

TOKYO KEIKI INC.

Securities code 7721

Financial Results Briefing for 2Q of the Fiscal Year Ended March 31, 2024 (FY2023) —From April 1 to September 30, 2023—

November 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 2Q of Fiscal 2023

Financial Results for the 2Q of FY2023

- ◆ Sales increased year on year, and operating profit improved.
 - Marine Systems Business continued to perform well, contributing to results.
- ◆ The order backlog reached a record high over the past 10 years, as orders in Defense & Communications Equipment Business increased significantly.

Full-year Forecast for FY2023

- ◆ Based on cumulative 2Q results, we revise upward the full-year forecasts for sales and earnings announced on May 12, 2023, mainly because Marine Systems Business is expected to remain steady from 3Q onward.
- ◆ 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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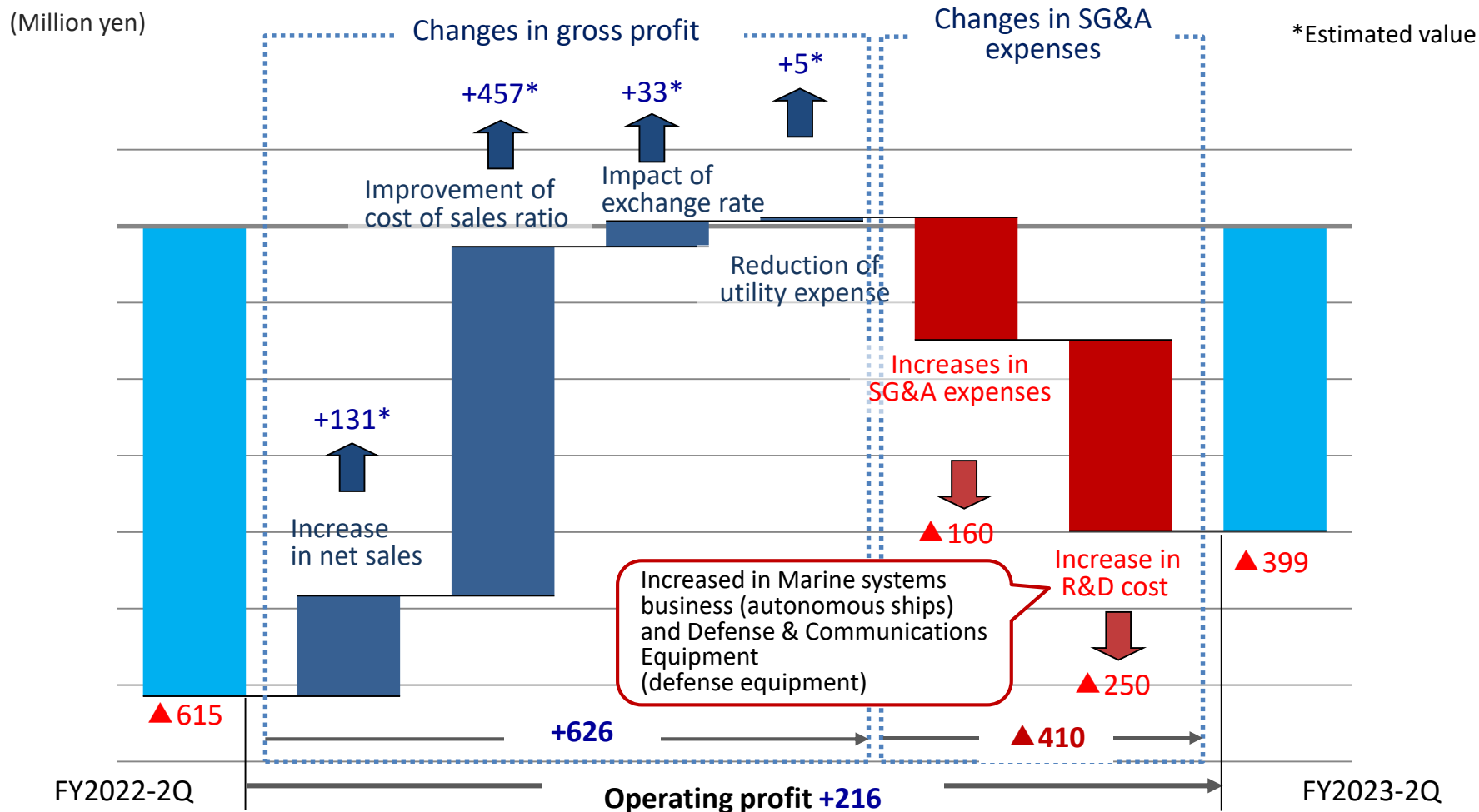
2Q Net Sales and Profit and loss

- ◆ Higher sales and profits at Marine Systems Business contributed to overall sales growth and improved operating profit.

(Million yen)	FY 2022 2Q Results	FY 2023 2Q Results	Year on Year Change	
			Amount	Rate
Net sales	18,592	19,200	+607	+3.3%
Operating profit	▲ 615	▲ 399	+216	—
Ordinary profit	▲ 322	▲ 259	+64	—
Profit attributable to owners of parent	▲ 229	▲ 237	▲ 8	—

2Q 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.



2Q Net Sales and Operating Profit by Segment

- ◆ In Marine Systems Business, sales and profits increased due to increased demand in all markets and the yen's depreciation.
- ◆ In Hydraulics and Pneumatics Business, despite a decline in demand in the plastics processing machinery market and in overseas markets, particularly in China, operating loss improved, mainly because of progress in efforts to secure profits by optimizing sales prices.
- ◆ Defense & Communications Equipment Business saw a decline in sales and an increase in operating loss. This was due to the absence of VTS delivery for the Japan Coast Guard in this first half, which was sold in the previous fiscal year. In addition, SG&A expenses increased as R&D work was moved forward from the second half.

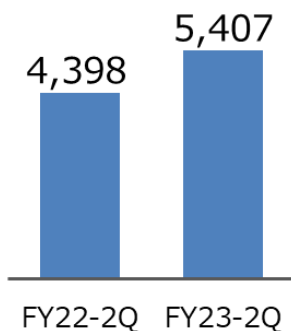
(Million yen)	Net sales				Operating profit			
	FY 2022 2Q Results	FY 2023 2Q Results	Year on Year Change		FY 2022 2Q Results	FY 2023 2Q Results	Year on Year Change	
			Amount	Rate			Amount	Rate
Marine Systems	4,398	5,407	+1,009	+22.9%	166	571	+405	+243.9%
Hydraulics and Pneumatics	5,686	5,567	▲119	▲2.1%	▲140	▲36	+105	—
Fluid Measurement Equipment	1,334	1,512	+178	+13.3%	▲171	▲124	+47	—
Defense & Communications Equipment	5,606	5,364	▲242	▲4.3%	▲476	▲727	▲251	—
Other	1,566	1,350	▲216	▲13.8%	57	▲37	▲94	—
Total	18,592	19,200	+607	+3.3%	▲615	▲399	+216	—

(Segment sales and operating profit are before adjustments.)

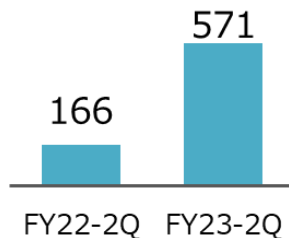
2Q Net Sales and Operating Profit by Segment

Marine Systems

[Net Sales]



[Operating Profit]



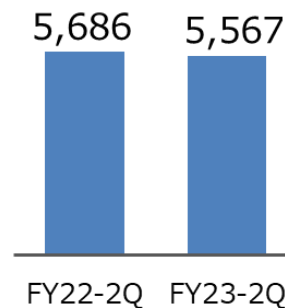
(Million yen)	FY2022-2Q	FY2023-2Q	Year on Year Change	
			Amount	Rate
Net sales	4,398	5,407	+1,009	+22.9%
Operating profit	166	571	+405	+243.9%

[Year on year increase in sales and profits]

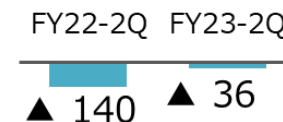
- Sales increased because, as in the previous quarter, sales of equipment for new ships in East Asia and for existing vessels in the U.S. and Europe increased and maintenance services were firm in overseas markets. In addition, the yen's depreciation brought a favorable impact.
- Profits rose substantially, due in part to higher sales and the weaker yen.

Hydraulics and Pneumatics

[Net Sales]



[Operating Profit]



(Million yen)	FY2022-2Q	FY2023-2Q	Year on Year Change	
			Amount	Rate
Net sales	5,686	5,567	▲119	▲2.1%
Operating profit	▲140	▲36	+105	—

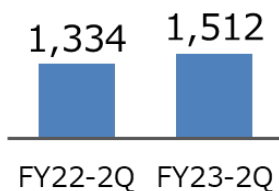
[Year on year decrease in sales and increase in profits]

- Despite steady growth in the machine tool and construction machinery markets, sales decreased in the plastics processing machinery market and in overseas markets, particularly in China.
- Operating loss decreased due to progress in efforts to secure profits by optimizing sales prices.

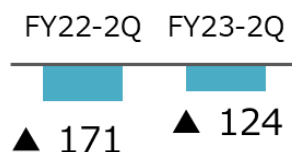
2Q Net Sales and Operating Profit by Segment

Fluid Measurement Equipment

[Net Sales]



[Operating Profit]



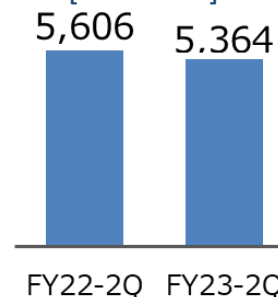
(Million yen)	FY2022-2Q	FY2023-2Q	Year on Year Change	
			Amount	Rate
Net sales	1,334	1,512	+178	+13.3%
Operating profit	▲171	▲124	+47	—

[Year on year increase in sales and profits]

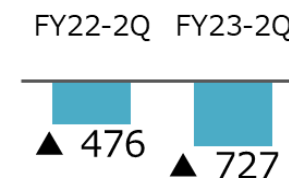
- As for the Measuring Instruments business, the public sector and the private sector were both firm. In the fire extinguishing equipment market, sales increased due to strong sales of components and replacement work based on “statutory safety inspections of valves for gas-based fire extinguishers”.
- In addition to the increase in net sales, the cost of sales ratio improved owing to changes in the product mix, resulting in an improvement in operating loss.
- Owing to the nature of the business, sales tend to be concentrated in 4Q, so results in 2Q tend to be an operating loss.

Defense & CommunicationsEquipment

[Net Sales]



[Operating Profit]



(Million yen)	FY2022-2Q	FY2023-2Q	Year on Year Change	
			Amount	Rate
Net sales	5,606	5,364	▲242	▲4.3%
Operating profit	▲476	▲727	▲251	—

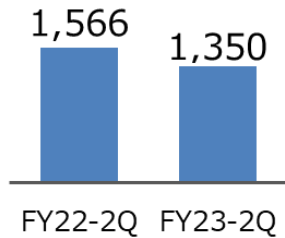
[Year on year decrease in sales and profits]

- In the Defense business, although sales of equipment for naval vessels were robust, sales declined because there were no deliveries of VTS for the Japan Coast Guard in this 2Q.
- In Communication & Control equipment business, although sales of agricultural equipment were sluggish, sales of equipment for broadcasting stations and acceleration meters were firm, resulting in an increase in sales.
- Overall, sales declined, not enough to offset the decline in sales in the defense business.
- The operating loss widened due to the acceleration of R&D in addition to the decline in sales.
- Owing to the nature of the business, sales tend to be concentrated in 4Q, so results in 2Q tend to be an operating loss.

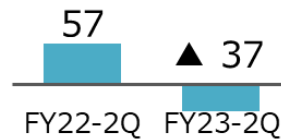
2Q Net Sales and Operating Profit by Segment

Others

[Net Sales]



[Operating Profit]



(Million yen)	FY2022-2Q	FY2023-2Q	Year on Year Change	
			Amount	Rate
Net sales	1,566	1,350	▲216	▲13.8%
Operating profit	57	▲37	▲94	—

[Year on year decrease in sales and profits]

- Printing Inspection Equipment business saw higher sales.
- In Railway Maintenance business, sales fell sharply caused by the absence of ultrasonic rail inspection car deliveries of which were made in the year-ago period.
- As a result, overall sales were down.
- An operating loss was booked because of a decline in sales in Railway Maintenance 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 : In the domestic commercial vessels and coastal shipping markets, both orders and backlog increased due to increased orders for purchased products.
- Hydraulics and Pneumatics : Despite sluggish demand in the plastics processing machinery market and overseas markets, orders were on par with the same period of the previous fiscal year thanks to the receipt of large orders for hydraulic application equipment. Order backlog increased owing to upfront arrangements by customers.
- Fluid Measurement Equipment : In the fire extinguishing equipment market, demand for inspection work was strong, and both orders and backlog increased.
- Defense & Communications Equipment : Demand for aircraft equipment and naval equipment rose sharply by an increase in budgets of Ministry of Defense, resulting in an increase in both orders and backlog.
- Others : In Railway Maintenance business, both orders and order backlog increased because of steady equipment sales.

(Million yen)	Amount of orders received For 2Q of FY2023				Amount of order backlog At the end of 2Q of FY2023						
	FY2022 2Q	FY2023 2Q	Year on Year Change		FY2022 2Q	FY2023 2Q	Year on Year Change		End of FY2022	From the end of FY2022	
			Amount	Rate			Amount	Rate		Amount	Rate
Marine Systems	4,910	5,292	+382	+7.8%	3,860	4,050	+190	+4.9%	4,164	▲114	▲2.7%
Hydraulics and Pneumatics	5,883	5,823	▲60	▲1.0%	3,458	3,695	+237	+6.9%	3,439	+256	+7.4%
Fluid Measurement Equipment	2,388	2,515	+126	+5.3%	2,207	2,596	+389	+17.6%	1,593	+1,003	+63.0%
Defense & Communications Equipment	5,557	11,693	+6,136	+110.4%	16,726	28,598	+11,872	+71.0%	22,269	+6,329	+28.4%
Others	1,949	2,265	+316	+16.2%	1,885	2,410	+525	+27.8%	1,550	+860	+55.5%
Total	20,688	27,589	+6,900	+33.4%	28,136	41,349	+13,213	+47.0%	33,015	+8,333	+25.2%

<Reference>

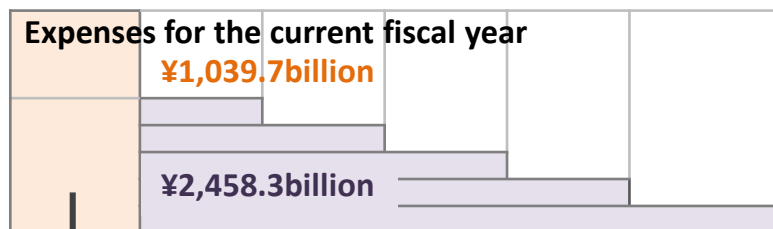
Future of Defense & Communications Equipment Business

The Defense business in Defense & Communications Equipment Business is subject to the profit margin stipulated by the Ministry of Defense, but tends to have a low profit margin as a result of the business activities of companies. However, in "The overview of FY2023 budget" of the Ministry of Defense, in addition to the expansion of the defense budget, new measures concerning the profit margin to be revised in order to maintain and strengthen defense production and technology bases are being advanced. In that regard, we expect sales to increase and the profit margin to improve from the next fiscal year onwards.

Expansion of Defense Budget: Material expenses

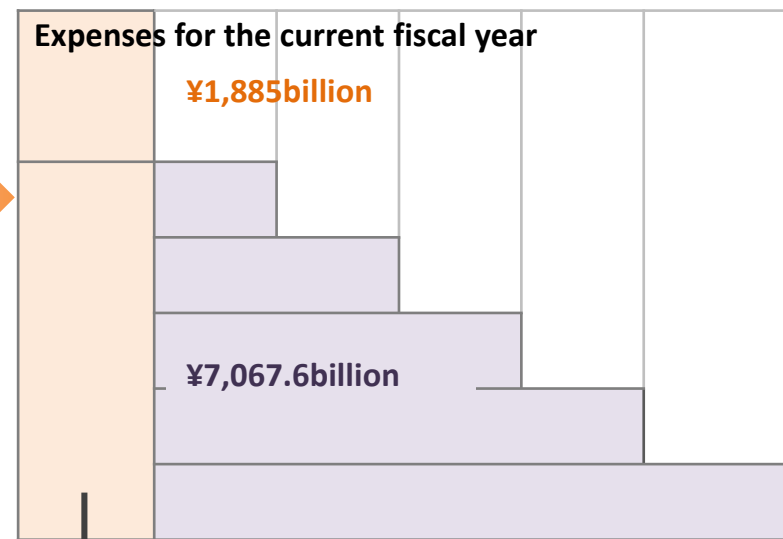
Contract based budget for FY2022

Contract for FY2022	FY 2023	FY 2024	FY 2025	FY 2026	On and after FY2027
¥3,498billion					



Contract based budget for FY2023

Contract for FY2023	FY 2024	FY 2025	FY 2026	FY 2027	On and after FY2027
¥8,952.5billion					



Increase by
2.6 times

*Contract based budgets are divided into activity expenses expended in the current fiscal year and expenses paid in subsequent fiscal years (in principle, within 5 years) under current fiscal year contracts.

*The budget related to the TOKYO KEIKI group is the portion of "material expenses," which includes procurement, repair, and maintenance of equipment, and research and development of technology, and so on.

(The chart was created by TOKYO KEIKI INC. based on the Ministry of Defense "Defense Program and Budget of Japan.")

Balance Sheet (Main accounting items only)

- ◆ Inventories increased due to purchase increases in response to an increase in orders received in the Defense business and the persistently high price of raw materials.
- ◆ Long-term loans payable increased as a result of borrowing owing to an increase in working capital caused by a significant increase in orders.
- ◆ The equity ratio maintains financial soundness, while declining 4.8 percentage points from the end of the previous fiscal year to 53.3%.

(Assets)

(Liabilities and Net Assets)

(Million yen)	As of March 31, 2023	As of Sep. 30, 2023	Amount of change	(Million yen)	As of March 31, 2023	As of Sep. 30, 2023	Amount of change
Current assets	44,814	48,101	+3,286	Current liabilities	21,385	21,557	+172
Cash and deposits	8,710	10,312	+1,602	Notes and accounts payable	6,824	6,865	+41
Notes and accounts receivable	13,783	10,885	▲ 2,898	Short-term loans payable	9,951	9,813	▲ 137
Electronically recorded monetary claims	3,598	3,402	▲ 197	Provision for bonuses	1,145	1,172	+27
Inventories	18,153	22,351	+4,198	Non-current liabilities	1,787	6,727	+4,940
Accounts receivable	269	632	+362	Long-term loans payable	—	5,078	+5,078
Other	302	523	+221	Total liabilities	23,172	28,284	+5,112
Non-current assets	11,809	13,506	+1,697	Shareholders' equity	31,104	30,389	▲ 715
Tangible assets	5,458	6,390	+932	Retained earnings	24,532	23,810	▲ 722
Intangible assets	137	153	+16	Accumulated other comprehensive income	1,822	2,461	+639
Investment securities	3,440	3,143	▲ 297	Total net assets	33,451	33,323	▲ 128
Total assets	56,624	61,607	+4,983	Total liabilities and Net assets	56,624	61,607	+4,983

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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. 	✓ 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. 	Medium
	<ul style="list-style-type: none"> Postponement and cancellation of contracts due to tightening of customers' budgets caused by high costs. 	✓ Fluid Measurement Equipment	<ul style="list-style-type: none"> Strengthen the monitoring of contracts in order not to lose orders. 	Medium
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 2Q: ¥140/\$ From 3Q: ¥140/\$ 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. Plan to make up-front arrangements and switch to substitutes as needed. 	No impact at this time. Continued investigation is underway.

FY 2023 Full-year Earnings Forecast

- ◆ Full-year earnings forecasts are revised upward for sales and profits.
- ◆ Based on cumulative 2Q results, we revise upward the full-year forecasts for sales and profits announced on May 12, 2023, mainly because Marine Systems Business is expected to remain steady from 3Q onward.

(Million yen)	Initial forecast	Forecast	Vs. initial forecast		Fiscal 2022 Results	YoY Change	
			Amount	Rate		Amount	Rate
Net sales	45,700	47,000	+1,300	+2.8%	44,296	+2,704	+6.1%
Operating profit	1,350	1,710	+360	+26.7%	1,312	+398	+30.3%
Ordinary profit	1,550	1,860	+310	+20.0%	1,687	+173	+10.2%
Profit attributable to owners of parent	1,210	1,290	+80	+6.6%	873	+417	+47.8%

FY2023 Full-year Earnings Forecast by Segment (Revised from the initial forecast)

- ◆ Performance of segments will be uneven.
- ◆ Compared with the initial forecast, in Marine Systems business sales and operating profit will increase, while in Hydraulics and Pneumatics business sales and operating profit will decrease. In Defense and Communications business sales will increase and operating profit decrease. In Other business, operating profit will decline.

(Million yen)	Net sales					Operating profit				
	Initial forecast	Forecast	Vs. initial forecast	Fiscal 2022 Results	YoY Change	Initial forecast	Forecast	Vs. initial forecast	Fiscal 2022 Results	YoY Change
			Amount		Rate			Amount		Rate
Marine Systems	9,700	10,900	+1,200 +12.4%	9,700	+1,200 +12.4%	140	820	+680 +485.7%	565	+255 +45.1%
Hydraulics and Pneumatics	12,200	11,900	▲300 ▲2.5%	11,658	+242 +2.1%	260	90	▲170 ▲65.4%	▲268	+358 —
Fluid Measurement Equipment	4,500	4,700	+200 +4.4%	4,452	+248 +5.6%	550	630	+80 +14.5%	527	+103 +19.5%
Defense & Communications Equipment	15,800	16,000	+200 +1.3%	14,765	+1,235 +8.4%	200	20	▲180 ▲90.0%	▲94	+114 —
Others	3,500	3,500	0 0%	3,718	▲218 ▲5.9%	300	260	▲40 ▲13.3%	675	▲415 ▲61.5%
Total	45,700	47,000	+1,300 +2.8%	44,296	+2,704 +6.1%	1,350	1,710	+360 +26.7%	1,312	+398 +30.3%

Business Outlook by Segment

Marine Systems Business	<ul style="list-style-type: none"> Domestic and overseas demand for new ships and maintenance services are expected to remain firm. In overseas markets, sales of equipment such as gyrocompasses for existing vessels in Europe and North America continue to be firm. 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 is expected to recover demand for specially equipped vehicles. The plastic processing machinery market continues to be in an adjustment phase of production. In the machine tool market, overseas demand, mainly in China, slows. 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 continues to be firm. Demand In the fire extinguishing equipment market is expected to increase due to sales of components based on “statutory safety inspections of valves for gas-based fire extinguishers” and the promotion of replacement work and renewal proposals for 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. Communication & Control Equipment business is expected to decline because of a decrease in demand for agricultural machinery, semiconductor-manufacturing equipment, and aerospace equipment.
Other Businesses	<ul style="list-style-type: none"> Printing Inspection Equipment business is expected to remain solid. In Railway Maintenance business, the number of delivery of mainstay ultrasonic rail inspection cars is expected to decrease, as initially planned. Furthermore, profits are expected to decline due to an increase in development costs for new products.

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 shareholder benefits program were changed.

In order to receive the benefits, each shareholder must continuously hold at least 300 shares in the shareholder register at the end of September 2023 and March 31, 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	41.4
Total return ratio (consolidated) (%)	25.6	34.7	43.4	33.0	56.5	—

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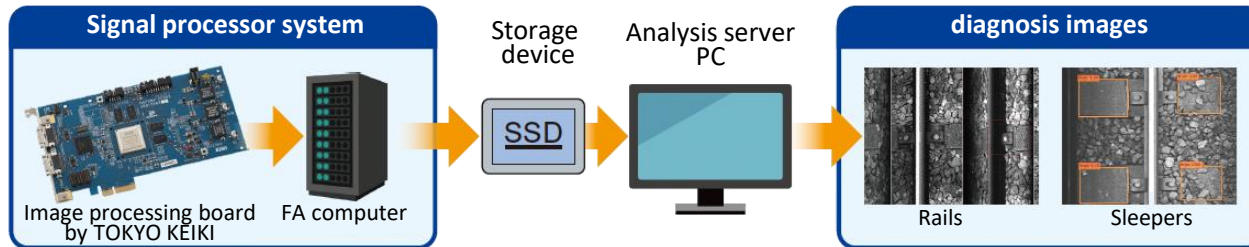
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Topic 1 Delivered the track diagnosis support system to Kyushu Railway Company (JR Kyushu)

A new track diagnosis support system for railway, developed by TOKYO KEIKI RAIL TECHNO INC. (TRT) and TOKYO KEIKI INC., was delivered to Kyushu Railway Company (JR Kyushu) and installed in a new multifunctional inspection car of JR Kyushu.

Features of the track diagnosis support system

- This system can be installed in passenger trains as well as exclusive maintenance vehicles, and automatically stores entire images of tracks in the detail to make diagnoses of conditions of various track materials.
- Sequential shooting of tracks is carried out by placing several image sensors under the cabin. AI is aimed at identifying track materials individually and automatically determining missing, broken-off or defective parts, and detecting abnormality.
- It enables safer and more accurate track material monitoring efficiently, so as to be free from walking patrols.
- Based on wide experience and the record of more than 70% share in the domestic ultrasonic rail inspection car market, TOKYO KEIKI and TRT have developed an image processing processor and an advanced vision system.



JR Kyushu's multifunctional inspection car "BIG EYE" ▶



Background to Development

- It is very important for many track materials used in railway lines to be properly grasped in their respective conditions and repaired at an appropriate time. Nevertheless, walking patrols to monitor and inspect tracks on foot are dangerous tasks that involve the possibility of contact with trains, and require a great deal of effort.
- In order to maintain safe and sustainable railroads, there is a strong need of measurement by the use of track inspection systems installed in a vehicle.



Track diagnosis support system

Topic 2

TOKYO KEIKI INC. obtained an an ESG/SDGs Assessment Syndicated Loan from Sumitomo Mitsui Banking Corporation

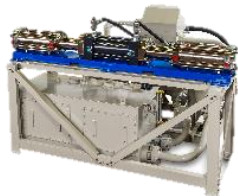
We have recently obtained ESG/SDGs Promotion Analytical Loan from Sumitomo Mitsui Banking Corporation, on the basis of a company's evaluation of ESG efforts and contribution to the achievement of SDGs.

[ESG/SDGs Assessment Syndicated Loan]

- This is a loan scheme that evaluates corporate ESG initiatives and disclosures, and contributions to the achievement of SDGs (Sustainable Development Goals) based on original assessment standards prepared by Sumitomo Mitsui Banking Corporation and the Japan Research Institute, Limited.
- When making a loan, they give back to the company an analysis of the current status of the company's efforts and the appropriateness of information disclosure, future issues, and efforts to address current issues.

[Points for which we were evaluated]

- High levels in “response to climate change,” “integrity to customers,” and “sustainable management.”
- Good ESG initiatives and disclosures are implemented in corporate management.
 - 1) In order to cope with climate-change, the Company has set a target to reduce GHG emissions and is working to make energy-use more efficient. The Company is also working to resolve environmental issues through the provision of products.



Hydrogen compressor equipment for hydrogen filling stations



Autopilot contributes to energy conservation during ship operation



Level gauge that monitors river flooding

- 2) Each division of the Company formulates quality policies and obtains quality management certification such as ISO9001 and JISQ9100, and strive to improve customer satisfaction by thoroughly implementing "problem-solving type quality assurance."
- 3) The Company has established an internal committee and a specialized department as a sustainability promotion system to deliberate and decide on various measures related to sustainable management. So far, it has been promoting initiatives such as the formulation of sustainability policies and the identification of materiality.

- Through its business, the Company has the willingness to achieve its SDGs.



7: Affordable and clean energy
8: Decent work and economic growth
13: Climate action

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Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Introduction

The TOKYO KEIKI group recognizes that the business plan has an impact on the cost of capital and profitability of capital. Accordingly, we plan to incorporate business strategies to implement management that is more conscious of the cost of capital and stock price in our next three year medium-term business plan, which is scheduled to be disclosed in May, 2024. At this time, we announce the recognition of the current situation and policies for initiatives other than business plans.

Awareness of the current situation

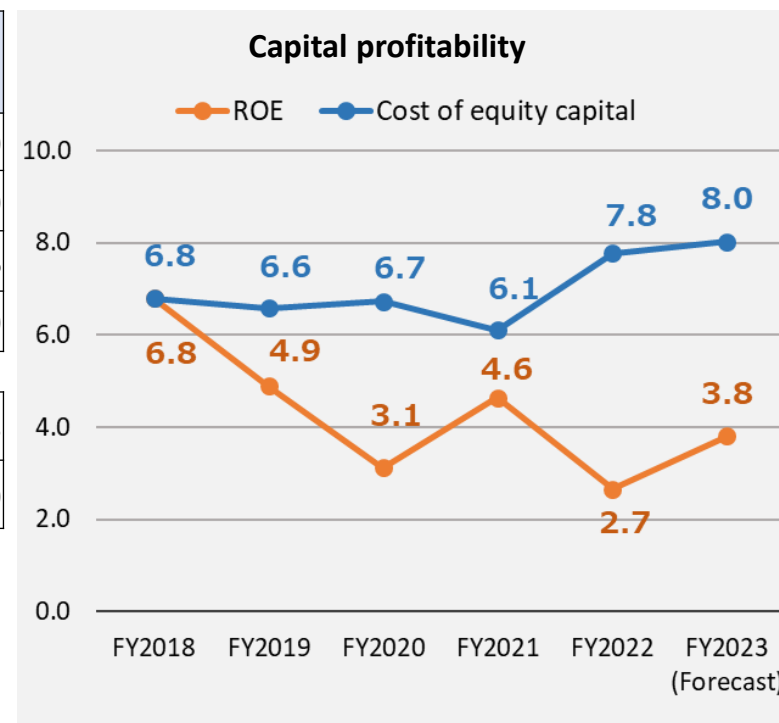
- Cost of equity capital: We recognize that our cost of equity capital is 6-8%.
- Capital profitability: ROE for the past 5 years has been in the range of 2.7-6.8%, which has not been able to exceed the cost of equity capital.
- Market valuation: PBR has been falling below 1. We recognize that this major factor is that ROE is lower than the cost-of-equity capital.

		Unit	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
Consolidated Results	Net sales	¥M	46,692	47,440	42,081	41,510	44,296	47,000
	Operating profit	¥M	2,440	1,875	1,250	1,635	1,312	1,710
	Operating profit margin	%	5.2%	4.0%	3.0%	3.9%	3.0%	3.6%
	↓	¥M	1,936	1,425	945	1,493	873	1,290

Profit attributable to owners of parent

		Unit	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
Capital profitability	ROE	%	6.8	4.9	3.1	4.6	2.7	3.8
	Cost of equity capital	%	6.8	6.6	6.7	6.1	7.8	8.0

		Unit	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
Market valuation	FY-end stock price	¥	1,100	695	944	1,187	1,215	
	Market Cap. at FY-end	¥B	18.8	11.9	16.1	20.3	20.7	
	PBR	Time	0.6	0.4	0.5	0.6	0.6	



Future initiative policy for solving problems

Business strategy to improve capital profitability

- Strengthen strategies for existing businesses by segment.
 - Continue to cultivate existing growth drivers and identify new drivers.
 - Consider business utilizing business portfolio strategy.
- *Details are to be announced in the next medium-term business plan disclosed in May, 2024.

Financial Capital Strategy

Efficient management of assets by improving the cash conversion cycle

We tend to have longer inventory turnover periods as inventories are increasing due to soaring material prices and bulk buying of parts and materials for longer delivery times. As an improvement measure, we will review our purchasing plans and strive to reduce inventories on a company-wide basis so as to maintain an appropriate level of inventories.

Continuous reduction of cross shareholdings

Our ratio of net assets to cross shareholdings is approximately 9.4% (appraised value in September, 2023). We will continue our efforts to reduce cross shareholdings in order to improve asset efficiency.

Continuous and stable dividends

The five-year average DOE from FY2018 to FY2022 is 1.5%, and the payout ratio is 36.6%. Our basic policy going forward is to maintain stable dividends.

Flexible share buybacks

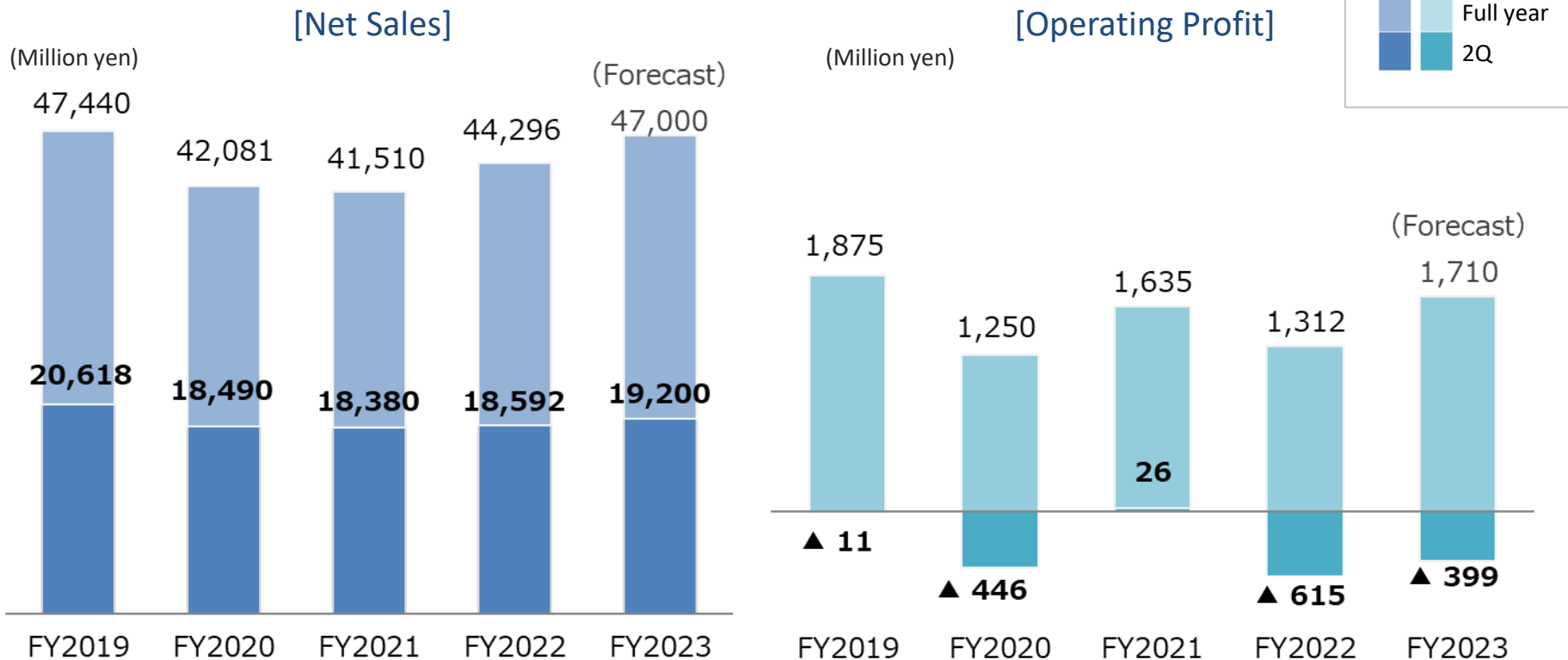
Our treasury share ratio is 3.8%. We will implement share buybacks on a comprehensive consideration of market and economic conditions and shareholders' equity conditions.

IR that contributes to enhancing corporate value

- Actively disseminate IR information, including from the president.
- Promote in-depth dialogue with shareholders and investors through financial results briefings and individual interviews, and reflect the content of dialogue in management.
- Disseminate more extensive corporate information by enhancing English disclosure, preparing corporate analysis reports, and so on.
- Proactively disclosure non-financial information through such as sustainability reports.

References

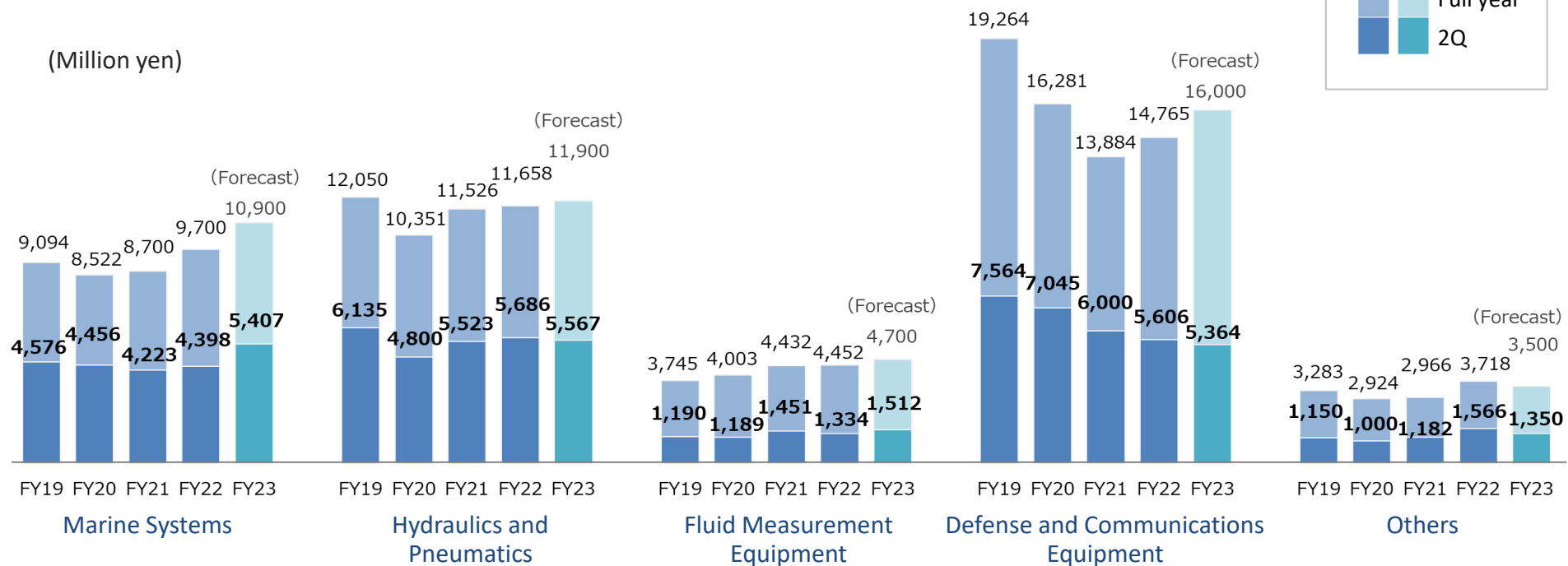
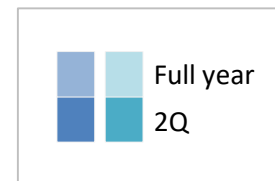
Changes in net sales and operating profit



(Million yen)	FY2019-2Q	FY2020-2Q	FY2021-2Q	FY2022-2Q	FY2023-2Q	YoY change (amount)	YoY change (rate)
Net sales	20,618	18,490	18,380	18,592	19,200	+607	+3.3%
Operating profit	▲ 11	▲ 446	26	▲ 615	▲ 399	+216	—
Ordinary profit	83	▲ 310	235	▲ 322	▲ 259	+64	—
Net Profit*	48	▲ 210	229	▲ 229	▲ 237	▲ 8	—

Changes in net sales by segment

(Million yen)

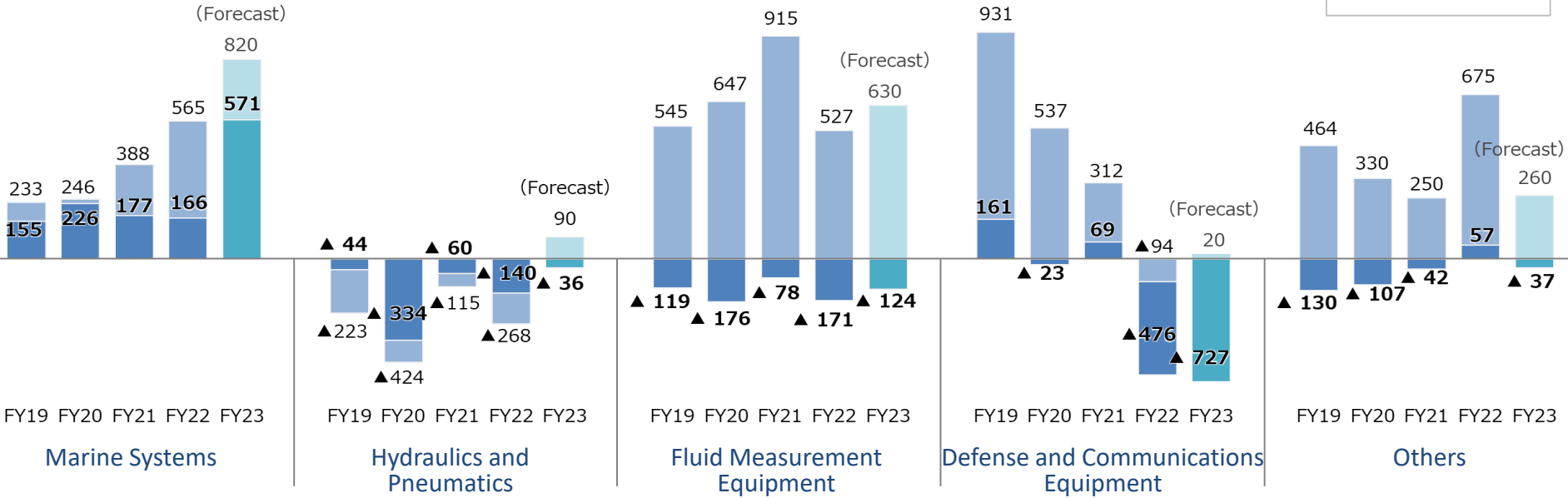
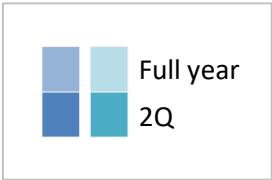


(Million yen)	FY2019-2Q	FY2020-2Q	FY2021-2Q	FY2022-2Q	FY2023-2Q	YoY change (amount)	YoY change (rate)
Marine Systems	4,576	4,456	4,223	4,398	5,407	+1,009	+22.9%
Hydraulics and Pneumatics	6,135	4,800	5,523	5,686	5,567	▲119	▲2.1%
Fluid Measurement Equipment	1,190	1,189	1,451	1,334	1,512	+178	+13.3%
Defense and Communications Equipment	7,564	7,045	6,000	5,606	5,364	▲242	▲4.3%
Others	1,150	1,000	1,182	1,566	1,350	▲216	▲13.8%

*Net sales before adjustment.

Changes in operating profits by segment

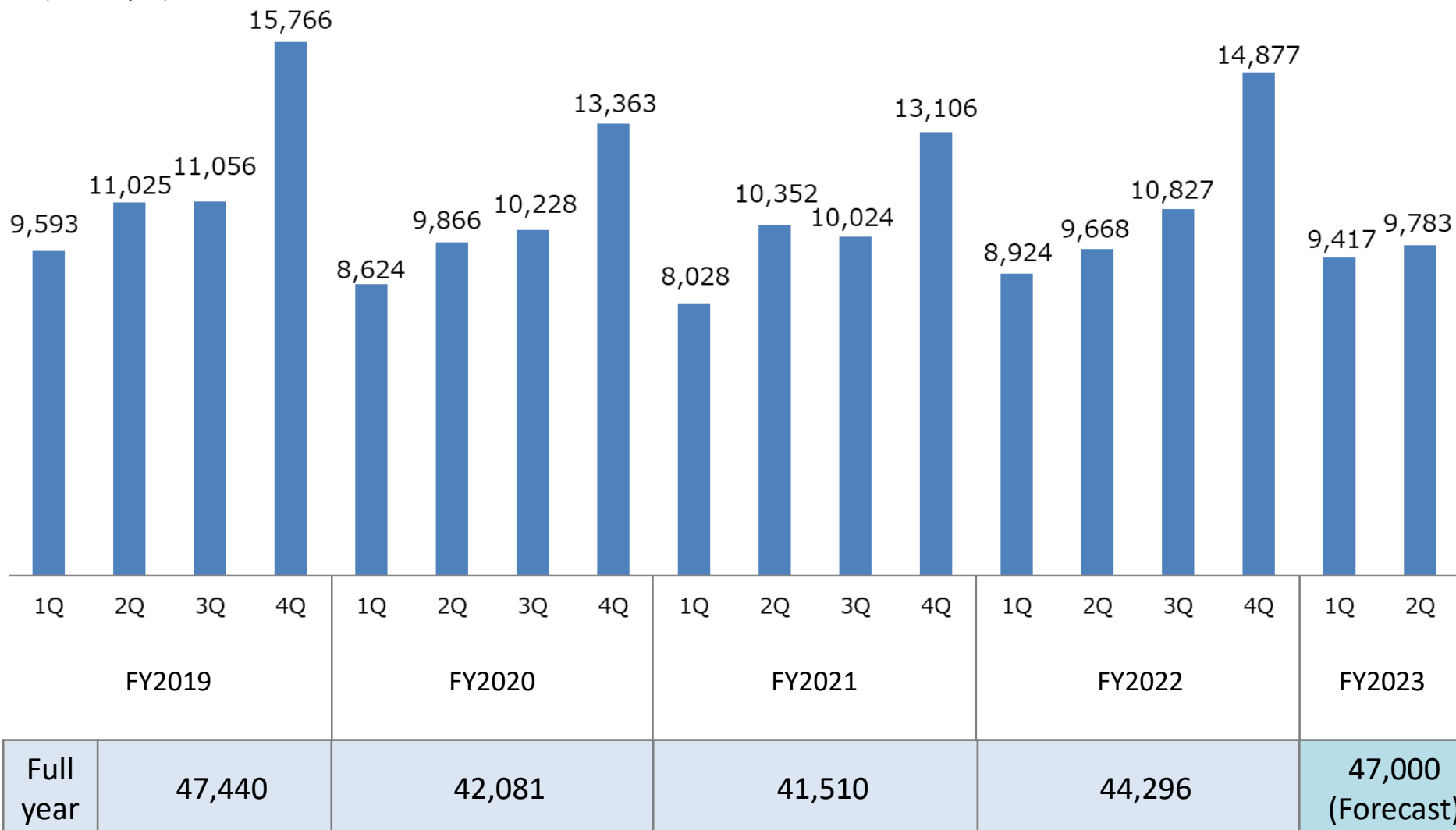
(Million yen)



(Million yen)	FY2019-2Q	FY2020-2Q	FY2021-2Q	FY2022-2Q	FY2023-2Q	YoY change (amount)	YoY change (rate)
Marine Systems	155	226	177	166	571	+405	+243.9%
Hydraulics and Pneumatics	▲44	▲334	▲60	▲140	▲36	+105	—
Fluid Measurement Equipment	▲119	▲176	▲78	▲171	▲124	+47	—
Defense and Communications Equipment	161	▲23	69	▲476	▲727	▲251	—
Others	▲130	▲107	▲42	57	▲37	▲94	—

Quarterly changes in net sales

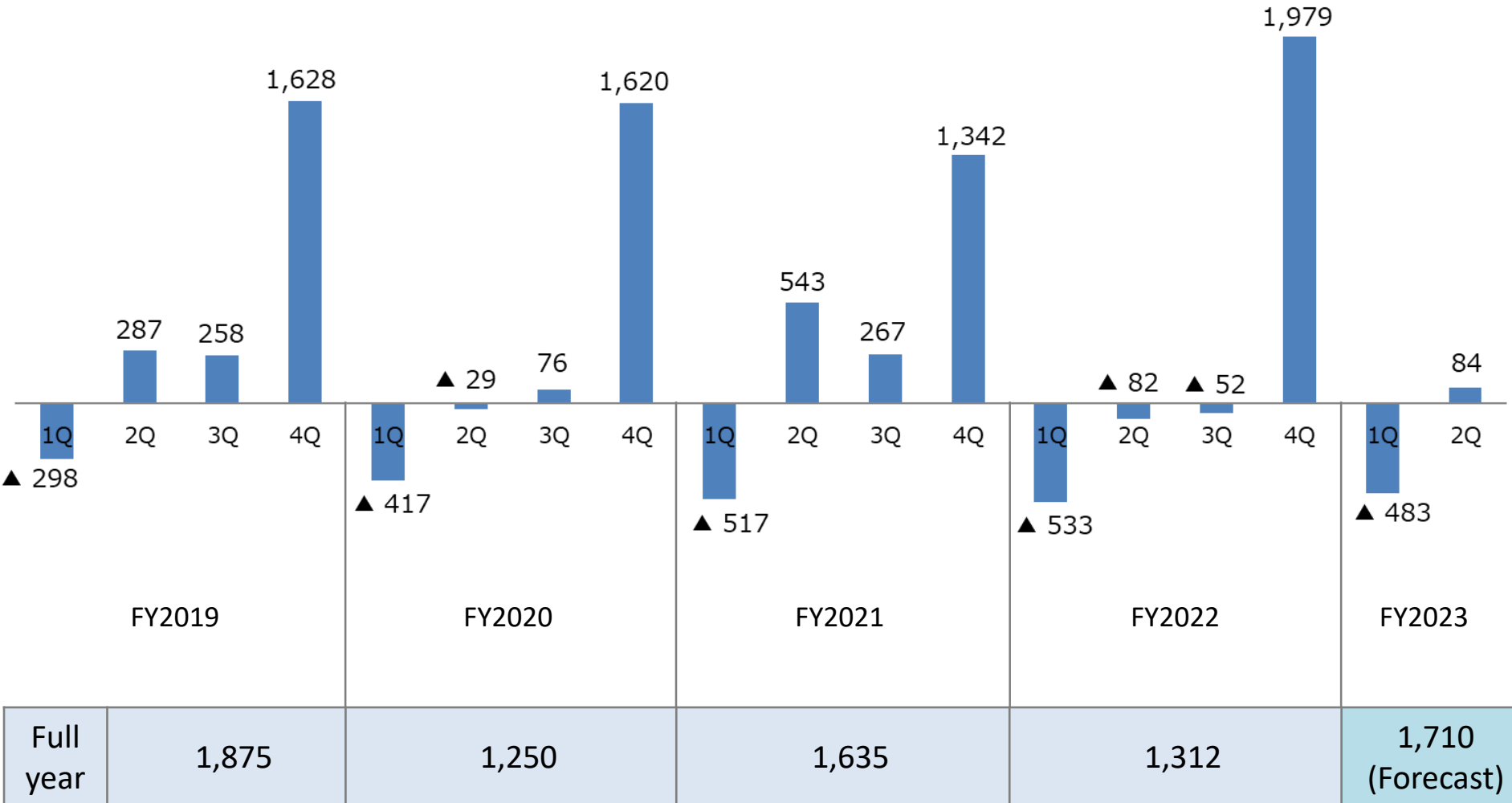
(Million yen)



References

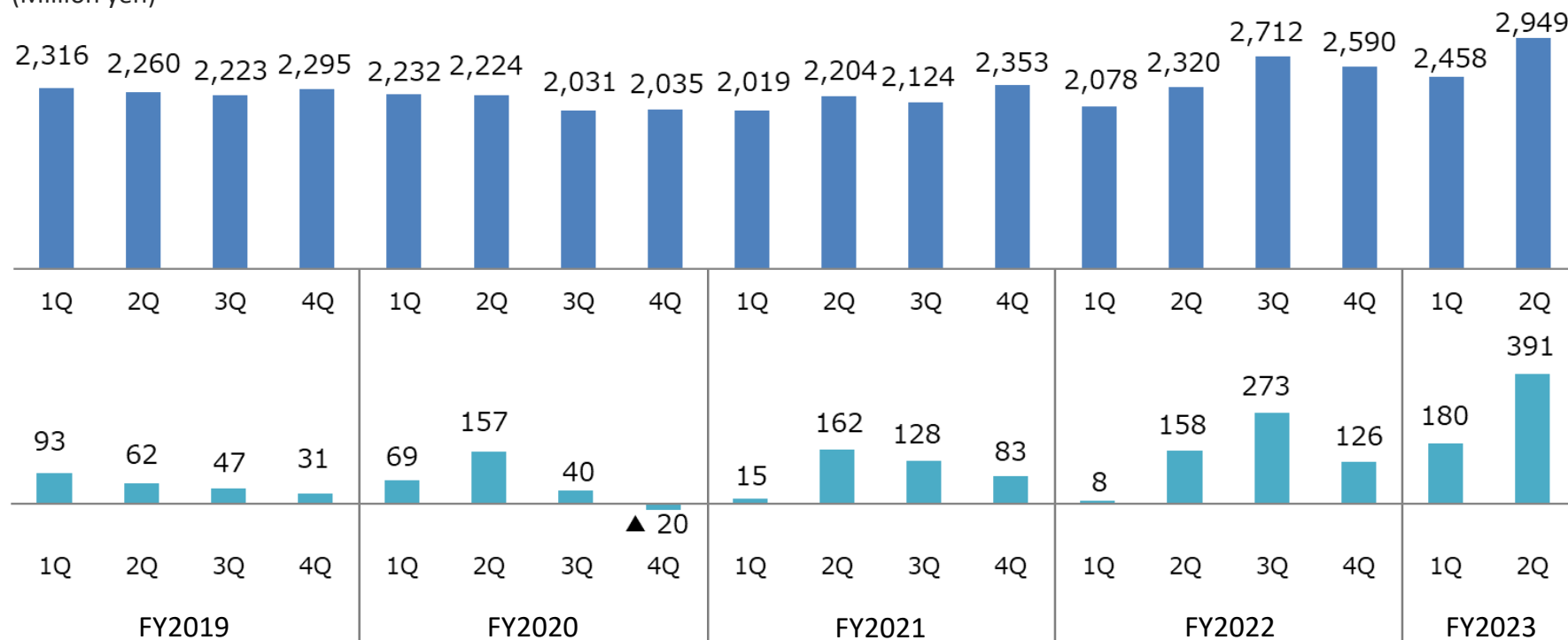
Quarterly changes in operating profits

(Million yen)



Changes in net sales and operating profits by segment [Marine Systems]

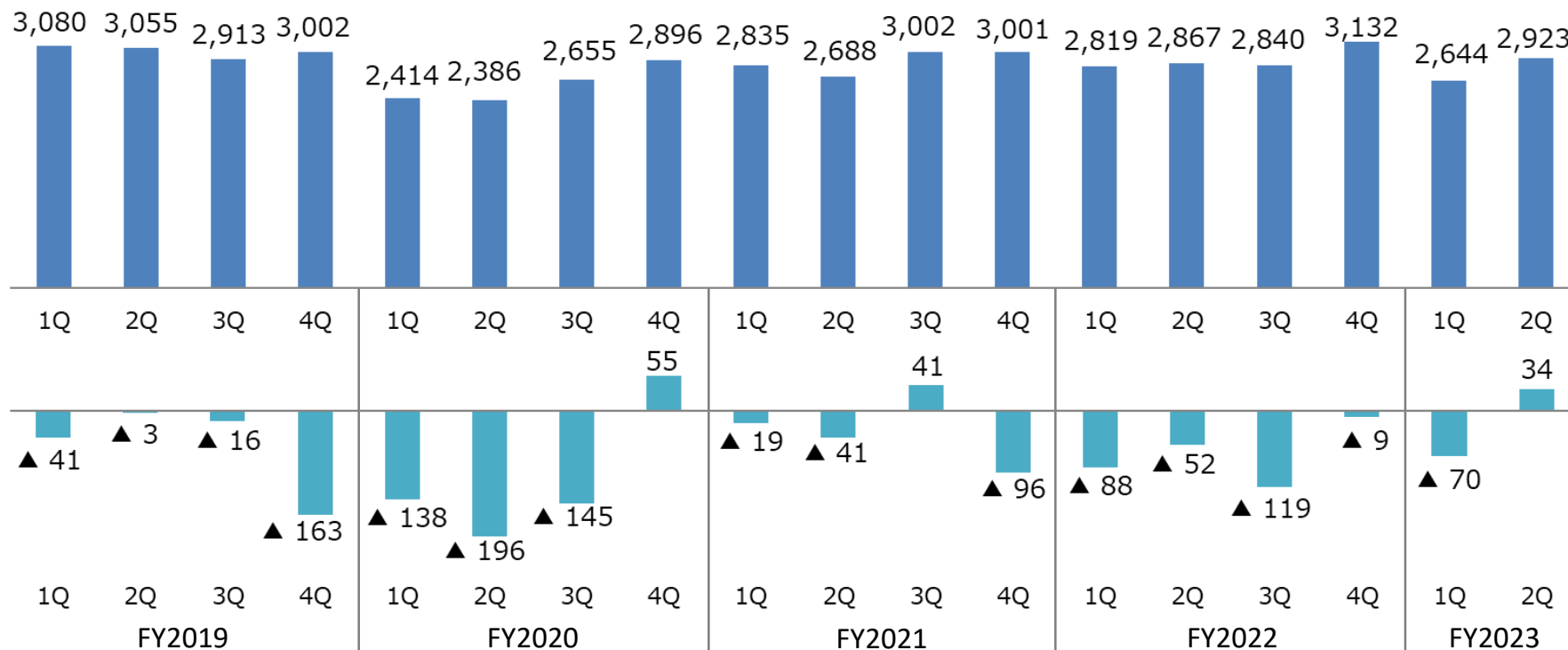
(Million yen)



	FY2019		FY2020		FY2021		FY2022		FY2023	
	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits
1Q	2,316	93	2,232	69	2,019	15	2,078	8	2,458	180
2Q	2,260	62	2,224	157	2,204	162	2,320	158	2,949	391
3Q	2,223	47	2,031	40	2,124	128	2,712	273		
4Q	2,295	31	2,035	▲20	2,353	83	2,590	126		

Changes in net sales and operating profits by segment [Hydraulics and Pneumatics]

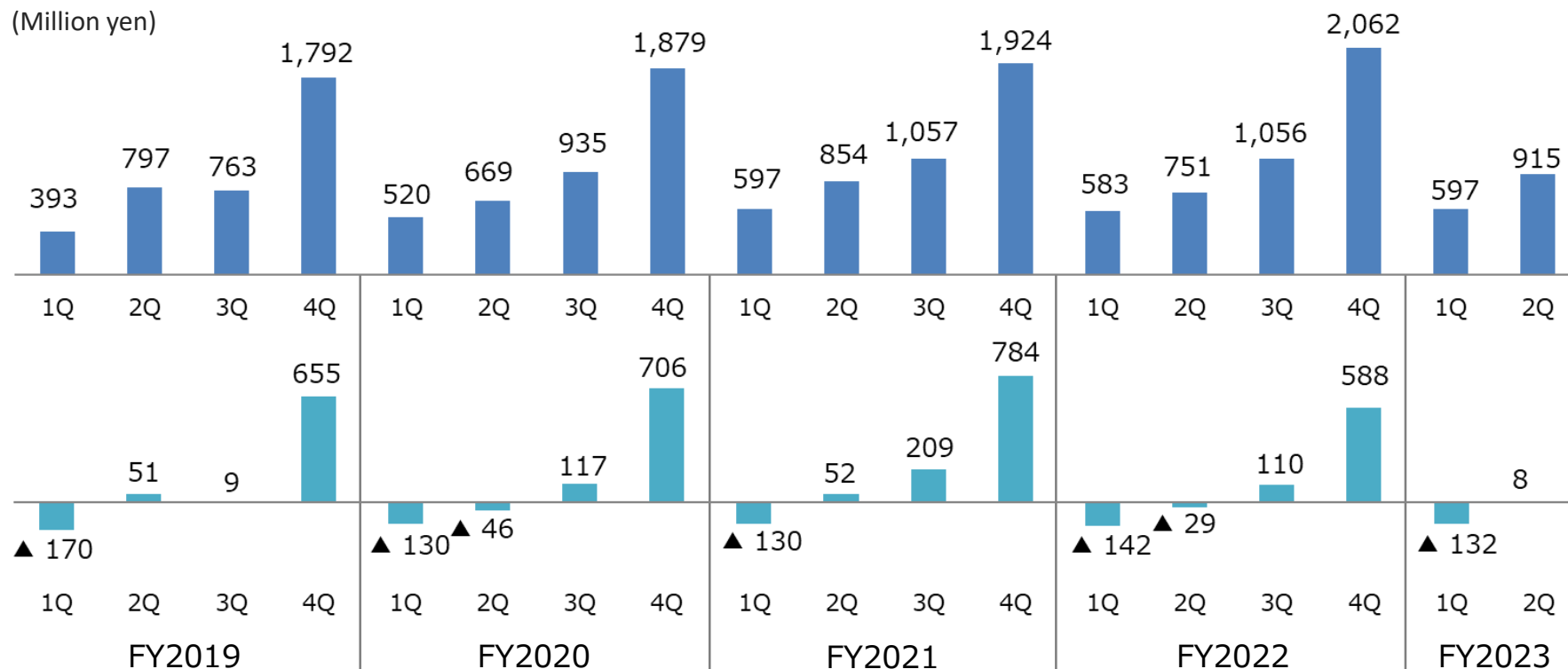
(Million yen)



	FY2019		FY2020		FY2021		FY2022		FY2023	
	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits
1Q	3,080	▲41	2,414	▲138	2,835	▲19	2,819	▲88	2,644	▲70
2Q	3,055	▲3	2,386	▲196	2,688	▲41	2,867	▲52	2,923	34
3Q	2,913	▲16	2,655	▲145	3,002	41	2,840	▲119		
4Q	3,002	▲163	2,896	55	3,001	▲96	3,132	▲9		

Changes in net sales and operating profits by segment [Fluid Measurement Equipment]

(Million yen)

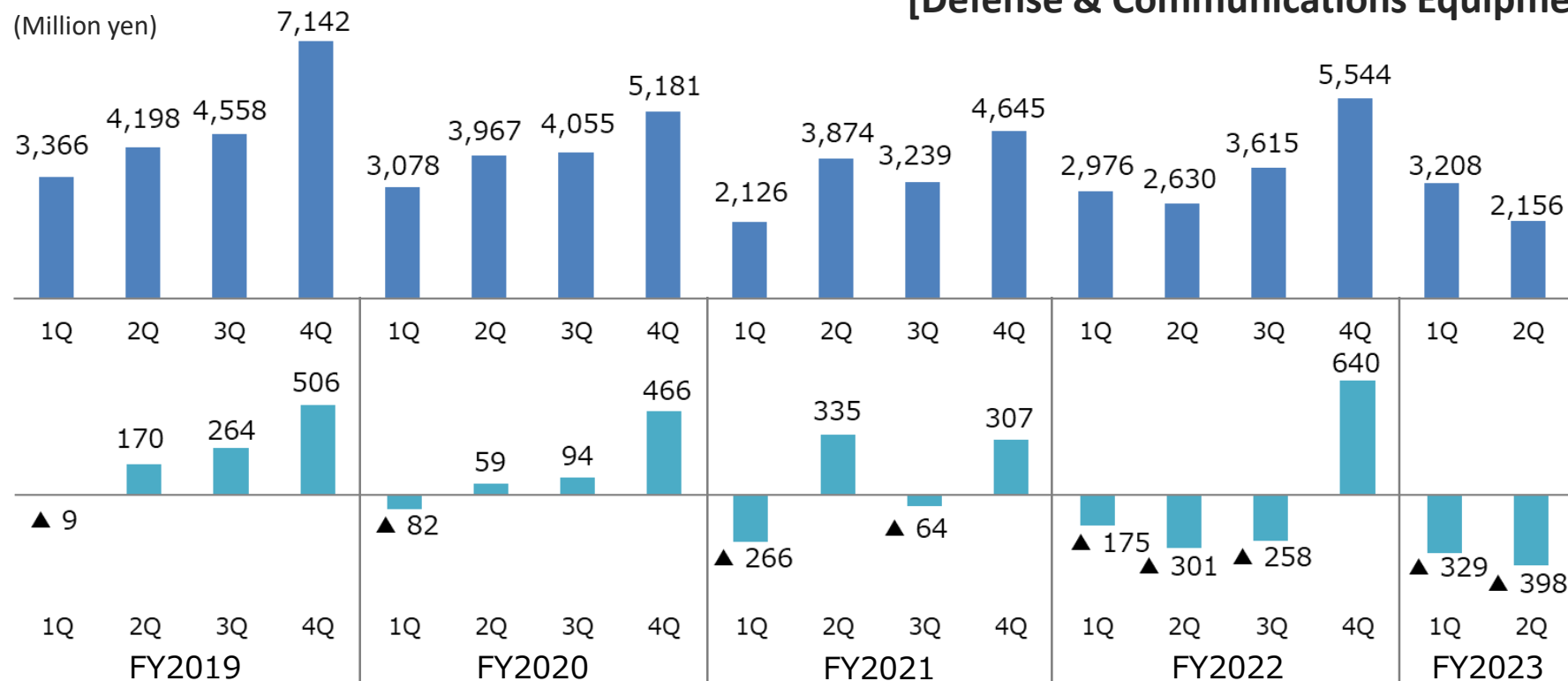


	FY2019		FY2020		FY2021		FY2022		FY2023	
	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits
1Q	393	▲170	520	▲130	597	▲130	583	▲142	597	▲132
2Q	797	51	669	▲46	854	52	751	▲29	915	8
3Q	763	9	935	117	1,057	209	1,056	110		
4Q	1,792	655	1,879	706	1,924	784	2,062	588		

References

Changes in net sales and operating profits by segment

[Defense & Communications Equipment]

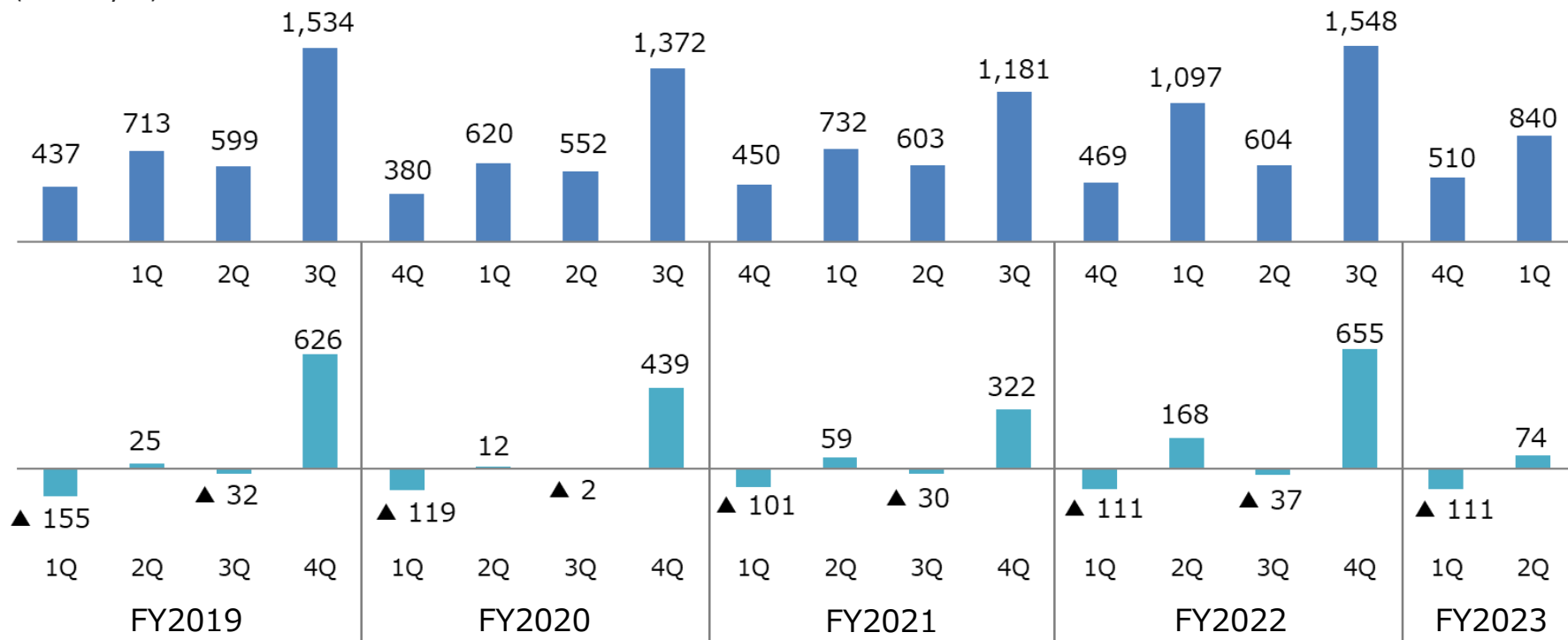


	FY2019		FY2020		FY2021		FY2022		FY2023	
	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits
1Q	3,366	▲ 9	3,078	▲ 82	2,126	▲ 266	2,976	▲ 175	3,208	▲ 329
2Q	4,198	170	3,967	59	3,874	335	2,630	▲ 301	2,156	▲ 398
3Q	4,558	264	4,055	94	3,239	▲ 64	3,615	▲ 258		
4Q	7,142	506	5,181	466	4,645	307	5,544	640		

References

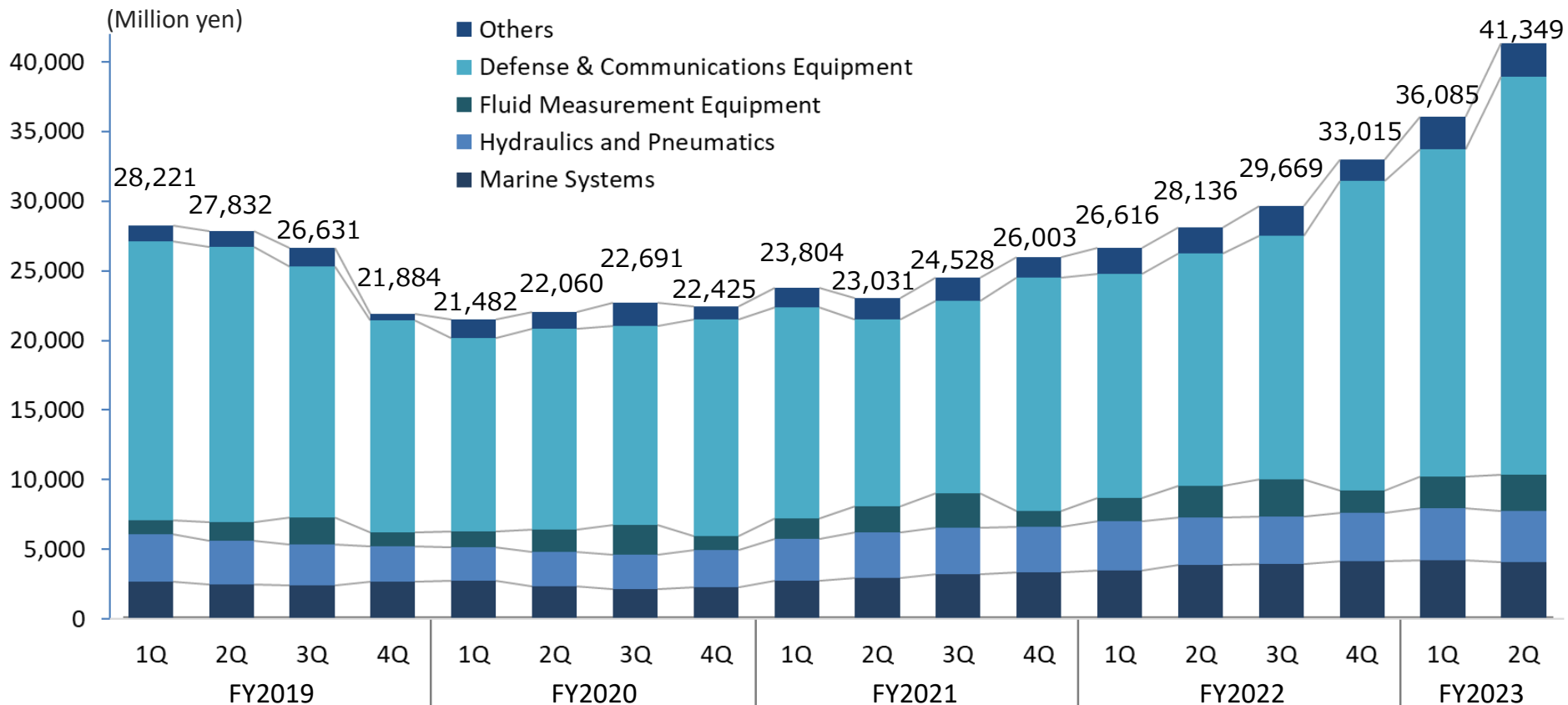
Changes in net sales and operating profits by Segment [Others]

(Million yen)



	FY2019		FY2020		FY2021		FY2022		FY2023	
	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits	Sales	Operating profits
1Q	437	▲155	380	▲119	450	▲101	469	▲111	510	▲111
2Q	713	25	620	12	732	59	1,097	168	840	74
3Q	599	▲32	552	▲2	603	▲30	604	▲37		
4Q	1,534	626	1,372	439	1,181	322	1,548	655		

Quarterly changes in order backlog



(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	41,349
3Q	26,631	22,691	24,528	29,669	
4Q	21,884	22,425	26,003	33,015	

Quarterly changes in order backlog by segment (Table)

(Million yen)		FY2019	FY2020	FY2021	FY2022	FY2023
Marine Systems	1Q	2,671	2,729	2,747	3,502	4,246
	2Q	2,449	2,355	2,923	3,860	4,050
	3Q	2,382	2,161	3,185	3,919	
	4Q	2,676	2,277	3,348	4,164	
Hydraulics and Pneumatics	1Q	3,397	2,400	3,022	3,547	3,713
	2Q	3,186	2,434	3,281	3,458	3,695
	3Q	2,951	2,462	3,370	3,424	
	4Q	2,547	2,659	3,260	3,439	
Fluid Measurement Equipment	1Q	1,032	1,124	1,432	1,652	2,239
	2Q	1,312	1,643	1,864	2,207	2,596
	3Q	1,948	2,144	2,488	2,650	
	4Q	963	1,015	1,153	1,593	
Defense and Communications Equipment	1Q	20,008	13,888	15,182	16,096	23,510
	2Q	19,735	14,389	13,448	16,726	28,598
	3Q	18,063	14,256	13,773	17,497	
	4Q	15,268	15,571	16,775	22,269	
Others	1Q	1,114	1,342	1,421	1,820	2,377
	2Q	1,149	1,239	1,515	1,885	2,410
	3Q	1,286	1,670	1,712	2,179	
	4Q	430	903	1,467	1,550	



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