

Consolidated Financial Review

For the 3rd Quarter, Ended December 31, 2017 [Japanese GAAP]



Feb. 9, 2018

Listed Market: TSE 1st 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 3rd quarter ended Dec.31, 2017 (4/01/2017-12/31/2017)

(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		Net Income	
	Mil yen	%	Mil yen	%	Mil yen	%	Mil yen	%
Nine month ended Dec.31, 2017	18,550	-15.0	437	-17.0	492	-18.6	195	-50.8
Nine month ended Dec. 31 2016	21,825	22.8	526	143.9	605	165.6	397	---

Note: Comprehensive income

Nine months ended Dec. 31, 2017 ¥268 million (7.6 %)
 Nine months ended Dec. 31, 2016 ¥250 million (---- %)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended Dec. 31, 2017	21.87		21.70	
Nine months ended Dec. 31, 2016	44.49		44.19	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Mil yen	Mil yen	%
Dec.31, 2017	37,452	14,177	37.3
Mar.31, 2017	32,470	14,047	42.5

Note: Equity

As of Dec. 31, 2017: ¥13,959 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 March 31, 2018 (4/01/2017-3/31/2018)

(Percentage is the rate of increase or decrease from the previous financial year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Mill. Yen	%	Mill Yen	%	Mill. Yen	%	Mill Yen	%	Yen
Fiscal year ending Mar. 31, 2018	30,000	1.9	1,250	20.6	1,050	-6.5	750	-5.1	83.81

Note: Revision of corporate estimate in year: Yes.

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 Dec. 31, 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 Dec. 31, 2017 745,801 shares As of Mar. 31, 2017 745,801 shares

③ Average number of issued shares outstanding

Nine months ended Dec. 31 2017 8,944,754 shares Nine months ended Dec. 31, 2016: 8,928,786 shares

*Indication of quarterly review procedure implementation status

This quarterly financial report is exempt from quarterly review procedure.

*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 nine months started from Apr.1, 2017, in the U.S.A., economy has been moderately growing under the atmosphere that F.R.B. moved to financial normalization such as public rate rise and cut down of balance sheet. In Europe, personal spending has been stably moving backed by improved employment. In P.R.C., economy has moved with deceleration tendency including slowdown of real estate development investments. And, all over the world, cautious feeling has spread by increasing tension surrounding North Korea's political movement. In Japan, employment as well as personal spending and company business results have stably improved backed by central bank and government's economic policy and economy has been moving stably recovering base.

Under these economic atmospheres, our group has endeavored to develop and commercialize new products which seize the customers' needs, which are changing every moment.

As a result, this nine months ended Dec. 31, 2017 of our consolidated business resulted as follows.

Net sales amounted to ¥18,550 million (decreased by 15.0% compared to the same period of the previous financial year), operating income marked ¥437 million (decreased by 17.0% compared to the same period of the previous financial year), ordinary income marked ¥492 million (decreased by 18.6% compared to the same period of the previous financial year) and profit attributable to owners of parent marked ¥195 million (decreased by 50.8% compared to the same period of the previous financial year)

Each segment result was as follows.

(Display related business segment)

Delivery of etching equipment delayed and sales and profit both decreased compared to the same period of the previous financial year.

As a result, net sales of display related business amounted to ¥7,041 million (decreased by 35.1% compared to the same period of the previous financial year) and segment loss marked ¥102 million (the same period of the previous financial year, segment income marked ¥336 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 amounted to ¥10,625 million (increased by 7.9% compared to the same period of the previous financial year) and segment income marked ¥427 million (decreased by 8.7% compared to the same period of the previous financial year)

(Cleaning and other related business segment)

Under the severe atmosphere such as domestic demand for cleaning related equipment has kept decreasing, business of this segment slightly went down.

As a result, net sales of cleaning and other related business amounted to ¥901 million (decreased by 19.7% compared to the same period of the previous financial year) and segment loss marked ¥60 million (the same period of the previous financial year segment income marked ¥122 million.)

(2) Qualitative information regarding changes in consolidated financial position

(Assets)

Current assets as of Dec. 31, 2017 stood at ¥29,934 million increased by ¥5,626 million compared to the previous financial year end. The major increased items were work in process by ¥3,351 million, cash and deposit by ¥2,575 million, securities by ¥914 million and deferred income tax by ¥260 million. The main decreased item was trade note and accounts receivable by ¥1,728 million.

Noncurrent assets amounted to ¥7,518 million decreased by ¥644 million compared to the previous financial year end. The decrease was mainly due to a decrease of investment in securities by ¥759 million. As a result, total assets as of Dec. 31, 2017 stood at ¥37,452 million increased by ¥4,982 million compared to the previous financial year end.

(Liabilities)

Current liabilities as of Dec. 31, 2017 stood at ¥16,679 million increased by ¥ 5,772million compared to the previous financial year end. The increase was mainly due to an increase of notes and accounts payable –trade by ¥2,612 million, an increase of advance received by ¥2,456 million and an increase of short-term loans payable by ¥781 million.

Noncurrent liabilities amounted to ¥6,595 million decreased by ¥920 million compared to the previous financial year end. The main decreased item was long term loans payable by ¥983 million. As a result, total liabilities as of Dec. 31, 2017 stood at ¥23,274 million increased by ¥4,852 million compared to the previous financial year end.

(Net assets)

Total net assets as of Dec. 31, 2017 amounted to ¥14,177 million increased by ¥130 million compared to the previous financial year end.

As a result, equity ratio at the end of 3rd quarter came to 37.3% and net assets per share came to ¥1,557.80.

(3) Qualitative information regarding consolidated business results forecasts

Consolidated business results forecast for the fiscal year ending March 31, 2018 is expected below planned one including sales, income and profit followed by delay of sales realization of big orders. But new order received is going well and backlog ordered at the end of this financial year is expected to increase a big amount.

2. Consolidated financial information

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of Mar.31,2017	This financial period. As of Dec.31,2017
(Assets)		
Current assets		
Cash and deposits	6,984,055	9,559,277
Trade note and accounts receivable	10,866,732	9,138,390
Securities	48,330	962,835
Merchandise and finished goods	541,522	613,036
Work in process	4,168,856	7,520,456
Raw materials and supplies	963,999	1,090,582
Deferred income taxes	324,840	351,578
Others	505,288	770,403
Allowance for doubtful accounts	-95,527	-72,077
Total current assets	24,308,097	29,934,485
Non current assets		
Tangible fixed assets		
Building and structures	3,618,681	3,740,078
Accumulated depreciation	-2,742,811	-2,797,341
Building and structures(net)	875,869	942,737
Machinery, equipment and vehicles	1,867,903	2,027,196
Accumulated depreciation	-1,439,912	-1,490,886
Machinery, equipment and vehicles(net)	427,990	536,309
Tools, equipment and fixtures	2,950,820	3,202,420
Accumulated depreciation	-2,482,475	-2,507,665
Tools, equipment and fixtures(net)	468,345	694,755
Land	3,080,922	3,080,922
Leased assets	145,805	119,271
Accumulated depreciation	-72,932	-67,337
Leased assets(net)	72,873	51,934
Construction in progress account	520,314	355,889
Total tangible fixed assets	5,446,315	5,662,548
Intangible assets		
Goodwill	692,593	592,508
Soft wares	88,344	85,623
Leased assets	11,681	34,709
Telephone subscription rights	20,716	20,716
Patent License	72,000	45,000
Others	4,921	4,539
Total intangible assets	890,256	783,096
Investments and other assets		
Investment in securities	1,257,941	498,331
Long-term lending	3,884	3,545
Differed income taxes	203,992	181,276
Long-term retention receivables	171,276	199,327
Others	387,357	415,731
Allowance for doubtful accounts	-198,593	-225,438
Total investments and other assets	1,825,859	1,072,773
Total noncurrent assets	8,162,431	7,518,418
Total assets	32,470,528	37,452,903

(Thousands of yen)

	AS of Mar.31, 2017	This financial period AS of Dec.31, 2017
Liabilities		
Current liabilities		
Notes and account payable-trade	5,516,225	8,128,887
Short-term loans payable	3,788,223	4,570,129
Lease obligations	30,510	31,297
Income taxes payable	79,324	92,086
Provision for bonuses	375,133	220,550
Provision for product warranties	132,013	144,689
Expense payable	362,790	375,491
Advances received	388,840	2,845,811
Others	234,355	270,625
Total current liabilities	10,907,416	16,679,570
Fixed liabilities		
Bonds payable	700,000	700,000
Long-term loans payable	5,369,270	4,385,973
Expense payable long term	12,983	23,883
Lease obligations	57,719	65,026
Deferred tax payable	118,538	131,295
Provision for directors' retirement benefits	83,319	75,764
Obligations related to retirement benefits	1,073,708	1,112,820
Asset retirement obligations	71,412	70,154
Others	28,448	30,450
Total fixed liabilities	7,515,400	6,595,368
Total liabilities	18,422,817	23,274,938
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	8,313,557
Treasury stock	-638,014	-638,014
Total shareholders' equity	14,001,747	14,062,484
Accumulated other comprehensive income		
Valuation difference on available-for-sale security	68,106	134,225
Foreign currency translation adjustment	-258,386	-220,514
Pension liabilities adjustment	-13,138	-16,668
Total accumulated other comprehensive income	-203,417	-102,957
Subscription rights to shares	46,982	51,677
Non controlling interest	202,399	166,761
Total net assets	14,047,711	14,177,965
Total liabilities and net assets	32,470,528	37,452,903

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

(Thousands of yen)

	The previous corresponding period (Apr.1, 2016 to Dec. 31,2016)	Nine months ended Dec.31,2017 (Apr. 1, 2017 to Dec.31, 2017)
Net sales	21,825,918	18,550,298
Cost of sales	18,003,098	14,440,962
Gross profit	3,822,819	4,109,336
Selling, g&a expenses		
Salary & directors' compensation	1,172,356	1,284,339
Provision for bonuses	73,784	62,347
Fringe benefit expenses	45,880	51,756
Rent expenses	102,653	124,530
Outsourcing expenses	89,491	95,948
R&D expenses	310,354	406,568
Depreciations	174,990	164,979
Others	1,326,735	1,481,836
Total selling, g&a expenses	3,296,247	3,672,307
Operating income (loss)	526,572	437,028
Non-operating income		
Interest income	15,021	14,195
Dividends income	8,183	24,318
Foreign exchange gains	81,451	---
Rents income	10,483	7,575
Reversal of allowance for doubtful assets.	---	61,165
Others	25,974	34,142
Total non-operating income	141,114	141,397
Non-operating expenses		
Interest expenses	46,824	43,261
Factoring fee	220	838
Foreign exchange losses	---	6,820
Foreign withholding tax	---	20,607
Others	14,876	13,940
Total non-operating losses	61,921	85,468
Ordinary income (loss)	605,766	492,957
Extraordinary income		
Income on disposal of fixed assets	7,308	2,687
Income on negative goodwill	20,829	---
Others	3	11
Total extraordinary income	28,141	2,699
Extraordinary loss		
Losses on disposal of fixed assets	8,701	5,348
Business restructuring expenses	---	41,430
Liquidation loss of affiliates.	---	7,706
Others	6	---
Total extraordinary loss	8,708	54,485
Income (loss) before income tax	625,199	441,171
Income taxes	103,022	293,319
Income tax adjustment	115,436	-20,232
Total income tax	218,458	273,086
Net income (loss)	406,740	168,084
Net income attributable to non-controlling interest (loss)	9,438	(27,572)
Net income attributable to owners of parent (loss)	397,301	195,657

Consolidated statements of comprehensive income

(Thousands of yen)

	The previous corresponding period. (Apr.1, 2016 to Dec. 31, 2016)	Nine month ended Dec. 31, 2017. (Apr.1, 2017 to Dec.31, 2017)
Net income (loss)	406,740	168,084
Other comprehensive income		
Valuation difference on available-for sale securities	39,398	66,518
Foreign currency translation adjustments	-196,503	37,871
Pension liability adjustments	406	-3,530
Total other comprehensive income (loss)	(156,698)	100,860
Comprehensive income	250,041	268,944
Comprehensive income attributable to owners of parent (loss)	239,850	296,117
Comprehensive income attributable to non-controlling interest (loss)	10,191	(27,172)

(3) Notes on quarterly financial report**(Notes Concerning Going Concern Assumption.)**

None

(Notes Concerning Major Changes in Shareholders Equity.)

None

(Changes of accounting policies.)

None

(Changes in accounting estimates.)

None

(Segment Information)

I . The previous corresponding period (Apr.1, 2016 to Dec.31, 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 & other related business			
Sales						
Sales to outside customer	10,854,262	9,848,018	1,123,637	21,825,918	---	21,825,918
Intersegment sales and transfers	---	---	---	---	---	---
Total	10,854,262	9,848,018	1,123,637	21,825,918	---	21,825,918
Segment income (loss)	336,988	467,790	122,998	927,778	(401,205)	526,572

Notes

1. Segment income (loss) adjustment of (¥401,205 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 2nd quarter of this financial year, 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 ¥2,596,464 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)

Because of acquisition of Miyuki Elecs Co., Ltd. shares, Mechatronics related business marked income on negative goodwill by ¥20,829 thousand.

II. This financial period (Apr.1, 2017 to Dec.31, 2017)

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 & other related business			
Sales						
Sales to outside customer	7,025,820	10,625,180	899,298	18,550,299	---	18,550,298
Intersegment sales and transfers	16,020	420	2,461	18,901	-18,901	---
Total	7,041,840	10,625,600	901,759	18,569,200	-18,901	18,550,298
Segment income (loss)	(102,381)	427,152	(60,837)	263,933	173,095	437,028

Notes

1. Segment income (loss) adjustment of ¥173,095 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 ¥853,666 thousand. And corporate expenses, mainly comprise the headquarters' general and administrative expenses, is ¥680,571 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 in this financial year ending Mar.31, 2018 and here after.

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

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