

Consolidated Financial Review

For the 3rd Quarter, Ended December 31, 2014 [Japanese GAAP]



Feb. 10, 2015

Listed Market: TSE 1st section

Company name: Y.A.C. Co., Ltd.
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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, 2014 (4/01/2014-12/31/2014)

(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	%
Nine month ended Dec.31, 2014	10,587	5.3	-295	---	-52	---	-61	---
Nine month ended Dec. 31 2013	10,055	-16.0	-137	---	-15	---	1,800	---

Note: Comprehensive income

Nine months ended Dec. 31, 2014 ¥25 million (-98.7%)

Nine months ended Dec. 31, 2013 ¥1,886 million (--- %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended Dec. 31, 2014	-6.89		---	
Nine months ended Dec. 31, 2013	201.84		201.62	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Mil yen	Mil yen	%
Dec.31, 2014	24,082	13,048	53.5
Mar.31, 2014	22,587	13,191	57.6

Note: Equity

As of Dec. 31, 2014: ¥12,877 million

As of Mar. 31, 2014: ¥13,020 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 2014	---	10.00	---	10.00	20.00
Fiscal year ending Mar. 31 2015	---	10.00	---		
Fiscal year ending Mar. 31, 2015 (forecast)				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 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, 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 Dec. 31, 2014: 9,674,587 shares As of Mar. 31, 2014: 9,674,587 shares

② Number of treasury stock as of end of period

As of Dec. 31, 2014: 755,397 shares As of Mar. 31, 2014: 755,397 shares

③ Average number of issued shares outstanding

Nine months ended Dec. 31 2014: 8,919,190 shares Nine months ended Dec. 31, 2013: 8,919,270 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. 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 nine months started from Apr.1, 2014, in the U.S.A. economy has been recovering moderately backed by recovering corporate results, increasing individual consumption and improving employment circumstances. On the other hand in Europe, deflationary concern has been grown and in developing countries, including P.R.C., slowdown of economy growth has become clear caused by the sluggish growth in export, and overall world economy is in uncertain situations.

In Japan, generally economy has been weak because of downturn of consumer spending by consumption tax hike and increased raw materials cost by weak yen.

Under these economic atmospheres, our group has endeavored to promote business mainly in P.R.C. and Asian countries which economy is slowly but basically growing as well as to strengthen developing power to develop new products which seize the customers' needs.

As a result, our consolidated this nine months business resulted as follows. Net sales amounted to ¥10,587 million (5.3% increased compared to the same period of the previous year), operating loss marked ¥295 million reflected raw materials cost hike by weak yen (the same period of the previous year marked loss ¥137million), ordinary loss marked ¥52 million (the same period of the previous year marked loss ¥15 million) and net loss marked ¥61 million (the same period of the previous year marked income ¥1,800 million)

Each segment result was as follows.

(Industrial electronics related business segment)

Regarding the hard disk related equipment business, nevertheless the demand of HDD has turned on the decline caused by finish of full circle of introducing new game tools as well as new purchase of PC accompanied by update of OS software, demand for new equipment corresponding to improvement of recording density has increased and our business went well. Regarding the semiconductor related equipment business, demand for automobile use has increased by electrification of automobile, addition to increased demand for mobile devices, our business went well.

Regarding the liquid crystal manufacturing related equipment business, addition to the strong demand of medium and small size panel for mobile devices, in P.R.C. demand of big size panel has been keeping active, our business has been well although there were fluctuations depend on investment timing.

Regarding the heat treatment equipment business, new capital investments of heating equipment for liquid crystal panel pulled and our business went well.

Regarding photovoltaic manufacturing related equipment business, new capital investment had been stagnant reflected by anti-dumping tariff of the U.S.A. but a sign of its change could be seen and our business has been on the way to recover.

Regarding industrial metering equipment and telemetering and controlling system business, business went well supported by new capital investments by new entrants by deregulations or business reorganizations.

As these results, this segment sales amounted to ¥9,750 million (6.8 % increased compared to the same period of the previous year) and operating income marked ¥41 million (77.0 % decreased compared to the same period of the previous year).

(Cleaning related business)

We, nevertheless in Japan the worse business atmosphere such as declining cleaning demand and shrinking business, have endeavored to strengthen our sales forces in Japan as well as in P.R.C., Europe and the U.S.A. and business went well.

As a result, this segment sales amounted to ¥836 million (9.4% decreased compared to the same period of the previous year) and operating income marked ¥65 million (3.9 % decreased compared to the same period of the previous year).

(2) Qualitative information regarding changes in consolidated financial position

(Assets)

Current assets as of Dec. 31, 2014 stood at ¥18,962 million increased by ¥2,170 million compared to the previous financial year end. The main factors were increase of work in process by ¥1,158, increase of securities by ¥969 million, increase of cash and deposits by ¥233 million, and decrease of trade note and accounts receivable by ¥623 million.

Noncurrent assets amounted to ¥5,119 million decreased by ¥675 million compared to the previous financial year end. The decrease was mainly due to decrease of investment in securities by ¥816 million.

As a result, total assets as of Dec. 31, 2014 stood at ¥24,082 million increased by ¥1,494 million compared to the previous financial year end.

(Liabilities)

Current liabilities as of Dec. 31, 2014 stood at ¥7,302 million increased by ¥2,179 million compared to the previous financial year end. The main factors were increase of notes and account payable-trade by ¥1,661 million, increase of current portion of bonds payable by ¥300 million, increase of short-term loans payable by ¥245 million and decrease of Income taxes payable by ¥157 million.

Noncurrent liabilities amounted to ¥3,731 million decreased by ¥542 million compared to the previous financial year end. The decrease was mainly due to decrease of long-term loans payable by ¥346 million and decrease of bonds payable by ¥300 million.

As a result, total liabilities as of Dec. 31, 2014 stood at ¥11,033 million increased by ¥1,637 million compared to the previous financial year end.

(Net assets)

Total net assets as of Dec. 31, 2014 amounted to ¥13,048 million decreased by ¥142 million compared to the previous financial year end. The decrease was mainly due to decrease of retained earnings by ¥239 million.

As a result, equity ratio at the end of the 3rd quarter came to 53.5% (the previous financial year end was 57.6%).

(3) Qualitative information regarding consolidated business results forecasts

The consolidated twelve month business results forecast for the fiscal year ending March 31, 2015 remains unchanged from the previously announced forecast 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 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 beginning of this financial year, 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 end. (Dec. 31, 2014)
(Assets)		
Current assets		
Cash and deposits	7,926,518	8,160,187
Trade note and accounts receivable	5,673,962	5,050,584
Securities	83,274	1,052,559
Merchandise and finished goods	140,520	238,919
Work in process	2,091,908	3,250,415
Raw materials and supplies	506,781	558,272
Deferred income taxes	190,991	210,257
Others	183,481	447,081
Allowance for doubtful accounts	-5,204	-5,748
Total current assets	16,792,234	18,962,529
Non current assets		
Tangible fixed assets		
Building and structures	2,682,905	2,705,806
Accumulated depreciation	-1,922,088	-1,973,063
Building and structures(net)	760,817	732,743
Machinery, equipment and vehicles	299,358	320,205
Accumulated depreciation	-266,062	-272,437
Machinery, equipment and vehicles(net)	33,296	47,768
Tools, equipment and fixtures	2,249,910	2,353,640
Accumulated depreciation	-1,893,224	-2,022,184
Tools, equipment and fixtures(net)	356,686	331,456
Land	2,568,122	2,568,122
Leased assets	84,738	39,064
Accumulated depreciation	-56,350	-15,392
Leased assets(net)	28,388	23,672
Construction in progress account	479,960	536,442
Total tangible fixed assets	4,227,271	4,240,204
Intangible assets		
Goodwill	26,075	96,762
Soft wares	42,306	43,647
Leased assets	37,361	30,665
Telephone subscription rights	18,596	18,638
Patent License	---	168,000
Others	765	12,982
Total intangible assets	125,105	370,697
Investments and other assets		
Investment in securities	1,038,919	222,049
Long-term lending	68	90
Differed income taxes	197,666	195,180
Long-term retention receivables	69,480	69,160
Others	235,085	120,079
Allowance for doubtful accounts	-98,080	-97,760
Total investments and other assets	1,443,139	508,799
Total noncurrent assets	5,795,516	5,119,702
Total assets	22,587,751	24,082,231

(Thousands of yen)

	The previous financial year end. (Mar. 31, 2014)	This financial period (Dec. 31, 2014)
Liabilities		
Current liabilities		
Notes and account payable-trade	3,163,368	4,824,695
Short-term loans payable	1,089,424	1,335,316
Current portion of bonds payable	---	300,000
Leas obligations	15,904	16,637
Income taxes payable	166,689	9,158
Provision for bonuses	173,869	117,743
Provision for product warranties	49,635	84,831
Expense payable	232,732	285,027
Advances received	18,105	11,692
Others	212,936	317,223
Total current liabilities	5,122,666	7,302,325
Fixed liabilities		
Bonds payable	1,000,000	700,000
Long-term loans payable	2,048,400	1,701,736
Expense payable long term	232,356	322,860
Lease obligations	53,133	40,479
Deferred tax payable	73,598	77,848
Provision for directors' retirement benefits	48,007	53,680
Obligations related to retirement benefits	789,818	806,458
Others	28,431	28,436
Total fixed liabilities	4,273,746	3,731,500
Total liabilities	9,396,412	11,033,825
Net assets		
Shareholders' equity		
Capital stock	2,756,680	2,756,680
Capital surplus	3,582,276	3,582,276
Retained earnings	7,377,475	7,137,637
Treasury stock	-646,220	-646,220
Total shareholders' equity	13,070,212	12,830,374
Accumulated other comprehensive income		
Valuation difference on available-for-sale security	33,498	51,790
Foreign currency translation adjustment	-89,438	-13,559
Pension liabilities adjustment	6,615	8,453
Total accumulated other comprehensive income	-49,324	46,683
Subscription rights to shares	9,856	20,174
Minority interests	160,594	151,173
Total net assets	13,191,339	13,048,405
Total liabilities and net assets	22,587,751	24,082,231

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

(Thousands of yen)

	The previous corresponding period(Apr.1, 2013 to Dec. 31,2013)	Nine months ended Dec.31,2014 (Apr. 1, 2014 to Dec.31, 2014)
Net sales	10,055,091	10,587,893
Cost of sales	8,501,910	8,418,904
Gross profit	1,553,180	2,168,988
Selling, g&a expenses		
Salary & directors' compensation	703,203	994,415
Provision for bonuses	26,544	31,358
Fringe benefit expenses	35,003	42,841
Rent expenses	50,568	87,724
Outsourcing expenses	37,217	55,229
R&D expenses	132,951	225,616
Depreciations	110,796	156,085
Others	594,425	871,266
Total selling, g&a expenses	1,690,710	2,464,538
Operating income (loss)	(137,530)	(295,549)
Non-operating income		
Interest income	7,417	14,717
Dividends income	2,711	3,882
Foreign exchange gains	119,905	231,997
Rents income	9,171	9,025
Others	11,714	14,185
Total non-operating income	150,920	273,808
Non-operating expenses		
Interest expenses	24,447	25,978
Factoring fee	127	70
Equity in losses of affiliates	369	530
Others	3,533	4,564
Total non-operating losses	28,477	31,144
Ordinary income (loss)	(15,087)	(52,884)
Extraordinary income		
Income on disposal of fixed assets	142	144
Income on negative goodwill	1,862,240	2,737
Total extraordinary income	1,862,382	2,881
Extraordinary loss		
Losses on disposal of fixed assets	1,260	1,056
Total extraordinary loss	1,260	1,056
Income (loss) before income tax	1,846,033	(51,059)
Income taxes	44,434	43,828
Income tax adjustment	323	(23,703)
Total income tax	44,758	20,124
Income (loss) before minority interests	1,801,275	(71,184)
Minority interests in income (loss)	991	(9,730)
Net income (loss)	1,800,283	(61,454)

Consolidated statements of comprehensive income

(Thousands of yen)

	The previous corresponding period (Apr.1, 2013 to Dec.31, 2013)	Nine month ended Dec. 31, 2014 (Apr.1, 2014 to Dec. 31, 2014)
Income (loss) before minority interests	1,801,275	(71,184)
Other comprehensive income		
Valuation difference on available-for sale securities	17,664	18,600
Foreign currency translation adjustments	67,228	75,878
Pension liability adjustments	---	1,837
Total other comprehensive income	84,892	96,316
Comprehensive income	1,886,168	25,131
(comprehensive income attributable to)		
Owners of the parent	1,884,747	34,553
Minority interests	1,420	(9,421)

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

None

(Notes Concerning Major Changes in Shareholders Equity)

None

(Segment Information)

I. The previous corresponding period (Apr.1, 2013 to Dec.31, 2013)

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
	Industrial electronics related business	Cleaning related business & others			
Sales					
Sales to outside costumer	9,131,682	923,408	10,055,091	---	10,055,091
Intersegment sales and transfers	---	---	---	---	---
Total	9,131,682	923,408	10,055,091	---	10,055,091
Segment income (loss)	182,194	68,149	250,343	(387,874)	(137,530)

Notes

1. Segment income (loss) adjustment of (¥387,874 thousand) is the corporate expense 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 Dec.31, 2014)

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
	Industrial electronics related business	Cleaning related business & others			
Sales					
Sales to outside costumer	9,750,904	836,988	10,587,893	---	10,587,893
Intersegment sales and transfers	---	---	---	---	---
Total	9,750,904	836,988	10,587,893	---	10,587,893
Segment income (loss)	41,965	65,478	107,444	(402,993)	(295,549)

Notes

1. Segment income (loss) adjustment of (¥402,993 thousand) is the corporate expense 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.