

Foreword

The Japanese economy, entwined in a deflationary spiral and reeling from the affects of the September 11 terrorist attacks in the United States, remained stagnant due to depressed consumer spending, and decreased investment and low growth in the IT industry.

An unfavorable business climate also prevailed in the machine industry as constraints placed on international investment in plant and equipment resulted in a continuation of bleak demand.

Under such severe conditions, the Toshiba Machine group based on their CS (Customer Satisfaction) corporate policy, and despite its continued efforts to secure orders, both domestically and overseas, the development of new products and selling of their printing press division, recorded a decrease of approximately 30.9% in total orders received compared to the previous term for machine tools, plastic processing machinery, and semiconductor equipment, totaling ¥92,796 million (US\$ 696 million). (An exchange rate of ¥133.25=\$1.00 shall be used throughout this text).

As for sales volume, a drop in demand for our plastic processing machinery, printing presses, and semiconductor equipment resulted in a 17.9% decrease over the previous term, totaling ¥104,598 million (US\$ 785 million).

In terms of profit and loss, despite such favorable factors as improved foreign exchange conditions, proceeds from the sale of our offset web-press division, and the further upgrading and rationalization of our production and management systems, these were more than offset by stagnant market demand and the costs involved in the reorganizing of our company group resulting in the incurring of a company group fiscal pre-tax loss of ¥664 million (US\$ 5 million), and a net loss of ¥1,924 million (US\$ 14 million).

We regret to announce that despite showing a profit as a single company, the Toshiba Machine Company will forego the distribution of a dividend for the fiscal year just ended in order to continue the reinforcement of our finances.

Despite a slight improvement in inventory and a general feeling that the economy has stabilized, the general economic outlook is expected to remain bleak due to continued depressed consumer demand caused by the acute unemployment situation, chronic bad debt problem, and the delay in the recovery of the American economy. Despite such dire conditions, the Toshiba Machine group, in order to remain as a vital industrial force, will be implementing their TOSHIBA MACHINE ACTION PROGRAM 21 Advanced I (TM-AP21 Ad. I) consisting of such things as the reorganization of our various business units, processes, and cost outlays, as well as the establishing of a manufacturing company in China, implementation of a revised CS oriented user-oriented solution-type policy, and business alliances with other companies to further strengthen our sales and profitability. As for manufacturing, we plan to continue the rationalization of our operations, in addition to the further improvement of our product quality and environment based on ISO 9001 and 14001.



Takahiro Inokuma
President

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