

Consolidated Financial Statements for the 3rd Quarter of the Fiscal Year Ending March 31st, 2020 (FY2020/3), Japan GAAP

February 14th, 2020

Company Name



Tokyo Seimitsu Co., Ltd.

Stock Listing: First Section TSE

ACCRETECH

Code number: 7729

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Dividend Payable Date(planned): -

Supplementary Document for Quarterly Financial Results : Yes

Holding of Financial Results Meeting: No)

(Millions of yen, rounded down)

1. Consolidated Results for Accumulated 3rd Quarter (April 1st – December 31st, 2019)

(1) Consolidated sales and earnings (Percentage figures represent changes from the accumulated 3rd quarter 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)	
FY2020/3 3Q	64,228	- 14.3%	8,965	- 40.4%	9,168	- 41.1%	6,543	- 42.5%
FY2019/3 3Q	74,922	19.1%	15,031	20.0%	15,563	22.7%	11,377	27.0%

Note: Comprehensive Income in FY2020/3 3Q: 5,766 million yen (- 40.5%), in FY2019/3 3Q: 9,691 million yen (- 2.9%)

	Net Profit per Share (Yen)	Net Profit per Share (diluted) (Yen)
FY2020/3 3Q	157.18	156.14
FY2019/3 3Q	273.80	271.70

(2) Consolidated financial position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Equity Ratio
FY2020/3 3Q	144,983	108,997	74.3%
FY2019/3	157,573	107,403	67.3%

Note: Equity in FY2020/3 3Q: 107,659 million yen, FY2019/3: 106,031 million yen

2. Dividends

	Per Share Dividend in Fiscal Year				
	Q1 End	Q2 End	Q3 End	Q4 End	Total
	Yen	Yen	Yen	Yen	Yen
FY2019/3	-	59.00	-	66.00	125.00
FY2020/3	-	38.00	-		
FY2020/3 (Projected)				38.00	76.00

Note: Changes due to revision of dividend projection: No

Note: Q2 End and Q4 End dividend for FY2019/3 include 70th anniversary commemorative dividend of 10 yen respectively.

3. Forecast for FY2020/3 (April 1st, 2019-March 31st, 2020) (% figures represent changes from the 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)		Net Profit per Share (yen)
Full Year	86,000	- 15.3%	12,000	- 40.7%	12,100	- 41.8%	9,000	- 38.6%	216.00

Note: Changes due to revision of forecast: No

*** 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): Yes

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):

FY2020/3 3Q	41,675,081 shares	FY2019/3	41,598,381 shares
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2) Number of treasury shares at the end of period:

FY2020/3 3Q	37,042 shares	FY2019/3	36,791 shares
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3) Average Number of shares outstanding during the period:

FY2020/3 3Q	41,629,263 shares	FY2019/3 3Q	41,552,883 shares
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*** 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 supplementary statement.

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

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1. Qualitative information on Business Performance for 3rd Quarter of FY2020/3

(1) Overview of Business Performance

In the accumulated 3rd quarter of Fiscal Year 2020/3 ending March 2020, while the US economy remained steady, worldwide economies including Japan, Asian nations and the EU faced great uncertainties arising from trade conflicts and the Chinese economic slowdown as well as Brexit.

Under these business conditions, Consolidated Orders in the accumulated 3rd quarter of Fiscal Year 2020/3 (April 1st, - December 31st, 2019) were ¥60.754 billion (down 25.2% YoY), Sales were ¥64.228 billion (down 14.3% YoY), Operating Profit was ¥8.965 billion (down 40.4% YoY), Recurring Profit was ¥9.168 billion (down 41.1% YoY) and Net Profit Attributable to Owners of the Parent was ¥6.543 billion (down 42.5% YoY).

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

[Semiconductor Production Equipment (SPE) Segment]

In the SPE business segment, the demand for logic devices and sensors related to 5th generation wireless technology for cellular networks (5G) was relatively high. In addition, in China, new semiconductor and electronic components companies are rapidly expanding, orders appear to have bottomed out in the 4th quarter of FY2019/3. Sales for the 3rd quarter (October 1st, - December 31st, 2019) decreased YoY; however, Orders in the same period slightly increased YoY.

Orders for our SPE segment in the accumulated 3rd quarter of Fiscal Year 2020/3 were ¥38.247 billion (down 30.2% YoY), Sales were ¥41.614 billion (down 18.6% YoY), and Operating Profit was ¥5.869 billion (down 40.7% YoY).

[Metrology Equipment Segment]

In the Metrology Equipment business segment, in addition to the postponement and review of capital investment in the automotive industry, which is the major user of our products in this segment, the demand in overall manufacturing showed a slowdown reflected for example in lower demand in the machine tools sector. Under these business conditions, both Orders and Sales in the Metrology segment decreased YoY. Also, in addition to the sales decrease, Operating Profit decreased YoY due to expenses associated with retirement benefits in a consolidated subsidiary (1st quarter of FY2020/3) and additional R&D and renovation expenses for Charge/Discharge test systems in an acquired subsidiary (accumulated 3rd quarter of FY2020/3).

As a result, Orders in our Metrology Equipment segment in the same period were ¥22.507 billion (down 14.6% YoY), Sales were ¥22.613 billion (down 5.0% YoY) and Operating Profit was ¥3.095 billion (down 39.7% YoY).

(2) Analysis of Financial Position

[Assets, Liabilities and Net Assets]

Total Assets as of December 31st, 2019 amounted to ¥144.983 billion, a decrease of ¥12.589 billion from the end of FY2019/3. The major factors behind this change include decreases in Cash and cash equivalents of ¥9.133 billion and Notes and accounts receivable (including electronically recorded monetary claims) of ¥7.849 billion, and an increase in Construction in process account of ¥2.616 billion.

Total Liabilities as of December 31st, 2019 decreased by ¥14.183 billion to ¥35.986 billion from the end of FY2019/3. This was mainly from decreases in Notes and accounts payable (including electronically recorded obligations-operating) of ¥9.890 billion, Income taxes payable of ¥3.164 billion and Long-term debt of ¥2.000 billion.

Net Assets as of December 31st, 2019 increased by ¥1.593 billion and totaled ¥108.997 billion and the Equity Ratio became 74.3%.

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

There are no revisions to the Consolidated Business Forecasts for FY2020/3 full year previously announced on November 8th, 2019.

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 and Notes

(1) Consolidated Balance Sheet

(Millions of Yen)

	FY2019/3 (March 31 st , 2019)	FY2020/3 3Q (December 31 st , 2019)
ASSETS		
Current Assets		
Cash and cash equivalents	41,518	32,384
Notes and accounts receivable	29,230	23,097
Electronically recorded monetary claims	6,915	5,198
Merchandise and finished goods	1,830	1,999
Work in progress	19,999	19,853
Raw materials and supplies	8,165	7,957
Others	2,510	4,279
Allowance for doubtful accounts	- 75	- 49
Total current assets	110,094	94,722
Fixed Assets		
Tangible fixed assets		
Building and structures(net)	15,407	14,899
Others(net)	17,739	21,254
Total Tangible Fixed Assets	33,147	36,154
Intangible Fixed Assets		
Goodwill	82	46
Others	3,691	4,098
Total Intangible Fixed Assets	3,773	4,145
Investments and other assets		
Others	10,557	9,962
Allowance for doubtful accounts	- 0	- 1
Total Investments and other assets	10,557	9,960
Total Fixed Assets	47,478	50,260
Total Assets	157,573	144,983

(Millions of Yen)

	FY2019/3 (March 31 st , 2019)	FY2020/3 3Q (December 31 st , 2019)
LIABILITIES		
Current Liabilities		
Notes and accounts payable	9,350	6,405
Electronically recorded obligations-operating	16,977	10,033
Short-term debt	1,300	1,300
Current portion of long-term debt	2,000	2,000
Income taxes payable	3,519	354
Reserves	1,375	612
Others	6,425	7,537
Total current liabilities	40,948	28,243
Long-term Liabilities		
Long-term debt	8,000	6,000
Allowance for director retirement benefits	53	59
Net defined benefit liabilities	809	1,087
Asset retirement obligations	241	233
Others	116	362
Total long-term liabilities	9,220	7,742
Total Liabilities	50,169	35,986
NET ASSETS		
Shareholder's Equity		
Common stock	10,591	10,672
Capital surplus	21,608	21,689
Retained earnings	72,200	74,417
Treasury stock	- 120	- 121
Total Shareholder's Equity	104,280	106,658
Accumulated other comprehensive income		
Holding gain or loss in investment	868	583
Foreign currency translation adjustment	199	- 53
Remeasurements of defined benefit plans	683	470
Total accumulated other comprehensive income	1,751	1,001
Share subscription rights	784	771
Non-controlling interests	587	566
Total Net Assets	107,403	108,997
Total Liabilities and Net Assets	157,573	144,983

(2) Consolidated Statements of Income, and Comprehensive Income
(Consolidated Statements of Income)
(Accumulated 3rd quarter of FY2020/3(April 1st, 2019 – December 31st, 2019))

(Millions of Yen)

	FY2019/3 3Q (April 1 st , 2018- December 31 st , 2018)	FY2020/3 3Q (April 1 st , 2019- December 31 st , 2019)
Net Sales	74,992	64,228
Cost of goods sold	44,475	38,907
Gross Profit on Sales	30,446	25,320
Selling, general and administrative expenses	15,415	16,355
Operating profit (loss)	15,031	8,965
Non-operating income		
Interest income	21	24
Dividend income	121	73
Foreign exchange gains	299	143
Others	125	71
Total Non-operating income	567	312
Non-operating expenses		
Interest expenses	22	62
Loss on disposal or sales of fixed assets	1	14
Others	11	32
Total Non-operating expenses	35	109
Recurring profit (loss)	15,563	9,168
Extraordinary gains		
Gain on reversal of subscription rights to shares	2	2
Gain on sales of investment securities	-	53
Total Extraordinary gains	2	55
Extraordinary losses		
Extra retirement payments	-	42
Total extraordinary losses	-	42
Profit (loss) before income taxes and minority interests	15,566	9,181
Income tax and other taxes	3,877	2,474
Adjustment on income tax	260	194
Total Income tax and others	4,137	2,668
Profit (loss) before minority interests	11,429	6,513
Net Profit(loss) attributable to minority interests	52	- 30
Net Profit(loss) attributable to Owners of the Parent	11,377	6,543

(Consolidated Statements of Comprehensive Income)
(Accumulated 3rd quarter of FY2020/3(April 1st, 2019 – December 31st, 2019))

(Millions of Yen)

	FY2019/3 3Q (April 1 st , 2018- December 31 st , 2018)	FY2020/3 3Q (April 1 st , 2019- December 31 st , 2019)
Profit (Loss) before minority interests	11,429	6,513
Accumulated other comprehensive income		
Holding gain or loss in investment	- 1,021	- 284
Foreign currency translation adjustment	- 485	- 248
Remeasurements of defined benefit plans	- 230	- 212
Total accumulated other comprehensive income	- 1,738	- 746
Comprehensive Income	9,691	5,766
(breakdown)		
Comprehensive income attributable to owners of the parent	9,638	5,792
Comprehensive income attributable to non-controlling interests	53	- 26

(3) Notes

(Note on Assumptions for Going Concern)

Not applicable.

(Significant Changes in Shareholder's Equity)

Not applicable.

(Changes in Accounting Principles)

Change in measurement of Inventories

Upon the launch of the Company's new enterprise system from the beginning of the 1st quarter of FY2020/3 and considering appropriate evaluation of Inventories and Periodic Profit and Loss accounting, inventories (excluding Work in progress) of the Company previously stated at cost determined by the first-in/first-out method has been changed to a weighted average method.

Note that reevaluation of Inventories for the previous fiscal years and a retroactive impact calculation are practically unavailable, therefore, the book value of the inventory as at the end of the FY2019/3 has been applied as an opening amount for 1st quarter of FY2020/3.

As a result, there is a minor impact to the Quarterly Consolidated Financial Statement for the accumulated 3rd quarter of FY2020/3.

Application of IFRS standard 16 Leases

The subsidiary companies that apply International Financial Reporting Standards (hereinafter referred to as IFRS) apply IFRS standard 16 Leases (IFRS 16) from the beginning of the 1st quarter of FY2020/3. This requires that a lessee shall measure all assets and liabilities arising from a lease as assets or liabilities of the Balance Sheet. In addition, as transitional measures, a retroactive impact from applying IFRS 16 has been recognized at the beginning date of the fiscal term. As a result, there is a minor impact to Quarterly Consolidated Financial Statement for the accumulated 3rd quarter of FY2020/3.

(Segment Information and others)

1. Accumulated 3rd quarter of FY2019/3(April 1st, 2018 – December 31st, 2018)

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

(Millions of yen)

	Reportable Segments			Consolidated Total
	SPE	Metrology Equipment	Total	
Sales				
Sales to third party:	51,120	23,801	74,922	74,922
Intersegment sales to transfer	-	-	-	-
Total	51,120	23,801	74,922	74,922
Segment Profit	9,898	5,132	15,031	15,031

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

2. Accumulated 3rd quarter of FY2020/3(April 1st, 2019 – December 31st, 2019)

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

(Millions of yen)

	Reportable Segments			Consolidated Total
	SPE	Metrology Equipment	Total	
Sales				
Sales to third party:				
Intersegment sales to transfer	41,614	22,613	64,228	64,228
	-	-	-	-
Total	41,614	22,613	64,228	64,228
Segment Profit	5,869	3,095	8,965	8,965

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

(Significant subsequent events)

Not applicable.

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