ANNUAL REPORT

2004

TOSHIBA MACHINE

Contents

An Outline of the Toshiba Machine Group

A highly respected integrated machine building group, internationally respected for its total capability in the production of quality plastic processing machinery, die-casting machines, machine tools, precision machinery, hydraulic equipment, semiconductor manufacturing equipment, and electronic controls.

Based on their highly innovative technology, expertise, and experience nurtured over decades as one of the world's leading machine builders, the Toshiba Machine Group's global-type solution business provides customers in such various industries as the automobile, data communications and semiconductors with total satisfaction by the careful analysis and recommending of optimum-type solutions to their requirements.

Corporate Information (as of March 31, 2004)

Company name:	TOSHIBA MACHINE CO., LTD.
Headquarters:	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
Established:	1938
Capital:	¥12,484 million (US$118 million)
Shares of Common Stock Issued and Outstanding:	166,885,530 shares
Number of Shareholders:	19,913
Number of employees:	1,493 (Consolidated: 3,068)

Foreword

Although the fiscal year under review showed hints of a gradual economic recovery due to strong exports and an increase in private sector plant and equipment investments, the Japanese domestic economy continued to be plagued by weak consumer demand and a long-term deflationary spiral.

Internationally, China continued to be the Asian center of economic growth, while Europe experienced continued depressed growth despite a gradual recovery in the American economy.

The Japanese domestic machine industry enjoyed overall growth due to an upturn in exports and an increase in private sector plant and equipment investments.

Under such circumstances, the Toshiba Machine Group, based on their CS (Customer Satisfaction) corporate policy, as well as their continuous efforts to secure orders, develop new products, and seek new growth markets resulted in an increase in orders received for their injection molding machines, die-casting machines, plastic extrusion, machine tools, high precision machines, semiconductor equipment, and hydraulic equipment totaling ¥117,591 million (US$1,113 million), a 26.3% increase over the previous term (an exchange rate of ¥105.69=US$1.00 shall be used throughout this report).

In regards to sales volume, an overall increase in all of our products resulted in a total of ¥110,658 million (US$1,047 million), a 13.7% increase over the previous year.

As a result of the increased demand for our products, especially our various types of molding machines, semiconductor equipment and high precision machines, and the further rationalization of our production and management systems, the Toshiba Machine Group had a consolidated operating income of ¥7,601 million (US$72 million), a 148.7% increase over the previous year, a consolidated pre-tax profit of ¥5,564 million (US$53 million), and a net consolidated profit of ¥4,153 million (US$39 million).

In regards to the stock dividend, we are most pleased to announce to our stockholders that a fiscal yearend dividend of ¥4.00 (US$0.04) per share was distributed for the period ending on March 31, 2004, an increase of ¥1.00 (US$0.01) per share over the previous year.

In October of 2003, an opening ceremony was held to commemorate the completion of the factory of Toshiba Machine (Shanghai) Co., Ltd. our first foreign subsidiary dedicated to the overseas production of our machines. Despite increased exports and private sector investment in plant and equipment, the general economic outlook is likely to remain bleak due to such factors as the instability in the foreign exchange rates, the unstable situation in Iraq, and the threat of terrorism.

Under such uncertain conditions, and to more readily adopt to various economic upheavals, as well as the easier shifting of resources to meet constantly evolving market conditions, on April 1, 2004, the Toshiba Machine Group implemented their TOSHIBA MACHINE ACTION PROGRAM Advanced III (TM-AP21 Ad. III) to further strengthen their business units, and enhance their business performance as well as their profitability.

R. Nakajima

Reiji Nakajima
President

July, 2004

FINANCIAL HIGHLIGHTS (consolidated)

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

	2004	2003	2002	2001	2000
Net sales	¥110,658	¥97,297	¥104,599	¥127,359	¥109,283
	$1,047,005				
Cost of sales	¥77,627	¥68,455	¥74,495	¥92,048	¥80,852
	$734,478				
Selling, general and administrative expenses	¥25,430	¥25,786	¥28,636	¥30,883	¥30,310
	$240,609				
Operating income (loss)	¥7,601	¥3,056	¥1,468	¥4,428	¥(1,879)
	$71,918				
Income (loss) before income taxes and minority interests	¥5,104	¥1,239	¥(2,010)	¥2,123	¥(8,779)
	$48,292				
Income taxes	¥817	¥193	¥413	¥733	¥171
	$7,730				
Net income (loss)	¥4,153	¥1,052	¥(1,924)	¥1,558	¥(8,661)
	$39,294				
Per common share:					
Net income (loss)	¥24.71	¥6.29	¥(11.53)	¥9.33	¥(51.90)
	$0.23				
Cash dividends	¥4.00	¥3.00	¥ —	¥ —	¥ —
	$0.04				
Total assets	¥148,309	¥136,278	¥140,035	¥166,588	¥153,563
	$1,403,245				
Shareholders’ equity	¥42,230	¥37,525	¥37,306	¥39,620	¥36,075
	$399,565				
Capital expenditure (property, plant and equipment)	¥1,774	¥1,275	¥2,378	¥2,565	¥2,953
	$16,785				
Depreciation	¥1,800	¥2,050	¥2,289	¥2,610	¥3,313
	$17,031				
R & D expenditure	¥3,194	¥2,587	¥2,951	¥2,749	¥3,035
	$30,220				
Number of employees	3,068	3,380	3,565	3,814	3,999

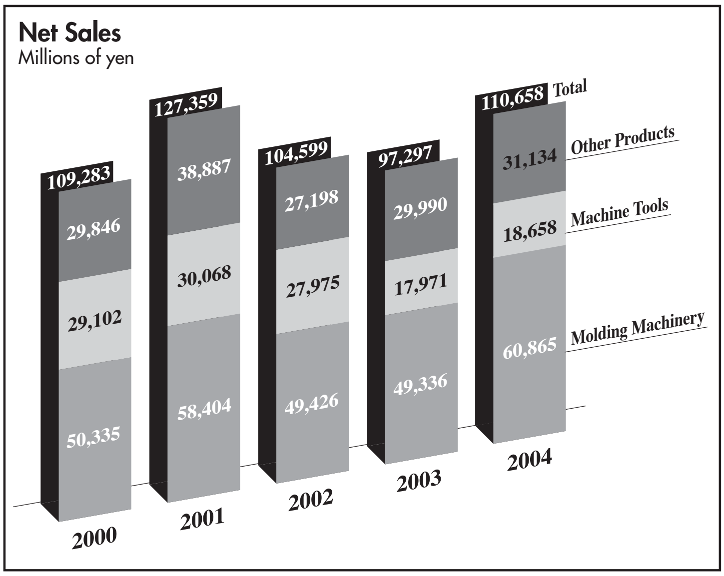
Overseas Operations for Fiscal 2004

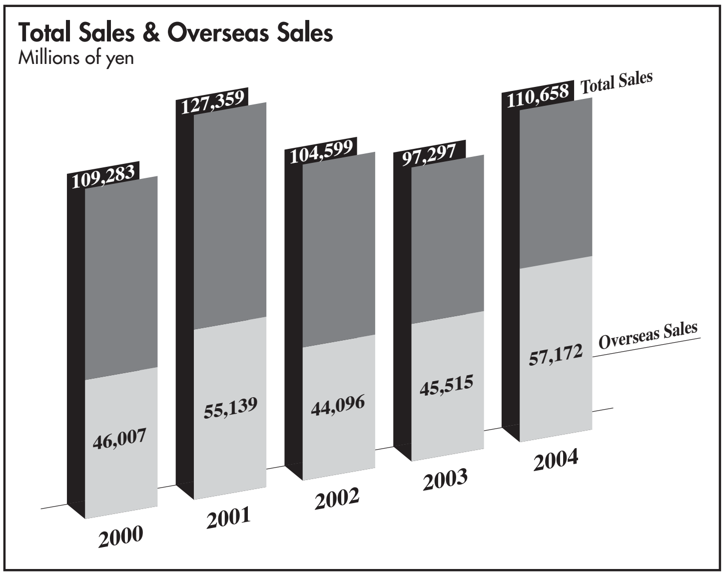
During the fiscal year under review, China led the Asian region in overall economic growth, while the American economy experienced a gradual economic recovery despite depressed growth in Europe.

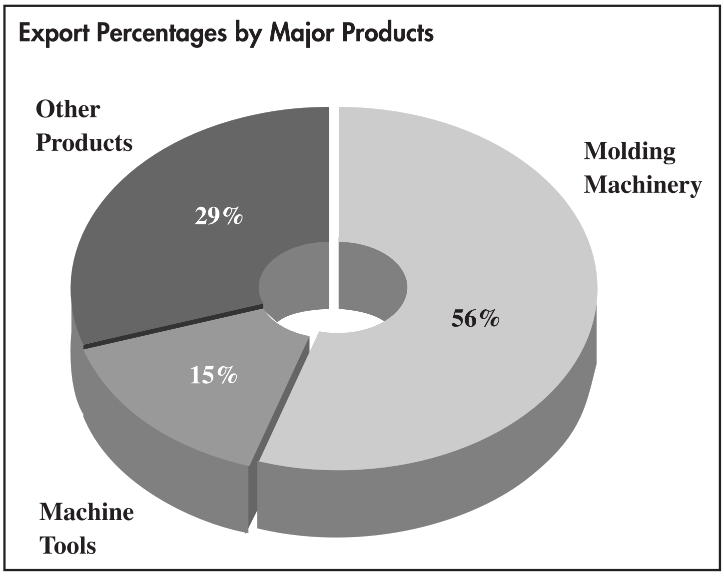
Under such economic conditions, expanded foreign demand for our machine products resulted in total consolidated overseas sales of ¥57,172 million (US$541million), a 25.6% increase over the previous year, contributing to approximately 51.7% of total consolidated sales.

In terms of machine types, injection molding machines and die-casting machines continued to be our leading export products, and the Asian region, principally China, Korea, Taiwan, Indonesia, and Thailand, continued to be the leading destination for approximately 56% of our exports.

During the current fiscal year, we will continue in the further enhancement of our regional sales and service networks, along with providing our customers with machines of increasingly higher standards of quality, as well as a total type of Solution Business based on our value chain of products.







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Financial Review

CONSOLIDATED BALANCE SHEETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
ASSETS	**2004**	2003	**2004**
Current assets:			
Cash and time deposits (Note 12)	**¥36,107**	¥ 32,455	**$341,631**
Marketable securities (Note 4)	**34**	34	**322**
Notes and Accounts receivable, trade	**50,529**	46,756	**478,087**
Allowance for doubtful receivables	**(542)**	(556)	**(5,128)**
Net receivables	**49,987**	46,200	**472,959**
Inventories:			
Finished products	**5,810**	7,158	**54,972**
Work in process	**20,349**	18,535	**192,535**
Raw materials and supplies	**1,712**	758	**16,198**
Total inventories	**27,871**	26,451	**263,705**
Deferred taxes (Note 11)	**737**	635	**6,973**
Other current assets	**2,252**	1,228	**21,308**
Total current assets	**116,988**	107,003	**1,106,898**
Property, plant and equipment, net (Notes 5 and 10)	**22,196**	22,666	**210,010**
Intangible Assets	**486**	409	**4,598**
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates	**1,405**	734	**13,294**
Other securities (Note 4)	**5,680**	3,563	**53,742**
Long-term loans	**374**	460	**3,539**
Deferred taxes (Note 11)	**145**	313	**1,372**
Other investments	**1,035**	1,130	**9,792**
Total investments and other assets	**8,639**	6,200	**81,739**
Total assets	**¥148,309**	¥136,278	**$1,403,245**

See accompanying notes to financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars 2004
Current liabilities:			
Short-term bank loans (Notes 6 and 10)	**¥41,348**	¥40,580	**$391,220**
Current portion of long-term debt (Notes 6 and 10)	**748**	16,269	**7,077**
Notes and Accounts payable	**32,240**	25,255	**305,043**
Income taxes payable	**632**	239	**5,980**
Accrued expenses	**6,112**	4,604	**57,830**
Advances received	**2,157**	1,136	**20,409**
Other current liabilities	**1,408**	618	**13,321**
Total current liabilities	**84,645**	88,701	**800,880**
Long-term liabilities:			
Long-term debt (Notes 6 and 10)	**12,140**	1,488	**114,864**
Deferred taxes (Note 11)	**1,512**	681	**14,306**
Accrued employees' retirement benefits (Note 7)	**7,100**	7,305	**67,178**
Total long-term liabilities	**20,752**	9,474	**196,348**
Total liabilities	**105,397**	98,175	**997,228**
Minority interest in consolidated subsidiaries	**682**	578	**6,453**
Shareholders' equity:			
Common stock			
Authorized 360,000,000 shares			
Issued 166,885,530 shares	**12,485**	12,485	**118,128**
Additional paid-in capital	**19,405**	19,405	**183,603**
Retained earnings	**8,517**	4,866	**80,585**
Unrealized holding gain on securities	**2,286**	957	**21,629**
Foreign currency translation adjustments	**(453)**	(181)	**(4,286)**
Treasury stock, at cost			
(39,175 shares in 2004, 31,033 shares in 2003)	**(10)**	(7)	**(95)**
Total shareholders' equity	**42,230**	37,525	**399,565**
Contingent liabilities (Note 8)			
Total liabilities and shareholders' equity	**¥148,309**	¥136,278	**$1,403,245**

See accompanying notes to financial statements

CONSOLIDATED STATEMENTS OF INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Net sales	**¥110,658**	¥97,297	**$1,047,005**
Cost of sales	**77,627**	68,455	**734,478**
Gross profit	**33,031**	28,842	**312,527**
Selling, general and administrative expenses	**25,430**	25,786	**240,609**
Operating income	**7,601**	3,056	**71,918**
Other income:			
Interest and dividends	**100**	90	**946**
Gain on sales of property, plant and equipment	**785**	582	**7,427**
Others	**441**	603	**4,173**
	1,326	1,275	**12,546**
Other expenses:			
Interest	**695**	969	**6,576**
Loss on sales of investment securities	**—**	167	**—**
Special benefits for employees retired under early retirement program	**894**	—	**8,459**
Amortization of transitional obligation for employees retirement benefits (Note 7)	**835**	835	**7,900**
Others	**1,399**	1,121	**13,237**
	3,823	3,092	**36,172**
Income before income taxes and minority interests	**5,104**	1,239	**48,292**
Income taxes:(Note 11)	**817**	193	**7,730**
Current	**727**	121	**6,879**
Deferred	**90**	72	**851**
Minority interests in income(loss) of consolidated subsidiaries	**134**	(6)	**1,268**
Net income	**¥4,153**	¥1,052	**$39,294**
	Yen		U.S. dollars
Net income per share of common stock	**¥24.71**	¥6.29	**$0.23**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
years ended March 31, 2004 and 2003

	Millions of yen			
	Number of Shares	Common stock	Additional paid in capital	Retained earnings
Balance at March 31, 2002	166,885,530	¥12,485	¥19,405	¥3,791
Net income				1,052
Increase on consolidated subsidiaries				32
Bonuses to directors and statutory auditors				(9)
Balance at March 31, 2003	166,885,530	12,485	19,405	4,866
Net income				4,153
Cash dividends				(500)
Bonuses to directors and statutory auditors				(2)
Balance at March 31, 2004	166,885,530	¥12,485	¥19,405	¥8,517

	Thousands of U.S. dollars		
	Common stock	Additional paid in capital	Retained earnings
Balance at March 31, 2003	$118,128	$183,603	$46,040
Net income			39,294
Cash dividends			(4,731)
Bonuses to directors and statutory auditors			(18)
Balance at March 31, 2004	$118,128	$183,603	$80,585

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TOSHIBA MACHINE CO., LTD.AND CONSOLIDATED SUBSIDIARIES

years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Operating Activities:			
Income before income taxes and minority interests	**¥5,104**	¥1,239	**$48,292**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**1,800**	2,050	**17,031**
Allowance for doubtful receivables	**(54)**	(362)	**(511)**
Employees' retirement benefit, less payments	**(204)**	669	**(1,930)**
Devaluation of marketable securities	**40**	25	**378**
Loss (gain) on sales and disposal of property, plant and equipment	**(602)**	(524)	**(5,696)**
Changes in operating assets and liabilities:			
Notes and accounts receivables, trade	**(3,774)**	2,881	**(35,708)**
Inventories	**(1,420)**	(254)	**(13,436)**
Notes and accounts payables, trade	**6,985**	3,145	**66,090**
Advances received	**1,020**	(484)	**9,651**
Accrued expenses	**1,508**	431	**14,268**
Income taxes paid	**(334)**	(192)	**(3,160)**
Others	**(199)**	954	**(1,883)**
Net cash provided by operating activities	**9,870**	9,578	**93,386**
Investing Activities:			
Purchase of property, plant and equipment	**(1,541)**	(1,157)	**(14,580)**
Sale of property, plant and equipment	**889**	1,008	**8,411**
Payment of long-term loan receivables	**(7)**	(9)	**(66)**
Repayment of long-term loan receivables	**98**	108	**927**
Investments to a subsidiary	**(719)**	(470)	**(6,803)**
Others	**(65)**	(748)	**(615)**
Net cash used in investing activities	**(1,345)**	(1,268)	**(12,726)**
Financing Activities:			
Decrease in short-term bank loans	**768**	(1,901)	**7,266**
Proceeds from long-term debt	**11,400**	50	**107,863**
Repayment of long-term debt	**(13,269)**	(3,800)	**(125,546)**
Bond redemption	**(3,000)**	(2,000)	**(28,385)**
Cash dividends paid	**(500)**	—	**(4,731)**
Net cash used in financing activities	**(4,601)**	(7,651)	**(43,533)**
Effect of exchange rate changes on cash and cash equivalents	**(272)**	(175)	**(2,574)**
Net cash increased in cash and Cash equivalents	**3,652**	484	**(34,553)**
Cash and cash equivalent at the beginning of year	**32,460**	31,611	**307,125**
Increase in consolidated subsidiaries	**—**	365	**—**
Cash and cash equivalents at end of year (Note 12)	**¥36,112**	¥32,460	**$341,678**

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 consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the securities and Exchange Law of Japan. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the 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 income 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 affiliates

The consolidated financial statements include the accounts of 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 five-year period.

Investments in affiliates (15 to 50 percent-owned companies) in which the ability to exercise significant influence exist, except not material, 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 .

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

All 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. The components of shareholders' equity are translated at their historical exchange rates.

(c) Securities

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

Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized gain or loss, net of income taxes, directly included in shareholders equity.

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

(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 receivables

The allowance for doubtful receivables 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) 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.

(h) 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.

(i) 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.

(j) Employee's Retirement Benefits

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

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

(k) Legal Reserve

Under the Commercial code of Japan (the "Code") the Company and domestic subsidiaries 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 such reserve and the amount of capital surplus equals 25% of the common stock. The code also provides that, to the extent that the sum of capital surplus and legal reserve exceeds 25% of the common stock, the amount of any such excess is available for appropriations by resolution of the shareholders.

(l) Amounts per Share of Common Stock

Net income (loss) 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.

(m) 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.

(n) Reclassifications

Certain accounts in the consolidated financial statements for the year ended March 31, 2003 have been reclassified to conform to the 2004 presentation.

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 ¥105.69=U.S.$1,the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2004. 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. Securities

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

	Millions of yen					
	2004			2003		
	Carrying value	Market value	Unrealized gains	Carrying value	Market value	Unrealized gains
Equity securities	¥1,794	¥5,587	¥3,793	¥1,819	¥3,418	¥1,599
Debt securities	—	—	—	10	10	0
	¥1,794	¥5,587	¥3,793	¥1,829	¥3,428	¥1,599

	Thousands of U.S. dollars		
	2004		
	Carrying value	Market value	Unrealized gains
Equity securities	$16,974	$52,862	$35,888
Debt securities	—	—	—
	$16,974	$52,862	$35,888

5. Property, Plant and Equipment

Property, plant and equipment at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Land	**¥6,237**	¥6,328	**$59,012**
Buildings and structures	**30,362**	30,574	**287,274**
Machinery and equipment	**32,247**	32,255	**305,109**
Vehicles	**593**	600	**5,611**
Tools, furniture and fixtures	**7,384**	7,500	**69,865**
Construction in progress	**112**	65	**1,060**
	76,935	77,322	**727,931**
Less accumulated depreciation	**(54,739)**	(54,656)	**(517,921)**
	¥22,196	¥22,666	**$210,010**

Depreciation expense for the years ended March 31, 2004 and 2003 were ¥ 1,800 million ($ 17,031 thousand) and ¥ 2,050 million, respectively.

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

The annual interest rates applicable to the loans outstanding on March 31, 2004 ranged principally from 0.49% to 2.30%. Long-term debt on March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
1st Bonds due 2003 interest 2.9%	**—**	¥3,000	**—**
Loans, principally from Japanese banks and insurance companies, with pledged assets as collateral, maturing 2005 – 2010 , interest 1.31 % – 2.16 %	**12,888**	14,757	**121,941**
	12,888	17,757	**121,941**
Less current portion	**748**	16,269	**7,077**
	¥12,140	¥1,488	**$114,864**

The aggregate annual maturities of long-term debt March 31, 2004 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥748	$7,077
2006	210	1,987
2007	474	4,485
2008	40	378
2009 and later	11,416	108,014
	¥12,888	$121,941

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

The liability for employees retirement benefits at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S.dollars
	2004	2003	**2004**
Projected benefit obligation	**¥18,667**	¥20,926	**$176,620**
Fair value of plan assets	**(1,001)**	(1,035)	**(9,471)**
Unrecognized transitional obligation	**(8,930)**	(9,765)	**(84,492)**
Unrecognized actuarial loss	**(1,636)**	(2,821)	**(15,479)**
Accrued retirement benefits obligation	**¥7,100**	¥7,305	**$67,178**

The components of net periodic benefit costs for the year ended March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Service cost	**¥1,187**	¥1,247	**$11,231**
Interest cost	**420**	503	**3,974**
Expected return on plan assets	**(8)**	(36)	**(75)**
Recognized actuarial loss	**326**	228	**3,084**
Amortization of transitional obligation	**835**	835	**7,900**
	¥2,760	¥2,777	**$26,114**

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

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

	2004	2003
Discount rate	2.0%	2.5%
Expected rate of return on plan assets	1.0%	4.0%
Amortization period of transitional obligation	15 years	15 years
Amortization period of actuarial loss/gain	10 years	10 years

8. Contingent Liabilities

On March 31, 2004 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 ¥231 million ($2,186 thousand) and ¥978 million ($9,253 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. The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2004 and 2003, which would have been reflected in the consolidated balance sheet if these arrangements have been accounted for as finance leases:

	Millions of yen		Thousands of U.S. dollars
Acquisition Costs	**2004**	2003	**2004**
Machinery, equipment and vehicles	**¥920**	¥664	**$8,705**
Tools, furniture and fixtures	**2,040**	2,262	**19,302**
Less-Accumulated depreciation	**(1,566)**	(1,531)	**(14,817)**
Net book value	**¥1,394**	¥1,395	**$13,190**

Future lease payments (including the interest portion thereon) subsequent to March 31,2004 for finance leases accounted for as operating leases are as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	2004
Due within one year	¥532	$5,034
Due after one year	862	8,156
	¥1,394	$13,190

Periodic lease charges to the Companies, as a lessee, charged to income for the years ended March 31, 2004 and 2003 are ¥ 763 million ($7,219 thousand) and ¥ 794 million, respectively.

10. Pledged Assets

The following assets were pledged as collateral at March 31, 2004:

	Millions of yen	Thousands of U.S. dollars
Land, property, plant and equipment (Net of accumulated depreciation)	¥4,169	$39,446

The preceding collaterals were pledged to secure long-term debt amounting to ¥296 million ($2,801 thousand), short-term bank loans amounting to ¥586 million ($5,545 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, 2004 and 2003 are approximately 41.1%.

The reconciliation of the differences between the statutory rate and effective tax rate of income taxes for the year ended March 31, 2004 and 2003 are as follows:

	2004	2003
Statutory tax rate	**41.1 %**	41.1 %
Per capita portion of Inhabitant Tax	**0.9**	4.0
Non-taxable revenue for tax purpose	**0.5**	(6.8)
Non-deductible expense for tax purpose	**1.2**	5.7
Unrealized intercompany profit on fixed asset	**(0.1)**	(19.0)
Change in valuation allowance	**(27.7)**	(7.1)
Effect of change in statutory tax rate	**—**	(1.3)
Other	**0.1**	(1.0)
Effective tax rate	**16.0 %**	15.6 %

The significant components of deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Deferred tax assets:			
Accrued employees bonuses	**¥230**	¥160	**$2,176**
Allowance for doubtful accounts	**42**	52	**397**
Devaluation of inventories	**98**	82	**927**
Devaluation of securities	**4**	50	**38**
Accrued employees' retirement benefits	**69**	172	**653**
Unrealized gain on inventories	**84**	101	**795**
Other	**355**	331	**3,359**
Deferred tax assets	**¥882**	¥948	**$8,345**
Deferred tax liabilities:			
Depreciation	**(17)**	(13)	**(161)**
Unrealized gain on securities	**(1,495)**	(668)	**(14,145)**
Deferred tax liabilities	**(¥1,512)**	(¥681)	**($14,306)**
Net deferred tax (liabilities) assets	**(¥630)**	(¥267)	**($5,961)**

Due to the change in the Corporate Enterprise Tax rate effective for tax period ending March 31,2005, the Company's normal statutory tax rate will change from 41.1% to 39.8% for the year ending March 31,2005. As a result, net deferred tax assets decreased by ¥15million ($125 thousand) at March 31,2003, and deferred tax expense for the year ended March 31,2003 increased by the corresponding amount.

12. Cash and cash equivalents.

Reconciliation between cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the statements of cash flows at March 31, 2004 and 2003 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Cash and time deposits	**¥36,107**	¥32,455	**$341,631**
Short-term investments	**¥5**	¥5	**$47**
Cash and cash equivalents	**¥36,112**	¥32,460	**$341,678**

13. Research and development costs

Research and development costs charged to income were ¥3,194 million ($30,220 thousand) and ¥2,587 million for the years ended March 31,2004 and 2003 respectively.

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:

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

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

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

Year ended March 31, 2004	Millions of yen				
	Molding Machinery	Machine Tools	Other Products	Eliminations and/or corporate	Consolidated
Sales	¥60,872	¥18,843	¥34,438	¥(3,495)	¥110,658
Operating expenses	56,724	18,247	31,462	(3,376)	103,057
Operating income	4,148	596	2,976	(119)	7,601
Identifiable assets	57,314	22,474	57,708	10,813	148,309
Depreciation	1,006	212	582	—	1,800
Capital expenditure	398	150	1,226	—	1,774

Year ended March 31, 2003	Millions of yen				
	Molding Machinery	Machine Tools	Other Products	Eliminations and/or corporate	Consolidated
Sales	¥49,343	¥18,118	¥33,767	¥(3,931)	¥97,297
Operating expenses	46,622	19,370	32,242	(3,993)	94,241
Operating income (loss)	2,721	(1,252)	1,525	62	3,056
Identifiable assets	49,207	20,386	55,732	10,953	136,278
Depreciation	1,052	356	642	—	2,050
Capital expenditure	452	328	495	—	1,275

Year ended March 31, 2004	Thousands of U.S.dollars				
	Molding Machinery	Machine Tools	Other Products	Eliminations and/or corporate	Consolidated
Sales	$575,948	$178,285	$325,840	$(33,068)	$1,047,005
Operating expenses	536,702	172,646	297,682	(31,943)	975,087
Operating income (loss)	39,246	5,639	28,158	(1,125)	71,918
Identifiable assets	542,284	212,641	546,012	102,308	1,403,245
Depreciation	9,518	2,006	5,507	—	17,031
Capital expenditure	3,766	1,419	11,600	—	16,785

(b) Geographic segment information of the companies for the year ended March 31,2004 and 2003 were as follows:

Year ended March 31, 2004	Millions of yen					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	¥106,345	¥10,941	¥3,083	¥120,369	¥(9,711)	¥110,658
Cost and expenses	99,127	10,838	3,019	112,984	(9,927)	103,057
Operating income	7,218	103	64	7,385	216	7,601
Identifiable assets	125,719	7,491	2,065	135,275	13,034	148,309

Year ended March 31, 2003	Millions of yen					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	¥92,641	¥10,252	¥3,686	¥106,579	¥(9,282)	¥97,297
Cost and expenses	89,700	10,658	3,538	103,896	(9,655)	94,241
Operating income	2,941	(406)	148	2,683	373	3,056
Identifiable assets	112,282	8,227	2,936	123,445	12,833	136,278

Year ended March 31, 2004	Thousands of U.S.dollars					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	$1,006,197	$103,520	$29,170	$1,138,887	$(91,882)	$1,047,005
Cost and expenses	937,903	102,545	28,565	1,069,013	(93,926)	975,087
Operating income	68,294	975	605	69,874	2,044	71,918
Identifiable assets	1,189,507	70,877	19,538	1,279,922	123,323	1,403,245

(c) Sales to foreign customers for the years ended March 31,2004 and 2003 were as follows:

Year ended March 31, 2004	Millions of yen			
	North America	Asia	Other	Total
Sales to foreign customers	¥19,073	¥32,243	¥5,856	¥57,172
Net sales	—	—	—	110,658
Ratio of Sales to foreign Customers (%)	17.2	29.1	5.4	51.7

Year ended March 31, 2003	Millions of yen			
	North America	Asia	Other	Total
Sales to foreign customers	¥12,467	¥29,341	¥3,707	¥45,515
Net sales	—	—	—	97,297
Ratio of Sales to foreign Customers (%)	12.8	30.2	3.8	46.8

Year ended March 31, 2004	Thousands of U.S.dollars			
	North America	Asia	Other	Total
Sales to foreign customers	$180,462	$305,071	$55,407	$540,940
Net sales	—	—	—	1,047,005
Ratio of Sales to foreign Customers (%)	17.2	29.1	5.4	51.7

15. Other

Consolidated subsidiaries Toshiba Machine Company., America ("TMA") has been involved in a civil lawsuit for which an adverse decision was reached at the trial court level during 2003.

TMA has appealed the decision based upon the advice of legal counsel. The loss is estimated to range between $2.2million and $9.3 million, including interest. The lower end of the range has been accrued as of March 31, 2003 in accordance with an opinion of legal counsel.

Independent Auditors' Report

The Board of Directors
Toshiba Machine Co., Ltd.

We have audited the accompanying consolidated balance sheets of Toshiba Machine Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toshiba Machine Co., Ltd. and consolidated subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U. S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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.

June 29, 2004

Shin Nihon & Co.

Directors

President

Reiji Nakajima

Managing Directors

Kazuo Hanzawa
Katsuhiko Goto

Directors

Kosei Takeyama
Yoshi Atobe
Michinori Tanaka
Mitsuji Yokoyama
Hideo Tanaka

Auditors

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