

# **Annual Report 2009**

**TOSHIBA MACHINE**

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# **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 green energy, nanotechnology, optical and electronics, with total satisfaction by careful analysis and the recommendation of optimum-type solutions to their requirements.

## **Corporate Information** (as of March 31, 2009)

Company Name:	TOSHIBA MACHINE CO., LTD.
Headquarters:	2068-3, Ooka, Numazu-shi, Shizuoka-ken 410-8510, Japan
Established:	1938
Capital:	¥12,484million (US\$137 million)
Shares of Common Stock	
Issued and Outstanding:	166,885,530 shares
Number of Shareholders:	14,567
Number of Employees:	1,589 (Consolidated: 3,148)

## Foreword

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The Japanese domestic economy of this term has experienced stagnation in personal consumption, a freeze in capital investment, and a deterioration of company profits, due to the strong yen rate and the massive world financial crisis brought about by the serious economic effects of the United States financial crisis. As a result, the management environment of the Toshiba Machine Group remains in an unprecedented severe situation.

Meanwhile, and for the same reasons, the overseas world economy has also turned sluggish, deteriorating especially after October beyond our assumption.

In the machinery industry, the unprecedented difficult situation has lasted throughout this fiscal year. Under such circumstances, the Toshiba Machine Group continued in its concerted efforts to secure orders, develop new products, and pioneer new domestic and overseas markets.

However, large numbers of our customers' industries (especially the automobile industry) have deferred or frozen their capital investment. As a result, in this fiscal year, consolidated orders received totaled ¥105,330 million (US\$1157 million), a 32.3% decrease over the previous term.

Further, consolidated net sales totaled ¥121,890 million (US\$1339 million), an 18.1% decrease over the previous term.

Consequently, consolidated backlog demand totaled ¥62,464 million (US\$686 million), a 21.0% decrease over the end of the previous term.

Though we have adopted emergency policy measures, including fixed expense reductions and business rationalization efforts, consolidated operating income resulted in ¥11,536 million (US\$126 million), a 39.2% decrease over the previous term, and net income resulted in ¥5,302 million (US\$58 million), a 61.9% decrease over the previous term .

The year-end dividend for this term, ¥6(\$US0.06) per share, was distributed to our stockholders for the period ending on March 31, 2009, resulting in a total annual dividend of

¥12(US\$0.13) per share.

As for the domestic and overseas outlook, the massive world financial crisis continues to dramatically reduce or freeze personal consumption and capital investment and will seriously affect company profits.

Under such circumstances, we will continue to move forward with the midterm management plan “TM GrowVary Plan” which started on April 1, 2008, but we have also established a yearly management plan for fiscal 2009 to cope with these tough management surroundings.

The underlying policy of the yearly management plan provides; “a return to origin principles of manufacturing (monozukuri)”, “complete cost reduction”, and “a speed up of research and development”. We will gather the power of the Toshiba Machine Group in order to build-up lean management, enhance company value, and strengthen management foundation. In addition, we will 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 in fulfillment of all social responsibilities.

A handwritten signature in black ink, appearing to read 'Y. Imura', with a long horizontal flourish extending to the right.

Yukio Imura  
President

July, 2009

## FINANCIAL HIGHLIGHTS (consolidated)

	2009	2008	2007	2006	2005
Net sales	¥121,890	¥148,779	¥164,386	¥144,356	¥123,573
	<b>\$1,240,863</b>				
Cost of sales	¥84,760	¥101,628	¥109,801	¥98,394	¥85,598
	<b>\$862,873</b>				
Selling, general and administrative expenses	¥25,594	¥28,180	¥34,078	¥29,411	¥25,742
	<b>\$260,551</b>				
Operating income	¥11,536	¥18,971	¥20,507	¥16,551	¥12,233
	<b>\$117,439</b>				
Income before income taxes and minority interests	¥9,866	¥20,520	¥19,750	¥16,715	¥10,178
	<b>\$100,438</b>				
Income taxes	¥4,563	¥6,610	¥8,437	¥5,995	¥2,940
	<b>\$46,452</b>				
Net income	¥5,303	¥13,910	¥10,829	¥10,482	¥7,093
	<b>\$53,986</b>				
Per common share:					
Net income	¥34.18	¥86.79	¥65.80	¥63.16	¥42.48
	<b>\$0.35</b>				
Cash dividends	¥12.00	¥15.00	¥12.00	¥12.00	¥7.00
	<b>\$0.12</b>				
Total assets	¥132,734	¥157,998	¥188,046	¥172,477	¥145,057
	<b>\$1,351,257</b>				
Net assets	¥68,712	¥70,004	¥71,029	¥60,347	¥47,624
	<b>\$699,501</b>				
Capital expenditure (property, plant and equipment)	¥5,550	¥3,098	¥4,193	¥3,096	¥2,004
	<b>\$56,500</b>				
Depreciation	¥2,561	¥2,170	¥2,086	¥1,891	¥1,825
	<b>\$26,071</b>				
R & D Cost	¥1,684	¥1,742	¥3,557	¥2,808	¥2,512
	<b>\$17,143</b>				
Number of employees	3,148	3,246	3,435	3,336	3,310

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

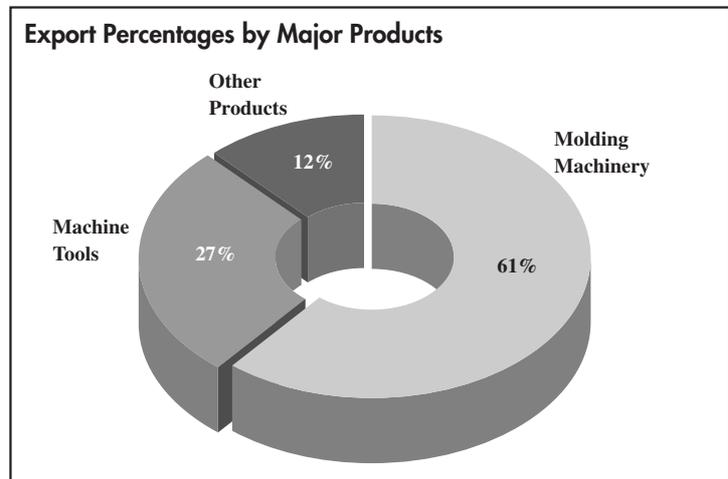
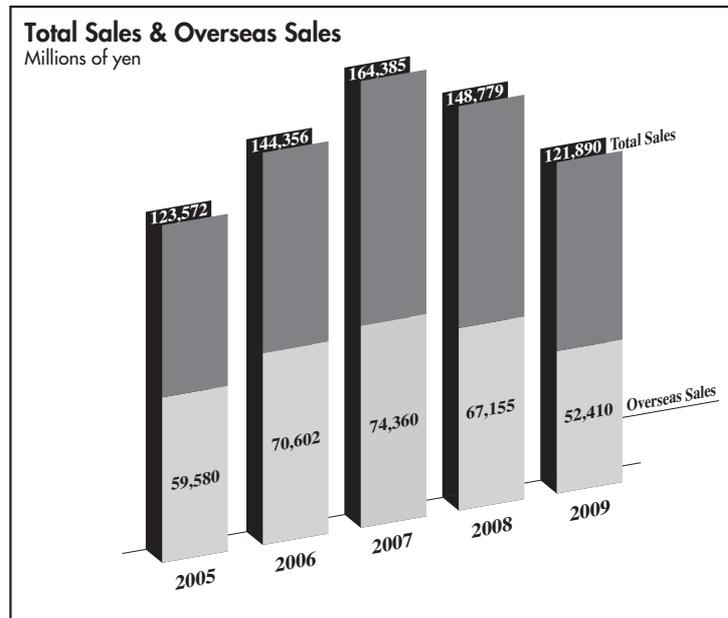
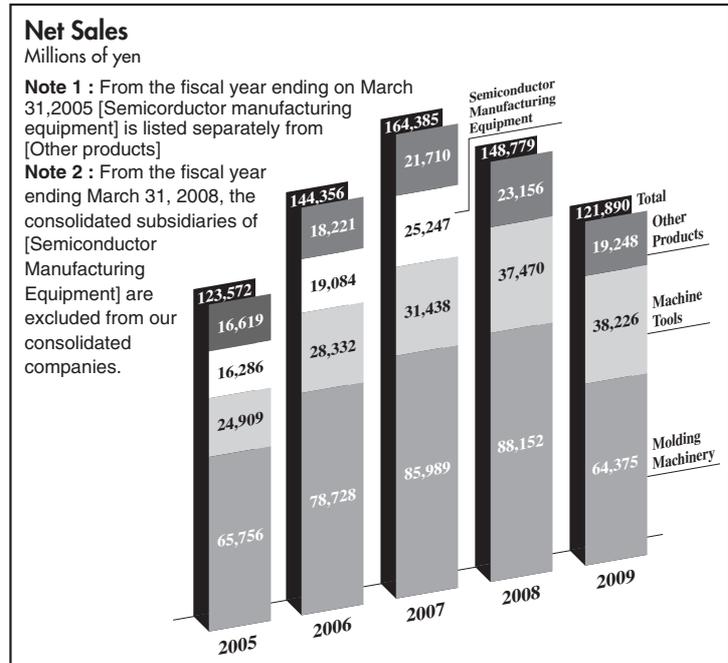
# Overseas Operations for Fiscal 2009

## Overseas Operation for fiscal 2009

For Japanese industry, including the machinery industry, an unprecedented difficult situation has lasted throughout this fiscal year 2009, due to the massive world financial crisis arising from the United States financial crisis and the appreciation of the yen.

Under such economic conditions, the Toshiba Machine Group made a concerted effort to secure orders in the world market, develop new products and exploit new markets. However, large numbers of our customers' industries (especially the automobile industry) have deferred or frozen their capital investment. As a result, total consolidated overseas sales for this term amounted to ¥52,410million (US\$575 million), contributing approximately 43.0% to total consolidated sales. In terms of machine types, injection molding machines, die-casting machines and machine tools are our leading export products, with sales rates highest in the Asian region.

While we have continue to promote our midterm management plan "TM GrowVary Plan", our group has met with an unprecedented severe business environment. Therefore, in this fiscal year 2009, we have developed a yearly management plan to address these circumstances, and our group will do its best to overcome these depressed conditions.



# Overseas Offices

## ■ North America ■

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

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

### **Los Angeles Office**

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

### **New Jersey Office**

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

### **Atlanta Office**

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

### **New York Office**

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

### **TOSHIBA MACHINE MACHINERY CO., LTD.**

#### **Canada Branch**

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

## ■ Europe ■

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

Oskar-Messter-Strasse 22,  
85737 Ismaning, GERMANY  
Tel : [49]-(0)89-9509499-0  
Fax : [49]-(0)89-9509499-25

### **U.K. Branch**

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

## ■ South East Asia ■

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

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

### **Kuala Lumpur Branch**

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

### **Penang Office**

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

### **Jakarta Office**

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

### **Hanoi 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

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

■ 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

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

**Suzhou Office**

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

**Dalian Office**

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

**Guangzhou Office**

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

**Xiamen Office**

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

**TOSHIBA MACHINE (SHANGHAI) CO., LTD.**

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

**TOSHIBA MACHINE HONG KONG LTD.**

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 (SHENZHEN)  
CO., LTD**

Room 606, 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

**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 Asia ■

**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

# Financial Review

## CONSOLIDATED BALANCE SHEETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2009 and 2008

ASSETS	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
<b>Current assets:</b>			
Cash and time deposits (Note 14)	¥15,194	¥17,083	\$154,678
Marketable securities (Note 5)	11,500	17,500	117,072
Notes and accounts receivable, trade	40,990	53,918	417,286
Allowance for doubtful receivables	(207)	(378)	(2,107)
Net receivables	40,783	53,540	415,179
<b>Inventories:</b>			
Finished products	4,640	5,069	47,236
Work in process	20,976	23,892	213,540
Raw materials and supplies	668	1,177	6,800
Total inventories	26,284	30,138	267,576
Deferred tax assets (Note 13)	2,425	3,090	24,687
Other current assets	2,457	1,530	25,012
Total current assets	98,643	122,881	1,004,204
Property, plant and equipment, net (Notes 6 and 12)	24,775	22,444	252,214
Intangible assets	607	620	6,179
<b>Investments and other assets:</b>			
Investments in:			
Unconsolidated subsidiaries and affiliates	2,293	3,283	23,343
Other securities (Note 5)	3,642	5,875	37,076
Long-term loans	174	205	1,771
Deferred tax assets (Note 13)	1,775	2,124	18,070
Other investments	825	566	8,400
Total investments and other assets	8,709	12,053	88,660
<b>Total assets</b>	<b>¥132,734</b>	<b>¥157,998</b>	<b>\$1,351,257</b>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
<b>Current liabilities:</b>			
Short-term bank loans (Notes 7 and 12)	¥12,010	¥11,500	\$122,264
Current portion of long-term debt (Note 7)	—	8,650	—
Notes and accounts payable, trade	22,253	37,875	226,540
Income taxes payable (Note 13)	607	5,824	6,179
Accrued expenses	4,610	6,265	46,931
Warranty reserve	83	86	845
Other current liabilities	6,564	6,268	66,823
Total current liabilities	46,127	76,468	469,582
<b>Long-term liabilities:</b>			
Long-term debt (Note 7)	7,500	—	76,351
Long-term accounts payable, other	1,054	2,009	10,730
Accrued employees' retirement benefits (Note 8)	9,180	9,310	93,454
Accrued directors' retirement benefits	96	207	977
Other long-term liabilities (Note 7)	65	—	662
Total long-term liabilities	17,895	11,526	182,174
Total liabilities	64,022	87,994	651,756
<b>Contingent liabilities (Note 9)</b>			
<b>Net assets:</b>			
<b>Shareholders' equity: (Note 17)</b>			
Common stock			
Authorized – 360,000,000 shares			
Issued – 166,885,530 shares	12,485	12,485	127,100
Additional paid-in capital	19,601	19,601	199,542
Retained earnings	46,826	43,879	476,698
Treasury stock, at cost (14,843,759 shares in 2009, 9,836,006 shares in 2008)	(10,036)	(8,398)	(102,169)
Total shareholders' equity	68,876	67,567	701,171
<b>Valuation and translation adjustments:</b>			
Unrealized holding gain on securities, net of tax	1,061	2,470	10,801
Deferred gains or losses on hedge	6	23	61
Foreign currency translation adjustments	(1,231)	(56)	(12,532)
Total valuation and translation adjustments	(164)	2,437	(1,670)
<b>Total net assets</b>	<b>68,712</b>	<b>70,004</b>	<b>699,501</b>
<b>Total liabilities and net assets</b>	<b>¥132,734</b>	<b>¥157,998</b>	<b>\$1,351,257</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
<b>Net sales</b>	<b>¥121,890</b>	<b>¥148,779</b>	<b>\$1,240,863</b>
Cost of sales (Note 16)	<b>84,760</b>	101,628	<b>862,873</b>
Gross profit	<b>37,130</b>	47,151	<b>377,990</b>
<b>Selling, general and administrative expenses (Notes 15 and 16)</b>	<b>25,594</b>	28,180	<b>260,551</b>
Operating income	<b>11,536</b>	18,971	<b>117,439</b>
<b>Other income:</b>			
Interest and dividend	<b>402</b>	347	<b>4,092</b>
Rent income	<b>178</b>	166	<b>1,812</b>
Equity in earnings of affiliates	—	41	—
Gain on reversal of allowance for doubtful accounts	<b>73</b>	—	<b>743</b>
Gain on sales of property, plant and equipment	<b>4</b>	12	<b>41</b>
Gain on sales of investments in consolidated subsidiaries and affiliates	—	2,850	—
Gain on sales of investments in securities	—	3,130	—
Gain on change in interest in consolidated subsidiary	—	511	—
Others	<b>298</b>	322	<b>3,034</b>
	<b>955</b>	7,379	<b>9,722</b>
<b>Other expenses and losses:</b>			
Interest	<b>268</b>	334	<b>2,728</b>
Loss on sales of notes receivable	<b>87</b>	134	<b>886</b>
Foreign exchange loss	<b>107</b>	215	<b>1,089</b>
Amortization of transitional obligation for employees' retirement benefits (Note 8)	<b>502</b>	571	<b>5,110</b>
Equity in losses of affiliates	<b>924</b>	—	<b>9,406</b>
Brand fee expense	<b>249</b>	209	<b>2,535</b>
Loss on disposal of property, plant and equipment	<b>50</b>	291	<b>509</b>
Loss on revision of retirement benefit plan	—	3,708	—
Accrued for directors' retirement benefits for prior periods	—	163	—
Loss on devaluation of investment securities	<b>52</b>	—	<b>529</b>
Others	<b>386</b>	205	<b>3,931</b>
	<b>2,625</b>	5,830	<b>26,723</b>
Income before income taxes and minority interests	<b>9,866</b>	20,520	<b>100,438</b>
<b>Income taxes (Note 13)</b>			
Current	<b>2,676</b>	9,571	<b>27,242</b>
Deferred	<b>1,887</b>	(2,961)	<b>19,210</b>
	<b>4,563</b>	6,610	<b>46,452</b>
Net income	<b>¥5,303</b>	<b>¥13,910</b>	<b>\$53,986</b>
	Yen		U.S. dollars
<b>Net income per share of common stock</b>	<b>¥34.18</b>	<b>¥86.79</b>	<b>\$0.35</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2009 and 2008

	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
Balance at March 31, 2007	166,885,530	¥12,485	¥19,601	¥31,895	¥(2,072)	¥6,010	¥14	¥ (0)
Net income				13,910				
Purchases of treasury stock					(6,326)			
Cash dividends				(1,926)				
Net changes in items other than shareholders' equity						(3,540)	9	(56)
Balance at March 31, 2008	166,885,530	12,485	19,601	43,879	(8,398)	2,470	23	(56)
Net income				5,303				
Purchases of treasury stock					(1,638)			
Cash dividends				(2,356)				
Net changes in items other than shareholders' equity						(1,409)	(17)	(1,175)
Balance at March 31, 2009	166,885,530	¥12,485	¥19,601	¥46,826	¥ (10,036)	¥1,061	¥6	¥ (1,231)
	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	
Balance at March 31, 2008	\$127,100	\$199,542	\$446,697	\$ (85,493)	\$25,145	\$234		\$ (570)
Net income			53,986					
Purchases of treasury stock				(16,676)				
Cash dividends			(23,985)					
Net changes in items other than shareholders' equity					(14,344)	(173)		(11,962)
Balance at March 31, 2009	\$127,100	\$199,542	\$476,698	\$ (102,169)	\$10,801	\$61		\$ (12,532)

See accompanying notes to financial statements

# CONSOLIDATED STATEMENTS OF CASH FLOWS

TOSHIBA MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
<b>Operating activities:</b>			
Income before income taxes and minority interests	¥9,866	¥20,520	\$100,438
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	2,561	2,171	26,071
Allowance for doubtful receivables	(208)	306	(2,117)
Warranty reserve	(3)	8	(31)
Employees' retirement benefit	(130)	(264)	(1,323)
Director's retirement benefit	(111)	207	(1,130)
Gain on sales of investment securities	—	(3,130)	—
Gain on sales of investments in consolidated subsidiaries and affiliates	—	(2,850)	—
Interest and dividend income	(402)	(347)	(4,092)
Interest expense	268	334	2,728
Loss on sales and disposal of property, plant and equipment	46	279	468
Equity in losses (earnings) of affiliates	924	(41)	9,406
Changes in operating assets and liabilities:			
Notes and accounts receivable, trade	12,928	1,249	131,609
Inventories	3,854	(1,403)	39,234
Notes and accounts payable, trade	(15,144)	(2,162)	(154,169)
Advances received	(812)	(1,472)	(8,266)
Accrued expenses	(1,621)	(100)	(16,502)
Long-term accounts payable, other	(955)	2,009	(9,722)
Others	(86)	619	(874)
Sub total	10,975	15,933	111,728
Interest and dividend income received	417	347	4,245
Interest paid	(302)	(333)	(3,074)
Income taxes paid	(8,824)	(8,369)	(89,830)
Others	(87)	(133)	(886)
Net cash provided by operating activities	2,179	7,445	22,183
<b>Investing activities:</b>			
Acquisition of investment securities	(104)	(100)	(1,059)
Proceeds from sales of investment securities	—	3,397	—
Acquisition of investments in unconsolidated subsidiaries and affiliates	—	(768)	—
Proceeds from sales of investments in consolidated subsidiaries and affiliates	—	2,750	—
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(490)	—
Payments for sales of investments in capital of subsidiaries and affiliates	(50)	—	(509)
Purchases of property, plant and equipment	(4,633)	(2,992)	(47,165)
Proceeds from sales of property, plant and equipment	37	44	377
Purchases of intangible assets	(181)	—	(1,843)
Payments of long-term loan receivables	(1)	(4)	(10)
Repayments of long-term loan receivables	32	42	326
Others	(1)	(155)	(10)
Net cash (used in) provided by investing activities	(4,901)	1,724	(49,893)
<b>Financing activities:</b>			
Increase (decrease) in short-term bank loans	1,159	(1,207)	11,799
Proceeds from long-term debt	7,500	—	76,352
Repayments of long-term debt	(8,650)	(1,100)	(88,058)
Purchases of treasury stock	(1,638)	(6,326)	(16,676)
Cash dividends paid	(2,356)	(1,926)	(23,985)
Others	(7)	—	(71)
Net cash used in financing activities	(3,992)	(10,559)	(40,639)
Effect of exchange rate changes on cash and cash equivalents	(1,175)	(55)	(11,962)
Net decrease in cash and cash equivalents	(7,889)	(1,445)	(80,311)
Cash and cash equivalents at the beginning of year	34,583	36,028	352,061
Cash and cash equivalents at end of year (Note 14)	¥26,694	¥34,583	\$271,750

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 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 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 current rates at end of the term. 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

Until the year ended March 31, 2008, 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.

Effective from the year ended March 31, 2009, inventories are stated at the lower of cost, determined by carrying amount on the balance sheet is stated by the devaluation method based on the decline in profitability, 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 from 3 – 22 years for machinery, equipment and vehicle.

**(Additional Information)**

Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries changed the estimated useful lives of machinery from 6 – 13 years to 4 – 9 years after reviewing the availability of these assets in conjunction with the revision of the Corporation Tax Law of Japan.

The effect of this change on operating income and income before income taxes and minority interests is immaterial for the year ended March 31, 2009.

**(i) Amortization of intangible assets**

Computer software held for internal use 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) Leased assets**

Leased assets under finance lease transactions that do not transfer ownership to the lessee, are depreciated under 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 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.

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 interests by ¥3,708 million for the year ended March 31, 2008.

#### (n) Directors' retirement benefits

Domestic consolidated subsidiaries accrued an estimated amount calculated in accordance with its internal rule for retirement benefits for directors.

#### (Additional Information)

Previously, the Company had accrued an estimated amount calculated in accordance with its internal rule for retirement benefits for directors. However, At the ordinary general shareholders' meeting held on June 26, 2008, an approval was adopted regarding the severance payment to be made following the abolition of retirement benefit system for directors. Accordingly, the entire accrued amount of the provision of the payments, ¥123 million (\$1,252 thousand), was reversed, and is stated as long-term payable, other in the accompanying consolidated balance sheet as of March 31, 2009.

The change had no effect on operating income and income before income taxes and minority interests for the year ended March 31, 2009.

#### (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 statement 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, 2008 have been reclassified to conform to the 2009 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 ¥98.23=U.S.\$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2009. 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) Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

Effective from the year ended March 31, 2009, the Company applied "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Statements" (ASBJ, Practical Issues Task Force No. 18, issued May 17, 2006), and necessary modifications have been made for consolidation.

The change had no effect on operating income and income before income taxes and minority interests for the year ended March 31, 2009.

#### (b) Accounting standard for measurement of inventories

Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the new accounting standard "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, issued July 5, 2006).

The Company and its domestic consolidated subsidiaries changed accounting policies to "Inventories are stated at the lower of 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, or their net realizable value" from "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".

This change in accounting policy for measurement of inventories resulted in the decreases in operating income and income before income taxes and minority interests by ¥445 million (\$4,530 thousand) for the year ended March 31, 2009.

The effect of this change on segment information is explained in Note 20.

#### (c) Accounting standard for lease transactions

Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the amended "Accounting Standard for Lease Transactions" (ASBJ Statement No.13, March 30, 2007; revised from the standard originally issued by the Corporate Accounting Council on June 17, 1993) and "Guidance on Accounting Standard for Lease Transaction" (ASBJ Guidance No.16, March 30 2007, revised from the standard originally issued by the Japanese Institute of Certified Public Accountants on January 18, 1994).

Previously, finance lease transactions that do not transfer ownership of the leased assets to the

lessee, were accounted for as operating lease transactions. Effective from the year ended March 31, 2009, such finance lease transactions are recognized as leased assets and leased obligations on the balance sheet. However, finance lease transactions, which do not transfer ownership of the leased assets to the lessee, commencing on or before March 31, 2008 continue to be accounted for as operating lease transactions.

This adoption of new standard had no effect on operating income and income before income taxes and minority interests for the year ended March 31, 2009.

#### (d) 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 interests for the year ended March 31, 2008 by ¥63 million.

The effect of this change on segment information is explained in Note 20.

#### (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 interests for the year ended March 31, 2008 by ¥284 million.

The effect of this change on segment information is explained in Note 20.

#### (e) 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 and ¥15,500 million, respectively.

#### (f) 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” (Japanese Institute of Certified Public Accountants, Auditing and Assurance practice Committee, Report No.42, revised April 13, 2007). 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 interests for the year ended March 31, 2008 were ¥38 million and ¥201 million, respectively.

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

## 5. Securities

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

	Millions of yen					
	2009			2008		
	Acquisition cost	Carrying value	Unrealized gains	Acquisition cost	Carrying value	Unrealized gains
Equity securities	¥1,711	¥3,463	¥1,752	¥1,649	¥5,682	¥4,033
	¥1,711	¥3,463	¥1,752	¥1,649	¥5,682	¥4,033

	Thousands of U.S. dollars		
	2009		
	Acquisition cost	Carrying value	Unrealized gains
Equity securities	\$17,418	\$35,254	\$17,836
	<b>\$17,418</b>	<b>\$35,254</b>	<b>\$17,836</b>

Non-marketable securities classified as marketable securities primary consist of negotiable certificate of deposit of ¥11,500 million (\$117,072 thousand) and ¥17,500 million as of March 31, 2009 and 2008, respectively. Non-marketable equity securities as other securities primary consist of ¥179 million (\$1,822 thousand) and ¥193 million as of March 31, 2009 and 2008, respectively.

## 6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Land	¥6,053	¥6,060	\$61,621
Buildings and structures	34,020	31,361	346,330
Machinery and equipment	30,357	28,968	309,040
Vehicles	498	534	5,070
Tools, furniture and fixtures	7,162	7,143	72,911
Lease assets	79	—	803
Construction in progress	317	605	3,227
	<b>78,486</b>	74,671	<b>799,002</b>
Less accumulated depreciation	<b>(53,711)</b>	(52,227)	<b>(546,788)</b>
	<b>¥24,775</b>	¥22,444	<b>\$252,214</b>

Depreciation expense for the years ended March 31, 2009 and 2008 were ¥2,561 million (\$26,071 thousand) and ¥2,170 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, 2009 and 2008 ranged principally from 1.19% to 4.54% and 1.28% to 6.38%, respectively. Long-term debt on March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans, principally from Japanese banks and insurance companies maturing 2010 – 2013, interest 1.42 % – 1.95 %	¥7,500	¥8,650	\$76,351
	<b>7,500</b>	8,650	<b>76,351</b>
Less current portion	—	8,650	—
	<b>¥7,500</b>	—	<b>\$76,351</b>

The aggregate annual maturities of long-term debt at March 31, 2009 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	—	—
2011	—	—
2012	¥700	\$7,126
2013	700	7,126
2014 and later	6,100	62,099
	¥7,500	\$76,351

The aggregate annual maturities of finance lease obligations at March 31, 2009 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥11	\$112
2011	17	173
2012	17	173
2013	17	173
2014 and later	14	143
	¥76	\$774

## 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, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	<b>¥14,641</b>	¥14,688	<b>\$149,048</b>
Fair value of plan assets	<b>(1,562)</b>	(1,167)	<b>(15,901)</b>
Unfounded status	<b>13,079</b>	13,521	<b>133,147</b>
Unrecognized transitional obligation	<b>(2,842)</b>	(3,345)	<b>(28,932)</b>
Unrecognized actuarial loss	<b>(1,057)</b>	(866)	<b>(10,761)</b>
Accrued retirement benefits obligation	<b>¥9,180</b>	¥9,310	<b>\$93,454</b>

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	<b>¥797</b>	¥850	<b>\$8,114</b>
Interest cost	<b>235</b>	270	<b>2,392</b>
Expected return on plan assets	<b>(27)</b>	(18)	<b>(275)</b>
Amortization of transitional obligation	<b>502</b>	571	<b>5,111</b>
Recognized actuarial loss	<b>197</b>	202	<b>2,005</b>
Others	<b>174</b>	118	<b>1,771</b>
	<b>¥1,878</b>	¥1,993	<b>\$19,118</b>

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:

	2009	2008
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.5%
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, 2009, contingent liabilities for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥861 million (\$8,765 thousand).

## 10. Leases

As described Note 4(c), the Company and its domestic consolidated subsidiaries 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 at March 31, 2009 and 2008, 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
	2009	2008	2009
Acquisition Costs			
Machinery, equipment and vehicles	<b>¥996</b>	¥1,174	<b>\$10,139</b>
Tools, furniture and fixtures	<b>895</b>	1,437	<b>9,111</b>
Less-Accumulated depreciation	<b>(1,264)</b>	(1,607)	<b>(12,867)</b>
Net book value	<b>¥627</b>	¥1,004	<b>\$6,383</b>

Future lease payments (including the interest portion thereon) subsequent to March 31, 2009 for finance leases accounted for as operating leases were as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Due within one year	¥287	\$2,922
Due after one year	340	3,461
	<b>¥627</b>	<b>\$6,383</b>

Periodic lease charges, as a lessee, charged to income for the years ended March 31, 2009 and 2008 were ¥ 455 million (\$4,632 thousand) and ¥ 577 million, respectively. The pro forma amounts of depreciation for the years ended March 31, 2009 and 2008 would be calculated at ¥455 million (\$4,632 thousand) and ¥577 million by using the straight-line method over the lease term with no salvage value.

## 11. 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.

## 12. Pledged Assets

The following assets were pledged as collateral at March 31, 2009 to secure short-term bank loans amounting to ¥2 million (\$20 thousand). (See Note 7):

	Millions of yen	Thousands of U.S. dollars
Land	¥581	\$5,915
Machinery and equipment, net	272	2,769
Buildings, net	2,496	25,410
	<b>¥3,349</b>	<b>\$34,093</b>

## 13. 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, 2009 and 2008 were approximately 39.7% and 39.8%, respectively.

The reconciliation between the statutory rate and effective tax rate of income taxes for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Statutory tax rate	<b>39.7 %</b>	39.8 %
Per-capita portion of Inhabitant Tax	<b>0.4</b>	0.2
Permanently non-taxable revenue	<b>2.1</b>	0.8
Permanently non-deductible expenses	<b>0.5</b>	0.5
Unrealized intercompany profit on fixed assets	<b>0.2</b>	(0.0)
Change in valuation allowance	<b>4.7</b>	(8.0)
Difference in tax rates of consolidated subsidiaries	<b>(1.9)</b>	(1.4)
Other	<b>0.6</b>	0.3
Effective tax rate	<b>46.3 %</b>	32.2 %

The significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Accrued employees' bonuses	<b>¥1,067</b>	¥1,362	<b>\$10,862</b>
Allowance for doubtful receivables	<b>143</b>	54	<b>1,456</b>
Devaluation of inventories	<b>163</b>	106	<b>1,659</b>
Devaluation of securities	<b>510</b>	199	<b>5,192</b>
Accrued employees' retirement benefits	<b>3,619</b>	3,673	<b>36,842</b>
Amount not shifted to defined contribution pension plan	<b>697</b>	1,142	<b>7,096</b>
Unrealized intercompany profit on inventories	<b>532</b>	613	<b>5,416</b>
Enterprise tax payable	<b>77</b>	497	<b>784</b>
Other	<b>1,262</b>	1,218	<b>12,847</b>
Total deferred tax assets	<b>¥8,070</b>	¥8,864	<b>\$82,154</b>
Valuation allowance	<b>(2,869)</b>	(1,876)	<b>(29,207)</b>
Net deferred tax assets	<b>¥5,201</b>	¥6,988	<b>\$52,947</b>
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	<b>(187)</b>	(196)	<b>(1,904)</b>
Unrealized gain on securities	<b>(746)</b>	(1,563)	<b>(7,594)</b>
Gain on deferred hedging	<b>(4)</b>	(15)	<b>(41)</b>
Foreign consolidated subsidiaries' retained earning	<b>(64)</b>	—	<b>(651)</b>
Deferred tax liabilities	<b>¥(1,001)</b>	¥(1,774)	<b>\$(10,190)</b>
Net deferred tax assets (liabilities)	<b>¥4,200</b>	¥5,214	<b>\$42,757</b>

#### 14. 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, 2009 and 2008 were presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and time deposits	<b>¥15,194</b>	¥17,083	<b>\$154,678</b>
Marketable securities	<b>11,500</b>	17,500	<b>117,072</b>
Cash and cash equivalents	<b>¥26,694</b>	¥34,583	<b>\$271,750</b>

## 15. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Sales commission	<b>¥1,804</b>	¥2,352	<b>\$18,365</b>
Delivering expense	<b>3,250</b>	4,030	<b>33,086</b>
Reserve for warranty	<b>83</b>	8	<b>845</b>
Personal expense	<b>11,136</b>	11,145	<b>113,367</b>
Retirement allowance	<b>639</b>	691	<b>6,505</b>
Depreciation	<b>683</b>	632	<b>6,953</b>
Rent expense	<b>877</b>	918	<b>8,928</b>
Traveling expense	<b>1,377</b>	1,438	<b>14,018</b>
Research and development expense	<b>1,046</b>	1,251	<b>10,648</b>
Outside order expense	<b>1,094</b>	1,030	<b>11,137</b>
Others	<b>3,605</b>	4,685	<b>36,699</b>

## 16. Research and Development Costs

Research and development costs charged to income were ¥1,684 million (\$17,143 thousand) and ¥1,743 million for the years ended March 31, 2009 and 2008, respectively.

## 17. 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.

## 18. Related Party Transactions

During the years ended March 31, 2009 and 2008, the Company and its consolidated subsidiaries had operational transactions with Toshiba Corporation, a 22.1% and 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 years ended, March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
For the year:			
Sales of investment in affiliates	—	¥2,750	—
Payment of brand fee	¥249	209	\$2,535
	¥249	¥2,959	\$2,535

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

A summary of the significant transactions with NuFlare Technology, Inc. for the years ended, March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
For the year:			
Rent income for land, buildings and structures	¥119	¥113	\$1,211
	¥119	¥113	\$1,211

Note : Rent price was market price.

## 19. Net Income and Net Assets per Share

Net income and net assets per share for the years ended March 31, 2009 and 2008 were as follows:

	Yen		U.S. dollars
	2009	2008	2009
Net income per share	¥34.18	¥86.79	\$0.35
Net assets per share	451.93	445.74	4.60

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	
	2009	2008
weighted-average number of shares of common stock	155,123	160,285

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net income	¥5,303	¥13,910	\$53,986
Net income not applicable to shareholders of common stock	—	—	—
Net income applicable to shareholders of common stock	¥5,303	¥13,910	\$53,986

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

	Thousands of shares	
	2009	2008
Number of shares at year-end	152,042	157,050

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net assets	¥68,712	¥70,004	\$699,501
Minority interests in consolidated subsidiaries	—	—	—
Net assets applicable to shareholders of common stock	¥68,712	¥70,004	\$699,501

## 20. 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 below present sales, operating expenses and operating income information by business segment.

Year ended March 31, 2009	Millions of yen				
	Molding Machinery	Machine Tools	Other Products	Eliminations and/or corporate	Consolidated
Sales	¥64,375	¥38,791	¥22,497	¥(3,773)	¥121,890
Operating expenses	60,218	32,717	21,957	(4,538)	110,354
Operating income	4,157	6,074	540	765	11,536
Identifiable assets	60,630	32,193	31,594	8,317	132,734
Depreciation	946	386	1,229	—	2,561
Capital expenditure	1,387	2,538	1,625	—	5,550

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, 2009

Thousands of U.S.dollars

	Molding Machinery	Machine Tools	Other Products	Eliminations and/or corporate	Consolidated
Sales	\$655,350	\$394,900	\$229,024	\$(38,411)	\$1,240,863
Operating expenses	613,031	333,065	223,526	(46,198)	1,123,424
Operating income	42,319	61,835	5,498	7,787	117,439
Identifiable assets	617,225	327,731	321,633	84,668	1,351,257
Depreciation	9,630	3,930	12,511	—	26,071
Capital expenditure	14,120	25,837	16,543	—	56,500

As described Note 4(b), the Company and its domestic subsidiaries adopted “Accounting Standard for Measurement of Inventories” effective from the year ended March 31, 2009. As a result, operating expenses increased by ¥183 million (\$1,863 thousand) in the Molding Machinery segment, ¥195 million (\$1,985 thousand) in the Machine Tools segment, and ¥67 million (\$682 thousand) in the Other Products segment. Operating income decreased by the same amounts accordingly.

As described Note 4(d) and Note 4(d) (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 in the Molding Machinery segment, ¥41 million in the Machine Tools segment, and ¥253 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, 2009 and 2008 were as follows:

Year ended March 31, 2009

Millions of yen

	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	¥114,723	¥9,664	¥13,193	¥137,580	¥(15,690)	¥121,890
Operating expenses	104,559	9,106	12,671	126,336	(15,982)	110,354
Operating income	10,164	558	522	11,244	292	11,536
Identifiable assets	109,831	5,705	8,506	124,042	8,692	132,734

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, 2009

Thousands of U.S.dollars

	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	\$1,167,902	\$98,381	\$134,307	\$1,400,590	\$(159,727)	\$1,240,863
Operating expenses	1,064,430	92,701	128,993	1,286,124	(162,700)	1,123,424
Operating income	103,472	5,680	5,314	114,466	2,973	117,439
Identifiable assets	1,118,100	58,078	86,593	1,262,771	88,486	1,351,257

As described Note 4(b), the Company and its domestic subsidiaries adopted “Accounting Standard for Measurement of Inventories” effective from the year ended March 31, 2009. As a result, operating expenses increased by ¥445 million (\$4,530 thousand) in the Japan segment, and operating income decreased by the same amount accordingly.

As described Note 4(d) and Note 4(d) (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 in the Japan segment. Operating income decreased by the same amounts accordingly.

### (C) Sales to foreign customers

Sales to foreign customers for the years ended March 31, 2009 and 2008 were as follows:

Year ended March 31, 2009	Millions of yen			
	North America	Asia	Other	Total
Sales to foreign customers	¥12,972	¥36,239	¥3,199	¥52,410
Net sales	—	—	—	121,890
Ratio of Sales to foreign Customers (%)	10.6	29.8	2.6	43.0

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, 2009	Thousands of U.S.dollars			
	North America	Asia	Other	Total
Sales to foreign customers	\$132,057	\$368,920	\$32,567	\$533,544
Net sales	—	—	—	1,240,863
Ratio of Sales to foreign Customers (%)	10.6	29.8	2.6	43.0

## 21. 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, 2009, were approved at the meeting of the Board of Directors held on April 30, 2009:

Cash dividends (¥6.00 = \$0.06 per share) ¥912 million (\$9,284 thousand)

# Report of Independent Auditors

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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, 2009 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 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, 2009 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, 2009 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 Shin Nihon LLC*

June 26, 2009

# Directors & Auditors

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## **Directors** President

Yukio Imura

## **Senior Managing Director**

Yoshi Atobe

## **Managing Directors**

Fumihisa Yano

Akinori Ide

## **Directors**

Takateru Yoshimura

Yoshihiro Kishimoto

Takanao Suzuki

Satoshi Hironaka

Masayuki Yagi

Shigetomo Sakamoto

## **Auditors**

Michio Matsumoto

Masahiro Suzuki

Teruyuki Makino

Michiharu Watanabe



**TOSHIBA MACHINE CO., LTD.**

**Numazu Headquarters**

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

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

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

**Tokyo Main Branch**

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

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

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

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