

Foreword

Spurred by a dramatic increase in private-sector plant and equipment investment and underlying strength in exports due to improvement of corporate earnings, the Japanese domestic economy in the former half of the current fiscal year continued to moderately expand, however, in the latter half of the same year remained flat under unstable conditions due to concerns over recession of the U.S. economy triggered by the U.S. subprime mortgage crisis, soaring prices of crude oil and raw materials, and appreciation of the yen.

Overseas, China and other Asian nations maintained a high level of economic growth. The European economy also maintained its overall business upturn, while the United States saw slowing economic growth, affected by the subprime mortgage crisis, etc.

The machinery industry continued to enjoy favorable conditions on the whole due to an increase in plant and equipment investment and exports, in spite of a decline in some categories.

Under such circumstances, the Toshiba Machine Group, based on our corporate CS (Customer Satisfaction) policy, continued in its concerted efforts to secure orders, develop new products, and pioneer in new domestic and overseas markets.

Consolidated total orders received, however, totaled ¥155,631 million (US\$1,553 million), a 15.9% decrease over the previous term. This is mainly because NuFlare Technology Inc., previously a consolidated subsidiary of the semiconductor manufacturing equipment division, is now listed as a company accounted for by the Equity Method and was excluded from the consolidated subsidiaries. When total orders received by NuFlare Technology Inc. are deducted from the previous year's consolidated total orders received, the result is ¥157,207 million (US\$1,569 million), making current results a minor decrease over the previous term due to a drop in plant and equipment investment in some industries using injection molding machines, despite the increased sales of machine tools and hydraulic equipment.

Consolidated net sales, affected in the same manner as consolidated total orders received, totaled ¥148,779 million (US\$1,485 million), a 9.5% decrease over the previous term. With the increased sales of die-casting machines, plastic extrusion machines, machine tools and hydraulic equipment, however, consolidated net sales increased 5.3% as compared with ¥141,323 million (US\$1,411 million), excluding net sales of Nuflare Technology Inc. (An exchange rate of US\$1.00=¥100.19 shall be used throughout this report)

In combination with the increased sales of our products, including various molding machines and machine tools, our business rationalization efforts resulted in a 5.4% increase over the previous term in consolidated operating income totaling ¥18,971 million (US\$189 million), compared with ¥17,993 million (US\$180 million) subtracting operating income of NuFlare Technology Inc. Consolidated pre-tax profit totaled ¥18,178 million (US\$181 million) and consolidated net profits resulted in ¥13,910 million (US\$139 million), a 28.5% increase over the previous term, including special profits from the sale of stocks held in addition to profits from normal sales activities, our sixth consecutive year of increased profits. And, consolidated income margin, consolidated recurring profit margin, and consolidated net profit margin of the current

term, all showed the highest record ever.

Hence, we are pleased to announce the year-end dividend of the current fiscal year, ¥9 (US\$0.09) per share (¥6 (US\$0.06) for ordinary dividend and ¥3 (US\$0.03) for dividend commemorating the 70th year since foundation of our company), was distributed to our stockholders for the period ending on March 31, 2008, resulting in a total annual dividend of ¥15 (US\$0.15) per share.

Since June, 2007, we have cooperated with Sanjo Seiki Co., Ltd. in marketing vertical injection molding machines. To further strengthen the tie-up, we made capital participation in December, 2007.

In February, 2008, we concluded a partnership contract with KraussMaffei Technologies GmbH in Germany with an eye to developing leading-edge plastic processing machines and strengthening CS solutions on a worldwide scale.

Additionally, the hydraulic equipment division was separated to establish a new company named Hyst Corporation on April 1, 2008 in order to quickly address any change in managerial environment and market trends.

As many uncertainties remain, such as a slackened U.S. economy, skyrocketing crude oil and raw materials prices, and a strong yen and weak dollar, the situation does not allow premature conclusions.

Under such business conditions, the Toshiba Machine Group started a totally renewed midterm management plan on April 1, 2008 to continue growth toward the future under the name of TM GrowVary Plan, which signifies the Toshiba Machine Group will continue growing while globally diversifying itself according to ever-changing world circumstances.

We are determined to secure orders and improve profitability by providing leading companies, the driving forces behind growth markets, with “production means reputed for their top-ranking workmanship” specialized in “ultra-precision to ultra large-sized machines” to energetically promote global deployment. We will also promote our strategies for sales, production, technology and workforce, 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 fulfillment of all social responsibilities.



Reiji Nakajima
President

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