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(Securities Code 6274)
June 7, 2018

To Shareholders with Voting Rights:

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

**NOTICE OF
THE 60TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 60th Ordinary General Meeting of Shareholders of SHINKAWA LTD. (the “Company”) to be held as described below.

Please note that the enclosed attendance card is not a postal card and should not be posted.

- 1. Date and Time:** Wednesday, June 27, 2018, at 10 a.m. Japan time
- 2. Place:** Conference Room (Bldg. No. 8, 6F) at the West-Tokyo 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 60th fiscal year (from April 1, 2017, to March 31, 2018) and results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
- Proposal to be resolved:**
- Proposal 1:** Decrease in the Amount of Legal Retained Earnings
- Proposal 2:** Election of Five (5) Directors
- Proposal 3:** Determination of Remuneration for Directors to Grant Restricted Stock to Directors (Excluding Outside Directors)

End

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1. When attending the meeting, please submit the enclosed attendance card 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 Business Report, the Consolidated Financial Statements and/or the Non-Consolidated Financial Statements will be posted on the Company’s Web site at <https://www.shinkawa.com/ir/meeting/>
 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.

Reference Documents for the Ordinary General Meeting of Shareholders

Proposal 1 Decrease in the Amount of Legal Retained Earnings

1. Purpose of the decrease in the amount of legal retained earnings
To ensure flexibility and agility of the Company's future capital policy, based on the provisions of Article 448, Paragraph 1, of the Companies Act, it is proposed to decrease legal retained earnings as described below, and appropriate the decreased portion to other retained earnings (retained earnings brought forward).
2. Amount of legal retained earnings to be decreased
Total amount of legal retained earnings of 2,090,000,000 yen
3. Effective date for the decrease in legal retained earnings
July 31, 2018

Proposal 2 Election of Five (5) Directors

The term of office of all six (6) Directors of the Company will expire at the conclusion of this General Meeting of Shareholders. Accordingly, it is proposed to elect five (5) Directors, a decrease of one (1), to allow flexible decision making at meetings of the Board of Directors.

The candidates for Director are as follows.

The size of the Board of Directors was determined and the candidates for Directors were selected after consulting with the Nomination and Remuneration Advisory Committee*, based on the premise that the Board of Directors must consist of Directors who possess the professional knowledge and experience, etc. necessary to contribute to enhancing the corporate value of the Company Group and that an optimal number of Directors must be ensured.

*As a voluntary advisory body to the Board of Directors, the Company has a Nomination and Remuneration Advisory Committee, which consists of two (2) Outside Directors and one (1) Representative Director. The Committee deliberates important matters including the nomination and remuneration of Directors, with the aim of ensuring objectivity and transparency regarding these issues and further strengthening the corporate governance structure.



Candidate
No.
1

Takashi Nagano (Date of birth: January 24, 1958)

Reelected

Number of Shares of the
Company Held
21,600 shares

Years of Service as a
Director
14 years

Attendance at Board of
Directors Meetings
19 of 19 times (100%)

Past experience, positions, responsibilities and significant concurrent positions

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)

Reasons for selecting the candidate for Director

Having held prominent positions in the sales division, Mr. Takashi Nagano has considerable experience and knowledge. Since he assumed the office of Representative Director in June 2014, he has promoted the restructuring of the Company to achieve sustainable growth and enhance corporate value. Expecting him to continue to take initiative in leading the Company Group's management toward achieving the midterm management plan "CS2020," we have selected him as a candidate for Director.



Candidate
No.
2

Norimasa Nagata (Date of birth: September 18, 1959)

Reelected

Number of Shares of the
Company Held
6,700 shares

Years of Service as a
Director
5 years

Attendance at Board of
Directors Meetings
18 of 19 times (94.7%)

Past experience, positions, responsibilities and significant concurrent positions

April 1984	Joined NEC Corporation
July 2000	Engineering Director, NEC Electronics America Inc.
April 2006	General Manager, Packaging Engineering Div., Manufacturing Operations Unit, NEC Electronics Corporation
April 2010	General Manager, Packaging & Test Technology Div., Production and Technologies Unit, Renesas Electronics Corporation
January 2013	Advisor, Engineering Div.
April 2013	Senior Operating Officer General Manager, Engineering Div.
June 2013	Senior Operating Officer, Director
June 2015	Chief Technical Officer, Director (to present) Director in Charge of Engineering Div. and Global Operation Div.
December 2017	Director in Charge of Engineering Div., Global Operation Div., Shinjuku Technical Center and General Manager, Shinjuku Technical Center (to present)

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.



Candidate
No.
3

Takuya Mori (Date of birth: February 12, 1960)

Reelected

Number of Shares of the
Company Held
6,200 shares

Years of Service as a
Director

4 years

Attendance at Board of
Directors Meetings

19 of 19 times (100%)

Past experience, positions, responsibilities and significant concurrent positions

- March 1983 Joined the Company
- April 2006 General Manager, Design Administration Dept.
- April 2010 General Manager, Corporate Planning Dept.
- April 2014 General Manager, Corporate Planning Dept. and Accounting Dept.
- June 2014 Operating Officer, Director
Director in Charge of Corporate Planning Dept., Personnel & Administration Dept., and Accounting Dept.
- June 2015 Chief Financial Officer, Director (to present)
Director in Charge of Corporate Planning Dept., Personnel & Administration Dept., and Accounting Dept.
- April 2017 General Manager, Administrative Management Div. (to present)

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.



Candidate
No.
4

Ichiro Anjo (Date of birth: July 3, 1952)

Reelected

Number of shares of the
Company held
4,300 shares

Years of service as a
director

3 years

Attendance at Board of
Directors meetings

19 of 19 times (100%)

Past experience, positions, responsibilities and significant concurrent positions

- April 1978 Joined Hitachi, Ltd.
- April 2004 Joined Elpida Memory, Inc. (currently Micron Memory Japan, Inc.)
- March 2005 Executive Manager, Marketing & Designing Office NPD Gr., Elpida Memory, Inc.
- March 2008 Established Jisso Partners, Inc.
Representative Director, Jisso Partners, Inc. (to present)
- June 2011 Corporate Auditor of the Company
- June 2015 Director of the Company (to present)
- June 2016 Outside Director, Innotech Corp. (to present)

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.



Candidate No.

5

Yuichi Kawakami (Date of birth: April 22, 1950)

Reelected

Number of Shares of the Company Held
700 shares

Years of Service as a Director
2 years

Attendance at Board of Directors Meetings
18 of 19 times (94.7%)

Past experience, positions, responsibilities and significant concurrent positions

April 1975	Joined Nippon Electric Company, Limited
March 1999	General Manager, Microcomputer Business Dept., NEC Corporation
November 2002	General Manager, Solution Business Unit, NEC Electronics Corporation
May 2004	General Manager, Sales Management Unit, NEC Electronics Corporation
April 2005	President & CEO, NEC Electronics America Inc.
April 2010	Chairman, Renesas Electronics America Inc.
September 2011	Executive Advisor to the Chief Executive, Link_A_Media Devices Corp.
January 2012	Advisor, NEC Capital Solutions Limited (to present)
November 2012	Outside Director, Inventit Inc. (to present)
September 2014	Consultant, Manutius IP Inc. Outside Director, Atonarp Inc. (to present)
June 2015	Executive Advisor & GM, Japan, OmniTier Storage Inc. (to present)
June 2016	Director of the Company (to present)

Reasons for selecting the candidate for Outside Director

With significant experience and knowledge in the semiconductor industry, Mr. Yuichi Kawakami has provided supervision over management of the Company from an independent standpoint as an Outside Director since he assumed the office of Director in June 2016. Expecting him to continue to contribute to the enhancement of corporate value by strengthening the supervisory function over management and improving the transparency of management, we have selected him as a candidate for Director.

- Notes:
1. There are no special interests between any of the candidates and the Company.
 2. Mr. Ichiro Anjo and Mr. Yuichi Kawakami are currently Outside Directors of the Company and will have served as Outside Directors for three (3) years and two (2) years respectively at the conclusion of this General Meeting of Shareholders.
 3. Mr. Ichiro Anjo and Mr. Yuichi Kawakami are candidates for Outside Directors and for Independent Officers as provided by the Tokyo Stock Exchange.
 4. The Company has concluded a limited liability agreement with Mr. Ichiro Anjo and Mr. Kawakami, 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.

(Reference) Criteria for the Independence of Outside Officers

The Company has stipulated the criteria for the independence of Outside Officers based on the Companies Act as described below. A person who falls under any of the following conditions is deemed to have a possible conflict of interest with general shareholders shall be judged not to be independent.

1. A person who is or was a business operator of the Shinkawa Group
(A “business operator” refers to a director with executive authority, an operating officer or an employee; the same applies hereafter)
2. The Shinkawa Group’s major business partner* or its business operator
*A “major business partner” refers to a person/entity that falls under the following:
 - Sales to the Shinkawa Group accounts for 5% or more of the consolidated net sales for the most recent business year of the person/entity
 - Sales to the person/entity accounts for 5% or more of the consolidated net sales for the most recent business year of the Company
 - A financial institution that is indispensable for the Company’s fund procurement and for which the Company relies on to such a degree that there is no alternative
3. A consultant, an accounting professional or a legal professional who receives a large amount of money or other assets* other than remuneration for officers from the Shinkawa Group (in case the recipient of such assets is an organization such as a corporation or an association, a person who belongs to such an organization)
*“a large amount of money or other assets” refers to 5% of the person/entity’s consolidated net sales for the most recent business year or 10 million yen, whichever is higher.
4. The Company’s major shareholder* or a business operator of such a major shareholder
*A “major shareholder” refers to a holder of more than 10% of the total voting rights of the Company.
5. A business operator of a corporation, etc. in which the Company holds more than 10% of the total voting rights
6. A business operator of a corporation, etc. at which the Shinkawa Group’ outside officer concurrently serves as an outside officer
7. A business operator of a corporation or other organization that received donations amounting to more than 10 million yen a year from the Shinkawa Group
8. A person who fell under 2. – 7. above for the past five years including the current business year
9. In the case that a person falls under 1. – 8. above they are deemed an “important person*”, and such person’s spouse or relatives within the second degree of kinship are also deemed not independent
*An “important person” refers to a director with executive authority, an operating officer or an employee in a management position of general manager or higher; in case of a person falling under 3. above, this refers to a certified public accountant or a lawyer.

End

Determination of Remuneration for Directors to Grant Restricted Stock to Directors (Excluding Outside Directors)

It was approved at the Company's 54th Ordinary General Meeting of Shareholders held on June 28 2012 that the amount of remuneration for the Company's Directors be within 150 million yen per business year (excluding salaries as employees for Directors who concurrently serve as employees).

To provide an incentive for the Company's Directors (excluding Outside Directors) to strive for continuous enhancement of corporate value and to promote the Company's Directors (excluding Outside Directors) to share values with shareholders, the Company hereby proposes to grant the Company's Directors (excluding Outside Directors) the Company's common stock subject to certain share transfer restriction periods and conditions for acquisition of such stock by the Company without contribution (hereinafter "Restricted Stock") as described below.

Taking Directors' degree of contribution to the Company and other factors into account, separate from the above amount of remuneration for Directors, it is proposed that the total amount of monetary remuneration receivables to be delivered as remuneration related to Restricted Stock to the Company's Directors (excluding Outside Directors) be within 70 million yen per year. Since the Company's decisions concerning the granting of Restricted Stock were made by comprehensively considering Directors' degree of contribution to the Company and other factors, the Company believes that the content of this plan is appropriate.

As for the adoption of this plan, the Company consulted with and received advice/opinions from the Nomination and Remuneration Advisory Committee. The Company believes that this plan, which links remuneration for the Company's Directors (excluding Outside Directors) with the Company's medium- to long-term performance and shareholder value, is in line with the concept of the Corporate Governance Code and appropriate. The Company also believes that the amount of remuneration related to this plan is appropriate in light of the purpose of the incentives to Directors (excluding Outside Directors) and the future changes in stock prices.

The current number of Directors of the Company is six (including two Outside Directors). If approval is obtained for Proposal 2, the number of Directors will become five (including two Outside Directors).

Specific content of Restricted Stock to be granted to the Company's Directors (excluding Outside Directors) and the upper limit thereof

1. Allocation and payment of Restricted Stock

The Company delivers monetary remuneration receivables within the above annual limit as remuneration related to Restricted Stock to the Company's Directors (excluding Outside Directors) based on a resolution of the Company's Board of Directors. Each Director (excluding Outside Directors) receives Restricted Stock by making in-kind contribution of all the monetary remuneration receivables.

The payment amount for Restricted Stock is determined by the Company's Board of Directors, based on the closing price of the Company's common stock at the Tokyo Stock Exchange on the business day prior to the day when the Company's Board of Directors made a resolution related the issuance or disposal of Restricted Stock (in case no trade concluded on that day, the closing price on the most recent trading day), within a range such that the amount is not particularly advantageous to Directors who receive Restricted Stock.

Provided, however, the above monetary remuneration receivables shall be delivered to the Company's Directors (excluding Outside Directors) on the condition that they agree with the above in-kind contribution and they have concluded with the Company an agreement on granting Restricted Stock including the content stipulated in 3. below.

2. Total number of Restricted Stock

The maximum number of Restricted Stock to be granted to the Company's Directors (excluding Outside Directors) shall be 200,000 shares per business year.

Provided, however, in case a stock split of the Company's common stock (including gratis allotment of the Company's common stock), a share consolidation or any other event occurs that require adjustment of the total number of Restricted Stock to be granted to eligible Directors after the day of the resolution of this proposal, the Company may reasonably adjust the total number of Restricted Stock.

3. Details of the agreement on granting Restricted Stock

The agreement on granting Restricted Stock to be concluded between the Company and Directors who received an allotment of Restricted Stock based on a resolution of the Company's Board of Directors shall include the following content.

(1) Details of the restriction on the transfer of shares

Directors for whom Restricted Stock was granted may not transfer to a third-party, create a pledge or transfer security interest on, make an advancement, make a bequest or conduct any other act of disposal of Restricted Stock during a period from three to five years determined by the Company's Board of Directors (hereinafter the "Transfer Restriction Period").

(2) Acquisition of Restricted Stock without contribution

If a Director who received an allotment of Restricted Stock retires from the positions of both Director and Operating Officer of the Company before the day of the first general meeting of shareholders of the Company after the start of the Transfer Restriction Period, all of the allotment of Restricted Stock to the Director concerned (hereinafter "Allotted Stock") shall automatically be acquired by the Company without contribution except in the case that the Company's Board of Directors deems that the reason is valid.

The Company shall automatically acquire all Allotted Stock without contribution, if the transfer restriction on the Allotted Stock has not been lifted at the expiration of the Transfer Restriction Period of (1) above based on the terms provided in (3) "Lifting of transfer restrictions" below.

(3) Lifting of transfer restrictions

In the event that the Directors who received an allotment of Restricted Stock has held a position of Director or Operating Officer of the Company continuously until the day before the first general meeting of shareholders of the Company after the start of the Transfer Restriction Period, the transfer restriction on all the Allotted Stock shall be lifted when the Transfer Restriction Period expires.

However, if the Director in question retires from both positions of Director and Operating Officer of the Company before the expiration of the Transfer Restriction Period due to reasons the Company's Board of Directors deems valid, the number of Allotted Stock on which transfer restriction shall be lifted and the timing of the lifting of the transfer restriction shall be reasonably adjusted as necessary.

(4) Treatment in the event of reorganization, etc.

If, during the Transfer Restriction Period, proposals relating to a merger agreement in which the Company is the dissolving company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or other reorganization are approved at the Company's general meeting of shareholders (or in the case where the approval at the Company's general meeting of shareholders is not required, in relation to the reorganization in question, a meeting of the Company's Board of Directors), based on the resolution of the Company's Board of Directors, transfer restrictions on the number of Allotted Stock that is reasonably calculated considering the period from the beginning of the Transfer Restriction Period to the date of approval of the reorganization shall be lifted prior to the date on which the reorganization becomes effective.

In this case, the Company shall automatically acquire Allotted Stock on which transfer restriction is not lifted without contribution as of the time immediately after the transfer restriction was lifted under the above provision.

(Reference)

The Company plans to allot Restricted Stock, which is similar to the aforementioned Restricted Stock, to the Company's Operating Officers after this general meeting of shareholders.

End

(Appendix)

Business Report

(April 1, 2017–March 31, 2018)

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, 2018, the global economy was on an expanding trend owing to steady growth of the employment and income environment of the United States and Europe as well as acceleration of consumer spending, although there have been growing concerns about geopolitical risks and protectionist policies.

The economies of China and emerging countries were also generally stable based on strong external demand and an increase in exports supported by the favorable trend of the global economy. In the electronics industry, along with the spread of IoT, investments in high-speed wireless communications continued, and capital investment for automotive devices and discrete devices also grew favorably. On the other hand, although the Chinese smartphone market was expected to expand with the introduction of new products, demand for mobile-related products was weak due to an inventory adjustment triggered by a decrease in consumer spending. In addition, there has been no change in long-term expectations for vigorous demand for NAND flash supported by larger capacity smartphone and SSD servers. However, capital investments by memory makers were delayed due to concerns about short-term supply-demand balance of NAND flash.

Under these circumstances, the SHINKAWA group has promoted new products to existing customers, carried out a sales plan targeting specific markets, and focused on obtaining new customers. Limited results were achieved such as market penetration of flip chip bonder YSB55w and bump bonder SBB-5200. However, they did not contribute significantly to overall sales due to other reasons such as prolonged performance evaluations on the package bonder FPB-1 series. Moreover, longer-than-usual procurement lead-time of key parts has slowed down the production of die bonders and flip chip bonders, resulting in failure to meet the sales target. Securing the supply chain has been more important in this business environment.

As for the consolidated performance of the Group for the fiscal year ended March 31, 2018, net sales decreased 7.4% from the corresponding period of the previous fiscal year to 15,214 million yen. An operating loss of 620 million yen was recorded compared with an operating profit of 294 million yen for the previous fiscal year and an ordinary loss of 488 million yen was posted compared with an ordinary profit of 432 million yen a year earlier. As a result, profit attributable to owners of parent increased by 131.8% from the previous year to 563 million yen.

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 improving the earnings structure, as well as in line with the policy of increasing our internal reserve. 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) Our Tasks Ahead

Recently, with a burgeoning IoT society, not only PCs and smartphones but also home electric appliances, automobiles, factory equipment and other various items have become connected to the Internet. Against a backdrop of growing expectations for the IoT field as a new driving force for the growth of the semiconductor market, the Group has formulated a new midterm management plan “Challenge Shinkawa 2020” through the fiscal year ending March 31, 2021, toward the arrival of a new era for the semiconductor market. Aiming to become a leading company in the mounting of semiconductors and electronic components, the Group will make consistent efforts to innovate bonding technology, thereby ensuring the sustainable growth of the Group.

Our target values for the final fiscal year of the midterm management plan are net sales of 30 billion yen, operating profit of 3 billion yen, ordinary profit of 3 billion yen and profit attributable to owners of parent of 2.3 billion yen. We also aim for ROE of around 10%.

In such circumstances, the Company Group is working on the following issues.

1) Enhancement of the existing businesses

The arrival of the IoT age has brought about various changes in the demands on semiconductor packages. To address the demands for SSD data storage and higher-speed memory, the Group will make continued efforts to enhance the functions of its wire and die bonders. In addition, to accommodate the 3 and 2.5-dimensional bonding applications required for memory cubes and the latest CPUs, we will promote the development and sales of flip-chip bonders that support the most advanced bonding processes such as Thermal Compression Bonding.

As the functions of communications devices, such as smartphones, are becoming increasingly advanced, the demand for high-performance packages, such as Package on Package (PoP) and Fan Out-Wafer Level Package (FO-WLP), is on the rise. To meet such demand, the Group has been promoting the functional enhancement of flip-chip bonders.

2) Development of new business value

Under the concept of the Shinkawa Smart Bonding Solution, the Group is developing solution technologies that allow the IoT function to be incorporated into the semiconductor assembly process. We will promote efforts to offer “intelligent” bonders by reinforcing their sensing functions, “intelligent” networks by reinforcing the data gathering and analysis functions and “intelligent” processes by embedding know-how into software. By proposing solutions that anticipate the demand that may arise with the development of the IoT society, we will seek to enhance customer satisfaction and corporate value.

3) Activation of the organization and development of human resources

To cause innovative changes to our organization so that it can produce creative solutions, a diverse range of human resources is required. The Group is making focused efforts to develop human resources by offering opportunities for talented persons from all over the world, while carrying out awareness-raising measures across the board.

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

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

(Millions of yen, except "Profit (loss) per share")

Category	The 57th fiscal year ended March 31, 2015	The 58th fiscal year ended March 31, 2016	The 59th fiscal year ended March 31, 2017	The 60th fiscal year ended March 31, 2018 (Year under review)
Orders received	13,112	10,930	18,786	14,589
Net sales	11,352	12,662	16,438	15,214
Profit (loss) attributable to owners of parent	(1,894)	(1,849)	243	563
Profit (loss) per share (Yen)	(104.19)	(101.75)	13.37	31.00
Net assets	23,336	20,570	21,579	21,545
Total assets	26,500	23,340	25,201	24,959

(4) 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 343,000 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.

(5) Determination of stock acquisition of other important companies

At a board of directors meeting held on February 26, 2018, Shinkawa resolved to acquire shares of Pioneer FA

Corporation (hereinafter "Pioneer FA"), and on the same date, reached an agreement with Pioneer Corporation, a shareholder of Pioneer FA, for transferring the shares of Pioneer FA (100% of voting shares).

(6) Principal Businesses (As of March 31, 2018)

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.

(7) The Company Group's Principal Business Locations (As of March 31, 2018)

1) The Company

Name	Location
Head Office	Shinjuku-ku, Tokyo
West-Tokyo Office	Musashimurayama-shi, Tokyo

2) Subsidiaries

Company name	Location
Shinkawa Technologies Ltd.	Musashimurayama-shi, Tokyo
Shinkawa Korea Co., Ltd.	Seoul, South Korea
Shinkawa Taiwan Co., Ltd.	New 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.

(8) Employees (As of March 31, 2018)

1) Employees of the Company Group

Number of employees	Increase from previous fiscal year-end
755	43

Note: The number of employees represents the number of people in service and includes 34 contract and part-time employees.

2) Employees of the Company

Number of employees	Increase from previous fiscal year-end	Average age	Average number of years in service
297	12	43.2	14.0

Note: The number of employees represents the number of people in service (excluding 19 employees on loan to subsidiaries and including 1 employee on loan from subsidiaries), and includes 18 contract and part-time employees.

(9) Principal Lenders (As of March 31, 2018)

Not applicable.

(10) Other Important Information Concerning the Company Group

Material issues on the going concern assumption

Partly due to its prolonged period of product development and evaluation, as well as the higher ratio of its fixed cost to net sales, the Group had recorded an operating loss, an ordinary loss and a loss attributable to owners of parent for the past fiscal years. For the previous consolidated fiscal year, operating profit, ordinary profit and profit attributable to owners of parent were achieved on a consolidated basis. For the consolidated fiscal year under review, however, although profit attributable to owners of parent was achieved on a consolidated basis because gain on sales of investment securities was posted as extraordinary income, an operating loss and an ordinary loss were recorded. For these reasons, the Company has material issues, etc. on the going concern assumption.

To address such a situation, as described in “1. Overview of the Company Group, (2) Our Tasks Ahead,” the Company Group formulated a new midterm management plan “Challenge Shinkawa 2020” and is working to “grow existing businesses,” “create new business value” and “activate the organization and develop human resources.

The Group’s capital adequacy ratio is 86.3%. The Group ensures sufficient working capital for operating its businesses by concluding an overdraft agreement with counterparty banks.

For these reasons, we consider that a material uncertainty regarding the going concern assumption does not exist.

2. Current Status of the Company

(1) Status of Shares (As of March 31, 2018)

- 1) Authorized shares: 80,000,000 shares
- 2) Issued and outstanding shares: 20,047,500 shares (including 1,874,404 treasury shares)
- 3) Number of shareholders: 6,817
- 4) Principal shareholders (top 10 shareholders):

Shareholder name	Number of shares held (Thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	2,016	11.9
Goldman Sachs International	1,044	5.74
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
State Street Bank and Trust Company 505019	801	4.41
The Master Trust Bank of Japan, Ltd. (Trust Account)	754	4.14
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	571	3.14
SHINKAWA Business Partners Share-Holding Association	560	3.08
The Bank of New York Mellon (International) Ltd. 131800	511	2.81
I & E Corporation	499	2.74
Tokyo TY Lease Co., Ltd.	405	2.23

- 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 (1,874,404 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, 2018)

Position in the Company	Name	Responsibility and significant concurrent positions
President and CEO, Representative Director	Takashi Nagano	
Chief Technical Officer, Director	Norimasa Nagata	Director in Charge of Engineering Div., Global Operation Div., Shinjuku Technical Center and General Manager, Shinjuku Technical Center
Chief Financial Officer, Director	Takuya Mori	General Manager, Administrative Management Div.
Operating Officer, Director	Noboru Fujino	General Manager, Engineering Div.
Director	Ichiro Anjo	Representative Director, Jisso Partners, Inc. Outside Director, INNOTECH CORPORATION
Director	Yuichi Kawakami	Outside Director, Inventit, Inc. Outside Director, Atonarp Inc. Adviser, NEC Capital Solutions Limited Executive Advisor & GM, Japan, OmniTier Storage, 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. Directors Ichiro Anjo and Yuichi Kawakami are Outside Directors.
 2. Audit & Supervisory Board Members Koji Sekiguchi, Masaki Yoshino and Mariko Mitsuya are Outside Audit & Supervisory Board Members.
 3. The Company designates Directors Ichiro Anjo and Yuichi Kawakami and Audit & Supervisory Board Members Masaki Yoshino and Mariko Mitsuya as Independent Officers as set forth by the Tokyo Stock Exchange and has filed such notification with said Exchange.
 4. 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 for the fiscal year ended March 31, 2018, was insignificant at about one million yen. The Company has no special interest in INNOTECH CORPORATION, where Director Ichiro Anjo concurrently holds a position.
 5. The Company has no special interest in Inventit, Inc., Atonarp Inc., NEC Capital Solutions Limited or OmniTier Storage, Inc., in each of which Director Yuichi Kawakami concurrently holds a position.
 6. The Company has no special interest in Yoshino Law Office, where Audit & Supervisory Board Member Masaki Yoshino concurrently holds a position.
 7. Ms. Mariko Mitsuya is a Certified Public Accountant and has a significant amount of professional knowledge on financial and accounting matters.

8. Operating Officers who do not concurrently hold the position of Director are as follows.

Position in the Company	Name	Areas of responsibility
Operating Officer	Hirotoishi Tashima	General Manager, Sales Div.
Operating Officer	Tetsuya Sakuma	General Manager, Global Operation Div.
Operating Officer	Fumihiko Ooka	President, Shinkawa Manufacturing Asia Co., Ltd. President, Shinkawa (Thailand) Co., Ltd.
Operating Officer	Lee Ho Seong	Shinkawa Korea Co., Ltd. President
Operating Officer	Hiroshi Munakata	Deputy General Manager, Engineering Div. and Deputy General Manager, Shinjuku Technical Center

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 Directors Ichiro Anjo and Yuichi Kawakami 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	6 (2)	¥86 million (¥14 million)	3 (3)	¥24 million (¥24 million)	9 (5)	¥111 million (¥38 million)
Bonuses	—	—	—	—	—	—
Total		¥86 million (¥14 million)		¥24 million (¥24 million)		¥111 million (¥38 million)

- Notes:
1. The amount of payment for Directors does not include the portion of payment as employees if they concurrently serve as employees.
 2. 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 yen per year (which does not include salaries as employees for Directors who concurrently serve as employees).
 3. 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 yen per year.

4) Outside Officers

a. Significant concurrent positions

The status of significant concurrent positions is described on page 15.

b. Main activities during the fiscal year under review

Title	Name	Main activities
Director	Ichiro Anjo	Attended 19 out of 20 meetings of the Board of Directors held during the fiscal year under review. 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.
Director	Yuichi Kawakami	Attended 18 out of 19 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 all 19 meetings of the Board of Directors held and all 14 meetings of the Audit & Supervisory Board held during the fiscal year under review. 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 18 out of 19 meetings of the Board of Directors and 13 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 all 19 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.

2) Accounting Auditor's Remuneration

	Amount of remuneration
Remuneration for the Accounting Auditor for the fiscal year ended March 31, 2018	37 million yen
Total amount of money and other financial benefits payable to the Accounting Auditor by the Company and its subsidiaries	37 million yen

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 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

(Millions of yen)

	As of March 31, 2018	(Reference) As of March 31, 2017		As of March 31, 2018	(Reference) As of March 31, 2017
ASSETS			LIABILITIES		
Account	Amount		Account	Amount	
Current assets	17,109	16,124	Current liabilities	2,191	2,226
Cash and deposits	6,452	4,849	Accounts payable—trade	1,238	1,163
Notes and accounts receivable—trade	4,971	6,363	Income taxes payable	72	172
Electronically recorded monetary claims	283	0	Provision for product warranties	273	284
Merchandise and finished goods	2,589	2,568	Provision for bonuses	222	227
Work in process	1,223	1,061	Deferred tax liabilities	6	9
Raw materials and supplies	762	595	Other	379	370
Deferred tax assets	45	49	Non-current liabilities	1,224	1,397
Other	783	641	Net defined benefit liability	852	862
Allowance for doubtful accounts	(1)	(2)	Deferred tax liabilities	366	528
Non-current assets	7,851	9,077	Other	6	6
Property, plant and equipment	5,013	5,204	Total liabilities	3,415	3,622
Buildings and structures, net	1,454	1,600	NET ASSETS		
Machinery, equipment and vehicles, net	241	236	Shareholders' equity	20,406	19,843
Land	3,217	3,198	Capital stock	8,360	8,360
Construction in progress	22	73	Capital surplus	8,907	8,907
Other	78	97	Retained earnings	6,289	5,726
Intangible assets	43	52	Treasury shares	(3,150)	(3,150)
Other	43	52	Accumulated other comprehensive income	1,139	1,736
Investments and other assets	2,795	3,821	Valuation difference on available-for-sale securities	944	1,535
Investment securities	2,368	3,365	Foreign currency translation adjustment	203	177
Long-term loans receivable	16	21	Remeasurements of defined benefit plans	(9)	24
Deferred tax assets	28	25	Total net assets	21,545	21,579
Other	383	409	Total liabilities and net assets	24,959	25,201
Total assets	24,959	25,201			

Consolidated Statement of Income

(Millions of yen)

Account	Fiscal year ended March 31, 2018		(Reference) Fiscal year ended March 31, 2017	
	Amount			
Net sales		15,214		16,438
Cost of sales		10,492		11,068
Gross profit		4,722		5,370
Selling, general and administrative expenses		5,342		5,075
Operating profit (loss)		(620)		294
Non-operating income				
Interest income	9		9	
Dividend income	66		66	
Rent income	3		8	
Foreign exchange gains	61		41	
Other	7	145	16	140
Non-operating expenses				
Interest expenses	4		1	
Cost of lease revenue	-			
Sales discounts	9		1	
Other	1	14	0	2
Ordinary profit (loss)		(488)		432
Extraordinary income				
Gain on sales of non-current assets	-		12	
Gain on sales of investment securities	1,108	1,108	35	47
Extraordinary losses				
Loss on sales of non-current assets	-	-	1	1
Income before income taxes		619		478
Income taxes—current	57		194	
Income taxes—deferred	(1)		41	235
Profit		563		243
Profit attributable to owners of parent		563		243

Consolidated Statement of Changes in Net Assets

(April 1, 2017–March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	8,360	8,907	5,726	(3,150)	19,843
Changes of items during period					
Profit attributable to owners of parent			563		563
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	563	(0)	563
Balance at the end of current period	8,360	8,907	6,289	(3,150)	20,406

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	1,535	177	24	1,736	21,579
Changes of items during period					
Profit attributable to owners of parent					563
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	(591)	26	(33)	(597)	(597)
Total changes of items during period	(591)	26	(33)	(597)	(34)
Balance at the end of current period	944	203	(9)	1,139	21,545

Notes to Consolidated Financial Statements

(From April 1, 2017, to March 31, 2018)

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

Machinery, equipment and vehicles: 3–5 years

(2) Intangible assets

Amortized by the straight-line method. Patent right is amortized over eight years and software for internal use is amortized over the internally estimated useful life of three years by the straight-line method.

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 and past service costs

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

Past service costs are amortized mainly by the straight-line method over a certain number of years (two years) within the average remaining service period of employees when such costs are incurred.

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.

7. Adoption of the Consolidated Taxation System

From the consolidated fiscal year under review, the Company and its domestic consolidated subsidiaries have adopted the consolidated taxation system.

Change in presentation methods

Consolidated Balance Sheet

“Electronically recorded monetary claims,” which was included in “Notes and accounts receivable–trade” under “Current assets” for the previous consolidated fiscal year, has been separately presented from the consolidated fiscal year under review because their amount exceeded one-hundredth of the total amount of assets.

Notes to the Consolidated Balance Sheet

1. “Investment securities” of 528 million yen is pledged as collateral for the overdraft agreement that is concluded between the Company and counterparty financial institutions.
2. Accumulated depreciation of property, plant and equipment: 13,997 million yen
3. The accumulated amount of advanced depreciation of buildings and structures due to governmental subsidies was 14 million yen.

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	1,874	0	—	1,874
Total	1,874	0	—	1,874

Notes: Figures are rounded to the nearest thousand.

2. Distribution of surplus

Payment of dividends, etc.

Not applicable.

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, 2018 (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	6,452	6,452	—
(2) Notes and accounts receivable—trade	4,971	4,971	—
(3) Electronically recorded monetary claims	283	283	—
(4) Investment securities	2,368	2,368	—
(5) Accounts payable—trade	(1,238)	(1,238)	—

*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

(3) Electronically recorded monetary claims

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.

(4) Investment securities

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

(5) 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	1,185.52 yen
2. Net income per share	31.00 yen

Significant Subsequent Events

Not applicable.

Other Notes

Additional Information

(Conclusion of the share transfer agreement with Pioneer FA)

At a board of directors meeting held on February 26, 2018, Shinkawa resolved to acquire shares of Pioneer FA Corporation (hereinafter "Pioneer FA"), and on the same date, reached an agreement with Pioneer Corporation, a shareholder of Pioneer FA, for transferring the shares of Pioneer FA (100% of voting shares).

1. Name of Transferor

Pioneer Corporation

2. Trade name, business description and business scale of the company to be acquired

(1) Trade name

Pioneer FA Corporation

(2) Business description

Design, manufacture and sales of bonding, assembly and inspection equipment for electronic devices as well as development and sales of various manufacturing software

(3) Business scale

Capital 353 million yen

Net sales: 3,988 million yen (FY 2016, the term ended March 31, 2017)

3. Date of share acquisition

Scheduled to be on June 1, 2018

4. Number of shares to be acquired and shareholding ratio

(1) Number of shares to be acquired: 7,000 shares

(2) Acquisition price: 2,130 million yen

(3) Shareholding ratio after acquisition (voting shares): 100%

5. Procurement for payment fund

Procurement with own funds and loans is planned.

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

Non-Consolidated Balance Sheet

(Millions of yen)

	As of March 31,2018	(Reference) As of Marche 31,2017		As of March 31,2018	(Reference) As of Marche 31,2017
ASSETS			LIABILITIES		
Account	Amount		Account	Amount	
Current assets	14,274	13,641	Current liabilities	2,568	2,865
Cash and deposits	4,125	1,958	Accounts payable—trade	1,637	1,958
Notes receivable—trade	84	55	Accounts payable—other	-	2
Electronically recorded monetary claims	283	0	Accrued expenses	320	273
Accounts receivable—trade	5,777	8,050	Income taxes payable	53	56
Merchandise and finished goods	1,841	1,845	Deposits received	37	13
Work in process	612	640	Provision for product warranties	273	284
Raw materials and supplies	705	535	Provision for bonuses	222	227
Consumption taxes receivable	499	479	Other	25	52
Other	349	80	Non-current liabilities	1,043	1,247
Allowance for doubtful accounts	(1)	(1)	Provision for retirement benefits	670	713
Non-current assets	9,013	9,794	Long-term accounts payable—other	6	6
Property, plant and equipment	3,774	3,877	Deferred tax liabilities	366	528
Buildings	728	810	Total liabilities	3,611	4,112
Structures	2	2	NET ASSETS		
Machinery, equipment and vehicles	210	173	Shareholders' equity	18,732	17,788
Tools, furniture and fixtures	24	34	Capital stock	8,360	8,360
Computers	13	8	Capital surplus	8,907	8,907
Land	2,777	2,777	Legal capital surplus	8,907	8,907
Construction in progress	22	73	Other capital surplus	0	0
Intangible assets	28	37	Retained earnings	4,616	3,671
Software	21	28	Legal retained earnings	2,090	2,090
Patent right	7	9	Other retained earnings	2,526	1,581
Investments and other assets	5,210	5,880	Retained earnings brought forward	2,526	1,581
Investment securities	2,368	3,365	Treasury shares	3,150	(3,150)
Shares of subsidiaries and associates	1,304	1,304	Valuation and translation adjustments	944	1,535
Long-term loans receivable from subsidiaries and associates	1,360	1,304	Valuation difference on available-for-sale securities	944	1,535
Long-term loans receivable from employees	8	10	Total net assets	19,677	19,323
Other	171	139	Total liabilities and net assets	23,287	23,435
Allowance for investment loss for subsidiaries and associates	-	(241)			
Total assets	23,287	23,435			

Non-Consolidated Statement of Income

(Millions of yen)

Account	Fiscal year ended March 31, 2018		(Reference) Fiscal year ended March 31, 2017	
	Amount			
Net sales		14,122		14,991
Cost of sales		10,971		11,390
Gross profit		3,151		3,601
Selling, general and administrative expenses		4,531		4,206
Operating loss		(1,381)		(604)
Non-operating income				
Interest income	14		16	
Dividend income	836		123	
Rent income	35		40	
Foreign exchange gains	45			
Other	6	937	10	190
Non-operating expenses				
Interest income	4		-	
Cost of lease revenue	11		13	
Sales discounts	8		1	
Foreign exchange losses	-		14	
Other	0	24	1	27
Ordinary loss		(468)		(442)
Extraordinary income				
Gain on sales of investment securities	1,108		35	
Reversal of allowance for investment loss for subsidiaries and associates	241	1,349	324	359
Profit (loss) before income taxes		881		(83)
Income taxes		(64)		4
Net Profit (loss)		944		(87)

Non-Consolidated Statement of Changes in Net Assets

(April 1, 2016–March 31, 2017)

(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 Retained earnings brought forward	Total retained earnings
Balance at the beginning of current period	8,360	8,907	0	8,907	2,090	3,671	3,671
Changes of items during period							
Profit						944	944
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	-	944	944
Balance at the end of current period	8,360	8,907	0	8,907	2,090	2,526	4,616

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at the beginning of current period	(3,150)	17,788	1,535	1,535	19,323
Changes of items during period					
Profit		944			944
Purchase of treasury shares	(0)	(0)			(0)
Net changes of items other than shareholders' equity			(591)	(591)	(591)
Total changes of items during period	(0)	944	(591)	(591)	353
Balance at the end of current period	(3,150)	18,732	944	944	19,677

Notes to Non-Consolidated Financial Statements

(From April 1, 2017, to March 31, 2018)

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.)

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 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. Patent right is amortized over eight years and software for internal use is amortized over the internally estimated useful life of three years by the straight-line method.

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) 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) 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 and past service costs

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

Past service costs are amortized mainly by the straight-line method over a certain number of years (two years) within the average remaining service period of employees when such costs are incurred.

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 and unrecognized past service cost 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.
 - (3) Adoption of the Consolidated Taxation System
From the fiscal year under review, the Company has adopted the consolidated taxation system.

Change in presentation methods

Consolidated Balance Sheet

1. “Electronically recorded monetary claims,” which was included in “Notes and accounts receivable–trade” under “Current assets” for the previous consolidated fiscal year, has been separately presented from the consolidated fiscal year under review because their amount exceeded one-hundredth of the total amount of assets.
2. “Sales discounts,” which was included in “Other” under “Non-operating expenses” for the previous fiscal year, has been separately presented from the fiscal year under review because their amount exceeded ten-hundredth of the total amount of non-operating expenses.

Notes to the Non-Consolidated Balance Sheet

1. “Investment securities” of 528 million yen is pledged as collateral for the overdraft agreement that is concluded between the Company and counterparty financial institutions.
2. Accumulated depreciation of property, plant and equipment: 13,127 million yen
3. The accumulated amount of advanced depreciation of buildings and structures due to governmental subsidies was 14 million yen.
4. Monetary receivables and payables from/to subsidiaries and associates

Short-term monetary receivables	1,583 million yen
Long-term monetary receivables	1,360 million yen
Short-term monetary payables	899 million yen

Notes to the Non-Consolidated Statement of Income

Transactions with subsidiaries and associates:

(1) Sales to	1,603 million yen
(2) Purchases from	5,850 million yen
(3) Other operating transactions	754 million yen
(4) Non-operating transactions	826 million yen

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	1,874	0	—	1,874

Notes: 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	1,091
Land devaluation disallowed	1,040
Provision for retirement benefits and other provisions disallowed	357
Long-term accounts payable disallowed	2
Loss on valuation of investment securities disallowed	124
Accrued expenses disallowed	10
Loss brought forward	5,438
Other	121
Subtotal	8,183
Valuation allowance	(8,183)
Total deferred tax assets	-
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	366
Total deferred tax liabilities	366
Net deferred tax liabilities	366

Related Party Transactions

Subsidiaries, etc.

Attribute	Subsidiary		Subsidiary	Subsidiary	Subsidiary			
Name of the company	Shinkawa Singapore Pte. Ltd.		Shinkawa Taiwan Co., Ltd.	Shinkawa (Shanghai) Co., Ltd.	Shinkawa Manufacturing Asia Co., Ltd.			
Location	Singapore		Taiwan	China	Thailand			
Capital	SGD 150 thousand		TWD13,800 thousand	USD 200 thousand	THB 343 million			
Line of business	Sales promotion and maintenance services for semiconductor manufacturing equipment		Sales promotion and maintenance services for semiconductor manufacturing equipment	Sales promotion and maintenance services for semiconductor manufacturing equipment	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 promotion and maintenance services for the Company products		Sales promotion and maintenance services for the Company products	Sales promotion and maintenance services for the Company products	Manufacturing and sales of the Company products			
Content of transactions	Sales of products (Notes 1)	Receipt of dividends (Note 2)	Receipt of dividends(Note 2)	Sales of products (Notes 1)	Sales of products (Notes 1 and 3)	Purchase of products (Note 1)	Lending funds (Note 4)	Receipt of interest (Note 4)
Amount of transactions (Millions of yen)	954	588	111	313	2,381	4,759	—	13
Account item (Balance at the year-end, in millions of yen)	Accounts receivable-trade (333)	—	—	Accounts receivable-trade (304)	Accounts receivable-trade (835)	Accounts payable-trade (615) Accounts payable-other (0)	Long-term loans receivable (1,360)	Accrued interest (0) 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 dividends received is reasonably determined according to a certain standard based on the distributable amount of surplus.

(Note 3) The amount of transactions includes raw materials supplied for a charge of ¥2,366 million.

(Note 4) 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 | 1,082.74 yen |
| 2. Net loss per share | 51.97 yen |

Significant Subsequent Events

Not applicable.

Other notes

Additional information

(Conclusion of the share transfer agreement with Pioneer FA)

Related notes are omitted because the same content is described in Additional information (Conclusion of the share transfer agreement with Pioneer FA) in “Other notes” under the Notes to Consolidated Financial Statements.

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

Independent Auditor's Report

May 9, 2018

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, 2017, to March 31, 2018.

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, 2017, and their consolidated financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in additional information, at a board of directors meeting held on February 26, 2018, Shinkawa resolved to acquire shares of Pioneer FA Corporation (hereinafter "Pioneer FA"), and on the same date, reached an agreement with Pioneer Corporation, a shareholder of Pioneer FA, for transferring the shares of Pioneer FA. Our opinion is not qualified in respect of this matter.

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 9, 2018

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 60th fiscal year from April 1, 2017, to March 31, 2018.

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, 2017, and the result of its operation for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in additional information, at a board of directors meeting held on February 26, 2018, Shinkawa resolved to acquire shares of Pioneer FA Corporation (hereinafter "Pioneer FA"), and on the same date, reached an agreement with Pioneer Corporation, a shareholder of Pioneer FA, for transferring the shares of Pioneer FA. Our opinion is not qualified in respect of this matter.

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 60th fiscal year from April 1, 2017, to March 31, 2018, 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, 2018

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) Topics 1.

Reinforcing the Group's packaging technology in the field of electronic components by making PFA Corporation a subsidiary of the Company

In June 2018, the Company Group acquired all shares in PFA Corporation (hereinafter "PFA"; previously, Pioneer FA Corporation) and made the company a subsidiary. PFA, for which its roots trace back to PIONEER CORPORATION's production technology center, provides mounting and inspection devices for electrical components used in smartphones and automobiles, as well as production technology solutions.

Also, PFA is a distinguished leader in the crystal device and camera module manufacturing equipment markets. In recent years, demand for electronic components is increasing due to their expanding applications with the spread of cloud computing, IoT and AI. Demand for the Group's semiconductor manufacturing equipment for makers of electronics components is also expanding. By leveraging PFA's extensive experience and know-how in the field of electronic components, it becomes possible to enhance the competitive edge of the Company's packaging technology in the electronic components field. Under the strategy to improve customer satisfaction and business value, the Group is promoting initiatives to enhance corporate value as a new corporate group by creating synergies via the organic connection of resources held by both companies while maintaining the individuality of each business and the integrity of the Group.

Outline of PFA

Company name	PFA Corporation (previously Pioneer FA Corporation)
Location	7-1, Chiyoda 5-chome, Sakado-shi, Saitama 350-0286, Japan
Principal business	Design, manufacturing and sales of mounting devices, assembly machines and inspection devices for electronic components; Development and sales of software for each type of production
Stated capital	353 million yen
Date of incorporation	October 31, 1995



Synergies created by making PFA a subsidiary of the Company

- (1) Expand sales channel and boost production capability
Sharing both companies' customer bases and production capabilities
- (2) Lower procurement costs
Significant cost reduction via bulk procurement by the Group
- (3) Provide new solutions
Provision of pre- and post-process of semiconductor bonding as a consistent and integrated solution by harnessing PFA's high-level technology, flexibility and capability to provide total solutions in production lines and the Company's high-speed, high-accuracy semiconductor bonding technology in the semiconductor bonding field.

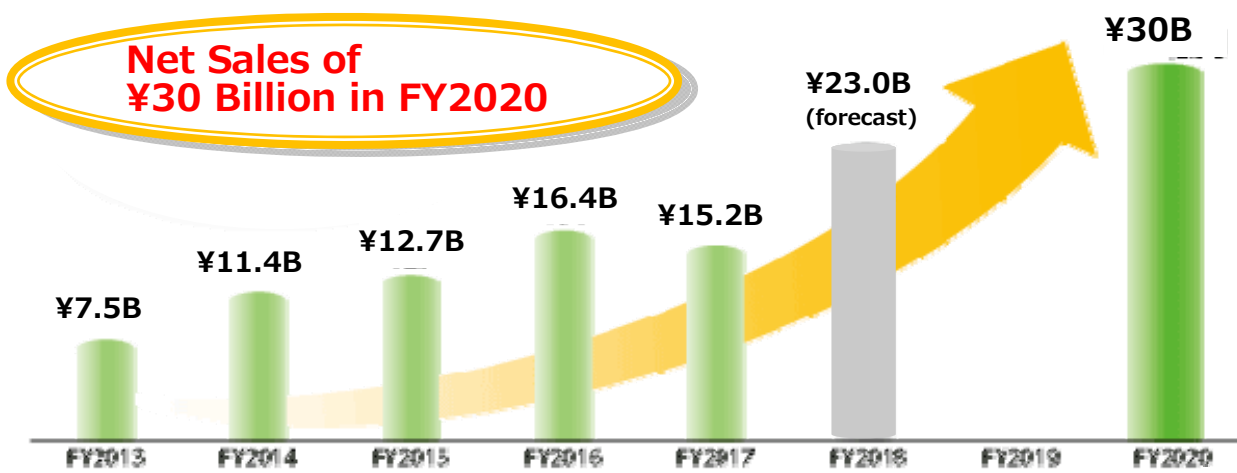
(Reference) Topics 2.

Status of the progress of the midterm management plan

In May 2017, the Group formulated a new midterm management plan “Challenge Shinkawa 2020” through the fiscal year ending March 31, 2021, and has been making consistent efforts to achieve the plan’s targets. We hereby report the current status of the progress of the plan.

Challenge Shinkawa 2020

Shinkawa aim to be the leading company in semiconductor and electronic component mounting and always strives for innovation in bonding technology.



Progression Towards Strategic Goals

1. Enhancement of the existing businesses

The development of equipment supporting 2.5 dimensional processes, used in the production of next generation memory cubes and cutting-edge CPU, is ongoing. Additionally, our flip chip bonder, featuring state-of-the-art TCB bonding technology, has reached the customer evaluation stage. By developing equipment that keeps up with progress in semiconductor technology, we have ensured our position in this steadily growing industry.

2. Development of new business value

As we move forward into the age of IoT, we are not only making progress on automating our machines, but also towards automating the factory process as a whole (referred to as Factory Automation, hereinafter “FA”). In order to strengthen our FA capabilities, the group has acquired PFA Corporation (previously known as Pioneer FA Corporation) as a fully owned subsidiary, a corporation with over 30 years of history and experience in the field of FA. With the ongoing development of Shinkawa Smart Bonding Solution, we are aiming to increase customer satisfaction and corporate value via total solution offerings.

3. Activation of the organization and development of human resources

With the goals of building an environment that encourages the expression of creativity, and the acquisition and growth of global talent, the Business Process Re-engineering Department is aiming to improve the implementation and mobility of internal systems. The introduction of a business unit structure and transformation of the organizational structure is currently underway.

