

SUMMARY OF FINANCIAL STATEMENTS [Japan GAAP] (CONSOLIDATED)

Financial Results for the Fiscal Year Ended March 31, 2018

May 14, 2018

Company Name: Yamaichi Electronics Co., Ltd.

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

President: Yoshitaka Ota

Managing Director: Kazuhiro Matsuda Tel: (03)3734-0115

Scheduled date of ordinary general meeting of shareholders: June 27, 2018

Scheduled date of securities report submission: June 27, 2018

Scheduled date of dividend payment commencement: June 28, 2018

Supplementary materials for the quarterly financial statements: Yes

Presentation to explain for the quarterly financial statements: Yes

1. Consolidated Financial Highlights for the Fiscal Year Ended March 31, 2018

(1) Consolidated Operating Results (aggregated)

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

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2018	30,340	14.5	4,307	58.7	4,292	67.6	3,367	61.1
Year ended March 31, 2017	26,494	△1.2	2,714	△6.8	2,561	△1.4	2,089	45.2

Notes: Comprehensive income : Year ended March 31, 2018 ¥ 3,456 million (63.9%) : Year ended March 31, 2017 ¥ 2,109 million (68.9%)

	Net profit per share	Diluted net profit per share	Return on equity	Return on assets	Operating profit ratio
	Yen	Yen	%	%	%
Year ended March 31, 2018	151.23	148.76	16.7	14.6	14.2
Year ended March 31, 2017	95.54	94.48	11.8	9.5	10.2

Notes: Share of loss of entities accounted for using equity method: Year ended March 31, 2018: Yen △5 million. ; Year ended March 31, 2017: Yen △4 million.

(2) Consolidated Financial Positions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	30,906	22,185	71.3	973.56
As of March 31, 2017	27,892	18,482	65.7	848.06

Notes: Treasury Equity as of March 31, 2018: ¥ 22,021 million, as of March 31, 2017: ¥ 18,337 million.

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used for investing activities	Net cash used for financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2018	4,210	△1,468	△1,193	7,188
Year ended March 31, 2017	3,468	△1,296	△661	5,723

2. Dividends

	Dividends per share			Total dividends	Dividend payout	Dividend on equity
	Interim	Year-end	Total			
Year ended March 31, 2017	0.00	20.00	20.00	432	20.9	2.5
Year ended March 31, 2018	5.00	30.00	35.00	790	23.1	3.8
Year ending March 31, 2019 (Forecast)	10.00	20.00	30.00		21.9	

3. Forecast of Consolidated Operating Results for the year ending March 31, 2018

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

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year ending September 30, 2018	15,700	△2.2	2,170	△16.1	2,120	△19.8	1,700	△22.2	75.29
Year ending March 31, 2019	31,000	2.2	4,000	△7.1	3,900	△9.2	3,100	△7.9	137.29

4. Other

(1) Changes in significant subsidiaries during the period: No

(Changes in specified subsidiaries resulting in the change in consolidation scope)

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

1) Changes in accounting policies due to revisions of accounting standards etc.: No

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

3) Changes in accounting estimates: No

4) Restatements: No

(3) Number of shares outstanding (common stock)

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

March 31, 2018	23,329,775 shares
----------------	-------------------

March 31, 2017	23,289,775 shares
----------------	-------------------

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

March 31, 2018	710,224 shares
----------------	----------------

March 31, 2017	1,666,438 shares
----------------	------------------

3) Average number of outstanding shares :

March 31, 2018	22,268,699 shares
----------------	-------------------

March 31, 2017	21,876,724 shares
----------------	-------------------

1. Overview of Business Results

(1) Summary of Business Results of Consolidated Fiscal Year

In the consolidated fiscal year that ended in this March, the global economy remained firm against the backdrop of increased capital investment, improved employment conditions, and increased personal consumption in the United States and Europe. The Japanese economy continued a moderate recovery trend as a result of favorable factors, including improvements in corporate performance and employment and income environments.

The electronics market, which the Yamaichi Electronics Group is focusing on, performed favorably in response to a strong demand for semiconductors as a result of an expansion of cloud services and an increased demand due to the higher functionality of automobiles.

Under these circumstances, the Yamaichi Electronics Group launched its three-year medium-term management plan (from March 2018 to March 2020). Since then, the Yamaichi Electronics Group has been working to strengthen its management foundation and to expand earnings.

As a result, its business performance in the consolidated fiscal year marked a sales figure of 30,340 million yen (up 14.5% year on year), operating income of 4,307 million yen (up 58.7% year on year), ordinary income of 4,292 million yen (up 67.6% year on year), and net income of 3,367 million yen attributable to the shareholders of the parent company (up 61.1% year on year).

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

[Test Solutions Business]

There was a booming demand for memory semiconductors for smartphones and data centers. Furthermore, our investments in semiconductors progressed steadily towards the functional sophistication automobiles, and our sales of orders for burn-in sockets and test socket products for inspection use progressed favorably.

As a result, our business performance resulted in a sales figure of 14,572 million yen (up 21.1% year on year) and operating income was 3,532 million yen (up 83.3% year on year).

[Connector Solutions Business]

Our sales of connector products used for industrial equipment and automobile-related equipment showed a steady increase, which was, however, affected adversely in terms of profit earning as due to sales price adjustments.

As a result, our business performance resulted in a sales figure of 14,123 million yen (up 7.1% year on year) and operating income was 661 million yen (down 10.0% year on year).

[Optics-related Business]

There was a steady demand for products with high added value, including filter products for optical communications equipment and industrial equipment. Furthermore, improvements in our profitability made progress as a result of increased sales along with our cost reduction activities.

As a result, our business performance resulted in a sales figure of 1,644 million yen (up 29.5% year on year) and operating income was 119 million yen (up 37.8% year on year).

(2) Financial Conditions

(Assets)

Our current assets at the end of the consolidated fiscal year were 18,298 million yen, an increase of 2,894 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits by 1,459 million yen as a result of an increase in sales and the exercise of stock options, an increase of 272 million yen in trade notes and accounts receivable as a result of an increase in sales and a decrease in receivables transferred, and an increase of 724 million yen in electronically recorded monetary claims. The fixed assets totaled 12,606 million yen, an increase of 119 million yen from the corresponding figure at the end of the previous fiscal year. This was mainly due to an increase of 220 million yen in investment securities and an increase of 70 million yen in deferred tax assets by overseas subsidiaries though there was a decrease of 219 million yen in tangible fixed assets due to unfavorable factors, including the recording of impairment loss of business assets at the Okayama Branch Office.

Accordingly, the value of the total assets amounted to 30,906 million yen, an increase of 3,013 million yen from the corresponding figure at the end of the previous fiscal year.

(Liabilities)

Our current liabilities at the end of the consolidated fiscal year amounted to 6,863 million yen, a decrease of 670 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 891 million yen in short-term borrowings as a result of a repayment for borrowings and a decrease of 240 million yen in long-term borrowings scheduled to be repaid within the year though our expenditures, including income taxes payable, increased by 496 million yen. Our long-term liabilities amounted to 1,857 million yen, a decrease of 19 million yen from the corresponding figure at the end of the previous fiscal year.

As a result, our total liabilities amounted to 8,721 million yen, a decrease of 689 million yen from the corresponding figure at the end of the previous fiscal year.

(Net Assets)

Our total net assets at the end of the consolidated fiscal year were 22,185 million yen, an increase of 3,702 million yen from the corresponding figure at the end of the previous fiscal year. This mainly resulted from a recorded net income of 3,367 million yen attributable to the parent company's shareholders though there was a dividend of a surplus of 544 million yen, a decrease of 498 million yen in treasury shares due to the disposal of treasury shares by the exercise of a stock option, and an increase of 236 million yen in valuation difference on available-for-sale securities due to a market price rise of shares held.

As a result, the equity ratio amounted to 71.3% (65.7% at the end of the previous fiscal year).

(3) Situation of Cash Flow

In the consolidated fiscal year, there was an increase of 1,465 million yen in cash and cash equivalents on hand (hereinafter referred to as "funds") mainly as a result of our recorded net income before income tax at the end of the previous fiscal year, and the funds at the end of the consolidated fiscal year amounted to 7,188 million yen.

The status of each cash flow in the consolidated fiscal year is shown below with respective factors.

(Cash flows from operating activities)

The funds gained from our operating activities totaled 4,210 million yen (up 21.4% year on year). This mainly resulted from 4,051 million yen of the net income before income tax.

(Cash flows from investing activities)

The funds used in our investing activities reached 1,468 million yen (up 13.3% year on year). This mainly resulted from an expenditure of 1,767 million yen for the acquisition of tangible fixed assets.

(Cash flows from financing activities)

The net cash used as a result of financing activities was 1,193 million yen (up 80.5% year on year). This was mainly due to a repayment for short-term borrowings of 850 million yen and a payment for dividends of 544 million yen though there was an income of 891 million yen by the exercise of stock options.

(4) Future Prospects

In the electronics market, which the Yamaichi Electronics Group is focusing on, an increasing demand for semiconductors and electronic components is expected towards an expansion of the IoT and AI, an expansion of investment in next-generation communications infrastructure and data centers, and the progress of smartphone and automobile functions.

Under these circumstances, the Yamaichi Electronics Group launched its three-year medium-term management plan (from March 2018 to March 2020) to continue growing into a corporate group that can provide products and services that satisfy our customers. In achieving this management goal, the Yamaichi Electronics Group will work from the perspective of linking globally and creating products leading to the future. The Yamaichi Electronics Group will promote its growth strategy and structural reform as a core and grow to become a corporate group that can meet the needs of our customers while improving its financial strength and reinforcing the management foundation for the future development of the group.

As for the outlook for our consolidated business results for the next consolidated fiscal year, we expect a sales figure of 31,000 million yen (up 2.2% year on year), operating income of 4,000 million yen (down 7.1% year on year), and ordinary income of 3,900 million yen (down 9.2% year on year), and the net income attributable to parent company shareholders is expected to be 3,100 million yen (down 7.9% year on year).

The forecast assumption is based on exchange rates of 107 yen to the U.S. dollar and 130 yen to the euro.

2. Basic Idea on Selection of Accounting Standards

For the time being, the Yamaichi Electronics Group intends to prepare consolidated financial statements based on Japanese standards, taking into consideration the comparability of the periods of the consolidated financial statements and comparability between companies.

In the future, with consideration of the application trends of international accounting standards of other companies in the same industry in the domestic market, we will study the application of international accounting standards.

Consolidated Balance Sheets

(Thousand of yen)

	As of March 31, 2017	As of March 31, 2018
	Amount	Amount
(ASSETS)		
Current assets		
Cash and deposits	5,729,669	7,188,866
Notes and accounts receivable-trade	4,802,338	5,075,232
Electronically recorded monetary claims	—	724,178
Merchandise and finished goods	1,491,799	1,579,760
Work in process	225,842	208,301
Raw materials and supplies	1,721,531	1,678,423
Deferred tax assets	500,143	496,396
Other	946,989	1,365,786
Allowance for doubtful accounts	△ 13,971	△ 18,069
Total current assets	15,404,342	18,298,875
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,985,420	2,764,346
Machinery, equipment and vehicles	1,656,901	1,765,945
Tools, furniture and fixtures	1,443,848	1,370,172
Land	3,594,816	3,373,252
Lease assets	46,448	29,631
Construction in progress	243,485	448,136
Total tangible fixed assets	9,970,921	9,751,484
Intangible fixed assets		
Software	84,755	84,206
Other	15,107	36,809
Total intangible fixed assets	99,862	121,016
Investments and other assets		
Investment securities	1,320,651	1,540,759
Long-term loans receivable	55,594	49,401
Deferred tax assets	55,864	126,354
Net defined benefit asset	793,853	777,695
Other	280,736	324,167
Allowance for doubtful accounts	△ 90,933	△ 84,674
Total investments and other assets	2,415,766	2,733,703
Total fixed assets	12,486,550	12,606,204
Deferred assets	2,078	1,218
Total assets	27,892,971	30,906,299

(Thousand of yen)

	As of March 31, 2017	As of March 31, 2018
	Amount	Amount
(LIABILITIES)		
Current liabilities		
Notes and accounts payable-trade	1,868,979	1,675,748
Current portion of bonds	35,000	35,000
Short-term loans payable	2,835,330	1,943,680
Current portion of long-term loans payable	732,454	492,054
Lease obligations	223,690	219,218
Income taxes payable	138,292	634,955
Deferred tax liabilities	3,126	—
Provision for bonuses	412,440	519,631
Provision for directors' bonuses	50,000	—
Other	1,233,902	1,342,805
Total current liabilities	7,533,216	6,863,093
Long-term liabilities		
Bonds payable	57,500	22,500
Long-term loans payable	737,018	918,294
Lease obligations	255,439	45,933
Deferred tax liabilities	593,195	575,771
Provision for director's retirement benefits	66,614	45,356
Net defined benefit liability	31,924	20,933
Asset retirement obligations	19,604	20,055
Other	115,758	209,077
Total long-term liabilities	1,877,054	1,857,922
Total liabilities	9,410,271	8,721,016
(NET ASSETS)		
Shareholders' equity		
Capital stock	10,047,063	10,084,103
Capital surplus	1,586,633	1,814,155
Retained earnings	8,138,171	10,961,019
Treasury shares	△ 1,103,811	△ 605,140
Total shareholders' equity	18,668,057	22,254,138
Amount of other comprehensive income		
Valuation difference on available-for-sale securities	440,116	676,789
Foreign currency translation adjustments	△ 633,019	△ 777,554
Remeasurements of defined benefit plans	△ 137,297	△ 131,935
Total amount of other comprehensive income	△ 330,201	△ 232,700
Subscription rights to shares	10,210	51,362
Non-controlling interests	134,633	112,482
Total net assets	18,482,699	22,185,283
Total liabilities and total net assets	27,892,971	30,906,299

Consolidated Statements of Income

(Thousand of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Amount	Amount
Net sales	26,494,467	30,340,572
Cost of sales	18,192,091	19,816,826
Gross profit	8,302,375	10,523,746
Total Selling, general and administrative expenses	5,587,522	6,215,768
Operating income	2,714,853	4,307,978
Non-operating income		
Interest income	8,545	7,757
Dividend income	23,971	26,127
Gain on sales of scraps	34,234	36,892
Subsidy income	5,040	2,250
Other	33,114	38,119
Total non-operating income	104,906	111,147
Non-operating expenses		
Interests expense	35,633	40,310
Foreign exchange losses	71,707	49,607
Loss on investments in capital	4,766	5,500
Provision of allowance for doubtful accounts	53,638	—
Other	92,140	30,875
Total non-operating expenses	257,887	126,293
Ordinary income	2,561,872	4,292,832

(Thousand of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Amount	Amount
Extraordinary income		
Gain on sales of non-current assets	2,222	17,569
Gain on sales of investment securities	—	71,196
Gain on bargain purchase	50,325	—
Total extraordinary income	52,548	88,766
Extraordinary loss		
Loss on sales of non-current assets	6,286	1,270
Accumulated impairment loss	—	316,346
Special retirement expenses	—	12,393
Total extraordinary loss	6,286	330,009
Income before income taxes	2,608,133	4,051,589
Income taxes	518,305	682,180
Profit	2,089,828	3,369,408
Profit (loss) attributable to non-controlling interests	△169	1,716
Profit (loss) attributable to owners of parent	2,089,997	3,367,692
Profit	2,089,828	3,369,408
Other comprehensive income		
Unrealized gains on available-for-sale securities	151,911	236,672
Foreign currency translation adjustments	△105,950	△161,827
Re-measurements of defined benefit plans	△23,668	5,362
Other	△2,863	6,925
Total other comprehensive income	19,428	87,133
Comprehensive income	2,109,256	3,456,542
Attribute to		
Comprehensive income attribute to owners of the parent	2,109,426	3,465,193
Comprehensive income attributable to non-controlling interests	△169	△8,650

Consolidated Statements of Cash Flows

(Thousand of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Amount	Amount
Cash Flows from Operating Activities		
Income before income taxes and other adjustments to net income	2,608,133	4,051,589
Depreciation and amortization	1,659,046	1,683,563
Impairment loss	—	316,346
Interest and dividends income	△32,516	△33,884
Interest expenses	35,633	40,310
Exchange loss (△gain)	74,603	△1,161
Equity in loss (△gain) of affiliates	4,766	5,500
Loss (△gain) on sales of fixed assets	4,064	△16,299
Loss (△gain) on sales of investment securities	—	△71,196
Gain on bargain purchase	△ 50,325	—
Extra retirement payment	—	12,393
Decrease (△increase) in notes and accounts receivable-trade	△124,547	△973,349
Decrease (△increase) in inventories	△197,827	△18,697
Increase (△decrease) in notes and accounts payable-trade	240,641	△247,635
Increase (△decrease) in accounts payable-other	△73,645	7,574
Decrease (△increase) in provision for retirement assets	△22,537	16,158
Increase (△decrease) in provision for retirement liabilities	7,495	△10,064
Increase (△decrease) in provision for directors' retirement benefits	△12,393	△27,004
Other, net	△109,175	△101,712
Sub total	4,011,415	4,632,429
Interest and dividends income received	32,515	33,541
Interest expenses paid	△35,262	△40,061
Payments for extra retirement payments	—	△12,393
Income taxes paid	△539,756	△402,589
Net Cash provided by Operating Activities	3,468,910	4,210,925

(Thousand of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Amount	Amount
Cash Flows from Investing Activities		
Payments into time deposits	△ 6,000	△ 6,000
Proceeds from withdrawal of time deposits	106,019	12,000
Purchase of property, plant and equipment	△ 1,378,539	△ 1,767,502
Proceeds from sales of property, plant and equipment	22,545	172,521
Purchase of investment securities	△ 5,762	△ 3,664
Proceeds from sales of investment securities	—	200,653
Payments of loans receivable	△ 900	—
Purchase of insurance funds	△ 12,214	△ 12,215
Other, net	△ 21,477	△ 64,512
Net Cash used in Investing Activities	△ 1,296,329	△ 1,468,718
Cash flows from Financing Activities		
Net increase (decrease) in short-term loans payable	△ 500,000	△ 850,000
Proceeds from long-term loans payable	900,000	700,000
Repayment of long-term loans payable	△ 396,948	△ 759,124
Redemption of bonds	△ 35,000	△ 35,000
Proceeds from lease of equipment	609,760	—
Repayments of finance lease obligations	△ 302,269	△ 282,882
Purchase of treasury shares	△ 599,943	△ 210,224
Cash dividends paid	△ 337,073	△ 544,083
Repayments to non-controlling shareholders	—	△ 13,500
Proceeds from exercise of share options	—	891,322
Other	—	△ 90,146
Net Cash used in Financing Activities	△ 661,475	△ 1,193,639
Effect of exchange rates changes on cash and cash equivalents	12,681	△ 83,369
Net increase (decrease) of cash and cash equivalents	1,523,788	1,465,197
Cash and Cash Equivalents at beginning of period	4,199,880	5,723,669
Cash and Cash Equivalents at end of period	5,723,669	7,188,866