TOSHIBA
Leading Innovation

Annual Report 2007

TOSHIBA PLANT SYSTEMS & SERVICES CORPORATION

Basic Commitment of the TOSHIBA Group

We, the Toshiba Group companies, based on our total commitment to people and to the future, are determined to help create a higher quality of life for all people, and to do our part to help ensure that progress continues within the world community.

Commitment to People

We endeavor to serve the needs of all people, especially our customers, shareholders, and employees, by implementing forward-looking corporate strategies while carrying out responsible and responsive business activities. As good corporate citizens, we actively contribute to further the goals of society.

Commitment to the Future

By continually developing innovative technologies centering on the fields of Electronics and Energy, we strive to create products and services that enhance human life, and which lead to a thriving, healthy society. We constantly seek new approaches that help realize the goals of the world community, including ways to improve the global environment.

Committed to People, Committed to the Future. TOSHIBA

CONTENTS

Forward-Looking Statements
In this annual report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ materially from those anticipated in these statements.

Note: In this annual report, planning and design are referred to as "engineering," while field testing, trial operation, adjustment and service are referred to as "field service."

Tetsuo Ishii
President and Chief Executive Officer, Representative Director

To Our Shareholders, Customers and Friends

I am pleased to have this opportunity to report to our shareholders, customers, friends and other stakeholders on the business results of Toshiba Plant Systems & Services Corporation for fiscal 2006, ended March 31, 2007.

Overview of Performance During the Fiscal Year

In the year under review Japan's economy maintained its expansionary keynote, supported by such factors as private-sector capital investment, positive consumer spending, ongoing improvement in corporate earnings and further recovery of the employment situation.

In the construction industry, the market for public works projects continued to contract, making the order environment difficult. In contrast, the industry was supported by strong private-sector capital investment related to construction, which centered mainly on plant facilities. Domestic electric power construction emerged from the doldrums, centering on such as areas as distribution facilities and renovation and maintenance. Construction orders for new power generation facilities, however, remained at low levels.

Principal Initiatives Undertaken During the Year

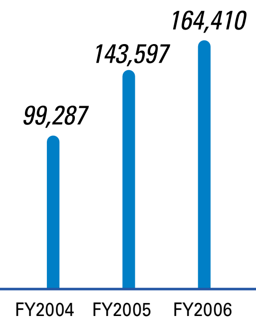
In the Thermal Power System Business (output of under 150,000kw), orders continued at a high level with progress in domestic projects ordered last term steadily firming up the business foundation. In the Facility Solutions Business, we took measures to develop new customers centering on O&M, production systems and energy rationalization. In the Information System Business we sought to expand sales of campus card systems and Radio Frequency Identification (RFID)-compliant systems.

To strengthen the competitiveness of strategically allocated businesses, we implemented continuous cost reductions and took aggressive measures to expand the scope of business allocation and peripheral businesses. July saw the reorganization of procurement activities as well as dedicated efforts toward all-round reinforcement of cost competitiveness. Moreover, to improve and

Key Financial Figures (CONSOLIDATED) Fiscal years ended March 31

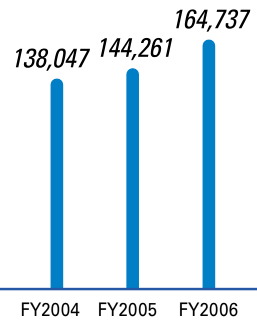
Net Orders

Millions of yen



Net Sales

Millions of yen



strengthen the Group structure, we opened an office in New Delhi in October with a view to bolstering TPSC (India) Private Limited's orders for hydroelectric and substation facilities.

As measures to strengthen compliance we bolstered the Toshiba Plant Systems & Services Business Code of Conduct standards that govern employee conduct, and through continuous education deepened compliance with laws and Company regulations. In conjunction with the enactment of financial product transaction legislation, we established the Financial Reporting on Internal Control Division and took measures to strengthen our internal control system.

As a result, net orders in the year under review increased by 14.5% over the previous term to ¥164,410 million, of which overseas orders amounted to ¥33,180 million, up 71.7% and accounting for 20.2% of total orders. Net sales rose 14.2% to ¥164,737 million, with overseas sales amounting to ¥32,806 million, down 23.4% and accounting for 19.9% of total net sales.

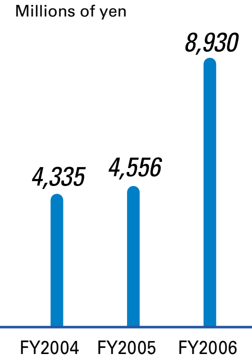
Substantial increases in profits were posted in regard to income before extraordinary items, which increased 87.9% to ¥9,148 million, and net income, which surged 94.2% to ¥5,024 million.

Year-end cash dividends per share amounted to ¥15.0.

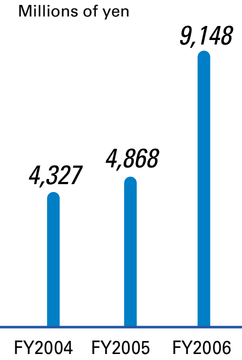
Future Approach and the Medium-Term Management Plan

Going forward, the outlook includes such causes for concern as an economic slowdown in the United States and deceleration of currency exchange rates, although these are expected to be offset to some extent by solid private-sector capital investment and heightened consumer spending, which should pave the way to gradual economic growth. The construction industry will see the market for public works projects continue to shrink and

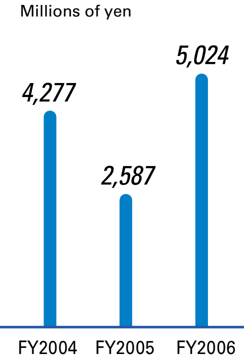
Operating Income



Income before Extraordinary Items



Net Income



order prices weaken; however, this sector will maintain strength thanks to demand-backed private-sector facilities construction.

Amid such circumstances, and based on the basic strategy of the medium-term management plan, the Toshiba Plant Systems & Services Group will seek the transformation of total engineering businesses, strengthen competitiveness in businesses we operate for the Toshiba Group, and accelerate transformation of its business structure through bolstering non-Toshiba Group business. In addition, we will promote scale expansion in existing businesses and reinforcement of their earnings base, thereby building a system capable of securing stable earnings. Our consolidated targets for fiscal 2009 are net sales of ¥150,000 million and ordinary income of ¥6,500 million.

Based on the Group concept of “security and safety,” the creation of a foundation that supports both industry and society as a whole will contribute to social progress and development. Through our business activities, we seek to build relations of trust with our customers, shareholders and friends, and to enhance our corporate value.

In these endeavors, we ask for your continued guidance and support.

August 2007

Tetsuo Ishii

President and Chief Executive Officer,
Representative Director

Initiatives for Expanding Business Outside the Toshiba Group

Based on the basic strategy of its medium-term management plan, the Toshiba Plant Systems & Services Group is pressing ahead with expansion non-Toshiba Group business as the key to transforming our business structure. The principal business sectors involved in this shift are the Power Systems Division's Thermal Power System Business (output of under 150,000kw), the Infrastructure and Industrial Systems Division's plant and building engineering, construction, field service and maintenance operations, as well as the Facilities Solutions Business and the Information System Business.

By targeting these non-Toshiba Group businesses, we aim to achieve a ratio of 50% or more for business outside the Toshiba Group.

Thermal Power System Business (Output of Under 150,000kw)

Central power generation station at Tokuyama Corporation's Tokuyama Plant

We are seeing substantial domestic need for in-house power generation facilities at such materials manufacturers as steel mills and paper mills. Overseas, demand is mounting for infrastructure facilities centering on Southeast Asia, where electric power demand is high.

Leveraging the technology and engineering skills gained from construction of large-scale thermal power plants, the Company is proceeding with domestic and overseas expansion of orders based on its seamless system from construction to field services as well as the high reliability of the Toshiba Group's accumulated achievements and core technologies in electric power generation facilities.

Note: In this annual report, planning and design are referred to as "engineering," while field testing, trial operation, adjustment and service are referred to as "field service."

Combined cycle power generation station (Dar Salaam, Brunei)

Providing Services for Plant Facilities

Toshiba's Oita plant

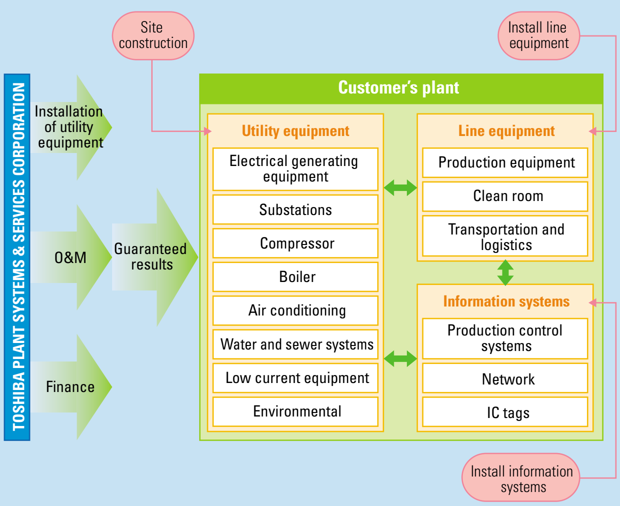
In addition to large land areas, steel, paper, semiconductor and other plants require large quantities of electric power, water, gas, chemicals and other similar fuels and substances as well as stable and highly reliable power supply facilities and technology for such functions as installing high-precision heavy machinery and piping. Such equipment also requires technology for building surveillance and control facilities and systems.

Leveraging its engineering capabilities and operating and installation technologies developed over many years, the Toshiba Plant Systems & Services Group carries out construction and installation of substation facilities and respective electrical facilities, design of drive control systems and installation of their connective cabling. It also installs air conditioning and water supply systems, discharge equipment, machinery, piping and other infrastructure.

When a plant is in operation, test runs and adjustments as well as operation and maintenance services are provided by engineers thoroughly knowledgeable in respective systems.

Facilities Solutions Business

In commercial plant facilities, comprehensive maintenance administration services over the entire life cycle of facilities, IT-driven responses to new technology and the increasingly high level of facilities all point to mounting personnel needs. In response, the Company is developing its Facilities Solutions Business for bundled provision of a host of services from plant facility diagnostics to procurement, installation, operation and maintenance.



Providing Services for a Variety of Installations

For such installations as buildings, warehouses, hospitals, schools, airports, railways and highways, we provide everything from design to operation of electrical and communication facilities, as well as consulting, civil engineering, construction and other peripheral domains.

With many other firms engaged in similar business, cost competitiveness is severe. The Company therefore targets projects that leverage its superior technical capabilities.

Toshiba Building Co., Ltd.
Kita-Fuchu Building

Information System Business

This business focuses mainly on Radio Frequency Identification (RFID) technology such as IC cards and tags for entry and exit control, distribution management, cashless systems and other solutions in areas that include schools, offices and plants. For schools, we are deploying campus card solutions nationwide.

In campus card solutions for universities and technical schools in the Kanto and Kansai regions, we are promoting proactive sales activities for attendance management systems linked to "PiTaPa," "Suica," "PASMO" and other transport-related IC card systems.

Notes:
"PiTaPa": A registered trademark of Surutto Kansai Co., Ltd.
"Suica": A registered trademark of East Japan Railway Company
"PASMO": A registered trademark of PASMO Co., Ltd.

Teikyo University
Hachioji Campus

Power Systems Division

This division mainly handles applications in field sectors in heavy electric machinery-related operations for the Toshiba Group. It comprises two operational divisions: the Power Systems Division, which operates in such business fields as thermal and hydroelectric power plants, substation facilities, electric power systems and energy supply systems, and the Thermal Power Systems and Service Division, which primarily engages in such non-Toshiba fields as industrial power plants. Engineering, construction, field services and such maintenance services as inspection and renovation are also provided for these facilities.

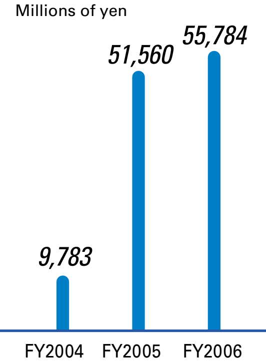
In the year under review, net orders of the Power Systems Division increased 8.2% to ¥55,784 million compared with the previous fiscal year. Although domestic thermal power sales increased, a decline in sales overseas sent divisional sales down by 0.9% to ¥53,348 million.

Looking at the market trends affecting this division, we saw an upturn in construction for electric power companies, centering on such areas as distribution facilities and renovation and maintenance. However, construction of new thermal and hydroelectric power plants and substation facilities remained at a low level. Conversely, in overseas markets, centered on the Asian region, strong demand continued for electric power. Amid such favorable conditions, we will expand the industrial power plant business, a domain of concentration under our medium-term management plan, focusing on securing new orders in Japan and overseas as well as domestic business for renovation and maintenance. In undertaking our overseas business, we will primarily target Southeast Asia.

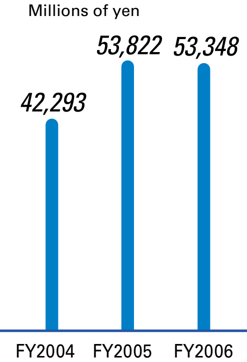
Combined cycle power plant
(Dar Es-Salaam, Brunei)

The Tokyo Electric Power Company's Futtsu Thermal Power Station

Net Orders (CONSOLIDATED)



Net Sales (CONSOLIDATED)



Nuclear Power Systems Division

The Nuclear Power Systems Division's operations are centered mainly on fields where we operate business for the Toshiba Group. The division undertakes engineering associated with construction, periodic inspection and renovation as well as construction, trial operations and adjustments, maintenance and service for nuclear power plants, used-fuel processing facilities and other fuel recycling facilities, and nuclear power R&D facilities.

In the fiscal year under review, the Nuclear Power Systems Division recorded a 29.4% increase in net orders over the previous year to ¥34,678 million, and a 22.2% increase in net sales to ¥38,539 million, owing to increases in periodic inspections and renovation and maintenance of existing nuclear power plants offsetting a decline in construction of new large-scale nuclear power plants.

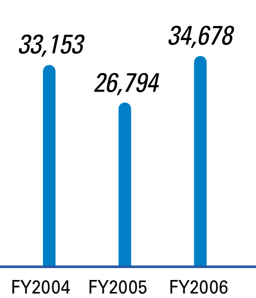
Looking at market trends for this division, with new nuclear power plant construction in an off-peak demand cycle, the Nuclear Power Systems Division's business will consist mainly of undertaking periodic inspections and renovation and maintenance of existing nuclear power plants. Accordingly, the division will continue to promote cost reductions by reforming its cost structure. Concurrently, we will maintain and secure technological capabilities for new nuclear power plant construction and respond to back-end and other business, as we maintain our structure for assuming accumulated technologies, experience and know-how. Moreover, in cooperation with Toshiba, and centering on the Nuclear Power Business Promotion Department, we are pushing ahead with investigations and studies directed toward expanding the range of new orders in fields where we operate business for the Toshiba Group in preparation for future business opportunities.

Hamaoka Nuclear Power Station
(courtesy of Chubu Electric Power Co., Inc.)

Fukushima No. 1 Nuclear Power Station
(courtesy of The Tokyo Electric Power Company)

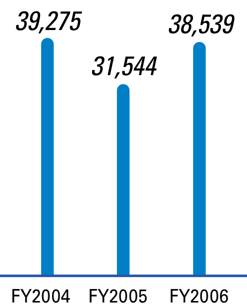
Net Orders (CONSOLIDATED)

Millions of yen



Net Sales (CONSOLIDATED)

Millions of yen



Infrastructure and Industrial Systems Division

The Infrastructure and Industrial Systems Division consists of three operational divisions. The Infrastructure Systems Division handles Toshiba Group business in water and sewerage, transportation and construction of various facilities and systems for buildings. The Plant and Facilities Division handles such non-Toshiba Group Business fields as domestic and overseas manufacturing and non-manufacturing facilities, and also undertakes engineering, construction, field services and maintenance services. The third business, the Information and Control Systems Division, handles all processes from planning and development to design, installation, production, testing and adjustments, as well as maintenance for systems that apply RFID (IC cards and tags) technologies and such control systems as industrial drive and surveillance systems.

In the fiscal year under review, despite a continuing decline in public investment, net orders for the Infrastructure and Industrial Systems Division in the fiscal year under review rose 13.3% over the previous year to ¥73,948 million thanks to increases in construction, on-site adjustments and testing, as well as other general industrial orders. Net sales were up 23.7% to ¥72,850 million on the back of substantial increases in domestic sales related to general industry centering on semiconductors.

As for market trends affecting this division, in view of an upturn in private-sector capital investment, growth is expected in such general industrial fields as plant facilities. However, competition for orders continues to be severe, and given such factors as an ongoing reduction in public investment, conditions are difficult. In businesses operated for the Toshiba Group, we will continue to reform our cost structure through such measures as promoting greater efficiency of on-site operations and cutting procurement costs as we strive to raise our earnings power and secure orders in peripheral business areas.

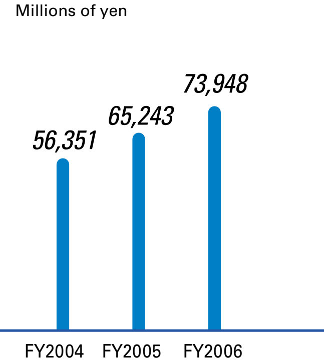
In non-Toshiba Group business, projects driven by economic recovery are on the increase centering on electrical construction at plant facilities mainly for materials manufacturers, including steel, chemicals and paper and pulp makers. In the Facility Solutions Business, one of the businesses on which we are focusing under the medium-term management plan, we are seeking to expand orders focusing on maintenance operations at Toshiba plants as well as construction and production facilities and other activities for general industry. In the Information System Business, inquiries and orders are increasing for such systems as campus card systems and entry and exit control systems, as we continue our efforts to develop distinctive added-value products and services.

Tamagawa Upstream Water Recycling Center of Tokyo Metropolitan Waterworks Bureau

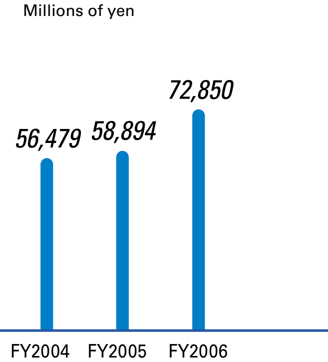
Toshiba's Yokkaichi Plant (artist's rendering)

Kyoto headquarters of Nissha Printing Co., Ltd.

Net Orders (CONSOLIDATED)



Net Sales (CONSOLIDATED)



Consolidated Six-Year Summary

	Millions of yen						Thousands of U.S. dollars (Note 2)
Years ended March 31,	**2007**	2006	2005	2004	2003	2002	**2007**
Net Sales	**¥164,737**	¥144,261	¥138,047	¥105,633	¥97,557	¥108,482	**$1,395,486**
Cost of Sales	**146,109**	129,900	123,526	94,612	88,653	101,505	**1,237,685**
Operating Income (Loss)	**8,930**	4,556	4,335	3,187	1,291	(2,077)	**75,644**
Interest and Dividend Income	**169**	100	96	113	104	429	**1,434**
Interest Expense	**—**	—	(1)	(7)	(19)	(127)	**—**
Income (Loss) before Income Taxes	**9,148**	4,738	7,883	1,275	1,610	(3,677)	**77,490**
Net Income (Loss)	**5,024**	2,587	4,277	512	399	(2,296)	**42,559**
Per Share of Common Stock							
(in yen and dollars) (Note 11):							
Net Income (Loss)	**¥ 51.52**	¥ 26.53	¥ 43.83	¥ 6.80	¥ 5.88	¥ (33.78)	**$ 0.44**
Cash Dividends	**12.00**	12.00	4.00	8.00	—	8.00	**0.10**
Total Assets	**¥159,023**	¥136,207	¥130,585	¥128,874	¥96,154	¥101,603	**$1,347,079**
Net Assets	**65,561**	61,029	59,430	55,444	48,238	48,127	**555,364**
Number of Employees	**3,951**	4,015	4,018	4,135	2,069	2,191	

See the accompanying Notes to Consolidated Financial Statements.

Financial Review

Operating Income

Operating income for the fiscal year ended March 31, 2007 climbed 96.0% to ¥8,930 million (US$75,644 thousand). As a result, the ratio of operating income to net sales rose 2.2 percentage points to 5.4%. The increase in operating income was due to the rise in net sales in addition to ongoing efforts to revamp our business structure and transform to a highly efficient corporate structure able to secure stable earnings, even amid low growth, as well as measures to cut procurement costs and reduce fixed costs by achieving an appropriate number of personnel.

Net Income

Net income for the fiscal year ended March 31, 2007 climbed 94.2% to ¥5,024 million (US$42,559 thousand).

Selling, General and Administrative (SG&A) Expenses

During the fiscal year under review, SG&A expenses declined ¥106 million to ¥9,698 million (US$82,157 thousand). This was mainly due to the result of ongoing efforts to cut miscellaneous expenses such as rental costs. The ratio of SG&A expenses to net sales was 5.9%, an improvement of 0.9 percentage point.

Total Assets and Net Assets

Total consolidated assets at the end of the fiscal year ended March 31, 2007 increased ¥22,816 million from the previous fiscal year-end to ¥159,023 million (US$1,347,079 thousand). Among total assets, cash and cash equivalents increased ¥11,703 million to ¥32,680 million (US$276,831 thousand). Trade notes and accounts receivable increased ¥15,433 million to ¥78,828 million (US$667,750 thousand), while net assets rose ¥4,532 million to ¥65,561 million (US$555,364 thousand) due to an increase of ¥3,853 million in retained earnings. The equity ratio was 41.2%.

March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 2) 2007
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 32,680	¥ 20,977	$ 276,831
Time deposits	536	300	4,544
Trade notes and accounts receivable (Note 4)	78,828	63,395	667,750
Less: allowance for doubtful accounts	(177)	(181)	(1,502)
Inventories (Note 3)	19,829	24,243	167,971
Deferred tax assets (Note 5)	4,502	3,661	38,139
Other current assets	2,027	3,692	17,168
Total current assets	138,225	116,087	1,170,901
Property, plant and equipment, at cost:			
Land	3,434	3,455	29,089
Buildings and structures	8,592	8,558	72,784
Machinery and equipment	2,538	2,620	21,500
Tools, furniture and fixtures	3,975	4,060	33,669
	18,539	18,693	157,042
Less: accumulated depreciation	(11,377)	(11,524)	(96,372)
Property, plant and equipment, net	7,162	7,169	60,670
Intangible assets	138	194	2
Investments and other assets:			
Investment securities (Note 6)	4,199	3,101	35,567
Investments in affiliates (Note 4)	117	134	990
Deferred tax assets (Note 5)	7,836	8,170	66,378
Other investments and other assets	1,346	1,352	12,571
Total investments and other assets	13,636	12,951	115,508
Total assets	¥159,023	¥136,207	$1,347,079

See the accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable	¥ 45,542	¥ 33,986	$ 385,786
Advances received on uncompleted contracts	11,167	9,476	94,596
Allowance for bonuses to directors and statutory auditors	68	53	575
Accrued expenses	6,423	5,004	54,410
Allowance for warranty work on construction projects	115	150	975
Allowance for expected losses on construction contracts	598	309	5,067
Accrued income taxes (Note 5)	3,791	3,036	32,110
Other current liabilities	4,101	1,690	34,744
Total current liabilities	71,805	53,704	608,263
Long-term liabilities:			
Severance indemnities (Note 7)	21,657	21,419	183,452
Total long-term liabilities	21,657	21,419	183,452
Total liabilities	93,462	75,123	791,715
Contingent liabilities: (Note 10)			
Net assets:			
Shareholders' equity:			
Common stock			
Authorized — 265,000,000 shares			
Issued 2007 — 97,656,888 shares	11,876	—	100,602
2006 — 97,656,888 shares	—	11,876	—
Capital surplus	20,911	20,911	177,134
Retained earnings	31,868	28,015	269,956
Treasury stock, at cost	(60)	(47)	(507)
Total shareholders' equity	64,595	60,755	547,185
Valuation and translation adjustments:			
Unrealized gains on securities	976	324	8,272
Currency translation adjustments	(88)	(50)	(749)
Total valuation and translation adjustments	888	274	7,523
Minorities interests in consolidated subsidiaries	78	55	656
Total net assets	65,561	61,084	555,364
Total liabilities and net assets	¥159,023	¥136,207	$1,347,079

Consolidated Statements of Income

Years ended March 31, 2007 and 2006	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 2) 2007
Net sales (Note 4)	¥164,737	¥144,261	$1,395,486
Cost of sales	146,109	129,900	1,237,685
Gross profit	18,628	14,361	157,801
Selling, general and administrative expenses	9,698	9,805	82,157
Operating income	8,930	4,556	75,644
Other income:			
Interest income	99	38	836
Dividend income	70	62	598
Equity in income of affiliates	21	29	179
Other	266	505	2,254
	456	634	3,867
Other expenses:			
Foreign exchange losses	17	—	146
Other	200	293	1,695
	217	293	1,841
Income before extraordinary items	9,169	4,897	77,670
Extraordinary items:			
Other income (gain on sale of land)	—	118	—
Impairment loss	—	(248)	—
Income before income taxes	9,169	4,767	77,670
Income taxes: (Note 5)			
Current	5,084	3,117	43,071
Deferred	(953)	(944)	(8,078)
Income before minority interests	5,038	2,594	42,677
Minority interests in income of consolidated subsidiaries	(14)	(7)	(118)
Net income	5,024	2,587	42,559

See the accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Change in Net Assets

	Number of shares in issue	Millions of yen Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gain on securities	Currency translation adjustments	Minorities interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2005	97,656,888	¥11,876	¥20,911	¥26,598	¥(33)	¥106	¥(28)	¥42	¥59,472
Net income				2,587					2,587
Cash dividends				(1,170)					(1,170)
Purchase of treasury stock					(14)				(14)
Other changes						218	(22)	13	209
Balance at March 31, 2006	97,656,888	¥11,876	¥20,911	¥28,015	¥(47)	¥324	¥(50)	¥55	¥61,084
Net income				5,024					5,024
Cash dividends				(1,171)					(1,171)
Purchase of treasury stock					(13)				(13)
Other changes						652	(38)	23	637
Balance at March 31, 2007	**97,656,888**	**¥11,876**	**¥20,911**	**¥31,868**	**¥(60)**	**¥976**	**¥(88)**	**¥78**	**¥65,561**

	Thousands of U.S. dollars (Note 2) Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gain on securities	Currency translation adjustments	Minorities interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2006	$100,602	$177,134	$237,312	$(399)	$2,751	$(422)	$463	$517,440
Net income			42,559					42,559
Cash dividends			(9,914)					(9,914)
Purchase of treasury stock				(108)				(108)
Other changes					5,521	(327)	193	5,387
Balance at March 31, 2007	**$100,602**	**$177,134**	**$269,956**	**$(507)**	**$8,272**	**$(749)**	**$656**	**$555,364**

See the accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2007 and 2006	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	**2007**
Cash flows from operating activities:			
Income before income taxes	**¥ 9,169**	¥ 4,768	**$ 77,670**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**667**	679	**5,651**
Impairment loss	**—**	248	**—**
Increase in severance indemnities	**237**	986	**2,009**
Increase (Decrease) in allowance for doubtful accounts	**(14)**	6	**(116)**
Equity in income of affiliated companies	**(21)**	(29)	**(179)**
Gain on sales of property, plant and equipment	**(23)**	(120)	**(196)**
Loss on disposal of property, plant and equipment	**169**	159	**1,430**
(Increase) Decrease in notes and accounts receivable	**(15,395)**	1,897	**(130,414)**
(Increase) Decrease in inventories	**4,437**	(3,698)	**37,583**
(Increase) Decrease in other current assets	**1,489**	(297)	**12,616**
Increase in notes and accounts payable	**11,519**	797	**97,575**
Increase in advances received on uncompleted contracts	**1,626**	2,222	**13,775**
Increase in accrued expenses	**1,384**	383	**11,720**
Increase (Decrease) in allowance for losses on construction orders	**289**	(31)	**2,449**
Increase (Decrease) in other current liabilities	**2,626**	(2,093)	**22,243**
Other	**(173)**	(146)	**(1,452)**
	17,986	5,732	**152,362**
Interest and dividends received	**208**	101	**1,763**
Income taxes paid	**(4,359)**	(1,866)	**(36,924)**
Net cash provided by operating activities	**13,836**	3,968	**117,201**
Cash flows from investing activities:			
Decrease in time deposits	**3**	213	**27**
Increase (Decrease) in money deposited with group companies	**(230)**	880	**(1,948)**
Proceeds from sales of property and securities	**60**	144	**507**
Payment for acquisition of property and equipment	**(818)**	(479)	**(6,933)**
Payments for purchase of investment securities	**0**	0	**(3)**
Other	**9**	316	**83**
Net cash provided by (used in) investing activities	**(976)**	1,074	**(8,267)**
Cash flows from financing activities:			
Dividends paid	**(1,170)**	(1,171)	**(9,914)**
Other	**(14)**	(15)	**(115)**
Net cash used in financing activities	**(1,184)**	(1,186)	**(10,029)**
Effect of exchange rate changes on cash and cash equivalents	**27**	33	**229**
Net increase in cash and cash equivalents	**11,703**	3,889	**99,135**
Cash and cash equivalents at beginning of year	**20,977**	17,088	**177,696**
Cash and cash equivalents at end of year	**¥32,680**	¥20,977	**$276,831**

See the accompanying Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

(a) Basis of presenting financial statements

The accompanying consolidated financial statements of Toshiba Plant Systems & Services Corporation (the "Company") and consolidated subsidiaries (collectively, the "Companies") 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 consolidated balance sheet as of March 31, 2006 and the consolidated statement of change in net assets for the year they ended have been prepared to conform to the 2007 presentation.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information.

(b) Basis of consolidation and accounting for investment in affiliate

The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries. The consolidated subsidiaries are determined based on the effective control. All intercompany accounts and transactions are eliminated in consolidation.

Investment in affiliate is accounted for by the equity method. The Company adopted the influence-based definition to determine the affiliated companies to be accounted for by the equity method.

(c) Foreign currency translations

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet dates.

The foreign exchange gains and losses from translation are recognized in the consolidated statements of income and retained earnings.

All assets, liabilities, income and expense accounts of foreign subsidiaries are translated at current rates at the respective balance sheet dates. The components of net assets are translated at their historical exchange rates. The effects of these translations are shown as "Currency translation adjustments" in the accompanying consolidated balance sheets.

(d) Accounting for net sales and related costs

The Company's net sales and the related costs of contracts are recognized on either the completion method or the percentage-of-completion basis. The percentage-of-completion basis is used for recognizing net sales and related costs on contracts where:

(i) the contract value is ¥1,000 million (U.S.$8,471 thousand) or more, and

(ii) the duration of the contracts is expected to be 12 months or more.

The Company's foreign subsidiaries use the percentage-of-completion basis for recognizing net sales and related costs on contracts.

The Company's domestic subsidiaries use the completion method for recognizing net sales and related costs on contracts.

(e) Marketable securities and investment securities

Debt securities and equity securities, whose fair value is determinable, are stated at fair value with unrealized gains or losses recorded as a component of net assets, net of applicable taxes.

Debt securities and equity securities, whose fair value is not determinable, are stated at cost determined by the moving average method.

Debt securities, whose difference between cost and fair value is realized with accrued interest, are stated at amortized cost.

(f) Inventories

Work in progress is stated at accumulated cost determined on a specific project basis, which includes accumulated cost in excess of billing for contract accounted on the percentage-of-completion basis. Materials and supplies are stated at cost determined either by the first-in, first-out method or the specific identification method. Finished products are stated at cost determined by the first-in, first-out method.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment of the Company, its domestic subsidiaries and TPSC (India) Private Limited, is principally computed by the declining-balance method and depreciation of property, plant and equipment of foreign subsidiaries, except for TPSC (India) Private Limited is computed by the straight line method, based on the following useful lives:

Building and structures........................3-60 years
Machinery and equipment................3-17 years
Tools, furnitures and fixtures...........2-20 years

(h) Severance indemnities

The Company's and its domestic subsidiaries' employees are covered by an employee retirement allowance plan and an employee pension plan.

The Company's and its domestic subsidiaries' employees with more than one year of service are entitled to a lump-sum severance payment determined by reference to current rate of pay, length of service and the conditions under which the termination occurs.

Prior service costs are amortized over the set period within the average remaining service period of the employees at the time of occurrence.

Contributions to the fund at an amount determined actuarially are charged to income and include charges for current service and the amortization of past service costs at the inception of the employee pension plan.

Allowance for the Company's and its domestic subsidiaries' directors and corporate auditors retirement benefits are also provided at the estimated amounts payable to them at the balance sheets dates as if they retired at those dates.

(i) Allowance for expected losses on construction contracts

The Companies make provisions for losses on construction contracts at the end of the fiscal year. After the commencement of construction, when substantial losses can be expected and reasonably estimated by comparing estimated completion costs with the contract value for the following year or later, the Companies reserve for losses on construction contracts.

(j) Income taxes

The provision for income taxes is computed based on the income before income taxes included in the consolidated statements of income. The assets and liabilities approach is adopted to recognize the deferred tax assets and liabilities related to temporary differences between the carrying amounts and tax bases of assets and liabilities.

Valuation allowances are established to reduce deferred tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

(k) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed (see Note 9).

(l) Statements of cash flows

In preparing the consolidated 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.

(m) Accounting change (presentation of net assets in the balance sheet)

Effective for the year ended March 31, 2007, the Company has adopted an accounting standard for presentation of net assets in the consolidated balance sheet. Certain accounts in the consolidated balance sheet at March 31, 2006 have been reclassified to conform to the 2007 presentation.

The amount corresponding to total net assets for the years ended March 31, 2007 and 2006 under the previous standards were ¥65,483 million (U.S.$554,707 thousand) and ¥61,029 million, respectively.

2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetical computation only, at the rate ¥118.05=U.S.$1.00, the rate prevailing on March 31, 2007. The translations should not be construed as representations that yen have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

3. Inventories

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	**2007**
Work in progress	**¥19,777**	¥24,189	**$167,530**
Materials and supplies	**46**	47	**391**
Finished products	**6**	7	**50**
	¥19,829	¥24,243	**$167,971**

4. Investment in Affiliate

Investments in affiliated companies at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	**2007**
Investment in capital stock, at cost	**¥ 5**	¥ 5	**$ 38**
Equity in accumulated earnings and losses since acquisition, net	**112**	129	**952**
	¥117	¥134	**$990**

Transactions and balances with affiliated companies for the years ended and at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	**2007**
Sales	**¥94**	¥52	**$793**
Trade accounts receivable	**54**	20	**458**

5. Income Taxes

The Companies are subject to a number of different taxes based on income which, in the aggregate, indicate a normal statutory tax rate in Japan of approximately 40.6% and 40.6% for the years ended March 31, 2007 and 2006, respectively.

Reconciliation between the statutory tax rate and the effective income tax rate is as follows:

	2007	2006
Statutory tax rate	**40.6%**	40.6%
Non deductible expenses for tax expense	**3.1**	4.1
Net loss of foreign consolidated subsidiaries	**—**	2.7
Prefectural and municipal inhabitant per capital tax	**0.8**	1.5
Change in valuation allowance	**(0.4)**	(1.9)
Other	**1.0**	(1.4)
Effective income tax rate	**45.1%**	45.6%

The significant components of deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Deferred tax assets:			
Severance indemnities	¥ 8,694	¥ 8,609	$ 73,648
Accrued bonuses	2,149	1,637	18,204
Accounts payable	1,069	792	9,059
Allowance for doubtful accounts	382	136	3,235
Depreciation	328	330	2,784
Allowance for expected losses on construction contracts	243	126	2,059
Tax loss carryforwards	58	97	487
Other	1,641	1,483	13,902
	14,564	13,210	123,378
Valuation allowance for deferred tax assets	(902)	(496)	(7,644)
Deferred tax assets	13,662	12,714	115,734
Deferred tax liabilities:			
Reserve for special depreciation	(2)	(7)	(15)
Retained earnings appropriated for tax allowable reserves	(654)	(654)	(5,542)
Unrealized gains on securities	(668)	(222)	(5,660)
Deferred tax liabilities	(1,324)	(883)	(11,217)
Net deferred tax assets	¥12,338	¥11,831	$104,517

6. Marketable Securities and Investment Securities

The aggregate cost, gross unrealized gains and losses, and fair value pertaining to available-for-sale securities are as follows:

	Millions of yen							
	2007				2006			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Equity securities	¥2,483	¥1,645	—	¥4,128	¥2,483	¥547	—	¥3,030
Debt securities	—	—	—	—	—	—	—	—
	¥2,483	¥1,645	—	¥4,128	¥2,483	¥547	—	¥3,030

	Thousands of U.S. dollars (Note 2)			
	2007			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Equity securities	$21,035	$13,931	—	$34,966
Debt securities	—	—	—	—
	$21,035	$13,931	—	$34,966

7. Severance Indemnities

The components of net pension and severance costs of employees' severance benefit plans for years ended March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Service cost	¥1,828	¥1,610	$15,486
Interest cost	1,303	1,260	11,038
Expected return on plan assets	(844)	(542)	(7,149)
Amortization of prior service cost	(734)	(733)	(6,213)
Amortization of unrecognized actual loss	923	1,453	7,816
Expenses for retirement benefits	2,476	3,046	20,978
Net periodic benefit cost	¥2,476	¥3,046	$20,978

The following table sets forth funded and actual status of the employees' defined benefit plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Benefit obligation at end of year	¥(56,101)	¥(53,709)	$(475,232)
Fair value of plan assets at end of year	36,714	34,221	311,001
Funded status	(19,387)	(19,488)	(164,231)
Unrecognized prior service cost	(3,841)	(4,575)	(32,538)
Unrecognized actual loss	1,800	2,842	15,256
Severance indemnities	(21,428)	(21,221)	(181,513)
Prepaid pension expenses	66	73	561
Allowance for employee retirement benefits	¥(21,494)	¥(21,294)	$(182,074)

Assumptions used as of March 31, 2007 and 2006 were as follows:

	2007	2006
Discount rate	2.5%	2.5%
Expected return on plan assets	2.5%	2.0%

8. Research and Development Costs

Research and development costs were ¥774 million (U.S.$6,554 thousand) and ¥664 million for the years ended March 31, 2007 and 2006, respectively.

9. The Commitment Line Contracts

For short-term funding purposes, the commitment line contracts have been entered into with five and seven financial institutions in the total amount of ¥4,800 million (U.S.$ 40,661 thousand) and ¥6,400 million as of March 31, 2007 and 2006, respectively.

No commitment lines were utilized as of March 31, 2007 and 2006.

10. Leases

As Lessee:
(a) Finance leases:

The Companies lease certain machinery, equipment and other assets.

The pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	**2007**
Machinery, equipment and other assets			
Acquisition cost equivalent value	**¥179**	¥358	**$1,521**
Accumulated depreciation equivalent value	**118**	243	**1,002**
Net leased property equivalent value	**¥ 61**	¥115	**$ 519**

Obligations under finance leases as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	**2007**
Due within one year	**¥26**	¥ 56	**$220**
Due after one year	**35**	59	**299**
	¥61	¥115	**$519**

Total rental expenses for the above leases were ¥55 million (U.S.$468 thousand) and ¥99 million for the years ended March 31, 2007 and 2006, respectively.

The pro forma depreciation expense computed by the straight-line method was ¥55 million (U.S.$468 thousand) and ¥99 million for the years ended March 31, 2007 and 2006, respectively.

The pro forma information above does not exclude the imputed interest portion because the remaining financial lease obligations are not material compared with the book values of property, plant and equipment.

(b) Operating leases:

The minimum rental commitments under non-cancelable operating leases as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	**2007**
Due within one year	**¥—**	¥26	**$—**
Due after one year	**—**	1	**—**
	¥—	¥27	**$—**

As Lessor:
(a) Finance leases:

The Companies lease certain machinery, equipment and other assets.

The pro forma information of leased property under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Building and structures			
Acquisition cost	¥718	¥—	$6,078
Accumulated depreciation	202	—	1,708
Net leased property	¥516	¥—	$4,370

Obligations under finance leases as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Due within one year	¥63	¥—	$541
Due after one year	—	—	—
	¥63	¥—	$541

Total rental incomes for the above leases were ¥57 million (U.S.$489 thousand) and ¥99 million for the years ended March 31, 2007 and 2006, respectively.

(b) Operating leases:

The minimum rental commitments under non-cancelable operating leases as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Due within one year	¥3	¥—	$27
Due after one year	—	—	—
	¥3	¥—	$27

11. Contingent Liabilities

The Companies had the following contingent liabilities at March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
As guarantor of employees' housing loans from banks	¥1,550	¥1,742	$13,129
Total of contingent liabilities	¥1,550	¥1,742	$13,129

12. Per Share Information

Net income and net assets per share for the years ended March 31, 2007 and 2006 were as follows:

	Yen		U.S. dollars (Note 2)
	2007	2006	2007
Net income	¥ 51.52	¥ 26.53	$0.44
Net assets	671.55	625.76	5.69

The computations of net income per share are based on the weighted average number of shares outstanding during each year, after giving retroactive effect to any free distributions of shares.

13. Segment Information

Industry Segment Information

Sales, operating profit and assets of the construction business exceeded 90% of total segment sales, operating profit and assets, respectively.

Geographic Segment Information

Sales and assets of the domestic companies exceeded 90% of total segment sales and assets, respectively.

Overseas Sales

Export sales of the domestic companies and foreign subsidiaries' sales other than sales to Japan are summarized as follows.

	2007		2006		2007
	Millions of yen	Percentage of net sales	Millions of yen	Percentage of net sales	Thousands of U.S. dollars (Note 2)
Overseas sales:					
Asia	¥30,350	18.4%	¥40,570	28.1%	$257,091
Other areas	2,456	1.5	2,278	1.6	20,809
Total	¥32,806	19.9%	¥42,848	29.7%	$277,900

14. Derivative Transactions

(a) Items related to transaction conditions

1) Description of transactions, purpose of usage and policy for entering into such transactions

The Company conducts derivative transactions as a way to mitigate risk due to fluctuations in foreign exchange rates or fluctuations in interest rates arising from normal business operations. Currency-related derivative transactions primarily consist of forward foreign exchange contracts, while interest-related derivative transactions primarily consist of interest rate swaps. Forward foreign exchange contracts are used to hedge against foreign exchange fluctuation risk of foreign currency-denominated assets and liabilities and future payables and receivables in foreign currencies. Interest rate swaps are used to reduce the fluctuation risk in interest rates applicable to financial assets and liabilities for the purpose of stabilizing revenues and costs. The Company limits its use of such transactions to the scope of actual requirements, and does not use them for speculation purposes. In addition, consolidated subsidiaries do not engage in derivative transactions.

2) Description of transactions risks

Forward foreign exchange contracts carry the risk of exchange rate fluctuations, and interest rate swaps carry the risk of market interest rate fluctuations. Due to the fact that derivative transactions for foreign exchange as well as for interest rates are conducted only with financial institutions having high creditworthiness as the counterparties, the Company's judges credit risk to be immaterial.

3) Management of transaction risks

The Company's foreign currency and interest rate derivative transactions are executed and managed by the Finance Department of the Accounting Division under internal control procedures. Daily activities concerning derivative transactions are checked mutually within the Finance Department, and the general manager of the Finance Department is required to make semiannual reports on the contract status of derivative transactions to the Board of Directors.

(b) Items related to market value of transactions, etc., for currency-related transactions

Category & Type

	Millions of yen							
	2007				2006			
	Contract Amounts	Over one year	Market Value	Unrealized Gain (Loss)	Contract Amounts	Over one year	Market Value	Unrealized Gain (Loss)
Off-market Transactions								
Forward foreign exchange contract								
Short position								
U.S. dollars	**360**	—	**353**	**7**	115	—	119	(3)
Long position								
U.S. dollars	**91**	—	**92**	**1**	322	—	327	5
A.U. dollars	**9**	—	**10**	**1**	—	—	—	—
Euro	—	—	—	—	476	—	492	16
Options								
Short position								
Put								
Euro	—	—	—	—	63	—	0	1
Option fee					1*			
Long position								
Call								
Euro	—	—	—	—	69	—	2	1
Option fee					1*			
Total	**460**	—	**455**	**9**	1,045	—	940	20

Notes:

1. Market value is calculated using the forward exchange rate.
2. The option premium is stated for the amounts marked with "*", but the currency option is a so-called zero-cost option and no premium is received or paid.

15. Transactions with Related Parties

2007:
(a) Parent company and major shareholders

Status	Name	Address	Capital (Millions of yen)	Business	Percentage of voting rights held by the parent company, etc. (%)
Parent company	Toshiba Corporation	Minato-ku, Tokyo	274,926	1. Manufacture of electric machines and equipment 2. Manufacture of measuring instruments, medical equipment and apparatus, and other machines and equipment 3. Software development and supply, electronic communication, broadcasting, information processing, information service 4. Chemical industry, metal industry, construction, ceramic industry, mining, soil and gravel mining 5. Business incidental to each of the above mentioned businesses or industries 6. Investment in the company engaged in any of the abovementioned businesses	Direct 59.96 Indirect 1.65

Notes:
1. The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
2. Toshiba Insurance Service Corporation, Shibaura Mechatronics Corporation and Toshiba Finance Corporation own 1.65%, 0% and 0%, respectively, of the Company's voting shares.

(b) Fellow Subsidiaries, etc.

Status	Name	Address	Capital (Millions of yen)	Business	Percentage of voting rights held (%)
Subsidiary of the parent company	Toshiba Capital Corporation	Minato-ku, Tokyo	100	1. Loans 2. Purchase of monetary credits and notes 3. Trade of marketable securities 4. Business incidental to any of the abovementioned business	None

Note:
Consumption tax is not included in abovementioned amounts pertaining to either transaction amounts or balance at fiscal year end.

Relationship		Transactions		Transaction amounts (Millions of yen)	Account item	Balance at fiscal year end (Millions of yen)
Dispatch of executive officers, etc.	Business relationship					
None	Accepting orders from the parent, this company performs electric works, pipe works, machinery installation contracts, electric communication works, building construction, firefighting facility construction and steel structure building works. The company also purchases part of the materials necessary for these building or other works listed above.	Business transactions	Construction contracting	99,282	Accounts receivable –completed work	46,759
					Other current assets	133
			Purchasing of materials	7,049	Advances received – unfinished work	1,457
					Accounts payable – construction work	5,029
					Other current liabilities	37

Policy for determining trade terms and other related matters

The general terms and conditions are applied to the contract for construction and purchasing of materials.

Relationship		Transactions		Transaction amounts (Millions of yen)	Account item	Balance at fiscal year end (Millions of yen)
Dispatch of executive officers, etc.	Business relationship					
None	Deposit of funds	Non-operating transaction	Deposit of funds	178,600	Group deposits	29,600

Policy for determining trade terms and other related matters

The Company is depositing funds with Toshiba Capital Corporation under a basic agreement entered into between the Company and Toshiba Capital concerning fund transactions.

2006:

(a) Parent company and major shareholders

Status	Name	Address	Capital (Millions of yen)	Business	Percentage of voting rights held by the parent company, etc. (%)
Parent company	Toshiba Corporation	Minato-ku, Tokyo	274,926	1. Manufacture of electric machines and equipment 2. Manufacture of measuring instruments, medical equipment and apparatus, and other machines and equipment 3. Software development and supply, electronic communication, broadcasting, information processing, information service 4. Chemical industry, metal industry, construction, ceramic industry, mining, soil and gravel mining 5. Business incidental to each of the above mentioned businesses or industries 6. Investment in the company engaged in any of the abovementioned businesses	Direct 67.80 Indirect 1.65

Notes:

1. The amounts stated above do not include consumption tax, except for the balance at fiscal year end, which includes the consumption tax amount.
2. Toshiba Insurance Service Corporation, Shibaura Mechatronics Corporation and Toshiba Finance Corporation own 1.65%, 0% and 0%, respectively, of the Company's voting shares.

(b) Fellow Subsidiaries, etc.

Status	Name	Address	Capital (Millions of yen)	Business	Percentage of voting rights held (%)
Subsidiary of the parent company	Toshiba Capital Corporation	Minato-ku, Tokyo	100	1. Loans 2. Purchase of monetary credits and notes 3. Trade of marketable securities 4. Business incidental to any of the abovementioned business	None

Note:

Consumption tax is not included in abovementioned amounts pertaining to either transaction amounts or balance at fiscal year end.

16. Significant Subsequent Matters

On April 1, 2007, the Company and its consolidated subsidiaries, Kansai Toshiba Engineering Corp. and ES Toshiba Engineering Corp., revised their severance payment allowance regulations. With regard to employees of the former Toshiba Plant Kensetsu CO., LTD., contract format defined benefit pensions were integrated on that date with the endowment format defined benefit corporate pensions for employees of the former Toshiba Engineering Corporation and subsidiaries, Kansai Toshiba Engineering Corp. and ES Toshiba Engineering Corp.

In severance benefit accounting, this change will increase severance benefit debt by ¥2,043 million (U.S.$17,312 thousand), and the same amount for past service debt will be incurred. This debt will be amortized uniformly over the ten years from the fiscal year in which it is incurred.

Relationship		Transactions		Transaction amounts (Millions of yen)	Account item	Balance at fiscal year end (Millions of yen)
Dispatch of executive officers, etc.	Business relationship					
1 executive officer	Accepting orders from the parent, this company performs electric works, pipe works, machinery installation contracts, electric communication works, building construction, firefighting facility construction and steel structure building works. The company also purchases part of the materials necessary for these building or other works listed above.	Business transactions	Construction contracting	97,555	Accounts receivable –completed work	45,951
					Other current assets	160
			Purchasing of materials	6,126	Advances received – unfinished work	2,868
					Accounts payable – construction work	2,283
					Other current liabilities	68

Policy for determining trade terms and other related matters

The general terms and conditions are applied to the contract for construction and purchasing of materials.

Relationship		Transactions		Transaction amounts (Millions of yen)	Account item	Balance at fiscal year end (Millions of yen)
Dispatch of executive officers, etc.	Business relationship					
None	Deposit of funds	Non-operating transaction	Deposit of funds	183,800	Group deposits	17,500

Policy for determining trade terms and other related matters

The Company is depositing funds with Toshiba Capital Corporation under a basic agreement entered into between the Company and Toshiba Capital concerning fund transactions.

Report of Independent Auditors

The Board of Directors
Toshiba Plant Systems & Services Corporation

We have audited the accompanying consolidated balance sheets of Toshiba Plant Systems & Services Corporation and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, change in net assets and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toshiba Plant Systems & Services Corporation and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon

June 28, 2007

Stock Information As of March 31, 2007

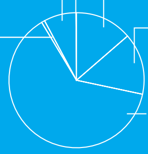
Common Stock:
265,000,000 shares

Issued and Outstanding:
97,656,888 shares

Number of Shareholders:
5,347

Paid-in Capital:
¥11,876,021,006

Distribution of Shareholders:



Principal Shareholders:

Names of Shareholders	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding
Toshiba Corporation	58,242	59.64%
Morgan Stanley and Company International Limited	2,752	2.82
Japan Trustee Services Bank, LTD. (Trust Account)	1,985	2.03
Goldman Sachs International	1,950	2.00
Toshiba Insurance Service Corporation	1,600	1.64
The Master Trust Bank of Japan Limited (Trust Account)	1,467	1.50
Mellon Bank Treaty Clients Omnibus	1,135	1.16
CBNY DFA International Cap Value Portfolio	1,117	1.14
Toshiba Plant Systems & Services Employees' Shareholding Association	994	1.02
Trust & Custody Services Bank Ltd. (Investment Securities Trust Account)	877	0.90
Total of 10 Shareholders	72,122	73.85%

Corporate Data As of June 28, 2007

THE SENIOR MANAGEMENT AND CORPORATE AUDITORS

President and Chief Executive Officer, Representative Director
Tetsuo Ishii

Executive Vice Presidents and Directors
Masakuni Sasaki
Ryuji Minagawa

Senior Vice Presidents and Directors
Toru Tsubone
Masayoshi Iida

Vice Presidents and Directors
Masahiko Kambara
Toshihiko Ishizaki
Takashi Morita
Kenji Sato
Koichi Hatano

Executive Officers
Takao Yamamoto
Kenichi Ueda
Koichi Katoh
Kazunori Endo
Masayoshi Fujimaki
Sumio Koriki

Statutory Auditors
Hideo Masuyama
Fumio Kikuchi
Akira Sudo
Naoto Naganuma

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Toshiba Engineering Service Corp.
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