

For the Fiscal Year Ended March 31, 2012

Annual Select[®] 2012

TOKYO KEIKI INC.

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Corporate Profile

Established in 1896 as Japan's first manufacturer of measuring instruments, TOKYO KEIKI INC. (the "Company") had its start as a producer of pressure gauges. For over 115 years, we have embraced the themes of world-class technology, quality that responds to the expectations of our customers and creation of new value in the development and manufacture of numerous new products that are reflective of the times and dramatic advances in technology. We have three business divisions. Control Division I provides products to the marine systems and fluid measurement markets. Control Division II focuses on the hydraulics and pneumatics market and also provides other products for mobile construction equipment, printing inspection equipment, RFID systems equipment, as well as dynamically reconfigurable processors. With a primary focus on the defense market, the Electronics Systems Division manufactures systems that meet demand for advanced avionics and navigational equipment, and also maritime traffic systems that enhance safety and efficiencies that are critical functions in offshore transportation management. In the commercial market, the same division supplies microwave devices that are the core components of wireless communication equipment, helicopter broadcast systems that optimize television relay circuits, measurement control equipment for road and tunnel construction, and inertial sensors used in antenna stabilization systems on fast moving ground vehicles and aircraft.

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* While every best effort has been made to provide a translation meeting the quality standards required of professionals, the Company does not guarantee it is 100% accurate. Therefore, please verify the original Japanese text for any final judgments made based on this information.

I. Summary of Selected Financial Data (Consolidated)

| | 77th fiscal year From April 1, 2007 to March 31, 2008 | 78th fiscal year From April 1, 2008 to March 31, 2009 | 79th fiscal year From April 1, 2009 to March 31, 2010 | 80th fiscal year From April 1, 2010 to March 31, 2011 | 81st fiscal year From April 1, 2011 to March 31, 2012 |
|--|---|---|---|---|---|
| Net sales (Million yen) | 51,321 | 45,546 | 39,243 | 37,247 | 41,055 |
| Ordinary income (Million yen) | 3,602 | 1,423 | 1,082 | 476 | 2,190 |
| Net income (loss) (Million yen) | 2,357 | 417 | 573 | (898) | 1,314 |
| Comprehensive income (Million yen) | – | – | – | (1,070) | 1,367 |
| Net assets (Million yen) | 20,440 | 19,737 | 20,385 | 19,055 | 19,997 |
| Total assets (Million yen) | 48,903 | 49,672 | 47,778 | 45,166 | 45,986 |
| Net assets per share (Yen) | 237.97 | 229.27 | 236.61 | 220.79 | 235.19 |
| Net income (loss) per share (Yen) | 27.64 | 4.89 | 6.73 | (10.54) | 15.58 |
| Fully diluted net income per share (Yen) | – | – | – | – | – |
| Equity ratio (%) | 41.49 | 39.34 | 42.21 | 41.66 | 42.92 |
| Return on equity (ROE) (%) | 12.02 | 2.09 | 2.89 | (4.61) | 6.82 |
| Price earnings ratio (PER) (Times) | 10.9 | 21.1 | 18.0 | – | 11.7 |
| Net cash provided by (used in) operating activities (Million yen) | 1,857 | 2,651 | 3,797 | 705 | (108) |
| Net cash provided by (used in) investing activities (Million yen) | (1,059) | (815) | (527) | (390) | (263) |
| Net cash provided by (used in) financing activities (Million yen) | (1,262) | 4,120 | (2,227) | (1,796) | (1,300) |
| Cash and cash equivalents at end of period (Million yen) | 4,889 | 10,832 | 11,876 | 10,387 | 8,713 |
| Number of employees [Separately, average number of temporary employees] (Persons) | 1,390 [314] | 1,400 [336] | 1,409 [320] | 1,372 [350] | 1,364 [362] |

- Notes:
1. Net sales do not include consumption taxes.
 2. Fully diluted net income per share for the 77th fiscal year to the 79th fiscal year and the 81st fiscal year is not described since the Company has no outstanding residual securities.
Fully diluted net income per share for the 80th fiscal year is not described since the Company posted net loss per share, and had no outstanding residual securities.
 3. Price earnings ratio for the 80th fiscal year is not described since the Company posted net loss.

II. To Our Stakeholders



Kenichi WAKI

President

The Japanese economy in the fiscal year under review (year ended March 31, 2012) remained at a standstill, which placed significant downward pressure on corporate earnings. Despite the restoration of the supply chain and improvements in production, an economic slowdown overseas and a historically high appreciation of the yen hampered exports.

Amid these economic circumstances, upward revisions to the Group's consolidated business results for the fiscal year under review were announced on two occasions—in November 2011 and April 2012—because the outlook was expected to improve compared with the forecasts disclosed at the beginning of the period. Revenues and profits increased on both consolidated and non-consolidated bases compared to the previous fiscal year (year ended March 31, 2011).

Consolidated net sales came to ¥41.06 billion, an increase of ¥3.81 billion (10.2%) compared with the previous fiscal year. In the Marine Systems Business, net sales were flat in the commercial vessel market owing to a decline in new ship construction at Japanese shipyards precipitated by factors such as the appreciation of the yen and the slump in maritime traffic. However, they were strong in the coastal vessel market, which was marked by an increase in the construction of new tankers to transport fuel to thermal power plants following the accident at the Fukushima nuclear power plant complex. In the Hydraulics and Pneumatics Business, although net sales from overseas markets stagnated due to a decrease in demand from such markets as Taiwan and China, recovery in domestic demand in the plastics processing machinery, machine tool, and construction equipment markets, coupled with restoration demand following the floods in Thailand and the Great East Japan Earthquake, resulted in a strong sales performance. Net sales from the Fluid Measurement Equipment Business were strong amid public sector market water supply and agricultural water demand, replacement demand from the private sector market, and a favorable performance in overseas markets, such as exports to South Africa. Net sales from the Defense and Communications Equipment Business were buoyant due to the commencement of deliveries in the maritime traffic equipment market postponed from the previous fiscal year due to the earthquake, the refurbishment and repair of equipment in the defense market, sales of tunnel-related equipment in the sensor equipment market, refurbishment demand for PHS base stations in the communications equipment market, and special demand for helicopters equipped to relay feed for commercial TV station broadcasts.

Regarding consolidated profits, the increase in net sales, a turnaround in the cost of sales, and a reduction in selling, general and administrative expenses and other factors resulted in operating income of ¥2.04 billion, an increase of ¥1.59 billion (353.8%) compared with the previous fiscal year, and ordinary income of ¥2.19 billion, an increase of ¥1.71 billion (360.1%). Due to the absence of the extraordinary loss associated with changes in accounting standards for asset retirement obligations recorded in the previous fiscal year which resulted in a net loss for that year, net income increased ¥2.21 billion to ¥1.31 billion for the fiscal year under review.

Cash and cash equivalents at the end of the fiscal year under review totaled ¥8.71 billion, a decrease of ¥1.67 billion compared with the end of the previous fiscal year. The main factors contributing to this decrease were: net cash used in operating activities of ¥0.11 billion due to an increase in income before income taxes and minority interests as well as increases in notes and accounts receivable—trade, depreciation and amortization, notes and accounts payable—trade, and in inventories; net cash used in investing activities of ¥0.26 billion due to purchases of non-current assets and proceeds from collection of lease and guarantee deposits; and net cash used in financing activities of ¥1.3 billion due to repayment of loans payable, cash dividends paid, and purchase of treasury stock.

As a result of repaying ¥0.8 billion of loans, the balance of interest-bearing debt as of March 31, 2012, stood at ¥12.06 billion, a decrease of 6.2% compared with the end of the previous fiscal year.

Equity increased ¥0.92 billion (4.9%) compared with the end of the previous fiscal year, to ¥19.74 billion, due to an increase in retained earnings of ¥1.06 billion while there was purchase of treasury stock of ¥0.16 billion. Due to the increase in total assets having been halted at ¥0.82 billion (1.8%) compared with the end of the previous fiscal year, the equity ratio improved 1.2 percentage points, from 41.7% to 42.9%. Due to a buildup of equity capital brought about by the increase in retained earnings combined with the ¥0.8 billion (6.2%) decrease in loans compared with the end of the previous fiscal year, the debt-to-equity ratio improved from 0.68 times at the end of the previous fiscal year to 0.61 times.

Total net sales of our nine consolidated subsidiaries increased ¥0.65 billion year on year, and net income increased ¥0.25 billion. These increases were the result of strong performances from TOKYO KEIKI TECHNOPORT INC.'s inspection and replacement of fire extinguishing system valves, sales of TOKYO KEIKI POWER SYSTEMS INC.'s hydraulic power units for general industrial machinery, TOKYO KEIKI AVIATION INC.'s sales and repair of defense-related equipment combined with its sales of shielded enclosures for medical and industrial use, and TOKYO KEIKI RAIL TECHNO INC.'s sales of equipment such as rail flaw detectors and switch profile gauges and its contractual track maintenance and inspection services. Established as a wholly owned subsidiary in July 2011, TOKYO KEIKI (SHANGHAI) CO., LTD. commenced operations as our sales and service base in China in September 2011. For the time being, we will actively promote marine equipment sales and after-sales service in the Chinese shipbuilding market, the world's largest. In the longer term, this subsidiary will handle the Group's entire product range in our push for globalization, which is one of the pillars underpinning our growth strategy.

In Japan in the current fiscal year ending March 31, 2013, there are concerns of a decline in exports due to the prolonged economic downturn in Europe, worsening appreciation of the yen due to quantitative easing in the United States, high oil prices due to political instability in the oil-producing countries of the Middle East, and power shortages and electricity rate rises due to shutdowns of nuclear power plants. Despite these concerns, there are signs of optimism in domestic demand on the back of recovery and reconstruction demand related to the Great East Japan Earthquake. In overseas economies, although the election in Greece was won by those advocating austerity measures, making the country's exit from the euro look less likely, with Europe wavering between retrenchment and growth, concerns over credit insecurity have yet to be dispelled. Elsewhere, exports have slowed and high growth rates have been weighed down in such emerging countries as China and India, which have been the global economy's growth drivers. Although our forecasts cover situations in which we are potentially exposed to changes in the external environment, the Group will maintain an unerring focus on further crisis management with regard to unexpected contingencies. Not stopping merely to achieve the fiscal 2012 profit predictions, we will accelerate the implementation of strategies designed for growth.

We are planning to increase fiscal 2012 consolidated net sales by ¥3.45 billion (8.4%) from the fiscal year under review, to ¥44.5 billion. Focusing on the Defense and Communications Equipment, Hydraulics and Pneumatics, and Fluid Measurement Equipment Businesses, we aim to achieve this by introducing new products, expanding sales channels, cultivating new customers and promoting retrofit work in new or existing markets domestically and overseas. With respect to consolidated profits, however, because forward-looking investment in research and development, production facilities and key information systems is essential for growth, we forecast operating income to fall ¥0.20 billion (9.6%) from the fiscal year under review to ¥1.84 billion, ordinary income to drop ¥0.37 billion (16.9%) to ¥1.82 billion, and net income to decrease ¥0.14 billion (11.0%) to ¥1.17 billion. As fiscal 2012 will mark the final year for the first stage of the growth strategies that we have been implementing since fiscal 2008, we will continue to enhance profitability by improving efficiencies and striving for greater added value, in accordance with our major theme, “strengthening existing businesses” by means of the individual strategies listed below.

1) *Marine Systems Business*

In response to the declining number of new ships being built, in the in-service fleet market we will promote the installation of additional equipment such as the electronic chart display and information system (ECDIS), equipment retrofits and preventive maintenance to address aging and legal requirements, strengthen and improve overseas bases, and enhance after-sales service.

2) *Hydraulics and Pneumatics Business*

Due to the decreasing demand for hydraulics brought about by the shift toward electric alternatives in the plastics processing machinery market as well as the shrinking domestic demand due to globalization of the machine tool market, we will develop and introduce new products that leverage the diverse array of technologies not only in hydraulics but also in electronics and inertial sensors that the Group possesses, targeting the construction equipment and other markets. In addition to the domestic market, we will tap into overseas markets, including China, where sustained demand is expected.

3) *Fluid Measurement Equipment Business*

In response to constraints on public investment in the domestic market, we will cultivate new customers in overseas markets, particularly in emerging countries where water resource management infrastructure is being promoted in collaboration with Oval Corporation, Nagano Keiki Co., Ltd. and Chino Corporation – an alliance consolidated under a distinctive new instrumentation system package brand, BLUEEDGE.

4) *Defense and Communications Equipment Business*

The defense market is being maintained by refurbishment and repair because of the dwindling budget for front-line military hardware in Japan, so we will secure a position in the domestic market by retrofitting and updating next-generation vessel traffic services (VTS) in the maritime traffic equipment market as well as developing overseas markets. In the sensor equipment market, we will leverage technologies accumulated in the development of defense-related products and focus on the motion measurement and vehicle control fields in Japan and overseas. In the communications equipment market we will tap a wide range of new markets including plasma lighting equipment related to high-power microwave device applications, secure demand for the replacement and maintenance of antenna stabilizers for TV stations, and expand into business areas in the marine market by achieving cost reductions.

The next medium-term management plan that will commence in fiscal 2013 is still in its conceptual stages, but we have augmented the underlying theme of “strengthening existing businesses” with the themes of “promoting globalization” and “expanding business areas,” which are central to the second stage of our growth strategies and established specific targets – ¥57.0 billion in consolidated net sales and an operating income margin of 8%. To achieve progress with globalization and expand our business areas we will adopt an optimal business structure in addition to creating the necessary development, production, sales and service environments to win against fierce

global competition, effectively leveraging the management resources of the Group as a whole and reinforcing and upgrading areas through business alliances and M&A, should management resources prove insufficient. In moves designed to make the sales, production and servicing operations more efficient, we will further downsize human resources, educate and retrain to tackle redundancies in personnel and strengthen organizational capabilities. We will also hone and fully utilize the many and varied technologies not to mention the knowhow the Group possesses as its strengths in crafting solutions that respond to the issues demanded by the times and by society. This will enable us to create new demand on our own and help us to realize long-term sustained growth that would not be susceptible to changes in the external environment. We will also respond to the expectations and demands of all our stakeholders by raising corporate value.

On behalf of the senior management and workforce at TOKYO KEIKI, I would like to close by thanking all investors in grateful anticipation of receiving their redoubled and ongoing support and cooperation.



Kenichi WAKI
President

III. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,392 | 8,718 |
| Notes and accounts receivable-trade | 12,011 | 14,860 |
| Merchandise and finished goods | 1,140 | 1,088 |
| Work in process | 5,128 | 5,831 |
| Raw materials and supplies | 4,808 | 4,892 |
| Deferred tax assets | 589 | 661 |
| Accounts receivable-other | 288 | 146 |
| Other | 194 | 341 |
| Allowance for doubtful accounts | (47) | (5) |
| Total current assets | 34,502 | 36,532 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 12,696 | 12,707 |
| Accumulated depreciation | (10,684) | (10,815) |
| Buildings and structures, net | 2,012 | 1,892 |
| Machinery, equipment and vehicles | 14,220 | 14,180 |
| Accumulated depreciation | (13,240) | (13,351) |
| Machinery, equipment and vehicles, net | 980 | 829 |
| Tools, furniture and fixtures | 10,234 | 10,317 |
| Accumulated depreciation | (9,632) | (9,744) |
| Tools, furniture and fixtures, net | 602 | 573 |
| Land | 1,926 | 1,926 |
| Lease assets | 94 | 94 |
| Accumulated depreciation | (9) | (28) |
| Lease assets, net | 84 | 65 |
| Construction in progress | 76 | 48 |
| Total property, plant and equipment | 5,681 | 5,334 |
| Intangible assets | | |
| Goodwill | 37 | 20 |
| Software | 7 | 36 |
| Other | 289 | 206 |
| Total intangible assets | 332 | 262 |
| Investments and other assets | | |
| Investment securities | 1,753 | 1,759 |
| Deferred tax assets | 1,770 | 1,370 |
| Guarantee deposits | 861 | 639 |
| Other | 331 | 150 |
| Allowance for doubtful accounts | (64) | (62) |
| Total investments and other assets | 4,651 | 3,858 |
| Total noncurrent assets | 10,664 | 9,453 |
| Total assets | 45,166 | 45,986 |

(Million yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 4,838 | 5,697 |
| Short-term loans payable | 10,689 | 8,654 |
| Accounts payable-other | 146 | 504 |
| Income taxes payable | 116 | 278 |
| Provision for bonuses | 846 | 927 |
| Other | 1,649 | 1,636 |
| Total current liabilities | 18,284 | 17,696 |
| Noncurrent liabilities | | |
| Long-term loans payable | 2,170 | 3,411 |
| Provision for retirement benefits | 4,275 | 3,598 |
| Provision for directors' retirement benefits | 299 | 289 |
| Asset retirement obligations | 785 | 786 |
| Other | 298 | 209 |
| Total noncurrent liabilities | 7,828 | 8,294 |
| Total liabilities | 26,111 | 25,989 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 7,218 | 7,218 |
| Capital surplus | 14 | 14 |
| Retained earnings | 11,531 | 12,590 |
| Treasury stock | (28) | (193) |
| Total shareholders' equity | 18,735 | 19,628 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 246 | 280 |
| Foreign currency translation adjustment | (163) | (169) |
| Total accumulated other comprehensive income | 83 | 111 |
| Minority interests | 237 | 258 |
| Total net assets | 19,055 | 19,997 |
| Total liabilities and net assets | 45,166 | 45,986 |

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Million yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|--|-------------------------------------|-------------------------------------|
| Net sales | 37,247 | 41,055 |
| Cost of sales | 27,969 | 30,401 |
| Gross profit | 9,278 | 10,654 |
| Selling, general and administrative expenses | 8,829 | 8,618 |
| Operating income | 449 | 2,036 |
| Non-operating income | | |
| Interest income | 14 | 12 |
| Dividends income | 47 | 46 |
| Dividends income of life insurance | 38 | 37 |
| Rent income on facilities | 8 | 10 |
| Equity in earnings of affiliates | 60 | 22 |
| Subsidy income | 24 | 25 |
| Reversal of allowance for doubtful accounts | – | 44 |
| Foreign exchange gains | – | 1 |
| Other | 70 | 113 |
| Total non-operating income | 261 | 310 |
| Non-operating expenses | | |
| Interest expenses | 142 | 126 |
| Rent expenses on facilities | 17 | 16 |
| Foreign exchange losses | 43 | – |
| Other | 31 | 13 |
| Total non-operating expenses | 233 | 155 |
| Ordinary income | 476 | 2,190 |
| Extraordinary income | | |
| Gain on sales of investment securities | 39 | 3 |
| Total extraordinary income | 39 | 3 |
| Extraordinary loss | | |
| Loss on sales and retirement of noncurrent assets | 69 | 15 |
| Loss on sales of investment securities | 5 | – |
| Loss on valuation of investment securities | 32 | 3 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 863 | – |
| Total extraordinary losses | 969 | 18 |
| Income (loss) before income taxes and minority interests | (454) | 2,175 |
| Income taxes-current | 180 | 472 |
| Income taxes-deferred | 242 | 364 |
| Total income taxes | 422 | 836 |
| Income (loss) before minority interests | (876) | 1,340 |
| Minority interests in income | 22 | 26 |
| Net income (loss) | (898) | 1,314 |

Consolidated Statements of Comprehensive Income

(Million yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|--|-------------------------------------|-------------------------------------|
| Income (loss) before minority interests | (876) | 1,340 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (133) | 34 |
| Foreign currency translation adjustment | (62) | (7) |
| Share of other comprehensive income of associates accounted for using equity method | 1 | 1 |
| Total other comprehensive income | (195) | 27 |
| Comprehensive income | (1,070) | 1,367 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | (1,093) | 1,341 |
| Comprehensive income attributable to minority interests | 22 | 26 |

(3) Consolidated Statements of Changes in Net Assets

(Million yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|--|-------------------------------------|-------------------------------------|
| Shareholders' equity | | |
| Capital stock | | |
| Balance at the beginning of current period | 7,218 | 7,218 |
| Changes of items during the period | | |
| Total changes of items during the period | – | – |
| Balance at the end of current period | 7,218 | 7,218 |
| Capital surplus | | |
| Balance at the beginning of current period | 14 | 14 |
| Changes of items during the period | | |
| Total changes of items during the period | – | – |
| Balance at the end of current period | 14 | 14 |
| Retained earnings | | |
| Balance at the beginning of current period | 12,685 | 11,531 |
| Changes of items during the period | | |
| Dividends from surplus | (256) | (256) |
| Net income (loss) | (898) | 1,314 |
| Total changes of items during the period | (1,154) | 1,058 |
| Balance at the end of current period | 11,531 | 12,590 |
| Treasury stock | | |
| Balance at the beginning of current period | (27) | (28) |
| Changes of items during the period | | |
| Purchase of treasury stock | (1) | (165) |
| Total changes of items during the period | (1) | (165) |
| Balance at the end of current period | (28) | (193) |
| Total shareholders' equity | | |
| Balance at the beginning of current period | 19,889 | 18,735 |
| Changes of items during the period | | |
| Dividends from surplus | (256) | (256) |
| Net income (loss) | (898) | 1,314 |
| Purchase of treasury stock | (1) | (165) |
| Total changes of items during the period | (1,155) | 893 |
| Balance at the end of current period | 18,735 | 19,628 |

(Million yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|-------------------------------------|-------------------------------------|
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | | |
| Balance at the beginning of current period | 380 | 246 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (133) | 34 |
| Total changes of items during the period | (133) | 34 |
| Balance at the end of current period | 246 | 280 |
| Foreign currency translation adjustment | | |
| Balance at the beginning of current period | (102) | (163) |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (61) | (6) |
| Total changes of items during the period | (61) | (6) |
| Balance at the end of current period | (163) | (169) |
| Total accumulated other comprehensive income | | |
| Balance at the beginning of current period | 278 | 83 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (195) | 27 |
| Total changes of items during the period | (195) | 27 |
| Balance at the end of current period | 83 | 111 |
| Minority interests | | |
| Balance at the beginning of current period | 218 | 237 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 18 | 21 |
| Total changes of items during the period | 18 | 21 |
| Balance at the end of current period | 237 | 258 |
| Total net assets | | |
| Balance at the beginning of current period | 20,385 | 19,055 |
| Changes of items during the period | | |
| Dividends from surplus | (256) | (256) |
| Net income (loss) | (898) | 1,314 |
| Purchase of treasury stock | (1) | (165) |
| Net changes of items other than shareholders' equity | (176) | 49 |
| Total changes of items during the period | (1,331) | 942 |
| Balance at the end of current period | 19,055 | 19,997 |

(4) Consolidated Statements of Cash Flows

(Million yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|--|-------------------------------------|-------------------------------------|
| Net cash provided by (used in) operating activities | | |
| Income (loss) before income taxes and minority interests | (454) | 2,175 |
| Depreciation and amortization | 1,018 | 1,029 |
| Amortization of goodwill | 16 | 16 |
| Amortization of guarantee deposits | 33 | 12 |
| Increase (decrease) in allowance for doubtful accounts | 10 | (45) |
| Increase (decrease) in provision for retirement benefits | (840) | (677) |
| Increase (decrease) in provision for bonuses | 154 | 81 |
| Increase (decrease) in provision for directors' retirement benefits | 37 | (10) |
| Interest and dividends income | (60) | (58) |
| Interest expenses | 142 | 126 |
| Equity in (earnings) losses of affiliates | (60) | (22) |
| Loss (gain) on sales of investment securities | (35) | (3) |
| Loss (gain) on valuation of investment securities | 32 | 3 |
| Loss (gain) on sales and retirement of noncurrent assets | 69 | 15 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 863 | – |
| Decrease (increase) in notes and accounts receivable-trade | 1,046 | (2,853) |
| Decrease (increase) in inventories | (708) | (737) |
| Increase (decrease) in notes and accounts payable-trade | (315) | 861 |
| Decrease (increase) in other assets | (46) | 108 |
| Increase (decrease) in other liabilities | 74 | 196 |
| Other, net | 16 | 19 |
| Subtotal | 994 | 237 |
| Interest and dividends income received | 60 | 60 |
| Interest expenses paid | (178) | (145) |
| Income taxes paid | (170) | (260) |
| Net cash provided by (used in) operating activities | 705 | (108) |
| Net cash provided by (used in) investing activities | | |
| Purchase of investment securities | (6) | (5) |
| Proceeds from sales of investment securities | 79 | 17 |
| Purchase of noncurrent assets | (467) | (497) |
| Proceeds from sales of noncurrent assets | 5 | 0 |
| Payments of loans receivable | (5) | – |
| Collection of loans receivable | 9 | 5 |
| Payments for lease and guarantee deposits | (4) | (9) |
| Proceeds from collection of lease and guarantee deposits | 8 | 219 |
| Other, net | (9) | 8 |
| Net cash provided by (used in) investing activities | (390) | (263) |

(Million yen)

| | Fiscal year ended March 31, 2011 | Fiscal year ended March 31, 2012 |
|---|-------------------------------------|-------------------------------------|
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | (1,430) | – |
| Proceeds from long-term loans payable | 1,045 | 2,050 |
| Repayment of long-term loans payable | (1,109) | (2,845) |
| Repayments of lease obligations | (42) | (80) |
| Purchase of treasury stock | (1) | (165) |
| Cash dividends paid | (256) | (256) |
| Cash dividends paid to minority shareholders | (4) | (4) |
| Net cash provided by (used in) financing activities | (1,796) | (1,300) |
| Effect of exchange rate change on cash and cash equivalents | (8) | (4) |
| Net increase (decrease) in cash and cash equivalents | (1,489) | (1,675) |
| Cash and cash equivalents at beginning of period | 11,876 | 10,387 |
| Cash and cash equivalents at end of period | 10,387 | 8,713 |

IV. Company Information / Stock Information

Company Information (as of March 31, 2012)

| | |
|----------------------------|---|
| Trade name: | TOKYO KEIKI INC. |
| Date of establishment: | May 1896 |
| Listing date: | May 1949 |
| Business year: | From April 1 to March 31 |
| Paid-in capital: | ¥7,218 million |
| Number of employees: | 1,364 (excluding those seconded out of the Group and including those seconded into the Group) (Consolidated) |
| Head office: | 2-16-46 Minami-Kamata, Ohta-ku, Tokyo |
| Telephone: | +81-3-3732-2111 |
| Consolidated subsidiaries: | TOKYO KEIKI AVIATION INC. TOKYO KEIKI CUSTOMER SERVICE INC. TOKYO KEIKI POWER SYSTEMS INC. TOKYO KEIKI INFORMATION SYSTEMS INC. TOKYO KEIKI TECHNOPORT INC. TOKYO KEIKI RAIL TECHNO INC. MOCOS JAPAN CO., LTD. TOKYO KEIKI U.S.A., INC. TOKYO KEIKI (SHANGHAI) CO., LTD |

Directors and Corporate Auditors (as of June 29, 2012)

| | | | |
|---------------------------|------------------|---------------------|------------------------------|
| President | Kenichi WAKI | Corporate Auditor | Chiaki TAKANASHI |
| Senior Executive Director | Yoshisuke AKITA | Corporate Auditor | Haruki KAWAHIGASHI |
| Executive Director | Noriyuki AKABA | Corporate Auditor** | Yasusuke MIYAZAKI |
| Director | Hidemitsu YAMADA | Corporate Auditor** | Hiroshi SASA |
| Director | Hiroshi EBINUMA | | |
| Director | Motoshi MITOBE | * Outside Director | ** Outside Corporate Auditor |
| Director | Setsuro KIMURA | | |
| Director | Tsuyoshi ANDO | | |
| Director | Yukitoshi ATSUMI | | |
| Director | Yasuo ABE | | |
| Director | Makoto TSUCHIYA | | |
| Director* | Kenichi HORI | | |

Stock Status (as of March 31, 2012)

| | |
|------------------------------------|--------------------|
| Total number of authorized shares: | 250,000,000 shares |
| Total number of shares issued: | 85,382,196 shares |
| Number of shareholders: | 7,778 |
| Major shareholders (Top 10) | |

| Shareholder name | Number of shares held (Thousands) | Share-holding ratio (%) |
|--|--------------------------------------|----------------------------|
| Japan Trustee Services Bank, Ltd. | 7,741 | 9.07 |
| Sumitomo Mitsui Banking Corporation | 4,179 | 4.89 |
| TOKYO KEIKI ASSOCIATION | 4,179 | 4.89 |
| TOKYO KEIKI EMPLOYEE SHAREHOLDING ASSOCIATION | 3,206 | 3.75 |
| Nippon Life Insurance Company | 2,861 | 3.35 |
| KEIHANSHIN KOUGYOU | 2,405 | 2.82 |
| TOKYO KEIKI TRADING-PARTNER SHAREHOLDING ASSOCIATION | 2,333 | 2.73 |
| The Bank of Yokohama, Ltd. | 2,329 | 2.73 |
| Mitsubishi UFJ Trust and Banking Corporation | 2,117 | 2.48 |
| The Master Trust Bank of Japan, Ltd. | 2,008 | 2.35 |

(Source: Annual Securities Report)