SUMMARY OF FINANCIAL STATEMENTS [Japan GAAP] (CONSOLIDATED)

Financial Results for the First Two Quarters (April 1 to September 30, 2016) of the Fiscal Year Ending March 31, 2017

November 4, 2016

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: November 11, 2016
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 Two Quarters (April 1 to September 30, 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	
First two quarters ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2016	12,999	△9.6	1,467	△23.6	1,341	△31.4	985	△38.7
September 30, 2015	14,377	12.6	1,921	26.5	1,954	24.8	1,606	19.6

Note: Comprehensive income First two quarters ended September 30, 2016 ¥ 246 million (△81.5 %)
First two quarters ended September 30, 2015 ¥ 1,332 million (△17.6%)

	Net profit per share	Diluted net profit per share
First two quarters ended	Yen	Yen
September 30, 2016	44.55	44.46
September 30, 2015	69.00	68.44

(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, 2016	25,433	16,500	64.8	761.92
As of March 31, 2016	26,080	17,191	65.8	762.10

Reference: Shareholders' equity as of September 30, 2016: ¥16,475 million as of March 31, 2016: ¥17,166 million.

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	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			—	15.00	15.00

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

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%	2,150	△26.2%	2,130	△18.0%	1,780	23.7%	81.36

Note: Modifications in forecasts of consolidated operating results from the latest announcement : No

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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 :

September 30, 2016	23,289,775 shares
March 31, 2016	23,289,775 shares

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

September 30, 2016	1,666,350 shares
March 31, 2016	764,750 shares

3) Average number of outstanding shares (during the second quarter ended September 30):

September 30, 2016	22,128,694 shares
September 30, 2015	23,286,949 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.

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5. Qualitative Information on the Results of the Consolidated Cumulative Current Quarter

(1) Results of Corporate Operations

In terms of the world economy, improvements in employment opportunities and personal consumption continued in the United States while personal consumption and exports remained strong in Europe centered on Germany in the consolidated cumulative second quarter. The prospects of the world economy, however, remained uncertain as a result of the influence of the withdrawal of the United Kingdom from the European Union and economic slowdown in China and emerging economies. Although improvements in employment opportunities and income conditions made progress in Japan, the economy continued to be flat due to the influence of the impact of the strong yen and the uncertainty of the world economy in the future.

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 strong. The overall situation, however, remained tough due to increased competition as a result of the maturation of the sales of smartphones that have been leading the market and the progress of the appreciation of the yen.

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 the appreciation of the yen, the business performance of the consolidated cumulative second quarter resulted in a sales of 12,999 million yen (a decrease of 9.6% year-on-year), operating income of 1,467 million yen (a decrease of 23.6% year-on-year), and ordinary income of 1,341 million yen (a decrease of 31.4% year-on-year). A quarterly net income of 985 million yen (a decrease of 38.7% year-on-year) was attributable to the shareholders of the parent company.

The business performance results on a segment-by-segment basis are 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. Due to the impact of the appreciation of the yen, the business performance resulted in sales of 6,295 million yen (a decrease of 5.3% year-on-year) and an operating income of 1,159 million yen (a decrease of 9.0% year-on-year).

[Connector Solution Business]

The sales of connectors related to communications infrastructure and automobile business grew steadily. The sales of YFLEX products for the amusement market and digital consumer electronics market were sluggish. Furthermore, due to the influence of the cost of production base relocation and

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the appreciation of the yen, the business performance resulted in sales of 6,140 million yen (a decrease of 14.0% year-on-year) and an operating income of 234 million yen (a decrease of 58.8% year-on-year).

[Optical-related business]

The sales of thin-film filters mainly for medical equipment and optical communications were relatively strong. Furthermore, with a cost reduction effect, profitability improvements made progress. The business performance resulted in sales of 563 million yen (a decrease of 4.5% year-on-year) and an operating income of 31 million yen (an increase of 16.8% year-on-year).

(2) Financial Conditions

1) Assets, liabilities, and net assets

The total amount of assets as of the end of the consolidated cumulative second quarter was 25,433 million yen (a decrease of 646 million yen from the end of the previous year).

The current assets decreased by 146 million yen as a result of a reduction in deferred tax assets and totaled 13,452 million yen.

The amount of tangible fixed assets decreased by 400 million yen as a result of depreciation and totaled 9,609 million yen.

The amount of investment and other assets decreased by 98 million yen as a result of a reduction in the valuation of investment securities and totaled 2,242 million yen.

The total amount of liabilities ended with 8,932 million yen (an increase of 43 million yen from the end of the previous year).

The current liabilities decreased by 407 million yen due to reductions in income taxes payable and accrued bonuses and totaled 7,158 million yen.

The fixed liabilities increased by 451 million yen as a result of an increase in lease obligations due to an increase of long-term debt loan and sale and leaseback transactions, totaling 1,774 million yen.

The total amount of net assets ended with 16,500 million yen (a decrease of 690 million yen from the end of the previous 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 48 million yen and totaled 17,563 million yen.

The amount of accumulated comprehensive income from all other operations decreased by 738 million yen as a result of a decrease in foreign currency translation adjustments due to the progress of the appreciation of the yen and totaled minus 1,088 million yen.

2) Situation of each cash flow

The amount of cash and cash equivalents (hereinafter referred to as "funds") in the consolidated cumulative second quarter increased by 266 million yen as a result of the appropriation of the quarterly net income before tax. Accordingly, the funds at the end of the consolidated cumulative second quarter totaled 4,466 million yen.

The situation of each cash flow and factor is shown below.

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(Cash flow from sales activities)

The amount of funds obtained from the sales operations totaled 1,317 million yen (a decrease of 50.8% year-on-year). This mainly resulted from the appropriation of the net income in the consolidated cumulative second quarter before tax though there was an increase in the figure of accounts receivable.

(Cash flow from investing activities)

The amount of funds used as a result of investing activities ended with 531 million yen (a decrease of 51.9% year-on-year). This was mainly due to the acquisition of tangible fixed assets.

(Cash flow from financing activities)

The amount of funds used as a result of financing activities ended with 280 million yen (a decrease of 64.1% year-on-year). This was mainly due to the provision of year-end dividends and the acquisition of own shares though there was income from the lease of equipment.

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

The full-year forecast consolidated earnings announced in the summary of financial results dated May 13, 2016, remain unchanged.

6. Matters concerning Summary Information (Notes)

(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 (Accounting Standards Board of Japan (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.

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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 second quarter increased by 236,594 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 43,624 thousand yen each.

Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2016	As of September 30, 2016
	Amount	Amount
(ASSETS)		
Current assets		
Cash and deposits	4,305,900	4,472,030
Notes and accounts receivable-trade	4,783,175	4,844,402
Merchandise and finished goods	1,423,908	1,347,564
Work in process	372,833	272,453
Raw materials and supplies	1,500,105	1,538,651
Deferred tax assets	298,435	139,384
Other	925,348	853,497
Allowance for doubtful accounts	△10,923	△15,850
Total current assets	13,598,784	13,452,134
Fixed assets		
Tangible fixed assets		
Buildings and structures	3,088,240	2,888,749
Machinery, equipment and vehicles	1,716,023	1,587,298
Tools, furniture and fixtures	1,554,106	1,509,261
Land	3,438,265	3,435,525
Lease assets	54,284	52,081
Construction in progress	158,973	136,905
Total tangible fixed assets	10,009,893	9,609,821
Intangible fixed assets	127,370	126,024
Total intangible fixed assets	127,370	126,024
Investments and other assets		
Investment securities	1,166,193	1,126,267
Deferred tax assets	125,862	108,401
Net defined benefit asset	771,316	767,848
Other	313,327	315,223
Allowance for doubtful accounts	△35,643	△75,121
Total investments and other assets	2,341,056	2,242,620
Total fixed assets	12,478,320	11,978,466
Deferred assets	2,938	2,508
Total assets	26,080,043	25,433,109

(Thousand yen)

	As of March 31, 2016	As of September 30, 2016
	Amount	Amount
(LIABILITIES)		
Current liabilities		
Notes and accounts payable-trade	1,670,044	1,675,240
Current portion of bonds	35,000	35,000
Short-term loans payable	3,634,040	3,599,290
Income taxes payable	210,527	130,000
Provision for bonuses	440,094	354,890
Provision for directors' bonuses	-	8,000
Deferred tax liabilities	72	6,140
Other	1,575,771	1,349,591
Total current liabilities	7,565,550	7,158,152
Long-term liabilities		
Bonds payable	92,500	75,000
Long-term borrowings	671,140	852,330
Allowance for director's retirement benefits	84,147	72,889
Net defined benefit liability	25,725	25,345
Asset retirement obligations	19,163	19,383
Deferred tax liabilities	291,803	293,247
Other	138,419	436,061
Total long-term liabilities	1,322,898	1,774,257
Total liabilities	8,888,448	8,932,410
(NET ASSETS)		
Shareholders' equity		
Capital stock	10,047,063	10,047,063
Capital surplus	1,586,633	1,586,633
Retained earnings	6,386,048	7,033,915
Treasury stock - at cost	△503,867	△1,103,714
Total shareholders' equity	17,515,878	17,563,897
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities	288,204	278,595
Foreign currency translation adjustments	△524,205	△1,252,453
Provision for retirement translation adjustments	△113,628	△114,693
Total valuation and translation adjustments	△349,629	△1,088,550
Subscription rights to shares	10,210	10,210
Minority interests	15,135	15,141
Total net assets	17,191,594	16,500,699
Total liabilities and total net assets	26,080,043	25,433,109

Consolidated Statements of Income

(Thousand yen)

	2Q period of previous year (From April 1, 2015 to September 30, 2015)	2Q period of current year (From April 1, 2016 to September 30, 2016)
	Amount	Amount
Net sales	14,377,786	12,999,315
Cost of sales	9,268,846	8,872,074
Gross profit	5,108,940	4,127,240
Selling, general and administrative expenses	3,186,994	2,659,816
Operating income	1,921,946	1,467,424
Non-operating income		
Interests income	4,375	2,994
Dividends income	14,246	12,384
Foreign exchange gains	3,085	-
Gain on sales of scraps	27,822	22,660
Subsidy income	9,323	557
Other	19,671	13,022
Total non-operating income	78,525	51,620
Non-operating expenses		
Interests expense	31,712	19,015
Foreign exchange losses	-	99,660
Provision of allowance for doubtful accounts	-	39,410
Other	14,056	19,128
Total non-operating expenses	45,768	177,214
Ordinary income	1,954,703	1,341,829
Extraordinary income		
Gain on sales of fixed assets	5,348	1,406
Gain on sales of investment securities	50,294	-
Total extraordinary income	55,643	1,406
Extraordinary loss		
Loss on sale of fixed assets	179	57
Total extraordinary loss	179	57
Income before income taxes	2,010,167	1,343,178
Income taxes	404,330	357,429
Minority interests	△1,025	6
Net income	1,606,862	985,742

(Thousand yen)

	2Q period of previous year (From April 1, 2015 to September 30, 2015)	2Q period of current year (From April 1, 2016 to September 30, 2016)
	Amount	Amount
Income before minority interests	1,605,836	985,748
Other comprehensive income		
Unrealized gains on available-for-sale securities	△163,896	△9,608
Foreign currency translation adjustments	△121,470	△703,944
Remeasurements of defined benefit plans	6,097	△1,064
Share of other comprehensive income of entities accounted for using equity method	6,210	△24,303
Total other comprehensive income	△273,059	△738,921
Comprehensive income	1,332,777	246,827
attribute to		
Comprehensive income attribute to owners of the parent	1,333,803	246,820
Comprehensive income attribute to minority interests	△1,025	6

Consolidated Statements of Cash Flows

(Thousand yen)

	Previous year (From April 1, 2015 to September 30, 2015)	Current year (From April 1, 2016 to September 30, 2016)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and other adjustments to net income	2,010,167	1,343,178
Depreciation and amortization	755,529	756,489
Interest and dividends income	△18,622	△15,379
Interest expenses	31,712	19,015
Exchange (gain) loss	25,429	229,274
(Increase) decrease in trade receivables	△84,464	△435,036
(Increase) decrease in inventories	74,360	△120,779
Increase (decrease) in trade payables	126,547	122,449
Other, net	50,436	△311,966
Sub total	2,971,096	1,587,244
Interest and dividends received	18,633	15,385
Interest paid	△31,348	△18,899
Income taxes paid	△282,731	△266,005
Net cash provided by operating activities	2,675,649	1,317,725
Cash flows from investing activities		
Purchase of property, plant and equipment	△1,200,383	△577,473
Proceeds from sales of property, plant and equipment	14,263	1,416
Other, net	80,293	44,121
Net cash used in investing activities	△1,105,825	△531,936
Cash flows from Financing activities		
Increase (decrease) in short-term borrowings	△532,980	-
Increase from long-term borrowings	400,000	400,000
Repayment of long-term loans payable	△105,980	△172,640
Proceeds from sales and leasebacks	-	609,760
Purchase of treasury shares	-	△599,847
Cash dividends paid	△348,045	△336,667
Other, net	△194,370	△181,062
Net cash used in financing activities	△781,375	△280,456
Effect of exchange rates changes on cash and cash equivalents	△79,096	△239,182
Net increase (decrease) of cash and cash equivalents	709,351	266,149
Cash and cash equivalents at beginning of period	4,617,994	4,199,880
Cash and cash equivalents at end of period	5,327,345	4,466,030