

# Tokyo Seimitsu Co., Ltd. Earnings Conference for FY2019/3 2<sup>nd</sup> Quarter

November 13<sup>th</sup>, 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, “**Metrology** (or **Metr.**)” denotes our Metrology Business Segment, and “**Net Profit**” denotes “Net Profit attributable to the owners of the parent”.
- 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 2Q**
- ◆ **Progress of mid-term business target**
- ◆ **Forecast for FY2019/3**
- ◆ **Q&A**

(Billions of Yen)	FY2018/3		FY2019/3		
	1 <sup>st</sup> Half	2 <sup>nd</sup> Half	1 <sup>st</sup> Half	HoH(%)	YoY(%)
<b>Sales</b>	<b>43.7</b>	44.5	<b>51.2</b>	+15%	+17%
SPE Segment	30.3	29.2	35.8	+23%	+18%
Metrology Segment	13.3	15.4	15.4	+0%	+16%
<b>Operating Profit</b>	<b>8.9</b>	8.4	<b>10.2</b>	+22%	+15%
SPE	6.4	4.9	6.8	+39%	+8%
OP Margin	21%	17%	19%	-	-
Metrology	2.6	3.4	3.4	-0%	+33%
OP Margin	19%	22%	22%	-	-
<b>Recurring Profit</b>	<b>9.0</b>	8.2	<b>10.8</b>	+30%	+19%
<b>Net Profit</b>	<b>6.4</b>	6.4	<b>7.9</b>	+24%	+24%

- Increased Sales and Profit YoY in SPE because of sales recovery backed by certain improvement in delivery delay of some components
- Steady demand toward automotives and machine tools resulted increase in sales and profit for Metrology segment

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- Business results for 1<sup>st</sup> Half (1H, April to September, 2018)
- Consolidated revenue and profit increased YoY mainly because both SPE and Metrology segment had solid sales and profit.
- Consolidated Sales amount: 51.2 Billion JPY (\* Billion JPY hereafter referred to as "B"). 35.8B from SPE, and 15.4B from Metrology.
- Operating profit: 10.2B (SPE 6.8B, Metrology 3.4B)
- Recurring profit: 10.8B and Net Profit : 7.9B
- Each profit recorded historical high on a half-year basis.

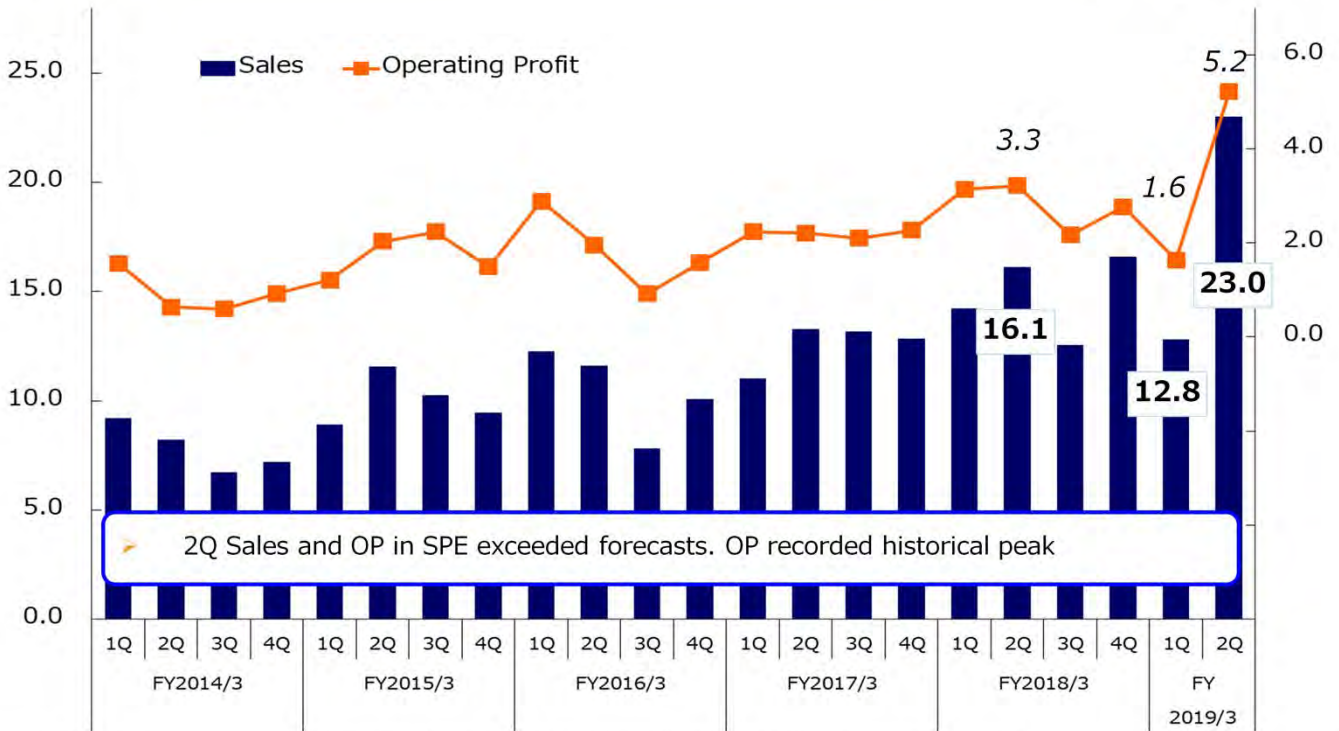
(Billions of Yen)	FY2018/3				FY2019/3			
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ(%)	YoY(%)
<b>Sales</b>	19.9	23.8	19.2	25.3	19.8	31.4	+58%	+32%
SPE	14.2	16.1	12.6	16.6	12.8	23.0	+79%	+43%
Metrology	5.7	7.6	6.7	8.7	7.0	8.4	+19%	+10%
<b>Operating Profit</b>	4.0	4.9	3.6	4.8	3.1	7.1	+127%	+46%
SPE	3.1	3.2	2.2	2.8	1.6	5.2	+220%	+62%
OP Margin	22%	20%	17%	17%	13%	23%	-	-
Metrology	0.9	1.7	1.4	2.0	1.5	1.9	+26%	+14%
OP Margin	16%	22%	22%	23%	21%	23%	-	-
<b>Recurring Profit</b>	4.1	4.9	3.6	4.6	3.4	7.4	+121%	+51%
<b>Net Profit</b>	2.9	3.5	2.6	3.8	2.6	5.3	+109%	+54%

➤ SPE segment had significant increase from 1Q in shipping

- Business Results for 2<sup>nd</sup> quarter (2Q, July to September, 2018)  
 Sales: 31.4B (SPE 23.0B, Metrology 8.4B )  
 Operating Income: 7.1B (SPE 5.2B, Metrology 1.9B)  
 Ordinary Income: 7.4B, and Net Income: 5.3B.
- Sales and Each profit increased QoQ and YoY

Sales (BJPY)

Operating Profit (BJPY)

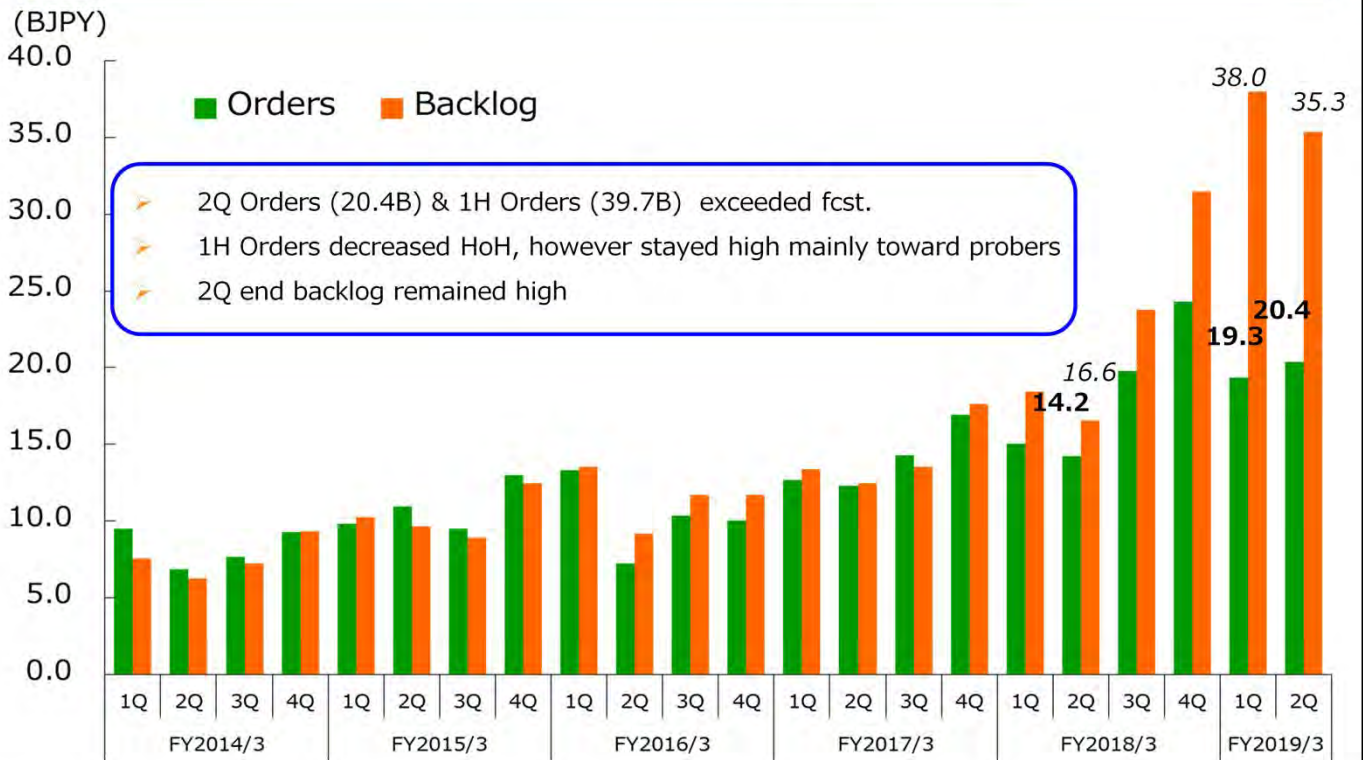


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- 2Q Sales and OP in SPE exceeded forecasts.
- The equipment demand was strong regardless of the application (device type), and the shipment progressed

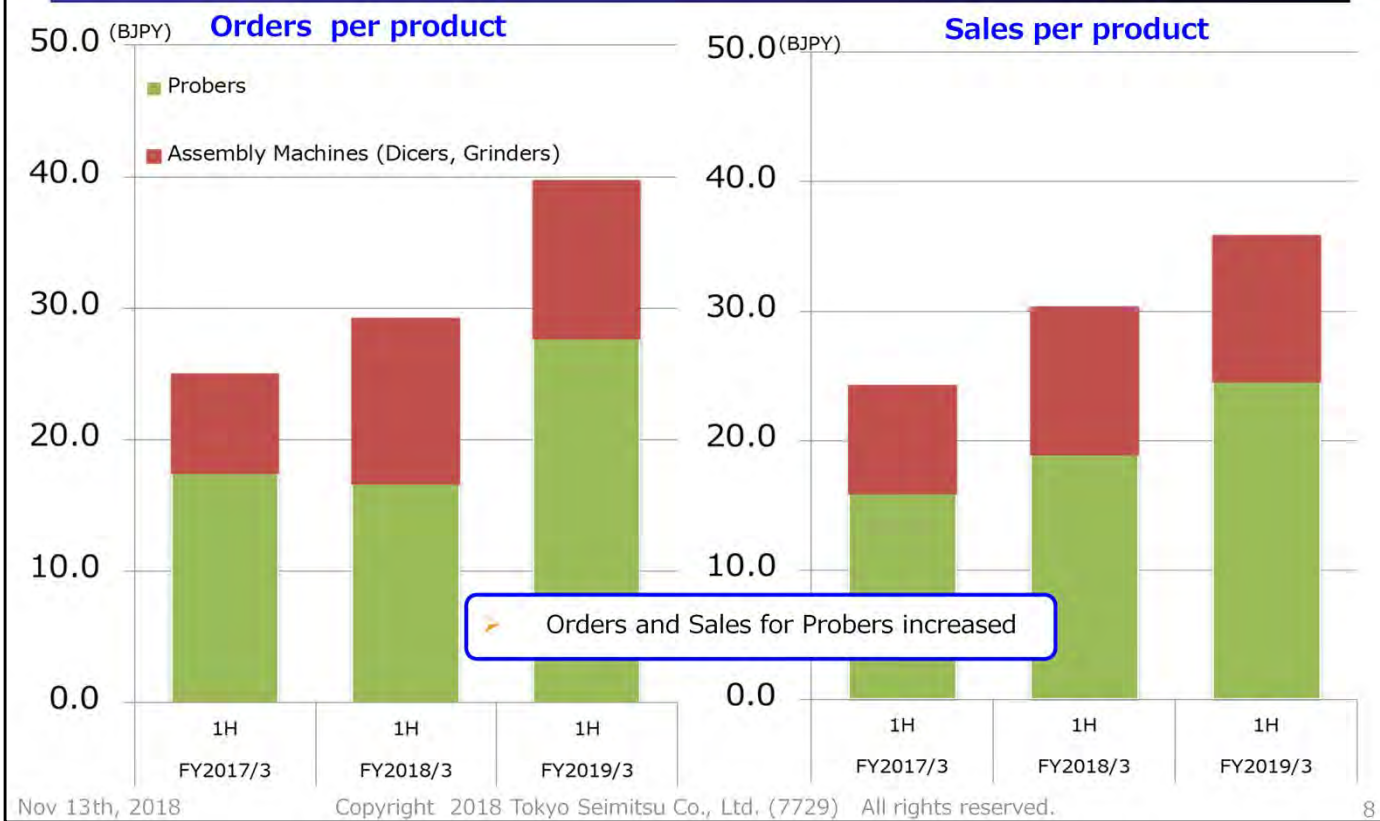


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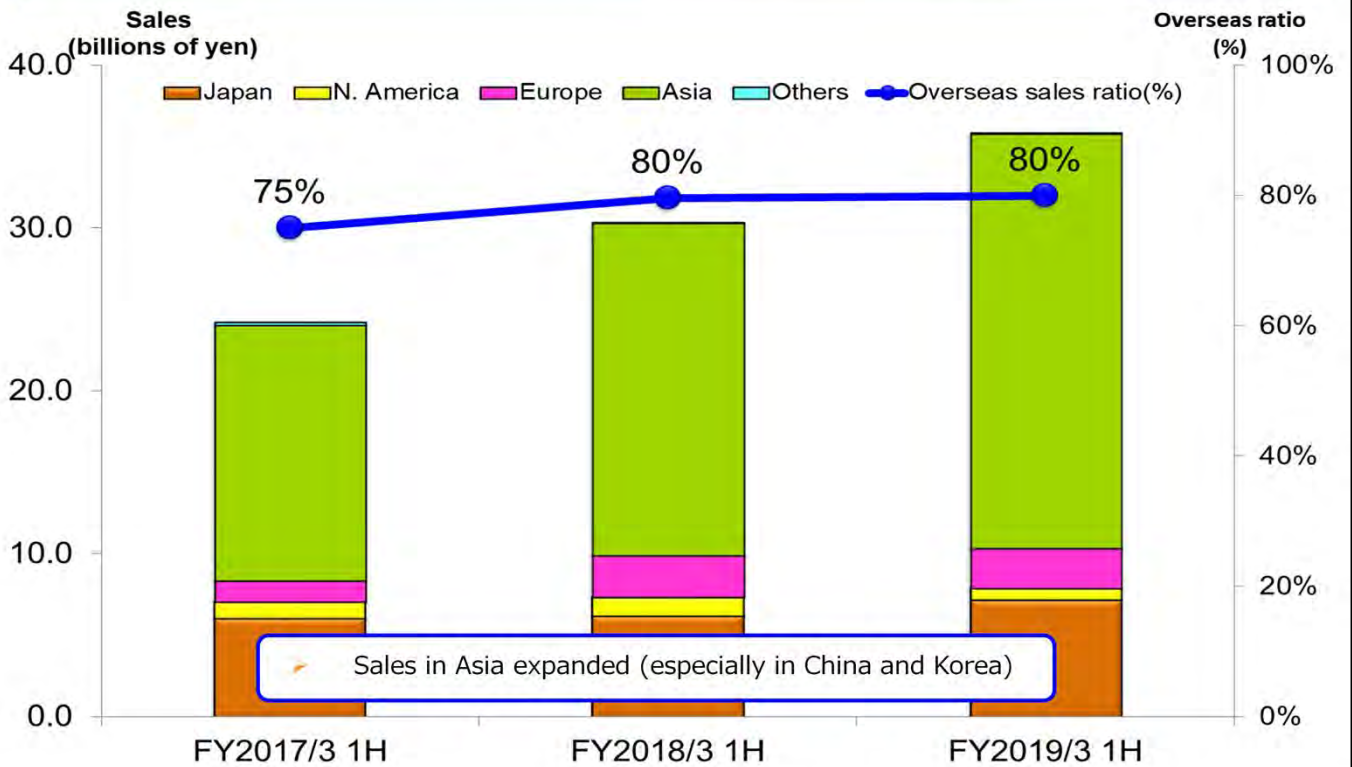
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- 2Q Orders were 20.4B.
- Orders exceeded the forecast due to high level of Orders mainly toward probers
- 1H orders were 39.7B
- 2Q end backlog was 35.3B, remained high.



- In FY2019/3 1H, orders and 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).



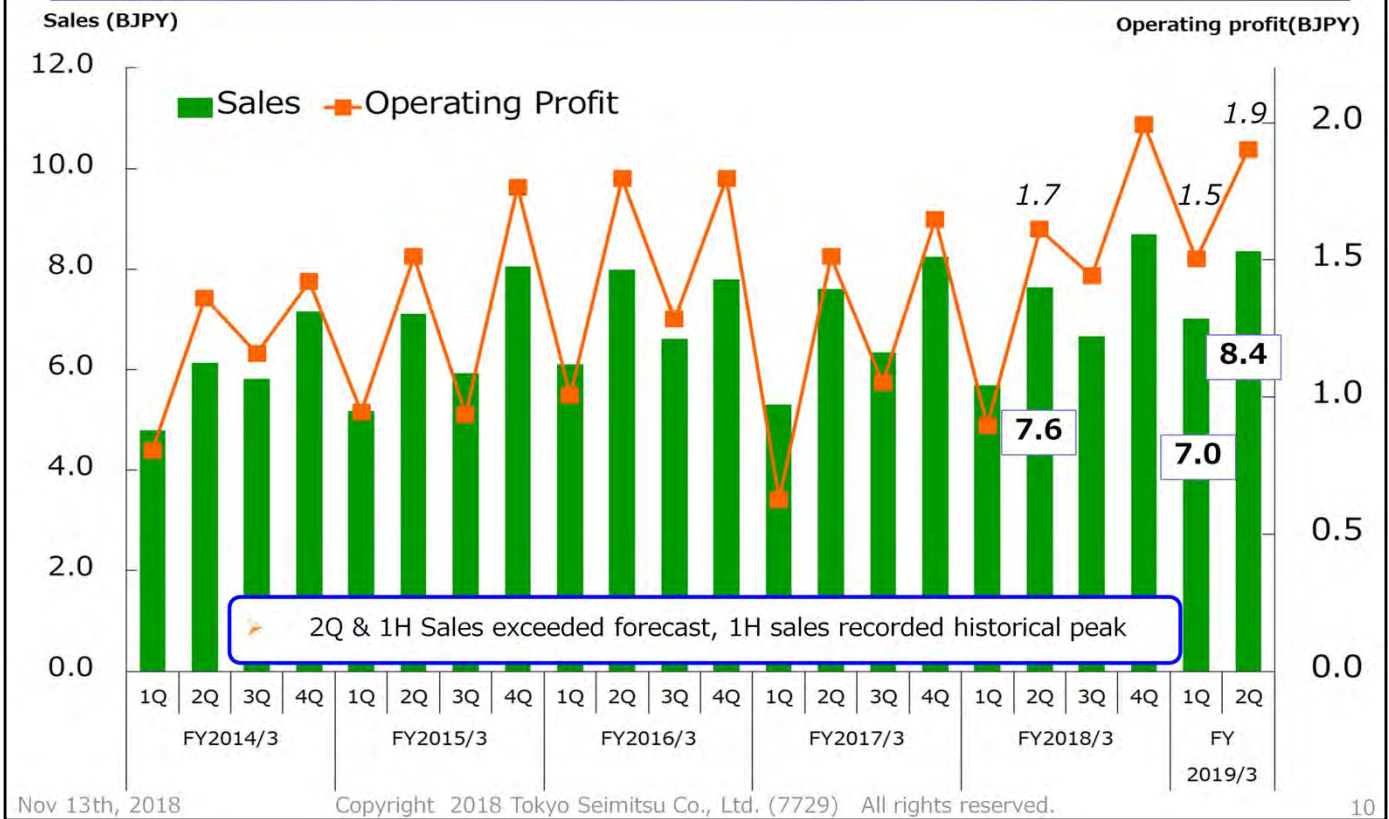


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- SPE's overseas sales ratio was 80%.
- Sales to Asia had huge increase (with increase to SEA and Korea) , while sales within Japan were firm.

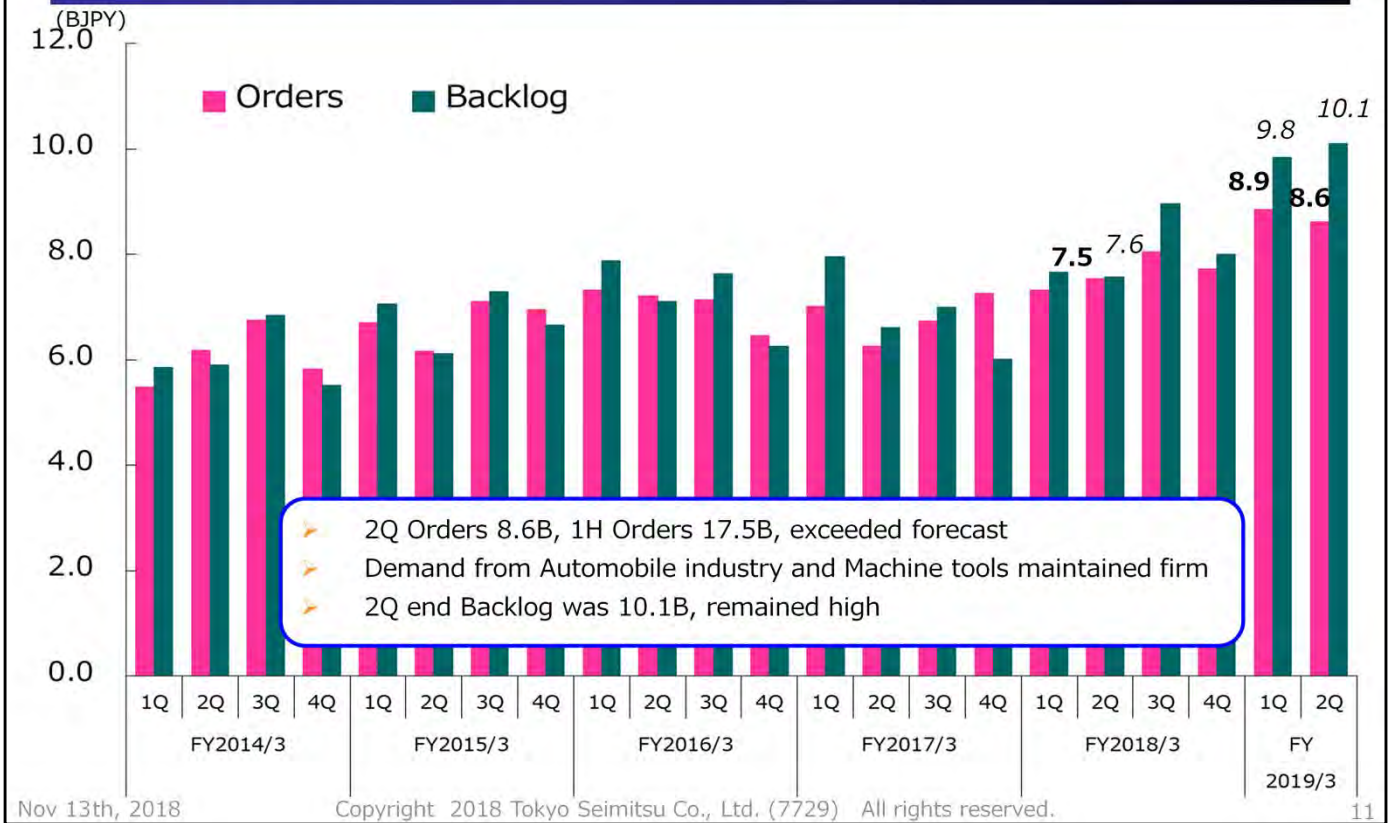


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- 2Q sales and profit exceeded initial forecast.  
1H sales and profit increased YoY.
- 1H sales recorded historical peak

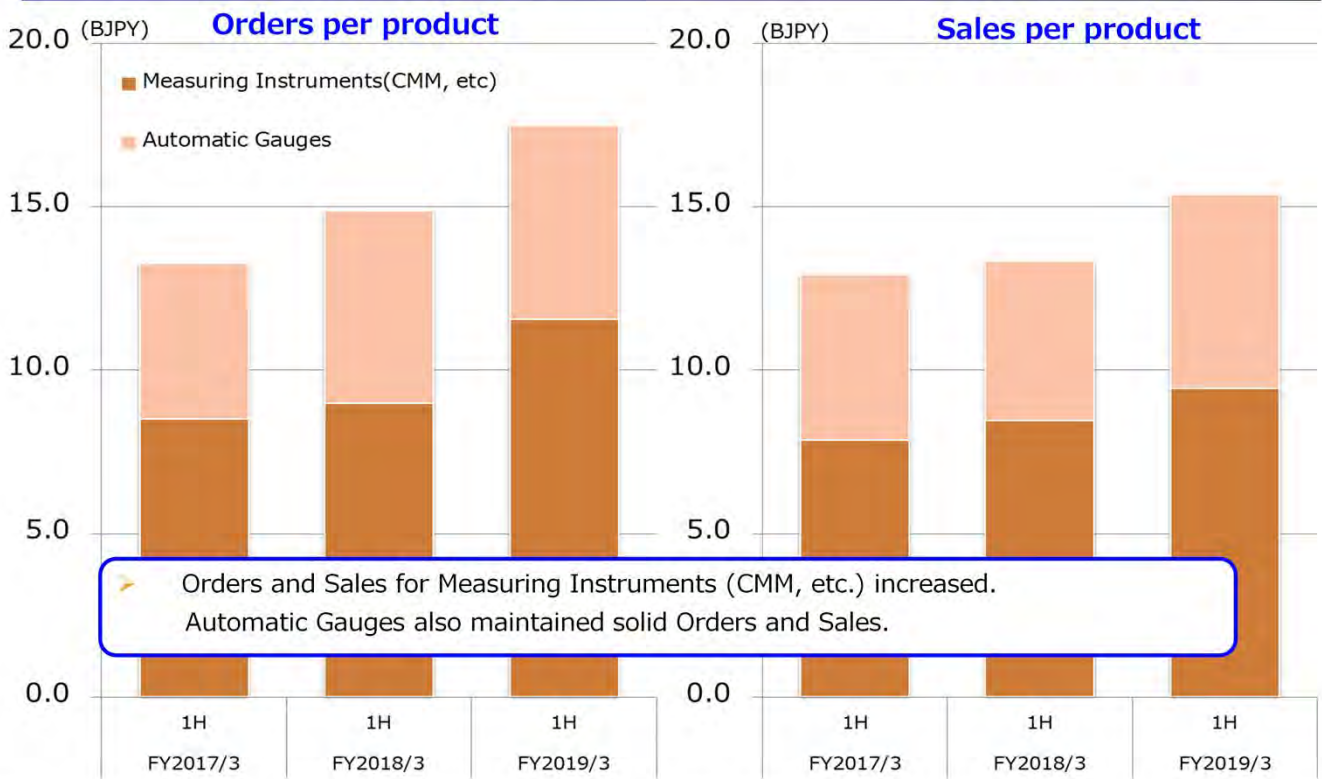


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- 2Q's Orders in Metrology business were 8.6B, and 1H's Orders were 17.5B
- Maintained steady level of orders mainly due to demand from Automobile industry and machine tools.
- 2Q end backlog remained high.

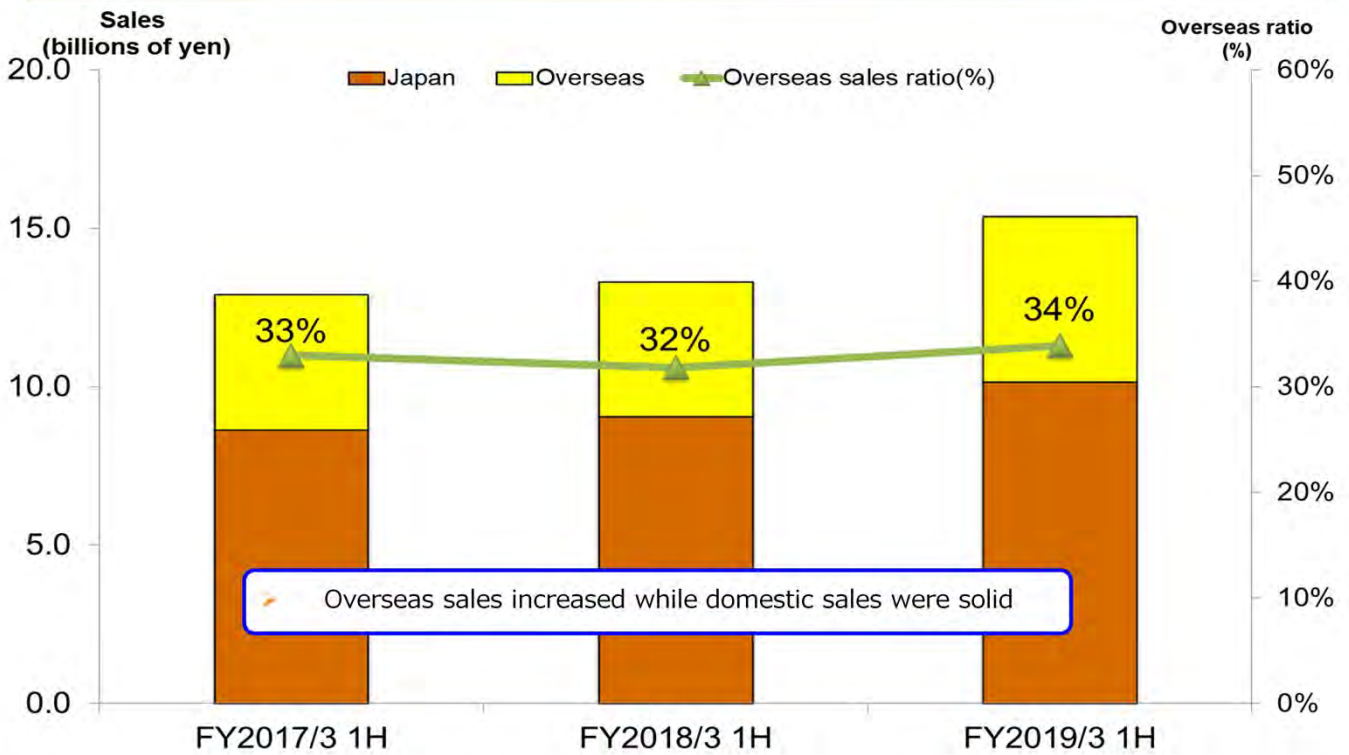


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- In FY 2019/3 1H, in Measuring Instruments (CMM, etc.) increased both in orders and sales.
- The composition ratio of Orders were; 60% for measuring instruments, and 40% for automatic gauges.  
The composition ratio of Sales were; low-60% for measuring instruments and high-30% for automatic gauges.



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- Overseas sales ratio in Metrology business was 34%.
- Overseas sales ratio went up because demand from Japan was constant and investment in overseas by Japanese manufacturers increased.

Assets (Billions of Yen)	Mar/E 2018	Sep/E 2018	Diff.	Liabilities, Net Assets (Billions of Yen)	Mar/E 2018	Sep/E 2018	Diff.
Cash	37.2	<b>40.9</b>	+3.7	Accounts Payable(*2)	21.9	<b>25.6</b>	+3.7
Accounts Receivable (*1)	33.4	<b>34.6</b>	+1.1	Short term Debt	1.3	<b>1.3</b>	±0.0
Inventories	22.3	<b>24.6</b>	+2.3	Others	9.6	<b>9.0</b>	-0.6
Others	2.0	<b>1.3</b>	-0.7	<b>Total Current Liabilities</b>	32.8	<b>35.9</b>	+3.1
<b>Total Current Assets</b>	95.0	<b>101.5</b>	+6.5	<b>Total Fixed Liabilities</b>	0.7	<b>0.6</b>	-0.1
<b>Fixed Assets</b>	37.9	<b>39.4</b>	+1.5	<b>Total Liabilities</b>	33.5	<b>36.5</b>	+3.0
<b>Total Assets</b>	132.9	<b>140.9</b>	+8.0	<b>Net Assets</b>	99.4	<b>104.3</b>	+5.0
				<b>Total (int. bearing debt)</b>	132.9 (1.3)	<b>140.9</b> (1.4)	+8.0 (+0.0)

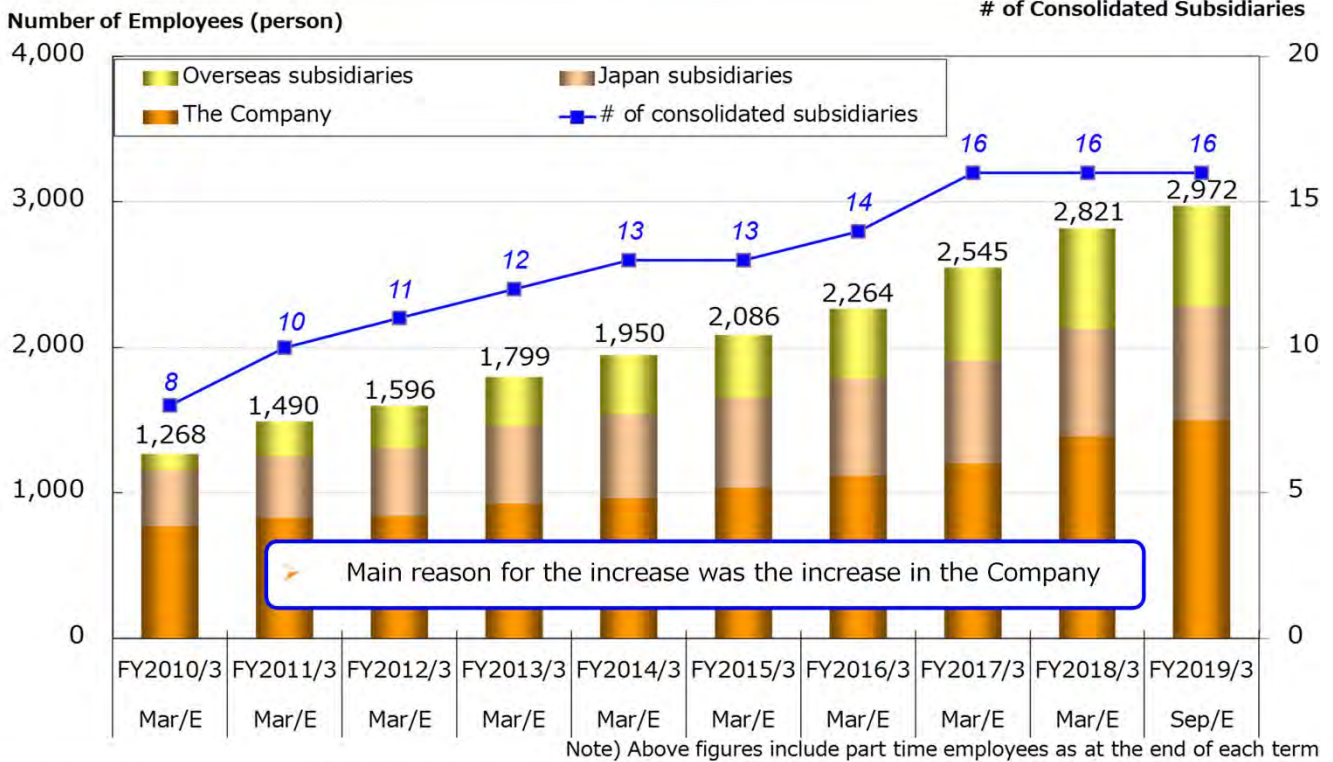
(\*1) Incl. Trade notes and Electronically Recorded Monetary Claims (\*2) Incl. Trade notes and Electronically Recorded Obligations-operating  
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- Total Assets as of Sep/2018 was 140.9 B (+8.0 B from Mar/2018).
- Current Assets increased by 6.5B and Fixed Assets increased by 1.5B.
- Breakdown of increases:  
Current Assets: Cash + 3.7 B, AR +1.1 B, and Inventories +2.3 B
- Total Liability was 36.5 B (increased by 3.0B from an increase of AP) .
- Net assets were 104.3 B (+5.0B).
- Equity ratio was 73.3% and interesting bearing debts as of September/2018 was 1.4B.

(Billions of Yen)		FY2017/3 1H	FY2018/3 1H	FY2019/3 1H
<b>Opening Balance</b>		27.3	33.8	<b>37.1</b>
<b>From Operating Activities</b>	Profit before tax and depreciation	7.5	10.3	<b>12.1</b>
	Change in Receivables, Payables and Inventories	2.7	- 0.5	<b>- 0.1</b>
	Tax Payment	- 1.9	- 4.0	<b>- 3.3</b>
	Others	0.3	1.0	<b>0.1</b>
	<b>Total</b>	<b>8.6</b>	<b>6.8</b>	<b>8.8</b>
<b>From Investing Activities</b>		- 3.7	- 2.9	<b>- 3.0</b>
<b>Free Cash Flow</b>		<b>4.9</b>	<b>3.9</b>	<b>5.8</b>
<b>From Financing Activities</b>	In(de)crease in Borrowings	- 0.2	0.0	<b>0.0</b>
	Dividends and Others	- 1.4	- 1.5	<b>- 2.1</b>
	<b>Total</b>	<b>- 1.6</b>	<b>- 1.5</b>	<b>- 2.1</b>
Net Cash Increase (incl. adjustments and change in consolidated subsidiaries)		+ 3.0	+ 2.5	<b>+3.7</b>
<b>Closing Balance</b>		<b>30.3</b>	<b>36.4</b>	<b>40.8</b>

- Cash Flow (CF) in FY2019/3 1H  
 CF from Operating Activities: +8.8B mainly because of profit.  
 CF from Investing Activities: - 3.0B, mainly due to capital expenditure.  
 Consequently, Free Cash Flow (FCF) came to +5.8B.  
 CF from Financing Activities: - 2.1B.
- Closing cash balance amounted to 40.8B.



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- Number of employees (Consolidated, including part time employees) as at the end of September/2018 was 2,972, an increase by 151 from March 2018.
- Main reasons for the increase was MFG employees in the Company due to SPE business briskness.



## Agenda

- ◆ Business results for FY2019/3 2Q
- ◆ **Progress of mid-term business target**
- ◆ Forecast for FY2019/3
- ◆ Q&A

**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.

**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

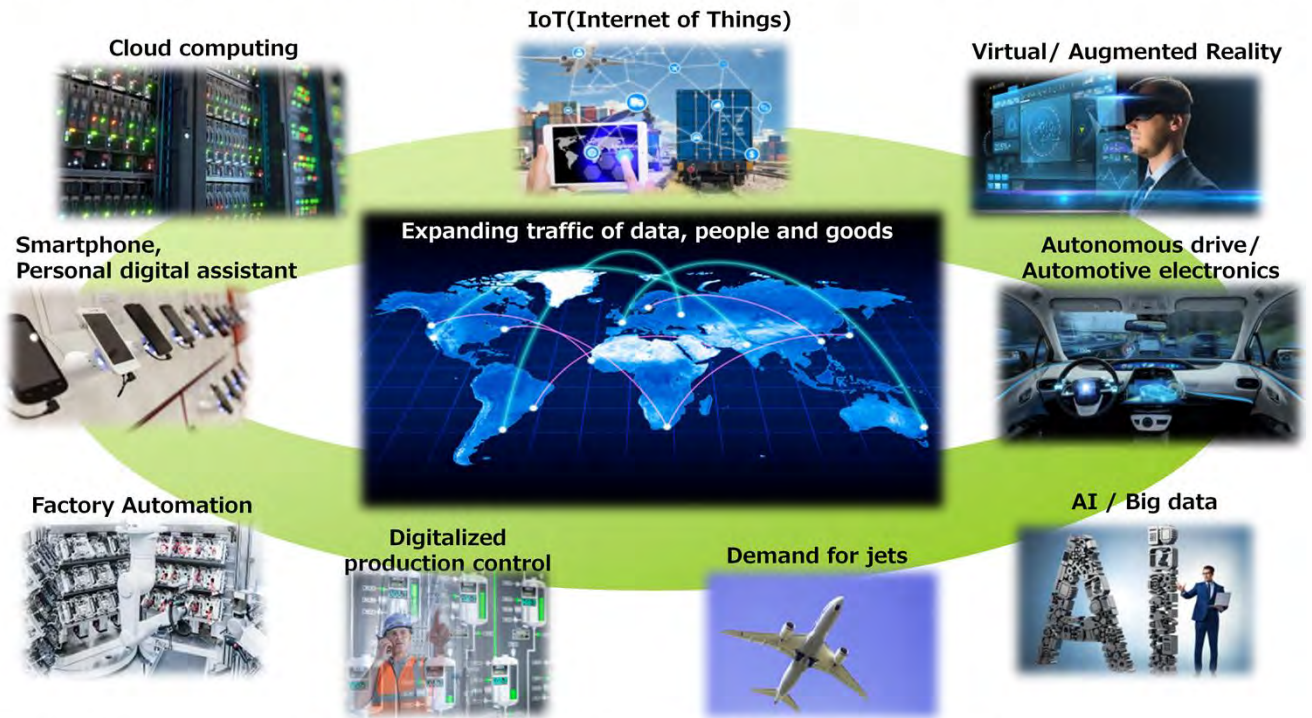


- **Strengths :**
  - Precision, high-resolution measuring technology
  - Reliability
- **Opportunities :**
  - New products and demand from overseas

- **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.

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



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- No change in external environment forecast as the premise of the mid-term goal;
- Rapid advance in communication technology expands related technologies and businesses. By applying these technologies to manufacturing, FA and IoT will further evolve.
- Consequently, it is expected that chain-like innovation will progress, in areas such as traffic of data, people and goods.

**SPE : New growth stage****⇒Changes in the short term, but solid in the long term**

- Network : Memory devices, Electronic components, Sensors  
**⇒Despite short-term demand fluctuations, it is solid in the long term**
- Automotive : Sensors, Power devices, SiC substrates
- Demand from China : Investment in full-scale construction of new factories (until CY2019)  
**⇒Even though there are concerns, certain progress is expected in the long term**

**Metrology : Continuing sustained growth ⇒No change in initial view**

- 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

- SPE: Demand from networking devices and China may have short-term fluctuations, however, expects solid growth in the long term
- Metrology: No change in initial view that sustained growth will continue. Demand from the automotive industry, and demand for gauges in line with factory automation makes stable transition. And the demand toward jets is expected to be firm.

## 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**



- No change in corporate strategy for achieving goals
- Based on this strategy, we will conduct capex of over 20.0B during the mid-term plan.  
The contents of capex is explained on the next page.

### Capacity Expansion(SPE)

- Acquired land and bldg.
- Partially operation in FY2020/3
- Use factory in suburbs until new factory complete

### Capacity Expansion(Metr.)

- To build new bldg. within Tsuchiura plant area
- Operation in FY2021/3

### Effectiveness improvement

- ERP
- Operation in FY2020/3

### Application Centers

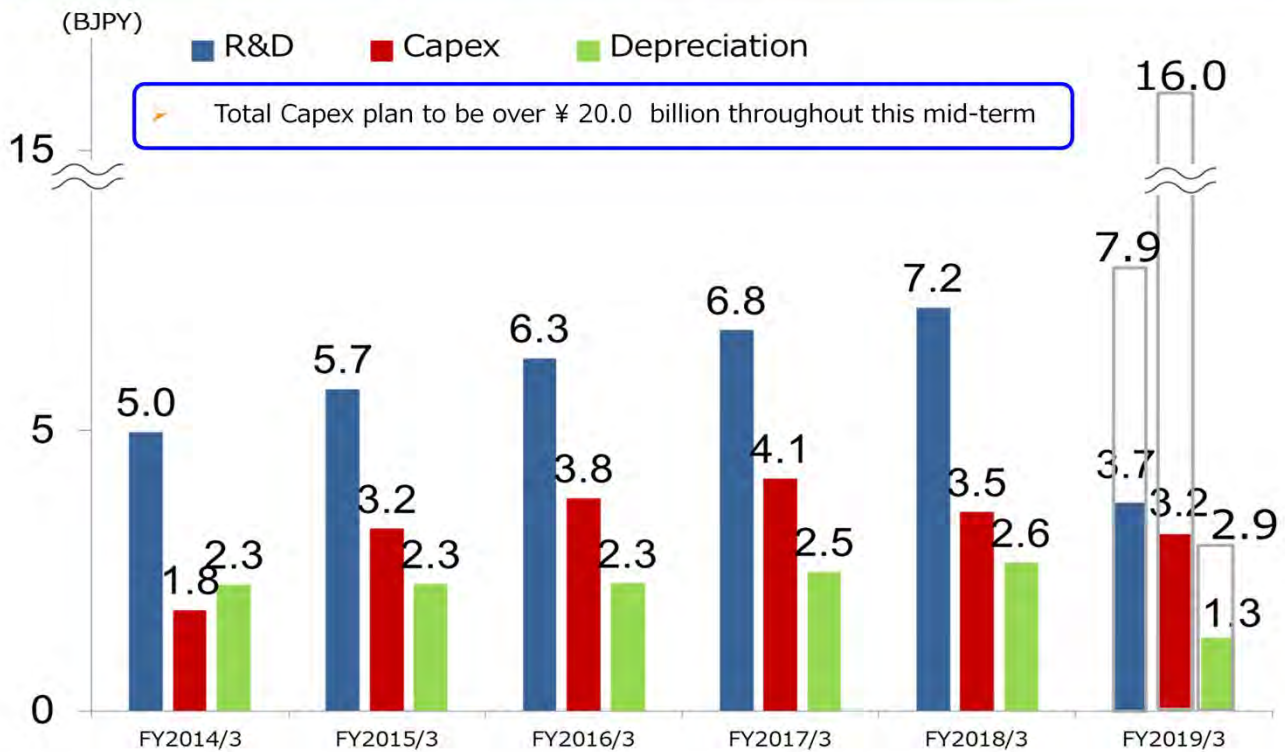
- Establish new application center in Hsinchu, Taiwan
- Operation in FY2021/3

### Application Centers

- Renewal of application center in Osaka
- Operation in FY2020/3

- Progress of our capex project planned in mid-term business target
- Capacity expansion in SPE:  
Acquired land and bldg. for new factory near Hachioji plant  
Use factory in suburbs until full-scale operation of new factory
- Capacity expansion in Metrology:  
To build new bldg. within Tsuchiura plant area
- Effectiveness improvement:  
ERP to start operation in April 2019 as planned
- Application Centers:  
New application center in Taiwan, and renewal of application center in Osaka



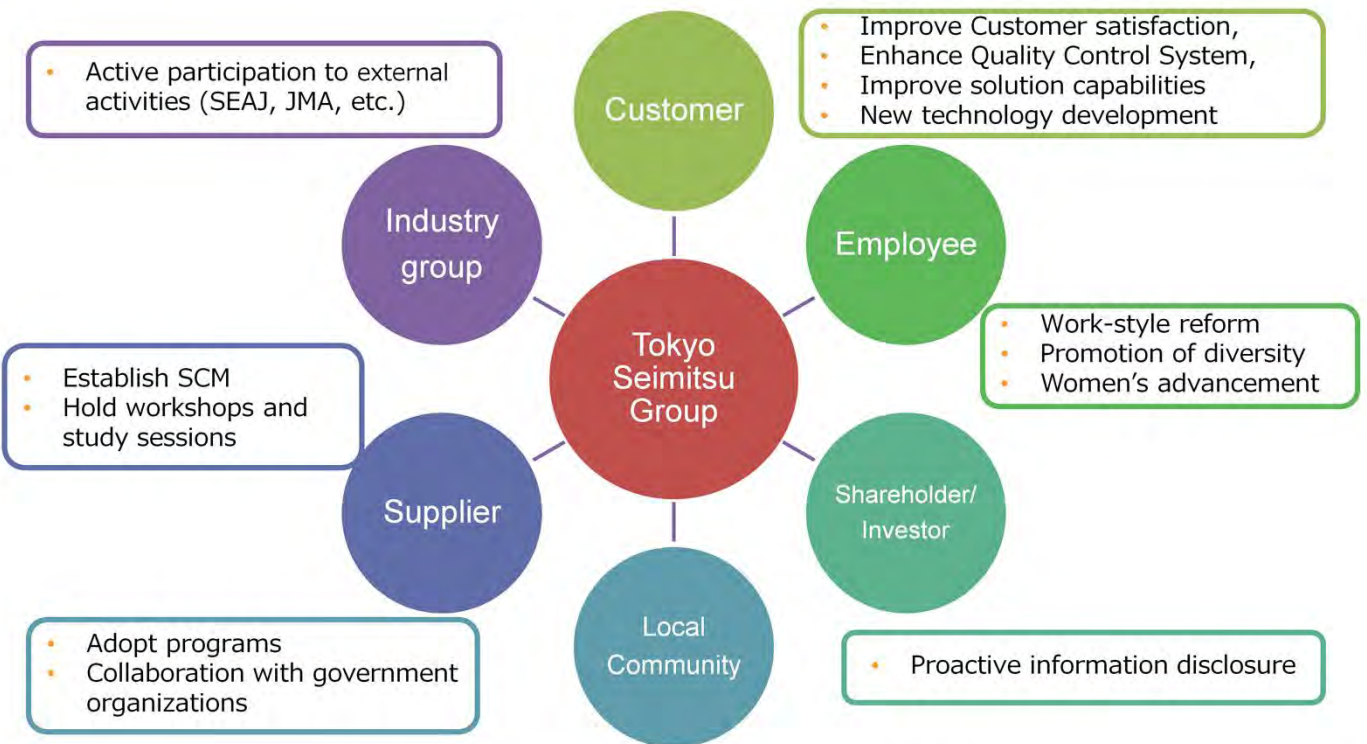


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- R&D expenditure in FY2019/3 1H was 3.7B  
(To strengthen product competitiveness)  
Annual plan is 7.9B in FY2019/3, no change in initial plan.  
(Target ratio of expenditure to sales is 10%)
- Capex in FY2019/3 1H was 3.2B  
Total Capex plan to be over 20.0B throughout this mid-term.  
Annual plan for FY2019/3 changed from 10.0B to 16.0B  
because capex plan for mid-term embodied.
- Depreciation in FY2019/3 1H was 1.3B, and annual plan in FY2019.3  
is 2.9B, no change in initial plan.



- We have been actively working on Corporate Social Responsibility (CSR) activities toward “realizing a sustainable society”.
- Our business activities are made up of involvement with various stakeholders.  
We to emphasize on two-way communication in all business processes.

## Environment

- Environmentally friendly products : develop eco-friendly products considering LCA  
⇒100% compliance with newly developed products
- Global warming prevention : reduce CO2 emissions  
⇒Reduce electricity consumption by utilization of renewable energy

## 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



**We will carry out various activities with concrete goals and consider active participation and activities in the UN Global Compact and related initiatives.**

- Our activities regarding ESG(Environment, Social, Governance) and example of progress in FY2019/3 1H.
- We are carrying out various activities with concrete goals. We will consider active participation and activities in the UN Global Compact and related initiatives.

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- ◆ **Forecast for FY2019/3**
- ◆ Q&A

**SPE**

- Current demand situation is uncertain with signs of decline in investments for Memory device.
- Forecast seasonal trend in demand (downward trend until winter, recovering in early spring) as originally estimated
- Production status remains tight

**Metrology**

- Demand for manufacturing in Japan continues to be active
- The influence of US-China trade friction and various trade negotiations to be carefully watched
- Expect demand increases from Automation and Engineering

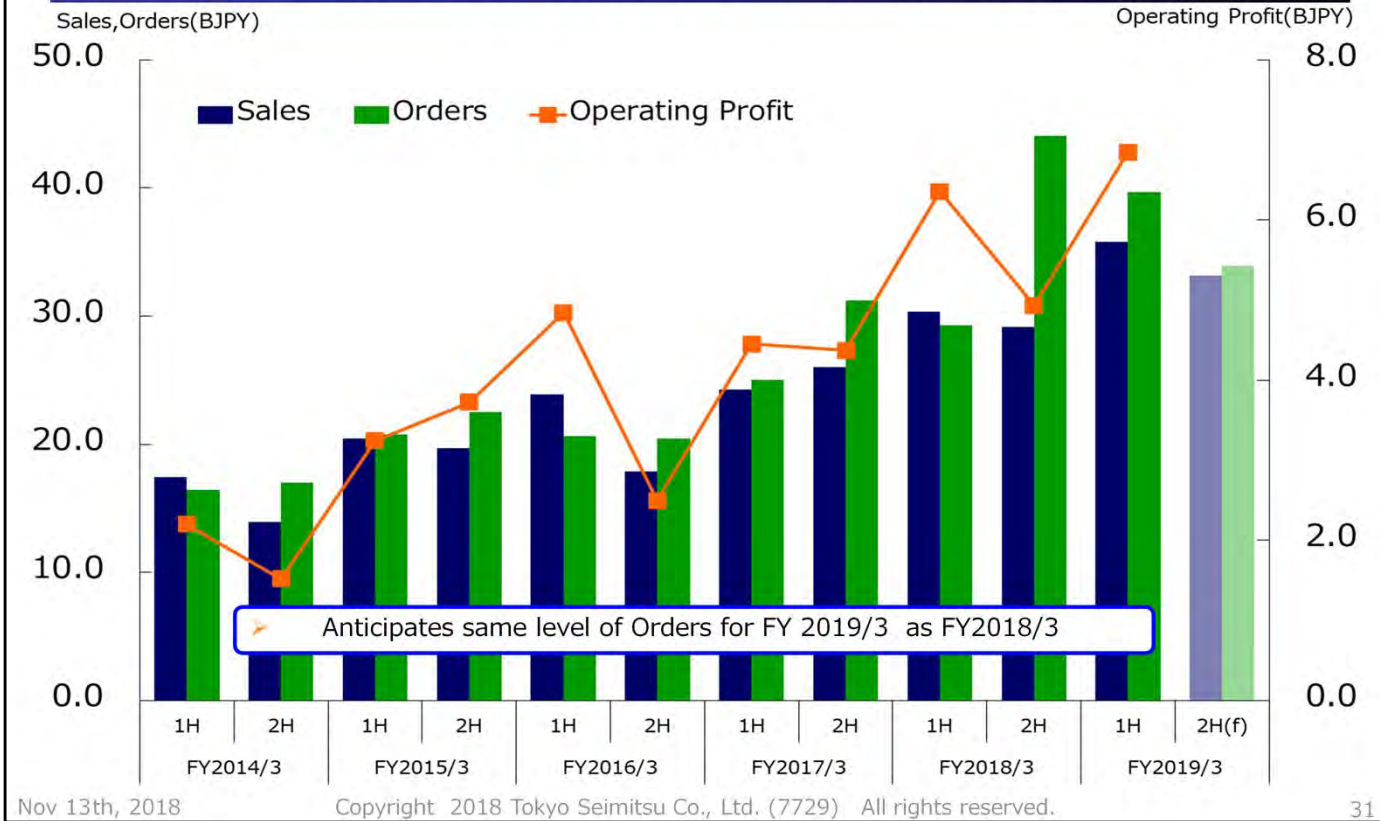
- SPE: Current demand situation is uncertain due to signs of decline in investments for Memory device  
Estimate seasonal trend in demand with expectation of recover in early spring.  
Production status remains tight.
- Metrology: Demand for manufacturing in Japan continues to be active, mainly in automotive related industry.  
On the other hand, the influence of US-China trade friction and various trade negotiations to demand situation are to be carefully watched  
The forecast includes demand increase from automation and IoT.

(Billions of Yen except dividend)	FY2018/3			FY2019/3				
	1H	2H	Full Year	1H	2H Fcst	Full Year Fcst	Diff from prev. fcst	YoY (%)
<b>Sales</b>	43.7	44.5	88.2	51.2	48.8	100.0	+2.0	+13%
SPE	30.3	29.2	59.5	35.8	33.2	69.0	+7.0	+16%
Metrology	13.3	15.4	28.7	15.4	15.6	31.0	+1.3	+8%
<b>Operating Profit</b>	8.9	8.4	17.3	10.2	8.4	18.7	+1.2	+8%
OP Margin	20%	19%	20%	20%	17%	19%	-	-
<b>Recurring Profit</b>	9.0	8.7	17.3	10.8	8.1	18.9	+1.4	+9%
<b>Net Profit</b>	6.4	6.4	12.7	7.9	5.7	13.6	+0.8	+7%
<b>Dividend per share</b>	41 Yen	51 Yen	92 Yen	49 Yen(*1) 10 Yen(*2)	49 Yen(*1) 10 Yen(*2)	98 Yen(*1) 20 Yen(*2)	+4 Yen	+26 Yen

(\*1) Ordinary dividend (\*2) Commemorative dividend

- Revised FY2019/3 forecast based on 1H result and market outlook
- Also revised dividend forecast

- The Company improved FY2019/3 forecast, based on 1H result and market outlook
- Sales 100.0 B (Up 13% YoY), Operating Profit 18.7 B (Up 8% YoY), Recurring Profit 18.9 B, Net Profit 13.6 B
- Based on the dividend policy (targeting dividend payout ratio of 30%), annual dividend per share improved from 114 Yen to 118 Yen. (Ordinary 98 Yen, Commemorative 20 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, 2019"* released on November 13<sup>th</sup>, 2018.)

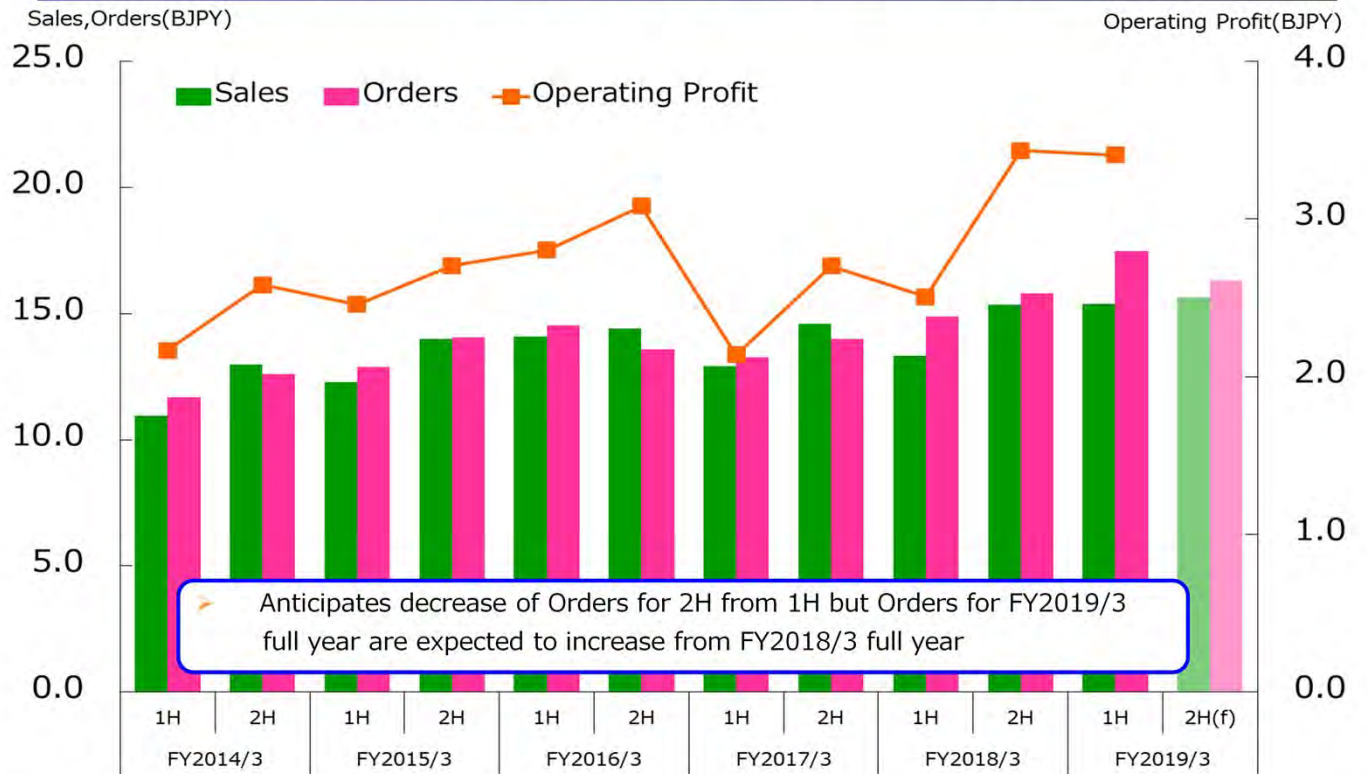


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- Estimate 2H order to be lower than 1H.  
Anticipates same level of orders for FY2019/3 full year as FY2018/3 full year
- Outlook of product composition ratio for FY2019/3 2H:  
Sales: 70% for probers, around 30% for assembly machines  
Orders: Mid-60% for probers, Mid-30% for assembly machines



- Estimate a decrease of orders for FY2019/3 2H over FY2019/3 1H  
Expect increase of orders for FY2019/3 full year from FY2018/3 full year
- Outlook of product composition ratio for FY2019/3 2H:  
Sales & Orders: 30% for automation gauges and 70% for measurement instruments



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