

Tokyo Seimitsu Co., Ltd. Earnings Conference for FY2018/3 Full Year

Q&A Summary

May 15th, 2018

- *This document is a summary of Q&A session at the Earnings Conference for FY2018/3 Full year business results, held on May 15th, 2018, 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 15th, 2018) 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.*
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1. Please describe current SPE(Semiconductor Production Equipment) booking situation and Current Taiwanese OSAT(Outsourced Assembly and Testing) demands.
 - It is limited to Tokyo Seimitsu’s situation anyway, SPE booking demand in April/May 2018 kept firm mainly driven by Wafer Probing Machine (Prober) and Dicing Machine (Dicer). From Semiconductor device point of view, situation is in brisk, that demands toward Server-related devices are bullish and remained ones are bearish. We anticipate that we will see seasonal trend also in this year, to be bottomed out in August and recovered by winter. Let us note that a smartphone-related demand which is currently conservative but specific area (such as Display driver and High-frequency wavelength filter device) is strong.
 2. In SPE, Which products’ booking in FY2018/3 4Q (Jan-Mar, 2018) exceeded forecasts?
 - Prober and specific grinder exceeded our forecast.

3. Do you receive any booking cancellation and/or request of delivery delay in SPE from customer?
 - We have no significant request for cancellation nor delay from customer. Main reason of such issue mainly comes from duplicated booking from multiple OSAT companies. We carefully watch at each business opportunity. However, huge amount of backlog may be a fundamental risk at the economic recession. We will also carefully watch about it.

4. Which semiconductor technology might be your growth driver?
 - We strongly expect growth of High-rigid grinder (HRG) for new semiconductor materials' grinding and expect package offer with CMP machine (ChaMP). In terms of TSV, we already have specific machine, however, mainly usage is for ramp-up. It is unlikely to grow as mass production use in the near future.

5. How is current Precision Dicing Blades' demand?
 - The Dicing blade is the product which had biggest negative impact through a reduction of smartphone manufacturing. In February to March 2018, booking amount was half of previous peak. In April to May, it is on the way of recovery. We expect the booking amount will return to the previous level around July, by the demand from the next smartphone model.

6. The company once mentioned that had slight delay in development of Prober dedicated for Memory device. How is current situation?
 - We have already caught it up on booking basis.

7. How is the current SPE Manufacturing and Lack-of-materials situation?
 - Frankly speaking, SPE lead time is being extended, like 6 months in Prober and 4 to 5 months in Dicer. However, let me note that we have no concerns to accomplish FY2019/3 1H SPE sales forecast (33.7 Billion Yen). In terms of recruitment of manufacturing engineers, it becomes slightly better than before.
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8. The Company mentioned possibility of constructing new factory. If possible, let us know target date of operation, estimated capacity increase, and relationship between the business plan.
 - We believe that FY2019/3 Full Year business plan will be accomplished through

utilizing currently-existing factories, though, it is immediately high priority to construct new factory to realize further sales growth. We are now investigating new factory to be ready at 2 years later. If capacity becomes full prior of construction, then we might apply rent-factory during the term.

9. Please describe us the detail of Special bonus paid on March 2018. And estimate of such cost also in FY2019/3.
 - Total amount was around mid-hundred million yen. We don't anticipate such cost arisen in FY2019/3.

10. In terms of FY2019/3 forecast, the growth of profit must be smaller than the one of Sales amount. Do you expect COGS increase?
 - We estimate increase in Human costs, R&D cost, and expenses for Land-purchase and ERP.

11. Please describe the breakdown of Sales of 110 Billion Yen, which is the base of mid-term business plan to achieve operating profit of 22 Billion Yen, growth drivers, strategy of Metrology segment and risk arisen from EV.
 - We estimate 2/3 of sales from SPE and remained from Metrology. Growth is based on the strong market growth in SPE and gradual growth in Metrology, inclusive of market share increase.
 - In addition, in Metrology segment, we expect sales growth from an increase of Optical Microscope Instruments and overseas sales.
 - Now the change from ICE to EV is remarkable. But we believe that the demand of Measurement will never vanish away even EV becomes populated. We are now investigating application BKMs for EV demands. However, we believe that the main driver during this mid-term plan is the ICE demands. We believe that the new investment for ICE manufacturing line will continue.

12. What is your assumed foreign exchange rate for FY2019/3 and impact?
 - In FY2019/3, we anticipate 1US\$=105 Yen and 1 Euro=130 Yen. Impact may be minimal. If 1US\$ changes 1 Yen, then we will have 70-80 Million Yen's impact.

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