

SUMMARY OF FINANCIAL STATEMENTS [Japan GAAP] (CONSOLIDATED)

Financial Results for the First Two Quarters (April 01 to September 30, 2018) of the Fiscal Year Ending March 31, 2019

November 05, 2018

Company Name: Yamaichi Electronics Co., Ltd.

Code : 6941 Tokyo Stock Exchange 1st section URL: <http://www.yamaichi.co.jp>

President : Yoshitaka Ota

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Scheduled date of securities report submission: November 09, 2018

Scheduled date of dividend payment commencement: November 30, 2018

Supplementary materials for the quarterly financial statements: Yes

Presentation to explain for the quarterly financial statements: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the First Two Quarters (April 01 to September 30, 2018) of the Fiscal Year Ending March 31, 2019

(1) Consolidated Operating Results (aggregated)

(Percentage figures represent changes from the same period of the previous year.)

	Net Sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First two quarters ended September 30, 2018	14,590	△9.1	2,300	△11.0	2,415	△8.6	1,887	△13.7
September 30, 2017	16,057	23.5	2,585	76.2	2,642	96.9	2,186	121.8

Note: Comprehensive income First two quarters ended September 30, 2018 ¥ 2,147 million (△19.8 %)

First two quarters ended September 30, 2017 ¥ 2,677 million (984.9 %)

	Net profit per share		Diluted net profit per share	
	Yen		Yen	
First two quarters ended September 30, 2018	84.17		83.83	
September 30, 2017	99.85		97.43	

(2) Consolidated Financial Positions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2018	30,309	23,119	75.6	1,027.42
As of March 31, 2018	30,431	22,185	72.4	973.56

Reference: Shareholders' equity as of September 30, 2018: ¥22,917 million as of March 31, 2018: ¥22,021 million.

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	Yen				
Year ended March 31, 2018	—	5.00	—	30.00	35.00
Year ending March 31, 2019	—	10.00			
Forecast: Year ending March 31, 2019			—	20.00	30.00

Note: Modifications in the dividend projection from the latest announcement: No

3. Forecast of Consolidated Operating Results for the year ending March 31, 2019

(Percentage figures represent changes from the same period of previous year.)

	Net Sales		Operating profit		Ordinary profit		Net profit		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2019	29,000	△4.4	4,000	△7.1	3,900	△9.2	3,100	△7.9	138.63

Note: Modifications in forecasts of consolidated operating results from the latest announcement: Yes

4. Other

(1) Changes in Significant Subsidiaries during Current Quarter Consolidated Period

(Changes in Specified Subsidiaries with Change in Scope of Consolidation): Yes

Excluding one : Yamaichi Electronics Shenzhen Co., Ltd.

(2) Adoption of special accounting treatments for quarterly consolidated financial statements : No

(3) Changes in accounting policies, changes in accounting estimates and restatements

1) Changes in accounting policies due to revisions of accounting standards etc.: Yes

2) Changes in accounting policies other than 1) : No

3) Changes in accounting estimates : No

4) Restatements : No

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding (including treasury stock) at term end :

September 30, 2018 23,329,775 shares

March 31, 2018 23,329,775 shares

2) Number of shares of treasury stock at term end:

September 30, 2018 1,023,824 shares

March 31, 2018 710,224 shares

3) Average number of outstanding shares (during the first quarter ended June 30):

September 30, 2018 22,418,401 shares

September 30, 2017 21,893,677 shares

* This summary of quarterly consolidated financial results falls outside the scope of quarterly review procedures to be performed by certified public accountants or an audit firm.

* Explanation of the appropriate use of performance forecasts and other related items

All forecasts in this presentation are based on information currently available to the management and on assumptions judged to be reasonable. The Company's actual results may differ substantially from such statements due to various risks and uncertainties.

5. Qualitative Information on Quarter Financial Results

(1) Explanation of Business Results

We were concerned about the influence of an expansion of trade friction between countries and regions on the global economy for the second quarter consolidated period. The United States maintained economic steadiness against the backdrop of an increase in capital investment, improvement in the employment environment, and increased personal consumption while a gradual recovery trend continued in Europe and Japan.

Under these circumstances, the Yamaichi Electronics Group has worked to strengthen its management foundation and expand earnings based on the three-year medium-term management plan (from March 2018 through March 2020).

As a result, its business performance in the second quarter consolidated period marked a sales figure of 14,590 million yen (a decrease of 9.1% year on year), operating income of 2,300 million yen (a decrease of 11.0% year on year), ordinary income of 2,415 million yen (a decrease of 8.6% year on year), and profit attributable to owners of parent of 1,887 million yen (a decrease of 13.7% year on year).

Our business performance on a segment-by-segment basis is shown below.

[Test Solutions Business]

Although our sales of products for smartphones were steady, we were affected by a decline demand for memory sockets and production adjustments to some on-vehicle products.

As a result, our business performance resulted in a sales figure of 6,676 million yen (a decrease of 18.0% year on year) and operating income was 1,335 million yen (a decrease of 41.4% year on year).

[Connector Solutions Business]

Our sales of connector products for communications equipment were steady. Although our sales of connector products for on-vehicle equipment and industrial equipment were affected by major foreign customers' production adjustments, we achieved significant growth in terms of profitability due to the effect of improving productivity.

As a result, our business performance resulted in a sales figure of 7,312 million yen (an increase of 4.0% year on year) and operating income was 997 million yen (an increase of 270.5% year on year).

[Optics-related Business]

Our sales of high-value-added products, including filter products for optical communications equipment and industrial equipment, were steady. We made improvements in terms of production, but we were affected by production adjustments to some products.

As a result, our business performance resulted in a sales figure of 601 million yen (a decrease of 31.9% year on year) and operating income was 12 million yen (a decrease of 80.2% year on year).

(2) Explanation of Financial Conditions

Partial Amendments to the Accounting Standard for Tax Effect Accounting (Statement No. 28 of the Corporate Accounting Standards, issued on February 16, 2018) have been applied since the beginning of the first quarter consolidated period. The figures are compared on the basis of the performance at the end of the previous consolidated fiscal year with retroactive adjustments.

1) Status of Assets, Liabilities and Net Assets

(Assets)

Our current assets at the end of this quarter of the current fiscal year were 17,928 million yen, an increase of 125 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 447 million yen in inventory assets due to planned production based on expected sales although the notes and accounts receivable decreased by 42 million yen and electronically recorded monetary claims decreased by 147 million yen due to a decrease in sales. The fixed assets totaled 12,380 million yen, a decrease of 246 million yen from the corresponding figure at the end of the previous consolidated fiscal year. This was mainly due to a decrease of 180 million yen in investment securities as a result of the declining market value of equity.

Accordingly, the value of the total assets amounted to 30,309 million yen, a decrease of 121 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Our current liabilities at the end of this second-quarter consolidated cumulative period amounted to 6,093 million yen, a decrease of 769 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 352 million yen in short-term borrowings and a decrease in the bonus fund by 103 million yen. Our fixed liabilities amounted to 1,096 million yen, a decrease of 286 million yen from the corresponding figure at the end of the previous fiscal year. This was mainly due to a 184 million yen decrease in long-term borrowings.

As a result, our total liabilities amounted to 7,190 million yen, a decrease of 1,055 million yen from the corresponding figure at the end of the previous fiscal year.

(Net Assets)

Our total net assets at the end of this second-quarter consolidated cumulative period were 23,119 million yen, an increase of 934 million yen from the corresponding figure at the end of the previous fiscal year. This mainly resulted from a dividend of a surplus of 678 million yen and an increase of treasury shares by 565 million yen due to the acquisition of treasury shares by the resolution of the Board of Directors although there was a recorded profit attributable to owners of parent of 1,887 million yen.

As a result, the equity ratio amounted to 75.6% (72.4% at the end of the previous fiscal year).

2) Cash Flow Situation

Our cash and cash equivalents (hereinafter referred to as “the funds”) for the second quarter consolidated period increased by 283 million yen from the corresponding figure at end of the previous consolidated fiscal year, and the funds as of the end of the second quarter consolidated accounting period amounted to 7,472 million yen.

The status of each cash flow in the second quarter consolidated period and their factors are as follows:

(Cash Flows from Operating Activities)

Our net cash earned from operating activities amounted to 2,604 million yen (up 0.2%, year on year). This was mainly due to a quarterly net income of 2,415 million yen before tax adjustments.

(Cash Flow from Investing Activities)

The funds used as a result of investing activities amounted to 586 million yen (down 27.9%, year on year). This was mainly due to an expenditure of 557 million yen for the acquisition of tangible fixed assets.

(Cash Flow from Financing Activities)

The funds used as a result of financing activities amounted to 1,908 million yen (an acquisition of 257 million yen in the same period of the previous fiscal year). This was mainly due to repayment of borrowings of 587 million yen, payment of dividends of 676 million yen, and an expenditure of 499 million for the acquisition of treasury shares.

3) Explanation about Future Forecast Information, including Consolidated Earnings Forecast

Regarding the consolidated earnings forecast for the full fiscal year ending March 31, 2019, which we announced on May 14, 2018, we hereby revise the same as follows with consideration of the environment of the semiconductors and electronic component-related market that the Group is expanding its business and the most recent business trends:

Revision of Forecast for Consolidated Financial Results for the Full Fiscal Year Ending March 31, 2019

(From April 01, 2018 through March 31, 2019)

	Net Sales	Operating profit	Ordinary profit	Net profit	Net profit per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	yen
Previously announced forecast (A)	31,000	4,000	3,900	3,100	138.65
Corrected forecast for this time (B)	29,000	4,000	3,900	3,100	138.63
Increase (B-A)	△2,000	—	—	—	—
Rate of change (%)	△6.5	—	—	—	—
(Reference) Previous results (Fiscal year ended March 31, 2018)	30,340	4,307	4,292	3,367	151.23

Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2018	As of September 30, 2018
	Amount	Amount
(ASSETS)		
Current assets		
Cash and deposits	7,188,866	7,472,621
Notes and accounts receivable-trade	5,075,232	5,032,317
Electronically recorded monetary claims	724,178	577,113
Merchandise and finished goods	1,579,760	1,863,784
Work in process	208,301	201,887
Raw materials and supplies	1,678,423	1,848,415
Other	1,365,786	973,338
Allowance for doubtful accounts	△18,069	△41,036
Total current assets	17,802,479	17,928,442
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,764,346	2,785,243
Machinery, equipment and vehicles	1,765,945	1,898,127
Tools, furniture and fixtures	1,370,172	1,371,444
Land	3,373,252	3,379,895
Lease assets	29,631	24,385
Construction in progress	448,136	264,553
Total tangible fixed assets	9,751,484	9,723,649
Intangible fixed assets	121,016	124,505
Investments and other assets		
Investment securities	1,540,759	1,360,361
Deferred tax assets	147,752	125,783
Net defined benefit asset	777,695	771,818
Other	373,569	363,013
Allowance for doubtful accounts	△84,674	△88,367
Total investments and other assets	2,755,101	2,532,609
Total fixed assets	12,627,602	12,380,764
Deferred assets	1,218	788
Total assets	30,431,300	30,309,995

(Thousand yen)

	As of March 31, 2018	As of September 30, 2018
	Amount	Amount
(LIABILITIES)		
Current liabilities		
Notes and accounts payable-trade	1,675,748	1,586,785
Current portion of bonds	35,000	40,000
Short-term loans payable	2,435,734	2,083,354
Income taxes payable	634,955	563,721
Provision for bonuses	519,631	416,086
Provision for directors' bonuses	—	40,000
Other	1,562,023	1,363,614
Total current liabilities	6,863,093	6,093,563
Long-term liabilities		
Bonds payable	22,500	—
Long-term borrowings	918,294	734,112
Allowance for director's retirement benefits	45,356	45,913
Net defined benefit liability	20,933	25,852
Asset retirement obligations	20,055	20,285
Deferred tax liabilities	100,772	52,532
Other	255,011	218,072
Total long-term liabilities	1,382,924	1,096,768
Total liabilities	8,246,017	7,190,332
(NET ASSETS)		
Shareholders' equity		
Capital stock	10,084,103	10,084,103
Capital surplus	1,814,155	1,811,951
Retained earnings	10,961,019	12,169,448
Treasury stock - at cost	△605,140	△1,170,189
Total shareholders' equity	22,254,138	22,895,313
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities	676,789	556,801
Foreign currency translation adjustments	△777,554	△405,260
Provision for retirement translation adjustment	△131,935	△129,341
Total valuation and translation adjustments	△232,700	22,199
Subscription rights to shares	51,362	84,147
Minority interests	112,482	118,002
Total net assets	22,185,283	23,119,663
Total liabilities and total net assets	30,431,300	30,309,995

Consolidated Statements of Income

(Thousand yen)

	2Q period of previous year (From April 1, 2017 to September 30, 2017)	2Q period of current year (From April 1, 2018 to September 30, 2018)
	Amount	Amount
Net sales	16,057,459	14,590,300
Cost of sales	10,397,946	9,214,626
Gross profit	5,659,513	5,375,674
Selling, general and administrative expenses	3,073,769	3,074,859
Operating income	2,585,743	2,300,814
Non-operating income		
Interests income	3,536	6,010
Dividends income	13,785	14,289
Foreign exchange gains	41,214	95,653
Share of profit of entities accounted for using equity method	—	270
Gain on Sales of scraps	17,657	16,031
Subsidy income	1,158	784
Other	23,100	16,102
Total non-operating income	100,454	149,142
Non-operating expenses		
Interests expense	16,839	20,244
Share of loss of entities accounted for using equity method	6,421	—
Other	20,646	14,186
Total non-operating expenses	43,907	34,430
Ordinary income	2,642,290	2,415,526
Extraordinary income		
Gain on sales of fixed assets	11,016	77
Total extraordinary income	11,016	77
Extraordinary loss		
Loss on sales of fixed assets	1,242	—
Extra retirement payment	12,393	—
Total extraordinary loss	13,635	—
Income before income taxes	2,639,671	2,415,603
Income taxes	452,862	526,925
Minority interests	783	1,663
Net income	2,186,025	1,887,014

(Thousand yen)

	2Q period of previous year (From April 1, 2017 to September 30, 2017)	2Q period of current year (From April 1, 2018 to September 30, 2018)
	Amount	Amount
Income before minority interests	2,186,808	1,888,677
Other comprehensive income		
Unrealized gains on available-for-sale securities	308,527	△119,987
Foreign currency translation adjustments	178,734	384,237
Remeasurements of defined benefit plans, net of tax	2,083	2,593
Other	1,753	△8,086
Total other comprehensive income	491,099	258,756
Comprehensive income	2,677,908	2,147,433
Attribute to		
Comprehensive income attribute to owners of the parent	2,678,192	2,141,914
Comprehensive income attribute to minority interests	△284	5,519

Consolidated Statements of Cash Flows

(Thousand yen)

	Previous year (From April 1, 2017 to September 30, 2017)	Current year (From April 1, 2018 to September 30, 2018)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and other adjustments to net income	2,639,671	2,415,603
Depreciation and amortization	779,644	733,191
Interest and dividends income	△17,322	△20,299
Interest expenses	16,839	20,244
Exchange (gain) loss	△81,174	△75,681
(Increase) decrease in trade receivables	△808,311	333,261
(Increase) decrease in inventories	182,900	△334,120
Increase (decrease) in trade payables	△76,503	△120,960
Other, net	92,370	214,107
Sub total	2,728,115	3,165,345
Interest and dividends received	17,332	19,930
Interest paid	△16,899	△20,063
Income taxes paid	△128,044	△560,547
Net cash provided by operating activities	2,600,502	2,604,664
Cash flows from investing activities		
Purchase of property, plant and equipment	△813,740	△557,188
Proceeds from sales of property, plant and equipment	12,467	77
Other, net	△12,944	△29,539
Net cash used in investing activities	△814,217	△586,649
Cash flows from Financing activities		
Increase (decrease) in short-term borrowings	100,000	△300,000
Increase from long-term borrowings	300,000	—
Repayment of long-term loans payable	△221,312	△287,872
Purchase of treasury shares	△88	△499,901
Cash dividends paid	△431,538	△676,845
Proceeds from exercise of share options	664,462	22,328
Other, net	△154,103	△166,626
Net cash used in financing activities	257,420	△1,908,916
Effect of exchange rates changes on cash and cash equivalents	58,531	174,656
Net increase (decrease) of cash and cash equivalents	2,102,237	283,754
Cash and cash equivalents at beginning of period	5,723,669	7,188,866
Cash and cash equivalents at end of period	7,825,906	7,472,621