

Financial Highlights

Years ended March 31

Non-Consolidated	Millions of yen					Thousands of U.S. dollars
	1994	1995	1996	1997	1998	1998
Net sales	¥138,470	¥181,281	¥200,068	¥214,526	¥232,406	\$1,759,319
Operating income (loss)	(9,137)	(4,066)	(315)	6,273	10,791	81,688
Net income (loss)	(18,106)	(5,794)	(1,289)	3,965	7,314	55,367
Common stock	35,463	36,791	36,791	36,791	36,791	278,509
Total assets	151,835	165,001	168,549	165,552	167,663	1,269,213
Total shareholders' equity	91,144	88,408	87,119	91,084	98,398	744,875

Consolidated	Millions of yen					Thousands of U.S. dollars
	1994	1995	1996	1997	1998	1998
Net sales	¥234,471	¥249,072	¥251,378	¥273,278	¥293,631	\$2,222,793
Operating income (loss)	(12,044)	(4,474)	(52)	6,904	13,348	101,045
Net income (loss)	(21,076)	(6,547)	(1,440)	4,028	8,124	61,499
Total assets	192,151	186,791	193,887	193,276	197,092	1,491,991
Total shareholders' equity	89,833	91,002	89,589	93,580	101,870	771,158

The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥132.10=US\$1.00, the exchange rate prevailing on March 31, 1998.

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REVIEW OF THE YEAR

Japan's economic situation this term has come only to strengthen an impression of stagnation without showing any sign of business recovery because of the reaction against the sudden advance in demand in anticipation of the consumption tax rise, the fall in individual consumption as well as the decrease in house building by reason of unpredictable prospects for the economic future of Japan with the rise of anxiety about its financial system.

Under such circumstances, our firm tried its best to renew its business structure and reinforce the profit system including the amelioration of management efficiency. It also reconsidered the domestic and foreign production systems, reorganized the business structure, opened up new markets, and strengthened the sales power, to mark a total sales amount of ¥232,406 million (=108% based on the previous term's result).

As for the profit-and-loss account, thanks to the implementation of various measures for revenue increase and amelioration of profit, ¥7,314 million was finally added up as profit (=184% based on the previous term's result).

PRODUCTS LINE UP (as of March, 1998)

Retail Information Systems

Main Products

- TOTAL POS Systems (head offices/sales outlets)
Supermarket systems, department store systems, shopping center systems, convenience store systems, specialty store systems, systems for restaurants and refreshment services

- Electronic Cash Registers (ECRs)
Specialized ECRs, multifunction ECRs, ECRs for hospital-ity stores

- Electronic scales/Automatic packaging devices
Counter-top electronic scales, label printers, automatic packaging equipment

<Bar code system devices>

- Retail and distribution equipment
Bar code printers/systems, shelf label-issuing systems, cloth-ing tag-issuing systems

- FA
Process control systems quality control systems, inventory control systems

- Multipurpose
2-D code systems, on-site color printers, radio portable printers

<Environmental equipment>

- Large-scale waste disposal equipment, small-scale raw waste disposal equipment, can retrieval equipment, PET bottle retrieval equipment, Styrofoam packaging waste recycling equipment

<Office equipment>

- Office and accounting computers
- Electronic white copy boards

- Personal computers

<Supplies>

Distribution & retail supplies, office equipment supplies
Information & Telecommunications

Information & telecommunications Equipment

Main Products

- Facsimiles
- Printers
- Compound terminal equipment

- Image scanners

<Specialized terminals>

- On-line reception terminals
- A wide variety of other terminals

Electric Appliances

Main Products

<Household electrical appliances>

- Vacuum cleaners, juicers, mixers, food processors, toasters, electric shavers

- Small motors

- Health equipment

<Lighting fixtures>

- Facility and household fluorescent lighting fixtures
- Ballasts and electronic ballasts for fluorescent lamps
- High-intensity discharge lamp (HID) ballasts, HID fixtures
- Fluorescent lighting fixtures for use in transport
- Custom-ordered equipment

Non-Consolidated Balance Sheets

March 31, 1998 and 1997

ASSETS	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Current assets			
Cash and time deposits	¥35,180	¥20,262	\$266,313
Trade notes and accounts receivable	48,807	56,958	369,470
Marketable securities (Notes 2 and 3)	6,905	7,599	52,271
Inventories:			
Finished goods	14,547	19,200	110,121
Work-in-process and raw materials	9,042	10,069	68,448
Prepaid expenses and other current assets	5,570	4,448	42,165
Allowance for doubtful accounts	(594)	(788)	(4,496)
Total current assets	119,457	117,748	904,292
Fixed assets			
Property, plant and equipment :			
Land (Note 3)	4,788	4,663	36,245
Buildings and structures (Note 3)	17,262	16,928	130,674
Machinery and equipment	18,549	19,274	140,416
Tools, furniture and fixtures	53,723	53,728	406,684
Construction in progress	1,022	631	7,737
Less accumulated depreciation	(69,696)	(70,476)	(527,600)
	25,648	24,748	194,156
Intangible assets	1,377	1,342	10,424
Investments and other assets :			
Investment securities (Note 2) :			
Subsidiaries and affiliates	11,264	11,127	85,269
Other	473	763	3,581
Other investments and assets	10,025	10,299	75,889
Allowance for doubtful accounts	(581)	(475)	(4,398)
	21,181	21,714	160,341
Total fixed assets	48,206	47,804	364,921
Total assets	¥167,663	¥165,552	\$1,269,213

The accompanying Notes to Non-consolidated Financial Statements are an integral part of these statements.

Millions of yen

Thousands of U.S. dollars

LIABILITIES AND SHAREHOLDERS' EQUITY

1998

1997

1998

Current liabilities

Trade notes and accounts payable	¥34,696	¥37,549	\$262,650
Current portion of long-term debt (Note 3)	46	50	348
Accrued income taxes	259	255	1,961
Accrued expenses	11,089	10,282	83,944
Other current liabilities	7,339	9,882	55,556
Total current liabilities	53,429	58,018	404,459

Long-term liabilities

Long-term debt (Note 3)	8,400	10,184	63,588
Severance benefits	7,436	6,266	56,291
Total long-term liabilities	15,836	16,450	119,879
Total liabilities	69,265	74,468	524,338

Contingent liabilities (Note 8)

Shareholders' equity

Common stock, par value ¥50 per share			
Authorized-1,000,000,000 shares			
Issued-268,145,704 shares (Note 4)	36,791	36,791	278,509
Capital surplus (Note 4)	49,823	49,823	377,161
Legal reserve (Note 5)	2,145	2,145	16,238
Retained earnings (Note 11):			
Voluntary reserve	1,657	27,837	12,543
Unappropriated (Undisposed deficit)	7,982	(25,512)	60,424
Total shareholders' equity	98,398	91,084	744,875
Total liabilities and shareholders' equity	¥167,663	¥165,552	\$1,269,213

Non-Consolidated Statements of Operations and Undisposed of Deficit

Years ended March 31, 1998 and 1997

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Net sales	¥232,406	¥214,526	\$1,759,319
Cost of sales	164,373	156,042	1,244,308
Gross profit	68,033	58,484	515,011
Selling, general and administrative expenses	57,242	52,211	433,323
Operating income	10,791	6,273	81,688
Non-operating income and expenses :			
Interest and dividend income	693	643	5,246
interest expense	(453)	(648)	(3,429)
Other, net (Note 6)	(3,620)	(2,189)	(27,404)
Income before income taxes	7,411	4,079	56,101
Income taxes	97	114	734
Net income	7,314	3,965	55,367
Undisposed deficit at beginning of year	(25,512)	(29,553)	(193,126)
Transfer from voluntary reserve	26,180	76	198,183
Unappropriated retained earnings (Undisposed deficit) at end of year	¥7,982	¥(25,512)	\$60,424

The accompanying Notes to Non-consolidated Financial Statements are an integral part of these statements.

Notes to Non-Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(A) Basis of Presenting Non-Consolidated Financial Statements

The accompanying non-consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan and compiled from the financial statements filed with the Director General of Kanto Local Finance Bureau as required by the Japanese Securities and Exchange Law.

Certain reclassifications have been made to present the accompanying non-consolidated financial statements in a format which is familiar to readers outside Japan. For the convenience of the reader, the accompanying non-consolidated financial statements have been presented in U.S. dollars by translating Japanese yen amounts at the exchange rate of ¥132.10=US\$1.00 as of March 31, 1998.

(B) Foreign Currency Translation

All short-term monetary assets and liabilities in foreign

currencies are translated at the rates of exchange in effect at the balance sheet date or at the rates of any forward exchange contracts. Long-term monetary assets and liabilities are translated at the rates on the dates they were acquired or incurred.

(C) Inventories

Inventories are stated at cost determined by the weighted average method for finished goods and by the last purchase cost method for work-in-process and raw materials.

(D) Marketable and Investment Securities

Marketable securities, except unlisted securities, are stated at the lower of cost or market.

Other marketable securities and investment securities are stated at cost, cost being determined by the moving average method.

(E) Depreciation

The depreciation of property, plant and equipment is computed by the declining-balance method based on estimated useful lives as follows:

Buildings	45-60 years
Machinery	11 years
Tools, furniture and fixtures	2-6 years

(F) Income Taxes

The Company is subject to several taxes based on income.

Corporation and inhabitants' taxes are charged to the income tax account and enterprise tax is included in selling, general and administrative expenses.

(G) Sales Recognition

Sales are normally recognized at the time of shipment of the goods to customers.

(H) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(I) Severance Benefits

Upon retirement or termination of employment, employees of the Company are generally entitled to lump-sum payments determined by reference to their current basic rate of pay, length of service and conditions under which the termination occurs.

The Company accrues the liability and makes contributions to a non-contributory qualified pension plan (the "Funded Plan") for employees' severance indemnities payable, as part of the existing retirement plan. As of March 31, 1998, the benefits under the Funded Plan covers approximately 70% of the indemnities payable under the existing plan. Past service cost with respect to the Funded Plan is being amortized over a period of 30 years.

The provision for the indemnity payable not covered by the Funded Plan is calculated based on the vested benefit obligation at the balance sheet date.

The provision for severance benefits for directors and statutory auditors is made on an accrual basis.

(J) Leases

The Company leases certain equipment under noncancelable lease agreements referred to as finance leases. Finance leases other than those which transfer the ownership of the leased property to the Company are accounted for as operating leases.

2. Marketable and Investment Securities

Information regarding the market value of marketable securities and investment securities at March 31, 1998 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	Carrying value	Market value	Carrying value	Market value
Marketable securities:				
Stock of public companies	¥5,507	¥6,651	\$41,688	\$50,348
Convertible debentures and others	373	444	2,824	3,361
Investment securities:				
Stock of public companies	25	8	189	61

3. Long-term Debt

The long-term debt at March 31, 1998 and 1997 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Convertible debentures:			
Due 2002, at 2.2%	¥8,117	¥9,845	\$61,446
Loans mainly from banks:			
Due serially through 2022, at 3.1% to 6.8%	329	389	2,490
	8,446	10,234	63,936
Less current portion	46	50	348
	¥8,400	¥10,184	\$63,588

On and after April 1, 1998 the current conversion price of the 2.2% convertible debentures is ¥1,095.80 per share.

The number of shares required for the conversion of convertible debentures is approximately 7,407 thousand shares at March 31, 1998

A summary of pledged assets for the long-term debt at March 31, 1998 is as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥2,287	\$17,313
Buildings	2,336	17,684
Marketable securities	153	1,158

The aggregate annual maturities of long-term debt (including the current portion) outstanding at March 31, 1998, are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
1999	¥46	\$348
2000	46	348
2001	46	348
2002 and thereafter	8,308	62,892
	¥8,446	\$63,936

4. Common Stock and Capital Surplus

The Commercial Code of Japan provides that when common stock is issued in an amount in excess of par value, an amount not exceeding 50% of the amount of the proceeds may be credited to capital surplus.

The Company records free share distribution of its common stock by transferring an amount equivalent to the par value of such shares from the "capital surplus" account to the "common stock" account pursuant to resolution of the Board of Directors.

5. Legal Reserve and Cash Dividends

The Commercial Code of Japan provides that a legal reserve be appropriated until such reserve equals 25% of stated capital (common stock). The legal reserve may be used to reduce a deficit or it may be transferred to stated capital.

The Commercial Code also requires the approval of an ordinary shareholder's meeting for the declaration of dividends and the appropriation of retained earnings. However, under certain conditions, interim dividends are allowed to be declared upon approval of the Board of Directors. Not less than 10% of the total amount of cash dividends and bonuses to directors and statutory auditors is required to be appropriated as a legal reserve.

6. Non-operating Income and Expenses-Other, Net

"Other, net" for the years ended March 31, 1998 and 1997 consists of the following :

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Foreign exchange gain	¥269	¥996	\$2,036
Gain on sales of property	-	48	-
Write-down and disposals of inventories	(1,082)	(1,076)	(8,191)
Loss on sales or disposals of property, plant and equipment	(853)	(586)	(6,457)
Valuation loss on marketable securities at the lower of cost or market	(1,406)	(1,235)	(10,643)
Gain(loss) on sales of marketable securities	(69)	50	(522)
Loss on liquidation of subsidiaries	-	(238)	-
Write-down of investments in subsidiaries	-	(113)	-
Other, net	(479)	(35)	(3,627)
	<u>¥(3,620)</u>	<u>¥(2,189)</u>	<u>\$ (27,404)</u>

7. Per Share Information

Earnings per share ("EPS") with respect to the years ended March 31, 1998 and 1997, and total shareholders' equity per share as of March 31, 1998 and 1997 are as follows :

	Yen		U.S. dollars
	1998	1997	1998
Basic EPS	¥27.28	¥14.79	\$0.207
Diluted EPS	27.24	-	0.206
Total shareholders' equity	366.96	339.68	2.778

8. Contingent Liabilities

The Company is contingently liable with respect to discounted trade notes receivable and guarantees on loans payable in the ordinary course of business.

Contingent liabilities at March 31, 1998 and 1997 are as follows :

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Trade notes receivable discounted	¥2,025	¥2,782	\$15,329
Guarantees on loans and others	1,627	2,004	12,316

9. Leases

(A) Finance leases

The following pro forma amounts represent the acquisition cost, accumulated depreciation and net book value of leased property as of March 31, 1998 which would have been reflected in the balance sheet if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases :

	Millions of Yen			Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	¥88	¥41	¥47	\$666	\$310	\$356
Tools, furniture and fixtures	580	190	390	4,391	1,438	2,952
	<u>¥668</u>	<u>¥231</u>	<u>¥437</u>	<u>\$5,057</u>	<u>\$1,748</u>	<u>\$3,308</u>

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥101 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms for the year ended March 31, 1998, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 1998 for finance lease transactions accounted for as operating leases are summarized as follows :

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥111	\$840
Due after one year	326	2,468
	<u>¥437</u>	<u>\$3,308</u>

(B) Operating leases

Future minimum lease payments subsequent to March 31, 1998 for noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥189	\$1,431
Due after one year	218	1,650
	¥407	\$3,081

10. Derivatives and Hedging Activities

The Company has entered into the forward exchange contracts to hedge the foreign currency transactions related to foreign accounts receivable and payable on a consistent basis, for the purpose of protecting the Company from the related market risk.

At March 31, 1998, the forward exchange contracts outstanding were as follows:

	Millions of yen		
	National amount	Market value	Unrealized loss
U.S. dollar forward exchange contracts	¥130	¥129	¥1

Above amounts exclude contracts entered into hedge receivables and payables denominated in foreign currencies which have been translated and reflected at the corresponding contracted rates in the accompanying balance sheet at March 31, 1998.

11. Appropriation of Retained Earnings

On June 26, 1998, the shareholders of the Company approved the following appropriations of retained earnings:

	Millions of yen	Thousands of U.S. dollars
Unappropriated retained earnings at March 31, 1998	¥7,982	\$60,424
Transfer from voluntary reserve	65	492
Appropriation of retained earnings:		
Transfer to legal reserve	114	863
Cash dividends	1,073	8,123
Bonuses to directors and statutory auditors	60	454
Transfer to voluntary reserve	5,000	37,850
Retained earnings to be carried forward	¥1,800	\$13,626

Report of Independent Certified Public Accountants

The Board of Directors
TEC Corporation

We have examined the non-consolidated balance sheets of TEC Corporation as of March 31, 1998 and 1997, and the related non-consolidated statements of operations and undisposed deficit for the years then ended, expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned non-consolidated financial statements present fairly the financial position of TEC Corporation at March 31, 1998 and 1997, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 1998, are presented solely for convenience. Our examination also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(A) to the non-consolidated financial statements.

Showa Ota & Co.
Showa Ota & Co.

Tokyo, Japan
June 26, 1998

Consolidated Balance Sheets

March 31, 1998 and 1997

ASSETS	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Current assets			
Cash and cash equivalents	¥42,768	¥25,461	\$323,755
Trade notes and accounts receivable	57,785	68,207	437,434
Marketable securities	6,955	7,601	52,650
Inventories	35,991	39,583	272,453
Deferred income taxes	840	1,055	6,359
Prepaid expenses and other current assets	3,686	3,945	27,903
Allowance for doubtful accounts	(1,007)	(1,162)	(7,624)
Total current assets	147,018	144,690	1,112,930
Fixed assets			
Property, plant and equipment :			
Land	5,854	6,088	44,315
Buildings and structures	22,488	21,153	170,235
Machinery and equipment	24,585	22,698	186,109
Tools, furniture and fixtures	60,741	60,683	459,811
Construction in progress	1,101	706	8,335
Less accumulated depreciation	(80,789)	(79,192)	(611,576)
	33,980	32,136	257,229
Intangible assets	1,631	1,428	12,347
Investments and other assets :			
Investment securities :			
Unconsolidated subsidiaries and affiliates	1,878	2,151	14,217
Other	635	942	4,807
Other investments and assets	12,567	12,547	95,132
Allowance for doubtful accounts	(617)	(618)	(4,671)
	14,463	15,022	109,485
Total fixed assets	50,074	48,586	379,061
Total assets	¥197,092	¥193,276	\$1,491,991

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Millions of yen

Thousands of U.S. dollars

LIABILITIES AND SHAREHOLDERS' EQUITY

1998

1997

1998

Current liabilities

Trade notes and accounts payable	¥39,778	¥42,952	\$301,120
Short-term bank loans (Note 2)	5,850	8,567	44,285
Current portion of long-term debt (Note 2)	59	167	447
Accrued income taxes	1,471	540	11,136
Accrued expenses	17,077	15,209	129,273
Other current liabilities	13,030	13,895	98,637
Total current liabilities	77,265	81,330	584,898

Long-term liabilities

Long-term debt (Note 2)	8,400	10,197	63,588
Severance benefits	8,654	7,250	65,511
Other long-term liabilities	10	2	76
Total long-term liabilities	17,064	17,449	129,175

Minority interests

818 795 6,192

Foreign currency translation adjustments

75 122 568

Total liabilities

95,222 99,696 720,833

Contingent liabilities (Note 7)

Shareholders' equity

Common stock, par value ¥50 per share			
Authorized-1,000,000,000 shares			
Issued-268,145,704 shares (Note 3)	36,791	36,791	278,509
Capital surplus (Note 3)	49,823	49,823	377,161
Legal reserve (Note 4)	2,218	2,206	16,790
Retained earnings	13,038	4,761	98,698
Less treasury stock	(0)	(1)	(0)
Total shareholders' equity	101,870	93,580	771,158
Total liabilities and shareholders' equity	¥197,092	¥193,276	\$1,491,991

Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 1998 and 1997

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Net sales	¥293,631	¥273,278	\$2,222,793
Cost of sales	189,653	182,288	1,435,677
Gross profit	103,978	90,990	787,116
Selling, general and administrative expenses	90,630	84,086	686,071
Operating Income	13,348	6,904	101,045
Non-operating income and expenses :			
Interest and dividend income	771	708	5,836
Interest expense	(767)	(897)	(5,806)
Other, net (Note 5)	(3,730)	(2,349)	(28,236)
Income before income taxes, minority interest and equity in earnings	9,622	4,366	72,839
Income taxes :			
Current	1,304	421	9,871
Deferred	166	(43)	1,257
	1,470	378	11,128
Minority interests	48	15	363
Amortization of goodwill arising on consolidation	(22)	(13)	(167)
Equity in earnings of unconsolidated subsidiaries and affiliates	(2)	42	(16)
Net Income	8,124	4,028	61,499
Retained earnings at beginning of year	4,761	772	36,041
	12,885	4,800	97,540
Adjustments resulting from consolidation of subsidiaries	161	-	1,219
Adjustments resulting from exclusion of a subsidiary	9	-	67
Adjustments resulting from adoption of equity method of accounting	-	(31)	-
Appropriations :			
Transfer to legal reserve (Note 4)	(6)	(2)	(45)
Bonuses to directors and statutory auditors	(11)	(6)	(83)
Retained earnings at end of year	¥13,038	¥4,761	\$98,698

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 1998 and 1997

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Cash flows from operating activities			
Net income	¥8,124	¥4,028	\$61,499
Adjustment to reconcile net income to net cash provided by operating activities :			
Loss on sales or disposals of fixed assets	934	662	7,070
Valuation loss on marketable securities	1,382	1,246	10,462
Valuation loss on investments in subsidiaries	-	113	-
Equity in earnings of affiliates	2	(42)	15
Deferred income taxes	214	(55)	1,620
Depreciation and amortization	7,750	7,306	58,668
Accrual for severance benefits, less payments	1,317	472	9,970
Minority interests	(111)	(17)	(840)
Changes in assets and liabilities :			
Notes and accounts receivable	7,840	(3,439)	59,349
Inventories	5,066	(406)	38,350
Other current assets	292	1,203	2,210
Notes and accounts payable	(2,783)	(3,971)	(21,067)
Accrued taxes	894	(135)	6,768
Other current liabilities	514	(40)	3,891
Other	107	1,181	810
Net cash provided by operating activities	31,542	8,106	238,775
Cash flows from investing activities			
Payments for purchase of fixed assets	(9,152)	(7,563)	(69,281)
(Increase) decrease in marketable securities	(736)	681	(5,572)
(Increase) decrease in investment securities	12	325	91
(Increase) decrease in investments in affiliates	307	(81)	2,324
Other	29	149	220
Net cash used in investing activities	(9,540)	(6,489)	(72,218)
Cash flows from financing activities			
Decrease in convertible debentures	(1,728)	(1,357)	(13,081)
Payments of long-term debt	(177)	(106)	(1,340)
(Increase) decrease short-term bank loans	(2,843)	456	(21,522)
Other	(12)	(63)	(91)
Net cash used in financing activities	(4,760)	(1,070)	(36,034)
Increase in cash and cash equivalents resulting from subsidiaries on consolidation	138	-	1,045
Effect of exchange rate changes on cash and cash equivalents	(73)	215	(553)
Net increase in cash and cash equivalents	17,307	762	131,015
Cash and cash equivalents at beginning of year	25,461	24,699	192,740
Cash and cash equivalents at end of year	42,768	25,461	323,755
Supplemental information on Cash Flows			
Cash paid during the years for :			
Interest	¥847	¥936	\$6,412
Income taxes	484	688	3,664

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(A) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan and compiled from the financial statements filed with the Director General of Kanto Local Finance Bureau as required by the Japanese Securities and Exchange Law.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. For the convenience of the reader, the accompanying consolidated financial statements have been presented in U.S. dollars by translating Japanese yen amounts at the exchange rate of ¥132.10=US\$1.00 as of March 31, 1998.

(B) Consolidation

The consolidated financial statements include the accounts of the parent company (the Company) and its significant majority-owned subsidiaries (the Companies). All significant intercompany transactions and accounts have been eliminated. The equity method of accounting is adopted for major unconsolidated subsidiaries or affiliated companies.

The consolidated subsidiaries are listed in the last page. For the year ended March 31, 1998, the equity method of accounting has been adopted for Advanced Peripherals Technology Inc.. The investments in remaining unconsolidated subsidiaries or affiliated companies (20% to 50% owned) are stated at cost.

(C) Foreign Currency Translation

All short-term monetary assets and liabilities in foreign currencies are translated at the rates of exchange in effect at the balance sheet date or at the rates of any forward exchange contracts.

Long-term monetary assets and liabilities are generally translated at the rates on the dates they were acquired or incurred.

Financial statements of overseas consolidated subsidiaries are translated into Japanese yen amounts on the basis of "historical rates" for retained earnings, "year-end rate" for other balance-sheet accounts and "average rate of the year" for income and expenses.

Differences arising from translation are presented as "Foreign currency translation adjustments" in the accompanying consolidated balance sheets.

(D) Inventories

Inventories are generally stated at cost determined by the weighted average method for finished goods and by the last purchase cost method for work-in-process and raw materials.

(E) Marketable and Investment Securities

Marketable securities, except unlisted securities, are generally stated at the lower of cost or market. Other marketable securities and investment securities are stated at cost, cost being determined by the moving average method.

(F) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at acquisition cost. Material improvements are capitalized, but repair and maintenance including minor improvements are charged to income. The depreciation of property, plant and equipment is generally computed by the declining-balance method based on the estimated useful lives of the respective assets.

(G) Income Taxes

The Companies are subject to several taxes based on income. Corporation and inhabitants' taxes are changed to the income tax account and enterprise tax is included in selling, general and administrative expenses.

Income taxes are accounted for on an accrual basis and deferred income taxes have been recognized with respect to certain timing differences arising from consolidation procedures, such as the elimination of unrealized intercompany profit, in accordance with the accounting standards for consolidated financial statements in Japan.

(H) Sales Recognition

Sales are normally recognized at the time of shipment of the goods to customers.

(I) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(J) Severance Benefits

Upon retirement or termination of employment, employees of the Company and its domestic consolidated subsidiaries are generally entitled to lump-sum payments determined by reference to their current basic rate of pay, length of service and conditions under which the termination occurs.

The Company and certain domestic consolidated subsidiaries accrue the liability and make contributions to a non-contributory qualified pension plans (the "Funded Plan") for employees' severance indemnities payable, as part of the existing retirement plan. As of March 31, 1998, the benefits under the Funded Plan covers approximately 70% of the indemnities payable under the existing plan. Past service cost with respect to the Funded Plan is being amortized over a period of 30 years.

The provision for the indemnities payable not covered by the Funded Plan is calculated based on the vested benefit obligation at the balance sheet date.

The provision for severance benefits for directors and

statutory auditors of the Company and certain of the consolidated subsidiaries are made on an accrual basis.

(K) Leases

The Companies lease certain equipment under noncancelable lease agreements referred to as finance leases. Finance leases other than those, which transfer the ownership of the leased property to the Companies, are accounted for as operating leases.

(L) Cash Flows

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less.

2. Short-Term Bank Loans and Long-Term Debt

The average interest rate for short-term bank loans outstanding at March 31, 1998 is 4.36%.

The long-term debt at March 31, 1998 and 1997, consists of the following:

	Current conversion price	Millions of yen		Thousands of U.S. dollars
		1998	1997	1998
Convertible debentures:				
Due 2002, at 2.2%	¥1,095.80 (\$8.83)	¥8,117	¥9,845	\$61,446
Loans mainly from banks:				
Due serially through 2022, at 2.44% to 6.80%		342	519	2,589
		8,459	10,364	64,035
Less current portion		59	167	447
		¥8,400	¥10,197	\$63,588

The number of shares required for the conversion of convertible debentures is approximately 7,407 thousand shares at March 31, 1998.

The aggregate annual maturities of long-term debt (including the current portion) outstanding at March 31, 1998, are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
1999	¥59	\$447
2000	46	348
2001	46	348
2002 and thereafter	8,308	62,892
	¥8,459	\$64,035

3. Common Stock and Capital Surplus

The Commercial Code of Japan provides that when common stock is issued in an amount in excess of par value, an amount not exceeding 50% of the amount of the proceeds may be credited to capital surplus.

The Company records its common stock issued free of charge by transferring an amount equivalent to the par value of such shares from the "capital surplus" account to the "common stock" account pursuant to resolution of the Board of Directors.

4. Legal Reserve

The Commercial Code of Japan provides that a legal reserve be appropriated until such reserve equals 25% of stated capital (common stock). The legal reserve may be used to reduce a deficit or it may be transferred to stated capital.

The Commercial Code also requires the approval of an ordinary shareholders' meeting for the declaration of dividends and appropriation of retained earnings. However, under certain conditions, interim dividends are allowed to be declared upon approval of the Board of Directors.

5. Non-Operating Income and Expenses-Other, Net

"Other, net" for the years ended March 31, 1998 and 1997, consists of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Foreign exchange gain, net	¥536	¥1,018	\$4,058
Write-down and disposal of inventories	(1,089)	(1,090)	(8,244)
Loss on sales or disposal of property, plant and equipment	(934)	(662)	(7,070)
Valuation loss on marketable securities at the lower of cost or market	(1,382)	(1,246)	(10,462)
Write-down of investments in subsidiaries	-	(113)	-
Other, net	(792)	(360)	(5,996)
	¥(3,661)	¥(2,453)	\$(27,714)

6. Per Share Information

Earnings per share ("EPS") with respect to the years ended March 31, 1998 and 1997, and total shareholders' equity per share as of March 31, 1998 and 1997, are as follows:

	Yen		U.S. dollars
	1998	1997	1998
Basic EPS	¥30.30	¥15.02	\$0.229
Diluted EPS	30.17	-	0.228
Total shareholders' equity	379.90	348.99	2.876

7. Contingent Liabilities

The Companies are contingently liable mainly with respect to discounted or endorsed trade notes receivable and guarantees on loans payable in the ordinary course of business.

Contingent liabilities at March 31, 1998 and 1997, are as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	1998
Trade notes receivable			
discounted or endorsed	¥1,025	¥1,689	\$7,759
Guarantees on loans and others	633	629	4,792

8. Leases

(A) Finance leases

(1) Future Minimum lease payments (including the interest portion thereon) subsequent to March 31, 1998 for finance lease transactions accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥185	\$1,400
Due after one year	365	2,763
	¥550	\$4,163

(2) Lease payments for the years ended March 31, 1998 and 1997 are ¥211 million (\$1,597 thousand) and ¥213 million, respectively.

(B) Operating leases

Future minimum lease payments subsequent to March 31, 1998 for noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥189	\$1,431
Due after one year	218	1,650
	¥407	\$3,081

9. Segment Information

(A) Business Data

The Companies operate in two business areas as follows :

- (1) TEC sales network operations
(mainly TEC brand products):
point of sales systems
electronic cash registers
electronic scales
bar code printers
office automation equipment
- (2) Other sales network operations
(mainly OEM brand products):
computer peripherals
facsimile machines
lighting fixtures
home electric appliances
small motors

The business segment information for the Companies at March 31, 1998 and 1997 and for the years then ended is summarized below :

Year ended March 31, 1998	Millions of yen				
	(1)	(2)	Total	Eliminations and Corporate	Consolidation
REVENUE & INCOME					
Revenues from operations	¥170,664	¥122,967	¥293,631	¥ -	¥293,631
Intersegment sales and transfers	5	4,862	4,867	(4,867)	-
Total	170,669	127,829	298,498	(4,867)	293,631
Cost of revenues from operations	166,942	118,181	285,123	(4,840)	280,283
Operating income	¥3,727	¥9,648	¥13,375	¥(27)	¥13,348
TOTAL ASSETS	¥83,675	¥73,842	¥157,517	¥39,575	¥197,092
DEPRECIATION	¥3,178	¥4,460	¥7,638	¥ -	¥7,638
CAPITAL					
EXPENDITURES	¥4,509	¥4,904	¥9,413	¥ -	¥9,413

(notes) Corporate assets mainly consist of cash, time deposits, marketable securities, investment securities and investments with financial institutions of the Company.

Corporate assets at March 31, 1998 are ¥40,882 million (\$309,478 thousand).

Year ended March 31, 1997	Millions of yen				
	(1)	(2)	Total	Eliminations and Corporate	Consolidation
REVENUE & INCOME					
Revenues from operations	¥155,879	¥117,399	¥273,278	¥ -	¥273,278
Intersegment sales and transfers	694	3,638	4,332	(4,332)	-
Total	156,573	121,037	277,610	(4,332)	273,278
Cost of revenues from operations	153,591	117,114	270,705	(4,331)	266,374
Operating income	¥2,982	¥3,923	¥6,905	¥(1)	¥6,904
TOTAL ASSETS	¥85,156	¥82,843	¥167,999	¥25,277	¥193,276
DEPRECIATION	¥2,793	¥4,390	¥7,183	¥ -	¥7,183
CAPITAL					
EXPENDITURES	¥3,995	¥3,447	¥7,442	¥ -	¥7,442

(notes) Corporate assets mainly consist of cash, time deposits, marketable securities, investment securities and investments with financial institutions of the Company.

Corporate assets at March 31, 1997 are ¥26,417 million

Year ended March 31, 1998	Thousands of U.S. dollars				
	(1)	(2)	Total	Eliminations and Corporate	Consolidation
REVENUE & INCOME					
Revenues from operations	\$1,291,930	\$930,863	\$2,222,793	\$ -	\$2,222,793
Intersegment sales and transfers	38	36,805	36,843	(36,843)	-
Total	1,291,968	967,668	2,259,636	(36,843)	2,222,793
Cost of revenues from operations	1,263,755	894,632	2,158,387	(36,639)	2,121,748
Operating income	\$28,213	\$73,036	\$101,249	\$(204)	\$101,045
TOTAL ASSETS	\$633,422	\$558,985	\$1,192,407	\$299,584	\$1,491,991
DEPRECIATION	\$24,058	\$33,762	\$57,820	\$ -	\$57,820
CAPITAL					
EXPENDITURES	\$34,133	\$37,124	\$71,257	\$ -	\$71,257

(B) Geographical Data

Year ended March 31, 1998	Millions of yen						Eliminations and Corporate	Consolidation
	Japan	North America	Europe	Others	Total			
REVENUE & INCOME								
Revenues from operations	¥254,472	¥5,782	¥16,383	¥16,994	¥293,631	¥ -	¥293,631	
Intersegment sales and transfers	10,938	6	23	11,877	22,844	(22,844)	-	
Total	265,410	5,788	16,406	28,871	316,475	(22,844)	293,631	
Cost of revenues from operations	254,431	5,798	16,024	27,306	303,559	(23,276)	280,283	
Operating income	¥10,979	¥(10)	¥382	¥1,565	¥12,916	¥432	¥13,348	
TOTAL ASSETS	¥135,135	¥2,881	¥10,767	¥16,128	¥164,911	¥32,181	¥197,092	

(notes) The countries included in each segment are as follows :

(1) North AmericaU.S.A., Canada

(2) Europe.....U.K., France, Germany

Corporate assets mainly consist of cash, time deposits, marketable securities, investment securities and investments with financial institutions of the company.

Corporate assets as of March 31, 1998 are ¥40,882 million (\$309,478 thousand).

Year ended March 31, 1997	Millions of yen			Eliminations and Corporate	Consolidation
	Domestic	Foreign	Total		
REVENUE & INCOME					
Revenues from operations	¥235,775	¥37,503	¥273,278	¥ -	¥273,278
Intersegment sales and transfers	10,688	3,103	13,791	(13,791)	-
Total	246,463	40,606	287,069	(13,791)	273,278
Cost of revenues from operations	239,692	40,459	280,151	(13,777)	266,374
Operating income	¥6,771	¥147	¥6,918	¥(14)	¥6,904
TOTAL ASSETS	¥145,914	¥26,840	¥172,754	¥20,522	¥193,276

(notes) Corporate assets mainly consist of cash, time deposits, marketable securities, investment securities and investments with financial institutions of the company.

Corporate assets as of March 31, 1997 are ¥26,417 million

Year ended March 31, 1998	Thousands of U.S. dollars					Eliminations and Corporate	Consolidation
	Japan	North America	Europe	Others	Total		
REVENUE & INCOME							
Revenues from operations	\$1,926,359	\$43,770	\$124,020	\$128,644	\$2,222,793	\$ -	\$2,222,793
Intersegment sales and transfers	82,801	45	174	89,910	172,930	(172,930)	-
Total	2,009,160	43,815	124,194	218,554	2,395,723	(172,930)	2,222,793
Cost of revenues from operations	1,926,049	43,891	121,302	206,707	2,297,949	(176,201)	2,121,748
Operating income	\$83,111	\$(76)	\$2,892	\$11,847	\$97,774	\$3,271	\$101,045
TOTAL ASSETS	\$1,022,974	\$21,809	\$81,506	\$122,089	\$1,248,380	\$243,612	\$1,491,991

(C) Overseas Sales

Year ended March 31, 1998	Millions of yen				Years ended March 31, 1997
	North America	Europe	Other Area	Total	
Overseas sales	¥27,836	¥33,270	¥6,537	¥67,643	¥71,537
Consolidated sales	-	-	-	293,631	273,278
Overseas sales ratio	9.5%	11.3%	2.2%	23.0%	26.2%

Year ended March 31, 1998	Thousands of U.S. dollars			
	North America	Europe	Other Area	Total
Overseas sales	\$210,719	\$251,855	\$49,485	\$512,059
Consolidated sales	-	-	-	2,222,793
Overseas sales ratio	9.5%	11.3%	2.2%	23.0%

(notes) Overseas sales consist of sales for country other than Japan.

The countries included in each segment are as follows :

(1) North AmericaU.S.A., Canada

(2) Europe.....U.K., France, Germany

Report of Independent Certified Public Accountants

The Board of Directors
TEC Corporation

We have examined the consolidated balance sheets of TEC Corporation and its consolidated subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of operations and retained earnings and cash flows for the years then ended, expressed in Japanese yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the consolidated financial position of TEC Corporation and consolidated subsidiaries at March 31, 1998 and 1997, the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 1998, are presented solely for convenience. Our examination also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(A) to the consolidated financial statements.



Showa Ota & Co.

Tokyo, Japan
June 26, 1998