

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

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- FY2018/3 Consolidated revenue increased mainly because of strong demands toward SPE and a gradual recovery in Metrology segment. Each profit recorded historical high.
- Consolidated Sales amount: 88.2 Billion JPY (* Billion JPY hereafter referred to as "B"). 59.5B from SPE, and 28.7B from Metrology.
- Operating profit: 17.3B (SPE 11.3B, Metrology 6.0B)
- Recurring profit: 17.3B and Net Profit (attributable to owners of parent): 12.7B
- Dividend will be 92 Yen per share incl. year-end dividend per share of 51 Yen (Please also refer to News Release on May 15th. 2018 for details).
- Note that the Company paid special bonus to All employees of the group.

(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%

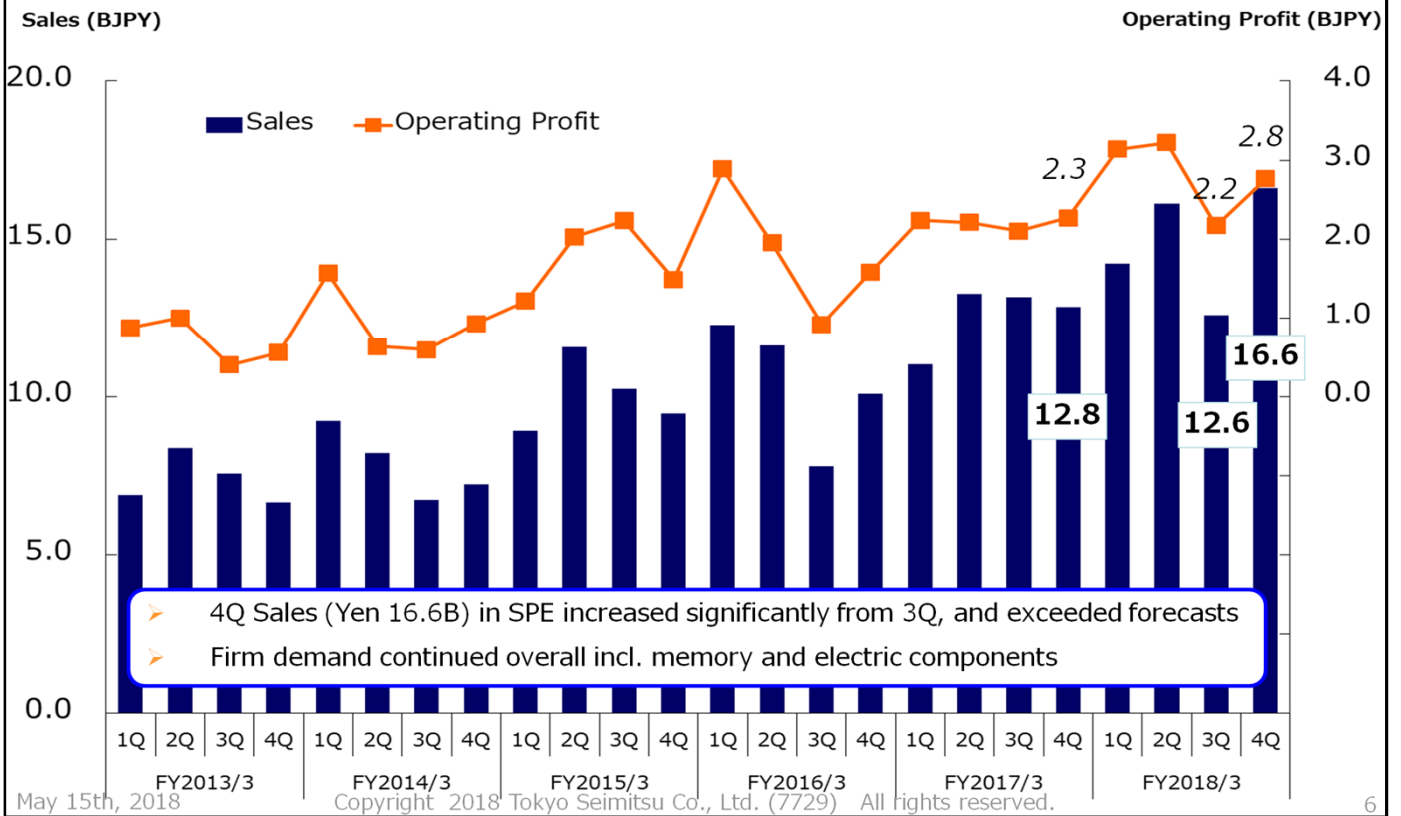
(*) attributable to owners of the parent

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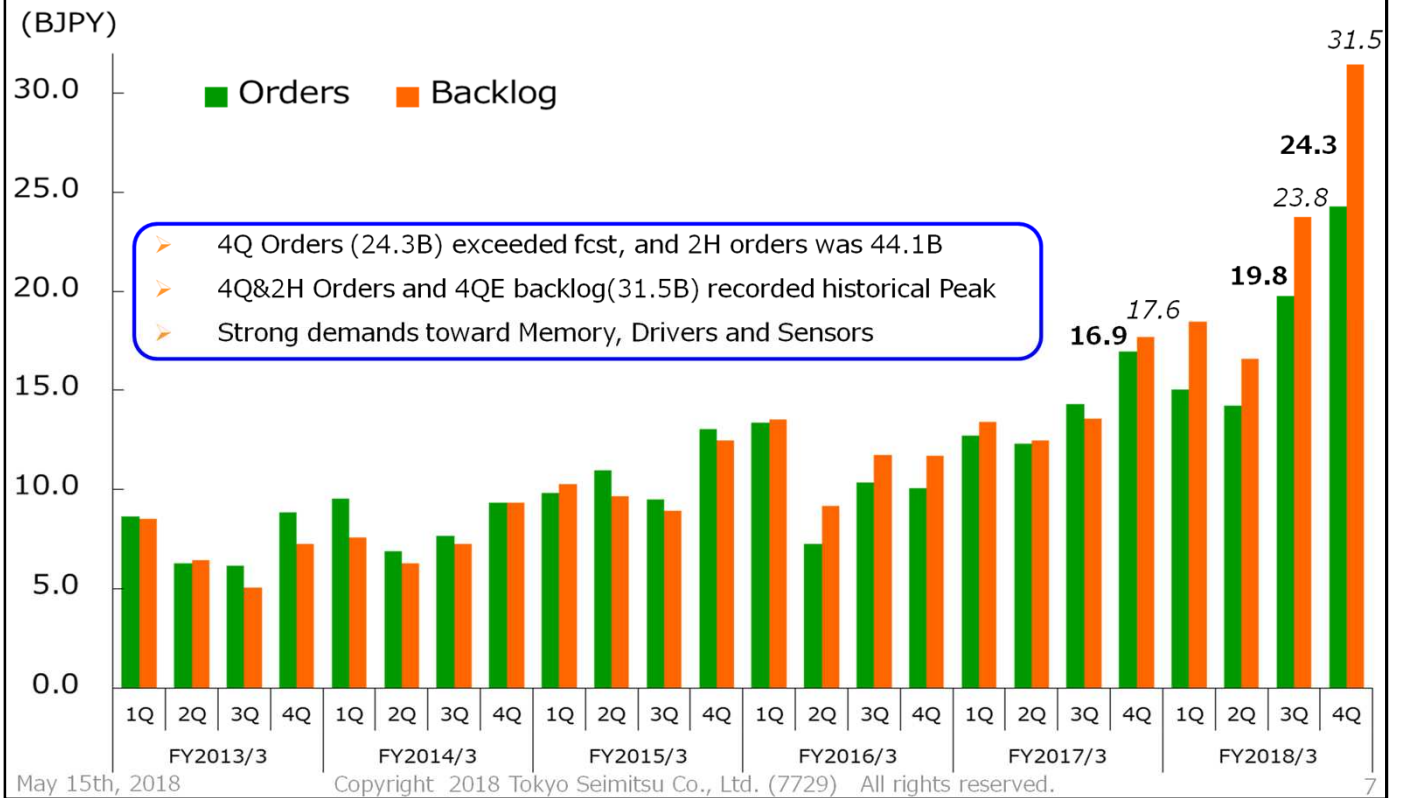
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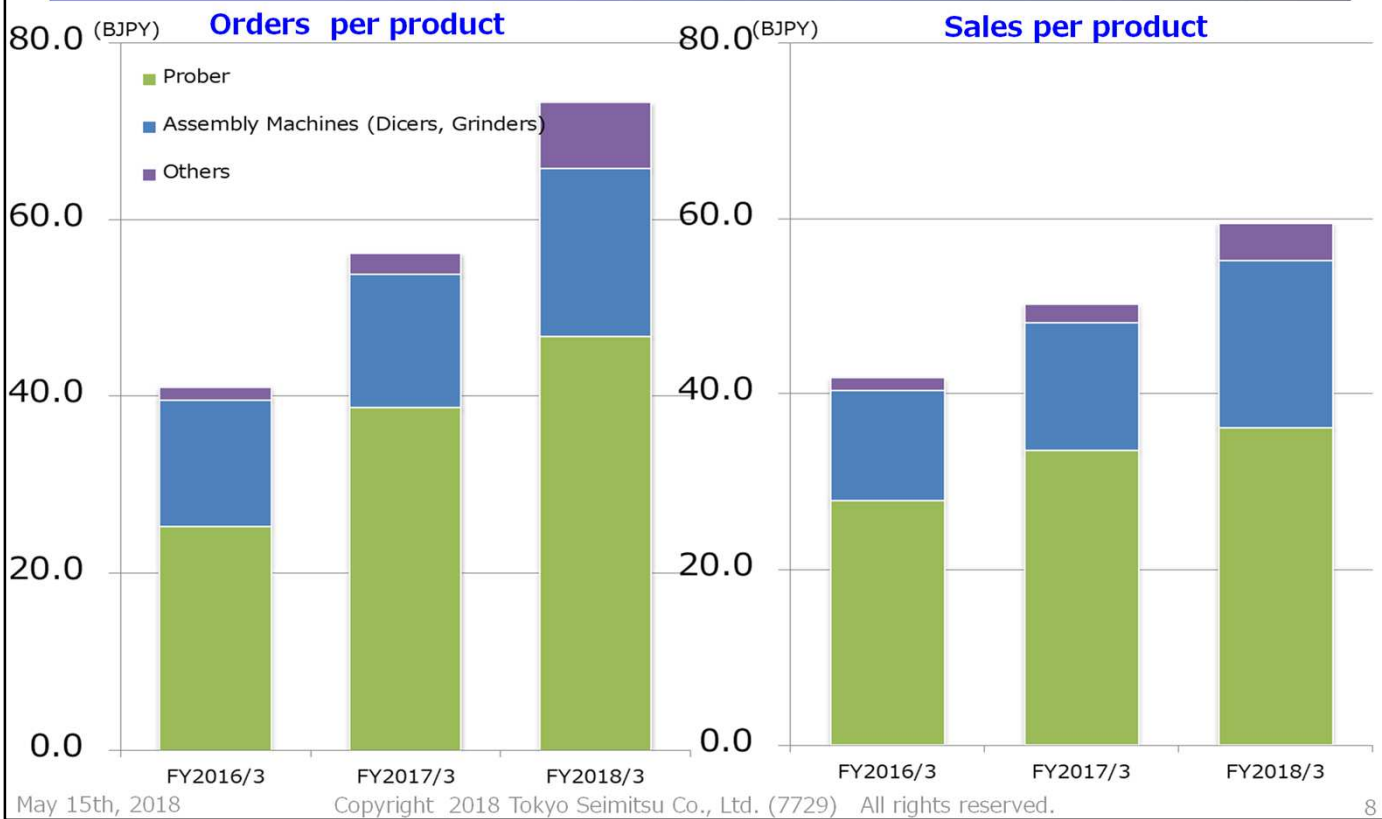
- Business Results for 4th quarter (4Q, January to March, 2018)
Sales: 25.3B (SPE 16.6B, Metrology 8.7B)
Operating Income: 4.8B (SPE 2.8B, Metrology 2.0B)
Ordinary Income: 4.6B, and Net Income: 3.8B.
- A slight decline in SPE OP margin was mainly from increase in SGA through aforementioned special bonus and product-mix.



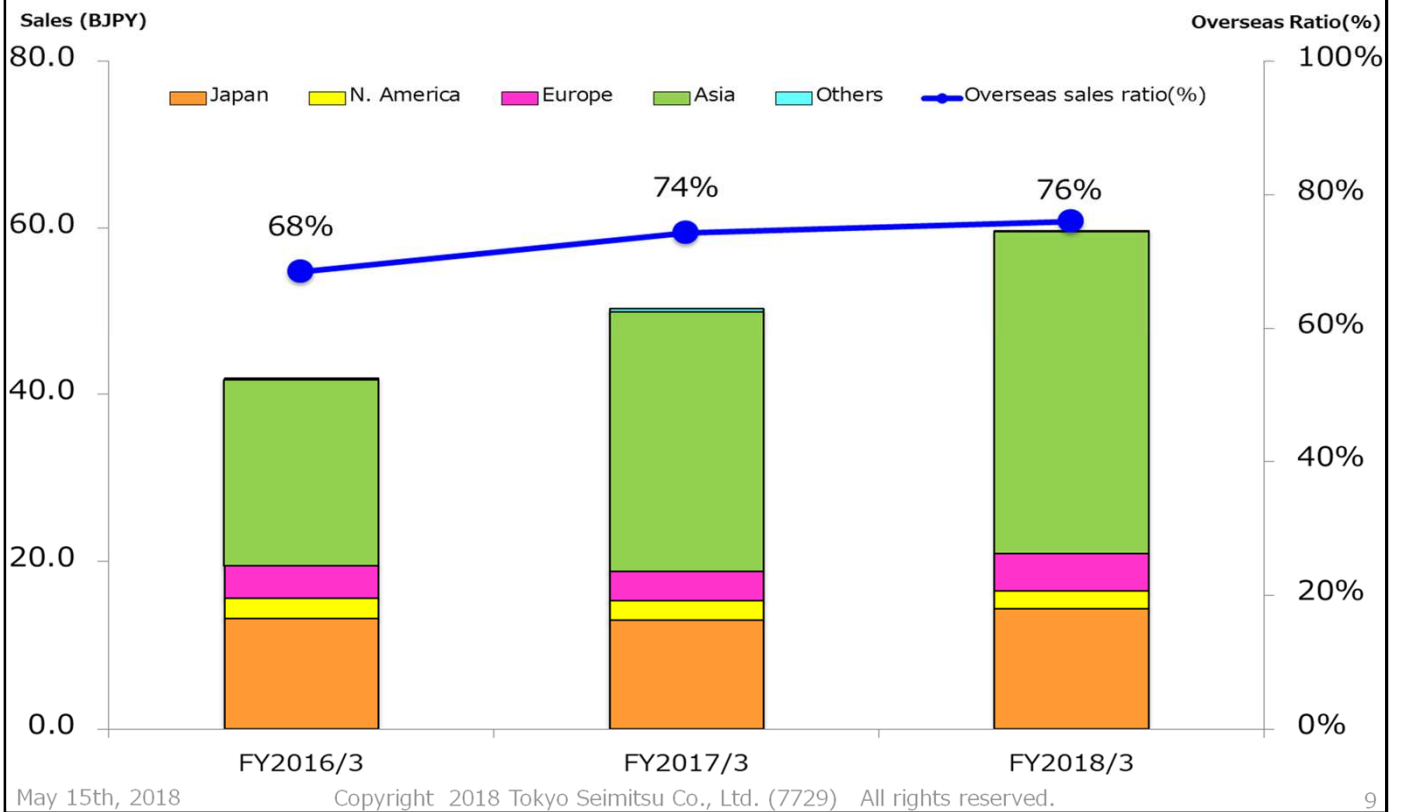
- 4Q Sales in SPE increased significantly from 3Q, exceeded forecasts.



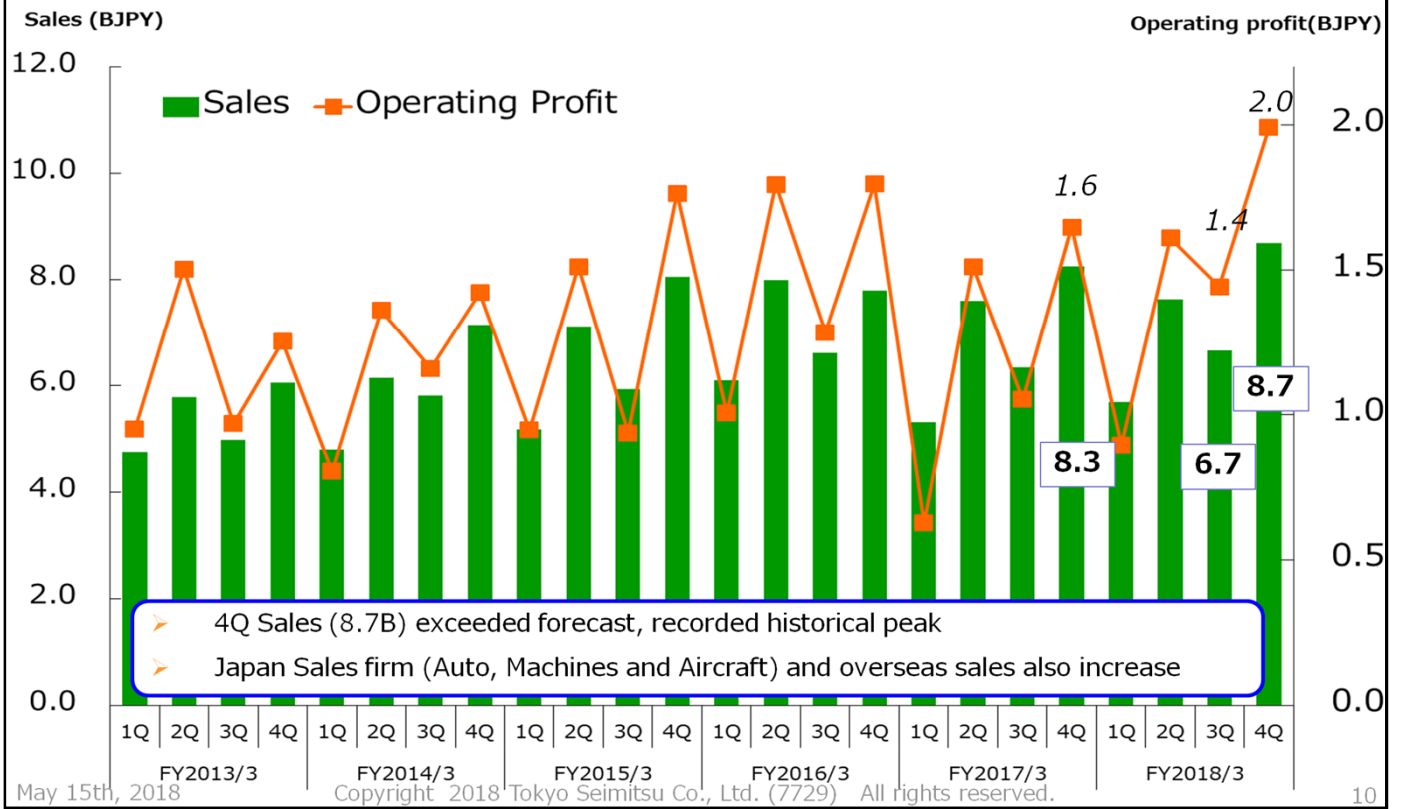
- Original forecast of 4Q Orders was on the same level as that of 3Q
4Q Orders increased significantly from 3Q because demands toward Memory, Drivers, and Sensors exceeded forecast.
- 4Q and 2H Orders and 4Q end backlog marked historical peak.



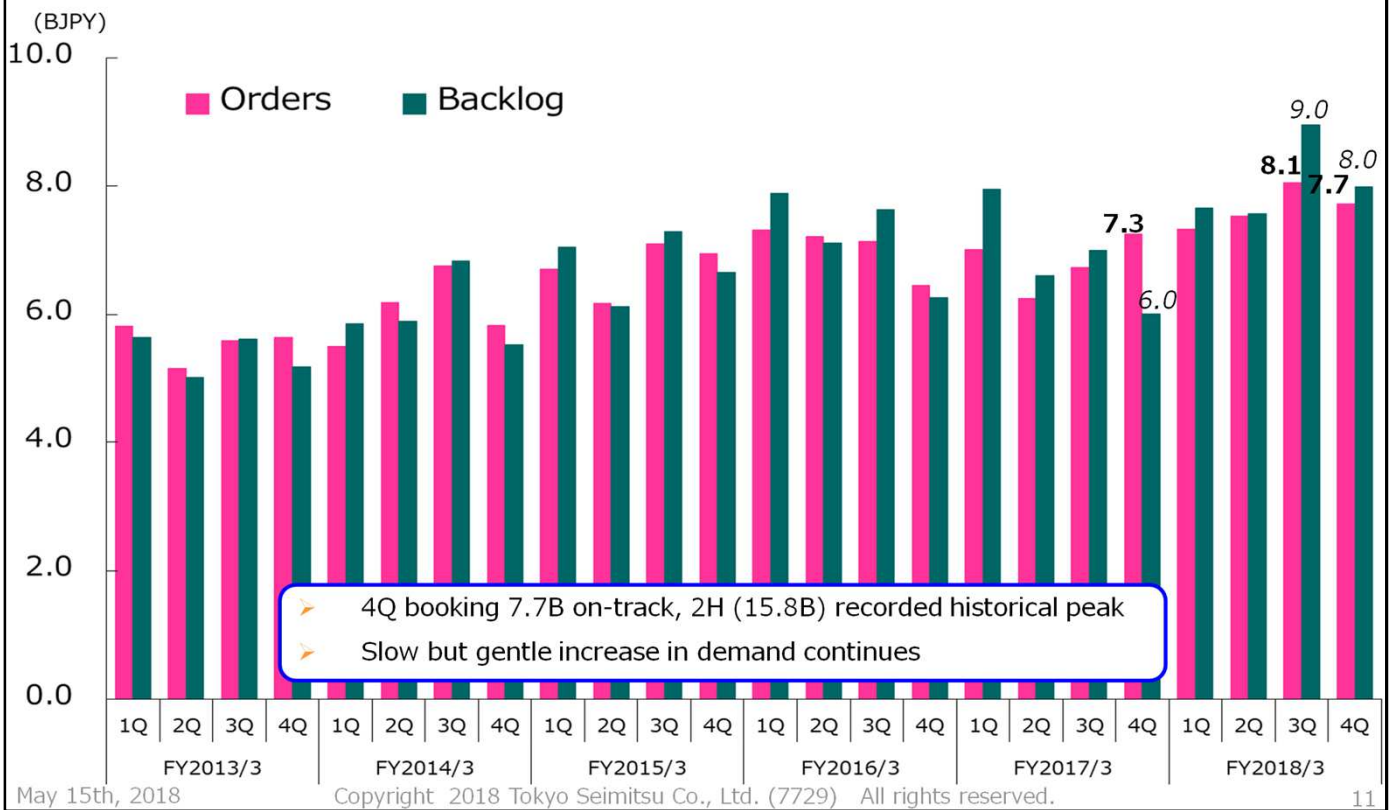
- In FY2018/3, orders increased in every product.
Mid-60% for inspection equipment (Prober), and mid-20% for assembly machines (Dicers, Grinders).
- Sales increased especially in assembly machines
Around 60% of sales for prober, and low-30% of sales is for assembly machines.



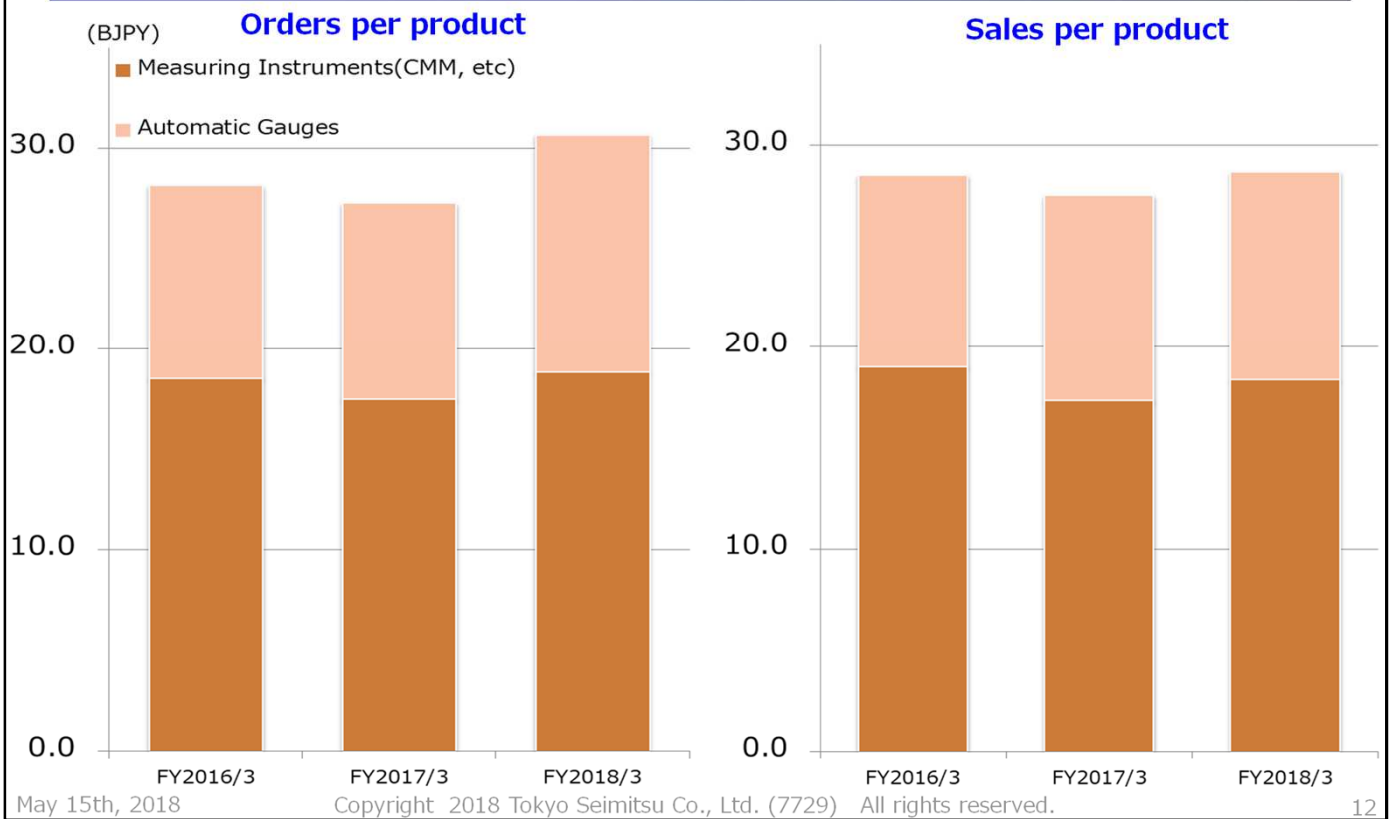
- SPE's overseas sales ratio in FY2017/3 was 76%.
- Sales to Asia (in green) increased (especially to SEA and Korea).



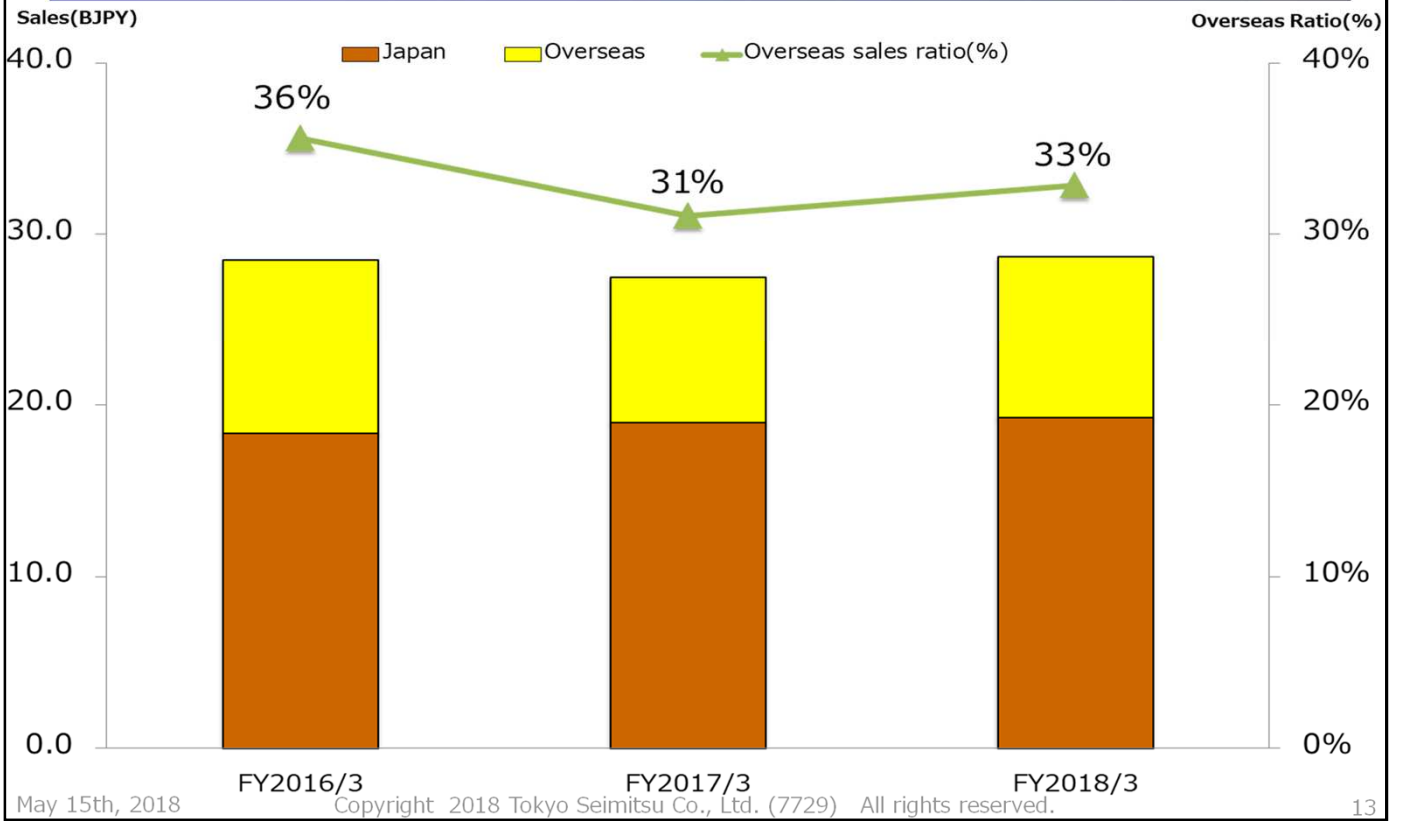
- 4Q sales recorded historical peak on a quarterly basis as a result of many sales with fiscal year-end delivery date and a recovery trend in overseas demand.
- Consequently, Operating Profit was also on a high level.



- 2H's Booking in Metrology business were 15.8B (recorded historical peak)
Gradual recovery trend of bookings continued mainly due to demand from Automobile industry and demand toward sensors and gauges (which links with machine tools market trend) .
- 4Q's backlog remained relatively high.



- In FY 2018/3, in automatic measurement products (sensors, gauges, etc.) had solid orders and sales throughout the year. Measuring Instruments (CMM, etc.) had recover in orders and sales against FY 2017/3.
- 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.



- Overseas sales ratio in FY2018/3 in Metrology business was 33%.
- Overseas sales ratio went up because demand from Japan was constant and investment in overseas by Japanese manufacturers recovered.

Assets (Billions of Yen)	Mar/E 2017	Mar/E 2018	Diff.	Liabilities, Net Assets (Billions of Yen)	Mar/E 2017	Mar/E 2018	Diff.
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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- Total Assets as of March 2018 was 133.0 B (+18.5 B from Mar/2017).
- Current Assets increased by 13.6B and Fixed Assets increased by 5.0B.
- Breakdown of increases:
Current Assets: Cash + 3.4 B, AR +5.0 B, and Inventories +5.0 B
Maintained inventory level high in response to tight material procurement.
- Total Liability was 33.6 B (increased by 6.4B from an increase of AP) .
- Net assets were 99.4 B (+12.2B).
- Equity ratio was 74.0% and interesting bearing debts as of March/2018 was 1.3B.

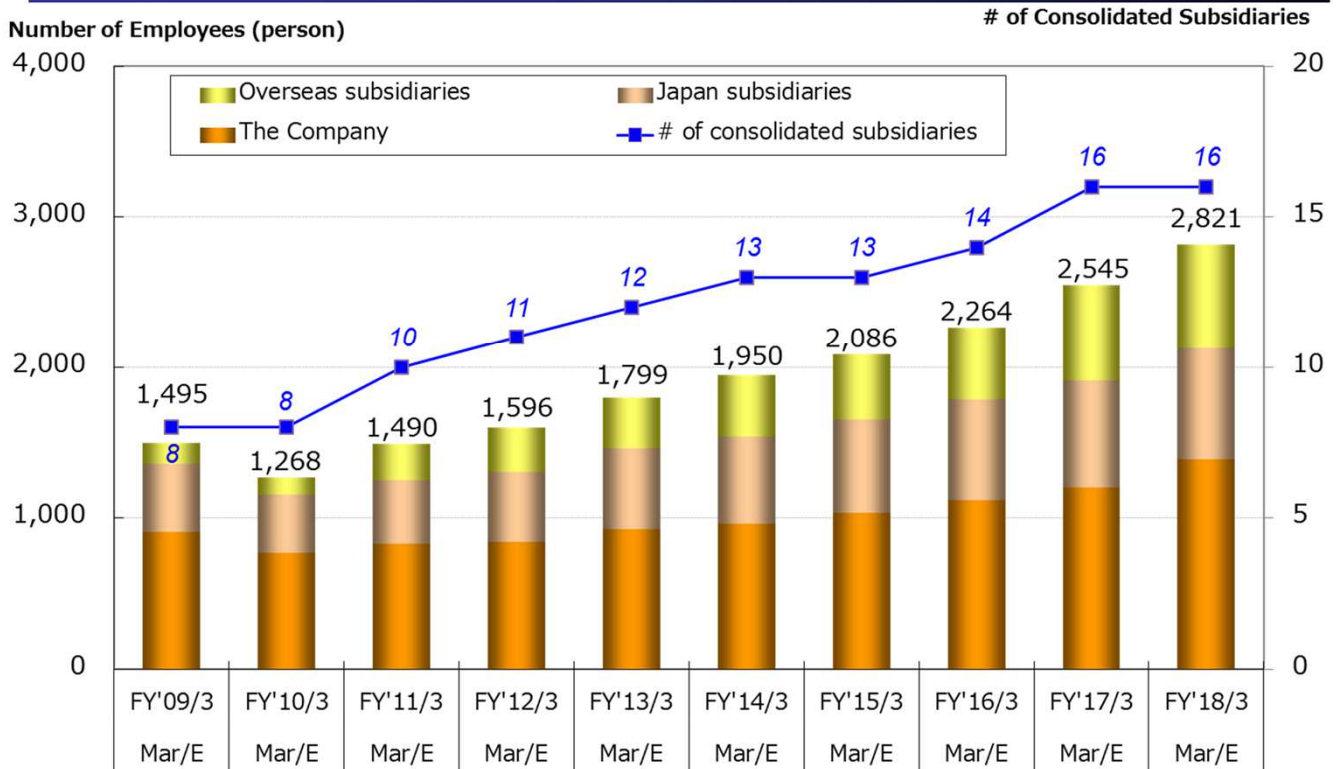
Billions of Yen		FY2016/3	FY2017/3	FY2018/3
Opening Balance		26.8	27.3	33.8
From Operating Activities	Profit before tax and depreciation	15.5	16.9	20.0
	Change in Receivables, Payables and Inventories	- 4.2	- 0.1	- 4.2
	Tax Payment	- 3.8	- 3.6	- 5.9
	Others	- 0.3	- 0.4	1.1
	小計	7.2	12.8	10.9
From Investing 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

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- Cash Flow (CF) in FY2018/3
 CF from Operating Activities: +10.9B mainly because of profit.
 CF from Investing Activities: - 4.6B, mainly due to investment in machines and ERP.
 Consequently, Free Cash Flow (FCF) came to +6.3B.
 CF from Financing Activities: - 3.2B.
- Closing cash balance amounted to 37.1B.



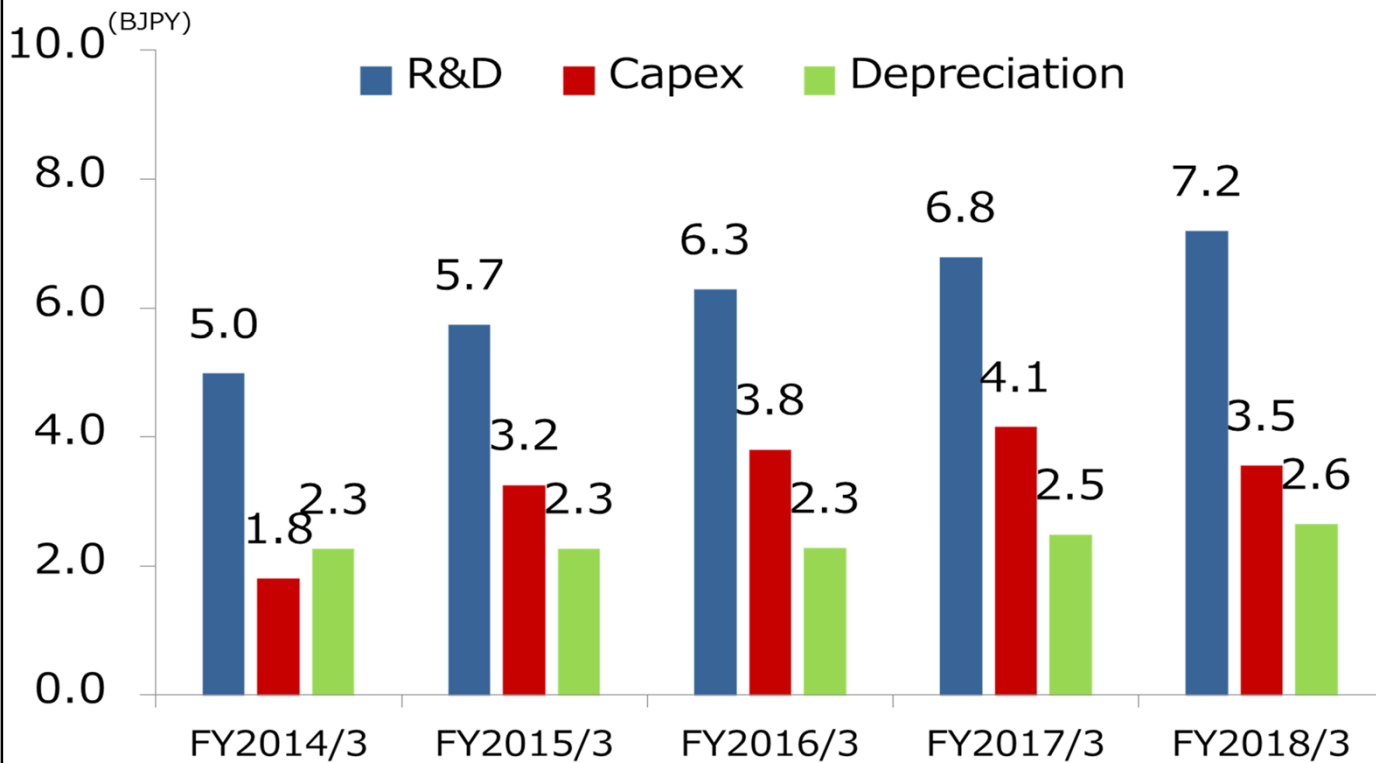
Note) Above figures include part time employees as at the end of each term

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- Number of employees (Consolidated, including part time employees) as at the end of March/2018 was 2,821, an increase by 276 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.



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- R&D expenditure in FY2018/3 was 7.2B (To strengthen product competitiveness, 8.2% of sales)
- Capex was 3.5B (mainly because of investment in replacement of equipment and ERP system)
- Depreciation was 2.6B.

Agenda

- ◆ Business results for FY2018/3
- ◆ **Progress of mid-term business target**
- ◆ Our new mid-term business target
- ◆ Forecast for FY2019/3
- ◆ Q&A

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

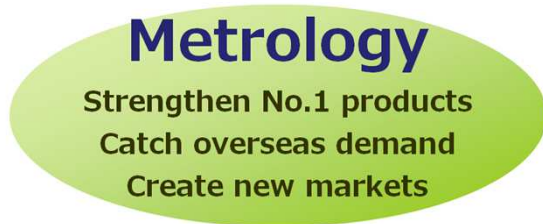
- Achieved business result and corporate value improvement by mounting investment for growth based on a strong financial position on solid foundation of "CSR and group governance"
- Consequently: Sales and profit increased for 5 consecutive fiscal years
Maintained the level of ROE higher than capital cost

Directions per each segment

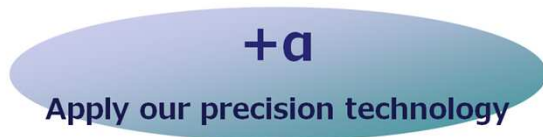
Major achievements (by FY2018/3)



- ✓ 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

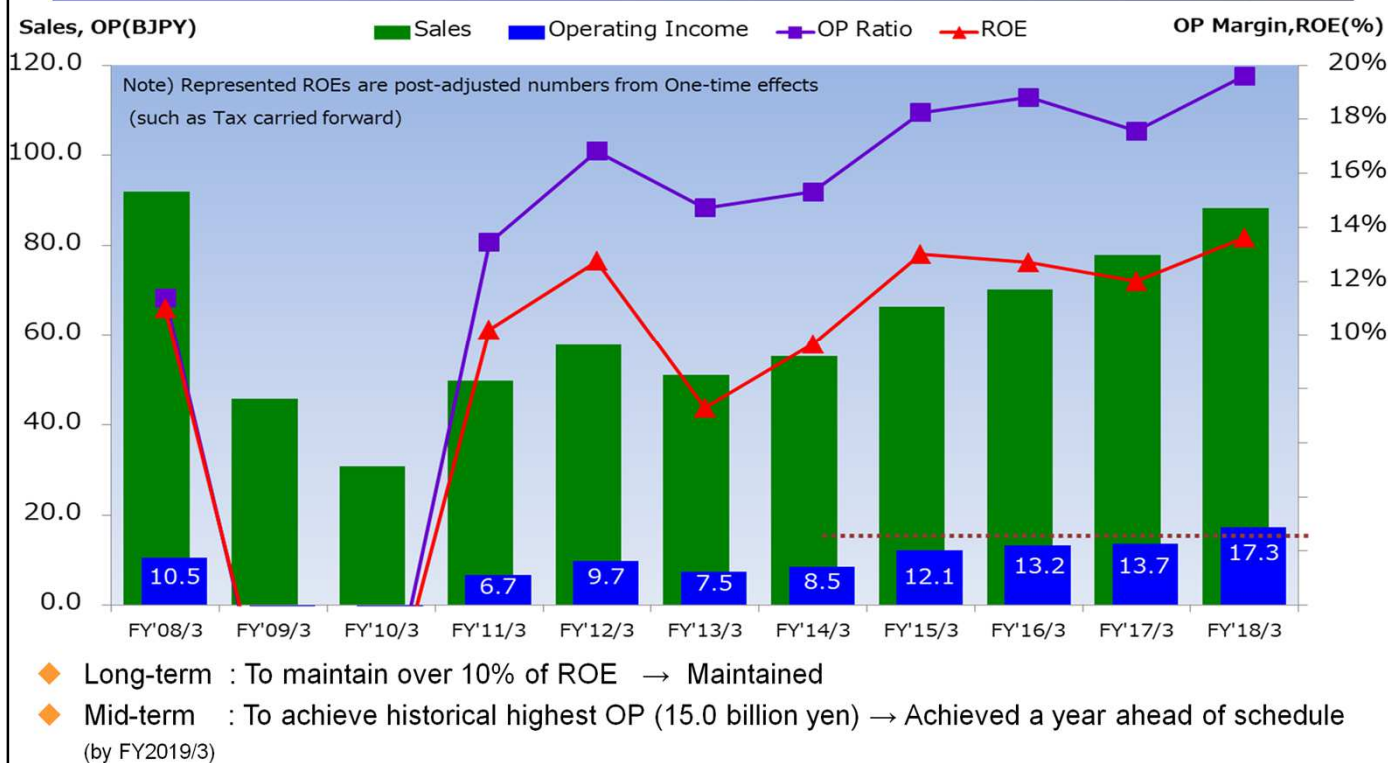


- ✓ Increased aircraft-related business
- ✓ Developed overseas markets for automation
- ✓ Started taking orders for optical measurement instruments



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

- SPE: Focused on strengthening No.1 products and strengthening new technologies and solutions.
- Metrology: Focused on strengthening No.1 products, catching overseas' demand, and creating new markets .
- As a strategy for establishing the third business segment, established department , and executed investment in private equity fund and venture business.



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- Long-term: to maintain over 10% of ROE.
- Mid-term(by FY2019/3): to achieve historical highest OP (15.0 billion yen)
- ROE for FY2018/3 was 13.8%.
Achieved OP goal one year ahead of schedule.
- Since the OP in FY2018/3 greatly exceeded the target, set new mid-term goal from 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

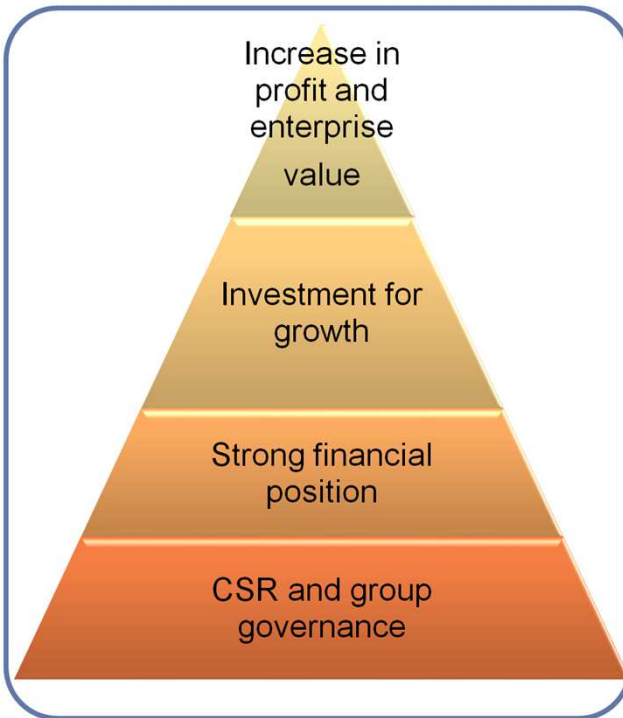
Our corporate brand ;

→ **ACCURETECH**

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

- The Corporate Philosophy based on long-term target 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

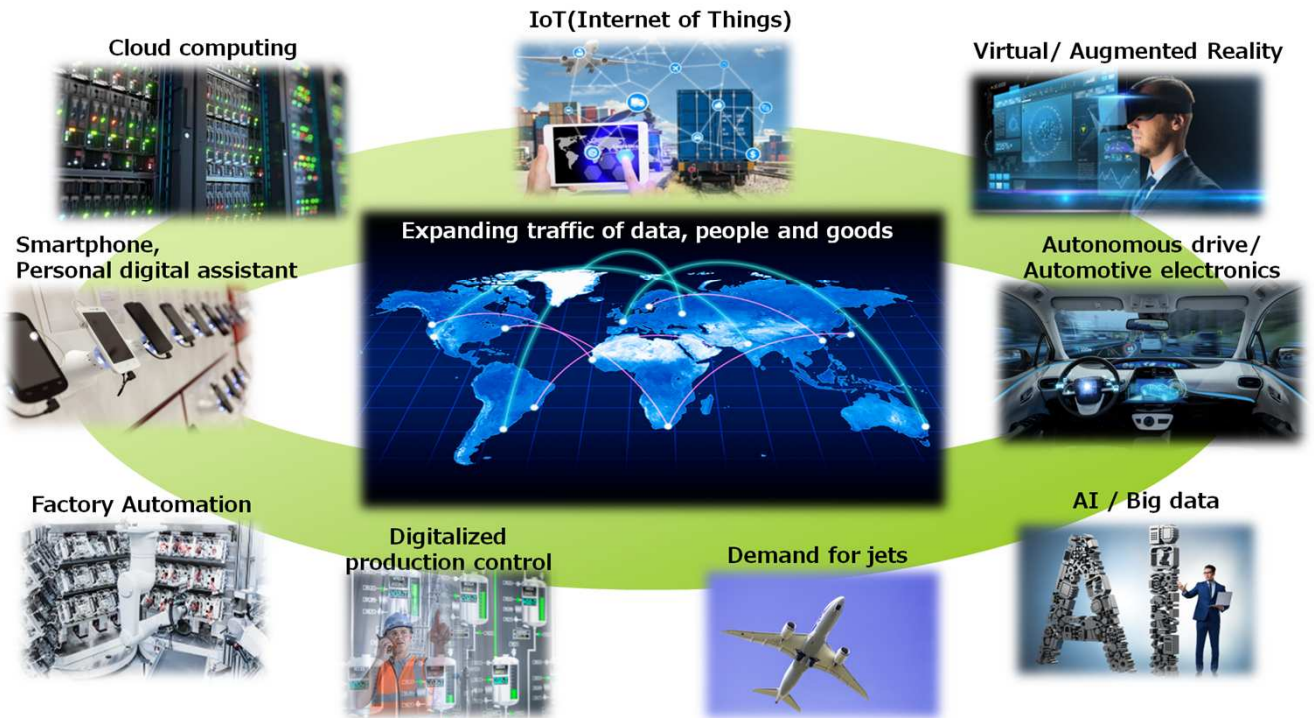


- **Strengths :**
 - Precision, high-resolution measuring technology
 - Reliability
- **Opportunities :**
 - New products and demand from overseas

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

- Our Conceptual framework to realize corporate philosophy and Strengths with our business portfolio will have no change.
- 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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- 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

- **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**

- Growth factors for our business
- SPE: Demand from networking and automotives increases steadily
Moreover, investment in full-scale in China will lead to steady demand at least next 2 years.
- Metrology:
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.

Long-term target : ROE of 10% or more

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



- Quantitative Targets
- 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.
- Plan proactive investment for growth
Aim for achieving challenging goals by overcoming investment related costs.

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



- Corporate strategy for achieving goals
- 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.



Response by each product/technology



Prober

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



Prober with multiple chucks for memory devices

Dicing Machine/Blades

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



Dicing Machine/Blades

Grinder

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



Polish Grinder



CMP High-Rigid Grinder

- Mid-term strategy for SPE
- Prober: Respond to ALL needs .
(Development of platforms and options optimal for each device or customer)
- Dicing Machine/ Blades:
Provide the best solutions, respond to advanced technologies such as for next-generation devices .
- Grinder: Technical development corresponding to the technological innovation and increasing new materials .



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

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Coordinated measuring instrument with high precision

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Surface roughness measuring instrument for shop floor

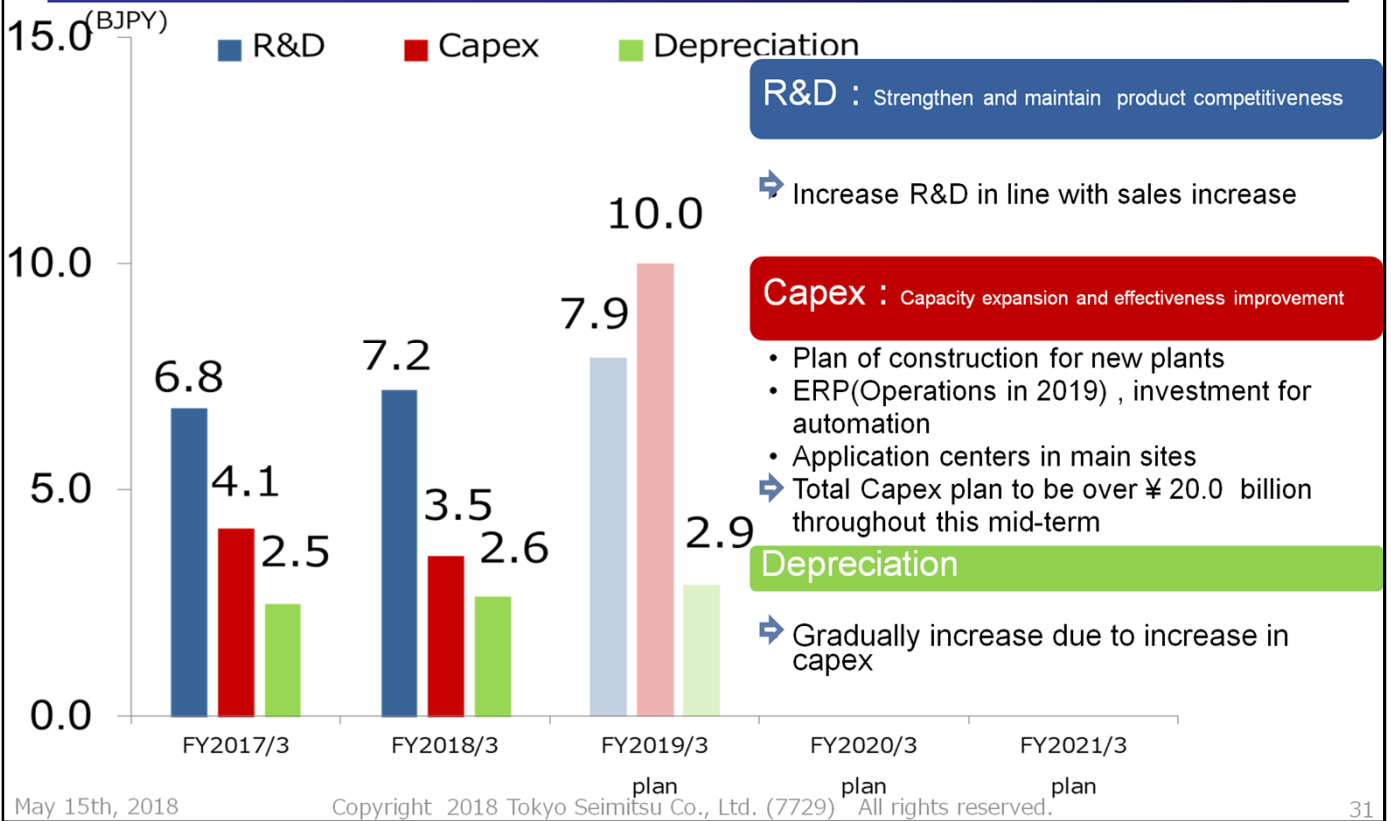
Wireless bore gauge for ATC



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

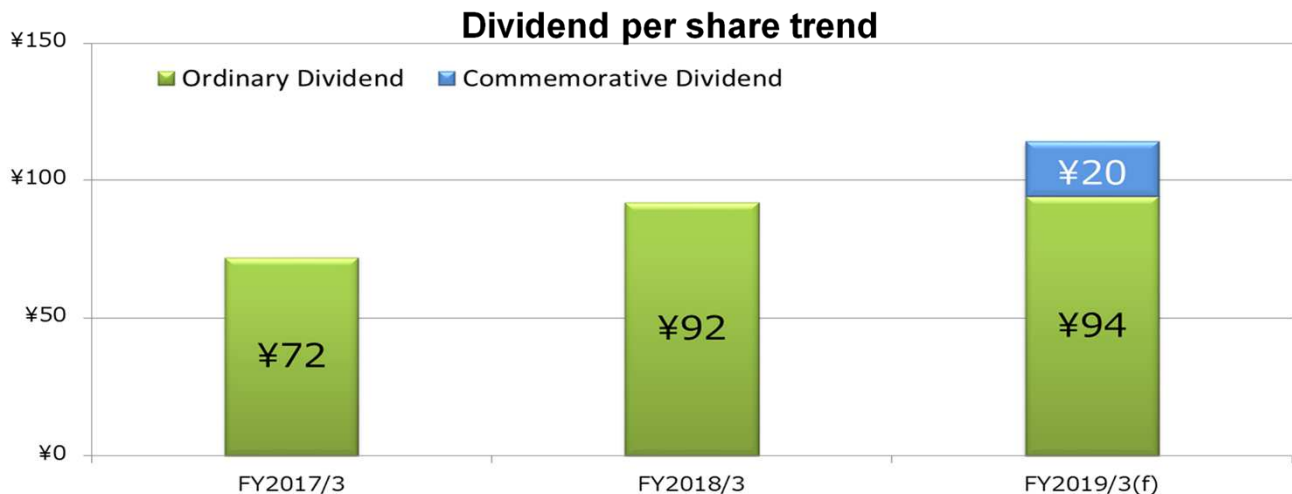
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- Mid-term strategy for Metrology
- Product development:
 - Line-up expansion from high-end to entry models, and optical measurement instruments.
- Solution: Relationship strengthening through services, and provision of automation solutions.
- Sales/Marketing:
 - Regional strategies for overseas sales, expansion of application centers, and development of new customer industry .



- R&D: Focus on strengthening of product competitiveness with cycle of R&D budget increase →Sales expansion →R&D budget increase .
- Capex: Proactive investment such as plant constructions (Planning), ERP/Automation, and expansion of application centers
 Planning over 20.0B yen capex throughout this mid-term .
- Depreciation: Gradually increase due to increase in capex.
- For FY 2019/3 plan, R&D 7.9B, Capex 10.0B, Depreciation 2.9B.

- 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

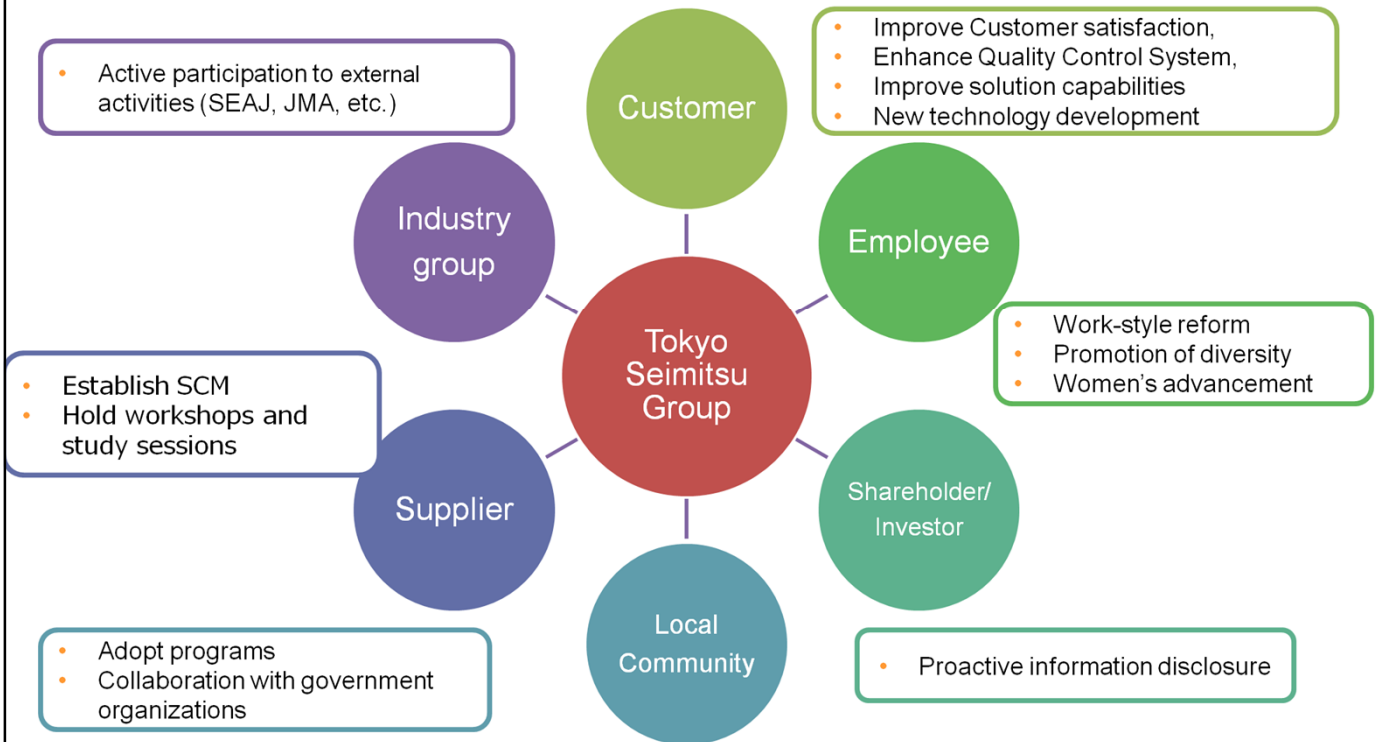


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- Dividends are the main method of profit distribution
(Policy to manage consolidated dividend payout ratio of 30% as a target).
- For FY2019/3, plan to issue a commemorative dividend of 20 yen per share to mark the Company's 70th anniversary, in addition to ordinary dividend of 94 yen per share
(Please refer to the news release on May 15th, 2018 in detail.)
- We will consider active investment, taking into consideration the balance with financial solidity and utilization of cash on hand as a basic policy.



- 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
- 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



- Our activities regarding ESG(Environment, Social, Governance)
- We declared compliance with EICC(Electronic Industry Code of Conduct), and have been working according to ISO26000.
- We will consider active participation and activities in the UN Global Compact and related initiatives.
- In FY 2019/3, we will carry out various activities with concrete goals.

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- ◆ Q&A

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

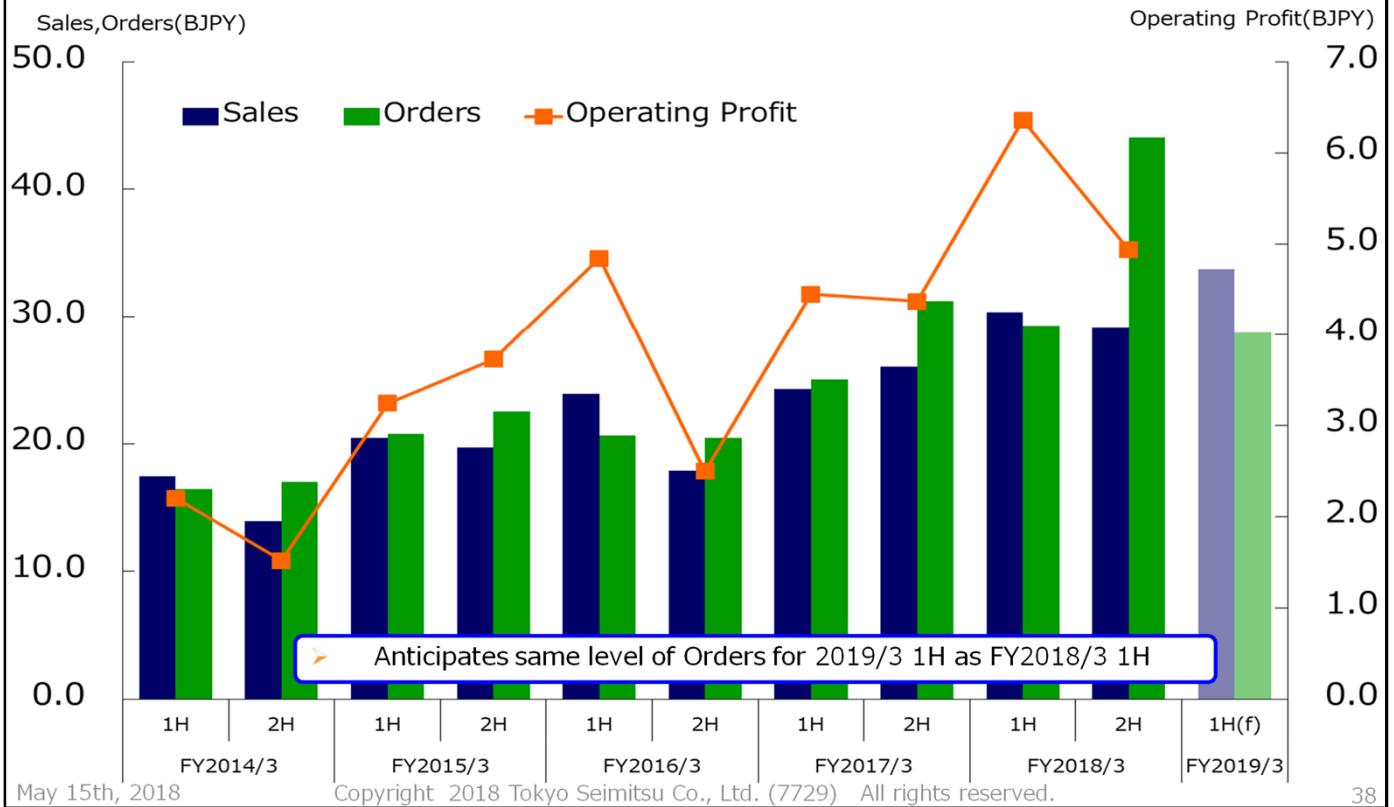
- SPE: A part of Smartphone-related demand is stagnant, however, overall demand situation is firm. Consequently, production status is still being affected by tightening of procurement of parts. The forecast is based on situation that short-term trend is unforeseen.
- Metrology: Demand for manufacturing in Japan continues to be active. Expect recovery in overseas demand (especially from China). The forecast includes demand increase from automation and IoT.

(Billions of Yen except dividend)	FY2018/3			FY2019/3				
	1H	2H	FY	1H fcst	2H fcst	FY fcst	Y/Y	
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

- FY2019/3 forecast based on market outlook is :
- Sales 95.0 B (Up 8% YoY)
 - SPE: 1H 33.7B, FY 65.4B (Up 10% YoY)
 - Metrology: 1H 14.5B, FY 29.6B (UP 3% YoY)
- Operating Profit 18.5 B (Up 7% YoY, 1H 9.7B, 2H 8.8B)
- Recurring Profit 18.5 B, Net Profit 13.1 B
- Projected per share dividend for FY2019/3 is 114 Yen
(Ordinary 94 Yen, Commemorative 20 Yen)

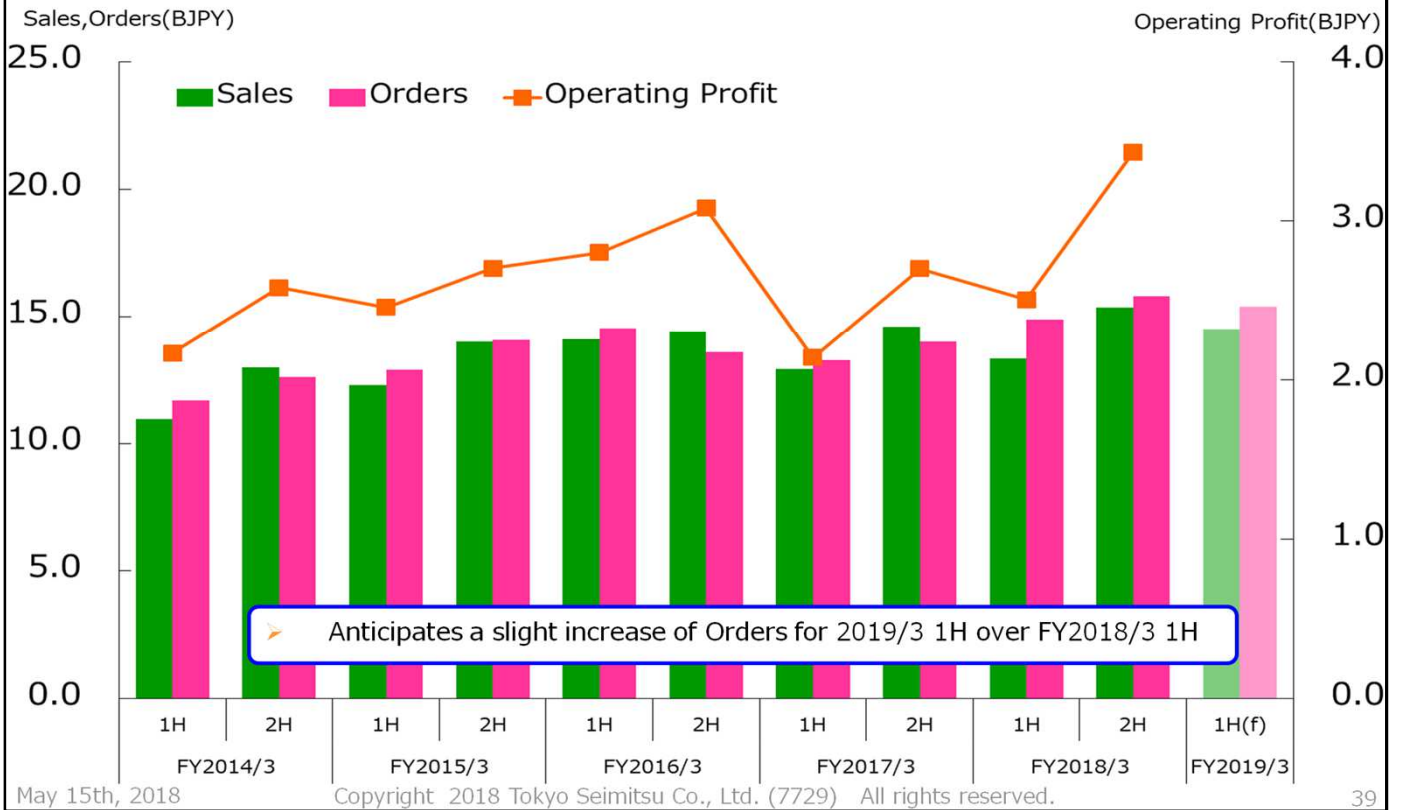


May 15th, 2018

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- Estimate 1H order to be same level as FY 2018/3 1H
- Outlook of product composition ratio for FY2019/3 1H:
 - Sales: Mid-60% for prober, around 30% for assembly machines
 - Orders: Around 60% for prober, low-30% for assembly machines



- Expect a slight increase of orders for 2019/3 over FY2018/3 1H
- Outlook of product composition ratio for FY2019/3 1H:
Sales & Orders: Mid-30% for automation gauges and mid-60% for measurement instruments

Agenda

- ◆ Business results for FY2018/3 full year
- ◆ Progress of mid-term business target
- ◆ Our new mid-term business target
- ◆ Forecast for FY2019/3
- ◆ **Q&A**



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