

 **TOSHIBA TEC CORPORATION**

ANNUAL REPORT 2001

For the Year Ended March 31, 2001

Financial Highlights

Years ended March 31

Consolidated	Millions of yen					Thousands of U.S. dollars
	1997	1998	1999	2000	2001	2001
Net sales	¥273,278	¥293,631	¥296,926	¥348,872	¥337,208	\$2,721,614
Operating income	6,904	13,348	11,839	12,698	6,923	55,876
Net income (loss)	4,028	8,124	8,030	4,150	(7,438)	(60,032)
Total assets	193,276	197,092	229,181	241,931	250,764	2,023,923
Total shareholders' equity	93,580	101,870	115,094	126,927	116,730	942,131
	Yen					U.S. dollars
Per share data:						
Net income (loss) –						
Basic	¥15.02	¥30.30	¥29.37	¥14.40	¥(25.81)	\$(0.208)
Diluted	–	30.17	29.31	–	–	–
Total shareholders' equity	348.99	379.90	399.44	440.50	405.11	3.270

Non-Consolidated	Millions of yen					Thousands of U.S. dollars
	1997	1998	1999	2000	2001	2001
Net sales	¥214,526	¥232,406	¥228,485	¥270,720	¥264,619	\$2,135,747
Operating income	6,273	10,791	6,286	6,754	2,937	23,705
Net income (loss)	3,965	7,314	4,593	2,139	(6,447)	(52,034)
Common stock	36,791	36,791	39,971	39,971	39,971	322,607
Total assets	165,552	167,663	200,453	208,537	211,992	1,710,993
Total shareholders' equity	91,084	98,398	108,198	116,993	110,023	887,999
	Yen					U.S. dollars
Per share data:						
Net income (loss) –						
Basic	¥14.79	¥27.28	¥16.80	¥7.42	¥(22.37)	\$(0.181)
Diluted	–	27.24	–	–	–	–
Cash dividends	0.00	4.00	4.00	5.00	4.00	0.032
Total shareholders' equity	339.68	366.96	375.50	406.02	381.83	3.082

The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥123.90=US\$1.00, the exchange rate prevailing on March 31, 2001.

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REVIEW OF THE YEAR

This fiscal year, the Japanese economy showed some signs of a partial and slow recovery, as seen in the increase in private capital spending. Nevertheless, consumer spending remained sluggish. The reason why a true recovery could not be achieved lies in the worsening of the export environment due to the economic slowdown in the United States in the second half of this fiscal year.

Under such circumstances, the Companies promoted innovation in customer-oriented management and business as part of their medium-term management plan that emphasized "Focus and Foresight," "Global Development," and "New Development of the IT Business." At the same time, the Retail Information Systems Division aggressively developed the system solution business and reorganized the European sales subsidiary companies. The Document Processing & Telecommunication Systems Division introduced digital multi-functional copiers into the market to expand sales. However, because this fiscal year was a changeover period for customer demand for some of our main products and the market was dull, net sales in the year were ¥337.208 billion, i.e. 3% less than the previous year. As for profits & loss, the operating income stood at ¥6.923 billion, 45% lower, because of a decrease in revenue and the influence of exchange rates, although a reduction in both production and operating costs was realized. Losses this fiscal year reached ¥7.438 billion, as result of ¥16.907 billion amortization for transition obligation which was brought by revision of accounting standard for retirement benefits.

PRODUCTS LINE UP (as of March, 2001)

Retail Information Systems

Main Products

- TOTAL POS Systems
Modular Open POS, Integrated Open POS, Hospitality Open POS, Operation Unit
- Electronic Cash Registers (ECRs)
Specialized ECRs, ECRs for hospitality stores
- Electronic scales/Automatic packaging devices
Counter-top electronic scales, label printers
- <Bar code system devices>
 - Retail and distribution equipment
Bar code printers/systems, shelf label-issuing systems, clothing 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

<Office equipment>

- Office and accounting computers
- Electronic white copy boards
- Personal computers

<Supplies>

Distribution & retail supplies, office equipment supplies

Document Processing & Telecommunication Systems

Main Products

- Multi-Function Peripherals
- Copiers
- Facsimile
- Computer Peripheral Equipment
- Specialized Terminals

Home Electric Appliances & Others

Main Products

- Vacuum cleaners, juicers, mixers, food processors
- Health equipment
- Small motors
- Components

Consolidated Balance Sheets

March 31, 2001 and 2000

ASSETS	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Current assets			
Cash and cash equivalents	¥53,085	¥53,215	\$428,450
Trade notes and accounts receivable	65,475	57,821	528,450
Marketable securities (Note 5)	—	5,159	—
Inventories	44,468	41,310	358,902
Deferred income taxes (Note 9)	4,247	3,126	34,278
Prepaid expenses and other current assets	6,484	7,983	52,333
Allowance for doubtful accounts	(764)	(815)	(6,166)
Total current assets	172,995	167,799	1,396,247
Fixed assets			
Property, plant and equipment:			
Land (Note 5)	5,597	5,910	45,174
Buildings and structures (Note 5)	23,318	22,783	188,200
Machinery and equipment (Note 5)	20,975	20,508	169,290
Tools, furniture and fixtures	64,404	59,534	519,806
Construction in progress	941	1,866	7,595
Less accumulated depreciation	(80,338)	(73,850)	(648,410)
	34,897	36,751	281,655
Intangible assets:			
Goodwill	2,064	2,920	16,659
Other intangible assets	5,307	5,163	42,833
	7,371	8,083	59,492
Investments and other assets:			
Investment securities: (Notes 5 and 11)			
Unconsolidated subsidiaries and affiliates	1,237	1,730	9,984
Other	10,520	6,318	84,907
Deferred income taxes (Note 9)	17,215	7,443	138,943
Other investments and other assets	7,918	10,497	63,906
Allowance for doubtful accounts	(1,389)	(682)	(11,211)
	35,501	25,306	286,529
Total fixed assets	77,769	70,140	627,676
Foreign currency translation adjustments	—	3,992	—
Total assets	¥250,764	¥241,931	\$2,023,923

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

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Current liabilities			
Trade notes and accounts payable	¥59,451	¥54,183	\$479,831
Short-term loans (Notes 3 and 5)	7,641	1,900	61,671
Current portion of long-term debt (Notes 3 and 5)	8,048	142	64,956
Accrued income and other taxes	5,632	4,194	45,456
Accrued expenses	17,108	17,599	138,079
Deferred income taxes (Note 9)	–	34	–
Other current liabilities	14,945	12,229	120,621
Total current liabilities	112,825	90,281	910,614
Long-term liabilities			
Long-term debt (Notes 3 and 5)	5,180	13,189	41,808
Accrued retirement benefits (Note 4)	14,758	10,133	119,112
Other long-term liabilities	450	568	3,632
Total long-term liabilities	20,388	23,890	164,552
Total liabilities	133,213	114,171	1,075,166
Contingent liabilities (Note 6)			
Minority interests	821	833	6,626
Shareholders' equity			
Common stock, par value ¥50 per share			
Authorized-1,000,000,000 shares			
Issued- 288,145,704 shares	39,971	39,971	322,607
Capital surplus	52,983	52,983	427,627
Retained earnings	25,689	33,975	207,337
Unrealized holding gains on securities	397	–	3,204
Foreign currency translation adjustments	(2,309)	–	(18,636)
Less treasury stock	(1)	(2)	(8)
Total shareholders' equity	116,730	126,927	942,131
Total liabilities, minority interests and shareholders' equity	¥250,764	¥241,931	\$2,023,923

Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Net sales	¥337,208	¥348,872	\$2,721,614
Cost of sales	223,678	229,181	1,805,311
Gross profit	113,530	119,691	916,303
Selling, general and administrative expenses	106,607	106,993	860,427
Operating Income	6,923	12,698	55,876
Non-operating income and expenses:			
Interest and dividend income	1,075	701	8,676
Interest expense	(513)	(1,112)	(4,140)
Amortization for transition obligation of retirement benefits	(16,907)	–	(136,457)
Other, net (Note 7)	(2,879)	(4,592)	(23,237)
Income (Loss) before income taxes and minority interests	(12,301)	7,695	(99,282)
Income taxes:			
Current	6,302	3,936	50,863
Deferred	(11,211)	(454)	(90,484)
Income (Loss) before minority interests	(7,392)	4,213	(59,661)
Minority interests	46	63	371
Net Income (Loss)	(7,438)	4,150	(60,032)
Retained earnings at beginning of year	33,975	22,142	274,213
Prior period adjustments for adoption of tax-effect accounting	–	9,279	–
Adjustments resulting from newly consolidation of subsidiaries	32	186	258
Appropriations:			
Dividends	(829)	(1,726)	(6,691)
Bonuses to directors and statutory auditors	(51)	(56)	(411)
Retained earnings at end of year	¥25,689	¥33,975	\$207,337

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

Consolidated Statements of Cash Flows

Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Cash flows from operating activities			
Income (Loss) before income taxes and minority interests	¥(12,301)	¥7,695	\$(99,282)
Adjustment to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	12,881	12,422	103,963
Reversal of allowance for doubtful accounts	600	(202)	4,843
Accrual for retirement benefits, less payments	4,625	578	37,328
Interest and dividend income	(1,075)	(701)	(8,676)
Interest expense	513	1,112	4,141
Equity in losses of affiliates	–	266	–
Loss on sales or disposals of fixed assets	481	822	3,882
Profits on sales of investment securities	(759)	–	(6,126)
Loss from revaluation of investment securities and other asset	717	–	5,787
Changes in assets and liabilities:			
Notes and accounts receivable	(5,457)	279	(44,044)
Inventories	(1,488)	(4,474)	(12,010)
Notes and accounts payable	3,976	4,308	32,090
Other	215	(588)	1,736
Sub Total	2,928	21,517	23,632
Interest and dividend income received	936	691	7,555
Interest expense payments	(655)	(873)	(5,287)
Income taxes payments	(5,119)	(1,599)	(41,316)
Other	–	(170)	–
Net cash provided by (used in) operating activities	(1,910)	19,566	(15,416)
Cash flows from investing activities			
Decrease (Increase) in time deposits, net	1,185	(178)	9,564
Proceeds from sale of marketable securities	–	686	–
Acquisition of property, plant and equipment	(7,513)	(11,166)	(60,638)
Acquisition of intangible assets	(1,829)	(1,770)	(14,762)
Acquisition of investment securities	(62)	(6,171)	(500)
Proceeds from sales of investment securities	2,210	–	17,837
Investments in subsidiaries on newly consolidation	–	(3,078)	–
Payments of loan receivable	(92)	(239)	(743)
Proceeds from loan receivable	1,868	296	15,077
Other	1,319	(1,128)	10,646
Net cash used in investing activities	(2,914)	(22,748)	(23,519)
Cash flows from financing activities			
Proceeds (Payments) of short-term loans, net	5,244	(5,165)	42,324
Repayments of long-term debt	(220)	(50)	(1,776)
Payments of dividend	(878)	(1,709)	(7,086)
Other	38	43	307
Net cash provided by (used in) financing activities	4,184	(6,881)	33,769
Effect of exchange rate changes on cash and cash equivalents	485	(701)	3,914
Net decrease in cash and cash equivalents	(155)	(10,764)	(1,252)
Cash and cash equivalents at beginning of year	53,215	63,784	429,500
Increase in cash and cash equivalents resulting from subsidiaries on consolidation	25	195	202
Cash and cash equivalents at end of year	¥53,085	¥53,215	\$428,450

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

Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of TOSHIBA TEC CORPORATION have been prepared in accordance with accounting principles generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and compiled from the financial statements filed with the Director General of the Kanto Local Finance Bureau as required under the Japanese Securities and Exchange Law.

Effective April 1, 2000, accounting standards for "financial instruments", "retirement benefits" and "foreign currency translation" were revised. The consolidated financial statements of the year ended March 31, 2001 have been prepared in accordance with the revised accounting principles and standards.

The consolidated financial statements of the year ended March 31, 2000 have not been restated to conform to the current year's presentation, although the effects of revision are stated in the notes.

Certain reclassifications have been made to present the consolidated financial statements in a format which is familiar to readers outside Japan. Solely for the convenience of the reader, the consolidated financial statements have been presented in U.S. dollars by translating Japanese yen amounts at the exchange rate of ¥123.90=US\$1.00 prevailing as of March 31, 2001.

2. Summary of Significant Accounting Policies

(A) Basis of Consolidation and Accounting of Investments in Affiliated Companies

The consolidated financial statements include the accounts of the parent company (the "Company") and its significant majority-owned subsidiaries (together the "Companies"). All significant intercompany transactions and accounts are eliminated.

The consolidated subsidiaries are listed on the last page. The following subsidiaries have been newly added as consolidated subsidiary in the consolidated financial statements of the year ended March 31, 2001.

TOSHIBA TEC EUROPE RETAIL INFORMATION SYSTEMS S.A. (HQ in BELGIUM)

TOKYO ELECTRIC EUROPE B.V. (NETHERLANDS)
TEC EUROPE BELGIUM BVBA (BELGIUM)

All assets and liabilities of the subsidiaries are revaluated on acquisitions, if applicable, and the excess of cost over underlying net assets at the date of acquisition charged to income as immaterial.

The equity method of accounting is adopted for investments in major unconsolidated subsidiaries or affiliated companies. For the year ended March 31, 2001, the equity method of accounting has been adopted for Advanced Peripherals Technology Inc..

The investments in remaining unconsolidated subsidiaries or affiliated companies are stated at cost.

(B) Foreign Currency Translation

Revenue and expense accounts of the foreign subsidiaries are translated into yen using the average rate during the year. The balance sheet accounts, except for the components of shareholders' equity, are translated at the rates in effect at the balance sheet date. The components of shareholders' equity are translated at their historical rates. Translation adjustments are presented as a component of shareholders' equity and minority interests, which are presented as a component of assets in the consolidated financial statements of the year ended March 31, 2000.

Generally gains and losses on foreign currency transactions are recognized in current net income, unless hedged by foreign exchange contracts.

The revised accounting standard for foreign currency translation became effective April 1, 2000. The effect of the adoption of the revised standard on the consolidated financial statements for the year ended March 31, 2001 was immaterial.

(C) Appropriation of Retained Earnings

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

(D) Revenue Recognition

Sales are normally recognized at the time of shipment of the goods to customers except for sales of certain product, which are recorded in the accounts upon customer acceptance.

(E) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(F) Cash and Cash Equivalents

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

(G) Short-Term Investments and Investment Securities

Until the year ended March 31, 2000, Marketable securities, except unlisted securities, generally had been stated at the lower of cost or market.

In accordance with the accounting standard for financial instruments, which became effective April 1, 2000, marketable securities classified as "Other Securities" are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly

in shareholders' equity. Non-marketable securities classified as "Other Securities" are carried at cost, cost being determined by the moving average method.

Cost of securities sold is determined by the moving average method.

The effect of the adoption of the standard for financial instruments was to increase "loss before taxes and minority interests" by ¥483 million (\$3,898 thousand) for the year ended March 31, 2001.

As of April 1, 2000, the Companies assessed their intent to hold their investments in securities and classified their investments as "Held-to-maturity Securities" or "Other Securities" and accounted for the securities at March 31, 2001 in accordance with the standard referred to above. As a result, marketable securities of ¥3,152 million (\$25,440 thousand), which would have been included in short-term investments, are reclassified to investment securities on March 31, 2001.

(H) 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.

(I) Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at acquisition cost. Material improvements are capitalized, but repair and maintenance including minor improvements are charged to income.

Depreciation of property, plant and equipment is generally computed by the declining-balance method for the Company and its domestic subsidiaries, and by the straight-line method for the overseas subsidiaries, at rates based on estimated useful lives of the respective assets. The useful lives of principal property, plant and equipment are summarized as follows:

Buildings and structures	15 to 38 years
Machinery and equipment	5 to 11 years
Tools, furniture and fixtures	2 to 6 years

(J) Intangible Assets and Amortization

Intangible assets are amortized by the straight-line method over their estimated useful lives.

Goodwill recognized through purchase is being amortized by the straight-line method over 5 years period.

(K) Leases

The Companies lease certain equipment under non-cancelable 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) Retirement Benefits

Upon retirement or termination of employment, employees of the Company and its domestic 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 subsidiaries accrue the liability and make contributions to a non-contributory tax-qualified pension plans (the "Funded Plan") for employees' severance indemnities payable, as part of the existing retirement plan. As of March 31, 2000, the benefits under the Funded Plan covers approximately 70% of the indemnities payable under the existing plan.

Until the year ended March 31, 2000, 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.

In accordance with the accounting standard for retirement benefits which became effective April 1, 2000, the retirement benefits for employees of the Company and its domestic subsidiaries at March 31, 2001 have been provide mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at March 31, 2001, as adjusted for unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Among the net transition obligation of ¥23,355 million (\$188,499 thousand), ¥14,820 million (\$119,613 thousand) was charged to income as the contribution of employee retirement benefits trust. The remainder of ¥8,535 million (\$68,886 thousand) is being amortized over a period of 5 years.

Actuarial gain and loss are being amortized in the year following the year in which the gain and loss is recognized primarily by the straight-line method over a period of 10 years (within the average remaining years of service of the employees).

The effect of the adoption of the standard for retirement benefits was to increase "loss before taxes and minority interests" by ¥15,335 million (\$123,769 thousand) for the year ended March 31, 2001.

(M) Income Taxes, Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(N) Derivative Financial Instruments

The Company and certain subsidiaries have entered into forward exchange contracts to hedge the foreign currency

transactions related to foreign accounts receivable and payable on a consistent basis.

In accordance with the accounting standard for financial instruments which became effective April 1, 2000, derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

3. Short-Term Loans and Long-Term Debt

The average interest rate for short-term bank loans outstanding at March 31, 2001 is 4.3%.

The long-term debt at March 31, 2001 and 2000, consists of the following:

Current conversion price	Millions of yen		Thousands of U.S.dollars
	2001	2000	2001
Convertible bonds:			
Due 2002, with interest rate of 2.2%	¥1,095.80 (\$8.84)	¥8,017	¥8,017 \$64,706
Straight bonds:			
Due 2004, with interest rate of 3.0%		5,000	5,000 40,355
Long-term loans:			
Due serially through 2022, with interest rate of 2.44% to 5.02%		211	314 1,703
		13,228	13,331 106,764
Less current portion		8,048	142 64,956
		¥5,180	¥13,189 \$41,808

The number of shares required for the conversion of convertible bonds is approximately 7,316 thousand shares at March 31, 2001.

The aggregate annual maturities of long-term debt (including the current portion) outstanding at March 31, 2001 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2002	¥8,048	\$64,956
2003	12	97
2004	5,010	40,436
2005 and thereafter	158	1,275
	¥13,228	\$106,764

4. Retirement Benefit

The Company and its domestic subsidiaries have defined benefit plans, i.e., Funded Plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of

pay, length of service, and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2001 for the Companies' defined benefit plans:

	Millions of yen	Thousands of U.S.dollars
Retirement benefit obligation	¥(53,471)	\$(431,566)
Plan assets	29,312	236,578
Unfunded retirement benefit obligation	(24,159)	(194,988)
Unrecognized net retirement benefit obligation at transition	6,450	52,058
Unrecognized actuarial gain or loss	2,951	23,818
Net retirement benefit obligation	¥(14,758)	\$(119,112)

The components of retirement benefit expenses for the year ended March 31, 2001 are outlined as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥2,408	\$19,435
Interest cost	1,721	13,890
Expected return on plan assets	(321)	(2,591)
Cost as the contribution of employee retirement benefits trust	14,820	119,613
Amortization of transition obligation	2,087	16,844
Total	¥20,715	\$167,191

The assumption used in accounting for the above plans were as follows:

Discount rates	2.8%~3.5%
Expected return on assets	0.0%~2.5%

5. Assets Pledged as Collateral

The following assets are pledged as collateral at March 31, 2001 and 2000.

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Marketable securities	¥-	¥140	\$-
Investment securities	89	-	718
Land	2,924	2,925	23,600
Buildings and structures	2,153	2,274	17,377
Machinery and equipment	67	87	541
	¥5,233	¥5,426	\$42,236

The obligations collateralized by the above assets at March 31, 2001 and 2000, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Short-term loans	¥298	¥337	\$2,405
Long-term debts	82	209	662
Convertible bonds	8,017	8,017	64,705
Note receivable discounted	-	113	-
	¥8,397	¥8,676	\$67,772

6. Contingent Liabilities

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

Contingent liabilities at March 31, 2001 and 2000, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Trade notes receivable			
discounted or endorsed	¥13,128	¥8,252	\$105,956
Guarantees on loans and others	2,687	496	21,687

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

"Other, net" for the years ended March 31, 2001 and 2000, consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Loss from revaluation			
of investment in golf membership	¥(861)	¥-	\$(6,949)
Write-down and disposal of inventories	(614)	(990)	(4,956)
Loss on sales or disposal			
of property, plant and equipment	(481)	(855)	(3,882)
Write-down of investment securities	(377)	-	(3,043)
Foreign exchange loss	(38)	(2,094)	(307)
Valuation loss on marketable securities at the lower of cost or market	-	(305)	-
Other, net	(508)	(348)	(4,100)
	¥(2,879)	¥(4,592)	\$(23,237)

8. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2001 and 2000 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
	¥27,650	¥28,133	\$223,164

9. Income Taxes and Deferred Tax Assets and Liabilities

The effective tax rate reflected in the consolidated statements of operations for the year ended March 31, 2001 and 2000, differs from the statutory tax rate for the following reasons:

	2001	2000
Statutory tax rate	42.0%	41.8%
Effect of:		
Different tax rates applied to income of foreign subsidiaries	5.8	(6.9)
Expenses not deductible for income tax purposes	(2.2)	2.8
Equity in losses of affiliated companies	-	1.6
Eliminations of cash dividend from subsidiaries	(2.2)	7.2
Valuation allowance for deferred tax assets	(3.4)	-
Other, net	(0.1)	(1.3)
	39.9%	45.2%

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2001 and 2000, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Deferred tax assets:			
Accrued retirement benefits	¥ 9,023	¥2,346	\$72,825
Intangible assets	4,570	-	36,884
Deferred assets	3,110	4,239	25,101
Accrued bonuses	1,967	1,274	15,876
Other	4,505	3,477	36,360
	23,175	11,336	187,046
Valuation allowance	(587)	(25)	(4,738)
	22,588	11,311	182,308
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	586	611	4,730
Unrealized gains on securities	283	-	2,284
Other	257	165	2,073
	1,126	776	9,087
Net deferred tax assets	¥21,462	¥10,535	\$173,221

10. 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, 2001 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	New book value	Acquisition cost	Accumulated depreciation	New book value
Machinery and equipment	¥76	¥37	¥39	\$613	\$299	\$314
Tools, furniture and fixtures	1,626	1,174	452	13,124	9,475	3,649
	¥1,702	¥1,211	¥491	\$13,737	\$9,774	\$3,963

(1) Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2001 for finance lease transactions accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Due within one year	¥240	\$1,937
Due after one year	251	2,026
	¥491	\$3,963

(2) Lease payments for the years ended March 31, 2001 and 2000, are ¥247 million (\$1,994 thousand) and ¥244 million, respectively.

B) Operating leases

Future minimum lease payments subsequent to March 31, 2001 for noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Due within one year	¥106	\$856
Due after one year	59	476
	¥165	\$1,332

11. Securities

(1) Information regarding marketable Other Securities as of March 31, 2001 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain/(loss)	Acquisition cost	Carrying value	Unrealized gain/(loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥1,128	¥1,365	¥237	\$9,104	\$11,017	\$1,913
Debt securities	222	275	53	1,791	2,218	427
Subtotal	1,350	1,640	290	10,895	13,235	2,340

Securities whose acquisition cost exceeds their carrying value:

Stocks	2,219	1,651	(568)	17,910	13,326	(4,584)
Subtotal	2,219	1,651	(568)	17,910	13,326	(4,584)
Total	¥3,569	¥3,291	¥(278)	\$28,805	\$26,561	\$(2,244)

(2) Sales of securities classified as Other Securities amount to ¥2,177 million (\$17,571 thousand) with an aggregate gain of ¥759 million (\$6,126 thousand) for the year ended March 31, 2001.

(3) The redemption schedule for securities with maturity dates classified as Other Securities as of March 31, 2001 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Stocks	¥10	¥274	\$81	\$2,211
Others	—	—	—	—
Total	¥10	¥274	\$81	\$2,211

12. Segment Information

(A) Business Segment

The Companies operate in three business areas as follows:

- (1) Retail Information Systems
 - point of sales systems
 - electronic cash registers
 - electronic scales
 - office automation equipment
- (2) Document Processing & Telecommunication Systems
 - multi-function-peripherals
 - plain paper copiers
 - facsimile machines
 - computer peripherals
- (3) Home Electric Appliances & Others
 - home electric appliances
 - components

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Net Sales			
Retail Information Systems			
Unaffiliated customers	¥162,966	¥171,669	\$1,315,303
Intersegment	1,761	1,646	14,213
Total	164,727	173,315	1,329,516
Document Processing & Telecommunication Systems			
Unaffiliated customers	153,750	156,264	1,240,920
Intersegment	3,923	4,994	31,663
Total	157,673	161,258	1,272,583
Home Electric Appliances & Others			
Unaffiliated customers	20,492	20,940	165,391
Intersegment	77	—	621
Total	20,569	20,940	166,012
Eliminations	(5,761)	(6,641)	(46,497)
Consolidated	¥337,208	¥348,872	\$2,721,614

Operating Income

Retail Information Systems	¥753	¥4,428	\$6,078
Document Processing & Telecommunication Systems			
Telecommunication Systems	5,747	7,642	46,384
Home Electric Appliances & Others	381	619	3,075
Eliminations	42	9	339
Consolidated	¥6,923	¥12,698	\$55,876

Identifiable Assets

Retail Information Systems	¥88,026	¥89,437	\$710,460
Document Processing & Telecommunication Systems			
Telecommunication Systems	94,392	85,366	761,841
Home Electric Appliances & Others	19,613	19,284	158,297
Corporate and Eliminations	48,733	47,844	393,325
Consolidated	¥250,764	¥241,931	\$2,023,923

Depreciation and Amortization

Retail Information Systems	¥3,939	¥3,740	\$31,792
Document Processing & Telecommunication Systems	7,521	7,218	60,702
Home Electric Appliances & Others	1,421	1,464	11,469
Consolidated	¥12,881	¥12,422	\$103,963

Capital Expenditures

Retail Information Systems	¥3,340	¥3,621	\$26,957
Document Processing & Telecommunication Systems	6,000	7,917	48,426
Home Electric Appliances & Others	1,038	1,398	8,378
Consolidated	¥10,378	¥12,936	\$83,761

(note 1) 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, 2001 and 2000, are ¥49,169 million (US\$396,844 thousand) and ¥48,965 million, respectively.

(note 2) The effect of adoption of the accounting standard for retirement benefits was to increase operating income of "Retail Information Systems" by ¥1,206 million (US\$9,734 thousand). "Document Processing & Telecommunication Systems" by ¥263 million (US\$2,123 thousand). "Home Electric Appliances & Others" by ¥171 million (US\$1,380 thousand).

(B) Geographic Segments

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Net Sales			
Japan			
Unaffiliated customers	¥282,020	¥291,432	\$2,276,190
Intersegment	20,029	14,189	161,655
Total	302,049	305,621	2,437,845
North America			
Unaffiliated customers	4,858	4,903	39,209
Intersegment	6	2	48
Total	4,864	4,905	39,257
Europe			
Unaffiliated customers	21,133	26,309	170,565
Intersegment	416	304	3,358
Total	21,549	26,613	173,923
Asia			
Unaffiliated customers	29,196	26,228	235,642
Intersegment	26,356	21,296	212,720
Total	55,552	47,524	448,362
Eliminations	(46,806)	(35,791)	(377,773)
Consolidated	¥337,208	¥348,872	\$2,721,614

Operating Income

Japan	¥3,698	¥8,303	\$29,847
North America	2	92	16
Europe	162	531	1,308
Asia	3,336	3,753	26,925
Eliminations	(275)	19	(2,220)
Consolidated	¥6,923	¥12,698	\$55,876

Identifiable Assets

Japan	¥181,939	¥179,453	\$1,468,434
North America	2,426	2,088	19,580
Europe	14,963	13,591	120,767
Asia	30,407	19,722	245,416
Corporate and Eliminations	21,029	27,077	169,726
Consolidated	¥250,764	¥241,931	\$2,023,923

(note 1) Criteria of geographical segmentation and the name of countries or areas mainly included in each segment are as follows:

(1) Criteria: geographical closeness

(2) Countries & Areas

① North America U.S.A., Canada

② Europe U.K., France, Germany, Belgium, Spain

③ Asia Singapore, Malaysia, Indonesia, China

(note 2) 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, 2001 and 2000, are ¥49,169 million (US\$396,844 thousand) and ¥48,965 million, respectively.

(note 3) The effect of adoption of the accounting standard for retirement benefits was to increase operating income of "Japan" by ¥1,640 million (US\$13,236 thousand).

(C) Net Sales by Region

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Net Sales			
Japan	¥187,067	¥193,865	\$1,509,823
North America	75,807	73,432	611,840
Europe	53,957	62,492	435,488
Asia and Others	20,377	19,083	164,463
Net sales	¥337,208	¥348,872	\$2,721,614

(note) Net sales by region are determined based upon the locations of the customers. Therefore, this information is different from the net sales for geographic segments, which are determined based upon where the sales originated.

Supplemental Information Non-Consolidated Balance Sheets

March 31, 2001 and 2000

ASSETS	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Current assets			
Cash and time deposits	¥46,899	¥46,772	\$378,523
Trade notes and accounts receivable	49,357	45,184	398,362
Marketable securities	—	5,140	—
Inventories:			
Finished goods	17,191	19,113	138,749
Work-in-process and raw materials	8,710	9,862	70,299
Deferred income taxes	2,585	1,953	20,863
Prepaid expenses and other current assets	8,262	8,615	66,683
Allowance for doubtful accounts	(221)	(247)	(1,784)
Total current assets	132,783	136,392	1,071,695
Fixed assets			
Property, plant and equipment:			
Land	4,868	4,868	39,290
Buildings and structures	18,060	18,050	145,763
Machinery and equipment	15,162	15,509	122,373
Tools, furniture and fixtures	54,114	50,436	436,755
Construction in progress	300	1,842	2,421
Less accumulated depreciation	(66,300)	(62,151)	(535,109)
	26,204	28,554	211,493
Intangible assets:			
Goodwill	1,600	2,400	12,914
Other intangible assets	4,270	4,183	34,463
	5,870	6,583	47,377
Investments and other assets:			
Investment securities			
Subsidiaries and affiliates	15,817	15,871	127,660
Other	10,354	6,149	83,567
Deferred income taxes	15,343	6,694	123,834
Other investments and other assets	6,982	8,949	56,352
Allowance for doubtful accounts	(1,361)	(655)	(10,985)
	47,135	37,008	380,428
Total fixed assets	79,209	72,145	639,298
Total assets	¥211,992	¥208,537	\$1,710,993

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Current liabilities			
Trade notes and accounts payable	¥51,639	¥46,278	\$416,780
Current portion of long-term debt	8,048	42	64,956
Accrued income taxes	3,483	1,764	28,111
Accrued expenses	11,926	11,728	96,255
Other current liabilities	9,271	9,556	74,826
Total current liabilities	84,367	69,368	680,928
Long-term liabilities			
Long-term debt	5,136	13,189	41,453
Accrued retirement benefits	12,369	8,895	99,830
Other long-term liabilities	97	92	783
Total long-term liabilities	17,602	22,176	142,066
Total liabilities	101,969	91,544	822,994
Shareholders' equity			
Common stock, par value ¥50 per share			
Authorized-1,000,000,000 shares			
Issued-288,145,704 shares	39,971	39,971	322,607
Capital surplus	52,983	52,983	427,627
Legal reserve	2,524	2,433	20,371
Retained earnings:			
Voluntary reserve	11,850	8,887	95,643
Unappropriated	2,313	12,719	18,668
Unrealized holding gains on securities	382	—	3,083
Total shareholders' equity	110,023	116,993	887,999
Total liabilities and shareholders' equity	¥211,992	¥208,537	\$1,710,993

Supplemental Information

Non-Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Net sales	¥264,619	¥270,720	\$2,135,747
Cost of sales	192,388	194,220	1,552,769
Gross profit	72,231	76,500	582,978
Selling, general and administrative expenses	69,294	69,746	559,273
Operating income	2,937	6,754	23,705
Non-operating income and expenses:			
Interest and dividend income	3,120	1,813	25,181
interest expense	(415)	(1,076)	(3,350)
Amortization for transition obligation of retirement benefits	(13,662)	—	(110,266)
Other, net	(3,083)	(3,931)	(24,883)
Income(loss) before income taxes	(11,103)	3,560	(89,613)
Income taxes:			
Current	4,901	1,675	39,556
Deferred	(9,557)	(254)	(77,135)
Net income(loss)	(6,447)	2,139	(52,034)
Unappropriated retained earnings at beginning of year	12,719	6,392	102,655
Transfer from voluntary reserve	37	68	299
Appropriation of retained earnings:			
Transfer to legal reserve	(91)	(116)	(735)
Cash dividends	(865)	(1,115)	(6,981)
Bonuses to directors and statutory auditors	(40)	(45)	(323)
Transfer to voluntary reserve	(3,000)	(3,000)	(24,213)
Prior period adjustments for adoption of tax-effect accounting	—	8,392	—
Transfer from voluntary reserve by adopting tax-effect accounting	—	638	—
Cash interim dividends	—	(576)	—
Transfer to legal reserve by interim dividends	—	(58)	—
Unappropriated retained earnings at end of year	¥2,313	¥12,719	\$18,668

Century Ota Showa & Co.

Certified Public Accountants
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2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011
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Phone: 03 3503-1100
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Report of Independent Certified Public Accountants

The Board of Directors

TOSHIBA TEC CORPORATION

We have audited the consolidated balance sheets of TOSHIBA TEC CORPORATION and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of operations and retained earnings and cash flows for the years then ended, expressed in Japanese yen. Our audits 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 accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of TOSHIBA TEC CORPORATION and consolidated subsidiaries at March 31, 2001 and 2000, 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 consistently applied on a consistent basis.

As described in Note 1 to the consolidated financial statements, TOSHIBA TEC CORPORATION and consolidated subsidiaries have adopted new accounting standards for financial instruments, retirement benefits and foreign currency translation in the preparation of their consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001, are presented solely for convenience. Our audit 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 to the consolidated financial statements.

Century Ota Showa & Co.

Tokyo, Japan
June 28, 2001

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of TOSHIBA TEC CORPORATION under Japanese accounting principles and practices.

CORPORATE DATA

TOSHIBA TEC CORPORATION

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Fax : (03)3292-6440

<http://www.toshibatec.co.jp/>

Established : February 21, 1950

Employees : 5,600 (as of June 2001)

Common Stock : ¥ 39,970 million (as of June 2001)

Stock Listing : Tokyo Stock Exchange (1st Section)

Board of Directors and Corporate Auditors (as of June 28, 2001)

President and Chief Executive Officer

Ken-ichi Mori *

Director

Shigeo Nagano *

Yasuhiro Hatakeyama *

Tetsuo Satofuka *

Hitoshi Yoshii

Tetsuo Hashimura

Yoshihiro Maeda

* Representative Director

Corporate Auditor

Shunki Yatsunami

Katsunori Fujiwara

Nobuteru Baba

Ichiro Tai

CONSOLIDATED COMPANIES

(as of March 31, 2001)

FUJI KEN CO., LTD.

TOSEI DENKI CO., LTD.

TEC IZU DENSHI CO., LTD.

TEC SHOJI CO., LTD.

TOSHIBA DENSO CO., LTD.

TEC ENGINEERING CO., LTD.

TEC GIKEN CO., LTD.

TOSHIBA TEC DOCUMENT PROCESSING SYSTEMS CO.,LTD

TEC SINGAPORE ELECTRONICS PTE. LTD.

TIM ELECTRONICS SDN. BHD

TOSHIBA TEC EUROPE IMAGING SYSTEMS S.A.

TOSHIBA COPYING MACHINE(Shenzhen)CO.,LTD.

P.T. TEC INDONESIA

TEC AMERICA, INC.

TEC CANADA INC.

TOSHIBA TEC EUROPE RETAIL INFORMATION SYSTEMS S.A.