

# **ANNUAL REPORT 2013**

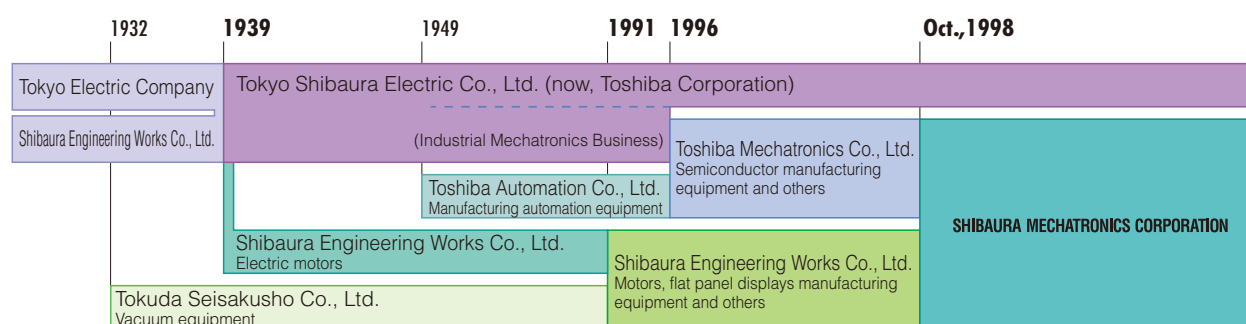
Year ended March 31, 2013

# ANNUAL REPORT 2013

## Profile

Shibaura Mechatronics was established in 1939 as Shibaura Engineering Works Co., Ltd. initially, our primary focus was on the motor business, but in 1998 we completed an ambitious restructuring from which we emerged as a producer of manufacturing equipment for LCDs, semiconductors and optical discs. At that time the company took on its present name, Shibaura Mechatronics Corporation. Guided by our management philosophy of “contribute to the achievement of an affluent life by offering superior technology and services,” we support an evolving social infrastructure by supplying manufacturing equipment for the production of essential electronic components.

## History



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### Forward-Looking Statements

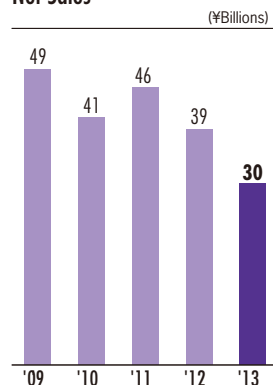
This annual report contains forward-looking statements concerning Shibaura Mechatronics' future plans, strategies and performance. These forward-looking statements are not historical facts, rather they represent assumptions and beliefs based on data currently available. Furthermore, they are subject to a number of risks and uncertainties that, relate to economic conditions, worldwide mega-competition in the electronics business, customer demand, foreign currency exchange rates, tax rules, regulations and other factors. Shibaura therefore wishes to caution readers that actual results may differ materially from our expectations.

# Financial Highlights

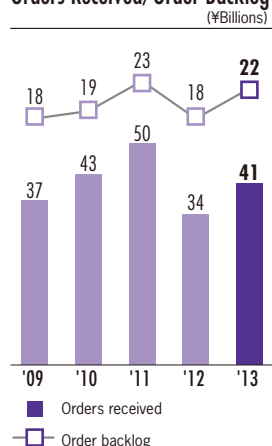
	Year ended March 31,					Year ended
	2013	2012	2011	2010	2009	March 31, 2013
	(Millions of yen)					(Thousands of U.S. dollars) (Note 1)
<b>Consolidated</b>						
Net sales	¥ 30,400	39,360	¥ 46,246	¥ 41,096	¥ 49,013	\$ 323,232
Orders received	41,300	34,300	49,700	42,500	37,100	439,000
Operating income (loss)	60	(370)	743	(1,870)	(1,462)	638
Net income (loss)	(1,416)	(394)	486	(1,752)	(5,525)	(15,059)
Depreciation and amortization	1,424	1,503	1,765	1,935	2,105	15,141
Facilities expenditures	575	1,120	1,154	847	1,487	6,114
R&D expenses	1,805	2,064	2,110	2,193	2,933	19,195
Total assets	50,767	52,943	54,250	52,658	55,649	539,792
Net assets	15,697	16,948	17,492	17,109	18,870	166,898
	(yen)					(U.S. dollars)
Net income (loss) per share	¥ (28.66)	¥ (7.98)	¥ 9.83	¥ (35.47)	¥ (111.80)	\$ (0.30)
Number of employees	1,285	1,496	1,532	1,631	1,694	1,285

Note 1 : The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥94.05 = U.S.\$1.00, as of March 31, 2013.

Net Sales



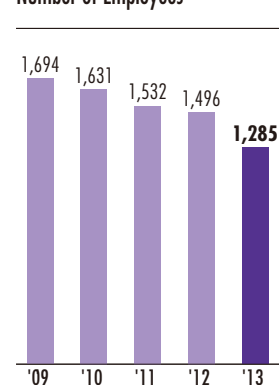
Orders Received/Order Backlog



Operating Income (loss)



Number of Employees





## To Our Shareholders

### **We will continue to promote business restructuring and cost structure improvement and work to strengthen our profitability.**

The economic environment remained difficult in fiscal year 2012. Although the yen began to depreciate towards the end of the year, the period of appreciation was prolonged, and the impacts of deflation, the debt problems in Europe and economic deceleration in China still continued to be felt. In the business environment surrounding Shibaura Mechatronics Group, our primary customers, manufacturers in the LCD panel industry, made limited capital investments in equipment for large panels, reflecting the slowdown in the television market. Similarly, even though the market for mobile devices, such as smart phone and tablets, was buoyant, companies held back on decisions to make capital investments in small- and medium-sized panels and touch panels.

Although there was capital investment in further miniaturization in the semiconductor industry, a fall in demand for electronic hardware, such as personal computers, caused investments to be postponed.

In these circumstances, Shibaura Mechatronics Group strengthened sales activities, worked to enlarge the customer base for semiconductors and small- and medium-sized panels, and promoted expansion into growing fields. Despite these efforts we saw sales decrease, due to the slowdown of capital investments by our primary customers and to project postponements. We responded

with measures to strengthen management and to improve the business structure, in order to achieve higher levels of personal productivity. These included cutting fixed costs, promoting standardization and securing structural improvements in costs by reducing lead times.

As a result of the foregoing, consolidated net sales in fiscal year 2012 fell to 30,400 million yen and operating income stood at 60 million yen.

Although there are expectations of Japan's economic policy and for continued yen depreciation in fiscal year 2013, many risks remain, the European debt crisis and China's economic slowdown among them, and future prospects remain very unclear.

In the LCD panel market, sluggish demand for TVs is expected to continue, which means the current severe situation in capital investments in large panels will also continue. More positively, as demand for mobile devices increases, capital investments are expected to continue in the field of small- to medium-sized panels and touch panels, and we hope to increase sales in growth fields by introducing new products that leverage our core technologies.

In the semiconductor industry, forecasts indicate that capital investments in equipment for miniaturization will remain firm, and we expect to see increased revenue in this area.

Shibaura Mechatronics Group continues to face a difficult business environment, but by accelerating sales activities in growth areas, we will seek to increase revenues. At the same time, we aim to increase profit rates through continuing efforts to promote structural improvements and cut fixed costs.

Kenji Minami  
President and Chief Executive Officer

## Results Summary

In FY2012 Shibaura Mechatronics recorded net sales of 30,400 million yen (a year-on-year fall of 22.8%), operating income of 60 million yen (against an operating loss of 370 million yen in the previous fiscal year), an ordinary loss of 359 million yen (against an ordinary loss of 133 million yen in the previous fiscal year), and a net loss of 1,416 million yen (against net loss of 394 million yen in the previous fiscal year).

Results for each business segment were as follows:

### 1. Fine Mechatronics Segment

The segment recorded net sales of 18,533 million yen (a year-on-year fall of 22.2%) and income of 1,685 million yen (a year-in-year increase of 19.4%).

In the LCD panel front-end business, sluggish installation of equipment for large panels, and customer decisions to delay capital investments in small- and medium-sized panels and touch panel, resulted in lower net sales.

In the semiconductor's front end process business, despite postponements of capital investments by major customers, sales saw a slight increase as customers directed resources to development of mask-related equipment.

### 2. Mechatronics Systems Segment

The segment recorded net sales of 8,153 million yen (a year-on-year fall of 31.7%), and a loss of 1,605 million yen (against a loss of 1,597 million yen in the previous fiscal year).

In the LCD module process, sales of our mainstay outer lead bonders decreased as a result of constrained capital investments in the area of large panel. In addition, sales of touch panel bonding equipment also decreased, again due to a delay in capital investments by primary customers.

In semiconductor assembly equipment, sales remained firm on the strength of expanded application of flip chip bonders and die bonders.

### 3. Vending Machines and Systems Segment

The segment recorded net sales of 1,733 million yen (a year-on-year loss of 7.0%), and a loss of 90 million yen (against a loss of 52 million yen in the previous fiscal year).

In ticket vending machines, despite efforts to secure increased sales, weakening demand for cigarette vending machines resulted in a decline in sales.

### 4. Real Estate Leasing Segment

The segment recorded net sales of 1,981 million yen (a year-on-year increase of 14.6%) and income of 443 million yen (a year-on-year fall of 2.9%).

## Research and Development Expenditure

The Shibaura Mechatronics Group as a whole recorded research and development costs of 1,805 million yen (including development costs of 406 million yen for basic technologies that could not be appropriated to any specific segment).

R&D is advanced by the development and design departments in business divisions, the Research and Development Division and by the technology divisions in our consolidated subsidiary companies. In addition, we are pushing forward efficient research and development and the commercialization of advanced technologies as a result of strengthening our relations and collaboration with Toshiba Corporation's Research and Development Center and Manufacturing Engineering Center and Toshiba Corporation Semiconductor & Storage Products Company.

The research and development expenditures and research results for each segment are as follows:

### 1. Fine Mechatronics Segment

R&D expenditure for the segment totaled 752 million yen.

In LCD panel production equipment we have worked on the development of wet process equipment, PI inkjet coaters and cell assembly equipment suitable for high-definition small and medium-sized panels.

In semiconductor equipment we have worked on the development of wet cleaning equipment that can be used on next generation devices and on dry etching equipment for masks.

## 2. Mechatronics Systems Segment

R&D expenditure for the segment totaled 562 million yen.

In LCD module equipment we have worked on the development of COG bonders for small- and medium-sized panels, and of vacuum bonding equipment for touch screen panels. In semiconductor assembly equipment we have worked on the development of high speed, high precision bonding equipment. In the field of electronic and vacuum equipment we have been working on the development of sputtering equipment for anti-reflective coatings and for semiconductor backside contacts.

## 3. Vending Machines and Systems Segment

R&D expenditure for the segment totaled 84 million yen.

In the field of vending machines we have carried out development work on touch screen panels that enable vending machines to function in five different languages, vending machines compatible with contactless IC cards, touch-screen-panel type vending machines for the entry ticket market, and desk-top type vending machines.

## Financial Condition

Total assets at the end of the fiscal year were 50,767 million yen, a reduction of 2,176 yen compared to the end of the previous fiscal year.

Current assets were evaluated at 37,504 million yen, a reduction of 977 million yen lower compared to the end of the previous fiscal year. This was mainly due to a decrease in cash and bank deposits.

Fixed assets were evaluated at 13,263 million yen, a reduction of 1,198 million yen compared to the end of the previous fiscal year. This fall was mainly due to a reduction in leased assets and depreciation of fixed assets, etc.

Total liabilities at the end of the fiscal year stood at 35,070 million yen, a reduction of 924 million yen compared to the end of the previous fiscal year. This was mainly due to a reduction in the amount of notes and accounts payable.

Total net assets at the end of the fiscal year were 15,697 million yen, a reduction of 1,251 million yen compared to the end of the previous fiscal year. This was mainly due to the company recording a net loss in the period, resulting in a reduction of retained earnings.

## Cash Flows

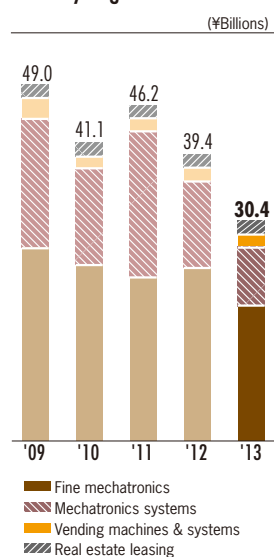
The balance of cash and cash equivalents at the end of the current fiscal year was 4,234 million yen, a reduction of 790 million yen compared to the end of the last fiscal year.

Cash flow from operating activities fell by 2,553 million yen during the fiscal year (against an increase of 1,533 million in the previous fiscal year). This was mainly due to a fall in cash resulting from a decrease in accounts payables.

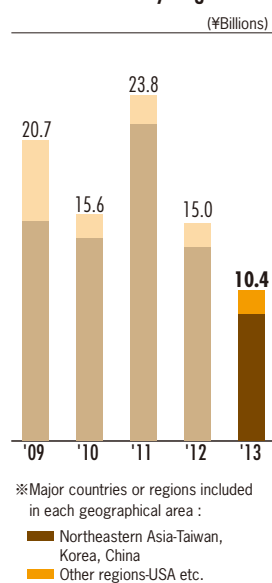
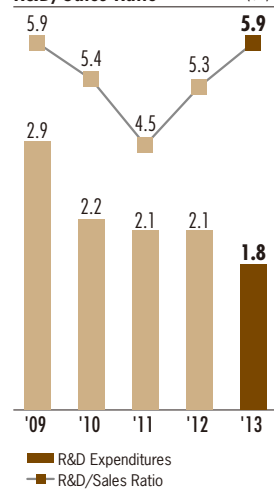
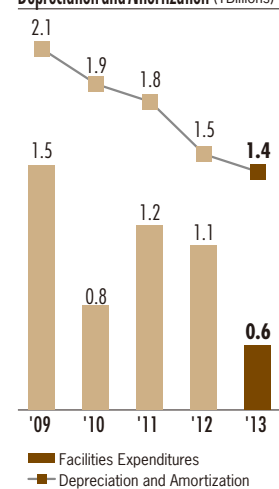
Cash flow from investment activities fell by 311 million yen during the fiscal year (against a fall of 178 million in the previous fiscal year). This was mainly due to a decrease in cash resulting from the acquisition of tangible fixed assets.

Cash flow from financing activities increased by 1,950 million yen during the fiscal year (against an increase of 392 million in the previous fiscal year). This was mainly due to an increase in funds as a result of an increase in short-term borrowing.

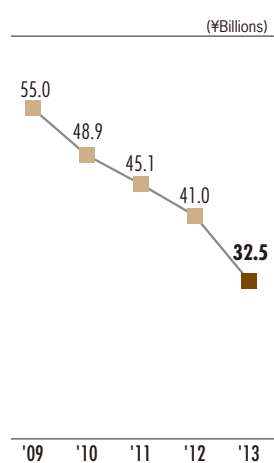
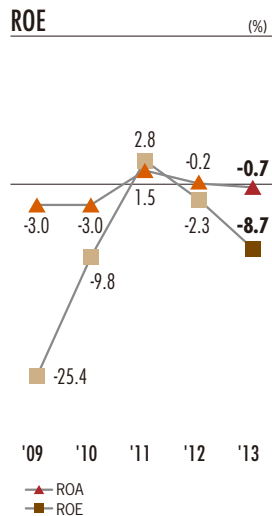
## Sales by Segment



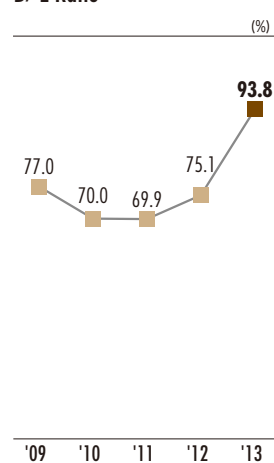
## Overseas Sales by Region

R&D Expenditures  
R&D/Sales RatioFacilities Expenditures  
Depreciation and Amortization

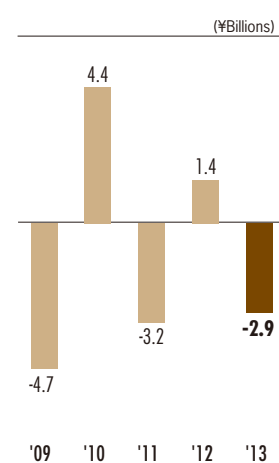
## Break-even Point

ROA  
ROE

## D/E Ratio



## Free Cash Flows



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# FINANCIAL SECTION

ANNUAL REPORT 2013 Year ended March 31, 2013



# Financial Section

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## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Balance Sheet

	March 31,		March 31,
	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
			(Note 1)
<b>Assets</b>			
Current assets:			
Cash and bank deposits (Notes 11 and 13)	¥ 4,234	¥ 5,024	\$ 45,023
Short-term investments	63	43	665
Notes and accounts receivable, trade (Note 13)	24,546	24,576	260,985
Electronically recorded monetary claims	527	—	5,606
Allowance for doubtful accounts	(54)	(72)	(575)
Inventories (Note 5)	6,646	6,864	70,660
Deferred tax assets (Note 8)	787	978	8,371
Accounts receivable, other	523	793	5,557
Other current assets	232	275	2,470
Total current assets	37,504	38,481	398,762
Property, plant and equipment:			
Land (Note 14)	119	119	1,269
Buildings and structures (Note 14)	28,433	28,225	302,320
Machinery and equipment	2,527	2,090	26,867
Leased assets	711	1,075	7,556
Construction in progress	207	586	2,205
Total	31,997	32,095	340,217
Accumulated depreciation	(20,180)	(19,425)	(214,567)
Property, plant and equipment, net	11,817	12,670	125,650
Investments and other assets:			
Investments in securities (Notes 4 and 13)	241	199	2,566
Deferred tax assets (Note 8)	117	157	1,249
Other assets	1,098	1,438	11,673
Allowance for doubtful accounts	(10)	(2)	(108)
Total investments and other assets	1,446	1,792	15,380
Total assets	¥ 50,767	¥ 52,943	\$ 539,792

	March 31,		March 31,
	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
			(Note 1)
<b>Liabilities and net assets</b>			
Current liabilities:			
Short-term bank loans (Notes 6 and 13)	¥ 11,743	¥ 9,775	\$ 124,856
Current portion of long-term debt (Notes 6 and 13)	—	500	—
Notes and accounts payable, trade (Note 13)	8,500	9,932	90,380
Provision for contract losses	17	138	184
Current portion of lease obligations (Note 6)	102	189	1,086
Advances received	829	753	8,814
Accrued expenses	2,022	2,748	21,499
Accrued income taxes (Note 8)	59	182	630
Asset retirement obligations	11	11	118
Other current liabilities	530	616	5,632
Total current liabilities	23,813	24,844	253,199
Long-term liabilities:			
Long-term debt (Notes 6 and 13)	2,700	2,000	28,708
Provision for retirement benefits (Note 10)	4,801	5,365	51,048
Lease obligations (Note 6)	182	265	1,934
Long-term accounts payable-other	22	22	232
Provision for directors' retirement benefits	12	7	127
Reserve for repair and maintenance	450	437	4,788
Asset retirement obligations	33	32	351
Long-term lease deposits (Note 13)	3,057	3,023	32,507
Total long-term liabilities	11,257	11,151	119,695
Total liabilities	35,070	35,995	372,894
Contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized: 100,000,000 shares			
Issued: 51,926,194 shares at March 31, 2013 and 2012	6,762	6,762	71,893
Additional paid-in capital	9,995	9,995	106,277
Retained earnings	514	1,933	5,465
Less treasury stock, at cost	(1,720)	(1,720)	(18,291)
Total shareholders' equity	15,551	16,970	165,344
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	56	25	599
Foreign currency translation adjustments	90	(47)	955
Total valuation and translation adjustments	146	(22)	1554
Total net assets	15,697	16,948	166,898
Total liabilities and net assets	¥ 50,767	¥ 52,943	\$ 539,792

The accompanying notes are an integral part of the consolidated financial statements.

## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Statement of Operations

	Years ended March 31,		Year ended
	2013	2012	March 31,
	(Millions of yen)		(Thousands of U.S. dollars)
			(Note 1)
Net sales	¥ 30,400	¥ 39,360	\$ 323,232
Cost of sales (Notes 7 and 14)	23,267	30,994	247,393
Gross profit	7,133	8,366	75,839
Selling, general and administrative expenses (Notes 7, 10 and 17)	7,073	8,736	75,201
Operating (loss) income	60	(370)	638
Other income (expenses):			
Interest and dividend income	18	17	190
Subsidy income	141	—	1,503
Insurance premiums refunded cancellation	33	—	357
Interest on refund	35	—	369
Interest expense	(170)	(195)	(1,808)
Foreign exchange gain (loss), net	(468)	199	(4,976)
Commission fee	—	(10)	—
Loss on abandonment of noncurrent assets	—	(8)	—
Other, net	(8)	234	(87)
Ordinary loss	(359)	(133)	(3,814)
Business structure improvement expenses	(858)	—	(9,129)
Loss before income taxes and minority interest	(1,217)	(133)	(12,943)
Income taxes (Note 8):			
Current	73	147	777
Refund of income taxes	(97)	—	(1,037)
Deferred	223	114	2,376
	199	261	2,116
Loss before minority interest	(1,416)	(394)	(15,059)
Net loss	¥ (1,416)	¥ (394)	\$ (15,059)

The accompanying notes are an integral part of the consolidated financial statements.

## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Statement of Comprehensive Income

	<b>Years ended March 31,</b>		<b>Year ended</b>
	<b>2013</b>	<b>2012</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<b>2013</b>
			<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Net loss before minority interests	¥ (1,416)	¥ (394)	\$ (15,059)
Other comprehensive income			
Valuation difference on available-for-sale securities	31	(5)	334
Foreign currency translation adjustments	137	(45)	1,453
Total other comprehensive (loss) income	168	(50)	1,787
Comprehensive loss	¥ (1,248)	¥ (444)	\$ (13,272)
(Breakdown)			
Comprehensive income attributable to owners of the parent	(1,248)	(444)	(13,272)

*The accompanying notes are an integral part of the consolidated financial statements.*

## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Statement of Changes in Net Assets

	Shareholders' equity					Valuation and translation adjustments			Total
	Number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Valuation difference on available-for- -sale securities	Foreign currency translation adjustments	Minority interest in consolidated subsidiaries	
	(Millions of yen)								
Balance as of April 1, 2011	51,926,194	¥ 6,762	¥ 9,995	¥ 2,426	¥ (1,719)	¥ 30	¥ (2)	¥ —	¥ 17,492
Net loss	—	—	—	(394)	—	—	—	—	(394)
Net change during the year	—	—	—	—	—	(5)	(45)	—	(50)
Net decrease in treasury stock	—	—	—	—	(1)	—	—	—	(1)
Cash dividends	—	—	—	(99)	—	—	—	—	(99)
Other net	—	—	—	—	—	—	—	—	—
Balance as of April 1, 2012	51,926,194	6,762	9,995	1,933	(1,720)	25	(47)	—	16,948
Net loss	—	—	—	(1,416)	—	—	—	—	(1,416)
Net change during the year	—	—	—	—	—	31	137	—	168
Net decrease in treasury stock	—	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	—	—	—	—
Other net	—	—	—	(3)	—	—	—	—	(3)
Balance as of March 31, 2013	51,926,194	¥ 6,762	¥ 9,995	¥ 514	¥ (1,720)	¥ 56	¥ 90	¥ —	¥ 15,697

*(Thousands of U.S. dollars) (Note 1)*

<b>Balance as of April 1, 2012</b>	\$ 71,893	\$ 106,277	\$ 20,554	\$ (18,290)	\$ 265	\$ (497)	\$ –	\$ 180,201
Net loss	–	–	(15,059)	–	–	–	–	(15,058)
Net change during the year	–	–	–	–	334	1,452	–	1,786
Net decrease in treasury stock	–	–	–	(1)	–	–	–	(1)
Cash dividends	–	–	–	–	–	–	–	–
Other net	–	–	(30)	–	–	–	–	(30)
<b>Balance as of March 31, 2013</b>	\$ 71,893	\$ 106,277	\$ 5,465	\$ (18,291)	\$ 599	\$ 955	\$ –	\$ 166,898

*The accompanying notes are an integral part of the consolidated financial statements.*

## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Statement of Cash Flows

	Year ended March 31,		Year ended
	2013	2012	March 31,
	(Millions of yen)		(Thousands of U.S. dollars)
			(Note 1)
<b>Operating activities:</b>			
Loss before income taxes and minority interest	¥ (1,217)	¥ (133)	\$ (12,943)
Depreciation and amortization	1,424	1,503	15,141
Amortization of goodwill	20	20	212
Allowance for doubtful accounts	(11)	12	(110)
Increase provision for retirement benefits	(301)	210	(3,205)
Interest and dividend income	(18)	(17)	(190)
Interest expense	170	195	1,808
Loss on disposal of property, plant and equipment	—	1	—
Gain on sale of land	(2)	(44)	(23)
Foreign exchange gain, net	(6)	36	(62)
Decrease in advances received	58	321	622
Increase (decrease) in notes and accounts receivable, trade	(444)	2,339	(4,723)
Decrease (increase) in inventories	48	(801)	507
Increase in notes and accounts payable, trade	(2,340)	(1,646)	(24,880)
Increase in accrued consumption taxes	(41)	(59)	(436)
Other, net	313	(131)	3,328
Subtotal	(2,347)	1,806	(24,954)
Interest and dividends received	18	16	187
Interest paid	(171)	(195)	(1,815)
Income taxes paid	(151)	(94)	(1,602)
Income taxes refund	98	—	1,038
Net cash (used in) provided by operating activities	(2,553)	1,533	(27,146)
<b>Investment activities:</b>			
Payments for time deposits	(12)	(7)	(131)
Purchases of property, plant and equipment	(162)	(268)	(1,721)
Proceeds from sale of property, plant and equipment	4	364	48
Other, net	(141)	(267)	(1,503)
Net cash used in financing activities	(311)	(178)	(3,307)
<b>Financing activities:</b>			
Increase in short-term bank loans, net	1,941	2,068	20,640
Repayments of finance lease obligations	(191)	(376)	(2,033)
Proceeds from long-term loans payable	700	2,000	7,443
Repayments of long-term loans payable	(500)	(3,200)	(5,316)
Purchases of treasury stock	(0)	(1)	(1)
Cash dividends paid	—	(99)	—
Net cash provided by financing activities	1,950	392	20,733
Effect of exchange rate changes on cash and cash equivalents	124	(76)	1,320
Net (decrease) increase in cash and cash equivalents	(790)	1,671	(8,400)
Cash and cash equivalents at beginning of year	5,024	3,353	53,423
Cash and cash equivalents at end of year	¥ 4,234	¥ 5,024	\$ 45,023

The accompanying notes are an integral part of the consolidated financial statements.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

March 31, 2013

**1. Basis of Presentation**

Shibaura Mechatronics Corporation (the “Company”) and its consolidated subsidiaries (collectively, the “Companies” or the “Group”) maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which differ in certain respects from the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan. In addition, the non-consolidated balance sheet of the Company as of March 31, 2013 and the non-consolidated statement of operations for the year then ended are included, as other information, in the accompanying consolidated financial statements.

The accompanying consolidated financial statements are stated in yen, the currency of the country in which the Company is incorporated and operates. The translation of yen amounts into U.S. dollar amounts has been included solely for the convenience of readers outside Japan. The translation has been made at the rate of ¥94.05 = U.S. \$1.00, the approximate rate of exchange in effect on March 31, 2013. This translation should not be construed as a representation that yen could be converted into U.S. dollars at the above or any other rate.



# Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 2. Summary of Significant Items for the Presentation of Consolidated Financial Statements

#### (1) Basis of consolidation

The accompanying consolidated financial statements include the accounts of Shibaura Mechatronics Corporation and eight subsidiaries over which the Company exerts substantial control, either through majority ownership of voting stock and/or by other means. All assets and liabilities of the subsidiaries are revalued at fair value on acquisition, if applicable. All significant intercompany balances and transactions have been eliminated in consolidation.

Investment in an unconsolidated subsidiary that is not deemed material to the consolidated financial statements is stated at cost.

Certain subsidiaries have year end which differs from that of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between the year end of the subsidiaries and the year end of the Company.

#### (2) Foreign currency translation

The revenue and expense accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the average exchange rate during the year. The balance sheet accounts, except for the components of shareholders' equity, are also translated into yen at the rate of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Differences arising from translations are presented as "Foreign currency translation adjustments," a component of net assets in the accompanying consolidated financial statements.

Foreign currency monetary assets and liabilities are translated into Japanese yen at the exchange rates in effect at each balance sheet date and the resulting translation gains or losses are credited or charged to income.

#### (3) Cash and cash equivalents

The Company and its subsidiaries consider all highly liquid investments with a maturity of three months or less from their purchase dates to be cash equivalents.

#### (4) Securities

Marketable securities categorized as other securities are carried at fair value with unrealized holding gain or loss, net of applicable income taxes, accounted for as a separate component of net assets. Non-marketable securities classified as other securities are stated at cost. Cost of securities sold is computed based on the moving average method.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**2. Summary of Significant Items for the Presentation of Consolidated Financial Statements (continued)****(5) Derivatives**

All derivatives are carried at fair value.

**(6) Inventories**

Finished goods and raw materials	— moving average method (in cases where the profitability has declined, the book value is reduced accordingly)
Semi-finished goods and work in process	— individual cost method (in cases where the profitability has declined, the book value is reduced accordingly)

**(7) Depreciation and amortization (except for lease asset)**

Depreciation of property, plant and equipment is generally computed by the declining-balance method, based on the estimated useful lives of the respective assets. The straight-line method is applied to certain research facilities acquired during the year ended March 31, 1995, and buildings acquired after April 1, 1998. Foreign consolidated subsidiaries compute depreciation primarily using the straight-line method. The following summarizes the estimated useful lives of property, plant and equipment by major category:

Buildings and structures	3 – 60 years
Machinery and equipment	2 – 17 years

Intangible assets, which are included in “other assets” of the accompanying consolidated balance sheet, are amortized by the straight-line method. Capitalized software for internal use is amortized by the straight-line method over a period of 5 years, based on the estimated useful life of the software.

The Company amortizes goodwill over an estimated useful life of 5 years by the straight-line method.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**2. Summary of Significant Items for the Presentation of Consolidated Financial Statements (continued)****(8) Allowance for doubtful accounts**

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. The amount of the allowance is determined based on their historical experience with write-offs, plus an estimate of specific probable doubtful accounts based on a review of the collectibility of individual receivables.

**(9) Provision for directors' bonuses**

To provide for the payment of bonuses to directors and statutory auditors, an allowance is made based on projected amount incurred.

**(10) Provision for contract losses**

Provision for contract losses is provided at an amount considered to cover the estimated possible losses involved in orders for which loss occurrence is highly anticipated where the loss amount can be reasonably estimated at the balance sheet date.

**(11) Provision for retirement benefits**

An allowance for employees' retirement benefits is provided, based on the projected retirement benefit obligation and the pension fund assets. Actuarial gain or loss is amortized effective the year subsequent to the year in which they arise by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the employees.

**(12) Provision for directors' retirement benefits**

Certain directors, statutory auditors and corporate officers of the Company and certain consolidated subsidiaries are entitled to lump-sum payments under their respective unfunded retirement benefit plans. Provision for retirement allowances for these officers has been made at the estimated amounts which would be paid if all directors, statutory auditors and corporate officers resigned as of the balance sheet date.

**(13) Reserve for repair and maintenance**

Certain research facilities acquired during the year ended March 31, 1995 requires periodic repairs and maintenance. An accrual for these repair and maintenance expenses is recorded based on the current portion of the total expenses estimated for such repairs.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**2. Summary of Significant Items for the Presentation of Consolidated Financial Statements (continued)****(14) Revenues and costs of construction contracts**

Revenues and costs of construction contracts are recognized by the percentage of completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost.

The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

**(15) Leased assets**

The depreciation of leased assets under finance lease is calculated using the straight-line method over the lease term with residual value of zero.

**(16) Hedging accounting**

Interest rate swaps which meet specific hedge criteria and qualify for special hedge accounting treatment are not remeasured at fair value.

Hedging instruments and hedged items are summarized as follows:

Hedging instruments	Hedged items
Interest rate swap agreements	Interest on long-term debt

The Company uses financial instruments to hedge interest rate fluctuation risk exposed to long-term debt.

For interest rate swaps which meet the criteria for special hedge accounting, the assessment of hedge effectiveness is omitted.

**(17) Research and development costs**

Research and development costs are expensed as incurred and included in cost of sales or selling, general and administrative expenses.

**(18) Income taxes**

Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax-based reporting of the assets and liabilities, and are measured using the statutory tax rates which will be in effect when the differences are expected to be realized.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**2. Summary of Significant Items for the Presentation of Consolidated Financial Statements (continued)****(19) Adoption of consolidated tax accounting system**

The Company and some of its domestic consolidated subsidiaries have adopted the consolidated taxation system.

**3. Accounting Changes**

In accordance with an amendment to the Corporation Tax Law effective April 1, 2012, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012, other than certain buildings, to reflect the methods prescribed in the amended Corporation Tax Law.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

## 4. Investments in securities

At March 31, 2013 and 2012, marketable securities classified as other (available-for-sale) securities are summarized as follows:

	March 31,						March 31,		
	2013			2012			2013		
	Acquisition costs	Amount recorded in the balance Sheet	Difference	Acquisition costs	Amount recorded in the balance Sheet	Difference	Acquisition costs	Amount recorded in the balance Sheet	Difference
	<i>(Millions of yen)</i>			<i>(Millions of yen)</i>			<i>(Thousands of U.S. dollars)</i>		
Other securities whose market value recorded in the balance sheet exceed their acquisition costs:									
Equity securities	¥ 52	¥ 132	¥ 80	¥ 52	¥ 93	¥ 41	\$ 554	\$ 1,411	\$ 857
Debt securities	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Total	¥ 52	¥ 132	¥ 80	¥ 52	¥ 93	¥ 41	\$ 554	\$ 1,411	\$ 857
Other securities whose market value recorded in the balance sheet do not exceed their acquisition costs:									
Equity securities	59	56	(3)	58	53	(5)	625	594	(31)
Debt securities	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Total	¥ 59	¥ 56	¥ (3)	¥ 58	¥ 53	¥ (5)	\$ 625	\$ 594	\$ (31)

At March 31, 2013 and 2012, non-marketable securities carried at cost are summarized as follows:

	March 31,		March 31,
	2013	2012	2013
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Investments in affiliates:			
Affiliates	¥ 52	¥ 52	\$ 554
Other	1	1	7

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**5. Inventories**

Inventories at March 31, 2013 and 2012 are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Finished products	¥ 2,351	¥ 2,295	\$ 24,999
Raw materials	196	192	2,083
Work in process	4,099	4,377	43,578
Total	<u>¥ 6,646</u>	<u>¥ 6,864</u>	<u>\$ 70,660</u>

**6. Short-Term Bank Loans and Long-Term Debt**

The weighted average interest rate per annum on the short-term bank loans outstanding at March 31, 2013 and 2012 were 1.1%.

Long-term debt at March 31, 2013 and 2012 are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unsecured:			
1.24% to 1.28% loans from banks due 2012 to 2015	2,700	2,500	28,708
Lease obligations	284	454	3,020
Total	2,984	2,954	31,728
Less current portion	102	689	1,086
Long-term debt and lease obligations, net	<u>¥ 2,882</u>	<u>¥ 2,265</u>	<u>\$ 30,642</u>

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**6. Short-Term Bank Loans and Long-Term Debt (continued)**

Aggregate annual maturities of long-term debt and lease obligations at March 31, 2013 are summarized as follows:

	<b>March 31, 2013</b>	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2014	¥ 102	\$ 1,086
2015	2,061	21,909
2016	739	7,862
2017 and thereafter	82	871
Total	<u>¥ 2,984</u>	<u>\$ 31,728</u>

The Company entered into one-year and three-month contracts for commitment lines of credit with six banks in the aggregated amount of ¥6,800 million (\$72,302 thousand) for efficient financial arrangements for operating funds on April 20, 2012, out of which the balance of bank borrowings at March 31, 2013 is ¥4,100 million (\$43,594 thousand).

**7. Research and Development Expenses**

Research and development expenses charged to income for the years ended March 31, 2013 and 2012 are as follows:

<b>Year ended March 31,</b>		<b>Year ended</b>
<b>2013</b>	<b>2012</b>	<b>March 31,</b>
		<b>2013</b>
<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
¥ 1,805	¥ 2,064	\$ 19,195



## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**8. Income Taxes**

The major components of deferred tax assets and liabilities as of March 31, 2013 and 2012 are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Employees' retirement benefits	¥ 1,814	¥ 2,029	\$ 19,288
Accrued employees' bonuses	336	519	3,577
Provision for contract losses	7	53	70
Accrual for periodic repairs	151	127	1,608
Enterprise tax payable	11	24	112
Tax loss carried forward	3,367	2,442	35,804
Other	709	720	7,541
Gross deferred tax assets	6,395	5,914	68,000
Valuation allowance	(5,406)	(4,709)	(57,484)
Total deferred tax assets	989	1,205	10,516
Deferred tax liabilities:			
Unrecognized holding gain on other securities	(22)	(12)	(237)
Other	(62)	(58)	(659)
Total deferred tax liabilities	(84)	(70)	(896)
Net deferred tax assets	¥ 905	¥ 1,135	\$ 9,620

The reconciliation between the effective tax rate and the statutory tax rate was omitted since loss before income taxes and minority interests was recorded.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**9. Other Comprehensive Income**

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2013 and 2012:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Valuation difference on available-for-sale securities			
Amount arising during the year	¥ 42	¥ (4)	\$ 447
Reclassification adjustments for gains and losses included in net income	—	—	—
Amount before tax effect	42	(4)	447
Tax effect	(11)	(1)	(113)
Valuation difference on available-for-sale securities	31	(5)	334
Foreign currency translation adjustment			
Amount arising during the year	137	(45)	1,452
Reclassification adjustments for gains and losses included in net income	—	—	—
Amount before tax effect	137	(45)	1,452
Tax effect	—	—	—
Foreign currency translation adjustment	137	(45)	1,452
Total other comprehensive income	¥ 168	¥ (50)	\$ 1,786

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**10. Retirement Benefits**

The Companies have defined benefit pension plans and lump-sum retirement payment plans which cover substantially all employees who retire from the Companies. Eligible employees may also receive additional payments under the plans.

The following is a summary of the plans:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Projected benefit obligation	¥ (8,206)	¥ (9,667)	\$ (87,255)
Fair value of plan assets	2,676	3,255	28,454
Funded status	(5,530)	(6,412)	(58,801)
Unrecognized actuarial loss	879	1,478	9,342
Unrecognized prior service cost (Reduced obligation)	(150)	(167)	(1,589)
Prepaid pension cost	—	(264)	—
Allowance for retirement benefits	<u>¥ (4,801)</u>	<u>¥ (5,365)</u>	<u>\$ (51,048)</u>

The consolidated subsidiaries have adopted a simplified method, as permitted, to calculate the projected benefit obligation.

Components of net periodic pension cost for the years ended March 31, 2013 and 2012 are summarized as follows:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2013</b>	<b>2012</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 527	¥ 517	\$ 5,602
Interest cost on projected benefit obligation	183	181	1,950
Expected return on plan assets	(114)	(113)	(1,211)
Amortization of prior service cost	(17)	(3)	(180)
Amortization of actuarial loss	244	341	2,594
Extra retirement payments	758	—	8,059
Net periodic pension cost	<u>¥ 1,581</u>	<u>¥ 923</u>	<u>\$ 16,814</u>

The provision for retirement benefits was determined using the simplified method by the consolidated subsidiaries and has been included in service cost.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**10. Retirement Benefits (continued)**

Assumptions used in the actuarial calculation for the years ended March 31, 2013 and 2012 are summarized as follows:

	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
Actuarial cost method	Projected unit credit method	
Discount rate	2.0 % per annum	2.0 % per annum
Expected rate of return on plan assets	3.5 % per annum	3.5 % per annum
Gain on plan amendment (Prior service cost)	10 years (within the employees' average remaining years of service)	
Amortization period for actuarial loss	10 years (within the employees' average remaining years of service)	

**11. Contingent Liabilities**

The Company had the following contingent liability as of March 31, 2013:

	<b>March 31, 2013</b>	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Guarantee for housing loans of employees	¥ 18	\$ 193

**12. Derivatives and Hedging Activities**

The Company has entered into interest-rate swap contracts to manage its exposure to interest-rate risk on long-term debt. As a matter of policy, the Company does not enter into derivative transactions for trading purposes. The Company does not anticipate nonperformance by any of the counterparties to the above transactions, all of whom are domestic financial institutions with high credit ratings.

In accordance with the Company's policy, derivative transactions are entered into under the decision-making rules approved by the Management Strategy Committee of the Company. The department which has the responsibility to enter into such contracts monitors and controls the inherent risk and performance on a daily basis and reports these to management of the Company, if and when necessary.

In accordance with the special hedge accounting under the Accounting Standard for Financial Instruments, the Company does not record certain interest-rate swap arrangements at fair value but charges or credits the net cash flows from the swap arrangements to the interest arising from the respective hedged borrowings.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**12. Derivatives and Hedging Activities (continued)**

At March 31, 2013 and 2012, the fair value information for derivatives was not presented since all derivatives were accounted for using the special hedge accounting and accordingly their fair value recorded as part of fair value of the hedged borrowings.

I. Derivative transactions which do not qualify for hedge accounting

***Currency-rated transaction***

	Year ended March 31, 2013			
	Contract Amount	Contract Amount Over 1 Year	Fair Value	Gain/Loss
	<i>(Millions of yen)</i>			
<b>Foreign Exchange Forward Contracts</b>				
To sell foreign currencies				
U.S. Dollars	¥ 621	¥ —	¥ 24	¥ 24
Total assets	¥ 621	¥ —	¥ 24	¥ 24

	Year ended March 31, 2012			
Not applicable				

	Year ended March 31, 2013			
	Contract Amount	Contract Amount Over 1 Year	Fair Value	Gain/Loss
	<i>(Thousands of U.S. dollars)</i>			
<b>Foreign Exchange</b>				
<b>Forward Contracts</b>				
To sell foreign currencies				
U.S. Dollars	\$ 6,608	\$ —	\$ 259	\$ 259
Total assets	\$ 6,608	\$ —	\$ 259	\$ 259

Notes:

Fair value is principally based on obtaining quotes from financial institutions signing the contract.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

## 12. Derivatives and Hedging Activities (continued)

## II. Derivative transactions which qualify for hedge accounting

*Interest-related transaction*

Type of derivative transaction	Principal Item Hedged	Year ended March 31, 2013		
		Contract Amount	Contract Amount	Fair Value
			Over 1 Year	

(Millions of yen)

Interest rate swap transaction Pay fixed/Receive variable	Long-term debt	¥ 2,700	¥ 2,700	¥ —
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Type of derivative transaction	Principal Item Hedged	Year ended March 31, 2012		
		Contract Amount	Contract Amount	Fair Value
			Over 1 Year	

(Millions of yen)

Interest rate swap transaction Pay fixed/Receive variable	Long-term debt	¥ 2,000	¥2,000	¥ —
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Type of derivative transaction	Principal Item Hedged	Year ended March 31, 2013		
		Contract Amount	Contract Amount	Fair Value
			Over 1 Year	

(Thousands of U.S. dollars)

Interest rate swap transaction Pay fixed/Receive variable	Long-term debt	\$ 28,708	\$ 28,708	\$ —
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Notes:

The current price by the exception handling of interest swap is the current price of the long-term debt.

# Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 13. Financial Instruments

#### ① Matters relating to financial instruments

##### (1) Policy of Financial Instruments

The Company and its consolidated subsidiaries procure capital investments such primarily through bank loans to secure the principals and maintain liquidity. Derivatives are used, not for speculative nor trading purposes, but to manage risk of foreign currency exchange rate and interest rate fluctuations arising from business operations.

##### (2) Contents and risk management for financial instruments

Receivables such as trade notes and accounts receivable are exposed to customer's credit risk. Receivables from each customer are constantly checked to reduce risk of customer's default.

While foreign currency-denominated operating receivables are exposed to exchange rate fluctuation risk, we evade this risk by, as a general rule, primarily utilizing a forward exchange contract of foreign currency-denominated operating receivables. Investment securities are mainly debt or equity securities of customers of the Company and its consolidated subsidiaries and exposed to the issuer's credit risk and market price fluctuation risk.

Trade payables, which are operating payables, are due for payment within a year. Short-term bank loans are used to primarily to procure business transaction's funds, while long-term debt is used to procure funds required for long-term stability. Although some items with variable interest rates are exposed to interest rate fluctuation risk, we used derivative transactions (interest rate swaps) in part to fix interest payments. Derivatives which are shown in the below table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk. To control credit risk related to derivatives, based on an internal guide line, the Group has derivatives with counterparties which has high credit grade. In addition, the Treasury Division of the Group regularly monitors risk and profit and loss, and reports them to it's Executive Committee.

Operating payables and bank loans are exposed to the liquidity risk.

Each of the Group performs cash management using monthly cash flow information.

##### (3) Supplements on fair value of financial instruments

Fair values of financial instruments are based on their quoted price in active markets. If the quoted price is not available, other rational valuation techniques are used instead. The results of valuation may differ among assumptions because the rational techniques include variable factors. The contract or notional amounts of derivatives which are shown in the below table do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to credit or market risk.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

## 13. Financial Instruments (continued)

② Matters concerning the market value of financial instruments, etc.

Amounts as of March 31, 2013 and 2012 on the accompanying consolidated balance sheet fair value and variance are as follows.

	March 31, 2013		
	Carrying Value	Fair Value	Difference
	<i>(Millions of yen)</i>		
(1) Cash and bank deposits	¥ 4,297	¥ 4,297	¥ —
(2) Notes and accounts receivable, trade	24,546	24,546	—
(3) Electronically recorded monetary claims	527	527	—
(4) Investment securities: Other securities	189	189	—
(5) Notes and accounts payable, trade	(8,500)	(8,500)	—
(6) Short-term bank loans	(11,743)	(11,743)	—
(7) Current portion of long-term debt	—	—	—
(8) Long-term debt	(2,700)	(2,684)	16
(9) Other long-term liabilities	(3,057)	(2,312)	745
(10) Derivatives	24	24	—

	March 31, 2012		
	Carrying Value	Fair Value	Difference
	<i>(Millions of yen)</i>		
(1) Cash and bank deposits	¥ 5,067	¥ 5,067	¥ —
(2) Notes and accounts receivable, trade	24,576	24,576	—
(3) Electronically recorded monetary claims	—	—	—
(4) Investment securities: Other securities	147	147	—
(5) Notes and accounts payable, trade	(9,932)	(9,932)	—
(6) Short-term bank loans	(9,775)	(9,775)	—
(7) Current portion of long-term debt	(500)	(500)	—
(8) Long-term debt	(2,000)	(1,982)	18
(9) Other long-term liabilities	(3,023)	(2,136)	887
(10) Derivatives	—	—	—



## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

## 13. Financial Instruments (continued)

	March 31, 2013		
	Carrying Value	Fair Value	Difference
<i>(Thousands of U.S. dollars)</i>			
(1) Cash and bank deposits	\$ 45,688	\$ 45,688	\$ —
(2) Notes and accounts receivable, trade	260,985	260,985	—
(3) Electronically recorded monetary claims	5,606	5,606	—
(4) Investment securities: Other securities	2,012	2,012	—
(5) Notes and accounts payable, trade	(90,380)	(90,380)	—
(6) Short-term bank loans	(124,856)	(124,856)	—
(7) Current portion of long-term debt	—	—	—
(8) Long-term debt	(28,708)	(28,535)	173
(9) Other long-term liabilities	(32,507)	(24,587)	7,920
(10) Derivatives	(259)	(259)	—

(\*)A liability is persecuted in parentheses in the above table.

## Notes:

- a) Method of measurement of fair value of financial instruments and matters concerning securities and derivative transactions

- (1) Cash and bank deposits, (2) Notes and accounts receivable, trade, and  
(3) Electronically recorded monetary claims

As these items are settled in a short period of time and the fair value is almost equal to the book value, their book value is presented.

- (4) Investment securities - Other securities

The fair value of equity securities represents the price on the stock exchange.

- (5) Notes and accounts payable, trade, (6) Short-term bank loans

As these items are settled in a short period of time and the fair value is almost equal to the book value, their book value is presented.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**13. Financial Instruments (continued)****(7) Long-term debt**

As for fair value of long-term debt, future cash flows from payments for principal and interest are discounted at the interest rate applicable to similar new loan to the present value. As for long-term debt with floating interest rate subject to the special hedge accounting with designated interest rate swap, future cash flows from payments for principal and interest, combined with cash flows from the designated interest rate swap, are discounted at the interest rate applicable to similar new loan to the present value.

**(8) Other long-term liabilities**

Other long-term liabilities consist of lease deposits. The fair value of other long-term liabilities is discounted at the risk-free interest rates of future cash flows to the present value.

**(9) Derivatives transaction**

See Note 11 for the detail of derivative transactions.

- b) As non-marketable equity securities of ¥52 million (\$634 thousand) do not have a quoted market price and the future cash flow cannot be estimated, we consider it extremely difficult to determine their fair value. Hence, the items are not included in “(4) Investment securities - Other securities.”

- c) Financial assets due subsequent to the balance sheet date

Cash and bank deposits of ¥4,277 million (\$45,476 thousand), Notes and accounts receivable, trade of ¥24,546 million (\$260,985 thousand), Electronically recorded monetary claims of 527 million (\$5,606 thousand) are due within one year subsequent to March 31, 2013 and Cash and bank deposits of ¥5,044 million, Notes and accounts receivable, trade of ¥24,576 million are due within one year subsequent to March 31, 2012.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**14. Investment in Rental Property**

The Company owns an office building (including land) for rent for third parties in Yokohama city, part of which is used by the Company.

***Information on Consolidated Balance Sheet***

	Carrying Amount			At March 31, 2013 Fair Value
	March 31, 2012	Decrease	March 31, 2013	
	<i>(Millions of yen)</i>			
<b>Rental property</b>	¥ 6,863	¥ 339	¥ 6,524	¥ 7,205

	Carrying Amount			At March 31, 2012 Fair Value
	March 31, 2011	Decrease	March 31, 2012	
	<i>(Millions of yen)</i>			
<b>Rental property</b>	¥ 7,030	¥ 167	¥ 6,863	¥ 7,347

	Carrying Amount			At March 31, 2013 Fair Value
	March 31, 2012	Decrease	March 31, 2013	
	<i>(Thousands of U.S. dollars)</i>			
<b>Rental property</b>	\$ 72,971	\$ 3,605	\$ 69,366	\$ 76,604

Notes:

- The carrying amount on the consolidated balance sheet is determined at the amount of acquisition costs less accumulated depreciation and impairment loss.
- Decrease represents depreciation during the year.
- Fair value at March 31, 2013 and 2012 is internally determined by the Company based on the real-estate appraisal standard.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**14. Investment in Rental Property (continued)***Information on Consolidated Statement of Operations*

<b>Year ended March 31, 2013</b>			
	<b>Rental income</b>	<b>Rental costs</b>	<b>Difference</b>
	<i>(Millions of yen)</i>		
<b>Rental property</b>	¥ 1,729	¥ 1,370	¥ 359

<b>Year ended March 31, 2012</b>			
	<b>Rental income</b>	<b>Rental costs</b>	<b>Difference</b>
	<i>(Millions of yen)</i>		
<b>Rental property</b>	¥ 1,729	¥ 1,272	¥ 456

<b>Year ended March 31, 2013</b>			
	<b>Rental income</b>	<b>Rental costs</b>	<b>Difference</b>
	<i>(Thousands of U.S. dollars)</i>		
<b>Rental property</b>	\$ 18,380	\$ 14,566	\$ 3,814

Notes:

Because the rental property includes an office space internally used by the Company, rental income related to the internally—used office space is not included in the above. Costs incidental to this real estate, such as depreciation, repair cost, insurance cost, taxes and public charges, are included in rental costs.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**15. Segment Information**

## ① Segment Information

## (1) Overview of reporting segments

The Company's reporting segments are determined as the Group's units for which separate financial information is also obtainable, and the Board of Directors regularly monitor in order to decide allocation of business resources and evaluate business performance.

The Company adopts the division system in its Group organization based on the product or service lines.

Each division draws up a domestic and overseas comprehensive strategy about its responsible products or services to deal with and develop operations.

The Company has four reporting segments: Fine mechatronics, Mechatronics systems, Vending machines & systems, and Real estate leasing.

The product or service lines belonging to each reporting segment are as follows.

## Fine mechatronics :

Flat Panel Display ("FPD") manufacturing equipment (wet cleaning equipment, developing equipment, Etching equipment, Stripping equipment, PI inkjet coater, Cell assembly equipment), Semiconductor manufacturing equipment (wafer inspection equipment, etching equipment, ashing equipment, wet cleaning equipment), Railroad maintenance equipment, and other items.

## Mechatronics systems:

FPD manufacturing equipment (outer lead bonders), Semiconductor manufacturing equipment (die bonders, flip chip bonders, inner lead bonders), Media device manufacturing equipment (sputtering equipment, vacuum bonding equipment), Industrial vacuum evaporation equipment, Laser equipment, Microwave equipment, Rechargeable battery manufacturing equipment, Precision parts manufacturing equipment, Other automation equipment, Vacuum pumps, and other items.

## Vending machines &amp; systems :

Vending machines, ticket vending machines, and others.

## Real estate leasing :

Real estate leasing and management, and other businesses.

## (2) Methods of calculating amounts for net sales, income or loss, assets and other items by reporting segment

The accounting policies applied by each reporting business segment are those outlined in "Significant items for the preparation of consolidated financial statements".

Reporting segment is an ordinary income basis.

Internal sales between segments are mainly based on price to be applied for third-party transactions.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

## 15. Segment Information (continued)

## (3) Information on sales, income or loss, assets and other items by reporting segment

Information for the fiscal years ended March 31, 2013 and 2012 is summarized as follows:

Year ended March 31, 2013					
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
	(Millions of yen)				
Sales					
Sales to external customers	¥ 18,533	¥ 8,153	¥ 1,733	¥ 1,981	¥ 30,400
Intersegment sales or transfers	7	169	3	—	179
Total sales	18,540	8,322	1,736	1,981	30,579
Segment income (loss)	1,685	(1,605)	90	443	613
Segment assets	25,993	12,751	1,679	6,858	47,281
Other					
Depreciation and amortization	575	430	45	374	1,424
Amortization of goodwill	20	—	—	—	20
Interest income	13	0	0	—	13
Interest expense	5	7	2	—	14
Increase in tangible and intangible fixed assets	316	79	37	143	575
Year ended March 31, 2012					
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
	(Millions of yen)				
Sales					
Sales to external customers	¥ 23,831	¥ 11,936	¥ 1,864	¥ 1,729	¥ 39,360
Intersegment sales or transfers	16	203	1	—	220
Total sales	23,847	12,139	1,865	1,729	39,580
Segment income (loss)	1,412	(1,597)	(53)	456	218
Segment assets	24,686	15,307	1,568	7,240	48,801
Other					
Depreciation and amortization	646	417	61	379	1,503
Amortization of goodwill	20	—	—	—	20
Amortization of negative goodwill	—	—	—	—	—
Interest income	12	0	0	—	12
Interest expense	8	7	2	—	17
Increase in tangible and intangible fixed assets	488	550	1	81	1,120

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

## 15. Segment Information (continued)

	Year ended March 31, 2013				Total
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	
	<i>(Thousands of U.S. dollars)</i>				
Sales					
Sales to external customers	\$ 197,051	\$ 86,694	\$ 18,427	\$ 21,060	\$ 323,232
Intersegment sales or transfers	71	1,800	32	—	1,903
Total sales	197,122	88,494	18,459	21,060	325,135
Segment income (loss)	17,917	(17,065)	957	4,711	6,520
Segment assets	276,373	135,574	17,853	72,921	502,721
Other					
Depreciation and amortization	6,116	4,567	482	3,976	15,141
Amortization of goodwill	212	—	—	—	212
Interest income	140	0	1	—	141
Interest expense	56	70	16	—	142
Increase in tangible and intangible fixed assets	3,365	836	392	1,521	6,114

(4) Reconciliations between the reporting segment total and the amounts presented in the consolidated financial statements.

## a) Segment income

	Year ended March 31,		Year ended
	2013	2012	March 31, 2013
	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Reporting segments	¥ 613	¥ 218	\$ 6,521
Unallocated amounts	(406)	(438)	(4,317)
Other	(566)	87	(6,018)
Consolidated	¥ (359)	¥ (133)	\$ (3,814)

## Notes:

Included in the "Unallocated amounts" above are unallocable operating expenses which primarily relate to research and development expenses incurred over the entire Group as part of the Company's research and development activities.

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

## 15. Segment Information (continued)

## b) Segment assets

	Year ended March 31,		Year ended
	2013	2012	March 31,
	(Millions of yen)	(Millions of yen)	2013
			(Thousands of U.S. dollars)
Reporting segments	¥ 47,281	¥ 48,800	\$ 502,722
Unallocated amounts	3,486	4,143	37,070
Consolidated	¥ 50,767	¥ 52,943	\$ 539,792

## Notes:

Included in the “Unallocated amounts” above are unallocable assets which primarily consist of surplus funds (cash and bank deposits) and investment funds (investment securities) owned by the Company and deferred tax assets.

## c) Other

	Year ended March 31, 2013					
	Reporting segments	Adjustment amount	Consolidated	Reporting segments	Adjustment amount	Consolidated
		(Millions of yen)			(Thousands of U.S. dollars)	
Depreciation and amortization	¥ 1,424	¥ —	¥ 1,424	\$ 15,141	\$ —	\$ 15,141
Amortization of goodwill	20	—	20	212	—	212
Interest income	13	1	14	141	5	146
Interest expense	13	157	170	142	1,666	1,808
Increase in tangible and intangible fixed assets	575	—	575	6,114	—	6,114

	Year ended March 31, 2012		
	Reporting segments	Adjustment amount	Consolidated
		(Millions of yen)	
Depreciation and amortization	¥ 1,503	¥ —	¥ 1,503
Amortization of goodwill	20	—	20
Interest income	12	0	13
Interest expense	17	178	195
Increase in tangible and intangible fixed assets	1,120	—	1,120



## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

## 15. Segment Information (continued)

## ② Related information

## (1) Information by each product and service

Information by each product and service is omitted because equivalent information has been disclosed in segment information.

## (2) Information by geographical area

## a) Sales

Year ended March 31, 2013			
Japan	Northeastern Asia	Other	Total
<i>(Millions of yen)</i>			
¥ 19,953	¥ 8,673	¥ 1,774	¥ 30,400

Year ended March 31, 2012			
Japan	Northeastern Asia	Other	Total
<i>(Millions of yen)</i>			
¥ 24,329	¥ 13,261	¥ 1,770	¥ 39,360

Year ended March 31, 2013			
Japan	Northeastern Asia	Other	Total
<i>(Thousands of U.S. dollars)</i>			
\$ 212,156	\$ 92,213	\$ 18,863	\$ 323,232

## Notes:

Sales are based on the location of customers, classified by country or region.

## b) Tangible fixed assets

Year ended March 31, 2013		
Japan	Northeastern Asia	Total
<i>(Millions of yen)</i>		
¥ 11,810	¥ 7	¥ 11,817

Year ended March 31, 2012		
Japan	Northeastern Asia	Total
<i>(Millions of yen)</i>		
¥ 12,664	¥ 6	¥ 12,670

Year ended March 31, 2013		
Japan	Northeastern Asia	Total
<i>(Thousands of U.S. dollars)</i>		
\$ 125,575	\$ 75	\$ 125,650

# Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 15. Segment Information (continued)

#### c) Information by main customer

		<u>Year ended March 31, 2013</u>
		<i>(Millions of yen)</i>
Fine mechatronics and Mechatronics systems	Sales to Toshiba Company	¥ 3,369
		<u>Year ended March 31, 2012</u>
		<i>(Millions of yen)</i>
Fine mechatronics and Mechatronics systems	Sales to Toshiba Company	¥ 3,048
		<u>Year ended March 31, 2013</u>
		<i>(Thousands of U.S. dollars)</i>
Fine mechatronics and Mechatronics systems	Sales to Toshiba Company	\$ 35,826

#### ③ Impairment losses on fixed assets by reporting segment

No applicable items

#### ④ Depreciation and remaining carrying value of goodwill by reporting segment

<u>Year ended March 31, 2013</u>				
<u>Fine mechatronics</u>	<u>Mechatronics systems</u>	<u>Vending machines &amp; systems</u>	<u>Real estate leasing</u>	<u>Total</u>
<i>(Millions of yen)</i>				
Balance as of March 31, 2013	¥ 10	¥ —	¥ —	¥ 10
<u>Year ended March 31, 2012</u>				
<u>Fine mechatronics</u>	<u>Mechatronics systems</u>	<u>Vending machines &amp; systems</u>	<u>Real estate leasing</u>	<u>Total</u>
<i>(Millions of yen)</i>				
Balance as of March 31, 2012	¥ 30	¥ —	¥ —	¥ 30
<u>Year ended March 31, 2013</u>				
<u>Fine mechatronics</u>	<u>Mechatronics systems</u>	<u>Vending machines &amp; systems</u>	<u>Real estate leasing</u>	<u>Total</u>
<i>(Thousands of U.S. dollars)</i>				
Balance as of March 31, 2013	\$ 106	\$ —	\$ —	\$ 106

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**15. Segment Information (continued)**

## ⑤ Gain on negative goodwill by reporting segment

Gain on negative goodwill by reporting segment at March 31, 2013 and 2012 was not significant.

**16. Non-cash Transactions**

Lease assets and lease obligations recorded relating to lease transactions were ¥21 million (\$222 thousand) and ¥21 million (\$222 thousand), respectively for the year ended March 31, 2013 and ¥20 million and ¥20 million, respectively for the year ended March 31, 2012.

**17. Selling, General and Administrative Expenses**

For the years ended March 31, 2013 and 2012, major selling, general and administrative expenses are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Packing and delivery expenses	¥ 59	¥ 183	\$ 628
Sales commission	146	251	1,551
Advertising expenses	7	17	78
Employees' salaries and allowances	3,584	4,758	38,111
Provision of allowance for doubtful accounts	8	13	82
Provision for retirement benefits	308	381	3,274
Provision for directors' retirement benefits	3	3	30
Depreciation	707	741	7,515
Rent expenses	108	150	1,153
Development and research expenses	1,805	2,064	19,195

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**18. Related Party Transactions**

Toshiba Corporation held 39.1 % of the Company's voting rights as of March 31, 2013.

The Company sold semiconductor manufacturing equipment to Toshiba Corporation and received rent revenue from Toshiba Corporation. The aggregate amounts of these transactions were ¥3,369 million (\$35,826 thousand) and ¥3,048 million for the years ended March 31, 2013 and 2012, respectively.

The Company purchased raw materials from Toshiba Corporation totaling ¥198 million (\$2,109 thousand) and ¥325 million for the year ended March 31, 2013 and 2012, respectively.

Amounts due from and to Toshiba Corporation at March 31, 2013 and 2012 were as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Due from Toshiba Corporation	¥ 587	¥ 650	\$ 6,240
Due to Toshiba Corporation	3,281	3,222	34,884

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

**19. Per Share Information**

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year, assuming full dilution of common stock equivalents. A net asset per share is computed based on the weighted-average number of shares of common stock outstanding at each balance sheet date.

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2013</b>	<b>2012</b>	<b>March 31,</b>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net income (loss):			
– Basic	¥ (28.66)	¥ (7.98)	\$ (0.30)
Net assets	317.68	342.99	3.38

Notes:

The information regarding diluted net income per share for the years ended 2013 and 2012 is omitted because of no stock with dilutive effect.

## Other Information

## Shibaura Mechatronics Corporation

## Non-Consolidated Balance Sheet

	<b>March 31,</b>		<b>March 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
<b>Assets</b>			
Current assets:			
Cash and bank deposits	¥ 2,093	¥ 2,714	\$ 22,253
Notes and accounts receivable, trade:			
Notes	193	262	2,054
Electronically recorded monetary claims	527	—	5,606
Accounts	21,350	21,308	227,007
Allowance for doubtful accounts	(595)	(523)	(6,324)
Inventories	5,359	5,556	56,974
Deferred tax assets	606	801	6,445
Short-term loans receivable from subsidiaries and affiliates	1,796	1,490	19,098
Other current assets	1,277	1,525	13,572
Total current assets	32,606	33,133	346,685
Property, plant and equipment:			
Land	69	69	731
Buildings and structures	27,824	27,585	295,847
Machinery and equipment	2,136	1,697	22,707
Leased assets	243	585	2,584
Construction in progress	207	587	2,201
Total	30,479	30,523	324,070
Accumulated depreciation	(19,196)	(18,488)	(204,103)
Property, plant and equipment, net	11,283	12,035	119,967
Investments and other assets:			
Investments in securities	159	124	1,693
Investments in subsidiaries and affiliates	372	526	3,960
Deferred tax assets	73	109	773
Intangible assets	642	717	6,826
Other assets	310	571	3,299
Allowance for doubtful accounts	(8)	(0)	(90)
Total investments and other assets	1,548	2,047	16,461
Total assets	¥ 45,437	¥ 47,215	\$ 483,113

	<b>March 31,</b>		<b>March 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
<b>Liabilities and net assets</b>			
Current liabilities:			
Short-term bank loans	¥ 11,260	¥ 9,500	\$ 119,726
Current portion of long-term debt	—	500	—
Notes and accounts payable:			
Notes	1,573	2,226	16,722
Accounts	4,960	5,524	52,736
Advances received	712	545	7,568
Lease obligations	46	124	487
Provision for contract losses	17	138	184
Accrued expenses	1,919	2,500	20,409
Accrued income taxes	41	45	436
Other current liabilities	113	320	1,199
Total current liabilities	20,641	21,422	219,467
Long-term liabilities:			
Long-term debt	2,700	2,000	28,708
Lease obligations	33	78	346
Long-term accounts payable-other	22	22	232
Provision for retirement benefits	4,323	4,870	45,961
Reserve for repair and maintenance	450	437	4,788
Other long-term liabilities	3,057	3,023	32,507
Asset retirement obligations	20	20	218
Total long-term liabilities	10,605	10,450	112,760
Total liabilities	31,246	31,872	332,227
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized: 100,000,000 shares			
Issued: 51,926,194 shares at March 31, 2013 and 2012	6,761	6,761	71,892
Additional paid-in capital	9,995	9,995	106,277
Retained earnings	(887)	292	(9,437)
Less treasury stock, at cost	(1,720)	(1,720)	(18,291)
Total shareholders' equity	14,149	15,328	150,441
Valuation and translation adjustments:			
Net unrealized holding gain on other securities	42	15	445
Total net assets	14,191	15,343	150,886
Total liabilities and net assets	¥ 45,437	¥ 47,215	\$ 483,113

## Other Information

## Shibaura Mechatronics Corporation

## Non-Consolidated Statement of Operations

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2013</b>	<b>2012</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net sales	¥ 21,906	¥ 30,197	\$ 232,914
Cost of sales	17,266	24,843	183,580
Gross profit	4,640	5,354	49,334
Selling, general and administrative expenses	5,272	6,579	56,050
Operating loss	(632)	(1,225)	(6,716)
Other income (expenses):			
Interest and dividend income	523	678	5,559
Interest expense	(157)	(178)	(1,666)
Business advisory fee	245	279	2,604
Commission fee	—	(9)	—
Foreign exchange loss ,net	(467)	—	(4,967)
Other, net	235	450	2,495
Ordinary loss	(253)	(5)	(2,691)
Business structure improvement expenses	(582)	—	(6,187)
Loss on valuation of subsidiaries' stock	(154)	(156)	(1,638)
Provision of allowance for doubtful accounts for subsidiaries and affiliates	(82)	(10)	(869)
Loss before income taxes	(1,071)	(171)	(11,385)
Income taxes:			
Current	(16)	(60)	(174)
Refund of income taxes	(98)	—	(1,038)
Deferred	222	121	2,364
	108	61	1,152
Net loss	¥ (1,179)	¥ (232)	\$ (12,537)
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Per share of common stock:			
Net loss	¥ (23.86)	¥ (4.70)	\$ (0.25)
Cash dividends applicable to the year	0.00	0.00	0.00





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## Independent Auditor's Report

The Board of Directors  
 Shibaura Mechatronics Corporation

We have audited the accompanying consolidated financial statements of Shibaura Mechatronics Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shibaura Mechatronics Corporation and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

June 20, 2013

A member firm of Ernst & Young Global Limited

# Board of Directors

As of June 20, 2013

## Directors



**Kenji Minami**

President and Chief Executive Officer  
Executive General Manager of  
Technology & Development Division



**Shigeki Fujita**

Senior Vice President  
Executive General Manager of  
Fine Mechatronics Division



**Shunichi Kishimoto**

Senior Vice President  
General Manager of Customer  
Relations & Marketing Division  
Executive General Manager of  
Mechatronics System Division



**Hitoshi Dojima**

Senior Vice President  
Executive General Manager of  
Corporate Management Division



**Shuichi Shimada**

Vice President  
Deputy Executive General Manager of  
Mechatronics System Division



**Satoru Hara**

Vice President  
Deputy Executive General Manager of  
Technology & Development Division  
General Manager of  
Quality Assurance Division



**Yoshitsugu Ogawa**

Vice President  
Deputy Executive General Manager of  
Fine Mechatronics Division  
(FPD Equipment Business)



**Makoto Fujino**

Vice President  
Deputy Executive General Manager of  
Fine Mechatronics Division  
(Semiconductor Equipment Business)  
Deputy Executive General Manager of  
Technology & Development Division



**Takashi Nozawa**

Vice President  
Executive General Manager of  
Production & Procurement Division

## Auditors



**Haruhiko Washio**

Auditor



**Yoshihiro Maeda**

Auditor



**Sennosuke Yoshida**

Auditor

# Investor Information

As of March 31, 2013

<b>Date Established</b>	October 12, 1939
<b>Capital</b>	6,761 Million-Yen
<b>Number of Employees</b>	Consolidated : 1,285
<b>Common Stock</b>	Authorized : 100,000,000 shares Issued and outstanding : 51,926,194 shares
<b>Number of Shareholders</b>	7,332
<b>Stock Listings</b>	The Tokyo Stock Exchange (Code : 6590)
<b>Transfer Agent for Common Stock</b>	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
<b>Independent Auditor</b>	ERNST & YOUNG SHINNIHON LLC
<b>Headquarters</b>	2-5-1, Kasama, Sakae-ku, Yokohama, Kanagawa Pref. 247-8610, Japan TEL : +81-45-897-2421 FAX : +81-45-897-2470 <a href="http://www.shibaura.co.jp/">http://www.shibaura.co.jp/</a>

## Common Stock Price Range (The Tokyo Stock Exchange)

	Year ended March 31,				
	2013	2012	2011	2010	2009
High (yen)	252	344	508	472	687
Low (yen)	112	191	162	244	234

## Principal Shareholders

	Number of shares hold (thousand shares)	Percentage of total shares outstanding (%)
Toshiba Corporation	18,977	38.4
Japan Trustee Services Bank, Limited (trust accounts)	908	1.8
The Master Trust Bank of Japan, Limited (trust accounts)	618	1.3
Shibaura Mechatronics Employee Accumulation Stock Plan	496	1.0

## **SHIBAURA MECHATRONICS CORPORATION**

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