

Tokyo Seimitsu Co., Ltd. Earnings Conference for FY2018/3 Full Year

May 15th, 2018

◆ 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, and “Metrology (or Metr.)” denotes our Metrology Business Segment.
- Information listed in this presentation is summarized in Billions of Yen 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 FY2018/3**
- ◆ **Progress of mid-term business target**
- ◆ **Our new mid-term business target**
- ◆ **Forecast for FY2019/3**
- ◆ **Q&A**

(Billions of Yen except dividend)	FY2017/3	FY2018/3	
	Full Year	Full Year	YoY(%)
Sales	77.8	88.2	+13%
SPE Segment	50.3	59.5	+18%
Metrology Segment	27.5	28.7	+4%
Operating Profit	13.7	17.3	+27%
SPE	8.8	11.3	+28%
OP Margin	18%	19%	-
Metrology	4.8	6.0	+24%
OP Margin	18%	21%	-
Recurring Profit	13.9	17.3	+25%
Net Profit (*)	9.9	12.7	+28%
Dividend per share	72 Yen	92 Yen	+20 Yen

(*) attributable to owners of the parent

4Q (Jan-Mar 2018) results

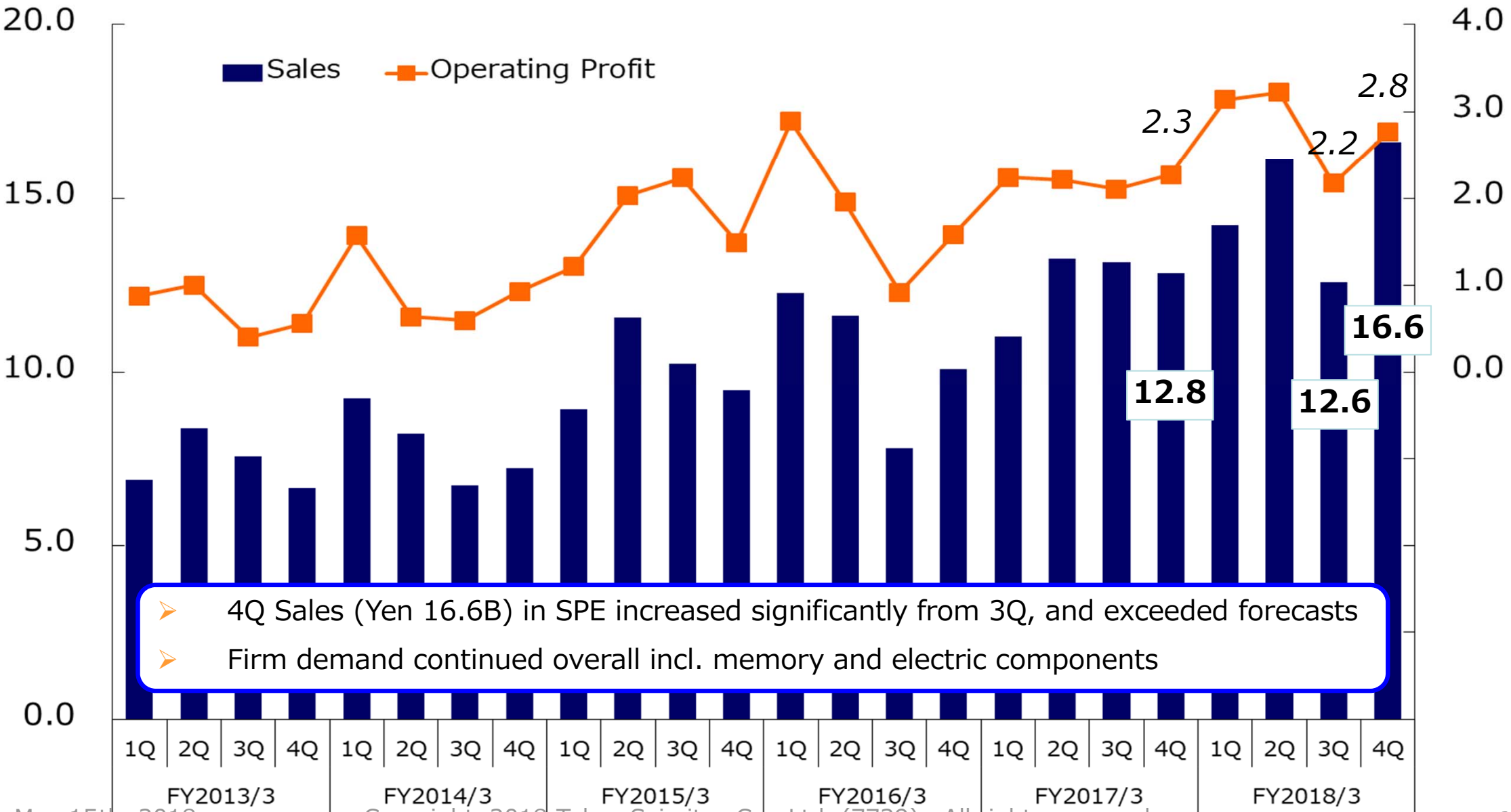
(Billions of Yen)	FY2017/3				FY2018/3					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Q/Q	Y/Y
Sales	16.3	20.9	19.5	21.1	19.9	23.8	19.2	25.3	+31%	+20%
SPE	11.0	13.3	13.2	12.8	14.2	16.1	12.6	16.6	+32%	+29%
Metrology	5.3	7.6	6.3	8.3	5.7	7.6	6.7	8.7	+30%	+5%
Operating Profit	2.9	3.7	3.2	3.9	4.0	4.9	3.6	4.8	+32%	+21%
SPE	2.2	2.2	2.1	2.3	3.1	3.3	2.2	2.8	+27%	+22%
OP Margin	20%	17%	16%	18%	22%	20%	17%	17%		
Metrology	0.6	1.5	1.1	1.6	0.9	1.6	1.4	2.0	+38%	+21%
OP Margin	12%	20%	17%	20%	16%	22%	22%	23%		
Recurring Profit	2.6	3.7	3.5	4.1	4.1	4.9	3.6	4.6	+27%	+14%
Net Profit (*)	1.9	2.8	1.4	3.9	2.9	3.5	2.6	3.8	+44%	-3%

(*) attributable to owners of the parent

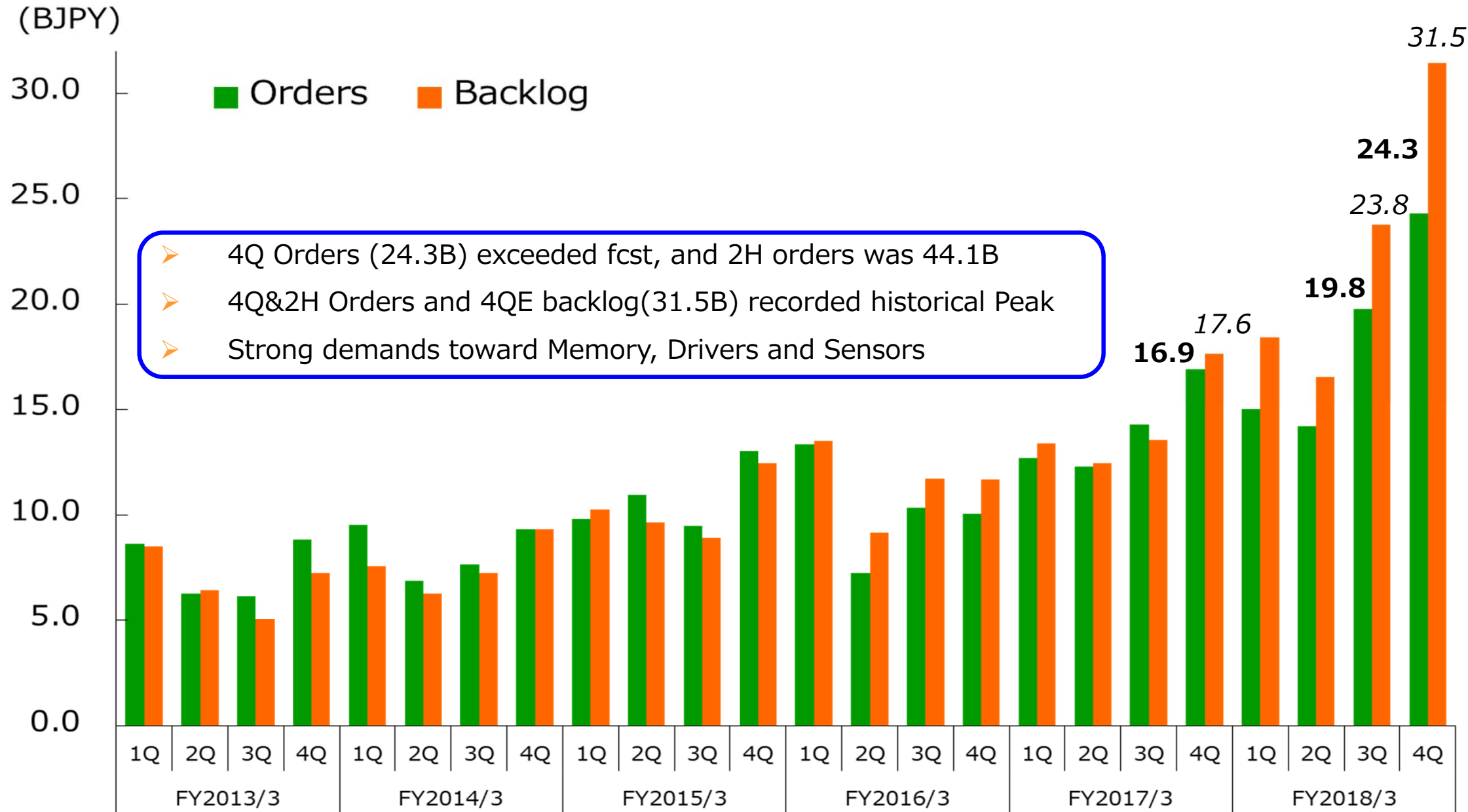
SPE - Sales and OP

Sales (BJPY)

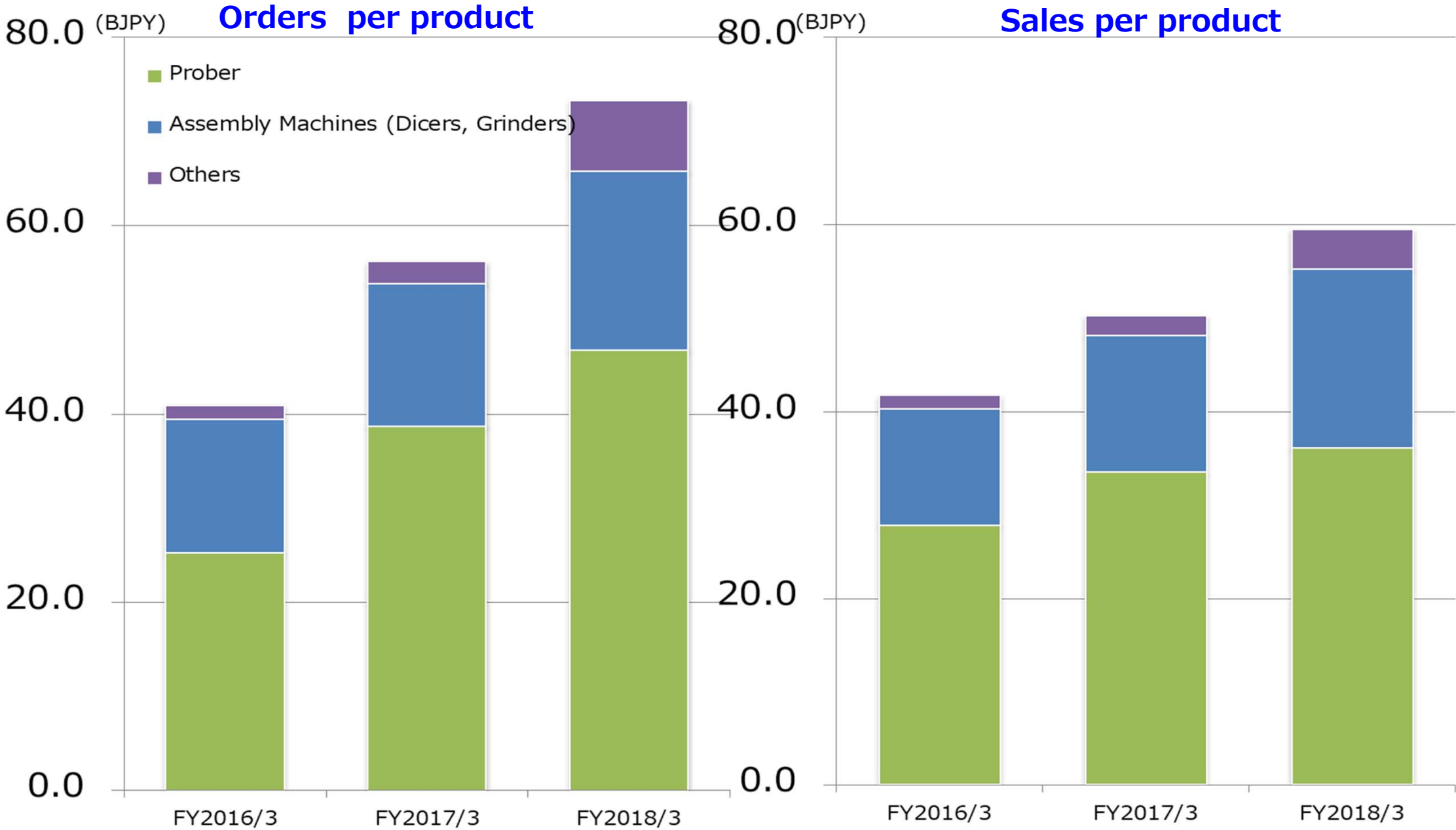
Operating Profit (BJPY)

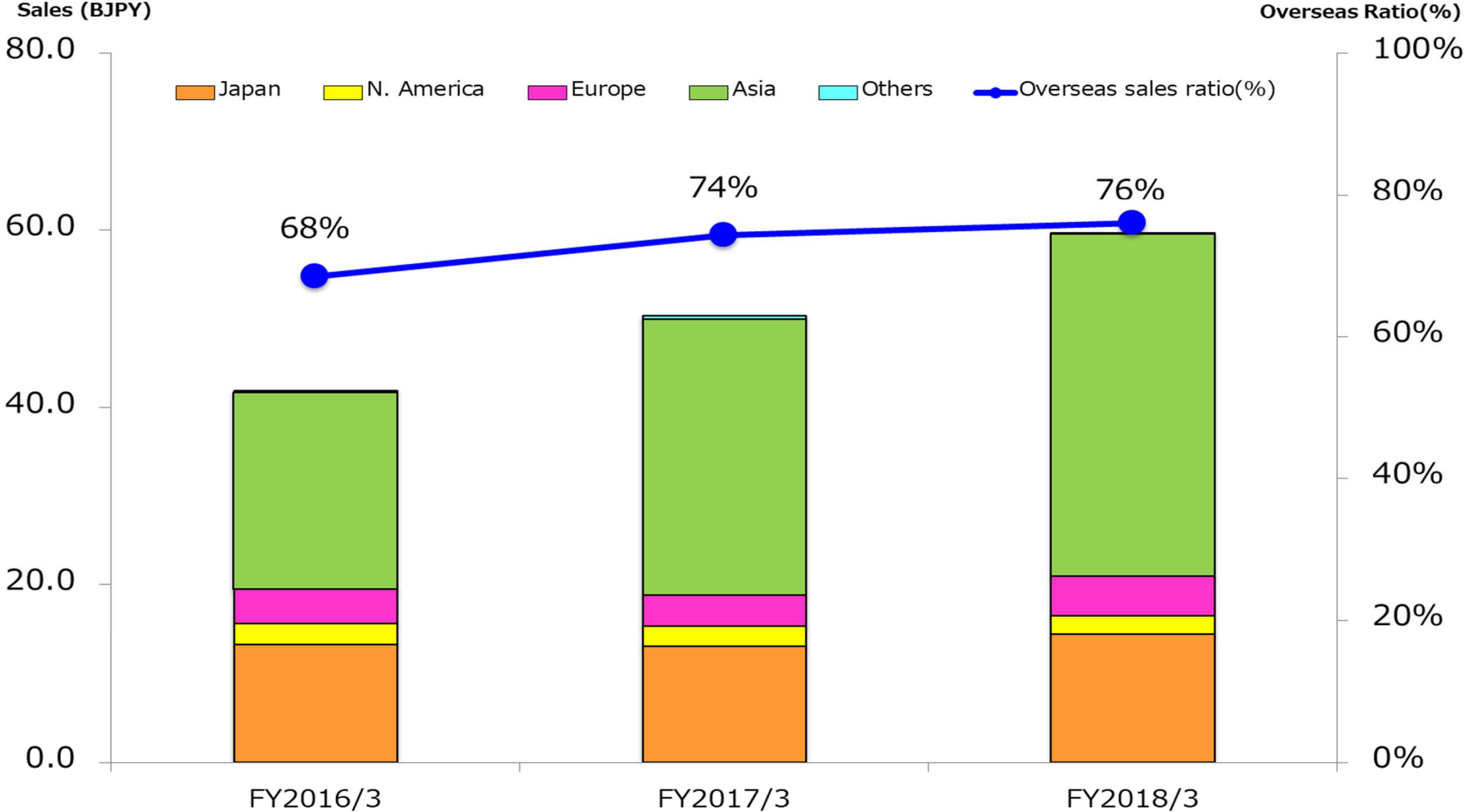


➤ 4Q Sales (Yen 16.6B) in SPE increased significantly from 3Q, and exceeded forecasts
 ➤ Firm demand continued overall incl. memory and electric components



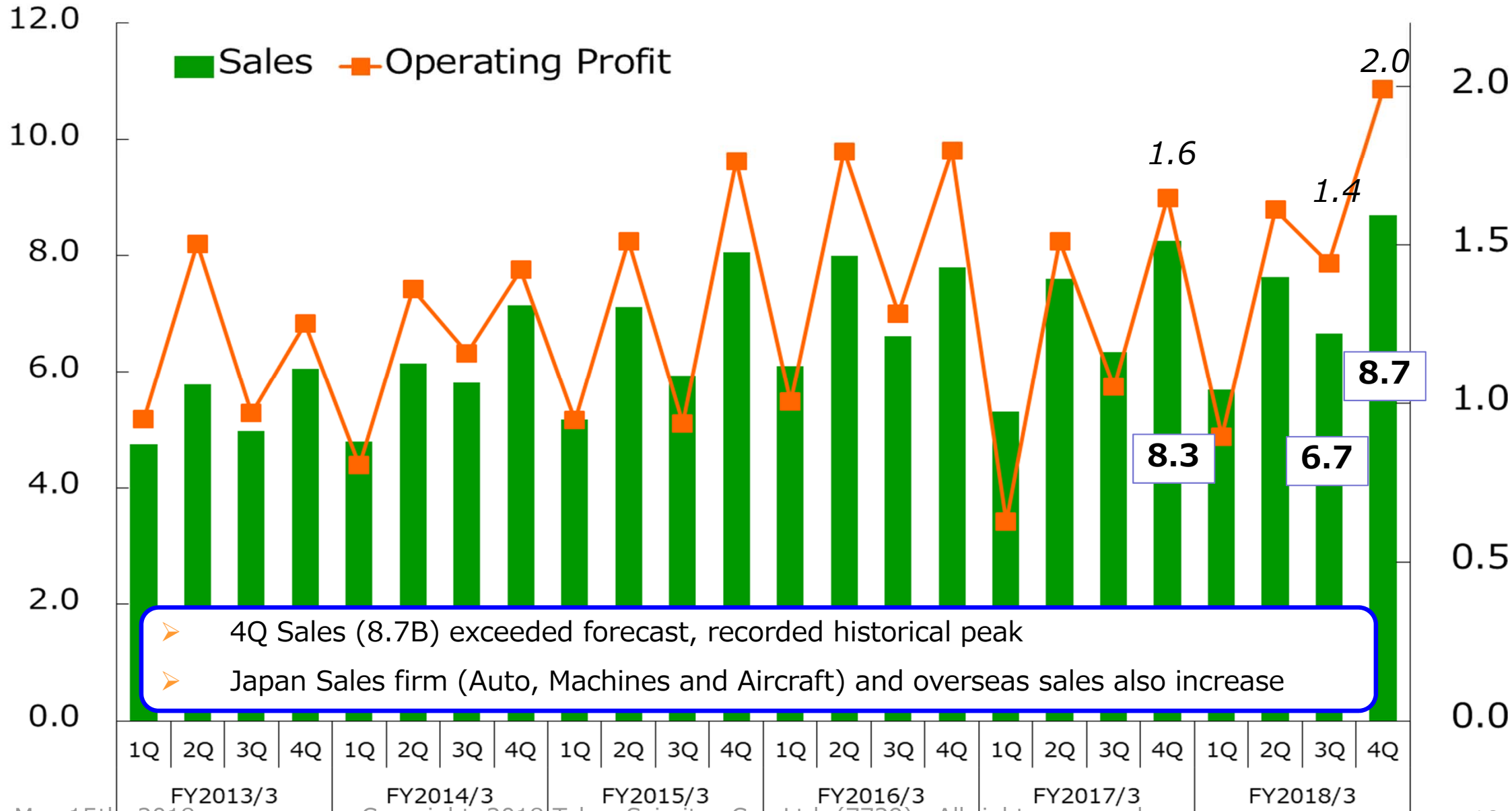
SPE - per Product

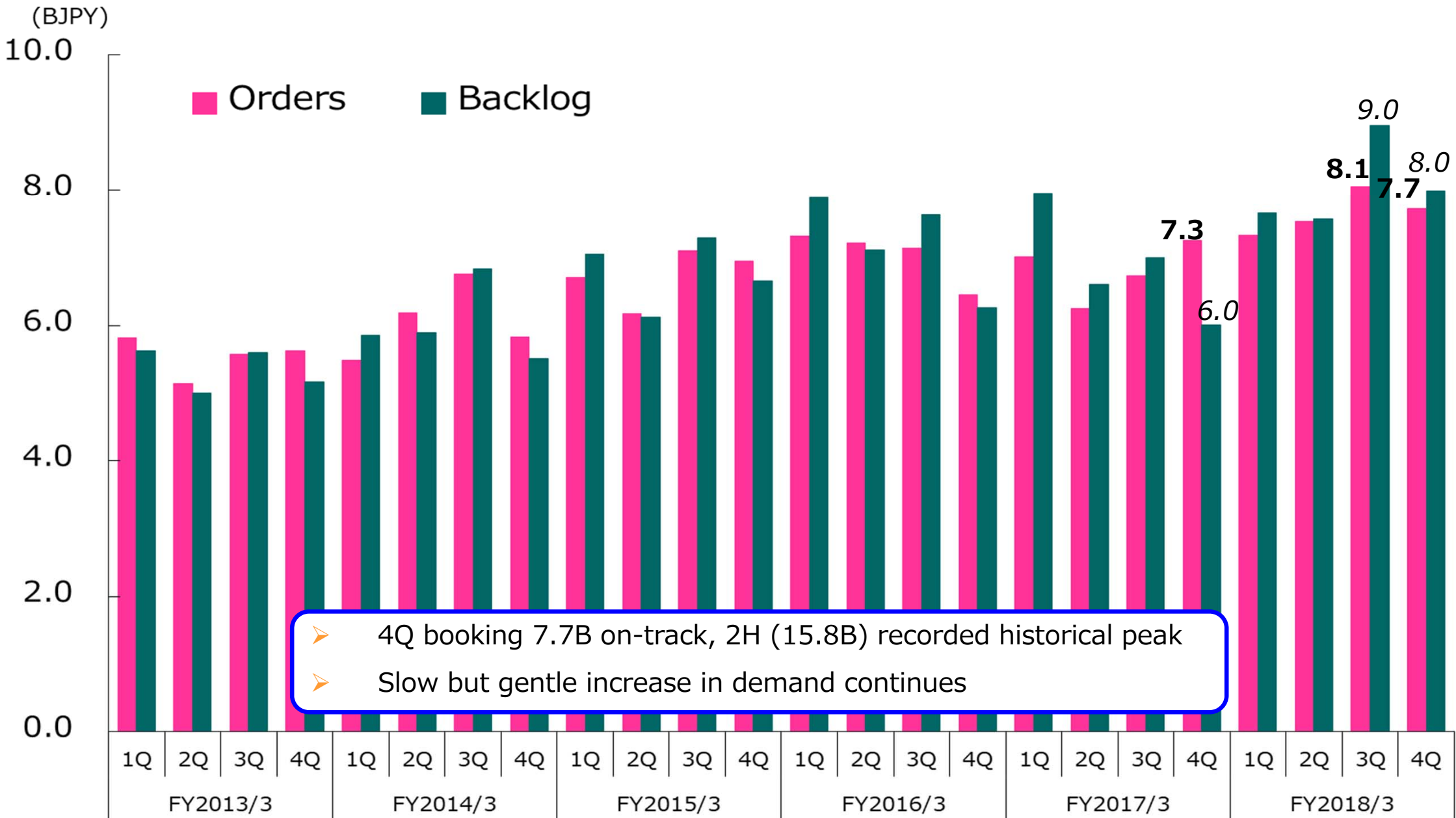




Sales (BJPY)

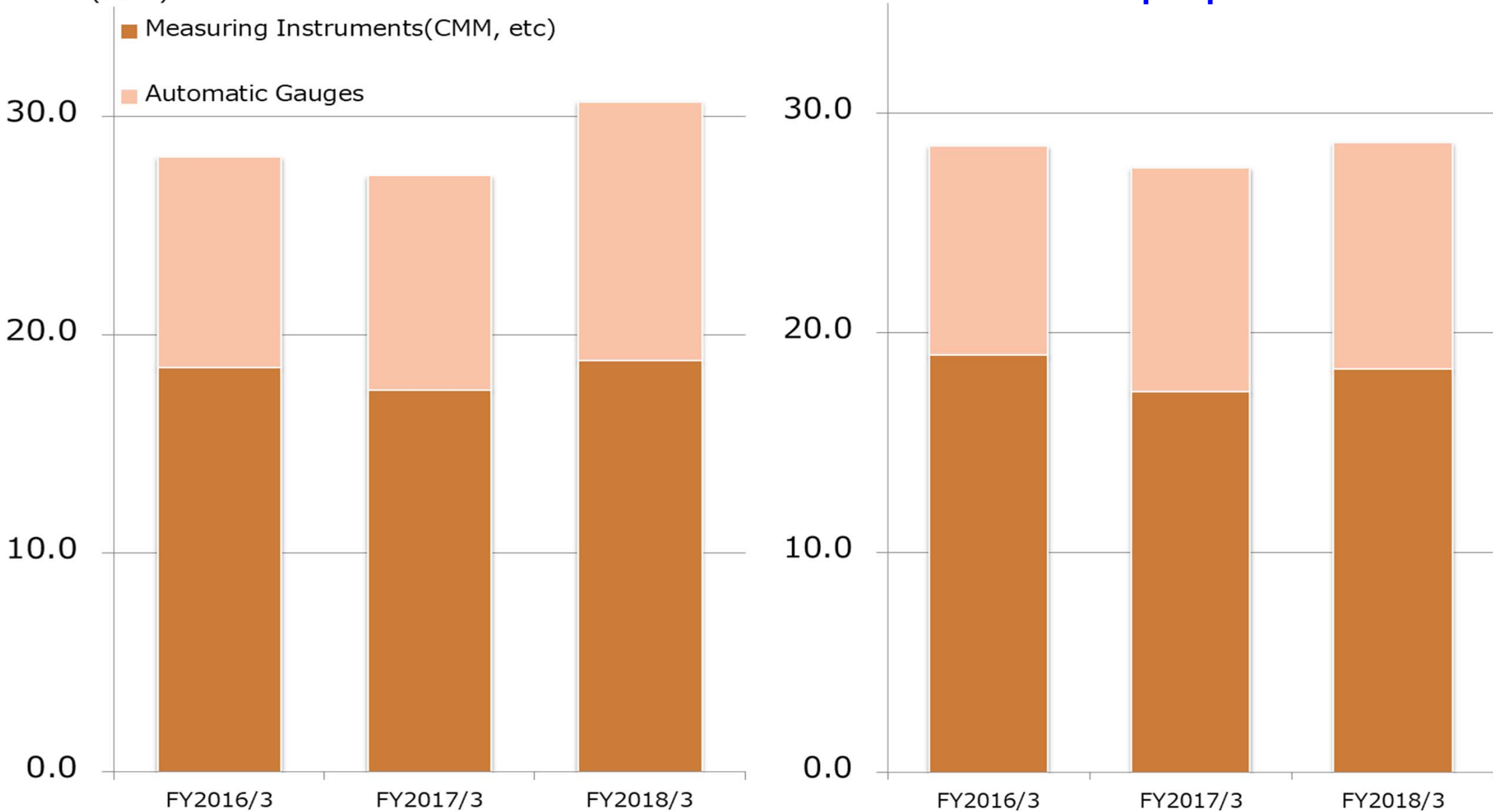
Operating profit(BJPY)

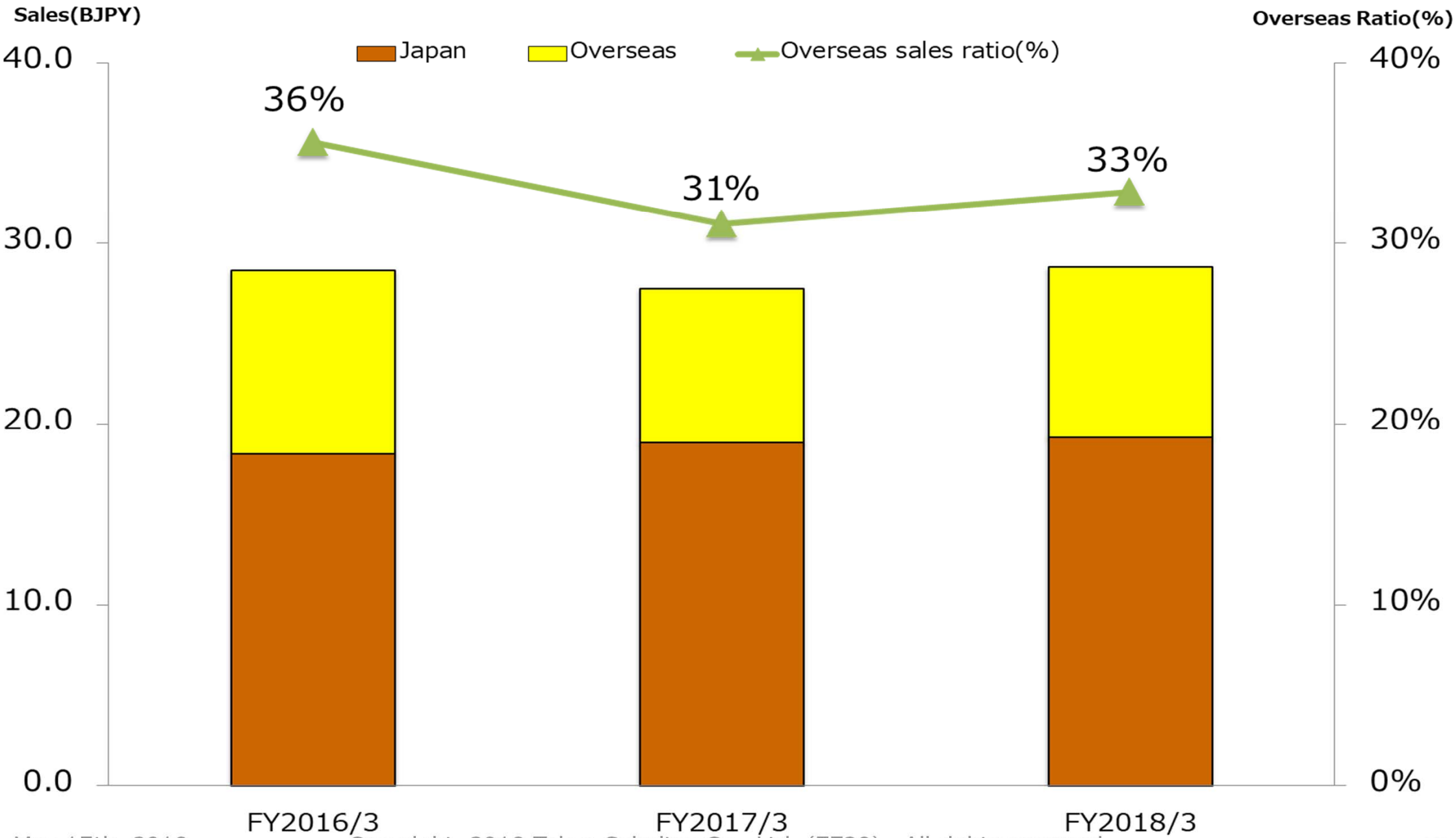




(BJPY) **Orders per product**

Sales per product





Balance Sheet

Assets (Billions of Yen)	Mar/E	Mar/E	Diff.	Liabilities, Net Assets (Billions of Yen)	Mar/E	Mar/E	Diff.
	2017	2018			2017	2018	
Cash	33.9	37.2	+3.4	Accounts Payable(*2)	15.8	21.9	+6.1
Accounts Receivable (*1)	28.4	33.4	+5.0	Short term Debt	1.3	1.3	±0.0
Inventories	17.3	22.3	+5.0	Others	9.5	9.6	+0.1
Others	3.2	3.4	+0.1	Total Current Liabilities	26.6	32.8	+6.2
Total Current Assets	82.8	96.3	+13.6	Total Fixed Liabilities	0.7	0.8	+0.1
Fixed Assets	31.7	36.6	+5.0	Total Liabilities	27.3	33.6	+6.4
Total Assets	114.5	133.0	+18.5	Net Assets	87.2	99.4	+12.2
				Total (int. bearing debt)	114.5 (1.3)	133.0 (1.3)	+18.5 (±0.0)

(*1) Incl. Trade notes and Electronically Recorded Monetary Claims (*2) Incl. Trade notes and Electronically Recorded Obligations-operating
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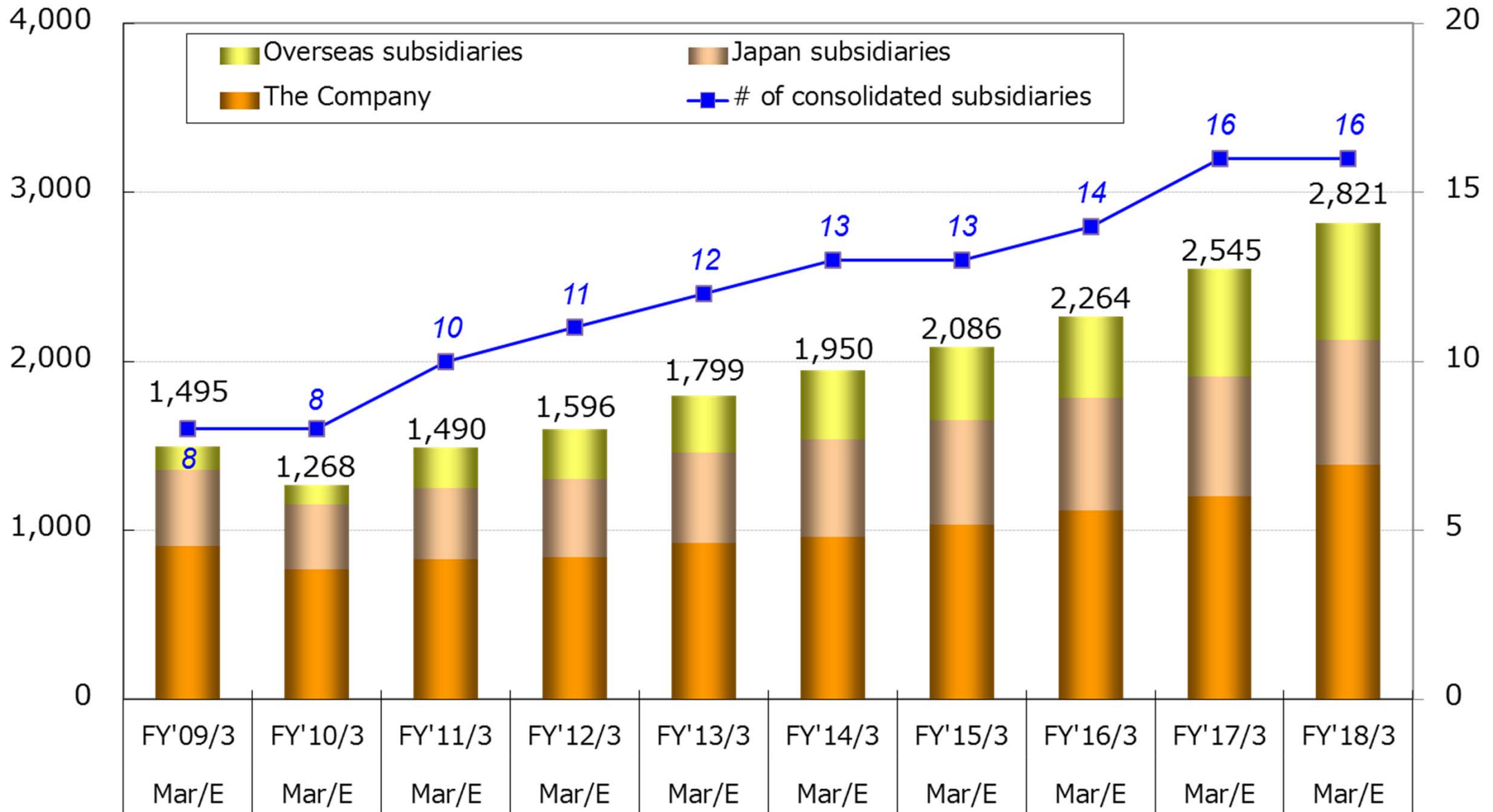
Cash Flow Statement

Billions of Yen		FY2016/3	FY2017/3	FY2018/3
Opening Balance		26.8	27.3	33.8
From Operating Activities	Profit before tax and depreciation	15.5	16.9	20.0
	Change in Receivables, Payables and Inventories	- 4.2	- 0.1	- 4.2
	Tax Payment	- 3.8	- 3.6	- 5.9
	Others	- 0.3	- 0.4	1.1
	小計	7.2	12.8	10.9
From Investing Activities		- 3.8	- 3.5	-4.6
Free Cash Flow		3.4	9.3	6.3
From Financing Activities	In(de)crease in Borrowings	- 0.5	- 0.3	- 0.0
	Dividends and Others	- 2.3	- 2.6	- 3.1
	Total	- 2.8	- 3.0	- 3.2
Net Cash Increase (incl. adjustments and change in consolidated subsidiaries)		+ 0.5	+ 6.5	+3.3
Closing Balance		27.3	33.8	37.1

Number of Employees

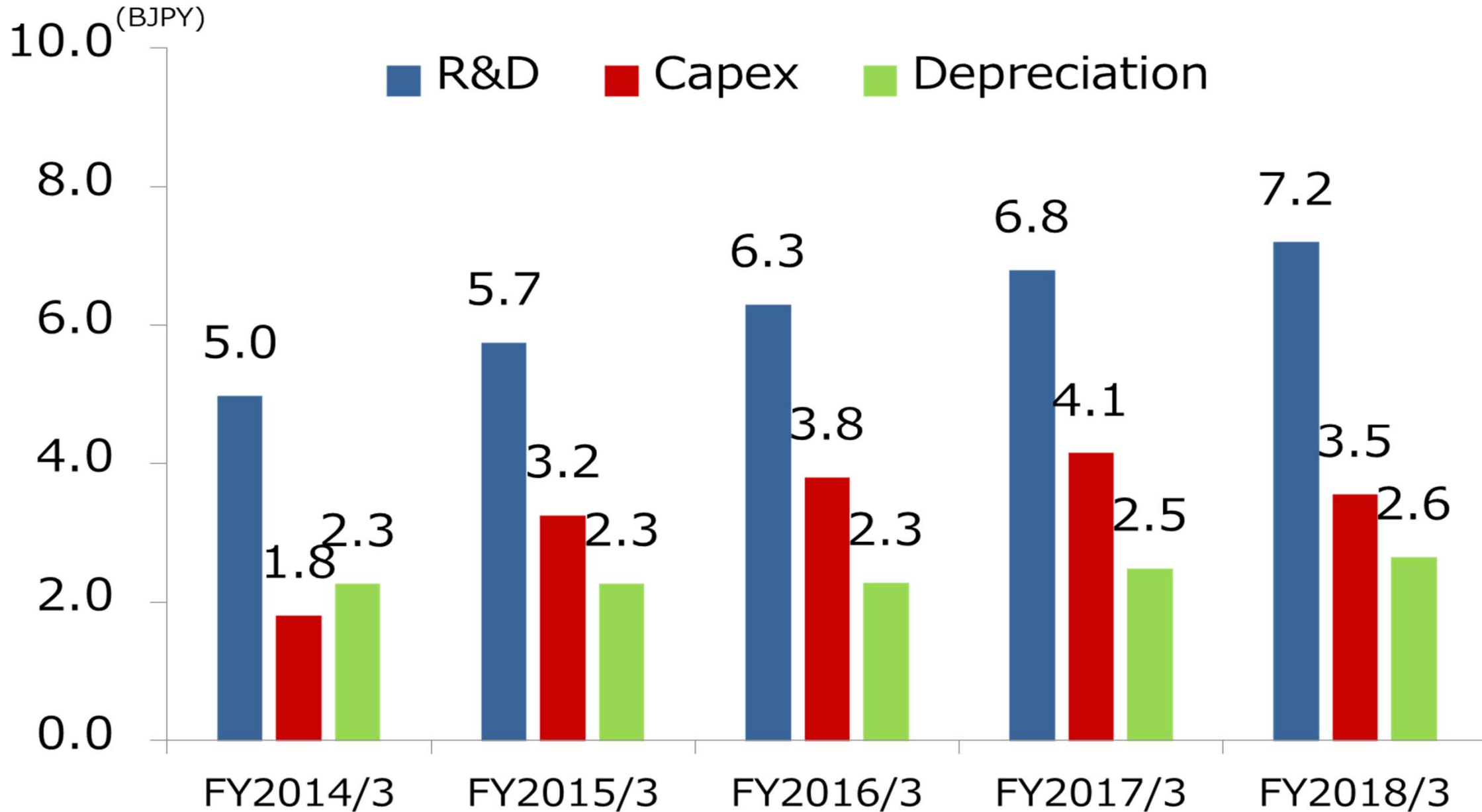
Number of Employees (person)

of Consolidated Subsidiaries



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

R&D, Capex, Depreciation



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Conceptual Framework



Major achievements (by FY 2018/3)

- ✓ ROE12~13% (>Capital cost)
- ✓ Increase in sales and profit for 5 consecutive fiscal years
- ✓ Established / expanded application centers globally
- ✓ Construction of Hachioji No.6 plant and factory for consumables in Thailand completed
- ✓ Increased R&D investment
- ✓ Business tie-up with Panasonic to promote “Laser Grooving and Plasma Dicing method”
- ✓ Maintained equity ratio of 70% level
- ✓ Published CSR report/ Declared compliance with EICC (Electronic Industry Code of Conduct)
- ✓ Disclosed Group Code of Conduct
- ✓ Basic policy of Corporate Governance

Directions per each segment

SPE

Strengthen No.1 products
Enhance new technologies
and solutions



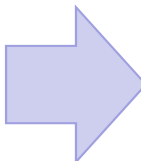
Metrology

Strengthen No.1 products
Catch overseas demand
Create new markets



+a

Apply our precision technology

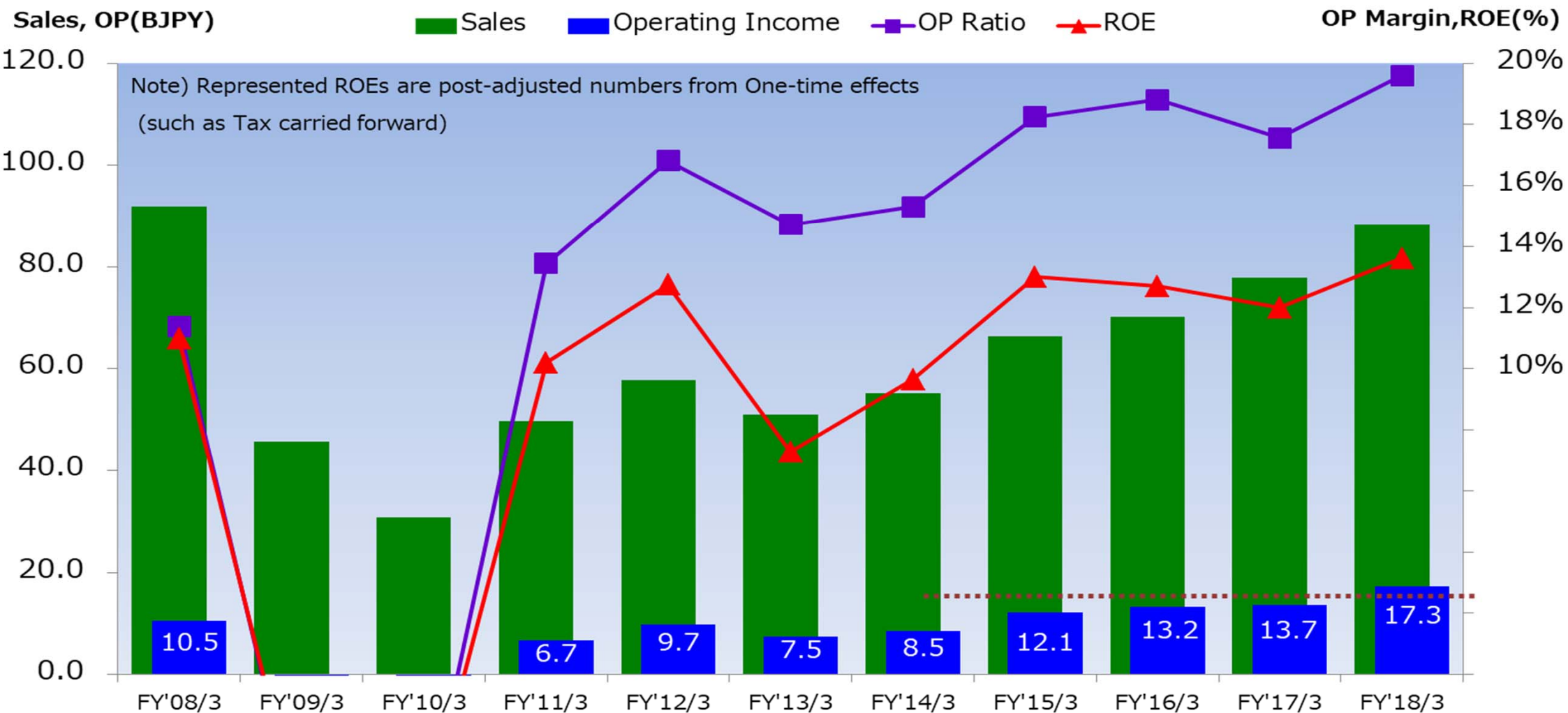


Major achievements (by FY2018/3)

- ✓ Multi-chuck Prober for memory devices
- ✓ Increased business on automotive /electronic components
- ✓ Increase sales of Dicing blades
- ✓ Increase sales of grinders for hard-to-cut materials

- ✓ Increased aircraft-related business
- ✓ Developed overseas markets for automation
- ✓ Started taking orders for optical measurement instruments

- ✓ Established “New Biz” Planning Dept.
- ✓ Investment to Private Equity fund/ Venture Business



- ◆ Long-term : To maintain over 10% of ROE → Maintained
- ◆ Mid-term : To achieve historical highest OP (15.0 billion yen) → Achieved a year ahead of schedule (by FY2019/3)

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**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」**

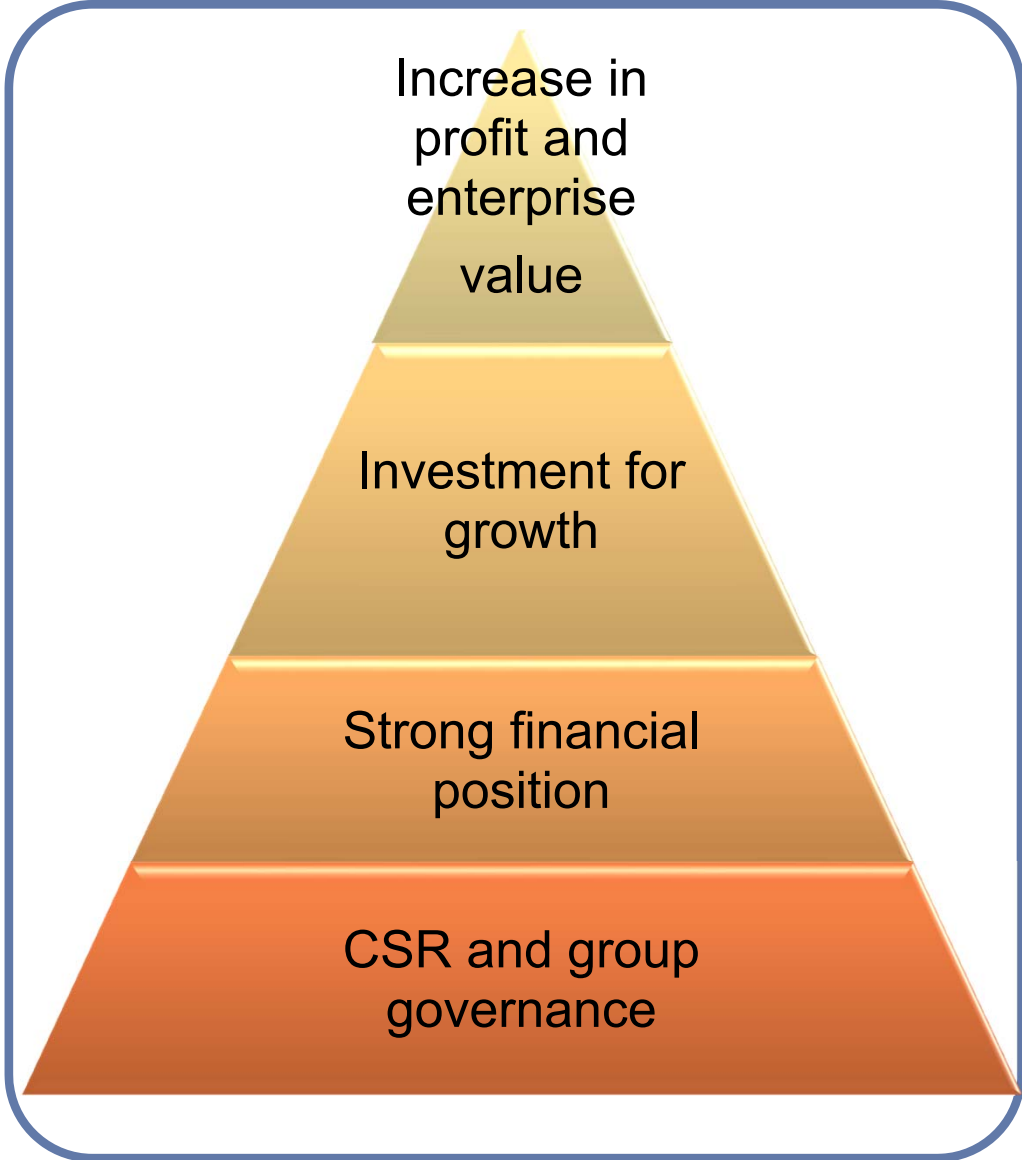
WIN-WIN relationships create the World's No. 1 Products

Our corporate brand ;

→ **ACCRETECH**

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

Conceptual framework



Business portfolio analysis

SPE

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

Metrology

- **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

External environment surrounding our business

Chain-like growth with new techs developing based on network and communications

IoT(Internet of Things)

Cloud computing



Virtual/ Augmented Reality



Expanding traffic of data, people and goods



Smartphone, Personal digital assistant



Autonomous drive/ Automotive electronics



Factory Automation



Digitalized production control



Demand for jets



AI / Big data



SPE : New growth stage

- **Network : Memory devices, Electronic components, Sensors**
- **Automotive : Sensors, Power devices, SiC substrates**
- **Demand from China : Investment in full-scale construction of new factories (until CY2019)**

Metrology : Continuing sustained growth

- **Auto : Platform innovation, development of ICE continues**
- **Machine tools : Demand towards gauges in line with demand increase for IoT**
- **Aircraft : Especially demand for mid-sized jets in emerging countries**

Long-term target : ROE of 10% or more

Mid-term target : Achieve OP of ¥22.0B
(by FY2021/3)



Achieve in both cycles



Expand sales
(Aim for sales of
¥110 billion)

Improve profit ratio
(Aim for OP margin of
20% or more)

Technology

Strengthen product competitiveness,
Expand target market

Production

Expand production capacity
Effectiveness improvement
(Automation, manpower-saving)

Profit ratio improvement

Promote information sharing by ERP
Sales expansion of service and consumables
(Field service, engineering)

**Achievement of
Mid-term goal**



Response by each product/technology



Prober

- Respond to ALL needs (Provide optimal platforms and options for each device or customer)

Dicing Machine/Blades

- Build up and provide solutions
- Expand options
- Next generation devices
- New technology (Laser, Plasma)

Grinder

- Respond to state-of-the-art technologies (TSV, 3D, FOWLP/PLP...)
- New materials (SiC etc.)



Prober with multiple chucks for memory devices



Dicing Machine/Blades



Polish Grinder



CMP



High-Rigid Grinder



Differentiation by product /solution and expansion of sales channels

Product development

- Strengthen high-end models
- Expand lineup of entry models and gauges
- Expand lineup of optical measurement instruments

Solution

- Strengthen engineering, maintenance, and commissioned business
- Automatic measurement function
- Interfaces

Sales/Marketing

- Execution of regional strategy for overseas sales
- Expansion of application centers
- Develop new customer industry



Cylindrical form measuring instruments with high precision



Coordinated measuring instrument with high precision



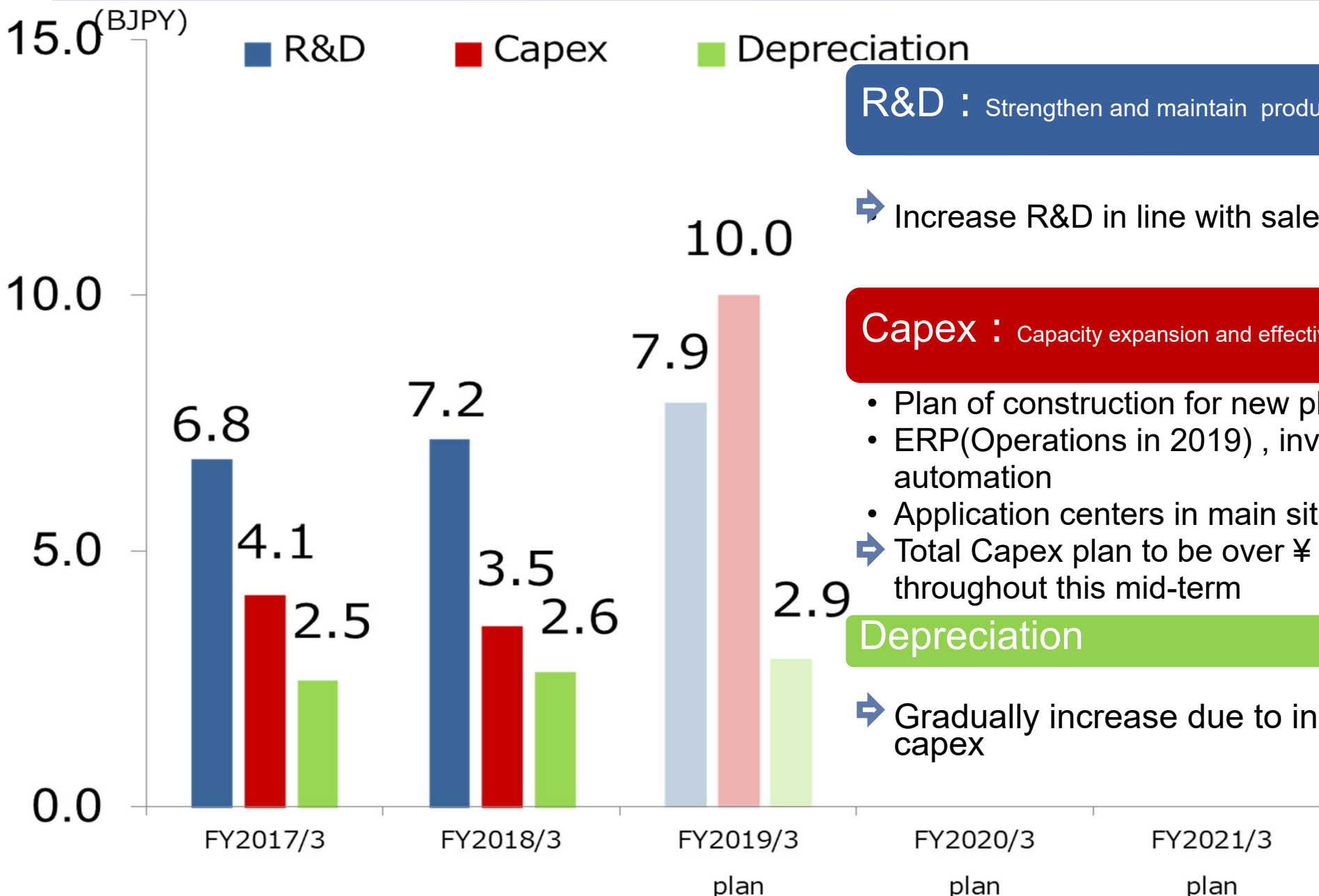
Surface roughness measuring instrument for shop floor



Wireless bore gauge for ATC



Non-contact/3D surface roughness and contour measuring instrument (Dedicated model for wafer)



R&D : Strengthen and maintain product competitiveness

⇒ Increase R&D in line with sales increase

Capex : Capacity expansion and effectiveness improvement

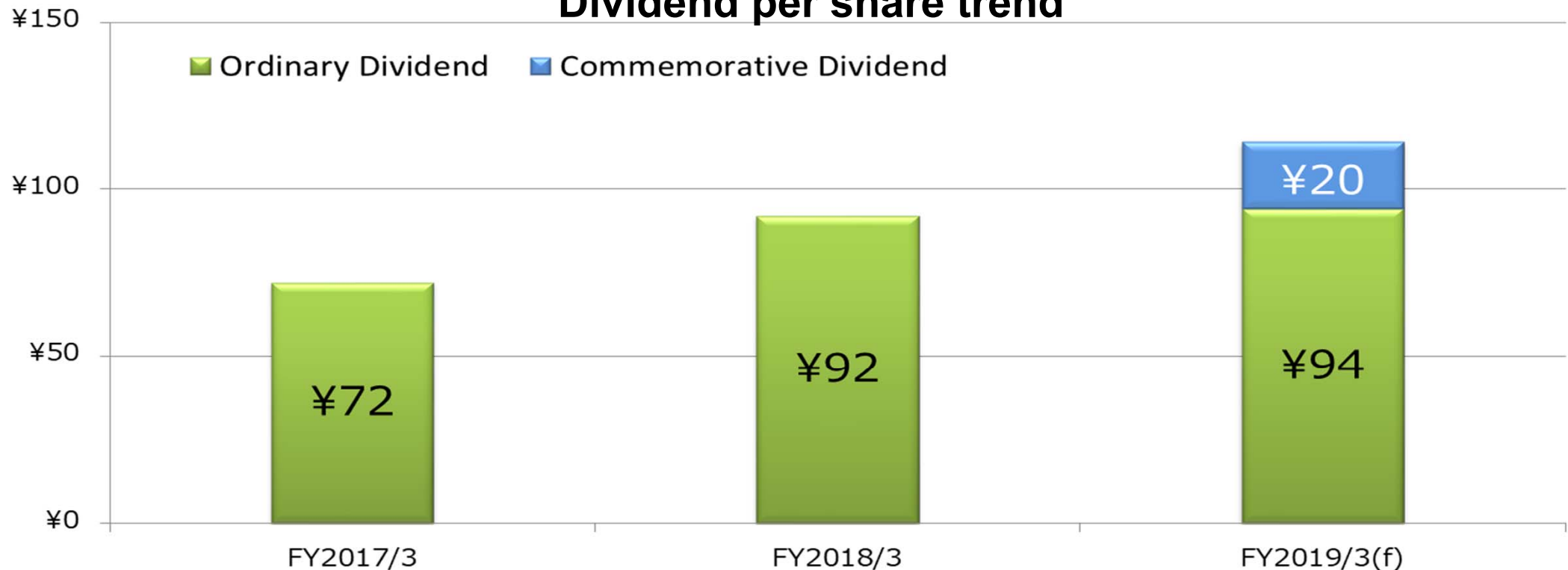
- Plan of construction for new plants
 - ERP(Operations in 2019) , investment for automation
 - Application centers in main sites
- ⇒ Total Capex plan to be over ¥ 20.0 billion throughout this mid-term

Depreciation

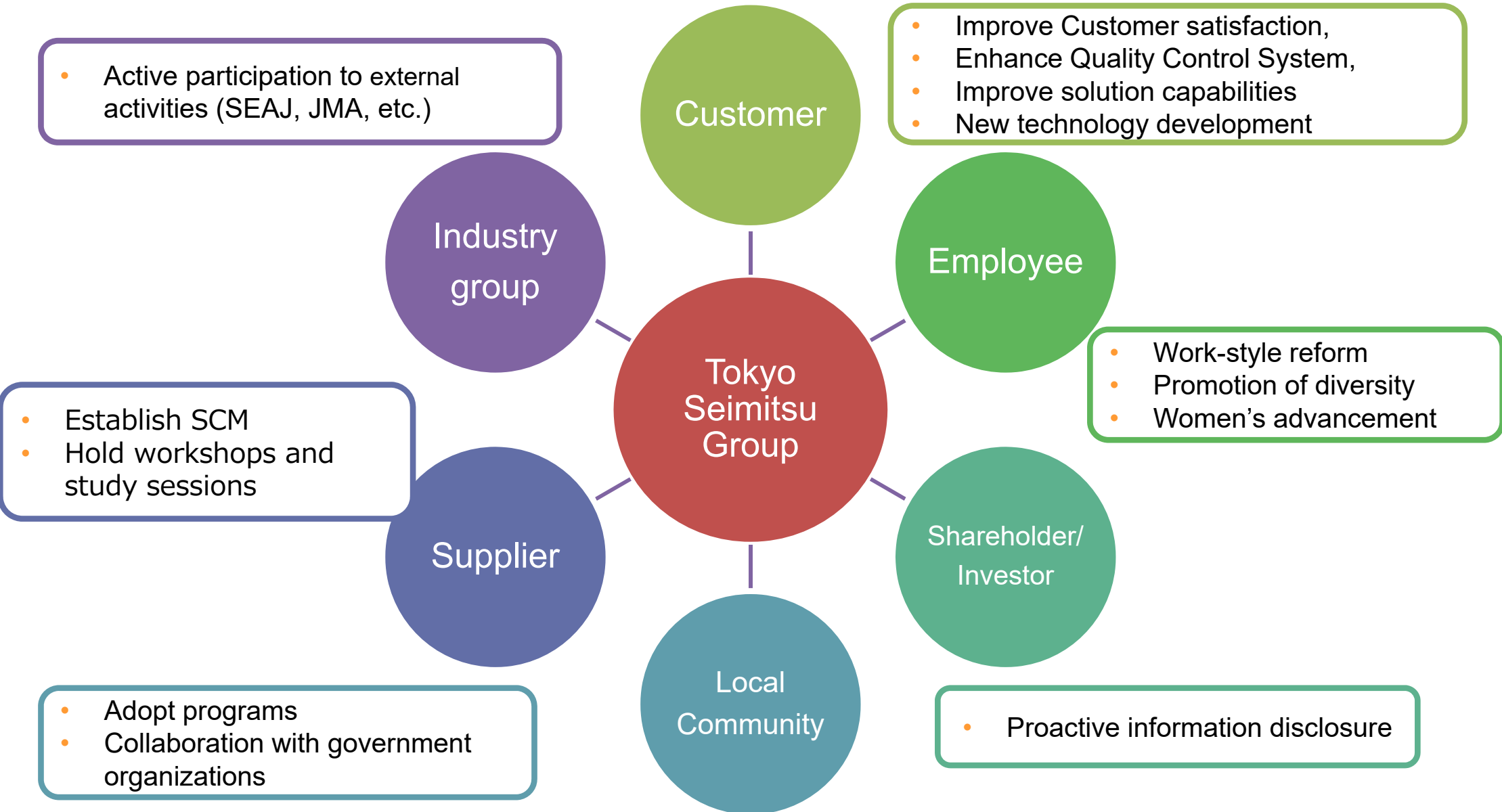
⇒ Gradually increase due to increase in capex

- Focus on investment for growth while maintaining financial solidity
- Aim to pay dividends targeting a consolidated dividend payout ratio of 30%, with a core policy regarding the distribution of profits linked to business performance
- For FY2019/3, plan to issue a commemorative dividend (20 yen) to mark the Company's 70th anniversary, totaling a full-year dividend plan of 114 yen

Dividend per share trend



Realizing a sustainable society (CSR activity)



Realizing a sustainable society (ESG activity)

Environment

- Environmentally friendly products : develop eco-friendly products considering LCA
- Global warming prevention : reduce CO2 emissions
- Resource saving : reduce water usage, improve recycle ratio of wastes

Social

- Quality improvement, work safety : enhance change point management process, QMS activity, accident rate reduction
- Supply chain : implement and strengthen ESG in cooperation with suppliers based on our policies
- Others : work-style reforms (women's advancement), compliance, local cleanup activities

Governance

- Group Code of Conduct : education in all sites, penetration, and review
- Compliance : construction, education, and review of compliance system
- Enhance information security : enhance internal system, inspection system, and education



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SPE

- Current demand situation is positive
- Production status is still affected by tightening of procurement of parts
- Hard to see factors of market outlook such as timing of placing orders for equipment for smartphone components

Metrology

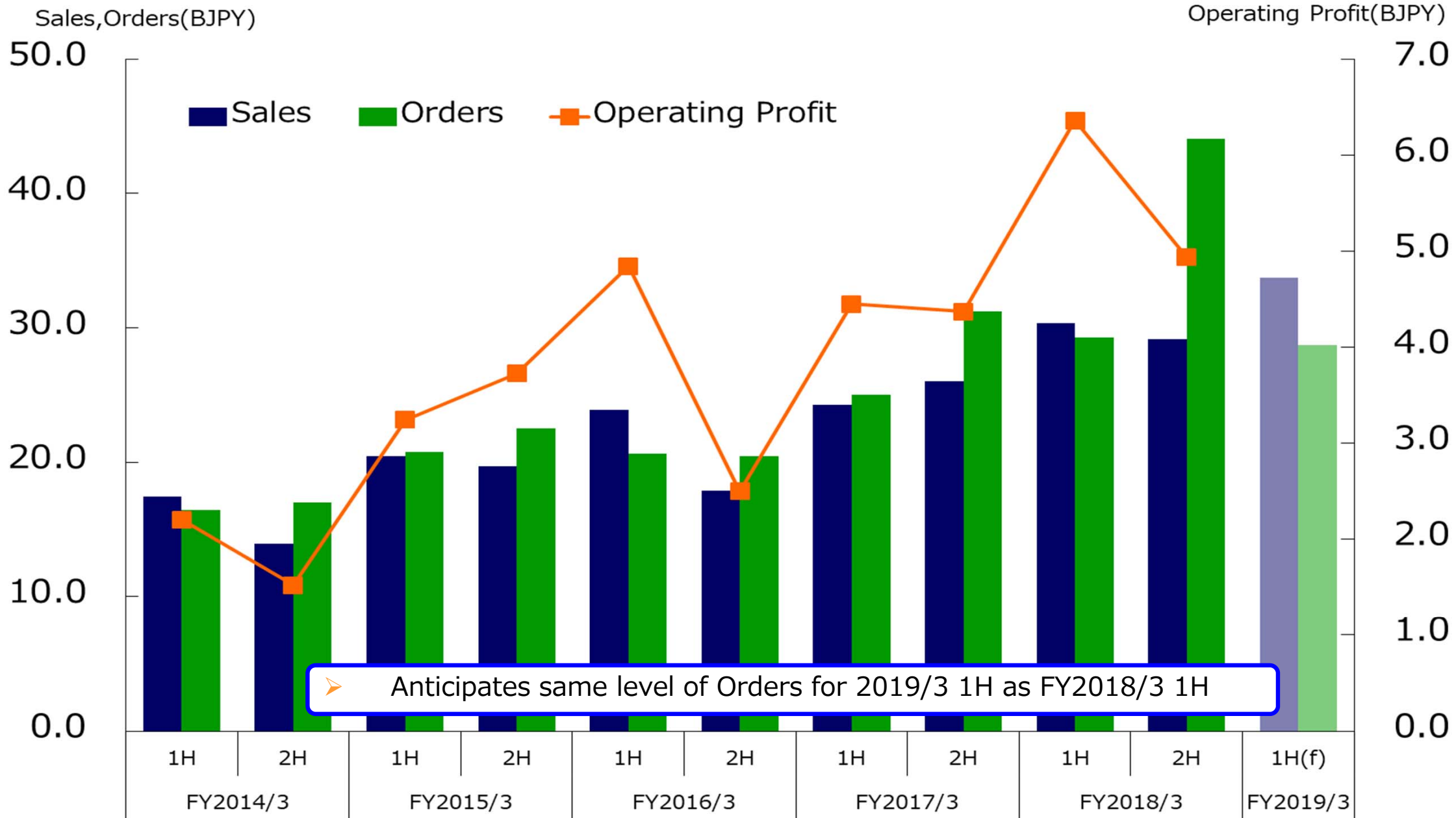
- Demand for manufacturing in Japan continues to be active
- Expect overseas demand increases (especially China)
- Expect demand increases from Automation and Engineering

(Billions of Yen except dividend)		FY2018/3			FY2019/3			Y/Y
		1H	2H	FY	1H fcst	2H fcst	FY fcst	
Sales		43.7	44.5	88.2	48.2	46.8	95.0	+8%
	SPE	30.3	29.2	59.5	33.7	31.7	65.4	+10%
	Metrology	13.3	15.4	28.7	14.5	15.1	29.6	+3%
Operating Profit		8.9	8.4	17.3	9.7	8.8	18.5	+7%
	OP Margin	20%	19%	20%	20%	19%	19%	-
Recurring Profit		9.0	8.3	17.3	9.7	8.8	18.5	+7%
Net Profit (*)		6.4	6.4	12.7	6.9	6.2	13.1	+3%
Dividend per share		92 Yen			114 Yen (incl. 94 Yen Ordinary and 20 Yen Commemorative)			+22Yen

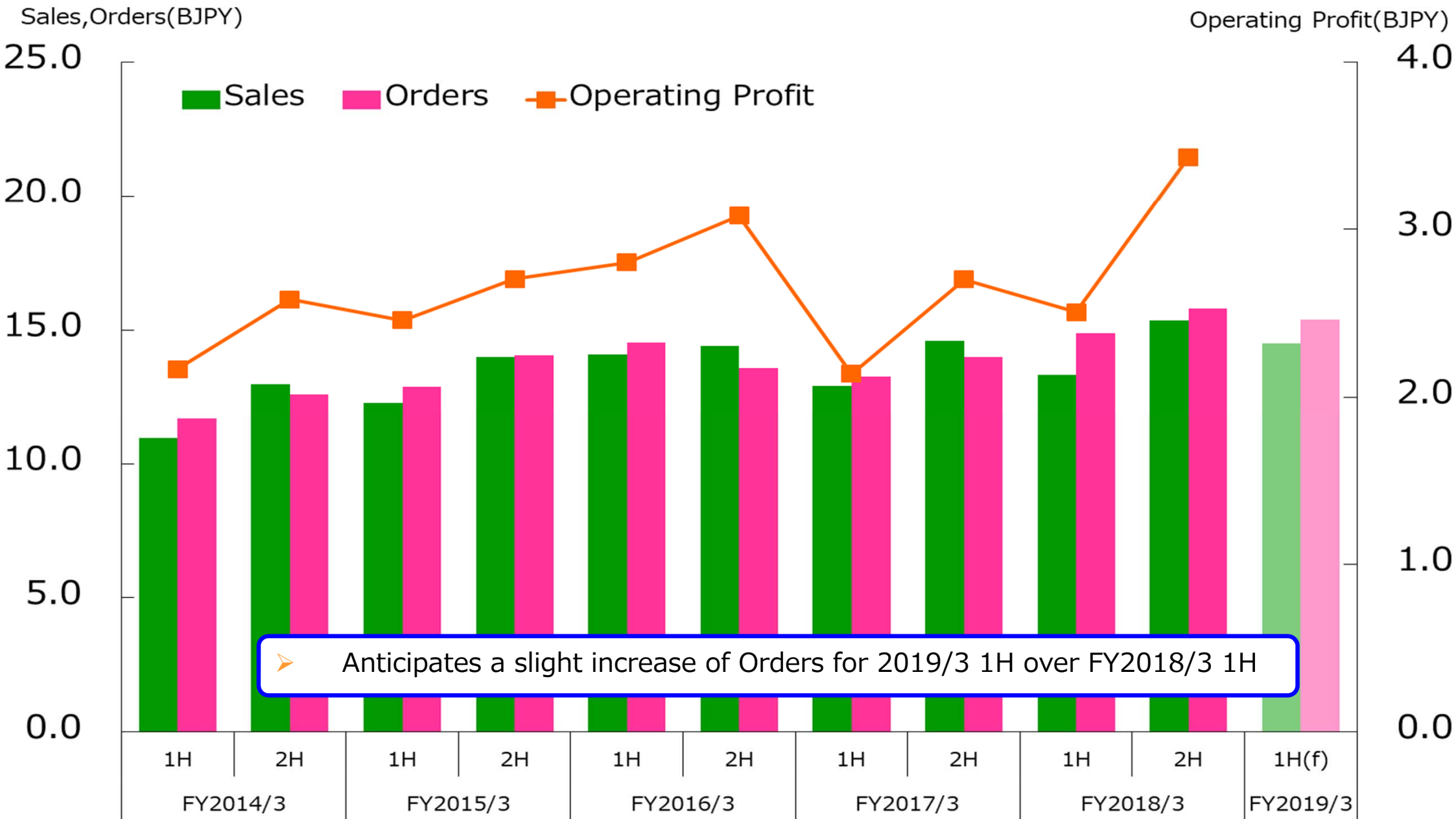
(*) attributable to owners of the parent

The Company plans to issue 70th anniversary commemorative dividend for FY2019/3

SPE Segment – Sales/Orders trend incl. Forecasts



Metrology Segment – Sales/Orders trend incl. Forecasts



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