

Consolidated Financial Statements for the First half of the Fiscal Year Ending March 31st, 2020 (FY2020/3), Japan GAAP

November 8th, 2019

Company Name



Tokyo Seimitsu Co., Ltd.

Stock Listing: First Section TSE

ACCRETECH

Code number: 7729

(URL: <http://www.accretech.jp/>)

Representative: Hitoshi Yoshida, President and CEO

Inquiries: Koichi Kawamura, Representative Director and CFO

Tel: +81-(0)42-642-1701

Date of Quarterly Financial Statement Filing (planned) : November 13th, 2019

Dividend Payable Date: December 10th, 2019

Supplementary Document for Quarterly Financial Results : Yes

Holding of Financial Results Meeting: Yes (for Analysts, Investors)

(Millions of yen, rounded down)

1. Consolidated Results for the 1st half of FY2020/3 (April 1st – September 30th, 2019)

(1) Consolidated sales and earnings

(Percentage figures represent changes from of previous year)

	Net Sales (Millions of Yen)		Operating Profit (Millions of Yen)		Recurring Profit (Millions of Yen)		Net Profit Attributable to Owners of the Parent (Millions of Yen)	
FY2020/3 1H	41,994	- 18.0%	5,589	- 45.5%	5,741	- 46.7%	4,262	- 46.0%
FY2019/3 1H	51,194	17.2%	10,250	35.3%	10,765	19.1%	7,892	24.2%

Note: Comprehensive Income in FY2020/3 1H: 3,601 million yen (- 48.0%), in FY2019/3 1H: 6,925 million yen (-2.7%)

	Net Profit per Share (Yen)	Net Profit per Share (diluted) (Yen)
FY2020/3 1H	102.39	101.76
FY2019/3 1H	189.96	188.49

(2) Consolidated financial position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Equity Ratio
FY2020/3 1H	144,623	108,388	74.0%
FY2019/3	157,573	107,403	67.3%

Note: Equity in FY2020/3 1H: 107,053 million yen FY2019/3: 106,031 million yen

2. Situation of Dividend

	Per Share Dividend in Fiscal Year				
	Q1 End	Q2 End	Q3 End	Q4 End	Total
	Yen	Yen	Yen	Yen	Yen
FY2019/3	-	59.00	-	66.00	125.00
FY2020/3	-	38.00			
FY2020/3 (Projected)			-	38.00	76.00

Note: Changes due to revision of dividend projection: No

Note: Q2 End and Q4 End dividend for FY2019/3 include 70th anniversary commemorative dividend of 10 yen respectively.

3. Forecast for FY2020/3 (April 1st, 2019-March 31st, 2020)

(% figures represent changes from the previous year)

	Net Sales (Millions of Yen)		Operating Profit (Millions of Yen)		Recurring Profit (Millions of Yen)		Net Profit attributable to Owners of the Parent (Millions of Yen)		Net Profit per Share (yen)
Full Year	86,000	- 15.3%	12,000	- 40.7%	12,100	- 41.8%	9,000	- 38.6%	216.00

Note: Changes due to revision of forecast: Yes

*** Notes**

(1) Significant changes in subsidiaries during the term under review: No

(2) Accounting procedures specific to the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting principles, estimates and restatements

1) Changes due to revision of accounting standards, etc.: Yes

2) Changes other than 1): Yes

3) Changes in accounting estimates: No

4) Restatement: No

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding at the end of period (including treasury shares):

FY2020/3 1H	41,669,181 shares	FY2019/3	41,598,381 shares
-------------	-------------------	----------	-------------------

2) Number of treasury shares at the end of period:

FY2020/3 1H	36,922 shares	FY2019/3	36,791 shares
-------------	---------------	----------	---------------

3) Average Number of shares outstanding during the period:

FY2020/3 1H	41,626,275 shares	FY2019/3 1H	41,549,492 shares
-------------	-------------------	-------------	-------------------

*** This consolidated financial statements report is not subject to audit procedures.**

*** Cautionary Statements with respect to Forward-looking Statements**

All forecasts and other forward-looking statements in this document are based on information currently available to the Company and assumptions that the Company considers reasonable. Various uncertainties could cause actual results to significantly differ from these forecasts. Please refer to supplementary statement.

*** Cautionary Statements with respect to the translation of the document**

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Contents of supplementary statement

1. Qualitative information on Business Performance for 1st half of FY2020/3.....	2
(1) Overview of Business Performance.....	2
(2) Analysis of Financial Position.....	2
(3) Financial Estimates such as Consolidated Business Forecasts for current Fiscal Year.....	3
2. Consolidated Financial Statements and Notes	4
(1) Consolidated Balance Sheet.....	4
(2) Consolidated Statements of Income, and Comprehensive Income.....	6
(3) Consolidated Statements of Cash Flows	8
(4) Notes.....	9
(Note on Assumptions for Going Concern).....	9
(Significant Changes in Shareholder's Equity).....	9
(Changes in Accounting Principles).....	9
(Segment Information and others).....	9

1. Qualitative information on Business Performance for 1st half of FY2020/3

(1) Overview of Business Performance

In the first half of the Fiscal Year ending March, 2020 (FY2020/3), while the US economy remained steady, worldwide, economies faced great uncertainties arising from the trade conflict between the USA and China, the Chinese economic slowdown, exports downturn from Japan, withdrawal of the United Kingdom from the EU, and multiple geographical risks.

Under these business conditions, Consolidated Orders in the accumulated 2nd quarter (1st half) of Fiscal Year 2020/3 (April 1st, - September 30th, 2019) were ¥38.293 billion (down 33.0% YoY), Sales were ¥41.994 billion (down 18.0% YoY), Operating Profit was ¥5.589 billion (down 45.5% YoY), Recurring Profit was ¥5.741 billion (down 46.7% YoY) and Net Profit Attributable to Owners of the Parent was ¥4.262 billion (down 46.0% YoY).

Business results during the term in each segment were as follows.

[Semiconductor Production Equipment (SPE) Segment]

In the SPE business segment, even though in China, new semiconductor and electric components companies are rapidly expanding and the demand for logic devices related to 5G, power devices and sensors is relatively high, overall investment were sluggish represented by slowdown in memory device investment for Data center and a conservative investment stance by trade conflict toward overall Semiconductor devices and Electric components. Flowing from this, the Company preceded cancellation of certain orders with significantly extended roll-in dates. Therefore Orders have decreased YoY, however, there are signs that the slump has bottomed out in 4th quarter of FY2019/3.

Orders for our SPE segment in the same period was ¥22.872 billion (down 42.4% YoY), Sales was ¥27.551 billion (down 23.1% YoY), and Operating Profit was ¥3.757 billion (down 45.1% YoY).

[Metrology Equipment Segment]

In the Metrology Equipment segment, in addition to the postponement and review of capital investment in the Automotive industry, which is the major user of our products in this segment, the demand in overall manufacturing showed a slowdown such as lower demand in the machine tools sector. Under these business conditions, both Orders and Sales in the Metrology segment decreased YoY. Also, in addition to the sales decrease, the Operating Profit decreased YoY due to additional R&D and renovation expenses for Charge / discharge test systems for upcoming EV demands and expenses associated with retirement benefits in a consolidated subsidiary.

As a result, Orders in our Metrology Equipment segment in the same period was ¥15.421 billion (down 11.8% YoY), Sales was ¥14.443 billion (down 6.1% YoY) and Operating Profit was ¥1.831 million (down 46.2% YoY).

(2) Analysis of Financial Position

(A) Assets, Liabilities and Net Assets

Total Assets as of September 30th, 2019 amounted to ¥144.623 billion, a decrease of ¥12.950 billion from the end of FY2019/3. The major factors behind this change include decreases in Notes and accounts receivable (including electronically recorded monetary claims) of ¥9.031 billion, Cash and cash equivalents of ¥4.803 billion, Accrued consumption tax of ¥1.274 billion, and an increase in Construction in process account of ¥1.250 billion.

Total Liabilities as of September 30th, 2019 decreased by ¥13.934 billion to ¥36.234 billion from the end of FY2019/3. This was mainly from decreases in Notes and accounts payable (including electronically recorded obligations-operating) of ¥10.789 billion, Income taxes payable of ¥2.633 billion and Long-term debt of ¥1.000 billion. Decreases in Cash and cash equivalents, and Notes and accounts payable include adjustments to reflect that the final day of FY2019/3 was a non-business day.

Net Assets as of September 30th, 2019 increased by ¥984 million and totaled ¥108.388 billion and, the Equity Ratio became 74.0%.

(B) Overview of Cash Flows

Cash and cash equivalents amounted to ¥36.574 billion, a decrease of ¥4.715 billion from the end of FY2019/3.

The status of cash flows during the period and factors behind them are given below.

(Cash flows from operating activities)

Net cash earned from operating activities was ¥2.157 billion, mainly due to decreases in Notes and accounts payable of ¥10.596 billion and in Notes and accounts receivable of ¥8.759 million, Profit before income taxes and

minority interests of ¥5.754 billion, Depreciation and amortization of ¥1.633 billion, and Payment of income taxes of ¥4.131 billion.

(Cash flows from investing activities)

Net cash used in investment activities was ¥2.789 billion, mainly reflected by Purchase of tangible fixed assets of ¥2.240 billion and Purchase of intangible fixed assets of ¥749 million.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥3.786 billion. The major elements of this were Payment of dividends of ¥2.743 and Repayment of long-term debt ¥1.000 billion.

(3) Financial Estimates such as Consolidated Business Forecasts for current Fiscal Year

SPE business results is mostly on-track, however, Metrology Segment business results is lower than anticipated due to conservative investment stance in Automotive industry and Machine tool industry that are the major users of our products in the segment.

The Company has revised its business forecasts previously announced on Aug. 9th, 2019, based on the recent situation.

There are no revisions to the dividend forecast.

	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income Attributable to Owners of the Parent (Millions of Yen)	Net Income per share (Yen)
Previous Forecast	88,000	12,500	12,500	9,000	216.00
Revised Forecast	86,000	12,000	12,100	9,000	216.00
Change	-2,000	-500	-500	0	0
Change ratio (%)	-2.3%	-4.0%	-3.2%	0.0%	-

Note: The forecasts contain forward-looking statements based on information available to the management at the time of this announcement that it has judged to be rational, including such factors as economic conditions in Japan and other countries or fluctuations in exchange rates, which may affect the Company's performance. These forecasts are subject to a number of risks and uncertainties, including market conditions, competition, and new product releases. Accordingly, actual results may differ materially from those projected in this earnings summary.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of Yen)

	FY2019/3 (March 31 st , 2019)	FY2020/3 1H (September 30 th , 2019)
ASSETS		
Current Assets		
Cash and cash equivalents	41,518	36,714
Notes and accounts receivable	29,230	22,442
Electronically recorded monetary claims	6,915	4,672
Merchandise and finished goods	1,830	2,009
Work in progress	19,999	18,913
Raw materials and supplies	8,165	8,814
Others	2,510	1,843
Allowance for doubtful accounts	- 75	- 47
Total current assets	110,094	95,362
Fixed Assets		
Tangible fixed assets		
Building and structures(net)	15,407	15,115
Others(net)	17,739	19,849
Total Tangible Fixed Assets	33,147	34,965
Intangible Fixed Assets		
Goodwill	82	48
Others	3,691	4,209
Total Intangible Fixed Assets	3,773	4,258
Investments and other assets		
Others	10,557	10,036
Allowance for doubtful accounts	- 0	-
Total Investments and other assets	10,557	10,036
Total Fixed Assets	47,478	49,260
Total Assets	157,573	144,623

(Millions of Yen)

	FY2019/3 (March 31 st , 2019)	FY2020/3 1H (September 30 th , 2019)
LIABILITIES		
Current Liabilities		
Notes and accounts payable	9,350	5,985
Electronically recorded obligations-operating	16,977	9,553
Short-term debt	1,300	1,300
Current portion of long-term debt	2,000	2,000
Income taxes payable	3,519	885
Reserves	1,375	1,338
Others	6,425	6,569
Total current liabilities	40,948	27,632
Long-term Liabilities		
Long-term debt	8,000	7,000
Allowance for director retirement benefits	53	55
Net defined benefit liabilities	809	1,047
Asset retirement obligations	241	233
Others	116	266
Total long-term liabilities	9,220	8,602
Total Liabilities	50,169	36,234
NET ASSETS		
Shareholder's Equity		
Common stock	10,591	10,663
Capital surplus	21,608	21,681
Retained earnings	72,200	73,718
Treasury stock	- 120	- 120
Total Shareholder's Equity	104,280	105,941
Accumulated other comprehensive income		
Holding gain or loss in investment	868	451
Foreign currency translation adjustment	199	118
Remeasurements of defined benefit plans	683	541
Total accumulated other comprehensive income	1,751	1,111
Share subscription rights	784	764
Non-controlling interests	587	570
Total Net Assets	107,403	108,388
Total Liabilities and Net Assets	157,573	144,623

(2) Consolidated Statements of Income, and Comprehensive Income
(Consolidated Statements of Income)
(1st half of FY2020/3(April 1st, 2019 – June 30th, 2019))

(Millions of Yen)

	FY2019/3 1H (April 1 st , 2018- September 30 th , 2018)	FY2020/3 1H (April 1 st , 2019- September 30 th , 2019)
Net Sales	51,194	41,994
Cost of goods sold	30,860	25,549
Gross Profit on Sales	20,333	16,444
Selling, general and administrative expenses	10,083	10,855
Operating profit (loss)	10,250	5,589
Non-operating income		
Interest income	14	16
Dividend income	61	48
Foreign exchange gains	351	115
Others	111	29
Total Non-operating income	538	210
Non-operating expenses		
Interest expenses	14	40
Others	8	16
Total Non-operating expenses	23	57
Recurring profit (loss)	10,765	5,741
Extraordinary gains		
Gain on sales of investment securities	-	10
Gain on reversal of subscription rights to shares	2	2
Total Extraordinary gains	2	12
Extraordinary losses		
Total extraordinary losses	-	-
Profit (loss) before income taxes and minority interests	10,768	5,754
Income tax and other taxes	2,864	1,583
Adjustment on income tax	- 17	- 68
Total Income tax and others	2,847	1,515
Profit (loss) before minority interests	7,921	4,238
Net Profit(loss) attributable to minority interests	28	-23
Net Profit (loss) attributable to Owners of the Parent	7,892	4,262

(Consolidated Statements of Comprehensive Income)
(1st half of FY2020/3(April 1st – September 30th, 2019))

(Millions of Yen)

	FY2019/3 1H (April 1 st , 2018- September 30 th , 2018)	FY2020/3 1H (April 1 st , 2019- September 30 th , 2019)
Profit (Loss) before minority interests	7,921	4,238
Accumulated other comprehensive income		
Holding gain or loss in investment	- 636	- 416
Foreign currency translation adjustment	- 205	- 78
Remeasurements of defined benefit plans	- 153	- 141
Total accumulated other comprehensive income	- 996	- 636
Comprehensive Income	6,925	3,601
(breakdown)		
Comprehensive income attributable to owners of the parent	6,898	3,621
Comprehensive income attributable to non-controlling interests	26	- 20

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2019/3 1H (April 1 st , 2018- September 30 th , 2018)	FY2019/3 1H (April 1 st , 2018- September 30 th , 2018)
Cash flows from operating activities:		
Profit(loss) before income taxes and minority interests	10,768	5,754
Depreciation and amortization	1,259	1,633
Amotization of goodwill	51	34
Stock related expense	147	113
Change in allowance for employee retirement benefits (-:decrease)	- 36	294
Change in allowance for director retirement benefits (-:decrease)	- 101	1
Change in allowance for doubtful accounts (-:decrease)	- 74	- 26
Interest and dividend income	- 75	- 64
Interest expense	14	40
Change in trade notes and accounts receivable (-: increase)	- 968	8,759
Change in inventories (-: increase)	- 2,639	56
Change in trade notes and accounts payable(-:decrease)	3,529	- 10,596
Others	159	265
Subtotal	12,033	6,266
Proceeds from interest and dividend income	75	64
Payment of interest	- 14	- 42
Payment/Refund of income taxes (-: payment)	- 3,294	- 4,131
Net cash provided by (used in) operating activities	8,800	2,157
Cash flows from investing activities:		
Payment for time deposits	- 113	- 120
Proceeds from time deposits	114	192
Payment for purchase of tangible fixed assets	- 2,024	-2,240
Proceeds from sales of tangible fixed assets	7	8
Payment for purchase of intangible fixed assets	- 586	- 749
Payment for purchase of investment securities	- 98	- 49
Proceeds from sales of investment securities	-	41
Payment for purchase of investments in capital of subsidiaries	- 10	- 31
Proceeds from collection of loans receivable	1	1
Payment for lease and guarantee deposits	- 311	-7
Proceeds from collection of lease and guarantee deposits	3	166
Net cash provided by (used in) investing activities	- 3,018	- 2,789
Cash flows from financing activities:		
Repayment of long-term debt	-	-1,000
Repayment of lease liability	- 14	- 56
Proceeds from exercise of stock options	41	13
Dividend payments	- 2,118	- 2,743
Others	- 1	- 0
Net cash provided by (used in) financing activities	- 2,091	- 3,786
Effect of exchange rate changes on cash and cash equivalents	37	- 297
Net increase/decrease in cash and cash equivalents (-: decrease)	3,727	- 4,715
Cash and cash equivalents at beginning of year	37,090	41,290
Cash and cash equivalents at end of year	40,817	36,574

(4) Notes

(Note on Assumptions for Going Concern)

Not applicable.

(Significant Changes in Shareholder's Equity)

Not applicable.

(Changes in Accounting Principles)

Change in measurement of Inventories

Upon the launch of the Company's new enterprise system from the beginning of the 1st quarter of FY2020/3 and considering appropriate evaluation of Inventories and Periodic Profit and Loss accounting, inventories (exclude Work in progress) of the Company once was stated at cost determined by the first-in, first-out method has been changed to weighted average method.

Note that reevaluation of the Inventories for the previous fiscal years and a retroactive impact calculation are practically unavailable, therefore, the book value of the inventory as at the end of the FY2019/3 has been applied as an opening amount for 1st quarter of FY2020/3.

As a result, there is minimum impact to Quarterly Consolidated Financial Statement for the 1st half of FY2020/3.

Application of IFRS standard 16 Leases

The subsidiary companies that apply International Financial Reporting Standards (hereinafter referred to as IFRS) apply IFRS standard 16 Leases (IFRS 16) from the beginning of the 1st quarter of FY2020/3. Therefore, a lessee shall measure all assets and liabilities arising from a lease as assets or liabilities of the Balance sheet. In addition, as transitional measures, a retroactive impact from applying IFRS 16 has been recognized at the beginning date of the fiscal term. As a result, there is minimum impact to Quarterly Consolidated Financial Statement for the 1st half of FY2020/3.

(Segment Information and others)

1. 1st half of FY2019/3 (April 1st, 2018 – September 30th, 2018)

a) Sales and Profit (or loss) information of 1st half of FY2019/3 per each reportable segment

(Millions of yen)

	Reportable Segments			Consolidated Total
	SPE	Metrology Equipment	Total	
Sales				
Sales to third party:	35,818	15,375	51,194	51,194
Intersegment sales to transfer	-	-	-	-
Total	35,818	15,375	51,194	51,194
Segment Profit	6,845	3,405	10,250	10,250

Note) Total Segment profit of reportable segments equals Operating Income of Consolidated Financial Statement.

2. 1st half of FY2020/3 (April 1st, 2019 – September 30th, 2019)

a) Sales and Profit (or loss) information of 1st half of FY2020/3 per each reportable segment

(Millions of yen)

	Reportable Segments			Consolidated Total
	SPE	Metrology Equipment	Total	
Sales				
Sales to third party:				
Sales to third party:	27,551	14,443	41,994	41,994
Intersegment sales to transfer	-	-	-	-
Total	27,551	14,443	41,994	41,994
Segment Profit	3,757	1,831	5,589	5,589

Note) Total Segment profit of reportable segments equals Operating Income of Consolidated Financial Statement.

End of document