

# Consolidated Financial Review

## For the 1<sup>st</sup> Quarter Ended Jun. 30, 2014 [Japanese GAAP]



Aug. 8, 2014

Listed Market: TSE 1<sup>st</sup> Section

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 Application of U.S.GAAP: None

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.

### 1. Financial highlights for the 1<sup>st</sup> quarter ended Jun.30, 2014 (4/01/2014–6/30/2014)

(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		Net Income	
	Mil yen	%	Mil yen	%	Mil yen	%	Mil yen	%
Three months ended Jun.30, 2014	1,900	-52.6	-355	---	-374	---	-308	---
Three months ended Jun. 30, 2013	4,009	-49.7	-219	---	-171	---	-163	---

Note: Comprehensive income

Three months ended Jun. 30, 2014 -¥316 million (--- %)

Three months ended Jun. 30, 2013 -¥152 million (--- %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended Jun. 30, 2014	-34.57		---	
Three months ended Jun. 30, 2013	-18.30		---	

#### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Mil yen		Mil yen		%	
Jun. 30, 2014	22,212		12,789		56.8	
Mar. 31, 2014	22,587		13,191		57.6	

Note: Equity

As of Jun. 30, 2014 ¥12,623 million

As of Mar. 31, 2014 ¥13,020 million

### 2. Cash Dividends

	Cash dividend per share				
	The 1st quarter	The 2nd quarter	The 3 <sup>rd</sup> quarter	Year-end	Annual
	Yen				
Fiscal year ended Mar. 31, 2014	---	10.00	---	10.00	20.00
Fiscal year ending Mar. 31, 2015	---				
Fiscal year ending Mar. 31, 2015 (forecast)		10.00	---	10.00	20.00

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

### 3. Corporate estimates for the year ending March 31, 2015 (4/01/2014-3/31/2015)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Mill. Yen	%	Mill Yen	%	Mill. Yen	%	Mill Yen	%	Yen
6 months ending Sep. 30, 2014	6,500	-22.0	-100	---	-110	---	-150	---	-16.82
Fiscal year ending Mar. 31, 2015	18,000	23.9	700	63.7	680	24.4	430	-80.7	48.21

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 Jun. 30, 2014:	9,674,587 shares	As of Mar. 31, 2014:	9,674,587 shares
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② Number of treasury stock as of end of period

As of Jun. 30, 2014:	755,397 shares	As of Mar. 31, 2014:	755,397 shares
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③ Average number of issued shares outstanding

Three months ended Jun. 30, 2014:	8,919,190 shares	Three months ended Jun. 30, 2013:	8,919,270 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. We have received the quarterly financial review report based upon the Financial Instruments and Exchange Law 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 "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 three months started from Apr.1, 2014, world economy has been uncertain because in Europe, economy recovery movement is slow by arising deflationary concerns from minus interest rate and in PRC and developing countries, addition to monetary and financial anxieties slowdown of economy growth speed become clear, regardless in the USA, economy is recovering with increasing personnel expenditure and export.

And Japanese economy has been unpredictable situation because of stagnation of domestic demand by reaction of the last minutes-demand due to the consumption tax hike and the influence of higher energy cost caused by weak yen, never the less real economy has been slowly recovering by simulative monetary and financial policy.

Under these economic atmospheres, our group has endeavored to spread its business to Asia countries where keep on growing slowly instead with concentrating for developing high value-add products which grasp costumers' needs

As a result, our business result of consolidated this three months period, sales amounted to ¥1,900 million (52.6% decreased compared to the same period of the previous year), operating loss marked ¥355 million (the same period of the previous year marked loss ¥219 million), ordinary loss marked ¥374 million (the same period of the previous year marked loss ¥171 million), net loss marked ¥308 million (the same period of the previous year marked loss ¥163 million)

Each segment result was as follows.

(Industrial electronics related segment)

Regarding the hard disk related business, nevertheless the demand for HDD has increased because of introducing new game tools to market as well as increasing update of OS software, which have never created costumers' new capital investments and our business has been sluggish.

Regarding the semiconductor related business, demand of equipment for automobile and mobile devices use semiconductor has been well, which compensate slowdown demand for PC and home digital appliances, and business has been tolerable.

Regarding the liquid crystal related business, demand of high density panel for mobile devices has been strong and middle size of plasma etching equipment and annealing equipment business has been well.

Regarding the heat treatment equipment related business, sales of FPD heating equipment for manufacturing of liquid crystal panel for mobile devices and big size TV will be realized in autumn, therefore its business was slow.

Regarding photovoltaic manufacturing equipment related business, we successfully received the order from overseas costumer for high efficiency panel manufacturing but realization of some of the order received has been postponed because of US anti-dumping action, therefore our business went slow.

Regarding industrial metering equipment and telemetering and controlling system, supported by new capital investments by new entries or re constructions with progressing deregulations of energy business and business has been firm.

As results of these, this segment sales amounted to ¥1,681 million (55.0 % decreased compared to the same period of the previous year) and segment loss marked ¥233 million (the corresponding period of the previous year marked loss ¥114 million).

(Cleaning related business)

We, nevertheless the worse business atmosphere such as domestic cleaning demand has been declining, have endeavored to strengthen our sales forces to PRC and Europe as well as to Japan, and business went well.

As a result, this segment sales amounted to ¥219 million (19.7% decreased compared to the corresponding period of the previous year) and segment income marked ¥13 million (54.0% decreased compared to the corresponding period of the previous year)

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

Current assets as of Jun 30, 2014 stood at ¥16,579 million decreased by ¥212 million compared to the previous financial year end. The main factors were decrease of trade notes and account receivables by ¥758 million, decrease of cash and deposits by ¥363 million, and increase of work in process by ¥784 million.

Non current assets amounted to ¥5,632 million decreased by ¥162 million compared to the previous financial year end. The decrease was mainly due to decrease of investment and other assets by ¥132 million. As a result, total assets as of Jun. 30, 2014 stood at ¥22,212 million decreased by ¥375 million compared to the previous financial year end.

### (Liabilities)

Current liabilities as of Jun. 30, 2014 stood at ¥5,186 million increased by ¥64 million compared to the previous financial year end. The main factors were increase of short-term loans payable by ¥274 million, decrease of income tax payable by ¥152 million and decrease of notes and accounts payable-trade by ¥101 million.

Non current liabilities amounted to ¥4,236 million decreased by ¥37 million compared to the previous financial year end. The main factor was decrease of long-term loans payable by ¥49 million.

As a result, total liabilities as of Jun.30, 2014 stood at ¥9,422 million increased by ¥26 million compared to the previous financial year end.

### (Net assets)

Total net assets as of Jun. 30, 2014 amounted to ¥12,789 million decreased by ¥402 million compared to the previous financial year end. The main factor was decrease of retained earnings by ¥397 million.

As a result, equity ratio at the end of the 1<sup>st</sup> quarter came to 56.8 % (the previous financial year end was 57.6 %).

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

Consolidated twelve month business result forecasts ending at Mar.31, 2015 is the same as consolidated business results forecast which announced on May. 12, 2014.

## **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 new accounting standards for retirement benefits)

Effective from the beginning of the first quarter of the financial year ending March 31, 2015, Y.A.C. Co. Ltd. and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Guidance No.26, May 17, 2012 (hereinafter referred as the "Accounting Standards for Retirement Benefits") and its accompanying implementation guidance, "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012.) ( hereinafter referred as the "Guidance on Accounting Standards for Retirement Benefits") with respect to certain provisions described in article 35 of the Accounting Standards for Retirement Benefits and the article 67 of the Guidance on Accounting Standard for Retirement Benefits.

As a result, the methods for calculating retirement benefit obligations and service costs have been revised, and the method for determining the discount rate has been changed.

As a result of this change, as of Jun 30, 2014, influence to total asset and net assets are little.

### 3. Consolidated financial information

#### (1) Consolidated Balance Sheets

(Thousands of yen)

	The previous financial year end ( Mar. 31, 2014)	This financial period (Jun. 30, 2014)
<b>(Assets)</b>		
Current assets		
Cash and deposits	7,926,518	7,563,446
Trade note and accounts receivable	5,673,962	4,915,416
Securities	83,274	102,356
Merchandise and finished goods	140,520	209,196
Work in process	2,091,908	2,876,471
Raw materials and supplies	506,781	462,733
Deferred income taxes	190,991	256,243
Others	183,481	199,656
Allowance for doubtful accounts	-5,204	-6,163
Total current assets	16,792,234	16,579,356
<b>Non current assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures	2,682,905	2,684,185
Accumulated depreciation	-1,922,088	-1,937,747
Building and structures(net)	760,817	746,437
Machinery, equipment and vehicles	299,358	311,771
Accumulated depreciation	-266,062	-264,555
Machinery, equipment and vehicles(net)	33,296	47,216
Tools, equipment and fixtures	2,249,910	2,238,917
Accumulated depreciation	-1,893,224	-1,915,204
Tools, equipment and fixtures(net)	356,686	323,712
Land	2,568,122	2,568,122
Leased assets	84,738	38,538
Accumulated depreciation	-56,350	-11,943
Leased assets(net)	28,388	26,595
Construction in progress	479,960	489,209
Total tangible fixed assets	4,227,271	4,201,293
<b>Intangible assets</b>		
Good will	26,075	23,068
Soft wares	42,306	42,986
Leased assets	37,361	35,129
Telephone subscription rights	18,596	18,596
Others	765	736
Total intangible assets	125,105	120,518
<b>Investments and other assets</b>		
Investment in securities	1,038,919	1,020,878
Long-term lending	68	39
Differed income taxes	197,666	198,240
Long-term retentions receivable	69,480	69,480
Others	235,085	120,539
Allowance for doubtful accounts	-98,080	-98,081
Total investments and other assets	1,443,139	1,311,098
Total non current assets	5,795,516	5,632,910
Total assets	22,587,751	22,212,267

(Thousands of yen)

	The previous financial year end. (Mar. 31, 2014)	This financial period (Jun. 30, 2014)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	3,163,368	3,061,463
Short-term loans payable	1,089,424	1,363,895
Leas obligations	15,904	15,654
Income taxes payable	166,689	14,384
Provision for bonuses	173,869	99,108
Provision for products warranty	49,635	52,228
Expense payable	232,732	317,846
Advances received	18,105	15,944
Others	212,936	246,337
Total current liabilities	5,122,666	5,186,861
<b>Fixed liabilities</b>		
Bonds payable	1,000,000	1,000,000
Long-term loans payable	2,048,400	1,998,634
Expense payable long term	232,356	232,328
Lease obligations	53,133	49,211
Deferred tax payable	73,598	74,179
Provision for director's retirement benefits	48,007	49,898
Obligations related to retirement benefits	789,818	803,409
Others	28,431	28,431
Total fixed liabilities	4,273,746	4,236,091
Total liabilities	9,396,412	9,422,953
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,756,680	2,756,680
Capital surplus	3,582,276	3,582,276
Retained earnings	7,377,475	6,979,955
Treasury stock	-646,220	-646,220
Total shareholders' equity	13,070,212	12,672,692
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,498	36,585
Foreign currency translation adjustment	-89,438	-92,108
Pension liability adjustments	6,615	6,002
Total accumulated other comprehensive income	-49,324	-49,519
Subscription rights to shares	9,856	13,260
Minority interests	160,594	152,880
Total net assets	13,191,339	12,789,314
Total liabilities and net assets	22,587,751	22,212,267

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

(Thousands of yen)

	The previous corresponding period (Apr.1, 2013 to Jun. 30, 2013)	Three months ended Jun. 30, 2014 (Apr. 1, 2014 to Jun. 30, 2014)
Net sales	4,009,625	1,900,510
Cost of sales	3,658,084	1,493,378
Gross profit	351,541	407,131
Selling, g&a expenses		
Salary & directors' compensation	234,505	317,991
Provision for bonuses	27,971	26,785
Fringe benefit expenses	15,242	16,549
Rent expenses	19,064	28,198
Outsourcing expenses	11,477	10,355
R&D expenses	44,993	62,637
Depreciations	37,707	43,865
Others	180,226	256,448
Total selling, g&a expenses	571,189	762,830
Operating income(loss)	(219,648)	(355,698)
Non-operating income		
Interest income	926	4,249
Dividends income	1,068	1,225
Foreign exchange gains	49,363	---
Rents income	2,954	2,739
Others	4,129	3,276
Total non-operating income	58,442	11,490
Non-operating expenses		
Interest expenses	8,976	8,101
Foreign exchange losses	---	20,331
Factoring fee	25	17
Equity in loss of affiliates	153	250
Others	1,035	1,714
Total non-operating losses	10,190	30,414
Ordinary income(loss)	(171,396)	(374,622)
Extraordinary income		
Income on disposal of fixed assets	142	165
Total extraordinary income	142	165
Extraordinary loss		
Losses on disposal of fixed assets	680	13
Total extraordinary loss	680	13
Income(Loss) before income tax	(171,934)	(374,470)
Income taxes	23,761	8,620
Income tax adjustment	-20,191	-66,884
Total income tax	3,569	-58,264
Income(Loss)before minority interests	(175,504)	(316,206)
Minority interests in income(loss)	(12,238)	(7,878)
Net income(loss)	(163,266)	(308,328)



## Consolidated statements of comprehensive income

(Thousands of yen)

	<b>The previous corresponding period (Apr.1, 2013 to Jun.30, 2013)</b>	<b>Three months ended Jun. 30, 2014 (Apr.1, 2014 to Jun. 30, 2014)</b>
Income(Loss) before minority interests	(175,504)	(316,206)
Other comprehensive income		
Valuation difference on available-for sale securities	3,641	3,251
Foreign currency translation adjustment	19,467	-2,670
Pension liability adjustments	---	-612
Total other comprehensive income	23,109	-31
<b>Comprehensive income</b>	<b>-152,395</b>	<b>-316,237</b>
(comprehensive income attribute to)		
Owners of the parent	-140,327	-308,523
Minority interests	-12,067	-7,714

**(3)Notes on consolidated financial information.****(Notes concerning going concern assumption.**

None

**(Notes Concerning Major Changes in Shareholders Equity)**

None

**(Segment Information and others)****[Segment information]**

I . The previous corresponding period (Apr. 1, 2013 to Jun. 30, 2013)

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

(Thousands of yen)

	Reportable segment		Total	Adjustment	Posted on consolidated statement of income
	Industrial electronics related business	Cleaning related and other business.			
<b>Sales</b>					
Sales to outside customer	3,736,731	272,893	4,009,625	---	4,009,625
Intersegment sales and transfers	---	---	---	---	---
<b>Total</b>	<b>3,736,731</b>	<b>272,893</b>	<b>4,009,625</b>	<b>---</b>	<b>4,009,625</b>
<b>Segment income (loss)</b>	<b>(114,537)</b>	<b>29,212</b>	<b>(85,325)</b>	<b>(134,322)</b>	<b>(219,648)</b>

## Notes

1. Segment income (loss) adjustment of (¥134,322 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.

II . This financial period (Apr. 1, 2014 to Jun.30, 2014)

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

(Thousands of yen)

	Reportable segment		Total	Adjustment	Posted on consolidated statement of income
	Industrial electronics related business	Cleaning related and other business			
<b>Sales</b>					
Sales to outside customer	1,681,309	219,201	1,900,510	---	1,900,510
Intersegment sales and transfers	---	---	---	---	---
<b>Total</b>	<b>1,681,309</b>	<b>219,201</b>	<b>1,900,510</b>	<b>---</b>	<b>1,900,510</b>
<b>Segment income (loss)</b>	<b>(233,703)</b>	<b>13,432</b>	<b>(220,270)</b>	<b>(135,427)</b>	<b>(355,698)</b>

## Notes

1. Segment income (loss) adjustment of (¥135,427 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.