

# **Announcement of FY2016/3 Business Results (April 2015 to March 2016)**

**May 10<sup>th</sup>, 2016**

**Tokyo Seimitsu Co., Ltd.**

***Hitoshi Yoshida, President and CEO***

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## Cautionary Statement with respect to Forward-Looking Statements

### Disclaimer:

- ◆ This presentation data, texts, and the information which our representatives present verbally contain “forward-looking statements” that are based on current best available information and policies.
- ◆ There are various factors such as world economic conditions and semiconductor/automobile market conditions which will directly and indirectly impact the Company’s results in the future.
- ◆ As a result, future outcomes may differ from those projected in this presentation and the information presented verbally.



# FY2016/3 (April 2015 – March 2016)

## Business Results

(Billions of Yen except dividend)	FY2015/3	FY2016/3	
	Full Year	Full Year	YoY(%)
<b>Sales</b>	<b>66.4</b>	<b>70.3</b>	+6%
SPE Segment	<b>40.2</b>	<b>41.8</b>	+4%
Metrology Segment	<b>26.2</b>	<b>28.5</b>	+9%
<b>Operating Income</b>	<b>12.1</b>	<b>13.2</b>	+9%
SPE	7.0	7.3	+5%
<i>Operating Income Ratio</i>	17%	18%	-
Metrology	5.1	5.9	+14%
<i>Operating Income Ratio</i>	20%	21%	-
<b>Ordinary Income</b>	<b>12.8</b>	<b>13.2</b>	+3%
<b>Net Income</b> Attributable to Owners of the parent	<b>9.0</b>	<b>9.7</b>	+8%
<b>Dividend per share</b>	<b>55 Yen</b>	<b>59 Yen</b>	+4 Yen

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- FY2016/3 (ended March 2016) consolidated revenue: 70.3 Billion JPY (YoY +6%) (\* Billion JPY hereafter referred to as "B").
- Revenue breakdown by segment: SPE 41.8B (YoY +4%), Metrology 28.5B (YoY +9%).
- Operating income: 13.2B (YoY +9%), Ordinary Income: 13.2B and Net Income: 9.7B. Consequently, increase both in Revenue and Profit.
- FY2016/3 Year end dividend plan has been revised. Full Year dividend per share will be 59 JPY (YoY +4JPY).



# FY2016/3 4<sup>th</sup> Quarter(Jan – Mar. 2016) Business Results

(Billions of Yen)	FY2015/3				FY2016/3					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ(%)	YoY(%)
<b>Sales</b>	14.1	18.7	16.2	17.5	18.4	19.6	14.4	<b>17.9</b>	+24%	+2%
SPE Segment	8.9	11.6	10.2	9.5	12.3	11.6	7.8	10.1	+29%	+7%
Metrology Segment	5.2	7.1	5.9	8.1	6.1	8.0	6.6	7.8	+18%	-3%
<b>Operating Income</b>	2.2	3.5	3.2	3.3	3.9	3.8	2.2	<b>3.4</b>	+54%	+4%
SPE	1.2	2.0	2.2	1.5	2.9	2.0	0.9	1.6	+73%	+6%
Operating Income Ratio	14%	18%	22%	16%	24%	17%	12%	16%	-	-
Metrology	0.9	1.5	0.9	1.8	1.0	1.8	1.3	1.8	+40%	+2%
Operating Income Ratio	18%	21%	16%	22%	16%	22%	19%	23%	-	-
<b>Ordinary Income</b>	2.2	3.8	3.5	3.3	3.9	3.7	2.3	<b>3.2</b>	+39%	-3%
<b>Net Income</b> Attributable to Owners of the Parent	1.5	2.7	2.4	2.4	2.8	2.7	1.7	<b>2.5</b>	+44%	+4%

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- Results for 4<sup>th</sup> quarter (January to March, 2016)  
Sales: 17.9 B(QoQ +24%, YoY+2%)  
Operating income: 3.4 B(QoQ +54%, YoY +4%)  
Ordinary income: 3.2B  
and Net Income: 2.5B



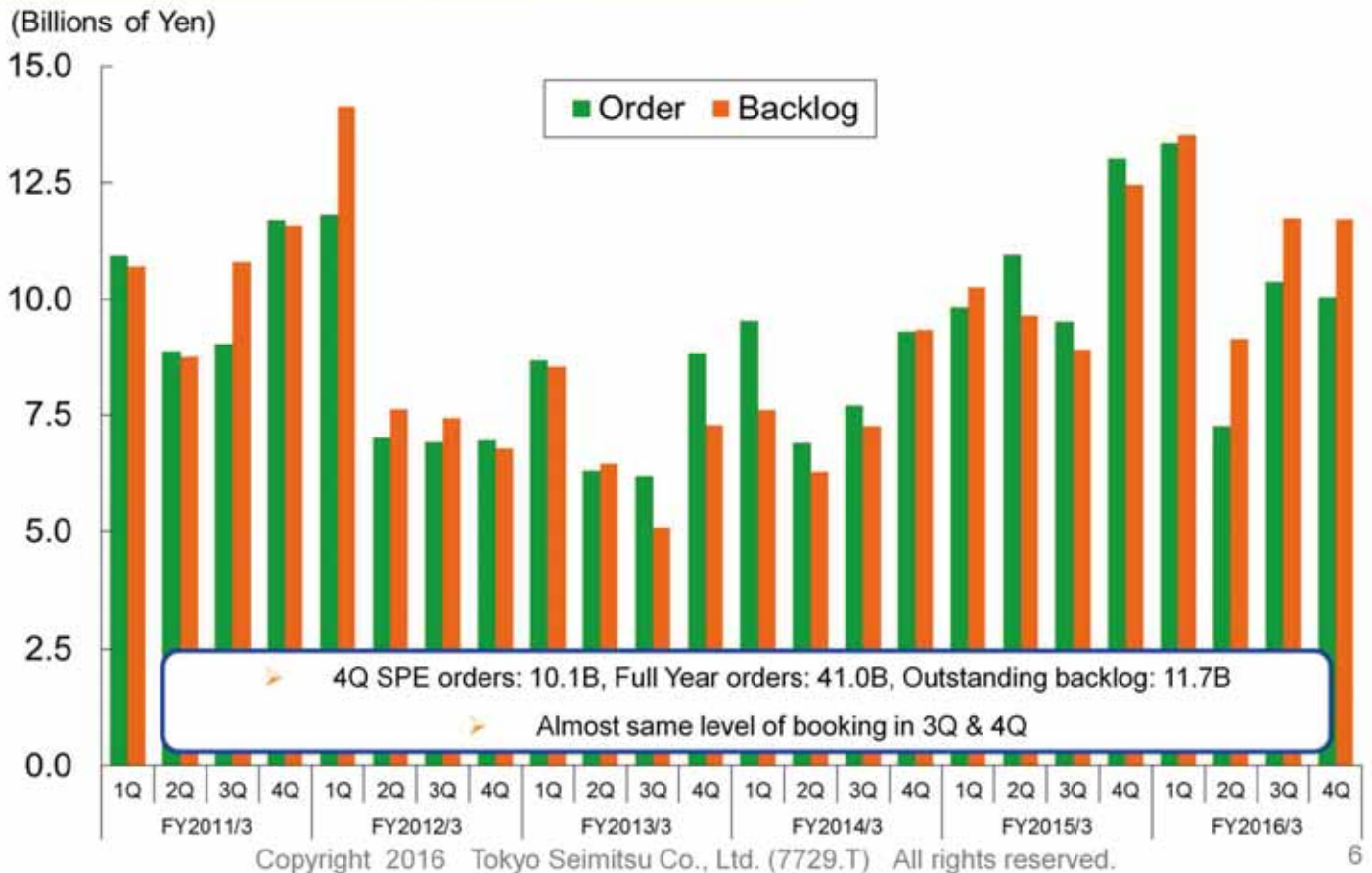
# SPE Segment – Business Trends



- Both Revenue and OP of SPE for 4Q exceeded forecasts because of firm SPE orders.



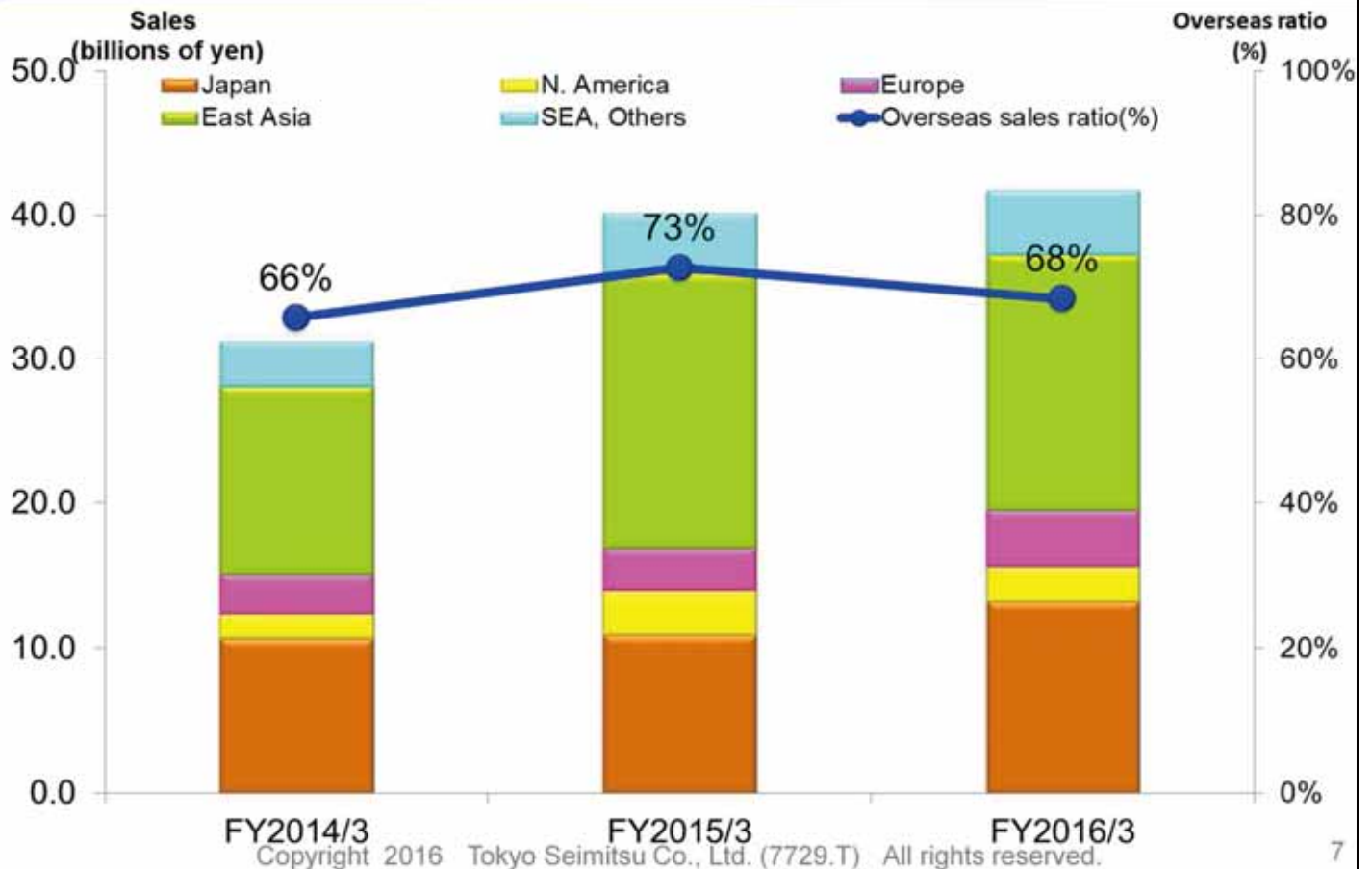
# SPE Segment – Order Status



- SPE orders for 4Q were 10.1B, Full Year orders were 41.0B, and Outstanding backlog as of 4Q end was 11.7B.
- Booking amounts were mostly same in 3Q and 4Q.



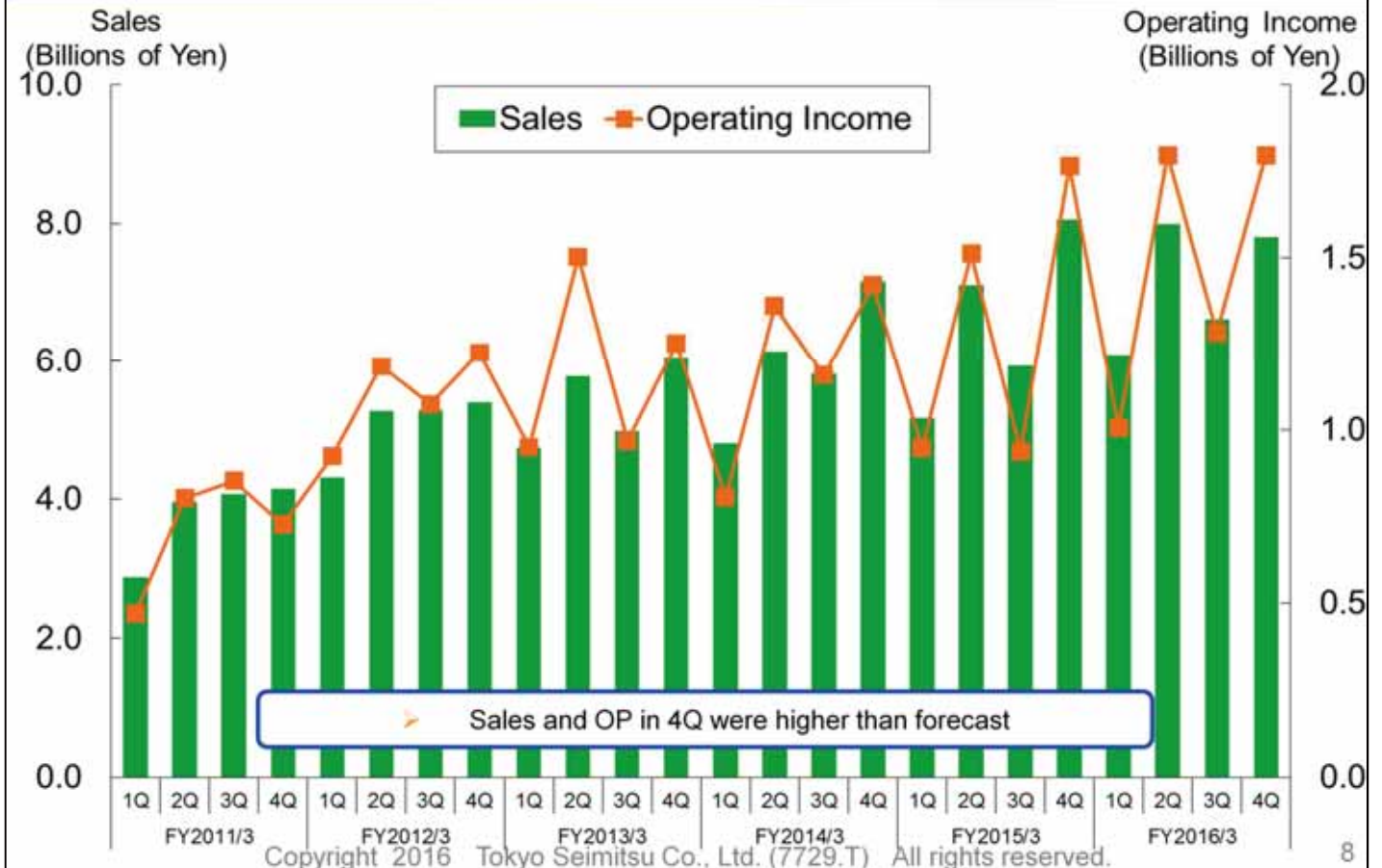
# SPE Segment – Regional Sales



- Overseas sales ratio in FY2016/3 has relatively declined due to an increase in sales to Japan.



# Metrology Segment – Business Trends

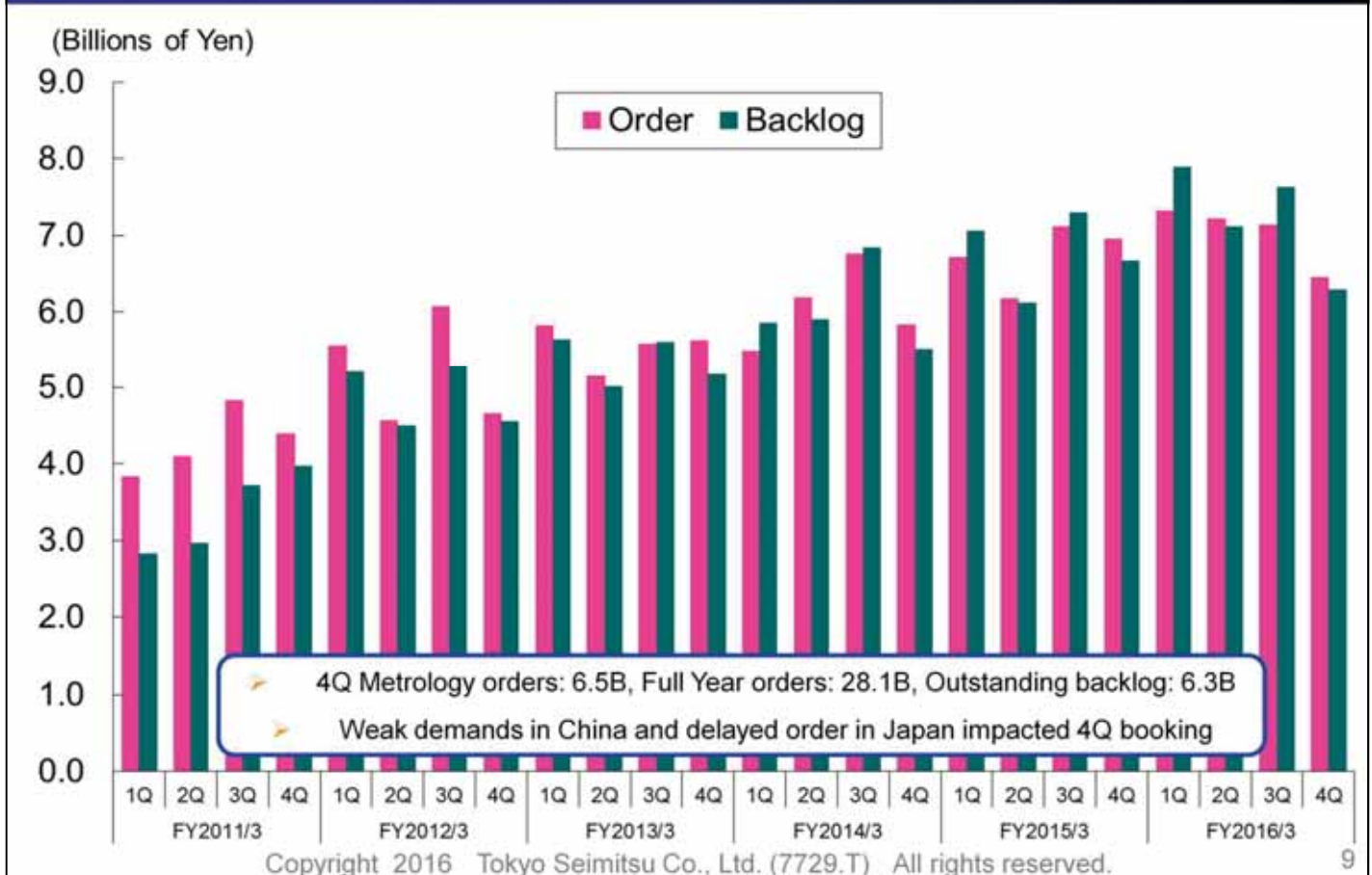


- Both Revenue and OP of Metrology in 4Q exceeded forecasts as well as SPE.
- Metrology Segment business results keep gradual growth, and sales amount in FY2016/3 achieved historical records for the two consecutive fiscal years.





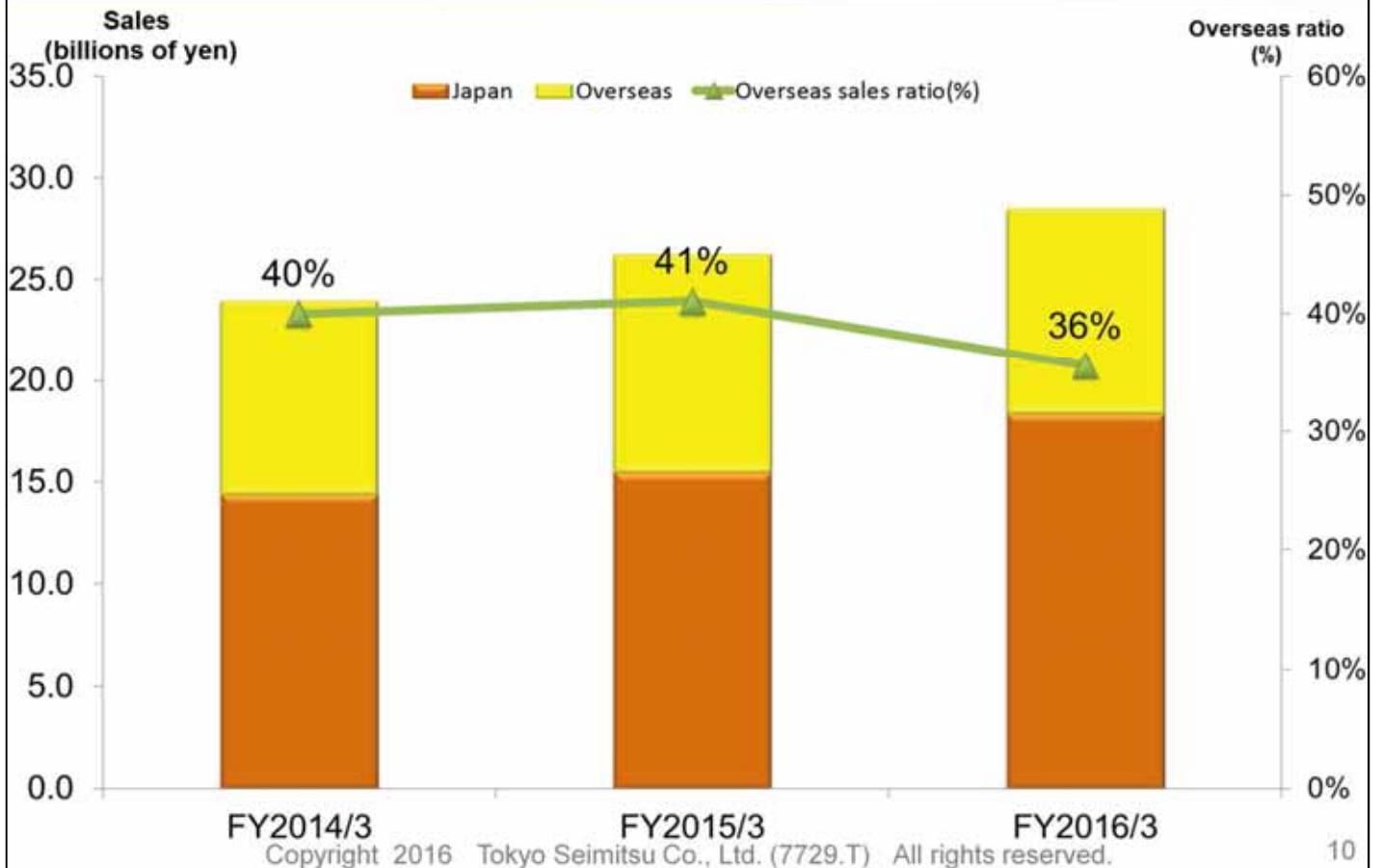
# Metrology Segment – Order Status



- Metrology orders for 4Q were 6.5B, Full Year orders were 28.1B (Historical record), and Outstanding backlog as of 4Q end was 6.3B.
- Demands in China were slightly weak in 4Q.
- Some orders in Japan were delayed and carried over to the next quarter.



# Metrology Segment – Regional Sales



- In FY2016/3, sales to Japan increased
- Due to the higher domestic sales, overseas sales ratio relatively declined to 36%.



# FY2016/3 (March 2016) Balance Sheet

Assets (Billions of Yen)	Mar/E 2015	Mar/E 2016	Diff.	Liabilities, Net Assets (Billions of Yen)	Mar/E 2015	Mar/E 2016	Diff.
Cash	26.9	27.4	+0.5	Accounts Payable (*2)	11.9	11.8	-0.1
Accounts Receivable (*1)	23.3	26.0	+2.7	Short term Debt	1.3	1.2	-0.1
Inventories	15.2	16.1	+0.9	Others	8.5	8.4	-0.1
Others	2.5	3.2	+0.7	Total Current Liabilities	21.7	21.4	-0.3
Total Current Assets	67.9	72.7	+4.8	Total Fixed Liabilities	2.4	1.1	-1.3
Fixed Assets	30.6	29.2	-1.4	Total Liabilities	24.1	22.5	-1.6
Total Assets	98.5	101.9	+3.5	Net Assets	74.4	79.4	+5.0
				Total (Int. bearing debt)	(2.1)	(1.6)	(-0.5)

(\*1) Incl. Trade notes and Electronically Recorded Monetary Claims (\*2) Incl. Trade notes and Electronically recorded obligations-operating  
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- Total Assets as of March end amounted to 101.9B (YoY 3.5B increase)  
Current Assets increased by 4.8B, Fixed Assets decreased by 1.4B.
- Breakdown of Current Assets' increase: Cash increased by 0.5B,  
AR increased by 2.7B, and Inventory increased by 0.9B .
- Total Liability amounted to 22.5B (1.6B decrease),  
mainly due to a decrease in interest-bearing debts by 0.5B.
- Net assets came to 79.4B(5.0B increase), and Equity Ratio was 77.3%.

\* AR: Accounts Receivable, including Trade notes and Electronically Recorded Monetary Claims



# FY2016/3 (April 2015 – March 2016)

## Cash Flows

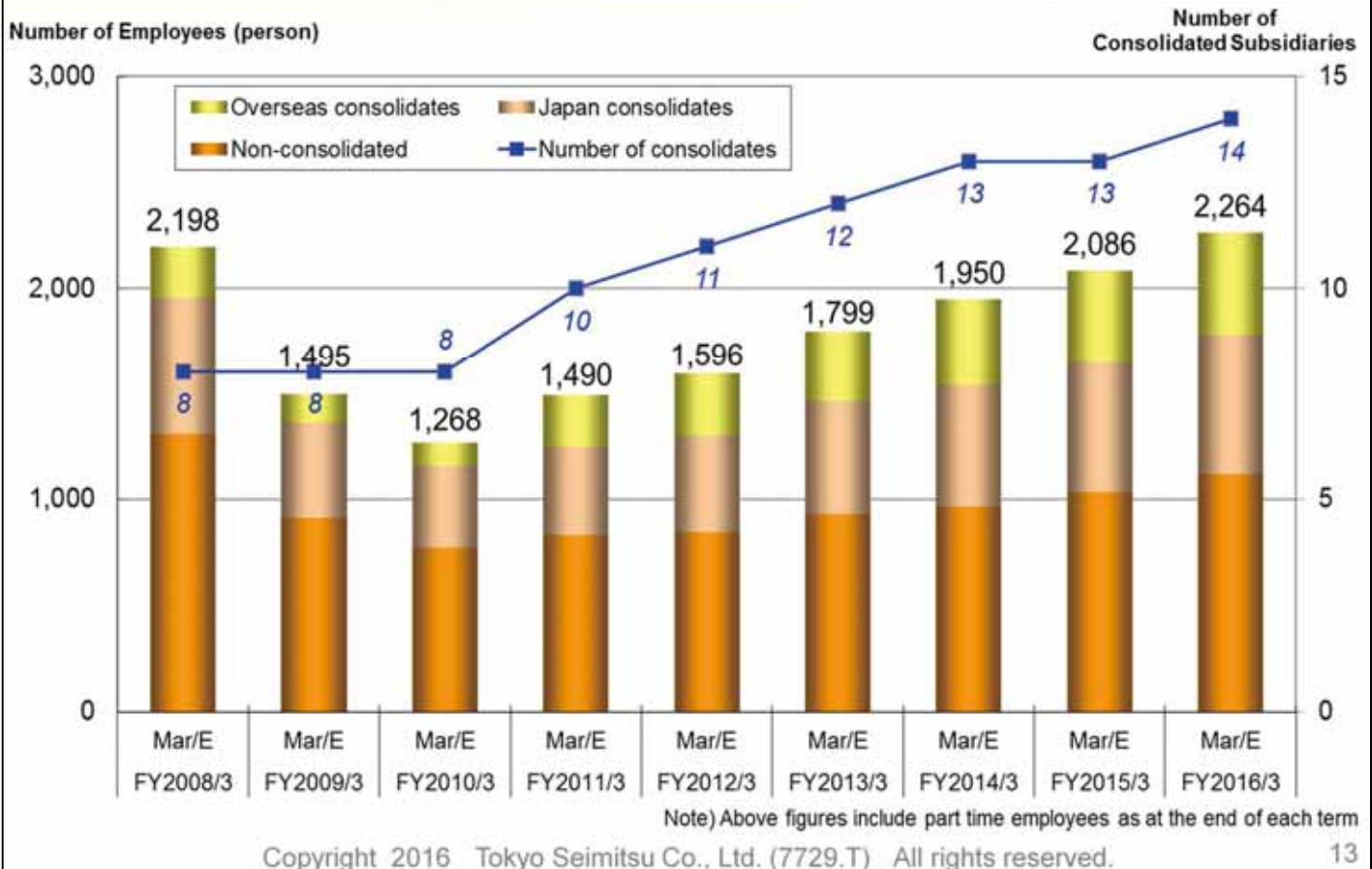
(Billions of Yen)		FY2014/3	FY2015/3	FY2016/3
<b>Opening Balance</b>		18.1	20.4	<b>26.8</b>
<b>From Operating Activities</b>	Income before Tax, Interest & Depreciation	11.3	15.1	<b>15.5</b>
	(Receivables + Inventories) – Accounts Payable(*1)	-3.5	-2.0	<b>-4.2</b>
	Tax Payment	-0.8	-2.1	<b>-3.8</b>
	Others	-0.6	-0.2	<b>-0.3</b>
	<b>Total</b>	6.4	10.8	<b>7.2</b>
<b>From Investing Activities</b>		-1.4	-3.0	<b>-3.8</b>
<b>Free Cash Flow</b>		5.1	7.9	<b>3.4</b>
<b>From Financing Activities</b>	Increase/decrease in Borrowings	-2.5	-0.4	<b>-0.5</b>
	Dividends & others	-0.7	-1.4	<b>-2.3</b>
	<b>Total</b>	-3.2	-1.8	<b>-2.8</b>
Net Cash Increase (incl. adjustments and change in consolidated subsidiaries)		2.3	6.4	<b>0.5</b>
<b>Closing Balance</b>		20.4	26.8	<b>27.3</b>

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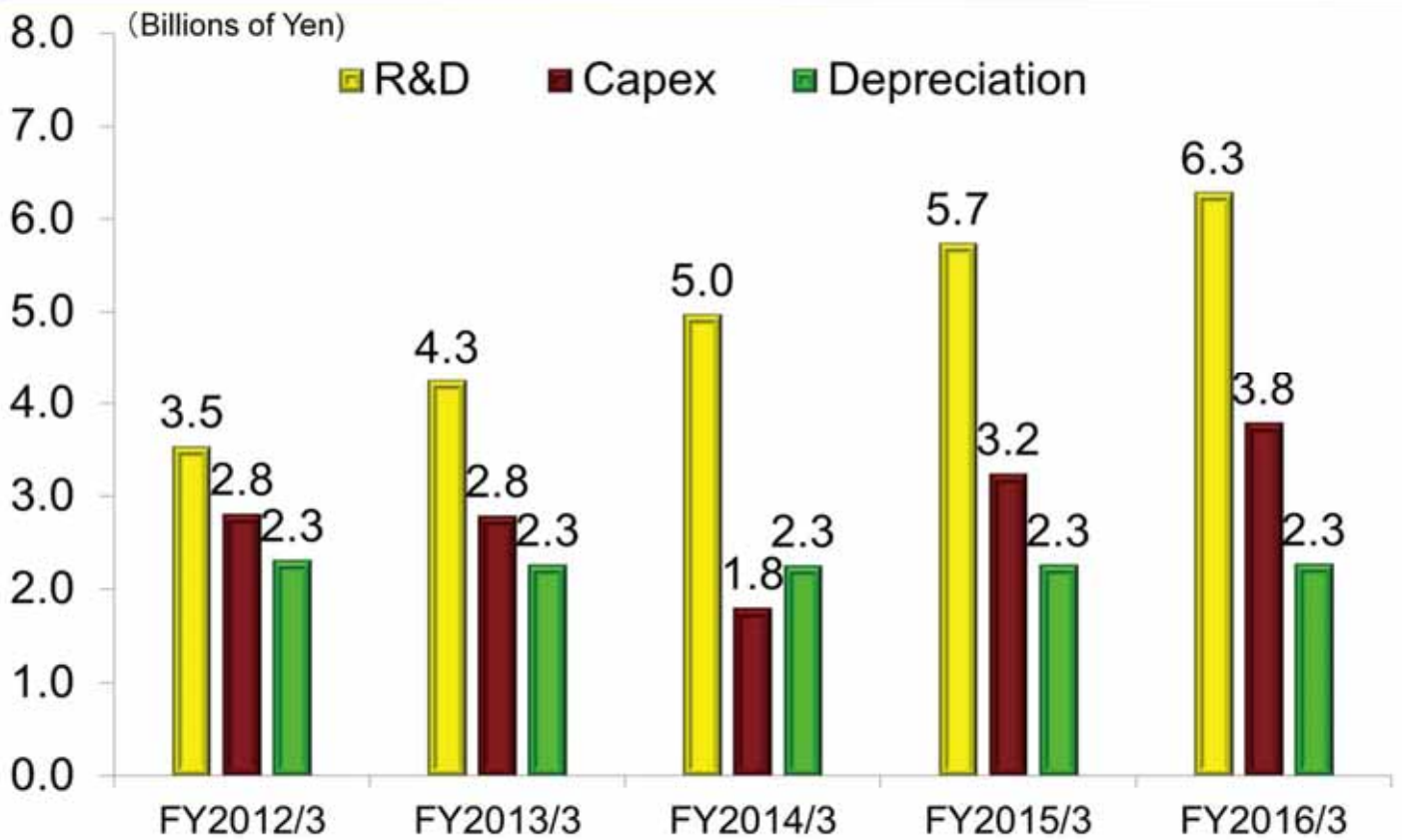
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- Cash Flow (CF) from Operating Activities was 7.2B positive mainly because of profit.
- CF from Investing Activities was 3.4B negative, mainly due to plant construction.
- Consequently, Free Cash Flow came to 3.4B positive.
- CF from Financing Activities was 2.8B negative.
- Closing cash balance amounted to 27.3B.

# Number of Employees



- Number of employees (Consolidated, including part time employees as at the end of the term) was 2,264, increase by 178 employees YoY.
- Main reasons for increase were :
  - A) Increase in R&D and MFG employees (at Tokyo Seimitsu and Japan consolidates).
  - B) Increase in Sales and Service/Supports (at overseas consolidates).
- Addition of consolidated subsidiaries were also one of the reasons in the long run.



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- R&D expenditure in FY2016/3 was 6.3B (YoY +0.6B), Based on the policy of "To strengthen R&D activities".
- Capex was 3.8B mainly because of construction of new plant at Hachioji, Tokyo, Japan.
- Depreciation was 2.3B, mostly same as previous FY.



**Thailand Factory (Accretech Adamas)**  
MFG started in Aug. 2015

For MFG of Consumables



**Hachioji No.6 Plant (Tokyo, Japan)**  
Construction completed in May 2016

For MFG of Large Equipment

- In 2015, Plant for SPE Consumable Parts in Thailand has been launched. The Company has already commenced shipping the consumables to the customers.
- In May 2015, Construction of new plant (No.6) in Hachioji, Tokyo has been completed, the Company plans to manufacture Large Equipment.
- The Company keeps necessary investment for growth.

## ◆ Semiconductor Production Equipment

- Current demand consistent with previous FY
- Investment for Smartphones seems bearish, but underpinned by bullish demands for Automobile devices
- Anticipated demand for Mobiles, Servers/Storage

## ◆ Metrology Equipment

- Investment by Automobile sector continues to be active
- Demand in Asia, especially China, is weak
- Machine tool market to be carefully watched

- Current SPE demand is consistent with FY2016/3
  - A) Demand for Smartphone-related devices is weak , although, it is compensated for by demand for Automobile devices.
  - B) The Company expects potential demand upside from a recovery of Mobiles, and the market for Server and Storage devices.
- For Metrology, demand from Automobile sector continue to be active
  - A) Although, by region, demand in Asia, especially China, is weak.
  - B) The Company has the Machine Tools sector on “watching brief” given its strength over the last FY and significant influence on Metrology demand as a whole .





# Forecast for FY2017/3 (April 2016 – March 2017)

(Billions of Yen except dividend)	FY2016/3			FY2017/3			YoY(%)
	1H	2H	Full Year	1H Fcst	2H Fcst	Full Year Fcst	
<b>Sales</b>	38.0	32.3	70.3	36.5	32.5	69.0	-2%
SPE	23.9	17.9	41.8	22.5	18.3	40.8	-2%
Metrology	14.1	14.4	28.5	14.0	14.2	28.2	-1%
<b>Operating Income</b>	7.6	5.6	13.2	6.4	5.1	11.5	-13%
<i>Operating Income Ratio</i>	20%	17%	19%	18%	16%	17%	-
<b>Ordinary Income</b>	7.7	5.6	13.2	6.4	5.1	11.5	-13%
<b>Net Income</b> attributable to Owners of the parent	5.5	4.2	9.8	4.7	3.7	8.4	-13%
<b>Dividend per share</b>	26 Yen	33 Yen	59 Yen	30 Yen	30 Yen	60 Yen	+1Yen

Change in Dividend Payout Ratio : Approx. 25% -> Approx. 30%

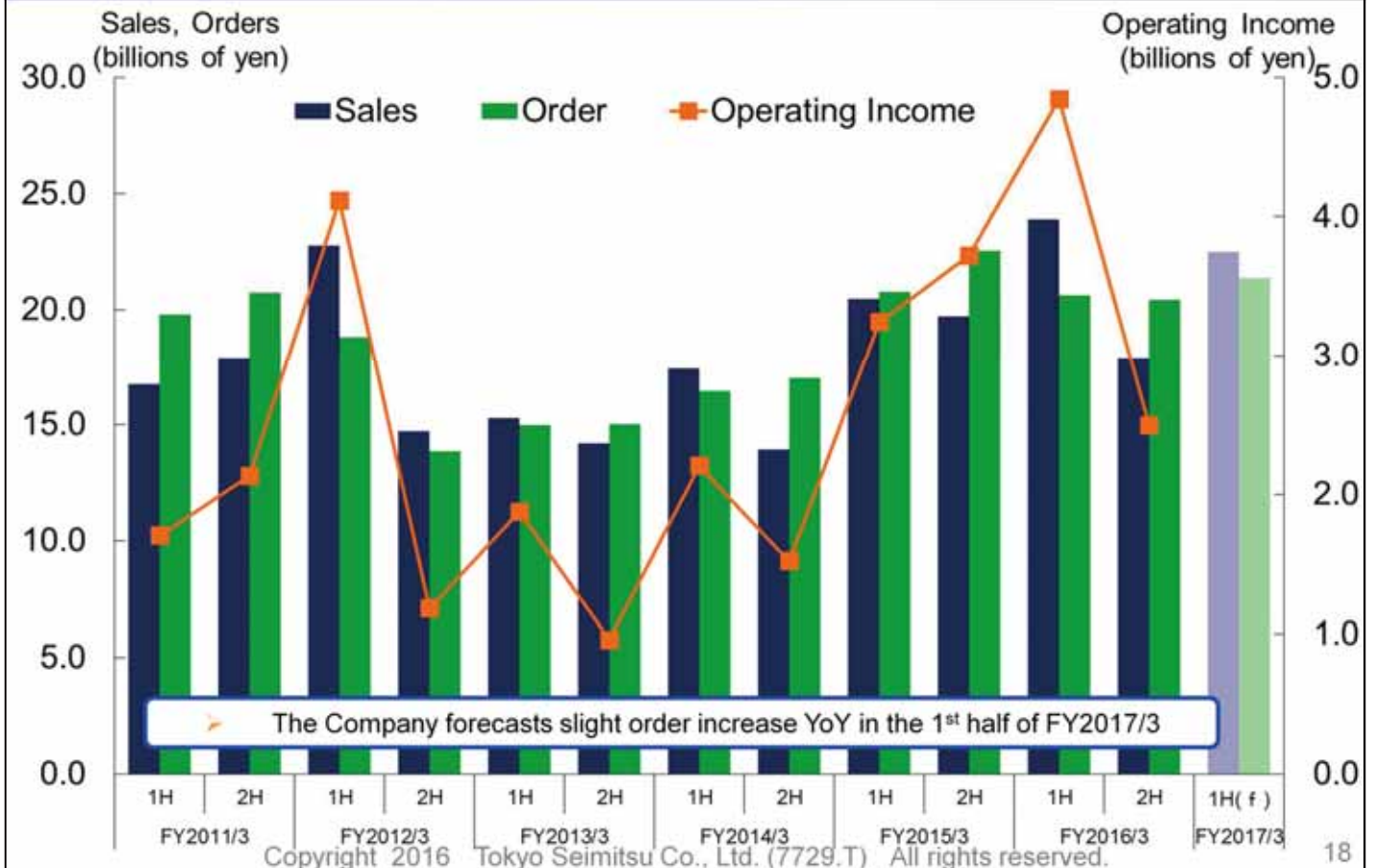
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- In FY2017/3 business, the Company forecast s slight declining sales and profits due to the latest market situation and rapid Yen's appreciation.
- The Company considers it is still possible to increase the forecasted sales and profits.
- We project FY2017/3 full year dividend per share to be 60.0 Yen .  
after change the target dividend payout ratio from approx. 25% to approx. 30% to appreciate shareholders.



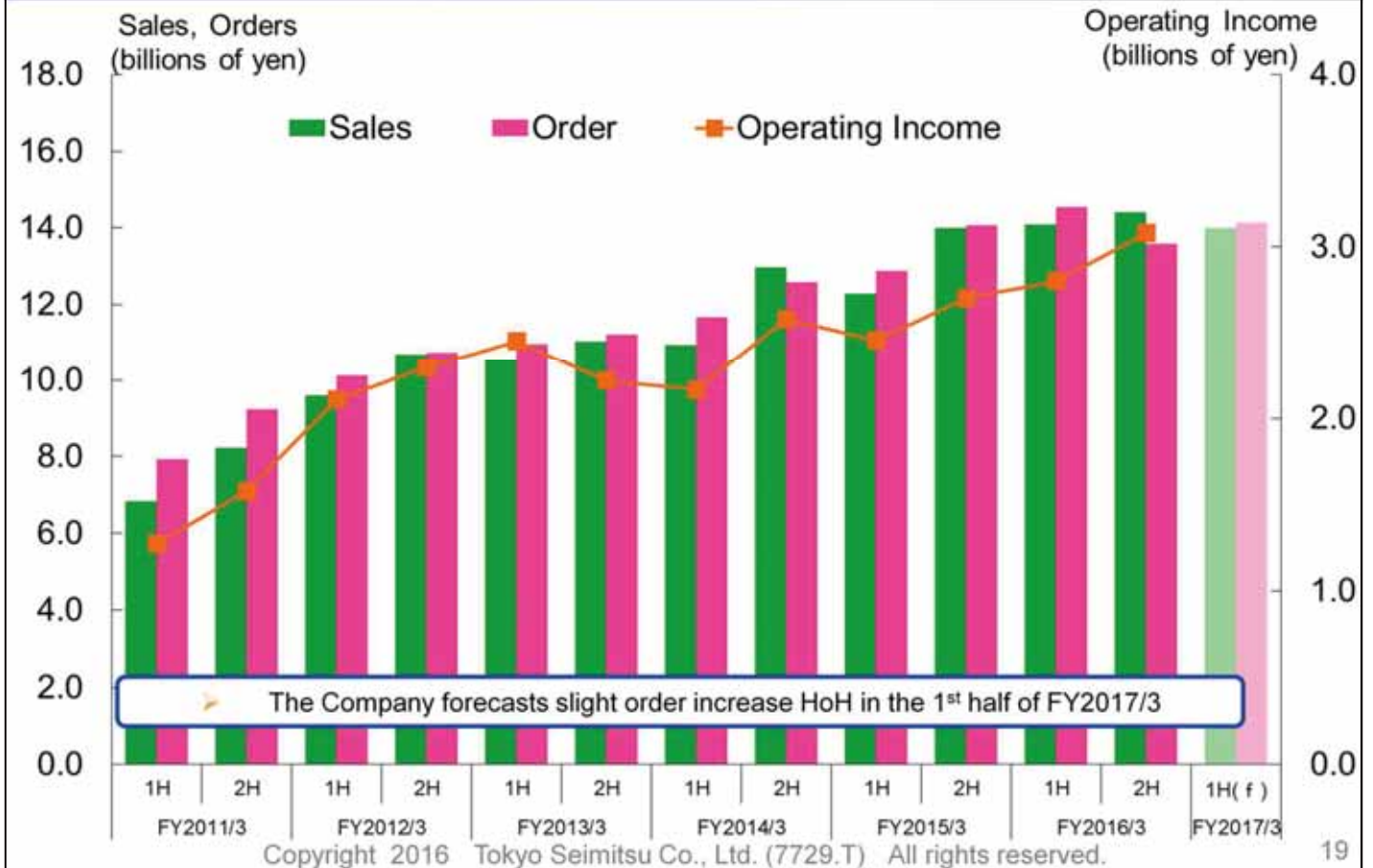
# SPE Segment – Sales/Orders trend incl. Forecasts



- The Company forecasts slight order increase YoY in the 1st half of FY2017/3.



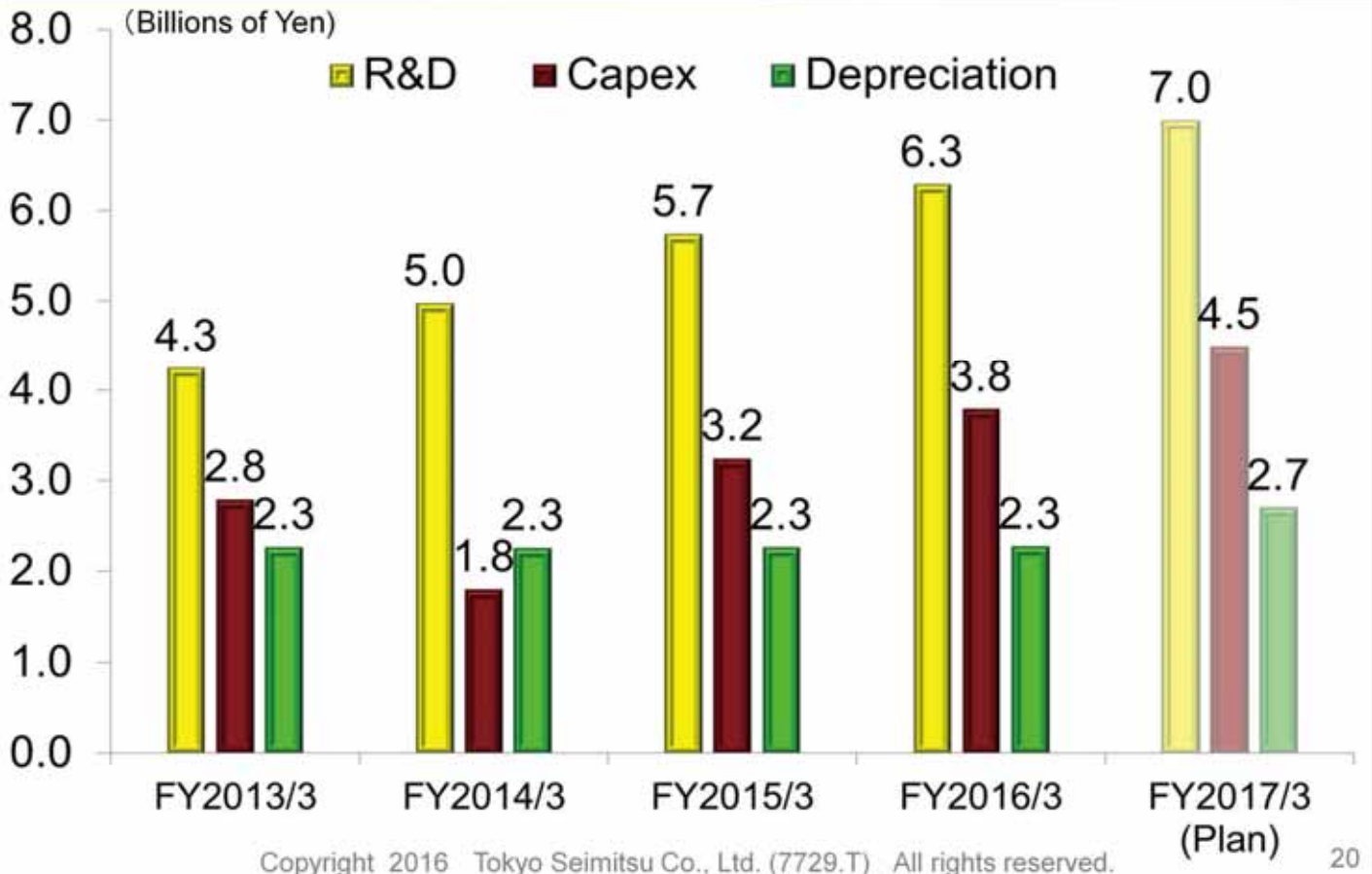
# Metrology Segment – Sales/Orders trend incl. Forecasts



- The Company forecasts slight order increase HoH in the 1st half of FY2017/3.



# R&D, Capex & Depreciation incl. Forecasts



- R&D plan in FY2017/3 is 7.0B  
The Company aggressively keeps strengthening our products' performance by R&D.
- Capex plan is 4.5B including payments toward Hachioji new plant, and purchasing Machine tools in each business segment.
- Depreciation plan is 2.7B.

**Growing together with partners and customers by collaborating technology, knowledge and information to create the world's No.1 products.**

Our motto depicting this philosophy;

**「WIN-WINの仕事で世界No.1の商品を創ろう」**

→ *WIN-WIN relationships create the World's No. 1 Products*

Our corporate brand ;

→ **ACCRETECH**

*A combination of the words ACCRETE (grow together) and TECHNOLOGY*

- The Corporate Philosophy based on long-term target is:  
“ Growing together with partners and customers by collaborating technology, knowledge and information to create the world's No.1 products.”
- To realize the aforementioned philosophy, we set motto and the corporate brand.  
The Company continues to proceed with its growth strategy to make it realized .



- The Company Group believes that the CSR, Group Governance, and a strong financial position are essential to guide further investment and to realize sustainable growth and to increase enterprise value.

## SPE

- **Strengths:** Precision positioning technology and in-house manufacturing
- **Opportunities:** New Semiconductor technologies and devices

## Metrology

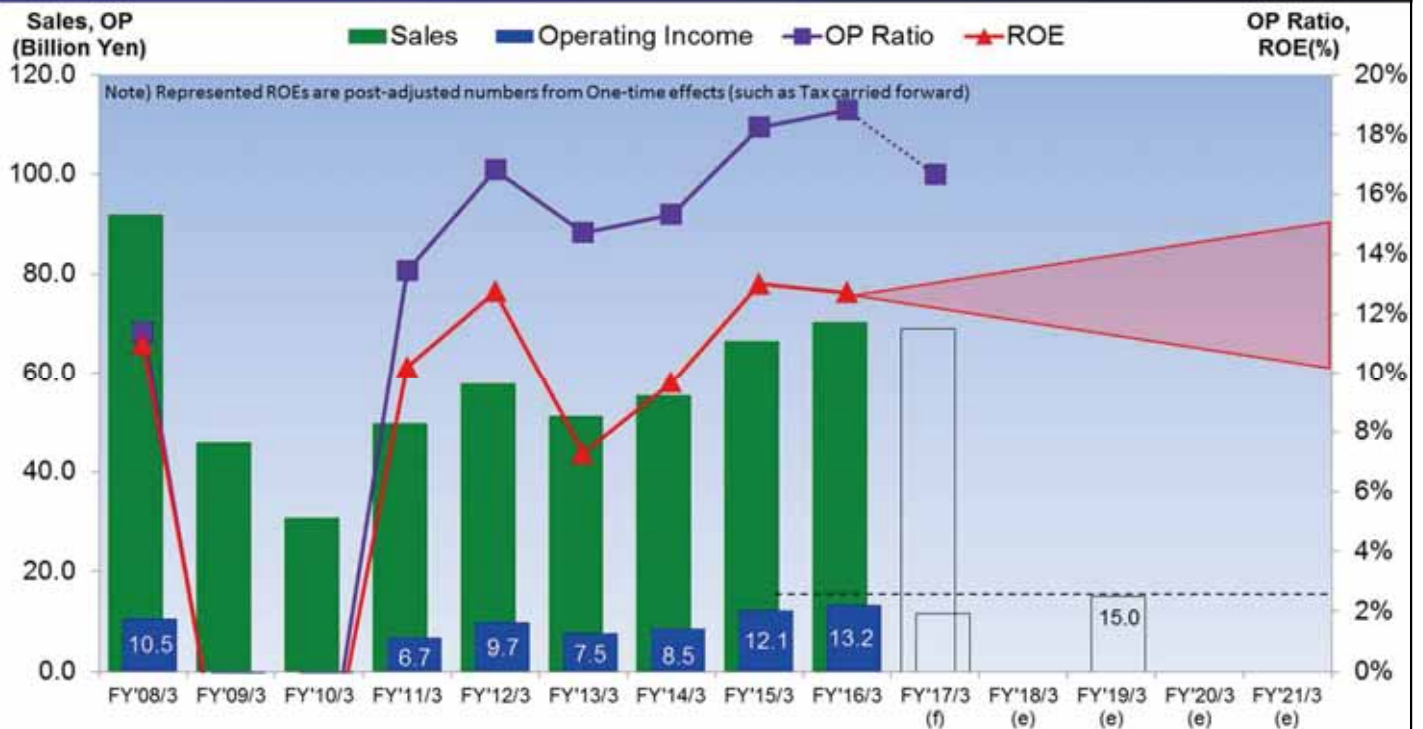
- **Strengths:** Precision, High-resolution measuring technology and Reliability
- **Opportunities:** New metrology products and demands from overseas including emerging countries

- **Well-balanced business portfolio**
  - Enables stable business performance through offsetting demand fluctuations across variable sector trends

- SPE segment's strengths are precision positioning and in-house manufacturing, that enable enhanced business opportunities for developing new technologies and devices.
- Metrology segment's strengths are precision, high resolution measuring technology and its reliability that will enable future growth through our new products and from overseas' demand.
- Each segment is subject to variable market conditions but the combination of both segments can offset fluctuations and realize stable business performance.



# Long-term / Mid-term Business Target



- ◆ Long-term: To maintain strong corporate structure with over 10% of ROE
- ◆ Mid-term(by FY2019/3): To achieve historical highest OP (15.0 billion yen)

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- Long-term: To maintain strong corporate structure with over 10% of ROE
- Mid-term(by FY2019/3): To achieve historical highest OP (15.0 billion yen) .
- ROE in FY2016/3 was 12.7%. The Company tries to maintain strong corporate structure.



**Be competitive in mainstream markets,  
and allocate resources to markets that can  
expect stable demand or potential growth**

## SPE

### Mainstream Markets

- Mobiles
- Storages



### Emerging Markets

- Automobiles
- IoT(Internet of Things)
- Consumables



## Metrology

### Mainstream Markets

- Auto and Auto Parts
- Machine Tools



### Emerging Markets

- Aircrafts
- Automations
- Overseas Market

**Continuous Increase in Sales and Profits**

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- Business strategy for both segments is to maintain competitive products in mainstream markets, and allocate resources to markets that can expect stable demand or potential growth.
- Emerging Markets:
  - A) SPE: A growth in automotive semiconductor and IoT(Internet of Things).
  - B) Metrology: Aircrafts, Automations and Overseas markets.



- Product Strategy for SPE segment

- A) To proceed with product development which meets markets' demands.
- B) To provide best-fit solution with combination of products and applications .

## Increase in Overseas Sales

- Strengthen global sales network
- Focus on Hot-Areas

## Increase in New Products Sales

- New products to growing sectors (Aircrafts and IoT)
- Introduction of OMI

*OMI: Optical Measuring Instrument*

## Continuous Increase in Sales and Profits

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- Product Strategy for Metrology is described as
  - A) To increase overseas sales by strengthening our global sales network and focusing on targeted hot areas.
  - B) To increase sales of new product by focusing on growing sectors and promote newly developed OMI(Optical Measuring Instruments).



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