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# ANNUAL REPORT 2018

Year ended March 20, 2018

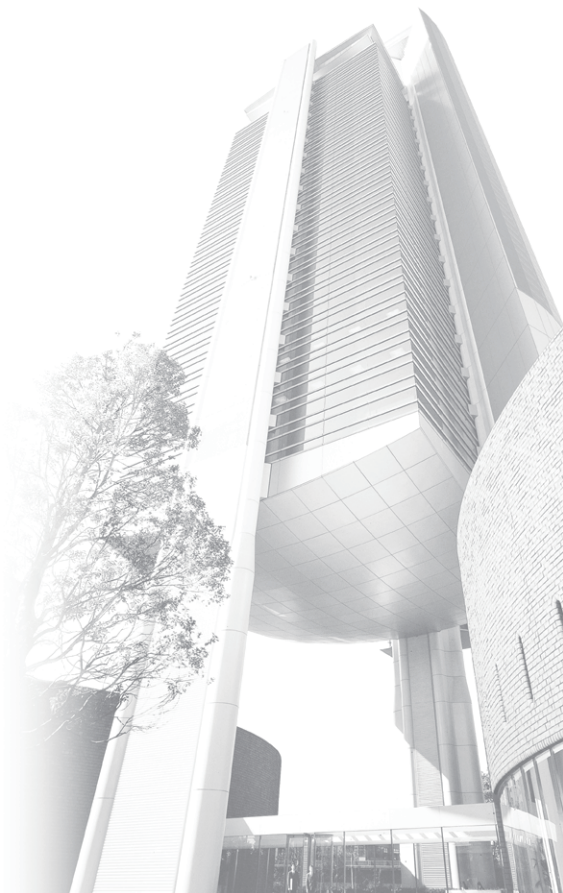
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## C O R P O R A T E   P R O F I L E

KEYENCE CORPORATION has steadily grown since 1974 to become a leading company in factory automation. It accomplished this by delivering the quality sensors that automation needs. Today, KEYENCE serves 250,000 customers in some 100 countries around the world, where its name stands for innovation and excellence.

Sensors, found in millions of applications, provide the positioning information essential for factory automation. There could be no automation of assembly lines without sensors. KEYENCE has consistently aided the automation revolution by developing superior sensor solutions.



## KEYENCE CORPORATION AND SUBSIDIARIES

## FINANCIAL HIGHLIGHTS

YEAR ENDED MARCH 20, 2018

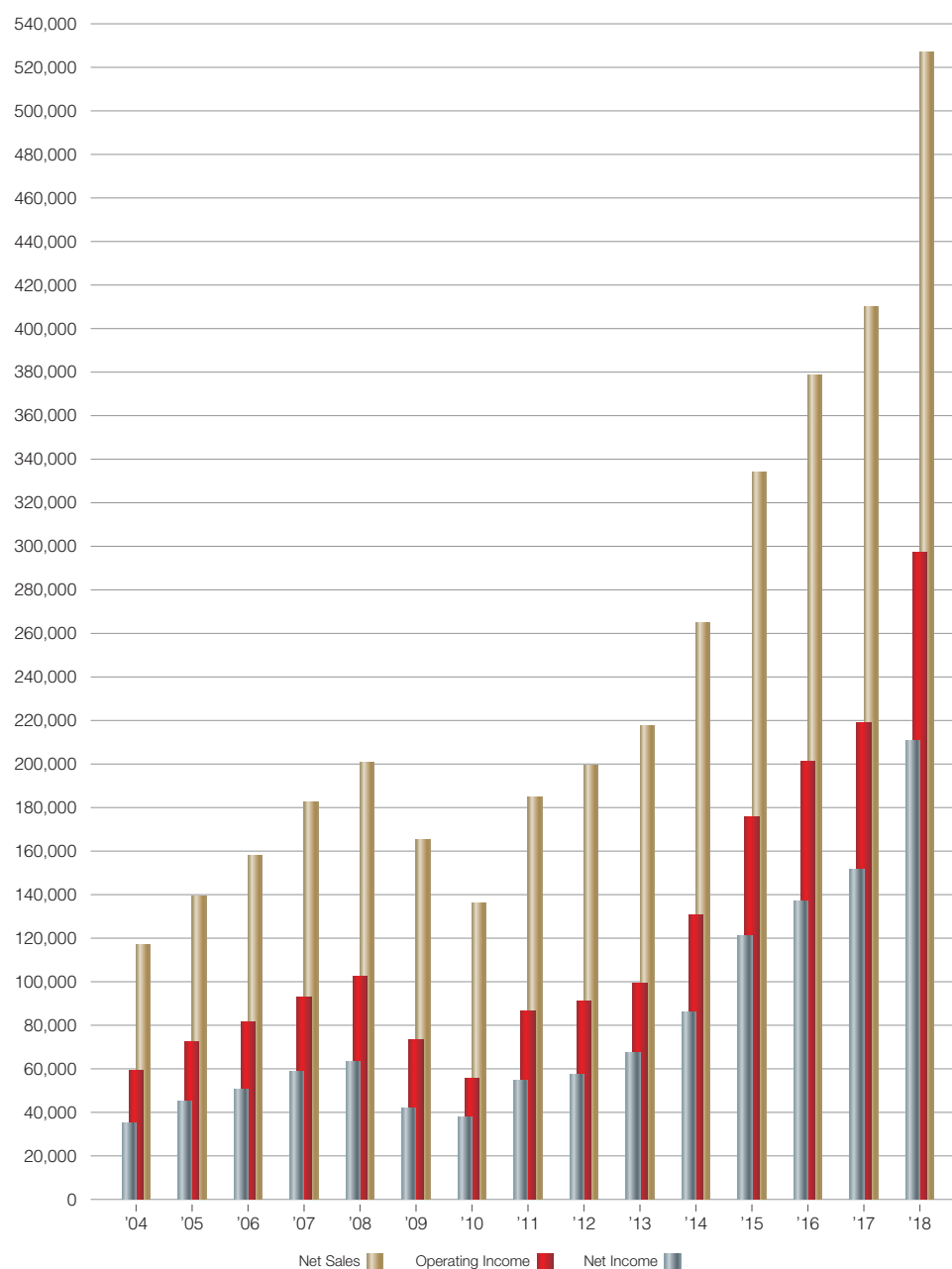
	2018	Millions of Yen 2017	Thousands of U.S. Dollars*1 2018
Net Sales	¥526,847	¥412,699	\$4,970,256
Operating Income	292,890	218,910	2,763,119
Net Income	210,595	153,156	1,986,746
Amounts Per Common Share*2 (in Yen and U.S. Dollars)			
Net Income	1,736.65	1,262.89	16.38
Cash Dividends Applicable to the Year	100.00	100.00	0.94
Total Assets	1,486,222	1,250,591	14,020,964

\*1. All dollar figures herein refer to U.S. dollars. Dollar amounts are translated from Japanese yen, for convenience only, at ¥106 = US\$1, the approximate exchange rate on March 20, 2018.

\*2. The Company implemented a stock split of 2 shares for each share of common stock outstanding on January 21, 2017. The computations of net income per common share and cash dividends per common share are based on the weighted-average number of common shares outstanding, retroactively adjusted to give effect to the stock split.

\*3. Refer to Note 1 in the notes to consolidated financial statements.

Millions of Yen



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## TO OUR SHAREHOLDERS

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### **Business results**

During this consolidated fiscal year, the worldwide economy grew with support from increased consumer spending and capital investment in the U. S. A. and moderate economic growth in Europe.

In Asia and elsewhere, exports contributed to continued economic growth. Looking to Japan, growth in capital investment continued apace, driven by improved corporate earnings and the moderate economic growth exhibited by other countries.

Under these economic conditions, the KEYENCE Group worked to enhance planning and development and strengthen sales capabilities to sustain mid- to long-term growth.

We have also developed new products, including a Handheld Mobile Computer and a 3-Axis UV Laser Marker. In sales, we have made efforts to increase staff and expand our overseas sales offices. As a result of these activities, in this consolidated fiscal year we recorded sales of JPY 526,847 million, operating income of JPY 292,890 million, income before taxes of JPY 298,860 million, and net income of JPY 210,595 million.

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## TO OUR SHAREHOLDERS

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### Performance by region

#### 1) Japan

Japan continued on a gradual growth track in terms of capital investment as corporate earnings continued to improve.

Under these conditions, we worked to release new products and enhance our sales capabilities, resulting in sales of JPY 246,259 million.

#### 2) Overseas

Moderate growth continued in regions other than Japan, most notably in developed economies. Under these economic conditions, we worked to enhance our sales capabilities, with a focus on recruitment and personnel training, resulting in sales of JPY 280,587 million.

Looking to the global economy, gradual overall recovery is expected to continue despite uncertainty arising from the policies of specific countries, the future of emerging economies, and fallout from changing financial and capital markets.

The KEYENCE Group, in an effort to boost sales internationally, will continue to focus on product development and expanded sales capabilities.

In light of the trend toward intensifying global competition, the manufacturing sector must continue to address the need for increased production efficiency, automation, enhanced quality, and more robust research and development initiatives.

It is in these areas that we have significant potential to expand our operations as a group. To realize this potential, we will focus on applying the powers that we have cultivated over the years to achieve growth.



Akinori Yamamoto  
President  
June 2018

## NEW PRODUCT HIGHLIGHTS



### 3D Vision-Guided Robotics

For robot picking, targets generally need to be arranged manually or require the use of specialized equipment.

Incorporating four cameras and a single projector in an integrated unit, KEYENCE's 3D vision system uses a new 3D search algorithm that analyzes 136 captured images in 0.5 seconds for three-dimensional recognition of targets, resulting in the industry's highest detection capability. This ensures reliable picking even when targets are positioned at a variety of angles. When integrated with an off-the-shelf robot, this new technology can execute tasks not possible with previous technology.



### 3D Laser Scanning Confocal Microscope

With magnification capabilities from 42× up to 28800×, KEYENCE's 3D laser scanning confocal microscopes provide an extremely wide range of observation. This one unit can replace a broad range of products, from optical microscopes to electron microscopes. By scanning targets with a laser accurate to 0.0005 μm, these microscopes provide advanced profile measurement with industry-leading accuracy.

Laser scanning confocal microscopes are also capable of measuring an area 16 times larger than is possible with conventional laser microscopes in as little as 5 seconds for remarkably fast results.

As a result, these microscopes are ideal for improving both accuracy and efficiency in analysis tasks as well as research and development work.

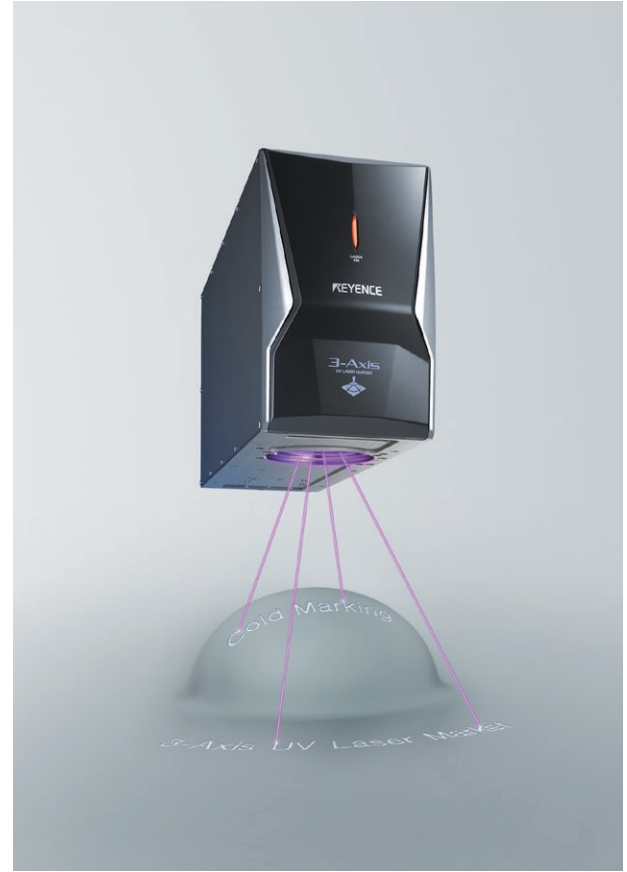
## NEW PRODUCT HIGHLIGHTS



### Handheld Mobile Computer

Featuring integrated high-speed autofocus, these devices offer impressive reading performance over a wide reading range between 25 and 2300 mm.

Designed to be held securely in the hand, these handheld mobile computers read barcodes from a single position with ease, on either low or high shelves, greatly reducing operator burden and improving efficiency. Moreover, the rugged and convenient design provides protection from falls as high as 3 m, while the high-capacity battery provides for 32 hours of continuous use.



### 3-Axis UV Laser Marker

The use of a UV laser makes it possible to produce clear, high-contrast marks due to the special characteristics of UV laser light. In addition, heat damage on the target is significantly reduced, ensuring a high quality mark. The built-in 3D control mechanism enables uniform marking even on 3D targets, overcoming typical limitations of standard laser markers. The combination of powerful functions and ease-of-use allow the user to improve the quality and consistency of their marks, adding value to the manufacturing process.

## INDEPENDENT AUDITOR'S REPORT

# Deloitte.

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### **To the Board of Directors of Keyence Corporation:**

We have audited the accompanying consolidated balance sheet of Keyence Corporation and its consolidated subsidiaries as of March 20, 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 Keyence Corporation and its consolidated subsidiaries as of March 20, 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 13, 2018

Member of  
Deloitte Touche Tohmatsu Limited

## KEYENCE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

YEAR ENDED MARCH 20, 2018

	2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 8)	¥280,260	¥372,615	\$2,643,970
Time deposits (Note 8)	157,414	44,340	1,485,039
Marketable securities (Notes 3 and 8)	370,055	260,247	3,491,084
Notes and accounts receivable (Note 8)	160,276	127,922	1,512,046
Allowance for doubtful receivables	(366)	(309)	(3,462)
Inventories (Note 4)	34,847	24,343	328,746
Deferred tax assets (Note 7)	14,395	8,451	135,807
Other	6,543	4,418	61,731
<b>Total current assets</b>	<b>1,023,426</b>	<b>842,030</b>	<b>9,654,963</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	7,021	6,638	66,238
Buildings and structures	21,363	19,966	201,538
Furniture and fixtures	30,744	27,282	290,042
Other	2,964	2,432	27,969
<b>Total property, plant and equipment</b>	<b>62,093</b>	<b>56,319</b>	<b>585,787</b>
<b>Accumulated depreciation</b>	<b>(40,667)</b>	<b>(37,978)</b>	<b>(383,653)</b>
<b>Net property, plant and equipment</b>	<b>21,426</b>	<b>18,341</b>	<b>202,133</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investments in associated companies (Note 8)	16,445	14,545	155,145
Investment securities (Notes 3 and 8)	416,536	369,636	3,929,585
Deferred tax assets (Note 7)	456	394	4,302
Other	7,932	5,642	74,833
<b>Total investments and other assets</b>	<b>441,369</b>	<b>390,219</b>	<b>4,163,866</b>
<b>TOTAL</b>	<b>¥1,486,222</b>	<b>¥1,250,591</b>	<b>\$14,020,964</b>
<b>LIABILITIES AND EQUITY:</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
<b>CURRENT LIABILITIES:</b>			
Notes and accounts payable (Note 8)	¥10,645	¥7,322	\$100,424
Income taxes payable (Note 8)	58,799	26,301	554,714
Accrued bonuses	10,131	8,382	95,576
Other	17,982	18,073	169,650
<b>Total current liabilities</b>	<b>97,558</b>	<b>60,079</b>	<b>920,366</b>
<b>LONG-TERM LIABILITIES:</b>			
Other	7,606	5,959	71,756
<b>Total long-term liabilities</b>	<b>7,606</b>	<b>5,959</b>	<b>71,756</b>
<b>EQUITY (Note 6):</b>			
Common stock, authorized, 300,000,000 shares; issued, 121,603,842 shares in 2018 and 121,603,842 shares in 2017*	30,637	30,637	289,033
Capital surplus	30,537	30,533	288,089
Retained earnings	1,316,311	1,120,874	12,418,032
Treasury stock at cost, 339,203 shares in 2018 and 338,375 shares in 2017*	(3,658)	(3,608)	(34,511)
Accumulated other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	3,648	2,679	34,415
Foreign currency translation adjustments	3,563	3,422	33,620
Defined retirement benefit plan	17	14	162
<b>Total equity</b>	<b>1,381,057</b>	<b>1,184,552</b>	<b>13,028,841</b>
<b>TOTAL</b>	<b>¥1,486,222</b>	<b>¥1,250,591</b>	<b>\$14,020,964</b>

\* Shares have been restated, as appropriate, to reflect a two-for-one stock split effected January 21, 2017.

See notes to consolidated financial statements.

## KEYENCE CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF INCOME**

YEAR ENDED MARCH 20, 2018

	2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
<b>NET SALES</b>	<b>¥526,847</b>	<b>¥412,699</b>	<b>\$4,970,256</b>
<b>COSTS AND EXPENSES:</b>			
Cost of sales	94,174	79,350	888,442
Selling, general and administrative expenses	126,573	103,036	1,194,085
Research and development costs	13,208	11,401	124,608
<b>Total costs and expenses</b>	<b>233,956</b>	<b>193,789</b>	<b>2,207,136</b>
<b>OPERATING INCOME</b>	<b>292,890</b>	<b>218,910</b>	<b>2,763,119</b>
<b>OTHER INCOME (EXPENSES):</b>			
Interest and dividend income	988	837	9,324
Foreign exchange gain (loss)	(7)	(320)	(75)
Equity in earnings of associated companies	2,071	1,729	19,540
<b>Other — net</b>	<b>2,917</b>	<b>223</b>	<b>27,526</b>
<b>Other income (expenses) — net</b>	<b>5,969</b>	<b>2,470</b>	<b>56,315</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>298,860</b>	<b>221,380</b>	<b>2,819,434</b>
<b>INCOME TAXES (Note 7):</b>			
Current	93,427	67,704	881,386
Deferred	(5,162)	519	(48,698)
<b>Total income taxes</b>	<b>88,264</b>	<b>68,224</b>	<b>832,688</b>
<b>NET INCOME</b>	<b>210,595</b>	<b>153,156</b>	<b>1,986,746</b>
<b>NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>¥210,595</b>	<b>¥153,156</b>	<b>\$1,986,746</b>

**PER SHARE OF COMMON STOCK (Notes 11 and 13)**

	2018	Yen 2017	U.S. Dollars (Note 1) 2018
Basic net income*	¥1,736.65	¥1,262.89	\$16.38
Cash dividends applicable to the year*	100.00	100.00	0.94

\* Per share figures have been restated, as appropriate, to reflect a two-for-one stock split effected January 21, 2017.

See notes to consolidated financial statements.

KEYENCE CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

YEAR ENDED MARCH 20, 2018

	2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
<b>NET INCOME</b>	<b>¥210,595</b>	<b>¥153,156</b>	<b>\$1,986,746</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) (Note 10):</b>			
Unrealized gain (loss) on available-for-sale securities	967	594	9,124
Foreign currency translation adjustments	148	326	1,398
Share of other comprehensive income (loss) in associates	(2)	22	(22)
<b>Total other comprehensive income (loss)</b>	<b>1,112</b>	<b>943</b>	<b>10,499</b>
<b>COMPREHENSIVE INCOME</b>	<b>¥211,708</b>	<b>¥154,099</b>	<b>\$1,997,246</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the parent	¥211,708	¥154,099	\$1,997,246

See notes to consolidated financial statements.

## KEYENCE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED MARCH 20, 2018

	Millions of Yen								
	Outstanding number of shares of common stock *	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Accumulated other comprehensive income	Total equity
<b>BALANCE, MARCH 21, 2016</b>	<b>121,276,518</b>	<b>¥30,637</b>	<b>¥30,532</b>	<b>¥979,845</b>	<b>(¥3,144)</b>	<b>¥2,085</b>	<b>¥3,092</b>	<b>(¥5)</b>	<b>¥1,043,043</b>
Net income attributable to owners of the parent				153,156					153,156
Cash dividends (Note 11)				(12,127)					(12,127)
Purchase of treasury stock	(11,085)				(464)				(464)
Disposal of treasury stock	34		1		0				1
Net change in the year						594	329	19	943
<b>BALANCE, MARCH 20, 2017</b>	<b>121,265,467</b>	<b>¥30,637</b>	<b>¥30,533</b>	<b>¥1,120,874</b>	<b>(¥3,608)</b>	<b>¥2,679</b>	<b>¥3,422</b>	<b>¥14</b>	<b>¥1,184,552</b>
Net income attributable to owners of the parent				210,595					210,595
Cash dividends (Note 11)				(15,158)					(15,158)
Purchase of treasury stock	(926)				(50)				(50)
Disposal of treasury stock	98		4		1				5
Net change in the year						968	141	2	1,112
<b>BALANCE, MARCH 20, 2018</b>	<b>121,264,639</b>	<b>¥30,637</b>	<b>¥30,537</b>	<b>¥1,316,311</b>	<b>(¥3,658)</b>	<b>¥3,648</b>	<b>¥3,563</b>	<b>¥17</b>	<b>¥1,381,057</b>

	Thousands of U.S. Dollars (Note 1)								
	Outstanding number of shares of common stock *	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Accumulated other comprehensive income	Total equity
<b>BALANCE, MARCH 20, 2017</b>	<b>121,265,467</b>	<b>\$289,033</b>	<b>\$288,050</b>	<b>\$10,574,287</b>	<b>(\$34,044)</b>	<b>\$25,277</b>	<b>\$32,285</b>	<b>\$134</b>	<b>\$11,175,025</b>
Net income attributable to owners of the parent				1,986,746					1,986,746
Cash dividends (Note 11)				(143,001)					(143,001)
Purchase of treasury stock	(926)				(476)				(476)
Disposal of treasury stock	98		38		9				48
Net change in the year						9,137	1,334	27	10,499
<b>BALANCE, MARCH 20, 2018</b>	<b>121,264,639</b>	<b>\$289,033</b>	<b>\$288,089</b>	<b>\$12,418,032</b>	<b>(\$34,511)</b>	<b>\$34,415</b>	<b>\$33,620</b>	<b>\$162</b>	<b>\$13,028,841</b>

\* Shares have been restated, as appropriate, to reflect a two-for-one stock split effected January 21, 2017.

See notes to consolidated financial statements.

## KEYENCE CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 20, 2018

	2018	2017	2018
		Millions of Yen	Thousands of U.S. Dollars (Note 1)
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥298,860	¥221,380	\$2,819,434
Adjustments for:			
Income taxes paid	(62,071)	(67,056)	(585,579)
Depreciation and amortization	4,577	3,491	43,186
Equity in earnings of associated companies	(2,071)	(1,729)	(19,540)
Changes in assets and liabilities:			
Decrease (Increase) in notes and accounts receivable	(31,525)	(15,699)	(297,407)
Decrease (Increase) in inventories	(10,525)	(1,035)	(99,294)
Decrease (Increase) in interest and dividends receivable	569	473	5,374
Increase (Decrease) in notes and accounts payable	3,345	(12)	31,564
Increase (Decrease) in accrued bonuses	1,746	1,155	16,478
Other – net	27	1,900	259
Total adjustments	(95,925)	(78,514)	(904,957)
<b>Net cash provided by operating activities</b>	<b>202,934</b>	<b>142,866</b>	<b>1,914,477</b>
<b>INVESTING ACTIVITIES:</b>			
Net decrease (increase) in time deposits	(115,007)	38,184	(1,084,977)
Capital expenditures	(6,770)	(4,345)	(63,870)
Net decrease (increase) in marketable and investment securities and other	(155,502)	92,747	(1,467,006)
Other – net	(2,928)	(1,339)	(27,626)
<b>Net cash provided by (used in) investing activities</b>	<b>(280,208)</b>	<b>125,247</b>	<b>(2,643,480)</b>
<b>FINANCING ACTIVITIES:</b>			
Cash dividends paid	(15,158)	(12,127)	(143,001)
Net increase in treasury stock	(45)	(462)	(428)
<b>Net cash used in financing activities</b>	<b>(15,203)</b>	<b>(12,590)</b>	<b>(143,429)</b>
<b>EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	<b>123</b>	<b>1,178</b>	<b>1,162</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(92,354)</b>	<b>256,702</b>	<b>(871,270)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>372,615</b>	<b>115,913</b>	<b>3,515,240</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>¥280,260</b>	<b>¥372,615</b>	<b>\$2,643,970</b>

See notes to consolidated financial statements.

## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 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 of Japan. In addition, certain reclassifications have been made in the 2017 consolidated financial statements to conform to the classifications used in 2018. 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.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which KEYENCE CORPORATION (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 of Japan and have been made at the rate of ¥106 to \$1, the approximate rate of exchange at March 20, 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.

The Company changed its consolidated accounting periods, and the fiscal periods were as follows: for the three-month period ended June 20, 2016, and for the nine-month period ended March 20, 2017.

However, the Company prepared the consolidated financial statements for the twelve-month period from March 21, 2016 to March 20, 2017 so that readers of the consolidated financial statements can understand figures on an annual basis.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Consolidation** — The consolidated financial statements include the accounts of the Company and its 28 significant subsidiaries (together, the "Group"). Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. 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. Cash Equivalents** — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition.
- c. Inventories** — Inventories of the Company and its domestic subsidiaries are principally stated at the lower of cost, determined by the average cost method or net selling value. Inventories of foreign subsidiaries are principally stated at the lower of cost, determined by the average cost method or market value.
- d. Marketable and Investment Securities** — All of the Group's securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by 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.
- e. Allowance for Doubtful Receivables** — The Company and its domestic subsidiaries have provided an allowance for doubtful receivables stated in an amount considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding. Foreign subsidiaries have provided an allowance for doubtful receivables at the estimated amount of probable bad debts.
- f. Property, Plant and Equipment** — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is principally computed by the declining-balance method based on the estimated useful lives of the assets. Depreciation of property, plant and equipment of foreign subsidiaries is principally computed by the straight-line method based on the estimated useful lives of the assets.
- 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. 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 foreign exchange contracts.
- i. Foreign Currency Financial Statements** — The balance sheet accounts of the consolidated foreign subsidiaries and associated companies are translated into Japanese yen at the current exchange rates as of the balance sheet date, except for equity, which is translated at the historical rates. 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.

## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2018

- j. 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.
- k. Derivatives and Hedging Activities** — The Group utilizes derivative financial instruments in order to manage foreign currency risk and reduce exposure to fluctuations in foreign exchange rates. The Group does not enter into derivatives for trading or speculative purposes. Derivative financial instruments are classified and accounted for as derivatives used for hedging purposes if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items. Gains or losses on derivatives are deferred until maturity of the hedged transactions. Foreign currency time deposits for which foreign exchange forward contracts are used to hedge foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.
- l. Research and Development Costs** — Research and development costs are charged to income as incurred.
- m. 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, retroactively adjusted for stock splits. The Company did not have securities or contingent stock agreements that could potentially dilute net income per common share in the year ended March 20, 2018. 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.
- n. 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 that 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. ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted 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.
- o. Accounting Changes and Error Corrections** — In December 2009, the ASBJ issued 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 under this standard and guidance are 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.

## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2018

## 3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 20, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars		Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018		2018	2017	2018
<b>Current:</b>							
Government and corporate bonds	¥50,055	¥95,247	\$472,216	Equity securities	¥6,556	¥4,261	\$61,849
Negotiable certificates of deposit	320,000	165,000	3,018,867	Government and corporate bonds	29,980	50,375	282,830
<b>Total</b>	<b>¥370,055</b>	<b>¥260,247</b>	<b>\$3,491,084</b>	Negotiable certificates of deposit	380,000	315,000	3,584,905
<b>Non-current:</b>							
<b>Total</b>							
				<b>¥416,536</b>			
				<b>¥369,636</b>			
				<b>\$3,929,585</b>			

The cost and aggregate fair values of marketable and investment securities at March 20, 2018 and 2017 were as follows:

	Millions of Yen					Thousands of U.S. Dollars			
	2018	2018	2017	2018		2018	2017	2018	
<b>Securities classified as:</b>									
Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value		
<b>Available-for-sale:</b>									
Equity securities	¥1,327	¥5,252	¥23	¥6,556	Equity securities	\$12,519	\$49,552	\$222	\$61,849
Government and corporate bonds	80,020	19	5	80,035	Government and corporate bonds	754,913	181	47	755,047
Negotiable certificates of deposit	700,000			700,000	Negotiable certificates of deposit	6,603,773			6,603,773
<b>Securities classified as:</b>									
Cost	Unrealized gains	Unrealized losses	Fair value						
<b>Available-for-sale:</b>									
Equity securities	¥771	¥3,491	¥0	¥4,261					
Government and corporate bonds	145,261	360		145,622					
Negotiable certificates of deposit	480,000			480,000					

There are no proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the year ended March 20, 2018.

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the year ended March 20, 2017 were as follows:

	Millions of Yen		
	2017	2017	2017
<b>Securities classified as:</b>			
Proceeds	Realized gains	Realized losses	
<b>Available-for-sale:</b>			
Other	¥10	¥5	

## 4. INVENTORIES

Inventories at March 20, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Finished products	¥17,637	¥12,189	\$166,395
Work in process	6,379	4,816	60,183
Raw materials	10,829	7,338	102,167
<b>Total</b>	<b>¥34,847</b>	<b>¥24,343</b>	<b>\$328,746</b>

## 5. EMPLOYEES' RETIREMENT BENEFITS

The Company and certain subsidiaries have prepayments for retirement benefits and defined contribution pension plans. The net periodic benefit costs for the years ended March 20, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Contribution to defined contribution pension plans and prepayments for retirement benefits	¥1,447	¥1,294	\$13,654

## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2018

**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. 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) having a term of service for the directors prescribed as one year rather than the two years of normal terms per its articles of incorporation, 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 certain limitations 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 under certain conditions upon the 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, which were previously presented as a liability, are now 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.

**7. INCOME TAXES**

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.7% for the years ended March 20, 2018 and 2017.

The tax effects of significant temporary differences and tax loss carry forwards which resulted in deferred tax assets and liabilities at March 20, 2018 and 2017 are as follows:

	2018	Millions of Yen 2017	Thousands of U.S. Dollars 2018
<b>Deferred tax assets:</b>			
Accrued bonuses	¥2,496	¥2,139	\$23,552
Inventories	7,673	4,433	72,394
Accrued enterprise tax	2,819	783	26,601
Other	2,194	1,862	20,703
<b>Deferred tax assets</b>	<b>15,184</b>	<b>9,218</b>	<b>143,252</b>
<b>Deferred tax liabilities:</b>			
Undistributed earnings	(4,772)	(3,850)	(45,025)
Investment securities	(1,596)	(1,126)	(15,064)
Other	(8)	(197)	(81)
<b>Deferred tax liabilities</b>	<b>(6,378)</b>	<b>(5,173)</b>	<b>(60,171)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>¥8,806</b>	<b>¥4,045</b>	<b>\$83,080</b>

There is no significant difference between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 20, 2018 and 2017.



## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2018

## d. Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen		Thousands of U.S.Dollars	
	2018		2018	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Cash and cash equivalents and time deposits	¥437,675		\$4,129,009	
Notes and accounts receivable	160,276		1,512,046	
Marketable securities and investment securities-available-for-sale securities with contractual maturities	50,000	30,000	471,698	283,018
Negotiable certificates of deposit	320,000	380,000	3,018,867	3,584,905
<b>TOTAL</b>	<b>¥967,951</b>	<b>¥410,000</b>	<b>\$9,131,622</b>	<b>\$3,867,924</b>

	Millions of Yen	
	2017	
	Due in one year or less	Due after one year through five years
Cash and cash equivalents and time deposits	¥416,956	
Notes and accounts receivable	127,922	
Marketable securities and investment securities-available-for-sale securities with contractual maturities	95,000	50,000
Negotiable certificates of deposit	165,000	315,000
<b>TOTAL</b>	<b>¥804,878</b>	<b>¥365,000</b>

## 9. DERIVATIVES

a. **Group Policy for Derivatives** — The Group does not utilize derivatives for trading or speculative purposes, but only uses derivatives such as forward exchange contracts in order to manage foreign currency exposure.

b. **Derivative Transactions to which Hedge Accounting Is Applied**

Millions of Yen					Thousands of U.S. Dollars				
2018					2018				
	Hedged item	Contract amount	Contract amount due after one year	Fair value		Hedged item	Contract amount	Contract amount due after one year	Fair value
<b>Foreign currency forward contract:</b>					<b>Foreign currency forward contract:</b>				
Selling U.S.\$	Foreign currency time deposits	¥109,961			Selling U.S.\$	Foreign currency time deposits	\$1,037,377		

- Fair values of foreign currency time deposits for which forward exchange contracts measured at the contracted rate.
- Forward exchange contract amounts which are assigned to associated assets or liabilities and are reflected on the balance sheet at year-end are not subject to the disclosure of market value information.
- The contract amounts do not indicate the Group's exposure to market risk.

## 10. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 20, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S.Dollars	
	2018	2017	2018	
<b>Unrealized gain (loss) on available-for-sale securities</b>				
Gains arising during the year	¥1,392	¥786	\$13,132	
Reclassification adjustments to profit or loss		(5)		
Amount before income tax effect	1,392	780	13,132	
Income tax effect	(424)	(186)	(4,008)	
<b>Total</b>	<b>¥967</b>	<b>¥594</b>	<b>\$9,124</b>	
<b>Foreign currency translation adjustments</b>				
Adjustments arising during the year	¥148	¥326	\$1,398	
<b>Share of other comprehensive income (loss) in associates</b>				
Gains (losses) arising during the year	(¥2)	¥22	(\$22)	
<b>Total other comprehensive income (loss)</b>	<b>¥1,112</b>	<b>¥943</b>	<b>\$10,499</b>	

## KEYENCE CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 20, 2018

## 11. AMOUNT PER COMMON SHARE

On January 21, 2017, the Company effected 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 December 5, 2016. All prior year share and per share figures have been restated to reflect the impact of the stock split and to provide data on a basis comparable to the year ended March 20, 2017. Such restatements include calculations regarding the Company's weighted-average number of common shares, basic net income per share and cash dividends per share. The average number of common shares used in the computations was 121,264,954 and 121,274,274 shares for 2018 and 2017, respectively. Cash dividends per common share represent amounts applicable to the respective periods, including dividends to be paid after the end of the period.

## 12. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," 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 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.

## I. Reportable Segments

Information about reportable segments is not disclosed because the Company has one operating segment.

## II. Related Information

## • Information by product and service

As the sales of one product group account for more than 90% of the Group's total consolidated sales, the disclosure for the years ended March 20, 2018 and 2017, has been omitted.

## • Information by geographical area

Revenue	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
<b>Japan</b>	¥246,259	¥206,324	\$2,323,203
<b>Overseas</b>			
USA	78,798	61,515	743,386
China	64,435	44,661	607,881
Other	137,353	100,197	1,295,784
<b>Total</b>	<b>280,587</b>	<b>206,375</b>	<b>2,647,052</b>
<b>TOTAL</b>	<b>¥526,847</b>	<b>¥412,699</b>	<b>\$4,970,256</b>

Property, plant and equipment	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
<b>Japan</b>	¥15,524	¥13,985	\$146,458
<b>Overseas</b>	5,901	4,355	55,675
<b>TOTAL</b>	<b>¥21,426</b>	<b>¥18,341</b>	<b>\$202,133</b>

## • Information on principal customers

There is no customer whose sales exceed 10% of the total consolidated sales for the years ended March 20, 2018 and 2017.

## 13. SUBSEQUENT EVENT

At the Shareholder's General Meeting held on June 13, 2018, the shareholders approved payment of ¥50.00 (\$0.47) per share, or a total of ¥6,063 million (\$57,200 thousand), to shareholders of record on March 20, 2018.

## BOARD OF DIRECTORS/AUDIT AND SUPERVISORY BOARD/CORPORATE DATA/DIRECTORY

### BOARD OF DIRECTORS

As of June 13, 2018

<b>Takemitsu Takizaki</b> Honorary Chairman and Director	<b>Keiichi Kimura</b> Director	<b>Masayuki Miki</b> Director	<b>Masato Fujimoto</b> Outside Director
<b>Akinori Yamamoto</b> President and Representative Director	<b>Tomohide Ideno</b> Director	<b>Akira Kanzawa</b> Director	<b>Yoichi Tanabe</b> Outside Director
	<b>Akiji Yamaguchi</b> Director		

### AUDIT & SUPERVISORY BOARD

As of June 13, 2018

<b>Hiroaki Kitayama</b> Outside Auditor	<b>Koichi Ogawa</b> Outside Auditor	<b>Hidehiko Takeda</b> Outside Auditor
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### CORPORATE DATA

As of March 20, 2018

<b>Established:</b>	March 1972
<b>Incorporated:</b>	May 1974
<b>Capital:</b>	30,637 million yen
<b>Number of Employees:</b>	6,602 (consolidated)
<b>Common Stock:</b>	300,000,000 shares Authorized 121,603,842 shares Issued
<b>Number of Shareholders:</b>	12,552
<b>Stock Listing:</b>	Tokyo Stock Exchange, Inc.
<b>Share Registrar:</b>	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-8212, JAPAN

### DIRECTORY

As of March 20, 2018

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#### KEYENCE (MALAYSIA) SDN BHD

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#### KEYENCE (THAILAND) CO., LTD.

Bangkok, Thailand Tel: +66-2-369-2777

## CORPORATE INFORMATION

### Environment, and Quality

KEYENCE is fulfilling its societal responsibilities, including our responsibility to protect the environment, through our business activities and products.

#### Environment

### Contributing to the Earth's Environment through Our Products

KEYENCE products are environmentally friendly. In addition to producing our products according to ISO-14001 with minimized impact on the environment, KEYENCE products can contribute to environmental protection as envisioned by KEYENCE by reducing the environmental burden on our customer's production sites and the whole of society. In other words, KEYENCE creates products with high-added-value that use fewer resources and lower amounts of energy. The burden on the environment can also be reduced by improving productivity in the customer's production sites through the use of KEYENCE products. The pursuit of higher added-value is closely related to contributing to the environment.

#### SMALLER, REDUCING MATERIALS

##### PR Series Photoelectric Sensor

A unique hybrid structure enables shock resistance five times better than conventional products along with an 81% reduction in size. KEYENCE photoelectric sensors are the smallest in their class and provide advanced sensor functionality.



#### STRONGER, LONG-TERM USE OF MATERIALS

##### GL-R Series Safety Light Curtain

Robustness in all directions is achieved to minimize the need for replacing failed parts. In addition to protecting the optical surfaces, which fail most frequently, a "big twin bumper" structure protects the display parts as well, and highly robust and shock-resistant mounting brackets are used.



#### Quality

KEYENCE products serve an important function which continuously supports the production activities of our customers, and for this reason, a very high level of quality is demanded. We provide high-quality products to customers throughout the world to support customer's business activities. KEYENCE products also improve the productivity in our customer's production sites and the quality of products produced there. This is how KEYENCE contributes to quality.

#### SIMPLE, FAST, AND ACCURATE

##### IM-7000 Series Image Dimension Measurement System

Conventional challenges on measuring product dimensions can be solved, such as taking significant time for positioning the object, variance of measurement results from person to person, and small number of operators with operational skill.

Simple "Place-and-Press" operation required for measurement, which is easily completed in a few seconds. Appropriate quality check with high efficiency can be realized.



#### ISO 9001/14001 Certification

KEYENCE's approach for contributing to society through our business activities and products has been certified according to ISO 9001 and ISO 14001 by a third-party certification body.



ISO 9001

ISO 14001

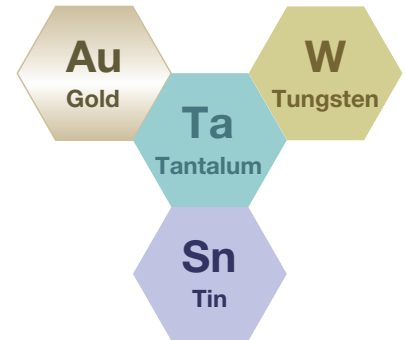
## CORPORATE INFORMATION

### Compliance

#### Conflict Minerals

Conflict minerals originating in the Democratic Republic of the Congo (DRC) or an adjoining country (hereinafter called "the covered countries") have become a source of funding for armed groups, leading to human rights violations and environmental destruction while threatening to promote further conflict. The four minerals in question (tin, tantalum, tungsten, and gold) are widely used in electric and electronic products.

It is KEYENCE policy to refrain from the purchase of any parts, components, and materials that are recognized to contain conflict minerals. Furthermore, KEYENCE has no intention to benefit or finance the armed groups responsible for human-rights violations in the covered countries. KEYENCE is engaging in efforts to eliminate conflict minerals while cooperating with suppliers, such as investigating supply chains using tools provided by the Responsible Minerals Initiative (RMI)(formerly CFSI), an organization that promotes the responsible procurement of minerals.

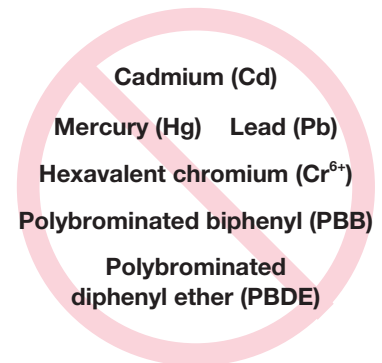


#### Management of Chemical Substances in Products

Restrictions of chemical substances in electric and electronic products are spreading worldwide.

KEYENCE shares the procedures/rules with our suppliers, for management of chemical substances in products, which are defined by ourselves, in addition to the chemical substances, shown in right, regulated by Restriction of Hazardous Substances Directive (RoHS) in the European Union, and we promote Green Procurement of components and materials that we use in our products.

KEYENCE is engaging in efforts to meet the restrictions on chemical substances in products, and contributes the earth's environment through our products.



#### Respecting Human Rights

KEYENCE respects human rights, aims to create a workplace for employees to gain satisfaction from their jobs, and makes efforts to ensure that our business activities do not contribute to human rights violations, such as forced labor, child labor and human trafficking, including in our supply chain (The contract with suppliers includes the clause of elimination of discriminatory employment). We engage in corporate activities based on a high ethical standard with a recognition of the importance of human rights issues. In addition to regulatory compliance, in order to maintain a vibrant workplace climate (corporate culture), we have instituted guidelines within our Business Guideline to reinforce respect for the individual from many angles.

#### Procurement Guideline

KEYENCE provides Procurement Guideline to all suppliers, which requires them in our supply chain to respect worker's fundamental human rights, including the elimination of forced labor and discriminatory employment.

## WORLD NETWORK



WWL1\_1037

### The Americas

#### KEYENCE CORPORATION OF AMERICA

Chicago	New Jersey	Atlanta
Austin	Birmingham	Boston
Charlotte	Cincinnati	Cleveland
Cupertino	Dallas	Denver
Detroit	Grand Rapids	Greenville
Indianapolis	Iowa	Irvine
Kansas City	Knoxville	Little Rock
Los Angeles	Louisville	Milwaukee
Minneapolis	Nashville	Philadelphia
Phoenix	Pittsburgh	Portland
Raleigh	Rochester	San Francisco
San Jose	Seattle	St. Louis
Tampa		

#### KEYENCE CANADA INC.

Toronto	Montreal	Windsor
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#### KEYENCE MEXICO S.A. DE C.V.

Mexico City	Ciudad Juarez	Leon
Monterrey	Queretaro	Tijuana

#### KEYENCE BRASIL COMERCIO DE PRODUTOS ELETRONICOS LTDA.

Sao Paulo	Curitiba
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### Europe

#### KEYENCE DEUTSCHLAND GmbH

Frankfurt	Berlin	Cologne
Dusseldorf	Essen	Hamburg
Hanover	Jena	Karlsruhe
Leipzig	Mannheim	Montabaur
Munich	Nuremberg	Stuttgart
Ulm		

#### KEYENCE INTERNATIONAL (BELGIUM) NV/SA

Mechelen	AUSTRIA	CZECH REPUBLIC
HUNGARY	NETHERLANDS	POLAND
ROMANIA	SLOVAKIA	SLOVENIA
SWITZERLAND		

#### KEYENCE (UK) LIMITED

Milton Keynes	Birmingham	London
Manchester	Newcastle	IRELAND

#### KEYENCE FRANCE SAS

Paris	Besancon	Lille
Lyon	Nantes	Toulouse

#### KEYENCE ITALIA S.p.A.

Milan	Bologna	Padua
Pescara	Turin	

### Asia

#### KEYENCE (CHINA) CO., LTD.

Shanghai	Beijing	Chongqing	Dalian
Guangzhou	Kunshan	Nanjing	Ningbo
Qingdao	Shanghai Hongqiao	Shenzhen East	Shenzhen West
Suzhou	Tianjin	Wuhan	Wuxi

#### KEYENCE (HONG KONG) CO., LTD.

Hong Kong

#### KEYENCE TAIWAN CO., LTD.

Taipei	Hsinchu	Kaohsiung	Taichung
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#### KOREA KEYENCE CO., LTD.

Seoul	Busan	Cheonan	Daegu
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#### KEYENCE SINGAPORE PTE LTD.

Singapore

#### KEYENCE INDIA PVT. LTD.

Chennai	Bangalore	Delhi	Pune
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#### PT. KEYENCE INDONESIA

Jakarta	Cikarang
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#### KEYENCE VIETNAM CO., LTD.

Hanoi	Ho Chi Minh
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#### KEYENCE PHILIPPINES INC.

Manila

#### KEYENCE (MALAYSIA) SDN BHD

Petaling Jaya	Penang
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#### KEYENCE (THAILAND) CO., LTD.

Bangkok	Chonburi	Lamphun	Pathumthani
Rayong			



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