

# Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31<sup>st</sup>, 2014 (FY2014), Japan GAAP

February 12<sup>th</sup>, 2014

Company Name



**Tokyo Seimitsu Co., Ltd.**

Stock Listing: First Section TSE

ACCRETECH

Code number: 7729

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

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Date of Quarterly Financial Statement Filing (planned) : February 13<sup>th</sup>, 2014

Dividend Payable Date (planned): -

Supplementary Document for Quarterly Financial Results : Yes

Holding of Financial Results Meeting: No

(Millions of yen, rounded down, accumulated unless otherwise stated)

## 1. Consolidated Results for 3<sup>rd</sup> Quarter of FY2014 (April 1<sup>st</sup>, 2013 – December 31<sup>st</sup>, 2013)

(1) Consolidated sales and earnings (Percentage figures represent changes from the 3<sup>rd</sup> quarter of previous year)

	Net Sales (Millions of Yen)		Operating Income (Millions of Yen)		Ordinary Income (Millions of Yen)		Net Income (Millions of Yen)	
FY2014 Q3	40,899	6.7%	6,121	7.5%	6,588	11.4%	4,181	75.7%
FY2013 Q3	38,319	-14.4%	5,695	-30.0%	5,912	-26.8%	2,380	-68.0%

Note: Comprehensive Income in FY2014 Q3: 5,527 million yen (106.6%), in FY2013 Q3: 2,675 million yen (-59.6%)

	Net Income per Share (Yen)	Net Income per Share (diluted) (Yen)
FY2014 Q3	101.41	101.01
FY2013 Q3	57.74	57.60

## (2) Consolidated financial position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Equity Ratio (%)
FY2014 Q3	80,006	62,336	77.4%
FY2013	77,862	57,304	73.3%

Note: Equity in FY2014 Q3: 61,911 million yen, in FY2013: 57,069 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
FY2013	-	8.00	-	8.00	16.00
FY2014	-	10.00	-		
FY2014 (Projected)			-	10.00	20.00

Note: Changes due to revision of dividend projection: No

## 3. Forecast for FY 2014 (April 1<sup>st</sup>, 2013-March 31<sup>st</sup>, 2014)

(Percentage figures represent changes from the previous year)

	Net Sales (Millions of Yen)		Operating Income (Millions of Yen)		Ordinary Income (Millions of Yen)		Net Income (Millions of Yen)		Net Income per Share (yen)
Full Year	54,000	5.9%	8,000	6.6%	8,000	1.4%	5,200	30.1%	126.10

Note: Changes due to revision of forecast: No

## \* Others

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

New: - Excluded: -

(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):

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

3) Average Number of shares outstanding during the period:

FY2014 Q3	41,278,181 shares	FY2013	41,254,781 shares
FY2014 Q3	33,339 shares	FY2013	32,292 shares
FY2014 Q3	41,237,033 shares	FY2013 Q3	41,221,811 shares

### \* Cautionary statements with respect to the status of quarterly financial review procedures:

This document is not subject to the review procedures of financial results in accordance with the provisions of the Financial Instruments and Exchange Act. However, at the date and time of issue, the financial review procedure in accordance with the provisions of the Financial Instruments and Exchange Act is not yet completed.

### \* 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 "Financial Estimates such as Consolidated Business Forecasts" on Page 3 of supplementary statement.

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

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# 1. Qualitative information on Business Performance for 3<sup>rd</sup> quarter of FY2014

## (1) Overview of Business Performance

Overall business conditions in the 3<sup>rd</sup> quarter of Fiscal Year 2014 ending March, 2014 can be described in the following way. A moderate recovery trend continues in Japan corresponding with the correction of the high Japanese Yen and revalued stock prices prompted by monetary and economic policies of the government, and a similar continuous recovery can be seen in USA accompanied by improvement in corporate performance and the employment market. Although a slight indication of recovery is in sight in the European economies, based on retreating concerns about rekindled debt crises, economic strength in emerging Asian countries such as China, that had lead the worldwide economic recovery in the recent years, continues to decrease with unclear future prospects.

Under these business conditions, Consolidated Orders in the 3<sup>rd</sup> quarter of FY2014 (accumulated April 1<sup>st</sup>, 2013 – December 31<sup>st</sup>, 2013) were ¥42.543 billion (up 12.9% YoY), Sales were ¥40.899 billion (up 6.7% YoY), Operating Income was ¥6.121 billion (up 7.5% YoY), Ordinary Income was ¥6.588 billion (up 11.4% YoY), and Net Income was ¥4.181 billion (up 75.7% YoY).

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

### [Semiconductor Production Equipment (SPE)]

In the SPE business, Smartphones and Tablet PCs, which are shifting to low-end models for emerging countries, continue to be the driver of the market. The demand for memory devices has also grown through out this period, driven by data server centers backing increasing Cloud computing and the use of “Big Data”. Capital investment by semiconductor manufacturers, however, has significantly shifted to Front-end equipments since the middle of this period, and investment for Back-end equipment, where we are engaged, is somewhat constrained. Orders bottomed around the 2<sup>nd</sup> quarter to the beginning of the 3<sup>rd</sup> quarter, but have begun to revive more recently, with the preparation for increased seasonal demand. Accordingly Orders during this period increased QoQ.

As a result, Orders received in the 3<sup>rd</sup> quarter of FY2014 (accumulated April 1<sup>st</sup>, 2013– December 31<sup>st</sup>, 2013) were ¥24.117 billion (up 14.1% YoY), Sales were ¥24.144 billion (up 5.8 % YoY), and Operating Income was ¥2.797 billion (up 23.0% YoY).

### [Metrology Equipment]

The automobile industry, which is the major user of our products, continues to establish world-wide production structures, with positive business performance based on favorable business conditions such as the correction of the high Japanese Yen. Other industries as well, such as the machine tools sector which had adjusted production schedules, began to recover in the latter half of the term. Domestic small and medium enterprises, having waited for the results of the screening of government subsidies, also recommenced investments. As described above, the market is generally becoming more active. Consequently, consolidated Orders increased QoQ

As a result, Orders received in the 3<sup>rd</sup> quarter of FY2014 (accumulated April 1<sup>st</sup>, 2013 – December 31<sup>st</sup>, 2013) were ¥18.426 billion (up 11.3% YoY), Sales were ¥16.755 billion (up 8.1% YoY), and Operating Income was ¥3.323 billion (down 2.8% YoY).

## (2) Analysis of Financial Position

### [Assets, Liabilities and Net Assets]

Total Assets as of December 31<sup>st</sup> 2013, amounted to ¥80.006 billion, an increase of ¥2.144 billion from the end of FY2013 ended March 31<sup>st</sup>, 2013. The major factors behind this increase include an increase in Notes and accounts receivable of ¥3.397 billion, an increase in Cash and cash equivalents of ¥1.365 billion, an increase in Other securities of ¥799 million, a decrease of Deferred tax assets of ¥1.898 billion and a decrease in Work in progress of ¥1.040 billion.

Total Liabilities as of December 31<sup>st</sup>, 2013, amounted to ¥17.669 billion, a decrease of ¥2.888 billion from the end of FY2013. This was mainly from a decrease in Long-term debt of ¥2.500 billion.

Net Assets totaled ¥62.336 billion, an increase of ¥5.032 billion. This was mainly from an increase in Retained Earnings of ¥3.489 billion an increase in Foreign currency translation adjustment of ¥689 million and an increase in Holding gains or loss on investment of ¥621 million. As a result, the Equity Ratio reached 77.4%.

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

There are no revisions to the Consolidated Business Forecasts for FY2014 full year. Any significant unforeseen factors giving rise to changes in forecast business activities will be announced by the company as soon as practicable.

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. Other Information**

### **(1) Significant Changes in Subsidiaries during the term**

Not applicable.

### **(2) Accounting procedures specific to the preparation of quarterly consolidated financial statements:**

Not applicable.

### **(3) Change of accounting principles, estimates and restatements**

Not applicable.

### 3.Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Millions of Yen)

	<b>FY2013</b> (Mar 31 <sup>st</sup> , 2013)	<b>FY2014 Q3</b> (December 31 <sup>st</sup> , 2013)
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	18,251	19,617
Notes and accounts receivable	16,346	19,743
Merchandise and finished goods	1,758	1,768
Work in progress	8,916	7,875
Raw materials and supplies	3,532	3,167
Others	3,172	1,908
Allowance for doubtful accounts	- 168	- 120
Total current assets	51,809	53,961
Fixed Assets		
Tangible fixed assets		
Building and structures (net)	10,247	10,024
Others (net)	7,987	8,479
Total Tangible Fixed Assets	18,234	18,503
Intangible Fixed Assets		
Goodwill	1,432	1,111
Others	371	380
Total Intangible Fixed Assets	1,804	1,492
Investments and other assets		
Others	6,045	6,058
Allowance for doubtful accounts	- 31	- 9
Total Investments and other assets	6,014	6,048
Total Fixed Assets	26,052	26,044
Total Assets	77,862	80,006

(Millions of Yen)

	<b>FY2013</b> (Mar 31 <sup>st</sup> , 2013)	<b>FY2014 Q3</b> (December 31 <sup>st</sup> , 2013)
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable	9,328	9,327
Short-term debt	1,300	1,300
Income taxes payable	399	656
Reserves	806	420
Others	5,569	3,567
Total current liabilities	17,403	15,272
Long-term Liabilities		
Long-term debt	1,200	800
Allowance for employee retirement benefits	1,465	1,288
Allowance for director retirement benefits	113	117
Others	375	192
Total Long-term liabilities	3,154	2,397
Total Liabilities	20,557	17,669
<b>NET ASSETS</b>		
Shareholder's Equity		
Common stock	10,216	10,237
Capital surplus	21,234	21,255
Retained earnings	25,609	29,099
Treasury stock	- 108	- 110
Total Shareholder's Equity	56,951	60,482
Accumulated other comprehensive income		
Holding gain or loss in investment	109	731
Foreign currency translation adjustment	7	697
Total accumulated other comprehensive income	117	1,429
Share subscription rights	234	312
Minority interests	-	112
Total Net Assets	57,304	62,336
Total Liabilities and Net Assets	77,862	80,006

**(2) Consolidated Statements of Income, and Comprehensive Income****(Consolidated Statements of Income)**

(Millions of Yen)

	<b>FY2013 Q3</b> (April 1 <sup>st</sup> , 2012- December 31 <sup>st</sup> , 2012)	<b>FY2014 Q3</b> (April 1 <sup>st</sup> , 2013- December 31 <sup>st</sup> , 2013)
Net Sales	38,319	40,899
Cost of Sales	24,659	25,871
Gross Profit on Sales	13,660	15,028
Selling, general and administrative expenses		
Selling expenses	4,320	4,809
General and administrative expenses	3,643	4,097
Total Selling, general and administrative expenses	7,964	8,907
Operating income (loss)	5,695	6,121
Non-operating income		
Interest	6	5
Dividend income	54	65
Foreign exchange income	191	325
Others	58	125
Total Non-operating income	311	522
Non-operating expenses		
Interest expenses	76	34
Loss on disposal of fixed assets	11	11
Others	7	8
Total Non-operating expenses	94	55
Ordinary income (loss)	5,912	6,588
Extraordinary gains		
Gain on sales of investment securities	-	72
Gain on reversal of share subscription rights	0	6
Total Extraordinary gains	0	79
Extraordinary losses		
Loss on liquidation of subsidiaries	-	12
Reversal of allowance for loss on withdrawal from employee's pension fund	1,557	-
Loss on withdrawal from employee's pension fund	535	-
Others	35	-
Total extraordinary losses	2,127	12
Income (loss) before income taxes and minority interests	3,784	6,654
Income tax and other taxes	625	963
Adjustment on income tax	779	1,481
Total Income tax and others	1,404	2,445
Income (loss) before minority interests	2,380	4,209
Minority Interests	-	27
Net Income (loss)	2,380	4,181



**(Consolidated Statements of Comprehensive Income)**

(Millions of Yen)

	<b>FY2013 Q3</b> (April 1 <sup>st</sup> , 2012- December 31 <sup>st</sup> , 2012)	<b>FY2014 Q3</b> (April 1 <sup>st</sup> , 2013- December 31 <sup>st</sup> , 2013)
Income (Loss) before minority interests	2,380	4,209
Accumulated other comprehensive income		
Holding gain or loss in investment	14	621
Foreign currency translation adjustment	281	696
Total accumulated other comprehensive income	295	1,318
Comprehensive Income	2,675	5,527
(breakdown)		
Comprehensive income attributable to owners of the parent	2,675	5,491
Comprehensive income attributable to minority interests	-	35

### (3) Notes

#### (Notes on Assumptions for Going Concern)

Not applicable.

#### (Significant Changes in Shareholder's Equity)

Not applicable.

#### (Segment Information and others)

##### 1. FY2013 Q3 (April 1<sup>st</sup>, 2012 – December 31<sup>st</sup>, 2012)

###### a) Sales and Profit (or loss) information per each reportable segment

(Millions of yen)

	Reportable Segments			Total
	SPE	Metrology Equipment	Total	
I. Sales				
Sales to third party	22,817	15,502	38,319	38,319
Intersegment sales or transfers	-	-	-	-
Total	22,817	15,502	38,319	38,319
Segment Profit	2,274	3,421	5,695	5,695

###### b) Balance between the Total profit or loss amount of reported segments and profit and loss amount of consolidated financial statement, and these descriptions

Total Segment profit of reportable segments is same amount of Operating income of consolidated financial statement.

###### c) Impairment losses on fixed assets and goodwill per each reportable segment

During the term, Precision Blade business had been assigned from Mitsubishi Materials Corporation to the Company's SPE segment. As a result of this assignment, Goodwill increased by ¥664 million.

##### 2. FY2014 Q3 (April 1<sup>st</sup>, 2013– December 31<sup>st</sup>, 2013)

###### a) Sales and Profit (or loss) information per each reportable segment

(Millions of yen)

	Reportable Segments			Total
	SPE	Metrology Equipment	Total	
I. Sales				
Sales to third party	24,144	16,755	40,899	40,899
Intersegment sales to transfer	-	-	-	-
Total	24,144	16,755	40,899	40,899
Segment Profit	2,797	3,323	6,121	6,121

###### b) Balance between the Total profit or loss amount of reported segments and profit and loss amount of consolidated financial statement, and these descriptions

Total Segment profit of reportable segments is same amount of Operating income of consolidated financial statement.

###### c) Impairment losses on fixed assets and goodwill per each reportable segment

Not applicable.