

**Announcement of FY2018/3
Second Quarter
Business Results
(April 2017 to September 2017)**

**November 14th, 2017
Tokyo Seimitsu Co., Ltd.
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*Ticker Symbol: 7729.T***

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FY2018/3 1st Half (April – Sept. 2017) Business Results

(Billions of Yen except dividend)	FY2017/3		FY2018/3		
	1 st Half	2 nd Half	1 st Half	HoH(%)	YoY(%)
Sales	37.2	40.6	43.7	+8%	+17%
SPE Segment	24.3	26.0	30.3	+17%	+25%
Metrology Segment	12.9	14.6	13.3	-9%	+3%
Operating Income	6.6	7.1	8.9	+26%	+35%
SPE	4.4	4.4	6.4	+46%	+43%
<i>Operating Income Ratio</i>	18%	17%	21%	-	-
Metrology	2.1	2.7	2.5	-5%	+20%
<i>Operating Income Ratio</i>	17%	19%	19%	-	-
Ordinary Income	6.3	7.6	9.0	+20%	+43%
Net Income <small>Attributable to Owners of the Parent</small>	4.7	5.2	6.4	+21%	+36%

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- FY2018/3 1H (April to Sep., 2017) Consolidated revenue and profit marked increase mainly because of firm sales and profit in SPE segment.
- Consolidated Sales amount:
43.7 Billion JPY (YoY +17%) (* Billion JPY hereafter referred to as "B")
30.3B from SPE Segment (SPE), and 13.3B from Metrology Segment(Metrology).
- Operating income: 8.9B(SPE 6.4B, Metrology 2.5B)
- Ordinary Income: 9.0B and Net Income attributable to owners of parent: 6.4B
- Operating Income of SPE, Ordinary Income, and Net Income achieved historical highest record on half-year basis.



FY2018/3 2nd Quarter(July – Sept. 2017) Business Results

(Billions of Yen)	FY2017/3				FY2018/3			
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ(%)	YoY(%)
Sales	16.3	20.9	19.5	21.1	19.9	23.8	+19%	+14%
SPE Segment	11.0	13.3	13.2	12.8	14.2	16.1	+13%	+22%
Metrology Segment	5.3	7.6	6.3	8.3	5.7	7.6	+34%	+0%
Operating Income	2.9	3.7	3.2	3.9	4.0	4.9	+21%	+31%
SPE	2.2	2.2	2.1	2.3	3.1	3.3	+3%	+46%
<i>Operating Income Ratio</i>	20%	17%	16%	18%	22%	20%		
Metrology	0.6	1.5	1.1	1.6	0.9	1.6	+86%	+10%
<i>Operating Income Ratio</i>	12%	20%	17%	20%	16%	22%		
Ordinary Income	2.6	3.7	3.5	4.1	4.1	4.9	+19%	+31%
Net Income <small>Attributable to Owners of the Parent</small>	1.9	2.8	1.4	3.9	2.9	3.5	+20%	+24%

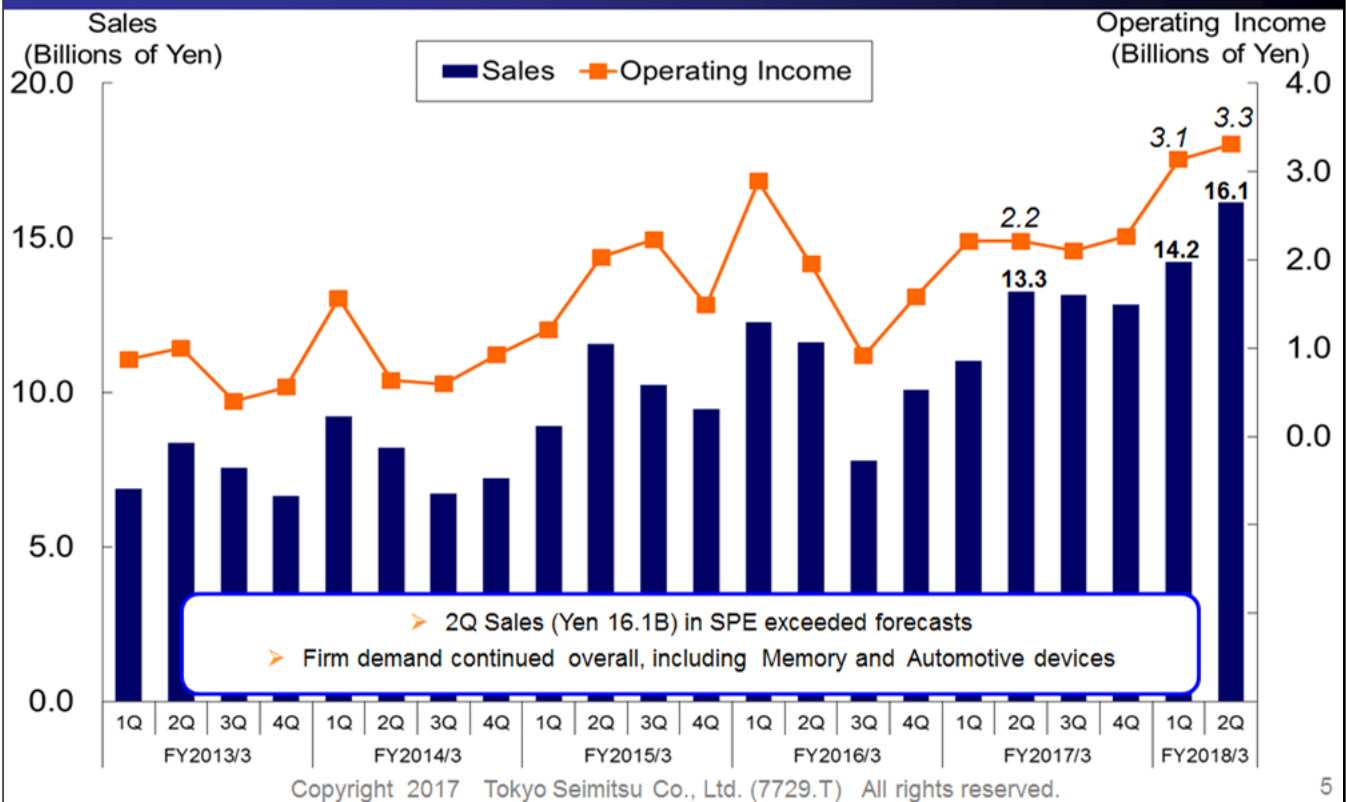
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- Business Results for 2nd quarter (2Q, July to Sep., 2017)
Sales: 23.8B (SPE 16.1B, Metrology 7.6B).
Operating income: 4.9B (SPE 3.3B, Metrology 1.6B) .
Ordinary income: 4.9B, and Net Income: 3.5B.
- Sales and profit increased QoQ and YoY.



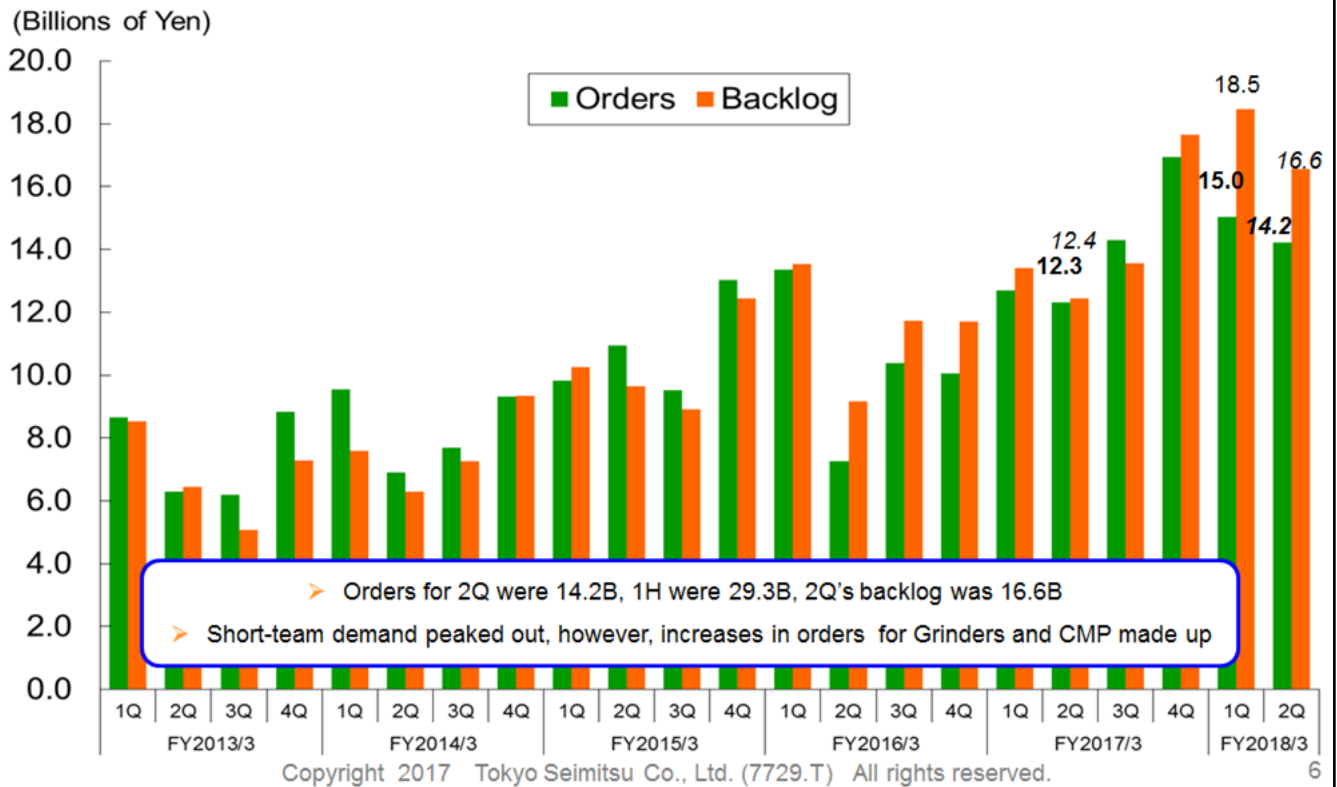
SPE Segment – Business Trends



- SPE's Sales and Operating Income in 2Q exceeded forecasts.
- Firm demands for semiconductor devices and electric components overall, and plant utilization stayed high.



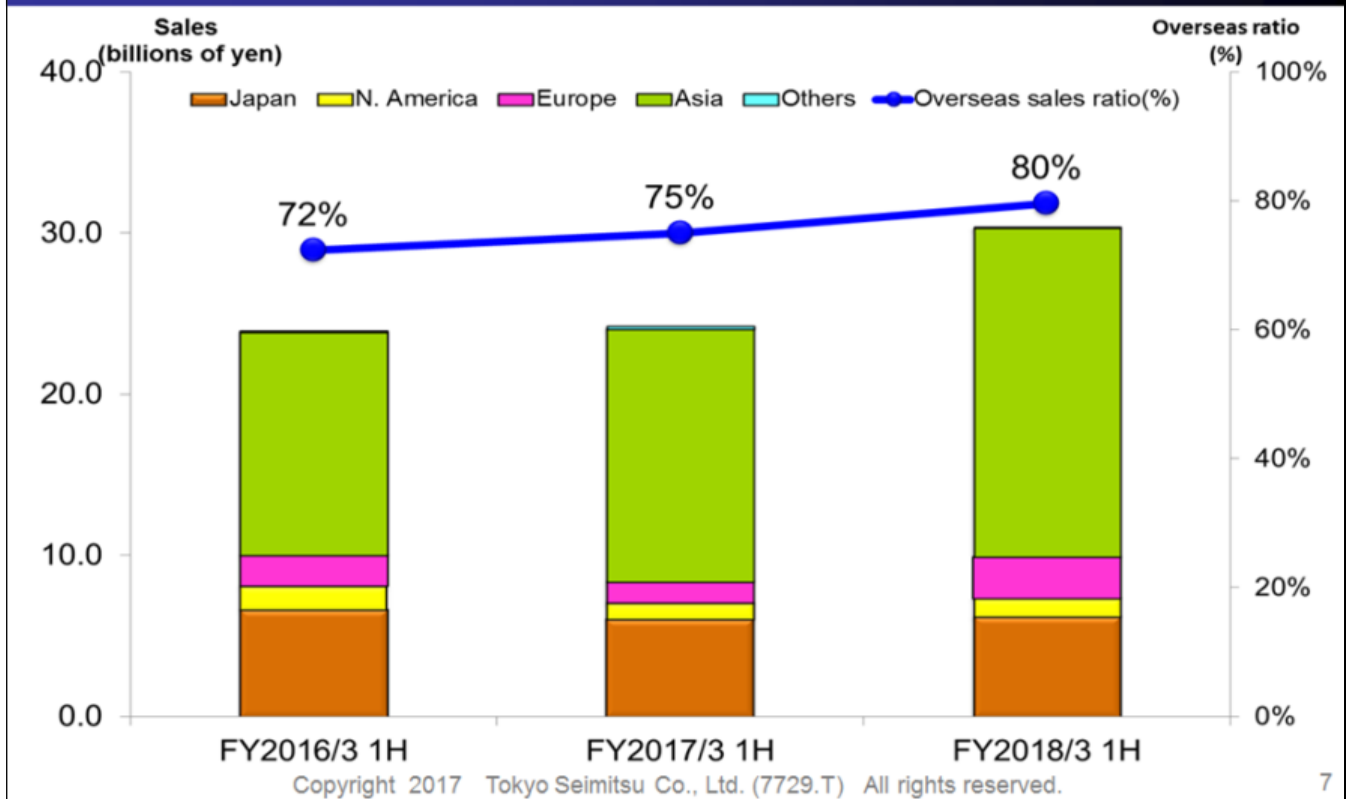
SPE Segment – Order Status



- As was originally forecasted, short-term demand peaked out in summer. However, demand for Grinders and CMP were firm, and 2Q's Orders had minor decline.
- Orders for 1H were 29.3 B (slightly less than 20% up YoY)
- 2Q's backlog was 16.6B, remained relatively high level.



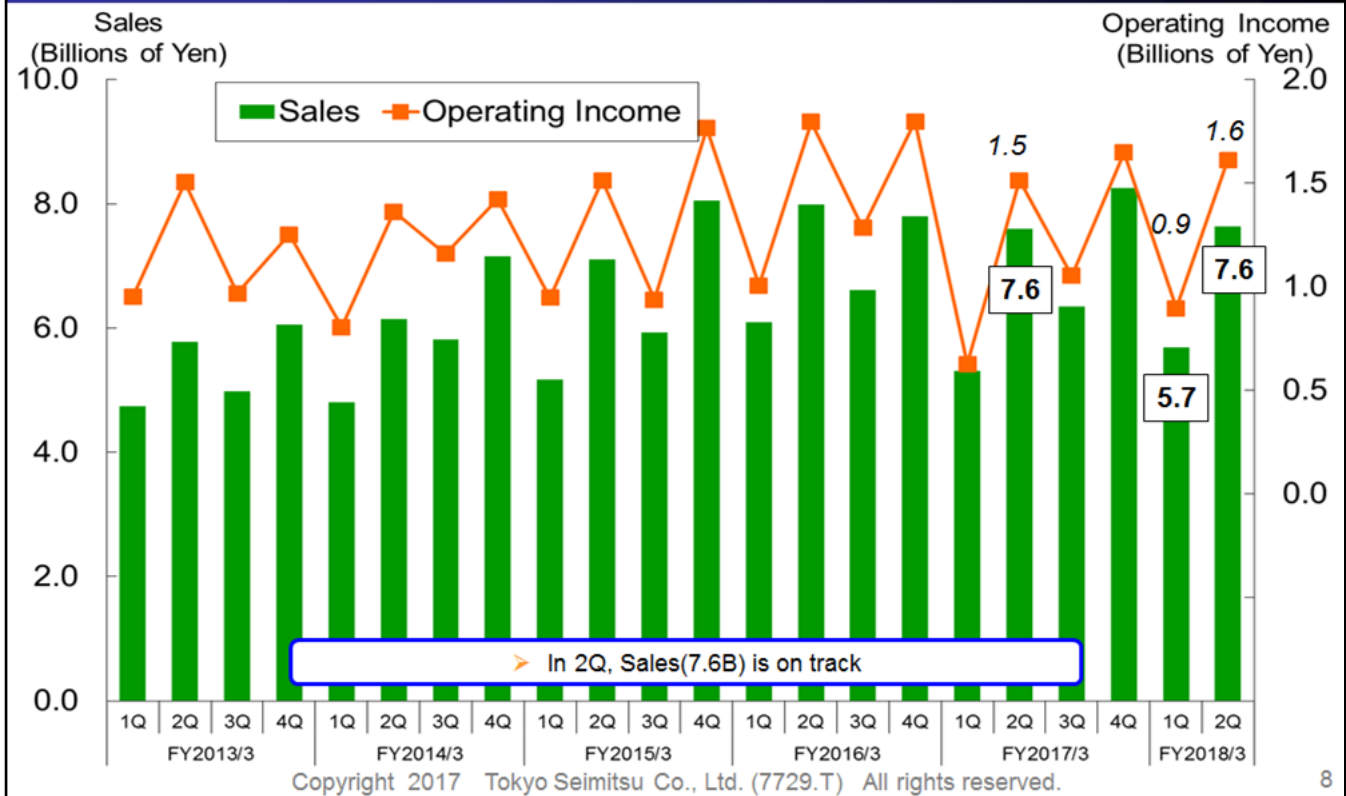
SPE Segment – Regional Sales



- SPE's overseas sales ratio in 1H was 80%.
- While sales to Japan remained steady, sales to Asia significantly increased. Consequently, overseas sales ratio rose.



Metrology Segment – Business Trends

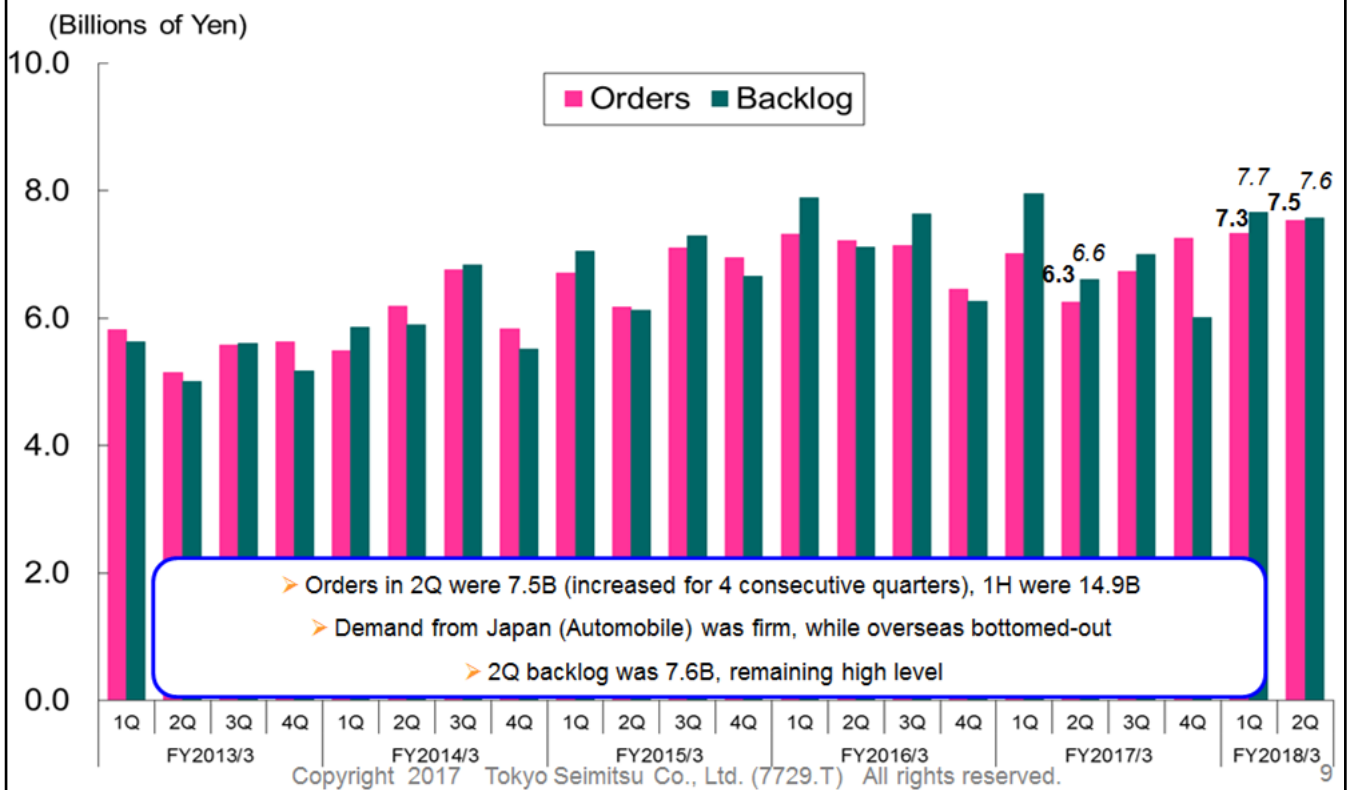


- 2Q's Sales (7.6B) and Operating Profit (1.6B) in Metrology were on track.
- Along with recovery in Metrology related market, Sales and profit are on the track of recovery from 2Q.

Business results for 1H showed increase YoY.



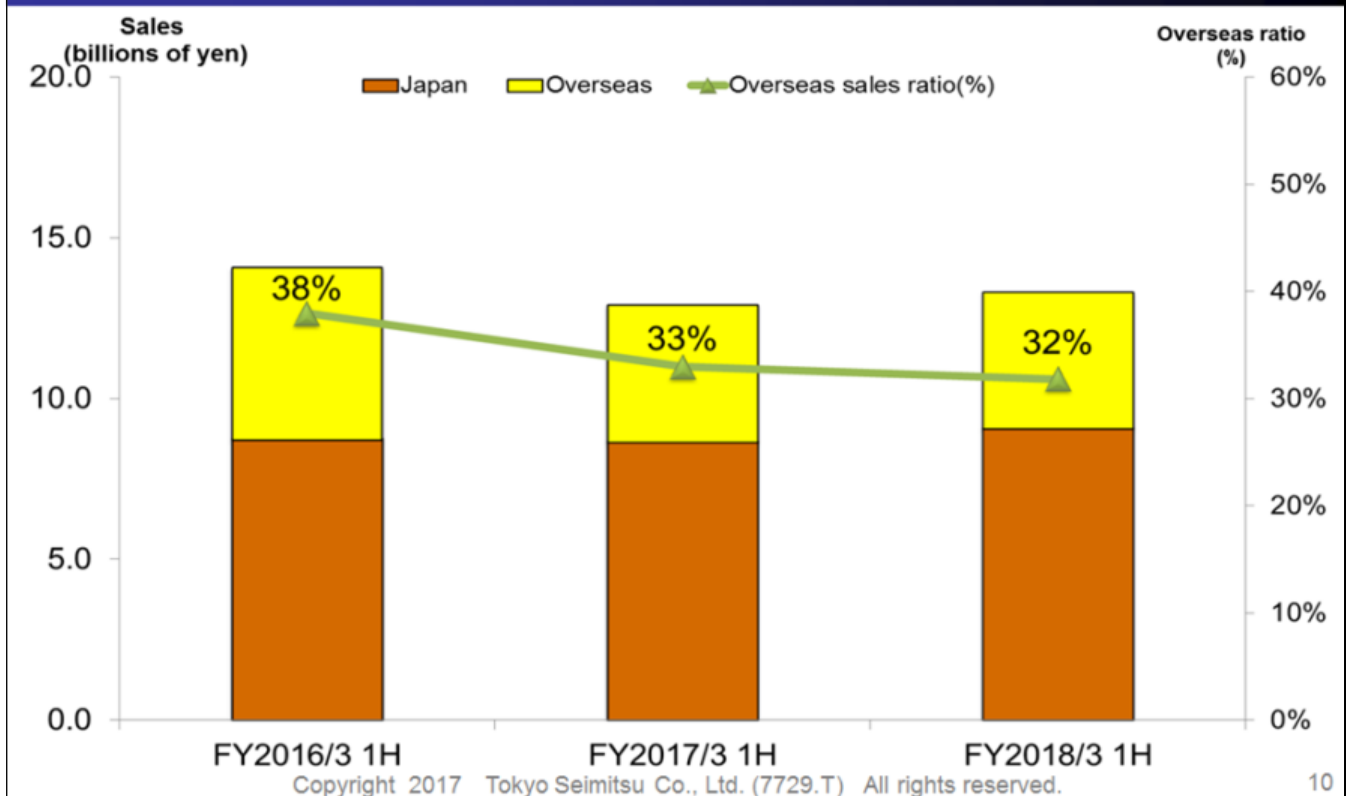
Metrology Segment – Order Status



- 2Q's Orders in Metrology business were 7.5B, 1H's Orders were 14.9B, and 2Q's backlog was 7.6B.
- Because of firm demand from Automobile industry in Japan (50% of Orders) and bottomed-out demand from overseas, 2Q's orders increased for 4 consecutive quarters, as well as 1H's orders increased by slightly more than 10% YoY.
- Consequently, 2Q's backlog remained relatively high.



Metrology Segment – Regional Sales



- Overseas sales ratio in 1H in Metrology business was 32%.
- The amount of Overseas sales was same as FY2017/3 1H.
Sales to Japan increased, therefore, the overseas sales ratio declined slightly.
- Currently Orders to overseas have been increased, and they will be reflected in Sales hereafter.



FY2018/3 2Q (Sept. 2017) Balance Sheet

Assets (Billions of Yen)	Mar/E 2017	Sep/E 2017	Diff.	Liabilities, Net Assets (Billions of Yen)	Mar/E 2017	Sep/E 2017	Diff.
Cash	33.9	36.4	+2.5	Accounts Payable (*2)	15.8	19.8	+4.0
Accounts Receivable (*1)	28.4	31.1	+2.7	Short term Debt	1.3	1.3	±0.0
Inventories	17.3	18.9	+1.6	Others	9.5	8.2	-1.3
Others	3.2	2.5	-0.7	Total Current Liabilities	26.6	29.3	+2.7
Total Current Assets	82.8	88.9	+6.1	Total Fixed Liabilities	0.7	0.7	+0.0
Fixed Assets	31.7	34.1	+2.4	Total Liabilities	27.3	30.0	+2.7
Total Assets	114.5	122.9	+8.4	Net Assets	87.2	93.0	+5.8
				Total (Int. bearing debt)	114.5 (1.3)	122.9 (1.3)	+8.4 (±0.0)

(*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 September 2017 was 122.9 B (+8.4 B from FY2017/3 end)
- Breakdown of an increase
 Current Assets: +6.1B (Cash + 2.5 B, AR +2.7 B, and Inventories +1.6 B)
 Fixed Assets: +2.4B
- Total Liability was 30.0B (increased by 2.7B due to AP increase)
- Net assets was 93.0B (increased by 5.8B)
- Equity ratio is 74.9% and interest bearing debts at the end of September was 1.3B.



FY2018/3 1H (April – Sept. 2017) Cash Flows

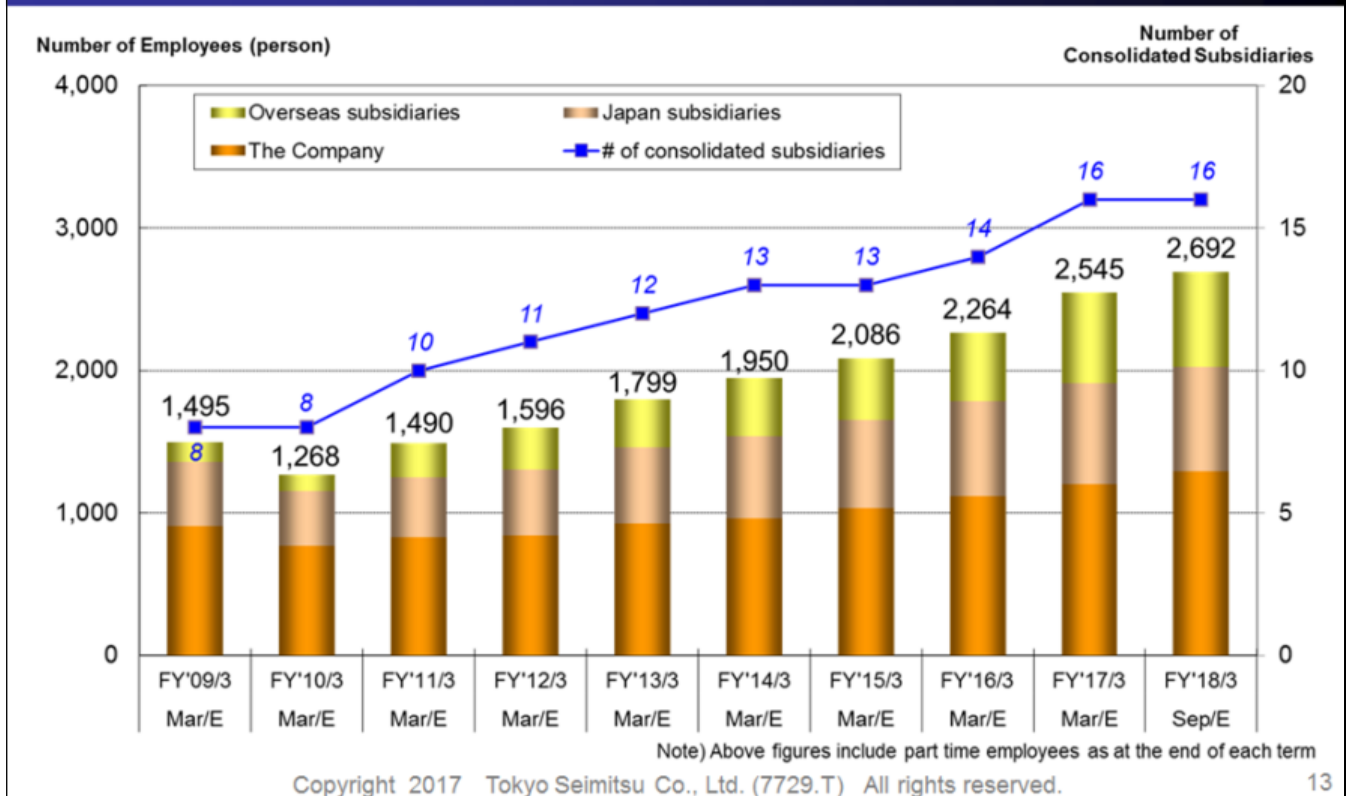
(Billions of Yen)		FY2016/3 1H	FY2017/3 1H	FY2018/3 1H
Opening Balance		26.8	27.3	33.8
From Operating Activities	Income before Tax, Interest & Depreciation	8.8	7.5	10.3
	(Receivables + Inventories) – Accounts Payable	- 0.5	2.7	- 0.5
	Tax Payment	- 2.4	- 1.9	- 4.0
	Others	- 0.4	0.3	1.0
	Total	5.6	8.6	6.8
From Investing Activities		- 3.0	- 3.7	- 2.9
Free Cash Flow		2.7	4.9	3.9
From Financing Activities	Increase/decrease in Borrowings	- 0.2	- 0.2	0.0
	Dividends & others	- 1.3	- 1.4	- 1.5
	Total	- 1.5	- 1.6	- 1.5
Net Cash Increase (incl. adjustments and change in consolidated subsidiaries)		1.3	3.0	2.5
Closing Balance		28.1	30.3	36.4

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- Cash Flow (CF) from Operating Activities: + 6.8B mainly because of profit.
- CF from Investing Activities: - 2.9B mainly due to capital expenditure.
- Consequently, Free Cash Flow (FCF) came to +3.9B.
- CF from Financing Activities: - 1.5B mainly from dividend payment.
- Closing cash balance amounted to 36.4B.

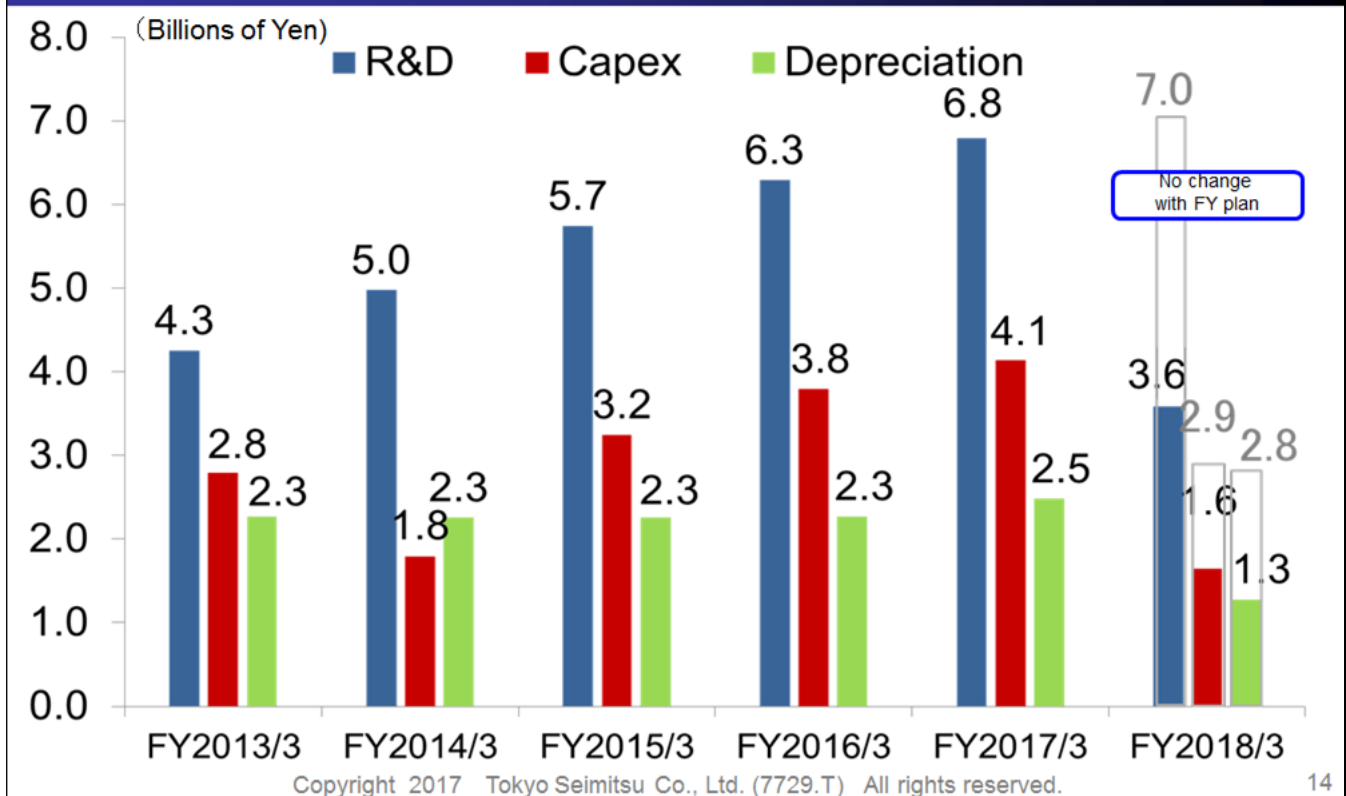
Number of Employees



- Number of employees (Consolidated, including part time employees) as at the end of September 2017 was 2,692, an increase by 147 from March 2017.
- Main reasons for the increase were as follows.
 - A) Increase in R&D and MFG employees in SPE segment.
 - B) Increase in Sales and Service/Supports employees due to market expansion in China.



R&D, Capex & Depreciation



- R&D expenditure in FY2018/3 1H was 3.6B based on the policy of “To strengthen product competitiveness”.
- Capex was 1.6B (mainly because of investment in replacement of equipment)
- Depreciation was 1.3B.
- No annual plan change in FY2018/3.

◆ Semiconductor Production Equipment

- Short-term demand peaked out, however, the bottom is shallow due to firm demands for Grinders and CMP
- Anticipate recovery in latter half of FY as usual
- Expect potential demands for Memory, Automotive devices, and Electric components

◆ Metrology Equipment

- Demand for manufacturing in Japan continues to be active
- Overseas demand (especially China) is recovering
- Expect additional demands from Automation /IoT trend

- Market outlook for each business segment is:

- SPE:

Demand has been peaked out as we originally forecasted, however, the demand decline is not as huge as in the past because of firm demands for Grinders and CMP.

Based on seasonality, we anticipate recovery in latter half of FY.

(Expect potential demands for Memory devices, Automotive devices, and Electric components)

- Metrology Equipment:

Expect firm demands from manufacturing in Japan

Overseas demand is recovering especially in China, expect to boost business results.

Expect demands from Automation/ IoT trend, that has potential of market expansion.



Forecast for FY2018/3 (April 2017 – March 2018)

(Billions of Yen except dividend)	FY2017/3			FY2018/3					
	1H	2H	Full Year	1H	2H Fcst	Full Year Fcst	Diff from prev. fcst	YoY(%)	
Sales	37.2	40.6	77.8	43.7	41.3	85.0	+6.0	+9%	
	SPE	24.3	26.0	50.3	30.3	26.7	57.0	+6.0	+13%
	Metrology	12.9	14.6	27.5	13.3	14.7	28.0	±0	+2%
Operating Income	6.6	7.1	13.7	8.9	7.1	16.0	+2.0	+17%	
	<i>Operating Income Ratio</i>	18%	17%	18%	20%	17%	19%	-	-
Ordinary Income	6.3	7.6	13.9	9.0	7.0	16.0	+2.0	+15%	
Net Income attributable to Owners of the parent	4.7	5.2	9.9	6.4	4.8	11.2	+1.2	+13%	
Dividend per share	34 Yen	38 Yen	72 Yen	41 Yen	41 Yen	82 Yen	+10 Yen	+10 Yen	

Previous forecast announced
on August 10th, 2017

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- The Company improved FY2018/3 forecast, based on current trend (especially SPE segment).
- The forecasted sales: 85.0B, Operating Income: 16.0B, Ordinary Income: 16.0B and Net Income: 11.2B.
(Will achieve historical highest operating income, ordinary income, and net income)
- Based on the dividend policy (targeting dividend payout ratio of 30%), Annual dividend per share improved from 72 Yen to 82 Yen.
(Refer to the document “Tokyo Seimitsu announces revision of forecasts, Interim Dividend and projection of Year-end Dividend for Fiscal Year ending March 31st, 2018” released on November 14th, 2017.)



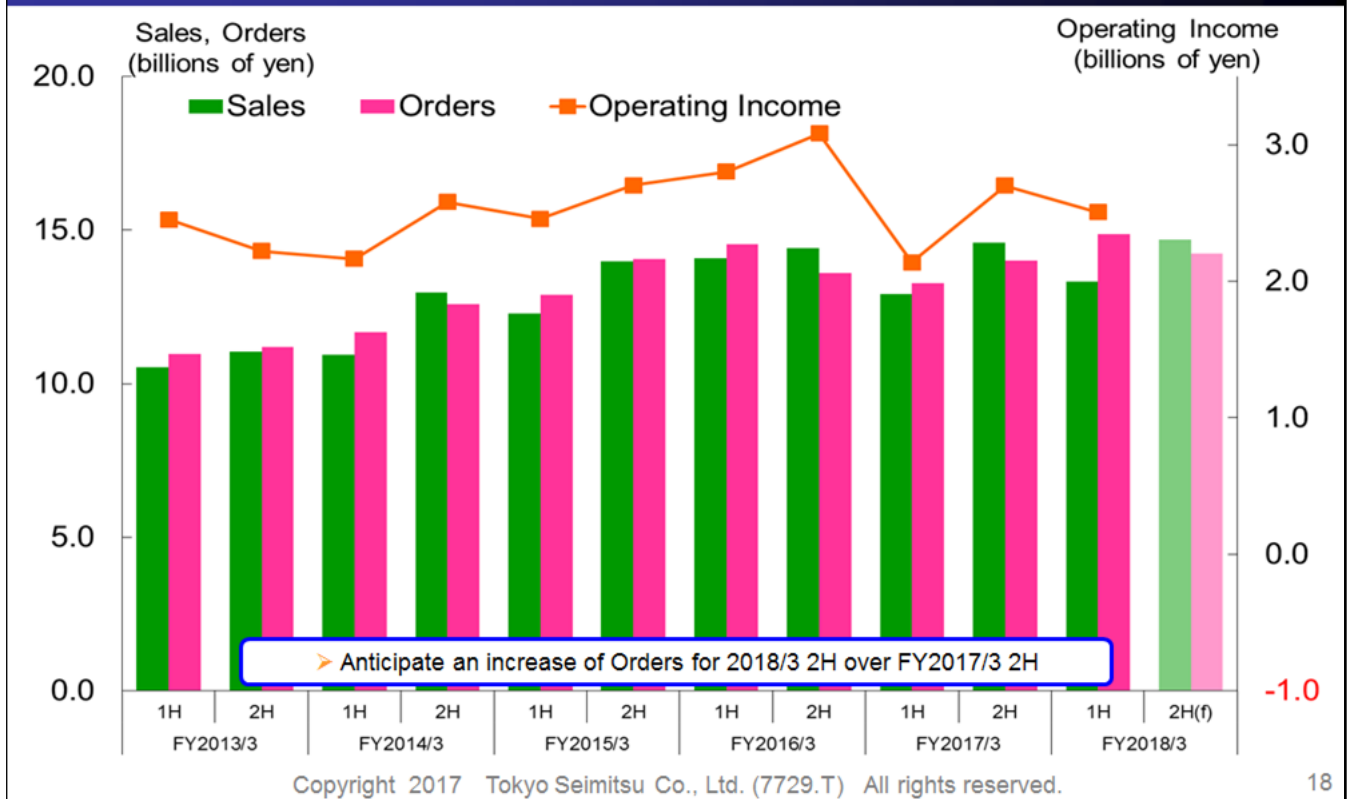
SPE Segment – Sales/Orders trend incl. Forecasts



- Orders in SPE business in FY2018/3 2H are anticipated to have seasonal decline from 1H, but to stay relatively high.



Metrology Segment – Sales/Orders trend incl. Forecasts



- Orders in Metrology business in FY2018/3 2H are forecasted to increase from FY2017/3 2H.

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, which is the basis of long-term target is:
 - “ Growing together with partners and customers by collaborating technology, knowledge and information to create the world's No.1 products.”
- This philosophy is reflected in our motto and the corporate brand.

The Company group continues to proceed with its growth strategy in line with this outlook.

SPE

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

Metrology

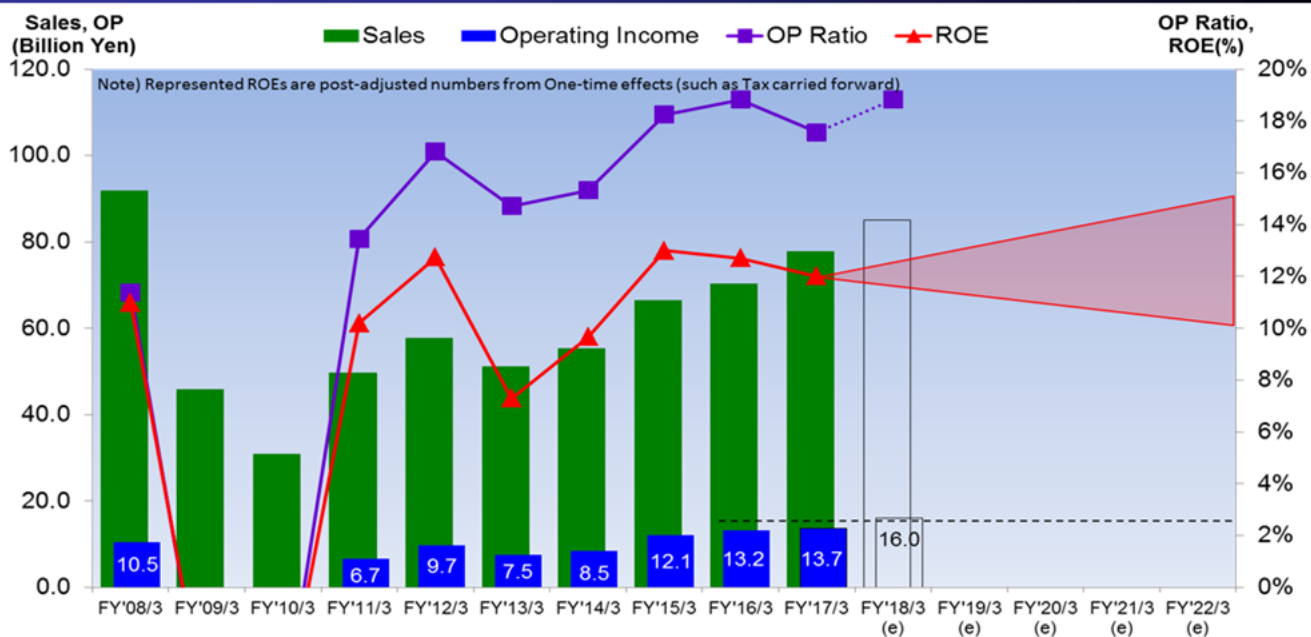
- **Strengths:** Precision, high-resolution measuring technology and reliability
- **Opportunities:** New metrology products and demands from overseas including emerging countries

- **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% 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% ROE.
- Mid-term (by FY2019/3): To achieve historical highest OP (15.0 billion yen) .
- In the improved forecast of FY2018/3, the Company will achieve Mid-term target.

Short-term business strategy

1. Increase product competitiveness toward mainstream markets
2. Allocate resources to markets that can expect potential growth or stable demand

SPE

Mainstream Markets

- Mobiles
- Storage
- Automobiles



Emerging Markets

- China Market
- Non-Si and Substrates
- 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 increase product competitiveness in mainstream markets, and allocate resources to markets that can expect stable demand or potential growth.



- ◆ Semiconductor business is in structural growth phase, with concept of “connectivity” at the core
- ◆ Maximize the strength in our products for devices needed in this phase, such as Memory devices, Automotive devices, and Electric components

- Semiconductor market is in structural growth phase, with a concept of “connectivity” at the core
- The demand for Memory devices, Automotive devices, and Electric components will show steady increase in this phase.
- Our strategy is to maximize the strength in our equipment by dropping the needs on equipment for these semiconductor devices to adapt individual products and elements



Increase in Sales through new Products

- Products for stable and growing industries
- Sales expansion of OMI

OMI: Optical Measuring Instruments

Increase in Overseas Sales

- Response to growing needs for automation and IoT
- Launch of easy operation models for global use

Continuous Increase in Sales and Profits

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- Main two strategies in Metrology business.
- Increase in sales with products for stable and growing industries and sales expansion of OMI(Optical Measuring Instruments)
- Increase in overseas sales with response to growing needs for automation and IoT, and a launch of easy operation models for global use.



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