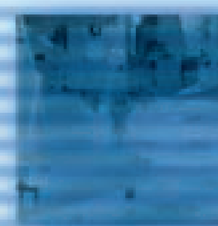
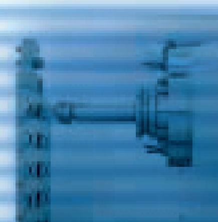
TOSHIBA MACHINE





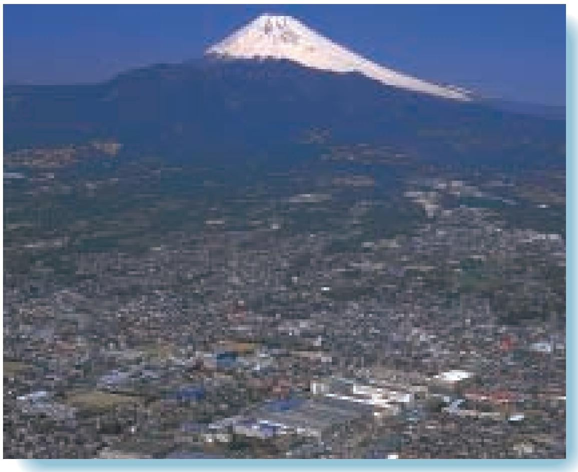
Annual Report 2001

Contents

An Outline of the Company

TOSHIBA MACHINE, an integrated machine builder with longstanding international renown for its total capability and quality, excels in the production of machine tools, plastic processing machinery, industrial machinery, hydraulic equipment, semiconductor manufacturing equipment, precision machinery, and electronic controls.

TOSHIBA MACHINE was one of the first companies to establish mechatronics oriented production systems by utilizing its own advanced precision technologies and sophisticated electronics experience for the research and development of the advanced technologies required for the future and for continuous and stable growth.



Numazu Plant

Sagami Plant

Gotemba Plant

Company name:	TOSHIBA MACHINE CO., LTD.
Headquarters:	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
Established:	1938
Capital:	¥12,485 million (U.S.$101 million)
Total no. of employees:	2,280 (current as of March 31, 2001)

Foreword

Although the Japanese economy began to show signs of an upturn due to a slight increase in private investment in the IT (Information Technology) and semiconductor industries during the first half of the fiscal year under review, this was more than offset by decreased private investment during the latter fiscal half resulting in an overall slowdown of the economy.

Overseas, although the European economy continued to enjoy relatively robust performance, the American economy started to enter the stage of slow growth. In Asia, despite growth of the Chinese economy, other economies such as that of Singapore, Korea and Taiwan all experienced a slowdown due to the negative effects of the American economic slowdown.

The machinery industry, due to increased investment in plant and equipment, experienced overall favorable demand.

Under such overall conditions, and our ongoing efforts to secure orders, both domestically and overseas, as well as the development of new products, favorable sales conditions for our machine tools, injection molding machines and extruders, along with greatly increased demand for semiconductor equipment, total orders received by the Toshiba Machine Company group, on a consolidated basis, was ¥134,317 million (US$1,084 million), an increase of 27.3% over the previous term. (An exchange rate of ¥123.90 = $1.00 will be used throughout this report)

As for our consolidated sales, increased sales of injection molding machines, extruders and semiconductor equipment more than compensated for relatively weak demand for our machine tools resulting in total group sales of ¥127,359 million (US$1,028 million), an increase of 16.5% over the previous term.

In terms of profits and losses, increased sales of our products, especially injection molding machines and semiconductor equipment, along with increased profit due to improved sales, foreign exchange conditions, and an improvement in all aspects of management resulted in an operating profit of ¥4,428 million (US$36 million) and a net profit of ¥1,558 million (US$13 million).

Despite being our first year of profitability in the last three years, we regret to announce that due to the reinforcement of our finances, our company will forego the distribution of a dividend for the fiscal year just ended.

As for the prospects for the current fiscal year, a continuation of the present economic sluggishness is forecast due to the negative effects of the slowdown of the American economy on the Asian economy, decreased private investment in plant and equipment and stagnant consumer spending. Despite this uncertain situation, the Toshiba Machine group will be implementing their TOSHIBA MACHINE ACTION PROGRAM 21 III (TM-AP21 III) to assure that we remain an influential force in the industry by the continuing of our product restructuring program and increasing in both the volume of orders received and sales, as well as our profitability.

Under such harsh economic conditions, we will also continue in carrying out various reforms in our organization, business processes, costs and group management, in addition to the speedy research, development and offering of new products and best solution type recommendations to our customers based on our CS (Customer Satisfaction) policy. In regards to our manufacturing systems, further rationalization and efficiency measures are also to be implemented based on ISO9001 and ISO14001 standards for the production of quality, environmentally friendly products.

T. Inokuma

July, 2001

Financial Highlights (consolidated)

	2001	2000	1999	1998	1997
Net sales	**¥127,359** $1,027,918	¥109,283	¥125,352	¥155,943	¥147,546
Cost of sales	**¥92,048** $742,922	¥80,852	¥90,694	¥114,452	¥113,078
Selling, general and administrative expenses	**¥30,883** $249,258	¥30,310	¥33,779	¥36,913	¥35,192
Operating income (loss)	**¥4,428** $35,738	¥(1,879)	¥879	¥4,578	¥(723)
Income (loss) before income taxes and minority interests	**¥2,123** $17,135	¥(8,779)	¥(856)	¥7,640	¥(434)
Income taxes	**¥733** $5,916	¥171	¥524	¥955	¥436
Net income (loss)	**¥1,558** $12,575	¥(8,661)	¥(1,326)	¥6,603	¥(917)
Per common share:					
Net income (loss)	**¥9.33** $0.08	¥(51.90)	¥(7.95)	¥39.71	¥(5.55)
Cash dividends	**¥ —** $ —	¥ —	¥2.00	¥3.00	¥ —
Total assets	**¥166,588** $1,344,536	¥153,563	¥159,579	¥169,324	¥158,597
Shareholders' equity	**¥39,620** $319,774	¥36,075	¥43,971	¥46,152	¥39,431
Capital expenditure (property, plant and equipment)	**¥2,565** $20,702	¥2,953	¥4,100	¥3,543	¥3,278
Depreciation	**¥2,610** $21,065	¥3,313	¥3,467	¥3,501	¥3,597
R & D expenditure	**¥2,749** $22,187	¥3,035	¥ —	¥ —	¥ —
Number of employees	**3,814**	3,999	—	—	—

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

Overseas Operations for Fiscal 2001

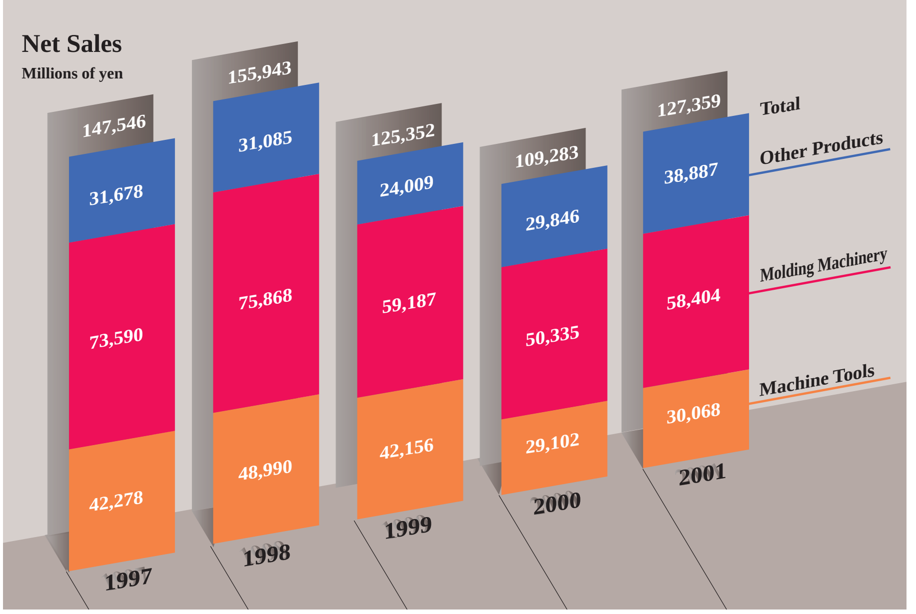
During the fiscal year under review, despite relatively robust European economic growth, the American economy entered a period of slow growth. In Asia, the Chinese economy experienced generally favorable growth, despite subdued activity in other economies of this region, such as Singapore and Korea due to the negative influence of the American economic slowdown.

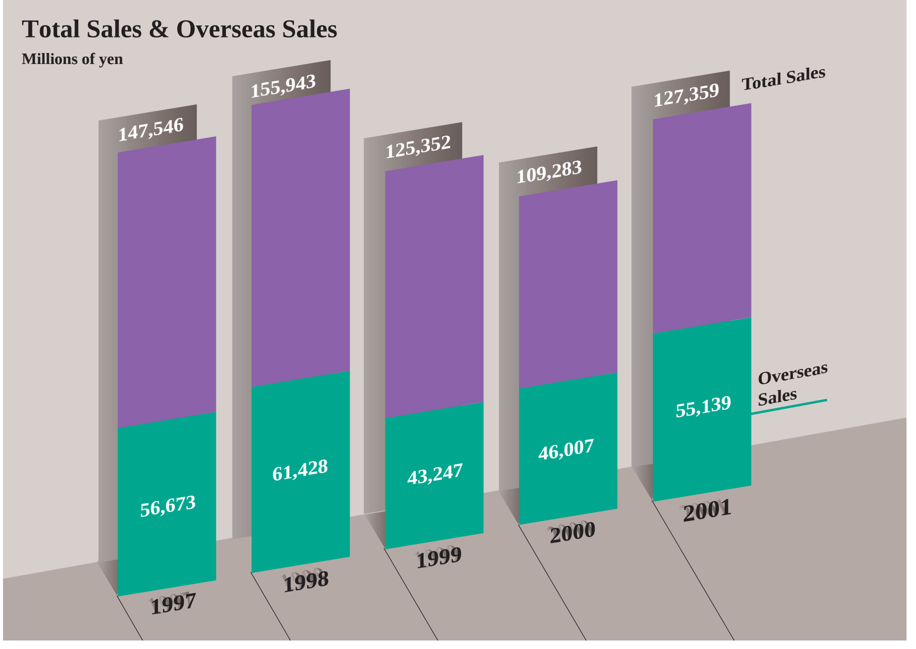
Under such conditions, a large increase in our injection molding machines and semiconductor equipment sales more than compensated for a decrease in our machine tools resulted in a total ¥55,139 million (US$ 445 million) in consolidated overseas sales, an increase of 19.8% compared to the previous year and comprising approximately 43.3% of total sales.

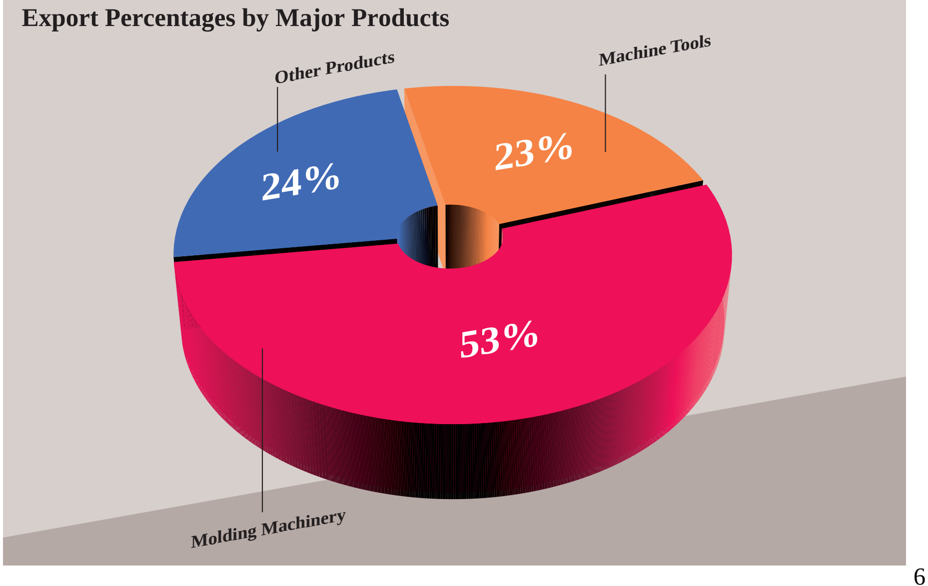
As in previous years, the North American region accounted for 31% of our total export amount, with our other principal markets being Korea, Taiwan, China, Europe, Thailand and Singapore.

By machinery type, the greatest share of our injection molding machines, die cast machines and machine tools were exported to the North American and Asian regions.

In the future, implementation of a further enhanced overseas sales and service network for even quicker response to our customers' needs, along with the providing of unexcelled quality products and after-sales is planned.







Overseas Offices

Overseas Subsidiaries, Affiliates and Joint Ventures

TOSHIBA MACHINE CO. AMERICA
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755 Greenleaf Avenue,
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Fax: [66]-(0)2-681-0162

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Fax: [886]-(0)2-2659-6381

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Fax: [86]-(0)21-5866-2450

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Fax: [61]-(0)2-9648-4717

Melbourne Office
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Victoria 3175, AUSTRALIA
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Beijing, 100004, PEOPLE'S REPUBLIC OF CHINA
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Fax: [86]-(0)10-6590-8979

TOSHIBA MACHINE CO., LTD.
NETHERLANDS REPRESENTATIVE OFFICE
Siriusdreef 17-27, 2132 WT Hoofddorp,
THE NETHERLANDS
Tel: [31]-(0)23-5689-134
Fax: [31]-(0)23-5689-111

Financial Review

Consolidated Balance Sheets

Toshiba Machine Co., Ltd. and Consolidated Subsidiaries
March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
ASSETS	**2001**	2000	**2001**
Current assets:			
Cash and cash equivalents (Note 2.n)	**¥40,595**	¥45,272	**$327,643**
Marketable securities (Note 4)	**—**	2,080	**—**
Trade receivables:			
Notes	**18,416**	15,657	**148,636**
Accounts	**45,658**	33,699	**368,507**
	64,074	49,356	**517,143**
Allowance for doubtful receivables	**(937)**	(1,136)	**(7,563)**
Net receivables	**63,137**	48,220	**509,580**
Inventories:			
Finished products	**8,852**	8,511	**71,445**
Work in process	**17,039**	15,532	**137,522**
Raw materials and supplies	**865**	782	**6,981**
Total inventories	**26,756**	24,825	**215,948**
Deferred taxes (Note 11)	**812**	818	**6,554**
Other current assets	**1,483**	2,003	**11,970**
Total current assets	**132,783**	123,218	**1,071,695**
Investments and long-term loans:			
Investments in:			
Unconsolidated subsidiaries and affiliated companies (Note 13)	**384**	424	**3,099**
Other securities (Note 4)	**5,691**	185	**45,932**
Long-term loans	**667**	948	**5,383**
Deferred taxes (Note 11)	**425**	260	**3,430**
Other investments	**856**	856	**6,910**
Total investments and long-term loans	**8,023**	2,673	**64,754**
Property, plant and equipment (Notes 5, 6 and 10)	**25,390**	26,721	**204,923**
Other assets	**392**	381	**3,164**
Foreign currency translation adjustment	**—**	570	**—**
Total assets	**¥166,588**	¥153,563	**$1,344,536**

See accompanying notes to financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2001	2000	Thousands of U.S. dollars 2001
Current liabilities:			
Short-term bank loans (Notes 6 and 10)	¥50,098	¥50,017	$404,342
Current portion of long-term debt (Notes 6 and 10)	3,425	3,750	27,643
Trade payables:			
Notes	22,101	17,077	178,378
Accounts	10,793	7,396	87,110
Total payables	32,894	24,473	265,488
Income taxes payable	665	389	5,367
Accrued expenses	5,490	4,238	44,310
Advances received	1,782	1,480	14,383
Other current liabilities	1,229	708	9,920
Total current liabilities	95,583	85,055	771,453
Long-term liabilities:			
Long-term debt (Notes 6 and 10)	22,657	25,791	182,865
Deferred taxes (Note 11)	1,526	13	12,316
Accrued severance indemnities (Note 7)	6,568	5,692	53,011
Total long-term liabilities	30,751	31,496	248,192
Total liabilities	126,334	116,551	1,019,645
Minority interest in consolidated subsidiaries	634	937	5,117
Shareholders' equity:			
Common stock of ¥50 par value			
Authorized — 360,000,000 shares			
Issued — 2000 166,885,530 shares			
Issued — 2001 166,885,530 shares	12,485	12,485	100,767
Additional paid-in capital	19,405	19,405	156,618
Retained earnings	5,725	4,185	46,207
Unrealized gain on available-for-sale securities	2,154	—	17,385
Foreign currency translation adjustments	(149)	—	(1,203)
Treasury stock	(0)	(0)	(0)
Total shareholders' equity	39,620	36,075	319,774
Contingent liabilities (Note 8)			
Total liabilities and shareholders' equity	¥166,588	¥153,563	$1,344,536

Consolidated Statements of Operations

Toshiba Machine Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Net sales	¥127,359	¥109,283	$1,027,918
Cost of sales	92,048	80,852	742,922
Gross profit	35,311	28,431	284,996
Selling, general and administrative expenses	30,883	30,310	249,258
Operating income (loss)	4,428	(1,879)	35,738
Other income:			
Interest and dividends	193	158	1,558
Gain on sale of property, plant and equipment	—	2,440	—
Others	1,627	1,351	13,131
	1,820	3,949	14,689
Other expenses:			
Interest	1,566	1,541	12,639
Special benefits for employees retired under early retirement program	417	6,421	3,366
Others	2,142	2,887	17,287
	4,125	10,849	33,292
Income (Loss) before income taxes and minority interests	2,123	(8,779)	17,135
Income taxes: (Note 11)	733	171	5,916
Current	882	471	7,119
Deferred	(149)	(300)	(1,203)
Minority interests in loss of consolidated subsidiaries	168	289	1,356
Net income (loss)	¥1,558	¥(8,661)	$12,575
	Yen		U.S. dollars
Net income (loss) per share of common stock	¥9.33	¥(51.90)	$0.08

See accompanying notes to financial statements.

Consolidated Statements of Shareholders' Equity

Toshiba Machine Co., Ltd. and Consolidated Subsidiaries

	Millions of yen			
	Number of shares	Common stock	Additional paid in capital	Retained earnings
Balance at March 31, 1999	166,885,530	¥12,485	¥19,405	¥12,081
Cumulative effect of change in accounting for income taxes				493
Increased due to change in consolidation of subsidiaries				293
Net loss				8,661
Bonuses to directors and statutory auditors				21
Balance at March 31, 2000	166,885,530	12,485	19,405	4,185
Net income				1,558
Bonuses to directors and statutory auditors				18
Balance at March 31, 2001	166,885,530	¥12,485	¥19,405	¥5,725

	Thousands of U.S. dollars		
	Common stock	Additional paid in capital	Retained earnings
Balance at March 31, 2000	$100,767	$156,618	$33,777
Net income			12,575
Bonuses to directors and statutory auditors			145
Balance at March 31, 2001	$100,767	$156,618	$46,207

See accompanying notes to financial statements.

Consolidated Statements of Cash Flows

Toshiba Machine Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Operating Activities:			
Income (loss) before income taxes and minority interests	¥2,123	¥(8,779)	$17,135
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	2,610	3,313	21,065
Allowance for doubtful receivables	(163)	(52)	(1,316)
Provision for severance indemnities, less payments	876	(1,572)	7,070
Devaluation of marketable securities	104	499	839
Exchange loss	—	137	—
Gain and loss on sales and disposal of property, plant and equipment	289	(2,263)	2,333
Changes in operating assets and liabilities:			
Trade notes and accounts receivables	(14,718)	14,290	(118,789)
Inventories	(1,931)	4,263	(15,585)
Trade notes and accounts payables	8,421	(3,242)	67,966
Advances received	301	(560)	2,429
Accrued expenses	1,277	(912)	10,307
Income taxes paid	(606)	(369)	(4,891)
Others	(604)	(34)	(4,875)
Net cash provided by (used in) operating activities	(2,021)	4,719	(16,312)
Investing Activities:			
Purchase of property, plant and equipment	(1,555)	(2,580)	(12,550)
Sale of property, plant and equipment	1,103	2,635	8,902
Increase in short-term loan receivables, net	70	(94)	565
Payment of long-term loan receivables	(32)	(364)	(258)
Repayment of long-term loan receivables	350	383	2,825
Others	367	(276)	2,962
Net cash provided by investment activities	303	(296)	2,446
Financing Activities:			
Decrease in short-term bank loans	(318)	(1,493)	(2,566)
Proceeds from long-term debt	482	6,540	3,890
Repayment of long-term debt	(3,544)	(168)	(28,604)
Issue of bond	—	2,000	—
Dividends paid for minority interest	—	(7)	—
Net cash provided by (used in) financing activities	(3,380)	6,872	(27,280)
Effect of exchange rate change on cash and cash equivalents	421	(317)	3,398
Net cash increased (decreased) during the year	(4,677)	10,978	(37,748)
Cash and cash equivalent at the beginning of year	45,272	33,754	365,391
Increase in cash and cash equivalents due to change in consolidated consolidation of subsidiaries	—	540	—
Cash and cash equivalent at the end of year	¥40,595	¥45,272	$327,643

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 consolidated balance sheets, statements of operations and cash flows are prepared from those which are in accordance with accounting principles generally accepted in Japan, which may differ in some material respects from accounting principles generally accepted in countries and jurisdictions other than Japan. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The consolidated statements of shareholders' equity have been prepared to supply additional information.

The consolidated balance sheets, statements of operations and cash flows incorporate certain reclassifications and rearrangements in order to present these statements in forms which are more familiar to readers of these statements outside of Japan. In addition, the notes to the consolidated financial statements include information which is not required under generally accepted accounting principles and practice 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 affiliated companies

The consolidated financial statements include the accounts of Toshiba Machine Co., Ltd. (the Company) and, certain subsidiaries which are not material are not consolidated, those of its subsidiaries (together the Companies). All significant intercompany transactions and accounts and unrealized intercompany profits are eliminated in consolidation.

The difference between the cost and underlying net equity of investments in consolidated subsidiaries at the time of acquisition is deferred and amortized over a five-year period.

Investments in affiliates (15 to 50 percent-owned companies except subsidiaries) in which the ability to exercise significant influence exist are stated at cost plus equity in undistributed earning (losses).

Net consolidated income (losses) includes the Company's share of the current net earnings (losses) of such companies, after elimination of unrealized intercompany profits.

(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 hedged by a forward contract, which are translated using the contracted rate with the resulting exchange differences amortized over the contract period.

All the assets and liabilities of foreign subsidiaries and affiliates are translated at current rates at the respective balance sheet dates and all income and expense accounts are translated at average rates for the respective periods.

Effective April 1, 2000, the Company and domestic consolidated subsidiaries adopted a revised accounting standard for foreign currency transactions.

In accordance with a revised accounting standard for foreign currency translation, the Company has included foreign currency translation adjustments in shareholders' equity and minority interests in consolidated subsidiaries. Prior to the year ended March 31, 2001, foreign currency translation adjustments were included in assets or liabilities.

The consolidated balance sheet at March 31, 2000 has not been restated.

The adoption of this revised accounting standard for foreign currency transactions did not have a material effect on the accompanying financial statements.

(c).Marketable and Investment Securities

Prior to the year ended March 31, 2001, marketable securities had been valued at the lower of cost or market, cost being determined by the moving average method, and investment securities other than marketable securities started at cost determined by the moving average method.

When the fair value of an individual security declines below its cost and it is judged a permanent impairment of value, the carrying value of the security is written down to fair value.

Effective April 1, 2000, the Company and domestic consolidated subsidiaries adopted the new accounting standard for financial instruments.

Investment securities are stated at market value from the current year due to the new accounting standard. As a result, unrealized gain on available-for-sale securities ¥2,154 million was credited to the Shareholders' equity representing the increase in market value over cost of investment securities of ¥3,656 million ($29,508 thousand) net of deferred tax liabilities ¥1,503 million ($12,131 thousand).

The adoption of the accounting standard for financial instruments did not have a material effect on income before income tax and minority interests.

As of April 1, 2000, the Companies and domestic consolidated subsidiaries assessed their classification of securities due to the new accounting standards.

As a result of this assessment, cash and cash equivalents, and investment securities increased ¥4,999 million ($40,347 thousand), ¥1,969 million ($ 15,892 thousand) respectively, and marketable securities decreased the same amount.

(d).Inventories

Inventories are stated at the cost, determined by the identified cost for finished products and work in process, and by the moving average method for raw materials and supplies.

(e). Allowance for doubtful accounts

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

This amount is considered sufficient to cover possible losses on collection.

(f). Bonuses

The bonus to the employees are paid twice a year and accrued based on estimated amounts to be paid in the subsequent period. Bonuses to directors and statutory auditors, which are subject to approval by the shareholders, are an appropriation of retained earnings and not charged to income.

(g). Warranty reserve for sold products

A warranty reserve included in other current liabilities has been provided for repair cost which may be required for the sold products in guarantee period. The reserve is estimated based on the experience and future estimates.

(h). Depreciation of property, plant and equipment

Depreciation of building is computed, with minor exceptions, by the straight-line method and other depreciation of property, plant and equipment is computed by the declining balance method based on Japanese tax laws.

(i). Finance Leases

Finance leases, which do not transfer ownership of the leased assets to the lessees are accounted for in the same manner as operating leases.

(j). Income Taxes

The Companies accrue income taxes based on taxable income.

The Companies include many items 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 taxes based on 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.

(k). Retirement and Severance Benefits

The severance indemnity regulation of the Companies provide for benefit payments determined by reference to the employee's current basic rate of pay and length of service.

The Company and certain consolidated subsidiaries have a non-contributory funded pension plan for employees. The Company and certain consolidated subsidiaries pay the full cost of the benefits to a bank which act as trustees.

Effective April 1, 2000 the Company and its' domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The unrecognized transitional obligation determined as of the beginning of the year is being amortized over 15 years. As a result, compared with the prior method, net periodic benefit cost increased by ¥589 million ($4,754 thousand) and income before income taxes decreased by ¥589 million ($4,754 thousand)

Severance benefits paid to directors and statutory auditors are charged to income as paid. Any amounts eventually payable to directors and statutory auditors upon retirement are subject to approval by the shareholders.

(l). Legal Reserve

Under the Japanese Commercial Code, the Companies are required to appropriate as a legal reserve an amount of retained earnings equal to at least 10% of cash dividends and other distributions for each period until the reserve equals 25% of the amount of common stock issued. This reserve is not available for dividends, but may be used to reduce a deficit by resolution of a shareholders' meeting or may be capitalized by resolution of the Board of Directors.

The appropriation of retained earnings or disposition of accumulated deficit reflected in the accompanying consolidated financial statements has been recorded after approval by shareholders as required under the Japanese Commercial Code.

(m). 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 each year.

Diluted net income per share is not presented since the Company has never issued any securities with a dilutive effect, such as bonds with warrants and convertible bonds.

Cash dividends per share represent the actual amount declared as applicable to the respective years.

(n). Statements of Cash Flows

In preparing the statements 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.

(o). Reclassifications

Certain accounts in the consolidated financial statements for the years ended March 31, 2000 have been reclassified to conform to the 2001 presentation.

(p). Accounting change

Effective April 1, 1999, the Companies changed valuation of marketable securities from the cost based on average to the lower of moving average cost or market value.

This change was made in order to establish a solid financial position.

As a result of this change, loss before income taxes and minority interests increased by ¥499 million for the year end March 31, 2000.

3. U.S. Dollar Amounts

U.S. dollar amounts are included solely for the convenience of the reader and have been translated at the rate of ¥123.90=U.S.$1,the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2001. 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. Market Value Information

At March 31, 2001 and 2000, the book value and net unrealized gains (losses) of quoted securities included in marketable securities and investment securities were as follows:

	Millions of yen						Thousands of U.S.dollars		
	2001			2000			2001		
	Book value	Market value	Unrealized gains (losses)	Book value	Market value	Unrealized gains (losses)	Book value	Market value	Unrealized gains (losses)
Marketable securities									
Equity	—	—	—	¥2,070	¥6,291	¥4,221	—	—	—
Bonds	—	—	—	10	10	0	—	—	—
Other	—	—	—	—	—	—	—	—	—
	—	—	—	¥2,080	¥6,301	¥4,221	—	—	—
Investment securities									
Equity	¥1,977	¥5,529	¥3,552	¥18	¥18	¥ (0)	$15,956	$44,624	$28,668
Bonds	10	10	0	—	—	—	81	81	0
Other	—	—	—	—	—	—	—	—	—
	¥1,987	¥5,539	¥3,552	¥18	¥18	¥ (0)	$16,037	$44,705	$28,668

5. Property, Plant and Equipment

Property, plant and equipment on March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Land	¥6,945	¥6,776	$56,053
Buildings and structures	29,575	29,532	238,701
Machinery and equipment	35,977	37,756	290,371
Vehicles	615	629	4,964
Tools, furniture and fixtures	8,021	8,156	64,737
Construction in progress	96	80	775
	81,229	82,929	655,601
Less accumulated depreciation	(55,839)	(56,208)	(450,678)
	¥25,390	¥26,721	$204,923

Depreciation expensed for the years ended March 31, 2001 and 2000 amounted to ¥2,610 million ($21,065 thousand) and ¥3,313 million, respectively.

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

The annual interest rates applicable to the loans outstanding on March 31, 2001 ranged principally from 0.47% to 6.23%. Long-term debt on March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
1st Bonds due 2003 interest 2.9%	¥3,000	¥3,000	$24,213
¥2,000,000,000 fixed rate Bonds due 2002	2,000	2,000	16,142
Loans, principally from Japanese banks and insurance companies, with assets pledged as collateral, maturing 2001 – 2009, interest 0.82% – 2.60%	21,082	24,541	170,153
	26,082	29,541	210,508
Less current portion	3,425	3,750	27,643
	¥22,657	¥25,791	$182,865

The aggregate annual maturities of long-term debt after March 31, 2001 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥3,425	$27,643
2003	5,809	46,884
2004	15,962	128,830
2005	642	5,182
2006 and later	244	1,969
	¥26,082	$210,508

As of March 31, 2001 property, plant and equipment with a net book value of approximately ¥7,020 million ($56,659 thousand) were pledged as collateral for long-term debt. In case of default and certain other specified events, as is customary in Japan, additional collateral must be pledged if required by lending institutions under certain circumstances. Generally banks have the right to offset cash deposited with them against any debt or obligation that becomes due.

7. Retirement and Severance Benefits

The severance indemnity regulation of the companies provide for benefit payments based on the employee's current basic rate of pay and length of service.

The Companies and certain consolidated subsidiaries have a non-contributory funded pension plan for employees. The Companies and certain consolidated subsidiaries pay the full cost of the benefits to a bank which act as the trustees.

Effective April 1, 2000 the Company and its' domestic consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The liability for employees' retirement benefits at March 31, 2001 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Projected benefit obligation	¥21,714	$175,254
Fair value of plan assets	(1,322)	(10,670)
Unrecognized prior service cost	—	—
Unrecognized transitional obligation	(11,764)	(94,948)
Unrecognized actuarial loss	(2,060)	(16,626)
Prepaid pension cost	—	—
Net liability for retirement benefits	¥6,568	$53,010

The components of net periodic benefit costs for the year ended March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Service cost	¥976	$7,877
Interest cost	555	4,479
Expected return on plan assets	(41)	(331)
Amortization of transitional obligation	1,203	9,710
Net periodic benefits cost	¥2,693	$21,735

Certain consolidated subsidiaries have adopted the conventional method in calculating their projected benefit obligation as set forth in the accounting standard for retirement benefits.

Assumptions used in the accounting for the projected benefit obligation are as follows:

Discount rate	3.0%
(at the beginning of the year	3.5%)
Expected rate of return on plan assets	4.0%
Amortization period of transitional obligation	15years
Amortization period of actuarial loss/gain	10years

8. Contingent Liabilities

On March 31, 2001 contingent liabilities for notes discounted in the ordinary course of business and for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥1,900 million ($15,335 thousand) and ¥998 million ($ 8,055 thousand), respectively.

9. Leases

Finance leases of the Companies other than those where ownership of the leased assets is transferred to the lessee, are accounted for as operating leases.

Periodic lease charges to the Companies, as a lessee, charged to income for the years ended March 31, 2001 and 2000 are ¥1,023 million ($8,257 thousand) and ¥557 million, respectively. The leased assets and related expenses of the Companies' finance leases, other than those where the ownership of the lease assets is transferred to the lessee and accounted for as operating leases, if capitalized, at March 31, 2001 comprise the following (in equivalent amounts):

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Machinery, equipment and vehicles	¥1,362	$10,993
Tools, furniture and fixtures	3,102	25,036
Accumulated depreciation	(2,173)	(17,538)
	¥2,291	$18,491

Future lease payments of the Companies are as follows:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Current obligation	¥943	$7,611
Long-term obligation	1,348	10,880
Present values of lease payments	¥2,291	$18,491

Pro forma information above does not excluded the imputed interest portion because the financial lease obligations are not material compared with the book values of property, plant and equipment.

10.Pledged Assets

The following assets were pledged as collateral at March 31, 2001:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Land, property, plant and equipment (net of accumulated depreciation)	¥7,020	$56,659

The preceding collaterals were pledged to secure long-term debt amounting to ¥768 million ($6,199 thousand), short-term bank loans amounting to ¥2,651 million ($21,396 thousand) and bonds amounting to ¥3,000 million ($24,213 thousand).

11.Income Taxes

Income taxes in Japan applicable to the Companies generally comprise Corporation Tax, Enterprise Tax and Prefectural and Municipal Inhabitants taxes. The statutory rates for the years ended March 31,2001 and 2000 are approximately 41.1%.

The reconciliation of the differences between the statutory rate and effective tax rate of income taxes at March 31, 2001 is as follows:

Statutory tax rate	41.1%
Non-deductible expense for tax purpose	1.5
Change in valuation allowance	(5.8)
Other	(2.3)
Effective tax rate	34.5

The significant components of deferred tax assets and liabilities at March 31, 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Deferred tax assets:			
Accrued employees bonuses	**¥244**	¥154	**$1,969**
Allowance for doubtful accounts	**130**	109	**1,049**
Devaluation of inventories	**21**	114	**169**
Devaluation of Investment securities	**55**	53	**444**
Accrued pension and severance costs	**320**	229	**2,583**
Unrealized gain on inventories	**178**	143	**1,437**
Other	**289**	277	**2,333**
Deferred tax assets	**¥1,237**	¥1,079	**$9,984**
Deferred tax liabilities:			
Depreciation	**17**	13	**138**
Unrealized gain on Investment securities	**1,509**	—	**12,179**
Deferred tax liabilities	**¥1,526**	¥13	**$12,317**
Net deferred tax (liabilities) assets	**¥(289)**	¥1,066	**$(2,333)**

12.Derivatives

The Company enters into interest rate swap contracts and interest rate floor contracts to manage interest rate exposures on certain liabilities.

The Company also enters into forward foreign exchange contracts and currency option contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

These derivative transactions are utilized solely for hedging purposes under the Company’s internal control rules and are subjected to supervision by the Board of Directors.

The contract amounts and estimated fair value of the derivative transactions outstanding at March 31, 2001 and 2000 are as follows:

	Millions of yen			Thousands of U.S.dollars		
	2001			2001		
	Contract amount	Fair value	Unrealized gains (losses)	Contract amount	Fair value	Unrealized gains (losses)
Interest rate floor contracts						
Sell:	**¥300**	**¥(1)**	**¥(1)**	**$2,421**	**(8)**	**(8)**

	Millions of yen		
	2000		
	Contract amount	Fair value	Unrealized gains (losses)
Forward foreign exchange contracts			
Sell:			
U.S. dollars	**¥844**	**¥820**	**¥24**
Currency option			
Sell:			
Call option U.S. dollars	**1,072**	**—**	**—**
Buy:			
Put option U.S. dollars	**536**	**—**	**—**
Interest rate swap agreements	**7,500**	**(22)**	**(22)**
Interest rate floor contracts			
Sell:	**400**	**(1)**	**(1)**

13. Account balances and transactions with unconsolidated subsidiaries and affiliates

Account balances and transactions with unconsolidated subsidiaries and affiliates for the years ended March 31, 2001 and 2000 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Investment securities	**¥384**	¥424	**$3,099**

14. Segment information

(A) Business segment information

The companies' business is classified into the following three segments based on the similarities of type and nature of business:

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

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

Other Products: Printing presses, Hydraulic equipment, Semiconductor manufacturing equipment, Electronic controls

The tables bellow present sales, operating expenses and operating profit information by business segment.

Year ended March 31, 2001	Millions of yen				
	Machine Tools	Molding Machinery	Other Products	Elimination and/or corporate	Consolidated
Sales	**¥30,129**	**¥58,430**	**¥42,392**	**¥(3,592)**	**¥127,359**
Operating expenses	**31,551**	**54,423**	**40,162**	**(3,205)**	**122,931**
Operating income (loss)	**(1,422)**	**4,007**	**2,230**	**(387)**	**4,428**
Identifiable assets	**37,524**	**55,835**	**62,040**	**11,189**	**166,588**
Depreciation	**664**	**901**	**1,045**	**—**	**2,610**
Capital expenditure	**388**	**598**	**1,579**	**—**	**2,565**

Year ended March 31, 2000	Millions of yen				
	Machine Tools	Molding Machinery	Other Products	Elimination and/or corporate	Consolidated
Sales	**¥29,126**	**¥50,370**	**¥33,325**	**¥(3,538)**	**¥109,283**
Operating expenses	**32,944**	**48,383**	**33,412**	**(3,577)**	**111,162**
Operating income (loss)	**(3,818)**	**1,987**	**(87)**	**39**	**(1,879)**
Identifiable assets	**32,432**	**55,496**	**49,928**	**15,797**	**153,563**
Depreciation	**906**	**1,079**	**1,328**	**—**	**3,313**
Capital expenditure	**958**	**1,077**	**918**	**—**	**2,953**

Year ended March 31, 2001	Thousands of U.S. dollars				
	Machine Tools	Molding Machinery	Other Products	Elimination and/or corporate	Consolidated
Sales	**$243,172**	**$471,590**	**$342,147**	**$(28,991)**	**$1,027,918**
Operating expenses	**254,649**	**439,250**	**324,149**	**(25,868)**	**992,180**
Operating income (loss)	**(11,477)**	**32,340**	**17,998**	**(3,123)**	**35,738**
Identifiable assets	**302,857**	**450,646**	**500,726**	**90,307**	**1,344,536**
Depreciation	**5,359**	**7,272**	**8,434**	**—**	**21,065**
Capital expenditure	**3,132**	**4,826**	**12,744**	**—**	**20,702**

(B) Geographic segment information of the companies for the year ended March 31, 2001 and 2000 was follows:

Year ended March 31, 2001	Millions of yen					
	Japan	North America	Asia	Total	Elimination and/or corporate	Consolidated
Net sales	¥119,064	¥20,267	¥5,669	¥145,000	¥(17,641)	¥127,359
Cost and expenses	114,723	19,943	5,543	140,209	(17,278)	122,931
Operating income	4,341	324	126	4,791	(363)	4,428
Identifiable assets	135,789	12,978	4,958	153,725	12,863	166,588

Year ended March 31, 2000	Millions of yen					
	Japan	North America	Asia	Total	Elimination and/or corporate	Consolidated
Net sales	¥104,689	¥17,865	¥2,880	¥125,434	¥(16,151)	¥109,283
Cost and expenses	107,043	17,546	2,758	127,347	(16,185)	111,162
Operating income	(2,354)	319	122	(1,913)	34	(1,879)
Identifiable assets	116,671	11,080	2,632	130,383	23,180	153,563

Year ended March 31, 2001	Thousands of U.S.dollars					
	Japan	North America	Asia	Total	Elimination and/or corporate	Consolidated
Net sales	$960,969	$163,575	$45,755	$1,170,299	$(142,381)	$1,027,918
Cost and expenses	925,933	160,960	44,738	1,131,631	(139,451)	992,180
Operating income	35,036	2,615	1,017	38,668	(2,930)	35,738
Identifiable assets	1,095,956	104,746	40,016	1,240,718	103,818	1,344,536

(C) Sales to foreign customers were as follows:

Year ended March 31, 2001	Millions of yen			
	North America	Asia	Other	Total
Sales to foreign customers	¥23,088	¥28,649	¥3,402	¥55,139
Net sales	—	—	—	127,359
Ratio of sales to foreign customers (%)	18.1	22.5	2.7	43.3

Year ended March 31, 2000	Millions of yen			
	North America	Asia	Other	Total
Sales to foreign customers	¥21,219	¥21,325	¥3,463	¥46,007
Net sales	—	—	—	109,283
Ratio of sales to foreign customers (%)	19.4	19.5	3.2	42.1

Year ended March 31, 2001	Thousands of U.S.dollars			
	North America	Asia	Other	Total
Sales to foreign customers	$186,344	$231,227	$27,457	$445,028
Net sales	—	—	—	1,027,918
Ratio of sales to foreign customers (%)	18.1	22.5	2.7	43.3

Independent Auditors' Report

The Board of Directors and Shareholders
Toshiba Machine Co., Ltd.

We have audited the consolidated balance sheets of Toshiba Machine Co., Ltd. and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Toshiba Machine Co., Ltd. and consolidated subsidiaries at March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period, except for the change, with which we concur, in the method of accounting for marketable securities and investments securities as discussed note 2.(p)

As described in Note 2 to the consolidated financial statements, Toshiba Machine Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for employees' retirement benefits and financial instruments and the revised accounting standard for foreign currency transactions in the preparation of their consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Tokyo, Japan
June 28, 2001

Century Ota Showa & Co.

See note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Toshiba Machine Co., Ltd. under Japanese accounting principles and practices.

Directors and Auditors

(From left)
Kunihiko Naruse Yoshifumi Hayashi Takahiko Inokuma Yasuhiro Kuroki

Directors

President
Takahiko Inokuma

Senior Managing Director
Yoshifumi Hayashi

Managing Directors
Yasuhiro Kuroki
Kunihiko Naruse

Directors
Tamotsu Mukai
Keisuke Maehara
Harunori Nomura
Reiji Nakajima
Katsuhiko Goto

Auditors

Noburo Minami
Motoyasu Morita
Kazutaka Yamashita
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