

Consolidated Financial Review

For the 3rd Quarter Ended December 31, 2013 [Japanese GAAP]



Feb. 10, 2014

Listed Market: TSE 1st section

Company name: Y.A.C. Co., Ltd.
 Code number: TSE 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.

1. Financial highlights for the 3rd quarter ended Dec.31, 2013 (4/01/2013-12/31/2013) (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, 2013	10,055	-16.0	-137	---	-15	---	1,800	---
Nine month ended Dec. 31 2012	11,967	53.4	-1	---	11	---	-54	---

Note: Comprehensive income

Nine months ended Dec. 31, 2013 ¥1,886million (--- %)
 Nine months ended Dec. 31, 2012 -¥26 million (--- %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended Dec. 31, 2013	201.84		201.62	
Nine months ended Dec. 31, 2012	-6.15		---	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Mil yen	Mil yen	%
Dec.31, 2013	21,065	12,762	59.8
Mar. 31, 2013	21,379	11,047	50.9

Note: Equity

As of Dec. 31, 2013: ¥12,596 million
 As of Mar. 31, 2013: ¥10,890 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 2013	---	10.00	-	10.00	20.00
Fiscal year ending Mar. 31 2014	---	10.00	-		
Fiscal year ending Mar. 31, 2014 (forecast)				10.00	20.00

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

3. Corporate estimates for the year ending March 31, 2014(4/01/2013-3/31/2014)

(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, 2014	15,000	0.9	200	-18.6	230	-25.6	1,900	893.0	213.02

Note: Revision of corporate estimate in year under review: Yes

Please refer to "Announcement on Consolidated Financial Forecast Revision" announced today (Feb.10, 2014).

Notes

(1) Changes in significant consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation): Yes

New company: One. (Company name) Ohkura Electric Co., Ltd.

Exclusion: None

Please refer to page 5 "2. Summary Information (Notes) (1) Changes in significant consolidated subsidiaries."

(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 : Yes

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, 2013: 9,674,587 shares As of Mar. 31, 2013: 9,674,587 shares

② Number of treasury stock as of end of period

As of Dec. 31, 2013: 755,317 shares As of Mar. 31, 2013: 755,317 shares

③ Average number of issued shares outstanding

Nine months ended Dec. 31 2013: 8,919,270 shares Nine months ended Dec. 31, 2012: 8,919,327 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, 2013, nevertheless in the U.S.A. economy has been recovering moderately and in Europe where economy had been on the down trend its economy has just been bottoming out, in P.R.C. and developing countries economy decelerate has had tendency to prolong and worldwide economy has been decelerated with glooming future view. In japan export atmosphere has been improved by monetary and fiscal policy, economic indicator of personal consumption and employment has been stable and Japanese economy is in the condition that laggard new capital investment are expected.

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 a result, our business result of consolidated this nine months, net sales amounted to ¥10,055 million (16.0% decreased compared to the same period of the previous year), operating loss marked ¥137 million (the same period of the previous year marked loss ¥1million), ordinary loss marked ¥15million (the same period of the previous year marked income ¥11million) and net income marked ¥1,800 million because of income on negative goodwill by acquisition of a company for business expansion.(the same period of the previous year marked loss ¥54 million) We changed currency conversion method into Japanese yen in incomes and expenses of foreign affiliate companies from the 1st quarter of this financial year, and information on the previous corresponding financial period we use the new conversion method.

Each segment result was as follows.

(Industrial electronics related segment)

Regarding the hard disk related business, nevertheless we have endeavored to promote the sales of mini burnisher and conveyor automatic machines, new capital investment for hard disc has been sluggish because of the low demand for individual use pc, and the business went slow.

Regarding the semiconductor related business, at first demand of semiconductor for pc and digital electronics were slow and business was slow, but later sales of automobile and electric home appliance increased and new capital investment for semiconductor increased, as a result finally business improved.

Regarding the liquid crystal manufacturing related equipment, because of sales promotion of middle size etching equipment and annealing equipment for manufacturing of smart phone and tablet pc, business went well.

Regarding the heat treatment equipment, delivery of heating equipments for electronics parts, automobile parts and liquid crystal were postponed therefore business went slow.

Regarding photovoltaic manufacturing related equipment, in cooperation with increasing demand for high efficient panel in Japan, in overseas demand for high efficient panel manufacturing equipment increased and business was recovering.

As these results, this segment sales amounted to ¥9,131 million (18.4% decreased compared to the same period of the previous year) and operating income marked ¥182 million (41.3% decreased compared to the same period of the previous year).

(Cleaning related business)

We, nevertheless the worse business atmosphere such as declining cleaning demand and shrinking business size, have endeavored to get profit with strengthening our domestic and overseas sales forces and reducing the cost, and business went well.

As a result, this segment sales amounted to ¥923 million (19.7% increased compared to the same period of the previous year) and operating income marked ¥68 million (32.2% increased 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, 2013 stood at ¥15,227 million decreased by ¥1,651 million compared to the previous financial year end. The main factors were decrease of work in process by ¥1,162 million, decrease of securities by ¥752 million, decrease of trade note and accounts receivable by ¥281 million, increase of raw materials and supplies by ¥232 million and increase of cash and deposits by ¥141 million. Non current assets amounted to ¥5,837 million increased by ¥1,337 million compared to the previous financial year end. The increase was mainly due to increase of investment in securities by ¥914 million, increase of building and structures (net) by ¥202 million and increase of land by ¥193 million.

As a result, total assets as of Dec. 31, 2013 stood at ¥21,065 million decreased by ¥314 million compared to the previous financial year end.

(Liabilities)

Current liabilities as of Dec. 31, 2013 stood at ¥4,820 million decreased by ¥1,956 million compared to the previous financial year end. The decrease was mainly due to decrease of notes and account payable-trade by ¥1,823 million and decrease of short-term loans payable by ¥202 million.

Non current liabilities amounted to ¥3,482 million decreased by ¥71 million compared to the previous financial year end. The main factors were decrease of long-term loans payable by ¥562 million, increase of expense payable long term by ¥332 million and increase of provision for retirement benefits by ¥113 million.

As a result, total liabilities as of Dec. 31, 2013 stood at ¥8,302 million decreased by ¥2,028 million compared to the previous financial year end.

(Net assets)

Total net assets as of Dec. 31, 2013 amounted to ¥12,762 million increased by ¥1,714 million compared to the previous financial year end. The increase was mainly due to increase of retained earnings by ¥1,621 million and increase of foreign currency translation adjustment by ¥67 million. As a result, equity ratio at the end of the 3rd quarter came to 59.8% (the previous financial year end was 50.9%).

(3) Qualitative information regarding consolidated business results forecasts

We revised the previous announced consolidated twelve month business result forecasts ending at Mar.31, 2014, because of extraordinary income on negative goodwill by consolidation following acquisition of Ohkura Electric Co., Ltd.

Please refer to “Announcement on Consolidated Financial Forecast Revision” announced today (Feb.10, 2014).

2. Summary Information (Notes)

(1) Changes in significant consolidated subsidiaries.

During the term of this 3rd quarter, we acquired all the issued shares of Ohkura Electric Co., Ltd. And we included that company in consolidated financial informations.

(2) Changes of accounting policies, changes in accounting estimates and retrospective restatement.

(Changes of currency conversion method into Japanese yen in incomes and expenses of foreign affiliate companies)

Incomes and expenses of foreign affiliate companies had been converted into Japanese yen by spot rate on the financial closing date. But we consider that the method of using the average conversion rate of during the term may reflect the business results of foreign affiliates to the consolidated financial report much clearly than using the spot rate on the financial closing date, therefore from this financial period, we have changed the conversion rate to average rate of during the term.

Regarding figures on the previous corresponding financial period and the previous financial year end we use the new conversion method.

By this currency conversion method change, net sales of the previous corresponding period is decreased by ¥114,090 thousand, operating income is decreased by ¥95,179 thousand and ordinary income and income before income tax are decreased by ¥6,018 thousand comparing to the figures by using the previous method. Moreover, accumulated affecting amount reflects the outstanding balance of net asset as of Apr.1, 2012, and therefore outstanding balance of retained earnings as of Apr.1, 2012 is increased by ¥22,710 thousand and outstanding balance of foreign currency translation adjustment is decreased by the same amount.

3. Consolidated financial informations

(1) Consolidated Balance Sheets

(Thousands of yen)

	The previous financial year end. (Mar. 31, 2013)	This financial period (Dec. 31, 2013)
(Assets)		
Current assets		
Cash and deposits	8,041,953	8,183,856
Trade note and accounts receivable	3,740,033	3,458,989
Securities	854,354	101,765
Merchandise and finished goods	140,322	209,794
Work in process	3,503,544	2,340,755
Raw materials and supplies	299,348	532,314
Deferred income taxes	203,027	202,862
Others	98,501	200,276
Allowance for doubtful accounts	-2,167	-3,271
Total current assets	16,878,917	15,227,344
Non current assets		
Tangible fixed assets		
Building and structures	2,262,950	2,683,418
Accumulated depreciation	-1,687,877	-1,905,632
Building and structures(net)	575,072	777,786
Machinery, equipment and vehicles	224,700	296,326
Accumulated depreciation	-198,563	-264,891
Machinery, equipment and vehicles(net)	26,136	31,435
Tools, equipment and fixtures	1,579,778	2,213,769
Accumulated depreciation	-1,246,482	-1,953,447
Tools, equipment and fixtures(net)	333,296	260,322
Land	2,374,622	2,568,122
Leased assets	69,051	82,344
Accumulated depreciation	-43,641	-52,913
Leased assets(net)	25,410	29,431
Construction in progress account	538,671	576,231
Total tangible fixed assets	3,873,209	4,243,328
Intangible assets		
Goodwill	53,190	32,854
Soft wares	48,240	54,575
Leased assets	18,379	15,221
Telephone subscription rights	13,562	18,596
Others	---	795
Total intangible assets	133,372	122,042
Investments and other assets		
Investment in securities	152,649	1,067,580
Long-term lending	230	116
Differed income taxes	203,920	199,563
Long-term retention receivables	68,395	78,235
Others	146,900	233,488
Allowance for doubtful accounts	-78,395	-106,549
Total investments and other assets	493,701	1,472,434
Total non current assets	4,500,282	5,837,806
Total assets	21,379,200	21,065,150

(Thousands of yen)

	The previous financial year end. (Mar. 31, 2013)	This financial period (Dec. 31, 2013)
Liabilities		
Current liabilities		
Notes and account payable-trade	4,769,362	2,945,626
Short-term loans payable	1,168,483	966,032
Current portion of bonds payable	106,510	15,000
Leas obligations	17,051	12,392
Income taxes payable	18,135	45,594
Provision for bonuses	138,108	86,958
Provision for product warranties	29,454	64,851
Expense payable	285,208	292,087
Advances received	87,971	40,895
Others	156,547	350,650
Total current liabilities	6,776,834	4,820,088
Fixed liabilities		
Bonds payable	1,000,000	1,000,000
Long-term loans payable	1,741,768	1,179,130
Expense payable long term	---	332,395
Lease obligations	29,046	34,491
Deferred tax payable	66,964	72,354
Provision for retirement benefits	676,092	789,920
Provision for directors' retirement benefits	40,595	46,117
Others	---	28,431
Total fixed liabilities	3,554,467	3,482,839
Total liabilities	10,331,301	8,302,928
Net assets		
Shareholders' equity		
Capital stock	2,756,680	2,756,680
Capital surplus	3,582,276	3,582,276
Retained earnings	5,326,086	6,947,984
Treasury stock	-646,176	-646,176
Total shareholders' equity	11,018,866	12,640,764
Accumulated other comprehensive income		
Valuation difference on available-for-sale security	16,155	33,391
Foreign currency translation adjustment	-144,983	-77,755
Total accumulated other comprehensive income	-128,828	-44,364
Subscription rights to shares	---	6,540
Minority interests	157,860	159,281
Total net assets	11,047,898	12,762,222
Total liabilities and net assets	21,379,200	21,065,150

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

(Thousands of yen)

	The previous corresponding period(Apr.1, 2012 to Dec. 31,2012)	Nine months ended Dec.31,2013 (Apr. 1, 2013 to Dec.31, 2013)
Net sales	11,967,094	10,055,091
Cost of sales	10,360,617	8,501,910
Gross profit	1,606,476	1,553,180
Selling, g&a expenses		
Salary & directors' compensation	626,445	696,662
Provision for bonuses	22,835	26,544
Fringe benefit expenses	25,026	35,003
Rent expenses	55,428	50,568
Outsourcing expenses	42,827	37,217
R&D expenses	212,063	132,951
Depreciations	115,661	110,796
Others	507,480	600,966
Total selling, g&a expenses	1,607,769	1,690,710
Operating income (loss)	-1,293	-137,530
Non-operating income		
Interest income	3,645	7,417
Dividends income	2,385	2,711
Foreign exchange gains	24,151	119,905
Rents income	9,053	9,171
Insurance premium income	3,207	---
Subsidies income	929	---
Others	4,661	11,714
Total non-operating income	48,034	150,920
Non-operating expenses		
Interest expenses	28,689	24,447
Factoring fee	152	127
Equity in losses of affiliates	776	369
Others	5,613	3,533
Total non-operating losses	35,231	28,477
Ordinary income (loss)	11,509	-15,087
Extraordinary income		
Income on disposal of fixed assets	---	142
Income on negative goodwill	70	1,862,240
Total extraordinary income	70	1,862,382
Extraordinary loss		
Losses on disposal of fixed assets	6,303	1,260
Allowance for compensation for damage	23,783	---
Total extraordinary loss	30,086	1,260
Income (loss) before income tax	-18,507	1,846,033
Income taxes	15,110	44,434
Income tax adjustment	40,523	323
Total income tax	55,633	44,758
Income (loss) before minority interests	-74,141	1,801,275
Minority interests in income (loss)	-19,245	991
Net income (loss)	-54,895	1,800,283

Consolidated statements of comprehensive income

(Thousands of yen)

	The previous corresponding period (Apr.1, 2012 to Dec.31, 2012)	Nine month ended Dec. 31, 2013 (Apr.1, 2013 to Dec. 31, 2013)
Income (loss) before minority interests	-74,141	1,801,275
Other comprehensive income		
Valuation difference on available-for sale securities	1,145	17,664
Foreign currency translation adjustments	46,303	67,228
Total other comprehensive income	47,449	84,892
Comprehensive income	-26,691	1,886,168
(comprehensive income attributable to)		
Owners of the parent	-7,683	1,884,747
Minority interests	-19,007	1,420

**(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, 2012 to Dec.31, 2012)

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 costumer	11,195,361	771,732	11,967,094	---	11,967,094
Intersegment sales and transfers	---	---	---	---	---
Total	11,195,361	771,732	11,967,094	---	11,967,094
Segment income (loss)	310,406	51,566	361,972	(363,265)	(1,293)

Notes

1. Segment income (loss) adjustment of (¥363,265 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, 2013 to Dec.31, 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 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.

2. Information on changes in reportable segment.

(Changes of currency conversion method into Japanese yen in incomes and expenses of foreign affiliate companies)

Incomes and expenses of foreign affiliate companies had been converted into Japanese yen by spot rate on the financial closing date. But we consider that the method of using the average conversion rate of during the term may reflect the business results of foreign affiliates to the consolidated financial report much clearly than using the spot rate on the financial closing date, therefore from this financial period, we have changed the conversion rate to average rate of during the term.

Regarding information on the previous corresponding financial period, we use the new conversion method.