

Foreword

During the fiscal term ending March 31, 1999, the Japanese economy continued to be plagued by depressed consumer demand, decreased private-sector plant investment, and four consecutive quarters of minus growth. Overseas, the Asian economy also continued to suffer from depressed economic growth due to the financial and foreign exchange crises, while the European and American economies continued to enjoy relatively robust growth.

In the machinery industry, bleak economic conditions continued due a sudden decrease in private-sector plant and equipment investment and fierce domestic and overseas competition.

Under these conditions, the TOSHIBA MACHINE CO., LTD. despite its continued efforts to secure orders, both domestic and abroad, as well as the development of new products, recorded a decrease in total orders received and sales volume.

As for orders received, machine tools, injection molding machines, industrial machinery, hydraulic equipment, semiconductor-manufacturing equipment, and food service equipment all suffered from weak demand resulting in a 32.2% decrease over the previous term, totaling ¥83,385 million (US\$692 million). (An exchange rate of ¥120.55=\$1.00 will be used throughout this report)

As for sales volume, a drop in demand resulted in a 21.3% decrease over the previous term, totaling ¥95,022 million (US\$788 million).

In terms of profit and loss, despite efforts in decreasing costs, upgrading and rationalization of our production systems, and further improvement of the efficiency of all our operations, we regret to announce the incurring of a fiscal pre-tax loss of ¥1,286 million (US\$11 million) and a net loss ¥1,717 million (US\$ 14 million).

Due to this fiscal loss recorded for the

period under review, it is with deep remorse that we will be foregoing the dividend distribution for the fiscal term just ended and limiting it to an interim dividend of ¥2.00 (US\$ 0.02) per share.

Despite our expectations in regards to the official Japanese Government economic stimulus measures, continued long term depressed consumer demand, coupled with suppressed private sector investment in plant and equipment, along with the continuing stagnant Asian economic situation, and indications of an European and American economic slowdown suggest that the current bleak economic conditions will continue into the foreseeable future.

Under such adverse conditions and with our eyes toward the 21st century, the TOSHIBA MACHINE CO., LTD. is determined to overcome and remain a viable force by drastic reform of its administrative organization, in addition to the anticipating and fulfilling of customer

needs by the development of new products, the expanding and reinforcing of its sales and service network, and the further promoting of its internationalization to increase the volume of orders received, sales volume, and profitability.

As for our manufacturing systems, rationalization and efficiency measures are to be implemented for increased production in combination with thorough quality control to serve as a foundation for improved profitability of our company.

Furthermore, in regards to the Year 2000, the TOSHIBA MACHINE CO., LTD. in conjunction with all of our domestic and overseas group companies, are now completing preparations to assure full compatibility of all our products.



T. Inokuma

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