR evaluation system that rewards challenges towards aspiration to reform into a culture that embraces never-ending challenges



**Solicit workplace innovation**

### Promote future-oriented improvement activities

- Expand on improvement activities as an opportunity for personnel development that sees each employee embrace individual challenges and work towards innovation



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- ◆ In June 2021, we established the Sustainability Committee to serve as the organization that oversees and evaluates companywide sustainability efforts. We also created the Sustainability Office to serve as corporate staff for promoting Group-wide sustainability management.
- ◆ We will implement ESG-oriented management, including responding to the TCFD by ascertaining climate change risks and opportunities, drafting strategy, and managing efforts.

- ◆ We will adopt ROIC management to measure the earning potential and capital efficiency of each business. Adopting ROIC will enable us to simultaneously improve ROE and streamline our balance sheet.
- ◆ Through ROIC management, we will optimize our business portfolio and achieve sustainable growth. Striving for ROE that exceeds cost of shareholder's equity, we adopted WACC comparison ( $ROIC > WACC$ ) as a performance indicator.
- ◆ We will establish KPI for the individual performance indicators outlined on the ROIC tree and are reforming into a corporate culture that realizes that workplace goal achievement by all employees will lead to the achievement of management goals.

- ◆ We will promote DX to ensure the effective use of internal and external data in order to enhance data-driven management and increase our ability to predict the future.
- ◆ We will optimize workflow processes by upgrading backbone systems to increase the real-time nature of our data collection and accelerate management decisions.
- ◆ We will improve production efficiency by engaging in smart manufacturing driven by IoT.

