
Tokyo Seimitsu Co., Ltd. Earnings Conference For FY2020/3 2nd Quarter

November 8th, 2019

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◆ **Cautionary Statement with respect to Forward-Looking Statements**

- ◆ This presentation data contains “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.

◆ **Wordings and Data in presentation**

- ◆ Unless otherwise noted, “**SPE**” denotes our Semiconductor Production Equipment Business Segment, “**Metrology (or Metr.)**” denotes our Metrology Business Segment, “**Net profit**” denotes Net profit attributable to owner of the parent
- ◆ Information listed in this presentation is summarized in Billions of Yen (**BJPY or B**) or percentage except as otherwise noted. As a result, there may be a case where the total of individual amount and total amounts in each matter may differ.

◆ **Audit procedure**

- ◆ This presentation is not subject to audit procedures.

Agenda

- ◆ **Business results for FY2020/3 2Q**
- ◆ **Mid – term business target**
- ◆ **Forecast for FY2020/3**
- ◆ **Q&A**

FY2020/3 2Q and 1H Business Results



Half Year Results (BJPY)	FY2019/3		FY2020/3			
	1H	2H	1H	Vs. Fcst	HoH	YoY
Orders	57.2	41.7	38.3		-8%	-33%
Sales	51.2	50.3	42.0	-1.0	-17%	-18%
Operating Profit (OP Margin)	10.2 (20%)	10.0 (20%)	5.6 (13%)	-0.3	-44%	-45%
Recurring Profit	10.8	10.0	5.7	-0.2	-43%	-46%
Net Profit	7.9	6.8	4.3	+0.1	-37%	-46%

Quarter (BJPY)	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
Orders	28.2	29.0	24.0	17.7	18.7	19.6	+5%	-32%
Sales	19.8	31.4	23.7	26.6	18.0	24.0	+34%	-23%
Operating Profit (OP Margin)	3.1 (16%)	7.1 (23%)	4.8 (20%)	5.2 (20%)	1.8 (10%)	3.8 (16%)	+110%	-47%
Recurring Profit	3.4	7.4	4.8	5.2	1.9	3.8	+102%	-48%
Net Profit	2.6	5.3	3.5	3.3	1.4	2.9	+104%	-46%

➤ Profits declined HoH/YoY in conjunction with Sales decrease in two business segments

- Results for FY2020/3 1st Half (1H):
Orders 38.3B, Sales 42.0B OP 5.6B, RP 5.7B and NP 4.3B
Results were mostly on-track from forecast.
Profits decreased YoY mainly due to decline in sales.
- FY2020/3 Second Quarter (2Q) results were better than 1Q due to increase in shipments.

SPE Business Segment Results



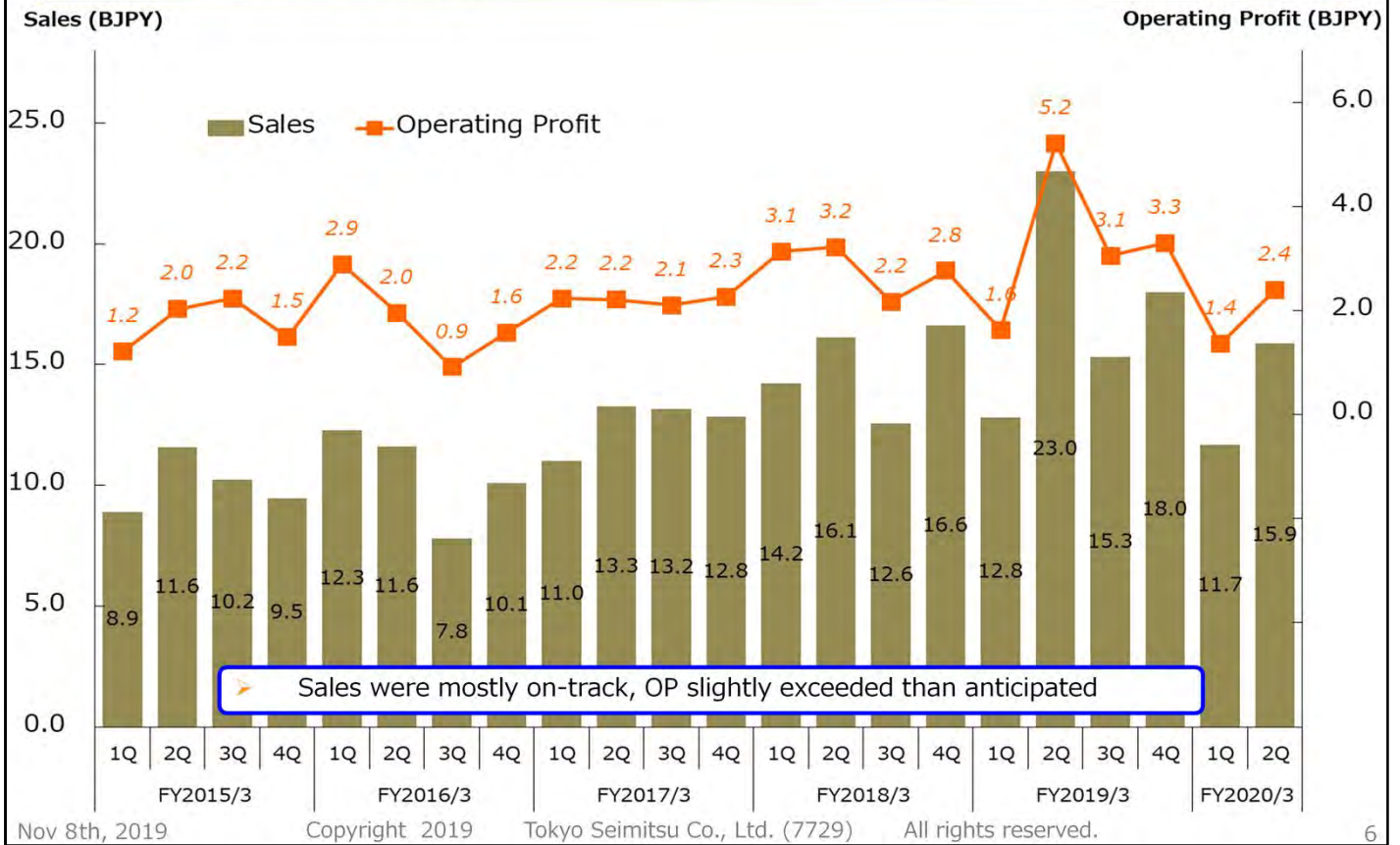
Segment Results (Half Year, BJPY)	FY2019/3		FY2020/3			
	1H	2H	1H	Vs. Fcst	HoH	YoY
Orders	39.7	25.6	22.9		-11%	-42%
Sales	35.8	33.3	27.6	+0.1	-17%	-23%
Operating Profit (OP Margin)	6.8 (19%)	6.4 (19%)	3.8 (14%)		-41%	-44%

Quarter (BJPY)	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
Orders	19.3	20.4	15.1	10.5	10.7	12.2	+14%	-40%
Sales	12.8	23.0	15.3	18.0	11.7	15.9	+36%	-31%
Operating Profit (OP Margin)	1.6 (13%)	5.2 (23%)	3.1 (20%)	3.3 (18%)	1.4 (12%)	2.4 (15%)	+77%	-54%

- Proceeded cancellation of certain Orders (roll-in dates are significantly extended) in 2Q to drop both Orders and Backlog approximately 2.0B

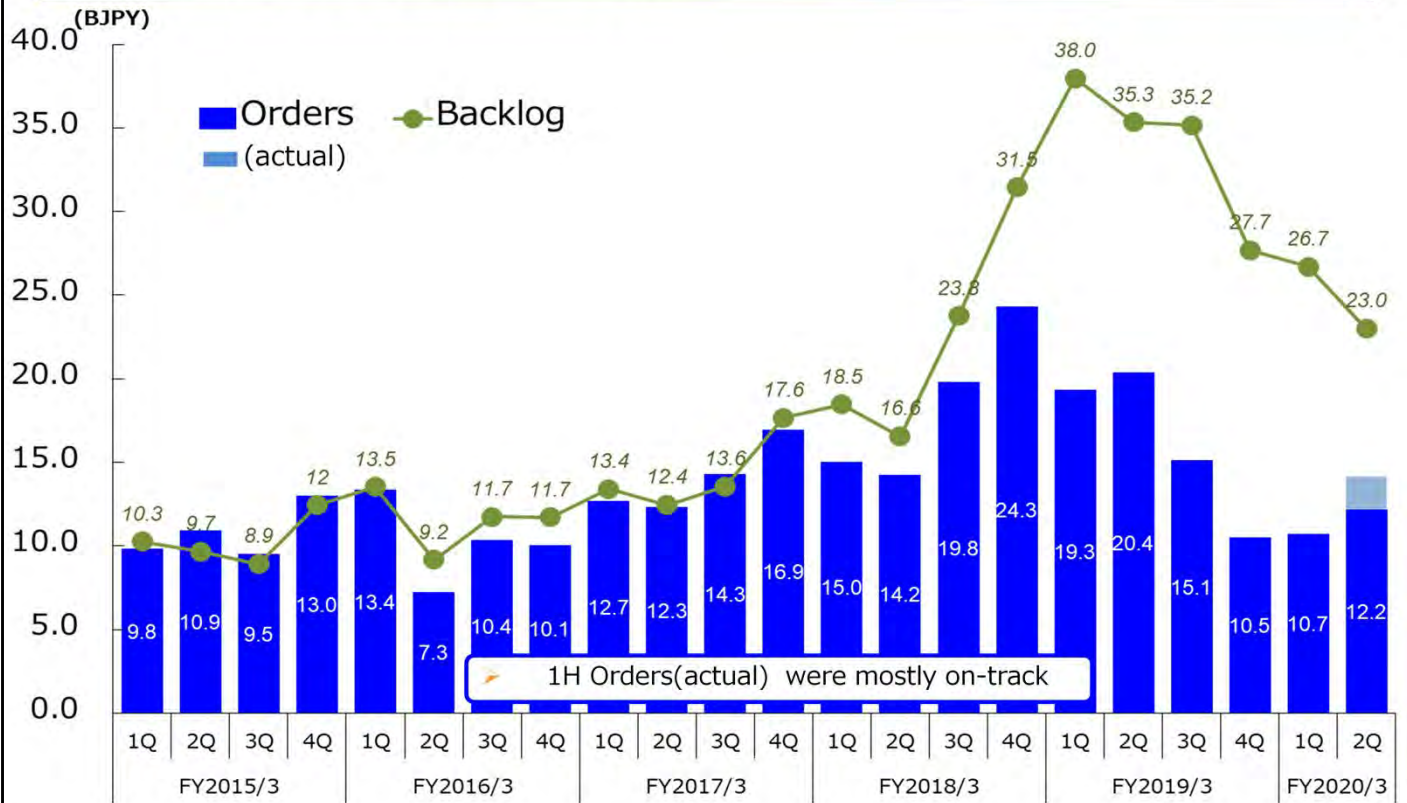
- Business results for SPE segment:
in 1H: Orders 22.9B, Sales 27.6B, and OP 3.8B
in 2Q: Orders 12.2B, Sales 15.9B, and OP 2.4B
Mostly on-track in Orders and Sales, exceeded in OP from forecasts
- In 2Q, the Company proceeded cancellation to certain Ordered opportunities, amounted approximately 2.0B to drop both orders and backlog same amount for 2Q.
(hereinafter, the booking amount before with such cancellation is referred to as "actual")

SPE – Sales and OP



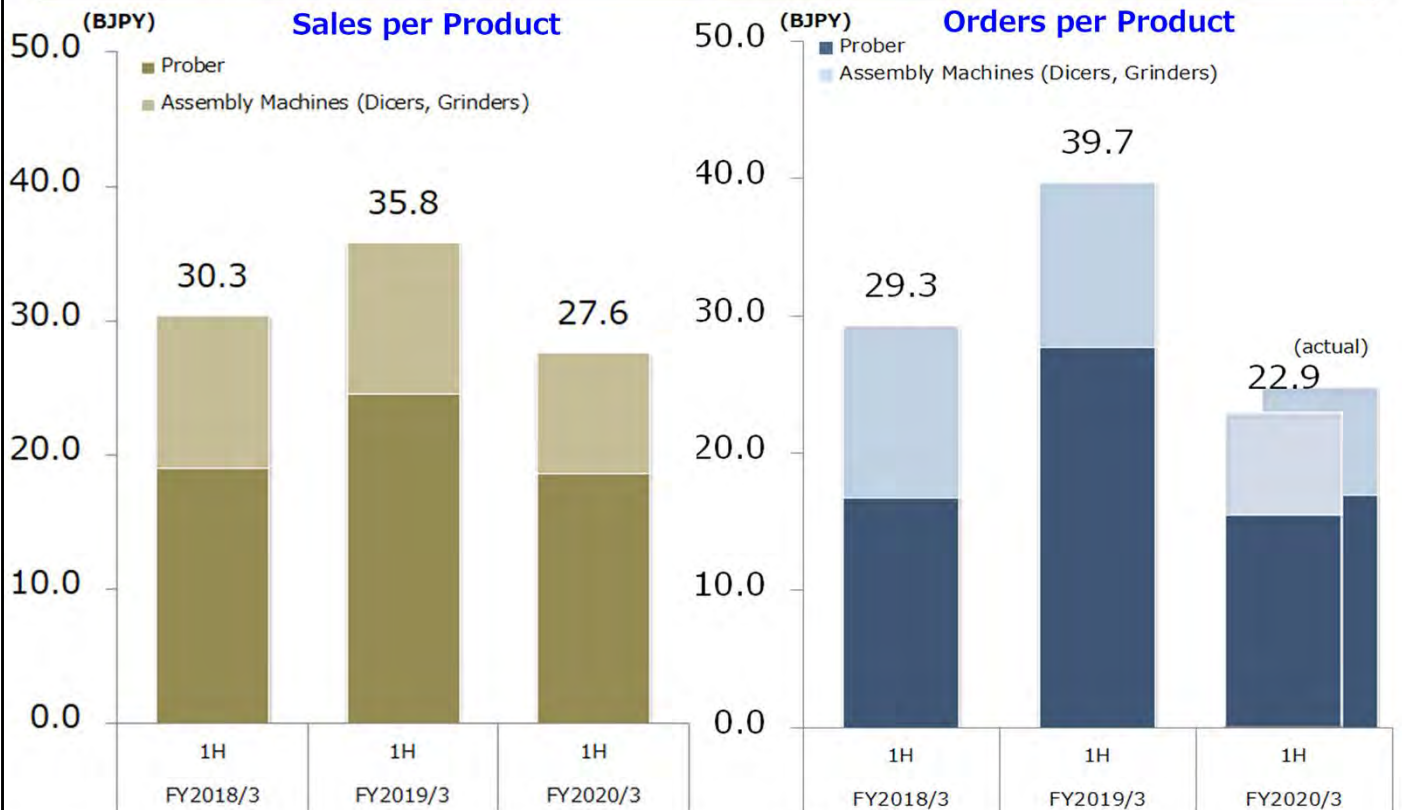
- 2Q Sales and Operating Profit increased QoQ.

SPE – Orders and Backlog



- 2Q booking (actual) increased 30% QoQ, and shows recovery trend.

SPE – per Product



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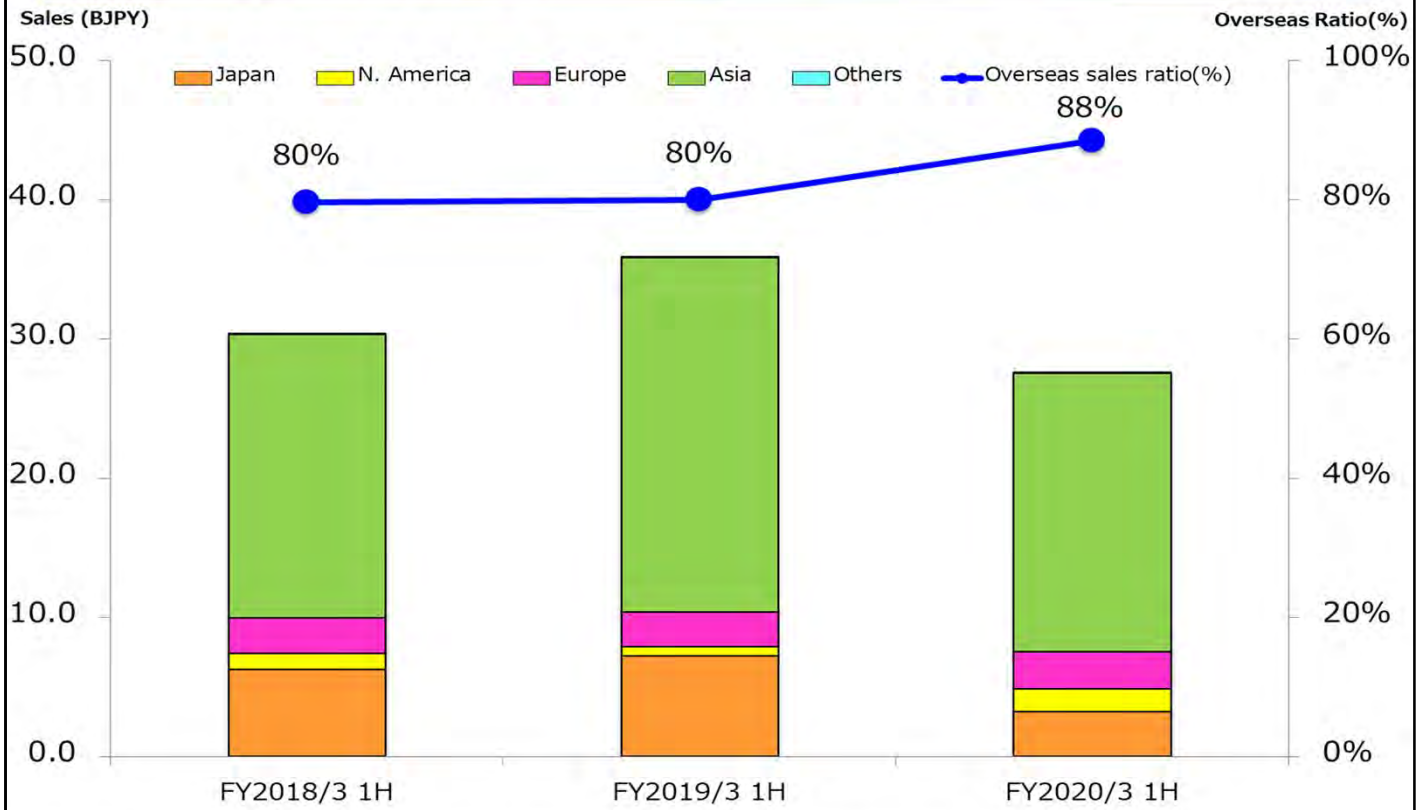
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- Both Order and Sales amounts for Probers are mostly as same as Amounts in FY2018/3 1H.
- The composition ratio both of Orders & Sales in FY2020/3 1H were high 60% for Prober, and low 30 for assembly machines (Dicers, Grinders). In actual booking, 70% were for Probers and 30% were for assembly machines.

SPE – Regional Sales



- SPE's overseas sales ratio for FY2020/3 1H was 88%.

Metrology Instruments Segment



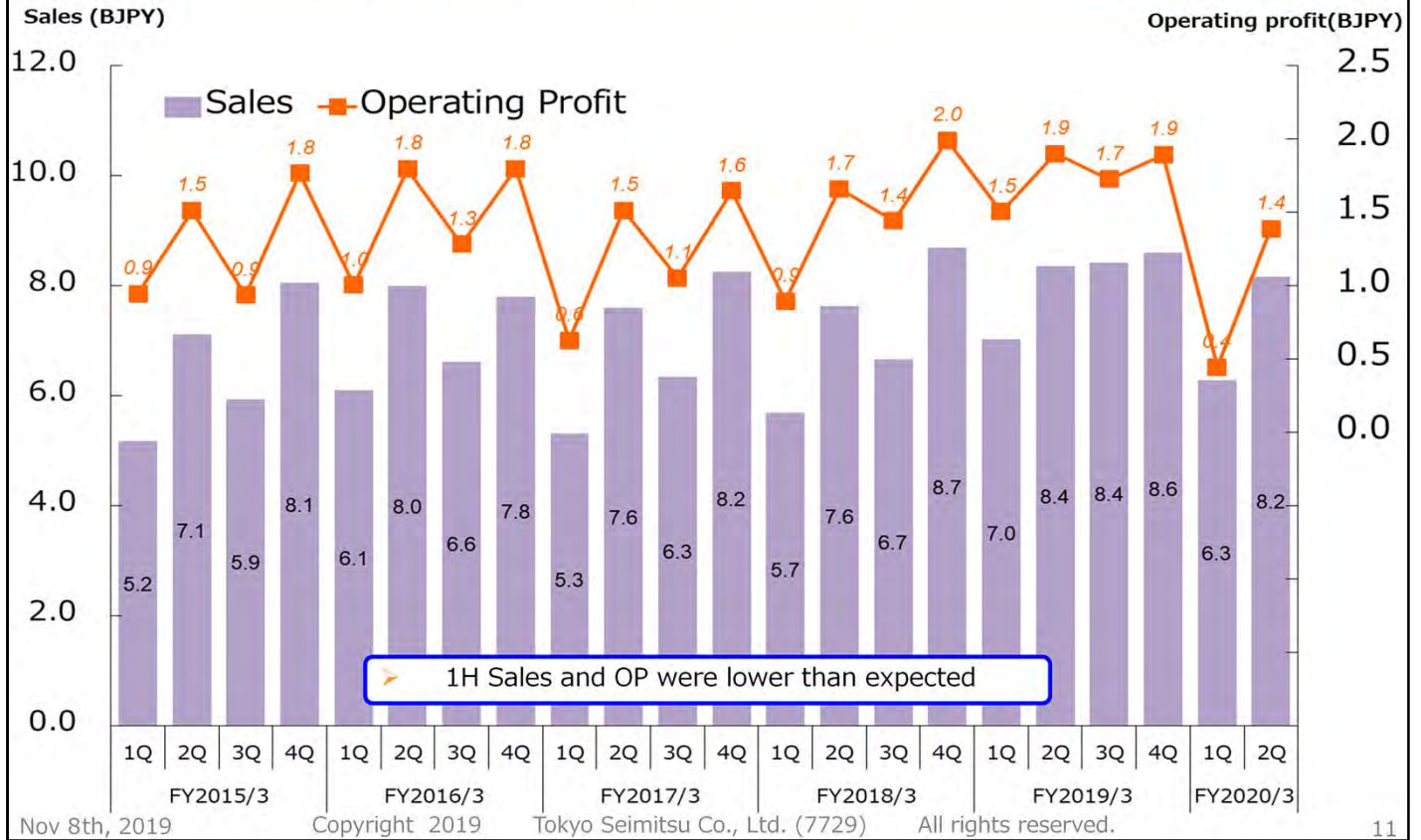
Segment Results (Half Year, BJPY)	FY2019/3		FY2020/3			
	1H	2H	1H	Vs. Fcst	HoH	YoY
Orders	17.5	16.1	15.4		-4%	-12%
Sales	15.4	17.0	14.4	-1.1	-15%	-6%
Operating Profit (OP Margin)	3.4 (22%)	3.6 (21%)	1.8 (13%)		-49%	-46%

Quarter (BJPY)	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
Orders	8.9	8.6	8.9	7.2	8.0	7.4	-7%	-14%
Sales	7.0	8.4	8.4	8.6	6.3	8.2	+30%	-2%
Operating Profit (OP Margin)	1.5 (21%)	1.9 (23%)	1.7 (21%)	1.9 (22%)	0.4 (7%)	1.4 (17%)	+213%	-27%

- Postponing and reviewing capital investment in Automotive-related industry had impact on 1H results
- OP decreased YoY due to sales decrease, adding the R&D and renovation expenses for Charge / discharge test system, and Expenses associated with retirement benefits in a consolidated subsidiary (Approx. 0.2B)

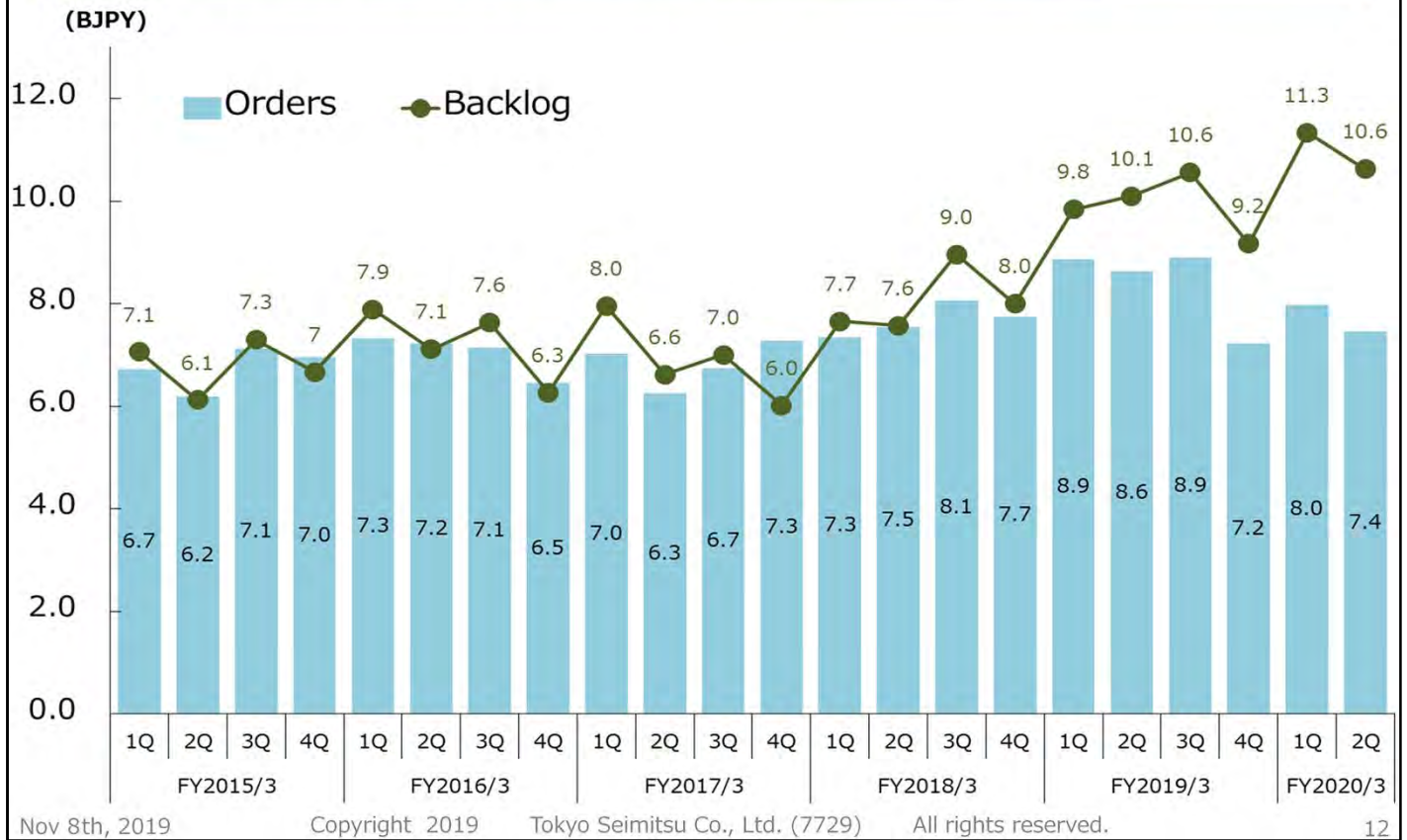
- Business results for SPE segment:
in 1H: Orders 15.4B, Sales 14.4B, and OP 1.8B
in 2Q: Orders 7.4B, Sales 8.2B, and OP 1.4B
- 1H Results were below than expected due to Automotive-related customer's conservative investment stance.
- OP decreased due to sales drop and other expenses shown above.

Metrology – Sales and OP



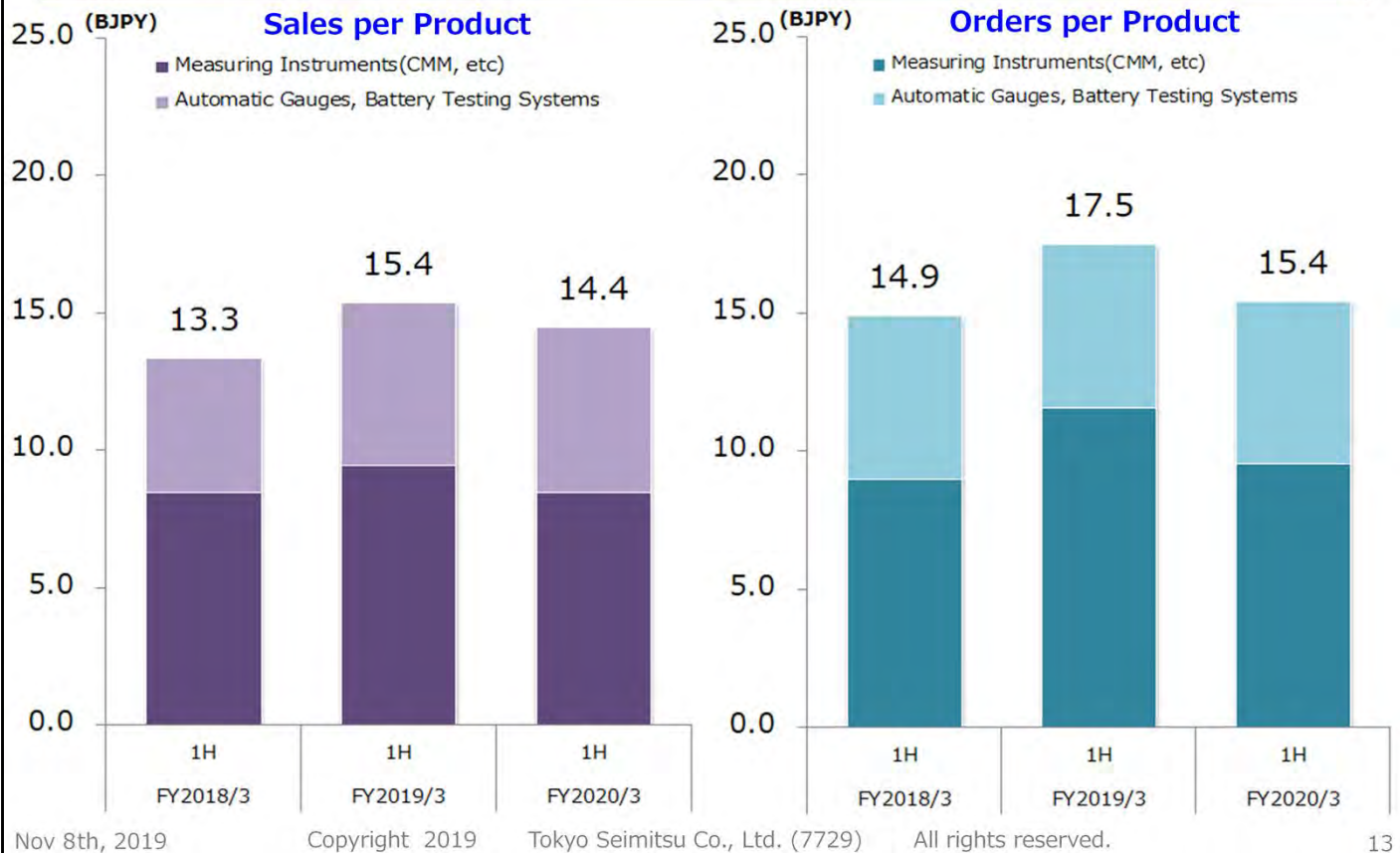
- 2Q Sales and OP increased QoQ due to an increase in shipments.

Metrology – Orders and Backlog



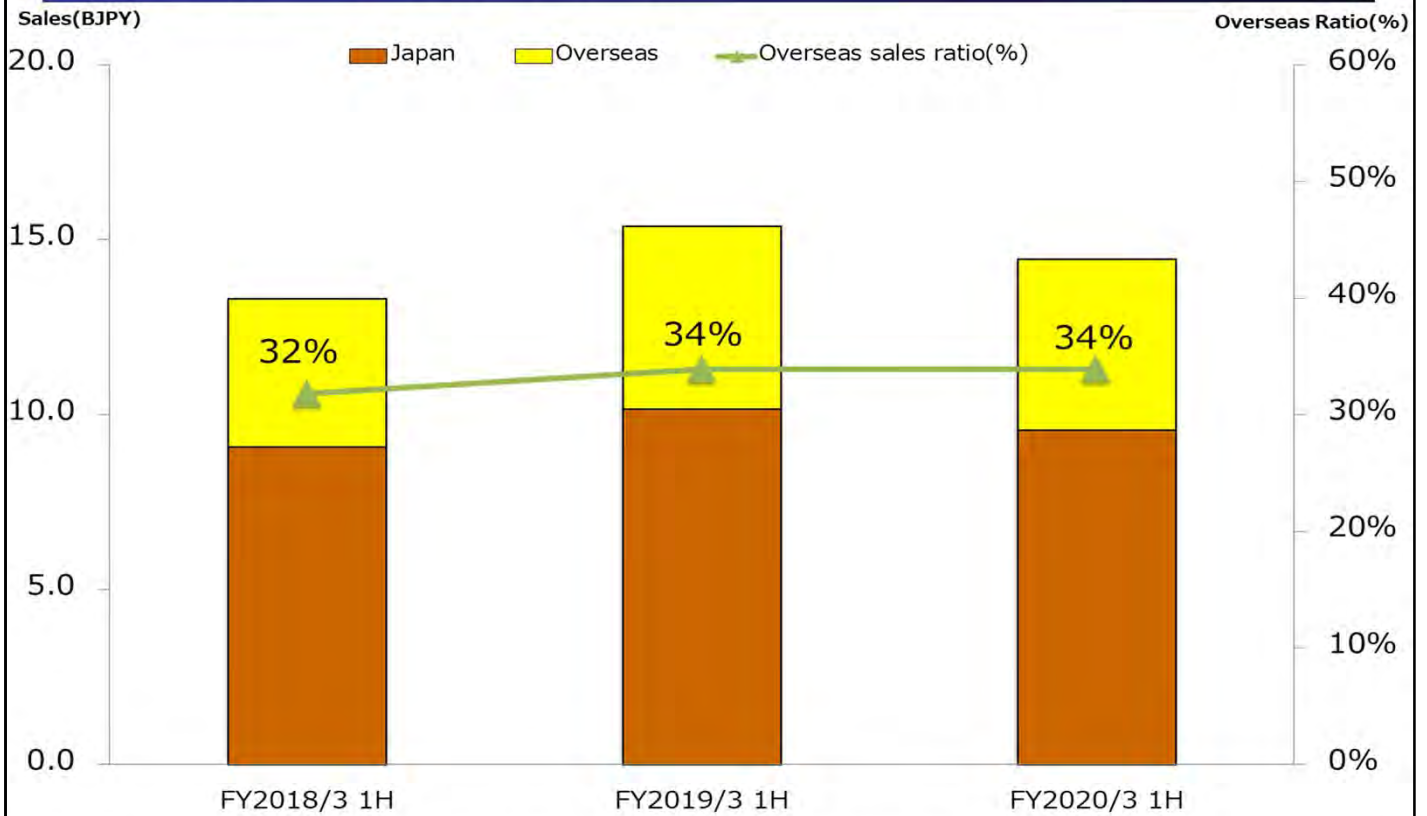
- Booking demands become weak from CY2019.
- However, backlog keeps steady level to realize sales for FY2020/3 2H.

Metrology – per Product



- The composition ratio of Orders & Sales in FY2020/3 1H
(Note that Battery testing system business results newly included)
- Sales: High 50% for Measuring Instruments, Low 40% for Automatic Gauges and Battery Testing Systems.
- Orders: Low 60 % for Measuring Instruments, High 30% for Automatic Gauges and Battery Testing Systems.

Metrology – Regional Sales



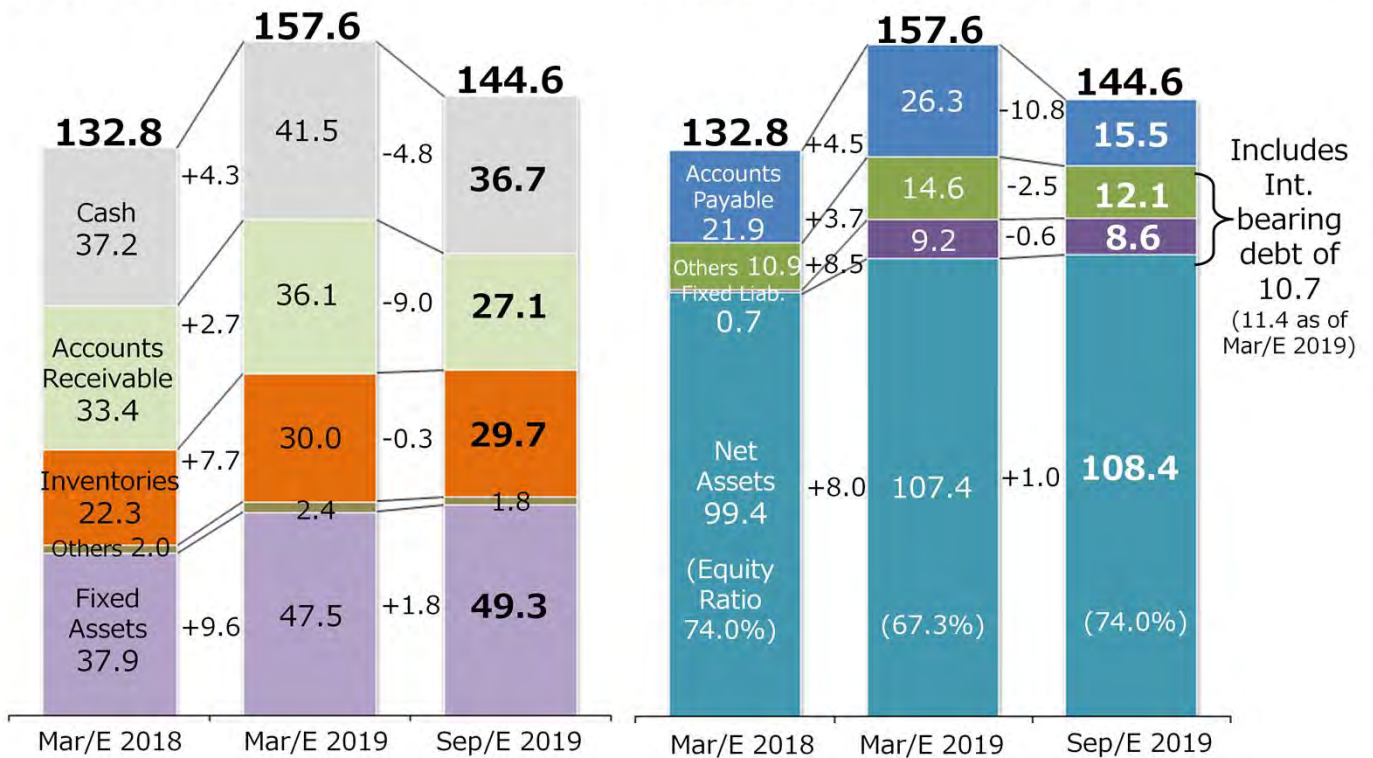
- SPE's overseas sales ratio for FY2020/3 1H was 34%, mostly equivalent to previous Fiscal Year.

Balance Sheet



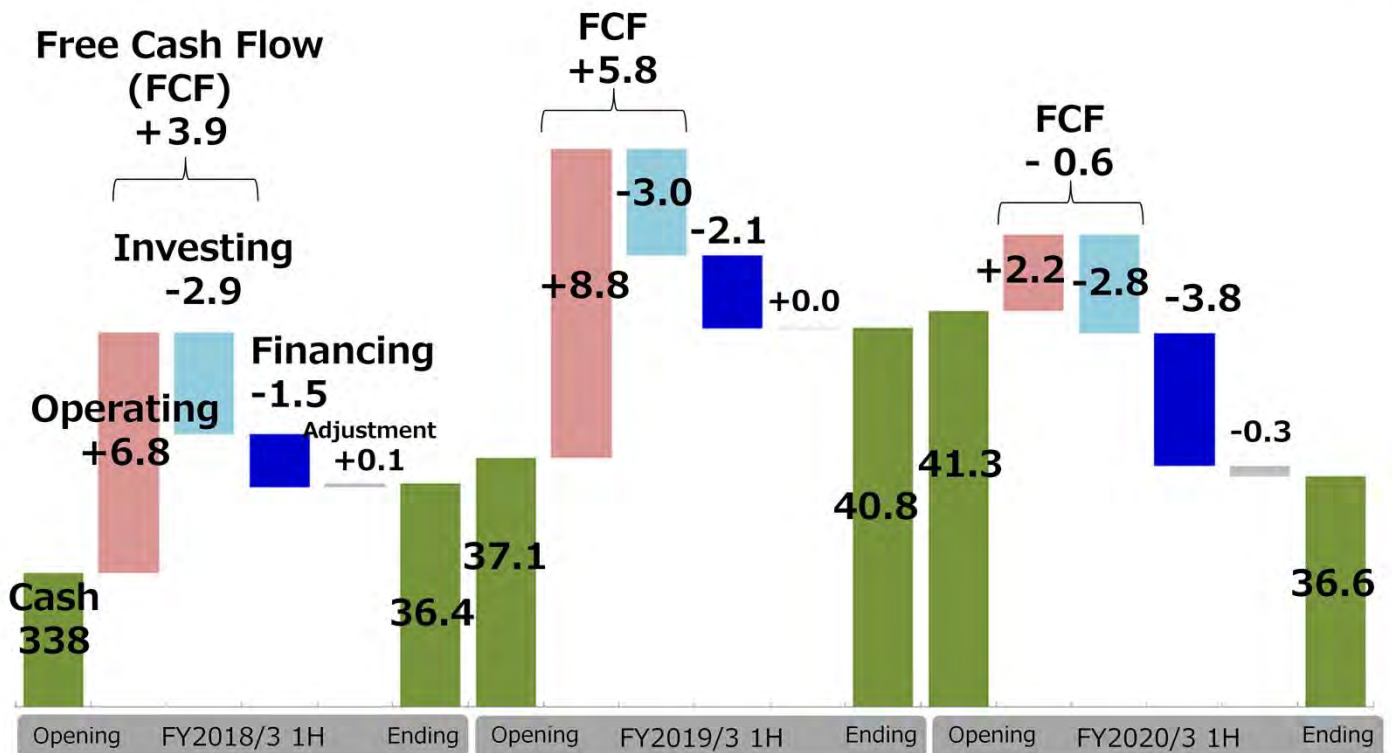
Assets (BJPY)

Liabilities and Net Assets (BJPY)



- Total Assets as of Sep/2019 was 144.6B (- 13.0B from Mar/2019)
- Major changes in Assets:
Decreases in Cash 4.8B, AR 9.0B, Inventories 0.3B and Others 0.6B
Increase in Fixed assets 1.8B
- Major Changes in Liabilities and Net Assets:
Decreases in AP 10.8B, Other current liabilities 2.5B and others: 0.6B
Increase in Net assets 1.0B
- Equity ratio was 74.0%, Interest-bearing debt was 10.7B.

Cash Flows(CF)



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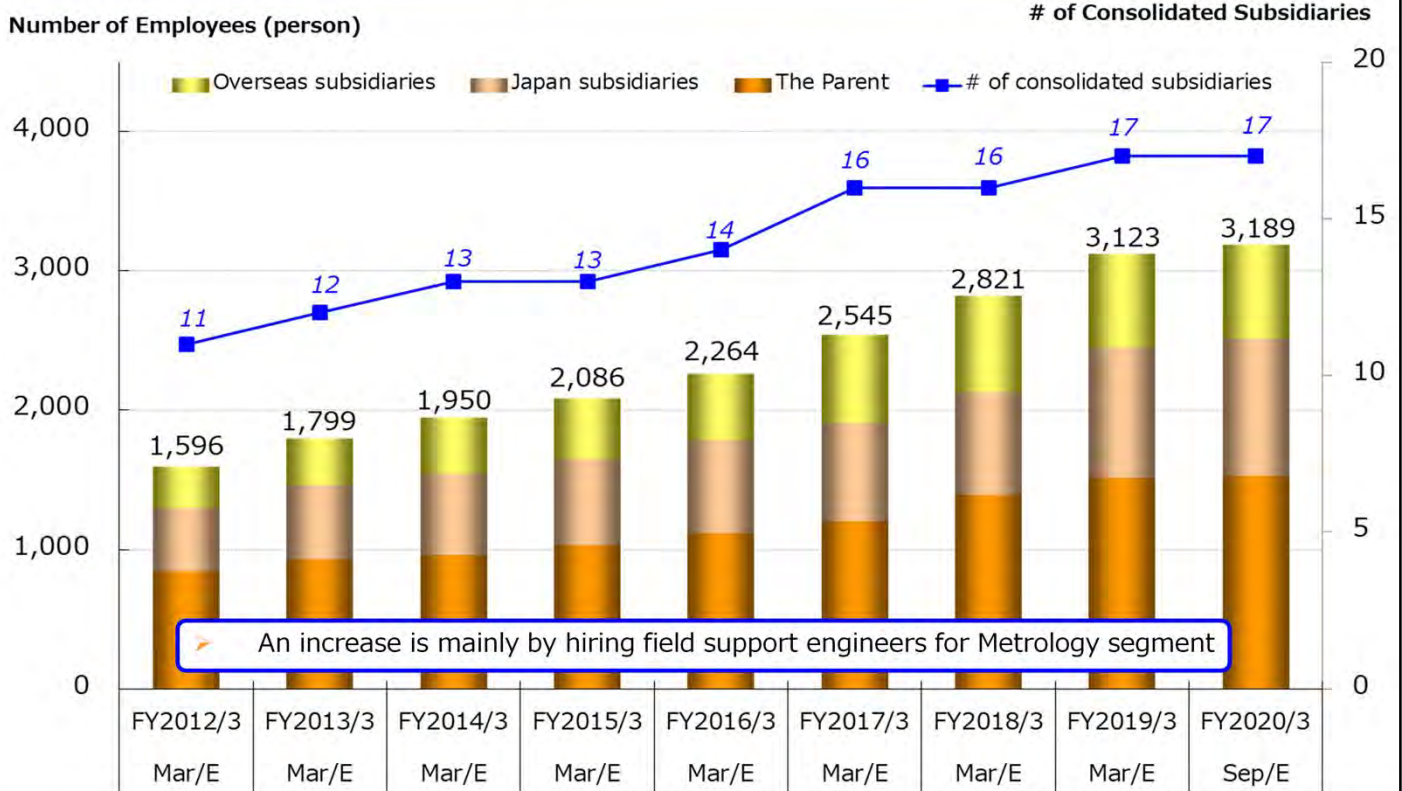
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16

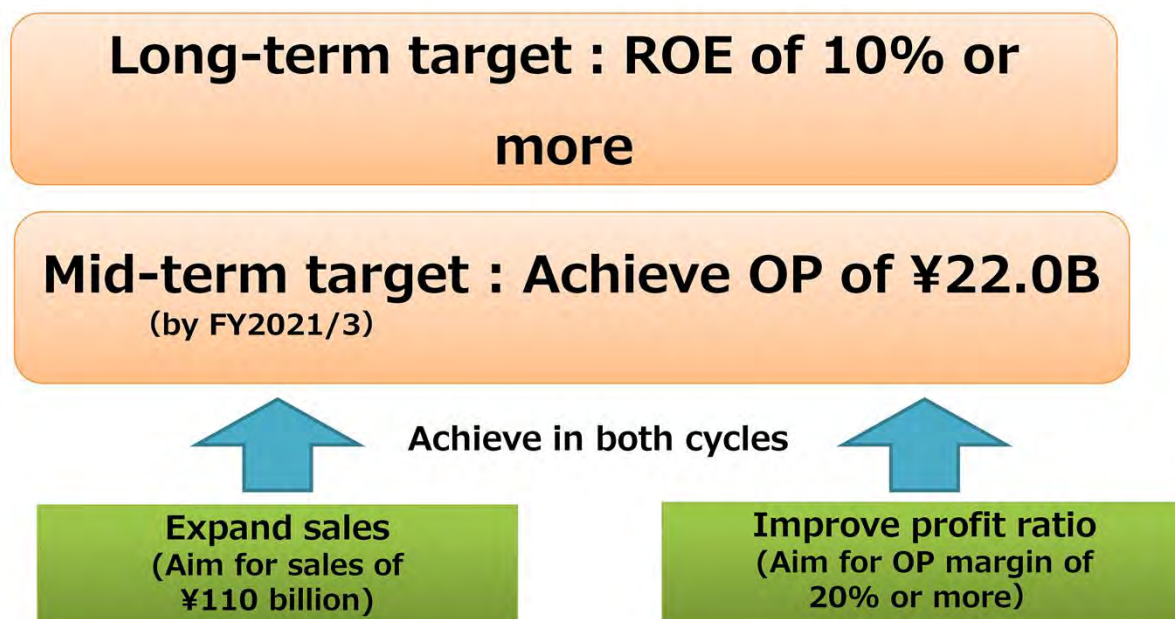
- Cash Flow (CF) in FY2020/3 1H
 - from Operating: +2.2B (mainly by profit and changes in AR/AP)
 - from Investing: -2.8B (mainly by capex)
 - Free Cash Flow (FCF) came to -0.6B
 - from Financing Activities: - 3.8B.
- Closing cash balance amounted to 36.6B.

Number of Employees



Note) Above figures include part time employees as at the end of each term

- Number of employees (Consolidated, including part time employees) as at the end of Sep/2019 was 3,189 an increase by 66 from March 2019.
- Increase was mainly at a Japan subsidiary, Field engineers, to strengthen Service/Support Capabilities for Metrology Segment.



- The Company announced quantitative targets in May, 2018.
- Long-term: To maintain over 10% of ROE.
- Mid-term: To achieve OP of ¥22.0B by FY2021/3
Aim to achieve in both cycles of sales expansion and OP ratio improvement.

**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

- No change in the Corporate Philosophy and Conceptual framework that are the basis of the long-term target
- The Corporate Philosophy is
“ Growing together with partners and customers by collaborating technology, knowledge and information to create the world's No.1 products.”
- To realize this philosophy, we promote our motto and the corporate brand. The Company group continues to proceed with its growth strategy to bring it to fruition.

Conceptual framework



Business portfolio analysis



- **Strengths :**
 - Precision positioning technology
 - In-house manufacturing
- **Opportunities :**
 - New semiconductor technologies and devices



- **Strengths :**
 - Precision, high-resolution measuring technology
 - Reliability
- **Opportunities :**
 - New products and demand from overseas

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

- Our Conceptual framework to realize corporate philosophy :
Based on CSR and governance, strong financial foundation continue growth investment, achieve business performance and improve corporate value
- Strengths with our business portfolio :
Precision positioning technology and in-house manufacturing in SPE,
Precision & high-resolution measuring technology and reliability in Metrology
The combination of both segments can offset fluctuations and realize stable business performance.

Corporate Strategy (May 2019)



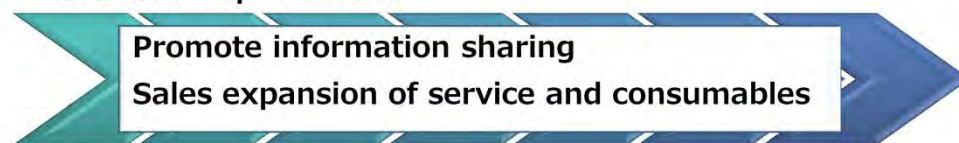
Technology



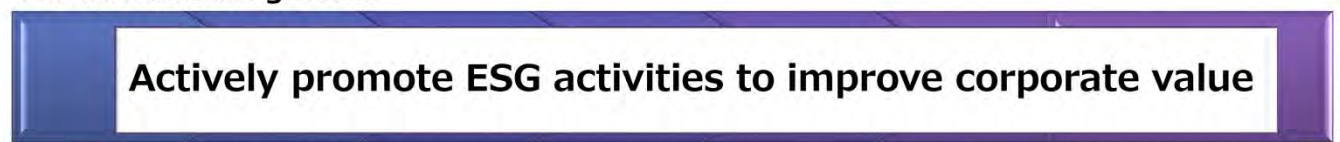
Production



Profit ratio improvement



For sustainable growth



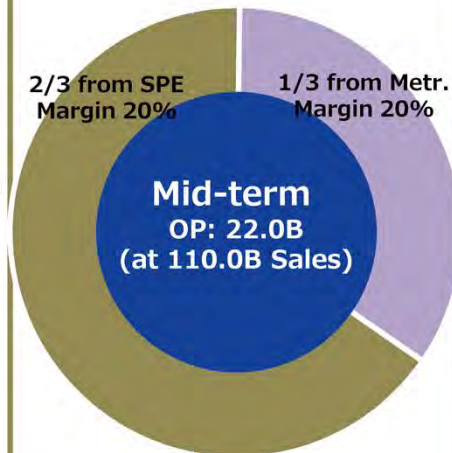
- Our corporate strategy for FY2020/3 and beyond, announced in May 2019 is shown above.
- Not only Technology, Production, and Profit ratio improvement but also Actively promote ESG activities to improve corporate value as a basis for sustainable growth, including achieving mid-term goals.

Strategies per Segment



SPE

- Keep responding to "ALL NEEDS" from Customers to expand the market
- Enhance Apps capability to increase service/support and consumable business
- Proceed in-house MFG and utilize new plants



Metrology

- Enter Electric testing area to expand our market with synergy effect
- Business building with competitive products to increase service/support business
- MFG innovation and automation



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22

- Sales and Profit exposure per segment is shown above.
- In SPE, we focus on enhance machine, application and service/support capability, and increase MFG capacity for upcoming market growth.
- In Metrology, we entered electric testing area for upcoming EV trend to expand market and to maximize synergy effect.
- In addition, we are constructing new plant to proceed MFG innovation and automation .

Capacity Expansion(SPE: *Hino* and *Miyama*)

- Expanded capacity by land and bldg. acquisition (*Hino* Plant)
- Rental factory (*Miyama* Plant) is also in use



Capacity Expansion(Metrology)

- Construction of New bldg. (MI bldg.) commenced
- Operation in FY2021/3
- To apply various efficiency and improvement measures



MI: *Monozukuri* Innovation

Effectiveness Improvement

- ERP runs smoothly
- Aim to improve efficiency

Application Centers (New center in Taiwan)

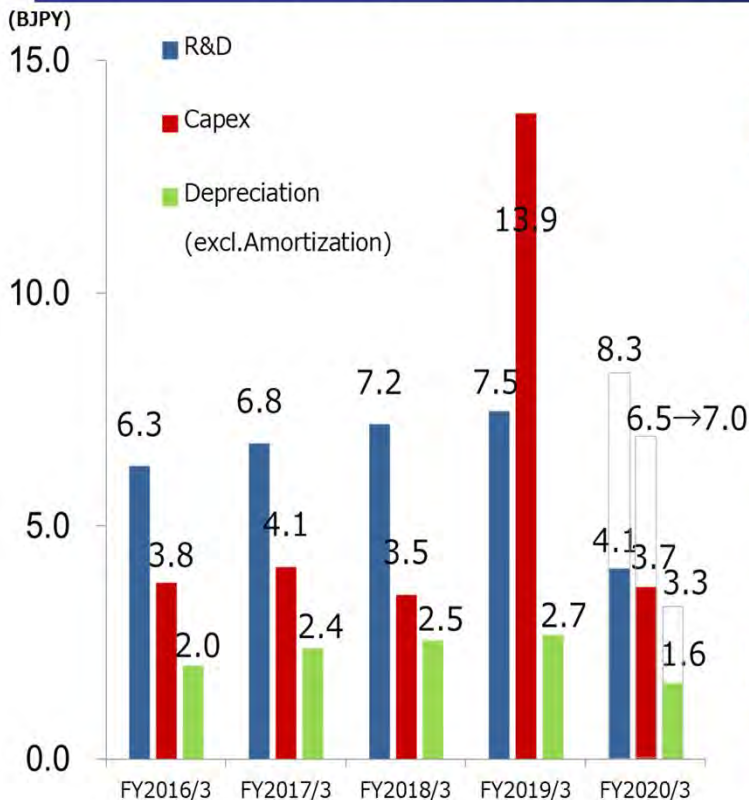
- Progress on schedule
- Operation in FY2021/3

Application Centers (Renewal in Osaka)

- Progress on schedule
- Operation in FY2020/3

- Capacity expansion (Upper) : Expansions for both SPE and Metrology are on-track.
- Effectiveness Improvement (Lower-left) : ERP activated in April and works smoothly – Aim to efficiency improvement through peripheral systems and work-flows.
- Application Centers (Lower-middle and right): Progresses are on-track.

R&D, Capex and Depreciation



R&D: to strengthen competitiveness

- Target ratio to sales: <10%

Capex : to expansion and effectivity

- Planning over 20.0B capex throughout this mid-term (new plants, automation and application centers), expect maintenance capex
- FY2020/3 capex mainly for Metr. Capacity expansion and Apps centers
- SPE plant construction to be on FY2022/3 – FY2023/3

Depreciation

- FY2020/3 increase mainly by ERP
- Anticipate slight increase after FY2021/3

- Results for FY2020/3 1H and FY plan on R&D, Capex and Depreciation
- R&D: Target ratio of 10% on sales
FY2020/3 1H result 4.1B, Full Year plan 8.3B.
- Capex: Planning over 20.0B yen capex throughout this mid-term excluding capex on maintenance.
Capex for FY2020/3 is mainly for new plant and application centers
FY2020/3 1H result 3.7B, Full Year plan changed from 6.5B to 7.0B.
- Depreciation (excluding goodwill):
Increase in FY2020/3 mainly by ERP, will have slight increase after FY2021/3.
FY2020/3 1H result 1.6B, Full Year plan 3.3B.

Environment

- Environmentally friendly products, Global warming prevention, and Resource saving : Proceed with planned activities

Social

- Work system reform : Focus on Women's Advancement (Expanding scope of work, flexible adjustments for Life-events)

Governance

- Compliances : Strengthening system and IT securities
- Risk Managements : Proceed of BCP



- Our activities regarding ESG(Environment, Social, Governance) and example of progress in FY2020/3 1H are shown above.
- In 1H, the Company mainly focused on Women's advancement and BCP.

- **Market situation changes from premises**
 - **SPE : On the landing of big growth**
 - **Metrology: Stagnant than originally forecasted**
- **Both business have mid-long term upsides to be confident to set FY2020/3 as "Preparation Year"**
- **Continue Investment underpinned with financial soundness**



- The Business premises to achieve mid-term business plan (at FY2019/3 beginning) and current market situation has difference.
- Still it is unclear market situation in FY2021/3 to be as originally anticipated, however, we expect certain recovery.
- Therefore the Company keep setting current Fiscal Year as "Preparation Year" for upsides.

SPE

- While signs of logic device capex recovery are seen, still need careful watch to identify “when it will be”
- Proceed with planned R&D and Capex for uptrend

Metrology

- Headwinds to Automotive-related demands worldwide
- Entire recovery in “*Monozukuri*” sector to be in or after FY2021/3

- Premises of FY2020/3 Forecasts

- SPE:

There are signs of recovery from logic device related to Front-end SPE we need to have a careful watch “when to recover”.

Proceed with planned R&D and Capex for uptrend

- Metrology:

As Machine tool trend shows, overall manufacturing sectors’ investment stance become conservative.

The Company’s business to Automotive-related sectors are weak.

The Company estimates that the recovery will start from

Semiconductor related sectors then Metrology products’ ,

Therefore recovery likely to be in or after FY2021/3.

FY2020/3 Forecast



Half Year Results and Forecasts (BJPY)	FY2019/3			FY2020/3				
	1H	2H	FY	1H	2H(f)	FY(f)	Vs prev. Forecast	YoY
Sales	51.2	50.3	101.5	42.0	44.0	86.0	-2.0	-15%
Operating Profit (OP Margin)	10.2 (20%)	10.0 (20%)	20.2 (20%)	5.6 (13%)	6.4 (15%)	12.0 (14%)	-0.5	-41%
Recurring Profit	10.8	10.0	20.8	5.7	6.4	12.1	-0.4	-42%
Net Profit	7.9	6.8	14.7	4.3	4.7	9.0	±0.0	-39%
Dividend per Share	125 Yen (incl. 20Yen commemorative)			76 Yen		±0.0	-49 Yen	

Per Segment (SPE)

Orders	39.7	25.6	65.3	22.9				
Sales	35.8	33.3	69.1	27.6	27.4	55.0	±0.0	-20%

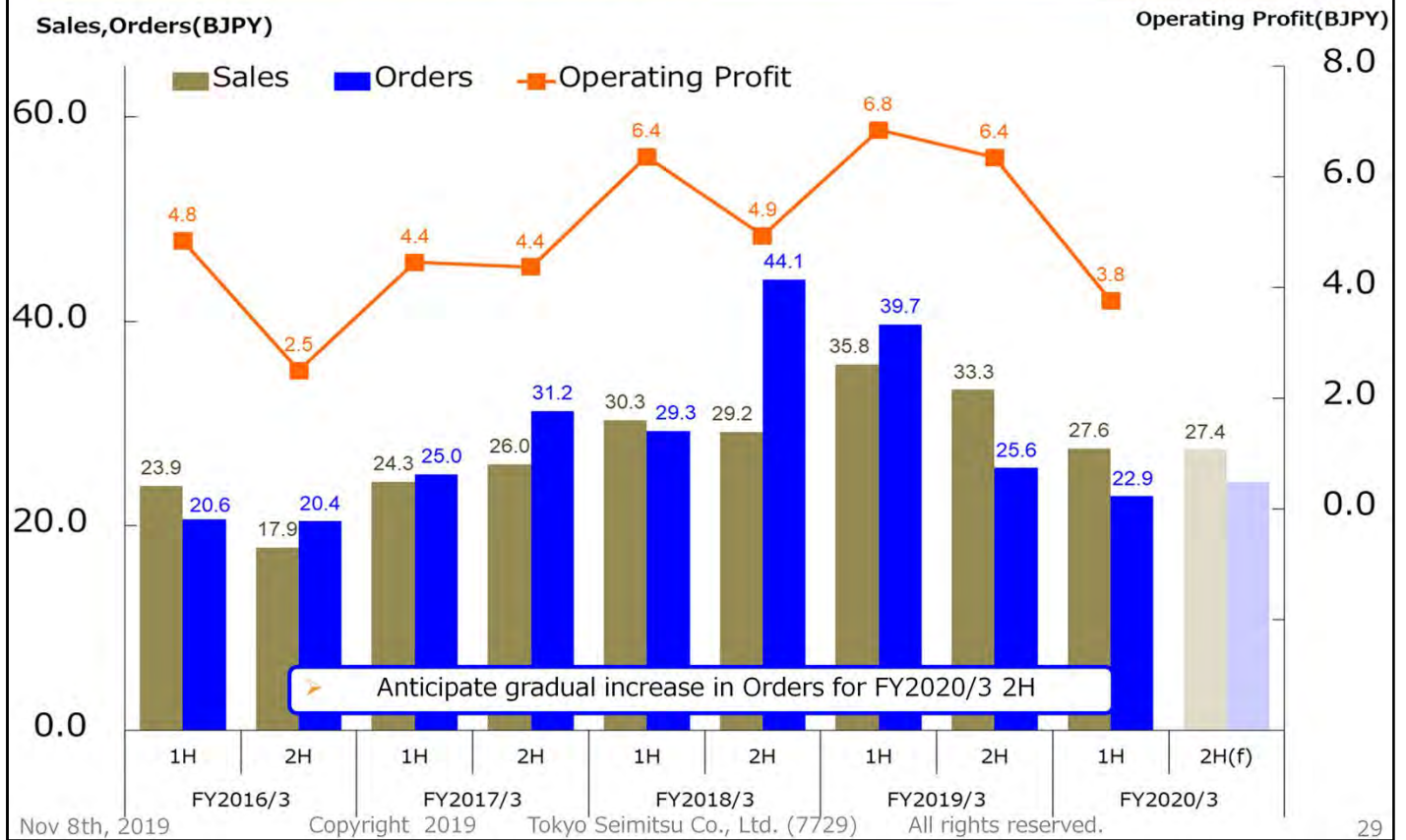
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Orders	17.5	16.1	33.6	15.4				
Sales	15.4	17.0	32.4	14.4	16.6	31.0	-2.0	-4%

- Revised forecast previously announced on August 9th, 2019
- No change in SPE forecast but Metrology
- No change in Net Profit and projection of dividend per share

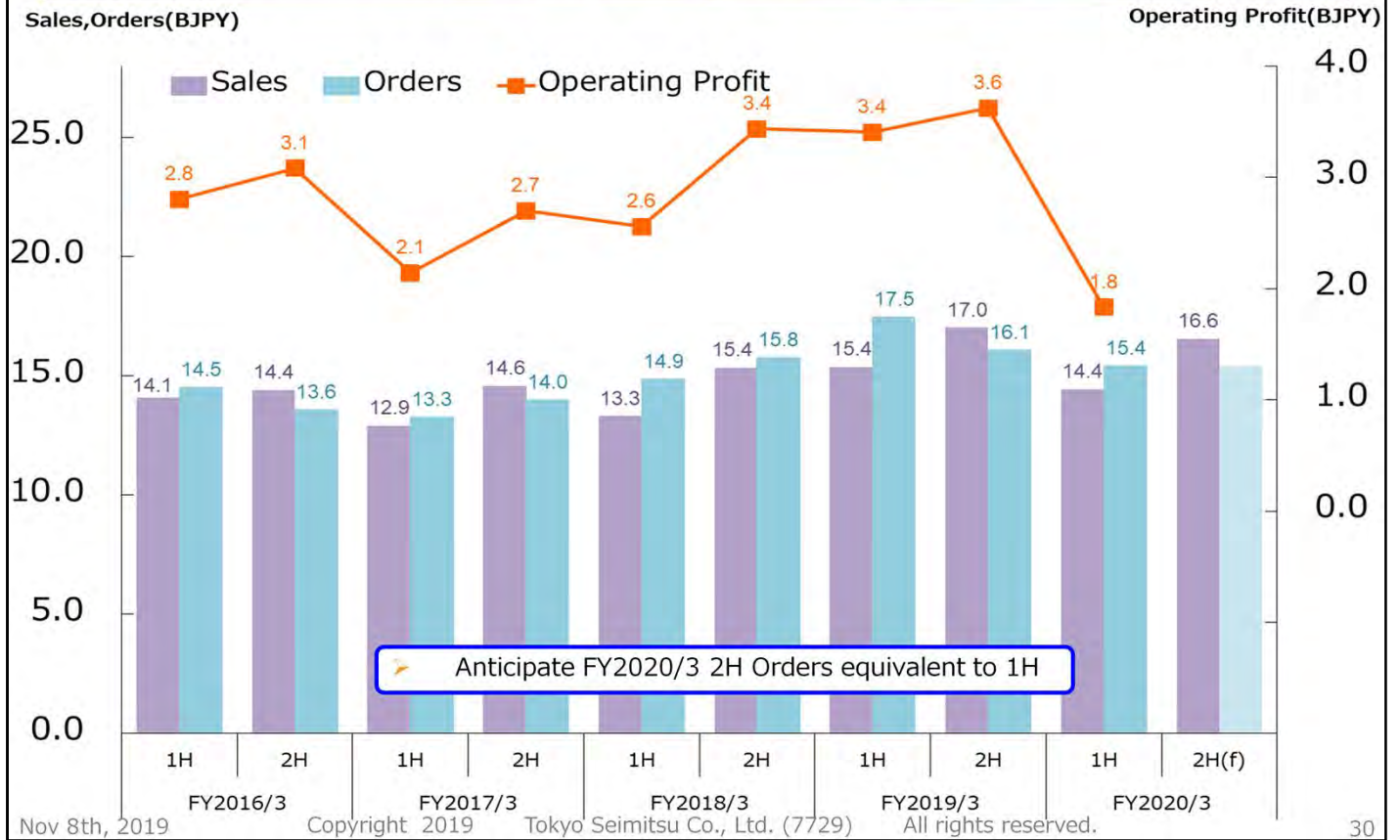
- The company revised FY2020/3 forecast previously announced on August 9th, 2019.
- Sales, Operating profit and Recurring profit were revised to 86.0B, 12.0B, 12.1B
No revision in Net profit and Projection of Dividend per share.
- Sales forecast per segment
SPE : 55.0B for FY(remain previous forecast)
Metrology : 31.0B for FY

SPE – Sales/Orders incl. Forecasts



- Orders in the FY2020/3 2H are expected to increase slightly compared to 1H.
- Outlook of product composition ratio for FY2020/3 2H:
 Sales: Mid-60% for probers, Mid-30% for assembly machines
 Orders: 60% for probers, 40% assembly machines

Metrology – Sales/Orders incl. Forecasts



- Anticipate FY2020/3 2H orders equivalent to 1H.
- Outlook of product composition ratio for FY2020/3 2H:
Both Sales and Orders: 60% for Measuring Instruments,
40% for SUM of Automatic Gauges and Battery Testing systems.



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