

SUMMARY OF FINANCIAL STATEMENTS [Japan GAAP] (CONSOLIDATED)

Financial Results for the First Quarter (April 1 to June 30, 2019) of the Fiscal Year Ending March 31, 2020

August 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:

August 09, 2019

Scheduled date of dividend payment commencement: —

Supplementary materials for the quarterly financial statements: Yes

Presentation to explain for the quarterly financial statement: Yes

1. Consolidated Financial Results for the First Quarter Ended June 30, 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 | % |
| 1Q ended June 30, 2019 | 6,129 | △20.7 | 509 | △62.2 | 469 | △66.5 | 477 | △54.5 |
| 1Q ended June 30, 2018 | 7,733 | △4.7 | 1,347 | △7.0 | 1,403 | △4.5 | 1,050 | △15.4 |

Note: Comprehensive income First quarter ended June 30, 2019 ¥171 million (△83.8%)

First quarter ended June 30, 2018 ¥1,058 million (△22.2 %)

| | Net profit per share | Diluted net profit per share |
|------------------------|----------------------|------------------------------|
| | Yen | Yen |
| 1Q ended June 30, 2019 | 21.78 | — |
| 1Q ended June 30, 2018 | 46.62 | 46.40 |

(2) Consolidated Financial Positions

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of June 30, 2019 | 30,235 | 21,831 | 71.4 | 990.30 |
| As of March 31, 2019 | 29,308 | 22,288 | 75.2 | 1,004.27 |

Reference: Shareholders' equity as of June 30, 2019: ¥ 21,579 million 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 | — | | | | |
| Forecast: Year ending March 31, 2020 | | 10.00 | — | 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 |
| Half year ending Sep.30, 2019 | 13,280 | △9.0 | 1,230 | △46.5 | 1,150 | △52.4 | 900 | △52.3 | 41.41 |
| Year ending March 31, 2020 | 27,500 | 4.2 | 2,800 | △3.7 | 2,700 | △4.6 | 2,100 | △10.4 | 97.19 |

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:
- | | |
|----------------|-------------------|
| June 30, 2019 | 23,329,775 shares |
| March 31, 2019 | 23,329,775 shares |
- 2) Number of treasury shares at term end:
- | | |
|----------------|------------------|
| June 30, 2019 | 1,538,727 shares |
| March 31, 2019 | 1,371,827 shares |
- 3) Average number of outstanding shares (during the first quarter ended June 30):
- | | |
|---------------|-------------------|
| June 30, 2019 | 21,936,202 shares |
| June 30, 2018 | 22,535,410 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.

1. Qualitative Information on Quarter Financial Results

(1) Summary of Business Results

During the first quarter of the current consolidated cumulative period, stable economic growth was sustained in the United States. However, the global economy showed a downturn in the overall economy due to several unfavorable factors, including slowing economic growth in China resulting trade friction, issues over Britain's exit from the EU, and an increase in geopolitical risks in the Middle East. Also, the unstable world economy has affected Japan's economy.

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 consolidated cumulative period marked a sales figure of 6,129 million yen (a decrease of 20.7% year on year), operating profit of 509 million yen (a decrease of 62.2% year on year), ordinary profit of 469 million yen (a decrease of 66.5% year on year), and profit attributable to owners of parent of 477 million yen (a decrease of 54.5% year on year).

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

[Test Solutions Business]

A declined demand for smartphones affected our sales of CPU sockets and memory sockets.

As a result, our business performance resulted in net sales of 2,328 million yen (a decrease of 35.9% year on year) and operating profit of 104 million yen (a decrease of 87.1% 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 adjustments and production adjustments

As a result, our business performance resulted in net sales of 3,479 million yen (a decrease of 7.9% year on year) and operating profit of 461 million yen (a decrease of 12.4% year on year).

[Optics-related Business]

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

As a result, our business performance resulted in net sales of 321 million yen (a decrease of 0.4% year on year) and operating profit of 5 million yen (a decrease of 60.9% year on 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.

(Assets)

Our current assets at the end of the consolidated first quarter were 17,203 million yen, a decrease of 425 million yen from the end of the previous consolidated fiscal year. This was mainly due to a reduction of the amount of cash and deposits by 1,243 million yen as a result of the acquisition of treasury shares and the distribution of surplus although there was an increase of 587 million yen in notes and accounts receivable. Non-current assets 13,031 million yen, an increase of 1,352 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,573 million in property, plant and equipment because of the adoption of IFRS 16 etc. though the amount of our investment securities decreased by 217 million yen due to the sales of shares held.

As a result, the value of the total assets amounted to 30,235 million yen, an increase of 926 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Our current liabilities at the end of the consolidated first quarter amounted to 6,175 million yen, an increase of 93 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 369 million yen in current liabilities because of the adoption of IFRS 16 etc. although the amount of income taxes payable decreased by 125 million yen and provision for bonuses decreased by 118 million yen. Non-current liabilities amounted to 2,227 million yen because of the adoption of IFRS 16 etc., which was an increase of 1,289 million yen from the end of the previous consolidated fiscal year.

As a result, our total liabilities amounted to 8,403 million yen, an increase of 1,383 million yen from the end of the previous consolidated fiscal year.

(Net Assets)

Our total net assets at the end of the consolidated first quarter were 21,831 million yen, a decrease of 456 million yen from the corresponding figure at the end of the previous fiscal year. This was mainly due to dividend of surplus of 483 million yen and an increase of 142 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 477 million yen.

As a result, the equity ratio amounted to 71.4% (75.2% at the end of the previous fiscal year).

(3) Future Prospects, including Consolidated Business Forecasts

The consolidated performance forecast for the consolidated second quarter and full year announced on May 15, 2019 in the summary of financial results at the end of March 2019 remain unchanged.

Consolidated Balance Sheets

(Thousand of yen)

| | As of March 31, 2019 | As of June 30, 2019 |
|--|----------------------|---------------------|
| | Amount | Amount |
| (ASSETS) | | |
| Current assets | | |
| Cash and deposits | 8,318,859 | 7,074,871 |
| Notes and accounts receivable | 4,008,785 | 4,596,560 |
| Electronically recorded monetary claims | 477,280 | 373,472 |
| Merchandise and finished goods | 1,620,339 | 1,806,067 |
| Work in process | 245,458 | 227,970 |
| Raw materials and supplies | 1,809,261 | 1,839,678 |
| Other | 1,163,052 | 1,306,564 |
| Allowance for doubtful accounts | △14,063 | △21,416 |
| Total current assets | 17,628,972 | 17,203,767 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 2,681,537 | 2,605,329 |
| Machinery, equipment and vehicles | 1,981,224 | 1,582,180 |
| Tools, furniture and fixtures | 1,463,007 | 1,415,772 |
| Land | 3,378,187 | 3,376,320 |
| Lease assets | 25,022 | 21,812 |
| Construction in progress | 344,775 | 451,966 |
| Other | — | 1,993,834 |
| Total property, plant and equipment | 9,873,754 | 11,447,216 |
| Intangible fixed assets | 147,978 | 140,681 |
| Investments and other assets | | |
| Investment securities | 477,971 | 260,728 |
| Deferred tax assets | 123,096 | 137,806 |
| Net defined benefit asset | 742,295 | 741,588 |
| Other | 348,426 | 304,123 |
| Allowance for doubtful accounts | △34,471 | △821 |
| Total investments and other assets | 1,657,316 | 1,443,425 |
| Total non-current assets | 11,679,049 | 13,031,324 |
| Deferred assets | 358 | 143 |
| Total assets | 29,308,380 | 30,235,235 |

(Thousand of yen)

| | As of March 31, 2019 | As of June 30, 2019 |
|---|----------------------|---------------------|
| | Amount | Amount |
| (LIABILITIES) | | |
| Current liabilities | | |
| Notes and accounts payable | 1,284,159 | 1,295,421 |
| Current portion of bonds | 22,500 | 22,500 |
| Short-term loans payable | 2,889,780 | 2,838,566 |
| Income taxes payable | 302,195 | 176,920 |
| Provision for bonuses | 330,719 | 212,373 |
| Provision for directors' bonuses | — | 7,500 |
| Other | 1,252,662 | 1,622,360 |
| Total current liabilities | 6,082,017 | 6,175,642 |
| Non-current liabilities | | |
| Long-term loans payable | 549,930 | 460,339 |
| Provision for director's retirement benefits | 36,309 | 35,714 |
| Net defined benefit liability | 33,210 | 34,023 |
| Asset retirement obligations | 20,516 | 20,634 |
| Deferred tax liabilities | 42,561 | 64,392 |
| Other | 255,721 | 1,612,574 |
| Total non-current liabilities | 938,249 | 2,227,677 |
| Total liabilities | 7,020,267 | 8,403,320 |
| (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 | 12,398,660 |
| Treasury shares | △1,627,435 | △1,769,498 |
| Total shareholders' equity | 22,653,695 | 22,488,349 |
| Amount of other comprehensive income | | |
| Valuation difference on available-for-sale securities | 111,662 | 5,333 |
| Foreign currency translation adjustments | △559,166 | △763,402 |
| Remeasurements of defined benefit plans | △154,549 | △150,684 |
| Total amount of other comprehensive income | △602,054 | △908,752 |
| Subscription rights to shares | 116,977 | 131,990 |
| Non-controlling interests | 119,495 | 120,327 |
| Total net assets | 22,288,113 | 21,831,914 |
| Total liabilities and total net assets | 29,308,380 | 30,235,235 |

Consolidated Statements of Income

(Thousand of yen)

| | 1Q period of previous year (From April 1, 2018 to June 30, 2018) | 1Q period of current year (From April 1, 2019 to June 30, 2019) |
|---|---|--|
| | Amount | Amount |
| Net sales | 7,733,800 | 6,129,154 |
| Cost of sales | 4,860,154 | 4,046,488 |
| Gross profit | 2,873,645 | 2,082,666 |
| Selling, general and administrative expenses | 1,526,291 | 1,572,886 |
| Operating profit | 1,347,354 | 509,779 |
| Non-operating income | | |
| Interest income | 2,500 | 2,311 |
| Dividend income | 11,358 | 2,279 |
| Foreign exchange gains | 45,118 | — |
| Share of profit of entities accounted for using equity method | — | 1,726 |
| Gain on sales of scraps | 9,091 | 5,271 |
| Subsidy income | 659 | 221 |
| Other | 5,506 | 11,917 |
| Total non-operating income | 74,235 | 23,727 |
| Non-operating expenses | | |
| Interests expenses | 10,259 | 17,525 |
| Foreign exchange losses | — | 37,006 |
| Share of loss of entities accounted for using equity method | 2,413 | — |
| Other | 5,231 | 9,415 |
| Total non-operating expenses | 17,903 | 63,947 |
| Ordinary profit | 1,403,686 | 469,559 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 78 | 713 |
| Gain on sales of investment securities | — | 123,183 |
| Total extraordinary income | 78 | 123,896 |
| Profit before income taxes | 1,403,764 | 593,456 |
| Income taxes | 352,382 | 114,821 |
| Profit | 1,051,381 | 478,635 |
| Profit attributable to non-controlling interests | 840 | 835 |
| Profit attributable to owners of parent | 1,050,541 | 477,799 |

(Thousand of yen)

| | 1Q period of previous year (From April 1, 2018 to June 30, 2018) | 1Q period of current year (From April 1, 2019 to June 30, 2019) |
|---|---|--|
| | Amount | Amount |
| Profit | 1,051,381 | 478,635 |
| Other comprehensive income | | |
| Unrealized gains on available-for-sale securities | △ 108,489 | △ 106,328 |
| Foreign currency translation adjustments | 121,054 | △ 204,248 |
| Remeasurements of defined benefit plans | 1,361 | 3,865 |
| Share of other comprehensive income of entities accounted for using equity method | △ 6,718 | 9 |
| Total other comprehensive income | 7,207 | △ 306,702 |
| Comprehensive income | 1,058,589 | 171,932 |
| (Attribute to) | | |
| Comprehensive income attributable to owners of parent | 1,055,557 | 171,100 |
| Comprehensive income attributable to non-controlling interests | 3,031 | 831 |