

Financial Highlights

Years ended March 31

| Non-Consolidated | Millions of yen | | | | | Thousands of U.S. dollars |
|----------------------------|-----------------|----------|----------|----------|----------|---------------------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 |
| Net sales | ¥181,281 | ¥200,068 | ¥214,526 | ¥232,406 | ¥228,485 | \$1,895,355 |
| Operating income (loss) | (4,066) | (315) | 6,273 | 10,791 | 6,286 | 52,144 |
| Net income (loss) | (5,794) | (1,289) | 3,965 | 7,314 | 4,593 | 38,100 |
| Common stock | 36,791 | 36,791 | 36,791 | 36,791 | 39,971 | 331,572 |
| Total assets | 165,001 | 168,549 | 165,552 | 167,663 | 200,453 | 1,662,820 |
| Total shareholders' equity | 88,408 | 87,119 | 91,084 | 98,398 | 108,198 | 897,536 |

| Consolidated | Millions of yen | | | | | Thousands of U.S. dollars |
|----------------------------|-----------------|----------|----------|----------|----------|---------------------------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 |
| Net sales | ¥249,072 | ¥251,378 | ¥273,278 | ¥293,631 | ¥296,926 | \$2,463,094 |
| Operating income (loss) | (4,474) | (52) | 6,904 | 13,348 | 11,839 | 98,208 |
| Net income (loss) | (6,547) | (1,440) | 4,028 | 8,124 | 8,030 | 66,611 |
| Total assets | 186,791 | 193,887 | 193,276 | 197,092 | 229,181 | 1,901,128 |
| Total shareholders' equity | 91,002 | 89,589 | 93,580 | 101,870 | 115,094 | 954,741 |

The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥120.55=US\$1.00, the exchange rate prevailing on March 31, 1999.

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REVIEW OF THE YEAR

TOSHIBA TEC CORPORATION has endeavored to enhance its profit structure by reforming its business organization and cultivating new businesses and markets. The company changed its corporate name from TEC CORPORATION to TOSHIBA TEC CORPORATION when it received the copying machine business of TOSHIBA CORPORATION and handed its lighting fixtures business to TOSHIBA LITEC Co.,Ltd. on January 1st, 1999. In addition, the company has allotted 20,000,000 shares of its stock to TOSHIBA CORPORATION thereby marking TOSHIBA CORPORATION its majority shareholder with over 50% of all shares.

PRODUCTS LINE UP (as of March, 1999)

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

- Copier
- Facsimiles
- Printers
- Compound terminal equipment
- <Specialized terminals>
- On-line reception terminals
- A wide variety of other terminals

Home Electric Appliances

Main Products

- Vacuum cleaners, juicers, mixers, food processors, toasters, electric shavers
- Small motors
- Health equipment

Non-Consolidated Balance Sheets

March 31, 1999 and 1998

| ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|-----------------|---------------------------------------|
| | 1999 | 1998 | 1999 |
| Current assets | | | |
| Cash and time deposits | ¥57,237 | ¥35,180 | \$474,799 |
| Trade notes and accounts receivable | 47,814 | 48,807 | 396,632 |
| Marketable securities (Notes 2 and 3) | 5,886 | 6,905 | 48,826 |
| Inventories: | | | |
| Finished goods | 20,258 | 14,547 | 168,046 |
| Work-in-process and raw materials | 7,931 | 9,042 | 65,790 |
| Prepaid expenses and other current assets | 5,266 | 5,570 | 43,683 |
| Allowance for doubtful accounts | (475) | (594) | (3,940) |
| Total current assets | 143,917 | 119,457 | 1,193,836 |
| Fixed assets | | | |
| Property, plant and equipment : | | | |
| Land (Note 3) | 4,891 | 4,788 | 40,572 |
| Buildings and structures (Note 3) | 17,726 | 17,262 | 147,043 |
| Machinery and equipment | 14,119 | 18,549 | 117,122 |
| Tools, furniture and fixtures | 47,541 | 53,723 | 394,367 |
| Construction in progress | 2,032 | 1,022 | 16,856 |
| Less accumulated depreciation | (57,940) | (69,696) | (480,630) |
| | 28,369 | 25,648 | 235,330 |
| Intangible assets : | | | |
| Goodwill | 3,200 | — | 26,545 |
| Other intangible assets | 2,588 | 1,377 | 21,468 |
| | 5,788 | 1,377 | 48,013 |
| Investments and other assets : | | | |
| Investment securities (Note 2) : | | | |
| Subsidiaries and affiliates | 11,887 | 11,264 | 98,606 |
| Other | 568 | 473 | 4,712 |
| Other investments and other assets | 10,693 | 10,025 | 88,702 |
| Allowance for doubtful accounts | (769) | (581) | (6,379) |
| | 22,379 | 21,181 | 185,641 |
| Total fixed assets | 56,536 | 48,206 | 468,984 |
| Total assets | ¥200,453 | ¥167,663 | \$1,662,820 |

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

LIABILITIES AND SHAREHOLDERS' EQUITY

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|-----------------|---------------------------------------|
| | 1999 | 1998 | 1999 |
| Current liabilities | | | |
| Trade notes and accounts payable | ¥45,688 | ¥34,696 | \$378,996 |
| Short-term loans | 5,000 | — | 41,477 |
| Current portion of long-term debt (Note 3) | 43 | 46 | 357 |
| Accrued income taxes | 192 | 259 | 1,593 |
| Accrued expenses | 11,139 | 11,089 | 92,401 |
| Other current liabilities | 8,297 | 7,339 | 68,826 |
| Total current liabilities | 70,359 | 53,429 | 583,650 |
| Long-term liabilities | | | |
| Long-term debt (Note 3) | 13,338 | 8,400 | 110,643 |
| Severance benefits | 8,558 | 7,436 | 70,991 |
| Total long-term liabilities | 21,896 | 15,836 | 181,634 |
| Total liabilities | 92,255 | 69,265 | 765,284 |
| Contingent liabilities (Note 8) | | | |
| Shareholders' equity | | | |
| Common stock, par value ¥50 per share | | | |
| Authorized-1,000,000,000 shares | | | |
| Issued-288,145,704 shares (Note 4) | 39,971 | 36,791 | 331,572 |
| Capital surplus (Note 4) | 52,983 | 49,823 | 439,511 |
| Legal reserve (Note 5) | 2,259 | 2,145 | 18,739 |
| Retained earnings (Note 11): | | | |
| Voluntary reserve | 6,593 | 1,657 | 54,690 |
| Unappropriated | 6,392 | 7,982 | 53,024 |
| Total shareholders' equity | 108,198 | 98,398 | 897,536 |
| Total liabilities and shareholders' equity | ¥200,453 | ¥167,663 | \$1,662,820 |

Non-Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 1999 and 1998

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------|---------------------------------------|
| | 1999 | 1998 | 1999 |
| Net sales | ¥228,485 | ¥232,406 | \$1,895,355 |
| Cost of sales | 163,124 | 164,373 | 1,353,165 |
| Gross profit | 65,361 | 68,033 | 542,190 |
| Selling, general and administrative expenses | 59,075 | 57,242 | 490,046 |
| Operating income | 6,286 | 10,791 | 52,144 |
| Non-operating income and expenses: | | | |
| Interest and dividend income | 706 | 693 | 5,857 |
| interest expense | (470) | (453) | (3,899) |
| Other, net (Note 6) | (1,831) | (3,620) | (15,189) |
| Income before income taxes | 4,691 | 7,411 | 38,913 |
| Income taxes | 98 | 97 | 813 |
| Net income | 4,593 | 7,314 | 38,100 |
| Unappropriated retained earnings (Undisposed deficit) at beginning of year | 7,982 | (25,512) | 66,213 |
| Transfer from voluntary reserve | 64 | 26,180 | 531 |
| Appropriation of retained earnings: | | | |
| Transfer to legal reserve (Note 5) | 114 | — | 945 |
| Cash dividends (Note 5) | 1,073 | — | 8,901 |
| Bonuses to directors and statutory auditors | 60 | — | 498 |
| Transfer to voluntary reserve | 5,000 | — | 41,476 |
| Unappropriated retained earnings at end of year | ¥6,392 | ¥7,982 | \$53,024 |

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

Notes to Non-Consolidated Financial Statements

I. 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 under the Japanese Securities and Exchange Law. Accordingly, the accompanying non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 ¥120.55=US\$1.00 prevailing as of March 31, 1999.

(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 mainly computed by the declining-balance method based on estimated useful lives as follows:

| | |
|-------------------------------|-------------|
| Buildings | 38-50 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, inhabitants' and enterprise taxes are charged to the income tax account.

(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, 1999, 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, 1999 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 | ¥5,513 | ¥6,921 | \$45,732 | \$57,412 |
| Convertible debentures and others | 273 | 344 | 2,265 | 2,854 |
| Investment securities: | | | | |
| Stock of public companies | 1 | 1 | 8 | 8 |

3. Long-term Debt

The long-term debt at March 31, 1999 and 1998 consists of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|--------|---------------------------|
| | 1999 | 1998 | 1999 |
| Straight bonds: | | | |
| Due 2004, at 3.0% | ¥5,000 | ¥0 | \$41,477 |
| Convertible bond: | | | |
| Due 2002, at 2.2% | 8,117 | 8,117 | 67,333 |
| Long-term loans: | | | |
| Due serially through 2022, at 2.4% to 6.8% | 264 | 329 | 2,190 |
| | 13,381 | 8,446 | 111,000 |
| Less current portion | 43 | 46 | 357 |
| | ¥13,338 | ¥8,400 | \$110,643 |

On and after April 1, 1999, the current conversion price of the 2.2% convertible bond is ¥1,095.80 per share.

The number of shares required for the conversion of convertible bond is approximately 7,407 thousand shares at March 31, 1999.

A summary of pledged assets for the long-term debt at March 31, 1999 is as follows:

| | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| Land | ¥2,391 | \$19,834 |
| Buildings | 2,217 | 18,391 |
| Marketable securities | 140 | 1,161 |

The aggregate annual maturities of long-term debt (including the current portion) outstanding at March 31, 1999 are summarized as follows:

| Years ending March 31 | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2000 | ¥43 | \$357 |
| 2001 | 43 | 357 |
| 2002 | 8,151 | 67,615 |
| 2003 and thereafter | 5,144 | 42,671 |
| | ¥13,381 | \$111,000 |

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.

| | Number of shares issued | Millions of yen | | Thousands of U.S. dollars | |
|---------------------------|-------------------------|-----------------|-----------------|---------------------------|-----------------|
| | | Common stock | Capital surplus | Common stock | Capital surplus |
| Balance at March 31, 1998 | 268,145,704 | ¥36,791 | ¥49,823 | \$305,193 | \$413,297 |
| Capital increase allotted | | | | | |
| to Toshiba Corporation | 20,000,000 | 3,180 | 3,160 | 26,379 | 26,214 |
| Balance at March 31, 1999 | 288,145,704 | 39,971 | 52,983 | 331,572 | 439,511 |

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, 1999 and 1998 consists of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 1999 | 1998 | 1999 |
| Foreign exchange gain (loss) | ¥(447) | ¥269 | \$(3,708) |
| Write-down and disposals of inventories | (434) | (1,082) | (3,600) |
| Loss on sales or disposals of property, plant and equipment | (800) | (853) | (6,636) |
| Valuation loss on marketable securities at the lower of cost or market | (412) | (1,406) | (3,418) |
| Loss on sales of marketable securities | (61) | (69) | (506) |
| Gain on liquidation of subsidiaries | 297 | - | 2,464 |
| Gain on disposal of lighting fixtures operation | 262 | - | 2,173 |
| Other, net | (236) | (479) | (1,958) |
| | ¥(1,831) | ¥(3,620) | \$(15,189) |

7. Per Share Information

Earnings per share ("ESP") with respect to the years ended March 31, 1999 and 1998, and total shareholders' equity per share as of March 31, 1999 and 1998 are as follows:

| | Yen | | U.S. dollars |
|----------------------------|--------|--------|--------------|
| | 1999 | 1998 | 1999 |
| Basic ESP | ¥16.80 | ¥27.28 | \$0.139 |
| Diluted ESP | - | 27.24 | - |
| Total shareholders' equity | 375.50 | 366.96 | 3.115 |

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, 1999 and 1998 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------------------|-----------------|--------|---------------------------|
| | 1999 | 1998 | 1999 |
| Trade notes receivable discounted | ¥5,534 | ¥2,025 | \$45,906 |
| Guarantees on loans and others | 1,492 | 1,627 | 12,377 |

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, 1999 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 | ¥102 | ¥72 | ¥30 | \$846 | \$597 | \$249 |
| Tools, furniture and fixtures | 647 | 271 | 376 | 5,367 | 2,248 | 3,119 |
| | ¥749 | ¥343 | ¥406 | \$6,213 | \$2,845 | \$3,368 |

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥124 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, 1999, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 1999 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 | ¥126 | \$1,045 |
| Due after one year | 280 | 2,323 |
| | ¥406 | \$3,368 |

(B) Operating leases

Future minimum lease payments subsequent to March 31, 1999 for noncancelable operating leases are summarized as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---------------------|-----------------|---------------------------|
| Due within one year | ¥203 | \$1,684 |
| Due after one year | 63 | 523 |
| | ¥266 | \$2,207 |

10. Derivatives and Hedging Activities

The Company has entered into 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, 1999, the forward exchange contracts outstanding were as follows:

| | Millions of yen | | | Thousands of U.S. dollars | |
|------------------------------------|-----------------|--------------|-----------------------|---------------------------|--|
| | Contract amount | Market value | Unrealized gain(loss) | Unrealized gain(loss) | |
| Selling forward exchange contracts | | | | | |
| U.S. dollar | ¥1,731 | ¥1,731 | ¥0 | \$0 | |
| Others | 135 | 134 | 0 | 0 | |
| Buying forward exchange contracts | | | | | |
| French Franc | 1,031 | 1,005 | (26) | (216) | |

Above amounts exclude contracts entered into hedge receivables and payables denominated in foreign currencies which have been translated and reflected at the corresponding contractual rates in the accompanying balance sheet at March 31, 1999.

Report of Independent Certified Public Accountants

The Board of Directors
TOSHIBA TEC CORPORATION

We have examined the non-consolidated balance sheets of TOSHIBA TEC CORPORATION as of March 31, 1999 and 1998, and the related non-consolidated statements of operations and retained earnings for the years then ended, expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied 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 TOSHIBA TEC CORPORATION at March 31, 1999 and 1998, and the results of its operations for the years then ended, in conformity with accounting principles and practices 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, 1999, 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.

11. Appropriation of Retained Earnings

On June 29, 1999, 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, 1999 | ¥6,392 | \$53,024 |
| Transfer from voluntary reserve | 68 | 564 |
| Appropriation of retained earnings: | | |
| Transfer to legal reserve | 116 | 962 |
| Cash dividends | 1,115 | 9,249 |
| Bonuses to directors and statutory auditors | 45 | 373 |
| Transfer to voluntary reserve | 3,000 | 24,887 |
| Retained earnings to be carried forward | ¥2,184 | \$18,117 |



Showa Ota & Co.

Tokyo, Japan
June 29, 1999

Consolidated Balance Sheets

Years ended March 31, 1999 and 1998

| ASSETS | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------------|---------------------------|
| | 1999 | 1998 | 1999 |
| Current assets | | | |
| Cash and cash equivalents | ¥65,087 | ¥42,768 | \$539,915 |
| Trade notes and accounts receivable | 58,254 | 57,785 | 483,235 |
| Marketable securities | 5,990 | 6,955 | 49,690 |
| Inventories | 38,172 | 35,991 | 316,651 |
| Deferred income taxes | 668 | 840 | 5,541 |
| Prepaid expenses and other current assets | 4,166 | 3,686 | 34,560 |
| Allowance for doubtful accounts | (915) | (1,007) | (7,592) |
| Total current assets | 171,422 | 147,018 | 1,422,000 |
| Fixed assets | | | |
| Property, plant and equipment : | | | |
| Land | 5,943 | 5,854 | 49,298 |
| Buildings and structures | 22,601 | 22,488 | 187,483 |
| Machinery and equipment | 19,400 | 24,585 | 160,928 |
| Tools, furniture and fixtures | 54,963 | 60,741 | 455,934 |
| Construction in progress | 2,087 | 1,101 | 17,310 |
| Less accumulated depreciation | (68,753) | (80,789) | (570,331) |
| | 36,240 | 33,980 | 300,622 |
| Intangible assets | | | |
| Goodwill | 3,200 | — | 26,545 |
| Other intangible assets | 2,680 | 1,631 | 22,235 |
| | 5,880 | 1,631 | 48,780 |
| Investments and other assets : | | | |
| Investment securities : | | | |
| Unconsolidated subsidiaries and affiliates | 1,716 | 1,878 | 14,233 |
| Other | 728 | 635 | 6,042 |
| Other investments and other assets | 12,539 | 12,567 | 104,019 |
| Allowance for doubtful accounts | (784) | (617) | (6,502) |
| | 14,200 | 14,463 | 117,792 |
| Total fixed assets | 56,320 | 50,074 | 467,194 |
| Foreign currency translation adjustments | 1,439 | — | 11,938 |
| Total assets | ¥229,181 | ¥197,092 | \$1,901,132 |

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

| LIABILITIES AND SHAREHOLDERS' EQUITY | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------------|---------------------------|
| | 1999 | 1998 | 1999 |
| Current liabilities | | | |
| Trade notes and accounts payable | ¥51,422 | ¥39,778 | \$426,562 |
| Short-term loans (Note 2) | 7,265 | 5,850 | 60,261 |
| Current portion of long-term debt (Note 2) | 43 | 59 | 358 |
| Accrued income taxes | 1,908 | 1,471 | 15,828 |
| Accrued expenses | 16,997 | 17,077 | 140,992 |
| Other current liabilities | 12,414 | 13,030 | 102,982 |
| Total current liabilities | 90,049 | 77,265 | 746,983 |
| Long-term liabilities | | | |
| Long-term debt (Note 2) | 13,437 | 8,400 | 111,468 |
| Severance benefits | 9,887 | 8,654 | 82,012 |
| Other long-term liabilities | 9 | 10 | 77 |
| Total long-term liabilities | 23,333 | 17,064 | 193,557 |
| Foreign currency translation adjustments | 0 | 75 | 0 |
| Total liabilities | 113,382 | 94,404 | 940,540 |
| Contingent liabilities (Note 7) | | | |
| Minority interests | 705 | 818 | 5,848 |
| Shareholders' equity | | | |
| Common stock, par value ¥50 per share | | | |
| Authorized-1,000,000,000 shares | | | |
| Issued-288,145,704 shares (Note 3) | 39,971 | 36,791 | 331,570 |
| Capital surplus (Note 3) | 52,983 | 49,823 | 439,512 |
| Retained earnings | 22,142 | 15,256 | 183,674 |
| Less treasury stock | (1) | 0 | (12) |
| Total shareholders' equity | 115,094 | 101,870 | 954,744 |
| Total liabilities and shareholders' equity | ¥229,181 | ¥197,092 | \$1,901,132 |

Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 1999 and 1998

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 1999 | 1998 | 1999 |
| Net sales | ¥296,926 | ¥293,631 | \$2,463,094 |
| Cost of sales | 191,959 | 189,653 | 1,592,360 |
| Gross profit | 104,967 | 103,978 | 870,734 |
| Selling, general and administrative expenses | 93,128 | 90,359 | 772,526 |
| Operating Income | 11,839 | 13,618 | 98,208 |
| Non-operating income and expenses: | | | |
| Interest and dividend income | 775 | 771 | 6,429 |
| Interest expense | (597) | (767) | (4,952) |
| Other, net (Note 5) | (2,049) | (3,710) | (16,997) |
| Income before income taxes and minority interests | 9,968 | 9,912 | 82,688 |
| Income taxes: | | | |
| Current | 1,842 | 1,528 | 15,280 |
| Deferred | 206 | 213 | 1,709 |
| Income before minority interests | 7,920 | 8,172 | 65,699 |
| Minority interests | (110) | 48 | (912) |
| Net Income | 8,030 | 8,124 | 66,611 |
| Retained earnings at beginning of year | 15,256 | 6,967 | 126,553 |
| | 23,286 | 15,091 | 193,164 |
| Adjustments resulting from consolidation of subsidiaries | — | 167 | — |
| Adjustments resulting from exclusion of a subsidiary | — | 9 | — |
| Appropriations: | | | |
| Dividends | (1,073) | — | (8,896) |
| Bonuses to directors and statutory auditors | (72) | (11) | (594) |
| Retained earnings at end of year | ¥22,142 | ¥15,256 | \$183,674 |

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

Consolidated Statements of Cash Flows

Years ended March 31, 1999 and 1998

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------------|---------------------------|
| | 1999 | 1998 | 1999 |
| Cash flows from operating activities | | | |
| Income before income taxes and minority interests | ¥9,968 | ¥9,912 | \$82,688 |
| Adjustment to reconcile income before income taxes and minority interests to net cash provided by operating activities : | | | |
| Loss on sales or disposals of fixed assets | 896 | 934 | 7,433 |
| Valuation loss on marketable securities | — | 1,382 | — |
| Equity in earnings of affiliates | 92 | 2 | 763 |
| Depreciation and amortization | 7,583 | 7,750 | 62,903 |
| Accrual for severance benefits, less payments | 1,232 | 1,317 | 10,220 |
| Interest and dividend income | (775) | (771) | (6,429) |
| Interest expense | 597 | 767 | 4,952 |
| Changes in assets and liabilities : | | | |
| Notes and accounts receivable | (467) | 7,840 | (3,874) |
| Inventories | (2,181) | 5,066 | (18,092) |
| Other current assets | 1,148 | 292 | 9,523 |
| Notes and accounts payable | 11,644 | (2,783) | 96,591 |
| Other current liabilities | (2,224) | 514 | (18,449) |
| Sub Total | 27,513 | 32,222 | 228,229 |
| Interest and dividend income received | 775 | 771 | 6,429 |
| Interest expense payments | (543) | (847) | (4,504) |
| Income taxes payments | (1,611) | (774) | (13,364) |
| Other | 18 | 170 | 149 |
| Net cash provided by operating activities | 26,152 | 31,542 | 216,939 |
| Cash flows from investing activities | | | |
| Payments for purchase of fixed assets | (15,005) | (9,152) | (124,472) |
| (Increase) decrease in marketable securities | 960 | (736) | 7,964 |
| (Increase) decrease in investment securities | (18) | 12 | (149) |
| Decrease in investments in affiliates | — | 307 | — |
| Other | 45 | 29 | 373 |
| Net cash used in investing activities | (14,018) | (9,540) | (116,284) |
| Cash flows from financing activities | | | |
| Proceed from issuance of bonds | 5,000 | — | 41,477 |
| Decrease in convertible bonds | — | (1,728) | — |
| Payments of long-term debt | 18 | (177) | 149 |
| Increase (decrease) short-term loans | 1,414 | (2,843) | 11,730 |
| Proceed from issuing common stock | 6,339 | — | 52,584 |
| Payment of dividends | (1,073) | — | (8,901) |
| Other | — | (12) | — |
| Net cash provided by financing activities | 11,698 | (4,760) | 97,039 |
| Increase in cash and cash equivalents resulting from subsidiaries on consolidation | — | 138 | — |
| Effect of exchange rate changes on cash and cash equivalents | (1,513) | (73) | (12,555) |
| Net increase in cash and cash equivalents | 22,319 | 17,307 | 185,139 |
| Cash and cash equivalents at beginning of year | 42,768 | 25,461 | 354,776 |
| Cash and cash equivalents at end of year | ¥65,087 | ¥42,768 | \$539,915 |

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

Notes to Consolidated Financial Statements

I. 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 under the Japanese Securities and Exchange Law. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The Company has prepared consolidated statements of cash flows for the purpose of inclusion in these consolidated financial statements, although such statements are not currently required in Japan.

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 ¥120.55=US\$1.00 prevailing as of March 31, 1999.

(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 investments in major unconsolidated subsidiaries or affiliated companies.

The consolidated subsidiaries are listed in the last page. For the year ended March 31, 1999, 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, inhabitants' and enterprise taxes are charged to the income tax account.

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 inter-company 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, 1999, 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 maturates of three months or less.

2. Short-Term Loans and Long-Term Debt

The average interest rate for short-term bank loans outstanding at March 31, 1999 is 1.32%.

The long-term debt at March 31, 1999 and 1998, consists of the following :

| | Current conversion price | Millions of yen | | Thousands of U.S dollars |
|---|-----------------------------|-----------------|--------|-----------------------------|
| | | 1999 | 1998 | 1999 |
| Convertible bonds : | | | | |
| Due 2002, with interest rate of 2.2% | ¥1,095.80 (\$9.09) | ¥8,117 | ¥8,117 | \$67,333 |
| Straight bonds : | | | | |
| Due 2004, with interest rate of 3.0% | | 5,000 | - | 41,477 |
| Long-term loans : | | | | |
| Due serially through 2022, with interest rate of 2.44% to 5.02% | | 363 | 342 | 3,016 |
| | | 13,480 | 8,459 | 111,826 |
| Less current portion | | 43 | 59 | 358 |
| | | ¥13,437 | ¥8,400 | \$111,468 |

The number of shares required for the conversion of convertible bonds is approximately 7,407 thousand shares at March 31, 1999.

The aggregate annual maturities of long-term debt (including the current portion) outstanding at March 31, 1999, are summarized as follows :

| Year ending March 31 | Millions of yen | Thousands of U.S. dollars |
|----------------------|-----------------|---------------------------|
| 2000 | ¥43 | \$358 |
| 2001 | 142 | 1,179 |
| 2002 | 8,151 | 67,615 |
| 2003 and thereafter | 5,144 | 42,674 |
| | ¥13,480 | \$111,826 |

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

"Other, net" for the years ended March 31, 1999 and 1998, consists of the following :

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|------------------------------|
| | 1999 | 1998 | 1999 |
| Foreign exchange gain(loss) | ¥(296) | ¥536 | \$(2,455) |
| Write-down and disposal of inventories | (457) | (1,089) | (3,791) |
| Loss on sales or disposal of property, plant and equipment | (896) | (934) | (7,433) |
| Valuation loss on marketable securities at the lower of cost or market | (434) | (1,382) | (3,600) |
| Gain on liquidation of subsidiaries | 297 | - | 2,464 |
| Gain on disposal of lighting fixtures operation | 262 | - | 2,173 |
| Reorganization cost | (192) | - | (1,593) |
| Other, net | (333) | (841) | (2,762) |
| | ¥(2,049) | ¥(3,710) | \$(16,997) |

5. Per Share Information

Earnings per share ("EPS") with respect to the years ended March 31, 1999 and 1998, and total shareholders' equity per share as of March 31, 1999 and 1998, are as follows:

| | Yen | | U.S. dollars |
|----------------------------|--------|--------|--------------|
| | 1999 | 1998 | 1999 |
| Basic EPS | ¥29.37 | ¥30.30 | \$0.244 |
| Diluted EPS | 29.31 | 30.17 | 0.243 |
| Total shareholders' equity | 399.43 | 379.90 | 3.313 |

6. 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, 1999 and 1998, are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|--------|---------------------------|
| | 1999 | 1998 | 1999 |
| Trade notes receivable | | | |
| discounted or endorsed | ¥4,722 | ¥1,025 | \$39,170 |
| Guarantees on loans and others | 994 | 633 | 8,246 |

7. 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, 1999 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 | ¥130 | ¥97 | ¥33 | \$1,078 | \$805 | \$274 |
| Tools, furniture and fixtures | 1,081 | 650 | 431 | 8,967 | 5,392 | 3,575 |
| | ¥1,211 | ¥747 | ¥464 | \$10,045 | \$6,197 | \$3,849 |

(1) Future Minimum lease payments (including the interest portion thereon) subsequent to March 31, 1999 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 | ¥155 | \$1,286 |
| Due after one year | 309 | 2,563 |
| | ¥464 | \$3,849 |

(2) Lease payments for the years ended March 31, 1999 and 1998 are ¥196 million (\$1,626 thousand) and ¥211 million, respectively.

(B) Operating leases

Future minimum lease payments subsequent to March 31, 1999 for noncancelable operating leases are summarized as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---------------------|-----------------|---------------------------|
| Due within one year | ¥298 | \$2,472 |
| Due after one year | 301 | 2,497 |
| | ¥599 | \$4,969 |

8. 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

plain paper copier

computer peripherals

facsimile machines

lighting fixtures

home electric appliances

small precision motors

The business segment information for the Companies at March 31, 1999 and 1998 and for the years then ended is summarized below :

| Year ended March 31, 1999 | Millions of yen | | | | |
|----------------------------------|-----------------|----------|----------|----------------------------|---------------|
| | (1) | (2) | Total | Eliminations and Corporate | Consolidation |
| REVENUE & INCOME | | | | | |
| Revenues from operations | ¥168,332 | ¥128,594 | ¥296,926 | ¥ - | ¥296,926 |
| Intersegment sales and transfers | 89 | 3,955 | 4,044 | (4,044) | - |
| Total | 168,421 | 132,549 | 300,970 | (4,044) | 296,926 |
| Cost of revenues from operations | 165,372 | 123,781 | 289,153 | (4,066) | 285,087 |
| Operating income | ¥3,049 | ¥8,768 | ¥11,817 | ¥22 | ¥11,839 |
| TOTAL ASSETS | ¥88,337 | ¥78,910 | ¥167,247 | ¥61,934 | ¥229,181 |
| DEPRECIATION | ¥3,394 | ¥4,156 | ¥7,550 | ¥ - | ¥7,550 |
| CAPITAL | | | | | |
| EXPENDITURES | ¥3,304 | ¥11,904 | ¥15,208 | ¥ - | ¥15,208 |

(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, 1999 are ¥62,803 million (\$520,971 thousand).

| 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 | (5,110) | 280,013 |
| Operating income | ¥3,727 | ¥9,648 | ¥13,375 | ¥243 | ¥13,618 |
| 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

| Year ended March 31, 1999 | Thousands of U.S. dollars | | | | |
|----------------------------------|---------------------------|-------------|-------------|----------------------------|---------------|
| | (1) | (2) | Total | Eliminations and Corporate | Consolidation |
| REVENUE & INCOME | | | | | |
| Revenues from operations | \$1,396,367 | \$1,066,727 | \$2,463,094 | \$ - | \$2,463,094 |
| Intersegment sales and transfers | 738 | 32,808 | 33,546 | (33,546) | - |
| Total | 1,397,105 | 1,099,535 | 2,496,640 | (33,546) | 2,463,094 |
| Cost of revenues from operations | 1,371,813 | 1,026,802 | 2,398,615 | (33,729) | 2,364,886 |
| Operating income | \$25,292 | \$72,733 | \$98,025 | \$183 | \$98,208 |
| TOTAL ASSETS | \$732,783 | \$654,583 | \$1,387,366 | \$513,766 | \$1,901,132 |
| DEPRECIATION | \$28,154 | \$34,475 | \$62,630 | \$ - | \$62,630 |
| CAPITAL | | | | | |
| EXPENDITURES | \$27,408 | \$98,747 | \$126,155 | \$ - | \$126,155 |

(B) Geographical Data

| Year ended March 31, 1999 | Millions of yen | | | | | | |
|----------------------------------|-----------------|---------------|---------------|----------------|-----------------|----------------------------|-----------------|
| | Japan | North America | Europe | Asia | Total | Eliminations and Corporate | Consolidation |
| REVENUE & INCOME | | | | | | | |
| Revenues from operations | ¥250,555 | ¥5,556 | ¥18,493 | ¥22,322 | ¥296,926 | ¥ - | ¥296,926 |
| Intersegment sales and transfers | 11,299 | 6 | 19 | 11,611 | 22,935 | (22,935) | - |
| Total | 261,854 | 5,562 | 18,512 | 33,933 | 319,861 | (22,935) | 296,926 |
| Cost of revenues from operations | 254,580 | 5,526 | 18,322 | 29,592 | 308,020 | (22,933) | 285,087 |
| Operating income | ¥7,274 | ¥36 | ¥190 | ¥4,341 | ¥11,841 | ¥(2) | ¥11,839 |
| TOTAL ASSETS | ¥144,075 | ¥2,504 | ¥9,878 | ¥16,426 | ¥172,883 | ¥56,298 | ¥229,181 |

(notes) Criteria of geographical segmentation and the name of countries or areas mainly included in each segment.

(1) Criteria: geographical closeness

(2) countries & Areas

① North America U.S.A. Canada

② Europe U.K. France, Germany

③ Asia Singapore, Malaysia, Indonesia

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, 1999 are ¥62,803 million (\$520,971 thousand).

| Year ended March 31, 1998 | Millions of yen | | | | | | |
|----------------------------------|-----------------|---------------|----------------|----------------|-----------------|----------------------------|-----------------|
| | Japan | North America | Europe | Others | Total | Eliminations and Corporate | Consolidation |
| 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 | (23,546) | 280,013 |
| Operating income | ¥10,979 | ¥(10) | ¥382 | ¥1,565 | ¥12,916 | ¥702 | ¥13,618 |
| TOTAL ASSETS | ¥135,135 | ¥2,881 | ¥10,767 | ¥16,128 | ¥164,911 | ¥32,181 | ¥197,092 |

(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, 1998 are ¥40,882 million

| Year ended March 31, 1999 | Thousands of U.S. dollars | | | | | | |
|----------------------------------|---------------------------|-----------------|-----------------|------------------|--------------------|----------------------------|--------------------|
| | Japan | North America | Europe | Asia | Total | Eliminations and Corporate | Consolidation |
| REVENUE & INCOME | | | | | | | |
| Revenues from operations | \$2,078,432 | \$46,089 | \$153,405 | \$185,168 | \$2,463,094 | \$ - | \$2,463,094 |
| Intersegment sales and transfers | 93,729 | 50 | 158 | 96,317 | 190,253 | (190,253) | - |
| Total | 2,172,161 | 46,139 | 153,563 | 281,485 | 2,653,347 | (190,253) | 2,463,094 |
| Cost of revenues from operations | 2,111,821 | 45,840 | 151,987 | 245,475 | 2,555,122 | (190,236) | 2,364,886 |
| Operating income | \$60,340 | \$299 | \$1,576 | \$36,010 | \$98,225 | \$(17) | \$98,208 |
| TOTAL ASSETS | \$1,195,147 | \$20,771 | \$81,938 | \$136,255 | \$1,434,111 | \$467,021 | \$1,901,132 |

(C) Overseas Sales

| Year ended March 31, 1999 | Millions of yen | | | | Years ended March 31, 1998 |
|---------------------------|-----------------|---------|------------|---------|----------------------------|
| | North America | Europe | Other Area | Total | |
| Overseas sales | ¥41,907 | ¥45,371 | ¥7,416 | ¥94,694 | ¥67,643 |
| Consolidated sales | - | - | - | 296,926 | 293,631 |
| Overseas sales ratio | 14.1% | 15.3% | 2.5% | 31.9% | 23.0% |

| Year ended March 31, 1999 | Thousands of U.S. dollars | | | |
|---------------------------|---------------------------|-----------|------------|-----------|
| | North America | Europe | Other Area | Total |
| Overseas sales | \$347,632 | \$376,367 | \$61,517 | \$785,516 |
| Consolidated sales | - | - | - | 2,463,094 |
| Overseas sales ratio | 14.1% | 15.3% | 2.5% | 31.9% |

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

Criteria of geographical segmentation and the name of countries or areas mainly included in each segment.

(1) Criteria: geographical closeness

(2) countries & Areas

① North America U.S.A. Canada

② Europe U.K. France, Germany

Report of Independent Certified Public Accountants

The Board of Directors
TOSHIBA TEC CORPORATION

We have examined the consolidated balance sheets of TOSHIBA TEC CORPORATION and its consolidated subsidiaries as of March 31, 1999 and 1998, 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, procedures and practices generally accepted and applied 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 TOSHIBA TEC CORPORATION and consolidated subsidiaries at March 31, 1999 and 1998, the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices 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, 1999, 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 29, 1999