

Summary of Consolidated Results for the Fiscal Year Ended March 31, 1999

June 8, 1999

Company Name: Tokyo Seimitsu Co., Ltd.
 Stock Listing: Tokyo Stock Exchange, First Section
 Code Number: 7729
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I. Results for Fiscal 1999 (April 1, 1998 – March 31, 1999)

1) Business Results

(Millions of yen, figures less than ¥1 million are rounded down)

	Net sales (% YoY change)	Operating income (% YoY change)	Ordinary income (% YoY change)	Net income (% YoY change)
Fiscal 1999	¥32,153 (-24.1)	¥1,621 (-70.1)	¥2,293 (-59.7)	¥715 (-68.2)
Fiscal 1998	¥42,349 (+18.0)	¥5,422 (+23.3)	¥5,686 (+46.2)	¥2,251 (+6.2)

	Net income per share (¥)	Diluted net income per share (¥)	Return on equity (%)	Ordinary income to total assets (%)	Ordinary income to net sales (%)
Fiscal 1999	¥19.41	¥19.15	2.6	5.2	7.1
Fiscal 1998	¥63.87	¥59.94	9.8	12.9	13.4

Note: Minority interests — ¥XX million (previous year — ¥XX million)

2) Financial Position

	Total assets (Millions of yen)	Shareholders' equity (Millions of yen)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Fiscal 1999	¥41,309	¥28,437	68.8	¥768.48
Fiscal 1998	¥46,163	¥27,604	59.8	¥754.74

3) Extent of Consolidation and Adoption of the Equity Method

Number of consolidated subsidiaries:	6	
Number of non-consolidated subsidiaries:	4	(Equity Method: None)
Number of affiliates:	1	(Equity Method: None)

4) Changes in Accounting Policies

① Extent of Consolidation and Changes in Application of Equity Method

Consolidated subsidiaries	Equity method
(Additions): None	(Additions): None
(Exclusions): None	(Exclusions): None

② Changes in Accounting Policies: None

II. Outlook for Fiscal 2000 (April 1, 1999 – March 31, 2000)

(Millions of yen)

	Net sales	Ordinary income	Net income
Fiscal 2000	¥39,000	¥6,400	¥3,100

(Reference)

Estimated consolidated net income per share: ¥83.77

Estimated non-consolidated net income per share: ¥78.37

(Reference)

Non-consolidated Results for Fiscal 1999 (April 1, 1998 – March 31, 1999)

(Millions of yen)

Net sales (% YoY change)	Operating income (% YoY change)	Ordinary income (% YoY change)
¥29,024 (-23.9)	¥1,697 (-59.8)	¥1,714 (-65.2)

Net income (% YoY change)	Net income per share (¥)	Diluted net income per share (¥)	Total assets (Millions of yen)	Shareholders' equity (Millions of yen)
¥691 (-64.7)	¥18.74	¥18.49	¥39,551	¥27,952

APPENDIX

1. Summary of Results for Fiscal 1999 and Outlook

(1) Summary of Results for Fiscal 1999

The problems facing the Japanese economy became all the more serious during the period under review. These difficulties were characterized by the protracted slump in personal consumption, the continuing downturn in capital investments, increasing doubts about the soundness of the financial system and uncertainty concerning employment. The large-scale stimulus measures introduced by the government and financial deregulation carried out by the Bank of Japan did act to halt the economy's slide. However, it remains difficult to envisage a self-sustaining, private-sector-led recovery.

Set against this backdrop, the global semiconductor industry is continuing to struggle. Manufacturers, both at home and overseas, continued to cut back on or put off capital investments. Tokyo Seimitsu witnessed a drop in demand in its Semiconductor Manufacturing Equipment division for wafer fabrication equipment. Continuing strong performance by wafer probing machines, an area in which the company holds a leading market share and has won strong support from customers around the world, helped offset this decline to a large extent.

In the Measuring Systems Division, capital investment cutbacks by the automobile and machine tools industries made the operating environment difficult. However, the high regard Carl Zeiss products are held in, allowed the company to grow sales steadily.

In production, the company pushed ahead with cost-reduction programs, which involved shortening lead-times and improving efficiency.

On the R&D front, the company's activities focused on the development of wafer inspection and chemical mechanical planarization (CMP) systems, two strategically important new fields. Plans call for the systems to undergo user evaluation this year, in line with original plans. Additionally, R&D activities have borne fruit in the form of the UF300, a probing machine designed to handle next-generation 300mm wafers. Shipments have already commenced, and this machine has been lauded by users. Measuring systems, too, saw the start of new product shipments, the SURFCOM3000A and the PULCOM V11.

Nevertheless, net sales in fiscal 1999 were 24.1% lower than a year ago at ¥32,153 million. Ordinary income was ¥2,293 million, a 59.7% year-on-year decrease. Net income fell 68.2% to ¥715 million, partly as a result of the inclusion of a special loss of ¥532 million on the devaluation of marketable securities, which comprised largely of bank stocks.

Export sales were ¥11,333 million, representing 35.2% of total net sales.

(2) Outlook for Fiscal 2000

The semiconductor manufacturing industry is expected to come out of its slump and get back on a recovery track. The company intends to target capital investments in this area. The company also plans to strengthen its earnings base by promoting production cost-reduction programs and beefing up its sales capabilities. At the same time, Tokyo Seimitsu plans to have the new wafer inspection and chemical mechanical planarization (CMP) systems mentioned above evaluated by users. The company is hopeful that these new products will help to boost sales.

Net sales in fiscal 2000 are expected to rise 21.3% year on year to ¥39,000 million. Ordinary income is expected to increase 179.1% to ¥6,400 million, and net income is forecast to rise 333.1% to ¥3,100 million.

2. Consolidated Balance Sheets

March 31, 1999 and 1998

(Millions of yen)

	1999	1998		1999	1998
ASSETS			LIABILITIES		
Current Assets	¥32,487	¥39,194	Current Liabilities	¥8,794	¥14,316
Cash and time deposits	4,934	6,382	Trade notes and accounts payable	5,700	10,218
Trade notes and accounts receivable	10,587	16,725	Short-term loans	550	250
Marketable securities	2,931	2,748	Current portion of long-term debt	43	104
Inventories	13,721	13,119	Accrued income taxes	171	1,422
Prepaid expenses	—	31	Accrued enterprise taxes	—	397
Deferred income taxes	42	60	Accrued consumption taxes	43	—
Consumption taxes receivable	—	35	Accrued expenses	—	314
Other	349	223	Accrued bonuses	765	739
Allowance for doubtful accounts	(79)	(132)	Other	1,520	868
Fixed Assets	8,687	6,920	Long-Term Liabilities	3,875	4,161
Property, plant and equipment	7,319	5,555	Straight bonds	250	100
Buildings and structures	2,913	3,048	Convertible bonds	104	980
Machinery and equipment	—	857	Long-term debt	436	75
Transportation equipment	—	111	Accrued severance indemnities	2,780	2,714
Machinery, equipment and transportation equipment	1,187	—	Accrued directors' retirement allowances	277	250
Tools, furniture, fixtures and others	571	657	Other	27	41
Land	847	869	Minority interests	—	81
Construction in progress	1,798	10	TOTAL LIABILITIES	12,670	18,559
Intangible fixed assets	95	133	Minority interests	201	—
Other	95	133	SHAREHOLDERS' EQUITY		
Investments and other assets	1,272	1,232	Common stock	6,588	6,150
Investment securities	396	434	Additional paid-in capital	11,093	10,656
Long-term loans	262	160	Legal reserve	—	431
Other investments other assets	629	638	Retained earnings	—	10,371
Allowance for doubtful accounts	(16)	(1)	Retained earnings	10,755	—
Deferred assets	0	0	Shares of common stock in treasury	(0)	(4)
Bond discounts	0	0	TOTAL SHAREHOLDERS' EQUITY	28,437	27,604
Foreign currency translation adjustments	134	47	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	¥41,309	¥46,163
TOTAL ASSETS	¥41,309	¥46,163			

3. Consolidated Statements of Income

Years ended March 31, 1999 and 1998

(Millions of yen)

	1999	1998
ORDINARY INCOME AND EXPENSES		
Operating income and expenses		
Net sales	¥32,153	¥42,349
Cost of sales	22,884	28,912
Selling, general and administrative expenses	7,647	8,014
Selling expenses	5,708	5,569
General and administrative expenses	1,939	2,445
Operating income	1,621	5,422
Non-operating income and expenses		
Non-operating income	761	583
Interest income	30	40
Interest on marketable securities	—	9
Dividend income	33	29
Gains on sales of marketable securities	60	314
Gains on foreign exchange transactions	82	—
Technology transfer fees	—	86
Life insurance benefits	421	—
Other	133	102
Non-operating expenses	89	318
Interest expense	46	—
Interest and discount expenses	—	27
Interest on bonds	—	13
Bond issuing expenses	—	11
Bond redemption expenses	—	75
Convertible bond conversion fees	—	36
Losses on foreign exchange transactions	—	93
Losses on disposal of property, plant and equipment	12	—
Other	29	61
Ordinary income	2,293	5,686
SPECIAL GAINS AND LOSSES		
Special gains	3	—
Profit on sales of land	3	—
Special losses	532	1,255
Write-down of marketable securities	532	1,255
INCOME BEFORE INCOME TAXES	1,764	4,431
INCOME TAXES	—	2,174
INCOME TAXES	1,034	—
MINORITY INTERESTS	13	4
NET INCOME	¥715	¥2,251

Note:

For the year ended March 31, 1999, enterprise taxes, which were previously included in “Selling, general and administrative expenses,” are recorded in “Income taxes.”

Enterprise taxes are as follows:

Year ended March 31, 1999 ¥193 million

Year ended March 31, 1998 ¥589 million

4. Consolidated Statement of Retained Earnings

Years ended March 31, 1999 and 1998

(Millions of yen)

	1999		1998	
1. Balance brought forward		—		10,307
2. Consolidated retained earnings at the beginning of the period				
1) Balance brought forward	10,371		—	—
2) Opening balance of legal reserve	431	10,802	—	
3. Appropriations				
1) Transfer to legal reserve	—		21	
2) Cash dividends paid	—		410	
3) Bonuses to directors	—		55	
4) Redemption of common stock	—	—	1,701	2,188
4. Appropriations				
1) Cash dividends paid	495		—	
2) Bonuses to directors	58		—	
3) Redemption of common stock	208	762	—	—
5. Net income		715		2,251
6. Balance to carry forward		—		10,371
7. Balance to carry forward		10,755		—

Notes:

(Millions of yen)

	1999	1998
1. Notes receivable discount	¥2,596	¥1,055
2. Treasury stock	148 shares	1,312 shares
3. Finance lease transactions on leases that do not transfer ownership of the leased asset to the lessee.	① Acquisition costs, accumulated depreciation and net book value	① Future lease payments
		Within one year ¥40
		Over one year 63
		Total 103
	* Tools, furniture, fixtures and others	② Lease payments ¥69
	Acquisition costs ¥255	③ Computing estimated interest expense
	Accumulated depreciation 137	Estimated interest expense is the difference between the total lease payments and the acquisition costs of the assets.
	Net book value 117	The interest method is used to calculate the portion applicable to each accounting period.
	② Future lease payments	
	Within one year ¥44	
	Over one year 76	
	Total 121	
	③ Lease payments, estimated depreciation expense, estimated interest expense lease payments 52	
Estimated depreciation expense 47		
Estimated interest expense 5		
④ Computing estimated depreciation expense The estimated depreciation expense is computed using the straight-line method, taking the lease period as the useful life of the leased asset and the residual value as zero.		
⑤ Computing estimated interest expense Estimated interest expense is the difference between the total lease payments and the acquisition costs of the asset. The interest method is used to calculate the portion applicable to each accounting period.		

5. Basis of Presenting Consolidated Financial Statements

1) Extent of Consolidation

(1) Consolidated Subsidiaries (6 companies)

Tosei Engineering Corporation, Tosei Systems Co., Ltd., Micro Technology Corporation, Tosei Create Corporation, TSK America, Inc., Tokyo Seimitsu Europe GmbH

(2) Non-consolidated Subsidiaries (4 companies)

Tokyo Seimitsu (UK) Ltd., Tokyo Seimitsu (Malaysia) Sdn., Bhd., Tokyo Seimitsu (Israel) Ltd., Tokyo Seimitsu (Singapore) Pte. Ltd.

These four companies are not consolidated because their total assets, net sales, net income and retained earnings are immaterial in relation to comparable amounts in these statements.

2) Equity Method

The four non-consolidated subsidiaries and one affiliate, Sanmenxia Zhongyuan Tokyo Seimitsu Co., Ltd., have an immaterial effect on consolidated net income and consolidated retained earnings. Accordingly, the company has not applied the Equity Method. Instead, the company has valued its investments in these entities at cost.

3) Financial Year of Consolidated Subsidiaries

The financial year of consolidated subsidiaries is the same as that of the parent company.

4) Significant Accounting Policies

(1) Valuation of Important Assets

(a) Marketable Securities

Marketable securities are predominantly stated at cost determined by the moving average method.

(b) Inventories

Inventories are stated at cost determined by the first-in, first-out method, excluding work in progress, which is stated at specific identification cost.

(2) Depreciation and Amortization

(a) Property, Plant and Equipment

Property, plant and equipment are calculated primarily using the declining balance method.

Effective from April 1, 1998, the company shortened the estimated useful lives of buildings (excluding fixtures) in accordance with a revision to the Japanese income tax laws. This change had the effect of increasing depreciation expense by ¥18 million and lowering operating income, ordinary income and income before income taxes by the same amount. The effect of this change on segment information is explained in that section.

(b) Intangible Assets

Intangible assets are calculated using the straight-line method.

(3) Deferred Assets

(a) Bond Issuing Expenses

The total amount is expensed when incurred.

(b) Bond Discounts

The bond discount on straight bonds is amortized at a fixed rate over the term of the bonds (7 years).

(4) Important Allowances/Reserves

(a) Allowance for Doubtful Accounts

In accordance with the Japanese income tax laws, the Company provides for an allowance for doubtful accounts at the maximum amount that can be charged to income plus an amount estimated by reference to the collectibility of specifically identifiable bad debts.

(b) Accrued Bonuses

The Company provides for employees' bonuses based on the Company's internal guidelines. Previously, the Company provided for bonuses at the maximum amount allowed based on the Japanese income tax laws. Effective from April 1, 1998, the Company changed the method of calculating bonuses to an estimate in accordance with revisions to the Japanese income tax laws. This change had an immaterial effect on operating income, ordinary income and income before income taxes.

(c) Accrued Severance Indemnities

Accrued severance indemnities are provided at the present value of the amount that would be required for the liability for severance payment to employees of the Company if all eligible employees voluntarily retired at the balance sheet date, less related benefits provided by the pension plan.

(d) Accrued Directors' Retirement Allowances

The Company provides for severance payments to directors, determined by the estimated amount, in accordance with internal guidelines, to be paid if all directors retired at balance sheet date.

(5) Leases

Finance leases, other than those that stipulate transfer of ownership of the leased assets, are accounted for as operating leases.

(6) Consumption Tax

Consumption taxes and local taxes are excluded from these financial statements.

5) Mutual Elimination of Calculations of Investments and Capital

All investment and capital accounts of the Company and its consolidated subsidiaries are eliminated on consolidation.

6) Elimination of Unrealized Inter-company Profits and Losses

All significant unrealized inter-company profits on sales of assets between consolidated subsidiaries have been eliminated and the unrealized losses have been borne by the company. Furthermore, unrealized profits and losses on depreciable assets are immaterial, so no adjustments have been made depreciation expense.

7) Foreign Currency Translation for Financial Statements of Consolidated Foreign Subsidiaries

Foreign currency translations for financial statements of consolidated foreign subsidiaries into yen are carried out in accordance with the accounting standards in Japan for foreign currency transactions.

8) Consolidated Statement of Retained Earnings

The Consolidated Statement of Retained Earnings is prepared based on appropriation of profits during the fiscal year.

9) Income Taxes

No provision has been made for the deferred taxes arising from timing differences between financial and tax reporting, with the exception of certain foreign subsidiaries.

6. Segment Information

(a) Segment Information

Year ended March 31, 1998

(Millions of yen)

	Semiconductor Manufacturing Equipment Division	Measuring Systems Division	Total	Corporate and elimination	Consolidation
I. Sales and operating income:					
(1) Sales to third parties	¥27,018	¥15,330	¥42,349		¥42,349
(2) Intergroup sales and transfer	—	—	—	(—)	—
Total sales	27,018	15,330	42,349	(—)	42,349
Operating expenses	24,263	12,664	36,927	(—)	36,927
Operating income	2,755	2,666	5,422	—	5,422
II. Assets, depreciation and capital expenditure:					
Assets	25,544	14,469	40,013	6,149	46,163
Depreciation	525	270	795	—	795
Capital expenditure	827	492	1,319	—	1,319

Year ended March 31, 1999

(Millions of yen)

	Semiconductor Manufacturing Equipment Division	Measuring Systems Division	Total	Corporate and elimination	Consolidation
I. Sales and operating income:					
(1) Sales to third parties	¥18,150	¥14,002	¥32,153	—	¥32,153
(2) Intergroup sales and transfer	—	—	—	(—)	—
Total sales	18,150	14,002	32,153	(—)	32,153
Operating expenses	18,418	12,113	30,531	(—)	30,531
Operating income	(267)	1,889	1,621	—	1,621
II. Assets, depreciation and capital expenditure:					
Assets	22,798	13,611	36,410	4,899	41,309
Depreciation	532	292	825	—	825
Capital expenditure	2,023	594	2,617	—	2,617

Notes:

1. Segment classifications are based on similarities among the nature of products, their markets and other factors.

2. Major products in each segment are as follows:
 - (1) Semiconductor manufacturing equipment
Water probers, wafer dicers, wafer manufacturing machines, etc.
 - (2) Measuring instruments
3-D coordinate measuring systems, surface texture measuring systems, roundness measuring systems, electric micron meters, machine control gauges, other automatic measuring, selection and assembly machinery.
3. Major components of assets included in corporate and elimination are funds under management (deposits and securities) by the parent company and long-term investments (loans and securities). These items amounted to ¥6,149 million as of March 31, 1998 and ¥4,899 million as of March 31, 1999.
4. As is explained in Note (4) "Significant Accounting Policies" of these notes, the useful lives of buildings was shortened and the standard for recognizing reserves for bonuses was altered in accordance with revisions to Japanese income tax laws effective from April 1, 1998. Furthermore, the presentation of enterprise tax was revised as is explained in notes to the Consolidated Statements of Income. These revisions had the following effect on reported figures compared with the previous standards: in the Semiconductor Manufacturing Equipment Division, operating income increased by ¥21 million, assets decreased by ¥8 million and depreciation increased by ¥8 million; in the Measuring Systems Division, operating income increased by ¥139 million, assets decreased by ¥10 million and depreciation increased by ¥10 million.

(b) Geographical Segments

Year ended March 31, 1998

(Millions of yen)

	Japan	US	Germany	Total	Corporate and elimination	Consolidation
I. Sales and operating income:						
(1) Sales to third parties	¥33,407	¥5,660	¥3,281	¥42,349	-	¥42,349
(2) Intergroup sales	6,028	36	132	6,197	(6,197)	-
Total sales	39,435	5,696	3,413	48,546	(6,197)	42,349
Operating expenses	34,570	5,717	3,215	43,502	(6,575)	36,927
Operating income	4,865	(20)	198	5,043	378	5,422
II. Assets	39,765	3,170	1,052	43,988	2,174	46,163

Year ended March 31, 1999

(Millions of yen)

	Japan	US	Germany	Total	Corporate and elimination	Consolidation
I. Sales and operating income:						
(1) Sales to third parties	¥27,202	¥2,594	¥2,355	¥32,153	-	¥32,153
(2) Intragroup sales	3,215	47	42	3,304	(3,304)	-
Total sales	30,417	2,642	2,397	35,457	(3,304)	32,153
Operating expenses	27,796	3,412	2,265	33,474	(2,942)	30,531
Operating income	2,621	(769)	131	1,983	(362)	1,621
II. Assets	36,389	2,391	842	39,623	1,685	41,309

Notes:

1. Sales by geographical area are based on the independent nature of each business activity within a particular area.
2. Major components of assets included in corporate and elimination are funds under management (deposits and securities) by the parent company and long-term investments (loans and securities). These items amounted to ¥6,149 million as of March 31, 1998 and ¥4,899 million as of March 31, 1999.
3. As is explained in Note (4) "Significant Accounting Policies" of these notes, the useful lives of buildings was shortened and the standard for recognizing reserves for bonuses was altered in accordance with revisions to Japanese income tax laws effective from April 1, 1998. Furthermore, the presentation of enterprise tax was revised as is explained in notes to the Consolidated Statements of Income. These revisions had the following effect on reported figures compared with the previous standards: in Japan, operating income increased by ¥161 million, assets decreased by ¥18 million and depreciation increased by ¥18 million.

(c) Overseas Sales

Year ended March 31, 1998

(Millions of yen)

	East Asia	N. America	Europe	Other	Total
① Overseas sales	¥5,413	¥5,015	¥4,054	¥1,481	¥15,965
② Consolidated sales					42,349
③ Overseas as pct. of total (%)	12.8	11.8	9.6	3.5	37.7

Year ended March 31, 1999

(Millions of yen)

	East Asia	N. America	Europe	Others	Total
① Overseas sales	¥5,001	¥2,573	¥2,558	¥1,199	¥11,333
② Consolidated sales					32,153
③ Overseas as pct. of total (%)	15.6	8.0	7.9	3.7	35.2

Notes:

1. Overseas sales represent sales of the Company and its subsidiaries in countries and other locations excluding Japan.
2. Major countries in each geographical area are as follows:
East Asia: South Korea, Taiwan, China
North America: United States, Canada
Europe: Germany, United Kingdom, Italy
Others: Singapore, Malaysia, Philippines

