

Tokyo Seimitsu Co., Ltd. Earnings Call for FY2020/3

May 11th, 2020

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◆ Cautionary Statement with respect to Forward-Looking Statements

- ◆ This presentation data and information verbally provided contain “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, “**Net profit**” denotes Net profit attributable to owner of the parent
- ◆ Information listed in this presentation is summarized in Billions of Yen (**BJPY or B**) 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 FY2020/3**
- ◆ **Summary for the 2nd year of mid-term business targets**
- ◆ **Outlook and policy for the targets**
- ◆ **Forecast for FY2021/3**
- ◆ **Q&A**

FY2020/3 Business Results



Full Year Results (BJPY)	FY2019/3		FY2020/3		
	Full Year		Full Year	Vs.fcst	YoY
Orders	98.9		87.6		-11%
Sales	101.5		87.9	+1.9	-13%
Operating profit (Margin)	20.2 (20%)		12.3 (14%)	+0.3	-39%
Recurring profit	20.8		12.4	+0.3	-41%
Net profit	14.7		7.2	-1.8	-51%
Dividend per share	125Yen(incl. 20yen anniversary)		76Yen	±0Yen	-49Yen

Quarter(BJPY)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Orders	28.2	29.0	24.0	17.7	18.7	19.6	22.5	26.8	+19%	+51%
Sales	19.8	31.4	23.7	26.6	18.0	24.0	22.2	23.7	+7%	-11%
Operating profit (Margin)	3.1 (16%)	7.1 (23%)	4.8 (20%)	5.2 (20%)	1.8 (10%)	3.8 (16%)	3.4 (15%)	3.3 (14%)	-2%	-36%
Recurring profit	3.4	7.4	4.8	5.2	1.9	3.8	3.4	3.2	-7%	-39%
Net profit	2.6	5.3	3.5	3.3	1.4	2.9	2.3	0.6	-73%	-81%

- Accounted for extraordinary loss in 4Q mainly from impairment loss, arising from Hino plants new factory construction plan

COVID-19 impacts



	SPE Segment	Metrology Segment
FY2020/3 Results	<ul style="list-style-type: none"> ● Some push-outs occurred due to lockdown and logistics stagnations ● Impact against original plan was minimal ● Demand itself keeps firm tone 	<ul style="list-style-type: none"> ● Impact was minimal
Impact on FY2021/3 1H	<ul style="list-style-type: none"> ● Anticipate minimum impact, but need to carefully watch any unforeseen impacts from lengthening current situation 	<ul style="list-style-type: none"> ● Anticipate delay in roll-in of some products due to customers factory shutdown
Sales activities	<ul style="list-style-type: none"> ● Overseas activities are being handled by regional experts sometimes with remote support 	<ul style="list-style-type: none"> ● Slight delay in actions due to customer s factory shutdown
Service activities	<ul style="list-style-type: none"> ● Generally on-track as scheduled 	
Offices in Japan	<ul style="list-style-type: none"> ● Factory is in normal operation, materials shortages can be worked around with compatible ones ● Body temperature checks, frequent disinfection, avoiding closed spaces are mandatory ● Some employees are in WFH 	
Offices in worldwide	<ul style="list-style-type: none"> ● Factories such as in China and Thailand are in normal operation ● Employees in specific countries are in WFH 	

SPE Business Segment Results



Segment Results (FY : BJPY)	FY2019/3		FY2020/3		
	Full Year		Full Year	Vs. fcst	YoY
Orders	65.3		57.7		-12%
Sales	69.1		56.2	+1.2	-19%
Operating profit (Margin)	13.2 (19%)		7.9 (14%)		-40%

Quarterly (BJPY)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Orders	19.3	20.4	15.1	10.5	10.7	12.2	15.4	19.5	+27%	+85%
Sales	12.8	23.0	15.3	18.0	11.7	15.9	14.1	14.6	+4%	-19%
Operating profit (Margin)	1.6 (13%)	5.2 (23%)	3.1 (20%)	3.3 (18%)	1.4 (12%)	2.4 (15%)	2.1 (15%)	2.0 (14%)	-3%	-38%

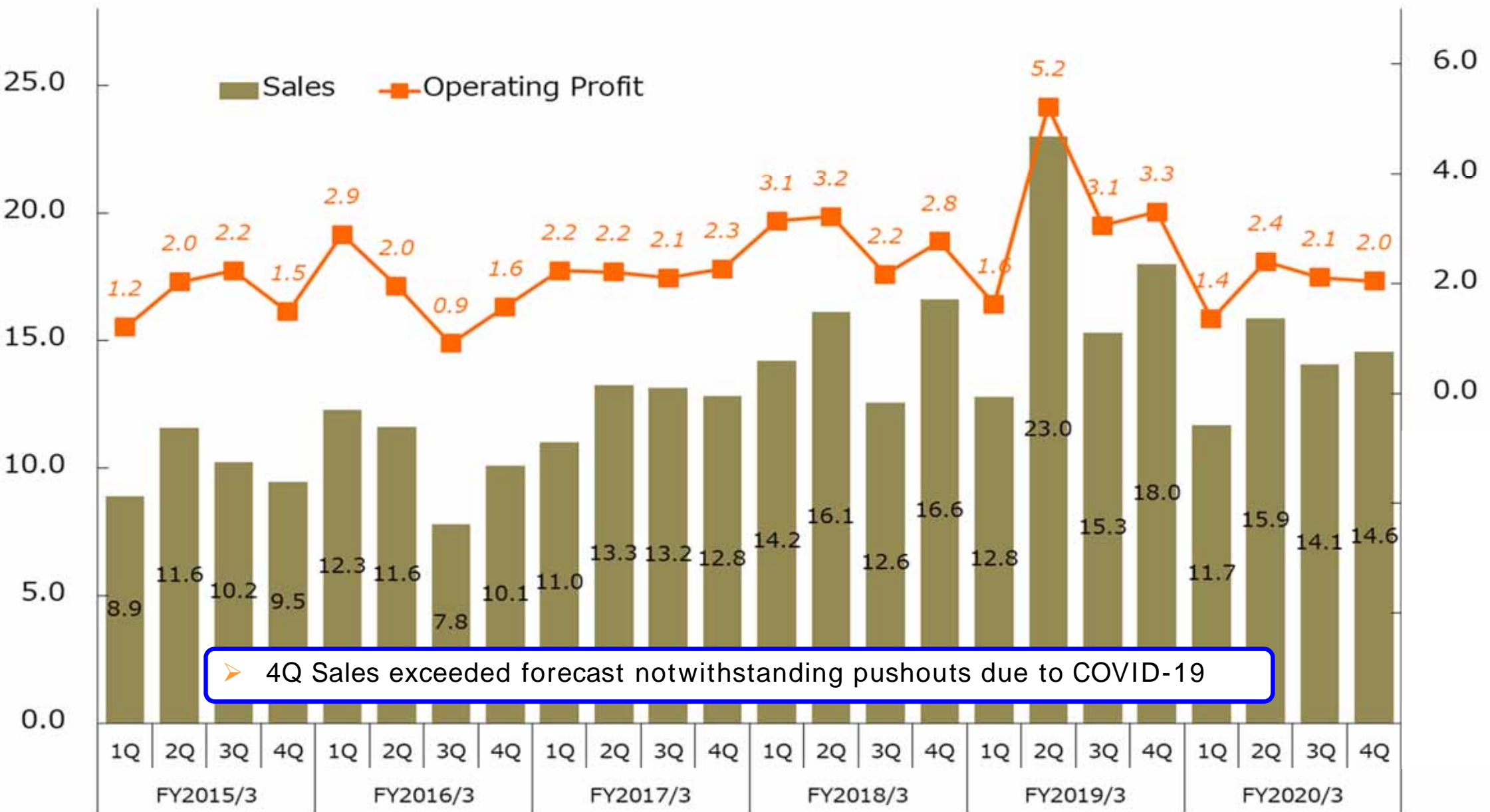
- Both Sales and Operating profit exceeded forecasts
- Bookings increased sequentially for entire fiscal year

SPE – Sales and OP



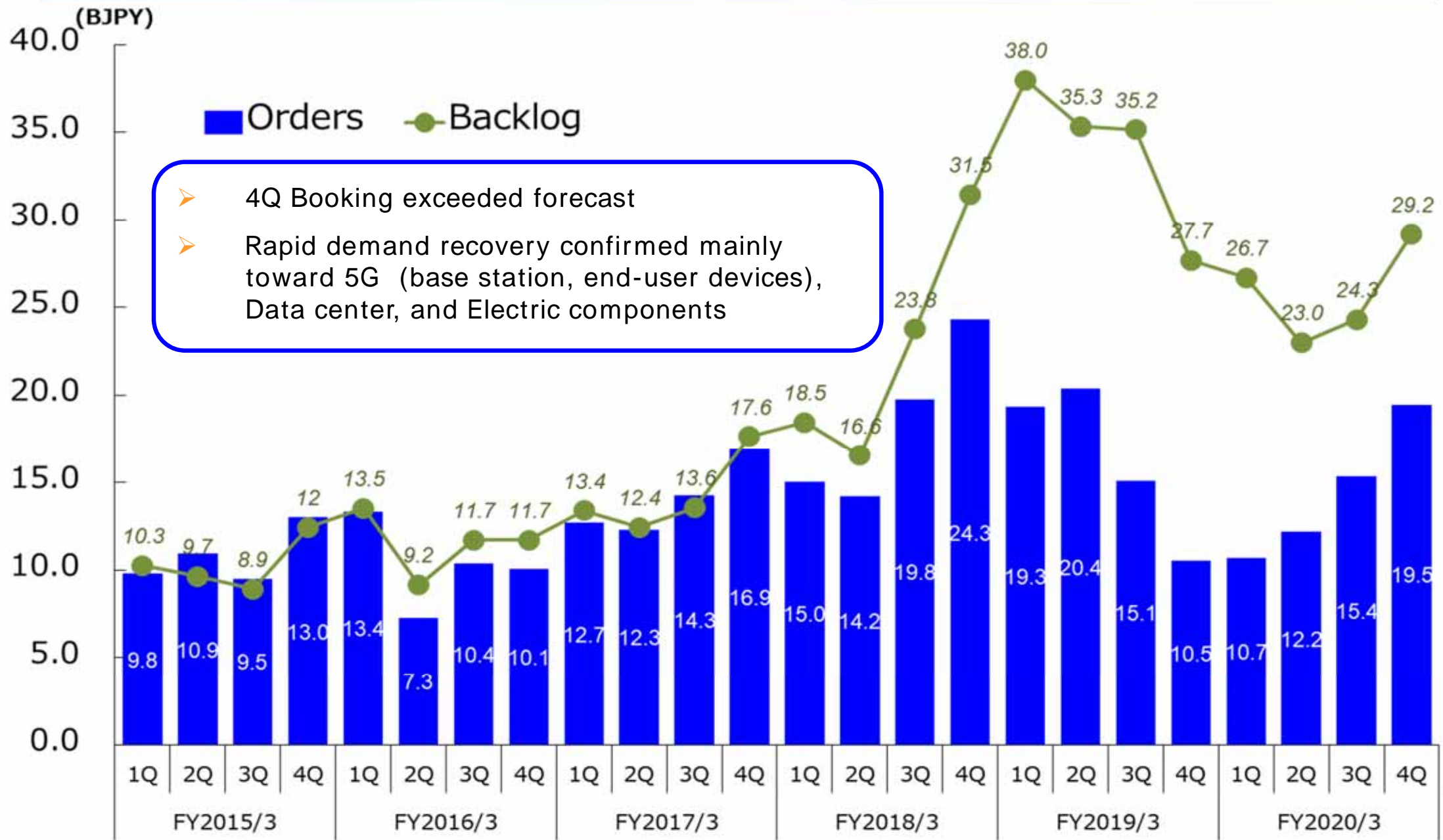
Sales (BJPY)

Operating Profit (BJPY)



➤ 4Q Sales exceeded forecast notwithstanding pushouts due to COVID-19

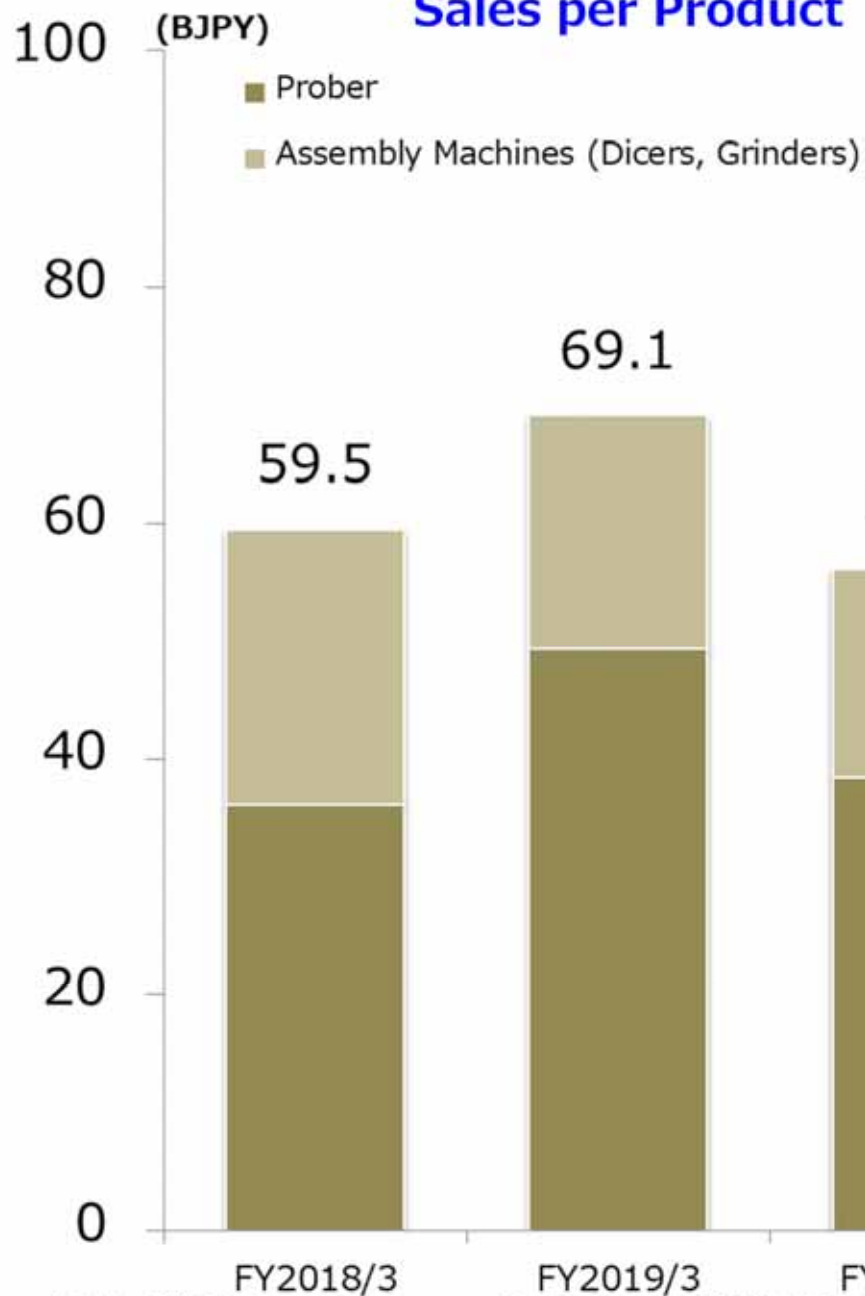
SPE – Orders and Backlog



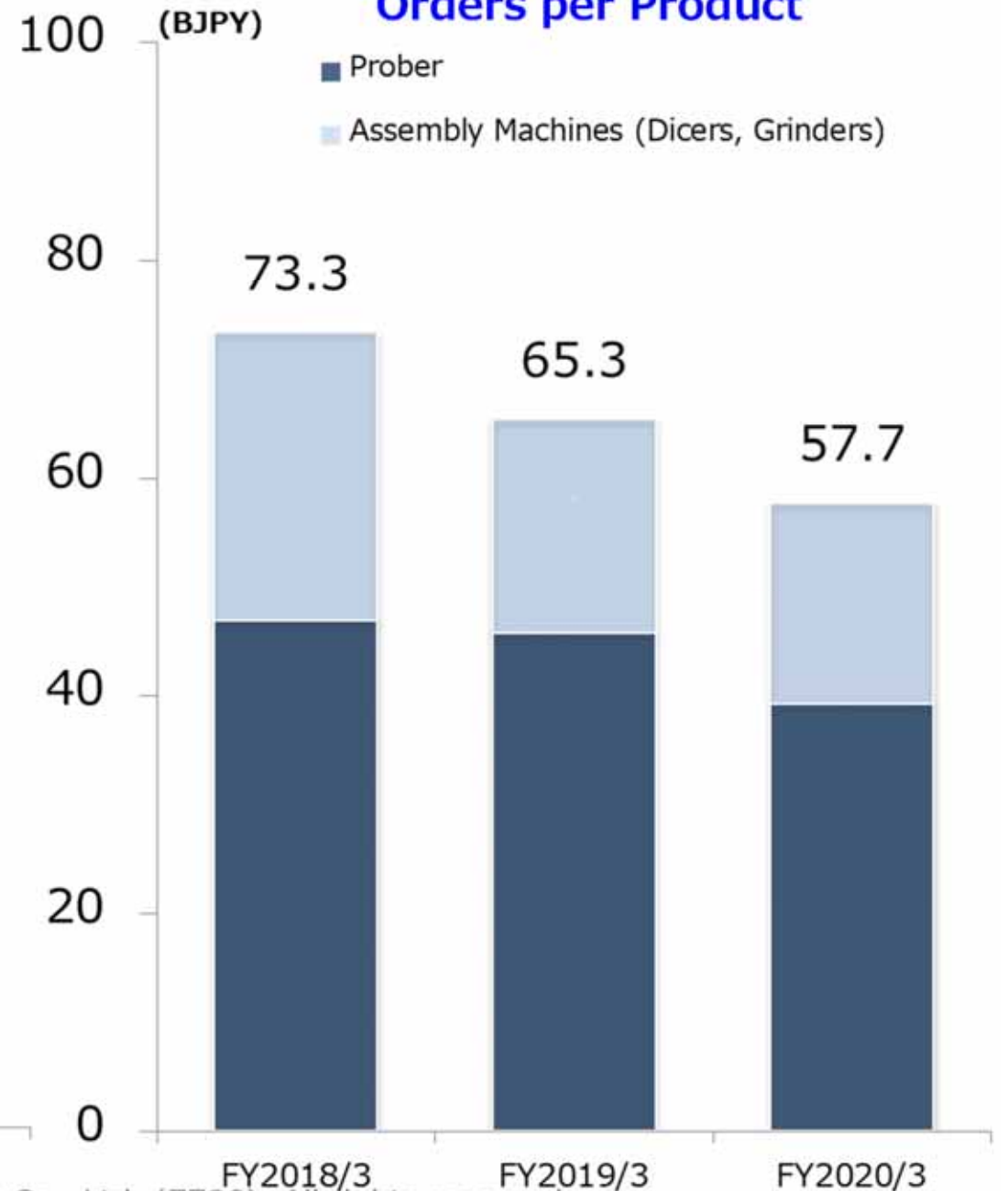
SPE – per Product



Sales per Product



Orders per Product

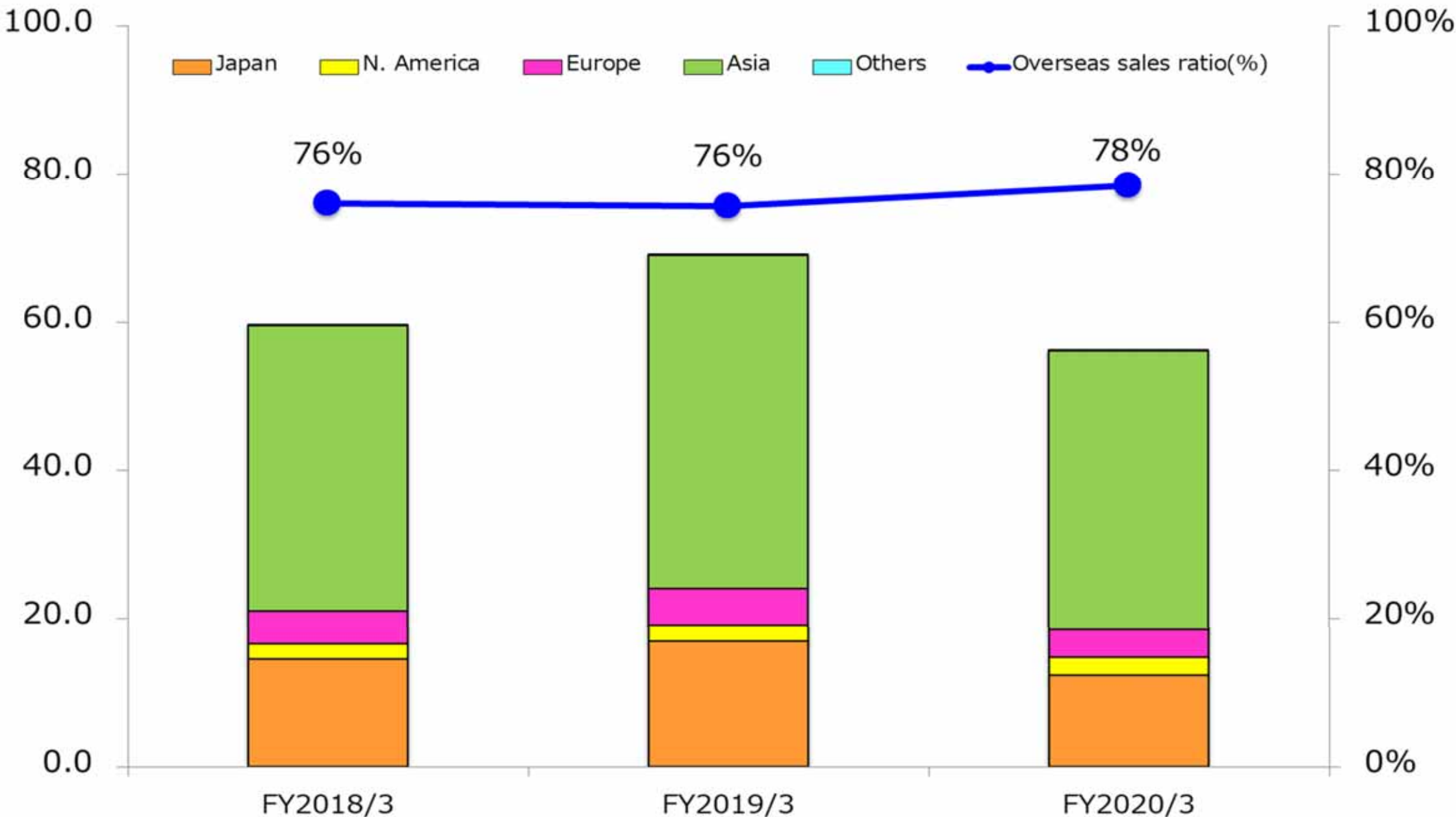


SPE – Regional Sales



Sales (BJPY)

Overseas Ratio(%)



Metrology Instruments Segment

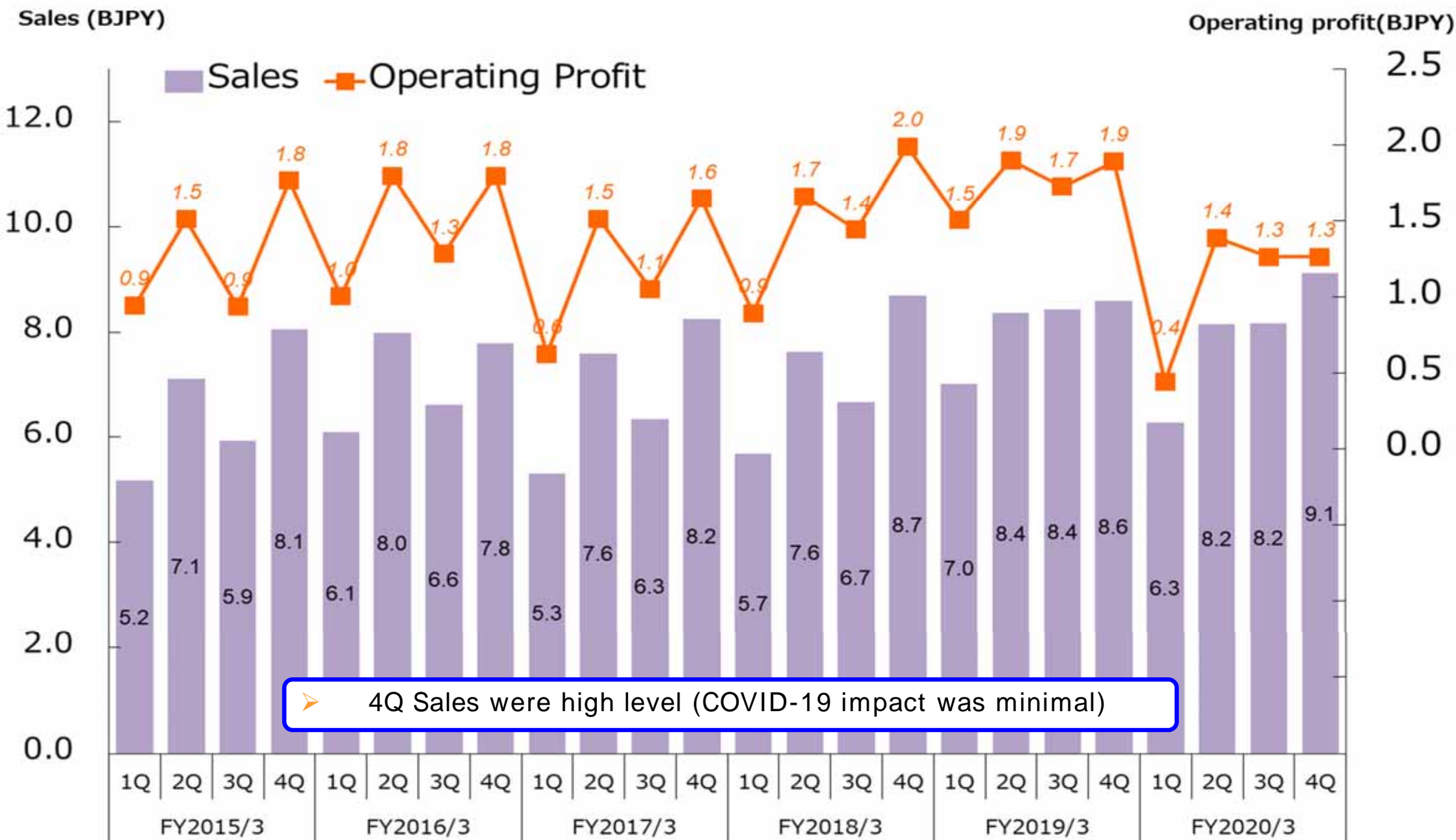


Segment Results (FY : BJPY)	FY2019/3		FY2020/3		
	Full Year		Full Year	Vs. fcst	YoY
Orders	33.6		29.9		-11%
Sales	32.4		31.7	+0.7	-2%
Operating profit (Margin)	7.0 (22%)		4.4 (14%)		-38%

Quarterly (BJPY)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Orders	8.9	8.6	8.9	7.2	8.0	7.4	7.1	7.4	+4%	+2%
Sales	7.0	8.4	8.4	8.6	6.3	8.2	8.2	9.1	+12%	+6%
Operating profit (Margin)	1.5 (21%)	1.9 (23%)	1.7 (21%)	1.9 (22%)	0.4 (7%)	1.4 (17%)	1.3 (16%)	1.3 (14%)	+0%	-33%

- Sales slightly exceeded forecast but Bookings were below forecast
- Entire Manufacturing Industries demand were stagnant
- OP decreased due to sales decrease, transient cost at 1Q, and R&D / renovation cost for Charge / discharge test system dept.

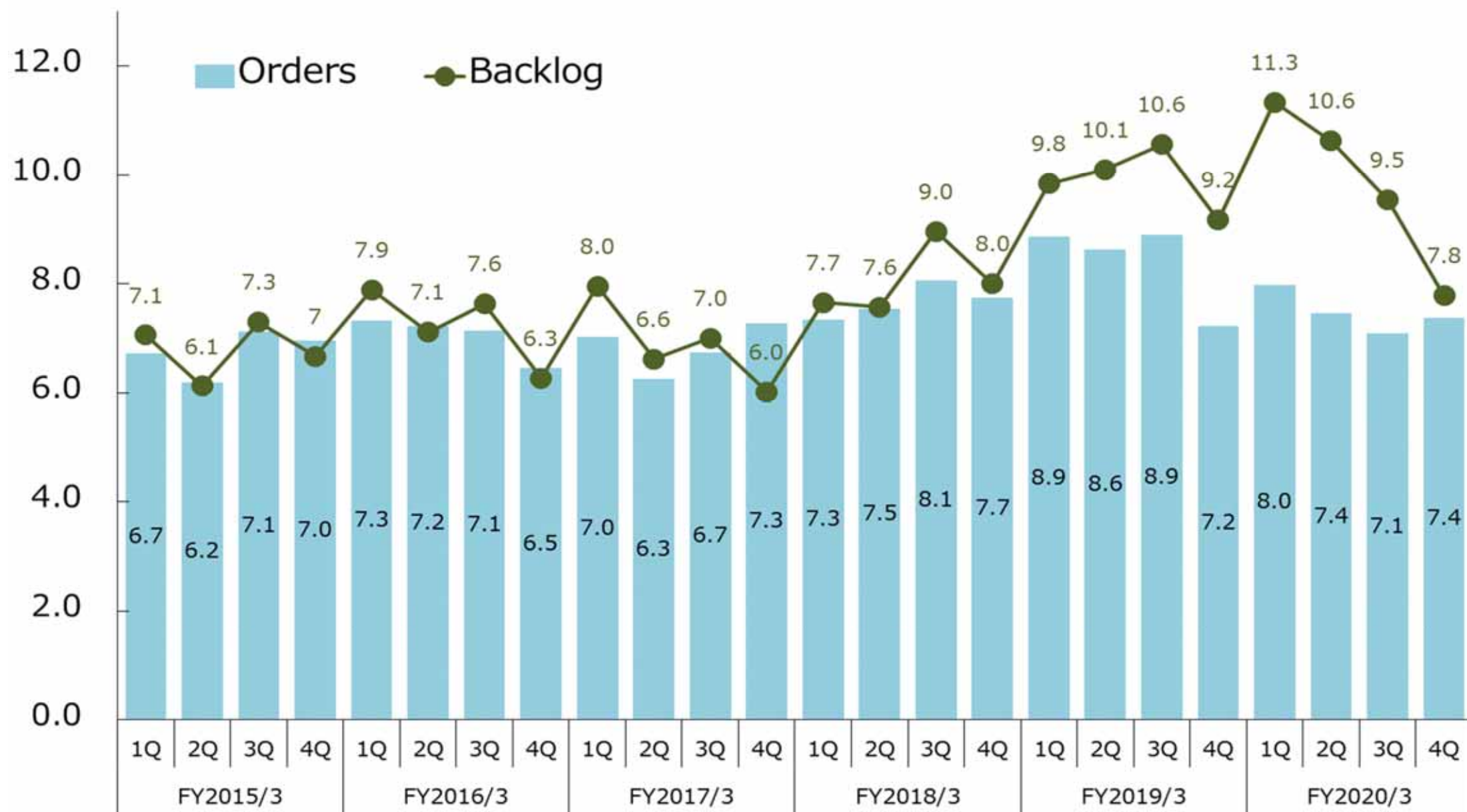
Metrology – Sales and OP



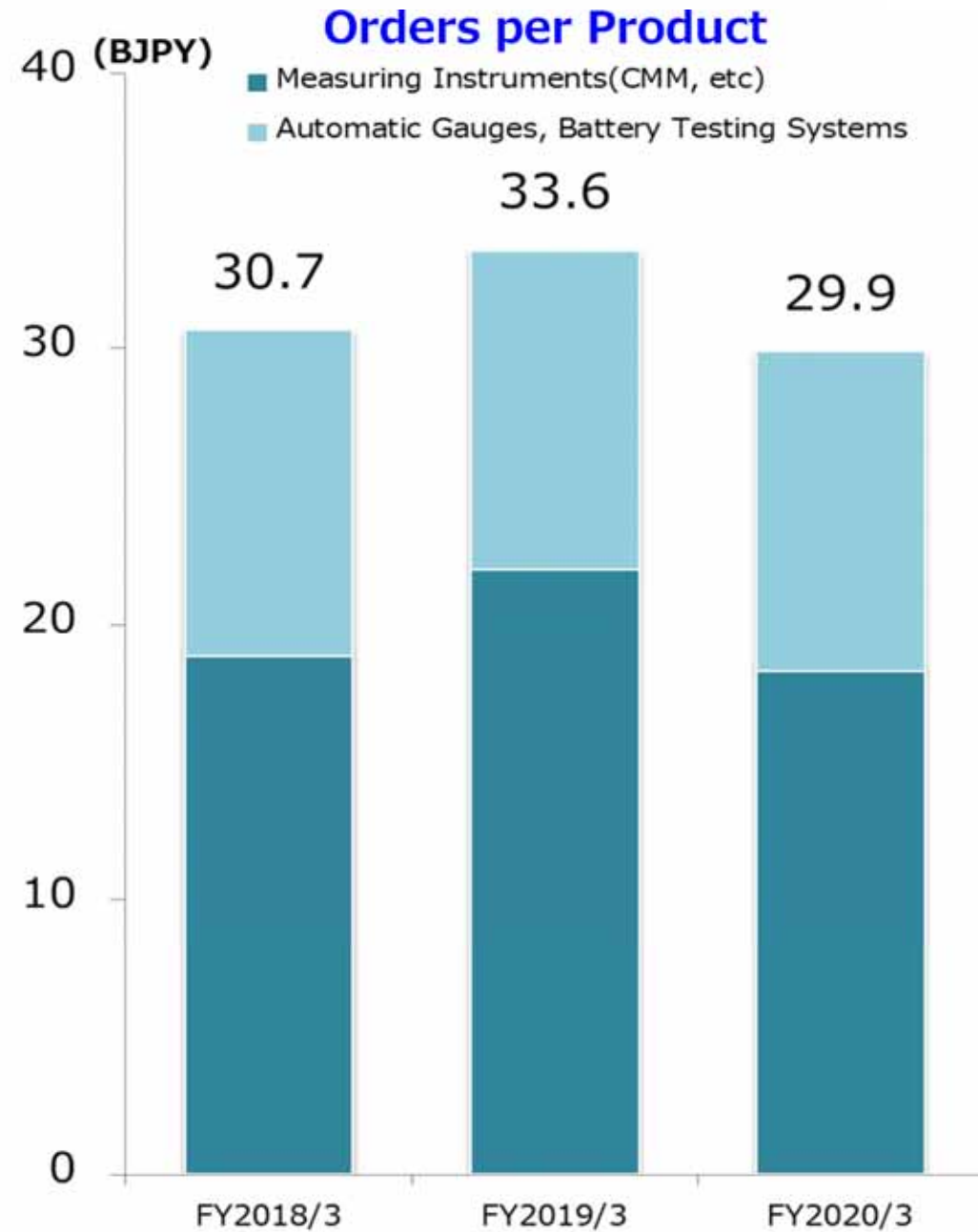
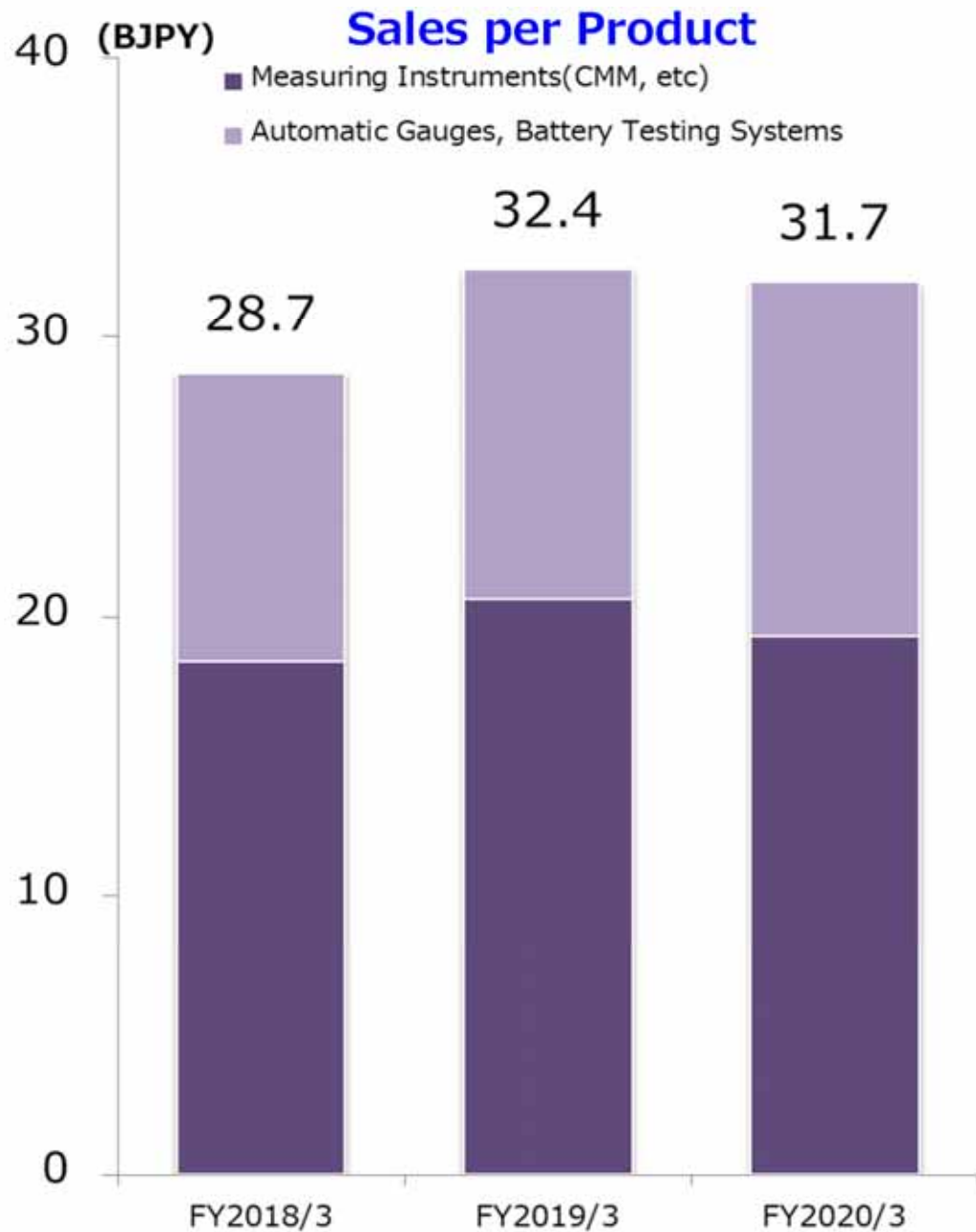
Metrology – Orders and Backlog



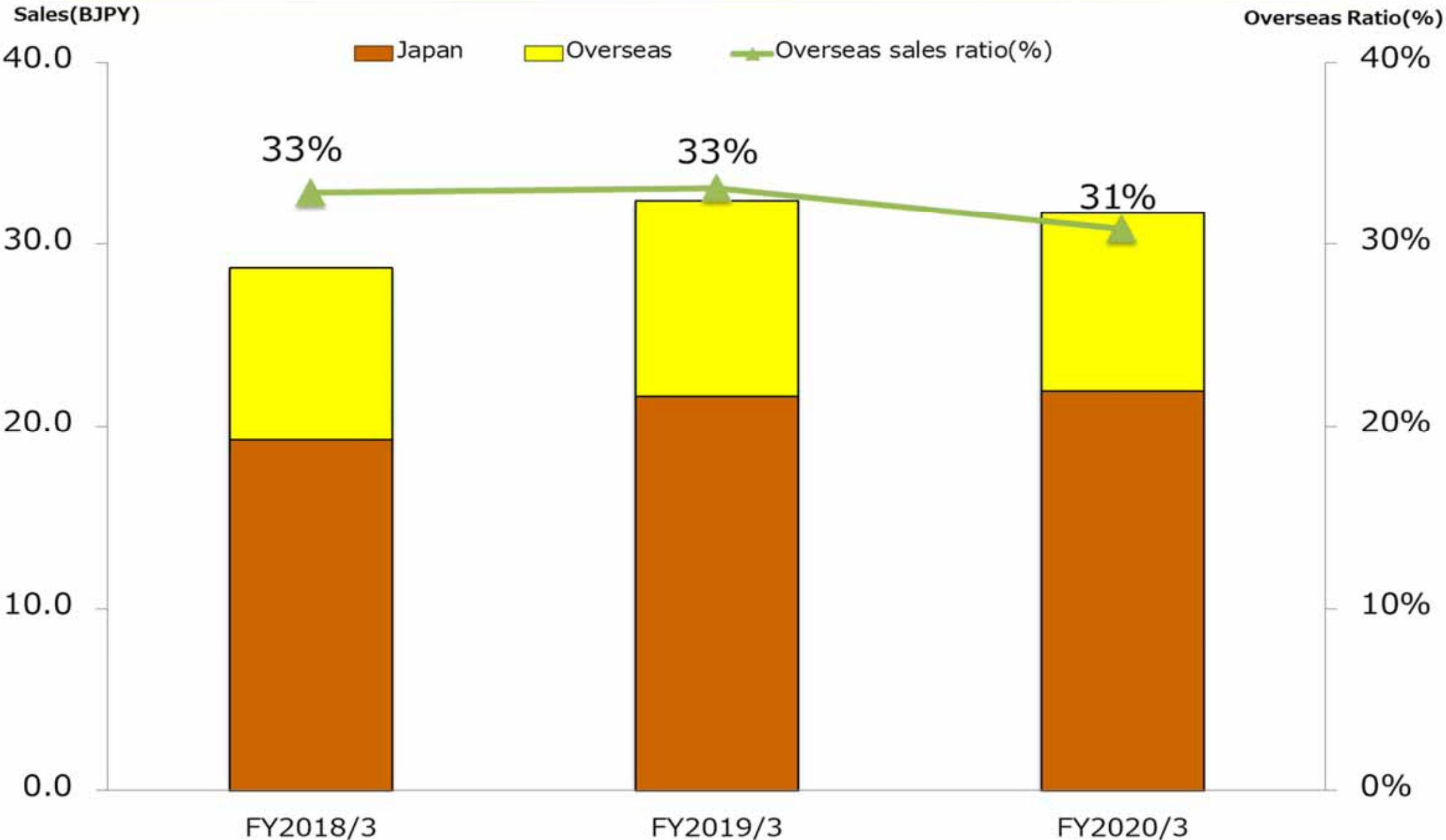
(BJPY)



Metrology – per Product



Metrology – Regional Sales

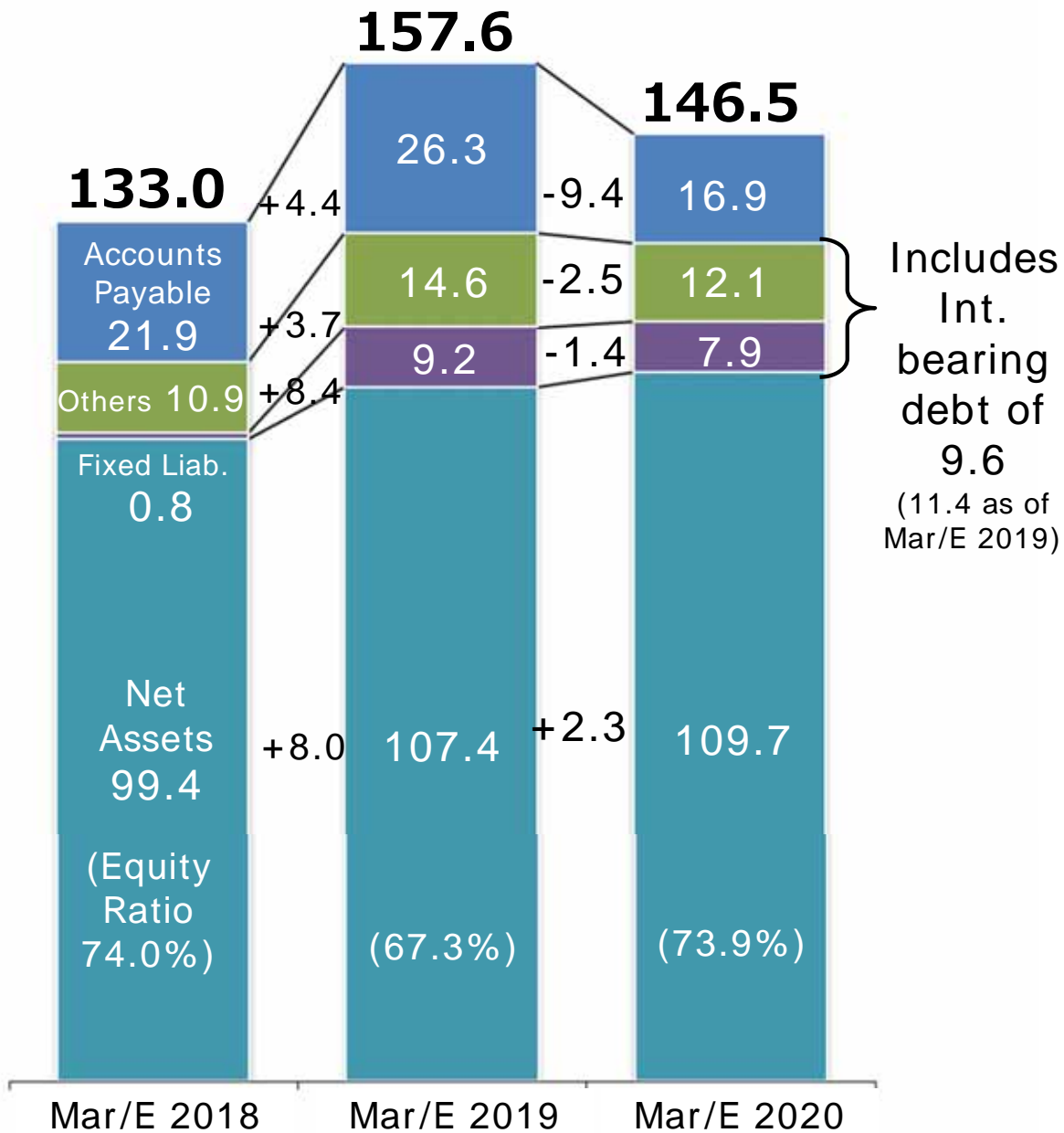
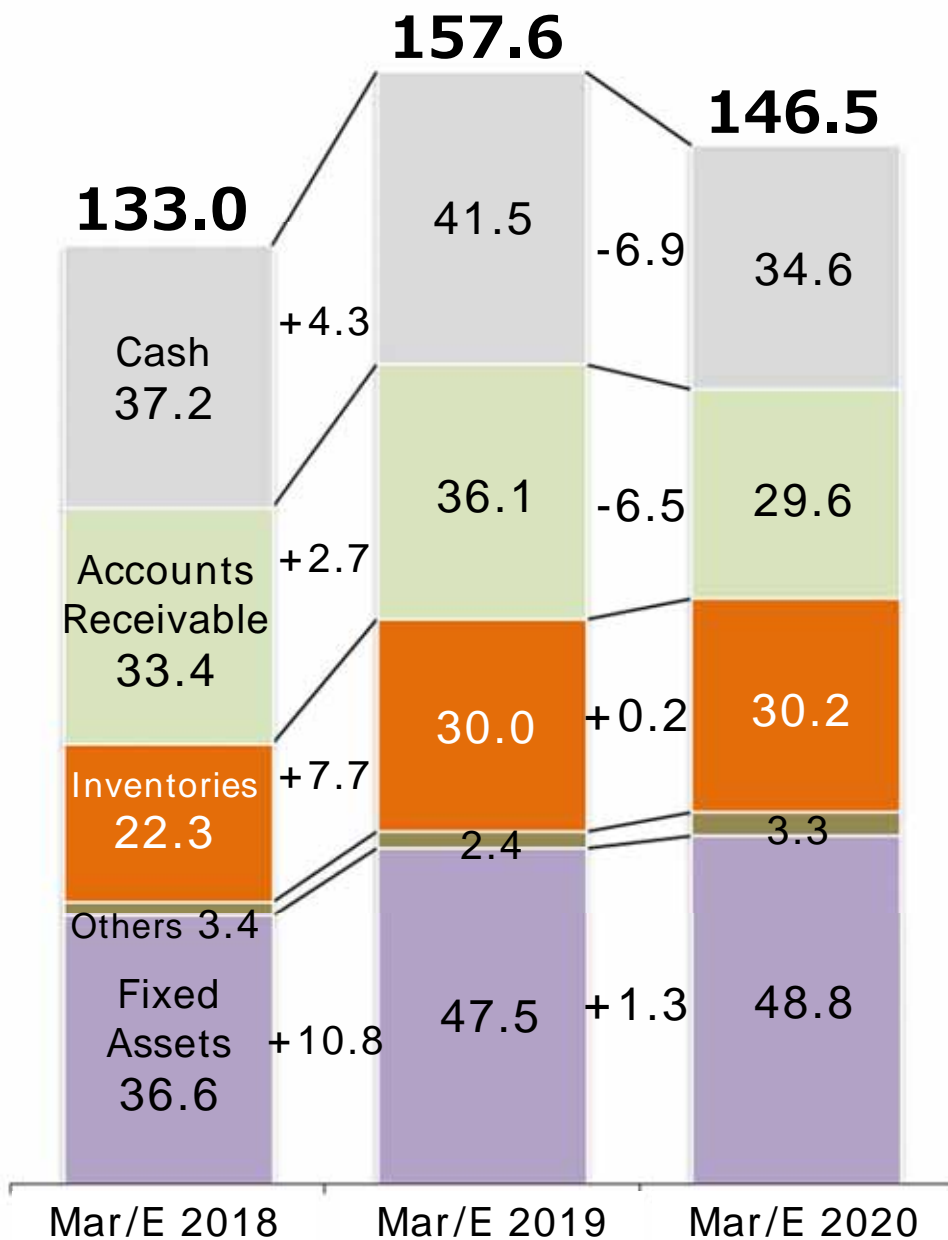


Balance Sheet



Assets (BJPY)

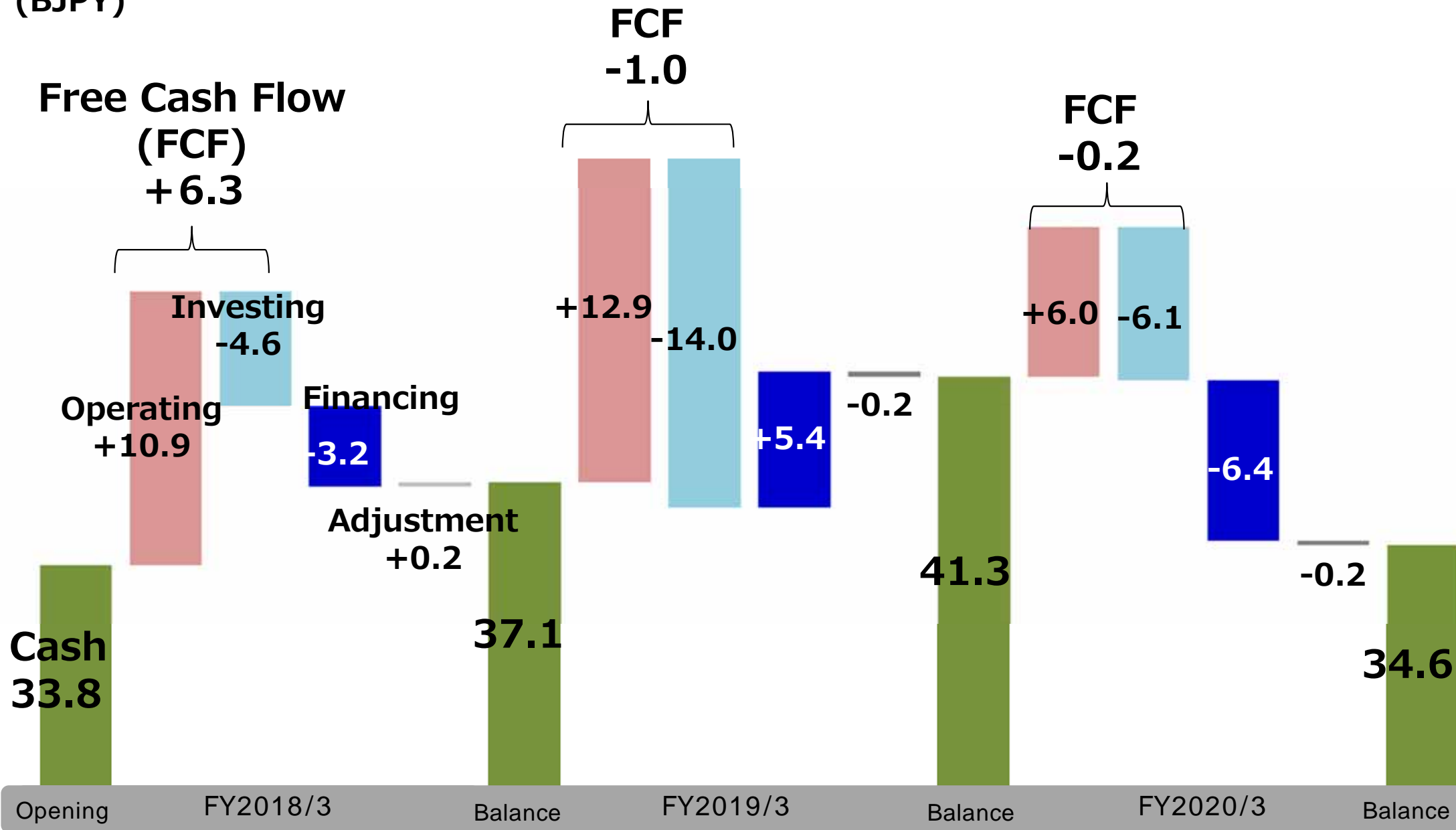
Liabilities and Net Assets (BJPY)



Cash Flows(CF)



(BJPY)

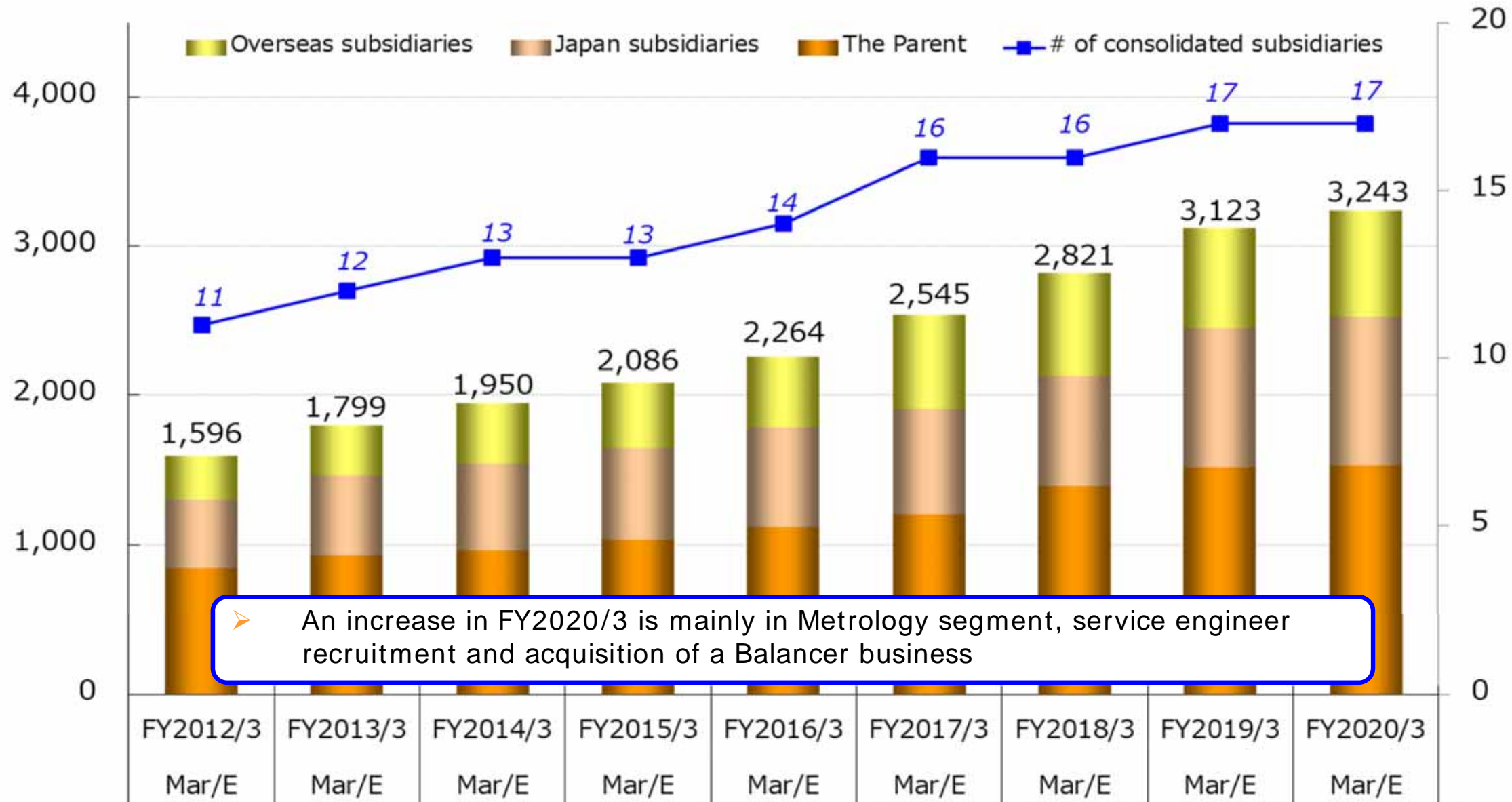


Number of employees



Number of Employees (person)

of Consolidated Subsidiaries



➤ An increase in FY2020/3 is mainly in Metrology segment, service engineer recruitment and acquisition of a Balancer business

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

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- ◆ Outlook and policy for the target
- ◆ Forecast for FY2021/3
- ◆ Q&A

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)

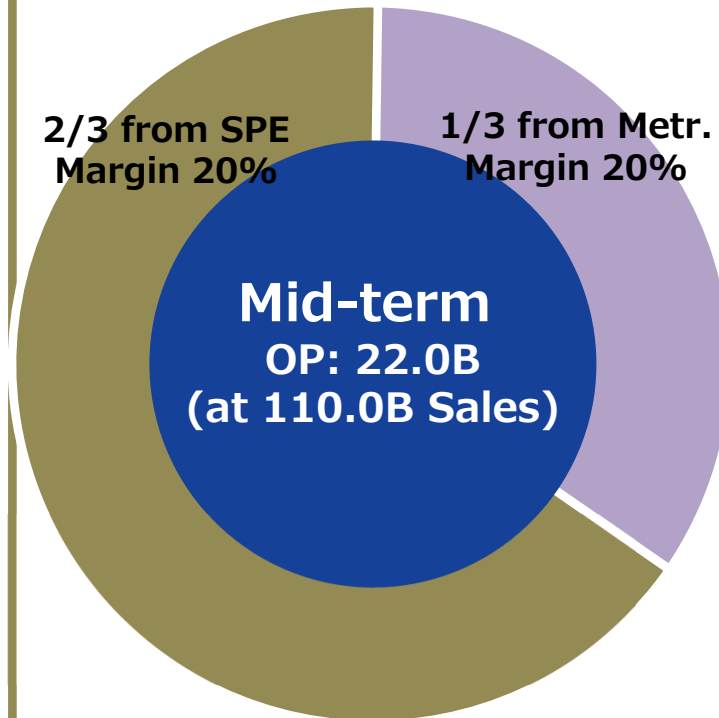
Improve profit ratio
(Aim for OP margin of
20% or more)

Strategies per Segment



SPE

- Keep responding to “ALL NEEDS” from Customers to expand the market
- Enhance Apps capability to increase service/support and consumable business
- Proceed in-house MFG and utilize new plants



Metrology

- Enter Electrical testing area to expand our market with synergy effect
- Business building with competitive products to increase service/support business
- MFG innovation and automation



Summary for the 2nd year



Executed the “Preparation” for future growth

Quantitative  Sales/Profit dropped YoY, but Bookings increased

Tech  Unveiled new High rigid grinder and Balancer products

Production  Capacity increase in both business segments

Profit Ratio  ERP in operation, looking ahead of effectiveness improvement

Capacity Expansion (SPE : Hino and Miyama)

- Miyama plant : in Full operation
- Hino plant: Milestone for new bldg. fixed, completion in FY2023/3



Capacity Expansion (Metrology: Tsuchiura MI plant)

- Completion in May 2020
- Will adopt various efficiency improvements



MI: Monozukuri Innovation

Effectiveness Improvement

- ERP is in stable operation
- Will apply effectiveness improvement

Apps. Center (New in Taiwan)

- Completion in FY2021/3



Metrology Center (Renewal in Osaka)

- Opened in Jan 2020



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Outlook and policy for mid-term business target



- **Business conditions in FY2021/3 could vary enormously against against premises**
 - **Overall : Economic slowdown by COVID-19 outbreak**
 - **SPE : Big growth by 5G is cautiously optimistic**
 - **Metrology : Stagnant market and delay in recovery**
- **There are various uncertainties like COVID-19 and US/China trade conflict, however, we are positioned for FY2021/3 as “the year of rapid progress”**
- **Aim for targeting mid-term goals thanks to good semiconductor demand**
- **Investment in both segments for growth will continue**



Growing together with partners and customers
by collaborating technology, knowledge and
information to create the world's No.1 products.

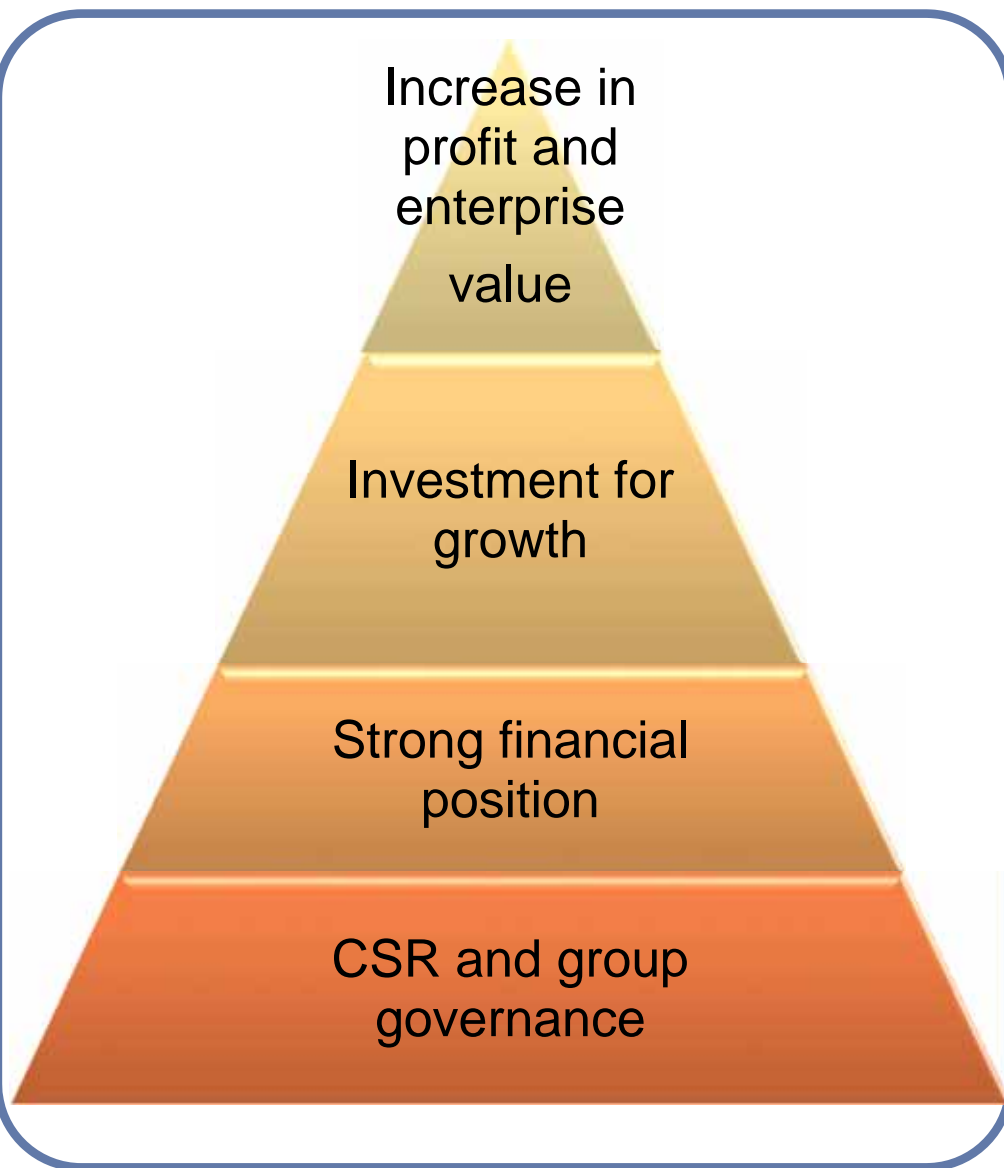
Our motto depicting this philosophy;

→ **「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

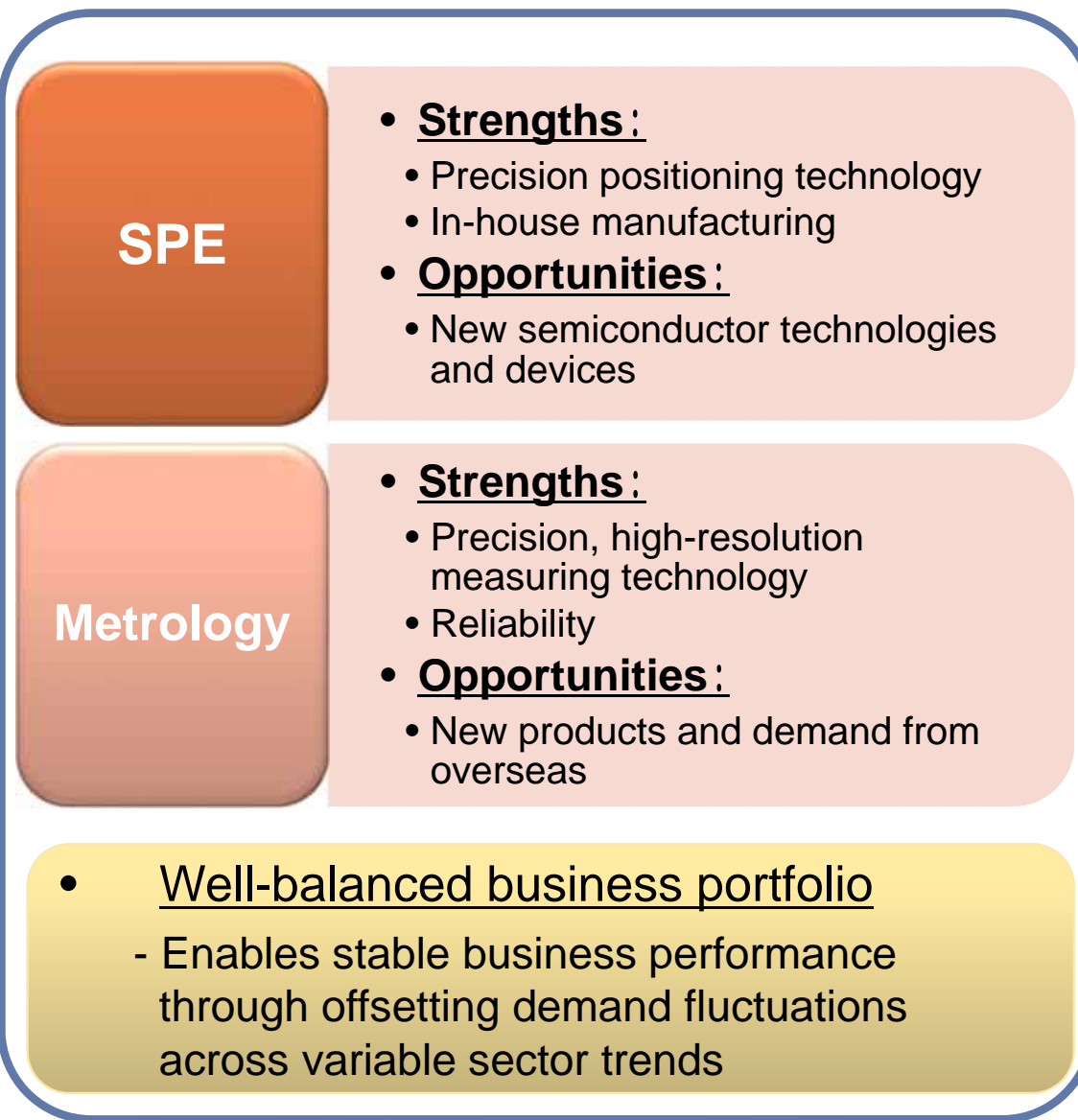
Our corporate brand ;

→ **ACCRETECH**

Conceptual framework



Business portfolio analysis



Corporate strategy



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**



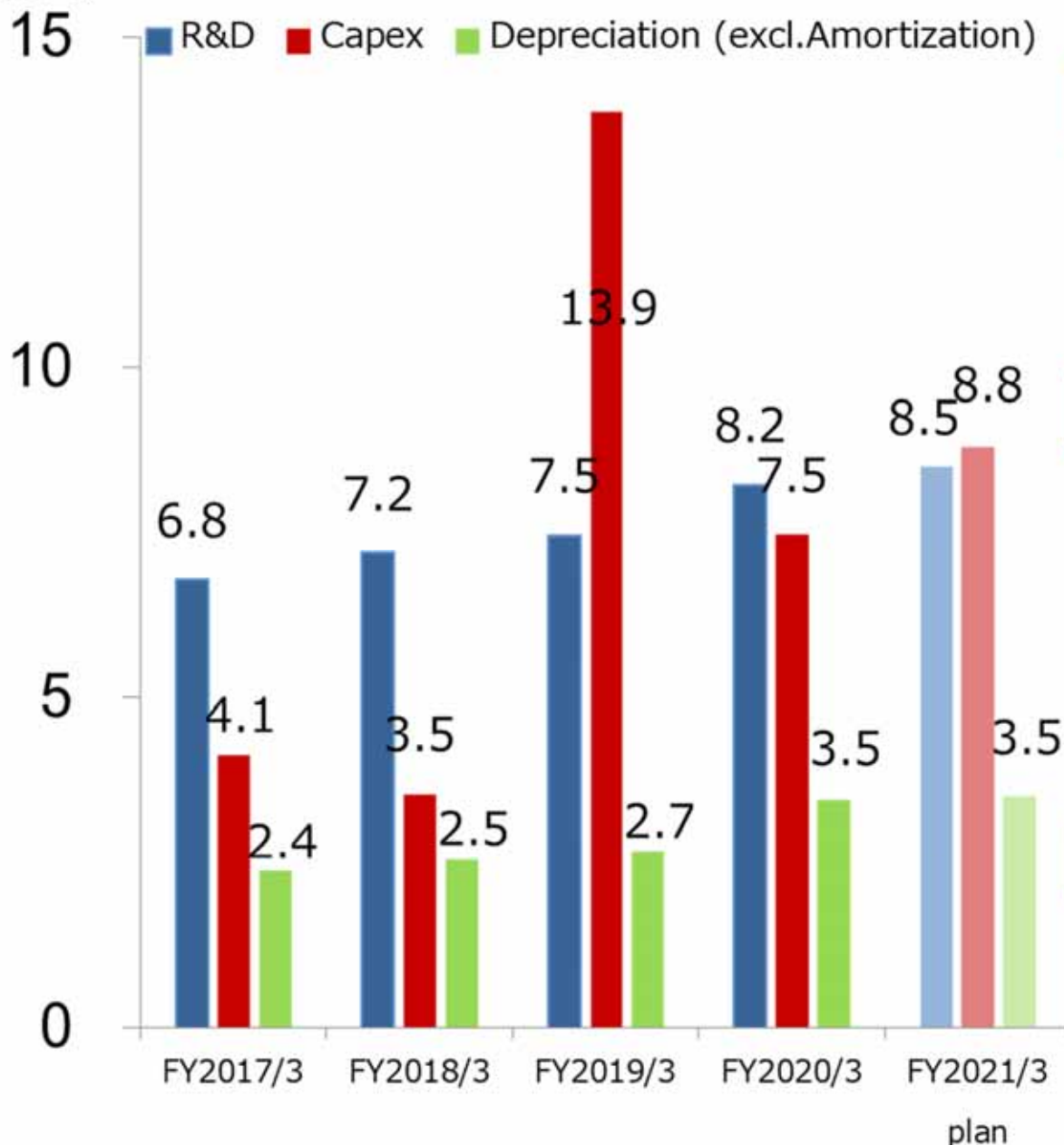
For sustainable growth

Actively promote ESG activities to improve corporate value

R&D, Capex and Depreciation



(BJPY)



R&D

- To strengthen and maintain competitiveness but R&D/Sales ratio to be less than 10%

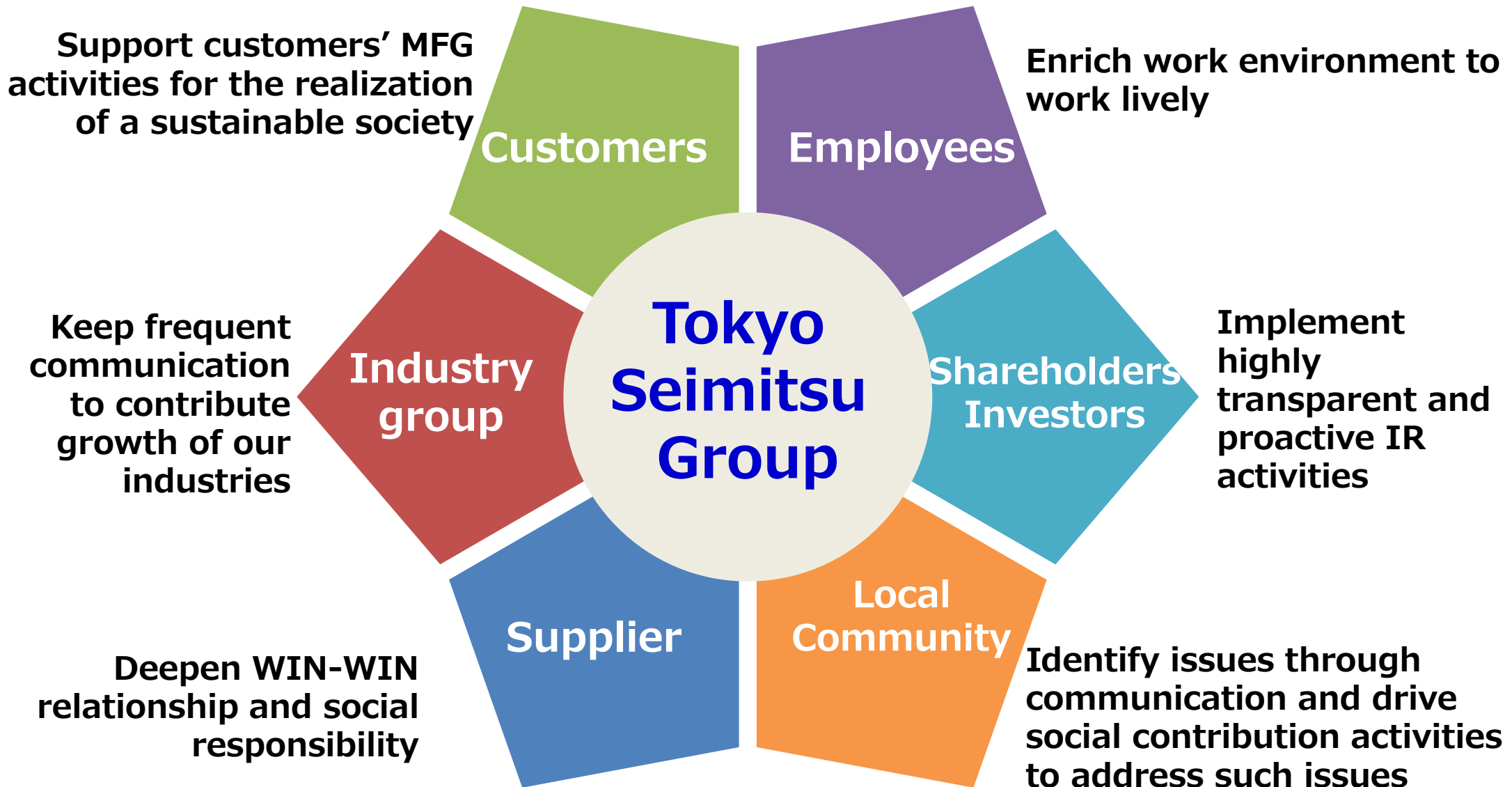
Capex :

- To materialize the growth strategy, increase from over 20.0BJPY throughout this mid-term
- FY2021/3 Capex is mainly for Hino plant and Apps center

Depreciation:

- Anticipate slight increase after FY2021/3

CSR activity : realizing a sustainable society



Environment

- **Eco-friendly products** : Considering LCA at product development
- **Global warming prevention** : Utilize low-carbon power to reduce CO2 emissions
- **Resource reduction** : Reduce Water/Paper consumption, improve recycling ratio

LCA : Life Cycle Assessment

Social

- **Improve working environments**: Healthy Company Declaration
- **Quality/Safety**: QMS Managements, Safety trainings
- **Supply chain** : CSR activities among all stakeholders

Governance

- **Compliance**: Enhance compliance systems
- **Risk Management** : Strengthen BCP (Business continuity plan)

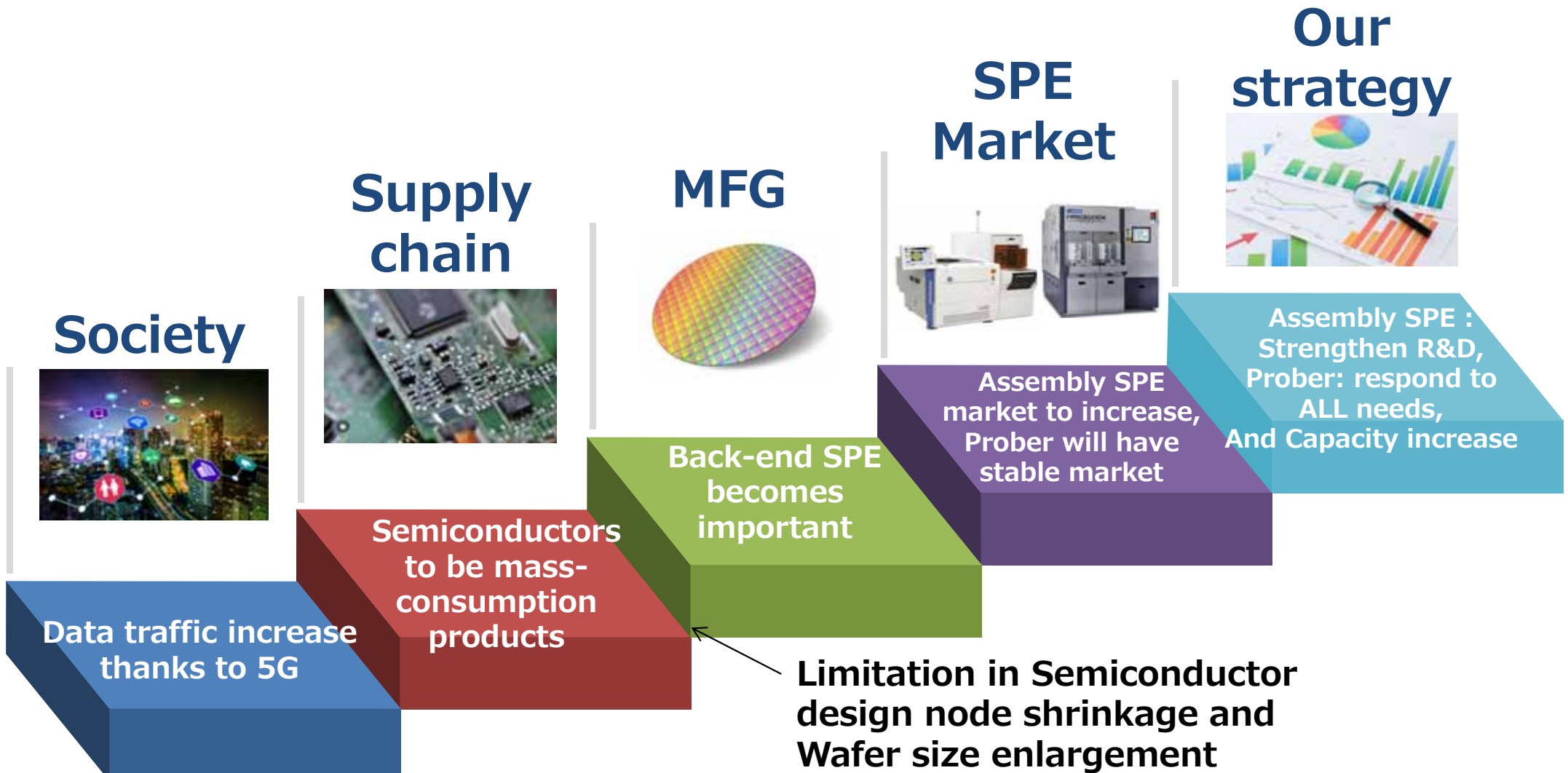


The group will promote these actions in FY2021/3 and beyond

Premises for “Next” mid-term business plan (SPE)



- 5G era let semiconductors be “mass production, mass consumption” products
- Then Back-end SPE will be more important in the entire SPE
- Our core strategy is, as before, R&D strengthening and Capacity expansion



Premises for "Next" mid-term business plan (Metrology)



- ICE measuring demand to be gradually decreased due to NEV increase
- Instead, IoT and NEV Battery/Motor measuring demand will rapidly grow
- Our core strategy is expanding product lineup & industries entered and increasing overseas sales

Automobile

Non-automobile

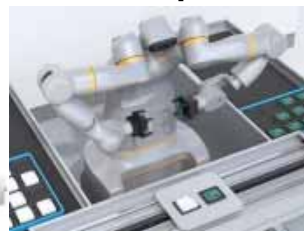
Stable Industry

Existing Automobile market
Synergy effect by SBS Balancer



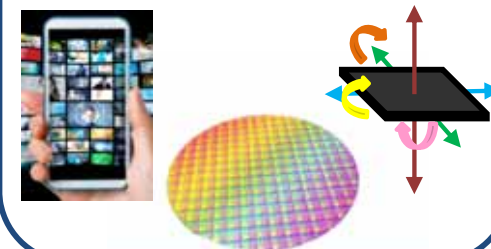
Overseas sales
Focus on EU and emerging country with expanding product portfolio

Automation demand
Strengthen SW development



Semiconductor

Commonly build-up new best measuring methods



NEV Battery testing

Continue R&D for Charge/Discharge testing systems and realize profitable structure



Aircraft/Medical

Search for potential customers



Growing industry

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Overall

- Too difficult to estimate 2H performance because it is uncertain when COVID-19 outbreak will be stamped out

SPE

- Firm 5G demands but carefully watch the situation
- Proceed with planned R&D and Capex for uptrend

Metrology

- Recovery in Manufacturing industry will be delayed
- Focus on Semiconductor, NEV, and Medical industry

FY2021/3 Forecast



Consolidated Results and forecasts (BJPY)	FY2020/3			FY2021/3	
	1H	2H	FY	1H(f)	YoY
Sales	42.0	45.9	87.9	47.0	+12%
Operating profit (Margin)	5.6 (13%)	6.7 (15%)	12.3 (14%)	7.6 (16%)	+36%
Recurring profit	5.7	6.6	12.4	7.6	+32%
Net profit	4.3	2.9	7.2	5.6	+31%
Dividend per share	76 Yen			Will be issued	

Per Segment

(SPE)	Orders	22.9	34.3	57.2		
	Sales	27.6	28.6	56.2	35.5	+29%
(Metr.)	Orders	15.4	14.1	29.5		
	Sales	14.4	17.3	31.7	11.5	-20%

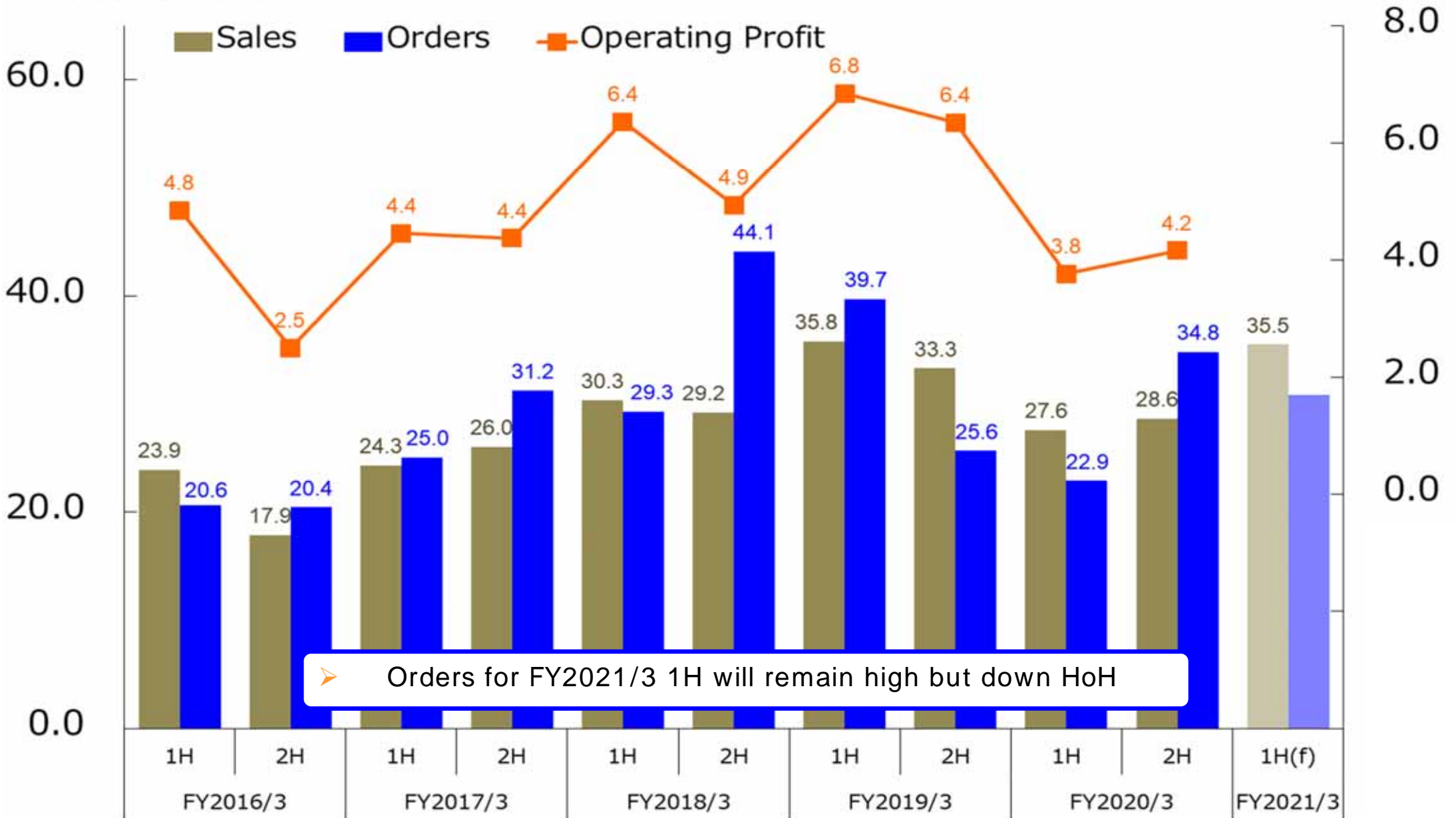
- FY2021/3 Full Year Forecast, Annual dividend per share will be issued as soon as it becomes possible.

SPE – Sales/Orders incl. Forecasts



Sales,Orders(BJPY)

Operating Profit(BJPY)



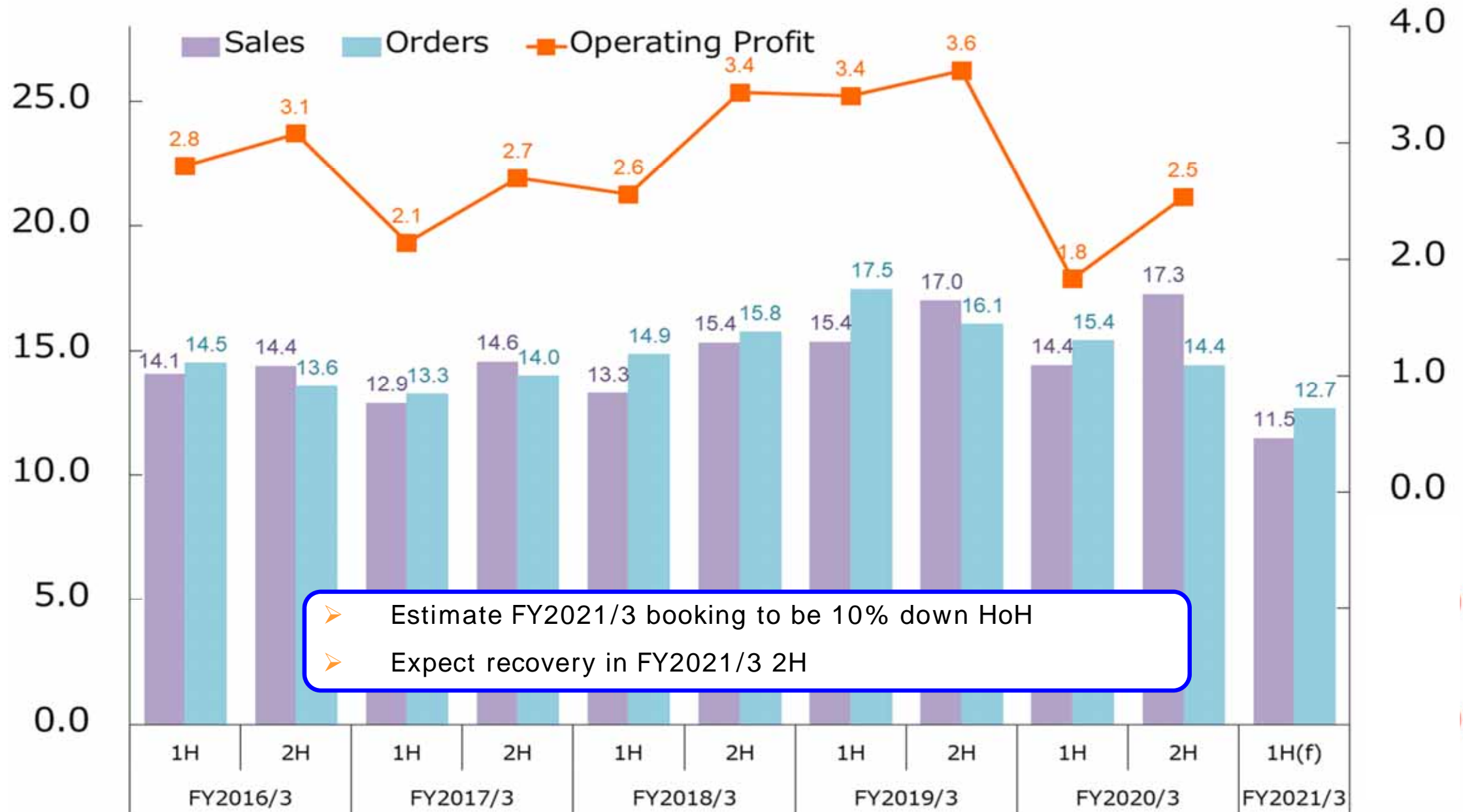
➤ Orders for FY2021/3 1H will remain high but down HoH

Metrology – Sales/Orders incl. Forecasts



Sales,Orders(BJPY)

Operating Profit(BJPY)



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<https://www.accretech.jp/>

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Supplementary Data

Segment Information



(BJPY)		Fiscal Year				Quarter							
		FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2019/3				FY2020/3			
						1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Orders	SPE	56.232	73.327	65.335	57.709	19.339	20.360	15.120	10.515	10.694	12.177	15.375	19.462
	Metr.	27.254	30.651	33.573	29.866	8.859	8.621	8.880	7.212	7.974	7.446	7.086	7.359
	Total	83.487	103.979	98.909	87.576	28.199	28.981	24.000	17.727	18.668	19.624	22.461	26.821
Backlog	SPE	17.647	31.452	27.670	29.182	37.969	35.333	35.152	27.670	26.689	22.991	24.303	29.182
	Metr.	6.015	7.996	9.165	7.782	9.837	10.100	10.555	9.165	11.333	10.623	9.538	7.782
	Total	23.663	39.448	36.836	36.965	47.806	45.434	45.707	36.836	38.022	33.615	33.842	36.965
Sales	SPE	50.291	59.523	69.117	56.198	12.822	22.996	15.301	17.996	11.676	15.874	14.063	14.583
	Metr.	27.501	28.671	32.403	31.728	7.018	8.357	8.426	8.601	6.285	8.157	8.170	9.115
	Total	77.792	88.194	101.520	87.927	19.841	31.353	23.727	26.598	17.962	24.031	22.233	23.698
OP	SPE	8.820	11.292	13.195	7.915	1.630	5.215	3.053	3.296	1.358	2.399	2.111	2.046
	Metr.	4.839	5.990	7.025	4.366	1.503	1.901	1.727	1.893	0.443	1.387	1.265	1.270
	Total	13.659	17.283	20.221	12.282	3.134	7.116	4.780	5.190	1.802	3.786	3.376	3.317
OP Margin	SPE	17.5%	19.0%	19.1%	14.1%	12.7%	22.7%	20.0%	18.3%	11.6%	15.1%	15.0%	14.0%
	Metr.	17.6%	20.9%	21.7%	13.8%	21.4%	22.8%	20.5%	22.0%	7.1%	17.0%	15.5%	13.9%
	Total	17.6%	19.6%	19.9%	14.0%	15.8%	22.7%	20.1%	19.5%	10.0%	15.8%	15.2%	14.0%

Statements of Income



(BJPY)	Fiscal Year				Quarter							
	FY2017/3	FY2018/3	FY2019/3	FY2020/3	FY2019/3				FY2020/3			
					1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net Sales	77.792	88.194	101.520	87.927	19.841	31.353	23.727	26.598	17.962	24.031	22.233	23.698
Cost of goods sold	48.152	53.818	60.430	53.452	11.933	18.926	13.614	15.954	10.862	14.687	13.357	14.544
Gross Profit on Sales	29.640	34.375	41.090	34.474	7.907	12.426	10.112	10.644	7.100	9.344	8.876	9.154
Selling, general and administrative expenses	15.981	17.092	20.869	22.192	4.773	5.309	5.331	5.454	5.297	5.557	5.499	5.387
Operating profit	13.659	17.283	20.221	12.282	3.134	7.116	4.780	5.190	1.802	3.786	3.376	3.317
Non-operating income	0.318	0.170	0.688	0.255	0.235	0.303	0.029	0.121	0.131	0.078	0.102	-0.057
Non-operating expenses	0.112	0.138	0.104	0.177	0.014	0.008	0.011	0.069	0.038	0.018	0.051	0.068
Recurring Profit	13.864	17.316	20.805	12.360	3.354	7.411	4.798	5.241	1.895	3.846	3.426	3.191
Extraordinary gains	0.583	0.004	0.058	0.057	0.002	-	-	0.055	0.002	0.010	0.043	0.001
Extraordinary losses	0.032	0.002	0.419	1.712	-	-	-	0.419	-	-	0.042	1.669
Profit before income taxes and minority interests	14.415	17.318	20.443	10.705	3.357	7.411	4.798	4.877	1.897	3.856	3.427	1.523
Total Income tax and others	4.464	4.542	5.719	3.598	0.790	2.056	1.290	1.582	0.505	1.009	1.153	0.930
Net Profit attributable to Owners of the Parent	9.909	12.717	14.665	7.156	2.551	5.340	3.484	3.288	1.402	2.859	2.281	0.613
Net Profit per Share (Yen)	239.32	306.41	352.92	171.89	61.43	128.52	83.84	79.12	33.70	68.69	54.80	14.73
Net Profit per Share (diluted) (Yen)	237.80	304.02	350.23	170.72	-	-	-	-	-	-	-	-

Balance Sheet



(BJPY)		FY2017/3	FY2018/3	FY2019/3	FY2020/3
Current Assets	Cash and cash equivalents	33.853	37.220	41.518	34.640
	Accounts Receivable 1	28.409	33.439	36.146	29.633
	Inventories	17.313	22.325	29.995	30.152
	Others	3.215	3.364	2.434	3.345
	Total	82.792	96.349	110.094	97.771
Total Fixed Assets		31.670	36.645	47.478	48.777
Total Assets		114.463	132.995	157.573	146.549
Current Liabilities	Accounts Payable 2	15.789	21.870	26.328	16.895
	Others	10.781	10.936	14.620	12.121
	Total	26.570	32.807	40.948	29.017
Total long-term liabilities		0.698	0.833	9.220	7.857
Total Liabilities		27.269	33.640	50.169	36.874
Total Net Assets		87.194	99.354	107.403	109.674
Total Liabilities and Net Assets		114.463	132.995	157.573	146.549
Total interest-bearing debt		1.332	1.351	11.415	9.641
Equity Ratio(%)		75.5%	74.0%	67.3%	73.9%
ROE(%)		12.0%	13.8%	14.4%	6.7%

1: Incl. Electronically recorded monetary claims

2: Incl. Electronically recorded obligations-operating

Expenses and Cash Flows



(BJPY)	FY2017/3	FY2018/3	FY2019/3	FY2020/3
R&D expenses	6.791	7.194	7.469	8.234
Capex	4.145	3.547	13.872	7.477
Depreciation (excl. Amortization)	2.380	2.541	2.655	3.450

(BJPY)	FY2017/3	FY2018/3	FY2019/3	FY2020/3
Cash flows from operating activities	12.809	10.931	12.932	5.966
Cash flows from investing activities	-3.486	-4.649	-13.952	-6.116
Free cash flows	9.322	6.281	-1.020	-0.150
Cash flows from financing activities	-2.953	-3.163	5.443	-6.375
Adjustments	-0.130	0.147	-0.223	-0.159
Cash and cash equivalents at the end of year	33.825	37.090	41.290	34.605