2006

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, 2006)

Company name:	TOSHIBA MACHINE CO., LTD.
Headquarters:	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
Established:	1938
Capital:	\ 12,484 million (US$106 million)
Shares of Common Stock Issued and Outstanding:	166,885,530 shares
Number of Shareholders:	10,905
Number of employees:	1,564 (Consolidated: 3,336)

Foreword

The Japanese economy continued to gradually recover due to increased private-sector plant and equipment investment, resumption in personal consumption, and the completion of inventory adjustment in the IT (information technology) industry in the latter half of the year. Overseas, China, with strong robust growth, continued to lead the Asian region. The United States, supported by domestic demand, continued in its economic expansion, while Europe maintained its gradual business recovery.

The Japanese domestic machine industry enjoyed generally favorable conditions due to increased domestic and overseas demand.

The Toshiba Machine Group, based on their corporate CS (Customer Satisfaction) policy, continued in its concerted efforts to secure orders, develop new products, and pioneer new domestic and overseas growth markets for their injection molding machines, plastic extrusion machines, die-casting machines, machine tools, electronic control equipment and semiconductor manufacturing equipment resulted in a 13.8% increase over the previous term in consolidated total orders received, totaling \159,014 million (US$1,354 million), and a 16.8% increase, totaling \144,356 million (US$1,229 million), in consolidated net sales over the previous term. (An exchange rate of US$1.00 = \117.47 shall be used throughout this report).

The increased sales of our products in combination with various business rationalization efforts resulted in a pre-tax consolidated profit of \15,604 million (US$133 million), an increase of 44.9% over the previous term, and a net consolidated profit of \10,482 million (US$89 million), an increase of 47.8% over the previous term, our third consecutive year of increased revenue and fourth consecutive year of increased profits.

Hence, we are pleased to announce that a fiscal yearend dividend of \8 (US$0.07) per share was distributed to our stockholders for the period ending on March 31, 2006, an increase of \3 (US$0.03) per share over the previous year, for a total annual dividend of \12 (US$0.1) per share, up from \7 (US$0.06) for the previous term.

On April 1, 2006, a subsidiary was established in New Delhi, India, to market and service Toshiba Machine Group products in that region. Additionally, to further strengthen our group management network, Fuji seiki Corporation became a 100% fully owned subsidiary of the Toshiba Machine Co. Ltd. through an exchange of stock on the same day.

As for the general outlook, despite many uncertainties such as volatile energy costs and the risk of an international economic slowdown, the Japanese domestic economy is expected to continue in its gradual recovery.

Under such business conditions, the Toshiba Machine Group implemented their ACTION PROGRAM G1500 last year to help further promote and sell their products in new markets. They also implemented their TOSHIBA MACHINE ACTION PROGRAM G1500II (TM-AP G1500II) on April 1, 2006, along with the continuing of various strategy based reforms and advanced technologies for further enhancement of business performance and profitability, as well as continued emphasis on increased productivity through the promotion of various rationalization and efficiency-oriented measures, as well as the creation of environmentally friendly, quality products based on ISO9001 and 14001 standards, and as a responsible corporate citizen, observe all rules and regulations, and fulfill all social responsibilities.

R. Nakajima

Reiji Nakajima
President
July, 2006

FINANCIAL HIGHLIGHTS (consolidated)

	2006	2005	2004	2003	2002
Net sales	¥144,356	¥123,573	¥110,658	¥97,297	¥104,599
	$1,228,875				
Cost of sales	¥98,394	¥85,598	¥77,627	¥68,455	¥74,495
	$837,609				
Selling, general and administrative expenses	¥29,411	¥25,742	¥25,430	¥25,786	¥28,636
	$250,370				
Operating income	¥16,551	¥12,233	¥7,601	¥3,056	¥1,468
	$140,896				
Income (loss) before income taxes and minority interests	¥16,715	¥10,178	¥5,104	¥1,239	¥(2,010)
	$142,291				
Income taxes	¥5,995	¥2,940	¥817	¥193	¥413
	$51,034				
Net income (loss)	¥10,482	¥7,093	¥4,153	¥1,052	¥(1,924)
	$89,231				
Per common share:					
Net income (loss)	¥63.16	¥42.48	¥24.71	¥6.29	¥(11.53)
	$0.54				
Cash dividends	¥12.00	¥7.00	¥4.00	¥3.00	¥ —
	$0.10				
Total assets	¥172,477	¥145,057	¥148,309	¥136,278	¥140,035
	$1,468,264				
Shareholders' equity	¥60,347	¥47,624	¥42,230	¥37,525	¥37,306
	$513,723				
Capital expenditure (property, plant and equipment)	¥3,096	¥2,004	¥1,774	¥1,275	¥2,378
	$26,356				
Depreciation	¥1,891	¥1,825	¥1,800	¥2,050	¥2,289
	$16,098				
R & D Cost	¥2,808	¥2,512	¥3,194	¥2,587	¥2,951
	$23,904				
Number of employees	3,336	3,310	3,068	3,380	3,565

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

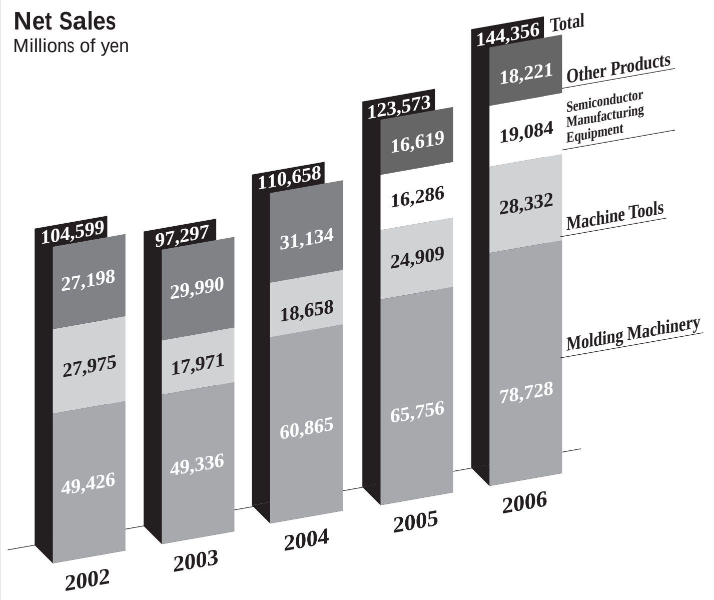
Overseas Operations for Fiscal 2006

During fiscal year 2006, we enjoyed favorable exports of our molding machinery and semiconductor manufacturing equipment to the Asian region. Supported by domestic demand, increased overseas sales were also recorded for the United States market.

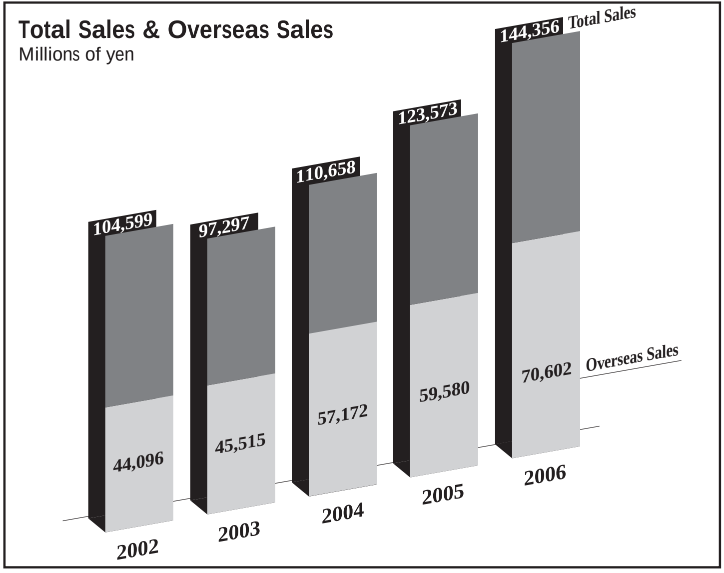
Due to such favorable economic conditions, increased foreign demand for our products resulted in total consolidated overseas sales of ¥70,602 million (US$601 million), an 18.5% increase over the previous year, contributing to approximately 48.9% of total consolidated sales.

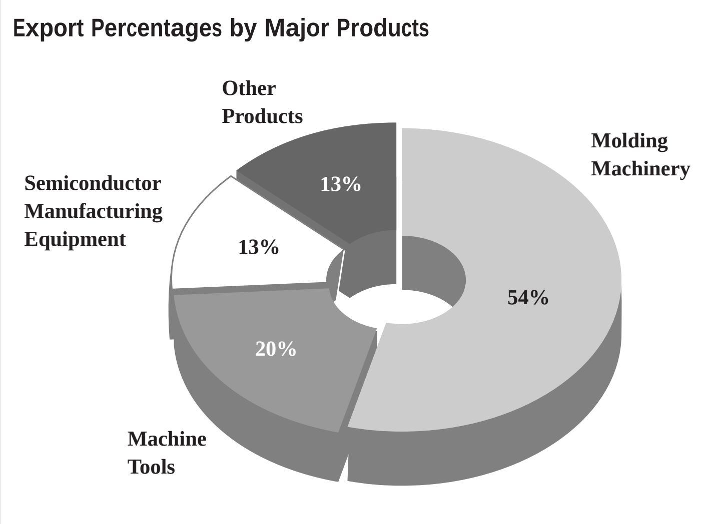
In terms of machine types, injection molding machines, die-casting machines and machine tools continued to be our leading export products, with the Asian region, principally China, Korea, Taiwan, Indonesia, and Thailand, being our largest markets.

During the current fiscal year, the Toshiba Machine Group plans to continue in the further enhancement of their regional sales and service networks, along with the providing of 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 [Semiconductor manufacturing equipment] is listed separately from [Other products]





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CONSOLIDATED BALANCE SHEETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
ASSETS	**2006**	2005	**2006**
Current assets:			
Cash and time deposits (Note 12)	**¥39,410**	¥ 26,619	**$335,490**
Notes and accounts receivable, trade	**56,142**	52,578	**477,926**
Allowance for doubtful receivables	**(433)**	(430)	**(3,686)**
Net receivables	**55,709**	52,148	**474,240**
Inventories:			
Finished products	**3,032**	3,945	**25,811**
Work in process	**31,670**	25,569	**269,600**
Raw materials and supplies	**2,207**	2,162	**18,788**
Total inventories	**36,909**	31,676	**314,199**
Deferred tax assets (Note 11)	**2,540**	2,164	**21,623**
Other current assets	**1,337**	1,622	**11,381**
Total current assets	**135,905**	114,229	**1,156,933**
Property, plant and equipment, net (Notes 5 and 10)	**22,844**	22,208	**194,467**
Intangible Assets	**735**	663	**6,257**
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates	**153**	153	**1,302**
Other securities (Note 4)	**11,488**	6,537	**97,795**
Long-term loans	**282**	337	**2,401**
Deferred tax assets (Note 11)	**342**	89	**2,911**
Other investments	**728**	841	**6,198**
Total investments and other assets	**12,993**	7,957	**110,607**
Total assets	**¥172,477**	¥145,057	**$1,468,264**

See accompanying notes to financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars 2006
Current liabilities:			
Short-term bank loans (Notes 6 and 10)	**¥26,809**	¥26,452	**$228,220**
Current portion of long-term debt (Notes 6 and 10)	**1,538**	762	**13,093**
Notes and accounts payable, trade	**40,992**	34,779	**348,957**
Income taxes payable	**5,323**	4,444	**45,314**
Accrued expenses	**6,240**	5,736	**53,120**
Advances received	**4,780**	2,768	**40,691**
Other current liabilities	**2,193**	731	**18,668**
Total current liabilities	**87,875**	75,672	**748,063**
Long-term liabilities:			
Long-term debt (Notes 6 and 10)	**9,840**	11,378	**83,766**
Deferred tax liabilities (Note 11)	**2,937**	1,570	**25,002**
Accrued employees' retirement benefits (Note 7)	**9,116**	8,004	**77,603**
Total long-term liabilities	**21,893**	20,952	**186,371**
Total liabilities	**109,768**	96,624	**934,434**
Contingent liabilities (Note 8 and Note 15)			
Minority interest in consolidated subsidiaries	**2,362**	809	**20,107**
Shareholders' equity:			
Common stock			
Authorized 360,000,000 shares			
Issued 166,885,530 shares	**12,485**	12,485	**106,282**
Additional paid-in capital	**19,538**	19,405	**166,323**
Retained earnings	**23,423**	14,461	**199,396**
Unrealized holding gain on securities, net of tax	**5,753**	2,747	**48,974**
Foreign currency translation adjustments	**(159)**	(653)	**(1,353)**
Treasury stock, at cost			
(1,717,748 shares in 2006, 2,056,612 shares in 2005)	**(693)**	(821)	**(5,899)**
Total shareholders' equity	**60,347**	47,624	**513,723**
Total liabilities and shareholders' equity	**¥172,477**	¥145,057	**$1,468,264**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Net sales	**¥144,356**	¥123,573	**$1,228,875**
Cost of sales (Note 13)	**98,394**	85,598	**837,609**
Gross profit	**45,962**	37,975	**391,266**
Selling, general and administrative expenses (Note 13)	**29,411**	25,742	**250,370**
Operating income	**16,551**	12,233	**140,896**
Other income:			
Interest and dividends	**129**	98	**1,098**
Gain on sales of property, plant and equipment	**718**	26	**6,112**
Others	**2,488**	472	**21,180**
	3,335	596	**28,390**
Other expenses:			
Interest	**471**	521	**4,010**
Special benefits for employees retired under early retirement program	**—**	356	**—**
Amortization of transitional obligation for employee's retirement benefits (Note 7)	**818**	827	**6,963**
Gain on sales of investment in consolidated subsidiaries	**1,366**	—	**11,629**
Others	**516**	947	**4,393**
	3,171	2,651	**26,995**
Income before income taxes and minority interest	**16,715**	10,178	**142,291**
Income taxes:(Note 11)			
Current	**7,189**	4,597	**61,199**
Deferred	**(1,194)**	(1,657)	**(10,165)**
	5,995	2,940	**51,034**
Income before minority interest	**10,720**	**7,238**	**91,257**
Minority interest in income of consolidated subsidiaries	**238**	145	**2,026**
Net income	**¥10,482**	¥7,093	**$89,231**
	Yen		U.S. dollars
Net income per share of common stock	**¥63.16**	¥42.48	**$0.54**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

TOSHIBA MACHINE CO., LTD.AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2006 and 2005

	Millions of yen							
	Number of Shares	Common stock	Additional paid in capital	Retained earnings	Unrealized gain on securities,net	Translation adjustments	Treasury stock	Total
Balance at March 31, 2004	166,885,530	¥12,485	¥19,405	¥8,517	¥2,286	(¥453)	(¥10)	¥42,230
Net income				7,093				7,093
Purchase of treasury stock							(811)	(811)
Increase due to newly consolidated subsidiaries				11				11
Cash dividends				(1,001)				(1,001)
Bonuses to directors and statutory auditors				(29)				(29)
Merger of consolidated subsidiaries				(129)				(129)
Liquidation of consolidated subsidiary				(1)				(1)
Unrealized gain on securities					461			461
Change in translation adjustments						(200)		(200)
Balance at March 31, 2005	166,885,530	12,485	19,405	14,461	2,747	(653)	(821)	47,624
Net income				10,482				10,482
Exchange of stock for shares of affiliated company			133					133
Purchase of treasury stock							(14)	(14)
Cash dividends				(1,485)				(1,485)
Bonuses to directors and statutory auditors				(35)				(35)
Unrealized gain on securities					3,006			3,006
Change in translation adjustments						494		494
Exchange of treasury stock, or decrease sales of treasury stock,net							142	142
Balance at March 31, 2006	166,885,530	¥12,485	¥19,538	¥23,423	¥5,753	(¥159)	(¥693)	¥60,347

	Thousands of U.S. dollars						
	Common stock	Additional paid in Capital	Retained earnings	Unrealized gain on securities,net	Translation adjustments	Treasury stock	Total
Balance at March 31, 2005	$106,282	$165,190	$123,104	$23,385	($5,559)	($6,989)	$405,413
Net income			89,231				89,231
Exchange of stock for shares of affiliated company		1,133					1,133
Purchase of treasury stock						(119)	(119)
Cash dividend			(12,641)				(12,641)
Bonuses to directors and statutory auditors			(298)				(298)
Unrealized gain on securities				25,589			25,589
Change in translation adjustments					4,206		4,206
Exchange of treasury stock, or decrease sales of treasury stock,net						1,209	1,209
Balance at March 31, 2006	$106,282	$166,323	$199,396	$48,974	($1,353)	($5,899)	$513,723

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Operating Activities:			
Income before income taxes and minority interest	**¥16,715**	¥10,178	**$142,292**
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities:			
Depreciation and amortization	**1,891**	1,825	**16,098**
Allowance for doubtful receivables	**2**	(115)	**17**
Employees' retirement benefit, less payments	**1,113**	903	**9,475**
Gain on sale of investment in consolidated subsidiaries	**(1,366)**	—	**(11,629)**
Loss (gain) on sales and disposal of property, plant and equipment	**(540)**	232	**(4,597)**
Loss on settlement of dispute	**(1,181)**	—	**(10,054)**
Changes in operating assets and liabilities:			
Notes and accounts receivables, trade	**(3,565)**	(1,797)	**(30,348)**
Inventories	**(5,233)**	(3,416)	**(44,548)**
Notes and accounts payables, trade	**6,213**	2,582	**52,890**
Advances received	**2,012**	570	**17,128**
Accrued expenses	**499**	(553)	**4,248**
Income taxes paid	**(6,320)**	(1,016)	**(53,801)**
Others	**2,949**	(654)	**25,104**
Net cash provided by operating activities	**13,189**	8,739	**112,275**
Investing Activities:			
Purchases of property, plant and equipment	**(2,330)**	(1,448)	**(19,835)**
Proceeds from sales of property, plant and equipment	**844**	248	**7,185**
Payments of long-term loan receivables	**(15)**	(36)	**(128)**
Repayments of long-term loan receivables	**67**	73	**570**
Proceeds from sales of investment in consolidated subsidiaries	**2,400**	—	**20,431**
Others	**48**	(62)	**409**
Net cash provided (used) in investing activities	**1,014**	(1,225)	**8,632**
Financing Activities:			
Increase (decrease) in short-term bank loans	**357**	(14,897)	**3,039**
Repayments of long-term debt	**(761)**	(748)	**(6,478)**
Purchases of treasury stock	**(15)**	(810)	**(128)**
Cash dividends paid	**(1,485)**	(1,001)	**(12,641)**
Others	**(3)**	—	**(26)**
Net cash used in financing activities	**(1,907)**	(17,456)	**(16,234)**
Effect of exchange rate changes on cash and cash equivalents	**495**	(73)	**4,214**
Net cash increased in cash and cash equivalents	**12,791**	(10,015)	**108,887**
Cash and cash equivalents at the beginning of year	**26,619**	36,112	**226,603**
Increases in newly consolidated subsidiaries	—	528	—
Decreases on liquidation of consolidated subsidiaries	—	(6)	—
Cash and cash equivalents at end of year (Note 12)	**¥39,410**	¥26,619	**$335,490**

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 dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. 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 its subsidiaries (together the" Companies "). Certain subsidiaries which are not material are not consolidated.

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

The difference between the cost and underlying interest 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.

Consolidated net income includes the Company's share of the current net earnings 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 dates 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 the accounting standard for financial instruments.

Held-to-maturity debt 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 identification method for finished products and work in process, and by the moving average method for raw material-sandsupplies.

(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 bonuses 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 buildings 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 over the estimated useful lives of respective assets. Principally ranging from three to sixty years for buildings and from three to twenty-two years for machinery,equipment and vehicle.

(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 including patent right are computed by the straight -line 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) Derivative financial instruments

All derivatives are stated at fair value. Gains or losses arising from changes in fair value are charged or credited to income for the period in which they arise, except for derivatives that are designated as hedging instruments.Gains or losses arising from changes in fair value of the derivatives designated as hedging instruments are deferred as assets or liabilities to be off-set against gains or losses on the underlying hedged assets and liabilities.

(k) Income Taxes

The Companies accrue current 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 tax effects on temporary differences between tax and financial reporting purposes reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(l) Employees’ 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.

(m) Appropriation of Retained Earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations. See Notes 14.

(n) 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.

(o) 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.

(p) Reclassifications

Certain accounts in the consolidated financial statements for the year ended March 31, 2005 have been reclassified to conform to the 2006 presentation.

3. U.S. Dollar Amounts

U.S. dollar amounts are included solely for the convenience of the readers and have been translated at the rate of U.S.$1.00= \ 117.47,the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2006. 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					
	2006			2005		
	Carrying value	Market value	Unrealized gains	Carrying value	Market value	Unrealized gains
Equity securities	¥1,820	¥11,371	¥9,551	¥1,881	¥6,442	¥4,561
	¥1,820	¥11,371	¥9,551	¥1,881	¥6,442	¥4,561

	Thousands of U.S. dollars		
	2006		
	Carrying value	Market value	Unrealized gains
Equity securities	$15,493	$96,799	$81,306
	$15,493	$96,799	$81,306

5. Property, Plant and Equipment

Property, plant and equipment at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Land	**¥6,071**	¥6,081	**$51,681**
Buildings and structures	**30,783**	30,315	**262,050**
Machinery and equipment	**30,193**	31,063	**257,027**
Vehicles	**565**	575	**4,810**
Tools, furniture and fixtures	**7,546**	7,423	**64,238**
Construction in progress	**1,439**	361	**12,250**
	76,597	75,818	**652,056**
Less accumulated depreciation	**(53,753)**	(53,610)	**(457,589)**
	¥22,844	¥22,208	**$194,467**

Depreciation expense for the years ended March 31, 2006 and 2005 were \ 1,891 million ($ 16,098 thousand) and \ 1,825 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, 2006 and 2005 ranged principally from 0.55% to 5.56% and from 0.52% to 4.70%, respectively. Long-term debt on March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Loans, principally from Japanese banks and insurance companies, with pledged assets as collateral(See Note 10), maturing 2007-2010, interest 1.31%-2.27%	**¥11,378**	12,140	**$96,859**
	11,378	12,140	**96,859**
Less current portion	**1,538**	762	**13,093**
	¥9,840	¥11,378	**$83,766**

The aggregate annual maturities of long-term debt at March 31,2006 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2007	¥1,538	$13,093
2008	1,140	9,705
2009	8,690	73,976
2010	10	85
2011 and later	—	—
	¥11,378	$96,859

7. Employees' Retirement Benefits

The severance indemnity regulations of the Company and certain subsidiaries provides for benefit payments based on the employees' 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 trust bank which act as the trustees.

The liability for employees' retirement benefits at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Projected benefit obligation	**¥18,688**	¥18,557	**$159,087**
Fair value of plan assets	**(807)**	(744)	**(6,870)**
Unrecognized transitional obligation	**(7,193)**	(8,011)	**(61,232)**
Unrecognized actuarial loss	**(1,572)**	(1,798)	**(13,382)**
Accrued retirement benefits obligation	**¥9,116**	¥8,004	**$77,603**

The components of net periodic benefit costs for the years ended March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Service cost	**¥1,033**	¥1,007	**$8,794**
Interest cost	**316**	311	**2,690**
Expected return on plan assets	**(7)**	(7)	**(60)**
Recognized actuarial loss	**818**	239	**6,963**
Amortization of transitional obligation	**280**	827	**2,384**
	¥2,440	¥2,377	**$20,771**

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:

	2006	2005
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, 2006, 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 \316 million ($2,690 thousand) and \1,084 million ($9,228 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, 2006 and 2005, which would have been reflected in the consolidated balance sheets if these arrangements have been accounted for as finance leases:

	Millions of yen		Thousands of U.S. dollars
Acquisition Costs	**2006**	2005	**2006**
Machinery, equipment and vehicles	**¥910**	¥893	**$7,747**
Tools, furniture and fixtures	**1,840**	2,010	**15,663**
Less-Accumulated depreciation	**(1,408)**	(1,386)	**(11,986)**
Net book value	**¥1,342**	¥1,517	**$11,424**

Future lease payments (including the interest portion thereon) subsequent to March 31, 2006 for finance leases accounted for as operating leases are as follows:

	Millions of yen	Thousands of U.S. dollars
	2006	2006
Due within one year	¥524	$4,461
Due after one year	818	6,963
	¥1,342	$11,424

Periodic lease charges, as a lessee, charged to income for the years ended March 31, 2006 and 2005 were \ 589 million ($5,014 thousand) and \ 586 million, respectively.

10. Pledged Assets

The following assets were pledged as collateral at March 31, 2006:

	Millions of yen	Thousands of U.S. dollars
Land	¥1,372	$11,679
Machinery and equipment, net	526	4,478
Buildings, net	3,017	25,683
	¥4,915	$41,840

The preceding collaterals were pledged to secure long-term debt amounting to ¥96 million ($817 thousand), short-term bank loans amounting to ¥587 million ($4,997 thousand), (See Note 6).

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, 2006 and 2005 are approximately 39.8% and 39.8%, respectively.

The reconciliation between the statutory rate and effective tax rate of income taxes for the years ended March 31, 2006 and 2005 are as follows:

	2006	2005
Statutory tax rate	**39.8 %**	39.8 %
Per capita portion of Inhabitant Tax	**0.3**	0.5
Non-taxable revenue	**0.1**	0.1
Non-deductible expense	**0.3**	0.5
Unrealized intercompany profit on fixed assets	**(0.2)**	(0.0)
Change in valuation allowance	**(0.2)**	(9.0)
Difference in tax rate of consolidated subsidiaries	**(1.0)**	(1.1)
Other	**(3.2)**	(1.9)
Effective tax rate	**35.9 %**	28.9 %

The significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets:			
Accrued employees bonuses	**¥1,324**	¥1,005	**$11,271**
Allowance for doubtful accounts	**129**	155	**1,098**
Devaluation of inventories	**170**	161	**1,447**
Devaluation of securities	**226**	226	**1,924**
Accrued employees' retirement benefits	**2,866**	2,127	**24,398**
Unrealized gain on inventories	**320**	117	**2,724**
Other	**1,023**	1,206	**8,709**
Total deferred tax assets	**¥6,058**	¥4,997	**$51,571**
Valuation allowance	**(2,097)**	(2,490)	**(17,852)**
Net deferred tax assets	**¥3,961**	¥2,507	**$33,719**
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	**(218)**	—	**(1,856)**
Depreciation	—	(15)	—
Unrealized gain on securities	**(3,797)**	(1,809)	**(32,323)**
Deferred tax liabilities	**(¥4,015)**	(¥1,824)	**($34,179)**
Net deferred tax assets (liabilities)	**(¥54)**	(¥683)	**($460)**

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, 2006 and 2005 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Cash and time deposits	**¥39,410**	¥26,619	**$335,490**
Cash and cash equivalents	**¥39,410**	¥26,619	**$335,490**

13.Research and development costs

Research and development costs charge to income were \2,808 million ($23,904 thousand) and \2,512 million for the years ended March 31, 2006 and 2005, respectively.

14.Shareholders' Equity

The Commercial Code of Japan (the" Code ") provides that an amount equal to at least 10% of the amount to be disbursed as distribution of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital account equals 25% of the common stock account. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock upon approval by the Board of Directors. The Code further provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. The Company's shares of common stock have no par value in accordance with the Code.

The new Corporation Law of Japan (the" Law ") , which superseded most of the provisions of the Code, went into effect on May 1, 2006. The Law stipulates similar requirements on distribution of earnings to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

15. 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 income information by business segment.

Year ended March 31, 2006 — Millions of yen

	Molding Machinery	Machine Tools	Semiconductor Equipment	Other Products	Eliminations and/or corporate	Consolidated
Sales	¥78,733	¥28,426	¥19,087	¥22,937	¥(4,827)	¥144,356
Operating expenses	70,523	24,715	17,390	20,246	(5,069)	127,805
Operating income	8,210	3,711	1,697	2,691	242	16,551
Identifiable assets	69,023	31,760	25,854	33,732	12,108	172,477
Depreciation	955	225	305	406	—	1,891
Capital expenditure	2,108	222	240	526	—	3,096

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, 2006	Thousands of U.S.dollars					
	Molding Machinery	Machine Tools	Semiconductor Equipment	Other Products	Eliminations and/or corporate	Consolidated
Sales	$670,239	$241,985	$162,484	$195,258	$(41,091)	$1,228,875
Operating expenses	600,349	210,394	148,038	172,350	(43,152)	1,087,979
Operating income	69,890	31,591	14,446	22,908	2,061	140,896
Identifiable assets	587,580	270,367	220,090	287,154	103,073	1,468,264
Depreciation	8,130	1,915	2,597	3,456	—	16,098
Capital expenditure	17,945	1,890	2,043	4,478	—	26,356

(B) Geographic segment information of the companies for the years ended March 31, 2006 and 2005 were as follows:

Year ended March 31, 2006	Millions of yen					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	¥137,415	¥9,154	¥11,022	¥157,591	¥(13,235)	¥144,356
Cost and expenses	121,819	8,969	10,185	140,973	(13,168)	127,805
Operating income	15,596	185	837	16,618	(67)	16,551
Identifiable assets	145,368	4,949	7,100	157,417	15,060	172,477

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, 2006	Thousands of U.S.dollars					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	$1,169,788	$77,926	$93,828	$1,341,542	$(112,667)	$1,228,875
Cost and expenses	1,037,022	76,351	86,703	1,200,076	(112,097)	1,087,979
Operating income	132,766	1,575	7,125	141,466	(570)	140,896
Identifiable assets	1,237,490	42,130	60,441	1,340,061	128,203	1,468,264

(C) Sales to foreign customers for the years ended March 31, 2006 and 2005 were as follows:

Year ended March 31, 2006	Millions of yen			
	North America	Asia	Other	Total
Sales to foreign customers	¥18,780	¥48,914	¥2,908	¥70,602
Net sales	—	—	—	144,356
Ratio of sales to foreign Customers (%)	13.0	33.9	2.0	48.9

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, 2006	Thousands of U.S.dollars			
	North America	Asia	Other	Total
Sales to foreign customers	$159,871	$416,396	$24,755	$601,022
Net sales	—	—	—	1,228,875
Ratio of sales to foreign Customers (%)	13.0	33.9	2.0	48.9

16. Related Party Transactions

During the years ended March 31, 2006 and 2005, the Company and its consolidated subsidiaries had operational transaction with Toshiba Corporation, a 33.9% shareholder of the Company. A summary of the significant transaction with Toshiba Corporation for the year ended, March 31, 2006 is as follows. There were no transaction with Toshiba Corporation for the year ended March 31, 2005.

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
For the year:			
Sales of investment in	**¥2,400**	—	**$20,431**
consolidated subsidiaries	**¥2,400**	—	**$20,431**

17. Accounting Changes

(a) Accounting standard for the impairment of fixed assets

In the year ended March 31, 2006, the Company has adopted new accounting standards for the impairment of fixed assets in accordance with “ Accounting Standards for the Inpairment of Fixed Assets ” and “ Implementation Guidance for Accounting Standards for the Impairment of fixed assets ”.

The effect on net income of the adoption of this new accounting standard was nil for the year ended March 31, 2006.

(b) Accounting standard for employee retirement and severance benefits

In the year ended March 31, 2006, the Company adopted the partial amendment of “ Corporate Accounting Standard No. 3 regarding Employee Retirement and Severance Benefits ” issued on March 16, 2005.

The effect on net income of the adoption of this new accounting standard was nil for the year ended March 31, 2006.

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, 2006 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 Toshiba Machine Co., Ltd. and consolidated subsidiaries at March 31, 2006 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, 2006 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 28, 2006

Ernst & Young ShinNihon

Directors & Auditors

Directors

President

Reiji Nakajima

Senior Managing Director

Kosei Takeyama

Managing Directors

Yoshi Atobe

Mitsuji Yokoyama

Directors

Hideo Tanaka

Fumihisa Yano

Hiroshi Hanai

Masaki Ikuta

Akinori Ide

Yukio Iimura

Auditors

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