

Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31st, 2017 (FY2017/3), Japan GAAP

November 11th, 2016

Company Name



Tokyo Seimitsu Co., Ltd.

Stock Listing: First Section TSE

ACCRETECH

Code number: 7729

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Dividend Payable Date: December 7th, 2016

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 FY2017/3 (Accumulated, Apr. 1st – Sep. 30th, 2016)

(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)	
FY2017/3 Q2	37,190	-2.1%	6,588	-13.8%	6,338	-17.4%	4,668	-14.6%
FY2016/3 Q2	37,970	16.0%	7,645	34.1%	7,676	28.6%	5,465	29.9%

Note: Comprehensive Income in FY2017/3 Q2: 3,968million yen (-9.3%), in FY2016/3 Q2: 4,376 million yen (-2.0%)

	Net Income per Share (Yen)	Net Income per Share (diluted) (Yen)
FY2017/3 Q2	112.77	112.14
FY2016/3 Q2	132.18	131.47

(2) Consolidated financial position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Equity Ratio (%)
FY2017/3 Q2	104,846	82,066	77.5%
FY2016/3	101,933	79,418	77.3%

Notes: Equity in FY2017/3 Q2:81,263 million yen, in FY2016/3: 78,773 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
FY2016/3	-	26.00	-	33.00	59.00
FY2017/3	-	34.00			
FY2017/3 (Projected)			-	34.00	68.00

Note: Changes due to revision of dividend projection: Yes

3. Forecast for FY2017/3 (April 1st, 2016-March 31st, 2017)

(% 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	72,500	3.2%	13,000	-1.7%	12,800	-3.3%	9,400	-3.1%	227.08

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): 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):

FY2017/3 Q2	41,435,981 shares	FY2016/3	41,423,381 shares
FY2017/3 Q2	35,562 shares	FY2016/3	35,393 shares
FY2017/3 Q2	41,393,300 shares	FY2016/3 Q2	41,350,929 shares

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

3) Average Number of shares outstanding during the period:

*** 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 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**

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1. Qualitative information on Business Performance for 2nd quarter of FY2017/3

(1) Overview of Business Performance

In the 2nd quarter of Fiscal Year 2017/3 ending March, 2017 the US economy continued to expand modestly accompanied by a recovery in job markets and strong private consumption. Meanwhile European economies also recovered steadily, as the influence of Brexit turned out to be limited and with private consumption underpinning continuing economic stability. On the other hand, emerging Asian countries, including China and resource rich countries, faced a further slowdown, although with some patchy signs of recovery. In Japan, there were some positive signs of a recovery in private consumption based on a steady in the employment environment. However, the economy was generally at a standstill because of a decrease in private company performance and business confidence influenced by the increased value of the Yen since the beginning of this year.

Under these business conditions, Consolidated Orders in the accumulated 2nd quarter of FY2017/3 (April 1st, – September 30th, 2016) were ¥38.284 billion (up 9.0% YoY), Sales were ¥37.190 billion (down 2.1% YoY), Operating Income was ¥6.588 billion (down 13.8% YoY), Ordinary Income was ¥6.338 billion (down 17.4% YoY) and Net Income attributable to Owners of the Parent was ¥4.668 billion (down 14.6% YoY)

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

[Semiconductor Production Equipment (SPE)]

In the SPE business segment, during the first half of this term, semiconductor manufacturers took a more cautious investment stance than during the previous fiscal year, particularly in response to the slowdown of overall demand for smartphones. However, in the latter half of this term, this shifted to an active investment stance lead by an unexpected increase in smartphone sales from Chinese manufacturers and their market launch of new high-end models. Moreover, demand for semiconductor equipment for automobiles and online storage increased firmly.

As a result, Orders for our SPE segment in the accumulated 2nd quarter of the Fiscal Year 2017/3 (April 1st, – September 30th, 2016) was ¥25.022 billion (up 21.5% YoY), Sales was ¥24.279 billion (up 1.7% YoY), and Operating Income was ¥4.449 billion (down 8.1% 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, but showed a cautious stance for investment in replacement equipment in the face of decreased business performance influenced by the increased value of the Yen since the beginning of this year. Also, investment demand in China and Southeast Asia continued to weaken, although some signs of partial recovery could be seen. Under these business conditions, our orders and sales in metrology segment remained at substantial levels, but decreased YoY.

As a result, orders in our Metrology Equipment segment in the accumulated 2nd quarter of the Fiscal Year 2017/3 (April 1st – September 30th, 2016) was ¥13.261 billion (down 8.8% YoY), Sales was ¥12.910 billion (down 8.4% YoY) and Operating Income was ¥2.139 billion (down 23.7% YoY).

(2) Analysis of Financial Position

(A) Assets, Liabilities and Net Assets

Total Assets as of September 30th, 2016 amounted to ¥104.846 billion, with an increase of ¥2.912 billion from the end of FY2016/3. The major factors behind this increase include an increase in Building and structures of ¥4.196 billion, an increase in Cash and cash equivalents of ¥2.919 billion, and a decrease in Construction in progress of ¥2.592 billion.

Total Liabilities as of September 30th, 2016 increased by ¥265 million to ¥22.780 billion. This was mainly from an increase in Notes and accounts payable (including electronically recorded obligations-operating) of ¥2.684 billion and a decrease in Other current liabilities (such as Notes payable-facilities) of ¥2.143 billion.

Net Assets as of September 30th, 2016 increased by ¥2.647 billion and totaled ¥82.066 billion. This was mainly from an increase in Retained earnings of ¥3.2 billion. As a result, the Equity Ratio became 77.5%.

(B) Cash Flows

Cash and cash equivalents as of September 30th, 2016 amounted to ¥30.279 billion, an increase of ¥2.692 billion from the end of FY2016/3.

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

(Cash flows from operating activities)

Net cash earned from operating activities was ¥8.562 billion, mainly due to Income before income taxes and others of ¥6.305 billion, an increase in Notes and accounts payable of ¥3.205 billion, Depreciation and amortization of ¥1.118 billion and Payment of income taxes of ¥1.923 billion.

(Cash flows from investment activities)

Net cash used in investment activities was ¥3.674 billion, mainly reflected by Payments for purchase of tangible fixed assets of ¥3.691 billion.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥1.553 billion. The major element of this was Dividend payments of ¥1.365 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 FY2017/3 from the previous forecast announced on August 9th, 2016.

	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	69,000	11,500	11,500	8,400	202.96
Revised Forecast	72,500	13,000	12,800	9,400	227.08
Change ratio (%)	5.1%	13.0%	11.3%	11.9%	

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

(Change in accounting principles)

In accordance with the change in Corporate Income Tax, the company applies “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Solution No. 32, June 17th, 2016) from 1st quarter of FY2017/3 and changed the depreciation method from a declining balance method to a straight-line depreciation method relating to building and structures purchased after April 1st, 2016.

As a result, operating income, ordinary income, and income before income taxes and others increased respectively by ¥54 million in the accumulated 2nd quarter of FY2017/3.

(4) Additional Information

(Application in Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company applies “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Statement No. 26, March 28th, 2016) from the 1st quarter of FY2017/3.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of Yen)

	FY2016/3 (March 31 st , 2016)	FY2017/3 Q2 (September 30 th , 2016)
ASSETS		
Current Assets		
Cash and cash equivalents	27,389	30,309
Notes and accounts receivable	23,484	21,920
Electronically recorded monetary claims	2,522	3,425
Merchandise and finished goods	2,163	2,313
Work in progress	10,117	10,529
Raw materials and supplies	3,802	3,507
Others	3,309	2,269
Allowance for doubtful accounts	- 78	- 162
Total current assets	72,710	74,113
Fixed Assets		
Tangible fixed assets		
Building and structures(net)	9,866	14,063
Others(net)	12,138	9,790
Total Tangible Fixed Assets	22,005	23,853
Intangible Fixed Assets		
Goodwill	315	329
Others	568	551
Total Intangible Fixed Assets	884	880
Investments and other assets		
Others	6,339	6,003
Allowance for doubtful accounts	- 5	- 5
Total Investments and other assets	6,334	5,998
Total Fixed Assets	29,223	30,732
Total Assets	101,933	104,846

(Millions of Yen)

	FY2016/3 (March 31 st , 2016)	FY2017/3 Q2 (September 30 th , 2016)
LIABILITIES		
Current Liabilities		
Notes and accounts payable	6,094	6,528
Electronically recorded obligations-operating	5,724	7,974
Short-term debt	1,200	1,200
Income taxes payable	1,898	1,626
Bonus reserve	1,002	1,064
Reserve for director's bonuses	11	5
Others	5,484	3,340
Total current liabilities	21,416	21,741
Long-term Liabilities		
Allowance for director retirement benefits	133	142
Net defined benefit liabilities	646	546
Others	319	350
Total long-term liabilities	1,099	1,039
Total Liabilities	22,515	22,780
NET ASSETS		
Shareholder's Equity		
Common stock	10,374	10,390
Capital surplus	21,392	21,407
Retained earnings	45,630	48,831
Treasury stock	- 115	- 115
Total Shareholder's Equity	77,282	80,513
Accumulated other comprehensive income		
Holding gain or loss in investment	759	724
Foreign currency translation adjustment	650	- 90
Remeasurements of defined benefit plans	80	116
Total accumulated other comprehensive income	1,491	750
Share subscription rights	436	517
Non-controlling interests	208	284
Total Net Assets	79,418	82,066
Total Liabilities and Net Assets	101,933	104,846

(2) Consolidated Statements of Income, and Comprehensive Income

(Consolidated Statements of Income)

(FY2017/3 Q2 (Accumulated, April 1st, 2016 – September 30th, 2016))

(Millions of Yen)

	FY2016/3 Q2 (April 1 st , 2015- September 30 th , 2015)	FY2017/3 Q2 (April 1 st , 2016- September 30 th , 2016)
Net Sales	37,970	37,190
Cost of Sales	22,753	22,547
Gross Profit on Sales	15,216	14,643
Selling, general and administrative expenses	7,570	8,054
Operating income	7,645	6,588
Non-operating income		
Interest income	17	10
Dividend income	47	47
Others	66	49
Total Non-operating income	131	108
Non-operating expenses		
Interest expenses	15	14
Foreign exchange loss	78	338
Others	7	5
Total Non-operating expenses	101	358
Ordinary income	7,676	6,338
Extraordinary gains		
Gain on sales of subsidiary's shares	6	-
Gain on reversal of share subscription rights	1	-
Total Extraordinary gains	8	-
Extraordinary losses		
Loss on valuation of investments in capital of subsidiaries and affiliates	-	26
Others	0	6
Total extraordinary losses	0	32
Income before income taxes and others	7,685	6,305
Income tax and other taxes	2,316	1,605
Adjustment on income tax	- 121	20
Total Income tax and others	2,195	1,626
Net income	5,489	4,679
Net income attributable to non-controlling interests	23	11
Net Income attributable to owners of the parent	5,465	4,668

(Consolidated Statements of Comprehensive Income)

(FY2017/3 Q2 (Accumulated, April 1st, 2016 – September 30th, 2016))

(Millions of Yen)

	FY2016/3 Q2 (April 1 st , 2015- September 30 th , 2015)	FY2017/3 Q2 (April 1 st , 2016- September 30 th , 2016)
Net income	5,489	4,679
Accumulated other comprehensive income		
Holding gain or loss in investment	- 692	- 35
Foreign currency translation adjustment	- 325	- 710
Remeasurements of defined benefit plans	- 93	35
Total accumulated other comprehensive income	- 1,112	- 710
Comprehensive Income	4,376	3,968
(breakdown)		
Comprehensive income attributable to owners of the parent	4,353	3,951
Comprehensive income attributable to non-controlling interests	22	17

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2015/3 (April 1 st , 2014- March 31 st , 2015)	FY2016/3 (April 1 st , 2015 - March 31 st 2016)
Cash flows from operating activities:		
Income before income taxes and minority interests	7,685	6,305
Depreciation and amortization	934	1,118
Amotization of goodwill	213	50
Stock related expense	97	95
Change in net defined benefit liabilities (-:decrease)	- 133	- 111
Change in allowance for director retirement benefits (-:decrease)	7	8
Change in allowance for doubtful accounts (-:decrease)	- 40	86
Interest and dividend income	- 65	- 58
Interest expense	15	14
Change in trade notes and accounts receivable (-: increase)	- 2,029	65
Change in inventories (-: increase)	- 486	- 589
Change in trade notes and accounts payable(-:decrease)	2,034	3,205
Others	- 282	251
Subtotal	7,950	10,442
Proceeds from interest and dividend income	61	58
Payment of interest	- 16	- 15
Payment/Refund of income taxes (-: payment)	- 2,392	- 1,923
Net cash provided by (used in) operating activities	5,603	8,562
Cash flows from investing activities:		
Payment for time deposits	- 61	- 11
Proceeds from time deposits	62	58
Payment for purchase of tangible fixed assets	- 2,386	- 3,691
Proceeds from sales of tangible fixed assets	2	13
Payment for purchase of intangible fixed assets	- 16	- 43
Payment for purchase of investment securities	- 2	- 1
Proceeds from sales of shares of subsidiary company	173	-
Payment for loans receivable	- 727	- 0
Proceeds from collection of loans receivable	51	1
Others	- 47	0
Net cash provided by (used in) investing activities	- 2,952	- 3,674
Cash flows from financing activities:		
Repayment of long-term debt	- 200	- 200
Repayment of lease liability	- 2	- 3
Proceeds from exercise of stock options	79	15
Dividend payments	- 1,363	- 1,365
Others	- 0	- 0
Net cash provided by (used in) financing activities	- 1,487	- 1,553
Effect of exchange rate changes on cash and cash equivalents	- 90	- 641
Net increase/decrease in cash and cash equivalents (-: decrease)	1,074	2,692
Cash and cash equivalents at beginning of year	26,775	27,308
Net increase/decrease in cash and cash equivalents by change in consolidated subsidiaries (-: decrease)	271	278
Cash and cash equivalents at end of year	28,121	30,279

(4) Notes

(Note on Assumptions for Going Concern)

Not applicable.

(Significant Changes in Shareholder's Equity)

Not applicable.

(Segment Information and others)

1. FY2016/3 Q2 (Accumulated, April 1st, 2015 – September 30th, 2015)

a) Sales and Profit (or loss) information of FY2016/3 Q2 per each reportable segment

(Millions of yen)

	Reportable Segments			Total
	SPE	Metrology Equipment	Total	
I. Sales				
Sales to third party	23,883	14,086	37,970	37,970
Intersegment sales to transfer	-	-	-	-
Total	23,883	14,086	37,970	37,970
Segment Profit	4,844	2,801	7,645	7,645

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

2. FY2017/3 Q2 (Accumulated, April 1st, 2016 – September 30th, 2016)

a) Sales and Profit (or loss) information of FY2017/3 Q2 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.

b) Change of reportable segment

As stated in Change of accounting principles, the company changed its depreciation method from a declining balance method to a straight-line depreciation method in relation to building and structures purchased after April 1st, 2016. Accordingly, the company changed the depreciation method in each segment.

As a result, profit per segment in SPE increased by ¥52 million and in Metrology increased by ¥1 million respectively in the accumulated 2nd quarter of FY2017/3.

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