

# Tokyo Seimitsu Co., Ltd. Earnings Conference for FY2019/3 Full Year

May 14<sup>th</sup>, 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, 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 FY2019/3**
- ◆ **Summary for the 1<sup>st</sup> year of mid-term business target**
- ◆ **Outlook and policy for mid-term business target**
- ◆ **Forecast for FY2020/3**
- ◆ **Q&A**

# FY2019/3 Business Results



(Billions of Yen except dividend)	FY2018/3	FY2019/3	
	Full Year	Full Year	YoY(%)
<b>Sales</b>	<b>88.2</b>	<b>101.5</b>	+15%
SPE Segment	<b>59.5</b>	<b>69.1</b>	+16%
Metrology Segment	<b>28.7</b>	<b>32.4</b>	+13%
<b>Operating Profit</b>	<b>17.3</b>	<b>20.2</b>	+17%
SPE	11.3	13.2	+17%
OP Margin	19%	19%	
Metrology	6.0	7.0	+17%
OP Margin	21%	22%	
<b>Recurring Profit</b>	<b>17.3</b>	<b>20.8</b>	+20%
<b>Net Profit (*)</b>	<b>12.7</b>	<b>14.7</b>	+15%
<b>Dividend per share</b>	<b>92 Yen</b>	<b>125 Yen</b> (Incl. Commemorative Dividend)	+33Yen

➤ FY2019/3 Sales and Profits recorded historical high since Company's establishment

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- FY2019/3 results, both Sales and Profits, recorded historical high since Company's establishment mainly driven by firm business demands both in SPE and Metrology Business Segments.
- Consolidated Sales amount: 101.5 Billion JPY (hereafter referred to as "B"). 69.1B from SPE, and 32.4B from Metrology.
- Operating profit: 20.2B (SPE 13.2B, Metrology 7.0B)
- Recurring profit: 20.8B and Net Profit: 14.7B
- Dividend will be 125 JPY per share.  
(Include Commemorative dividend . Year end dividend will be 66 Yen)  
(Please also refer to News Release on May 14<sup>th</sup>. 2019 for details).



# 4Q (Jan-Mar 2019) results



(Billions of Yen)	FY2018/3				FY2019/3					
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Q/Q	Y/Y
<b>Sales</b>	19.9	23.8	19.2	25.3	19.8	31.4	23.7	26.6	+12%	+5%
SPE	14.2	16.1	12.6	16.6	12.8	23.0	15.3	18.0	+18%	+8%
Metrology	5.7	7.6	6.7	8.7	7.0	8.4	8.4	8.6	+2%	-1%
<b>Operating Profit</b>	4.0	4.9	3.6	4.8	3.1	7.1	4.8	5.2	+9%	+9%
SPE	3.1	3.2	2.2	2.8	1.6	5.2	3.1	3.3	+8%	+19%
OP Margin	22%	20%	17%	17%	13%	23%	20%	18%		
Metrology	0.9	1.7	1.4	2.0	1.5	1.9	1.7	1.9	+10%	-5%
OP Margin	16%	22%	22%	23%	21%	23%	21%	22%		
<b>Recurring Profit</b>	4.1	4.9	3.6	4.6	3.4	7.4	4.8	5.2	+9%	+13%
<b>Net Profit</b>	2.9	3.5	2.6	3.8	2.6	5.3	3.5	3.3	-6%	-13%

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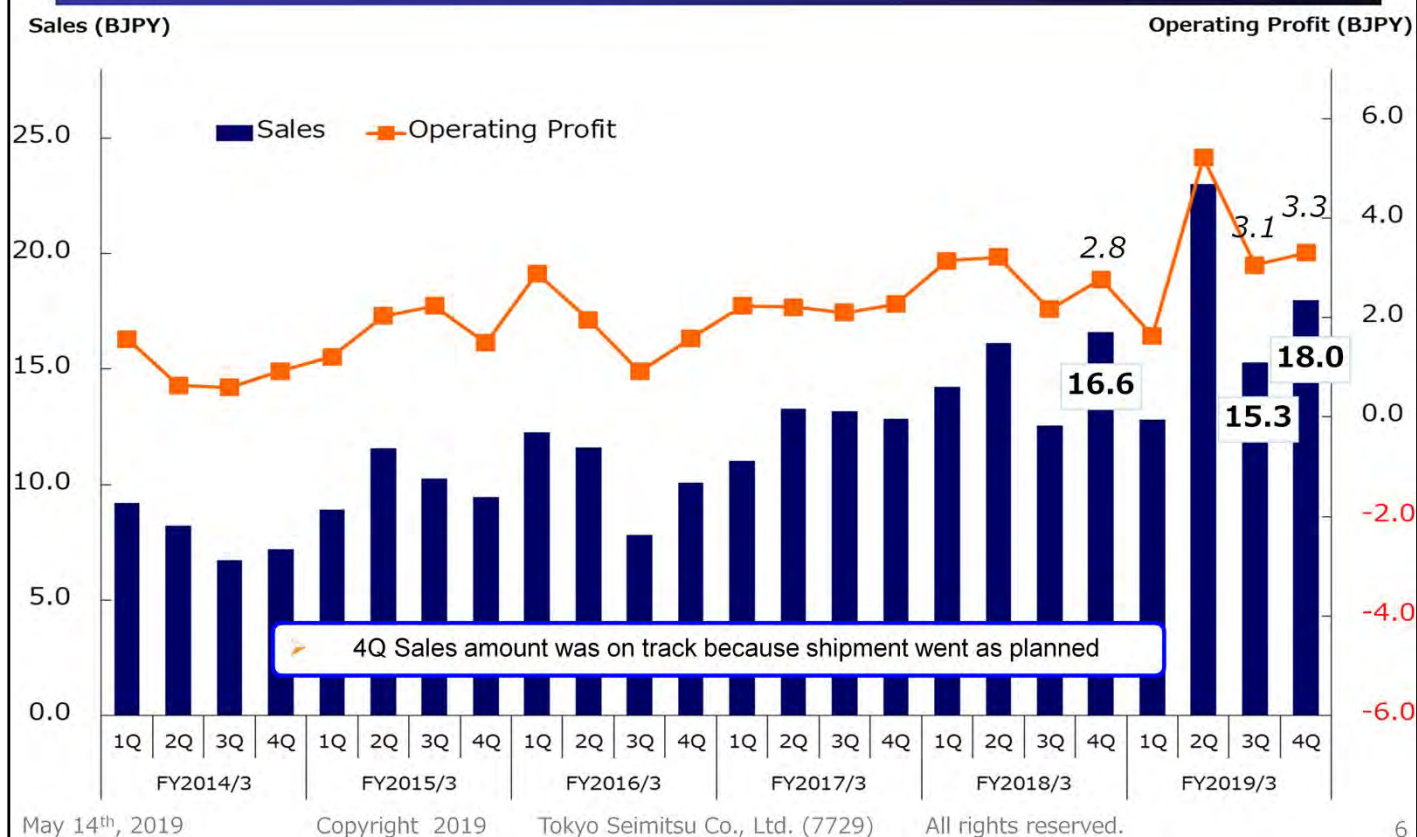
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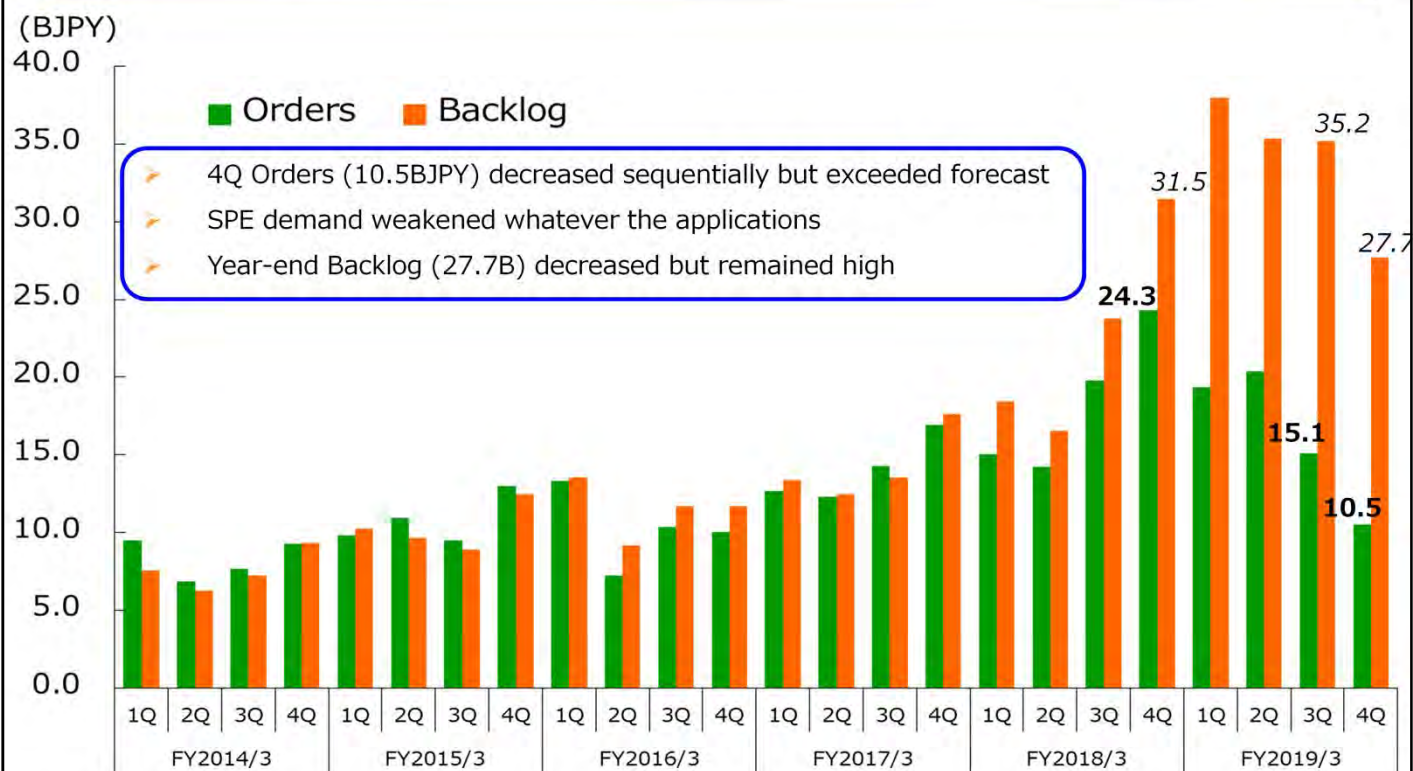
- Business Results for 4<sup>th</sup> quarter (4Q, January to March, 2019)
- Sales: 26.6B (SPE 18.0B, Metrology 8.6B )  
Increased QoQ and YoY driven by SPE shipment as planned, and steady demands toward Metrology products.
- Operating Income: 5.2B (SPE 3.3B, Metrology 1.9B)
- Ordinary Income: 5.2B, and Net Income: 3.3B.

# SPE – Sales and OP



- 4Q Sales was on-track because Shipments, mainly toward Display Driver IC and Sensor went as planned.
- Consequently, Sales amount increased QoQ.

# SPE – Orders and Backlog



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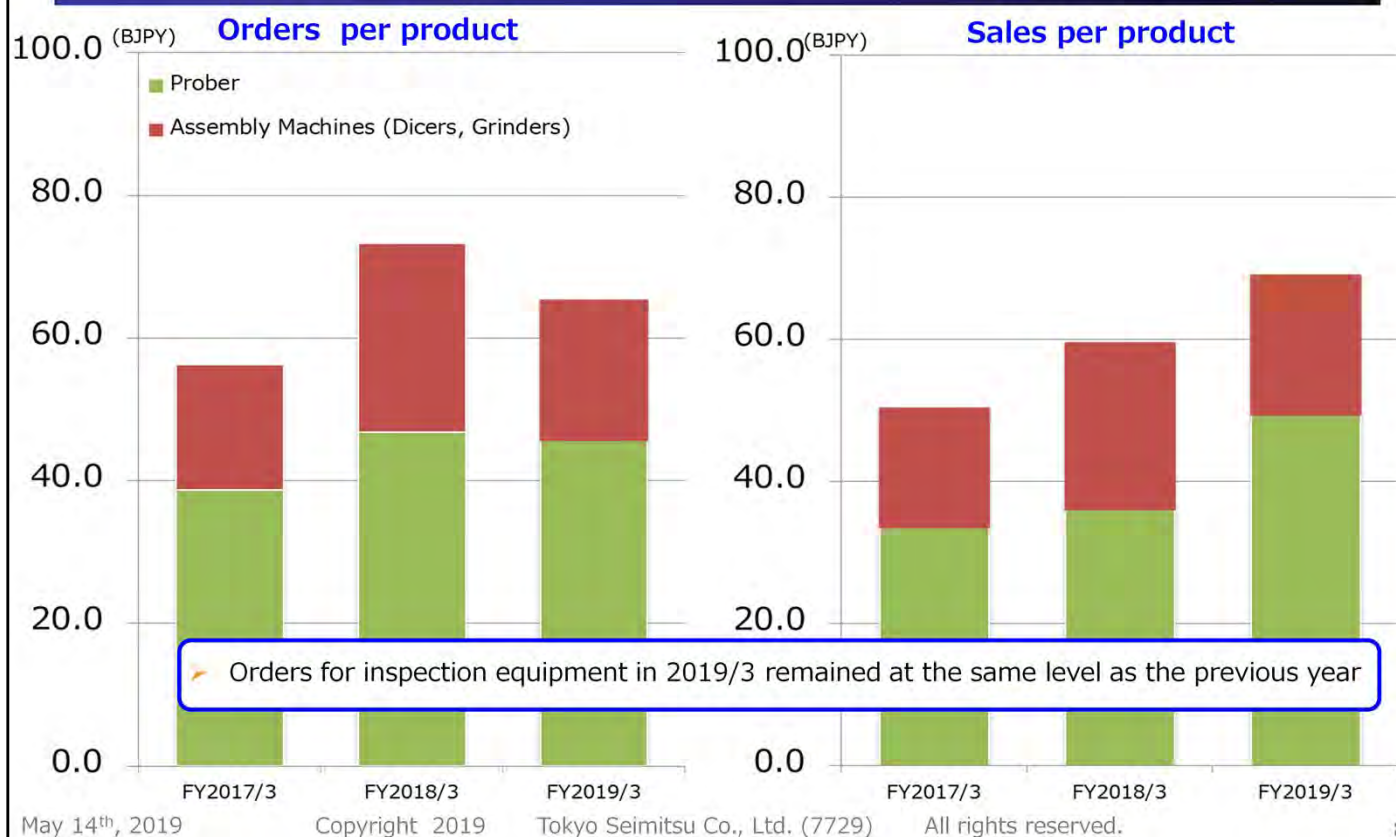
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- 4Q Orders were 10.5B (sequential decrease) but slightly better than as forecasts.
- SPE demand toward Memory weakened last Autumn, and then all kind of demands became stagnant from Winter
- 4Q end backlog was 27.7B, decreased YoY, but remained high.  
Business forecast for FY2020/3 assumed this.

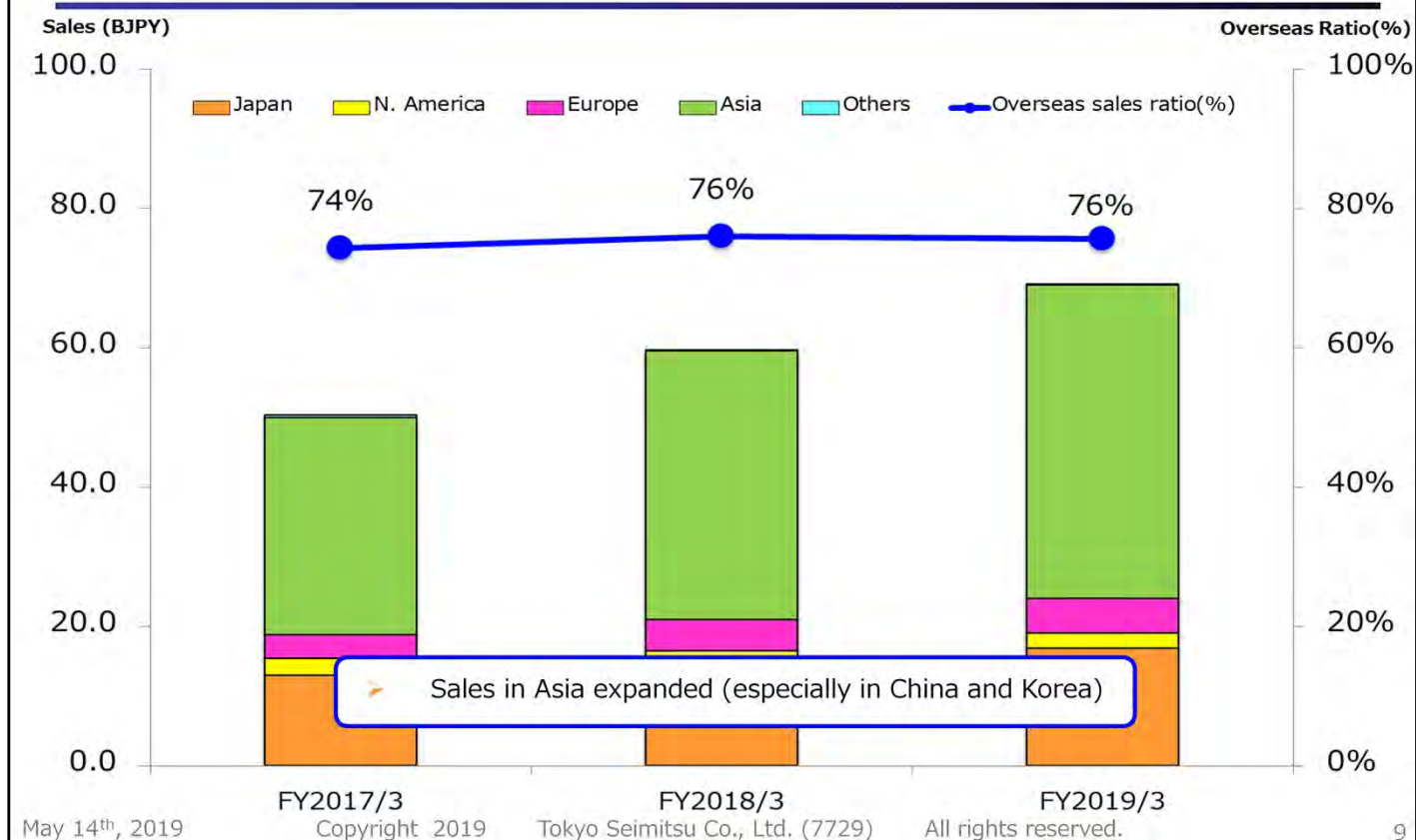
# SPE – per Product



- In FY2019/3, Orders decreased in assembly machines (Dicers, Grinders) while Sales increased mainly in inspection equipment (Probers).
- The composition ratio of Orders & Sales were; 70% for inspection equipment (Probers), and 30% for assembly machines (Dicers, Grinders).

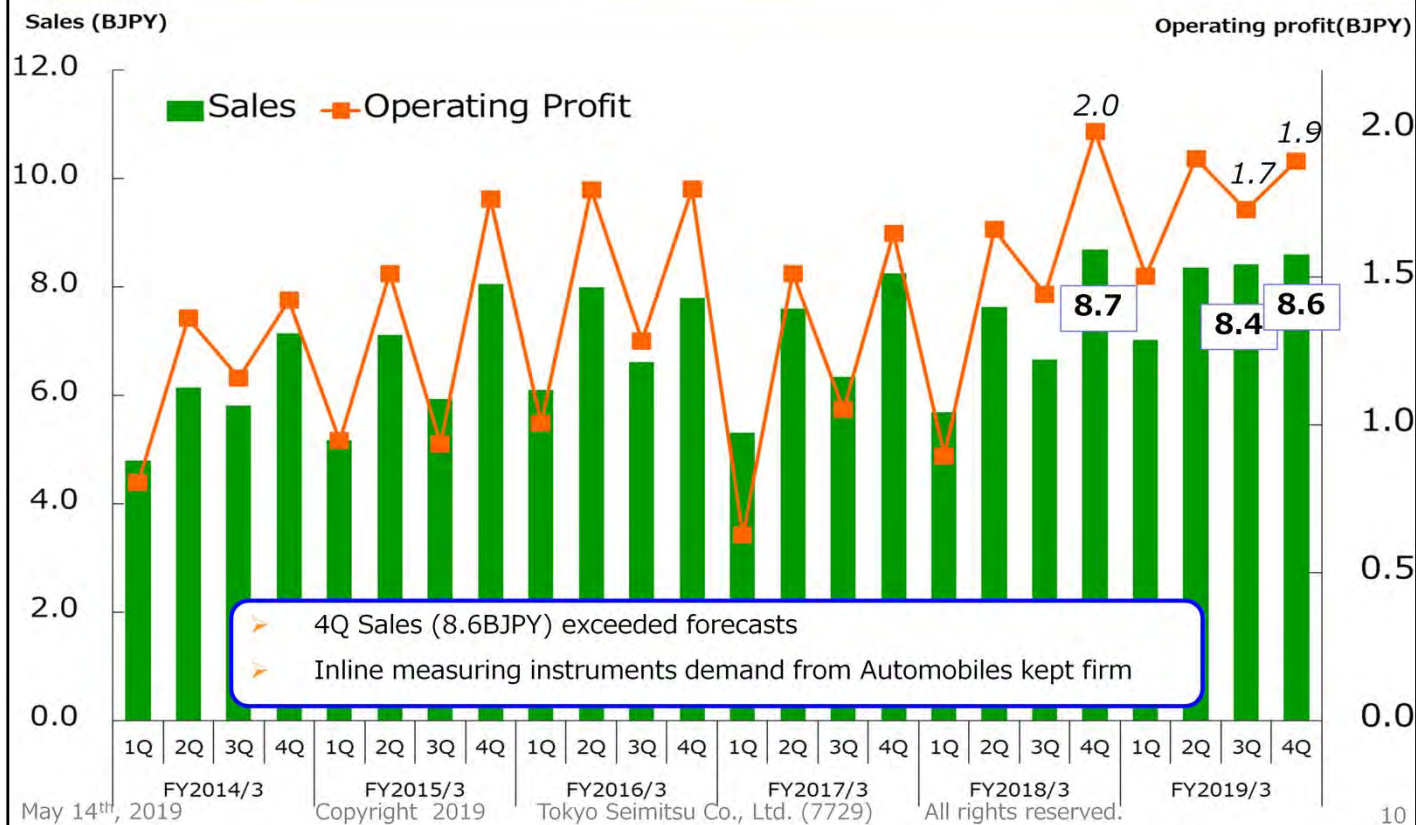


# SPE – Regional Sales



- SPE's overseas sales ratio was 76.0%.
- Sales to Asia had huge increase (with increase to China and Korea) , while sales within Japan were firm.

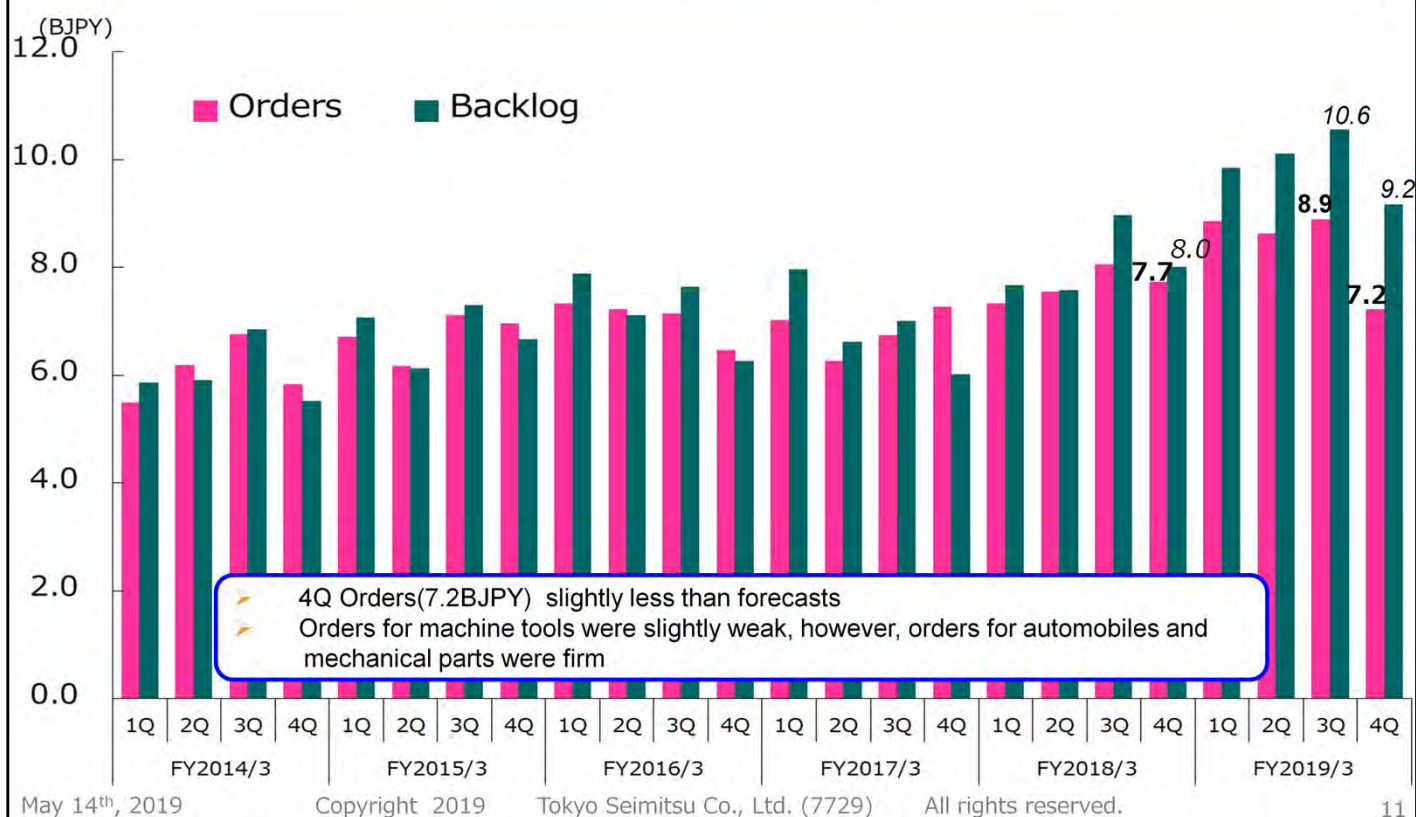
# Metrology – Sales and OP



- 4Q sales (8.6B) exceeded forecast.

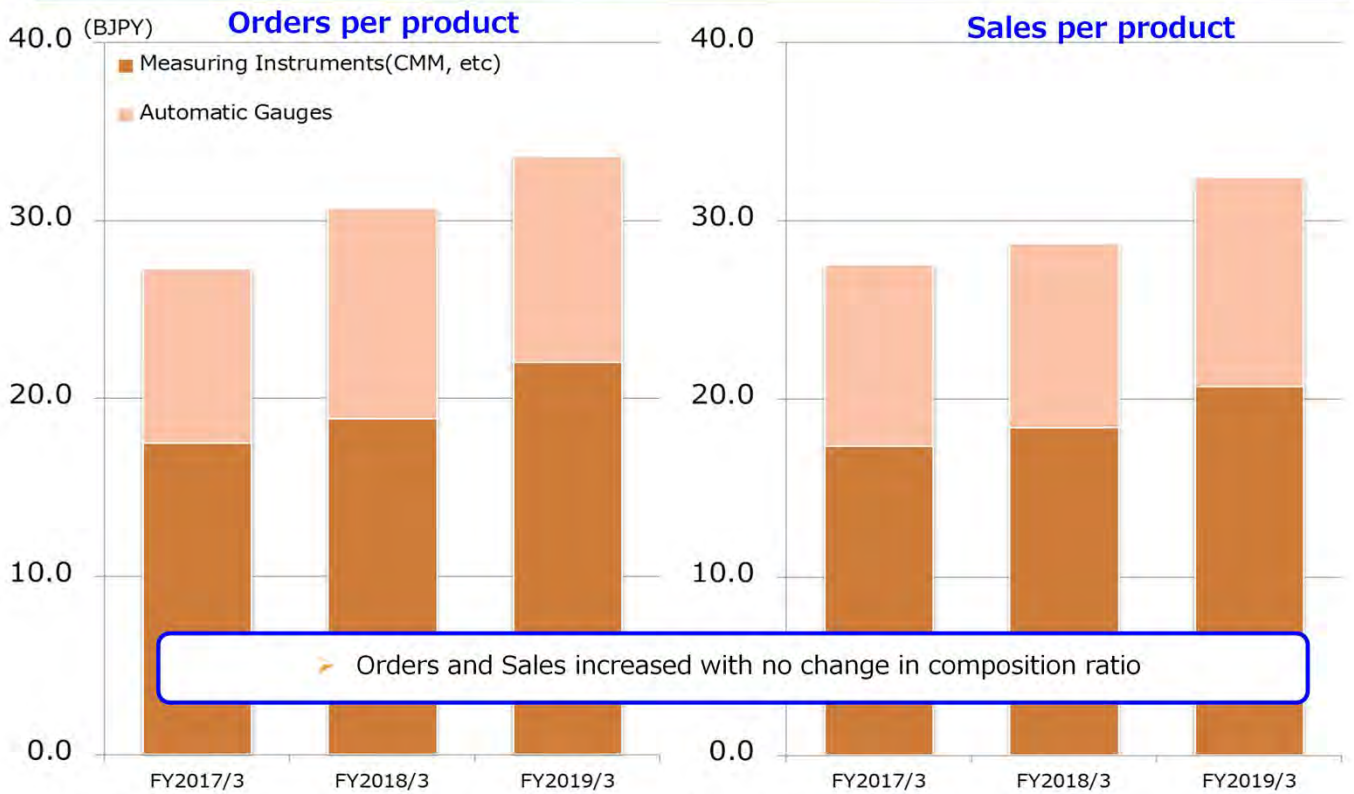
- Firm demand from Automobile related business , such as investment on production line innovation and inline measuring demands

# Metrology – Orders and Backlog



- 4Q orders were 7.2B, slightly less than forecasts  
 (The main reason was that machine tool-related orders were slightly weak, and also affected by the timing of implementation of manufacturing subsidies announcement)
- On the other hand, demand in the automobiles and mechanical parts (bearing etc.) was solid

# Metrology – per Product



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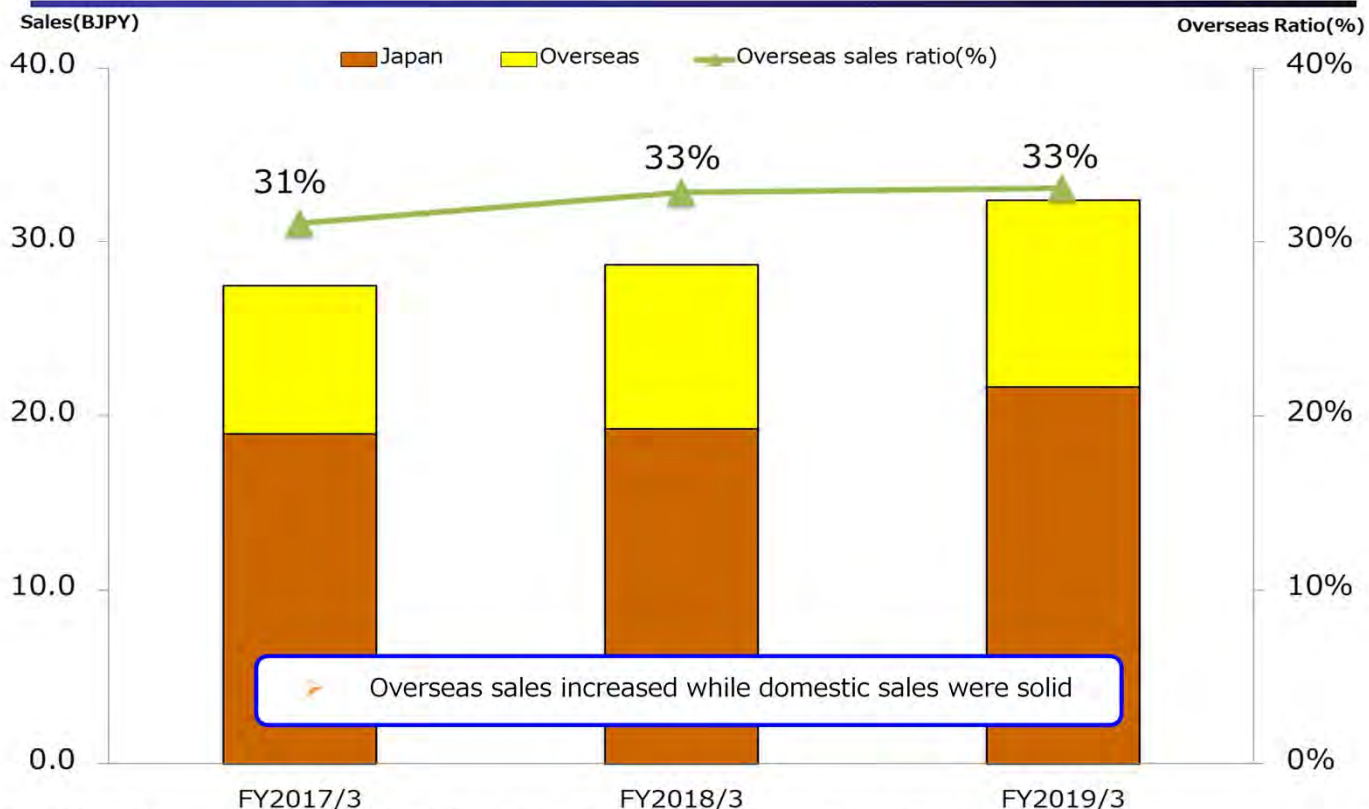
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- In FY 2019/3, in Measuring Instruments (CMM, etc.) increased both in orders and sales.
- The composition ratio of Orders and Sales were; mid-60% for measuring instruments, and mid-30% for automatic gauges.



# Metrology – Regional Sales



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- Overseas sales ratio in Metrology business was 33%.
- Both overseas and domestic sales had steady increase.

# Balance Sheet



Assets (Billions of Yen)	Mar/E 2018	Mar/E 2019	Diff.	Liabilities, Net Assets (Billions of Yen)	Mar/E 2018	Mar/E 2019	Diff.
Cash	37.2	<b>41.5</b>	+4.3	Accounts Payable(*2)	21.9	<b>26.3</b>	+4.5
Accounts Receivable (*1)	33.4	<b>36.1</b>	+2.7	Short term and Current long-term Debt	1.3	<b>3.3</b>	+2.0
Inventories	22.3	<b>30.0</b>	+7.7	Others	9.6	<b>11.3</b>	+1.7
Others	2.0	<b>2.4</b>	+0.4	<b>Total Current Liabilities</b>	<b>32.8</b>	<b>40.9</b>	+8.1
<b>Total Current Assets</b>	<b>95.0</b>	<b>110.1</b>	+15.1	<b>Total Fixed Liabilities</b>	<b>0.7</b>	<b>9.2</b>	+8.5
<b>Fixed Assets</b>	<b>37.9</b>	<b>47.5</b>	+9.6	<b>Total Liabilities</b>	<b>33.5</b>	<b>50.1</b>	+16.6
<b>Total Assets</b>	<b>132.9</b>	<b>157.6</b>	+24.7	<b>Net Assets</b>	<b>99.4</b>	<b>107.4</b>	+8.0
				<b>Total (int. bearing debt)</b>	<b>132.9 (1.3)</b>	<b>157.6 (11.4)</b>	+24.7 (+10.1)

(\*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 Mar/2019 was 157.6B (+24.7B from Mar/2018).
- Breakdown of increases of Assets:  
Current Assets : + 15.1B, incl. Cash +4.3B, AR +2.7B, and Inventories +7.7B  
Fixed Assets : + 9.6B (mainly by purchase of Land)
- Total Liability was 50.1B  
(increased by 16.6B from an increase of AP and Debts)
- Net assets were 107.4 B (+8.0B).  
Equity ratio was 67.3%  
and interesting bearing debts as of Mar/2019 was 11.4B

# Cash Flows



(Billions of Yen)		FY2017/3	FY2018/3	FY2019/3
<b>Opening Balance</b>		27.3	33.8	<b>37.1</b>
<b>From Operating Activities</b>	Profit before tax and depreciation	16.9	20.0	<b>23.3</b>
	Change in Receivables, Payables and Inventories	- 0.1	- 4.2	<b>-5.6</b>
	Tax Payment	- 3.6	- 5.9	<b>-5.8</b>
	Others	- 0.4	1.1	<b>1.0</b>
	<b>Total</b>	<b>12.8</b>	<b>10.9</b>	<b>12.9</b>
<b>From Investing Activities</b>		<b>- 3.5</b>	<b>- 4.6</b>	<b>-13.9</b>
<b>Free Cash Flow</b>		<b>9.3</b>	<b>6.3</b>	<b>-1.0</b>
<b>From Financing Activities</b>	In(de)crease in Borrowings	-0.3	- 0.0	<b>10.0</b>
	Dividends and Others	- 2.6	- 3.1	<b>-4.5</b>
	<b>Total</b>	<b>- 3.0</b>	<b>- 3.2</b>	<b>5.4</b>
Net Cash Increase (incl. adjustments)		+ 6.5	+ 3.3	<b>+4.2</b>
<b>Closing Balance</b>		<b>33.8</b>	<b>37.1</b>	<b>41.3</b>

## - Cash Flow (CF) in FY2019/3

CF from Operating Activities: +12.9B mainly because of profit.

CF from Investing Activities: - 13.9B , mainly due to purchase of assets.

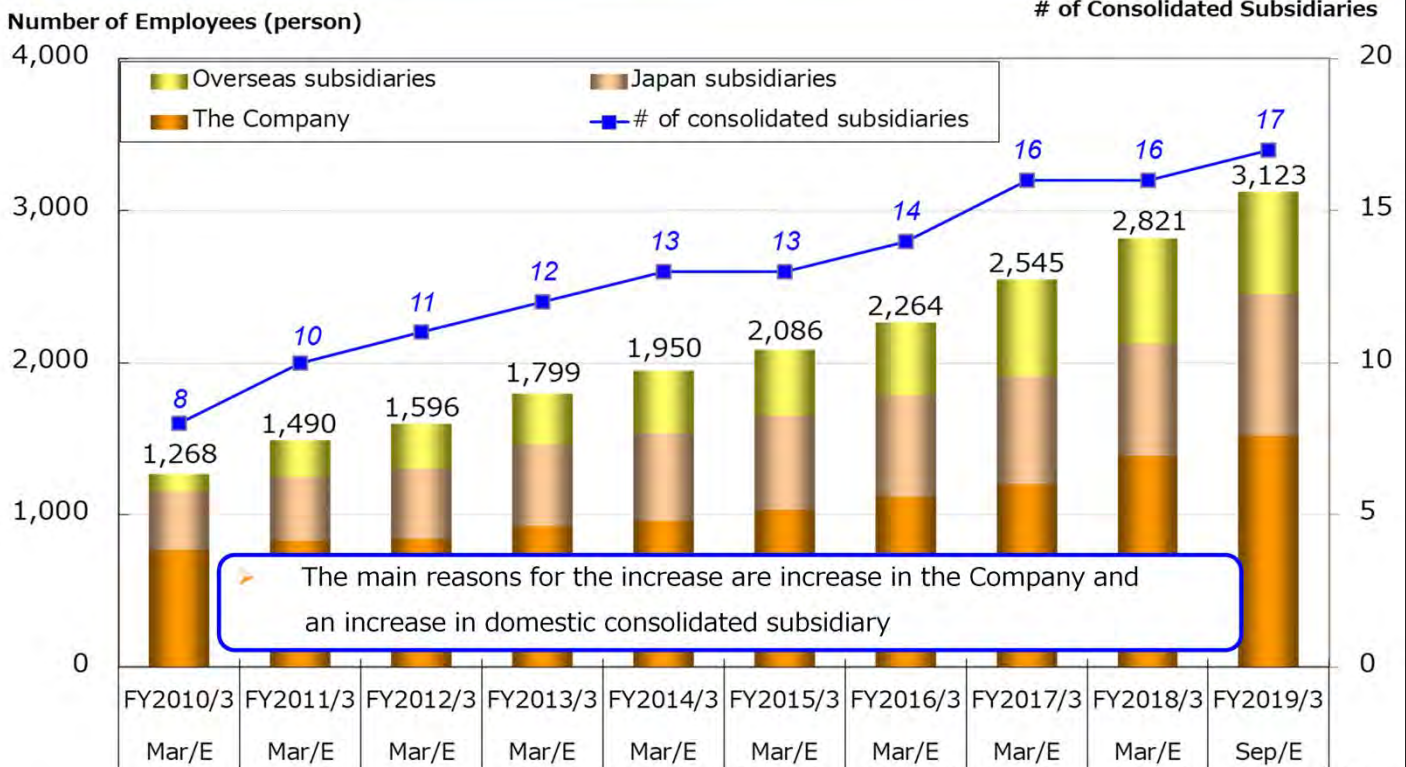
Consequently, Free Cash Flow (FCF) came to -1.0B.

CF from Financing Activities: + 5.4B.

## - Closing cash balance amounted to 41.3B.



# Number of Employees



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- Number of employees (Consolidated, including part time employees) as at the end of March/2019 was 3,123, an increase by 302 from March 2018.
- Main reasons for the increase was manufacturing employees in the Company and an increase in domestic consolidated subsidiary



## Agenda

- ◆ Business results for FY2019/3
- ◆ **Summary for the 1<sup>st</sup> year of mid-term business target**
- ◆ Outlook and policy for mid-term business target
- ◆ Forecast for FY2020/3
- ◆ Q&A

# Quantitative Targets (Announced in May 2018)



**Long-term target : ROE of 10% or more**

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



- 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.

# Corporate strategy (Announced in May 2018)



Technology

**Strengthen product competitiveness,  
Expand target markets**

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



- The Company also announced Strategies to achieve the targets in May, 2018.
- Technology: Strengthening product competitiveness by proactive R&D  
Target market expansion.
- Production: Consideration of production capacity expansion such as  
constructing new plants  
Improvement of production effectiveness through automation  
and manpower-savings.
- Profit ratio improvement:  
Information sharing by ERP to accelerate business speed  
Sales expansion in service and consumables.

## Had a "Smooth Launch"

Quantitative



FY2019/3 ROE 14.4%, OP 20.2BJPY

Tech



Unveiled X-ray CT machine and Charge/Discharge testing system

Production



Construction of new plants(Hino & Tsuchiura) commenced  
Miyama Plant works well

Profit Ratio



ERP System Activated

### - Summary for the 1<sup>st</sup> year :

Quantitative : Maintained higher than 10% of ROE. OP also reached its goal.

Tech : In particular, worked to expand the Metrology product lineup

(X-ray CT machine and Charge/Discharge testing system)

Fujitsu Telecom Networks Fukushima Co., Ltd., acquired shares in February, became a consolidated subsidiary

Production : Commenced construction of new plants and operation in rental facility(Miyama)

Profit ratio : Started operation of ERP, running without major problems




## 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 system activated

### 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

- In order to expand capacity for SPE, acquired plant sites and buildings in Hino, Tokyo  
Operation in a rental factory(Miyama) also started.
- As for the capacity expansion in Metrology, construction of a new building in the Tsuchiura Plant started.  
Operation planned for FY2021/3  
Plan to apply various efficiency and improvement measures.

## Environment

- Environmentally friendly products : develop eco-friendly products considering LCA  
⇒Maintained 100% compliance with newly developed products
- Global warming prevention : reduce CO2 emissions  
⇒Reduce electricity consumption by utilization of renewable energy
- Resource saving : water and wastes  
⇒Reduce water consumption in basic production unit and 95% of recycling rate



## Social

- Supply chain : implement and strengthen ESG  
⇒Enhanced ESG strengthening system expanded to all suppliers
- Women's advancement: a company where women work actively  
⇒Revised internal regulations based on recommendations from internal activity by female employees

## Governance

- Group Code of Conduct : education in all sites, penetration, and review  
⇒Disclosed Group Code of Conduct on website, conducted employee
- Compliance : construction, education, and review of compliance system  
⇒Constructed observance system, conducted employee education

- Our activities regarding ESG(Environment, Social, Governance) and example of progress in FY2019/3.
- We will do more active activities

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- ◆ Q&A

# Outlook and policy for mid-term business target



- **SPE business will be on the landing of big growth in FY 2020/3**
- **Metrology business is expected to maintain growth**
- **FY2020/3 is positioned as "the year of preparation "**
- **Continue investment for growth and development underpinned with financial soundness**



- The forecast for FY2020/3 is based on the weak business environment of SPE, and the forecast for sales and profit decline  
However, solid demand is expected in the long run and the Metrology business is also expected to maintain growth
- We will maintain the quantitative target itself unchanged, and this fiscal year will be positioned as a year of preparation for achieving the target in FY 2021/3, with continuing Capex and R&D expenditure regardless of current earnings



**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 and Business Portfolio



## 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

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- 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 (For FY2020/3 and beyond)



## Technology

Strengthen product competitiveness,  
Expand target markets

## Production

Expand production capacity  
Effectiveness improvement

## Profit ratio improvement

Promote information sharing  
Sales expansion of service and consumables

Achievement of  
Mid-term goal



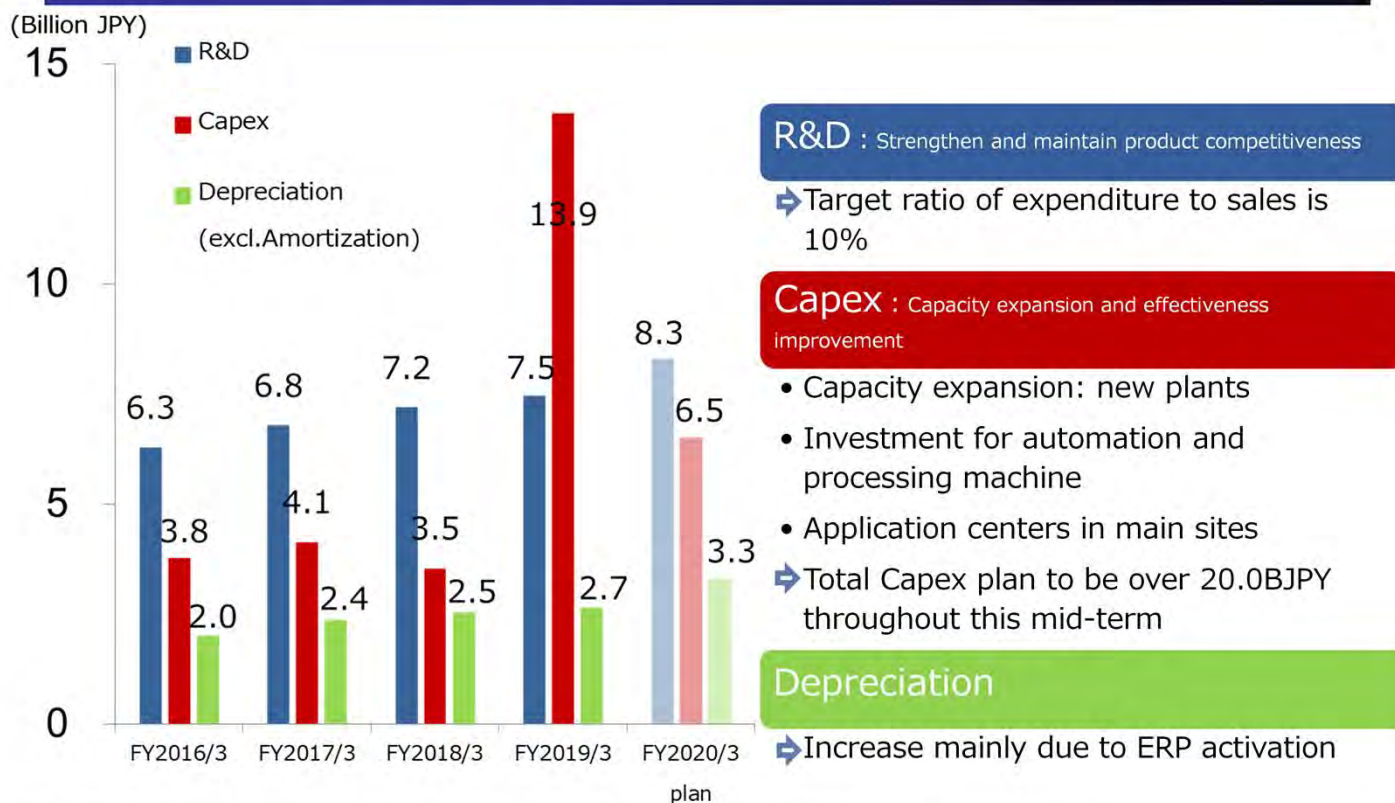
## For sustainable growth

Actively promote ESG activities to improve corporate value

- Our corporate strategy for FY2020/3 and beyond
- Technology and Production strategies: no change
- Profit ratio improvement: Promote information sharing with ERP
- Actively promote ESG activities to improve corporate value as a basis for sustainable growth, including achieving mid-term goals



# R&D, Capex and Depreciation



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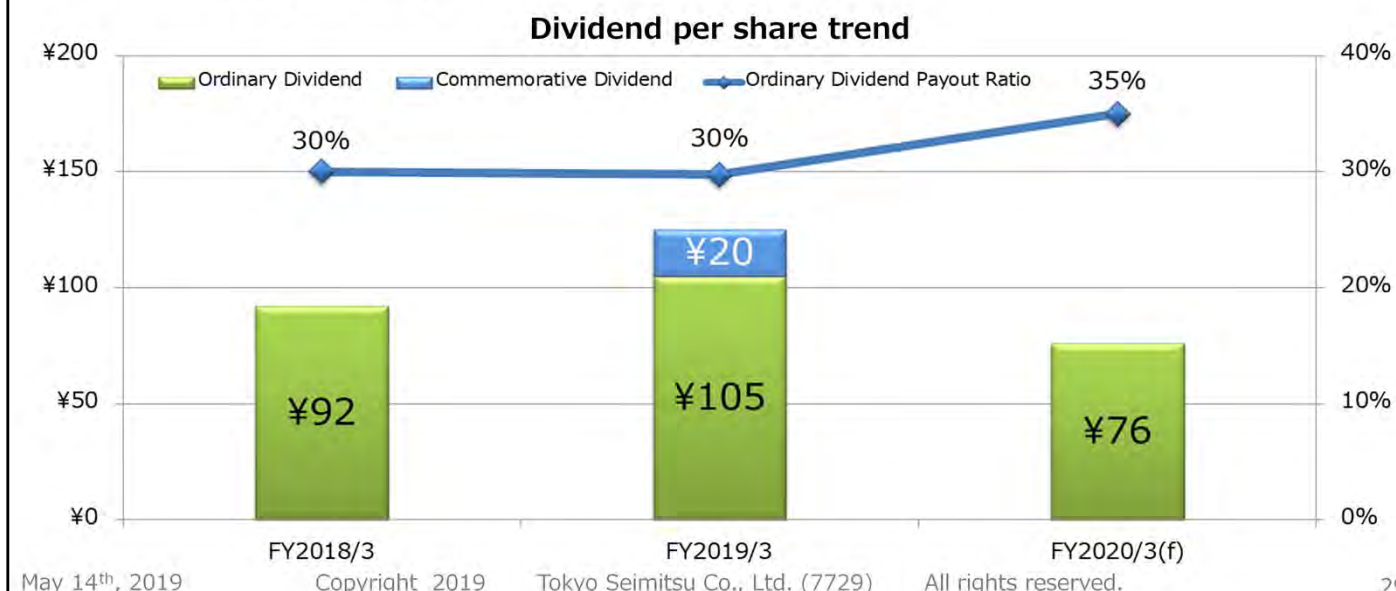
- Results for FY2019/3 and plan for 2020/3 on R&D, Capex and Depreciation
- R&D: Target ratio of 10% on sales  
FY2019/3 result 7.5B, FY2020/3 plan 8.3B
- Capex: : Proactive investment such as plant constructions and automations  
FY2019/3 result 13.9B, FY2020/3 plan 6.5B  
Planning over 20.0B yen capex throughout this mid-term excluding capex on maintenance
- Depreciation (excluding goodwill):  
FY2019/3 result 2.7B, FY2020/3 plan 3.3B



# Profit Distribution



- Focus on investment for growth while maintaining financial solidity
- Aim to pay dividends targeting a consolidated dividend payout ratio of 35%, with a core policy regarding the distribution of profits linked to business performance



- Dividends are the main method of profit distribution
- For FY2020/3, plan to set consolidated dividend payout ratio of 35% as a target, changed from 30%
- The annual dividend forecast for FY2020/3 is 76 yen per share, based on the performance forecast described later

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- ◆ Q&A

## SPE

- The current situation is weak, but there is also the possibility of rapid recovery
- Base scenario is "Order recovery in winter"
- With Backlogs on hand, production in the first half is expected to be high

## Metrology

- In Japan, business remains firm driven by in-line measurement demand for automobiles
- Watch for trade friction, machine tool demand fluctuations
- Charge and discharge test system contributes to Sales

- SPE : Current demand environment is weak, however customers' willingness to invest is strong  
Although there may be a rapid recovery, it is currently based on the recovery of orders in winter since the time and quantitative level of recovery can not be predicted.
- Metrology : Domestic automobile-related, especially in-line measurement demand expected to drive our earnings  
On the other hand, fluctuations in machine tool demand should be carefully watched  
In addition, it is assumed that sales of charge/discharge testing system will contribute from FY2020/3

# Forecast for FY2020/3

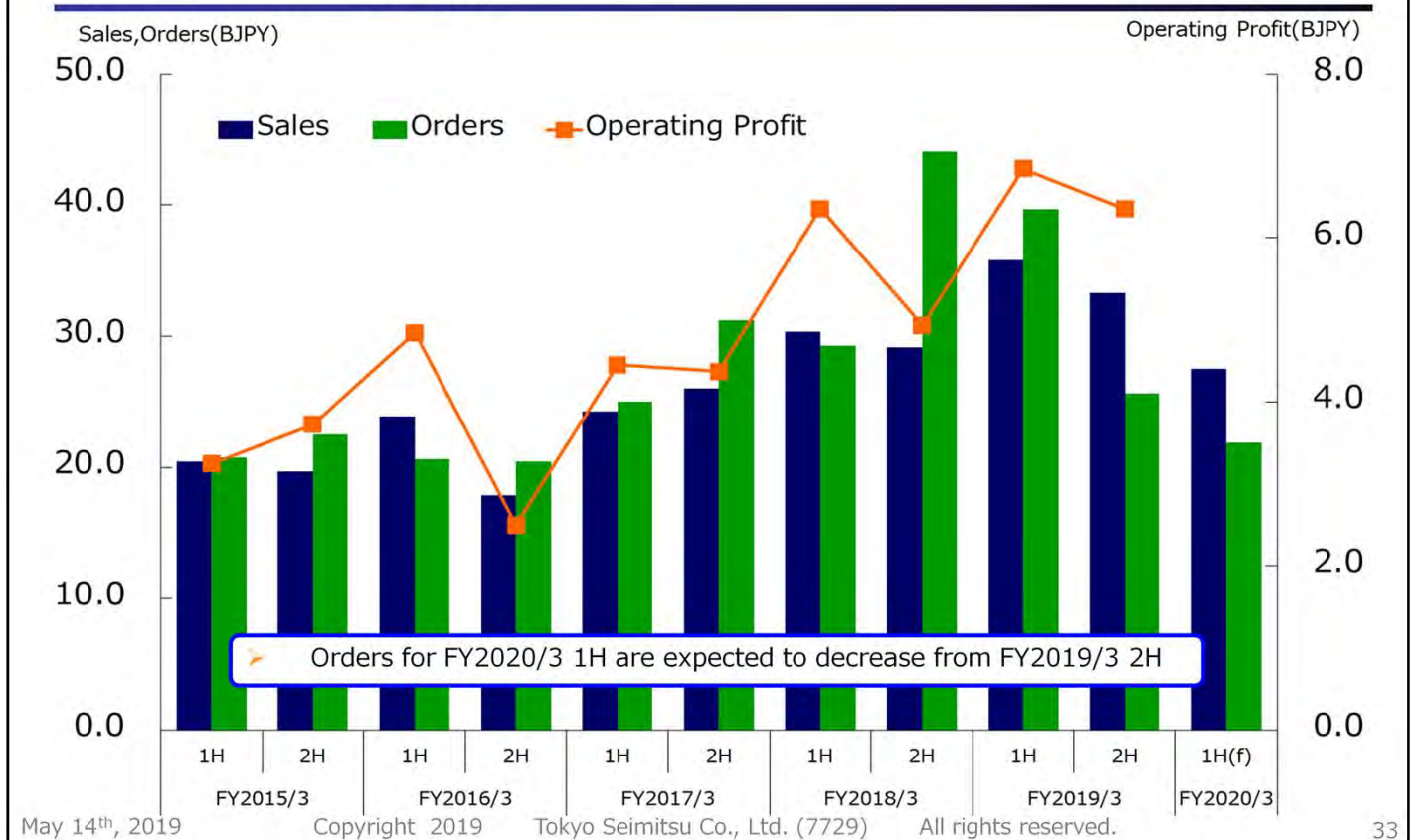


(Billions of Yen except dividend)	FY2019/3			FY2020/3				
	1H	2H	FY	1H fcst	2H fcst	FY fcst	Y/Y	
<b>Sales</b>	51.2	50.3	101.5	43.0	45.0	88.0	-13%	
	SPE	35.8	33.3	69.1	27.5	27.5	55.0	-20%
	Metrology	15.4	17.0	32.4	15.5	17.5	33.0	+2%
<b>Operating Profit</b>	10.2	10.0	20.2	5.9	6.6	12.5	-38%	
<b>OP Margin</b>	20%	20%	20%	14%	15%	14%		
<b>Recurring Profit</b>	10.8	10.0	20.8	5.9	6.6	12.5	-40%	
<b>Net Profit (*)</b>	7.9	6.8	14.7	4.2	4.8	9.0	-39%	
<b>Dividend per share</b>	125Yen (incl. 20Yen Commemorative dividend)					76Yen	-49Yen	

- Forecast for FY2020/3
- Sales: 88.0B (Down 13% YoY)
  - SPE: 1H 27.5B, FY 55.0B (Down 20% YoY)
  - Metrology: 1H 15.5B, FY33.0B (Up 2.0% YoY)
- Operating Profit: 12.5B (Down 38% YoY, 1H 5.9B, FY6.6B)
- Recurring Profit: 12.5B, Net Profit 9.0B

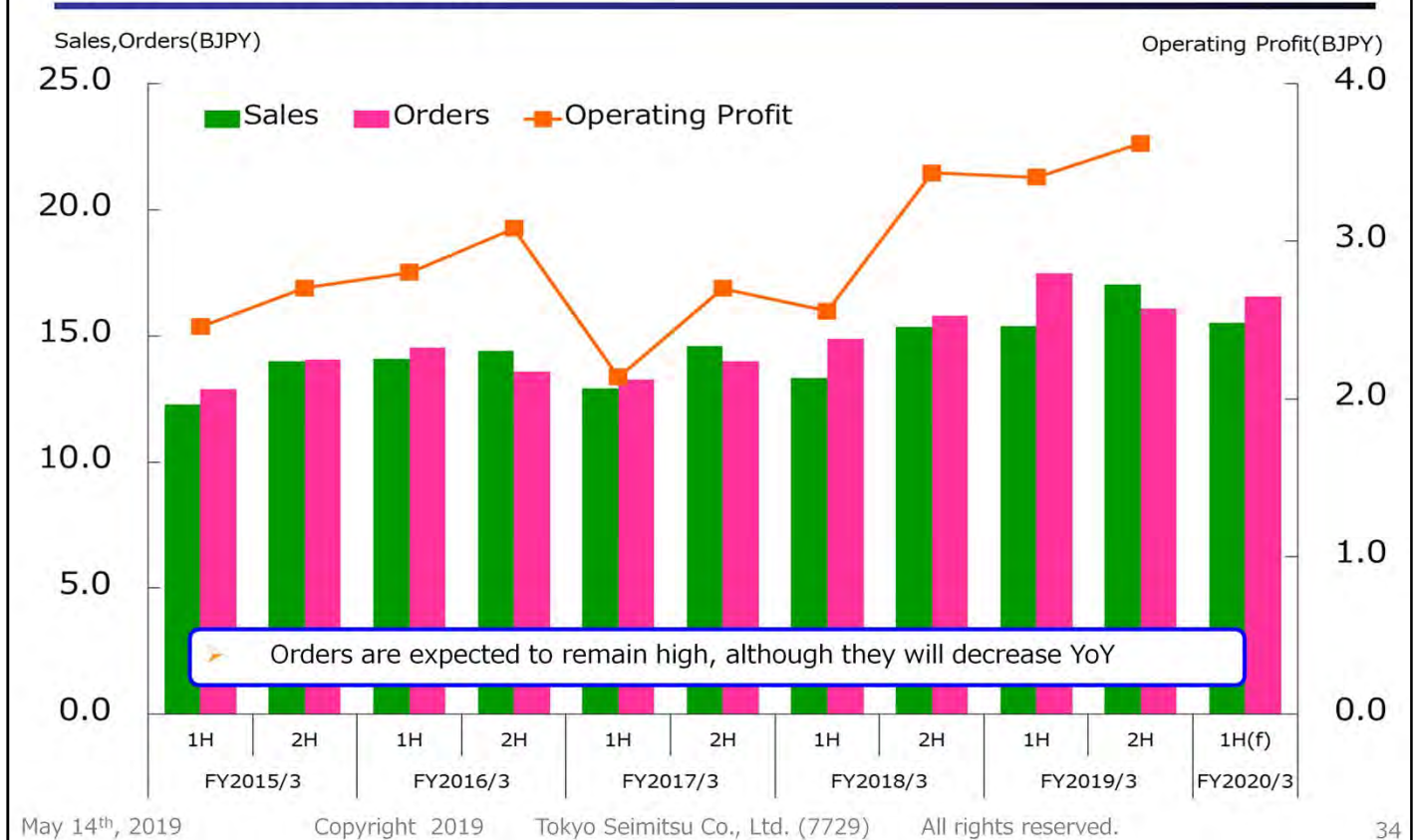


# SPE – Sales/Orders trend (incl. Forecasts)



- Recovery of orders is expected to be in winter, so orders in the FY2020/3 1H are expected to decrease compared to the FY2019/3 2H
- Outlook of product composition ratio for FY2020/3 1H:  
 Sales: High-60% for probers, low-30% for assembly machines  
 Orders: Around 60% for probers, around 40% assembly machines

# Metrology – Sales/Orders trend (incl. Forecasts)



- Orders for the FY2019 are expected to slightly decrease compared to the first half of the previous year, but there is no change in the basis and it is expected to maintain high
- Outlook of product composition ratio for FY2020/3 1H:
  - Sales: High-30% for automation gauges and low-60% for measurement instruments
  - Orders: Mid-30% for automation gauges and mid-60% for measurement instruments

## Agenda

- ◆ Business results for FY2019/3
- ◆ Summary for the 1<sup>st</sup> year of mid-term business target
- ◆ Outlook and policy for mid-term business target
- ◆ Forecast for FY2020/3
- ◆ Q&A



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