

Consolidated Financial Review

For the 2nd Quarter Ended Sep. 30, 2014 [Japanese GAAP]



Nov.10, 2014
Listed Market: TSE

Company name: Y.A.C. Co., Ltd.
Code number: 6298
URL: <http://www.yac.co.jp>
Representatives: Takefumi Momose, President
Inquiries: Tadayasu Miyamoto, Managing Director
Telephone number: +81-42-546-1161

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.

Amounts are rounded down to the nearest million yen.

1. Financial highlights for the 2nd quarter ended Sep.30, 2014 (4/01/2014–9/30/2014)

(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 | % |
| Six months ended Sep.30, 2014 | 6,573 | -21.1 | -279 | --- | -194 | --- | -169 | --- |
| Six months ended Sep. 30, 2013 | 8,329 | -23.8 | 40 | -88.8 | 82 | -71.7 | 25 | -87.0 |

Note: Comprehensive income

Six months ended Sep. 30, 2014 ¥138 million (--- %)

Six months ended Sep. 30, 2013 ¥64 million (-60.5%)

| | Net income per share | Diluted net income per share |
|--------------------------------|----------------------|------------------------------|
| Six months ended Sep. 30, 2014 | Yen - 18.98 | Yen --- |
| Six months ended Sep. 30, 2013 | 2.86 | 2.85 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---------------|--------------|------------|--------------|
| | Mil yen | Mil yen | % |
| Sep. 30, 2014 | 24,276 | 12,970 | 52.7 |
| Mar. 31, 2014 | 22,587 | 13,191 | 57.6 |

Note: Equity

As of Sep. 30, 2014: ¥12,803 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 Mar. 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 |
| 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 Sep. 30, 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 Sep. 30, 2014: | 755,397 shares | As of Mar. 31, 2014: | 755,397 shares |
| ③ Average number of issued shares outstanding | | | |
| Six months ended Sep. 30, 2014: | 8,919,190 shares | Six months ended Sep. 30, 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. It is under the review procedure process 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 "(3) Qualitative information regarding consolidated business results forecasts" for the assumptions used and other notes.

Table of Contents

| | |
|--|-----|
| 1. Qualitative Information, Financial Statements | |
| (1) Qualitative information regarding the status of consolidated business results | 4-5 |
| (2) Qualitative information regarding changes in consolidated financial position | 5 |
| (3) Qualitative information regarding consolidated business results forecasts | 5 |
| 2. Summary Information (Notes) | |
| (1) Changes in significant consolidated subsidiaries. | 5 |
| (2) Changes of accounting policies, changes in accounting estimates and retrospective restatement: | 5 |
| 3. Consolidated Financial Information as of ended Sep.30, 2014 | |
| (1) Consolidated Balance Sheets | 6-7 |
| (2) Consolidated Statements of Income and Comprehensive | |
| Consolidated Statements of Income | 8 |
| Consolidated Statements of Comprehensive Income | 9 |
| (3) Notes on quarterly financial report | |
| (Note concerning going concern assumption) | 10 |
| (Note concerning major changes in shareholders' equity) | 10 |
| (Segment Information) | 10 |

1. Qualitative Information, Financial Statements

(1) Qualitative information regarding the status of consolidated business results

During the six months started from Apr.1, 2014, world economy has been as follows. In the U.S.A., economy has recovered gradually supported by recovery of corporate performances, increasing individual consumption and improvement of employment situation.

In Europe economic slump has been prolonged because of financial instabilities and political instabilities addition to concern about deflation.

In the Peoples Republic of China and developing countries, slowdown trend of economic growth speed became distinct and outlook is opaque.

In Japan, economic indicators such as corporate performances and jobless ratio show improving signs but there are fears such as reflection of rushed demand before consumer tax hike and impact of weaker yen, therefore Japanese economy is in the unpredictable situation.

Under these economic atmospheres, our group has endeavored to spread its business to Asia countries including the P.R.C., where have been keeping on growing slowly instead and to promote to decrease the production costs and operation expenses to secure earnings.

As a result, our business result of consolidated this six months, sales amounted to ¥6,573 million (21.1% decreased compared to the same period of the previous year), operating loss marked ¥279 million (the same period of the previous year, operating profit marked ¥40 million), ordinary loss marked ¥194 million (the same period of the previous year, ordinary income marked ¥82 million), net loss marked ¥169 million (the same period of the previous year, net profit marked ¥25 million).

Each segment result was as follows.

(Industrial electronics related segment)

Regarding the hard disk related business, demand for HDD has increased because of replacement demand of PC with software update and release of new computer game tools but unfortunately those factors have not influenced to customers' new capital investment, and then our business has been sluggish.

Regarding the semiconductor related business, demand of semiconductor for automobile and mobile devices have been strong but those phenomenon have not created new capital investment for back-end process of semiconductor, and our business went slow.

Regarding the liquid crystal display related business, because of continuous demand of big size panel in the P.R.C., addition to strong demand of small and middle size panel for mobile devices, plasma etching equipment and annealing equipment related business went well.

Regarding the heat treatment equipment related business, sales of heating equipment for manufacturing of liquid crystal display will be realized in this coming autumn, and therefore its business has been slow.

Regarding photovoltaic manufacturing equipment related business, overseas demand of new capital investment for high efficiency panel manufacturing equipment has been strong but because of anti-dumping tax issue, actual new capital investment has been postponed and our business has been slow.

Regarding industrial metering equipment and telemetering and controlling system, business has remained firm supported by demand of new capital investment by new comers or companies which reconstruct their business with progress of deregulations.

As results of these atmosphere, this segment sales amounted to ¥6,023 million (22.0 % decreased compared to the same period of the previous year) and segment loss marked ¥48 million (the same period of the previous year, income marked ¥258 million).

(Cleaning related and other business)

While in Japan, the worse business atmosphere such as declining cleaning demand and shrinking business size has continued we have endeavored to strengthen our sales force in the P.R.C, Europe, and the U.S.A. as well as in Japan and to decrease manufacturing cost, and as a result business went steady.

As a result, this segment sales amounted to ¥549 million (9.4 % decreased compared to the corresponding period of the previous year) and segment income marked ¥51 million (13.3 % increased compared to the corresponding period of the previous year)

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

Current assets as of Sep. 30, 2014 stood at ¥18,461 million increased by ¥1,669 million compared to the previous financial year end. The main factors were an increase of work in process by ¥1,178 million, an increase of trade note and accounts receivable by ¥ 1,145 million and a decrease of cash and deposits by ¥907 million. Noncurrent assets amounted to ¥5,814 million increased by ¥19 million compared to the previous financial year end. As a result, total assets as of Sep. 30, 2014 stood at ¥24,276 million increased by ¥1,688 million compared to the previous financial year end.

(Liabilities)

Current liabilities as of Sep. 30, 2014 stood at ¥7,157 million increased by ¥2,034 million compared to the previous financial year end. The main factors were increase of notes and accounts payable-trade by ¥1,056 million, increase of short-term loans payable by ¥680 million, increase of advances received by ¥310 million and decrease of income taxes payable by ¥122 million. Noncurrent liabilities stood at ¥4,148 million decreased by ¥125 million compared to the previous financial year end. This is mainly due to decrease of long-term loans payable by ¥130 million. As a result, total liabilities as of Sep.30, 2014 stood at ¥11,305 million increased by ¥1,909 million compared to the previous financial year end.

(Net assets)

Total net assets as of Sep. 30, 2014 amounted to ¥12,970 million decreased by ¥220 million compared to the previous financial year end. This is mainly due to decrease of retained earnings by ¥258 million compared to the previous financial year end.

As a result, equity ratio at the end of the 2nd quarter came to 52.7 % (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 Apr.1, 2014, influences to retained earnings and net profit are little.

3. Consolidated financial information

(1) Consolidated Balance Sheets

(Thousands of yen)

| | The previous financial year end (Mar. 31, 2014) | This financial period (Sep. 30, 2014) |
|--|---|--|
| (Assets) | | |
| Current assets | | |
| Cash and deposits | 7,926,518 | 7,019,105 |
| Trade notes and accounts receivable | 5,673,962 | 6,819,291 |
| Securities | 83,274 | 70,967 |
| Merchandise and finished goods | 140,520 | 202,540 |
| Work in process | 2,091,908 | 3,270,568 |
| Raw materials and supplies | 506,781 | 552,292 |
| Deferred income taxes | 190,991 | 251,966 |
| Others | 183,481 | 284,017 |
| Allowance for doubtful accounts | -5,204 | -9,127 |
| Total current assets | 16,792,234 | 18,461,621 |
| Non current assets | | |
| Tangible fixed assets | | |
| Building and structures | 2,682,905 | 2,703,160 |
| Accumulated depreciation | -1,922,088 | -1,955,935 |
| Building and structures(net) | 760,817 | 747,224 |
| Machinery, equipment and vehicles | 299,358 | 316,881 |
| Accumulated depreciation | -266,062 | -268,263 |
| Machinery, equipment and vehicles(net) | 33,296 | 48,617 |
| Tools, equipment and fixtures | 2,249,910 | 2,283,642 |
| Accumulated depreciation | -1,893,224 | -1,974,588 |
| Tools, equipment and fixtures(net) | 356,686 | 309,054 |
| Land | 2,568,122 | 2,568,122 |
| Leased assets | 84,738 | 45,199 |
| Accumulated depreciation | -56,350 | -20,083 |
| Leased assets(net) | 28,388 | 25,116 |
| Construction in progress account | 479,960 | 539,518 |
| Total tangible fixed assets | 4,227,271 | 4,237,654 |
| Intangible assets | | |
| Goodwill | 26,075 | 89,431 |
| Soft wares | 42,306 | 42,645 |
| Leased assets | 37,361 | 32,897 |
| Telephone subscription rights | 18,596 | 18,638 |
| Others | 765 | 14,092 |
| Total intangible assets | 125,105 | 197,706 |
| Investments and other assets | | |
| Investment in securities | 1,038,919 | 1,091,605 |
| Long-term lending receivables | 68 | 105 |
| Differed income taxes | 197,666 | 196,823 |
| Long-term retention receivables | 69,480 | 69,194 |
| Others | 235,085 | 119,435 |
| Allowance for doubtful accounts | -98,080 | -97,794 |
| Total investments and other assets | 1,443,139 | 1,379,368 |
| Total non current assets | 5,795,516 | 5,814,729 |
| Total assets | 22,587,751 | 24,276,351 |

(Thousands of yen)

| | The previous financial year end. (Mar. 31, 2014) | This financial period (Sep. 30, 2014) |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 3,163,368 | 4,219,825 |
| Short-term loans payable | 1,089,424 | 1,770,299 |
| Lease obligations | 15,904 | 16,783 |
| Income taxes payable | 166,689 | 43,829 |
| Provision for bonuses | 173,869 | 194,295 |
| Provision for product warranties | 49,635 | 72,066 |
| Expense payable | 232,732 | 287,695 |
| Advances received | 18,105 | 328,811 |
| Others | 212,936 | 223,741 |
| Total current liabilities | 5,122,666 | 7,157,346 |
| Fixed liabilities | | |
| Bonds payable | 1,000,000 | 1,000,000 |
| Long-term loans payable | 2,048,400 | 1,917,755 |
| Expense payable longterm | 232,356 | 232,866 |
| Lease obligations | 53,133 | 44,167 |
| Deferred tax payable | 73,598 | 74,545 |
| Provision for directors' retirement benefits | 48,007 | 51,789 |
| Provision for retirement benefits | 789,818 | 798,732 |
| Others | 28,431 | 28,431 |
| Total fixed liabilities | 4,273,746 | 4,148,288 |
| Total liabilities | 9,396,412 | 11,305,634 |
| 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 | 7,119,003 |
| Treasury stock | -646,220 | -646,220 |
| Total shareholders' equity | 13,070,212 | 12,811,739 |
| Accumulated other comprehensive income | 33,498 | 42,202 |
| Valuation difference on available-for-sale security | -89,438 | -56,120 |
| Foreign currency translation adjustment | 6,615 | 5,390 |
| Total accumulated other comprehensive income | -49,324 | -8,527 |
| Stock acquisition rights | 9,856 | 16,598 |
| Minority interests | 160,594 | 150,905 |
| Total net assets | 13,191,339 | 12,970,716 |
| Total liabilities and net assets | 22,587,751 | 24,276,351 |

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

(Thousands of yen)

| | The previous corresponding period (Apr.1, 2013 to Sep. 30, 2013) | Six months ended Sep. 30, 2014 (Apr. 1, 2014 to Sep. 30, 2014) |
|--|---|---|
| Net sales | 8,329,604 | 6,573,200 |
| Cost of sales | 7,122,421 | 5,329,870 |
| Gross profit | 1,207,183 | 1,243,329 |
| Selling, g&a expenses | | |
| Salary & directors' compensation | 467,298 | 628,981 |
| Provision for bonuses | 54,509 | 53,760 |
| Fringe benefit expenses | 25,815 | 26,766 |
| Rent expenses | 35,107 | 52,956 |
| Outsourcing expenses | 23,203 | 34,509 |
| R&D expenses | 93,199 | 133,899 |
| Depreciation | 74,203 | 89,775 |
| Others | 393,402 | 502,383 |
| Total selling, g&a expenses | 1,166,739 | 1,523,031 |
| Operating income (loss) | 40,443 | -279,702 |
| Non-operating income | | |
| Interest income | 2,941 | 10,128 |
| Dividends income | 2,331 | 3,198 |
| Foreign exchange gains | 40,874 | 75,273 |
| Rents income | 6,245 | 5,907 |
| Others | 10,347 | 10,831 |
| Total non-operating income | 62,740 | 105,338 |
| Non-operating expenses | | |
| Interest expenses | 17,359 | 17,122 |
| Factoring fee | 63 | 70 |
| Equity in losses of affiliates | 260 | 391 |
| Others | 2,602 | 2,919 |
| Total non-operating losses | 20,287 | 20,504 |
| Ordinary income (loss) | 82,897 | -194,867 |
| Extraordinary income | | |
| Income on disposal of fixed assets | 142 | 165 |
| Income on negative goodwill | --- | 2,737 |
| Total extraordinary income | 142 | 2,902 |
| Extraordinary loss | | |
| Losses on disposal of fixed assets | 1,315 | 64 |
| Total extraordinary loss | 1,315 | 64 |
| Income (loss) before income tax | 81,723 | -192,029 |
| Income taxes | 78,135 | 50,714 |
| Income tax adjustment | -28,255 | -63,602 |
| Total income tax | 49,879 | -12,888 |
| Income (loss) before minority interests | | |
| | 31,844 | -179,141 |
| Minority interests in income (loss) | 6,323 | -9,860 |
| Net income (loss) | 25,520 | -169,280 |

Consolidated statements of comprehensive income

(Thousands of yen)

| | The previous corresponding period (Apr.1, 2013 to Sep.30, 2013) | Six months ended Sep. 30, 2014 (Apr.1, 2014 to Sep. 30, 2014) |
|---|--|--|
| Income (loss) before minority interests | 31,844 | -179,141 |
| Other comprehensive income | | |
| Valuation difference on available-for sale securities | 10,568 | 8,875 |
| Foreign currency translation adjustment | 22,575 | 33,317 |
| Pension liabilities adjustment | --- | -1,225 |
| Total other comprehensive income | 33,144 | 40,967 |
| Comprehensive income | 64,988 | -138,173 |
| (Comprehensive income attribute to) | | |
| Owners of the parent | 58,452 | -128,484 |
| Minority interests | 6,535 | -9,689 |

(3) Notes on quarterly financial report

(Note concerning going concern assumption)

None

(Note concerning major changes in shareholders' equity)

None

(Segment information)

I. The previous corresponding period (Apr. 1, 2013 to Sep. 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 business | | | |
| Sales | | | | | |
| Sales to outside customer | 7,723,515 | 606,088 | 8,329,604 | --- | 8,329,604 |
| Intersegment sales and transfers | --- | --- | --- | --- | --- |
| Total | 7,723,515 | 606,088 | 8,329,604 | --- | 8,329,604 |
| Segment income (loss) | 258,347 | 45,400 | 303,747 | (263,303) | 40,443 |

Notes

1. Segment income (loss) adjustment of (¥263,303 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 Sep.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 business | | | |
| Sales | | | | | |
| Sales to outside customer | 6,023,898 | 549,301 | 6,573,200 | --- | 6,573,200 |
| Intersegment sales and transfers | --- | --- | --- | --- | --- |
| Total | 6,023,898 | 549,301 | 6,573,200 | --- | 6,573,200 |
| Segment income (loss) | (48,690) | 51,439 | 2,749 | (282,451) | (279,702) |

Notes

1. Segment income (loss) adjustment of (¥282,451 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.