

# Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2010



February 12, 2010

Company Name  **Tokyo Seimitsu Co., Ltd.**

ACCRETECH

Code number: 7729

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

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Stock Listing: First Section TSE

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(Million Yen, rounded down)

## 1. Consolidated Results for 3Q of FY 2010 (April 1, 2009 – December 31, 2009)

(1) Consolidated sales and earnings (Percentage figures represent changes from the 2<sup>nd</sup> quarter of the previous year)

	Net Sales (Millions of Yen)		Operating Income (Millions of Yen)		Ordinary Income (Millions of Yen)		Net Income (Millions of Yen)	
FY2010 3Q	18,168	-54.1%	-2,601	—	-2,964	—	-4,517	—
FY2009 3Q	39,614	-42.8%	1,025	—	583	—	-8,853	—

	Net Income per Share (Yen)		Net Income per Share (diluted) (Yen)	
FY2010 3Q	-111.98		-	
FY2009 3Q	-220.22		-	

(2) Consolidated financial position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Equity Ratio (%)	Net Assets per Share (Yen)
FY2010 3Q	66,598	37,962	56.8%	917.69
FY2009	81,831	40,830	49.4%	1,005.30

Notes: Equity in FY10 3Q: 37,817 million yen; in Full Year FY09 40,422 million yen.

## 2. Dividends

	Per Share Dividend(yen)				
	1Q	2Q	3Q	4Q	Full Year
FY2009	-	15.00	-	0.00	15.00
FY2010	-	0.00	-		
FY2010 (Projected)				0.00	0.00

Note: Changes due to revision of dividend projection: Yes

No dividend will be paid in FY2010 due to recent business conditions.

## 3. Forecast for FY 2010 (April 1, 2009-March 31, 2010)

(Percentage figures represent changes from the previous year)

	Net Sales (Millions of Yen)		Operating Income (Millions of Yen)		Ordinary Income (Millions of Yen)		Net Income (Millions of Yen)		Net Income per Share (yen)	
Full Year	29,000	-36.6%	-2,000	-	-2,500	-	-4,300	-	-106.01	

Note: Revisions to consolidated earnings forecast this quarterly: Yes

The Company has revised projections for its consolidated financial results for FY2010 from forecasts previously announced on Oct 14th 2009.

#### **4. Others**

- (1) Significant changes in subsidiaries during the period under review (changes in specific subsidiaries involving changes in scope of consolidation): No
- (2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting principles, procedures, method of presentation and other matters associated with preparation of consolidated financial statements (basic matters for preparation of consolidated financial statements)
  - 1) Changes due to revision of accounting standards, etc.: No
  - 2) Changes other than 1): No.
- (4) Number of shares outstanding (common shares)
  - 1) Number of shares outstanding at end of period (including treasury shares):  
FY2010 3Q: 41,241,081 shares; FY2009: 40,240,581 shares
  - 2) Number of treasury shares at end of period:  
FY2010 3Q: 31,484 shares; FY2009: 31,171 shares
  - 3) Average Number of shares outstanding during the period (cumulative for period, consolidated):  
FY2010 3Q: 40,343,733 shares; FY2009 3Q: 40,201,524 shares

#### **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 projects are subject to a number of risks and uncertainties, including market conditions, competition, and the global state of the semiconductor industry. Accordingly, actual results may differ materially from those projected in this earnings summary.

## [Analysis of Business Performance]

### 1. Overview of Business Performance for 3<sup>rd</sup> quarter of Fiscal Year 2010

In the 3<sup>rd</sup> quarter of FY2010 (ending March, 2010), a recovery from the worldwide recession, sparked by the US financial crisis, was clearly seen through increases in demand in many economies, especially Asian emerging countries such as China. Increases in factory utilization in various industries were observed and suspended capital investment programs have been partially revamped.

Semiconductor manufacturers' utilization ratios also seemed to show signs of recovery and their trend towards resuming capital investments has gradually accelerated. Therefore, orders in the area of SPE products in the 3<sup>rd</sup> quarter of FY2010 improved from the previous fiscal quarter. Sales, however, were slightly decreased from the previous fiscal quarter.

Across the automobile industry, which is major user of Metrology products, recovery mainly through demand for eco-friendly vehicles seems clearly to be underway affecting both manufacturing and sales of new vehicles but this has not yet flowed on as strongly to new capital investment. On the other hand, capital investment by Small and Medium Enterprises has been slightly boosted through government stimulus measures. Therefore, orders in the area of Metrology products in the 3<sup>rd</sup> quarter of FY2010 were improved from the previous fiscal quarter. Sales were slightly decreased from the previous fiscal quarter.

Consequently, Consolidated Sales from 1<sup>st</sup> to 3<sup>rd</sup> quarter of FY 2010 (April, 2009 – December, 2009) were ¥18.168 billion, down 54.1% from the same term of FY 2009, Operating Losses were ¥2.601 billion, and Ordinary Losses were ¥2.964 billion.

Net Loss was ¥4.517 billion primarily due to a Reversal of a reserve for loss on business liquidation of ¥222 million, a Loss on impairment of long-lived assets (by re-assignment of land and properties in Mitaka City, Tokyo) of ¥137 million, and a Loss on valuation of investment securities of ¥121 million.

Business results in each segment are as follows.

#### [SPE Business]

The resumption of semiconductor manufacturers' capital investment in the period did allow us to make some more positive gains in the term, therefore, both orders and sales of Wafer Probing Machines, Wafer Dicing Machines, and Polish Grinders in Taiwan, China, and South East Asia in this term were comparatively stabilized. The consolidated results for this business from 1<sup>st</sup> to 3<sup>rd</sup> quarter of FY 2010 were Sales of ¥11.485 billion; down 48.9% from the same term of FY 2009, and an Operating Loss of ¥2.906 billion. Orders for this business in this term were ¥14.501 billion (down 12.4% from same term of FY 2009).

#### [Metrology Business]

The Company has focused on strengthening business to the sectors of Aircraft, Energy Generation Equipment, public office use, and Small and Medium Enterprises, and increasing overseas sales, especially to emerging countries in order to compensate for the low capital investment demand from the automobile sector, traditionally our major customer group. The consolidated results for this business from 1<sup>st</sup> to 3<sup>rd</sup> quarter of FY 2010 were Sales of ¥6.683 billion (down 61.0% from same term of FY 2009), and Operating Income of ¥304 million. Orders for this business in this term were ¥7.120 billion (down 54.2% from same term of FY 2009).

### 2. Analysis of Financial Position

Total Assets as of December 31, 2009, amounted to ¥66.598 billion, a decrease of ¥15.233 billion from the end of FY2009 (ended March 31, 2009). The major factors behind this decrease include a decrease in Cash and cash equivalents of ¥7.664 billion, a decrease in Inventories of ¥2.948 billion, and a decrease of Notes and accounts receivable of ¥1.219 billion.

Total Liabilities were down ¥12.365 billion from the end of FY2009 (ended March 31, 2009), to ¥28.635 billion. This was mainly because of a ¥9.019 billion decrease in Long and short term debt, and a decrease in the Allowance for employee retirement benefits of ¥1.121 billion.

Net Assets totaled ¥37.962 billion, down ¥2.867 billion from the end of FY2009 (ended March 31, 2009), mainly because of a decrease in Retained earnings of ¥4.517 billion, and an increase of Common stock and Capital surplus of ¥1.095 billion.

### [Consolidated Cash Flows]

Net cash from operating activities was ¥409 million. The major components of this were a decrease in Inventories of ¥2.983 billion, a Loss before income taxes and minority interests of ¥2.812 billion, Depreciation and amortization of ¥1.562 billion, a decrease in Trade notes and accounts payable of ¥1.179 billion, and a decrease in Allowance for employee retirement benefits of ¥1.121 billion.

Net cash from investment activities was ¥203 million. This was mainly influenced by Proceeds from sales of tangible assets of ¥264 million.

Net cash from financing activities was ¥ -8.295 billion. The major item in this was a decrease in Short-term loans payable of ¥8.304 billion, Repayment of long-term debt of ¥4.715 billion, Proceeds from issuance of corporate bonds of ¥3.000 billion, and Proceeds from long-term debt of ¥1.000 billion.

Resulting from the items above, Cash and Cash Equivalents at the end of the 3<sup>rd</sup> quarter of FY2010 under review amounted to ¥9.921 billion, a decrease of ¥7.665 billion from the end of FY2009 (ended March 31, 2009).

### 3. Forecasts for current Fiscal Year

The Company has revised projections for its consolidated financial results for FY2010 from forecasts previously announced on Oct 14<sup>th</sup> 2009, including an increase in Sales, Operating income, and Ordinary income.

#### Forecast for FY 2010 (April 1, 2009-March 31, 2010)

	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income (Millions of Yen)	Net Income Per Share (Yen)
Previous Forecast (Announced on Oct 14 <sup>th</sup> , 2009)	27,000	-2,300	-2,700	-4,300	-106.94
Revised Forecast (B)	29,000	-2,000	-2,500	-4,300	-106.01
Change (B-A)	2,000	300	200	0	0.93
Change Ratio (%)	7.4%	-	-	-	
Results for the FY 2009 Full Year Ended Mar 31 <sup>st</sup> , 2009	45,741	-2,466	-2,838	-11,198	-278.55

#### 4. Others

- (1) Significant changes in subsidiaries during the term under review (changes in specific subsidiaries involving changes in scope of consolidation): None.
- (2) Changes in accounting principles, procedures, method of presentation and other matters associated with preparation of quarterly consolidated financial statements.

##### 1, Application of simplified accounting procedure

###### 1) Evaluation of Inventory:

For the calculation of term-end Inventory, the company omitted the actual inventory counting and calculated them on the rational method based on the number actually counted at the previous fiscal year end.

###### 2) Calculation method of depreciation for Fixed Assets.

For fixed assets using the constant ratio depreciation calculation, depreciation was calculated by allocation of that of the full year.

###### 3) Calculation method of deferred tax assets and deferred tax liabilities.

2, Accounting procedures specific to the preparation of quarterly consolidated financial statements: None.

- (3) Change of accounting principles, procedures, and methods of presentation on Quarterly Consolidated Financial Statements: None.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

Millions of Yen

	FY2010 3QE (Dec 31, 2009)	FY2009E (Mar 31, 2009)
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	9,949	17,614
Notes and accounts receivable	10,641	11,860
Merchandise and finished goods	1,537	1,429
Work in progress	11,055	13,659
Raw materials and supplies	2,419	2,870
Others	2,022	3,090
Allowance for doubtful accounts	- 139	- 269
Total Current Assets	37,485	50,256
Fixed Assets		
Tangible Fixed Assets		
Building and structures(net)	8,078	8,945
Others(net)	10,007	11,002
Total Tangible Fixed Assets	18,085	19,948
Intangible Fixed Assets		
Goodwill	1,913	2,162
Others	644	742
Total Intangible Fixed Assets	2,558	2,905
Investments and other assets		
Others	9,236	9,492
Allowance for doubtful accounts	- 767	- 770
Total Investments and other assets	8,469	8,721
Total Fixed Assets	29,113	31,575
Total Assets	66,598	81,831

Millions of Yen

	FY2010 3QE (Dec 31, 2009)	FY2009E (Mar 31, 2009)
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable	5,847	5,272
Short-term debt	1,300	9,604
Income taxes payable	55	68
Allowance reserve	291	691
Others	5,933	9,225
Total Current Liabilities	13,429	24,862
Long-term Liabilities		
Corporate bonds	3,000	—
Long-term debt	8,868	11,441
Allowance for employee retirement benefits	2,283	3,405
Allowance for director retirement benefits	111	104
Others	943	1,187
Total Long-term Liabilities	15,206	16,139
Total Liabilities	28,635	41,001
<b>NET ASSETS</b>		
Shareholder's Equity		
Common Stock	10,198	9,650
Capital Surplus	21,216	20,668
Retained earnings	6,982	11,500
Treasury Stock	- 107	- 107
Total Shareholder's Equity	38,289	41,712
Accumulated gains from valuation and translation adjustments		
Holding Gain or loss in investment	- 315	- 963
Foreign currency translation adjustment	- 155	- 326
Total Accumulated gains from valuation and translation adjustments	- 471	- 1,289
Share subscription rights	145	408
Total Net Assets	37,962	40,830
Total Liabilities and Net Assets	66,598	81,831

## (2) Consolidated Statements of Income

Millions of Yen

	<b>FY2009 3Q</b> (April 1, 2008 - Dec 31, 2008)	<b>FY2010 3Q</b> (April 1, 2009 - Dec 31, 2009)
Net Sales	39,614	18,168
Cost of Sales	30,665	16,573
Gross Profit on Sales	8,949	1,595
Selling, general and administrative expenses		
Selling expenses	5,987	2,862
General expenses	1,935	1,334
Total Selling, general and administrative expenses	7,923	4,196
Operating Income (or Loss)	1,025	- 2,601
Non-operating income		
Interest	15	9
Dividend income	214	117
Proceeds from government grants for employment promotion	—	133
Others	47	235
Total Non-operating income	278	495
Non-operating expenses		
Interest expenses	247	351
Financing expenses	—	275
Foreign exchange loss	299	167
Others	173	64
Total Non-Operating Expenses	721	858
Ordinary Income (or Loss)	583	- 2,964
Extraordinary gains		
Invalidation of share subscription rights	2	186
Reversal of reserve for loss on business liquidation	—	222
Gain on sales of investment securities	—	1
Total Extraordinary gains	2	410
Extraordinary losses		
Loss on impairment of long-lived assets	—	137
Loss on valuation of investment securities	—	121
Loss on valuation of inventories	2,519	—
Loss on liquidation of business	4,654	—
Loss on business of affiliates	2,312	—
Others	229	—
Total Extraordinary Losses	9,716	258
Loss before income taxes and minority interests	- 9,131	- 2,812
Income tax and other taxes	791	229
Adjustment on income tax	- 1,069	1,475
Total Income tax and others	- 278	1,705
Net loss	- 8,853	- 4,517

### (3) Consolidated Statements of Cash Flows

Millions of Yen

	FY2009 3Q (April 1, 2008 - Dec 31, 2008)	FY2010 3Q (April 1, 2009 - Dec 31, 2009)
<b>Cash flows from operating activities:</b>		
Income(Loss) before income taxes and minority interests (-:Loss)	- 9,131	- 2,812
Depreciation and amortization	1,760	1,562
Loss on impairment of long-lived assets	—	137
Amotization of goodwill	249	249
Stock related expense	55	19
Change in allowance for employee retirement benefits (-: decrease)	167	- 1,121
Change in allowance for director retirement benefits (-: decrease)	- 4	6
Change in allowance for doubtful accounts (-: decrease)	342	- 125
Change in reserve for loss on business liquidation (-: decrease)	—	- 231
Interest and dividend income	- 230	- 126
Interest expense	247	321
Gain on reversal of subscription rights	—	- 186
Loss (profit) on revaluation of investments in securities (-:profit)	203	121
Loss on business of affiliates	924	—
Change in trade notes and accounts receivable (-: increase)	12,704	1,179
Change in inventories (-: increase)	7,599	2,983
Change in trade notes and accounts payable (-:decrease)	- 8,431	603
Others	- 1,304	- 1,626
Subtotal	5,153	953
Proceeds from interest and dividend income	230	52
Payment of interest	- 189	- 361
Payment of income taxes	- 2,467	- 235
Net cash provided by operating activities	2,727	409
<b>Cash flows from investing activities:</b>		
Payment for time deposits	- 11	- 11
Proceeds from time deposits	11	11
Payment for purchase of tangible assets	- 2,865	- 109
Proceeds from sales of tangible assets	2	264
Payment for purchase of intangible assets	- 235	- 3
Payment for purchase of investment securities	- 6	- 1
Proceeds from sales of investment securities	7	66
Payment for loans receivable	- 19	- 17
Proceeds from collection of loans receivable	5	4
Others	—	0
Net cash used in investing activities	- 3,111	203
<b>Cash flows from financing activities:</b>		
Change in short-term loans payable (- : decrease)	3,552	- 8,304
Proceeds from long-term debt	13,000	1,000
Repayment of long-term debt	- 2,281	- 4,715
Proceeds from issuance of Corporate bonds	—	3,000
Redemption of Corporate bonds	- 13,965	—
Proceeds from issuance of common stock	—	999
Repayment of lease liability	- 264	- 275
Dividend payments	- 2,210	—
Others	- 1	0
Net cash provided by (used in) financing activities	- 2,171	- 8,295
Effect of exchange rate changes on cash and cash equivalents	- 327	17
Net increase (-: decrease) in cash and cash equivalents	- 2,882	- 7,664
Cash and cash equivalents at beginning of fiscal year	15,665	17,586
Cash and cash equivalents at end of third quarter	12,782	9,921

#### (4). Segment Information

##### (a) Business segments

#### FY 2009 3Q (April 1, 2008 – Dec 31, 2008)

(Millions of yen)

	SPE business	Metrology business	Total	Corporate and elimination	Consolidation
I. Sales and operating income:					
1. Sales and operating income:	22,466	17,148	39,614	—	39,614
2. Intersegment sales to transfer	—	—	—	(—)	—
Total	22,466	17,148	39,614	(—)	39,614
Operating Income (or Loss)	- 2,293	3,319	1,025	—	1,025

Notes: 1. The Company's business segments are determined with consideration of product types and properties, as well as similarities in the selling markets and other factors.

2. Primary products of each business segment

(1) SPE business

Wafer inspection systems, CMPs, polish grinders, wafer probing machines, wafer dicing machines, and wafer manufacturing machines

(2) Metrology business

Roundness and cylindrical profile measuring instruments, surface texture and contour measuring instruments, 3D coordinate measuring machines, electric micrometers, machine control gauges, various automated measuring, sorting, and assembling machines

#### FY 2010 3Q (April 1, 2009 – Dec 31, 2009)

(Millions of yen)

	SPE business	Metrology business	Total	Corporate and elimination	Consolidation
I. Sales and operating income:					
1. Sales and operating income:	11,485	6,683	18,168	—	18,168
2. Intersegment sales to transfer	—	—	—	(—)	—
Total	11,485	6,683	18,168	(—)	18,168
Operating Income (or Loss)	- 2,906	304	- 2,601	—	- 2,601

Notes: 1. The Company's business segments are determined with consideration of product types and properties, as well as similarities in the selling markets and other factors.

2. Primary products of each business segment

(1) SPE business

Wafer probing machines, wafer dicing machines, polish grinders, wafer manufacturing machines, and CMPs

(2) Metrology business

Roundness and cylindrical profile measuring instruments, surface texture and contour measuring instruments, 3D coordinate measuring machines, electric micrometers, machine control gauges, various automated measuring, sorting, and assembling machines

**(b) Geographical segments****FY 2009 3Q (April 1, 2008 – Dec 31, 2008)**

(Millions of Yen)

	Japan	U.S.	Germany	Korea	Total	Corporate and elimination	Consolidation
I. Sales and operating income:							
1. Sales to third parties	35,503	2,433	1,484	193	39,614	—	39,614
2. Intersegment sales to transfer	2,749	92	6	229	3,078	(3,078)	—
Total	38,253	2,526	1,491	422	42,692	(3,078)	39,614
Operating Income(or Loss)	1,365	- 466	- 6	59	952	73	1,025

Notes: 1. Method of determining country segments

Country segments are determined based on the regional independence of the business activities.

**FY 2010 3Q (April 1, 2009 – Dec 31, 2009)**

(Millions of Yen)

	Japan	U.S.	Germany	Korea	Total	Corporate and elimination	Consolidation
I. Sales and operating income:							
1. Sales to third parties	16,342	997	568	260	18,168	—	18,168
2. Intersegment sales to transfer	1,007	—	—	158	1,166	(1,166)	—
Total	17,349	997	568	419	19,334	(1,166)	18,168
Operating Loss	- 2,523	- 93	11	3	- 2,601	—	- 2,601

Notes: 1. Method of determining country segments

Country segments are determined based on the regional independence of the business activities.

**(c) Overseas Sales****FY 2009 3Q (April 1, 2008 – Dec 31, 2008)**

(Millions of yen)

	East Asia	South East Asia	Europe	North America	Other regions	Total
Overseas sales	9,015	3,386	1,872	1,394	367	16,037
Consolidated sales	—	—	—	—	—	39,614
Ratio of overseas sales to consolidated sales (%)	22.8	8.6	4.7	3.5	0.9	40.5

Notes: 1. Overseas sales are the sales of the Company and its consolidated subsidiaries in countries and regions outside Japan.

2. Method of classifying countries and regions, and primary countries and regions in each category

(1) Countries and regions are determined according to geographical proximity.

(2) Primary countries and regions in each category

East Asia: Korea, Taiwan, and China

South East Asia: Singapore, Malaysia, and Philippines

Europe: Germany, UK, and Italy

North America: USA and Canada

Other regions: India, Brazil, and Mexico

**FY 2010 3Q (April 1, 2009 – Dec 31, 2009)**

(Millions of yen)

	East Asia	South East Asia	North America	Europe	Other regions	Total
Overseas sales	6,862	1,660	993	609	162	10,288
Consolidated sales	—	—	—	—	—	18,168
Ratio of overseas sales to consolidated sales (%)	37.8	9.1	5.5	3.3	0.9	56.6

Notes: 1. Overseas sales are the sales of the Company and its consolidated subsidiaries in countries and regions outside Japan.

2. Method of classifying countries and regions, and primary countries and regions in each category

(1) Countries and regions are determined according to geographical proximity.

(2) Primary countries and regions in each category

East Asia: Korea, Taiwan, and China

South East Asia: Singapore, Malaysia, and Philippines

North America: USA and Canada

Europe: Germany, UK, and Italy

Other regions: India and Brazil

## **(5) Notes on Significant Changes to Stockholder's Equity**

The Company has received payment from Tsugami Corporation on December 3<sup>rd</sup>, 2009, as Allocation of new shares to a third party. As a result from this payment in 3<sup>rd</sup> quarter of this Fiscal Year, Common stock rose by ¥500,456 thousand, and Additional paid-in capital rose by ¥499,488 thousand compared with previous quarter.

Resulting from the items above, Common stock as of the end of the 3rd quarter of FY2010 amounted to ¥10,198,514 thousand, Additional paid-in capital in the same term amounted to ¥17,570,644 thousand.

## **(6) Significant subsequent events**

Assignment of tangible fixed assets

A meeting of the Board of Directors, held on Feb 12<sup>th</sup>, 2010 ratified a decision to assign a portion of the company's tangible fixed assets to third party.

- A) Reason for re-assignment of assets: This measure has been taken in order to enhance the efficiency of assets and to strengthen financial health.
- B) Assets to be assigned: The Land on 9-7-1 Shimorenjyaku, Mitaka City, Tokyo, Japan (2495.69 square meters) and properties on the land
- C) Name of assignee : Haseko Corporation
- D) Book Value: ¥203 million
- E) Transfer Value (Planned): ¥1.102 billion
- F) Date of contract : February 12<sup>th</sup>, 2010
- G) Date of assignment: April 30th, 2010
- H) Effect on Business Results: Anticipated to capitalize ¥898 million (current estimate) in 1<sup>st</sup> quarter of FY2011 ending March, 2011, to extraordinary income, as Gain on sales of fixed assets.