

YUSHIN

Annual Report
2018

Year Ended March 31, 2018



YUSHIN PRECISION EQUIPMENT CO., LTD.

Securities Identification Code : 6482

Message from the President

Let me extend my wishes to you for your health and prosperity.

We respectfully appreciate for your continued support to our business.

We would like to present you an overall view of our company's 45th year of operations, the fiscal year from April 1st, 2017 to March 31st, 2018.

July 2018

 **Mayumi Kotani**
President and
Representative Director

できない.無理だ.は出発点

Impossible mark the starting point of a challenge.



Susumu Kotani, Yushin's Founder

● Business Results

Regarding the global economy during the consolidated fiscal year under review, the moderate economic expansion continued in the United States, reflecting robust personal consumption. The economy recovered in Europe due to improvements in the corporate sector, particularly in the manufacturing industry, and personal consumption. In the Asian region, including China, the economy was firm, and world economy remained steady overall.

In these circumstances, Yushin Group has strived to develop new products and to obtain new world-class customers. Regarding the results for the consolidated fiscal year under review, consolidated net sales increased by 7.9% year on year to 20,878 million yen as a result of strong sales of take-out robots. Operating income increased by 11.6% year on year to 2,358 million yen due to the increase in sales and the efficiency improvement led by the production start at the new head office factory although there was an increase in depreciation expenses at the new headquarters factory and distribution cost due to an increase in the number of

production shipments. Ordinary income increased by 18.2% year on year to 2,432 million yen, and net income attributable to shareholders of the parent company increased by 17.9% year on year to 1,626 million yen.

● Outlook for Fiscal Year 2019 (Year ending March 31, 2019)

Regarding the global economy during year ending March 31, 2019, the economic recovery is expected to continue as a whole, but there are many uncertain factors including problems of trade policies in the US and China, and the outlook for the economy will continue to be uncertain.

Under these circumstances, the Yushin Group will strive to further strengthen its product strength and global deployment capabilities, and will continue to develop and sell products that capture customer needs. In the take-out robot, we will expand sales of new products with new functions and work to improve our brand power. With custom-ordered equipment, we will continue to expand sales by receiving automation needs



that are increasing in Japan and overseas. Also, we will provide high-quality technical services by utilizing AI and also work on predictive maintenance. We will further improve productivity, work efficiency and cost reduction activities.

Yushin forecasts its business performance for the fiscal year ending March 31, 2019 based on the current information available, as follows.

| | (Millions of yen) |
|---|----------------------|
| | Consolidated |
| Net sales | 22,000 (Y/Y 5.4%) |
| Operating income | 2,600 (Y/Y 10.2%) |
| Ordinary income | 2,600 (Y/Y 6.9%) |
| Net income attributable to shareholders of the parent company | 1,800 (Y/Y 10.6%) |

● Medium and Long-Term Management Strategies

Yushin has set the medium-term management targets of net sales of 30,000 million yen and ordinary income of 5,000 million yen.

Company strategy

Yushin strengthens and conducts business even more aggressively in the global market, and works on developing superior cost-effective products with its quality and performance to meet our customer needs. And Yushin will also attract new customer for the take-out robots while promoting receiving orders for custom-ordered equipment in a new business area. In addition, Yushin continues to improve productivities and promote operational efficiencies utilizing a new headquarters and factory which was opened in December 2016.

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 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.

Product strategy

Yushin will continuously offer the 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 to the market in the business area where Yushin can manifest technological and/or sales synergies.

Outline of Yushin Precision Equipment Co., Ltd.

Our name "Yushin", means to be both conscientious and trustworthy in Japanese. As these terms suggest, our goal is to be a company that earns and deserves the trust of customers. This is why we work constantly to develop products and systems based on what we call "Heartful Technology", that reaches heart to heart.

Since 1973, we have been striving to make the molding process more efficient, focusing on the development and manufacturing of take-out robots for plastic injection molding products. To us, the words "impossible" or "it can't be done" mark the starting point of a challenge.

To be successful, we must continue to introduce innovative products, for instance, ultra-high speed robots and factory automation systems for bringing new capabilities into the customers.

As an innovator in the plastic molding process, Yushin intends to continue developing equipment that will improve quality, and simplify the molding new types of products. Taking advance with automation for plastic molding plants, Yushin has been expanding its service network throughout the world.

Yushin also conducts its business so as to live up to the trust and expectations of its customers, shareholders, suppliers, employees, local communities and all other stakeholders.

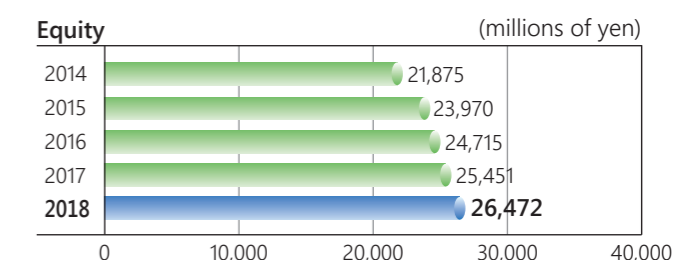
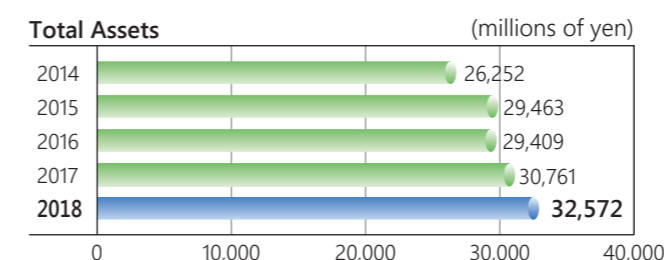
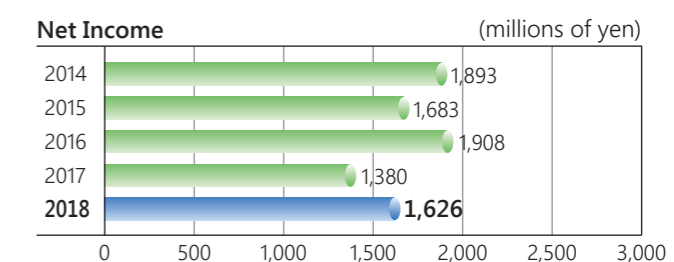
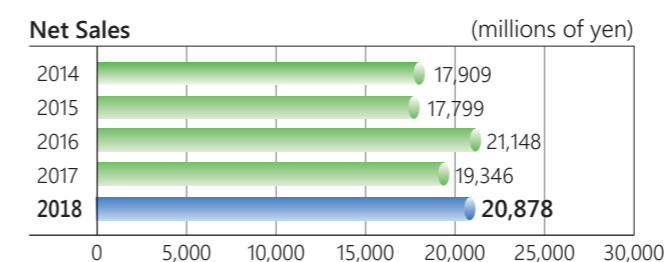


Consolidated Financial Highlights

YUSHIN PRECISION EQUIPMENT CO., LTD. and Subsidiaries
Years Ended March 31

| | Millions of Yen | | | | | Thousands of U.S. Dollars |
|---|-----------------|----------|----------|----------|----------|---------------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2018 |
| For the year: | | | | | | |
| Net sales | ¥ 20,878 | ¥ 19,346 | ¥ 21,148 | ¥ 17,799 | ¥ 17,909 | \$ 196,968 |
| Operating income | 2,358 | 2,112 | 3,086 | 2,304 | 2,792 | 22,252 |
| Income before income taxes | 2,438 | 2,009 | 2,858 | 2,566 | 3,163 | 23,001 |
| Net income attributable to owners of the parent | 1,626 | 1,380 | 1,908 | 1,683 | 1,893 | 15,346 |
| R&D Expenses | 598 | 619 | 510 | 472 | 448 | 5,647 |
| At Year end: | | | | | | |
| Total assets | 32,572 | 30,761 | 29,409 | 29,463 | 26,252 | 307,291 |
| Equity | 26,472 | 25,451 | 24,715 | 23,970 | 21,875 | 249,736 |
| Per share of common stock: | | | | | | |
| | Yen | | | | | U.S. Dollars |
| Net income | ¥ 46.51 | ¥ 39.46 | ¥ 54.57 | ¥ 48.13 | ¥ 54.12 | \$ 0.44 |
| Cash dividends | 33.00 | 36.00 | 36.00 | 30.00 | 30.00 | 0.31 |
| Equity | 750.37 | 722.19 | 700.77 | 678.68 | 621.94 | |
| Equity ratio: | | | | | | |
| | % | | | | | |
| Return on assets | 5.1% | 4.6% | 6.5% | 6.0% | 7.6% | |
| Return on equity | 6.3 | 5.6 | 7.9 | 7.4 | 9.1 | |

Notes: The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits, including those stock splits made after year-end.
Cash dividends per share are dividends applicable to the respective years including dividends to be paid after the end of the year.
The computation of equity per share is based on the number of shares of common stock outstanding each end of year, retroactively adjusted for stock splits, including those stock splits made after year-end.
Translations of Japanese Yen amounts into U.S. dollar amounts are made at the rate of ¥106 to \$1.



Estimates, Forecasts, and Plans

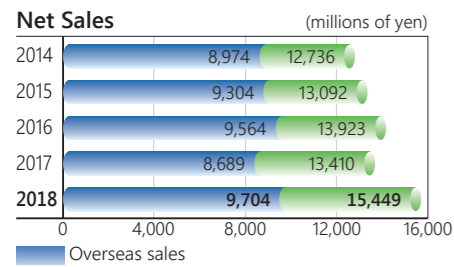
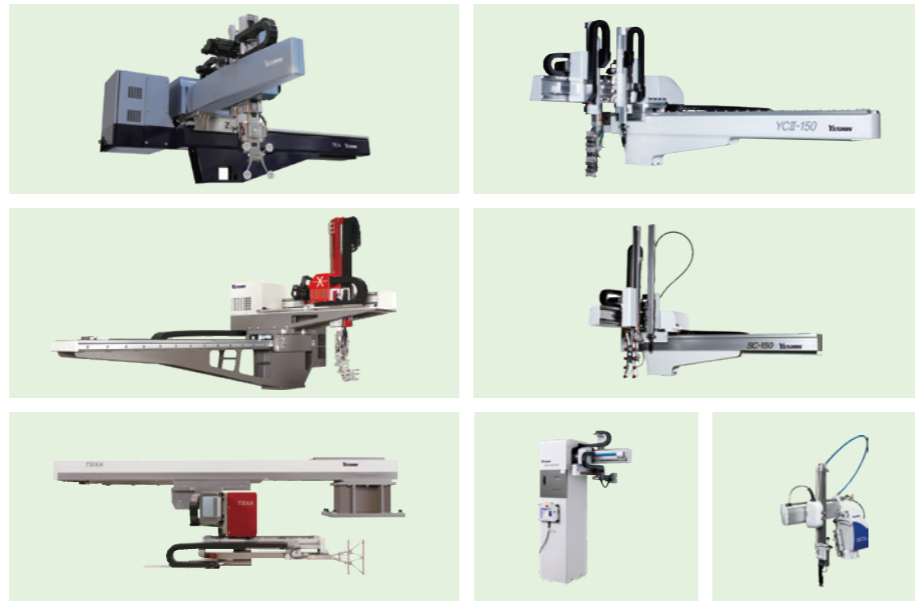
The performance estimates, forecasts of the business environment, and business plans contained in this publication are based on the information available at the time of compilation. Statements herein regarding these performance estimates, forecasts of the business environment, and business plans may contain inaccurate elements. In addition, there is a possibility of unknown risks, uncertainties, and contingencies emerging that may invalidate these performance estimates, forecasts of the business environment, and business plans. As a result, the reader is requested to understand that actual results / performance, the business environment and business plans in the future may differ materially from the content of this publication.

Serving society through developing plastics industry

Review of Operations

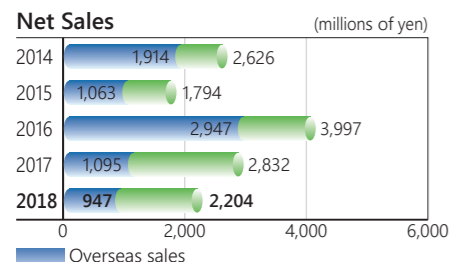
Take-out Robots

Net sales of take-out robots increased by 2,039 million yen (15.2%) from the previous FY to 15,449 million yen since sales of flagship take-out robots grew steadily.



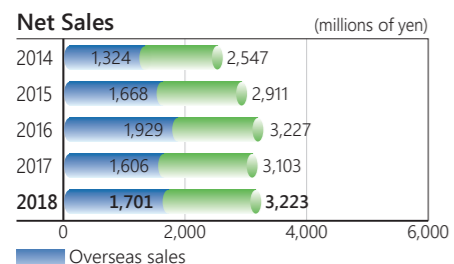
Custom-ordered Equipment

Net sales of custom-ordered equipment decreased by 627 million yen (22.2%) from the previous FY to 2,204 million yen.

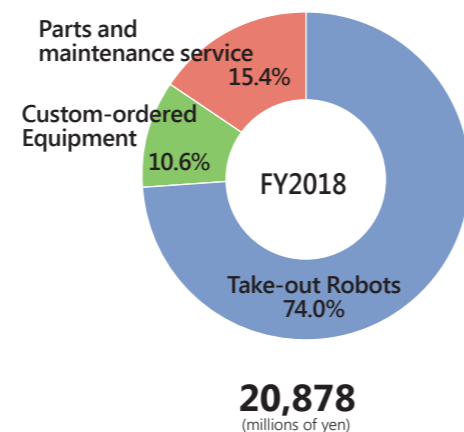


Parts and Maintenance Service

Net sales of parts and maintenance service increased by 120 million yen (3.9%) from the previous FY to 3,223 million yen.



Sales Composition by Products



Performance of Geographic Segments

<Japan>

Net sales increased by 7.6% from the previous FY to 16,724 million yen and operating income increased by 10.2% from the previous FY to 1,409 million yen.

<North America>

Net sales decreased by 2.6% from the previous FY to 3,200 million yen and operating income decreased by 25.2% to 260 million yen.

<Asia>

Net sales increased by 17.1% from the previous FY to 5,593 million yen and operating income increased by 29.4% to 607 million yen.

<Europe>

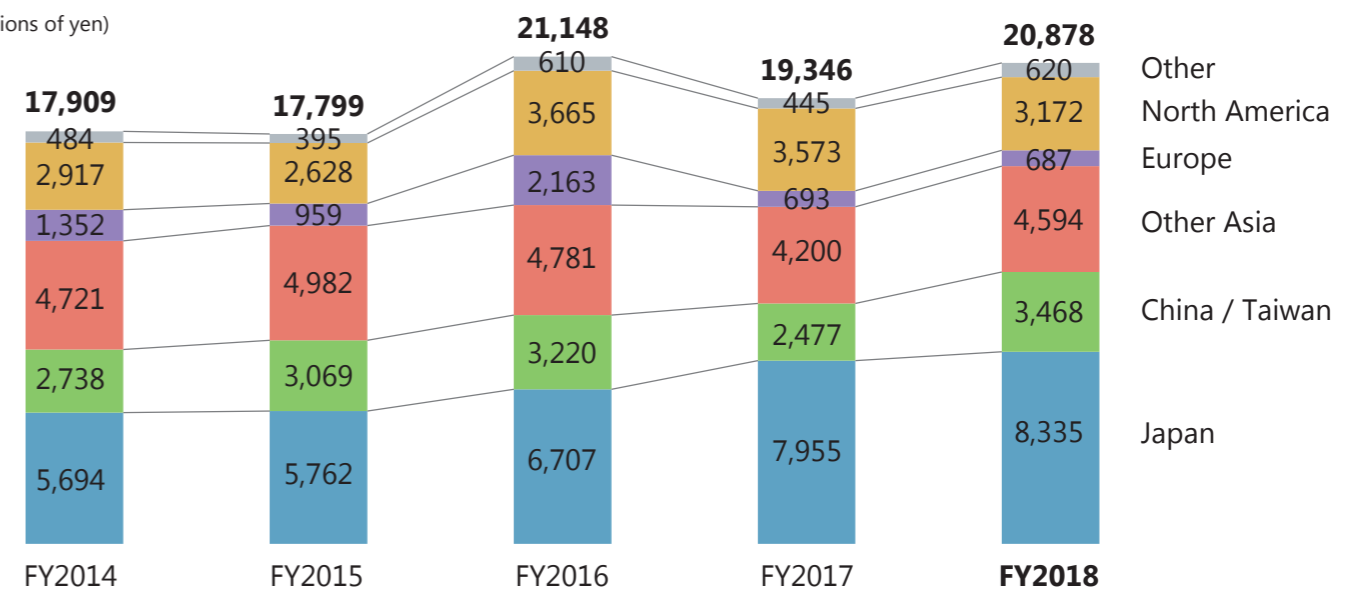
Net sales increased by 76.0% from the previous FY to 698 million yen and operating income increased by 1,811.3% from the previous FY to 130 million yen.

Overseas Sales

Overseas sales simply indicate Yushin's world sales to countries and areas other than Japan. Overseas sales increased by 10.1% year on year to 12,543 million yen from the previous fiscal year. And the ratio of overseas sales to the total net sales was 60.1%.

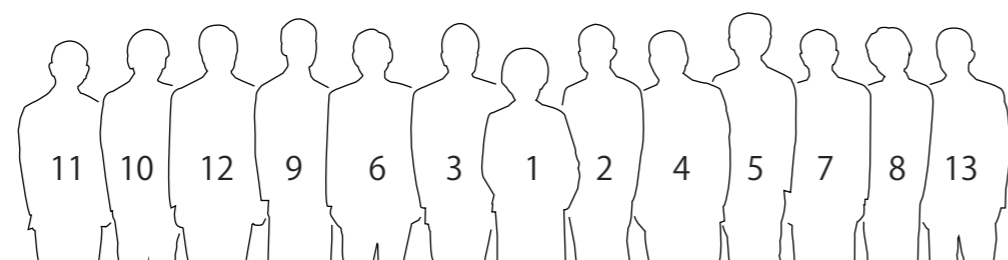
Sales Composition by Region

(millions of yen)



Board of Directors, Auditors and Officer

As of June 30, 2018



● Directors

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. 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.
 (To the present)

3. 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 H.Q.
 and Head of Quality Assurance Dept.
 August 2009 Executive Officer, Head of Manufacturing H.Q.
 and Head of Quality Assurance Dept.
 June 2010 Director and Head of Manufacturing H.Q.
 and Head of Quality Assurance Dept.
 June 2013 Managing Director
 and Head of Manufacturing H.Q.
 and Head of Quality Assurance Dept.
 June 2017 Executive Managing Director
 and Head of Manufacturing H.Q.
 and Head of Quality Assurance Dept.
 (To the present)

4. 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)

5. Tomohiro Inano (December 13, 1962)

June 1989 Joined the Company
 August 2003 General Manager of Yushin Precision
 Equipment Trading (Shenzhen) Co., Ltd.
 April 2008 General Manager of Chinese Area
 and General Manager of Yushin Precision
 Equipment Trading (Shenzhen) Co., Ltd.
 July 2009 Assistant to General Manager of Sales H.Q.
 February 2010 Deputy General Manager of Sales H.Q.
 March 2011 General Manager of Sales H.Q.
 March 2014 Executive Officer
 and General Manager of Sales H.Q.
 June 2017 Director and General Manager of Sales H.Q.
 (To the present)

6. Yasuo Nishiguchi (October 9, 1943)

March 1975 Joined Kyoto Ceramic Co., Ltd.
 (currently Kyocera Corporation)
 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 2014 Outside Director of the Company
 (To the present)
 March 2015 Chairman and CEO of Socionext Inc.
 (Retired in March 2018)
 June 2016 Outside Director of
 YAMADA Consulting Group Co., Ltd.
 (To the present)

7. Hiroshi Matsuhisa (August 5, 1947)

June 1976 Research Assistant of school of
 precision engineering in Faculty of Engineering
 at Kyoto University
 October 1987 Assistant professor
 April 1994 Professor
 (transferred to graduate school of department
 of Mechanical Engineering and Science by a
 reorganization in 1995)
 April 2012 Professor emeritus at Kyoto University
 June 2014 Outside Director of the Company
 (To the present)
 June 2016 Outside Corporate Auditor of
 Technology Seed Incubation Co., Ltd.
 (Retired in June 2018)

8. Reiko Nakayama (April 2, 1959)

April 1983 Joined Japan Associated Finance Co., Ltd.
 (currently JAFCO Co., Ltd)
 January 1997 Joined Marusan Securities Co., Ltd.
 March 2000 General Manager of Investment information
 October 2004 General Manager of Underwriting
 October 2008 Part-time Director of LivTech, Inc.
 February 2009 Director and Head of Administrative H.Q. of
 LivTech, Inc.
 (Retired in March 2013)
 March 2015 Outside Director of LUCKLAND CO.,LTD
 March 2016 Director of LUCKLAND CO.,LTD
 (Audits Committee) (To the present)
 June 2018 Outside Director of the Company
 (To the present)

● Auditors

9. Yoshihisa Nakanishi (June 5, 1959)

March 2008 Joined the Company
 April 2008 General Manager of Personnel Affairs Section
 June 2008 General Manager of Accounting Department
 July 2015 General Manager of Internal Audit Office
 July 2017 Corporate Auditor of the Company (To the present)

10. Yasuhiro Orita (September 30, 1944)

April 1975 Lawyer registration
 May 1985 Established Orita Law Office (currently KEYAKI LAW OFFICE) (To the present)
 June 1994 Outside Corporate Auditor of the Company (To the present)

11. Hiroho Kamakura (January 27, 1947)

November 1971 Joined Tohmatsu Aoki & Co. (currently "Deloitte Touche Tohmatsu LLC")
 May 1973 Registered as CPA
 July 2012 Outside Corporate Auditor of Trusco Nakayama Corporation (To the present)
 July 2012 Outside Corporate Auditor of the Company (To the present)
 March 2013 Outside Corporate Auditor of FUJIO FOOD SYSTEM CO., LTD. (To the present)

12. Michitoshi Morimoto (August 9, 1957)

April 1981 Joined FUJITEC Co., Ltd.
 February 1982 Joined Osaka Research Institute of Industrial Science and Technology
 February 1987 Joined Matsushita Electric Industrial Co., Ltd. (Panasonic Corporation)
 October 1990 Joined Nomura Research Institute, Ltd.
 January 2016 Joined Human Holdings Co., Ltd. Executive officer (CIO)
 November 2016 Retired from the Human Holdings Co., Ltd.
 July 2017 Outside Corporate Auditor of the Company (To the present)

● Officer

13. Masahito Fukui (June 30, 1960)

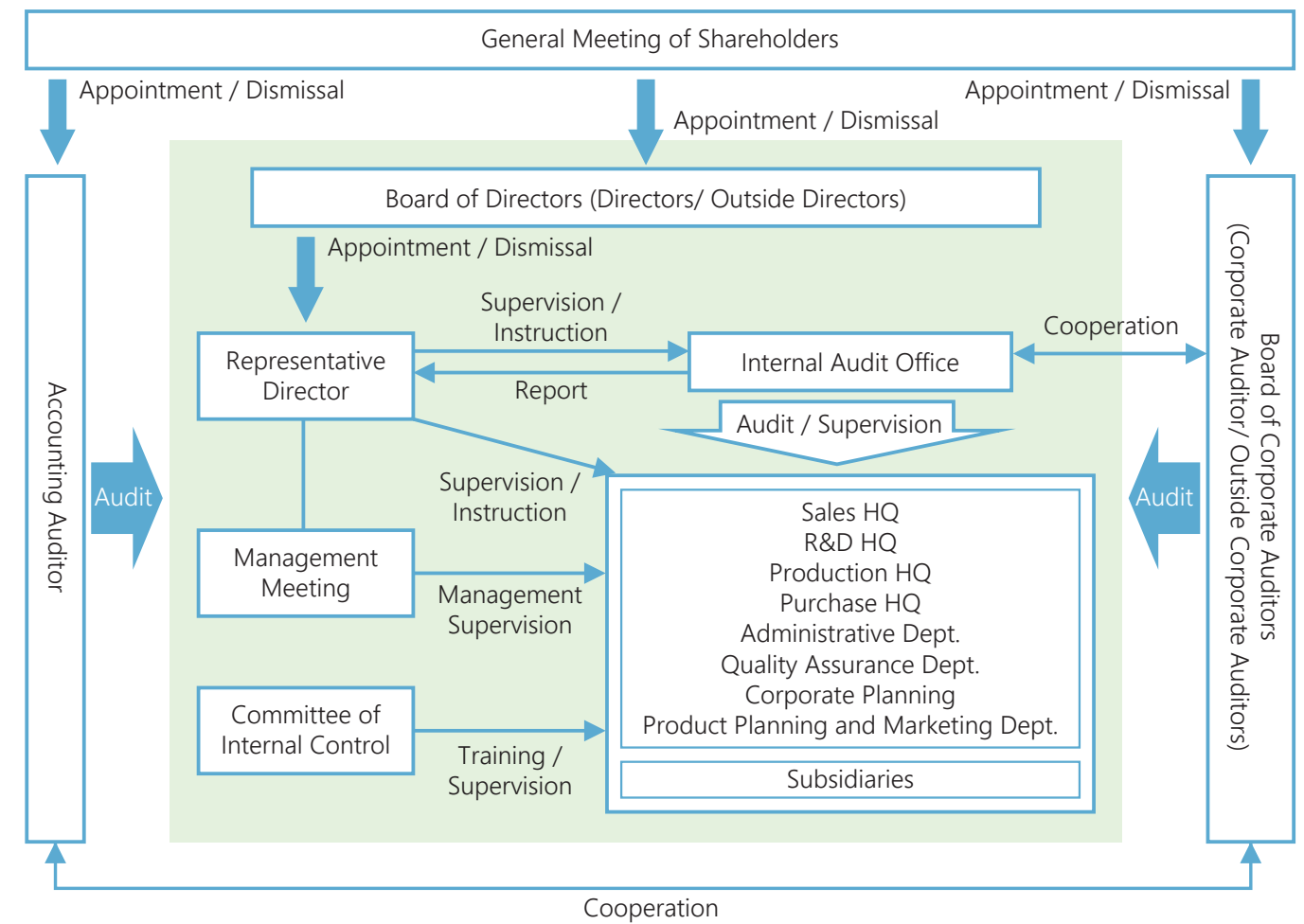
October 2013 Joined the Company as General Manager of Internal Audit Office
 July 2015 General Manager of Accounting Department
 July 2017 Executive Officer and General Manager of Accounting Department (To the present)

● Basic Views on Corporate Governance

The Company aims at achieving sustainable growth and maximizing the enterprise value for medium- and long-term under the management philosophy with obtaining credibility from all stakeholders surrounding Yushin including shareholders. We strive to strengthen corporate governance with the basic policy of following five items.

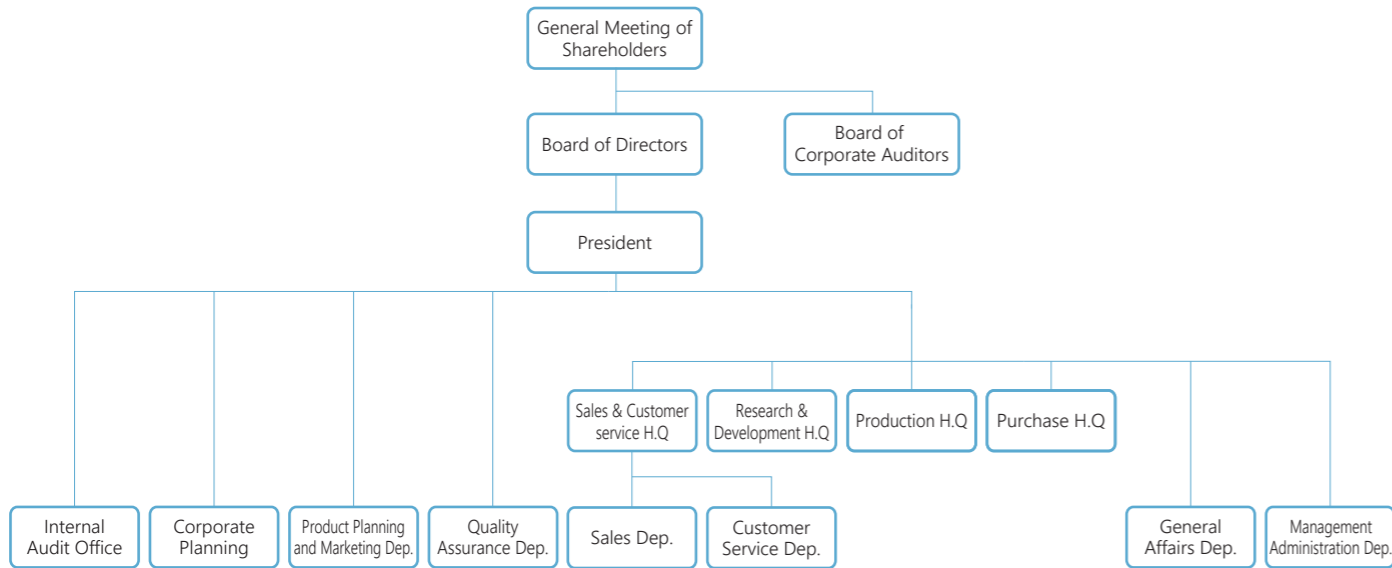
1. The Company respects the rights of shareholders and ensures equality, as well as strives to improve the environment for executing rights appropriately and protect rights.
2. The Company strives to sincerely cooperate with stakeholders excluding our shareholders with good sense.
3. The Company strives to ensure the transparency by appropriately making disclosure according to laws and regulations and voluntarily providing information excluding the disclosure.
4. The Board of Directors strives to execute its roles and duties appropriately for transparent/fair and flexible decision-making.
5. The Company strives to positively communicate with shareholders after sharing the direction of its stable growth for long-term.

● Chart of Corporate Governance System



● Organization Chart

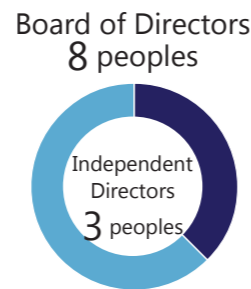
(As of June 30, 2018)



● Progress of Board of Directors

Under rapidly changing business environment and advancement of globalization, the Company appoints candidates of Directors with a focus on balance among knowledge, experience and expertise, diversity and global viewpoints. Now eight Directors, including three Outside Directors (more than one third of the Board of Directors) who are all independent Directors, take office. The Company will keep the number of the board members that immediate decision-making can be conducted with each member providing his or her expertise and exchanging opinions each other.

Outside Directors now analyze and evaluate whole of the Board of Directors. To further improve the functions of the Board of Directors, analysis and evaluation of effectiveness of the whole Board including their methods are currently examined.



Message from New Outside Director - Reiko Nakayama

I have contacted the Japanese technology through the venture capital and stock analyst duties, and have been hoping to contribute through my duties although I am not an engineer. Now I got the opportunity as an outside director of the Company. I would like to meet the expectations of all stakeholders by being conscious of compliance from a global perspective and building a clear long-term growth strategy of the company.



● Continued development of energy-saving products

Yushin continues to develop energy-saving products, such as adopting the optimal design technology jointly studied with Kyoto University for the first time in the world as an extraction robot.

The YC series saves electricity by using lighter-weight moving components, and with its economizing vacuum-grip system, greatly reduces its usage of compressed air, and awarded "the Japan Machinery Federation's Energy Efficient Machine" in 2012.



● Promotion of work-life balance

- Child-care leave / Short-time work system

Yushin has adopted a child-care leave and short-time work system more than the law requires. Yushin supports all employees raising their children.

- Working Support Team

Working Support Team has been set up to promote the health of employees and the creation of a comfortable working environment. There is full-time public health nurse as a member of the team.

- YUSHIN Coming Day

YUSHIN Coming Day is an event that gives employees' families opportunities to visit the H.Q. and factory and deepen interaction and connection. Through such events, YUSHIN seeks to promote employee work-life balance, and continue to revitalize our internal communication.



Global Network (As of June 30, 2018)



Headquarters & Factory



USA



Korea



Malaysia



Taiwan



Thailand



UK



China (Shenzhen)



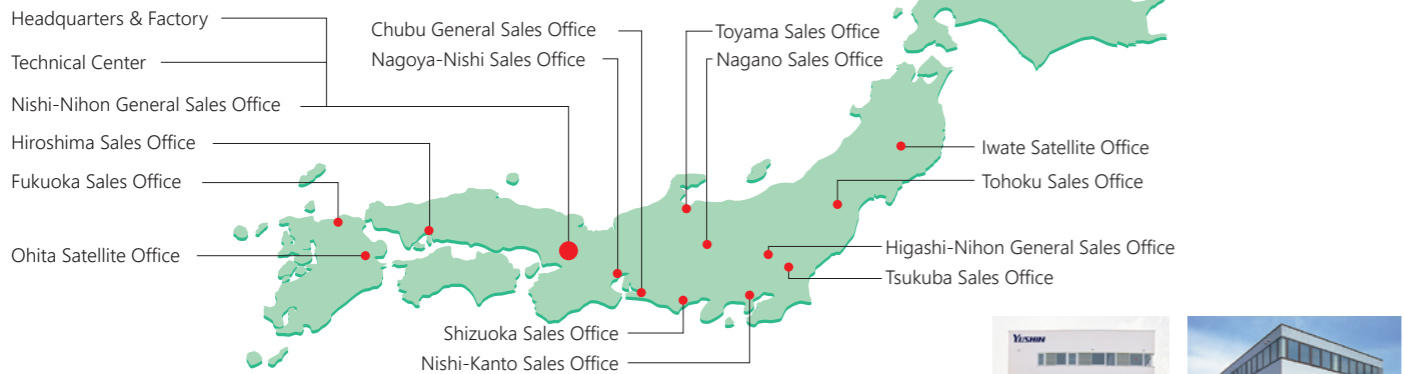
China (Shanghai)



Vietnam



China (Guangzhou)



Chubu General Sales Office



Higashi-Nihon General Sales Office

Headquarters & Factory

YUSHIN PRECISION EQUIPMENT CO., LTD.

555 Kuzetonoshiro-cho, Minami-ku, Kyoto, Japan 612-8205
 TEL: +(81)75-933-9555

Subsidiaries (Sales office)

- Korea YUSHIN KOREA CO., LTD. <Seoul>
 Tawon Techno-town F-101, 98 Okuchundong-Ro, Siheung-Shi, Gyeonggi-Do, 15097, Korea
 TEL: +(82)31-433-9655~6
- China YUSHIN PRECISION EQUIPMENT TRADING (SHANGHAI) CO., LTD.
 Unit J1, 17/Floor, No.1800 Zhongshan West Road, Shanghai, 200235 China
 TEL: +(86)21-6440-1586~7
- YUSHIN PRECISION EQUIPMENT TRADING (SHENZHEN) CO., LTD.
 13F Tower 1, Yang Guang Hua Yi Building NO.3003, Nan Hai Ave, Nan Shan District, Shenzhen, 518052, China
 TEL: +(86)755-8358-0139
- Taiwan YUSHIN PRECISION EQUIPMENT (TAIWAN) CO., LTD. <Taipei>
 10F., No.45, Sec.1, Minquan E. Rd., Zhongshan District, Taipei City 10452, Taiwan (R.O.C.)
 TEL: +(886)2-2585-0507
- Indonesia PT. YUSHIN PRECISION EQUIPMENT INDONESIA <Jakarta>
 RUKO KALIMAS Jl. Chairil Anwar No. A15 RT.006 RW.017, Margahayu, Bekasi Timur - Kota Bekasi, Jawa Barat 17112, Indonesia
 TEL: +(62)21-8835-8185
- Vietnam YUSHIN PRECISION EQUIPMENT (VIETNAM) CO., LTD. <Hanoi>
 Room No.101, 1st Floor, Schmidt Tower, 239 Xuan Thuy Street, Dich Vong Hau Ward, Cau Giay Dist, Hanoi, 100000, Vietnam
 TEL: +(84)43-767-3844
- Malaysia YUSHIN PRECISION EQUIPMENT SDN. BHD. <Kuala Lumpur>
 Unit No.C-03A-5, Setiawalk, Persiaran Wawasan, Pusat Bandar Puchong, 47610 Puchong, Selangor Darul Ehsan, Malaysia
 TEL: +(60)3-5880-5445
- Thailand YUSHIN PRECISION EQUIPMENT (THAILAND) CO., LTD. <Bangkok>
 179/346 Supalai Place 1st Floor, Soi, Sukhumvit 39, Sukhumvit Road, Klongton Nua, Wattana, Bangkok 10110, Thailand
 TEL: +(66)2-662-2580
- India YUSHIN PRECISION EQUIPMENT (INDIA) PVT. LTD. <Chennai>
 Plot No.7, 4th Floor, Dr.Kannan Tower, Lakshmi Nagar Extension, Arcot Road Porur Chennai 600116, Tamil Nadu, India
 TEL: +(91)44-4231-8005
- UK YUSHIN AUTOMATION LIMITED <Birmingham>
 Unit 15-16 Aston Fields Industrial Estate, Aston Road, Bromsgrove, Worcestershire B60 3EX, United Kingdom
 TEL: +(44)1527-558-218
- USA YUSHIN AMERICA, INC. <Rhode Island>
 35 Kenney Drive, Cranston, RI 02920 U.S.A.
 TEL: +(1)401-463-1800

Technical Center

487 Kuzetsukiyama-cho, Minami-ku, Kyoto, Japan 601-8203
 TEL: +(81)75-933-9555

Subsidiary (Factory)

- China GUANGZHOU YUSHIN PRECISION EQUIPMENT CO., LTD.
 No.2 Chuangli Road, XiangShan street, Zengcheng Economic & Technological Development District, Guangzhou City, Guangdong Province, China
 TEL: +(86)20-8269-0091

Representative offices

- PHILIPPINES REPRESENTATIVE OFFICE <Manila>
 2nd Floor RAHA Sulayman Building (Annex) 108 Benavidez Street, Legaspi Village, Makati City, 1229, Philippines
 TEL: +(63)2-893-7546

Sole Agents

- New Zealand TASMAN MACHINERY LTD. <Auckland>
 14-16 Auburn Street, Grafton, Auckland 1023, New Zealand
 TEL: +(64)9-379-5716
- Australia TASMAN MACHINERY PTY. LTD. <Melbourne>
 Unit 2/ 84-90 Lakewood Boulevard Braeside3195, Victoria Australia
 TEL: +(61)3-8587-8200
- Turkey MAR PLASTIK METAL KALIP SAN.VE TIC. LTD. STI. <Istanbul>
 Istanbul Anadolu Yakasi Org. San. Bol. 9. Sokak, No:6 34953 Tuzla, Istanbul, TURKEY
 TEL: +(90)216-593-20-01
- The Netherlands POLYMAC-ROBOTICS B.V. <Ede>
 Morsestraat 20 Ede 6716 AH EDE, The Netherlands
 TEL: +(31)318-648615
- Canada EN-PLAS, INC. <Toronto>
 1395 Morningside Avenue Scarborough, (Toronto) Ontario M1B 3J1, Canada
 TEL: +(1)416-286-3030

● Chinaplas 2018 & NPE 2018

Asia's largest plastic and rubber industry trade fair "Chinaplas 2018 Exhibition" was held in Shanghai, China in April 2018. During the period, there were more than 180,000 visitors from all over the world.

Yushin exhibited five new take-out robot "FRA", which introduced the latest technology including "active vibration control" the industry's first vibration control function, "INTU LINE" our proprietary IoT service, and a new type of controller designed based on ergonomics.

It was a good opportunity to appeal our technological advantage to many visitors.

In May 2018, in Florida, USA one of the world's three largest plastic fairs "NPE 2018" was held. We exhibited the take-out robot "FRA" here too, and monitored the operation status of five FRA operated at the exhibition site and two FRA operated in Japan through our proprietary IoT service "INTU LINE", appealing robot improvement for higher factory productivity.



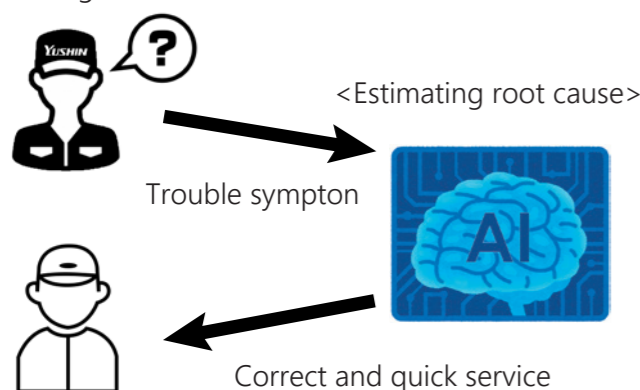
Chinaplas 2018



NPE 2018

● Trouble Cause Estimation System Utilizing AI

<Detecting the error>



More than 100,000 take-out robots sold by Yushin are currently operated worldwide. In order to maintain these robots, the technical service staff responds to customer inquiries every day, and the huge trouble case data is accumulated in our service department.

This time, we have succeeded in analyzing these data with the latest AI (artificial intelligence) technology and estimating the cause of the trouble. This trouble cause estimation system realizes accurate and prompt service provision which is not influenced by the experience of the service staff when trouble occurs at the customer's factory.

We will promote the use of AI technology furthermore and develop business that leads to productivity improvement of customers' factories.

YUSHIN PRECISION EQUIPMENT CO., LTD. and Subsidiaries
Year ended March 31, 2018

● 1. NET SALES

Net sales increased by 7.9% year on year to 20,878 million yen as a result of strong sales of take-out robots.

● 2. OPERATING INCOME

Operating income increased by 11.6% year on year to 2,358 million yen due to the increase in sales and the efficiency improvement led by the production start at the new head office factory although there was an increase in depreciation expenses at the new headquarters factory and distribution cost due to an increase in the number of production shipments.

● 3. FINANCIAL CONDITION

<Assets>

Total assets increased by 1,811 million yen from the end of the previous fiscal year to 32,572 million yen. This was mainly due to increase of 1,363 million yen in Raw materials and supplies.

<Liabilities>

Total liabilities increased by 790 million yen from the end of the previous fiscal year to 6,100 million yen. This was mainly due to increase of 570 million yen in Advances received.

<Net assets>

Net assets increased by 1,020 million yen from the end of the previous fiscal year to 26,472 million yen due to increase of Retained earnings by 997 million yen.

● 4. CASH FLOW

The balance of cash and cash equivalents on March 31, 2018 decreased by 1,927 million yen from the end of the previous fiscal year to 3,763 million yen. Main reasons are as follows.

<Cash flow from operating activities>

Income before income taxes was 2,438 million yen. After deducting 402 million yen in Income taxes paid, cash flow from operating activities for the fiscal year ended March 31, 2018 was a net inflow of 1,223 million yen (it was a net inflow of 1,626 million yen in the previous fiscal year).

<Cash flow from investment activities>

Due to 1,846 million yen in Deposit of time deposit, cash flow from investment activities for the fiscal year ended March 31, 2018 was a net outflow of 2,511 million yen (it was a net outflow of 471 million yen in the previous fiscal year).

<Cash flow from financing activities>

Due to Cash dividends paid of 629 million yen, cash flow from financing activities for the fiscal year ended March 31, 2018 was a net outflow of 659 million yen (it was a net outflow of 678 million yen in the previous fiscal year).

Consolidated Balance Sheet

YUSHIN PRECISION EQUIPMENT CO., LTD. and Subsidiaries
March 31, 2018

| ASSETS | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|----------|--|
| | 2018 | 2017 | 2018 |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents (Note 9) | ¥ 3,763 | ¥ 5,690 | \$ 35,502 |
| Short-term investments (Notes 9) | 1,891 | 43 | 17,847 |
| Receivables (Note 9) : | | | |
| Trade notes | 1,866 | 1,184 | 17,608 |
| Trade accounts | 5,176 | 5,295 | 48,834 |
| Allowance for doubtful receivables | (20) | (21) | (190) |
| Inventories (Note 4) | 5,485 | 3,833 | 51,748 |
| Deferred tax assets (Note 7) | 436 | 431 | 4,114 |
| Other current assets | 764 | 890 | 7,211 |
| Total current assets | 19,363 | 17,348 | 182,676 |
| PROPERTY, PLANT AND EQUIPMENT: | | | |
| Land | 6,133 | 5,784 | 57,862 |
| Buildings and structures | 8,794 | 8,816 | 82,968 |
| Machinery and equipment | 561 | 559 | 5,301 |
| Furniture and fixtures | 1,511 | 1,465 | 14,257 |
| Construction in progress | 4 | 5 | 45 |
| Total | 17,006 | 16,631 | 160,436 |
| Accumulated depreciation | (5,122) | (4,376) | (48,328) |
| Net property, plant and equipment | 11,883 | 12,255 | 112,107 |
| INVESTMENTS AND OTHER ASSETS: | | | |
| Investment securities (Notes 3 and 9) | 276 | 220 | 2,607 |
| Insurance funds | 131 | 119 | 1,243 |
| Asset for retirement benefits (Note 5) | 274 | 292 | 2,588 |
| Deferred tax assets (Note 7) | 138 | 20 | 1,306 |
| Other assets | 504 | 503 | 4,762 |
| Total investments and other assets | 1,325 | 1,157 | 12,506 |
| TOTAL | ¥ 32,572 | ¥ 30,761 | \$ 307,291 |

See notes to consolidated financial statements.

| LIABILITIES AND EQUITY | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|----------|--|
| | 2018 | 2017 | 2018 |
| CURRENT LIABILITIES: | | | |
| Payables (Note 9) : | | | |
| Trade notes | ¥ 58 | ¥ 83 | \$ 548 |
| Trade accounts | 2,847 | 2,908 | 26,859 |
| Construction and other | 505 | 750 | 4,767 |
| Advances from customers | 1,175 | 604 | 11,093 |
| Income taxes payable (Note 9) | 608 | 100 | 5,741 |
| Accrued expenses | 485 | 451 | 4,575 |
| Warranty reserve | 145 | 122 | 1,370 |
| Other current liabilities (Note 7) | 79 | 77 | 752 |
| Total current liabilities | 5,905 | 5,100 | 55,710 |
| LONG-TERM LIABILITIES: | | | |
| Liability for retirement benefits to directors (Note 5) | 66 | 66 | 630 |
| Liability for retirement benefits (Note 5) | 51 | 53 | 485 |
| Deferred tax liabilities (Note 7) | 25 | 29 | 236 |
| Other | 52 | 59 | 492 |
| Total long-term liabilities | 195 | 209 | 1,844 |
| EQUITY (Notes 6 and 12): | | | |
| Common stock, authorized, 80,000,000 shares; issued, 35,638,066 shares in 2018 and 2017* | 1,985 | 1,985 | 18,732 |
| Capital surplus | 2,023 | 2,023 | 19,093 |
| Retained earnings | 22,270 | 21,273 | 210,099 |
| Treasury stock - at cost: 663,964 shares in 2018 and 663,430 shares in 2017* | (354) | (353) | (3,347) |
| Accumulated other comprehensive income: | | | |
| Unrealized gains on available-for-sale securities | 97 | 58 | 916 |
| Foreign currency translation adjustments | 164 | 203 | 1,550 |
| Defined retirement benefit plan | 56 | 67 | 537 |
| Total | 26,243 | 25,258 | 247,581 |
| Noncontrolling interests | 228 | 193 | 2,154 |
| Total equity | 26,472 | 25,451 | 249,736 |
| TOTAL | ¥ 32,572 | ¥ 30,761 | \$ 307,291 |

* Shares have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2018.
See notes to consolidated financial statements.

Consolidated Statement of Income

YUSHIN PRECISION EQUIPMENT CO., LTD. and Subsidiaries
Year Ended March 31, 2018

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|--|-----------------|----------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| NET SALES | ¥ 20,878 | ¥ 19,346 | \$ 196,968 |
| COST OF SALES | 12,417 | 11,680 | 117,144 |
| Gross profit | 8,461 | 7,666 | 79,824 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 8) | 6,102 | 5,553 | 57,571 |
| Operating income | 2,358 | 2,112 | 22,252 |
| OTHER INCOME (EXPENSES): | | | |
| Interest and dividend income | 10 | 10 | 99 |
| Foreign exchange loss | (54) | (129) | (512) |
| Gain on sale of investment securities | | 0 | |
| Other-net | 123 | 14 | 1,161 |
| Other income (expenses) - net | 79 | (103) | 749 |
| INCOME BEFORE INCOME TAXES | 2,438 | 2,009 | 23,001 |
| INCOME TAXES (Note 7): | | | |
| Current | 896 | 503 | 8,459 |
| Deferred | (141) | 94 | (1,333) |
| Total income taxes | 755 | 598 | 7,125 |
| NET INCOME | 1,682 | 1,411 | 15,875 |
| NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 56 | 31 | 529 |
| NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT | ¥ 1,626 | ¥ 1,380 | \$ 15,346 |

| | Yen | U.S. Dollars (Note 1) |
|---|---------|-----------------------|
| PER SHARE OF COMMON STOCK (Notes 2.o, 11, and 12): | | |
| Net income* | ¥ 46.51 | \$ 0.44 |
| Cash dividends applicable to the year* | 33.00 | 0.31 |

*Net income has been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2018.
Dividends per share have not been restated to reflect the two-for-one stock split.
See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

YUSHIN PRECISION EQUIPMENT CO., LTD. and Subsidiaries
Year Ended March 31, 2018

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|---------|---------------------------------------|
| | 2018 | 2017 | 2018 |
| NET INCOME | ¥ 1,682 | ¥ 1,411 | \$ 15,875 |
| OTHER COMPREHENSIVE INCOME (LOSS) (Note 10) : | | | |
| Unrealized gains on available-for-sale securities | 38 | 24 | 363 |
| Foreign currency translation adjustments | (31) | (59) | (292) |
| Defined retirement benefit plan | (10) | 17 | (101) |
| Total other comprehensive loss | (3) | (17) | (30) |
| COMPREHENSIVE INCOME | ¥ 1,679 | ¥ 1,393 | \$ 15,845 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO : | | | |
| Owners of the parent | ¥ 1,615 | ¥ 1,359 | \$ 15,241 |
| Noncontrolling interests | 64 | 34 | 603 |

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

YUSHIN PRECISION EQUIPMENT CO., LTD. and Subsidiaries
Year Ended March 31, 2018

| | Thousands | | Millions of Yen | | | | | | | | |
|--|---|--------------|-----------------|-------------------|----------------|---|--|---------------------------------|----------|--------------------------|--------------|
| | Outstanding Number of Shares of Common Stock* (Note 12) | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Unrealized Gains on Available-for-Sale Securities | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plan | Total | Noncontrolling Interests | Total Equity |
| BALANCE, MARCH 31, 2016 | 34,975 | ¥ 1,985 | ¥ 2,023 | ¥ 20,502 | ¥ (352) | ¥ 33 | ¥ 266 | ¥ 50 | ¥ 24,509 | ¥ 205 | ¥ 24,715 |
| (April 1, 2016, as previously reported) | | | | | | | | | | | |
| Cumulative effect of accounting change | | | | 20 | | | | | 20 | | 20 |
| BALANCE, APRIL 1, 2016 | 34,975 | 1,985 | 2,023 | 20,522 | (352) | 33 | 266 | 50 | 24,530 | 205 | 24,736 |
| (as restated) | | | | | | | | | | | |
| Net income | | | | 1,380 | | | | | 1,380 | | 1,380 |
| Cash dividends, ¥ 36 per share* .. | | | | (629) | | | | | (629) | | (629) |
| Purchase of treasury stock | (0) | | | | (1) | | | | (1) | | (1) |
| Net change in the year | | | | | | 24 | (63) | 17 | (21) | (12) | (33) |
| BALANCE, MARCH 31, 2017 | 34,975 | 1,985 | 2,023 | 21,273 | (353) | 58 | 203 | 67 | 25,258 | 193 | 25,451 |
| Net income | | | | 1,626 | | | | | 1,626 | | 1,626 |
| Cash dividends, ¥ 36 per share* .. | | | | (629) | | | | | (629) | | (629) |
| Purchase of treasury stock | (0) | | | | (0) | | | | (0) | | (0) |
| Net change in the year | | | | | | 38 | (38) | (10) | (11) | 35 | 23 |
| BALANCE, MARCH 31, 2018 | 34,974 | ¥ 1,985 | ¥ 2,023 | ¥ 22,270 | ¥ (354) | ¥ 97 | ¥ 164 | ¥ 56 | ¥ 26,243 | ¥ 228 | ¥ 26,472 |

| | Thousands of U.S. Dollars (Note 1) | | | | | | | | | |
|--------------------------------------|------------------------------------|-----------------|-------------------|----------------|---|--|---------------------------------|------------|--------------------------|--------------|
| | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock | Unrealized Gains on Available-for-Sale Securities | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plan | Total | Noncontrolling Interests | Total Equity |
| BALANCE, MARCH 31, 2017 | \$ 18,732 | \$ 19,093 | \$ 200,691 | \$ (3,339) | \$ 552 | \$ 1,917 | \$ 638 | \$ 238,286 | \$ 1,823 | \$ 240,110 |
| Net income | | | 15,346 | | | | | 15,346 | | 15,346 |
| Cash dividends, \$0.34 per share* .. | | | (5,939) | | | | | (5,939) | | (5,939) |
| Purchase of treasury stock | | | | (8) | | | | (8) | | (8) |
| Net change in the year | | | | | 363 | (367) | (101) | (104) | 330 | 225 |
| BALANCE, MARCH 31, 2018 | \$ 18,732 | \$ 19,093 | \$ 210,099 | \$ (3,347) | \$ 916 | \$ 1,550 | \$ 537 | \$ 247,581 | \$ 2,154 | \$ 249,736 |

* Shares have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2018.
Dividends per share have not been restated to reflect the two-for-one stock split.
See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

YUSHIN PRECISION EQUIPMENT CO., LTD. and Subsidiaries
Years Ended March 31, 2018

| | Millions of Yen | | Thousands of U.S. Dollars (Note 1) |
|---|-----------------|----------------|--|
| | 2018 | 2017 | 2018 |
| OPERATING ACTIVITIES: | | | |
| Income before income taxes | ¥ 2,438 | ¥ 2,009 | \$ 23,001 |
| Adjustments for: | | | |
| Income taxes - paid | (402) | (958) | (3,797) |
| Depreciation and amortization | 935 | 479 | 8,828 |
| Increase (decrease) in provision for doubtful receivables .. | 19 | (8) | 179 |
| Changes in assets and liabilities: | | | |
| Increase in trade receivables | (536) | (482) | (5,064) |
| Increase in inventories | (1,661) | (213) | (15,671) |
| (Decrease) increase in trade payables | (111) | 890 | (1,048) |
| Other - net | 542 | (89) | 5,114 |
| Total adjustments | (1,214) | (383) | (11,459) |
| Net cash provided by operating activities | 1,223 | 1,626 | 11,541 |
| INVESTING ACTIVITIES: | | | |
| Increase in short-term investments | (1,846) | (3) | (17,417) |
| Purchases of property, plant and equipment | (572) | (356) | (5,398) |
| Proceeds from sales of property, plant and equipment | 53 | 4 | 509 |
| Purchases of investment securities | (0) | (0) | (1) |
| Proceeds from sales of investment securities | | 0 | |
| Other - net | (147) | (117) | (1,387) |
| Net cash used in investing activities | (2,511) | (471) | (23,696) |
| FINANCING ACTIVITIES: | | | |
| Dividends paid | (629) | (629) | (5,937) |
| Dividends paid to noncontrolling interests | (28) | (50) | (273) |
| Purchase of treasury stock | (0) | (1) | (8) |
| Other - net | | 3 | |
| Net cash used in financing activities | (659) | (678) | (6,218) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 20 | (84) | 190 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (1,927) | 392 | (18,182) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 5,690 | 5,297 | 53,685 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | ¥ 3,763 | ¥ 5,690 | \$ 35,502 |

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

YUSHIN PRECISION EQUIPMENT CO., LTD. and Subsidiaries
Years Ended March 31, 2018

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2017 consolidated financial statements to conform to the classifications used in 2018.

The fiscal year end dates of all consolidated subsidiaries except for Yushin Precision Equipment (India) Pvt. Ltd. are different from that of the

consolidated balance sheet date of March 31. They are dated December 31, and the financial statements of these subsidiaries as of the provisional closing date of March 31 are used for consolidation purposes.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yushin Precision Equipment Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to \$1, the approximate rate of exchange at March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts less than one million yen and one thousand U.S. dollars are rounded down, except for per-share data. Therefore, total or subtotal amounts may not correspond with the aggregation of such account balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements as of March 31, 2018, include the accounts of the Company and all of its subsidiaries (together, the "Group").

Under the control concept, those companies in which the Company is able to directly exercise control over operations are fully consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements - Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits which mature or become due within three months of the date of acquisition.

d. Inventories - Inventories are principally stated at the lower of cost, determined by the specific identification method for finished products and work in process, and by the average method for raw materials and supplies, or net selling value.

e. Securities - Securities are investment securities in the consolidated balance sheet. All investment securities are classified as

available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Group is principally computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 13 to 40 years for buildings and structures and from 5 to 12 years for machinery and equipment.

g. Long-Lived Assets - The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Warranty Reserve - In order to provide for future warranty expenses for the Group's products, a warranty reserve is estimated and recorded principally on the basis of the Company's historical experience.

i. Retirement Benefits - The Company has a funded defined benefit pension plan and a funded defined contribution pension plan covering substantially all of its employees. Certain subsidiaries have an unfunded defined benefit plan or an unfunded defined contribution plan.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 to 16 years, no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

Retirement benefits to directors are provided at the estimated amount which would be required if all directors retired at the balance sheet date.

The Company terminated its retirement benefit plan for directors on June 29, 2006, and no additional provisions have been recorded since then. As of March 31, 2018 and 2017, the balance of the liability for retirement benefits to directors was ¥66 million (\$630 thousand), and ¥66 million provided in proportion to the term that present directors had been in place before June 29, 2006.

j. Research and Development Costs - Research and development costs are charged to income as incurred.

k. Bonuses to Directors - Bonuses to directors are accrued at the year-end to which such bonuses are attributable.

l. Income Taxes - The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

m. Foreign Currency Transactions - All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

n. Foreign Currency Financial Statements - The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

o. Per-Share Information - Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not disclosed as there are no outstanding potentially dilutive securities.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

On April 1, 2018, the Company effected a two-for-one stock split based on the resolution of the Board of Directors meeting held on March 7, 2018. All prior year share and per share figures excluding dividends per share have been restated to reflect the impact of the stock split, and to provide data on a basis comparable to the year ended March 31, 2018. Such restatements include calculations regarding the Company's weighted-average number of common shares, and basic net income per share.

p. Accounting Changes and Error Corrections - Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of

the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

q. New Accounting Pronouncements - On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition" and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021. Earlier application is permitted for annual periods beginning on or after April 1, 2018. The Company is in the process of determining the period from which the Company will apply the accounting standard and guidance. The Company is currently evaluating the effect that the adoption of the accounting standard and guidance will have on its consolidated financial statements.

3. SECURITIES

(1) Investment Securities

The costs and aggregate fair values of investment securities as of March 31, 2018 and 2017, were as follows:

| Securities classified as: | Millions of Yen | | | | | | | |
|---------------------------|-----------------|------------------|-------------------|------------|-------|------------------|-------------------|------------|
| | 2018 | | | | 2017 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Available-for-sale: | | | | | | | | |
| Equity securities | ¥ 136 | ¥ 139 | ¥ 0 | ¥ 276 | ¥ 136 | ¥ 84 | ¥ 0 | ¥ 220 |

| Securities classified as: | Thousands of U.S. Dollars | | | |
|---------------------------|---------------------------|------------------|-------------------|------------|
| | 2018 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Available-for-sale: | | | | |
| Equity securities | \$ 1,289 | \$ 1,318 | \$ 0 | \$ 2,607 |

(2) Proceeds and realized gains and realized losses of the available-for-sale securities which were sold during the years ended March 31, 2017, were as follows:

| March 31, 2017 | Millions of Yen | |
|---------------------|-----------------|----------------|
| | Proceeds | Realized Gains |
| Available-for-sale: | | |
| Equity securities | ¥ 0 | ¥ 0 |

For the year ended March 31, 2018, the proceeds, realized gains, and realized losses are not disclosed since there was no available-for-sale securities sold during the year ended March 31, 2018.

4. INVENTORIES

Inventories at March 31, 2018 and 2017, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|----------------------------|-----------------|----------------|---------------------------|
| | 2018 | 2017 | 2018 |
| Finished products | ¥ 825 | ¥ 769 | \$ 7,786 |
| Work in process | 1,117 | 884 | 10,538 |
| Raw materials and supplies | 3,542 | 2,179 | 33,423 |
| Total | ¥ 5,485 | ¥ 3,833 | \$ 51,748 |

5. RETIREMENT AND PENSION PLANS

The Company has severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment or annuity payments from a trustee.

The Company has a funded defined benefit pension plan and a funded defined contribution pension plan for employees which cover approximately 50% each of their benefits. Certain subsidiaries have an unfunded defined contribution plan.

(1) The changes in defined benefit obligations for the years ended March 31, 2018 and 2017, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-------|---------------------------|
| | 2018 | 2017 | 2018 |
| Balance at beginning of year (as previously reported) ... | ¥ 597 | ¥ 552 | \$ 5,640 |
| Current service cost | 56 | 55 | 534 |
| Interest cost | 2 | 1 | 20 |
| Actuarial losses (gains) | (0) | (3) | (6) |
| Benefits paid | (10) | (8) | (102) |
| Other | (6) | 0 | (64) |
| Balance at end of year | ¥ 638 | ¥ 597 | \$ 6,022 |

(2) The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------------------|-----------------|-------|---------------------------|
| | 2018 | 2017 | 2018 |
| Balance at beginning of year | ¥ 836 | ¥ 774 | \$ 7,896 |
| Expected return on plan assets | 8 | 7 | 78 |
| Actuarial gains (losses) | (16) | 21 | (157) |
| Contributions from the employer | 40 | 40 | 378 |
| Benefits paid | (7) | (7) | (71) |
| Balance at end of year | ¥ 861 | ¥ 836 | \$ 8,124 |

(3) Reconciliations between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligations and plan assets as of years ended March 31, 2018 and 2017, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------|---------------------------|
| | 2018 | 2017 | 2018 |
| Funded defined benefit obligations | ¥ 586 | ¥ 544 | \$ 5,536 |
| Plan assets | (861) | (836) | (8,124) |
| Total | (274) | (292) | (2,588) |
| Unfunded defined benefit obligations | 51 | 53 | 485 |
| Net assets arising from defined benefit obligations | ¥ (222) | ¥ (239) | \$ (2,102) |

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------|---------------------------|
| | 2018 | 2017 | 2018 |
| Liability for retirement benefits | ¥ 51 | ¥ 53 | \$ 485 |
| Asset for retirement benefits | (274) | (292) | (2,588) |
| Net assets arising from defined benefit obligations | ¥ (222) | ¥ (239) | \$ (2,102) |

(4) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------------------|-----------------|------|---------------------------|
| | 2018 | 2017 | 2018 |
| Service cost | ¥ 56 | ¥ 55 | \$ 534 |
| Interest cost | 2 | 1 | 20 |
| Expected return on plan assets | (8) | (7) | (78) |
| Recognized actuarial gains | (0) | (0) | (6) |
| Net periodic benefit costs | ¥ 49 | ¥ 49 | \$ 469 |

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plan for the years ended March 31, 2018 and 2017, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------------|-----------------|------|---------------------------|
| | 2018 | 2017 | 2018 |
| Actuarial losses (gains) | ¥ (15) | ¥ 25 | \$ (145) |

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plan as of March 31, 2018 and 2017, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|------------------------------------|-----------------|------|---------------------------|
| | 2018 | 2017 | 2018 |
| Unrecognized actuarial gains | ¥ 81 | ¥ 97 | \$ 773 |

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2018 and 2017, consisted of the following:

| | 2018 | 2017 |
|-----------------------------------|---------|---------|
| Domestic debt investments | 0.0 % | 0.1 % |
| Domestic equity investments | 16.9 | 17.2 |
| Foreign debt investments | 6.2 | 7.8 |
| Foreign equity investments | 23.1 | 25.8 |
| General accounts | 3.4 | 3.2 |
| Others | 50.4 | 45.9 |
| Total | 100.0 % | 100.0 % |

Others mainly consists of short-term funds and alternative.

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2018 and 2017, were set forth as follows:

| | 2018 | 2017 |
|--|-------|-------|
| Discount rate | 0.3 % | 0.4 % |
| Expected rate of return on plan assets | 1.0 | 1.0 |

(9) Defined contribution plans

The contributions to the defined contribution pension plan of the Company and the defined contribution plan of certain subsidiary were ¥56 million (\$532 thousand) and ¥52 million for the years ended March 31, 2018 and 2017, respectively.

6. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon

resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors.

The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are

presented as a separate component of equity or deducted directly from stock acquisition rights. On April 1, 2018, the Company made a two-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on March 7, 2018.

7. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.8% each for the years ended March 31, 2018 and 2017.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2018 and 2017, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-------|---------------------------|
| | 2018 | 2017 | 2018 |
| Deferred tax assets: | | | |
| Inventories | ¥ 270 | ¥ 249 | \$ 2,551 |
| Building depreciation | 194 | 94 | 1,830 |
| Software | 176 | 133 | 1,664 |
| Enterprise tax payable | 29 | 1 | 279 |
| Advances received | | 40 | |
| Accrued bonuses | 78 | 77 | 736 |
| Warranty reserve | 25 | 27 | 244 |
| Retirement benefits to directors | 20 | 20 | 192 |
| Other | 67 | 78 | 640 |
| Total | ¥ 862 | ¥ 723 | \$ 8,138 |
| Deferred tax liabilities: | | | |
| Undistributed earnings of foreign subsidiaries | ¥ 167 | ¥ 157 | \$ 1,584 |
| Asset for retirement benefits | 58 | 59 | 553 |
| Unrealized gains on available-for-sale securities | 42 | 24 | 402 |
| Defined retirement benefit plan | 25 | 29 | 235 |
| Other | 26 | 37 | 251 |
| Total | ¥ 320 | ¥ 308 | \$ 3,027 |
| Net deferred tax assets | ¥ 541 | ¥ 414 | \$ 5,110 |

Deferred tax assets (liabilities) are included in the consolidated balance sheets as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|-------|---------------------------|
| | 2018 | 2017 | 2018 |
| Current assets - Deferred tax assets | ¥ 436 | ¥ 431 | \$ 4,114 |
| Investments and other assets - Deferred tax assets | 138 | 20 | 1,306 |
| Current liabilities - Other current liabilities | (7) | (7) | (73) |
| Long-term liabilities - Deferred tax liabilities | (25) | (29) | (236) |
| Net deferred tax assets | ¥ 541 | ¥ 414 | \$ 5,110 |

For the years ended March 31, 2018 and 2017, a reconciliation is not disclosed since the difference of the normal effective statutory tax rate and actual effective tax rate is less than 5.0% of the normal effective statutory tax rate.

8. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥598 million (\$5,647 thousand) and ¥619 million for the years ended March 31, 2018 and 2017, respectively.

9. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for Financial Instruments

The Group does not use financial instruments for speculative purposes based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets, including short-term time deposits. Funds on hand are used to fund its ongoing operations. Derivatives are not used for speculative purposes, but to manage exposure to financial risks.

(2) Nature and Extent of Risks Arising from Financial Instruments

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Investment securities are exposed to the risk of market price fluctuations. Payment terms of payables, such as trade notes and trade accounts, are primarily less than four months. Payment terms of income taxes payable and payables – construction and other are primarily less than one year.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers at an early stage. Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

(4) Fair Value of Financial Instruments

| | Millions of Yen | | | Thousands of U.S. Dollars | | |
|---------------------------|-----------------|------------|-------------------------|---------------------------|------------|-------------------------|
| | Carrying Amount | Fair Value | Unrealized Gains/Losses | Carrying Amount | Fair Value | Unrealized Gains/Losses |
| March 31, 2018 | | | | | | |
| Cash and cash equivalents | ¥ 3,763 | ¥ 3,763 | | \$ 35,502 | \$ 35,502 | |
| Short-term investments | 1,891 | 1,891 | | 17,847 | 17,847 | |
| Receivables | 7,042 | 7,042 | | 66,442 | 66,442 | |
| Investment securities | 276 | 276 | | 2,607 | 2,607 | |
| Total | ¥ 12,974 | ¥ 12,974 | | \$ 122,400 | \$ 122,400 | |
| Payables | ¥ 3,410 | ¥ 3,410 | | \$ 32,175 | \$ 32,175 | |
| Income taxes payable | 608 | 608 | | 5,741 | 5,741 | |
| Total | ¥ 4,019 | ¥ 4,019 | | \$ 37,917 | \$ 37,917 | |

| | Millions of Yen | | |
|---------------------------------|-----------------|-----------------|-------------------------|
| | Carrying Amount | Fair Value | Unrealized Gains/Losses |
| March 31, 2017 | | | |
| Cash and cash equivalents | ¥ 5,690 | ¥ 5,690 | |
| Short-term investments | 43 | 43 | |
| Receivables | 6,479 | 6,479 | |
| Investment securities | 220 | 220 | |
| Total | ¥ 12,435 | ¥ 12,435 | |
| Payables | ¥ 3,743 | ¥ 3,743 | |
| Income taxes payable | 100 | 100 | |
| Total | ¥ 3,843 | ¥ 3,843 | |

Cash and Cash Equivalents, Short-Term Investments, Receivables and Payables, and Income Taxes Payable

The carrying values of cash and cash equivalents, short-term investments, receivables and payables, and income taxes payable approximate fair value because of their short maturities.

Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Fair value information for investment securities by classification is included in Note 3.

(5) Maturity Analysis for Financial Assets with Contractual Maturities

| | Millions of Yen | | | |
|---------------------------------|-----------------------|----------------------------------|------------------------------------|--------------------|
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| March 31, 2018 | | | | |
| Cash and cash equivalents | ¥ 3,763 | | | |
| Short-term investments | 1,891 | | | |
| Receivables | 7,042 | | | |
| Total | ¥ 12,698 | | | |

| | Millions of Yen | | | |
|---------------------------------|-----------------------|----------------------------------|------------------------------------|--------------------|
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| March 31, 2017 | | | | |
| Cash and cash equivalents | ¥ 5,690 | | | |
| Short-term investments | 43 | | | |
| Receivables | 6,479 | | | |
| Total | ¥ 12,214 | | | |

| | Thousands of U.S. Dollars | | | |
|---------------------------------|---------------------------|----------------------------------|------------------------------------|--------------------|
| | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years | Due after 10 Years |
| March 31, 2018 | | | | |
| Cash and cash equivalents | \$ 35,502 | | | |
| Short-term investments | 17,847 | | | |
| Receivables | 66,442 | | | |
| Total | \$ 119,792 | | | |

● **10. OTHER COMPREHENSIVE INCOME (LOSS)**

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017, were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------------|---------------------------|
| | 2018 | 2017 | 2018 |
| Unrealized gains on available-for-sale securities: | | | |
| Amount arising during the year | ¥ 55 | ¥ 36 | \$ 523 |
| Reclassification adjustments to profit or loss | 0 | (0) | 0 |
| Amount before income tax effect | 55 | 35 | 523 |
| Income tax effect | (16) | (10) | (159) |
| Total | ¥ 38 | ¥ 24 | \$ 363 |
| Foreign currency translation adjustments: | | | |
| Adjustments arising during the year | ¥ (31) | ¥ (59) | \$ (292) |
| Amount before income tax effect | (31) | (59) | (292) |
| Total | ¥ (31) | ¥ (59) | \$ (292) |
| Defined retirement benefit plan: | | | |
| Adjustments arising during the year | ¥ (16) | 25 | \$ (151) |
| Reclassification adjustments to profit or loss | 0 | (0) | 6 |
| Amount before income tax effect | (15) | 25 | (145) |
| Income tax effect | 4 | (7) | 44 |
| Total | ¥ (10) | 17 | \$ (101) |
| Total other comprehensive loss | ¥ (3) | ¥ (17) | \$ (30) |

● **11. NET INCOME PER SHARE**

Details of the basic net income per share (EPS) for the years ended March 31, 2018 and 2017, were as follows:

| | Millions of Yen | Thousands of Shares | Yen | U.S. Dollars |
|---|-----------------|-------------------------|---------|--------------|
| | Net Income | Weighted-Average Shares | EPS | |
| Year Ended March 31, 2018: | | | | |
| Basic EPS | | | | |
| Net income available to common shareholders | ¥ 1,626 | 34,974 | ¥ 46.51 | \$ 0.44 |
| Year Ended March 31, 2017: | | | | |
| Basic EPS | | | | |
| Net income available to common shareholders | ¥ 1,380 | 34,975 | ¥ 39.46 | |

Diluted net income per share is not disclosed as there are no outstanding potentially dilutive securities.

The Company implemented a two-for-one stock split on April 1, 2018. The Company calculated net asset value per share assuming that the Company implemented a stock split as of the consolidated fiscal year beginning April 1, 2017.

● **12. SUBSEQUENT EVENTS**

Stock Split and Amendment of Articles of Incorporation

The Board of Directors resolved to make a two-for-one stock split and amended the part of the articles of incorporation at the meeting on March 7, 2018.

(1) Purpose of the Stock Split

The purpose of the stock split was to increase the liquidity of shares and broaden investor base in the market by improving the investment environment.

(2) Details of the Stock Split

a. Method of stock split

The Company made a two-for-one stock split for each one common share owned by shareholders who are recorded on the final list of shareholders at the end of the fiscal year.

b. Increase in the number of shares after the stock split

| | |
|--|-------------------|
| Total number of outstanding shares before the split: | 17,819,033 shares |
| Increase in the number of shares after the split: | 17,819,033 shares |
| Total number of outstanding shares after the split: | 35,638,066 shares |
| The total number of authorized shares after the split: | 80,000,000 shares |

c. Schedule

| | |
|---------------------------|---------------------------|
| Record date announcement: | Wednesday, March 14, 2018 |
| Record date: | Saturday, March 31, 2018 |
| The effective date: | Sunday, April 1, 2018 |

d. Impact on per share after the stock split

See notes to net income per share information (Note 11).

(3) Amendment of the Articles of Incorporation

a. Purpose of the amendment of the article of incorporation

Effective April 1, we changed the total number of authorized shares in accordance with Companies Act 184.2. The total number of authorized shares is prescribed by Provision 5 in the articles of incorporation.

b. Details of amendment of articles of incorporation

| Total Number of Authorized Shares | |
|---|---|
| Articles of Incorporation before Amendment | Articles of Incorporation after Amendment |
| Article 5: The total number of authorized shares of the Company shall be 40,000,000 shares. | Article 5: The total number of authorized shares of the Company shall be 80,000,000 shares. |

c. Schedule

The effective date: Sunday, April 1, 2018

(4) Others

a. Change in the amount of capital stock

The amount of capital stock has not been changed after the stock split.

b. Since the stock split will be effective as of April 1, year-end dividend as of March 31, 2018 is calculated by the number of shares before the stock split.

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2018, was approved at the Company's Board of Directors meeting held on May 10, 2018:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| Year-end cash dividends, ¥ 18 (\$ 0.17) per share | ¥ 314 | \$ 2,969 |

The Company implemented a two-for-one stock split on April 1, 2018. The Company calculated dividends per share based on the total number of shares before the stock split.

● 13. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Company carries out the development, production, sales, and after-sales maintenance of take-out robots for injection-molded products and peripheral equipment, including labor-saving systems. In the domestic market, these operations are handled by the Company; overseas markets – U.S.A., Asia (South Korea, Taiwan, China, Indonesia, Vietnam, Malaysia, Thailand, and India) and Europe (UK) – are serviced by local subsidiaries, including Yushin America Inc. (U.S.A.), Yushin Korea Co., Ltd. (Asia), and Yushin Automation Limited (Europe). The local subsidiaries are independently managed units, with separately drafted strategies and activities.

Accordingly, the Company's operations, based on its production, sales, and after-sales maintenance setups, are geographically grouped into four reportable segments: Japan, Asia, Europe, and the U.S.A.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting procedure for the reportable segments is described in Note 2, "Summary of significant accounting policies." Segment profit by reportable segment is calculated based on operating income. Intersegment sales and transfers are based on a realized market price basis.

(3) Information about Sales, Profit, Assets and Other Items is as Follows:

| | Millions of Yen | | | | | | |
|--|--------------------|---------|--------|---------|----------|-----------------|--------------|
| | 2018 | | | | | | |
| | Reportable Segment | | | | | Reconciliations | Consolidated |
| Japan | Asia | Europe | U.S.A. | Total | | | |
| Sales: | | | | | | | |
| Sales to external customers | ¥ 11,736 | ¥ 5,286 | ¥ 696 | ¥ 3,159 | ¥ 20,878 | | ¥ 20,878 |
| Intersegment sales or transfers | 4,987 | 306 | 2 | 41 | 5,338 | ¥ (5,338) | |
| Total | ¥ 16,724 | ¥ 5,593 | ¥ 698 | ¥ 3,200 | ¥ 26,216 | ¥ (5,338) | ¥ 20,878 |
| Segment profit | ¥ 1,409 | ¥ 607 | ¥ 130 | ¥ 260 | ¥ 2,408 | ¥ (49) | ¥ 2,358 |
| Segment assets | 23,310 | 4,327 | 1,552 | 2,172 | 31,363 | 1,209 | 32,572 |
| Other: | | | | | | | |
| Depreciation | 845 | 24 | 17 | 38 | 924 | 11 | 935 |
| Increase in property, plant and equipment and intangible assets | 612 | 15 | 4 | 19 | 652 | | 652 |

| | | Millions of Yen | | | | | | |
|---|-------|--------------------|---------|--------|---------|----------|-----------------|--------------|
| | | 2017 | | | | | | |
| | | Reportable Segment | | | | | Reconciliations | Consolidated |
| | | Japan | Asia | Europe | U.S.A. | Total | | |
| Sales: | | | | | | | | |
| Sales to external customers | ..... | ¥ 11,163 | ¥ 4,512 | ¥ 395 | ¥ 3,274 | ¥ 19,346 | | ¥ 19,346 |
| Intersegment sales or transfers | ..... | 4,381 | 264 | 1 | 10 | 4,658 | ¥ (4,658) | |
| Total | ..... | ¥ 15,545 | ¥ 4,776 | ¥ 396 | ¥ 3,285 | ¥ 24,004 | ¥ (4,658) | ¥ 19,346 |
| Segment profit | ..... | ¥ 1,279 | ¥ 469 | ¥ 6 | ¥ 348 | ¥ 2,104 | ¥ 8 | ¥ 2,112 |
| Segment assets | ..... | 21,654 | 3,758 | 943 | 2,122 | 28,479 | 2,282 | 30,761 |
| Other: | | | | | | | | |
| Depreciation | ..... | 404 | 19 | 12 | 37 | 474 | 5 | 479 |
| Increase in property, plant and equipment and intangible assets | ..... | 459 | 16 | 45 | 25 | 546 | | 546 |

| | | Thousands of U.S. Dollars | | | | | | |
|---|-------|---------------------------|-----------|----------|-----------|------------|-----------------|--------------|
| | | 2018 | | | | | | |
| | | Reportable Segment | | | | | Reconciliations | Consolidated |
| | | Japan | Asia | Europe | U.S.A. | Total | | |
| Sales: | | | | | | | | |
| Sales to external customers | ..... | \$ 110,720 | \$ 49,875 | \$ 6,568 | \$ 29,803 | \$ 196,968 | | \$ 196,968 |
| Intersegment sales or transfers | ..... | 47,055 | 2,890 | 21 | 393 | 50,361 | \$ (50,361) | |
| Total | ..... | \$ 157,776 | \$ 52,765 | \$ 6,590 | \$ 30,197 | \$ 247,329 | \$ (50,361) | \$ 196,968 |
| Segment profit | ..... | \$ 13,292 | \$ 5,735 | \$ 1,235 | \$ 2,458 | \$ 22,721 | \$ (469) | \$ 22,252 |
| Segment assets | ..... | 219,909 | 40,829 | 14,649 | 20,495 | 295,884 | 11,406 | 307,291 |
| Other: | | | | | | | | |
| Depreciation | ..... | 7,971 | 228 | 165 | 358 | 8,724 | 103 | 8,828 |
| Increase in property, plant and equipment and intangible assets | ..... | 5,775 | 147 | 43 | 186 | 6,152 | | 6,152 |

Note 1: Reconciliations for the year ended March 31, 2018, are as follows:

- Reconciliations to segment profit of ¥(49) million (\$ (469) thousand) include eliminations for intersegment transactions of ¥36 million (\$346 thousand) and inventory reconciliation of ¥(86) million (\$ (816) thousand).
- Reconciliations to segment assets of ¥1,209 million (\$ (11,406) thousand) include eliminations for intersegment transactions of ¥(3,199) million (\$ (29,427) thousand) and operating funds of surplus assets held by the Company (cash and deposits and others) of ¥4,328 million (\$40,834 thousand) and others.
- Reconciliations to depreciation of ¥11 million (\$ (103) thousand) include eliminations for equipment related to research and development activities that do not belong to the reportable segments.

Note 2: Segment profit is reconciled to be consistent with operating income shown in the consolidated statements of income.

(4) Information about Products and Services

| | | Millions of Yen | | | |
|-----------------------------|-------|-----------------|--------------------------|--------------------------------|----------|
| | | 2018 | | | |
| | | Take-Out Robots | Custom-Ordered Equipment | Parts and Maintenance Services | Total |
| Sales to external customers | ..... | ¥ 15,449 | ¥ 2,204 | ¥ 3,223 | ¥ 20,878 |

| | | Millions of Yen | | | |
|-----------------------------|-------|-----------------|--------------------------|--------------------------------|----------|
| | | 2017 | | | |
| | | Take-Out Robots | Custom-Ordered Equipment | Parts and Maintenance Services | Total |
| Sales to external customers | ..... | ¥ 13,410 | ¥ 2,832 | ¥ 3,103 | ¥ 19,346 |

| | | Thousands of U.S. Dollars | | | |
|-----------------------------|-------|---------------------------|--------------------------|--------------------------------|------------|
| | | 2018 | | | |
| | | Take-Out Robots | Custom-Ordered Equipment | Parts and Maintenance Services | Total |
| Sales to external customers | ..... | \$ 145,752 | \$ 20,801 | \$ 30,414 | \$ 196,968 |

(5) Information about Geographical Areas

a. Sales

| | | Millions of Yen | | | | | | |
|--|--|-----------------|--------------|------------|--------|---------------|-------|----------|
| | | 2018 | | | | | | |
| | | Japan | China Taiwan | Other Asia | Europe | North America | Other | Total |
| | | ¥ 8,335 | ¥ 3,468 | ¥ 4,594 | ¥ 687 | ¥ 3,172 | ¥ 620 | ¥ 20,878 |

| | | Millions of Yen | | | | | | |
|--|--|-----------------|--------------|------------|--------|---------------|-------|----------|
| | | 2017 | | | | | | |
| | | Japan | China Taiwan | Other Asia | Europe | North America | Other | Total |
| | | ¥ 7,955 | ¥ 2,477 | ¥ 4,200 | ¥ 693 | ¥ 3,573 | ¥ 445 | ¥ 19,346 |

| | | Thousands of U.S. Dollars | | | | | | |
|--|--|---------------------------|--------------|------------|----------|---------------|----------|------------|
| | | 2018 | | | | | | |
| | | Japan | China Taiwan | Other Asia | Europe | North America | Other | Total |
| | | \$ 78,635 | \$ 32,717 | \$ 43,344 | \$ 6,485 | \$ 29,930 | \$ 5,855 | \$ 196,968 |

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

b. Property, plant and equipment

Information is omitted because property, plant, and equipment in Japan accounted for over 90% of property, plant, and equipment on the consolidated balance sheet.

(6) Information about Major Customers

Information is omitted because there were no customers that accounted for 10% or more of total net sales recorded in the consolidated statements of income.



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Yushin Precision Equipment Co., Ltd. and its subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yushin Precision Equipment Co., Ltd. and its subsidiaries as of March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 18, 2018

Member of
 Deloitte Touche Tohmatsu Limited

(As of March 31, 2018)

Company Name : YUSHIN PRECISION EQUIPMENT CO., LTD.

Establishment : October 1973

Capital : 1,985 million yen

Head Office : 555 Kuzetonosiro-cho, Minami-ku, Kyoto, Japan 601-8205

Phone : +(81)75-933-9555 Fax : +(81)75-934-4033

Number of Employees : 683 (Including consolidated subsidiaries) and 403 (Yushin Precision Equipment Co., Ltd. only)

Number of Shareholders : 3,370

Listed Stock Exchange : First Section, Tokyo

Securities Identification Code : 6482

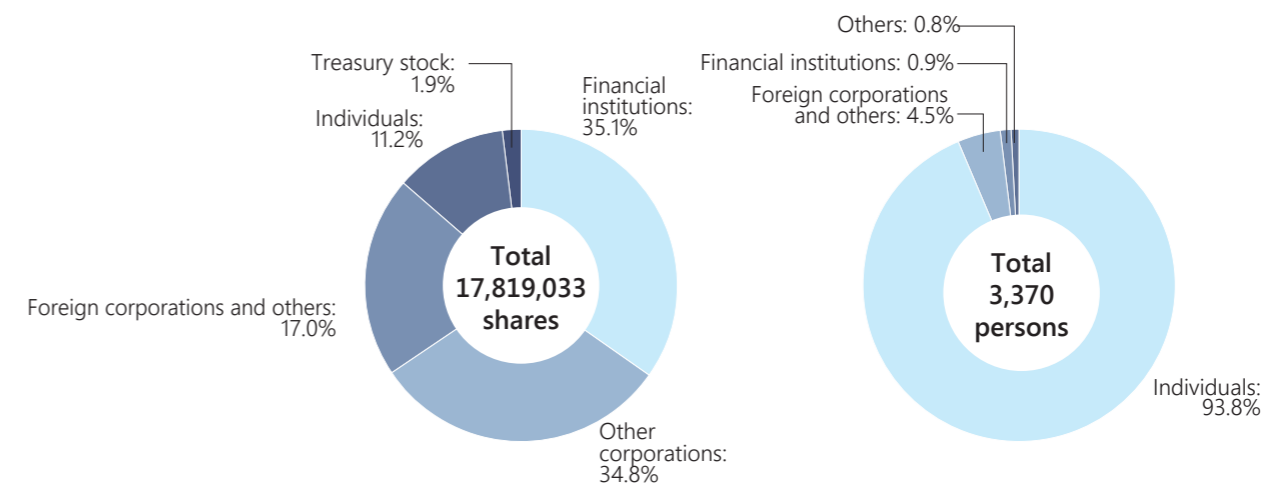
Major Shareholders

(As of March 31, 2018)

| | Number of Shares held (thousand) | Percentage of Shares held (%) |
|---|-------------------------------------|----------------------------------|
| Yushin Industry Co., Ltd. | 5,996 | 34.3 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 1,164 | 6.7 |
| 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 |
| The Kyoto Chuo Shinkin Bank, Ltd. | 544 | 3.1 |
| Mayumi Kotani | 526 | 3.0 |
| Japan Trustee Service Bank, Ltd. (Trust Accounts 9) | 473 | 2.7 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 424 | 2.4 |
| Japan Trustee Service Bank, Ltd. (Trust Account) | 389 | 2.2 |
| The Bank of Kyoto, Ltd. | 352 | 2.0 |

Note: "Percentage of Shares held (%)" is calculated after deducting the number of treasury stock (331,982 shares).

Distribution of ownership among shareholders



YUSHIN PRECISION EQUIPMENT CO., LTD.

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601-8205 JAPAN

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