

TOSHIBA MACHINE



Annual Report 2018

BASIC COMMITMENT OF THE TOSHIBA MACHINE GROUP

We, the Toshiba Machine Group of Companies, based on respect for human values, are determined to help create higher quality and continued progress in the lives and cultures of the world.

Commitment to People

We endeavor to serve the needs of all people, especially our customers, shareholders and employees, by carrying out fair and robust business activities

Commitment to the Future

By continually developing innovative technologies centering on the field of mechanics, electronics and systems, we contribute to create foundations of industries, strive to create a highly quality society.

Commitment to the Society

As good corporate citizens, we actively contribute to further the goals of society, including ways to improve the environment and resources.

Contents

<i>1</i>	An Outline of the Toshiba Machine Group
	Corporate Information
<i>2</i>	Foreword
<i>4</i>	Financial Highlights (consolidated)
<i>5</i>	Overseas Operations for Fiscal Year Ended March 31, 2018
<i>6</i>	Overseas Offices
	Financial Review
<i>8</i>	Consolidated Balance Sheet
<i>10</i>	Consolidated Statement of Income
	Consolidated Statement of Comprehensive Income
<i>11</i>	Consolidated Statement of Changes in Net Assets
<i>12</i>	Consolidated Statement of Cash Flows
<i>13</i>	Notes to Consolidated Financial Statements
<i>36</i>	Independent Auditor's Report
<i>37</i>	Directors & Audit and Supervisory Board Members

An Outline of the Toshiba Machine Group

A highly respected integrated machine building group, internationally respected for its total capability in the production of quality plastic processing machinery, die-casting machines, machine tools, precision machinery, industrial robot, and electronic controls.

Based on their highly innovative technology, expertise, and experience nurtured over decades as one of the world's leading machine builders, the Toshiba Machine Group's global-type solution business provides customers, in such various industries as nano-technology, optics, electronics and automotives with total satisfaction by careful analysis and the recommendation of optimum-type solutions to their requirements.

Corporate Information (as of March 31, 2018)

Company Name:	TOSHIBA MACHINE CO., LTD.
Headquarters:	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
Established:	1938
Capital:	¥12,484 million (US\$111,283 thousand)
Shares of Common Stock	
Issued and Outstanding:	149,885,530 shares
Number of Shareholders:	8,415
Number of Employees:	1,770 (Consolidated: 3,273)

Foreword 2018

The Japanese economy in FY2017 showed gradual recovery due to the government's implementation of economic stimulus policies and an increase in exports, resulting in continuous improvement of corporate revenues and the employment situation, an increase in capital investment, and recovery of individual spending. Outside Japan, the EU and American economies had steady growth, and Chinese and Southeast Asian economies continued to recover. Overall, the international economy also showed gradual recovery. Meanwhile, the future of the global economy is still unclear due to heightened uncertainties caused by geopolitical risks and policy changes in the EU and the US.

For the machine industry, to which our group belongs, while capital investment was gradually recovering in Japan, levels of business confidence varied with the target market and product outside Japan.

Under these economic circumstances, our group launched on April 1, 2016, the mid-term management plan “TM-PΣ Plan” (Toshiba Machine Profit Sigma Plan). While still following the concept of “forward-looking and expansion” this plan establishes “shift to a high revenue company” and “selection and concentration” as the new basic strategies. In order to secure steady growth of our group in the global market predicted to expand in the future, we have been doing our best to reduce the total cost, drive production reform to improve profitability, create an optimal global procurement network, exploit new markets, develop new products for key domestic and international markets, and increase orders.

For this consolidated fiscal year, order income was 128,139 million yen (a 9.5% increase from the previous consolidated fiscal year) and sales were 116,862 million yen (a 5.0% increase from the previous consolidated fiscal year) despite the influence of procurement delays for some materials.

Operating income was 4,640 million yen (a 3.7% increase from the previous consolidated fiscal year) as a result of continued profit improvement primarily in the molding machine business segment due to cost reduction measures, despite negative factors such as soaring material prices. Ordinary profit was 6,982 million yen (a 29.1% increase from the previous consolidated fiscal year) due to an increase of non-operating income such as a termination fee income and foreign currency exchange profits. The net income which vests for the parent company's shareholders

was 5,016 million yen (a 182.4% increase from the previous consolidated fiscal year).

The annual dividend for FY2017 was 14 yen.

Although gradual economic recovery is expected, the overall future economic climate is likely to remain unpredictable due to developments in emerging economies such as China, the impact on the global economy caused by the shift to a protectionist policy by the American government, growing global concerns about trade conflicts, heightened global geopolitical risks, and foreign exchange fluctuations. Furthermore, a difficult business environment is also predicted due to increased competition from Japanese and international companies.

The mid-term management plan “TM-PΣ Plan” (Toshiba Machine Profit Sigma Plan) launched on April 1, 2016, establishes “shift to a high revenue company” and “selection and concentration” as the new basic strategies.

In the “shift to a high revenue company” strategy, we implemented total cost reduction measures (e.g., material cost reduction, procurement cost reduction, optimization of business bases, and reduction of administrative expenses) in order to accomplish our urgent task, recovering profitability. These measures began to produce positive results primarily in the molding machine business segment. We will continue to implement these measures to increase profitability. In the “selection and concentration” strategy, we will concentrate our management resources on active markets, regions, and customers to help the whole group steadily grow.

Our group will work on thorough quality and environmental control in accordance with ISO 9001 and 14001. We are also actively engaging in corporate social responsibility programs such as future executive training to support the group’s future, legal compliance, and social action activities.

Handwritten signature of T. Mikami in black ink.

FINANCIAL HIGHLIGHTS (consolidated)

	2018	2017	2016	2015	2014
Net sales	¥116,862	¥111,327	¥117,259	¥124,373	¥113,062
	\$1,099,984				
Cost of sales	¥83,712	¥79,350	¥85,004	¥90,733	¥81,480
	\$787,954				
Selling, general and administrative expenses	¥28,509	¥27,503	¥28,448	¥28,851	¥26,955
	\$268,352				
Operating income	¥4,640	¥4,473	¥3,806	¥4,788	¥4,625
	\$43,678				
Net income before income taxes	¥6,860	¥3,523	¥7,608	¥6,522	¥6,507
	\$64,577				
Income taxes	¥1,844	¥1,747	¥2,802	¥2,210	¥2,063
	\$17,359				
Net income	¥5,016	¥1,776	¥4,806	¥4,312	¥4,444
	\$47,218				
Comprehensive income	¥5,789	¥2,268	¥1,197	¥8,748	¥6,893
	\$54,494				
Per common share:					
Net income	¥41.57	¥11.87	¥31.61	¥28.36	¥29.23
	\$0.39				
Cash dividends	¥14.00	¥12.00	¥12.00	¥8.00	¥7.50
	\$0.13				
Total assets	¥151,232	¥140,530	¥158,310	¥161,975	¥148,680
	\$1,423,503				
Net assets	¥81,334	¥77,120	¥93,345	¥93,669	¥84,217
	\$765,577				
Capital expenditures (property, plant and equipment)	¥4,687	¥1,335	¥1,547	¥2,193	¥1,766
	\$44,122				
Depreciation	¥2,049	¥1,730	¥1,756	¥1,965	¥1,840
	\$19,296				
R & D costs	¥1,899	¥1,648	¥1,668	¥1,663	¥1,551
	\$17,876				
Number of employees	3,273	3,236	3,286	3,466	3,454

Note 1: In millions of yen (thousands of U.S. dollars), except for per-share data and number of employees.

Note 2: Yen amounts have been translated into U.S. dollars, for convenience only, at the exchange rate of ¥106.24=U.S.\$1. See Note 3 of the Notes to the Consolidated Financial Statements.

Overseas Operations for Fiscal Year Ended March 31, 2018

FY2017 overseas sales were 70,505 million yen, which was 6,989 million yen more than the previous year.

In China, sales increased by 37.5% from the previous year. This increase was attributable to greater demand for injection molding machines and extrusion machines.

In Taiwan, sales increased by 34.5% from the previous year because of increased demand for die casting machines and extrusion machines.

In Southeast Asia, sales increased by 1.2% from the previous year due to greater demand for die casting machines and precision machine tools.

In India, although demand for machine tools decreased, sales increased by 20.2% from the previous year due to greater demand for injection molding machines and die casting machines.

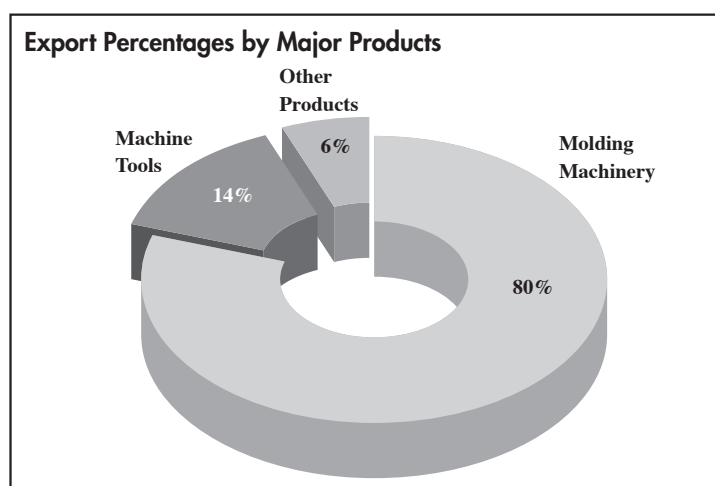
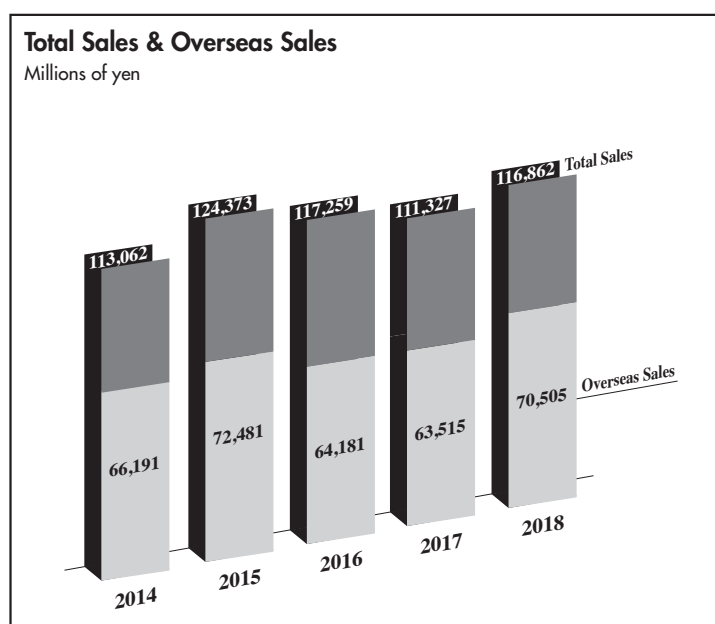
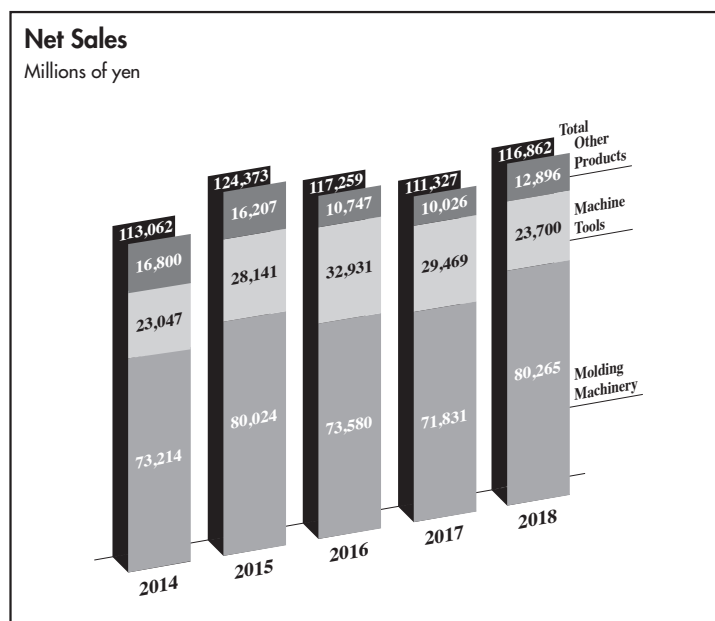
Meanwhile, in North America, although demand for machine tools increased, regional sales decreased by 7.5% from the previous year due to reduced demand for die casting machines.

In Korea, sales decreased by 22.0% from the previous year since there was only demand for injection molding machines and machine tools.

In Europe, sales decreased by 30.5% from the previous year due to lower demand for die casting machines and machine tools.

As a result, the percentage of overseas sales relative to overall sales increased from 57.1% in the previous year to 60.3%.

The percentage of overseas sales by business segment was: 80% for the molding machinery business, which remained unchanged from the previous year, 14% for the machine tools business (3% decrease from the previous year), and 6% for other business segments (3% increase from the previous year).



Overseas Offices

■ East Asia ■

SHANGHAI TOSHIBA MACHINE CO., LTD.

Head Office

4788, Jin Du Road,
Xinzhuang Industry Zone,
Shanghai, 201108,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)21-5442-0606
Fax : [86]-(0)21-5866-2450
URL:<http://www.toshiba-machine.com.cn>

Beijing Office

RECREO-CHN MEDIA PLAZA A-1001
A-1, No.15 Jian Guo Road, Chao Yang
District, Beijing, 100024,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)10-6590-8977~8
Fax : [86]-(0)10-6590-8979

Tianjin Office

Room 901, Jinyu Building,
No.57, Heiniucheng Road,
Hexi-District, Tianjin, 300211,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)22-8836-3056
Fax : [86]-(0)22-2416-0380

Dalian Office

Room 1304, Gugeng International
Business Building, 138th Jinma Road,
Dalian Economic & Technological
Development Zone, Dalian, 116600,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)411-8732-7911
Fax : [86]-(0)411-8732-6899

Chongqing Office

Room 9-8, H2 Building, Diecai Center,
No. 9 Jintong Road, North New District,
Chongqing, 401122, PEOPLE'S
REPUBLIC OF CHINA
Tel : [86]-(0)23-6777-5805
Fax : [86]-(0)23-6790-5542

Ningbo Office

Room 713, Building 2, Silver City
National, No 668 jingjia Road jiangdong
District, Ningbo, Zhejiang, 315040,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)574-2795-9198
Fax : [86]-(0)574-2795-9199

TOSHIBA MACHINE (SHANGHAI) CO., LTD.

4788, Jin Du Road,
Xinzhuang Industry Zone,
Shanghai, 201108,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)21-5442-5455
Fax : [86]-(0)21-5442-5466

TOSHIBA MACHINE (SHENZHEN) CO., LTD. Head Office

Room 608, Building 2, Animation Park,
Yuehai Road, Nanhai Street, Nanshan
District, Shenzhen, 518054,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)755-8625-0599
Fax : [86]-(0)755-8625-0522

Guangzhou Office

Room 311, No. 34-40, Centre South Road,
Donglian Industry Park, Dashi Street,
Panyu District, Guangzhou, 511400,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)20-2916-1330
Fax : [86]-(0)20-2916-1338

TOSHIBA MACHINE TAIWAN CO., LTD.

7F., No.168, Ruiguang Road,
Neihu District, Taipei, 114, TAIWAN
Tel : [886]-(0)2-2659-6558
Fax : [886]-(0)2-2659-6381

■ South East Asia ■

TOSHIBA MACHINE SOUTH EAST ASIA PTE. LTD. Head Office

123 Pioneer Road, Singapore 639596,
SINGAPORE
Tel : [65]-68611455
Fax : [65]-68612023

Kuala Lumpur Branch

Unit No. 39-1, Block C2, Jalan PJU
1/39 Dataran Prima, 47301 Petaling
Jaya, Selangor Darul Ehsan, MALAYSIA
Tel : [60]-(0)3-7803-7544
Fax : [60]-(0)3-7803-7545

Penang Office

No. 61, Jalan Prai Jaya 4,
Bandar Prai Jaya, 13600 Prai, Penang,
MALAYSIA
Tel : [60]-(0)4-3980086
Fax : [60]-(0)4-3989652

TOSHIBA MACHINE (THAILAND) CO., LTD.

Head Office

127/28 Panjathanee Tower, 23rd Floor,
Nonthree Road, Khwaeng Chong
Nonthree, Khet Yannawa, Bangkok,
10120, THAILAND
Tel : [66]-(0)2-681-0158~61
Fax : [66]-(0)2-681-0162
URL:<http://www.toshiba-machine.co.jp/thailand>

PT. TOSHIBA MACHINE INDONESIA

Galeri Niaga, Tanjung Barat Kav. KM 8-6,
7, JL. TB. Simatupang Kav.81, Tanjung
Barat, Jagakarsa, Jakarta Selatan, 12530,
INDONESIA
Tel : [62]-(0)21-7884-8694
Fax : [62]-(0)21-7884-8689

TOSHIBA MACHINE (VIETNAM) CO., LTD.

Head Office

2nd Floor, VIT Tower, No. 519 Kim Ma
Street, Ngoc Khanh Ward, Ba Dinh
District, Hanoi, VIETNAM
Tel : [84]-(0)24-2220-8700~1
Fax : [84]-(0)24-2220-8702

■ America ■

■ Europe ■

Ho Chi Minh Office

3rd Floor, Unit 3-1A, E-Town Building,
364 Cong Hoa Street, Ward 13, Tan Binh
District, Ho Chi Minh City, VIETNAM
Tel : [84]-(0)28-3810-8658
Fax : [84]-(0)28-3810-8657

**TOSHIBA MACHINE (CHENNAI)
PRIVATE LIMITED**

Head Office & Factory

No. 65 (P.O. Box No. 5),
Chennai-Bangalore Highway,
Chembarambakkam,
Poonamallee Taluk, Thiruvallur,
Chennai-600123, Tamil Nadu, INDIA
Tel : [91]-(0)44-2681-2000
Fax : [91]-(0)44-2681-0303

Delhi Office

Plot No. 5, LSC Pocket 6 & 7,
Second Floor,
Sector-C, Vasant Kunj,
New Delhi-110070, INDIA
Tel : [91]-(0)11-4329-1111
Fax : [91]-(0)11-4329-1127

Mumbai Office

Unit No. 608, Powai Plaza,
Hiranandani Business Park,
Powai, Mumbai-400076, INDIA
Tel : [91]-(0)22-6671-0992
Fax : [91]-(0)22-6671-1014

**Other Sales & Service Offices:
Kolkata, Pune, Ahmedabad, Vapi,
Bangalore, Hyderabad**

**TOSHIBA MACHINE
MANUFACTURING (THAILAND)
CO., LTD.**

7/499 Moo 6, Tambol Mabyangporn,
Amphur Pluakdaeng, Rayong 21140,
THAILAND
Tel : [66]-(0)38-027313
Fax : [66]-(0)38-027317

**TOSHIBA MACHINE COMPANY,
AMERICA Head Office**

755 Greenleaf Avenue,
Elk Grove Village, IL 60007, U.S.A.
Tel : [1]-847-593-1616
Fax : [1]-847-593-0897
URL <http://www.toshiba-machine.com/>

Los Angeles Office

1440 South Balboa Avenue,
Ontario, CA 91761, U.S.A.
Tel : [1]-909-923-4009
Fax : [1]-909-923-7258

New Jersey Office

1578 Sussex Turnpike, Randolph,
NJ 07869, U.S.A.
Tel : [1]-973-252-9956
Fax : [1]-973-252-9959

Atlanta Office

6478 Putnam Ford Drive, Suite
#106, Woodstock, GA 30189, U.S.A.
Tel : [1]-678-494-8005
Fax : [1]-678-494-8006

Mexico Branch

Circuito Luxma No.115, Poligono
Industrial Milenio, 37290 Leon,
Guanajuato, MEXICO
Tel : [52]-477-101-8600

**TOSHIBA MACHINE COMPANY CANADA
LTD.**

6 Shields Court, Suite 101, Markham,
Ontario, L3R 4S1, CANADA
Tel : [1]-905-479-9111
Fax : [1]-905-479-6098
URL <http://www.toshibamachine.ca/>

**TOSHIBA MACHINE DO BRASIL COMERCIO
DE MAQUINAS LTDA.**

Rua Cubatao, 86 Conjunto 1307, Vila
Mariana, Sao Paulo, SP CEP 04013-000,
BRASIL
Tel : [55]-(0)11-3586-0140
Fax : [55]-(0)11-3586-0138

TOSHIBA MACHINE (EU) LTD.

66 Burners Lane, Kiln Farm,
Milton Keynes MK11 3HD
UNITED KINGDOM
Tel : [44]-(0)1908-562327
Fax : [44]-(0)1908-562348

Financial Review

CONSOLIDATED BALANCE SHEET

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2018

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Current assets:			
Cash and deposits (Notes 15 and 17)	¥30,394	¥29,914	\$286,091
Marketable securities (Notes 15, 17 and 18)	404	146	3,804
Notes and accounts receivable, trade (Note 9, 17)	38,531	39,444	362,682
Allowance for doubtful receivables	(67)	(197)	(638)
Net receivables	38,463	39,246	362,044
Inventories:			
Finished products	8,811	6,529	82,940
Work in process	24,765	20,100	233,108
Raw materials and supplies	78	82	737
Total inventories	33,655	26,713	316,785
Deferred tax assets (Note 21)	2,922	2,772	27,506
Other current assets (Notes 17 and 19)	4,290	2,823	40,385
Total current assets	110,129	101,615	1,036,614
Property, plant and equipment, net (Note 5)	21,305	21,125	200,537
Intangible assets (Note 6)	740	749	6,969
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates (Note 17)	10,246	9,488	96,447
Other securities (Notes 17 and 18)	8,008	6,858	75,381
Long-term loans	19	23	184
Deferred tax assets (Note 21)	91	87	864
Other investments	691	582	6,507
Total investments and other assets	19,057	17,039	179,383
Total assets	¥151,232	¥140,530	\$1,423,503

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Current liabilities:			
Short-term bank loans (Notes 17 and 27)	¥10,090	¥10,090	\$94,974
Current portion of long-term debt (Notes 17 and 27)	4,300	500	40,474
Notes and accounts payable, trade (Note 9, 17)	29,835	26,097	280,833
Income taxes payable (Note 21)	865	573	8,149
Accrued expenses	5,247	4,785	49,397
Warranty reserve	597	530	5,621
Other current liabilities (Note 17, 19 and 27)	6,890	4,904	64,859
Total current liabilities	57,827	47,481	544,307
Long-term liabilities:			
Long-term debt (Notes 17 and 27)	—	4,300	—
Long-term accounts payable, other	5	5	55
Accrued directors' retirement benefits	30	29	288
Net retirement benefit liability (Note 20)	9,312	9,244	87,653
Asset retirement obligations	50	49	474
Deferred tax liabilities (Note 21)	2,582	2,275	24,309
Other long-term liabilities (Note 27)	89	25	839
Total long-term liabilities	12,070	15,929	113,619
Total liabilities	69,898	63,410	657,926
Contingent liabilities (Note 7)			
Net assets:			
Shareholders' equity: (Note 13)			
Common stock			
Authorized - 360,000,000 shares			
Issued - 149,885,530 shares	12,484	12,484	117,515
Additional paid-in capital	11,538	19,600	108,605
Retained earnings	69,514	67,534	654,315
Treasury stock, at cost (29,203,575 shares in 2018, 46,195,547 shares in 2017)	(16,373)	(25,898)	(154,116)
Total shareholders' equity	77,164	73,722	726,319
Accumulated other comprehensive income			
Unrealized holding gain on securities, net of tax	3,684	3,210	34,680
Deferred gains or losses on hedges	2	1	26
Foreign currency translation adjustments	1,606	1,600	15,123
Remeasurements of defined benefit plans	(1,123)	(1,415)	(10,572)
Total accumulated other comprehensive income	4,170	3,397	39,258
Total net assets (Note 26)	81,334	77,120	765,577
Total liabilities and net assets	¥151,232	¥140,530	\$1,423,503

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Net income	¥5,016	¥1,776	\$47,218
Other comprehensive income (loss): (Note 14)			
Unrealized holding gain (loss) on securities, net of tax	464	308	4,371
Deferred gains or losses on hedges	0	1	7
Foreign currency translation adjustments	6	(267)	62
Remeasurements of defined benefit plans	288	468	2,716
Share of other comprehensive income of affiliates accounted for using equity method	12	(19)	119
Total other comprehensive income (loss)	772	492	7,276
Comprehensive income	¥5,789	¥2,268	\$54,494
Comprehensive income attributable to owners of parent	5,789	2,268	54,494
Comprehensive income attributable to non-controlling interests	—	—	—

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2018

	Millions of yen									
	Number of Shares	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities, net of tax	Deferred gains or losses on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total net assets
Balance at April 1, 2016	166,885,530	¥12,484	¥19,600	¥67,623	¥(10,044)	¥2,901	¥—	¥2,643	¥(1,864)	¥93,345
Profit attributable to owners of parent				1,776						1,776
Purchases of treasury stock					(15,853)					(15,853)
Cash dividends				(1,824)						(1,824)
Effect of fiscal year change of consolidated subsidiaries				(40)						(40)
Net changes in items other than shareholders' equity						308	1	(1,043)	449	(283)
Balance at March 31, 2017	166,885,530	12,484	19,600	67,534	(25,898)	3,210	1	1,600	(1,415)	77,120
Profit attributable to owners of parent				5,016						5,016
Purchases of treasury stock					(5)					(5)
Cancellation of treasury stock	(17,000,000)		(8,062)	(1,467)	9,530					—
Cash dividends				(1,568)						(1,568)
Net changes in items other than shareholders' equity						473	0	6	292	772
Balance at March 31, 2018	149,885,530	¥12,484	¥11,538	¥69,514	¥(16,373)	¥3,684	¥2	¥1,606	¥(1,123)	¥81,334

	Thousands of U.S. dollars (Note 3)									
	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities, net of tax	Deferred gains or losses on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total net assets	
Balance at April 1, 2017	\$117,515	\$184,497	\$635,681	\$(243,769)	\$30,222	\$19	\$15,062	\$(13,321)	\$725,905	
Profit attributable to owners of parent			47,218						47,218	
Purchases of treasury stock				(54)					(54)	
Cancellation of treasury stock		(75,892)	(13,815)	89,708					—	
Cash dividends			(14,768)						(14,768)	
Net changes in items other than shareholders' equity					4,458	7	62	2,749	7,276	
Balance at March 31, 2018	\$117,515	\$108,605	\$654,315	\$(154,116)	\$34,680	\$26	\$15,123	\$(10,572)	\$765,577	

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Operating activities:			
Net income before income taxes	¥6,860	¥3,523	\$64,577
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation	¥2,049	1,730	19,296
Amortization of goodwill	—	2,294	—
Loss on impairment of fixed assets	1	—	12
Allowance for doubtful receivables	(156)	52	(1,477)
Warranty reserve	67	(58)	632
Directors' retirement benefit	1	(2)	14
Net defined benefit liability	356	491	3,357
Interest and dividend income	(453)	(269)	(4,264)
Interest expense	100	113	943
Cancellation fee income	(1,309)	—	(12,322)
Loss on valuation of shares of subsidiaries and associates	44	—	1,179
Gain or loss on sales of investment securities	(16)	(0)	(156)
Gain or loss on sales and disposal of property, plant and equipment and intangible assets	92	5	873
Equity in earnings of affiliates	(1,031)	(1,462)	(9,713)
Changes in operating assets and liabilities:			
Notes and accounts receivable, trade	912	2,993	8,591
Inventories	(6,942)	2,803	(65,343)
Notes and accounts payable, trade	4,985	(582)	46,930
Advances received	1,785	520	16,810
Accrued expenses	464	(104)	4,368
Others	(1,263)	(432)	(11,889)
Sub total	6,550	11,617	61,654
Interest and dividend income received	679	495	6,393
Interest paid	(102)	(125)	(962)
Cancellation fee income received	1,309	—	12,322
Income taxes paid	(1,622)	(2,038)	(15,270)
Net cash provided by (used in) operating activities	6,813	9,948	64,137
Investing activities:			
Purchases of property, plant and equipment	(3,221)	(2,322)	(30,322)
Proceeds from sales of property, plant and equipment	20	4	192
Purchases of intangible assets	(214)	(195)	(2,019)
Purchases of investment securities	(499)	(499)	(4,701)
Proceeds from sales of investment securities	0	0	0
Increase (decrease) in short-term loans receivable	0	(0)	0
Collection of long-term loans receivable	3	14	34
Others	(10)	17	(96)
Net cash provided by (used in) investing activities	(3,921)	(2,983)	(36,913)
Financing activities:			
Decrease in short-term bank loans	—	(885)	—
Repayment of long-term loans payable	(500)	(500)	(4,706)
Purchases of treasury stock	(5)	(15,853)	(54)
Cash dividends paid	(1,568)	(1,824)	(14,768)
Others	(28)	(26)	(265)
Net cash used in financing activities	(2,102)	(19,089)	(19,793)
Effect of exchange rate changes on cash and cash equivalents	(51)	(341)	(483)
Net increase (decrease) in cash and cash equivalents	738	(12,466)	6,948
Cash and cash equivalents at beginning of year	30,060	42,932	282,947
Decrease in cash and cash equivalents resulting from change of accounting period of consolidated subsidiaries	—	(406)	—
Cash and cash equivalents at end of year (Note 15)	¥30,798	¥30,060	\$289,895

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of TOSHIBA MACHINE CO., LTD. (the "Company") and its consolidated subsidiaries (collectively, the Companies) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the fiscal year end and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside of Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

2. Summary of Significant Accounting Policies

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements include the accounts of the Companies.

All significant intercompany transactions and accounts and unrealized intercompany profits among consolidated entities are eliminated in consolidation.

Investments in affiliates (15 to 50 percent-owned companies) in which the Company has the ability to exercise significant influence, except immaterial investments, are accounted for using the equity method.

Unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost.

(b) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, except for those perfectly hedged by forward contracts, which are translated using the contracted rate.

The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign exchange derivatives.

All assets and liabilities of foreign consolidated subsidiaries are translated at the current rates at the respective balance sheet dates, except for components of shareholders' equity which are translated at their historical rates. The revenue and expense accounts of foreign consolidated subsidiaries are translated at the current rates at the respective balance sheet dates. Differences arising from translation are recognized directly in foreign currency translation adjustments in net assets.

(c) Securities

Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of income taxes, directly included in net assets.

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(d) Inventories

Finished products and work in process are stated at the lower of cost, determined by the individual identification method, or their net realizable value. Raw materials and supplies are stated at the lower of cost, determined by the moving average method, or their net realizable value.

(e) Allowance for doubtful receivables

The allowance for doubtful receivables is stated at the amount determined based on the default ratio sustained over a specific period in the past and the estimated uncollectible amount determined based on the analysis of certain individual accounts, including probable bad debt and claims in bankruptcy.

(f) Warranty reserve

Warranty reserve is provided for warranty costs to be incurred during the warranty period based

on historical experience.

(g) Employee bonuses

The bonuses to the employees are paid twice a year and accrued based on the estimated amounts incurred and to be paid in the subsequent period.

(h) Depreciation of property, plant and equipment (excluding leased assets)

Depreciation of buildings is principally computed by the straight-line method, facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 is computed by the straight-line method and depreciation of other property, plant and equipment is computed by the declining balance method over the estimated useful lives of respective assets, principally ranging from 3 to 60 years for buildings and structures, and from 3 to 22 years for machinery, equipment and vehicles.

(i) Amortization of intangible assets

Computer software held for internal use is amortized by the straight-line method over the corresponding economic useful life (5 years). Other intangible assets, including patent rights, are amortized by the straight-line method over the estimated useful lives of respective assets.

(j) Leased assets

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated by the straight-line method over the lease term with no residual value.

(k) Derivative financial instruments

All derivatives are stated at fair value. Gains or losses arising from changes in fair value are charged or credited to income for the period in which they arise, except for derivatives that are designated as hedging instruments. Gains or losses arising from changes in fair value of the derivatives designated as cash flow hedging instruments, net of the applicable income taxes, are reported as a component of net assets.

(l) Income taxes

The Companies accrue current income taxes based on taxable income.

The Companies recognize a number of temporary differences for financial reporting purposes, which, in the case of expenses, are not currently deductible and in the case of income, are not currently taxable.

Income tax effects on such temporary differ-

ences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(m) Employees' retirement benefits

Accrued employees' retirement benefits are provided based on the projected retirement benefit obligation and the fair value of plan assets at fiscal year-end.

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized in the following year in which the gain or loss is recognized primarily by the straight-line method over a period (10 years), which is shorter than the average remaining years of service of the employees.

(n) Directors' retirement benefits

Domestic consolidated subsidiaries accrue an estimated amount calculated in accordance with internal rules for retirement benefits for directors and corporate auditors.

(o) Amounts per share of common stock

Net income per share is computed based on the weighted-average number of shares of common stock outstanding during a year.

Diluted net income per share is not presented since the Company has never issued any securities with dilutive effect, such as bonds with warrants and convertible bonds. Cash dividends per share represent the actual amount declared as applicable to the respective years.

(p) Cash equivalents

In preparing the consolidated statement of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

3. U.S. Dollar Amounts

U.S. dollar amounts are included solely for the convenience of the readers and have been translated at the rate of ¥106.24=U.S.\$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2018. This translation should not be construed as a representation that the yen amounts actually represent, have been, or could be converted into U.S. dollars.

**4. Accounting Standards Issued But Not Yet Effective
Implementation Guidance on Tax Effect Accounting
(ASBJ Guidance No.28 on February 16, 2018)
Implementation Guidance on Recoverability of Deferred Tax Assets
(ASBJ Guidance No.26, revised on February 16, 2018)**

(a) Outline

The accounting treatment for taxable temporary differences related to investments in subsidiaries when an entity prepares separate financial statements was modified. In addition, the accounting treatment related to the recoverability of deferred tax assets in entities that qualify as Category 1 was clarified.

(b) Scheduled date of adoption

This implementation guidance will be applied from April 1, 2018.

(c) Impacts of the adoption of implementation guidance

The impacts on the Company's consolidated financial statements from the adoption of this Implementation Guidance on Tax Effect Accounting and Implementation Guidance on Recoverability of Deferred Tax Assets are being evaluated at the time of the preparation of consolidated financial statements.

**Accounting Standard for Revenue Recognition
(ASBJ Statement No.29 on March 30, 2018)
Implementation Guidance on Accounting Standard for Revenue Recognition
(ASBJ Guidance No.30 on March 30, 2018)**

(a) Outline

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

- ① : Identify the contract(s) with a customer
- ② : Identify the performance obligations in the contract
- ③ : Determine the transaction price
- ④ : Allocate the transaction price to the performance obligations in the contract
- ⑤ : Recognize revenue when (or as) the entity satisfies a performance obligation

(b) Scheduled date of adoption

This accounting standard and implementation guidance will be applied from April 1, 2021.

(c) Impacts of the adoption of accounting standard and implementation guidance

The impacts on the Company's consolidated financial statements from the adoption of this Accounting Standard for Revenue Recognition and Implementation Guidance on Accounting Standard for Revenue Recognition are being evaluated at the time of the preparation of consolidated financial statements.

5. Property, Plant and Equipment

Property, plant and equipment at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Land	¥6,450	¥6,439	\$60,714
Buildings and structures	39,227	36,285	369,233
Machinery and equipment	24,024	25,000	226,136
Vehicles	314	320	2,960
Tools, furniture and fixtures	7,321	7,114	68,913
Lease assets	209	227	1,970
Construction in progress	105	2,603	994
Sub total	77,652	77,990	730,920
Less accumulated depreciation	(56,347)	(56,864)	(530,383)
Property, plant and equipment, net	¥21,305	¥21,125	\$200,537

Depreciation expenses for the years ended March 31, 2018 and 2017 were ¥2,049 million (\$19,296 thousand) and ¥1,730 million, respectively.

6. Intangible Assets

Intangible assets at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Others	¥740	¥749	\$6,969
Total	¥740	¥749	\$6,969

7. Contingent Liabilities

As of March 31, 2018, contingent liabilities for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥1,083 million (\$10,202 thousand).

8. Commitment Line

The Company has concluded commitment line contracts with three financial institutions in order to ensure that it can safely and flexibly meet any demand for funds. The balance of unused committed lines under these contracts at the end of the fiscal year was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total amount of commitment line	¥10,000	¥10,000	\$94,127
Funds borrowed	—	—	—
Unused amount	¥10,000	¥10,000	\$94,127

9. Treatment of notes matured at the end of the fiscal year

Since the final day of the fiscal year falls on a holiday of financial institutions, the method is applied where settlement of notes matured at the end of the fiscal year are accounted for on their clearing day.

Accordingly, the following notes matured at the end of the fiscal year are included in the consolidated balance sheet at the end of the fiscal year:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Notes and accounts receivable, trade	¥858	¥—	\$8,078
Notes and accounts payable, trade	31	—	296

10. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Sales commission	¥2,448	¥1,912	\$23,044
Shipping expenses	3,814	3,649	35,901
Provision for warranty reserve	507	442	4,772
Personnel-expenses	11,456	11,256	107,833
Retirement benefit expenses	672	692	6,329
Depreciation	718	665	6,765
Rent expenses	755	750	7,109
Travel expenses	1,272	1,236	11,981
Research and development expenses	1,258	1,032	11,842
Subcontract expenses	612	576	5,764
Others	4,994	5,288	47,013
Total	¥28,509	¥27,503	\$268,352

11. Research and Development Costs

Research and development costs charged to income were ¥1,899 million (\$17,876 thousand) and ¥1,648 million for the years ended March 31, 2018 and 2017, respectively.

12. Loss on Impairment of Fixed Assets

Grouping of assets is based on the business units, except for idle assets, which are grouped individually.

The Company wrote down the carrying amount of idle assets to the recoverable amount and recognized loss on impairment of fixed assets ¥1 million (\$12 thousand) in the consolidated statement of income for the year ended March 31, 2018.

The recoverable amount of the assets is measured at the net selling value, which is calculated based on the land tax assessments.

The loss on impairment of fixed assets for the year ended March 31, 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Ishioka, Ibaraki, Japan:			
Idle property			
Land	¥1	¥—	\$12
Total	¥1	¥—	\$12

13. Shareholders' Equity

The Corporation Law of Japan (the "Law"), which went into effect on May 1, 2006, provides that an amount equal to 10% of the amount to be distributed as distribution of additional paid in capital (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and legal reserve, respectively, until the sum of the capital reserve and legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

14. Other Comprehensive Income

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrealized holding gain (loss) on securities:			
Current period changes in unrealized gain (loss)	¥675	¥430	\$6,360
Reclassification adjustment	(16)	(0)	(156)
Total unrealized holding gain (loss) on securities before tax effects	659	430	6,204
Tax effects	(194)	(122)	(1,833)
Unrealized holding gain (loss) on securities, net of tax effects	464	308	4,371
Deferred gains or losses on hedges			
Current period changes	1	2	10
Total deferred gains or losses on hedges before tax effects	1	2	10
Tax effects	(0)	(0)	(3)
Deferred gains or losses on hedges, net of tax effects	0	1	7
Foreign currency translation adjustments:			
Current period changes	6	(267)	62
Remeasurements of defined benefit plans			
Current period changes in remeasurements of defined benefit plans	97	242	913
Reclassification adjustment	191	226	1,803
Total remeasurements of defined benefit plans before tax effect	288	468	2,716
Tax effects	—	—	—
Remeasurements of defined benefit plans, net of tax effects	288	468	2,716
Share of other comprehensive income of affiliates accounted for using equity method			
Current period changes	12	(19)	119
Total other comprehensive income (loss)	¥772	¥492	\$7,276

15. Cash Flow Information

(a) Cash and Cash Equivalents

The reconciliation between cash and time deposits in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and time deposits	¥30,394	¥29,914	\$286,091
Marketable securities	404	146	3,804
Cash and cash equivalents	¥30,798	¥30,060	\$289,895

(b) Significant non-cash transactions

Significant non-cash transactions for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cancellation of treasury stocks	¥9,530	¥—	\$89,708

16. Leases

This disclosure has been omitted for the year ended March 31, 2018 based on materiality.

17. Financial Instruments

Overview

(a) Policy for financial instruments

The Companies invest in short-term deposits for fund management, where temporary cash surplus is invested in low-risk financial instruments. The Companies raise funds through bank borrowings. The Companies use derivatives only to reduce risk, and do not enter into derivative transactions for speculative trading purposes.

(b) Financial instruments, related risk and risk management system

Operating receivables, such as notes and accounts receivable, trade are exposed to customer credit risk. The Companies try to reduce this risk by adhering to their sales management rules. Investments, consisting of marketable securities of corporations, are exposed to stock price fluctuation risk in the market. To address this risk, the Companies review stock prices in every quarter. Operating payables, such as notes and accounts payable, trade are mainly due within six months. Borrowings are mainly used in for normal operations and capital investments. The maturity of borrowings is up to two years from the balance sheet date at the maximum. Certain borrowings are exposed to interest rate fluctuation risks, but these risks are hedged by interest rate swaps.

Derivative transactions consist of interest rate swaps used for the purpose of hedging interest rate fluctuation risk associated with long-term debt, and foreign exchange forward contracts, etc. used for the purpose of hedging foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. These derivative transactions are managed under the internal management policies, to the extent deemed necessary. Note 19, "Derivative Financial Instruments," provides more information on hedge accounting, hedging instruments and methods, hedging policy, hedged items and assessments of hedge effectiveness.

The Finance Department of the Companies prepares and updates its cash flow plan to manage liquidity risk. A part of bank borrowings are subject to terms of financial covenants. If the Companies violate the terms of the financial covenants, the terms of the borrowings may be possibly revised.

The terms of the financial covenants related to a syndicated loan contract (¥4,000 million (\$37,651

thousand) at March 31, 2018) are as follows:

- ① At March 31 and September 30 every year, the Company must maintain net assets in the consolidated balance sheet over ¥53,325 million (\$501,930 thousand).
- ② In the consolidated statement of income for the fiscal year ending March 31, the Company must not record operating loss for two consecutive years.

(c) Supplemental information on the fair value of financial instruments

Fair value of financial instruments is calculated based on market prices, or by using reasonable estimates when market prices are not available. These estimates include variable factors, and are subject to fluctuation due to a change in underlying assumptions. The contract amounts of derivatives presented in Note 19, "Derivative Financial Instruments," below do not represent the actual market risk associated with derivative transactions.

Fair value of financial instruments

Carrying value of financial instruments as of March 31, 2018 and 2017, and their fair value were as follows: (Financial instruments whose fair value was extremely difficult to determine were not included.)

	Millions of yen					
	2018			2017		
	Carrying value	Fairvalue	Difference	Carrying value	Fair value	Difference
Cash and deposits	¥30,394	¥30,394	¥—	¥29,914	¥29,914	¥—
Notes and accounts receivable, trade	38,531	38,531	0	39,444	39,448	4
Marketable securities and investment securities	18,206	20,501	2,295	15,980	19,130	3,149
Total assets	¥87,132	¥89,428	¥2,295	¥85,338	¥88,492	¥3,154
Short-term bank loans	¥14,390	¥14,390	¥—	¥10,590	¥10,590	¥—
Notes and accounts payable, trade	29,835	29,835	—	26,097	26,097	—
Long-term debt	—	—	—	4,300	4,306	6
Total liabilities	¥44,225	¥44,225	¥—	¥40,987	¥40,994	¥6
Derivatives	¥(16)	¥(16)	¥—	¥(42)	¥(42)	¥—

	Thousands of U.S. dollars		
	2018		
	Carrying value	Fairvalue	Difference
Cash and deposits	\$286,091	\$286,091	\$—
Notes and accounts receivable, trade	362,682	362,687	5
Marketable securities and investment securities	171,374	192,978	21,604
Total assets	\$820,147	\$841,755	\$21,609
Short-term bank loans	\$135,448	\$135,448	\$—
Notes and accounts payable, trade	280,833	280,833	—
Long-term debt	—	—	—
Total liabilities	\$416,281	\$416,281	\$—
Derivatives	\$(152)	\$(152)	\$—

Note : Derivatives are presented as net amounts receivable or payable with net amounts payable in parentheses.

(a) Method for calculating fair value of financial instruments, short-term investments and derivative transactions

① Cash and deposits

The carrying value approximates fair value because these are due within the short-term.

② Notes and accounts receivable, trade

The fair value of notes and accounts receivable, trade is classified based on certain terms and discounted using interest rate which reflects credit risk.

③ Marketable securities and investment securities

For negotiable certificates of deposit, the carrying value approximates fair value because these are due within the short-term.

Investment securities are based on quoted market prices.

④ Short-term bank loans; ⑤ Notes and accounts payable, trade

The carrying value approximates fair value because these are due within the short-term.

⑥ Long-term debt

The fair value of long-term debt is determined based on the present value of the principal and interest, discounted by the interest rate that would be applied if similar new borrowings were entered into.

⑦ Derivatives

Please refer to Note 19, "Derivative Financial Instruments,"

(b) Financial instruments whose fair value was extremely difficult to determine at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Investment securities for which the market prices are not available	¥452	¥512	\$4,258

Market prices are not available for these items, or the cost of estimating future cash flow is considered prohibitive. As a result, these items are not included in ③Marketable securities and investment securities in the above table, because their fair value is not readily determinable.

(c) The aggregate annual maturities of financial assets at March 31, 2018 and 2017 were as follows:

	Millions of yen							
	2018				2017			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥30,387	¥—	¥—	¥—	¥29,840	¥—	¥—	¥—
Notes and accounts receivable, trade	38,508	22	—	—	37,824	1,619	—	—
Marketable securities and investment securities:								
Negotiable certificates of deposit	404	—	—	—	146	—	—	—
Total	¥69,300	¥22	¥—	¥—	¥67,810	¥1,619	¥—	¥—

	Thousands of U.S. dollars			
	2018			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$286,026	\$—	\$—	\$—
Notes and accounts receivable, trade	362,469	213	—	—
Marketable securities and investment securities:				
Negotiable certificates of deposit	3,804	—	—	—
Total	\$652,299	\$213	\$—	\$—

(d) Annual maturities of short-term bank loans and long-term debt

Year ended March 31, 2018

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	¥14,390	¥—	¥—	¥—	¥—	¥—
Long-term debt	—	—	—	—	—	—
Total	¥14,390	¥—	¥—	¥—	¥—	¥—

Year ended March 31, 2017

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	¥10,090	¥—	¥—	¥—	¥—	¥—
Long-term debt	500	4,300	—	—	—	—
Total	¥10,590	¥4,300	¥—	¥—	¥—	¥—

Year ended March 31, 2018

	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term bank loans	\$135,448	\$—	\$—	\$—	\$—	\$—
Long-term debt	—	—	—	—	—	—
Total	\$135,448	\$—	\$—	\$—	\$—	\$—

18. Securities

Information regarding marketable securities classified as other securities included in investment securities were as follows:

	Millions of yen					
	2018			2017		
	Acquisition cost	Carrying value	Unrealized gains	Acquisition cost	Carrying value	Unrealized gains
Equity securities	¥2,696	¥7,887	¥5,190	¥2,206	¥6,737	¥4,531
	¥2,696	¥7,887	¥5,190	¥2,206	¥6,737	¥4,531

	Thousands of U.S. dollars		
	2018		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	\$25,385	\$74,245	\$48,860
	\$25,385	\$74,245	\$48,860

Proceeds from sales and gain on sales of marketable equity securities classified as other securities were ¥25 (\$239 thousand) million and ¥16 million (\$156 thousand) for the year ended March 31, 2018, and ¥0 million and ¥0 million for the year ended March 31, 2017, respectively.

Negotiable certificates of deposit classified as non-marketable securities totaled ¥404 million (\$3,804 thousand) and ¥146 million as of March 31, 2018 and 2017, respectively. Non-marketable equity securities classified as other securities primarily consist of ¥120 million (\$1,137 thousand) and ¥120 million as of March 31, 2018 and 2017, respectively.

19. Derivative Financial Instruments

The Companies have entered into derivative transactions (foreign exchange contracts, interest rate swaps and currency option transactions) in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and in interest rates. The Company does not hold or issue derivative financial instruments for the purpose of speculative trading. Derivative transactions are entered into by the Finance Department under the rules approved by the Board of Directors. Derivative transactions are evaluated by the Corporate Auditing Office.

Derivatives not designated as hedging instruments at March 31, 2018 and 2017 were as follows:

① Foreign exchange contracts

		Millions of yen							
		2018				2017			
Hedged item		Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Appropriated accounting for foreign currency									
Foreign exchange contracts:									
Sell:									
U.S. dollars	Accounts receivable	¥22	¥—	¥0	¥0	¥—	¥—	¥—	¥—
Buy:									
Japanese yen	Accounts payable	1,153	—	(21)	(21)	787	—	(45)	(45)
Total		¥1,175	¥—	¥(20)	¥(20)	¥787	¥—	¥(45)	¥(45)

		Thousands of U.S. dollars			
		2018			
Hedged item		Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Appropriated accounting for foreign currency					
Foreign exchange contracts:					
Sell:					
U.S. dollars	Accounts receivable	\$208	\$—	\$9	\$9
Buy:					
Japanese yen	Accounts payable	10,858	—	(198)	(198)
Total		\$11,067	\$—	\$(189)	\$(189)

Derivatives designated as hedging instruments at March 31, 2018 and 2017 were as follows:

① Foreign exchange contract, etc.

		Millions of yen					
		2018			2017		
Hedged item	Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value	
Accounting in principle							
Foreign exchange contracts:							
Sell:							
U.S. dollars	Accounts receivable	¥193	¥—	¥3	¥2,941	¥—	¥2
Appropriated accounting for foreign currency							
Foreign exchange contracts:							
Sell:							
U.S. dollars	Accounts receivable	2,830	—	*	4,071	—	*
Total		¥3,024	¥—	¥3	¥7,012	¥—	¥2

		Thousands of U.S. dollars		
		2018		
Hedged item	Contract amount	Contract amount due after one year	Fair value	
Accounting in principle				
Foreign exchange contracts:				
Sell:				
U.S. dollars	Accounts receivable	\$1,820	\$—	\$37
Appropriated accounting for foreign currency				
Foreign exchange contracts:				
Sell:				
U.S. dollars	Accounts receivable	\$26,647	—	*
Total		\$28,467	\$—	\$37

Note : Foreign exchange contracts are accounted for using the appropriation method as part of the accounts receivable. Therefore the fair value of foreign exchange contracts is included in the fair value of the underlying accounts receivable.

② Interest rate swaps

		Millions of yen				
		2018			2017	
Hedged item	Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value
Special treatment						
Interest rate swap:						
Floating rate receipt, fixed rate payment	Short-term debt	¥4,000	¥—	¥—	¥—	¥—
	Long-term debt	¥—	¥—	¥—	¥4,500	¥4,000
						¥—

	Thousands of U.S. dollars		
	2018		
Hedged item	Contract amount	Contract amount due after one year	Fair value
Special treatment			
Interest rate swap:			
Floating rate receipt, fixed rate payment	Short-term debt	\$37,651	\$—
		\$—	\$—

Interest rate swaps are accounted for as part of the short-term debt or long-term debt. Therefore the fair value of the swaps is included in the fair value of the underlying short-term debt or long-term debt.

20. Employees' Retirement Benefits

(a) Overview

The Company and certain subsidiaries have funded defined benefit plans, i.e, lump-sum payment plans and defined benefit pension plans, and defined contribution plans for employees.

Certain domestic subsidiaries participate in multiemployer pension plans. Multiemployer pension plans, in which pension assets belonging to the Companies are not reasonably determinable, are accounted for as if those are defined contribution plans.

Certain domestic consolidated subsidiaries have adopted the simplified method in calculating their projected benefit obligation.

(b) Defined benefit plans

- ① The changes in the retirement benefit obligation during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Retirement benefit obligation at beginning of year	¥13,878	¥13,790	\$130,630
Service cost	921	966	8,678
Interest cost	0	0	7
Actuarial gain or loss	(5)	(243)	(47)
Retirement benefit paid	(654)	(636)	(6,157)
Retirement benefit obligation at end of year	¥14,141	¥13,878	\$133,110

- ② The changes in pension plan assets during the year ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Pension plan assets at beginning of year	¥4,634	¥4,564	\$43,618
Expected return on pension plan assets	92	91	872
Actuarial gain or loss	92	(1)	866
Contribution by the Companies	198	197	1,869
Retirement benefit paid	(187)	(218)	(1,769)
Pension plan assets at end of year	¥4,829	¥4,634	\$45,457

- ③ The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligation	¥4,639	¥4,552	\$43,673
Pension plan assets at fair value	(4,829)	(4,634)	(45,457)
	(189)	(81)	(1,784)
Unfunded retirement benefit obligation	9,501	9,325	89,437
Net retirement benefit liability recognized in the consolidated balance sheet	9,312	9,244	87,653
Retirement benefit liability	9,312	9,244	87,653
Net retirement benefit liability recognized in the consolidated balance sheet	¥9,312	¥9,244	\$87,653

- ④ The components of retirement benefit expense for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥921	¥966	\$8,678
Interest assets	0	0	7
Expected return on pension assets	(92)	(91)	(872)
Actuarial gain or loss	191	226	1,803
Retirement benefit expense	¥1,021	¥1,101	\$9,615

- ⑤ Remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial gain or loss	¥288	¥468	\$2,716
Total	¥288	¥468	\$2,716

- ⑥ Remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized actuarial loss	¥1,065	¥1,354	\$10,033
Total	¥1,065	¥1,354	\$10,033

- ⑦ The fair value of pension plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 were as follows:

	2018	2017
Domestic bonds	52%	52%
Domestic equity securities	13	13
Foreign bonds	11	11
Foreign equity securities	14	14
Insurance assets (General accounts)	8	8
Other	2	2
Total	<u>100%</u>	<u>100%</u>

The expected return on pension plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

- ⑧ The assumptions used in accounting for the above plans were as follows:

	2018	2017
Discount rate	0.0%	0.0%
Expected rate of return on pension plan assets	1.8	2.0
Expected rate of salary increase	9.4	9.4

The expected rate of salary increase was the rate of increase points calculated using the age specific index of the expected rate of salary increase under the retirement benefits point system.

(c) Defined contribution plans

The required contributions to defined contribution plans of the Company and certain domestic consolidated subsidiaries for the years ended March 31, 2018 and 2017 were ¥170 million (\$1,601 thousand) and ¥169 million, respectively.

(d) Multiemployer pension plans

The required contributions to the multiemployer pension plans for the years ended March 31, 2018 and 2017 were ¥32 million (\$301 thousand) and ¥37 million, respectively.

- ① Funded status of the multiemployer pension plans as of the most recent calculation dates

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Amount of pension assets	¥127,443	¥122,897	\$1,199,584
Total amount of actuarial obligations and minimum reserve in the pension financial calculation (Note)	149,315	152,503	1,405,453
Difference	<u>¥(21,871)</u>	<u>¥(29,605)</u>	<u>\$ (205,870)</u>

Note : This item was presented as “Amount of obligations” in the previous fiscal year.

- ② The Companies’ portion of contributions in multiemployer pension plans

	2018	2017
The Companies’ portion in the total contributions of the multiemployer plans	0.623%	0.630%

The difference above was principally attributable to the differences in retained earnings of ¥6,159 million (\$57,978 thousand) and ¥(112,802) million in the pension financial calculation, at March 31, 2018 and 2017, respectively special reserve of ¥(7,646) million (\$ (71,974) thousand) and ¥105,156 million at March 31, 2018 and 2017 and unrecognized prior service cost of ¥20,384 million (\$191,874 thousand) and ¥21,959 million at March 31, 2018 and 2017, respectively.

Prior service cost of the plans is amortized by the straight-line method over 20 years. The Companies paid and recognized premium contributions of ¥31 million (\$294 thousand) and ¥32 million for amortization of prior service cost in the consolidated financial statements for the years ended March 31, 2018 and 2017, respectively.

The Companies' portion of contributions described above was not equal to the actual share to be allocated to the Companies.

21. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries generally comprise corporation, enterprise and prefectural and municipal inhabitants taxes. The statutory tax rates for the years ended March 31, 2018 and 2017 were approximately 30.2% and 30.2%, respectively.

The reconciliation between the statutory tax rate and effective tax rate for the years ended March 31, 2018 and 2017 were as follows:

	2018	2017
Statutory tax rate	30.2%	30.2%
Per-capita portion of inhabitant tax	0.5	1.1
Permanently non-deductible expenses	0.7	0.7
Permanently non-taxable revenue such as dividends income	(0.9)	(0.6)
Change in valuation allowance	(0.3)	5.0
Effects of elimination in consolidation	(1.6)	14.4
Difference in statutory tax rates for foreign subsidiaries	(0.2)	1.6
Others	(1.5)	(2.8)
Effective tax rate	<u>26.9%</u>	<u>49.6%</u>

The significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Allowance for doubtful receivables	¥37	¥47	\$351
Net defined benefit liability	2,492	2,384	23,461
Devaluation of inventories	755	650	7,110
Unrealized intercompany profit on inventories	551	504	5,191
Accrued employee's bonuses	612	577	5,764
Devaluation of securities	330	328	3,106
Enterprise taxes payable	105	89	988
Other	1,647	1,707	15,508
Total deferred tax assets	¥6,531	¥6,290	\$61,479
Valuation allowance	(2,460)	(2,479)	(23,159)
Net deferred tax assets	¥4,071	¥3,810	\$38,319
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	(98)	(103)	(931)
Unrealized holding gain on securities	(1,515)	(1,320)	(14,266)
Asset retirement obligations	(6)	(6)	(58)
Foreign consolidated subsidiaries' retained earnings	(688)	(599)	(6,479)
Affiliates' retained earnings accounted for using equity method	(1,302)	(1,181)	(12,260)
Enterprise taxes receivable	—	(13)	—
Others	(28)	(0)	(266)
Total deferred tax liabilities	¥(3,639)	¥(3,226)	\$(34,259)
Net deferred tax assets	¥431	¥584	\$4,061

Net deferred tax is included in the following accounts:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current assets – Deferred tax assets	¥2,922	¥2,772	\$27,506
Investments and other assets – Deferred tax assets	91	87	864
Current liabilities – Deferred tax liabilities	—	—	—
Long-term liabilities – Deferred tax liabilities	2,582	2,275	24,309

22. Asset Retirement Obligations

This disclosure has been omitted for the year ended March 31, 2018 based on materiality.

23. Rental Property

This disclosure has been omitted for the year ended March 31, 2018 based on materiality.

24. Segment Information

(a) General information about reportable segments

The reportable segments of the Companies are the business units for which the Company is able to obtain respective financial information separately in order for Board of Directors to conduct periodic assessments to determine distribution of management resources and evaluate their business results.

The Companies' business is classified into certain segments based on the types of products and services. The Companies' segments are categorized into the following two reportable segments: "Molding Machinery" and "Machine Tools" based on the similarities of the economic nature, type of business and manufacturing method:

Molding Machinery: Injection molding machines, Die casting machines, Plastic extrusion

Machine Tools: Large size machine tools, Portal type machine tools, Machining centers, Horizontal boring machines, High-precision machines

(b) Basis of measurement for reportable segment profit or loss, segment assets and other material items

The accounting treatment for the reportable business segments is generally the same as described in Note 2, "Summary of Significant Accounting Policies." Reportable segment income is calculated on the basis of operating income. The prices of intersegment transactions and transfers are calculated based on the market prices.

(c) Reportable segment information

Reportable segment information of the Companies for the years ended March 31, 2018 and 2017 was as follows:

Year ended March 31, 2018	Millions of yen						
	Reportable segments			Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Sub total				
Net sales:							
External customers	¥80,265	¥23,700	¥103,965	¥12,896	¥116,862	¥—	¥116,862
Inter-segment	—	7	7	2,937	2,944	(2,944)	—
Total	80,265	23,708	103,973	15,833	119,807	(2,944)	116,862
Segment income	¥4,659	¥(1,130)	¥3,529	¥1,005	¥4,534	¥106	¥4,640
Segment assets	¥82,232	¥34,889	¥117,122	¥21,401	¥138,523	¥12,709	¥151,232
Others							
Depreciation	¥1,062	¥714	¥1,777	¥272	¥2,049	¥—	¥2,049
Capital expenditures	781	3,606	4,388	299	4,687	—	4,687

Year ended March 31, 2017

Millions of yen

	Reportable segments			Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Sub total				
Net sales:							
External customers	¥71,831	¥29,469	¥101,301	¥10,026	¥111,327	¥—	¥111,327
Inter-segment	—	265	265	2,629	2,895	(2,895)	—
Total	71,831	29,735	101,566	12,655	114,222	(2,895)	111,327
Segment income	¥3,525	¥422	¥3,948	¥402	¥4,351	¥122	¥4,473
Segment assets	¥72,916	¥38,216	¥111,132	¥18,427	¥129,560	¥10,969	¥140,530
Others							
Depreciation	¥1,092	¥446	¥1,538	¥191	¥1,730	¥—	¥1,730
Capital expenditures	483	201	685	650	1,335	—	1,335

Year ended March 31, 2018

Thousands of U.S. dollars

	Reportable segments			Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Sub total				
Net sales:							
External customers	\$755,510	\$223,081	\$978,591	\$121,392	\$1,099,984	\$—	\$1,099,984
Inter-segment	—	75	75	27,645	27,720	(27,720)	—
Total	755,510	223,156	978,666	149,038	1,127,704	(27,720)	1,099,984
Segment income	\$43,862	\$(10,644)	\$33,219	\$9,460	\$42,679	\$999	\$43,678
Segment assets	\$774,023	\$328,407	\$1,102,430	\$201,444	\$1,303,874	\$119,629	\$1,423,503
Others							
Depreciation	\$10,005	\$6,727	\$16,732	\$2,564	\$19,296	\$—	\$19,296
Capital expenditures	7,359	33,946	41,304	2,817	44,122	—	44,122

Note : “Other products” is a business segment that is not included in the reportable segments. It included business activities related to industrial robots and electronic controls, etc.

(d) Difference between total reportable segments and consolidated financial statements

The main differences between total reportable segments and consolidated financial statements for the years ended March 31, 2018 and 2017 were as follows:

Sales	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total reportable segments	¥103,973	¥101,566	\$978,666
Other products	15,833	12,655	149,038
Eliminations	(2,944)	(2,895)	(27,720)
Net sales in the consolidated financial statements	¥116,862	¥111,327	\$1,099,984

Income	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total reportable segments	¥3,529	¥3,948	\$33,219
Other products	1,005	402	9,460
Eliminations	106	122	999
Operating income in the consolidated financial statements	¥4,640	¥4,473	\$43,678

Assets	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total reportable segments	¥117,122	¥111,132	\$1,102,430
Other products	21,401	18,427	201,444
Company-wide assets	13,097	11,343	123,279
Eliminations	(387)	(374)	(3,650)
Net assets in the consolidated financial statements	¥151,232	¥140,530	\$1,423,503

Note : Company-wide assets are mainly cash and cash equivalents, securities and investment securities that are not allocated to the reportable segments.

(e) Other information

① Information about products and services

Information about products and services is not disclosed because reportable segment information is based on products and services.

② Information about geographical areas

Sales information by country or geographical areas for the years ended March 31, 2018 and 2017 was as follows:

Millions of yen					
2018					
Japan	United States	China	Other Asia	Other	Total
¥46,356	¥13,521	¥28,099	¥22,396	¥6,487	¥116,862

Millions of yen					
2017					
Japan	United States	China	Other Asia	Other	Total
¥47,811	¥15,023	¥20,481	¥21,058	¥6,952	¥111,327

Thousands of U.S. dollars					
2018					
Japan	United States	China	Other Asia	Other	Total
\$436,342	\$127,277	\$264,491	\$210,813	\$61,061	\$1,099,984

Note : Sales figures are classified based on customer locations.

Property, plant and equipment information by country or geographical areas as of March 31, 2018 and 2017 was as follows:

Millions of yen			
2018			
Japan	North America	Asia	Total
¥18,672	¥198	¥2,433	¥21,305

Millions of yen			
2017			
Japan	North America	Asia	Total
¥18,423	¥198	¥2,504	¥21,125

Thousands of U.S. dollars			
2018			
Japan	North America	Asia	Total
\$175,757	\$1,872	\$22,908	\$200,537

③ Information about major customers

Information about major customers is not disclosed, because net sales to any customer did not exceed 10% of the consolidated net sales for the years ended March 31, 2018 and 2017.

(f) Information about impairment loss on fixed assets for each reportable segment

Information about impairment loss on long-lived assets for the years ended March 31, 2018 was as follows:

Millions of yen				
2018				
Molding Machinery	Machine Tools	Other products	Adjustments	Total
¥—	¥—	¥1	¥—	¥1

Thousands of U.S. dollars				
2018				
Molding Machinery	Machine Tools	Other products	Adjustments	Total
\$—	\$—	\$12	\$—	\$12

There was no applicable matter for the years ended March 31, 2017.

(g) Information about amortization of goodwill and unamortized balance for each reportable segment

Information about amortization of goodwill and unamortized balance as of and for the years ended March 31, 2017 was as follows:

	Millions of yen				
	2017				
	Molding Machinery	Machine Tools	Other products	Adjustments	Total
Amortization of goodwill	¥2,294	¥—	¥—	¥—	¥2,294
Unamortized balance	—	—	—	—	—

There was no amortization of goodwill for the year ended March 31, 2018.

(h) Information about gain on negative goodwill for each reportable segment

There was no applicable matter for the years ended March 31, 2018 and 2017.

25. Related Party Transactions

(a) Transactions with related parties

During the years ended March 31, 2017, the Companies had operating transactions with Toshiba Corporation, a 22.1% shareholder of the Company.

A summary of the significant transactions with Toshiba Corporation for the years ended March 31, 2017 was as follows:

	Millions of yen
	2017
For the years ended March 31:	
Acquisition of treasury stocks	¥15,284
Payment of brand fee	182

Note 1: Based on the resolution by the Board of Directors on March 2, 2017, the Company acquired its treasury stocks through Tokyo Stock Exchange Trading NeTwork System (ToSTNeT-3), via offer transactions during off-hours trading, at the closing stock price on the day before the transaction. As a result, Toshiba Corporation was removed from related parties of the Company.

Note 2: The brand fee rate had been agreed upon prior to the beginning of the respective fiscal years. Transaction amounts are described during the term when Toshiba Corporation was a related party of the Company.

In addition, this disclosure has been omitted for the year ended March 31, 2018 based on materiality.

(b) Summary of financial information for significant affiliate company

During the years ended March 31, 2018 and 2017, the Company's significant affiliate is NuFlare Technology, Inc.

A summary of financial information with NuFlare Technology, Inc. for the years ended March 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total current assets	¥82,117	¥70,932	\$772,939
Total non-current assets	13,116	11,987	123,464
Total current liabilities	28,716	22,087	270,303
Total non-current liabilities	3,471	3,340	32,680
Total net assets	66,516	60,832	626,101
Net sales	41,555	47,702	391,146
Net income before income taxes	9,522	13,127	89,631
Net income	7,063	9,750	66,484

26. Net Income and Net Assets per Share

Net income and net assets per share as of and for the years ended March 31, 2018 and 2017 were as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net income per share	¥41.57	¥11.87	\$0.39
Net assets per share	673.96	638.99	6.34

Basic information for the calculation of net income per share was as follows:

	Thousands of shares		
	2018	2017	
Weighted-average number of shares of common stock	120,686	149,609	

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net income	¥5,016	¥1,776	\$47,218
Net income not applicable to shareholders of common stock	—	—	—
Net income applicable to shareholders of common stock	¥5,016	¥1,776	\$47,218

Basic information for the calculation of net assets per share was as follows:

	Thousands of shares		
	2018	2017	
Number of shares at year-end	120,681	120,689	

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net assets	¥81,334	¥77,120	\$765,577
Non-controlling interests in consolidated subsidiaries	—	—	—
Net assets applicable to shareholders of common stock	¥81,334	¥77,120	\$765,577

27. Short-term Bank Loans and Long-term Debt

The annual interest rates applicable to the short-term bank loans outstanding as of March 31, 2018 and 2017 ranged principally from 0.48% to 0.56% and 0.46% to 0.53%, respectively. Long-term debt as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Loans, principally from Japanese banks and insurance companies: maturing 2018, interest 0.52% - 0.98%	¥4,300	¥4,800	\$40,474
	4,300	4,800	40,474
Less current portion	4,300	500	40,474
	¥—	¥4,300	\$—

The aggregate annual maturities of finance lease obligations at March 31, 2018 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
	2019	¥26
2020	18	177
2021	14	139
2022	12	120
2023 and later	5	55
Total	¥78	\$739

28. Subsequent Event

(a) Cash dividends

The following appropriation of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2018, was approved at the meeting of the Board of Directors held on May 9, 2018:

Cash dividends of ¥7.00 (\$0.07) per share amounting to ¥844 million (\$7,952 thousand)

(b) Share Consolidation and Revision of the Number of Shares per Trading Unit

At its board of directors meeting held on May 16, 2018, the Company resolved to partially amend its Articles of Incorporation for the change in the number of shares constituting one trading unit in accordance with Paragraph 1, Article 195 of the Companies Act of Japan (the “Companies Act”) and resolved to submit the proposal for the consolidation of shares to the 95th annual general meeting of shareholders held on June 22, 2018. The proposal was approved at the said annual general meeting.

1. Change in the Number of Shares constituting One Trading Unit

(1) Purpose of the change

As announced in the “Action Plan for Consolidating Trading Units,” Japan’s stock exchanges aim to standardize the trading units for common shares of all domestic listed companies at 100 shares. As an entity in listed on the Tokyo Stock Exchange, the Company respects the objectives of the plan, and will accordingly change the number of shares constituting one trading unit of the Company’s shares to 100 shares from 1,000 shares currently adopted.

(2) Detail of the change

Change the number of shares per unit from 1,000 shares to 100 shares.

(3) Effective date of the change

October 1, 2018

2. Share Consolidation

(1) Purpose of share consolidation

As described above in “1. Change in the Number of Shares constituting One Trading Unit”, along with the change in the number of shares constituting one trading unit from 1,000 shares to 100 shares, the Company will also consolidate 5 shares into 1 share with the objective of meeting the standard investment unit considered optimal by the stock exchanges (¥50,000 or more and less than ¥500,000), aiming to have the Company’s shares stably held by shareholders and taking consideration of changes in stock prices in the medium to long term.

(2) Details of the share consolidation

① Type of shares to be consolidated:

Common stock

② Method of consolidation and ratio:

The Company shall consolidate the shares on October 1, 2018 at the ratio of 5 shares to 1 share held by the shareholders registered in the final register of shareholders on September 30, 2018 (substantially on September 28, 2018).

③ Total number of authorized shares as of the effective date

72,000,000 shares

Pursuant to provisions in Paragraph 2, Article 182 of the Companies Act, the Articles of Incorporation that amend the total number of shares authorized will be deemed to have changed on the effective date of October 1, 2018.

④ Number of shares to be reduced through the consolidation:

	Shares
Total number of outstanding shares before the consolidation (as of March 31, 2018)	149,885,530
Number of share to be reduced through the consolidation	119,908,424
Total number of outstanding shares after the consolidation	29,977,106

Note : “Number of share to be reduced through the consolidation” and “Total number of outstanding shares after the consolidation” are the theoretical values calculated by multiplying the total number of outstanding shares before the consolidation by the share consolidation ratio.

(3) Treatment of fractional shares

In the case that fractional shares of less than one share arises as a result of the share consolidation, such shares will be disposed in a bulk sale by the Company in accordance with Article 235 of the Companies Act. The proceeds of the said sale will be distributed to the shareholders holding such fractional shares in proportion to their respective fractions.

3. Schedule

May 16, 2018	Resolution at the board of directors meeting
June 22, 2018	Resolution at the 95th annual general meeting of shareholders
September 25, 2018	Last day of trading in 1,000 shares
September 26, 2018	Start day of trading in 100 shares
October 1, 2018	Effective date of share consolidation and change in the number of shares constituting one trading unit

4. Effect on per share information

Assuming that the share consolidation was executed on April 1, 2016, per share information for the years ended March 31, 2017 and 2018 is as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net income per share	¥207.83	¥59.37	\$1.96
Net assets per share	3,369.80	3,194.97	31.72

Independent Auditor's Report



Building a better
working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
TOSHIBA MACHINE Co., Ltd.

We have audited the accompanying consolidated financial statements of TOSHIBA MACHINE Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOSHIBA MACHINE Co., Ltd. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 22, 2018
Tokyo, Japan

Directors & Audit and Supervisory Board Members

Directors Chairman and Chief Executive Officer

Yukio Imura

President and Chief Operating Officer

Takahiro Mikami

Representative Director and Executive Operating Officer

Shigetomo Sakamoto

Director and Senior Managing Executive Officer

Akiyoshi Kobayashi

Director and Managing Executive Officers

Jun Koike

Eiichi Goto

Outside Directors

Yoshihiro Ogura

Kiyoshi Sato

Seigo Iwasaki

Audit and Supervisory Board Members

Teruyuki Makino

Hiroshi Takahashi

Yutaka Usami



TOSHIBA MACHINE CO., LTD.

Numazu Headquarters

2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan

TEL: 81-(0)55-926-5141

FAX: 81-(0)55-925-6501

Tokyo Main Branch

2-2, Uchisaiwaicho 2 Chome, Chiyoda-ku, Tokyo 100-8503, Japan

TEL: 81-(0)3-3509-0200

FAX: 81-(0)3-3509-0333

URL <https://www.toshiba-machine.co.jp/>