

Consolidated Financial Review



1st Quarter, Ended December 31, 2016 [Japanese GAAP]

Feb. 10, 2017

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, 2016 (4/01/2016-12/31/2016)

(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		Net Income	
	Mil yen	%	Mil yen	%	Mil yen	%	Mil yen	%
Nine months ended Dec.31, 2016	21,825	22.8	526	143.9	605	165.6	397	---
Nine months ended Dec. 31 2015	17,775	67.9	215	---	228	---	-133	---

Note: Comprehensive income

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

Nine months ended Dec. 31, 2015 -¥167 million (--- %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended Dec. 31, 2016	44.49		44.19	
Nine months ended Dec. 31, 2015	-14.91		---	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Mil yen	Mil yen	%
Dec.31, 2016	33,374	13,567	39.9
Mar.31, 2016	34,760	13,498	38.1

Note: Equity

As of Dec. 31, 2016: ¥13,301 million

As of Mar. 31, 2016: ¥13,240 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 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 March 31, 2017 (4/01/2016-3/31/2017)

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

Nine months ended Dec. 31 2016	8,928,786 shares	Nine months ended Dec. 31, 2015:	8,925,669 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. The quarterly financial review procedure based upon the Financial Instruments and Exchange Law is undergoing 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, 2016, overall world economy has been recovering by successive firm consumer spending and employment situation in the U.S.A. and a rest of economy slowdown in P.R.C. in spite of fluctuated foreign currency exchange rate influenced by Brexit and result of US presidential election. In Japan, economy has been recovering by firm employment situation and sign of recovering consumer spending backed by economic and monetary policies by government and central bank.

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, our consolidated this nine months business resulted as follows.

Net sales amounted to ¥21,825 million (22.8% increased compared to the same period of the previous year), operating income marked ¥526 million (143.9% increased compared to the same period of the previous year), ordinary income marked ¥605 million (165.6% increased compared to the same period of the previous year) and profit attributable to owners of parent marked ¥397 million (the same period of the previous year marked loss ¥133 million)

Each segment result was as follows.

(Display related business segment)

Sales of etching equipment of panel manufacturing for smart phone and tablet devices went well and overall business went stably.

As a result of these, net sales of display related business amounted to ¥10,854 million (increased by 1.5% compared to the same period of the previous year) and segment income marked ¥336 million (increased by 221.2% compared to the same period of the previous year)

(Mechatronics related business segment)

Y.A.C. Garter Co., Ltd., which was consolidated in the second half financial term of previous financial year, contributed full base from the beginning of this financial year, Miyuki elects Co., Ltd. (present name is YAC elects Co., Ltd.) was consolidated in the 2nd quarter of this financial year and successfully grasped big demand of photovoltaic manufacturing related equipment and new type of burnishing equipment, and business went well.

As a result of these, net sales of mechatronics related business amounted to ¥9,848 million (increased by 64.2% compared to the same period of the previous year) and segment income marked ¥467 million (increased by 19.2% compared to the same period of the previous year)

(Cleaning related and other business segment)

In cleaning related equipment business, we certainly captured customers' needs and business went stably.

As a result of these, net sales of cleaning related and other business amounted to ¥1,123 million (increased by 3.6% compared to the same period of the previous year) and segment income marked ¥122 million (increased by 8.1% 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, 2016 were ¥25,313 million, a decrease of ¥1,467 million compared to the previous financial year end. The major increased items were cash and deposits by ¥2,045 million and merchandise and finished goods by ¥184 million. The major decreased items were work in process by ¥2,089 million and trade note and accounts receivable by ¥1,275 million.

Noncurrent assets were ¥8,060 million, an increase of ¥80 million compared to the previous financial year end.

As a result, total assets as of Dec. 31, 2016 decreased by ¥1,386 from the previous financial year end to ¥33,374 million.

(Liabilities)

Current liabilities as of Dec. 31, 2016 were ¥13,254 million, a decrease of ¥1,114 million from the previous financial year end. The main increased item was advances received by ¥460 million. The major decreased items were short-term loans payable by ¥917 million and income tax payable by ¥383 million.

Noncurrent liabilities were ¥6,551 million, a decrease of ¥341 million compared to the previous financial year end. The main decreased item was long-term loans payable by ¥416 million.

Y.A.C. Co., Ltd.

As a result, total liabilities as of Dec. 31, 2016 decreased ¥1,456 million from the previous financial year end to ¥19,806 million.

(Net assets)

Total net assets as of Dec. 31, 2016 increased ¥69 million from the previous financial year end to ¥13,567 million. The main increased item was retained earnings by ¥218 million and the main decreased item was foreign currency adjustment by ¥196 million. As a result, equity ratio at the end of the 3rd quarter came to 39.9% (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.

(Changes of accounting policy)

(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, 2016) 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.

(Additional information)

From the first quarter of the fiscal year ending March 31, 2017, we applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued March 28, 2016).

3. Material event concerning Going Concern Assumption

Our consolidated operating cash flow of the previous financial year was serious 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.

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 income marked ¥526 million in the accumulated 3rd quarter of this financial year ending Mar.31, 2017. 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 end. (Dec. 31, 2016)
(Assets)		
Current assets		
Cash and deposits	5,397,972	7,443,364
Trade note and accounts receivable	12,342,531	11,067,422
Securities	84,431	50,159
Merchandise and finished goods	278,827	462,940
Work in process	6,621,669	4,532,232
Raw materials and supplies	921,680	932,496
Deferred income taxes	314,518	294,948
Others	935,652	628,243
Allowance for doubtful accounts	-115,906	-97,950
Total current assets	26,781,377	25,313,857
Non current assets		
Tangible fixed assets		
Building and structures	3,298,197	3,588,451
Accumulated depreciation	-2,501,499	-2,733,177
Building and structures(net)	796,697	855,273
Machinery, equipment and vehicles	2,054,866	1,798,994
Accumulated depreciation	-1,560,015	-1,376,279
Machinery, equipment and vehicles(net)	494,850	422,714
Tools, equipment and fixtures	3,144,482	3,232,644
Accumulated depreciation	-2,671,446	-2,843,850
Tools, equipment and fixtures(net)	473,035	388,793
Land	3,034,422	3,080,922
Leased assets	131,643	99,843
Accumulated depreciation	-82,081	-45,638
Leased assets(net)	49,562	54,204
Construction in progress account	494,452	494,638
Total tangible fixed assets	5,343,021	5,296,547
Intangible assets		
Goodwill	831,166	725,955
Soft wares	62,397	60,653
Leased assets	19,590	13,658
Telephone subscription rights	19,603	20,716
Patent License	108,000	81,000
Others	9,147	5,171
Total intangible assets	1,049,905	907,155
Investments and other assets		
Investment in securities	1,111,116	1,325,929
Long-term lending	153,446	152,635
Differed income taxes	221,900	200,989
Long-term retention receivables	78,873	164,237
Others	283,164	346,380
Allowance for doubtful accounts	-262,205	-333,730
Total investments and other assets	1,586,295	1,856,441
Total noncurrent assets	7,979,223	8,060,144
Total assets	34,760,600	33,374,002

(Thousands of yen)

	The previous financial year end. (Mar. 31, 2016)	This financial period (Dec. 31, 2016)
Liabilities		
Current liabilities		
Notes and account payable-trade	7,069,728	6,950,919
Short-term loans payable	5,246,947	4,329,394
Current portion of bonds payable	300,000	300,000
Leas obligations	24,092	27,333
Income taxes payable	425,343	42,138
Provision for bonuses	261,696	171,217
Provision for product warranties	215,322	164,635
Expense payable	400,597	336,898
Advances received	118,813	579,400
Others	306,113	352,503
Total current liabilities	14,368,655	13,254,441
Fixed liabilities		
Bonds payable	700,000	700,000
Long-term loans payable	4,856,093	4,439,164
Expense payable long term	61,853	5,983
Lease obligations	47,761	43,577
Deferred tax payable	71,431	126,328
Provision for directors' retirement benefits	63,853	79,974
Obligations related to retirement benefits	1,015,493	1,062,535
Asset retirement obligations	48,718	65,688
Others	28,442	28,448
Total fixed liabilities	6,893,648	6,551,701
Total liabilities	21,262,303	19,806,142
Net assets		
Shareholders' equity		
Capital stock	2,756,680	2,756,680
Capital surplus	3,582,276	3,582,276
Retained earnings	7,685,048	7,903,774
Treasury stock	-638,014	-638,014
Total shareholders' equity	13,385,991	13,604,717
Accumulated other comprehensive income		
Valuation difference on available-for-sale security	27,356	66,002
Foreign currency translation adjustment	-163,669	-360,173
Accumulated pension liabilities adjustment	-9,408	-9,001
Total accumulated other comprehensive income	-145,720	-303,172
Subscription rights to shares	31,042	42,679
Non controlling interest	226,983	223,634
Total net assets	13,498,296	13,567,859
Total liabilities and net assets	34,760,600	33,374,002

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

(Thousands of yen)

	The previous corresponding period(Apr.1, 2015 to Dec. 31,2015)	Nine months ended Dec.31,2016 (Apr. 1, 2016 to Dec.31, 2016)
Net sales	17,775,108	21,825,918
Cost of sales	14,674,026	18,003,098
Gross profit	3,101,082	3,822,819
Selling, g&a expenses		
Salary & directors' compensation	1,097,709	1,172,356
Provision for bonuses	51,819	73,784
Fringe benefit expenses	48,821	45,880
Rent expenses	99,057	102,653
Outsourcing expenses	87,395	89,491
R&D expenses	195,498	310,354
Depreciations	175,654	174,990
Others	1,129,259	1,326,735
Total selling, g&a expenses	2,885,216	3,296,247
Operating income (loss)	215,866	526,572
Non-operating income		
Interest income	13,721	15,021
Dividends income	4,963	8,183
Investment securities valuation gains	16,897	---
Foreign exchange gains	25,912	81,451
Rents income	9,422	10,483
Others	12,362	25,974
Total non-operating income	83,278	141,114
Non-operating expenses		
Interest expenses	32,422	46,824
Factoring fee	---	220
Bond issuance expenses	6,024	---
Equity in losses of affiliates	27,816	---
Others	4,776	14,876
Total non-operating losses	71,039	61,921
Ordinary income (loss)	228,105	605,766
Extraordinary income		
Income on disposal of fixed assets	2,058	7,308
Income on negative goodwill	---	20,829
Others	---	3
Total extraordinary income	2,058	28,141
Extraordinary loss		
Losses on disposal of fixed assets	9,228	8,701
Others	---	6
Total extraordinary loss	9,228	8,708
Profit (loss) before income tax	220,935	625,199
Income taxes	431,586	103,022
Income tax adjustment	-127,328	115,436
Total income tax	304,257	218,458
Profit (loss) for the period	(83,322)	406,740
Profit (loss) attributable to non-controlling interest	49,802	9,438
Profit (loss) attributable to owners of parent	(133,124)	397,301

Consolidated statements of comprehensive income

(Thousands of yen)

	The previous corresponding period (Apr.1, 2015 to Dec. 31, 2015)	Nine month ended Dec. 31, 2016 (Apr.1, 2016 to Dec.31, 2016)
Profit (loss) for the period	(83,322)	406,740
Other comprehensive income		
Valuation difference on available-for sale securities	-14,345	39,398
Foreign currency translation adjustments	-70,155	-196,503
Pension liability adjustments	165	406
Total other comprehensive income (loss)	(84,335)	(156,698)
Comprehensive income (loss) attributable to:	(167,658)	250,041
owners of parent	(217,521)	239,850
non-controlling interest	49,862	10,191

(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, 2015 to Dec.31, 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	10,694,440	5,996,114	1,084,553	17,775,108	---	17,775,108
Intersegmen t sales and transfers	---	---	---	---	---	---
Total	10,694,440	5,996,114	1,084,553	17,775,108	---	17,775,108
Segment income (loss)	104,927	392,384	113,819	611,130	(395,264)	215,866

Notes

1. Segment income (loss) adjustment of (¥395,264 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 the 2nd quarter of the financial year ended Mar.31, 2016, we have acquired shares of Nihon Garter Co., Ltd. (Y.A.C. Garter Co., Ltd. present) and consolidated. As a result of this consolidation, segment assets of Mechatronics related business increased by ¥4,700,043 thousand compared to the previous financial year end.

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.

II. This financial 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 related & other 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 the 2nd quarter of this financial year we have acquired shares of Miyuki elects Co., Ltd. and consolidated. As a result of this consolidation, segment assets of Mechatronics related business increased by ¥2,596,464 thousand compared to the previous financial year end.

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 the 2nd quarter of this financial year we have acquired shares of Miyuki elects Co., Ltd. As a result of this, negative goodwill was generated and Mechatronics related business segment stated ¥20,829 thousand as income on negative good will.