

Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2016

August 7, 2015

SHINKAWA LTD.

(URL <http://www.shinkawa.com>)

| | |
|----------------------------------------------|------------------------------------------------------------|
| Listing | First Section of Tokyo Stock Exchange |
| Security code | 6274 |
| Representative | Takashi Nagano, President and CEO, Representative Director |
| Contact Person | Takuya Mori, Chief Financial Officer, Director |
| Phone Number | +81-42-560-4848 |
| Scheduled date to file Quarterly Report | August 13, 2015 |
| Scheduled date to commence dividend payments | — |
| Quarterly Results Supplemental Materials | Yes |
| Quarterly Results Presentation Meeting | None |

1. Consolidated Financial Results for the Three Months ended June 30, 2015 (from April 1, 2015 to June 30, 2015)

(Amounts are rounded off to nearest million yen.)

(1) Consolidated Operating Results

(% changes as compared with the corresponding period of the previous fiscal year)

| | Net sales | | Operating income (loss) | | Ordinary income (loss) | | Profit (loss) attributable to owners of parent | |
|-----------------------------------------|-----------------|-------------|-------------------------|----------|------------------------|----------|------------------------------------------------|----------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Three months ended June 30, 2015 | 4,690 | 78.3 | 400 | - | 429 | - | 325 | - |
| Three months ended June 30, 2014 | 2,631 | 52.2 | (753) | - | (787) | - | (790) | - |

(Note) Comprehensive income : Three months ended June 30, 2015: 577 million yen
Three months ended June 30, 2014: (619) million yen

| | Net income (loss) per share | Diluted net income per share |
|-----------------------------------------|-----------------------------|------------------------------|
| | Yen | Yen |
| Three months ended June 30, 2015 | 17.89 | - |
| Three months ended June 30, 2014 | (43.44) | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of June 30, 2015 | 27,577 | 23,912 | 86.7 |
| As of March 31, 2015 | 26,500 | 23,336 | 88.1 |

(Reference) Equity: As of June 30, 2015: 23,912 million yen As of March 31, 2015: 23,336 million yen

2. Dividends

| | Cash dividends per share | | | | |
|----------------------------------------------|--------------------------|-----------|-----------|----------|-----------|
| | End of 1Q | End of 2Q | End of 3Q | Year-end | Full year |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2015 | - | 0.00 | - | 0.00 | 0.00 |
| Fiscal year ending March 31, 2016 | - | | | | |
| Fiscal year ending March 31, 2016 (Forecast) | | 0.00 | - | - | - |

(Note) Revisions to the dividend forecasts announced recently: None
The dividend forecast for the fiscal year ending March 31, 2016 is undecided.

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2016

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

(% changes as compared with the corresponding period of the previous fiscal year)

| | Net sales | | Operating income (loss) | | Ordinary income (loss) | | Profit (loss) attributable to owners of parent | | Net income (loss) per share |
|---------------------------------------------|-----------------|-------------|-------------------------|----------|------------------------|----------|------------------------------------------------|----------|-----------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Six months ending September 30, 2015 | 7,300 | 34.4 | (210) | - | (350) | - | (490) | - | (26.96) |
| Fiscal year ending March 31, 2016 | 17,300 | 52.4 | 580 | - | 470 | - | 270 | - | 14.86 |

(Note) Revisions to the Forecast of Consolidated Financial Results announced recently : Yes

*** Notes**

(1) Changes in significant subsidiaries during the three months of the fiscal year ending March 31, 2016
(Changes in specified subsidiaries that caused change in scope of consolidation) : None

(2) Application of an accounting procedure especially for the preparation of quarterly consolidated financial statements : Yes

(3) Changes in accounting policies, accounting estimates and restatement of the consolidated financial statements

1) Changes in accounting policies due to revision of accounting standards : Yes

2) Changes in matters other than 1) above : None

3) Changes in accounting estimates : None

4) Restatement : None

(4) Number of common shares issued

1) Number of shares issued at the end of periods (including treasury stock) :

| | |
|----------------------|-------------------|
| As of June 30, 2015 | 20,047,500 shares |
| As of March 31, 2015 | 20,047,500 shares |

2) Number of treasury stock at the end of periods:

| | |
|----------------------|------------------|
| As of June 30, 2015 | 1,873,577 shares |
| As of March 31, 2015 | 1,873,388 shares |

3) Average number of shares during periods:

| | |
|----------------------------------|-------------------|
| Three months ended June 30, 2015 | 18,174,003 shares |
| Three months ended June 30, 2014 | 18,174,779 shares |

*** Notice regarding audit procedures for the quarterly financial results**

This quarterly financial results statement is exempt from the audit procedures based upon the Financial Instruments and Exchange Act. At the time of disclosure of this financial results statement, the audit procedure based upon the Financial Instruments and Exchange Act had not been completed.

*** Explanation regarding the appropriate use of projections and other special notes**

(Notes for the forward-looking statements)

The forward looking statements, including business results forecast, contained in this document are based on information available to the SHINKAWA Group and certain assumptions deemed reasonable as of the date of this document and the Company does not guarantee that such forecast will be achieved. Actual business results may differ substantially due to a number of factors.

(Method to obtain supplemental materials for quarterly financial documents)

Supplemental materials for the quarterly financial documents is scheduled to be released on the Company's web site.

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1. Qualitative Information on the Quarterly Financial Statements for the Period under Review

(1) Explanation of Operating Results

For the global economy in the first quarter of the fiscal year ending March 31, 2016, the developed countries maintained a gradual recovery trend, led by the United States with improved housing and labor markets, followed by the recovery in consumer spending in Europe and improvement in the income environment in Japan.

Meanwhile, emerging countries continued to have downward pressure from delayed economic recovery due to the continuous falling of oil prices and a further slowdown in the Chinese economy as a driving force.

In the semiconductor industry, aggressive capital investment was observed in the back-end equipment market along with the expansion of production among mobile related and memory makers. This was based on the growing demand for smartphones and communications infrastructure/servers, whose sales are strong centering on China.

In such a business climate, the SHINKAWA group has promoted the sales of wire bonders and flip chip bonders, and introduced the new die bonder to the market for promotion to customers. At the same time, the Group restructured the production system based on three factories: the Thai factory, the domestic factory and outsourced producers, to expand market share and improve profitability.

As a result of these efforts, sales of the UTC-5000 Series wire bonders proceeded favorably with an increase in the order receipts from major Korean memory makers and OSAT providers in China. Coupled with the continued depreciation of the yen, net sales in the first quarter of the fiscal year ending March 31, 2016 continued an improvement trend.

As for the consolidated performance of the Group for the first quarter of the fiscal year ending March 31, 2016, net sales of 4,690 million yen were posted (a 78.3% increase from the corresponding period of the previous fiscal year). An operating profit of 400 million yen was recorded (compared with an operating loss of 753 million yen for the corresponding period of the previous fiscal year). An ordinary income of 429 million yen was recorded (compared with an ordinary loss of 787 million yen for the corresponding period of the previous fiscal year). As a result, profit attributable to owners of parent of 325 million yen was recorded (compared with a net loss of 790 million yen for the corresponding period in the previous fiscal year).

(2) Explanation of Financial Position

Total assets at the end of the first quarter of the fiscal year ending March 31, 2016 increased by 1,077 million yen from the end of the previous fiscal year to 27,577 million yen.

Major increases were 875 million yen in notes and accounts receivable-trade, and 329 million yen in work in process. Major decreases were 285 million yen in other property, plant and equipment, and 196 million yen in land.

Total liabilities at the end of the first quarter of fiscal year increased 500 million yen from the end of the previous fiscal year to 3,665 million yen. Major increases were 306 million yen in accounts payable.

Net assets at the end of the first quarter of the fiscal year increased 576 million yen from the end of the previous fiscal year to 23,912 million yen. Major increases were 325 million yen in retained earnings.

As a result, the equity ratio fell from 88.1% at the end of the previous fiscal year to 86.7%.

2. Notes on Important Events Related to the Going Concern Assumption

The Group has reported an operating loss, ordinary loss and net loss in recent fiscal years, mostly due to prolonged periods of product development and evaluation and a relatively high ratio of fixed cost to net sales.

Under such circumstances, the Company experienced important events relating to the going concern assumption.

The Group has improved operational efficiency to solve the situation, and recorded an operating profit, ordinary profit, and net profit attributable to owners of parent companies during the first quarter of the fiscal year ending March 31, 2016. The Group will continue to take the following measures to ensure stable profits continuously.

1) Improvement of operational efficiency

In order to respond to changes in global market trends in a timely and speedy manner, the Group launched activities to “Improve Company Structure” in October 2013 in its effort to reorganize its sales, engineering and production structures.

With regard to sales activities, the Group has changed its previous sales structure, which was centered on the head office, to one mainly operated by the sales base in each country where the Group is operating. The fruits of this change, although still limited, are starting to be seen.

As for engineering, the Group is enhancing its product planning capabilities in order to develop competitive products and is also promoting a project to optimize the development process to reduce the length of the development period.

With regard to production, the Group seeks to ensure optimal production in the most suitable location at reduced costs. To achieve that, the manufacturing of some products has been outsourced, and the Group’s production division has been decentralized into its subsidiaries to allow production activities to remain flexible and carefully tailored to customer needs.

The Group will make efforts to implement the new global operation structure early and continue its group-wide initiatives to expedite and optimize its decision-making process and operational performance, as well as improve their efficiency, thereby improving the profitability of its business and increasing the market shares of its products.

2) Enhancement of technological capabilities in order to capture business opportunities

Concerning the flip chip bonder business, the Group’s LFB series has earned a high reputation in the market. The Group provides the products to the prototype and development teams of its customers through device evaluations of the products. Although mass production of the flip chip bonders for the TCB process was postponed, the Group will continue its efforts in expanding alliances with external partners to prepare for its customers’ future investments in mass production as well as to improve its competitive advantage in cutting-edge technologies such as 3D packages.

In the wire bonder business, the Group advanced its multi-wire bonding technologies and developed its unique technology that allows capillary bonding of aluminum wire. With these developments, we will make efforts to capture demand for alternative wire types in various fields such as that for aluminum bonding in the automotive application devices market. We will also develop the operator-supporting functions of stand-alone equipment so that we are able to provide comprehensive recommendations for system solutions, including effective management of equipment operation status and production status. With this, we will endeavor to promote sales to emerging OSAT providers.

The Group does not have borrowings from external entities. With the equity ratio of 86.7%, the Group possesses enough operating funds to promote businesses.

Accordingly, we judge any material uncertainty is not recognized related to the going concern assumption.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

| | Millions of yen | |
|-------------------------------------------------------|-------------------------|------------------------|
| | As of March 31, 2015 | As of June 30, 2015 |
| Assets | | |
| Current assets | | |
| Cash and deposits | 7,016 | 7,038 |
| Notes and accounts receivable - trade | 4,798 | 5,673 |
| Merchandise and finished goods | 2,679 | 2,714 |
| Work in process | 708 | 1,036 |
| Raw materials and supplies | 593 | 657 |
| Other | 658 | 580 |
| Allowance for doubtful accounts | (1) | (2) |
| Total current assets | 16,449 | 17,697 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Land | 3,502 | 3,306 |
| Other, net | 2,693 | 2,408 |
| Total property, plant and equipment | 6,195 | 5,714 |
| Intangible assets | | |
| Other | 75 | 61 |
| Total intangible assets | 75 | 61 |
| Investments and other assets | | |
| Investment securities | 3,324 | 3,646 |
| Other | 457 | 458 |
| Total investments and other assets | 3,781 | 4,105 |
| Total noncurrent assets | 10,051 | 9,880 |
| Total assets | 26,500 | 27,577 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 1,308 | 1,614 |
| Income taxes payable | 40 | 46 |
| Provision | 133 | 158 |
| Other | 335 | 417 |
| Total current liabilities | 1,816 | 2,235 |
| Noncurrent liabilities | | |
| Net defined benefit liability | 795 | 805 |
| Deferred tax liabilities | 538 | 609 |
| Other | 15 | 15 |
| Total noncurrent liabilities | 1,349 | 1,430 |
| Total liabilities | 3,164 | 3,665 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 8,360 | 8,360 |
| Capital surplus | 8,907 | 8,907 |
| Retained earnings | 7,332 | 7,657 |
| Treasury stock | (3,150) | (3,150) |
| Total shareholders' equity | 21,450 | 21,775 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,454 | 1,705 |
| Foreign currency translation adjustment | 371 | 387 |
| Remeasurements of defined benefit plans | 61 | 46 |
| Total accumulated other comprehensive income | 1,886 | 2,138 |
| Total net assets | 23,336 | 23,912 |
| Total liabilities and net assets | 26,500 | 27,577 |

(2) Consolidated Quarterly Statements of Income and Comprehensive Income
 Consolidated Quarterly Statements of Income
 Three months ended June 30, 2014 and 2015

| | Millions of yen | |
|----------------------------------------------------------|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2014 | Three months ended June 30, 2015 |
| Net sales | 2,631 | 4,690 |
| Cost of sales | 2,081 | 3,062 |
| Gross profit | 549 | 1,628 |
| Selling, general and administrative expenses | 1,302 | 1,228 |
| Operating income (loss) | (753) | 400 |
| Non-operating income | | |
| Interest income | 3 | 2 |
| Dividend income | 24 | 32 |
| Other | 8 | 6 |
| Total non-operating income | 36 | 40 |
| Non-operating expenses | | |
| Foreign exchange losses | 69 | 11 |
| Cost of lease revenue | 1 | 0 |
| Other | 0 | 0 |
| Total non-operating expenses | 70 | 11 |
| Ordinary income (loss) | (787) | 429 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 2 | — |
| Total extraordinary income | 2 | — |
| Extraordinary losses | | |
| Special retirement expenses | — | 72 |
| Total extraordinary losses | — | 72 |
| Income (loss) before income taxes and minority interests | (785) | 357 |
| Income taxes-current | 3 | 36 |
| Income taxes-deferred | 1 | (3) |
| Total income taxes | 4 | 32 |
| Profit (loss) | (790) | 325 |
| Profit (loss) attributable to owners of parent | (790) | 325 |

Consolidated Quarterly Statements of Comprehensive Income
Three months ended June 30, 2014 and 2015

| | Millions of yen | |
|----------------------------------------------------------------|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2014 | Three months ended June 30, 2015 |
| Profit (loss) | (790) | 325 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 196 | 251 |
| Foreign currency translation adjustment | (24) | 16 |
| Remeasurements of defined benefit plans, net of tax | (1) | (15) |
| Total other comprehensive income | 170 | 251 |
| Comprehensive income | (619) | 577 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | (619) | 577 |
| Comprehensive income attributable to non-controlling interests | — | — |

4. Supplementary Information

Quarterly Consolidated Performance

Fiscal year ended March 31, 2015 (consolidated)

(Millions of Yen, except "Net Income (loss) per Share")

| | 1Q ended June 30, 2014 | 2Q ended September 30, 2014 | 3Q ended December 31, 2014 | 4Q ended March 31, 2015 | FY ended March 31, 2015 |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------------|---------------------------------------|------------------------------------|------------------------------------|
| Net sales | 2,631 | 2,800 | 2,179 | 3,743 | 11,352 |
| Gross profit | 549 | 664 | 579 | 1,044 | 2,837 |
| Operating income (loss) | (753) | (720) | (775) | (421) | (2,669) |
| Ordinary income (loss) | (787) | (298) | (216) | (483) | (1,784) |
| Income (loss) before income taxes and minority interests | (785) | (303) | (220) | (601) | (1,909) |
| Profit (loss) attributable to owners of parent | (790) | (307) | (223) | (574) | (1,894) |
| Net income (loss) per share (Yen) | (43.44) | (16.90) | (12.24) | (31.61) | (104.19) |
| Total assets | 26,078 | 26,283 | 26,092 | 26,500 | 26,500 |
| Net assets | 23,721 | 23,710 | 23,612 | 23,336 | 23,336 |
| Orders received | 2,884 | 1,912 | 3,370 | 4,947 | 13,112 |

Fiscal year ending March 31, 2016 (consolidated)

(Millions of Yen, except "Net Income (loss) per Share")

| | 1Q ended June 30, 2015 |
|-----------------------------------------------------------------|-----------------------------------|
| Net sales | 4,690 |
| Gross profit | 1,628 |
| Operating income (loss) | 400 |
| Ordinary income (loss) | 429 |
| Income (loss) before income taxes and minority interests | 357 |
| Profit (loss) attributable to owners of parent | 325 |
| Net income (loss) per share (Yen) | 17.89 |
| Total assets | 27,577 |
| Net assets | 23,912 |
| Orders received | 4,738 |