TOSHIBA MACHINE

Annual Report 2019

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, 2019)

Company Name:	TOSHIBA MACHINE CO., LTD.
Headquarters:	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
Established:	1949
Capital:	¥12,484 million (US$112,486 thousand)
Shares of Common Stock Issued and Outstanding:	29,977,106 shares
Number of Shareholders:	10,016
Number of Employees:	1,772 (Consolidated: 3,346)

Foreword 2019

Although the domestic economy continued to gradually recover in the fiscal year ended March 2019, as demonstrated by the improved corporate revenues and employment situation due to government policies and improved incomes, there was some weakness in certain exports and production in the second half of the year. Foreign economies were also showing a gradual trend towards recovery, but because of trends in foreign trade policies, the effects on the global economy caused by the deceleration of the Chinese economy, global geopolitical risks, and concerns about the future economies of emerging countries, the future continued to be uncertain.

With respect to the machinery industry of which our Group is a part, domestic capital investment is recovering, albeit gradually, but overseas markets varied in their conditions depending on the market and products.

Under such economic conditions, our Group initiated our mid-term management plan, the "TM-PΣ Plan" (Toshiba Machine Profit Sigma Plan), on April 1, 2016. This plan carried on our concepts of "cutting-edge and augmentation" and added the basic policies of "implementing reforms to create a high-profit system" and "focusing resources on carefully selected areas". We have been doing our best by implementing measures to assure the steady growth of our Group in global markets which are expected to grow in the future. These measures include reducing our overall costs, implementing production innovation activities to improve our profitability, creating an optimal global procurement network, developing new markets, developing new products for domestic and foreign markets we are focusing on, and increasing the orders we receive.

Because capital investment became more cautious in the second half of the fiscal year, the orders for the fiscal year ended March 2019 were 134,501 million yen (up 5.0 percent from our previous consolidated fiscal year) and sales were limited to 117,405 million yen (up 0.5 percent from our previous consolidated fiscal year). Income and loss were affected by adjustments to sales dates for some large products, worsening cost rates because of higher prices for some parts and materials and our continued delays in procuring parts and materials, and initial lower efficiency due to our moving some production facilities. Due to these factors, operating income was 3,834 million yen (down 17.4 percent from our previous consolidated fiscal year), net income before income taxes was 5,742 million yen (down 20.2 percent from our previous consolidated fiscal year) because we had non-sales revenues in the form of cancellation monies the previous fiscal year, and the net income attributable to owners of parent was 4,079 million yen (down 18.7 percent from our previous consolidated fiscal year).

In fiscal 2018, we had dividends of 7.5 yen at the end of the second quarter. We executed the consolidation of shares at the ratio of 5 shares into 1 share effective from October 1, 2018, so our year-end dividend was 37.5 yen per share.

The global economy in the future is expected to continue to be uncertain because of trends in foreign trade policies, the continued deceleration of the Chinese economy, and increased global geopolitical risks. The Japanese economy will be affected by the slowing global economy and exports and production are increasingly cautious, mainly in the manufacturing sector.

Under these economic conditions, our Group initiated the mid-term management plan Revolution E10 Plan on April 1, 2019. Its basic policy is, “Maximize the use of our strength as a general machinery manufacturer to continue to grow”, and it aims to transform our company to improve profitability by winning in an age in which things change quickly and radically and by making major transformations in our thinking and how we work in order to grow.

After that, we will make efforts to improve the nature of the company, share and strengthen product appeal, and improve our corporate value by investing in growth. By doing all of these things, we will evolve into a “manufacturer which co-creates value” together with its customers with “the ability to create new industries”.

Furthermore, we will focus on thorough quality and environmental management based on ISO 9001 and 14001, develop the human resources which will lead our Group into the future, and proactively participate in activities to fulfill our social responsibilities as a company, such as ensuring compliance with all laws and contributing to society.

T. Mikami

FINANCIAL HIGHLIGHTS (consolidated)

	2019	2018	2017	2016	2015
Net sales	¥117,405	¥116,862	¥111,327	¥117,259	¥124,373
	$1,057,802				
Cost of sales	¥84,493	¥83,712	¥79,350	¥85,004	¥90,733
	$761,270				
Selling, general and	¥29,078	¥28,509	¥27,503	¥28,448	¥28,851
administrative expenses	**$261,988**				
Operating income	¥3,834	¥4,640	¥4,473	¥3,806	¥4,788
	$34,544				
Net income before income taxes	¥5,742	¥6,860	¥3,523	¥7,608	¥6,522
	$51,736				
Income taxes	¥1,662	¥1,844	¥1,747	¥2,802	¥2,210
	$14,980				
Net income	¥4,079	¥5,016	¥1,776	¥4,806	¥4,312
	$36,756				
Comprehensive income	¥3,475	¥5,789	¥2,268	¥1,197	¥8,748
	$31,317				
Per common share:					
Net income	¥169.03	¥207.83	¥59.37	¥158.07	¥141.82
	$1.52				
Cash dividends	¥45.00	¥14.00	¥12.00	¥12.00	¥8.00
	$0.41				
Total assets	¥150,724	¥148,763	¥138,373	¥156,346	¥159,549
	$1,357,999				
Net assets	¥83,197	¥81,334	¥77,120	¥93,345	¥93,669
	$749,596				
Capital expenditures	¥1,195	¥4,687	¥1,335	¥1,547	¥2,193
(property, plant and equipment)	**$10,767**				
Depreciation	¥1,868	¥2,049	¥1,730	¥1,756	¥1,965
	$16,837				
R & D costs	¥1,835	¥1,899	¥1,648	¥1,668	¥1,663
	$16,533				
Number of employees	3,346	3,273	3,236	3,286	3,466

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 ¥110.99=U.S.$1. See Note 3 of the Notes to the Consolidated Financial Statements.

Note 3: TOSHIBA MACHINE CO., LTD. executed the consolidation of shares at the ratio of 5 shares into 1 share effective from October 1, 2018. Net income per share is recalculated on the assumption that the consolidation of shares was executed at the beginning of the year ended March 31, 2015. In addition, the cash dividend per share at the end of March 31, 2019 is the sum of the interim dividend ¥7.50 ($0.07) and the year-end dividend ¥37.50 ($0.34). Since the interim dividend amount is ¥37.50 ($0.34) when converted based on the consolidation of shares, the annual dividend amount including the ¥37.50 ($0.34) year-end dividend amount is ¥75.00 ($0.68) per share.

Note 4: The Companies have adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, February 16, 2018). This accounting standard has been retrospectively applied to figures for the beginning of the year ended March 31, 2015.

Overseas Operations for Fiscal Year Ended March 31, 2019

Overseas sales in the fiscal year ended March 2019 were 68,106 million yen, which was 2,398 million yen less than the previous year.

In North America, although demand for machine tools decreased, sales increased by 508 million yen from the previous year. This increase was attributable to continued demand for die casting machines and greater demand for injection molding machines.

In Southeast Asia, sales increased by 2,577 million yen from the previous year because of increased demand for injection molding machines, die casting machines, extrusion machines, and machine tools.

In India, although demand for die casting machines decreased, sales increased by 649 million yen from the previous year due to greater demand for injection molding machines.

In Europe, although demand for machine tools decreased, sales increased by 70 million yen from the previous year due to greater demand for die casting machines.

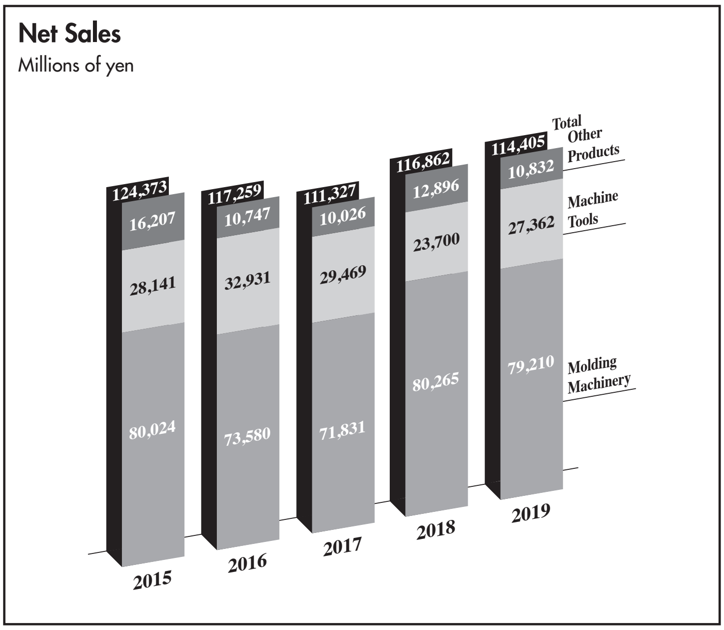
Meanwhile, in Korea, sales decreased by 566 million yen from the previous year since there was only demand for extrusion machines.

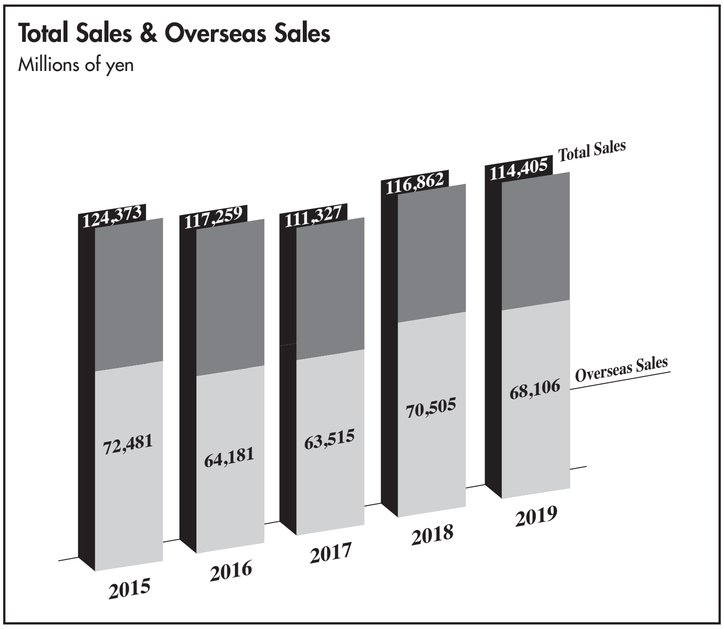
In Taiwan, sales decreased by 1,244 million yen from the previous year since there was only demand for injection molding machines.

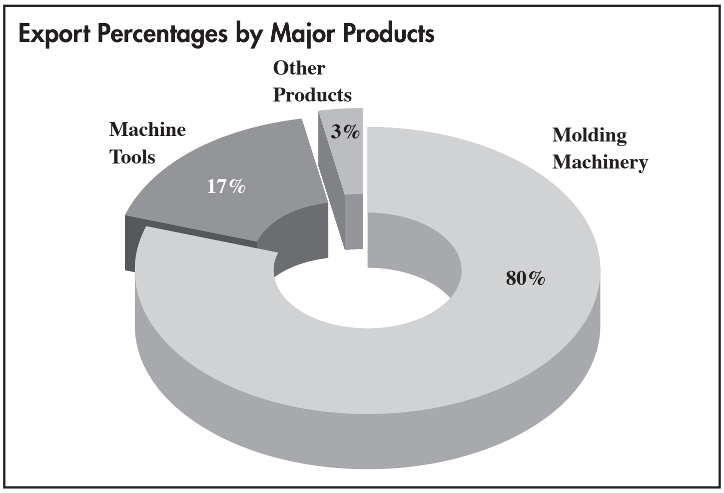
In China, although demand for die casting machines and machine tools increased, sales decreased by 5,763 million yen from the previous year due to lower demand for injection molding and extrusion machines.

As a result, the percentage of overseas sales relative to overall sales decreased from 60.3% of the previous year to 58.0%.

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







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Financial Review

CONSOLIDATED BALANCE SHEET

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2019	2018	2019
Current assets:			
Cash and deposits (Notes 16 and 18)	**¥25,592**	¥30,394	**$230,582**
Marketable securities (Notes 16, 18 and 19)	**—**	404	**—**
Notes and accounts receivable, trade (Notes 10 and 18)	**37,405**	38,531	**337,021**
Allowance for doubtful receivables	**(89)**	(67)	**(811)**
Net receivables	**37,315**	38,463	**336,210**
Inventories:			
Finished products	**12,153**	8,811	**109,505**
Work in process	**29,793**	24,765	**268,432**
Raw materials and supplies	**73**	78	**663**
Total inventories	**42,020**	33,655	**378,599**
Other current assets (Notes 18 and 20)	**3,909**	4,290	**35,222**
Total current assets	**108,838**	107,207	**980,614**
Property, plant and equipment, net (Note 6)	**20,765**	21,305	**187,094**
Intangible assets (Note 7)	**641**	740	**5,776**
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates (Note 18)	**11,539**	10,246	**103,969**
Other securities (Notes 18 and 19)	**6,839**	8,008	**61,625**
Long-term loans	**16**	19	**146**
Deferred tax assets (Note 22)	**703**	544	**6,336**
Other investments	**1,380**	691	**12,439**
Total investments and other assets	**20,479**	19,510	**184,514**
Total assets	**¥150,724**	¥148,763	**$1,357,999**

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 3) 2019
Current liabilities:			
Short-term bank loans (Notes 18 and 29)	**¥10,090**	¥10,090	**$90,909**
Current portion of long-term debt (Notes 18 and 29)	**—**	4,300	**—**
Notes and accounts payable, trade (Notes 10 and 18)	**28,207**	29,835	**254,144**
Income taxes payable (Note 22)	**466**	865	**4,200**
Accrued expenses	**4,854**	5,247	**43,740**
Warranty reserve	**604**	597	**5,448**
Advances received	**7,842**	5,117	**70,656**
Other current liabilities (Notes 18, 20 and 29)	**1,423**	1,773	**12,828**
Total current liabilities	**53,488**	57,827	**481,925**
Long-term liabilities:			
Long-term debt (Notes 18 and 29)	**4,300**	—	**38,742**
Long-term accounts payable, other	**5**	5	**52**
Accrued directors' retirement benefits	**32**	30	**296**
Net retirement benefit liability (Note 21)	**9,475**	9,312	**85,370**
Asset retirement obligations	**51**	50	**464**
Deferred tax liabilities (Note 22)	**66**	113	**598**
Other long-term liabilities (Note 29)	**105**	89	**954**
Total long-term liabilities	**14,037**	9,601	**126,477**
Total liabilities	**67,526**	67,428	**608,402**
Contingent liabilities (Note 8)			
Net assets:			
Shareholders' equity: (Note 14)			
Common stock			
Authorized - 72,000,000 shares			
Issued - 29,977,106 shares	**12,484**	12,484	**112,486**
Additional paid-in capital	**11,538**	11,538	**103,957**
Retained earnings	**71,983**	69,514	**648,554**
Treasury stock, at cost (5,841,537 shares in 2019, 5,840,715 shares in 2018)	**(16,375)**	(16,373)	**(147,538)**
Total shareholders' equity	**79,630**	77,164	**717,459**
Accumulated other comprehensive income			
Unrealized holding gain on securities, net of tax	**2,844**	3,684	**25,628**
Deferred gains or losses on hedges	**0**	2	**0**
Foreign currency translation adjustments	**1,711**	1,606	**15,419**
Remeasurements of defined benefit plans	**(988)**	(1,123)	**(8,909)**
Total accumulated other comprehensive income	**3,566**	4,170	**32,138**
Total net assets (Note 28)	**83,197**	81,334	**749,596**
Total liabilities and net assets	**¥150,724**	¥148,763	**$1,357,999**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	**2019**
Net sales	**¥117,405**	¥116,862	**$1,057,802**
Cost of sales (Note 12)	**84,493**	83,712	**761,270**
Gross profit	**32,912**	33,150	**296,532**
Selling, general and administrative expenses (Notes 11 and 12)	**29,078**	28,509	**261,988**
Operating income	**3,834**	4,640	**34,544**
Other income:			
Interest and dividend income	**383**	453	**3,452**
Rent income	**51**	42	**464**
Foreign exchange income	**335**	52	**3,025**
Equity in earnings of affiliates	**1,241**	1,031	**11,186**
Cancellation fee income	**—**	1,309	**—**
Gain on sales of property, plant and equipment	**4**	14	**44**
Gain on sales of investment securities (Note 18)	**186**	16	**1,676**
Others	**210**	92	**1,895**
	2,413	3,013	**21,742**
Other expenses and losses:			
Interest expense	**81**	100	**737**
Brand fee expense	**113**	125	**1,020**
Loss on disposal of property, plant and equipment and intangible assets	**21**	107	**198**
Loss on valuation of shares of subsidiaries and associates	**—**	44	**—**
Loss on impairment of fixed assets (Note 13)	**—**	1	**—**
Others	**288**	414	**2,596**
	505	792	**4,550**
Net income before income taxes	**5,742**	6,860	**51,736**
Income taxes (Note 22)			
Current	**1,507**	1,903	**13,581**
Deferred	**155**	(59)	**1,398**
	1,662	1,844	**14,980**
Net income	**4,079**	5,016	**36,756**
Net income attributable to owners of parent	**¥4,079**	¥5,016	**$36,756**

	Yen		U.S. dollars (Note 3)
	2019	2018	**2019**
Net income per share of common stock (Note 28)	**¥169.03**	¥207.83	**$1.52**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	**2019**
Net income	**¥4,079**	¥5,016	**$36,756**
Other comprehensive income (loss): (Note 15)			
Unrealized holding gain (loss) on securities, net of tax	**(804)**	464	**(7,246)**
Deferred gains or losses on hedges	**(2)**	0	**(25)**
Foreign currency translation adjustments	**104**	6	**943**
Remeasurements of defined benefit plans	**128**	288	**1,156**
Share of other comprehensive income of affiliates accounted for using equity method	**(29)**	12	**(267)**
Total other comprehensive income (loss)	**(603)**	772	**(5,440)**
Comprehensive income	**¥3,475**	¥5,789	**$31,317**
Comprehensive income attributable to:			
Owners of parent	**3,475**	5,789	**31,317**
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, 2019

	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, 2017	166,885,530	¥12,484	¥19,600	¥67,534	¥(25,898)	¥3,210	¥1	¥1,600	¥(1,415)	¥77,120
Profit attributable to owners of parent				5,016						5,016
Purchases of treasury stock					(5)					(5)
Cancellation of treasury stock	(17,000,000)		(8,062)	(1,467)	9,530					–
Cash dividends				(1,568)						(1,568)
Net changes in items other than shareholders' equity						473	0	6	292	772
Balance at March 31, 2018	149,885,530	12,484	11,538	69,514	(16,373)	3,684	2	1,606	(1,123)	81,334
Decrease in number of shares due to consolidation	**(119,908,424)**									**–**
Profit attributable to owners of parent				**4,079**						**4,079**
Purchases of treasury stock					**(2)**					**(2)**
Cash dividends				**(1,749)**						**(1,749)**
Increase by merger				**138**						**138**
Net changes in items other than shareholders' equity						**(839)**	**(2)**	**104**	**134**	**(603)**
Balance at March 31, 2019	**29,977,106**	**¥12,484**	**¥11,538**	**¥71,983**	**¥(16,375)**	**¥2,844**	**¥0**	**¥1,711**	**¥(988)**	**¥83,197**

	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, 2018	$112,486	$103,957	$626,313	$(147,520)	$33,196	$25	$14,476	$(10,120)	$732,813
Profit attributable to owners of parent			**36,756**						**36,756**
Purchases of treasury stock				**(18)**					**(18)**
Cash dividends			**(15,766)**						**(15,766)**
Increase by merger			**1,251**						**1,251**
Net changes in items other than shareholders' equity					**(7,568)**	**(25)**	**943**	**1,210**	**(5,440)**
Balance at March 31, 2019	**$112,486**	**$103,957**	**$648,554**	**$(147,538)**	**$25,628**	**$0**	**$15,419**	**$(8,909)**	**$749,596**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	**2019**
Operating activities:			
Net income before income taxes	**¥5,742**	¥6,860	**$51,736**
Adjustments to reconcile net income before income taxes to net cash provided by operating activities:			
Depreciation	**¥1,868**	2,049	**16,837**
Loss on impairment of fixed assets	**—**	1	**—**
Allowance for doubtful receivables	**289**	(156)	**(2,610)**
Warranty reserve	**7**	67	**67**
Directors' retirement benefit	**2**	1	**20**
Net defined benefit liability	**291**	356	**2,624**
Interest and dividend income	**(383)**	(453)	**(3,452)**
Interest expense	**81**	100	**737**
Cancellation fee income	**—**	(1,309)	**—**
Loss on valuation of shares of subsidiaries and associates	**—**	44	**—**
Gain or loss on sales of investment securities	**(186)**	(16)	**(1,676)**
Gain or loss on sales and disposal of property, plant and equipment and intangible assets	**17**	92	**154**
Equity in earnings of affiliates	**(1,241)**	(1,031)	**(11,186)**
Changes in operating assets and liabilities:			
Notes and accounts receivable, trade	**1,128**	912	**10,169**
Inventories	**(8,332)**	(6,942)	**(75,071)**
Notes and accounts payable, trade	**(1,652)**	4,985	**(14,885)**
Advances received	**2,719**	1,785	**24,505**
Accrued expenses	**(385)**	464	**(3,475)**
Others	**(803)**	(1,263)	**(7,236)**
Sub total	**(835)**	6,550	**(7,523)**
Interest and dividend income received	**654**	679	**5,897**
Interest paid	**(89)**	(102)	**(805)**
Cancellation fee income received	**—**	1,309	**—**
Income taxes paid	**(1,906)**	(1,622)	**(17,180)**
Net cash provided by (used in) operating activities	**(2,176)**	6,813	**(19,612)**
Investing activities:			
Purchases of property, plant and equipment	**(1,101)**	(3,221)	**(9,924)**
Proceeds from sales of property, plant and equipment	**7**	20	**65**
Purchases of intangible assets	**(74)**	(214)	**(675)**
Purchases of investment securities	**(99)**	(499)	**(901)**
Proceeds from sales of investment securities	**167**	0	**1,505**
Increase (decrease) in short-term loans receivable	**0**	0	**4**
Collection of long-term loans receivable	**3**	3	**31**
Others	**(394)**	(10)	**(3,559)**
Net cash provided by (used in) investing activities	**(1,493)**	(3,921)	**(13,454)**
Financing activities:			
Increase (decrease) in short-term bank loans	**4,300**	—	**38,742**
Repayment of long-term loans payable	**(4,300)**	(500)	**(38,742)**
Purchases of treasury stock	**(2)**	(5)	**(18)**
Cash dividends paid	**(1,749)**	(1,568)	**(15,766)**
Others	**(33)**	(28)	**(301)**
Net cash used in financing activities	**(1,785)**	(2,102)	**(16,086)**
Effect of exchange rate changes on cash and cash equivalents	**111**	(51)	**1,001**
Net increase (decrease) in cash and cash equivalents	**(5,344)**	738	**(48,150)**
Cash and cash equivalents at beginning of year	**30,798**	30,060	**277,488**
Increase in cash and cash equivalents resulting from merger ith unconsolidated subsidiaries	**138**	—	**1,244**
Cash and cash equivalents at end of year (Note 16)	**¥25,592**	¥30,798	**$230,582**

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presenting Consolidated Financial Statements

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

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

2. Summary of Significant Accounting Policies

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

The consolidated financial statements include the accounts of the Companies.

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

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

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

(b) Translation of foreign currencies

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

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

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

(c) Securities

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

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

(d) Inventories

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

(e) Allowance for doubtful receivables

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

(f) Warranty reserve

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

(g) Employee bonuses

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

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

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

(i) Amortization of intangible assets

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

(j) Leased assets

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

(k) Derivative financial instruments

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

(l) Income taxes

The Companies accrue current income taxes based on taxable income.

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

Income tax effects on such temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(m) Employees' retirement benefits

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

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

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

(n) Directors' retirement benefits

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

(o) Amounts per share of common stock

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

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

(p) Cash equivalents

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

3. U.S. Dollar Amounts

U.S. dollar amounts are included solely for the convenience of the readers and have been translated at the rate of ¥110.99=U.S.$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2019. This translation should not be construed as a representation that the yen amounts actually represent, have been, or could be converted into U.S. dollars.

4. Accounting Standards Issued but Not yet Effective
Accounting Standard for Revenue Recognition (ASBJ Statement No.29 on March 30, 2018) Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30 on March 30, 2018)

(a) Outline

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

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

(b) Scheduled date of adoption

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

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

The impacts on the Company's consolidated financial statements from the adoption of this accounting standard and implementation guidance are being evaluated at the time of the preparation of consolidated financial statements.

5. Changes in Presentation

Partial Amendments to Accounting Standard for Tax Effect Accounting

The Companies have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018) (hereinafter, the "Partial Amendments") from the beginning of the fiscal year ended March 31, 2019. As such, deferred tax assets and deferred tax liabilities are included within investments and other assets and non-current liabilities, respectively, and related income tax disclosures have been expanded.

As a result, deferred tax assets under current assets have decreased by ¥2,922 million and deferred tax assets under investments and other assets have increased by ¥453 million in the consolidated balance sheet as of March 31, 2018.

In addition, due to the effect of offsetting deferred tax assets and deferred tax liabilities by the same taxable entity, total assets decreased by ¥2,469 million.

Also, "Note 22 Income Taxes" in the Notes to the consolidated financial statements has been expanded in accordance with Note 8 and Note 9 of Interpretive Notes to Accounting for Tax Effect Accounting. However, comparative information for the year ended March 31, 2018 has not been disclosed in Note 22 in accordance with the transitional provisions set forth in Article 7 of the Partial Amendments.

Consolidated Balance Sheet

Advance received, included within other current liabilities of the current liabilities until the previous consolidated fiscal year, is separately stated from the fiscal year ended March 31, 2018, as it has exceeded 5% of the total liabilities and net assets. As a result of that, other current liabilities under Current liabilities in the consolidated balance sheet for the previous fiscal year, ¥6,890 million, is replaced by advance received of ¥5,117 million and other current liabilities of ¥1,773 million.

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Land	**¥6,460**	¥6,450	**$58,212**
Buildings and structures	**39,350**	39,227	**354,544**
Machinery and equipment	**23,883**	24,024	**215,184**
Vehicles	**302**	314	**2,726**
Tools, furniture and fixtures	**7,428**	7,321	**66,931**
Lease assets	**264**	209	**2,387**
Construction in progress	**130**	105	**1,179**
Sub total	**77,821**	77,652	**701,162**
Less accumulated depreciation	**(57,056)**	(56,347)	**(514,068)**
Property, plant and equipment, net	**¥20,765**	¥21,305	**$187,094**

Depreciation expenses for the years ended March 31, 2019 and 2018 were ¥1,868 million ($16,837 thousand) and ¥2,049 million, respectively.

7. Intangible Assets

Intangible assets at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Others	**¥641**	¥740	**$5,776**
Total	**¥641**	¥740	**$5,776**

8. Contingent Liabilities

As of March 31, 2019, contingent liabilities for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥1,111 million ($10,017 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
	2019	2018	**2019**
Total amount of commitment line	**¥10,000**	¥10,000	**$90,098**
Funds borrowed	**—**	—	**—**
Unused amount	**¥10,000**	¥10,000	**$90,098**

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Notes and accounts receivable, trade	**¥1,476**	¥858	**$13,300**
Notes and accounts payable, trade	**14**	31	**129**

11. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Sales commission	**¥1,579**	¥2,448	**$14,234**
Shipping expenses	**3,839**	3,814	**34,589**
Provision for warranty reserve	**495**	507	**4,468**
Personnel-expenses	**11,883**	11,456	**107,069**
Retirement benefit expenses	**669**	672	**6,031**
Depreciation	**730**	718	**6,579**
Rent expenses	**805**	755	**7,261**
Travel expenses	**1,408**	1,272	**12,692**
Research and development expenses	**1,246**	1,258	**11,233**
Subcontract expenses	**495**	612	**4,465**
Others	**5,923**	4,994	**53,367**
Total	**¥29,078**	¥28,509	**$261,988**

12. Research and Development Costs

Research and development costs charged to income were ¥1,835 million ($16,533 thousand) and ¥1,899 million for the years ended March 31, 2019 and 2018, respectively.

13. Loss on Impairment of Fixed Assets

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

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

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

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

	Millions of yen
	2018
Ishioka, Ibaraki, Japan:	
Idle property	
Land	¥ 1
Total	¥ 1

There was no applicable matter for the years ended March 31, 2019.

14. 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.

15. Other Comprehensive Income

The components of other comprehensive income (loss) for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Unrealized holding gain (loss) on securities:			
Current period changes in unrealized gain (loss)	**¥(962)**	¥675	**$(8,675)**
Reclassification adjustment	**(186)**	(16)	**(1,676)**
Total unrealized holding gain (loss) on securities before tax effects	**(1,148)**	659	**(10,352)**
Tax effects	**344**	(194)	**3,106**
Unrealized holding gain (loss) on securities, net of tax effects	**(804)**	464	**(7,246)**
Deferred gains or losses on hedges			
Current period changes	**(3)**	1	**(35)**
Total deferred gains or losses on hedges before tax effects	**(3)**	1	**(35)**
Tax effects	**1**	(0)	**11**
Deferred gains or losses on hedges, net of tax effects	**(2)**	0	**(25)**
Foreign currency translation adjustments:			
Current period changes	**104**	6	**943**
Remeasurements of defined benefit plans			
Current period changes in remeasurements of defined benefit plans	**(33)**	97	**(304)**
Reclassification adjustment	**162**	191	**1,460**
Total remeasurements of defined benefit plans before tax effect	**128**	288	**1,156**
Tax effects	**—**	—	**—**
Remeasurements of defined benefit plans, net of tax effects	**128**	288	**1,156**
Share of other comprehensive income of affiliates accounted for using equity method			
Current period changes	**(29)**	12	**(267)**
Total other comprehensive income (loss)	**¥(603)**	¥772	**$(5,440)**

16. 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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Cash and time deposits	**¥25,592**	¥30,394	**$230,582**
Marketable securities	**—**	404	**—**
Cash and cash equivalents	**¥25,592**	¥30,798	**$230,582**

(b) Significant non-cash transactions

Significant non-cash transactions for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Cancellation of treasury stocks	**¥—**	¥9,530	**$—**

17. Leases

This disclosure has been omitted for the year ended March 31, 2019 based on materiality.

18. 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 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 20, “Derivative Financial Instruments,” provides more information on hedge accounting, hedging instruments and methods, hedging policy, hedged items and assessments of hedge effectiveness.

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

The terms of the financial covenants related to a syndicated loan contract (¥4,000 million ($36,039 thousand) at March 31, 2019) are as follows:

① At March 31 and September 30 every year, the Company must maintain net assets in the consolidated balance sheet over ¥57,840 million ($521,128 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 20, "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, 2019 and 2018, and their fair value were as follows: (Financial instruments whose fair value was extremely difficult to determine were not included.)

	Millions of yen					
	2019			2018		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and deposits	**¥25,592**	**¥25,592**	**¥—**	¥30,394	¥30,394	¥—
Notes and accounts receivable, trade	**37,405**	**37,406**	**0**	38,531	38,531	0
Marketable securities and investment securities	**17,606**	**17,857**	**251**	18,206	20,501	2,295
Total assets	**¥80,604**	**¥80,857**	**¥252**	¥87,132	¥89,428	¥2,295
Short-term bank loans	**¥10,090**	**¥10,090**	**¥—**	¥14,390	¥14,390	¥—
Notes and accounts payable, trade	**28,207**	**28,207**	**—**	29,835	29,835	—
Long-term debt	**4,300**	**4,309**	**9**	—	—	—
Total liabilities	**¥42,597**	**¥42,606**	**¥9**	¥44,225	¥44,225	¥—
Derivatives	**¥(19)**	**¥(19)**	**¥—**	¥(16)	¥(16)	¥—

	Thousands of U.S. dollars		
	2019		
	Carrying value	Fair value	Difference
Cash and deposits	**$230,582**	**$230,582**	**$—**
Notes and accounts receivable, trade	**337,021**	**337,029**	**8**
Marketable securities and investment securities	**158,633**	**160,896**	**2,263**
Total assets	**$726,236**	**$728,507**	**$2,271**
Short-term bank loans	**$90,909**	**$90,909**	**$—**
Notes and accounts payable, trade	**254,144**	**254,144**	**—**
Long-term debt	**38,742**	**38,826**	**84**
Total liabilities	**$383,796**	**$383,880**	**$84**
Derivatives	**$(174)**	**$(174)**	**$—**

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 20, "Derivative Financial Instruments"

(b) Financial instruments whose fair value was extremely difficult to determine at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Investment securities for which the market prices are not available	**¥772**	¥452	**$6,961**

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

(c) The aggregate annual maturities of financial assets at March 31, 2019 and 2018 were as follows:

	Millions of yen							
	2019				2018			
	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	**¥25,586**	**¥—**	**¥—**	**¥—**	¥30,387	¥—	¥—	¥—
Notes and accounts receivable, trade	**37,253**	**152**	**—**	**—**	38,508	22	—	—
Marketable securities and investment securities:								
Negotiable certificates of deposit	**—**	**—**	**—**	**—**	404	—	—	—
Total	**¥62,839**	**¥152**	**¥—**	**¥—**	¥69,300	¥22	¥—	¥—

	Thousands of U.S. dollars			
	2019			
	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	**$230,529**	**$—**	**$—**	**$—**
Notes and accounts receivable, trade	**335,643**	**1,377**	**—**	**—**
Marketable securities and investment securities:				
Negotiable certificates of deposit	**—**	**—**	**—**	**—**
Total	**$566,172**	**$1,377**	**$—**	**$—**

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

Year ended March 31, 2019 — 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**	**500**	**3,300**	**—**
Total	**¥10,090**	**¥—**	**¥500**	**¥500**	**¥3,300**	**¥—**

Year ended March 31, 2018 — Millions of yen

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

Year ended March 31, 2019 — 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	**$90,909**	**$—**	**$—**	**$—**	**$—**	**$—**
Long-term debt	**—**	**—**	**4,505**	**4,505**	**29,732**	**—**
Total	**$90,909**	**$—**	**$4,505**	**$4,505**	**$29,732**	**$—**

19. Securities

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

	Millions of yen					
	2019			2018		
	Acquisition cost	Carrying value	Unrealized gains	Acquisition cost	Carrying value	Unrealized gains
Equity securities	**¥2,709**	**¥6,751**	**¥4,041**	¥2,696	¥7,887	¥5,190
	¥2,709	**¥6,751**	**¥4,041**	¥2,696	¥7,887	¥5,190

	Thousands of U.S. dollars		
	2019		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	**$24,410**	**$60,828**	**$36,417**
	$24,410	**$60,828**	**$36,417**

Proceeds from sales and gain on sales of marketable equity securities classified as other securities were ¥190 million ($1,718 thousand) and ¥102 million ($927 thousand) for the year ended March 31, 2019, and ¥25 million and ¥16 million for the year ended March 31, 2018, respectively. Proceeds from sales and gain on sales of non-marketable equity securities classified as other securities were ¥115 million ($1,039 thousand) and ¥83 million ($749 thousand) for the year ended March 31, 2019.

Negotiable certificates of deposit classified as non-marketable securities totaled ¥404 million as of March 31, 2018. Non-marketable equity securities classified as other securities primarily consist of ¥88 million ($798 thousand) and ¥120 million as of March 31, 2019 and 2018, respectively.

20. Derivative Financial Instruments

The Companies have entered into derivative transactions (foreign exchange contracts) in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and. 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, 2019 and 2018 were as follows:

Foreign exchange contracts

		Millions of yen							
		2019				2018			
	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	**¥6**	**¥—**	**¥(0)**	**¥(0)**	¥22	¥—	¥0	¥0
Buy:									
Japanese yen	Accounts payable	**826**	**—**	**(19)**	**(19)**	1,153	—	(21)	(21)
Total		**¥833**	**¥—**	**¥(19)**	**¥(19)**	¥1,175	¥—	¥(20)	¥(20)

		Thousands of U.S. dollars			
		2019			
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Appropriated accounting for foreign currency					
Foreign exchange contracts:					
Sell:					
U.S. dollars	Accounts receivable	**$58**	**$—**	**$(1)**	**$(1)**
Buy:					
Japanese yen	Accounts payable	**7,450**	**—**	**(173)**	**(173)**
Total		**$7,508**	**$—**	**$(174)**	**$(174)**

Derivatives designated as hedging instruments at March 31, 2019 and 2018 were as follows:

① Foreign exchange contract, etc.

		Millions of yen					
		2019			2018		
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value
Accounting in principle							
Foreign exchange contracts:							
Sell:							
U.S. dollars	Accounts receivable	**¥—**	**¥—**	**¥—**	¥193	¥—	¥3
Buy:							
U.S. dollars	Accounts payable	**194**	**—**	**0**	—	—	—
Appropriated accounting for foreign currency							
Foreign exchange contracts:							
Sell:							
U.S. dollars	Accounts receivable	**4,903**	**—**	*	2,830	—	*
Buy:							
U.S. dollars	Accounts payable	**27**	**—**	*	—	—	—
Total		**¥5,125**	**¥—**	**¥0**	¥3,024	¥—	¥3

		Thousands of U.S. dollars		
		2019		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Accounting in principle				
Foreign exchange contracts:				
Buy:				
U.S. dollars	Accounts payable	**$1,751**	**$—**	**$0**
Appropriated accounting for foreign currency				
Foreign exchange contracts:				
Sell:				
U.S. dollars	Accounts receivable	**$44,184**	**—**	*
Buy:				
U.S. dollars	Accounts payable	**244**	**—**	*
Total		**$46,179**	**$—**	**$0**

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

② Interest rate swaps

		Millions of yen					
		2019			2018		
	Hedged item	Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value
Special treatment							
Interest rate swap:							
Floating rate receipt, fixed rate payment	Short—term debt	**¥—**	**¥—**	**¥—**	¥4,000	¥—	¥—
	Long—term debt	**¥—**	**¥—**	**¥—**	¥—	¥—	¥—

	Hedged item	Thousands of U.S. dollars 2019 Contract amount	Contract amount due after one year	Fair value
Special treatment				
Interest rate swap:				
Floating rate receipt, fixed rate payment	Short—term debt	$—	$—	$—
	Long—term debt	$—	$—	$—

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

21. 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 overseas subsidiaries have unfunded defined benefit plans for benefit payments to their 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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Retirement benefit obligation at beginning of year	**¥14,141**	¥13,878	**$127,414**
Service cost	**929**	921	**8,373**
Interest cost	**0**	0	**7**
Actuarial gain or loss	**(2)**	(5)	**(20)**
Retirement benefit paid	**(709)**	(654)	**(6,389)**
Retirement benefit obligation at end of year	**¥14,360**	¥14,141	**$129,385**

② The changes in pension plan assets during the year ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Pension plan assets at beginning of year	**¥4,829**	¥4,634	**$43,512**
Expected return on pension plan assets	**84**	92	**766**
Actuarial gain or loss	**(35)**	92	**(324)**
Contribution by the Companies	**197**	198	**1,779**
Retirement benefit paid	**(190)**	(187)	**(1,717)**
Pension plan assets at end of year	**¥4,885**	¥4,829	**$44,015**

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, 2019 and 2018 for the defined benefit plans

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Funded retirement benefit obligation	**¥4,721**	¥4,639	**$42,539**
Pension plan assets at fair value	**(4,885)**	(4,829)	**(44,015)**
	(163)	(189)	**(1,476)**
Unfunded retirement benefit obligation	**9,639**	9,501	**86,846**
Net retirement benefit liability recognized in the consolidated balance sheet	**9,475**	9,312	**85,370**
Retirement benefit liability	**9,475**	9,312	**85,370**
Net retirement benefit liability recognized in the consolidated balance sheet	**¥9,475**	¥9,312	**$85,370**

④ The components of retirement benefit expense for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Service cost	**¥929**	¥921	**$8,373**
Interest assets	**0**	0	**7**
Expected return on pension assets	**(84)**	(92)	**(766)**
Actuarial gain or loss	**162**	191	**1,460**
Retirement benefit expense	**¥1,007**	¥1,021	**$9,074**

⑤ Remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Actuarial gain or loss	**¥128**	¥288	**$1,156**
Total	**¥128**	¥288	**$1,156**

⑥ Remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Unrecognized actuarial loss	**¥937**	¥1,065	**$8,448**
Total	**¥937**	¥1,065	**$8,448**

⑦ The fair value of pension plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 were as follows:

	2019	2018
Domestic bonds	**51%**	52%
Domestic equity securities	**13**	13
Foreign bonds	**12**	11
Foreign equity securities	**14**	14
Insurance assets (General accounts)	**8**	8
Other	**2**	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:

	2019	2018
Discount rate	**0.0%**	0.0%
Expected rate of return on pension plan assets	**1.5**	1.8
Expected rate of salary increase	**9.4**	9.4

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

(c) Defined contribution plans

The required contributions to defined contribution plans of the Company and certain domestic consolidated subsidiaries for the years ended March 31, 2019 and 2018 were ¥170 million ($1,539 thousand) and ¥170 million, respectively.

(d) Multiemployer pension plans

The required contributions to the multiemployer pension plans for the years ended March 31, 2019 and 2018 were ¥31 million ($281 thousand) and ¥32 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
	2019	2018	2019
Amount of pension assets	**¥130,908**	¥127,443	**$1,179,466**
Total amount of actuarial obligations and minimum reserve in the pension financial calculation (Note)	**146,380**	149,315	**1,318,861**
Difference	**¥(15,471)**	¥(21,871)	**$(139,395)**

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

② The Companies’ portion of contributions in multiemployer pension plans

	2019	2018
The Companies’ portion in the total contributions of the multiemployer plans	**0.606%**	0.623%

The difference above was principally attributable to the differences in retained earnings of ¥4,850 million ($43,700 thousand) and ¥6,159 million in the pension financial calculation, at March 31, 2019 and 2018, respectively special reserve of ¥(1,486) million ($(13,397) thousand) and ¥(7,646) million at March 31, 2019 and 2018 and unrecognized prior service cost of ¥18,834 million ($169,698 thousand) and ¥20,384 million at March 31, 2019 and 2018, 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 ¥30 million ($277 thousand) and ¥31 million for amortization of prior service cost in the consolidated financial statements for the years ended March 31, 2019 and 2018, respectively.

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

22. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries generally comprise corporation, enterprise and prefectural and municipal inhabitants taxes. The statutory tax rates for the years ended March 31, 2019 and 2018 were approximately 30.0% and 30.2%, respectively.

The reconciliation between the statutory tax rate and effective tax rate for the year ended March 31, 2019 was omitted because such difference is less than 5% of the statutory tax rate.

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

	2018
Statutory tax rate	30.2%
Per-capita portion of inhabitant tax	0.5
Permanently non-deductible expenses	0.7
Permanently non-taxable revenue such as dividends income	(0.9)
Change in valuation allowance	0.2
Effects of elimination in consolidation	(1.6)
Difference in statutory tax rates for foreign subsidiaries	(0.2)
Others	(2.0)
Effective tax rate	26.9%

The significant components of deferred tax assets and liabilities at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Deferred tax assets:			
Tax loss carry forwards (Note)	**¥328**	¥322	**$2,963**
Allowance for doubtful receivables	**123**	37	**1,114**
Net defined benefit liability	**2,568**	2,492	**23,146**
Devaluation of inventories	**721**	755	**6,499**
Unrealized intercompany profit on inventories	**641**	551	**5,777**
Accrued employee's bonuses	**609**	612	**5,492**
Devaluation of securities	**327**	330	**2,955**
Enterprise taxes payable	**79**	105	**720**
Other	**1,665**	1,647	**15,004**
Total deferred tax assets	**¥7,066**	¥6,854	**$63,670**
Valuation allowance of tax loss carry forwards (Note)	**(328)**	—	**(2,963)**
Valuation allowance of deductible temporary difference	**(2,589)**	—	**(23,331)**
Subtotal Valuation allowance	**(2,918)**	(2,783)	**(26,294)**
Net deferred tax assets	**¥4,148**	¥4,071	**$37,376**
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	**(91)**	(98)	**(828)**
Unrealized holding gain on securities	**(1,171)**	(1,515)	**(10,551)**
Asset retirement obligations	**(5)**	(6)	**(51)**
Foreign consolidated subsidiaries' retained earnings	**(763)**	(688)	**(6,875)**
Affiliates' retained earnings accounted for using equity method	**(1,441)**	(1,302)	**(12,989)**
Enterprise taxes receivable	**(5)**	—	**(45)**
Others	**(33)**	(28)	**(299)**
Total deferred tax liabilities	**¥(3,511)**	¥(3,639)	**$(31,639)**
Net deferred tax assets	**¥636**	¥431	**$5,738**

Note : A breakdown of Tax loss carryforwards and valuation allowance by expiry date as of March 31, 2019 was as follows:

	Millions of yen						
	2019						
	Due in one years or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	¥23	¥17	¥64	¥115	¥108	¥—	¥328
Valuation allowance	(23)	(17)	(64)	(115)	(108)	—	(328)
Deferred tax assets	¥—	¥—	¥—	¥—	¥—	¥—	¥—

	Thousands of U.S. dollars						
	2019						
	Due in one years or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four year through five years	After five years	Total
Tax loss carryforwards	$212	$159	$578	$1,037	$976	$—	$2,963
Valuation allowance	(212)	(159)	(578)	(1,037)	(976)	—	(2,963)
Deferred tax assets	$—	$—	$—	$—	$—	$—	$—

The amount is determined by multiplying the corresponding tax loss carryforwards by the effective statutory tax rate.

23. Business Combinations

This disclosure has been omitted for the year ended March 31, 2019 based on immateriality.

24. Asset Retirement Obligations

This disclosure has been omitted for the year ended March 31, 2019 based on immateriality.

25. Rental Property

This disclosure has been omitted for the year ended March 31, 2019 based on immateriality.

26. Segment Information

(a) General information about reportable segments

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

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

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

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

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

(c) Reportable segment information

Reportable segment information of the Companies for the years ended March 31, 2019 and 2018 was as follows:

Year ended March 31, 2019 — Millions of yen

	Reportable segments						
	Molding Machinery	Machine Tools	Sub total	Other Products	Total	Adjustments	Consolidated
Net sales:							
External customers	**¥79,210**	**¥27,362**	**¥106,573**	**¥10,832**	**¥117,405**	**¥—**	**¥117,405**
Inter-segment	**—**	**2**	**2**	**3,114**	**3,116**	**(3,116)**	**—**
Total	**79,210**	**27,365**	**106,575**	**13,946**	**120,522**	**(3,116)**	**117,405**
Segment income	**¥3,510**	**¥(129)**	**¥3,380**	**¥436**	**¥3,817**	**¥16**	**¥3,834**
Segment assets	**¥85,863**	**¥36,168**	**¥122,032**	**¥19,029**	**¥141,061**	**¥9,662**	**¥150,724**
Others							
Depreciation	**¥1,102**	**¥533**	**¥1,635**	**¥232**	**¥1,868**	**¥—**	**¥1,868**
Capital expenditures	**804**	**212**	**1,016**	**178**	**1,195**	**—**	**1,195**

Year ended March 31, 2018 — Millions of yen

	Reportable segments						
	Molding Machinery	Machine Tools	Sub total	Other Products	Total	Adjustments	Consolidated
Net sales:							
External customers	¥80,265	¥23,700	¥103,965	¥12,896	¥116,862	¥—	¥116,862
Inter-segment	—	7	7	2,937	2,944	(2,944)	—
Total	80,265	23,708	103,973	15,833	119,807	(2,944)	116,862
Segment income	¥4,659	¥(1,130)	¥3,529	¥1,005	¥4,534	¥106	¥4,640
Segment assets	¥80,026	¥34,705	¥114,732	¥21,321	¥136,054	¥12,709	¥148,763
Others							
Depreciation	¥1,062	¥714	¥1,777	¥272	¥2,049	¥—	¥2,049
Capital expenditures	781	3,606	4,388	299	4,687	—	4,687

Year ended March 31, 2019 — Thousands of U.S. dollars

	Reportable segments						
	Molding Machinery	Machine Tools	Sub total	Other Products	Total	Adjustments	Consolidated
Net sales:							
External customers	**$713,674**	**$246,533**	**$960,207**	**$97,596**	**$1,057,802**	**$—**	**$1,057,802**
Inter-segment	**—**	**23**	**23**	**28,060**	**28,083**	**(28,083)**	**—**
Total	**713,674**	**246,556**	**960,230**	**125,656**	**1,085,885**	**(28,083)**	**1,057,802**
Segment income	**$31,625**	**$(1,168)**	**$30,457**	**$3,935**	**$34,392**	**$152**	**$34,544**
Segment assets	**$773,614**	**$325,873**	**$1,099,487**	**$171,451**	**$1,270,938**	**$87,061**	**$1,357,999**
Others							
Depreciation	**$9,932**	**$4,808**	**$14,740**	**$2,098**	**$16,837**	**$—**	**$16,837**
Capital expenditures	**7,247**	**1,912**	**9,159**	**1,608**	**10,767**	**—**	**10,767**

Note 1 : "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.

Note 2 : The Companies have adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018). This accounting standard has been retrospectively applied to figures for the fiscal year ended March 31, 2018.

(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, 2019 and 2018 were as follows:

Sales	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Total reportable segments	**¥106,575**	¥103,973	**$960,230**
Other products	**13,946**	15,833	**125,656**
Eliminations	**(3,116)**	(2,944)	**(28,083)**
Net sales in the consolidated financial statements	**¥117,405**	¥116,862	**$1,057,802**

Income	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Total reportable segments	**¥3,380**	¥3,529	**$30,457**
Other products	**436**	1,005	**3,935**
Eliminations	**16**	106	**152**
Operating income in the consolidated financial statements	**¥3,834**	¥4,640	**$34,544**

Assets	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Total reportable segments	**¥122,032**	¥114,732	**$1,099,487**
Other products	**19,029**	21,321	**171,451**
Company-wide assets	**10,046**	13,097	**90,516**
Eliminations	**(383)**	(387)	**(3,456)**
Net assets in the consolidated financial statements	**¥150,724**	¥148,763	**$1,357,999**

Note 1 : Company-wide assets are mainly cash and cash equivalents, securities and investment securities that are not allocated to the reportable segments.

Note 2 : The Companies have adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018). This accounting standard has been retrospectively applied to figures for the fiscal year ended March 31, 2018.

(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, 2019 and 2018 was as follows:

Millions of yen					
2019					
Japan	United States	China	Other Asia	Other	Total
¥49,298	**¥14,198**	**¥22,432**	**¥23,710**	**¥7,765**	**¥117,405**

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

Thousands of U.S. dollars					
2019					
Japan	United States	China	Other Asia	Other	Total
$444,175	**$127,922**	**$202,110**	**$213,627**	**$69,968**	**$1,057,802**

Note : Sales figures are classified based on customer locations.

Property, plant and equipment information by country or geographical areas as of March 31, 2019 and 2018 was as follows:

Millions of yen			
2019			
Japan	North America	Asia	Total
¥18,178	**¥205**	**¥2,381**	**¥20,765**

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

Thousands of U.S. dollars			
2019			
Japan	North America	Asia	Total
$163,784	**$1,852**	**$21,458**	**$187,094**

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, 2019 and 2018.

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

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

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

There was no applicable matter for the years ended March 31, 2019.

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

There was no amortization of goodwill for the year ended March 31, 2019 and 2018.

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

There was no applicable matter for the years ended March 31, 2019 and 2018.

27. Related Party Transactions

(a) Transactions with related parties

This disclosure has been omitted for the year ended March 31, 2019 and 2018 based on immateriality.

(b) Summary of financial information for significant affiliate company

During the years ended March 31, 2019 and 2018, the Company's significant affiliate is NuFlare Technology, Inc.

A summary of financial information with NuFlare Technology, Inc. for the years ended March 31, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Total current assets	**¥85,936**	¥81,235	**$774,268**
Total non-current assets	**14,171**	13,156	**127,687**
Total current liabilities	**26,643**	25,292	**240,049**
Total non-current liabilities	**1,113**	2,946	**10,032**
Total net assets	**72,351**	66,152	**651,874**
Net sales	**57,320**	41,163	**516,451**
Net income before income taxes	**11,983**	9,226	**107,965**
Net income	**8,236**	6,845	**74,207**

28. Net Income and Net Assets per Share

Net income and net assets per share as of and for the years ended March 31, 2019 and 2018 were as follows:

	Yen		U.S. dollars
	2019	2018	**2019**
Net income per share	**¥169.03**	¥207.83	**$1.52**
Net assets per share	**3,447.10**	3,369.80	**31.06**

The Company executed the consolidation of shares at the ratio of 5 shares into 1 share effective from October 1, 2018. Net assets per share and income per share are recalculated on the assumption that the consolidation of shares was executed at the beginning of the year ended March 31, 2018.

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

	Thousands of shares	
	2019	2018
Weighted-average number of shares of common stock	**24,135**	24,137

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Net income	**¥4,079**	¥5,016	**$36,756**
Net income not applicable to shareholders of common stock	**—**	—	**—**
Net income applicable to shareholders of common stock	**¥4,079**	¥5,016	**$36,756**

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

	Thousands of shares	
	2019	2018
Number of shares at year-end	**24,135**	24,136

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Net assets	**¥83,197**	¥81,334	**$749,596**
Non-controlling interests in consolidated subsidiaries	**—**	—	**—**
Net assets applicable to shareholders of common stock	**¥83,197**	¥81,334	**$749,596**

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

The annual interest rates applicable to the short-term bank loans outstanding as of March 31, 2019 and 2018 ranged principally from 0.49% to 0.56% and 0.48% to 0.56%, respectively. Long-term debt as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Loans, principally from Japanese banks and insurance companies:			
maturing 2019, interest 0.53% - 0.85%	**¥4,300**	¥4,300	**$38,742**
	4,300	4,300	**38,742**
Less current portion	**—**	4,300	**—**
	¥—	¥—	**$38,742**

The aggregate annual maturities of long-term debt at March 31, 2019 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥—	$—
2021	—	—
2022	500	4,505
2023	500	4,505
2024 and later	3,300	29,732
Total	¥4,300	$38,742

The aggregate annual maturities of finance lease obligations at March 31, 2019 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥31	$287
2021	26	243
2022	24	224
2023	18	163
2024 and later	4	41
Total	¥106	$959

30. 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, 2019, was approved at the meeting of the Board of Directors held on May 9, 2019:

Cash dividends of ¥37.50 ($0.34) per share amounting to ¥905 million ($8,155 thousand)

Independent Auditor's Report

EY
Building a better working world

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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, 2019, 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, 2019, 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 21, 2019
Tokyo, Japan

Board Members

Directors **Chairman and Chief Executive Officer**

Yukio Iimura

President and Chief Operating Officer

Takahiro Mikami

Representative Director and Executive Vice President

Shigetomo Sakamoto

Director and Executive Operating Officer

Akiyoshi Kobayashi

Outside Directors

Kiyoshi Sato

Seigo Iwasaki

Hiroshi Inoue

Kazumine Terawaki

Director / Audit and Supervisory Committee Members

Hiroshi Takahashi

Outside Directors / Audit and Supervisory Committee Members

Yoshihiro Ogura

Yutaka Usami

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