

Consolidated Financial Results for the First Quarter Ended June 30, 2018 <under Japanese GAAP>

Company Name: **YUSHIN PRECISION EQUIPMENT CO., LTD.**

Listing: First Section of the Tokyo Stock Exchange

Securities code: 6482

URL: <https://www.ype.co.jp/en/>

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Scheduled date to submit quarterly report: August 10, 2018

Scheduled date to commence dividend payments: -

Preparation of supplementary materials on financial results: None

Holding of financial results briefing: None

(Amounts less than one million yen are omitted, unless otherwise noted)

1. Consolidated Business Results for the First Quarter Ended June 30, 2018

(from April 1, 2018 to June 30, 2018)

(1) Consolidated operating results (Cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2018	4,982	9.1	443	(1.7)	431	(10.3)	295	(14.2)
June 30, 2017	4,566	9.1	451	(30.0)	481	2.8	344	4.4

Note: Comprehensive income

Three months ended June 30, 2018: 304 million yen [(22.2) %]

Three months ended June 30, 2017: 391 million yen [- %]

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2018	8.45	-
June 30, 2017	9.86	-

Note: The Company carried out a stock split on April 1, 2018, at a ratio of two shares per one common share.

Accordingly, Net income per share has been calculated presuming that this stock split was carried out at the start of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	32,250	26,425	81.3
As of March 31, 2018	32,572	26,472	80.6

Reference: Equity capital (Net assets less non-controlling interests)

As of June 30, 2018: 26,223 million yen

As of March 31, 2018: 26,243 million yen

2. Cash Dividends

	Annual dividends per share				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	-	15.00	-	18.00	33.00
FY2019	-				
FY2019 (Forecast)		8.00	-	9.00	17.00

Note 1: Revisions to projected dividends most recently announced: None

Note 2: The Company carried out a stock split on April 1, 2018 at a ratio of two shares per one common share.
The actual dividend amount prior to the stock split is noted here for the fiscal year ended in March 2018 (FY2018).

3. Consolidated Earnings Forecasts for the FY2019 (from April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months ending September 30, 2018	11,000	12.9	1,300	31.2	1,300	25.0	900	20.8	25.73
FY2019	22,000	5.4	2,600	10.2	2,600	6.9	1,800	10.6	51.47

Note: Revisions to projected results most recently announced: None

*** Notes**

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries accompanying changes in scope of consolidation): None

(2) Adoption of the special accounting methods: Yes

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes related to quarterly consolidated financial statements < Adoption of special accounting methods for preparation of quarterly financial statements >” on page 7 of [Attached Material] for further information.

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

- | | |
|---|------|
| 1) Changes in accounting policies due to revisions to accounting standards and other regulations: | None |
| 2) Changes in accounting policies due to other reasons: | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatement: | None |

(4) Number of issued shares (Common stock)

1) Number of issued shares at the end of the period (including shares of treasury stock)

As of June 30, 2018 35,638,066 shares

As of March 31, 2018 35,638,066 shares

2) Number of shares of treasury stock at the end of the period

As of June 30, 2018 663,964 shares

As of March 31, 2018 663,964 shares

3) Average number of outstanding shares during the period

Three months ended June 30, 2018 34,974,102 shares

Three months ended June 30, 2017 34,974,624 shares

Note: The Company carried out a stock split on April 1, 2018, at a ratio of two shares per one common share. Accordingly, Number of issued shares (Common stock), Number of shares of treasury stock at the end of the period, and Average number of outstanding shares during the period has been calculated presuming that this stock split was carried out at the start of the previous consolidated fiscal year.

* This “Consolidated Financial Results for the First Quarter” report is not subject to quarterly review procedures by certified public accountant or by auditing firm.

* Cautionary statement with respect to forward-looking statements and other special remarks

The forecasts above are based on the information currently available. A number of factors could cause actual results to differ materially from expectations. For more information about these assumptions and notes regarding the use of earnings forecasts, please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation on the forecast information including consolidated earnings forecast and others” on page 2 of [Attached Material].

* *Disclaimer:*

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation on the business results

As for the global economy during the first quarter ended June 30, 2018, the economic expansion continued in the United States, reflecting improvement in employment conditions, although there is uncertainty caused by protective trade policy. Also, in Europe, the economy was moderately recovered due to improvement of employment and income environment. Additionally, in China and developing countries, the economy was firm by increase in export based on world economy expansion and recovery.

In these circumstances, Yushin Group has strived to develop new products and to obtain new world-class customers. Therefore the booking remained steady in the first quarter ended June 30, 2018. The consolidated net sales increased by 9.1% year on year to 4,982 million yen due to the increase of sales of take-out robots. However, due to the change in product mix in sales and material procurement difficulties, etc. operating income decreased by 1.7% year on year to 443 million yen, and ordinary income decreased by 10.3% year on year to 431 million yen due to foreign exchange losses. As a result, net income attributable to the parent decreased by 14.2% year on year to 295 million yen.

(2) Explanation on the financial condition

<Assets>

Total assets decreased by 322 million yen from the end of the previous fiscal year to 32,250 million yen.

<Liabilities>

Total liabilities decreased by 276 million yen from the end of the previous fiscal year to 5,824 million yen.

<Net assets>

Net assets decreased by 46 million yen from the end of the previous fiscal year to 26,425 million yen.

(3) Explanation on the forecast information including consolidated earnings forecast and others

No revisions for interim and full year consolidated earnings forecasts have been made for the FY2019 released on May 10, 2018.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly consolidated balance sheets**

	(Thousands of yen)	
	As of March 31, 2018	As of June 30, 2018
<ASSETS>		
Current assets		
Cash and deposits	5,655,106	5,748,387
Notes and accounts receivable - trade	7,042,925	6,492,994
Merchandise and finished goods	825,365	957,397
Work in process	1,117,029	1,300,578
Raw materials and supplies	3,542,893	3,673,355
Other	764,426	604,945
Allowance for doubtful accounts	(20,151)	(20,125)
Total current assets	18,927,595	18,757,533
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,424,201	5,311,839
Land	6,133,446	6,132,501
Other	325,771	325,962
Total property, plant and equipment	11,883,420	11,770,303
Intangible assets	494,152	470,432
Investments and other assets		
Investment securities	276,387	244,616
Net defined benefit asset	274,331	273,081
Deferred tax assets	574,606	566,474
Other	162,895	187,787
Allowance for doubtful accounts	(20,501)	(20,188)
Total investments and other assets	1,267,720	1,251,771
Total non-current assets	13,645,293	13,492,506
Total assets	32,572,888	32,250,040

(Thousands of yen)

	As of March 31, 2018	As of June 30, 2018
<LIABILITIES>		
Current liabilities		
Notes and accounts payable - trade	2,905,292	2,818,274
Accounts payable - other	505,356	473,192
Income taxes payable	608,628	133,074
Advances received	1,175,887	1,374,291
Provision for bonuses	256,847	148,426
Provision for directors' bonuses	29,840	8,439
Provision for product warranties	145,325	142,211
Other	270,318	512,110
Total current liabilities	5,897,496	5,610,020
Non-current liabilities		
Provision for directors' retirement benefits	66,780	66,780
Net defined benefit liability	51,486	62,365
Deferred tax liabilities	32,855	32,208
Other	52,236	52,706
Total non-current liabilities	203,358	214,060
Total liabilities	6,100,854	5,824,081
<NET ASSETS>		
Shareholders' equity		
Capital stock	1,985,666	1,985,666
Capital surplus	2,023,903	2,023,903
Retained earnings	22,270,517	22,251,407
Treasury stock	(354,848)	(354,848)
Total shareholders' equity	25,925,238	25,906,128
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	97,103	75,002
Foreign currency translation adjustment	164,323	186,309
Remeasurements of defined benefit plans	56,982	55,926
Total accumulated other comprehensive income	318,409	317,237
Non-controlling interests	228,385	202,592
Total net assets	26,472,034	26,425,958
Total liabilities and net assets	32,572,888	32,250,040

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income**Quarterly consolidated statements of income**

	(Thousands of yen)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	4,566,613	4,982,033
Cost of sales	2,538,301	3,015,390
Gross profit	2,028,312	1,966,642
Selling, general and administrative expenses	1,577,186	1,523,089
Operating income	451,125	443,553
Non-operating income		
Interest income	1,466	1,649
Dividends income	2,337	2,535
Purchase discounts	3,540	3,477
Foreign exchange gains	18,047	-
Other	5,034	5,162
Total non-operating income	30,427	12,825
Non-operating expenses		
Sales discounts	210	241
Foreign exchange losses	-	24,191
Other	0	0
Total non-operating expenses	210	24,432
Ordinary income	481,342	431,945
Extraordinary income		
Gain on sales of non-current assets	134	151
Total extraordinary income	134	151
Extraordinary loss		
Loss on sales and retirement of non-current assets	164	40
Total extraordinary losses	164	40
Income before income taxes	481,312	432,056
Income taxes	129,065	122,051
Net income	352,246	310,004
Net income attributable to non-controlling interests	7,532	14,348
Net income attributable to shareholders of the parent	344,713	295,656

Quarterly consolidated statements of comprehensive income

	(Thousands of yen)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Net income	352,246	310,004
Other comprehensive income		
Valuation difference on available-for-sale securities	30,450	(22,101)
Foreign currency translation adjustments	8,404	17,564
Remeasurements of defined benefit plans	115	(1,056)
Total other comprehensive income	38,970	(5,593)
Comprehensive income	391,217	304,411
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	381,696	294,484
Comprehensive income attributable to non-controlling interests	9,520	9,926

(3) Notes related to quarterly consolidated financial statements

< Notes related to going concern assumption > None

< Notes in the event of significant changes in shareholders' equity > None

< Adoption of special accounting methods for preparation of quarterly financial statements >

Calculation method for tax expenses

The effective tax rate on income before income tax for the consolidated fiscal year after the application of tax effect accounting is reasonably estimated, and this estimated rate is applied to net income for the quarterly period under review.

< Additional information >

Adoption the "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.

Effective beginning the three-month period ended June 30, 2018, Yushin Group has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Guidance No.28 of February 16, 2018)." As a result of adoption, deferred tax assets have been classified in the section of investments and other assets, and deferred tax liabilities have been classified in the section of non-current liabilities.

< Segment information >

FY2018 1Q (from April 1, 2017 to June 30, 2017)

Information related to sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment				Total	Adjustment *1	Amounts shown on quarterly consolidated statements of income *2
	Japan	U.S.A.	Asia	Europe			
Net sales							
Sales to customers	2,336,506	837,492	1,247,566	145,049	4,566,613	-	4,566,613
Inter-segment sales or transfers	1,183,668	3,022	64,295	-	1,250,986	(1,250,986)	-
Total	3,520,174	840,515	1,311,861	145,049	5,817,600	(1,250,986)	4,566,613
Segment profit	199,462	85,462	126,961	34,548	446,434	4,691	451,125

*Notes 1: The 4,691 thousand yen adjustment to segment profit is inventory adjustments.

*Notes 2: Segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated statements of income.

FY2019 1Q (from April 1, 2018 to June 30, 2018)

Information related to sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment				Total	Adjustment *1	Amounts shown on quarterly consolidated statements of income *2
	Japan	U.S.A.	Asia	Europe			
Net sales							
Sales to customers	2,628,343	882,555	1,378,632	92,502	4,982,033	-	4,982,033
Inter-segment sales or transfers	1,142,867	7,740	66,676	271	1,217,556	(1,217,556)	-
Total	3,771,210	890,296	1,445,309	92,773	6,199,589	(1,217,556)	4,982,033
Segment profit	193,133	41,625	158,016	(5,642)	387,133	56,419	443,553

*Notes 1: The 56,419 thousand yen adjustment to segment profit includes eliminations for inter-segment transactions of 17,488 thousand yen and inventory adjustments of 38,931 thousand yen.

*Notes 2: Segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated statements of income.

3. Supplemental Information

(1) Orders, backlog and sales

a. Orders

1) Order received

(Thousands of yen)

Products	FY2018 1Q	FY2019 1Q	Change (%)
Take-out robots	3,820,461	4,246,466	111.2
Custom-ordered equipment	553,294	847,428	153.2
Parts and maintenance service	750,931	840,165	111.9
Total	5,124,687	5,934,060	115.8

2) Backlog of orders

(Thousands of yen)

Products	As of June 30, 2017	As of June 30, 2018	Change (%)
Take-out robots	2,879,089	3,338,407	116.0
Custom-ordered equipment	1,079,596	2,818,158	261.0
Parts and maintenance service	266,984	332,388	124.5
Total	4,225,670	6,488,954	153.6

b. Net sales

(Thousands of yen)

Products	FY2018 1Q	FY2019 1Q	Change (%)
Take-out robots	3,362,304	3,875,769	115.3
Custom-ordered equipment	513,610	351,180	68.4
Parts and maintenance service	690,698	755,084	109.3
Total	4,566,613	4,982,033	109.1

(2) Overseas Sales

FY2018 1Q (from April 1, 2017 to June 30, 2017)

(Thousands of yen)

	North America	Asia	Europe	Other areas	Total
I Overseas sales	763,103	1,811,342	180,621	133,245	2,888,312
II Consolidated net sales					4,566,613
III Ratio of overseas sales to consolidated net sales (%)	16.7	39.7	4.0	2.9	63.2

FY2019 1Q (from April 1, 2018 to June 30, 2018)

(Thousands of yen)

	North America	Asia	Europe	Other areas	Total
I Overseas sales	776,285	2,079,699	162,101	193,168	3,211,255
II Consolidated net sales					4,982,033
III Ratio of overseas sales to consolidated net sales (%)	15.6	41.7	3.3	3.9	64.5