

SUMMARY OF FINANCIAL STATEMENTS [Japan GAAP] (CONSOLIDATED)

Financial Results for the Fiscal Year Ended March 31, 2019

May 15, 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 ordinary general meeting of shareholders: June 26, 2019

Scheduled date of securities report submission: June 26, 2019

Scheduled date of dividend payment commencement: June 27, 2019

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, 2019

(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, 2019	26,391	△ 13.0	2,908	△ 32.5	2,830	△ 34.1	2,344	△ 30.4
Year ended March 31, 2018	30,340	14.5	4,307	58.7	4,292	67.6	3,367	61.1

Notes: Comprehensive income : Year ended March 31, 2019 ¥ 1,982 million (△42.7%) : Year ended March 31, 2018 ¥ 3,456 million (63.9%)

	Net profit per share	Diluted net profit per share	Return on equity	Return on assets	Operating profit ratio
	Yen	Yen	%	%	%
Year ended March 31, 2019	105.38	105.03	10.6	9.5	11.0
Year ended March 31, 2018	151.23	148.76	16.7	14.7	14.2

Notes: Share of loss of entities accounted for using equity method: Year ended March 31, 2019: Yen △ 1 million. ; Year ended March 31, 2018: Yen △ 5 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, 2019	29,308	22,288	75.2	1,004.27
As of March 31, 2018	30,431	22,185	72.4	973.56

Notes: Treasury Equity as of March 31, 2019: ¥ 22,051 million, as of March 31, 2018: ¥ 22,021 million.

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in 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, 2019	4,278	△ 1,074	△ 2,168	8,318
Year ended March 31, 2018	4,210	△ 1,468	△ 1,193	7,188

2. Dividends

	Dividends per share			Total dividends	Dividend payout	Dividend on equity
	Interim	Year-end	Total			
Year ended March 31, 2018	Yen 5.00	Yen 30.00	Yen 35.00	Millions of Yen 790	% 23.1	% 3.8
Year ended March 31, 2019	10.00	22.00	32.00	706	30.4	3.2
Year ending March 31, 2020 (Forecast)	10.00	19.00	29.00		30.3	

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
Half year ending September 30, 2019	13,280	△ 9.0	1,230	△ 46.5	1,150	△ 52.4	900	△ 52.3	40.99
Year ending March 31, 2020	27,500	4.2	2,800	△ 3.7	2,700	△ 4.6	2,100	△ 10.4	95.64

4. Other

(1) Changes in significant subsidiaries during the period:

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

Excluding one : Yamaichi Electronics Shenzhen Co., Ltd.

(2) 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

(3) Number of shares outstanding (common stock)

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

March 31, 2019	23,329,775 shares
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March 31, 2018	23,329,775 shares
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2) Number of shares of treasury stock at term end:

March 31, 2019	1,371,827 shares
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March 31, 2018	710,224 shares
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3) Average number of outstanding shares :

March 31, 2019	22,249,313 shares
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March 31, 2018	22,268,699 shares
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* This summary of consolidated financial results for the fiscal year falls outside the scope of fiscal year 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.

1. Overview of Business Results

(1) Summary of Business Results

The global economy in the consolidated fiscal year that ended in March 2019 showed a sign of a slowdown towards the second half of the fiscal year, with concerns over increased trade friction between countries and regions. In Japan, although a moderate recovery trend continued, an economic recession spread as a result of the unstable global economy.

Under these circumstances, the Yamaichi Electronics Group launched its three-year medium-term business plan (fiscal year ending March 2018 to the fiscal year ending March 2020) with the aim of continuously growing into a corporate group to provide products and services with which customers will be satisfied. From the perspective of creating products that will create the future under our global collaboration, we have worked on growth strategy and structural reform to be included in the core of our strategy to strengthen our management foundation and expand profits. However, our semiconductor business for smartphones, data centers, and in-vehicle devices have slowed since the third quarter.

As a result, our business performance in the consolidated fiscal year marked net sales of 26,391 million yen (a decrease of 13.0% year on year), operating profit of 2,908 million yen (a decrease of 32.5% year on year), ordinary profit of 2,830 million yen (a decrease of 34.1% year on year), and profit attributable to owners of parent of 2,344 million yen (a decrease of 30.4% year on year).

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

[Test Solutions Business]

We were affected by smartphone manufacturers' production adjustments, a declined demand for memory sockets for data centers, and major domestic and overseas of automotive product customers' production adjustments.

As a result, our business performance resulted in net sales of 11,137 million yen (a decrease of 23.6% year on year) and operating profit was 1,127 million yen (a decrease of 68.1% 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 and production adjustments, we achieved significant growth in terms of profitability as a result of productivity improvement and cost reduction.

As a result, our business performance resulted in net sales of 14,133 million yen (an increase of 0.1% year on year) and operating profit was 1,744 million yen (an increase of 163.8% year on year).

[Optics-related Business]

Our sales of high-added-value products, including filter products for optical communications equipment and industrial equipment, were steady. We made improvements in terms of production, but we were affected by production adjustments to some products.

As a result, our business performance resulted in net sales of 1,120 million yen (a decrease of 31.9% year on year) and operating profit was 24 million yen (a decrease of 79.4% year on year).

(2) Explanation of Financial Conditions

Partial Amendments to the Accounting Standard for Tax Effect Accounting (Statement No. 28 of the Accounting Standards Board of Japan (ASBJ), issued on February 16, 2018) have been applied since the beginning of the first quarter consolidated period. The figures are compared on the basis of the performance at the end of the previous consolidated fiscal year with retroactive adjustments.

(Assets)

Our current assets at the end of the consolidated fiscal year were 17,628 million yen, a decrease of 173 million yen from the end of the previous consolidated fiscal year. This was mainly due to a reduction of the notes and accounts receivable by 1,066 million yen and a reduction of electronically recorded monetary claims by 246 million yen as a result of a decrease in sales although the amount of cash and deposits increased 1,129 million yen mainly due to the collection of sales credit. Our non-current assets amounted to 11,679 million yen, a decrease of 948 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 1,062 million yen in investment securities as a result of the sales of shares held.

As a result, our total assets amounted to 29,308 million yen, a decrease of 1,122 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Our current liabilities at the end of the consolidated fiscal year amounted to 6,082 million yen, a decrease of 781 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 391 million yen in notes and accounts payable due to a decrease in purchase of goods following a decrease of sales resulting in a decrease of 332 million yen in income taxes payable. Our non-current liabilities amounted to 938 million yen, a decrease of 444 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 368 million in long-term loans payable.

As a result, our total liabilities amounted to 7,020 million yen, a decrease of 1,225 million yen from the corresponding figure at the end of the previous consolidated fiscal year.

(Net Assets)

Our total net assets at the end of the consolidated fiscal year were 22,288 million yen, an increase of 102 million yen from the corresponding figure at the end of the previous consolidated fiscal year. This mainly resulted from a recorded profit attributable to owners of parent of 2,344 million yen though there was dividend of surplus of 901 million yen and an increase of 1,022 million yen in treasury shares acquired in accordance with a Board resolution.

As a result, the equity ratio was 75.2% (72.4% at the end of the previous consolidated fiscal year).

(3) Situation of Cash Flow

In the consolidated fiscal year, there was an increase of 1,129 million yen in cash and cash equivalents on hand (hereinafter referred to as “funds”) and the funds at the end of the consolidated fiscal year amounted to 8,318 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 4,278 million yen (an increase of 1.6% year on year). This was mainly due to the profit before income taxes of 3,196 million yen.

(Cash flows from investing activities)

The funds used in our investing activities reached 1,074 million yen (a decrease of 26.9% year on year). This mainly resulted from an expenditure of 1,602 million yen for the purchase of property, plant and equipment although there were proceeds from the sales of investment securities of 593 million yen.

(Cash flows from financing activities)

The funds used as a result of financing activities was 2,168 million yen (an increase of 81.7% year on year). This was mainly due to the cash dividends paid of 899 million yen and the purchase of treasury shares of 999 million yen.

(4) Future Prospects

The unpredictable market environment will continue for the fiscal year ending March 2020 due to the global economic impact of US protectionist trade policies and various geopolitical risks. In addition, the impact on the Japanese economy is also expected to be unclear due to weak exports and capital investments and fluctuations in foreign exchange rates.

Under these circumstances, the Yamaichi Electronics Group launched its three-year medium-term business plan beginning with fiscal 2017 (fiscal year ending March 2018 to the fiscal year ending 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 net sales of 27,500 million yen (up 4.2% year on year), operating profit of 2,800 million yen (down 3.7% year on year), and ordinary profit of 2,700 million yen (down 4.6% year on year), and the profit attributable to owners of parent is expected to be 2,100 million yen (down 10.4% year on year).

The forecast assumption is based on exchange rates of 110.00 yen to the U.S. dollar and 125.00 yen to the euro.

Consolidated Balance Sheets

(Thousand of yen)

	As of March 31, 2018	As of March 31, 2019
	Amount	Amount
(ASSETS)		
Current assets		
Cash and deposits	7,188,866	8,318,859
Notes and accounts receivable	5,075,232	4,008,785
Electronically recorded monetary claims	724,178	477,280
Merchandise and finished goods	1,579,760	1,620,339
Work in process	208,301	245,458
Raw materials and supplies	1,678,423	1,809,261
Other	1,365,786	1,163,052
Allowance for doubtful accounts	△18,069	△14,063
Total current assets	17,802,479	17,628,972
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,764,346	2,681,537
Machinery, equipment and vehicles	1,765,945	1,981,224
Tools, furniture and fixtures	1,370,172	1,463,007
Land	3,373,252	3,378,187
Lease assets	29,631	25,022
Construction in progress	448,136	344,775
Total property, plant and equipment	9,751,484	9,873,754
Intangible fixed assets		
Software	84,206	106,195
Other	36,809	41,783
Total intangible fixed assets	121,016	147,978
Investments and other assets		
Investment securities	1,540,759	477,971
Long-term loans receivable	49,401	—
Deferred tax assets	147,752	123,096
Net defined benefit asset	777,695	742,295
Other	324,167	348,426
Allowance for doubtful accounts	△84,674	△34,471
Total investments and other assets	2,755,101	1,657,316
Total non-current assets	12,627,602	11,679,049
Deferred assets	1,218	358
Total assets	30,431,300	29,308,380

(Thousand of yen)

	As of March 31, 2018	As of March 31, 2019
	Amount	Amount
(LIABILITIES)		
Current liabilities		
Notes and accounts payable	1,675,748	1,284,159
Current portion of bonds	35,000	22,500
Short-term loans payable	1,943,680	2,521,416
Current portion of long-term loans payable	492,054	368,364
Lease obligations	219,218	30,279
Income taxes payable	634,955	302,195
Provision for bonuses	519,631	330,719
Other	1,342,805	1,222,383
Total current liabilities	6,863,093	6,082,017
Non-current liabilities		
Bonds payable	22,500	—
Long-term loans payable	918,294	549,930
Lease obligations	45,933	21,398
Deferred tax liabilities	100,772	42,561
Provision for director's retirement benefits	45,356	36,309
Net defined benefit liability	20,933	33,210
Asset retirement obligations	20,055	20,516
Other	209,077	234,323
Total non-current liabilities	1,382,924	938,249
Total liabilities	8,246,017	7,020,267
(NET ASSETS)		
Shareholders' equity		
Capital stock	10,084,103	10,084,103
Capital surplus	1,814,155	1,793,091
Retained earnings	10,961,019	12,403,936
Treasury shares	△ 605,140	△ 1,627,435
Total shareholders' equity	22,254,138	22,653,695
Amount of other comprehensive income		
Valuation difference on available-for-sale securities	676,789	111,662
Foreign currency translation adjustments	△ 777,554	△ 559,166
Remeasurements of defined benefit plans	△ 131,935	△ 154,549
Total amount of other comprehensive income	△ 232,700	△ 602,054
Subscription rights to shares	51,362	116,977
Non-controlling interests	112,482	119,495
Total net assets	22,185,283	22,288,113
Total liabilities and total net assets	30,431,300	29,308,380

Consolidated Statements of Income

(Thousand of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Amount	Amount
Net sales	30,340,572	26,391,989
Cost of sales	19,816,826	17,467,078
Gross profit	10,523,746	8,924,911
Selling, general and administrative expenses	6,215,768	6,016,789
Operating profit	4,307,978	2,908,121
Non-operating income		
Interest income	7,757	15,921
Dividend income	26,127	28,209
Gain on sales of scraps	36,892	27,729
Subsidy income	2,250	1,373
Other	38,119	40,460
Total non-operating income	111,147	113,693
Non-operating expenses		
Interests expenses	40,310	68,539
Foreign exchange losses	49,607	84,562
Share of loss of entities accounted for using equity method	5,500	1,890
Other	30,875	36,794
Total non-operating expenses	126,293	191,787
Ordinary profit	4,292,832	2,830,027

(Thousand of yen)

	Fiscal year ended March 31,2018	Fiscal year ended March 31, 2019
	Amount	Amount
Extraordinary income		
Gain on sales of non-current assets	17,569	14,189
Gain on sales of investment securities	71,196	352,062
Total extraordinary income	88,766	366,251
Extraordinary losses		
Loss on sales of non-current assets	1,270	—
Impairment loss	316,346	—
Special retirement expenses	12,393	—
Total extraordinary losses	330,009	—
Profit before income taxes	4,051,589	3,196,278
Income taxes	682,180	848,560
Profit	3,369,408	2,347,718
Profit attributable to non-controlling interests	1,716	3,156
Profit attributable to owners of parent	3,367,692	2,344,562
Profit	3,369,408	2,347,718
Other comprehensive income		
Unrealized gains on available-for-sale securities	236,672	△565,127
Foreign currency translation adjustments	△161,827	231,892
Re-measurements of defined benefit plans	5,362	△22,614
Other	6,925	△9,649
Total other comprehensive income	87,133	△365,498
Comprehensive income	3,456,542	1,982,220
(Attribute to) Comprehensive income attribute to owners of the parent	3,456,193	1,975,208
Comprehensive income attributable to non-controlling interests	△8,650	7,012

Consolidated Statements of Cash Flows

(Thousand of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Amount	Amount
Cash Flows from Operating Activities		
Income before income taxes and other adjustments to net income	4,051,589	3,196,278
Depreciation	1,683,563	1,685,806
Impairment loss	316,346	—
Interest and dividends income	△33,884	△44,130
Interest expenses	40,310	68,539
Exchange loss (△gain)	△1,161	113,925
Share of loss (△profit) of entities accounted for using equity method	5,500	1,890
Loss (△gain) on sales of non-current assets	△16,299	△14,189
Loss (△gain) on sales of investment securities	△71,196	△352,062
Special retirement payment	12,393	—
Decrease (△increase) in notes and accounts receivable-trade	△973,349	1,329,122
Decrease (△increase) in inventories	△18,697	△205,821
Increase (△decrease) in notes and accounts payable-trade	△247,635	△372,769
Increase (△decrease) in accounts payable-other	7,574	△71,107
Decrease (△increase) in net defined benefit asset	16,158	35,400
Increase (△decrease) in net defined benefit liability	△10,064	11,971
Increase (△decrease) in provision for directors' retirement benefits	△27,004	△7,215
Other, net	△101,712	△138,450
Sub total	4,632,429	5,237,189
Interest and dividends income received	33,541	44,320
Interest expenses paid	△40,061	△68,131
Payments for special retirement payments	△12,393	—
Income taxes paid	△402,589	△934,871
Net Cash provided by Operating Activities	4,210,925	4,278,506

(Thousand of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Amount	Amount
Cash Flows from Investing Activities		
Payments into time deposits	△ 6,000	—
Proceeds from withdrawal of time deposits	12,000	—
Purchase of property, plant and equipment	△ 1,767,502	△ 1,602,512
Proceeds from sales of property, plant and equipment	172,521	14,328
Purchase of investment securities	△ 3,664	—
Proceeds from sales of investment securities	200,653	593,882
Payments of loans receivable	—	△ 900
Purchase of insurance funds	△ 12,215	△ 12,215
Other, net	△ 64,512	△ 66,650
Net Cash used in Investing Activities	△ 1,468,718	△ 1,074,066
Cash flows from Financing Activities		
Net increase (△decrease) in short-term loans payable	△ 850,000	507,534
Proceeds from long-term loans payable	700,000	—
Repayment of long-term loans payable	△ 759,124	△ 492,054
Redemption of bonds	△ 35,000	△ 35,000
Repayments of finance lease obligations	△ 282,882	△ 296,016
Purchase of treasury shares	△ 210,224	△ 999,966
Cash dividends paid	△ 544,083	△ 899,516
Repayments to non-controlling shareholders	△ 13,500	—
Proceeds from exercise of share options	891,322	46,118
Other	△ 90,146	238
Net Cash used in Financing Activities	△ 1,193,639	△ 2,168,662
Effect of exchange rates changes on cash and cash equivalents	△ 83,369	94,215
Net increase (△decrease) of cash and cash equivalents	1,465,197	1,129,993
Cash and Cash Equivalents at beginning of period	5,723,669	7,188,866
Cash and Cash Equivalents at the end of period	7,188,866	8,318,859