

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.  
The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Securities Code: 6482  
June 11, 2014

Dear Shareholders,

**Notice of Convocation for  
the 41<sup>st</sup> Ordinary General Meeting of Shareholders**

Notice is hereby given that the 41<sup>st</sup> Ordinary General Meeting of Shareholders of Yushin Precision Equipment Co., Ltd. will be held as set out below:

If you do not expect to attend the meeting in person, you may exercise your voting rights in writing. Please refer to the enclosed Reference Documents for the General Meeting of Shareholders, use the Form for Exercising Voting Rights to indicate your vote on agenda proposals and return it by 5 p.m. on Wednesday, June 25, 2014 at the latest.

**Details**

1. **Date and Time:** Thursday, June 26, 2014 at 10 a.m.
2. **Place:** 4<sup>th</sup> Floor Conference Room, No. 2 Factory  
Head Office of Yushin Precision Equipment Co., Ltd.  
11-260 Kogahonmachi, Fushimi-ku, Kyoto
3. **Objectives of the Meeting:**  
**Matters to be reported:**
  - a) Business Report and Consolidated Financial Statements for the 41<sup>st</sup> Fiscal Year (from April 1, 2013 to March 31, 2014) as well as the audit reports from the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements
  - b) Report on the Non-Consolidated Financial Statements for the 41<sup>st</sup> Fiscal Year (from April 1, 2013 to March 31, 2014)

**Agenda for resolution:**

**Proposal:** Election of Seven (7) Directors

Sincerely Yours,

Mayumi Kotani  
President and Representative Director  
**Yushin Precision Equipment Co., Ltd.**  
11-260 Kogahonmachi, Fushimi-ku,  
Kyoto, Japan

---

Notes:

- \* You are kindly requested to present the enclosed "Form for Exercising Voting Rights" to the receptionist upon your arrival at the Meeting.
- \* If any changes have been made to the matters appearing in the Reference Documents for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements or Consolidated Financial Statements, such changes will be posted on our website: (<http://www.yushin.com>)

**Business Report**

(From April 1, 2013 to March 31, 2014)

**1. Current Business Conditions of the Yushin Group****(1) Progress and achievements**

In this fiscal year, the economy of United States was gradually recovering and the European economy which had been struggling seemed to come out of the recession. On the other side, the economic growth in China and some of emerging Asian countries were slowing down. Therefore the world economy had been uncertain situation. The economic situation in Japan has been upward momentum due to correction of the yen appreciation and rising stock prices with implementation some economic policies by the government and the last-minute demand just before raising consumption taxes.

Regarding the industries relating to the Yushin Group, demands on the industry of automotive and IT devices for smartphones and etc. have kept strong and also demands for consumer goods industry increased. And there were some improvements of the investment for the equipment in Japan following strong overseas markets.

In these circumstances, the Yushin Group increased unit sales of main products, take-out robots "SC and YC series" which were developed based on the concepts of a high-speed motion, vibration suppression and an energy saving, and which have been recognized its performance in many countries of the world. Especially, sales in the United States, China and South Korea were maintained a good condition. Orders from new customers, who focus attention on energy-saving performances and labor cost savings, significantly increased. And the Yushin Group has received results of cost reduction activities, local purchases and making up production systems.

As the result, consolidated net sales increased by 21.7% year on year to 17,909 million yen. Also operating income increased by 86.3% year on year to 2,792 million yen, ordinary income increased by 77.2% year on year to 3,095 million yen, and net income increased by 69.8% year on year to 1,893 million yen.

**Consolidated net sales by product category**

(Thousands of yen)

Years ended March 31,	2013		2014		Change
Product	Amount	%	Amount	%	%
Take-out robots	10,141,284	68.9	12,736,206	71.1	25.6
Custom-ordered equipments	2,144,021	14.6	2,626,046	14.7	22.5
Parts and maintenance services	2,436,336	16.5	2,547,039	14.2	4.5
Total	14,721,643	100.0	17,909,292	100.0	21.7

**(2) Capital investment**

The total amount of capital investment for the Yushin Group effectuated over the course of the period under review was 1,924 million yen mainly for the acquisition of the land for a new Head Quarters valued at 1,659 million yen, the building a fence around the new land valued at 55 million yen and the capital investment related to R&D valued at 38 million yen.

**(3) Financing activities**

No material items to report.

#### (4) Assets and operating results 2011 - 2014

Years ended March 31,	2011	2012	2013	2014
Net sales (thousands of yen)	12,567,648	14,240,008	14,721,643	17,909,292
Ordinary income (thousands of yen)	1,055,101	1,265,740	1,746,573	3,095,258
Net income (thousands of yen)	729,833	778,283	1,114,801	1,893,027
Net income per share (yen)	41.73	44.50	63.74	108.24
Total assets (thousands of yen)	21,583,634	22,641,673	23,744,465	26,252,009
Net assets (thousands of yen)	18,495,803	18,787,344	19,865,622	21,875,926
Net assets per share (yen)	1,055.42	1,072.24	1,131.63	1,243.88

Notes: The net income per share is calculated based on the average number of issued shares during the fiscal year and the net assets per share are calculated based on the number of issued shares at the end of the fiscal year.

#### (5) Issues to be addressed

As for the business environment surrounding the Yushin Group, in the first half of the fiscal year domestic economy in Japan is expected that it will be still in a tough situation on swinging in the economy due to raise in consumption tax rate. However, the economy has a prospect to enter into a trend in upward from the effect of the monetary and fiscal policies implemented by the government toward the second half. Although the economic recovery is expected, only a small increase in the capital investment is anticipated within Japan since manufacturing shifted to overseas due to the prolonged appreciation of the yen. In the overseas, capital investments are expected to be continuously strong particularly in North America and Asia.

Under these circumstances, Yushin aims to develop itself further as a number-one company across the board in the “take-out robot” industry with Yushin philosophy “To contribute widely to society through the creation of innovative technology that enables customers to rationalize their production activities in plastic molding industry”.

As for company strategy, Yushin strengthens and conducts business even more aggressively in the global market, and work on developing superior cost-effective products with its quality and performance to meet our customer needs. Furthermore, Yushin will also attract new customer for the take-out robots while promoting receiving orders for custom-ordered equipment.

As for market strategy, Yushin has developed a sales and service network for take-out robots in the U.S, Asia, and Europe. Yushin will continuously expand and strengthen the network in areas where business is expected to grow, including South East Asia and South America, to develop a global business that can adequately respond to worldwide customer purchases. Especially, Yushin aims to develop new customers in emerging countries where labor costs are highly rising and develop world-class human resources who can sustain for expanding our presence around the world. And Yushin maximally utilize the production capacity of Technical center opened in 2013 to respond to the sales increase in semiconductor-related and medical-related area.

As for product strategy, Yushin developed a new take-out robot utilizing optimum design technology in 2010. This technology has been applied hereafter to general purpose take-out robot. It is the technology which can largely contribute to power-saving by reducing weight and power consumption. Yushin will continuously offer this definitely-differentiated product by appealing the performance superiority such as high-speed motion, vibration suppression and power-saving. In order to establish multiple core businesses, Yushin must develop and bring new products that can manifest technological and/or sales synergies to the market.

**(6) Status of Major subsidiaries**

Name	Location	Capital stock	Percentage of shareholding	Major operations
Yushin Korea Co., Ltd.	Siheung-Shi, Gyeonggi-Do, South Korea	KRW350 million	100%	Sales and maintenance & repair of our products
Yushin Precision Equipment (Taiwan) Co., Ltd.	Taipei City, Taiwan (R.O.C.)	NT\$5 million	100%	Sales and maintenance & repair of our products
Yushin Precision Equipment Trading (Shanghai) Co., Ltd.	Shanghai, China	US\$200,000	100%	Sales and maintenance & repair of our products
Yushin Precision Equipment Trading (Shenzhen) Co., Ltd.	Shenzhen, Guangdong, China	US\$400,000	100%	Sales and maintenance & repair of our products
Yushin Precision Equipment (Vietnam) Co., Ltd.	Hanoi, Vietnam	US\$300,000	100%	Sales and maintenance & repair of our products
PT. Yushin Precision Equipment Indonesia	Jakarta, Indonesia	IDR2,841million	99%	Sales and maintenance & repair of our products
Yushin Precision Equipment Sdn. Bhd.	Selangor, Malaysia	MYR500,000	100%	Sales and maintenance & repair of our products
Yushin Precision Equipment (Thailand) Co., Ltd.	Bangkok, Thailand	THB6 million	49%	Sales and maintenance & repair of our products
Yushin Precision Equipment (India) Pvt. Ltd.	Chennai, India	INR7.4 million	95%	Sales and maintenance & repair of our products
Yushin Automation Ltd.	Worcestershire, U.K.	GBP150,000	95.6%	Sales and maintenance & repair of our products
Yushin America, Inc.	Rhode Island, U.S.A.	US\$8,000	100%	Sales and maintenance & repair of our products. Manufacturing & sales and maintenance & repair of custom-ordered equipments
Guangzhou Yushin Precision Equipment Co., Ltd.	Guangzhou, Guangdong, China	RMB13.7million	100%	Manufacturing of our products

Yushin Precision Equipment (Vietnam) Co., Ltd. was established in February 2014 as a subsidiary of the Yushin Group and included in the scope of consolidation from the fiscal year under review.

**(7) Major operations (as of March 31, 2014)**

The Yushin Group is mainly engaged in the development, manufacture and sale of take-out robots for plastic injection Molding products and stock systems as well as factory automation systems for molding plants.

**(8) Main sales offices and factories (as of March 31, 2014)**

Name	Location
Kyoto Head Office & Factory No. 1, No. 2, No. 3, No. 5, No. 6 Factory at the Head site	Fushimi-ku, Kyoto-city
Technical Center	Minami-ku, Kyoto-city
Tokyo General Sales Office	Chuo-ku, Tokyo
Kita-Kanto General Sales Office	Kita-ku, Saitama-city
Chubu General Sales Office	Toyokawa-city, Aichi
Nishi-Nihon General Sales Office	Fushimi-ku, Kyoto-city
Tohoku Sales Office	Fukushima-city, Fukushima
Tsukuba Sales Office	Tsukuba-city, Ibaraki
Nishi-Kanto Sales Office	Atsugi-city, Kanagawa
Nagano Sales Office	Shiojiri-city, Nagano
Shizuoka Sales Office	Suruga-ku, Shizuoka-city
Nagoya-Nishi Sales Office	Kuwana-city, Mie
Toyama Sales Office	Toyama-city, Toyama
Hiroshima Sales Office	Nishi-ku, Hiroshima-city
Fukuoka Sales Office	Hakata-ku, Fukuoka-city
Ho Chi Minh Representative Office	Ho Chi Minh, Vietnam
Philippines Representative Office	Makati-city, Philippines

**(9) Employees (as of March 31, 2014)**

Number of employees	Increase from the end of previous FY
589 (54)	1

Note: The number of employees represents full-timers (including seconded employees to the Company) only. Part-timers and other irregular employees are represented separately as their average annual number indicated in parentheses ( ).

**(10) Major creditors (as of March 31, 2014)**

No items to report.

**(11) Other important matters pertaining to the status of the Yushin Group**

No material items to report.

**2. Matters Pertaining to the Shares of the Company (as of March 31, 2014)**

- (1) Number of shares authorized: 40,000,000  
(2) Total number of issued shares: 17,819,033  
(3) Number of shareholders: 4,051  
(4) Major shareholders:

Name	Investment in the Company	
	Number of shares held (thousand)	Percentage of shares held (%)
Yushin Industry Co., Ltd.	4,376	25.0
Mayumi Kotani	2,187	12.5
The Nomura Trust and Banking Co., Ltd. (Trust Account 3071019)	774	4.4
The Master Trust Bank of Japan, Ltd. (Retail Trust Account 620021158)	774	4.4
Japan Trustee Service Bank, Ltd. (Trust Accounts)	656	3.8
BNP Paribas Sec Services Luxembourg, Jasdec, Aberdeen Global Client Assets	563	3.2
The Kyoto Chuo Shinkin Bank, Ltd.	544	3.1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	424	2.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	376	2.2
The Bank of Kyoto, Ltd.	352	2.0

Note: Percentage of shares held is calculated after deducting the number of treasury stock (330,197 shares).

### 3. Matters Pertaining to Officers of the Company

#### (1) Directors and Corporate Auditors (as of March 31, 2014)

Position	Name	Responsibilities and representation of other organization
President and Representative Director	Mayumi Kotani	
Executive Managing Director	Satoshi Kimura	
Managing Director	Yasuharu Odachi	Head of Research & Development H.Q.
Managing Director	Yasushi Kitagawa	Head of Manufacturing Dept. and Head of Quality Assurance Dept.
Director	Yuji Tsujimoto	Head of Administrative H.Q. and Head of General Affairs Dept.
Full-time Corporate Auditor	Shujiro Sawada	
Corporate Auditor	Yasuhiro Orita	Lawyer
Corporate Auditor	Takao Yoshikawa	Professor emeritus at Osaka University
Corporate Auditor	Hiroho Kamakura	Certified Public Accountant Corporate Auditor at Trusco Nakayama Corporation Corporate Auditor at Fujio Food System Co., Ltd.

#### Notes:

- Corporate Auditors Yasuhiro Orita, Takao Yoshikawa and Hiroho Kamakura are outside Corporate Auditors stipulated in Item 2, Article 16 of the Company Law.
- The following describes the activities of the three outside Corporate Auditors during the period under review.

#### Corporate Auditor, Yasuhiro Orita

In the period under review, Yasuhiro Orita attended 11 of 12 Meetings of Board of Directors and 4 of 5 Meetings of the Board of Auditors. At the Board of Directors' Meetings, from his background as a legal specialist and practitioner he asked pertinent questions to clarify ambiguities that arose with respect to matters reported or matters resolved, and provided opinions. Additionally, at the Meetings of the Board of Auditors, he perused the reports of the internal auditing results, exchanged opinions concerning auditing, and participated in joint discussions on important matters. In addition to receiving the Accounting Auditor's detailed report on regular basis, he also regularly exchanged opinions with top management.

#### Corporate Auditor, Takao Yoshikawa

In the period under review, Takao Yoshikawa attended 11 of 12 Meetings of Board of Directors and all of 5 Meetings of the Board of Auditors. At the Board of Directors' Meetings, from his background as an academic he asked pertinent questions to clarify ambiguities that arose with respect to matters reported or matters resolved, and provided opinions. Additionally, at the Meeting of the Board of Auditors, he perused the reports of the internal auditing results, exchanged opinions concerning auditing, and participated in joint discussions on important matters. In addition to receiving the Accounting Auditor's detailed report on regular basis, he also regularly exchanged opinions with top management.

#### Corporate Auditor, Hiroho Kamakura

In the period after assuming the post, Hiroho Kamakura attended all of 12 Meetings of Board of Directors and all of 5 Meetings of the Board of Auditors. He is a Certified Public Accountant and has specialist knowledge in finance and accounting. At the Board of Directors' Meetings, from his background as a CPA he asked pertinent questions to clarify ambiguities that arose with respect to matters reported or matters resolved, and provided opinions. Additionally, at the Meeting of the Board of Auditors, he perused the reports of the internal auditing results, exchanged opinions concerning auditing, and participated in joint discussions on important matters. In addition to receiving the Accounting Auditor's detailed report on regular basis, he also regularly exchanged opinions with top management. He is also the Corporate Auditor at Trusco Nakayama Corporation and at Fujio Food System Co., Ltd. There is no special relationship between the Company and Trusco Nakayama Corporation and Fujio Food System Co., Ltd.

- Change of Directors and Corporate Auditors during the period under review  
No items to report.
- The Company has designated corporate auditor Takao Yoshikawa as an independent corporate officer as prescribed by the Tokyo Stock Exchange and submitted notices to this effect to the exchange.

**(2) Total remuneration and other payments made to Directors and Corporate Auditors**

(Thousands of yen)

Classification	Number of Directors/ Corporate Auditors	Total amount
Directors	5	172,470
Corporate Auditors	4	21,900
Total	9	194,370

## Notes:

1. The 35th Ordinary General Meeting of Shareholders held on June 27, 2008 resolved to set the upper limit of the total remuneration for all Directors at 300,000 thousand yen per year and the upper limit of the total remuneration for all Auditors at 50,000 thousand yen per year.  
There are currently no directors who have concurrent employment positions.
2. Total remuneration amounts provided above include the following amount in addition to fixed monthly compensation amounts.  
- Provision for bonuses to Directors and Corporate Auditors: 34,500 thousand yen
3. With respect to the liability for retirement benefits to Directors and Corporate Auditors, the plan for retirement benefits for Directors and Corporate Auditors was terminated at the 33rd Ordinary General Meeting of Shareholders held on June 29, 2006, and no additional provision has been recorded since then. Therefore, the balance as of March 31, 2014 (66,780 thousand yen) is provided in proportion to the term that present Directors and Corporate Auditors had been in their respective positions before June 2006.
4. The total amount of remuneration for the 3 outside Corporate Auditors is 8,400 thousand yen.



#### 4. Matters Pertaining to Independent Auditors

(1) **Name of Independent Auditors:** Deloitte Touche Tohmatsu LLC

(2) **Amount of compensation and other payments for the Independent Auditors**

(Thousands of yen)

Item	Total payment
The amount of compensation and other payments payable to the Independent Auditors for the reporting year	29,200
Total amount of monetary and other property benefits payable by the Company and its subsidiaries	33,650

Note: In the audit contract between the Company and the Independent Auditor, audit fees pursuant to the Company Law and those pursuant to the Financial Instruments and Exchange Law are not clearly separated and this separation is practically impossible. Therefore, the amount of compensation and other payments to the Independent Auditor is represented as the total payment.

(3) **Non-audit services**

Advice and guidance on international operations.

(4) **Policy for making decisions regarding the dismissal or non-reappointment of Independent Auditor**

The Board of Directors will include the dismissal or non-reappointment of the Independent Auditor in the agenda of the General Meeting of Shareholders, should the execution of the Independent Auditor's duties be impeded or its dismissal or non-reappointment is deemed necessary by the Board of Directors, with the consent of the Board of Corporate Auditors, or in the event of a request by the same.

The Board of Corporate Auditors will dismiss the Independent Auditor should it determine that same corresponds to the provisions in each item of Paragraph 1, Article 340 of the Company Law, with the agreement of all the members of the Board of Corporate Auditors. In such a case, an auditor appointed by the Board of Corporate Auditors will report the fact of and the reason for the dismissal of the Independent Auditor to the first General Meeting of Shareholders called after the dismissal.

(5) **Overview of limited liability contract**

The Company has entered into a contract with Deloitte Touche Tohmatsu LLC, the Independent Auditor, based on Paragraph 1, Article 427 of the Company Law limiting the liability of same as specified in Paragraph 1, Article 423 of the Law. The upper limit provided in the limited liability contract is the minimum limited amount stipulated by laws and regulations.

**5. Matters Pertaining to the Development of Internal Control Systems to Ensure a Properness of Operations**

The following is an overview of the development of an internal control system to ensure that the execution of duties by Directors conforms to laws and regulations and the Articles of Incorporation as well as other systems that ensure the properness of operations of the Company.

**a. System to ensure that the execution of duties of Directors and employees conforms to laws and regulations and the Articles of Incorporation**

The Company has established a code of conduct so that all employees comply with laws and regulations and accepted social guidelines for behavior by attending the morning meeting at each department. In addition, there is a system for handling matters involving compliance at meetings of the Board of Directors, Board of Corporate Auditors and Executive Meeting. Measures to improve internal controls primarily involve audits of business operations by the Internal Auditing Department.

**b. System for the preservation and management of information regarding the execution of duties by Directors**

Documents and other information concerning the execution of duties by Directors are properly stored and managed in accordance with the importance of each item as prescribed in Documents Management Regulations. Directors and Corporate Auditors can view these documents and other information as required.

**c. Regulations and other systems for the management of the risk of loss**

For compliance, environmental protection, responses to disasters, information security, export management and other items, the department responsible for risk management for each item prepares rules and manuals and conducts training programs. The system for confirming safe conditions of all the members of the Company is introduced to take control safety information quickly during an emergency. The Board of Directors and Executive Meeting receive information about these activities in a timely manner. There is a framework under the supervision of the President and Representative Director for taking quick and appropriate actions to avoid problems or reduce the likelihood that they will occur.

**d. System to ensure efficiency in the execution of duties by Directors**

The Board of Directors meets once each month in principle and aims to conduct highly transparent management. Duties include reaching decisions about important matters and managing and supervising the execution of business operations by directors. To improve the efficiency of the Company's management, the Board of Directors thoroughly examines important matters associated with all aspects of management. For the execution of business operations, annual budgets are established based on the business climate and targets for the entire company are established. Each department is responsible for determining and executing specific measures needed to achieve those targets.

**e. System to ensure a properness of operations in the business group comprised of the Company and its subsidiaries**

The Yushin Group uses close cooperation among group companies and measures to strengthen management systems for the purpose of ensuring proper corporate governance, compliance and financial reports for the entire group. The oversight and management of the entire group is performed in accordance with Subsidiary Management Regulations.

**f. Matters concerning a system for employees in cases where Corporate Auditors issue requests for the assignment of said employees to assist them with their duties as well as concerning the independence of said employees from Directors**

There are currently no employees who assist Corporate Auditors. However, the Corporate Auditors can ask employees of the Internal Auditing Department to perform auditing tasks as required. In addition, employees who receive the required order from a Corporate Auditor to perform auditing tasks will no longer be subject to instructions or orders from Directors and managers of the Internal Auditing Department.

**g. System for reporting to Corporate Auditors by Directors and employees and other systems concerning reports to Corporate Auditors**

Corporate Auditors attend important meetings and receive reports as needed to monitor the status of business operations. Directors and employees must promptly submit to the Corporate Auditors reports concerning legally required matters as well as reports about other items that can have a significant effect on the Company or the Group.

**h. Other systems to ensure effective audits by Corporate Auditors**

The Board of Corporate Auditors holds separate meetings on a regular basis to exchange information with the President and Representative Director and with the Independent Auditor. The Board of Corporate Auditors also works closely with the Internal Auditing Department.

**6. Policy Concerning Decisions on the Dividends of Surplus**

The Yushin Group manages its businesses considering the return of profits to shareholders as one of its important managerial issues.

To that effect, it is the basic policy of the Company to proactively return profits to shareholders by maintaining a stable operational base, improving its ROE and effectuating dividends based on the performance results of each respective fiscal year. Specifically, the Company has a target at the realization of 30% and more of dividend payout ratio to non-consolidated net income.

For this fiscal year, a full-year dividend is 30 yen per share, comprising an interim dividend of 10 yen per share and a year-end dividend of 20 yen per share.

## Consolidated Balance Sheets

(As of March 31, 2014)

(Thousands of yen)

Account	Amount	Account	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>17,810,640</b>	<b>Current liabilities</b>	<b>4,107,905</b>
Cash and deposits	7,728,245	Notes and accounts payable - trade	1,696,371
Notes and accounts receivable - trade	5,263,663	Accounts payable - other	633,809
Merchandise and finished goods	837,873	Accrued expenses	114,447
Work in process	1,076,358	Income taxes payable	767,962
Raw materials and supplies	2,076,333	Advances received	388,832
Prepaid expenses	95,940	Provision for bonuses	214,000
Deferred tax assets	519,500	Provision for directors' bonuses	34,500
Other	238,089	Provision for product warranties	138,670
Allowance for doubtful accounts	(25,363)	Deferred tax liabilities	4,466
<b>Non-current assets</b>	<b>8,441,368</b>	Other	114,843
<b>Property, plant and equipment</b>	<b>7,758,635</b>	<b>Long-term liabilities</b>	<b>268,178</b>
Buildings	1,722,996	Provision for directors' retirement benefits	66,780
Structures	123,459	Net defined benefit liability	33,938
Machinery and equipment	58,967	Other	167,459
Vehicles	52,878	<b>Total liabilities</b>	<b>4,376,083</b>
Tools, furniture and fixtures	131,375		
Land	5,640,928	<b>NET ASSETS</b>	
Leased assets	22,254	<b>Shareholders' equity</b>	<b>21,418,143</b>
Construction in progress	5,775	<b>Capital stock</b>	<b>1,985,666</b>
<b>Intangible assets</b>	<b>146,080</b>	<b>Capital surplus</b>	<b>2,023,903</b>
Telephone subscription right	11,430	<b>Retained earnings</b>	<b>17,758,839</b>
Right of trademark	95	<b>Treasury stock</b>	<b>(350,265)</b>
Software	54,699	<b>Total accumulated other comprehensive income</b>	<b>335,801</b>
Others	79,854	<b>Valuation difference on available-for-sale securities</b>	<b>53,416</b>
<b>Investments and other assets</b>	<b>536,652</b>	<b>Foreign currency translation adjustments</b>	<b>242,279</b>
Investment securities	230,176	<b>Remeasurements of defined benefit plans</b>	<b>40,105</b>
Net defined benefit asset	107,464	<b>Minority interests</b>	<b>121,980</b>
Deferred tax assets	10,500		
Other	189,514	<b>Total net assets</b>	<b>21,875,926</b>
Allowance for doubtful accounts	(1,003)		
<b>Total assets</b>	<b>26,252,009</b>	<b>Total liabilities and net assets</b>	<b>26,252,009</b>

## **Consolidated Statements of Income**

(From April 1, 2013 to March 31, 2014)

(Thousands of yen)

Account	Amount
<b>Net sales</b>	<b>17,909,292</b>
<b>Cost of sales</b>	<b>10,269,015</b>
<b>Gross profit</b>	<b>7,640,276</b>
<b>Selling, general and administrative expenses</b>	<b>4,848,218</b>
<b>Operating income</b>	<b>2,792,058</b>
<b>Non-operating income</b>	<b>305,341</b>
Interest and dividends income	20,419
Purchase discounts	12,233
Foreign exchange gains	249,737
Other	22,950
<b>Non-operating expenses</b>	<b>2,141</b>
Sales discounts	1,003
Other	1,138
<b>Ordinary income</b>	<b>3,095,258</b>
<b>Extraordinary income</b>	<b>91,982</b>
Gain on sales of non-current assets	2,934
Gain on sales of investment securities	9,047
Subsidy income	80,000
<b>Extraordinary loss</b>	<b>23,522</b>
Loss on sales and retirement of non-current assets	23,522
<b>Income before income taxes and minority interests</b>	<b>3,163,717</b>
Income taxes - current	1,274,629
Income taxes - deferred	(66,217)
<b>Income before minority interests</b>	<b>1,955,306</b>
Minority interests in income	62,278
<b>Net income</b>	<b>1,893,027</b>

## Consolidated Statements of Changes in Net Assets

(From April 1, 2013 to March 31, 2014)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2013	1,985,666	2,023,903	16,390,498	(348,598)	20,051,469
Changes in the current period					
Dividends of surplus			(524,686)		(524,686)
Net income			1,893,027		1,893,027
Acquisition of treasury stock				(1,667)	(1,667)
Changes in items other than shareholders' equity, net					
Total changes in the current period	-	-	1,368,341	(1,667)	1,366,673
Balance as of March 31, 2014	1,985,666	2,023,903	17,758,839	(350,265)	21,418,143

	Total accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2013	58,239	(317,906)	-	(259,667)	73,819	19,865,622
Changes in the current period						
Dividends of surplus						(524,686)
Net income						1,893,027
Acquisition of treasury stock						(1,667)
Changes in items other than shareholders' equity, net	(4,822)	560,186	40,105	595,469	48,160	643,630
Total changes in the current period	(4,822)	560,186	40,105	595,469	48,160	2,010,304
Balance as of March 31, 2014	53,416	242,279	40,105	335,801	121,980	21,875,926

## 1. Basis of Preparing Consolidated Financial Statements

### (1) Scope of consolidation

All 12 subsidiaries of the Company, provided below, fall within the scope of consolidation. Yushin Precision Equipment (Vietnam) Co., Ltd. was established in February 2014 as a subsidiary of the Yushin Group and included in the scope of consolidation from the fiscal year under review.

<b>List of Subsidiaries</b>
Yushin America, Inc.
Yushin Korea Co., Ltd.
Yushin Precision Equipment Sdn. Bhd.
Yushin Precision Equipment (Taiwan) Co., Ltd.
Yushin Precision Equipment (Thailand) Co., Ltd.
Yushin Automation, Ltd.
Yushin Precision Equipment Trading (Shenzhen) Co., Ltd.
Yushin Precision Equipment Trading (Shanghai) Co., Ltd.
Yushin Precision Equipment (India) Pvt. Ltd.
Guangzhou Yushin Precision Equipment Co., Ltd.
PT. Yushin Precision Equipment Indonesia
Yushin Precision Equipment (Vietnam) Co., Ltd.

### (2) Application of the equity method

There is no non-consolidated subsidiary or affiliate company.

### (3) Fiscal year of subsidiaries

The account closing date for all consolidated subsidiaries is December 31. Financial statements as of said date are used in preparation of the Consolidated Financial Statements. However, adjustments considered necessary for consolidation are effectuated with respect to material transactions occurring during the period between the day after the account closing date of the subsidiaries and the consolidated account closing date.

#### **(4) Accounting policies**

##### **a. Valuation of important assets**

- i) Securities  
Available-for-sale securities classified as other securities
  - Securities with available fair market values are reported at fair value on the consolidated account closing date  
(Unrealized gains or losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is principally determined by the moving average method)
- ii) Inventories
  - Merchandise and finished goods, Work-in-process  
Principally carried at cost determined by the identified cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)
  - Raw materials  
Principally carried at cost determined by the periodic average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)
  - Supplies  
Carried by the last purchase price method

##### **b. Depreciation**

- i) Property, plant and equipment (excluding lease assets): Principally computed by the declining balance method  
The range of useful lives for major assets is as follows:

Buildings:	13 - 40 years
Machinery and equipment:	5 - 12 years
- ii) Intangible assets (excluding leased assets)
  - Software used internally: Straight-line method based on the expected useful lives
  - Other intangible assets: Straight-line method
- iii) Lease assets: For lease assets under non-ownership transfer finance lease transactions, the Company applies a straight-line method with the lease period as useful life and the residual value as 0.

##### **c. Estimation on important allowance and reserves**

- i) Allowance for doubtful accounts:  
To provide for possible bad debt losses, the amount deemed unrecoverable is accounted using the loan loss ratio based on past experience for general claims and by examining the possibility of recovery on an individual basis for specific claims with default possibility.
- ii) Provision for bonuses:  
In order to allocate the payment of employees' bonuses, the Company provides the amount subject to the fiscal year under review among the total estimated amount to be paid as employees' bonuses.
- iii) Provision for directors' bonuses:  
The Company provides the projected payment amount to be allocated for the payment of bonuses to directors and corporate auditors.
- iv) Provision for product warranties:  
To provide for expenses incurred for free repairs related to product sales, an amount is accounted based on historical experience.
- v) Provision for directors' retirement benefits:  
The Company provides the estimated amount of retirement benefits to directors and corporate auditors which would be required if all directors and corporate auditors retired at the balance sheet date according to internal regulations. This plan was terminated on June 29, 2006 and no additional provision has been recorded since then. Therefore, the balance as of March 31, 2014 is provided in proportion to the term that present directors had been in their respective positions before June 2006.



#### **d. Other significant matter for the preparation of Consolidated Financial Statements**

i) Employees' retirement benefits

To provide for employees' retirement benefits, based on the projected benefit obligations at year-end and the pension asset balance, the amount of pension assets surplus to projected benefit obligations is recorded in the "Other" field under "Investments and other assets". The net actuarial loss or gain is subject to amortization from the next fiscal year of the recognition thereof onward in an amount pro-rated by the straight-line method based on the average remaining employee service period (10 to 16 years) at the time of the recognition of net actuarial loss or gain in each fiscal year.

ii) Accounting for Consumption tax and local consumption tax

Consumption tax and local consumption tax are accounted for using the tax excluded method.

#### **2. Changing in accounting policies**

(Adoption of Accounting Standard for Retirement Benefits)

Effective from this fiscal year ended March 31, 2014, the Company adopted the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan Statement No. 26 issued on May 17, 2012; hereafter "ASBJ Statement"), and its Guidance on the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan Guidance No. 25 issued on May 17, 2012; hereafter "ASBJ Guidance") (But, except article 35 of ASBJ Statement and article 67 of ASBJ Guidance). Under the new Accounting standard, pension assets are deducted from retirement benefit obligations and the net amount is recognized as "Net defined benefit asset" and "Net defined benefit liability", and unrecognized actuarial gains or losses are recorded as "Net defined benefit asset" and "Net defined benefit liability".

Regarding to the adoption of the Accounting Standard for Retirement Benefits, in accordance with transitional accounting as stipulated in Article 37 of "ASBJ Statement", the effect of the changes in accounting policies arising from initial application is recognized as "Remeasurements of defined benefit plans" in "Total accumulated other comprehensive income" as of March 31, 2014.

As the result, "Total accumulated other comprehensive income" on the Consolidated Balance Sheets increased by 40,105 thousand yen.

#### **3. Changes in presentation**

(Consolidated Balance Sheet)

"Accounts payable - facilities", which was separately presented until previous fiscal year, is reported in "Accounts payable - other" from this fiscal year under review, because its materiality decreased. "Accounts payable - facilities" in this fiscal year is 64,296 thousand yen.

**4. Notes to Consolidated Balance Sheet**

Accumulated depreciation of property, plant and equipment: 3,691,370 thousand yen

**5. Notes to Consolidated Statement of Changes in Net Assets****(1) Total number of issued shares**

Class of shares	Number of shares at the end of previous FY	Number of increased shares of current FY	Number of decreased shares of current FY	Number of shares at the end of current FY
Common stock	17,819,033	-	-	17,819,033

**(2) Number of treasury stock**

Class of shares	Number of shares at the end of previous FY	Number of increased shares of current FY	Number of decreased shares of current FY	Number of shares at the end of current FY
Common stock	329,376	821	-	330,197

Note: The increase in the number of shares of treasury stock (821 shares) is due to the purchase of shares of less than one unit.

**(3) Dividends of surplus****a. Payment of dividends**

Resolution	Class of shares	Total dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
The Board of Directors' Meeting on May 9, 2013	Common stock	349,793	20	March 31, 2013	June 12, 2013
The Board of Directors' Meeting on November 6, 2013	Common stock	174,898	10	September 30, 2013	December 2, 2013

**b. Dividends whose record date falls within this consolidated fiscal year but comes into effect in the next consolidated fiscal year**

Resolution	Class of shares	Total dividend (Thousands of yen)	Dividend funds	Dividend per share (Yen)	Record date	Effective date
The Board of Directors' Meeting on May 9, 2014	Common stock	349,776	Retained earnings	20	March 31, 2014	June 12, 2014

## 6. Notes to Financial Instruments

### (1) Conditions of financial instruments

#### a. Management policy

The Yushin Group has a policy of limiting investments of unused funds to short-term time deposits, certificates of deposits and similar instruments and never using these funds for speculation. Internal resources are used to meet all working capital requirements. Derivative instruments may be used to hedge exposure to foreign exchange rate risk but will never be used for speculation.

#### b. Details of financial instruments and their risks

Operating receivables consisting of Notes and accounts receivable - trade are generally exposed to the credit risk of customers, while foreign currency denominated operating receivables at foreign operations are exposed also to the foreign exchange risk.

Investment securities are available-for-sale securities and are exposed to risk associated with market price volatility.

Operating debt consisting of Notes and accounts payable - trade is largely due four months or less. Accounts payable – other and Income taxes payable are due one year or less.

#### c. Risk management system for financial instruments

Payment dates and balances of outstanding are supervised for each customer based on rules for the management of trade receivables and credit. In addition, there is a system for monitoring the financial soundness of customers.

For Investment securities, there are measures to periodically monitor the fair values of these securities and the financial soundness of issuers of these securities.

### (2) Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value, and their differences as of March 31, 2014 are shown as follows.

		Carrying value (thousands of yen)	Fair value (thousands of yen)	Differences (thousands of yen)
(1)	Cash and time deposits	7,728,245	7,728,245	-
(2)	Notes and accounts receivable - trade	5,263,663	5,263,663	-
(3)	Investment securities			
	Other securities	230,176	230,176	-
	Assets total	13,222,084	13,222,084	-
(1)	Trade notes and accounts payable	1,696,371	1,696,371	-
(2)	Accounts payable - other	633,809	633,809	-
(3)	Income taxes payable	767,962	767,962	-
	Liabilities total	3,098,143	3,098,143	-

(Note) Matters concerning determination of fair value of financial instruments and marketable securities.

#### (Assets)

##### (1) Cash and time deposits and (2) Notes and accounts receivable - trade.

Fair value of the above financial instruments is deemed to be equal to their carrying value because they are settled within a short period of time.

##### (3) Investment securities

Fair value of the above financial instruments such as stocks is determined by prices at stock exchanges.

#### (Liabilities)

##### (1) Notes and accounts payable - trade, (2) Accounts payable - other and (3) Income taxes payable

Fair value of the above financial instruments is deemed to be equal to their carrying value because they are settled within a short period of time.

**(3) The amount of money claims and mature marketable securities scheduled to be redeemed subsequent to the consolidated balance sheet date, and the scheduled repayment of interest-bearing debt**

	Due within one year (thousands of yen)	Due after one year through five years (thousands of yen)	Due after five years through ten years (thousands of yen)	Due after ten years (thousands of yen)
Cash and time deposits	7,728,245	-	-	-
Trade notes and accounts receivable	5,263,663	-	-	-
Total	12,991,908	-	-	-

**7. Per Share Information**

(1) Net assets per share:	1,243.88 yen
(2) Net income per share:	108.24 yen

---

Note: Amounts less than one thousand yen are truncated.

**Balance Sheets**  
(As of March 31, 2014)

(Thousands of yen)

Account	Amount	Account	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>14,746,227</b>	<b>Current liabilities</b>	<b>3,469,635</b>
Cash and deposits	5,833,753	Notes payable - trade	22,394
Notes receivable - trade	970,843	Accounts payable - trade	1,831,340
Accounts receivable - trade	4,642,795	Lease obligations	5,019
Merchandise and finished goods	496,928	Accounts payable - other	567,516
Work in process	989,612	Accrued expenses	68,516
Raw materials and supplies	1,289,649	Income taxes payable	601,878
Prepaid expenses	36,479	Advances received	23,786
Consumption taxes receivable	87,793	Deposits received	12,973
Deferred taxes assets	255,484	Provision for bonuses	214,000
Other	152,885	Provision for directors' bonuses	34,500
Allowance for doubtful accounts	(10,000)	Provision for product warranties	87,000
<b>Noncurrent assets</b>	<b>8,947,618</b>	Notes payable - facilities	708
<b>Property, plant and equipment</b>	<b>7,276,002</b>	<b>Noncurrent liabilities</b>	<b>85,867</b>
Buildings	1,508,027	Lease obligations	18,507
Structures	123,459	Provision for directors' retirement benefits	66,780
Machinery and equipment	33,581	Long-term guarantee deposited	580
Vehicles	1,211	<b>Total liabilities</b>	<b>3,555,502</b>
Tools, furniture and fixtures	90,738	<b>NET ASSETS</b>	
Land	5,490,953	<b>Shareholders' equity</b>	<b>20,084,926</b>
Lease assets	22,254	<b>Capital stock</b>	<b>1,985,666</b>
Construction in progress	5,775	<b>Capital surplus</b>	<b>2,023,903</b>
<b>Intangible assets</b>	<b>54,566</b>	Legal capital surplus	2,023,903
Telephone subscription right	11,430	<b>Retained earnings</b>	<b>16,425,622</b>
Right of trademark	95	Legal retained earnings	286,314
Software	43,040	Other retained earnings	16,139,307
<b>Investments and other assets</b>	<b>1,617,049</b>	Reserve for dividend equalization	1,000,000
Investment securities	230,176	General reserve	8,700,000
Stocks of subsidiaries and affiliates	789,460	Retained earnings brought forward	6,439,307
Investments in capital of subsidiaries and affiliates	297,873	<b>Treasury stock</b>	<b>(350,265)</b>
Guarantee deposits	27,614	<b>Valuation and translation adjustments</b>	<b>53,416</b>
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,003	<b>Valuation difference on available-for-sale securities</b>	<b>53,416</b>
Deferred tax assets	79,816	<b>Total net assets</b>	<b>20,138,343</b>
Other	192,108	<b>Total liabilities and net assets</b>	<b>23,693,846</b>
Allowance for doubtful accounts	(1,003)		
<b>Total assets</b>	<b>23,693,846</b>		

**Statements of Income**  
(From April 1, 2013 to March 31, 2014)

(Thousands of yen)

Account	Amount
<b>Net sales</b>	<b>14,351,240</b>
<b>Cost of sales</b>	<b>9,060,468</b>
<b>Gross profit</b>	<b>5,290,772</b>
<b>Selling, general and administrative expenses</b>	<b>3,679,283</b>
<b>Operating income</b>	<b>1,611,488</b>
<b>Non-operating income</b>	<b>649,317</b>
Interest and dividend income	598,965
Purchases discounts	12,233
Foreign exchange gains	23,302
Other	14,815
<b>Non-operating expenses</b>	<b>2,016</b>
Sales discounts	1,003
Other	1,013
<b>Ordinary income</b>	<b>2,258,789</b>
<b>Extraordinary income</b>	<b>89,057</b>
Gain on sales of non-current assets	10
Gain on sales of investment in securities	9,047
Subsidy income	80,000
<b>Extraordinary loss</b>	<b>23,475</b>
Loss on sales and retirement of non-current assets	23,475
<b>Income before income taxes</b>	<b>2,324,371</b>
Income taxes - current	792,102
Income taxes - deferred	(84,507)
<b>Net income</b>	<b>1,616,777</b>

## Statements of Changes in Net Assets

(From April 1, 2013 to March 31, 2014)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
					Reserve for dividend equalization	General reserve	Retained earnings brought forward	
Balance as of April 1, 2013	1,985,666	2,023,903	2,023,903	286,314	1,000,000	8,700,000	5,347,216	15,333,531
Changes in the current period								
Dividends of surplus							(524,686)	(524,686)
Net income							1,616,777	1,616,777
Acquisition of treasury stock								
Changes in items other than shareholders' equity, net								
Total changes in the current period	-	-	-	-	-	-	1,092,090	1,092,090
Balance as of March 31, 2014	1,985,666	2,023,903	2,023,903	286,314	1,000,000	8,700,000	6,439,307	16,425,622

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2013	(348,598)	18,994,503	58,239	58,239	19,052,742
Changes in the current period					
Dividends of surplus		(524,686)			(524,686)
Net income		1,616,777			1,616,777
Acquisition of treasury stock	(1,667)	(1,667)			(1,667)
Changes in items other than shareholders' equity, net			(4,822)	(4,822)	(4,822)
Total changes in the current period	(1,667)	1,090,423	(4,822)	(4,822)	1,085,601
Balance as of March 31, 2014	(350,265)	20,084,926	53,416	53,416	20,138,343

## **1. Summary of Significant Accounting Policies**

### **(1) Valuation of important assets**

- a. Stocks of subsidiaries and affiliates  
Carried at cost determined by the moving average method
- b. Available-for-sale securities classified as other securities
  - Securities with available fair market values are reported at fair value on the closing date (Unrealized gains or losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is principally determined by the moving average method)
- c. Inventories
  - Merchandise and finished products, Work in process:  
Carried at cost determined by the identified cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).
  - Raw materials:  
Carried at cost determined by the periodic average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)
  - Supplies:  
Carried by the last purchase price method

### **(2) Depreciation**

- a. Property, plant and equipment (excluding lease assets): Declining balance method  
The range of useful lives for major assets is as follows:

Buildings:	13 - 38 years
Machinery and equipment:	12 years
- b. Intangible assets (excluding lease assets)
  - Software used internally: Straight-line method based on the expected useful lives
  - Other intangible assets: Straight-line method
- c. Lease assets: For lease assets under non-ownership transfer finance lease transactions, the Company applies a straight-line method with the lease period as useful life and the residual value as 0.

### **(3) Estimation on allowance and reserves**

- a. Allowance for doubtful accounts:  
To provide for possible bad debt losses, the amount deemed unrecoverable is accounted using the loan loss ratio based on past experience for general claims and by examining the possibility of recovery on an individual basis for specific claims with default possibility.
- b. Provision for bonuses:  
In order to allocate the payment of employees' bonuses, the Company provides the amount subject to the fiscal year under review among the total estimated amount to be paid as employees' bonuses.
- c. Provision for directors' bonuses:  
The Company provides the projected payment amount to be allocated for the payment of bonuses to directors and corporate auditors.
- d. Provision for product Warranties:  
To provide for expenses incurred for free repairs related to product sales, an amount is accounted based on historical experience.
- e. Provision for directors' retirement benefits:  
The Company provides the estimated amount of retirement benefits to directors and corporate auditors which would be required if all directors and corporate auditors retired at the balance sheet date according to internal regulations. This plan was terminated on June 29, 2006 and no additional provision has been recorded since then. Therefore, the balance as of March 31, 2014 is provided in proportion to the term that present directors had been in their respective positions before June 2006.



**(4) Employees' retirement benefits**

To provide for employees' retirement benefits, based on the projected benefit obligations at year-end and the pension asset balance, the amount of pension assets surplus to projected benefit obligations is recorded in the "Other" field under "Investments and other assets". The net actuarial loss or gain is subject to amortization from the next fiscal year of the recognition thereof onward in an amount pro-rated by the straight-line method based on the average remaining employee service period (10 to 16 years) at the time of the recognition of net actuarial loss or gain in each fiscal year.

**(5) Other basic significant matter for the preparation of Financial Statements**

Consumption tax and local consumption tax are accounted for using the tax excluded method.

**(6) Changes in presentation**

(Balance Sheet)

"Investments in capital", which was separately presented until previous fiscal year, is reported in "Other" of "Investment and other assets" from this fiscal year under review, because its materiality decreased. "Investments in capital" in this fiscal year is 170 thousand yen.

"Accounts payable - facilities", which was separately presented until previous fiscal year, is reported in "Accounts payable - other" from this fiscal year under review, because its materiality decreased. "Accounts payable - facilities" in this fiscal year is 64,296 thousand yen.

**2. Notes to Balance Sheet**

(1) Accumulated depreciation of property, plant and equipment:	3,084,865 thousand yen
(2) Monetary credit and debts to affiliates	
a. Short-term monetary credit:	1,783,773 thousand yen
b. Short-term monetary debts:	48,706 thousand yen

**3. Notes to Statements of Income**

Transactions with subsidiaries and affiliates

a. Net sales:	4,218,570 thousand yen
b. Purchases:	10,578 thousand yen
c. Selling, general and administrative expenses:	304,195 thousand yen
d. Non-operating transactions:	589,084 thousand yen

**4. Notes to Statement of Changes in Net Assets**

Number of treasury stock

Class of shares	Number of shares at the end of previous FY	Number of increased shares of current FY	Number of decreased shares of current FY	Number of shares at the end of current FY
Common stock	329,376	821	-	330,197

Note: The increase in the number of shares of treasury stock (821 shares) is due to the purchase of shares of less than one unit.

## 5. Notes on Tax-effect Accounting

### (1) Breakdown by cause of deferred tax assets and liabilities

	(Thousands of yen)
Deferred tax assets	
Inventories	72,849
Depreciation of Buildings	61,019
Software	58,384
Provision for bonuses	75,970
Accrued enterprise taxes	43,614
Provision for product warranties	30,885
Provision for directors' retirement benefit	23,706
Other	36,974
Subtotal deferred tax assets	<u>403,404</u>
Valuation reserve	<u>(23,706)</u>
Total deferred tax assets	<u>379,697</u>
Deferred tax liabilities	
Prepaid pension costs	16,076
Valuation difference on available-for-sale securities	26,811
Other	1,507
Total deferred tax liabilities	<u>44,396</u>
Net deferred tax assets	<u>335,301</u>

Note: Net deferred tax assets are included in following balance sheet items.

	(Thousands of yen)
Current assets	255,484
Fixed assets	79,816

### (2) Change in deferred tax assets and income taxes-deferred due to the change in corporate tax rates.

Following the promulgation on March 31, 2014 of the "Act for Partial Revision of the Income Tax Act etc."(Act No. 10 of 2014), special corporate tax for funding the recovery from the disaster will be exempted for the fiscal year beginning on or after April 1, 2014.

With this change of tax rates, the amount of "Deferred tax assets" (the amount minus "Deferred tax liabilities") decreased by 22,111 thousand yen and the amount of "Income taxes-deferred" increased by 22,111 thousand yen.

## 6. Transactions with Related Parties

Subsidiaries, etc.

Type	Name	% of voting rights held	Relationship		Type of transactions	Transaction amount (thousands of yen)	Account	Year-end balance (thousands of yen)
			Concurrent directors, etc.	Business relationship				
Subsidiary	Yushin America, Inc.	100% Directly held by the Company	Concurrent directors: 2	Sale of Company products and manufacture and sale of labor saving machines	Sale of products	1,346,036	Accounts receivable - trade	362,588
	Yushin Korea Co., Ltd.	100% Directly held by the Company	Concurrent directors: 2	Sale of Company products and manufacture and sale of labor saving machines	Sale of products	1,254,022	Accounts receivable - trade	389,807
	Yushin Automation Ltd.	95.6% Directly held by the Company	Concurrent directors: 2	Sale of Company products and maintenance service	Sale of products	352,450	Accounts receivable - trade	247,185
	Guangzhou Yushin Precision Equipment Co., Ltd.	100% Directly held by the Company	Concurrent directors: 3	Manufacture of Company products	Sale of products	425,421	Accounts receivable - trade	399,249

Transaction terms or method of determining transaction terms

(Note) For sale of products, prices are determined by negotiations considering local market prices.

## 7. Per Share Information

(1) Net assets per share:	1,151.50 yen
(2) Net income per share:	92.44 yen

Note: Amounts less than one thousand yen are truncated.

[Certified copy of the Independent Auditors' Report concerning consolidated statutory report]

**Independent Auditors' Report**

May 16, 2014

To the Board of Directors of  
Yushin Precision Equipment Co., Ltd.:

Deloitte Touche Tohmatsu LLC

Takeshi Nishimura, CPA [SEAL]  
Limited, Designated and Engagement  
Partner

Hirokazu Miura, CPA [SEAL]  
Limited, Designated and Engagement  
Partner

We have audited the consolidated statutory report, namely, the Consolidated Balance Sheets, the Consolidated Statements of Income, the Consolidated Statements of Changes in Net Assets and its supporting schedule and notes, of Yushin Precision Equipment Co., Ltd. (the "Company") for the fiscal year from April 1, 2013 to March 31, 2014 in accordance with Paragraph 4, Article 444 of the Company Law.

**Management's responsibility for the consolidated statutory report**

Management is responsible for the preparation and fair presentation of these Consolidated financial statements in accordance with auditing standards generally accepted in Japan. This includes the development and implementation of internal control deemed necessary by management for the preparation and fair presentation of Consolidated financial statements that is free from material misstatement, whether due to fraud or error.

**Independent auditor's responsibility**

Our responsibility is to express an opinion on the Consolidated financial statements based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated financial statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated financial statements. The audit procedures selected and applied depend on our judgment, including the assessment of the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of the entity's internal control. However, in making those risk assessment, we consider internal control relevant to the entity's preparation and fair presentation of the Consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, 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 opinion.

**Audit opinion**

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the consolidated financial position and the results of operations of Yushin Precision Equipment Co., Ltd. and its consolidated subsidiaries for the period for which the consolidated statutory report is prepared, in conformity with accounting principles generally accepted in Japan.

**Interests in the Company**

Our firm and engagement partners have no interest in Yushin Precision Equipment Co., Ltd., which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

[Certified copy of the Independent Auditors' Report concerning non-consolidated statutory report]

## **Independent Auditors' Report**

May 16, 2014

To the Board of Directors of  
Yushin Precision Equipment Co., Ltd.:

Deloitte Touche Tohmatsu LLC

Takeshi Nishimura, CPA [SEAL]  
Limited, Designated and Engagement  
Partner

Hirokazu Miura, CPA [SEAL]  
Limited, Designated and Engagement  
Partner

We have audited the statutory report, namely, the Balance Sheets, the Statements of Income, the Statements of Changes in Net Assets and its supporting schedule of Yushin Precision Equipment Co., Ltd. (the "Company") for the fiscal year from April 1, 2013 to March 31, 2014 in accordance with Item 1, Paragraph 2, Article 436 of the Company Law.

### Management's responsibility for the statutory report

Management is responsible for the preparation and fair presentation of these financial statements and its supporting schedule in accordance with auditing standards generally accepted in Japan. This includes the development and implementation of internal control deemed necessary by management for the preparation and fair presentation of financial statements and its supporting schedule that is free from material misstatement, whether due to fraud or error.

### Independent auditor's responsibility

Our responsibility is to express an opinion on the financial statements and its supporting schedule based on our audits as independent auditors. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and its supporting schedule are free from material misstatement.

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

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

### Audit opinion

In our opinion, the financial statements and its supporting schedule referred to above presents fairly, in all material respects, the financial position and the results of operations of Yushin Precision Equipment Co., Ltd. for the period for which the financial statements and its supporting schedule is prepared, in conformity with accounting principles generally accepted in Japan.

### Interests in the Company

Our firm and engagement partners have no interest in Yushin Precision Equipment Co., Ltd., which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

<Certified copy of the audit report concerning non-consolidated statutory report>

### **Audit Report**

Regarding the performance of duties by the Directors for the fiscal year from April 1, 2013 to March 31, 2014, the Board of Corporate Auditors hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each Corporate Auditor.

1. Auditing Methods adopted by the Corporate Auditors and Board of Corporate Auditors and Details of Such Methods

The Board of Corporate Auditors established auditing policies, allocation of duties, and other relevant matters, and received reports from each Corporate Auditor regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel, and independent auditors regarding performance of their duties, and requested explanations as necessary.

Each Corporate Auditor complied with the auditing standards of Corporate Auditors established by the Board of Corporate Auditors, followed the auditing policies, allocation of duties, and other relevant matters, communicated with the Directors, the internal audit department, other employees, and any other relevant personnel, and made efforts to optimize the environment for information collection and audit, and participated in the Board of Directors' Meetings and other important meetings, received reports from the Directors, employees, and other relevant personnel regarding performance of their duties, requested explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the head office and principal offices.

In addition, we received periodic reports and requested explanations as necessary from the Directors, other relevant personnel and expressed our opinion about conditions of construction and application on the content of the resolution of the Board of directors and system actually placed as "internal control system" in accordance to this resolution, which is stipulated in Paragraphs 1 and 3 of Article 100 of the Enforcement Regulation of Corporate Act as a system required to ensure the compliance of laws and the Articles of Associations in the execution of businesses by directors written in the business report.

With respect to subsidiaries, we communicated and exchanged information with Directors, Corporate Auditors, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary. Based on the above methods, we examined the business report and supporting schedules related to the relevant business year.

Furthermore, we monitored and verified whether the independent auditors maintained their independence and implemented appropriate audits, and we received reports from the independent auditors regarding the performance of their duties and requested explanations as necessary. In addition, we received notice from the independent auditors that "the system for ensuring that duties are performed properly" (matters set forth in each Item of Article 131 of the Company Accounting Rules) is appropriately established in accordance with "Quality Control Standard on Audit" (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

Based on the above methods, we examined the non-consolidated financial statements (Balance Sheets, Statements of Income, and Statements of Changes in Net Assets) and supporting schedules, and the consolidated financial statements (Balance Sheets, Statements of Income, and Statements of Changes in Net Assets).

## 2. Audit Results

### a. Results of Audit of Business Report and Other Relevant Documents

- (1) In our opinion, the business report and supporting schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.
- (2) With regard to the performance of duties by the Directors, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation.
- (3) In our opinion, resolutions of the Board of Directors for the internal controls system are fair. And also the contents of the business report about the internal controls system and the director's activities and implementation of internal control system have no issues to be pointed out.

### b. Results of Audit of Financial Statements and Supporting Schedules

In our opinion, the methods and results employed and rendered by the independent auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

### c. Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by the independent auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

May 20, 2014

Board of Corporate Auditors,  
Yushin Precision Equipment Co., Ltd.

Full-time Corporate Auditor      Shujiro Sawada [SEAL]

Outside Corporate Auditor      Yasuhiro Orita [SEAL]

Outside Corporate Auditor      Takao Yoshikawa [SEAL]

Outside Corporate Auditor      Hiroho Kamakura [SEAL]

End of submitted documents

## Reference Documents for the General Meeting of Shareholders

### Proposal: Election of Seven (7) Directors

The terms of office of all the currently serving five (5) Directors will expire at the conclusion of this Meeting. Consequently, for the purpose of strengthen of management organization, to add two (2) candidates for director, shareholders are asked to vote for these seven (7) candidates for director.

The candidates for the position of Directors are as follows:

No.	Name (Date of birth)	Career summary, position, areas of responsibility, and representation of other organizations	Number of shares held
1	Mayumi Kotani (January 12, 1947)	October 1973    Joined the Company October 1982    Director February 1989    Executive Vice President and Director March 1993    Executive Vice President and Director, Head of Sales H.Q. December 2002    President and Representative Director April 2006    President and Head of Sales and Customer Service H.Q. March 2011    President and Representative Director To the present	2,187,901 shares
2	Satoshi Kimura (April 1, 1954)	April 2005    Joined the Company as Executive Officer and General Manager of Purchase Dept. October 2005    Executive Officer and Head of Purchase Dept. April 2006    Senior Executive Officer and Head of Purchase H.Q. June 2006    Managing Director and Head of Purchase H.Q. June 2008    Executive Managing Director and Head of Purchase H.Q. March 2010    Executive Managing Director To the present	1,100 shares
3	Yasuharu Odachi (July 31, 1958)	December 2004    Joined the Company February 2005    General Manager of Production Technology Dept. March 2005    General Manager of Research & Development Dept. October 2005    Head of Research & Development Dept. and Quality Assurance Dept. April 2006    Executive Officer and Head of Research & Development H.Q. and Quality Assurance Dept. April 2008    Executive Officer and Head of Research & Development H.Q. June 2008    Director and Head of Research & Development H.Q. June 2011    Managing Director and Head of Research & Development H.Q. To the present	2,100 shares
4	Yasushi Kitagawa (August 12, 1958)	September 2007    Joined the Company November 2007    Deputy Head of Manufacturing Dept. April 2008    Deputy Head of Manufacturing Dept. and Head of Quality Assurance Dept. April 2009    Executive Officer, Deputy Head of Manufacturing Dept. and Head of Quality Assurance Dept. August 2009    Executive Officer, Head of Manufacturing Dept. and Head of Quality Assurance Dept. June 2010    Director and Head of Manufacturing Dept. and Head of Quality Assurance Dept. June 2013    Managing Director and Head of Manufacturing Dept. and Head of Quality Assurance Dept. To the present	1,200 shares
5	Yuji Tsujimoto (March 25, 1952)	April 2008    Joined the Company June 2008    Full-time Corporate Auditor June 2009    Director and Head of General Affairs Dept. June 2010    Director and Head of Administrative H.Q. and General Affairs Dept. To the present	1,000 shares



6	* Yasuo Nishiguchi (October 9, 1943)	March 1975	Joined Kyoto Ceramic Co., Ltd.(currently Kyocera Corporation)	- Shares
		June 1987	Director	
		June 1992	Senior Managing Director and Representative Director	
		June 1997	Executive Vice president and Representative Director	
		June 1999	President and Representative Director	
		June 2003	President and Representative Director and President and Executive Officer	
		June 2005	Chairman of the Board and Representative director, and Chief Executive Officer	
		April 2006	Advisor and Director	
		June 2009	Retired from the office of Director	
		June 2012	Outside Director of NAGASE & CO., LTD. To the present	
		June 2013	Outside Director of Zensho Holdings Co., Ltd. To the present	
Representation of other organization Representative director of HANDY Corporation Representative director of SOLE Corporation				
7	* Hiroshi Matsuhisa (August 5, 1947)	June 1976	Research Assistant of school of precision engineering in Faculty of Engineering at Kyoto University	- Shares
		October 1987	Assistant professor	
		April 1994	Professor ( transferred to graduate school of department of Mechanical Engineering and Science by a reorganization in 2013)	
		April 2012	Professor emeritus at Kyoto University	
		March 2013	Senior Council of the Japan Society of Mechanical Engineers, Kansai Branch To the present	

Note 1: Asterisks (\*) above denote new candidates.

- 2: The Company currently has a consulting agreement of a research and development with Mr. Hiroshi Matsuhisa. The agreement has been started since April 2013 and the company should pay 100 thousand yen per month to him in compensation for the services. However, the agreement will be canceled once Mr. Hiroshi Matsuhisa becomes a member of the Board. The amount of the transaction is quite small comparing to the Company's business scale and is less than 0.1% to the consolidated net sales of the company. Mr. Hiroshi Matsuhisa has no special interests in the Company.
- 3: Mr. Yasuo Nishiguchi and Mr. Hiroshi Matsuhisa are candidates of the outside director.
- 4: The reason for the nomination of outside directors
  - (1) We would like to request the nomination of Mr. Yasuo Nishiguchi in expectation of his pertinent advice on our business because he has wide knowledge and experience across the running a company which he had cultivated through holding ministerial posts such as President and Representative Director at Kyocera Corporation. As Kyocera Corporation is one of our customers and the transaction with Kyocera Corporation is less than 0.1% to the consolidated net sales of the Company, there are no importance to cause special interests between the Company and Kyocera Corporation.
  - (2) We would like to request the nomination of Hiroshi Matsuhisa in expectation of his pertinent advice from his academic prospective on our business. As on the reason above, we have evaluated that Mr. Hiroshi Matsuhisa can adequately fulfill his position although he has not had experiences on a corporate management.

End of reference documents