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(Securities Code 6274)
June 10, 2016

To Shareholders with Voting Rights:

Takashi Nagano
President and CEO,
Representative Director
SHINKAWA LTD.
2-51-1, Inadaira,
Musashimurayama-shi, Tokyo

**NOTICE OF
THE 58TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

Allow us to begin by offering our deepest condolences to the shareholders afflicted by the 2016 Kumamoto Earthquake.

You are cordially invited to attend the 58th Ordinary General Meeting of Shareholders of SHINKAWA LTD. (the "Company") to be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing. Please review the appended Reference Documents for the General Meeting of Shareholders, indicate your vote for or against the proposal on the enclosed Voting Rights Exercise Form and return it so that it is received by 5:25 p.m. on Tuesday, June 28, 2016, Japan time.

- 1. Date and Time:** Wednesday, June 29, 2016 at 10 a.m. Japan time
- 2. Place:** Conference Room (Bldg. No. 8, 6F) at the Head Office of SHINKAWA LTD.
2-51-1, Inadaira, Musashimurayama-shi, Tokyo
- 3. Meeting Agenda:**
Matters to be reported: The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the Company's 58th fiscal year (from April 1, 2015, to March 31, 2016) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
Proposal to be resolved:
Proposal: Election of Six (6) Directors

End

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1. When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
 2. The Cool Biz (light clothing) dress code will be followed at the meeting. Shareholders who attend the meeting are encouraged to wear light clothing.
 3. Any updates to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and/or the Non-Consolidated Financial Statements will be posted on the Company's Web site at <http://www.shinkawa.com>.

4. An English translation of this notice of the general meeting of shareholders is available on the Company's Web site. The translation is provided for reference purposes only. Should any translation errors be found, they will be corrected immediately, but the Company assumes no responsibility for any problems arising from the translation.

(Appendix)

Business Report

(April 1, 2015–March 31, 2016)

1. Overview of the Company Group

(1) The Status of Business for the Fiscal Year under Review

1) Business progress and results

During the fiscal year ended March 31, 2016, the global economy followed a mild recovery path as consumer spending expanded, owing to the improved employment and income conditions in the United States and Europe. Meanwhile, the deceleration of economic growth in emerging countries, including China, and the growing geopolitical risks in the Middle East placed downward pressure on business activity, continuing a situation of uncertainty.

In the electronics industry, while the demand for electronic components grew steadily, the demand for mobile-related semiconductor products declined due to a slowdown in the Chinese economy that led to an inventory adjustment phase in the smartphone market. In the second half of the fiscal year, the fall in demand became apparent throughout the entire semiconductor market including discrete devices which remained stagnant even after the turn of the year. This influenced the back-end equipment market, and restrained its equipment investments.

In such a business climate, the SHINKAWA Group continued efforts to expand market share and enhance profitability by expanding sales of wire bonders and flip-chip bonders and promoting market penetration of new die bonders, while restructuring its production system with three locations—the Thai factory, the domestic factory and outsourced producers—as pillar production facilities.

As a result of these efforts, sales of the UTC-5000 Series wire bonders proceeded favorably with an increase in order receipts from major Korean memory makers and leading OSAT providers in China.

Since July, however, the inventory adjustment phase in the smartphone market has resulted in postponement of equipment investment plans by customers. Even after the turn of the year, order receipts continued to be stagnant because customers remained cautious on equipment investment.

As for the consolidated performance of the Group for the fiscal year ended March 31, 2016, net sales increased 11.5% from the previous fiscal year to 12,662 million yen. An operating loss of 1,035 million yen was recorded compared with an operating loss of 2,669 million yen for the previous fiscal year and an ordinary loss of 1,444 million yen was posted compared with an ordinary loss of 1,784 million yen a year earlier. As a result, loss attributable to owners of parent of 1,849 million yen was recorded for the fiscal year under review compared with loss attributable to owners of parent of 1,894 million yen a year earlier.

Regarding dividends, we have unfortunately come to a decision to pass the payment of dividends for the fiscal year under review on a comprehensive examination of the Company's business results and financial standing for the fiscal year under review and efforts to be made for reconstruction. We are deeply sorry for this decision, and determined to achieve the resumption of dividends as earlier as possible. We would appreciate the continued support and understanding of our shareholders.

2) Capital investments

There were no noticeable items of capital investment made during the fiscal year under review.

3) Financing activities

There were no new financing activities conducted during the fiscal year under review.

(2) The Status of the Group's Assets and Profit or Loss

(Millions of yen, except "Net income (loss) per share")

Category	The 55th fiscal year ended March 31, 2013	The 56th fiscal year ended March 31, 2014	The 57th fiscal year ended March 31, 2015	The 58th fiscal year ended March 31, 2016 (Year under review)
Orders received	10,139	8,728	13,112	10,930
Net sales	11,350	7,481	11,352	12,662
Loss attributable to owners of parent	(2,120)	(4,312)	(1,894)	(1,849)
Net loss per share (Yen)	(116.65)	(237.27)	(104.19)	(101.75)
Net assets	28,967	24,402	23,336	20,570
Total assets	31,004	26,059	26,500	23,340

(3) Principal Parent Company and Subsidiaries

1) Parent company
Not applicable.

2) Principal subsidiaries

Company name	Capital	Ratio of voting rights held by the Company	Principal business
Shinkawa Technologies Ltd.	JPY 90,000 thousand	100.0%	Manufacturing, sales and maintenance of precision equipment in which semiconductors and/or other electronic components are applied
Shinkawa Korea Co., Ltd.	KRW 370,000 thousand	100.0%	Sales promotion and maintenance services for semiconductor manufacturing equipment
Shinkawa Taiwan Co., Ltd.	TWD 13,800 thousand	100.0%	Sales promotion and maintenance services for semiconductor manufacturing equipment
Shinkawa (Shanghai) Co., Ltd.	USD 200 thousand	100.0%	Sales promotion and maintenance services for semiconductor manufacturing equipment
Shinkawa Philippines, Inc.	PHP 10,523 thousand	100.0%	Maintenance services for semiconductor manufacturing equipment
Shinkawa Vietnam Co., Ltd.	USD 200 thousand	100.0%	Design and development of software for semiconductor manufacturing equipment
Shinkawa Singapore Pte. Ltd.	SGD 150 thousand	100.0%	Sales promotion and maintenance services for semiconductor manufacturing equipment
Shinkawa (Malaysia) Sdn. Bhd.	MYR 500 thousand	100.0%	Maintenance services for semiconductor manufacturing equipment
Shinkawa (Thailand) Co., Ltd.	THB 10,000 thousand	100.0%	Maintenance services for semiconductor manufacturing equipment

Shinkawa Manufacturing Asia Co., Ltd.	THB 337,000 thousand	100.0%	Manufacturing and sales of semiconductor manufacturing equipment
Shinkawa U.S.A., Inc.	USD 50 thousand	100.0%	Sales promotion and market research for semiconductor manufacturing equipment

Notes:

1. The voting rights in Shinkawa (Malaysia) Sdn. Bhd. are directly and indirectly held by the Company. Those held by the Company account for 60% and those held by Shinkawa Singapore Pte. Ltd. accounted for 40%.
2. The voting rights in Shinkawa (Thailand) Co., Ltd., are directly and indirectly held by the Company. Those held by the Company account for 97.3% and those held by Shinkawa Singapore Pte. Ltd. accounted for 2.7%.
3. No subsidiary of the Company falls under the category of specified wholly owned subsidiaries.

(4) Our Tasks Ahead

To address the increasingly small, high-precision and low-cost packaging business in the semiconductor assembly markets that continue to expand mainly in the emerging nations in Asia, the Group has engaged in several initiatives. These include promoting the sales of cost-competitive and high-value added products, acquiring new customers including major OSAT providers, and transferring production to the Thai factory, which is a years-long effort to reform the earnings structure. These measures have proceeded steadily, producing some positive results. Due to the prolonged periods of product development and evaluation, however, the various measures to reform the earnings structure are incomplete, with unsatisfactory business results having continued.

Faced with such an environment, the Group is working on the following tasks.

1) Improvement of operational efficiency

To respond to changes in global market trends in a timely and speedy manner, the Group has promoted the restructuring of its sales, engineering and production systems and will continue these efforts so that the new systems are fully established as early as possible.

With regard to sales activities, the Group respects the autonomy of its overseas sales offices to allow them to customize their activities to suit the local needs and maximize customer satisfaction.

The engineering force is strengthening ties with the production and quality assurance divisions to promote cost-cutting efforts starting at the product design and development stages, thereby improving profitability.

With regard to engineering, the Group strives to improve profitability through strengthening ties with the production and quality assurance divisions to promote cost-cutting efforts starting at the product design and development stages, as well as enhancing globalization and efficiency of the system for the product design and development through developing products into a platform and strengthening capability of overseas engineers.

With regard to production, the Group seeks to ensure optimal production in the most suitable location at reduced costs. To achieve that, the manufacturing of some products has been outsourced, and the Group's production division is being decentralized into its subsidiaries to allow production activities to remain flexible and carefully tailored to customer needs. By encouraging the Thai factory, the domestic factory, and the outsourced producers to establish a complementary relationship, we seek enhancement of production efficiency on a Group-wide basis.

2) Enhancement of technological capabilities and product strengths to capture business opportunities

Looking at the trend of packaging technologies, the popularity of wireless processes, such as flip chip and wafer-level packaging, is expected to grow significantly, which will likely expand the flip-chip bonder market. To address this trend, we will continue to enhance our competitive advantage in the advanced packaging technology field by offering a range of equipment available not only for the TCB (Thermal Compression Bonding) process required for 3D-TSV (through-silicon via) packaging, but also for the high-precision mass reflow process which is already in common use.

In the wire and die bonder businesses, we will continue to provide existing and new customers with our highly reliable technologies. We will also expand sales to emerging OSAT providers by upgrading the operator supporting functions of the bonding equipment itself and providing system solutions aimed at effective management of the status of equipment operation and production.

We would greatly appreciate the continued understanding and support of our shareholders.

(5) Principal Businesses (As of March 31, 2016)

The Group consists of the Company and its 11 subsidiaries, mainly engaging in the development, manufacturing and sales of semiconductor manufacturing equipment for manufacturers of semiconductors and electronic components and offering maintenance services related to these businesses.

The Group's major products include wire bonders, die bonders and flip-chip bonders.

(6) Principal Offices and Factories (As of March 31, 2016)

1) The Company

Name	Location
Head Office and Factory	Musashimurayama-shi, Tokyo

2) Subsidiaries

Company name	Location
Shinkawa Technologies Ltd.	Musashimurayama-shi, Tokyo
Shinkawa Korea Co., Ltd.	Seongnam, South Korea
Shinkawa Taiwan Co., Ltd.	Taipei, Taiwan
Shinkawa (Shanghai) Co., Ltd.	Shanghai, China
Shinkawa Philippines, Inc.	Manila, Philippines
Shinkawa Vietnam Co., Ltd.	Ho Chi Minh City, Vietnam
Shinkawa Singapore Pte. Ltd.	Singapore
Shinkawa (Malaysia) Sdn. Bhd.	Subang Jaya, Malaysia
Shinkawa (Thailand) Co., Ltd.	Pathumthani, Thailand
Shinkawa Manufacturing Asia Co., Ltd.	Pathumthani, Thailand
Shinkawa U.S.A., Inc.	Gilbert, State of Arizona, U.S.A.

(7) Employees (As of March 31, 2016)

1) Employees of the Company Group

Number of employees	Increase from previous fiscal year-end
681	9

Note: The number of employees represents the number of people in service and includes 33 contract and part-time employees.

2) Employees of the Company

Number of employees	Decrease from previous fiscal year-end	Average age	Average number of years in service
272	40	41.1	14.0

Notes:

1. The number of employees represents the number of people in service (excluding 14 employees on loan to subsidiaries and including four employees on loan from subsidiaries), and includes 21 contract and part-time employees.
2. The decrease in the number of employees from the previous fiscal year-end resulted from the transfer of employees in response to the transfer of production resources to subsidiaries.

(8) Principal Lenders (As of March 31, 2016)

Not applicable.

(9) Other Important Information Concerning the Company Group

Not applicable.

2. Current Status of the Company

(1) Status of Shares (As of March 31, 2016)

- 1) Authorized shares: 80,000,000 shares
- 2) Issued and outstanding shares: 20,047,500 shares (including 1,873,627 treasury shares)
- 3) Number of shareholders: 7,798
- 4) Principal shareholders (top 10 shareholders):

Shareholder name	Number of shares held (Thousands)	Shareholding ratio (%)
Goldman Sachs International	906	4.98
Trust & Custody Services Bank, Ltd. (The Tokyo Tomin Bank, Limited. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.)	900	4.95
The Bank of New York 133522	735	4.04
State Street Bank and Trust Company	720	3.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	664	3.65
SHINKAWA Business Partners Share-Holding Association	546	3.00
I & E Corporation	499	2.74
Japan Trustee Services Bank, Ltd. (Trust Account)	489	2.69
Tokyo TY Lease Co., Ltd.	405	2.23
Mizuho Bank, Ltd.	294	1.62

- Notes:
1. Fractions less than the figures indicated above are truncated for the number of shares held and the shareholding ratio.
 2. The Company's treasury shares (1,873,627 shares) were excluded in the calculation of the shareholding ratio.

(2) Share Subscription Rights

Not applicable.

(3) Company Officers

1) Directors and Audit & Supervisory Board Members (As of March 31, 2016)

Position in the Company	Name	Responsibility and significant concurrent positions
President and CEO, Representative Director	Takashi Nagano	
Chairman Operating Officer, Director	Hiroshi Nishimura	President, Shinkawa Manufacturing Asia Co., Ltd. President, Shinkawa (Thailand) Co., Ltd.
Chief Technical Officer, Director	Norimasa Nagata	Director in charge of Engineering Div. and Global Operation Div.
Chief Financial Officer, Director	Takuya Mori	Director in charge of Corporate Planning Dept., Personnel & Administration Dept. and Accounting Dept. General Manager, Corporate Planning Dept., and General Manager, Accounting Dept.
Operating Officer, Director	Noboru Fujino	General Manager, Engineering Div.
Director	Ichiro Anjo	Representative Director, Jisso Partners, Inc.
Full-Time Audit & Supervisory Board Member	Koji Sekiguchi	
Audit & Supervisory Board Member	Masaki Yoshino	Representative Partner, Yoshino Law Office
Audit & Supervisory Board Member	Mariko Mitsuya	

- Notes:
1. Director Kenji Sugimoto resigned from office as of June 26, 2015.
 2. Full-Time Audit & Supervisory Board Member Itaru Shimamori retired at the conclusion of the 57th Ordinary General Meeting of Shareholders held on June 26, 2015 due to expiration of his term of office.
 3. Audit & Supervisory Board Member Ichiro Anjo retired due to expiration of his term of office and assumed the office of Director at the conclusion of the 57th Ordinary General Meeting of Shareholders held on June 26, 2015.
 4. Mr. Ichiro Anjo is an Outside Director.
 5. Audit & Supervisory Board Members Koji Sekiguchi, Masaki Yoshino and Mariko Mitsuya are Outside Audit & Supervisory Board Members.
 6. The Company designates Audit & Supervisory Board Members Koji Sekiguchi, Masaki Yoshino and Mariko Mitsuya as Independent Officers as set forth by the Tokyo Stock Exchange and has filed such notification with said Exchange.
 7. The Company has business transactions under a consulting contract with Jisso Partners, Inc., where Director Ichiro Anjo concurrently holds a position. However, the amount of such transactions is insignificant at about one million yen.
 8. Ms. Mariko Mitsuya is a Certified Public Accountant and has a significant amount of professional knowledge on financial and accounting matters.
 9. The Company has no special interest in Yoshino Law Office, where Audit & Supervisory Board Member Masaki Yoshino concurrently holds a position.
 10. The Company has had the operating officer system in place since June 29, 2011. At the end of the fiscal year under review, Operating Officers other than those who concurrently serve as Director are as follows.

Position in the Company	Name	Areas of responsibility
Operating Officer	Hirotooshi Tashima	General Manager, Sales Div., and General Manager, Global Sales Management Dept.
Operating Officer	Tetsuya Sakuma	General Manager, Global Operation Div.

2) Outline of limited liability agreements

- By making partial amendments to its Articles of Incorporation at the 57th Ordinary General Meeting of Shareholders held on June 26, 2015, the Company established a provision regarding a limited liability agreement with Directors (excluding Executive Directors) and Audit & Supervisory Board Members (Article 427, Paragraph 1, of the Companies Act). Pursuant to the Articles of Incorporation, the Company concludes a limited liability agreement with Director Ichiro Anjo and all Audit & Supervisory Board Members.
- The amount of liability for damages (as set forth in Article 423, Paragraph 1, of the Companies Act) under the agreement is up to the minimum liability amount stipulated by law.
- Said limitation of liability is allowed only if the Director or Audit & Supervisory Board Member acts in good faith and is not grossly negligent in performing the duties that caused the liability.

3) Remuneration for Directors and Audit & Supervisory Board Members

Classification	Directors (Outside Directors included)		Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members included)		Total (Outside Officers included)	
	Number of eligible persons	Amount of payment	Number of eligible persons	Amount of payment	Number of eligible persons	Amount of payment
Basic Remuneration	7 (1)	¥61 million (¥5 million)	5 (4)	¥24 million (¥21 million)	12 (5)	¥85 million (¥26 million)
Bonuses	—	—	—	—	—	—
Total		¥61 million (¥5 million)		¥24 million (¥21 million)		¥85 million (¥26 million)

- Notes:
1. The number of eligible persons for remuneration for Director or Audit & Supervisory Board Member includes one Director who resigned as of June 26, 2015, and one Audit & Supervisory Board Member who retired due to expiration of term of office at the conclusion of the 57th Ordinary General Meeting of Shareholders.
 2. Because Mr. Ichiro Anjo retired as Audit & Supervisory Board Member and then assumed the office of Director at the 57th Ordinary General Meeting of Shareholders on June 26, 2015, he is counted as an Audit & Supervisory Board Member or a Director for whichever period of service is applicable.
 3. The amount of payment for Directors does not include the portion of payment as employees if they concurrently serve as employees.
 4. At the 54th Ordinary General Meeting of Shareholders on June 28, 2012, a resolution was adopted to establish an upper limit on remuneration for Directors of ¥150 million per year (which does not include salaries as employees for Directors who concurrently serve as employees).
 5. At the 48th Ordinary General Meeting of Shareholders on June 29, 2006, a resolution was adopted to establish an upper limit on remuneration for Audit & Supervisory Board Members of ¥45 million per year.

4) Outside Officers

a. Significant concurrent positions

The status of significant concurrent positions is described on page 8.

b. Main activities during the fiscal year under review

Title	Name	Main activities
Director	Ichiro Anjo	Attended all 16 meetings of the Board of Directors held after he assumed office. Based on his experience in management at other companies, he provided advice and suggestions to ensure the reasonability and appropriateness of decisions made by the Board of Directors.
Full-Time Audit & Supervisory Board Member	Koji Sekiguchi	Attended 15 out of 16 meetings of the Board of Directors held and all 11 meetings of the Audit & Supervisory Board held after he assumed office. Based on his significant experience and knowledge in the field of finance and accounting acquired through the financial business, he provided advice and suggestions to ensure the reasonability and appropriateness of decisions made by the Board of Directors.
Audit & Supervisory Board Member	Masaki Yoshino	Attended 16 out of 20 meetings of the Board of Directors and 12 out of 14 meetings of the Audit & Supervisory Board held during the fiscal year under review. Based on his professional perspective as a lawyer, he provided advice and suggestions to ensure the reasonability and appropriateness of decisions made by the Board of Directors.
Audit & Supervisory Board Member	Mariko Mitsuya	Attended 19 out of 20 meetings of the Board of Directors and all 14 meetings of the Audit & Supervisory Board held during the fiscal year under review. Based on her professional perspective as a Certified Public Accountant, she provided advice and suggestions to reinforce the supervision of management and internal control functions.

(4) Accounting Auditor

1) Accounting Auditor's Name: ARK MEIJI AUDIT & Co.

Note: The Company's Accounting Auditor ARK & Co. merged with MEIJI AUDIT CORPORATION as of January 4, 2016, and has become ARK MEIJI AUDIT & Co.

2) Accounting Auditor's Remuneration

	Amount of remuneration
Remuneration for the Accounting Auditor for the fiscal year ended March 31, 2016	¥36 million
Total amount of money and other financial benefits payable to the Accounting Auditor by the Company and its subsidiaries	¥36 million

Notes: 1. The audit agreement between the Company and the Accounting Auditor does not distinguish fees paid for the audit conducted in accordance with the Companies Act from fees paid for the audit conducted in accordance with the Financial Instruments and Exchange Act, and it is practically impossible to make such a distinction. Accordingly, the above amounts represent the aggregate amounts of fees for these two types of audits.

2. The Company's Audit & Supervisory Board examined the content of the Accounting Auditor's audit plans, its performance of duties in prior fiscal years and the basis for calculation of remuneration for the Accounting Auditor through the necessary documents received from the Board of Directors, related divisions of the Company and the Accounting Auditor, as well as necessary reports therefrom. Based on the results of the examination, the Company gave consent to the remuneration for the Accounting Auditor as stipulated in Article 399, Paragraph 1, of the Companies Act.

3) Audits of the Company's subsidiaries by auditing firms other than the Company's Accounting Auditor

The Company's overseas subsidiaries except Shinkawa U.S.A., Inc., are audited by auditing firms other than the Company's Accounting Auditor.

4) Non-auditing services

The Company does not commission the Accounting Auditor to perform any services other than the audit certification service as stipulated in Article 2, Paragraph 1, of the Certified Public Accountants Act.

5) Policy regarding determination of dismissal or non-reappointment of the Accounting Auditor

In the event that the Accounting Auditor is deemed to fall under any of the grounds set forth in the items of Article 340, Paragraph 1, of the Companies Act, the Audit & Supervisory Board shall consider the dismissal of said Accounting Auditor and terminate the appointment of the Accounting Auditor subject to the unanimous consent of the Audit & Supervisory Board Members. In that case, the dismissal of the Accounting Auditor and reasons therefor will be reported by an Audit & Supervisory Board Member designated by the Audit & Supervisory Board at the first General Meeting of Shareholders convened after the dismissal.

In addition, should the Accounting Auditor be deemed unable to execute its duties properly or it otherwise be deemed necessary to replace the Accounting Auditor upon consideration of any of the Accounting Auditor's acts in violation of the related laws and regulations, including the Companies Act, as well as the Accounting Auditor's independence, auditing quality and performance of duties, the Audit & Supervisory Board will determine the details of a proposal to dismiss or not to reappoint the Accounting Auditor and request the Board of Directors to submit it to the General Meeting of Shareholders.

(5) Systems to Ensure the Appropriateness of the Business and the Status of Operation Thereof

Details of the Group's resolution on the systems to ensure the conformity of performance of Directors' duties to laws, regulations and the Articles of Incorporation and other systems to ensure the appropriateness of the Company's businesses are as follows.

1) The system for securing job execution compliance by directors and employees with laws and regulations as well as the Articles of Incorporation

We shall establish the "Code of Conduct for the SHINKAWA Group" so that all the board members and employees of the Group shall perform their jobs in compliance with laws, regulations, the Articles of Incorporation and the norms of society. In order to attain a thorough understanding, the president shall also control the Companywide promotion of compliance having instituted the basic rules of compliance. Moreover, the education of employees shall be conducted mainly through the Personnel & Administration Department. The Audit Department under the direct control of the president shall audit the degree of compliance in collaboration with the Personnel & Administration Department. We shall create an internal reporting system with the aim of deterring questionable behavior and conduct in terms of laws, regulations, the Articles of Incorporation and the norms of society, prepare contact points for internal reporting both inside and outside the Company to allow all the board members and employees to report information directly, and ensure that reporters will not receive detrimental treatment because of such reporting.

By establishing and promoting these systems, we shall take organized responses to block any relationships with antisocial forces and organizations. In the face of unacceptable demands from antisocial forces and organizations, we shall strive to cut off relations and prevent damage by cooperating with the police and other law enforcement authorities mainly through the Personnel & Administration Department as the controlling division.

2) Systems concerning the maintenance and control of information related to job execution by directors

We shall record and keep information related to decision making and job execution by directors in the form of printed or electronic documents (hereinafter collectively referred to as "documents") pursuant to the rules relating to document control. These documents shall be made available for inspection by directors and corporate auditors at any time pursuant to the rules relating to document control.

- 3) Regulations and other systems concerning the management of risk of loss
In accordance with the risk management rules, each department and each company of the SHINKAWA Group shall manage any risks derived from the operations they are responsible for, whereas the status of cross-organizational risks and Companywide responses shall be managed by the Corporate Planning Department.
- 4) The system of ensuring that directors execute their duties in an efficient manner
We have adopted the operating officer system to ensure that decision making is undertaken in a swift and agile manner and to clarify responsibilities with respect to the execution of duties. In the context of operating execution function in accordance with decisions of the Board of Directors, the rules relating to management authority clearly define the responsibilities and authority of each officer. In this manner, the Company has taken steps to build a system that is conducive to the appropriate and efficient execution of duties.
In addition, specific objectives and targets are set for each division and department. The Board of Directors regularly reviews the status of progress and results. This helps raise the probability of achieving established objectives and goals and securing efficient Group-wide operations.
- 5) System to secure the appropriateness of the operations of the Group that consists of the Company and its subsidiaries
- a. The department in charge of internal control for the entire Group shall be the Corporate Planning Department, which provides necessary guidance and support to enhance the effectiveness of internal control and the efficiency of business execution at each Group company.
 - b. Regarding compliance and risk management, the Company's department in charge of compliance and risk management shall conduct activities covering the entire Group.
 - c. The internal reporting system shall be applied to each Group company.
 - d. The rules for decision making on business execution at the Company's subsidiaries shall be put in place, and the Company shall have its subsidiaries report the status of their business execution and financial position regularly.
- 6) In the event corporate auditors request that employees be assigned to assist in their duties; matters related to the relevant employees, matters related to the independence of such employees from directors, and matters related to ensuring the effectiveness of the instructions given to such employees
In the event employees are required to assist in the duties of corporate auditors, we shall assign employees who have the ability and knowledge to examine the operations of the Company. The employees are not subject to instruction and/or order of directors and others insofar as their capacity to assist in the duties of corporate auditors is concerned. Personnel transfers and other employment conditions regarding such employees shall be subject to prior approval by the board of corporate auditors.
- 7) Systems for directors and employees of the Company and its subsidiaries to report to corporate auditors, systems for other reporting to corporate auditors, and systems to ensure that reporters will not receive detrimental treatment because of such reporting
All the board members and employees of the SHINKAWA Group shall report to the board of corporate auditors without delay on important matters that have a significant impact on the Company and the Company Group, the degree to which internal audits have been implemented in addition to matters designated by law. Methods of reporting (reporter, recipient of report, timing of report, etc.) shall be determined through consultation between directors and the board of corporate auditors.
The SHINKAWA Group shall not treat reporters in a detrimental way because of their providing related information to the corporate auditors.
- 8) Other systems to secure the effective implementation of audits by corporate auditors
We shall provide active support for the preparation of an appropriate environment that allows audits by corporate auditors, and arrange regular meetings for the exchange of opinions between the board of corporate auditors and representative directors.
The Company shall cover the necessary expenses for audit duties such as using external advisors who support the corporate auditors' audit duties in case it is deemed necessary by the corporate auditors.

(Status of operation of the systems to ensure the appropriateness of the business)

The status of operation of the systems to ensure the appropriateness of the business is as follows.

1) Systems for ensuring compliance

The Code of Conduct for the SHINKAWA Group is internally viewable at all times, every opportunity is taken to disseminate said Code throughout the Company, and it is disclosed externally through the Company's Web site and other means. In accordance with the basic rules of compliance, self-checks on the status of compliance are regularly conducted by each department manager, with their results being reported to the Board of Directors and the Audit & Supervisory Board.

The internal reporting system in place provides more than one contact that receives reports, including an external lawyer, whereas the protection of reporters is stipulated in the relevant internal regulations.

2) Systems for risk management

A department manager of the Company and a person responsible for risk management at each Group company evaluate risks and review risk management measures at the beginning of each fiscal year, and confirm the measures taken at the year-end. The respective results thereof are reported to not only Directors but also at executive meetings attended by department managers and people in higher positions.

3) Systems for Directors' execution of duties

The Board of Directors holds meetings monthly and whenever the necessity arises where Directors deliberate and make decisions on important matters and supervise the status of execution of business operations. In addition, executive meetings are held twice a month to discuss important matters and share information.

4) Systems for the management of the Group companies

The Corporate Planning Department, which is in charge of internal controls at each Group company, has promoted the establishment and enhancement of the rules for the authority of management for each Group company in accordance with the rules for the management of subsidiaries and affiliates and the rules for the management of overseas businesses. In addition, said Department receives regular reports from each Group company on its status of business execution and financial position, and conducts audits of each Group company.

5) Systems to secure the effective implementation of audits by Audit & Supervisory Board Members

The Audit & Supervisory Board, which consists of three Outside Audit & Supervisory Board Members, determines the auditing policies and plans and deliberates on matters concerning important audit operations.

Representative Directors regularly meet with Audit & Supervisory Board Members to exchange opinions. Meanwhile, Audit & Supervisory Board Members attend Board of Directors' meetings, executive meetings and other meetings that are deemed important by Audit & Supervisory Board Members, through which necessary information is acquired from Directors and employees on the status of the Company and Group companies and opinions are offered from the auditors' standpoint. Directors and employees respond to a request for a survey or an interview whenever it is made by Audit & Supervisory Board Members.

(Note) The amounts of money shown in this Business Report are rounded to the nearest unit.

Consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

ASSETS		LIABILITIES	
Account	Amount	Account	Amount
Current assets	14,969	Current liabilities	1,608
Cash and deposits	6,440	Accounts payable—trade	644
Notes and accounts receivable—trade	3,079	Income taxes payable	169
Merchandise and finished goods	2,901	Provision for product warranties	191
Work in process	1,402	Provision for bonuses	203
Raw materials and supplies	436	Deferred tax liabilities	4
Deferred tax assets	77	Other	397
Other	635	Non-current liabilities	1,162
Allowance for doubtful accounts	(1)	Net defined benefit liability	880
Non-current assets	8,370	Deferred tax liabilities	267
Property, plant and equipment	5,355	Other	15
Buildings and structures, net	1,757	Total liabilities	2,770
Machinery, equipment and vehicles, net	319	NET ASSETS	
Land	3,189	Shareholders' equity	19,600
Other	89	Capital stock	8,360
Intangible assets	53	Capital surplus	8,907
Other	53	Retained earnings	5,483
Investments and other assets	2,963	Treasury shares	(3,150)
Investment securities	2,464	Accumulated other comprehensive income	970
Long-term loans receivable	24	Valuation difference on available-for-sale securities	866
Deferred tax assets	37	Foreign currency translation adjustment	166
Other	437	Remeasurements of defined benefit plans	(63)
		Total net assets	20,570
Total assets	23,340	Total liabilities and net assets	23,340

Consolidated Statement of Income

(April 1, 2015–March 31, 2016)

(Millions of yen)

Account	Amount	
Net sales		12,662
Cost of sales		8,808
Gross profit		3,854
Selling, general and administrative expenses		4,889
Operating loss		(1,035)
Non-operating income		
Interest income	8	
Dividend income	64	
Rent income	20	
Other	37	130
Non-operating expenses		
Foreign exchange losses	535	
Other	4	539
Ordinary loss		(1,444)
Extraordinary losses		
Loss on sales of non-current assets	3	
Special retirement expenses	72	
Temporary expense on revision of personnel system	225	300
Loss before income taxes		(1,744)
Income taxes—current	158	
Income taxes—deferred	(53)	105
Loss		(1,849)
Loss attributable to owners of parent		(1,849)

Consolidated Statement of Changes in Net Assets

(April 1, 2015–March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	8,360	8,907	7,332	(3,150)	21,450
Changes of items during period					
Profit (loss) attributable to owners of parent			(1,849)		(1,849)
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(1,849)	(0)	(1,849)
Balance at the end of current period	8,360	8,907	5,483	(3,150)	19,600

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulate other comprehensive income	
Balance at the beginning of current period	1,454	371	61	1,886	23,336
Changes of items during period					
Profit (loss) attributable to owners of parent					(1,849)
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	(587)	(205)	(124)	(917)	(917)
Total changes of items during period	(587)	(205)	(124)	(917)	(2,766)
Balance at the end of current period	866	166	(63)	970	20,570

Notes to Consolidated Financial Statements

(From April 1, 2015, to March 31, 2016)

Basis of Preparing Consolidated Financial Statements

1. Scope of Consolidation

Number of consolidated subsidiaries: 11

Names of consolidated subsidiaries: Shinkawa Technologies Ltd.
Shinkawa Korea Co., Ltd.
Shinkawa Taiwan Co., Ltd.
Shinkawa (Shanghai) Co., Ltd.
Shinkawa Philippines, Inc.
Shinkawa Vietnam Co., Ltd.
Shinkawa Singapore Pte. Ltd.
Shinkawa (Malaysia) Sdn. Bhd.
Shinkawa (Thailand) Co., Ltd.
Shinkawa Manufacturing Asia Co., Ltd.
Shinkawa U.S.A., Inc.

2. Application of equity method

Not applicable.

3. Fiscal year-ends of consolidated subsidiaries

Regarding Shinkawa (Shanghai) Co., Ltd., for which the balance sheet date is December 31, its financial statements as of December 31 are used for the preparation of the consolidated financial statements, with necessary adjustments being made for any important transactions that occur during the period between December 31 and the consolidated balance sheet date.

The balance sheet date of the other consolidated subsidiaries coincides with the consolidated balance sheet date.

Accounting Policies

1. Basis and methods of valuation of significant assets

(1) Securities

Available-for-sale securities

Securities with readily determinable market value

Stated at fair market value, based on market quotation at the balance sheet date.

(Valuation difference on available-for-sale securities is reported as a separate component of net assets. The cost of securities sold is computed using the moving-average method.)

Securities without readily determinable market value

Stated at cost determined by the moving-average method.

(2) Inventories

Semi-finished goods—which are included in “Merchandise and finished goods” in the consolidated balance sheet—and raw materials are stated at cost determined by the moving-average method. Finished goods and work in process are stated at cost determined by the specific identification method. (In either case, the balance sheet amount is computed by making inventory write-downs according to decreases in profitability.)

(3) Derivatives are stated at fair market value.

2. Methods of depreciation and amortization of significant assets

(1) Property, plant and equipment

Domestic companies use the declining-balance method, whereas overseas companies use the straight-line method. Useful lives of principal property, plant and equipment are as follows.

Buildings and structures: 10–25 years

Other: 3–5 years

(2) Intangible assets

Amortized by the straight-line method, provided that software for internal use is amortized by the straight-line method over the internally estimated useful life of three years.

3. Basis for provision of significant reserves

(1) Allowance for doubtful accounts

An allowance for doubtful accounts is provided to cover possible losses from bad debts of accounts receivable, loans receivable and other receivables at the estimated uncollectible amount. The amount for ordinary receivables is determined by the credit loss ratio based on past experience. The amount for specific receivables, such as receivables at high risk of bankruptcy, is determined based on the individually expected collectibility.

(2) Provision for product warranties

A provision for product warranties is made to cover possible expenditures for free after-sales services for a certain period according to the standards set by the Group based on past achievements.

(3) Provision for bonuses

A provision for bonuses is made to cover the payments of bonuses to employees at the projected amount to be paid in the future.

4. Methods of accounting for retirement benefits

(1) Method of attributing projected retirement benefits to periods

When calculating retirement benefit obligations, the straight-line method is mainly applied to attribute projected retirement benefits to the period through the end of the fiscal year under review.

(2) Amortization of actuarial differences

Actuarial differences are amortized mainly in a lump sum in the year following the year when such differences occur.

5. Basis of translating assets or liabilities denominated in foreign currencies into the Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into the Japanese yen at the spot exchange rate as of the consolidated balance sheet date. The assets and liabilities of overseas subsidiaries are translated into the Japanese yen at the spot exchange rate as of the consolidated balance sheet date, whereas the income and expense accounts thereof are translated into the Japanese yen at the average exchange rate over the fiscal year under review. Differences arising from such translations are included in Foreign currency translation adjustments under Net assets.

6. Accounting for consumption taxes

Consumption taxes are accounted for by the tax-exclusive method.

Changes in Accounting Policies

(Application of the accounting standards for business combinations, etc.)

Effective from the fiscal year ended March 31, 2016, the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). Accordingly, the Company has changed the presentation of net income and related accounts.

Additional Information

(Revision of periods subject to bonus payment)

The Company revised its regulations for wages and salaries to reflect a change in its personnel system.

Accordingly, the periods subject to the payment of summer and winter bonuses have been set at October 1 to March 31 and April 1 to September 30, respectively.

As a result, a duplicated payment of ¥225 million as a transitional measure is reported as “Temporary expense on revision of personnel system” under Extraordinary losses.

Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment: ¥13,622 million
2. The accumulated amount of advanced depreciation of buildings and structures due to governmental subsidies was ¥14 million.

Notes to the Consolidated Statement of Changes in Net Assets

1. Class and number of issued shares and treasury shares

(Thousand shares)

Class of shares	Number of shares at the beginning of year	Increase	Decrease	Number of shares at the end of year
Issued shares				
Common stock	20,048	—	—	20,048
Total	20,048	—	—	20,048
Treasury shares				
Common stock	1,873	0	—	1,874
Total	1,873	0	—	1,874

Notes: 1. The increase of 0 thousand shares in treasury shares of common stock is due to the purchase of shares less than the trading unit.

2. Figures are rounded to the nearest thousand.

2. Distribution of surplus

Payment of dividends, etc.

Not applicable.

Tax-Effect Accounting

1. Major components of deferred tax assets and deferred tax liabilities

	(Millions of yen)
Deferred tax assets:	
Amount in excess of depreciation limit	1,153
Land devaluation disallowed	1,040
Loss on valuation of investment securities disallowed	166
Net defined benefit liability and other provisions disallowed	383
Long-term accounts payable disallowed	5
Accrued expenses disallowed	27
Elimination of internal earnings between consolidated companies	42
Loss brought forward	6,667
Other	139
Subtotal	9,621
Valuation allowance	(9,506)
Total deferred tax assets	115
Deferred tax liabilities:	
Reserve for advanced depreciation of non-current assets	1
Valuation difference on available-for-sale securities	267
Overseas subsidiaries' retained earnings	4
Other	0
Total deferred tax liabilities	272
Net deferred tax liabilities	157

Note: The net deferred tax liabilities are reflected in the following accounts in the consolidated balance sheet.

	(Millions of yen)
Deferred tax assets under Current assets	77
Deferred tax assets under Noncurrent assets	37
Deferred tax liabilities under Current liabilities	4
Deferred tax liabilities under Noncurrent liabilities	267

2. Amendments to deferred tax assets and deferred tax liabilities due to a change in corporation tax rates, etc.

In accordance with the Act on Partial Revision of the Income Tax Act, etc. (Act No. 15, 2016), and the Act on Partial Revision, etc., of the Local Tax Act, etc. (Act No. 13, 2016), enacted in the Diet session on March 29, 2016, the statutory tax rate used for calculating deferred tax assets and deferred tax liabilities for the fiscal year under review (limited to those to be eliminated on or after April 1, 2016) has been changed from 32.3% in the previous fiscal year to 30.9% for those to be collected or paid during the period from April 1, 2016 to March 31, 2018, or 30.6% for those to be collected or paid on or after April 1, 2018.

These tax rate changes resulted in a decrease of ¥14 million in deferred tax liabilities (after deducting deferred tax assets), an increase of ¥1 million in income taxes—deferred and an increase of ¥15 million in valuation difference on available-for-sale securities in the fiscal year under review.

Financial Instruments

1. Matters relating to the status of financial instruments

The Group limits the use of financial instruments for fund management to short-term financial assets, including bank deposits. Customer credit risk arising from notes and accounts receivable—trade is mitigated in accordance with the rules for credit management.

Investment securities consist of stocks, of which listed stocks' market values are monitored on a quarterly basis.

With regard to derivatives, foreign exchange forward contracts are used to hedge foreign exchange fluctuation risk related to foreign-currency-denominated assets. These derivative transactions are conducted within the range of actual demand and not for any speculative trading purposes.

2. Matters related to the fair market value of financial instruments

The consolidated balance sheet amounts and the market values of financial instruments as of March 31, 2016 (the balance sheet date for the fiscal year under review), and any variances between the two are shown below.

(Millions of yen)

	Balance sheet amount*	Market value*	Variance
(1) Cash and deposits	6,440	6,440	—
(2) Notes and accounts receivable—trade	3,079	3,079	—
(3) Investment securities	2,464	2,464	—
(4) Accounts payable—trade	(644)	(644)	—

*Liabilities are shown in parentheses.

Note: Methods for measuring the market values of financial instruments and securities

(1) Cash and deposits and (2) Notes and accounts receivable—trade

These instruments are settled in a short period of time and their market values are almost equal to their balance sheet values. Therefore, the balance sheet values are adopted.

(3) Investment securities

The market values of investment securities are based on the quoted values at the stock exchange.

(4) Accounts payable—trade

These instruments are settled in a short period of time and their market values are almost equal to their balance sheet values. Therefore, the balance sheet values are adopted.

Per Share Information

1. Net assets per share	¥1,131.83
2. Net loss per share	¥101.75

Significant Subsequent Events

Not applicable.

Note: Figures presented in the Consolidated Financial Statements are rounded to the nearest million yen.

Non-Consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

ASSETS		LIABILITIES	
Account	Amount	Account	Amount
Current assets	12,576	Current liabilities	1,782
Cash and deposits	4,139	Accounts payable—trade	1,026
Notes receivable—trade	37	Accounts payable—other	59
Accounts receivable—trade	4,797	Accrued expenses	185
Merchandise and finished goods	2,137	Income taxes payable	31
Work in process	512	Deposits received	11
Raw materials and supplies	410	Provision for product warranties	191
Consumption taxes receivable	496	Provision for bonuses	203
Other	50	Other	77
Allowance for doubtful accounts	(0)	Non-current liabilities	941
Non-current assets	8,888	Provision for retirement benefits	658
Property, plant and equipment	3,942	Long-term accounts payable—other	15
Buildings	907	Deferred tax liabilities	267
Structures	3	Total liabilities	2,723
Machinery, equipment and vehicles	215	NET ASSETS	
Tools, furniture and fixtures	28	Shareholders' equity	17,875
Computers	12	Capital stock	8,360
Land	2,777	Capital surplus	8,907
Intangible assets	42	Legal capital surplus	8,907
Software	32	Other capital surplus	0
Patent right	10	Retained earnings	3,758
Investments and other assets	4,904	Legal retained earnings	2,090
Investment securities	2,464	Other retained earnings	1,668
Shares of subsidiaries and associates	1,286	Reserve for advanced depreciation of non-current assets	2
Long-term loans receivable from subsidiaries and associates	1,595	Retained earnings brought forward	1,666
Long-term loans receivable from employees	12	Treasury shares	(3,150)
Other	111	Valuation and translation adjustments	866
Allowance for investment loss for subsidiaries and affiliates	(565)	Valuation difference on available-for-sale securities	866
		Total net assets	18,741
Total assets	21,464	Total liabilities and net assets	21,464

Non-Consolidated Statement of Income

(April 1, 2015–March 31, 2016)

(Millions of yen)

Account	Amount	
Net sales		11,504
Cost of sales		9,117
Gross profit		2,386
Selling, general and administrative expenses		3,827
Operating loss		(1,441)
Non-operating income		
Interest income	25	
Dividend income	81	
Rent income	56	
Other	27	189
Non-operating expenses		
Cost of lease revenue	19	
Foreign exchange losses	466	
Other	3	488
Ordinary loss		(1,740)
Extraordinary income		
Gain on sales of non-current assets	1	1
Extraordinary losses		
Loss on sales of non-current assets	3	
Provision of allowance for investment loss for subsidiaries and affiliates	93	
Special retirement expenses	72	
Temporary expense on revision of personnel system	225	393
Loss before income taxes		(2,135)
Income taxes		4
Net loss		(2,135)

Non-Consolidated Statement of Changes in Net Assets

(April 1, 2015–March 31, 2016)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	
						Reserve for advanced depreciation of non-current assets	Retained earnings brought forward
Balance at the beginning of current period	8,360	8,907	0	8,907	2,090	11	3,792
Changes of items during period							
Reversal of reserve for advanced depreciation of non-current assets						(9)	9
Loss							(2,135)
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	—	(9)	(2,127)
Balance at the end of current period	8,360	8,907	0	8,907	2,090	2	1,666

	Shareholders' equity			Valuation and translation adjustments		Total net assets
	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Total retained earnings					
Balance at the beginning of current period	5,893	(3,150)	20,011	1,454	1,454	21,464
Changes of items during period						
Reversal of reserve for advanced depreciation of non-current assets	—		—			—
Loss	(2,135)		(2,135)			(2,135)
Purchase of treasury shares		(0)	(0)			(0)
Net changes of items other than shareholders' equity				(587)	(587)	(587)
Total changes of items during period	(2,135)	(0)	(2,136)	(587)	(587)	(2,723)
Balance at the end of current period	3,758	(3,150)	17,875	866	866	18,741

Notes to Non-Consolidated Financial Statements

(From April 1, 2015, to March 31, 2016)

Significant Accounting Policies

1. Basis and methods of valuation of significant assets

(1) Securities

Stocks of subsidiaries

Stated at cost determined by the moving-average method.

Available-for-sale securities

Securities with readily determinable market value

Stated at market value, based on market quotation at the balance sheet date.

(Valuation difference on available-for-sale securities is reported as a separate component of net assets. The cost of securities sold is computed using the moving-average method.)

(2) Inventories

Semi-finished goods—which are included in “Merchandise and finished goods” in the non-consolidated balance sheet—and raw materials are stated at cost determined by the moving-average method. Finished goods and work in process are stated at cost determined by the specific identification method. (In either case, the balance sheet amount is computed by making inventory write-downs according to decreases in profitability.)

(3) Derivatives are stated at market value.

2. Methods of depreciation and amortization of noncurrent assets

(1) Property, plant and equipment

Property, plant and equipment are depreciated by the declining-balance method. The useful lives of principal property, plant and equipment are as follows.

Buildings: 25 years

Machinery, equipment and vehicles: 3–4 years

(2) Intangible assets

Amortized by the straight-line method, provided that software for internal use is amortized by the straight-line method over the internally estimated useful life of three years.

3. Basis for provision of reserves

(1) Allowance for doubtful accounts

An allowance for doubtful accounts is provided to cover possible losses from bad debts of accounts receivable, loans receivable and other receivables at the estimated uncollectible amount. The amount for ordinary receivables is determined by the credit loss ratio based on past experience. The amount for specific receivables, such as receivables at high risk of bankruptcy, is determined based on the individually expected collectibility.

(2) Allowance for loss from investment in subsidiaries and associates

To provide for possible losses from investment in subsidiaries and associates, an amount deemed necessary is provided, taking into account the degree of decreases in the real value of the relevant companies' stocks and the future recovery thereof and other factors.

(3) Provision for product warranties

A provision for product warranties is made to cover possible expenditures for free after-sales services for a certain period according to the standards set by the Group based on past achievements.

(4) Provision for bonuses

A provision for bonuses is made to cover the payments of bonuses to employees at the projected amount to be paid in the future.

(5) Provision for retirement benefits

A provision for retirement benefits to be paid to employees is stated based on the estimated amounts of retirement benefit obligations and pension plan assets at the end of the fiscal year under review.

1) Method of attributing projected retirement benefits to periods

When calculating retirement benefit obligations, the straight-line method is applied to attribute projected retirement benefits to the period through the end of the fiscal year under review.

2) Amortization of actuarial differences

Actuarial differences are amortized in a lump sum in the year following the year when such differences occur.

4. Other significant matters forming the basis of preparing the non-consolidated financial statements
- (1) Accounting for retirement benefits
The method of accounting for unrecognized actuarial differences relating to retirement benefits is different from the method applied to the consolidated financial statements.
 - (2) Accounting for consumption taxes
Consumption taxes are accounted for by the tax-exclusive method.

Additional Information

(Revision of periods subject to bonus payment)

The Company revised its regulations for wages and salaries to reflect a change in its personnel system. Accordingly, the periods subject to the payment of summer and winter bonuses have been set at October 1 to March 31 and April 1 to September 30, respectively.
As a result, a duplicated payment of ¥225 million as a transitional measure is reported as “Temporary expense on revision of personnel system” under Extraordinary losses.

Notes to the Non-Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment: ¥13,015 million
2. The accumulated amount of advanced depreciation of buildings and structures due to governmental subsidies was ¥14 million.
3. Monetary receivables and payables from/to subsidiaries and associates

Short-term monetary receivables	¥2,676 million
Long-term monetary receivables	¥1,595 million
Short-term monetary payables	¥667 million

Notes to the Non-Consolidated Statement of Income

Transactions with subsidiaries and associates:

- | | |
|----------------------------------|----------------|
| (1) Sales to | ¥2,379 million |
| (2) Purchases from | ¥4,486 million |
| (3) Other operating transactions | ¥594 million |
| (4) Non-operating transactions | ¥83 million |

Notes to the Non-Consolidated Statement of Changes in Net Assets

Class and number of treasury shares

(Thousand shares)

Class of shares	Number of shares at the beginning of year	Increase	Decrease	Number of shares at the end of year
Common stock	1,873	0	—	1,874

Notes: 1. The increase of 0 thousand shares in treasury shares of common stock is due to the purchase of shares less than the trading unit.

2. Figures are rounded to the nearest thousand.

Tax-Effect Accounting

1. Major components of deferred tax assets and deferred tax liabilities

Deferred tax assets:	(Millions of yen)
Amount in excess of depreciation limit	1,151
Land devaluation disallowed	1,040
Provision for retirement benefits and other provisions disallowed	496
Long-term accounts payable disallowed	5
Loss on valuation of investment securities disallowed	166
Accrued expenses disallowed	8
Loss brought forward	6,482
Other	106
Subtotal	9,454
Valuation allowance	(9,453)
Total deferred tax assets	1
Deferred tax liabilities:	
Reserve for advanced depreciation of non-current assets	1
Valuation difference on available-for-sale securities	267
Total deferred tax liabilities	268
Net deferred tax liabilities	267

2. Amendments to deferred tax assets and deferred tax liabilities due to a change in corporation tax rates, etc.

In accordance with the Act on Partial Revision of the Income Tax Act, etc. (Act No. 15, 2016), and the Act on Partial Revision, etc., of the Local Tax Act, etc. (Act No. 13, 2016), enacted in the Diet session on March 29, 2016, the statutory tax rate used for calculating deferred tax assets and deferred tax liabilities for the fiscal year under review (limited to those to be eliminated on or after April 1, 2016) has been changed from 32.3% in the previous fiscal year to 30.9% for those to be collected or paid during the period from April 1, 2016 to March 31, 2018, or 30.6% for those to be collected or paid on or after April 1, 2018.

These tax rate changes resulted in a decrease of ¥15 million in deferred tax liabilities (after deducting deferred tax assets) and an increase of ¥15 million in valuation difference on available-for-sale securities in the fiscal year under review.

Related Party Transactions

Subsidiaries, etc.

Attribute	Subsidiary	Subsidiary	Subsidiary	Subsidiary		
Name of the company	Shinkawa Singapore Pte. Ltd.	Shinkawa (Shanghai) Co., Ltd.	Shinkawa Technologies Ltd.	Shinkawa Manufacturing Asia Co., Ltd.		
Location	Singapore	China	Tokyo	Thailand		
Capital	SGD 150 thousand	USD 200 thousand	JPY 90,000 thousand	THB 337 million		
Line of business	Sales and maintenance of semiconductor manufacturing equipment	Sales promotion and maintenance services for semiconductor manufacturing equipment	Manufacturing, sales and maintenance of precision equipment in which semiconductors and/or other electronic components are applied	Manufacturing and sales of semiconductor manufacturing equipment		
Percentage of voting rights held by the Company	100%	100%	100%	100%		
Relationship with the related party	Sales and maintenance of the Company products	Sales promotion and maintenance services for the Company products	Supply of semi-finished products to the Company / Product assembly adjustment	Manufacturing and sales of the Company products		
Content of transactions	Sales of products (Note 1)	Sales of products (Note 1)	Receipt of rent	Sales of products (Notes 1 and 2)	Purchase of products (Note 1)	Lending funds (Note 3) Receipt of interest
Amount of transactions (Millions of yen)	1,574	352	30	2,639	3,474	— 23
Account item (Balance at the year-end, in millions of yen)	Accounts receivable—trade (520)	Accounts receivable—trade (338)	—	Accounts receivable—trade (1,716)	Accounts payable—trade (556)	Long-term loans receivable (1,595) Accrued interest (1) Interest received in advance (3)

1. Terms and conditions of the transactions and the policies of determination thereof

(Note 1) The terms and conditions of general transactions are referred to.

(Note 2) The amount of transactions includes raw materials supplied for a charge of ¥2,514 million.

(Note 3) The interest rate on the loans receivable is reasonably determined based on the market interest rate.

2. Foreign exchange gains/losses are not reflected in the above transaction amounts but are reflected in the year-end balances.

Per Share Information

1. Net assets per share	¥1,031.23
2. Net loss per share	¥117.50

Significant Subsequent Events

Not applicable.

Note: Figures presented in the Non-Consolidated Financial Statements are rounded to the nearest million yen.

Independent Auditor's Report

May 10, 2016

To the Board of Directors
SHINKAWA LTD.

ARK MEIJI AUDIT & Co.

Akihiko Miura, CPA
Designated and Engagement Partner
Koji Matsushima, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 444, Paragraph 4, of the Companies Act, the consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of SHINKAWA LTD. (hereinafter referred to as the "Company") for the fiscal year from April 1, 2015, to March 31, 2016.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal controls that management considers necessary for the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit, from an independent viewpoint. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan the audit and perform it according to such plan to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. Although the purpose of the audit is not expressly to express an opinion on the effectiveness of the entity's internal control, in making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SHINKAWA LTD. and its consolidated subsidiaries as of March 31, 2016, and their consolidated financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

Relationship of Interest

We have no interests in or relationships with the Company that are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End

Independent Auditor's Report

May 10, 2016

To the Board of Directors
SHINKAWA LTD.

ARK MEIJI AUDIT & Co.

Akihiko Miura, CPA
Designated and Engagement Partner
Koji Matsushima, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 436, Paragraph 2-1, of the Companies Act, the non-consolidated financial statements, which consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, the notes to the non-consolidated financial statements and the supplementary schedules of SHINKAWA LTD. (hereinafter referred to as the "Company") for the 58th fiscal year from April 1, 2015, to March 31, 2016.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplemental schedules in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal controls that management considers necessary for the preparation and fair presentation of the non-consolidated financial statements and accompanying supplemental schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplemental schedules from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplemental schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplemental schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion, the non-consolidated financial statements and supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2016, and the result of its operation for the year then ended in conformity with accounting principles generally accepted in Japan.

Relationship of Interest

We have no interests in or relationships with the Company that are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End

Audit Report

Regarding the performance of duties by Directors for the 58th fiscal year from April 1, 2015, to March 31, 2016, the Audit & Supervisory Board hereby submits its audit report, which has been prepared upon careful consideration based on the audit report prepared by each Audit & Supervisory Board Member.

1. Methods and Content of the Audits by the Audit & Supervisory Board and Audit & Supervisory Board Members

- (1) The Audit & Supervisory Board established auditing policies and plans; received reports from each Audit & Supervisory Board Member regarding the progress and results of his or her audits; received reports from Directors, other relevant personnel and the Accounting Auditor regarding performance of their duties; and sought explanations as necessary.
- (2) Each Audit & Supervisory Board Member complied with the auditing standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board; followed the auditing policies and plans; communicated with Directors, the Internal Audit Department, other employees and any other relevant personnel; made efforts to gather information and enhance the environment for audits; and conducted audits by the following methods.
 1. We participated in meetings of the Board of Directors and other important meetings; received reports from Directors, employees and other relevant personnel regarding performance of their duties; sought explanations as necessary; examined important authorized documents and associated information; and studied the operations and financial positions of the Company. As for subsidiaries, we communicated and exchanged information with directors, auditors and/or other relevant personnel of subsidiaries and received reports from subsidiaries on their business operations as needed.
 2. With respect to the system for ensuring that the performance of duties by Directors as stated in the Business Report conforms to the related laws and regulations and the Articles of Incorporation, and the system prepared based on the contents of the resolutions of the Board of Directors and such resolutions regarding preparation of the system stipulated in Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act (internal controls system), which is deemed necessary to ensure the appropriateness of the business of a company group consisting of a stock company and its subsidiaries, we received regular reports from Directors, employees and other relevant personnel regarding the development and the operation of the system, requested explanations as needed and expressed opinions.
 3. We monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. In addition, we received notice from the Accounting Auditor that “the system for ensuring that duties are performed properly” (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the Product Quality Management Standards Regarding Audits (issued by the Business Accounting Deliberation Council (BACD) on October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the business report and the supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to the consolidated financial statements) related to the relevant fiscal year.

2. Results of Audit

(1) Results of Audit of the Business Report and Other Relevant Documents

- 1) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations, and the Articles of Incorporation, and fairly represent the Company's condition.
- 2) We have found no evidence of wrongful action or material violation of laws and regulations and/or the Articles of Incorporation relating to the performance of duties by Directors.
- 3) In our opinion, the contents of the resolutions of the Board of Directors related to the internal controls system are fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal controls system.

(2) Results of Audit of the Non-Consolidated Financial Statements and Supplementary Schedules

In our opinion, the methods and results employed and rendered by ARK MEIJI AUDIT & Co. are fair and reasonable.

(3) Results of Audit of the Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by ARK MEIJI AUDIT & Co. are fair and reasonable.

May 11, 2016

Audit & Supervisory Board, SHINKAWA LTD.

Full-Time Audit & Supervisory Board Member	Koji Sekiguchi
Audit & Supervisory Board Member	Masaki Yoshino
Audit & Supervisory Board Member	Mariko Mitsuya

Note: Audit & Supervisory Board Members Koji Sekiguchi, Masaki Yoshino and Mariko Mitsuya are Outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16, and Article 335, Paragraph 3, of the Companies Act.

End

Reference Documents for the General Meeting of Shareholders

Proposal and References

Proposal: Election of Six (6) Directors

The terms of office of all six (6) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of six (6) Directors is proposed.

The candidates are as follows:

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Takashi Nagano (January 24, 1958)	<p>March 1981 Joined the Company April 2002 General Manager, Sales Dept. 1 October 2002 General Manager, Engineering Service Dept. June 2004 Director July 2006 President, SHINKAWA (SHANGHAI) CO. LTD. June 2008 Senior Director March 2009 Deputy General Manager, Sales Div. June 2011 Senior Director, Operating Officer April 2012 General Manager, Sales Div. June 2012 Senior Operating Officer, Director June 2014 President and CEO, Representative Director (to present)</p> <p>Reasons for selecting the candidate for Director Having held important positions in the sales division, Mr. Nagano has considerable experience and knowledge. Since he assumed the office of Representative Director in June 2014, Mr. Nagano has promoted the restructuring of the Company to enhance corporate value. Expecting him to continue to take the leadership and thereby contribute to the Company, we have selected him as a candidate for Director.</p>	19,600

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	Norimasa Nagata (September 18, 1959)	<p>April 1984 Joined NEC Corporation</p> <p>July 2000 Engineering Director, NEC Electronics America Inc.</p> <p>April 2006 General Manager, Packaging Engineering Div., Manufacturing Operations Unit, NEC Electronics Corporation</p> <p>April 2010 General Manager, Packaging & Test Technology Div., Production and Technologies Unit, Renesas Electronics Corporation</p> <p>January 2013 Advisor, Engineering Div.</p> <p>April 2013 Senior Operating Officer General Manager, Engineering Div.</p> <p>June 2013 Senior Operating Officer, Director</p> <p>June 2015 Chief Technical Officer, Director (to present) Director in Charge of Engineering Div. and Global Operation Div. (to present)</p> <p>Reasons for selecting the candidate for Director With significant experience and knowledge in the semiconductor industry, Mr. Nagata has taken the leadership of the Company's research-and-development activities, while promoting reforms in the production division, since he assumed the office of Director in June 2013. Expecting him to continue to contribute to restructuring the Company and enhancing its corporate value, we have selected him as a candidate for Director.</p>	4,700
3	Takuya Mori (February 12, 1960)	<p>March 1983 Joined the Company</p> <p>April 2006 General Manager, Design Administration Dept.</p> <p>April 2010 General Manager, Corporate Planning Dept.</p> <p>April 2014 General Manager, Corporate Planning Dept. and Accounting Dept. (to present)</p> <p>June 2014 Operating Officer, Director Director in Charge of Corporate Planning Dept., Personnel & Administration Dept., and Accounting Dept. (to present)</p> <p>June 2015 Chief Financial Officer, Director (to present)</p> <p>Reasons for selecting the candidate for Director Having held important positions in the administrative division, Mr. Mori has considerable experience and knowledge. With a good grasp of the Company's overall businesses, he exercises supervision from a financial viewpoint. Expecting him to continue to contribute to restructuring the Company and enhancing its corporate value, we have selected him as a candidate for Director.</p>	4,200

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
4	Noboru Fujino (November 25, 1956)	<p>April 1980 Joined the Company</p> <p>April 2004 General Manager, Design Dept.2</p> <p>August 2009 President, Shinkawa Vietnam Co., Ltd.</p> <p>January 2011 General Manager, Production Engineering Dept.</p> <p>April 2011 General Manager, Quality Assurance Dept.</p> <p>June 2011 Operating Officer</p> <p>April 2012 General Manager, Thai Factory Promotion Dept.</p> <p>December 2012 President, Shinkawa Manufacturing Asia Co., Ltd.</p> <p>February 2015 Deputy General Manager, Engineering Div.</p> <p>June 2015 Operating Officer, Director (to present)</p> <p> General Manager, Engineering Div. (to present)</p> <p>Reasons for selecting the candidate for Director Having held important positions in the engineering and production divisions, Mr. Fujino has considerable experience and knowledge. Since he assumed the office of Director in June 2015, he has promoted efforts to raise the efficiency of operations in the engineering division. Expecting him to continue to contribute to restructuring the Company and enhancing its corporate value, we have selected him as a candidate for Director.</p>	7,625
5	Ichiro Anjo (July 3, 1952)	<p>April 1978 Joined Hitachi, Ltd.</p> <p>April 2004 Joined Elpida Memory, Inc. (currently Micron Memory Japan, Inc.)</p> <p>March 2005 Executive Manager, Marketing & Designing Office NPD Gr., Elpida Memory, Inc.</p> <p>March 2008 Established Jisso Partners, Inc. Representative Director, Jisso Partners, Inc. (to present)</p> <p>June 2011 Corporate Auditor of the Company</p> <p>June 2015 Director of the Company (to present)</p> <p>Reasons for selecting the candidate for Outside Director With significant experience and knowledge in the semiconductor industry, Mr. Anjo has provided supervision from an independent standpoint as an Outside Director since he assumed office of Director in June 2015. Expecting him to continue to contribute to the enhancement of corporate value by strengthening the Board's supervisory function over management and improving the transparency of management, we have selected him as a candidate for Outside Director.</p>	3,300

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
6	*Yuichi Kawakami (April 22, 1950)	<p>April 1975 Joined Nippon Electric Company, Limited</p> <p>March 1999 General Manager, Microcomputer Business Dept., NEC Corporation</p> <p>November 2002 General Manager, Solution Business Unit, NEC Electronics Corporation</p> <p>May 2004 General Manager, Sales Management Unit, NEC Electronics Corporation</p> <p>April 2005 President & CEO, NEC Electronics America Inc.</p> <p>April 2010 Chairman, Renesas Electronics America Inc.</p> <p>September 2011 Executive Advisor to the Chief Executive, Link_A_Media Devices Corp.</p> <p>January 2012 Advisor, NEC Capital Solutions Limited (to present)</p> <p>November 2012 Outside Director, Inventit Inc. (to present)</p> <p>September 2014 Consultant, Manutius IP Inc. Outside Director, Atonarp Inc. (to present)</p> <p>June 2015 Executive Advisor & GM, Japan, OmniTier Storage Inc. (to present)</p> <p>Reasons for selecting the candidate for Outside Director Mr. Kawakami has significant experience and knowledge in the semiconductor industry. Expecting him to contribute to the enhancement of corporate value by strengthening the Board's supervisory function over management and improving the transparency of management, we have selected him as a candidate for Outside Director.</p>	—

- Notes:
1. (*) indicates a new candidate.
 2. There are no special interests between any of the candidates and the Company.
 3. Mr. Ichiro Anjo is currently an Outside Director of the Company and will have served as an Outside Director for one (1) year at the conclusion of this General Meeting of Shareholders.
 4. Mr. Ichiro Anjo and Mr. Yuichi Kawakami are candidates for Outside Directors and for Independent Officers as provided by the Tokyo Stock Exchange.
 5. The Company has concluded a limited liability agreement with Mr. Ichiro Anjo, in accordance with Article 27 of the Articles of Incorporation (Article 427, Paragraph 1, of the Companies Act). If Mr. Ichiro Anjo and Mr. Yuichi Kawakami assume the office of Outside Director, the Company will enter into a limited liability agreement with each of them pursuant to Article 27 of the Articles of Incorporation.
An overview of said agreement is as follows.
 - In case an Outside Director becomes liable for the damage caused by negligence, he or she will bear the liability up to the minimum liability amount prescribed in Article 423, Paragraph 1, of the Companies Act.
 - The above limitation of liability shall apply only if the Outside Director acts in good faith and is not grossly negligent in performing his or her duties with respect to the cause of the liability.

End