

Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31st, 2014 (FY2014), Japan GAAP

November 11th, 2013

Company Name



Tokyo Seimitsu Co., Ltd.

Stock Listing: First Section TSE

ACCRETECH

Code number: 7729

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Dividend Payable Date (planned): December 3rd, 2013

Supplementary Document for Quarterly Financial Results : Yes

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

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

1. Consolidated Results for 2nd Quarter of FY2014 (April 1st, 2013 – September 30th, 2013)

(1) Consolidated sales and earnings (Percentage figures represent changes from the 2nd 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 Q2	28,366	10.0%	4,367	1.0%	4,569	7.0%	2,866	131.9%
FY2013 Q2	25,790	-20.3%	4,326	-30.5%	4,271	-30.3%	1,236	-79.3%

Note: Comprehensive Income in FY2014 Q2: 3,602 million yen (280.3%), in FY2013 Q2: 947 million yen (-82.0%)

	Net Income per Share (Yen)	Net Income per Share (diluted) (Yen)
FY2014 Q2	69.52	69.26
FY2013 Q2	29.99	29.93

(2) Consolidated financial position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Equity Ratio (%)
FY2014 Q2	79,355	60,813	76.1%
FY2013	77,862	57,304	73.3%

Note: Equity in FY2014 Q2: 60,404 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: Yes

3. Forecast for FY 2014 (April 1st, 2013-March 31st, 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%	126.11

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 Q2	41,276,181 shares	FY2013	41,254,781 shares
FY2014 Q2	32,375 shares	FY2013	32,292 shares
FY2014 Q2	41,233,358 shares	FY2013 Q2	41,221,811 shares

* Cautionary statement 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 2nd quarter of FY2014

(1) Overview of Business Performance

Overall business conditions in the 1st half of Fiscal Year 2014 ending March, 2014 generally continued to contain some uncertainty. On the one hand, a moderate recovery trend can be seen 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 recovery continues in USA despite remaining uneasiness regarding the financial situation. On the other hand, long-term stagnation continues in Europe, although a partial recovery can be seen, and economic growth in emerging Asian countries such as China that had lead the world wide economic recovery in the recent years, continues to decrease.

Under such business conditions, Consolidated Orders in the 2nd quarter of FY2014 (accumulated April 1st, 2013 – September 30th, 2013) were ¥28.104 billion (up 8.4% YoY), Sales were ¥28.366 billion (up 10.0% YoY), Operating Income was ¥4.367 billion (up 1.0% YoY), Ordinary Income was ¥4.569 billion (up 7.0% YoY), and Net Income was ¥2.866 billion (up 131.9% YoY).

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

[Semiconductor Production Equipment (SPE)]

In the SPE business, the demand for memory devices has grown through this period, for data server centers backed by increasing cloud services. For smartphones and Tablet PCs, however, which are the drivers of the current market, production adjustments for these devices became conspicuous in the latter half of this period, although an upcoming season of high demand is anticipated. Overall, both consolidated Orders and Sales of our SPE decreased QoQ.

As a result, Orders received in the 2nd quarter of FY2014 (accumulated April 1st, 2013– September 30th, 2013) were ¥16.434 billion (up 9.9% YoY), Sales were ¥17.427 billion (up 14.1 % YoY), and Operating Income was ¥2.202 billion (up 17.6% YoY).

[Metrology Equipment]

The automobile industry, which is the major user of our products, continued to establish world-wide production structures, with positive business performance based on favorable business conditions such as the correction of the high Japanese Yen. In other industries, in addition, such as the machine tools sector which had adjusted their production, signs of recovery began to be seen, and domestic small and medium enterprises, having waited for the results of the screening of governmental subsidies, executed their investments. As described above, the market is generally becoming more active. Consequently, both consolidated Orders and Sales increased QoQ.

As a result, Orders received in the 2nd quarter of FY2014 (accumulated April 1st, 2013 – September 30th, 2013) were ¥11.670 billion (up 6.4% YoY), Sales were ¥10.938 billion (up 4.0% YoY), and Operating Income was ¥2.165 billion (down 11.7% YoY).

(2) Analysis of Financial Position

(A) Assets, Liabilities and Net Assets

Total Assets as of September 30th 2013, amounted to ¥79.355 billion, an increase of ¥1.493 billion from the end of FY2013 ended March 31st, 2013. The major factors behind this increase include an increase in Notes and accounts receivable of ¥2.263 billion, an increase in Cash and cash equivalents of ¥2.087 billion, and a decrease in Work in progress of ¥1.388 billion.

Total Liabilities as of September 30th 2013, amounted to ¥18.541 billion, a decrease of ¥2.016 billion from the end of FY2013. This was mainly from a decrease in Long-term debt of ¥1.500 billion and a decrease in Notes and accounts payable of ¥192 million.

Net Assets totaled ¥60.813 billion, an increase of ¥3.509 billion. This was mainly from an increase in Retained Earnings of ¥2.586 billion and an increase in Holding gains or loss on investment of ¥401 million. As a result, the Equity Ratio reached 76.1%.

(B) Cash Flows

Cash and cash equivalents as of September 30th, 2013 amounted to ¥20.311 billion, an increase of ¥2.006 billion from the end of FY2013. The status of cash flows and factors behind them are given below.

(Cash flows from operating activities)

Net cash earned from operating activities was ¥4.243 billion, mainly due to Income before income taxes and minority interests of ¥4.635 billion, an increase in Notes and accounts receivable of ¥2.131 billion, a decrease in Inventories of 1.812 billion, and Depreciation and amortization of ¥882 million.

(Cash flows from investment activities)

Net cash used in investment activities was ¥589 million, mainly reflected by Payment for purchase of tangible fixed assets of ¥852 million, Payment for purchase of investment securities of ¥469 million and Proceeds from sales of investment securities of 702 million.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥1.824 billion. The major elements of this were Repayment of long-term debt of ¥1.500 billion and Dividend payments of ¥329 million.

(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.

Contemplating various factors including its consolidated business results and outlook, the Company announced a year-end dividend of ¥10 per share.

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.

(3) 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)

	FY2013 (Mar 31 st , 2013)	FY2014 Q2 (September 30 th , 2013)
ASSETS		
Current Assets		
Cash and cash equivalents	18,251	20,339
Notes and accounts receivable	16,346	18,609
Merchandise and finished goods	1,758	1,638
Work in progress	8,916	7,527
Raw materials and supplies	3,532	3,125
Others	3,172	2,072
Allowance for doubtful accounts	- 168	- 155
Total current assets	51,809	53,158
Fixed Assets		
Tangible fixed assets		
Building and structures (net)	10,247	10,176
Others (net)	7,987	8,463
Total Tangible Fixed Assets	18,234	18,639
Intangible Fixed Assets		
Goodwill	1,432	1,218
Others	371	379
Total Intangible Fixed Assets	1,804	1,598
Investments and other assets		
Others	6,045	5,972
Allowance for doubtful accounts	- 31	- 13
Total Investments and other assets	6,014	5,958
Total Fixed Assets	26,052	26,197
Total Assets	77,862	79,355

(Millions of Yen)

	FY2013 (Mar 31 st , 2013)	FY2014 Q2 (September 30 th , 2013)
LIABILITIES		
Current Liabilities		
Notes and accounts payable	9,328	9,135
Short-term debt	1,300	1,300
Income taxes payable	399	539
Bonus reserve	801	833
Reserve for director's bonuses	5	2
Others	5,569	3,928
Total current liabilities	17,403	15,739
Long-term Liabilities		
Long-term debt	1,200	1,000
Allowance for employee retirement benefits	1,465	1,340
Allowance for director retirement benefits	113	113
Others	375	348
Total Long-term liabilities	3,154	2,802
Total Liabilities	20,557	18,541
NET ASSETS		
Shareholder's Equity		
Common stock	10,216	10,236
Capital surplus	21,234	21,253
Retained earnings	25,609	28,196
Treasury stock	- 108	- 109
Total Shareholder's Equity	56,951	59,576
Accumulated other comprehensive income		
Holding gain or loss in investment	109	511
Foreign currency translation adjustment	7	316
Total accumulated other comprehensive income	117	827
Share subscription rights	234	305
Minority interests	-	104
Total Net Assets	57,304	60,813
Total Liabilities and Net Assets	77,862	79,355

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

(Millions of Yen)

	FY2013 Q2 (April 1 st , 2012- September 30 th , 2012)	FY2014 Q2 (April 1 st , 2013- September 30 th , 2013)
Net Sales	25,790	28,366
Cost of Sales	16,354	18,066
Gross Profit on Sales	9,436	10,300
Selling, general and administrative expenses		
Selling expenses	2,729	3,175
General and administrative expenses	2,379	2,756
Total Selling, general and administrative expenses	5,109	5,932
Operating income (loss)	4,326	4,367
Non-operating income		
Interest	4	4
Dividend income	29	35
Foreign exchange income	-	144
Others	72	49
Total Non-operating income	105	233
Non-operating expenses		
Interest expenses	55	26
Foreign exchange loss	100	-
Others	4	5
Total Non-operating expenses	160	32
Ordinary income (loss)	4,271	4,569
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
Allowance for loss on withdrawal from employee's pension fund	1,557	-
Loss on withdrawal from employee's pension fund	535	-
Others	160	-
Total extraordinary losses	2,252	12
Income (loss) before income taxes and minority interests	2,018	4,635
Income tax and other taxes	453	613
Adjustment on income tax	328	1,137
Total Income tax and others	782	1,751
Income (loss) before minority interests	1,236	2,884
Minority Interests	-	17
Net Income (loss)	1,236	2,866

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	FY2013 Q2 (April 1 st , 2012- September 30 th , 2012)	FY2014 Q2 (April 1 st , 2013- September 30 th , 2013)
Income (Loss) before minority interests	1,236	2,884
Accumulated other comprehensive income		
Holding gain or loss in investment	- 265	401
Foreign currency translation adjustment	- 23	316
Total accumulated other comprehensive income	- 288	718
Comprehensive Income	947	3,602
(breakdown)		
Comprehensive income attributable to owners of the parent	947	3,575
Comprehensive income attributable to minority interests	-	27

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2013 Q2 (April 1 st , 2012- September 30 th , 2012)	FY2014 Q2 (April 1 st , 2013- September 30 th , 2013)
Cash flows from operating activities:		
Income(loss) before income taxes and minority interests	2,018	4,635
Depreciation and amortization	851	882
Amotization of goodwill	182	213
Stock related expense	47	83
Change in allowance for employee retirement benefits (-:decrease)	- 78	- 125
Change in allowance for director retirement benefits (-:decrease)	6	- 0
Change in allowance for doubtful accounts (-:decrease)	- 30	- 33
Change in Allowance for loss on withdrawal from employee's pension fund (-: decrease)	1,557	
Interest and dividend income	- 33	- 39
Interest expense	55	26
Loss on withdrawal from employee's pension fund	535	-
Loss on sales of investment securities (-:income)	-	- 72
Loss on liquidation of subsidiaries (-:income)	-	12
Change in trade notes and accounts receivable (-: increase)	2,083	- 2,131
Change in inventories (-: increase)	- 682	1,812
Change in trade notes and accounts payable(-:decrease)	2,002	- 499
Others	- 355	- 19
Subtotal	8,159	4,745
Proceeds from interest and dividend income	33	39
Payment of interest	- 65	- 38
Payment of additional contribution on withdrawal from employee's pension fund	- 535	-
Payment/Refund of income taxes (-: payment)	- 328	- 502
Net cash provided by (used in) operating activities	7,264	4,243
Cash flows from investing activities:		
Payment for time deposits	- 11	- 11
Proceeds from time deposits	11	86
Payment for purchase of tangible fixed assets	- 818	- 852
Proceeds from sales of tangible fixed assets	0	0
Payment for assignment of business	- 1,000	-
Payment for purchase of intangible fixed assets	- 111	- 35
Payment for purchase of investment securities	- 7	- 469
Proceeds from sales of investment securities	0	702
Payment for purchase of shares of subsidiary company	-	- 24
Payment for investment of subsidiary company	- 62	-
Payment for loans receivable	0	0
Proceeds from collection of loans receivable	1	14
Net cash provided by (used in) investing activities	- 1,997	- 589

(Millions of Yen)

	FY2013 Q2 (April 1 st , 2012- September 30 th , 2012)	FY2014 Q2 (April 1 st , 2013- September 30 th , 2013)
Cash flows from financing activities:		
Repayment of long-term debt	- 1,700	- 1,500
Repayment of lease liability	- 428	- 26
Proceeds from exercise of stock options	-	33
Dividend payments	- 329	- 329
Others	0	0
Net cash provided by (used in) financing activities	- 2,457	- 1,824
Effect of exchange rate changes on cash and cash equivalents	- 100	177
Net increase/decrease in cash and cash equivalents (-: decrease)	2,708	2,006
Cash and cash equivalents at beginning of year	16,452	18,147
Net increase/decrease in cash and cash equivalents by change in consolidated subsidiaries (-: decrease)	334	157
Cash and cash equivalents at end of year	19,496	20,311

(4) Notes

(Notes on Assumptions for Going Concern)

Not applicable.

(Significant Changes in Shareholder's Equity)

Not applicable.

(Segment Information and others)

1. FY2013 Q2 (April 1st, 2012 – September 30th, 2012)

a) Sales and Profit (or loss) information of FY 2013 Q2 per each reportable segment

(Millions of yen)

	Reportable Segments			Total
	SPE	Metrology Equipment	Total	
I. Sales				
Sales to third party	15,268	10,552	25,790	25,790
Intersegment sales or transfers	-	-	-	-
Total	15,268	10,522	25,790	25,790
Segment Profit	1,873	2,452	4,326	4,326

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 in the SPE segment during the term increased by ¥664 million.

2. FY2014 Q2 (April 1st, 2013– September 30th, 2013)

a) Sales and Profit (or loss) information of FY 2014 Q2 per each reportable segment

(Millions of yen)

	Reportable Segments			Total
	SPE	Metrology Equipment	Total	
I. Sales				
Sales to third party	17,427	10,938	28,366	28,366
Intersegment sales to transfer	-	-	-	-
Total	17,427	10,938	28,366	28,366
Segment Profit	2,202	2,165	4,367	4,367

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.