Annual Report 2008

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, 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 energy, automobile, electronics, optics and nano technology with total satisfaction by the careful analysis and recommending of optimum-type solutions to their requirements.

Corporate Information (as of March 31, 2008)

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:	11,632
Number of employees:	1,661 (Consolidated: 3,246)

Foreword

Spurred by a dramatic increase in private-sector plant and equipment investment and underlying strength in exports due to improvement of corporate earnings, the Japanese domestic economy in the former half of the current fiscal year continued to moderately expand, however, in the latter half of the same year remained flat under unstable conditions due to concerns over recession of the U.S. economy triggered by the U.S. subprime mortgage crisis, soaring prices of crude oil and raw materials, and appreciation of the yen.

Overseas, China and other Asian nations maintained a high level of economic growth. The European economy also maintained its overall business upturn, while the United States saw slowing economic growth, affected by the subprime mortgage crisis, etc.

The machinery industry continued to enjoy favorable conditions on the whole due to an increase in plant and equipment investment and exports, in spite of a decline in some categories.

Under such circumstances, the Toshiba Machine Group, based on our corporate CS (Customer Satisfaction) policy, continued in its concerted efforts to secure orders, develop new products, and pioneer in new domestic and overseas markets.

Consolidated total orders received, however, totaled ¥155,631 million (US$1,553 million), a 15.9% decrease over the previous term. This is mainly because NuFlare Technology Inc., previously a consolidated subsidiary of the semiconductor manufacturing equipment division, is now listed as a company accounted for by the Equity Method and was excluded from the consolidated subsidiaries. When total orders received by NuFlare Technology Inc. are deducted from the previous year's consolidated total orders received, the result is ¥157,207 million (US$1,569 million), making current results a minor decrease over the previous term due to a drop in plant and equipment investment in some industries using injection molding machines, despite the increased sales of machine tools and hydraulic equipment.

Consolidated net sales, affected in the same manner as consolidated total orders received, totaled ¥148,779 million (US$1,485 million), a 9.5% decrease over the previous term. With the increased sales of die-casting machines, plastic extrusion machines, machine tools and hydraulic equipment, however, consolidated net sales increased 5.3% as compared with ¥141,323 million (US$1,411 million), excluding net sales of Nuflare Technology Inc. (An exchange rate of US$1.00=¥100.19 shall be used throughout this report)

In combination with the increased sales of our products, including various molding machines and machine tools, our business rationalization efforts resulted in a 5.4% increase over the previous term in consolidated operating income totaling ¥18,971 million (US$189 million), compared with ¥17,993 million (US$180 million) subtracting operating income of NuFlare Technology Inc. Consolidated pre-tax profit totaled ¥18,178 million (US$181 million) and consolidated net profits resulted in ¥13,910 million (US$139 million), a 28.5% increase over the previous term, including special profits from the sale of stocks held in addition to profits from normal sales activities, our sixth consecutive year of increased profits. And, consolidated income margin, consolidated recurring profit margin, and consolidated net profit margin of the current term, all showed the highest record ever.

Hence, we are pleased to announce the year-end dividend of the current fiscal year, ¥9 (US$0.09) per share (¥6 (US$0.06) for ordinary dividend and ¥3 (US$0.03) for dividend commemorating the 70th year since foundation of our company), was distributed to our stockholders for the period ending on March 31, 2008, resulting in a total annual dividend of ¥15 (US$0.15) per share.

Since June, 2007, we have cooperated with Sanjo Seiki Co., Ltd. in marketing vertical injection molding machines. To further strengthen the tie-up, we made capital participation in December, 2007.

In February, 2008, we concluded a partnership contract with KraussMaffei Technologies GmbH in Germany with an eye to developing leading-edge plastic processing machines and strengthening CS solutions on a worldwide scale.

Additionally, the hydraulic equipment division was separated to establish a new company named Hyest Corporation on April 1, 2008 in order to quickly address any change in managerial environment and market trends.

As many uncertainties remain, such as a slackened U.S. economy, skyrocketing crude oil and raw materials prices, and a strong yen and weak dollar, the situation does not allow premature conclusions.

Under such business conditions, the Toshiba Machine Group started a totally renewed midterm management plan on April 1, 2008 to continue growth toward the future under the name of TM GrowVary Plan, which signifies the Toshiba Machine Group will continue growing while globally diversifying itself according to ever-changing world circumstances.

We are determined to secure orders and improve profitability by providing leading companies, the driving forces behind growth markets, with “production means reputed for their top-ranking workmanship” specialized in “ultra-precision to ultra large-sized machines” to energetically promote global deployment. We will also promote our strategies for sales, production, technology and workforce, make every effort to realize complete management of quality and the environment based on ISO9001 and ISO14001 standards while, as a responsible corporate citizen, training and educating our workforce to forge the future of our company in observance of all rules and regulations, and fulfillment of all social responsibilities.

R. Nakajima

Reiji Nakajima
President

July, 2008

FINANCIAL HIGHLIGHTS (consolidated)

	2008	2007	2006	2005	2004
Net sales	¥148,779	¥164,386	¥144,356	¥123,573	¥110,658
	$1,484,969				
Cost of sales	¥101,628	¥109,801	¥98,394	¥85,598	¥77,627
	$1,014,353				
Selling, general and	¥28,180	¥34,078	¥29,411	¥25,742	¥25,430
administrative expenses	**$281,266**				
Operating income	¥18,971	¥20,507	¥16,551	¥12,233	¥7,601
	$189,350				
Income before income	¥20,520	¥19,750	¥16,715	¥10,178	¥5,104
taxes and minority interests	**$204,811**				
Income taxes	¥6,610	¥8,437	¥5,995	¥2,940	¥817
	$65,975				
Net income	¥13,910	¥10,829	¥10,482	¥7,093	¥4,153
	$138,836				
Per common share:					
Net income	¥86.79	¥65.80	¥63.16	¥42.48	¥24.71
	$0.87				
Cash dividends	¥15.00	¥12.00	¥12.00	¥7.00	¥4.00
	$0.15				
Total assets	¥157,998	¥188,046	¥172,477	¥145,057	¥148,309
	$1,576,984				
Net assets	¥70,004	¥71,029	¥60,347	¥47,624	¥42,230
	$698,713				
Capital expenditure	¥3,098	¥4,193	¥3,096	¥2,004	¥1,774
(property, plant and equipment)	**$30,922**				
Depreciation	¥2,170	¥2,086	¥1,891	¥1,825	¥1,800
	$21,659				
R & D Cost	¥1,742	¥3,557	¥2,808	¥2,512	¥3,194
	$17,387				
Number of employees	3,246	3,435	3,336	3,310	3,068

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

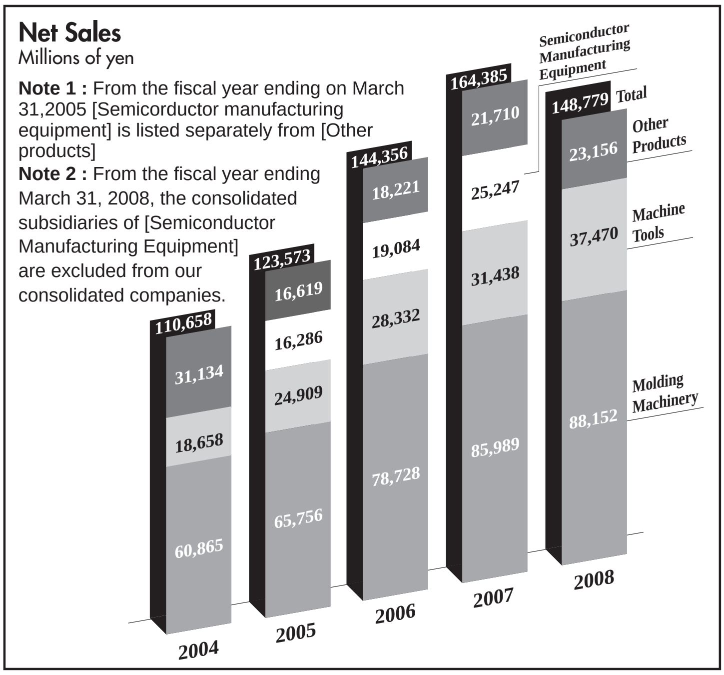
Overseas Operations for Fiscal 2008

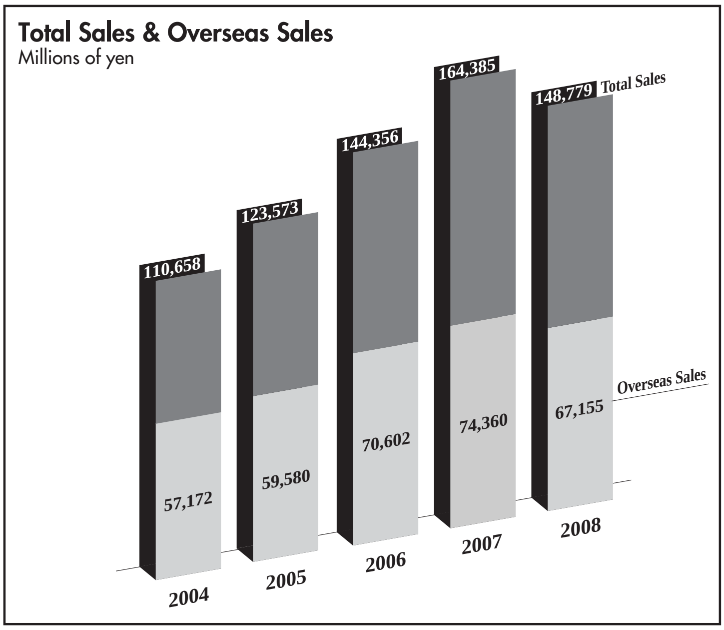
During the fiscal year 2008, China and other Asian nations continued their economic high growth. The European economy also experienced favorable business conditions, while the United States saw slowed economic growth, adversely affected by the subprime mortgage crisis and other factors.

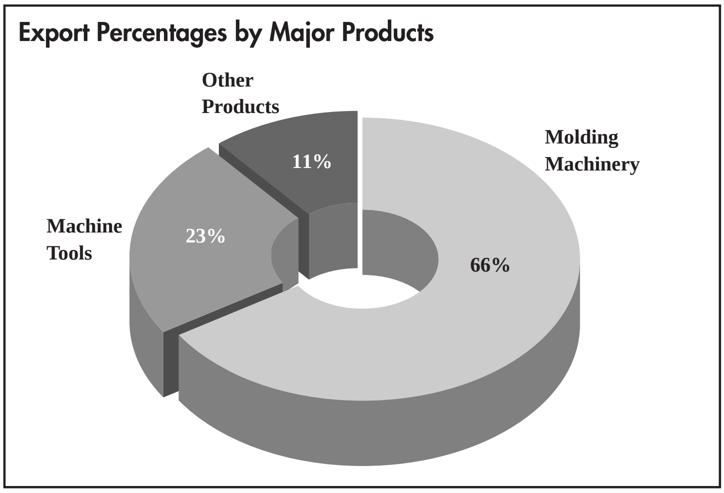
Under such economic conditions, the Toshiba Machine group made an all-out effort to secure orders, develop new products and open up new markets based on our CS (customer satisfaction) policy. As a result, total consolidated overseas sales for this term amounted to ¥67,155 million (US$670million), contributing to approximately 45.1% of total consolidated sales.

In terms of machine types, injection molding machines, die-casting machines and machine tools are our leading export products, with the Asian region, principally China, India, Vietnam and Indonesia, being our most important markets.

In the future, the Toshiba Machine group plans to continue in the further enhancement of our overseas bases to strongly promote global deployment, a slogan of our new mid-term management plan named “TM GrowVary Plan”, along with providing machines of increasingly higher standards of quality with more efficient service networks, as well as an integrated total Solution Business based on our value chain of products.







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Financial Review

CONSOLIDATED BALANCE SHEETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
ASSETS	**2008**	2007	**2008**
Current assets:			
Cash and time deposits (Note 15)	**¥17,083**	¥36,028	**$170,506**
Marketable securities (Note 6)	**17,500**	—	**174,668**
Notes and accounts receivable, trade	**53,918**	65,328	**538,157**
Allowance for doubtful receivables	**(378)**	(449)	**(3,773)**
Net receivables	**53,540**	64,879	**534,384**
Inventories:			
Finished products	**5,069**	3,510	**50,594**
Work in process	**23,892**	37,072	**238,466**
Raw materials and supplies	**1,177**	1,067	**11,748**
Total inventories	**30,138**	41,649	**300,808**
Deferred tax assets (Note 14)	**3,090**	2,779	**30,841**
Other current assets	**1,530**	2,416	**15,273**
Total current assets	**122,881**	147,751	**1,226,480**
Property, plant and equipment, net (Notes 7 and 13)	**22,444**	25,393	**224,014**
Intangible assets	**620**	824	**6,188**
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates (Note 5)	**3,283**	193	**32,768**
Other securities (Note 6)	**5,875**	11,916	**58,639**
Long-term loans	**205**	243	**2,046**
Deferred tax assets (Note 14)	**2,124**	612	**21,200**
Other investments	**566**	1,114	**5,649**
Total investments and other assets	**12,053**	14,078	**120,302**
Total assets	**¥157,998**	¥188,046	**$1,576,984**

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2008	2007	Thousands of U.S. dollars 2008
Current liabilities:			
Short-term bank loans (Notes 8 and 13)	**¥11,500**	¥21,707	**$114,782**
Current portion of long-term debt (Note 8)	**8,650**	1,100	**86,336**
Notes and accounts payable, trade	**37,875**	49,480	**378,032**
Income taxes payable (Note 14)	**5,824**	5,403	**58,130**
Accrued expenses	**6,265**	7,296	**62,531**
Warranty reserve	**86**	113	**858**
Other current liabilities	**6,268**	8,302	**62,561**
Total current liabilities	**76,468**	93,401	**763,230**
Long-term liabilities:			
Long-term debt (Note 8)	**—**	10,150	**—**
Long-term accounts payable, other	**2,009**	—	**20,052**
Deferred tax liabilities (Note 14)	**—**	3,198	**—**
Accrued employees' retirement benefits (Note 9)	**9,310**	10,268	**92,923**
Accrued directors' retirement benefits	**207**	—	**2,066**
Total long-term liabilities	**11,526**	23,616	**115,041**
Total liabilities	**87,994**	117,017	**878,271**
Contingent liabilities (Note 10)			
Net assets:			
Shareholders' equity: (Note 19)			
Common stock Authorized – 360,000,000 shares Issued – 166,885,530 shares	**12,485**	12,485	**124,613**
Additional paid-in capital	**19,601**	19,601	**195,638**
Retained earnings	**43,879**	31,895	**437,958**
Treasury stock, at cost (9,836,006 shares in 2008, 2,824,714 shares in 2007)	**(8,398)**	(2,072)	**(83,820)**
Total shareholders' equity	**67,567**	61,909	**674,389**
Valuation and translation adjustments:			
Unrealized holding gain on securities, net of tax	**2,470**	6,010	**24,653**
Deferred gains or losses on hedge	**23**	14	**230**
Foreign currency translation adjustments	**(56)**	(0)	**(559)**
Total valuation and translation adjustments	**2,437**	6,024	**24,324**
Minority interest in consolidated subsidiaries	**—**	3,096	**—**
Total net assets	**70,004**	71,029	**698,713**
Total liabilities and net assets	**¥157,998**	¥188,046	**$1,576,984**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Net sales	**¥148,779**	¥164,386	**$1,484,969**
Cost of sales	**101,628**	109,801	**1,014,353**
Gross profit	**47,151**	54,585	**470,616**
Selling, general and administrative expenses (Notes 16)	**28,180**	34,078	**281,266**
Operating income	**18,971**	20,507	**189,350**
Other income:			
Interest and dividend	**347**	228	**3,463**
Rent income	**166**	—	**1,657**
Equity in earnings of affiliates	**41**	—	**409**
Foreign exchange gain	**—**	357	**—**
Gain on sales of property, plant and equipment	**12**	—	**120**
Gain on sales of investments in consolidated subsidiaries and affiliates	**2,850**	517	**28,446**
Gain on sales of investments in securities	**3,130**	22	**31,241**
Gain on sales of golf membership	**—**	20	**—**
Gain on change in interest in consolidated subsidiary	**511**	—	**5,100**
Others	**322**	559	**3,214**
	7,379	1,703	**73,650**
Other expenses and losses:			
Interest	**334**	514	**3,334**
Loss on sales of notes receivable	**134**	123	**1,337**
Foreign exchange loss	**215**	—	**2,146**
Amortization of transitional obligation for employees' retirement benefits (Note 9)	**571**	818	**5,699**
Brand fee expense	**209**	—	**2,086**
Loss on disposal of property, plant and equipment	**291**	198	**2,904**
Loss on revision of retirement benefit plan	**3,708**	—	**37,010**
Accrued for directors' retirement benefits for prior periods	**163**	—	**1,627**
Loss on impairment of fixed assets	**—**	33	**—**
Allotment of transfer construction (Note 17)	**—**	300	**—**
Others	**205**	474	**2,046**
	5,830	2,460	**58,189**
Income before income taxes and minority interest	**20,520**	19,750	**204,811**
Income taxes (Note 14)			
Current	**9,571**	8,802	**95,528**
Deferred	**(2,961)**	(365)	**(29,554)**
	6,610	8,437	**65,975**
Income before minority interest	**13,910**	11,313	**138,836**
Minority interest in income of consolidated subsidiaries	**—**	484	**—**
Net income	**¥13,910**	¥10,829	**$138,836**
	Yen		U.S. dollars
Net income per share of common stock	**¥86.79**	¥65.80	**$0.87**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2008 and 2007

	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, 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
Net income				13,910					
Purchase of treasury stock					(6,326)				
Cash dividends				(1,926)					
Net changes in items other than shareholders' equity						(3,540)	9	(56)	(3,096)
Balance at March 31, 2008	166,885,530	¥12,485	¥19,601	¥43,879	¥(8,398)	¥2,470	¥23	¥(56)	—

	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, 2007	$124,613	$195,638	$318,345	$(20,681)	$59,986	$140	$ (0)	$30,901
Net income			138,836					
Purchase of treasury stock				(63,139)				
Cash dividends			(19,223)					
Net changes in items other than shareholders' equity					(35,333)	90	(559)	(30,901)
Balance at March 31, 2008	$124,613	$195,638	$437,958	$(83,820)	$24,653	$230	$ (559)	—

See accompanying notes to financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Operating activities:			
Income before income taxes and minority interest	**¥20,520**	¥19,750	**$204,811**
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities:			
Depreciation	**2,171**	2,086	**21,669**
Allowance for doubtful receivables	**306**	17	**3,054**
Warranty reserve	**8**	25	**80**
Employees' retirement benefit	**(264)**	1,152	**(2,635)**
Gain on sales of investment securities	**(3,130)**	(22)	**(31,241)**
Gain on sales of investments in consolidated subsidiaries and affiliates	**(2,850)**	(517)	**(28,446)**
Interest and dividend income	**(347)**	(228)	**(3,463)**
Interest expense	**334**	514	**3,334**
Loss (gain) on sales and disposal of property, plant and equipment	**279**	193	**2,785**
Interest expense	**(41)**	—	**(409)**
Changes in operating assets and liabilities:			
Notes and accounts receivable, trade	**1,249**	(9,185)	**12,466**
Inventories	**(1,403)**	(4,740)	**(14,003)**
Notes and accounts payable, trade	**(2,162)**	8,488	**(21,579)**
Advances received	**(1,472)**	1,299	**(14,692)**
Accrued expenses	**(100)**	1,072	**(998)**
Long-term accounts payable, other	**2,009**	—	**20,052**
Others	**826**	(115)	**8,243**
Sub total	**15,933**	19,789	**159,028**
Interest and dividend income received	**347**	228	**3,463**
Interest paid	**(333)**	(529)	**(3,324)**
Income taxes paid	**(8,369)**	(8,743)	**(83,531)**
Others	**(133)**	(124)	**(1,327)**
Net cash provided by operating activities	**7,445**	10,621	**74,309**
Investing activities:			
Acquisition of investment securities	**(100)**	(97)	**(998)**
Proceeds from sales of investment securities	**3,397**	47	**33,906**
Acquisitions of investment in unconsolidated subsidiaries and affiliates	**(768)**	—	**(7,665)**
Proceeds from sales of investments in consolidated subsidiaries and affiliates	**2,750**	795	**27,448**
Payment for sale of investment in subsidiaries resulting in change in scope of consolidation	**(490)**	—	**(4,891)**
Purchases of property, plant and equipment	**(2,992)**	(5,173)	**(29,863)**
Proceeds from sales of property, plant and equipment	**44**	47	**439**
Payments of long-term loan receivables	**(4)**	(23)	**(40)**
Repayments of long-term loan receivables	**42**	62	**419**
Others	**(155)**	(735)	**(1,548)**
Net cash provided by (used in) investing activities	**1,724**	(5,077)	**17,207**
Financing activities:			
Increase (decrease) in short-term bank loans	**(1,207)**	(3,602)	**(12,048)**
Repayments of long-term debt	**(1,100)**	(1,628)	**(10,980)**
Purchases of treasury stock	**(6,326)**	(1,474)	**(63,139)**
Cash dividends paid	**(1,926)**	(2,306)	**(19,223)**
Others	**—**	(74)	**—**
Net cash used in financing activities	**(10,559)**	(9,084)	**(105,390)**
Effect of exchange rate changes on cash and cash equivalents	**(55)**	158	**(549)**
Net decrease in cash and cash equivalents	**(1,445)**	(3,382)	**(14,423)**
Cash and cash equivalents at the beginning of year	**36,028**	39,410	**359,597**
Cash and cash equivalents at end of year (Note 15)	**¥34,583**	¥36,028	**$345,174**

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 Financial Instruments 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 accounting principles generally accepted 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 consolidated 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 assets 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 accounted for the equity method.

Immaterial investments in affiliates 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 perfectly hedged by forward contracts, 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 the current rates at the respective balance sheet dates and all income and expense accounts are translated at the 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 net assets.

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 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 at the amount determined based on the default ratio sustained over a specific period in the past and the estimated uncollectible amount determined 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 warranty costs to be incurred during the warranty period based on the historical experience.

(g) Employees bonuses

The bonuses to the employees are paid twice a year and accrued based on the 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 rights 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 temporary difference 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 such temporary differences between tax and financial reporting purposes are reflected as deferred income taxes in the consolidated financial statements using the asset and liability method.

(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.

(Additional Information)

Effective July 1, 2007, the Company and certain domestic consolidated subsidiaries amended their employees' retirement plans from a combination of lump-sum defined benefit plans and tax-qualified pension plans to a combination of lump-sum defined benefit plans, defined benefit plans and defined contribution plans. The Company and some of its consolidated subsidiaries applied the accounting treatment specified in the guidance issued by the Accounting Standards Board of Japan ("ASBJ").

The effect of this plan amendment decreased income before income taxes and minority interest by ¥3,708 million ($37,010 thousand) for the year ended March 31, 2008.

(n) Directors' retirement benefits

The Company and its domestic consolidated subsidiaries accrued an estimated amount calculated in accordance with its internal rule for retirement benefits for directors.

(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, 2007 have been reclassified to conform to the 2008 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 ¥100.19=U.S.$1,the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2008. 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) Changes in method of depreciation of property, plant and equipment

Effective from the year ended March 31, 2008, upon the amendment to the Corporation Tax Law of Japan, the Company and its domestic consolidated subsidiaries changed their method of depreciation to the depreciation method permitted under the Corporation Tax Law of Japan after amendment for property, plant and equipment acquired on or after April 1, 2007.

This change in the method of depreciation decreased operating income and income before income taxes and minority interest for the year ended March 31, 2008 by ¥63 million ($629 thousand).

The effect of this change on segment information is explained in Note 22.

(Additional Information)

Upon the revision of the Corporation Tax Law of Japan, the Company and its domestic consolidated subsidiaries depreciate the residual value of the property, plant and equipment acquired on or before march 31, 2007 over 5 years by the straight-line method as permitted under the revision of Corporation Tax Law of Japan. The residual value has represented 5% of the acquisition cost of the asset under the previous Corporation Tax Law of Japan.

This change in depreciation for the residual value decreased operating income and income before income taxes and minority interest for the year ended March 31, 2008 by ¥284 million ($2,834 thousand).

The effect of this change on segment information is explained in Note 22.

(b) Presentation of financial instruments in the balance sheet

Effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries adopted the amended "business indicator for the financial instruments accounts".

The Company and its domestic consolidated subsidiaries reclassified negotiable certificates of deposit from "Cash and time deposits" to "Marketable securities".

The balances of negotiable certificates of deposit classified in "Marketable securities" at March 31, 2008 and classified in "Cash and time deposits" at March 31, 2007 were ¥17,500 million ($174,668 thousand) and ¥15,500 million, respectively.

(c) Amended auditing treatment for directors' retirement benefits

Effective from the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries adopted the amended "Auditing Treatment Relating to Reserve Defined under the Special Tax Measurement Law, Reserve Defined under the Special Law and Reserve for Director and Corporate Auditor Retirement Benefits". Until March 31, 2007, director and corporate auditor retirement benefits were expensed when paid. From the year ended March 31, 2008, however, those are accrued at the amount that would be required to be paid in accordance with the internal rule when all directors and corporate auditors retired at year end.

The effect of the adoption of this new standard on operating income and income before income taxes and minority interest for the year ended March 31, 2008 were ¥38 million ($379 thousand) and ¥201 million ($2,006 thousand), respectively.

The effect of the adoption of this new standard on segment information is immaterial for the year ended March 31, 2008.

(d) Accounting standard for directors' bonuses

Effective from the year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Directors Bonuses" provided for accrued bonuses to directors and corporate auditors for the fiscal year to which such bonuses are attributable.

The adoption of this new accounting standard decreased operating income and income before income taxes and minority interest for the year ended March 31, 2007 was ¥65 million.

The effect of this change on segment information is explained in Note 22.

5. Changes in Consolidated Subsidiaries

The Company sold the stocks of NuFlare Technology, Inc. ("NuFlare"), a consolidated subsidiary, when NuFlare went public on the Jasdaq securities exchange. As a result, NuFlare, effective on April 1, 2007, became an affiliated company, accounted for by the equity method.

Financial data of NuFlare at March 31, 2007, just before that NuFlare became an affiliated company from a consolidated subsidiary, were as follows:

	Millions of yen
Current assets	¥26,962
Property, plant and equipment	3,287
Intangible assets	161
Investment and other assets	561
Current liabilities	21,635
Long-term liabilities	2,194

Proceeds from sales of the stocks of NuFlare and payment for sales of the stocks were as follows:

	Millions of yen
Proceeds from sales of the stocks	¥2,250
Cash and cash equivalents of NuFlare March 31, 2007	(2,740)
Payment for sales of the stocks	(¥490)

6. Securities

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

	Millions of yen					
	2008			2007		
	Acquisition cost	Carrying value	Unrealized gains	Acquisition cost	Carrying value	Unrealized gains
Equity securities	¥1,649	¥5,682	¥4,033	¥1,816	¥11,723	¥9,907
	¥1,649	¥5,682	¥4,033	¥1,816	¥11,723	¥9,907

	Thousands of U.S. dollars		
	2008		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	$16,459	$56,713	$40,254
	$16,459	$56,713	$40,254

Non-marketable securities classified as other securities primary consist of negotiable certificate of deposit of ¥17,500 million ($174,668 thousand) and non-marketable equity securities of ¥193 million ($1,926 thousand) as of March 31, 2008 and non-marketable equity securities of ¥193 million as of March 31, 2007.

7. Property, Plant and Equipment

Property, plant and equipment at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Land	**¥6,060**	¥6,062	**$60,485**
Buildings and structures	**31,361**	32,171	**313,015**
Machinery and equipment	**28,968**	31,899	**289,131**
Vehicles	**534**	565	**5,330**
Tools, furniture and fixtures	**7,143**	7,701	**71,294**
Construction in progress	**605**	1,286	**6,039**
	74,671	79,684	**745,294**
Less accumulated depreciation	**(52,227)**	(54,291)	**(521,280)**
	¥22,444	¥25,393	**$224,014**

Depreciation expense for the years ended March 31, 2008 and 2007 were ¥2,170 million ($21,659 thousand) and ¥2,086 million, respectively.

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

The annual interest rates applicable to the short-term bank loans outstanding on March 31, 2008 and 2007 ranged principally from 1.28% to 6.38% and from 1.08% to 6.59%, respectively. Long-term debt on March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Loans, principally from Japanese banks and insurance companies maturing 2009 – 2012, interest 1.90 % – 2.11 %	**¥8,650**	¥11,250	**$86,336**
	8,650	11,250	**86,336**
Less current portion	**8,650**	1,100	**86,336**
	—	¥10,150	**—**

The aggregate annual maturities of long-term debt at March 31, 2008 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥8,650	$86,336
	¥8,650	$86,336

9. 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, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Projected benefit obligation	**¥14,688**	¥18,984	**$146,601**
Fair value of plan assets	**(1,167)**	(816)	**(11,647)**
Unfounded status	**13,521**	18,168	**134,954**
Unrecognized transitional obligation	**(3,345)**	(6,375)	**(33,387)**
Unrecognized actuarial loss	**(866)**	(1,525)	**(8,644)**
Accrued retirement benefits obligation	**¥9,310**	¥10,268	**$92,923**

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Service cost	**¥850**	¥1,110	**$8,484**
Interest cost	**270**	316	**2,695**
Expected return on plan assets	**(18)**	(18)	**(180)**
Amortization of transitional obligation	**571**	818	**5,699**
Recognized actuarial loss	**202**	285	**2,016**
Others	**118**	—	**1,178**
	¥1,993	¥2,511	**$19,892**

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:

	2008	2007
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	2.5%
Amortization period of transitional obligation	15 years	15 years
Amortization period of actuarial loss/gain	10 years	10 years

10. Contingent Liabilities

On March 31, 2008, 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 ¥200 million ($1,996 thousand) and ¥949 million ($9,472 thousand), respectively.

11. 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, 2008 and 2007, 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
	2008	2007	**2008**
Acquisition Costs			
Machinery, equipment and vehicles	**¥1,174**	¥2,781	**$11,718**
Tools, furniture and fixtures	**1,437**	1,551	**14,342**
Less-Accumulated depreciation	**(1,607)**	(1,835)	**(16,040)**
Net book value	**¥1,004**	¥2,497	**$10,021**

Future lease payments (including the interest portion thereon) subsequent to March 31, 2008 for finance leases accounted for as operating leases were as follows:

	Millions of yen	Thousands of U.S. dollars
	2008	2008
Due within one year	¥443	$4,422
Due after one year	561	5,599
	¥1,004	$10,021

Periodic lease charges, as a lessee, charged to income for the years ended March 31, 2008 and 2007 were ¥ 577 million ($5,759 thousand) and ¥ 906 million, respectively. The pro forma amounts of depreciation for the years ended March 31, 2008 and 2007 would be calculated at ¥577 million ($5,759 thousand) and ¥906 million by using the straight-line method over the lease term with no salvage value.

12. Derivative Financial Instruments

The Company has entered into derivative transactions (foreign exchange contract, interest rate swap and currency option transaction) in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rate and in interest rate. The Company don't hold or issue derivative financial instruments for the purpose of speculative trading. Derivative transactions are entered into by the Finance Department under the rules approved by the Board of Directors. Derivative transactions are inspected validity of the operation by the Corporate Auditing Office.

13. Pledged Assets

The following assets were pledged as collateral at March 31, 2008 to secure short-term bank loans amounting to ¥2 million ($20 thousand). (See Note 8):

	Millions of yen	Thousands of U.S. dollars
Land	¥581	$5,799
Machinery and equipment, net	388	3,873
Buildings, net	2,650	26,450
	¥3,619	$36,121

14. 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, 2008 and 2007 were approximately 39.8%.

The reconciliation between the statutory rate and effective tax rate of income taxes for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Statutory tax rate	**39.8 %**	39.8 %
Par-capita portion of Inhabitant Tax	**0.2**	0.2
Non-taxable revenue	**0.8**	0.5
Non-deductible expenses	**0.5**	0.3
Unrealized intercompany profit on fixed assets	**(0.0)**	(0.0)
Change in valuation allowance	**(8.0)**	2.9
Difference in tax rates of consolidated subsidiaries	**(1.4)**	(1.3)
Other	**0.3**	0.3
Effective tax rate	**32.2 %**	42.7 %

The significant components of deferred tax assets and liabilities at March 31,2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Deferred tax assets:			
Accrued employees' bonuses	**¥1,362**	¥1,509	**$13,594**
Allowance for doubtful receivables	**54**	106	**539**
Devaluation of inventories	**106**	182	**1,058**
Devaluation of securities	**199**	199	**1,986**
Accrued employees' retirement benefits	**3,673**	3,578	**36,660**
Amount not shifted to defined contribution pension plan	**1,142**	—	**11,398**
Unrealized intercompany profit on inventories	**613**	389	**6,118**
Enterprise tax payable	**497**	—	**4,961**
Other	**1,218**	1,294	**12,158**
Total deferred tax assets	**¥8,864**	¥7,257	**$88,472**
Valuation allowance	**(1,876)**	(2,917)	**(18,725)**
Net deferred tax assets	**¥6,988**	¥4,340	**$69,747**
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	**(196)**	(207)	**(1,956)**
Unrealized gain on securities	**(1,563)**	(3,930)	**(15,600)**
Gain on deferred hedging	**(15)**	(10)	**(150)**
Deferred tax liabilities	**(¥1,774)**	(¥4,147)	**($17,706)**
Net deferred tax assets (liabilities)	**¥5,214**	¥193	**$52,041**

15. 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, 2008 and 2007 were presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Cash and time deposits	**¥17,083**	¥36,028	**$170,506**
Marketable securities	**17,500**	—	**174,668**
Cash and cash equivalents	**¥34,583**	¥36,028	**$345,174**

16. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Sales commission	**¥2,352**	¥2,511	**$23,475**
Delivering expense	**4,030**	3,794	**40,224**
Reserve for warranty	**8**	25	**80**
Personal expense	**11,145**	13,138	**111,239**
Retirement allowance	**691**	706	**6,897**
Depreciation	**632**	679	**6,308**
Rent expense	**918**	1,117	**9,163**
Traveling expense	**1,438**	1,474	**14,353**
Research and development expense	**1,251**	2,949	**12,486**
Outside order expense	**1,030**	1,393	**10,280**
Others	**4,685**	6,292	**46,761**

17. Other Expenses and Losses

Allotment of transfer construction

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

18. Research and Development Costs

Research and development costs charged to income were ¥1,743 million ($17,397 thousand) and ¥3,557 million for the years ended March 31, 2008 and 2007, respectively.

19. Shareholders' Equity.

The Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distribution of additional paid in capital (other than the capital reserve) and retained earning (other than the legal reserve) be transferred to the capital reserve and legal reserve, respectively, until the sum of the capital reserve and legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

20. Related Party Transactions

During the year ended March 31, 2008, the Company and its consolidated subsidiaries had operational transactions with Toshiba Corporation, a 21.4% shareholder of the Company and NuFlare Technology, Inc., a 25.6% affiliate of the Company.

A summary of the significant transactions with Toshiba Corporation for the year ended, March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
For the year:			
Sales of investment in affiliates	**¥2,750**	—	**$27,448**
Payment of brand fee	**209**	—	**2,086**
	¥2,959	—	**$29,534**

Note : Sales price was market price.
Brand fee rate was contracted beforehand.

A summary of the significant transactions with NuFlare Technology, Inc. for the year ended, March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
For the year:			
Rent income for land, buildings and structures	**¥113**	—	**$1,128**
	¥113	—	**$1,128**

Note : Rent price was market price.

21. Net Income and Net Assets per Share

Net income and net assets per share for the years ended march 31, 2008 and 2007 were as follows:

	Yen		U.S. dollars
	2008	2007	**2008**
Net income per share	**¥86.79**	¥65.80	**$0.87**
Net assets per share	**445.74**	414.07	**4.45**

The information regarding diluted net income per share is omitted because of no diluted effect.

Basic information for calculation of net income per share was as follows:

	Thousands of shares	
	2008	2007
weighted-average number of shares of common stock	**160,285**	164,561

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Net income	**¥13,910**	¥10,829	**$138,836**
Net income not applicable to shareholders of common stock	**—**	—	**—**
Net income applicable to shareholders of common stock	**¥13,910**	¥10,829	**$138,836**

Basic information for calculation of net assets per share was as follows:

	Thousands of shares	
	2008	2007
Number of shares at year-end	**157,050**	164,061

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Net assets	**¥70,004**	¥71,029	**$698,712**
Minority interest in consolidated subsidiaries	**—**	3,096	**—**
Net assets applicable to shareholders of common stock	**¥70,004**	¥67,933	**$698,712**

22. Segment Information

(A) Business Segment Information

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

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

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

Other Products: Hydraulic equipment, Electronic controls

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

Year ended March 31, 2008	Millions of yen				
	Molding Machinery	Machine Tools	Other Products	Eliminations and/or corporate	Consolidated
Sales	¥88,205	¥37,765	¥27,646	¥(4,837)	¥148,779
Operating expenses	77,778	31,502	25,400	(4,872)	129,808
Operating income	10,427	6,263	2,246	35	18,971
Identifiable assets	74,359	30,905	40,973	11,761	157,998
Depreciation	1,278	327	565	—	2,170
Capital expenditure	1,605	281	1,212	—	3,098

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, 2008	Thousands of U.S.dollars				
	Molding Machinery	Machine Tools	Other Products	Eliminations and/or corporate	Consolidated
Sales	$880,377	$376,934	$275,936	$(48,278)	$1,484,969
Operating expenses	776,305	314,423	253,518	(48,627)	1,295,619
Operating income	104,072	62,511	22,417	349	189,350
Identifiable assets	742,180	308,464	408,953	117,387	1,576,984
Depreciation	12,756	3,264	5,639	—	21,659
Capital expenditure	16,020	2,805	12,097	—	30,922

As described Note 5, NuFlare Technology, Inc., classified in the Semiconductor Equipment segment, became an affiliated company from a consolidated subsidiary for the year ended March 31, 2008. As a result, the Semiconductor Equipment segment was abolished and included in the Other Products segment.

As described Note 4(a) and Note 4(a) (Additional Information), the Company and its domestic subsidiaries changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for property, plant and equipment effective from the year ended March 31, 2008. As a result, operating expenses increased by ¥53 million ($529 thousand) in the Molding Machinery segment, ¥41 million ($409 thousand) in the Machine Tools segment, and ¥253 million ($2,525 thousand) in the Other Products segment. Operating income decreased by the same amounts accordingly.

As described Note 4(d), 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 in the Molding Machinery segment, ¥8 in the Machine Tools segment, ¥4 in the Semiconductor Equipment segment, and ¥14 million in the Other Products segment. Operating income decreased by the same amounts accordingly.

(B) Geographic Segment Information

Geographic Segment Information of the Companies for the years ended March 31, 2008 and 2007 were as follows:

Year ended March 31, 2008	Millions of yen					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	¥143,384	¥10,406	¥14,795	¥168,585	¥(19,806)	¥148,779
Operating expenses	125,803	9,904	13,587	149,294	(19,486)	129,808
Operating income	17,581	502	1,208	19,291	(320)	18,971
Identifiable assets	131,267	7,125	9,304	147,696	10,302	157,998

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, 2008	Thousands of U.S.dollars					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	$1,431,121	$103,863	$147,669	$1,682,653	$(197,684)	$1,484,969
Operating expenses	1,255,644	98,852	135,612	1,490,108	(194,489)	1,295,619
Operating income	175,477	5,010	12,057	192,544	(3,195)	189,350
Identifiable assets	1,310,181	71,115	92,864	1,474,160	102,824	1,576,984

As described Note 4(a) and Note 4(a) (Additional Information), the Company and its domestic subsidiaries changed their method of depreciation based on an amendment to the Corporation Tax Law of Japan for property, plant and equipment effective from the year ended March 31,2008. As a result, operating expenses increased by ¥347 million ($3,463 thousand) in the Japan segment. Operating income decreased by the same amounts accordingly.

As described Note 4(d), 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 ¥65million in the Japan segment, and operating income decreased by the same amount accordingly.

(C) Sales to foreign customers

Sales to foreign customers for the years ended March 31, 2008 and 2007 were as follows:

Year ended March 31, 2008	Millions of yen			
	North America	Asia	Other	Total
Sales to foreign customers	¥16,422	¥43,889	¥6,845	¥67,156
Net sales	—	—	—	148,779
Ratio of Sales to foreign Customers (%)	11.0	29.5	4.6	45.1

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, 2008	Thousands of U.S.dollars			
	North America	Asia	Other	Total
Sales to foreign customers	$163,908	$438,058	$68,320	$670,286
Net sales	—	—	—	1,484,969
Ratio of Sales to foreign Customers (%)	11.0	29.5	4.6	45.1

23. Subsequent Event

Cash Dividends

The following appropriations of retained earnings, which have not been reflected in the accompanying financial statements for the year ended March 31, 2008, were approved at the meeting of the Board of Directors held on April 30, 2008:

Cash dividends (¥9.00 = $0.09 per share) ¥1,414 million ($14,113 thousand)

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. and consolidated subsidiaries (the "Company") as of March 31, 2007 and 2008, and the related consolidated statements of operations, 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 auidit 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 2008, 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, 2008 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, 2008

Ernst & Young Shin Nihon

Directors & Auditors

Directors

President

Reiji Nakajima

Senior Managing Directors

Kosei Takeyama

Yoshi Atobe

Managing Director

Hideo Tanaka

Directors

Fumihisa Yano

Akinori Ide

Yukio Iimura

Takateru Yoshimura

Yoshihiro Kishimoto

Takanao Suzuki

Auditors

Michio Matsumoto

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