elematec

February 22, 2019

To Whom It May Concern

Company Elematec Corporation
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Notice Concerning Revision of Earnings Forecast

Elematec Corporation announces a revision to the earnings forecast for the fiscal year ending March 2019 (April 1, 2018 through March 31, 2019), which was announced on April 26, 2018, based on recent business performance and trends. Please see below for more details.

1. Revision of earnings forecast

(1) Revision of consolidated forecast for the fiscal year ending March 2019
(April 1, 2018 through March 31, 2019)

(Million yen)

	Net sales	Operating income	Ordinary profit	Profit attributable to owners of parent	Net income per share
Previous forecast (A)	198,000	6,600	6,300	4,500	219.80 yen
Current forecast (B)	185,000	6,300	6,000	3,300	160.04 yen
Change (B-A)	-13,000	-300	-300	-1,200	—
Change (%)	-6.6%	-4.5%	-4.8%	-26.7%	—
(Reference) Results in previous year (FY ended March 2018)	196,238	6,480	6,085	4,376	213.76 yen

(2) Reason for revision

In line with the policy change on dividend payments from consolidated subsidiaries to Elematec, Elematec has decided to record 1.1 billion yen of the total tax deemed to be paid by Elematec in the future when receiving a dividend on retained earnings from overseas consolidated subsidiaries as deferred tax liabilities. As a result of a sharp increase in income taxes – deferred, profit attributable to owners of parent is expected to fall short of the previous forecast.

In addition, net sales, operating income, and ordinary profit are expected to fall short of the previous forecast, due chiefly to sluggish sales of smartphone-related components and an increase in logistics expenses.

Because the primary cause of the revision of the above earnings forecast is the recording of income taxes – deferred, which does not require a cash payment at this moment, there is no revision to the dividend forecast.

(Reference) Dividend forecast announced on April 26, 2018

	Annual dividend (yen)		
	End of 2Q	Year-end	Total
Dividend forecast		36	66
Results of year ending March 31, 2019	30		
Results of year ended March 31, 2018	25	40	65

(Note)

The above forecasts are based on information currently available to the company and contain many uncertainties. Actual results may differ from the above forecasts due to changes in business conditions and other factors.

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News Release

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Notice Concerning Recording of Deferred Tax Liabilities

Elematec Corporation announces that it has decided to change the policy on dividend payments from consolidated subsidiaries to Elematec and will, accordingly, record deferred tax liabilities as stated below.

1. Reason for recording deferred tax liabilities

   In order to streamline cash management and reduce exchange risks on a consolidated basis, Elematec has decided to change the policy on dividend payments from consolidated subsidiaries to Elematec and flexibly collect more dividends from consolidated subsidiaries. The following tax expenses will be incurred when overseas consolidated subsidiaries make dividend payments to Elematec:

   (1) Overseas withholding tax incurred in countries where overseas consolidated subsidiaries are located

   (2) Japanese income taxes incurred in Japan on dividends received by Elematec

   Under tax effect accounting, the amount of tax a parent company assumes in relation to dividend income from its subsidiaries must be recorded as deferred tax liabilities for the purpose of developing consolidated financial statements. In line with the change of the policy on dividend payments from consolidated subsidiaries, Elematec has decided to employ the accounting treatment of recording tax burdens expected to be incurred in the future as deferred tax liabilities in advance in the current fiscal year.

2. Impact on business results

   In line with the recording of deferred tax liabilities, income taxes – deferred will increase about 1.1 billion yen and profit attributable to owners of parent will temporarily decrease by the same amount in the fiscal year ending March 31, 2019. The decline is due to the above accounting treatment and thus does not mean a decline in its profitability. In addition, because the primary cause of the decline is the recording of income taxes – deferred, which does not require a cash payment at this moment, there is no revision to the dividend forecast. The above impact has been reflected in the “Notice Concerning Revision of Earnings Forecast” mentioned above.