TOSHIBA MACHINE

Annual Report 2016

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 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, 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, 2016)

Company Name:	TOSHIBA MACHINE CO., LTD.
Headquarters:	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
Established:	1938
Capital:	¥12,485 million (US$110,799 thousand)
Shares of Common Stock Issued and Outstanding:	166,885,530 shares
Number of Shareholders:	11,010
Number of Employees:	1,817 (Consolidated: 3,286)

Foreword 2016

The Toshiba Machine group started the mid-term management plan “TM AC Plan” (Toshiba Machine Adapt to the Change Plan) on April 1, 2010. With “advancement and expansion” as its basic concept, we implemented advancement and expansion strategies simultaneously. The advancement strategy focused on using our core technology to create advanced products which would support a new industry pyramid formed with energy and environment as keywords. Meanwhile, the expansion strategy strengthened the commercial value of already released products and aimed to expand the market in emerging countries, which form the largest user segment in the current industry pyramid.

In the first half of FY2015, the Japanese economy slightly recovered primarily for exporting companies owing to the government’s economic policy, continued yen devaluation, and decreased material prices. Outside Japan, while the US economy remained stable and the Indian economy slowly recovered, the Chinese economy clearly slowed down and the economies of South East Asian countries remained unstable. Moreover, the price of crude oil considerably dropped. As we entered 2016, the yen value increased as a result of risk avoidance. With all these factors, the future world economy continued to be uncertain. The machine industry, to which our group belongs, also showed general recovery primarily in domestic capital investment demand, but our business confidence varied with the target market and product.

The mid-term management plan “TM AC Plan Advanced III” (Toshiba Machine Adapt to the Change Plan Advanced III), which was launched on April 1, 2015 in the economic context described above, aimed to increase sales and market presence in a global market which was predicted to grow in the future. More specifically, our group made every possible effort to discover new markets, secure purchase orders, develop new products for both domestic and international markets, implement production innovation to improve production efficiency, and strengthen our financial position.

At the end of the financial year, sales were 117,259 million yen (US$1,040,637 thousand), a 5.7% decrease from the previous year. The decrease was attributable to the worsening market situations in China and South East Asia.

Operating income was 3,806 million yen (US$33,777 thousand), a 20.5% decrease from the previous year. Current net income was 4,806 million yen (US$42,652 thousand), an 11.5% increase from the previous year. This increase was attributable to the capital gain from our hydraulic equipment subsidiary.

The dividend for FY2015 was 12 yen (US$0.11) for the year.

While the US and Japanese economies are predicted to remain stable, the overall future economic climate will remain unpredictable. Slower economic growth in some emerging countries including China and possible future restrictions on domestic capital investment due to prolonged low crude oil prices and foreign exchange rate fluctuations are some of the reasons.

The new mid-term management plan “TM-PΣ Plan” (Toshiba Machine Profit Σ Plan) started in FY2016. While still following the concept of the previous mid-term management plans; “advancement and expansion”, this new plan holds “shift to a high revenue company” and “selection and concentration” as new basic strategies.

In the “shift to a high profitable company” strategy, we will implement total cost reduction measures in order to accomplish our emergent task, recovering 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.

Currently, our group is working 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.

Y. Iimura

FINANCIAL HIGHLIGHTS (consolidated)

	2016	2015	2014	2013	2012
Net sales	¥117,259	¥124,373	¥113,062	¥120,899	¥119,550
	$1,040,637				
Cost of sales	¥85,005	¥90,734	¥81,481	¥87,294	¥88,312
	$754,393				
Selling, general and	¥28,448	¥28,851	¥26,956	¥25,527	¥23,796
administrative expenses	**$252,467**				
Operating income	¥3,806	¥4,788	¥4,625	¥8,078	¥7,442
	$33,777				
Net income before income taxes	¥7,608	¥6,522	¥6,507	¥12,239	¥9,149
	$67,519				
Income taxes	¥2,802	¥2,210	¥2,063	¥4,348	¥2,428
	$24,867				
Net income	¥4,806	¥4,312	¥4,444	¥7,891	¥6,721
	$42,652				
Comprehensive income	¥1,198	¥8,748	¥6,893	¥9,468	¥6,840
	$10,633				
Per common share:					
Net income	¥31.61	¥28.36	¥29.23	¥51.91	¥44.21
	$0.28				
Cash dividends	¥12.00	¥8.00	¥7.50	¥9.00	¥9.00
	$0.11				
Total assets	¥158,310	¥161,975	¥148,680	¥142,239	¥142,297
	$1,404,952				
Net assets	¥93,345	¥93,669	¥84,217	¥79,400	¥71,101
	$828,408				
Capital expenditures	¥1,548	¥2,194	¥1,767	¥770	¥1,052
(property, plant and equipment)	**$13,738**				
Depreciation	¥1,757	¥1,966	¥1,841	¥2,065	¥2,276
	$15,593				
R & D costs	¥1,669	¥1,663	¥1,551	¥1,566	¥1,582
	$14,812				
Number of employees	3,286	3,466	3,454	3,197	3,157

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 ¥112.68=U.S.$1. See Note 3 of the Notes to the Consolidated Financial Statements.

Overseas Operations for Fiscal Year Ended March 31,2016

FY2015 overseas sales were 64,181 million yen (US$569,587 thousand), a 11.5% decrease from the previous year.

In India and other Asia areas together, sales were a 27.9% increase from the previous year. In these areas, increased demand for machine tools and die casting machines contributed to the increase.

In Korea, sales were a 7.5% increase from the previous year. This increase was attributable to increased precision machining system demand.

In Europe, sales were 19.4% increase from the previous year. This increase was attributable to increased injection molding machine and machine tools.

Meanwhile, sales in China a 12.5% decreased from the previous year. The decrease was attributable to decreased demand for injection molding machines and die casting machines.

In Taiwan, demand for extrusion machines decreased, and sales were 37.2% decrease from the previous year.

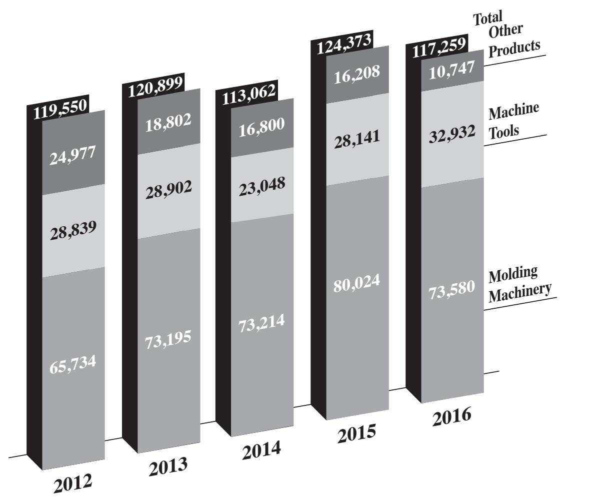
In South East Asia, sales were 31.7% decrease from the previous year due to decreased demand for injection molding machines and die casting machines.

In North America, since most customers who wanted die casting machines already made purchases, sales were 8.9% decrease from the previous year.

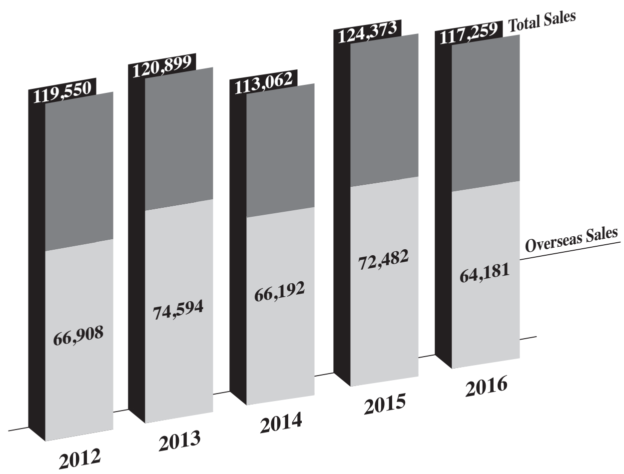
Consequently, the percentage of overseas sales to overall sales decreased from 58.3% in the previous year to 54.7%.

The percentage of overseas sales by business segment was: 73% for the molding machinery business (4% decrease from the previous year), 24% for the machine tools business (6% increase from the previous year), and 3% for other business segments (2% decrease from the previous year).

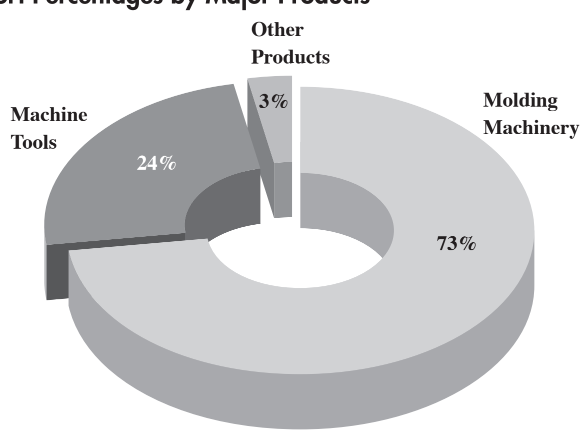
Net Sales
Millions of yen



Total Sales & Overseas Sales
Millions of yen



Export Percentages by Major Products



Overseas Offices

■ East Asia ■

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411014, INDIA
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Fax : [1]-909-923-7258

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Fax : [1]-973-252-9959

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Fax : [1]-678-494-8006

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Guanajuato, MEXICO
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Fax : [1]-905-479-6098
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Financial Review

CONSOLIDATED BALANCE SHEET

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2016**	2015	**2016**
Current assets:			
Cash and deposits (Notes 14 and 16)	**¥16,656**	¥20,708	**$147,817**
Marketable securities (Notes 14, 16 and 17)	**26,276**	19,500	**233,191**
Notes and accounts receivable, trade (Note 16)	**43,425**	43,751	**385,383**
Allowance for doubtful receivables	**(160)**	(131)	**(1,420)**
Net receivables	**43,265**	43,620	**383,963**
Inventories:			
Finished products	**7,208**	9,229	**63,969**
Work in process	**22,170**	22,473	**196,752**
Raw materials and supplies	**72**	66	**639**
Total inventories	**29,450**	31,768	**261,360**
Deferred tax assets (Note 20)	**2,809**	3,376	**24,929**
Other current assets (Notes 16 and 18)	**2,531**	2,765	**22,462**
Total current assets	**120,987**	121,737	**1,073,722**
Property, plant and equipment, net (Note 6)	**19,249**	20,715	**170,829**
Intangible assets (Note 7)	**3,141**	3,832	**27,875**
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates (Note 16)	**8,272**	7,098	**73,411**
Other securities (Notes 16 and 17)	**5,928**	7,714	**52,609**
Long-term loans	**37**	62	**328**
Deferred tax assets (Note 20)	**71**	86	**630**
Other investments	**625**	731	**5,548**
Total investments and other assets	**14,933**	15,691	**132,526**
Total assets	**¥158,310**	¥161,975	**$1,404,952**

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 3) 2016
Current liabilities:			
Short-term bank loans (Notes 16 and 27)	**¥11,609**	¥11,913	**$103,026**
Current portion of long-term debt (Notes 16 and 27)	**500**	—	**4,437**
Notes and accounts payable, trade (Note 16)	**25,060**	28,086	**222,400**
Income taxes payable (Note 20)	**951**	1,141	**8,440**
Accrued expenses	**5,021**	5,238	**44,560**
Warranty reserve	**594**	599	**5,272**
Other current liabilities (Note 27)	**5,060**	5,277	**44,905**
Total current liabilities	**48,795**	52,254	**433,040**
Long-term liabilities:			
Long-term debt (Notes 16 and 27)	**4,800**	5,300	**42,599**
Long-term accounts payable, other	**9**	9	**80**
Accrued directors' retirement benefits	**32**	45	**284**
Net retirement benefit liability (Note 19)	**9,226**	8,106	**81,878**
Asset retirement obligations	**48**	47	**426**
Deferred tax liabilities (Note 20)	**2,017**	2,492	**17,900**
Other long-term liabilities (Note 27)	**38**	53	**337**
Total long-term liabilities	**16,170**	16,052	**143,504**
Total liabilities	**64,965**	68,306	**576,544**
Contingent liabilities (Note 8)			
Net assets:			
Shareholders' equity: (Note 12)			
Common stock			
Authorized – 360,000,000 shares			
Issued – 166,885,530 shares	**12,485**	12,485	**110,800**
Additional paid-in capital	**19,601**	19,601	**173,953**
Retained earnings	**67,623**	64,337	**600,133**
Treasury stock, at cost (14,864,402 shares in 2016, 14,860,750 shares in 2015)	**(10,045)**	(10,043)	**(89,146)**
Total shareholders' equity	**89,664**	86,380	**795,740**
Accumulated other comprehensive income			
Unrealized holding gain on securities, net of tax	**2,902**	4,074	**25,754**
Foreign currency translation adjustments	**2,644**	3,780	**23,465**
Remeasurements of defined benefit plans	**(1,865)**	(565)	**(16,551)**
Total accumulated other comprehensive income	**3,681**	7,289	**32,668**
Total net assets	**93,345**	93,669	**828,408**
Total liabilities and net assets	**¥158,310**	¥161,975	**$1,404,952**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Net sales	**¥117,259**	¥124,373	**$1,040,637**
Cost of sales (Note 10)	**85,005**	90,734	**754,393**
Gross profit	**32,254**	33,639	**286,244**
Selling, general and administrative expenses (Notes 9 and 10)	**28,448**	28,851	**252,467**
Operating income	**3,806**	4,788	**33,777**
Other income:			
Interest and dividend income	**335**	259	**2,973**
Rent income	**229**	121	**2,032**
Foreign exchange gain	**—**	941	**—**
Equity in earnings of affiliates	**1,395**	1,420	**12,380**
Gain on sales of property, plant and equipment	**19**	7	**169**
Gain on sales of investments in other securities (Note 17)	**0**	8	**0**
Gain on sales of investments in affiliates	**2,652**	—	**23,536**
Others	**183**	235	**1,624**
	4,813	2,991	**42,714**
Other expenses and losses:			
Interest expense	**141**	150	**1,251**
Foreign exchange loss	**255**	—	**2,263**
Amortization of transitional obligation for employees' retirement benefits (Note 19)	**—**	463	**—**
Brand fee expense	**234**	240	**2,077**
Loss on disposal of property, plant and equipment and intangible assets	**29**	24	**257**
Loss on impairment of fixed assets (Note 11)	**—**	10	**—**
Others	**352**	370	**3,124**
	1,011	1,257	**8,972**
Net income before income taxes	**7,608**	6,522	**67,519**
Income taxes (Note 20)			
Current	**2,080**	2,052	**18,459**
Deferred	**722**	158	**6,408**
	2,802	2,210	**24,867**
Net income	**4,806**	4,312	**42,652**
Net income attributable to owners of parent	**¥4,806**	¥4,312	**$42,652**

	Yen		U.S. dollars (Note 3)
	2016	2015	**2016**
Net income per share of common stock (Note 26)	**¥31.61**	¥28.36	**$0.28**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Net income	**¥4,806**	¥4,312	**$42,652**
Other comprehensive income (loss): (Note 13)			
Unrealized holding gain (loss) on securities, net of tax	**(1,172)**	1,425	**(10,401)**
Foreign currency translation adjustments	**(1,136)**	2,179	**(10,081)**
Remeasurements of defined benefit plans	**(1,308)**	824	**(11,608)**
Share of other comprehensive income of affiliates accounted for using equity method	**8**	8	**71**
Total other comprehensive income (loss)	**(3,608)**	4,436	**(32,019)**
Comprehensive income	**¥1,198**	¥8,748	**$10,633**
Comprehensive income attributable to owners of parent	**1,198**	8,748	**10,633**
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, 2016

	Millions of yen								
	Number of shares	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total net assets
Balance at April 1, 2014	166,885,530	¥12,485	¥19,601	¥59,319	¥(10,041)	¥2,649	¥1,601	¥(1,397)	¥84,217
Cumulative effect of change in accounting principle				1,922					1,922
Restated balance at April 1, 2014	166,885,530	12,485	19,601	61,241	(10,041)	2,649	1,601	(1,397)	86,139
Profit attributable to owners of parent				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
Profit attributable to owners of parent				**4,806**					**4,806**
Purchases of treasury stock					**(2)**				**(2)**
Cash dividends				**(1,520)**					**(1,520)**
Net changes in items other than shareholders' equity						**(1,172)**	**(1,136)**	**(1,300)**	**(3,608)**
Balance at March 31, 2016	**166,885,530**	**¥12,485**	**¥19,601**	**¥67,623**	**¥(10,045)**	**¥2,902**	**¥2,644**	**¥(1,865)**	**¥93,345**

	Thousands of U.S. dollars (Note 3)							
	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities, net of tax	Translation adjustments	Remeasurements of defined benefit plans	Total net assets
Balance at April 1, 2015	$110,800	$173,953	$570,971	$(89,129)	$36,155	$33,546	$(5,014)	$831,282
Profit attributable to owners of parent			**42,652**					**42,652**
Purchases of treasury stock				**(17)**				**(17)**
Cash dividends			**(13,490)**					**(13,490)**
Net changes in items other than shareholders' equity					**(10,401)**	**(10,081)**	**(11,537)**	**(32,019)**
Balance at March 31, 2016	**$110,800**	**$173,953**	**$600,133**	**$(89,146)**	**$25,754**	**$23,465**	**$(16,551)**	**$828,408**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Operating activities:			
Net income before income taxes	**¥7,608**	¥6,522	**$67,519**
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation	**1,757**	1,966	**15,593**
Amortization of goodwill	**410**	468	**3,639**
Allowance for doubtful receivables	**25**	(56)	**222**
Warranty reserve	**(5)**	(96)	**(44)**
Directors' retirement benefit	**10**	5	**89**
Net defined benefit liability	**87**	575	**772**
Interest and dividend income	**(335)**	(259)	**(2,973)**
Interest expense	**141**	150	**1,251**
Gain or loss on sales and disposal of property, plant and equipment and intangible assets	**10**	17	**88**
Gain on sales of investments in other securities	**(0)**	(8)	**(0)**
Gain on sales of investments in affiliates	**(2,652)**	—	**(23,536)**
Equity in earnings of affiliates	**(1,395)**	(1,420)	**(12,380)**
Loss on impairment of fixed assets	**—**	10	**—**
Changes in operating assets and liabilities:			
Notes and accounts receivable, trade	**(1,370)**	(5,799)	**(12,158)**
Inventories	**1,396**	(4,449)	**12,389**
Notes and accounts payable, trade	**(1,102)**	3,411	**(9,780)**
Advances received	**93**	190	**825**
Accrued expenses	**(292)**	(111)	**(2,591)**
Others	**300**	(579)	**2,662**
Sub total	**4,686**	537	**41,587**
Interest and dividend income received	**561**	440	**4,979**
Interest paid	**(141)**	(151)	**(1,251)**
Income taxes paid	**(2,324)**	(1,284)	**(20,627)**
Net cash provided by (used in) operating activities	**2,782**	(458)	**24,688**
Investing activities:			
Proceeds from sales of investments in other securities	**2**	14	**18**
Investments in unconsolidated subsidiaries	**—**	(113)	**—**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation (Note 14)	**1,566**	—	**13,898**
Purchases of property, plant and equipment	**(1,425)**	(910)	**(12,646)**
Proceeds from sales of property, plant and equipment	**51**	8	**453**
Purchases of intangible assets	**(167)**	(292)	**(1,482)**
Increase in short-term loans receivable	**2,100**	1	**18,637**
Payments for long-term loans receivable	**(2)**	—	**(18)**
Collection of long-term loans receivable	**27**	16	**240**
Others	**101**	(6)	**895**
Net cash provided by (used in) investing activities	**2,253**	(1,282)	**19,995**
Financing activities:			
Increase (decrease) in short-term bank loans	**(211)**	478	**(1,873)**
Purchases of treasury stock	**(2)**	(2)	**(17)**
Cash dividends paid	**(1,520)**	(1,216)	**(13,490)**
Others	**(29)**	(35)	**(257)**
Net cash used in financing activities	**(1,762)**	(775)	**(15,637)**
Effect of exchange rate changes on cash and cash equivalents	**(549)**	1,444	**(4,872)**
Net increase (decrease) in cash and cash equivalents	**2,724**	(1,071)	**24,174**
Cash and cash equivalents at beginning of year	**40,208**	41,279	**356,834**
Cash and cash equivalents at end of year (Note 14)	**¥42,932**	¥40,208	**$381,008**

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.

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

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

Securities 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 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 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) Goodwill

Goodwill is amortized by the straight-line method over a reasonable estimated period of benefit not exceeding 20 years.

(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 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 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 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 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 internal rules 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 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, 2015 have been reclassified to conform to the presentation for the year ended March 31, 2016.

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 ¥112.68=U.S.$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2016. 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
Application of Accounting Standards regarding Business Combinations

The following changes to accounting policies were applied from the fiscal year ended March 31, 2016: Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, revised on September 13, 2013); Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, revised on September 13, 2013); and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, revised on September 13, 2013). Accordingly, in cases where the parent company continues to have control, differences arising from changes in ownership interests in subsidiaries are now recorded in capital surplus, and acquisition-related costs are now treated as expenses in the consolidated financial statements for the year in which they arise. For business combinations completed from the beginning of the fiscal year ended March 31, 2016, any change to the allocation of purchase price acquisition cost arising from the finalization of provisional accounting treatment must now be reflected in the consolidated financial statements for the year in which the business combination occurs. In addition, changes were made to the presentation of net income and “minority interests” have been changed to “non-controlling interests.” The consolidated financial statements for the fiscal year ended March 31, 2015 have been restated in order to reflect this change in presentation.

The application of the newly adopted accounting standards noted at the outset of this section has been implemented from the beginning of the fiscal year ended March 31, 2016 in accordance with the transitional provisions in Article 58-2(4) of the Accounting Standard for Business Combinations, Article 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4(4) of the Accounting Standard for Business Divestitures.

This change had no effect on profit or loss for the year ended March 31, 2016.

5. Unapplied Accounting Standards, etc.
Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016)

(a) Outline

The practical guidance on accounting standards and auditing standards (where it is related to the accounting treatment) for tax effect accounting, issued by the Japanese Institute of Certified Public Accountants (JICPA), is to be transferred to the competence of the ASBJ.

In line with said transfer, “Implementation Guidance on Recoverability of Deferred Tax Assets (Implementation Guidance)” has been issued by the ASBJ, based, in principle, on the framework used in the “Audit Treatment on Determining the Recoverability of Deferred Tax Assets” (Report No. 66, the audit committee of the JICPA), where the recoverability of deferred tax assets is assessed in accordance with the five categories of a corporate entity. The Implementation Guidance made certain necessary changes in the criteria for these categories and also in the treatment of the amount of deferred tax assets.

The Implementation Guidance thereby provides the guidelines in applying the “Accounting Standards for Tax Effect Accounting,” by the Business Accounting Council, in view of recoverability of deferred tax assets.

(The requirements for classification and changes in the treatment of the amounts of deferred tax assets)

① Treatment of companies that do not satisfy any of the five category requirements for (Category 1) through (Category 5)
② Category requirements for (Category 2) and (Category 3)
③ Treatment related to future deductible temporary differences that cannot be scheduled in companies that qualify as (Category 2)

④ Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as(Category 3)
⑤ Treatment in cases that companies satisfy the category requirement for (Category 4) but qualify as (Category 2) and (Category 3)

(b) Scheduled date of adoption

This implementation guidance will be applied from April 1, 2016.

(c) Impact of adoption of the implementation guidance

The impact on the Company's consolidated financial statements from the adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets is being evaluated at the time of the preparation of consolidated financial statements.

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Land	**¥6,450**	¥6,520	**$57,242**
Buildings and structures	**36,449**	36,383	**323,474**
Machinery and equipment	**24,417**	29,261	**216,693**
Vehicles	**335**	397	**2,973**
Tools, furniture and fixtures	**7,163**	7,840	**63,569**
Lease assets	**247**	257	**2,192**
Construction in progress	**31**	174	**275**
Sub total	**75,092**	80,832	**666,418**
Less accumulated depreciation	**(55,843)**	(60,117)	**(495,589)**
Property, plant and equipment, net	**¥19,249**	¥20,715	**$170,829**

Depreciation expenses for the years ended March 31, 2016 and 2015 were ¥1,757 million ($15,593 thousand) and ¥1,966 million, respectively.

7. Intangible Assets

Intangible assets at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Goodwill	**¥2,254**	¥3,041	**$20,004**
Others	**887**	791	**7,871**
Total	**¥3,141**	¥3,832	**$27,875**

8. Contingent Liabilities

As of March 31, 2016, contingent liabilities for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥849 million ($7,535 thousand).

9. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Sales commission	**¥2,473**	¥2,365	**$21,947**
Shipping expenses	**3,613**	3,693	**32,064**
Provision for warranty reserve	**489**	490	**4,340**
Personnel-expenses	**11,422**	11,626	**101,367**
Retirement benefit expenses	**614**	558	**5,449**
Depreciation	**632**	645	**5,609**
Rent expenses	**793**	811	**7,038**
Travel expenses	**1,536**	1,701	**13,632**
Research and development expenses	**1,071**	1,159	**9,505**
Subcontract expenses	**564**	715	**5,005**
Others	**5,241**	5,088	**46,511**
Total	**¥28,448**	¥28,851	**$252,467**

10. Research and Development Costs

Research and development costs charged to income were ¥1,669 million ($14,812 thousand) and ¥1,663 million for the years ended March 31, 2016 and 2015, respectively.

11. Loss on Impairment of Fixed Assets

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

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

		Millions of yen
		2015
Ishioka, Ibaraki, Japan:		
Land	Idle property	¥10

There was no loss on impairment of fixed assets recognized for the year ended March 31, 2016.

12. 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.

13. Other Comprehensive Income

The components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrealized holding gain (loss) on securities:			
Current period changes in unrealized gain (loss)	**¥(1,784)**	¥1,901	**$(15,832)**
Reclassification adjustment	**–**	(4)	**–**
Total unrealized holding gain (loss) on securities before tax effects	**(1,784)**	1,897	**(15,832)**
Tax effects	**612**	(472)	**5,431**
Unrealized holding gain (loss) on securities, net of tax effects	**(1,172)**	1,425	**(10,401)**
Foreign currency translation adjustments:			
Current period changes	**(1,136)**	2,179	**(10,081)**
Remeasurements of defined benefit plans			
Current period changes in remeasurements of defined benefit plans	**(1,429)**	386	**(12,682)**
Reclassification adjustment	**121**	438	**1,074**
Total remeasurements of defined benefit plans before tax effect	**(1,308)**	824	**(11,608)**
Tax effects	**–**	–	**–**
Remeasurements of defined benefit plans, net of tax effects	**(1,308)**	824	**(11,608)**
Share of other comprehensive income of affiliates accounted for using equity method			
Current period changes	**8**	8	**71**
Total other comprehensive income (loss)	**¥(3,608)**	¥4,436	**$(32,019)**

14. 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, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash and time deposits	**¥16,656**	¥20,708	**$147,817**
Marketable securities	**26,276**	19,500	**233,191**
Cash and cash equivalents	**¥42,932**	¥40,208	**$381,008**

(b) Breakdown of book value of assets and liabilities of the transferred businesses

Assets and liabilities of Hyest Corporation at the time the company was excluded from the scope of consolidation, related sales price of its shares and proceeds (net) from sale of its shares for the fiscal year ended March 31, 2016 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Current assets	**¥4,146**	**$36,794**
Non-current assets	**579**	**5,138**
Current liabilities	**(4,237)**	**(37,602)**
Non-current liabilities	**(297)**	**(2,636)**
Gain on sales of investments in affiliates	**2,652**	**23,536**
Sales price of shares	**2,843**	**25,230**
Cash and cash equivalents	**(1,277)**	**(11,332)**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**¥1,566**	**$13,898**

15. Leases

This disclosure has been omitted for the year ended March 31, 2016 based on materiality.

16. 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 three 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 18, “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 (¥5,000 million ($44,373 thousand) at March 31, 2016) 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 ($473,243 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 18, “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, 2016 and 2015, and their fair value were as follows: (Financial instruments whose fair value was extremely difficult to determine were not included.)

	Millions of yen					
	2016			2015		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and deposits	¥16,656	¥16,656	¥—	¥20,708	¥20,708	¥—
Notes and accounts receivable, trade	43,425	43,428	3	43,751	43,749	(2)
Marketable securities and investment securities	39,963	41,101	1,138	33,794	36,606	2,812
Total assets	¥100,044	¥101,185	¥1,141	¥98,253	¥101,063	¥2,810
Short-term bank loans	¥12,109	¥12,109	¥—	¥11,913	¥11,913	¥—
Notes and accounts payable, trade	25,060	25,060	—	28,086	28,086	—
Long-term debt	4,800	4,807	7	5,300	5,309	9
Total liabilities	¥41,969	¥41,976	¥7	¥45,299	¥45,308	¥9
Derivatives	¥28	¥28	¥—	¥39	¥39	¥—

	Thousands of U.S. dollars		
	2016		
	Carrying value	Fair value	Difference
Cash and deposits	$147,817	$147,817	$—
Notes and accounts receivable, trade	385,383	385,410	27
Marketable securities and investment securities	354,659	364,758	10,099
Total assets	$887,859	$897,985	$10,126
Short-term bank loans	$107,463	$107,463	$—
Notes and accounts payable, trade	222,400	222,400	—
Long-term debt	42,599	42,661	62
Total liabilities	$372,462	$372,524	$62
Derivatives	$248	$248	$—

*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 18, “Derivative Financial Instruments,”

(b) Financial instruments whose fair value was extremely difficult to determine at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Investment securities for which the market prices are not available	**¥513**	¥518	**$4,552**

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 ③ Marketable 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, 2016 and 2015 were as follows:

	Millions of yen							
	2016				2015			
	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	**¥16,651**	**¥—**	**¥—**	**¥—**	¥20,682	¥—	¥—	¥—
Notes and accounts receivable, trade	**41,795**	**1,630**	**—**	**—**	43,387	364	—	—
Marketable securities and investment securities:								
Negotiable certificates of deposit	**26,276**	**—**	**—**	**—**	19,500	—	—	—
Total	**¥84,722**	**¥1,630**	**¥—**	**¥—**	¥83,569	¥364	¥—	¥—

	Thousands of U.S.dollars			
	2016			
	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	**$147,772**	**$—**	**$—**	**$—**
Notes and accounts receivable, trade	**370,917**	**14,466**	**—**	**—**
Marketable securities and investment securities:				
Negotiable certificate of deposit	**233,191**	**—**	**—**	**—**
Total	**$751,880**	**$14,466**	**$—**	**$—**

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

Year ended March 31, 2016

	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	**¥11,609**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**
Long-term debt	**500**	**500**	**4,300**	**—**	**—**	**—**
Total	**¥12,109**	**¥500**	**¥4,300**	**¥—**	**¥—**	**¥—**

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, 2016	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	**$103,026**	**$—**	**$—**	**$—**	**$—**	**$—**
Long-term debt	**4,437**	**4,437**	**38,162**	**—**	**—**	**—**
Total	**$107,463**	**$4,437**	**$38,162**	**$—**	**$—**	**$—**

17. Securities

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

	Millions of yen					
	2016			2015		
	Acquisition cost	Carrying value	Unrealized gains	Acquisition cost	Carrying value	Unrealized gains
Equity securities	**¥1,706**	**¥5,807**	**¥4,101**	¥1,707	¥7,592	¥5,885
	¥1,706	**¥5,807**	**¥4,101**	¥1,707	¥7,592	¥5,885

	Thousands of U.S. dollars		
	2016		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	**$15,140**	**$51,535**	**$36,395**
	$15,140	**$51,535**	**$36,395**

Negotiable certificates of deposit classified as non-marketable securities totaled ¥26,276 million ($233,191 thousand) and ¥19,500 million as of March 31, 2016 and 2015, respectively. Non-marketable equity securities classified as other securities primarily consist of ¥121 million ($1,074 thousand) and ¥122 million as of March 31, 2016 and 2015, respectively. Proceeds from sales and gain on sales of non-marketable equity securities classified as other securities were ¥2 million ($18 thousand) and ¥0 million ($0 thousand) for the year ended March 31, 2016, and ¥4 million and ¥3 million for the year ended March 31, 2015, respectively.

18. 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, 2016 and 2015 were as follows:

① Foreign exchange contracts

	Hedged item	Millions of yen 2016 Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)	2015 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	**¥36**	**¥—**	**¥(0)**	**¥(0)**	¥—	¥—	¥—	¥—
Buy:									
U.S. dollars	Accounts payable	**22**	**—**	**2**	**2**	—	—	—	—
Japanese yen		**731**	**—**	**26**	**26**	357	—	39	39
Total		**¥789**	**¥—**	**¥28**	**¥28**	¥357	¥—	¥39	¥39

	Hedged item	Thousands of U.S. dollars 2016 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	**$319**	**$—**	**$(0)**	**$(0)**
Buy:					
U.S. dollars	Accounts payable	**195**	**—**	**18**	**18**
Japanese yen		**6,487**	**—**	**231**	**231**
Total		**$7,001**	**$—**	**$249**	**$249**

Derivatives designated as hedging instruments at March 31, 2016 and 2015 were as follows:

① Foreign exchange contract, etc.

	Hedged item	Millions of yen 2016 Contract amount	Contract amount due after one year	Fair value	2015 Contract amount	Contract amount due after one year	Fair value
Appropriated accounting for foreign currency							
Foreign exchange contracts:							
Sell:							
U.S. dollars	Accounts receivable	**¥1,621**	**¥—**	**¥—**	¥1,545	¥—	¥—
Total		**¥1,621**	**¥—**	**¥—**	¥1,545	¥—	¥—

	Hedged item	Thousands of U.S. dollars 2016 Contract amount	Contract amount due after one year	Fair value
Appropriated accounting for foreign currency				
Foreign exchange contracts:				
Sell:				
U.S. dollars	Accounts receivable	**$14,386**	**$—**	**$—**
Total		**$14,386**	**$—**	**$—**

Foreign exchange contracts are accounted for 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

	Hedged item	Millions of yen					
		2016			2015		
		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	Long-term debt	**¥5,000**	**¥4,500**	**¥—**	¥5,000	¥5,000	¥—

	Hedged item	Thousands of U.S. dollars		
		2016		
		Contract amount	Contract amount due after one year	Fair value
Special treatment				
Interest rate swap:				
Floating rate receipt, fixed rate payment	Long-term debt	**$44,373**	**$39,936**	**$—**

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

19. 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, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Retirement benefit obligation at beginning of year	**¥12,949**	¥14,667	**$114,918**
Cumulative effect of change in accounting principle	**—**	(1,924)	**—**
Restated balance	**12,949**	12,743	**114,918**
Service cost	**839**	880	**7,446**
Interest cost	**123**	127	**1,092**
Actuarial gain or loss	**1,326**	(25)	**11,768**
Retirement benefit paid	**(944)**	(776)	**(8,378)**
Decrease on exclusion from consolidation	**(502)**	—	**(4,455)**
Retirement benefit obligation at end of year	**¥13,791**	¥12,949	**$122,391**

② The changes in pension plan assets during the year ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Pension plan assets at beginning of year	**¥4,843**	¥4,389	**$42,980**
Expected return on pension plan assets	**93**	88	**825**
Actuarial gain or loss	**(103)**	360	**(914)**
Contribution by the Companies	**203**	229	**1,802**
Retirement benefit paid	**(283)**	(223)	**(2,512)**
Decrease on exclusion from consolidation	**(188)**	–	**(1,668)**
Pension plan assets at end of year	**¥4,565**	¥4,843	**$40,513**

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, 2016 and 2015 for the defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded retirement benefit obligation	**¥4,536**	¥4,234	**$40,256**
Pension plan assets at fair value	**(4,565)**	(4,843)	**(40,513)**
	(29)	(609)	**(257)**
Unfunded retirement benefit obligation	**9,255**	8,715	**82,135**
Net retirement benefit liability recognized in the consolidated balance sheet	**9,226**	8,106	**81,878**
Retirement benefit liability	**9,226**	8,106	**81,878**
Net retirement benefit liability recognized in the consolidated balance sheet	**¥9,226**	¥8,106	**$81,878**

④ The components of retirement benefit expense for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥839**	¥880	**$7,446**
Interest assets	**123**	127	**1,092**
Expected return on pension assets	**(93)**	(88)	**(825)**
Amortization of transitional obligation	**—**	463	**—**
Actuarial gain or loss	**81**	(24)	**718**
Retirement benefit expense	**¥950**	¥1,358	**$8,431**

⑤ Remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Actuarial gain or loss	**¥(1,308)**	¥361	**$(11,608)**
Translation obligation	**—**	463	**—**
Total	**¥(1,308)**	¥824	**$(11,608)**

⑥ Remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized actuarial loss	**¥1,823**	¥515	**$16,179**
Total	**¥1,823**	¥515	**$16,179**

⑦ The fair value of pension plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 were as follows:

	2016	2015
Domestic bonds	**51%**	46%
Domestic equity securities	**14%**	16%
Foreign bonds	**12%**	12%
Foreign equity securities	**14%**	16%
Insurance assets (General accounts)	**8%**	8%
Other	**1%**	2%
Total	**100%**	100%

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:

	2016	2015
Discount rate	**0.0%**	1.1%
Expected rate of return on pension plan assets	**2.0%**	2.0%
Expected rate of salary increase	**9.9%**	9.9%

As a result of a re-examination of the discount rate, the rate was changed to 0.0% because it was determined that changing the rate would have a significant impact on the amount of employees' retirement benefits.

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, 2016 and 2015 were ¥174 million ($1,544 thousand) and ¥177 million, respectively.

(d) Multiemployer pension plans

The required contributions to the multiemployer pension plans for the years ended March 31, 2016 and 2015 were ¥63 million ($559 thousand) and ¥83 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
	2016	2015	**2016**
Amount of pension assets	**¥317,424**	¥303,721	**$2,817,039**
Total amount of actuarial obligations and minimum reserve in the pension financial calculation (Note)	**302,958**	299,821	**2,688,658**
Difference	**¥14,466**	¥3,900	**$128,381**

(Note) This item was presented as "Amount of obligations" in the previous fiscal year.

② The Companies' portion of contributions in multiemployer pension plans

	2016	2015
The Companies' portion in the total contributions of the multiemployer plans	**0.586%**	0.562%

The difference above was principally attributable to the differences in retained earnings of ¥8,979 million ($79,686 thousand) and ¥12,010 million in the pension financial calculation, at March 31, 2016 and 2015, respectively special reserve of ¥24,331 million ($215,930 thousand) and ¥12,320 million at March 31, 2016 and 2015 and unrecognized prior service cost of ¥18,844 million ($167,235 thousand) and ¥20,431 million at March 31, 2016 and 2015, 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 ($293 thousand) and ¥33 million for amortization of prior service cost in the consolidated financial statements for the years ended March 31, 2016 and 2015, respectively.

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

20. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Accrued employees' bonuses	**¥594**	¥669	**$5,272**
Allowance for doubtful receivables	**19**	40	**169**
Devaluation of inventories	**620**	663	**5,502**
Devaluation of securities	**329**	347	**2,920**
Net defined benefit liability	**2,236**	2,420	**19,844**
Unrealized intercompany profit on inventories	**470**	632	**4,171**
Enterprise taxes payable	**81**	107	**719**
Other	**1,700**	1,845	**15,086**
Total deferred tax assets	**¥6,049**	¥6,723	**$53,683**
Valuation allowance	**(2,302)**	(2,207)	**(20,430)**
Net deferred tax assets	**¥3,747**	¥4,516	**$33,253**
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	**(104)**	(125)	**(923)**
Unrealized holding gain on securities	**(1,199)**	(1,811)	**(10,641)**
Asset retirement obligations	**(7)**	(8)	**(62)**
Book value of securities not corrected yet	**—**	(105)	**—**
Foreign consolidated subsidiaries' retained earnings	**(577)**	(632)	**(5,121)**
Affiliates' retained earnings accounted for using equity method	**(997)**	(865)	**(8,847)**
Total deferred tax liabilities	**¥(2,884)**	¥(3,546)	**$(25,594)**
Net deferred tax assets	**¥863**	¥970	**$7,659**

Net deferred tax is included in the following accounts:	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Current assets – Deferred tax assets	**¥2,809**	¥3,376	**$24,929**
Investments and other assets – Deferred tax assets	**71**	86	**630**
Current liabilities – Deferred tax liabilities	**—**	–	**—**
Long-term liabilities – Deferred tax liabilities	**2,017**	2,492	**17,900**

The reconciliation between the statutory tax rate and effective tax rate for the years ended March 31, 2016 and 2015 was as follows:

	2016	2015
Statutory tax rate	**32.3%**	34.8%
Per-capita portion of inhabitant tax	**0.5**	0.7
Permanently non-taxable revenue such as dividends income	**(0.5)**	(0.5)
Permanently non-deductible expenses	**0.6**	0.8
Effects of elimination in consolidation	**(0.8)**	(0.8)
Change in valuation allowance	**1.2**	(15.2)
Difference in statutory tax rates for foreign subsidiaries	**0.1**	(0.8)
Effect of change in enacted tax rate	**1.6**	2.9
Refund of income taxes	**(0.0)**	(1.0)
Change in tax effect on undistributed earnings	**—**	11.3
Others	**1.8**	1.7
Effective tax rate	**36.8%**	33.9%

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, 2016 and 2015 were approximately 32.3% and 34.8%, respectively.

Following the enactment on March 29, 2016 of the "Act for Partial Revision of Income Tax Act, etc." (Act No.15 of 2016) and the "Act for Partial Revision of Local Tax Act, etc." (Act No.13 of 2016), the statutory income tax rate will be lowered in stages from fiscal years beginning on or after April 1, 2016. As a result, the statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities as of March 31, 2016 was changed from the previous 31.57% to 30.21% for temporary differences expected to be realized during the fiscal year beginning on April 1, 2016 and 29.99% for temporary differences expected to be realized during the fiscal year beginning on or after April 1, 2017.

As a result of this change, as of and for the year ended March 31, 2016, net deferred tax assets (after netting deferred tax liabilities) decreased by ¥2 million ($18 thousand), while deferred income taxes and net unrealized holding gain on securities increased by ¥65 million ($577 thousand) and ¥63 million ($559 thousand), respectively.

21. Business Combinations, etc.

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

(a) Overview of the sale of shares

① Name of buyer: Nabtesco Corporation
② Business description: Manufacture and sales of hydraulic equipment and its related business
③ Main reason for sale

The Companies are pursuing opportunities to strengthen their business bases by developing core technologies and expanding the global markets, in line with the concept of "advancement and expansion." Based on this, the Companies determined to focus their business resources on equipment industries, mainly molding machinery and machine tools and decided to sell all the shares of Hyest Corporation, which is engaged in the hydraulic equipment business for construction machines, to Nabtesco Corporation. By transferring 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 an enterprise group with a sufficient business scale.

④ Date of transfer : April 1, 2015

⑤ Overview of the transaction including legal form : Share transfer in exchange for cash

(b) Overview of accounting treatment

① Gain on sale : ¥2,652 million ($23,536 thousand)

② Carrying values of assets and liabilities of the transferred business (breakdown)

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Current assets	¥4,146	$36,794
Non-current assets	579	5,138
Total assets	4,725	41,933
Current liabilities	4,237	37,602
Non-current liabilities	297	2,636
Total liabilities	¥4,534	$40,238

③ Accounting treatment

The difference between the market value of the consideration received and the share of shareholders' equity related to transferred business is included in "other income".

(c) Segment in which the subsidiary was included in the disclosure of segment information

Hydraulic Equipment

(d) Estimated income related to the transferred business included in the consolidated statement of income for the fiscal year ended March 31, 2016

Profit of Hyest Corporation is not included for the year ended March 31, 2016 because the transaction was carried out at the beginning of the current fiscal year.

22. Asset Retirement Obligations

This disclosure has been omitted for the year ended March 31, 2016 based on materiality.

23. Rental Property

This disclosure has been omitted for the year ended March 31, 2016 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 Boad 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

Hyest Corporation, which had been included the "Hydraulic Equipment" segment, was excluded from the scope of consolidation because Company sold all its shares. Therefore, the Company now includes and discloses information related to the "Hydraulic Equipment" business in the "Other Products" business segment because the importance of "Hydraulic Equipment" decreased. As a result of this change, the Companies' reportable segments were changed from three segments "Molding Machinery," "Machine Tools" and "Hydraulic Equipment" to two segments "Molding Machinery" and "Machine Tools."

Additionally, segment information for the previous fiscal year has been restated in order to reflect this change in presentation.

(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, 2016 and 2015 was as follows:

Year ended March 31, 2016 — Millions of yen

	Reportable segments			Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Sub total				
Net sales:							
External customers	**¥73,580**	**¥32,932**	**¥106,512**	**¥10,747**	**¥117,259**	**¥—**	**¥117,259**
Inter-segment	**—**	**430**	**430**	**2,742**	**3,172**	**(3,172)**	**—**
Total	**73,580**	**33,362**	**106,942**	**13,489**	**120,431**	**(3,172)**	**117,259**
Segment income	**¥1,710**	**¥1,542**	**¥3,252**	**¥404**	**¥3,656**	**¥150**	**¥3,806**
Segment assets	**¥75,450**	**¥38,620**	**¥114,070**	**¥18,172**	**¥132,242**	**¥26,068**	**¥158,310**
Others							
Depreciation	**¥1,113**	**¥411**	**¥1,524**	**¥233**	**¥1,757**	**¥—**	**¥1,757**
Capital expenditures	**772**	**466**	**1,238**	**310**	**1,548**	**—**	**1,548**

Year ended March 31, 2015 — Millions of yen

	Reportable segments			Other Products	Total	Adjustments	Consolidated
	Molding Machinery	Machine Tools	Sub total				
Net sales:							
External customers	¥80,024	¥28,141	¥108,165	¥16,208	¥124,373	¥—	¥124,373
Inter-segment	—	1,004	1,004	2,594	3,598	(3,598)	—
Total	80,024	29,145	109,169	18,802	127,971	(3,598)	124,373
Segment income	¥3,854	¥840	¥4,694	¥(257)	¥4,437	¥351	¥4,788
Segment assets	¥77,717	¥39,222	¥116,939	¥22,584	¥139,523	¥22,452	¥161,975
Others							
Depreciation	¥1,145	¥391	¥1,536	¥430	¥1,966	¥—	¥1,966
Capital expenditures	1,640	139	1,779	415	2,194	—	2,194

Year ended March 31, 2016	Thousands of U.S. dollars						
	Reportable segments						
	Molding Machinery	Machine Tools	Sub total	Other products	Total	Adjustments	Consolidated
Net sales:							
External customers	$653,000	$292,261	$945,261	$95,376	$1,040,637	$—	$1,040,637
Inter-segment	—	3,816	3,816	24,335	28,151	(28,151)	—
Total	653,000	296,077	949,077	119,711	1,068,788	(28,151)	1,040,637
Segment income	$15,176	$13,684	$28,860	$3,586	$32,446	$1,331	$33,777
Segment assets	$669,595	$342,741	$1,012,336	$161,271	$1,173,607	$231,345	$1,404,952
Others							
Depreciation	$9,878	$3,647	$13,525	$2,068	$15,593	$—	$15,593
Capital expenditures	6,851	4,136	10,987	2,751	13,738	—	13,738

Note: "Other products" is a business segment that is not included in the reportable segments. It included business activities related to 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, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
Sales	2016	2015	2016
Total reportable segments	¥106,942	¥109,169	$949,077
Other products	13,489	18,802	119,711
Eliminations	(3,172)	(3,598)	(28,151)
Net sales in the consolidated financial statements	¥117,259	¥124,373	$1,040,637

	Millions of yen		Thousands of U.S. dollars
Income	2016	2015	2016
Total reportable segments	¥3,252	¥4,694	$28,860
Other products	404	(257)	3,586
Eliminations	150	351	1,331
Operating income in the consolidated financial statements	¥3,806	¥4,788	$33,777

	Millions of yen		Thousands of U.S. dollars
Assets	2016	2015	2016
Total reportable segments	¥114,070	¥116,939	$1,012,336
Other products	18,172	22,584	161,271
Company-wide assets	26,412	23,624	234,398
Eliminations	(344)	(1,172)	(3,053)
Net assets in the consolidated financial statements	¥158,310	¥161,975	$1,404,952

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, 2016 and 2015 was as follows:

Millions of yen				
2016				
Japan	North America	Asia	Other	Total
¥53,078	**¥20,754**	**¥41,091**	**¥2,336**	**¥117,259**

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

Thousands of U.S. dollars				
2016				
Japan	North America	Asia	Other	Total
$471,051	**$184,185**	**$364,670**	**$20,731**	**$1,040,637**

Note: Sales figures are classified based on customer locations.

Property, plant and equipment information by country or geographical areas as of March 31, 2016 and 2015 was as follows:

Millions of yen			
2016			
Japan	North America	Asia	Total
¥16,208	**¥218**	**¥2,823**	**¥19,249**

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

Thousands of U.S. dollars			
2016			
Japan	North America	Asia	Total
$143,841	**$1,935**	**$25,053**	**$170,829**

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, 2016 and 2015.

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

Information about impairment loss on fixed 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

There was no impairment loss on fixed assets recognized for the year ended March 31, 2016.

(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, 2016 and 2015 was as follows:

	Millions of yen				
	2016				
	Molding Machinery	Machine Tools	Other products	Adjustments	Total
Amortization of goodwill	**¥410**	**¥—**	**¥—**	**¥—**	**¥410**
Unamortized balance	**2,254**	**—**	**—**	**—**	**2,254**

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

	Thousands of U.S. dollars				
	2016				
	Molding Machinery	Machine Tools	Other products	Adjustments	Total
Amortization of goodwill	**$3,639**	**$—**	**$—**	**$—**	**$3,639**
Unamortized balance	**20,004**	**—**	**—**	**—**	**20,004**

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

There was no applicable matter for the years ended March 31, 2016 and 2015.

25. Related Party Transactions

During the years ended March 31, 2016 and 2015, 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, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
For the years ended March 31:			
Payment of brand fee	**¥234**	¥240	**$2,077**

Note: The brand fee rate had been agreed upon prior to the beginning of the respective fiscal years.

During the year ended March 31, 2015, the Companies had operating transactions with NuFlare Technology, Inc., a 15.1% affiliate of the Company. There were no items to be disclosed for the year ended March 31, 2016.

A summary of the significant transactions with NuFlare Technology, Inc. for the year ended March 31, 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
For the years ended March 31:			
Rent income for land, buildings and structures	**—**	¥59	**—**

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

26. Net Income and Net Assets per Share

Net income and net assets per share as of and for the years ended March 31, 2016 and 2015 were as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Net income per share	**¥31.61**	¥28.36	**$0.28**
Net assets per share	**614.03**	616.14	**5.45**

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

	Thousands of shares	
	2016	2015
Weighted-average number of shares of common stock	**152,024**	152,027

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net income	**¥4,806**	¥4,312	**$42,652**
Net income not applicable to shareholders of common stock	**—**	—	**—**
Net income applicable to shareholders of common stock	**¥4,806**	¥4,312	**$42,652**

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

	Thousands of shares	
	2016	2015
Number of shares at year-end	**152,021**	152,025

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net assets	**¥93,345**	¥93,669	**$828,408**
Non-controlling interests in consolidated subsidiaries	**—**	—	**—**
Net assets applicable to shareholders of common stock	**¥93,345**	¥93,669	**$828,408**

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, 2016 and 2015 ranged principally from 0.50% to 1.64% and 0.56% to 3.16%, respectively. Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Loans, principally from Japanese banks and insurance companies: maturing 2017 – 2018, interest 0.66% - 0.98%	**¥5,300**	¥5,300	**$47,036**
	5,300	5,300	**47,036**
Less current portion	**500**	—	**4,437**
	¥4,800	¥5,300	**$42,599**

The aggregate annual maturities of long-term debt at March 31, 2016 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥ 500	$ 4,437
2018	500	4,437
2019	4,300	38,162
2020	—	—
2021 and later	—	—
Total	¥5,300	$47,036

The aggregate annual maturities of finance lease obligations at March 31, 2016 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥28	$248
2018	19	169
2019	12	106
2020	5	44
2021 and later	1	9
Total	¥65	$576

28. Subsequent Event

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, 2016, was approved at the meeting of the Board of Directors held on April 27, 2016:

Cash dividends of ¥6.00 ($0.05) per share amounting to ¥912 million ($8,095 thousand)

Independent Auditor's Report

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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, 2016, 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, 2016, 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 24, 2016
Tokyo, Japan

Directors & Audit and Supervisory Board Members

Directors

President and Chief Executive Officer

Yukio Iimura

Representative Director and Senior Managing Executive Officer

Shigetomo Sakamoto

Directors and Managing Executive Officers

Masayuki Yagi

Takahiro Mikami

Directors and Executive Officers

Katsuo Ito

Akiyoshi Kobayashi

Outside Directors

Kan Akiyama

Yoshihiro Ogura

Audit and Supervisory Board Members

Teruyuki Makino

Makoto Tsuji

Yutaka Usami

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