ANNUAL REPORT 2014

Year ended March 31, 2014

SHIBAURA MECHATRONICS CORPORATION

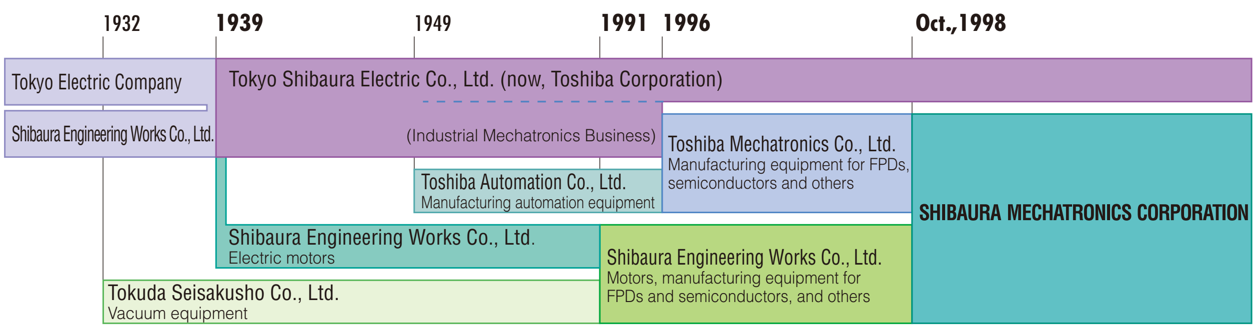
ANNUAL REPORT 2014

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 emerged as a producer of manufacturing equipment for FPDs* and semiconductors. 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.

*FPDs : flat panel displays

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.

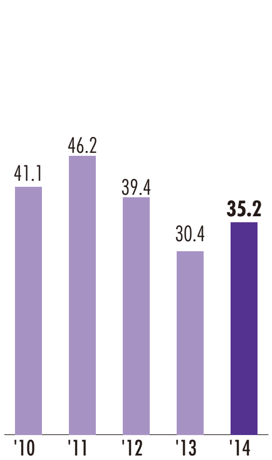
Financial Highlights

Consolidated	Year ended March 31, 2014	2013	2012	2011	2010	Year ended March 31, 2014
	(Millions of yen)					(Thousands of U.S. dollars) (Note 1)
Net sales	¥ 35,165	30,400	¥ 39,360	¥ 46,246	¥ 41,096	$ 341,672
Orders received	40,000	41,300	34,300	49,700	42,500	389,000
Operating income (loss)	736	60	(370)	743	(1,870)	7,151
Net income (loss)	387	(1,416)	(394)	486	(1,752)	3,761
Depreciation and amortization	1,359	1,424	1,503	1,765	1,935	13,208
Facilities expenditures	1,195	575	1,120	1,154	847	11,600
R&D expenses	1,726	1,805	2,064	2,110	2,193	16,769
Total assets	47,602	50,767	52,943	54,250	52,658	462,510
Net assets	15,064	15,697	16,948	17,492	17,109	146,363
	(yen)					(U.S. dollars)
Net income (loss) per share	¥ 7.83	¥ (28.66)	¥ (7.98)	¥ 9.83	¥ (35.47)	$ 0.08
Number of employees	1,210	1,285	1,496	1,532	1,631	1,210

Note 1 : The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥102.92 = U.S.$1.00, as of March 31, 2014.

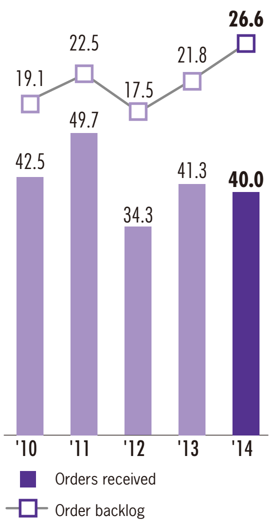
Net Sales

(¥Billions)



Orders Received/Order Backlog

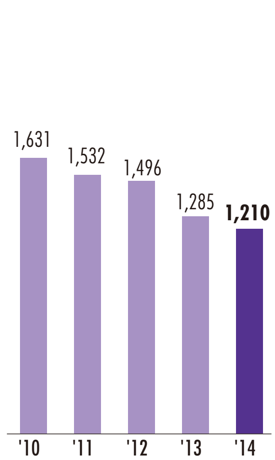
(¥Billions)



Operating Income (loss)

(¥Billions)

Number of Employees



To Our Shareholders

Further acceleration of "business restructuring" and "cost structure improvement" to secure the next step forward in growth and profit expansion

Although there were considerable expectations of the economic policy and the continuation of a weak yen, the business environment in fiscal year 2013 remained uncertain, on concerns about China's economic slowdown.

Shibaura Mechatronics Group found itself in a business environment where the LCD panel business continued to be affected by the downturn in the TV market, though we did see new capital investments in TV panels in China. While the market for smartphones, tablets and other mobile devices remained robust, investors appeared cautious when it came to making investments in the touch panel and in small- to medium-sized panels industry.

In the semiconductor industry, investments remained strong in cutting-edge fields.

In these circumstances, Shibaura Mechatronics Group focused on enlarging the customer base for semiconductors and LCD panels, and expanded into new growth fields, such as wafer wet cleaning equipment and flip chip bonder for 3D package. By doing so we succeeded in increasing sales.

As a result of the foregoing efforts, net sales in fiscal year 2013 was 35,165 million yen, and operating income stood at 736 million yen.

Prospects for our business activities in fiscal year 2014 remain very unclear. While the weak yen continues and the overall mood on economic policy remains positive, there are several risk factors that are sources of concern, China's economic slowdown among them.
In the LCD panel market, investments in China for TV panels are expected to continue for the time being. On the other hand, in the touch panel and small- to middle-sized panel business, investment is expected to continue in mobile devices, such as smartphones and tablets, and we will make efforts to win more orders by launching new products in growth areas that utilize our core technologies.

Forecasts for the semiconductor industry indicate continuing investment in cutting-edge fields, and we will aim to increase orders in this area through technical innovation.

Separately from this, in new growth areas, investments for vacuum application equipment related to heads-up displays for automobiles have started to take off. We intend to increase sales in this and other areas through the release of new products utilizing our core technologies.

Although Shibaura Mechatronics Groups continues to face a challenging business environment, we will seek to increase revenues by accelerating our sales activities in growth areas. Beyond that, we aim to increase profit by continuing with our efforts to promote cost restructuring and to cut fixed costs.

Shigeki Fujita
President and Chief Executive Officer

Financial Review

Results Summary

In FY2013, Shibaura Mechatronics recorded net sales of 35,165 million yen (a year-on-year increase of 15.7%), operating income of 736 million yen (against operating income of 60 million yen in the previous fiscal year), ordinary income of 560 million yen (against an ordinary loss of 359 million yen in the previous fiscal year), and net income of 387 million yen (against a net loss of 1,416 million yen in the previous fiscal year).
The results for each business segment were as follows:

1. Fine Mechatronics Segment

The segment recorded net sales of 21,231 million yen (a year-on-year increase of 14.6%) and income of 1,081 million yen (a year-on-year fall of 35.8%).

In the LCD panel front-end business, the pace of investment have been slow in small- and medium-sized panels and touch panel, but new investments in the television panel field were made in China, and sales rose above the previous year.

In the semiconductor front-end process, orders for our flagship single wafer wet processors increased dramatically, but since those orders are concentrated in later periods they had only a limited influence in the current period. As a result, sales were lower than in the previous year.

2. Mechatronics Systems Segment

The segment recorded net sales of 9,832 million yen (a year-on-year increase of 20.6%), and a loss of 503 million yen (against a loss of 1,605 million yen in the previous fiscal year).

In the LCD module process, sales of outer lead bonders and touch panel bonding equipment increased in comparison with the previous fiscal year.

3. Vending Machines and Systems Segment

The segment recorded net sales of 2,138 million yen (a year-on-year increase of 23.4%), and income of 31 million yen (a year-in-year fall of 65.3%).

Whiles sales from tobacco vending machines declined in a shrinking market and due to a falloff in demand, sales promotion efforts won an increase in sales from ticket vending machines. However, research and development costs rose, and segment profits decreased as a result of a drop in non-operating income.

4. Real Estate Leasing Segment

The trend in real estate leasing was as expected, and the segment recorded net sales of 1,964 million yen (a year-on-year fall of 0.9%) and income of 398 million yen (a year-on-year fall of 10.3%).

Research and Development Expenditure

The Shibaura Mechatronics Group as a whole recorded research and development costs of 1,726 million yen (including development costs of 305 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's 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 785 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 519 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 vacuum equipment we have been working on the development of sputtering equipment for optical thin films and for semiconductor backside contacts.

3. Vending Machines and Systems Segment

R&D expenditure for the segment totaled 115 million yen.

In vending machines, we have started to development of a network system to support ticket vending machines and a free adjuster to support general-purpose vending machine.

Financial Condition

Total assets at the end of the fiscal year were 47,602 million yen, a reduction of 3,165 yen compared to the end of the previous fiscal year.

Current assets were evaluated at 34,542 million yen, a reduction of 2,962 million yen lower compared to the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts receivable-trade.

Fixed assets were evaluated at 13,059 million yen, a reduction of 204 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 32,538 million yen, a reduction of 2,532 million yen compared to the end of the previous fiscal year. This was mainly due to a reduction in short-term bank loans and long-term debt.

Total net assets at the end of the fiscal year were 15,064 million yen, a reduction of 633 million yen compared to the end of the previous fiscal year.

This was mainly due to application of accounting standard for retirement benefits and other, even though retained earnings increased with recording of the net income.

Cash Flows

The balance of cash and cash equivalents at the end of the current fiscal year was 3,918 million yen, a reduction of 316 million yen compared to the end of the last fiscal year.

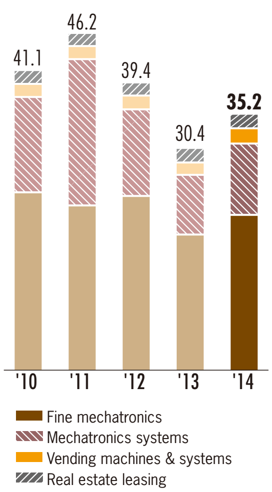
Cash flow from operating activities increased by 3,270 million yen during the fiscal year (against a fall of 2,553 million in the previous fiscal year). This was mainly due to an increase in funds as a result of a decrease in accounts receivable and recording a net profit before income tax adjustment.

Cash flow from investment activities fell by 61 million yen during the fiscal year (against a fall of 311 million in the previous fiscal year). This was mainly due to a decrease in cash resulting from the acquisition of fixed assets.

Cash flow from financing activities fell by 3,732 million yen during the fiscal year (against an increase of 1,950 million in the previous fiscal year). This was mainly due to a decrease in funds as a result of a decrease in short-term borrowing.

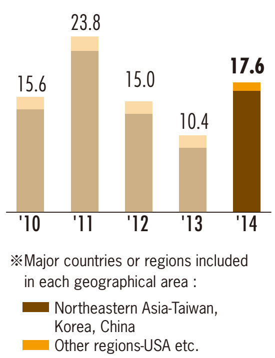
Sales by Segment

(¥Billions)

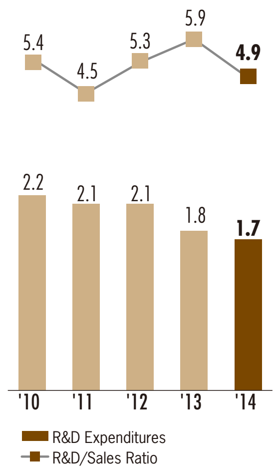


Overseas Sales by Region

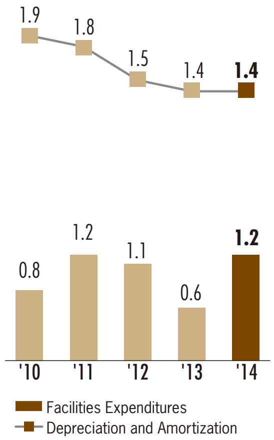
(¥Billions)



R&D Expenditures (¥Billions)
R&D/Sales Ratio (%)

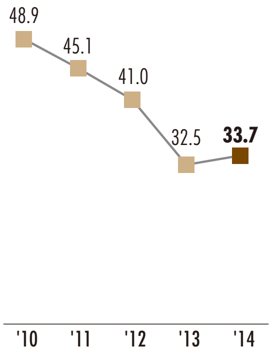


Facilities Expenditures
Depreciation and Amortization (¥Billions)



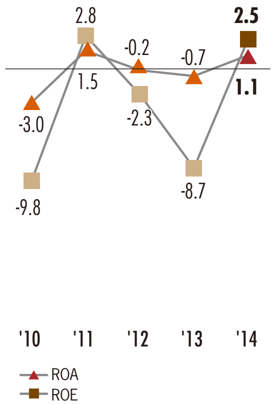
Break-even Point

(¥Billions)



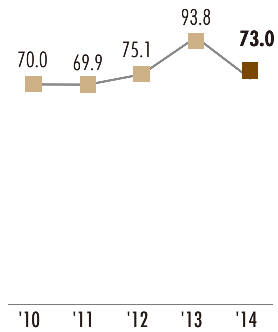
ROA
ROE

(%)



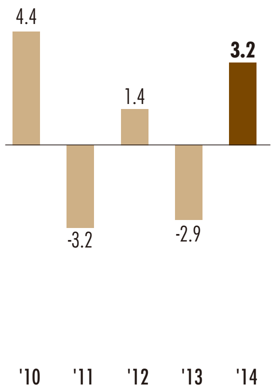
D/E Ratio

(%)



Free Cash Flows

(¥Billions)



FINANCIAL SECTION

ANNUAL REPORT 2014 Year ended March 31, 2014

Financial Section

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Shibaura Mechatronics Corporation and Subsidiaries

Consolidated Balance Sheet

	March 31, 2014	March 31, 2013	March 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Assets			
Current assets:			
Cash and bank deposits *(Notes 14)*	¥ 3,918	¥ 4,234	$ 38,070
Short-term investments	69	63	674
Notes and accounts receivable, trade *(Note 14)*	23,209	24,546	225,504
Electronically recorded monetary claims *(Note 14)*	1	527	9
Allowance for doubtful accounts	(94)	(54)	(918)
Inventories *(Note 5)*	5,805	6,646	56,403
Deferred tax assets *(Note 8)*	707	787	6,866
Accounts receivable, other	582	523	5,654
Other current assets	345	232	3,355
Total current assets	34,542	37,504	335,617
Property, plant and equipment:			
Land *(Note 15)*	119	119	1,159
Buildings and structures *(Note 15)*	28,443	28,433	276,360
Machinery and equipment	2,995	2,527	29,098
Leased assets	457	711	4,434
Construction in progress	646	207	6,280
Total	32,660	31,997	317,331
Accumulated depreciation	(21,003)	(20,180)	(204,071)
Property, plant and equipment, net	11,657	11,817	113,260
Investments and other assets:			
Investments in securities *(Notes 4 and 14)*	112	241	1,084
Deferred tax assets *(Note 8)*	234	117	2,279
Other assets	1,059	1,098	10,289
Allowance for doubtful accounts	(2)	(10)	(19)
Total investments and other assets	1,403	1,446	13,633
Total assets	¥ 47,602	¥ 50,767	$ 462,510

	March 31, 2014	March 31, 2013	March 31, 2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Liabilities and net assets			
Current liabilities:			
Short-term bank loans *(Notes 6 and 14)*	¥ 8,119	¥ 11,743	$ 78,881
Current portion of long-term debt *(Notes 6 and 14)*	2,000	—	19,433
Notes and accounts payable, trade *(Note 14)*	8,504	8,500	82,624
Provision for contract losses	8	17	78
Current portion of lease obligations *(Note 6)*	56	102	546
Advances received	393	829	3,818
Accrued expenses	2,190	2,022	21,282
Accrued income taxes *(Note 8)*	190	59	1,849
Asset retirement obligations	11	11	108
Provision for directors' bonuses	23	—	223
Other current liabilities	521	530	5,059
Total current liabilities	22,015	23,813	213,901
Long-term liabilities:			
Long-term debt *(Notes 6 and 14)*	700	2,700	6,801
Provision for retirement benefits*(Notes 3 and 11)*	—	4,801	—
Net defined benefit liability *(Notes 3 and 11)*	6,172	—	59,972
Lease obligations *(Note 6)*	124	182	1,203
Long-term accounts payable-other	19	22	189
Provision for directors’ retirement benefits	14	12	131
Reserve for repair and maintenance	403	450	3,918
Asset retirement obligations	34	33	326
Long-term lease deposits *(Note 14)*	3,057	3,057	29,706
Total long-term liabilities	10,523	11,257	102,246
Total liabilities	32,538	35,070	316,147
Contingent liabilities *(Note 12)*			
Net assets:			
Shareholders’ equity:			
Common stock:			
Authorized: 100,000,000 shares			
Issued: 51,926,194 shares at March 31, 2014 and 2013	6,762	6,762	65,697
Additional paid-in capital	9,108	9,995	88,494
Retained earnings	1,788	514	17,379
Less treasury stock, at cost	(1,721)	(1,720)	(16,720)
Total shareholders’ equity	15,937	15,551	154,850
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	22	56	212
Foreign currency translation adjustments	313	90	3,038
Remeasurements of defined benefit plans	(1,208)	—	(11,737)
Total valuation and translation adjustments	(873)	146	(8,487)
Total net assets	15,064	15,697	146,363
Total liabilities and net assets	¥ 47,602	¥ 50,767	$ 462,510

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, 2014	Years ended March 31, 2013	Year ended March 31, 2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales	¥ 35,165	¥ 30,400	$ 341,672
Cost of sales *(Notes 7 and 15)*	26,891	23,267	261,284
Gross profit	8,274	7,133	80,388
Selling, general and administrative expenses *(Notes 7,11 and 18)*	7,538	7,073	73,237
Operating income	736	60	7,151
Other income (expenses):			
Interest and dividend income	59	18	580
Subsidy income	—	141	—
Gain on sales of investment securities	76	—	738
Insurance premiums refunded cancellation	42	33	408
Interest on tax refund	—	35	—
Interest expense	(148)	(170)	(1,442)
Foreign exchange loss, net	(112)	(468)	(1,091)
Other, net	(93)	(8)	(902)
Ordinary income (loss)	560	(359)	5,442
Business structure improvement expenses	—	(858)	—
Impairment loss *(Note 19)*	(17)	—	(161)
Income (loss) before income taxes and minority interest	543	(1,217)	5,281
Income taxes *(Note 8)*:			
Current	167	73	1,627
Refund of income taxes	—	(97)	—
Deferred	(11)	223	(107)
	156	199	1,520
Income (loss) before minority interest	387	(1,416)	3,761
Net income (loss)	¥ 387	¥ (1,416)	$ 3,761

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

Shibaura Mechatronics Corporation and Subsidiaries

Consolidated Statement of Comprehensive Income

	Years ended March 31, 2014	Years ended March 31, 2013	Year ended March 31, 2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net income (loss) before minority interests	¥ 387	¥ (1,416)	$ 3,761
Other comprehensive income: (Note 9)			
Valuation difference on available-for-sale securities	(35)	31	(335)
Foreign currency translation adjustments	223	137	2,165
Total other comprehensive income	188	168	1,830
Comprehensive income (loss)	¥ 575	¥ (1,248)	$ 5,591
(Breakdown)			
Comprehensive income attributable to owners of the parent	575	(1,248)	5,591

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	Remeasurements of defined benefit plans	
				(Millions of yen)					
Balance as of April 1, 2012	51,926,194	6,762	9,995	1,933	(1,720)	25	(47)	–	16,948
Net income (loss)	–	–	–	(1,416)	–	–	–	–	(1,416)
Net change during the year	–	–	–	–	–	31	137	–	168
Net decrease in treasury stock	–	–	–	–	(0)	–	–	–	(0)
Deficit disposition	–	–	–	–	–	–	–	–	–
Other net	–	–	–	(3)	–	–	–	–	(3)
Balance as of April 1, 2013	51,926,194	¥ 6,762	¥ 9,995	¥ 514	¥ (1,720)	¥ 56	¥ 90	¥ –	¥ 15,697
Net income (loss)	–	–	–	387	–	–	–	–	387
Net change during the year	–	–	–	–	–	(34)	223	(1,208)	(1,019)
Net decrease in treasury stock	–	–	–	–	(1)	–	–	–	(1)
Deficit disposition	–	–	(887)	887	–	–	–	–	–
Other net	–	–	–	–	–	–	–	–	–
Balance as of March 31, 2014	51,926,194	¥ 6,762	¥ 9,108	¥ 1,788	¥ (1,721)	¥ 22	¥ 313	¥ (1,208)	¥ 15,064
				(Thousands of U.S. dollars)					
Balance as of April 1, 2013		$ 65,697	$ 97,118	$ 4,994	$ (16,715)	$ 547	$ 873	$ –	$ 152,514
Net income (loss)		–	–	3,761	–	–	–	–	3,761
Net change during the year		–	–	–	–	(335)	2,165	(11,737)	(9,907)
Net decrease in treasury stock		–	–	–	(5)	–	–	–	(5)
Deficit disposition		–	(8,624)	8,624	–	–	–	–	–
Other net		–	–	–	–	–	–	–	–
Balance as of March 31, 2014		$ 65,697	$ 88,494	$ 17,379	$ (16,720)	$ 212	$ 3,038	$ (11,737)	$ 146,363

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, 2014	Year ended March 31, 2013	Year ended March 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Operating activities:			
Income (loss) before income taxes and minority interest	¥ 543	¥ (1,217)	$ 5,281
Depreciation and amortization	1,359	1,424	13,208
Impairment loss	17	–	161
Amortization of goodwill	10	20	97
Increase (decrease) in allowance for doubtful accounts	30	(11)	295
Increase (decrease) in provision for retirement benefits	–	(301)	–
Increase (decrease) in net defined benefit liability	161	–	1,565
Interest and dividend income	(59)	(18)	(580)
Interest expense	148	170	1,442
Loss (gain) on sales of investment securities	(76)	–	(738)
Loss (gain) on sales of property, plant and equipment	(0)	(2)	(3)
Foreign exchange losses (gains)	(24)	(6)	(232)
Increase (decrease) in advances received	(461)	58	(4,477)
Decrease (increase) in notes and accounts receivable-trade	1,959	(444)	19,037
Decrease (increase) in inventories	(39)	48	(379)
Increase (decrease) in notes and accounts payable-trade	(174)	(2,340)	(1,691)
Increase (decrease) in accrued consumption taxes	36	(41)	349
Other, net	(26)	313	(256)
Subtotal	3,404	(2,347)	33,079
Interest and dividends received	60	18	578
Interest paid	(149)	(171)	(1,451)
Income taxes paid	(45)	(151)	(437)
Income taxes refund	–	98	–
Net cash (used in) provided by operating activities	3,270	(2,553)	31,769
Investment activities:			
Payments into time deposits	(10)	(12)	(100)
Proceeds from withdrawal of time deposits	14	–	139
Proceeds from sales of investment securities	171	–	1,666
Purchases of property, plant and equipment	(37)	(162)	(362)
Proceeds from sales of property, plant and equipment	3	4	27
Other, net	(202)	(141)	(1,961)
Net cash used in financing activities	(61)	(311)	(591)
Financing activities:			
Net increase (decrease) in short-term loans payable	(3,624)	1,941	(35,214)
Repayments of finance lease obligations	(107)	(191)	(1,044)
Proceeds from long-term loans payable	–	700	–
Repayments of long-term loans payable	–	(500)	–
Purchases of treasury stock	(1)	(0)	(5)
Net cash provided by (used in) financing activities	(3,732)	1,950	(36,263)
Effect of exchange rate change on cash and cash equivalents	207	124	2,012
Net increase (decrease) in cash and cash equivalents	(316)	(790)	(3,073)
Cash and cash equivalents at beginning of year	4,234	5,024	41,143
Cash and cash equivalents at end of year	¥ 3,918	¥ 4,234	$ 38,070

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

Shibaura Mechatronics Corporation and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2014

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, 2014 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 ¥ 102.92 = U.S. $ 1.00, the approximate rate of exchange in effect on March 31, 2014. 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.

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 intervening period between the year end of the subsidiaries and that of the Company.

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

(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.

(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)

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

(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.

(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 the 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.

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

(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. Prior service cost is amortized by the straight-line method over a period of 10 years, which is within the estimated average remaining years of service of the eligible 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.

(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.

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

(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.

(19) Adoption of consolidated taxation system

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

3. Accounting Changes

The Company adopted “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26 of May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the fiscal year ended March 31 , 2014. These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income. As a result of this change, a liability for retirement benefits was recognized in the amount of ¥6,172 million ($59,972 thousand) and accumulated other comprehensive income decreased by ¥1,208 million ($11,737 thousand) as of March 31, 2014, net assets per share decreased by ¥24.25 yen.

4. Investments in securities

At March 31, 2014 and 2013, marketable securities classified as other (available-for-sale) securities are summarized as follows:

	March 31 2014			March 31 2013			March 31, 2014		
	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
	(Millions of yen)			*(Millions of yen)*			*(Thousands of U.S. dollars)*		
Other securities whose market value recorded in the balance sheet exceed their acquisition costs:									
Equity securities	¥ 37	¥ 59	¥ 22	¥ 52	¥ 132	¥ 80	$ 357	$ 572	$ 215
Debt securities	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Total	¥ 37	¥ 59	¥ 22	¥ 52	¥ 132	¥ 80	$ 357	$ 572	$ 215
Other securities whose market value recorded in the balance sheet do not exceed their acquisition costs:									
Equity securities	–	–	–	59	56	(3)	–	–	–
Debt securities	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Total	–	–	–	59	56	(3)	–	–	–

At March 31, 2014 and 2013, non-marketable securities carried at cost are summarized as follows:

	March 31, 2014	March 31, 2013	March 31, 2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Investments in affiliates:			
Affiliates	¥ 52	¥ 52	$ 506
Other	1	1	6

At March 31, 2014, other securities sold are summarized as follows:

	March 31 2014			March 31 2014		
	Sales amount	Total gain on sales	Total loss on sales	Sales amount	Total gain on sales	Total loss on sales
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Shares	¥ 150	¥ 76	–	$ 1,458	$ 738	–
Bond	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	¥ 150	¥ 76	–	$ 1,458	$ 738	–

At March 31, 2013, other securities sold are summarized as follows:

Not applicable

5. Inventories

Inventories at March 31, 2014 and 2013 are summarized as follows:

	March 31,		March 31,
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Finished products	¥ 1,747	¥ 2,351	$ 16,979
Raw materials	156	196	1,513
Work in process	3,902	4,099	37,911
Total	¥ 5,805	¥ 6,646	$ 56,403

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, 2014 and 2013 were 1.1%.

Long-term debt at March 31, 2014 and 2013 are summarized as follows:

	March 31,		March 31,
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unsecured:			
1.24% to 1.28% loans from banks due 2014 to 2015	2,700	2,700	26,234
Lease obligations	180	284	1,749
Total	2,880	2,984	27,983
Less current portion	2,056	102	19,979
Long-term debt and lease obligations, net	¥ 824	¥ 2,882	$ 8,004

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

Aggregate annual maturities of long-term debt and lease obligations at March 31, 2014 are summarized as follows:

	March 31, 2014	
	(Millions of yen)	*(Thousands of U.S. dollars)*
2015	¥ 2,056	$ 19,979
2016	740	7,189
2017	35	341
2018 and thereafter	49	474
Total	¥ 2,880	$ 27,983

The Company entered into one-year contracts for commitment lines of credit with five banks in the aggregated amount of approximately ¥5,400 million ($52,468 thousand) for efficient financial arrangements for operating funds on July 25, 2013, out of which the balance of bank borrowings at March 31, 2014 is ¥200 million ($1,943 thousand).

7. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2014 and 2013 are as follows:

Year ended March 31,		Year ended March 31,
2014	**2013**	**2014**
(Millions of yen)		*(Thousands of U.S. dollars)*
¥ 1,726	¥ 1,805	$ 16,769

8. Income Taxes

The major components of deferred tax assets and liabilities as of March 31, 2014 and 2013 are summarized as follows:

	March 31,		March 31,
	2014	2013	2014
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Employees' retirement benefits	–	¥ 1,814	–
Net defined benefit liability	¥ 1,767	–	$ 17,172
Accrued employees' bonuses	319	336	3,096
Provision for contract losses	3	7	28
Accrual for periodic repairs	113	151	1,102
Enterprise tax payable	28	11	268
Tax loss carried forward	2,776	3,367	26,976
Other	855	709	8,308
Gross deferred tax assets	5,861	6,395	56,950
Valuation allowance	(4,849)	(5,406)	(47,112)
Total deferred tax assets	1,012	989	9,838
Deferred tax liabilities:			
Unrecognized holding gain on other securities	(1)	(22)	(11)
Other	(70)	(62)	(682)
Total deferred tax liabilities	(71)	(84)	(693)
Net deferred tax assets	¥ 941	¥ 905	$ 9,145

8. Income Taxes (continued)

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory rate of approximately 38.0% for the years ended March 31, 2014. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation

The reconciliation between the effective tax rates reflected in the consolidated statement of income and the effective statutory tax rate for the years ended March 31, 2014 and 2013 are summarized as follows:

	March 31,	
	2014	2013
Effective statutory tax rate	38.0%	Omitted since loss before income taxes and minority interests was recorded.
Effect of:		
Non-deductible expenses	5.9	
Change in valuation allowance	11.5	
Unrecognized deferred tax assets	(51.9)	
Inhabitants tax per capital	3.2	
Different tax rates applied to foreign consolidated subsidiaries	3.8	
Foreign tax	2.1	
Adjustments in deferred tax assets and liabilities due to the change in tax rate	10.6	
Other	5.6	
Effective tax rates	28.8	—

Adjustment of amounts of deferred tax assets and deferred tax liabilities due to change in tax rate for income taxes

In line with the promulgation on March 31, 2014 of the "Act on Partial Revision of the Income Tax Act, etc." (Act No.10), the corporate tax rate imposed on the Company and its domestic consolidated subsidiaries shall be amended from the year beginning April 1, 2014. As a result, the normal effective statutory tax rate, which is used in the calculation of deferred tax assets and deferred tax liabilities, has changed from 38.0% to 35.6% for temporary differences expected to be realized from the year beginning April 1, 2014.

The effect of this change was to reduce deferred tax assets (net of deferred tax liabilities) by ¥58 million ($560 thousand) and increase "Income taxes-deferred" by the same amount as of and for the year ended March 31, 2014, respectively.

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, 2014 and 2013:

	March 31, 2014	March 31, 2013	March 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars)
Valuation difference on other (available-for-sale) securities			
Amount arising during the year	¥ 20	¥ 42	$ 198
Reclassification adjustments for gains and losses included in net income	(76)	–	(738)
Amount before tax effect	(56)	42	(540)
Tax effect	21	(11)	205
Valuation difference on available-for-sale securities	(35)	31	(335)
Foreign currency translation adjustment			
Amount arising during the year	223	137	2,165
Reclassification adjustments for gains and losses included in net income	–	–	–
Amount before tax effect	223	137	2,165
Tax effect	–	–	–
Foreign currency translation adjustment	223	137	2,165
Total other comprehensive income	¥ 188	¥ 168	$ 1,830

10. Information on dividends

The Company paid cash dividends as follows:

Not applicable

Approval of dividends payments for which the record date is in the fiscal year and effective date is in the following fiscal year is planned as follows:

Date of board resolution	Class of stock	Total dividend amount	Source of dividends	Dividend per share	Reference date	Effective date
May 16, 2014	Common stock	¥ 98 million	Retained earnings	¥2.00	March 31, 2014	June 3, 2014

11. Retirement Benefits

(For the fiscal year ended March 31, 2014)

The Companies and its domestic consolidated subsidiaries 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 changes in the retirement benefit obligation during the year ended March 31, 2014 are as follows:

	Year ended March 31,	
	2014	**2014**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Retirement benefit obligations at April 1, 2013	¥ 7,728	$ 75,086
Service costs	313	3,038
Interest costs	154	1,502
Actuarial loss	572	5,554
Retirement benefit paid	(475)	(4,611)
Retirement benefit obligations at March 31, 2014	¥ 8,292	$ 80,569

The changes in plan assets during the year ended March 31,2014 are as follows:

	Year ended March 31,	
	2014	**2014**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Plan assets at April 1, 2013	¥ 2,676	$ 26,002
Expected return on plan assets	94	910
Actuarial loss	(35)	(344)
Contributions by the Company	289	2,813
Retirement benefit paid	(351)	(3,413)
Plan assets at March 31, 2014	¥ 2,673	$ 25,968

11. Retirement Benefits (continued)

The change in net defined benefit liability that calculated by the simplified method during the year ended March 31, 2014 are as follows:

	Year ended March 31,	
	2014	2014
	(Millions of yen)	*(Thousands of U.S. dollars)*
Net defined benefit liability at April 1, 2013	¥ 479	$ 4,650
Retirement benefit expense	182	1,769
Retirement benefit paid	(108)	(1,049)
Other	0	1
Net defined benefit liability at March 31, 2014	¥ 553	$ 5,371

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Year ended March 31,	
	2014	2014
	(Millions of yen)	*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 5,499	$ 53,434
Plan assets at fair value	(2,673)	(25,968)
	2,826	27,466
Unfunded retirement benefit obligation	3,346	32,506
Net liability for retirement benefits in the balance sheet	6,172	59,972
Liability for retirement benefits	6,172	59,972
Net liability for retirement benefits in the balance sheet	¥ 6,172	$ 59,972

Notes:

Net defined benefit liability calculated by the simplified method is included.

11. Retirement Benefits (continued)

The components of retirement benefit expense for the year ended March 31, 2014 are as follows:

	Year ended March 31, 2014 *(Millions of yen)*	Year ended March 31, 2014 *(Thousands of U.S. dollars)*
Service costs	¥ 313	$ 3,038
Interest costs	155	1,502
Expected return on plan assets	(94)	(910)
Amortization of actuarial gain (loss)	145	1,410
Amortization of prior service cost	(17)	(165)
Retirement benefit expense calculated by the simplified method	182	1,769
Retirement benefit expense for defined benefit plans	¥ 684	$ 6,644

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 are as follows:

	Year ended March 31, 2014 *(Millions of yen)*	Year ended March 31, 2014 *(Thousands of U.S. dollars)*
Unrecognized prior service cost	¥ (133)	$ (1,288)
Unrecognized actuarial loss	1,341	13,025
Total	¥ 1,208	$ 11,737

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 are as follows:

	Year ended March 31, 2014
Bonds	55.3%
General Accounts	43.4%
Other	1.3%
Total	100.0%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

11. Retirement Benefits (continued)

The assumptions used in accounting for the above plans were as follows:

	Year ended March 31, 2014
Discount rate	Mainly 1.44%
Long-term expected return on plan assets	Mainly 3.5%

At the end of the fiscal year ended March 31, 2014, the Company and subsidiaries revised the discount rate from 2.0%, which was applied at the beginning of the fiscal year, to 1.44% as the Company determined that the change in the discount rate would significantly affect the amount of the retirement benefit obligation, and therefore changed the discount rate to 1.44%.

(For the fiscal year ended March 31, 2013)

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:

	March 31, 2013
	(Millions of yen)
Projected benefit obligation	¥ (8,206)
Fair value of plan assets	2,676
Funded status	(5,530)
Unrecognized actuarial loss	879
Unrecognized prior service cost (Reduced obligation)	(150)
Prepaid pension cost	–
Allowance for retirement benefits	¥ (4,801)

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

11. Retirement Benefits (continued)

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

	Year ended March 31, 2013
	(Millions of yen)
Service cost	¥ 527
Interest cost on projected benefit obligation	183
Expected return on plan assets	(114)
Amortization of prior service cost	(17)
Amortization of actuarial loss	244
Extra retirement payments	758
Net periodic pension cost	¥ 1,581

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

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

	March 31, 2013
Actuarial cost method	Projected unit credit method
Discount rate	2.0 % per annum
Expected rate of return on plan assets	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)

12. Contingent Liabilities

The Company had the following contingent liability as of March 31, 2014:

	March 31, 2014	
	(Millions of yen)	*(Thousands of U.S. dollars)*
Guarantee for housing loans of employees	¥ 15	$ 142

13. 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.

At March 31, 2014 and 2013, 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 bowings.

Ⅰ. Derivative transactions which do not qualify for hedge accounting

Currency-rated transaction

Year ended March 31, 2014

Not applicable

13. Derivatives and Hedging Activities (continued)

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

Year ended March 31, 2014

Not applicable

Notes:

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

Ⅱ. Derivative transactions which qualify for hedge accounting

Interest-related transaction

		Year ended March 31, 2014		
Type of derivative transaction	**Principal Item Hedged**	**Contract Amount**	**Contract Amount Over 1 Year**	**Fair Value**
		(Millions of yen)		
Interest rate swap transaction Pay fixed/Receive variable	Long-term debt	¥ 2,700	¥ 700	¥ −

		Year ended March 31, 2013		
Type of derivative transaction	**Principal Item Hedged**	**Contract Amount**	**Contract Amount Over 1 Year**	**Fair Value**
		(Millions of yen)		
Interest rate swap transaction Pay fixed/Receive variable	Long-term debt	¥ 2,700	¥ 2,700	¥ −

		Year ended March 31, 2014		
Type of derivative transaction	**Principal Item Hedged**	**Contract Amount**	**Contract Amount Over 1 Year**	**Fair Value**
		(Thousands of U.S. dollars)		
Interest rate swap transaction Pay fixed/Receive variable	Long-term debt	$ 26,234	$ 6,801	$ −

Notes:

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

14. 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 costumer's default.
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.

14. Financial Instruments (continued)

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

Amounts as of March 31, 2014 and 2013 on the accompanying consolidated balance sheet fair value and variance are as follows.

	March 31, 2014		
	Carrying Value	Fair Value	Difference
		(Millions of yen)	
(1) Cash and bank deposits	¥ 3,987	¥ 3,987	¥ —
(2) Notes and accounts receivable, trade	23,209	23,209	—
(3) Electronically recorded monetary claims	1	1	—
(4) Investment securities: Other securities	60	60	—
(5) Notes and accounts payable, trade	(8,504)	(8,504)	—
(6) Short-term bank loans	(8,119)	(8,119)	—
(7) Current portion of long-term debt	(2,000)	(2,000)	—
(8) Long-term debt	(700)	(695)	5
(9) Other long-term liabilities	(3,057)	(2,267)	790

	March 31, 2013		
	Carrying Value	Fair Value	Difference
		(Millions of yen)	
(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) Long-term debt	(2,700)	(2,684)	16
(8) Other long-term liabilities	(3,057)	(2,312)	745
(9) Derivatives	24	24	—

14. Financial Instruments (continued)

	March 31, 2014		
	Carrying Value	Fair Value	Difference
	(Thousands of U.S. dollars)		
(1) Cash and bank deposits	$ 38,744	$ 38,744	$ —
(2) Notes and accounts receivable, trade	225,504	225,504	—
(3) Electronically recorded monetary claims	9	9	—
(4) Investment securities: Other securities	578	578	—
(5) Notes and accounts payable, trade	(82,624)	(82,624)	—
(6) Short-term bank loans	(78,881)	(78,881)	—
(7) Current portion of long-term debt	(19,433)	(19,433)	—
(8) Long-term debt	(6,801)	(6,754)	47
(9) Other long-term liabilities	(29,706)	(22,025)	7,681

(*)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, (7) Current portion of long –term debt

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.

(8) 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.

14. Financial Instruments (continued)

(9) 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.

(10) Derivatives transaction

See Note 13 for the detail of derivative transactions.

b) As non-marketable equity securities of ¥52 million ($506 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 ¥3,967 million ($38,542 thousand), Notes and accounts receivable, trade of ¥23,209 million ($225,504 thousand), Electronically recorded monetary claims of ¥1 million ($9 thousand) are due within one year subsequent to March 31, 2014 and Cash and bank deposits of ¥4,277 million, Notes and accounts receivable, trade of ¥24,546 million, Electronically recorded monetary claims of ¥527million are due within one year subsequent to March 31, 2013.

15. 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			
	March 31, 2013	Decrease	March 31, 2014	At March 31, 2014 Fair Value
	(Millions of yen)			
Rental property	¥ 6,524	¥ 228	¥ 6,296	¥ 6,343

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

	Carrying Amount			
	March 31, 2013	Decrease	March 31, 2014	At March 31, 2014 Fair Value
	(Thousands of U.S. dollars)			
Rental property	$ 63,388	$ 2,218	$ 61,170	$ 61,631

15. Investment in Rental Property (continued)

Notes:

a) The carrying amount on the consolidated balance sheet is determined at the amount of acquisition costs less accumulated depreciation and impairment loss.

b) Decrease represents depreciation during the year.

c) Fair value at March 31, 2014 and 2013 is internally determined by the Company based on the real-estate appraisal standard.

Information on Consolidated Statement of Operations

	Year ended March 31, 2014		
	Rental income	**Rental costs**	**Difference**
	(Millions of yen)		
Rental property	¥ 1,732	¥ 1,386	¥ 346

	Year ended March 31, 2013		
	Rental income	**Rental costs**	**Difference**
	(Millions of yen)		
Rental property	¥ 1,729	¥ 1,370	¥ 359

	Year ended March 31, 2014		
	Rental income	**Rental costs**	**Difference**
	(Thousands of U.S. dollars)		
Rental property	$ 16,827	$ 13,466	$ 3,361

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.

16. 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 & 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.

16. 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, 2014 and 2013 is summarized as follows:

	Year ended March 31, 2014				
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
			(Millions of yen)		
Sales					
Sales to external customers	¥ 21,231	¥ 9,832	¥2,138	¥ 1,964	¥ 35,165
Intersegment sales or transfers	22	155	3	–	180
Total sales	21,253	9,987	2,141	1,964	35,345
Segment income (loss)	1,081	(503)	31	398	1,007
Segment assets	24,895	11,317	1,559	6,816	44,587
Other					
Depreciation and amortization	579	370	46	364	1,359
Amortization of goodwill	10	–	–	–	10
Interest income	15	0	0	–	15
Interest expense	5	5	1	–	11
Increase in tangible and intangible fixed assets	862	269	13	52	1,196

	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

16. Segment Information (continued)

	Year ended March 31, 2014				
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
	(Thousands of U.S. dollars)				
Sales					
Sales to external customers	$ 206,283	$ 95,533	$ 20,777	$ 19,079	$ 341,672
Intersegment sales or transfers	216	1,508	26	–	1,750
Total sales	206,499	97,041	20,803	19,079	343,422
Segment income (loss)	10,505	(4,885)	303	3,863	9,786
Segment assets	241,887	109,955	15,145	66,231	433,218
Other					
Depreciation and amortization	5,627	3,599	447	3,535	13,208
Amortization of goodwill	97	–	–	–	97
Interest income	149	0	1	–	150
Interest expense	51	51	7	–	109
Increase in tangible and intangible fixed assets	8,373	2,615	128	502	11,618

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

a) Segment income

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2014
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Reporting segments	¥ 1,007	¥ 613	$ 9,786
Unallocated amounts	(306)	(406)	(2,970)
Other	(141)	(566)	(1,374)
Consolidated	¥ 560	¥ (359)	$ (5,442)

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.

16. Segment Information (continued)

b) Segment assets

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2014
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Reporting segments	¥ 44,587	¥ 47,281	$ 433,218
Unallocated amounts	3,015	3,486	29,292
Consolidated	¥ 47,602	¥ 50,767	$ 462,510

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, 2014					
	Reporting segments	Adjustment amount	Consolidated	Reporting segments	Adjustment amount	Consolidated
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Depreciation and amortization	¥ 1,359	¥ –	¥ 1,359	$ 13,208	$ –	$ 13,208
Amortization of goodwill	10	–	10	97	–	97
Interest income	15	1	16	150	4	154
Interest expense	11	137	148	109	1,333	1,442
Increase in tangible and intangible fixed assets	1,196	–	1,196	11,618	–	11,618

	Year ended March 31, 2013		
	Reporting segments	Adjustment amount	Consolidated
	(Millions of yen)		
Depreciation and amortization	¥ 1,424	¥ –	¥ 1,424
Amortization of goodwill	20	–	20
Interest income	13	1	14
Interest expense	13	157	170
Increase in tangible and intangible fixed assets	575	–	575

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.

16. Segment Information (continued)

(2) Information by geographical area

a) Sales

Year ended March 31, 2014			
Japan	Northeastern Asia	Other	Total
(Millions of yen)			
¥ 17,553	¥ 16,423	¥ 1,189	¥ 35,165

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

Year ended March 31, 2014			
Japan	Northeastern Asia	Other	Total
(Thousands of U.S. dollars)			
$ 170,551	$ 159,568	$ 11,553	$ 341,672

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

b) Tangible fixed assets

Year ended March 31, 2014		
Japan	Northeastern Asia	Total
(Millions of yen)		
¥ 11,650	¥ 7	¥ 11,657

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

Year ended March 31, 2014		
Japan	Northeastern Asia	Total
(Thousands of U.S. dollars)		
$ 113,198	$ 62	$ 113,260

16. Segment Information (continued)

c) Information by main customer

		Year ended March 31, 2014
		(Millions of yen)
Fine mechatronics and Mechatronics systems	Sales to Toshiba Company	¥ 4,439
Fine mechatronics and Mechatronics systems	Sales to HEFEI XINSHENG OPTOELECTRONICS TECHNOLOGY CO.,LTD	¥ 3,926

		Year ended March 31, 2013
		(Millions of yen)
Fine mechatronics and Mechatronics systems	Sales to Toshiba Company	¥ 3,369
Fine mechatronics and Mechatronics systems	Sales to HEFEI XINSHENG OPTOELECTRONICS TECHNOLOGY CO.,LTD	¥ 294

		Year ended March 31, 2014
		(Thousands of U.S. dollars)
Fine mechatronics and Mechatronics systems	Sales to Toshiba Company	$ 43,134
Fine mechatronics and Mechatronics systems	Sales to HEFEI XINSHENG OPTOELECTRONICS TECHNOLOGY CO.,LTD	$ 38,148

③ Impairment losses on fixed assets by reporting segment

	Year ended March 31, 2014				
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
			(Millions of yen)		
Balance as of March 31, 2014	¥ –	¥ 17	¥ –	¥ –	¥ 17

Balance as of March 31, 2013 Not applicable

	Year ended March 31, 2014				
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
			(Thousands of U.S. dollars)		
Balance as of March 31, 2014	$ –	$ 161	$ –	$ –	$ 161

16. Segment Information (continued)

④ Depreciation and remaining carrying value of goodwill by reporting segment

Balance as of March 31, 2014 Not applicable

	Year ended March 31, 2013				
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
			(Millions of yen)		
Balance as of March 31, 2013	¥ 10	¥ –	¥ –	¥ –	¥ 10

Balance as of March 31, 2014 Not applicable

⑤ Gain on negative goodwill by reporting segment

Gain on negative goodwill by reporting segment at March 31, 2014 and 2013 was not significant.

17. Non-cash Transactions

Lease assets and lease obligations recorded relating to lease transactions were ¥3 million ($34 thousand) and ¥3 million ($34 thousand), respectively for the year ended March 31, 2014 and ¥21 million and ¥21 million, respectively for the year ended March 31, 2013.

18. Selling, General and Administrative Expenses

For the years ended March 31, 2014 and 2013, major selling, general and administrative expenses are summarized as follows:

	March 31,		March 31,
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Packing and delivery expenses	¥ 96	¥ 59	$ 937
Sales commission	247	146	2,399
Advertising expenses	4	7	37
Employees' salaries and allowances	3,758	3,584	36,515
Provision for director's bonuses	23	—	223
Provision of allowance for doubtful accounts	48	8	470
Retirement benefit expenses	255	308	2,474
Provision for directors' retirement benefits	2	3	21
Depreciation	725	707	7,048
Rent expenses	114	108	1,105
Development and research expenses	1,725	1,805	16,756

19. Impairment losses

The major assets with respect to which impairment losses were recorded for the fiscal year ended March 31, 2014 are as follows.

Location	Use	Classification
Shibaura Hi-tech Corporation (Obama Fukui)	Idle assets	Buildings and equipment

The Companies mainly groups their assets by each operating division for the assets held and used at the Company, by each subsidiary for the assets held and used at subsidiaries and by each asset for idled assets with no plan to use.

The book values of above assets were written down to recoverable amounts due to following reasons: it was in idle condition, its future use was undetermined.
The Company recorded a loss on impairment of fixed assets of ¥17 million, the breakdown of which is as follows; "Buildings" -¥14 million and "Equipment" -¥3 million.

In addition, recoverable amounts is performed based on the memorandum value since no future cash flow can be expected.

20. Related Party Transactions

Toshiba Corporation held 39.1 % of the Company's voting rights as of March 31, 2014.

The Company sold semiconductor manufacturing equipment to Toshiba Corporation and received rent revenue from Toshiba Corporation. The aggregate amounts of these transactions were ¥4,439 million ($43,134 thousand) and ¥3,369 million for the years ended March 31, 2014 and 2013, respectively.

The Company purchased raw materials from Toshiba Corporation totaling ¥447 million ($4,343 thousand) and ¥198 million for the year ended March 31, 2014 and 2013, respectively.

Amounts due from and to Toshiba Corporation at March 31, 2014 and 2013 were as follows:

	March 31,		March 31,
	2014	2013	2014
	(Millions of yen)		*(Thousands of U.S. dollars)*
Due from Toshiba Corporation	¥ 1,346	¥ 587	$ 13,080
Due to Toshiba Corporation	3,269	3,281	31,767

21. 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.

	Year ended March 31,		Year ended March 31,
	2014	2013	2014
	(Yen)		(U.S. dollars)
Net income (loss):			
– Basic	¥ 7.83	¥ (28.66)	$ 0.08
Net assets	304.87	317.68	2.96

Notes:

The information regarding diluted net income per share for the years ended 2014 and 2013 is omitted because of no stock with dilutive effect.

As stated in “Changes in method of accounting” the Company applies the accounting standard and guidance for retirement benefits and follows the transitional treatment as provided for in Item 37 of the Accounting Standard for Retirement Benefits.
This change decreased net assets per share by 24.25 yen for the current fiscal year.

Other Information

Shibaura Mechatronics Corporation

Non-Consolidated Balance Sheet

	March 31, 2014	March 31, 2013	March 31, 2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Assets			
Current assets:			
Cash and bank deposits	¥ 1,704	¥ 2,093	$ 16,559
Notes and accounts receivable, trade:			
Notes	24	193	234
Electronically recorded monetary claims	1	527	9
Accounts	19,967	21,350	194,001
Allowance for doubtful accounts	(613)	(595)	(5,953)
Inventories	4,859	5,359	47,209
Deferred tax assets	501	606	4,866
Short-term loans receivable from subsidiaries and affiliates	1,846	1,796	17,933
Other current assets	1,827	1,277	17,755
Total current assets	30,116	32,606	292,613
Property, plant and equipment:			
Land	69	69	668
Buildings and structures	27,840	27,824	270,497
Machinery and equipment	2,565	2,136	24,922
Leased assets	89	243	867
Construction in progress	646	207	6,280
Total	31,209	30,479	303,234
Accumulated depreciation	(19,996)	(19,196)	(194,288)
Property, plant and equipment, net	11,213	11,283	108,946
Investments and other assets:			
Investments in securities	59	159	578
Investments in subsidiaries and affiliates	372	372	3,618
Deferred tax assets	187	73	1,821
Intangible assets	612	642	5,941
Other assets	298	310	2,897
Allowance for doubtful accounts	(0)	(8)	(3)
Total investments and other assets	1,528	1,548	14,852
Total assets	¥ 42,857	¥ 45,437	$ 416,411

	March 31, 2014	March 31, 2013	March 31, 2014
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Liabilities and net assets			
Current liabilities:			
Short-term bank loans	¥ 7,518	¥ 11,260	$ 73,051
Current portion of long-term debt	2,000	—	19,433
Notes and accounts payable:			
Notes	1,794	1,573	17,433
Accounts	5,210	4,960	50,618
Advances received	283	712	2,749
Lease obligations	15	46	141
Provision for director's bonuses	23	—	223
Provision for contract losses	8	17	78
Accrued expenses	2,003	1,919	19,463
Accrued income taxes	126	41	1,222
Other current liabilities	183	113	1,780
Total current liabilities	19,163	20,641	186,191
Long-term liabilities:			
Long-term debt	700	2,700	6,801
Lease obligations	18	33	175
Long-term accounts payable-other	19	22	189
Provision for retirement benefits	4,412	4,323	42,863
Reserve for repair and maintenance	403	450	3,918
Other long-term liabilities	3,057	3,057	29,706
Asset retirement obligations	21	20	203
Total long-term liabilities	8,630	10,605	83,855
Total liabilities	27,793	31,246	270,046
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized: 100,000,000 shares			
Issued: 51,926,194 shares at March 31, 2014 and 2013	6,761	6,761	65,696
Additional paid-in capital	9,108	9,995	88,494
Retained earnings	895	(887)	8,690
Less treasury stock, at cost	(1,721)	(1,720)	(16,719)
Total shareholders' equity	15,043	14,149	146,161
Valuation and translation adjustments:			
Net unrealized holding gain on other securities	21	42	204
Total net assets	15,064	14,191	146,365
Total liabilities and net assets	¥ 42,857	¥ 45,437	$ 416,411

Other Information

Shibaura Mechatronics Corporation

Non-Consolidated Statement of Operations

	Year ended March 31, 2014	2014	Year ended March 31, 2014
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Net sales	¥ 26,227	¥ 21,906	$ 254,824
Cost of sales	20,646	17,266	200,598
Gross profit	5,581	4,640	54,226
Selling, general and administrative expenses	5,575	5,272	54,169
Operating income (loss)	6	(632)	57
Other income (expenses):			
Interest and dividend income	732	523	7,111
Interest expense	(137)	(157)	(1,332)
Business advisory fee	299	245	2,909
Foreign exchange loss ,net	(107)	(467)	(1,039)
Other, net	80	235	776
Ordinary income (loss)	873	(253)	8,482
Business structure improvement expenses	—	(582)	—
Loss on valuation of subsidiaries' stock	—	(154)	—
Provision of allowance for doubtful accounts for subsidiaries and affiliates	—	(82)	—
Loss before income taxes	873	(1,071)	8,482
Income taxes:			
Current	(26)	(16)	(250)
Refund of income taxes	—	(98)	—
Deferred	5	222	43
	(21)	108	(207)
Net income (loss)	¥ 894	¥ (1,179)	$ 8,689
	(Yen)		(U.S. dollars)
Per share of common stock:			
Net income (loss)	¥ 18.10	¥ (23.86)	$ 0.18
Cash dividends applicable to the year	2.00	0.00	0.02

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Building a better working world

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, 2014, 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, 2014, 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 19, 2014

Board of Directors

As of June 19, 2014

Directors

Shigeki Fujita

President and Chief Executive Officer

Makoto Fujino

Senior Vice President

Executive General Manager of
Fine Mechatronics Division

Hitoshi Dojima

Senior Vice President

Executive General Manager of
Corporate Management Division

Yoshitsugu Ogawa

Senior Vice President

Deputy Executive General Manager of
Fine Mechatronics Division

Satoru Hara

Vice President

Executive General Manager of
Technology & Development Division
General Manager of Quality
Assurance Division

Takashi Nozawa

Vice President

Deputy Executive General Manager of
Mechatronics System Division

Keigo Imamura

Vice President

Executive General Manager of
Production & Procurement Division

Hisashi Shindo

Vice President

Deputy Executive General Manager of
Mechatronics System Division

Auditors

Yoshimi Sekiya

Auditor

Hideo Kitamura

Auditor

Sennosuke Yoshida

Auditor

Investor Information

As of March 31, 2014

Date Established	October 12, 1939
Capital	6,761Million-Yen
Number of Employees	Consolidated : 1,210
Common Stock	Authorized : 100,000,000 shares Issued and outstanding : 51,926,194 shares
Number of Shareholders	6,669
Stock Listings	The Tokyo Stock Exchange (Code : 6590)
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
Independent Auditor	ERNST & YOUNG SHINNIHON LLC
Headquarters	2-5-1, Kasama, Sakae-ku, Yokohama, Kanagawa Pref. 247-8610, Japan TEL : +81-45-897-2421 FAX : +81-45-897-2470 http://www.shibaura.co.jp/

Common Stock Price Range (The Tokyo Stock Exchange)

	Year ended March 31,				
	2014	2013	2012	2011	2010
High (yen)	333	252	344	508	472
Low (yen)	181	112	191	162	244

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)	1,108	2.2
The Master Trust Bank of Japan, Limited (trust accounts)	1,066	2.2

SHIBAURA MECHATRONICS CORPORATION

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