



# **First-half FY2005**

# **Financial Report**

**Nov. 30, 2005**

**Y.A.C. Co., Ltd**

Rev.:Jan/17/06

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# Key Message

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- We expect to achieve 10% operating profit as an “Excellent Company”
- We set up a 15% operating profit benchmark as “High-profit Company” by materializing:
  - To establish “One and Only Enable Technologies” in each business unit
  - To make the high profit business initiatives firmly rooted



# **1. Company Outline**



# Outline (as of Mar. 2005)

Company Name :	Y. A. C. Co., Ltd.
Code :	6298 (JASDAQ)
Establishment :	May, 1973
CEO :	Takefumi Momose
Facilities :	Headquarters: Akishima-shi, Tokyo, Japan Factories: Tokyo, Yamanashi, Kumamoto, Shiga Sales Offices: Osaka, Fukuoka, Oita
Paid-in capital :	JY1,691mil.
Business Areas :	Development, Manufacturing & Sales of -Industrial Electronics Related Equipments -Cleaning Related Equipments
Revenue :	(Consolidated) JY18,711 Mil. (YAC) JY17,937 Mil
Ordinary Profit :	(Consolidated) JY1,508 Mil. (YAC) JY1,194 Mil.
No. Of Employees :	(Consolidated) 189 (YAC) 176
Fiscal Year:	From April 1 to March 31

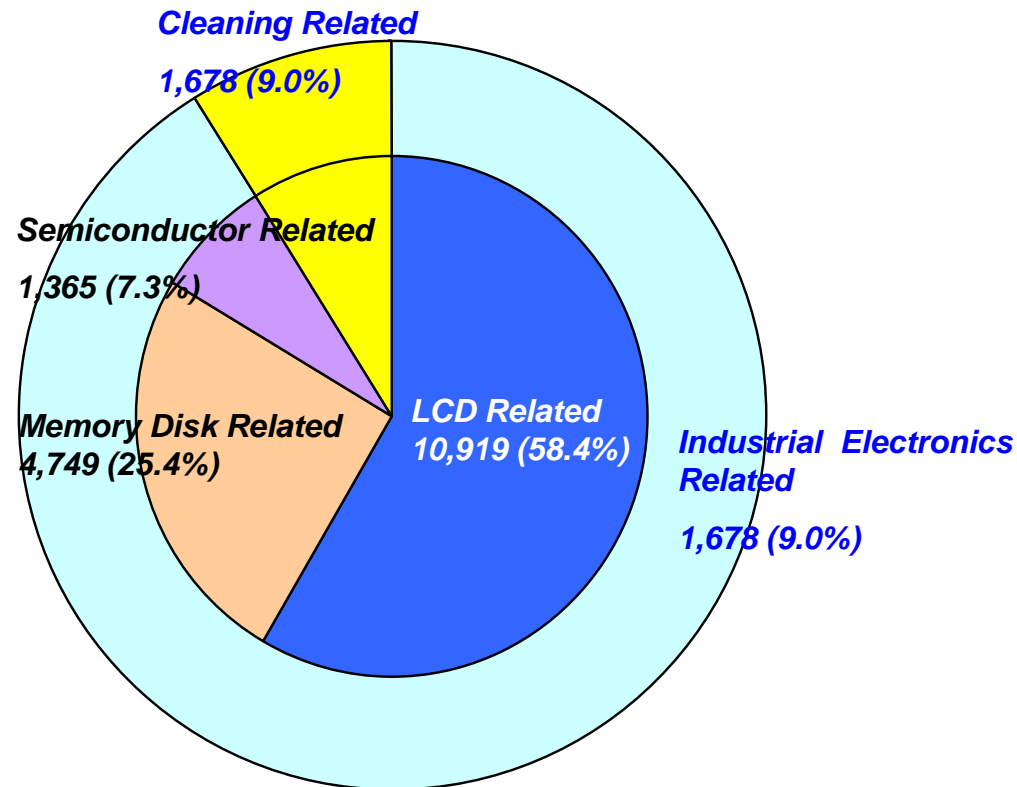


# Business Portfolio

## *Sales by Business Unit*

(Consolidated)

FY2004 (Mil. Yen)



**LCD & Memory Disk Business represents for over 80%**



# Company History and Business Development

	LCD EQ.	Memory Disk EQ.	Semiconductor EQ.	Cleaning EQ.	Overseas
1973				Establishment Entry into Bagging machine business	
1977			Entry into Semiconductor business		
1985		Entry into Memory Disk business			
1987		Developed Floating Tape Processing System			
1989			Entry into Semiconductor EQ. business		
1990	Entry into LCD business				
1991					Established Representative Office in CA, USA
1993		Developed Clean Packing System	Developed Clean Packing System	Developed Auto Sorting System	
1995					Established overseas affiliated company HYAC in CA, USA & YSS in Singapore
1997				Developed Low-cost Sorting System, High-speed Bagging Machine	
1998		Developed Clean Conveyer System			
2000	Buying out of Plasma System Corp (Entry into Plasma Dry Etching business)		Taking over of the business right of MC Electronics Co. (Entry into Logic IC Handler business)		
2001				Taking over of the business right of Shirts Pressing EQ from Fuji Car Mfg. Co., Ltd & Fuji Washing Machine Co.Ltd. (Entry into Shirts Press EQ business)	

**Expand business by taking technical trend and market needs in advance**



## **2. First-half Result & Full Fiscal Year 2005 Prospects**





## Highlight of FY2005 1<sup>st</sup> half Result *(Consolidated)*

Items	FY2003	FY2004	FY2004 (1 <sup>st</sup> half)	FY2005 (1 <sup>st</sup> half)	year-on-year rate (%)
Net Sales	8,687	18,711	7,765	7,637	-1.6
Operating Income	515	1,545	660	843	+27.7
Net income b/Tax	559	1,508	659	864	+31.1
Net Income	313	1,198	607	590	-2.8
Earning /Share	36.4	139.4	70.7	68.72	-2.0
Operation Income Ratio	5.9%	8.3%	8.4%	11.1%	+2.7

- **Sales:** *Slight decrease for LCD demand slows down and some projects postponed*
- **Operating Income:** *Significant increase by cost/SGA expense reduction efforts*
- **Operating Income Ratio:** *Over 10% achieved*



## Compact Profit & Loss Statement

Items	FY2003	FY2004	FY2004 (1 <sup>st</sup> -half)	FY2005 (1 <sup>st</sup> -half)	year-on-year rate (%)
Net Sales	8,687	18,711	7,765	7,637	-1.6
Cost of Sales	6,533	15,524	6,327	5,996	-5.2
Gross Profit	2,152	3,187	1,438	1,641	14.1
Sales & administrative expenses	1,637	1,642	777	797	2.6
Operating Income	515	1,545	660	843	27.7
Non operating - Income	284	112	74	51	-30.3
Non operating- expenses	240	149	75	30	-59.3
Ordinary Income	559	1,508	659	864	31.1
Extraordinary gain	31	-	1	1	-22.9
Extraordinary loss	247	129	33	61	87.3
Income before tax	343	1,378	628	804	28.0
Income Tax	30	180	20	213	931.2
Net Income	312	1,197	607	590	-2.8

**Ordinary Income increased 31.1% (year-to-year) by cost & expense reduction**



# Balance Sheet

Items	FY2003	FY2004	FY2005 (1 <sup>st</sup> -half)	year-on-year rate (%)
Current Assets	8,195	12,639	12,370	-1.1
Cash and cash equivalents	1,942	2,860	2,143	-3.9
Account receivables	4,032	6,650	6,128	-7.2
Inventories	1,910	2,850	3,825	18.1
Others	311	278	268	-37.9
Fixed assets	3,536	3,103	2,907	-12.6
Tangible fixed assets	3,031	2,738	2,603	-11.4
Intangible fixed assets	40	17	15	-44.5
Investments and others	466	347	288	-19.8
<b>Total Assets</b>	<b>11,731</b>	<b>15,743</b>	<b>15,277</b>	<b>-3.5</b>
Current liabilities	6,745	9,050	7,823	-21.5
Account payables	2,221	6,745	5,462	-10.8
Short-term liabilities	4,025	1,569	1,577	-53.4
Others	449	736	783	73.8
Fixed liabilities	1,525	2,080	2,247	20.1
Long-term liabilities	1,248	1,709	1,883	21.1
Others	277	648	364	15.4
<b>Total liabilities</b>	<b>8,270</b>	<b>11,131</b>	<b>10,071</b>	<b>-14.9</b>
Capital shares	3,460	4,612	5,206	30.0
<b>Total Liabilities &amp; Capital</b>	<b>11,731</b>	<b>11,731</b>	<b>15,277</b>	<b>-3.5</b>

***Short-term interest-bearing liabilities significantly reduced (year-to-year)***



# Cash Flow Statement

Items	FY2003	FY2004	FY2004 (1 <sup>st</sup> -half)	FY2005 (1 <sup>st</sup> -half)	year-on-year rate (%)
Cash Flow from operating activities	(925)	2,541	608	(1,054)	-273.3
Income before tax	343	1,378	628	804	28.0
Adjustment for Depreciation	235	269	130	107	-18.1
Increase ( decrease) of provision	58	65	36	10	-71.7
Increase ( decrease ) of account receivables	(263)	(2,581)	(2,547)	627	-124.6
Increase (decrease) of inventories	(464)	(1,072)	(1,329)	(971)	-26.9
Increase (decrease) of account payables	(722)	4,514	3,880	(1,296)	-133.4
Cash paid for Tax	(21)	(25)	(21)	(258)	1,087.0
Others	(91)	(7)	(169)	(76)	-54.4
Cash Flow from Investing activities	798	391	8	111	1191.3
Cash Flow from financing activities	1,020	(2,020)	(345)	195	-156.7
Effects of exchange rate change on Cash and cash equivalents	(19)	5	20	33	13
Increase(decrease )of cash and cash equivalents	874	918	292	(713)	-344.1
Year-End balance of cash and equivalents	1,662	2,581	1,955	1,868	-4.4

***CF from operating activities decreased for lesser account payables***



# Full fiscal year prospects

Items	FY2003	FY2004	FY2005 (Prospect as of 19/Mar)	FY2005 (Prospect as of 17/Nov)	Change from 19/Mar prospect (%)	Year-on-Year Rate (%)
Net Sales	8,687	18,711	16,400	17,200	4.9	-8.1
Ordinary Profit	559	1,508	1,600	1,900	18.8	26.0
Net Income	313	1,198	900	1,100	22.2	-8.1
Earning / share	36.4	139.4	104.72	127.63	21.9	-8.4

- **Net Sales** : As planned at the beginning of fiscal year
- **Ordinary Profit** : 18.8% increase(vs.P.Y) by cost/SGA expense reduction efforts
- **Operating Income Ratio**: Over 10% in full fiscal year



## **3. Basic Strategy & 9th Mid-Term Plan**



# Basic Strategies

## **1. *Fab-less Management***

- *To eliminate investment risk by market fluctuation*

## **2. *High-profit Business Initiatives***

- *To implement complete profit management*
- *To establish effective production system together with a chain of supply*

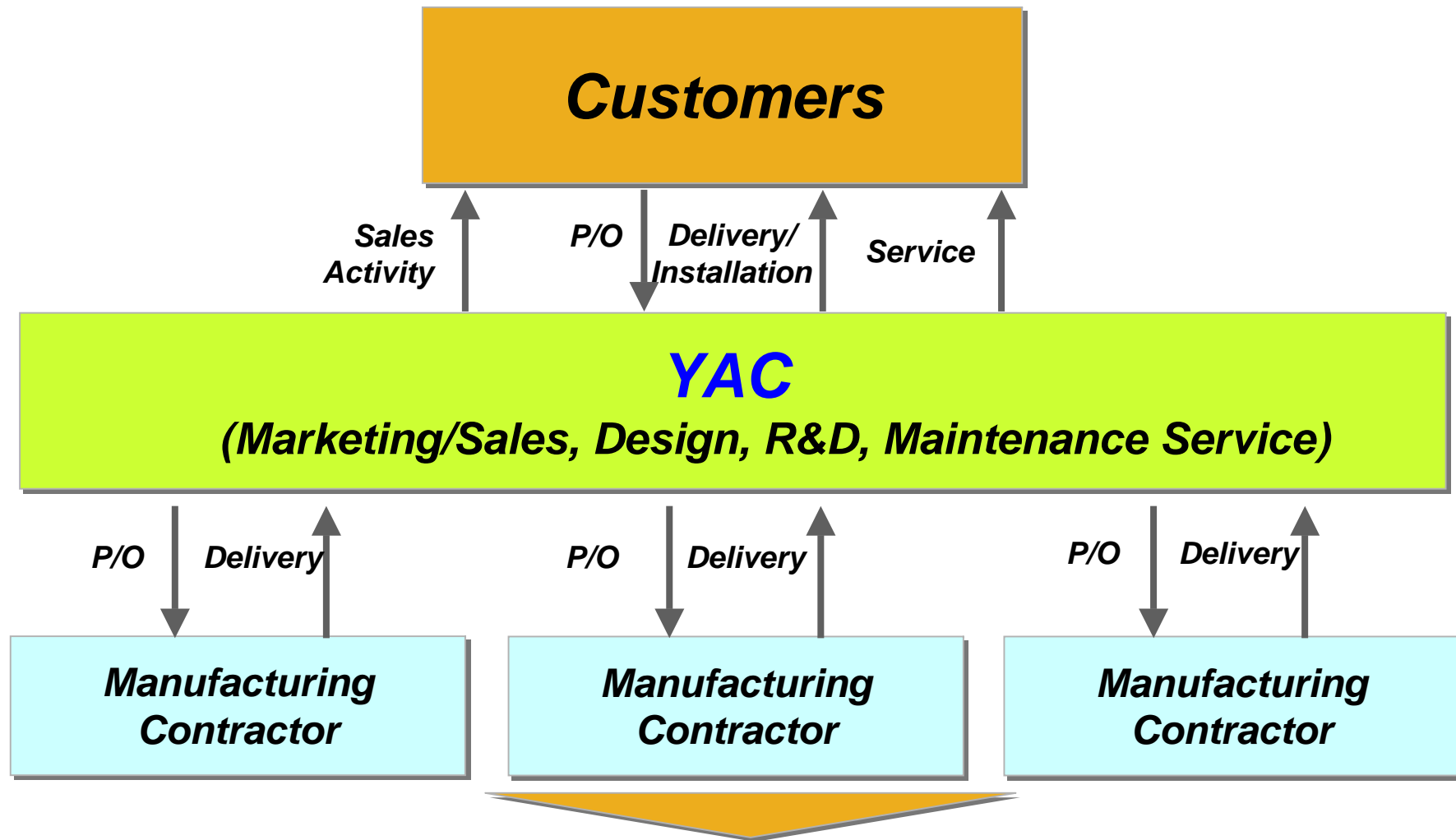
## **3. *One and Only Enable Technology***

- *To establish a Price Leader position in market*
- *To take market needs in advance through well established customer relationship*

***A stable high-profit company in the equipment industry***



# Fab-less Management



***To avoid investment risk by market fluctuation***



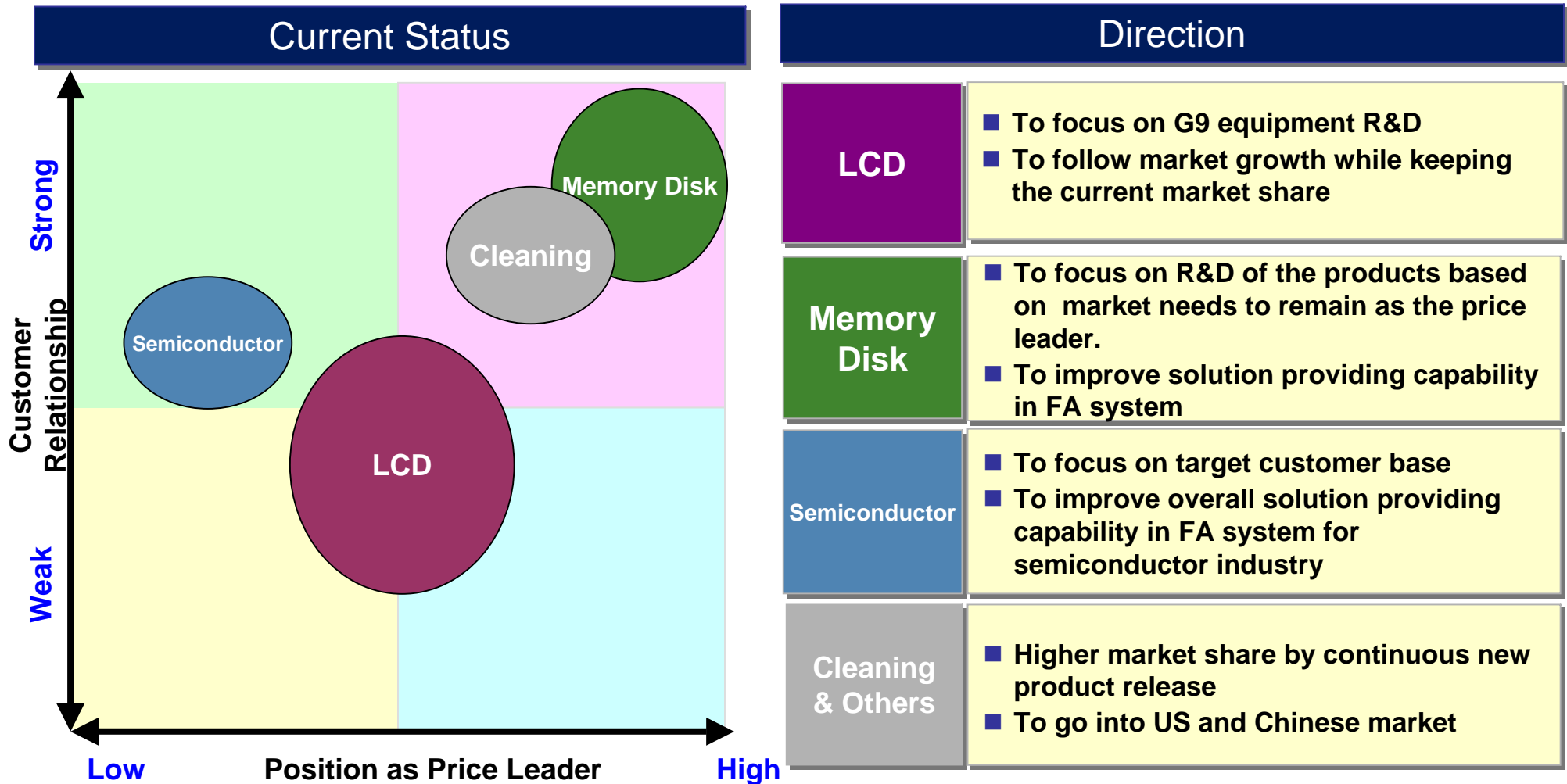


# Current Position of One and Only Enable Technologies

Business Segment (Component Ratio)	Position as Price Leader		Customer Relationship		Evaluation
<b>LCD (58.4%)</b>	<i>Strong</i>	<ul style="list-style-type: none"> <li>■ 30% market share (70% by T company)</li> <li>■ Strong price influence</li> </ul>	<i>Strong</i>	<ul style="list-style-type: none"> <li>■ Customers maintain two vendor policy</li> </ul>	<b><i>Good</i></b>
<b>Memory Disk (25.4%)</b>	<i>Very strong</i>	<ul style="list-style-type: none"> <li>■ 90% domestic market share</li> <li>■ 50% WW market share in HD burnishing equipment</li> <li>■ Strong price influence</li> </ul>	<i>Very Strong</i>	<ul style="list-style-type: none"> <li>■ Established very strong customer relationship</li> </ul>	<b><i>Excellent</i></b>
<b>Semiconductor (7.3%)</b>	<i>Weak</i>	<ul style="list-style-type: none"> <li>■ 5% market share</li> <li>■ Weak price influence</li> </ul>	<i>Selected</i>	<ul style="list-style-type: none"> <li>■ Focus on the selected customer base</li> </ul>	<b><i>Normal</i></b>
<b>Cleaning &amp; others (9.0%)</b>	<i>Strong</i>	<ul style="list-style-type: none"> <li>■ 50% domestic market share in shirts presser and 90% in bagging machine</li> <li>■ Strong price influence</li> </ul>	<i>Strong</i>	<ul style="list-style-type: none"> <li>■ Very strong relationship with major cleaning companies</li> </ul>	<b><i>Excellent</i></b>



## To firmly establish one and only technologies



***Continued efforts to firmly establish one and only technologies***



# To firmly establish high profit business initiatives

## Activities in the 8th Mid-term Plan (FY2003~2005)

- **Change of business initiatives**
  - Commitment to Gross Profit
  - To practice Deming Cycle (PDCA)
  - To minimize additional cost by improving design capability
- **Change in Sales Activities**
  - Customer based differentiation
  - Commitment to Gross profit
  - Stronger sales activities (self-development)
- **To uplift motivation**
  - Clear divisional business direction
  - Thorough discussion
  - Incentives
- **Change in structure**
  - Small & picked members
  - Organized operation
  - Human resource development

**Achievement of 10% Operating income**

***Expected to do in this fiscal year***

## Activities in the 9th Mid-term Plan (FY2006-2008)

- **To strengthen one and only technologies**
  - R&D and patents to differentiate from, competitors and enable closer customer relationship
  - To strengthen the position as market leader for each business unit
- **Complete Management of Commitment Letter System**
  - Sales and production team to commit to the budgeted gross profit
  - To practice Deming Cycle (PDCA)
- **To further uplift motivation**
  - Clear divisional business direction
  - Thorough discussion
  - Incentives
- **Low-cost Company Management**
  - Small & picked members
  - Quick adapting to market changes

**Achievement of 15% Operating income**

***Action plan developing***



# Outline of Mid-term Plan

(FY2006 – FY2008)

## Challenge to be a High Profit Company

### (1) Business Strategy

- R&D based solution provider Company
- In depth marketing
- High-Profit Business Initiatives
- M&A, Alliance
- Fab-less Management
- Global Management
- Management to motivate employee

### (2) Business Objectives

- Shift from defensive to offensive  
(To double operating profit)
- Challenge to be a high profit company  
(To achieve operating profit over 15%)
- To increase corporate market value
- Higher corporate status

### (3) Challenge to be a High Profit Company One and Only Technology

- Product Development and Patents
- Differentiation & Closer customer relationship
- Price Leader

#### Commitment Letter System

- Commitment of Gross Profit by each sales person and production group
- Deming Cycle (PDCA)

#### Raising of the morale

- Clear indication of business direction
- Thorough discussion
- Incentives

#### Low-cost Company Management

- Small & picked members
- Quick adapting to the market change
- Pursuit of business efficiency



# LCD Related Business

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## ■ Market Outlook:

- Market size of LCD Dry Etcher is estimated approx. JY40– 50 Bill.
- Increased demand for LCD TV in larger size and more quantity
- Annual market growth over 10% till 2008
- Our sales linked more to LCD panel production volume than unit price.

## ■ Competitive information:

- Market is shared by 2 companies (YAC 30% : B company 70%)
- No new comer and stable market

## ■ Strategy

- To improve the quality in Generation-9 equipment development

## ■ Profit Prospect:

- Strong price pressure from customers and the G9 development cost may not allow the operating income improved to a satisfactory level.
- As the G9 will be the last generation to develop, R&D expenses are tend to be reduced.
- Significant improvement in operating profit is expected two years later for repeated orders of the same equipment and less R&D cost.



# Memory Disk Related Business

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## ■ Market Prospect:

- HDD application is further extended to consumer electronics such as mobile music players, video recorders, car navigation systems and etc.
- Over 10% annual market growth is expected for another 4~5 years to come.

## ■ Competitive information:

- HD burnishing equipment in domestic market is dominated by YAC and YAC remains to be the price leader.
- We expect no new comers in market because of our advanced technology and well established customer relationship.
- We expect more demand if we could develop new customer base who use the equipment manufactured in-house.



# Semiconductor Related Business

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## ■ Market Prospect:

- Rapid growth is not expected due to tough competition but stable growth in line of peripheral equipment such as FA system.

## ■ Competitive information:

- Worldwide market share remains 5% but the share in a specific major semiconductor manufacturer (A company) is high about 80% with strong relationship and we expect stable sales.

## ■ Strategy:

- Sales activity focused on the specific customer base
- To develop FA system for semiconductor industry

## ■ Profit Prospect:

- We aim for 30% gross profit by strict cost control.



# Strategies : Cleaning Related Business

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## ■ Market Prospect:

- No fast growth is expected but stable repeated orders

## ■ Competitive information:

- YAC brand in domestic market is well established and YAC as a market leader.
- (Domestic market share) Shirts Press machine : 50%  
Bagging machine : 90%

## ■ Strategy:

- We expect to expand our market share by releasing Lower-end press machine in addition to higher-end.
- Continuous new product development and market release to remain the market leader in the industry

## ■ Profit Prospect:

- WE expect stable profit.

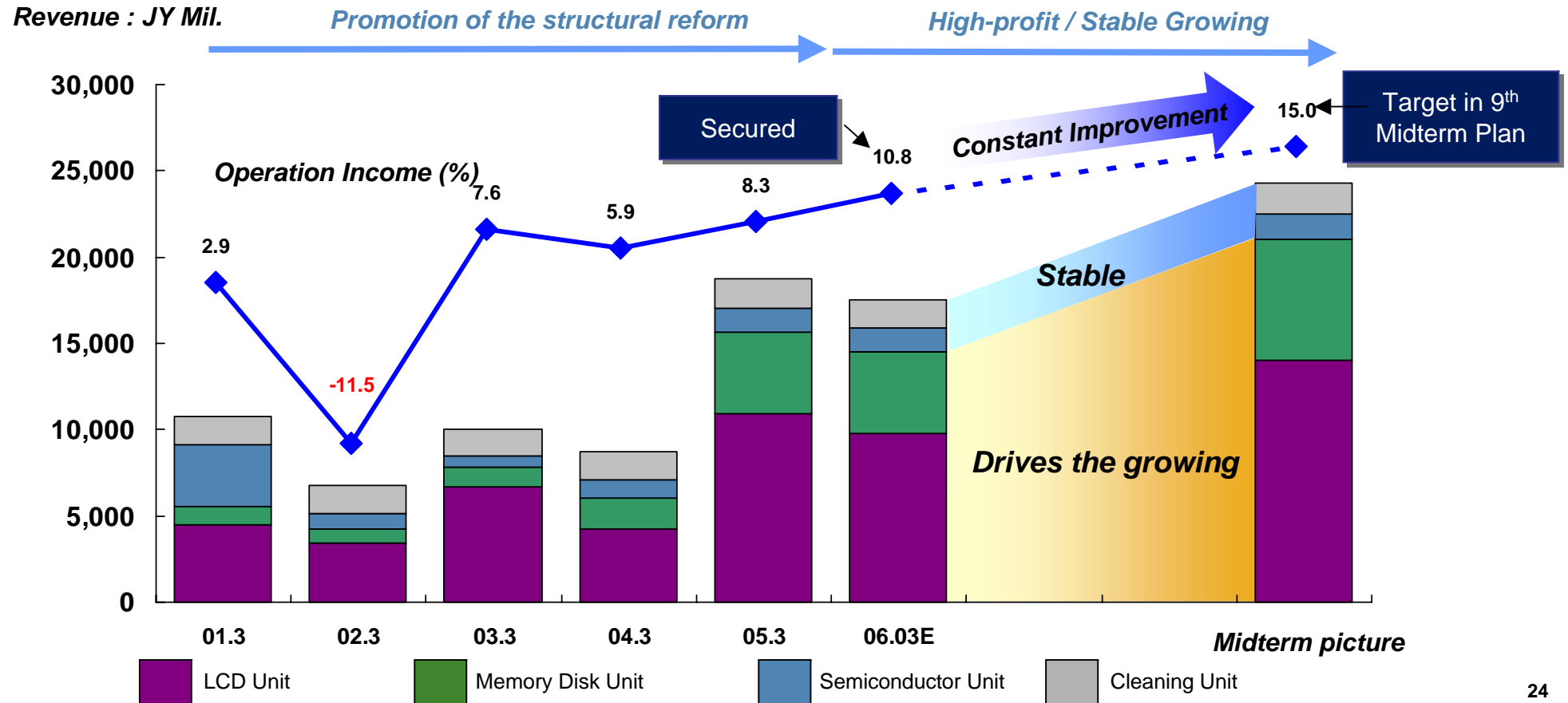




# Picture of Growth

## Key points for further growing

- (1) Improvement of corporate structure
- (2) Growing of LCD and Harddisk related businesses
- (3) Strengthen the foundations of Semiconductor business
- (4) Growing of export business in Cleaning business unit
- (5) Business expansion by M&A





The prospects described in this document is based on the information we have as of the time this document is published, and the actual result may differ from such prospects due to various unexpected factors.