2005

ANNUAL REPORT

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, 2005)

Company name:	TOSHIBA MACHINE CO., LTD.
Headquarters:	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
Established:	1938
Capital:	¥12,484 million (US$116 million)
Shares of Common Stock Issued and Outstanding:	166,885,530 shares
Number of Shareholders:	15,434
Number of employees:	1,529 (Consolidated: 3,310)

Foreword

Stimulated by an overall increase in private-sector plant and equipment investment and exports, the Japanese domestic economy for the fiscal year experienced relatively strong growth. The IT (Information Technology) industrial field and some exports, however since the latter part of last summer have been undergoing a period of transition resulting in stagnant business conditions. Overseas, China, despite its conservative fiscal policy, continued to lead the Asian region with strong robust growth along with the United States, while Europe continued in its slow rate of recovery.

Overall, the Japanese domestic machine industry, despite several signs of adjustment, enjoyed favorable conditions due to increased exports and private-sector investment in plant and equipment.

Under such circumstances, the Toshiba Machine Group, based on their corporate CS (Customer Satisfaction) policy, continued in its concerted efforts to secure orders, develop new products, new technologies, and pioneer new domestic and overseas growth markets for our die-casting machines, plastic extrusion machines, machine tools, and semiconductor manufacturing equipment which resulted in an increase of 18.9% over the previous term in consolidated total orders received, totaling ¥139,776 million (US$1,302 million), and an increase of 11.7% in consolidated net sales over the previous term, totaling ¥123,572 million (US$1,151 million)(an exchange rate of ¥107.39=US$1.00 shall be used throughout this report).

In combination with the increased sales of our products, our business rationalization efforts resulted in a pre-tax consolidated profit of ¥10,772 million (US$100 million), an increase of 93.6% over the previous term, and a net consolidated profit of ¥7,093 million (US$66 million), an increase of 70.8% over the previous term, our third consecutive year of increased profits.

Hence, we are pleased to announce that a fiscal yearend dividend of ¥5.00(US$0.05) per share was distributed to our stockholders for the period ending on March 31, 2005, an increase of ¥1 (US$0.01) per share over the previous year, for a total annual dividend of ¥7 (US$0.07) per share, up from ¥3 (US$0.03) for the previous term.

To strengthen and further improve the efficiency of our sales force and group management, Toshiba Machine Selmac Co., Ltd. was merged into Toshiba Machine Co., Ltd. on October 1, 2004.

As for the general outlook, the Japanese domestic economy, despite several sectors still requiring adjustment, is expected to continue in its gradual recovery. However, uncertainties such as volatile raw material costs and the risk of an international economic slowdown will continue to be important factors influencing this somewhat guarded optimistic view.

Under such business conditions, on April 1, 2005, the Toshiba Machine Group implemented their TOSHIBA MACHINE ACTION PROGRAM G1500 to help further promote and sell our products in new markets along with continued implementation of our strategy based on various reforms and advanced technologies for further enhancement of our business performance and profitability, as well as continued emphasis on increased productivity through the promotion of various rationalization and efficiency-minded measures, and the creation of environmentally friendly, quality products based on ISO9001 and 14001 standards, while as a responsible corporate citizen, observe of all rules and regulations, fulfill of all social responsibilities.

R. Nakajima

Reiji Nakajima
President
July, 2005

FINANCIAL HIGHLIGHTS (consolidated)

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

	2005	2004	2003	2002	2001
Net sales	¥123,573	¥110,658	¥97,297	¥104,599	¥127,359
	$1,150,694				
Cost of sales	¥85,598	¥77,627	¥68,455	¥74,495	¥92,048
	$797,076				
Selling, general and administrative expenses	¥25,742	¥25,430	¥25,786	¥28,636	¥30,883
	$239,706				
Operating income	¥12,233	¥7,601	¥3,056	¥1,468	¥4,428
	$113,912				
Income (loss) before income taxes and minority interests	¥10,178	¥5,104	¥1,239	¥(2,010)	¥2,123
	$94,776				
Income taxes	¥2,940	¥817	¥193	¥413	¥733
	$27,377				
Net income (loss)	¥7,093	¥4,153	¥1,052	¥(1,924)	¥1,558
	$66,049				
Per common share:					
Net income (loss)	¥42.48	¥24.71	¥6.29	¥(11.53)	¥9.33
	$0.40				
Cash dividends	¥7.00	¥4.00	¥3.00	¥ —	¥ —
	$0.07				
Total assets	¥145,057	¥148,309	¥136,278	¥140,035	¥166,588
	$1,350,750				
Shareholders' equity	¥47,624	¥42,230	¥37,525	¥37,306	¥39,620
	$443,468				
Capital expenditure (property, plant and equipment)	¥2,004	¥1,774	¥1,275	¥2,378	¥2,565
	$18,661				
Depreciation	¥1,825	¥1,800	¥2,050	¥2,289	¥2,610
	$16,994				
R & D expenditures	¥2,512	¥3,194	¥2,587	¥2,951	¥2,749
	$23,391				
Number of employees	3,310	3,068	3,380	3,565	3,814

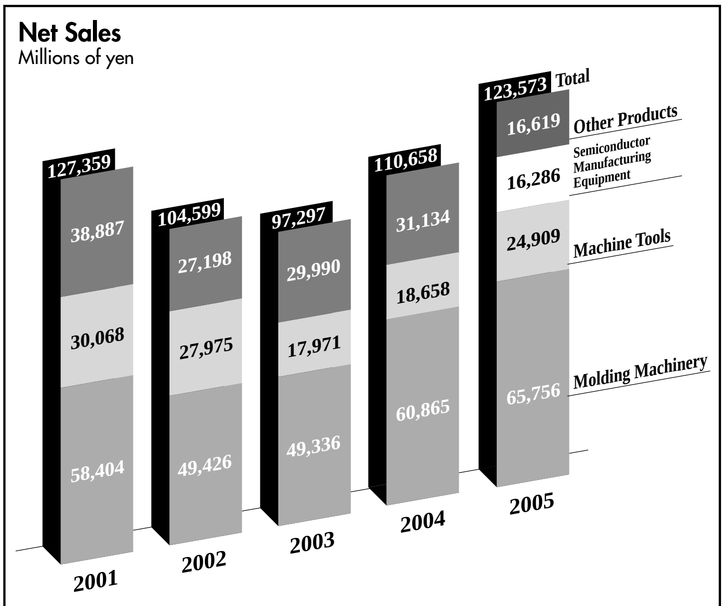
Overseas Operations for Fiscal 2005

During the fiscal year under review, China, despite its conservative fiscal policy, led the Asian region in overall economic growth, along with the United States, while Europe continued in its slow rate of recovery.

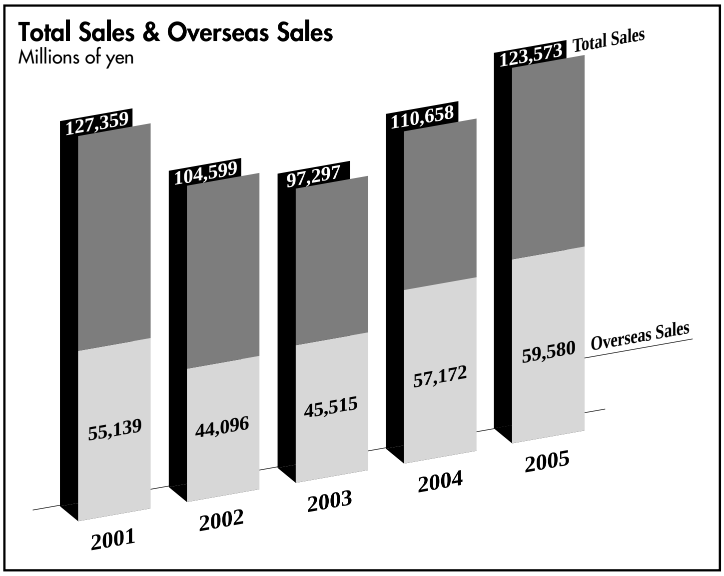
Under such economic conditions, expanded foreign demand for our die-casting machines and machine tools resulted in total consolidated overseas sales of ¥59,580 million (US$555 million), a 4.2% increase over the previous year, contributing to approximately 48.2% of total consolidated sales.

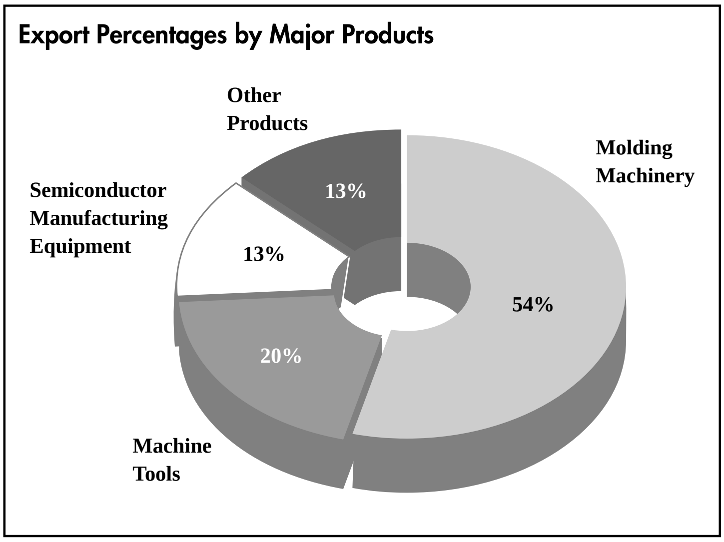
In terms of machine types, injection molding machines and die-casting machines continued to be our leading export products, with the Asian region, principally China, Korea, Taiwan, Indonesia, and Thailand, being the largest market for our products.

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.



Note : From the fiscal year ending on March 31,2005 [Semicorductor manufacturing equipment] will be listed separately from [other]





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CONSOLIDATED BALANCE SHEETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
ASSETS	**2005**	2004	**2005**
Current assets:			
Cash and time deposits (Note 12)	**¥26,619**	¥ 36,107	**$247,872**
Marketable securities (Note 4)	**-**	34	**-**
Notes and Accounts receivable, trade	**52,578**	50,529	**489,598**
Allowance for doubtful receivables	**(430)**	(542)	**(4,004)**
Net receivables	**52,148**	49,987	**485,594**
Inventories:			
Finished products	**3,945**	5,810	**36,735**
Work in process	**25,569**	20,349	**238,095**
Raw materials and supplies	**2,162**	1,712	**20,132**
Total inventories	**31,676**	27,871	**294,962**
Deferred taxes (Note 11)	**2,164**	737	**20,151**
Other current assets	**1,622**	2,252	**15,105**
Total current assets	**114,229**	116,988	**1,063,684**
Property, plant and equipment, net (Notes 5 and 10)	**22,208**	22,196	**206,798**
Intangible Assets	**663**	486	**6,174**
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates	**153**	1,405	**1,425**
Other securities (Note 4)	**6,537**	5,680	**60,872**
Long-term loans	**337**	374	**3,138**
Deferred taxes (Note 11)	**89**	145	**829**
Other investments	**841**	1,035	**7,830**
Total investments and other assets	**7,957**	8,639	**74,094**
Total assets	**¥145,057**	¥148,309	**$1,350,750**

See accompanying notes to financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Current liabilities:			
Short-term bank loans (Notes 6 and 10)	**26,452**	¥41,348	**$246,317**
Current portion of long-term debt (Notes 6 and 10)	**762**	748	**7,096**
Notes and Accounts payable	**34,779**	32,240	**323,857**
Income taxes payable	**4,444**	632	**41,382**
Accrued expenses	**5,736**	6,112	**53,413**
Advances received	**2,768**	2,157	**25,775**
Other current liabilities	**731**	1,408	**6,807**
Total current liabilities	**75,672**	84,645	**704,647**
Long-term liabilities:			
Long-term debt (Notes 6 and 10)	**11,378**	12,140	**105,950**
Deferred taxes (Note 11)	**1,570**	1,512	**14,620**
Accrued employees' retirement benefits (Note 7)	**8,004**	7,100	**74,532**
Total long-term liabilities	**20,952**	20,752	**195,102**
Total liabilities	**96,624**	105,397	**899,749**
Contingent liabilities (Note 8 and Note 15)			
Minority interest in consolidated subsidiaries	**809**	682	**7,533**
Shareholders' equity:			
Common stock			
Authorized 360,000,000 shares			
Issued 166,885,530 shares	**12,485**	12,485	**116,258**
Additional paid-in capital	**19,405**	19,405	**180,697**
Retained earnings	**14,461**	8,517	**134,659**
Unrealized holding gain on securities	**2,747**	2,286	**25,580**
Foreign currency translation adjustments	**(653)**	(453)	**(6,081)**
Treasury stock, at cost (2,056,612 shares in 2005, 39,175 shares in 2004)	**(821)**	(10)	**(7,645)**
Total shareholders' equity	**47,624**	42,230	**443,468**
Total liabilities and shareholders' equity	**¥145,057**	¥148,309	**$1,350,750**

See accompanying notes to financial statements

CONSOLIDATED STATEMENTS OF INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Net sales	**¥123,573**	¥110,658	**$1,150,694**
Cost of sales (Note 13)	**85,598**	77,627	**797,076**
Gross profit	**37,975**	33,031	**353,618**
Selling, general and administrative expenses (Note 13)	**25,742**	25,430	**239,706**
Operating income	**12,233**	7,601	**113,912**
Other income:			
Interest and dividends	**98**	100	**913**
Gain on sales of property, plant and equipment	**26**	785	**242**
Others	**472**	441	**4,395**
	596	1,326	**5,550**
Other expenses:			
Interest	**521**	695	**4,851**
Special benefits for employees retired under early retirement program	**356**	894	**3,315**
Amortization of transitional obligation for employees retirement benefits (Note 7)	**827**	835	**7,701**
Others	**947**	1,399	**8,819**
	2,651	3,823	**24,686**
Income before income taxes and minority interests	**10,178**	5,104	**94,776**
Income taxes:(Note 11)			
Current	**4,597**	727	**42,807**
Deferred	**(1,657)**	90	**(15,430)**
	2,940	817	**27,377**
Income before minority interest	**7,238**	**4,287**	**67,399**
Minority interests in income(loss) of consolidated subsidiaries	**145**	134	**1,350**
Net income	**¥7,093**	¥4,153	**$66,049**
	Yen		U.S. dollars
Net income per share of common stock	**¥42.48**	¥24.71	**$0.40**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
years ended March 31, 2005 and 2004

		Millions of yen		
	Number of Shares	Common stock	Additional paid in capital	Retained earnings
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
Net income				7,093
Increase on newly consolidated subsidiaries				11
Cash dividends				(1,001)
Bonuses to directors and statutory auditors				(29)
Decrease on merger of consolidated subsidiaries				(129)
Decrease on liquidation of consolidated subsidiary				(1)
Balance at March 31, 2005	166,885,530	¥12,485	¥19,405	¥14,461

	Thousands of U.S. dollars		
	Common stock	Additional paid in capital	Retained earnings
Balance at March 31, 2004	$116,258	$180,697	$79,309
Net income			66,049
Increase on newly consolidated subsidiaries			102
Cash dividends			(9,321)
Bonuses to directors and statutory auditors			(270)
Decrease on merger of consolidated subsidiaries			(1,201)
Decrease on liquidation of consolidated subsidiary			(9)
Balance at March 31, 2005	$116,258	$180,697	$134,659

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Operating Activities:			
Income before income taxes and minority interests	**¥10,178**	¥5,104	**$94,776**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	**1,825**	1,800	**16,994**
Allowance for doubtful receivables	**(115)**	(54)	**(1,071)**
Employees' retirement benefit, less payments	**903**	(204)	**8,409**
Devaluation of marketable securities	**—**	40	**—**
Loss (gain) on sales and disposal of property, plant and equipment	**232**	(602)	**2,160**
Changes in operating assets and liabilities:			
Notes and accounts receivables, trade	**(1,797)**	(3,774)	**(16,733)**
Inventories	**(3,416)**	(1,420)	**(31,809)**
Notes and accounts payables, trade	**2,582**	6,985	**24,043**
Advances received	**570**	1,020	**5,308**
Accrued expenses	**(553)**	1,508	**(5,149)**
Income taxes paid	**(1,016)**	(334)	**(9,461)**
Others	**(654)**	(199)	**(6,091)**
Net cash provided by operating activities	**8,739**	9,870	**81,376**
Investing Activities:			
Purchase of property, plant and equipment	**(1,448)**	(1,541)	**(13,484)**
Sale of property, plant and equipment	**248**	889	**2,309**
Payment of long-term loan receivables	**(36)**	(7)	**(335)**
Repayment of long-term loan receivables	**73**	98	**680**
Investments to a subsidiaries	**—**	(719)	**—**
Others	**(62)**	(65)	**(577)**
Net cash used in investing activities	**(1,225)**	(1,345)	**(11,407)**
Financing Activities:			
Decrease in short-term bank loans	**(14,897)**	768	**(138,719)**
Proceeds from long-term debt	**—**	11,400	**—**
Repayment of long-term debt	**(748)**	(13,269)	**(6,965)**
Bond redemption	**—**	(3,000)	**—**
Purchases of treasury stock	**(810)**	—	**(7,543)**
Cash dividends paid	**(1,001)**	(500)	**(9,321)**
Net cash used in financing activities	**(17,456)**	(4,601)	**(162,548)**
Effect of exchange rate changes on cash and cash equivalents	**(73)**	(272)	**(680)**
Net cash increased in cash and Cash equivalents	**(10,015)**	3,652	**(93,259)**
Cash and cash equivalent at the beginning of year	**36,112**	32,460	**336,270**
Increase in newly consolidated subsidiaries	**528**	—	**4,917**
Decrease on liquidation of consolidated subsidiaries	**(6)**	—	**(56)**
Cash and cash equivalents at end of year (Note 12)	**¥26,619**	¥36,112	**$247,872**

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 those of its subsidiaries (together the "Companies").Certain subsidiaries which are not material are not consolidated.

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

The difference between the cost and underlying interst in net equity of consolidated subsidiaries at the time of acquisition, which is included in intangible assets of the accompanying consolidated balance sheets, is deferred and amortized within the five-year period.

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

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 companies have been classified into two categories, held-to-maturity securities and other securities, in accordance with 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 specific indentification method 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 straightline method and other depreciation of property, plant and equipment is computed by the declining balance method over the estimated useful lives of respective assets.

(h) Amortization of intangible assets

Computer software used internally by the Company and consolidated subsidiaries is amortized by the straight -line method over the relevant economic useful lives (5 years). The others are computed by the declining balance method over the estimated useful lives of respective assets.

(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 purpose 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) Employee's Retirement Benefits

Accrued employees' retirement benefits are provided based on the projected retirement benefit obligation less the fair value of 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.

(l) 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.

(m) 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.

(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 year ended March 31, 2004 have been reclassified to conform to the 2005 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 ¥107.39=U.S.$1,the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2005. 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					
	2005			2004		
	Carrying value	Market value	Unrealized gains	Carrying value	Market value	Unrealized gains
Equity securities	¥1,881	¥6,442	¥4,561	¥1,794	¥5,587	¥3,793
	¥1,881	¥6,442	¥4,561	¥1,794	¥5,587	¥3,793

	Thousands of U.S. dollars		
	2005		
	Carrying value	Market value	Unrealized gains
Equity securities	$17,516	$59,987	$42,471
	$17,516	$59,987	$42,471

5. Property, Plant and Equipment

Property, plant and equipment at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Land	**¥6,081**	¥6,237	**$56,625**
Buildings and structures	**30,315**	30,362	**282,289**
Machinery and equipment	**31,063**	32,247	**289,254**
Vehicles	**575**	593	**5,354**
Tools, furniture and fixtures	**7,423**	7,384	**69,122**
Construction in progress	**361**	112	**3,362**
	75,818	76,935	**706,006**
Less accumulated depreciation	**(53,610)**	(54,739)	**(499,208)**
	¥22,208	¥22,196	**$206,798**

Depreciation expense for the years ended March 31, 2005 and 2004 were ¥ 1,825 million ($ 16,994 thousand) and ¥ 1,800 million, respectively.

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

The annual interest rates applicable to the short - term bank loans outstanding on March 31, 2005 and 2004, ranged principally from 0.52% to 4.70%, and from 0.49% to 2.30% respectively. Long-term debt on March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Loans, principally from Japanese banks and insurance companies, with pledged assets as collateral, maturing 2006 – 2010 , interest 1.31 % – 2.27 %	**¥12,140**	12,888	**$113,046**
	12,140	12,888	**113,046**
Less current portion	**762**	748	**7,096**
	¥11,378	¥12,140	**$105,950**

The aggregate annual maturities of long-term debt at March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31		
2006	¥762	$7,096
2007	1,538	14,322
2008	1,140	10,615
2009	8,690	80,920
2010 and later	10	93
	¥12,140	$113,046

7. Employees' Retirement Benefits

The severance indemnity regulation of the Company and certain subsidiaries provides 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, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Projected benefit obligation	**¥18,557**	¥18,667	**$172,800**
Fair value of plan assets	**(744)**	(1,001)	**(6,928)**
Unrecognized transitional obligation	**(8,011)**	(8,930)	**(74,597)**
Unrecognized actuarial loss	**(1,798)**	(1,636)	**(16,743)**
Accrued retirement benefits obligation	**¥8,004**	¥7,100	**$74,532**

The components of net periodic benefit costs for the year ended March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Service cost	**¥1,007**	¥1,187	**$9,377**
Interest cost	**311**	420	**2,896**
Expected return on plan assets	**(7)**	(8)	**(65)**
Recognized actuarial loss	**239**	326	**2,225**
Amortization of transitional obligation	**827**	835	**7,701**
	¥2,377	¥2,760	**$22,134**

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:

	2005	2004
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	1.0%	1.0%
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, 2005 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 ¥347 million ($3,231 thousand) and ¥848 million ($7,896 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, 2005 and 2004, 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	**2005**	2004	**2005**
Machinery, equipment and vehicles	**¥893**	¥920	**$8,315**
Tools, furniture and fixtures	**2,010**	2,040	**18,717**
Less-Accumulated depreciation	**(1,386)**	(1,566)	**(12,906)**
Net book value	**¥1,517**	¥1,394	**$14,126**

Future lease payments (including the interest portion thereon) subsequent to March 31,2005 for finance leases accounted for as operating leases are as follows:

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Due within one year	¥545	$5,075
Due after one year	972	9,051
	¥1,517	$14,126

Periodic lease charges, as a lessee, charged to income for the years ended March 31, 2005 and 2004 were ¥ 586 million ($5,457 thousand) and ¥ 763 million, respectively.

10. Pledged Assets

The following assets were pledged as collateral at March 31, 2005:

Property, plant and equipment	Millions of yen	Thousands of U.S. dollars
(Net of accumulated depreciation)	¥5,200	$48,422

The preceding collaterals were pledged to secure long-term debt amounting to ¥196 million ($1,825 thousand), short-term bank loans amounting to ¥587 million ($5,466 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 tax rates for the years ended March 31, 2005 and 2004 are approximately 39.8% and 41.1% respectively.

The reconciliation between the statutory rate and effective tax rate of income taxes for the year ended March 31, 2005 and 2004 are as follows:

	2005	2004
Statutory tax rate	**39.8 %**	41.1 %
Per capita portion of Inhabitant Tax	**0.5**	0.9
Non-taxable revenue	**0.1**	0.5
Non-deductible expense	**0.5**	1.2
Unrealized intercompany profit on fixed asset	**(0.0)**	(0.1)
Change in valuation allowance	**(9.0)**	(27.7)
Difference of a tax rate with consolidated subsidiaries	**(1.1)**	—
Other	**(1.9)**	0.1
Effective tax rate	**28.9 %**	16.0 %

The significant components of deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Deferred tax assets:			
Accrued employees bonuses	**¥1,005**	¥230	**$9,359**
Allowance for doubtful accounts	**155**	42	**1,443**
Devaluation of inventories	**161**	98	**1,499**
Devaluation of securities	**226**	4	**2,104**
Accrued employees' retirement benefits	**2,127**	69	**19,806**
Unrealized gain on inventories	**117**	84	**1,090**
Other	**1,206**	355	**11,230**
Total deferred tax assets	**¥4,997**	¥882	**$46,531**
Valuation allowance	**(2,490)**	—	**(23,186)**
Net deferred tax assets	**¥2,507**	¥882	**$23,345**
Deferred tax liabilities:			
Depreciation	**(15)**	(17)	**(140)**
Unrealized gain on securities	**(1,809)**	(1,495)	**(16,845)**
Deferred tax liabilities	**(¥1,824)**	(¥1,512)	**($16,985)**
Net deferred tax assets (liabilities)	**(¥683)**	(¥630)	**($6,360)**

Due to the change in the Corporate Enterprise Tax rate effective for tax period ending March 31,2005, the Company's statutory tax rate will change from 41.1% to 39.8%.

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, 2005 and 2004 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Cash and time deposits	**¥26,619**	¥36,107	**$247,872**
Short-term investments	**—**	¥5	**—**
Cash and cash equivalents	**¥26,619**	¥36,112	**$247,872**

13. Research and development costs

Research and development costs charge to income were ¥2,512 million ($23,391 thousand) and ¥3,194 million for the years ended March 31, 2005 and 2004 respectively.

14. Segment information

(a) Business segment information

The Companies' business is classified into the following four 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

Semiconductor Equipment: Electron beam lithography system, Epitaxial reactor system

Other Products: Hydraulic equipment, Electronic controls

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

Year ended March 31, 2005	Millions of yen					
	Molding Machinery	Machine Tools	Semiconductor Equipment	Other Products	Eliminations and/or corporate	Consolidated
Sales	¥65,764	¥25,082	¥16,342	¥20,238	¥(3,853)	¥123,573
Operating expenses	60,097	22,089	14,636	18,263	(3,745)	111,340
Operating income	5,667	2,993	1,706	1,975	(108)	12,233
Identifiable assets	56,751	23,480	23,887	31,849	9,090	145,057
Depreciation	927	203	323	372	—	1,825
Capital expenditure	782	268	214	740	—	2,004

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

Effective April 1, 2004 the Company separated their Semiconductor Equipment business which had been included in other products, due to its increased in amount.

Year ended March 31, 2005	Thousands of U.S.dollars					
	Molding Machinery	Machine Tools	Semiconductor Equipment	Other Products	Eliminations and/or corporate	Consolidated
Sales	$612,385	$233,560	$152,174	$188,453	$(35,878)	$1,150,694
Operating expenses	559,615	205,690	136,288	170,062	(34,873)	1,036,782
Operating income	52,770	27,870	15,886	18,391	(1,005)	113,912
Identifiable assets	528,457	218,642	222,432	296,574	84,645	1,350,750
Depreciation	8,632	1,890	3,008	3,464	—	16,994
Capital expenditure	7,282	2,495	1,993	6,891	—	18,661

(b) Geographic segment information of the Companies for the year ended March 31,2005 and 2004 were as follows:

Year ended March 31, 2005	Millions of yen					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	¥121,009	¥7,829	¥7,453	¥136,291	¥(12,718)	¥123,573
Cost and expenses	109,297	7,707	6,985	123,989	(12,649)	111,340
Operating income	11,712	122	468	12,302	(69)	12,233
Identifiable assets	125,517	4,846	6,038	136,401	8,656	145,057

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, 2005	Thousands of U.S.dollars					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	$1,126,818	$72,903	$69,401	$1,269,122	$(118,428)	$1,150,694
Cost and expenses	1,017,758	71,767	65,043	1,154,568	(117,786)	1,036,782
Operating income	109,060	1,136	4,358	114,554	(642)	113,912
Identifiable assets	1,168,796	45,125	56,225	1,270,146	80,604	1,350,750

(c) Sales to foreign customers for the years ended March 31,2005 and 2004 were as follows:

Year ended March 31, 2005	Millions of yen			
	North America	Asia	Other	Total
Sales to foreign customers	¥14,774	¥40,354	¥4,452	¥59,580
Net sales	—	—	—	123,573
Ratio of Sales to foreign Customers (%)	12.0	32.7	3.5	48.2

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, 2005	Thousands of U.S.dollars			
	North America	Asia	Other	Total
Sales to foreign customers	$137,573	$375,771	$41,456	$554,800
Net sales	—	—	—	1,150,694
Ratio of Sales to foreign Customers (%)	12.0	32.7	3.5	48.2

15. Other

A consolidated subsidiary, Toshiba Machine Company, America ("TMA") which is a defendant in a legal lawsuit, was ordered by a lower court in March 2003 to pay to the plaintiff a sum of $9.3 million to compensate for alleged losses incurred regarding one of our machine tools. Although TMA contested this decision, their appeal was overruled and was ordered by the court of appeals to pay $9.3 million with 10% interest calculated from the day of the lower court ruling to the date of payment. Based on the advice of their attorneys, TMA has petitioned for a rehearing of their appeal and is currently under litigation. Based on the opinion of their lawyers, TMA has withheld paying $2.2 million.

Report of Independent Auditors

The Board of Directors
Toshiba Machine Co., Ltd.

We have audited the accompanying consolidated balance sheets of Toshiba Machine Co., Ltd(the "Company") and consolidated subsidiaries as of March 31, 2004 and 2005, 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 the Company and consolidated subsidiaries at March 31, 2004 and 2005, 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, 2005 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, 2005

Ernst & Young ShinNihon

Directors & Auditors

Directors

President

Reiji Nakajima

Managing Directors

Kazuo Hanzawa
Katsuhiko Goto
Kosei Takeyama

Directors

Yoshi Atobe
Mitsuji Yokoyama
Hideo Tanaka
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