

Consolidated Financial Review



For 2nd Quarter Ended Sep. 30, 2019 [Japanese GAAP]

Nov.14, 2019

Listed Market: TSE 1st

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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 2nd quarter ended Sep.30, 2019 (4/01/2019—9/30/2019)

(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		Profit attributable to owners of parent	
	Mil yen	%	Mil yen	%	Mil yen	%	Mil yen	%
Six months ended Sep.30, 2019	11,952	-25.2	-553	---	-622	---	-710	---
Six months ended Sep. 30, 2018	15,977	32.8	326	39.7	428	38.2	161	6.7

Note: Comprehensive income

Six months ended Sep. 30, 2019 -¥776 million (--- %)
 Six months ended Sep. 30, 2018 ¥86 million (-54.8%)

	Profit per share	Diluted profit per share
Six months ended Sep. 30, 2019	Yen -78.71	Yen ---
Six months ended Sep. 30, 2018	17.98	17.84

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Mil yen	Mil yen	%
As of Sep. 30, 2019	35,455	14,418	39.9
As of Mar. 31, 2019	41,645	15,261	35.9

Note: Equity

As of Sep. 30, 2019: ¥14,149 million
 As of Mar. 31, 2019: ¥14,960 million

2. Cash Dividends

	Cash dividends per share				
	1st quarter end	2nd quarter end	3 rd quarter end	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 the latest forecast of cash dividends: Yes.

Please refer to "Announcement on Revision of Consolidated Business Results Forecast and Cash Dividend Forecast for the fiscal year ending Mar.31, 2020" announced on Nov.14, 2019.

3. Business result forecast for the year ending Mar. 31, 2020(4/01/2019-3/31/2020)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Profit for the period per share
	Mill. Yen	%	Mill Yen	%	Mill. Yen	%	Mill Yen	%	Yen
Fiscal year ending Mar. 31, 2020	30,000	-16.7	500	-72.9	400	-78.4	200	81.7	22.12

Note: Revision of corporate estimate in year under review: 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 Sep. 30, 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 Sep. 30, 2019:	702,714 shares	As of Mar. 31, 2019:	746,475 shares
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③ Average number of issued shares outstanding

Six months ended Sep. 30, 2019:	9,023,683 shares	Six months ended Sep. 30, 2018:	8,973,838 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.

*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 six months started from Apr.1, 2019, world economy has been slow down including US, Europe and P.R.C as well.

Uncertainty caused by government trade policy in the United States, big swing down of core country' s economy, which is Germany, influenced by deterioration of export atmosphere and tightening of environmental regulations, and still undecided Brexit issue in Europe, US-China trade friction issue in P.R.C. are thought as those major causes. Each country cope with those issues by low interest financial policy but its efficiency is limited.

In Japan, personal consumption and new capital investment have been going well but industrial production index, housing investment and export have been going weak and totally economy has moved flat. In the business field which we belong to, FPD business has operated mainly in P.R.C. and demand is still keeping strong nevertheless there is some difference in time span.

Semiconductor business is expected big growth by the demand for 5G, AI and IoT but in short term, downward risk is increasing influenced by US-China trade friction and it is forecasted that business will recover in the later part of this year.

Under these economic atmospheres, our group has endeavored to develop and commercialize new products to grasp every minute changing client's needs.

Nevertheless we have endeavored, because of delay in recovery of semiconductor market and put back of new capital investment, consolidated this six months our business result was as follows. Net sales amounted to ¥11,952million (25.2% decreased compared to the previous corresponding period), operating income marked -¥553 million (the corresponding period of the previous financial year was ¥326 million), ordinary income marked -¥622 million, (the corresponding period of the previous financial year was ¥428 million), profit attributable to owners of parent marked -¥710 million (the corresponding period of the previous financial year was ¥161 million).

Each segment result was as follows.

Since the first quarter of this financial term, we have reorganized 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.

(Mechatronics related business segment.)

Hard disc related equipment and photovoltaics related equipment business went well but sales of carrier tape went slow because of slowdown of electronics market and business went flat.

As a result, net sales of mechatronics related business segment amounted to ¥4,272 million (5.1 % increased compared to the previous corresponding period) and segment income marked ¥78 million. (17.4 % increased compared to the previous corresponding period.)

(Display related business segment)

Because of delay of new big capital investment, sales went slow. Regarding profit, addition to severe price competition manufacturing cost increased by bug handling for the certain contract. As a result, net sales of display related business segment amounted to ¥3,521 million (54.8% decreased compared to the previous corresponding period) and segment income marked -¥566 million (the corresponding period of the previous financial year was -¥32million).

(Industrial machinery related business segment)

Domestic demand for cleaning related equipment has kept decreasing but we have grasped glowing Chinese demand and business went stably.

As a result, net sales of industrial machinery related business amounted to ¥947 million (35.6%

increased compared to the previous corresponding period) and segment income marked -¥13 million (the previous corresponding period segment income marked -¥80 million).

(Electronics related business segment)

Big demand for electric power company use measurement equipment has gone round but sales of dialyzer went well and segment business went flat. But because of development of new dialyzer, cost increased and segment income decreased.

As a result, net sales of electronics related business amounted to ¥3,211 million (6.2% decreased compared to the previous corresponding period) segment income marked -¥98 million (the corresponding period of the previous financial year was ¥188million).

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

(Assets)

Current assets as of Sep. 30, 2019 were ¥26,740 million, a decrease of ¥6,122 million compared to the previous financial year end. The major decrease were ¥2,690 million in cash and deposits, ¥2,488 million in trade note and accounts receivable, ¥703 million in work in process and ¥258 million in securities. Noncurrent assets were ¥8,714 million a decrease of ¥67million compared to the previous financial year end. A main decrease was ¥210 million in construction in progress. As a result, total assets as of Sep. 30, 2019 were ¥35,455 million, a decrease of ¥6,189 million compared to the previous financial year end.

(Liabilities)

Current liabilities as of Sep. 30, 2019 were ¥13,060 million, a decrease of ¥4,487 million compared to the previous financial year end. A major increase was ¥269 million in short-term loans payable and main decreases were ¥2,830 million in notes and accounts payable-trade, ¥1,223 million in advances received and ¥474 million in income taxes payable.

Fixed liabilities as of Jun. 30, 2019 were ¥7,976 million, a decrease of ¥859 million compared to the previous financial year end. A main decrease was ¥849 million in long term loan payable. As a result, total liabilities as of Sep.30, 2019 were ¥21,036 million, a decrease of ¥5,346 million compared to the previous financial year end.

(Net assets)

Total net assets as of Sep. 30, 2019 were ¥14,418 million, a decrease of ¥843 million compared to the previous financial year end. As a result, equity ratio at the end of 2nd quarter was 39.9% and net assets per share came to ¥1,562.45

(3) Qualitative information regarding consolidated business results forecasts

It is expected that the demand of semiconductor for 5G, AI and IoT related will expand in the coming so called 4th industrial revolution. However, in short term, postponement of semiconductor related new capital investment has happened one after another because of a fear for downside risk of world economy caused by US-China trade friction.

Regarding the business result for 12 months ending Mar.31, 2020, because of realization delay of expected big new order receive and temporary cost increase in display business, we have revised the consolidated business results forecast and cash dividend forecast for the fiscal year ending March 31, 2020. Please refer to the "Announcement on Revision of Consolidated Business Results Forecast and Cash Dividend forecast" announced on Nov.14, 2019.

2. Consolidated financial information

(1) Consolidated Balance Sheets

(Millions of yen)

	As of Mar. 31, 2019	As of Sep. 30, 2019
(Assets)		
Current assets		
Cash and deposits	8,032	5,342
Trade note and accounts receivable	14,366	11,878
Securities	258	0
Merchandise and finished goods	752	827
Work in process	6,952	6,248
Raw materials and supplies	1,264	1,358
Others	1,422	1,249
Allowance for doubtful accounts	-186	-165
Total current assets	32,863	26,740
Non current assets		
Tangible fixed assets		
Buildings and structures	4,632	4,855
Accumulated depreciation	-2,824	-2,903
Building and structures(net)	1,808	1,951
Machinery, equipment and vehicles	2,002	1,956
Accumulated depreciation	-1,509	-1,512
Machinery, equipment and vehicles(net)	492	444
Tools, equipment and fixtures	3,218	3,226
Accumulated depreciation	-2,713	-2,766
Tools, equipment and fixtures(net)	505	460
Land	3,563	3,567
Leased assets	227	239
Accumulated depreciation	-84	-92
Leased assets(net)	143	147
Construction in progress	390	180
Total tangible fixed assets	6,904	6,751
Intangible assets		
Good will	425	358
Soft wares	80	87
Leased assets	39	33
Telephone subscription rights	18	18
Others	4	4
Total intangible assets	568	503
Investments and other assets		
Investment securities	227	409
Long-term lending	1	1
Differed income taxes	917	852
Long-term retentions receivable	195	188
Others	200	219
Allowance for doubtful accounts	-234	-211
Total investments and other assets	1,309	1,460
Total noncurrent assets	8,781	8,714
Total assets	41,645	35,455

(Millions of yen)

	As of Mar. 31, 2019.	As of Sep. 30, 2019.
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,157	5,326
Short-term loans payable	5,780	6,050
Lease obligations	59	52
Income taxes payable	478	3
Provision for bonuses	446	360
Provision for products warranty	134	104
Expense payable	470	442
Advances received	1,739	516
Others	280	202
Total current liabilities	17,547	13,060
Fixed liabilities		
Bonds payable	700	700
Long-term loans payable	6,571	5,722
Expense payable long term	88	81
Lease obligations	141	150
Deferred tax payable	100	94
Obligations related to retirement benefits	1,127	1,135
Asset retirement obligation	75	61
Others	30	30
Total fixed liabilities	8,835	7,976
Total liabilities	26,383	21,036
Net assets		
Shareholders' equity		
Capital stock	2,801	2,801
Capital surplus	3,630	3,635
Retained earnings	9,436	8,635
Treasury stock	-638	-600
Total shareholders' equity	15,230	14,472
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13	-19
Foreign currency translation adjustment	-277	-298
Pension liability adjustments	-5	-4
Total accumulated other comprehensive income	-269	-322
Subscription rights to shares	51	51
Non controlling interests	249	216
Total net assets	15,261	14,418
Total liabilities and net assets	41,645	35,455

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

(Millions of yen)

	The previous corresponding period.(Apr.1, 2018 to Sep. 30, 2018)	Six months ended Sep. 30, 2019. (Apr. 1, 2019 to Sep. 30, 2019)
Net sales	15,977	11,952
Cost of sales	13,298	10,128
Gross profit	2,678	1,824
Selling, g&a expenses		
Salary & directors' compensation	857	878
Provision for bonuses	111	91
Fringe benefit expenses	36	37
Rent expenses	86	86
Outsourcing expenses	94	90
R&D expenses	227	244
Depreciation	101	96
Others	836	853
Total selling, g&a expenses	2,352	2,378
Operating income (loss)	326	-553
Non-operating income		
Interest income	8	6
Dividends income	39	21
Foreign exchange profits	73	---
Rents income	7	6
Others	22	33
Total non-operating income	151	68
Non-operating expenses		
Interest expenses	35	45
Foreign exchange losses	---	56
Others	13	35
Total non-operating losses	49	137
Ordinary income (loss)	428	-622
Extraordinary income		
Income on disposal of fixed assets	0	0
Income on disposal of investments in securities	78	28
Others	---	0
Total extraordinary income	78	29
Extraordinary loss		
Loss on disposal of fixed assets	0	1
Liquidation loss of affiliates.	---	20
Business restructuring expenses	---	18
Others	---	4
Total extraordinary loss	0	44
Profit (loss) before income tax	507	-636
Income taxes	469	20
Income tax adjustment	-157	67
Total income tax	312	87
Profit (loss) for the period	195	-724
Profit (loss) attributable to:		
Non-controlling interest.	33	-14
Owners of parent	161	-710

Consolidated statements of comprehensive income

(Millions of yen)

	The previous corresponding period. (Apr.1, 2018 to Sep.30, 2018)	Six months ended Sep. 30, 2019. (Apr.1, 2019 to Sep. 30, 2019)
Profit (loss) for the period	195	(724)
Other comprehensive income		
Valuation difference on available- for sale securities	-73	-32
Foreign currency translation adjustment	-39	-20
Pension liabilities adjustment	4	1
Total other comprehensive income	(108)	(52)
Comprehensive income	86	(776)
Comprehensive income(loss) attributable to:		
Owners of parent.	52	(762)
Non-controlling interest.	33	(14)

(3) Notes on quarterly financial report.

(Note concerning going concern assumption.)

None.

(Note 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 Sep. 30, 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	4,064	7,790	699	3,423	15,977	---	15,977
Intersegment sales and transfers	5	2	12	39	58	-58	---
Total	4,069	7,792	711	3,462	16,036	-58	15,977
Segment income (loss)	67	(32)	(80)	188	142	183	326

Notes

1. Segment income (loss) adjustment of ¥183 million is the corporate income and expenses not apportioned in each reportable segment. Corporate income, mainly comprise management fee and others from consolidated subsidiaries which belong to each reportable segment, is ¥464 million. And corporate expense of ¥281 million is mainly expenses of general and administration division which does not belong to reportable segment.
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 Sep.30, 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	4,272	3,521	947	3,211	11,952	---	11,952
Intersegment sales and transfers	0	2	---	3	6	-6	---
Total	4,273	3,523	947	3,215	11,959	-6	11,952
Segment income (loss)	78	(566)	(13)	(98)	(600)	46	(553)

Notes

1. Segment income (loss) adjustment of ¥46 million is the corporate income and expenses not apportioned in each reportable segment. Corporate income, mainly comprise management fee from consolidated subsidiaries which belong to each reportable segment, is ¥429 million. And corporate expense of ¥383 million is mainly expenses of general and administration division which does not belong to reportable segment.
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 have reorganized three reportable segments to 4 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.