

Consolidated Financial Statements for the 1st half of the Fiscal Year Ending March 31st, 2019 (FY2019/3), Japan GAAP

November 13th, 2018

Company Name



Tokyo Seimitsu Co., Ltd.

Stock Listing: First Section TSE

ACCRETECH

Code number: 7729

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Date of Quarterly Financial Statement Filing (planned) : November 14th, 2018

Dividend Payable Date(planned):December 10th, 2018

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 1st half (1H, April 1st – Sep. 30th, 2018)

(1) Consolidated sales and earnings (% figures represent changes from the 1st half 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)	
FY2019/3 1H	51,194	17.2%	10,250	15.0%	10,765	19.1%	7,892	24.2%
FY2018/3 1H	43,663	17.4%	8,914	35.3%	9,041	42.6%	6,355	36.2%

Note: Comprehensive Income in FY2019/3 1H: 6,925 million yen (- 2.7%), in FY2018/3 1H: 7,115 million yen (79.3%)

	Net Income per Share (Yen)	Net Income per Share (diluted) (Yen)
FY2019/3 1H	189.96	188.49
FY2018/3 1H	153.21	152.08

(2) Consolidated financial position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Equity Ratio (%)
FY2019/3 1H	140,868	104,347	73.3%
FY2018/3	132,893	99,354	74.0%

Note: Equity in FY2019/3 1H: 103,195 million yen, in FY2018/3: 98,362 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
FY2018/3	-	41.00	-	51.00	92.00
FY2019/3	-	59.00			
FY2019/3 (Projected)			-	59.00	118.00

Notes: (1) Changes due to revision of dividend projection: Yes

(2) Q2 End and Q4 End dividend for FY2019/3(projected) includes 70th anniversary commemorative dividends of 10 yen (Total 20 yen). See press release dated November 13th, 2018 regarding revisions to dividend forecasts.

3. Forecast for FY2019/3 (April 1st, 2018-March 31st, 2019) (% figures represent changes from the previous year)

	Net Sales (Millions of Yen)		Operating Profit (Millions of Yen)		Recurring Profit (Millions of Yen)		Net Income Attributable to Owners of the Parent (Millions of Yen)		Net Profit per Share (yen)
Full Year	100,000	13.4%	18,700	8.2%	18,900	9.1%	13,600	6.9%	327.00

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):

FY2019/3 1H	41,595,881 shares	FY2018/3	41,575,881 shares
FY2019/3 1H	36,524 shares	FY2018/3	36,251 shares
FY2019/3 1H	41,549,492 shares	FY2018/3 1H	41,483,365 shares

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

3) Average Number of shares outstanding during the 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 including Consolidated Business Forecasts" of supplementary statement.

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

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1. Qualitative information on Business Performance

(1) Overview of Business Performance

In the first half of the Fiscal Year ending March 2019 (FY2019/3), the Japanese and US economies continued to expand gradually, lead by strong private consumption and corporate capital investment. However, the EU economies have shown signs of potential slow downs. For China, while demand for exports has remained firm, internal recovery is at a standstill. Globally, economic uncertainty remains; such as the risk of trade friction between the US and China, and complications from the withdrawal of the United Kingdom from the EU.

Under these business conditions, Consolidated Orders in the accumulated 2nd quarter (1st half) of Fiscal Year 2019/3 (April 1st, - September 30th, 2018) were ¥57.180 billion (up 29.6% YoY), Sales were ¥51.194 billion (up 17.2% YoY), Operating Profit was ¥10.250 billion (up 15.0% YoY), Recurring Profit was ¥10.765 billion (up 19.1% YoY) and Net Profit Attributable to Owners of the Parent was ¥7.892 billion (up 24.2% YoY).

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

[Semiconductor Production Equipment (SPE)]

In the SPE business segment, semiconductor manufacturers increased investment in memory devices underpinned by increasing demand for large data capacity and data storage, display drives, electronic components and sensors for high functionalization of smartphones as well as advancements from IoT (Internet of Things) and AI (Artificial Intelligence). Under these business conditions, our orders in the SPE segment increased firmly. We had improvements to overcome delivery delays of some materials, therefore both Sales and Operating profit in the SPE segment increased from the previous year.

Orders for our SPE segment in the same period was ¥39.700 billion (up 35.7% YoY), Sales was ¥35.818 billion (up 18.0% YoY), and Operating Profit was ¥6.845 billion (up 7.7% YoY).

[Metrology Equipment]

The automobile industry, which is the major user of our products in our Metrology Equipment segment, has continued to invest for production innovation to improve world-wide production efficiency. Accordingly, related machine tools sales also showed steady expansion domestically and in overseas markets while demand from the aircraft-related sector remained steady. Under these business conditions, Orders, Sales and Operating profit increased in the Metrology segment YoY.

As a result, Orders in our Metrology Equipment segment in the same period was ¥17.480 billion (up 17.6% YoY), Sales was ¥15.375 billion (up 15.5% YoY) and Operating Profit was ¥3.405 billion (up 33.2% YoY).

(2) Analysis of Financial Position

(A) Assets, Liabilities and Net Assets as of September 30th, 2018

Total Assets amounted to ¥140.868 billion, an increase of ¥7.975 billion from the end of FY2018/3. The major factors behind this change include increases in Cash and cash equivalents of ¥3.728 billion, in Inventories including work in progress and raw materials of ¥2.280 billion, and in Notes and accounts receivable (including electronically recorded monetary claims) of ¥1.115 billion.

Total Liabilities increased by ¥2.982 billion to ¥36.521 billion. This was mainly from an increase in Notes and accounts payable (including electronically recorded obligations-operating) of ¥3.700 billion and a decrease in Income taxes payable of ¥426 million.

Net Assets increased by ¥4.992 billion and totaled ¥104.347 billion. As a result, the Equity Ratio became 73.3%.

(B) Overview of Cash Flows

Cash and cash equivalents amounted to ¥40.817 billion, an increase of ¥3.727 billion from the end of FY2018/3. 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 ¥8.800 billion, mainly due to Profit before income taxes and minority interests of ¥10.768 billion, increases in Notes and accounts payable of ¥3.529 billion and in Inventories of ¥2.639 billion, Depreciation and amortization of ¥1.259 billion, an increase in Notes and accounts receivable of ¥968 million, and Payment of income taxes of ¥3.294 billion.

(Cash flows from investing activities)

Net cash used in investment activities was ¥3.018 billion, mainly reflected by Purchase of tangible fixed assets of ¥2.024 billion and Purchase of intangible fixed assets of ¥894 million.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥2.091 billion. The major element of this was Payment of dividends of ¥2.118 billion.

(3) Financial Estimates including Consolidated Business Forecasts

The Company has revised its business forecasts previously announced on Aug. 10th, 2018, based on the recent situation.

	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	98,000	17,500	17,500	12,800	308.00
Revised Forecast	100,000	18,700	18,900	13,600	327.00
Change ratio (%)	2.0%	6.9%	8.0%	6.3%	-

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

(1) Consolidated Balance Sheet

(Millions of Yen)

	FY2018/3 (March 31 st , 2018)	FY2019/3 1H (September 30 th , 2018)
ASSETS		
Current Assets		
Cash and cash equivalents	37,220	40,949
Notes and accounts receivable	28,005	28,243
Electronically recorded monetary claims	5,434	6,312
Merchandise and finished goods	1,918	1,924
Work in progress	15,223	16,983
Raw materials and supplies	5,183	5,698
Others	2,146	1,416
Allowance for doubtful accounts	- 142	- 68
Total current assets	94,990	101,457
Fixed Assets		
Tangible fixed assets		
Building and structures(net)	13,998	13,651
Others(net)	10,259	11,268
Total Tangible Fixed Assets	24,258	24,919
Intangible Fixed Assets		
Goodwill	185	132
Others	1,671	2,717
Total Intangible Fixed Assets	1,857	2,849
Investments and other assets		
Others	11,787	11,641
Allowance for doubtful accounts	- 0	- 0
Total Investments and other assets	11,787	11,641
Total Fixed Assets	37,902	39,410
Total Assets	132,893	140,868

(Millions of Yen)

	FY2018/3 (March 31 st , 2018)	FY2019/3 1H (September 30 th , 2018)
LIABILITIES		
Current Liabilities		
Notes and accounts payable	8,200	9,207
Electronically recorded obligations-operating	13,670	16,363
Short-term debt	1,300	1,300
Income taxes payable	3,254	2,827
Allowances	1,248	1,223
Others	5,133	4,951
Total current liabilities	32,807	35,873
Long-term Liabilities		
Allowance for director retirement benefits	139	38
Net defined benefit liabilities	542	523
Others	49	87
Total long-term liabilities	731	648
Total Liabilities	33,538	36,521
NET ASSETS		
Shareholder's Equity		
Common stock	10,561	10,587
Capital surplus	21,579	21,605
Retained earnings	62,105	67,880
Treasury stock	- 118	- 119
Total Shareholder's Equity	94,128	99,954
Accumulated other comprehensive income		
Holding gain or loss in investment	1,564	927
Foreign currency translation adjustment	811	607
Remeasurements of defined benefit plans	1,858	1,704
Total accumulated other comprehensive income	4,234	3,240
Share subscription rights	623	757
Non-controlling interests	368	395
Total Net Assets	99,354	104,347
Total Liabilities and Net Assets	132,893	140,868

(2) Consolidated Statements of Income, and Comprehensive Income

(Consolidated Statements of Income)
(1st half of FY2019/3 (April 1st, 2018 – June 30th, 2018))

(Millions of Yen)

	FY2018/3 1H (April 1 st , 2017- September 30 th , 2017)	FY2019/3 1H (April 1 st , 2018- September 30 th , 2018)
Net Sales	43,663	51,194
Cost of goods sold	26,367	30,860
Gross Profit on Sales	17,295	20,333
Selling, general and administrative expenses	8,380	10,083
Operating profit (loss)	8,914	10,250
Non-operating income		
Interest income	10	14
Dividend income	29	61
Foreign exchange gains	54	351
Others	52	111
Total Non-operating income	147	538
Non-operating expenses		
Interest expenses	9	14
Others	11	8
Total Non-operating expenses	21	23
Recurring profit (loss)	9,041	10,765
Extraordinary gains		
Gain on reversal of subscription rights to shares	-	2
Total Extraordinary gains	-	2
Extraordinary losses		
Loss on valuation of golf club membership	4	-
Total extraordinary losses	4	-
Profit (loss) before income taxes and minority interests	9,037	10,768
Income tax and other taxes	2,869	2,864
Adjustment on income tax	- 206	- 17
Total Income tax and others	2,662	2,847
Profit (loss) before minority interests	6,374	7,921
Net Profit(loss) attributable to minority interests	18	28
Net Profit (loss) attributable to Owners of the Parent	6,355	7,892

(Consolidated Statements of Comprehensive Income)
(1st half of FY2019/3 of FY2019/3 (April 1st, 2018 – June 30th, 2018))

(Millions of Yen)

	FY2018/3 1H (April 1 st , 2017- September 30 th , 2017)	FY2019/3 1H (April 1 st , 2018- September 30 th , 2018)
Profit (Loss) before minority interests	6,374	7,921
Accumulated other comprehensive income		
Holding gain or loss in investment	504	- 636
Foreign currency translation adjustment	280	- 205
Remeasurements of defined benefit plans	- 43	- 153
Total accumulated other comprehensive income	741	- 996
Comprehensive Income	7,115	6,925
(breakdown)		
Comprehensive income attributable to owners of the parent	7,097	6,898
Comprehensive income attributable to non-controlling interests	18	26

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2018/3 1H (April 1 st , 2017- September 30 th , 2017)	FY2019/3 1H (April 1 st , 2018- September 30 th , 2018)
Cash flows from operating activities:		
Profit(loss) before income taxes and minority interests	9,037	10,768
Depreciation and amortization	1,228	1,259
Amotization of goodwill	51	51
Stock related expense	157	147
Change in allowance for employee retirement benefits (-:decrease)	- 19	- 36
Change in allowance for director retirement benefits (-:decrease)	- 16	- 101
Change in allowance for doubtful accounts (-:decrease)	20	- 74
Interest and dividend income	- 40	- 75
Interest expense	9	14
Change in trade notes and accounts receivable (-: increase)	- 2,588	- 968
Change in inventories (-: increase)	- 1,727	- 2,639
Change in trade notes and accounts payable(-:decrease)	3,848	3,529
Others	851	159
Subtotal	10,813	12,033
Proceeds from interest and dividend income	40	75
Payment of interest	- 9	- 14
Payment/Refund of income taxes (-: payment)	- 3,999	- 3,294
Net cash provided by (used in) operating activities	6,844	8,800
Cash flows from investing activities:		
Payment for time deposits	- 11	- 113
Proceeds from time deposits	11	114
Payment for purchase of tangible fixed assets	-1,105	-2,024
Proceeds from sales of tangible fixed assets	2	7
Payment for purchase of intangible fixed assets	- 349	- 894
Payment for purchase of investment securities	- 1,523	- 98
Payment for purchase of investments in capital of subsidiaries	- 19	- 10
Payment for loans receivable	- 1	-
Proceeds from collection of loans receivable	107	1
Net cash provided by (used in) investing activities	- 2,890	- 3,018
Cash flows from financing activities:		
Repayment of lease liability	- 4	- 14
Proceeds from exercise of stock options	62	41
Dividend payments	- 1,575	- 2,118
Others	- 0	- 0
Net cash provided by (used in) financing activities	- 1,518	- 2,091
Effect of exchange rate changes on cash and cash equivalents	109	37
Net increase/decrease in cash and cash equivalents (-: decrease)	2,544	3,727
Cash and cash equivalents at beginning of year	33,825	37,090
Cash and cash equivalents at end of year	36,370	40,817

(4) Notes

(Note on Assumptions for Going Concern)

Not applicable.

(Significant Changes in Shareholder's Equity)

Not applicable.

(Additional Information)

The Company has applied the "Partial Amendments to Accounting Standards for Tax Effect Accounting" (ASBJ Statement No. 28, February 16th, 2018) from the beginning of the 1st quarter of FY2019/3. Accordingly, deferred tax assets are presented under Investments and other assets, and deferred tax liabilities are presented under Long-term liabilities.

(Segment Information and others)

1. 1st half of FY2018/3 (April 1st, 2017 – September 30th, 2017)

Sales and Profit (or loss) information

(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.

2. 1st half of FY2019/3 (Accumulated, April 1st, 2018 – September 30th, 2018)

Sales and Profit (or loss) information

(Millions of yen)

	Reportable Segments			Total
	SPE	Metrology Equipment	Total	
I. 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.

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