

Consolidated Financial Review



For the 2nd Quarter Ended Sep. 30, 2017 [Japanese GAAP]

Nov.10, 2017

Listed Market: TSE 1st

Company name: Y.A.C. HOLDINGS Co., Ltd.
 Code number: 6298
 URL: <http://www.yac.co.jp>
 Representatives: Takefumi Momose, President
 Inquiries: Kazumasa Teramoto, Director and General Manager Administration Div.
 Telephone number: +81-42-546-1161

For reference only

The Japanese version of this Financial Review is the original, English version is essentially a translation from Japanese.

The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.

Amounts are rounded down to the nearest million yen.

1. Financial highlights for the 2nd quarter ended Sep.30, 2017 (4/01/2017—9/30/2017) (Percentage is the rate of increase or decrease from the previous corresponding period)

(1) Consolidated operating results

(Millions of yen)

	Net sales		Operating Income		Ordinary Income		Profit for the period attributable to owners of parent	
	Mil yen	%	Mil yen	%	Mil yen	%	Mil yen	%
Six months ended Sep.30, 2017	12,033	-30.3	233	-60.0	310	-8.3	151	-42.6
Six months ended Sep. 30, 2016	17,264	55.5	584	26.6	338	-26.9	263	11.3

Note: Comprehensive income

Six months ended Sep. 30, 2017 ¥191million (171.8%)
 Six months ended Sep. 30, 2016 ¥70million (-71.5%)

	Profit per share	Diluted profit per share
Six months ended Sep. 30, 2017	Yen 16.92	Yen 16.78
Six months ended Sep. 30, 2016	29.49	29.29

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Mil yen	Mil yen	%
As of Sep. 30, 2017	35,788	14,191	39.0
As of Mar. 31, 2017	32,470	14,047	42.5

Note: Equity

As of Sep. 30, 2017: ¥13,955 million
 As of Mar. 31, 2017: ¥13,798 million

2. Cash Dividends

	Cash dividend per share				
	The 1st quarter	The 2nd quarter	The 3 rd quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31 2017	---	10.00	---	10.00	20.00
Fiscal year ending Mar. 31 2018	---	10.00			
Fiscal year ending Mar. 31, 2018 (forecast)			---	10.00	20.00

Note: Revision of cash dividends in year under review: None

3. Corporate estimates for the year ending Mar. 31, 2018(4/01/2017-3/31/2018)

(Percentage is the rate of increase or decrease from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Profit for the period per share
	Mill. Yen	%	Mill Yen	%	Mill. Yen	%	Mill Yen	%	Yen
Fiscal year ending Mar. 31, 2018	35,000	18.8	2,000	93.0	1,500	33.6	1,000	26.5	111.99

Note: Revision of corporate estimate in year under review: None

Notes

(1) Changes in significant consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation):

None

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: None

(3) Changes of accounting policies, changes in accounting estimates and retrospective restatement

- ① Changes of accounting policies accompanied by revision of accounting standard etc. : None
- ② Changes of accounting policies other than ① : None
- ③ Changes in accounting estimates : None
- ④ Retrospective restatement : None

(4) Number of issued shares outstanding (Common shares)

① Number of issued shares outstanding as of end of period (including treasury stock)

As of Sep. 30, 2017:	9,706,877 shares	As of Mar. 31, 2017:	9,674,587 shares
----------------------	------------------	----------------------	------------------

② Number of treasury stock as of end of period

As of Sep. 30, 2017:	745,801 shares	As of Mar. 31, 2017:	745,801 shares
----------------------	----------------	----------------------	----------------

③ Average number of issued shares outstanding

Six months ended Sep. 30, 2017:	8,936,549 shares	Six months ended Sep. 30, 2016:	8,928,786 shares
---------------------------------	------------------	---------------------------------	------------------

*Indication of quarterly review procedure implementation status

This quarterly financial report is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Law.

*Explanation for appropriate use of forecasts and other notes

The forward-looking statements such as operational forecasts contained in this document are based on the information currently available to us and certain assumptions that are regarded as legitimate. We do not promise that the forecasts or estimates will be accurate. Large discrepancies may be seen in the actual results due to various factors. Please refer to P 5 "(3) Qualitative information regarding consolidated business results forecasts" for the assumptions used and other notes.

Table of Contents

1. Qualitative Information, Financial Statements	
(1) Qualitative information regarding the status of consolidated business results	4
(2) Qualitative information regarding changes in consolidated financial position	4-5
(3) Qualitative information regarding consolidated business results forecasts	5
2. Consolidated Financial Information as of ended Sep.30, 2017	
(1) Consolidated Balance Sheets	6-7
(2) Consolidated Statements of Income and Comprehensive	
Consolidated Statements of Income	8
Consolidated Statements of Comprehensive Income	9
(3) Notes on quarterly financial report	
(Note concerning going concern assumption)	10
(Note concerning major changes in shareholders' equity)	10
(Significant subsequent events)	10
(Segment Information)	11-12
3. Others	
Material events concerning Going Concern Assumption.	13

1. Qualitative Information, Financial Statements

(1) Qualitative information regarding the status of consolidated business results

During the six months started from Apr.1, 2017, world economy has moved as follows.

In the U.S.A. economy showed stable growth including increasing individual consumption backed by stable employment. In Europe, economy moved stably dragged by increasing individual consumption.

In the P.R.C., individual consumption and export moved stably and on the whole, world economy moved recovering base. On the other hand, cautious feeling and uncertainty about the future world economy spread because of increasing militaristic tension surrounding North Korea.

In Japan, economy has moved recovering base with stably recovered employment and stable individual consumption backed by stimulus economic policy by government and central bank. Under these economic atmospheres, our group has endeavored to develop and commercialize new products to grasp every minute changing client's needs.

As a result, consolidated this six months our business result, net sales amounted to ¥12,033 million (30.3% decreased compared to the previous corresponding period), operating income marked ¥233 million (60.0% decreased compared to the previous corresponding period), ordinary income marked ¥310 million (8.3% decreased compared to the previous corresponding period), profit for the period attributable to owners of parent marked ¥151 million (42.6% decreased compared to the previous corresponding period).

Each segment result was as follows.

(Display related business segment)

Net sales of this segment decreased comparing to the previous corresponding period, because of realization of sales of etching equipment and annealing equipment delay.

As a result, net sales of display related business segment amounted to ¥4,184 million (59.8% decreased compared to the previous corresponding period) and segment income marked minus ¥219 million (the previous corresponding period segment income marked ¥532 million).

(Mechatronics related business segment)

Y.A.C. Elecs Co., Ltd., which was consolidated from the latter half financial term of the previous financial year, contributed from the starting time of this financial year, and business went well.

As a result, net sales of mechatronics related business segment amounted to ¥7,220 million (18.0% increased compared to the previous corresponding period) and segment income marked ¥378 million (5.2% increased compared to the previous corresponding period)

(Cleaning related and other business segment)

Domestic demand for cleaning related equipment has kept decreasing and net sales of this segment slightly went down.

As a result, net sales of cleaning related and other business segment amounted to ¥629 million (14.6 % decreased compared to the previous corresponding period) and net segment income marked minus ¥85 million (the previous corresponding period net segment income marked ¥109 million)

(2) Qualitative information regarding changes in consolidated financial position

(Assets)

Current assets as of Sep. 30, 2017 stood at ¥28,374 million increased by ¥4,066 million compared to the previous financial year end. The main factors were an increase of work in process by ¥2,133 million, an increase of cash and deposit by ¥1,915 million, an increase of securities by ¥906 million, and a decrease of trade note and account receivable by ¥1,064 million. Noncurrent assets amounted to ¥7,413 million decreased by ¥748 million compared to the previous financial year end.

This is mainly due to a decrease of investment in securities by ¥829 million.

As a result, total assets as of September 30, 2017 stood at ¥35,788 million increased by ¥3,318 million compared to the previous financial year end.

(Liabilities)

Current liabilities as of Sep. 30, 2017 stood at ¥14,657 million increased by ¥3,750 million compared to the previous financial year end. The main increase were notes and accounts payable-trade by ¥2,653 million, short-term loans payable by ¥792 million and advances received by ¥219 million. Noncurrent liabilities stood at ¥6,940 million decreased by ¥575 million compared to the previous financial year end. This is mainly due to a decrease of long-term loans payable by ¥633 million.

As a result, total liabilities as of Sep.30, 2017 stood at ¥21,597 million increased by ¥3,174 million compared to the previous financial year end.

(Net assets)

Total net assets as of Sep. 30, 2017 amounted to ¥14,191 million increased by ¥143 million compared to the previous financial year end.

As a result, equity ratio at the end of the 2nd quarter came to 39.0 % (the previous financial year end was 42.5 %).

(3) Qualitative information regarding consolidated business results forecasts

Consolidated twelve month business result forecasts ending at Mar.31, 2018 is the same as consolidated business results forecast which announced on May. 15, 2017.

2. Consolidated financial information

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of Mar. 31, 2017.	As of Sep. 30, 2017.
(Assets)		
Current assets		
Cash and deposits	6,984,055	8,899,968
Trade notes and accounts receivable	10,866,732	9,802,258
Securities	48,330	955,325
Merchandise and finished goods	541,522	553,405
Work in process	4,168,856	6,302,251
Raw materials and supplies	963,999	1,055,079
Deferred income taxes	324,840	415,075
Others	505,288	473,240
Allowance for doubtful accounts	-95,527	-81,781
Total current assets	24,308,097	28,374,824
Non current assets		
Tangible fixed assets		
Building and structures	3,618,681	3,728,412
Accumulated depreciation	-2,742,811	-2,778,077
Building and structures(net)	875,869	950,335
Machinery, equipment and vehicles	1,867,903	1,917,352
Accumulated depreciation	-1,439,912	-1,463,195
Machinery, equipment and vehicles(net)	427,990	454,156
Tools, equipment and fixtures	2,950,820	2,955,235
Accumulated depreciation	-2,482,475	-2,520,546
Tools, equipment and fixtures(net)	468,345	434,689
Land	3,080,922	3,080,922
Leased assets	145,805	123,752
Accumulated depreciation	-72,932	-61,802
Leased assets(net)	72,873	61,950
Construction in progress account	520,314	560,693
Total tangible fixed assets	5,446,315	5,542,747
Intangible assets		
Goodwill	692,593	625,869
Soft wares	88,344	88,090
Leased assets	11,681	33,844
Telephone subscription rights	20,716	20,716
Patent license	72,000	54,000
Others	4,921	4,798
Total intangible assets	890,256	827,320
Investments and other assets		
Investment in securities	1,257,941	468,109
Long-term lending receivables	3,884	3,157
Differed income taxes	203,992	188,605
Long-term retention receivables	171,276	181,292
Others	387,357	407,602
Allowance for doubtful accounts	-198,593	-204,896
Total investments and other assets	1,825,859	1,043,870
Total non current assets	8,162,431	7,413,937
Total assets	32,470,528	35,788,761

(Thousands of yen)

	As of Mar. 31, 2017.	As of Sep. 30, 2017.
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,516,225	8,169,234
Short-term loans payable	3,788,223	4,580,464
Lease obligations	30,510	33,532
Income taxes payable	79,324	102,087
Provision for bonuses	375,133	369,955
Provision for product warranties	132,013	104,100
Expense payable	362,790	412,139
Advances received	388,840	607,861
Others	234,355	278,096
Total current liabilities	10,907,416	14,657,471
Fixed liabilities		
Bonds payable	700,000	700,000
Long-term loans payable	5,369,270	4,735,733
Expense payable long-term	12,983	23,883
Lease obligations	57,719	72,338
Deferred tax payable	118,538	122,675
Provision for directors' retirement benefits	83,319	75,764
Provision for retirement benefits	1,073,708	1,109,730
Asset retirement obligation	71,412	69,655
Others	28,448	30,448
Total fixed liabilities	7,515,400	6,940,228
Total liabilities	18,422,817	21,597,700
Net assets		
Shareholders' equity		
Capital stock	2,756,680	2,778,669
Capital surplus	3,586,282	3,608,272
Retained earnings	8,296,798	8,358,732
Treasury stock	-638,014	-638,014
Total shareholders' equity	14,001,747	14,107,659
Accumulated other comprehensive income		
Valuation difference on available-for-sale security	68,106	114,134
Foreign currency translation adjustment	-258,386	-251,520
Pension liability adjustment	-13,138	-15,491
Total accumulated other comprehensive income	-203,417	-152,878
Subscription right to shares	46,982	51,677
Non controlling interest	202,399	184,602
Total net assets	14,047,711	14,191,061
Total liabilities and net assets	32,470,528	35,788,761

(2) Consolidated statements of income and comprehensive income**Consolidated statements of income**

(Thousands of yen)

	The previous corresponding period.(Apr.1, 2016 to Sep. 30, 2016)	Six months ended Sep. 30, 2017. (Apr. 1, 2017 to Sep. 30, 2017)
Net sales	17,264,769	12,033,570
Cost of sales	14,455,509	9,345,793
Gross profit	2,809,260	2,687,777
Selling, g&a expenses		
Salary & directors' compensation	752,867	853,524
Provision for bonuses	102,387	88,631
Fringe benefit expenses	29,300	34,341
Rent expenses	66,432	76,964
Outsourcing expenses	51,158	81,184
R&D expenses	209,988	280,780
Depreciation	114,658	112,824
Others	898,102	926,024
Total selling, g&a expenses	2,224,894	2,454,273
Operating income (loss)	584,365	233,503
Non-operating income		
Interest income	8,375	9,943
Dividends income	5,948	22,493
Rents income	7,042	5,770
Reversal of allowance for doubtful assets.	---	53,848
Others	10,004	23,333
Total non-operating income	31,371	115,388
Non-operating expenses		
Interest expenses	33,732	26,559
Foreign exchange losses	232,135	371
Factoring fee	4,311	560
Others	7,210	11,284
Total non-operating losses	277,388	38,776
Ordinary income (loss)	338,348	310,115
Extraordinary income		
Income on disposal of fixed assets	4,493	1,502
Income on negative goodwill	20,829	---
Others	3	11
Total extraordinary income	25,326	1,514
Extraordinary loss		
Loss on disposal of fixed assets	4,630	5,277
Liquidation loss of affiliates.	---	10,182
Business restructuring expenses	---	56,362
Others	6	---
Total extraordinary loss	4,637	71,822
Profit (loss) before income tax	359,036	239,807
Income taxes	165,309	185,008
Income tax adjustment	-81,815	-86,369
Total income tax	83,493	98,639
Profit (loss) for the period	275,543	141,167
Profit attributable to:		
non-controlling interest(loss)	12,267	(10,053)
owners of parent	263,276	151,221

Consolidated statements of comprehensive income

(Thousands of yen)

	The previous corresponding period. (Apr.1, 2016 to Sep.30, 2016)	Six months ended Sep. 30, 2017. (Apr.1, 2017 to Sep. 30, 2017)
Profit (loss) for the period	275,543	141,167
Other comprehensive income		
Valuation difference on available- for sale securities	7,650	46,104
Foreign currency translation adjustment	-212,809	6,865
Pension liabilities adjustment	270	-2,353
Total other comprehensive income	-204,887	50,616
Comprehensive income	70,655	191,784
Comprehensive income attributable to:		
owners of parent.	58,350	201,761
non-controlling interest.	12,304	-9,976

(3) Notes on quarterly financial report

(Note concerning going concern assumption)

None

(Note concerning major changes in shareholders' equity)

None

(Significant subsequent events)

We, by resolution of the board of directors held on Oct.17, 2017, decided that it will invest new capital in constructing a new factory as follows.

1. Purpose of new capital investment.

In order to secure the manufacturing base for one of our consolidated subsidiary, Y.A.C. Technologies Co., Ltd.

2. Outline and timing of new capital investment.

(1) Name : Y.A.C. HOLDINGS Co., Ltd., Fuji Narusawa Factory(tentative)

(2) Location : 8532-315, Aza Giragonno, Narusawa Mura, Minami tsuru gun, Yamanashi, Japan.

(3) Initial investment amount : ¥400 million by the end of Mar.31,2018.(building, structures, equipment and others)

(4) Site area : 5,282 square meter(approximately)

(5) Factory floor space : 1,515 square meter(approximately)

(6) Manufacturing item : Dry etching equipment.

(7) Starting construction : Early in December, 2017(planed)

(8) Completion : Mid of March, 2018(planed)

3. Significant influence of the subject facility to sales and manufacturing activities.

Influence to consolidated results of this financial year is little.

(Segment information)

I . The previous corresponding period (Apr. 1, 2016 to Sep. 30, 2016.)

1. Information on sales and income or loss in reportable segment

(Thousands of yen)

	Reportable segment			Total	Adjustment Note 1	Posted on consolidated statement of income Note 2
	Display related business	Mechatronics related business	Cleaning related & other business			
Sales						
Sales to outside customer	10,407,317	6,120,976	736,475	17,264,769	---	17,264,769
Intersegment sales and transfers	---	---	---	---	---	---
Total	10,407,317	6,120,976	736,475	17,264,769	---	17,264,769
Segment income (loss)	532,284	359,531	109,960	1,001,775	(417,410)	584,365

Notes

1. Segment income (loss) adjustment of (¥417,410 thousand) is the corporate expenses not apportioned in each reportable segment. Corporate expenses mainly comprise the headquarters' general and administrative expenses.
2. Segment income (loss) is adjusted with operating income under consolidated statements of income.

2. Information on assets in reportable segments

In this financial period we have acquired shares of Miyuki Elecs Co., Ltd. and consolidated. As a result of this consolidation, segment assets of Mechatronics related business increased by ¥2,274,632 thousand.

3. Information on impairment losses of fixed assets and goodwill in reportable segments.

Significant impairment losses related to fixed assets:

None

Significant changes in goodwill amount:

None

Significant income related to negative goodwill:

In this financial period because of acquisition of Miyuki Elecs Co., mechatronics related business segment income on negative goodwill marked ¥20,829 thousand.

II . This financial period (Apr. 1, 2017 to Sep.30, 2017)

1. Information on sales and income or loss in reportable segment

(Thousands of yen)

	Reportable segment			Total	Adjustment Note 1	Posted on consolidate d statement of income Note 2
	Display related business	Mechatronics related business	Cleaning related & other business			
Sales						
Sales to outside customer	4,184,103	7,220,321	629,145	12,033,570	---	12,033,570
Intersegment sales and transfers	14,052	420	2,401	16,874	-16,874	---
Total	4,198,155	7,220,741	631,546	12,050,444	-16,874	12,033,570
Segment income (loss)	(219,933)	378,236	(85,472)	72,830	160,673	233,503

Notes

1. Segment income (loss) adjustment of ¥160,673 thousand is the corporate income and corporate expenses not apportioned in each reportable segment. Corporate income, mainly comprise management fee from consolidated subsidiaries which belong to each reportable segment, is ¥574,674 thousand. And corporate expenses, mainly comprise the headquarters' general and administrative expenses, is -¥414,001 thousand.
2. Segment income (loss) is adjusted with operating income under consolidated statements of income.

2. Information on assets in reportable segments

None.

3. Information on impairment losses of fixed assets and goodwill in reportable segments.

Significant impairment losses related to fixed assets:

None

Significant changes in goodwill amount:

None

Significant income related to negative goodwill:

None.

3. Others

Material events concerning Going Concern Assumption

In the previous financial year ended Mar.31, 2017, we booked a loss in mechatronics related business and display related business and marked operating loss ¥142 million because of unprofitable order received and delay of delivery in some unit of order received. As result of this, former Y.A.C. Co., Ltd. single base booked a loss for consecutive three years. Under such a situation, material events concerning Going concern assumption exists.

However, we transited to holding company system on Apr.1, 2017 and operating profit is expected from now on including financial year ending Mar.31, 2018.

And supporting system by line banks are sufficient and addition to this we will utilize surplus cash in group by using effectively newly introduced group cash management system

By the above, we understand that uncertainty concerning Going concern assumption does not exist.