

# SUMMARY OF FINANCIAL STATEMENTS [Japan GAAP] (CONSOLIDATED)

## Financial Results for the First Three Quarters (April 1 to December 31, 2016) of the Fiscal Year Ending March 31, 2017

February 03, 2017

### Company Name: Yamaichi Electronics Co., Ltd.

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

President : Yoshitaka Ota

Managing Director : Katsuichi Kato Tel : (03) 3734 - 0115

Scheduled date of securities report submission: February 10, 2017

Scheduled date of dividend payment commencement: —

Supplementary materials for the quarterly financial statements: Yes

Presentation to explain for the quarterly financial statements: Yes

### 1. Consolidated Financial Results for the First Three Quarters (April 1 to December 31, 2016) of the Fiscal Year Ending March 31, 2017

#### (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 three quarters ended								
December 31, 2016	19,931	△3.1	2,336	△3.2	2,329	△5.9	1,646	△0.3
December 31, 2015	20,574	8.9	2,414	31.1	2,477	8.7	1,651	△14.0

Note : Comprehensive income First three quarters ended December 31, 2016 ¥1,888 million ( 26.4 %)

First three quarters ended December 31, 2015 ¥1,494 million (△37.4 %)

	Net profit per share		Diluted net profit per share	
	Yen		Yen	
First three quarters ended				
December 31, 2016	74.97		74.50	
December 31, 2015	70.92		70.02	

#### (2) Consolidated Financial Positions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2016	27,509	18,142	65.9	837.83
As of March 31, 2016	26,080	17,191	65.8	762.10

Reference: Shareholders' equity as of December 31, 2016: ¥18,116 million; as of March 31, 2016: ¥ 17,166 million

### 2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	Yen				
Year ended March 31, 2016	—	0.00	—	15.00	15.00
Year ending March 31, 2017	—	0.00	—		
Forecast: Year ending March 31, 2017				20.00	20.00

Note: Modifications in the dividend projection from the latest announcement : Yes

### 3. Forecast of Consolidated Operating Results for the year ending March 31, 2017

(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, 2017	26,000 △3.1%	2,800 △3.9%	2,800 7.8%	2,000 39.0%	91.42

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

#### 4. Other

- (1) Changes in significant subsidiaries during the period: No  
(changes in specified subsidiaries resulting in the change in consolidation scope)
- (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 :

December 31, 2016	23,289,775 shares
March 31, 2016	23,289,775 shares
  - 2) Number of shares of treasury stock at term end:

December 31, 2016	1,666,418 shares
March 31, 2016	764,750 shares
  - 3) Average number of outstanding shares (during the third quarter ended December 31):

December 31, 2016	21,959,650 shares
December 31, 2015	23,286,924 shares

\* Status of Performance of Quarterly Review Procedures

This summary of financial statements is exempt from quarterly review procedures required by Financial Instruments and Exchange Act. A part of quarterly review for securities report based on Financial Instruments and Exchange Act have not finished at the time of disclosure of this summary of financial statements.

\* 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. 1. Qualitative Information on the Results of the Consolidated Cumulative Current Quarter

### (1) Results of Corporate Operations

In the consolidated cumulative third quarter, the world increased its uncertainty in terms of economic and political aspects due to various factors. These factors included concerns about the economic slowing down of China and other emerging economies, the future of the UK-EU withdrawal negotiation, and the birth of the new administration in the United States though the United States and Europe grew their economies steadily.

In the electronic component industry, to which the Yamaichi Electronics Group is related, investments in semiconductors for information and communications business and automobile-related business remained steady. The overall situation, however, remained tough due to the influence of increased competition and drastic exchange fluctuations though there was a relatively steady demand for electronic components for information and communications devices, such as high-function smartphones and data center servers.

Under these circumstances, the Yamaichi Electronics Group continued working on business structural reform based on its organizational reform, profitability reinforcement, and growth strategy as the pillars of the business structural reform, reinforcing the cooperation of the entire Yamaichi Electronics Group, and making management efficiency improvements.

Due to the unfavorable factors including our sales price adjustments and foreign exchange fluctuations (i.e., the appreciation of the yen against the U.S. dollar with a rise of 15.80 yen per dollar based on the exchange rate in the same period in the previous fiscal year), the business performance of the consolidated cumulative third quarter slowed down. Consequently, it resulted in sales of 19,931 million yen (a decrease of 3.1% year-on-year), an operating income of 2,336 million yen (a decrease of 3.2% year-on-year), and an ordinary income of 2,329 million yen (a decrease of 5.9% year-on-year).

A quarterly net income of 1,646 million yen (a decrease of 0.3% year-on-year) was attributable to the shareholders of the parent company.

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

#### [Test Solutions Business]

Investments in semiconductors for information and communications business backed by the high functionality and capacity increments of smartphones and servers continued favorably along with automobile-related business backed by safety driving and automatic driving support technologies while the sales of burn-in sockets and test sockets used to inspect memory, logic, and power semiconductors grew steadily.

The business performance resulted in sales of 9,377 million yen (a decrease of 1.0% year-on-year) and an operating income of 1,679 million yen (an increase of 8.1% year-on-year).

### **[Connector Solutions Business]**

The sales of connectors for optical transceivers for equipment related to communications infrastructure continued favorably with the background of increased mobile data traffic while connectors for automobile-related products remained comparatively firm, mainly overseas. However, the sales of connectors for industrial equipment, amusement-related equipment, and digital home appliances were sluggish. In addition, the impact of the appreciation of the yen and sales price adjustments affected us in terms of profit and loss.

The business performance resulted in sales of 9,644 million yen (a decrease of 5.9% year-on-year) and an operating income of 541 million yen (a decrease of 30.3% year-on-year).

### **[Optics-related business]**

The sales of thin-film filters for medical equipment and optical communications equipment were continuously steady. Furthermore, with an increase sales and our cost reduction activities cost reduction effect, profitability improvements made progress.

The business performance resulted in sales of 909 million yen (an increase of 6.6% year-on-year) and an operating income of 59 million yen (an increase of 189.0% year-on-year).

## **(2) Financial Conditions**

The total assets as of the end of the consolidated cumulative third quarter amounted to 27,509 million yen (an increase of 1,429 million yen year-on-year).

The current assets increased by 1,313 million yen as a result of an increase in cash and deposits along with an increase in notes and accounts receivable and totaled 14,912 million yen.

The amount of tangible fixed assets decreased by 27 million yen as a result of depreciation and totaled 9,982 million yen.

The amount of investment and other assets increased by 146 million yen as a result of an increase in the valuation of investment securities and totaled 2,487 million yen.

The total amount of liabilities ended with 9,366 million yen (an increase of 478 million yen year-on-year).

The current liabilities decreased by 360 million yen as a result of a decrease in short-term loans and accrued bonuses and totaled 7,205 million yen.

The fixed liabilities increased by 838 million yen as a result of an increase in long-term loans and lease obligations due to sale and leaseback transactions and totaled 2,161 million yen.

The total net assets ended with 18,142 million yen (an increase of 951million yen year-on-year).

The shareholders' equity decreased due to the provision of year-end dividends and the acquisition of own shares. With the appropriation of the quarterly net income attributable to the shareholders of the parent company, however, the figure increased by 708 million yen and totaled 18,224 million yen.

The amount of accumulated comprehensive income from all other operations increased by 241 million yen as a result of an increase in foreign currency translation adjustments due to the progress of the depreciation of the yen and totaled  $\Delta$ 107 million yen.

### **(3) Forward-looking Information, including Forecast Consolidated Earnings**

As for the full-year consolidated business forecast for the fiscal year ending on March 31, with consideration of factors, including the status of orders received and assumed average exchange rate in the consolidated cumulative fourth quarter in addition to the results of the consolidated cumulative third quarter, the full-year forecast consolidated earnings announced on May 13, 2016, has been changed.

### **(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements**

#### **Changes in accounting policies**

(Practical handling with regard to depreciation method change according to Tax Reform 2016)

The Application of Practical Solution on a change in depreciation method due to Tax Reform 2016 (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) applied to the consolidated cumulative first quarter of Yamaichi Electronics and its domestic consolidated subsidiaries. Furthermore, the declining balance method applied as the depreciation method for buildings and accompanying facilities acquired on or after April 1, 2016, has been changed to the straight-line method.

The profit and loss impact of the above changes is insignificant.

#### **(2) Additional Information**

(Application of guidance on recoverability of deferred tax assets)

The Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) has been applied since the consolidated cumulative first quarter.

(Reclassification of cost of sales, selling expenses, and general and administrative expenses)

Some consolidated subsidiaries have been including their design and development expenses, which were conventionally recorded as selling expenses and general and administrative expenses, into the cost of sales since the consolidated cumulative first quarter.

The Yamaichi Electronics Group has been reviewing its global production system and sales system while reinforcing its management system as a part of the restructuring of the Group listed in the mid-term management plan of the Group. In the above process, as a result of the review of the functions and roles of the design and development departments of some of the consolidated subsidiaries, it has become clear that more importance has been attached to production activities than research and development activities and that this tendency will become more significant in the future. The recorded segment of the relevant expenses has been changed to the cost of sales.

With the specified change, the cost of sales in the consolidated cumulative third quarter increased by 374,745 thousand yen and the gross profit decreased by the same figure. In addition, the operating income, ordinary income, and quarterly net income before tax increased by 46,802 thousand yen each.

## Consolidated Balance Sheets

(Thousand of yen)

	As of March 31, 2016	As of December 31, 2016
	Amount	Amount
<b>(ASSETS)</b>		
<b>Current assets</b>		
Cash and deposits	4,305,900	5,186,474
Notes and accounts receivable-trade	4,783,175	5,347,327
Merchandise and finished goods	1,423,908	1,319,688
Work in process	372,833	258,254
Raw materials and supplies	1,500,105	1,810,710
Deferred tax assets	298,435	86,483
Other	925,348	915,448
Allowance for doubtful accounts	△10,923	△11,932
<b>Total current assets</b>	<b>13,598,784</b>	<b>14,912,456</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures	3,088,240	3,058,586
Machinery, equipment and vehicles	1,716,023	1,741,820
Tools, furniture and fixtures	1,554,106	1,572,725
Land	3,438,265	3,437,868
Lease assets	54,284	50,919
Construction in progress	158,973	120,148
<b>Total tangible fixed assets</b>	<b>10,009,893</b>	<b>9,982,068</b>
<b>Intangible fixed assets</b>	<b>127,370</b>	<b>125,155</b>
<b>Total intangible fixed assets</b>	<b>127,370</b>	<b>125,155</b>
<b>Investments and other assets</b>		
Investment securities	1,166,193	1,276,835
Deferred tax assets	125,862	117,588
Net defined benefit asset	771,316	816,825
Other	313,327	350,676
Allowance for doubtful accounts	△35,643	△74,786
<b>Total investments and other assets</b>	<b>2,341,056</b>	<b>2,487,140</b>
<b>Total fixed assets</b>	<b>12,478,320</b>	<b>12,594,364</b>
<b>Deferred assets</b>	<b>2,938</b>	<b>2,293</b>
<b>Total assets</b>	<b>26,080,043</b>	<b>27,509,114</b>

(Thousand of yen)

	As of March 31, 2016	As of December 31, 2016
	Amount	Amount
<b>(LIABILITIES)</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	1,670,044	1,924,015
Current portion of bonds	35,000	35,000
Short-term loans payable	3,634,040	3,326,044
Income taxes payable	210,527	135,804
Provision for bonuses	440,094	221,032
Deferred tax liabilities	72	20,721
Other	1,575,771	1,542,386
<b>Total current liabilities</b>	<b>7,565,550</b>	<b>7,205,004</b>
<b>Long-term liabilities</b>		
Bonds payable	92,500	75,000
Long-term borrowings	671,140	1,142,589
Allowance for director's retirement benefits	84,147	79,141
Net defined benefit liability	25,725	28,767
Asset retirement obligations	19,163	19,493
Deferred tax liabilities	291,803	339,367
Other	138,419	477,140
<b>Total long-term liabilities</b>	<b>1,322,898</b>	<b>2,161,500</b>
<b>Total liabilities</b>	<b>8,888,448</b>	<b>9,366,504</b>
<b>(NET ASSETS)</b>		
<b>Shareholders' equity</b>		
Capital stock	10,047,063	10,047,063
Capital surplus	1,586,633	1,586,633
Retained earnings	6,386,048	7,694,490
Treasury stock - at cost	△503,867	△1,103,787
<b>Total shareholders' equity</b>	<b>17,515,878</b>	<b>18,224,399</b>
<b>Valuation and translation adjustments</b>		
Unrealized gains on available-for-sale securities	288,204	387,203
Foreign currency translation adjustments	△524,205	△382,677
Provision for retirement translation adjustments	△113,628	△112,185
<b>Total valuation and translation adjustments</b>	<b>△349,629</b>	<b>△107,659</b>
Subscription rights to shares	10,210	10,210
Minority interests	15,135	15,658
<b>Total net assets</b>	<b>17,191,594</b>	<b>18,142,609</b>
<b>Total liabilities and total net assets</b>	<b>26,080,043</b>	<b>27,509,114</b>

## Consolidated Statements of Income

(Thousand of yen)

	3Q period of previous year (From April 1, 2015 to December 31, 2015)	3Q period of current year (From April 1, 2016 to December 31, 2016)
	Amount	Amount
<b>Net sales</b>	20,574,136	19,931,710
<b>Cost of sales</b>	13,435,648	13,567,392
<b>Gross profit</b>	7,138,488	6,364,317
<b>Selling, general and administrative expenses</b>	4,724,298	4,027,410
<b>Operating income</b>	2,414,190	2,336,907
<b>Non-operating income</b>		
Interests income	6,668	4,452
Dividends income	23,783	22,156
Foreign exchange gains	13,925	21,130
Gain on sales of scraps	40,200	27,183
Subsidy income	13,768	980
Other	26,859	18,128
<b>Total non-operating income</b>	125,205	94,031
<b>Non-operating expenses</b>		
Interests expense	42,172	26,767
Provision of allowance for doubtful accounts	-	39,410
Other	20,127	34,933
<b>Total non-operating expenses</b>	62,300	101,112
<b>Ordinary income</b>	2,477,096	2,329,826
<b>Extraordinary income</b>		
Gain on sales of fixed assets	704	1,436
Gain on sales of investment securities	65,267	-
<b>Total extraordinary income</b>	65,972	1,436
<b>Extraordinary loss</b>		
Loss on sale of fixed assets	243	57
Loss on liquidation of subsidiaries and associates	336,416	-
<b>Total extraordinary loss</b>	336,660	57
<b>Income before income taxes</b>	2,206,408	2,331,204
<b>Income taxes</b>	555,716	684,364
<b>Minority interests</b>	△853	522
<b>Net income</b>	1,651,545	1,646,317



(Thousand of yen)

	3Q period of previous year (From April 1, 2015 to December 31, 2015)	3Q period of current year (From April 1, 2016 to December 31, 2016)
	Amount	Amount
<b>Income before minority interests</b>	1,650,691	1,646,840
<b>Other comprehensive income</b>		
Unrealized gains on available-for-sale securities	△48,028	98,998
Foreign currency translation adjustments	△105,346	170,697
Remeasurements of defined benefit plans	7,316	1,443
Share of other comprehensive income of entities accounted for using equity method	△9,905	△29,169
<b>Total other comprehensive income</b>	△155,964	241,970
<b>Comprehensive income</b>	1,494,727	1,888,810
attribute to		
Comprehensive income attribute to owners of the parent	1,495,581	1,888,287
Comprehensive income attribute to minority interests	△853	522