UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-33301

ACCURAY INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-8370041**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

1310 Chesapeake Terrace
Sunnyvale, California 94089
(Address of Principal Executive Offices Including Zip Code)

(408) 716-4600
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of October 25, 2017, there were 83,918,728 shares of the Registrant's Common Stock, par value $0.001 per share, outstanding.

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We own or have rights to various trademarks and trade names used in our business in the United States or other countries, including the following: Accuray®, Accuray Logo®, CyberKnife®, Hi-Art®, RayStation®, RoboCouch®, Synchrony®, TomoTherapy®, Xsight®, Accuray Precision™, AutoSegmentation™, CTrue™, H™ Series, iDMS™, InCise™, Iris™, M6™ Series, OIS Connect™, PlanTouch™, PreciseART™, PreciseRTX™, Treatment Planning System™, QuickPlan™, TomoDirect™, TomoEdge™, TomoH™, TomoHD™, TomoHDA™, TomoHelical™, Tomo Quality Assurance™, Radixact™, StatRT™, and VoLO™. ImagingRing® is a registered trademark belonging to medPhoton GmbH. RayStation® is a registered trademark belonging to RaySearch Laboratories, AB.

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PART I. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

Accuray Incorporated
Unaudited Condensed Consolidated Balance Sheets
(in thousands, except share amounts and par value)

	September 30, 2017	June 30, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 67,916	$ 72,084
Short-term investments	23,931	23,909
Restricted cash	2,547	12,829
Accounts receivable, net of allowance for doubtful accounts of $428 and $420 as of September 30, 2017 and June 30, 2017, respectively	69,650	72,789
Inventories	113,421	105,054
Prepaid expenses and other current assets	16,909	18,988
Deferred cost of revenue	2,497	3,350
Total current assets	296,871	309,003
Property and equipment, net	21,672	23,062
Goodwill	57,863	57,812
Intangible assets, net	929	964
Restricted cash	333	322
Other assets	16,284	15,301
Total assets	$ 393,952	$ 406,464
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 22,199	$ 17,486
Accrued compensation	20,813	25,402
Other accrued liabilities	18,113	23,870
Short-term debt	39,151	113,023
Customer advances	19,364	16,926
Deferred revenue	80,303	87,785
Total current liabilities	199,943	284,492
Long-term liabilities:		
Long-term other liabilities	10,414	10,068
Deferred revenue	16,080	13,823
Long-term debt	118,869	51,548
Total liabilities	345,306	359,931
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, $0.001 par value; authorized: 200,000,000 shares as of September 30, 2017 and June 30, 2017, respectively; issued and outstanding: 83,754,665 and 83,739,804 shares at September 30, 2017 and June 30, 2017, respectively	84	84
Additional paid-in-capital	508,014	496,887
Accumulated other comprehensive income (loss)	316	(52)
Accumulated deficit	(459,768)	(450,386)
Total stockholders' equity	48,646	46,533
Total liabilities and stockholders' equity	$ 393,952	$ 406,464

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Accuray Incorporated
Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except per share amounts)

	Three Months Ended September 30,	
	2017	2016
Net revenue:		
Products	$ 38,916	$ 35,599
Services	52,034	50,907
Total net revenue	90,950	86,506
Cost of revenue:		
Cost of products	22,102	23,352
Cost of services	30,742	31,810
Total cost of revenue	52,844	55,162
Gross profit	38,106	31,344
Operating expenses:		
Research and development	14,093	12,229
Selling and marketing	14,757	14,318
General and administrative	11,308	11,344
Total operating expenses	40,158	37,891
Loss from operations	(2,052)	(6,547)
Other expense, net	(6,571)	(4,005)
Loss before provision for income taxes	(8,623)	(10,552)
Provision for (benefit from) income taxes	759	(626)
Net loss	$ (9,382)	$ (9,926)
Net loss per share - basic and diluted	$ (0.11)	$ (0.12)
Weighted average common shares used in computing net loss per share:		
Basic and diluted	83,747	81,576
Net loss	$ (9,382)	$ (9,926)
Foreign currency translation adjustment	346	119
Unrealized gain (loss) on investments, net of tax	22	(2)
Comprehensive loss	$ (9,014)	$ (9,809)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Accuray Incorporated
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended September 30,	
	2017	2016
Cash flows from operating activities		
Net loss	$ (9,382)	$ (9,926)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,514	4,655
Share-based compensation	2,432	3,473
Amortization of debt issuance costs	448	403
Amortization and accretion of discount and premium on investments	—	41
Accretion of interest on debt	862	816
Provision for (recovery of) bad debt, net	8	(27)
Provision for write-down of inventories	354	303
Loss on disposal of property and equipment	11	—
Loss on extinguishment of debt	3,192	—
Changes in assets and liabilities:		
Accounts receivable	1,932	757
Inventories	(8,792)	(1,517)
Prepaid expenses and other assets	2,506	964
Deferred cost of revenue	991	57
Accounts payable	4,791	1,768
Accrued liabilities	(11,653)	(4,985)
Customer advances	2,374	(926)
Deferred revenues	(5,615)	(2,619)
Net cash used in operating activities	(13,027)	(6,763)
Cash flows from investing activities		
Purchases of property and equipment, net	(929)	(1,299)
Purchases of investments	—	(8,992)
Sales and maturities of investments	—	15,382
Net cash (used in) provided by investing activities	(929)	5,091
Cash flows from financing activities		
Proceeds from employee stock plans	900	1,227
Taxes paid related to net share settlement of equity awards	(19)	(99)
Proceeds from issuance of convertible notes, net	27,282	—
Repurchase of convertible notes	(29,581)	(36,608)
Borrowings under revolving credit facility	43,686	—
Repayments under revolving credit facility	(43,435)	—
Net cash used in financing activities	(1,167)	(35,480)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	684	584
Net decrease in cash, cash equivalents and restricted cash	(14,439)	(36,568)
Cash, cash equivalents and restricted cash at beginning of period	85,235	122,133
Cash, cash equivalents and restricted cash at end of period	$ 70,796	$ 85,565

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Accuray Incorporated
Notes to Unaudited Condensed Consolidated Financial Statements

Description of Business

Accuray Incorporated (together with its subsidiaries, the "Company" or "Accuray") is incorporated in Delaware and has its principal place of business in Sunnyvale, California. The Company designs, develops and sells advanced radiosurgery and radiation therapy systems for the treatment of tumors throughout the body. The Company has primary offices in the United States, Switzerland, China, Hong Kong and Japan and conducts its business worldwide.

Note 1. Basis of Presentation and Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP"), pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures have been condensed or omitted pursuant to such rules and regulations. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair presentation of the periods presented. Certain amounts in the prior year's condensed consolidated balance sheet have been reclassified to conform to the current period's presentation. These reclassifications had no impact on previously reported condensed consolidated cash flows or statements of operations. The results for the three months ended September 30, 2017 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2018, or for any other future interim period or fiscal year.

These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the fiscal year ended June 30, 2017 included in the Company's Annual Report on Form 10-K filed with the SEC on August 25, 2017. The Company's significant accounting policies are described in Note 2 to those audited consolidated financial statements and there have been no subsequent material changes to such policies.

Note 2. Recent Accounting Pronouncements

Accounting Pronouncement Recently Adopted

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-09, *Improvements to Employee Share-Based Payment Accounting (Topic 718)*. The new guidance simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. In addition, the guidance provides an option to recognize forfeitures as they occur versus estimating them at the time of grant. The amendments in this standard are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company adopted ASU No. 2016-09 as required in the first quarter of fiscal year 2018 and has elected to continue the use of its forfeiture estimation method for share-based payment awards. The adoption of ASU 2016-09 did not have a material impact on the Company's consolidated financial statements.

Accounting Pronouncements Not Yet Effective

In May 2017, the FASB issued ASU No. 2017-09, *Compensation—Stock Compensation (Topic 718)—Scope of Modification Accounting*. This guidance redefines which changes to the terms and conditions of a share-based payment award require an entity to apply modification accounting for a share-based payment. This guidance will be effective for the Company in the first quarter of its fiscal year 2019. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715)—Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This guidance revises the presentation of employer-sponsored defined benefit pension and other postretirement plans for the net periodic benefit cost in the statement of operations and requires that the service cost component of net periodic benefit be presented in the same income statement line items as other employee compensation costs for services rendered during the period. The other components of the net benefit costs are required to be presented in the statement of operations separately from the service cost component and outside the subtotal of income from operations. This guidance allows only the service cost component of net periodic benefit costs to be eligible for capitalization. The

guidance will be effective for the Company in the first quarter of its fiscal year 2019. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other Topics (Topic 350)-Simplifying the Test for Goodwill Impairment.* This guidance simplifies the measurement of goodwill by eliminating the Step 2 impairment test. The new guidance requires companies to perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. This ASU will be effective for the Company beginning in its first quarter of fiscal year 2021. The amendment is required to be adopted prospectively. Early adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. This ASU will be effective for the Company in the first quarter of its fiscal year 2019. The Company does not believe the adoption of this standard will have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13 *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 requires measurement and recognition of expected credit losses for financial assets held. This ASU will be effective for the Company in the first quarter of its fiscal year 2021 and must be adopted using a modified retrospective approach, with certain exceptions. Early adoption is permitted beginning in the first quarter of the Company’s fiscal year 2020. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, a lessee will be required to recognize assets and liabilities for all leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as finance or operating lease. This ASU will be effective for the Company in the first quarter of its fiscal year 2020 and early adoption is permitted. The ASU requires adoption based upon a modified retrospective transition approach. Company has not yet selected a transition method, has not yet determined whether it will elect early adoption and is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). This ASU changes accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. In addition, it clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The guidance will become effective for the Company beginning in the first quarter of fiscal year 2019 and must be adopted using a modified retrospective approach, with certain exceptions. Early adoption is permitted for certain provisions. The Company is evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers: Topic 606* (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 is required to be adopted, using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures. In August 2015, the FASB approved a one year deferral of the effective period of ASU 2014-09. The standard will be effective for the Company in the first quarter of its fiscal year 2019. The FASB issued supplemental adoption guidance and clarification to ASU 2014-09 in 2016 and 2017. The Company intends to adopt the new standard in the first quarter of fiscal year 2019 using the modified retrospective method. Based upon a preliminary assessment, the Company expects certain portions of its product revenue could be accelerated to reflect transfer of control upon delivery and an element of installation will be deferred until performed. The revenue recognition method for indirect sales and service revenues is expected to be unchanged under the new guidance. The Company also expects to capitalize incremental contract acquisition costs, such as sales commissions, and amortize over the economic life of its product or contractual relationship with the customer. The Company’s current practice is to defer sales commissions until revenue is recognized. The Company currently does not expect the application of this guidance to have a significant impact on its consolidated financial statements; however, the Company’s assessment may change as it continues its evaluation and analysis of this ASU.

Note 3. Supplemental Financial Information

Balance Sheet Components

Financing receivables

A financing receivable is a contractual right to receive money, on demand or on fixed or determinable dates, that is recognized as an asset in the Company's balance sheet. The Company's financing receivables, consisting of its accounts receivable with contractual maturities of more than one year and sales-type leases, totaled $9.0 million and $7.4 million at September 30, 2017 and June 30, 2017, respectively, and are included in Other assets in the unaudited condensed consolidated balance sheets. The Company evaluates the credit quality of an obligor at lease inception and monitors credit quality over the term of the underlying transactions. The Company performs a credit analysis for all new customers and reviews payment history, current order backlog, financial performance of the customers and other variables that augment or mitigate the inherent credit risk of a transaction. Such variables include the underlying value and liquidity of the collateral, the essential use of the equipment, the term of the lease and the inclusion of credit enhancements, such as guarantees, letters of credit or security deposits. Accounts rated as low risk typically have the equivalent of a Moody's rating of Baa3 or higher, while accounts rated as moderate risk generally have the equivalent of Ba1 or lower. The Company classifies accounts as high risk when it considers the financing receivable to be impaired or when management believes there is a significant near-term risk of non-payments. As of September 30, 2017, the sales-type lease portion of the financing receivables was rated at a moderate risk. The Company performed an assessment of the allowance for credit losses related to its financing receivables as of September 30, 2017 and June 30, 2017. Based upon such assessment, the Company did not record any adjustment to the allowance for credit losses related to such financing receivables as of September 30, 2017 and recorded an allowance of $0.04 million for credit losses related to such financing receivables as of June 30, 2017.

A summary of the Company's financing receivables is presented as follows (in thousands):

September 30, 2017	Lease Receivables	Financed Service Contracts and Other	Total
Gross	$ 3,797	$ 7,869	$ 11,666
Unearned income	(386)	—	(386)
Allowance for credit loss	(39)	—	(39)
Total, net	$ 3,372	$ 7,869	$ 11,241
Reported as:			
Current	$ 730	$ 1,551	$ 2,281
Non-current	2,642	6,318	8,960
Total, net	$ 3,372	$ 7,869	$ 11,241

June 30, 2017	Lease Receivables	Financed Service Contracts and Other	Total
Gross	$ 4,030	$ 6,268	$ 10,298
Unearned income	(433)	—	(433)
Allowance for credit loss	(39)	—	(39)
Total, net	$ 3,558	$ 6,268	$ 9,826
Reported as:			
Current	$ 720	$ 1,677	$ 2,397
Non-current	2,838	4,591	7,429
Total, net	$ 3,558	$ 6,268	$ 9,826

Actual cash collections may differ from the contracted maturities due to early customer buyouts, refinancing, or defaults. Future minimum lease payments to be received as of September 30, 2017 are presented as follows (in thousands):

Year Ending June 30,		Amount
2018 (remaining 9 months)	$	697
2019		930
2020		930
2021		930
2022		310
Total	$	3,797

Inventories

Inventories consisted of the following (in thousands):

		September 30, 2017		June 30, 2017
Raw materials	$	43,564	$	38,803
Work-in-process		18,527		15,471
Finished goods		51,330		50,780
Inventories	$	113,421	$	105,054

Property and equipment, net

Property and equipment, net consisted of the following (in thousands):

		September 30, 2017		June 30, 2017
Furniture and fixtures	$	4,380	$	4,364
Computer and office equipment		11,800		11,802
Software		11,465		11,457
Leasehold improvements		23,197		23,164
Machinery and equipment		48,775		48,742
Construction in progress		3,091		3,533
		102,708		103,062
Less: Accumulated depreciation		(81,036)		(80,000)
Property and equipment, net	$	21,672	$	23,062

Depreciation expense related to property and equipment for the three months ended September 30, 2017 and 2016 was $2.5 million and $2.7 million, respectively.

Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) are excluded from earnings and reported as a component of stockholders' equity. The foreign currency translation adjustment results from those subsidiaries not using the U.S. Dollar as their functional currency since the majority of their economic activities are primarily denominated in their applicable local currency. Accordingly, all assets and liabilities related to these operations are translated to the U.S. Dollar at the current exchange rates at the end of each period. Revenues and expenses are translated at average exchange rates in effect during the period.

The components of accumulated other comprehensive income (loss) in the equity section of the balance sheets are as follows (in thousands):

	September 30, 2017	June 30, 2017
Net unrealized loss on short-term investments	$ (67)	$ (89)
Cumulative foreign currency translation adjustment	1,500	1,154
Defined benefit pension obligation	(1,117)	(1,117)
Accumulated other comprehensive income (loss)	$ 316	$ (52)

Note 4. Goodwill and Intangible Assets

Goodwill

Activity related to goodwill consisted of the following (in thousands):

	Three Months Ended September 30, 2017	Year Ended June 30, 2017
Balance at the beginning of the period	$ 57,812	$ 57,848
Currency translation	51	(36)
Balance at the end of the period	$ 57,863	$ 57,812

In the second quarter of fiscal 2017, the Company performed its annual goodwill impairment test. Based on this analysis, the Company determined that there was no impairment to goodwill. The Company will continue to monitor its recorded goodwill for indicators of impairment. In the three months ended September 30, 2017, there were no indicators of impairment.

Intangible Assets

The Company's carrying amount of acquired intangible assets, net, is as follows (in thousands):

		September 30, 2017			June 30, 2017		
	Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Developed technology	5 — 6	$ 46,700	$ (46,700)	$ —	$ 46,700	$ (46,700)	$ —
Patent license	7	1,000	(71)	929	1,000	(36)	964
Total intangible assets		$ 47,700	$ (46,771)	$ 929	$ 47,700	$ (46,736)	$ 964

The Company did not identify any triggering events that would indicate potential impairment of its definite-lived intangible and long-lived assets as of September 30, 2017 and June 30, 2017.

Amortization expense related to intangible assets for the three months ended September 30, 2017 and 2016 was $0.04 million and $2.0 million, respectively.

The estimated future amortization expense of acquired intangible assets as of September 30, 2017 is as follows (in thousands):

Year Ending June 30,	Amount
2018 (remaining 9 months)	$ 108
2019	143
2020	143
2021	143
2022	143
Thereafter	249
	$ 929

Note 5. Investments

The Company considers all highly liquid investments held at major banks, certificates of deposit and other securities with original maturities of three months or less to be cash equivalents.

The Company classifies all of its investments as available-for-sale at the time of purchase because management intends that these investments are available for current operations and includes these investments on its balance sheet as short-term investments. Investments with original maturities longer than three months include commercial paper, U.S. agency securities, non-U.S. government securities and investment-grade corporate debt securities. Investments classified as available-for-sale are recorded at fair market value with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of stockholders' equity. Realized gains and losses are recorded based on specific identification of each security's cost basis.

The Company held a total of eight investments that were in an unrealized loss position as of September 30, 2017 and June 30, 2017, respectively. The Company reviews its investments quarterly to identify and evaluate investments that have an indication of possible impairment. The Company determined that it had no other-than-temporary impairments on these securities because it does not intend to sell these securities and believes it is not more likely than not that it will be required to sell these securities before the recovery of their amortized cost basis. Gross realized gains and losses were insignificant for the three months ended September 30, 2017 and the year ended June 30, 2017.

Contractual maturities of available-for-sale securities at September 30, 2017 were as follows (in thousands):

	Amortized Cost	Estimated Fair Value
Due in 1 year or less	$ 17,999	$ 17,960
Due in 1-2 years	6,000	5,971
	$ 23,999	$ 23,931

The following table summarizes the available-for-sale debt securities that were in a continuous unrealized loss position, but were not deemed to be other-than-temporarily impaired (in thousands):

	Less Than 12 Months		12 Months or Greater		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
September 30, 2017						
U. S. government agency securities	$ (38)	$ 17,960	$ (29)	$ 5,971	$ (67)	$ 23,931
Total	$ (38)	$ 17,960	$ (29)	$ 5,971	$ (67)	$ 23,931
June 30, 2017						
U. S. government agency securities	$ (31)	$ 11,970	$ (58)	$ 11,939	$ (89)	$ 23,909
Total	$ (31)	$ 11,970	$ (58)	$ 11,939	$ (89)	$ 23,909

Note 6. Derivative Financial Instruments

The Company manages some of its foreign currency risk through the purchase of foreign currency forward contracts that hedge against the short-term effect of currency fluctuations. These foreign currency forward contracts have maturities up to three months that mitigate the effect of rate fluctuations on certain local currency denominated intercompany balances, cash, and customer receivables. The Company does not use derivative financial instruments for speculative or trading purposes. These forward contracts are not designated as hedging instruments for accounting purposes. Principal hedged currencies include the Euro, Japanese Yen, Swiss Franc, and U.S. Dollar. The Company intends to exchange foreign currencies for U.S. Dollars at maturity. There were no outstanding foreign currency forward contracts at the end of September 30, 2017 and June 30, 2017.

The following table provides information about gains (losses) associated with the Company's derivative financial instruments (in thousands):

	Three Months Ended September 30,	
	2017	2016
Foreign currency exchange gain (loss) on foreign contracts	$ 241	$ (563)
Foreign currency transactions gain	4	132

Note 7. Fair Value Measurements

Fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy contains three levels of inputs that may be used to measure fair value, as follows:

Level 1— Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2— Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3— Unobservable inputs that cannot be corroborated by observable market data and require the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The Company's Level 1 assets include institutional money-market funds that are classified as cash equivalents, which are valued primarily using quoted market prices in active markets for identical assets. The Company's Level 2 assets include its U.S. government agency securities as the market inputs used to value these instruments consist of market yields, reported trades and broker/dealer quotes, which are corroborated with observable market data.

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The tables below set forth, by level, the Company's financial assets that were accounted for at fair value (in thousands):

	September 30, 2017				
				Estimated Fair Value	
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Cash and Cash Equivalents	Short-term Investments
Cash	$ 66,304	$ —	$ —	$ 66,304	$ —
Level 1					
Money market funds	1,612	—	—	1,612	—
Level 2					
U.S. government agency securities	23,998	—	(67)	—	23,931
Total	$ 91,914	$ —	$ (67)	$ 67,916	$ 23,931

	June 30, 2017				
				Estimated Fair Value	
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Cash and Cash Equivalents	Short-term Investments
Cash	$ 70,515	$ —	$ —	$ 70,515	$ —
Level 1					
Money market funds	1,569	—	—	1,569	—
Level 2					
U.S. government agency securities	23,998	—	(89)	—	23,909
Total	$ 96,082	$ —	$ (89)	$ 72,084	$ 23,909

Liabilities That Are Measured at Fair Value on a Nonrecurring Basis

The debt is measured on a non-recurring basis using Level 2 inputs based upon observable inputs of the Company's underlying stock price and the time value of the conversion option, since an observable quoted price of the 3.50% Convertible Notes, the 3.50% Series A Convertible Notes and the 3.75% Convertible Notes are not readily available. The carrying value of the Revolving Credit Facility approximates its estimated fair value as these borrowings have a variable rate structure that is based on a market observable interest rate that resets periodically. The Revolving Credit Facility is classified as Level 2 within the fair value hierarchy.

The following table summarizes the carrying value and estimated fair value of all Notes (in thousands):

	September 30, 2017		June 30, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
3.50% Convertible Notes	$ 12,907	$ 13,260	$ 44,099	$ 48,146
3.50% Series A Convertible Notes	26,244	27,083	68,924	74,982
3.75% Convertible Notes	67,069	85,000	—	—
Revolving Credit Facility	51,800	51,800	51,548	51,548
Total	$ 158,020	$ 177,143	$ 164,571	$ 174,676

Note 8. Commitments and Contingencies

Litigation

From time to time, the Company is involved in legal proceedings arising in the ordinary course of its business. The Company records a provision for a loss when it believes that it is both probable that a loss has been incurred and the amount can be reasonably estimated. Currently, management believes the Company does not have any probable and estimable losses related to any current legal

proceedings and claims. Although occasional adverse decisions or settlements may occur, management does not believe that an adverse determination with respect to any of these claims would individually or in the aggregate materially and adversely affect the Company's financial condition or operating results. Litigation is inherently unpredictable and is subject to significant uncertainties, some of which are beyond the Company's control. Should any of these estimates and assumptions change or prove to have been incorrect, the Company could incur significant charges related to legal matters that could have a material impact on its results of operations, financial position and cash flows.

Software License Indemnity

Under the terms of the Company's software license agreements with its customers, the Company agrees that in the event the software sold infringes upon any patent, copyright, trademark, or any other proprietary right of a third-party, it will indemnify its customer licensees against any loss, expense, or liability from any damages that may be awarded against them. The Company includes this infringement indemnification in all of its software license agreements and selected managed services arrangements. In the event the customer cannot use the software or service due to infringement and the Company cannot obtain the right to use, replace or modify the license or service in a commercially feasible manner so that it no longer infringes, then the Company may terminate the license and provide the customer a refund of the fees paid by the customer for the infringing license or service. The Company has not recorded any liability associated with this indemnification, as it is not aware of any pending or threatened actions that represent probable losses as of September 30, 2017.

Note 9. Debt

3.50% Convertible Senior Notes due February 2018

In February 2013, the Company issued 3.50% Convertible Senior Notes due 2018 (the "3.50% Convertible Notes") under an indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Holders of the 3.50% Convertible Notes may convert their notes at any time until the close of the business day immediately preceding the maturity date. The 3.50% Convertible Notes are convertible into common stock of the Company at an initial conversion rate equal to 187.6877 shares of common stock per $1,000 principal amount, which is equivalent to a conversion price of approximately $5.33 per share of common stock, subject to adjustment. The 3.50% Convertible Notes bear interest at a rate of 3.50% per year, payable semi-annually in arrears in cash on February 1 and August 1 of each year. The 3.50% Convertible Notes will mature on February 1, 2018, unless earlier repurchased, redeemed or converted.

Holders of the 3.50% Convertible Notes who convert their notes in connection with a "make-whole fundamental change," as defined in the indenture, may be entitled to a make-whole premium in the form of an increase in the conversion rate. Additionally, in the event of a "fundamental change," as defined in the indenture, holders of the 3.50% Convertible Notes may require the Company to purchase all or a portion of their 3.50% Convertible Notes at a fundamental change repurchase price equal to 100% of the principal amount of 3.50% Convertible Notes, plus accrued and unpaid interest, if any, to, but not including, the fundamental change repurchase date. As of September 30, 2017, approximately $13.0 million aggregate principal amount was outstanding.

3.50% Series A Convertible Senior Notes due February 2018

In April 2014, the Company issued 3.50% Series A Convertible Senior Notes due 2018 (the "3.50% Series A Convertible Notes") under an indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Holders of the 3.50% Series A Convertible Notes may convert their notes at any time on or after November 1, 2017 until the close of business on the business day immediately preceding the maturity date. The initial conversion rate is 187.6877 shares of the Company's common stock per $1,000 principal amount, which represents an initial conversion price of approximately $5.33 per share of the Company's common stock. The 3.50% Series A Convertible Notes generally have the same interest rate, maturity and other terms as the 3.50% Convertible Notes, except that the 3.50% Series A Convertible Notes are convertible into cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's option.

Holders of the 3.50% Series A Convertible Notes who convert their notes in connection with a "make-whole fundamental change," as defined in the indenture, may be entitled to a make-whole premium in the form of an increase in the conversion rate. Additionally, in the event of a "fundamental change," as defined in the indenture, holders of the 3.50% Series A Convertible Notes may require the Company to purchase all or a portion of their 3.50% Series A Convertible Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 3.50% Series A Convertible Notes, plus accrued and unpaid interest, if any, to, but not including, the fundamental change repurchase date. As of September 30, 2017, approximately $26.6 million aggregate principal amount was outstanding.

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3.75% Convertible Senior Notes due July 2022

In August 2017, the Company issued $85.0 million aggregate principal amount of its 3.75% Convertible Senior Notes due 2022 (the “3.75% Convertible Notes”) under an indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. $53.0 million aggregate principal amount of the 3.75% Convertible Notes were issued to certain holders of the Company’s outstanding 3.50% Convertible Notes and 3.50% Series A Convertible Notes (together, the “Existing Notes”) in exchange for approximately $47.0 million aggregate principal amount of the Existing Notes (the “Exchange”) and $32.0 million aggregate principal amount of the 3.75% Convertible Notes were issued to certain other qualified new investors for cash. The net proceeds of the cash issuance were used to repurchase approximately $28.0 million of Existing Notes (the “Repurchase”).

Holders of the 3.75% Convertible Notes may convert their notes at any time on or after April 15, 2022 until the close of the business day immediately preceding the maturity date. Prior to April 15, 2022, holders of the 3.75% Convertible Notes may convert their notes only under the following circumstances:

- during any fiscal quarter after the fiscal quarter ending December 31, 2017, and only during such fiscal quarter, if the closing sale price of the Company’s common stock for each of 20 or more trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter exceeds 130% of the conversion price in effect on the last trading day of the immediately preceding fiscal quarter;

- during the five-consecutive business days immediately after any five consecutive trading-day period in which the trading price per $1,000 principal amount for each trading day of that period was equal to or less than 98% of the product of the closing sale price of shares of the Company’s common stock and the applicable conversion rate for such trading day; or

- upon the occurrence of specified corporate transactions as described in the indenture.

Upon conversion, the Company will have the right to pay cash, or deliver shares of common stock of the Company or a combination thereof, at the Company’s election. The initial conversion rate is 174.8252 shares of the Company’s common stock per $1,000 principal amount (which represents an initial conversion price of approximately $5.72 per share of the Company’s common stock). The conversion rate, and thus the conversion price, is subject to adjustment as further described below.

Holders of the 3.75% Convertible Notes who convert their notes in connection with a “make-whole fundamental change,” as defined in the indenture, may be entitled to a make-whole premium in the form of an increase in the conversion rate. Additionally, in the event of a “fundamental change,” as defined in the indenture, holders of the 3.75% Convertible Notes may require the Company to purchase all or a portion of their note at a fundamental change repurchase price equal to 100% of the principal amount of the 3.75% Convertible Notes, plus accrued and unpaid interest, if any, to, but not including, the fundamental change repurchase date.

In accordance with Accounting Standards Codification, or ASC 470-20, *Debt with Conversion and Other Options*, the Company separately accounted for the liability and equity conversion components of the 3.75% Convertible Notes. The principal amount of the liability component of the 3.75% Convertible Notes was $66.5 million as of the date of issuance based on the present value of its cash flows using a discount rate of 8%, the Company’s approximate borrowing rate at the date of the issuance for a similar debt instrument without the conversion feature. The carrying value of the equity conversion component was $13.8 million. The debt issuance and offering costs totaling $4.7 million, of which $0.8 million was allocated to the equity component with the remaining $3.9 million allocated to the debt discount. The liability component is being accreted to the principal amount of the 3.75% Convertible Notes using the effective interest method through the maturity in July 2022.

Following the issuance of the 3.75% Convertible Notes, approximately $13.0 million aggregate principal amount of the 3.50% Convertible Notes and approximately $26.6 million aggregate principal amount of the 3.50% Series A Convertible Notes remained outstanding. The Company accounted for the Exchange and Repurchase as an extinguishment of the Existing Notes and recorded a charge of approximately $3.2 million in Other expenses, net and a reduction of the carrying value of the equity conversion component of $5.0 million in the first quarter of fiscal 2018.

Revolving Credit Facility

On June 14, 2017, the Company entered into a credit and security agreement (the “Revolving Credit Facility”) with MidCap Financial Trust. The agreement provides the Company with a revolving credit facility in the initial amount of $52.0 million, which the Company may request be increased by up to $33.0 million to a new total of $85.0 million through additional tranches, each with a $1.0 million minimum. Availability for borrowings under the Revolving Credit Facility is subject to a borrowing base that is calculated as a function of the value of the Company’s eligible accounts receivable and eligible inventory, and the Company is required to maintain a minimum drawn balance of at least 30% of such availability.

The Revolving Credit Facility’s stated maturity date is June 14, 2021.

The Revolving Credit Facility contains restrictions and covenants applicable to the Company. Among other requirements, the Company may not permit the Fixed Charge Coverage Ratio (as defined in the Revolving Credit Facility) to be less than a certain specified ratio for each fiscal quarter during the term of the Revolving Credit Facility. In addition, the Revolving Credit Facility contains customary covenants that limit, among other things, the ability of the Company and its subsidiaries to (i) incur indebtedness, (ii) incur liens on their property, (iii) pay dividends or make other distributions, (iv) sell their assets, (v) make certain loans or investments, (vi) merge or consolidate, (vii) voluntarily repay or prepay certain indebtedness and (viii) enter into transactions with affiliates, in each case subject to certain exceptions. The Company was in compliance with the covenants as of September 30, 2017.

The following table presents the carrying value of all Convertible Notes and borrowings under the Revolving Credit Facility (collectively, "Notes") (in thousands):

As of September 30, 2017	Revolving Credit Facility	3.50% Convertible Notes	3.50% Series A Convertible Notes	3.75% Convertible Notes	Total
Carrying amount of equity conversion component	$ —	$ —	$ 2,806	$ 13,837	$ 16,643
Principal amount of the Notes	$ 51,800	$ 13,000	$ 26,552	$ 85,000	$ 176,352
Unamortized debt costs	—	(93)	—	(3,789)	(3,882)
Unamortized debt discount	—	—	(308)	(14,142)	(14,450)
Net carrying amount	$ 51,800	$ 12,907	$ 26,244	$ 67,069	$ 158,020
Reported as:					
Short-term debt					$ 39,151
Long-term debt					118,869
Total debt					$ 158,020

As of June 30, 2017	Revolving Credit Facility	3.50% Convertible Notes	3.50% Series A Convertible Notes	Total
Carrying amount of equity conversion component	$ —	$ —	$ 7,844	$ 7,844
Principal amount of the Notes	$ 51,548	$ 44,654	$ 70,346	$ 166,548
Unamortized debt costs	—	(555)	—	(555)
Unamortized debt discount	—	—	(1,422)	(1,422)
Net carrying amount	$ 51,548	$ 44,099	$ 68,924	$ 164,571
Reported as:				
Short-term debt				$ 113,023
Long-term debt				51,548
Total debt				$ 164,571

A summary of interest expense on the Notes is as follows (in thousands):

	Three Months Ended September 30,	
	2017	2016
Interest expense related to contractual interest coupon	$ 2,409	$ 2,531
Interest expense related to amortization of debt discount	862	816
Interest expense related to amortization of debt issuance costs	448	403
	$ 3,719	$ 3,750

Note 10. Share-Based Compensation

The following table presents details of share-based compensation expenses by functional line item (in thousands):

	Three Months Ended September 30,	
	2017	2016
Cost of revenue	$ 493	$ 524
Research and development	631	663
Selling and marketing	(163)	622
General and administrative	1,471	1,664
	$ 2,432	$ 3,473

In September 2017, the Company also granted market stock units covering 0.6 million shares of the Company's common stock at target. Shares can be earned at up to 150% of target based on the Company's stock price performance relative to that of the Russell 2000 Index over two and three year measurement periods. The fair value of each market stock unit was estimated on the date of grant using a Monte Carlo simulation model.

Note 11. Net Loss Per Common Share

The Company reports both basic and diluted loss per share, which is based on the weighted average number of common shares outstanding during the period.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per common share follows (in thousands):

	Three Months Ended September 30,	
	2017	2016
Numerator:		
Net loss used to compute basic and diluted loss per share	$ (9,382)	$ (9,926)
Denominator:		
Weighted average shares used to compute basic and diluted loss per share	83,747	81,576

The potentially dilutive shares of the Company's common stock resulting from the assumed exercise of outstanding stock options, the vesting of Restricted Stock Units (RSU), Market Stock Units (MSU) and Performance Stock Units (PSU), and the

purchase of shares under the Employee Stock Purchase Program (ESPP), as determined under the treasury stock method, are excluded from the computation of diluted net loss per share because their effect would have been anti-dilutive. Additionally, the 3.50% Convertible Notes, the 3.50% Series A Convertible Notes, and the 3.75% Convertible Notes are included in the calculation of diluted net income per share only if their inclusion is dilutive.

The following table sets forth all potentially dilutive securities excluded from the computation in the table above because their effect would have been anti-dilutive (in thousands):

	As of September 30,	
	2017	2016
Stock options	2,996	2,175
RSUs, PSUs and MSUs	5,564	4,858
3.50% Convertible Notes	2,439	8,378
	10,999	15,411

Outstanding Convertible Notes—Diluted Share Impact

The 3.75% Convertible Notes and the 3.50% Series A Convertible Notes have an optional physical (share), cash or combination settlement feature and contain certain conditional conversion features. Due to the optional cash settlement feature and management's intent to settle the principal amount thereof in cash, the shares of our common stock issuable upon conversion of the outstanding principal amount of the 3.75% Convertible Notes and the 3.50% Series A Convertible Notes as of September 30, 2017, totaling approximately 19.8 million shares of our common stock, were not included in the potentially diluted share count table above.

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Note 12. Segment Information

The Company operates in one reportable segment (oncology systems group), which develops, manufactures and markets proprietary medical devices used in radiation therapy and radiosurgery for the treatment of cancer patients. The Company's Chief Executive Officer, its Chief Operating Decision Maker, reviews financial information presented on a consolidated basis for purposes of making operating decisions and assessing financial performance. The Company does not assess the performance of its individual product lines on measures of profit or loss, or asset based metrics.

The following tables present net revenue and long-lived asset information based on geographic region. Net revenue is based on the destination of the shipments and long-lived assets are based on the physical location of the assets (in thousands):

	Three Months Ended September 30,	
Net Revenue	**2017**	**2016**
Americas	$ 36,023	$ 40,642
Europe, Middle East, India and Africa	35,148	21,282
Asia-Pacific	6,702	13,225
Japan	13,077	11,357
Total	$ 90,950	$ 86,506

Property and equipment, net	**September 30, 2017**	**June 30, 2017**
Americas	$ 17,072	$ 18,435
Europe, Middle East, India and Africa	654	730
Asia-Pacific	1,734	1,533
Japan	2,212	2,364
Total	$ 21,672	$ 23,062

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition as of September 30, 2017 and results of operations for the three months ended September 30, 2017 and 2016 should be read together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this report. Statements made in this Form 10-Q report that are not statements of historical fact are forward-looking statements that are subject to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this report relate, but are not limited, to: our future results of operations and financial position, including the sufficiency of cash resources and expected cash flows to fund future operations, including the next 12 months; our backlog and expectations regarding age-outs, cancellations of contracts and foreign currency impacts; the effects of our process improvements on age-outs, backlog and revenue; expected uses of cash during fiscal 2018; the anticipated drivers of our future capital requirements; the success of the multi-leaf collimator, or InCise MLC for the CyberKnife Systems, and its impact on our business; our expectations regarding the factors that will impact long-term success, sales, competitive positioning and long-term success for our CyberKnife and TomoTherapy Systems; our belief that TomoTherapy Systems offer clinicians and patients significant benefits over other radiation therapy systems in the market; the anticipated risks associated with our foreign operations and fluctuations in the U.S. Dollar and foreign currencies as well as our ability to mitigate such risks; the sufficiency of our cash, cash flow equivalents and investments to meet our anticipated cash needs for working capital and capital expenditures and our business strategy, plans and objectives. Forward-looking statements generally can be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "may," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from expectations, including those risks discussed in this quarterly report, in particular under the heading "Risk Factors" in Part II, Item 1A as well as the risks detailed in Part I, Item 1A of the Company's annual report on Form 10-K for fiscal year 2017, and other filings we make with the Securities and Exchange Commission. Forward-looking statements speak only as of the date the statements are made and are based on information available to the Company at the time those statements are made and/or management's good faith belief as of that time with respect to future events. The Company assumes no obligation to update forward-looking statements to reflect actual performance or results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. Accordingly, investors should not place undue reliance on any forward-looking statements.

In this report, "Accuray," the "Company," "we," "us," and "our" refer to Accuray Incorporated and its subsidiaries.

Overview

Products and Markets

We are a radiation oncology company that develops, manufactures, sells and supports precise, innovative treatment solutions which set the standard of care, with the aim of helping patients live longer, better lives. Our leading-edge technologies, the CyberKnife and TomoTherapy Systems, including Radixact, the next generation TomoTherapy System platform, are designed to deliver advanced radiation therapy including radiosurgery, stereotactic body radiation therapy, intensity modulated radiation therapy, image-guided radiation therapy and adaptive radiation therapy tailored to the specific needs of each patient. The CyberKnife and TomoTherapy Systems are complementary offerings serving largely separate patient populations treated by the same medical specialty, radiation oncology, with advanced capabilities that offer increased treatment flexibility to meet the needs of an expanding patient population including patients requiring retreatment with radiation therapy. We also offer comprehensive software solutions to enable and enhance the precise and efficient radiotherapy treatment with our CyberKnife and TomoTherapy Systems. In addition to these products, we also provide services, which include post-contract customer support (warranty period services and post warranty services), installation services, training and other professional services.

The CyberKnife Systems

The CyberKnife Systems are robotic systems designed to deliver radiosurgery treatments to cancer tumors anywhere in the body. The CyberKnife Systems are the only dedicated, full-body robotic radiosurgery systems on the market. Radiosurgery is an alternative to traditional surgery for tumors and is performed on an outpatient basis in one to five treatment sessions. It enables the treatment of patients who typically might not otherwise be treated with radiation, who may not be good candidates for surgery, or who desire non-surgical treatments. The use of radiosurgery with CyberKnife Systems to treat tumors throughout the body has grown significantly in recent years, but currently only a small portion of the patients who develop tumors treatable with CyberKnife Systems are treated with these systems. A determination of when it may or may not be appropriate to use a CyberKnife System for treatment is at the discretion of the treating physician and depends on the specific patient. However, the CyberKnife Systems are generally not used to treat (1) very large tumors, which are considerably wider than the radiation beam that can be delivered by CyberKnife Systems, (2) diffuse wide-spread disease, as is often the case for late stage cancers, because they are not localized (though CyberKnife

Systems might be used to treat a focal area of the disease) and (3) systemic diseases, like leukemia and lymphoma, which are not localized to an organ, but rather involve cells throughout the body.

Our CyberKnife M6 Series Systems have the option of: fixed collimator, Iris Variable Aperture Collimator and/or multi-leaf collimator, or InCise MLC. The InCise MLC is designed specifically for the M6 Series. With the InCise MLC, clinicians can deliver the same precise radiosurgery treatments they have come to expect with the CyberKnife System, faster and for a wider range of tumor types. The InCise MLC makes it faster and more efficient to treat a wider range of tumor types with the CyberKnife M6 Series System, including larger tumors and those with multiple sites of disease.

We believe the long term success of the CyberKnife Systems is dependent on a number of factors including the following:

- Continued adoption of our CyberKnife M6 Series Systems;
- Greater awareness among doctors and patients of the benefits of radiosurgery conducted with the CyberKnife Systems;
- Continued evolution in clinical studies demonstrating the safety, efficacy and other benefits of using the CyberKnife Systems to treat tumors in various parts of the body;
- Change in medical practice leading to utilization of stereotactic body radiosurgery more regularly as an alternative to surgery or other treatments;
- Continued advances in our technology that improve the quality of treatments and ease of use of the CyberKnife Systems;
- Receipt of regulatory approvals in various countries which are expected to improve access to radiosurgery with the CyberKnife Systems in such countries;
- Medical insurance reimbursement policies that cover CyberKnife System treatments; and
- Our ability to expand sales of CyberKnife Systems in countries throughout the world where we do not currently sell CyberKnife Systems.

TomoTherapy Systems, including Radixact, the next generation TomoTherapy System

The TomoTherapy Systems are advanced, fully integrated and versatile radiation therapy systems for the treatment of a wide range of cancer types. The TomoTherapy Systems are specifically designed for image-guided intensity-modulated radiation therapy (IG-IMRT). The TomoTherapy Systems include the TomoTherapy H Series Systems with configurations of TomoH, TomoHD and TomoHDA. Based on a CT scanner platform, the systems provide continuous delivery of radiation from 360 degrees around the patient, or delivery from clinician-specified beam angles. These unique features, combined with daily 3D image guidance, enable physicians to deliver highly accurate, individualized dose distributions which precisely conform to the shape of the patient's tumor while minimizing dose to normal, healthy tissue, resulting in fewer side effects for the patient. The TomoTherapy Systems are capable of treating all standard radiation therapy indications including breast, prostate, lung and head and neck cancers, in addition to complex and novel treatments such as total marrow irradiation. Radiation therapy has been widely available and used in developed countries for decades, though many developing countries do not currently have a sufficient number of radiation therapy systems to adequately treat their domestic cancer patient populations. The number of radiation therapy systems in use and sold each year is currently many times larger than the number of radiosurgery systems. The Radixact System includes our integrated Accuray Precision treatment planning software and the new iDMS Data Management System. The Radixact System leverages the TomoTherapy System's efficient daily low-dose fan beam MVCT image guidance and unique ring gantry architecture, delivering precise radiation treatments for more patients, faster, with simpler, more automated workflows. We believe the Radixact System and other TomoTherapy Systems offer clinicians and patients significant benefits over other radiation therapy systems in the market. We believe our ability to capture more sales will be influenced by a number of factors including the following:

- Continued adoption of our TomoTherapy Systems, including the adoption of the Radixact System in markets where it is available;
- Greater awareness among doctors and patients of the unique benefits of radiation therapy using TomoTherapy Systems because of their ring gantry architecture and ability to deliver treatment from 360 degrees around the patient;

- Advances in our technology which improves the quality of treatments and ease of use of TomoTherapy Systems;
- Greater awareness among doctors of the now-established reliability of TomoTherapy Systems; and
- Our ability to expand sales of TomoTherapy Systems in countries throughout the world.

Sale of Our Products

Generating revenue from the sale of our systems is a lengthy process. Selling our systems, from first contact with a potential customer to a signed sales contract that meets our backlog criteria (as discussed below) varies significantly and generally spans between six months and two years. The length of time between receipt of a signed contract and revenue recognition is generally governed by the time required by the customer to build, renovate or prepare the treatment room for installation of the system.

In the United States, we primarily market directly to customers, including hospitals and stand-alone treatment facilities, through our sales organization and we also market to customers through sales agents and group purchasing organizations. Outside the United States, we market to customers directly and through distributors and sales agents. In addition to our offices in the United States, we have sales and service offices in Europe, Asia, and South America.

Backlog

For orders that cover both products and services, only the portion of the order that is recognizable as product revenue is reported as backlog. The portion of the order that is recognized as service revenue (for example, Post-Contract Customer Support (PCS), installation, training and professional services) is not included in reported backlog. Product backlog totaled $465.0 million as of September 30, 2017 compared to $452.8 million as of June 30, 2017.

In order for the product portion of a system sales agreement to be counted as backlog, it must meet the following criteria:

- The contract is properly executed by both the customer and us. A customer purchase order that incorporates the terms of our contract quote will be considered equivalent to a signed and executed contract. The contract has either cleared all its contingencies or contained no contingencies when signed.
- We have received a minimum deposit or a letter of credit; or the sale is to a customer where a deposit is deemed not necessary or customary (i.e. sale to a government entity, a large hospital, group of hospitals or cancer care group that has sufficient credit, customers with trade-in of existing equipment, sales via tender awards, or indirect channel sales that have signed contracts with end-customers);
- The specific end customer site has been identified by the customer in the written contract or written amendment; and
- Less than 2.5 years have passed since the contract met all the criteria above.

Although our backlog includes only contractual agreements with our customers for the purchase of CyberKnife Systems, TomoTherapy Systems, including the Radixact Systems and related upgrades, we cannot provide assurance that we will convert backlog into recognized revenue due primarily to factors outside of our control. The amount of backlog recognized into revenue is primarily impacted by three items: cancellations, age-outs and foreign currency fluctuations. Orders could be cancelled for reasons including, without limitation, changes in customers' needs or financial condition, changes in government or health insurance reimbursement policies, or changes to regulatory requirements. In addition to cancellations, after 2.5 years, if we have not been able to recognize revenue on a contract, we remove the revenue associated with the contract from backlog and the order is considered aged out. Contracts may age-out for many reasons, including but not limited to, inability of the customer to pay, inability of the customer to adapt their facilities to accommodate our products in a timely manner, or inability to timely obtain licenses necessary for customer facilities or operation of our equipment. Our backlog also includes amounts not denominated in U.S. Dollars and therefore fluctuations in the U.S. Dollar as compared to other currencies will impact backlog. Generally, strengthening of the U.S. Dollar will negatively impact revenue. Backlog is stated at historical foreign currency exchange rates, and revenue is released from backlog at current exchange rates, with any difference recorded as a backlog adjustment.

A summary of gross orders, net orders, and order backlog is as follows (in thousands):

	Three Months Ended September 30,	
	2017	2016
Gross orders	$ 55,647	$ 50,335
Net orders	51,038	37,187
Order backlog at the end of the period	464,968	407,487

Gross Orders

Gross orders are defined as the sum of new orders recorded during the period adjusted for any revisions to existing orders during the period.

Gross orders increased by $5.3 million for the three months ended September 30, 2017, as compared to the three months ended September 30, 2016. This was a result of an increase of $8.1 million in new system order volume compared to the same prior year period primarily driven by the CyberKnife System orders. Additionally, the TomoTherapy System orders increased year over year in units and dollars driven by the Radixact System, which was introduced in the second half of fiscal 2017. Upgrade orders decreased by $2.6 million in the three months ended September 30, 2017 as compared to the same prior year period.

Net Orders

Net orders are defined as gross orders less cancellations, age-outs, foreign exchange and other adjustments.

Net orders increased by $13.9 million for the three months ended September 30, 2017, as compared to the three months ended September 30, 2016, resulting from the increase in gross orders of $5.3 million, a decrease in net age-outs and cancellations of $6.1 million and $3.5 million, which was offset by positive foreign currency adjustments of $1.0 million.

- The net age-outs of $4.6 million for the three months ended September 30, 2017, include $9.1 million of age-ins which represent orders that previously aged-out but have been taken to revenue in the current period. Age-ins offset the gross amount of age-outs in a particular period.

- There were no cancellations in the three months ended September 30, 2017, and $3.5 million in cancellations in the three months ended September 30, 2016. Cancellations are outside of our control and are difficult to forecast; however, we continue to work closely with our customers to minimize the impact of cancellations on our business.

- Foreign currency exchange rates did not have a material impact on net orders in the three months ended September 30, 2017, while foreign currency exchange rates increased net orders by $1.0 million in the three months ended September 30 2016.

Results of Operations — Three months ended September 30, 2017 and 2016

	Three Months Ended September 30,					
	2017		2016		Change	
(Dollars in thousands)	Amount	% (*)	Amount	% (*)	$	%
Products	$ 38,916	43	$ 35,599	41	3,317	9
Services	52,034	57	50,907	59	1,127	2
Net revenue	$ 90,950	100	$ 86,506	100	4,444	5
Gross profit	$ 38,106	42	$ 31,344	36	6,762	6
Products gross profit	16,814	43	12,247	34	4,567	9
Services gross profit	21,292	41	19,097	38	2,195	3
Research and development expenses	14,093	15	12,229	14	1,864	15
Selling and marketing expenses	14,757	16	14,318	17	439	3
General and administrative expenses	11,308	12	11,344	13	(36)	—
Other expense, net	6,571	7	4,005	5	2,566	64
Provision for income taxes	759	1	(626)	(1)	1,385	221
Net loss	$ (9,382)	(10)	$ (9,926)	(11)	544	5

(*) Expressed as a percentage of total net revenue, except for product and services gross profits which are expressed as a percentage of related product and services revenue.

Net Revenue

	Three Months Ended September 30,					
	2017		2016		Change	
(Dollars in thousands)	Amount	%	Amount	%	$	%
Products	$ 38,916	43	$ 35,599	41	3,317	9
Services	52,034	57	50,907	59	1,127	2
Net revenue	$ 90,950	100	$ 86,506	100	4,444	5

Product Net Revenue. Product net revenue increased by $3.3 million for the three months ended September 30, 2017, as compared to the three months ended September 30, 2016, primarily due to a significant increase in CyberKnife and TomoTherapy System revenue in Europe offset by a decline in system revenue in the Asia Pacific region. The increase in system revenue of $4.8 million was partially offset by a decrease of $1.5 million in upgrade and other revenue as compared to the prior year period.

Services Net Revenue. Services net revenue increased by $1.1 million for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016. An increase of $2.0 million was attributable to a net increase in our installed base and higher parts revenue, partially offset by a decrease of $0.9 million in installation and training revenue.

Percentage of net revenue by geographic region, based on the shipping location of our customers, is as follows (in thousands, except percentages):

	Three Months Ended September 30,			
	2017	%	2016	%
Americas	$ 36,023	40%	$ 40,642	47%
Europe, Middle East, India and Africa	35,148	39%	21,282	25%
Asia Pacific	6,702	7%	13,225	15%
Japan	13,077	14%	11,357	13%
Total	$ 90,950	100%	$ 86,506	100%

Revenue derived from sales outside of the Americas region was $54.9 million and $45.9 million for the three months ended September 30, 2017 and 2016, respectively, and represented 60% and 53% of our net revenue during these periods, respectively.

Gross Profit

	Three Months Ended September 30,					
	2017		2016		Change	
(Dollars in thousands)	Amount	%	Amount	%	$	%
Product gross profit	$ 16,814	43	$ 12,247	34	4,567	9
Services gross profit	21,292	41	19,097	38	2,195	3
Gross profit	$ 38,106	42	$ 31,344	36	6,762	6

Product gross margin was 43% for the three months ended September 30, 2017 as compared to 34% for the three months ended September 30, 2016, representing an increase of 9%. Product gross margins were favorably impacted by a larger percentage of our overall sales attributable to CyberKnife Systems in the first quarter of fiscal 2018 as compared to the same period in the prior fiscal year. Further, in prior financial periods, we recorded a quarterly $2.0 million intangible amortization charge related to the acquisition of TomoTherapy, which was fully amortized in the fourth quarter of our fiscal year 2017 and will not recur in fiscal year 2018.

Service gross margin for the three months ended September 30, 2017 was 41% as compared to 38% for the three months ended September 30, 2016, representing an increase of 3% due primarily to revenue growth driven by the growth of our installed base.

Research and Development

	Three Months Ended September 30,					
	2017		2016		Change	
(Dollars in thousands)	Amount	%	Amount	%	$	%
Research and development expenses	$ 14,093	15	$ 12,229	14	1,864	15

Research and development expenses increased by $1.9 million in the three months ended September 30, 2017, as compared to the same period in the prior year. The increase was primarily due to $1.3 million of higher compensation expenses due to additional headcount for projects related to our product roadmap and $0.5 million in higher consulting fees for incremental product development, as well as an increase of $0.1 million in IT and facilities expenses to support increased headcount.

Selling and Marketing

	Three Months Ended September 30,					
	2017		2016		Change	
(Dollars in thousands)	Amount	%	Amount	%	$	%
Selling and marketing expenses	$ 14,757	16	$ 14,318	17	439	3

Selling and marketing expenses increased by $0.4 million in the three months ended September 30, 2017, as compared to the same period in the prior year. The increase was primarily due to $0.2 million in higher marketing expenses related to tradeshows and advertising, and an increase in travel expense of $0.1 million, as well as $0.1 million in IT and facilities expenses.

General and Administrative

	Three Months Ended September 30,					
	2017		2016		Change	
(Dollars in thousands)	Amount	%	Amount	%	$	%
General and administrative expenses	$ 11,308	12	$ 11,344	13	(36)	—

General and administrative expenses decreased marginally in the three months ended September 30, 2017, compared to the same period in the prior year. The decrease was primarily due to lower stock-based compensation of $0.2 million, which was offset by $0.2 million in higher consulting expenses related to business development and recruiting fees.

Other Expense, net

	Three Months Ended September 30,					
	2017		2016		Change	
(Dollars in thousands)	Amount	%	Amount	%	$	%
Other expense, net	$ 6,571	7	$ 4,005	5	2,566	64

Other expense, net increased by $2.6 million for the three months ended September 30, 2017, compared to the same period in the prior year. The increase in other expense, net was primarily due to a $3.2 million loss on extinguishment of debt (see Note 9 Debt to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further details). The increase was offset by foreign exchange gains of $0.6 million.

Provision for Income Taxes

On a quarterly basis, we provide for income taxes based upon an estimated annual effective income tax rate. We recognized income taxes expense of $0.8 million for the three months ended September 30, 2017, compared to income tax benefits of $0.6 million for the three months ended September 30, 2016. The increase in tax expense of $1.4 million for the three months ended September 30, 2017, compared to the three months ended September 30, 2016, was due to the recognition of an income tax benefit of approximately $1.4 million in the first quarter of fiscal year 2017 as a result of the completion of tax audits by the Swiss authorities for prior fiscal periods through 2015.

Liquidity and Capital Resources

At September 30, 2017, we had $67.9 million in cash and cash equivalents and $23.9 million in short-term investments, for a total of $91.8 million. See Note 9. Debt to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for discussion of the Revolving Credit Facility and our Convertible Notes outstanding as of September 30, 2017. Based on our current business plan and revenue prospects, we believe that we will have sufficient cash resources and anticipated cash flows to fund our operations for at least the next 12 months.

As of September 30, 2017, we had approximately $59.5 million of cash and cash equivalents at our foreign subsidiaries. We intend to permanently reinvest the cash held by our foreign subsidiaries and, accordingly, no provisions for U.S. income taxes have been provided thereon. However, if a portion of these funds were needed for and distributed to our operations in the United States, we would be subject to additional U.S. income taxes and foreign withholding taxes. The amount of taxes due would depend on the amount and manner of repatriation, as well as the country from which the funds were repatriated.

Our cash flows for the three months ended September 30, 2017 and 2016 are summarized as follows (in thousands):

	Three Months Ended September 30,	
	2017	2016
Net cash used in operating activities	$ (13,027)	$ (6,763)
Net cash (used in) provided by investing activities	(929)	5,091
Net cash used in financing activities	(1,167)	(35,480)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	684	584
Net decrease in cash, cash equivalents and restricted cash	$ (14,439)	$ (36,568)

Cash Flows from Operating Activities

Net cash used in operating activities was $13.0 million during the three months ended September 30, 2017, was primarily due to a net loss of $9.4 million, a net change in operating assets and liabilities of $13.5 million that was offset by non-cash items of $9.9 million.

- Non-cash items primarily consisted of a loss on extinguishment of debt of $3.2 million, depreciation and amortization expense of $2.5 million, stock-based compensation expense of $2.4 million and non-cash interest expense on debt of $1.3 million;

- Net change in operating assets and liabilities was primarily due to an increase in inventories of $8.8 million to support anticipated product shipments in future periods and a decrease in accrued liabilities of $11.7 million of compensation related items.

Net cash used in operating activities was $6.8 million during the three months ended September 30, 2016, was primarily due to a net loss of $9.9 million, a net change in operating assets and liabilities of $6.5 million that was offset by non-cash items of $9.7 million. Non-cash items primarily consisted of depreciation and amortization expense of $4.7 million, and stock-based compensation expense of $3.5 million. The significant items in the change in operating assets and liabilities included a decrease in accrued liabilities of $4.9 million primarily related to a decrease in loan interest accrual due to our note settlement, decrease in accrued severance, and a decrease in accrual for uncertain tax positions, together with an increase in inventory of $1.5 million to support anticipated future sales.

Cash Flows from Investing Activities

Net cash used in investing activities was $0.9 million for the three months ended September 30, 2017 for purchases of property and equipment.

Net cash provided by investing activities was $5.1 million for the three months ended September 30, 2016, which primarily consisted of purchases of short-term investments of $9.0 million and purchases of property and equipment of $1.3 million, partially offset by sales and maturities of investments of $15.4 million.

Cash Flows from Financing Activities

Net cash used in financing activities during the three months ended September 30, 2017 was $1.2 million, which was primarily due to $27.3 million of debt proceeds, net related to the 3.75% Convertible Notes, which was offset by $29.6 million for the repurchase of the 3.50% Convertible Notes. In addition, there were $0.9 million in proceeds from employee stock purchase plans and an increase of $0.3 million in borrowing from the Revolving Credit Facility.

Net cash used in financing activities during the three months ended September 30, 2016 was $35.5 million, which consisted of $36.6 million in payments made to holders of our 3.75% Convertible Notes due August 2016. In addition, there were $1.2 million in proceeds from employee stock plans, which was partially offset by $0.1 million in taxes paid related to net share settlements of equity awards.

Operating Capital and Capital Expenditure Requirements

Our future capital requirements depend on numerous factors. These factors include but are not limited to the following:

- The mechanism for our payment of the 3.50% Convertible Notes due February 2018;
- Revenue generated by sales of our products and service plans;
- Costs associated with our sales and marketing initiatives and manufacturing activities;
- Facilities, equipment and IT systems required to support current and future operations;
- Rate of progress and cost of our research and development activities;
- Costs of obtaining and maintaining FDA and other regulatory clearances of our products;
- Effects of competing technological and market developments; and
- Number and timing of acquisitions and other strategic transactions.

We believe that our current cash, cash equivalents and investments will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. If these sources of cash, cash equivalents and investments are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity or convertible debt securities could result in dilution to our stockholders. If additional funds are raised through the issuance of debt securities, these securities could have rights senior to those associated with our common stock and could contain covenants that would restrict our operations. Additional financing may not be available at all, or in amounts or on terms acceptable to us. If we are unable to obtain this additional financing, we may be required to reduce the scope of our planned product development and marketing efforts.

Contractual Obligations and Commitments

We presented our contractual obligations in our Annual Report on Form 10-K for the fiscal year ended June 30, 2017. As discussed in Note 9, to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, in August 2017, we exchanged and repurchased approximately $75.0 million in aggregate principal amount of the 3.50% Convertible Notes and 3.50% Series A Convertible Notes for $85.0 million in aggregate principal amount of the 3.75% Convertible Notes. Accordingly, approximately $75.0 million of our contractual obligations are now due in a later period. Except for the change in debt obligations, there has been no material changes outside of the ordinary course of business in those obligations during the three months ended September 30, 2017.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2017.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these unaudited condensed consolidated financial statements requires management to

make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as revenue and expenses during the reporting periods. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Actual results could therefore differ materially from those estimates if actual conditions differ from our assumptions.

During the three months ended September 30, 2017, we considered our estimated corporate bonus accrual to be a critical accounting estimate. Our bonus accrual for each quarter is based on our performance against defined metrics: net revenue, adjusted EBITDA and gross orders to backlog. There have been no changes to the critical accounting policies and estimates, as discussed in Part II, Item 7 of our Annual Report on Form 10-K for the year ended June 30, 2017, which we believe are those related to revenue recognition, assessment of recoverability of goodwill and intangible assets, valuation of inventories, share-based compensation expense, income taxes, allowance for doubtful accounts and loss contingencies.

Concentration of Credit and Other Risks

Our cash, cash equivalents and investments are deposited with several major financial institutions. At times, deposits in these institutions exceed the amount of insurance provided on such deposits. We have not experienced any losses in such accounts and do not believe that we are exposed to any significant risk of loss on these balances.

For the three months ended September 30, 2017 and 2016, there were no customers that represented 10% or more of total net revenue. As of September 30, 2017, no customer accounted for more than 10% of our total accounts receivable. Two customers accounted for 19% and 11%, respectively, of our total accounts receivable as of June 30, 2017.

We perform ongoing credit evaluations of our customers and maintain reserves for potential credit losses. Accounts receivable are deemed past due in accordance with the contractual terms of the agreement. Accounts receivable balances are charged against the allowance for doubtful accounts once collection efforts are unsuccessful.

Single-source suppliers presently provide us with several components. In most cases, if a supplier was unable to deliver these components, we believe that we would be able to find other sources for these components subject to any regulatory qualifications, if required.

Revenue Recognition

Our revenue is primarily derived from sales of CyberKnife and TomoTherapy Systems and services, which include post-contract customer support (“PCS”), installation services, training and other professional services. We record our revenue net of any value added or sales tax. In all sales arrangements, we recognize revenue when there is persuasive evidence of an arrangement, the fee is fixed or determinable, collection of the fee is reasonably assured and delivery has occurred. Payments received in advance of system shipment are recorded as customer advances and are recognized as revenue or deferred revenue upon product shipment or installation. We assess the probability of collection based on a number of factors, including past transaction history with the customer and credit-worthiness of the customer. We generally do not request collateral from our customers. If we determine that collection is not reasonably assured, we will defer the transaction fee and recognize revenue upon receipt of cash.

We frequently enter into sales arrangements that contain multiple elements or deliverables. For sale arrangements that contain multiple elements, we allocate the arrangement consideration to each element based on the relative selling price method, whereby the relative selling price of each deliverable is determined using vendor specific objective evidence (“VSOE”) of fair value, if it exists. VSOE of fair value for each element is based on our standard rates charged for the product or service when such product or service is sold separately or based upon the price established by our pricing committee when that product or service is not yet being sold separately. When we are not able to establish VSOE for all deliverables in an arrangement with multiple elements, which may be due to infrequently selling each element separately, not pricing products within a narrow range, or only having a limited sales history, we attempt to estimate the selling price of each element based on third-party evidence of selling price (“TPE”), as determined based on competitors’ or third-party vendors’ prices for similar deliverables when sold separately. When we are not able to establish selling price using VSOE or TPE, we use our best estimate of selling price (“BESP”) in our allocation of arrangement consideration. The objective of BESP is to determine the price at which we would transact a sale if the product or service were sold on a stand-alone basis. We determine BESP for a product or service by considering multiple factors including, but not limited to, pricing practices, internal costs, geographies and gross margin. The determination of BESP is made through annual analysis of our pricing practices and adjusted if necessary.

We have certain software offerings, which are not required to deliver our systems' essential functionality and can be sold separately. We account for the separate sale of our software products in accordance with the applicable guidance for software revenue recognition. Our multiple-element arrangements may also include software deliverables that are subject to the software revenue recognition guidance; and in these cases, the revenue for these multiple-element arrangements is allocated to the software deliverable and the non-software deliverables based on the relative selling prices of all of the deliverables in the arrangement using VSOE, TPE or BESP.

We regularly review VSOE, TPE and BESP for all of our products and services. As our go-to-market strategies and other factors change, we may modify our pricing practices in the future, which may impact the selling prices of systems and services as well as VSOE, TPE and BESP of systems and services. As a result, our future revenue recognition for multiple element arrangements could differ materially from that recorded in the current period.

Product Revenue

The majority of product revenue is generated from sales of CyberKnife and TomoTherapy Systems, including Radixact. If we are responsible for installation, we recognize revenue after installation and acceptance of the system. Otherwise, revenue is generally recognized upon delivery, assuming all other revenue recognition criteria are met.

We could also sell our systems with PCS contracts, installation services, training, and at times, professional services. PCS contracts provide planned and corrective maintenance services, software updates, bug fixes, as well as call-center support.

We record revenue from sales of systems, product upgrades and accessories to distributors depending on the terms of the distribution agreement as well as terms and conditions executed for each sale, and once all revenue recognition criteria have been met.

Our agreements with customers and distributors for system sales generally do not contain product return rights. Certain distributor agreements include parts inventory buy-back provisions upon distributorship termination. We accrue an inventory buy-back liability when and if such distributorship termination is expected and the liability can be estimated.

Service Revenue

Service revenue is generated primarily from PCS contracts (warranty period services and post warranty services), installation services, training and professional services. Service revenue is recognized either ratably over the contractual period or when service is performed, depending on specific terms and conditions in agreements with customers.

Costs associated with service revenue are expensed when incurred, except when those costs are related to system upgrades purchased within a service contract. In those cases, the costs of such upgrades are recognized at the time the upgrade revenue is recognized.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not utilize derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions.

Foreign Currency Exchange Rate Risk

A portion of our net sales are denominated in foreign currencies, most notably the Euro and the Japanese Yen. Future fluctuations in the value of the U.S. Dollar may affect the price competitiveness of our products outside the United States. For direct sales outside the United States, we sell in both U.S. Dollars and local currencies, which could expose us to additional foreign currency risks, including changes in currency exchange rates. Our operating expenses in countries outside the United States are payable in foreign currencies and therefore expose us to currency risk. To the extent that management can predict the timing of payments under sales contracts or for operating expenses that are denominated in foreign currencies, we may engage in hedging transactions to mitigate such risks in the future. We expect the changes in the fair value of the net foreign currency assets arising from fluctuations in foreign currency exchange rates to be materially offset by the changes in the fair value of the forward contracts. As of September 30, 2017, we had no open forward contracts and all open positions had been settled.

The purpose of these forward contracts is to minimize the risk associated with foreign exchange rate fluctuations. We have developed a foreign exchange policy to govern our forward contracts. These foreign currency forward contracts do not qualify as cash flow hedges and all changes in fair value are reported in earnings as part of other expenses, net. We have not entered any other types of derivative financial instruments for trading or speculative purpose. Our foreign currency forward contract valuation inputs are based on quoted prices and quoted pricing intervals from public data and do not involve management judgment.

Interest Rate Risk

We maintain an investment portfolio of various holdings, types and maturities. These securities are generally classified as available for sale and consequently, are recorded on the balance sheet at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive income. At any time, a sharp rise or decline in interest rates could have a material adverse impact on the fair value of our investment portfolio. Likewise, increases and decreases in interest rates could have a material impact on interest earnings for our portfolio. The following table presents the hypothetical change in fair values in the financial instruments we held at September 30, 2017, that are sensitive to changes in interest rates. The modeling technique measures the change in fair values arising from selected potential changes in interest rates on our investment portfolio, which had a fair value of $23.9 million at September 30, 2017. Market changes reflect immediate hypothetical parallel shifts in the yield curve of plus or minus 100, 75, 50 and 25 basis points (in thousands):

	Decrease in interest rates				Increase in interest rates			
Change in interest rate	-100 BPS	-75 BPS	-50 BPS	-25 BPS	25 BPS	50 BPS	75 BPS	100 BPS
Unrealized gain (loss)	$ 144	$ 108	$ 72	$ 36	$ (36)	$ (72)	$ (108)	$ (144)

Equity Price Risk

On August 7, 2017, we issued approximately $85.0 million aggregate principal amount of the 3.75% Convertible Notes. Upon conversion, we can settle the obligation by issuing our common stock, cash or a combination thereof at an initial conversion rate equal to 174.8252 shares of common stock per $1,000 principal amount of the 3.75% Convertible Notes, which is equivalent to a conversion price of approximately $5.72 per share of common stock, subject to adjustment. There is no equity price risk if the share price of our common stock is below $5.72 upon conversion of the 3.75% Convertible Notes. For every $1 that the share price of our common stock exceeds $5.72, we expect to issue an additional $14.9 million in cash or shares of our common stock, or a combination thereof, if all of the 3.75% Convertible Notes are converted.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2017. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2017 our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the three months ended September 30, 2017, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Internal Control Over Financial Reporting

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the

desired control objectives, and in reaching a reasonable level of assurance, management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The information set forth in Note 8. Commitments and Contingencies—Litigation, to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors.

A description of the risk factors associated with our business is included under "Risk Factors" contained in Part I, Item 1A of our Annual Report on Form 10-K for the year ended June 30, 2017. The descriptions below include material changes to the risk factors affecting our business that were previously disclosed in such filings. Any risk factor included below supersedes the description of the relevant risk factor in such filings. Other than the items discussed below, there have been no material changes in our risk factors since such filings.

Our ability to achieve profitability depends in part on maintaining or increasing our gross margins on product sales and services, which we may not be able to achieve.

As of September 30, 2017, we had an accumulated deficit of $459.8 million. We may incur net losses in the future, particularly as we improve our selling and marketing activities. Our ability to achieve and sustain long-term profitability is largely dependent on our ability to successfully market and sell the CyberKnife and TomoTherapy Systems, maintaining or increasing our gross margins, control our costs and effectively manage our growth. We cannot assure that we will be able to achieve profitability. In the event we fail to achieve profitability, our stock price could decline.

A number of factors may adversely impact our gross margins on product sales and services, including:

- lower than expected manufacturing yields of high cost components leading to increased manufacturing costs;
- low production volume, which will result in high levels of overhead cost per unit of production;
- the timing of revenue recognition and revenue deferrals;
- increased material or labor costs;
- increased service or warranty costs or the failure to reduce service or warranty costs;
- increased price competition;
- variation in the margins across products installed in a particular period; and
- how well we execute on our strategic and operating plans.

If we are unable to maintain or increase our gross margins on product sales and services, our results of operations could be adversely impacted, we may not achieve profitability and our stock price could decline.

Our operating results, including our quarterly orders, revenues and margins fluctuate from quarter to quarter and may be unpredictable, which may result in a decline in our stock price.

We have experienced and expect in the future to experience fluctuations in our operating results, including gross orders, revenue and margins, from period to period. Drivers of orders include the introduction and timing of new product or product enhancement announcements by us and our competitors, as well as changes or anticipated changes in third-party reimbursement amounts or policies applicable to treatments using our products. The availability of economic stimulus packages or other government funding, or reductions thereof, may also affect timing of customer purchases. Our products have a high unit price and require significant capital expenditures by our customers. Accordingly, we experience long sales and implementation cycles, which is of greater concern during the current volatile economic environment where we have had customers delaying or cancelling orders. When orders are placed, installation, delivery or shipping, as applicable, is accomplished and the revenue recognized affect our quarterly

results. Further, because of the high unit price of the CyberKnife and TomoTherapy Systems and the relatively small number of units sold or installed each quarter, each sale or installation of a CyberKnife or TomoTherapy System can represent a significant percentage of our net orders, backlog or revenue for a particular quarter.

Once orders are received and booked into backlog, factors that may affect whether these orders become revenue (or are cancelled or deemed aged-out and reflected as a reduction in net orders) and the timing of revenue include:

- economic or political instability in foreign countries;
- delays in the customer obtaining funding or financing;
- delays in construction at the customer site and delays in installation;
- delays in the customer obtaining receipt of local or foreign regulatory approvals such as certificates of need in certain states or Class A user licenses in China;
- timing of when we are able to recognize revenue associated with sales of the CyberKnife and TomoTherapy Systems, which varies depending upon the terms of the applicable sales and service contracts; and
- the proportion of revenue attributable to orders placed by our distributors which may be more difficult to forecast due to factors outside our control.

Our operating results may also be affected by a number of other factors some of which are outside of our control, including:

- the proportion of revenue attributable to our legacy service plans;
- timing and level of expenditures associated with new product development activities;
- regulatory requirements in some states for a certificate of need prior to the installation of a radiation device or foreign regulatory approvals, such as Class A user licenses in China;
- delays in shipment, for example, due to unanticipated construction delays at customer locations where our products are to be installed, cancellations by customers, natural disasters or labor disturbances;
- delays in our manufacturing processes or unexpected manufacturing difficulties
- the timing of the announcement, introduction and delivery of new products or product upgrades by us and by our competitors;
- timing and level of expenditures associated with expansion of sales and marketing activities such as trade shows and our overall operations; and
- fluctuations in our gross margins and the factors that contribute to such fluctuations, as described in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this Quarterly Report on Form 10-Q.

Because many of our operating expenses are based on anticipated sales and a high percentage of these expenses are fixed for the short term, a small variation in the timing of revenue recognition can cause significant variations in operating results from quarter to quarter. Our overall gross margins are impacted by a number of factors described in our risk factor entitled "Our ability to achieve profitability depends in part on maintaining or increasing our gross margins on product sales and services, which we may not be able to achieve." If our financial results fall below the expectation of securities analysts and investors, the trading price of our common stock would almost certainly decline.

We report on a quarterly and annual basis our orders and backlog. Unlike revenues, orders and backlog are not defined by U.S. GAAP, and are not within the scope of the audit conducted by our independent registered public accounting firm. Also, for the reasons discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations, our orders and backlog cannot necessarily be relied upon as accurate predictors of future revenues. Order cancellation or significant delays in installation date will reduce our backlog and future revenues, and we cannot predict if or when orders will mature into revenues. Particularly high

levels of cancellations or age-outs in one or more periods may cause our revenue and gross margins to decline in current or future periods and will make it difficult to compare our operating results from quarter to quarter.

As a strategy to assist our sales efforts, we may offer extended payment terms, which may potentially result in higher Days Sales Outstanding and greater payment defaults.

We offer longer or extended payment terms for qualified customers in some circumstances. As of September 30, 2017, customer contracts with extended payment terms of more than one year amounted to approximately 11% of our total accounts receivable balance. While we qualify customers to whom we offer longer or extended payment terms, their financial positions may change adversely over the longer time period given for payment. This may result in an increase in payment defaults, which would affect our revenue, as we recognize revenue on such transactions on a cash basis.

Our liquidity could be adversely impacted by adverse conditions in the financial markets.

At September 30, 2017, we had $67.9 million in cash and cash equivalents and $23.9 million in investments. The available cash and cash equivalents are held in accounts managed by third-party financial institutions and consist of cash in our operating accounts and cash invested in money market funds. The investments are managed by third-party financial institutions and primarily consist of U.S. agency and corporate debt securities. To date, we have experienced no material realized losses on or lack of access to our invested cash, cash equivalents or investments; however, we can provide no assurances that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

At any point in time, we also have funds in our operating accounts that are with third-party financial institutions that exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. While we monitor daily the cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions fail or become subject to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to cash in our operating accounts.

Increased leverage as a result of our Convertible Notes offerings and our Revolving Credit Facility may harm our financial condition and operating results.

As of September 30, 2017, we had total consolidated liabilities of approximately $345.3 million; including the short-term liability components of the 3.50% Convertible Notes of $12.9 million, the 3.50% Series A Convertible Notes of $26.2 million and the long-term liability components of the 3.75% Convertible Notes of $67.1 million and the Revolving Credit Facility of $51.8 million.

On June 14, 2017, we entered into a credit and security agreement (the “Revolving Credit Facility”) with MidCap Financial Trust. The agreement provides us with a revolving credit facility in the initial amount of $52.0 million, which we may request be increased by up to $33.0 million to a new total of $85.0 million through additional tranches, each with a $1.0 million minimum. Availability for borrowings under the Revolving Credit Facility is subject to a borrowing base that is calculated as a function of the value of our eligible accounts receivable and eligible inventory, and we are required to maintain a minimum drawn balance of at least 30% of such availability. The Revolving Credit Facility’s stated maturity date is June 14, 2021, but may mature earlier than the stated maturity date if certain conditions set forth in the agreement are not met, including conditions related to the Existing Notes. Interest on the borrowings under the Revolving Credit Facility is payable monthly in arrears at an annual interest rate of reserve-adjusted, 90-day LIBOR (subject to a 1.00% floor) plus 4.50%.

The Revolving Credit Facility also includes certain financial covenants, events of default, and other covenants that limit, among other things, the ability of the Company and its subsidiaries to (i) incur indebtedness, (ii) incur liens on their property, (iii) pay dividends or make other distributions, (iv) sell their assets, (v) make certain loans or investments, (vi) merge or consolidate, (vii) voluntarily repay or prepay certain indebtedness and (viii) enter into transactions with affiliates, in each case subject to certain exceptions.

Our level of indebtedness could have important consequences to stockholders and note holders, because:

- it could affect our ability to satisfy our obligations under the Convertible Notes;
- a substantial portion of our cash flows from operations will have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- it may impair our ability to obtain additional financing in the future;

- it may limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- it may make us more vulnerable to downturns in our business, our industry or the economy in general.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.1	Indenture between Registrant and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of August 7, 2017	8-K	001-33301	4.1	08/08/17	
4.2	Form of 3.75% Convertible Senior Note due 2022	8-K	001-33301	4.1	08/08/17	
10.1	Form of Exchange/Repurchase Agreement between Registrant and each signatory thereto, dated July 27, 2017	8-K	001-33301	10.1	07/28/17	
10.2	Form of Subscription Agreement between Registrant and each signatory thereto, dated July 27, 2017	8-K	001-33301	10.2	07/28/17	
10.3**	Offer Letter from Registrant to Shigeyuki Hamamatsu, dated July 24, 2017	—	—	—	—	X
10.4**	Change in Control Agreement between Registrant and Shigeyuki Hamamatsu, dated September 21, 2017	—	—	—	—	X
10.5**	Stand-Alone Inducement Restricted Stock Unit Agreement between Registrant and Shigeyuki Hamamatsu, effective September 29, 2017	S-8	333-220698	99.1	09/28/17	
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended	—	—	—	—	X
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended	—	—	—	—	X
32.1*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. 1350	—	—	—	—	X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

*The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Accuray Incorporated under the Securities Act or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

**Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACCURAY INCORPORATED

Date: November 3, 2017

By: /s/ Joshua H. Levine
Joshua H. Levine
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Kevin M. Waters
Kevin M. Waters
Senior Vice President, Chief Financial Officer
(Principal Financial Officer)

July 24, 2017

Shig Hamamatsu

via email

Offer of Employment

Dear Shig,

Accuray Incorporated (the "Company") is pleased to extend this Offer of Employment and invite you to join the Company in the position of VP, Finance & Chief Accounting Officer. Accuray Incorporated, the premier radiation oncology company, is committed to building an enthusiastic and talented team. We believe your abilities and experience would be a valuable asset to the Company. The effective date of your employment will be September 5, 2017 ("Start Date"), and you will be reporting directly to Kevin Waters, SVP, Chief Financial Officer. This Offer of Employment is contingent upon the successful completion of a reference check and background check, as previously agreed to in your application and release.

The terms of this Offer of Employment are as follows:

1. ***Compensation:*** As a full-time, regular, exempt employee, you will receive an annual salary of $325,000 ("Base Salary"), paid in accordance with the Company's regular payroll practices and subject to applicable withholdings. Employee salaries are currently paid on a bi-weekly payroll schedule, every other Friday. The Company reserves the right to change your compensation, hours, duties and benefits as it deems necessary.

2. ***Corporate Bonus:*** In your role as VP, Finance & Chief Accounting Officer, you will be eligible to participate in the Company Bonus Plan with a total Target Bonus Opportunity of thirty five percent (35%) of your Base Salary. For FY18 only, your bonus will be guaranteed to be at least one hundred percent (100%) and shall not be pro-rated based on your start date or adjusted down for failure to meet corporate objectives under the Company Bonus Plan or Performance Bonus Plan. Bonuses are typically paid on an annual basis after the fiscal year close and are based on the achievement of specific corporate and/or individual performance goals. Bonuses are considered variable pay and are subject to all applicable taxes and withholdings.

3. ***Restricted Stock Units:*** As a material inducement to you joining Accuray Incorporated, we will recommend to the Compensation Committee of the Board of Directors that you be granted one hundred thousand (100,000) restricted stock units ("RSUs") under the Accuray 2016 Equity Incentive Plan. The grant of the RSUs is subject to and conditioned on approval of the grant and its terms by the Compensation Committee, and will be made as soon as practicable following your Start Date in accordance with the Company's equity grant guidelines and policies. Subject to your continued service as an employee through each applicable vesting date, twenty-five percent (25%) of the RSUs shall vest on the first anniversary of the RSUs grant date and an additional twenty-five percent (25%) of the RSUs shall vest on each of the second, third and fourth anniversaries of the grant date.

The RSUs will be subject to the terms and conditions of either the 2016 Equity Incentive Plan and a restricted stock unit grant agreement, an inducement plan, or an inducement award agreement and any related agreements, which you will be required to sign as a condition to receiving the RSUs (the "RSU Agreement"). RSUs that vest in accordance with the RSU Agreement will be settled in whole shares of our common stock as soon as practicable after the applicable vesting date, but in no event later than 60 days after such vesting date.

4. ***Benefits:*** You may become eligible, in accordance with Company benefit documents, during the term of your employment, to participate in our employee benefits programs, which typically include the following:

- Medical benefit plans, including dental and vision coverage;
- Participation in the Company's 401(k) plan;
- 20 days of accrued paid time off per year;
- Participation in the Company's Flexible Spending Plan through which you may make pretax payments for childcare or medical premium reimbursement accounts;
- Participation in the Employee Stock Purchase Plan.

Change in Control Benefit: In an effort to provide some additional piece of mind, Accuray will present a request to the Compensation Committee of the Board of Directors, for certain acceleration and compensation benefits, in the event you are terminated within three months prior and twelve months following a "Change in Control" of the Company.

The specifics and the existence of these programs may change from time to time.

5. ***At-Will Employment:*** You should be aware that your employment with the Company is for no specified period and constitutes "at-will" employment. As a result, you are free to terminate your employment at any time, for any reason or for no reason. Similarly, the Company is free to terminate your employment at any time, for any reason or for no reason. In the event of termination of your employment, you will not be entitled to any payments, benefits, damages, awards, or compensation other than as may otherwise be available in accordance with the Company's established employee plans and policies at the time of termination.

6. ***Immigration Laws:*** For purposes of federal immigration laws, you will be required to provide to the Company documentary evidence of your identity and eligibility for employment in the United States. Such documentation must be provided within three days of your employment, or your employment relationship with the Company will be terminated.

7. ***New Hire Orientation:*** You must attend a new hire orientation session on a date in September to be specified closer to your Start Date. During this session, many items will be discussed including your benefits. One to two weeks prior to your Start Date you will receive new hire documents via email that will need to be completed. We would also like to ask that you bring your I-9 documents to this session.

8. ***Confidentiality Agreement:*** As a condition of your employment, you will be required to complete, sign, return and abide by the Company's Employee Invention Assignment and Confidentiality Agreement.

9. ***Customer Site Requirements:*** Many of our customers require that our personnel going on site be properly vaccinated. If your position at Accuray requires you to visit customers in patient care areas (hospitals, private physician offices, laboratories), you will have to show proof of proper vaccination, and adhere to Accuray's Vendor Credentialing Policy.

   Additionally, many of our customers require that our personnel going on site successfully complete a criminal background check every 12 months. If your position at Accuray requires you to visit customer sites, you will be required to complete a criminal background check every 12 months.

10. ***Arbitration Agreement:*** In the event of any dispute or claim relating to or arising out of your employment relationship with the Company, or the termination of your employment with Company for any reason (including, but not limited to, any claims of breach of contract, wrongful termination, or age, sex, race, national origin, disability or other discrimination or harassment) (each, a "Claim"), you and the Company agree that all such Claims shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association under its Employment Arbitration Rules and Mediation Procedures in Santa Clara County, CA and judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. The arbitrator(s), and not any federal, state, or local court, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, unconscionability, arbitrability, or enforceability of this Section. YOU AND THE COMPANY HEREBY WAIVE YOUR RESPECTIVE RIGHTS TO HAVE ANY SUCH CLAIMS TRIED BY A JUDGE OR JURY.

11. ***Class Action Waiver:*** In accepting this Offer of Employment, you agree that all Claims must be brought in your individual capacity, and not as a plaintiff or class member in any purported class, collective, representative, multiple plaintiff, or similar proceeding ("Class Action"). YOU EXPRESSLY WAIVE ANY AND ALL ABILITY TO MAINTAIN AND/OR PARTICIPATE AS A MEMBER OF A CLASS IN ANY CLASS ACTION THAT RELATES TO A CLAIM IN ANY FORUM. The arbitrator of any Claims shall not have authority to combine or aggregate similar claims or conduct any Class Action nor make an award to any person or entity other than you and the Company. No arbitration award or decision will have any preclusive effect as to issues or claims in any dispute with anyone who is not a named party to the arbitration. YOU UNDERSTAND AND AGREE THAT YOU HAVE A RIGHT TO BE A PARTY TO A CLASS OR REPRESENTATIVE ACTION. HOWEVER, IN ACCEPTING THIS OFFER, YOU UNDERSTAND AND AGREE TO HAVE ANY CLAIMS DECIDED INDIVIDUALLY THROUGH ARBITRATION AS SET FORTH ABOVE.

To indicate your acceptance of this offer, please initial the top of each page, sign, and date below and return to us no later than July 28, 2017 via email to: anouri@accuray.com. This Offer of Employment, the employee Confidentiality and Inventions Agreement, and agreements memorializing your equity awards referenced herein, if any, constitute the entire agreement between you and the Company regarding the terms and conditions of your employment, and they supersede all prior negotiations, representations or agreements between you and the Company. The provisions of this agreement regarding "at-will" employment, arbitration, and class action waiver may only be modified by a written agreement signed by you and an officer of the Company.

You and the Company agree that should any provision of this Offer of Employment be declared or determined by any court of competent jurisdiction to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining parts, terms and provisions shall not

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be affected, and any illegal, unenforceable or invalid part, term or provision will be deemed not to be part of this Offer of Employment.

We are excited to have you join and we look forward to your valuable contributions to our team!

Sincerely,

/s/ Susan Savich
Susan Savich
Vice President, Human Resources

I have read and understand this offer letter and hereby acknowledge, accept and agree to the terms as set forth above. I further acknowledge that no other commitments were made to me as part of my employment offer except as specifically set forth herein.

/s/ Shigeyuki Hamamatsu
Signature

7/24/17
Date

Exhibit 10.4

CHANGE IN CONTROL AGREEMENT

This Change in Control Agreement ("Agreement") is entered into and effective as of September 21, 2017 ("Effective Date"), by and between Accuray Incorporated, a Delaware corporation (the "Company"), and Shigeyuki Hamamatsu ("Employee").

RECITALS

A. It is possible that the Company from time to time may consider an acquisition by another company or other Change in Control (as defined herein).

B. The Company recognizes that such consideration can be a distraction to Employee and has determined that it is advisable to secure the continued dedication of Employee, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined herein) of the Company.

C. The Compensation Committee of the Company's Board of Directors has adopted resolutions approving the provision of certain benefits to Employee upon a Change in Control to enhance Employee's financial incentive to remain with the Company.

NOW, THEREFORE, the parties agree as follows:

1. Term.

(a) Term of Agreement. This Agreement will have an initial term commencing on the Effective Date and ending on December 31, 2020 (the "Initial Term"). Thereafter, this Agreement will renew automatically for additional three (3) year terms (such additional terms together with the Initial Term, the "Term"), unless either party provides the other party with written notice of non-renewal at least sixty (60) days prior to the date of automatic renewal; provided, however, that if the Company enters into a definitive agreement to be acquired and the transactions contemplated thereby would result in the occurrence of a Change in Control (as defined below) if consummated, then the Company will no longer be permitted to provide Employee with written notice to not renew this Agreement unless such definitive agreement is terminated without the Change in Control being consummated. If the Change in Control is consummated, the Agreement will continue in effect through the longer of the date that is twelve (12) months following the effective date of the Change in Control or the remainder of the Term then in effect (for purposes of clarification, it will be possible for the Term of the Agreement to automatically extend after the Company enters into the definitive agreement, but before the Change in Control is consummated). If the definitive agreement is terminated without the transactions contemplated thereby having been consummated and at the time of such termination there is at least twelve (12) months remaining in the Term, the Agreement will continue in effect for the remainder of the Term then in effect, but if there is less than twelve (12) months remaining in the Term then in effect, the Agreement will automatically extend for an additional three (3) years from the date the definitive agreement is terminated. If Employee becomes entitled to benefits under Section 2 during the term of this Agreement, the Agreement will not terminate until all of the obligations of the parties hereto with respect to this Agreement have been satisfied.

(b) At-Will Employment. The Company and Employee acknowledge that, notwithstanding the foregoing, Employee's employment is and will continue to be at-will, as defined under applicable law. As an at-will employee, either the Company or the Employee may terminate the employment relationship at any time, with or without cause; provided, however, that in connection with

such termination, the Company will provide Employee with any applicable benefits under Section 2 to which Employee is entitled, all in accordance with the terms and conditions thereof.

2. Termination of Employment upon a Change in Control.

(a) If the Company terminates Employee's employment with the Company without Cause (as defined below) (excluding due to Employee's death or Incapacity (as defined below)) or if Employee resigns from such employment for Good Reason (as defined below), and, in each case, such termination occurs during the Change in Control Period (as defined below), Employee will be entitled to the Accrued Benefits and, if Employee executes a separation agreement and general release in form and substance acceptable to the Company (the "Release") and the same becomes irrevocable pursuant to its terms within the 60-day period following Employee's termination of employment, Employee will also be eligible to receive:

(i) payment of the equivalent of Employee's base salary without regard to any reduction that would otherwise constitute Good Reason that Employee would have earned over the next twelve (12) months following the termination date (less necessary withholdings and authorized deductions) at Employee's then-current base salary rate, payable in a lump sum on the first regularly scheduled payroll date following the date the Release becomes effective and irrevocable (the "Release Effective Date"), but in any event within ten (10) business days of the Release Effective Date and subject to Section 13 below;

(ii) subject to Section 2(c), the reimbursement of insurance premiums payable to retain group health coverage as of the termination date for himself/herself and his/her eligible dependents pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1986 ("COBRA") for twelve (12) months or the maximum period of COBRA coverage, whichever is less; provided that Employee must submit a reimbursement request in accordance with Company policy within thirty (30) days of paying such insurance premiums. The Company will reimburse Employee within thirty (30) days of receiving a properly submitted request. In addition, if Employee accepts other employment within such twelve (12) months, the Company's obligation under this Section 2(a)(ii) shall be extinguished as of the date Employee becomes covered under the group health plan of his new employer;

(iii) one hundred percent (100%) of Employee's target bonus for the fiscal year during which termination occurs, payable at the same time as the payment under Section 2(a)(i); and

(iv) the immediate vesting of all of Employee's previously granted outstanding unvested equity awards.

(b) For the avoidance of doubt, if Employee's termination without Cause (excluding due to Employee's death or Incapacity) or resignation for Good Reason occurs prior to a Change in Control, then any unvested portion of Employee's outstanding equity awards will remain outstanding until the earlier of (i) the date that is three (3) months following the termination of Employee's termination or (ii) the date that a Change in Control occurs (provided that in no event will any of Employee's equity awards remain outstanding beyond the equity award's maximum term to expiration). In the event that a Change in Control does not occur by the date that is three (3) months following the termination of Employee's employment, any unvested portion of Employee's equity awards automatically will be forfeited permanently without having vested. Further, for any equity awards that are scheduled to vest based on the achievement of performance-based conditions (which may include additional service-based conditions), the performance-based vesting component of such awards shall not be deemed to be automatically achieved as a result of the application of Section 2(a)(iv) but will remain outstanding during the three (3) month period following Employee's termination or through the date of the Change in Control, as

applicable, to determine whether a Change in Control would have occurred within three (3) months of the termination of Employee's employment and, if so, the extent to which the performance condition is achieved, such determination to be made in accordance with the procedures set forth in the applicable award agreement. If the performance condition is satisfied and that would cause the award to become eligible to vest based on continued service, then Section 2(a)(iv) will cause the service-based vesting component to be deemed satisfied and the vesting of the equity award will be accelerated as to the portion of the award that became eligible to vest. For clarity, if there is no service-based condition that applies with respect to any portion of such equity award upon such satisfaction of the performance condition, such portion of the equity award will immediately vest upon such satisfaction of the performance condition.

(c) If the Company determines in its sole discretion that it cannot make the COBRA reimbursements under Section 2(a)(ii) (the "COBRA Reimbursements") without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company will in lieu thereof provide to Employee a taxable monthly payment, payable on the last day of a given month, in an amount equal to the monthly COBRA premium that the Employee would be required to pay to continue the Employee's group health coverage in effect on the termination of employment date (which amount will be based on the premium for the first month of COBRA continuation coverage), which payments will be made regardless of whether the Employee elects COBRA continuation coverage and will commence on the month following the Employee's termination of employment and will end on the earlier of (x) the date upon which the Employee obtains other employment or (y) the date the Company has paid an amount equal to 12 payments pursuant to Section 2(a)(ii). For the avoidance of doubt, such taxable payments in lieu of COBRA Reimbursements (the "COBRA Substitute Payments") may be used for any purpose, including, but not limited to continuation coverage under COBRA, and will be subject to all applicable tax withholding.

3. Certain Definitions. As used in this Agreement, the following terms shall have the following meanings:

(a) "Accrued Benefits" shall mean the following with respect to Employee:

(i) continued coverage under the Company's insurance benefit plans through the employment termination date and such other benefits to which Employee may be entitled pursuant to the Company's benefit plans, provided, however, that Employee shall not participate in any severance plan of the Company;

(ii) payment of all earned but unpaid compensation (including accrued unpaid vacation) through the effective date of termination, payable on or before the termination date; and

(iii) reimbursement of expenses incurred on or before the termination date in accordance with the Company's policies, if a request for reimbursement of the expenses was timely submitted to the Company.

(b) "Cause" shall mean any of the following conduct by Employee: (i) material breach of this Agreement, the employment offer letter between the Company and Employee, any confidentiality or invention assignment agreement between the Company and Employee, or of a Company policy or of a law, rule or regulation applicable to the Company or its operations; (ii) demonstrated and material neglect of duties, or failure or refusal to perform the material duties of his/her position, or the failure to follow the reasonable and lawful instructions of the Company; (iii) gross misconduct or dishonesty, self-dealing, fraud or similar conduct that the Company reasonably determines has caused, is causing or reasonably is likely to cause harm to the Company; or (iv) conviction of or plea of guilty or *nolo contendere* to any

crime other than a traffic offense that is not punishable by a sentence of incarceration. Termination pursuant to Section 3(b)(ii) shall be deemed to be for Cause only if such failure continues after Employee has been given written notice thereof and fifteen (15) business days thereafter in which to present his/her position to the Company or to cure the same, unless the Company reasonably determines that the reason(s) for termination are not capable of being cured. In the event of termination for Cause, Employee will be entitled only to the Accrued Benefits through the termination date, which will be the date on which the notice is given. The Company will have no further obligation to pay any compensation of any kind (including without limitation any bonus or portion of a bonus that otherwise may have become due and payable to Employee with respect to the year in which such termination date occurs), or severance payment of any kind nor to make any payment in lieu of notice.

(c) "Change in Control" shall mean any of the following events:

(i) the acquisition by any Group or Person (as such terms are defined in Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")), other than (A) a trustee or other fiduciary holding securities of the Company under an employee benefit plan of the Company or (B) an entity in which the Company directly or indirectly beneficially owns fifty percent (50%) or more of the voting securities of such entity (an "Affiliate"), of any securities of the Company, immediately after which such Group or Person has beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of fifty percent (50%) or more of (X) the outstanding shares of Common Stock or (Y) the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors;

(ii) the Company (and/or its subsidiaries) is a party to a merger or consolidation with a Person other than an Affiliate, which merger or consolidation results in (a) the holders of voting securities of the Company outstanding immediately before such merger or consolidation failing to continue to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the corporation or entity resulting from or surviving such merger or consolidation or (b) individuals who are directors of the Company just prior to such merger or consolidation not constituting more than fifty percent (50%) of the members of the Board of Directors of the surviving entity or corporation immediately after the consummation of such merger or consolidation; or

(iii) all or substantially all of the assets of the Company and its subsidiaries are, in any transaction or series of transactions, sold or otherwise disposed of (or consummation of any transaction, or series of related transactions, having similar effect), other than to an Affiliate;

provided, however, that in no event shall a "Change in Control" be deemed to have occurred for purposes of this Agreement solely because the Company engages in an internal reorganization, which may include a transfer of assets to, or a merger or consolidation with, one or more Affiliates. Additionally, with respect to the payment of any "nonqualified deferred compensation" within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), that is not exempt from section 409A of the Code, no event shall constitute a Change in Control unless it also constitutes a change in the ownership of the Company (as defined in Treasury Regulation section 1.409A-3(i)(5)(v)), a change in effective control of the Company (as defined in Treasury Regulation section 1.409A-3(i)(5)(vi)), or a change in the ownership of a substantial portion of the assets of the Company (as defined in Treasury Regulation section 1.409A-3(i)(5)(vii)).

(iv) "Change in Control Period" shall mean the period beginning three (3) months prior to, and ending twelve (12) months following, a Change in Control.

(v) "Good Reason" shall mean any the occurrence of any one of the following without Employee's written consent: (i) a material reduction in Employee's base salary; (ii) any action or inaction that constitutes a material breach by the Company of this Agreement or the employment offer letter between the Company and Employee; (iii) a material diminution in Employee's authority, duties or responsibilities such that they are materially inconsistent with his/her position as VP, Finance & Chief Accounting Officer; and (iv) relocation of the Company's headquarters to a location that materially increases Employee's commute, provided that no termination for Good Reason shall be effective until Employee has given the Company written notice (pursuant to Section 9 below) within sixty (60) days after Employee becomes aware of the initial occurrence of any of the foregoing specifying the event or condition constituting the Good Reason and the specific reasonable cure requested by Employee, and the Company has failed to cure the occurrence within thirty (30) days of receiving written notice from Employee, and Employee resigns within six (6) months after Employee becomes aware of the initial occurrence.

(vi) "Incapacity" shall mean if Employee becomes unable, due to physical or mental illness or injury, to perform the essential duties of Employee's position for more than twelve (12) consecutive weeks in any twelve (12) month period during this Agreement with or without reasonable accommodation.

4. Non-Solicitation.

(a) Non-Solicitation of Customers and Other Business Partners. Employee recognizes that by virtue of Employee's employment with the Company, Employee may be introduced to and involved in the solicitation and servicing of existing customers and other business partners of the Company and new customers and business partners obtained by the Company during Employee's employment. Employee understands and agrees that all efforts expended in soliciting and servicing such customers and business partners shall be for the benefit of the Company. Employee further agrees that during Employee's employment with the Company, Employee will not engage in any conduct which could in any way jeopardize or disturb any of the customer and business partner relationships of the Company. In addition, to the extent permitted under applicable law, Employee agrees that, for a period beginning on Employee's hire date and ending twelve (12) months after termination of Employee's employment with the Company, regardless of the reason for such termination, Employee shall not use any Company confidential or proprietary information to, directly or indirectly, solicit, direct, interfere with, or entice away from the Company any existing customer, licensee, licensor, vendor, contractor or distributor of the Company or for the customer or other business partner to expand its business with a competitor, without the prior written consent of the Company; provided, however, that if Employee is or becomes a permanent resident of the state of California and remains such a permanent resident through the date of termination of Employee's employment, this Section 4(a) shall not apply following the termination of Employee's employment with the Company.

(b) Non-Solicitation of Employees. Employee recognizes the substantial expenditure of time and effort which the Company devotes to the recruitment, hiring, orientation, training and retention of its employees. Accordingly, Employee agrees that, for a period beginning on the Employee's hire date and ending twelve (12) months after termination of Employee's employment with the Company, regardless of the reason for such termination, Employee shall not use any Company confidential or proprietary information, directly or indirectly, for himself or on behalf of any other person or entity, solicit, offer employment to, hire or otherwise retain the services of any employee of the Company in a position classified as exempt from overtime pay requirements. For purposes of the foregoing, "employee of the Company" shall include any person who was an employee of the Company at any time within six (6) months prior to the prohibited conduct.

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5. Interpretation, Governing Law and Exclusive Forum. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of California (excluding any that mandate the use of another jurisdiction's laws). Any arbitration (unless otherwise mutually agreed), litigation or similar proceeding with respect to such matters only may be brought within Santa Clara County, California, and all parties to this Agreement consent to California's jurisdiction.

6. Entire Agreement. All oral or written agreements or representations, express or implied, with respect to the subject matter of this Agreement are set forth in this Agreement.

7. Severability. In the event that one or more of the provisions contained in this Agreement are held to be invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such holding shall not impair the validity, legality or enforceability of the remaining provisions herein.

8. Successors and Assigns. This Agreement shall be binding upon, and shall inure to the benefit of, Employee and his/her estate, but Employee may not assign or pledge this Agreement or any rights arising under it, except to the extent permitted under the terms of the benefit plans in which he/she participates. No rights or obligations of the Company under this Agreement may be assigned or transferred except that the Company shall require any successor (whether direct or indirect, by purchase, merger, reorganization, sale, transfer of stock, consideration or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no succession had taken place. As used in this Agreement, "Company" means the Company as hereinbefore defined and any successor to its business and/or assets (by merger, purchase or otherwise as provided in this Section 8) which executes and delivers the agreement provided for in this Section 8 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law. In the event that any successor refuses to assume the obligations hereunder, the Company as hereinbefore defined shall remain fully responsible for all obligations hereunder.

9. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be given by hand delivery, electronic mail, facsimile, telecopy, overnight courier service, or by United States certified or registered mail, return receipt requested. Each such notice, request, demand or other communication shall be effective (i) if delivered by hand or by overnight courier service, when delivered at the address specified in this Section 9; (ii) if given by electronic mail, facsimile or telecopy, when such electronic mail, facsimile or telecopy is transmitted to the electronic mail address or facsimile or telecopy number specified in this Section 9 and confirmation is received if during normal business hours on a business day, and otherwise, on the next business day; and (iii) if given by certified or registered mail, three (3) days after the mailing thereof. Notices shall be addressed to the parties as follows (or at such other address, email address or fax number as either party may from time to time specify in writing by giving notice as provided herein):

If to the Company:	Accuray Incorporated 1310 Chesapeake Terrace Sunnyvale, California 94089 Attn: General Counsel Fax No. (408) 789-4205
If to Employee:	Shig Hamamatsu Address: most recent on file with the Company Email: most recent on file with the Company

10. Dispute Resolution. The parties agree that all disputes, claims or controversies between them and between Employee and any of the Company's affiliated entities and the successor of all such entities, including any dispute, claim or controversy arising from or otherwise in connection with this Agreement and/or Employee's employment with the Company, will, notwithstanding the arbitration provision to the contrary in Employee's offer letter, be resolved as follows:

(a) Prior to initiating any other proceeding, the complaining party will provide the other party with a written statement of the claim identifying any supporting witnesses or documents and the requested relief. The responding party shall within forty-five (45) days furnish a statement of the relief, if any, that it is willing to provide, and identify supporting witnesses or documents.

(b) If the matter is not resolved by the exchange of statements of claim and statements of response as provided herein, the parties shall submit the dispute to non-binding mediation, the cost of the mediator to be paid by the Company, before a mediator and/or service to be jointly selected by the parties. Each party will bear his/her or its own attorney's fees and witness fees.

(c) If the parties cannot agree on a mediator and/or if the matter is not otherwise resolved by mediation, any controversy or claim between Employee and the Company and any of its current or former directors, officers and employees, including any arising out of or relating to this Agreement or breach thereof, shall be settled by final and binding arbitration in the county in which Employee last worked, or elsewhere as mutually agreed by the parties, by a single arbitrator pursuant to the Employment Dispute Rules of Judicial Arbitration and Mediation Services, Inc. ("JAMS"), unless the parties to the dispute agree to another arbitration service or independent arbitrator. The parties may conduct discovery to the extent permitted in a court of law; the arbitrator will render an award together with a written opinion indicating the bases for such opinion; and the arbitrator will have full authority to award all remedies that would be available in court. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Each party shall bear its own attorney's fees and costs, unless the claim is based on a statute that provides otherwise. The Company will pay the arbitrator's fees and any administrative charges of the arbitration service, except that if Employee initiates the claim, he/she will pay a portion of the administrative charges equal to the amount he/she would have paid to initiate the claim in a court of general jurisdiction.

(d) EMPLOYEE AND THE COMPANY AGREE THAT THIS ARBITRATION PROCEDURE WILL BE THE EXCLUSIVE MEANS OF REDRESS FOR ANY DISPUTES RELATING TO OR ARISING FROM EMPLOYEE'S EMPLOYMENT WITH THE COMPANY OR TERMINATION THEREFROM, INCLUDING DISPUTES OVER UNPAID WAGES, BREACH OF CONTRACT OR TORT, VIOLATION OF PUBLIC POLICY, RIGHTS PROVIDED BY FEDERAL, STATE OR LOCAL STATUTES, REGULATIONS, ORDINANCES, AND COMMON LAW, LAWS THAT PROHIBIT DISCRIMINATION BASED ON ANY PROTECTED CLASSIFICATION, AND ANY OTHER STATUTES OR LAWS RELATING TO AN EMPLOYEE'S RELATIONSHIP WITH THE COMPANY. THE FOREGOING NOTWITHSTANDING, CLAIMS FOR WORKERS' COMPENSATION BENEFITS OR UNEMPLOYMENT INSURANCE, OR ANY OTHER CLAIMS WHERE MANDATORY ARBITRATION IS PROHIBITED BY LAW, ARE NOT COVERED BY THIS ARBITRATION PROVISION. THE PARTIES EXPRESSLY WAIVE THE RIGHT TO A JURY TRIAL, AND AGREE THAT THE ARBITRATOR'S AWARD SHALL BE FINAL AND BINDING ON BOTH PARTIES. THIS ARBITRATION PROVISION IS TO BE CONSTRUED AS BROADLY AS IS PERMISSIBLE UNDER APPLICABLE LAW.

11. Representations. Each person executing this Agreement hereby represents and warrants on behalf of himself/herself and of the entity/individual on whose behalf he/she is executing the Agreement that he/she is authorized to represent and bind the entity/individual on whose behalf he/she is

executing the Agreement. Employee specifically represents and warrants to the Company that he/she reasonably believes (a) he/she is not under any contractual or other obligations that would prevent, limit or impair Employee's performance of his/her obligations under this Agreement and (b) that entering into this Agreement will not result in a breach of any other agreement to which he/she is a party. Employee acknowledges that Employee has been given the opportunity to consult with legal counsel and seek such advice and consultation as Employee deems appropriate or necessary.

12. Amendments and Waivers. No provisions of this Agreement may be modified, waived, or discharged except by a written document signed by Employee and a duly authorized Company officer. A waiver of any conditions or provisions of this Agreement in a given instance shall not be deemed a waiver of such conditions or provisions at any other time.

13. Taxes.

(a) Withholdings. The Company may withhold from any compensation and benefits payable under this Agreement all federal, state, city and other taxes or amounts as shall be determined by the Company to be required to be withheld pursuant to applicable laws, or governmental regulations or rulings. Employee shall be solely responsible for the satisfaction of any taxes (including employment taxes imposed on employees and penalty taxes on nonqualified deferred compensation).

(b) Net Proceeds Maximization. Notwithstanding any provision of this Agreement to the contrary, if all or any portion of the payments or benefits received or realized by Employee pursuant to this Agreement either alone or together with other payments or benefits that Employee receives or realizes or is then entitled to receive or realize from the Company or any of its affiliates ("Potential Parachute Payments") would constitute an "excess parachute payment" within the meaning of section 280G of the Code and/or any corresponding and applicable state law provision, the Potential Parachute Payments will be reduced by reducing the amount of the Potential Parachute Payments to the extent necessary so that no portion of the Potential Parachute Payments will be subject to the excise tax imposed by section 4999 of the Code and any corresponding and/or applicable state law provision. Notwithstanding the foregoing, a reduction will be made under the previous sentence only if, by reason of that reduction, Employee's net after tax benefit exceeds the net after tax benefit he/she would realize if the reduction were not made. For purposes of this paragraph, "net after tax benefit" means the sum of (i) the total amount received or realized by Employee pursuant to this Agreement that would constitute a "parachute payment" within the meaning of section 280G of the Code and any corresponding and applicable state law provision, plus (ii) all other payments or benefits that Employee receives or realizes or is then entitled to receive or realize from the Company and any of its affiliates that would constitute a "parachute payment" within the meaning of Section 280G of the Code and any corresponding and applicable state law provision, less (iii) the amount of federal or state income taxes payable with respect to the payments or benefits described in (i) and (ii) above calculated at the maximum marginal individual income tax rate for each year in which payments or benefits are realized by Employee (based upon the rate in effect for that year as set forth in the Code at the time of the first receipt or realization of the foregoing), less (iv) the amount of excise taxes imposed with respect to the payments or benefits described in (i) and (ii) above by section 4999 of the Code and any corresponding and applicable state law provision. All determinations and calculations made in this paragraph shall be made by an independent accounting firm (the "Accounting Firm") selected by the Company prior to the Change in Control and the Company will bear all costs and expenses incurred by the Accounting Firm in connection with its determination. The Accounting Firm shall be a nationally recognized United States public accounting firm which has not, during the two (2) years preceding the date of its selection, acted in any way on behalf of (x) the Company or any affiliate thereof or (y) Employee. If any payments or benefits are reduced pursuant to this Section 13(b), they shall be reduced in the following order: First all payments and benefits that do not constitute "nonqualified deferred compensation" within the meaning of section 409A of the Code or that are exempt from section 409A of the Code (with the payments or benefits being

reduced in reverse order of when they otherwise would be made or provided); second, all payments or benefits that constitute "nonqualified deferred compensation" within the meaning of section 409A of the Code that are not exempt from section 409A of the Code that were granted to Employee in the 12-month period of time preceding the applicable Change in Control, in the order such benefits were granted to Employee; and third, all remaining payments and benefits shall be reduced pro-rata. Notwithstanding the foregoing, if (i) reducing payments or benefits in the order described above would result in the imposition on Employee of an additional tax under section 409A of the Code (or similar state or local law), (ii) Employee so notifies the Company before such reductions and payments are made and benefits provided, and (iii) reducing the payments or benefits in another order would not result in the imposition on Employee of an additional tax under section 409A of the Code (or similar state or local law), payments and benefits shall instead be reduced in such other order.

(c) Section 409A Compliance.

(i) With respect to any reimbursement of expenses or any provision of in-kind benefits to Employee specified under this Agreement, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (1) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangements providing for the reimbursement of expenses referred to in section 105(b) of the Code; (2) the reimbursement of an eligible expense shall be made no later than the end of the year following the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

(ii) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits considered "deferred compensation" (as defined under Treasury Regulation section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation sections 1.409A-1(b)(3) through (b)(12)) upon or following a termination of employment unless such termination is also a "separation from service" and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." For purposes of section 409A of the Code, the date as of which Company and Employee reasonably anticipate that no further services would be performed by Employee for Company shall be construed as the date that Employee first incurs a "separation from service" as defined under section 409A of the Code.

(iii) Notwithstanding anything in this Agreement to the contrary, if a payment obligation arises on account of Employee's separation from service while Employee is a "specified employee" as described in section 409A of the Code and the Treasury Regulations thereunder and as determined by Company in accordance with its procedures, by which determination Employee is bound, any payment of "deferred compensation" (as defined under Treasury Regulation section 1.409A-1(b)(1), after giving effect to the exemptions in Treasury Regulation sections 1.409A-1(b)(3) through (b)(12)) shall be made on the first business day of the seventh month following the date of Employee's separation from service, or, if earlier, within fifteen (15) days after the appointment of the personal representative or executor of Employee's estate following Employee's death together with interest on them for the period of delay at a rate equal to the average prime interest rate published in the Wall Street Journal on any day chosen by the Company during that period. Thereafter, Employee shall receive any remaining payments as if there had not been an earlier delay.

(iv) Notwithstanding anything to the contrary contained in this Agreement, (i) the Employee shall have no legally-enforceable right to, and the Company shall have no obligation to make, any payment or provide any benefit to Employee if having such a right or obligation would result in the imposition of additional taxes under section 409A of the Code, and (ii) any provision that would cause any payment or benefit to fail to satisfy section 409A will have no force and effect until amended to

comply therewith (which amendment may be retroactive to the extent permitted by section 409A and may be accomplished by the Company without the Employee's consent). If any payment is not made or any benefit is not provided under the terms of this Section 13(c)(iv), it is the Company's present intention to make a similar payment or provide a similar benefit to the Employee in a manner that will not result in the imposition of additional taxes under section 409A of the Code, to the extent feasible. Each payment made under this Agreement is intended to be a separate payment for the purposes of section 409A of the Code.

(v) The Company does not guarantee any particular tax effect to Employee under this Agreement. Company shall not be liable to Employee for any payment made under this Agreement that is determined to result in an additional tax, penalty or interest under section 409A of the Code, nor for reporting in good faith any payment made under this Agreement as an amount includible in gross income under section 409A of the Code. The parties intend this Agreement to be exempt from, or comply with, the requirements of Section 409A of the Code and the final regulations and any guidance promulgated thereunder so that none of the payments and benefits to be provided hereunder will be subject to the additional tax imposed by Section 409A. Any ambiguities or ambiguous terms shall be interpreted to so be exempt or comply, and this Agreement shall be administered in accordance with such intent.

14. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute the same instrument.

(*Signature page follows*)

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

ACCURAY INCORPORATED,
a Delaware Corporation

By: /s/ Alaleh Nouri
Name: Alaleh Nouri
Title: Senior Vice President, General Counsel

Accepted and Agreed,

Shigeyuki Hamamatsu: /s/ Shigeyuki Hamamatsu

Signed on (Date): 9/25/17

Exhibit 31.1

Certification

I, Joshua H. Levine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Accuray Incorporated, a Delaware corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2017

/s/ Joshua H. Levine
Joshua H. Levine
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification

I, Kevin M. Waters, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Accuray Incorporated, a Delaware corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2017

/s/ Kevin M. Waters

Kevin M. Waters
Senior Vice President, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Accuray Incorporated, a Delaware corporation (the "*Company*") hereby certify, to such officers' knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the three months ended September 30, 2017 (the "*Report*") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 3, 2017

/s/ Joshua H. Levine
Joshua H. Levine
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Kevin M. Waters
Kevin M. Waters
Senior Vice President, Chief Financial Officer
(Principal Financial Officer)