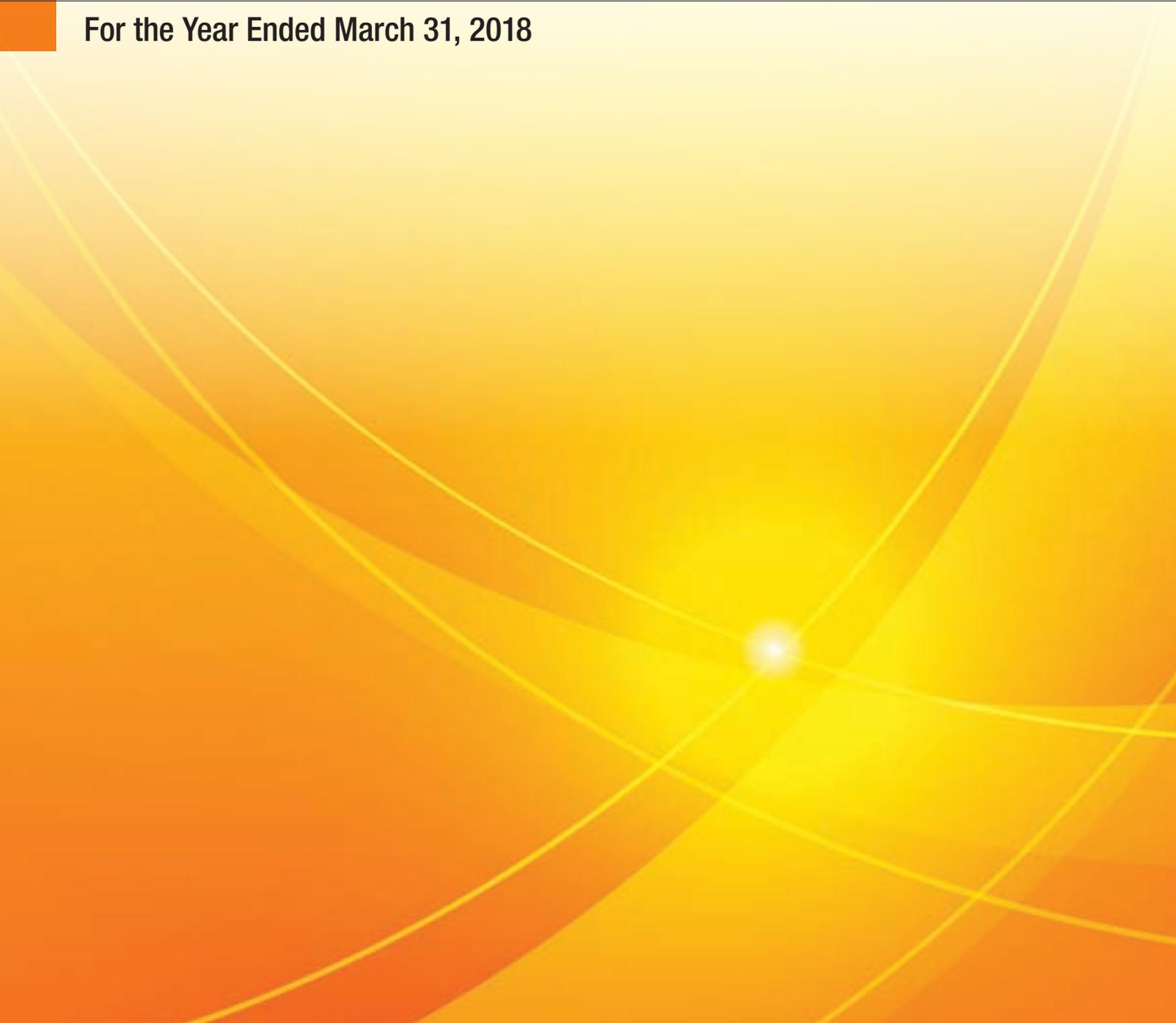


# Annual Report 2018

For the Year Ended March 31, 2018



## ■ <SHASHI> is ...

**a word we coined which means “Resolution of Vision as a company.”**

Shinkawa celebrated its 50th anniversary in August, 2009. At this turning point, we decided to establish <SHASHI> composed of a Corporate Mission and an Action Philosophy which are aimed at producing a forward technological leap in the coming 50 years.

### Corporate Mission

**“Shinkawa leads in robot technology to contribute to society which allows the human being to be more creative.”**

Shinkawa will cultivate robot technology and continue to suggest cutting-edge technology to realize a society where people can dream and hope while exercising creativity, and also realize an environment where people can challenge their limits.

### Action Philosophy

**We think it is important to have the attitude of constantly pursuing the essence at the base of every action.**

We move forward by fulfilling our commitments below without being bound by superficial events and customary practices, pursuing “what the essence is” with sincerity.

#### Challenge

We value the spirit to keep challenging assumed limits.

It is important to have the courage not to fear failure and the passion never to give up while having a sense of purpose.

We believe that to continue challenging our limits will transform our dreams, ideals and hopes into reality.

#### Change

We value openness to changing times and surrounding realities, and in turn change ourselves in corresponding ways.

It is important to think and act subjectively while adopting a broad view and flexible thinking, determining the cause of change and future direction.

We believe that we can open up new opportunities through our continuous openness to change.

#### Collaboration

We value the spirit of collaboration to work together in concert.

We have a diversity of backgrounds such as nationalities, experiences, sense of values, etc. That’s what makes it important to share common goals and to be interconnected at work.

We believe that thinking and working together will elicit a joy of accomplishment and feeling of trust, eventually resulting in accomplishment of a major goal which could never have been achieved by one person.

## ■ Contents

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## Financial Highlights

(for the Years ended March 31)

Operating Results	Millions of Yen					Thousands of U.S. Dollars	
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	
Net Sales	¥7,481	¥11,352	¥12,662	¥16,438	¥15,214	\$143,205	
Overseas Sales	5,965	9,833	10,679	13,632	12,368	116,415	
Operating Income (Loss)	(4,113)	(2,669)	(1,035)	294	(620)	(5,837)	
Profit (Loss) attributable to owners of parent	(¥4,312)	(¥1,894)	(¥1,849)	¥243	¥563	\$5,302	

Financial Position	Millions of Yen					Thousands of U.S. Dollars	
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	
Total Assets	¥26,059	¥26,500	¥23,340	¥25,201	¥24,959	\$234,935	
Total Net Assets	¥24,402	¥23,336	¥20,570	¥21,579	¥21,545	\$202,791	

### Per Share Data (¥/\$)

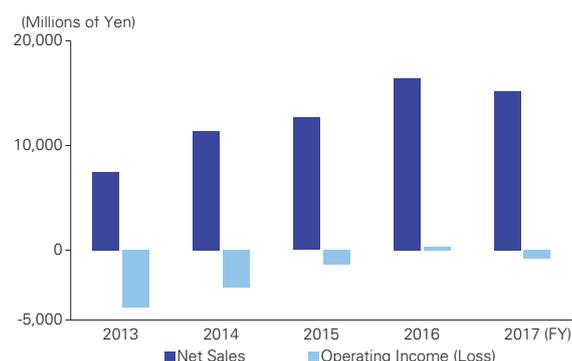
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017
Profit (Loss)	(¥237.27)	(¥104.19)	(¥101.75)	¥13.37	¥31.00	\$0.29
Total Net Assets	1,342.61	1,284.01	1,131.83	1,187.36	1,185.52	11.16
Cash Dividends	¥0.00	¥0.00	¥0.00	¥0.00	¥0.00	\$0.00

### Key Ratios

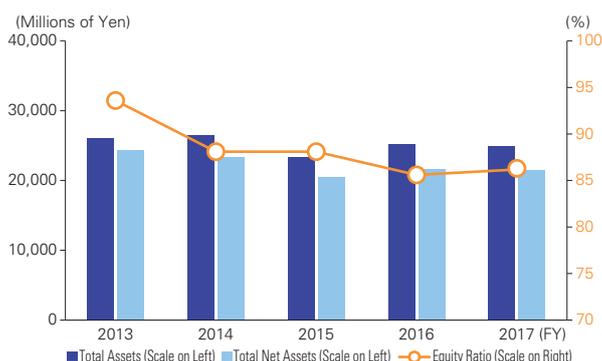
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017
Operating Margin (%)	(55.0)	(23.5)	(8.2)	1.8	(4.1)	—
ROA (Return on Assets) (%)	(15.1)	(7.2)	(7.4)	1.0	2.2	—
ROE (Return on Equity) (%)	(16.2)	(7.9)	(8.4)	1.2	2.6	—
Equity Ratio (%)	93.6	88.1	88.1	85.6	86.3	—
Turnover of Total Assets (Times)	0.26	0.43	0.51	0.68	0.61	—

Note : The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2018, which was ¥106.24 to U.S. \$1.00.

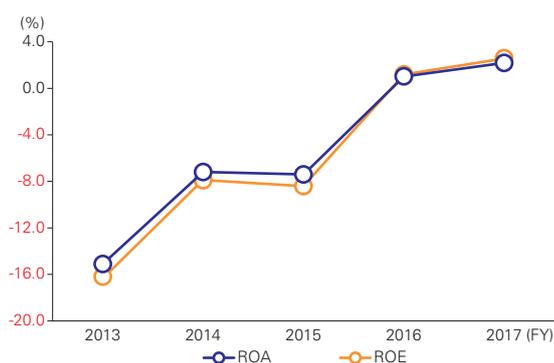
### Net Sales and Operating Income (Loss)



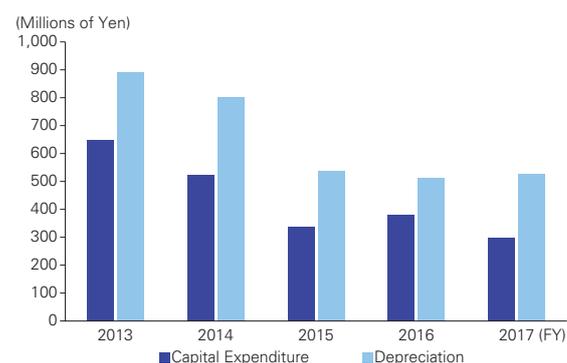
### Total Assets, Total Net Assets and Equity Ratio



### ROA and ROE



### Capital Expenditure and Depreciation



## ■ Top Message

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# Aiming to be a leading company in the field of semiconductor and electronic component bonding



The SHINKAWA Group (“the Group”) launched its medium-term management plan “Challenge Shinkawa 2020” in April 2017. Under the plan, the Group has carried out consistent efforts to restore its leading position in the industry, centering on three basic strategies: growth in existing business, creating new business value, and activating the organization and fostering human resources.

In June 2018, the Group took a step forward in its growth stage by acquiring PFA Corporation (previously Pioneer FA Corporation) as its new member.

To fulfill its corporate mission—“Shinkawa leads in robot technology to contribute to society which allows the human being to be more creative”—the Group will take on the challenge of continuously innovating bonding technology, aiming to be a leading company in the field of semiconductor and electronic component bonding and thereby achieving sustainable growth.

A handwritten signature in black ink, appearing to read 'T. Nagano', written in a cursive style.

President and CEO, Representative Director  
Takashi Nagano

## ■ Special Feature

### 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.

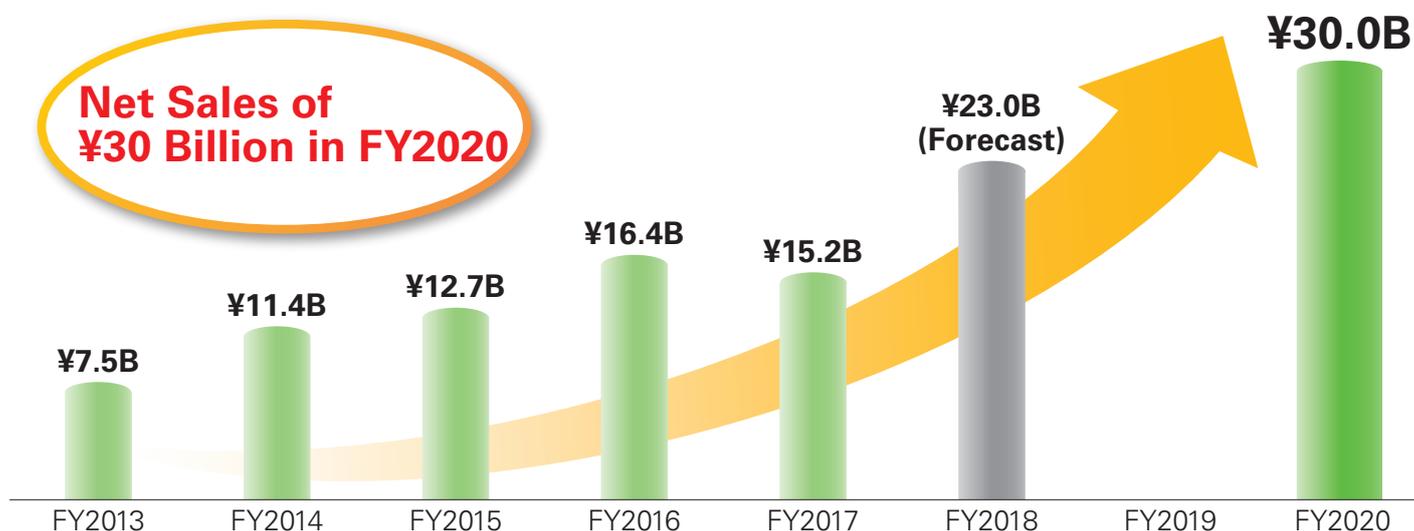
**Medium-term Management Plan "Challenge Shinkawa 2020"**

In recent years, not only personal computers and smartphones but also various products such as household electric appliances, automobiles and factory equipment have begun connecting to the internet, ushering in the IoT (Internet of Things) society. As the IoT field is expected to be a new driving force in the semiconductor market as well as a trigger to create a new era of the semiconductor industry, the Group has established a medium-term management plan "Challenge Shinkawa 2020", which ends in fiscal 2020. The Group aims to be the leading bonding technology company and to grow continuously by making a tireless effort for innovation in bonding technology.

The target figures for the final year are net sales of 30 billion yen, operating profit of 3 billion yen, ordinary income of 3 billion yen, and profit attributable to owners of parent of 2.3 billion yen. The return on equity (ROE) of the final year is targeted at 10% level.

**Challenge Shinkawa 2020**

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

**Basic Strategy****1. Growth in existing businesses**

With the arrival of the IoT age, there are various changes in demand for semiconductor packages. The Group promotes the functional enhancement of wire bonders and die bonders to handle the use of SSD data storages and high-speed memories. The Group also promotes the development and sales expansion of flip chip bonders to handle advanced bonding processes such as thermal compression bonding for 3 and 2.5-dimensional bonding applications that are used for memory cubes and the latest CPUs. Furthermore, along with higher functionality of communication devices such as smartphones, the Group enhances the function of flip chip bonders for high-performance packages such as PoP (Package-on-package) and FO-WLP (Fan-out Wafer Level Package).

**Progress**

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. Creating new business value

The Group, under the concept of “Shinkawa Smart Bonding Solution,” continues the development of solution technologies that incorporate the IoT function into the semiconductor assembly process. The Group will increase customer satisfaction and its associated value by promoting intelligent machines (with enhanced sensing function), intelligent networks (with enhanced data collection and analysis functions), and intelligent processes (with know-how embedded in software), as well as proposing solutions ahead of challenges triggered by progress of the IoT society.

### Progress

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. Activating organization and fostering human resources

In order to transform the Group into an organization that demonstrates creativity, it is necessary to secure various talents. In addition to providing a stage where excellent talents from all over the world play an active role, the Group focuses on human resource development including raising employees’ awareness.

### Progress

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.

## Approach ESG

### E nvironment

- Creating a life cycle of products (Expansion of secondhand and refurbishment business)
- Reduction of Co2 emissions from product use (Less power consumption)
- Reduction of Co2 emissions from production
- Environmentally conscious products and services

### S ociety

- Customer support
- Occupational safety and health
- Work–life balance
- Improvement of working environment of overseas suppliers
- Contribution to local societies
- Promoting diversity

### G overnance

- Corporate Governance and internal control
- Global management system
- Directors’ remuneration and incentive
- Composition of board of directors
- Thorough compliance
- Risk management and visualization of potential risks
- Business continuity planning (BCP)
- Information security

## ■ Review of Management

### Results of Operations for the Fiscal Year ended March 31, 2018

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.

### Operating Results for the Fiscal Year Ended March 31, 2018

#### 1. Net sales

Net sales in fiscal 2017 were 15,214 million yen, a 7.4% decrease compared with the last fiscal year. Domestic sales amounted to 2,846 million yen, a 1.4% increase compared with last fiscal year, and foreign sales were 12,368 million yen, a 9.3% decrease.

The Group saw a decrease in net sales due to weak mobile-related demand in the memory market and delayed production of die bonders and flip chip bonders because of prolonged lead time for the procurement of key parts.

#### 2. Cost of Sales

Cost of sales was 10,492 million yen and the cost of sales ratio deteriorated by 1.7% points from the previous consolidated fiscal year to 69.0%.

#### 3. Selling, General and Administrative Expenses

Selling, general and administrative expenses in fiscal 2017 were 5,342 million yen, a 5.3% increase compared with the last fiscal year. With the arrival of the IoT age, there has been an increase in testing and research expenses to enhance device functions and develop new models. In addition, employee salaries and bonuses have increased to reinforce the human resources necessary for the revitalization of the organization.

#### 4. Operating Profit/Loss

The Company posted an operating loss of 620 million yen compared with an operating profit of 294 million yen recorded in the last fiscal year.

#### 5. Non-operating Income

The Company posted a non-operating income of 145 million yen compared with a non-operating income of 140 million yen recorded in the last fiscal year.

The foreign exchange gain of 61 million yen was mainly recorded.

#### 6. Non-operating Expenses

Non-operating expenses were 14 million yen compared with 2 million yen for the previous consolidated fiscal year and major recorded sales discount of 9 million yen.

#### 7. Extraordinary Income

Extraordinary income was 1,108 million yen. A gain on sales of investment securities of 1,108 million yen was recorded due to the sale of cross-held shares.

#### 8. Profit/Loss attributable to owners of parent

As a result of the factors above, the Company posted a current term profit attributable to owners of parent in fiscal 2017 were 563 million yen, a 131.8% increase compared with the last fiscal year. Current term net profit per share was 31.00 yen.

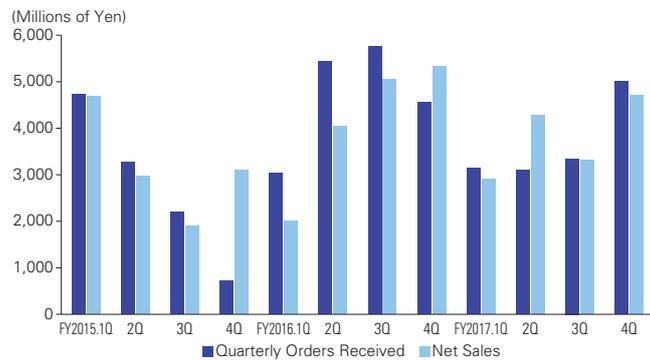
## Prospect

Although there are some concerns about a rapid rise of protectionism in the United States, strong financial regulations in China, and an increase in geopolitical risks, the global economy is on an expanding trend owing to improvement of the employment and income environment.

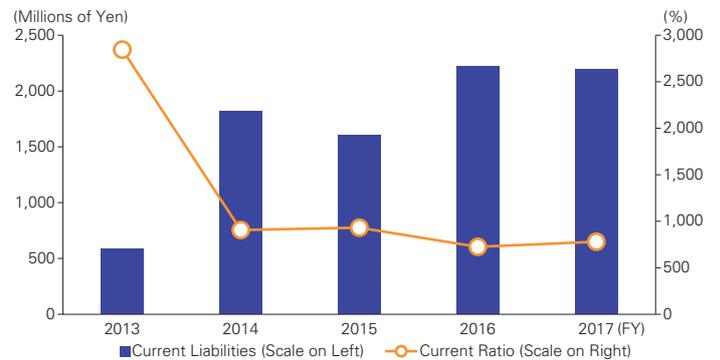
In the semiconductor industry, demand for memory devices for servers is expected to be a driving force, which in turn will increase the sales of automotive devices and investment in infrastructure along with the spread of IoT. Overall, demand for semiconductor devices is expected to increase, reflecting expansion of applications resulting from future technological

innovation. Capital investments by semiconductor manufacturers are expected to progress steadily in the future. Based on the medium-term Management Plan "Challenge Shinkawa 2020," whose target year is FY2020, the Shinkawa Group will actively make investments in its growth. These include developing new products that align with the IoT innovation adopted in customers' production sites, and creating new solution technologies covering both before bonding and after bonding processes. The Group will try to achieve stable profit in the medium to long term, aiming for a return to the top of the industry.

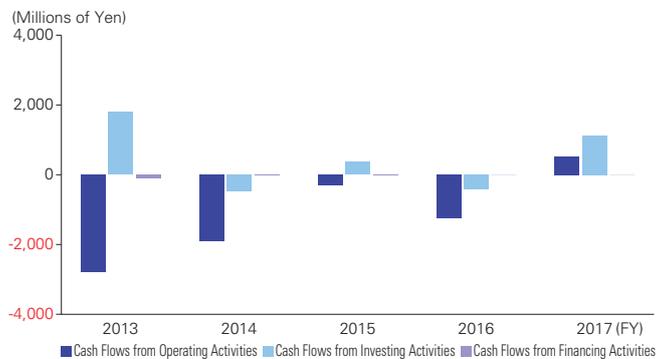
### Quarterly Orders Received and Net Sales



### Current Liabilities and Current Ratio



### Cash Flows



### Cash & Cash Equivalents and Equity Ratio



## ■ Research and Development Activities

In line with its corporate mission—“Shinkawa will cultivate robot technology and continue to suggest cutting-edge technology to realize a society where people can dream and hope while exercising creativity, and realize an environment where people can challenge their limits”—the Group is actively involved in R&D efforts to create new products and technologies with a view to developing bonding equipment for the post-process of semiconductor manufacturing and increasing its added value. Capitalizing on the wealth of expertise long accumulated as a bonding equipment manufacturer, the Group is making focused efforts to develop equipment technologies adaptable to various packaging needs by addressing customer needs with careful attention to detail. Total research and development expenses in fiscal 2017 were 1,710 million yen. Major results and content of the research and development projects were as follows.

### 1. Wire Bonder

In order to handle diversified cutting-edge devices, the Group is developing not only special options for automotive and other applications, but also next-generation platforms. Meanwhile, efforts are being promoted to reduce the production cost of the UTC-5000 series.

### 2. Die Bonder

Responding to the trend toward smaller and thinner sized packages, the Group will enhance functions of the STC-800 for discrete devices and the SPA-1000 for IC devices, as well as strive to reduce their production costs.

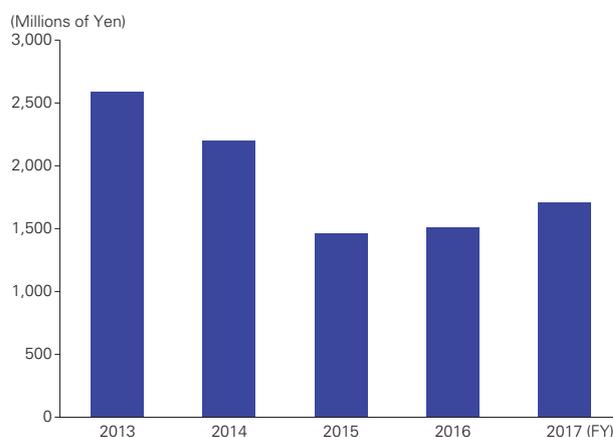
### 3. Flip Chip Bonder

As the second step of the multi-process Flexible Package Bonder (FPB) series, the FPB-1ws NeoForce capable of handling both substrates and wafers was introduced to the market in May 2017, enabling 3- and 2.5-dimensional bonding applications used in the production of leading-edge memory and logic devices. As we receive customer feedback, we are endeavoring to improve and expand functions according to customers' requirements.

### 4. Shinkawa Smart Bonding Solution

To strengthen the ability to make total bonding solution proposals, the Group expedites the development of bonding process technologies.

### Experiment and Research Expenses



At the same time, the Group will expand and enhance its production support system to improve machine functions.

### 5. Other

The tendency toward thinner and multilayer devices has led to a closer relationship between the pre- and post-bonding processes and the materials used. Accordingly, we face an increasing demand for total solutions covering the issues of equipment, materials and processes, and are therefore making joint efforts for element technology development with material suppliers and universities.

## ■ Commitment to CSR

### Environmental Policy

SHINKAWA LTD. is committed to engage in protection of global environment through activities based on the following environmental mission and action guideline.

#### Environmental Mission

Business organization is created by the stage called earth and the players called human beings, so threats to earth and human beings means the menace to the existence of business organization.

Therefore, we will undertake the task of protecting nature, which includes conservation

of biodiversity and environment surrounding the human beings based on our action guideline in all areas of our business operations such as research, development, designing, manufacturing, sales and after-sales service of semiconductor manufacturing equipment.

#### Action Guideline

1. We will establish “SHINKAWA Environmental Management System” and work on prevention of pollution and continuous improvement of the system.
2. We will observe the regulations and other requirements related to environment.
3. We will intensively promote the followings:
  - 1) Saving of natural resources and energy as well as recycling.
  - 2) Active engagement in technical development and research of eco-friendly products.

### Occupational Safety and Health Policy

SHINKAWA LTD. will be engaged in activities aimed for occupational safety and health based on the following occupational safety and health missions and action guideline.

#### Occupational Safety and Health Mission

Under the management philosophy of “SHINKAWA LTD. will lead the robotic technology to guide to the society to where people can maximize their creative ability”, we will take occupational safety and health as the priority in all areas of our business operation including research, development, designing,

manufacturing, sales and after-sales service of semiconductor manufacturing equipment, etc. And we will work on building a safe and comfortable working environment as well as sustaining and promoting physical and mental health based on our action guideline.

#### Action Guideline

1. We will establish “SHINKAWA Occupational Safety and Health Management System” and work on prevention of injury and sickness, as well as continuous improvement of the system.
2. We will observe the regulations and other requirements related to occupational safety and health.
3. We will strive to eliminate the risk of injuries and sickness resulting from industrial accidents such as caught in machinery, and natural disasters such as earthquake.
4. We will make efforts in sustaining and promoting physical and mental health in order for all employees to maximize their ability respectively.

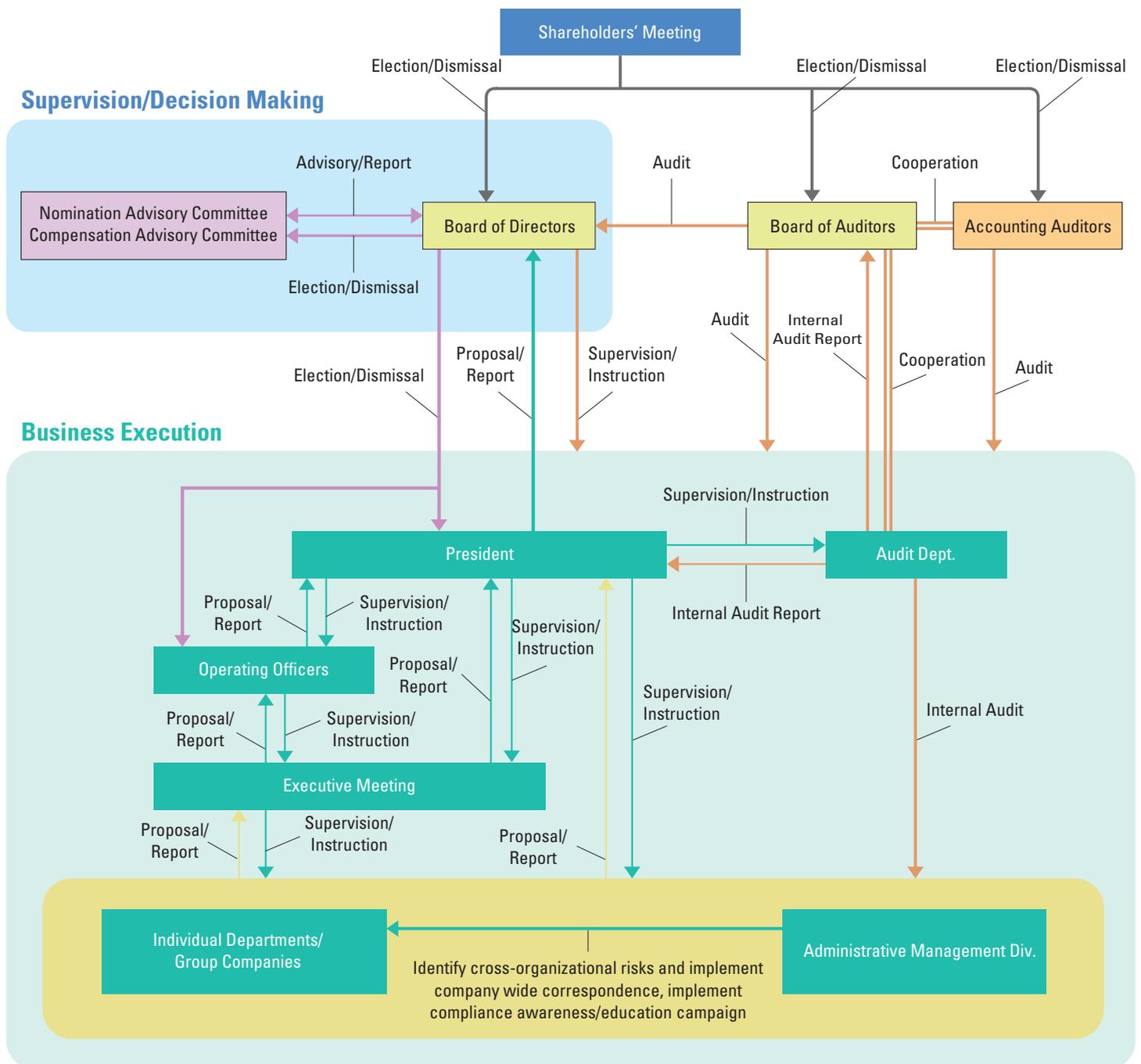
## Corporate Governance

### Basic Philosophy

For the purpose of raising efficiency and transparency of the management as well as of ensuring soundness and compliance of its business activities, the Group makes a continual effort to maintain and strengthen an internal control system that is treated as one of the most important tasks of the management. By creating an appropriate structure of governance, we believe we can control various uncertain factors surrounding the Group and ensure the continuity of active conduct of business and maximization of the corporate value.

### Corporate Governance System

The Company has a Board of Corporate Auditors.



## Board of Directors

SHINKAWA's Board of Directors is composed of five members, two of whom are appointed from outside the Company. The Nomination Advisory Committee and the Remuneration Advisory Committee, each consists of two Outside Directors and one Representative Director. The Company has also incorporated corporate officer system, making a clear distinction between the management/supervision function of the management on the one hand and the function of ensuring that business is conducted according to the management policy on the other. In addition to regularly scheduled Board meetings held once every month, extraordinary meetings are held as and when required. The Board meets to deliberate on and determine matters of importance and to overview and supervise the status of operating execution. During the 2017 fiscal year, the Board of Directors met on a total of 19 occasions. In addition to the Board of Directors, a Management Meeting is held on a regular basis twice each month. This meeting is attended by the President, general managers of head office divisions and department general managers.

## Board of Corporate Auditors

The Board of Corporate Auditors is composed of three members, all of whom are appointed from outside the Company. During the 2017 fiscal year, the Board of Corporate Auditors met a total of 14 times. In addition to formulating audit policies and plans, the Board deliberates on matters concerning important auditing operations. Corporate Auditors attend meetings of the Board of Directors,

exchange opinions with the Representative Director, review important documents including requests for approval and resolutions by the Board of Directors. Drawing on evaluations of the business and financial condition of the Company, Corporate Auditors also conduct audits of the execution of duties by directors particularly in the context of statutory and regulatory compliance and validity. Turning to subsidiary companies, Corporate Auditors communicate with directors and corporate auditors and demand reports from subsidiaries when needed. In the event an issue of concern is uncovered, information is shared with the Internal Control Department with steps taken to ensure a resolution and improvement.

Corporate Auditors receive and deliberate on the results of accounting audits working closely with Accounting Auditors to monitor the independence and adequacy of each audit. Furthermore, Accounting Auditors and the Internal Audit Department maintain close-knit ties, mutually exchanging information and opinions as and when required. Through these means, every effort is made to enhance the efficiency and efficacy of audits.

## Accounting Auditors

The Company concluded an audit agreement with ARK MEIJI AUDIT & Co. based on the Corporate Law Audit and Financial Instruments and Exchange Act. ARK MEIJI AUDIT & Co. accordingly conducts an independent accounting audit of the Company. There is no special vested interest between the Company and the Accounting Auditors or its executive officers.

## Internal Control System

The Company has put in place an internal control system as set out below pursuant to the Companies Act as well as the Ordinance for Enforcement of the Companies Act.

### 1. The system for securing job execution compliance by directors and employees with laws and regulations as well as the Company Statute

We shall establish the "Code of Conduct for the SHINKAWA Group" so that all the board members and employees of the entire Group shall perform their jobs in compliance with laws, regulations, the Company Statute 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 Company Statute 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 that 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 Company’s operations as well as of the Company Group including its subsidiaries**

- (1) The department in charge of internal control for the entire Group shall be the Corporate Planning Department, which provides necessary guidance and support to each Group Company to enhance the effectiveness of internal control and the efficiency of business execution at each Group Company.
- (2) Regarding compliance and risk management, the Company’s department in charge of compliance and risk management shall conduct activities covering the entire Group.
- (3) The internal reporting system shall be applied to each Group company.

- (4) 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 shall not be 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 employee 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.

## ■ Directors, Operating Officers and Corporate Auditors

### Directors and Operating Officers



President and CEO,  
Representative Director

**Takashi Nagano**

Joined in March 1981



Chief Technical Officer, Executive Vice President

**Norimasa Nagata**

Joined in January 2013  
Director in Charge of Engineering Div.,  
Global Operation Div., Shinjuku Technical Center  
and General Manager, Shinjuku Technical Center



Chief Financial Officer, Director

**Takuya Mori**

Joined in March 1983  
General Manager, Administrative Management Div.



Senior Operating Officer

**Noboru Fujino**

Joined in April 1980  
General Manager, Engineering Div.



Director

**Ichiro Anjo**

Outside Director



Director

**Yuichi Kawakami**

Outside Director



Operating Officer

**Hirotoshi Tashima**

Joined in March 1984  
General Manager, Sales Div.



Operating Officer

**Tetsuya Sakuma**

Joined in March 1982  
General Manager, Global Operation Div.



Operating Officer

**Fumihiko Ooka**

Joined in April 2016  
Shinkawa Manufacturing Asia Co., Ltd.  
President  
and Shinkawa (Thailand) Co., Ltd. President



Operating Officer

**Lee Ho Seong**

Joined in April 1990  
Shinkawa Korea Co., Ltd. President



Operating Officer

**Hiroshi Munakata**

Joined in December 2016  
Deputy General Manager, Engineering Div.  
and Deputy General Manager,  
Shinjuku Technical Center



Operating Officer

**Yasuhisa Miyata**

Joined in June 2018  
President and Representative Director of PFA  
Corporation

### Corporate Auditors



Audit & Supervisory Board Member

**Koji Sekiguchi**



Audit & Supervisory Board Member

**Masaki Yoshino**



Audit & Supervisory Board Member

**Mariko Mitsuya**

## ■ Main Risks and Uncertainties

Below are the main risks and uncertainties SHINKAWA is exposed to in the business environment surrounding the Group that can substantially influence judgment of the investors.

Please note that all forward-looking statements listed in this section are based on the current assumptions of the Group as of the end of June, 2018.

### 1. Changes in the semiconductor market

The Group manufactures and sells semiconductor manufacturing equipment. The demand for semiconductor manufacturing equipment is influenced by fluctuations in the semiconductor market, the trend of semiconductor manufacturers' capital investments and other factors.

Our Group strives to maintain solid fiscal standing and is currently conducting a range of measures to radically reorganize the cost structure and fortify the product lineup with a view to boost its competitive power, but since ours is a single segment enterprise, these market fluctuation may have a disadvantageous impact on the Group's financial standing and business performance.

### 2. Exchange rate fluctuations

In the 2016 fiscal year, the proportion of foreign sales among net sales of the Group was 82.9%. As the Group also intends to expand the number of its overseas bases centering on the Asian countries, we expect a further increase in the foreign currency transactions in the future.

Presently, the non-yen foreign currency transactions are denominated in U.S. dollars, and fluctuations in the yen/dollar exchange rate may affect the financial standing and business performance of the Group.

### 3. Uncertainties related to product development

Our Group makes a continuous effort to develop original technology in response to the latest technological innovations and needs of the market, but the results of product development are accompanied by a number of uncertainties stemming from various factors including the changes in the product life cycle, and segmentation of clients' needs.

In such cases as when the Group cannot develop new technologies and new products in a timely manner, or when it cannot develop new technologies precisely matching the direction of the current market competition, it may affect the financial standing and business performance of the Group.

### 4. Worsening of conditions for raw material procurement

The products of the Group are made by assembling in the company varied units processed/manufactured by external suppliers, and since production of such units requires the manufacturer

to have the proprietary technology of our Group, in procurement we depend on a small number of specific suppliers.

During the phases when there is a substantial increase of production by the Group, there are cases when the capacity of production on the suppliers side temporarily cannot keep up with the increase, resulting in the state of procurement becoming unstable.

The Group may also be influenced by financial health and other changes happening to its suppliers. These factors may affect the financial standing and business performance of the Group.

### 5. Major quality claims

One of the permanent tasks of the Group is to maintain and enhance the stability and reliability of our products, taking all possible care to ensure a thorough quality control. Nevertheless, there may be cases when due to unforeseen defects or flaws the Group is sued under product liability and has to fulfill its duty for compensation.

When the cost of such duty cannot be covered by insurance, it may affect the financial standing and business performance of the Group.

### 6. Lawsuits related to intellectual property rights, etc.

The Group strives to protect and control various kinds of intellectual property rights including such measures as acquiring the patent rights for the proprietary technology developed by the Group.

At the same time, in product development, we make an effort not to infringe on intellectual property rights and other rights owned by third parties.

However, when a third party fraudulently uses the technology the Group owns intellectual property rights for, or when a legal action is taken against the Group by a third party for infringement of its intellectual property rights, it may affect the financial standing and business performance of the Group.

### 7. Uncertainties related to mergers and acquisitions and business collaborations

As the globalization of the economy is intensifying with economic fluctuations and market competition, the Group will expand its range of businesses by promoting M&As and business alliances with companies that can generate synergies with the Group's technologies. In such a

case, the Group shall check with due diligence the financial standing and other details of the company concerned beforehand and identify the risks, but if after acquisition the company is unexpectedly found to have debts, or when there is no synergic effect due to changes of business environment or other factors, such cases may affect the financial standing and business performance of the Group.

#### **8. Changes of regulations**

The Group is influenced not only by laws and regulations of Japan, but also by various regulations and approval procedures peculiar to the countries of the clients who purchase and use the products of the Group.

Although the Group strives to strictly observe these legal restrictions by maintaining a system of compliance, in cases where the Group has to bear substantial costs as a result of revisions or enforcements of new laws, ordinances, or regulations in the future, such cases may affect the financial standing and business performance of the Group.

#### **9. Leakage of important information**

The SHINKAWA Group handles important information related to its business partners and personal information of officers and employees of the Group while conducting business activities. To protect such information, we are striving to manage such information thoroughly by improving the compliance system, including related rules, establishing an information security system, and conducting activities to educate officers and employees.

However, despite all such measures we take, should any leakage of customer information or personal information occur due to an unexpected situation, liability for damage compensation might occur and/or the Group might lose the trust of society, which could affect the Group's financial position and operating results.

#### **10. Occurrence of natural disasters, wars, terrorist attacks, accidents, etc.**

In cases when earthquakes, floods, or other natural disasters, wars, terrorist attacks, epidemics of infectious diseases, radioactive contamination, or computer virus attacks happen in areas in and outside the country, in which bases of our Group are located, the Group may be forced to suspend its business activity. Also, when the Group has to bear the restoration expenses for products, components, or plant and equipment that were damaged during natural or man-caused disasters, it may affect the financial standing and business performance of the Group.

#### **11. Notes on Important Events Related to Going Concern Assumption**

The Group has reported an operating loss, ordinary loss and loss attributable to owners of parent in recent fiscal years, mostly due to prolonged periods of product development and evaluation and a relatively high ratio of fixed cost to net sales. Under such circumstances, the Company experienced important events relating to the going concern assumption.

## Financial Summary

### Consolidated 11-Year Summary

Years ended March 31

#### Operating Results (Millions of Yen)

	FY2007	FY2008	FY2009	FY2010	FY2011
Net Sales	¥27,796	¥10,403	¥9,980	¥20,773	¥13,396
Gross Profit	9,245	2,367	1,757	4,742	3,057
Operating Profit (Loss)	2,514	(4,256)	(2,867)	(792)	(2,388)
Profit (Loss) attributable to owners of parent	¥1,376	(¥4,720)	(¥2,959)	(¥1,222)	(¥4,647)

#### Financial Position (Millions of Yen)

	FY2007	FY2008	FY2009	FY2010	FY2011
Total Assets	¥49,945	¥40,354	¥38,643	¥37,618	¥32,664
Total Net Assets	¥46,868	¥39,046	¥36,480	¥35,136	¥30,366

#### Cash Flows (Millions of Yen)

	FY2007	FY2008	FY2009	FY2010	FY2011
Net Cash Provided by (used in) Operating Activities	(¥1,188)	¥2,267	(¥439)	(¥5,293)	(¥1,482)
Net Cash Provided by (used in) Investing Activities	(285)	(969)	230	3,355	(1,017)
Free Cash Flows	(1,473)	1,298	(209)	(1,938)	(2,499)
Net Cash Provided by (used in) Financing Activities	(965)	(2,170)	(95)	(95)	(93)
Cash and Cash Equivalents at End of Period	¥14,807	¥13,832	¥13,554	¥11,477	¥8,821

#### Per Share Data (Yen)

	FY2007	FY2008	FY2009	FY2010	FY2011
Profit (Loss)	¥71.36	(¥255.45)	(¥162.80)	(¥67.24)	(¥255.67)
Total Net Assets	2,429.87	2,147.43	2,006.19	1,932.74	1,670.68
Cash Dividends	¥40.00	¥10.00	¥5.00	¥5.00	¥5.00

#### Ratios (%)

	FY2007	FY2008	FY2009	FY2010	FY2011
Return on Assets (ROA)	2.7	(10.5)	(7.5)	(3.2)	(13.2)
Return on Equity (ROE)	2.9	(11.0)	(7.8)	(3.4)	(14.2)
Equity Ratio	93.8	96.7	94.4	93.4	93.0

#### Other Data

	FY2007	FY2008	FY2009	FY2010	FY2011
Research and Development Expenses (Millions of Yen)	¥1,756	¥2,276	¥1,420	¥1,500	¥1,921
Capital Expenditure (Millions of Yen)	1,047	578	846	410	341
Depreciation (Millions of Yen)	¥1,035	¥999	¥777	¥744	¥716
Number of Employees	604	647	643	672	658

Note : From Annual Report 2009, the amount of cash and cash equivalents are shown after deduction of time deposits of which maturity exceed three months.

The amounts from FY2006 to FY2007 shown in Net Cash Provided by (Used in) Investing Activities, and Cash and Cash Equivalents at End of Period are changed in accordance with the change of the calculation.

Free Cash Flows = Net Cash Provided by (used in) Operating Activities + Net Cash Provided by (used in) Investing Activities

**Operating Results (Millions of Yen)**

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Net Sales	¥11,350	¥7,481	¥11,352	¥12,662	¥16,438	¥15,214
Gross Profit	2,716	2,135	2,837	3,854	5,370	4,722
Operating Profit (Loss)	(2,558)	(4,113)	(2,669)	(1,035)	294	(620)
Profit (Loss) attributable to owners of parent	(¥2,120)	(¥4,312)	(¥1,894)	(¥1,849)	¥243	¥563

**Financial Position (Millions of Yen)**

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Total Assets	¥31,004	¥26,059	¥26,500	¥23,340	¥25,201	¥24,959
Total Net Assets	¥28,967	¥24,402	¥23,336	¥20,570	¥21,579	¥21,545

**Cash Flows (Millions of Yen)**

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Net Cash Provided by (used in) Operating Activities	¥2,225	(¥2,774)	(¥1,913)	(¥306)	(¥1,252)	¥525
Net Cash Provided by (used in) Investing Activities	(1,794)	1,799	(460)	368	(417)	1,130
Free Cash Flows	431	(975)	(2,373)	62	(1,669)	1,655
Net Cash Provided by (used in) Financing Activities	(91)	(91)	(1)	(1)	(0)	(0)
Cash and Cash Equivalents at End of Period	¥9,253	¥8,492	¥6,349	¥6,254	¥4,572	¥6,210

**Per Share Data (Yen)**

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Profit (Loss)	(¥116.65)	(¥237.27)	(¥104.19)	(¥101.75)	¥13.37	¥31.00
Total Net Assets	1,593.73	1,342.61	1,284.01	1,131.83	1,187.36	1,185.52
Cash Dividends	¥5.00	¥0.00	¥0.00	¥0.00	¥0.00	¥0.00

**Ratios (%)**

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Return on Assets (ROA)	(6.7)	(15.1)	(7.2)	(7.4)	1.0	2.2
Return on Equity (ROE)	(7.1)	(16.2)	(7.9)	(8.4)	1.2	2.6
Equity Ratio	93.4	93.6	88.1	88.1	85.6	86.3

**Other Data**

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Research and Development Expenses (Millions of Yen)	¥2,033	¥2,589	¥2,198	¥1,460	¥1,507	¥1,710
Capital Expenditure (Millions of Yen)	733	649	522	337	380	299
Depreciation (Millions of Yen)	¥663	¥894	¥801	¥539	¥513	¥526
Number of Employees	647	702	672	681	712	755

## Financial Data

### Consolidated Balance Sheets

March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2018
<b>Assets</b>			
Current assets			
Cash and deposits	4,849	6,452	60,734
Notes and accounts receivable - trade	6,363	4,971	46,793
Electronically recorded monetary claims	0	283	2,668
Merchandise and finished goods	2,568	2,589	24,369
Work in process	1,061	1,223	11,511
Raw materials and supplies	595	762	7,177
Deferred tax assets	49	45	422
Other	641	783	7,374
Allowance for doubtful accounts	(2)	(1)	(11)
Total current assets	16,124	17,109	161,038
Non-current assets			
Property, plant and equipment			
Buildings and structures	12,220	12,292	115,703
Accumulated depreciation	(10,620)	(10,838)	(102,013)
Buildings and structures, net	1,600	1,454	13,690
Machinery, equipment and vehicles	1,866	1,900	17,883
Accumulated depreciation	(1,630)	(1,659)	(15,613)
Machinery, equipment and vehicles, net	236	241	2,270
Land	3,198	3,217	30,277
Construction in progress	73	22	207
Other	1,556	1,579	14,859
Accumulated depreciation	(1,459)	(1,500)	(14,120)
Other, net	97	78	738
Total property, plant and equipment	5,204	5,013	47,182
Intangible assets			
Other	52	43	405
Total intangible assets	52	43	405
Investments and other assets			
Investment securities	3,365	2,368	22,289
Long-term loans receivable	21	16	153
Deferred tax assets	25	28	263
Other	409	383	3,605
Total investments and other assets	3,821	2,795	26,310
Total non-current assets	9,077	7,851	73,897
Total assets	25,201	24,959	234,935
<b>Liabilities</b>			
Current liabilities			
Accounts payable - trade	1,163	1,238	11,657
Income taxes payable	172	72	675
Deferred tax liabilities	9	6	56
Provision for product warranties	284	273	2,570
Provision for bonuses	227	222	2,089
Other	370	379	3,572
Total current liabilities	2,226	2,191	20,619
Non-current liabilities			
Net defined benefit liability	862	852	8,019
Deferred tax liabilities	528	366	3,447
Other	6	6	59
Total non-current liabilities	1,397	1,224	11,525
Total liabilities	3,622	3,415	32,144
<b>Net assets</b>			
Shareholders' equity			
Capital stock	8,360	8,360	78,690
Capital surplus	8,907	8,907	83,837
Retained earnings	5,726	6,289	59,199
Treasury shares	(3,150)	(3,150)	(29,654)
Total shareholders' equity	19,843	20,406	192,072
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,535	944	8,890
Foreign currency translation adjustment	177	203	1,911
Remeasurements of defined benefit plans	24	(9)	(82)
Total accumulated other comprehensive income	1,736	1,139	10,719
Total net assets	21,579	21,545	202,791
<b>Total liabilities and net assets</b>	<b>25,201</b>	<b>24,959</b>	<b>234,935</b>

Note : The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2018, which was ¥106.24 to U.S. \$1.00.

## Consolidated Statements of Income

Fiscal Years ended March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
<b>Net sales</b>	16,438	15,214	143,205
Cost of sales	11,068	10,492	98,760
Gross profit	5,370	4,722	44,445
Selling, general and administrative expenses	5,075	5,342	50,282
Operating profit (loss)	294	(620)	(5,837)
Non-operating income			
Interest income	9	9	82
Dividend income	66	66	618
Rent income	8	3	32
Foreign exchange gains	41	61	570
Other	16	7	68
Total non-operating income	140	145	1,369
Non-operating expenses			
Interest expenses	—	4	38
Sales discounts	1	9	83
Cost of lease revenue	1	—	—
Other	0	1	8
Total non-operating expenses	2	14	130
Ordinary profit (loss)	432	(488)	(4,598)
Extraordinary income			
Gain on sales of non-current assets	12	—	—
Gain on sales of investment securities	35	1,108	10,426
Total extraordinary income	47	1,108	10,426
Extraordinary losses			
Loss on sales of non-current assets	1	—	—
Total extraordinary losses	1	—	—
Profit (loss) before income taxes	478	619	5,828
Income taxes - current	194	57	539
Income taxes - deferred	41	(1)	(14)
Total income taxes	235	56	526
Profit (loss)	243	563	5,302
<b>Profit (loss) attributable to owners of parent</b>	243	563	5,302

## Consolidated Statements of Comprehensive Income

Fiscal Years ended March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Profit (loss)	243	563	5,302
Other comprehensive income			
Valuation difference on available-for-sale securities	669	(591)	(5,559)
Foreign currency translation adjustment	11	26	248
Remeasurements of defined benefit plans, net of tax	87	(33)	(307)
Total other comprehensive income	766	(597)	(5,618)
Comprehensive income	1,009	(34)	(316)
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	1,009	(34)	(316)
Comprehensive income attributable to non-controlling interests	—	—	—

Note : The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 2018, which was ¥106.24 to U.S. \$1.00.

## Consolidated Statement of Changes in Net Assets

Fiscal Year ended March 31, 2017

	Millions of yen									
	Shareholders' equity					Accumulated other comprehensive income				Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
<b>Balance at the beginning of current period</b>	<b>¥8,360</b>	<b>¥8,907</b>	<b>¥5,483</b>	<b>(¥3,150)</b>	<b>¥19,600</b>	<b>¥866</b>	<b>¥166</b>	<b>(¥63)</b>	<b>¥970</b>	<b>¥20,570</b>
Changes of items during period										
Profit (loss) attributable to owners of parent			243		243					243
Purchase of treasury shares				(0)	(0)					(0)
Net changes of items other than shareholders' equity						669	11	87	766	766
Total changes of items during period	—	—	243	(0)	243	669	11	87	766	1,009
<b>Balance at the end of current period</b>	<b>¥8,360</b>	<b>¥8,907</b>	<b>¥5,726</b>	<b>(¥3,150)</b>	<b>¥19,843</b>	<b>¥1,535</b>	<b>¥177</b>	<b>¥24</b>	<b>¥1,736</b>	<b>¥21,579</b>

Fiscal Year ended March 31, 2018

	Millions of yen									
	Shareholders' equity					Accumulated other comprehensive income				Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
<b>Balance at the beginning of current period</b>	<b>¥8,360</b>	<b>¥8,907</b>	<b>¥5,726</b>	<b>(¥3,150)</b>	<b>¥19,843</b>	<b>¥1,535</b>	<b>¥177</b>	<b>¥24</b>	<b>¥1,736</b>	<b>¥21,579</b>
Changes of items during period										
Profit (loss) attributable to owners of parent			563		563					563
Purchase of treasury shares				(0)	(0)					(0)
Net changes of items other than shareholders' equity						(591)	26	(33)	(597)	(597)
Total changes of items during period	—	—	563	(0)	563	(591)	26	(33)	(597)	(34)
<b>Balance at the end of current period</b>	<b>¥8,360</b>	<b>¥8,907</b>	<b>¥6,289</b>	<b>(¥3,150)</b>	<b>¥20,406</b>	<b>¥944</b>	<b>¥203</b>	<b>(¥9)</b>	<b>¥1,139</b>	<b>¥21,545</b>

Fiscal Year ended March 31, 2018

	Thousands of U.S. Dollars									
	Shareholders' equity					Accumulated other comprehensive income				Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
<b>Balance at the beginning of current period</b>	<b>\$78,690</b>	<b>\$83,837</b>	<b>\$53,897</b>	<b>(\$29,650)</b>	<b>\$186,774</b>	<b>\$14,449</b>	<b>\$1,663</b>	<b>\$225</b>	<b>\$16,337</b>	<b>\$203,111</b>
Changes of items during period										
Profit (loss) attributable to owners of parent			5,302		5,302					5,302
Purchase of treasury shares				(4)	(4)					(4)
Net changes of items other than shareholders' equity						(5,559)	248	(307)	(5,618)	(5,618)
Total changes of items during period	—	—	5,302	(4)	5,298	(5,559)	248	(307)	(5,618)	(320)
<b>Balance at the end of current period</b>	<b>\$78,690</b>	<b>\$83,837</b>	<b>\$59,199</b>	<b>(\$29,654)</b>	<b>\$192,072</b>	<b>\$8,890</b>	<b>\$1,911</b>	<b>(\$82)</b>	<b>\$10,719</b>	<b>\$202,791</b>

## Consolidated Statements of Cash Flows

Fiscal Years ended March 31, 2017 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
<b>Cash flows from operating activities</b>			
Profit before income taxes	478	619	5,828
Depreciation	513	526	4,955
Increase (decrease) in allowance for doubtful accounts	0	(1)	(6)
Increase (decrease) in provision for bonuses	24	(5)	(49)
Increase (decrease) in net defined benefit liability	65	(43)	(405)
Increase (decrease) in other provision	93	(11)	(104)
Interest and dividend income	(75)	(74)	(699)
Interest expenses	—	4	38
Foreign exchange losses (gains)	(15)	(26)	(245)
Loss (gain) on sales of property, plant and equipment	(11)	—	—
Loss (gain) on sales of investment securities	(35)	(1,108)	(10,426)
Decrease (increase) in notes and accounts receivable - trade	(3,274)	1,160	10,915
Decrease(increase)in inventories	555	(278)	(2,614)
Increase (decrease) in notes and accounts payable - trade	521	(15)	(142)
Other, net	43	(88)	(830)
Subtotal	(1,118)	660	6,217
Interest and dividend income received	75	75	703
Income taxes (paid) refund	(209)	(206)	(1,943)
Interest expenses paid	—	(4)	(38)
Net cash provided by (used in) operating activities	(1,252)	525	4,938
<b>Cash flows from investing activities</b>			
Payments into time deposits	(417)	(261)	(2,455)
Proceeds from withdrawal of time deposits	397	361	3,397
Purchase of property, plant and equipment	(394)	(285)	(2,685)
Proceeds from sales of property, plant and equipment	14	7	69
Purchase of intangible assets	(45)	(18)	(165)
Proceeds from sales of investment securities	64	1,352	12,724
Payments of loans receivable	(13)	(8)	(80)
Collection of loans receivable	15	17	161
Other payments	(187)	(187)	(1,758)
Other proceeds	148	152	1,428
Net cash provided by (used in) investing activities	(417)	1,130	10,637
<b>Cash flows from financing activities</b>			
Purchase of treasury shares	(0)	(0)	(4)
Cash dividends paid	(0)	—	—
Net cash provided by (used in) financing activities	(0)	(0)	(4)
Effect of exchange rate change on cash and cash equivalents	(13)	(16)	(149)
Net increase (decrease) in cash and cash equivalents	(1,682)	1,638	15,422
Cash and cash equivalents at beginning of period	6,254	4,572	43,033
<b>Cash and cash equivalents at end of period</b>	<b>4,572</b>	<b>6,210</b>	<b>58,455</b>

## ■ Product Introduction

### — Wire Bonder —

#### **UTC-5000NeoCu**

High Speed Cu Wire Bonder Capable of Handling Wide Range of Product-Types from Fine Pitch Devices to Power Devices

#### **UTC-5000**

High Speed Wire Bonder Capable of Handling Wide Range of Product-Types from Fine Pitch Devices to Power Devices

#### **UTC-5100**

High Speed Wire Bonder for LED and Discrete Devices with Enhanced Productivity and Wide Frame Handling Capability



(UTC-5000NeoCu)

### — Die Bonder —

#### **SPA-1000**

High-Accuracy Twin-Head Die Bonder



#### **STC-800**

Discrete Application Die Bonder



### — Flip Chip Bonder —

#### **FPB-1s NeoForce**

Package Bonder for Multiple Processes



#### **FPB-1w NeoForce / FPB-1ws NeoForce**

Package Bonder for Multiple Processes



(FPB-1w NeoForce)

#### **YSB55w**

High-Speed & High-Accuracy Flip Chip Bonder



### — Bump Bonder —

#### **SBB-5200**

Wide Area Handling High-speed Wafer Bump Bonder



## ■ Group Companies

Company name	Capital	Ratio of voting rights held by the Company	Principal business
Shinkawa Technologies Ltd.	JPY 90,000 thousand	100.00%	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	100.00%	Sales promotion and maintenance services for semiconductor manufacturing equipment
Shinkawa Taiwan Co., Ltd.	TWD 13,800 thousand	100.00%	Sales promotion and maintenance services for semiconductor manufacturing equipment
Shinkawa (Shanghai) Co., Ltd.	USD 200 thousand	100.00%	Sales promotion and maintenance services for semiconductor manufacturing equipment
Shinkawa Philippines, Inc.	PHP 10,523 thousand	100.00%	Maintenance services for semiconductor manufacturing equipment
Shinkawa Vietnam Co., Ltd.	USD 200 thousand	100.00%	Design and development of software for semiconductor manufacturing equipment
Shinkawa Singapore Pte. Ltd.	SGD 150 thousand	100.00%	Sales promotion and maintenance services for semiconductor manufacturing equipment
Shinkawa (Malaysia) Sdn. Bhd.	MYR 500 thousand	100.00%	Maintenance services for semiconductor manufacturing equipment
Shinkawa (Thailand) Co., Ltd.	THB 10,000 thousand	100.00%	Maintenance services for semiconductor manufacturing equipment
Shinkawa Manufacturing Asia Co., Ltd.	THB 343,000 thousand	100.00%	Manufacturing and sales of semiconductor manufacturing equipment
Shinkawa U.S.A., Inc.	USD 50 thousand	100.00%	Sales promotion and market research for semiconductor manufacturing equipment



## History of SHINKAWA

SHINKAWA LTD. was founded in 1959 — the year that the world witnessed the birth of the first integrated circuit (IC) in the U.S. — and has kept pace with the evolution of semiconductors ever since. SHINKAWA started out with secondary transistor processing, expanded the scope of its business during the 10 years that followed the Company's founding to conduct the development, manufacture and marketing of such custom-made products as jigs and fixtures for semiconductor

assembly and semiconductor testers and handlers. After the oil shocks of the early 1970s, the Company concentrated its management resources on the development of automated equipment used in the assembly process of semiconductor manufacturing.

All of these endeavors underpin what we are today — a specialized manufacturer of semiconductor assembly equipment.

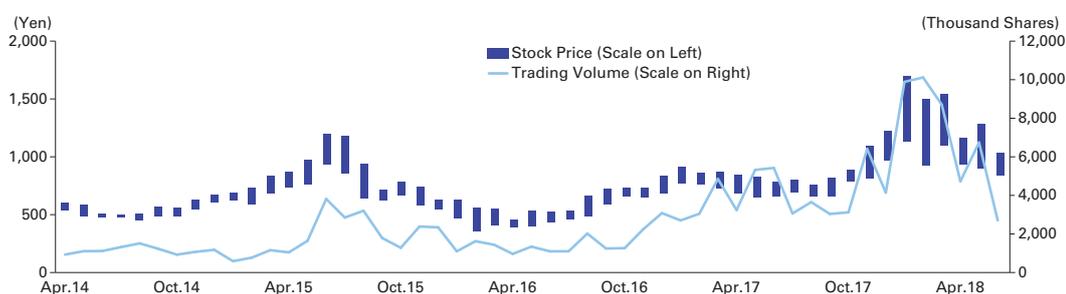
August	1959	Shinkawa Seisakusho Co., Ltd. was founded to engage in secondary processing of transistor parts (Paid-up capital ¥1 million, Head office located in Mitaka-shi, Tokyo)
February	1960	Commenced production of jigs and fixtures for semiconductor assembly
January	1964	Built a new plant in Musashimurayama-shi, Tokyo
January	1967	Moved head office to Musashimurayama-shi, Tokyo Introduced semi-automatic bonder for transistors
April	1970	Introduced automatic wire bonder for ICs
August	1972	Introduced integrated type microcomputer for the first time in the industry
September	1976	Began exporting of wire bonders to the U.S.
June	1977	Introduced the world's first, fully automatic wire bonder and tape bonder
January	1978	Introduced type fully automatic wire bonder with digital bond head system
January	1980	Introduced type fully automatic die bonder with digital bond head system
February	1980	Changed the company name to SHINKAWA LTD.
April	1984	Introduced inner lead tape bonder
December	1985	Introduced in line system
September	1988	Listed on the Second Section of the Tokyo Stock Exchange Established Shinkawa Singapore Pte. Ltd. in Singapore
September	1989	Established Shinkawa U.S.A., Inc. in the U.S.
June	1994	Introduced wire bonder with inspection capability
November	1994	Established Shinkawa (Malaysia) Sdn. Bhd. in Malaysia
August	1996	Established Shinkawa Taiwan Co., Ltd. in Taiwan
December	1996	Established Shinkawa Korea Co., Ltd. in Korea
April	1999	Acquired ISO9001 certification
January	2000	Established Shinkawa (Thailand) Co., Ltd. in Thailand
April	2000	Established SKT Ltd. (currently Shinkawa Technologies Ltd.)
September	2000	Upgraded to the First Section of the Tokyo Stock Exchange
April	2001	Established Kyushu Service Center in Fukuoka
May	2001	Introduced 300mm wafer handling die bonder
November	2001	Established Shinkawa (Shanghai) Co., Ltd. in the People's Republic of China
December	2001	Introduced wire bonder with NRS/RPS capability
February	2006	Established Shinkawa Philippines, Inc. in the Republic of the Philippines
July	2008	Introduced wire bonder with BIM capability
August	2009	Established Shinkawa Vietnam Co., Ltd. in Vietnam
March	2010	Introduced flip chip bonder for TCB process
February	2012	Established Shinkawa Manufacturing Asia Co., Ltd. in Thailand
May	2016	Introduced package bonder for multiple processes
February	2017	Introduced wide area handling high-speed wafer bump bonder
December	2017	Transferred the Headquarters to Shinjuku-ku, Tokyo
June	2018	Acquired all shares of Pioneer FA Corporation (PFA Corporation today) and made it a Subsidiary of Shinkawa Group

## Corporate Information / Investor Information

### Corporate Information

■ <b>Company Name</b>	SHINKAWA LTD.
■ <b>Head Office</b>	Shinjuku Front Tower 32F, 2-21-1 Kitashinjuku, Shinjuku-ku, Tokyo 169-0074, Japan
■ <b>Telephone Number</b>	+81-3-5937-6401
■ <b>Established</b>	August 6, 1959
■ <b>Paid-up Capital</b>	8,360 million yen (As of March 31, 2018)
■ <b>Fiscal Year</b>	From April 1 to March 31
■ <b>Number of Employees</b>	755 (As of March 31, 2018)
■ <b>Business</b>	Research, Development, Designing, Manufacturing, Sales and After-Sales Service of Semiconductor Manufacturing Equipment
■ <b>Group Companies</b>	11
■ <b>Product Lineup</b>	Wire Bonders, Die Bonders, Bump Bonders, Flip Chip Bonders, etc.
■ <b>Auditing Firm</b>	ARK MEIJI AUDIT & Co.
■ <b>URL</b>	<a href="https://www.shinkawa.com">https://www.shinkawa.com</a>

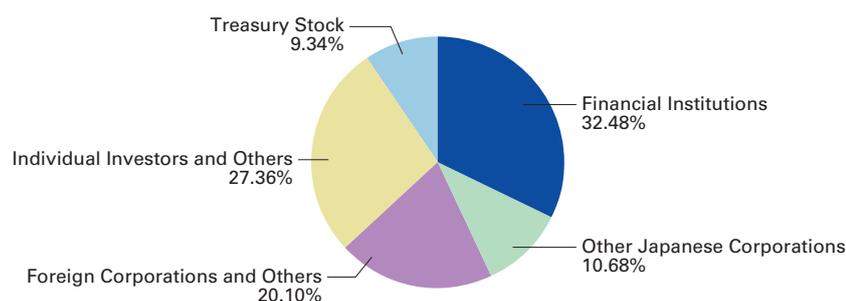
### Stock Price



### Investor Information

Stock Listing	: Tokyo Stock Exchange, First Section	Number of Shareholders	: 6,817
Securities Code	: 6274	General Meeting of Shareholders	: June
Number of Shares Authorized	: 80,000,000 shares	Transfer Agent and Registrar	: Mitsubishi UFJ Trust and Banking Corporation
Number of Shares Outstanding	: 20,047,500 shares		

### Distribution of Shareholders (As of March 31, 2018)



### Principal Shareholders (As of March 31, 2018)

Name of Shareholder	Number of Shares Held (Thousand)	Percentage of Shares Held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	2,016	11.90
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

