

## Yamaichi Electronics (6941)

Consolidated FY (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2011		27,476	996	366	157	7.4	0.0	717.8
FY03/2012		23,167	(765)	(786)	(1,537)	(66.0)	0.0	643.6
FY03/2013CoE		21,000	(570)	(1,020)	(2,640)	(113.4)	0.0	-
FY03/2012	YoY	(15.7%)	-	-	-	-	-	-
FY03/2013CoE	YoY	(9.4%)	-	-	-	-	-	-
Consolidated Half Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2012		11,800	(111)	(478)	(694)	-	-	-
Q3 to Q4 FY03/2012		11,367	(654)	(308)	(843)	-	-	-
Q1 to Q2 FY03/2013		10,500	(603)	(1,002)	(2,056)	-	-	-
Q3 to Q4 FY03/2013CoE		10,500	33	(18)	(584)	-	-	-
Q1 to Q2 FY03/2013	YoY	(11.0%)	-	-	-	-	-	-
Q3 to Q4 FY03/2013CoE	YoY	(7.6%)	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (13 December 2012)

#### Fixed Cost to be Cut

Yamaichi Electronics has revealed its plan to achieve a turnaround at the operating level in FY03/2014. Continuously suffering from operating loss, as a result of deteriorating market environment, the Company is to reorganize own operations, basically, by means of cutting back fixed cost, calling for fixed cost ¥10,500m (down ¥1,700m YoY) in FY03/2013 and ¥9,700m (down ¥800m) in FY03/2014. Collectively, net decreases ¥2,500m for fixed cost are expected to feed through in two years. The Company has a target to set up a framework to make money at the operating level, even when sales are to come down, to a certain extent, in FY03/2014 over FY03/2013, helped by fixed cost reductions, combined with strategy to lower the ratio of variable cost to sales.

In Q1 to Q2 FY03/2013, sales came in at ¥10,500m (down ¥1,300m YoY) and operating loss ¥603m (net increases ¥492m). Decreasing sales of Connector Solution Business (down ¥1,025m), incorporating memory card connectors as the mainstay, should be accused of as the key negative factor for decreases of overall sales. Applications here mainly relate to digital consumer electronics and the slowing trends here had a direct negative impact to sales in this business. Fixed cost reductions are suggested to have been feeding through in Q1 to Q2, but it appears that increasing ratio of variable cost to sales (54.2%, up 3.7% points YoY) gave more substantial impacts to operating balance. On top of the fact that Connector Solution Business generated the key negative factor for sales with the Company, the Company spots that this business also did so for increasing ratio of variable cost to sales. The other negative factor here came from disposal loss of inventory associated with PV Solution Business to deploy photovoltaic-related business, in line with


withdrawal from the business.

On 26 October, 2012, the Company revised its Company forecasts in FY03/2013, while having released reorganization project, discussed above. Revised Company forecasts are going for operating loss ¥570m versus operating profit ¥400 in initial Company forecasts (as of 18 May), implying downgrade by ¥970m. Slowing demand for digital consumer electronics and slowing capital expenditure by semiconductor makers are mentioned as the main negative factors for this downgrade, respectively, corresponding to Connector Solution Business (operating profit, downgraded ¥550m) and Test Solution Business (downgraded ¥280m). The Company has a plan to mainly allocate own resources on these two business segments, in a long-term view, but both of them are currently suffering from the worst periods for the market sentiments.

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## 2.0 Company Profile

### A Maker of Contact Mechanical Components

<b>Company Name</b>	YAMAICHI ELECTRONICS CO., LTD. Company Information ( <a href="#">English</a> , <a href="#">Japanese</a> ) IR Information ( <a href="#">English</a> , <a href="#">Japanese</a> ) Share Price ( <a href="#">English</a> , <a href="#">Japanese</a> )	
<b>Established</b>	1 November 1956	
<b>Listing</b>	1 March 2001: TSE1 (Ticker: 6941) 10 March 2000: TSE2 12 December 1988: OTC	
<b>Capital</b>	¥10,047m (As of the end of September 2012)	
<b>No. of Shares</b>	23,289,775 shares, including 2,790 treasury (As of the end of September 2012)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● The largest supplier of burn-in-inspection-use IC sockets</li> <li>● Mainly exposed to memory card connectors in Connector Solution Business, while focus placed on high-speed data transmission connectors etc.</li> <li>● Abolished photovoltaic-related business</li> </ul>	
<b>Business Segments</b>	I . Test Solution Business II . Connector Solution Business III . PV (Photovoltaic) Solution Business IV . Optical-Related Business V . EMS Business	
<b>Top Management</b>	President: Shunji Orita	
<b>Shareholders</b>	Japan Trustee Services Bank 8.4%, Yamaichi Electronics Employee Stock Ownership Plan 4.1%, SMK Corporation 3.6%, Sumitomo Mitsui Financial Group 2.7%, Yamaichi Electronics Business Association 2.4% (As of the end of September 2012)	
<b>Headquarters</b>	Ohta-ku, Tokyo, JAPAN	
<b>No. of Employees</b>	Consolidated:3,126, Unconsolidated:465 (As of the end of September 2012)	

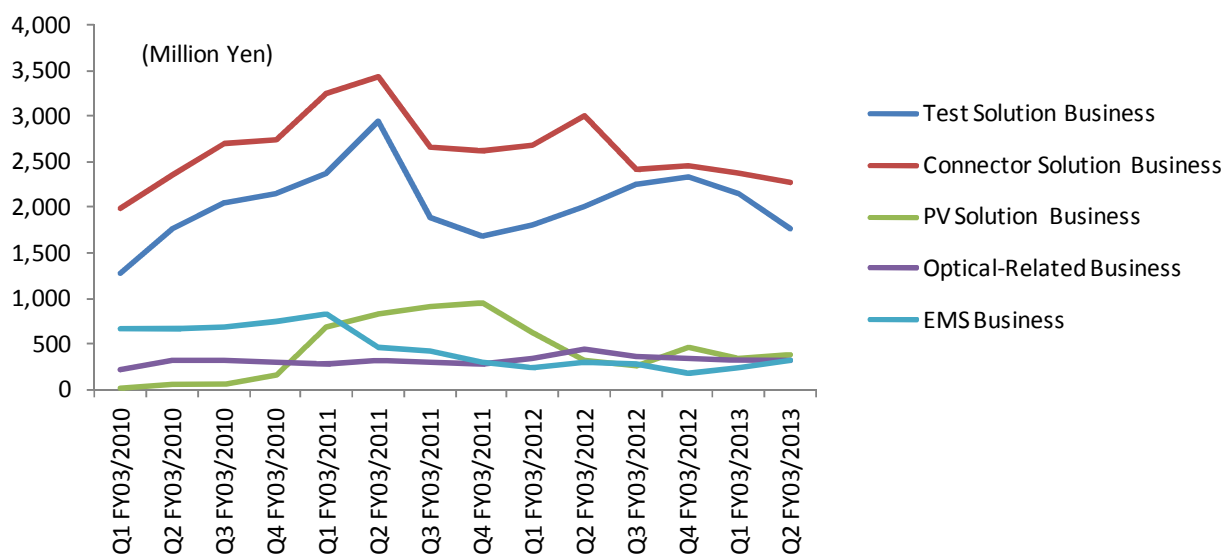
Source: Company Data

## 3.0 Recent Trading & Prospects

### Q1 to Q2 FY03/2013 Results

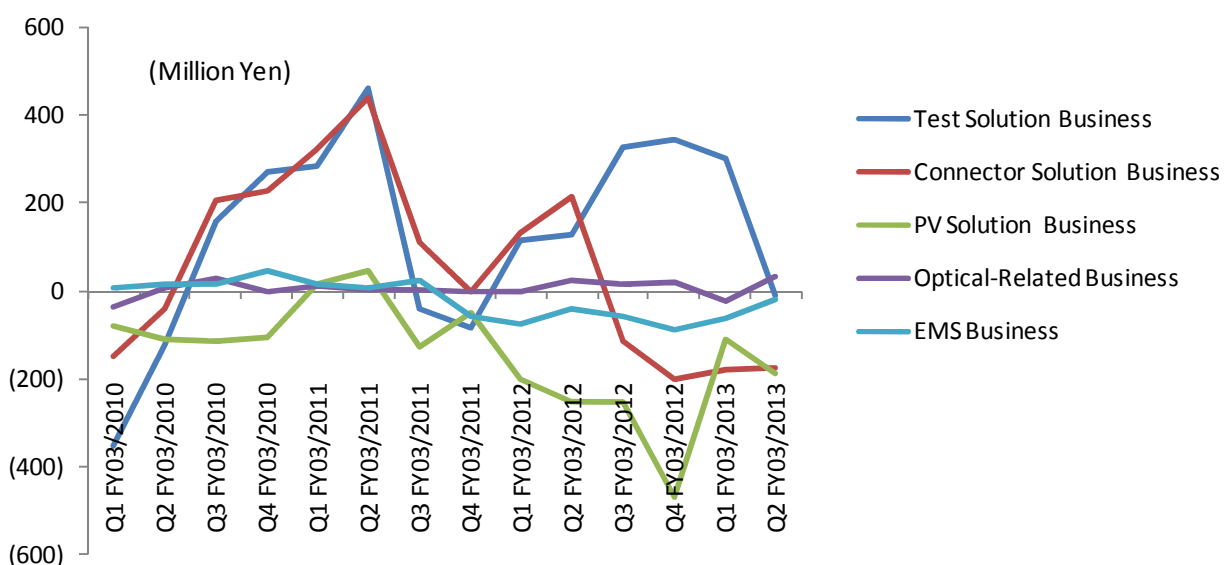
In Q1 to Q2 FY03/2013, sales came in at ¥10,500m (down ¥1,300m YoY), operating loss ¥603m (net increases ¥492m), recurring loss ¥1,002m (net increases ¥524m) and net loss ¥2,056m (net increases ¥1,363m). Basically, decreasing sales made operating loss increased, while provisions for inventory disposal ¥130m, as a result of withdrawal from PV Solution Business to deploy photovoltaic-related business, have become another negative factor. At the non-operating level, the Company suffered from forex loss ¥358m (net decreases ¥7m YoY), making recurring loss larger than operating loss. Moreover, the Company saw impairment loss ¥833 (no booking last year) at the extraordinary level, resulting in even larger loss at the net level.

#### Sales by Segment (On a Quarterly Basis)



Source: Company Data, WRJ Calculation

#### Operating Profit by Segment (On A Quarterly Basis)



Source: Company Data, WRJ Calculation

Free cash flow came in at net outflow ¥206m, equity capital ratio 53.8% (down 3.4% points YoY), net-debt-equity ratio 13.6% (up 4.8% points YoY) and ROE negative 29.6% (net loss, multiplied by 2, divided by average equity capital in Q1 to Q2 results), suggesting that the Company has basically maintained healthy state of financial backgrounds, in spite of sequential deterioration due to massive net loss.

Sales decreases (¥1,300m) with the Company mainly came from those (¥1,025m) of Connector Solution Business, incorporating memory card connectors as the mainstay. On top of this, Test Solution Business to deploy semiconductor-related business (¥233m) and Optical-Related Business (¥121m) also contributed to sales decreases with the Company. While sales of Connector Solution Business were negatively affected by slowing demand for digital consumer electronics, which are the major applications, trends for domestic and overseas semiconductor makers to constrain capital expenditure gave negative impacts to sales of Test Solution Business.

According to the Company, fixed cost came in at ¥5,400m. As this suggests full-year level ¥10,800m (down ¥1,400m YoY) and thus the Company mentions that it has already reduced fixed cost in Q1 to Q2, to some extent. Still, sales decreases, combined with increasing ratio of variable cost to sales (54.2%, up 3.7% points YoY), generated more substantial impacts, resulting in increasing operating loss. The increasing ratio of variable cost to sales, mainly, came from trends in Connector Solution Business. Just simply speaking, it is presumed that sales of products, minimally exposed to variable cost, came down sharply, making sales reduced and product mix deteriorated for the business segment. Meanwhile, as mentioned earlier, disposal loss for inventory, stemming from withdrawal from PV Solution Business to deploy photovoltaic-related business, was another negative factor for increasing ratio of variable cost to sales.

Ongoing trends of yen's appreciation have been giving ongoing forex loss at the non-operating level. Being involved with overseas operations, the Company is exposed to foreign-currency-denominated claims and obligations, generating the forex loss. Through the beginning of Q1 to the end of Q2, yen against US\$ appreciated to ¥78 from ¥82, while ¥100 from ¥110 for Euro, resulting in aforementioned forex loss ¥358m (net decreases ¥7m YoY).

At the extraordinary level, the Company reported net loss ¥985m (net increases ¥879m YoY), due mainly to aforementioned impairment loss ¥833m (no booking last year), mainly stemming from impairment of production facilities in Connector Solution Business ¥790m. It could be presumed that this business segment, suffering from major profitability deterioration, was in the process of trying to see recovery of profitability as soon as possible by front-loading depreciation charges. Meanwhile, the Company also saw extraordinary cost ¥80m for early redundancies, associated with EMS Business where cutbacks for headcounts are implemented in line with decreasing volume of consigned assembly of LCD panels in Okayama, as well as ¥70m, associated with liquidation of an operation in Taiwan.

### Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	03/2012	03/2012	03/2012	03/2012	03/2013	03/2013	03/2013	03/2013	03/2013	
<b>Sales</b>	<b>5,725</b>	<b>11,800</b>	<b>17,376</b>	<b>23,168</b>	<b>5,424</b>	<b>10,501</b>	-	-	-	<b>(1,300)</b>
CoGS	4,259	8,982	13,241	17,932	4,222	8,326	-	-	-	(656)
Gross Profit	1,466	2,818	4,136	5,236	1,202	2,174	-	-	-	(644)
SG&A	1,507	2,930	4,438	6,001	1,412	2,777	-	-	-	(153)
<b>Operating Profit</b>	<b>(40)</b>	<b>(112)</b>	<b>(302)</b>	<b>(765)</b>	<b>(210)</b>	<b>(603)</b>	-	-	-	<b>(492)</b>
Non Operating Balance	(117)	(367)	(317)	(21)	(244)	(399)	-	-	-	(32)
<b>Recurring Profit</b>	<b>(157)</b>	<b>(479)</b>	<b>(619)</b>	<b>(786)</b>	<b>(454)</b>	<b>(1,002)</b>	-	-	-	<b>(524)</b>
Extraordinary Balance	(18)	(107)	(107)	(579)	73	(985)	-	-	-	(879)
Pretax Profit	(174)	(585)	(726)	(1,366)	(523)	(1,988)	-	-	-	(1,402)
Tax Charges etc.	12	109	105	173	23	69	-	-	-	(40)
Minorities' Interests	(0)	(0)	(0)	(0)	(0)	0	-	-	-	+1
<b>Net Profit</b>	<b>(186)</b>	<b>(694)</b>	<b>(830)</b>	<b>(1,538)</b>	<b>(546)</b>	<b>(2,057)</b>	-	-	-	<b>(1,363)</b>
Sales YoY	(23.0%)	(23.6%)	(19.7%)	(15.7%)	(5.3%)	(11.0%)	-	-	-	-
Operating Profit YoY	-	-	-	-	-	-	-	-	-	-
Recurring Profit YoY	-	-	-	-	-	-	-	-	-	-
Net Profit YoY	-	-	-	-	-	-	-	-	-	-
Gross Profit Margins	25.6%	23.9%	23.8%	22.6%	22.2%	20.7%	-	-	-	(3.2%)
SG&A / Sales	26.3%	24.8%	25.5%	25.9%	26.0%	26.5%	-	-	-	+1.6%
Operating Profit Margins	(0.7%)	(0.9%)	(1.7%)	(3.3%)	(3.9%)	(5.7%)	-	-	-	(4.8%)
Recurring Profit Margins	(2.7%)	(4.1%)	(3.6%)	(3.4%)	(8.4%)	(9.5%)	-	-	-	(5.5%)
Net Profit Margins	(3.2%)	(5.9%)	(4.8%)	(6.6%)	(10.1%)	(19.6%)	-	-	-	(13.7%)
Tax Charges etc. / Pretax Profit	(6.7%)	(18.7%)	(14.5%)	(12.7%)	(4.5%)	(3.5%)	-	-	-	+15.2%

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2012	03/2012	03/2012	03/2012	03/2013	03/2013	03/2013	03/2013	03/2013	
<b>Sales</b>	<b>5,725</b>	<b>6,075</b>	<b>5,576</b>	<b>5,791</b>	<b>5,424</b>	<b>5,077</b>	-	-	-	<b>(998)</b>
CoGS	4,259	4,723	4,258	4,691	4,222	4,104	-	-	-	(619)
Gross Profit	1,466	1,352	1,317	1,100	1,202	972	-	-	-	(380)
SG&A	1,507	1,424	1,507	1,563	1,412	1,365	-	-	-	(59)
<b>Operating Profit</b>	<b>(40)</b>	<b>(72)</b>	<b>(190)</b>	<b>(463)</b>	<b>(210)</b>	<b>(393)</b>	-	-	-	<b>(321)</b>
Non Operating Balance	(117)	(250)	50	296	(244)	(155)	-	-	-	+95
<b>Recurring Profit</b>	<b>(157)</b>	<b>(322)</b>	<b>(140)</b>	<b>(167)</b>	<b>(454)</b>	<b>(548)</b>	-	-	-	<b>(226)</b>
Extraordinary Balance	(18)	(89)	(0)	(473)	73	(1,058)	-	-	-	(969)
Pretax Profit	(174)	(411)	(141)	(640)	(523)	(1,465)	-	-	-	(1,054)
Tax Charges etc.	12	98	(4)	68	23	46	-	-	-	(52)
Minorities' Interests	(0)	(0)	0	(0)	(0)	1	-	-	-	+1
<b>Net Profit</b>	<b>(186)</b>	<b>(509)</b>	<b>(136)</b>	<b>(707)</b>	<b>(546)</b>	<b>(1,511)</b>	-	-	-	<b>(1,003)</b>
Sales YoY	(23.0%)	(24.2%)	(10.0%)	(0.7%)	(5.3%)	(11.3%)	-	-	-	-
Operating Profit YoY	-	-	-	-	-	-	-	-	-	-
Recurring Profit YoY	-	-	-	-	-	-	-	-	-	-
Net Profit YoY	-	-	-	-	-	-	-	-	-	-
Gross Profit Margins	25.6%	22.3%	23.6%	19.0%	22.2%	19.1%	-	-	-	(3.1%)
SG&A / Sales	26.3%	23.4%	27.0%	27.0%	26.0%	26.9%	-	-	-	+3.5%
Operating Profit Margins	(0.7%)	(1.2%)	(3.4%)	(8.0%)	(3.9%)	(7.7%)	-	-	-	(6.6%)
Recurring Profit Margins	(2.7%)	(5.3%)	(2.5%)	(2.9%)	(8.4%)	(10.8%)	-	-	-	(5.5%)
Net Profit Margins	(3.2%)	(8.4%)	(2.4%)	(12.2%)	(10.1%)	(29.8%)	-	-	-	(21.4%)
Tax Charges etc. / Pretax Profit	(6.7%)	(23.8%)	3.1%	(10.6%)	(4.5%)	(3.5%)	-	-	-	+20.3%

Source: Company Data, WRJ Calculation

### Segmented Information (Cumulative)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2012	Q1 to Q2 03/2012	Q1 to Q3 03/2012	Q1 to Q4 03/2012	Q1 03/2013	Q1 to Q2 03/2013	Q1 to Q3 03/2013	Q1 to Q4 03/2013		
Test Solution Business	1,814	3,822	6,083	8,424	2,161	3,936	-	-	+114	
Connector Solution Business	2,689	5,686	8,096	10,553	2,381	4,661	-	-	(1,025)	
PV Solution Business	626	949	1,209	1,678	334	712	-	-	(237)	
Optical-Related Business	348	789	1,150	1,488	316	636	-	-	(153)	
EMS Business	248	554	837	1,023	232	555	-	-	+1	
Other (Including Adjustments)	0	1	1	1	0	1	-	-	(0)	
<b>Sales</b>	<b>5,725</b>	<b>11,800</b>	<b>17,376</b>	<b>23,168</b>	<b>5,424</b>	<b>10,501</b>	-	-	<b>(1,300)</b>	
Test Solution Business	113	240	567	909	302	292	-	-	+52	
Connector Solution Business	132	345	231	31	(181)	(358)	-	-	(703)	
PV Solution Business	(201)	(456)	(707)	(1,175)	(109)	(296)	-	-	+160	
Optical-Related Business	(2)	23	37	58	(25)	5	-	-	(18)	
EMS Business	(78)	(120)	(178)	(265)	(64)	(82)	-	-	+38	
Other	0	1	1	1	0	1	-	-	+0	
Elimination	(5)	(143)	(252)	(324)	(133)	(165)	-	-	(22)	
<b>Operating Profit</b>	<b>(40)</b>	<b>(112)</b>	<b>(302)</b>	<b>(765)</b>	<b>(210)</b>	<b>(603)</b>	-	-	<b>(491)</b>	
Test Solution Business	6.3%	6.3%	9.3%	10.8%	14.0%	7.4%	-	-	+1.1%	
Connector Solution Business	4.9%	6.1%	2.8%	0.3%	(7.6%)	(7.7%)	-	-	(13.7%)	
PV Solution Business	(32.2%)	(48.1%)	(58.5%)	(70.0%)	(32.7%)	(41.5%)	-	-	+6.5%	
Optical-Related Business	(0.6%)	2.9%	3.2%	3.9%	(8.0%)	0.9%	-	-	(2.1%)	
EMS Business	(31.3%)	(21.7%)	(21.3%)	(25.9%)	(27.8%)	(14.8%)	-	-	+6.9%	
Other	159.8%	92.2%	79.3%	90.1%	160.2%	114.0%	-	-	+21.8%	
Elimination	(0.1%)	(1.2%)	(1.5%)	(1.4%)	(2.5%)	(1.6%)	-	-	(0.4%)	
<b>Operating Profit Margins</b>	<b>(0.7%)</b>	<b>(0.9%)</b>	<b>(1.7%)</b>	<b>(3.3%)</b>	<b>(3.9%)</b>	<b>(5.7%)</b>	-	-	<b>(4.8%)</b>	
Test Solution Business	32%	32%	35%	36%	40%	37%	-	-	-	
Connector Solution Business	47%	48%	47%	46%	44%	44%	-	-	-	
PV Solution Business	11%	8%	7%	7%	6%	7%	-	-	-	
Optical-Related Business	6%	7%	7%	6%	6%	6%	-	-	-	
EMS Business	4%	5%	5%	4%	4%	5%	-	-	-	
Other (Including Adjustments)	0%	0%	0%	0%	0%	0%	-	-	-	
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-	-	-	
Test Solution Business	-	-	-	-	-	-	-	-	-	
Connector Solution Business	-	-	-	-	-	-	-	-	-	
PV Solution Business	-	-	-	-	-	-	-	-	-	
Optical-Related Business	-	-	-	-	-	-	-	-	-	
EMS Business	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	
<b>OP (Before Elimination)</b>	-	-	-	-	-	-	-	-	-	

Source: Company Data, WRJ Calculation

## Segmented Information (Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2012	Q2 03/2012	Q3 03/2012	Q4 03/2012	Q1 03/2013	Q2 03/2013	Q3 03/2013	Q4 03/2013		
Test Solution Business	1,814	2,007	2,261	2,341	2,161	1,774	-	-	(233)	
Connector Solution Business	2,689	2,997	2,410	2,458	2,381	2,280	-	-	(717)	
PV Solution Business	626	323	260	469	334	378	-	-	+55	
Optical-Related Business	348	442	361	338	316	321	-	-	(121)	
EMS Business	248	306	283	186	232	323	-	-	+17	
Other (Including Adjustments)	0	0	0	0	0	0	-	-	(0)	
<b>Sales</b>	<b>5,725</b>	<b>6,075</b>	<b>5,576</b>	<b>5,791</b>	<b>5,424</b>	<b>5,077</b>	-	-	<b>(998)</b>	
Test Solution Business	113	126	328	342	302	(10)	-	-	(137)	
Connector Solution Business	132	212	(114)	(200)	(181)	(177)	-	-	(389)	
PV Solution Business	(201)	(255)	(251)	(468)	(109)	(186)	-	-	+68	
Optical-Related Business	(2)	25	14	21	(25)	31	-	-	+6	
EMS Business	(78)	(43)	(58)	(87)	(64)	(18)	-	-	+25	
Other	0	0	0	0	0	0	-	-	+0	
Elimination	(5)	(138)	(109)	(72)	(133)	(32)	-	-	+106	
<b>Operating Profit</b>	<b>(40)</b>	<b>(72)</b>	<b>(190)</b>	<b>(463)</b>	<b>(210)</b>	<b>(393)</b>	-	-	<b>(321)</b>	
Test Solution Business	6.3%	6.3%	14.5%	14.6%	14.0%	(0.6%)	-	-	(6.9%)	
Connector Solution Business	4.9%	7.1%	(4.7%)	(8.1%)	(7.6%)	(7.8%)	-	-	(14.8%)	
PV Solution Business	(32.2%)	(78.9%)	(96.5%)	(99.9%)	(32.7%)	(49.3%)	-	-	+29.6%	
Optical-Related Business	(0.6%)	5.7%	4.0%	6.2%	(8.0%)	9.6%	-	-	+3.9%	
EMS Business	(31.3%)	(13.9%)	(20.5%)	(46.8%)	(27.8%)	(5.5%)	-	-	+8.4%	
Other	159.8%	42.6%	29.1%	152.8%	160.2%	85.7%	-	-	+43.0%	
Elimination	(0.1%)	(2.3%)	(2.0%)	(1.2%)	(2.5%)	(0.6%)	-	-	+1.6%	
<b>Operating Profit Margins</b>	<b>(0.7%)</b>	<b>(1.2%)</b>	<b>(3.4%)</b>	<b>(8.0%)</b>	<b>(3.9%)</b>	<b>(7.7%)</b>	-	-	<b>(6.6%)</b>	
Test Solution Business	32%	33%	41%	40%	40%	35%	-	-	-	
Connector Solution Business	47%	49%	43%	42%	44%	45%	-	-	-	
PV Solution Business	11%	5%	5%	8%	6%	7%	-	-	-	
Optical-Related Business	6%	7%	6%	6%	6%	6%	-	-	-	
EMS Business	4%	5%	5%	3%	4%	6%	-	-	-	
Other (Including Adjustments)	0%	0%	0%	0%	0%	0%	-	-	-	
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	-	-	-	
Test Solution Business	-	-	-	-	-	-	-	-	-	
Connector Solution Business	-	-	-	-	-	-	-	-	-	
PV Solution Business	-	-	-	-	-	-	-	-	-	
Optical-Related Business	-	-	-	-	-	-	-	-	-	
EMS Business	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	
<b>OP (Before Elimination)</b>	-	-	-	-	-	-	-	-	-	

Source: Company Data, WRJ Calculation

## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1 03/2012	Q2 03/2012	Q3 03/2012	Q4 03/2012	Q1 03/2013	Q2 03/2013	Q3 03/2013	Q4 03/2013	Q4 03/2013	Net Chg.
Cash & Deposit	6,103	6,073	5,060	5,298	5,105	4,791	-	-	-	(1,283)
Accounts Receivables	4,228	4,216	4,370	4,499	3,996	4,065	-	-	-	(151)
Inventory	3,331	3,020	3,181	3,148	3,018	2,808	-	-	-	(212)
Other	774	790	835	3,911	647	728	-	-	-	(62)
<b>Current Assets</b>	<b>14,436</b>	<b>14,099</b>	<b>13,445</b>	<b>13,707</b>	<b>12,767</b>	<b>12,391</b>	-	-	-	<b>(1,708)</b>
Tangible Assets	10,935	10,810	10,717	10,229	10,201	9,352	-	-	-	(1,458)
Intangible Assets	150	128	113	106	98	77	-	-	-	(51)
LT Investment Securities etc.	2,478	2,312	2,052	2,196	2,075	2,059	-	-	-	(253)
<b>Fixed Assets</b>	<b>13,563</b>	<b>13,250</b>	<b>12,882</b>	<b>12,531</b>	<b>12,374</b>	<b>11,488</b>	-	-	-	<b>(1,762)</b>
Differed Assets	0	0	0	0	0	6	-	-	-	+6
<b>Total Assets</b>	<b>28,000</b>	<b>27,349</b>	<b>26,327</b>	<b>26,238</b>	<b>25,141</b>	<b>23,885</b>	-	-	-	<b>(3,464)</b>
Accounts Payable	1,779	1,666	1,491	1,560	1,305	1,211	-	-	-	(455)
	0	0	0	0	0	35	-	-	-	+35
Short Term Debt	6,291	6,660	6,337	6,331	6,216	5,580	-	-	-	(1,080)
Other	1,705	1,829	1,754	1,845	1,964	2,326	-	-	-	+498
<b>Current Liabilities</b>	<b>9,775</b>	<b>10,155</b>	<b>9,581</b>	<b>9,736</b>	<b>9,486</b>	<b>9,118</b>	-	-	-	<b>(1,038)</b>
Debenture	0	0	0	0	0	215	-	-	-	+215
Long Term Debt	975	918	894	745	621	889	-	-	-	(28)
Other	680	603	468	750	660	796	-	-	-	+193
<b>Fixed Liabilities</b>	<b>1,655</b>	<b>1,520</b>	<b>1,362</b>	<b>1,495</b>	<b>1,281</b>	<b>1,900</b>	-	-	-	<b>+380</b>
<b>Total Liabilities</b>	<b>11,429</b>	<b>11,676</b>	<b>10,943</b>	<b>11,232</b>	<b>10,767</b>	<b>11,018</b>	-	-	-	<b>(658)</b>
<b>Shareholders' Equity</b>	<b>17,606</b>	<b>17,097</b>	<b>16,961</b>	<b>16,254</b>	<b>15,708</b>	<b>14,197</b>	-	-	-	<b>(2,900)</b>
Adjustments etc.	(1,036)	(1,424)	(1,577)	(1,247)	(1,334)	(1,330)	-	-	-	+94
<b>Total Liabilities &amp; Net Assets</b>	<b>28,000</b>	<b>27,349</b>	<b>26,327</b>	<b>26,238</b>	<b>25,141</b>	<b>23,885</b>	-	-	-	<b>(3,464)</b>
Equity Capital	16,550	15,653	15,364	14,987	16,550	12,847	-	-	-	(2,806)
Interest Bearing Debt	7,266	7,578	7,231	7,076	6,837	6,719	-	-	-	(858)
Net Debt	1,163	1,505	2,171	1,778	1,732	1,929	-	-	-	+424
Equity Capital Ratio	59.1%	57.2%	58.4%	57.1%	65.8%	53.8%	-	-	-	(3.4%)
Net-Debt-Equity Ratio	6.6%	8.8%	12.8%	10.9%	11.0%	13.6%	-	-	-	+4.8%
ROE	(4.5%)	(8.6%)	(6.9%)	(9.7%)	(13.8%)	(29.6%)	-	-	-	(21.0%)
ROA	(2.2%)	(3.4%)	(3.0%)	(2.9%)	(7.1%)	(8.0%)	-	-	-	(4.6%)
Total Assets Turnover	82%	89%	85%	88%	86%	85%	-	-	-	-
Inventory Turnover	5.1	6.3	5.4	6.0	5.6	5.8	-	-	-	-
Days of Inventory	71	58	68	61	65	62	-	-	-	-
Quick Ratio	106%	101%	98%	101%	96%	97%	-	-	-	-
Current Ratio	148%	139%	140%	141%	135%	136%	-	-	-	-

Source: Company Data, WRJ Calculation

## Cash Flow Statement (Cumulative, Quarterly)

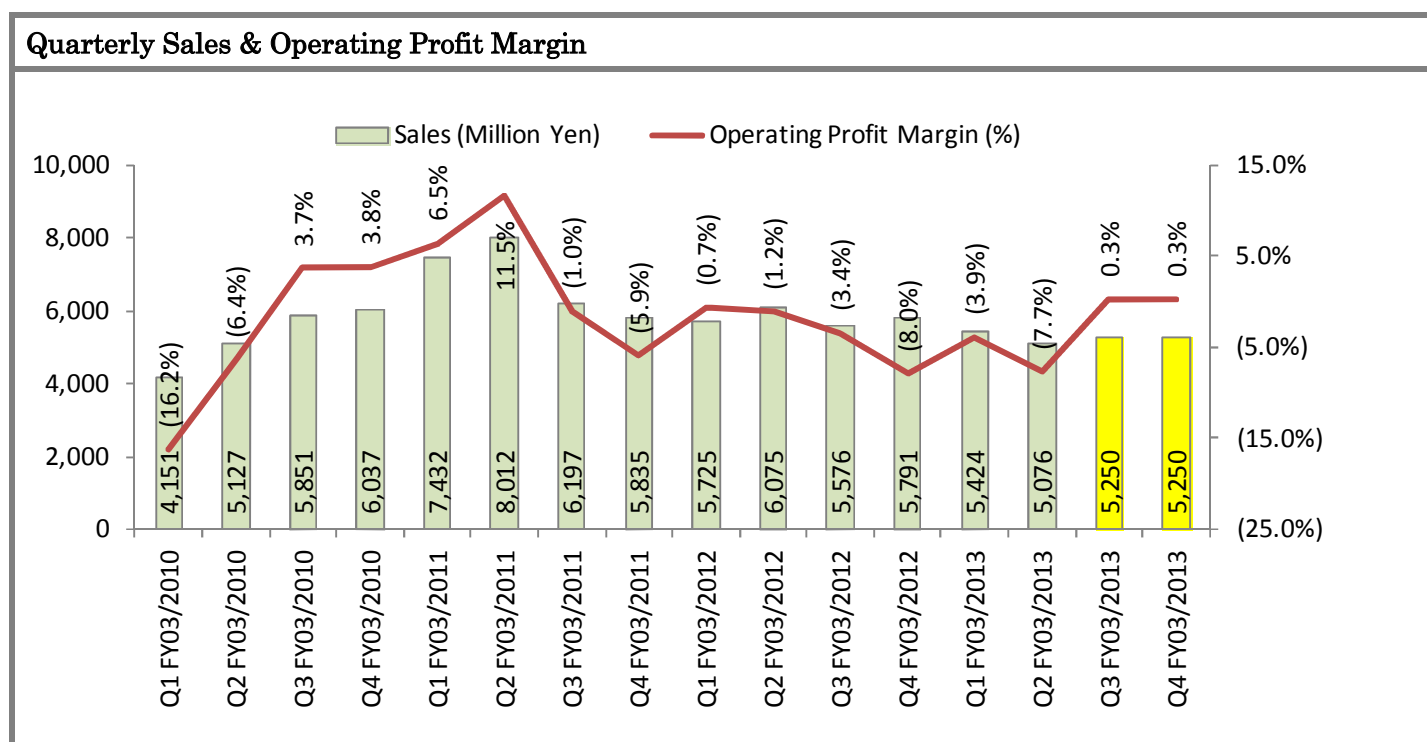
Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1 03/2012	Q1 to Q2 03/2012	Q1 to Q3 03/2012	Q1 to Q4 03/2012	Q1 03/2013	Q1 to Q2 03/2013	Q1 to Q3 03/2013	Q1 to Q4 03/2013	Q4 03/2013	Net Chg.
Operating Cash Flow	153	492	456	708	580	620	-	-	-	+128
Investing Cash Flow	(709)	(1,226)	(1,814)	(2,181)	(390)	(826)	-	-	-	+399
<b>Operating CF + Investing CF</b>	<b>(556)</b>	<b>(733)</b>	<b>(1,358)</b>	<b>(1,473)</b>	<b>190</b>	<b>(206)</b>	-	-	-	<b>+527</b>
Financing Cash Flow	(62)	215	(183)	47	(314)	(258)	-	-	-	(472)
<b>Cash Flow Statement</b> (Million Yen)	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>Cons.Act</b>	<b>YoY</b>
	Q1 03/2012	Q2 03/2012	Q3 03/2012	Q4 03/2012	Q1 03/2013	Q2 03/2013	Q3 03/2013	Q4 03/2013	Q4 03/2013	Net Chg.
Operating Cash Flow	153	339	(36)	252	580	40	-	-	-	(299)
Investing Cash Flow	(709)	(517)	(588)	(367)	(390)	(436)	-	-	-	+80
<b>Operating CF + Investing CF</b>	<b>(556)</b>	<b>(177)</b>	<b>(625)</b>	<b>(115)</b>	<b>190</b>	<b>(396)</b>	-	-	-	<b>(219)</b>
Financing Cash Flow	(62)	277	(398)	230	(314)	56	-	-	-	(220)

Source: Company Data, WRJ Calculation



## FY03/2013 Company Forecasts

In FY03/2013, the Company is going for prospective sales ¥21,000m (down ¥2,168m YoY), operating loss ¥570m (net increases ¥195m), recurring loss ¥1,020m (net increases ¥234m) and net loss ¥2,640m (net increases ¥1,102m). In initial Company forecasts (as of 18 May), sales were expected to be ¥24,000m, operating profit ¥400m, recurring profit ¥200m and net profit ¥30m, but, on 26 October, the Company downgraded prospects to the above, while releasing a plan to “reorganize” operations at a time. The Company has downgraded its prospects ¥3,000m in sales, ¥970m in operating balance, ¥1,420m in recurring balance and ¥2,670m in net balance.



Source: Company Data, WRJ Calculation (Q3 and Q4 in FY03/2013, based on pro rata of Company forecasts in H2)

Compared with initial Company forecasts (as of 18 May), prospective operating profit has been downgraded ¥970m, to which slowing down digital consumer electronics and semiconductor capital expenditure are mentioned as the key negative factors, respectively, corresponding to Connector Solution Business (prospective operating profit, downgraded ¥550m) and Test Solution Business (downgraded ¥280m) by business segment.

Full-year fixed cost is expected to be ¥10,500m (¥5,400m in H1 and ¥5,100m in H2), down ¥1,700m YoY. In H2 over H1, sales are expected to remain effectively unchanged, while operating balance is expected to improve ¥636m during the same period, driven by fixed cost reductions ¥300m and lowering ratio of variable cost to sales. This suggests the latter has positive impacts ¥336m, to which an issue, that sales of PV Solution Business (presumably exposed to variable cost to a large extent) are effectively gone, is likely contributing (disposal loss for inventory ¥130m in H1 also gone). Another issue in H2 is that the Company plans to post additional retirement benefits ¥500m as extraordinary cost, adopting a measure to carry out early redundancies, including those of regular employees, collectively some 100 headcounts.

Effectively pulling out of PV Solution Business, the Company is to see the largest impacts ¥500m, out of

overall fixed cost reductions ¥1,700m, second only to personnel-related ¥600m, comprising reductions in headcounts ¥200m and those of compensations ¥400m. Elsewhere, reductions of depreciation charges, as a result of booking impairment cost, is expected to generate fixed cost reductions ¥200m, cost reductions in general ¥200m and other ¥200m. Collectively, fixed cost reductions ¥1,700m are to be achievable.

<b>Historical Changes of Company Forecasts in FY03/2013 &amp; Results</b>						
<b>Consolidated FY (Million Yen)</b>	<b>Date</b>	<b>Event</b>	<b>Sales</b>	<b>OP</b>	<b>RP</b>	<b>NP</b>
FY03/2013CoE	18-May-12	Q4 Results	24,000	400	200	30
FY03/2013CoE	7-Aug-12	Q1 Results	24,000	400	200	30
FY03/2013CoE	26-Oct-12	Revision	21,000	(570)	(1,220)	(2,640)
		Amount of Gap	(3,000)	(970)	(1,420)	(2,670)
		Rate of Gap	(12.5%) -	-	-	-
FY03/2013CoE	6-Nov-12	Q2 Results	21,000	(570)	(1,220)	(2,640)
		Amount of Gap	(3,000)	(970)	(1,420)	(2,670)
		Rate of Gap	(12.5%) -	-	-	-
<b>Consolidated Half Year (Million Yen)</b>	<b>Date</b>	<b>Event</b>	<b>Sales</b>	<b>OP</b>	<b>RP</b>	<b>NP</b>
Q1 to Q2 FY03/2013CoE	18-May-12	Q4 Results	11,300	30	(100)	(130)
Q1 to Q2 FY03/2013CoE	7-Aug-12	Q1 Results	11,300	30	(100)	(130)
Q1 to Q2 FY03/2013CoE	6-Nov-12	Revision	10,500	(607)	(1,007)	(2,058)
		Amount of Gap	(800)	(637)	(907)	(1,928)
		Rate of Gap	(7.1%)	-	-	-
Q1 to Q2 FY03/2013Act	6-Nov-12	Q2 Results	10,500	(603)	(1,002)	(2,056)
		Amount of Gap	(800)	(633)	(902)	(1,926)
		Rate of Gap	(7.1%) -	-	-	-
<b>Consolidated Half Year (Million Yen)</b>	<b>Date</b>	<b>Event</b>	<b>Sales</b>	<b>OP</b>	<b>RP</b>	<b>NP</b>
Q3 to Q4 FY03/2013CoE	18-May-12	Q4 Results	12,700	370	300	160
Q3 to Q4 FY03/2013CoE	7-Aug-12	Q1 Results	12,700	370	300	160
Q3 to Q4 FY03/2013CoE	26-Oct-12	Revision	10,500	37	(213)	(582)
		Amount of Gap	(2,200)	(333)	(513)	(742)
		Rate of Gap	(17.3%)	(90.0%) -	-	-
Q3 to Q4 FY03/2013CoE	6-Nov-12	Q2 Results	10,500	33	(218)	(584)
		Amount of Gap	(2,200)	(337)	(518)	(744)
		Rate of Gap	(17.3%)	(91.1%) -	-	-

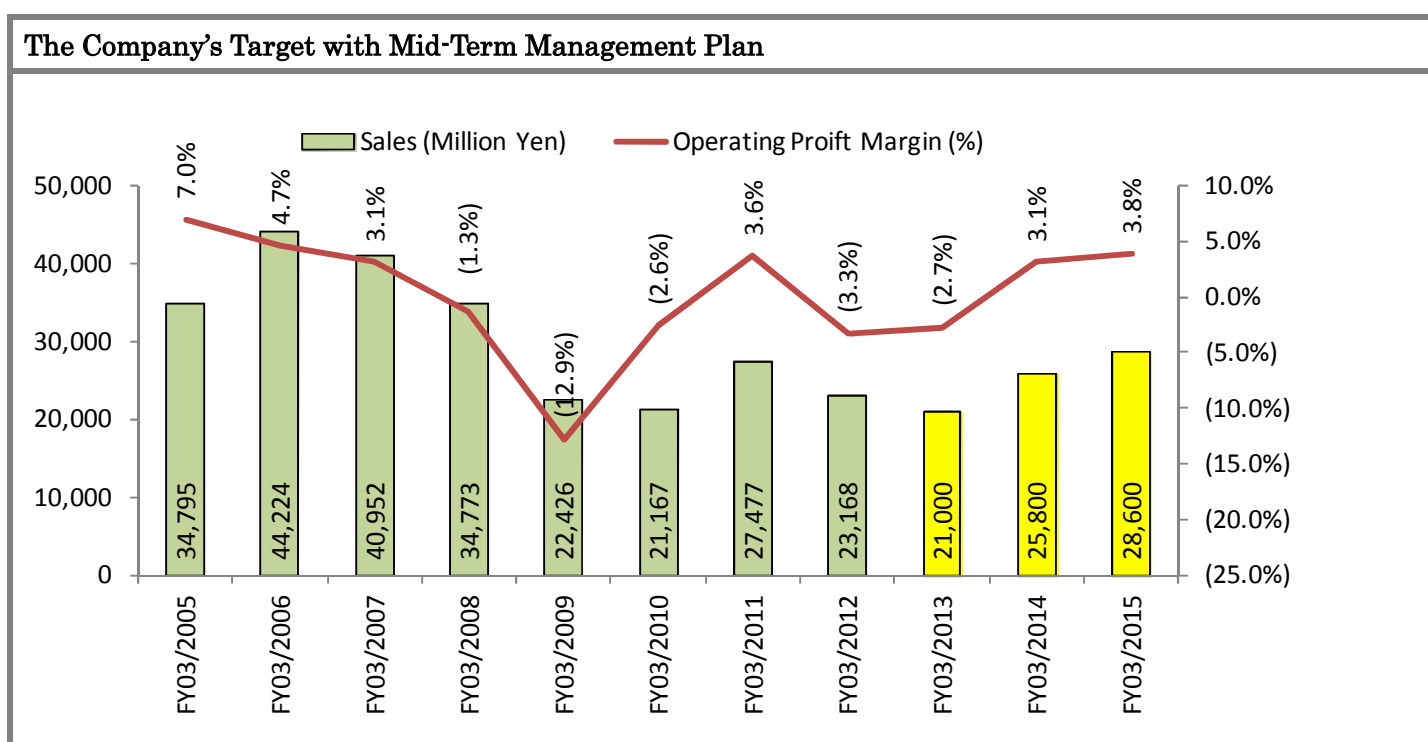
Source: Company Data, WRJ Calculation

### Long-Term Prospects

According to the Company's mid-term management plan (FY03/2013 to FY03/2015, disclosed on 8 May, 2012), prospective sales ¥28,600m, operating profit ¥1,100m, operating profit margin 3.8% and ROE 3.9% are planned in FY03/2015, compared with sales ¥23,167m, operating loss ¥765m, operating profit margin negative 3.3% and ROE negative 9.7% in FY03/2012 results, suggesting sales growth rates 7.3% pa in terms of CAGR, improvements of operating profit margin 7.1% points and those of ROE 13.6% points for three years to come.

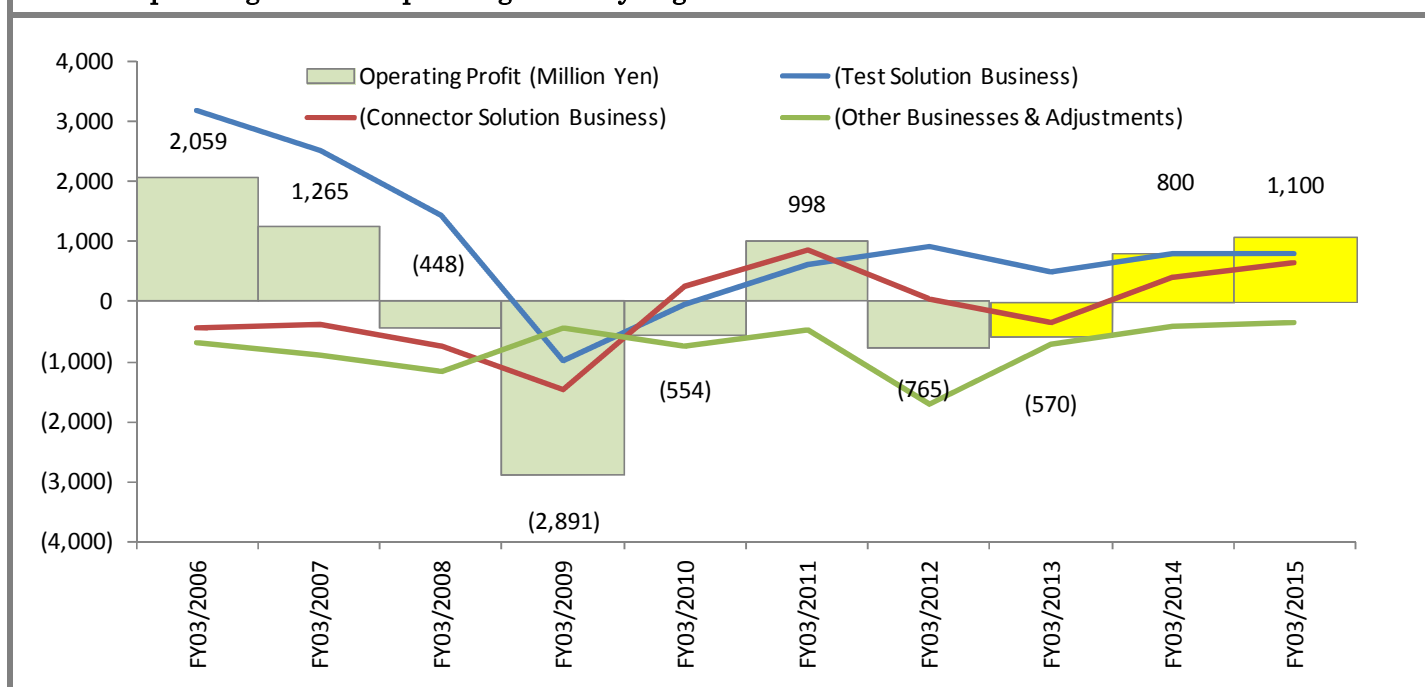
However, the Company, massively downgrading prospects for FY03/2013, i.e., the first year of the plan, has suggested that the plan is too hard to be achievable in result meeting, held on 12 November, 2012. Now, the Company is getting ready for releasing updated mid-term plan to be released at the release of FY03/2013 results.

The other issue from the result meeting to be mentioned is that the Company disclosed a plan to see a turnaround at operating level in FY03/2014. As mentioned earlier, fixed cost ¥10,500m (down ¥1,700m YoY) is expected to feed through in FY03/2013, while further reductions to ¥9,700m (down ¥800m) are also expected to feed through in FY03/2014. The key driver here is that the Company is expected to see additional reductions ¥600m in personnel-related. As mentioned earlier, additional retirement benefits ¥500m are expected to feed through in H2 FY03/2013, suggesting that full-fledged impacts from here should come out in FY03/2014. Early redundancies are to generate fixed cost reductions ¥500m in FY03/2014, on top of ¥200m in FY03/2013. In regards to compensations, additional reductions ¥100m is expected to feed through in FY03/2014. Elsewhere, additional reductions of depreciation charges ¥100m, as a result of booking impairment cost, as well as, additional reductions ¥100m, stemming from withdrawal from PV Solution Business, are expected to generate. As a result of all these factors, the Company goes for additional fixed cost reductions ¥800m in FY03/2014.



Source: Company Data (FY03/2013 prospects, updated to the most recent forecasts), WRJ Calculation

## Overall Operating Profit & Operating Profit by Segment



Source: Company Data (FY03/2013 prospects, updated to the most recent forecasts), WRJ Calculation

Mid-term management plan is now too hard to be achievable, as mentioned earlier, but there is no change in that future earnings hinge on prospective performance in the mainstay Test Solution Business and Connector Solution Business, having accounted for 37% and 44%, respectively and collectively 81% of sales with the Company in Q1 to Q2 FY03/2013 results. The Company is trying to get at “securing sales by means of increasing market share” for the former and “enhancing involvements with high-speed data transmission, automotive-related and industrial-related” for the latter, in order to pursue long-term growth potential. Meanwhile, the Company also plans to spare own resources upon Optical-Related Business.

## 4.0 Business Model

### Making Contact Mechanical Components

The Company is a maker of contact mechanical components, operating the global network, comprising 11 sales bases (4 in Japan and 7 overseas), 8 production bases (3 in Japan and 5 overseas) and 6 R&D bases (1 in Japan and 5 overseas). While the mother factory, based in Sakura-city, Chiba-prefecture, is the mainstay in Japan, the Company’s bases are found, across the board, on a global basis, in Europe (Germany), North America (United States) and Asia (China, Korea, Philippines and Singapore). 86% of production is carried out overseas, while 56% of sales derive from overseas markets, in FY03/2012. Thus, the Company has a large exposure to overseas markets, while it is often the case that local management is carried out by local managers, which is one of the characteristics with the Company.

Earnings with the Company saw substantial improvements in FY03/2011, just after the last reorganization, to which, basically, reductions in fixed costs, mainly driven by the decreases in personnel costs, contributed, while the Company made progress with diversification of earnings pillars.

The Company has been well recognized as the major supplier of burn-in-inspection-use IC sockets (the

mainstay in Test Solution Business), together with its high technology and distinguished know-how, even on a global basis. Still, the Company had consistently failed to make it commercially viable to develop new products elsewhere by applying the technology. So, what happened in FY03/2011 was that earnings from Connector Solution Business exceeded those from Test Solution Business that used to be effectively the only source of earnings with the Company. One of the key factors behind this was that the Company obtained a bulk business to supply a major consumer electronics maker with new connector as the only vendor, and we believe this is partly due to a result of successful applications of own technology.

Secondly, the application of the technology used to be expected to feed through on the PV Solution Business side, in which the Company is involved with photovoltaic-related business. However, as well known, there remains a major gap between supply and demand in the market and the Company had reached a conclusion to abolish this business segment, as officially announced on 21 September, 2012.

In recent trading, on the other hand, Connector Solution Business is now making operating loss, albeit not much, negatively affected by slowing demand for consumer electronics, while Test Solution Business suffers from major adjustments in earnings due to trends to constrain capital expenditure among semiconductor makers, resulting in reappearance of another reorganization measure, as mentioned earlier.

Details of contents by business segment in FY03/2012 results are as follows:

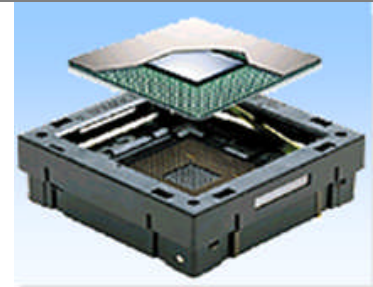
**Main Business Segments & Main Products**

**Test Solution Business**

Sales ¥8,424m (36% of sales)  
 Operating Profit ¥909m  
 (FY03/2012 results)

Burn-in-inspection-use IC  
 Sockets

Some 70% of sales  
 (in this segment)



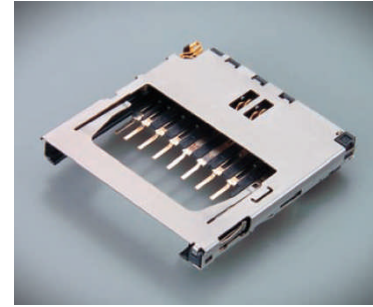
Test Sockets, Probe Pins, Probe Cards, Semiconductor Test Services etc. collectively, accounting for some 30% of sales (in this segment)

**Connector Solution Business**

Sales ¥10,553m (46% of sales)  
 Operating Profit ¥31m  
 (FY03/2012 results)

Memory Card Connectors

Some 50% of sales  
 (in this segment)



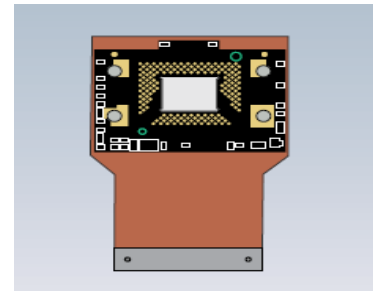
High-Speed Data Transmission  
 Connectors

Some 10% of sales  
 (in this segment)



YFLEX Products (Flexible  
 Printed Circuit Boards)

Some 20% of sales  
 (in this segment)



IC Sockets for Mounting and other Connectors, collectively 20% sales (in this segment)

Source: Company Data, WRJ Calculation

## **Test Solution Business**

Sales and earnings of Test Solution Business hinge on the mainstay burn-in-inspection-use IC sockets. Burn-in-inspection-use IC sockets are customized jigs for connecting semiconductors and testers in a test of defect detection which is called “burn-in”, and the Company has the leading 40% market share on a global basis, supplying diversified semiconductor makers etc. By category, those for logic chips account for some 70% of sales, DRAM some 20% and flash memory some 10%

For projecting future needs for the Company’s burn-in-inspection-use IC sockets, it is importantly to presume to what extent the Company can expand its customer base, while it is also important to presume how frequently customers would develop new semiconductors as well as at what volume they produce. Given that the products are customized, as mentioned earlier, the frequency of advent for new objects to customize is the key determinant for the number of developments for new burn-in-inspection-use IC sockets with the Company. At the same time, the shipment volume of the new semiconductor is nothing but the key factor for the volume of the products to be used to inspect them. Thus, the trends of capital expenditure among semiconductor makers are of importance as a factor to give influence to this business segment.



## **Connector Solution Business**

In Connector Solution Business, the main products are memory card connectors that account for half of sales in this business segment. For the rest of the segment, high-speed data transmission connectors (some 10% of sales in this business segment) and YFLEX products (flexible printed circuit boards, some 20%) are major constituents. In regards to memory card connectors, the Company once enjoyed a bulk business with a major consumer electronics maker to supply them products as the only vendor, while there has been an advent for the second vendor to date, while suffering from slowing demand for consumer electronics, which is the main applications of own products.

In regards to YFLEX products, mainly adopted in amusement-related (Pachinko and Pachislot) and car navigation devices, it is found that the business trends have remained steady. They are a type of flexible printed circuit boards and they are superior to regular products, made by peers, in some characteristics. Thus, it appears that they are decently competitive as far as applications where the characteristics are favored. Going forward, the Company would like to develop market for in-car applications.

Meanwhile, the Company is looking to AOC (Active Optical Cable) as the long-term growth field. The Company has appointed some five headcounts to dedicate themselves to the developments & marketing for AOC to be adopted in IT-infrastructure equipment for several years, and most recently the Company is seeing a start up of this business. Prospective sales here are just below ¥500m in FY03/2013 and some ¥1,000m in FY03/2014. Nevertheless, as the Company does not have any track record to supply anybody here in this field, direct sales to the customer, i.e., a major IT infrastructure equipment maker has not materialized yet. Thus, the business here is to go through a company who directly sells hardware and software to the customer etc., but this is nothing but a sprout for new earnings pillar with the Company. For the time being, this will remain as a business on an ODM basis, while this is a business to incorporate procured items to a large extent. As a result, gross profit margin here is likely being below 20%. Still, the Company is looking to a changeover to direct sales from indirect sales, while new issues should come out in

the foreseeable future, suggesting good opportunities to pursue earnings more in the future.

<b>Optical-Related Business and EMS Business</b>	
<p style="text-align: center;"><b>Optical-Related Business</b></p>  <ul style="list-style-type: none"><li>● Optical Thin Films</li><li>● Luminous Sources for Laser Diodes</li><li>● Optical Module</li></ul>	<p style="text-align: center;"><b>EMS Business</b></p>  <ul style="list-style-type: none"><li>● PCB Mounting Services</li><li>● Assembly of LCD panels</li></ul>

Source: Company Data

#### **PV (Photovoltaic) Solution Business, Optical-Related Business and EMS Business**

The operations in PV Solution Business relate to supplying solar power panel manufacturers with junction box for photovoltaic battery modules as well as cable connectors. Nevertheless, this business segment has been abolished to date, due to increasing credit risk among panel manufacturers, i.e., customers and massive selling price erosions for the products.

Optical-Related Business, in which the Company is involved with optical thin films etc., is not very significant in term of absolute value of earnings, but the operations to make money here are on the verge of being established, implying future increases in its contribution to overall earnings with the Company, in a long-term view.

In EMS Business, the operations are consigned assembly of LCD panels in Japan and PCB mounting services in Philippines. In regards to the former, plummeting sales made the operations unable to recovery fixed cost, but early redundancies are starting to cut back the fixed cost. Meanwhile, the Company saw incoming new order to offer services to assemble and inspect touch panels and this operation has started up since August 2012.



## 5.0 Financial Statements

### Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2008	03/2009	03/2010	03/2011	03/2012	03/2013	Net Chg.
<b>Sales</b>	<b>34,773</b>	<b>22,426</b>	<b>21,167</b>	<b>27,477</b>	<b>23,168</b>	<b>21,000</b>	<b>(2,168)</b>
CoGS	26,944	18,338	16,199	20,352	17,932	-	-
Gross Profit	7,829	4,088	4,968	7,125	5,236	-	-
SG&A	8,278	6,980	5,523	6,128	6,001	-	-
<b>Operating Profit</b>	<b>(448)</b>	<b>(2,891)</b>	<b>(554)</b>	<b>997</b>	<b>(765)</b>	<b>(570)</b>	<b>+195</b>
Non Operating Balance	(558)	(103)	(511)	(630)	(21)	(450)	(429)
<b>Recurring Profit</b>	<b>(1,006)</b>	<b>(2,994)</b>	<b>(1,065)</b>	<b>367</b>	<b>(786)</b>	<b>(1,020)</b>	<b>(234)</b>
Extraordinary Balance	(1,409)	(1,544)	(1,160)	219	(579)	-	-
Pretax Profit	(2,415)	(4,538)	(2,226)	586	(1,366)	-	-
Tax Charges etc.	939	184	(248)	428	173	-	-
Minorities' Interests	(1)	(1)	(7)	(0)	(0)	-	-
<b>Net Profit</b>	<b>(3,353)</b>	<b>(4,721)</b>	<b>(1,971)</b>	<b>158</b>	<b>(1,538)</b>	<b>(2,640)</b>	<b>(1,102)</b>
Sales YoY	(15.1%)	(35.5%)	(5.6%)	+29.8%	(15.7%)	(9.4%)	-
Operating Profit YoY	-	-	-	-	-	-	-
Recurring Profit YoY	-	-	-	-	-	-	-
Net Profit YoY	-	-	-	-	-	-	-
Gross Profit Margins	22.5%	18.2%	23.5%	25.9%	22.6%	-	-
SG&A / Sales	23.8%	31.1%	26.1%	22.3%	25.9%	-	-
Operating Profit Margins	(1.3%)	(12.9%)	(2.6%)	3.6%	(3.3%)	(2.7%)	+0.6%
Recurring Profit Margins	(2.9%)	(13.4%)	(5.0%)	1.3%	(3.4%)	(4.9%)	(1.5%)
Net Profit Margins	(9.6%)	(21.1%)	(9.3%)	0.6%	(6.6%)	(12.6%)	(5.9%)
Tax Charges etc. / Pretax Profit	(38.9%)	(4.0%)	11.1%	73.1%	(12.7%)	-	-

Source: Company Data, WRJ Calculation

### Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2008	03/2009	03/2010	03/2011	03/2012	03/2013	Net Chg.
No. of Shares FY End (-000)	20,538	20,538	20,538	23,290	23,290	-	-
Net Profit / EPS (-000)	18,974	18,974	18,975	21,485	23,287	23,287	-
Treasury Stocks FY End (-000)	1,564	1,564	1,564	3	3	-	-
Earnings Per Share	(176.7)	(248.8)	(103.9)	7.4	(66.0)	(113.4)	-
Earnings Per Share (Fully Diluted)	-	-	-	-	-	-	-
Book Value Per Share	1,250.2	928.1	837.4	717.8	643.6	-	-
Dividend Per Share	8.0	0.0	0.0	0.0	0.0	-	-
Payout Ratio	(4.5%)	0.0%	0.0%	0.0%	0.0%	-	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
FY	FY	FY	FY	FY	FY	FY	YoY
03/2008	03/2009	03/2010	03/2011	03/2012	03/2013	Net Chg.	
Stock Split Factor	1.00	1.00	1.00	1.00	1.00	-	-
Earnings Per Share	(176.7)	(248.8)	(103.9)	7.4	(66.0)	(113.4)	-
Book Value Per Share	1,250.2	928.1	837.4	717.8	643.6	-	-
Dividend Per Share	8.0	0.0	0.0	0.0	0.0	-	-

Source: Company Data, WRJ Calculation

## Segmented Information

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2008	FY 03/2009	FY 03/2010	FY 03/2011	FY 03/2012	FY 03/2013	YoY Net Chg.
Test Solution Business	11,922	7,777	7,247	8,883	8,424	7,628	(796)
Connector Solution Business	11,555	9,519	9,770	11,974	10,553	10,062	(491)
PV Solution Business	-	-	277	3,393	1,678	712	(966)
Optical-Related Business	1,344	1,202	1,168	1,201	1,488	1,311	(177)
EMS Business	8,936	3,967	2,757	2,025	1,023	1,260	+237
Other (Including Adjustments)	1,016	(39)	(52)	1	1	-	-
<b>Sales</b>	<b>34,773</b>	<b>22,426</b>	<b>21,167</b>	<b>27,477</b>	<b>23,168</b>	<b>21,000</b>	<b>(2,168)</b>
Test Solution Business	1,446	(983)	(49)	615	909	500	(409)
Connector Solution Business	(743)	(1,466)	244	867	31	(356)	(387)
PV Solution Business	-	-	(411)	(119)	(1,175)	(295)	+880
Optical-Related Business	35	(84)	0	10	58	8	(50)
EMS Business	140	66	79	(12)	(265)	(84)	+181
Other	(647)	0	0	1	1	-	-
Elimination	(679)	(424)	(418)	(365)	(324)	(343)	(19)
<b>Operating Profit</b>	<b>(448)</b>	<b>(2,891)</b>	<b>(554)</b>	<b>998</b>	<b>(765)</b>	<b>(570)</b>	<b>+195</b>
Test Solution Business	12.1%	(12.6%)	(0.7%)	6.9%	10.8%	6.6%	-
Connector Solution Business	(6.4%)	(15.4%)	2.5%	7.2%	0.3%	(3.5%)	-
PV Solution Business	-	-	(148.4%)	(3.5%)	(70.0%)	(41.4%)	-
Optical-Related Business	2.6%	(7.0%)	0.0%	0.8%	3.9%	0.6%	-
EMS Business	1.6%	1.7%	2.9%	(0.6%)	(25.9%)	(6.7%)	-
Other	(63.7%)	-	-	77.4%	90.1%	-	-
Elimination	(2.0%)	(1.9%)	(2.0%)	(1.3%)	(1.4%)	(1.6%)	-
<b>Operating Profit Margins</b>	<b>(1.3%)</b>	<b>(12.9%)</b>	<b>(2.6%)</b>	<b>3.6%</b>	<b>(3.3%)</b>	<b>(2.7%)</b>	<b>-</b>
Test Solution Business	34%	35%	34%	32%	36%	36%	-
Connector Solution Business	33%	42%	46%	44%	46%	48%	-
PV Solution Business	-	-	1%	12%	7%	3%	-
Optical-Related Business	4%	5%	6%	4%	6%	6%	-
EMS Business	26%	18%	13%	7%	4%	6%	-
Other (Including Adjustments)	3%	0%	0%	0%	0%	-	-
<b>Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>-</b>
Test Solution Business	-	-	-	45%	-	-	-
Connector Solution Business	-	-	-	64%	-	-	-
PV Solution Business	-	-	-	(9%)	-	-	-
Optical-Related Business	-	-	-	1%	-	-	-
EMS Business	-	-	-	(1%)	-	-	-
Other	-	-	-	0%	-	-	-
<b>OP (Before Elimination)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: Company Data, WRJ Calculation

## Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2008	FY 03/2009	FY 03/2010	FY 03/2011	FY 03/2012	FY 03/2013	YoY Net Chg.
Cash & Deposit	5,138	5,999	4,072	6,742	5,298	-	-
Accounts Receivables	9,227	6,456	7,373	4,341	4,499	-	-
Inventory	4,091	2,630	3,411	3,078	3,148	-	-
Other	1,012	3,460	4,214	3,989	3,911	-	-
<b>Current Assets</b>	<b>19,468</b>	<b>15,915</b>	<b>15,659</b>	<b>15,071</b>	<b>13,707</b>	-	-
Tangible Assets	12,897	11,457	10,215	10,761	10,229	-	-
Intangible Assets	410	308	222	164	106	-	-
LT Investment Securities etc.	5,041	2,881	2,590	2,335	2,196	-	-
<b>Fixed Assets</b>	<b>18,348</b>	<b>14,646</b>	<b>13,027</b>	<b>13,260</b>	<b>12,531</b>	-	-
Differed Assets	0	0	0	0	0	-	-
<b>Total Assets</b>	<b>37,816</b>	<b>30,560</b>	<b>28,687</b>	<b>28,330</b>	<b>26,238</b>	-	-
Accounts Payable	4,937	3,164	4,192	1,887	1,560	-	-
	0	0	0	0	0	-	-
Short Term Debt	5,065	5,743	5,380	6,674	6,331	-	-
Other	2,453	3,151	1,880	1,774	1,845	-	-
<b>Current Liabilities</b>	<b>12,455</b>	<b>12,057</b>	<b>11,451</b>	<b>10,336</b>	<b>9,736</b>	-	-
Debenture	0	0	0	0	0	-	-
Long Term Debt	749	484	1,041	625	745	-	-
Other	864	384	286	634	750	-	-
<b>Fixed Liabilities</b>	<b>1,613</b>	<b>868</b>	<b>1,327</b>	<b>1,259</b>	<b>1,495</b>	-	-
<b>Total Liabilities</b>	<b>14,068</b>	<b>12,925</b>	<b>12,778</b>	<b>11,594</b>	<b>11,232</b>	-	-
<b>Shareholders' Equity</b>	<b>23,617</b>	<b>18,684</b>	<b>16,713</b>	<b>17,792</b>	<b>16,254</b>	-	-
Adjustments etc.	131	(1,049)	(805)	(1,055)	(1,247)	-	-
<b>Total Liabilities &amp; Net Assets</b>	<b>37,816</b>	<b>30,560</b>	<b>28,687</b>	<b>28,330</b>	<b>26,238</b>	-	-
Equity Capital	23,721	17,608	15,888	16,716	14,987	-	-
Interest Bearing Debt	5,814	6,227	6,421	7,299	7,076	-	-
Net Debt	676	228	2,349	557	1,778	-	-
Equity Capital Ratio	62.7%	57.6%	55.4%	59.0%	57.1%	-	-
Net-Debt-Equity Ratio	2.9%	1.2%	14.1%	3.1%	10.9%	-	-
ROE	(12.9%)	(22.8%)	(11.8%)	1.0%	(9.7%)	-	-
ROA	(2.4%)	(8.8%)	(3.6%)	1.3%	(2.9%)	-	-
Total Assets Turnover	92%	73%	74%	97%	88%	-	-
Inventory Turnover	6.6	7.0	4.7	6.6	5.7	-	-
Days of Inventory	55	52	77	55	64	-	-
Quick Ratio	115%	103%	100%	107%	101%	-	-
Current Ratio	156%	132%	137%	146%	141%	-	-

Source: Company Data, WRJ Calculation

## Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2008	FY 03/2009	FY 03/2010	FY 03/2011	FY 03/2012	FY 03/2013	YoY Net Chg.
Operating Cash Flow	5,047	968	(314)	3,057	708	-	-
Investing Cash Flow	(3,459)	(1,285)	(912)	(2,004)	(2,181)	-	-
<b>Operating CF + Investing CF</b>	<b>1,588</b>	<b>(317)</b>	<b>(1,226)</b>	<b>1,053</b>	<b>(1,473)</b>	-	-
Financing Cash Flow	(1,239)	1,343	(704)	1,770	47	-	-

Source: Company Data, WRJ Calculation

## 6.0 Other Information

### Founded in 1956

Yamaichi Denki-Kogyo, the former entity for the Company, was founded in 1956 as a manufacturer of sockets for vacuum tubes. After applying the technology in semiconductor industry, the Company saw steady increases in sales in line with the rise of Japan's semiconductor industry, while the Company's technology was well appreciated overseas as well, having had led to the listing of the shares in 1988. More recently, an issue with the Company was that the recession, on a global basis, starting in 2008, gave substantial negative impacts to earnings. In the release on 19 May 2009, it was revealed that the Company was going to suffer from losses three years in a row in FY03/2010, having had once generated "crucial doubts for the company as a going concern". Nevertheless, the doubts have 100% gone, after a major turnaround in H1 FY03/2011.

The top management with the Company is Mr. Shunji Orita (born in 1958) who was appointed as President in April 2008. He joined with the Company in December 1987, and had experiences in sales for five years, production management for six years and overseas production bases for five years and then moved on to administration division. He got appointed as an officer to execute operations in April 2006, and then as a director in June 2007. Eventually, before the end of the first twelve months as a director, he got promoted to president with the Company. He was the leader for fixed cost reductions over the past years, while he is now trying to get at sales force enhancement, developments of new products, and pursuit of efficiency in the production systems, as well as, maintenance of environment for employees to work comfortably etc. After his reorganization measures, the Company had once improved its financial states almost to an extent for dividend payments to be resumed in FY03/2012. Nevertheless, dramatic changes in the market for photovoltaic market have been followed by slowing demand for consumer electronics as well as by semiconductor capital expenditure constrains, giving hard time to the Company. Now, Mr. Orita is restarting his reorganization, incorporating fixed cost reductions as the key issue.

## Company History

Date	Events
November 1956	Yamaichi Denki-Kogyo, founded in Sinagawa-ku, Tokyo Started to manufacture vacuum tube sockets
January 1979	Mr. Kazutaka Yamanaka, appointed as President
December 1988	Listed on the Japan Securities Dealers Association
December 1989	Headquarters office, moved to Ohta-ku, Tokyo
January 1991	Company name, changed to Yamaichi Electronics Co, Ltd.
March 2000	Listed on the Tokyo Stock Exchange 2 <sup>nd</sup> Section
March 2001	Listed on the Tokyo Stock Exchange 1 <sup>st</sup> Section
December 2001	Established Sakura Factory in Sakura-city, Chiba-prefecture
April 2002	Acquired 100% shares of Koshin Kogaku Co., Ltd.
June 2003	Mr. Shinichiro Koga, appointed as President
April 2004	Merged with Higashi Nippon Yamaichi Electronics Co., Ltd. (Sakura, Chiba prefecture)
March 2007	Acquired 100% shares in Test Solution Services, Inc. (Philippines)
April 2008	Mr. Shunji Orita, appointed as President

### Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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