

# **ANNUAL REPORT 2019**

Year ended March 31, 2019

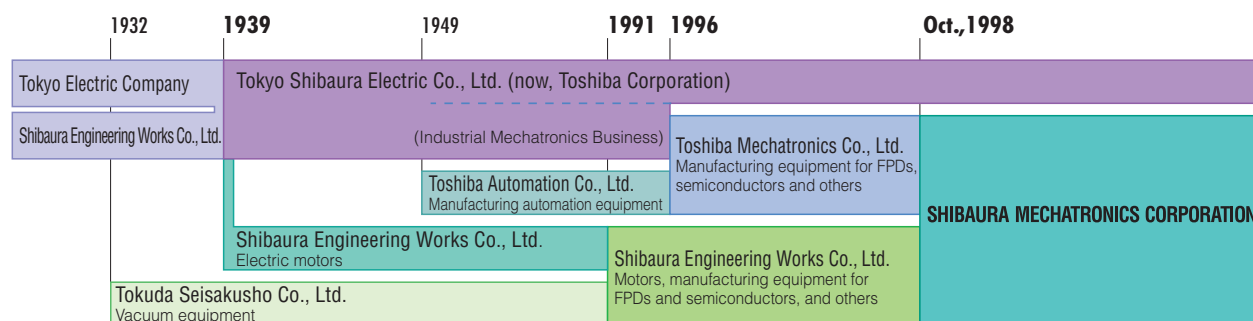
# ANNUAL REPORT 2019

## 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 . . . . . 52

Investor Information . . . . . 53

### 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 megacompetition 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

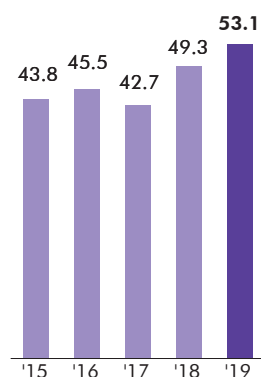
Consolidated	Year ended March 31,					Year ended March 31, 2019
	2019	2018	2017	2016	2015	(Thousands of U.S. dollars) (Note 1)
(Millions of yen)						
Net sales	¥ 53,090	¥ 49,257	¥ 42,737	¥ 45,550	¥ 43,799	\$ 478,334
Orders received	51,021	53,355	42,651	45,077	45,300	459,690
Operating income	4,000	2,498	1,500	1,292	1,022	36,045
Net income	2,481	1,747	931	743	697	22,351
Depreciation and amortization	1,556	1,406	1,566	1,411	1,271	14,015
Capital expenditures	1,717	1,126	1,222	1,536	797	15,472
R&D expenses	2,743	2,492	2,210	2,065	1,856	24,711
Total assets	61,967	59,939	53,721	56,253	54,720	558,316
Net assets	18,369	16,129	16,533	15,675	16,058	165,496
(yen)						(U.S. dollars)
Net income per share	¥ 562.90	¥ 365.82	¥ 188.44	¥ 150.41	¥ 141.09	\$ 5.07
Number of employees	1,221	1,207	1,202	1,177	1,174	1,221

Note 1 : The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥110.99 = U.S.\$1.00, as of March 31, 2019.

Note 2 : With an effective date of October 1, 2018, the Company conducted a stock consolidation at a ratio of one share for every 10 shares of common stock. Net income per share is calculated on the assumption that the share consolidation took place in April 2015.

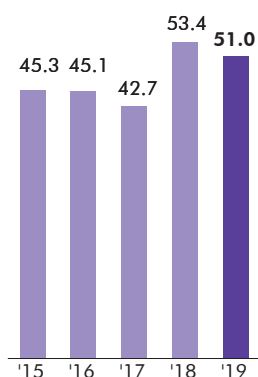
Net Sales

(¥Billions)



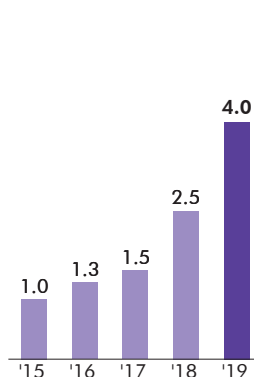
Orders Received

(¥Billions)



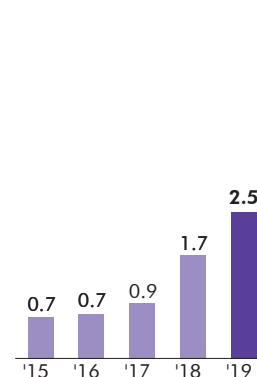
Operating Income

(¥Billions)



Net Income

(¥Billions)





*Smart Solutions & Services  
for Your Manufacturing*

## To Our Shareholders

### As we continue to accelerate structural reforms, we will also strengthen our management.

The business environment surrounding Shibaura Mechatronics Group in FY2018 was mixed. In the flat panel display (FPD) industry, investment for small and medium-sized panels trended up, largely for OLED (Organic LED) for smartphones, and capital investment in large panels for TVs continued, mainly in China.

In the semiconductor industry, capital investment for memories entered a period of adjustment, while capital investments for logic and foundry facilities continued, including for applications in advanced fields. Capital investment in China and among OSAT (outsourced semiconductor assembly and test companies).

In this environment, the fiscal 2018 results were as follows. Orders received decreased to 51,021 million yen, due to changes in plans for capital investment for FPD and the impacts of delays. Net sales increased to 53,090 million yen, due to increased sales for semiconductors. Operating income increased to 4,000 million yen, due to increased sales following changes in model composition and cost improvements.

Turning to the business environment for fiscal 2019, capital investment in the FPD industry is generally trending positively,

and recovery is expected toward the second half of the fiscal year.

In the semiconductor industry, capital expenditures for memory equipment are expected to recover from the current adjustment trend, and capital investment for logic and foundry facilities is expected to remain strong, especially in advanced fields.

From the medium to long term perspective, the semiconductor industry is expected to see expanded capital investment, against the backdrop of expansion in such semiconductor applications as 5G communications, IoT and AI.

Shibaura Mechatronics Group will further accelerate the business structure reforms that we are already promoting, and take measures to reinforce the management structure.

Shigeki Fujita  
Representative Director  
President and Chief Executive Officer



# Financial Review

## Results Summary

In FY2018 Shibaura Mechatronics recorded orders received of 51,021 million yen (a year-on-year decrease of 4.41%), net sales of 53,090 million yen (a year-on-year increase of 7.8%), operating income of 4,000 million yen (a year-on-year increase of 60.2%), ordinary income of 3,783 million yen (a year-on-year increase of 60.8%), and net income of 2,481 million yen (a year-on-year increase of 42.0%).

The results for each business segment were as follows:

### 1. Fine Mechatronics Segment

Net sales were 28,292 million yen, an increase of 4.8% against the previous year, and segment profit was 937 million yen, a decrease of 15.4%.

Orders received and net sales of FPD front-end process equipment for both large panels and small and medium panels declined, due to changes and delays in plans for capital investment.

Capital investment continued in semiconductor front-end process equipment, mainly for logic and foundry equipment, and both orders received and net sales increased.

Orders received for the segment as a whole were lower than for the previous year, but net sales increased due to higher demand for equipment for semiconductor front-end processes. Segment profit decreased due to an increase in fixed costs, such as R&D expenditure.

### 2. Mechatronics Systems Segment

Net sales were 20,715 million yen, an increase of 13.7% against the previous year, and segment profit was 2,959 million yen, an increase of 118.1%.

Although there was an impact on equipment for both FPD front-end and back-end processes, due changes and delays in capital investment plans, orders received and net sales were generally firm.

Orders received and net sales for semiconductor back-end process equipment increased, mainly in equipment for mobile devices and advanced packages.

Orders received and net sales of vacuum application equipment increased, centered on equipment for forming

films on automotive and electronic parts.

Orders received and net sales for the segment as a whole increased in all departments, and segment profit increased significantly on the increased net sales, plus changes in model composition and cost improvements.

### 3. Vending Machines and Systems Segment

Net sales were 2,093 million yen, an increase of 1.8% against the previous year, and segment profit was 14 million yen, a decrease of 74.2%.

Overall net sales increased slightly due to increased sales of ticket vending machines and general-purpose machines. However, segment profit decreased, due to changes in the product mix and higher development costs.

### 4. Real Estate Leasing Segment

Real estate rental income performed as planned, with net sales of 1,990 million yen, an increase of 0.4% against the previous year, and segment profit of 556 million yen, an increase of 19.9%.

## Research and Development Expenditure

The Shibaura Mechatronics Group as a whole recorded research and development costs of 2,743 million yen (including development costs of 458 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 Group and business partners.

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

### 1. Fine Mechatronics Segment

R&D expenses for the segment totaled 1,165 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 968 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 developed high-speed, high-precision bonding equipment for FO-WLP / PLP and  $\mu$ LED.

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 149 million yen.

In the ticket vending machine field, we proceeded with the development of ticket vending machines that accept cash and credit card payments. We have also developed cashless ticket machines that accept credit, electronic money, and QR code payments.

# Financial Condition

Total assets at the end of the fiscal year increased by 2,027 million yen against the previous fiscal year, to 61,967 million yen, largely as the result of an increase in accounts receivable of 2,095 million yen.

Total Liabilities were 211 million yen lower than at the end of the previous fiscal year, at 43,598 million yen. This is mainly due to an increase in notes and accounts payable of 134 million yen, and an increase in long-term borrowings with a settlement date within one year of 4,000 million yen, while long-term borrowings decreased by 4,500 million yen.

Net assets increased by 2,239 million yen from the end of the previous fiscal year, to 18,369 million yen. This was mainly

due to recording a 2,481 million yen increase in net income attributable to parent company shareholders.

# Cash Flows

The balance of cash and cash equivalents (referred to below as net cash) at the end of the current fiscal year decreased by 213 million yen from the end of the previous fiscal year, to 13,171 million yen.

Net cash from operating activities was 1,462 million yen (an increase of 5,149 million yen in the previous fiscal year). While there was an increase in net cash from recording increased income before income taxes and non-controlling interest, there was also a decrease in net cash as the result of an increase in accounts receivable.

Net cash from investing activities was 722 million yen (a decrease of 655 million yen in the previous fiscal year). This was mainly due to a decrease in net cash resulting from the acquisition of fixed assets.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, increased by 740 million yen (an increase of 4,494 million yen in the previous fiscal year)

Net cash used in financing activities was 870 million yen (a decrease of 2,641 million yen in the previous fiscal year). This was mainly due to a decrease in net cash as a result of repayments of long-term borrowings.

---

# FINANCIAL SECTION

ANNUAL REPORT 2019 Year ended March 31, 2019

## Contents

Consolidated Balance Sheet . . . . .	07
Consolidated Statement of Operations . . . . .	09
Consolidated Statement of Comprehensive Income . . . .	10
Consolidated Statement of Changes in Net Assets . . . .	11
Consolidated Statement of Cash Flows . . . . .	12
Notes to Consolidated Financial Statements . . . . .	13
Independent Auditor's Report . . . . .	50



## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Balance Sheet

	<b>March 31,</b>		<b>March 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
<b>Assets</b>			
Current assets:			
Cash and bank deposits <i>(Notes 15 and 18)</i>	¥ 13,186	¥ 13,399	\$ 118,805
Notes and accounts receivable, trade <i>(Note 15)</i>	30,243	28,339	272,487
Electronically recorded monetary claims <i>(Note 15)</i>	495	640	4,463
Allowance for doubtful accounts	(198)	(367)	(1,783)
Inventories <i>(Note 6)</i>	3,477	3,283	31,325
Accounts receivable, other	1,903	1,477	17,141
Other current assets	395	777	3,556
Total current assets	49,501	47,548	445,994
 Property, plant and equipment:			
Land <i>(Note 16)</i>	119	119	1,075
Buildings and structures <i>(Note 16)</i>	28,919	28,612	260,556
Machinery and equipment	5,942	5,320	53,537
Leased assets	297	366	2,678
Construction in progress	458	330	4,123
Total	35,735	34,747	321,969
Accumulated depreciation	(25,199)	(24,333)	(227,037)
Property, plant and equipment, net	10,536	10,414	94,932
 Investments and other assets:			
Investments in securities <i>(Notes 5 and 15)</i>	124	124	1,115
Deferred tax assets <i>(Note 9)</i>	826	796	7,447
Other assets	981	1,059	8,840
Allowance for doubtful accounts	(1)	(2)	(12)
Total investments and other assets	1,930	1,977	17,390
 Total assets	¥ 61,967	¥ 59,939	\$ 558,316

	<b>March 31,</b>		<b>March 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</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>	¥ 15,134	¥ 15,000	\$ 136,357
Short-term bank loans <i>(Notes 7 and 15)</i>	5,100	5,100	45,950
Current portion of long-term debt <i>(Notes 7 and 15)</i>	4,500	500	40,544
Current portion of lease obligations <i>(Note 7)</i>	5	16	49
Advances received	1,074	1,242	9,680
Accrued expenses	3,519	4,063	31,700
Accrued income taxes <i>(Note 9)</i>	1,157	578	10,424
Provision for directors' bonuses	39	44	352
Provision for loss on order received	3	5	27
Other current liabilities	769	496	6,926
Total current liabilities	31,300	27,044	282,009
Long-term liabilities:			
Long-term debt <i>(Notes 7 and 15)</i>	1,500	6,000	13,515
Net defined benefit liability <i>(Note 12)</i>	7,349	7,309	66,215
Lease obligations <i>(Note 7)</i>	14	19	124
Long-term accounts payable-other	2	2	21
Provision for directors' retirement benefits	15	13	133
Reserve for repair and maintenance	304	309	2,742
Asset retirement obligations	36	36	327
Long-term guarantee deposits <i>(Note 15)</i>	3,078	3,078	27,734
Total long-term liabilities	12,298	16,766	110,811
Total liabilities	43,598	43,810	392,820
Contingent liabilities <i>(Note 13)</i>			
Net assets:			
Shareholders' equity:			
Capital stock:			
Authorized: 10,000,000 shares in 2019*			
100,000,000 shares in 2018			
Issued: 5,192,619 shares in 2019*			
51,926,194 shares in 2018	6,762	6,762	60,920
Capital surplus	9,038	9,038	81,427
Retained earnings	7,391	5,264	66,593
Less treasury stock, at cost	(4,038)	(4,054)	(36,379)
Total shareholders' equity	19,153	17,010	172,561
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	29	31	263
Foreign currency translation adjustments	282	361	2,543
Remeasurements of defined benefit plans	(1,095)	(1,273)	(9,871)
Total valuation and translation adjustments	(784)	(881)	(7,065)
Total net assets	18,369	16,129	165,496
Total liabilities and net assets	¥ 61,967	¥ 59,939	\$ 558,316

\* The Company consolidated its common shares at a ratio of 10 shares to 1 share on October 1, 2018.

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

## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Statement of Operations

	Years ended March 31,		Year ended
	2019	2018	March 31,
	(Millions of yen)		2019
			(Thousands of U.S. dollars)
			(Note 1)
Net sales	¥ 53,090	¥ 49,257	\$ 478,334
Cost of sales (Notes 6,8 and 16)	37,699	35,635	339,660
Gross profit	15,391	13,622	138,674
Selling, general and administrative expenses (Notes 8,12 and 20)	11,391	11,124	102,629
Operating income	4,000	2,498	36,045
Other income (expenses):			
Interest and dividend income	9	7	81
Foreign exchange gain (loss), net	119	(60)	1,075
Interest expense	(129)	(131)	(1,164)
Commission fee	(29)	(31)	(265)
Loss on valuation of derivatives, net	(237)	(1)	(2,138)
Compensation income	-	72	-
Other, net	50	(1)	445
Ordinary income	3,783	2,353	34,079
Income before income taxes	3,783	2,353	34,079
Income taxes (Note 9):			
Current	1,333	616	12,009
Deferred	(31)	(10)	(281)
	1,302	606	11,728
Net income	2,481	1,747	22,351
Net income attributable to owners of parent	¥ 2,481	¥ 1,747	\$ 22,351

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>2019</b>	<b>2018</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<b>2019</b>
			<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Net income	¥ 2,481	¥ 1,747	\$ 22,351
Other comprehensive income: <i>(Note 10)</i>			
Valuation difference on available-for-sale securities	(2)	3	(15)
Remeasurements of defined benefit plans	177	370	1,598
Foreign currency translation adjustments	(79)	75	(715)
Total other comprehensive income	96	448	868
Comprehensive income	¥ 2,577	¥ 2,195	\$ 23,219
(Breakdown)			
Comprehensive income attributable to owners of parent	2,577	2,195	23,219

*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	Remeasurements of defined benefit plans	Total net assets
	(Millions of yen)								
Balance as of April 1, 2017	51,926,194	¥ 6,762	¥ 9,108	¥ 3,715	¥ (1,723)	¥ 28	¥ 286	¥ (1,643)	¥ 16,533
Net income	—	—	—	1,747	—	—	—	—	1,747
Dividends of surplus (Note 11)	—	—	—	(198)	—	—	—	—	(198)
Purchase of treasury shares	—	—	—	—	(2,474)	—	—	—	(2,474)
Consolidation of shares*	—	—	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	(70)	—	143	—	—	—	73
Net change during the year	—	—	—	—	—	3	75	370	448
Balance as of April 1, 2018	51,926,194	¥ 6,762	¥ 9,038	¥ 5,264	¥ (4,054)	¥ 31	¥ 361	¥ (1,273)	¥ 16,129
Net income	—	—	—	2,481	—	—	—	—	2,481
Dividends of surplus (Note 11)	—	—	—	(354)	—	—	—	—	(354)
Purchase of treasury shares	—	—	—	—	(0)	—	—	—	0
Consolidation of shares*	(46,733,575)	—	—	—	—	—	—	—	(46,733,575)
Disposal of treasury shares	—	—	—	—	16	—	—	—	16
Net change during the year	—	—	—	—	—	(1)	(79)	178	98
Balance as of March 31, 2019	5,192,619	¥ 6,762	¥ 9,038	¥ 7,391	¥ (4,038)	¥ 29	¥ 282	¥ (1,095)	¥ 18,369

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

<b>Balance as of April 1, 2018</b>	\$ 60,920	\$ 81,427	\$ 47,432	\$ (36,525)	\$ 278	\$ 3,258	\$ (11,469)	\$ 145,321
Net income	—	—	22,351	—	—	—	—	22,351
Dividends of surplus <i>(Note 11)</i>	—	—	(3,190)	—	—	—	—	(3,190)
Purchase of treasury shares	—	—	—	(4)	—	—	—	(4)
Consolidation of shares*	—	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	150	—	—	—	150
Net change during the year	—	—	—	—	(15)	(715)	1,598	868
<b>Balance as of March 31, 2019</b>	\$ 60,920	\$ 81,427	\$ 66,593	\$ (36,379)	\$ 263	\$ 2,543	\$ (9,871)	\$ 165,496

\* The Company consolidated its common shares at a ratio of 10 shares to 1 share on October 1, 2018.

*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
	2019	2018	March 31,
	(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	¥ 3,783	¥ 2,353	\$ 34,079
Depreciation and amortization	1,556	1,406	14,015
Decrease (increase) in allowance for doubtful accounts	(169)	356	(1,523)
Increase in net defined benefit liability	218	275	1,964
Interest and dividend income	(9)	(7)	(81)
Interest expense	129	131	1,164
Foreign exchange losses	(21)	27	(190)
Decrease (increase) in advances received	(138)	622	(1,230)
Increase in notes and accounts receivable-trade	(1,794)	(4,489)	(16,168)
Increase in inventories	(989)	(188)	(8,907)
Decrease (increase) in notes and accounts payable-trade	(270)	5,842	(2,436)
Increase (decrease) in accrued consumption taxes	67	(13)	605
Other, net	(77)	(700)	(700)
Subtotal	2,286	5,615	20,592
Interest and dividends received	9	6	78
Interest paid	(130)	(131)	(1,167)
Income taxes paid	(703)	(341)	(6,331)
Net cash provided by operating activities	1,462	5,149	13,172
<b>Net cash used in Investment activities</b>			
Payments into time deposits	(0)	(0)	(0)
Purchases of property, plant and equipment	(618)	(392)	(5,572)
Proceeds from sales of property, plant and equipment	0	2	1
Other, net	(104)	(265)	(933)
Net cash used in investment activities	(722)	(655)	(6,504)
<b>Net cash used in Financing activities</b>			
Repayments of finance lease obligations	(16)	(42)	(141)
Proceeds from long-term loans payable	-	800	-
Repayments of long-term loans payable	(500)	(800)	(4,505)
Purchases of treasury stock	(0)	(2,474)	(4)
Proceeds from disposal of treasury shares	-	73	-
Cash dividends paid	(354)	(198)	(3,190)
Net cash used in financing activities	(870)	(2,641)	(7,840)
Effect of exchange rate change on cash and cash equivalents	(83)	52	(748)
Net decrease (increase) in cash and cash equivalents	(213)	1,905	(1,920)
Cash and cash equivalents at beginning of year	13,384	11,479	120,592
Cash and cash equivalents at end of year (Note 18)	¥ 13,171	¥ 13,384	\$ 118,672

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

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

March 31, 2019

**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, 2019 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 ¥ 110.99 = U.S. \$ 1.00, the approximate rate of exchange in effect on March 31, 2019. 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.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard is effective for annual periods beginning on or after April 1, 2018. The Company retrospectively applied the revised accounting standard effective April 1, 2018, and deferred tax assets of ¥565 million which were previously classified as current assets, as of March 31, 2018, have been reclassified as investments and other assets in the accompanying consolidated balance sheet.

The amendments also require details of valuation allowance and expiration of tax loss carryforwards to be disclosed, but comparative information is allowed to not be disclosed as transitional measures. The Company disclosed the details of valuation allowance and the expiration of tax loss carryforwards as of March 31, 2019 in Note 9.

(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 Standards issued by March 31, 2019 but not yet effective are as follows;

- “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.

#### 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 ¥56 million (\$505 thousand) and there were 16 thousand shares.

## 5. Investments in Securities

At March 31, 2019 and 2018, marketable securities classified as other (available-for-sale) securities are summarized as follows:

	March 31						March 31,		
	2019			2018			2019		
	Amount recorded in			Amount recorded in			Amount recorded in		
	Acquisition costs	the balance sheet	Difference	Acquisition costs	the balance sheet	Difference	Acquisition costs	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	¥ 38	¥ 71	¥ 33	¥ 37	¥ 71	¥ 34	\$ 340	\$ 640	\$ 300
Debt securities	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Total	¥ 38	¥ 71	¥ 33	¥ 37	¥ 71	¥ 34	\$ 340	\$ 640	\$ 300

At March 31, 2019 and 2018, non-marketable securities carried at cost are summarized as follows:

	March 31,		March 31,
	2019	2018	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in affiliates:			
Affiliates	¥ 52	¥ 52	\$ 470
Other	1	1	5

For the year ended March 31, 2019, other securities sold are summarized as follows:

Not applicable

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

Not applicable

## 6. Inventories

Inventories at March 31, 2019 and 2018 are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Finished products	¥ 1,121	¥ 1,049	\$ 10,096
Raw materials	228	188	2,051
Work in process	2,128	2,046	19,178
Total	¥ 3,477	¥ 3,283	\$ 31,325

Inventories as of March 31, 2019 and 2018 were written down due to lower profitability and unrealized loss on inventories was charged to cost of sales in the amounts of ¥527 million (\$4,750 thousand) and ¥557 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, 2019 and 2018 was 1.0%.

Long-term debt and lease obligations at March 31, 2019 and 2018 are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unsecured:			
1.2% to 1.3% loans from banks due 2019 to 2023	6,000	6,500	54,059
Lease obligations	19	35	173
Total	6,019	6,535	54,232
Less current portion	4,505	516	40,593
Long-term debt and lease obligations, net	¥ 1,514	¥ 6,019	\$ 13,639

Aggregate annual maturities of long-term debt and lease obligations at March 31, 2019 are summarized as follows:

	<b>March 31, 2019</b>	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2020	¥ 4,505	\$ 40,593
2021	704	6,343
2022	4	36
2023 and thereafter	806	7,260
Total	¥ 6,019	\$ 54,232



## 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 (\$54,059 thousand) to optimize the free cash flow on August 1, 2018. The outstanding balance of bank borrowings under these commitment lines at March 31, 2019 was zero.

## 8. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2019 and 2018 are as follows:

Year ended March 31,		Year ended
2019	2018	March 31,
<i>(Millions of yen)</i>		2019
		<i>(Thousands of U.S. dollars)</i>
¥ 2,743	¥ 2,492	\$ 24,711

## 9. Income Taxes and Deferred Tax Assets

The major components of deferred tax assets and liabilities as of March 31, 2019 and 2018 are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Net defined benefit liability	¥ 1,909	¥ 1,836	\$ 17,199
Accrued employees' bonuses	469	423	4,226
Reserve for repair and maintenance	94	99	850
Enterprise tax payable	78	46	698
Costs of construction for the percentage of completion	225	-	2,026
Tax loss carried forward	95	273	856
Other	1,695	1,657	15,280
Gross deferred tax assets	4,565	4,334	41,135
Valuation allowances for tax loss carryforwards	(83)	-	(750)
Valuation allowance for temporary differences	(3,509)	(3,411)	(31,614)
Total deferred tax assets	973	923	8,771
Deferred tax liabilities:			
Unrecognized holding gain on other securities	(5)	(4)	(44)
Other	(142)	(123)	(1,280)
Total deferred tax liabilities	(147)	(127)	(1,324)
Net deferred tax assets	¥ 826	¥ 796	\$ 7,447

## 9. Income Taxes and Deferred Tax Assets (continued)

The expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2019, were as follows:

<i>(Millions of yen)</i>							
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
<b>March 31, 2019</b>							
Deferred tax assets relating to tax loss carryforwards	¥ 95	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 95
Valuation allowances for tax loss carryforwards	(83)	–	–	–	–	–	(83)
Net deferred tax assets relating to tax loss carryforwards	11	–	–	–	–	–	11

<i>(Thousands of U.S. dollars)</i>							
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	Total
<b>March 31, 2019</b>							
Deferred tax assets relating to tax loss carryforwards	\$ 856	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 856
Valuation allowances for tax loss carryforwards	(750)	–	–	–	–	–	(750)
Net deferred tax assets relating to tax loss carryforwards	106	–	–	–	–	–	106

## 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 30.6% and 30.8% for the years ended March 31, 2019 and 2018. 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, 2019 and 2018 are summarized as follows:

	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Effective statutory tax rates	30.6%	30.8%
Effect of:		
Non-deductible expenses	1.5	(0.5)
Change in valuation allowance	8.3	(0.7)
Inhabitants tax per capital	0.3	0.6
Different tax rates applied to foreign consolidated subsidiaries	(0.3)	(1.1)
Foreign tax	0.5	1.4
Experimental and research expense tax credit	(9.3)	(5.0)
Difference between assessment year and previous year	0.7	0.3
Additional income taxes	1.9	—
Other	0.2	(0.1)
Effective tax rates	<u>34.4%</u>	<u>25.8%</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, 2019 and 2018:

	Year ended March 31,		Year ended
	2019	2018	March 31,
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Valuation difference on other (available-for-sale) securities:			
Current year gains (losses)	¥ (1)	¥ 3	\$ (9)
Reclassification adjustments for gains and losses included in net income	—	—	—
Amount before tax effect	(1)	3	(9)
Tax effect	(1)	0	(6)
Valuation difference on available-for-sale securities	(2)	3	(15)
Foreign currency translation adjustment:			
Current year gains (losses)	(79)	75	(715)
Reclassification adjustments for gains and losses included in net income	—	—	—
Amount before tax effect	(79)	75	(715)
Tax effect	—	—	—
Foreign currency translation adjustment	(79)	75	(715)
Remeasurements of defined benefit plans:			
Current year gains (losses)	(56)	70	(506)
Reclassification adjustments for gains and losses included in net income	233	300	2,104
Amount before tax effect	177	370	1,598
Tax effect	—	—	—
Remeasurements of defined benefit plans	177	370	1,598
Total other comprehensive income	¥ 96	¥ 448	\$ 868

## 11. Information on Dividends

The Company paid cash dividends as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividends per share *1	Record date	Effective date
May 22, 2018	Common stock	¥ 354 million	¥8.00 *2	March 31, 2018	June 6, 2018

\*1 The Company consolidated its common shares at a ratio of 10 shares to 1 share on October 1, 2018.

\*2 Dividends per share of ¥8.00 for the year ended March 31, 2018 before the consolidation of shares.

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	Dividends per share	Record date	Effective date
May 21, 2019	Common stock	¥ 619 million	Retained earnings	¥140.00	March 31, 2019	June 5, 2019

## 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, 2019 and 2018 are as follows:

	Year ended March 31,		Year ended March 31,
	2019	2018	2019
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at the beginning of the year	¥ 9,441	¥ 9,431	\$ 85,058
Service costs	368	386	3,312
Interest costs	32	32	291
Actuarial (gain) loss	(24)	(64)	(213)
Retirement benefit paid	(401)	(344)	(3,612)
Balance at the end of the year	¥ 9,416	¥ 9,441	\$ 84,836

## 12. Retirement Benefits (continued)

(2) The changes in plan assets for the years ended March 31, 2019 and 2018 are as follows:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2019</b>	<b>2018</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 3,171	¥ 2,951	\$ 28,569
Expected return on plan assets	63	103	571
Actuarial (gain) loss	(80)	6	(719)
Contributions by the Company	345	347	3,108
Retirement benefit paid	(286)	(236)	(2,575)
Balance at the end of the year	<u>¥ 3,213</u>	<u>¥ 3,171</u>	<u>\$ 28,954</u>

(3) The changes in net defined benefit liability that are calculated by the simplified method for the years ended March 31, 2019 and 2018 are as follows:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2019</b>	<b>2018</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 1,039	¥ 924	\$ 9,360
Retirement benefit expense	189	181	1,714
Retirement benefit paid	(69)	(65)	(622)
Other	(13)	(1)	(120)
Balance at the end of the year	<u>¥ 1,146</u>	<u>¥ 1,039</u>	<u>\$ 10,332</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, 2019 and 2018 for the Group's defined benefit plans:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 6,094	¥ 6,133	\$ 54,901
Plan assets at fair value	(3,214)	(3,171)	(28,954)
	2,880	2,962	25,946
Unfunded retirement benefit obligation	4,469	4,347	40,268
Net liability for retirement benefits in the balance sheet	7,349	7,309	66,215
Liability for retirement benefits	7,349	7,309	66,215
Net liability for retirement benefits in the balance sheet	¥ 7,349	¥ 7,309	\$ 66,215

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, 2019 and 2018 are as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service costs	¥ 368	¥ 386	\$ 3,312
Interest costs	32	32	291
Expected return on plan assets	(63)	(103)	(571)
Amortization of actuarial loss	250	317	2,256
Amortization of prior service cost	(17)	(17)	(152)
Retirement benefit expense calculated by the simplified method	188	181	1,694
Retirement benefit expense for defined benefit plans	¥ 758	¥ 796	\$ 6,830



## 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, 2019 and 2018 are as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ 17	¥ 17	\$ 152
Actuarial gains	(194)	(387)	(1,750)
Total	<u>¥ (177)</u>	<u>¥ (370)</u>	<u>\$ (1,598)</u>

(7) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 are as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized prior service cost	¥ (48)	¥ (65)	\$ (432)
Unrecognized actuarial losses	1,143	1,338	10,303
Total	<u>¥ 1,095</u>	<u>¥ 1,273</u>	<u>\$ 9,871</u>

(8) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 are as follows:

	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>
Bonds	17.0%	16.7%
Shares	21.2%	21.3%
Cash and deposits	0.8%	-%
General accounts	42.6%	42.0%
Other	18.4%	20.0%
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:

	March 31,	
	2019	2018
Discount rate	0.31—0.36%	0.31—0.36%
Long-term expected return on plan assets	2.0%	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 ¥16 million (\$143 thousand) for the year ended March 31, 2019.

## 13. Contingent Liabilities

The Company had the following contingent liability as of March 31, 2019 and 2018 :

	March 31,		March 31,
	2019	2018	2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Guarantee for housing loans of employees	¥ 4	¥ 6	\$ 40

## 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, 2019 and 2018, 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, 2019			
	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	¥ 2,400	¥ —	¥ (64)	¥ (64)
Total	¥ 2,400	¥ —	¥ (64)	¥ (64)
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)
	(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, 2019			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain(loss)
	<i>(Thousands of U.S. dollars)</i>			
<b>Foreign Exchange</b>				
<b>Forward Contracts</b>				
To sell foreign currencies				
U.S. Dollars	\$ 21,621	\$ —	\$ (579)	\$ (579)
Total	<u>\$ 21,621</u>	<u>\$ —</u>	<u>\$ (579)</u>	<u>\$ (579)</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*

Type of derivative transaction	Principal item hedged	As of March 31, 2019		
		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	¥ 1,500	¥ —
--	----------------	---------	---------	-----

Type of derivative transaction	Principal item hedged	As of March 31, 2018		
		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	¥ 6,000	¥ —
--	----------------	---------	---------	-----

Type of derivative transaction	Principal item hedged	As of March 31, 2019		
		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	\$ 54,059	\$ 13,515	\$ —
--	----------------	-----------	-----------	------

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, 2019 and 2018 on the accompanying consolidated balance sheet fair value and the difference between them are as follows.

March 31, 2019			
	Carrying value	Fair value	Difference
	<i>(Millions of yen)</i>		
(1) Cash and bank deposits	¥ 13,186	¥ 13,186	¥ —
(2) Notes and accounts receivable, trade	30,243	30,243	—
(3) Electronically recorded monetary claims	495	495	—
(4) Investment securities - Other securities	72	72	—
(5) Notes and accounts payable, trade	(15,134)	(15,134)	—
(6) Short-term bank loans	(5,100)	(5,100)	—
(7) Current portion of long-term debt	(4,500)	(4,500)	—
(8) Long-term debt	(1,500)	(1,496)	4
(9) Other long-term liabilities	(3,078)	(2,884)	194
(10) Derivative transactions	(58)	(58)	—

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, 2019			
	Carrying value	Fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
(1) Cash and bank deposits	\$ 118,805	\$ 118,805	\$ —
(2) Notes and accounts receivable, trade	272,487	272,487	—
(3) Electronically recorded monetary claims	4,463	4,463	—
(4) Investment securities - Other securities	645	645	—
(5) Notes and accounts payable, trade	(136,357)	(136,357)	—
(6) Short-term bank loans	(45,950)	(45,950)	—
(7) Current portion of long-term debt	(40,544)	(40,544)	—
(8) Long-term debt	(13,515)	(13,482)	33
(9) Other long-term liabilities	(27,734)	(25,982)	1,752
(10) Derivative transactions	(521)	(521)	—

## 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 (\$470 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 ¥13,167 million (\$118,629 thousand), Notes and accounts receivable, trade of ¥30,243 million (\$272,487 thousand), Electronically recorded monetary claims of ¥495 million (\$4,463 thousand) are due within one year subsequent to March 31, 2019 and Cash and bank deposits of ¥13,382 million, Notes and accounts receivable, trade of ¥28,339 million, Electronically recorded monetary claims of ¥640 million are due within one year subsequent to March 31, 2018.

## 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, 2018	Decrease	March 31, 2019	March 31, 2019
	<i>(Millions of yen)</i>			
Rental property	¥ 5,631	¥ 51	¥ 5,579	¥ 7,816

	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, 2018	Decrease	March 31, 2019	March 31, 2019
	<i>(Thousands of U.S. dollars)</i>			
Rental property	\$ 50,734	\$ 466	\$ 50,269	\$ 70,430

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, 2019 and 2018 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, 2019		
	Rental income	Rental costs	Difference
	<i>(Millions of yen)</i>		
Rental property	¥ 1,580	¥ 1,139	¥ 440

	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, 2019		
	Rental income	Rental costs	Difference
	<i>(Thousands of U.S. dollars)</i>		
Rental property	\$ 14,233	\$ 10,265	\$ 3,968

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, 2019 and 2018 is summarized as follows:

Year ended March 31, 2019					
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
	<i>(Millions of yen)</i>				
Sales					
Sales to external customers	¥ 28,292	¥ 20,715	¥ 2,093	¥ 1,990	¥ 53,090
Intersegment sales or transfers	58	175	0	—	233
Total sales	28,350	20,890	2,093	1,990	53,323
Segment income	937	2,959	14	556	4,466
Segment assets	29,782	14,086	1,660	6,414	51,942
Other					
Depreciation and amortization	842	403	18	293	1,556
Interest income	7	0	0	—	7
Interest expense	6	2	4	—	12
Increase in tangible and intangible fixed assets	736	643	59	279	1,717
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

## 17. Segment Information (continued)

	Year ended March 31, 2019				Total
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	
	<i>(Thousands of U.S. dollars)</i>				
Sales					
Sales to external customers	\$ 254,903	\$ 186,639	\$ 18,859	\$ 17,933	\$ 478,334
Intersegment sales or transfers	527	1,580	0	—	2,107
Total sales	255,430	188,219	18,859	17,933	480,441
Segment income	8,448	26,665	122	5,007	40,242
Segment assets	268,331	126,910	14,953	57,791	467,985
Other					
Depreciation and amortization	7,582	3,630	164	2,639	14,015
Interest income	60	0	0	—	60
Interest expense	51	15	48	—	114
Increase in tangible and intangible fixed assets	6,635	5,797	529	2,511	15,472

(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
	2019	2018	March 31, 2019
	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Reporting segments	¥ 4,466	¥ 2,981	\$ 40,242
Unallocated amounts	(459)	(507)	(4,132)
Other	(224)	(121)	(2,031)
Consolidated	¥ 3,783	¥ 2,353	\$ 34,079

## 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
	2019	2018	March 31,
	(Millions of yen)	(Millions of yen)	2019
			(Thousands of U.S. dollars)
Reporting segments	¥ 51,942	¥ 49,251	\$ 467,985
Unallocated amounts	10,025	10,688	90,331
Consolidated	¥ 61,967	¥ 59,939	\$ 558,316

#### 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, 2019					
	Reporting segments	Adjustment amount	Consolidated	Reporting segments	Adjustment amount	Consolidated
		(Millions of yen)			(Thousands of U.S. dollars)	
Depreciation and amortization	¥ 1,556	¥ —	¥ 1,556	\$ 14,015	\$ —	\$ 14,015
Interest income	7	0	7	60	4	64
Interest expense	12	117	129	114	1,050	1,164
Increase in tangible and intangible fixed assets	1,717	—	1,717	15,472	—	15,472

	Year ended March 31, 2018		
	Reporting segments	Adjustment amount	Consolidated
		(Millions of yen)	
Depreciation and amortization	¥ 1,406	¥ —	¥ 1,406
Interest income	5	0	5
Interest expense	14	117	131
Increase in tangible and intangible fixed assets	1,126	—	1,126

## 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, 2019			
Japan	Northeastern Asia	Other	Total
<i>(Millions of yen)</i>			
¥ 18,435	¥ 33,813	¥ 842	¥ 53,090

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, 2019			
Japan	Northeastern Asia	Other	Total
<i>(Thousands of U.S. dollars)</i>			
\$ 166,099	\$ 304,649	\$ 7,586	\$ 478,334

Notes:

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

##### b) Tangible fixed assets

As of March 31, 2019		
Japan	Northeastern Asia	Total
<i>(Millions of yen)</i>		
¥ 10,525	¥ 11	¥ 10,536

As of March 31, 2018		
Japan	Northeastern Asia	Total
<i>(Millions of yen)</i>		
¥ 10,404	¥ 10	¥ 10,414

As of March 31, 2019		
Japan	Northeastern Asia	Total
<i>(Thousands of U.S. dollars)</i>		
\$ 94,836	\$ 96	\$ 94,932

## 17. Segment Information (continued)

### c) Information by main customer

Year ended March 31, 2019: Not applicable

Year ended March 31, 2018:

		<u>Year ended March 31, 2018</u>
		<i>(Millions of yen)</i>
Fine mechatronics and Mechatronics systems	Sales to Xianyang Caihong Optoelectronics Technology Co.,LTD.	¥ 7,930

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

Year ended March 31, 2019: Not applicable

Year ended March 31, 2018: Not applicable

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

Year ended and as of March 31, 2019: Not applicable

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

### ⑤ Gain on negative goodwill by reporting segment

Year ended March 31, 2019: Not applicable

Year ended March 31, 2018: Not applicable



## 18. Cash and Cash Equivalents

Reconciliations of cash and cash equivalents as of March 31, 2019 and 2018 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>2019</b>	<b>2018</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash and time deposits	¥ 13,186	¥ 13,399	\$ 118,805
Time deposits with maturities in excess of three months	(15)	(15)	(133)
Cash and cash equivalents	<u>¥ 13,171</u>	<u>¥ 13,384</u>	<u>\$ 118,672</u>

## 19. Non-cash Transactions

Lease assets and lease obligations recorded relating to lease transactions were not applicable, respectively for the year ended March 31, 2019 and ¥14 million and ¥14 million, respectively for the year ended March 31, 2018.

## 20. Selling, General and Administrative Expenses

For the years ended March 31, 2019 and 2018, major selling, general and administrative expenses are summarized as follows:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2019</b>	<b>2018</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Packing and delivery expenses	¥ 78	¥ 76	\$ 702
Sales commissions	714	742	6,437
Advertising expenses	19	12	175
Employees' salaries and allowances	5,024	4,746	45,266
Provision for director's bonuses	45	44	402
Provision of allowance for doubtful accounts	138	454	1,243
Retirement benefit expenses	333	388	2,997
Provision for directors' retirement benefits	3	3	28
Depreciation	1,078	924	9,712
Rent expenses	81	73	727
Research and development expenses	2,737	2,490	24,660

## 21. Related Party Transactions

Year ended and as of March 31, 2019: Not applicable

Year ended and as of March 31, 2018:

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 for the years ended March 31, 2018.

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

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

	<b>March 31,</b> <b>2018</b> <i>(Millions of yen)</i>
Due from Toshiba Memory Corporation	¥ 75
Due to Toshiba Memory Corporation	3,199

## 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
	2019	2018	March 31,
	(Yen)		2019
			(U.S. dollars)
Net income:			
– Basic	¥ 562.90	¥ 365.82	\$ 5.07
Net assets	4,166.33	3644.92	37.54

Notes:

The information regarding diluted net income per share for the years ended March 31, 2019 and 2018 is omitted because there was no stock with dilutive effect.

The Company consolidated its common shares at a ratio of 10 shares to 1 share on October 1, 2018. Accordingly, per share data were calculated on the assumption that the consolidation of shares was conducted at the beginning of fiscal 2017.

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 for the years ended March 31, 2019 and 2018.

The basis of calculating net income per share were as follows:

	As of March 31,		As of
	2019	2018	March 31,
	(Yen)		2019
			(U.S. dollars)
Net income	¥ 2,481	¥ 1,747	\$ 22,351
Net income attributable to non-controlling interests	-	-	-
Net income attributable to owners of parent	2,481	1,747	22,351
	(Thousand shares)		
Weighted average number of shares of common stock outstanding	4,407	4,775	

## 23. Significant subsequent events

Not applicable



## **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, 2019, 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 notes to consolidated financial statements.

### **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.

PricewaterhouseCoopers Aarata LLC  
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan  
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, [www.pwc.com/jp/assurance](http://www.pwc.com/jp/assurance)



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, 2019, 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, 2019 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.

*PricewaterhouseCoopers Limited LLC*

September 17, 2019

# Directors, Vice Presidents and Auditors

As of June 21, 2019

## Directors and Vice Presidents

### Shigeki Fujita

Representative Director  
President and Chief Executive Officer

### Yoshitsugu Ogawa

Director  
Executive Vice President  
Executive General Manager of Mechatronics System Division

### Keigo Imamura

Director  
Senior Vice President  
Executive General Manager of Fine Mechatronics Division

### Masatoshi Higuchi

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

### Kenichi Ikeda

Director  
Senior Vice President  
Chief Financial Officer

### Tomoko Inaba

Outside Director

### Yuichiro Takada

Outside Director

### Hisashi Shindo

Senior Vice President  
Deputy Executive General Manager of Mechatronics System Division

### Kazuyuki Yamanaka

Advanced Vice President  
Executive General Manager of Production & Procurement Division

### Yoshio Yuyama

Advanced Vice President  
Deputy Executive General Manager of Mechatronics System Division

### Kazuhiko Okui

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

### Yoshiaki Kurokawa

Vice President  
Deputy Executive General Manager of Fine Mechatronics Division

### Kazutoshi Horiuchi

Vice President  
Deputy Executive General Manager of Fine Mechatronics Division

## Auditors

### Yasuhiko Yamato

Auditor

### Kazumasa Uchida

Outside Auditor

### Hiroyuki Matsumoto

Outside Auditor

# Investor Information

As of March 31, 2019

<b>Date Established</b>	October 12, 1939
<b>Capital</b>	6,762 Million-Yen
<b>Number of Employees</b>	Consolidated : 1,221
<b>Common Stock</b>	Authorized : 10,000,000 shares Issued and outstanding : 5,192,619 shares
<b>Number of Shareholders</b>	4,875
<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="https://www.shibaura.co.jp/">https://www.shibaura.co.jp/</a>

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

	Year ended March 31,				
	2019	2018	2017	2016	2015
High (yen)	4,350(484)	528	317	320	384
Low (yen)	3,040(334)	240	179	170	220

Note : With an effective date of October 1, 2018, the Company conducted a stock consolidation at a ratio of one share for every 10 shares of common stock. Stock prices for March 2019 list the highest and lowest stock prices recorded after the stock consolidation, and figures in parentheses indicate the highest and lowest stock prices prior to the share consolidation.

## Principal Shareholders

	Number of shares hold (thousand shares)	Percentage of total shares outstanding (%)
Toshiba Corporation	519	11.73
Shin-Etsu Engineering Co., Ltd.	259	5.86
NuFlare Technology, Inc.	259	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

<https://www.shibaura.co.jp/>