

Foreword

Plagued by a continuing deflationary spiral and depressed stock market prices, prospects for a Japanese economic recovery remained bleak.

Overseas, the Asian region, centered on China, enjoyed expanded economic growth, while the American and European economies experienced depressed growth.

The machine industry was also beset by bleak economic conditions due to continued weak demand caused by constraints placed on plant and equipment investments.

Under such circumstances, the Toshiba Machine Group, based on their CS (Customer Satisfaction) corporate policy, as well as their continuous effort to secure orders, develop new products, and promote their Solution Business strategy resulted in an increase in orders received for injection molding machines, die-casting machines, hydraulic equipment, and printing presses.

This, however, was offset by a decrease in orders received for machine tools, extrusion machines, and semiconductor equipment, which resulted in a total of ¥93,090 million (US\$ 774 million), virtually unchanged over the previous term (an exchange rate of ¥120.20=US\$1.00 shall be used throughout this text).

As for sales volume, an increase in demand for our injection molding machines, die-casting machines and semiconductor equipment did not compensate for the large decrease in demand for our machine tools and printing presses resulting in a 7.0% decrease over the previous term, totaling ¥97,296 million (US\$ 809 million).

In terms of profit and loss, increased demand for our injection molding machines, die-casting machines, and high precision machines, along with further improvement and rationalization of our management systems resulted in a pre-tax consolidated profit of ¥938 million (US\$ 8 million), and a net consolidated profit of ¥1,052 million (US\$ 9 million) after including the proceeds from the liquidation of a former factory site.

In regards to the stock dividend, despite the absence of a mid-term dividend, a dividend of ¥3.00 (US\$ 0.02) per share was distributed for the fiscal year ended on March 31, 2003.

On June 6, 2002, a subsidiary was established in Shanghai, China for the express purpose of building our first overseas production facilities; and for improved business efficiency, the Semiconductor and Machine Tool Divisions (not including high precision machinery) were made into two separate subsidiary companies on August 1, 2002 and October 1, 2002, respectively.

The general economic outlook is expected to remain bleak due to such factors as stagnant domestic investment in plant and equipment, depressed consumer spending, world economic uncertainty caused by the unstable situation in Iraq, as well as the lingering problem of non-performing loans.

Under such bleak economic conditions, and in order that they be able to overcome various business upheavals, changing market trends and remain a vital force within the industry, the Toshiba Machine Group on April 1, 2003 implemented their TOSHIBA MACHINE ACTION PROGRAM 21 Advanced II (TM-AP21 Ad. II) to further strengthen their various business units, and increase the volume of orders received and total sales.

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.

R. Nakajima

Reiji Nakajima
President

July, 2003