SUMMARY OF FINANCIAL STATEMENTS [Japan GAAP] (CONSOLIDATED)

Financial Results for the First Two Quarters (April 01 to September 30, 2017) of the Fiscal Year Ending March 31, 2018

November 06, 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 : Kazuhiro Matsuda Tel: (03)3734-0115
Scheduled date of securities report submission: November 10, 2017
Scheduled date of dividend payment commencement: November 30, 2017
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 01 to September 30, 2017) of the Fiscal Year Ending 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		Net profit	
First two quarters ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2017	16,057	23.5	2,585	76.2	2,642	96.9	2,186	121.8
September 30, 2016	12,999	△9.6	1,467	△23.6	1,341	△31.4	985	△38.7

Note: Comprehensive income First two quarters ended September 30, 2017 ¥ 2,677 million (984.9 %)
First two quarters ended September 30, 2016 ¥ 246 million (△81.5 %)

	Net profit per share	Diluted net profit per share
First two quarters ended	Yen	Yen
September 30, 2017	99.85	97.43
September 30, 2016	44.55	44.46

(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, 2017	31,584	21,482	67.5	948.95
As of March 31, 2017	27,892	18,482	65.7	848.06

Reference: Shareholders' equity as of September 30, 2017: ¥21,327 million as of March 31, 2017: ¥18,337 million.

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	0.00	—	20.00	20.00
Year ending March 31, 2018	—	5.00			
Forecast: Year ending March 31, 2018			—	15.00	20.00

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

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		Net profit		Net profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2018	28,500	7.6%	3,450	27.1%	3,450	34.7%	2,650	26.8%	119.46

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.: No

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, 2017	23,329,775 shares
March 31, 2017	23,289,775 shares

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

September 30, 2017	854,388 shares
March 31, 2017	1,666.438 shares

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

September 30, 2017	21,893,677 shares
September 30, 2016	22,128,694 shares

＊ Status of Performance of Quarterly Review Procedures

＊ 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 this Quarterly Financial Results

(1) Explanation of Business Results

In the second quarter of our current consolidated cumulative period, the global economy was on a gradual recovery trend as a result of a moderate expansion trend against the backdrop of improvements in the employment situation and corporate performance in the United States and the performance recovery of the manufacturing industry and an increase in personal consumption in Europe. The gradual recovery trend of the Japanese economy continued as a result of improvements in employment and income environments.

In the electronic component industry, to which the Yamaichi Electronics Group is related, there was a favorable demand for semiconductors and various electronic parts for information and communications equipment and devices, including high-function smartphones and data centers. Furthermore, there was a favorable demand for automotive semiconductors and various electronic components as a result of the industry's conversion to EV production and development of advanced automobile functions for safer driving.

Under these circumstances, the Yamaichi Electronics Group started its three-year medium-term management plan (from March 2018 through March 2020) to continue aiming to grow into a corporate group that can provide products and services to further satisfy customers. From the perspective of cooperating globally and creating products that will lead to the future, the Yamaichi Electronics Group has been working on the reinforcement of its management base and a revenue expansion while promoting its growth strategy and structural reform as its core strategic plans in achieving this management goal.

As a result, its business performance in the second quarter of the current consolidated cumulative period marked sales of 16,057 million yen (up 23.5%, year on year), operating income of 2,585 million yen (up 76.2%, year on year), ordinary income of 2,642 million yen (up 96.9%, year on year) and profit attributable of owners of parent of 2,186 million yen (up 121.8%, 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 acceptance 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 8,145 million yen (up 29.4%, year on year) and operating income of 2,278 million yen (up 96.5%, year on year).

[Connector Solutions Business]

Our connector products for optical transceivers used for equipment related to telecommunications infrastructure were affected adversely by inventory adjustments. However, there was comparatively a steady demand for connector products for automotive and industrial equipment.

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As a result, our business performance resulted in a sales figure of 7,029 million yen (up 14.5%, year on year) and operating income of 269 million yen (up 14.7%, year on year).

[Optics-related Business]

There was a steady demand for filter products for smartphones and communication 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 882 million yen (up 56.7%, year on year) and operating income of 61 million yen (up 96.8%, year on year).

(2) Financial Conditions

1) Status of assets, liabilities, and net assets

(Assets)

Our assets at the end of the second quarter of the current consolidated accounting period reached 18,331 million yen, an increase of 2,927 million yen from the corresponding figure at the end of the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits by 2,102 million yen as a result of an increase in sales, the exercise of stock options, and an increase of 973 million yen in trade notes and accounts receivable because of an increase in sales. The fixed assets totaled 13,250 million yen, an increase of 764 million yen from the corresponding figure at the end of the previous consolidated fiscal year. This was mainly due to an increase in investment securities by 443 million yen as a result of an increase in the market value of shares held.

Accordingly, the value of the total assets amounted to 31,584 million yen, an increase of 3,691 million yen from the corresponding figure at the end of the previous consolidated fiscal year.

(Liabilities)

The value of our current liabilities at the end of the second quarter of the current consolidated accounting period amounted to 8,218 million yen, an increase of 684 million yen from the corresponding figure at the end of the previous consolidated fiscal year. This was mainly due to an increase of 420 million yen in income taxes payable. Our long-term liabilities amounted to 1,883 million yen, an increase of 6 million yen from the corresponding figure at the end of the previous consolidated fiscal year.

As a result, the value of our total liabilities amounted to 10,101 million yen, an increase of 691 million yen from the corresponding figure at the end of the previous consolidated fiscal year.

(Net Assets)

Out total net assets at the end of the second quarter of the current consolidated accounting period were 21,482 million yen, an increase of 3,000 million yen from the corresponding figure at the end of the previous consolidated fiscal year. This was mainly caused by a recorded net income of 2,186 million yen in net income attributable to the parent company’s shareholders though there was a dividend of a surplus of 432 million yen. Furthermore, there was a decrease in our treasury shares by

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537 million yen due to the disposal of treasury shares by the exercise of a stock option and an increase in valuation difference on available-for-sale securities by 308 million yen due to a market price rise of shares held.

As a result, the equity ratio amounted to 67.5% (65.7% at the end of the previous consolidated fiscal year).

2) Situation of Cash Flow

In the second quarter of the current consolidated cumulative period, an increase of 2,102 million yen from the corresponding figure at the end of the previous consolidated fiscal year in cash and cash equivalents on hand (hereinafter referred to as “funds”) as a result of our recorded profit before income taxes, and the funds at the end of the second quarter of the current consolidated cumulative period amounted to 7,825 million yen.

The status of each cash flow in the second quarter of the current consolidated cumulative period is shown below with the respective factors.

(Cash flows from operating activities)

The funds gained from our operating activities totaled 26,000 million yen (up 97.3%, year on year). This mainly resulted from the profit before income taxes of 2,639 million yen.

(Cash flows from investing activities)

The funds used in our investing activities reached 814 million yen (up 53.1%, year on year). This mainly resulted from an expenditure of 813 million yen for the acquisition of tangible fixed assets.

(Cash flows from financing activities)

We obtained funds of 257 million yen as a result of our financing activities (280 million yen was used in the same period of the previous consolidated fiscal year). This was mainly due to an income of 664 million yen by the exercise of stock options despite a payment for dividends of 431 million yen.

(3) Explanation about Forecast Information, including Forecast of Consolidated Performance

Regarding our consolidated business forecast, there is no change in our earlier consolidated earnings forecast that we announced on August 7, 2017, on the revision of full-year forecasts for the second quarter of the fiscal year ending March 31, 2018.

Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2017	As of September 30, 2017
	Amount	Amount
(ASSETS)		
Current assets		
Cash and deposits	5,729,669	7,831,906
Notes and accounts receivable-trade	4,802,338	5,775,448
Merchandise and finished goods	1,491,799	1,521,219
Work in process	225,842	191,533
Raw materials and supplies	1,721,531	1,656,615
Deferred tax assets	500,143	448,346
Other	946,989	923,251
Allowance for doubtful accounts	△13,971	△16,424
Total current assets	15,404,342	18,331,898
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,985,420	2,929,530
Machinery, equipment and vehicles	1,656,901	1,784,620
Tools, furniture and fixtures	1,443,848	1,540,173
Land	3,594,816	3,592,595
Lease assets	46,448	37,814
Construction in progress	243,485	352,569
Total tangible fixed assets	9,970,921	10,237,305
Intangible fixed assets	99,862	91,953
Investments and other assets		
Investment securities	1,320,651	1,764,057
Deferred tax assets	55,864	92,396
Net defined benefit asset	793,853	790,376
Other	336,330	363,247
Allowance for doubtful accounts	△90,933	△88,393
Total investments and other assets	2,415,766	2,921,684
Total fixed assets	12,486,550	13,250,943
Deferred assets	2,078	1,648
Total assets	27,892,971	31,584,490

(Thousand yen)

	As of March 31, 2017	As of September 30, 2017
	Amount	Amount
(LIABILITIES)		
Current liabilities		
Notes and accounts payable-trade	1,868,979	1,878,829
Current portion of bonds	35,000	35,000
Short-term loans payable	3,567,784	3,681,444
Income taxes payable	138,292	558,394
Provision for bonuses	412,440	462,341
Provision for directors' bonuses	50,000	30,000
Other	1,460,718	1,572,122
Total current liabilities	7,533,216	8,218,130
Long-term liabilities		
Bonds payable	57,500	40,000
Long-term borrowings	737,018	805,826
Allowance for director's retirement benefits	66,614	73,822
Net defined benefit liability	31,924	34,916
Asset retirement obligations	19,604	19,829
Deferred tax liabilities	593,195	635,079
Other	371,198	274,082
Total long-term liabilities	1,877,054	1,883,556
Total liabilities	9,410,271	10,101,686
(NET ASSETS)		
Shareholders' equity		
Capital stock	10,047,063	10,084,103
Capital surplus	1,586,633	1,756,093
Retained earnings	8,138,171	9,891,729
Treasury stock - at cost	△1,103,811	△565,962
Total shareholders' equity	18,668,057	21,165,964
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities	440,116	748,644
Foreign currency translation adjustments	△633,019	△451,463
Provision for retirement translation adjustment	△137,297	△135,214
Total valuation and translation adjustments	△330,201	161,966
Subscription rights to shares	10,210	20,524
Minority interests	134,633	134,348
Total net assets	18,482,699	21,482,803
Total liabilities and total net assets	27,892,971	31,584,490

Consolidated Statements of Income

(Thousand yen)

	2Q period of previous year (From April 1, 2016 to September 30, 2016)	2Q period of current year (From April 1, 2017 to September 30, 2017)
	Amount	Amount
Net sales	12,999,315	16,057,459
Cost of sales	8,872,074	10,397,946
Gross profit	4,127,240	5,659,513
Selling, general and administrative expenses	2,659,816	3,073,769
Operating income	1,467,424	2,585,743
Non-operating income		
Interests income	2,994	3,536
Dividends income	12,384	13,785
Foreign exchange gains	—	41,214
Gain on Sales of scraps	22,660	17,657
Subsidy income	557	1,158
Other	13,022	23,100
Total non-operating income	51,620	100,454
Non-operating expenses		
Interests expense	19,015	16,839
Foreign exchange losses	99,660	—
Share of loss of entities accounted for using equity method	—	6,421
Provision of allowance for doubtful accounts	39,410	—
Other	19,128	20,646
Total non-operating expenses	177,214	43,907
Ordinary income	1,341,829	2,642,290
Extraordinary income		
Gain on sales of fixed assets	1,406	11,016
Total extraordinary income	1,406	11,016
Extraordinary loss		
Loss on sales of fixed assets	57	1,242
Extra retirement payment	—	12,393
Total extraordinary loss	57	13,635
Income before income taxes	1,343,178	2,639,671
Income taxes	357,429	452,862
Minority interests	6	783
Net income	985,742	2,186,025

(Thousand yen)

	2Q period of previous year (From April 1, 2016 to September 30, 2016)	2Q period of current year(From April 1, 2017 to September 30, 2017)
	Amount	Amount
Income before minority interests	985,748	2,186,808
Other comprehensive income		
Unrealized gains on available-for-sale securities	△9,608	308,527
Foreign currency translation adjustments	△703,944	178,734
Remeasurements of defined benefit plans, net of tax	△1,064	2,083
Other	△24,303	1,753
Total other comprehensive income	△738,921	491,099
Comprehensive income	246,827	2,677,908
Attribute to		
Comprehensive income attribute to owners of the parent	246,820	2,678,192
Comprehensive income attribute to minority interests	6	△284

Consolidated Statements of Cash Flows

(Thousand yen)

	Previous year (From April 1, 2016 to September 30, 2016)	Current year (From April 1, 2017 to September 30, 2017)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and other adjustments to net income	1,343,178	2,639,671
Depreciation and amortization	756,489	779,644
Interest and dividends income	△15,379	△17,322
Interest expenses	19,015	16,839
Exchange (gain) loss	229,274	△81,174
(Increase) decrease in trade receivables	△435,036	△808,311
(Increase) decrease in inventories	△120,779	182,900
Increase (decrease) in trade payables	122,449	△76,503
Other, net	△311,966	92,370
Sub total	1,587,244	2,728,115
Interest and dividends received	15,385	17,332
Interest paid	△18,899	△16,899
Income taxes paid	△266,005	△128,044
Net cash provided by operating activities	1,317,725	2,600,502
Cash flows from investing activities		
Purchase of property, plant and equipment	△577,473	△813,740
Proceeds from sales of property, plant and equipment	1,416	12,467
Other, net	44,121	△12,944
Net cash used in investing activities	△531,936	△814,217
Cash flows from Financing activities		
Increase (decrease) in short-term borrowings	—	100,000
Increase from long-term borrowings	400,000	300,000
Repayment of long-term loans payable	△172,640	△221,312
Proceeds from sales and leasebacks	609,760	—
Purchase of treasury shares	△599,847	△88
Cash dividends paid	△336,667	△431,538
	—	664,462
Other, net	△181,062	△154,103
Net cash used in financing activities	△280,456	257,420
Effect of exchange rates changes on cash and cash equivalents	△239,182	58,531
Net increase (decrease) of cash and cash equivalents	266,149	2,102,237
Cash and cash equivalents at beginning of period	4,199,880	5,723,669
Cash and cash equivalents at end of period	4,466,030	7,825,906