

# **ANNUAL REPORT 2018**

Year ended March 31, 2018

**SHIBAURA MECHATRONICS CORPORATION**

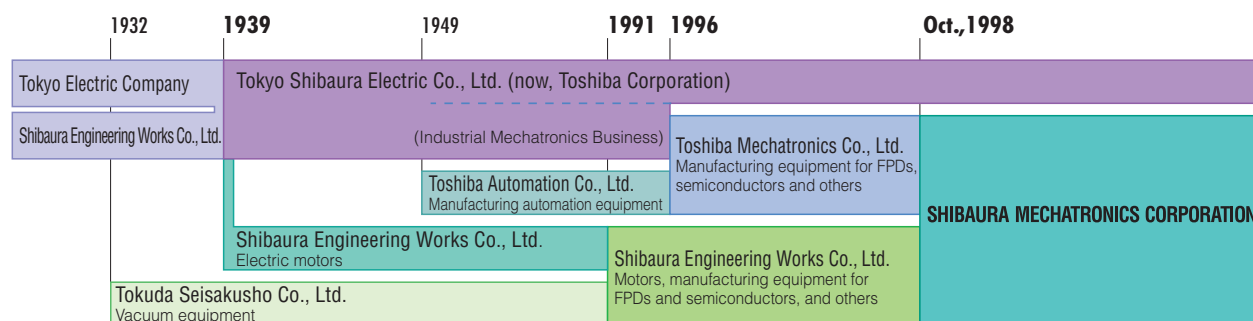
# ANNUAL REPORT 2018

## 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 struck out in a new direction, and reestablished ourselves as a producer of manufacturing equipment for flat panel displays (FPDs) and semiconductors. We also took on a new name, Shibaura Mechatronics Corporation.

Extensive know-how and skills we have cultivated over many years guide us in delivering total solutions in areas as diverse as high-accuracy mechatronics, cleaning, vacuum processing, sputtering, etching and bonding technologies. Our capabilities range from the development of manufacturing equipment for FPDs, semiconductors, electronic components and optical thin films, to the provision of comprehensive service support.

## History



## Contents

Financial Highlights . . . . . 01

To Our Shareholders . . . . . 02

Financial Review . . . . . 03

Financial Section . . . . . 05

Directors, Vice Presidents and Auditors . . . . . 48

Investor Information . . . . . 49

### 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.

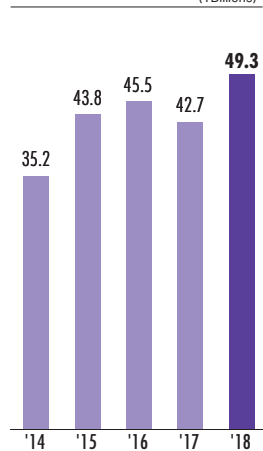
# Financial Highlights

Consolidated	Year ended March 31,					Year ended March 31, 2018
	2018	2017	2016	2015	2014	(Thousands of U.S. dollars) (Note 1)
	(Millions of yen)					
Net sales	¥ 49,257	¥ 42,737	¥ 45,550	¥ 43,799	¥ 35,165	\$ 463,637
Orders received	53,355	42,651	45,077	45,300	40,000	502,212
Operating income	2,498	1,500	1,292	1,022	736	23,512
Net income	1,747	931	743	697	387	16,442
Depreciation and amortization	1,406	1,566	1,411	1,271	1,359	13,233
Capital expenditures	1,126	1,222	1,536	797	1,195	10,603
R&D expenses	2,492	2,210	2,065	1,856	1,726	23,459
Total assets	59,939	53,721	56,253	54,720	47,602	564,190
Net assets	16,129	16,533	15,675	16,058	15,064	151,818
	(yen)					(U.S. dollars)
Net income per share	¥ 36.58	¥ 18.84	¥ 15.04	¥ 14.11	¥ 7.83	\$ 0.34
Number of employees	1,207	1,202	1,177	1,174	1,210	1,207

Note 1 : The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of 106.24 = U.S.\$1.00, as of March 30, 2018.

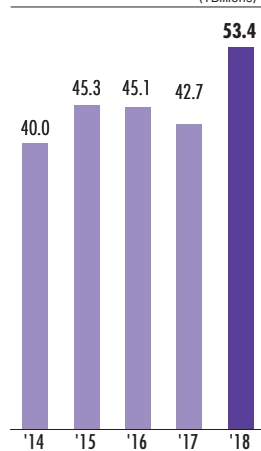
## Net Sales

(¥Billions)



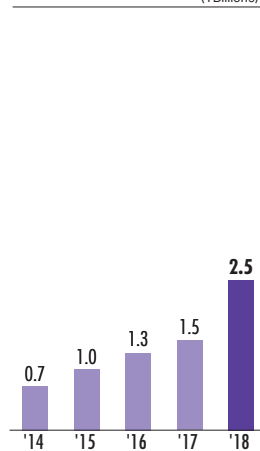
## Orders Received

(¥Billions)



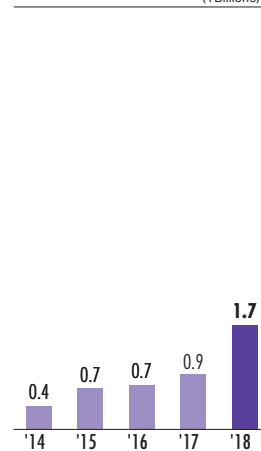
## Operating Income

(¥Billions)



## Net Income

(¥Billions)



## *Smart Solutions & Services for Your Manufacturing*

### **To Our Shareholders**



## **We will accelerate business structural reform initiatives and also continue to strengthen our management structure.**

We saw positive growth and results in Shibaura Mechatronics Group's key businesses in FY2017. In the FPD (Flat Panel Display) industry capital investment remains active, mainly in China, for large-sized panels to meet the trend to larger, higher definition TVs. This was alongside continued capital investment for small and medium-sized panels, largely for OLEDs (organic EL) for smartphones.

In the semiconductor industry, aggressive capital investment continued, on increased demand for servers for data centers, etc. In addition, capital investment in China continued to grow, and active capital investment by OSAT (outsourced semiconductor assembly and test companies) also continued.

Against this background, our results for FY2017 were as follows.

In respect of orders received, both FPD and semiconductors performed well, reaching 53,355 million yen. Net sales increased on strong orders received, and totaled 49,257 million yen. Operating income increased to 2,498 million yen, on factors that included increased net sales, changes in the net sales composition and our strengthened management structure.

Forecasts indicate that the business environment in FY2018 will be generally favorable.

In the FPD industry, some limited adjustments are expected in capital investments for small and medium-sized panels for smartphones, but forecasts show continued capital investments for large panels, mainly in China, sustained by the continuing trend to larger sized, higher definition TVs.

The semiconductor industry is also expected to see favorable capital investment, driven by the expanded application of semiconductors and other factors. In this connection, capital investment in China is expected to expand.

The range of use of vacuum application equipment is expected to expand in the automotive market and IoT markets.

In these circumstance, Shibaura Mechatronics Group will further accelerate the business restructuring that we have been pursuing, and also continue to strengthen our management structure.

Shigeki Fujita  
Representative Director  
President and Chief Executive Officer

A stylized handwritten signature of Shigeki Fujita in black ink.

## Results Summary

In FY2017 Shibaura Mechatronics recorded orders received of 53,355 million yen (a year-on-year increase of 25.1%), net sales of 49,257 million yen (a year-on-year increase of 15.3%), operating income of 2,498 million yen (a year-on-year increase of 66.5%), ordinary income of 2,353 million yen (a year-on-year increase of 107.8%), and net income of 1,747 million yen (a year-on-year increase of 87.6%).

The Results for each business segment were as follows:

### 1. Fine Mechatronics Segment

Net sales were 26,995 million yen, an increase of 2.4% against the previous year, and segment profit was 1,108 million yen, an increase of 221.7%.

In FPD front-end processes, orders received for both large-sized panels and small and medium-sized panels performed well. In net sales, we saw a slight decrease in the first half, the result of a decline in orders received during the first half of the previous year, but an increase in the second half.

In semiconductor front-end processes, orders received for China increased significantly, and both orders received and net sales increased.

The division as a whole saw increased orders received and net sales. In addition to the increase in net sales, changes in their composition, and a strengthening of the management structure, contributed to a significant increase in segment profit.

### 2. Mechatronics Systems Segment

Net sales were 18,223 million yen, an increase of 48.6% against the previous year, and segment profit was 1,357 million yen, an increase of 57.2%.

In FPD back-end processes, we recorded a strong performance in orders received, most notably in equipment for large-sized panels, while in small and medium-sized panels we secured expanded market share, which together generated increases in both orders received and net sales.

In semiconductor back-end processes, orders received made steady progress, contributing to an increase in both orders received and net sales.

In vacuum application equipment, despite steady growth,

mainly in automotive-related equipment and electronic component-related equipment, both orders received and net sales declined as a result of changes in customer capital investment plans.

The division as a whole saw increases in both orders received and net sales, and segment profit also increased.

### 3. Vending Machines and Systems Segment

Net sales were 2,057 million yen, an increase of 0.6% against the previous year, and segment profit was 52 million yen, a decrease of 37.1%.

Although net sales of new products were sluggish, mainstay ticket vending machines, general-purpose vending machines and card equipment saw slightly expanded sales that increased net sales for the division as a whole.

Despite this, segment profit decreased due to increased development costs and other factors.

### 4. Real Estate Leasing Segment

Real estate rental income performed as planned, with net sales of 1,982 million yen, a decrease of 4.3% against the previous year, and segment profit of 464 million yen, a decrease of 22.4%.

## Research and Development Expenditure

The Shibaura Mechatronics Group as a whole recorded research and development costs of 2,492 million yen (including development costs of 507 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.

Research and development expenses and research results for each segment are as follows:

### 1. Fine Mechatronics Segment

R&D expenses for the segment totaled 974 million yen.

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

In semiconductor equipment we worked on the development of wet cleaning equipment that can be used in next generation devices, single wafer nitride film wet etching equipment and dry etching equipment for masks.

### 2. Mechatronics Systems Segment

R&D expenses for the segment totaled 837 million yen.

In liquid crystal and OLED module assembly equipment, we worked on the development of OLB equipment for small- and medium-sized panels, and for large-sized high-definition panels.

In semiconductor assembly equipment we worked on the development of high speed, high precision bonding equipment. In the field of vacuum equipment we are working on the development of sputtering equipment for optical thin films, and for electromagnetic wave shielding films.

### 3. Vending Machines and Systems Segment

R&D expenses for the segment totaled 172 million yen.

In the ticket vending machine field, we promoted development of large-screen touch panel ticket vending machines. In addition, as part of our advance into a new area of business, we promoted development of card readers.

due to trade notes and accounts payable of 5,027 million yen, and an increase in accrued expenses of 1,154 million yen.

Net assets decreased by 403 million yen from the end of the previous fiscal year to 16,129 million yen. This was mainly due to recording a 1,747 million yen increase in net income attributable to parent company shareholders on the one hand, and a decrease of 2,400 million yen from the acquisition of treasury stock on the other.

## Cash Flows

The fiscal year-end balance of cash and cash equivalents (referred to below as net cash) was 1,905 million yen higher than a year earlier, at 13,384 million yen.

The increase in net cash provided by operating activities was 5,149 million yen (last year we recorded an increase of 5,790 million yen). This was mainly due to an increase in net cash from posting income before income taxes and minority interests, as well as a decrease in accounts receivable.

The decrease in net cash from investing activities was 655 million yen (last year we recorded a decrease of 538 million yen). This was mainly due to a decrease in net cash due to acquisitions of fixed assets, etc.

Furthermore, free cash flow, combining cash flow from operating activities and cash flow from investing activities, increased by 4,494 million yen (last year we recorded an increase of 5,252 million yen).

The decrease in net cash from financing activities was 2,641 million yen (last year was a decrease of 675 million yen). This was mainly due to a decrease in net cash owing to the acquisition of treasury stock, etc.

## Financial Condition

Total assets at fiscal year-end were 6,218 million yen higher than a year earlier, and stood at 59,939 million yen. This was mainly due to an increase in cash and deposits of 1,905 million yen, and an increase in accounts receivable of 4,394 million yen.

Total liabilities increased by 6,622 million yen from the end of the previous fiscal year to 43,810 million yen. This was mainly

# FINANCIAL SECTION

ANNUAL REPORT 2018 Year ended March 31, 2018

## Contents

Consolidated Balance Sheet	06
Consolidated Statement of Operations	08
Consolidated Statement of Comprehensive Income	09
Consolidated Statement of Changes in Net Assets	10
Consolidated Statement of Cash Flows	11
Notes to Consolidated Financial Statements	12
Independent Auditor's Report	46

## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Balance Sheet

	March 31,		March 31,
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars)
			(Note 1)
<b>Assets</b>			
Current assets:			
Cash and bank deposits (Note 15 and 18)	¥ 13,399	¥ 11,494	\$ 126,122
Notes and accounts receivable, trade (Note 15)	28,339	23,834	266,741
Electronically recorded monetary claims (Note 15)	640	623	6,026
Allowance for doubtful accounts	(367)	(11)	(3,457)
Inventories (Note 6)	3,283	3,587	30,897
Deferred tax assets (Note 9)	565	537	5,319
Accounts receivable, other	1,477	926	13,902
Other current assets	777	601	7,318
Total current assets	48,113	41,591	452,868
Property, plant and equipment:			
Land (Note 16)	119	119	1,123
Buildings and structures (Note 16)	28,612	28,505	269,314
Machinery and equipment	5,320	5,151	50,078
Leased assets	366	355	3,447
Construction in progress	330	624	3,108
Total	34,747	34,754	327,070
Accumulated depreciation	(24,333)	(23,964)	(229,043)
Property, plant and equipment, net	10,414	10,790	98,027
Investments and other assets:			
Investments in securities (Notes 5 and 15)	124	122	1,170
Deferred tax assets (Note 9)	231	247	2,173
Other assets	1,059	972	9,967
Allowance for doubtful accounts	(2)	(1)	(15)
Total investments and other assets	1,412	1,340	13,295
Total assets	¥ 59,939	¥ 53,721	\$ 564,190



	<b>March 31,</b>		<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
<b>Liabilities and net assets</b>			
Current liabilities:			
Notes and accounts payable, trade <i>(Note 15)</i>	¥ 15,000	¥ 9,972	\$ 141,185
Short-term bank loans <i>(Notes 7 and 15)</i>	5,100	5,100	48,005
Current portion of long-term debt <i>(Notes 7 and 15)</i>	500	800	4,706
Current portion of lease obligations <i>(Note 7)</i>	16	37	147
Advances received	1,242	605	11,687
Accrued expenses	4,063	2,909	38,247
Accrued income taxes <i>(Note 9)</i>	578	305	5,444
Provision for directors' bonuses	44	33	418
Provision for loss on order received	5	-	49
Other current liabilities	496	854	4,669
Total current liabilities	27,044	20,615	254,557
Long-term liabilities:			
Long-term debt <i>(Notes 7 and 15)</i>	6,000	5,700	56,476
Net defined benefit liability <i>(Note 12)</i>	7,309	7,404	68,794
Lease obligations <i>(Note 7)</i>	19	25	180
Long-term accounts payable-other	2	2	22
Provision for directors' retirement benefits	13	9	126
Reserve for repair and maintenance	309	320	2,906
Asset retirement obligations	36	35	337
Long-term guarantee deposits <i>(Note 15)</i>	3,078	3,078	28,974
Total long-term liabilities	16,766	16,573	157,815
Total liabilities	43,810	37,188	412,372
Contingent liabilities <i>(Note 13)</i>			
Net assets:			
Shareholders' equity:			
Capital stock:			
Authorized: 100,000,000 shares			
Issued: 51,926,194 shares at March 31, 2018 and 2017	6,762	6,762	63,644
Capital surplus	9,038	9,108	85,068
Retained earnings	5,264	3,715	49,552
Less treasury stock, at cost	(4,054)	(1,723)	(38,158)
Total shareholders' equity	17,010	17,862	160,106
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	31	28	290
Foreign currency translation adjustments	361	286	3,404
Remeasurements of defined benefit plans	(1,273)	(1,643)	(11,982)
Total valuation and translation adjustments	(881)	(1,329)	(8,288)
Total net assets	16,129	16,533	151,818
Total liabilities and net assets	¥ 59,939	¥ 53,721	\$ 564,190

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

## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Statement of Operations

	<b>Years ended March 31,</b>		<b>Year ended</b>
	<b>2018</b>	<b>2017</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Net sales	¥ 49,257	¥ 42,737	\$ 463,637
Cost of sales <i>(Notes 6,8 and 16)</i>	35,635	32,240	335,422
Gross profit	13,622	10,497	128,215
Selling, general and administrative expenses <i>(Notes 8,12 and 20)</i>	11,124	8,997	104,703
Operating income	2,498	1,500	23,512
Other income (expenses):			
Interest and dividend income	7	6	64
Foreign exchange gain (loss), net	(60)	56	(568)
Interest expense	(131)	(134)	(1,233)
Commission fee	(31)	(32)	(296)
Loss on valuation of derivatives, net	(1)	(270)	(11)
Compensation income	72	-	682
Other, net	(1)	6	(7)
Ordinary income	2,353	1,132	22,143
Income before income taxes	2,353	1,132	22,143
Income taxes <i>(Note 9)</i> :			
Current	616	256	5,797
Deferred	(10)	(55)	(96)
	606	201	5,701
Net income	1,747	931	16,442
Net income attributable to owners of parent	¥ 1,747	¥ 931	\$ 16,442

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

## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Statement of Comprehensive Income

	<b>Years ended March 31,</b>		<b>Year ended</b>
	<b>2018</b>	<b>2017</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<b>2018</b>
			<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Net income	¥ 1,747	¥ 931	\$ 16,442
Other comprehensive income: <i>(Note 10)</i>			
Valuation difference on available-for-sale securities	3	6	22
Remeasurements of defined benefit plans	370	175	3,483
Foreign currency translation adjustments	75	(56)	709
Total other comprehensive income	448	125	4,214
Comprehensive income	¥ 2,195	¥ 1,056	\$ 20,656
(Breakdown)			
Comprehensive income attributable to owners of parent	2,195	1,056	20,656

*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			
	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	Total net assets
	<i>(Millions of yen)</i>								
<b>Balance as of April 1, 2016</b>	51,926,194	6,762	9,108	2,982	(1,723)	22	342	(1,818)	15,675
Net income	—	—	—	931	—	—	—	—	931
Dividends of surplus <i>(Note 11)</i>	—	—	—	(198)	—	—	—	—	(198)
Net change during the year	—	—	—	—	—	6	(56)	175	125
Purchase of treasury shares	—	—	—	—	(0)	—	—	—	(0)
Disposal of treasury shares	—	—	—	—	—	—	—	—	—
<b>Balance as of April 1, 2017</b>	<u>51,926,194</u>	<u>¥ 6,762</u>	<u>¥ 9,108</u>	<u>¥ 3,715</u>	<u>¥ (1,723)</u>	<u>¥ 28</u>	<u>¥ 286</u>	<u>¥ (1,643)</u>	<u>¥ 16,533</u>
Net income	—	—	—	1,747	—	—	—	—	1,747
Dividends of surplus <i>(Note 11)</i>	—	—	—	(198)	—	—	—	—	(198)
Net change during the year	—	—	—	—	—	3	75	370	448
Purchase of treasury shares	—	—	—	—	(2,474)	—	—	—	(2,474)
Disposal of treasury shares	—	—	(70)	—	143	—	—	—	73
<b>Balance as of March 31, 2018</b>	<u>51,926,194</u>	<u>¥ 6,762</u>	<u>¥ 9,038</u>	<u>¥ 5,264</u>	<u>¥ (4,054)</u>	<u>¥ 31</u>	<u>¥ 361</u>	<u>¥ (1,273)</u>	<u>¥ 16,129</u>
	<i>(Thousands of U.S. dollars) (Note 1)</i>								
<b>Balance as of April 1, 2017</b>		\$ 63,644	\$ 85,728	\$ 34,970	\$ (16,219)	\$ 268	\$ 2,695	\$ (15,465)	\$ 155,621
Net income		—	—	16,442	—	—	—	—	16,442
Dividends of surplus <i>(Note 11)</i>		—	—	(1,860)	—	—	—	—	(1,860)
Net change during the year		—	—	—	—	22	709	3,483	4,214
Purchase of treasury shares		—	—	—	(23,287)	—	—	—	(23,287)
Disposal of treasury shares		—	(660)	—	1,348	—	—	—	688
<b>Balance as of March 31, 2018</b>		<u>\$ 63,644</u>	<u>\$ 85,068</u>	<u>\$ 49,552</u>	<u>\$ (38,158)</u>	<u>\$ 290</u>	<u>\$ 3,404</u>	<u>\$ (11,982)</u>	<u>\$ 151,818</u>

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

## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Statement of Cash Flows

	Year ended March 31,		Year ended March 31,
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
<b>Net cash provided by Operating activities</b>			
Income before income taxes and non-controlling interest	¥ 2,353	¥ 1,132	\$ 22,143
Depreciation and amortization	1,406	1,566	13,233
Increase (decrease) in allowance for doubtful accounts	356	(12)	3,349
Increase in net defined benefit liability	275	287	2,588
Interest and dividend income	(7)	(6)	(64)
Interest expense	131	134	1,233
Foreign exchange losses	27	41	251
Increase (decrease) in advances received	622	(646)	5,860
Decrease (increase) in notes and accounts receivable-trade	(4,489)	5,661	(42,252)
Increase in inventories	(188)	(237)	(1,766)
Increase (decrease) in notes and accounts payable-trade	5,842	(2,347)	54,984
Increase (decrease) in accrued consumption taxes	(13)	8	(124)
Other, net	(700)	561	(6,587)
Subtotal	5,615	6,142	52,848
Interest and dividends received	6	6	60
Interest paid	(131)	(134)	(1,232)
Income taxes paid	(341)	(224)	(3,214)
Net cash provided by operating activities	5,149	5,790	48,462
<b>Net cash used in Investment activities</b>			
Payments into time deposits	(0)	(0)	(0)
Proceeds from withdrawal of time deposits	-	0	-
Purchases of property, plant and equipment	(392)	(293)	(3,690)
Proceeds from sales of property, plant and equipment	2	2	17
Other, net	(265)	(247)	(2,492)
Net cash used in investment activities	(655)	(538)	(6,165)
<b>Net cash used in Financing activities</b>			
Net decrease in short-term loans payable	-	(440)	-
Repayments of finance lease obligations	(42)	(37)	(397)
Proceeds from long-term loans payable	800	-	7,530
Repayments of long-term loans payable	(800)	-	(7,530)
Purchases of treasury stock	(2,474)	(0)	(23,287)
Proceeds from disposal of treasury shares	73	-	688
Cash dividends paid	(198)	(198)	(1,860)
Net cash used in financing activities	(2,641)	(675)	(24,856)
Effect of exchange rate change on cash and cash equivalents	52	(110)	494
Net increase in cash and cash equivalents	1,905	4,467	17,935
Cash and cash equivalents at beginning of year	11,479	7,012	108,049
Cash and cash equivalents at end of year (Note 18)	¥ 13,384	¥ 11,479	\$ 125,983

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

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

March 31, 2018

**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, 2018 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 ¥ 106.24 = U.S. \$ 1.00, the approximate rate of exchange in effect on March 31, 2018. 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 upon 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 a fiscal 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 gains or losses, 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 except for interest rate swaps which meet specific hedge criteria.

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

### (7) Depreciation and amortization (except for leased assets)

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 on or 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 the Company’s historical experience with write-offs, plus an estimate of specific 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 loss on order received

A provision for losses on orders received is provided at an amount to cover the estimated possible losses involved on orders for which a loss occurrence is probable and 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 as of the balance sheet date. The retirement benefit obligation for employees is attributed to each period by the straight-line attribution method. Actuarial gains or losses are charged to expenses from the fiscal year subsequent to the fiscal year when incurred using a straight-line method over a period of 10 years within 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.

Unrecognized prior service cost and unrecognized actual gains and losses are included in remeasurements of defined benefit plans under Remeasurements of defined benefit plans in net assets after the tax effect adjustment.

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

Certain directors, audit & supervisory board members 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, audit & supervisory board members 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 require 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 leases 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) Hedge 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 derivative transactions to hedge its exposure to interest rate fluctuation risk on 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 expenses

Research and development expenses 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) Consumption tax

The tax-excluded method is used with respect to consumption tax and local consumption taxes.

### (20) Adoption of consolidated taxation system

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

### 3. Accounting Standard Issued but Not Yet Effective

- “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No.29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, March 30, 2018)

#### (1) Summary

The International Accounting Standards Board (“IASB”) and Financial Accounting Standards Board of the United States of America (“FASB”) jointly developed a comprehensive accounting standard for revenue recognition and issued “Revenue from Contracts with Customers” (IFRS No.15, issued by IASB and Topic 606 issued by FASB) in May 2014. Considering that IFRS No.15 is applicable from the fiscal year beginning on and after January 1, 2018 and Topic 606 from the fiscal year beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it along with implementation guidance.

The ASBJ developed its standard for revenue recognition based on a policy of aligning the Japan standards to the basic principles of IFRS No. 15 in order to have consistency and comparability with other bases of financial statement presentation. However, the ASBJ also gave consideration to alternative treatments so as to not impair comparability across other practices in Japan

#### (2) Date of application

The Company and its domestic subsidiaries expect to apply the new standard for the fiscal year ending March 31, 2022.

#### (3) Effect of application

The effect of applying the “Accounting Standard for Revenue Recognition,” on the consolidated financial statements is currently under assessment.

- “Revised Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No28, February 16, 2018)
- “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No26, February 16, 2018)

#### (1) Summary

In order to provide practical guidance regarding tax effect accounting prescribed by the Japanese Institute of Certified Public Accountants, the ASBJ provided updated modifications and guidance to the document “Implementation Guidance on Tax Effect Accounting,” etc.

(Major modified accounting treatments)

- Treatment of taxable temporary differences relating to subsidiary shares in non-consolidated financial statements.
- Treatment of recoverability of deferred tax assets for entities fall under Category 1.

### 3. Accounting Standard Issued but Not Yet Effective (continued)

#### (2) Date of application

The Company and its domestic subsidiaries expect to apply the updated guidance for the fiscal year ending March 31, 2019.

#### (3) Effect of application

The effect of applying the “Implementation Guidance on Tax Effect Accounting” etc. on the consolidated financial statements is currently under assessment.

### 4. Additional Information

#### (Performance-based stock compensation plan for the Company’s directors)

The Company has introduced a performance-based stock compensation plan (the “Plan”) for directors of the Company (excluding outside directors) and executive officers who have entered into an engagement agreement with the Company (hereinafter “Directors, etc.”).

#### (1) Transaction summary

The Company will set up a monetary trust. This trust will be used to acquire common shares of the Company. A director shall be granted shares in each fiscal year. The stock-based compensation will be delivered to the Directors via the trust. Note that in principle the Directors will receive delivery of said shares at the scheduled time every year.

#### (2) Shares remaining in the trust

The shares of the Company that remain in the trust are recorded as treasury stock under net assets at book value (excluding associated costs). The book value of these treasury stock shares at the end of the fiscal year under review was ¥73 million (\$688 thousand) and there were 210 thousand shares.

## 5. Investments in Securities

At March 31, 2018 and 2017, marketable securities classified as other (available-for-sale) securities are summarized as follows:

	March 31						March 31,		
	2018			2017			2018		
	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 exceeds their acquisition costs:									
Equity securities	¥ 37	¥ 71	¥ 34	¥ 37	¥ 69	¥ 32	\$ 351	\$ 674	\$ 323
Debt securities	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Total	¥ 37	¥ 71	¥ 34	¥ 37	¥ 69	¥ 32	\$ 351	\$ 674	\$ 323

At March 31, 2018 and 2017, non-marketable securities carried at cost are summarized as follows:

	March 31,		March 31,
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in affiliates:			
Affiliates	¥ 52	¥ 52	\$ 490
Other	1	1	6

For the year ended March 31, 2018, other securities sold are summarized as follows:

Not applicable

For the year ended March 31, 2017, other securities sold are summarized as follows:

Not applicable

## 6. Inventories

Inventories at March 31, 2018 and 2017 are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Finished products	¥ 1,049	¥ 897	\$ 9,873
Raw materials	188	212	1,767
Work in process	2,046	2,478	19,257
Total	¥ 3,283	¥ 3,587	\$ 30,897

Inventories as of March 31, 2018 and 2017 were written down due to lower profitability and unrealized loss on inventories was charged to cost of sales in the amounts of ¥557 million (\$5,240 thousand) and ¥1,004 million, respectively.

## 7. 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, 2018 and 2017 was 1.0%.

Long-term debt and lease obligations at March 31, 2018 and 2017 are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unsecured:			
0.8% to 1.3% loans from banks due 2019 to 2023	6,500	6,500	61,182
Lease obligations	35	62	327
Total	6,535	6,562	61,509
Less current portion	516	837	4,853
Long-term debt and lease obligations, net	¥ 6,019	¥ 5,725	\$ 56,656

Aggregate annual maturities of long-term debt and lease obligations at March 31, 2018 are summarized as follows:

	<b>March 31, 2018</b>	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2019	¥ 516	\$ 4,853
2020	4,505	42,408
2021	704	6,626
2022 and thereafter	810	7,622
Total	¥ 6,535	\$ 61,509

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

The Company entered into one-year contracts for commitment lines of credit with six banks in the aggregated amount of approximately ¥6,000 million (\$56,476 thousand) to optimize the free cash flow on August 1, 2017. The outstanding balance of bank borrowings under these commitment lines at March 31, 2018 was zero.

## 8. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2018 and 2017 are as follows:

Year ended March 31,		Year ended
2018	2017	March 31,
(Millions of yen)		2018
		(Thousands of U.S. dollars)
¥ 2,492	¥ 2,210	\$ 23,459

## 9. Income Taxes and Deferred Tax Assets

The major components of deferred tax assets and liabilities as of March 31, 2018 and 2017 are summarized as follows:

	March 31,		March 31,
	2018	2017	2018
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Net defined benefit liability	¥ 1,836	¥ 1,755	\$ 17,283
Accrued employees' bonuses	423	338	3,985
Reserve for repair and maintenance	99	99	933
Enterprise tax payable	46	39	435
Tax loss carried forward	273	759	2,568
Other	1,657	1,323	15,591
Gross deferred tax assets	4,334	4,313	40,795
Valuation allowance	(3,411)	(3,431)	(32,107)
Total deferred tax assets	923	882	8,688
Deferred tax liabilities:			
Unrecognized holding gain on other securities	(4)	(4)	(40)
Other	(123)	(94)	(1,156)
Total deferred tax liabilities	(127)	(98)	(1,196)
Net deferred tax assets	¥ 796	¥ 784	\$ 7,492

## 9. 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 30.8% for the years ended March 31, 2018 and 2017. Income taxes of the foreign consolidated subsidiaries are generally based on the tax rates applicable in their countries of incorporation.

The reconciliations between the effective tax rates reflected in the consolidated statements of income and the effective statutory tax rates for the years ended March 31, 2018 and 2017 are summarized as follows:

	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Effective statutory tax rates	30.8%	30.8%
Effect of:		
Non-deductible expenses	(0.5)	2.1
Change in valuation allowance	(0.7)	(10.7)
Inhabitants tax per capital	0.6	1.1
Different tax rates applied to foreign consolidated subsidiaries	(1.1)	(2.2)
Foreign tax	1.4	1.9
Experimental and research expense tax credit	(5.0)	(4.7)
Other	0.3	(0.5)
Effective tax rates	<u>25.8%</u>	<u>17.8%</u>



## 10. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2018 and 2017:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2018</b>	<b>2017</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Valuation difference on other (available-for-sale) securities:			
Current year gains (losses)	¥ 3	¥ 7	\$ 21
Reclassification adjustments for gains and losses included in net income	—	—	—
Amount before tax effect	3	7	21
Tax effect	0	(1)	1
Valuation difference on available-for-sale securities	3	6	22
Foreign currency translation adjustment:			
Current year gains (losses)	75	(56)	709
Reclassification adjustments for gains and losses included in net income	—	—	—
Amount before tax effect	75	(56)	709
Tax effect	—	—	—
Foreign currency translation adjustment	75	(56)	709
Remeasurements of defined benefit plans:			
Current year gains (losses)	70	(146)	656
Reclassification adjustments for gains and losses included in net income	300	321	2,827
Amount before tax effect	370	175	3,483
Tax effect	—	—	—
Remeasurements of defined benefit plans	370	175	3,483
Total other comprehensive income	¥ 448	¥ 125	\$ 4,214

## 11. Information on Dividends

The Company paid cash dividends as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividend per share	Record date	Effective date
May 19, 2017	Common stock	¥ 198 million	¥4.00	March 31, 2017	June 6, 2017

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	Record date	Effective date
May 22, 2018	Common stock	¥ 354 million	Retained earnings	¥8.00	March 31, 2018	June 6, 2018

## 12. Retirement Benefits

The Company 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.

### ① Defined benefit plans

(1) The changes in the retirement benefit obligation for the years ended March 31, 2018 and 2017 are as follows:

	Year ended March 31,		Year ended March 31,
	2018	2017	2018
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 9,431	¥ 9,468	\$ 88,766
Service costs	386	392	3,629
Interest costs	32	32	304
Actuarial (gain) loss	(64)	13	(601)
Retirement benefit paid	(344)	(474)	(3,237)
Balance at the end of the year	¥ 9,441	¥ 9,431	\$ 88,861

## 12. Retirement Benefits (continued)

(2) The changes in plan assets for the years ended March 31, 2018 and 2017 are as follows:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2018</b>	<b>2017</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 2,951	¥ 2,924	\$ 27,774
Expected return on plan assets	103	102	972
Actuarial (gain) loss	6	(133)	55
Contributions by the Company	347	351	3,266
Retirement benefit paid	(236)	(293)	(2,222)
Balance at the end of the year	<u>¥ 3,171</u>	<u>¥ 2,951</u>	<u>\$ 29,845</u>

(3) The changes in net defined benefit liability that are calculated by the simplified method for the years ended March 31, 2018 and 2017 are as follows:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2018</b>	<b>2017</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 924	¥ 748	\$ 8,696
Retirement benefit expense	181	225	1,704
Retirement benefit paid	(65)	(47)	(612)
Other	(1)	(2)	(9)
Balance at the end of the year	<u>¥ 1,039</u>	<u>¥ 924</u>	<u>\$ 9,779</u>

## 12. Retirement Benefits (continued)

(4) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the Group's defined benefit plans:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 6,133	¥ 6,166	\$ 57,728
Plan assets at fair value	(3,171)	(2,951)	(29,846)
	2,962	3,215	27,882
Unfunded retirement benefit obligation	4,347	4,189	40,912
Net liability for retirement benefits in the balance sheet	7,309	7,404	68,794
Liability for retirement benefits	7,309	7,404	68,794
Net liability for retirement benefits in the balance sheet	¥ 7,309	¥ 7,404	\$ 68,794

Notes:

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

(5) The components of retirement benefit expense for the years ended March 31, 2018 and 2017 are as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service costs	¥ 386	¥ 392	\$ 3,629
Interest costs	32	32	304
Expected return on plan assets	(103)	(102)	(972)
Amortization of actuarial loss	317	337	2,987
Amortization of prior service cost	(17)	(17)	(159)
Retirement benefit expense calculated by the simplified method	181	226	1,704
Retirement benefit expense for defined benefit plans	¥ 796	¥ 868	\$ 7,493

## 12. Retirement Benefits (continued)

(6) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 are as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ 17	¥ 17	\$ 160
Actuarial gains	(387)	(192)	(3,643)
Total	<u>¥ (370)</u>	<u>¥ (175)</u>	<u>\$ (3,483)</u>

(7) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 are as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized prior service cost	¥ (65)	¥ (82)	\$ (610)
Unrecognized actuarial losses	1,338	1,725	12,592
Total	<u>¥ 1,273</u>	<u>¥ 1,643</u>	<u>\$ 11,982</u>

(8) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 are as follows:

	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Bonds	16.7%	15.9%
Shares	21.3%	20.0%
Cash and deposits	-%	7.0%
General accounts	42.0%	43.1%
Other	20.0%	14.0%
Total	<u>100.0%</u>	<u>100.0%</u>

## 12. Retirement Benefits (continued)

(9) 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.

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

	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Discount rate	0.31–0.36%	0.31–0.36%
Long-term expected return on plan assets	3.5%	3.5%
Salary increase rate	4.2%	4.2%
Lump-sum election rate	70.0%	70.0%

### ② Defined contribution plans

The amount required to be contributed to the defined contribution plans is ¥11 million (\$106 thousand) for the year ended March 31, 2018.

## 13. Contingent Liabilities

The Company had the following contingent liability as of March 31, 2018 and 2017 :

	<b>March 31,</b>		<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Guarantee for housing loans of employees	¥ 6	¥ 8	\$ 56

## 14. 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 Treasury Division with 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, 2018 and 2017, the fair value information for derivatives, for which hedge accounting was applied, was not presented since all derivatives were accounted for using the special hedge accounting and accordingly their fair value was recorded as part of the fair value of the hedged borrowings.

## 14. Derivatives and Hedging Activities (continued)

### I. Derivative transactions which do not qualify for hedge accounting

#### *Currency-related transactions*

	As of March 31, 2018			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain(loss)
	(Millions of yen)			
Foreign Exchange				
Forward Contracts				
To sell foreign currencies				
U.S. Dollars	¥ 3,118	¥ 189	¥ (7)	¥ (7)
Total	¥ 3,118	¥ 189	¥ (7)	¥ (7)
To buy foreign currencies				
U.S. Dollars	¥ —	¥ —	¥ —	¥ —
Total	¥ —	¥ —	¥ —	¥ —

	As of March 31, 2017			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain(loss)
	(Millions of yen)			
Foreign Exchange				
Forward Contracts				
To sell foreign currencies				
U.S. Dollars	¥ 3,177	¥ 368	¥ (224)	¥ (224)
Total	¥ 3,177	¥ 368	¥ (224)	¥ (224)
To buy foreign currencies				
U.S. Dollars	¥ —	¥ —	¥ —	¥ —
Total	¥ —	¥ —	¥ —	¥ —

	As of March 31, 2018			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain(loss)
	(Thousands of U.S. dollars)			
<b>Foreign Exchange</b>				
<b>Forward Contracts</b>				
To sell foreign currencies				
U.S. Dollars	\$ 29,345	\$ 1,776	\$ (68)	\$ (68)
Total	<u>\$ 29,345</u>	<u>\$ 1,776</u>	<u>\$ (68)</u>	<u>\$ (68)</u>
To buy foreign currencies				
U.S. Dollars	\$ —	\$ —	\$ —	\$ —
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>



## 14. Derivatives and Hedging Activities (continued)

Notes:

Fair value is principally based on obtaining quotes from counterparty financial institutions.

### II. Derivative transactions which qualify for hedge accounting

#### *Interest-related transaction*

		As of March 31, 2018		
Type of derivative transaction	Principal item hedged	Contract amount	Contract amount	Fair value
			over 1 year	
		(Millions of yen)		

Interest rate swap transaction Pay fixed/Receive variable	Long-term debt	¥ 6,000	¥ 6,000	¥ —
--	----------------	---------	---------	-----

		As of March 31, 2017		
Type of derivative transaction	Principal item hedged	Contract amount	Contract amount	Fair value
			over 1 year	
(Millions of yen)				

Interest rate swap transaction Pay fixed/Receive variable	Long-term debt	¥ 6,000	¥ 5,200	¥ —
--	----------------	---------	---------	-----

		As of March 31, 2018		
Type of derivative transaction	Principal item hedged	Contract	Contract	
		amount	amount over 1 year	Fair value
(Thousands of U.S. dollars)				

Interest rate swap transaction Pay fixed/Receive variable	Long-term debt	\$ 56,476	\$ 56,476	\$ —
--	----------------	-----------	-----------	------

Notes:

The fair value of interest rate swaps accounted for using the special treatment is included in the fair value of the underlying long-term debt.

## 15. Financial Instruments

### ① Matters relating to financial instruments

#### (1) Policy of financial instruments

The Group makes capital investments primarily through bank loans to secure the necessary principal and maintain liquidity. Derivatives are used, not for speculative nor trading purposes, but to manage risk of foreign currency exchange rates 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 a customer's credit risk. Receivables from each customer are constantly checked to reduce risk of the customer's default.

Investment securities are equity securities of customers of the Group and exposed to the market price fluctuation risk.

While foreign currency-denominated operating receivables are exposed to exchange rate fluctuation risk, the Group hedges this risk by, as a general rule, primarily utilizing forward exchange contracts for foreign currency-denominated operating payables. Trade payables, which are operating payables, are settled within a year. Short-term bank loans are used to primarily to procure working capital, 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, derivative transactions (interest rate swaps) are utilized in part to fix interest payments. To control credit risk related to derivatives, based on internal guidelines, the Group enters into derivative transactions with counterparties with high credit ratings. In addition, the Treasury Division of the Group regularly monitors risk and gain or loss, and reports them to management of the Company.

Operating payables and bank loans are exposed to liquidity risk.

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

#### (3) Supplementary information 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. Because various assumptions and factors are reflected in estimating fair value, different assumptions could result in different fair value. 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.

## 15. Financial Instruments (continued)

### ② Matters concerning the fair value of financial instruments, etc.

Amounts as of March 31, 2018 and 2017 on the accompanying consolidated balance sheet fair value and the difference between them are as follows.

March 31, 2018			
	Carrying value	Fair value	Difference
	<i>(Millions of yen)</i>		
(1) Cash and bank deposits	¥ 13,399	¥ 13,399	¥ —
(2) Notes and accounts receivable, trade	28,339	28,339	—
(3) Electronically recorded monetary claims	640	640	—
(4) Investment securities - Other securities	72	72	—
(5) Notes and accounts payable, trade	(15,000)	(15,000)	—
(6) Short-term bank loans	(5,100)	(5,100)	—
(7) Current portion of long-term debt	(500)	(500)	—
(8) Long-term debt	(6,000)	(5,991)	9
(9) Other long-term liabilities	(3,078)	(2,787)	291
(10) Derivative transactions	(42)	(42)	—

March 31, 2017			
	Carrying value	Fair value	Difference
	<i>(Millions of yen)</i>		
(1) Cash and bank deposits	¥ 11,494	¥ 11,494	¥ —
(2) Notes and accounts receivable, trade	23,834	23,834	—
(3) Electronically recorded monetary claims	623	623	—
(4) Investment securities - Other securities	70	70	—
(5) Notes and accounts payable, trade	(9,972)	(9,972)	—
(6) Short-term bank loans	(5,100)	(5,100)	—
(7) Current portion of long-term debt	(800)	(800)	—
(8) Long-term debt	(5,700)	(5,704)	(4)
(9) Other long-term liabilities	(3,078)	(2,712)	366
(10) Derivative transactions	(201)	(201)	—

March 31, 2018			
	Carrying value	Fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
(1) Cash and bank deposits	\$ 126,122	\$ 126,122	\$ —
(2) Notes and accounts receivable, trade	266,741	266,741	—
(3) Electronically recorded monetary claims	6,026	6,026	—
(4) Investment securities - Other securities	679	679	—
(5) Notes and accounts payable, trade	(141,185)	(141,185)	—
(6) Short-term bank loans	(48,005)	(48,005)	—
(7) Current portion of long-term debt	(4,706)	(4,706)	—
(8) Long-term debt	(56,476)	(56,387)	89
(9) Other long-term liabilities	(28,974)	(26,230)	2,744
(10) Derivative transactions	(391)	(391)	—

## 15. Financial Instruments (continued)

(\*) Liabilities are presented 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, their fair value approximates the carrying value of these instruments.

- (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, their fair value approximates the carrying value of these instruments.

- (8) Long-term debt

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

- (9) Other long-term liabilities

Other long-term liabilities consist of long-term guarantee 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) Derivative transactions

See Note 14 for details on derivative transactions.

- b) As non-marketable equity securities of ¥52 million (\$490 thousand) do not have a quoted market price and the future cash flow cannot be estimated, the Group considers it extremely difficult to determine their fair value. Hence, the items are not included in “(4) Investment securities - Other securities.”

## 15. Financial Instruments (continued)

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

Cash and bank deposits of ¥13,382 million (\$125,959 thousand), Notes and accounts receivable, trade of ¥28,339 million (\$266,741 thousand), Electronically recorded monetary claims of ¥640 million (\$6,026 thousand) are due within one year subsequent to March 31, 2018 and Cash and bank deposits of ¥11,475 million, Notes and accounts receivable, trade of ¥23,834 million, Electronically recorded monetary claims of ¥623 million are due within one year subsequent to March 31, 2017.

## 16. Investment in Rental Property

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

### Information on Consolidated Balance Sheet

	Carrying amount			Fair value
	April 1, 2017	Decrease	March 31, 2018	March 31, 2018
	<i>(Millions of yen)</i>			
Rental property	¥ 5,690	¥ 59	¥ 5,631	¥ 7,616

	Carrying amount			Fair value
	April 1, 2016	Decrease	March 31, 2017	March 31, 2017
	<i>(Millions of yen)</i>			
Rental property	¥ 5,812	¥ 122	¥ 5,690	¥ 7,513

	Carrying amount			Fair value
	April 1, 2017	Decrease	March 31, 2018	March 31, 2018
	<i>(Thousands of U.S. dollars)</i>			
Rental property	\$ 53,557	\$ 554	\$ 53,003	\$ 71,684

Notes:

- The carrying amount on the consolidated balance sheet is determined at the amount of acquisition costs less accumulated depreciation and impairment loss.
- Decrease represents depreciation during the year.
- Fair value at March 31, 2018 and 2017 is internally determined by the Company based on the real-estate appraisal standard.

## 16. Investment in Rental Property (continued)

### *Information on Consolidated Statement of Operations*

	Year ended March 31, 2018		
	Rental income	Rental costs	Difference
	<i>(Millions of yen)</i>		
Rental property	¥ 1,682	¥ 1,249	¥ 433

	Year ended March 31, 2017		
	Rental income	Rental costs	Difference
	<i>(Millions of yen)</i>		
Rental property	¥ 1,732	¥ 1,233	¥ 499

	Year ended March 31, 2018		
	Rental income	Rental costs	Difference
	<i>(Thousands of U.S. dollars)</i>		
Rental property	\$ 15,830	\$ 11,759	\$ 4,071

Notes:

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

## 17. Segment Information

### ① Segment Information

#### (1) Overview of reporting segments

The Company's reporting segments are determined as the Group's units for which discrete financial information is available, which the Board of Directors regularly monitors in order to decide on the 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 for its products or services to manage 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.

## 17. 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, 2018 and 2017 is summarized as follows:

Year ended March 31, 2018					
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
	<i>(Millions of yen)</i>				
Sales					
Sales to external customers	¥ 26,995	¥ 18,223	¥ 2,057	¥ 1,982	¥ 49,257
Intersegment sales or transfers	48	110	0	—	158
Total sales	27,043	18,333	2,057	1,982	49,415
Segment income	1,108	1,357	52	464	2,981
Segment assets	28,159	13,035	1,544	6,513	49,251
Other					
Depreciation and amortization	774	310	38	284	1,406
Interest income	5	0	0	—	5
Interest expense	6	3	5	—	14
Increase in tangible and intangible fixed assets	393	451	43	239	1,126
Year ended March 31, 2017					
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
	<i>(Millions of yen)</i>				
Sales					
Sales to external customers	¥ 26,355	¥ 12,266	¥ 2,044	¥ 2,072	¥ 42,737
Intersegment sales or transfers	48	152	0	—	200
Total sales	26,403	12,418	2,044	2,072	42,937
Segment income	345	863	83	597	1,888
Segment assets	25,851	10,572	1,586	6,370	44,379
Other					
Depreciation and amortization	956	296	38	276	1,566
Interest income	4	0	0	—	4
Interest expense	5	6	6	—	17
Increase in tangible and intangible fixed assets	778	249	22	173	1,222



## 17. Segment Information (continued)

	Year ended March 31, 2018				Total
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	
	<i>(Thousands of U.S. dollars)</i>				
Sales					
Sales to external customers	\$ 254,099	\$ 171,522	\$ 19,358	\$ 18,658	\$ 463,637
Intersegment sales or transfers	449	1,036	1	—	1,486
Total sales	254,548	172,558	19,359	18,658	465,123
Segment income	10,431	12,771	493	4,363	28,058
Segment assets	265,047	122,693	14,538	61,306	463,585
Other					
Depreciation and amortization	7,281	2,918	357	2,677	13,233
Interest income	45	0	0	—	45
Interest expense	54	30	48	—	132
Increase in tangible and intangible fixed assets	3,701	4,245	410	2,247	10,603

(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
	2018	2017	March 31, 2018
	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Reporting segments	¥ 2,981	¥ 1,888	\$ 28,058
Unallocated amounts	(507)	(443)	(4,778)
Other	(121)	(313)	(1,137)
Consolidated	¥ 2,353	¥ 1,132	\$ 22,143

#### 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.

## 17. Segment Information (continued)

### b) Segment assets

	As of March 31,		As of
	2018	2017	March 31,
	(Millions of yen)	(Millions of yen)	2018
			(Thousands of U.S. dollars)
Reporting segments	¥ 49,251	¥ 44,379	\$ 463,585
Unallocated amounts	10,688	9,342	100,605
Consolidated	¥ 59,939	¥ 53,721	\$ 564,190

#### 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, 2018						
	Reporting segments	Adjustment amount	Consolidated	Reporting segments	Adjustment amount	Consolidated
	(Millions of yen)			(Thousands of U.S. dollars)		
Depreciation and amortization	¥ 1,406	¥ —	¥ 1,406	\$ 13,233	\$ —	\$ 13,233
Interest income	5	0	5	45	3	48
Interest expense	14	117	131	132	1,102	1,233
Increase in tangible and intangible fixed assets	1,126	—	1,126	10,603	—	10,603

Year ended March 31, 2017			
	Reporting segments	Adjustment amount	Consolidated
	(Millions of yen)		
Depreciation and amortization	¥ 1,566	¥ —	¥ 1,566
Interest income	4	1	5
Interest expense	17	117	134
Increase in tangible and intangible fixed assets	1,222	—	1,222

## 17. 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, 2018			
Japan	Northeastern Asia	Other	Total
<i>(Millions of yen)</i>			
¥ 16,271	¥ 31,960	¥ 1,026	¥ 49,257
Year ended March 31, 2017			
Japan	Northeastern Asia	Other	Total
<i>(Millions of yen)</i>			
¥ 17,827	¥ 23,595	¥ 1,315	¥ 42,737
Year ended March 31, 2018			
Japan	Northeastern Asia	Other	Total
<i>(Thousands of U.S. dollars)</i>			
\$ 153,150	\$ 300,833	\$ 9,654	\$ 463,637

Notes:

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

##### b) Tangible fixed assets

As of March 31, 2018		
Japan	Northeastern Asia	Total
<i>(Millions of yen)</i>		
¥ 10,404	¥ 10	¥ 10,414
As of March 31, 2017		
Japan	Northeastern Asia	Total
<i>(Millions of yen)</i>		
¥ 10,780	¥ 10	¥ 10,790
As of March 31, 2018		
Japan	Northeastern Asia	Total
<i>(Thousands of U.S. dollars)</i>		
\$ 97,932	\$ 95	\$ 98,027

## 17. Segment Information (continued)

### c) Information by main customer

		Year ended March 31, 2018
		(Millions of yen)
Fine mechatronics and Mechatronics systems	Sales to Xianyang Caihong Optoelectronics Technology Co.,LTD.	¥ 7,930
Year ended March 31, 2017: Not applicable		
		Year ended March 31, 2018
		(Thousands of U.S. dollars)
Fine mechatronics and Mechatronics systems	Sales to Xianyang Caihong Optoelectronics Technology Co.,LTD.	\$ 74,643

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

Year ended March 31, 2018: Not applicable

Year ended March 31, 2017: Not applicable

### ④ Depreciation and remaining balance of goodwill by reporting segment

Year ended and as of March 31, 2018: Not applicable

Year ended and as of March 31, 2017: Not applicable

### ⑤ Gain on negative goodwill by reporting segment

Year ended March 31, 2018: Not applicable

Year ended March 31, 2017: Not applicable

## 18. Cash and Cash Equivalents

Reconciliations of cash and cash equivalents as of March 31, 2018 and 2017 between the amounts shown in the consolidated balance sheets and the consolidated statements of cash flows are as follows:

	<b>As of March 31,</b>		<b>As of</b>
	<b>2018</b>	<b>2017</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>	<b>2018</b>
			<i>(Thousands of U.S. dollars)</i>
Cash and time deposits	¥ 13,399	¥ 11,494	\$ 126,122
Time deposits with maturities in excess of three months	(15)	(15)	(139)
Cash and cash equivalents	¥ 13,384	¥ 11,479	\$ 125,983

## 19. Non-cash Transactions

Lease assets and lease obligations recorded relating to lease transactions were ¥14 million (\$136 thousand) and ¥14 million (\$136 thousand), respectively for the year ended March 31, 2018 and ¥7 million and ¥7 million, respectively for the year ended March 31, 2017.

## 20. Selling, General and Administrative Expenses

For the years ended March 31, 2018 and 2017, major selling, general and administrative expenses are summarized as follows:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2018</b>	<b>2017</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<b>2018</b>
			<i>(Thousands of U.S. dollars)</i>
Packing and delivery expenses	¥ 76	¥ 57	\$ 715
Sales commissions	742	205	6,981
Advertising expenses	12	14	115
Employees' salaries and allowances	4,746	4,273	44,669
Provision for director's bonuses	44	33	418
Provision of allowance for doubtful accounts	454	(7)	4,270
Retirement benefit expenses	388	374	3,656
Provision for directors' retirement benefits	3	3	24
Depreciation	924	1,100	8,698
Rent expenses	73	68	690
Research and development expenses	2,490	2,205	23,436

## 21. Related Party Transactions

Toshiba Corporation held 39.1% of the Company's voting rights as of March 31, 2017. Toshiba Corporation sold the Company's share in December 2017, however, Toshiba Corporation remains 10% of the Company's share, therefore Toshiba and its subsidiaries are the related parties of the Company.

The Company sold semiconductor manufacturing equipment to Toshiba Memory Corporation, The Company also lend the office space to Toshiba Memory Corporation. The aggregate amounts of these transactions were ¥2,022 million (\$19,035 thousand) for the years ended March 31, 2018.

The Company sold semiconductor manufacturing equipment to Toshiba Corporation, The Company also lend the office space to Toshiba Corporation. The aggregate amounts of these transactions were ¥2,415 million for the years ended March 31, 2017.

The Company purchased raw materials from Toshiba Corporation totaling ¥282 million for the years ended March 31, 2017.

The terms and conditions of the above transactions were determined with consideration of market prices.

Amounts due from and to Toshiba Corporation and Toshiba Memory Corporation at March 31, 2018 and 2017 were as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Due from Toshiba Corporation	¥ -	¥ 236	\$ -
Due to Toshiba Corporation	-	3,382	-
Due from Toshiba Memory Corporation	75	-	705
Due to Toshiba Memory Corporation	3,199	-	30,107

## 22. 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. Net assets per share are computed based on the weighted-average number of shares of common stock outstanding at each balance sheet date.

	As of March 31,		As of
	2018	2017	March 31,
	(Yen)		2018
			(U.S. dollars)
Net income:			
– Basic	¥ 36.58	¥ 18.84	\$ 0.34
Net assets	364.49	334.67	3.43

Notes:

The information regarding diluted net income per share for the years ended March 31, 2018 and 2017 is omitted because there was no stock with dilutive effect.

The weighted average number of shares of common stock outstanding excludes treasury stock shares held by the Company. Treasury stock shares held in trust as a performance-based stock compensation plan for the Company's directors and executive officers, are included in those treasury stock shares as of March 31, 2018..



## **Independent Auditor's Report**

To the Board of Directors of  
Shibaura Mechatronics Corporation

We have audited the accompanying consolidated financial statements of Shibaura Mechatronics Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **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 such internal control as management determines is necessary to enable the preparation of 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 comply with ethical requirements and 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. In making those risk assessments, the auditor considers internal control 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, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. 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.





To the Board of Directors of  
Shibaura Mechatronics Corporation  
Page2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*Price waterhouse Coopers Azuta LLC*

September 18, 2018

# Directors, Vice Presidents and Auditors

As of June 22, 2018

## Directors and Vice Presidents

### Shigeki Fujita

Representative Director  
President and Chief Executive Officer

### Makoto Fujino

Director  
Executive Vice President  
Executive General Manager of Fine Mechatronics Division

### Yoshitsugu Ogawa

Director  
Executive Vice President  
Executive General Manager of Mechatronics System Division

### Masatoshi Higuchi

Director  
Senior Vice President  
Executive General Manager of Technology & Development Division

### Kenichi Ikeda

Director  
Vice President  
Chief Financial Officer

### Tomoko Inaba

Outside Director

### Yuichiro Takada

Outside Director

### Keigo Imamura

Senior Vice President  
Deputy Executive General Manager of Fine Mechatronics Division

### Hisashi Shindo

Senior Vice President  
Deputy Executive General Manager of Mechatronics System Division

### Takashi Arai

Vice President  
Deputy Executive General Manager of Fine Mechatronics Division

### Kazuyuki Yamanaka

Vice President  
Executive General Manager of Production & Procurement Division

### Yoshio Yuyama

Vice President  
Deputy Executive General Manager of Mechatronics System Division

### Kazuhiko Okui

Vice President  
Executive General Manager of General Affairs & Human Resources Division

## Auditors

### Yasuhiko Yamato

Auditor

### Kazumasa Uchida

Outside Auditor

### Hiroyuki Matsumoto

Outside Auditor

# Investor Information

As of March 31, 2018

<b>Date Established</b>	October 12, 1939
<b>Capital</b>	6,762 Million-Yen
<b>Number of Employees</b>	Consolidated : 1,207
<b>Common Stock</b>	Authorized : 100,000,000 shares Issued and outstanding : 51,926,194 shares
<b>Number of Shareholders</b>	5,156
<b>Stock Listings</b>	The Tokyo Stock Exchange (Code : 6590)
<b>Transfer Agent for Common Stock</b>	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan
<b>Independent Auditor</b>	PricewaterhouseCoopers Aarata LLC
<b>Headquarters</b>	2-5-1, Kasama, Sakae-ku, Yokohama, Kanagawa Pref. 247-8610, Japan TEL : +81-45-897-2421 FAX : +81-45-897-2470 <a href="http://www.shibaura.co.jp/">http://www.shibaura.co.jp/</a>

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

	Year ended March 31,				
	2018	2017	2016	2015	2014
High (yen)	528	317	320	384	333
Low (yen)	240	179	170	220	181

## Principal Shareholders

	Number of shares hold (thousand shares)	Percentage of total shares outstanding (%)
Toshiba Corporation	5,193	11.73
Shin-Etsu Engineering Co., Ltd.	2,597	5.86
NuFlare Technology, Inc.	2,597	5.86



## **SHIBAURA MECHATRONICS CORPORATION**

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/>