

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 Securities 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 generally accepted accounting principles and practice 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 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 equity 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 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 hedged by a forward contract, 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 current rates at the respective balance sheet dates and all income and expense accounts are translated at average rates for the respective periods. 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 equity.

Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(d) Inventories

Inventories are stated at the 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.

(e) Allowance for doubtful receivables

The allowance for doubtful receivables is stated based on the default ratio sustained over a specific period in the past and the estimated uncollectible amount 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 at the estimated amount of the incurred during the warranty period based on historical experience.

(g) **Employees Bonuses**

The bonuses to the employees are paid twice a year and accrued based on estimated amounts to be paid in the subsequent period.

(h) **Depreciation of property, plant and equipment**

Depreciation of buildings is principally computed, by the straight-line method and other depreciation of property, plant and equipment is computed by the declining balance method over the estimated useful lives of respective assets, principally ranging from three to sixty years for buildings and from three to twenty-two years for machinery, equipment and vehicle.

(i) **Amortization of intangible assets**

Computer software used internally by the Company and consolidated subsidiaries is amortized by the straight-line method over the relevant economic useful lives (5 years). The others including patent right are computed by the straight-line method over the estimated useful lives of respective assets.

(j) **Finance Leases**

Finance leases, which do not transfer ownership of the leased assets to the lessees, are accounted for in the same manner as operating leases.

(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 items for financial reporting purposes which, in the case of expenses, are not currently deductible and in the case of income, are not currently taxable.

Income tax effects on temporary differences between tax and financial reporting purposes 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.

(n) **Appropriation of Retained Earnings**

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations. See Notes 14.

(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 each 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) **Statements of Cash Flows**

In preparing the 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, 2006 have been reclassified to conform to the 2007 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 ¥118.05=U.S.\$1, the approximate exchange rate prevailing in the Japanese foreign exchange market on March 31, 2007. 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 presentation of net assets in the balance sheet**

Effective from the year ended March 31, 2007, the Company adopted “accounting standard for presentation of net assets in the balance sheet” and related implementation guidelines.

Due to the adoption of this accounting standard, minority interests are included in net assets at March 31, 2007. Under the previous presentation rules, minority interests were presented as a separate component the consolidated balance sheet.

In addition, preparation of a consolidated statement of changes in net assets has been required, instead of a consolidated statement of shareholders’ equity, for the year ended March 31, 2007.

In this connection, the consolidated balance sheet as of March 31, 2006 and the consolidated statement of shareholders’ equity for the year ended March 31, 2006 have been reclassified to conform to the presentation and disclosure of consolidated financial statements as of and for the year ended March 31, 2007.

For the year ended March 31, 2007, the amount of shareholders’ equity would have been ¥67,918 million (US\$575,332 thousand) if the previous year’s presentation were applied

(b) Accounting standard for directors’ bonuses

In the year ended March 31, 2007, the Company adopted “accounting standard for directors bonuses” and changed to provide for bonuses to directors and corporate auditors at the end of the fiscal year to which such bonuses are attributable.

The effect of the adoption of this new accounting standard on operating income for the year ended March 31, 2007 was ¥65 million (US\$551 thousand).

(c) Accounting standard for the impairment of fixed assets

In the year ended March 31, 2006, the Company has adopted new accounting standards for the impairment of fixed assets in accordance with “Accounting Standards for the Impairment of Fixed Assets” and “Implementation Guidance for Accounting Standards for the Impairment of fixed assets.”

The effect on net income of the adoption of this new accounting standard was nil for the year ended March 31, 2006.

(d) Accounting standard for employee retirement and severance benefits

In the year ended March 31, 2006, the Company adopted the partial amendment of “Corporate Accounting Standard No. 3 regarding Employee Retirement and Severance Benefits” issued on March 16, 2005.

The effect on net income of the adoption of this new accounting standard was nil for the year ended March 31, 2006.

5. Securities

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

	Millions of yen					
	2007			2006		
	Acquisition cost	Carrying value	Unrealized gains	Acquisition cost	Carrying value	Unrealized gains
Equity securities	¥1,816	¥11,723	¥9,907	¥1,820	¥11,371	¥9,551
	¥1,816	¥11,723	¥9,907	¥1,820	¥11,371	¥9,551
	Thousands of U.S. dollars					
	2007					
	Acquisition cost	Carrying value	Unrealized gains			
Equity securities	\$15,383	\$99,305	\$83,922			
	\$15,383	\$99,305	\$83,922			

Non-marketable securities classified as other securities primary consist of non-marketable equity securities of ¥193 million (US\$1,635) and ¥116 million as of March 31, 2007 and 2006, respectively.

6. Property, Plant and Equipment

Property, plant and equipment at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Land	¥6,062	¥6,071	\$51,351
Buildings and structures	32,171	30,783	272,520
Machinery and equipment	31,899	30,193	270,216
Vehicles	565	565	4,786
Tools, furniture and fixtures	7,701	7,546	65,235
Construction in progress	1,286	1,439	10,894
	79,684	76,597	675,002
Less accumulated depreciation	(54,291)	(53,753)	(459,898)
	¥25,393	¥22,844	\$215,104

Depreciation expense for the years ended March 31, 2007 and 2006 were ¥ 2,086 million (\$ 17,670 thousand) and ¥ 1,891 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, 2007 and 2006 ranged principally from 1.08% to 6.59% and from 0.55% to 5.56%, respectively. Long-term debt on March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Loans, principally from Japanese banks and insurance companies maturing 2008 – 2011, interest 1.00 % - 1.90 %	¥11,250	¥11,378	\$95,299
	11,250	11,378	95,299
Less current portion	1,100	1,538	9,318
	¥10,150	¥9,840	\$85,981

The aggregate annual maturities of long-term debt at March 31, 2007 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥1,100	\$9,318
2009	8,650	73,274
2010	—	—
2011	—	—
2012 and later	1,500	12,706
	¥11,250	\$95,298

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, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	¥18,984	¥18,688	\$160,813
Fair value of plan assets	(816)	(807)	(6,912)
Unfounded status	18,168	17,881	153,901
Unrecognized transitional obligation	(6,375)	(7,193)	(54,003)
Unrecognized actuarial loss	(1,525)	(1,572)	(12,918)
Accrued retirement benefits obligation	¥10,268	¥9,116	\$86,980

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service cost	¥1,110	¥1,033	\$9,403
Interest cost	316	316	2,677
Expected return on plan assets	(18)	(7)	(152)
Amortization of transitional obligation	818	818	6,929
Recognized actuarial loss	285	280	2,414
	¥2,511	¥2,440	\$21,271

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:

	2007	2006
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	1.0%
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, 2007, contingent liabilities for notes discounted in the ordinary course of business and for loans guaranteed by the Company, principally on behalf of non-consolidated subsidiaries and affiliated companies, amounted to ¥272 million (\$2,304 thousand) and ¥1,136 million (\$9,623 thousand), respectively.

10. Leases

Finance leases of the Companies other than those where ownership of the leased assets is transferred to the lessee, are 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, 2007 and 2006, which would have been reflected in the consolidated balance sheets if these arrangements have been accounted for as finance leases:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Acquisition Costs			
Machinery, equipment and vehicles	¥2,781	¥910	\$23,558
Tools, furniture and fixtures	1,551	1,840	13,138
Less-Accumulated depreciation	(1,835)	(1,408)	(15,544)
Net book value	¥2,497	¥1,342	\$21,152

Future lease payments (including the interest portion thereon) subsequent to March 31, 2007 for finance leases accounted for as operating leases are as follows:

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Due within one year	¥818	\$6,929
Due after one year	1,679	14,223
	¥2,497	\$21,152

Periodic lease charges, as a lessee, charged to income for the years ended March 31, 2007 and 2006 were ¥ 906 million (\$7,675 thousand) and ¥ 589 million, respectively. The pro forma amounts of depreciation for the year ended March 31, 2007 and 2006, would be calculated at ¥906 million (\$7,675 thousand) and ¥589 million by using the straight-line method over the lease term with no salvage value.

11. Pledged Assets

The following assets were pledged as collateral at March 31, 2007 to secure short-term bank loans amounting to ¥2 million (\$17 thousand), (See Note 7).

	Millions of yen	Thousands of U.S. dollars
Land	¥581	\$4,922
Machinery and equipment, net	502	4,252
Buildings, net	2,821	23,897
	¥3,904	\$33,071

12. 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, 2007 and 2006 are approximately 39.8% and 39.8%, respectively.

The reconciliation between the statutory rate and effective tax rate of income taxes for the years ended March 31, 2007 and 2006 are as follows:

	2007	2006
Statutory tax rate	39.8 %	39.8 %
Per-capita portion of Inhabitant Tax	0.2	0.3
Non-taxable revenue	0.5	0.1
Non-deductible expenses	0.3	0.3
Unrealized intercompany profit on fixed assets	(0.0)	(0.2)
Change in valuation allowance	2.9	(0.2)
Difference in tax rates of consolidated subsidiaries	(1.3)	(1.0)
Other	0.3	(3.2)
Effective tax rate	42.7 %	35.9 %

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Accrued employees bonuses	¥1,509	¥1,324	\$12,783
Allowance for doubtful receivables	106	129	898
Devaluation of inventories	182	170	1,542
Devaluation of securities	199	226	1,686
Accrued employees' retirement benefits	3,578	2,866	30,309
Unrealized gain on inventories	389	320	3,295
Other	1,294	1,023	10,961
Total deferred tax assets	¥7,257	¥6,058	\$61,474
Valuation allowance	(2,917)	(2,097)	(24,710)
Net deferred tax assets	¥4,340	¥3,961	\$36,764
Deferred tax liabilities:			
Deferral of gain on sale of fixed assets	(207)	(218)	(1,753)
Unrealized gain on securities	(3,930)	(3,797)	(33,291)
Gain on deferred hedging	(10)	—	(85)
Deferred tax liabilities	(¥4,147)	(¥4,015)	(\$35,129)
Net deferred tax assets (liabilities)	(¥193)	(¥54)	(\$1,635)

13. 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, 2007 and 2006 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and time deposits	¥36,028	¥39,410	\$305,193
Cash and cash equivalents	¥36,028	¥39,410	\$305,193

14. Selling, general and administrative expenses

Major components of selling, general and administrative expenses at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Sales commission	¥2,511	¥2,567	\$21,271
Delivering expense	3,794	3,297	32,139
Reserve for warranty	25	3	211
Personal expense	13,138	11,836	111,292
Employees' benefit costs	706	515	5,981
Depreciation	679	550	5,752
Rental expense	1,117	932	9,462
Traveling expense	1,474	1,291	12,486
Reserch and development expense	2,949	2,032	24,981
Subcontract processing expense	1,393	1,184	11,800
Others	6,292	5,204	53,299

15. Other expenses

Allotment of transfer construction

It is an unexpected costs on malfunction of the machines delivered.

Loss on settlement of dispute

It is settlement compensation for the loss on damage caused by the machine tools delivered money in the TOSHIBA MACHINE COMPANY, AMERICA, a consolidated subsidiary.

16. Research and development costs

Research and development costs charged to income were ¥3,557 million (\$30,131 thousand) and ¥2,808 million for the years ended March 31, 2007 and 2006, respectively.

17. Shareholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amount to be disbursed as distribution of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital account equals 25% of the common stock account. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock upon approval by the Board of Directors. The Code further provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. The Company's shares of common stock have no par value in accordance with the Code.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Code, went into effect on May 1, 2006. The Law stipulates similar requirements on distribution of earnings to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

18. Segment information

(A) Business segment information

The Companies' business is classified into the following four 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

Semiconductor Equipment: Electron beam lithography system, Epitaxial reactor system

Other Products: Hydraulic equipment, Electronic controls

The tables below present sales, operating expenses and operating income information by business segment.

Year ended March 31, 2007	Millions of yen					
	Molding Machinery	Machine Tools	Semiconductor Equipment	Other Products	Eliminations and/or corporate	Consolidated
Sales	¥86,053	¥31,822	¥25,263	¥26,260	¥(5,012)	¥164,386
Operating expenses	75,628	27,388	22,630	23,487	(5,254)	143,879
Operating income	10,425	4,434	2,633	2,773	242	20,507
Identifiable assets	76,041	31,930	32,489	38,137	9,449	188,046
Depreciation	1,076	240	317	453	—	2,086
Capital expenditure	1,034	345	1,715	1,099	—	4,193

Year ended March 31, 2006	Millions of yen					
	Molding Machinery	Machine Tools	Semiconductor Equipment	Other Products	Eliminations and/or corporate	Consolidated
Sales	¥78,733	¥28,426	¥19,087	¥22,937	¥(4,827)	¥144,356
Operating expenses	70,523	24,715	17,390	20,246	(5,069)	127,805
Operating income	8,210	3,711	1,697	2,691	242	16,551
Identifiable assets	69,023	31,760	25,854	33,732	12,108	172,477
Depreciation	955	225	305	406	—	1,891
Capital expenditure	2,108	222	240	526	—	3,096

Year ended March 31, 2007	Thousands of U.S.dollars					
	Molding Machinery	Machine Tools	Semiconductor Equipment	Other Products	Eliminations and/or corporate	Consolidated
Sales	\$728,954	\$269,564	\$214,003	222,448	\$(42,457)	\$1,392,512
Operating expenses	640,644	232,003	191,698	198,958	(44,506)	1,218,797
Operating income	88,310	37,561	22,305	23,490	2,049	173,715
Identifiable assets	644,142	270,479	275,214	323,058	80,042	1,592,935
Depreciation	9,115	2,033	2,685	3,837	—	17,670
Capital expenditure	8,759	2,922	14,528	9,310	—	35,519

The Company and its domestic subsidiaries adopted "Accounting standard for directors' Bonuses" effective from the year ended March 31, 2007. As a result, operating expenses increased by ¥39 million (US\$330 thousand) in Molding Machinery. ¥ 8 million (US\$68 thousand) in Machine Tools. ¥4 million (US\$34 thousand) in Semiconductor Equipment, and ¥14 million (US\$119 thousand) in Other Products. Operating income decreased by the same amounts accordingly.

(B) Geographic segment information of the companies for the years ended March 31, 2007 and 2006 were as follows:

Year ended March 31, 2007	Millions of yen					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	¥158,375	¥9,802	¥12,183	¥180,360	¥(15,974)	¥164,386
Operating expenses	139,236	9,420	11,102	159,758	(15,879)	143,879
Operating income	19,139	382	1,081	20,602	(95)	20,507
Identifiable assets	161,935	5,313	8,285	175,533	12,513	188,046

Year ended March 31, 2006	Millions of yen					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	¥137,415	¥9,154	¥11,022	¥157,591	¥ (13,235)	¥144,356
Operating expenses	121,819	8,969	10,185	140,973	(13,168)	127,805
Operating income	15,596	185	837	16,618	(67)	16,551
Identifiable assets	145,368	4,949	7,100	157,417	15,060	172,477

Year ended March 31, 2007	Thousands of U.S.dollars					
	Japan	North America	Asia	Total	Eliminations	Consolidated
Net sales	\$1,341,593	\$83,033	\$103,202	\$1,527,828	\$(135,316)	\$1,392,512
Operating expenses	1,179,466	79,797	94,045	1,353,308	(134,511)	1,218,797
Operating income	162,127	3,236	9,157	174,520	(805)	173,715
Identifiable assets	1,371,750	45,006	70,182	1,486,938	105,997	1,592,935

The Company and its domestic subsidiaries adopted “Accounting standard for directors’ Bonuses” effective from the year ended March 31, 2007. As a result, operating expenses increased by ¥65 million (US\$551 thousand) in the Japan segment, and operating income decreased by the same amount accordingly.

(C) Sales to foreign customers for the years ended March 31, 2007 and 2006 were as follows:

Year ended March 31, 2007	Millions of yen			
	North America	Asia	Other	Total
Sales to foreign customers	¥18,818	¥50,170	¥5,372	¥74,360
Net sales	—	—	—	164,386
Ratio of sales to foreign Customers (%)	11.4	30.5	3.3	45.2

Year ended March 31, 2006	Millions of yen			
	North America	Asia	Other	Total
Sales to foreign customers	¥18,780	¥48,914	¥2,908	¥70,602
Net sales	—	—	—	144,356
Ratio of sales to foreign Customers (%)	13.0	33.9	2.0	48.9

Year ended March 31, 2007	Thousands of U.S.dollars			
	North America	Asia	Other	Total
Sales to foreign customers	\$159,407	\$424,989	\$45,506	\$629,902
Net sales	—	—	—	1,392,512
Ratio of sales to foreign Customers (%)	11.4	30.5	3.3	45.2

19. Related Party Transactions

During the year ended March 31, 2006, the Company and its consolidated subsidiaries had operational transactions with Toshiba Corporation, a 34.1% shareholder of the Company. A summary of the significant transaction with Toshiba Corporation for the year ended, March 31, 2006 is as follows. There were no transactions with Toshiba Corporation for the year ended March 31, 2007.

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
For the year:			
Sales of investment in consolidated subsidiaries	—	¥2,400	—
	—	¥2,400	—

Note : The third party organization calculated sales price.

20. Subsequent events

(a) Pension plan

According to the enactment of the defined contribution pension plan law, Toshiba Machine and some of its consolidated subsidiaries are to implement a defined contribution pension plan in July 1, 2007, by which the former non-contributory pension plan was terminated. Toshiba Machine and some of its consolidated subsidiaries are to apply the accounting treatment specified in the guidance issued by the accounting standards board of Japan (“ASB”). By the effect of this transfer, we will decrease income before income taxes and minority interest by ¥3,900 million (33,037 thousand) March 31, 2008.

(b) Changes of consolidated subsidiaries

The Company resolved at the board of directors on April 16, 2007 to sell the stocks of NuFlare Technology, Inc. (“NuFlare”), a consolidated subsidiary, when NuFlare goes public on the Jasdac securities exchange. As a result, NuFlare has become an affiliated company, accounted for by the equity method.

Financial data of NuFlare at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
Net assets	¥30,971	\$262,355
Net sales	23,062	195,358
Net income	1,140	9,657