

# **ANNUAL REPORT 2021**

Year ended March 31, 2021

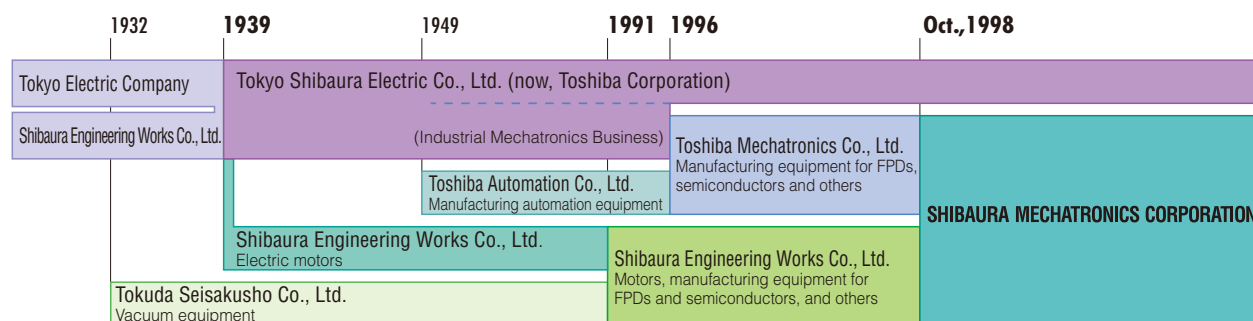
# ANNUAL REPORT 2021

## 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



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### Forward-Looking Statements

This annual report contains forward-looking statements concerning Shibaura Mechatronics' future plans, strategies and performance. These forward-looking statements are not historical facts, rather they represent assumptions and beliefs based on data currently available. Furthermore, they are subject to a number of risks and uncertainties that, relate to economic conditions, worldwide 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

	Year ended March 31,					Year ended March 31, 2021
	2021	2020	2019	2018	2017	(Thousands of U.S. dollars) (Note 1)
<b>Consolidated</b>	<b>(Millions of yen)</b>					
Net sales	¥ 44,794	¥ 47,141	¥ 53,090	¥ 49,257	¥ 42,737	\$ 404,614
Orders received	41,969	46,632	51,021	53,355	42,651	379,090
Operating income	2,957	3,123	4,000	2,498	1,500	26,715
Net income	1,970	1,944	2,481	1,747	931	17,793
Depreciation and amortization	1,667	1,389	1,556	1,406	1,566	15,060
Capital expenditures	1,242	2,231	1,717	1,126	1,222	11,216
R&D expenses	2,494	2,729	2,743	2,492	2,210	22,531
Total assets	58,294	57,421	61,967	59,939	53,721	526,554
Net assets	21,855	19,720	18,369	16,129	16,533	197,407
	(yen)					(U.S. dollars)
Net income per share	¥ 446.18	¥ 440.73	¥ 562.90	¥ 365.82	¥ 188.44	\$ 4.03
Number of employees	1,224	1,260	1,221	1,207	1,202	1,224

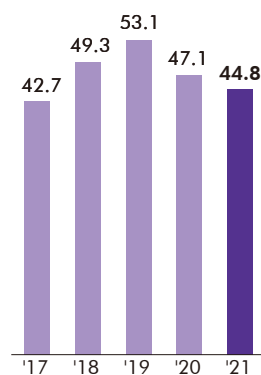
Note 1 : The U.S. dollar amounts in this report represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 = U.S.\$1.00, as of March 31, 2021.

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 2016.

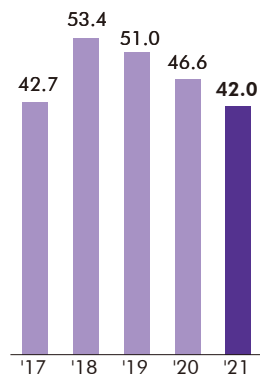
Net Sales

(¥Billions)



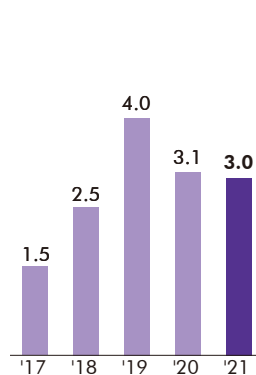
Orders Received

(¥Billions)



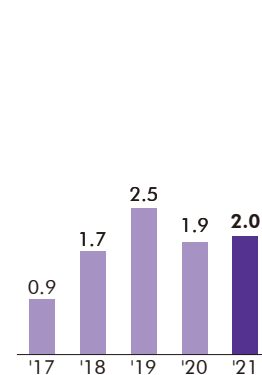
Operating Income

(¥Billions)



Net Income

(¥Billions)





*Smart Solutions & Services  
for Your Manufacturing*

## To Our Shareholders

**Cutting-edge technologies and solutions from our understanding of manufacturing equipment contribute to our customers' value creation.**

In the business environment surrounding Shibaura Mechatronics Group in fiscal 2020, the semiconductor industry saw strong demand generated by IoT, 5G, AI, and other factors, and there was steady progress in capital investments in logic and foundries, memories, power devices, and other products. In the FPD industry, customers delayed their investment plans.

In these circumstance, our fiscal 2020 business results were as follow.

Net sales were higher against the previous fiscal year in the semiconductor business, but lower in the FPD business, resulting in total sales of 44,794 million yen.

While operating income saw a year-on-year decrease to 2,957 million yen, reflecting lower net sales, ordinary income of 2,820 million yen and net income attributable to owners of the parent company of 1,970 million yen were at levels almost equivalent to the previous fiscal year.

The business outlook for fiscal year 2021 remains uncertain, due to the continuing impact of the coronavirus pandemic, but demand for semiconductors is strong, and the industry is expected to remain favorable to investments in logic and foundries, memories, and power devices.

In the FPD industry, some customers are expected to move forward with delayed investment plans, particularly for OLEDs (organic EL). Beyond this, advances in IoT, 5G, AI and other areas are expected to spur demand for semiconductors and FPDs, and capital investment is expected to increase in the medium to long term.

In this age of IoT, 5G, AI and ever-expanding data growth, we contribute to our customers' value creation with cutting-edge technologies and solutions for semiconductor and FPD manufacturing equipment, from design and development through to service.

Keigo Imamura  
Representative Director  
President and Chief Executive Officer

*Keigo Imamura.*

# Financial Review

## Results Summary

In FY2020 Shibaura Mechatronics recorded net sales of 44,794 million yen (a year-on-year decrease of 5.0%), operating income of 2,957 million yen (a year-on-year decrease of 5.3%), ordinary income of 2,820 million yen (a year-on-year increase of 1.8%), and net income of 1,970 million yen (a year-on-year increase of 1.3%).

Orders received increased in the semiconductor business, but decreased in the FPD business, and the overall figure stood at 41,969 million yen (a year-on-year decrease of 10.0%).

The results for each business segment were as follows:

### 1. Fine Mechatronics Segment

Net sales were 29,644 million yen, a year-on-year increase of 6.7%, and segment income was 1,993 million yen, a 35.9% improvement over the previous fiscal year.

In front-end process equipment for semiconductors, investments in logic and foundries and in wafers remained at a high level, as planned, and sales improved over the previous fiscal year.

In front-end process equipment for FPDs, higher year-on-year sale mainly reflected an increase in equipment for small- and medium-sized panels in the first half of the fiscal year, and firm sales of equipment for large panels.

Sales for the segment as a whole were higher than in the previous fiscal year. Segment income increased on the improved sales and a decrease in SG&A expenses.

### 2. Mechatronics Systems Segment

Net sales were 11,286 million yen, down 25.7% year-on-year, and segment income also fell to 792 million yen, a 43.6% decrease.

In back-end process equipment for semiconductors, sales for advanced packages were firm, but overall sales were lower than in the previous fiscal year, despite a recovery in demand for equipment for display driver ICs in the second half of the fiscal year.

In back-end process equipment for FPDs, customers pushed back implementation of investment plans, and sales for large panels and small- and medium-sized panels remained sluggish, resulting in lower year-on-year sales.

Overall results in vacuum application equipment were also sluggish.

Overall segment sales were lower than in the previous fiscal year. Segment income declined on the impact of the lower sales.

### 3. Vending Machines and Systems Segment

Net sales were 1,954 million yen, down 13.2% year-on-year, and segment income was 8 million yen, a significant 186.2% improvement over the previous fiscal year.

The prolonged impact of the coronavirus pandemic resulted in sluggish overall sales of ticket vending machines, though sales did pick up on special demand from large customers, and segment income increased.

### 4. Real Estate Leasing Segment

Rental income from real estate was largely in line with plans, with net sales of 1,910 million yen, a 0.2% decrease year-on-year, and segment income of 570 million yen, a 1.3% increase.

## Research and Development Expenditure

Shibaura Mechatronics Group as a whole recorded research and development costs of 2,494 million yen, including development costs of 446 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 collaborations 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 1,127 million yen.

In flat panel manufacturing equipment, we have developed a wet process equipment for high-definition small- and medium-sized panels and a high-vacuum clean oven for

flexible OLED.

In semiconductor equipment we continued to work on the development of wet cleaning equipment for 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 775 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-accuracy 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 145 million yen.

In the field of ticket vending machines, we have promoted the development of cashless machines that, alongside cash, can handle payments by credit cards, electronic money, and QR codes.

# Financial Condition

Total assets at the end of the current fiscal year showed a year-on-year rise of 873 million yen, to 58,294 million yen. This was largely due to an increase of 6,876 million yen in cash and deposits, a decrease of 4,779 million yen in notes and accounts receivable, and a decrease of 434 million yen in construction in progress.

Liabilities were 1,261 million yen lower than at the end of the previous fiscal year, and stood at 36,439 million yen. This was mainly due to decreases of 588 million yen in bills payable, of 541 million yen in accrued expenses, and of 659 million yen in liabilities related to retirement benefits.

Net assets increased by 2,134 million yen to 21,855 million yen. This was mainly due to an increase of 1,970 million yen, the result of recording net income attributable to owners of

parent company.

# Cash Flows

The balance of cash and cash equivalents (hereinafter referred to as "cash") at the end of the period was 19,586 million yen, a year-on-year increase of 6,876 million yen.

Net cash from operating activities increased by 7,669 million yen (following an increase of 1,279 million yen in the previous fiscal year). This was mainly due to increased funds resulting from recording net income before adjustments for taxes and a decrease in trade receivables, though there was a decrease in cash due to a decrease in trade payables.

Cash from investment activities decreased by 258 million yen (following a decrease of 901 million yen in the previous fiscal year). This was mainly due to a decrease in cash following the acquisition of fixed assets.

Free cash flow, the aggregate of cash flow from operations and cash flow from investment activities, increased by 7,411 million yen (following an increase of 378 million yen in the previous fiscal year).

Cash from financing activities decreased by 553 million yen (following a decrease of 826 million yen in the previous fiscal year). This was mainly due to a decrease in cash from the payment of dividends.

# FINANCIAL SECTION

ANNUAL REPORT 2021 Year ended March 31, 2021

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## Shibaura Mechatronics Corporation and Subsidiaries

## Consolidated Balance Sheet

	<b>March 31,</b>		<b>March 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</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 17 and 20)</i>	¥19,601	¥ 12,725	177,046
Notes and accounts receivable, trade <i>(Note 17)</i>	22,538	27,318	203,578
Electronically recorded monetary claims <i>(Note 17)</i>	602	497	5,441
Allowance for doubtful accounts	(1,440)	(1,074)	(13,012)
Inventories <i>(Note 8)</i>	2,792	2,869	25,223
Accounts receivable, other	1,514	1,684	13,678
Other current assets	238	450	2,145
Total current assets	45,845	44,469	414,099
Property, plant and equipment:			
Land <i>(Note 18)</i>	120	119	1,083
Buildings and structures <i>(Note 18)</i>	29,537	29,472	266,799
Machinery and equipment	6,847	6,029	61,845
Leased assets	93	86	841
Construction in progress	541	975	4,886
Total	37,138	36,681	335,454
Accumulated depreciation	(26,377)	(25,577)	(238,254)
Property, plant and equipment, net	10,761	11,104	97,200
Investments and other assets:			
Investments in securities <i>(Notes 7 and 17)</i>	91	80	825
Deferred tax assets <i>(Note 11)</i>	715	768	6,464
Other assets	887	1,005	8,011
Allowance for doubtful accounts	(5)	(5)	(45)
Total investments and other assets	1,688	1,848	15,255
Total assets	¥ 58,294	¥ 57,421	\$ 526,554



	<b>March 31,</b>		<b>March 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</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 17)</i>	¥10,684	¥ 11,107	96,509
Short-term bank loans <i>(Notes 9 and 17)</i>	5,050	5,100	45,615
Current portion of long-term debt <i>(Notes 9 and 17)</i>	-	1,200	-
Current portion of lease obligations <i>(Note 9)</i>	17	15	152
Advances received	672	484	6,075
Accrued expenses	2,749	3,290	24,829
Accrued income taxes <i>(Note 11)</i>	533	151	4,819
Provision for directors' bonuses	38	37	343
Other current liabilities	550	713	4,965
Total current liabilities	20,293	22,097	183,307
Long-term liabilities:			
Long-term debt <i>(Notes 9 and 17)</i>	5,800	4,600	52,389
Net defined benefit liability <i>(Note 14)</i>	6,792	7,452	61,351
Lease obligations <i>(Note 9)</i>	48	59	431
Long-term accounts payable-other	2	2	21
Provision for directors' retirement benefits	23	21	204
Reserve for repair and maintenance	311	301	2,812
Asset retirement obligations	92	91	828
Long-term guarantee deposits <i>(Note 17)</i>	3,078	3,078	27,804
Total long-term liabilities	16,146	15,604	145,840
Total liabilities	36,439	37,701	329,147
Contingent liabilities <i>(Note 15)</i>			
Net assets:			
Shareholders' equity:			
Capital stock:			
Authorized: 10,000,000 shares			
Issued: 5,192,619 shares at March 31, 2021 and 2020	6,762	6,762	61,074
Capital surplus	9,038	9,038	81,633
Retained earnings	10,199	8,716	92,125
Less treasury stock, at cost	(4,014)	(4,023)	(36,256)
Total shareholders' equity	21,985	20,493	198,576
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	16	5	141
Foreign currency translation adjustments	279	260	2,524
Remeasurements of defined benefit plans	(425)	(1,038)	(3,834)
Total valuation and translation adjustments	(130)	(773)	(1,169)
Total net assets	21,855	19,720	197,407
Total liabilities and net assets	¥ 58,294	¥ 57,421	\$ 526,554

*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>2021</b>	<b>2020</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Net sales	¥ 44,794	¥ 47,141	\$ 404,614
Cost of sales <i>(Notes 8, 10 and 18)</i>	31,100	32,287	280,921
Gross profit	13,694	14,854	123,693
Selling, general and administrative expenses <i>(Notes 10, 14 and 22)</i>	10,737	11,731	96,978
Operating income	2,957	3,123	26,715
Other income (expenses):			
Interest and dividend income	7	9	59
Gain on sales of investment securities	-	22	-
Gain on sales of property, plant and equipment	18	-	164
Foreign exchange loss, net	(19)	(28)	(172)
Interest expense	(94)	(120)	(848)
Commission fee	(28)	(30)	(256)
Gain on valuation of derivatives, net	25	23	226
Office relocation expenses	-	(154)	-
Other, net	(46)	(76)	(416)
Ordinary income	2,820	2,769	25,472
Income before income taxes	2,820	2,769	25,472
Income taxes <i>(Note 11)</i> :			
Current	793	764	7,162
Deferred	57	61	517
	850	825	7,679
Net income	1,970	1,944	17,793
Net income attributable to owners of parent	¥ 1,970	¥ 1,944	\$ 17,793

*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>2021</b>	<b>2020</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Net income	¥ 1,970	¥ 1,944	\$ 17,793
Other comprehensive income: <i>(Note 12)</i>			
Valuation difference on available-for-sale securities	11	(24)	94
Remeasurements of defined benefit plans	613	57	5,546
Foreign currency translation adjustments	19	(22)	174
Total other comprehensive income	643	11	5,814
Comprehensive income	¥ 2,613	¥ 1,955	\$ 23,607
(Breakdown)			
Comprehensive income attributable to owners of parent	2,613	1,955	23,607

*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, 2019	51,926,194	¥ 6,762	¥ 9,038	¥ 7,391	¥ (4,038)	¥ 29	¥ 282	¥ (1,095)	¥ 18,369
Net income	—	—	—	1,944	—	—	—	—	1,944
Dividends of surplus (Note 13)	—	—	—	(619)	—	—	—	—	(619)
Purchase of treasury shares	—	—	—	—	(1)	—	—	—	(1)
Disposal of treasury shares	—	—	—	—	16	—	—	—	16
Net change during the year	—	—	—	—	—	(24)	(22)	57	11
Balance as of April 1, 2020	51,926,194	¥ 6,762	¥ 9,038	¥ 8,716	¥ (4,023)	¥ 5	¥ 260	¥ (1,038)	¥ 19,720
Net income	—	—	—	1,970	—	—	—	—	1,970
Dividends of surplus (Note 13)	—	—	—	(487)	—	—	—	—	(487)
Purchase of treasury shares	—	—	—	—	(0)	—	—	—	(0)
Disposal of treasury shares	—	—	—	—	9	—	—	—	9
Net change during the year	—	—	—	—	—	11	19	613	643
Balance as of March 31, 2021	51,926,194	¥ 6,762	¥ 9,038	¥ 10,199	¥ (4,014)	¥ 16	¥ 279	¥ (425)	¥ 21,855
	(Thousands of U.S. dollars) (Note 1)								
Balance as of April 1, 2020		\$ 61,074	\$ 81,633	\$ 78,729	\$(36,329)	\$ 47	\$ 2,350	\$ (9,380)	\$ 178,124
Net income		—	—	17,793	—	—	—	—	17,793
Dividends of surplus (Note 13)		—	—	(4,397)	—	—	—	—	(4,397)
Purchase of treasury shares		—	—	—	(2)	—	—	—	(2)
Disposal of treasury shares		—	—	—	75	—	—	—	75
Net change during the year		—	—	—	—	94	174	5,546	5,814
Balance as of March 31, 2021		\$ 61,074	\$ 81,633	\$ 92,125	\$(36,256)	\$ 141	\$ 2,524	\$ (3,834)	\$ 197,407

*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
	2021	2020	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	¥ 2,820	¥ 2,769	\$ 25,472
Depreciation and amortization	1,667	1,389	15,060
Increase in allowance for doubtful accounts	367	879	3,317
(Decrease) increase in net defined benefit liability	(46)	160	(415)
Interest and dividend income	(7)	(9)	(59)
Interest expense	94	120	848
Foreign exchange losses (gains)	1	(15)	10
Increase (decrease) in advances received	191	(579)	1,722
Decrease in notes and accounts receivable-trade	4,679	2,914	42,264
Increase in inventories	(915)	(537)	(8,262)
Decrease in notes and accounts payable-trade	(1,116)	(4,149)	(10,078)
Increase (decrease) in accrued consumption taxes	27	(39)	241
Other, net	374	201	3,376
Subtotal	8,136	3,104	73,496
Interest and dividends received	7	10	59
Interest paid	(94)	(121)	(845)
Income taxes paid	(380)	(1,714)	(3,431)
Net cash provided by operating activities	7,669	1,279	69,279
<b>Net cash used in Investment activities</b>			
Payments into time deposits	(0)	(0)	(0)
Proceeds from sales of investment securities	-	36	-
Purchases of property, plant and equipment	(134)	(843)	(1,219)
Proceeds from sales of property, plant and equipment	-	177	-
Other, net	(124)	(271)	(1,116)
Net cash used in investment activities	(258)	(901)	(2,335)
<b>Net cash used in Financing activities</b>			
Net decrease in short-term loans payable	(50)	-	(452)
Repayments of finance lease obligations	(17)	(6)	(145)
Proceeds from long-term loans payable	1,200	4,300	10,839
Repayments of long-term loans payable	(1,200)	(4,500)	(10,839)
Purchases of treasury stock	(0)	(1)	(2)
Cash dividends paid	(486)	(619)	(4,397)
Net cash used in financing activities	(553)	(826)	(4,996)
Effect of exchange rate change on cash and cash equivalents	18	(14)	161
Net increase (decrease) in cash and cash equivalents	6,876	(462)	62,109
Cash and cash equivalents at beginning of year	12,709	13,171	114,804
Cash and cash equivalents at end of year (Note 20)	¥ 19,586	¥ 12,709	\$ 176,913

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

## Shibaura Mechatronics Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

March 31, 2021

**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.

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 ¥ 110.71 = U.S. \$ 1.00, the approximate rate of exchange in effect on March 31, 2021. 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.

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

### (5) Derivatives

All derivatives are carried at fair value except for interest rate swaps which meet specific hedge criteria.

### (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.

In addition, from the current consolidated fiscal year, "Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR" (ASBJ PITF No. 40, September 29, 2020) has been applied.

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) Consumption tax

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

### (19) Adoption of consolidated taxation system

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

Application of tax effect accounting on transition from the consolidated taxation system to the group tax sharing system.

With regard to the transition to the group tax sharing system introduced by the "Act Partially Amending the Income Tax Act, etc." (Act No. 8 of 2020) and items under the non-consolidated taxation system reviewed in line with the transition to the group tax sharing system, the Company and certain consolidated subsidiaries have applied the provisions of the Tax Act before the revisions in determining the amount of deferred tax assets and liabilities pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020), instead of applying Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018).

### 3. Significant Accounting Estimates

#### (1) Allowance for doubtful accounts

The Group has receivables in Japan and overseas, including accounts receivables related to its contracts with customers which are recognized in accordance with the percentage-of-completion method (“PoC”) of ¥17,434 million (\$157,476 thousand) as of March 31, 2021.

Considering the progress of projects, domestic and overseas economic trends, the credit status of creditors and the expected timing of collection, we classify receivables as a general for which the credit risk has not been materialized or doubtful for which the risk, such as customer financing and delays in project, has materialized.

For general receivables, an allowance for doubtful accounts is recorded for each Group company with an estimate of uncollectible receivables at the end of the fiscal year based on the actual bad debt ratio against the receivables for the past three years. For doubtful receivables, an allowance for doubtful accounts is recorded with an estimate of uncollectible receivables based on actual expected recoverability of the receivables based on the facts and circumstances associated with the specific customer or project.

As of the end of the current consolidated fiscal year, the Group recorded an allowance for doubtful accounts of ¥1,445 million ((\$13,057 thousand) (of which ¥1,366 million (\$12,339 thousand) is for accounts receivable under PoC)). In case the collectability of receivables is affected by any external factors that cannot be known by the Group as of the end of the current consolidated fiscal year, the amount may increase or decrease in the consolidated financial statements for the following fiscal year and thereafter.

#### (2) Estimation of total costs used in the percentage-of-completion method

The Group applies PoC to manufacturing and installation contracts for machinery and equipment to meet customer specifications and records revenue based on the progress of the contracts. Revenues of ¥19,031 million (\$171,901 thousand) were recorded in the current fiscal year on contracts that were still in process as of March 31, 2021. The progress is measured by comparing the costs incurred up to the end of the current consolidated fiscal year to the estimated total costs.

Estimated total costs are based on a variety of information, including specifications, work details and actual costs incurred in similar contracts in the past.

Contracts are highly customized and based on customer requirements and specifications. In addition, most of contracts are completed over long periods. As a result, the estimated total costs may change due to the incurrence of manufacturing costs and other costs for adjustments to satisfy customer requirements that are not initially expected. In case the actual results differ from the estimates due to unexpected future events, the Group’s future income may be changed.

#### (3) Recoverability of deferred tax assets

The Group evaluates the recoverability of deferred tax assets based on the future taxable income before adjusting for temporary differences and deductions and also considers the reversing schedule of temporary differences and tax loss carried forward based on the future business plan including tax planning.

For the Company and its consolidated tax group in Japan, the future reasonable estimated period of taxable income before temporary differences and deductions is assessed as one year in consideration of the business environment in which the Group is located.

As of the end of the current consolidated fiscal year, the Group records ¥582 million (\$5,257 thousand) as deferred tax assets related to corporate tax of the Company and its consolidated tax group in Japan. In case the future reasonable estimated period of taxable income before temporary differences and deductions is changed, the deferred tax assets may increase or decrease in the consolidated financial statements for the following fiscal year and thereafter.

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

Accounting Standards issued by March 31, 2021 but not yet effective are as follows;

- “Accounting Standards for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No.29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, March 26, 2021)

##### (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 with the objective to align the Japan standards to the basic principles of IFRS No. 15 in order to allow consistency and comparability with other international 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.

## 5. Changes in presentation Methods

(Application of "Accounting Standards for Disclosure of Accounting Estimates")

The Company applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements for the end of the consolidated fiscal year ended March 31, 2021, and provided notes to significant accounting estimates in the consolidated financial statements. However, in line with the transitional treatment stipulated in the proviso of Paragraph 11 of this accounting standard, details for the previous fiscal year are not provided in these notes.

## 6. 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 and number of shares of the treasury stock were ¥39 million (\$358 thousand) and 11 thousand shares, in the previous consolidated fiscal year and ¥31 million and 9 thousand shares in the current consolidated fiscal year.

## 7. Investments in Securities

At March 31, 2021 and 2020, marketable securities classified as other (available-for-sale) securities are summarized as follows:

	March 31						March 31,		
	2021			2020			2021		
	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	¥ 22	¥ 39	¥ 16	¥ 13	¥ 18	¥ 5	\$ 202	\$ 349	\$ 147
Debt securities	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Total	¥ 22	¥ 39	¥ 16	¥ 13	¥ 18	¥ 5	\$ 202	\$ 349	\$ 147

At March 31, 2021 and 2020, non-marketable securities carried at cost are summarized as follows:

	March 31,		March 31,
	2021	2020	2021
	(Millions of yen)		(Thousands of U.S. dollars)
Investments in affiliates:			
Affiliates	¥ 52	¥ 52	\$ 471
Other	1	1	5

For the year ended March 31, 2020, other securities sold are summarized as follows:

	Year ended March 31		
	2020		
	Sales proceeds	Total gain on sales	Total loss on sales
		(Millions of yen)	
Equity securities	¥ 38	¥ 22	—
Debt securities	—	—	—
Other	—	—	—
Total	¥ 38	¥ 22	—

For the year ended March 31, 2021, no other securities were sold.

## 8. Inventories

Inventories at March 31, 2021 and 2020 are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Finished products	¥ 910	¥ 939	\$ 8,222
Raw materials	198	214	1,787
Work in process	1,684	1,716	15,214
Total	<u>¥ 2,792</u>	<u>¥ 2,869</u>	<u>\$ 25,223</u>

Inventories as of March 31, 2021 and 2020 were written down due to lower profitability and unrealized loss on inventories was charged to cost of sales in the amounts of ¥117 million (\$1,059 thousand) and ¥128 million respectively.

## 9. 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, 2021 and 2020 was 0.9%.

Long-term debt and lease obligations at March 31, 2021 and 2020 are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unsecured:			
0.4% to 1.2% loans from banks due 2022 to 2026	5,800	5,800	52,389
Lease obligations	65	74	583
Total	5,865	5,874	52,972
Less current portion	17	1,215	152
Long-term debt and lease obligations, net	<u>¥ 5,848</u>	<u>¥ 4,659</u>	<u>\$ 52,820</u>

Aggregate annual maturities of long-term debt and lease obligations at March 31, 2021 are summarized as follows:

	<b>March 31, 2021</b>	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2022	¥ 17	\$ 152
2023	817	7,375
2024	16	141
2025 and thereafter	5,015	45,304
Total	<u>¥ 5,865</u>	<u>\$ 52,972</u>

## 9. 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 (\$54,196thousand) to optimize the free cash flow on August 3, 2020. The outstanding balance of bank borrowings under these commitment lines at March 31, 2021 was zero.

## 10. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2021 and 2020 are as follows:

Year ended March 31,		Year ended
2021	2020	March 31,
<i>(Millions of yen)</i>		2021
		<i>(Thousands of U.S. dollars)</i>
¥ 2,494	¥ 2,729	\$ 22,531



## 11. Income Taxes and Deferred Tax Assets

The major components of deferred tax assets and liabilities as of March 31, 2021 and 2020 are summarized as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Net defined benefit liability	¥ 1,945	¥ 1,962	\$ 17,573
Accrued employees' bonuses	378	423	3,417
Reserve for repair and maintenance	97	94	875
Enterprise tax payable	39	26	357
Costs of construction for the percentage of completion	115	155	1,039
Tax loss carried forward	—	—	—
Other	1,944	1,827	17,556
Gross deferred tax assets	4,518	4,487	40,817
Valuation allowances for tax loss carryforwards	—	—	—
Valuation allowance for temporary differences	(3,664)	(3,591)	(33,095)
Total deferred tax assets	854	896	7,722
Deferred tax liabilities:			
Unrecognized holding gain on other securities	(1)	0	(13)
Other	(138)	(128)	(1,245)
Total deferred tax liabilities	(139)	(128)	(1,258)
Net deferred tax assets	¥ 715	¥ 768	\$ 6,464

## 11. 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 30.6% for the years ended March 31, 2021 and 2020. 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, 2021 and 2020 are summarized as follows:

	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
Effective statutory tax rates	30.6%	30.6%
Effect of:		
Non-deductible expenses	0.7	1.1
Change in valuation allowance	1.2	2.7
Inhabitants tax per capital	0.5	0.5
Different tax rates applied to foreign consolidated subsidiaries	(1.5)	(1.5)
Foreign tax	1.4	1.9
Experimental and research expense tax credit	(5.1)	(5.9)
Difference between assessment year and previous year	0.9	0.4
Other	1.5	0.0
Effective tax rates	30.1%	29.8%

## 12. 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, 2021 and 2020:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2021</b>	<b>2020</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)	¥ 12	¥ (7)	\$ 105
Reclassification adjustments for gains and losses included in net income	—	(22)	—
Amount before tax effect	12	(29)	105
Tax effect	(1)	5	(11)
Valuation difference on available-for-sale securities	11	(24)	94
Foreign currency translation adjustment:			
Current year gains (losses)	19	(22)	174
Reclassification adjustments for gains and losses included in net income	—	—	—
Amount before tax effect	19	(22)	174
Tax effect	—	—	—
Foreign currency translation adjustment	19	(22)	174
Remeasurements of defined benefit plans:			
Current year gains (losses)	422	(102)	3,817
Reclassification adjustments for gains and losses included in net income	191	159	1,729
Amount before tax effect	613	57	5,546
Tax effect	—	—	—
Remeasurements of defined benefit plans	613	57	5,546
Total other comprehensive income	¥ 643	¥ 11	\$ 5,814

### 13. Information on Dividends

The Company paid cash dividends as follows:

Date of board resolution	Class of stock	Total dividend amount	Dividends per share	Record date	Effective date
May 21, 2020	Common stock	¥ 487 million	¥110.00	March 31, 2020	June 8, 2020

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 20, 2021	Common stock	¥ 487 million	Retained earnings	¥110.00	March 31, 2021	June 8, 2021

### 14. 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, 2021 and 2020 are as follows:

	Year ended March 31,		Year ended
	2021	2020	March 31,
	(Millions of yen)		2021
			(Thousands of U.S. dollars)
Balance at the beginning of the year	¥ 9,488	¥ 9,416	\$ 85,709
Service costs	359	364	3,246
Interest costs	32	32	293
Actuarial (gain) loss	(145)	(36)	(1,315)
Retirement benefit paid	(728)	(288)	(6,583)
Balance at the end of the year	¥ 9,006	¥ 9,488	\$ 81,350

#### 14. Retirement Benefits (continued)

(2) The changes in plan assets for the years ended March 31, 2021 and 2020 are as follows:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2021</b>	<b>2020</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 3,295	¥ 3,214	\$ 29,760
Expected return on plan assets	66	64	595
Actuarial (gain) loss	277	(138)	2,502
Contributions by the Company	345	350	3,119
Retirement benefit paid	(420)	(195)	(3,791)
Balance at the end of the year	<u>¥ 3,563</u>	<u>¥ 3,295</u>	<u>\$ 32,185</u>

(3) The changes in net defined benefit liability that are calculated by the simplified method for the years ended March 31, 2021 and 2020 are as follows:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2021</b>	<b>2020</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Balance at the beginning of the year	¥ 1,258	¥ 1,147	\$ 11,363
Retirement benefit expense	227	208	2,055
Retirement benefit paid	(135)	(92)	(1,226)
Other	(1)	(5)	(6)
Balance at the end of the year	<u>¥ 1,349</u>	<u>¥ 1,258</u>	<u>\$ 12,186</u>

#### 14. 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, 2021 and 2020 for the Group's defined benefit plans:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 5,890	¥ 6,142	\$ 53,208,
Plan assets at fair value	(3,563)	(3,294)	(32,186)
	2,327	2,848	21,022
Unfunded retirement benefit obligation	4,464	4,604	40,329
Net liability for retirement benefits in the balance sheet	6,792	7,452	61,351
Liability for retirement benefits	6,792	7,452	61,351
Net liability for retirement benefits in the balance sheet	¥ 6,792	¥ 7,452	\$ 61,351

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, 2021 and 2020 are as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service costs	¥ 359	¥ 364	\$ 3,246
Interest costs	32	32	293
Expected return on plan assets	(66)	(64)	(595)
Amortization of actuarial loss	208	176	1,882
Amortization of prior service cost	(17)	(17)	(153)
Retirement benefit expense calculated by the simplified method	228	208	2,055
Retirement benefit expense for defined benefit plans	¥ 744	¥ 699	\$ 6,728

#### 14. 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, 2021 and 2020 are as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ 17	¥ 17	\$ 153
Actuarial gains	(630)	(74)	(5,699)
Total	¥ (613)	¥ (57)	\$ (5,546)

(7) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2020 are as follows:

	<b>March 31,</b>		<b>March 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognized prior service cost	¥ (14)	¥ (31)	\$ (127)
Unrecognized actuarial losses	439	1,069	3,961
Total	¥ 425	¥ 1,038	\$ 3,834

(8) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021 and 2020 are as follows:

	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
Bonds	15.8%	16.9%
Shares	24.8%	18.8%
Cash and deposits	0.0%	1.3%
General accounts	40.0%	43.9%
Other	19.4%	19.1%
Total	100.0%	100.0%

#### 14. 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>2021</b>	<b>2020</b>
Discount rate	0.31–0.36%	0.31–0.36%
Long-term expected return on plan assets	2.0%	2.0%
Salary increase rate	3.9%	4.2%
Lump-sum election rate	82.0%	70.0%

#### 2 Defined contribution plans

The amount required to be contributed to the defined contribution plans is ¥17 million (\$159 thousand) for the year ended March 31, 2021

#### 15. Contingent Liabilities

The Company had the following contingent liability as of March 31, 2021 and 2020 :

	<b>March 31,</b>		<b>March 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Guarantee for housing loans of employees	¥ 2	¥ 3	\$ 22



## 16. 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, 2021 and 2020, 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.

## 16. Derivatives and Hedging Activities (continued)

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

#### *Currency-related transactions*

	As of March 31, 2021			
	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	¥ 1,259	¥ 218	¥ (54)	¥ (54)
Total	¥ 1,259	¥ 218	¥ (54)	¥ (54)
To buy foreign currencies				
U.S. Dollars	¥ —	¥ —	¥ —	¥ —
Total	¥ —	¥ —	¥ —	¥ —

	As of March 31, 2020			
	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	¥ 2,689	¥ 309	¥ (10)	¥ (10)
Total	¥ 2,689	¥ 309	¥ (10)	¥ (10)
To buy foreign currencies				
U.S. Dollars	¥ —	¥ —	¥ —	¥ —
Total	¥ —	¥ —	¥ —	¥ —

	As of March 31, 2021			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain(loss)
	(Thousands of U.S. dollars)			
Foreign Exchange				
Forward Contracts				
To sell foreign currencies				
U.S. Dollars	\$ 11,372	\$ 1,969	\$ (485)	\$ (485)
Total	\$ 11,372	\$ 1,969	\$ (485)	\$ (485)
To buy foreign currencies				
U.S. Dollars	\$ —	\$ —	\$ —	\$ —
Total	\$ —	\$ —	\$ —	\$ —

## 16. 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, 2021		
		Contract amount	Contract amount over 1 year	Fair value
			(Millions of yen)	

Interest rate swap transaction Pay fixed/Receive variable	Long-term debt	¥ 2,500	¥ 2,500	¥ —
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Type of derivative transaction	Principal item hedged	As of March 31, 2020		
		Contract amount	Contract amount over 1 year	Fair value
			(Millions of yen)	

Interest rate swap transaction Pay fixed/Receive variable	Long-term debt	¥ 3,200	¥ 2,500	¥ —
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Type of derivative transaction	Principal item hedged	As of March 31, 2021		
		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	\$ 22,582	\$ 22,582	\$ —
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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.

## 17. 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.

## 17. Financial Instruments (continued)

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

Amounts as of March 31, 2021 and 2020 on the accompanying consolidated balance sheet fair value and the difference between them are as follows.

	March 31, 2021		
	Carrying value	Fair value	Difference
	<i>(Millions of yen)</i>		
(1) Cash and bank deposits	¥ 19,601	¥ 19,601	¥ —
(2) Notes and accounts receivable, trade	22,538	22,538	—
(3) Electronically recorded monetary claims	602	602	—
(4) Investment securities - Other securities	39	39	—
(5) Notes and accounts payable, trade	(10,684)	(10,684)	—
(6) Short-term bank loans	(5,050)	(5,050)	—
(7) Current portion of long-term debt	—	—	—
(8) Long-term debt	(5,800)	(5,757)	43
(9) Other long-term liabilities	(3,078)	(2,809)	269
(10) Derivative transactions	(60)	(60)	—

	March 31, 2020		
	Carrying value	Fair value	Difference
	<i>(Millions of yen)</i>		
(1) Cash and bank deposits	¥ 12,725	¥ 12,725	¥ —
(2) Notes and accounts receivable, trade	27,318	27,318	—
(3) Electronically recorded monetary claims	497	497	—
(4) Investment securities - Other securities	27	27	—
(5) Notes and accounts payable, trade	(11,107)	(11,107)	—
(6) Short-term bank loans	(5,100)	(5,100)	—
(7) Current portion of long-term debt	(1,200)	(1,200)	—
(8) Long-term debt	(4,600)	(4,601)	(1)
(9) Other long-term liabilities	(3,078)	(2,900)	178
(10) Derivative transactions	(13)	(13)	—

	March 31, 2021		
	Carrying value	Fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
(1) Cash and bank deposits	\$ 177,046	\$ 177,046	\$ —
(2) Notes and accounts receivable, trade	203,578	203,578	—
(3) Electronically recorded monetary claims	5,441	5,441	—
(4) Investment securities - Other securities	354	354	—
(5) Notes and accounts payable, trade	(96,509)	(96,509)	—
(6) Short-term bank loans	(45,615)	(45,615)	—
(7) Current portion of long-term debt	—	—	—
(8) Long-term debt	(52,389)	(52,003)	386
(9) Other long-term liabilities	(27,804)	(25,371)	2,433
(10) Derivative transactions	(538)	(538)	—

## 17. 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 instruments are settled in a short period of time, their fair value approximates carrying value.

- (4) Investment securities - Other securities

The fair value of equity securities reflects quoted stock exchange pricing at the balance sheet date.

- (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 carrying value.

- (8) Long-term debt

As for the fair value of long-term debt, future cash flows from payments of principal and interest are discounted to present value using the interest rate applicable to a similar new loan. 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 to present value using the interest rate applicable to a similar new loan.

- (9) Other long-term liabilities

Other long-term liabilities consist of long-term guarantee deposits. The fair value of other long-term liabilities is determined by discounting future cash flows to the present value using a risk free rate.

- (10) Derivative transactions

See Note 16 for details on derivative transactions.

- b) As non-marketable equity securities of ¥52 million (\$471 thousand) do not have a quoted market price and their future cash flows cannot be estimated, the Group considers it not reasonably possible to determine their fair value. Hence, the items are not included in “(4) Investment securities - Other securities.”

## 17. Financial Instruments (continued)

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

Cash and bank deposits of ¥19,601 million (\$177,046 thousand), Notes and accounts receivable, trade of ¥22,538 million (\$203,578 thousand), Electronically recorded monetary claims of ¥602 million (\$5,441 thousand) are due within one year subsequent to March 31, 2021 and Cash and bank deposits of ¥12,725 million, Notes and accounts receivable, trade of ¥27,318 million, Electronically recorded monetary claims of ¥497 million are due within one year subsequent to March 31, 2020.

## 18. 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, 2020	Decrease	March 31, 2021	March 31, 2021
	<i>(Millions of yen)</i>			
Rental property	¥ 5,458	¥ 189	¥ 5,269	¥ 7,937

	Carrying amount			Fair value
	April 1, 2019	Decrease	March 31, 2020	March 31, 2020
	<i>(Millions of yen)</i>			
Rental property	¥ 5,579	¥ 121	¥ 5,458	¥ 7,816

	Carrying amount			Fair value
	April 1, 2020	Decrease	March 31, 2021	March 31, 2021
	<i>(Thousands of U.S. dollars)</i>			
Rental property	\$ 49,301	\$ 1,709	\$ 47,592	\$ 71,690

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, 2021 and 2020 is internally determined by the Company based on the real-estate appraisal standard.

## 18. Investment in Rental Property (continued)

### *Information on Consolidated Statement of Operations*

Year ended March 31, 2021			
	Rental income	Rental costs	Difference
	<i>(Millions of yen)</i>		
Rental property	¥ 1,528	¥ 1,073	¥ 455

Year ended March 31, 2020			
	Rental income	Rental costs	Difference
	<i>(Millions of yen)</i>		
Rental property	¥ 1,528	¥ 1,075	¥ 453

Year ended March 31, 2021			
	Rental income	Rental costs	Difference
	<i>(Thousands of U.S. dollars)</i>		
Rental property	\$ 13,804	\$ 9,695	\$ 4,109

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.



## 19. 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:

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

##### 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.

## 19. 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, 2021 and 2020 is summarized as follows:

	Year ended March 31, 2021				
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
	<i>(Millions of yen)</i>				
Sales					
Sales to external customers	¥ 29,644	¥ 11,286	¥ 1,954	¥ 1,910	¥ 44,794
Intersegment sales or transfers	41	217	0	—	258
Total sales	29,685	11,503	1,954	1,910	45,052
Segment income	1,993	792	8	570	3,363
Segment assets	26,470	8,044	1,685	6,041	42,240
Other					
Depreciation and amortization	908	392	59	308	1,667
Interest income	5	0	0	—	5
Interest expense	5	0	7	—	12
Increase in tangible and intangible fixed assets	923	252	19	48	1,242
	Year ended March 31, 2020				
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	Total
	<i>(Millions of yen)</i>				
Sales					
Sales to external customers	¥ 27,779	¥ 15,197	¥ 2,251	¥ 1,914	¥ 47,141
Intersegment sales or transfers	40	210	0	—	250
Total sales	27,819	15,407	2,251	1,914	47,391
Segment income	1,467	1,404	3	562	3,436
Segment assets	29,510	10,828	1,727	6,206	48,271
Other					
Depreciation and amortization	618	430	41	300	1,389
Interest income	7	0	0	—	7
Interest expense	5	1	6	—	12
Increase in tangible and intangible fixed assets	1,421	411	134	265	2,231

## 19. Segment Information (continued)

	Year ended March 31, 2021				Total
	Fine mechatronics	Mechatronics systems	Vending machines & systems	Real estate leasing	
	<i>(Thousands of U.S. dollars)</i>				
Sales					
Sales to external customers	\$ 267,764	\$ 101,944	\$ 17,649	\$ 17,257	\$ 404,614
Intersegment sales or transfers	368	1,959	1	—	2,328
Total sales	268,132	103,903	17,650	17,257	406,942
Segment income	18,002	7,156	74	5,142	30,374
Segment assets	239,096	72,659	15,222	54,561	381,538
Other					
Depreciation and amortization	8,207	3,538	535	2,780	15,060
Interest income	44	0	0	—	44
Interest expense	45	2	64	—	111
Increase in tangible and intangible fixed assets	8,336	2,276	175	429	11,216

(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
	2021	2020	March 31,
	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Reporting segments	¥ 3,363	¥ 3,436	\$ 30,374
Unallocated amounts	(447)	(408)	(4,035)
Other	(96)	(259)	(867)
Consolidated	¥ 2,820	¥ 2,769	\$ 25,472

## 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.

## 19. Segment Information (continued)

### b) Segment assets

	As of March 31,		As of
	2021	2020	March 31,
	(Millions of yen)	(Millions of yen)	2021
			(Thousands of U.S. dollars)
Reporting segments	¥ 42,240	¥ 48,271	\$ 381,538
Unallocated amounts	16,054	9,150	145,016
Consolidated	¥ 58,294	¥ 57,421	\$ 526,554

#### 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, 2021					
	Reporting segments	Adjustment amount	Consolidated	Reporting segments	Adjustment amount	Consolidated
		(Millions of yen)			(Thousands of U.S. dollars)	
Depreciation and amortization	¥ 1,667	¥ —	¥ 1,667	\$ 15,060	\$ —	\$ 15,060
Interest income	5	0	5	44	1	45
Interest expense	12	82	94	111	737	848
Increase in tangible and intangible fixed assets	1,242	—	1,242	11,216	—	11,216

	Year ended March 31, 2020		
	Reporting segments	Adjustment amount	Consolidated
		(Millions of yen)	
Depreciation and amortization	¥ 1,389	¥ —	¥ 1,389
Interest income	7	0	7
Interest expense	12	108	120
Increase in tangible and intangible fixed assets	2,231	—	2,231

## 19. 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, 2021			
Japan	Northeastern Asia	Other	Total
<i>(Millions of yen)</i>			
¥ 14,255	¥ 30,041	¥ 498	¥ 44,794
Year ended March 31, 2020			
Japan	Northeastern Asia	Other	Total
<i>(Millions of yen)</i>			
¥ 17,326	¥ 28,394	¥ 1,421	¥ 47,141
Year ended March 31, 2021			
Japan	Northeastern Asia	Other	Total
<i>(Thousands of U.S. dollars)</i>			
\$ 128,760	\$ 271,352	\$ 4,502	\$ 404,614

#### Notes:

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

##### b) Tangible fixed assets

As of March 31, 2021		
Japan	Northeastern Asia	Total
<i>(Millions of yen)</i>		
¥ 10,753	¥ 8	¥ 10,761
As of March 31, 2020		
Japan	Northeastern Asia	Total
<i>(Millions of yen)</i>		
¥ 11,094	¥ 10	¥ 11,104
As of March 31, 2021		
Japan	Northeastern Asia	Total
<i>(Thousands of U.S. dollars)</i>		
\$ 97,124	\$ 76	\$ 97,200

**19. Segment Information (continued)****c) Information by main customer**

Year ended March 31, 2021: Not applicable

Year ended March 31, 2020: Not applicable

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

Year ended March 31, 2021: Not applicable

Year ended March 31, 2020: Not applicable

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

Year ended and as of March 31, 2021: Not applicable

Year ended and as of March 31, 2020: Not applicable

**⑤ Gain on negative goodwill by reporting segment**

Year ended March 31, 2021: Not applicable

Year ended March 31, 2020: Not applicable

## 20. Cash and Cash Equivalents

Reconciliations of cash and cash equivalents as of March 31, 2021 and 2020 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>2021</b>	<b>2020</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	¥ 19,601	¥ 12,725	\$ 177,046
Time deposits with maturities in excess of three months	(15)	(16)	(133)
Cash and cash equivalents	<u>¥ 19,586</u>	<u>¥ 12,709</u>	<u>\$ 176,913</u>

## 21. Non-cash Transactions

Lease assets and lease obligations recorded relating to lease transactions were ¥6 million and ¥6 million, respectively for the year ended March 31, 2021. In addition, in the fiscal year ended March 31, 2020, it was 55 million yen and 55 million yen, respective.

## 22. Selling, General and Administrative Expenses

For the years ended March 31, 2021 and 2020, major selling, general and administrative expenses are summarized as follows:

	<b>Year ended March 31,</b>		<b>Year ended</b>
	<b>2021</b>	<b>2020</b>	<b>March 31,</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Packing and delivery expenses	¥ 79	¥ 88	\$ 716
Sales commissions	391	419	3,531
Advertising expenses	9	13	80
Employees' salaries and allowances	4,918	5,084	44,423
Provision for director's bonuses	38	37	343
Provision of allowance for doubtful accounts	369	875	3,333
Retirement benefit expenses	359	285	3,244
Provision for directors' retirement benefits	1	5	12
Depreciation	1,145	883	10,343
Rent expenses	88	92	790
Research and development expenses	2,493	2,725	22,523

## 23. Related Party Transactions

Year ended and as of March 31, 2021: Not applicable

Year ended and as of March 31, 2020: Not applicable

## 24. 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
	2021	2020	March 31,
	(Yen)		2021
			(U.S. dollars)
Net income:			
– Basic	¥ 446.18	¥ 440.73	\$ 4.03
Net assets	4,949.41	4,468.29	44.71

Notes:

The information regarding diluted net income per share for the years ended March 31, 2021 and 2020 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 for the years ended March 31, 2021 and 2020.

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

	As of March 31,		As of
	2021	2020	March 31,
	(Millions of yen)		2021
			(Thousands of U.S. dollars)
Net income	¥ 1,970	¥ 1,944	\$ 17,793
Net income attributable to non-controlling interests	-	-	-
Net income attributable to owners of parent	1,970	1,944	17,793
	(Thousand shares)		
Weighted average number of shares of common stock outstanding	4,414	4,411	



## 25. Significant Subsequent Events

At the Board of Directors meeting on May 13, 2021, the Company resolved to demolish an aged building in the Yokohama office.

As a result, an extraordinary loss will be recorded in the first quarter of the consolidated fiscal year ending March 31, 2022 (April 1, 2021 to June 30, 2021).

Due to the demolition of the aged building in the Yokohama office, the demolition cost of the building of ¥400 million (\$3,613 thousand) and the impairment loss of ¥210 million will be recorded as an extraordinary loss (business structure improvement expenses).

Asset content

Asset name and location	Net carrying value	
Yokohama Office Building No.1 Building 2-5-1Kasama,Sakae-ku,Yokohama-shi,Kanagawa	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	¥ 210	\$1,897



## Independent Auditor's Report

To the Board of Directors of Shibaura Mechatronics Corporation

### Opinion

We have audited the consolidated financial statements of Shibaura Mechatronics Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, 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 the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Collectability of unbilled accounts receivable under the percentage-of-completion method	
Key audit matter description	How our audit addressed the key audit matter
<p>The Group manufactures and sells semiconductor and flat panel display (“FPD”) manufacturing equipment. As of March 31, 2021, the Group records unbilled accounts receivable related to its contracts with customers which are recognized in accordance with the percentage-of-completion method (“PoC”) of 17,434 million yen and an allowance for doubtful accounts of 1,366 million yen against these receivables in its consolidated financial statements.</p> <p>As described in Notes to Consolidated Financial Statements, 3. Significant Accounting Estimates, (1) Allowance for doubtful accounts, generally, the Group manages its credit risk for unbilled accounts receivables by receiving cash in advance and using letters of credit. However, due to changes in the economic environment in China and Taiwan, where the Group's customers are concentrated, as well as changes in the supply and demand of electronic products which use semiconductors and FPDs, the Group's customers may delay investment plans for manufacturing lines and as a result their payment schedules. As a result, the timing of collection of unbilled accounts receivable under PoC may be delayed from the initial expected collection date. In addition, because the Group's products are equipped with cutting-edge technologies for semiconductor and FPD manufacturing, unexpected defects may occur and the timing of customer acceptance may result in delays to the project and therefore payment. Consequently, the Group distinguishes general receivables from doubtful ones by considering the progress of the project, the delay in customer financing and plant construction, the credit status of the customer, and the expected timing of collection.</p> <p>Although the Group examines the reasons for the change in the expected timing of collection of unbilled accounts receivable and reflects it in its assessment of collectability, the assessment of the collectability of unbilled accounts receivable related to PoC contracts depends on management judgment. We determined that the collectability of unbilled accounts receivable related to PoC contracts was a key audit matter.</p>	<p>We performed the following principal audit procedures to address the collectability of unbilled accounts receivable related to PoC contracts:</p> <ul style="list-style-type: none"> <li>• We evaluated the design and implementation and tested the operating effectiveness of the Group's internal controls over the collectability of unbilled accounts receivable related to PoC contracts</li> <li>• We inquired with management regarding the economic environments of the semiconductor and FPD business</li> <li>• For unbilled accounts receivable related to PoC contracts that are overdue for the expected acceptance date, we inquired regarding the status of the project with the executive general manager in each business, and read minutes of meetings related to project management to examine the customer's investment plan and the Group's response</li> <li>• We inspected the results of the Group's evaluation of the customer's credit standing and verified that they are reflected in the results of the assessment of collectability</li> <li>• We verified the customer acceptance and cash receipts from the customer after the balance sheet date</li> </ul>



Estimation of total costs used in the percentage-of-completion method	
Key audit matter description	How our audit addressed the key audit matter
<p>As described in Notes to Consolidated Financial Statements, 3. Significant Accounting Estimates, (2) Estimated total costs used in the percentage-of-completion ("PoC") method, the Group recognizes revenue for manufacturing and installation machinery and equipment contracts that are performed in accordance with instructions from customers under the PoC method. The Group recorded revenue of 19,031 million yen for the current fiscal year for these contracts based on the progress of completion as of the end of the consolidated fiscal year. The progress is measured by comparing the costs incurred up to the end of the current consolidated fiscal year to the estimated total costs.</p> <p>Estimated total costs for each contract are determined based on a variety of factors including specifications, bill of materials required, and actual costs incurred in similar contracts in the past. Contracts are defined based on customer requirements with specifications; as a result, contractual obligations are highly customized. In addition, most of the contracts are satisfied over long periods. As a result, the estimated total costs may change due to the incurrence of additional manufacturing time and effort and other costs to finalize the product to meet specifications to satisfy customer requirements that are not initially expected.</p> <p>The estimation of total costs on these PoC contracts involves a high degree of uncertainty and depends on management judgement. Therefore, we determined the estimation of total costs on PoC contracts was a key audit matter.</p>	<p>We performed the following principal audit procedures to address the estimation of total costs on PoC contracts:</p> <ul style="list-style-type: none"> <li>• We evaluated the design and implementation and tested the operating effectiveness of the Group's internal controls over the estimation of total costs at the timing of project commencement and monitoring those estimates for revisions during construction</li> <li>• We compared and analyzed the estimated total cost at the end of the previous consolidated fiscal year to the actual incurred cost at the completion of projects in the current consolidated fiscal year</li> <li>• We examined whether estimated total costs for ongoing projects have been changed after the balance sheet date but prior to the issuance of our report</li> <li>• We observed activities at the Group's manufacturing plants to examine that the physical progress was consistent with the progress rate for PoC</li> <li>• For projects under construction as of the end of the current consolidated fiscal year, we selected some projects based on materiality and compared the estimated total costs with the actual costs incurred for similar projects in the past. In addition, we evaluated the expected manufacturing costs as a proportion of the total estimated total costs as compared to the assembly schedule and similar projects completed previously to ensure reasonableness</li> </ul>



Recoverable period of the deferred tax assets assumed for the consolidated tax group in Japan	
Key audit matter description	How our audit addressed the key audit matter
<p>As described in Notes to Consolidated Financial Statements, 3. Significant Accounting Estimates, (3) Recoverability of deferred tax assets, the Group applies the tax consolidation rules applicable in Japan. The Group records deferred tax assets related to corporate tax under the tax consolidation rules in Japan of 582 million yen as of March 31, 2021 in the consolidated financial statements.</p> <p>The Group evaluates that those deferred tax assets are recoverable as a result of future taxable profit before any potential temporary differences and deductions. The Group assesses that the reasonable future estimated taxable income period is one year as a result of the following reasons:</p> <ul style="list-style-type: none"> <li>• The Group has customer contracts with unfulfilled order backlog scheduled for delivery over periods ranging between six months and one year</li> <li>• The Group manufactures and sells semiconductors and FPD manufacturing equipment, for which future estimates of taxable income for periods exceeding more than one year are subject to volatility in demand</li> <li>• Long-term demand of manufacturing equipment is subject to uncertainty due to market expansion and advances in new technologies for the electronics products are extremely rapid</li> </ul> <p>In its assessment of the recoverability of deferred tax assets, management used judgment to determine the reasonable future estimated taxable income period. We determined that the recoverable period of the deferred tax assets for the consolidated tax group in Japan was a key audit matter.</p>	<p>We performed the following principal audit procedures to ensure the reasonableness of the recoverable period of the deferred tax assets for the consolidated tax group in Japan:</p> <ul style="list-style-type: none"> <li>• We evaluated the design and implementation and tested the operating effectiveness of the Group's internal controls over the recoverability of deferred tax assets</li> <li>• We performed following procedures to assess the reasonable future estimated taxable income period determined by the Group: <ul style="list-style-type: none"> <li>- We examined the management's decision process for the budget and mid-term management plan</li> <li>- We discussed with management and verified the board's approval of the budget for the next fiscal year then understood the uncertainties in the budget</li> <li>- We compared and analyzed the current year budget against the actual result, and the mid-term management plan against the actual result</li> <li>- We inspected contracts and purchase orders from the Group's customers to validate the existence of the unfulfilled order backlog at the end of the current consolidated fiscal year</li> </ul> </li> </ul>



### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and





- whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Convenience translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Masahiko Hagimori

Designated Engagement Partner  
Certified Public Accountant



Nobuhiro Nasu

Designated Engagement Partner  
Certified Public Accountant

September 17, 2021

# Directors, Vice Presidents and Auditors

As of June 24, 2021

## Directors and Vice Presidents

### Keigo Imamura

Representative Director  
President and Chief Executive Officer

### Yoshitsugu Ogawa

Director  
Executive Vice President  
Executive General Manager of Mechatronics System Division

### Kenichi Ikeda

Director  
Executive Vice President and Chief Financial Officer  
Executive General Manager of Corporate Management Division

### Yoshiaki Kurokawa

Director  
Senior Vice President  
Executive General Manager of Fine Mechatronics Division

### Tomoko Inaba

Outside Director

### Yuichiro Takada

Outside Director

### Hisashi Shindo

Senior Vice President  
Deputy Executive General Manager of Mechatronics System Division

### Kazuhiko Okui

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

### Kazutoshi Horiuchi

Vice President  
Deputy Executive General Manager of Fine Mechatronics Division

### Tomomi Harano

Vice President  
Deputy Executive General Manager of Fine Mechatronics Division

### Shigeru Sakata

Vice President  
Deputy Executive General Manager of Mechatronics System Division

### Shinichi Ogimoto

Vice President  
Executive General Manager of Production & Procurement Division

## Auditors

### Yasuhiko Yamato

Auditor

### Kazuya Kaneko

Outside Auditor

### Kazumasa Uchida

Outside Auditor

### Hiroyuki Matsumoto

Outside Auditor



# Investor Information

As of March 31, 2021

<b>Date Established</b>	October 12, 1939
<b>Capital</b>	6,762 Million-Yen
<b>Number of Employees</b>	Consolidated : 1,224
<b>Common Stock</b>	Authorized : 10,000,000 shares Issued and outstanding : 5,192,619 shares
<b>Number of Shareholders</b>	4,783
<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,				
	2021	2020	2019	2018	2017
High (yen)	6,050	4,655	4,350(484)	528	317
Low (yen)	2,050	2,052	3,040(334)	240	179

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
The Master Trust Bank of Japan, Limited (trust accounts)	281	6.35
Shin-Etsu Engineering Co., Ltd.	259	5.86
NuFlare Technology, Inc.	259	5.86

## **SHIBAURA MECHATRONICS CORPORATION**

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