



Consolidated Financial Statements for the Interim Period of Fiscal 2005

Nov 12, 2004

Company name:



ACCRETECH

TOKYO SEIMITSU CO., LTD. Stock exchange listings: Tokyo

Code number:

7729

Head office location: Tokyo

(URL <http://www.accretech.jp/>)

Representative: Hideo Ohtsubo Chairman & C.E.O.

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Board of Directors meeting: Nov 12, 2004

Use of U.S. accounting standards: No

1. Results for the Interim Period of Fiscal 2005 (April 1, 2004-September 30, 2004)

(1) Consolidated sales and earnings

(Millions of yen, rounded down)

	Net sales		Operating income		Ordinary income	
	(¥mn)	%	(¥mn)	%	(¥mn)	%
FY05 Interim	45,340	75.0	8,157	506.2	8,295	728.5
FY04 Interim	25,909	10.8	1,345	249.6	1,001	-
FY 2004 full year	62,324		5,947		5,328	

	Interim net income (loss)		Interim net income (loss) per share		Interim net income per share (diluted)	
	(¥mn)	%	¥		¥	
FY05 Interim	4,454		119	07	108	95
FY04 Interim	259	-	6	93	6	93
FY 2004 full year	(3,783)		(101)	(67)	-	

Notes:

- Equity in affiliates FY05 Interim ¥ - mn FY04 Interim ¥ - mn FY04 ¥ - mn
- Average number of shares outstanding (consolidated): FY05 Interim 37,408,547 shares FY04 Interim 37,355,775 shares FY04 37,355,470 shares
- Changes in accounting methods: No
- Percentages for net sales, operating income, ordinary income, and interim net income are a comparison with the corresponding period of the previous fiscal year.

(2) Consolidated financial position

	Total Assets		Shareholders' equity		Shareholders' equity ratio		Shareholders' equity per share	
	¥mn		¥mn		%		¥	
FY05 Interim	98,311		33,530		34.1		894 21	
FY04 Interim	90,311		33,621		37.2		900 05	
FY 2004 full year	94,893		29,183		30.8		780 87	

Note: Number of shares outstanding at end of period (consolidated):

FY05 Interim 37,497,268 shares FY04 Interim 37,355,311 shares FY04 37,354,830 shares

(3) Consolidated cash flows

	Cash flow from operating activities		Cash flow from investing activities		Cash flow from financing activities		Cash and cash equivalents at end of period	
	¥mn		¥mn		¥mn		¥mn	
FY05 Interim	5,554		(857)		(6,847)		10,149	
FY04 Interim	970		(923)		1,145		7,376	
FY 2004 full year	4,569		(167)		1,662		12,242	

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 8 companies

Unconsolidated subsidiaries accounted for by the equity method: None

Affiliated companies accounted for by the equity method: None

(5) Changes in the scope of consolidation and application of the equity method

Consolidation (new): None (Eliminated): None

Equity method (new): None (Eliminated): None

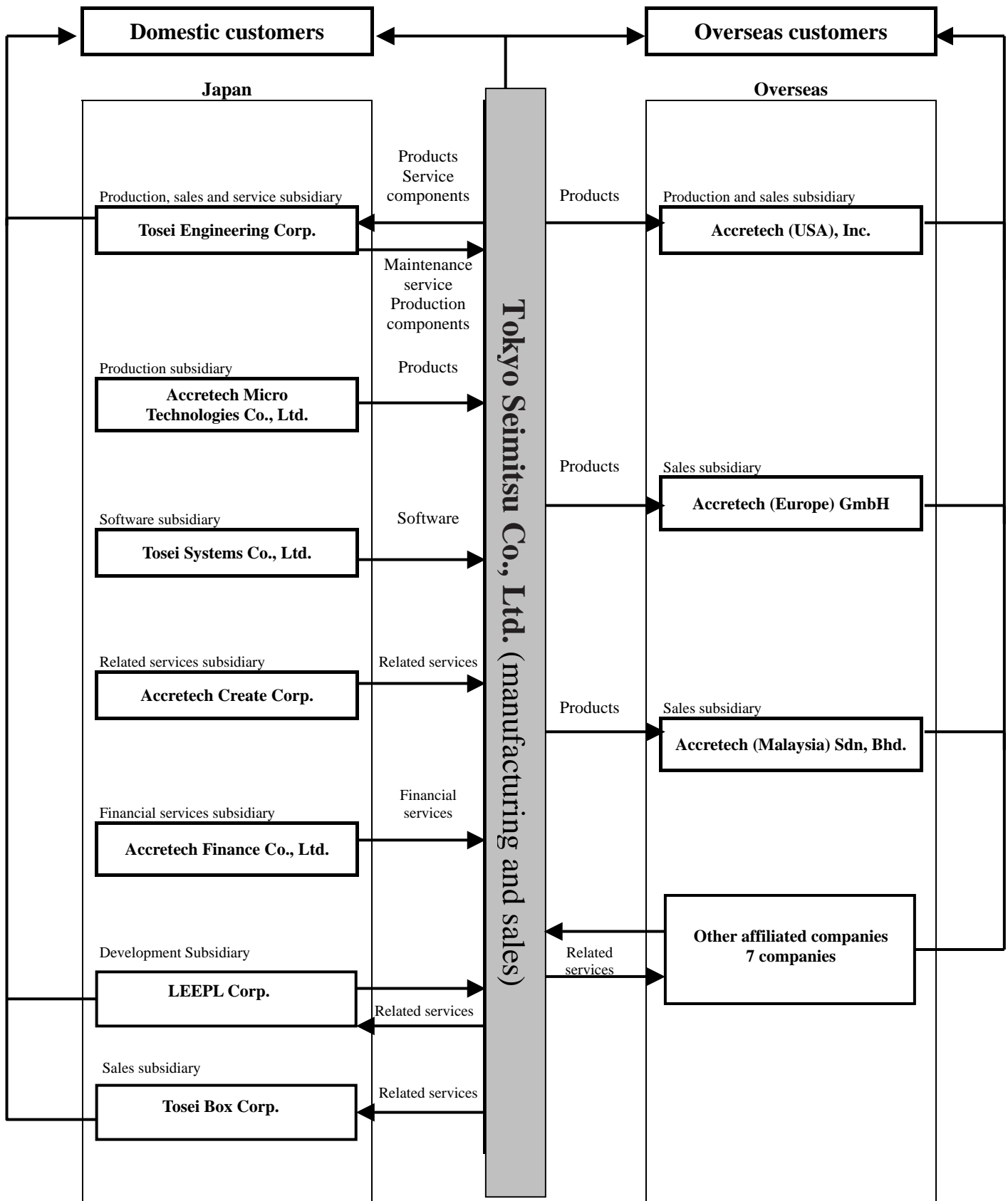
2. Projected Results for Fiscal 2005 (April 1, 2004-March 31, 2005)

	Net sales		Operating income		Net income	
	¥mn		¥mn		¥mn	
Full year	81,000		13,500		7,000	

Reference: Estimated earnings per share (full year): ¥186.90

These forecasts are based on our outlook presented on page 9 of the supplementary material.

1. Tokyo Seimitsu Corporate Group



2. Management Policy

(1) Basic policy

As a maker of precision measurement instruments and semiconductor manufacturing equipment, Tokyo Seimitsu has consistently focused its efforts on the development of products that make full use of its cutting-edge technologies, contribute to the high productivity of our customers, and providing them with support. At a time when technological innovation is moving forward rapidly and reaching higher levels of sophistication, what is most necessary for us to continue to grow is to maintain a strong product development organization, and appropriate product development criteria. To accomplish this, in line with the following “principles for product development” we have set as the core of our management principles, we are working to hold the effects of market cycles in capital investment to the minimum, build a business foundation of high growth and profitability, and increase corporate value.

Strategic Principles for Our R&D

- 1) Endeavor to create the number one products in the global market
Products with the leading share in the global market should have the following qualities:
 - The ability to generate maximum profits during favorable economic periods
 - The ability to incur only minimal losses during periods of recession
- 2) Finance R&D exclusively from internal cash flows
- 3) Target fields that have strong technology barriers but where market needs are high and the potential size of the market is large
- 4) Actively seek alliances to share R&D costs and utilize synergies that benefit industry partners

Tokyo Seimitsu has also adopted the Corporate Motto “Win-Win Relationships Create the World’s No.1 Products,” encompassed in the “Strategic Principles for our R&D.” Development of the world’s No.1 products demands both speed and cutting-edge technologies in each respective field. To accomplish this Tokyo Seimitsu must apply the core technologies that it has developed, and build cooperative WIN-WIN relationships with companies and individuals that share a common goal to create the world’s best products, both in Japan and around the world. We are working to foster a global and hybrid corporate culture that integrates the unique cultures of various countries and companies, in order to establish a structure which is able to generate the world’s leading products, and make Tokyo Seimitsu a truly global company.

The corporate brand ACCRETECH was created from the words “accrete,” meaning “to grow together,” and “technology”. The brand thus expresses in a single word our corporate philosophy: growing together with partners and customers by collaborating technology, knowledge and information from internal and external sources to create the world’s No.1 Products.

(2) A Unique Development Structure

Tokyo Seimitsu adopted a group leader system in 1988, dividing each technology development group into product groups, with a group leader to head each team. Group leaders are responsible for not only the product development, but also the overall performance of the product group, overseeing such functions as the creation of business plans, making decisions on capital investment, and recruiting human resources.

When the executive officer system was introduced in April 2002, group leaders were appointed as executive officers. This strengthening of the group leader system enhanced the speed of decision-making regarding development plans and other matters, as well as provided for quicker and more flexible responses to market trends.

(3) Basic Policy on Distributions

Tokyo Seimitsu seeks to enhance corporate value, and return earnings to shareholders by offering the world's No.1 products that fully utilize cutting-edge technologies in growth fields. With respect to dividends, Tokyo Seimitsu seeks to provide stable dividends from a recognition of the long-term perspective of its shareholders, while giving due consideration to the enhancement of the corporate structure to ensure future growth.

Retained earnings will be effectively utilized for investment in the research and development that is essential for growth, as well as for production equipment.

(4) Essential Management Indicators

Tokyo Seimitsu conducts its management in a manner that conforms to the goals of all its shareholders. We believe that long-term growth in earnings per share and the resulting long-term rise in corporate value are important indicators for management.

(5) Medium- to Long-term Management Strategies

Tokyo Seimitsu, based on the basic policies and development structure noted previously, has developed new highly functional and value added products for which the barriers to entry are high, the competition is small and the market is large, such as Wafer Inspection Systems, Polish Grinders, CMP and LEEPL Lithography Systems. All the products in these new product lines are priced several tens of times more than our established products.

Wafer Inspection Systems and Polish Grinders were introduced into the market in fiscal 2001 (ended March 31, 2001), and CMP in fiscal 2003 (ended March 31, 2003). Customer satisfaction with these products has increased each year, and business has grown steadily. Sales of these semiconductor new product lines during the interim period under review totaled ¥7.1 billion yen, an increase of 47% compared to the corresponding period of the preceding year. LEEPL Lithography system is scheduled to be launched in the next fiscal year or after.

The market for semiconductors and semiconductor manufacturing equipment is expected to remain favorable over the medium term, though there may be temporary adjustments on the short-term. In response to this business environment, we are aiming to exceed previous highs in sales and income as early as possible by promoting further sales expansion in our new product lines and by increasing our profit ratio.

Looking ahead over the next decade or longer, it is necessary to consider that our established products (Machine Control Gauges, Surface Texture and Contour Measuring Instruments, Cylindrical Form Measuring Instruments, 3D Coordinate Measuring Instruments, Wafer Probing Machines, Wafer Dicing Machines, etc.) may face a harsh business environment of competition from China.

Tokyo Seimitsu is promoting development of highly functional and value added new product lines with minimal competition, which we consider to be important from the perspective of future competition with Chinese-made products.

(6) Issues for Tokyo Seimitsu

1. Success with new product lines

Tokyo Seimitsu has actively advanced the development of new semiconductor manufacturing equipment product lines for the past several years. We have developed Wafer Inspection Systems and Polish Grinders into a profitable business, expanded market share as we had forecast, and won new customers for CMP products. Sales generated by these new product lines is now comparable with that of measuring instruments.

Looking ahead to the future, we must strengthen the foundations for these new product lines,

and further expand sales and earnings.

2. Improvement the financial structure

Due to the strong performance in the interim period and healthy growth in new product lines, we improved such financial indicators as the capitalization and asset turnover ratios.

While sales of new product lines are expanding, we will have to be content with small improvements in financial ratios for the next one to two fiscal years. However, we are expecting marked improvement within the next few years as a result of a sharp increase in positive free cash flow helped by the expansion in earnings from new product lines, and conversion of convertible bond type new share subscription rights issued in October 2003.

We are also moving ahead with preparations to introduce asset-impairment accounting in fiscal 2006, and international accounting standards in fiscal 2008.

(7) Basic Stance Regarding Corporate Governance and Implementation of Measures

Basic Stance Regarding Corporate Governance

Amid remarkable changes in the business management environment, we recognize that it is essential to establish a management structure able to respond to the speed of such change, and implement a corporate governance structure appropriate to international standardization of management and shareholder-focused management.

While paying close attention to the protection of shareholders' rights and equal treatment, we are also focusing our efforts on building positive relationships with other stakeholders. We will continue to seek appropriate disclosure and ensure the transparency of management, and secure the effectiveness of corporate governance through a properly functioning Board of Directors and Board of Auditors.

Implementation of Corporate Governance Measures

1. Introduction of an executive officer system and internal companies

Tokyo Seimitsu introduced the executive officer system and the internal company system in April 2002, dividing the entire company into three internal companies consisting of the Semiconductor Company, Metrology Company, and Administration Company. These three internal companies carry out all operations of Tokyo Seimitsu, and the functions of the head offices were eliminated.

Semiconductor Company and Metrology Company, as fully functioning organizations, are now able to respond to each customer more actively and promptly, while Administration Company is pushing ahead with the rationalization of indirect departments.

A revision of the top management structure was carried out in April 2003, in which the positions of "Chairman and CEO" and "President and COO" were separated. The "Chairman and CEO" was given responsibility for medium- to long-term management strategies, daily operations of each internal company were relegated to each internal company president, while the "President and COO" assumed responsibility for overall operations of the company, clarifying the management execution structure.

2. Assuring the effectiveness of corporate governance

a) In accordance with the introduction of the internal companies system, Tokyo Seimitsu, standing over the internal companies, in theory becomes a company composed only of the Board of Directors. The Board of Directors is the body that makes decisions regarding important corporate operations and supervises the performance of directors. Tokyo Seimitsu's Board of Directors is a hybrid organization, with board members drawn from a variety of corporate backgrounds, and

bringing a wealth of experience from different companies.

- b) Tokyo Seimitsu has adopted the auditor system. Auditors are selected from among representatives of our large shareholding companies, and eminent individuals. Currently, three of the four auditors are outside auditors. Auditors are also concurrently members of the compensation committee and management advisory committee, through which they assess the appropriateness of compensation to board members, and other managerial matters.
- c) The systems for Board of Director and auditors described have selected the best elements of the corporate governance systems in Japan, the United States and Germany. Accordingly, we believe that Tokyo Seimitsu's corporate governance is highly transparent, with clear accountability.

3. Business Performance and Financial Condition

(1) Business Performance

I. Overview of the Fiscal Half-Year Ended September 30, 2004

[Overall Performance]

The semiconductor industry sustained its strong momentum in the interim period, carrying on from the second half of fiscal 2004, owing to brisk sales of camera phones and other digital consumer electronics equipment as well as firm demand for PCs. Semiconductor manufacturers boosted both output and sales and aggressively expanded capital expenditures.

As a reflection of this circumstance, Tokyo Seimitsu's semiconductor manufacturing equipment division enjoyed exceptionally favorable market conditions, leading to growth in sales and profits versus the same period of the previous year in both established and new semiconductor manufacturing equipment business categories. Market conditions in the measuring instruments division were also healthy, buoyed by a rising trend in the Japanese economy, which boosted the auto industry and supported an upward cycle in the machine tool industry of an intensity not seen in a decade. Exports grew, mainly to China and other Asian countries, and supported year-on-year growth in divisional sales and profits.

As a result, interim consolidated orders amounted to ¥ 46,929 million (up 69.5% year on year), net sales were ¥ 45,340 million (up 75 %), ordinary income was ¥ 8,295 million (8.2 times), and net income was ¥ 4,454 million (17.1 times). Tokyo Seimitsu thus posted record sales and profits for a fiscal half-year.

[Operating Highlights by Division]

A. Semiconductor manufacturing equipment

(a) The semiconductor manufacturing equipment division adeptly rode the rising tide of capital investment by semiconductor manufacturers both in Japan and overseas and responded to their needs with carefully tailored marketing activities. Such endeavors were rewarded with interim orders of ¥ 38,488 million (up 94 % year on year) and net sales of to ¥ 36,691 million (up 97.6%). This sharp rise pushed sales to an all-time high.

Divisional operating income amounted to ¥ 6,192 million for the interim period, a major year-on-year improvement reflecting the rise in sales augmented by a lower variable cost ratio resulting from bringing more production in house and cost reduction activities to contain the rise in fixed costs.

Regional overview

By region, the semiconductor manufacturing equipment division posted impressive year-on-year growth in Japan, South Korea, Taiwan, and North America. Demand grew steadily in China, where sales are expanding and future growth looks promising.

Product overview

In Wafer Probing Machines, replacement demand for high-precision Wafer Probing Machine designed for leading-edge devices and new demand for those compliant with 300mm wafers have been surging. This led to record highs in orders, output, and sales, and Tokyo Seimitsu steadily expanded its share as the number one player in the Wafer Probing Machine market.

The “UF3000”, our third-generation Wafer Probing Machine designed for 300mm wafers, has earned a loyal following among device makers as an ultra-high performance machine capable of meeting requirements ranging from small lot production of a large variety of system LSI and other devices to the mass production of memory and similar products. This strong reception has translated into an impressive rise in sales.

Tokyo Seimitsu’s Wafer Dicing Machines have earned an excellent reputation among users, which has underpinned growth in new customers and market share. And as a result, the order and backlog as of end-September 2004 reached an all-time high.

The 300mm-ready Wafer Dicing Machine “A-WD-300T” has been lauded by customers as high-throughput machine and posted year-on-year growth in both orders and sales during the interim period. Further, we booked sales of our MAHOHDICING MACHINE, a new Laser-Dicing Machine recently developed, which began shipping during the interim period.

In Wafer Inspection Systems, the lower cost of ownership and high detection rates that are the hallmarks of the “WIN-WIN 50” series continued to be held in high regard, resulting in repeat orders as well as new business during the interim period. “HA-3000”, a Deep Ultra Violet type machine co-developed with Hitachi High-Technologies Corporation enhances our ability to respond to a wide spectrum of user needs and contributed to further expansion in market share.

In Polish Grinders, our in-house-developed machines have become the de facto standard in the thin wafer market for their unrivalled ability to combine wafer thinness with damage removal functions in a single device. Orders and sales, led by the 300mm-compatible PG300 model, doubled versus the previous interim period, and reached an all-time high.

Interim sales were also up sharply in CMP, driven by the 300mm-compliant “A-FP-310” series. We attribute this growth is to increase awareness and a strong reputation among users of the advantages of the concepts behind and structure of our CMP. We think this business holds substantial growth potential.

(b) In R&D, amid the shift to 300mm wafers and ever-finer design rules, Tokyo Seimitsu’s R&D focus on developing next-generation machines that address market needs in a timely fashion.

In Wafer Dicing Machines, we formed a tie-up with Hamamatsu Photonics K.K. to develop the MAHOHDICING MACHINE, a Laser Dicing Machine that applies the stylus dicing technology developed by that company. This revolutionary machine dices chips without use of blades so that it eliminates damage to the wafer surface and the necessity of washing. It was first introduced to the market during the interim period.

In CMP, we enhanced the functionality and boosted our “A-FP” series lineup, and in June 2004, began sales of the series under the “ChaMP” name.

LEEPL Lithography System under development by our subsidiary LEEPL Corp. is capable of projecting intricate circuit patterns on wafers at 100nm–35nm. The system has been the subject of collaboration with multiple users and is now undergoing full-scale evaluations.

B. Measuring Instrument

(a) In the measuring instrument division, we were successful in expanding sales both in Japan and in export markets owing to an upturn in the Japanese economy and marketing efforts to steadily translate user needs into orders. Divisional orders for the interim period thus amounted to ¥ 8,440 million (up 7.5 % year on year) and net sales were ¥ 8,649 million (up 17.8 %). We worked to cut production costs, which underpinned a 32.5 % rise in operating income, to ¥ 1,964 million.

In Multipurpose Measuring Instruments, the “XYZAX SVA” series launched in fiscal 2004 was developed by melding the analysis and control technologies of Carl Zeiss with Tokyo Seimitsu’s high-rigidity technologies continued to earn a strong reputation for matching users’ needs and posted substantial sales growth during the interim period.

The “SURFCOM” series, Surface Texture and Contour Measuring Instrument, use linear motors to achieve the world’s highest precision while minimizing vibrations. Demand for these instruments surged as users sought conformity with the JIS 2001 standards, which resulted in a sharp increase in sales. Further, the “RONDCOM” series of Cylindrical Form Measuring Instruments — well regarded for their high precision — enjoyed firm sales.

Among In-line Measuring Systems “PULCOM” series and other instruments used in auto parts production lines were in strong demand owing to intensive capital investment in the automotive industry. In addition, the ATC Run-out Detection System, a new product, became the standard at many users.

(b) In R&D, we developed the new XYZAX SVA Fusion series of CNC 3D coordinate measuring machines using Carl Zeiss’s high precision active scanning method and launched sales in April 2004. With this series, a single machine can do all measuring, profile measurement and alignment for a huge range of object shapes and thus substantially shortens the time required for measurement and inspection.

Further, the SURFCOM 2000DX Surface Texture and Contour Measuring Instrument, launched in June 2004, incorporates a newly developed sensor that provides a high level of cost performance by measuring both surface texture and contour simultaneously.

[New plant construction]

Semiconductor Company and Metrology Company started construction on new plants in Hachioji (Western Tokyo) and Tsuchiura (Ibaraki Prefecture) in July 2004. Both plants are scheduled for completion in March 2005.

Semiconductor Company’s plant is designed to boost production capacity in response to a healthy market environment that is supporting steady expansion in orders and sales of both Wafer Probing Machines, Wafer Dicing Machines, and other established products as well as Polish Grinders, CMP and other new product line. Similarly, Metrology Company’s new plant is being built in response to solid expansion in orders and sales of measuring systems against a backdrop of a firm domestic economy.

[Distribution of profits]

Tokyo Seimitsu will pay an interim dividend of ¥15 per share in accordance with our start-of-year

plan, as indicated in the aforementioned policies concerning the distribution of company profits.

II. Outlook for the Second Half and the Full Year

[Overall and Divisional Outlook]

A. Semiconductor manufacturing equipment

The semiconductor market entered an adjustment phase in the second half of fiscal 2005, roughly one quarterly earlier than we had anticipated in May. Yet we believe this adjustment will be comparatively mild, and expect the overall market tone to remain firm due to anticipated rises in demand for 3G mobile phones and digital consumer electronics, as well as growth in electronic devices embedded in automotive systems. We also expect capital investment by semiconductor manufacturers to remain steady, driven in part by serious investment in 300mm wafer-related systems.

As for the operating environment for Tokyo Seimitsu's semiconductor manufacturing equipment division in the second half of fiscal 2005, we think a decline in sales will be unavoidable particularly in the October–December quarter in products in which we enjoy high market shares, namely Wafer Probing Machines, Wafer Dicing Machines, and other established products. That said, newer products in such lines as Wafer Inspection Systems, Polish Grinders, and CMP have been well received by users. These products are expanding their market shares, which we anticipate will lead to a rise in sales.

As a consequence, we forecast net sales in the semiconductor manufacturing equipment division of ¥ 27,800 million for the second half of fiscal 2005 and of ¥ 64,500 million (up 37.1 % year on year) for the full year.

B. Measuring instruments

In the measuring systems division, we anticipate firm demand in Japan from the automotive industry and other users during the second half of fiscal 2005. We also are optimistic for growth in demand overseas, especially in Asia.

Against this backdrop, we aim to accurately grasp users' needs to win new orders. In addition, we anticipate that high-performance machines launched in 2003 and 2004 will contribute to sales growth. As a result we forecast net sales in measuring systems division of ¥ 7,900 million for the second half of fiscal 2005 and of ¥ 16,500 million (up 7.9% year on year) for the full year.

Combining the forecasts mentioned above, we forecast second-half consolidated net sales of ¥ 35,700 million and full-year consolidated net sales of ¥ 81,000 million (up 29.9 % year on year), ordinary income of ¥13,500 million (up 153.3 %), and net income of ¥ 7,000 million.

[Distribution of Profits]

Tokyo Seimitsu intends to maintain its year-end dividend of ¥15 per share (for a full-year dividend of ¥30 per share), in the interests of continuing to pay stable dividends in line with the earnings forecast above and as indicated in the aforementioned policies concerning the distribution of company profits.

(2) Financial Position

Cash and cash equivalents at the end of the interim period amounted to ¥ 10,100 million, a decline of ¥ 2,000 million versus the end of fiscal 2004.

The status of interim cash flows and factors underpinning changes therein are outlined as follows.

Net cash flows from operating activities amounted to ¥ 5,500 million, reflecting income before income taxes and minority interests (¥ 7,800 million), depreciation and amortization (¥ 1,400 million), an increase in trade notes and accounts receivable (¥ 3,400 million), an increase in inventories (¥ 4,100 million), and an increase in trade notes and accounts payable (¥ 5,300 million).

Net cash flows used in investing activities amounted to ¥ 800 million, owing primarily to payments for purchases of property, plant and equipment (¥ 700 million).

Net cash flows used in financing activities amounted to ¥ 6,800 million, reflecting repayment of short-term loans (¥ 4,100 million), proceeds from long-term debt (¥ 700 million), and dividend payments (¥ 500 million).

Owing to strong sales and profits, cash flows from operating activities increased (¥ 5,500 million). Going forward, we expect sales expansion and profit contributions from new products to sustain positive growth in operating cash flows and to help further strengthen Tokyo Seimitsu's financial position.

Trends in cash flow indices are shown below:

	H1 FY2004	FY2004	H1 FY2005
Shareholders' equity ratio (%)	37.2	30.8	34.1
Equity ratio, based on market value (%)	140.2	138.6	118.2
Number of years for amortization (years)	18.1	7.9	2.7
Interest coverage ratio (times)	11.1	19.7	42.5

Shareholders' equity ratio: Shareholders' equity/total assets

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

Number of years for amortization: interest-bearing debt/operating cash flows

Interest coverage ratio: Operating cash flows / interest payments

Notes:

1. All indices are calculated on a consolidated basis based on figures shown in the financial statements.
2. The total market value of equity is calculated by multiplying market price at the balance sheet date by the number of shares outstanding on the balance sheet date.
3. "Operating cash flows" refers to cash flows from operating activities as shown in the consolidated cash flow statements. "Interest-bearing debt" refers to all debts listed in the consolidated balance sheets on which the Company pays interest. "Interest payments" denotes interest payments as reflected in the consolidated cash flow statements.

Cautionary Statements with Respect to Forward-looking Statements

Statements made in this summary with respect to Tokyo Seimitsu's plans and benefits as well as other statements that are not historical facts are forward-looking statements, which involve risks and uncertainties. Potential risks and uncertainties include, without limitation, general economic condition in Tokyo Seimitsu's markets, exchange rates, and Tokyo Seimitsu's ability to continue to win customers' acceptance of its products, which are offered in highly competitive markets characterized by continual new product introductions and rapid developments in technology.

4. Consolidated Interim Balance Sheets

(Millions of yen, rounded down)

Item	FY05 1H	FY04 1H	FY04	Item	FY05 1H	FY04 1H	FY04
Assets				Liabilities			
Current Assets	75,001	60,512	70,944	Current Liabilities	34,014	40,088	33,285
Cash and cash equivalents	10,177	7,403	12,269	Notes and accounts payable, trade	23,233	10,976	17,574
Notes and accounts receivable	30,248	17,940	26,554	Short-term debt	1,365	18,795	5,543
Inventories	33,407	34,112	29,196	Current portion of long-term debt	3,731	5,379	4,311
Consumption tax receivable	377	—	64	Current portion of bonds	200	200	200
Deferred tax assets	373	416	2,289	Income taxes payable	1,323	381	756
Other current assets	468	676	610	Bonus reserve	697	643	646
Allowance for doubtful accounts	(50)	(37)	(40)	Other current liabilities	3,462	3,712	4,252
Fixed Assets	23,309	29,799	23,948	Long-term Liabilities	28,466	14,652	30,301
(Property, plant and equipment)	(12,600)	(15,501)	(12,847)	Bonds	19,750	1,950	19,850
Buildings and structures	5,140	5,488	5,342	Convertible bonds	51	51	51
Equipment and vehicles	2,919	3,665	3,022	Long-term debt	4,491	8,823	6,297
Tools and fixtures	902	817	843	Allowance for employee retirement benefits	3,521	3,293	3,498
Land				Allowance for director retirement benefits	604	486	557
Construction in progress	2,917	2,919	2,919	Deferred tax liabilities	47	47	48
	719	2,609	719	Total Liabilities	62,480	54,741	63,587
(Intangible fixed assets)	(3,146)	(7,097)	(3,756)				
Software	2,673	6,453	3,199	Minority Interests	2,299	1,949	2,122
Other intangible fixed assets	472	644	557				
(Investments and other assets)	(7,562)	(7,200)	(7,343)	Shareholders' Equity			
Investments securities	3,449	2,981	3,311	Capitalization	7,392	7,199	7,199
Long-term loans	454	380	381	Capital surplus	12,017	11,806	11,806
Deferred tax assets	3,057	3,315	3,109	Retained earnings	14,153	14,876	10,273
Other investments	614	569	554	Net unrealized holding gain on securities	41	(190)	57
Other assets				Foreign currency translation adjustment	(16)	(23)	(105)
Allowance for doubtful accounts	(13)	(46)	(12)	Treasury stock	(58)	(48)	(49)
Deferred Assets	0	0	0	Total Shareholders' Equity	33,530	33,621	29,183
Discount on bonds	0	0	0				
Total Assets	98,311	90,311	94,893	Total Liabilities and Shareholders' Equity	98,311	90,311	94,893

5. Consolidated Interim Statements of Income

(Millions of yen, rounded down)

Item		FY05 1H	FY04 1H	FY04	
Ordinary Income	Operating	Net sales	45,340	25,909	62,324
		Cost of sales	30,847	19,910	46,531
		Gross Profit on Sales	14,493	5,998	15,793
		Selling, general and administrative expenses	(6,336)	(4,652)	(9,846)
		Selling expenses	4,850	3,523	7,483
	General expenses	1,485	1,128	2,362	
	Operating Income	8,157	1,345	5,947	
	Non-operating	Non-operating income	(323)	(94)	(146)
		Interest and dividend income	31	14	23
		Other	292	79	122
Non-operation expenses		(185)	(438)	(765)	
Interest expenses		142	153	278	
Other	43	285	486		
Ordinary Income	8,295	1,001	5,328		
Extraordinary Items	Extraordinary gains	(184)	(198)	(380)	
	Gain on sale of investment in securities	68	66	198	
	Other	115	132	182	
	Extraordinary losses	(583)	(205)	(9,772)	
	Loss on revaluation and disposal of inventories	574	–	3,491	
	Loss on sale of fixed assets	–	–	2,216	
	Loss on disposal of software for sale	–	–	3,423	
	Other	9	205	641	
	Income before income taxes and minority interests	7,895	994	(4,064)	
Income taxes	1,207	372	1,044		
Income tax adjustment	2,001	264	(1,598)		
Minority interests	232	98	273		
Interim net income (loss)	4,454	259	(3,783)		

6. Interim Consolidated Statement of Retained Earnings

(Millions of yen, rounded down)

Item	FY05 1H	FY04 1H	FY04
CAPITAL SURPLUS			
Capital surplus at the beginning of the period	11,806	11,806	11,806
Increases in capital surplus	211	—	—
New stock issues due to exercise of subscription rights	211	—	—
Decreases in capital surplus	—	—	—
Capital surplus at the end of the period	12,017	11,806	11,806
RETAINED EARNINGS			
Retained earnings at the beginning of the period	10,273	15,191	15,191
Increases in retained earnings	4,454	259	—
Net income	4,454	259	—
Decreases in retained earnings	574	573	4,917
Net loss	—	—	3,783
Cash dividends	560	560	1,120
Directors' bonus	14	12	12
Retained earnings at the end of the period	14,153	14,876	10,273

7. Interim Consolidated Statement of Cash Flows

(Millions of yen, rounded down)

Item	FY05 1H	FY04 1H	FY04
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	7,895	994	(4,064)
Depreciation and amortization	1,470	1,730	2,749
Amortization of consolidation goodwill	40	40	80
Changes in provision for employee bonuses	23	186	391
Changes in provision for directors' bonuses	47	25	95
Changes in provision for doubtful accounts	9	(4)	(35)
Interest and dividend income	(31)	(14)	(23)
Interest expense	142	153	278
Loss on sale of property, plant and equipment	1	0	2,216
Loss on revaluation of investment securities and golf club memberships	9	18	84
Loss on disposal of software for sale	—	—	3,423
Gain on sale of investment securities	(68)	(66)	(198)
Changes in accounts receivable	(3,493)	(1,905)	(10,612)
Changes in inventories	(4,105)	(417)	3,150
Changes in purchase liabilities	5,304	(24)	6,808
Payments of directors' bonuses	(14)	(12)	(12)
Other income and expenses from operating activities	(913)	997	1,388
Subtotal	6,317	1,698	5,721
Interest and dividends received	31	14	23
Interest expenses paid	(149)	(154)	(290)
Income taxes paid	(644)	(587)	(883)
Net cash from operating activities	5,554	970	4,569
Cash flows from investing activities			
Investments in term deposits	(11)	(10)	(20)
Payments from term deposits	10	10	20
Acquisition of investment securities	(222)	0	(81)
Sale of investment securities	116	218	474
Investment in affiliated companies	(21)	—	—
Acquisition of fixed assets	(717)	(1,157)	(1,978)
Sale of fixed assets	62	340	1,741
Execution of loans	(376)	(338)	(356)
Redemption of loans	303	14	31
Net cash from investing activities	(857)	(923)	(167)
Cash flows from financing activities			
Net change in short-term borrowing	(4178)	(650)	(13,877)
Execution of long-term debt	700	3,800	4,100
Repayment of long-term debt	(3084)	(1,341)	(5,235)
Issuance of bonds	—	—	18,000
Redemption of bonds	(100)	(100)	(200)
Exercise of rights for new stock issues	383	—	—
Cash dividends paid	(560)	(560)	(1,120)
Other expenses for financing activities	(8)	(1)	(3)
Net cash from financing activities	(6847)	1,145	1,662
Cash and cash equivalents translation difference	58	(10)	(16)
Change in cash and cash equivalents	(2,092)	1,182	6,048
Cash and cash equivalents at the beginning of the period	12,242	6,193	6,193
Cash and cash equivalents at the end of the period	10,149	7,376	12,242

8. Basis of Preparation of the Interim Consolidated Financial Statements

1. Scope of Consolidation

- (1) Consolidated subsidiaries (8 companies)
Tosei Engineering Corp.; Tosei Systems Co., Ltd.; Accretech Micro Technologies Co., Ltd.; Accretech Create Corp.; Accretech Finance Co., Ltd.; LEEPL Corp.; Accretech USA, Inc.; Accretech (Europe) GmbH
- (2) Non-consolidated subsidiaries (8 companies)
Tosei Box Corp.; Accretech (Malaysia) Sdn, Bhd.; Accretech (Israel) Ltd.; Accretech (Singapore) Pte Ltd.; Accretech Micro Technologies Korea Co., Ltd; Accretech (China) Co., Ltd.; Tosei Measuring (Pinghu) Co., Ltd.; Tosei (Thailand) Co., Ltd.

The reason these eight companies are excluded from the scope of consolidation is that they are small companies, their combined assets, sales, net income and retained earnings is also small, and does not have a significant impact on the interim financial statements.

2. Application of the Equity Method

The eight non-consolidated subsidiaries and affiliated company Sanmenxia Zhongyuan Tokyo Seimitsu Co., Ltd., to which the equity method is not applied, each have only a minor impact on interim consolidated net income and consolidated retained earnings. Their overall importance is minimal, so investment in these companies is accounted for by the cost method rather than the equity method.

3. Interim Settlement Date of Consolidated Subsidiaries

The interim settlement date for consolidated subsidiaries is the same as that of Tokyo Seimitsu's interim consolidated settlement date.

4. Accounting Standards

- (1) Valuation standards and methods for significant assets
 - (a) Investment securities
Other investment securities
Marketable securities..... Market value method based on the market price at the end of the interim consolidated accounting period. (The valuation difference is directly charged, and the cost of securities sold is calculated using the cost method based on the moving-average method.)
Non-marketable securities..... Adoption of the cost method based on the moving-average method.
 - (b) Inventories
Products, manufactured goods, materials and inventories of Tokyo Seimitsu and its domestic consolidated subsidiaries are accounted for by the cost method based on the first-in, first-out method. Work-in-progress is accounted for the cost method based on the identified cost method.
- (2) Depreciation method of significant depreciable assets
 - (a) Property, plant and equipment
Tokyo Seimitsu and its domestic consolidated subsidiaries use the fixed rate method.
Buildings acquired after April 1, 1998 (except equipment with attached buildings),

however, are amortized using the straight-line method.

(b) Intangible fixed assets

Software for the purpose of sale is amortized using a method based on the projected sales volume, or the straight-line method based on the remaining period of validity. Software for use in the Company is amortized by the straight-line method, based on the availability period within the Company.

Other intangible fixed assets are amortized by the straight-line method.

(3) Accounting standards for significant allowances and reserves

(a) Allowance for doubtful accounts

To provide against losses resulting from bad debt, for general accounts, general allowances are provided using a rate determined by past bad debts experience. Specific allowances are also provided for the estimated amounts considered to be uncollectible after reviewing individual collectibility of certain doubtful accounts.

(b) Bonus reserve

To provide for payment of bonuses to employees, accrued bonuses are recorded in an amount expected to be paid.

(c) Allowance for employee retirement benefits

To provide for the employees' retirement benefits, allowance for employee retirement benefits is recorded based on the projected retirement benefit obligations and related plan assets as of the current consolidated fiscal year end. Accounting differences are expensed proportionally from the following consolidation fiscal year based on a fixed number of years (10 years) within the average remaining service years of the employee in each consolidated fiscal year incurred.

(d) Allowance for director retirement benefits

To provide for expected payments for retirement benefits for directors at the time of their retirement, an allowance is recorded in a forecast amount at the end of the interim consolidated accounting period, based on internal regulations.

(4) Accounting method for significant lease transactions

Financial lease transactions, except for those in which the rights held in leased properties may be transferred to the lease holder, are accounted for based on a method related to ordinary lease transactions.

(5) Accounting of consumption tax

Consumption tax and local consumption tax is accounted for using the tax excluded method.

5. Scope of Funds in the Interim Consolidated Cash Flow Statements

Funds (cash and cash equivalents) in the interim consolidated cash flow statements include cash on hand, deposits receivable on demand, and funds easily encashable, as well as short-term investments for which there is a minimal risk of price fluctuation, and the forthcoming redemption period is within three months of the acquisition date.

9. Segment Information

(1) Business segments

FY 2005 Interim (April 1, 2004 – September 30, 2004)

(Millions of yen, rounded down)

	Semiconductor manufacturing equipment	Measuring systems	Total	Eliminations and Corporate	Consolidated
Net sales and operating income					
(1) Sales to customers	36,691	8,649	45,340	—	45,340
(2) Intersegment sales or transfers	—	—	—	(—)	—
Total	36,691	8,649	45,340	(—)	45,340
Operating expenses	30,498	6,684	37,183	(—)	37,183
Operating income	6,192	1,964	8,157	(—)	8,157

FY 2004 Interim (April 1, 2003 – September 30, 2003)

(Millions of yen, rounded down)

	Semiconductor manufacturing equipment	Measuring systems	Total	Eliminations and Corporate	Consolidated
Net sales and operating income					
(1) Sales to customers	18,565	7,343	25,909	—	25,909
(2) Intersegment sales or transfers	—	—	—	(—)	—
Total	18,565	7,343	25,909	(—)	25,909
Operating expenses	18,703	5,860	24,563	(—)	24,563
Operating income (loss)	(137)	1,483	1,345	(—)	1,345

FY 2004 (April 1, 2003 – March 31, 2004)

(Millions of yen, rounded down)

	Semiconductor manufacturing equipment	Measuring systems	Total	Eliminations and Corporate	Consolidated
Net sales and operating income					
(1) Sales to customers	47,045	15,279	62,324	—	62,324
(2) Intersegment sales or transfers	—	—	—	(—)	—
Total	47,045	15,279	62,324	(—)	62,324
Operating expenses	44,272	12,104	56,377	(—)	56,377
Operating income	2,772	3,174	5,947	(—)	5,947

(2) Geographical segments

FY 2005 Interim (April 1, 2004 – September 30, 2004)

(Millions of yen, rounded down)

	Japan	U.S.	Germany	Total	Eliminations and Corporate	Consolidated
Net sales and operating income						
(1) Sales to customers	37,664	4,552	3,123	45,340	-	45,340
(2) Intersegment sales or transfers	4,513	-	-	4,513	(4,513)	-
Total	42,178	4,552	3,123	49,854	(4,513)	45,340
Operating expenses	34,423	4,516	2,809	41,749	(4,566)	37,183
Operating income	7,755	35	314	8,105	52	8,157

FY 2004 Interim (April 1, 2003 – September 30, 2003)

(Millions of yen, rounded down)

	Japan	U.S.	Germany	Total	Eliminations and Corporate	Consolidated
Net sales and operating income						
(1) Sales to customers	22,446	1,863	1,599	25,909	-	25,909
(2) Intersegment sales or transfers	2,203	-	-	2,203	(2,203)	-
Total	24,650	1,863	1,599	28,112	(2,203)	25,909
Operating expenses	23,286	2,015	1,539	26,841	(2,277)	24,563
Operating income (loss)	1,364	(151)	59	1,271	74	1,345

FY 2004 (April 1, 2003 – March 31, 2004)

(Millions of yen, rounded down)

	Japan	U.S.	Germany	Total	Eliminations and Corporate	Consolidated
Net sales and operating income						
(1) Sales to customers	53,210	5,738	3,375	62,324	-	62,324
(2) Intersegment sales or transfers	6,365	-	-	6,365	(6,365)	-
Total	59,575	5,738	3,375	68,689	(6,365)	62,324
Operating expenses	53,804	5,721	3,252	62,779	(6,402)	56,377
Operating income	5,770	16	122	5,909	37	5,947

(3) Sales to foreign customers

FY 2005 Interim (April 1, 2004 – September 30, 2004)

(Millions of yen, rounded down)

	East Asia	North America	Europe	Other	Total
Overseas sales	14,429	4,771	3,112	1,943	24,257
Consolidated sales					45,340
Overseas proportion of sales	31.8%	10.5%	6.9%	4.3%	53.5%

FY 2004 Interim (April 1, 2003 – September 30, 2003)

(Millions of yen, rounded down)

	East Asia	North America	Europe	Other	Total
Overseas sales	5,317	1,608	1,952	1,200	10,078
Consolidated sales					25,909
Overseas proportion of sales	20.5%	6.2%	7.5%	4.7%	38.9%

FY 2004 (April 1, 2003 – March 31, 2004)

(Millions of yen, rounded down)

	East Asia	North America	Europe	Other	Total
Overseas sales	16,774	5,311	3,838	2,983	28,908
Consolidated sales					62,324
Overseas proportion of sales	26.9%	8.5%	6.2%	4.8%	46.4%

10. Production, Orders and Sales

(1) Production

(Millions of yen, rounded down)

Business Segment	FY 2005 Interim (April 1, 2004 – September 30, 2004)	FY 2004 Interim (April 1, 2003 – September 30, 2003)	FY 2004 (April 1, 2003 – March 31, 2004)
Semiconductor manufacturing equipment	37,830	18,393	47,766
Measuring systems	8,645	7,366	15,473
Total	46,476	25,759	63,239

Note: Amounts shown are based on the sales price (excluding consumption tax).

(2) Orders

(Millions of yen, rounded down)

Business Segment	FY 2005 Interim (April 1, 2004 – September 30, 2004)		FY 2004 Interim (April 1, 2003 – September 30, 2003)		FY 2004 (April 1, 2003 – March 31, 2004)	
	Received	Backlog	Received	Backlog	Received	Backlog
Semiconductor manufacturing equipment	38,488	16,617	19,840	8,487	54,653	14,821
Measuring systems	8,440	3,356	7,853	2,717	16,635	3,564
Total	46,929	19,974	27,693	11,205	71,289	18,385

Note: Amounts shown are based on the sales price (excluding consumption tax).

(3) Sales

(Millions of yen, rounded down)

Business Segment	FY 2005 Interim (April 1, 2004 – September 30, 2004)	FY 2004 Interim (April 1, 2003 – September 30, 2003)	FY 2004 (April 1, 2003 – March 31, 2004)
Semiconductor manufacturing equipment	36,691	18,565	47,045
Measuring systems	8,649	7,343	15,279
Total	45,340	25,909	62,324

Note: Amounts shown are based on the sales price (excluding consumption tax).

11. Market Value of Securities

(1) Market value of securities

Marketable securities

(Millions of yen, rounded down)

	FY 2005 Interim (April 1, 2004 – September 30, 2004)			FY 2004 Interim (April 1, 2003 – September 30, 2003)			FY 2004 (April 1, 2003 – March 31, 2004)		
	Cost	Interim balance sheet amount	Difference	Cost	Interim balance sheet amount	Difference	Cost	Interim balance sheet amount	Difference
Other marketable securities									
Stocks	2,443	2,531	87	2,452	2,145	(306)	2,328	2,448	120
Total	2,443	2,531	87	2,452	2,145	(306)	2,328	2,448	120

Non-marketable securities

(Millions of yen, rounded down)

	FY 2005 Interim (April 1, 2004 – September 30, 2004)	FY 2004 Interim (April 1, 2003 – September 30, 2003)	FY 2004 (April 1, 2003 – March 31, 2004)
	Interim balance sheet amount	Interim balance sheet amount	Interim balance sheet amount
Other marketable securities			
Non-marketable securities	918	836	862
Total	918	836	862

12. Related-Party Transactions

There were no related-party transactions during the fiscal 2005 interim period (April 1, 2004 to September 30, 2004)