

# Consolidated Financial Review



## For the 2<sup>nd</sup> Quarter Ended Sep. 30, 2016 [Japanese GAAP]

Nov.11, 2016  
Listed Market: TSE

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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 2<sup>nd</sup> quarter ended Sep.30, 2016 (4/01/2016—9/30/2016) (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 attributable to owners of parent	
	Mil yen	%	Mil yen	%	Mil yen	%	Mil yen	%
Six months ended Sep.30, 2016	17,264	55.5	584	26.6	338	-26.9	263	11.3
Six months ended Sep. 30, 2015	11,102	68.9	461	---	462	---	236	---

Note: Comprehensive income

Six months ended Sep. 30, 2016 ¥70 million (-71.5%)  
Six months ended Sep. 30, 2015 ¥248 million (--- %)

	Profit per share	Diluted profit per share
Six months ended Sep. 30, 2016	Yen 29.49	Yen 29.29
Six months ended Sep. 30, 2015	26.52	26.37

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Mil yen	Mil yen	%
As of Sep. 30, 2016	34,746	13,473	38.0
AS of Mar. 31, 2016	34,760	13,498	38.1

Note: Equity

As of Sep. 30, 2016: ¥13,209 million  
As of Mar. 31, 2016: ¥13,240 million

### 2. Cash Dividends

	Cash dividend per share				
	The 1st quarter	The 2nd quarter	The 3 <sup>rd</sup> quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31 2016	---	10.00	---	10.00	20.00
Fiscal year ending Mar. 31 2017	---	10.00			
Fiscal year ending Mar. 31, 2017 (forecast)			---	10.00	20.00

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

### 3. Corporate estimates for the year ending Mar. 31, 2017(4/01/2016-3/31/2017)

(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, 2017	30,000	17.4	1,500	85.7	1,350	147.0	890	3,075.1	99.68

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.: Yes
- ② Changes of accounting policies other than ① : None
- ③ Changes in accounting estimates : None
- ④ Retrospective restatement : None

Please refer to page 5, 2.summary information (Notes) (2) Changes of accounting policies, changes in accounting estimates and retrospective restatement.

(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, 2016:	9,674,587 shares	As of Mar. 31, 2016:	9,674,587 shares
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② Number of treasury stock as of end of period

As of Sep. 30, 2016:	745,801 shares	As of Mar. 31, 2016:	745,801 shares
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③ Average number of issued shares outstanding

Six months ended Sep. 30, 2016:	8,928,786 shares	Six months ended Sep. 30, 2016:	8,924,069 shares
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\*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. It is under the review procedure process at the time of disclosure of this report.

\*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.

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## 1. Qualitative Information, Financial Statements

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

During the six months started from Apr.1, 2016, world economy has kept generally recovering because of limited influence of Brexit and the atmosphere of searching for the timing of interest hike backed by stable employment and individual consumption in the U.S.A. in spite of fear of economy downturn influenced by rapid currency exchange rate movement and economy slowdown in the developing countries. In Japan, a part of economy has shown recovering signal from moving flat backed by stimulus economic policy by government and central bank in spite of bad influence of progressing strong yen to corporate performance.

Under these economic atmospheres, our group has endeavored to develop and commercialize new products to grasp client's needs.

As a result, consolidated this six months our business result, net sales amounted to ¥17,264 million (55.5% increased compared to the previous corresponding period), operating income marked ¥584 million (26.6% increased compared to the previous corresponding period), ordinary income marked ¥338 million (26.9% decreased compared to the previous corresponding period), profit for the period attributable to owners of parent marked ¥263 million (11.3% increased compared to the previous corresponding period).

Each segment result was as follows.

(Display related business segment)

Sales of equipment which are used for manufacturing of panel for smart phone and tablet devices went well and net sales was increased tremendously. Profit of business generally went well in spite of limited profit of annealing equipment.

As a result, net sales of display related business segment amounted to ¥10,407 million (44.8% increased compared to the previous corresponding period) and segment income marked ¥532 million (19.8% increased compared to the previous corresponding period).

(Mechatronics related business segment)

YAC Garter Co., Ltd., which was consolidated from 2<sup>nd</sup> half financial term of the previous financial year, contributed from the starting time of this financial year, and we could get big new order of voltaic related manufacturing equipment and new burnisher equipment and business went well.

As a result, net sales of mechatronics related business segment amounted to ¥6,120 million (89.2% increased compared to the previous corresponding period) and segment income marked ¥359 million (39.1% increased compared to the previous corresponding period)

(Cleaning related and other business segment)

We could stably grasp client's demand and business went well.

As a result, net sales of cleaning related and other business segment amounted to ¥736 million (8.4 % increased compared to the previous corresponding period) and net segment income marked ¥109 million (259.8% increased compared to the previous corresponding period)

### (2) Qualitative information regarding changes in consolidated financial position

(Assets)

Current assets as of Sep. 30, 2016 stood at ¥26,788 million increased by ¥6 million compared to the previous financial year end. The main factors were an increase of trade note and account receivable by ¥2,262 million, an increase of cash and deposit by ¥1,453 million, an increase of merchandise and finished goods by ¥165.million, a decrease of work in process by ¥3,318 million, Noncurrent assets amounted to ¥7.958 million decreased by ¥20 million compared to the previous financial year end. As a result, total assets as of September 30, 2016 stood at ¥34,746 million decreased by ¥13 million compared to the previous financial year end.

(Liabilities)

Current liabilities as of Sep. 30, 2016 stood at ¥14,388 million increased by ¥19 million compared to the previous financial year end. The main factor is a decrease of income tax payable by ¥337

million. Noncurrent liabilities stood at ¥6,885 million decreased by ¥8 million compared to the previous financial year end.

As a result, total liabilities as of Sep.30, 2016 stood at ¥21,273 million increased by ¥11 million compared to the previous financial year end.

(Net assets)

Total net assets as of Sep. 30, 2016 amounted to ¥13,473 million decreased by ¥24 million compared to the previous financial year end. This is mainly due to an increase of retained earnings by ¥173 million and a decrease of foreign currency translation adjustment by ¥212 million.

As a result, equity ratio at the end of the 2<sup>nd</sup> quarter came to 38 % (the previous financial year end was 38.1 %).

### **(3) Qualitative information regarding consolidated business results forecasts**

Consolidated twelve month business result forecasts ending at Mar.31, 2017 is the same as consolidated business results forecast which announced on May. 16, 2016.

## **2. Summary Information (Notes)**

### **(1) Changes in significant consolidated subsidiaries.**

None

### **(2) Changes of accounting policies, changes in accounting estimates and retrospective restatement.**

(Adoption of "Practical Solution on a change in depreciation method due to Tax Reform 2016")

We applied "Practical Solution on a change in depreciation method due to Tax Reform 2016"

(PITF No.32 on June 17,) from the first quarter of this financial year ending Mar. 31, 2017

As a result of this we have switched the method of depreciation for building and structures

acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

As a result of this change, influence to consolidated financial statement of this financial period is little.

### **(3) Additional Information**

We applied "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" issued by ASBJ from the first quarter of the fiscal year ending March 2017.

## **3. Material events concerning Going Concern Assumption**

Our consolidated operating cash flow of the previous financial year was negative because of trade notes and account receivables at the end of Mar.31, 2016 was increased with increasing sales. As a result, three consecutive years operating cash flow were negative. Addition to this, single base operating income ordinary income and profit marked significant loss and 2 consecutive years operating income marked loss.

Under such a situation, material events concerning Going concern assumption existed at the end of previous financial year. Ordinary income and profit attributable to owners of parent of the first quarters of this financial period marked loss as well, therefore material events concerning Going Concern Assumption exist successively

However trade notes and account receivables at the end of Mar.31, 2016 is expected to receive roughly within a year and in April 2016, we started new project so called "Building profitable corporate body project" and we actively cope to strengthen profitability with enough operating income. Our group operating cash flow in this financial period marked positive ¥2,657 million and operating income marked ¥569 million. We will keep intensively collect receivable and strengthen profitability. Addition to these, financial support by correspondent financial institutions including main bank are strong and we successfully set up commitment line with Resona Bank. We schedule to change to holding company and are considering to utilize free cash of each group company effectively.

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

#### 4. Consolidated financial information

##### (1) Consolidated Balance Sheets

(Thousands of yen)

	The previous financial year end ( Mar. 31, 2016)	This financial period (Sep. 30, 2016)
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	5,397,972	6,851,348
Trade notes and accounts receivable	12,342,531	14,605,256
Securities	84,431	39,225
Merchandise and finished goods	278,827	444,293
Work in process	6,621,669	3,374,205
Raw materials and supplies	921,680	953,485
Deferred income taxes	314,518	430,910
Others	935,652	226,173
Allowance for doubtful accounts	-115,906	-136,834
Total current assets	26,781,377	26,788,065
<b>Non current assets</b>		
<b>Tangible fixed assets</b>		
Building and structures	3,298,197	3,586,102
Accumulated depreciation	-2,501,499	-2,712,963
Building and structures(net)	796,697	873,138
Machinery, equipment and vehicles	2,054,866	1,825,393
Accumulated depreciation	-1,560,015	-1,412,268
Machinery, equipment and vehicles(net)	494,850	413,125
Tools, equipment and fixtures	3,144,482	3,157,496
Accumulated depreciation	-2,671,446	-2,748,827
Tools, equipment and fixtures(net)	473,035	408,669
Land	3,034,422	3,080,922
Leased assets	131,643	92,607
Accumulated depreciation	-82,081	-40,903
Leased assets(net)	49,562	51,703
Construction in progress account	494,452	500,385
Total tangible fixed assets	5,343,021	5,327,944
<b>Intangible assets</b>		
Goodwill	831,166	759,316
Soft wares	62,397	63,554
Leased assets	19,590	15,635
Telephone subscription rights	19,603	20,716
Patent license	108,000	90,000
Others	9,147	5,421
Total intangible assets	1,049,905	954,644
<b>Investments and other assets</b>		
Investment in securities	1,111,116	1,159,067
Long-term lending receivables	153,446	152,426
Differed income taxes	221,900	210,563
Long-term retention receivables	78,873	164,361
Others	283,164	339,683
Allowance for doubtful accounts	-262,205	-349,836
Total investments and other assets	1,586,295	1,676,266
Total non current assets	7,979,223	7,958,855
<b>Total assets</b>	<b>34,760,600</b>	<b>34,746,920</b>

(Thousands of yen)

	The previous financial year end. (Mar. 31, 2016)	This financial period (Sep. 30, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	7,069,728	7,164,171
Short-term loans payable	5,246,947	5,390,313
Current portion of bonds payable	300,000	300,000
Lease obligations	24,092	26,010
Income taxes payable	425,343	88,298
Provision for bonuses	261,696	350,669
Provision for product warranties	215,322	188,198
Expense payable	400,597	336,268
Advances received	118,813	189,786
Others	306,113	354,642
Total current liabilities	14,368,655	14,388,360
<b>Fixed liabilities</b>		
Bonds payable	700,000	700,000
Long-term loans payable	4,856,093	4,766,030
Expense payable longterm	61,853	32,983
Lease obligations	47,761	43,997
Deferred tax payable	71,431	109,938
Provision for directors' retirement benefits	63,853	76,629
Provision for retirement benefits	1,015,493	1,059,917
Asset retirement obligation	48,718	67,164
Others	28,442	28,442
Total fixed liabilities	6,893,648	6,885,102
Total liabilities	21,262,303	21,273,462
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,756,680	2,756,680
Capital surplus	3,582,276	3,582,276
Retained earnings	7,685,048	7,859,037
Treasury stock	-638,014	-638,014
Total shareholders' equity	13,385,991	13,559,980
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale security	27,356	34,969
Foreign currency translation adjustment	-163,669	-376,478
Pension liability adjustment	-9,408	-9,137
Total accumulated other comprehensive income	-145,720	-350,646
Subscription right to shares	31,042	38,376
Non controlling interest	226,983	225,747
<b>Total net assets</b>	<b>13,498,296</b>	<b>13,473,458</b>
<b>Total liabilities and net assets</b>	<b>34,760,600</b>	<b>34,746,920</b>

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

(Thousands of yen)

	The previous corresponding period (Apr.1, 2015 to Sep. 30, 2015)	Six months ended Sep. 30, 2014 (Apr. 1, 2016 to Sep. 30, 2016)
<b>Net sales</b>	11,102,918	17,264,769
<b>Cost of sales</b>	8,843,985	14,455,509
<b>Gross profit</b>	2,258,933	2,809,260
<b>Selling, g&amp;a expenses</b>		
Salary & directors' compensation	698,712	752,867
Provision for bonuses	110,151	102,387
Fringe benefit expenses	30,932	29,300
Rent expenses	61,309	66,432
Outsourcing expenses	43,010	51,158
R&D expenses	120,834	209,988
Depreciation	113,266	114,658
Others	619,110	898,102
<b>Total selling, g&amp;a expenses</b>	1,797,328	2,224,894
<b>Operating income (loss)</b>	461,604	584,365
<b>Non-operating income</b>		
Interest income	9,259	8,375
Dividends income	3,554	5,948
Investment securities valuation gains	16,897	---
Foreign exchange gains	2,847	---
Rents income	6,092	7,042
Others	4,123	10,004
<b>Total non-operating income</b>	42,774	31,371
<b>Non-operating expenses</b>		
Interest expenses	20,018	33,732
Foreign exchange losses	---	232,135
Factoring fee	---	4,311
Equity in losses of affiliates	18,144	---
Others	3,311	7,210
<b>Total non-operating losses</b>	41,473	277,388
<b>Ordinary income (loss)</b>	462,905	338,348
<b>Extraordinary income</b>		
Income on disposal of fixed assets	162	4,493
Income on negative goodwill	---	20,829
Others	---	3
<b>Total extraordinary income</b>	162	25,326
<b>Extraordinary loss</b>		
Loss on disposal of fixed assets	1,671	4,630
Others	---	6
<b>Total extraordinary loss</b>	1,671	4,637
<b>Profit (loss) before income tax</b>	461,396	359,036
<b>Income taxes</b>	321,467	165,309
<b>Income tax adjustment</b>	-147,700	-81,815
<b>Total income tax</b>	173,767	83,493
<b>Profit (loss) for the period</b>	287,629	275,543
<b>Profit attributable to:</b>		
<b>non-controlling interest(loss)</b>	50,981	12,267
<b>owners of parent</b>	236,648	263,276



**Consolidated statements of comprehensive income**

(Thousands of yen)

	<b>The previous corresponding period (Apr.1, 2015 to Sep.30, 2015)</b>	<b>Six months ended Sep. 30, 2015 (Apr.1, 2016 to Sep. 30, 2016)</b>
Profit (loss) for the period	287,629	193,105
Other comprehensive income		
Valuation difference on available-for sale securities	-14,853	7,650
Foreign currency translation adjustment	-24,535	-212,809
Pension liabilities adjustment	101	270
Total other comprehensive income	-39,287	-204,887
Comprehensive income	248,342	-11,782
Comprehensive income attributable to:		
owners of parent.	197,435	58,350
non-controlling interest.	50,907	12,304

### (3) Notes on quarterly financial report

(Note concerning going concern assumption)

None

(Note concerning major changes in shareholders' equity)

None

(Segment information)

I. The previous corresponding period (Apr. 1, 2015 to Sep. 30, 2015)

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	7,189,170	3,234,556	679,191	11,102,918	---	11,102,918
Intersegment sales and transfers	---	---	---	---	---	---
Total	7,189,170	3,234,556	679,191	11,102,918	---	11,102,918
Segment income (loss)	444,217	258,434	30,565	733,217	(271,613)	461,604

Notes

1. Segment income (loss) adjustment of (¥271,613 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 Nihon Garter Co., Ltd. and consolidated. As a result of this consolidation, segment assets of Mechatronics related business increased by ¥4,588,713 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:

In this financial period we have acquired shares of Nihon Garter Co., Ltd. And consolidated. As a result of this consolidation, goodwill was generated. Increased amount of goodwill in this financial period was ¥837,623 thousand.

Significant income related to negative goodwill:

None

II. This financial 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			
<b>Sales</b>						
Sales to outside customer	10,407,317	6,120,976	736,475	17,264,769	---	17,264,769
Intersegment sales and transfers	---	---	---	---	---	---
<b>Total</b>	<b>10,407,317</b>	<b>6,120,976</b>	<b>736,475</b>	<b>17,264,769</b>	<b>---</b>	<b>17,264,769</b>
<b>Segment income (loss)</b>	<b>532,284</b>	<b>359,531</b>	<b>109,960</b>	<b>1,001,775</b>	<b>(417,410)</b>	<b>584,365</b>

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 Erecs Co., Ltd. and consolidated. As a result of this consolidation, segment assets of Mechatronics related business increased by ¥2,167,604 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 Erecs Co., Mechatronics related business segment Income on negative goodwill marked ¥20,829.