ANNUAL REPORT 2011

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

Corporate Information (as of March 31, 2011)

Company Name:	TOSHIBA MACHINE CO., LTD.
Headquarters:	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
Established:	1938
Capital:	¥12,484million (US$150 million)
Shares of Common Stock Issued and Outstanding:	166,885,530 shares
Number of Shareholders:	13,653
Number of Employees:	1,858 (Consolidated: 3,140)

Foreword 2011

Fiscal year 2011 had been characterized by a slow and gradual recovery of the global economy with firming demand in China, Southeast Asia, and the U.S.A. On the other hand, the yen's long-term appreciation, the influence of the expiration or reduction of economic stimulus programs, and, in addition, the Great East Japan Earthquake, which was occurred on March 11,2011, greatly influenced the domestic economy; thus, the domestic economy had been changed in a view of a fry-by-night operation and not been able to eliminate the feeling. Also, in the machinery industry, capital investment abroad, especially in emerging markets, had been changed translating into slowly increasing demand; however, capital investment in domestic market had still been tempered with a cautious attitude.

In light of these economic conditions, the Toshiba Machine Group focused on accomplishing the mid-term management plan, named "TM AC Plan" (Toshiba Machine Adapt to the Change Plan), and made intensive efforts to secure orders in Japan and overseas, develop new products, and explore new markets.

Consolidated orders received of this term totaled ¥104,081million (US$1,251million), and the meaning is that the amount of orders were increased 73.0% over the previous term. Net sales totaled ¥95,653million (US$1,150million), and the meaning is that the amount of orders were increased 28.1% over the previous term. This growth was led by a much improved order volume for smaller-sized machines in Asia and the U.S.A. and, from the 3rd quarter, was also led by a recovery of demand for large-sized and "made-to-order" machines, which the Toshiba Machine Group has particular strength to manufacture.

With respect to consolidated profits, there were ongoing concerns about affects stemming from the Great East Japan Earthquake, including difficulties of shipment and operation caused by planned power outages, stagnation in logistics, and parts supply difficulties. However, contributions of the molding machinery and hydraulic equipment segments, as well as successes in fixing expenses, reducing variable costs, and implementing business rationalization efforts, largely offset these difficulties. As a result, the consolidated operating profit increased ¥5,844million (US$70million) over the previous term and became ¥4,028million (US$48million), and the net income of this term increased ¥7,811 million (US$93million) over the previous term and became ¥3,280 million (US$39million).

The year-end dividend for this term, ¥3.0 (US$0.04) per share, was distributed to our stockholders for the period ending on March 31, 2011, resulting in a total annual dividend of ¥4.5 (US$0.05) per share.

As for the domestic and overseas outlook, we see continuing difficulties with parts supply and the confusion related to the electric shortage, in both domestic and overseas economies, caused by the Great East Japan Earthquake occurred on March 11, 2011, and intensifying competition between domestic companies and overseas companies. However, we will make every effort to pioneer new markets, introduce new products corresponding to changing market needs, and further reduce costs through efficiency, to improve profit.

Under these severe management circumstances and the changing industrial structure, the Toshiba Machine Group launched a new mid-term management plan, “TM AC Plan (Toshiba Machine Adapt to the Change Plan)”, begun April 1st, 2010. In this plan, we call for “Expansive Innovation” and “Expanding Markets” at the same time. “Expanding Markets” means expanding markets by improving and re-marketing existing products in developing countries, which belong to the volume zone of the industrial structure pyramid. “Expansive Innovation” means using our core technology to develop new progressive products attractive to that portion of the new industrial structure pyramid which sets energy and environment as keywords.

October 2010 saw the implementation of four new reforms to our business structure designed to support “Expansive Innovation for Expanding Markets”.

1. Introduction of unit structure
2. Introduction of hub structure
3. Merger of TOSHIBA MACHINE MACHINERY CO, LTD.; our machine tools subsidiary
4. Focus on environmental business

In April 2011, we initiated “TM AC Plan Ⅱ”, with action plans designed around “Expansive Innovation for Expanding Markets” as a basis concept to drive us forward as a genuine global company. We will gather the power of the Toshiba Machine Group behind this basic policy, to change and reinforce our business foundation, and drive the expansive business strategy and expanding business strategy.

We will make every effort to focus on being through 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 in fulfillment of all social responsibilities.

Yukio Iimura
President
July, 2011

FINANCIAL HIGHLIGHTS (consolidated)

	2011	2010	2009	2008	2007
Net sales	¥95,653	¥74,694	¥121,890	¥148,779	¥164,386
	$1,150,367				
Cost of sales	¥69,997	¥56,470	¥84,760	¥101,628	¥109,801
	$841,816				
Selling, general and	¥21,628	¥20,040	¥25,594	¥28,180	¥34,078
administrative expenses	**$260,108**				
Operating income (loss)	¥4,028	¥(1,816)	¥11,536	¥18,971	¥20,507
	$48,443				
Income (loss) before income	¥3,749	¥(2,032)	¥9,866	¥20,520	¥19,750
taxes and minority interests	**$45,087**				
Income taxes	¥469	¥2,499	¥4,563	¥6,610	¥8,437
	$5,640				
Net income (loss)	¥3,280	¥(4,531)	¥5,303	¥13,910	¥10,829
	$39,447				
Comprehensive income	¥2,410	—	—	—	—
	$28,984				
Per common share:					
Net income (loss)	¥21.57	¥(29.80)	¥34.18	¥86.79	¥65.80
	$0.26				
Cash dividends	¥4.50	¥4.50	¥12.00	¥15.00	¥12.00
	$0.05				
Total assets	¥131,203	¥115,806	¥132,734	¥157,998	¥188,046
	$1,577,907				
Net assets	¥65,325	¥63,372	¥68,712	¥70,004	¥71,029
	$785,628				
Capital expenditure	¥2,044	¥625	¥5,550	¥3,098	¥4,193
(property, plant and equipment)	**$24,582**				
Depreciation	¥2,322	¥2,514	¥2,561	¥2,170	¥2,086
	$27,925				
R & D Cost	¥1,399	¥1,567	¥1,684	¥1,742	¥3,557
	$16,825				
Number of employees	3,140	3,067	3,148	3,246	3,435

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

Overseas Operations for Fiscal 2011

Fiscal year 2011 had been characterized by a slow and gradual recovery of the global economy with firming demand in China, Southeast Asia, and the U.S.A. The yen's long-term appreciation, the influence of the expiration or reduction of economic stimulus programs, and the Great East Japan Earthquake, greatly influenced the domestic economy. Also, in the machinery industry, capital investment abroad, especially in emerging markets, had been changed translating into slowly increasing demand; however, capital investment in domestic market had still been tempered with a cautious attitude.

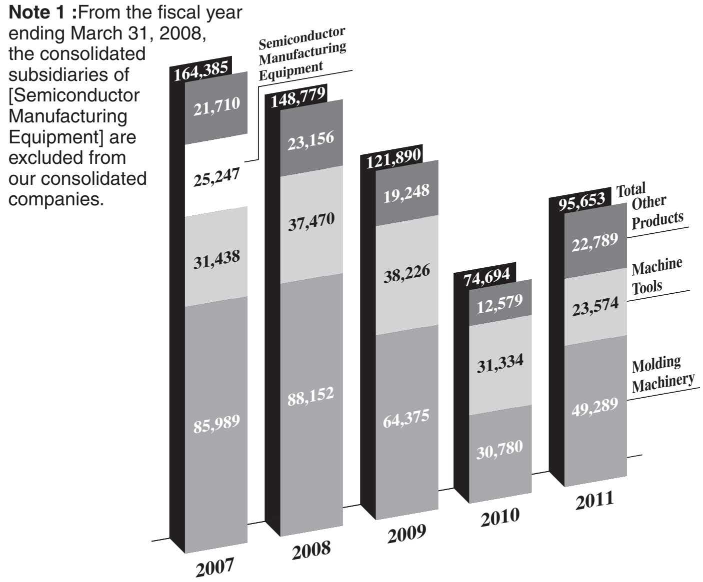
In light of these economic conditions, the Toshiba Machine Group focused on accomplishing the mid-term management plan, named "TM AC Plan" (Toshiba Machine Adapt to the Change Plan), and made an intensive effort to secure orders in Japan and overseas, develop new products, and explore new markets.

Total consolidated overseas sales for this term was ¥50,077million (US$602million), which is a 40.0% increase over the previous term. This growth was led by a much improved order volume for smaller-sized machines in Asia and U.S.A. and, from the 3rd quarter, was also led by a recovery of demand for large-sized and "made-to-order" machines, which the Toshiba Machine Group has particular strength to manufacture. More specifically, injection molding machines, die-casting machines, machine tools, and hydraulic equipment were our leading products, and the most common destination for export was the Asian region.

During 2010, we had focused on business structural reformation designed to best ensure the success of the TM AC Plan. From April of 2011, we began "TM AC Plan Ⅱ." We implement various measures, continuing our core business concept named "Expansive Innovation for Expanding Markets" mapping out our three courses in the TM AC Plan Ⅱ, which courses are requiring change and reinforcement of our business foundation, the expansive business strategy, and expanding business strategy. We will gather the power of the Toshiba Machine Group to ensure our emergence as a genuine global company.

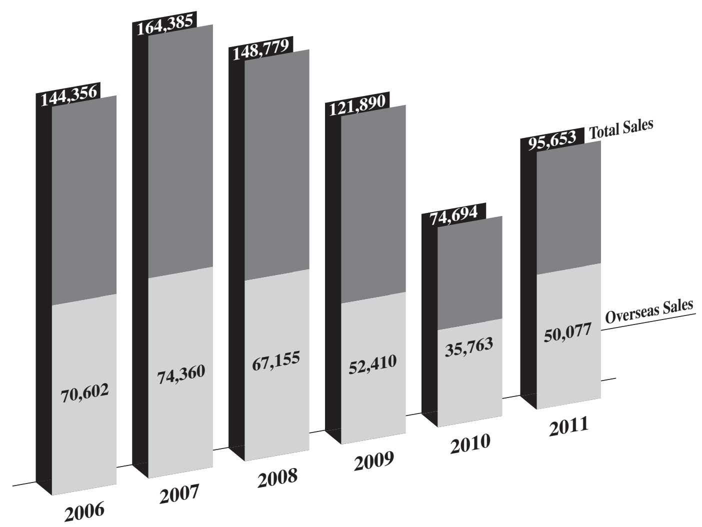
Net Sales

Millions of yen

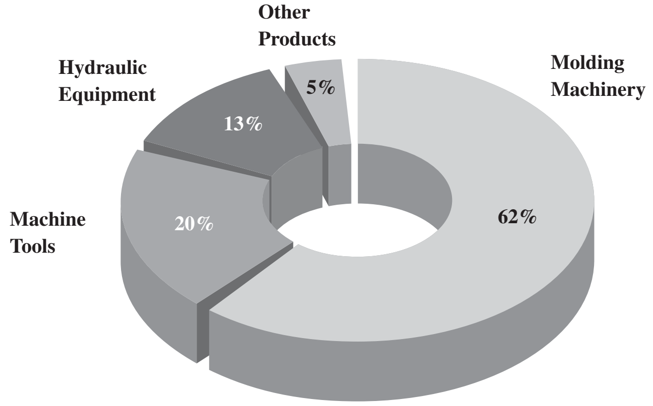


Total Sales & Overseas Sales

Millions of yen



Export Percentages by Major Products



Overseas Offices

■ 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

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

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)10-6590-8977~8
Fax : [86]-(0)10-6590-8979

Tianjin Office
12-32, Xinshuiyuan, 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

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 (SHENZHEN) CO., LTD
Room 608, Building 2, Animation Park,
Yuehai Road, Nanhai Street, Nanshan
District, Shenzhen, 518054,
PEOPLE'S REPUBLIC OF CHINA
Tel : [86]-(0)755-8625-0599
Fax : [86]-(0)755-8625-0522

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

Dongguan Office
Suite C, 6th floor, Xingye Building, 89
Lianfeng Road, Changan Town,
Dongguan, PEOPLE'S REPUBLIC OF
CHINA
Tel : [86]-(0)769-8155-8299
Fax : [86]-(0)769-8155-5977

TOSHIBA MACHINE HONG KONG LTD.
Suite 1508, 15th Floor, Tower 3, China
Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, HONG KONG
Tel : [852]-2735-1868
Fax : [852]-2735-1872

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

■ South East Asia ■

TOSHIBA MACHINE (THAILAND) CO., LTD.
127/28 Panjathanee Tower, 23rd Floor,
Nonthree Road, Khwaeng Chong
Nonthree, Khet Yannawa, Bangkok,
10120, THAILAND
Tel : [66]-(0)2-681-0158~61
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

TMT SERVICE & ENGINEERING CO., LTD.
39 M.6 Phaholyothin Road,
Thumbol Klongnueng,
Amphur Klongluang, Pathumthani 12120
THAILAND

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

■ North America ■ ■ Europe ■

Jakarta Office
ANZ Tower, 20th Floor,
J1. Jenderal Sudirman Kav. 33A,
Jakarta, 10220, INDONESIA
Tel : [62]-(0)21-5790-1217~8
Fax : [62]-(0)21-5790-1219

TOSHIBA MACHINE (INDIA) PVT. LTD.
Head Office
6A, 6th Floor, Uppal's Plaza, M-6, Jasola District Centre, New Delhi - 110025, INDIA
Tel : [91]-(0)11-4329-1111
Fax : [91]-(0)11-4329-1127

Chennai Branch
Regus Office Centre, Olympia Tech Park, Office 212, Level 3, Altius Building No. 1, Sidco Industrial Estate, Guindy, Chennai - 600032, INDIA
Tel : [91]-(0)44-4299-4161
Fax : [91]-(0)44-4299-4300

TOSHIBA MACHINE (VIETNAM) CO., LTD.
Head Office
2nd, VIT Tower, No.519, Kim Ma Street, Ba Dinh District, Hanoi, VIETNAM
Tel : [84]-(0)4-2220-8700~1
Fax : [84]-(0)4-2220-8702

Ho Chi Minh Office
E-Town Bldg., 8th Floor, Unit 1, 364, Cong Hoa Street, Tan Binh District, Ho Chi Minh City, VIETNAM
Tel : [84]-(0)8-3810-8658
Fax : [84]-(0)8-3810-8657

■ North America ■

TOSHIBA MACHINE CO., AMERICA
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 COMPANY CANADA LTD.
6 Shields Court, Suite 101, Markham, Ontario, L3R 4S1, CANADA
Tel : [1]-905-479-9111
Fax : [1]-905-479-6098
URL http://www.toshibamachine.ca/

■ Europe ■

TOSHIBA MACHINE (EUROPE)G.m.b.H.
Head Office
Oskar-Messter-Strasse 22,
85737 Ismaning, GERMANY
Tel : [49]-(0)89-9509499-0
Fax : [49]-(0)89-9509499-25

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

Financial Review

CONSOLIDATED BALANCE SHEETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
ASSETS	**2011**	2010	**2011**
Current assets:			
Cash and time deposits (Note 11 and 15)	**¥18,513**	¥15,993	**$222,646**
Marketable securities (Note 5 and 11)	**17,500**	16,000	**210,463**
Notes and accounts receivable, trade (Note 11)	**35,195**	28,633	**423,271**
Allowance for doubtful receivables	**(171)**	(237)	**(2,057)**
Net receivables	**35,024**	28,396	**421,214**
Inventories:			
Finished products	**4,785**	3,093	**57,547**
Work in process	**20,935**	16,493	**251,774**
Raw materials and supplies	**78**	102	**938**
Total inventories	**25,798**	19,688	**310,259**
Deferred tax assets (Note 14)	**2,535**	1,493	**30,487**
Other current assets	**1,792**	1,690	**21,552**
Total current assets	**101,162**	83,260	**1,216,621**
Property, plant and equipment, net (Notes 6, 10 and 13)	**22,241**	23,452	**267,480**
Intangible assets	**468**	481	**5,628**
Investments and other assets:			
Investments in:			
Unconsolidated subsidiaries and affiliates	**2,358**	2,560	**28,358**
Other securities (Note 5 and 11)	**3,886**	4,347	**46,735**
Long-term loans	**105**	132	**1,263**
Deferred tax assets (Note 14)	**343**	653	**4,125**
Other investments	**640**	921	**7,697**
Total investments and other assets	**7,332**	8,613	**88,178**
Total assets	**¥131,203**	¥115,806	**$1,577,907**

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars 2011
Current liabilities:			
Short-term bank loans (Notes 7, 11 and 13)	**¥10,713**	¥10,515	**$128,839**
Current portion of long-term debt (Note 7 and 11)	**700**	—	**8,419**
Notes and accounts payable, trade (Note 11)	**27,340**	17,313	**328,803**
Income taxes payable (Note 14)	**711**	222	**8,551**
Accrued expenses	**4,627**	3,611	**55,646**
Warranty reserve	**208**	73	**2,502**
Other current liabilities (Note 7)	**5,944**	3,893	**71,485**
Total current liabilities	**50,243**	35,627	**604,245**
Long-term liabilities:			
Long-term debt (Note 7 and 11)	**6,800**	7,500	**81,780**
Long-term accounts payable, other	**99**	47	**1,191**
Accrued employees' retirement benefits (Note 8)	**8,439**	8,997	**101,491**
Accrued directors' retirement benefits	**56**	86	**673**
Asset retirement obligations	**50**	—	**601**
Deferred tax liabilities (Note 14)	**146**	123	**1,756**
Other long-term liabilities (Note 7)	**45**	54	**542**
Total long-term liabilities	**15,635**	16,807	**188,034**
Total liabilities	**65,878**	52,434	**792,279**
Contingent liabilities (Note 9)			
Net assets:			
Shareholders' equity: (Note 19)			
Common stock Authorized – 360,000,000 shares Issued – 166,885,530 shares	**12,485**	12,485	**150,150**
Additional paid-in capital	**19,601**	19,601	**235,731**
Retained earnings	**43,751**	40,927	**526,170**
Treasury stock, at cost (14,851,270 shares in 2011, 14,848,594 shares in 2010)	**(10,039)**	(10,038)	**(120,734)**
Total shareholders' equity	**65,798**	62,975	**791,317**
Accumulated other comprehensive income			
Unrealized holding gain on securities, net of tax	**1,236**	1,517	**14,865**
Deferred gains or losses on hedge	**1**	3	**12**
Foreign currency translation adjustments	**(1,710)**	(1,123)	**(20,566)**
Total accumulated other comprehensive income	**(473)**	397	**(5,689)**
Total net assets	**65,325**	63,372	**785,628**
Total liabilities and net assets	**¥131,203**	¥115,806	**$1,577,907**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Net sales	**¥95,653**	¥74,694	**$1,150,367**
Cost of sales (Note 17)	**69,997**	56,470	**841,816**
Gross profit	**25,656**	18,224	**308,551**
Selling, general and administrative expenses (Note 16 and 17)	**21,628**	20,040	**260,108**
Operating income (loss)	**4,028**	(1,816)	**48,443**
Other income:			
Interest and dividend	**136**	189	**1,636**
Rent income	**179**	173	**2,153**
Equity in earnings of affiliates	**305**	111	**3,668**
Gain on sales of property, plant and equipment	**—**	8	**—**
Gain on sale of investments in unconsolidated subsidiaries	**—**	5	**—**
Gain on change in interest in affiliates	**—**	162	**—**
Subsidy income	**8**	384	**96**
Others	**328**	209	**3,944**
	956	1,241	**11,497**
Other expenses and losses:			
Interest	**174**	236	**2,093**
Loss on sales of notes receivable	**13**	23	**156**
Foreign exchange loss	**119**	217	**1,431**
Amortization of transitional obligation for employees' retirement benefits (Note 8)	**466**	502	**5,604**
Brand fee expense	**185**	145	**2,225**
Loss on disposal of property, plant and equipment	**25**	36	**301**
Loss on impairment of fixed assets (Note 18)	**—**	48	**—**
Loss on amendment of retirement benefit plan	**32**	—	**385**
Loss on application of accounting standard for asset retirement obligations	**24**	—	**289**
Loss on devaluation of investment securities	**5**	10	**60**
Others	**192**	240	**2,309**
	1,235	1,457	**14,853**
Income (loss) before income taxes and minority interests	**3,749**	(2,032)	**45,087**
Income taxes (Note 14)			
Current	**987**	615	**11,870**
Deferred	**(518)**	1,884	**(6,230)**
	469	2,499	**5,640**
Net income (loss) before minority interests	**3,280**	(4,531)	**39,447**
Net income (loss)	**¥3,280**	¥(4,531)	**$39,447**

	Yen		U.S. dollars
	2011	2010	**2011**
Net income (loss) per share of common stock	**¥21.57**	¥(29.80)	**$0.26**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Net income before minority interests	¥3,280	$39,447
Other comprehensive income:		
Unrealized holding gain on securities, net of tax	(281)	(3,379)
Deferred gains or losses on hedge	(2)	(24)
Foreign currency translation adjustments	(587)	(7,060)
Total other comprehensive income	(870)	(10,463)
Total comprehensive income	¥2,410	$28,984
Total comprehensive income attributable to parent company's interest	¥2,410	$28,984
Total comprehensive income attributable to minority interests	—	—

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2011 and 2010

	Millions of yen							
	Number of shares	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities, net of tax	Deferred gains or losses on hedge	Translation adjustments
Balance at March 31, 2009	166,885,530	¥12,485	¥19,601	¥46,826	¥(10,036)	¥1,061	¥6	¥(1,231)
Net income				(4,531)				
Purchases of treasury stock					(2)			
Cash dividends				(1,368)				
Net changes in items other than shareholders' equity						456	(3)	108
Balance at March 31, 2010	166,885,530	12,485	19,601	40,927	(10,038)	1,517	3	(1,123)
Net income				3,280				
Purchases of treasury stock					(1)			
Cash dividends				(456)				
Net changes in items other than shareholders' equity						(281)	(2)	(587)
Balance at March 31, 2011	166,885,530	¥12,485	¥19,601	¥43,751	¥(10,039)	¥1,236	¥1	¥(1,710)

	Thousands of U.S. dollars						
	Common stock	Additional paid in capital	Retained earnings	Treasury stock	Unrealized gain on securities, net of tax	Deferred gains or losses on hedge	Translation adjustments
Balance at March 31, 2010	$150,150	$235,731	$492,207	$(120,722)	$18,244	$36	$(13,506)
Net income			39,447				
Purchases of treasury stock				(12)			
Cash dividends			(5,484)				
Net changes in items other than shareholders' equity					(3,379)	(24)	(7,060)
Balance at March 31, 2011	$150,150	$235,731	$526,170	$(120,734)	$14,865	$12	$(20,566)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Operating activities:			
Income (loss) before income taxes and minority interests	**¥3,749**	¥(2,032)	**$45,087**
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	**2,322**	2,514	**27,925**
Allowance for doubtful receivables	**(244)**	3	**(2,934)**
Warranty reserve	**135**	(10)	**1,624**
Employees' retirement benefit	**(559)**	(182)	**(6,723)**
Directors' retirement benefit	**(30)**	(10)	**(361)**
Gain on sale of investments in unconsolidated subsidiaries	**—**	(5)	**—**
Interest and dividend income	**(136)**	(189)	**(1,636)**
Interest expense	**174**	236	**2,093**
Loss on sales and disposal of property, plant and equipment	**24**	28	**289**
Equity in earnings of affiliates	**(305)**	(111)	**(3,668)**
Changes in operating assets and liabilities:			
Notes and accounts receivable, trade	**(6,562)**	12,356	**(78,918)**
Inventories	**(6,109)**	6,596	**(73,470)**
Notes and accounts payable, trade	**10,027**	(4,940)	**120,589**
Advances received	**2,830**	(1,246)	**34,035**
Accrued expenses	**1,022**	(989)	**12,291**
Long-term accounts payable, other	**53**	(1,008)	**637**
Others	**(887)**	(240)	**(10,666)**
Sub total	**5,504**	10,771	**66,194**
Interest and dividend income received	**136**	189	**1,636**
Interest paid	**(180)**	(246)	**(2,165)**
Income taxes paid	**189**	(636)	**2,273**
Others	**(14)**	(23)	**(169)**
Net cash provided by operating activities	**5,635**	10,055	**67,769**
Investing activities:			
Acquisition of investment in unconsolidated subsidiary	**(31)**	—	**(373)**
Proceeds from sales of investments in unconsolidated subsidiaries	**612**	11	**7,360**
Purchases of property, plant and equipment	**(1,326)**	(2,028)	**(15,947)**
Proceeds from sales of property, plant and equipment	**4**	24	**48**
Purchases of intangible assets	**(106)**	(20)	**(1,275)**
Increase (decrease) in short- term loans receivable	**0**	0	**0**
Payments of long-term loans receivable	**(6)**	(13)	**(72)**
Repayments of long-term loans receivable	**33**	55	**397**
Others	**(21)**	12	**(252)**
Net cash used in investing activities	**(841)**	(1,959)	**(10,114)**
Financing activities:			
Increase (decrease) in short-term bank loans	**206**	(1,511)	**2,477**
Purchases of treasury stock	**(1)**	(2)	**(12)**
Cash dividends paid	**(456)**	(1,368)	**(5,484)**
Others	**(57)**	(19)	**(685)**
Net cash used in financing activities	**(308)**	(2,900)	**(3,704)**
Effect of exchange rate changes on cash and cash equivalents	**(466)**	103	**(5,604)**
Net increase in cash and cash equivalents	**4,020**	5,299	**48,347**
Cash and cash equivalents at the beginning of year	**31,993**	26,694	**384,762**
Cash and cash equivalents at end of year (Note 15)	**¥36,013**	¥31,993	**$433,109**

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 its 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, and consolidated statements of operations, changes in net assets, cash flows and comprehensive income 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, in which the investments are 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 using 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 operations 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 current rates at end of the term. The components of shareholders' equity are translated at their historical exchange rates. Differences in transaction are directly charged to foreign currency translation adjustments in new assets.

(c) Securities

Securities owned by the Companies have been classified into two categories, held-to-maturity debt securities or 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

Finished products and work in process are stated at the lower of cost, determined by the individual identification method, or their net realizable value. Raw materials and supplies are stated at the lower of cost, determined by the moving average method, or their net realizable value.

(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 incurred and to be paid in the subsequent period.

(h) Depreciation of property, plant and equipment (excluding leased assets)

Depreciation of buildings is principally computed by the straight-line method and depreciation of other property, plant and equipment is computed by the declining balance method over the estimated useful lives of respective assets, principally ranging from 3 - 60 years for buildings and structures, and from 3 - 22 years for machinery, equipment and vehicles.

(i) Amortization of intangible assets

Computer software held for internal use is amortized by the straight-line method over the relevant economic useful life (5 years). The other intangible assets, including patent rights, are amortized by the straight-line method over the estimated useful lives of respective assets.

(j) Leased assets

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated by the straight-line method over the lease term with no residual value.

However, finance lease transactions, commencing on or before March 31, 2008, that do not transfer ownership to the lessee, are accounted for as operating lease transactions.

(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 cash flow 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 from December 1, 2010, a domestic consolidated subsidiary amended its employees' retirement plans from a combination of lump-sum defined benefit plans and tax–qualified pension plan to a combination of lump-sum defined benefit plans, defined benefit plans and defined contribution plans. The domestic consolidated subsidiary 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 interests by ¥32 million ($385 thousand) for the year ended March 31, 2011

(Additional Information)

Effective from the year ended March 31, 2010, the Companies adopted the amended "Accounting Standard for retirement benefits" (ASBJ Statement No.19, issued July 31, 2008)

This change had no effect on operating loss, loss before income taxes and minority interests, and unrecognized actuarial loss for the year ended March 31, 2010.

(n) Directors' retirement benefits

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 a 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) Cash equivalents

In preparing the consolidated 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, 2010 have been reclassified to conform to the year ended March 31, 2011 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 ¥83.15=U.S.$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2011. 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 asset retirement obligations

Effective from the year ended March 31, 2011, the Companies adopted the new accounting standard "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, issued March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, issued March 31, 2008).

The effect of the change of this new standard on operating income and income before income taxes for the year ended March 31, 2011 is immaterial.

(b) Accounting standard for Business Combinations

Effective from the year ended March 31, 2011, the Company adopted the new accounting standard "Accounting Standard for Business Combinations" (ASBJ Statement No.21, issued December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, issued December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, issued December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, revised December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, revised December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, revised December 26, 2008).

(c) Accounting standard for presentation of comprehensive income

Effective from the year ended March 31, 2011, the Company adopted the new accounting standard "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, issued June 30, 2010).

However, "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" for the fiscal year ended March 31, 2010 are equivalent to "Valuation, translation adjustments" and "Total valuation, translation adjustments".

(d) Presentation of income (loss) before minority interests on consolidated statements of operations

Effective from the year ended March 31, 2011, the Company adopted the new ordinance "Cabinet Office Ordinance revising a part of the rules about terms, styles and making method of financial statements" (Cabinet Office Ordinance No.5, issued March 24, 2009) based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, issued December 26, 2008).

(e) Accounting standard for construction contracts

Effective from the year ended March 31, 2010, the Companies adopted the new accounting standard "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, issued December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, issued December 27, 2007). Effective from the year ended March 31, 2010, revenue and costs related to construction contracts, subject to this accounting standard and guidance, were recognized by the percentage of completion basis.

This change had no effect on operating loss, loss before income taxes and minority interests and segment information for the year ended March 31, 2010.

5. Securities

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

	Millions of yen					
	2011			2010		
	Acquisition cost	Carrying value	Unrealized gains	Acquisition cost	Carrying value	Unrealized gains
Equity securities	**¥1,700**	**¥3,716**	**¥2,016**	¥1,700	¥4,172	¥2,472
	¥1,700	**¥3,716**	**¥2,016**	¥1,700	¥4,172	¥2,472

	Thousands of U.S. dollars		
	2011		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	**$20,445**	**$44,691**	**$24,246**
	$20,445	**$44,691**	**$24,246**

Losses on devaluation of investment securities for the years ended March 31, 2011 and 2010 were ¥5 million ($60 thousand) and ¥10 million, respectively.

Non-marketable securities classified as marketable securities primary consist of negotiable certificate of deposit of ¥17,500 million ($210,463 thousand) and ¥16,000 million as of March 31, 2011 and 2010, respectively. Non-marketable equity securities as other securities primary consist of ¥170 million ($2,044 thousand) and ¥175 million as of March 31, 2011 and 2010, respectively.

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Land	**¥6,224**	¥5,989	**$74,853**
Buildings and structures	**34,179**	34,180	**411,052**
Machinery and equipment	**30,539**	30,151	**367,276**
Vehicles	**462**	479	**5,556**
Tools, furniture and fixtures	**6,779**	6,932	**81,527**
Lease assets	**118**	98	**1,420**
Construction in progress	**469**	854	**5,640**
	78,770	78,683	**947,324**
Less accumulated depreciation	**(56,529)**	(55,231)	**(679,844)**
	¥22,241	¥23,452	**$267,480**

Depreciation expense for the years ended March 31, 2011 and 2010 were ¥2,322 million ($27,925 thousand) and ¥2,514 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, 2011 and 2010 ranged principally from 0.84% to 4.75% and 0.94% to 4.37%, respectively. Long-term debt on March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Loans, principally from Japanese banks and insurance companies maturing 2011 – 2013, interest 0.95% - 1.95%	**¥7,500**	¥7,500	**$90,199**
	7,500	7,500	**90,199**
Less current portion	**700**	—	**8,419**
	¥6,800	¥7,500	**$81,780**

The aggregate annual maturities of long-term debt at March 31, 2011 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	**¥700**	**$8,419**
2013	**700**	**8,419**
2014	**6,100**	**73,361**
2015	**—**	**—**
2016 and later	**—**	**—**
	¥7,500	**$90,199**

The aggregate annual maturities of finance lease obligations at March 31, 2011 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	**¥27**	**$324**
2013	**24**	**289**
2014	**13**	**156**
2015	**3**	**36**
2016 and later	**5**	**61**
	¥72	**$866**

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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Projected benefit obligation	**¥13,794**	¥14,337	**$165,893**
Fair value of plan assets	**(3,315)**	(2,626)	**(39,868)**
Unfounded status	**10,479**	11,711	**126,025**
Unrecognized transitional obligation	**(1,852)**	(2,340)	**(22,273)**
Unrecognized actuarial loss	**(188)**	(374)	**(2,261)**
Accrued retirement benefits obligation	**¥8,439**	¥8,997	**$101,491**

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥748**	¥819	**$8,996**
Interest cost	**227**	237	**2,730**
Expected return on plan assets	**(47)**	(28)	**(565)**
Amortization of transitional obligation	**466**	502	**5,604**
Recognized actuarial loss	**191**	235	**2,297**
Others	**—**	1	**—**
	¥1,585	¥1,766	**$19,062**

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:

	2011	2010
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.0%
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, 2011, contingent liabilities for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥598 million ($7,192 thousand).

10. Leases

The Companies adopted the amended "Accounting standard for lease transactions". However, finance leases of the Companies other than those where ownership of the leased assets is transferred to the lessee, commencing on or before March 31, 2008 continue to be accounted for as operating leases. The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets accounted for as operating leases at March 31, 2011 and 2010, which would have been reflected in the consolidated balance sheets if these arrangements had been accounted for as finance leases:

	Millions of yen		Thousands of U.S. dollars
Acquisition Costs	**2011**	2010	**2011**
Machinery, equipment and vehicles	**¥394**	¥763	**$4,738**
Tools, furniture and fixtures	**569**	757	**6,843**
Less-Accumulated depreciation	**(823)**	(1,179)	**(9,897)**
Net book value	**¥140**	¥341	**$1,684**

Future lease payments (including the interest portion thereon) subsequent to March 31, 2011 and 2010 for finance leases accounted for as operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥81**	¥201	**$974**
Due after one year	**59**	140	**710**
	¥140	¥341	**$1,684**

Periodic lease expenses, as a lessee, charged to income for the years ended March 31, 2011 and 2010 were ¥ 166 million ($1,996 thousand) and ¥ 289 million, respectively. The pro forma amounts of depreciation for the years ended March 31, 2011 and 2010 would be calculated at ¥ 166 million ($1,996 thousand) and ¥289 million by using the straight-line method over the lease term with no salvage value.

11. Financial Instruments

Effective from the year ended March 31, 2010, the Companies adopted the new accounting standard “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, issued March 10, 2008) and “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19, issued March 10, 2008).

Overview

(a) Policy for financial instruments

The Companies invests in short-term deposits for fund management, where temporally cash surplus is invested in low-risk financial instruments. The Companies raises a fund by bank borrowings. The Companies uses derivatives only to reduce risk, and does not use derivatives for speculative trading purposes.

(b) Contents of financial instruments, related risk and risk management system

Operating receivables such as notes and accounts receivable, trade are exposed to customer credit risk. The Companies tries to reduce this risk by the Companies’ sales management rules. Investments, consisting of marketable securities of corporations, are exposed to stock price fluctuation risk in market. To address this risk, the Companies monitors their stock price in every quarter. Operating payables such as notes and accounts payable, trade are almost due within six months. Debts are mainly used in normal operations and capital investments. The maturity date of the debts is up to 4 years from the balance sheet date at the maximum.

Derivative transactions consist of foreign exchange forward contracts used for the purpose of hedging foreign exchange risk associated with certain assets and liabilities denominated in foreign currency, and are managed under the internal management policies, to the extent deemed necessary. (k) Derivative financial instruments in Note 2. Summary of Significant Accounting Policies explains hedge accounting, hedging instruments and methods, hedging policy, hedge items and assessment of hedge effectiveness.

The Finance Department of the Companies prepares and updates its cash flow plan to manage liquidity risk. A part of bank borrowings are subject to terms of financial covenants. If the Companies violates the terms of financial covenants, the terms of borrowings may be possibly revised.

The terms of financial covenants incident to syndicated loan (¥7,000 million ($84,185 thousand) at March 31, 2011) contract are as follows:

① March 31 and September 30 every year, the Company must keep the amount of net assets in the consolidated balance sheet over ¥50,949 million ($612,736 thousand).

② In the consolidated statement of operations for the fiscal year ending March 31, the Company must not record operating loss for the two consecutive years.

(c) Supplemental information on the fair value of financial instruments

Fair value of financial instruments are calculated based on market prices, or by using reasonable estimates when market prices are not available. These estimates include variable factors, and are subject to fluctuation due to the change in underlying assumptions. The contract amounts of derivatives are discussed in Note 12. Derivative financial instruments below are not an indicator of the market risk associated with derivative transactions.

Fair value of financial instructions

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2011 and 2010, and their fair value were as follows:

(Financial instruments whose fair value was extremely difficult to determine were not included.)

	Millions of yen					
	2011			2010		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Cash and time deposits	**¥18,513**	**¥18,513**	**—**	¥15,993	¥15,993	—
Notes and accounts receivable, trade	**35,195**	**35,191**	**¥(4)**	28,633	28,626	¥(7)
Marketable securities and investment securities	**23,177**	**24,683**	**1,506**	21,830	23,324	1,494
Total assets	**¥76,885**	**¥78,387**	**¥1,502**	¥66,456	¥67,943	¥1,487
Short-term bank loans	**¥11,413**	**¥11,413**	**—**	¥10,515	¥10,515	—
Notes and accounts payable, trade	**27,340**	**27,340**	**—**	17,313	17,313	—
Long-term debt	**6,800**	**6,799**	**¥(1)**	7,500	7,499	¥(1)
Total liabilities	**¥45,553**	**¥45,552**	**¥(1)**	¥35,328	¥35,327	¥(1)
Derivatives	**¥2**	**¥2**	**—**	¥5	¥5	—

	Thousands of U.S. dollars		
	2011		
	Carrying value	Fair value	Difference
Cash and time deposits	**$222,646**	**$222,646**	**—**
Notes and accounts receivable, trade	**423,271**	**423,223**	**$(48)**
Marketable securities and investment securities	**278,737**	**296,849**	**18,112**
Total assets	**$924,654**	**$942,718**	**$18,064**
Short-term bank loans	**$137,258**	**$137,258**	**—**
Notes and accounts payable, trade	**328,803**	**328,803**	**—**
Long-term debt	**81,780**	**81,768**	**$(12)**
Total liabilities	**$547,841**	**$547,829**	**$(12)**
Derivatives	**$24**	**$24**	**—**

*Derivatives are presented as net amounts receivable or payable with net amounts payable in parentheses.

(a) Method for calculating fair value of financial instruments, short-term investments and derivative transactions

① Cash and time deposits
The carrying value approximate fair value because these are due within short-term.

② Notes and accounts receivable, trade
The amount of notes and accounts receivable, trade is classified based on certain terms and discounted using a rate which reflects safety interest and credit risk

③ Marketable securities and investment securities
For negotiable certificate of deposit, the carrying value approximate fair value because it is due within short-term.
Investment securities are based on quoted market prices.

④ Short-term bank loans; ⑤ Notes and accounts payable, trade
The carrying value approximate fair value because these are due within short-term.

⑥ Long-term debt
The fair value of long-term debt is determined based on the present value of principles and interest, discounted by the interest rate that would be applied if similar new borrowings were entered into.

⑦ Derivatives
Please refer to Note 12. Derivative Financial Instruments.

(b) Financial instruments whose fair value was extremely difficult to determine at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Investment securities for which the market prices are not available	**¥567**	¥1,076	**$6,819**

Market prices don't exist for these items, or the cost of estimating cash flow is considered prohibitive. These items are not included in ③ Marketable securities and investment securities in the above, because their fair value are not readily determinable.

(c) The aggregate annual maturities of financial assets at March 31, 2011 and 2010 were as follows:

	Millions of yen							
	2011				2010			
	Due within one year	Due after one year through five years	Due after five year through ten years	Due after ten year	Due within one year	Due after one year through five years	Due after five year through ten years	Due after ten year
Cash and time deposits	**¥18,498**	**—**	**—**	**—**	¥15,977	—	—	—
Notes and accounts receivable, trade	**35,060**	**¥135**	**—**	**—**	28,435	¥198	—	—
Marketable securities and investment securities:								
Negotiable certificate of deposit	**17,500**	**—**	**—**	**—**	16,000	—	—	—
Total	**¥71,058**	**¥135**	**—**	**—**	¥60,412	¥198	—	—

	Thousands of U.S. dollars			
	2011			
	Due within one year	Due after one year through five years	Due after five year through ten years	Due after ten year
Cash and time deposits	**$222,465**	**—**	**—**	**—**
Notes and accounts receivable, trade	**421,648**	**$1,624**	**—**	**—**
Marketable securities and investment securities:				
Negotiable certificate of deposit	**210,463**	**—**	**—**	**—**
Total	**$854,576**	**$1,624**	**—**	**—**

(d) Annual maturities of long-term debt

Please refer to Note 7. Short-term Bank Loans and Long-term Debt

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 doesn'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.

Derivatives designated as hedging instruments at March 31, 2011 and 2010 were as follows:

	Hedged item	Millions of yen					
		2011			2010		
		Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value
Accounting in principle							
Foreign exchange forward contracts:							
To sell foreign currencies:							
U.S. dollars		**—**	**—**	**—**	¥312	—	¥(2)
Euro	accounts receivable	**¥180**	**—**	**¥2**	209	¥73	8
British pound		**10**	**—**	**(0)**	21	—	0
To buy foreign currencies:							
U.S. dollars	accounts payable	**10**	**—**	**0**	—	—	—
Appropriated accounting for foreign currency							
Foreign exchange forward contracts:							
To sell foreign currencies:							
U.S. dollars		**1,773**	**—**	**—**	1,233	—	—
Euro	accounts receivable	**408**	**—**	**—**	122	—	—
British pound		**11**	**—**	**—**	—	—	—
To buy foreign currencies:							
U.S. dollars	accounts payable	**781**	**—**	**—**	267	—	—
Total		**¥3,173**	**—**	**—**	¥2,164	¥73	—

	Hedged item	Thousands of U.S. dollars		
		2011		
		Contract amount	Contract amount due after one year	Fair value
Accounting in principle				
Foreign exchange forward contracts:				
To sell foreign currencies:				
U.S. dollars		**—**	**—**	**—**
Euro	accounts receivable	**$2,165**	**—**	**$24**
British pound		**120**	**—**	**(0)**
To buy foreign currencies:				
U.S. dollars	accounts payable	**120**	**—**	**0**
Appropriated accounting for foreign currency				
Foreign exchange forward contracts:				
To sell foreign currencies:				
U.S. dollars		**21,323**	**—**	**—**
Euro	accounts receivable	**4,907**	**—**	**—**
British pound		**132**	**—**	**—**
To buy foreign currencies:				
U.S. dollars	accounts payable	**9,393**	**—**	**—**
Total		**$38,160**	**—**	**—**

13. Pledged Assets

The following assets were pledged as collateral at March 31, 2011 and 2010 to secure short-term bank loans amounting to ¥2 million ($24 thousand). (See Note 7):

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Land	**¥581**	¥581	**$6,987**
Machinery and equipment, net	**95**	185	**1,143**
Buildings and structures, net	**2,190**	2,344	**26,338**
	¥2,866	¥3,110	**$34,468**

14. Income Taxes

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries generally comprise Corporation Tax, Enterprise Tax and Prefectural and Municipal Inhabitants Taxes. The statutory tax rates for the years ended March 31, 2011 and 2010 were approximately 39.7%.

The reconciliation between the statutory rate and effective tax rate of income taxes for the year ended March 31, 2011 was as follows:

	2011
Statutory tax rate	**39.7%**
Per-capita portion of Inhabitant Tax	**0.9**
Permanently non-taxable revenue	**(0.3)**
Permanently non-deductible expenses	**1.6**
Effects of elimination	**(8.4)**
Tax loss carry forwards	**(19.7)**
Change in valuation allowance	**4.6**
Difference in tax rates of consolidated subsidiaries	**(2.0)**
Other	**(3.9)**
Effective tax rate	**12.5%**

Reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2010 is not presented, as permitted, since the Company incurred a loss before income taxes.

The significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets:			
Accrued employees' bonuses	**¥923**	¥594	**$11,100**
Allowance for doubtful receivables	**89**	199	**1,070**
Devaluation of inventories	**636**	478	**7,649**
Devaluation of securities	**516**	514	**6,206**
Accrued employees' retirement benefits	**3,375**	3,430	**40,589**
Amount not shifted to defined contribution pension plan	**33**	322	**397**
Unrealized intercompany profit on inventories	**112**	48	**1,347**
Enterprise tax payable	**30**	55	**361**
Other	**1,771**	1,133	**21,299**
Total deferred tax assets	**¥7,485**	¥6,773	**$90,018**
Valuation allowance	**(3,728)**	(3,555)	**(44,835)**
Net deferred tax assets	**¥3,757**	¥3,218	**$45,183**

Deferred tax liabilities:

Deferral of gain on sale of fixed assets	**(170)**	(178)	**(2,044)**
Unrealized gain on securities	**(779)**	(954)	**(9,369)**
Gain on deferred hedging	**(1)**	(2)	**(12)**
Asset retirement obligations	**(9)**	—	**(108)**
Foreign consolidated subsidiaries' retained earning	**(66)**	(61)	**(794)**
Total deferred tax liabilities	**¥(1,025)**	¥(1,195)	**$(12,327)**
Net deferred tax assets	**¥2,732**	¥2,023	**$32,856**

15. Cash and Cash Equivalents

Reconciliation between cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2011 and 2010 were presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and time deposits	**¥18,513**	¥15,993	**$222,646**
Marketable securities	**17,500**	16,000	**210,463**
Cash and cash equivalents	**¥36,013**	¥31,993	**$433,109**

16. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Sales commission	**¥1,475**	¥1,167	**$17,739**
Delivering expense	**2,431**	1,871	**29,236**
Reserve for warranty	**255**	128	**3,067**
Personal expense	**8,949**	9,210	**107,625**
Retirement allowance	**613**	638	**7,372**
Depreciation	**667**	915	**8,022**
Rent expense	**755**	786	**9,080**
Traveling expense	**1,025**	946	**12,327**
Research and development expense	**847**	1,103	**10,186**
Outside order expense	**386**	484	**4,642**
Others	**4,225**	2,792	**50,812**

17. Research and Development Costs

Research and development costs charged to income were ¥1,399 million ($16,825 thousand) and ¥1,567 million for the years ended March 31, 2011 and 2010, respectively.

18. Loss on Impairment of Fixed Assets

Grouping of assets is based on the business units, except for idle asset, which is grouped individually. Loss on impairment of fixed assets for the year ended March 31, 2010 amounted to ¥48 million.

The recoverable value of assets was calculated based in their estimated future cash flows, except land

and buildings, for which the recoverable value was calculated by the market value.

The loss on impairment of fixed assets for the year ended March 31, 2010 consisted of the following:

		Millions of yen
		2010
Numazu-shi, Shizuoka-ken, JAPAN:		
Land	Idle property	¥45
Buildings and structures	Idle property	3
Total		¥48

19. Shareholders' Equity

The current Corporation Law of Japan (the "Law") 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 years ended March 31, 2011 and 2010, the Companies had operational transactions with Toshiba Corporation, a 22.1% shareholder of the Company and NuFlare Technology, Inc., a 21.3% affiliate of the Company.

A summary of the significant transactions with Toshiba Corporation for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
For the year:			
Payment of brand fee	**¥185**	¥165	**$2,225**
Note: Brand fee rate was contracted beforehand.			

A summary of the significant transactions with NuFlare Technology, Inc. for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
For the year:			
Rent income for land, buildings and structures	**¥125**	¥113	**$1,503**
Note: Rent price was market price.			

21. Comprehensive Income

Total comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen
	2010
Total comprehensive income attributable to:	
Parent company's interest	¥(3,970)
Minority interests	—
Total comprehensive income	¥(3,970)

Other comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen
	2010
Other comprehensive income:	
Unrealized holding gain on securities, net of tax	¥456
Deferred gains or losses on hedge	(3)
Foreign currency translation adjustments	108
Total other comprehensive income	¥561

22. Net Income (Loss) and Net Assets per Share

Net income (loss) and net assets per share for the years ended March 31, 2011 and 2010 were as follows:

	Yen		U.S. dollars
	2011	2010	**2011**
Net income (loss) per share	**¥21.57**	¥(29.80)	**$0.26**
Net assets per share	**429.67**	416.82	**5.17**

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

	Thousands of shares	
	2011	2010
Weighted-average number of shares of common stock	**152,035**	152,039

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Net income (loss)	**¥3,280**	¥(4,531)	**$39,477**
Net income (loss) not applicable to shareholders of common stock	**—**	—	**—**
Net income (loss) applicable to shareholders of common stock	**¥3,280**	¥(4,531)	**$39,447**

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

	Thousands of shares	
	2011	2010
Number of shares at year-end	**152,034**	152,037

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Net assets	**¥65,325**	¥63,372	**$785,628**
Minority interests in consolidated subsidiaries	**—**	—	**—**
Net assets applicable to shareholders of common stock	**¥65,325**	¥63,372	**$785,628**

23. Segment Information

Effective from the year ended March 31, 2011, the Companies adopted the new accounting standard "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No.17, revised March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Guidance No.20, issued March 21, 2008). Under the standard and the guidance, disclosures about segments of an enterprise and related information are required to report based on management approach.

(A) General information about reportable segments

The reported segments of the Companies are the business units for which the Company is able to obtain respective financial information separately in order for Executive Officer to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

The Companies' business is classified into certain segments based on the type of products and services. The Companies' segments are categorized into the following three reportable segments, "Molding Machinery", "Machine Tools" and "Hydraulic Equipment" based on the similarities of economical nature, contents and manufacturing method:

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

Hydraulic Equipment: Hydraulic motors, Control valves, Piston pumps

(B) Basis of measurement for reported segment profit or loss, segment assets and other material items

The accounting treatment method for the reported business segment is generally the same as described in "2. Summary of Significant Accounting Policies". Reportable segment income is calculated on the basis of operating income. The prices of intersegment transactions and transfers are calculated based on the market prices.

(C) Reportable segment information

Reportable segment information of the Companies for the years ended March 31, 2011 and 2010 were as follows:

Year ended March 31, 2011

	Millions of yen							
	Reportable segments							
	Molding Machinery	Machine Tools	Hydraulic Equipment	Sub total	Other Products	Total	Adjustments	Consolidated
Sales	**¥49,290**	**¥23,618**	**¥11,382**	**¥84,290**	**¥13,539**	**¥97,829**	**¥(2,176)**	**¥95,653**
Segment income	**1,338**	**1,037**	**945**	**3,320**	**456**	**3,776**	**252**	**4,028**
Segment assets	**54,862**	**29,154**	**7,538**	**91,554**	**24,441**	**115,995**	**15,208**	**131,203**
Depreciation	**1,205**	**535**	**221**	**1,961**	**360**	**2,321**	**—**	**2,321**
Capital expenditure	**893**	**409**	**527**	**1,829**	**215**	**2,044**	**—**	**2,044**

Year ended March 31, 2010	Millions of yen							
	Reportable segments							
	Molding Machinery	Machine Tools	Hydraulic Equipment	Sub total	Other Products	Total	Adjustments	Consolidated
Sales	¥30,781	¥31,334	¥5,734	¥67,849	¥8,281	¥76,130	¥(1,436)	¥74,694
Segment income	(4,309)	2,942	(195)	(1,562)	(1,131)	(2,693)	877	(1,816)
Segment assets	46,006	26,292	5,483	77,781	23,458	101,239	14,567	115,806
Depreciation	1,263	564	273	2,100	414	2,514	—	2,514
Capital expenditure	263	73	33	369	256	625	—	625

Year ended March 31, 2011	Thousands of U.S. dollars							
	Reportable segments							
	Molding Machinery	Machine Tools	Hydraulic Equipment	Sub total	Other Products	Total	Adjustments	Consolidated
Sales	**$592,784**	**$284,041**	**$136,885**	**$1,013,710**	**$162,826**	**$1,176,536**	**$(26,169)**	**$1,150,367**
Segment income	**16,091**	**12,472**	**11,365**	**39,928**	**5,484**	**45,412**	**3,031**	**48,443**
Segment assets	**659,796**	**350,619**	**90,655**	**1,101,070**	**293,939**	**1,395,009**	**182,898**	**1,577,907**
Depreciation	**14,492**	**6,434**	**2,658**	**23,584**	**4,329**	**27,913**	**—**	**27,913**
Capital expenditure	**10,739**	**4,919**	**6,338**	**21,996**	**2,586**	**24,582**	**—**	**24,582**

Note: ”Other Products” is a business segment that is not included in reportable segments. It included business activities of Electronic controls, etc.

(D) Difference between total reportable segments and consolidated financial statement

The main differences between total reportable segments and consolidated financial statements for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
Sales	**2011**	2010	**2011**
Total reportable segments	**¥84,290**	¥67,849	**$1,013,710**
Other products	**13,539**	8,281	**162,826**
Eliminations	**(2,176)**	(1,436)	**(26,169)**
Net sales on consolidated financial statements	**¥95,653**	¥74,694	**$1,150,367**

	Millions of yen		Thousands of U.S. dollars
Income	**2011**	2010	**2011**
Total reportable segments	**¥3,320**	¥(1,562)	**$39,928**
Other products	**456**	(1,131)	**5,484**
Eliminations	**252**	877	**3,031**
Operating income on consolidated financial statements	**¥4,028**	¥(1,816)	**$48,443**

	Millions of yen		Thousands of U.S. dollars
Assets	**2011**	2010	**2011**
Total reportable segments	**¥91,554**	¥77,781	**$1,101,070**
Other products	**24,441**	23,458	**293,939**
Company-wide assets	**22,131**	22,337	**266,158**
Eliminations	**(6,923)**	(7,770)	**(83,260)**
Net assets on consolidated financial statements	**¥131,203**	¥115,806	**$1,577,907**

Note: Company-wide assets are mainly cash and cash equivalents, securities and investment securities that don't belong to the reportable segments

(E) Related segment information

① Information about products and services

Information about products and services is not disclosed, because reportable segment information is based on products and services.

② Information about geographical areas

Sales information about geographical areas for the year ended March 31, 2011 was follows:

Millions of yen				
2011				
Japan	North America	Asia	Other	Total
¥45,576	**¥7,536**	**¥39,774**	**¥2,767**	**¥95,653**

Thousands of U.S. dollars				
2011				
Japan	North America	Asia	Other	Total
$548,118	**$90,631**	**$478,340**	**$33,278**	**$1,150,367**

Note: Sales figures are classified based on the customer locations.

Property, plant and equipment information about geographical areas for the year ended March 31, 2011 was follows:

Millions of yen			
2011			
Japan	North America	Asia	Total
¥21,181	**¥199**	**¥861**	**¥22,241**

Thousands of U.S. dollars			
2011			
Japan	North America	Asia	Total
$254,732	**$2,393**	**$10,355**	**$267,480**

③ Information about major customers

Information about major customers is not disclosed, because net sales to any customers did not exceed 10% of the consolidated net sales for the year ended March 31, 2011.

(F) Information about impairment loss on long-lived assets for each reportable segment

There was no applicable matter for the year ended March 31, 2011.

(G) Information about amortization of goodwill and unamortized balance for each reportable segment

There was no applicable matter for the year ended March 31, 2011.

(H) Information about gain on negative goodwill for each reportable segment

There was no applicable matter for the year ended March 31, 2011.

(I) Segment information for the year ended March 31, 2010

① 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, 2010	Millions of yen				
	Molding Machinery	Machine Tools	Other Products	Eliminations and corporate	Consolidated
Sales	¥30,781	¥31,334	¥14,015	¥(1,436)	¥74,694
Operating expenses	35,090	28,392	15,341	(2,313)	76,510
Operating income	(4,309)	2,942	(1,326)	877	(1,816)
Identifiable assets	46,006	26,292	28,941	14,567	115,806
Depreciation	1,263	564	687	—	2,514
Capital expenditures	263	73	289	—	625

② Geographic segment information
Geographic segment information of the Companies for the year ended March 31, 2010 was as follows:

Year ended March 31, 2010	Millions of yen					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Sales	¥69,716	¥5,391	¥7,628	¥82,735	¥(8,041)	¥74,694
Operating expenses	71,976	5,684	7,527	85,187	(8,677)	76,510
Operating income	(2,260)	(293)	101	(2,452)	636	(1,816)
Identifiable assets	89,004	3,567	5,898	98,469	17,337	115,806

③ Sales to foreign customers
Sales to foreign customers for the year ended March 31, 2010 was as follows:

Year ended March 31, 2010	Millions of yen			
	North America	Asia	Other	Total
Sales to foreign customers	¥7,509	¥26,051	¥2,203	¥35,763
Net sales	—	—	—	74,694
Ratio of Sales to foreign Customers (%)	10.1	34.8	3.0	47.9

24. Subsequent Event
Cash Dividends

The following appropriations of retained earnings, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, were approved at the meeting of the Board of Directors held on April 28, 2011:

Cash dividends (¥3.00 = $0.04 per share) ¥456 million ($5,484 thousand)

Report of Independent Auditors

ERNST & YOUNG

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

The Board of Directors
TOSHIBA MACHINE Co., Ltd.

We have audited the accompanying consolidated balance sheets of TOSHIBA MACHINE Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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, 2011 and 2010, 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, 2011 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.

Ernst & Young ShinNihon LLC

June 24, 2011

Directors & Auditors

Directors

President

Yukio Iimura

Senior Managing Director

Akinori Ide

Managing Directors

Hiroshi Hanai

Yoshihiro Kishimoto

Directors

Satoshi Hironaka

Masayuki Yagi

Shigetomo Sakamoto

Makoto Tsuji

Kazuo Takamura

Auditors

Masahiro Suzuki

Teruyuki Makino

Takanao Suzuki

Kazuo Tanigawa

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 Head Office
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/

SM11107-400-SS