TOSHIBA MACHINE

Annual Report 2017

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, 2017)

Company Name:	TOSHIBA MACHINE CO., LTD.
Headquarters:	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
Established:	1938
Capital:	¥12,484 million (US$111,283 thousand)
Shares of Common Stock Issued and Outstanding:	166,885,530 shares
Number of Shareholders:	9,691
Number of Employees:	1,787 (Consolidated: 3,236)

Foreword 2017

Although the Japanese economy in FY2016 was affected by drastic movements in exchange rates, it still continued its slow recovery. For example, corporate revenues increased and the employment rate improved as a result of government economic measures. Outside Japan, the American, European, and Indian economies steadily improved. The future world economy, however, remained uncertain; economies slowed down in some Asian developing nations such as China, and policy changes in Europe and the US heightened uncertainties.

The machine industry, to which our group belongs, also showed a general recovery primarily in domestic capital investment demand, but our business confidence varied with the target market and product.

In the abovementioned economic context, our group implemented the mid-term management plan, TM-PΣ Plan (the Toshiba Machine Profit Sigma Plan), on April 1, 2016. While still following the central 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 order for our group to steadily grow in high growth potential markets, we made every possible effort to; reduce the total cost, drive production innovation to improve profitability, create a global and optimized procurement network to withstand currency exchange risks, discover new markets, develop new products targeting both the Japanese and international markets upon which we focus, and increase the order volume.

According to the consolidated financial report for the fiscal year under review, sales were 111,327 million yen (a 5.1% decrease from the previous year). This result is attributed to sluggish capital investments in Southeast Asian countries into which we had put a lot of marketing effort. Operating profit was 4,473 million yen (a 17.5% increase from the previous year) as a result of various cost reduction measures.

Current net profit attributable to shareholders of the parent company was 1,776 million yen (a 63.0% decrease from the previous year) since the amortization of goodwill for overseas subsidiaries was 1,877 million yen.

The dividend for FY2016 was 12 yen for the year.

While the US and Japanese economies are predicted to slowly recover, the overall future economic climate will remain unpredictable due to, for example, economic trends of developing countries such as China, the impact of the shift of American and European policies to protectionism, and globally heightened geopolitical risks. It is also predicted the business environment will remain challenging because of drastic movements in exchange rates and intensifying competition with both Japanese and international companies.

For the TM-PΣ Plan (the Toshiba Machine Profit Sigma Plan) we launched on April 1, 2016, we set “shift to a high-revenue company“ and “selection and concentration“ as the basic strategies.

In the “shift to a high-revenue company“ strategy, we are starting to see positive outcomes of the total cost reduction measures (reduction of product costs, cutback on procurement costs, optimization of business base allocation, and cutback on general and administration expenses) which we implemented in order to accomplish our urgent task, recovering profitability. We will continue to fully commit to these measures to improve 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.

Also, our group will continue to work on thorough quality and environmental control in accordance with ISO 9001 and 14001. We will actively engage in corporate social responsibility programs such as future executive training to support the group's future, legal compliance, and social action activities.

On March 3, 2017, we obtained 30,207,000 shares of Toshiba Machine stock from Toshiba Corporation. As a result, Toshiba Corporation now holds 3,338,267 shares of Toshiba Machine stock (approximately 2% of all issued stock) and we have therefore separated from the Toshiba group.

The new Toshiba Machine began on April 1, 2017. With the new organizational structure, we will continue to further strengthen our corporate governance and the management system to grow our business and increase corporate value.

T. Mikami

FINANCIAL HIGHLIGHTS (consolidated)

	2017	2016	2015	2014	2013
Net sales	¥111,327	¥117,259	¥124,373	¥113,062	¥120,899
	$992,310				
Cost of sales	¥79,350	¥85,004	¥90,733	¥81,480	¥87,294
	$707,283				
Selling, general and	¥27,503	¥28,448	¥28,851	¥26,955	¥25,526
administrative expenses	**$245,149**				
Operating income	¥4,473	¥3,806	¥4,788	¥4,625	¥8,078
	$39,879				
Net income before income taxes	¥3,523	¥7,608	¥6,522	¥6,507	¥12,239
	$31,409				
Income taxes	¥1,747	¥2,802	¥2,210	¥2,063	¥4,347
	$15,576				
Net income	¥1,776	¥4,806	¥4,312	¥4,444	¥7,891
	$15,833				
Comprehensive income	¥2,268	¥1,197	¥8,748	¥6,893	¥9,468
	$20,220				
Per common share:					
Net income	¥11.87	¥31.61	¥28.36	¥29.23	¥51.91
	$0.11				
Cash dividends	¥12.00	¥12.00	¥8.00	¥7.50	¥9.00
	$0.11				
Total assets	¥140,530	¥158,310	¥161,975	¥148,680	¥142,239
	$1,252,613				
Net assets	¥77,120	¥93,345	¥93,669	¥84,217	¥79,399
	$687,407				
Capital expenditures	¥1,335	¥1,547	¥2,193	¥1,766	¥769
(property, plant and equipment)	**$11,903**				
Depreciation	¥1,730	¥1,756	¥1,965	¥1,840	¥2,065
	$15,424				
R & D costs	¥1,648	¥1,668	¥1,663	¥1,551	¥1,566
	$14,698				
Number of employees	3,236	3,286	3,466	3,454	3,197

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 ¥112.19=U.S.$1. See Note 3 of the Notes to the Consolidated Financial Statements.

Overseas Operations for Fiscal Year Ended March 31, 2017

FY2016 overseas sales were 63,515 million yen, which was 666 million less than the previous year.

In China, sales increased by 16.1% from the previous year. This increase was attributable to greater demand for extrusion machines and machine tools.

In Taiwan, sales rose by 14.0% from the previous year because of increased extrusion machine demand.

Meanwhile, in North America, although injection molding machine sales went up, regional sales fell by 3.7% from the previous year due to reduced demand for machine tools.

In Korea, sales decreased by 17.9% from the previous year since there was only demand for injection molding machines and machine tools.

In Southeast Asia, sales declined by 15.8% from the previous year due to decreased demand for die casting machines and machine tools.

In India, although injection molding machine sales rose, regional sales fell by 5.0% from the previous year due to decreased demand for machine tools.

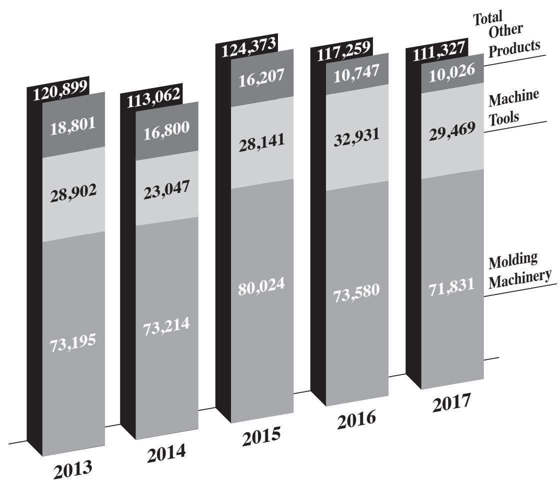
In Europe, sales declined by 19.6% from the previous year due to lower demand for injection molding machines and precision machine tools.

As a result, the percentage of overseas sales relative to overall sales increased from 54.7% in the previous year to 57.1%.

The percentage of overseas sales by business segment was: 80% for the molding machinery business (7% increase from the previous year), 17% for the machine tools business (7% decrease from the previous year), and 3% for other business segments, which remained unchanged from the previous year.

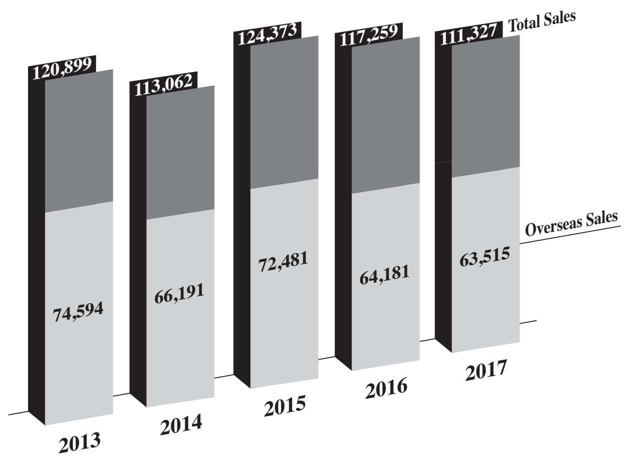
Net Sales

Millions of yen

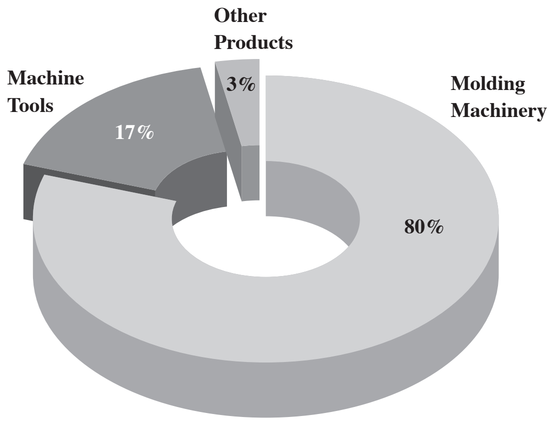


Total Sales & Overseas Sales

Millions of yen



Export Percentages by Major Products



Overseas Offices

East Asia

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

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

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

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

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

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

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

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

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

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

South East Asia

TOSHIBA MACHINE SOUTH EAST ASIA PTE. LTD. Head Office
123 Pioneer Road, Singapore 639596,
SINGAPORE
Tel : [65]-68611455
Fax : [65]-68612023

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

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

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

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

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

Ho Chi Minh Office
3rd Floor, Unit 3.1A, E-Town Building,
364 Cong Hoa Street, Ward 13, Tan Binh District, Ho Chi Minh City, VIETNAM
Tel : [84]-(0)28-3810-8658
Fax : [84]-(0)28-3810-8657

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

Chennai Branch
No.65, Chennai-Bangalore Highway,
Chembrambakkam, Poonamallee Taluk,
Thiruvallur, Chennai-600123, Tamil Nadu, INDIA
Tel : [91]-(0)44-2681-2000
Fax : [91]-(0)44-2681-0888

Pune Branch
405, Lunkad Skymax, Viman Nagar, Nagar Datta Mandir, Pune 411014, INDIA
Tel : [91]-(0)20-4120-2355

TOSHIBA MACHINE (CHENNAI) PRIVATE LIMITED
No.65, Chennai-Bangalore Highway,
Chembrambakkam, Poonamallee Taluk,
Thiruvallur, Chennai-600123, Tamil Nadu, INDIA
Tel : [91]-(0)44-2681-2000
Fax : [91]-(0)44-2681-0303

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

■ America ■

TOSHIBA MACHINE COMPANY, AMERICA Head Office
755 Greenleaf Avenue,
Elk Grove Village, IL 60007, U.S.A.
Tel : [1]-847-593-1616
Fax : [1]-847-593-0897
URL http://www.toshiba-machine.com/

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

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

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

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

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

TOSHIBA MACHINE DO BRASIL COMERCIO DE MAQUINAS LTDA.
Rua Cubatao, 86 Conjunto 1307, Vila Mariana, Sao Paulo, SP CEP 04013-000,
BRASIL
Tel : [55]-(0)11-3586-0140
Fax : [55]-(0)11-3586-0138

■ Europe ■

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

Financial Review

CONSOLIDATED BALANCE SHEET

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2017**	2016	**2017**
Current assets:			
Cash and deposits (Notes 15 and 17)	**¥29,914**	¥16,656	**$266,639**
Marketable securities (Notes 15, 17 and 18)	**146**	26,276	**1,301**
Notes and accounts receivable, trade (Note 17)	**39,444**	43,425	**351,583**
Allowance for doubtful receivables	**(197)**	(159)	**(1,763)**
Net receivables	**39,246**	43,266	**349,820**
Inventories:			
Finished products	**6,529**	7,208	**58,203**
Work in process	**20,100**	22,169	**179,169**
Raw materials and supplies	**82**	72	**735**
Total inventories	**26,713**	29,450	**238,107**
Deferred tax assets (Note 21)	**2,772**	2,809	**24,713**
Other current assets (Notes 17 and 19)	**2,823**	2,528	**25,163**
Total current assets	**101,615**	120,987	**905,744**
Property, plant and equipment, net (Note 6)	**21,125**	19,249	**188,305**
Intangible assets (Note 7)	**749**	3,141	**6,681**
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates (Note 17)	**9,488**	8,272	**84,572**
Other securities (Notes 17 and 18)	**6,858**	5,927	**61,135**
Long-term loans	**23**	37	**206**
Deferred tax assets (Note 21)	**87**	71	**778**
Other investments	**582**	624	**5,192**
Total investments and other assets	**17,039**	14,933	**151,883**
Total assets	**¥140,530**	¥158,310	**$1,252,613**

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2017	2016	Thousands of U.S. dollars (Note 3) 2017
Current liabilities:			
Short-term bank loans (Notes 17 and 27)	**¥10,090**	¥11,609	**$89,937**
Current portion of long-term debt (Notes 17 and 27)	**500**	500	**4,457**
Notes and accounts payable, trade (Note 17)	**26,097**	25,060	**232,623**
Income taxes payable (Note 21)	**573**	950	**5,110**
Accrued expenses	**4,785**	5,020	**42,658**
Warranty reserve	**530**	594	**4,725**
Other current liabilities (Note 17, 19 and 27)	**4,904**	5,059	**43,713**
Total current liabilities	**47,481**	48,795	**423,222**
Long-term liabilities:			
Long-term debt (Notes 17 and 27)	**4,300**	4,800	**38,328**
Long-term accounts payable, other	**5**	8	**52**
Accrued directors' retirement benefits	**29**	32	**260**
Net retirement benefit liability (Note 20)	**9,244**	9,226	**82,397**
Asset retirement obligations	**49**	48	**440**
Deferred tax liabilities (Note 21)	**2,275**	2,016	**20,284**
Other long-term liabilities (Note 27)	**25**	38	**224**
Total long-term liabilities	**15,929**	16,170	**141,984**
Total liabilities	**63,410**	64,965	**565,206**
Contingent liabilities (Note 8)			
Net assets:			
Shareholders' equity: (Note 13)			
Common stock			
Authorized – 360,000,000 shares			
Issued – 166,885,530 shares	**12,484**	12,484	**111,283**
Additional paid-in capital	**19,600**	19,600	**174,712**
Retained earnings	**67,534**	67,623	**601,967**
Treasury stock, at cost (46,195,547 shares in 2017, 14,864,402 shares in 2016)	**(25,898)**	(10,044)	**(230,841)**
Total shareholders' equity	**73,722**	89,663	**657,121**
Accumulated other comprehensive income			
Unrealized holding gain on securities, net of tax	**3,210**	2,901	**28,620**
Deferred gains or losses on hedges	**1**	—	**18**
Foreign currency translation adjustments	**1,600**	2,643	**14,263**
Remeasurements of defined benefit plans	**(1,415)**	(1,864)	**(12,615)**
Total accumulated other comprehensive income	**3,397**	3,681	**30,286**
Total net assets (Note 26)	**77,120**	93,345	**687,407**
Total liabilities and net assets	**¥140,530**	¥158,310	**$1,252,613**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	**2017**
Net sales	**¥111,327**	¥117,259	**$992,310**
Cost of sales (Note 11)	**79,350**	85,004	**707,283**
Gross profit	**31,977**	32,254	**285,027**
Selling, general and administrative expenses (Notes 10 and 11)	**27,503**	28,448	**245,149**
Operating income	**4,473**	3,806	**39,879**
Other income:			
Interest and dividend income	**269**	334	**2,398**
Rent income	**59**	229	**527**
Equity in earnings of affiliates	**1,462**	1,394	**13,035**
Gain on sales of property, plant and equipment	**4**	18	**36**
Gain on sales of investments in affiliates	**—**	2,651	**—**
Others	**150**	183	**1,342**
	1,945	4,813	**17,338**
Other expenses and losses:			
Interest expense	**113**	141	**1,016**
Foreign exchange loss	**469**	254	**4,188**
Brand fee expense	**192**	233	**1,717**
Loss on disposal of property, plant and equipment and intangible assets	**9**	28	**89**
Amortization of goodwill (Note 12)	**1,877**	—	**16,732**
Others	**231**	352	**2,066**
	2,895	1,011	**25,808**
Net income before income taxes	**3,523**	7,608	**31,409**
Income taxes (Note 21)			
Current	**1,528**	2,079	**13,627**
Deferred	**218**	722	**1,949**
	1,747	2,802	**15,576**
Net income	**1,776**	4,806	**15,833**
Net income attributable to owners of parent	**¥1,776**	¥4,806	**$15,833**

	Yen		U.S. dollars (Note 3)
	2017	2016	**2017**
Net income per share of common stock (Note 26)	**¥11.87**	¥31.61	**$0.11**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	**2017**
Net income	**¥1,776**	¥4,806	**$15,833**
Other comprehensive income (loss): (Note 14)			
Unrealized holding gain (loss) on securities, net of tax	**308**	(1,171)	**2,753**
Deferred gains or losses on hedges	**1**	—	**18**
Foreign currency translation adjustments	**(267)**	(1,136)	**(2,389)**
Remeasurements of defined benefit plans	**468**	(1,308)	**4,177**
Share of other comprehensive income of affiliates accounted for using equity method	**(19)**	8	**(172)**
Total other comprehensive income (loss)	**492**	(3,608)	**4,387**
Comprehensive income	**¥2,268**	¥1,197	**$20,220**
Comprehensive income attributable to owners of parent	**2,268**	1,197	**20,220**
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, 2017

	Millions of yen									
	Number of Shares	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities, net of tax	Deferred gains or losses on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total net assets
Balance at April 1, 2015	166,885,530	¥12,484	¥19,600	¥64,337	¥(10,043)	¥4,073	¥ –	¥3,780	¥(564)	¥93,669
Profit attributable to owners of parent				4,806						4,806
Purchases of treasury stock					(1)					(1)
Cash dividends				(1,520)						(1,520)
Net changes in items other than shareholders' equity						(1,171)		(1,136)	(1,300)	(3,608)
Balance at March 31, 2016	166,885,530	12,484	19,600	67,623	(10,044)	2,901	–	2,643	(1,864)	93,345
Profit attributable to owners of parent				**1,776**						**1,776**
Purchases of treasury stock					**(15,853)**					**(15,853)**
Cash dividends				**(1,824)**						**(1,824)**
Effect of fiscal year change of consolidated subsidiaries				**(40)**						**(40)**
Net changes in items other than shareholders' equity						**308**	**1**	**(1,043)**	**449**	**(283)**
Balance at March 31, 2017	**166,885,530**	**¥12,484**	**¥19,600**	**¥67,534**	**¥(25,898)**	**¥3,210**	**¥1**	**¥1,600**	**¥(1,415)**	**¥77,120**

	Thousands of U.S. dollars (Note 3)								
	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities, net of tax	Deferred gains or losses on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total net assets
Balance at April 1, 2016	$111,283	$174,712	$602,755	$(89,535)	$25,867	$ –	$23,566	$(16,619)	$832,028
Profit attributable to owners of parent			**15,833**						**15,833**
Purchases of treasury stock				**(141,306)**					**(141,306)**
Cash dividends			**(16,260)**						**(16,260)**
Effect of fiscal year change of consolidated subsidiaries			**(361)**						**(361)**
Net changes in items other than shareholders' equity					**2,753**	**18**	**(9,303)**	**4,005**	**(2,527)**
Balance at March 31, 2017	**$111,283**	**$174,712**	**$601,967**	**$(230,841)**	**$28,620**	**$18**	**$14,263**	**$(12,615)**	**$687,407**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Operating activities:			
Net income before income taxes	¥3,523	¥7,608	$31,409
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation	1,730	1,756	15,424
Amortization of goodwill	2,294	409	20,450
Allowance for doubtful receivables	52	25	472
Warranty reserve	(58)	(4)	(525)
Directors' retirement benefit	(2)	9	(25)
Net defined benefit liability	491	86	4,385
Interest and dividend income	(269)	(334)	(2,398)
Interest expense	113	141	1,016
Gain on sales of investments in affiliates	—	(2,651)	—
Gain or loss on sales and disposal of property, plant and equipment and intangible assets	5	9	53
Equity in earnings of affiliates	(1,462)	(1,394)	(13,035)
Changes in operating assets and liabilities:			
Notes and accounts receivable, trade	2,993	(1,369)	26,686
Inventories	2,803	1,396	24,989
Notes and accounts payable, trade	(582)	(1,101)	(5,195)
Advances received	520	93	4,635
Accrued expenses	(104)	(291)	(934)
Others	(432)	297	(3,852)
Sub total	11,617	4,685	103,555
Interest and dividend income received	495	560	4,413
Interest paid	(125)	(141)	(1,121)
Income taxes paid	(2,038)	(2,323)	(18,168)
Net cash provided by (used in) operating activities	9,948	2,781	88,678
Investing activities:			
Purchase of investments in other securities	(499)	—	(4,455)
Proceeds from sales of investments in other securities	0	1	0
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation (Note 15)	—	1,566	—
Purchases of property, plant and equipment	(2,322)	(1,424)	(20,703)
Proceeds from sales of property, plant and equipment	4	50	37
Purchases of intangible assets	(195)	(166)	(1,746)
Increase (decrease) in short-term loans receivable	(0)	2,100	(6)
Payments for long-term loans receivable	—	(2)	—
Collection of long-term loans receivable	14	27	126
Others	17	100	158
Net cash provided by (used in) investing activities	(2,983)	2,252	(26,590)
Financing activities:			
Decrease in short-term bank loans	(885)	(211)	(7,895)
Repayment of long-term loans payable	(500)	—	(4,457)
Purchases of treasury stock	(15,853)	(1)	(141,306)
Cash dividends paid	(1,824)	(1,520)	(16,260)
Others	(26)	(29)	(238)
Net cash used in financing activities	(19,089)	(1,761)	(170,156)
Effect of exchange rate changes on cash and cash equivalents	(341)	(548)	(3,048)
Net increase (decrease) in cash and cash equivalents	(12,466)	2,724	(111,116)
Cash and cash equivalents at beginning of year	42,932	40,208	382,681
Decrease in cash and cash equivalents resulting from change of accounting period of consolidated subsidiaries	(406)	—	(3,623)
Cash and cash equivalents at end of year (Note 15)	¥30,060	¥42,932	$267,941

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

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

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

(d) Inventories

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

(e) Allowance for doubtful receivables

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

(f) Warranty reserve

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

(g) Employee bonuses

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

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

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

(i) Amortization of intangible assets

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

(j) 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.

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

(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) Changes in Accounting Period of Consolidated Subsidiaries

Previously, subsidiaries having a year-end date of December 31 were consolidated using their financial statements as of their respective fiscal year end and necessary adjustments were made to their financial statements to reflect any significant transactions from January 1 to March 31. Effective from the year ended March 31, 2017, however, TOSHIBA MACHINE MANUFACTURING (THAILAND) CO., LTD., TOSHIBA MACHINE (THAILAND) CO., LTD., TOSHIBA MACHINE SOUTH EAST ASIA PTE. LTD. and TOSHIBA MACHINE COMPANY, AMERICA have changed their year-end dates to March 31 and TOSHIBA MACHINE (SHANGHAI) CO., LTD., SHANGHAI TOSHIBA MACHINE CO., LTD., TOSHIBA MACHINE (SHENZHEN) CO., LTD. and TOSHIBA MACHINE HONG KONG LTD. are consolidated using their hard-closing accounts to be made as of March 31.

Net income or loss of these subsidiaries during the period between January 1, 2016 and March 31, 2016 was adjusted as an increase or a decrease in retained earnings in the consolidated financial statements of the Company for the year ended March 31, 2017.

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 ¥112.19=U.S.$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2017. 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

(Practical Solution on a change in depreciation method due to Tax Reform 2016)

The Company and its domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No.32, June 17, 2016) as a result of revisions to the Corporate Tax Act of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

This effect on profit or loss for the year ended March 31, 2017 was immaterial.

5. Additional Information

(Adoption of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company and its consolidated subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, March 28, 2016) from the fiscal year ended March 31, 2017.

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Land	**¥6,439**	¥6,450	**$57,401**
Buildings and structures	**36,285**	36,448	**323,426**
Machinery and equipment	**25,000**	24,417	**222,837**
Vehicles	**320**	334	**2,857**
Tools, furniture and fixtures	**7,114**	7,162	**63,414**
Lease assets	**227**	247	**2,026**
Construction in progress	**2,603**	31	**23,204**
Sub total	**77,990**	75,093	**695,164**
Less accumulated depreciation	**(56,864)**	(55,844)	**(506,859)**
Property, plant and equipment, net	**¥21,125**	¥19,249	**$188,305**

Depreciation expenses for the years ended March 31, 2017 and 2016 were ¥1,730 million ($15,424 thousand) and ¥1,756 million, respectively.

7. Intangible Assets

Intangible assets at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Goodwill	**¥—**	¥2,254	**$—**
Others	**749**	886	**6,681**
Total	**¥749**	¥3,141	**$6,681**

8. Contingent Liabilities

As of March 31, 2017, contingent liabilities for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥972 million ($8,665 thousand).

9. Commitment Line

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Total amount of commitment line	**¥10,000**	¥—	**$89,135**
Funds borrowed	—	—	—
Unused amount	**¥10,000**	¥—	**$89,135**

10. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Sales commission	**¥1,912**	¥2,473	**$17,043**
Shipping expenses	**3,649**	3,612	**32,529**
Provision for warranty reserve	**442**	489	**3,941**
Personnel-expenses	**11,256**	11,422	**100,334**
Retirement benefit expenses	**692**	614	**6,173**
Depreciation	**665**	631	**5,931**
Rent expenses	**750**	792	**6,691**
Travel expenses	**1,236**	1,535	**11,022**
Research and development expenses	**1,032**	1,070	**9,206**
Subcontract expenses	**576**	564	**5,142**
Others	**5,288**	5,241	**47,135**
Total	**¥27,503**	¥28,448	**$245,149**

11. Research and Development Costs

Research and development costs charged to income were ¥1,648 million ($14,698 thousand) and ¥1,668 million for the years ended March 31, 2017 and 2016, respectively.

12. Amortization of Goodwill

An immediate amortization of goodwill was recognized in accordance with Paragraph 32 of the “Practical Guidance Related to Capital Consolidation Procedures in Consolidated Financial Statements” (Final Revision on November 28, 2014, the Accounting Practice Committee Report No.7 issued by the Japanese Institute of Certified Public Accountants).

13. Shareholders’ Equity

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

14. Other Comprehensive Income

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrealized holding gain (loss) on securities:			
Current period changes in unrealized gain (loss)	**¥430**	¥(1,784)	**$3,841**
Reclassification adjustment	**(0)**	—	**(0)**
Total unrealized holding gain (loss) on securities before tax effects	**430**	(1,784)	**3,841**
Tax effects	**(122)**	612	**(1,089)**
Unrealized holding gain (loss) on securities, net of tax effects	**308**	(1,171)	**2,753**
Deferred gains or losses on hedges			
Current period changes	**2**	—	**25**
Total deferred gains or losses on hedges before tax effects	**2**	—	**25**
Tax effects	**(0)**	—	**(8)**
Deferred gains or losses on hedges, net of tax effects	**1**	—	**18**
Foreign currency translation adjustments:			
Current period changes	**(267)**	(1,136)	**(2,389)**
Remeasurements of defined benefit plans			
Current period changes in remeasurements of defined benefit plans	**242**	(1,429)	**2,161**
Reclassification adjustment	**226**	120	**2,016**
Total remeasurements of defined benefit plans before tax effect	**468**	(1,308)	**4,177**
Tax effects	—	—	—
Remeasurements of defined benefit plans, net of tax effects	**468**	(1,308)	**4,177**
Share of other comprehensive income of affiliates accounted for using equity method			
Current period changes	**(19)**	8	**(172)**
Total other comprehensive income (loss)	**¥492**	¥(3,608)	**$4,387**

15. Cash Flow Information

(a) Cash and Cash Equivalents

The reconciliation between cash and time deposits in the accompanying consolidated balance sheet and cash and cash equivalents in the accompanying consolidated statement of cash flows at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Cash and time deposits	**¥29,914**	¥16,656	**$266,639**
Marketable securities	**146**	26,276	**1,301**
Cash and cash equivalents	**¥30,060**	¥42,932	**$267,941**

(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
	2016
Current assets	¥4,145
Non-current assets	579
Current liabilities	(4,237)
Non-current liabilities	(296)
Gain on sales of investments in affiliates	2,651
Sales price of shares	2,843
Cash and cash equivalents	(1,277)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	¥1,566

16. Leases

This disclosure has been omitted for the year ended March 31, 2017 based on materiality.

17. Financial Instruments

Overview

(a) Policy for financial instruments

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

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

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

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

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

The terms of the financial covenants related to a syndicated loan contract (¥4,500 million ($40,111 thousand) at March 31, 2017) 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 ($475,310 thousand).

② In the consolidated statement of income for the fiscal year ending March 31, the Company must not record operating loss for two consecutive years.

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

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

Fair value of financial instruments

Carrying value of financial instruments as of March 31, 2017 and 2016, and their fair value were as follows: (Financial instruments whose fair value was extremely difficult to determine were not included.)

	Millions of yen					
	2017			2016		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and deposits	**¥29,914**	**¥29,914**	**¥—**	¥16,656	¥16,656	¥—
Notes and accounts receivable, trade	**39,444**	**39,448**	**4**	43,425	43,428	2
Marketable securities and investment securities	**15,980**	**19,130**	**3,149**	39,962	41,100	1,137
Total assets	**¥85,338**	**¥88,492**	**¥3,154**	¥100,045	¥101,185	¥1,140
Short-term bank loans	**¥10,590**	**¥10,590**	**¥—**	¥12,109	¥12,109	¥—
Notes and accounts payable, trade	**26,097**	**26,097**	**—**	25,060	25,060	—
Long-term debt	**4,300**	**4,306**	**6**	4,800	4,807	7
Total liabilities	**¥40,987**	**¥40,994**	**¥6**	¥41,969	¥41,977	¥7
Derivatives	**¥(42)**	**¥(42)**	**¥—**	¥28	¥28	¥—

	Thousands of U.S. dollars		
	2017		
	Carrying value	Fair value	Difference
Cash and deposits	**$266,639**	**$266,639**	**$—**
Notes and accounts receivable, trade	**351,583**	**351,622**	**39**
Marketable securities and investment securities	**142,440**	**170,516**	**28,076**
Total assets	**$760,662**	**$788,777**	**$28,115**
Short-term bank loans	**$94,393**	**$94,393**	**$—**
Notes and accounts payable, trade	**232,623**	**232,623**	**—**
Long-term debt	**38,328**	**38,383**	**55**
Total liabilities	**$365,344**	**$365,399**	**$55**
Derivatives	**$(379)**	**$(379)**	**$—**

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

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

① Cash and deposits

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

② Notes and accounts receivable, trade

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

③ Marketable securities and investment securities

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

Investment securities are based on quoted market prices.

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

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

⑥ Long-term debt

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

⑦ Derivatives

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

(b) Financial instruments whose fair value was extremely difficult to determine at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Investment securities for which the market prices are not available	**¥512**	¥513	**$4,568**

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, 2017 and 2016 were as follows:

	Millions of yen							
	2017				2016			
	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	**¥29,840**	**¥—**	**¥—**	**¥—**	¥16,650	¥—	¥—	¥—
Notes and accounts receivable, trade	**37,824**	**1,619**	**—**	**—**	41,794	1,630	—	—
Marketable securities and investment securities:								
Negotiable certificates of deposit	**146**	**—**	**—**	**—**	26,276	—	—	—
Total	**¥67,810**	**¥1,619**	**¥—**	**¥—**	¥84,721	¥1,630	¥—	¥—

	Thousands of U.S. dollars			
	2017			
	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	**$265,982**	**$—**	**$—**	**$—**
Notes and accounts receivable, trade	**337,143**	**14,440**	**—**	**—**
Marketable securities and investment securities:				
Negotiable certificates of deposit	**1,301**	**—**	**—**	**—**
Total	**$604,427**	**$14,440**	**$—**	**$—**

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

Year ended March 31, 2017

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

Year ended March 31, 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, 2017

	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	**$89,937**	**$—**	**$—**	**$—**	**$—**	**$—**
Long-term debt	**4,457**	**38,328**	**—**	**—**	**—**	**—**
Total	**$94,393**	**$38,328**	**$—**	**$—**	**$—**	**$—**

18. Securities

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

	Millions of yen					
	2017			2016		
	Acquisition cost	Carrying value	Unrealized gains	Acquisition cost	Carrying value	Unrealized gains
Equity securities	**¥2,206**	**¥6,737**	**¥4,531**	¥1,706	¥5,807	¥4,100
	¥2,206	**¥6,737**	**¥4,531**	¥1,706	¥5,807	¥4,100

	Thousands of U.S. dollars		
	2017		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	**$19,665**	**$60,058**	**$40,393**
	$19,665	**$60,058**	**$40,393**

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

Negotiable certificates of deposit classified as non-marketable securities totaled ¥146 million ($1,301 thousand) and ¥26,276 million as of March 31, 2017 and 2016, respectively. Non-marketable equity securities classified as other securities primarily consist of ¥120 million ($1,076 thousand) and ¥120 million as of March 31, 2017 and 2016, respectively. Proceeds from sales and gain on sales of non-marketable equity securities classified as other securities were ¥1 million and ¥0 million for the year ended March 31, 2016, respectively.

19. Derivative Financial Instruments

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

Derivatives not designated as hedging instruments at March 31, 2017 and 2016 were as follows:

① Foreign exchange contracts

		Millions of yen							
		2017				2016			
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Appropriated accounting for foreign currency									
Foreign exchange contracts:									
Sell:									
U.S. dollars	Accounts receivable	**¥—**	**¥—**	**¥—**	**¥—**	¥36	¥—	¥(0)	¥(0)
Buy:									
U.S. dollars	Accounts payable	**—**	**—**	**—**	**—**	21	—	2	2
Japanese yen		**787**	**—**	**(45)**	**(45)**	731	—	26	26
Total		**¥787**	**¥—**	**¥(45)**	**¥(45)**	¥789	¥—	¥28	¥28

	Hedged item	Thousands of U.S. dollars 2017 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	$—	$—	$—	$—
Buy:					
U.S. dollars	Accounts payable	—	—	—	—
Japanese yen		7,017	—	(404)	(404)
Total		$7,017	$—	$(404)	$(404)

Derivatives designated as hedging instruments at March 31, 2017 and 2016 were as follows:

① Foreign exchange contract, etc.

		Millions of yen					
		2017			2016		
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value
Accounting in principle							
Foreign exchange contracts:							
Sell:							
U.S. dollars	Accounts receivable	¥2,941	¥—	¥2	¥—	¥—	¥—
Appropriated accounting for foreign currency							
Foreign exchange contracts:							
Sell:							
U.S. dollars	Accounts receivable	4,071	—	*	1,621	—	*
Total		¥7,012	¥—	¥2	¥1,621	¥—	¥—

	Hedged item	Thousands of U.S. dollars 2017 Contract amount	Contract amount due after one year	Fair value
Accounting in principle				
Foreign exchange contracts:				
Sell:				
U.S. dollars	Accounts receivable	$26,221	$—	$25
Appropriated accounting for foreign currency				
Foreign exchange contracts:				
Sell:				
U.S. dollars	Accounts receivable	$36,289	—	*
Total		$62,509	$—	$25

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

② Interest rate swaps

	Hedged item	Millions of yen 2017 Contract amount	Contract amount due after one year	Fair value	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	**¥4,500**	**¥4,000**	**¥—**	¥5,000	¥ 4,500	¥—

	Hedged item	Thousands of U.S. dollars 2017 Contract amount	Contract amount due after one year	Fair value
Special treatment				
Interest rate swap:				
Floating rate receipt, fixed rate payment	Long-term debt	**$40,111**	**$35,654**	**$—**

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.

20. Employees' Retirement Benefits

(a) Overview

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

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

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

(b) Defined benefit plans

① The changes in the retirement benefit obligation during the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen 2017	2016	Thousands of U.S. dollars 2017
Retirement benefit obligation at beginning of year	**¥13,790**	¥12,949	**$122,925**
Service cost	**966**	839	**8,612**
Interest cost	**0**	123	**7**
Actuarial gain or loss	**(243)**	1,326	**(2,171)**
Retirement benefit paid	**(636)**	(943)	**(5,670)**
Decrease on exclusion from consolidation	**—**	(503)	**—**
Retirement benefit obligation at end of year	**¥13,878**	¥13,790	**$123,702**

② The changes in pension plan assets during the year ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Pension plan assets at beginning of year	**¥4,564**	¥4,843	**$40,687**
Expected return on pension plan assets	**91**	93	**814**
Actuarial gain or loss	**(1)**	(102)	**(10)**
Contribution by the Companies	**197**	203	**1,764**
Retirement benefit paid	**(218)**	(283)	**(1,949)**
Decrease on exclusion from consolidation	**—**	(188)	**—**
Pension plan assets at end of year	**¥4,634**	¥4,564	**$41,305**

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, 2017 and 2016 for the defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Funded retirement benefit obligation	**¥4,552**	¥4,536	**$40,576**
Pension plan assets at fair value	**(4,634)**	(4,564)	**(41,305)**
	(81)	(28)	**(729)**
Unfunded retirement benefit obligation	**9,325**	9,254	**83,126**
Net retirement benefit liability recognized in the consolidated balance sheet	**9,244**	9,226	**82,397**
Retirement benefit liability	**9,244**	9,226	**82,397**
Net retirement benefit liability recognized in the consolidated balance sheet	**¥9,244**	¥9,226	**$82,397**

④ The components of retirement benefit expense for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Service cost	**¥966**	¥839	**$8,612**
Interest assets	**0**	123	**7**
Expected return on pension assets	**(91)**	(93)	**(814)**
Actuarial gain or loss	**226**	80	**2,016**
Retirement benefit expense	**¥1,101**	¥950	**$9,820**

⑤ Remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Actuarial gain or loss	**¥468**	¥(1,308)	**$4,177**
Total	**¥468**	¥(1,308)	**$4,177**

⑥ Remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrecognized actuarial loss	**¥1,354**	¥1,823	**$12,073**
Total	**¥1,354**	¥1,823	**$12,073**

⑦ The fair value of pension plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2016 were as follows:

	2017	2016
Domestic bonds	**52%**	51%
Domestic equity securities	**13**	14
Foreign bonds	**11**	12
Foreign equity securities	**14**	14
Insurance assets (General accounts)	**8**	8
Other	**2**	1
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:

	2017	2016
Discount rate	**0.0%**	0.0%
Expected rate of return on pension plan assets	**2.0**	2.0
Expected rate of salary increase	**9.4**	9.9

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, 2017 and 2016 were ¥169 million ($1,506 thousand) and ¥173 million, respectively.

(d) Multiemployer pension plans

The required contributions to the multiemployer pension plans for the years ended March 31, 2017 and 2016 were ¥37 million ($334 thousand) and ¥63 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
	2017	2016	**2017**
Amount of pension assets	**¥122,897**	¥317,423	**$1,095,444**
Total amount of actuarial obligations and minimum reserve in the pension financial calculation (Note)	**152,503**	302,957	**1,359,332**
Difference	**¥(29,605)**	¥14,465	**$(263,889)**

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

② The Companies' portion of contributions in multiemployer pension plans

	2017	2016
The Companies' portion in the total contributions of the multiemployer plans	**0.630%**	0.586%

The difference above was principally attributable to the differences in retained earnings of ¥(112,802) million ($(1,005,464) thousand) and ¥8,978 million in the pension financial calculation, at March 31, 2017 and 2016, respectively special reserve of ¥105,156 million ($937,307 thousand) and ¥24,330 million at March 31, 2017 and 2016 and unrecognized prior service cost of ¥21,959 million ($195,732 thousand) and ¥18,843 million at March 31, 2017 and 2016, 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 ¥32 million ($286 thousand) and ¥33 million for amortization of prior service cost in the consolidated financial statements for the years ended March 31, 2017 and 2016, respectively.

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

21. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Allowance for doubtful receivables	**¥47**	¥19	**$425**
Net defined benefit liability	**2,384**	2,236	**21,257**
Devaluation of inventories	**650**	620	**5,800**
Unrealized intercompany profit on inventories	**504**	469	**4,496**
Accrued employee's bonuses	**577**	594	**5,148**
Devaluation of securities	**1,543**	328	**13,760**
Enterprise taxes payable	**89**	80	**794**
Other	**1,707**	1,699	**15,216**
Total deferred tax assets	**¥7,504**	¥6,049	**$66,895**
Valuation allowance	**(3,694)**	(2,301)	**(32,929)**
Net deferred tax assets	**¥3,810**	¥3,747	**$33,966**
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	**(103)**	(103)	**(921)**
Unrealized holding gain on securities	**(1,320)**	(1,199)	**(11,774)**
Asset retirement obligations	**(6)**	(6)	**(58)**
Foreign consolidated subsidiaries' retained earnings	**(599)**	(577)	**(5,340)**
Affiliates' retained earnings accounted for using equity method	**(1,181)**	(996)	**(10,534)**
Enterprise taxes receivable	**(13)**	—	**(124)**
Deferred gains or losses on hedges	**(0)**	—	**(8)**
Total deferred tax liabilities	**¥(3,226)**	¥(2,883)	**$(28,758)**
Net deferred tax assets	**¥584**	¥863	**$5,207**

Net deferred tax is included in the following accounts:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Current assets – Deferred tax assets	**¥2,772**	¥2,809	**$24,713**
Investments and other assets – Deferred tax assets	**87**	71	**778**
Current liabilities – Deferred tax liabilities	**—**	—	**—**
Long-term liabilities – Deferred tax liabilities	**2,275**	2,016	**20,284**

The reconciliation between the statutory tax rate and effective tax rate for the years ended March 31, 2017 and 2016 were as follows:

	2017	2016
Statutory tax rate	**30.2%**	32.3%
Per-capita portion of inhabitant tax	**1.1**	0.5
Permanently non-deductible expenses	**0.7**	0.6
Permanently non-taxable revenue such as dividends income	**(0.6)**	(0.5)
Change in valuation allowance	**39.5**	1.2
Effects of elimination in consolidation	**(20.3)**	(0.8)
Difference in statutory tax rates for foreign subsidiaries	**1.6**	0.1
Effect of change in enacted tax rate	**—**	1.6
Refund of income taxes	**—**	(0.0)
Others	**(2.6)**	1.8
Effective tax rate	**49.6%**	36.8%

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, 2017 and 2016 were approximately 30.2% and 32.3%, respectively.

Following the enactment by the Diet of the “Act for Partial Revision to the Partial Revision, etc. of Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No.85 of 2016) and the “Act for Partial Revision to the Partial Revision, etc. of Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security” (Act No.86 of 2016) on November 18, 2016, the effective date of raising the consumption tax rate to 10% has been postponed from April 1, 2017 to October 1, 2019, and the abolition of the local corporation special tax, the accompanying restoration of the corporate enterprise tax, and changes in statutory tax rates of the local corporation tax and corporate inhabitant tax have been postponed from fiscal years beginning on or after April 1, 2017 to fiscal years beginning on or after October 1, 2019.

The effect of these changes on consolidated financial statements is immaterial.

22. Asset Retirement Obligations

This disclosure has been omitted for the year ended March 31, 2017 based on materiality.

23. Rental Property

This disclosure has been omitted for the year ended March 31, 2017 based on materiality.

24. Segment Information

(a) General information about reportable segments

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

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

Molding Machinery:	Injection molding machines, Die casting machines, Plastic extrusion
Machine Tools:	Large size machine tools, Portal type machine tools, Machining centers, Horizontal boring machines, High-precision machines

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

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

(Adoption of the Practical Solution on a change in depreciation method due to Tax Reform 2016)

As noted in "(4) Accounting Changes," following the "Practical Solution on a change in depreciation method due to Tax Reform 2016," the depreciation method for both facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The effect on profit or loss of segments for the year ended March 31, 2017 was immaterial.

(c) Reportable segment information

Reportable segment information of the Companies for the years ended March 31, 2017 and 2016 was as follows:

Year ended March 31, 2017 Millions of yen

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

Year ended March 31, 2016

	Millions of yen						
	Reportable segments						
	Molding Machinery	Machine Tools	Sub total	Other Products	Total	Adjustments	Consolidated
Net sales:							
External customers	¥73,580	¥32,931	¥106,512	¥10,747	¥117,259	¥—	¥117,259
Inter-segment	—	429	429	2,742	3,172	(3,172)	—
Total	73,580	33,361	106,941	13,489	120,431	(3,172)	117,259
Segment income	¥1,710	¥1,541	¥3,252	¥404	¥3,656	¥150	¥3,806
Segment assets	¥75,450	¥38,620	¥114,070	¥18,171	¥132,242	¥26,068	¥158,310
Others							
Depreciation	¥1,112	¥411	¥1,523	¥232	¥1,756	¥—	¥1,756
Capital expenditures	771	466	1,238	309	1,547	—	1,547

Year ended March 31, 2017

	Thousands of U.S. dollars						
	Reportable segments						
	Molding Machinery	Machine Tools	Sub total	Other Products	Total	Adjustments	Consolidated
Net sales:							
External customers	**$640,268**	**$262,674**	**$902,942**	**$89,368**	**$992,310**	**$—**	**$992,310**
Inter-segment	**—**	**2,368**	**2,368**	**23,437**	**25,806**	**(25,806)**	—
Total	**640,268**	**265,043**	**905,310**	**112,805**	**1,018,115**	**(25,806)**	**992,310**
Segment income	**$31,426**	**$3,769**	**$35,195**	**$3,590**	**$38,785**	**$1,094**	**$39,879**
Segment assets	**$649,937**	**$340,641**	**$990,578**	**$164,255**	**$1,154,833**	**$97,779**	**$1,252,613**
Others							
Depreciation	**$9,737**	**$3,978**	**$13,715**	**$1,709**	**$15,424**	**$—**	**$15,424**
Capital expenditures	**4,310**	**1,797**	**6,107**	**5,796**	**11,903**	—	**11,903**

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

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

The main differences between total reportable segments and consolidated financial statements for the years ended March 31, 2017 and 2016 were as follows:

Sales	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Total reportable segments	**¥101,566**	¥106,941	**$905,310**
Other products	**12,655**	13,489	**112,805**
Eliminations	**(2,895)**	(3,172)	**(25,806)**
Net sales in the consolidated financial statements	**¥111,327**	¥117,259	**$992,310**

Income	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Total reportable segments	**¥3,948**	¥3,252	**$35,195**
Other products	**402**	404	**3,590**
Eliminations	**122**	150	**1,094**
Operating income in the consolidated financial statements	**¥4,473**	¥3,806	**$39,879**

Assets	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Total reportable segments	**¥111,132**	¥114,070	**$990,578**
Other products	**18,427**	18,171	**164,255**
Company-wide assets	**11,343**	26,412	**101,114**
Eliminations	**(374)**	(343)	**(3,334)**
Net assets in the consolidated financial statements	**¥140,530**	¥158,310	**$1,252,613**

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, 2017 and 2016 was as follows:

Millions of yen				
2017				
Japan	North America	Asia	Other	Total
¥47,811	**¥19,993**	**¥41,539**	**¥1,983**	**¥111,327**

Millions of yen				
2016				
Japan	North America	Asia	Other	Total
¥53,078	¥20,754	¥41,090	¥2,336	¥117,259

Thousands of U.S. dollars				
2017				
Japan	North America	Asia	Other	Total
$426,164	**$178,207**	**$370,261**	**$17,678**	**$992,310**

Note: Sales figures are classified based on customer locations.

Property, plant and equipment information by country or geographical areas as of March 31, 2017 and 2016 was as follows:

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

Millions of yen			
2016			
Japan	North America	Asia	Total
¥16,208	¥217	¥2,823	¥19,249

Thousands of U.S. dollars			
2017			
Japan	North America	Asia	Total
$164,215	**$1,770**	**$22,320**	**$188,305**

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, 2017 and 2016.

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

There was no impairment loss on fixed assets recognized for the year ended March 31, 2017 and 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, 2017 and 2016 was as follows:

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

	Millions of yen				
	2016				
	Molding Machinery	Machine Tools	Other products	Adjustments	Total
Amortization of goodwill	¥409	¥—	¥—	¥—	¥409
Unamortized balance	2,254	—	—	—	2,254

	Thousands of U.S. dollars				
	2017				
	Molding Machinery	Machine Tools	Other products	Adjustments	Total
Amortization of goodwill	**$20,450**	**$—**	**$—**	**$—**	**$20,450**
Unamortized balance	**—**	**—**	**—**	**—**	**—**

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

There was no applicable matter for the years ended March 31, 2017 and 2016.

25. Related Party Transactions

During the years ended March 31, 2017 and 2016, the Companies had operating transactions with Toshiba Corporation, a 22.1% shareholder of the Company.

A summary of the significant transactions with Toshiba Corporation for the years ended March 31, 2017 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
For the years ended March 31:			
Acquisition of treasury stocks	**¥15,284**	¥—	**$136,240**
Payment of brand fee	**182**	233	**1,625**

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

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

26. Net Income and Net Assets per Share

Net income and net assets per share as of and for the years ended March 31, 2017 and 2016 were as follows:

	Yen		U.S. dollars
	2017	2016	**2017**
Net income per share	**¥11.87**	¥31.61	**$0.11**
Net assets per share	**638.99**	614.03	**5.70**

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

	Thousands of shares	
	2017	2016
Weighted-average number of shares of common stock	**149,609**	152,023

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net income	**¥1,776**	¥4,806	**$15,833**
Net income not applicable to shareholders of common stock	**—**	—	**—**
Net income applicable to shareholders of common stock	**¥1,776**	¥4,806	**$15,833**

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

	Thousands of shares	
	2017	2016
Number of shares at year-end	**120,689**	152,021

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net assets	**¥77,120**	¥93,345	**$687,407**
Non-controlling interests in consolidated subsidiaries	**—**	—	**—**
Net assets applicable to shareholders of common stock	**¥77,120**	¥93,345	**$687,407**

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, 2017 and 2016 ranged principally from 0.46% to 0.53% and 0.50% to 1.64%, respectively. Long-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Loans, principally from Japanese banks and insurance companies:			
maturing 2017 - 2018, interest 0.51% - 0.98%	**¥4,800**	¥5,300	**$42,785**
	4,800	5,300	**42,785**
Less current portion	**500**	500	**4,457**
	¥4,300	¥4,800	**$38,328**

The aggregate annual maturities of long-term debt at March 31, 2017 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥500	$4,457
2019	4,300	38,328
2020	—	—
2021	—	—
2022 and later	—	—
Total	¥4,800	$42,785

The aggregate annual maturities of finance lease obligations at March 31, 2017 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥23	$205
2019	13	120
2020	7	67
2021	2	22
2022 and later	0	8
Total	¥47	$422

28. Subsequent Event

(a) Cash dividends

The following appropriation of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2017, was approved at the meeting of the Board of Directors held on May 10, 2017:

Cash dividends of ¥6.00 ($0.05) per share amounting to ¥724 million ($6,455 thousand)

(b) Cancellation of treasury stocks

At the Board of Directors meeting held on May 25, 2017, the Company approved the item related to the cancellation of treasury stocks based on Article 178 of the Company Act and executed the cancellation. Details are as follows:

① Objective: Alleviate the concern of dilution of shares in the future and to improve the per-share value
② Cancellation method: Reduction from capital surplus and retained earnings
③ Class of shares to be cancelled: Common stock
④ Number of shares to be canceled: 17,000,000 shares
(10.2% of the total number of issued shares prior to cancellation)
⑤ Date of cancellation: June 12, 2017
⑥ Total number of outstanding shares after cancellation: 149,885,530 shares

Independent Auditor's Report

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

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

Building a better working world

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, 2017, 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, 2017, 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 23, 2017
Tokyo, Japan

Directors & Audit and Supervisory Board Members

Directors

Chairman and Chief Executive Officer

Yukio Iimura

President and Chief Operating Officer

Takahiro Mikami

Representative Director and Senior Managing Executive Officer

Shigetomo Sakamoto

Director and Senior Managing Executive Officer

Masayuki Yagi

Director and Managing Executive Officer

Katsuo Ito

Directors and Executive Officers

Akiyoshi Kobayashi

Jun Koike

Outside Directors

Kan Akiyama

Yoshihiro Ogura

Kiyoshi Sato

Audit and Supervisory Board Members

Teruyuki Makino

Makoto Tsuji

Yutaka Usami

TOSHIBA MACHINE CO., LTD.

Numazu Headquarters
2068-3,Ooka,Numazu-shi,Shizuoka-ken 410-8510,Japan
TEL:81-(0)55-926-5141
FAX:81-(0)55-925-6501

Tokyo Main Branch
2-2,Uchisaiwaicho 2 Chome,Chiyoda-ku,Tokyo 100-8503,Japan
TEL:81-(0)3-3509-0200
FAX:81-(0)3-3509-0333

URL http://www.toshiba-machine.co.jp/

SM17045-400-SS