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RIGAKU AMERICAS CORPORATION AND SUBSIDIARIES

Special Purpose Consolidated Financial Report

January 31, 2014

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RIGAKU AMERICAS CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet
January 31, 2014

	January 31, 2014	January 31, 2013
ASSETS		
Current Assets	$ 47,155,492	$ 58,965,298
Property and Equipment - Net	21,727,779	19,373,638
Goodwill	8,858,195	1,754,695
Intangible Assets	23,540,931	36,913,485
Deferred Tax Recovery	2,380,000	-
TOTAL ASSETS	$ 103,662,397	$ 117,007,116
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	$ 34,590,880	$ 37,273,740
Long-term Debt - Net of current portion	33,042,000	36,004,000
Other Liabilities	8,093,231	6,466,615
Stockholders' Equity (Note 2)	27,936,286	37,262,761
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 103,662,397	$ 117,007,116

The section 700 accounts prepared were an extract of the consolidated financial statements which were approved by the Board of Directors on July 28, 2014

Paul Edmiston
Director

RIGAKU AMERICAS CORPORATION AND SUBSIDIARIES

Special Purpose Consolidated Statement of Operations
For the year ended January 31, 2014

	January 31, 2014	January 31, 2013
Net Sales	$ 86,041,778	$ 97,337,741
Cost of Sales	56,840,663	59,496,212
Gross Profit	29,201,115	37,841,529
Operating Expenses	42,724,513	36,014,854
Operating (Loss)/Profit	(13,523,398)	1,826,675
Non operating (Expenses)	(241,520)	(609,359)
(Loss)/Profit - Before income taxes	(13,764,918)	1,217,316
Tax Expense	401,797	409,975
Other Comprehensive Income - Foreign	40,240	-
Net (Loss)/Income	$ (14,126,475)	$ 807,341

RIGAKU AMERICAS CORPORATION AND SUBSIDIARIES

Notes to Special Purpose Consolidated Financial Statements
January 31, 2014

Note 1 - Nature of Business and Significant Accounting Policies

Rigaku Americas Corporation (the "Company") is a Delaware corporation and a wholly owned subsidiary of Rigaku Corporation (the "Parent") The Company is engaged in the distribution, sale, and servicing of analytical instrumentation including parts and accessories for the foregoing services, manufactured by the Parent The Company is also engaged in the manufacture and sale of x-ray optical products as well as the manufacture and integration of automation products for structural biology The Company has extensive transactions and relationships with the Parent and its affiliates Accordingly, the accompanying special-purpose consolidated financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations that would have occurred if the Company had operated without such affiliates Sales are predominately to companies located in the United States and Europe

The Company currently has five wholly owned subsidiaries, Rigaku Innovative Technologies, Inc , Rigaku Automation Inc , Applied Rigaku Technologies, Inc , Newton Scientific, Inc , and Rigaku Raman Technologies, Inc

Basis of Presentation - The special-purpose consolidated financial statements include all domestic subsidiaries, including the Company's Canadian and European branches All significant intercompany accounts and transactions have been eliminated in consolidation

The Company has prepared the special-purpose consolidated financial statements in accordance with the accounting instructions of Rigaku Corporation for the purpose of inclusion in the Parent's consolidated financial statements and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America The special-purpose consolidated financial statements do not include recording liabilities for uncertain tax positions that may be required by Accounting Standards Codification 740 (formerly Financial Accounting Standards Board Interpretation (No 48)

Cash Equivalents - The Company considers all investments with an original maturity of three months or less when purchased to be cash equivalents

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits The Company has not experienced any losses in such accounts Management believes the Company is not exposed to any significant credit risk related to cash

Accounts Receivable - Accounts receivable are stated at net invoice amounts An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made The allowance for doubtful accounts on accounts receivable balances was approximately $104,000 as of January 31, 2014

Inventory - Inventory is stated at the owner of cost or market with cost determined on the first-in, first-out (FIFO) method

Property and Equipment - Property and equipment are recorded at cost Depreciation is provided on the straight-lined method over the estimated useful lives of the individual assets The estimated lives of the assets range from 3 to 40 years Costs of maintenance and repairs are charged to expense when incurred

Intangible Assets - Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable Assets not subject to amortization are tested for impairment at least annually

Goodwill - The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition Goodwill is not amortized, but rather is assessed at least on an annual basis for impairment No impairment charge was recognised for the year ended January 31, 2014

Fair Value of Financial Instruments - Financial instruments consist of cash equivalents, accounts receivable, accounts payable, debt, an interest rate swap agreement, and contingent consideration The carrying amounts of the Company's cash equivalents, accounts receivable, accounts payable, and line of credit approximate their fair value due to the short maturity of such instruments The fair values of the Company's notes payable approximate their fair value based on future cash flows associated with each note discounted using the Company's current borrowing rate for similar debt The contingent consideration is recognised at fair value, which reflects the estimated amount of additional consideration the Company will pay to BaySpec, Inc and the former stockholders of NSI under the terms of the acquisition agreement

Revenues and Cost Recognition - Revenue from sales of spare parts and accessories is recognised at the time of shipment Sales of apparatus systems are recognised on a customer acceptance basis prior to February 1 2013 However, effective February 1, 2013, the Company began allocating revenue to all deliverables of a sale based on the fair values of the respective components As a result of the change the Company aligns a better part of revenue recognised with transfer of ownership of and business risks associated with the deliverables There was no material impact to revenue recognised during and prior to this fiscal year ended January 31, 2014 The Company's multi-deliverable arrangements typically include hardware products that are sold and the essential services such as installation The nature and terms of these multiple deliverable arrangements will vary based on the customised needs of the Company's customers Each of these deliverables in an arrangement typically represents a separate unit of accounting Revenue from the arrangements has been allocated to such deliverables on the relative selling price, which are determined as applicable, based on the price charged to a deliverable that is sold separately the price of interchangeable products or services, or the Company's estimate of the selling price Revenue related to the tangible deliverables to customers are recorded upon delivery, and the service-based deliverables are recognised thereafter, typically at completion of the service The Company does not provide the general right of return for these arrangements

The Company bills customers in advance for service contracts Sales of long-term contracts such as maintenance services are recognised in income ratably over the term of the contracts Normally the payment for a contract is received before the service starts, which is when the deferred revenue is initially recorded Such deferred revenue is amortised into income over the period of the contract

All grant revenue is recognised as income when the required milestones and conditions are satisfied

Income Taxes - A current tax liability or asset is recognised for the estimated taxes payable or refundable on tax returns for the year Deferred tax liabilities or assets are recognised for the estimated future tax effects of temporary differences between financial reporting and tax accounting

These special-purpose consolidated financial statements were prepared in accordance with the accounting instructions of the Parent for the purpose of inclusion in the Parent's consolidated financial statements As a result, the Company did not adopt the accounting for uncertain income taxes in accordance with Accounting Standards Codification 740 (formerly Financial Accounting Standards Board Interpretation No 48)

Foreign Currency Translation - Assets and liabilities of the Company's foreign branches are translated into U S dollars at the rate of exchange in effect at the close of the period Income and expenses are translated at an average rate of exchange for the period The aggregate effect of translating the special-purpose consolidated financial statements is included in other comprehensive (loss)/income Foreign currency cash flows are reported using the exchange rate at the time of the cash flow

Comprehensive Income (Loss) - Accounting principles generally require that recognised revenue expenses, gains and losses to be included in net income Certain changes in assets and liabilities, however, such as foreign currency translation adjustments, are reported as a direct adjustment to the equity section of the special-purpose consolidated balance sheet Such items along with net income are considered components of comprehensive income (loss)

Use of Estimates - The preparation of financial statements in conformity with special-purpose basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period Actual results could differ from those estimates

Subsequent Events - The special-purpose consolidated financial statements and related disclosures include evaluation of events up through and including July, 28 2014 which is the date the special-purpose consolidated financial statements were available to be issued

Note 3 - Inventory

Inventory at January 31, 2014 consists of the following

	Amount
Raw materials	$ 8,520,034
Work in progress	2,081,480
Finished goods	10,202,078
Purchased parts	1,171,173
Total inventory	$ 21,974,765

At January 31, 2014, the Company had inventory of approximately $528,000 located in foreign jurisdictions

Note 4 - Business Combination

Acquisition of Crystallisation Reagent and Consumable Business - Effective August 1, 2013, the Company entered into an agreement to purchase inventories, fixed assets and intellectual properties related to the crystallisation reagent and consumable business from a third party, Emerald BioSystems, Inc (Emerald) The purpose for this acquisition is to allow the Company to have increased ability to serve the needs of their unique customer base The acquired business develops and supplies reagent kits, stock solutions, proteins and accessories for protein researchers

The consideration for the acquisition was a cash payment of $500,000

The following table summarises approximate fair values of the assets acquired as of the acquisition date

Inventory	$ 81 000
Property and equipment	135,000
Intangible assets - Technology	284,000
Fair value of total consideration transferred	$ 500,000