

TOKYO KEIKI INC.

Securities code 7721

Financial Results Briefing for 1Q of the Fiscal Year Ended March 31, 2024 (FY2023) —From April 1 to June 30, 2023—

August 10, 2023

Forward-looking statements in this presentation are based on assumptions made by our management based on information available at the time of publication. Therefore, please be aware that there may be differences due to factors such as the business environment in the future.

Summary of Financial Results for 1Q of Fiscal 2023

Financial Results for the 1Q of FY2023

- ◆ Net sales increased and operating loss reduced year on year.
 - Net sales increased in all segments except Hydraulics and Pneumatics Business.
 - Operating loss reduced due to strong performance of Marine Systems Business.
- ◆ Both orders received and order backlog reached record highs in the 1Q of the past 10 years.

Full-year Forecast for FY2023

- ◆ There is no change to the earnings forecast disclosed on May 12, 2023, and both sales and profits are expected to increase year on year.
- ◆ The annual dividend is planned to be ¥32.5 per share, with an increase of ¥2.5 in ordinary dividends as initially planned.

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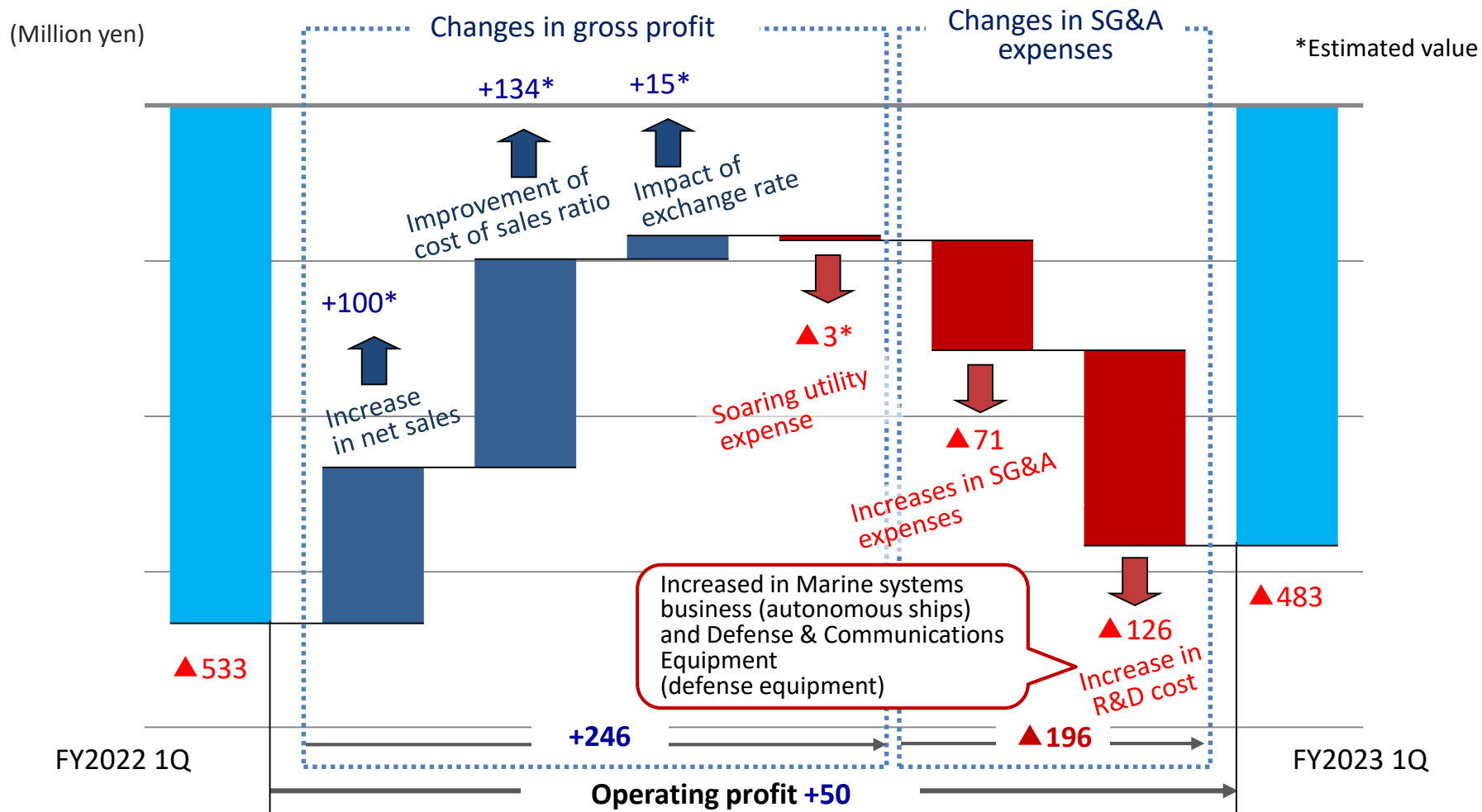
1Q Net Sales and P/L

- ◆ Net sales were up thanks to strong sales of Marine Systems Business and Defense and Communications Equipment Business.
- ◆ The operating loss reduced due to strong Marine Systems Business sales.
- ◆ Ordinary loss and loss attributable to owners of parent expanded owing to a decrease in dividend income in the current fiscal year in line with the reduction in cross shareholdings in the previous fiscal year.

(Million yen)	FY 2022 1Q Results	FY 2023 1Q Results	Year on Year Change	
			Amount	Rate
Net sales	8,924	9,417	+493	+5.5%
Operating profit	▲ 533	▲ 483	+50	—
Ordinary profit	▲ 372	▲ 404	▲ 33	—
Profit attributable to owners of parent	▲ 242	▲ 311	▲ 69	—

1Q Changes in Operating Profit (YoY)

◆ The increase in personnel, travel, and R&D expenses in SG&A expenses was offset by higher sales, an improvement in the cost of sales ratio, and the favorable impact of yen depreciation. As a result, the operating loss reduced.



1Q Net Sales and Operating Profit by Segment

- ◆ In Marine Systems Business, sales and profits increased thanks to steady demand from the previous fiscal year and favorable performance of the weak yen.
- ◆ Sales of Hydraulics and Pneumatics Business declined by the impact of the stagnant Chinese economy. On the other hand, the operating loss reduced due to the rationalization of sales prices and other factors.
- ◆ Defense & Communications Equipment Business saw higher sales owing to higher sales of equipment for naval vessels, but the operating loss widened due to a rising cost of sales ratio stemming from a change in the product mix.

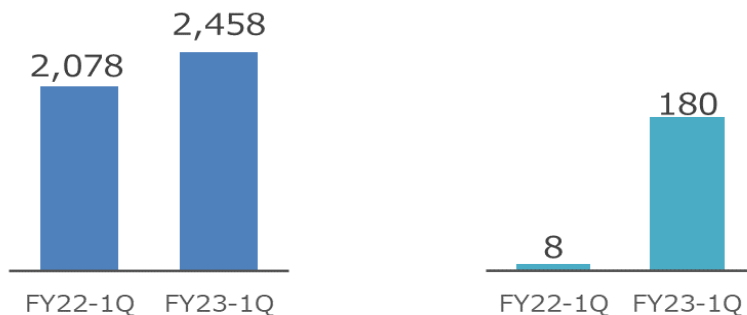
(Million yen)	Net sales				Operating profit			
	FY 2022 1Q Results	FY 2023 1Q Results	Year on Year Change		FY 2022 1Q Results	FY 2023 1Q Results	Year on Year Change	
			Amount	Rate			Amount	Rate
Marine Systems	2,078	2,458	+381	+18.3%	8	180	+172	+2,104.1%
Hydraulics and Pneumatics	2,819	2,644	▲175	▲6.2%	▲88	▲70	+18	—
Fluid Measurement Equipment	583	597	+14	+2.3%	▲142	▲132	+10	—
Defense & Communications Equipment	2,976	3,208	+232	+7.8%	▲175	▲329	▲154	—
Other	469	510	+42	+8.9%	▲111	▲111	▲0	—
Adjustment	0	0	▲0	—	▲25	▲21	+4	—
Total	8,924	9,417	+493	+5.5%	▲533	▲483	+50	—

1Q Net Sales and Operating Profit by Segment

Marine Systems

[Net Sales]

[Operating Profit]



(Million yen)	FY2022-1Q	FY2023-1Q	Year on Year Change	
			Amount	Rate
Net sales	2,078	2,458	+381	+18.3%
Operating profit	8	180	+172	+2,104.1%

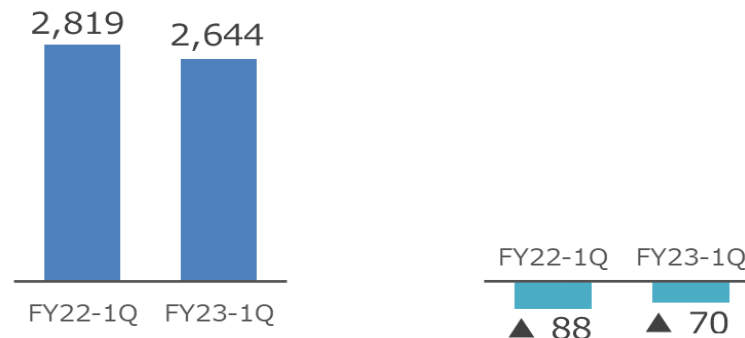
[Year on year increase in sales and profits]

- The main factors behind the increase in sales were higher sales of equipment for new ships in East Asia and existing vessels in the US and Europe, as well as favorable sales of maintenance services in overseas markets.
- Operating profit increased significantly. This was because the cost of sales ratio declined due to changes in the product mix and the yen's depreciation brought favorable performance in overseas markets, while soaring raw material prices squeezed profits.

Hydraulics and Pneumatics

[Net Sales]

[Operating Profit]



(Million yen)	FY2022-1Q	FY2023-1Q	Year on Year Change	
			Amount	Rate
Net sales	2,819	2,644	▲175	▲6.2%
Operating profit	▲88	▲70	+18	—

[Year on year decrease in sales and increase in profits]

- In the machine tool and construction machinery markets, sales were firm.
- Meanwhile, in overseas markets, sales declined due to the stagnation of the Chinese economy.
- Despite the decline in sales, operating loss reduced as a result of efforts to secure profits by optimizing sales prices and other measures.

1Q Net Sales and Operating Profit by Segment

Fluid Measurement Equipment

[Net Sales]

[Operating Profit]



(Million yen)	FY2022-1Q	FY2023-1Q	Year on Year Change	
			Amount	Rate
Net sales	583	597	+14	+2.3%
Operating profit	▲ 142	▲ 132	+10	—

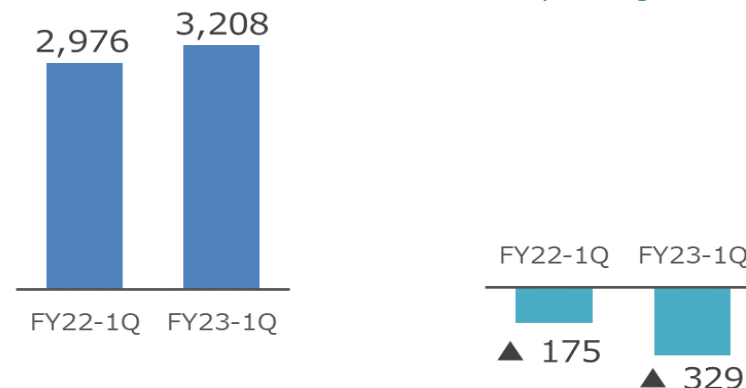
[Year on year increase in sales and profits]

- Sales increased as all the public-sector market, the private-sector market, and the fire extinguishing facilities market were firm.
- In addition to the increase in sales, the cost of sales ratio improved because of a change in the product mix, so the operating loss reduced.
- Owing to the nature of the business, sales tend to be concentrated in 4Q, so results in 1Q tend to be an operating loss.

Defense & Communications Equipment

[Net Sales]

[Operating Profit]



(Million yen)	FY2022-1Q	FY2023-1Q	Year on Year Change	
			Amount	Rate
Net sales	2,976	3,208	+232	+7.8%
Operating profit	▲ 175	▲ 329	▲ 154	—

[Year on year increase in sales and decrease in profits]

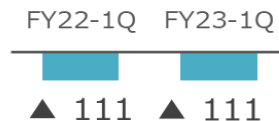
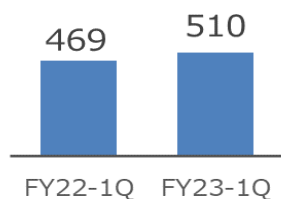
- In the defense business, sales of equipment for naval vessels increased.
- In communication & control equipment business, sales increased. The reason was that sales of equipment for semiconductor producing equipment, which were deferred from the previous fiscal year, and acceleration meters increased, though sales of automatic steering assist devices for agricultural machinery declined.
- The operating loss widened due to factors such as an increase in the cost of sales ratio caused by changes in the product mix and an increase in R&D expenses.
- Owing to the nature of the business, sales tend to be concentrated in 4Q, so results in 1Q tend to be an operating loss.

1Q Net Sales and Operating Profit by Segment

Others

[Net Sales]

[Operating Profit]



(Million yen)	FY2022-1Q	FY2023-1Q	Year on Year Change	
			Amount	Rate
Net sales	469	510	42	+8.9%
Operating profit	▲ 111	▲ 111	▲ 0	—

[Year on year increase in sales and decrease in profits]

- In Railway Maintenance business, sales were flat year on year.
- In Printing Inspection Equipment business, sales increased thanks to increased sales of print quality inspection device for the domestic market.
- Operating profit was flat year on year due to higher R&D expenses in Railway Maintenance business, despite higher sales in Printing Inspection Equipment business.

Status of Orders Received and Order Backlog

- ◆ As orders for Defense & Communications Equipment Business rose sharply, overall orders received and order backlog reached record highs in 1Q of the last 10 years.
- Marine Systems : As demand in commercial vessel and coastal vessel markets was strong, both orders received and order backlog increased.
- Hydraulics and Pneumatics : Orders received fell due to sluggish demand in overseas markets and the plastic processing machinery market. On the other hand, the order backlog increased owing to antecedent arrangements by customers in the previous fiscal year.
- Fluid Measurement Equipment : In the fire extinguishing equipment market, demand for inspection work was strong, and both orders received and order backlog increased.
- Defense & Communications Equipment : Both orders received and order backlog rose sharply because of a sharp rise in demand for aircraft equipment and naval vessels equipment as a result of increased defense budgets. We also won new orders for the Japan Coast Guard.
- Others : In Railway Maintenance business, both orders received and order backlog increased due to strong demand for its mainstay ultrasonic rail inspection cars.

(Million yen)	Amount of orders received For 1Q of FY2023				Amount of order backlog At the end of 1Q of FY2023						
	FY2022 1Q	FY2023 1Q	Year on Year Change		FY2022 1Q	FY2023 1Q	Year on Year Change		End of FY2022	From the end of FY2022	
			Amount	Rate			Amount	Rate		Amount	Rate
Marine Systems	2,231	2,540	+309	+13.8%	3,502	4,246	+745	+21.3%	4,164	+82	+2.0%
Hydraulics and Pneumatics	3,105	2,918	▲187	▲6.0%	3,547	3,713	+167	+4.7%	3,439	+274	+8.0%
Fluid Measurement Equipment	1,082	1,243	+161	+14.9%	1,652	2,239	+587	+35.6%	1,593	+646	+40.6%
Defense & Communications Equipment	2,297	4,449	+2,152	+93.7%	16,096	23,510	+7,415	+46.1%	22,269	+1,241	+5.6%
Others	811	1,405	+594	+73.3%	1,820	2,377	+556	+30.6%	1,550	+827	+53.3%
Total	9,526	12,556	+3,029	+31.8%	26,616	36,086	+9,469	+35.6%	33,015	+3,070	+9.3%

Balance Sheet (Main accounting items only)

- ◆ Inventories increased in line with the securing of parts and materials in response to longer delivery times and an increase in orders received.
- ◆ In response to an increase in orders received in the defense business, long-term borrowings were conducted, so that cash and deposits increased.
- ◆ The equity ratio maintains financial soundness, while declining 5.4 percentage points from the end of the previous fiscal year to 52.8%.

(Assets)

(Liabilities and Net Assets)

(Million yen)	As of March 31, 2023	As of June 30, 2023	Amount of change	(Million yen)	As of March 31, 2023	As of June 30, 2023	Amount of change
Current assets	44,814	48,378	+3,563	Current liabilities	21,385	22,289	+904
Cash and deposits	8,710	12,955	+4,245	Notes and accounts payable	6,824	7,034	+209
Notes and accounts receivable	13,783	10,999	▲2,784	Short-term loans payable	9,951	10,308	+357
Electronically recorded monetary claims	3,598	3,369	▲229	Provision for bonuses	1,145	588	▲557
Inventories	18,153	20,151	+1,998	Non-current liabilities	1,787	6,244	+4,457
Accounts receivable	269	425	+156	Long-term loans payable	—	4,613	+4,613
Other	302	481	+179	Total liabilities	23,172	28,533	+5,361
Non-current assets	11,809	13,050	+1,241	Shareholders' equity	31,104	30,310	▲794
Tangible assets	5,458	6,341	+883	Retained earnings	24,532	23,735	▲797
Intangible assets	137	138	+2	Accumulated other comprehensive income	1,822	2,104	+282
Investment securities	3,440	2,773	▲667	Total net assets	33,451	32,895	▲557
Total assets	56,624	61,427	+4,804	Total liabilities and Net assets	56,624	61,427	+4,804

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Business Outlook by Segment

Marine Systems Business	<ul style="list-style-type: none"> • Domestic and overseas demand for new shipbuilding has been firm since the previous fiscal year. • In the overseas market, sales of marine gyrocompasses and other equipment for existing vessels in Europe and North America are steady. • Maintenance services for marine equipment are steady. • If the yen continues to depreciate, there will be a positive impact.
Hydraulics and Pneumatics Business	<ul style="list-style-type: none"> • The construction machinery market are firm. • The plastic processing machinery market continues to be in an adjustment phase of production. • Demand for the machine tool market is expected to remain at a high level despite a slowdown in automobile-related capital investment. • We are trying to improve profits by optimizing selling prices and reducing product costs.
Fluid Measurement Equipment Business	<ul style="list-style-type: none"> • The public-sector market is trending steadily. • In the fire extinguishing equipment market, multi-story parking garage projects and sales of components and replacement work based on “statutory safety inspections of valves for gas-based fire extinguishers” will decline from the previous fiscal year. Accordingly, we will focus on proposing renewal of aging facilities.
Defense & Communications Equipment Business	<ul style="list-style-type: none"> • In the defense business, orders received for defense equipment are robust due to an increase in Japan’s defense budgets, but sales are scheduled for the next fiscal year and beyond. • New projects for maritime traffic equipment are expected to contribute to sales. • In communication & control equipment business, antenna directioning systems for broadcasting, which had been carried over from the previous fiscal year, are sold, and the sales volume of antenna stabilizers for mobile satellite communications is expected to increase. Meanwhile, sales of equipment for semiconductor producing equipment will decrease.
Other Businesses	<ul style="list-style-type: none"> • In Print and Inspection Equipment business, sales are expected to increase because the order backlog from the previous fiscal year has increased. • In Railway Maintenance business, the number of delivery of mainstay ultrasonic rail inspection cars is expected to decrease, as initially planned.

Status of External Environmental Risks

	Occurrences	Target Business	Response	Degree of impact
Difficulty of obtaining materials and rises in raw material prices	<ul style="list-style-type: none"> • Longer delivery times for electronic components, mainly semiconductors. • Raw material prices remain high. • Increase in utilities costs. 	✓ All businesses	<ul style="list-style-type: none"> • Secure parts through advance arrangements, etc., and adjust delivery timing as necessary. • Continue negotiations with customers to optimize sales prices. • Implement thorough power saving. 	High
Exchange rate	<ul style="list-style-type: none"> • Continued depreciation of the yen. 	<ul style="list-style-type: none"> ✓ Marine Systems (+) ✓ Hydraulics and Pneumatics (-) 	<ul style="list-style-type: none"> • Actual 1Q: ¥137/\$ • From 2Q: ¥130/\$ • Beware of increases in the price of purchased parts. 	Medium
Trade friction between China and the U.S.	<ul style="list-style-type: none"> • Difficulty in procuring electronic components as China introduce export restrictions on rare metals. 	✓ Defense & Communications Equipment	<ul style="list-style-type: none"> • Information gathering is underway. • Consider upfront arrangements and switching to substitutes. 	Under investigation

FY 2023 Full-year Earnings Forecast

- ◆ There is no change to the earnings forecast disclosed on May 12, 2023, and both sales and profits are expected to increase year on year.
- ◆ Ordinary profit is expected to decline due to a decrease in dividend income in the current fiscal year following the sale of cross shareholdings in the previous fiscal year.
(In line with initial forecast)

(Million yen)	FY2022 Results	FY2023 Forecast	YoY Change Amount (Rate)
Net sales	44,296	45,700	+1,404 (+3.2%)
Operating profit	1,312	1,350	+38 (+2.9%)
Ordinary profit	1,687	1,550	▲137 (▲8.1%)
Profit attributable to owners of parent	873	1,210	+337 (+38.7%)

FY2023 Full-year Earnings Forecast by Segment

◆ The forecasts for net sales and operating profit by segment are also in line with the initial forecasts.

(Million yen)	Net sales			Operating profit		
	FY2022 Results	FY2023 Forecast	YoY Change Amount (Rate)	FY2022 Results	FY2023 Forecast	YoY Change Amount (Rate)
Marine Systems	9,700	9,700	0 (0%)	565	140	▲425 (▲75.2%)
Hydraulics and Pneumatics	11,658	12,200	+542 (+4.6%)	▲268	260	+528 (—)
Fluid Measurement Equipment	4,452	4,500	+48 (+1.1%)	527	550	+23 (+4.4%)
Defense & Communications Equipment	14,765	15,800	+1,035 (+7.0%)	▲94	200	+294 (—)
Others	3,718	3,500	▲218 (▲5.9%)	675	300	▲375 (▲55.6%)
Total	44,296	45,700	+1,404 (+3.2%)	1,312	1,350	+38 (+2.9%)

(Segment sales and operating profit are before adjustments.)

Profit returns to shareholders

[Dividend Policy]

Our basic policy is to implement optimal shareholder returns measures that take into account an optimal capital structure, while giving top priority to growth-oriented investments, with a view to balancing these investments with our financial base, in order to increase corporate value by realizing TOKYO KEIKI Vision 2030. In accordance with this stance, we will strive for stable and continuous shareholder returns with regard to dividends for each fiscal year, taking into account our past dividend performance.

[Commemorative dividend]

With regard to dividends for FY2023, we plan to increase the ordinary dividend per share by ¥2.5 to ¥32.5 (as initially planned).

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

The terms of the point acquisition system in the shareholder benefit program will be changed from the points based on **the end of March 2024**.

*For more information, please refer to our website or the "Notice of Changes to the Terms and Conditions of Shareholder Benefits Program (TOKYO KEIKI Premium Benefits Club)" which was announced on November 28, 2022. (Japanese only)

[Dividend for the last five years and forecast for FY2023]

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
Annual dividend per share (yen)	25.00	25.00	25.00	Common, 25.00 +Commemorative 5.00	30.00	32.50
Payout ratio (consolidated) (%)	21.3	28.8	43.4	32.9	56.4	44.1
Total return ratio (consolidated) (%)	25.6	34.7	43.4	33.0	56.5	—

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Topic 1 Participation in Second Stage of the Nippon Foundation's Fully Autonomous Ship Project

TOKYO KEIKI will participate the Joint Technological Development Program for the Demonstration of Fully Autonomous Ships under the MEGURI 2040 Fully Autonomous Ship Project administrated by the Nippon Foundation, as a member of DFFAS+.*1

The program, which is the second stage of MEGURI2040, aims for full-scale commercialization of fully autonomous ship technology by 2025, and has four goals: **demonstration tests, standardization of developed technologies, reinforcement of development process infrastructure, and social implementation.**

We participated in the first stage of MEGURI2040 as one of the companies in the DFFAS Consortium, and provided high-performance Fiber Optic Gyrocompasses and autopilots, as well as multi-functional joystick controllers for onshore Fleet Operation Centers, when conducting demonstration tests on autonomous ships.

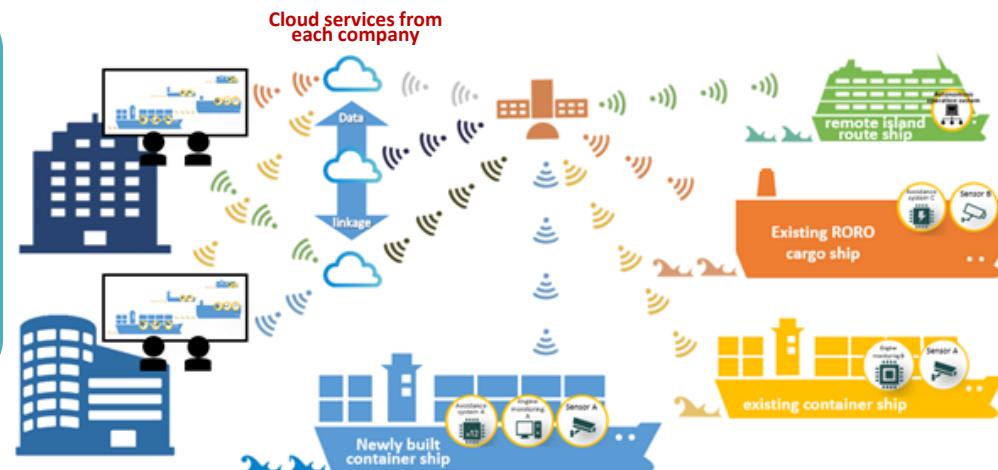
In the second stage, we will serve as a leader in the standardization working group of fully autonomous ship technologies within the membership of DFFAS+ which is composed of 51 domestic companies. We will provide our steering control technology along with our autopilot, marine gyrocompasses and other products for the newly built container ship which is fully equipped with autonomous navigation function. Through our technology, we contribute to safe, autonomous navigation by realizing appropriate position control in all routes from detachment to berthing, as well as in collision avoidance maneuvering.

*1 DFFAS+:Designing the Future of Fully Autonomous Ships Plus Consortium

Demonstration tests

- ◆ Designing of next-generation ships to support the coastal shipping industry in the future.
- ◆ Demonstration of ship and land operations assuming the future coastal shipping industry supported by fully autonomous ships:using four different types of ships*2 and two Fleet Operation Centers.

*2 A newly built full package container ship with a fully autonomous navigation function; an existing container ship, a RORO cargo ship, and a remote island route ship with a system featuring some autonomous navigation function.



無人運航船プロジェクト

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2040

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FOUNDATION

DFFAS+
Designing the Future of Fully Autonomous Ships

Prohibition of unauthorized reproduction or diversion

Topic 2

Initiatives to Reduce Hydrogen Production Costs: Towards the realization of a compact high-pressure hydrogen production system using formic acid

TOKYO KEIKI and its subsidiary, TOKYO KEIKI POWER SYSTEMS (TPS), have begun joint R&D with the National Institute of Advanced Industrial Science and Technology (AIST) on "the miniaturization of high-pressure hydrogen production system using formic acid."

[Hydrogen and energy business of the TOKYO KEIKI Group]

Through our hydrogen and energy businesses, our group is working to resolve environmental issues, including the realization of carbon neutrality.

TPS, which develops and manufactures hydraulic systems, has applied its hydraulic control techniques to provide hydrogen compressors for hydrogen filling stations in urban areas, and has been looking into a small, low-cost hydrogen supply system that can be used on-site in rural areas with inadequate hydrogen supply networks or for relatively small-scale hydrogen use.

That is why we concluded a research and development agreement with AIST, with the aim of development from technological demonstration to commercialization of the high-pressure hydrogen production system using formic acid which AIST has demonstrated.

[Features of hydrogen production using formic acid]

- ◆ In many hydrogen production methods, hydrogen obtained at the pressure equivalent to the atmospheric pressure is compressed by a compressor.
- ◆ Since high-pressure hydrogen can be obtained directly in hydrogen production using formic acid, it is possible to omit the compression process.
- ◆ As a result, more compact hydrogen production system with less expensive hydrogen supplies can be realized.

About Formic Acid

Formic acid is a chemical that is widely used in industrial applications for such as preservatives for feedstuff, tanning agents, and antifreezing agents. Through the decomposition of formic acid by the use of AIST's newly developed technology, high-pressure hydrogen can be easily and continuously produced without any compressor. AIST says, by using formic acid as a new hydrogen carrier, a high-pressure hydrogen production process that uses less energy and has extremely low costs will be realized, while present storage and transportation of hydrogen requires a lot of energy and costs because hydrogen need be highly compressed.

Hydrogen production equipment using formic acid for technological demonstration by AIST. ▶

When a catalyst is added to an aqueous formic acid solution, hydrogen gas is rapidly generated.

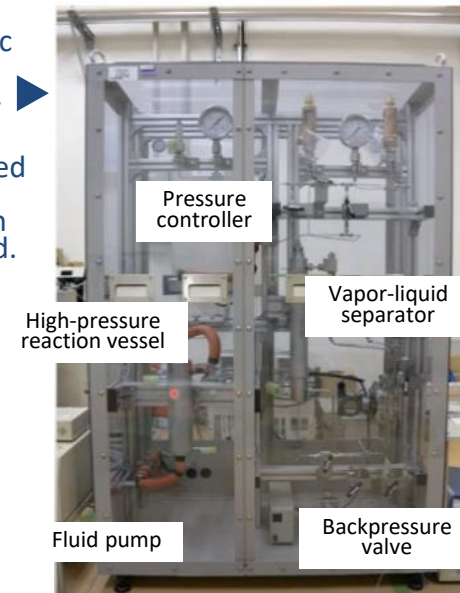
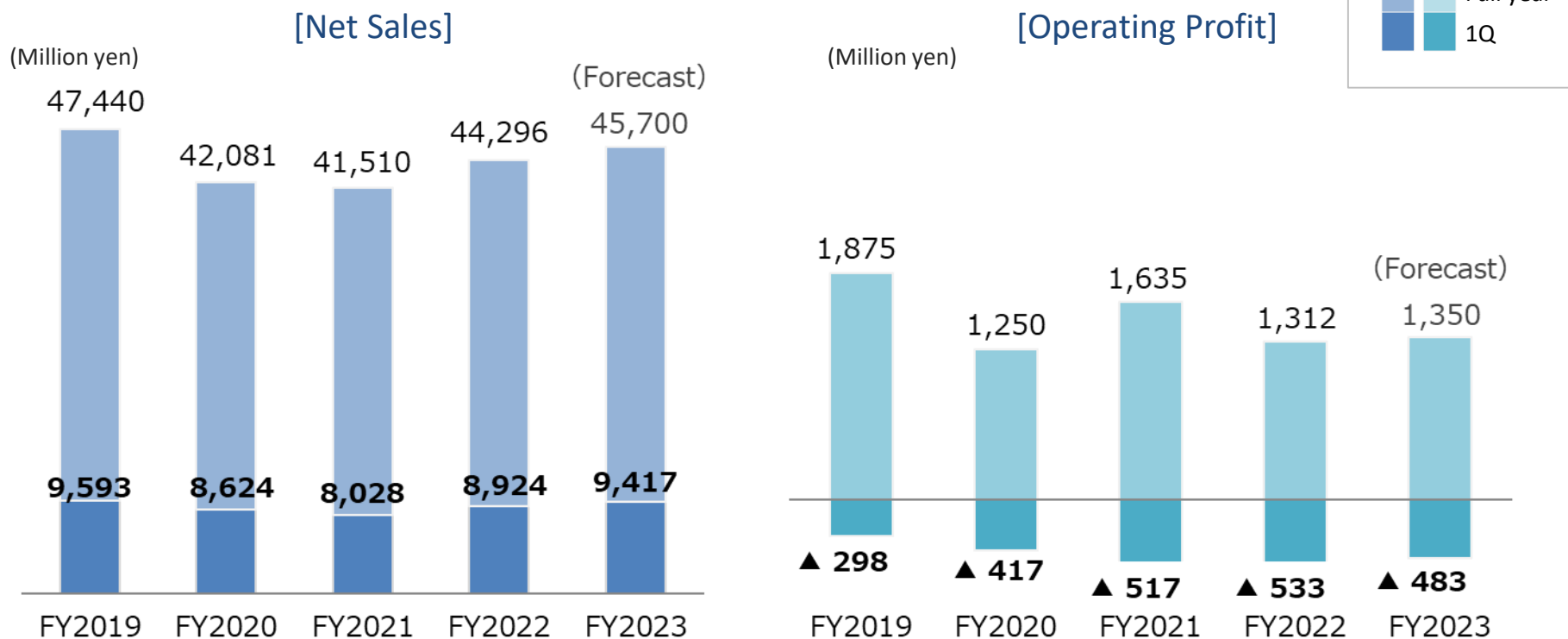


Photo courtesy of AIST

References

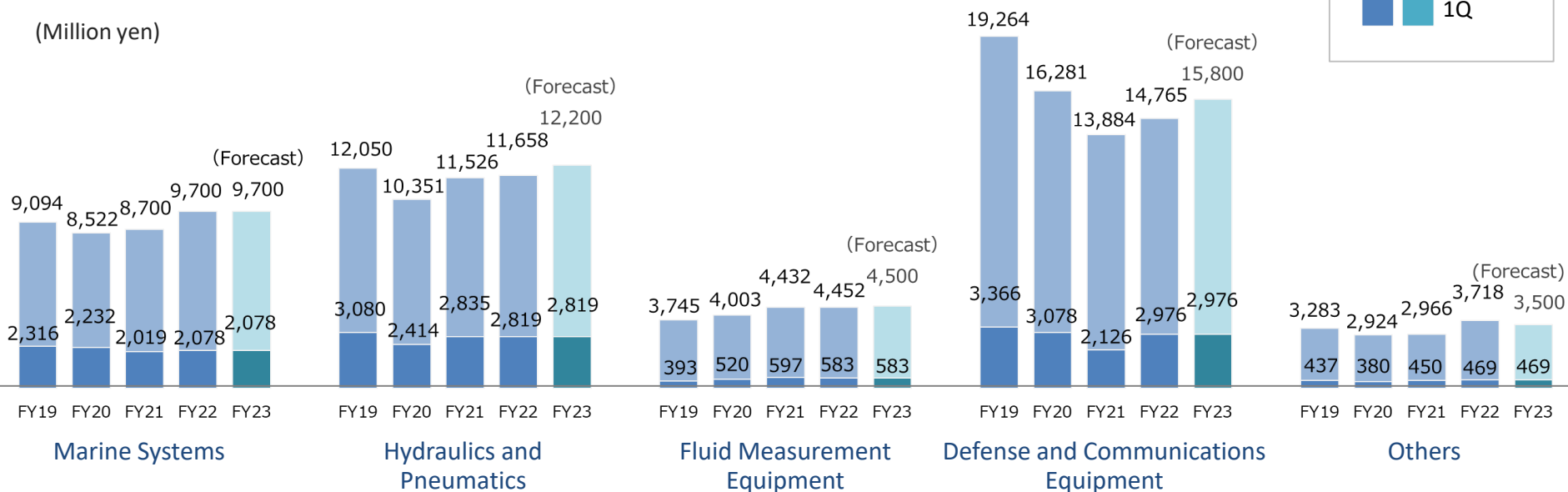
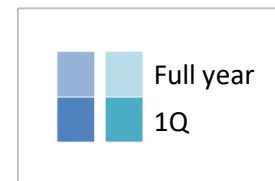
Changes in Net Sales and Operating Profit



(Million yen)	FY2019-1Q	FY2020-1Q	FY2021-1Q	FY2022-1Q	FY2023-1Q	YoY change (amount)	YoY change (rate)
Net sales	9,593	8,624	8,028	8,924	9,417	+493	+5.5%
Operating profit	▲ 298	▲ 417	▲ 517	▲ 533	▲ 483	+50	—
Ordinary profit	▲ 253	▲ 338	▲ 404	▲ 372	▲ 404	▲ 33	—
Net Profit*	▲ 157	▲ 216	▲ 250	▲ 242	▲ 311	▲ 69	—

Changes in net sales by segment

(Million yen)



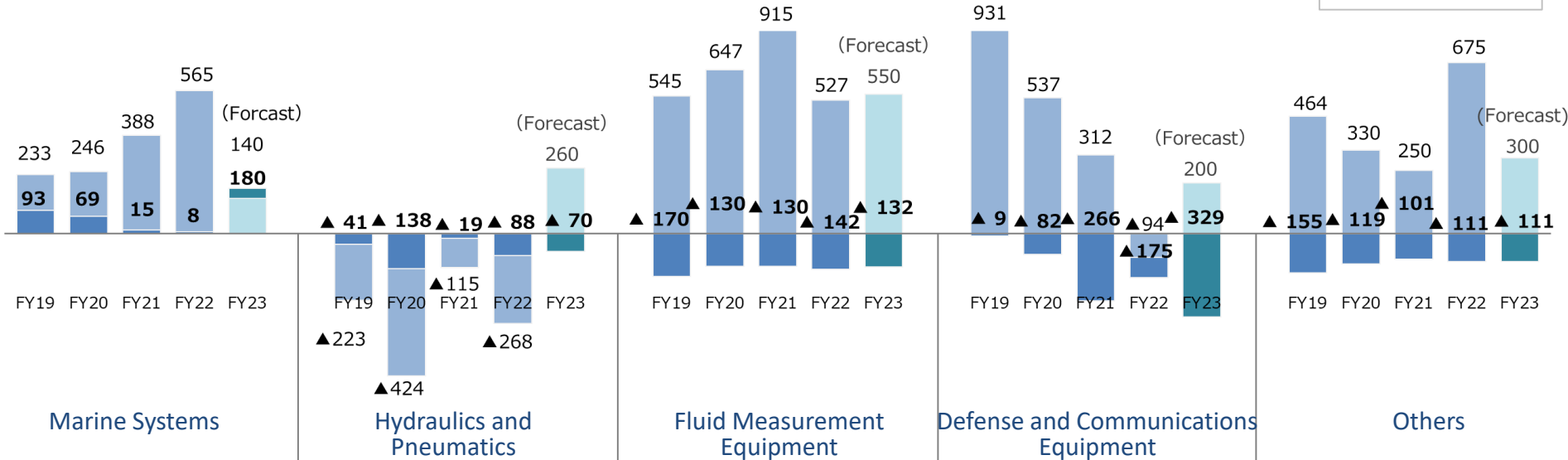
(Million yen)	FY2019-1Q	FY2020-1Q	FY2021-1Q	FY2022-1Q	FY2023-1Q	YoY change (amount)	YoY change (rate)
Marine Systems	2,316	2,232	2,019	2,078	2,458	+381	+18.3%
Hydraulics and Pneumatics	3,080	2,414	2,835	2,819	2,644	▲175	▲6.2%
Fluid Measurement Equipment	393	520	597	583	597	+14	+2.3%
Defense and Communications Equipment	3,366	3,078	2,126	2,976	3,208	+232	+7.8%
Others	437	380	450	469	510	+42	+8.9%

*Net sales before adjustment.

References

Changes in operating profits by segment

(Million yen)

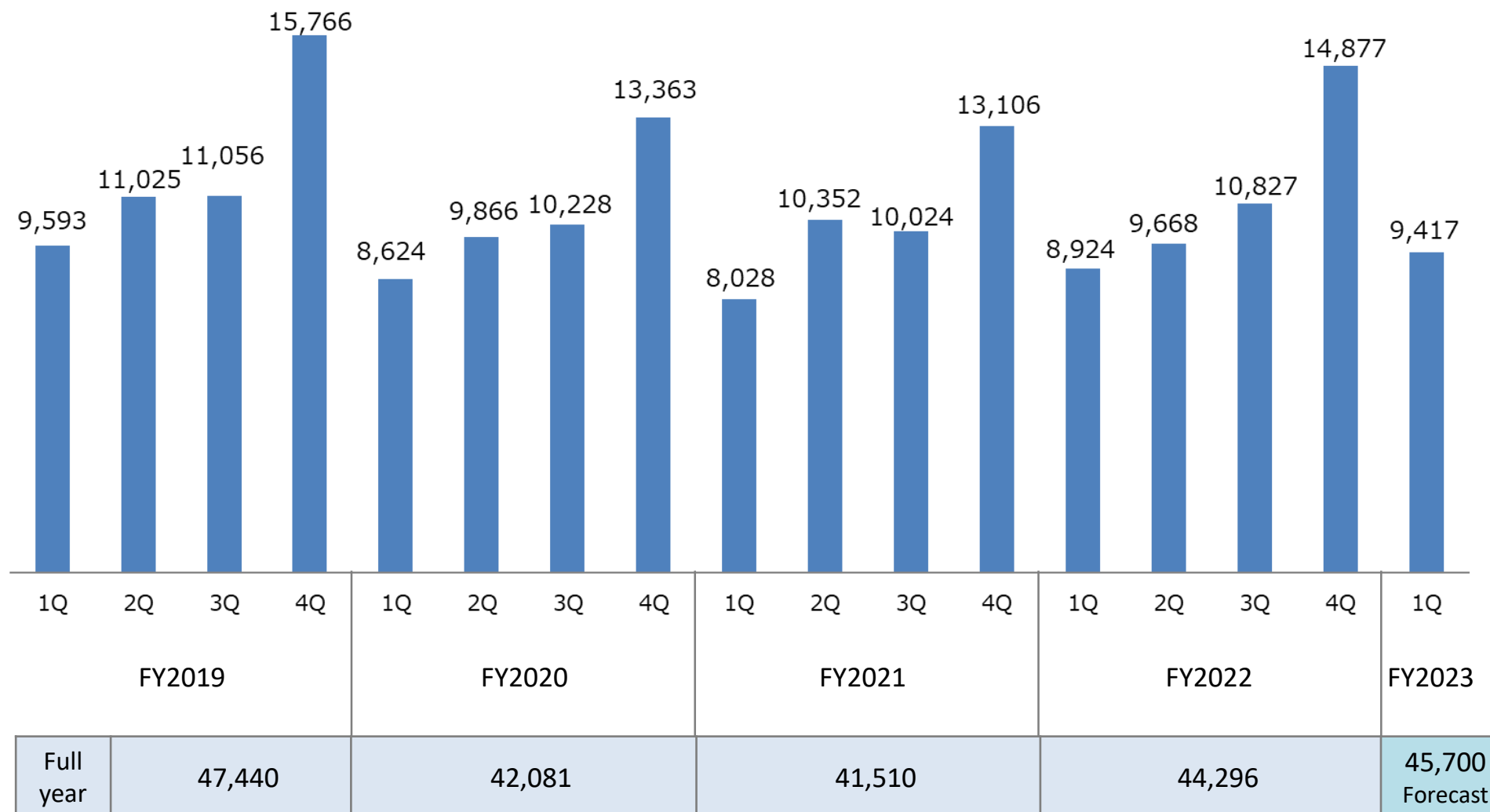


(Million yen)	FY2019-1Q	FY2020-1Q	FY2021-1Q	FY2022-1Q	FY2023-1Q	YoY change (amount)	YoY change (rate)
Marine Systems	93	69	15	8	180	+172	+2,104.1%
Hydraulics and Pneumatics	▲41	▲138	▲19	▲88	▲70	+18	—
Fluid Measurement Equipment	▲170	▲130	▲130	▲142	▲132	+10	—
Defense and Communications Equipment	▲9	▲82	▲266	▲175	▲329	▲154	—
Others	▲155	▲119	▲101	▲111	▲111	▲0	—

*Operating profits before adjustment

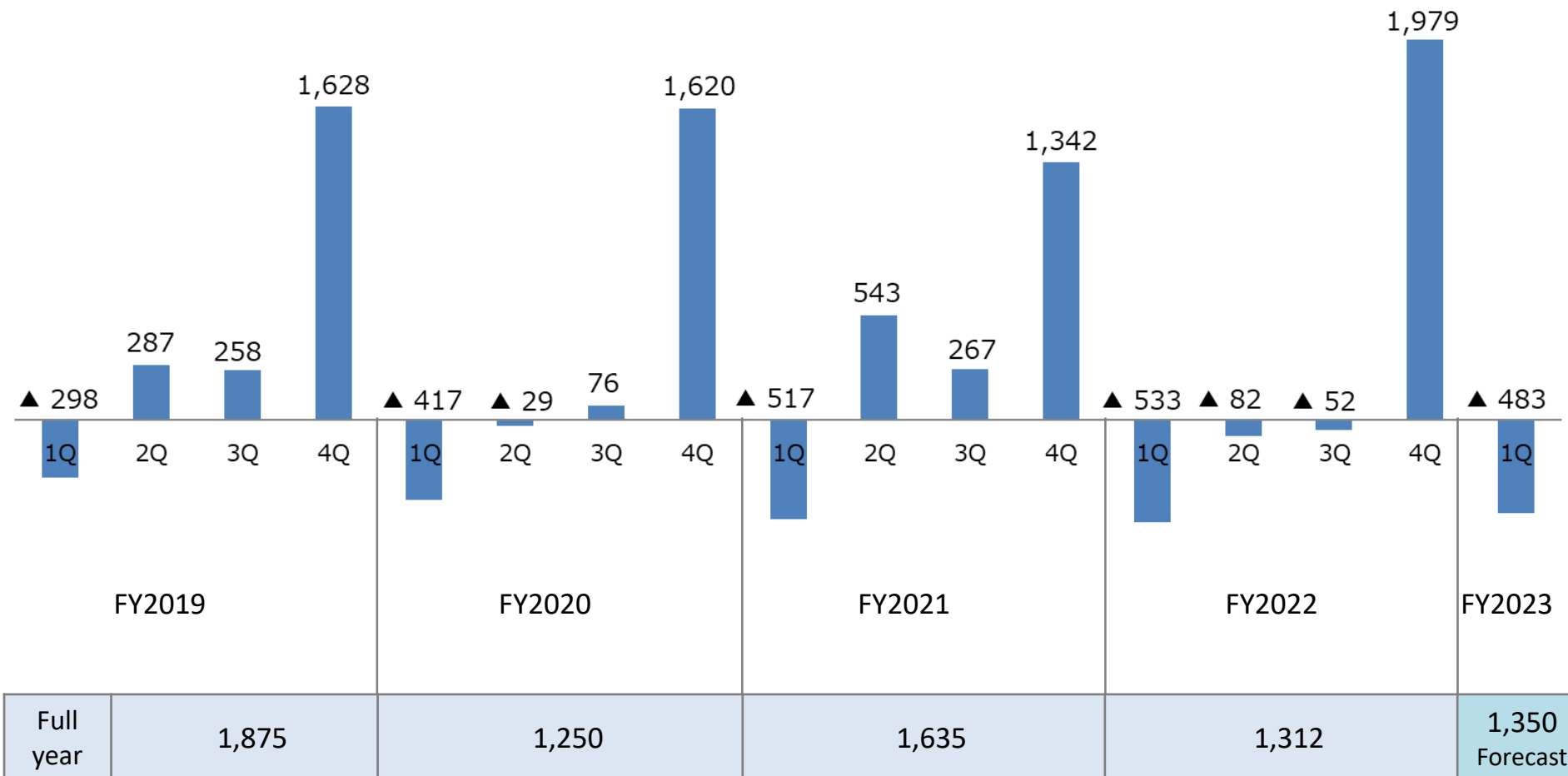
Quarterly changes in net sales

(Million yen)



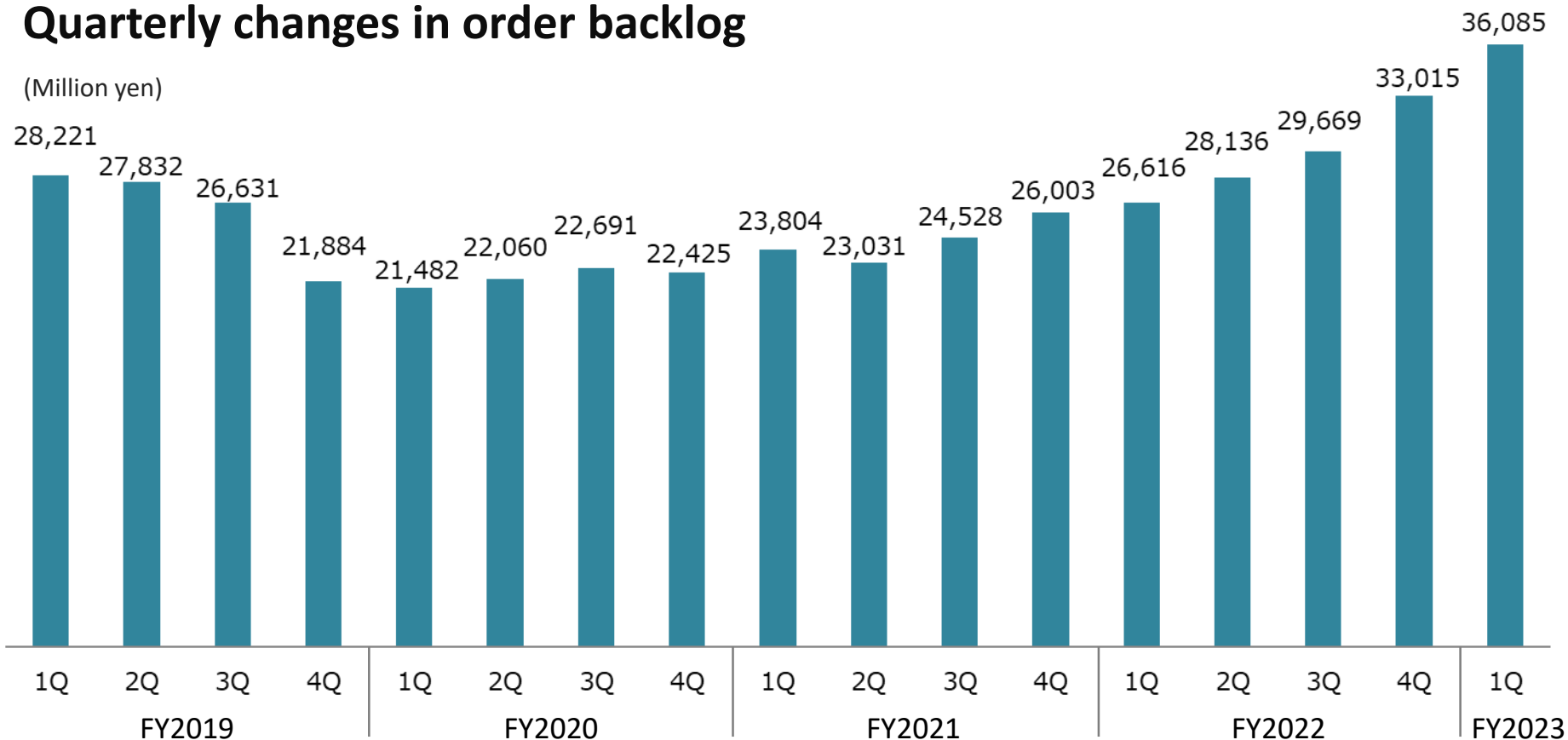
Quarterly changes in operating profits

(Million yen)



Quarterly changes in order backlog

(Million yen)



(Million yen)	FY2019	FY2020	FY2021	FY2022	FY2023
1Q	28,221	21,482	23,804	26,616	36,085
2Q	27,832	22,060	23,031	28,136	
3Q	26,631	22,691	24,528	29,669	
4Q	21,884	22,425	26,003	33,015	



TOKYO
KEIKI