

SUMMARY OF FINANCIAL STATEMENTS [Japan GAAP] (CONSOLIDATED)

Financial Results for the First Two Quarters (April 01 to September 30, 2019) of the Fiscal Year Ending March 31, 2020

November 05, 2019

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 08, 2019

Scheduled date of dividend payment commencement: November 29, 2019

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, 2019) of the Fiscal Year Ending March 31, 2020

(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	%
First two quarters ended September 30, 2019	13,480	△7.6	1,698	△26.2	1,652	△31.6	1,468	△22.2
September 30, 2018	14,590	△9.1	2,300	△11.0	2,415	△8.6	1,887	△13.7

Note: Comprehensive income First two quarters ended September 30, 2019 ¥ 1,036 million (△51.7 %)

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

	Net profit per share	Diluted net profit per share
	Yen	Yen
First two quarters ended September 30, 2019	67.60	—
September 30, 2018	84.17	83.83

(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, 2019	30,946	22,288	71.2	1,028.95
As of March 31, 2019	29,308	22,288	75.2	1,004.27

Reference: Shareholders' equity as of September 30, 2019: ¥22,030million ; as of March 31, 2019: ¥22,051 million.

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	—	10.00	—	22.00	32.00
Year ending March 31, 2020	—	10.00			
Forecast: Year ending March 31, 2020			—	19.00	29.00

Note: Modifications in the dividend projection from the latest announcement: None

3. Forecast of Consolidated Operating Results for the year ending March 31, 2020

(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
Year ending March 31, 2020	27,500	4.2	2,800	△3.7	2,700	△4.6	2,100	△10.4	97.39

Note: Modifications in forecasts of consolidated operating results from the latest announcement: None

4. Other

(1) Changes in Significant Subsidiaries during Current Quarter Consolidated Period: No

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

(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 outstanding shares (common stock)

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

September 30, 2019	23,329,775 shares
--------------------	-------------------

March 31, 2019	23,329,775 shares
----------------	-------------------

2) Number of treasury shares at term end:

September 30, 2019	1,919,427 shares
--------------------	------------------

March 31, 2019	1,371,827 shares
----------------	------------------

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

September 30, 2019	21,715,699 shares
--------------------	-------------------

September 30, 2018	22,418,401 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) Summary of Business Results

In the second quarter of the current consolidated cumulative period, the global economy has been on a slowdown, mainly in manufacturing industries in the United States, where stable economic growth has been maintained. Economic slowdown continues around the world because of slowing economic growth in China due to the effects of trade friction, issues over Britain's exit from the EU, and an increase in geopolitical risks in the Middle East. In Japan, the employment environment continued to improve, however the recovery of the economy was moderate due to sluggish exports.

Under these circumstances, from the perspective of cooperating globally and creating products that will connect with the future, we have worked on incorporating growth strategy and structural reform into the core of our policy to strengthen our management foundation and expand profits. These efforts have been based on our three-year medium-term management plan (ending in March 2020) with the continuous aim of growing into a corporate group that can provide products and services that satisfy our customers.

As a result, our business performance in the second quarter consolidated cumulative period marked net sales of 13,480 million yen (a decrease of 7.6% year on year), operating profit of 1,698 million yen (a decrease of 26.2% year on year), ordinary profit of 1,652 million yen (a decrease of 31.6% year on year), and profit attributable to owners of parent of 1,468 million yen (a decrease of 22.2% year on year).

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

[Test Solutions Business]

In the second quarter, demand for sockets for memory semiconductors recovered, however it was affected by inventory adjustments for memory semiconductors in the first quarter and production adjustments by major customers in Japan and overseas for products for on-vehicle equipment.

As a result, our business performance resulted in net sales of 5,934 million yen (a decrease of 11.1% year on year) and operating profit of 832 million yen (a decrease of 37.7% 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' inventory adjustments and production adjustments.

As a result, our business performance resulted in net sales of 6,927 million yen (a decrease of 5.3% year on year) and operating profit of 929 million yen (a decrease of 6.7% year on year).

[Optics-related Business]

Our sales of optics-related products, including filter products for medical equipment, optical communications equipment and for industrial equipment were steady. However, some products were affected by selling price cuts.

As a result, our business performance resulted in net sales of 617 million yen (an increase of 2.8% year on year) and operating loss of 3 million yen (operating profit of 12 million yen in the same period of the previous year).

(2) Explanation of Financial Conditions

Since the beginning of the current consolidated first quarter, our overseas consolidated subsidiaries have adopted IFRS 16 Leases and ASU 2016-02 lease accounting standards, both of which are financial reporting standards (hereinafter referred to as IFRS 16 etc.) promulgated by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) of the United States, respectively.

1) Status of Assets, Liabilities and Net Assets

(Assets)

Our current assets at the end of the consolidated second quarter were 18,068 million yen, an increase of 439 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in notes and accounts receivable by 1,297 million yen due to an increase in net sales, despite a decrease in cash and deposits by 725 million yen due to purchase of treasury shares and dividends of surplus. Non-current assets amounted to 12,878 million yen, an increase of 1,199 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,502 million in property, plant and equipment because of the adoption of IFRS 16 etc. though the amount of our investment securities decreased by 224 million yen due to the sales of shares held.

As a result, the value of the total assets amounted to 30,946 million yen, an increase of 1,637 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Our current liabilities at the end of the consolidated second quarter amounted to 6,686 million yen, an increase of 604 million yen from the end of the previous consolidated fiscal year. This is mainly due to an increase in notes and accounts payable of 160 million yen due to an increase in purchases accompanying an increase in net sales, and an increase of 365 million yen in other current liabilities because of the adoption of IFRS 16 etc. Non-current liabilities amounted to 1,971 million yen because of the adoption of IFRS 16 etc., which was an increase of 1,033 million yen from the end of the previous consolidated fiscal year.

As a result, our total liabilities amounted to 8,658 million yen, an increase of 1,638 million yen from the end of the previous consolidated fiscal year.

(Net Assets)

Our total net assets at the end of the consolidated second quarter were 22,288 million yen, (22,288 million yen at the end of the previous consolidated fiscal year). This was mainly due to dividend of surplus of 483 million yen and an increase of 556 million yen in purchase of treasury shares by the resolution of the Board of Directors although the profit attributable to owners of parent amounted to 1,468 million yen.

As a result, the equity ratio amounted to 71.2% (75.2% 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 decreased by 725 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 7,593 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 1,515 million yen (down 41.8%, year on year). This was mainly due to profit before income taxes of 1,778 million yen.

(Cash Flow from Investing Activities)

The funds used as a result of investing activities amounted to 619 million yen (up 5.7%, year on year). This was mainly due to an expenditure of 833 million yen for the purchase of property, plant and equipment, despite proceeds from sales of investment securities of 211 million yen.

(Cash Flow from Financing Activities)

The funds used as a result of financing activities amounted to 1,477 million yen (down 22.6% year on year). This was mainly due to cash dividends paid of 481 million yen, and an expenditure of 599 million for the purchase of treasury shares.

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

Regarding the consolidated financial forecast, there is no change to the full-year consolidated financial forecast announced in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019” on May 15, 2019.

Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2019	As of September 30, 2019
	Amount	Amount
(ASSETS)		
Current assets		
Cash and deposits	8,318,859	7,593,519
Notes and accounts receivable	4,008,785	5,305,999
Electronically recorded monetary claims	477,280	397,778
Merchandise and finished goods	1,620,339	1,847,689
Work in process	245,458	228,926
Raw materials and supplies	1,809,261	1,743,942
Other	1,163,052	970,806
Allowance for doubtful accounts	△14,063	△20,610
Total current assets	17,628,972	18,068,051
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,681,537	2,695,185
Machinery, equipment and vehicles	1,981,224	1,546,994
Tools, furniture and fixtures	1,463,007	1,469,135
Land	3,378,187	3,373,344
Lease assets	25,022	19,267
Construction in progress	344,775	396,386
Other	—	1,876,368
Total property, plant and equipment	9,873,754	11,376,683
Intangible fixed assets	147,978	114,501
Investments and other assets		
Investment securities	477,971	253,762
Deferred tax assets	123,096	123,203
Net defined benefit asset	742,295	734,961
Other	348,426	275,997
Allowance for doubtful accounts	△34,471	△821
Total investments and other assets	1,657,316	1,387,103
Total fixed assets	11,679,049	12,878,288
Deferred assets	358	—
Total assets	29,308,380	30,946,340

(Thousand yen)

	As of March 31, 2019	As of September 30, 2019
	Amount	Amount
(LIABILITIES)		
Current liabilities		
Notes and accounts payable	1,284,159	1,445,137
Current portion of bonds	22,500	—
Short-term loans payable	2,889,780	2,841,690
Income taxes payable	302,195	404,604
Provision for bonuses	330,719	349,271
Provision for directors' bonuses	—	28,000
Other	1,252,662	1,617,899
Total current liabilities	6,082,017	6,686,603
Non-current liabilities		
Long-term loans payable	549,930	370,748
Provision for director's retirement benefits	36,309	34,429
Net defined benefit liability	33,210	34,598
Asset retirement obligations	20,516	20,752
Deferred tax liabilities	42,561	—
Other	255,721	1,511,190
Total non-current liabilities	938,249	1,971,718
Total liabilities	7,020,267	8,658,322
(NET ASSETS)		
Shareholders' equity		
Capital stock	10,084,103	10,084,103
Capital surplus	1,793,091	1,775,084
Retained earnings	12,403,936	13,388,907
Treasury shares	△1,627,435	△2,183,690
Total shareholders' equity	22,653,695	23,064,404
Amount of other comprehensive income		
Valuation difference on available-for-sale securities	111,662	5,412
Foreign currency translation adjustments	△559,166	△893,319
Remeasurments of defined benefit income	△154,549	△146,371
Total amount of other comprehensive income	△602,054	△1,034,278
Subscription rights to shares	116,977	148,489
Minority interests	119,495	109,402
Total net assets	22,288,113	22,288,017
Total liabilities and total net assets	29,308,380	30,946,340

Consolidated Statements of Income

(Thousand yen)

	2Q period of previous year (From April 1, 2018 to September 30, 2018)	2Q period of current year (From April 1, 2019 to September 30, 2019)
	Amount	Amount
Net sales	14,590,300	13,480,514
Cost of sales	9,214,626	8,643,331
Gross profit	5,375,674	4,837,182
Selling, general and administrative expenses	3,074,859	3,138,652
Operating income	2,300,814	1,698,530
Non-operating profit		
Interests income	6,010	6,446
Dividends income	14,289	6,596
Foreign exchange gains	95,653	—
Share of profit of entities accounted for using equity method	270	764
Gain on Sales of scraps	16,031	9,998
Subsidy income	784	1,618
Insurance income	14	29,284
Other	16,087	16,676
Total non-operating income	149,142	71,385
Non-operating expenses		
Interests expense	20,244	35,705
Share of loss of entities accounted for using equity method	—	51,916
Other	14,186	29,777
Total non-operating expenses	34,430	117,399
Ordinary Profit	2,415,526	1,652,516
Extraordinary income		
Gain on sales of non-current assets	77	2,469
Gain on sales of investment securities	—	123,183
Total extraordinary income	77	125,652
Profit before income taxes	2,415,603	1,778,169
Income taxes	526,925	308,519
Profit	1,888,677	1,469,650
Profit attributable to non-controlling interests	1,663	1,604
Profit attributable to owners of parent	1,887,014	1,468,045

(Thousand yen)

	2Q period of previous year (From April 1, 2018 to September 30, 2018)	2Q period of current year (From April 1, 2019 to September 30, 2019)
	Amount	Amount
Profit	1,888,677	1,469,650
Other comprehensive income		
Unrealized gains on available-for-sale securities	△119,987	△106,249
Foreign currency translation adjustments	384,237	△329,148
Remeasurements of defined benefit plans	2,593	8,178
Share of other comprehensive income of entities accounted for using equity method	△8,086	△6,108
Total other comprehensive income	258,756	△433,329
Comprehensive income	2,147,433	1,036,321
(Attribute to)		
Comprehensive income attributable to owners of parent	2,141,914	1,035,821
Comprehensive income attributable to non-controlling interests	5,519	499

Consolidated Statements of Cash Flows

(Thousand yen)

	Previous year (From April 1, 2018 to September 30, 2018)	Current year (From April 1, 2019 to September 30, 2019)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	2,415,603	1,778,169
Depreciation	733,191	898,661
Interest and dividends income	△20,299	△13,042
Interest expenses	20,244	35,705
Exchange loss (△gain)	△75,681	67,734
Decrease (△increase) in notes and accounts receivable	333,261	△1,363,122
Decrease (△increase) in inventories	△334,120	△266,765
Increase (△decrease) in notes and accounts payable	△120,960	202,722
Other, net	214,107	431,368
Sub total	3,165,345	1,771,432
Interest and dividends received	19,930	12,659
Interest expenses paid	△20,063	△35,966
Income taxes paid	△560,547	△232,412
Net cash provided by operating activities	2,604,664	1,515,713
Cash flows from investing activities		
Purchase of property, plant and equipment	△557,188	△833,629
Proceeds from sales of property, plant and equipment	77	6,442
Proceeds from sales of investment securities	—	211,279
Other, net	△29,539	△3,917
Net cash used in investing activities	△586,649	△619,825
Cash flows from Financing activities		
Increase (△decrease) in short-term loans payable	△300,000	3,535
Repayments of long-term loans payable	△287,872	△184,182
Purchase of treasury shares	△499,901	△599,945
Cash dividends paid	△676,845	△481,690
Proceeds from exercise of share options	22,328	25,368
Other, net	△166,626	△240,961
Net cash used in financing activities	△1,908,916	△1,477,875
Effect of exchange rates changes on cash and cash equivalents	174,656	△143,352
Net increase (△decrease) of cash and cash equivalents	283,754	△725,340
Cash and cash equivalents at beginning of period	7,188,866	8,318,859
Cash and cash equivalents at end of period	7,472,621	7,593,519