

Consolidated Financial Statements for the 12-month period Ended March 31st, 2018 (FY2018/3), Japan GAAP

May 15th, 2018

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 Shareholders Meeting (planned): June 25th, 2018

Dividend Payment Date (planned): June 26th, 2018

Date of Annual Financial Statement Filing (planned) : June 27th, 2018

Supplementary document for Quarterly Financial Results : Yes

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

(Millions of yen, rounded down)

1. Consolidated Results for Period of FY2018/3 (April 1st, 2017 – March 31st, 2018)

(1) Consolidated sales and earnings (Percentage figures represent changes from 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)	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
FY2018/3	88,194	13.4%	17,283	26.5%	17,316	24.9%	12,717	28.3%
FY2017/3	77,792	10.7%	13,659	3.3%	13,864	4.8%	9,909	2.1%

Note: Comprehensive Income in FY2018/3: 15,124 million yen (45.8%), in FY2017/3: 10,371 million yen (44.1%)

	Net Profit per Share (Yen)	Net Profit per Share (diluted) (Yen)	Return on Equity	Recurring Profit on Total Assets	Operating Profit Ratio
FY2018/3	306.41	304.02	13.8%	14.0%	19.6%
FY2017/3	239.32	237.80	12.0%	12.8%	17.6%

Note: Equity in earnings of affiliated companies in FY2018/3: - million yen, in FY2017/3: - million yen

(2) Consolidated financial position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Equity Ratio (%)	Net Assets per Share (yen)
FY2018/3	132,995	99,354	74.0%	2,367.92
FY2017/3	114,463	87,194	75.5%	2,083.40

Note: Equity in FY2018/3: 98,362 million yen, in FY2017/3: 86,377 million yen

(3) Consolidated Statements of Cash Flows

	Cash flows from operating activities (Millions of Yen)	Cash flows from investing activities: (Millions of Yen)	Cash flows from financing activities: (Millions of Yen)	Cash and cash equivalents at end of Fiscal Year (Millions of Yen)
FY2018/3	10,931	- 4,649	- 3,163	37,090
FY2017/3	12,809	- 3,486	- 2,953	33,825

2. Situation of Dividend

	Per Share Dividend in Fiscal Year					Total Dividend (for Year)	Dividend Pay Out Ratio (consolidated)	Dividend on Net Assets (consolidated)
	Q1 End	Q2 End	Q3 End	Q4 End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of Yen	%	%
FY2017/3	-	34.00	-	38.00	72.00	2,983	30.1	3.6
FY2018/3	-	41.00	-	51.00	92.00	3,820	30.0	4.1
FY2019/3 (Projected)	-	57.00	-	57.00	114.00		36.1	

Note: Q2 End and Q4 End dividend for FY2019/3(projected) include 70th anniversary commemorative dividend of 10 yen respectively, which is separately announced through press release issued on same day.

3. Forecast for FY 2019/3 (April 1st, 2018-March 31st, 2019) (% 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)
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount
Interim	48,200	10.4%	9,700	8.8%	9,700	7.3%	6,900	8.6%	166.00
Full Year	95,000	7.7%	18,500	7.0%	18,500	6.8%	13,100	3.0%	315.00

*** Notes**

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

(2) 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

(3) 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:

FY2018/3	41,575,881 shares	FY2017/3	41,495,581 shares
FY2018/3	36,251 shares	FY2017/3	35,819 shares
FY2018/3	41,504,855 shares	FY2017/3	41,406,762 shares

Reference: Summary of non-consolidated results

Non-Consolidated Results for the Period of FY2018/3 (April 1st, 2017 - March 31st, 2018)

(1) Non-consolidated sales and earnings (percentage figures represent changes from previous year)

	Net Sales (Millions of Yen)		Operating Profit (Millions of Yen)		Recurring Profit (Millions of Yen)		Net Profit (Millions of Yen)	
FY2018/3	72,635	13.1%	11,453	20.1%	12,450	15.4%	9,628	17.7%
FY2017/3	64,223	8.6%	9,533	- 0.3%	10,786	7.3%	8,183	4.2%

	Net Profit per Share (Yen)	Net Profit per Share (diluted) (Yen)
FY2018/3	231.99	230.18
FY2017/3	197.65	196.39

(2) Non-consolidated financial position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Equity Ratio (%)	Net Assets per Share (yen)
FY2018/3	104,110	74,930	71.4%	1,788.82
FY2017/3	92,543	67,527	72.4%	1,616.53

Notes : Equity in FY2018/3: 74,307 million yen; FY2017/3: 67,020 million yen

*** Cautionary statement with respect to the status of financial review procedures**

This consolidated financial statements report is not subject to audit procedures by independent auditors.

*** 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 Section 1. "Overview of Business Performance and Financial Position" of supplementary statement.

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

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

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1. Overview of Business Performance and Financial Position

(1) Overview of Business Performance

[Overall]

The overall global business conditions in the Fiscal Year 2018/3 ended March 31st, 2018 showed steady recover. The US and European economies continued to expand modestly backed by employment increases, strong private consumption and corporate investments. China and emerging Asian countries continued moderate economic recovery as the result of several incentive policies. In Japan, the economic recovery trend continued, including an increase in exports and capital investment as well as an improvement in personal consumption as employment conditions improved.

Under the business conditions outlined above, Consolidated Business Performance improved both in Sales and Profits, with active investments by our main users in the semiconductor industry and automotive industry. Consolidated Orders in the Fiscal Year 2018/3 (April 1st, 2017 – March 31st, 2018) were ¥103.979 billion (up 24.5% YoY), Sales were ¥88.194 billion (up 13.4% YoY), Operating Profit was ¥17.283 billion (up 26.5% YoY), Recurring Profit was ¥17.316 billion (up 24.9% YoY), and Net Profit Attributable to Owners of the Parent was ¥12.717 billion (up 28.3% YoY) .

[Performance by Business Segments]

A. Semiconductor Production Equipment (SPE) Segment

In the SPE business segment, semiconductor manufacturers and electronics component manufacturers took an active investment stance in various fields lead by high functionalization and data capacity enlargement of smartphones and increase in demand for data storage in line with the spread of cloud computing, an increase in demand for power management ICs and MCU(Micro Control Units) for industrial machines and vehicles, and an increase in demand for electronics components and sensors led by development of IoT(Internet of Things) and AI(Artificial Intelligence). In addition, equipment demand from China, where emerging companies in semiconductor and electronics components are developing with the support of the government, stood out. Although the smartphone related investment showed signs of deceleration in the 2nd half of the Fiscal Year, the conditions for orders remained steady throughout the fiscal year. Under these business conditions, our orders and sales in the SPE segment increased firmly.

As to product segments, Wafer Probing Machines (equipment for the Testing Process), which are our main products, were consistently ordered in Taiwan, Japan, China, and Korea. Wafer Dicing Machines and Polish Grinders (equipment for the Assembly Process) were ordered steadily in Southeast Asia, China and Japan.

Accordingly, Orders for our SPE segment were ¥73.327 billion (up 30.4% YoY), Sales were ¥59.523 billion (up 18.4% YoY), and Operating Profit was ¥11.292 billion (up 28.0% YoY).

B. Metrology Equipment Segment

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, and showed signs of recovery for investment in replacement equipment for productivity maintenance that had been holding a more cautious stance. The capital investment in the machine tool sector also showed strong recovery and demand from the aircraft-related sector remained steady. Under these business conditions, an upturn of both Orders and Sales has been confirmed.

As a result, Orders in our Metrology Equipment segment in this Fiscal Year was ¥30.651 billion (up 12.5% YoY), Sales was ¥28.671 billion (up 4.3% YoY) and Operating Profit was ¥5.990 billion (up 23.8% YoY).

(2) Overview of Financial Position

Total Assets as at March 31st, 2018 amounted to ¥132.995 billion, an increase of ¥18.531 billion from the end of FY2017/3. The major factors behind this increase include an increase in Notes and accounts receivable (including electronically recorded monetary claims) of ¥5.030 billion, an increase in Inventories such as Raw materials and Work in progress of ¥5.011 billion, an increase in Cash and cash equivalents of ¥3.366 billion, an increase in Securities such as Investment securities of ¥2.905 billion, an increase in Asset related to retirement benefits of ¥1.592 billion, and an increase in Software of 1.026 billion.

Total Liabilities increased by ¥6.371 billion, to ¥33.640 billion. This was mainly because of an increase in Notes and accounts payable (including electronically recorded obligations-operating) of 6.081 billion.

Net Assets increased ¥12.160 billion and totaled ¥99.354 billion. The Equity Ratio decreased 1.5%, to 74.0%.

(3) Overview of Cash Flows

Cash and cash equivalents as at March 31st, 2018 amounted to ¥37.090 billion, an increase of ¥3.264 billion from the end of FY2017/3. The status of cash flows and factors behind them are given below.

Net cash earned from operating activities was ¥10.931 billion, mainly due to Profit before income taxes and minority interests of ¥17.318 billion, an increase in Notes and accounts payable of ¥6.080 billion, Payment of income taxes of ¥5.923 billion, an increase in Inventories of ¥5.288 billion, an increase in Notes and accounts receivable of ¥5.030 billion, and Depreciation and amortization of ¥2.541 billion.

Net cash used in investment activities was ¥4.649 billion, mainly reflected by Purchase of tangible fixed assets of ¥1.679 billion, Purchase of investment securities of ¥1.522 billion, and Purchase of intangible fixed assets of ¥1.124 billion.

Net cash used in financing activities came to ¥3.163 billion. The major element of this was Payment of dividends of ¥3.277 billion.

Trends in financial indices are shown below.

	FY2016/3	FY2017/3	FY2018/3
Equity ratio (%)	77.3	75.5	74.0
Equity ratio, based on market value (%)	89.6	127.0	134.1
Interest-bearing debt/cash flow ratio	0.2	0.1	0.1
Interest coverage ratio (times)	344.3	616.9	662.9

Equity ratio: Equity/total assets

Equity ratio based on market value: Total market value of equity/total assets

Interest-bearing dept/cash flow ratio: Interest-bearing debt/Operating cash flows

Interest coverage ratio: Operating cash flows/interest payments

Notes:

1. All indices are calculated on consolidated financial statements.
2. The total market value of equity is calculated by multiplying market price at the end of FY by the number of shares outstanding at the end of FY.
3. "Operating cash flows" refers to cash flows from operating activities as shown in the consolidated cash flow statements.
4. Interest-bearing debts refer to all debts in Consolidated Balance Sheet on which we pay interest. "Interest payments" denotes interest payments as reflected in the consolidated cash flow statements.

(4) Forecasts for Next Fiscal Year

[Overall and Business Segment-based Forecasts]

Looking ahead to the Fiscal Year 2019/3 (ending March 31st, 2019), it is expected that the US and European economies keep steady and that the economies in Japan and emerging countries recover gently. However the world economic situation and currency market situation will continue to be opaque backed by concern about decrease in world trade volume because of the rise of protectionism and increase of geopolitical risks in Northeast Asia and Middle East.

In line with these conditions, Tokyo Seimitsu Group will be engaged in developing advanced technologies and taking business opportunities firmly by introducing products which correspond to market needs, reducing costs, and steadily proceeding with market penetration.

Expected Consolidated Business Results for the Fiscal Year 2019/3 ending March 31st, 2019 are as follows;

	Interim	Full Year
Sales	¥ 48.2 billion (up 10.4% YoY)	¥ 95.0 billion (up 7.7% YoY)
SPE	¥ 33.7 billion (up 11.1% YoY)	¥ 65.4 billion (up 9.9% YoY)
Metrology	¥ 14.5 billion (up 8.9% YoY)	¥ 29.6 billion (up 3.2% YoY)
Operating Profit	¥ 9.7 billion (up 8.8% YoY)	¥ 18.5 billion (up 7.0% YoY)
Recurring Profit	¥ 9.7 billion (up 7.3% YoY)	¥ 18.5 billion (up 6.8% YoY)
Net Profit attributable to owners of the parent	¥ 6.9 billion (up 8.6% YoY)	¥ 13.1 billion (up 3.0% YoY)

A. Semiconductor Production Equipment (SPE) Segment

Memory and communication devices, automotive devices and electronics components that are the driving force in the Semiconductor market, will keep having continue to underpin demandes for equipment. In addition, emerging Chinese manufacturers are expected to maintain the pace of investments. On the other hand, smartphones and their peripheral devices, that had been the driving force, show signs of a slowdown in growth related to commoditization of these devices. The technology trend of enhanced functionality for product differentiation, the standardization trend of 5G telecommunication technologies and approach to engagement with IoT & AI are becoming increasingly important and these factors can impact capital investment by semiconductor manufacturers and electronics component manufacturers. The market demand for equipment for development and production is high-graded and diversified accordingly.

Under these business conditions, the Company will maintain its focus on developing customer oriented core products and “integrated units” not only in Wafer Probing Machines, Wafer Dicing Machines and Polish Grinders, but also in CMPs, Wafer Manufacturing Machines and Precision Dicing Blades to meet specific needs of customers. The Company will follow investment projects diligently and develop new business opportunities.

B. Metrology Segment

The automobile industry, which is the major user of our Metrology products, has been actively expanding production and executing capital investment in engine production lines overseas. This sector continues capital investment for production innovation and efficiency improvement in both Japan and overseas, while the shift of power source to EV has been strongly promoted. In addition, increased capital investment is expected in the aviation industries that are steadily improving and in the machine tools industries that are recovering.

Under these business conditions, the Company will focus on developing products to meet the demand for higher precision and higher functionality, across our full product line-up: in multipurpose measuring instruments such as the 3D coordinate measuring machine, surface texture and contour measuring instruments, and roundness and cylindrical profile measuring instruments; and automatic measuring instruments such as machine control gauges and sensors. The Company will also focus on understanding the needs of our main users, keeping track of sales opportunities and expanding sales representation in overseas markets. The Company will further proceed with expanding business for optical measuring instruments developed as a new product category and take business opportunities to meet customer needs more precisely and target continuing customer satisfaction.

(5) Policy for Profit Distribution and Dividends for Fiscal Year 2018/3 and 2019/3

Tokyo Seimitsu believes the most important management task for the Company is to enhance its corporate value and constantly distribute profits to shareholders through a business model of providing World's No. 1 products based on state-of-the-art technologies in the SPE market and the Metrology Equipment market. The Company determines distribution of profits in line with its policy for profit distribution to shareholders, outlined below.

For FY 2018/3, Tokyo Seimitsu plans to issue an additional ¥10 per share on top of the forecast ¥41 per share final dividend previously announced on February 9th, 2018 in line with the policy relating to dividend payment (targeting consolidated dividend payout ratio of 30%). Therefore, the Tokyo Seimitsu year-end dividend will be ¥51 per share.

Consequently, including the interim dividend paid on December 7th, 2017, dividend payments in the Fiscal Year 2018/3 will increase by ¥20 YoY to total ¥92 per share.

Looking ahead to FY2019/3, the Company anticipates paying ¥47 per share interim ordinary dividend, ¥47 per share year-end ordinary dividend, totaling ¥94 per share ordinary annual dividends. In addition, in commemoration of the 70th anniversary of the founding in March, 2019, the Company plans to implement a commemorative dividend of ¥20 (interim dividend ¥ 10, year-end dividend ¥10) to express our gratitude to our shareholders for their support.

< Policy for Profit Distribution to the Shareholders after change >

The Company considers maintaining a core policy regarding the distribution of profits linked to the business performance of the Company and aims to pay stable dividends targeting a consolidated dividend payout ratio of 30%. Also, considering the aim to provide stable and continuous dividend payments, the Company deems to maintain an annual dividend of ¥20 per share regardless of consolidated profits of the Company. However, it is at the discretion of the Board to review this basic policy if the Company experiences losses in two consecutive years.

The Company's normal operating procedure is to pay a dividend twice a year. The shareholders' meeting determines the year-end dividend and the Company's Board of Directors decides the interim dividend.

Retained earnings will be used effectively for the research and development and capital investment that are necessary for growing existing businesses and improving our competitiveness, strength and optimization of production and sales activities, expansion of overseas sales, sophistication of information security systems, new business development, and M&A investment. Also, since our product lines are greatly impacted by economic fluctuations, the Company considers it important to strengthen our financial position and prepare for possible economic downturns.

The Company's acquisition of its own outstanding stock is one of the returns that supplement its dividends from retained earnings. The Company will analyze its cash flows and retained earnings before undertaking stock acquisition.

(6) Business and Other Risks

Risk factors that may affect the Tokyo Seimitsu Group's business results, financial position, cash flows and other performance indicators are described below.

The Group is endeavoring to avert these risks and to reduce potential risks by hedging and diversifying. However, an unforeseen situation may have considerable influence on the Group's business performance.

The Tokyo Seimitsu Group judged the following as risk factors at the end of the period under review, but these do not encompass all risks to which the Group's operations may be exposed.

(i). Fluctuations in market conditions

The Tokyo Seimitsu Group conducts SPE business and Metrology business on a global scale, with the scope of operations including Japan, Europe, USA and Asia. Both of these business areas, as promising sectors in the development of an advanced information society, are expected to continue to grow. However, if the supply-demand balance is disturbed or economic conditions deteriorate in the markets of each business area, the Group's business performance could be adversely affected.

(ii). Exchange rate fluctuations

In principle, the Tokyo Seimitsu Group's overseas sales are made on a Japanese Yen basis. However, transactions are carried out in US dollars with customers in the United States and/or some other regions and customers. In the event of unforeseen exchange rate fluctuations, the Group's business results may be influenced.

(iii). Natural disasters and accidental disasters

In order to minimize damage caused by a possible interruption of production activities, the Tokyo Seimitsu Group regularly conducts disaster prevention inspections and carries out production facility maintenance. Capital investment is also made to secure the safety of the facilities. Nevertheless, a sudden calamity, natural disaster or unforeseen accident could damage production facilities or interrupt operations, greatly impacting the Group's business performance.

(iv). Procurement

It is essential for our production activities to procure high quality materials and services in a timely and proper manner from outside parties. Although the Tokyo Seimitsu Group operates under a multiple source procurement system, the Group's business performance could be impacted due to the shortage of supply or delivery delay because some of the materials can be procured by some limited suppliers or it may become very difficult to change supplier due to the peculiarity. Also, the surge of materials and services' prices from the change of supply-demand could affect the Group's business performance.

(v). Environmental regulation

Several environmental regulations for water or air pollution prevention, industrial waste, energy, global warming and chemical substances in products are applicable to the Tokyo Seimitsu Group in both Japan and overseas. The Group takes several measures in product development and manufacturing in order to reduce the impact to the environment and to comply with the related regulations. However, if these measures do not achieve the expected results or regulations and their enforcement are changed or become stricter, the Group's business performance could be adversely affected with limited production activities and increased costs incurred to comply with regulations.

(vi). Country risk

The Tokyo Seimitsu Group is engaged in business in various parts of the world and is operating at the optimum level within each country's political and legal system. However, unexpected changes in the political system or regulations in each country could have influence on the Group's business performance. Furthermore, terrorist attacks, wars, infectious diseases in counties or regions where the Group operates could have impact on its business results.

(vii). Protection of intellectual property rights

The Tokyo Seimitsu Group's SPE and Metrology Equipment embody cutting edge technologies. Particular attention is paid to the protection of rights related to these technologies. Specifically, the Group has taken measures to defend its interest with regard to such matters as attribution of patent-related rights and protection of trademarks and brands. However, if a lawsuit or other legal dispute with a third party in Japan or overseas were to arise concerning rights, the Group's business performance could be affected.

(viii). Technological innovation

New technologies are developed on nearly a daily basis in the business areas of the Tokyo Seimitsu Group. To develop state-of-the-art technologies and provide new products are essential in maintaining and strengthening the Group's competitiveness. However, there is no guarantee that the Group's research and development activities will always be successful. A failed in R&D and commercialization effort might impact the Group's business performance.

(ix). Risk related to product quality

The Tokyo Seimitsu Group prioritizes in improving quality and reliability of both products and service activities. However, if unexpected quality-related failure occurs, the expenditure to resolve such failure might impact the Group's business performance.

(x). Information security

The Tokyo Seimitsu Group possesses the customers' confidential information or personal information, and the Group's confidential information related to technologies, sales and others. The Group pays special attention to this confidential information to prevent the leak of information and falsification. However, it could be possible to have information leak or falsification due to the unforeseen events such as errors, information theft or outside attack. The Group's business performance could be impacted if those unforeseen events occur and the Group incurs liability costs as a result.

2. Management Policy

(1) Core Policy

- (i). As a manufacturer of SPE and precision Metrology instruments, Tokyo Seimitsu Group has consistently focused on developing state-of-the-art products that contribute to improving our customers' productivity and on providing good customer support. While meeting the commitments that are the requirements of a growing company; Occupational Health and Safety, Quality Control, Environmental Sustainability, and employment equity, the Company will contribute to society including customers, shareholders, employees and regional/international society through developing/supplying innovative SPE and Metrology Equipment.
- (ii). Tokyo Seimitsu Group's philosophy is "Growing together with partners and customers by collaborating technology, knowledge and information to create the world's No.1 products.", and the Group has adopted as a corporate motto "Win-Win Relationships Create the World's No. 1 Products." and a corporate brand "ACCRETECH", a combination of the words ACCRETE (grow together) and TECHNOLOGY. The Company Group is striving to establish a structure that is capable of creating world-leading products. To do this, we apply the core technologies we have developed, and build cooperative Win-Win relationships with domestic and overseas companies and individuals that share the common goal of creating the world's best products. Behind all our efforts is the goal of being a truly global company.
- (iii). Tokyo Seimitsu implements an internal company system under which the entire company has been divided into three internal companies – the Semiconductor Company, the Metrology Company and the Administration Company and an executive officer system. These internal companies, as fully functioning organizations with appropriate responsibilities and authority, are positioned to improve the level of customer satisfaction and business performance by responding to each customer more flexibly and promptly.

(2) Key Management Indicators

Under a business environment that requires a high level of technological innovation with high speed, Tokyo Seimitsu aims to establish a highly profitable and efficient structure by providing the world's No.1 products with advanced technology into growing markets, and continuously improves capital efficiency by effectively using funds to invest for growth. The company targets to "maintain a business structure with at least 10% ROE" as long-term target, and an increasing profit per share and the resulting long-term growth in corporate value are important indicators for management.

In the medium-term, the consolidated operating profit target that rolls over every three years is shared within the Tokyo Seimitsu Group, and the Company continues to adopt a Plan-Do-Check-Action management approach.

(3) Medium- to Long-term Management Strategies and Issues

- (i). Tokyo Seimitsu Group has promoted further quality improvement and product innovation, and established a profitable operational structure to continuously provide the world's No.1 products with advanced technology. These efforts have obtained reliable results after several years. Tokyo Seimitsu Group will further be engaged in expanding its business by taking advantage of solid company structure.
- (ii). Company management believes that increasing corporate value and sustainable profit distribution remain a key indicator of business success and thorough business growth.
- (iii). The Company Group believes that corporate governance is essential to improving corporate value and conducting fair and transparent business activities as a global corporate citizen, and has established a "core policy for corporate governance."
 - 1. The Board of Directors strives to properly perform its roles and responsibilities to make transparent, fair, timely and committed decisions.
 - 2. The Company respects the rights of shareholders and ensures the equality of shareholders.
 - 3. The Company strives to have constructive dialogue with shareholders on investment policy that considers mid- to long-term returns for shareholders.

4. The Company strives to maintain appropriate collaboration with stakeholders other than shareholders, such as customers, suppliers, employees, creditors, and communities.
5. The Company strives to ensure proper information disclosure and transparency.

(iv). The Company Group's overseas sales have exceeded domestic sales. Therefore sales organization has been fully localized in each region, and regional manufacturing such as in China and Thailand has commenced. The Company Groups will further optimize management organization for its global operations through actions such as hiring local management executives, building/enhancing global infrastructure, establishing localized supply chains, and standardizing management information flows to and from Head Office.

Cautionary Statements with Respect to Forward-looking Statements

This summary and its related materials 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 and projections are subject to a number of risks and uncertainties, including market conditions, competition, and the global state of the industry such as Semiconductor and Automobile. Accordingly, actual results may differ materially from those projected in this earnings summary.

3. Selection of Accounting Standards

In consideration of ease of comparing business results over several periods and/or against other enterprises, Tokyo Semitsu plans to continue adopting Japan GAAP accounting conventions for presentation of its Consolidated Financial Statements.

The Company will actively review the adoption of International Financial Reporting Standards (IFRS), in light of changes that may emerge from convergence to Japan GAAP, and revisions to IFRS itself.

4. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of Yen)

	FY2017/3 (March 31 st , 2017)	FY2018/3 (March 31 st , 2018)
ASSETS		
Current Assets		
Cash and cash equivalents	33,853	37,220
Notes and accounts receivable	23,675	28,005
Electronically recorded monetary claims	4,733	5,434
Merchandise and finished goods	2,101	1,918
Work in progress	11,325	15,223
Raw materials and supplies	3,886	5,183
Deffered tax assets	1,156	1,359
Others	2,227	2,146
Allowance for doubtful accounts	- 168	- 142
Total current assets	82,792	96,349
Fixed Assets		
Tangible fixed assets		
Building and structures	25,685	26,091
Accumulated depreciation	- 11,208	- 12,093
Building and structures(net)	14,476	13,998
Machinery, equipment and vehicles	9,234	9,065
Accumulated depreciation	- 7,012	- 7,109
Machinery, equipment and vehicles (net)	2,222	1,956
Equipment	5,880	6,410
Accumulated depreciation	- 4,065	- 4,391
Equipment(net)	1,814	2,019
Land	5,806	5,822
Lease assets	48	94
Accumulated depreciation	- 17	- 47
Lease assets (net)	30	47
Construction in process account	97	413
Total Tangible Fixed Assets	24,448	24,258
Intangible Fixed Assets		
Goodwill	284	185
Others	645	1,671
Total Intangible Fixed Assets	929	1,857
Investments and other assets		
Investment securities	2,778	5,684
Long-term loans	7	89
Net defined benefit assets	2,532	4,124
Differed tax assets	437	110
Others	538	522
Allowance for doubtful accounts	- 0	- 0
Total Investments and other assets	6,293	10,530
Total Fixed Assets	31,670	36,645
Total Assets	114,463	132,995

(Millions of Yen)

	FY2017/3 (March 31 st , 2017)	FY2018/3 (March 31 st , 2018)
LIABILITIES		
Current Liabilities		
Notes and accounts payable	7,497	8,200
Electronically recorded obligations-operating	8,291	13,670
Short-term debt	1,300	1,300
Lease liabilities	8	18
Income taxes payable	4,115	3,254
Differed tax liabilities	6	-
Bonus reserve	1,099	1,238
Reserve for director's bonuses	11	10
Others	4,239	5,115
Total current liabilities	26,570	32,807
Long-term Liabilities		
Lease liabilities	24	33
Deferred tax liabilities	2	102
Allowance for director retirement benefits	148	139
Net defined benefit liabilities	508	542
Others	15	16
Total long-term liabilities	698	833
Total Liabilities	27,269	33,640
NET ASSETS		
Shareholder's Equity		
Common stock	10,462	10,561
Capital surplus	21,480	21,579
Retained earnings	52,665	62,105
Treasury stock	- 116	- 118
Total Shareholder's Equity	84,491	94,128
Accumulated other comprehensive income		
Holding gain or loss in investment	825	1,564
Foreign currency translation adjustment	255	811
Remeasurements of defined benefit plans	804	1,858
Total accumulated other comprehensive income	1,885	4,234
Share subscription rights	506	623
Minority interests	310	368
Total Net Assets	87,194	99,354
Total Liabilities and Net Assets	114,463	132,995

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

(Millions of Yen)

	FY2017/3 (April 1 st , 2016- March 31 st , 2017)	FY2018/3 (April 1 st , 2017- March 31 st , 2018)
Net Sales	77,792	88,194
Cost of goods sold	48,152	53,818
Gross Profit on Sales	29,640	34,375
Selling, general and administrative expenses	15,981	17,092
Operating profit (loss)	13,659	17,283
Non-Operating income		
Interest	21	24
Dividend income	144	58
Subsidy income	54	20
Others	98	67
Total Non-operating income	318	170
Non-operating expenses		
Interest expenses	25	25
Foreign exchange loss	68	75
Loss on disposal or sales of fixed assets	6	23
Others	11	14
Total Non-operating expenses	112	138
Recurring profit (loss)	13,864	17,316
Extraordinary gains		
Gain on sales of investment securities	527	3
Gain on reversal of share subscription rights	0	1
Others	56	-
Total Extraordinary gains	583	4
Extraordinary losses		
Loss on valuation of golf club memberships	-	2
Loss on valuation of investments in capital of affiliates	26	-
Others	6	-
Total extraordinary losses	32	2
Profit (loss) before income taxes and minority interests	14,415	17,318
Income tax and other taxes	5,678	5,115
Adjustment on income tax	- 1,213	- 572
Total Income tax and others	4,464	4,542
Profit (loss) before minority interests	9,951	12,775
Net Profit(loss) attributable to minority interests	41	58
Net Profit (loss) attributable to Owners of the Parent	9,909	12,717

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	FY2017/3 (April 1 st , 2016- March 31 st , 2017)	FY2018/3 (April 1 st , 2017- March 31 st , 2018)
Profit (Loss) before minority interests	9,951	12,775
Accumulated other comprehensive income		
Holding gain or loss in investment	66	738
Foreign currency translation adjustment	- 369	555
Remeasurements of defined benefit plans	723	1,054
Total accumulated other comprehensive income	420	2,348
Comprehensive Income	10,371	15,124
(breakdown)		
Comprehensive income attributable to owners of the parent	10,328	15,066
Comprehensive income attributable to minority interests	42	58

(3) Consolidated Statements of Changes in Net Assets

FY 2017/3 (April 1st, 2016 – March 31st, 2017)

(Millions of Yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's equity
Balance as of previous fiscal year	10,374	21,392	45,630	- 115	77,282
Changes during the fiscal year					
Issue of new shares	87	87			175
Cash dividends paid			- 2,773		- 2,773
Net Profit (loss) attributable to Owners of the Parent			9,909		9,909
Purchases of treasury stock				- 1	- 1
Change in scope of consolidation			- 101		-101
Changes of items other than shareholders' equity(net)					
Total changes during the fiscal year	87	87	7,034	- 1	7,209
Balance as of end of the fiscal year	10,462	21,480	52,665	- 116	84,491

	Accumulated other comprehensive income				Share Subscription Rights	Minitory Interests	Total Net Assets
	Holding gain or loss in investment	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of previous fiscal year	759	650	80	1,491	436	208	79,418
Changes during the fiscal year							
Issue of new shares							175
Cash dividends paid							- 2,773
Net Profit (loss) attributable to Owners of the Parent							9,909
Purchases of treasury stock							- 1
Change in scope of consolidation							- 101
Changes of items other than Shareholders' equity(net)	66	- 395	723	394	69	102	566
Total changes during the fiscal year	66	- 395	723	394	69	102	7,775
Balance as of end of the fiscal year	825	255	804	1,885	506	310	87,194

FY 2018/3 (April 1st, 2017 – March 31st, 2018)

(Millions of Yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's equity
Balance as of previous fiscal year	10,462	21,480	52,665	- 116	84,491
Changes during the fiscal year					
Issue of new shares	99	99			198
Cash dividends paid			- 3,277		- 3,277
Net Profit (loss) attributable to Owners of the Parent			12,717		12,717
Purchases of treasury stock				- 2	- 2
Sales of treasury stock		0		0	0
Changes of items other than shareholders' equity(net)					
Total changes during the fiscal year	99	99	9,440	- 1	9,636
Balance as of end of the fiscal year	10,561	21,579	62,105	- 118	94,128

	Accumulated other comprehensive income				Share Subscription Rights	Minitory Interests	Total Net Assets
	Holding gain or loss in investment	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of previous fiscal year	825	255	804	1,885	506	310	87,194
Changes during the fiscal year							
Issue of new shares							198
Cash dividends paid							- 3,277
Net Profit (loss) attributable to Owners of the Parent							12,717
Purchases of treasury stock							- 2
Sales of treasury stock							0
Changes of items other than Shareholders' equity(net)	738	555	1,054	2,348	117	58	2,523
Total changes during the fiscal year	738	555	1,054	2,348	117	58	12,160
Balance as of end of the fiscal year	1,564	811	1,858	4,234	623	368	99,354

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2017/3 (April 1 st , 2016 - March 31 st 2017)	FY2018/3 (April 1 st , 2017 - March 31 st 2018)
Cash flows from operating activities:		
Profit(loss) before income taxes and minority interests	14,415	17,318
Depreciation and amortization	2,380	2,541
Amotization of goodwill	102	102
Stock related expense	116	184
Change in allowance for employee retirement benefits (-:decrease)	- 128	- 36
Change in allowance for director retirement benefits (-:decrease)	14	- 8
Change in allowance for doubtful accounts (-:decrease)	84	6
Interest and dividend income	- 165	- 82
Interest expense	25	25
Loss/income on sales of investment securities (-:income)	- 527	- 3
Change in trade notes and accounts receivable (-: increase)	- 2,375	- 5,030
Change in inventories (-: increase)	- 1,575	- 5,288
Change in trade notes and accounts payable(-:decrease)	3,885	6,080
Others	50	988
Subtotal	16,302	16,797
Proceeds from interest and dividend income	165	82
Payment of interest	- 26	- 25
Payment/Refund of income taxes (-: payment)	- 3,631	- 5,923
Net cash provided by (used in) operating activities	12,809	10,931
Cash flows from investing activities:		
Payment for time deposits	- 39	- 133
Proceeds from time deposits	92	31
Payment for purchase of tangible fixed assets	- 5,118	- 1,679
Proceeds from sales of tangible fixed assets	17	5
Payment for purchase of intangible fixed assets	- 139	- 1,124
Payment for purchase of investment securities	- 2	- 1,522
Proceeds from sales of investment securities	1,705	63
Payment for purchase of shares of affiliated company	-	- 378
Payment for purchase of investments in capital of subsidiaries	-	- 19
Payment for loans receivable	- 5	- 1
Proceeds from collection of loans receivable	3	108
Net cash provided by (used in) investing activities	- 3,486	- 4,649
Cash flows from financing activities:		
Change in short-term loans payable (-: decrease)	100	-
Repayment of long-term debt	- 400	-
Repayment of lease liability	- 7	-15
Proceeds from exercise of stock options	128	131
Dividend payments	- 2,773	- 3,277
Others	- 1	- 1
Net cash provided by (used in) financing activities	- 2,953	- 3,163
Effect of exchange rate changes on cash and cash equivalents	- 130	147
Net increase/decrease in cash and cash equivalents (-: decrease)	6,238	3,264
Cash and cash equivalents at beginning of year	27,308	33,825
Net increase/decrease in cash and cash equivalents by change in consolidated subsidiaries (-: decrease)	278	-
Cash and cash equivalents at end of year	33,825	37,090

(5) Notes

(Note on Assumptions for Going Concern)

Not applicable.

(Segment Information)

(i). Overview of reportable segments

The reportable segments of the Company and consolidated subsidiaries are the business segments for which separate financial information can be obtained and are at the level where the Company's board of directors conducts periodic reviews leading to the allocation of resources and evaluation of business performance.

The Company consists of internal companies known as the Semiconductor Company and the Metrology Company, and each company's products and services are managed under comprehensive strategies inside and outside of Japan.

Therefore, the Company defines "SPE" and "Metrology Equipment" as reportable segments based on the intercompany system and their outputs.

The "SPE" consists of manufacturing and sales of Assembly and Testing equipment to be applied to Semiconductor Manufacturing Processes and the "Metrology Equipment" consists of manufacturing and sales of precision measurement equipment such as 3D coordinate measuring machines, surface texture and contour measuring instruments.

(ii). Method of calculation of sales, profit/loss, assets/liabilities and/or others in reportable segments

The method of calculating segment results is mostly the same as applied to the consolidated financial statements. Therefore, segment profit is based on consolidated Operating Profit. Corporate assets are not allotted to each segment.

(iii). Net sales, profit/loss assets/liabilities and/or others in reportable segments

FY2017/3 (April 1st, 2016– March 31st, 2017)

(Millions of yen)

	Reportable Segments			Adjustment *1	Consolidated Total *2
	SPE	Metrology Equipment	Total		
Sales					
Sales to third party:					
Intersegment sales to transfer	50,291	27,501	77,792	-	77,792
	-	-	-	-	-
Total	50,291	27,501	77,792	-	77,792
Segment Profit	8,820	4,839	13,659	-	13,659
Segment Assets	72,530	41,232	113,763	699	114,463
Others					
Depreciation and amortization	1,668	711	2,380	-	2,380
Amortization of goodwill	102	-	102	-	102
Increase in tangible / intangible Fixed assets	3,647	498	4,145	-	4,145

FY2018/3 (April 1st, 2017 – March 31st, 2018)

(Millions of yen)

	Reportable Segments			Adjustment *1	Consolidated Total *2
	SPE	Metrology Equipment	Total		
Sales					
Sales to third party:	59,523	28,671	88,194	-	88,194
Intersegment sales to transfer	-	-	-	-	-
Total	59,523	28,671	88,194	-	88,194
Segment Profit	11,292	5,990	17,283	-	17,283
Segment Assets	87,442	44,407	131,850	1,144	132,995
Others					
Depreciation and amortization	1,824	716	2,541	-	2,541
Amortization of goodwill	102	-	102	-	102
Increase in tangible / intangible Fixed assets	2,543	1,003	3,547	-	3,547

Notes *1: Adjustment for corporate assets which are not allotted to the segments such as long-term investments (other investment securities).

*2: Segment profit is same amount as Operating Profit stated in the Consolidated Financial Statements.

(Per Share Information)

FY2017/3 (April 1 st , 2016 - March 31 st , 2017)		FY2018/3 (April 1 st , 2017 - March 31 st , 2018)	
Net assets per share	2,083.40 yen	Net assets per share	2,367.92 yen
Earnings per share	239.32 yen	Earnings per share	306.41 yen
Diluted earnings per share	237.80 yen	Diluted earnings per share	304.02 yen

Notes 1: Bases for calculation of net assets per share are as follows.

Item	FY2017/3 (March 31 st , 2017)	FY2018/3 (March 31 st , 2018)
Total net assets in consolidated balance sheet (millions of yen)	87,194	99,354
Amounts to be deducted from total net assets (millions of yen)	816	991
(Share subscription rights (millions of yen))	(506)	(623)
(Minority Interests(millions of yen))	(310)	(368)
Net assets related to common stock as at the end of Fiscal Year (millions of yen)	86,373	98,362
Number of outstanding shares that are bases for calculation of net assets per share as at the end of Fiscal Year (thousands of shares)	41,459	41,539

Notes 2: Bases for calculation of earnings per share and diluted earnings per share are as follows.

Item	FY2017/3 (April 1 st , 2016 - March 31 st , 2017)	FY2018/3 (April 1 st , 2017 - March 31 st , 2018)
Earnings per Share		
Net profit (loss) attributable to owners of the parent (millions of yen)	9,909	12,717
Amount not attributed to common shareholders (millions of yen)	-	-
Net profit (loss) attributable to owners of the parent related to common stock (millions of yen)	9,909	12,717
Average number of shares of common stock during the fiscal year (thousands of shares)	41,406	41,504
Diluted earnings per share		
Details of adjusted net profit (millions of yen)	-	-
Increase in common stock share subscription rights (thousands of shares)	264	326
Shares excluded from the calculation of diluted earnings per share due to the lack of dilutive effects	Share Subscription rights (Stock Option Type)(units) The 12 th 73	Share Subscription rights (Stock Option Type)(units) The 14 th 77

(Significant subsequent events)

Not applicable.

5. Additional information

(1) Production, Orders and Sales

(i). Actual Production (Millions of yen)

Reportable Segment	FY2017/3 (April 1 st , 2016 – March 31 st , 2017)	FY2018/3 (April 1 st , 2017 - March 31 st , 2018)
SPE	47,061	56,605
Metrology Equipment	25,275	26,877
Total	72,337	83,482

Note: The above production results are based on the sales prices (exclusive of consumption tax).

(ii). Actual Orders (Millions of yen)

Reportable Segment	FY2017/3 (April 1 st , 2016 – March 31 st , 2017)		FY2018/3 (April 1 st , 2017 – March 31 st , 2018)	
	Orders received	Order backlog	Orders received	Order backlog
SPE	56,232	17,647	73,327	31,452
Metrology Equipment	27,254	6,015	30,651	7,996
Total	83,487	23,663	103,979	39,448

Note: The above amounts are exclusive of consumption tax.

(iii). Actual Sales (Millions of yen)

Reportable Segment	FY2017/3 (April 1 st , 2016 - March 31 st , 2017)	FY2018/3 (April 1 st , 2017 - March 31 st , 2018)
SPE	50,291	59,523
Metrology Equipment	27,501	28,671
Total	77,792	88,194

Note: The above amounts are exclusive of consumption tax.

(2) Executive Changes (Effective date (planned): June 25th, 2018)

(i). Retiring Director

Corporate Director (External): Donglei Tang
(Current Position: Corporate Director (External))

(ii). Candidate for Auditor

(To be elected at the Annual General Meeting of Shareholders scheduled for June 25th, 2018)

Corporate Auditor: Shinji Akimoto
(Current Position: Executive Officer, Administration Company;
General Manager, Human Resources Dept.)

(iii). Retiring Auditor

Corporate Auditor: Hideo Sawada
(Current Position: Corporate auditor (Full-time))

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