SHIBAURA

ANNUAL REPORT 2015

Year ended March 31, 2015

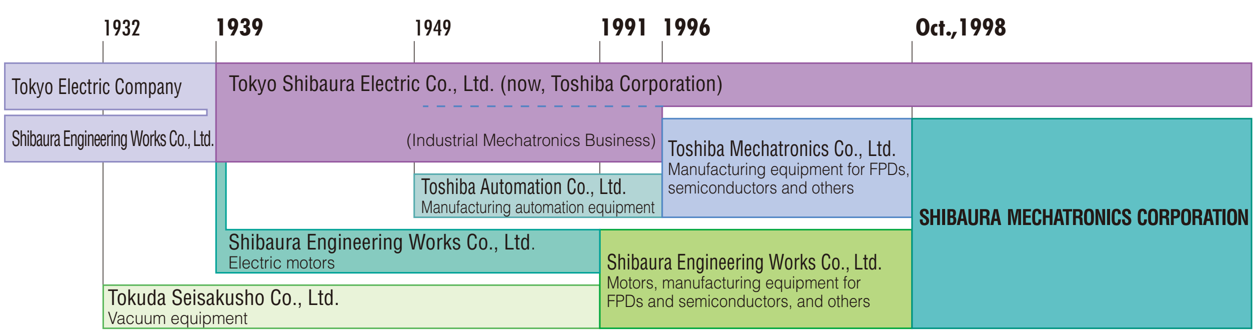
SHIBAURA MECHATRONICS CORPORATION

ANNUAL REPORT 2015

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.
In 2014, we introduced a new corporate slogan, Smart Solutions & Services for Your Manufacturing. This highlights the three esses on which we rely –Smart, Solutions and Services – as we continue to produce excellent products and solutions for our customers.
*FPDs : flat panel displays

History



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Forward-Looking Statements

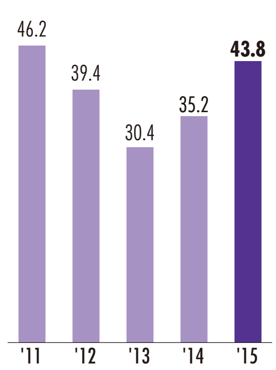
This annual report contains forward-looking statements concerning Shibaura Mechatronics' future plans, strategies and performance. These forward-looking statements are not historical facts, rather they represent assumptions and beliefs based on data currently available. Furthermore, they are subject 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

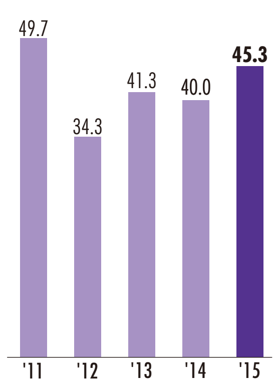
Consolidated	Year ended March 31, 2015	2014	2013	2012	2011	Year ended March 31, 2015
	(Millions of yen)					(Thousands of U.S. dollars) (Note 1)
Net sales	¥ 43,799	¥ 35,165	¥ 30,400	¥ 39,360	¥ 46,246	$ 364,477
Orders received	45,300	40,000	41,300	34,300	49,700	377,000
Operating income (loss)	1,022	736	60	(370)	743	8,503
Net income (loss)	697	387	(1,416)	(394)	486	5,801
Depreciation and amortization	1,271	1,359	1,424	1,503	1,765	10,581
Capital expenditures	797	1,195	575	1,120	1,154	6,632
R&D expenses	1,856	1,726	1,805	2,064	2,110	15,446
Total assets	54,720	47,602	50,767	52,943	54,250	455,356
Net assets	16,058	15,064	15,697	16,948	17,492	133,627
	(yen)					(U.S. dollars)
Net income (loss) per share	¥ 14.11	¥ 7.83	¥ (28.66)	¥ (7.98)	¥ 9.83	$ 0.12
Number of employees	1,174	1,210	1,285	1,496	1,532	1,174

Note 1 : The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥102.17 = U.S.$1.00, as of March 31, 2015.

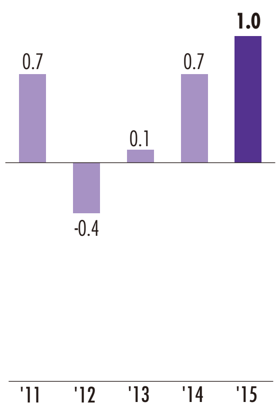
Net Sales
(¥Billions)



Orders Received
(¥Billions)



Operating Income (loss)
(¥Billions)



Net Income (loss)
(¥Billions)

Smart Solutions & Services for Your Manufacturing

To Our Shareholders

Achieve significant growth by “accelerating business restructuring and strengthening management”

In fiscal year 2014’s economic environment, we saw a slowdown overseas in the Chinese economy, while in Japan the marked depreciation of the yen supported a slow but steady recovery.

Shibaura Mechatronics Group enjoyed a positive business environment. In the LCD panel business, we continued to see orders of equipment for large panels. Added to this, we also saw an increase in orders of equipment for small- to medium-sized panels for use in mobile devices, such as smartphones and tablets.

In the semiconductor business, we say received more orders from cutting-edge business areas, including foundries and manufacturers of memories.

As a result of the foregoing, in fiscal year 2014 we secured consolidated net sales of 43,799 million yen, consolidated operating income of 1,022 million yen, and consolidated net income of 697 million yen.

When we consider business prospects for fiscal year 2015, we anticipate that the yen will remain weak and expect a sustained recovery in the domestic economy. While we cannot ignore the risk of an extended slowdown in China’s economic growth, but we nonetheless expect to see continued new capital investments in the LCD panel and semiconductor businesses.

In the LCD panel market, the pace of new capital investments in large panels has eased, but the other side of the coin is that investments in small- and medium-sized panels are expected to increase. We will make every effort to use our core technologies to further boost investments in these growth areas.

In the semiconductor market, we expect investments in cutting edge fields, such as foundries and memory manufacturers, to remain robust. We aim to win more order through technological innovation.

Shibaura Mechatronics Group will seek to increase sales revenues by reinforcing sales activities in growth areas. As we do so we will make efforts to raise profit through sustained efforts towards cost restructuring.

Shigeki Fujita
President and Chief Executive Officer

S. Fujita

Results Summary

In FY2014 Shibaura Mechatronics recorded orders received of 45,300 million yen (a year-on-year increase of 13.3%), net sales of 43,799 million yen (a year-on-year increase of 24.6%), operating income of 1,022 million yen (a year-on-year increase of 38.8%), an ordinary income of 1,138 million yen (a year-on-year increase of 103.2%), and a net income of 697 million yen (a year-on-year increase of 80.1%).
The Results for each business segment were as follows:

1. Fine Mechatronics Segment

The segment recorded net sales of 23,145 million yen (a year-on-year increase of 9.0%) and a loss of 481 million yen (against income of 1,081 million yen in the previous fiscal year).

In the LCD panel front-end process, orders for large sized panels eased slightly, while orders for small- and medium-sized panels increased significantly. Overall, net orders increased and sales remained largely constant.

In the semiconductor front-end process, the number of orders and net sales in cutting-edge technology areas, including foundries and memory makers, has shown a notable increase.

However, operating costs increased due to losses incurred from delays in upgrading the supply chain during periods of concentrated production. Moreover, devaluation of the yen made it difficult to realize plans for securing materials at lower costs, and as a result contributed to an increase in operating costs.

2. Mechatronics Systems Segment

The segment recorded net sales of 16,903 million yen (a year-on-year increase of 71.9%), and income of 1,321 million yen (against a loss of 503 million yen in the previous fiscal year).

In the LCD panel back-end process, orders and sales for large-sized panels and small- to medium- sized panels showed a marked increase. In the semiconductor back-end process, both orders and sales recorded a modest increase.

3. Vending Machines and Systems Segment

The segment recorded net sales of 1,786 million yen (a year-on-year fall of 16.5%), and income of 29 million yen (a year-on-year fall of 6.8%).

Sales declined on lower demand for large volume customer-friendly ticket vending machines. This decline in sales was reflected in lower segment profit.

4. Real Estate Leasing Segment

Real estate rental income increased as anticipated, and rhe segment recorded net sales of 1,965 million yen (a year-on-year increase of 0.1%) and income of 451 million yen (a year-on-year increase of 13.3%).

Research and Development Expenses

The Shibaura Mechatronics Group as a whole recorded research and development costs of 1,856 million yen (including development costs of 329 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 by strengthening our relations and collaboration with Toshiba Corporation’s Research and Development Center and Manufacturing Engineering Center and Toshiba Corporation Semiconductor & Storage Products Company.
Research and development expenses and research results for each segment are as follows:

1. Fine Mechatronics Segment

R&D expenses for the segment totaled 765 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 in next generation devices, single wafer wet processor and dry etching equipment for masks.

2. Mechatronics Systems Segment

R&D expenses for the segment totaled 637 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 expenses for the segment totaled 123 million yen.

In vending machines, we are promoting the development and popularization of ticket vendors that support ten thousand yen notes, and general purpose machines equipped with freely adjustable column specifications. On top of this, we are entering new areas, such as development of charging machines for House credit cards.

Financial Condition

Total assets at the end of the fiscal year were 54,720 million yen, an increase of 7,118 million yen compared to the end of the previous fiscal year.

Current assets were evaluated at 42,218 million yen, an increase of 7,676 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in notes and accounts receivable-trade.

Fixed assets were evaluated at 12,502 million yen, a reduction of 557 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in tangible fixed assets as a result of depreciation and amortization, etc.

Total liabilities at the end of the fiscal year stood at 38,662 million yen, an increase of 6,124 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in notes and accounts payable-trade.

Total net assets at the end of the fiscal year were 16,058 million yen, an increase of 994 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in adjustments incurred in respect or retirement benefits and the calculation of current net profits.

Cash Flows

The balance of cash and cash equivalents at the end of the current fiscal year was 4,196 million yen, an increase of 278 million yen compared to the end of the last fiscal year.

Cash flow from operating activities decreased by 750 million yen during the fiscal year (against an increase of 3,270 million in the previous fiscal year). This was mainly due to a decrease in funds as a result of an increase in accounts receivable.

Cash flow from investment activities fell by 278 million yen during the fiscal year (against a fall of 61 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 increased by 1,245 million yen during the fiscal year (against a fall of 3,732 million in the previous fiscal year). This was mainly due to an increase in funds as a result of an increase in long-term borrowing.

FINANCIAL SECTION

ANNUAL REPORT 2015 Year ended March 31, 2015

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Shibaura Mechatronics Corporation and Subsidiaries

Consolidated Balance Sheet

	March 31, 2015	March 31, 2014	March 31, 2015
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Assets			
Current assets:			
Cash and bank deposits *(Notes 13)*	¥ 4,214	¥ 3,987	$ 35,065
Notes and accounts receivable, trade *(Note 13)*	30,568	23,209	254,370
Electronically recorded monetary claims *(Note 13)*	322	1	2,684
Allowance for doubtful accounts	(37)	(94)	(311)
Inventories *(Note 4)*	4,748	5,805	39,515
Deferred tax assets *(Note 7)*	649	707	5,398
Accounts receivable, other	1,222	582	10,168
Other current assets	532	345	4,429
Total current assets	42,218	34,542	351,318
Property, plant and equipment:			
Land *(Note 14)*	119	119	993
Buildings and structures *(Note 14)*	28,276	28,443	235,299
Machinery and equipment	3,670	2,995	30,539
Leased assets	370	457	3,078
Construction in progress	525	646	4,370
Total	32,960	32,660	274,279
Accumulated depreciation	(21,757)	(21,003)	(181,049)
Property, plant and equipment, net	11,203	11,657	93,230
Investments and other assets:			
Investments in securities *(Notes 3 and 13)*	125	112	1,043
Deferred tax assets *(Note 7)*	218	234	1,811
Other assets	958	1,059	7,969
Allowance for doubtful accounts	(2)	(2)	(15)
Total investments and other assets	1,299	1,403	10,808
Total assets	¥ 54,720	¥ 47,602	$ 455,356

	March 31, 2015	March 31, 2014	March 31, 2015
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Liabilities and net assets			
Current liabilities:			
Short-term bank loans *(Notes 5 and 13)*	¥ 5,720	¥ 8,119	$ 47,599
Current portion of long-term debt *(Notes 5 and 13)*	700	2,000	5,825
Notes and accounts payable, trade *(Note 13)*	12,619	8,504	105,005
Provision for contract losses	21	8	176
Current portion of lease obligations *(Note 5)*	39	56	325
Advances received	542	393	4,511
Accrued expenses	2,814	2,190	23,416
Accrued income taxes *(Note 7)*	206	190	1,713
Asset retirement obligations	—	11	—
Provision for directors' bonuses	23	23	191
Other current liabilities	463	521	3,855
Total current liabilities	23,147	22,015	192,616
Long-term liabilities:			
Long-term debt *(Notes 5 and 13)*	5,800	700	48,265
Net defined benefit liability *(Notes 10)*	6,135	6,172	51,051
Lease obligations *(Note 5)*	84	124	699
Long-term accounts payable-other	4	19	39
Provision for directors' retirement benefits	12	14	100
Reserve for repair and maintenance	374	403	3,112
Asset retirement obligations	34	34	283
Long-term lease deposits *(Note 13)*	3,072	3,057	25,564
Total long-term liabilities	15,515	10,523	129,113
Total liabilities	38,662	32,538	321,729
Contingent liabilities *(Note 11)*			
Net assets:			
Shareholders' equity:			
Capital stock:			
Authorized: 100,000,000 shares			
Issued: 51,926,194 shares at March 31, 2015 and 2014	6,762	6,762	56,266
Capital surplus	9,108	9,108	75,791
Retained earnings	2,387	1,788	19,863
Less treasury stock, at cost	(1,722)	(1,721)	(14,325)
Total shareholders' equity	16,535	15,937	137,595
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	32	22	268
Foreign currency translation adjustments	401	313	3,339
Remeasurements of defined benefit plans	(910)	(1,208)	(7,575)
Total valuation and translation adjustments	(477)	(873)	(3,968)
Total net assets	16,058	15,064	133,627
Total liabilities and net assets	¥ 54,720	¥ 47,602	$ 455,356

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, 2015	Years ended March 31, 2014	Year ended March 31, 2015
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales	¥ 43,799	¥ 35,165	$ 364,477
Cost of sales *(Notes 4,6 and 14)*	34,387	26,891	286,156
Gross profit	9,412	8,274	78,321
Selling, general and administrative expenses *(Notes 6,10 and 17)*	8,390	7,538	69,818
Operating income	1,022	736	8,503
Other income (expenses):			
Interest and dividend income	15	59	125
Gain on sales of investment securities	—	76	—
Insurance premiums refunded cancellation	17	42	139
Foreign exchange income(loss), net	364	(112)	3,031
Interest expense	(151)	(148)	(1,255)
Loss on valuation of derivatives	(165)	—	(1,370)
Other, net	36	(93)	300
Ordinary income	1,138	560	9,473
Business structure improvement expenses *(Note 18)*	(93)	—	(773)
Environmental expenses	(71)	—	(597)
Impairment loss *(Note 19)*	—	(17)	—
Income before income taxes and minority interest	974	543	8,103
Income taxes *(Note 7)*:			
Current	204	167	1,695
Deferred	73	(11)	607
	277	156	2,302
Income before minority interest	697	387	5,801
Net income	¥ 697	¥ 387	$ 5,801

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, 2015	Years ended March 31, 2014	Year ended March 31, 2015
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net income before minority interests	¥ 697	¥ 387	$ 5,801
Other comprehensive income: (Note 8)			
Valuation difference on available-for-sale securities	10	(35)	86
Remeasurements of defined benefit plans	298	—	2,478
Foreign currency translation adjustments	89	223	737
Total other comprehensive income	397	188	3,301
Comprehensive income	¥ 1,094	¥ 575	$ 9,102
(Breakdown)			
Comprehensive income attributable to owners of the parent	1,094	575	9,102

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	Remeasure ments of defined benefit plans	
				(Millions of yen)					
Balance as of April 1, 2013	51,926,194	6,762	9,995	514	(1,720)	56	90	—	15,697
Net income	–	–	–	387	–	–	–	–	387
Dividends of surplus (Note 9)	–	–	–	–	–	–	–	–	–
Net change during the year	–	–	–	–	–	(34)	223	(1,208)	(1,019)
Purchase of treasury shares	–	–	–	–	(1)	–	–	–	(1)
Deficit disposition	–	–	(887)	887	–	–	–	–	–
Other net	–	–	–	–	–	–	–	–	–
Balance as of April 1, 2014	51,926,194	¥ 6,762	¥ 9,108	¥ 1,788	¥ (1,721)	¥ 22	¥ 313	¥ (1,208)	¥ 15,064
Net income	–	–	–	697	–	–	–	–	697
Dividends of surplus (Note 9)	–	–	–	(98)	–	–	–	–	(98)
Net change during the year	–	–	–	–	–	10	88	298	396
Purchase of treasury shares	–	–	–	–	(1)	–	–	–	(1)
Deficit disposition	–	–	–	–	–	–	–	–	–
Other net	–	–	–	–	–	–	–	–	–
Balance as of March 31, 2015	51,926,194	¥ 6,762	¥ 9,108	¥ 2,387	¥ (1,722)	¥ 32	¥ 401	¥ (910)	¥ 16,058
				(Thousands of U.S. dollars)					
Balance as of April 1, 2014		$ 56,266	$ 75,791	$14,884	$ (14,319)	$ 182	$ 2,602	$ (10,053)	$ 125,353
Net income		–	–	5,801	–	–	–	–	5,801
Dividends of surplus (Note 9)		–	–	(822)	–	–	–	–	(822)
Net change during the year		–	–	–	–	86	737	2,478	3,301
Purchase of treasury shares		–	–	–	(6)	–	–	–	(6)
Deficit disposition		–	–	–	–	–	–	–	–
Other net		–	–	–	–	–	–	–	–
Balance as of March 31, 2015		$ 56,266	$ 75,791	$ 19,863	$ (14,325)	$ 268	$ 3,339	$ (7,575)	$ 133,627

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, 2015	Year ended March 31, 2014	Year ended March 31, 2015
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Operating activities:			
Income before income taxes and minority interest	¥ 974	¥ 543	$ 8,103
Depreciation and amortization	1,271	1,359	10,581
Impairment loss	—	17	—
Amortization of goodwill	—	10	—
Increase (decrease) in allowance for doubtful accounts	(58)	30	(485)
Increase (decrease) in net defined benefit liability	259	161	2,159
Interest and dividend income	(15)	(59)	(125)
Interest expense	151	148	1,255
Loss (gain) on sales of investment securities	—	(76)	—
Loss (gain) on sales of property, plant and equipment	(0)	(0)	(0)
Foreign exchange losses (gains)	17	(24)	145
Increase (decrease) in advances received	138	(461)	1,149
Decrease (increase) in notes and accounts receivable-trade	(7,638)	1,959	(63,564)
Decrease (increase) in inventories	521	(39)	4,334
Increase (decrease) in notes and accounts payable-trade	4,639	(174)	38,607
Increase (decrease) in accrued consumption taxes	81	36	670
Other, net	(758)	(26)	(6,304)
Subtotal	(418)	3,404	(3,475)
Interest and dividends received	15	60	122
Interest paid	(147)	(149)	(1,222)
Income taxes paid	(200)	(45)	(1,666)
Net cash (used in) provided by operating activities	(750)	3,270	(6,241)
Investment activities:			
Payments into time deposits	(0)	(10)	(0)
Proceeds from withdrawal of time deposits	52	14	436
Proceeds from sales of investment securities	—	171	—
Purchases of property, plant and equipment	(218)	(37)	(1,814)
Proceeds from sales of property, plant and equipment	1	3	6
Other, net	(113)	(202)	(943)
Net cash used in investment activities	(278)	(61)	(2,315)
Financing activities:			
Net increase (decrease) in short-term loans payable	(2,398)	(3,624)	(19,959)
Repayments of finance lease obligations	(57)	(107)	(475)
Proceeds from long-term loans payable	5,800	–	48,265
Repayments of long-term loans payable	(2,000)	–	(16,643)
Purchases of treasury stock	(1)	(1)	(6)
Cash dividends paid	(99)	—	(822)
Net cash provided by (used in) financing activities	1,245	(3,732)	10,360
Effect of exchange rate change on cash and cash equivalents	61	207	508
Net increase (decrease) in cash and cash equivalents	278	(316)	2,312
Cash and cash equivalents at beginning of year	3,918	4,234	32,605
Cash and cash equivalents at end of year	¥ 4,196	¥ 3,918	$ 34,917

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

Shibaura Mechatronics Corporation and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2015

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, 2015 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 ¥ 120.17 = U.S. $ 1.00, the approximate rate of exchange in effect on March 31, 2015. 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) Foreign currency translation

The revenue and expense accounts of the overseas consolidated subsidiaries are translated into Japanese yen at the average rate of exchange in effect during each fiscal year. The balance sheet accounts, except for the components of shareholders' equity, are also translated into Japanese yen at the rate of exchange in effect at each 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 rate of exchange 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.

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

(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.

(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.

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

(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 probable 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 fair value of the pension plan assets at of the balance sheet date. The retirement benefit obligation for employees is attributed to each period by the straight-line attribution method. 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. Investments in securities

At March 31, 2015 and 2014, marketable securities classified as other (available-for-sale) securities are summarized as follows:

	March 31						March 31, 2015		
	2015			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	¥72	¥ 35	¥ 37	¥ 59	¥ 22	$308	$604	$296
Debt securities	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Total	¥ 37	¥ 72	¥35	¥ 37	¥ 59	¥ 22	$ 308	$ 604	$ 296

At March 31, 2015 and 2014, non-marketable securities carried at cost are summarized as follows:

	March 31, 2015	March 31, 2014	March 31, 2015
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in affiliates:			
Affiliates	¥ 52	¥ 52	$ 434
Other	1	1	5

At March 31, 2015, other securities sold are summarized as follows:

Not applicable

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

	March 31 2014		
	Sales amount	Total gain on sales	Total loss on sales
		(Millions of yen)	
Shares	¥ 150	¥ 76	—
Bond	—	—	—
Other	—	—	—
Total	¥ 150	¥ 76	—

4. Inventories

Inventories at March 31, 2015 and 2014 are summarized as follows:

	March 31, 2015	March 31, 2014	March 31, 2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Finished products	¥ 1,440	¥ 1,747	$ 11,986
Raw materials	159	156	1,323
Work in process	3,149	3,902	26,206
Total	¥ 4,748	¥ 5,805	$ 39,515

Inventories as of March 31, 2015 and 2014 were written down due to lower profitability and unrealized loss on inventories included in cost of sales in the amount of ¥679 million ($5,647 thousand) and ¥208 million, respectively.

5. 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, 2015 and 2014 were 1.0%.

Long-term debt at March 31, 2015 and 2014 are summarized as follows:

	March 31, 2015	March 31, 2014	March 31, 2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unsecured:			
0.8% to 1.3% loans from banks due 2015 to 2020	6,500	2,700	54,090
Lease obligations	123	180	1,024
Total	6,623	2,880	55,114
Less current portion	739	2,056	6,150
Long-term debt and lease obligations, net	¥ 5,884	¥ 824	$ 48,964

Aggregate annual maturities of long-term debt and lease obligations at March 31, 2015 are summarized as follows:

	March 31, 2015 (Millions of yen)	March 31, 2015 (Thousands of U.S. dollars)
2016	¥ 739	$ 6,150
2017	35	293
2018	836	6,952
2019 and thereafter	5,013	41,719
Total	¥ 6,623	$ 55,114

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

The Company entered into one-year contracts for commitment lines of credit with five banks in the aggregated amount of approximately ¥5,400 million ($44,936 thousand) for efficient financial arrangements for operating funds on July 31, 2014. Out of which the balance of bank borrowings at March 31, 2015 is zero.

6. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2015 and 2014 are as follows:

Year ended March 31,		Year ended March 31,
2015	2014	2015
(Millions of yen)		*(Thousands of U.S. dollars)*
¥ 1,856	¥ 1,726	$ 15,446

7. Income Taxes and Deferred Tax Assets

The major components of deferred tax assets and liabilities as of March 31, 2015 and 2014 are summarized as follows:

	March 31,		March 31,
	2015	2014	2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Net defined benefit liability	¥ 1,734	¥ 1,767	$ 14,428
Accrued employees' bonuses	327	319	2,719
Provision for contract losses	7	3	58
Accrual for periodic repairs	98	113	813
Enterprise tax payable	32	28	265
Tax loss carried forward	1,949	2,776	16,224
Other	1,133	855	9,431
Gross deferred tax assets	5,280	5,861	43,938
Valuation allowance	(4,337)	(4,849)	(36,090)
Total deferred tax assets	943	1,012	7,848
Deferred tax liabilities:			
Unrecognized holding gain on other securities	(4)	(1)	(35)
Other	(72)	(70)	(604)
Total deferred tax liabilities	(76)	(71)	(639)
Net deferred tax assets	¥ 867	¥ 941	$ 7,209

7. Income Taxes and Deferred Tax Assets (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 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively. 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, 2015 and 2014 are summarized as follows:

	March 31,	
	2015	2014
Effective statutory tax rate	35.6%	38.0%
Effect of:		
Non-deductible expenses	3.0	5.9
Change in valuation allowance	(27.0)	(40.4)
Inhabitants tax per capital	1.3	3.2
Different tax rates applied to foreign consolidated subsidiaries	1.3	3.8
Foreign tax	4.2	2.1
Adjustments in deferred tax assets and liabilities due to the change in tax rate	9.1	10.6
Other	0.9	5.6
Effective tax rates	28.4%	28.8%

Adjustment to deferred tax assets and deferred tax liabilities due to changes in statutory tax rates.

In line with the promulgation on March 31, 2015 of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No.9 of 2015) and "Act for Partial Amendment of the Local Tax Act, etc." (Act No.2 of 2015), the corporate income tax rate will be lowered from fiscal years beginning on or after April 1, 2015.

As a result, for temporary differences expected to be reversed in the fiscal year beginning on or after April 1, 2015, the effective statutory tax rate used to measure deferred tax assets and liabilities will be changed from 35.6% to 33.1%. In addition for temporary differences expected to be reversed in fiscal years beginning on or after April 1, 2016, the effective statutory tax rate used to measure deferred tax assets and liabilities will be changed to 32.3%.

The effect of these changes was to reduce deferred tax assets (net of deferred tax liabilities) by ¥56 million ($464 thousand) and increase "Income taxes-deferred" by the same amount as of and for the year ended March 31, 2015, respectively.

Additionally, beginning from fiscal years starting on or after April 1, 2015, the use of tax loss carryforwards will be limited to the equivalent to 65% of taxable income before deducting tax loss carryforwards, and beginning from fiscal years starting on or after April 1, 2017, the use of tax loss carryforwards will be limited to the equivalent to 50% of taxable income before deducting tax loss carryforwards.

The effect of this change was to reduce deferred tax assets by ¥33 million ($272 thousand) and increase "Income taxes-deferred" by the same amount as of and for the year ended March 31, 2015, respectively.

8. 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, 2015 and 2014:

	March 31,		March 31,
	2015	2014	2015
	(Millions of yen)		(Thousands of U.S. dollars)
Valuation difference on other (available-for-sale) securities			
Amount arising during the year	¥13	¥ 20	$ 112
Reclassification adjustments for gains and losses included in net income	–	(76)	–
Amount before tax effect	13	(56)	112
Tax effect	(3)	21	(26)
Valuation difference on available-for-sale securities	10	(35)	86
Foreign currency translation adjustment			
Amount arising during the year	89	223	737
Reclassification adjustments for gains and losses included in net income	–	–	–
Amount before tax effect	89	223	737
Tax effect	–	–	–
Foreign currency translation adjustment	89	223	737
Remeasurements of defined benefit plans			
Amount arising during the year	41	–	341
Reclassification adjustments for gains and losses included in net income	257	–	2,137
Amount before tax effect	298	–	2,478
Tax effect	–	–	–
Remeasurements of defined benefit plans	298	–	2,478
Total other comprehensive income	¥ 397	¥ 188	$ 3,301

9. Information on dividends

The Company paid cash dividends as follows:

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

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 15, 2015	Common stock	¥ 148 million	Retained earnings	¥3.00	March 31, 2015	June 2, 2015

10. Retirement Benefits

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.
Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities.

The changes in the retirement benefit obligation for the years ended March 31, 2015 and 2014 are as follows:

	Year ended March 31,		
	2015	**2014**	**2015**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 8,292	¥ 7,728	$ 69,003
Service costs	349	313	2,900
Interest costs	119	154	994
Actuarial loss	(49)	572	(407)
Retirement benefit paid	(361)	(475)	(3,002)
Balance at the end of the year	¥ 8,350	¥ 8,292	$ 69,488

10. Retirement Benefits (continued)

The changes in plan assets for the years ended March 31, 2015 and 2014 are as follows:

	Year ended March 31,		
	2015	2014	2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 2,673	¥ 2,676	$ 22,241
Expected return on plan assets	93	94	778
Actuarial loss	(8)	(35)	(66)
Contributions by the Company	324	289	2,694
Retirement benefit paid	(255)	(351)	(2,122)
Balance at the end of the year	¥ 2,827	¥ 2,673	$ 23,525

The change in net defined benefit liability that calculated by the simplified method for the years ended March 31, 2015 and 2014 are as follows:

	Year ended March 31,		
	2015	2014	2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Balance at the beginning of the year	¥ 553	¥ 479	$ 4,600
Retirement benefit expense	114	182	949
Retirement benefit paid	(54)	(108)	(450)
Other	(2)	0	(11)
Balance at the end of the year	¥ 611	¥ 553	$ 5,088

10. Retirement Benefits (continued)

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2015 and 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Year ended March 31,		
	2015	2014	2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	¥ 5,516	¥ 5,499	$ 45,901
Plan assets at fair value	(2,827)	(2,673)	(23,525)
	2,689	2,826	22,376
Unfunded retirement benefit obligation	3,446	3,346	28,675
Net liability for retirement benefits in the balance sheet	6,135	6,172	51,051
Liability for retirement benefits	6,135	6,172	51,051
Net liability for retirement benefits in the balance sheet	¥ 6,135	¥ 6,172	$ 51,051

Notes:

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

The components of retirement benefit expense for the years ended March 31, 2015 and 2014 are as follows:

	Year ended March 31,		
	2015	2014	2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service costs	¥ 349	¥ 313	$ 2,900
Interest costs	119	155	994
Expected return on plan assets	(94)	(94)	(779)
Amortization of actuarial gain (loss)	274	145	2,278
Amortization of prior service cost	(17)	(17)	(141)
Retirement benefit expense calculated by the simplified method	114	182	949
Retirement benefit expense for defined benefit plans	¥ 745	¥ 684	$ 6,201

10. Retirement Benefits (continued)

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 are as follows:

	Year ended March 31,		
	2015	2014	2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Prior service cost	¥ 17	–	$141
Actuarial gain and loss	(315)	–	(2,619)
Total	¥(298)	¥–	$ (2,478)

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2014 are as follows:

	Year ended March 31,		
	2015	2014	2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized prior service cost	¥ (116)	¥ (133)	$ (962)
Unrecognized actuarial gain and loss	1,026	1,341	8,537
Total	¥ 910	¥ 1,208	$ 7,575

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 are as follows:

	Year ended March 31,	
	2015	2014
Bonds	56.2%	55.3%
General Accounts	42.5%	43.4%
Other	1.3%	1.3%
Total	100.0%	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.

10. Retirement Benefits (continued)

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

	Year ended March 31,	
	2015	2014
Discount rate	1.44%	1.44%
Long-term expected return on plan assets	3.5%	3.5%
Salary increase rate	5.1%	5.1%
The lump-sum election rate	70.0%	70.0%

11. Contingent Liabilities

The Company had the following contingent liability as of March 31, 2015 and 2014 are as follows:

	Year ended March 31,		
	2015	2014	2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Guarantee for housing loans of employees	¥ 12	¥ 15	$ 103

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.

At March 31, 2015 and 2014, the fair value information for derivatives, for which the hedge accounting were applied, 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, 2015			
	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	¥ 2,295	¥ −	¥ (65)	¥ (65)
Total assets	¥ 2,295	¥ −	¥ (65)	¥ (65)
To buy foreign currencies				
U.S. Dollars	¥ 39	¥ −	¥ 0	¥ 0
Total assets	¥ 39	¥ −	¥ 0	¥ 0

Year ended March 31, 2014

Not applicable

12. Derivatives and Hedging Activities (continued)

	Year ended March 31, 2015			
	Contract Amount	Contract Amount Over 1 Year	Fair Value	Gain/Loss
	(Thousands of U.S. dollars)			
Foreign Exchange Forward Contracts				
To sell foreign currencies				
U.S. Dollars	$ 19,099	$ —	$ (538)	$ (538)
Total assets	$ 19,099	$ —	$ (538)	$ (538)
To buy foreign currencies				
U.S. Dollars	$ 321	$ —	$ 4	$ 4
Total assets	$ 321	$ —	$ 4	$ 4

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, 2015		
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	¥ 6,000	¥ 5,300	¥ —

		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, 2015		
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	$ 49,929	$ 44,104	$ —

Notes:

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

13. Financial Instruments

① Matters relating to financial instruments

(1) Policy of Financial Instruments

The Group procure capital investments 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 Group and exposed to the issuer's credit risk and market price fluctuation risk.
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 payables. 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.

13. Financial Instruments (continued)

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

Amounts as of March 31, 2015 and 2014 on the accompanying consolidated balance sheet fair value and variance are as follows.

	March 31, 2015		
	Carrying Value	Fair Value	Difference
		(Millions of yen)	
(1) Cash and bank deposits	¥ 4,214	¥ 4,214	¥ —
(2) Notes and accounts receivable, trade	30,568	30,568	—
(3) Electronically recorded monetary claims	322	322	—
(4) Investment securities: Other securities	74	74	—
(5) Notes and accounts payable, trade	(12,619)	(12,619)	—
(6) Short-term bank loans	(5,720)	(5,720)	—
(7) Current portion of long-term debt	(700)	(700)	—
(8) Long-term debt	(5,800)	(5,778)	22
(9) Other long-term liabilities	(3,072)	(2,452)	620
(10) Derivatives transaction	(65)	(65)	—

	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, 2015		
	Carrying Value	Fair Value	Difference
		(Thousands of U.S. dollars)	
(1) Cash and bank deposits	$ 35,065	$ 35,065	$ —
(2) Notes and accounts receivable, trade	254,370	254,370	—
(3) Electronically recorded monetary claims	2,684	2,684	—
(4) Investment securities: Other securities	609	609	—
(5) Notes and accounts payable, trade	(105,005)	(105,005)	—
(6) Short-term bank loans	(47,599)	(47,599)	—
(7) Current portion of long-term debt	(5,825)	(5,825)	—
(8) Long-term debt	(48,265)	(48,078)	187
(9) Other long-term liabilities	(25,564)	(20,407)	5,157
(10) Derivatives transaction	(534)	(534)	—

13. Financial Instruments (continued)

(*)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.

(9) Other long-term liabilities

Other long-term liabilities consist of Long-term guarantee deposited. 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 12 for the detail of derivative transaction.

b) As non-marketable equity securities of ¥52 million ($434 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 "(3) Investment securities - Other securities."

13. Financial Instruments (continued)

c) Financial assets due subsequent to the balance sheet date

Cash and bank deposits of ¥4,197 million ($34,926 thousand), Notes and accounts receivable, trade of ¥30,568 million ($254,370 thousand), Electronically recorded monetary claims of ¥322 million ($2,684 thousand) are due within one year subsequent to March 31, 2015 and Cash and bank deposits of ¥3,967 million, Notes and accounts receivable, trade of ¥23,209 million, Electronically recorded monetary claims of ¥1million are due within one year subsequent to March 31, 2014.

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			
	March 31, 2014	Decrease	March 31, 2015	At March 31, 2015 Fair Value
	(Millions of yen)			
Rental property	¥ 6,296	¥ 242	¥ 6,054	¥ 7,095

	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, 2014	Decrease	March 31, 2015	At March 31, 2015 Fair Value
	(Thousands of U.S. dollars)			
Rental property	$ 52,389	$ 2,015	$ 50,374	$ 59,039

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, 2015 and 2014 is internally determined by the Company based on the real-estate appraisal standard.

14. Investment in Rental Property (continued)

Information on Consolidated Statement of Operations

	Year ended March 31, 2015		
	Rental income	Rental costs	Difference
	(Millions of yen)		
Rental property	¥ 1,732	¥ 1,339	¥ 393

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

	Year ended March 31, 2015		
	Rental income	Rental costs	Difference
	(Thousands of U.S. dollars)		
Rental property	$ 14,416	$ 11,141	$ 3,275

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.

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), Vacuum equipment (sputtering equipment, vacuum bonding equipment, industrial vacuum evaporation equipment), Rechargeable battery manufacturing equipment, Precision parts manufacturing equipment, Other automation equipment, 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.

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, 2015 and 2014 is summarized as follows:

	Year ended March 31, 2015				
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
			(Millions of yen)		
Sales					
Sales to external customers	¥ 23,145	¥ 16,903	¥ 1,786	¥ 1,965	¥ 43,799
Intersegment sales or transfers	12	180	0	–	192
Total sales	23,157	17,083	1,786	1,965	43,991
Segment income (loss)	(481)	1,321	29	451	1,320
Segment assets	29,349	13,917	1,541	6,732	51,539
Other					
Depreciation and amortization	485	385	43	358	1,271
Amortization of goodwill	–	–	–	–	–
Interest income	13	0	0	–	13
Interest expense	6	12	10	–	28
Increase in tangible and intangible fixed assets	438	293	27	39	797

	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

15. Segment Information (continued)

	Year ended March 31, 2015				
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
	(Thousands of U.S. dollars)				
Sales					
Sales to external customers	$ 192,605	$ 140,658	$ 14,864	$ 16,350	$ 364,477
Intersegment sales or transfers	98	1,495	3	–	1,596
Total sales	192,703	142,153	14,867	16,350	366,073
Segment income (loss)	(3,998)	10,991	242	3,750	10,985
Segment assets	244,230	115,810	12,827	56,016	428,883
Other					
Depreciation and amortization	4,038	3,204	355	2,984	10,581
Amortization of goodwill	–	–	–	–	–
Interest income	110	0	0	–	110
Interest expense	52	102	83	–	237
Increase in tangible and intangible fixed assets	3,647	2,440	227	319	6,633

(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 March 31,
	2015	2014	2015
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Reporting segments	¥ 1,320	¥ 1,007	$ 10,985
Unallocated amounts	(330)	(306)	(2,746)
Other	148	(141)	1,234
Consolidated	¥ 1,138	¥ 560	$ 9,473

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.

15. Segment Information (continued)

b) Segment assets

	Year ended March 31, 2015	Year ended March 31, 2014	Year ended March 31, 2015
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Reporting segments	¥ 51,539	¥ 44,587	$ 428,883
Unallocated amounts	3,181	3,015	26,473
Consolidated	¥ 54,720	¥ 47,602	$ 455,356

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, 2015					
	Reporting segments	Adjustment amount	Consolidated	Reporting segments	Adjustment amount	Consolidated
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Depreciation and amortization	¥ 1,271	¥ –	¥ 1,271	$ 10,581	$ –	$ 10,581
Amortization of goodwill	–	–	–	–	–	–
Interest income	13	1	14	111	3	114
Interest expense	28	123	151	237	1,018	1,255
Increase in tangible and intangible fixed assets	797	–	797	6,633	–	6,633

	Year ended March 31, 2014		
	Reporting segments	Adjustment amount	Consolidated
	(Millions of yen)		
Depreciation and amortization	¥ 1,359	¥ –	¥ 1,359
Amortization of goodwill	10	–	10
Interest income	15	1	16
Interest expense	11	137	148
Increase in tangible and intangible fixed assets	1,196	–	1,196

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, 2015			
Japan	Northeastern Asia	Other	Total
(Millions of yen)			
¥ 18,533	¥ 24,492	¥ 774	¥ 43,799

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, 2015			
Japan	Northeastern Asia	Other	Total
(Thousands of U.S. dollars)			
$ 154,222	$ 203,809	$ 6,446	$ 364,477

Notes:

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

b) Tangible fixed assets

Year ended March 31, 2015		
Japan	Northeastern Asia	Total
(Millions of yen)		
¥ 11,197	¥ 6	¥ 11,203

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

Year ended March 31, 2015		
Japan	Northeastern Asia	Total
(Thousands of U.S. dollars)		
$ 93,175	$ 55	$ 93,230

15. Segment Information (continued)

c) Information by main customer

		Year ended March 31, 2015
		(Millions of yen)
Fine mechatronics and Mechatronics systems	Sales to NANJING CEC PANDA FPD TECHNOLOGY CO.,LTD	¥ 5,589
Fine mechatronics and Mechatronics systems	Sales to Toshiba Company	¥ 4,692

		Year ended March 31, 2014
		(Millions of yen)
Fine mechatronics and Mechatronics systems	Sales to NANJING CEC PANDA FPD TECHNOLOGY CO.,LTD	¥ 2,275
Fine mechatronics and Mechatronics systems	Sales to Toshiba Company	¥ 4,439

		Year ended March 31, 2015
		(Thousands of U.S. dollars)
Fine mechatronics and Mechatronics systems	Sales to NANJING CEC PANDA FPD TECHNOLOGY CO.,LTD	$ 46,513
Fine mechatronics and Mechatronics systems	Sales to Toshiba Company	$ 39,042

③ Impairment losses on fixed assets by reporting segment

Balance as of March 31, 2015: Not applicable

	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

④ Depreciation and remaining carrying value of goodwill by reporting segment

Balance as of March 31, 2015: Not applicable

Balance as of March 31, 2014: Not applicable

⑤ Gain on negative goodwill by reporting segment

Balance as of March 31, 2015: Not applicable

Balance as of March 31, 2014: Not applicable

16. Non-cash Transactions

Lease assets and lease obligations recorded relating to lease transactions were not applicable for the year ended March 31, 2015 and ¥3 million, respectively for the year ended March 31, 2014.

17. Selling, General and Administrative Expenses

For the years ended March 31, 2015 and 2014, major selling, general and administrative expenses are summarized as follows:

	March 31, 2015	March 31, 2014	March 31, 2015
	(Millions of yen)		*(Thousands of U.S. dollars)*
Packing and delivery expenses	¥ 151	¥ 96	$ 1,259
Sales commission	512	247	4,263
Advertising expenses	5	4	44
Employees' salaries and allowances	4,047	3,758	33,678
Provision for director’s bonuses	23	23	190
Provision of allowance for doubtful accounts	(57)	48	(471)
Retirement benefit expenses	356	255	2,958
Provision for directors' retirement benefits	4	2	34
Depreciation	691	725	5,752
Rent expenses	109	114	911
Development and research expenses	1,855	1,725	15,440

18. Business structure improvement expenses

The Business structure improvement expenses for the year ended March 31, 2015 are as follows:

The expenses associated with expansion of leasing business on land owned in Obama, Fukui consisted of a loss on abandonment of non-current assets in the amount of ¥49 million and site maintenance costs of ¥44 million.

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 the above assets were written down to the respective recoverable amounts because these were in the idle condition and their future use was not determined.
The Company recorded a loss on impairment of fixed assets of ¥17 million, which consisted of ¥14 million for “Buildings” and ¥3 million for “Equipment”.

In addition, the recoverable amount was determined at the memorandum value since no future cash flows were unpredictable.

20. Related Party Transactions

Toshiba Corporation held 39.1 % of the Company's voting rights as of March 31, 2015 and 2014.

The Company sold semiconductor manufacturing equipment to Toshiba Corporation and received rent revenue from Toshiba Corporation. The aggregate amounts of these transactions were ¥4,692 million ($39,042 thousand) and ¥4,439 million for the years ended March 31, 2015 and 2014, respectively.

The Company purchased raw materials from Toshiba Corporation totaling ¥119 million ($994 thousand) and ¥447 million for the years ended March 31, 2015 and 2014, respectively.

Amounts due from and to Toshiba Corporation at March 31, 2015 and 2014 were as follows:

	March 31,		March 31,
	2015	**2014**	**2015**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Due from Toshiba Corporation	¥ 1,317	¥ 1,346	$ 10,958
Due to Toshiba Corporation	3,233	3,269	26,902

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,
	2015	2014	2015
	(Yen)		*(U.S. dollars)*
Net income (loss):			
– Basic	¥ 14.11	¥ 7.83	$ 0.12
Net assets	325.01	304.87	2.70

Notes:

The information regarding diluted net income per share for the years ended March 31, 2015 and 2014 is omitted because of no stock with dilutive effect.

Other Information

Shibaura Mechatronics Corporation

Non-Consolidated Balance Sheet

	March 31, 2015	March 31, 2014	March 31, 2015
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Assets			
Current assets:			
Cash and bank deposits	¥ 2,135	¥ 1,704	$ 17,764
Notes and accounts receivable, trade:			
Notes	0	24	1
Electronically recorded monetary claims	322	1	2,684
Accounts	26,872	19,967	223,619
Allowance for doubtful accounts	(389)	(613)	(3,239)
Inventories	3,695	4,859	30,747
Deferred tax assets	393	501	3,270
Short-term loans receivable from subsidiaries and affiliates	1,625	1,846	13,526
Consumption taxes receivable	843	243	7,012
Other current assets	946	1,584	7,869
Total current assets	36,442	30,116	303,253
Property, plant and equipment:			
Land	69	69	572
Buildings and structures	27,856	27,840	231,811
Machinery and equipment	3,238	2,565	26,943
Leased assets	58	89	482
Construction in progress	525	646	4,370
Total	31,746	31,209	264,178
Accumulated depreciation	(20,890)	(19,996)	(173,841)
Property, plant and equipment, net	10,856	11,213	90,337
Investments and other assets:			
Investments in securities	73	59	609
Investments in subsidiaries and affiliates	372	372	3,099
Deferred tax assets	186	187	1,550
Intangible assets	522	612	4,340
Other assets	294	298	2,445
Allowance for doubtful accounts	(0)	(0)	(2)
Total investments and other assets	1,447	1,528	12,041
Total assets	¥ 48,745	¥ 42,857	$ 405,631

	March 31, 2015	March 31, 2014	March 31, 2015
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Liabilities and net assets			
Current liabilities:			
Short-term bank loans	¥ 4,700	¥ 7,518	$ 39,111
Current portion of long-term debt	700	2,000	5,825
Notes and accounts payable, trade:			
Notes	3,248	1,794	27,029
Accounts	7,406	5,210	61,627
Advances received	367	283	3,055
Lease obligations	6	15	47
Provision for directors' bonuses	23	23	192
Provision for contract losses	21	8	176
Other accounts payable	9	44	75
Accrued expenses	2,517	1,959	20,946
Accrued income taxes	145	126	1,205
Other current liabilities	95	183	792
Total current liabilities	19,237	19,163	160,080
Long-term liabilities:			
Long-term debt	5,800	700	48,265
Lease obligations	12	18	103
Long-term accounts payable-other	5	19	39
Provision for retirement benefits	4,613	4,412	38,388
Reserve for repair and maintenance	374	403	3,112
Other long-term liabilities	3,072	3,057	25,564
Asset retirement obligations	22	21	178
Total long-term liabilities	13,898	8,630	115,649
Total liabilities	33,135	27,793	275,729
Net assets:			
Shareholders' equity:			
Capital stock:			
Authorized: 100,000,000 shares			
Issued: 51,926,194 shares at March 31, 2015 and 2014	6,762	6,762	56,266
Capital surplus	9,108	9,108	75,791
Retained earnings	1,431	894	11,910
Less treasury stock, at cost	(1,722)	(1,721)	(14,325)
Total shareholders' equity	15,579	15,043	129,642
Valuation and translation adjustments:			
Net unrealized holding gain on other securities	31	21	260
Total net assets	15,610	15,064	129,902
Total liabilities and net assets	¥ 48,745	¥ 42,857	$ 405,631

Other Information

Shibaura Mechatronics Corporation

Non-Consolidated Statement of Operations

	Year ended March 31, 2015	Year ended March 31, 2014	Year ended March 31, 2015
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales	¥ 34,122	¥ 26,227	$ 283,949
Cost of sales	27,712	20,646	230,611
Gross profit	6,410	5,581	53,338
Selling, general and administrative expenses	6,309	5,575	52,501
Operating income	101	6	837
Other income (expenses):			
Interest and dividend income	171	732	1,428
Rent income	115	124	956
Interest expenses	(141)	(137)	(1,171)
Business advisory fee	350	299	2,910
Technical advisory fee	103	99	862
Reversal of allowance for doubtful accounts	159	22	1,321
Foreign exchange gains (loss) ,net	366	(107)	3,044
Rent expenses	(113)	(111)	(936)
Loss on valuation of derivatives	(172)	—	(1,434)
Other, net	9	(54)	74
Ordinary income	948	873	7,891
Business structure improvement expenses	(104)	—	(864)
Environmental expenses	(71)	—	(597)
Income before income taxes	773	873	6,430
Income taxes:			
Current	31	(26)	259
Deferred	106	5	881
	137	(21)	1,140
Net income	¥ 636	¥ 894	$ 5,290
	(Yen)		*(U.S. dollars)*
Per share of common stock:			
Net income	¥ 12.87	¥ 18.10	$ 0.11
Cash dividends applicable to the year	3.00	2.00	0.02

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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, 2015, 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, 2015, 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 18, 2015

Board of Directors

As of July 29, 2015

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

Chief Financial Officer

Yoshitsugu Ogawa

Senior Vice President

Executive General Manager of
Mechatronics System 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
Deputy Executive General Manager of
Fine Mechatronics Division

Takashi Arai

Vice President

Deputy Executive General Manager of
Fine Mechatronics Division

Sennosuke Yoshida

Outside Vice President

Tomoko Inaba

Outside Vice President

Auditors

Yoshimi Sekiya

Auditor

Kazumasa Uchida

Outside Auditor

Nobukiyo Ishikawa

Outside Auditor

Investor Information

As of March 31, 2015

Date Established	October 12, 1939
Capital	6,761Million-Yen
Number of Employees	Consolidated : 1,174
Common Stock	Authorized : 100,000,000 shares Issued and outstanding : 51,926,194 shares
Number of Shareholders	6,409
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,				
	2015	2014	2013	2012	2011
High (yen)	384	333	252	344	508
Low (yen)	220	181	112	191	162

Principal Shareholders

	Number of shares hold (thousand shares)	Percentage of total shares outstanding (%)
Toshiba Corporation	18,977	38.4
The Master Trust Bank of Japan, Limited (trust accounts)	1,862	3.8
Japan Trustee Services Bank, Limited (trust accounts)	1,127	2.3

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