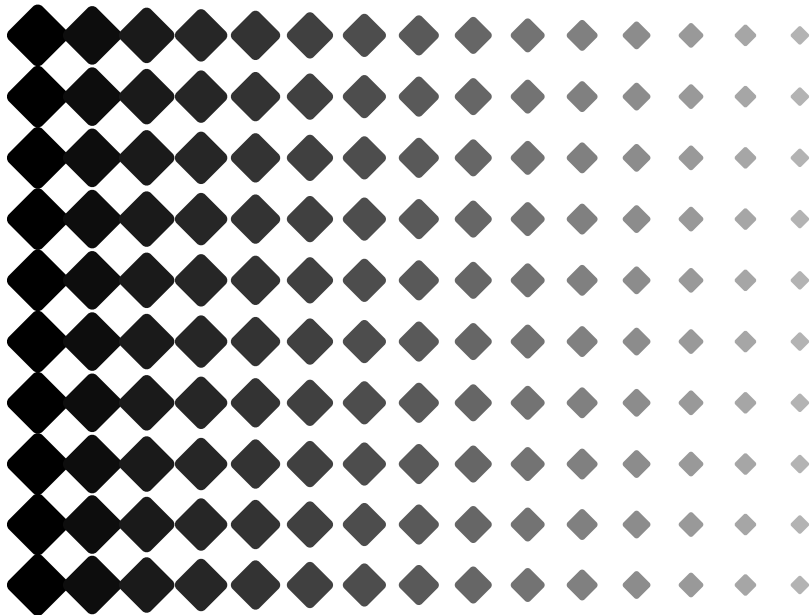


2007

Annual Report



TOSHIBA MACHINE

Contents

<i>1</i>	An Outline of the Toshiba Machine Group
	Corporate Information
<i>2</i>	Foreword
<i>4</i>	Financial Highlights (consolidated)
<i>5</i>	Overseas Operations for Fiscal 2007
<i>6</i>	Overseas Offices
	Financial Review
<i>8</i>	Consolidated Balance Sheets
<i>10</i>	Consolidated Statements of Income
<i>11</i>	Consolidated Statements of Changes in Net Assets
<i>12</i>	Consolidated Statements of Cash Flows
<i>13</i>	Notes to Consolidated Financial Statements
<i>24</i>	Report of Independent Auditors
<i>25</i>	Directors & Auditors

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, 2007)

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:	11,063
Number of employees:	1,626 (Consolidated: 3,435)

Foreword

Spurred by an increase in private-sector plant and equipment investment and a steady escalation in exports, despite concern over soaring crude oil prices, the Japanese domestic economy for the fiscal year under review continued to expand moderately.

Overseas, China continued to lead the Asian region with strong robust growth, while the other Asian nations having been undergoing a period of transition also resulted in favorable business conditions. The United States, despite a decline in some industries, continued in its general economic expansion, while Europe also maintained its overall business upturn.

The Japanese domestic machine industry continued to experience favorable conditions due to an increase in plant and equipment investment and exports.

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, and pioneer new domestic and overseas growth markets for their injection molding machines, die-casting machines, plastic extrusion machines, machine tools, semiconductor manufacturing equipment, hydraulic equipment and electronic control equipment, which resulted in a 16.4% increase over the previous term in consolidated total orders received, totaling ¥185,146 million (US\$1,568 million). Consolidated net sales in virtually every division, increased in tandem with consolidated total orders received resulting in a 13.9% increase over the previous term, totaling ¥164,385 million (US\$1,393 million). (An exchange rate of US\$1.00 = ¥118.05 shall be used throughout this report)

In combination with the increased sales of our products, including various molding machines, machine tools, semiconductor manufacturing equipment and electronic control equipment, our business rationalization efforts resulted in a 26.4% increase over the previous term in consolidated pre-tax profits totaling ¥19,721 million (US\$167 million) and a 3.3% increase over the previous term in net consolidated profits totaling ¥10,828 million (US\$92 million), our fourth consecutive year of increased revenue and fifth consecutive year of increased profits. Consolidated total orders received, consolidated net sales and consolidated profit all showed the highest record ever.

Hence, we are pleased to announce that a fiscal year end dividend of ¥6.00 (US\$0.05) per share was distributed to our stockholders for the period ending on March 31, 2007, for a total annual dividend of ¥12 (US\$0.1) per share, the same as in the previous term.

In addition to our subsidiary established last year in New Delhi, India, a marketing and servicing base was also established on August 1, 2006 in Ho Chi Minh, Vietnam to further reinforce our overseas strategy.

Although generally favorable conditions for our products is expected to continue for the foreseeable future, many uncertainties remain such as volatile energy costs, rise in interest rates and an international economic slowdown.

Under such business conditions, the Toshiba Machine Group implemented their ACTION PROGRAM G1500 II last year to improve the quality of their business in new markets for the further enhancement of business performance and profitability. Furthermore, on April 1, 2007, the Toshiba Machine Group also implemented their TOSHIBA MACHINE ACTION PROGRAM GIII (TM-AP GIII) along with continued execution of their strategy based on various reforms, marketing systems and advanced technologies, as well as reorganization and renewal of their production facilities, 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 ISO14001 standards, while as a responsible corporate citizen, training and educating of their workforce in the observance of all rules and regulations and fulfillment of all social responsibilities.



Reiji Nakajima
President

July, 2007

FINANCIAL HIGHLIGHTS (consolidated)

	2007	2006	2005	2004	2003
Net sales	¥164,386	¥144,356	¥123,573	¥110,658	¥97,297
	\$1,392,512				
Cost of sales	¥109,801	¥98,394	¥85,598	¥77,627	¥68,455
	\$930,123				
Selling, general and administrative expenses	¥34,078	¥29,411	¥25,742	¥25,430	¥25,786
	\$288,674				
Operating income	¥20,507	¥16,551	¥12,233	¥7,601	¥3,056
	\$173,715				
Income before income taxes and minority interests	¥19,750	¥16,715	¥10,178	¥5,104	¥1,239
	\$167,302				
Income taxes	¥8,437	¥5,995	¥2,940	¥817	¥193
	\$71,470				
Net income	¥10,829	¥10,482	¥7,093	¥4,153	¥1,052
	\$91,732				
Per common share:					
Net income	¥65.80	¥63.16	¥42.48	¥24.71	¥6.29
	\$0.56				
Cash dividends	¥12.00	¥12.00	¥7.00	¥4.00	¥3.00
	\$0.10				
Total assets	¥188,046	¥172,477	¥145,057	¥148,309	¥136,278
	\$1,592,935				
Net assets	¥71,029	¥60,347	¥47,624	¥42,230	¥37,525
	\$601,686				
Capital expenditure (property, plant and equipment)	¥4,193	¥3,096	¥2,004	¥1,774	¥1,275
	\$35,519				
Depreciation	¥2,086	¥1,891	¥1,825	¥1,800	¥2,050
	\$17,670				
R & D Cost	¥3,557	¥2,808	¥2,512	¥3,194	¥2,587
	\$30,131				
Number of employees	3,435	3,336	3,310	3,068	3,380

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

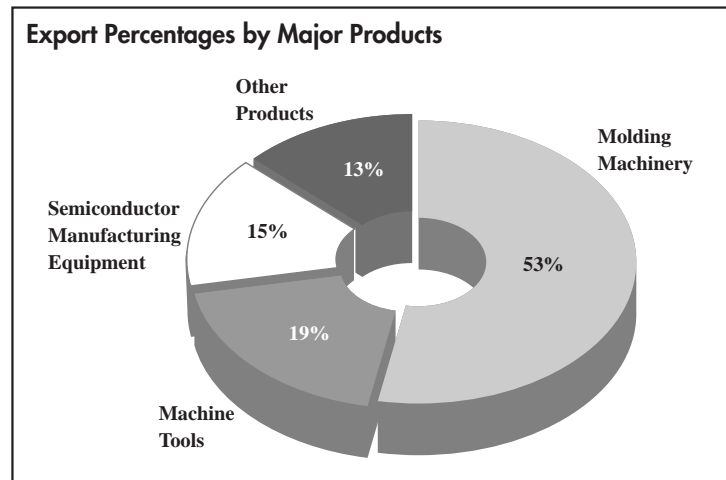
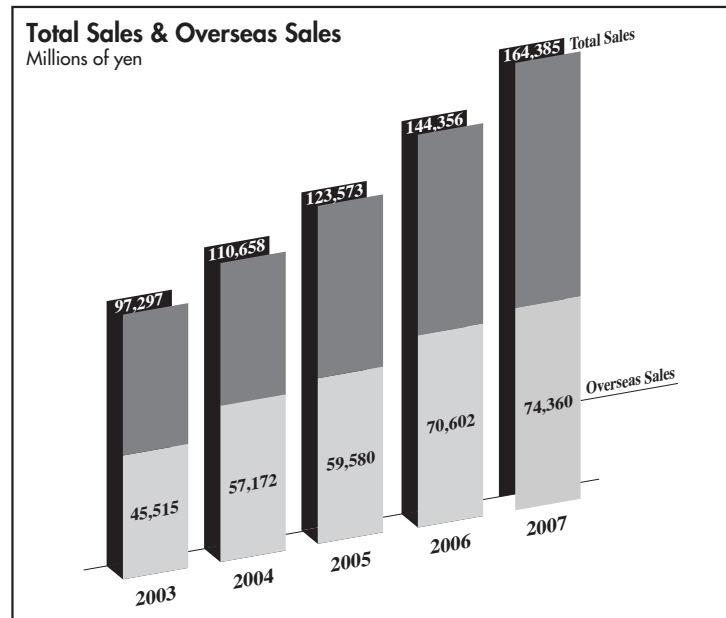
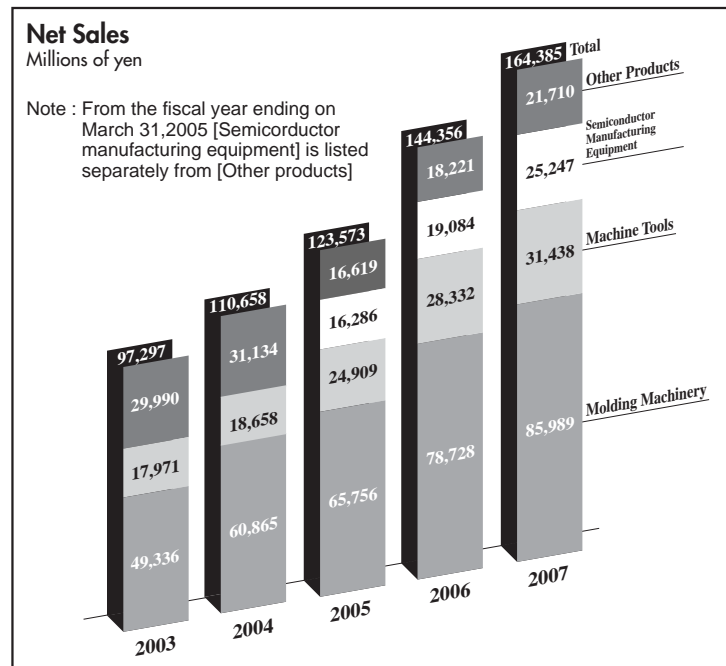
Overseas Operations for Fiscal 2007

During the fiscal year 2007, China continued to lead the region with its robust economy with other Asian nations also experiencing favorable business conditions. The United States economy, despite a decline in certain selected industries, continued in its overall expansion, while Europe continued in its gradual economic recovery.

Under such economic conditions, increased foreign demand for our products resulted in total consolidated overseas sales of ¥74,360 million (US\$630 million), an increase of 5.3% over the previous year, contributing to approximately 45.2% 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 and Thailand, being our most important markets.

In the future, 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.



Overseas Offices

■ North America ■

TOSHIBA MACHINE CO., AMERICA **Chicago Head Office**

755 Greenleaf Avenue,
Elk Grove Village, IL 60007, U.S.A.
Tel : [1]-847-593-1616
Fax : [1]-847-593-0897
URL <http://www.toshiba-machine.com/>

Los Angeles Office

1440 South Balboa Avenue,
Ontario, CA 91761, U.S.A.
Tel : [1]-909-923-4009
Fax : [1]-909-923-7258

New Jersey Office

1578 Sussex Turnpike, Randolph,
NJ 07869, U.S.A.
Tel : [1]-973-252-9956
Fax : [1]-973-252-9959

Atlanta Office

6478 Putnam Ford Drive, Suite
#106, Woodstock, GA 30189, U.S.A.
Tel : [1]-678-494-8005
Fax : [1]-678-494-8006

New York Office

10 Corporate Park Drive, Suite C,
Hopewell Junction, NY 12533, U.S.A.
Tel : [1]-845-896-0692
Fax : [1]-845-896-1724

TOSHIBA MACHINE MACHINERY CO., LTD.

Canada Branch

6 Shields Court, Suite 101, Markham,
Ontario, L3R 4S1, CANADA
Tel : [1]-905-479-9111
Fax : [1]-905-479-6098
URL <http://www.toshibamachine.on.ca/>

■ Europe ■

TOSHIBA MACHINE (EUROPE) G.m.b.H. **Head Office**

Karl-Arnold-Strasse 2a, 47877
Willich-Münchheide, GERMANY
Tel : [49]-(0)2154-9275-0
Fax : [49]-(0)2154-9275-75

U.K. Branch

60 Burners Lane, Kiln Farm,
Milton Keynes MK11 3HD
UNITED KINGDOM
Tel : [44]-(0)1908-562327
Fax : [44]-(0)1908-562348

■ South East Asia ■

TOSHIBA MACHINE S.E. ASIA PTE. LTD. **Head Office**

No. 24 Tuas Avenue 4,
Singapore 639374, SINGAPORE
Tel : [65]-68611455
Fax : [65]-68612023

Kuala Lumpur Branch

70-G, Jalan SS21/62,
Damansara Utama, 47400 Petaling Jaya,
Selangor Darul Ehsan, MALAYSIA
Tel : [60]-(0)3-77297544
Fax : [60]-(0)3-77297545

Penang Office

No. 61, Jalan Prai Jaya 4,
Bandar Prai Jaya, 13600 Prai, Penang,
MALAYSIA
Tel : [60]-(0)4-3980086
Fax : [60]-(0)4-3989652

Hanoi Office

43A-Ngo Quyen Street, Hoan Kiem
District, Hanoi, VIETNAM
Tel : [84]-(0)4-936-7278-9
Fax : [84]-(0)4-936-7365

Ho Chi Minh Office

E Town Bldg. 8th Floor, Unit 364, Cong
Hoa Street, Tan Binh District,
Ho Chi Minh City, VIETNAM
Tel : [84]-(0)8-810-8658
Fax : [84]-(0)8-810-8657

TOSHIBA MACHINE (THAILAND) CO., LTD. **TMT SERVICE & ENGINEERING CO., LTD.**

127/28 Panjathane Tower, 23rd Floor,
Nonthree Road,
Khwaeng Chong Nonthree,
Khet Yannawa, Bangkok, 10120,
THAILAND
Tel : [66]-(0)2-681-0158
Fax : [66]-(0)2-681-0162

Chonburi Branch

656 Sukumvit Road, Tambol Seansuk,
Ampur Muang, Chonburi 20130,
THAILAND
Tel : [66]-(0)38-341-670
Fax : [66]-(0)38-341-759

■ East Asia ■

SHANGHAI TOSHIBA MACHINE CO., LTD.

Head Office

4788, Jin Du Road,
Xinzhuang Industry Zone,
Shanghai, 201108,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)21-5442-0606
Fax : [86]-(0)21-5866-2450

1F Block, 223 Fu Te Bei Street,
Wai Gao Qiao Free Trade Zone,
Shanghai, 200131,
PEOPLE'S REPUBLIC OF CHINA

Beijing Office

Beijing Fortune Building, Room No. 2014,
5 Dong Sanhuan Bei-Lu, Chaoyang
District, Beijing, 100004,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)10-6590-8977
Fax : [86]-(0)10-6590-8979

Tianjin Office

12-32, Xinchuiyuan, Youyinan Road,
Hexi District, Tianjin, 300221,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)22-8836-3056
Fax : [86]-(0)22-2416-0380

Suzhou Office

112, Jin Di Ming Yuan, No. 168 Jie Fang
Xi Road, Suzhou, 215007,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)512-6855-0387
Fax : [86]-(0)512-6855-0562

Dalian Office

No. 171-8, Dongbei Avenue,
Development Zone, Dalian, 116600,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)411-8732-7911
Fax : [86]-(0)411-8732-6899

Guangzhou Office

Room 707, No.93, Linhexi Road, Tianhe
District, Guangzhou, 510610,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)20-8755-1180
Fax : [86]-(0)20-8755-1185

Xiamen Office

Room A303, Xinxin Jingdi Building,
No.396 Jia He Road, Huli District,
Xiamen, 361009,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)592-5596-381
Fax : [86]-(0)592-5596-382

TOSHIBA MACHINE (SHANGHAI) CO., LTD.

4788, Jin Du Road,
Xinzhuang Industry Zone,
Shanghai, 201108,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)21-5442-5455
Fax : [86]-(0)21-5442-5466

TOSHIBA MACHINE HONG KONG LTD.

Head Office

Suite 1010, 10th Floor, Tower 3, China
Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, HONG KONG
Tel : [852]-2735-1868
Fax : [852]-2735-1872

Shenzhen Office

Room 1215-1217, 12/F., Xihaimingzhu
Building, 1 Taoyuan Road, Nanshan
District, Shenzhen, 518052,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)755-8625-0110
Fax : [86]-(0)755-8625-0112

TOSHIBA MACHINE TAIWAN CO., LTD.

No. 62, Lane 188, Jui-Kuang Road,
Nei-Hu District, Taipei, TAIWAN
Tel : [886]-(0)2-2659-6558
Fax : [886]-(0)2-2659-6381

**NuFlare Technology, Inc.
Korea Branch**

4F Wonchang Bldg. 1000-2, 3,
Yeongtong-dong, Yeongtong-Gu,
Suwon Si, Gyeonggi-Do, 443-813, Korea
Tel : [82]-(0)70-7017-1136
Fax : [82]-(0)31-202-0435

■ South Asia ■

TOSHIBA MACHINE (INDIA) PVT. LTD.

No.1006, Antriksh Bhawan22, Kasturba
Gandhi Marg, New Delhi, 110001,
INDIA
Tel : [91]-(0)11-6632-6159
Fax : [91]-(0)11-6632-6161

Financial Review

CONSOLIDATED BALANCE SHEETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2007 and 2006

ASSETS	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Current assets:			
Cash and time deposits (Note 13)	¥36,028	¥39,410	\$305,193
Notes and accounts receivable, trade	65,328	56,142	553,393
Allowance for doubtful receivables	(449)	(433)	(3,803)
Net receivables	64,879	55,709	549,590
Inventories:			
Finished products	3,510	3,032	29,733
Work in process	37,072	31,670	314,036
Raw materials and supplies	1,067	2,207	9,039
Total inventories	41,649	36,909	352,808
Deferred tax assets (Note 12)	2,779	2,540	23,541
Other current assets	2,416	1,337	20,464
Total current assets	147,751	135,905	1,251,596
Property, plant and equipment, net (Notes 6 and 11)	25,393	22,844	215,104
Intangible Assets	824	735	6,980
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates	193	153	1,635
Other securities (Note 5)	11,916	11,488	100,940
Long-term loans	243	282	2,058
Deferred tax assets (Note 12)	612	342	5,184
Other investments	1,114	728	9,438
Total investments and other assets	14,078	12,993	119,255
Total assets	¥188,046	¥172,477	\$1,592,935

See accompanying notes to financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Current liabilities:			
Short-term bank loans (Notes 7 and 11)	¥21,707	¥26,809	\$183,880
Current portion of long-term debt (Notes 7 and 11)	1,100	1,538	9,318
Notes and accounts payable, trade	49,480	40,992	419,144
Income taxes payable (Note 12)	5,403	5,323	45,769
Accrued expenses	7,296	6,240	61,804
Warranty reserve	113	88	957
Other current liabilities	8,302	6,885	70,326
Total current liabilities	93,401	87,875	791,198
Long-term liabilities:			
Long-term debt (Notes 7 and 11)	10,150	9,840	85,981
Deferred tax liabilities (Note 12)	3,198	2,937	27,090
Accrued employees' retirement benefits (Note 8)	10,268	9,116	86,980
Total long-term liabilities	23,616	21,893	200,051
Total liabilities	117,017	109,768	991,249
Contingent liabilities (Note 9)			
Net assets:			
Shareholders' equity: (Note 16)			
Common stock			
Authorized – 360,000,000 shares			
Issued – 166,885,530 shares	12,485	12,485	105,760
Additional paid-in capital	19,601	19,538	166,040
Retained earnings	31,895	23,423	270,182
Treasury stock, at cost (2,824,714 shares in 2007, 1,717,748 shares in 2006)	(2,072)	(693)	(17,552)
Total shareholders' equity	61,909	54,753	524,430
Valuation and translation adjustments:			
Unrealized holding gain on securities, net of tax	6,010	5,753	50,911
Deferred gains or losses on hedge	14	—	119
Foreign currency translation adjustments	(0)	(159)	(0)
Total valuation and translation adjustments	6,024	5,594	51,030
Minority interest in consolidated subsidiaries:	3,096	2,362	26,226
Total net assets	71,029	62,709	601,686
Total liabilities and net assets	¥188,046	¥172,477	\$1,592,935

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Net sales	¥164,386	¥144,356	\$1,392,512
Cost of sales (Note 16)	109,801	98,394	930,123
Gross profit	54,585	45,962	462,389
Selling, general and administrative expenses (Notes 14 and 16)	34,078	29,411	288,674
Operating income	20,507	16,551	173,715
Other income:			
Interest and dividends	228	129	1,931
Exchange gain	357	584	3,024
Gain on sales of property, plant and equipment	—	714	—
Gain on sales of investment in consolidated subsidiaries	517	1,366	4,380
Gain on sales of investment in securities	22	120	186
Gain on sales of golf membership	20	—	169
Others	559	422	4,736
	1,703	3,335	14,426
Other expenses and losses:			
Interest	514	471	4,354
Loss on sale of bill	123	84	1,042
Amortization of transitional obligation for employee's retirement benefits (Note 7)	818	818	6,929
Loss on disposal of property, plant and equipment	198	174	1,677
Loss on impairment of fixed assets	33	—	280
Allotment of transfer construction (Note 15)	300	—	2,541
Loss on settlement of dispute (Note 15)	—	915	—
Others	474	709	4,016
	2,460	3,171	20,839
Income before income taxes and minority interest	19,750	16,715	167,302
Income taxes (Note 12)			
Current	8,802	7,189	74,562
Deferred	(365)	(1,194)	(3,092)
	8,437	5,995	71,470
Income before minority interest	11,313	10,720	95,832
Minority interest in income of consolidated subsidiaries	484	238	4,100
Net income	¥10,829	¥10,482	\$91,732
	Yen		U.S. dollars
Net income per share of common stock	¥65.80	¥63.16	\$0.56

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2007 and 2006

Millions of yen									
	Number of Shares	Common Stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities, net	Deferred gains or losses on hedge	Translation adjustments	Minority Interest in consolidated subsidiaries
Balance at March 31, 2005	166,885,530	¥12,485	¥19,405	¥14,461	(¥821)	¥2,747	—	(¥653)	¥809
Net income				10,482					
Exchange of stock for shares of affiliated company			133						
Purchase of treasury stock					(14)				
Disposal of treasury stock					142				
Cash dividends				(1,485)					
Bonuses to directors and statutory auditors				(35)					
Net changes in items other than shareholders' equity						3,006		494	1,553
Balance at March 31, 2006	166,885,530	12,485	19,538	23,423	(693)	5,753	—	(159)	2,362
Net income				10,829					
Purchase of treasury stock					(1,474)				
Disposal of treasury stock			63		95				
Cash dividends				(2,306)					
Bonuses to directors and statutory auditors				(51)					
Net changes in items other than shareholders' equity						257	14	159	734
Balance at March 31, 2007	166,885,530	¥12,485	¥19,601	¥31,895	(¥2,072)	¥6,010	14	(¥0)	¥3,096

	Thousands of U.S. dollars							
	Common Stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities,net	Deferred gains or losses on hedge	Translation adjustments	Minority Interest in consolidated subsidiaries
Balance at March 31, 2006	\$105,760	\$165,506	\$198,416	(\$5,870)	\$48,734	—	(\$1,347)	\$20,008
Net income			91,732					
Purchase of treasury stock				(12,486)				
Disposal of treasury stock		534		804				
Cash dividends			(19,534)					
Bonuses to directors and statutory auditors			(432)					
Net changes in items other than shareholders' equity					2,177	119	1,347	6,218
Balance at March 31, 2007	\$105,760	\$166,040	\$270,182	(\$17,552)	\$50,911	\$119	(\$0)	\$26,226

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Operating Activities:			
Income before income taxes and minority interest	¥19,750	¥16,715	\$167,302
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	2,086	1,891	17,670
Allowance for doubtful receivables	17	2	144
Warranty reserve	25	3	212
Employees' retirement benefit, less payments	1,152	1,113	9,759
Gain on sales of investment securities	(22)	(120)	(186)
Gain on sale of investment in consolidated subsidiaries	(517)	(1,366)	(4,380)
Interest and dividend income	(228)	(129)	(1,931)
Interest expense	514	471	4,354
Loss (gain) on sales and disposal of property, plant and equipment	193	(540)	1,635
Loss on settlement of dispute	—	915	—
Changes in operating assets and liabilities:			
Notes and accounts receivables, trade	(9,185)	(3,565)	(77,806)
Inventories	(4,740)	(5,233)	(40,152)
Notes and accounts payables, trade	8,488	6,213	71,902
Advances received	1,299	2,012	11,004
Accrued expenses	1,072	499	9,081
Others	(115)	2,229	(975)
Sub total	19,789	21,110	167,632
Interest and dividend income received	228	129	1,931
Interest expense payments	(529)	(465)	(4,481)
Loss on settlement of dispute	—	(1,181)	—
Income taxes paid	(8,743)	(6,320)	(74,062)
Others	(124)	(84)	(1,050)
Net cash provided by operating activities	10,621	13,189	89,970
Investing Activities:			
Acquisition of investment securities	(97)	(22)	(821)
Proceeds from sales of investment securities	47	181	398
Proceeds from sales of investment in consolidated subsidiaries	795	2,400	6,734
Purchases of property, plant and equipment	(5,173)	(2,330)	(43,820)
Proceeds from sales of property, plant and equipment	47	844	398
Payments of long-term loan receivables	(23)	(15)	(195)
Repayments of long-term loan receivables	62	67	525
Others	(735)	(111)	(6,226)
Net cash provided by (used in) investing activities	(5,077)	1,014	(43,007)
Financing Activities:			
Increase (decrease) in short-term bank loans	(3,602)	357	(30,512)
Repayments of long-term debt	(1,628)	(761)	(13,791)
Purchases of treasury stock	(1,474)	(15)	(12,486)
Cash dividends paid	(2,306)	(1,485)	(19,534)
Others	(74)	(3)	(627)
Net cash used in financing activities	(9,084)	(1,907)	(76,950)
Effect of exchange rate changes on cash and cash equivalents	158	495	1,338
Net cash increased in cash and cash equivalents	(3,382)	12,791	(28,649)
Cash and cash equivalents at the beginning of year	39,410	26,619	333,842
Cash and cash equivalents at end of year (Note 13)	¥36,028	¥39,410	\$305,193

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 balance sheets, statements of income, changes in net assets 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 immaterial subsidiaries are not consolidated, but stated at cost.

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

The cost in excess of 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.

(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 consolidated subsidiaries 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 debt 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 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 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) Warranty reserve

Warranty reserve has been provided for at the estimated amount of the incurred during the warranty period based on historical experience.

(g) Employees Bonuses

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

(h) Depreciation of property, plant and equipment

Depreciation of buildings is principally computed, 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.

(i) 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.

(j) 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.

(k) Derivative financial instruments

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

(l) Income Taxes

The Companies accrue current income taxes based on taxable income.

The Companies 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 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.

(m) Employees' Retirement Benefits

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

(n) 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.

(o) 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.

(p) 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.

(q) Reclassifications

Certain accounts in the consolidated financial statements for the year ended March 31, 2006 have been reclassified to conform to the 2007 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 ¥118.05=U.S.\$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2007. This translation should not be construed as a representation that the yen amounts actually represent, have been, or could be converted into U.S. dollars.

4. Accounting Changes

(a) Accounting standard for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Company adopted “accounting standard for presentation of net assets in the balance sheet” and related implementation guidelines.

Due to the adoption of this accounting standard, minority interests are included in net assets at March 31, 2007. Under the previous presentation rules, minority interests were presented as a separate component the consolidated balance sheet.

In addition, preparation of a consolidated statement of changes in net assets has been required, instead of a consolidated statement of shareholders’ equity, for the year ended March 31, 2007.

In this connection, the consolidated balance sheet as of March 31, 2006 and the consolidated statement of shareholders’ equity for the year ended March 31, 2006 have been reclassified to conform to the presentation and disclosure of consolidated financial statements as of and for the year ended March 31, 2007.

For the year ended March 31, 2007, the amount of shareholders’ equity would have been ¥67,918 million (US\$575,332 thousand) if the previous year’s presentation were applied

(b) Accounting standard for directors’ bonuses

In the year ended March 31, 2007, the Company adopted “accounting standard for directors bonuses” and changed to provide for bonuses to directors and corporate auditors at the end of the fiscal year to which such bonuses are attributable.

The effect of the adoption of this new accounting standard on operating income for the year ended March 31, 2007 was ¥65 million (US\$551 thousand).

(c) 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 Impairment 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.

(d) 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.

5. Securities

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

	Millions of yen					
	2007			2006		
	Acquisition cost	Carrying value	Unrealized gains	Acquisition cost	Carrying value	Unrealized gains
Equity securities	¥1,816	¥11,723	¥9,907	¥1,820	¥11,371	¥9,551
	¥1,816	¥11,723	¥9,907	¥1,820	¥11,371	¥9,551
Thousands of U.S. dollars						
2007						
	Acquisition cost	Carrying value	Unrealized gains			
Equity securities	\$15,383	\$99,305	\$83,922			
	\$15,383	\$99,305	\$83,922			

Non-marketable securities classified as other securities primary consist of non-marketable equity securities of ¥193 million (US\$1,635) and ¥116 million as of March 31, 2007 and 2006, respectively.

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Land	¥6,062	¥6,071	\$51,351
Buildings and structures	32,171	30,783	272,520
Machinery and equipment	31,899	30,193	270,216
Vehicles	565	565	4,786
Tools, furniture and fixtures	7,701	7,546	65,235
Construction in progress	1,286	1,439	10,894
	79,684	76,597	675,002
Less accumulated depreciation	(54,291)	(53,753)	(459,898)
	¥25,393	¥22,844	\$215,104

Depreciation expense for the years ended March 31, 2007 and 2006 were ¥ 2,086 million (\$ 17,670 thousand) and ¥ 1,891 million, respectively.

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

The annual interest rates applicable to the short-term bank loans outstanding on March 31, 2007 and 2006 ranged principally from 1.08% to 6.59% and from 0.55% to 5.56%, respectively. Long-term debt on March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Loans, principally from Japanese banks and insurance companies maturing 2008 – 2011, interest 1.00 % - 1.90 %	¥11,250	¥11,378	\$95,299
	11,250	11,378	95,299
Less current portion	1,100	1,538	9,318
	¥10,150	¥9,840	\$85,981

The aggregate annual maturities of long-term debt at March 31, 2007 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥1,100	\$9,318
2009	8,650	73,274
2010	—	—
2011	—	—
2012 and later	1,500	12,706
	¥11,250	\$95,298

8. 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, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	¥18,984	¥18,688	\$160,813
Fair value of plan assets	(816)	(807)	(6,912)
Unfounded status	18,168	17,881	153,901
Unrecognized transitional obligation	(6,375)	(7,193)	(54,003)
Unrecognized actuarial loss	(1,525)	(1,572)	(12,918)
Accrued retirement benefits obligation	¥10,268	¥9,116	\$86,980

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service cost	¥1,110	¥1,033	\$9,403
Interest cost	316	316	2,677
Expected return on plan assets	(18)	(7)	(152)
Amortization of transitional obligation	818	818	6,929
Recognized actuarial loss	285	280	2,414
	¥2,511	¥2,440	\$21,271

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:

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	1.0%
Amortization period of transitional obligation	15 years	15 years
Amortization period of actuarial loss/gain	10 years	10 years

9. Contingent Liabilities

On March 31, 2007, 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 ¥272 million (\$2,304 thousand) and ¥1,136 million (\$9,623 thousand), respectively.

10. 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, 2007 and 2006, 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
	2007	2006	2007
Acquisition Costs			
Machinery, equipment and vehicles	¥2,781	¥910	\$23,558
Tools, furniture and fixtures	1,551	1,840	13,138
Less-Accumulated depreciation	(1,835)	(1,408)	(15,544)
Net book value	¥2,497	¥1,342	\$21,152

Future lease payments (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases are as follows:

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Due within one year	¥818	\$6,929
Due after one year	1,679	14,223
	¥2,497	\$21,152

Periodic lease charges, as a lessee, charged to income for the years ended March 31, 2007 and 2006 were ¥ 906 million (\$7,675 thousand) and ¥ 589 million, respectively. The pro forma amounts of depreciation for the year ended March 31, 2007 and 2006, would be calculated at ¥906 million (\$7,675 thousand) and ¥589 million by using the straight-line method over the lease term with no salvage value.

11. Pledged Assets

The following assets were pledged as collateral at March 31, 2007 to secure short-term bank loans amounting to ¥2 million (\$17 thousand), (See Note 7).

	Millions of yen	Thousands of U.S. dollars
Land	¥581	\$4,922
Machinery and equipment, net	502	4,252
Buildings, net	2,821	23,897
	¥3,904	\$33,071

12. 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, 2007 and 2006 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, 2007 and 2006 are as follows:

	2007	2006
Statutory tax rate	39.8 %	39.8 %
Per-capita portion of Inhabitant Tax	0.2	0.3
Non-taxable revenue	0.5	0.1
Non-deductible expenses	0.3	0.3
Unrealized intercompany profit on fixed assets	(0.0)	(0.2)
Change in valuation allowance	2.9	(0.2)
Difference in tax rates of consolidated subsidiaries	(1.3)	(1.0)
Other	0.3	(3.2)
Effective tax rate	42.7 %	35.9 %

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Accrued employees bonuses	¥1,509	¥1,324	\$12,783
Allowance for doubtful receivables	106	129	898
Devaluation of inventories	182	170	1,542
Devaluation of securities	199	226	1,686
Accrued employees' retirement benefits	3,578	2,866	30,309
Unrealized gain on inventories	389	320	3,295
Other	1,294	1,023	10,961
Total deferred tax assets	¥7,257	¥6,058	\$61,474
Valuation allowance	(2,917)	(2,097)	(24,710)
Net deferred tax assets	¥4,340	¥3,961	\$36,764
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	(207)	(218)	(1,753)
Unrealized gain on securities	(3,930)	(3,797)	(33,291)
Gain on deferred hedging	(10)	—	(85)
Deferred tax liabilities	(¥4,147)	(¥4,015)	(\$35,129)
Net deferred tax assets (liabilities)	(¥193)	(¥54)	(\$1,635)

13. 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, 2007 and 2006 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and time deposits	¥36,028	¥39,410	\$305,193
Cash and cash equivalents	¥36,028	¥39,410	\$305,193

14. Selling, general and administrative expenses

Major components of selling, general and administrative expenses at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Sales commission	¥2,511	¥2,567	\$21,271
Delivering expense	3,794	3,297	32,139
Reserve for warranty	25	3	211
Personal expense	13,138	11,836	111,292
Employees' benefit costs	706	515	5,981
Depreciation	679	550	5,752
Rental expense	1,117	932	9,462
Traveling expense	1,474	1,291	12,486
Research and development expense	2,949	2,032	24,981
Subcontract processing expense	1,393	1,184	11,800
Others	6,292	5,204	53,299

15. Other expenses

Allotment of transfer construction

It is an unexpected costs on malfunction of the machines delivered.

Loss on settlement of dispute

It is settlement compensation for the loss on damage caused by the machine tools delivered money in the TOSHIBA MACHINE COMPANY, AMERICA, a consolidated subsidiary.

16. Research and development costs

Research and development costs charged to income were ¥3,557 million (\$30,131 thousand) and ¥2,808 million for the years ended March 31, 2007 and 2006, respectively.

17. 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.

18. 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, 2007

Millions of yen

	Molding Machinery	Machine Tools	Semiconductor Equipment	Other Products	Eliminations and/or corporate	Consolidated
Sales	¥86,053	¥31,822	¥25,263	¥26,260	¥(5,012)	¥164,386
Operating expenses	75,628	27,388	22,630	23,487	(5,254)	143,879
Operating income	10,425	4,434	2,633	2,773	242	20,507
Identifiable assets	76,041	31,930	32,489	38,137	9,449	188,046
Depreciation	1,076	240	317	453	—	2,086
Capital expenditure	1,034	345	1,715	1,099	—	4,193

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, 2007

Thousands of U.S.dollars

	Molding Machinery	Machine Tools	Semiconductor Equipment	Other Products	Eliminations and/or corporate	Consolidated
Sales	\$728,954	\$269,564	\$214,003	222,448	\$(42,457)	\$1,392,512
Operating expenses	640,644	232,003	191,698	198,958	(44,506)	1,218,797
Operating income	88,310	37,561	22,305	23,490	2,049	173,715
Identifiable assets	644,142	270,479	275,214	323,058	80,042	1,592,935
Depreciation	9,115	2,033	2,685	3,837	—	17,670
Capital expenditure	8,759	2,922	14,528	9,310	—	35,519

The Company and its domestic subsidiaries adopted "Accounting standard for directors' Bonuses" effective from the year ended March 31, 2007. As a result, operating expenses increased by ¥39 million (US\$330 thousand) in Molding Machinery. ¥ 8 million (US\$68 thousand) in Machine Tools. ¥4 million (US\$34 thousand) in Semiconductor Equipment, and ¥14 million (US\$119 thousand) in Other Products. Operating income decreased by the same amounts accordingly.

(B) Geographic segment information of the companies for the years ended March 31, 2007 and 2006 were as follows:

Year ended March 31, 2007		Millions of yen				
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	¥158,375	¥9,802	¥12,183	¥180,360	¥(15,974)	¥164,386
Operating expenses	139,236	9,420	11,102	159,758	(15,879)	143,879
Operating income	19,139	382	1,081	20,602	(95)	20,507
Identifiable assets	161,935	5,313	8,285	175,533	12,513	188,046

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
Operating 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, 2007		Thousands of U.S.dollars				
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	\$1,341,593	\$83,033	\$103,202	\$1,527,828	\$(135,316)	\$1,392,512
Operating expenses	1,179,466	79,797	94,045	1,353,308	(134,511)	1,218,797
Operating income	162,127	3,236	9,157	174,520	(805)	173,715
Identifiable assets	1,371,750	45,006	70,182	1,486,938	105,997	1,592,935

The Company and its domestic subsidiaries adopted “Accounting standard for directors’ Bonuses” effective from the year ended March 31, 2007. As a result, operating expenses increased by ¥65 million (US\$551 thousand) in the Japan segment, and operating income decreased by the same amount accordingly.

(C) Sales to foreign customers for the years ended March 31, 2007 and 2006 were as follows:

Year ended March 31, 2007		Millions of yen			
		North America	Asia	Other	Total
Sales to foreign customers		¥18,818	¥50,170	¥5,372	¥74,360
Net sales		—	—	—	164,386
Ratio of sales to foreign Customers (%)		11.4	30.5	3.3	45.2

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, 2007		Thousands of U.S.dollars			
		North America	Asia	Other	Total
Sales to foreign customers		\$159,407	\$424,989	\$45,506	\$629,902
Net sales		—	—	—	1,392,512
Ratio of sales to foreign Customers (%)		11.4	30.5	3.3	45.2

19. Related Party Transactions

During the year ended March 31, 2006, the Company and its consolidated subsidiaries had operational transactions with Toshiba Corporation, a 34.1% 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 transactions with Toshiba Corporation for the year ended March 31, 2007.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
For the year:			
Sales of investment in consolidated subsidiaries	—	¥2,400	—
	—	¥2,400	—

Note : The third party organization calculated sales price.

20. Subsequent events

(a) Pension plan

According to the enactment of the defined contribution pension plan law, Toshiba Machine and some of its consolidated subsidiaries are to implement a defined contribution pension plan in July 1, 2007, by which the former non-contributory pension plan was terminated. Toshiba Machine and some of its consolidated subsidiaries are to apply the accounting treatment specified in the guidance issued by the accounting standards board of Japan (“ASB”). By the effect of this transfer, we will decrease income before income taxes and minority interest by ¥3,900 million (33,037 thousand) March 31, 2008.

(b) Changes of consolidated subsidiaries

The Company resolved at the board of directors on April 16, 2007 to sell the stocks of NuFlare Technology, Inc. (“NuFlare”), a consolidated subsidiary, when NuFlare goes public on the Jasdac securities exchange. As a result, NuFlare has become an affiliated company, accounted for by the equity method.

Financial data of NuFlare at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
Net assets	¥30,971	\$262,355
Net sales	23,062	195,358
Net income	1,140	9,657

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, 2007 and 2006, and the related consolidated statements of income, changes in net assets, 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, 2007 and 2006, 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.

As discussed in Note 20(a), Toshiba Machine Co., Ltd. and some of its consolidated subsidiaries have a plan to change its pension plan effective on July 1, 2007.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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 26, 2007

Ernst & Young Shin Nihon

Directors & Auditors

Directors **President**

Reiji Nakajima

Senior Managing Directors

Kosei Takeyama

Yoshi Atobe

Managing Director

Hideo Tanaka

Directors

Fumihisa Yano

Masaki Ikuta

Akinori Ide

Yukio Imura

Takateru Yoshimura

Yoshihiro Kishimoto

Auditors

Fumio Kamahora

Michio Matsumoto

Masaji Mito

Toshitake Takagi

TOSHIBA MACHINE CO., LTD.

Numazu Headquarters

2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan

TEL : 81-(0)55-926-5141

FAX : 81-(0)55-925-6501

Tokyo Main Branch

2-2, Uchisaiwaicho 2 Chome, Chiyoda-ku, Tokyo 100-8503, Japan

TEL : 81-(0)3-3509-0200

FAX : 81-(0)3-3509-0333

URL <http://www.toshiba-machine.co.jp/>

