

SUMMARY OF FINANCIAL STATEMENTS [Japan GAAP] (CONSOLIDATED)

Financial Results for the First Two Quarters (April 1 to September 30, 2013) of the Fiscal Year Ending March 31, 2014

November 8, 2013

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)3734-0171

Scheduled date of securities report submission: November 14, 2013

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, 2013) of the Fiscal Year Ending March 31, 2014

(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 two quarters ended September 30, 2013	11,113	5.8	426	—	641	—	515	—
September 30, 2012	10,500	△11.0	△603	—	△1,002	—	△2,056	—

Note: Comprehensive income First two quarters ended September 30, 2013 ¥ 738 million(—%)

First two quarters ended September 30, 2012 ¥△2,139 million(—%)

	Net profit per share	Diluted net profit per share
	Yen	Yen
First two quarters ended September 30, 2013	22.15	—
September 30, 2012	△88.32	—

(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, 2013	23,278	12,990	55.7	557.04
As of March 31, 2013	22,828	12,252	53.6	525.32

Reference: Shareholders' equity as of September 30, 2013: ¥12,971 million as of March 31, 2013: ¥12,233 million.

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2013	—	0.00	—	0.00	0.00
Year ending March 31, 2014	—	0.00			
Forecast: Year ending March 31, 2014			—	—	—

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

3. Forecast of Consolidated Operating Results for the year ending March 31, 2014

(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, 2014	21,400 7.2	570 —	710 —	530 —	22.76

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.: 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, 2013	23,289,775 shares
--------------------	-------------------

March 31, 2013	23,289,775 shares
----------------	-------------------

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

September 30, 2013	2,790 shares
--------------------	--------------

March 31, 2013	2,790 shares
----------------	--------------

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

September 30, 2013	23,286,985 shares
--------------------	-------------------

September 30, 2012	23,286,985 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. Qualitative Information on Current Quarter Account Settlement

(1) Analysis of Operating Results

In spite of signs of domestic recovery basic tone found in, for instance, improved corporate performances by the government's economic measures as well as the consolidation of weaker yen, the environment surrounding the Company Group in the current consolidated cumulative second quarter still remains unpredictable due to such international situations as debt crisis in Europe, slow economic growth among emerging nations, etc.

In the electronics industry to which our Company Group is related, demand for smart phones, tablet terminals and automobile-related products, etc. sustained moderate growth.

Under such business environment, in order to focus corporate resources on core businesses and increase sustainable growth as well as earning power, the Group Company has thus far discontinued the domestic and international EMS business, and tackled with structural reforms through, for example, the relocation of headquarters, advancement of work efficiency at a global level and reduction of fixed costs.

Consequently, operating results in the current consolidated cumulative second quarter were sales of 11,113 million yen (up 5.8 % from the same period previous year), operating profit of 426 million yen (vs. operating loss of 603 million yen in the same period the previous year), ordinary profit of 641 million yen (vs. ordinary loss of 1,002 million yen in the same period the previous year), and quarterly net profit of 515 million yen (vs. quarterly net loss of 2,056 million yen in the same period the previous year).

Business results by segment are as follows:

[Test Solution Business]

In this segment, IC socket products for memory- and logic-series semiconductor testing demonstrated favorable sales owing to a growing tendency to expand production capacity for semiconductors dedicated to mobile devices. IC socket products for in-vehicle semiconductor testing also sustained strong sales thanks to the effect of new product introduction.

Consequently, sales amounted to 4,827 million yen (up 22.7% from the same period the previous year), and operating profit amounted to 731 million yen (up 150.9% from the same period the previous year).

[Connector Solution Business]

A part of connector products for digital cameras and printers showed a recovery trend, and connector products for industrial equipments overseas also remained strong in this segment. However, YFLEX products stayed dull due to a slump in demand for the amusement market.

On the profit and loss front, the amelioration in product mix through the introduction of a new product for communications infrastructure, in-vehicle, etc. and the effect of fixed cost reduction through structural reforms made some improvements.

Consequently, sales amounted to 5,522 million yen (up 18.05% from the same period the previous year), and operating loss amounted to 128 million yen (vs. operating loss of 357 million yen in the same period the previous year).

[Optical—Related Business]

Although thin-film filter products for core video equipments such as digital cameras, digital video cameras, etc., kept weak sales, optics-related business ended in the black due to the sales of thin-film filter products for optical communication maintaining relatively healthy and the effect of overall cost reduction.

Consequently, sales amounted to 567 million yen (down 10.8% from the same period the previous year), and operating profit amounted to 18 million yen (up 241.2% from the same period the previous year).

[EMS Business]

Pricon Microelectronics INC., our consolidated subsidiary, transferred its EMS business on June 28, 2013. Likewise, Matty Co., Ltd. operating domestic EMS business terminated its business as of June 10, 2013, and is scheduled to complete liquidation within the fiscal year of 2013. The Company Group, therefore, withdrew from EMS business as of the first quarter of the current year.

As a result of the withdrawal from EMS business, sales amounted to 196 million yen (down 64.6 % from the same period the previous year), and operating loss amounted to 80 million yen (vs. operating loss of 82 million yen in the same period the previous year).

(2) Analysis of Financial Conditions

① State of assets, liabilities and net assets

Total assets at the end of the current second quarter consolidated accounting period amounted to 23,278 million yen (up 450 million yen from the end of previous period).

Current assets increased 692 million yen due to the increase in cash and deposit caused by the increase in sales, decrease in inventory assets, etc.

Despite the decrease in buildings, constructions, etc. resulting from the transfer of EMS business production capacity of Pricon Microelectronics INC., tangible fixed assets decreased 179 million yen due to the acquisition of alternative assets, etc.

Investments and other assets decreased 59 million yen because of the depletion in a security deposit for the relocation of Company Group's headquarters, etc. in spite of the increase in assessed value of investment securities.

Total liabilities amounted to 10,288 million yen (down 287 million yen from the end of previous period).

Current liabilities decreased 307 million yen due to the drop in short-term loans payable, etc.

Despite the decrease in long-term loan payable, fixed liabilities increased 20 million yen due to the increase in deferred tax liabilities, etc.

Total net assets amounted to 12,990 million yen (up 738 million yen from the end of previous period)

Shareholders' equity increased 515 million yen because of the posting of quarterly net profit.

② State of Cash Flows

Cash and cash equivalents (referred to as "funds" hereinafter) at the end of the current second quarter consolidated accounting period were affected by the increase of operating flow caused by growth in sales, etc. and the income from transfer of EMS business production capacity of Pricon Microelectronics INC., etc. Consequently, funds in the current consolidated cumulative second quarter increased 741 million yen and amounted to 4,537 million yen.

State of cash flows in the current consolidated cumulative second quarter and their situational factors are as follows:

(Cash Flow from Operating Activities)

Funds acquired as a result of operating activities amounted to 1,434 million yen (up 131.2% from the same period the previous year). This is due predominantly to the posting of quarterly net profit before taxes and other adjustments and the decline in trade receivables as well as inventory assets.

(Cash Flow from Investment Activities)

Funds used as a result of investment activities amounted to 0.3 million yen (down 100.0% from the same period the previous year). This is mainly due to the transfer of EMS business production capacity of Pricon Microelectronics INC. in spite of the acquisition of tangible fixed assets.

(Cash Flow from Financial Activities)

Funds used as a result of financial activities amounted to 736 million yen (up 185.9% from the same period the previous year). This is due predominantly to the effect of the decrease in loans payable.

6. Key issues regarding going concern assumption, etc.

Following the year before previous consolidated accounting year, the Company Group still posted a large amount of operating loss and current period net loss in the previous consolidated accounting year. For this reason, critical questions regarding the going concern assumption have arisen.

In order to overcome such situation, however, we have terminated the PV solution business in the previous consolidated accounting year for sustainable growth and earning power increase by focusing operating resources on our core business of test solution and connector solution. Furthermore, we have also decided to transfer the EMS business of our consolidated subsidiary Pricon Microelectronics INC., and dissolve and liquidate another consolidated subsidiary of Matty Co., Ltd. operating the EMS business of assembling liquid crystal display panels and inspecting products, etc.

For other measures to improve its profitability, the Company Group implemented the voluntary retirement schemes for cutting fixed costs, reduction in employee's salaries and bonuses, and accounting for the impairment of fixed assets, etc. As a result, we achieved a surplus with the posting of operating profit as well as quarterly net profit in the current consolidated cumulative second quarter. In order to maintain a surplus in the current consolidated accounting period, the Company Group will continue further reduction in fixed costs through such measures as shifting of sales and development bases overseas, etc. In addition to these measures, we will also try to improve profitability by putting more effort into obtaining overseas customers through the establishment of technologies that exceed those of other competitors in test solution business. In connector solution business, we will focus on industrial equipment and in-car product markets with promising high added value and strengthen development and production systems with a view to shifting of YFLEX production overseas.

In financing, in addition to securing business funds through factoring accounts receivable and sales-and-lease-back transactions of tangible fixed assets, the Company Group has acquired the new funds from the transfer of the EMS business of our consolidated subsidiary. Furthermore, we manage the Group's internal funds by collecting surplus funds of our subsidiaries in the form of dividends. By continuing to accomplish the business plans in the future, we are certain to receive continuous support from major financial institutions.

By the above, the Company Group finds no significant uncertainties about going concern assumption at the end of the current second quarter consolidated accounting period, and therefore, "matters regarding going concern assumption" are not mentioned on the consolidated financial statement.

Consolidated Balance Sheets

(Thousand of yen)

	As of March 31, 2013	As of September 30, 2013
	Amount	Amount
(ASSETS)		
Current assets		
Cash and deposits	3,805,780	4,554,915
Notes and accounts receivable-trade	3,936,584	3,870,439
Merchandise and finished goods	1,220,424	1,093,696
Work in process	300,112	258,596
Raw materials and supplies	1,353,897	1,320,034
Deferred tax assets	37,392	50,707
Other	634,694	840,423
Allowance for doubtful accounts	△18,433	△25,492
Total current assets	11,270,452	11,963,320
Fixed assets		
Tangible fixed assets		
Buildings and structures	2,774,714	2,617,086
Machinery, equipment and vehicles	1,448,266	1,285,353
Tools, furniture and fixtures	1,352,952	1,368,276
Land	3,440,176	3,442,598
Lease assets	41,250	49,110
Construction in progress	187,620	303,450
Total tangible fixed assets	9,244,981	9,065,875
Intangible fixed assets	92,493	89,235
Total intangible fixed assets	92,493	89,235
Investments and other assets		
Investment securities	1,263,087	1,516,870
Deferred tax assets	58,678	65,117
Other	1,007,449	662,223
Allowance for doubtful accounts	△114,447	△89,035
Total investments and other assets	2,214,767	2,155,176
Total fixed assets	11,552,242	11,310,287
Deferred assets	5,519	5,089
Total assets	22,828,213	23,278,697

(Thousand of yen)

	As of March 31, 2013	As of September 30, 2013
	Amount	Amount
(LIABILITIES)		
Current liabilities		
Notes and accounts payable-trade	1,279,874	1,337,677
Current portion of bonds	35,000	35,000
Short-term loans payable	5,508,700	5,071,000
Income taxes payable	54,370	120,688
Provision for bonuses	110,198	116,851
Deferred tax liabilities	65,347	72,334
Other	1,780,344	1,772,479
Total current liabilities	8,833,836	8,526,030
Long-term liabilities		
Bonds payable	197,500	180,000
Long-term borrowings	691,300	589,020
Provision for retirement benefits	24,642	33,687
Provision for directors retirement benefits	23,500	16,039
Asset retirement obligations	17,899	18,105
Deferred tax liabilities	154,354	246,732
Other	632,958	678,797
Total long-term liabilities	1,742,154	1,762,384
Total liabilities	10,575,990	10,288,414
(NET ASSETS)		
Shareholders' equity		
Capital stock	10,047,063	10,047,063
Capital surplus	4,520,001	1,586,633
Retained earnings	△1,449,293	1,999,885
Treasury stock - at cost	△3,754	△3,754
Total shareholders' equity	13,114,017	13,629,828
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	191,392	342,623
Foreign currency translation adjustments	△1,072,318	△1,000,699
Total valuation and translation adjustments	△880,925	△658,076
Minority interests	19,131	18,530
Total net assets	12,252,222	12,990,282
Total liabilities and total net assets	22,828,213	23,278,697

Consolidated Statements of Income

(Thousand of yen)

	2Q period of previous year (From April 1, 2012 to September 30, 2012)	2Q period of current year (From April 1, 2013 to September 30, 2013)
	Amount	Amount
Net sales	10,500,603	11,113,984
Cost of sales	8,326,463	7,919,825
Gross profit	2,174,139	3,194,159
Selling, general and administrative expenses	2,777,461	2,767,677
Operating income	△603,321	426,481
Non-operating income		
Interests income	5,062	4,199
Dividends income	8,951	26,026
Foreign exchange gains	—	243,644
Gain on sales of scraps	20,785	32,321
Subsidy income	44,942	19,800
Other	31,866	37,557
Total non-operating income	111,608	363,550
Non-operating expenses		
Interests expense	92,340	86,803
Foreign exchange loss	358,423	—
Equity in losses of affiliates	7,360	5,107
Other	52,641	56,758
Total non-operating expenses	510,765	148,669
Ordinary income	△1,002,479	641,362
Extraordinary income		
Gain on sales of fixed assets	4,460	32,389
Total extraordinary income	4,460	32,389
Extraordinary loss		
Loss on sale of fixed assets	32	—
Impairment loss	833,240	—
Special retirement expenses	77,717	—
Loss on liquidation of subsidiaries and affiliates	72,881	—
Loss on change in equity	5,739	—
Total extraordinary loss	989,613	—
Income before income taxes	△1,987,632	673,752
Income taxes	69,346	158,669
Minority interests	△312	△727
Net income	△2,056,666	515,811

(Thousand of yen)

	2Q period of previous year (From April 1, 2012 to September 30, 2012)	2Q period of current year (From April 1, 2013 to September 30, 2013)
	Amount	Amount
Income before minority interests	△2,056,979	515,083
Other comprehensive income		
Unrealized gains on available-for-sale securities	△96,265	151,230
Foreign currency translation adjustments	2,524	52,262
Other	11,066	19,483
Total other comprehensive income	△82,673	222,976
Comprehensive income	△2,139,652	738,059
attribute to		
Comprehensive income attribute to owners of the parent	△2,139,180	738,660
Comprehensive income attribute to minority interests	△472	△600

Consolidated Statements of Cash Flows

(Thousand of yen)

	Previous year (From April 1, 2012 to to September 30, 2012)	Current year (From April 1, 2013 to September 30, 2013)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and other adjustments to net income	△1,987,632	673,752
Depreciation and amortization	873,217	638,180
Impairment loss	833,240	—
Interest and dividends income	△14,014	△30,226
Interest expenses	92,340	86,803
Exchange (gain) loss	276,937	△228,181
(Gain) Loss on liquidation of subsidiaries and affiliates	72,881	—
(Increase) decrease in trade receivables	315,451	160,110
(Increase) decrease in inventories	220,797	317,581
Increase (decrease) in trade payables	△284,310	△1,348
Other, net	374,188	127,481
Sub total	773,098	1,744,153
Interest and dividends received	19,961	34,705
Interest paid	△87,235	△89,230
Extra retirement payment	—	△163,577
Income taxes paid	△85,376	△91,808
Net cash provided by operating activities	620,447	1,434,243
Cash flows from investing activities		
Purchase of property, plant and equipment	△808,722	△1,504,023
Proceeds from sales of property, plant and equipment	5,248	1,146,667
Other, net	△22,850	357,007
Net cash used in investing activities	△826,324	△348
Cash flows from Financing activities		
Increase (decrease) in short-term borrowings	△691,911	△376,780
Increase from long-term borrowings	500,000	150,000
Repayment of long-term loans payable	△406,300	△322,800
Proceeds from issuance of bonds	237,679	—
Proceeds from sale and leaseback	272,238	159,985
Other, net	△169,265	△346,723
Net cash used in financing activities	△257,559	△736,318
Effect of exchange rates changes on cash and cash equivalents	△53,911	44,058
Net increase (decrease) of cash and cash equivalents	△517,347	741,635
Cash and cash equivalents at beginning of period	5,292,350	3,795,780
Cash and cash equivalents at end of period	4,775,003	4,537,415