

Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31st, 2018 (FY2018/3), Japan GAAP

November 14th, 2017

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 14th, 2017

Dividend Payable Date: December 7th, 2017

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 2nd Quarter of FY2018/3 (Accumulated, Apr. 1st – Sep. 30th, 2017)

(1) Consolidated sales and earnings (% figures represent changes from the Accumulated 2nd quarter of previous year)

	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)	
FY2018/3 Q2	43,663	17.4%	8,914	35.3%	9,041	42.6%	6,355	36.2%
FY2017/3 Q2	37,190	-2.1%	6,588	-13.8%	6,338	-17.4%	4,668	-14.6%

Note: Comprehensive Income in FY2018/3 Q2: 7,115 million yen (79.3%), in FY2017/3 Q2: 3,968 million yen (-9.3%)

	Net Income per Share (Yen)	Net Income per Share (diluted) (Yen)
FY2018/3 Q2	153.21	152.08
FY2017/3 Q2	112.77	112.14

(2) Consolidated financial position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Equity Ratio (%)
FY2018/3 Q2	122,924	92,954	74.9%
FY2017/3	114,463	87,194	75.5%

Notes: Equity in FY2018/3 Q2: 92,011 million yen, in FY2017/3: 86,377 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
FY2017/3	-	34.00	-	38.00	72.00
FY2018/3	-	41.00			
FY2018/3 (Projected)			-	41.00	82.00

Note: Changes due to revision of dividend projection: Yes

3. Forecast for FY2018/3 (April 1st, 2017-March 31st, 2018)

(% figures represent changes from the previous year)

	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)
Full Year	85,000	9.3%	16,000	17.1%	16,000	15.4%	11,200	13.0%	270.00

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.: No

2) Changes other than 1): No

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):

FY2018/3 Q2	41,546,181 shares	FY2017/3	41,495,581 shares
FY2018/3 Q2	35,869 shares	FY2017/3	35,819 shares
FY2018/3 Q2	41,483,365 shares	FY2017/3 Q2	41,393,300 shares

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

3) Average Number of shares outstanding during the accumulated period:

*** 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 Page 3, "(3) Financial Estimates such as Consolidated Business Forecasts for current Fiscal Year" of 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 accumulated 2nd quarter of FY2018/3 (April 1st, 2017-September 30th, 2017)	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
(Significant Changes in Subsidiaries during the term)	9
(Accounting procedures specific to the preparation of quarterly consolidated financial statements)	9
(Change of accounting principles, estimates and restatements)	9
(Segment Information and others).....	9

1. Qualitative information on Business Performance for accumulated 2nd quarter of FY2018/3 (April 1st, 2017-September 30th, 2017)

(1) Overview of Business Performance

In the accumulated 2nd quarter of Fiscal Year 2018/3 ending March, 2018 the US and European economies continued to expand modestly backed by strong private consumption and improvement in corporate earnings. In Japan, there were some positive signs of a recovery such as in corporate earnings through a continuing weak Yen trend and in private consumption accompanied by the steady employment market and related solid personal income. Emerging Asian countries, including China, showed moderate economic recovery due to the result of several incentive policies. The overall global economic situation in the accumulated 2nd quarter showed in the steady recovery of market conditions.

Under these business conditions, Consolidated Orders in the accumulated 2nd quarter of Fiscal Year 2018/3 (April 1st, - September 30th, 2017) were ¥44.122 billion (up 15.3% YoY), Sales were ¥43.663 billion (up 17.4% YoY), Operating Income was ¥8.914 billion (up 35.3% YoY), Ordinary Income was ¥9.041 billion (up 42.6% YoY) and Net Income attributable to Owners of the Parent was ¥6.355 billion (up 36.2% YoY).

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

[Semiconductor Production Equipment (SPE)]

In the SPE business segment, semiconductor manufacturers took an active investment stance lead by high functionalization and memory capacity enlargement of smartphones and increase in demand for data storage in line with the spread of cloud computing and an increase in demand for power management ICs and MCU(Micro Control Units) for industrial machines and vehicles. Under these business conditions, our orders and sales in the SPE segment increased firmly.

As a result, Orders for our SPE segment in the accumulated 2nd quarter of the Fiscal Year 2018/3 (April 1st, - September 30th, 2017) was ¥29.251 billion (up 16.9% YoY), Sales was ¥30.345 billion (up 25.0% YoY), and Operating Income was ¥6.358 billion (up 42.9% YoY).

[Metrology Equipment]

The automobile industry, which is the major user of our products, has continued to invest to establish world-wide production structures and increasing production efficiency, and showed signs of recovery for investment in replacement equipment that had been holding a more cautious stance influenced by the increased value of the Japanese Yen since the beginning of previous fiscal year. The machine tool sector also showed recovery signs overseas and demand from the aircraft-related sector remained steady. Under these business conditions, an upturn of both Orders and Sales has been confirmed.

As a result, orders in our Metrology Equipment segment in the accumulated 2nd quarter of the Fiscal Year 2018/3 (April 1st - September 30th, 2017) was ¥14.870 billion (up 12.1% YoY), Sales was ¥13.317 billion (up 3.2% YoY) and Operating Income was ¥2.556 billion (up 19.5% YoY).

(2) Analysis of Financial Position

(A) Assets, Liabilities and Net Assets

Total Assets as of September 30th, 2017 amounted to ¥122.924 billion, with an increase of ¥8.460 billion from the end of FY2017/3. The major factors behind this increase include an increase in Notes and accounts receivable (including Electronically recorded monetary claims) of ¥2.708 billion, an increase in Cash and cash equivalents of ¥2.545 billion, an increase in Investment securities of ¥1.878 billion, and an increase in Inventories (including work in progress and raw materials) of ¥1.574 billion.

Total Liabilities as of September 30th, 2017 increased by ¥2.700 billion to ¥29.969 billion. This was mainly from an increase in Notes and accounts payable (including Electronically recorded obligations-operating) of ¥4.035 billion and a decrease in Income tax payable of ¥1.193 billion.

Net Assets as of September 30th, 2017 increased by ¥5.760 billion and totaled ¥92.954 billion. This was mainly from an increase in Retained earnings of ¥4.780 billion. As a result, the Equity Ratio became to 74.9%.

(B) Cash Flows

Cash and cash equivalents as of September 30th, 2017 amounted to ¥36.370 billion, an increase of ¥2.544 billion from the end of FY2017/3.

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

(Cash flows from operating activities)

Net cash earned from operating activities was ¥6.844 billion, mainly due to Income before income taxes and others of ¥9.037 billion, an increase in Notes and accounts payable of ¥3.848 billion, Depreciation and amortization of ¥1.228 billion, an increase in Notes and accounts receivable of ¥2.558 billion, an increase in Inventories of ¥1.727 billion, and Payment of income taxes of ¥3.999 billion.

(Cash flows from investment activities)

Net cash used in investment activities was ¥2.890 billion, mainly reflected by Payments for purchase of investment securities of ¥1.151 billion, and Payments for purchase of tangible fixed assets of ¥1.105 billion.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥1.518 billion. The major element of this was Dividend payments of ¥1.575 billion.

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

The Company has ratified revisions to the prospective consolidated business forecasts for FY2018/3 from the previous forecast announced on August 10th, 2017.

	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	79,000	14,000	14,000	10,000	241.20
Revised Forecast	85,000	16,000	16,000	11,200	270.00
Change ratio (%)	7.6%	14.3%	14.3%	12.0%	

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 the new products release. 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)

	FY2017/3 (March 31 st , 2017)	FY2018/3 Q2 (September 30 th , 2017)
ASSETS		
Current Assets		
Cash and cash equivalents	33,853	36,399
Notes and accounts receivable	23,675	26,049
Electronically recorded monetary claims	4,733	5,068
Merchandise and finished goods	2,101	2,371
Work in progress	11,325	12,207
Raw materials and supplies	3,886	4,309
Others	3,384	2,618
Allowance for doubtful accounts	- 168	- 157
Total current assets	82,792	88,866
Fixed Assets		
Tangible fixed assets		
Building and structures(net)	14,476	14,317
Others(net)	9,971	10,181
Total Tangible Fixed Assets	24,448	24,498
Intangible Fixed Assets		
Goodwill	284	234
Others	645	923
Total Intangible Fixed Assets	929	1,157
Investments and other assets		
Others	6,293	8,435
Allowance for doubtful accounts	- 0	- 33
Total Investments and other assets	6,293	8,401
Total Fixed Assets	31,670	34,057
Total Assets	114,463	122,924

(Millions of Yen)

	FY2017/3 (March 31 st , 2017)	FY2018/3 Q2 (September 30 th , 2017)
LIABILITIES		
Current Liabilities		
Notes and accounts payable	7,497	6,527
Electronically recorded obligations-operating	8,291	13,296
Short-term debt	1,300	1,300
Income taxes payable	4,115	2,922
Allowances	1,111	1,219
Others	4,254	3,988
Total current liabilities	26,570	29,254
Long-term Liabilities		
Allowance for director retirement benefits	148	131
Net defined benefit liabilities	508	542
Others	41	41
Total long-term liabilities	698	715
Total Liabilities	27,269	29,969
NET ASSETS		
Shareholder's Equity		
Common stock	10,462	10,518
Capital surplus	21,480	21,536
Retained earnings	52,665	57,445
Treasury stock	- 116	- 117
Total Shareholder's Equity	84,491	89,383
Accumulated other comprehensive income		
Holding gain or loss in investment	825	1,330
Foreign currency translation adjustment	255	535
Remeasurements of defined benefit plans	804	760
Total accumulated other comprehensive income	1,885	2,627
Share subscription rights	506	613
Non-controlling interests	310	329
Total Net Assets	87,194	92,954
Total Liabilities and Net Assets	114,463	122,954

(2) Consolidated Statements of Income, and Comprehensive Income

(Consolidated Statements of Income)

(FY2018/3 Q2 (Accumulated, April 1st, 2017 – September 30th, 2017))

(Millions of Yen)

	FY2017/3 Q2 (April 1 st , 2016- September 30 th , 2016)	FY2018/3 Q2 (April 1 st , 2017- September 30 th , 2017)
Net sales	37,190	43,663
Cost of goods sold	22,547	26,367
Gross profit on Sales	14,643	17,295
Selling, general and administrative expenses	8,054	8,380
Operating income	6,588	8,914
Non-operating income		
Interest income	10	10
Dividend income	47	29
Foreign exchange gains	-	54
Others	49	52
Total Non-operating income	108	147
Non-operating expenses		
Interest expenses	14	9
Foreign exchange losses	338	-
Others	5	11
Total Non-operating expenses	358	21
Ordinary income	6,338	9,041
Extraordinary gains		
Total Extraordinary gains	-	-
Extraordinary losses		
Loss on valuation of golf club membership	-	4
Loss on valuation of investments in capital of subsidiaries and affiliates	26	-
Others	6	-
Total extraordinary losses	32	4
Income before income taxes and others	6,305	9,037
Income tax and other taxes	1,605	2,869
Adjustment on income tax	20	- 206
Total Income tax and others	1,626	2,662
Net income	4,679	6,374
Net income attributable to non-controlling interests	11	18
Net Income attributable to owners of the parent	4,668	6,355

(Consolidated Statements of Comprehensive Income)

(FY2018/3 Q2 (Accumulated, April 1st, 2017 – September 30th, 2017))

(Millions of Yen)

	FY2017/3 Q2 (April 1 st , 2016- September 30 th , 2016)	FY2018/3 Q2 (April 1 st , 2017- September 30 th , 2017)
Net income	4,679	6,374
Accumulated other comprehensive income		
Holding gain or loss in investment	- 35	504
Foreign currency translation adjustment	- 710	280
Remeasurements of defined benefit plans	35	- 43
Total accumulated other comprehensive income	- 710	741
Comprehensive Income	3,968	7,115
(breakdown)		
Comprehensive income attributable to owners of the parent	3,951	7,097
Comprehensive income attributable to non-controlling interests	17	18

(3) Consolidated Statements of Cash Flows

(FY2018/3 Q2 (Accumulated, April 1st, 2017 – September 30th, 2017))

(Millions of Yen)

	FY2017/3 Q2 (April 1 st , 2016 - September 30 th , 2016)	FY2018/3 Q2 (April 1 st , 2017 - September 30 th , 2017)
Cash flows from operating activities:		
Income before income taxes and minority interests	6,305	9,037
Depreciation and amortization	1,118	1,228
Amotization of goodwill	50	51
Stock related expense	95	157
Change in net defined benefit liabilities (-:decrease)	- 111	- 19
Change in allowance for director retirement benefits (-:decrease)	8	- 16
Change in allowance for doubtful accounts (-:decrease)	86	20
Interest and dividend income	- 58	- 40
Interest expense	14	9
Change in trade notes and accounts receivable (-: increase)	65	- 2,588
Change in inventories (-: increase)	- 589	- 1,727
Change in trade notes and accounts payable(-:decrease)	3,205	3,848
Others	251	851
Subtotal	10,442	10,813
Proceeds from interest and dividend income	58	40
Payment of interest	- 15	- 9
Payment/Refund of income taxes (-: payment)	- 1,923	- 3,999
Net cash provided by (used in) operating activities	8,562	6,844
Cash flows from investing activities:		
Payment for time deposits	- 11	- 11
Proceeds from time deposits	58	11
Payment for purchase of tangible fixed assets	- 3,691	-1,105
Proceeds from sales of tangible fixed assets	13	2
Payment for purchase of intangible fixed assets	- 43	- 349
Payment for purchase of investment securities	- 1	- 1,151
Payment for investments in capital	-	- 372
Payment for investments in capital of subsidiaries	-	- 19
Payment for loans receivable	- 0	- 1
Proceeds from collection of loans receivable	1	107
Others	0	-
Net cash provided by (used in) investing activities	- 3,674	- 2,890
Cash flows from financing activities:		
Repayment of long-term debt	- 200	-
Repayment of lease liability	- 3	- 4
Proceeds from exercise of stock options	15	62
Dividend payments	- 1,365	- 1,575
Others	- 0	- 0
Net cash provided by (used in) financing activities	- 1,553	- 1,518
Effect of exchange rate changes on cash and cash equivalents	- 641	109
Net increase/decrease in cash and cash equivalents (-: decrease)	2,692	2,544
Cash and cash equivalents at beginning of year	27,308	33,825
Net increase/decrease in cash and cash equivalents by change in consolidated subsidiaries (-: decrease)	278	-
Cash and cash equivalents at end of year	30,279	36,370

(4) Notes

(Note on Assumptions for Going Concern)

Not applicable.

(Significant Changes in Shareholder's Equity)

Not applicable.

(Significant Changes in Subsidiaries during the term)

Not applicable.

(Accounting procedures specific to the preparation of quarterly consolidated financial statements)

Not applicable.

(Change of accounting principles, estimates and restatements)

Not applicable.

(Segment Information and others)

1. 2nd quarter of FY2017/3 (Accumulated, April 1st, 2016 – September 30th, 2016)

a) Sales and Profit (or loss) information of 2nd quarter of FY2017/3 per each reportable segment

(Millions of yen)

	Reportable Segments			Total
	SPE	Metrology Equipment	Total	
I. Sales				
Sales to third party	24,279	12,910	37,190	37,190
Intersegment sales to transfer	-	-	-	-
Total	24,279	12,910	37,190	37,190
Segment Profit	4,449	2,139	6,588	6,588

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

2. 2nd quarter of FY2018/3 (Accumulated, April 1st, 2017 – September 30th, 2017)

a) Sales and Profit (or loss) information of 2nd quarter of FY2018/3 per each reportable segment

(Millions of yen)

	Reportable Segments			Total
	SPE	Metrology Equipment	Total	
I. Sales				
Sales to third party	30,345	13,317	43,663	43,663
Intersegment sales to transfer	-	-	-	-
Total	30,345	13,317	43,663	43,663
Segment Profit	6,358	2,556	8,914	8,914

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

End of document