

Consolidated Financial Review

For the 3rd Quarter, Ended December 31, 2019 [Japanese GAAP]



Feb. 13, 2020

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.
 Amounts are rounded down to the nearest million yen.

1. Financial highlights for the 3rd quarter ended Dec.31, 2019 (4/01/2019-12/31/2019)

(Percentage is the rate of increase or decrease from the previous corresponding period)

(1) Consolidated operating results

	Net sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Mil yen	%	Mil yen	%	Mil yen	%	Mil yen	%
Nine months ended Dec.31, 2019	16,304	-38.9	-630	---	-707	---	-1,602	---
Nine months ended Dec. 31 2018	26,675	43.8	858	96.4	943	91.4	485	148.2

Note: Comprehensive income

Nine months ended Dec. 31, 2019 -¥1,680 million (---%)
 Nine months ended Dec. 31, 2018 ¥377 million (40.2%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended Dec. 31, 2019	-177.38		---	
Nine months ended Dec. 31, 2018	54.02		53.60	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Mil yen	Mil yen	%
Dec.31, 2019	37,694	13,424	34.9
Mar.31, 2019	41,645	15,261	35.9

Note: Equity

As of Dec. 31, 2019. ¥13,159 million
 As of Mar. 31, 2019. ¥14,960 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, 2019	---	10.00	---	10.00	20.00
Fiscal year ending Mar. 31, 2020	---	10.00	---		
Fiscal year ending Mar. 31, 2020(forecast)				10.00	20.00

Note: Revision of cash dividends in year under review: None

3. Corporate estimates for the year ending March 31, 2020 (4/01/2019-3/31/2020)

(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, 2020	25,000	-30.6	-200	---	-300	---	-1,000	---	-110.62

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, 2019.	9,758,947 shares	As of Mar. 31, 2019.	9,758,947 shares
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 - ② Number of treasury stock as of end of period

As of Dec. 31, 2019.	702,714 shares	As of Mar. 31, 2019.	746,475 shares
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 - ③ Average number of issued shares outstanding

Nine months ended Dec. 31, 2019	9,034,573 shares	Nine months ended Dec. 31, 2018.	8,986,968 shares
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*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, 2019, sense of world economy slowdown has increased such as cautious attitude of enterprises for new capital investment because of increasing uncertainty of future which has been caused by trade friction between P.R.C. & the U.S.A. and Brexit.

In the U.S.A., despite strong individual consumption, new capital investment and activity of manufacturing has moved weak and economy has expanded slowly. In P.R.C., economy has moved slowly downward because of weak trade and slowdown of consumption increase rate. In Japan, economy has moved slightly weakly because of slowdown of overseas economy and decline of export caused by decrease of global demand for IT devices. On the other hand, individual consumption has recovered calmly but after increasing consumption tax rate it went down because of the rush of demand.

Regarding the industry which we belong to, flat panel display business has showed suppression attitude for new capital investment to big size LED panel and medium & small size display panel for smart phone. In the semiconductor business, foundry and logic chip manufacturer have firmly invested to high technology area but memory chip manufacturer has kept suppression attitude for new capital investment reflected by low demand for smart phone and new data center.

Under these economic atmospheres, looking for new demand for 5G related devices and IoT related business our group has endeavored to develop and commercialize new products which seize the customers' needs, which are changing every moment. However, because of delayed recovery of semiconductor market and postponement of new capital investment, our business results of this nine months ended Dec. 31, 2019 was as follows.

Net sales amounted to ¥16,304 million (decreased by 38.9% compared to the same period of the previous financial year), operating income marked -¥630 million (the same period of the previous financial year marked ¥858 million), ordinary income marked -¥707 million (the same period of the previous financial year marked ¥943 million) and loss attributable to owners of parent marked ¥1,602million (the same period of the previous financial year marked profit ¥485 million). Loss attributable to owners of parent includes business liquidation loss ¥699 million as an extraordinary loss which we have considered difficult to recover profitability of wet etching business, which was an element to reduce profit of display business, and we have decided to withdraw from wet etching business at the end of this 3rd quarter financial period.

Each segment result was as follows.

Moreover, since the first quarter of this financial term, we changed classification method of business and reorganized three reportable segments to four reportable segment such as "Mechatronics related business", "Display related business", "Industrial machinery related business" and "Electronics related business".

Changes in classification method of business have been implemented for segment result of the corresponding period of the previous fiscal year.

(Mechatronics related business segment)

Sales of hard disc drive manufacturing related equipment went well but new capital investment by manufacturing industry was overall suppressed because of trade friction between the U.S.A. & P.R.C., and business depressed.

As a result, net sales of mechatronics related business amounted to ¥5,744 million (decreased by 14.9% compared to the same period of the previous financial year) and segment loss marked ¥8 million (the same period of the previous financial year marked profit ¥288 million)

(Display related business segment)

Because of delay of big new capital investment business went badly and regarding profit and loss, price competition intensified, and some equipment production cost increased because of applying miss works.

As a result, net sales of display related business amounted to ¥4,259 million (decreased by 67.9% compared to the same period of the previous financial year) and segment loss marked ¥720 million (the same period of the previous financial year, segment loss marked ¥6 million)

(Industrial machinery related business segment)

Cleaning business market in Japan has kept shrinking and we have promoted to P.R.C. market which has kept growing steadily however results were decrease a bit.

As a result, net sales of industrial machinery related business segment amounted to ¥1,212 million (decreased by 4.3% compared to the same period of the previous financial year) and segment loss marked ¥99 million (the same period of the previous financial year segment income marked ¥69 million.)

(Electronics related business segment)

Big demand for measurement equipment by electric power companies was circulated but sales of dialyzer went well, and business was flat. However, profit decreased because of development of new dialyzer.

As a result, net sales of electronics related business segment amounted to ¥5,087 million (decreased by 5.9% compared to the same period of the previous financial year) and segment income marked ¥91 million (decreased by 73.1% compared to the same period of the previous financial year)

(2) Qualitative information regarding changes in consolidated financial position

(Assets)

Current assets as of Dec. 31, 2019 stood at ¥29,166 million decreased by ¥3,696 million compared to the previous financial year end. The major decreased items were trade note and accounts receivable by ¥3,245 million, cash and deposits by ¥741 million and securities by ¥258 million. Noncurrent assets amounted to ¥ 8,528 million decreased by ¥253 million compared to the previous financial year end.

As a result, total assets as of Dec. 31, 2019 stood at ¥37,694 million decreased by ¥3,950 million compared to the previous financial year end.

(Liabilities)

Current liabilities as of Dec. 31, 2019 stood at ¥14,326 million decreased by ¥ 3,220 million compared to the previous financial year end. The major increased items were short term loan payable by ¥844 million and current portion of bond payable by ¥300 million. The major decreased items were notes and account payable by ¥2,498 million, advance received by ¥1,028, income tax payable by ¥478 million and provision for bonuses by ¥245 million.

Noncurrent liabilities amounted to ¥9,943 million increased by ¥1,107 million compared to the previous financial year end. The main decreased item was bonds payable by ¥300 million. As a result, total liabilities as of Dec. 31, 2019 stood at ¥24,269 million decreased by ¥2,113 million compared to the previous financial year end.

(Net assets)

Total net assets as of Dec. 31, 2019 amounted to ¥13,424 million decreased by ¥1,837 million compared to the previous financial year end.

As a result, equity ratio at the end of 3rd quarter came to 34.9% and net assets per share came to ¥1,453.08.

(3) Qualitative information regarding consolidated business results forecasts

Regarding the business result forecasts for 12 months ending Mar.31, 2020, because of postponement of expected big new capital investment caused by trade friction between the U.S.A. & P.R.C., extraordinary loss recorded associated with withdrawal from wet etching business and addition to these, considering the influence of "COVID-19" to real economy, we have revised the consolidated business results forecast for the fiscal year ending March 31, 2020 announced on Nov.14, 2019.

Please refer to the "Announcement on Consolidated Financial Forecast Revision" announced on Feb.13, 2020.

2. Consolidated financial information

(1) Consolidated Balance Sheets

(Millions of yen)

	As of Mar. 31, 2019	This financial period. As of Dec. 31, 2019
(Assets)		
Current assets		
Cash and deposits	8,032	7,291
Trade note and accounts receivable	14,366	11,121
Securities	258	0
Merchandise and finished goods	752	830
Work in process	6,952	7,041
Raw materials and supplies	1,264	1,441
Others	1,422	1,563
Allowance for doubtful accounts	-186	-125
Total current assets	32,863	29,166
Noncurrent assets		
Tangible fixed assets		
Building and structures	4,632	4,859
Accumulated depreciation	-2,824	-2,940
Building and structures(net)	1,808	1,919
Machinery, equipment and vehicles	2,002	1,914
Accumulated depreciation	-1,509	-1,499
Machinery, equipment and vehicles(net)	492	415
Tools, equipment and fixtures	3,218	3,247
Accumulated depreciation	-2,713	-2,803
Tools, equipment and fixtures(net)	505	444
Land	3,563	3,567
Leased assets	227	256
Accumulated depreciation	-84	-99
Leased assets(net)	143	156
Construction in progress account	390	196
Total tangible fixed assets	6,904	6,698
Intangible assets		
Goodwill	425	329
Soft wares	80	79
Leased assets	39	31
Telephone subscription rights	18	18
Others	4	5
Total intangible assets	568	463
Investments and other assets		
Investment securities	227	406
Long-term lending	1	0
Differed income taxes	917	766
Long-term retention receivables	195	188
Others	200	214
Allowance for doubtful accounts	-234	-211
Total investments and other assets	1,309	1,365
Total noncurrent assets	8,781	8,528
Total assets	41,645	37,694

(Millions of yen)

	AS of Mar. 31, 2019.	This financial period AS of Dec. 31, 2019.
Liabilities		
Current liabilities		
Notes and account payable-trade	8,157	5,658
Short-term loans payable	5,780	6,624
Lease obligations	59	55
Income taxes payable	478	---
Provision for bonuses	446	201
Provision for product warranties	134	88
Expense payable	470	429
Advances received	1,739	711
Current portion of bonds payable	---	300
Others	280	258
Total current liabilities	17,547	14,326
Fixed liabilities		
Bonds payable	700	400
Long-term loans payable	6,571	7,331
Expense payable long term	88	81
Lease obligations	141	155
Deferred tax payable	100	88
Obligations related to retirement benefits	1,127	1,161
Asset retirement obligations	75	61
Provision for business liquidation losses	---	632
Others	30	30
Total fixed liabilities	8,835	9,943
Total liabilities	26,383	24,269
Net Assets		
Shareholders' equity		
Capital stock	2,801	2,801
Capital surplus	3,630	3,635
Retained earnings	9,436	7,653
Treasury stock	-638	-600
Total shareholders' equity	15,230	13,489
Accumulated other comprehensive income		
Valuation difference on available-for-sale security	13	-15
Foreign currency translation adjustment	-277	-310
Pension liabilities adjustment	-5	-3
Total accumulated other comprehensive income	-269	-329
Subscription rights to shares	51	51
Non controlling interest	249	213
Total net assets	15,261	13,424
Total liabilities and net assets	41,645	37,694

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

(Millions of yen)

	The previous corresponding period. (Apr.1, 2018 to Dec.31,2018)	Nine months ended Dec.31,2019 (Apr. 1, 2019 to Dec.31, 2019)
Net sales	26,675	16,304
Cost of sales	22,148	13,441
Gross profit	4,527	2,862
Selling, g & a expenses		
Salary & directors' compensation	1,290	1,321
Provision for bonuses	52	51
Fringe benefit expenses	53	53
Rent expenses	134	142
Outsourcing expenses	104	113
R&D expenses	429	369
Depreciations	166	144
Others	1,438	1,297
Total selling, g&a expenses	3,668	3,493
Operating income (loss)	858	-630
Non-operating income		
Interest income	13	9
Dividends income	40	22
Foreign exchange gains	58	---
Rents income	10	10
Insurance proceed	19	--
Others	28	48
Total non-operating income	170	90
Non-operating expenses		
Interest expenses	53	64
Foreign exchange losses	---	52
Office relocation cost	12	---
Others	19	51
Total non-operating losses	85	168
Ordinary income (loss)	943	-707
Extraordinary income		
Income on disposal of fixed assets	0	0
Income on disposal of Investment securities	78	36
Others	---	0
Total extraordinary income	79	37
Extraordinary loss		
Losses on disposal of fixed assets	3	2
Business restructuring expenses	---	18
Liquidation loss of affiliates.	---	20
Business liquidation loss	---	699
Others	---	4
Total extraordinary loss	3	744
Income (loss) before income tax	1,018	-1,415
Income taxes	594	60
Income tax adjustment	-99	145
Total income tax	494	205
Profit (loss) for the period	523	-1,620
Profit (loss) attributable to non-controlling interest.	38	-18
Profit attributable to owners of parent	485	-1,602

Consolidated statements of comprehensive income

(Millions of yen)

	The previous corresponding period. (Apr.1, 2018 to Dec. 31, 2018)	Nine months ended Dec. 31, 2019. (Apr.1, 2019 to Dec.31, 2019)
Profit(loss)for the period	523	(1,620)
Other comprehensive income		
Valuation difference on available-for sale securities	-100	-29
Foreign currency translation adjustments	-52	-33
Pension liability adjustments	6	2
Total other comprehensive income (loss)	(146)	(59)
Comprehensive income	377	(1,680)
Comprehensive income(loss) attributable to:		
Owners of parent	339	(1,662)
Non-controlling interest (loss)	37	(18)

(3) Notes on quarterly financial report.

(Notes Concerning Going Concern Assumption.)

None.

(Notes Concerning Major Changes in Shareholders Equity.)

None.

(Adoption of special accounting methods for preparation of quarterly financial statements.)

None.

(Changes of accounting policies.)

None

(Changes in accounting estimates.)

None.

(Additional information.)

None.

(Segment Information)

I . The previous corresponding period (Apr.1, 2018 to Dec.31, 2018)

1. Information on sales and income or loss in reportable segment.

(Millions of Yen)

	Reportable segments				Total	Adjustment Note 1	Posted on consolidated statement of income. Note 2
	Mechatronics related business.	Display related business.	Industrial machinery related business.	Electronics related business.			
Sales							
Sales to outside customer	6,752	13,251	1,267	5,403	26,675	---	26,675
Intersegment sales and transfers	17	2	12	41	74	-74	---
Total	6,769	13,254	1,280	5,445	26,749	-74	26,675
Segment income (loss)	288	(6)	69	338	690	168	858

Notes

1. Segment income (loss) adjustment of ¥168 million is the corporate income and corporate expenses not apportioned in each reportable segment. Corporate income is management fee and others ¥635 million from consolidated subsidiaries belong to each reportable segment. And corporate expense is general and administration division's expense ¥467 million.
2. Segment income (loss) is adjusted with operating income under consolidated statements of income.

2. 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, 2019 to Dec.31, 2019)

1. Information on sales and income or loss in reportable segment

(Millions of Yen)

	Reportable segments				Total	Adjustment Note 1	Posted on consolidated statement of income. Note 2
	Mechatronics related business.	Display related business.	Industrial machinery related business.	Electronics related business.			
Sales							
Sales to outside customer	5,744	4,259	1,212	5,087	16,304	---	16,304
Intersegment sales and transfers	0	3	---	4	9	-9	---
Total	5,745	4,262	1,212	5,091	16,313	-9	16,304
Segment income (loss)	(8)	(720)	(99)	91	(737)	107	(630)

Notes

1. Segment income (loss) adjustment of ¥107 million is the corporate income and corporate expenses not apportioned in each reportable segment. Corporate income is management fee and others ¥652 million from consolidated subsidiaries belong to each reportable segment. And corporate expense is general and administration division's expense ¥545 million.
2. Segment income (loss) is adjusted with operating income under consolidated statements of income.

2. 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. Items on changes of reportable segment.

(Changes of reportable segments)

Since the first quarter of this financial term, we reorganize three reportable segments to four reportable segments such as "Mechatronics related business", "Display related business", "Industrial machinery related business" and "Electronics related business" based on their business.
Segment information of the previous corresponding period is reported by the changed classification method of reportable segments.