

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

November 9, 2015

SHINKAWA LTD.

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

Listing	First Section of Tokyo Stock Exchange
Security code	6274
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Scheduled date to file Quarterly Report	November 13, 2015
Scheduled date to commence dividend payments	—
Quarterly Results Supplemental Materials	Yes
Quarterly Results Presentation Meeting	Yes (for securities analysts)

1. Consolidated Financial Results for the Six Months ended September 30, 2015 (from April 1, 2015 to September 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	%
Six months ended September 30, 2015	7,663	41.1	160	-	(57)	-	(207)	-
Six months ended September 30, 2014	5,430	33.2	(1,473)	-	(1,085)	-	(1,097)	-

(Note) Comprehensive income : Six months ended September 30, 2015: (764) million yen
Six months ended September 30, 2014: (630) million yen

	Net income (loss) per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2015	(11.39)	-
Six months ended September 30, 2014	(60.34)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2015	25,348	22,571	89.0
As of March 31, 2015	26,500	23,336	88.1

(Reference) Equity: As of September 30, 2015: 22,571 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	-	0.00			
Fiscal year ending March 31, 2016 (Forecast)			-	-	-

(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
Fiscal year ending March 31, 2016	15,400	35.7	(160)	-	(410)	-	(650)	-	(35.77)

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

*** Notes**

(1) Changes in significant subsidiaries during the Six 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 September 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 September 30, 2015	1,873,602 shares
As of March 31, 2015	1,873,388 shares

3) Average number of shares during periods:

Six months ended September 30, 2015	18,173,962 shares
Six months ended September 30, 2014	18,174,678 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

During the first six months of the fiscal year ending March 31, 2016, the global economy maintained a recovery trend led by the United States and Europe with an expansion in consumer spending based on the improved employment and income environment.

Meanwhile, emerging countries continued to have downward pressure from delayed economic recovery due to a slowdown in the Chinese economy and an adjustment of resource prices centering on the price of oil.

In the semiconductor industry, semiconductor devices for in-vehicle, communications infrastructure and servers grew steadily. However, demand for mobile related devices has declined due to a slowdown in the Chinese economy causing the smartphone market to enter into an inventory adjustment phase. This influenced the back-end equipment market, and restrained its equipment investments.

Under such circumstances, the SHINKAWA group has promoted the sales of wire bonders and flip-chip bonders, and introduced a new die bonder to the market for promotion to customers. At the same time, the Group restructured its production system based on three factories: the Thai factory, Japanese 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 order receipts from major Korean memory makers and OSAT providers in China. However, the order receipts have declined since July mainly because the inventory adjustment phase in the smartphone market suddenly created uncertainty in customers' production plans, and resulted in postponement of their equipment investment plans.

As for the consolidated performance of the Group for the six months ended September 30, 2015, net sales of 7,663 million yen were posted (a 41.1% increase from the corresponding period of the previous fiscal year). An operating profit of 160 million yen was recorded (compared with an operating loss of 1,473 million yen for the corresponding period of the previous fiscal year). An ordinary loss of 57 million yen was recorded (compared with an ordinary loss of 1,085 million yen for the corresponding period of the previous fiscal year). As a result, loss attributable to owners of parent of 207 million yen was recorded (compared with a net loss of 1,097 million yen for the corresponding period in the previous fiscal year).

(2) Explanation of Financial Position

Total assets at the end of the first six months of the fiscal year ending March 31, 2016 decreased by 1,152 million yen from the end of the previous fiscal year to 25,348 million yen.

Major increases were 768 million yen in merchandise and finished goods, and 187 million yen in work in process. Major decreases were 558 million yen in investment securities, 549 million yen in cash and deposits, and 444 million yen in other property, plant and equipment.

Total liabilities at the end of the first six months of fiscal year decreased 388 million yen from the end of the previous fiscal year to 2,776 million yen. Major decreases were 269 million yen in accounts payable, and 197 million yen in deferred tax liabilities.

Total net assets at the end of the first six months of the fiscal year decreased 764 million yen from the end of the previous fiscal year to 22,571 million yen. Major decreases were 361 million yen in valuation difference on available-for-sale securities, and 207 million yen in retained earnings. As a result, the equity ratio increased from 88.1% at the end of the previous fiscal year to 89.0%.

Cash flows

Cash and cash equivalents at September 30, 2015 decreased by 78 million yen from the end of the previous fiscal year to 6,270 million yen.

The cash flow situation for the six months ended September 30, 2015 was as follows:

Net cash used in operating activities totaled 559 million yen for the period under review compared with net cash used in operating activities of 505 million yen for the corresponding period of the previous fiscal year. Major components included an increase in inventories of 1,071 million yen despite posting depreciation and amortization of 265 million yen, foreign exchange losses of 179 million yen, and decrease in notes and accounts receivable - trade of 156 million yen.

Net cash provided by investing activities totaled 561 million yen for the period under review compared with net cash used in investing activities of 91 million yen for the corresponding period of the previous fiscal year. Major components included proceeds from withdrawal of time deposits of 716 million yen despite payments into time deposits of 256 million yen and purchases of property, plant and equipment of 103 million yen.

Net cash used in financing activities totaled 1 million yen for the period under review compared with 1 million yen for the corresponding period of the previous fiscal year.

(3) Explanation of Our Projections on the Group's Future Consolidated Business Performance and Other Matters

In light of the market environment and the status of orders received recently in the semiconductor industry, in which the Company operates, the Company conducted a detailed review of the earnings forecasts of the Group.

Consequently, the Company has revised its earnings projections for the fiscal year ending March 31, 2016.

For details, please refer to "Notice of Revisions to Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2016," released today (November 9, 2015).

2. Matters Related to Summary Information (Notes)

(1) Specific Accounting Procedure Applied for Preparation of Quarterly Consolidated Financial Statement Computation of Tax Expenses

In regards to tax expenses of consolidated subsidiaries, the effective tax rate after application of tax effect accounting for the income before income taxes and minority interests of the current fiscal year including the period under review is estimated through fair value, and the income before income taxes and minority interests is then multiplied by this amount.

Income taxes-deferred of consolidated subsidiaries are included in Income taxes-current.

(2) Changes in Accounting Policies, Accounting Estimates and Restatement of the Consolidated Financial Statements

(Changes in accounting policies)

Effective from the first quarter of the current consolidated fiscal year (April 1, 2015 to June 30, 2015), the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). Accordingly, the Company has changed the presentation of net income, etc. To reflect these changes in presentation, the quarterly consolidated financial statements for the six months ended September 30, 2014 have been reclassified.

3. 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 Group experienced important events relating to the going concern assumption. The Group has improved operational efficiency to solve the situation, and recorded an operating profit during the first half 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

To respond to changes in global market trends in a timely and speedy manner, the Group has promoted the restructuring of its sales, engineering and production systems since October 2013 as part of the efforts to “Strengthen Our Corporate Base” and will continue these efforts so that the new systems are fully established as early as possible. The Group will continue to promote the reorganization of its systems and aim to familiarize the Group with the new structures quickly.

With regard to sales activities, the Group respects the autonomy of its overseas sales offices to allow them to customize their activities to suit the local needs and maximize customer satisfaction.

The engineering force is strengthening ties with the production and quality assurance divisions to promote cost-cutting efforts starting at the product design and development stages, thereby improving profitability.

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. By encouraging the Thai factory, the domestic factory, and the outsourced producers to establish a complementary relationship, the Group seeks enhancement of production efficiency on a Group-wide basis.

2) Enhancement of technological capabilities and product strengths to capture business opportunities

Looking at the trend of packaging technologies, the popularity of wireless processes, such as flip chip and wafer-level packaging, is expected to grow significantly, which will likely expand the flip-chip bonder market. To prepare for the start of mass production of the TCB process flip-chip devices, in which customers’ considerable investment will occur, the Group will promote alliances with external partners and sharpen its competitive edge in 3D packaging and other leading-edge technologies.

At the same time, the Group will address various processes to seek distinction from competitors, while making focused efforts to develop cost-competitive next-generation platforms.

In the wire and die bonder businesses, the Group will continue to provide existing and new customers with its highly reliable technologies. The Group will also expand sales to emerging OSAT providers by upgrading the operator supporting functions of the bonding equipment itself and providing system solutions aimed at effective management of the status of equipment operation and production.

The Group does not have borrowings from external entities. With the equity ratio of 89.0%, the Group possesses enough operating funds to promote businesses.

Accordingly, the Group judges any material uncertainty is not recognized related to the going concern assumption.

4. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

	Millions of yen	
	As of March 31, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	7,016	6,467
Notes and accounts receivable - trade	4,798	4,505
Merchandise and finished goods	2,679	3,447
Work in process	708	895
Raw materials and supplies	593	697
Other	658	599
Allowance for doubtful accounts	(1)	(2)
Total current assets	16,449	16,608
Noncurrent assets		
Property, plant and equipment		
Land	3,502	3,202
Other, net	2,693	2,249
Total property, plant and equipment	6,195	5,451
Intangible assets		
Other	75	49
Total intangible assets	75	49
Investments and other assets		
Investment securities	3,324	2,766
Other	457	473
Total investments and other assets	3,781	3,239
Total noncurrent assets	10,051	8,739
Total assets	26,500	25,348
Liabilities		
Current liabilities		
Accounts payable-trade	1,308	1,039
Income taxes payable	40	111
Provision	133	157
Other	335	303
Total current liabilities	1,816	1,611
Noncurrent liabilities		
Deferred tax liabilities	795	809
Net defined benefit liability	538	341
Other	15	15
Total noncurrent liabilities	1,349	1,165
Total liabilities	3,164	2,776
Net assets		
Shareholders' equity		
Capital stock	8,360	8,360
Capital surplus	8,907	8,907
Retained earnings	7,332	7,125
Treasury stock	(3,150)	(3,150)
Total shareholders' equity	21,450	21,242
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,454	1,093
Foreign currency translation adjustment	371	206
Remeasurements of defined benefit plans	61	31
Total accumulated other comprehensive income	1,886	1,329
Total net assets	23,336	22,571
Total liabilities and net assets	26,500	25,348

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

	Millions of yen	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	5,430	7,663
Cost of sales	4,217	5,063
Gross profit	1,213	2,600
Selling, general and administrative expenses	2,686	2,440
Operating income (loss)	(1,473)	160
Non-operating income		
Interest income	5	3
Dividend income	24	32
Foreign exchange gains	344	-
Rent income	13	16
Other	5	8
Total non-operating income	391	58
Non-operating expenses		
Foreign exchange losses	-	273
Cost of lease revenue	3	1
Other	0	2
Total non-operating expenses	3	275
Ordinary income (loss)	(1,085)	(57)
Extraordinary income		
Gain on sales of noncurrent assets	2	-
Total extraordinary income	2	-
Extraordinary losses		
Loss on sales of non-current assets	-	3
Loss on retirement of non-current assets	5	-
Special retirement expenses	-	* 72
Total extraordinary losses	5	75
Income (loss) before income taxes and minority interests	(1,088)	(131)
Income taxes-current	13	92
Income taxes-deferred	(5)	(16)
Total income taxes	8	76
Profit (loss)	(1,097)	(207)
Profit (loss) attributable to owners of parent	(1,097)	(207)

Consolidated Quarterly Statements of Comprehensive Income
Six months ended September 30, 2014 and 2015

	Millions of yen	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Profit (loss)	(1,097)	(207)
Other comprehensive income		
Valuation difference on available-for-sale securities	401	(361)
Foreign currency translation adjustment	68	(166)
Remeasurements of defined benefit plans, net of tax	(3)	(31)
Total other comprehensive income	466	(557)
Comprehensive income	(630)	(764)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(630)	(764)
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Quarterly Statements of Cash Flows
Six months ended September 30, 2014 and 2015

	Millions of yen	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests	(1,088)	(131)
Depreciation and amortization	369	265
Increase (decrease) in allowance for doubtful accounts	0	0
Interest and dividend income	(30)	(35)
Foreign exchange losses (gains)	(125)	179
Decrease (increase) in notes and accounts receivable - trade	(1,162)	156
Decrease (increase) in inventories	961	(1,071)
Increase (decrease) in notes and accounts payable - trade	506	(17)
Increase (decrease) in net defined benefit liability	17	(11)
Increase (decrease) in other provision	19	24
Loss on retirement of non-current assets	5	-
Loss (gain) on sales of property, plant and equipment	(2)	3
Extra retirement payment	-	72
Other, net	(28)	54
Subtotal	(557)	(511)
Interest and dividend income received	34	36
Income taxes (paid) refund	18	(25)
Proceeds from Tokyo labor bureau grant	-	12
Payments for extra retirement payments	-	(72)
Net cash provided by (used in) operating activities	(505)	(559)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(293)	(103)
Proceeds from sales of property, plant and equipment	3	261
Payments of loans receivable	-	(28)
Collection of loans receivable	8	9
Purchase of intangible assets	(39)	(10)
Payments into time deposits	(328)	(256)
Proceeds from withdrawal of time deposits	816	716
Other payments	(86)	(36)
Other proceeds	10	8
Net cash provided by (used in) investing activities	91	561
Net cash provided by (used in) financing activities		
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1)	(1)
Net cash provided by (used in) financing activities	(1)	(1)
Effect of exchange rate change on cash and cash equivalents	54	(79)
Net increase (decrease) in cash and cash equivalents	(361)	(78)
Cash and cash equivalents at beginning of period	8,492	6,349
Cash and cash equivalents at end of period	8,130	6,270

- (4) Notes to Quarterly Financial Statements
 (Notes on Going Concern Assumption)
 Not applicable

(Notes to Significant Changes in the Amounts of Shareholders' Equity)
 Not applicable

(Notes on Consolidated Quarterly Statements of Income)

*Special Retirement Expenses

Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)

With the aim of improving production efficiency, production functions were transferred to a subsidiary of the Company. In line with the transfer, special retirement expenses were incurred as benefits were paid to employees who were transferred from the head office to the subsidiary.

5. 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	2Q ended September 30, 2015
Net sales	4,690	2,973
Gross profit	1,628	972
Operating income (loss)	400	(240)
Ordinary income (loss)	429	(485)
Income (loss) before income taxes and minority interests	357	(489)
Profit (loss) attributable to owners of parent	325	(532)
Net income (loss) per share (Yen)	17.89	(29.28)
Total assets	27,577	25,348
Net assets	23,912	22,571
Orders received	4,738	3,266

- (4) Notes to Quarterly Financial Statements
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(Notes to Significant Changes in the Amounts of Shareholders' Equity)
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