

Press Release

Announcement of Business and Capital Alliance between TOKYO KEIKI INC. and OVAL CORPORATION

TOKYO KEIKI INC. (President: Kenichi Waki) and OVAL CORPORATION (President: Kenji Kondo) have entered into a basic agreement on 16 November, 2009 for a comprehensive business and capital tie-up aimed at further strengthening cooperation between the companies with the objective to expand mutual business in the flow measurement and related markets.

TOKYO KEIKI has a strong record in sales of ultrasonic flowmeters and microwave level gauges and maintains a large share of the domestic water and wastewater equipment markets. OVAL is the largest company in the Japanese flow measurement market and has extensive experience in the overseas and oil markets.

In entering this agreement, TOKYO KEIKI and OVAL are confident that the synergy achieved by effectively harnessing the management resources of both parties and the greater level of competitiveness gained by each company through this association will enable the building of a sustainable cycle of growth and result in improvements in corporate value for both companies.

Various types of flowmeters employing a range of technologies have been developed for oil measurement. Among these, ultrasonic flowmeters which feature low pressure loss, the ability to handle large flow rates, and ease of maintenance, have gained considerable attention and the global market for ultrasonic flowmeter products is anticipated to grow substantially in the years ahead. It is within this context that TOKYO KEIKI's technical expertise in ultrasonic flow measurement and OVAL's formidable petrochemical market know-how is being applied in a joint effort to develop high accuracy ultrasonic flowmeters for oil measurement applications.

Through this alliance and in addition to its mainstay business in the domestic public sector market, TOKYO KEIKI aims to enlarge business in petrochemicals and other private sector markets. OVAL hopes to capitalize on this opportunity by setting up a new organization focused on development of ultrasonic flowmeters and actively pursue market penetration with such products in its goal to secure a strong position in this fast growing market.

TOKYO KEIKI and OVAL plan sales release of these new ultrasonic products in 2010 and, inclusive of the synergistic impact of existing products on both company's sales, hope to achieve a combined sales goal of ¥3 billion by 2014 with anticipated growth centering on petrochemical plants in Asia and the Middle East.

Moving forward, in addition to the unique technologies and specialized know-how possessed by TOKYO KEIKI and OVAL, it is envisioned that the scope of the collaboration will extend to the mutual utilization of such management resources as production facilities and sales and service networks.

This business and capital arrangement between TOKYO KEIKI and OVAL will empower us in responding to rapidly evolving, global demands related to flowmeter products and enable us to provide superior and further enhanced value added products and services to our mutual customers around the world.



Scheme for Expansion of Future Cooperation

The tie-up between TOKYO KEIKI and OVAL for the fluid measurement market is aimed at achieving greater synergy by leveraging the strengths of each company and maximizing corporate value. TOKYO KEIKI and OVAL will deliberate specific measures & policies to be implemented but the key advantages that this alliance holds for the parties would include the following.

1. Expansion of Product Lineup

Under this agreement, TOKYO KEIKI will supply OVAL inexpensive, high accuracy, high frequency microwave level gauges which meet the requirements of the petrochemical market as well as low-cost, clamp-on type ultrasonic flowmeters which will augment OVAL's strength in flow control systems by enabling them to build integrated systems incorporating level measurement functions. In addition, it is anticipated that the easier and simpler fluid measurements provided by clamp-on ultrasonic flowmeters will spur broader fluid measurement business growth. Such reciprocal access to each company's products will also strengthen our product offerings and generate expanded business opportunities.

2. Development of Overseas Markets

There are increasing worldwide concerns about water shortages as result of the effects of global warming and other factors and market needs relating to water control systems have become an international issue. Water and wastewater facilities in China and Southeast Asia are being upgraded and the intended sales of TOKYO KEIKI flow measurement products through OVAL's sales network in these countries is expected to significantly boost the business of both companies.

3. Development of New and Original Products

The combination of TOKYO KEIKI's expertise in information & communication, hydraulics & pneumatics, and sensor technologies with OVAL's wide range of measurement technologies should greatly increase the potential for new market and demand creation.

4. Mutual Utilization of Management Resources

Inter-company utilization of management resources including product development capabilities, production facilities, flowmeter calibration facilities, and sales & service networks is expected to streamline the process of business development.

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