TOSHIBA MACHINE

Annual Report 2015

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 fail and robust business activities

Commitment to the Future

By continually developing innovative technologies centening on the field of mechanics, electronics and sysytems, 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

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, hydraulic equipment, 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, 2015)

Company Name:	TOSHIBA MACHINE CO., LTD.
Headquarters:	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
Established:	1938
Capital:	¥12,485 million (US$103,894 thousand)
Shares of Common Stock Issued and Outstanding:	166,885,530 shares
Number of Shareholders:	11,070
Number of Employees:	1,853 (Consolidated: 3,466)

Foreword 2015

The Toshiba Machine Group started its midterm management plan called the “TM AC Plan (Toshiba Machine Adapt to the Change Plan)” on April 1, 2010. With “advancement and expansion” as its fundamental concept, we simultaneously implemented the advancement and expansion strategies. The advancement plan focused on creation of advanced products which could contribute to the new industrial pyramid concerned with energy and the environment. The expansion strategy aimed at revitalization of existing products to expand our market share in the emerging markets which made up the broad base of the current industrial pyramid.

In Japan, the consumption tax rate was raised on April 1, 2014. This led to sluggish consumption causing a drop in economic growth at the beginning of the year. The economy slowly recovered in the second half of the year as export business expanded and corporate revenue increased due to the low yen rate. While the overseas economy was in an upward trend owing to the healthy US economy, the emerging economies in Southeast Asia, China and Thailand in particular, continued to slow down.

Our overall group business rebounded due to the demand for renovation of aging equipment as well as increased demand for capital investment and machine tools from overseas because of the low yen rate. Note however, our business confidence varies with the target market or product.

In this economic climate, the group started its midterm management plan called the “TM AC Plan Advanced II” on April 1, 2014. “Advancement and expansion” continued to be the fundamental concept. Based on this, we implemented a wide variety of measures to increase our global brand strength by developing new products targeting both domestic and international markets, discover new markets, ensure orders, and enhance revenue sources.

As a result, consolidated orders received was ¥124,754 million (US$1,038,146 thousand) with a 3.8% increase from the previous term. Consolidated net sales was ¥124,373 million (US$1,034,975 thousand) with a 10% increase from the previous term.

As for profits and losses, an operating income was ¥4,788 million (US$39,844 thousand) with a 3.5% increase from the previous term and a net income was ¥4,312 million (US$35,882 thousand) with a 3.0% decrease from the previous term.

The dividend for the fiscal year ended March 31, 2014 was ¥8.00 (US$0.07).

While a lower growth rate in some developing countries intensified competition with domestic and international businesses, and sharp rises in procurement prices due to the low yen rate have continued to be a concern, we anticipate recovery of our business environment due to improvement of the domestic economy and increased orders in some regions or for some products in overseas markets.

Under the “TM AC Plan Advanced Ⅲ” initiated on April 1, 2015, “advancement and expansion” continues to be the fundamental concept, and the three sub-concepts, “establishment of brand strength”, “multi-domestic and global governance”, and “promotion of individual globalization” has been added to support the fundamental concept. Based on the combination of the fundamental concept and the sub-concepts, we are working to expand sales and increase the market presence of the group in the prospective global markets.

The marketing strategy has been developed based on the prospect for mid- to long-term market globalization. It includes identification of active markets, concentrating management resources on these markets, and further business globalization in growing markets. Also, as manufacturers and sales representatives, we aim to improve our direct sales capability in order to support diversified customer needs.

The development and technical strategy focuses on creation of new products. “Energy and the environment”, “improvement of labor productivity”, “use of new materials” such as carbon fiber reinforced plastics (CFRP), and “application of the Internet of Things (IoT) technologies” to machines are our group’s important keywords in such product creation. The group is also developing the system engineering business to respond to customer needs which are shifting from “equipment (object)” to “systems (object and activity)”.

The production and procurement strategy is being implemented to Japanese and overseas factories. Machine tools and extrusion machines produced and sold in Japan are regaining price competitiveness due to the low yen rate. At the Japanese factories, we are now producing even more cost-competitive products by improving labor productivity and rearranging the production process. Outside Japan, the low yen rate is working against the injection molding machines and die casting machines produced at overseas factories. In addition to rearrangement of the production process, we at the overseas factories aim to promote further procurement optimization and build a production framework which withstands foreign exchange risks or external variances.

The Toshiba Machine group is committed to exhaustive quality and environmental control, compliant with ISO 9001 and 14001. We are also actively engaging in three key areas: training employees who will lead the future of our group, compliance with laws, and corporate social responsibility programs including social services.

FINANCIAL HIGHLIGHTS (consolidated)

	2015	2014	2013	2012	2011
Net sales	¥124,373	¥113,062	¥120,899	¥119,550	¥95,713
	$1,034,975				
Cost of sales	¥90,734	¥81,481	¥87,294	¥88,312	¥69,997
	$755,047				
Selling, general and	¥28,851	¥26,956	¥25,527	¥23,796	¥21,628
administrative expenses	**$240,084**				
Operating income	¥4,788	¥4,625	¥8,078	¥7,442	¥4,088
	$39,844				
Income before income	¥6,522	¥6,507	¥12,239	¥9,149	¥3,749
taxes and minority interests	**$54,273**				
Income taxes	¥2,210	¥2,063	¥4,348	¥2,428	¥469
	$18,391				
Net income	¥4,312	¥4,444	¥7,891	¥6,721	¥3,280
	$35,882				
Comprehensive income	¥8,748	¥6,893	¥9,468	¥6,840	¥2,410
	$72,796				
Per common share:					
Net income	¥28.36	¥29.23	¥51.91	¥44.21	¥21.57
	$0.24				
Cash dividends	¥8.00	¥7.50	¥9.00	¥9.00	¥4.50
	$0.07				
Total assets	¥161,975	¥148,680	¥142,239	¥142,297	¥131,203
	$1,347,882				
Net assets	¥93,669	¥84,217	¥79,400	¥71,101	¥65,325
	$779,471				
Capital expenditure	¥2,194	¥1,767	¥770	¥1,052	¥2,044
(property, plant and equipment)	**$18,257**				
Depreciation	¥1,966	¥1,841	¥2,065	¥2,276	¥2,322
	$16,360				
R & D Cost	¥1,663	¥1,551	¥1,566	¥1,582	¥1,399
	$13,839				
Number of employees	3,466	3,454	3,197	3,157	3,140

Note1: In millions of yen (thousands of U.S. dollars) except for number of employees and per-share data.
Note2: Yen amounts have been translated into U.S. dollars, for convenience only, at the exchange rate of ¥120.17=U.S.$1. See Note 3 of the Notes to the Consolidated Financial Statements.

Overseas Operations for Fiscal Year Ended March 31,2015

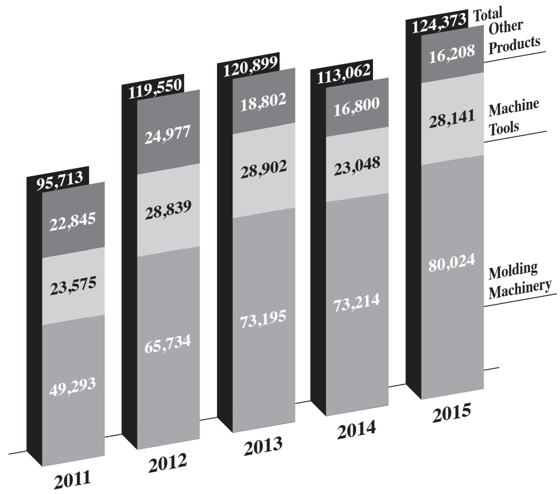
In Japan, the consumption tax was raised in April of the fiscal year ended March 31, 2015. This led to sluggish consumption causing a drop in economic growth at the beginning of the year. The economy slowly recovered in the second half of the year as export business expanded and corporate revenue increased due to the low yen rate. Although the overseas economy is generally in an upward trend owing to the healthy US economy, the emerging economies in Southeast Asia, China and Thailand in particular, continued to slow down.

Amidst the background of such an economic climate, the group started its midterm management plan called the "TM AC Plan Advanced II" in 2014. While "promotion of individual globalization" was added to the concept, "advancement and expansion" continued to be the fundamental concept from the previous consolidated fiscal year. Based on these, we implemented a wide variety of measures to increase our global brand strength by developing new products targeting both domestic and international markets, discover new markets, ensure orders, and enhance revenue sources.

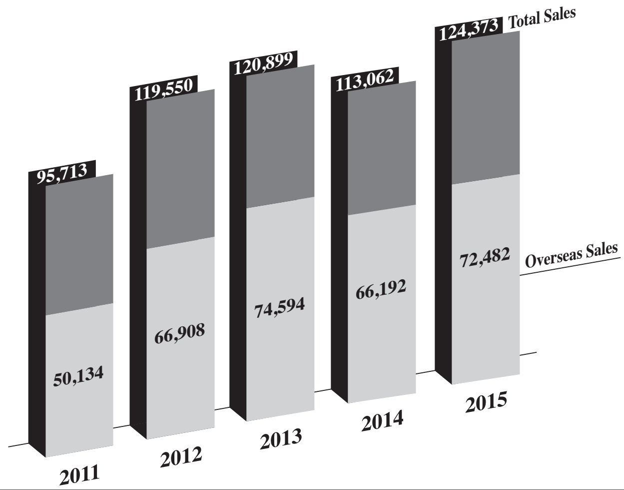
Implementation of the plan stimulated automobile and IT capital investments in China, Southeast Asia, and North America. As a result, the consolidated overseas sales for this term totaled ¥72,482 million (US$603,162 thousand), a 9.5% increase from the previous term.

We started the "TM AC Plan Advanced III" on April 1, 2015. By combining the fundamental concept "advancement and expansion" with the three supporting sub-concepts, "establishment of brand strength", "multi-domestic and global governance", and "promotion of individual globalization", we will generate global brand strength, cultivate the global market, and work with other group companies to become a truly global corporation.

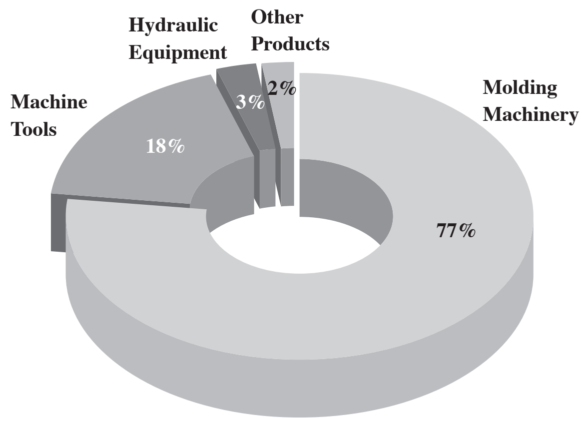
Net Sales
Millions of yen



Total Sales & Overseas Sales
Millions of yen



Export Percentages by Major Products



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Financial Review

CONSOLIDATED BALANCE SHEET

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2015

	Millions of yen		Thousands of U.S. dollars
ASSETS	**2015**	2014	**2015**
Current assets:			
Cash and deposits (Notes 13 and 16)	**¥20,708**	¥21,779	**$172,323**
Marketable securities (Notes 6, 13 and 16)	**19,500**	19,500	**162,270**
Notes and accounts receivable, trade (Note 13)	**43,751**	37,952	**364,076**
Allowance for doubtful receivables	**(131)**	(178)	**(1,090)**
Net receivables	**43,620**	37,774	**362,986**
Inventories:			
Finished products	**9,229**	6,273	**76,800**
Work in process	**22,473**	20,971	**187,010**
Raw materials and supplies	**66**	75	**549**
Total inventories	**31,768**	27,319	**264,359**
Deferred tax assets (Note 15)	**3,376**	2,898	**28,094**
Other current assets (Notes 13 and 14)	**2,765**	2,206	**23,008**
Total current assets	**121,737**	111,476	**1,013,040**
Property, plant and equipment, net (Notes 7 and 12)	**20,715**	21,109	**172,381**
Intangible assets (Note 8)	**3,832**	3,667	**31,888**
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates (Note 13)	**7,098**	5,738	**59,066**
Other securities (Notes 6 and 13)	**7,714**	5,823	**64,192**
Long-term loans	**62**	78	**516**
Deferred tax assets (Note 15)	**86**	60	**716**
Other investments	**731**	729	**6,083**
Total investments and other assets	**15,691**	12,428	**130,573**
Total assets	**¥161,975**	¥148,680	**$1,347,882**

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Current liabilities:			
Short-term bank loans (Notes 9 and 13)	**¥11,913**	¥11,296	**$99,135**
Notes and accounts payable, trade (Note 13)	**28,086**	24,675	**233,719**
Income taxes payable (Note 15)	**1,141**	369	**9,495**
Accrued expenses	**5,238**	5,350	**43,588**
Warranty reserve	**599**	695	**4,985**
Other current liabilities (Note 9)	**5,277**	4,941	**43,912**
Total current liabilities	**52,254**	47,326	**434,834**
Long-term liabilities:			
Long-term debt (Notes 9 and 13)	**5,300**	5,300	**44,104**
Long-term accounts payable, other	**9**	9	**75**
Accrued directors' retirement benefits	**45**	40	**374**
Net retirement benefit liability (Note 10)	**8,106**	10,279	**67,454**
Asset retirement obligations	**47**	46	**391**
Deferred tax liabilities (Note 15)	**2,492**	1,411	**20,737**
Other long-term liabilities (Note 9)	**53**	52	**442**
Total long-term liabilities	**16,052**	17,137	**133,577**
Total liabilities	**68,306**	64,463	**568,411**
Contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity: (Note 21)			
Common stock			
Authorized – 360,000,000 shares			
Issued – 166,885,530 shares	**12,485**	12,485	**103,894**
Additional paid-in capital	**19,601**	19,601	**163,111**
Retained earnings	**64,337**	59,319	**535,383**
Treasury stock, at cost (14,860,750 shares in 2015, 14,856,937 shares in 2014)	**(10,043)**	(10,041)	**(83,573)**
Total shareholders' equity	**86,380**	81,364	**718,815**
Accumulated other comprehensive income			
Unrealized holding gain on securities, net of tax	**4,074**	2,649	**33,902**
Foreign currency translation adjustments	**3,780**	1,601	**31,456**
Remeasurements of defined benefit plans	**(565)**	(1,397)	**(4,702)**
Total accumulated other comprehensive income	**7,289**	2,853	**60,656**
Total net assets	**93,669**	84,217	**779,471**
Total liabilities and net assets	**¥161,975**	¥148,680	**$1,347,882**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net sales	**¥124,373**	¥113,062	**$1,034,975**
Cost of sales (Note 18)	**90,734**	81,481	**755,047**
Gross profit	**33,639**	31,581	**279,928**
Selling, general and administrative expenses (Notes 17 and 18)	**28,851**	26,956	**240,084**
Operating income	**4,788**	4,625	**39,844**
Other income:			
Interest and dividend income	**259**	260	**2,155**
Rent income	**121**	195	**1,007**
Foreign exchange gain	**941**	589	**7,831**
Equity in earnings of affiliates	**1,420**	1,763	**11,817**
Gain on sales of property, plant and equipment	**7**	48	**58**
Gain on sales of investments in other security (Note 6)	**8**	3	**67**
Others	**235**	235	**1,955**
	2,991	3,093	**24,890**
Other expenses and losses:			
Interest expense	**150**	143	**1,248**
Amortization of transitional obligation for employees' retirement benefits (Note 10)	**463**	463	**3,853**
Brand fee expense	**240**	217	**1,997**
Loss on disposal of property, plant and equipment and intangible assets	**24**	26	**200**
Loss on impairment of fixed assets (Note 19)	**10**	—	**83**
Loss on devaluation of investment in unconsolidated subsidiaries	**—**	20	**—**
Others	**370**	342	**3,080**
	1,257	1,211	**10,461**
Income before income taxes and minority interests	**6,522**	6,507	**54,273**
Income taxes (Note 15)			
Current	**2,052**	1,809	**17,076**
Deferred	**158**	254	**1,315**
	2,210	2,063	**18,391**
Net income before minority interests	**4,312**	4,444	**35,882**
Net income	**¥4,312**	¥4,444	**$35,882**

	Yen		U.S. dollars
	2015	2014	**2015**
Net income per share of common stock (Note 23)	**¥28.36**	¥29.23	**$0.24**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net income before minority interests	**¥4,312**	¥4,444	**$35,882**
Other comprehensive income: (Note 20)			
Unrealized holding gain on securities, net of tax	**1,425**	427	**11,858**
Deferred gains or losses on hedge, net of tax	**—**	0	**—**
Foreign currency translation adjustments	**2,179**	2,022	**18,133**
Remeasurements of defined benefit plans	**824**	—	**6,856**
Share of other comprehensive income of affiliates accounted for using equity method	**8**	—	**67**
Total other comprehensive income	**4,436**	2,449	**36,914**
Total comprehensive income	**¥8,748**	¥6,893	**$72,796**
Total comprehensive income attributable to parent company's interest	**8,748**	6,893	**72,796**
Total comprehensive income attributable to minority interests	**¥—**	¥ –	**$—**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2015

	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 hedge, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total net assets
Balance at March 31, 2013	166,885,530	¥12,485	¥19,601	¥56,306	¥(10,040)	¥2,222	¥(0)	¥(1,174)	¥–	¥79,400
Net income				4,444						4,444
Change in scope of consolidation				(215)						(215)
Purchases of treasury stock					(1)					(1)
Cash dividends				(1,216)						(1,216)
Net changes in items other than shareholders' equity						427	0	2,775	(1,397)	1,805
Balance at March 31, 2014	166,885,530	12,485	19,601	59,319	(10,041)	2,649	–	1,601	(1,397)	84,217
Adjustments by accounting policy changes				**1,922**						**1,922**
Balance at March 31, 2014 after adjustments	**166,885,530**	**12,485**	**19,601**	**61,241**	**(10,041)**	**2,649**	**–**	**1,601**	**(1,397)**	**86,139**
Net income				**4,312**						**4,312**
Purchases of treasury stock					**(2)**					**(2)**
Cash dividends				**(1,216)**						**(1,216)**
Net changes in items other than shareholders' equity						**1,425**	**–**	**2,179**	**832**	**4,436**
Balance at March 31, 2015	**166,885,530**	**¥12,485**	**¥19,601**	**¥64,337**	**¥(10,043)**	**¥4,074**	**¥–**	**¥3,780**	**¥(565)**	**¥93,669**

	Thousands of U.S. dollars								
	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on ecurities, net of tax	Deferred gains or losses on hedge, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total net assets
Balance at March 31, 2014	$103,894	$163,111	$493,626	$(83,557)	$22,044	$–	$13,323	$(11,625)	$700,816
Adjustments by accounting policy changes			**15,994**						**15,994**
Balance at March 31, 2014 after adjustments	**103,894**	**163,111**	**509,620**	**(83,557)**	**22,044**	**–**	**13,323**	**(11,625)**	**716,810**
Net income			**35,882**						**35,882**
Purchases of treasury stock				**(16)**					**(16)**
Cash dividends			**(10,119)**						**(10,119)**
Net changes in items other than shareholders' equity					**11,858**	**–**	**18,133**	**6,923**	**36,914**
Balance at March 31, 2015	**$103,894**	**$163,111**	**$535,383**	**$(83,573)**	**$33,902**	**$–**	**$31,456**	**$(4,702)**	**$779,471**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Operating activities:			
Income before income taxes and minority interests	**¥6,522**	¥6,507	**$54,273**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	**1,966**	1,841	**16,360**
Amortization of goodwill	**468**	417	**3,894**
Allowance for doubtful receivables	**(56)**	2	**(466)**
Warranty reserve	**(96)**	90	**(799)**
Employees' retirement benefit	**—**	(8,411)	**—**
Directors' retirement benefit	**5**	(13)	**42**
Net defined benefit liability	**575**	8,940	**4,785**
Interest and dividend income	**(259)**	(260)	**(2,155)**
Interest expense	**150**	143	**1,248**
Gain or loss on sales and disposal of property, plant and equipment and intangible assets	**17**	(22)	**142**
Gain on sales of investments in other securities	**(8)**	(3)	**(67)**
Equity in earnings of affiliates	**(1,420)**	(1,763)	**(11,817)**
Loss on impairment of fixed assets	**10**	—	**83**
Changes in operating assets and liabilities:			
Notes and accounts receivable, trade	**(5,799)**	2,246	**(48,257)**
Inventories	**(4,449)**	(3,085)	**(37,023)**
Notes and accounts payable, trade	**3,411**	2,205	**28,385**
Advances received	**190**	(1,369)	**1,581**
Accrued expenses	**(111)**	(270)	**(924)**
Long-term accounts payable, other	**—**	(6)	**—**
Others	**(579)**	(364)	**(4,816)**
Sub total	**537**	6,825	**4,469**
Interest and dividend income received	**440**	405	**3,661**
Interest paid	**(151)**	(152)	**(1,257)**
Income taxes paid	**(1,284)**	(4,054)	**(10,684)**
Net cash provided by operating activities	**(458)**	3,024	**(3,811)**
Investing activities:			
Proceeds from sales of investments in other security	**14**	48	**117**
Acquisition of investment in unconsolidated subsidiaries	**(113)**	—	**(940)**
Payments for contributions in capital of unconsolidated subsidiaries	**—**	(89)	**—**
Purchases of property, plant and equipment	**(910)**	(1,484)	**(7,573)**
Proceeds from sales of property, plant and equipment	**8**	171	**67**
Purchases of intangible assets	**(292)**	(183)	**(2,430)**
Increase (decrease) in short- term loans receivable	**1**	(1)	**8**
Repayments of long-term loans receivable	**16**	14	**133**
Others	**(6)**	15	**(50)**
Net cash used in investing activities	**(1,282)**	(1,509)	**(10,668)**
Financing activities:			
Increase in short-term bank loans	**478**	371	**3,978**
Proceeds from long-term loans payable	**—**	5,300	**—**
Repayments for long-term loans payable	**—**	(6,100)	**—**
Purchases of treasury stock	**(2)**	(1)	**(16)**
Cash dividends paid	**(1,216)**	(1,216)	**(10,119)**
Others	**(35)**	(39)	**(292)**
Net cash used in financing activities	**(775)**	(1,685)	**(6,449)**
Effect of exchange rate changes on cash and cash equivalents	**1,444**	1,891	**12,016**
Net increase (decrease) in cash and cash equivalents	**(1,071)**	1,721	**(8,912)**
Cash and cash equivalents at beginning of year	**41,279**	38,328	**343,505**
Increase in cash and cash equivalents resulting from change of scope of consolidation	**—**	1,230	**—**
Cash and cash equivalents at end of year (Note 16)	**¥40,208**	¥41,279	**$334,593**

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 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 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 dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

The consolidated balance sheet, and consolidated statements of income, changes in net assets, cash flows and comprehensive income incorporate certain reclassifications and rearrangements in order to present these statements in forms which are more familiar to readers of these statements 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 Company and its consolidated subsidiaries (together the "Companies"). Certain immaterial subsidiaries are not consolidated, in which the investments are stated at cost.

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

The cost in excess of underlying interest in net assets of consolidated subsidiaries at the time of acquisition, which is included in intangible assets of the accompanying consolidated balance sheet, is deferred and amortized on a straight-line basis over the estimated useful life.

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

Immaterial investments in affiliates 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 dates 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. The revenues and expenses of foreign consolidated subsidiaries are translated at the current rates at the respective balance sheet dates. The components of shareholders' equity are translated at their historical exchange rates. Differences in transaction are directly charged to foreign currency translation adjustments in net assets.

(c) Securities

Securities owned by the Companies have been classified into two categories, held-to-maturity debt securities or other securities, in accordance with the accounting standard for financial instruments.

Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized 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 debts and claims in bankruptcy.

(f) Warranty reserve

Warranty reserve is provided for warranty costs to be incurred during the warranty period based on the historical experience.

(g) Employees 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 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 - 60 years for buildings and structures, and from 3 - 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 relevant economic useful life (5 years). The other intangible assets, including patent rights, are amortized by the straight-line method over the estimated useful lives of respective assets.

(j) Goodwill

Goodwill is amortized by the straight-line method over the reasonable period estimated to express the effect.

(k) 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.

However, finance lease transactions, commencing on or before March 31, 2008, that do not transfer ownership to the lessee, are accounted for as operating lease transactions.

(l) 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.

(m) Income taxes

The Companies accrue current income taxes based on taxable income.

The Companies include many temporary difference items for financial reporting purpose 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 differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(n) Employees' retirement benefits

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

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

The unrecognized transitional obligation is being amortized by the straight-line method over 15 years. Actuarial gain or loss is amortized by the straight-line method over the average remaining years of service of employees.

(o) Directors' retirement benefits

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

(p) 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 a 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.

(q) 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.

(r) Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended March 31, 2014 have been reclassified to conform to the presentation for the year ended March 31, 2015.

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 ¥120.17=U.S.$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2015. 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 Changes

Accounting Standard for Retirement Benefits

Effective from April 1, 2014, the Company and its domestic subsidiaries adopted Section 35 of “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26, issued May 17, 2012) and the main clause of Section 67 of “Implementation Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25, issued March 26, 2015). As a result, the method for calculating the retirement benefit obligation and service cost have been revised, the method for attributing project benefits each period has been changed from the straight-line method to benefit formula method, and the method for determining the discount rate has been changed from discount rate based on period similar to employees’ average remaining service period to use a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, the liability for retirement benefits decreased by ¥1,923 million ($16,002 thousand) and retained earnings increased by ¥1,922 million ($15,994 thousand) at April 1, 2014, and the effect of this change on consolidated operating income and income before income taxes for the year ended March 31, 2015 is immaterial.

Also, net assets per share at March 31, 2015 increased by ¥13.28 ($0.11). The effect of this change on net income per share for the year ended March 31, 2015 is immaterial and this change had no effect on fully diluted net income per share because there are no dilutive shares.

5. Change in Presentation

Retirement Benefits

According to the revised implementation guidance on accounting standard for retirement benefits, the Companies changed presentation method of note of retirement benefits based on multiemployer pension plans and restated the consolidated financial statements of the fiscal year ended March 31, 2014.

The matter of restating the consolidated statements and the effect of the prior year’s consolidated financial statements is described in the relevant sections.

6. Securities

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

	Millions of yen					
	2015			2014		
	Acquisition cost	Carrying value	Unrealized gains	Acquisition cost	Carrying value	Unrealized gains
Equity securities	**¥1,707**	**¥7,592**	**¥5,885**	¥1,712	¥5,700	¥3,988
	¥1,707	**¥7,592**	**¥5,885**	¥1,712	¥5,700	¥3,988

	Thousands of U.S. dollars		
	2015		
	Acquisition Cost	Carrying value	Unrealized gains
Equity securities	**$14,205**	**$63,177**	**$48,972**
	$14,205	**$63,177**	**$48,972**

Amount of sales and gain on sales of marketable equity securities as other securities for the year ended March 31, 2015 was ¥10 million ($84 thousand) and ¥5 million ($42 thousand).

Negotiable certificates are classified as non-marketable securities of deposit of ¥19,500 million ($162,270 thousand) and ¥19,500 million as of March 31, 2015 and 2014, respectively. Non-marketable equity securities as other securities primary consist of ¥122 million ($1,015 thousand) and ¥123 million as of March 31, 2015 and 2014, respectively. Amount of sales and gain on sales of non-marketable equity securities as other securities were ¥4 million ($33 thousand) and ¥3 million ($25 thousand) for the year ended March 31, 2015, and ¥47 million and ¥3 million for the year ended March 31, 2014, respectively.

7. Property, Plant and Equipment

Property, plant and equipment at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Land	**¥6,520**	¥6,471	**$54,256**
Buildings and structures	**36,383**	35,344	**302,763**
Machinery and equipment	**29,261**	28,996	**243,497**
Vehicles	**397**	379	**3,304**
Tools, furniture and fixtures	**7,840**	7,501	**65,241**
Lease assets	**257**	226	**2,138**
Construction in progress	**174**	1,013	**1,448**
Sub total	**80,832**	79,930	**672,647**
Less accumulated depreciation	**(60,117)**	(58,821)	**(500,266)**
Property, plant and equipment, net	**¥20,715**	¥21,109	**$172,381**

Depreciation expense for the years ended March 31, 2015 and 2014 were ¥1,966 million ($16,360 thousand) and ¥1,841 million, respectively.

8. Intangible Assets

Intangible assets at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Goodwill	**¥3,041**	¥3,128	**$25,306**
Others	**791**	539	**6,582**
Total	**¥3,832**	¥3,667	**$31,888**

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

The annual interest rates applicable to the short-term bank loans outstanding on March 31, 2015 and 2014 ranged principally from 0.56% to 3.16% and 0.57% to 1.78%, respectively. Long-term debt on March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loans, principally from Japanese banks and insurance companies:			
maturing 2017 - 2018, interest 0.69 % - 0.98 %	**¥5,300**	¥5,300	**$44,104**
	5,300	5,300	**44,104**
Less current portion	**—**	—	**—**
	¥5,300	¥5,300	**$44,104**

The aggregate annual maturities of long-term debt at March 31, 2015 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	**¥—**	**$—**
2017	**500**	**4,161**
2018	**500**	**4,161**
2019	**4,300**	**35,782**
2020 and later	**—**	**—**
Total	**¥5,300**	**$44,104**

The aggregate annual maturities of finance lease obligations at March 31, 2015 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	**¥33**	**$275**
2017	**24**	**200**
2018	**16**	**133**
2019	**9**	**75**
2020 and later	**3**	**25**
Total	**¥85**	**$708**

10. 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 conventional method in calculating their projected benefit obligation.

(b) Defined benefit plans

① The changes in the retirement benefit obligation during the year ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Retirement benefit obligation at April 1	**¥14,667**	¥14,666	**$122,052**
Cumulative effect of change in accounting principle	**(1,924)**	—	**(16,011)**
Restated retirement benefit obligation at April 1	**12,743**	14,666	**106,041**
Service cost	**880**	730	**7,323**
Interest cost	**127**	134	**1,057**
Actuarial gain or loss	**(25)**	12	**(208)**
Retirement benefit paid	**(776)**	(875)	**(6,457)**
Retirement benefit obligation at March 31	**¥12,949**	¥14,667	**$107,756**

② The changes in pension assets during the year ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Pension assets at April 1	**¥4,389**	¥3,902	**$36,523**
Expected return on pension assets	**88**	71	**732**
Actuarial loss	**360**	433	**2,996**
Contribution by the companies	**229**	298	**1,906**
Retirement benefit paid	**(223)**	(277)	**(1,856)**
Others	**—**	(38)	**—**
Pension assets at March 31	**¥4,843**	¥4,389	**$40,301**

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, 2015 and 2014 for the defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Funded retirement benefit obligation	**¥4,234**	¥4,960	**$35,233**
Pension assets at fair value	**(4,843)**	(4,389)	**(40,301)**
	(609)	571	**(5,068)**
Unfunded retirement benefit obligation	**8,715**	9,708	**72,522**
Net retirement benefit liability recognized in the consolidated balance sheet	**8,106**	10,279	**67,454**
Retirement benefit liability	**8,106**	10,279	**67,454**
Net retirement benefit liability recognized in the consolidated balance sheet	**¥8,106**	¥10,279	**$67,454**

④ The components of retirement benefit expense for the year ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	**¥880**	¥730	**$7,323**
Interest assets	**127**	134	**1,057**
Expected return on pension assets	**(88)**	(71)	**(732)**
Amortization of transitional obligation	**463**	463	**3,853**
Recognized actuarial loss	**(24)**	130	**(200)**
Total	**¥1,358**	¥1,386	**$11,301**

⑤ Unrecognized prior service cost and unrecognized actuarial loss included in other comprehensive income (before tax effect) as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Actuarial loss	**¥361**	¥—	**$3,004**
Translation obligation	**463**	—	**3,853**
Total	**¥824**	¥—	**$6,857**

⑥ Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrecognized actuarial loss	**¥515**	¥876	**$4,286**
Unrecognized translation obligation	**—**	463	**—**
Total	**¥515**	¥1,339	**$4,286**

⑦ The fair value of pension assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 were as follows:

	2015	2014
Domestic bonds	**46%**	47%
Domestic equity securities	**16%**	15%
Foreign bonds	**12%**	11%
Foreign equity securities	**16%**	16%
Insurance assets (General account)	**8%**	8%
Other	**2%**	3%
Total	**100%**	100%

The expected return on pension 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:

	2015	2014
Discount rate	**1.1%**	1.1%
Expected rate of return on pension assets	**2.0%**	2.0%
Expected rate of increase in salary	**9.9%**	9.9%

The expected rate of increase in salary was the rate of increase point calculated by the age specific index of expected rate of increase in salary for retirement benefits point system.

(c) Defined contribution plans

Amount of required contributions to defined contribution plans of the Company and certain domestic consolidated subsidiaries for the year ended March 31, 2015 and 2014 were ¥177 million ($1,473 thousand) and ¥202 million, respectively.

(d) Multiemployer pension plans

The required contribution of multiemployer pension plans for the year ended March 31, 2015 and 2014, were ¥83 million ($691 thousand) and ¥84 million, respectively.

① Funded status of the immediate vicinity of the multiemployer pension plans

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Amount of pension assets	**¥303,721**	¥281,339	**$2,527,428**
Total amount of actuarial obligations and minimum reserve in the pension financial calculation (Note)	**299,821**	290,987	**2,494,974**
Difference	**¥3,900**	¥(9,648)	**$32,454**

(Note) This item was described as “Amount of obligations” in previous year.

② The Companies’ portion of contributions in multiemployer pension plans

	2015	2014
The Companies’ portion in the total contributions of the multiemployer plans	**0.562%**	0.569%

The difference was principally attributable to the differences in retained earnings of ¥12,010 million ($99,942 thousand) and ¥12,320 million in the pension financial calculation, at March 31, 2015 and 2014, respectively special reserve of ¥12,320 million ($102,521 thousand) at March 31, 2015 and unrecognized prior service cost of ¥20,431 million ($170,017 thousand) and ¥21,968 million, at March 31, 2015 and 2014 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 ¥33 million ($275 thousand) and ¥31 million for amortization of prior service cost in the consolidated financial statements for the year ended March 31, 2015 and 2014, respectively.

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

11. Contingent Liabilities

As of March 31, 2015, contingent liabilities for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥690 million ($5,742 thousand).

12. Leases

As stated in “(k) Leased assets” under “2. Summary of significant Accounting Policies”, finance leases other than those where ownership of the leased assets is transferred to the lessee, commencing on or before March 31, 2008 are accounted for as operating leases. The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets accounted for as operating leases at March 31, 2015 and 2014, which would have been reflected in the consolidated balance sheet if these arrangements had been accounted for as finance leases:

	Millions of yen	
Acquisition Costs	**2015**	2014
Machinery, equipment and vehicles	**¥—**	¥84
Tools, furniture and fixtures	**—**	222
Less-Accumulated depreciation	**—**	(306)
Net book value	**¥—**	¥—

Future lease payments (including the interest portion thereon) subsequent to March 31, 2015 and 2014 for finance leases accounted for as operating leases was as follows:

	Millions of yen	
	2015	2014
Due within one year	**¥—**	¥3
Due after one year	**—**	—
Total	**¥—**	¥3

Periodic lease expenses, as a lessee, charged to income for the year ended March 31, 2014 was ¥3 million. The pro forma amount of depreciation for the year ended March 31, 2014 would be calculated at ¥3 million by using the straight-line method over the lease term with no salvage value.

13. Financial Instruments

Overview

(a) Policy for financial instruments

The Companies invest in short-term deposits for fund management, where temporally cash surplus is invested in low-risk financial instruments. The Companies raise a fund by bank borrowings. The Companies use derivatives only to reduce risk, and don't use derivatives for speculative trading purposes.

(b) Contents of 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 the Companies' 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 monitor their stock price in every quarter. Operating payables such as notes and accounts payable, trade are almost due within six months. Debts are mainly used in normal operations and capital investments. The maturity date of the debts is up to 5 years from the balance sheet date at the maximum. Some of them are exposed to interest rate fluctuation risks, but these risks are hedged by interest rate swap.

Derivative transactions consist of interest rate swap 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 currency. These derivative transactions are managed under the internal management policies, to the extent deemed necessary. "15. Derivative Financial Instruments" explains hedge accounting, hedging instruments and methods, hedging policy, hedge items and assessment 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 financial covenants, the terms of borrowings may be possibly revised.

The terms of financial covenants incident to syndicated loan (¥5,000 million ($41,608 thousand) at March 31, 2015) contract are as follows:

① At March 31 and September 30 every year, the Company must keep the amount of net assets in the consolidated balance sheet over ¥53,325 million ($443,746 thousand).

② In the consolidated statement of income for the fiscal year ending March 31, the Company must not record operating loss for the 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 the change in underlying assumptions. The contract amounts of derivatives are discussed in "14. Derivative Financial Instruments" below are not an indicator of the market risk associated with derivative transactions.

Fair value of financial instruments

Carrying value of financial instruments as of March 31, 2015 and 2014, and their fair value were as follows: (Financial instruments whose fair value was extremely difficult to determine were not included.)

	Millions of yen					
	2015			2014		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and deposits	¥20,708	¥20,708	¥—	¥21,779	¥21,779	¥—
Notes and accounts receivable, trade	43,751	43,749	(2)	37,952	37,943	(9)
Marketable securities and investment securities	33,794	36,606	2,812	30,658	37,537	6,879
Total assets	¥98,253	¥101,063	¥2,810	¥90,389	¥97,259	¥6,870
Short-term bank loans	¥11,913	¥11,913	¥—	¥11,296	¥11,296	¥—
Notes and accounts payable, trade	28,086	28,086	—	24,675	24,675	—
Long-term debt	5,300	5,309	9	5,300	5,300	0
Total liabilities	¥45,299	¥45,308	¥9	¥41,271	¥41,271	¥0
Derivatives	¥39	¥39	¥—	¥—	¥—	¥—

	Thousands of U.S. dollars		
	2015		
	Carrying value	Fair value	Difference
Cash and deposits	$172,323	$172,323	$—
Notes and accounts receivable, trade	364,076	364,059	(17)
Marketable securities and investment securities	281,218	304,618	23,400
Total assets	$817,617	$841,000	$23,383
Short-term bank loans	$99,135	$99,135	$—
Notes and accounts payable, trade	233,719	233,719	—
Long-term debt	44,104	44,179	75
Total liabilities	$376,958	$377,033	$75
Derivatives	$325	$325	$—

*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 approximate fair value because these are due within short-term.

② Notes and accounts receivable, trade

The amount of notes and accounts receivable, trade is classified based on certain terms and discounted using a rate which reflects safety interest and credit risk

③ Marketable securities and investment securities

For negotiable certificate of deposit, the carrying value approximate fair value because it is due within short-term.

Investment securities are based on quoted market prices.

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

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

⑥ Long-term debt

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

⑦ Derivatives

Please refer to “14. Derivative Financial Instruments”.

(b) Financial instruments whose fair value was extremely difficult to determine at March 31, 2015 and 2014 were as follows:

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Investment securities for which the market prices are not available	**¥518**	¥403	**$4,310**

Market prices don't exist for these items, or the cost of estimating cash flow is considered prohibitive. These items are not included in ③ Marketable securities and investment securities in the above, because their fair value are not readily determinable.

(c) The aggregate annual maturities of financial assets at March 31, 2015 and 2014 were as follows:

	Millions of yen							
	2015				2014			
	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	**¥20,682**	**¥—**	**¥—**	**¥—**	¥21,771	¥—	¥—	¥—
Notes and accounts receivable, trade	**43,387**	**364**	**—**	**—**	37,757	195	—	—
Marketable securities and investment securities:								
Negotiable certificate of deposit	**19,500**	**—**	**—**	**—**	19,500	—	—	—
Total	**¥83,569**	**¥364**	**¥—**	**¥—**	¥79,028	¥195	¥—	¥—

	Thousands of U.S. dollars			
	2015			
	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	**$172,106**	**$—**	**$—**	**$—**
Notes and accounts receivable, trade	**361,047**	**3,029**	**—**	**—**
Marketable securities and investment securities:				
Negotiable certificate of deposit	**162,270**	**—**	**—**	**—**
Total	**$695,423**	**$3,029**	**$—**	**$—**

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

Year ended March 31, 2015	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	**¥11,913**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**
Long-term debt	**—**	**500**	**500**	**4,300**	**—**	**—**
Total	**¥11,913**	**¥500**	**¥500**	**¥4,300**	**¥—**	**¥—**

Year ended March 31, 2014	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	¥11,296	¥—	¥—	¥—	¥—	¥—
Long-term debt	—	—	500	500	4,300	—
Total	¥11,296	¥—	¥500	¥500	¥4,300	¥—

Year ended March 31, 2015	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	$99,135	$—	$—	$—	$—	$—
Long-term debt	—	4,161	4,161	35,782	—	—
Total	$99,135	$4,161	$4,161	$35,782	$—	$—

14. Derivative Financial Instruments

The Companies have entered into derivative transactions (foreign exchange contract, interest rate swap and currency option transaction) in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rate and in interest rate. The Company doesn't 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 inspected validity of the operation by the Corporate Auditing Office.

Derivatives not designated as hedging instruments at March 31, 2015 was as follows:
① Foreign exchange contract.

	Millions of yen				
	2015				
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Valuation gain (loss)
Appropriated accounting for foreign currency					
Foreign exchange forward contracts:					
To buy foreign currencies:					
Japanese Yen	accounts payable	¥357	¥—	¥39	¥39
Total		¥357	¥—	¥39	¥39

	Thousands of U.S. dollars				
	2015				
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Valuation gain (loss)
Appropriated accounting for foreign currency					
Foreign exchange forward contracts:					
To buy foreign currencies:					
Japanese Yen	accounts payable	$2,971	$—	$325	$325
Total		$2,971	$—	$325	$325

There were no applicable derivatives at March 31, 2014.

Derivatives designated as hedging instruments at March 31, 2015 and 2014 were as follows:

② Foreign exchange contract, etc.

	Hedged item	Millions of yen 2015 Contract amount	2015 Contract amount due after one year	2015 Fair value	2014 Contract amount	2014 Contract amount due after one year	2014 Fair value
Appropriated accounting for foreign currency							
Foreign exchange forward contracts:							
To sell foreign currencies:							
U.S. dollars	accounts receivable	**¥1,545**	**¥—**	**¥—**	¥1,939	¥—	¥—
British pound	accounts receivable	**—**	**—**	**—**	85	—	—
Total		**¥1,545**	**¥—**	**¥—**	¥2,024	¥—	¥—

	Hedged item	Thousands of U.S. dollars 2015 Contract amount	2015 Contract amount due after one year	2015 Fair value
Appropriated accounting for foreign currency				
Foreign exchange forward contracts:				
To sell foreign currencies:				
U.S. dollars	accounts receivable	**$12,857**	**$—**	**$—**
British pound	accounts receivable	**—**	**—**	**—**
Total		**$12,857**	**$—**	**$—**

③ Interest rate swap

	Hedged item	Millions of yen 2015 Contract amount	2015 Contract amount due after one year	2015 Fair value	2014 Contract amount	2014 Contract amount due after one year	2014 Fair value
Accounting in principle							
Interest rate swap:							
Floating rate receipt, fixed rate payment	long-term debt	**¥5,000**	**¥5,000**	**¥—**	¥5,000	¥5,000	¥—

	Hedged item	Thousands of U.S. dollars 2015 Contract amount	2015 Contract amount due after one year	2015 Fair value
Accounting in principle				
Interest rate swap:				
Floating rate receipt, fixed rate payment	long-term debt	**$41,608**	**$41,608**	**$—**

15. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries generally comprise Corporation Tax, Enterprise Tax and Prefectural and Municipal Inhabitants Taxes. The statutory tax rates for the years ended March 31, 2015 and 2014 were approximately 34.8% and 37.2%, respectively.

Following the promulgations on March 31, 2015 of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No.9 of 2015), effective from the fiscal year beginning on and after April 1, 2015, the income tax rates will be reduced. In accordance with this tax reform, the effective statutory tax rate, used to measure deferred tax assets and liabilities, will be changing from 34.8% to 32.3% for the temporary differences expected to be realized in the fiscal year beginning on April 1, 2015, to 31.6% for the temporary differences expected to be realized in the fiscal years beginning on and after April 1, 2016.

This change of tax rate decreased net deferred tax assets (after netting deferred tax liabilities) by ¥1 million ($8 thousand) at March 31, 2015, and increased unrealized holding gain on securities, net of tax, by ¥187 million ($1,556 thousand) at March 31, 2015, and increased deferred income taxes by ¥188 million ($1,564 thousand) for the year-ended March 31, 2015.

The reconciliation between the statutory tax rate and effective tax rate for the years ended March 31, 2015 and 2014 were as follows:

	2015	2014
Statutory tax rate	**34.8%**	37.2%
Per-capita portion of inhabitant tax	**0.7**	0.7
Permanently non-taxable revenue such as dividends income	**(0.5)**	(0.6)
Permanently non-deductible expenses	**0.8**	1.7
Effects of elimination in consolidation	**(0.8)**	(5.7)
Change in valuation allowance	**(15.2)**	(1.1)
Difference in statutory tax rates for foreign subsidiaries	**(0.8)**	(2.3)
Effect of change in enacted tax rate	**2.9**	2.3
Refund of income taxes	**(1.0)**	(1.1)
Change in tax effect on undistributed earnings	**11.3**	—
Others	**1.7**	0.6
Effective tax rate	**33.9%**	31.7%

The significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Accrued employees’ bonuses	**¥669**	¥770	**$5,567**
Allowance for doubtful receivables	**40**	63	**333**
Devaluation of inventories	**663**	694	**5,517**
Devaluation of securities	**347**	386	**2,888**
Net defined benefit liability	**2,420**	3,124	**20,138**
Unrealized intercompany profit on inventories	**632**	588	**5,259**
Enterprise taxes payable	**107**	41	**890**
Other	**1,845**	1,965	**15,354**
Total deferred tax assets	**¥6,723**	¥7,631	**$55,946**
Valuation allowance	**(2,207)**	(4,061)	**(18,366)**
Net deferred tax assets	**¥4,516**	¥3,570	**$37,580**
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	**(125)**	(131)	**(1,040)**
Unrealized gain on securities	**(1,811)**	(1,339)	**(15,070)**
Asset retirement obligations	**(8)**	(9)	**(67)**
Enterprise taxes receivable	**—**	(16)	**—**
Book value of securities not corrected yet	**(105)**	—	**(874)**
Foreign consolidated subsidiaries’ retained earnings	**(632)**	(528)	**(5,259)**
Affiliates’ retained earnings accounted for using equity method	**(865)**	—	**(7,197)**
Total deferred tax liabilities	**¥(3,546)**	¥(2,023)	**$(29,507)**
Net deferred tax assets	**¥970**	¥1,547	**$8,073**

16. Cash and Cash Equivalents

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, 2015 and 2014 were presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and time deposits	**¥20,708**	¥21,779	**$172,323**
Marketable securities	**19,500**	19,500	**162,270**
Cash and cash equivalents	**¥40,208**	¥41,279	**$334,593**

17. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Sales commission	**¥2,365**	¥2,103	**$19,680**
Delivering expenses	**3,693**	3,336	**30,731**
Provision for warranty reserve	**490**	585	**4,078**
Personnel-expenses	**11,626**	11,257	**96,746**
Retirement benefit expense	**558**	570	**4,643**
Depreciation	**645**	560	**5,367**
Rent expenses	**811**	789	**6,749**
Traveling expenses	**1,701**	1,545	**14,155**
Research and development expenses	**1,159**	924	**9,645**
Outside order expenses	**715**	575	**5,950**
Others	**5,088**	4,712	**42,340**
Total	**¥28,851**	¥26,956	**$240,084**

18. Research and Development Costs

Research and development costs charged to income were ¥1,663 million ($13,839 thousand) and ¥1,551 million for the years ended March 31, 2015 and 2014, respectively.

19. Loss on Impairment of Fixed Assets

Grouping of assets is based on the business units, except for idle asset, which is grouped individually. Loss on impairment of fixed assets for the year ended March 31, 2015 amounted to ¥10 million ($83 thousand).

The recoverable value of the assets was calculated by the market value.

The loss on impairment of fixed assets for the year ended March 31, 2015 consisted of the following:

		Millions of yen	Thousands of U.S. dollars
		2015	**2015**
Ishioka-shi, Ibaraki-ken, Japan:			
Land	Idle property	**¥10**	**$83**

20. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrealized holding gain on securities:			
Current period changes in unrealized gain (loss)	**¥1,901**	¥628	**$15,819**
Reclassification adjustment	**(4)**	—	**(33)**
Total unrealized holding gain on securities before tax effects	**1,897**	628	**15,786**
Tax effects	**(472)**	(201)	**(3,928)**
Unrealized holding gain on securities, net of tax effects	**1,425**	427	**11,858**
Deferred gains or losses on hedge:			
Current period changes in unrealized gain (loss)	**—**	0	**—**
Total deferred gains or losses on hedge before tax effects	**—**	0	**—**
Tax effects	**—**	(0)	**—**
Deferred gains or losses on hedge, net of tax effects	**—**	0	**—**
Foreign currency translation adjustments:			
Current period changes	**2,179**	2,022	**18,133**
Remeasurements of defined benefit plans			
Current period changes in remeasurements of defined benefit plans	**386**	—	**3,212**
Reclassification adjustment	**438**	—	**3,644**
Total remesurements of defined benefit plans before tax effect	**824**	—	**6,856**
Tax effects	**—**	—	**—**
Remeasurements of defined benefit plans, net of tax effects	**824**	—	**6,856**
Share of other comprehensive income of affiliates accounted for using equity method			
Current period changes	**8**	—	**67**
Total other comprehensive income	**¥4,436**	¥2,449	**$36,914**

21. 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.

22. Related Party Transactions

During the years ended March 31, 2015 and 2014, the Companies had operational 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
For the years ended March 31:			
Payment of brand fee	**¥240**	¥217	**$1,997**

Note: Brand fee rate was contracted beforehand.

During the years ended March 31, 2015 and 2014, the Companies had operational transactions with NuFlare Technology, Inc., a 15.1% affiliate of the Company.

A summary of the significant transactions with NuFlare Technology, Inc. for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
For the years ended March 31:			
Rent income for land, buildings and structures	**¥59**	¥126	**$491**

Note: Prices applied in the transactions were determined on an arm's-length basis similar to third party transaction prices.

23. Net Income and Net Assets per Share

Net income and net assets per share for the years ended March 31, 2015 and 2014 were as follows:

	Yen		U.S. dollars
	2015	2014	**2015**
Net income per share	**¥28.36**	¥29.23	**$0.24**
Net assets per share	**616.14**	553.96	**5.13**

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

	Thousands of shares	
	2015	2014
Weighted-average number of shares of common stock	**152,027**	152,030

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net income	**¥4,312**	¥4,444	**$35,882**
Net income not applicable to shareholders of common stock	**—**	—	**—**
Net income applicable to shareholders of common stock	**¥4,312**	¥4,444	**$35,882**

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

	Thousands of shares	
	2015	2014
Number of shares at year-end	**152,025**	152,029

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net assets	**¥93,669**	¥84,217	**$779,471**
Minority interests in consolidated subsidiaries	**—**	—	**—**
Net assets applicable to shareholders of common stock	**¥93,669**	¥84,217	**$779,471**

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 Executive Officer to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

The Companies' business is classified into certain segments based on the type of products and services. The Companies' segments are categorized into the following three reportable segments, "Molding Machinery", "Machine Tools" and "Hydraulic Equipment" based on the similarities of economical nature, contents 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

Hydraulic Equipment: Hydraulic motors, Control valves, Piston pumps

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

The accounting treatment method for the reportable business segment is generally the same as described in "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, 2015 and 2014 were as follows:

Year ended March 31, 2015 — Millions of yen

	Reportable segments							
	Molding Machinery	Machine Tools	Hydraulic Equipment	Sub total	Other Products	Total	Adjustments	Consolidated
Net Sales:								
External customers	**¥80,024**	**¥28,141**	**¥5,936**	**¥114,101**	**¥10,272**	**¥124,373**	**¥—**	**¥124,373**
Inter-segment	**—**	**1,004**	**19**	**1,023**	**2,575**	**3,598**	**(3,598)**	**—**
Total	**80,024**	**29,145**	**5,955**	**115,124**	**12,847**	**127,971**	**(3,598)**	**124,373**
Segment income	**¥3,854**	**¥840**	**¥(573)**	**¥4,121**	**¥316**	**¥4,437**	**¥351**	**¥4,788**
Segment assets	**¥77,717**	**¥39,222**	**¥5,213**	**¥122,152**	**¥17,371**	**¥139,523**	**¥22,452**	**¥161,975**
Others								
Depreciation	**¥1,145**	**¥391**	**¥238**	**¥1,774**	**¥192**	**¥1,966**	**¥—**	**¥1,966**
Capital expenditure	**1,640**	**139**	**157**	**1,936**	**258**	**2194**	**—**	**2,194**

Year ended March 31, 2014 — Millions of yen

	Reportable segments							
	Molding Machinery	Machine Tools	Hydraulic Equipment	Sub total	Other products	Total	Adjustments	Consolidated
Net Sales:								
External customers	¥73,214	¥23,048	¥7,592	¥103,854	¥9,208	¥113,062	¥—	¥113,062
Inter-segment	—	233	53	286	2,424	2,710	(2,710)	—
Total	73,214	23,281	7,645	104,140	11,632	115,772	(2,710)	113,062
Segment income	¥4,965	¥(720)	¥(197)	¥4,048	¥189	¥4,237	¥388	¥4,625
Segment assets	¥70,845	¥32,851	¥5,744	¥109,440	¥15,160	¥124,600	¥24,080	¥148,680
Others								
Depreciation	¥924	¥416	¥302	¥1,642	¥199	¥1,841	¥—	¥1,841
Capital expenditure	1,380	98	19	1,497	270	1,767	—	1,767

Year ended March 31, 2015	Thousands of U.S. dollars							
	Reportable segments							
	Molding Machinery	Machine Tools	Hydraulic Equipment	Sub total	Other products	Total	Adjustments	Consolidated
Net Sales:								
External customers	**$665,923**	**$234,177**	**$49,397**	**$949,497**	**$85,478**	**$1,034,975**	**$—**	**$1,034,975**
Inter-segment	**—**	**8,354**	**158**	**8,512**	**21,429**	**29,941**	**(29,941)**	**—**
Total	**665,923**	**242,531**	**49,555**	**958,009**	**106,907**	**1,064,916**	**(29,941)**	**1,034,975**
Segment income	**$32,071**	**$6,990**	**$(4,768)**	**$34,293**	**$2,629**	**$36,922**	**$2,922**	**$39,844**
Segment assets	**$646,725**	**$326,388**	**$43,380**	**$1,016,493**	**$144,554**	**$1,161,047**	**$186,835**	**$1,347,882**
Others								
Depreciation	**$9,527**	**$3,254**	**$1,981**	**$14,762**	**$1,598**	**$16,360**	**$—**	**$16,360**
Capital expenditure	**13,648**	**1,157**	**1,306**	**16,111**	**2,146**	**18,257**	**—**	**18,257**

Note: "Other products" is a business segment that is not included in reportable segments. It included business activities of 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, 2015 and 2014 were as follows:

Sales	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Total reportable segments	**¥115,124**	¥104,140	$958,009
Other products	**12,847**	11,632	106,907
Eliminations	**(3,598)**	(2,710)	(29,941)
Net sales in the consolidated financial statements	**¥124,373**	¥113,062	$1,034,975

Income	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Total reportable segments	**¥4,121**	¥4,048	**$34,293**
Other products	**316**	189	**2,629**
Eliminations	**351**	388	**2,922**
Operating income in the consolidated financial statements	**¥4,788**	¥4,625	**$39,844**

Assets	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Total reportable segments	**¥122,152**	¥109,440	**$1,016,493**
Other products	**17,371**	15,160	**144,554**
Company-wide assets	**23,624**	24,321	**196,588**
Eliminations	**(1,172)**	(241)	**(9,753)**
Net assets in the consolidated financial statements	**¥161,975**	¥148,680	**$1,347,882**

Note: Company-wide assets are mainly cash and cash equivalents, securities and investment securities that don't belong to the reportable segments

(E) Related segment 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 about geographical areas for the years ended March 31, 2015 and 2014 were as follows:

Millions of yen				
2015				
Japan	North America	Asia	Other	Total
¥51,891	**¥22,779**	**¥47,084**	**¥2,619**	**¥124,373**

Millions of yen				
2014				
Japan	North America	Asia	Other	Total
¥46,870	¥19,255	¥44,336	¥2,601	¥113,062

Thousands of U.S. dollars				
2015				
Japan	North America	Asia	Other	Total
$431,813	**$189,556**	**$391,812**	**$21,794**	**$1,034,975**

Note: Sales figures are classified based on the customer locations.

Property, plant and equipment information about geographical areas for the years ended March 31, 2015 and 2014 were as follows:

Millions of yen			
2015			
Japan	North America	Asia	Total
¥17,100	**¥239**	**¥3,376**	**¥20,715**

Millions of yen			
2014			
Japan	North America	Asia	Total
¥17,657	¥272	¥3,180	¥21,109

Thousands of U.S. dollars			
2015			
Japan	North America	Asia	Total
$142,298	**$1,989**	**$28,094**	**$172,381**

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, 2015 and 2014.

(F) Information about impairment loss on long-lived assets for each reportable segment

Information about impairment loss on long-lived assets for the years ended March 31, 2015 was follows:

Millions of yen					
2015					
Molding Machinery	Machine Tools	Hydraulic Equipment	Other products	Adjustments	Total
¥—	**¥—**	**¥—**	**¥10**	**¥—**	**¥10**

Thousands of U.S. dollars					
2015					
Molding Machinery	Machine Tools	Hydraulic Equipment	Other products	Adjustments	Total
$—	**$—**	**$—**	**$83**	**$—**	**$83**

There was no applicable matter for the years ended March 31, 2014.

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

Information about amortization of goodwill and unamortized balance for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen					
	2015					
	Molding Machinery	Machine Tools	Hydraulic Equipment	Other products	Adjustments	Total
Amortization of goodwill	**¥468**	**¥—**	**¥—**	**¥—**	**¥—**	**¥468**
Unamortized balance	**3,041**	**—**	**—**	**—**	**—**	**3,041**

	Millions of yen					
	2014					
	Molding Machinery	Machine Tools	Hydraulic Equipment	Other products	Adjustments	Total
Amortization of goodwill	¥417	¥—	¥—	¥—	¥—	¥417
Unamortized balance	3,128	—	—	—	—	3,128

	Thousands of U.S. dollars					
	2015					
	Molding Machinery	Machine Tools	Hydraulic Equipment	Other products	Adjustments	Total
Amortization of goodwill	**$3,894**	**$—**	**$—**	**$—**	**$—**	**$3,894**
Unamortized balance	**25,306**	**—**	**—**	**—**	**—**	**25,306**

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

There was no applicable matter for the years ended March 31, 2015 and 2014.

25. Subsequent Event

(A) Cash dividends

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2015, were approved at the meeting of the Board of Directors held on April 28, 2015:

Cash dividends (¥4.00 = $0.03 per share) ¥608 million ($5,059 thousand)

(B) Transfer of shares of subsidiary

The Company resolved at the Board of Directors meeting on March 3, 2015 to sell all shares of its consolidated subsidiary, Hyest Corporation, to Nabtesco Corporation and sold the shares on April 1, 2015.

(a) Reason for sale of shares

The Companies are pursuing opportunities to strengthen the business bases by developing our core technologies and expanding the global markets, in line with the concept of "advancement and expansion".

Under these situations, the Companies determined to focus their business resources on equipment industries, mainly molding machinery and machine tools, in order to achieve the purposes and decided to sell all the share of Hyest Corporation, engaged in the hydraulic equipment business for construction machines, to Nabtesco Corporation. By transfer of the shares, the Company expects that Hyest Corporation would be able to maintain and enhance its technological advantage and continue to grow its business within the enterprise group with the sufficient business scale.

(b) Date of transfer

April 1, 2015

(c) Overview of Hyest Corporation

(1) Name	Hyest Corporation
(2) Main business	Manufacture and sales of hydraulic equipment and its related business
(3) Business relation to the Company	Supply hydraulic equipment to the Company, Outsource a part of purchase operation and administrative operation based on the outsourcing contract, Rent land and buildings, Loan funds

(d) Overview of sales

(1) Number of shares to be sold	20,000 shares
(2) Gain on sales	About ¥2,600 million ($21,636 thousand)
(3) The Companies ownership ratio after sale	—%

The selling price was not disclosed because of the contractual confidentiality obligation with the buyer.

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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, 2015, 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, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 25 to the consolidated financial statements, the Company resolved at the Board of Directors meeting on March 3, 2015 to sell all shares of its consolidated subsidiary, Hyest Corporation, to Nabtesco Corporation and sold the shares on April 1, 2015. Our opinion is not qualified in respect of this matter.

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 26, 2015
Tokyo, Japan

Directors & Audit and Supervisory Board Members

Directors

President and Chief Executive Officer

Yukio Iimura

Representative Director and Senior Managing Executive Officer

Yoshihiro Kishimoto

Directors and Managing Executive Officers

Shigetomo Sakamoto

Masayuki Yagi

Takahiro Mikami

Directors and Executive Officers

Kazuo Takamura

Katsuo Ito

Akiyoshi Kobayashi

Outside Directors

Kan Akiyama

Yoshihiro Ogura

Audit and Supervisory Board Members

Teruyuki Makino

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