

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

Q&A Summary

May 14th, 2019

- *This document is a summary of Q&A session at the Earnings Conference for FY2019/3 business results, held on May 14th, edited by Tokyo Seimitsu Co., Ltd.*
- *This information contains “forward-looking statements” that are based on best available information as at the date of Conference (May 14th, 2019) 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 document.*
- *Unless otherwise noted, “SPE” denotes our Semiconductor Production Equipment Business (or the Segment) and “Metrology denotes our Metrology Business (or the Segment).*
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1. Presentation Material for FY2019/3, page of “Premises of Forecasts”, says “There is also the possibility of rapid recovery” and “Base scenario is Order recovery in winter”. Please describe scenario of such recoveries in terms of application, area, and/or drivers.

- About “There is also the possibility of rapid recovery”: Following (1) Business opportunities reported by sales division increases gradually, (2) These opportunity are mainly for 5G related demand from China, and (3) toward outstanding backlog, customers request not only push-back but also pull-in the schedule for shipment, implies us possibility of rapid recovery mainly toward China 5G use.
- About “Base scenario is Order recovery in winter”: We anticipate Server-related demand likely to increase, because market source says that the Front-end SPE demand – Relative to increase in Back-end SPE demand for the future – is now increasing.

2. The Company anticipates SPE booking is likely to decrease HoH in FY2020/3 1st half. Is there any difference in visibilities per each application/device?

- We expect firm demands toward Logic devices, CMOS Image Sensor devices and 5G-related Application processor. Despite of weak demands toward Memory devices.

3. Does the Company have any premises in terms of WFE (Wafer Fab Equipment) market volume for FY2019/3 and FY2020/3?

- We anticipate WFE for FY2019/3 to decline YoY, however, will increase in FY2020/3.

4. Is the Company’s SPE sales forecast for FY2020/3 (down 20%) in-line with the Backend SPE market? Does the company anticipate any upside/downside?

- We anticipate sales decline in-line with market backend SPE forecast.
- 5. Some back-end SPE peer commented “We got over the bottom in the booking” at their earnings conference. What is the Company’s opinion?**
- We believe that February, 2019 was our bottom in the SPE booking.
- 6. Then when do you estimate the quarterly bottom in terms of SPE sales amount?**
- It is up to booking trend for FY2020/3 1st half; however, we anticipate that the bottom of SPE sales amount will be in July-September Quarter.
- 7. The Company forecasts same amount of SPE sales both in 1st and 2nd half of FY2020/3. What about operating profit?**
- We don’t estimate any temporal cost impact in both fiscal halves arisen by investments nor corporate action. Therefore, operating profit amount will almost same HoH.
- 8. Which Memory device demand, DRAM or NAND, is likely to recover earlier? And what would be the premises behind such estimation?**
- As well as the market anticipates, we believe that the SPE demand recovery from DRAM will be earlier than one from NAND. Rising of the strong demands for faster-processing DRAM would be earlier than the completion of NAND’s inventory adjustment.
- 9. Can you provide us any changes in SPE Market shares per products and/or in SPE strategies per specific application and/or strategies?**
- At past earnings conferences, we commented we’d caught up shares of Probers dedicated for Memory device on a booking basis. We estimate an increase in market share also in selling amount basis because roll-in of such equipment had already commenced, and we received additional purchase orders. We believe we keep higher market share based on “number of equipment shipped”, and we don’t see any changes about it.
 - We enlist High-Rigid Grinder for Hard-to-cut material in our lineup. Adopting this grinder for Silicon Grinding (not limited to power device) gives customer a drastic throughput improvement. We expect increase in sales through catching such needs.
- 10. How are the business situation for SPE consumables and contribution to FY2020/3 sales forecast?**
- Sales amount of Precision Dicing Blades since we got transfer of this business in FY2013/3 became doubled or tripled at the peak period; however, currently it is just

“doubled” due to a decrease in demand related with Smartphone.in North America. We proceed with widening our sales area to various applications. We expect increase in sales from such activities.

11. How are business situation for Wafer Edge Grinding Machines?

- The tone is still firm and we have certain backlogs that let us lead-time extend to 1 year.

12. How much is the exposure of Sales from Charge and Discharge test system in FY2020/3 Metrology Sales forecast?

- Increase Metrology’s sales amount from this system is about 2 billion JPY.

13. FY2020/3 Metrology Sales forecast substantially declines YoY. Please describe market situation in detail.

- First of all, business situation in FY2019/3 was so firm as well as Machine tool booking statistics imply, and keeping demand in high level. The Company anticipates it will continue for FY2020/3.
- We have much amount of business opportunities. However, booking trend toward our Metrology instruments has slightly been uncertain such as Macro concerns like US/China trade confliction and China economy that let customer takes longer time to issuing us POs.
- We observe that entire Manufacturing market keeps firm tone, therefore risk of market shrink is rather low. Those understandings are behind our forecast.

14. The Company once mentioned there were a financial impact through unexpected Inventory increase will be solved though ERP system activation. How do you add this impact to FY2020/3 profit forecast?

- New ERP system, activated at FY2020/3 beginning, enables to allocate specific cost monthly which used to be manually allocated once per fiscal term. This change may impact to our profits positively, though it is difficult for us to quantitatively assess an amount because FY2020/3 profit will decrease mainly due to decrease in sales.

15. Does the Company have any further actions, such as Fixed cost reduction, to improve PL statement for FY2020/3 and future?

- Manpower control is necessary since we have continued increasing the number of employees sequentially over a decade, and facing downturn. However, please let us refrain from specifically answering on in/decrease in headcounts because main reason for the increase is to enlarge our manufacturing capacity and need deliberate decision in

consideration of production situation.

- New ERP system enables us to share information in the Company more than before and make our workflow and resource allocation more efficient for the future. This project was once targeted trouble-free startup and was successful. We will change our target to how to make our operation more effective. We set our goal for mid to long term to reduce indirect cost even in the downturn.

16. What is your predicted foreign exchange rate to define FY2020/3 forecast?

- Our predicted exchange rate is 1USD= 110 JPY.

17. The Company defines FY2020/3 is “the year of preparation” to accomplish mid-term business target. Do you have any idea to change this target upon current market circumstances? In addition, the company needs to increase profit margin. Does the Company believe making it?

- We will not change the target at this point.
- We proceed with capital investment both in SPE, upon strong demands for the further, and in Metrology, to expand currently-occupied manufacturing area. In addition, charge/discharge system will see high potential upon EV related demands.
- In terms of profitability, we also believe making it.

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