

SUMMARY OF FINANCIAL STATEMENTS [Japan GAAP] (CONSOLIDATED)

Financial Results for the First Two Quarters (April 01 to September 30, 2018) of the Fiscal Year

Ending March 31, 2019

November 05, 2018

Company Name: Yamaichi Electronics Co., Ltd.

Code : 6941 Tokyo Stock Exchange 1st section URL: <http://www.yamaichi.co.jp>

President : Yoshitaka Ota

Managing Director : Kazuhiro Matsuda Tel: (03)3734-0115

Scheduled date of securities report submission: November 09, 2018

Scheduled date of dividend payment commencement: November 30, 2018

Supplementary materials for the quarterly financial statements: Yes

Presentation to explain for the quarterly financial statements: Yes (for institutional investors and analysts)

1. Consolidated Financial Results for the First Two Quarters (April 01 to September 30, 2018) of the Fiscal Year Ending March 31, 2019

(1) Consolidated Operating Results (aggregated)

(Percentage figures represent changes from the same period of the previous year.)

| | Net Sales | | Operating profit | | Ordinary profit | | Net profit | |
|--|-----------------|------|------------------|-------|-----------------|------|-----------------|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| First two quarters ended September 30, 2018 | 14,590 | △9.1 | 2,300 | △11.0 | 2,415 | △8.6 | 1,887 | △13.7 |
| September 30, 2017 | 16,057 | 23.5 | 2,585 | 76.2 | 2,642 | 96.9 | 2,186 | 121.8 |

Note: Comprehensive income First two quarters ended September 30, 2018 ¥ 2,147 million (△19.8 %)

First two quarters ended September 30, 2017 ¥ 2,677 million (984.9 %)

| | Net profit per share | Diluted net profit per share |
|--|----------------------|------------------------------|
| | Yen | Yen |
| First two quarters ended September 30, 2018 | 84.17 | 83.83 |
| September 30, 2017 | 99.85 | 97.43 |

(2) Consolidated Financial Positions

| | Total assets | Net assets | Equity ratio | Net assets per share |
|--------------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of September 30, 2018 | 30,309 | 23,119 | 75.6 | 1,027.42 |
| As of March 31, 2018 | 30,431 | 22,185 | 72.4 | 973.56 |

Reference: Shareholders' equity as of September 30, 2018: ¥22,917 million as of March 31, 2018: ¥22,021 million.

2. Dividends

| | Dividends per share | | | | |
|--------------------------------------|---------------------|-------|-----|-------|-------|
| | 1Q | 2Q | 3Q | 4Q | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended March 31, 2018 | — | 5.00 | — | 30.00 | 35.00 |
| Year ending March 31, 2019 | — | 10.00 | | | |
| Forecast: Year ending March 31, 2019 | | | — | 20.00 | 30.00 |

Note: Modifications in the dividend projection from the latest announcement: No

3. Forecast of Consolidated Operating Results for the year ending March 31, 2019

(Percentage figures represent changes from the same period of previous year.)

| | Net Sales | | Operating profit | | Ordinary profit | | Net profit | | Net profit per share |
|----------------------------|-----------------|------|------------------|------|-----------------|------|-----------------|------|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Year ending March 31, 2019 | 29,000 | △4.4 | 4,000 | △7.1 | 3,900 | △9.2 | 3,100 | △7.9 | 138.63 |

Note: Modifications in forecasts of consolidated operating results from the latest announcement: Yes

4. Other

(1) Changes in Significant Subsidiaries during Current Quarter Consolidated Period

(Changes in Specified Subsidiaries with Change in Scope of Consolidation): Yes

Excluding one : Yamaichi Electronics Shenzhen Co., Ltd.

(2) Adoption of special accounting treatments for quarterly consolidated financial statements : No

(3) Changes in accounting policies, changes in accounting estimates and restatements

1) Changes in accounting policies due to revisions of accounting standards etc.: Yes

2) Changes in accounting policies other than 1) : No

3) Changes in accounting estimates : No

4) Restatements : No

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding (including treasury stock) at term end :

September 30, 2018 23,329,775 shares

March 31, 2018 23,329,775 shares

2) Number of shares of treasury stock at term end:

September 30, 2018 1,023,824 shares

March 31, 2018 710,224 shares

3) Average number of outstanding shares (during the first quarter ended June 30):

September 30, 2018 22,418,401 shares

September 30, 2017 21,893,677 shares

* This summary of quarterly consolidated financial results falls outside the scope of quarterly review procedures to be performed by certified public accountants or an audit firm.

* Explanation of the appropriate use of performance forecasts and other related items

All forecasts in this presentation are based on information currently available to the management and on assumptions judged to be reasonable. The Company's actual results may differ substantially from such statements due to various risks and uncertainties.

5. Qualitative Information on Quarter Financial Results

(1) Explanation of Business Results

We were concerned about the influence of an expansion of trade friction between countries and regions on the global economy for the second quarter consolidated period. The United States maintained economic steadiness against the backdrop of an increase in capital investment, improvement in the employment environment, and increased personal consumption while a gradual recovery trend continued in Europe and Japan.

Under these circumstances, the Yamaichi Electronics Group has worked to strengthen its management foundation and expand earnings based on the three-year medium-term management plan (from March 2018 through March 2020).

As a result, its business performance in the second quarter consolidated period marked a sales figure of 14,590 million yen (a decrease of 9.1% year on year), operating income of 2,300 million yen (a decrease of 11.0% year on year), ordinary income of 2,415 million yen (a decrease of 8.6% year on year), and profit attributable to owners of parent of 1,887 million yen (a decrease of 13.7% year on year).

Our business performance on a segment-by-segment basis is shown below.

[Test Solutions Business]

Although our sales of products for smartphones were steady, we were affected by a decline demand for memory sockets and production adjustments to some on-vehicle products.

As a result, our business performance resulted in a sales figure of 6,676 million yen (a decrease of 18.0% year on year) and operating income was 1,335 million yen (a decrease of 41.4% year on year).

[Connector Solutions Business]

Our sales of connector products for communications equipment were steady. Although our sales of connector products for on-vehicle equipment and industrial equipment were affected by major foreign customers' production adjustments, we achieved significant growth in terms of profitability due to the effect of improving productivity.

As a result, our business performance resulted in a sales figure of 7,312 million yen (an increase of 4.0% year on year) and operating income was 997 million yen (an increase of 270.5% year on year).

[Optics-related Business]

Our sales of high-value-added products, including filter products for optical communications equipment and industrial equipment, were steady. We made improvements in terms of production, but we were affected by production adjustments to some products.

As a result, our business performance resulted in a sales figure of 601 million yen (a decrease of 31.9% year on year) and operating income was 12 million yen (a decrease of 80.2% year on year).

(2) Explanation of Financial Conditions

Partial Amendments to the Accounting Standard for Tax Effect Accounting (Statement No. 28 of the Corporate Accounting Standards, issued on February 16, 2018) have been applied since the beginning of the first quarter consolidated period. The figures are compared on the basis of the performance at the end of the previous consolidated fiscal year with retroactive adjustments.

1) Status of Assets, Liabilities and Net Assets

(Assets)

Our current assets at the end of this quarter of the current fiscal year were 17,928 million yen, an increase of 125 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 447 million yen in inventory assets due to planned production based on expected sales although the notes and accounts receivable decreased by 42 million yen and electronically recorded receivables decreased by 147 million yen due to a decrease in sales. The fixed assets totaled 12,380 million yen, a decrease of 246 million yen from the corresponding figure at the end of the previous consolidated fiscal year. This was mainly due to a decrease of 180 million yen in investment securities as a result of the declining market value of equity.

Accordingly, the value of the total assets amounted to 30,309 million yen, a decrease of 121 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Our current liabilities at the end of this second-quarter consolidated cumulative period amounted to 6,093 million yen, a decrease of 769 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 352 million yen in short-term borrowings and a decrease in the bonus fund by 103 million yen. Our fixed liabilities amounted to 1,096 million yen, a decrease of 286 million yen from the corresponding figure at the end of the previous fiscal year. This was mainly due to a 184 million yen decrease in long-term borrowings.

As a result, our total liabilities amounted to 7,190 million yen, a decrease of 1,055 million yen from the corresponding figure at the end of the previous fiscal year.

(Net Assets)

Our total net assets at the end of this second-quarter consolidated cumulative period were 23,119 million yen, an increase of 934 million yen from the corresponding figure at the end of the previous fiscal year. This mainly resulted from a dividend of a surplus of 678 million yen and an increase of treasury shares by 565 million yen due to the acquisition of treasury shares by the resolution of the Board of Directors although there was a recorded profit attributable to owners of parent of 1,887 million yen.

As a result, the equity ratio amounted to 75.6% (72.4% at the end of the previous fiscal year).

2) Cash Flow Situation

Our cash and cash equivalents (hereinafter referred to as “the funds”) for the second quarter consolidated period increased by 283 million yen from the corresponding figure at end of the previous consolidated fiscal year, and the funds as of the end of the second quarter consolidated accounting period amounted to 7,472 million yen.

The status of each cash flow in the second quarter consolidated period and their factors are as follows:

(Cash Flows from Operating Activities)

Our net cash earned from operating activities amounted to 2,604 million yen (up 0.2%, year on year). This was mainly due to a quarterly net income of 2,415 million yen before tax adjustments.

(Cash Flow from Investing Activities)

The funds used as a result of investing activities amounted to 586 million yen (down 27.9%, year on year). This was mainly due to an expenditure of 557 million yen for the acquisition of tangible fixed assets.

(Cash Flow from Financing Activities)

The funds used as a result of financing activities amounted to 1,908 million yen (an acquisition of 257 million yen in the same period of the previous fiscal year). This was mainly due to repayment of borrowings of 587 million yen, payment of dividends of 676 million yen, and an expenditure of 499 million for the acquisition of own shares.

3) Explanation about Future Forecast Information, including Consolidated Earnings Forecast

Regarding the consolidated earnings forecast for the full fiscal year ending March 31, 2019, which we announced on May 14, 2018, we hereby revise the same as follows with consideration of the environment of the semiconductors and electronic component-related market that the Group is expanding its business and the most recent business trends:

Revision of Forecast for Consolidated Financial Results for the Full Fiscal Year Ending March 31, 2019

(From April 01, 2018 through March 31, 2019)

| | Net Sales | Operating profit | Ordinary profit | Net profit | Net profit per share |
|---|-----------------|------------------|-----------------|-----------------|----------------------|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | yen |
| Previously announced forecast (A) | 31,000 | 4,000 | 3,900 | 3,100 | 138.65 |
| Corrected forecast for this time (B) | 29,000 | 4,000 | 3,900 | 3,100 | 138.63 |
| Increase (B-A) | △2,000 | — | — | — | — |
| Rate of change (%) | △6.5 | — | — | — | — |
| (Reference) Previous results (Fiscal year ended March 31, 2018) | 30,340 | 4,307 | 4,292 | 3,367 | 151.23 |

Consolidated Balance Sheets

(Thousand yen)

| | As of March 31, 2018 | As of September 30, 2018 |
|---|----------------------|--------------------------|
| | Amount | Amount |
| (ASSETS) | | |
| Current assets | | |
| Cash and deposits | 7,188,866 | 7,472,621 |
| Notes and accounts receivable-trade | 5,075,232 | 5,032,317 |
| Merchandise and finished goods | 724,178 | 577,113 |
| Work in process | 1,579,760 | 1,863,784 |
| Raw materials and supplies | 208,301 | 201,887 |
| Deferred tax assets | 1,678,423 | 1,848,415 |
| Other | 1,365,786 | 973,338 |
| Allowance for doubtful accounts | △18,069 | △41,036 |
| Total current assets | 17,802,479 | 17,928,442 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures | 2,764,346 | 2,785,243 |
| Machinery, equipment and vehicles | 1,765,945 | 1,898,127 |
| Tools, furniture and fixtures | 1,370,172 | 1,371,444 |
| Land | 3,373,252 | 3,379,895 |
| Lease assets | 29,631 | 24,385 |
| Construction in progress | 448,136 | 264,553 |
| Total tangible fixed assets | 9,751,484 | 9,723,649 |
| Intangible fixed assets | 121,016 | 124,505 |
| Investments and other assets | | |
| Investment securities | 1,540,759 | 1,360,361 |
| Deferred tax assets | 147,752 | 125,783 |
| Net defined benefit asset | 777,695 | 771,818 |
| Other | 373,569 | 363,013 |
| Allowance for doubtful accounts | △84,674 | △88,367 |
| Total investments and other assets | 2,755,101 | 2,532,609 |
| Total fixed assets | 12,627,602 | 12,380,764 |
| Deferred assets | 1,218 | 788 |
| Total assets | 30,431,300 | 30,309,995 |

(Thousand yen)

| | As of March 31, 2018 | As of September 30, 2018 |
|--|----------------------|--------------------------|
| | Amount | Amount |
| (LIABILITIES) | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 1,675,748 | 1,586,785 |
| Current portion of bonds | 35,000 | 40,000 |
| Short-term loans payable | 2,435,734 | 2,083,354 |
| Income taxes payable | 634,955 | 563,721 |
| Provision for bonuses | 519,631 | 416,086 |
| Provision for directors' bonuses | — | 40,000 |
| Other | 1,562,023 | 1,363,614 |
| Total current liabilities | 6,863,093 | 6,093,563 |
| Long-term liabilities | | |
| Bonds payable | 22,500 | — |
| Long-term borrowings | 918,294 | 734,112 |
| Allowance for director's retirement benefits | 45,356 | 45,913 |
| Net defined benefit liability | 20,933 | 25,852 |
| Asset retirement obligations | 20,055 | 20,285 |
| Deferred tax liabilities | 100,772 | 52,532 |
| Other | 255,011 | 218,072 |
| Total long-term liabilities | 1,382,924 | 1,096,768 |
| Total liabilities | 8,246,017 | 7,190,332 |
| (NET ASSETS) | | |
| Shareholders' equity | | |
| Capital stock | 10,084,103 | 10,084,103 |
| Capital surplus | 1,814,155 | 1,811,951 |
| Retained earnings | 10,961,019 | 12,169,448 |
| Treasury stock - at cost | △605,140 | △1,170,189 |
| Total shareholders' equity | 22,254,138 | 22,895,313 |
| Valuation and translation adjustments | | |
| Unrealized gains on available-for-sale securities | 676,789 | 556,801 |
| Foreign currency translation adjustments | △777,554 | △405,260 |
| Provision for retirement translation adjustment | △131,935 | △129,341 |
| Total valuation and translation adjustments | △232,700 | 22,199 |
| Subscription rights to shares | 51,362 | 84,147 |
| Minority interests | 112,482 | 118,002 |
| Total net assets | 22,185,283 | 23,119,663 |
| Total liabilities and total net assets | 30,431,300 | 30,309,995 |

Consolidated Statements of Income

(Thousand yen)

| | 2Q period of previous year (From April 1, 2017 to September 30, 2017) | 2Q period of current year (From April 1, 2018 to September 30, 2018) |
|--|---|--|
| | Amount | Amount |
| Net sales | 16,057,459 | 14,590,300 |
| Cost of sales | 10,397,946 | 9,214,626 |
| Gross profit | 5,659,513 | 5,375,674 |
| Selling, general and administrative expenses | 3,073,769 | 3,074,859 |
| Operating income | 2,585,743 | 2,300,814 |
| Non-operating income | | |
| Interests income | 3,536 | 6,010 |
| Dividends income | 13,785 | 14,289 |
| Foreign exchange gains | 41,214 | 95,653 |
| Share of profit of entities accounted for using equity method | — | 270 |
| Gain on Sales of scraps | 17,657 | 16,031 |
| Subsidy income | 1,158 | 784 |
| Other | 23,100 | 16,102 |
| Total non-operating income | 100,454 | 149,142 |
| Non-operating expenses | | |
| Interests expense | 16,839 | 20,244 |
| Share of loss of entities accounted for using equity method | 6,421 | — |
| Other | 20,646 | 14,186 |
| Total non-operating expenses | 43,907 | 34,430 |
| Ordinary income | 2,642,290 | 2,415,526 |
| Extraordinary income | | |
| Gain on sales of fixed assets | 11,016 | 77 |
| Total extraordinary income | 11,016 | 77 |
| Extraordinary loss | | |
| Loss on sales of fixed assets | 1,242 | — |
| Extra retirement payment | 12,393 | — |
| Total extraordinary loss | 13,635 | — |
| Income before income taxes | 2,639,671 | 2,415,603 |
| Income taxes | 452,862 | 526,925 |
| Minority interests | 783 | 1,663 |
| Net income | 2,186,025 | 1,887,014 |

(Thousand yen)

| | 2Q period of previous year (From April 1, 2017 to September 30, 2017) | 2Q period of current year (From April 1, 2018 to September 30, 2018) |
|--|--|---|
| | Amount | Amount |
| Income before minority interests | 2,186,808 | 1,888,677 |
| Other comprehensive income | | |
| Unrealized gains on available-for-sale securities | 308,527 | △119,987 |
| Foreign currency translation adjustments | 178,734 | 384,237 |
| Remeasurements of defined benefit plans, net of tax | 2,083 | 2,593 |
| Other | 1,753 | △8,086 |
| Total other comprehensive income | 491,099 | 258,756 |
| Comprehensive income | 2,677,908 | 2,147,433 |
| Attribute to | | |
| Comprehensive income attribute to owners of the parent | 2,678,192 | 2,141,914 |
| Comprehensive income attribute to minority interests | △284 | 5,519 |

Consolidated Statements of Cash Flows

(Thousand yen)

| | Previous year (From April 1, 2017 to September 30, 2017) | Current year (From April 1, 2018 to September 30, 2018) |
|--|--|---|
| | Amount | Amount |
| Cash flows from operating activities | | |
| Income before income taxes and other adjustments to net income | 2,639,671 | 2,415,603 |
| Depreciation and amortization | 779,644 | 733,191 |
| Interest and dividends income | △17,322 | △20,299 |
| Interest expenses | 16,839 | 20,244 |
| Exchange (gain) loss | △81,174 | △75,681 |
| (Increase) decrease in trade receivables | △808,311 | 333,261 |
| (Increase) decrease in inventories | 182,900 | △334,120 |
| Increase (decrease) in trade payables | △76,503 | △120,960 |
| Other, net | 92,370 | 214,107 |
| Sub total | 2,728,115 | 3,165,345 |
| Interest and dividends received | 17,332 | 19,930 |
| Interest paid | △16,899 | △20,063 |
| Income taxes paid | △128,044 | △560,547 |
| Net cash provided by operating activities | 2,600,502 | 2,604,664 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | △813,740 | △557,188 |
| Proceeds from sales of property, plant and equipment | 12,467 | 77 |
| Other, net | △12,944 | △29,539 |
| Net cash used in investing activities | △814,217 | △586,649 |
| Cash flows from Financing activities | | |
| Increase (decrease) in short-term borrowings | 100,000 | △300,000 |
| Increase from long-term borrowings | 300,000 | — |
| Repayment of long-term loans payable | △221,312 | △287,872 |
| Purchase of treasury shares | △88 | △499,901 |
| Cash dividends paid | △431,538 | △676,845 |
| Proceeds from exercise of share options | 664,462 | 22,328 |
| Other, net | △154,103 | △166,626 |
| Net cash used in financing activities | 257,420 | △1,908,916 |
| Effect of exchange rates changes on cash and cash equivalents | 58,531 | 174,656 |
| Net increase (decrease) of cash and cash equivalents | 2,102,237 | 283,754 |
| Cash and cash equivalents at beginning of period | 5,723,669 | 7,188,866 |
| Cash and cash equivalents at end of period | 7,825,906 | 7,472,621 |