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

February 8, 2016

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	**February 12, 2016**
Scheduled date to commence dividend payments	—
Quarterly Results Supplemental Materials	**Yes**
Quarterly Results Presentation Meeting	**None**

1. Consolidated Financial Results for the Nine Months ended December 31, 2015 (from April 1, 2015 to December 31, 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	%
Nine Months ended December 31, 2015	**9,558**	**25.6**	**(425)**	**-**	**(590)**	**-**	**(770)**	**-**
Nine Months ended December 31, 2014	7,610	29.0	(2,248)	-	(1,302)	-	(1,319)	-

(Note) Comprehensive income : Nine Months ended December 31, 2015: (1,080) million yen
Nine Months ended December 31, 2014: (728) million yen

	Net income (loss) per share	**Diluted net income per share**
	Yen	Yen
Nine Months ended December 31, 2015	**(42.34)**	**-**
Nine Months ended December 31, 2014	(72.58)	**-**

(2) Consolidated Financial Position

	Total assets	**Net assets**	**Equity ratio**
	Millions of yen	Millions of yen	%
As of December 31, 2015	**25,296**	**22,256**	**88.0**
As of March 31, 2015	26,500	23,336	88.1

(Reference) Equity: As of December 31, 2015: 22,256 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)				0.00	0.00

(Note) Revisions to the dividend forecasts announced recently: Yes

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	**12,300**	**8.3**	**(1,060)**	-	**(1,200)**	-	**(1,400)**	-	**(77.03)**

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

*** Notes**

(1) Changes in significant subsidiaries during the Nine 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 December 31, 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 December 31, 2015	1,873,602 shares
As of March 31, 2015	1,873,388 shares

3) Average number of shares during periods:

Nine months ended December 31, 2015	18,173,943 shares
Nine months ended December 31, 2014	18,174,586 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.

Contents of Appendix

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

(1) Explanation of Operating Results

During the third quarter of the fiscal year ending March 31, 2016, the global economy continued a gradual recovery trend with the expansion of domestic demand in the United States and the consumer spending in Europe supporting its economy.

Meanwhile, uncertainties of emerging countries continued because of a slowdown in the Chinese economy, and a downturn in economic growth in resource-rich countries with their currency depreciation due to low crude oil prices.

In the semiconductor industry, while the demand for electronic components for communications infrastructure grew steadily, the demand for mobile-related products declined due to a slowdown in the Chinese economy that led to an inventory adjustment phase in the smartphone market. Moreover, the fall in demand became apparent throughout the entire semiconductor market including discrete devices. 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 nine months ended December 31, 2015, net sales of 9,558 million yen were posted (a 25.6% increase from the corresponding period of the previous fiscal year). An operating loss of 425 million yen was recorded (compared with an operating loss of 2,248 million yen for the corresponding period of the previous fiscal year). An ordinary loss of 590 million yen was recorded (compared with an ordinary loss of 1,302 million yen for the corresponding period of the previous fiscal year). As a result, loss attributable to owners of parent of 770 million yen was recorded (compared with a net loss of 1,319 million yen for the corresponding period in the previous fiscal year).

(2) Explanation of Financial Position

Total assets at the end of the third quarter of the fiscal year ending March 31, 2016 decreased by 1,204 million yen from the end of the previous fiscal year to 25,296 million yen.

Major decreases were 2,114 million yen in notes and accounts receivable – trade, 478 million yen in other property, plant and equipment, and 293 million yen in land, and major increases were 987 million yen in merchandise and finished goods and 734 million yen in work in process.

Total liabilities at the end of the third quarter of the fiscal year ending March 31, 2016 decreased by 124 million yen from the end of the previous fiscal year to 3,040 million yen. Major decreases were 726 million yen in accounts payable-trade, and major increases were 564 million yen in other current liabilities.

Total net assets at the end of the third quarter of the fiscal year ending March 31, 2016 decreased by 1,080 million yen from the end of the previous fiscal year to 22,256 million yen. The major decreases were 770 million yen in retained earnings due to posting of the loss attributable to owners of parent, and 146 million yen in foreign currency translation adjustment.

As a result, the equity ratio fell from 88.1% at the end of the previous fiscal year to 88.0%.

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

1) Revision to full year consolidated financial results forecast

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 the "Notice of Revisions to Forecast of Consolidated Financial Results and Forecast Dividend for the Fiscal Year ending March 31, 2016" announced today (February 8, 2016).

2) Revision to dividends forecast

The Group regards the redistribution of the profit to shareholders as one of the most important corporate responsibilities, and continuous and stable dividend payments as a fundamental policy. At the same time, the Group would like to redistribute the profit according to its business performance.

The Group has experienced a hardship with a deficit for seven consecutive years and expects to post a deficit for fiscal year 2016. Since the Group considers strengthening the business base a priority, it regrettably announces that it will decline its dividend for the current term.

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 nine months ended December 31, 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 loss attributable to owners of parent in recent fiscal years, mostly due to prolonged periods of product development and evaluation and a relatively high ratio of fixed cost to net sales. Under such circumstances, the Group experienced important events relating to the going concern assumption. The Group will continue to take the following measures to ensure stable profits continuously to solve the situation,

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 88.0%, 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 December 31, 2015**
Assets		
Current assets		
Cash and deposits	7,016	**7,110**
Notes and accounts receivable - trade	4,798	**2,684**
Merchandise and finished goods	2,679	**3,666**
Work in process	708	**1,442**
Raw materials and supplies	593	**583**
Other	658	**747**
Allowance for doubtful accounts	(1)	**(1)**
Total current assets	16,449	**16,231**
Noncurrent assets		
Property, plant and equipment		
Land	3,502	**3,209**
Other, net	2,693	**2,215**
Total property, plant and equipment	6,195	**5,424**
Intangible assets		
Other	75	**39**
Total intangible assets	75	**39**
Investments and other assets		
Investment securities	3,324	**3,103**
Other	457	**499**
Total investments and other assets	3,781	**3,602**
Total noncurrent assets	10,051	**9,065**
Total assets	26,500	**25,296**
Liabilities		
Current liabilities		
Accounts payable-trade	1,308	**582**
Income taxes payable	40	**136**
Provision	133	**149**
Other	335	**898**
Total current liabilities	1,816	**1,765**
Noncurrent liabilities		
Deferred tax liabilities	795	**822**
Net defined benefit liability	538	**437**
Other	15	**15**
Total noncurrent liabilities	1,349	**1,275**
Total liabilities	3,164	**3,040**
Net assets		
Shareholders' equity		
Capital stock	8,360	**8,360**
Capital surplus	8,907	**8,907**
Retained earnings	7,332	**6,563**
Treasury stock	(3,150)	**(3,150)**
Total shareholders' equity	21,450	**20,680**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,454	**1,335**
Foreign currency translation adjustment	371	**225**
Remeasurements of defined benefit plans	61	**15**
Total accumulated other comprehensive income	1,886	**1,576**
Total net assets	23,336	**22,256**
Total liabilities and net assets	26,500	**25,296**

(2) Consolidated Quarterly Statements of Income and Comprehensive Income
Consolidated Quarterly Statements of Income
Nine months ended December 31, 2014 and 2015

Millions of yen

	Nine months ended December 31, 2014	**Nine months ended December 31, 2015**
Net sales	7,610	**9,558**
Cost of sales	5,817	**6,330**
Gross profit	1,793	**3,228**
Selling, general and administrative expenses	4,041	**3,653**
Operating income (loss)	(2,248)	**(425)**
Non-operating income		
Interest income	8	**5**
Dividend income	47	**61**
Foreign exchange gains	866	—
Rent income	20	**18**
Other	10	**16**
Total non-operating income	952	**100**
Non-operating expenses		
Foreign exchange losses	—	**263**
Cost of lease revenue	5	**1**
Other	1	**2**
Total non-operating expenses	5	**266**
Ordinary income (loss)	(1,302)	**(590)**
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	8	—
Special retirement expenses	—	***72**
Total extraordinary losses	8	**75**
Income (loss) before income taxes and minority interests	(1,308)	**(665)**
Income taxes-current	17	**136**
Income taxes-deferred	(6)	**(32)**
Total income taxes	11	**104**
Profit (loss)	(1,319)	**(770)**
Profit (loss) attributable to owners of parent	(1,319)	**(770)**

Consolidated Quarterly Statements of Comprehensive Income
Nine months ended December 31, 2014 and 2015

	Millions of yen	
	Nine months ended December 31, 2014	**Nine months ended December 31, 2015**
Profit (loss)	(1,319)	**(770)**
Other comprehensive income		
Valuation difference on available-for-sale securities	361	**(119)**
Foreign currency translation adjustment	235	**(146)**
Remeasurements of defined benefit plans, net of tax	(5)	**(46)**
Total other comprehensive income	591	**(310)**
Comprehensive income	(728)	**(1,080)**
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(728)	**(1,080)**
Comprehensive income attributable to non-controlling interests	–	–

(3) 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

Nine months ended December 31, 2015 (April 1, 2015 to December 31, 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	3Q ended December 31, 2015
Net sales	4,690	2,973	**1,895**
Gross profit	1,628	972	**628**
Operating income (loss)	400	(240)	**(585)**
Ordinary income (loss)	429	(485)	**(534)**
Income (loss) before income taxes and minority interests	357	(489)	**(534)**
Profit (loss) attributable to owners of parent	325	(532)	**(563)**
Net income (loss) per share (Yen)	17.89	(29.28)	**(30.95)**
Total assets	27,577	25,348	**25,296**
Net assets	23,912	22,571	**22,256**
Orders received	4,738	3,266	**2,201**