

# Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31<sup>st</sup>, 2016 (FY2016), Japan GAAP

November 9<sup>th</sup>, 2015

Company Name



**Tokyo Seimitsu Co., Ltd.**

Stock Listing: First Section TSE

ACCRETECH

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Dividend Payable Date: December 4<sup>th</sup>, 2015

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 2<sup>nd</sup> Quarter of FY2016 (April 1<sup>st</sup>, 2015 – September 30<sup>th</sup>, 2015)

(1) Consolidated sales and earnings (Percentage figures represent changes from the 2<sup>nd</sup> 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)	
FY2016 Q2	37,970	16.0%	7,645	34.1%	7,676	28.6%	5,465	29.9%
FY2015 Q2	32,744	15.4%	5,699	30.5%	5,968	30.6%	4,206	46.8%

Note: Comprehensive Income in FY2016 Q2: 4,376 million yen (-2.0%), in FY2015 Q2: 4,465 million yen (23.9%)

	Net Income per Share (Yen)	Net Income per Share (diluted) (Yen)
FY2016 Q2	132.18	131.47
FY2015 Q2	101.99	101.56

## (2) Consolidated financial position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Equity Ratio (%)
FY2016 Q2	101,191	77,637	76.1%
FY2015	98,457	74,371	75.0%

Notes: Equity in FY2016 Q2: 77,023 million yen, in FY2015: 73,816 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
FY2015	-	22.00	-	33.00	55.00
FY2016	-	26.00			
FY2016 (Projected)			-	26.00	52.00

Note: Changes due to revision of dividend projection: No

## 3. Forecast for FY 2016 (April 1<sup>st</sup>, 2015-March 31<sup>st</sup>, 2016) (% 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	68,000	2.3%	12,000	-1.0%	12,000	-6.2%	8,650	-3.8%	209.30

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):	FY2016 Q2	41,414,381 shares	FY2015	41,340,681 shares
2) Number of treasury shares at the end of period:	FY2016 Q2	34,951 shares	FY2015	34,609 shares
3) Average Number of shares outstanding during the period:	FY2016 Q2	41,350,929 shares	FY2015 Q2	41,246,457 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 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 2<sup>nd</sup> quarter of FY2016

## (1) Overview of Business Performance

Overall global business conditions in the 2<sup>nd</sup> quarter of Fiscal Year 2016 ending March, 2016 continued to recover. While there were some concerns from emerging countries such as a clear slowdown of economic growth in China and continuing stagnation in South East Asian countries, a gradual economic recovery continued overall, accompanied by strong private consumption and recovery in capital investment in the USA, firm private consumption in Europe, and improvement in corporate income and the labor market in Japan.

Under these business conditions, Consolidated Orders in the 2<sup>nd</sup> quarter of FY2016 (accumulated April 1<sup>st</sup>, 2015 – September 30<sup>th</sup>, 2015) were ¥35.136 billion (up 4.4% YoY), Sales were ¥37.970 billion (up 16.0% YoY), Operating Income was ¥7.645 billion (up 34.1% YoY), Ordinary Income was ¥7.676 billion (up 28.6% YoY) and Net Income attributable to Owners of the Parent was ¥5.465 billion (up 29.9% YoY).

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

### [Semiconductor Production Equipment (SPE)]

In the SPE business segment, smartphones, especially high-end smartphones, and online storage for data servers continued to lead demand in the semiconductor industry. Around the end of last summer, however, the investment stance of semiconductor manufacturers became more conservative with reduced orders reflecting the influence of the economic downturn in emerging countries such as China. Therefore orders in the 2<sup>nd</sup> quarter decreased QoQ. Accumulated sales in this period increased YoY because of favorable orders until the end of last summer, but the Accumulated orders was almost limited to the same level YoY.

As a result, Orders for our SPE segment in the 2<sup>nd</sup> quarter of the Fiscal Year 2016 (accumulated April 1<sup>st</sup>, 2015 – September 30<sup>th</sup>, 2015) was ¥20.603 billion (down 0.8% YoY), Sales was ¥23.883 billion (up 16.7% YoY), and Operating Income was ¥4.844 billion (up 49.4% YoY).

### [Metrology Equipment]

The automobile industry, which is the major user of our products, has continued to establish world-wide production structures. Also, demand in the machine tools sector and aviation sector continued and government financial support for investment by domestic small and medium enterprises had a continuing positive impact. Therefore both orders and sales in this accumulated period increased YoY, underpinned by firm demand for our equipment.

As a result orders in our Metrology Equipment segment in the 2<sup>nd</sup> quarter of the Fiscal Year 2016 (accumulated April 1<sup>st</sup>, 2015 – September 30<sup>th</sup>, 2015) was ¥14.532 billion (up 12.8% YoY), Sales was ¥14.086 billion (up 14.7% YoY) and Operating Income was ¥2.801 billion (up 14.0% YoY).

## (2) Analysis of Financial Position

### (A) Assets, Liabilities and Net Assets

Total Assets as of September 30<sup>th</sup>, 2015 amounted to ¥101.191 billion, with an increase of ¥2.734 billion from the end of FY2015. The major factors behind this increase include an increase in Notes and accounts receivable (including electronically recorded monetary claims) of ¥1.772 billion, an increase in Cash and cash equivalents of ¥1.341 billion, and a decrease in Investment securities of ¥1.283 billion.

Total Liabilities as of September 30<sup>th</sup>, 2015 decreased by ¥532 million to ¥23.553 billion. This was mainly from an increase in Notes and accounts payable (including electronically recorded obligations-operating) of ¥1.910 billion and a decrease in Other current liabilities of ¥1.855 billion.

Net Assets as of September 30<sup>th</sup>, 2015 increased by ¥3.266 billion and totaled ¥77.637 billion. This was mainly from an increase in Retained earnings of ¥4.143 billion. As a result, the Equity Ratio became 76.1%.

### (B) Cash Flows

Cash and cash equivalents as of September 30<sup>th</sup>, 2015 amounted to ¥28.121 billion, an increase of ¥1.074 billion from the end of FY2015.

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

#### *(Cash flows from operating activities)*

Net cash earned from operating activities was ¥5.603 billion, mainly due to Income before income taxes and others of ¥7.685 billion, an increase in Notes and accounts payable of ¥2.034 billion, an increase in Notes and accounts receivable of ¥2.029 billion, Depreciation and amortization of ¥934 million and Payment of income taxes of ¥2.392 billion.

*(Cash flows from investment activities)*

Net cash used in investment activities was ¥2.952 billion, mainly reflected by Payments for purchase of tangible fixed assets of ¥2.386 billion and Payments of loans receivable of ¥727 million.

*(Cash flows from financing activities)*

Net cash used in financing activities came to ¥1.487 billion. The major element of this was Dividend payments of ¥1.363 billion.

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

Considering results in the 2<sup>nd</sup> quarter of FY2016 (accumulated April 1st, 2015 – September 30th, 2015) and the current business situation, the Company has ratified a revision to the prospective consolidated forecasts with an increase of ¥1.000 billion in Net Sales from the previous forecasts announced on August 11th, 2015. Other forecast figures remain unchanged.

	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)
Previous Forecast	67,000	12,000	12,000	8,650	209.30
Revised Forecast	68,000	12,000	12,000	8,650	209.30
Change ratio (%)	+1.5%	0.0%	0.0%	0.0%	

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. 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)**

The Company applies “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13<sup>th</sup>, 2013, hereinafter referred to as “Accounting Standard for Business Combinations”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13<sup>th</sup>, 2013, hereinafter referred to as “Consolidated Accounting Standard”), and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, released on September 13<sup>th</sup>, 2013, hereinafter referred to as “Accounting Standard for Business Divestitures”) and other related standards from 1<sup>st</sup> quarter of FY2016. As a result, any differences arising from changes in the Company’s interests in its subsidiaries (if the Company maintains control of these subsidiaries) are to be accounted for as Capital surplus. In addition, acquisition costs are expensed in the Fiscal Year in which the costs are incurred. For any business combinations on or after the beginning of 1<sup>st</sup> quarter of FY2016, subsequent measurement of the provisional amount recognized based on the purchase price allocation attributable on completion of accounting for the business combination are reflected in the Quarterly Consolidated Financial Statements for the period to which the date of that business combination occurs. To apply these changes in the Consolidated Financial Statement, adjustments have been made to the Consolidated Financial Statements for the previous 2<sup>nd</sup> quarter and the fiscal year.

In regards to the Statement of Cash flows for the 2<sup>nd</sup> quarter of the Fiscal Year 2016 (April 1<sup>st</sup>, 2015 - September 30<sup>th</sup>, 2015), cash flows from the payment for shares of subsidiary companies which do not change the scope of consolidation is now accounted for under the item “Cash flows from investing activities”, while cash flows related to the purchase and/or sales of shares of subsidiary companies which do effect changes in the scope of consolidation are now accounted for under the item “Cash flows from financing activities”.

Aforementioned accounting standards are applied as of the beginning of the 1<sup>st</sup> quarter and thereafter, according to the transitional treatment provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

As a result, there is no impact to Quarterly Consolidated Financial Statement for the 2<sup>nd</sup> quarter of FY2016.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(Millions of Yen)

	<b>FY2015</b> (March 31 <sup>st</sup> , 2015)	<b>FY2016 Q2</b> (September 30 <sup>th</sup> , 2015)
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	26,864	28,205
Notes and accounts receivable	22,399	23,957
Electronically recorded monetary claims	914	1,128
Merchandise and finished goods	2,464	2,532
Work in progress	9,532	9,413
Raw materials and supplies	3,177	3,688
Others	2,635	3,158
Allowance for doubtful accounts	-114	-72
<b>Total current assets</b>	<b>67,873</b>	<b>72,012</b>
Fixed Assets		
Tangible fixed assets		
Building and structures(net)	10,121	9,977
Others(net)	10,237	10,583
<b>Total Tangible Fixed Assets</b>	<b>20,359</b>	<b>20,560</b>
Intangible Fixed Assets		
Goodwill	577	363
Others	548	520
<b>Total Intangible Fixed Assets</b>	<b>1,125</b>	<b>884</b>
Investments and other assets		
Others	9,103	7,739
Allowance for doubtful accounts	-4	-5
<b>Total Investments and other assets</b>	<b>9,098</b>	<b>7,733</b>
<b>Total Fixed Assets</b>	<b>30,584</b>	<b>29,178</b>
<b>Total Assets</b>	<b>98,457</b>	<b>101,191</b>

(Millions of Yen)

	<b>FY2015</b> (March 31 <sup>st</sup> , 2015)	<b>FY2016 Q2</b> (September 30 <sup>th</sup> , 2015)
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable	6,131	5,808
Electronically recorded obligations-operating	5,789	8,022
Short-term debt	1,300	1,300
Income taxes payable	2,312	2,277
Provision for bonuses	990	1,054
Provision for directors' retirement benefits	8	4
Others	5,187	3,333
Total current liabilities	21,718	21,801
Fixed Liabilities		
Long-term debt	400	200
Allowance for director retirement benefits	117	125
Net defined benefit liabilities	816	698
Others	1,032	728
Total Fixed liabilities	2,367	1,752
Total Liabilities	24,085	23,553
<b>NET ASSETS</b>		
Shareholder's Equity		
Common stock	10,295	10,364
Capital surplus	21,312	21,382
Retained earnings	38,325	42,468
Treasury stock	-113	-114
Total Shareholder's Equity	69,820	74,100
Accumulated other comprehensive income		
Holding gain or loss in investment	1,574	881
Foreign currency translation adjustment	1,347	1,060
Remeasurements of defined benefit plans	1,073	980
Total accumulated other comprehensive income	3,995	2,922
Share subscription rights	385	421
Non-controlling interests	169	192
Total Net Assets	74,371	77,637
Total Liabilities and Net Assets	98,457	101,191



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

### (Consolidated Statements of Income)

(FY2016 Q2 (accumulated April 1<sup>st</sup>, 2015 – September 30<sup>th</sup>, 2015))

(Millions of Yen)

	FY2015 Q2 (April 1 <sup>st</sup> , 2014- September 30 <sup>th</sup> , 2014)	FY2016 Q2 (April 1 <sup>st</sup> , 2015- September 30 <sup>th</sup> , 2015)
Net Sales	32,744	37,970
Cost of Sales	20,205	22,753
Gross Profit on Sales	12,538	15,216
Selling, general and administrative expenses	6,839	7,570
Operating income (loss)	5,699	7,645
Non-operating income		
Interest	6	17
Dividend income	34	47
Foreign exchange income	217	-
Others	36	66
Total Non-operating income	295	131
Non-operating expenses		
Interest expenses	19	15
Foreign exchange loss	-	78
Others	6	7
Total Non-operating expenses	25	101
Ordinary income (loss)	5,968	7,676
Extraordinary gains		
Gain on sales of subsidiary's shares	-	6
Gain on reversal of share subscription rights	8	1
Total Extraordinary gains	8	8
Extraordinary losses		
Loss on valuation of golf club membership	4	0
Total extraordinary losses	4	0
Income (loss) before income taxes and others	5,973	7,685
Income tax and other taxes	1,349	2,316
Adjustment on income tax	390	-121
Total Income tax and others	1,740	2,195
Net income(loss)	4,233	5,489
Net income(loss) attributable to non-controlling interests	26	23
Net Income (loss) attributable to owners of the parent	4,206	5,465

(Consolidated Statements of Comprehensive Income)

(FY2016 Q2 (accumulated April 1<sup>st</sup>, 2015 – September 30<sup>th</sup>, 2015))

(Millions of Yen)

	<b>FY2015 Q2</b> (April 1 <sup>st</sup> , 2014- September 30 <sup>th</sup> , 2014)	<b>FY2016 Q2</b> (April 1 <sup>st</sup> , 2015- September 30 <sup>th</sup> , 2015)
Net income(loss)	4,233	5,489
Accumulated other comprehensive income		
Holding gain or loss in investment	401	-692
Foreign currency translation adjustment	-85	-325
Remeasurements of defined benefit plans	-84	-93
Total accumulated other comprehensive income	232	-1,112
<b>Comprehensive Income</b>	<b>4,465</b>	<b>4,376</b>
(breakdown)		
Comprehensive income attributable to owners of the parent	4,442	4,353
Comprehensive income attributable to non-controlling interests	22	22

### (3) Consolidated Statements of Cash Flows

	FY2015 Q2 (April 1 <sup>st</sup> , 2014- September 30 <sup>th</sup> , 2014)	FY2016 Q2 (April 1 <sup>st</sup> , 2015- September 30 <sup>th</sup> , 2015)
Cash flows from operating activities:		
Income(loss) before income taxes and others	5,973	7,685
Depreciation and amortization	866	934
Amotization of goodwill	213	213
Stock related expense	81	97
Change in allowance for employee retirement benefits (-:decrease)	-113	-133
Change in allowance for director retirement benefits (-:decrease)	-10	7
Change in allowance for doubtful accounts (-:decrease)	-0	-40
Interest and dividend income	-40	-65
Interest expense	19	15
Loss/income on sales of subsidiary's shares (-:income)	-	-6
Change in trade notes and accounts receivable (-: increase)	-1,102	-2,029
Change in inventories (-: increase)	-1,453	-486
Change in trade notes and accounts payable(-:decrease)	4,249	2,034
Others	-298	-276
Subtotal	8,384	7,950
Proceeds from interest and dividend income	40	61
Payment of interest	-19	-16
Payment/Refund of income taxes (-: payment)	-1,282	-2,392
Net cash provided by (used in) operating activities	7,123	5,603
Cash flows from investing activities:		
Payment for time deposits	-11	-61
Proceeds from time deposits	11	62
Payment for purchase of tangible fixed assets	-762	-2,386
Proceeds from sales of tangible fixed assets	1	2
Payment for purchase of intangible fixed assets	-103	-16
Payment for purchase of investment securities	-2	-2
Payment for purchase of shares of subsidiary company	-160	-
Proceeds from sales of shares of subsidiary company	-	173
Payment for purchase of investments in capital of subsidiaries	-	-47
Payment for loans receivable	-139	-727
Proceeds from collection of loans receivable	11	51
Net cash provided by (used in) investing activities	-1,155	-2,952
Cash flows from financing activities:		
Repayment of long-term debt	-200	-200
Repayment of lease liability	-1	-2
Proceeds from exercise of stock options	6	79
Dividend payments	-536	-1,363
Others	-0	-0
Net cash provided by (used in) financing activities	-731	-1,487
Effect of exchange rate changes on cash and cash equivalents	43	-90
Net increase/decrease in cash and cash equivalents (-: decrease)	5,280	1,074
Cash and cash equivalents at beginning of the term	20,411	26,775
Net increase/decrease in cash and cash equivalents by change in consolidated subsidiaries (-: decrease)	-	271
Cash and cash equivalents at end of the term	25,691	28,121

#### (4) Notes

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

Not applicable.

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

Not applicable.

##### (Segment Information and others)

#### 1. FY2015 Q2 (April 1<sup>st</sup>, 2014 – September 30<sup>th</sup>, 2014)

##### a) Sales and Profit (or loss) information of FY 2015 Q2 per each reportable segment

(Millions of yen)

	Reportable Segments			Total
	SPE	Metrology Equipment	Total	
I. Sales				
Sales to third party	20,463	12,281	32,744	32,744
Intersegment sales to transfer	-	-	-	-
Total	20,463	12,281	32,744	32,744
Segment Profit	3,241	2,458	5,699	5,699

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

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

Not applicable.

#### 2. FY2016 Q2 (April 1<sup>st</sup>, 2015 – September 30<sup>th</sup>, 2015)

##### a) Sales and Profit (or loss) information of FY 2016 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.

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

Not applicable.

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