TOSHIBA TEC CORPORATION

ANNUAL REPORT 2006

For the Year Ended March 31, 2006

Financial Highlights

Years ended March 31

Consolidated	Millions of yen 2002	2003	2004	2005	2006	Thousands of U.S.dollars 2006
Net sales	¥337,204	¥341,667	¥355,113	¥376,187	¥443,402	$3,774,598
Operating income	5,090	12,741	15,034	16,195	17,157	146,054
Net income (loss)	(5,136)	3,947	7,991	6,348	6,034	51,366
Total assets	240,752	247,671	256,311	270,056	323,476	2,753,690
Total shareholders' equity	112,244	114,863	116,218	119,779	128,066	1,090,202

	Yen					U.S.dollars
Per share data:						
Net income (loss) -						
Basic	¥(17.83)	¥13.57	¥28.16	¥22.44	¥21.40	$0.182
Total shareholders' equity	389.58	405.49	414.18	428.88	458.80	3.906

Non-Consolidated	Millions of yen 2002	2003	2004	2005	2006	Thousands of U.S.dollars 2006
Net sales	¥246,087	¥241,202	¥245,288	¥257,510	¥253,931	$2,161,667
Operating income	13	6,245	6,851	5,691	3,720	31,668
Net income (loss)	(5,874)	2,333	3,528	4,055	6,966	59,300
Common stock	39,971	39,971	39,971	39,971	39,971	340,266
Total assets	185,633	181,221	187,526	198,634	197,815	1,683,962
Total shareholders' equity	103,466	104,044	103,844	105,248	110,494	940,615

	Yen					U.S.dollars
Per share data:						
Net income (loss) -						
Basic	¥(20.39)	¥7.99	¥12.41	¥14.33	¥24.84	$0.211
Cash dividends	0.00	5.00	6.00	8.00	9.00	0.077
Total shareholders' equity	359.11	367.35	370.14	376.91	395.91	3.370

The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥117.47=US$1.00, the exchange rate prevailing on March 31, 2006.

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REVIEW OF THE YEAR

The Japanese economy in fiscal year 2005 steadily recovered due to consumer spending and capital investments. As for business conditions outside Japan, the US and European economy maintained a firm undertone, and the Asian economy marked a great growth.

Under the circumstances as above, TOSHIBA TEC Group made the following efforts in order to accomplish the basic policy of its midterm management plan, “Establishment of well-balanced global enterprise”.
*Improving merchantability by releasing new POS terminals and extending the digital MFP lineup
*Strengthening cost competitiveness by procurement cost reduction and product design standardization
*Strengthening marketability by expanding direct sales channels

These efforts resulted in the sales growth of the POS system and the digital MFP. Due to the sales growth and the consolidation of TOSHIBA AMERICA BUSINESS SOLUTIONS, INC., the TOSHIBA TEC Group’s consolidated sales recorded ¥443,402 million, an 18% increase over the previous fiscal year. Although the sales of business equipment for particular customers at the Document Processing & Telecommunication Systems reduced and price competition has been severe at the market, the operating income marked ¥17,157 million, a 6% increase due to the sales growth as mentioned. Because of the temporary influences such as tax effect accounting and minority interests due to the consolidation of TOSHIBA AMERICA BUSINESS SOLUTIONS, INC., the net income ended at ¥6,034 million, a 5% decrease.

PRODUCTS LINE UP (as of March, 2006)

Retail Information Systems

- General merchandise systems
- Convenience store/Shopping center systems
- Super market systems
- Hospitality/Hotel systems
- Barcode printers
- Handheld terminals
- OA Equipment/JIMCON
- Supplies/Printing services
- Environmental equipment

Document Processing & Telecommunication Systems

- Full Color MFPs
- B&W MFPs
- Analog Copiers
- Facsimiles
- Inkjet printheads
- Components (printed circuit boards, constant voltage power supplies, molded products etc)

Home Electric Appliances & Others

- Vacuum cleaners
- Motors
- Health equipment

Consolidated Balance Sheets

March 31, 2006 and 2005

ASSETS	Millions of yen 2006	Millions of yen 2005	Thousands of U.S.dollars (Note 1) 2006
Current assets			
Cash and cash equivalents	¥67,775	¥64,960	$576,955
Trade notes and accounts receivable	69,372	52,864	590,551
Inventories	47,729	34,302	406,308
Deferred income taxes (Note 9)	9,375	8,608	79,808
Prepaid expenses and other current assets	10,396	10,719	88,499
Allowance for doubtful accounts	(2,810)	(1,956)	(23,921)
Total current assets	201,837	169,497	1,718,200
Fixed assets			
Property, plant and equipment:			
Land	5,624	5,675	47,876
Buildings and structures	29,239	26,875	248,906
Machinery and equipment	32,627	23,795	277,748
Tools, furniture and fixtures	64,819	68,178	551,792
Construction in progress	1,853	1,516	15,774
Less accumulated depreciation	(94,290)	(92,872)	(802,673)
	39,872	33,167	339,423
Intangible assets:			
Goodwill	35,951	8,076	306,044
Other intangible assets	7,684	6,196	65,412
	43,635	14,272	371,456
Investments and other assets:			
Investment securities: (Note 11)			
Unconsolidated subsidiaries and affiliates	6,189	23,978	52,686
Other	5,054	3,628	43,024
Deferred income taxes (Note 9)	19,484	18,656	165,863
Other investments and other assets	7,536	7,012	64,153
Allowance for doubtful accounts	(131)	(154)	(1,115)
	38,132	53,120	324,611
Total fixed assets	121,639	100,559	1,035,490
Total assets	¥323,476	¥270,056	$2,753,690

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

LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY	Millions of yen 2006	2005	Thousands of U.S.dollars (Note 1) 2006
Current liabilities			
Trade notes and accounts payable	¥53,431	¥46,180	$454,848
Short-term loans (Note 3)	32,081	21,122	273,100
Current portion of long-term debt (Note 3)	1,682	4	14,318
Accrued income and other taxes	3,944	7,105	33,575
Other current liabilities	52,007	41,228	442,725
Total current liabilities	143,145	115,639	1,218,566
Long-term liabilities			
Long-term debt (Note 3)	906	3,463	7,713
Accrued retirement benefits (Note 4)	27,308	27,934	232,468
Other long-term liabilities	3,694	2,414	31,446
Total long-term liabilities	31,908	33,811	271,627
Total liabilities	175,053	149,450	1,490,193
Contingent liabilities (Note 5)			
Minority interest in consolidated subsidiaries	20,357	827	173,295
Shareholders’ equity			
Common stock			
Authorized-1,000,000,000 shares			
Issued- 288,145,704 shares	39,971	39,971	340,266
Capital surplus	52,986	52,985	451,060
Retained earnings	34,540	31,575	294,032
Unrealized holding gains on securities	1,218	288	10,369
Foreign currency translation adjustments	2,669	(1,793)	22,721
Less treasury stock, at cost:			
9,143,293 shares in 2006	(3,318)	–	(28,246)
9,015,037 shares in 2005	–	(3,247)	–
Total shareholders’ equity	128,066	119,779	1,090,202
Total liabilities, minority interest and shareholders’ equity	¥323,476	¥270,056	$2,753,690

Consolidated Statements of Operations

Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2006	2005	2006
Net sales	¥443,402	¥376,187	$3,774,598
Cost of sales	248,391	229,930	2,114,506
Gross profit	195,011	146,257	1,660,092
Selling, general and administrative expenses (Note 6)	177,854	130,062	1,514,038
Operating income	17,157	16,195	146,054
Non-operating income and expenses:			
Interest and dividend income	974	910	8,292
Equity in earnings of affiliates	49	1,134	417
Interest expense	(560)	(525)	(4,767)
Excess of the fair value of acquired net assets over cost *1	339	–	2,886
Expenses of extra pension for early retirement	(1,291)	–	(10,990)
Loss on impairment of fixed assets	(60)	–	(511)
Amortization for transition obligation of retirement benefits	–	(1,613)	–
Restructuring cost *2	–	(1,428)	–
PCB wastes treatment cost	–	(400)	–
Other, net (Note 7)	(2,815)	(3,283)	(23,964)
Income before income taxes and minority interest	13,793	10,990	117,417
Income taxes:			
Current	5,130	6,112	43,671
Deferred	488	(1,645)	4,154
Income before minority interest	8,175	6,523	69,592
Minority interest in income of consolidated subsidiaries	2,141	175	18,226
Net income	¥6,034	¥6,348	$51,366

	Yen		U.S dollars
Per share data	2006	2005	2006
Net income-Basic	¥21.40	¥22.44	$0.182
Cash dividends	¥9.00	¥8.00	$0.077

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

* 1 An excess of the fair value of acquired net assets over cost, deemed as "negative goodwill" was recognized as current earnings to the operations when U.S. subsidiary made business acquisition in accordance with "Statement of Financial Accounting Standards No.141, 'Business Combinations' ".

* 2 Restructuring cost consists mainly of loss on disposal of domestic manufacturing facilities of the Home Electric Appliances due to the overseas transfer of production.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2006	2005	2006
Common stock			
Balance at beginning of year	¥39,971	¥39,971	$340,266
Balance at end of year	¥39,971	¥39,971	$340,266
Capital surplus			
Balance at beginning of year	¥52,985	¥52,984	$451,051
Increase from selling treasury stock	1	1	9
Balance at end of year	¥52,986	¥52,985	$451,060
Retained earnings			
Balance at beginning of year	¥31,575	¥28,547	$268,793
Net income	6,034	6,348	51,367
Cash dividends	(2,232)	(1,963)	(19,001)
Bonuses to directors and corporate auditors	(63)	(46)	(536)
Minimum pension liability adjustment	(331)	–	(2,818)
Decrease from inclusion in consolidation of subsidiaries	(436)	(638)	(3,712)
Decrease from inclusion in equity method	–	(433)	–
Decrease from merger of non-consolidated subsidiary	(7)	(240)	(60)
Balance at end of year	¥34,540	¥31,575	$294,033
Unrealized holding gains on securities			
Balance at beginning of year	¥288	¥324	$2,452
Net change during the year	930	(36)	7,917
Balance at end of year	¥1,218	¥288	$10,369
Foreign currency translation adjustments			
Balance at beginning of year	¥(1,793)	¥(2,984)	$(15,263)
Net change during the year	4,462	1,191	37,984
Balance at end of year	¥2,669	¥(1,793)	$ 22,721
Treasury stock			
Balance at beginning of year	¥(3,247)	¥(2,624)	$(27,642)
Net change during the year	(71)	(623)	(604)
Balance at end of year	¥(3,318)	¥(3,247)	$(28,246)

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

Consolidated Statements of Cash Flows

Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2006	2005	2006
Cash flows from operating activities			
Income before income taxes and minority interest	¥13,793	¥10,990	$117,417
Adjustment to reconcile income before income taxes and minority interest to net cash provided by operating activities:			
Depreciation and amortization	13,004	10,367	110,700
Loss on impairment of fixed assets	60	–	511
Allowance for doubtful accounts	(286)	171	(2,435)
Accrual for retirement benefits, less payments	(626)	2,637	(5,329)
Interest and dividend income	(974)	(910)	(8,291)
Interest expense	560	525	4,767
Equity in earnings of affiliates	(49)	(1,134)	(417)
Loss on sales or disposals of fixed assets	216	586	1,839
Gains on sales of investment securities	(429)	(44)	(3,652)
Write down of investment securities	–	96	–
Restructuring cost	–	1,428	–
Expenses of extra pension for early retirement	1,290	–	10,982
Changes in assets and liabilities:			
Notes and accounts receivable	(1,283)	12,114	(10,922)
Inventories	(2,375)	907	(20,218)
Notes and accounts payable	(814)	(4,673)	(6,929)
Other	4,130	1,874	35,157
Sub Total	26,217	34,934	223,180
Interest and dividend income received	964	741	8,206
Interest expense payments	(562)	(540)	(4,784)
Payments of extra pension for early retirement	(1,291)	–	(10,990)
Income taxes payments	(8,252)	(3,668)	(70,247)
Net cash provided by operating activities	17,076	31,467	145,365
Cash flows from investing activities			
Acquisition of property, plant and equipment	(11,566)	(8,425)	(98,459)
Acquisition of intangible assets	(6,283)	(1,701)	(53,487)
Acquisition of investment securities	(1,360)	(7,068)	(11,577)
Proceeds from sales of investment securities	759	212	6,461
Payments of loan receivable	(32)	(30)	(272)
Proceeds from loan receivable	96	56	817
Other	472	655	4,018
Net cash used in investing activities	(17,914)	(16,301)	(152,499)
Cash flows from financing activities			
Proceeds (Repayments) of short-term loans, net	841	(3,311)	7,159
Proceeds of long-term debt	–	1,160	–
Repayments of long-term debt	(962)	(283)	(8,189)
Purchase of treasury stock	(73)	(626)	(621)
Payments of dividend	(2,229)	(1,962)	(18,975)
Payments of dividend to minority shareholders of subsidiaries	(450)	(237)	(3,831)
Other	4	4	34
Net cash used in financing activities	(2,869)	(5,255)	(24,423)
Effect of exchange rate changes on cash and cash equivalents	2,535	668	21,580
Net increase in cash and cash equivalents	(1,172)	10,579	(9,977)
Cash and cash equivalents at beginning of year	64,960	53,772	552,992
Increase in cash and cash equivalents resulting from:			
Subsidiaries inclusion in consolidation	3,928	517	33,438
Merger of non-consolidated subsidiary	59	92	502
Cash and cash equivalents at end of year	¥67,775	¥64,960	$576,955

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 consolidated financial statements of TOSHIBA TEC CORPORATION (the "Company") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

Certain reclassifications have been made to present the consolidated financial statements in a format which is more familiar to the readers outside Japan.

Solely for the convenience of the readers, the consolidated financial statements have been presented in U.S. dollars by translating Japanese yen amounts at the exchange rate of ¥117.47 = US$1.00 prevailing as of March 31, 2006. The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollar at the above or any other rate of exchange.

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 Company and its significant majority-owned subsidiaries (together the "Companies"). For the years ended March 31, 2006 and 2005, the accounts of 69 and 37 subsidiaries are consolidated, respectively. The number of the consolidated subsidiaries increased significantly due to the consolidation of TOSHIBA AMERICA BUSINESS SOLUTIONS, INC. and its 27 subsidiaries. All significant inter-company transactions and accounts are eliminated in consolidation.

All assets and liabilities of the subsidiaries are revaluated on acquisitions, if applicable. The difference between the cost of investments in subsidiaries and the equity in their assets at the dates of acquisition is principally amortized by the straight-line method over 5 to 15 years, except for those recorded in U.S. subsidiaries. (See Notes 2.(G))

The equity method of accounting is adopted for investments in major unconsolidated subsidiaries and affiliated companies. For the year ended March 31, 2006, the equity method of accounting has been adopted for the following company,

TOSHIBA TEC NETHERLANDS RETAIL INFORMATION SYSTEMS B.V.

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

Certain subsidiaries have year end which differs from that of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between the year end of the subsidiaries and the year end of the Company.

(B) Foreign Currency Translation

Revenue and expense accounts of foreign subsidiaries are translated into yen using the annual average rate during the year. The balance sheet accounts, except for the components of shareholders' equity, are translated at the rate 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 interest.

Foreign currency transactions are measured at the applicable rates of exchange prevailing at the transaction dates, unless hedged by foreign exchange contracts. Assets and liabilities denominated in foreign currencies at the balance sheet date are re-measured at the applicable rates of exchange prevailing at that date, unless hedged by foreign exchange contracts. Exchange differences are charged or credited to operations.

(C) Cash and Cash Equivalents

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

(D) Investment Securities

Marketable securities classified as "Other securities" are reported at fair value with unrealized holding gains or losses, net of taxes, included in shareholders' equity. Cost of securities sold is determined by the moving average method.

Non-marketable securities classified as "Other securities" are carried at cost, which is determined by the moving average method.

(E) Inventories

Finished goods, merchandise and semi-finished components are principally stated at the lower of cost, determined by the first-in, first-out method, or market, or at the cost determined by the specific cost method. Work-in-process is principally stated at the lower of cost, determined by the moving average method, or market, or at the cost determined by the specific cost method. Raw materials are principally stated at the lower of cost, determined by the moving average method, or market.

(F) Property, Plant and Equipment and Depreciation

Property, plant and equipment are carried at 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 the rates based on the 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

(G) Intangible Assets and Amortization

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

Goodwill recognized through purchase and acquisition of subsidiary is basically amortized by the straight-line method over 5 to 15 years period. Concerning subsidiaries in U.S., goodwill is not amortized, but instead tested for impairment annually and when events or circumstances indicate it might be impaired, in accordance with the "Statement of Financial Accounting Standards No.142, 'Goodwill and Other Intangible Assets' ".

(H) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided in the amount sufficient to cover probable losses on collection. It consists of individually estimated uncollectible amounts and an amount calculated using the rate of actual losses on collection in the past.

(I) 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 domestic subsidiaries provide allowance for the retirement benefits 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.

Allowance for the employees’ retirement benefits are determined mainly at the amount based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for unrecognized actuarial gain or loss.

(J) 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 primarily accounted for as operating leases.

(K) 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.

Starting from the year ended March 31, 2006, the Company and its wholly owned domestic subsidiaries were permitted to file the consolidated tax return in Japan for the Corporate Tax purpose.

(L) Derivative Financial Instruments

The Company and certain subsidiaries have entered into forward exchange contracts to hedge the foreign currency transactions related to accounts receivable and payable denominated in foreign currency.

Derivative financial instruments are reported at fair value with unrealized gain or loss, charged or credited to operations, except for those which meet the criteria for the deferral hedge accounting under which unrealized gains or losses is deferred as assets or liabilities. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

(M) Revenue Recognition

Sales are generally 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.

(N) Research and Development Expenses

Research and development costs are charged to income as incurred.

(O) 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 the resolution at the shareholders’ general meeting, held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriation.

(P) Impairment of Fixed Assets

A new accounting standard for the “impairment of fixed assets” has been introduced in Japan. The Company and its domestic consolidated subsidiaries implemented this accounting standard from the year ended March 31, 2006. According to the accounting standard, fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the year ended March 31, 2006, the loss on the impairment of tangible fixed assets was ¥60 millions ($511 thousands).

3. Short-Term Loans and Long-Term Debt

The average interest rate for short-term loans outstanding at March 31, 2006 and 2005 is 4.3 % and 3.6%, respectively.

The long-term debt at March 31, 2006 and 2005, consists of the following :

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Long-term debt:			
Due serially through 2022, with interest rate of 3.17% to 6.10%	¥2,588	¥3,467	$22,031
	2,588	3,467	22,031
Less current portion	1,682	4	14,318
	¥906	¥3,463	$7,713

The aggregate annual maturities of long-term debt (including the current portion) outstanding at March 31, 2006 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2007	¥1,682	$14,318
2008	72	613
2009	822	6,998
2010 and thereafter	12	102
	¥2,588	$22,031

4. Retirement Benefits

The Company and its domestic subsidiaries have defined benefit plans, i.e., the Funded Plans and the 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 status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2006 and 2005 for the Companies' defined benefit plans:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Retirement benefit obligation	¥(65,464)	¥(63,218)	$(557,283)
Plan assets	31,885	23,344	271,431
Unfunded retirement benefit obligation	(33,579)	(39,874)	(285,852)
Unrecognized actuarial gain or loss	5,054	10,378	43,024
Unrecognized past service cost	1,344	1,562	11,441
Net amount recognized in the consolidated balance sheet	(27,181)	(27,934)	(231,387)
Prepaid pension cost	127	0	1,081
Accrued retirement benefit obligation	¥(27,308)	¥(27,934)	$(232,468)

The components of retirement benefit expenses for the years ended March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Service cost	¥3,092	¥3,286	$26,321
Interest cost	1,311	1,225	11,160
Expected return on plan assets	(498)	(206)	(4,239)
Amortization of net retirement benefit obligation at transition	–	1,613	0
Amortization of actuarial gain or loss	1,443	1,555	12,284
Amortization of past service cost	218	218	1,856
Total	¥5,566	¥7,691	$47,382

Apart from the retirement benefit expenses above, additional retirement benefit payments are included in Non-operating expenses. The additional retirement benefit payments for the years ended March 31, 2006 and 2005 were ¥1,410 millions ($12,007 thousands) and ¥178 millions, respectively.

The assumption used in accounting for the above plans in 2006 and 2005 are as follows:

	2006	2005
Discount rates	Mainly 2.0%	2.0%～2.3%
Expected return on assets	Mainly 2.0%	0.0%～2.0%
Amortization period of past service cost	10 years Straight-line method	10 years Straight-line method
Amortization period of actuarial gain or loss	10 years Straight-line method	10 years Straight-line method
Amortization period of net transition obligation	–	5 years Straight-line method

5. Contingent liabilities

Contingent liabilities at March 31, 2006 and 2005 are as follows :

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Trade notes receivable discounted or endorsed	¥7,253	¥15,058	$61,743
Guarantees on lease contracts	112	252	953
Guarantees on employees' bank loans	1,325	1,589	11,279

6. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Delivering expense	¥7,431	¥6,582	$63,259
Advertising expense	4,486	2,243	38,188
Personal expense	89,032	63,169	757,913
Depreciation and amortization	4,202	2,560	35,771
Research and development expense	20,812	18,898	177,169
Other selling expense	15,425	7,047	131,310

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

"Other, net" for the years ended March 31, 2006 and 2005, consists of the following :

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Write-down and disposal of inventories	¥(1,041)	¥(940)	$(8,862)
Loss on sales or disposals of property, plant and equipment	(216)	(586)	(1,839)
Foreign exchange gain or loss	13	(414)	111
Other, net	(1,571)	(1,343)	(13,374)
	¥(2,815)	¥(3,283)	$(23,964)

8. Research and Development Expenses

Research and development costs charged to income for the years ended March 31, 2006 and 2005 are as follows:

Millions of yen		Thousands of U.S.dollars
2006	2005	2006
¥27,603	¥25,761	$234,979

9. Income Taxes and Deferred Tax Assets and Liabilities

There is no significant difference between the statutory tax rate (40.6%) and the Company's effective tax rate for the years ended March 31, 2006 and 2005.

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Deferred tax assets:			
Accrued retirement benefits	¥10,788	¥11,015	$91,836
Intangible assets	7,370	7,225	62,739
Accrued bonuses	3,483	3,408	29,650
Elimination of consolidated unrealized gains	2,908	1,989	24,755
Other	6,424	5,782	54,687
	30,973	29,419	263,667
Valuation allowance	(527)	(728)	(4,486)
	30,446	28,691	259,181

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	474	491	4,035
Unrealized gains on securities	837	411	7,125
Other	276	526	2,350
	1,587	1,428	13,510
Net deferred tax assets	¥28,859	¥27,263	$245,671

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, 2006 and 2005, which would have been reflected in the consolidated balance sheets if the finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

	Millions of yen					
	2006			2005		
	Acquisition cost	Accumulated depreciation	New book value	Acquisition cost	Accumulated depreciation	New book value
Machinery and equipment	¥304	¥155	¥149	¥346	¥187	¥159
Tools, furniture and fixtures	210	108	102	197	117	80
	¥514	¥263	¥251	¥543	¥304	¥239

	Thousands of U.S.dollars		
	2006		
	Acquisition cost	Accumulated depreciation	New book value
Machinery and equipment	$2,588	$1,319	$1,269
Tools, furniture and fixtures	1,788	920	868
	$4,376	$2,239	$2,137

(1) Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2006 and 2005 for finance lease transactions accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Due within one year	¥83	¥74	$707
Due after one year	168	165	1,430
	¥251	¥239	$2,137

(2) Lease payments for the years ended March 31, 2006 and 2005, are ¥84 millions($714 thousands) and ¥87 millions, respectively.

(B) Operating leases

Future minimum lease payments subsequent to March 31, 2006 and 2005 for noncancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Due within one year	¥138	¥117	$1,174
Due after one year	52	151	443
	¥190	¥268	$1,617

11. Securities

(1) Information regarding marketable Other Securities as of March 31, 2006 and 2005 is as follows:

	Millions of yen					
	2006			2005		
	Acquisition cost	Carrying value	Unrealized gain(loss)	Acquisition cost	Carrying value	Unrealized gain(loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥1,231	¥3,078	¥1,847	¥983	¥2,024	¥1,041
Securities whose acquisition cost exceeds their carrying value:						
Stocks	31	29	(2)	272	221	(51)
Total	¥1,262	¥3,107	¥1,845	¥1,255	¥2,245	¥990

	Thousands of U.S.dollars		
	2006		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	$10,479	$26,202	$15,723
Securities whose acquisition cost exceeds their carrying value:			
Stocks	264	247	(17)
Total	$10,743	$26,449	$15,706

(2) The proceeds from sales of securities, except those of the affiliated companies, for the years ended March 31, 2006 and 2005 were ¥693 millions ($5,900 thousands) and ¥212 millions, respectively. The realized gains on those sales for the years ended March 31, 2006 and 2005 were ¥425 millions ($3,619 thousands) and ¥45 millions, respectively. The realized losses on those sales for the years ended March 31, 2006 and 2005 were ¥7 millions ($58 thousands) and ¥1 million, respectively.

12. Derivative Financial Instruments

Fair value information of the derivative financial instruments at March 31,2006 and 2005 is summarized below according to the disclosure requirements applicable to the respective year:

	Millions of yen					
	2006			2005		
	Contract amount	Fair value	Unrealized gain(loss)	Contract amount	Fair value	Unrealized gain(loss)
Forward exchange contracts:						
Sell Euros	¥1,391	¥1,400	¥(9)	¥1,556	¥1,562	¥(6)

	Thousands of U.S.dollars		
	2006		
	Contract amount	Fair value	Unrealized gain(loss)
Forward exchange contracts:			
Sell Euros	$11,841	$11,918	$(77)

Above forward exchange contracts are taken by the Company to hedge the foreign currency risk on inter-company transactions. They meet the criteria for deferral hedge accounting, and holding gains or losses of these financial instruments are deferred in the Non-Consolidated Financial Statements of the Company.

13. Segment Information

(A) Business Segment

The Companies operate in three business segments.

The products line up of these segments is presented on the second page of this report.

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Net Sales			
Retail Information Systems			
Unaffiliated customers	¥171,667	¥165,086	$1,461,369
Intersegment	2,021	1,793	17,204
Total	173,688	166,879	1,478,573
Document Processing & Telecommunication Systems			
Unaffiliated customers	256,829	195,429	2,186,337
Intersegment	6,735	5,044	57,334
Total	263,564	200,473	2,243,671
Home Electric Appliances & Others			
Unaffiliated customers	14,905	15,672	126,883
Intersegment	239	193	2,035
Total	15,144	15,865	128,918
Eliminations	(8,994)	(7,030)	(76,564)
Consolidated	¥443,402	¥376,187	$3,774,598
Operating Income			
Retail Information Systems	¥7,892	¥6,595	$67,183
Document Processing & Telecommunication Systems	9,522	10,952	81,059
Home Electric Appliances & Others	(257)	(1,365)	(2,188)
Eliminations	0	13	–
Consolidated	¥17,157	¥16,195	$146,054
Identifiable Assets			
Retail Information Systems	¥68,515	¥67,479	$583,255
Document Processing & Telecommunication Systems	206,946	150,988	1,761,693
Home Electric Appliances & Others	7,364	9,598	62,688
Corporate and Eliminations	40,651	41,991	346,054
Consolidated	¥323,476	¥270,056	$2,753,690
Depreciation and Amortization			
Retail Information Systems	¥2,874	¥2,669	$24,466
Document Processing & Telecommunication Systems	9,376	6,643	79,816
Home Electric Appliances & Others	754	1,055	6,419
Consolidated	¥13,004	¥10,367	$110,701
Capital Expenditures			
Retail Information Systems	¥3,710	¥3,118	$31,583
Document Processing & Telecommunication Systems	12,626	6,494	107,483
Home Electric Appliances & Others	985	782	8,385
Consolidated	¥17,321	¥10,394	$147,451

(note) Corporate assets mainly consist of cash, time deposits, securities and investments with financial institutions of the Company.
Corporate assets at March 31, 2006 and 2005, are ¥41,096 millions ($349,844 thousands) and ¥42,508 millions, respectively.

(B) Geographic Segments

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Net Sales			
Japan			
Unaffiliated customers	¥219,491	¥252,174	$1,868,486
Intersegment	86,208	43,151	733,872
Total	305,699	295,325	2,602,358
American States			
Unaffiliated customers	93,744	3,605	798,025
Intersegment	532	4	4,529
Total	94,276	3,609	802,554
Europe			
Unaffiliated customers	95,107	85,916	809,628
Intersegment	8,417	7,599	71,652
Total	103,524	93,515	881,280
Asia and others			
Unaffiliated customers	35,060	34,492	298,459
Intersegment	55,614	39,690	473,432
Total	90,674	74,182	771,891
Eliminations	(150,771)	(90,444)	(1,283,485)
Consolidated	¥443,402	¥376,187	$3,774,598
Operating Income			
Japan	¥6,348	¥8,745	$54,039
American States	2,770	5	23,580
Europe	2,038	2,841	17,349
Asia and others	6,380	6,384	54,312
Eliminations	(379)	(1,780)	(3,226)
Consolidated	¥17,157	¥16,195	$146,054
Identifiable Assets			
Japan	¥227,299	¥187,185	$1,934,953
American States	42,549	1,966	362,212
Europe	64,176	62,974	546,318
Asia and others	45,525	37,999	387,546
Corporate and Eliminations	(56,073)	(20,068)	(477,339)
Consolidated	¥323,476	¥270,056	$2,753,690

(note 1) Criteria of geographical segmentation and the name of countries or areas mainly included in each segment except for Japan are as follows:
(1) Criteria:geographical closeness
(2) Countries & Areas
①American States
U.S.A., Canada, Mexico, Puerto Rico, Panama, Venezuela, Brazil, Chile
* The segment "North America" has been changed to "American States" from the year ended March 31, 2006.
It is due to the consolidation of TOSHIBA AMERICA BUSINESS SOLUTIONS, Inc., which has the subsidiaries in Latin American countries as mentioned above.
②Europe
U.K., France, Germany, Belgium, Spain, Netherlands
③Asia and others
Singapore, Malaysia, Indonesia, China, Australia

(note 2) Corporate assets mainly consist of cash, time deposits, securities and investments with financial institutions of the Company.
Corporate assets at March 31, 2006 and 2005, are ¥41,096 millions ($349,844 thousands) and ¥42,508 millions, respectively.

(C) Net Sales by Region

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Net Sales			
Japan	¥190,576	¥188,740	$1,622,338
American States	116,860	65,830	994,807
Europe	103,112	94,136	877,773
Asia and others	32,854	27,481	279,680
Net sales	¥443,402	¥376,187	$3,774,598

(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, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars
ASSETS	2006	2005	2006
Current assets			
Cash and time deposits	¥38,937	¥42,358	$331,463
Trade notes and accounts receivable	24,934	25,415	212,259
Inventories:			
Finished goods	10,266	10,311	87,393
Work-in-process and raw materials	4,899	3,778	41,704
Deferred income taxes	4,210	4,884	35,839
Prepaid expenses and other current assets	11,356	12,245	96,671
Allowance for doubtful accounts	(420)	(373)	(3,575)
Total current assets	94,182	98,618	801,754
Fixed assets			
Property, plant and equipment:			
Land	4,717	4,841	40,155
Buildings and structures	20,125	20,461	171,320
Machinery and equipment	10,785	15,230	91,811
Tools, furniture and fixtures	46,318	54,978	394,297
Construction in progress	1,387	1,182	11,807
Less accumulated depreciation	(59,959)	(73,293)	(510,420)
	23,373	23,399	198,970
Intangible assets:			
Other intangible assets	3,544	3,769	30,169
	3,544	3,769	30,169
Investments and other assets:			
Investment securities			
Subsidiaries and affiliates	54,621	49,605	464,978
Other	4,537	3,458	38,623
Deferred income taxes	14,379	15,822	122,406
Other investments and other assets	3,291	4,082	28,015
Allowance for doubtful accounts	(112)	(119)	(953)
	76,716	72,848	653,069
Total fixed assets	103,633	100,016	882,208
Total assets	¥197,815	¥198,634	$1,683,962

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2006	Millions of yen 2005	Thousands of U.S.dollars 2006
Current liabilities			
Trade notes and accounts payable	¥39,733	¥38,241	$338,240
Current portion of long–term debt	2	4	17
Accrued income taxes	465	2,480	3,958
Other payables and current liabilities	27,615	30,761	235,081
Total current liabilities	67,815	71,486	577,296
Long-term liabilities			
Long-term debt	15	23	128
Accrued retirement benefits	19,412	21,811	165,250
Other long-term liabilities	79	66	673
Total long-term liabilities	19,506	21,900	166,051
Total liabilities	87,321	93,386	743,347
Shareholders' equity			
Common stock			
Authorized-1,000,000,000 shares			
Issued- 288,145,704 shares	39,971	39,971	340,266
Capital surplus	52,986	52,985	451,060
Retained earnings :			
Voluntary reserve	12,717	10,743	108,258
Unappropriated	7,254	4,534	61,752
Unrealized holding gains on securities	884	262	7,525
Less treasury stock, at cost:			
9,143,293 shares in 2006	(3,318)	–	(28,246)
9,015,037 shares in 2005	–	(3,247)	–
Total shareholders' equity	110,494	105,248	940,615
Total liabilities and shareholders' equity	¥197,815	¥198,634	$1,683,962

Supplemental Information
Non-Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S.dollars
	2006	2005	2006
Net sales	¥253,931	¥257,510	$2,161,667
Cost of sales	185,035	187,172	1,575,168
Gross profit	68,896	70,338	586,499
Selling, general and administrative expenses	65,176	64,647	554,831
Operating income	3,720	5,691	31,668
Non-operating income and expenses:			
Interest and dividend income	7,083	5,276	60,296
Interest expense	(15)	(15)	(128)
Expenses of extra pension for early retirement	(589)	–	(5,014)
Loss on impairment of fixed assets	(60)	–	(511)
Amortization for transition obligation of retirement benefits	–	(1,300)	–
Restructuring cost * 1	–	(1,428)	–
PCB wastes treatment cost	–	(164)	–
Other, net	(1,677)	(2,638)	(14,276)
Income before income taxes	8,462	5,422	72,035
Income taxes:			
Current	(208)	2,031	(1,771)
Deferred	1,704	(664)	14,506
Net income	6,966	4,055	59,300
Unappropriated retained earnings at beginning of year	4,534	4,442	38,597
Transfer from voluntary reserve	25	27	213
Appropriation of retained earnings:			
Cash dividends	(1,116)	(841)	(9,500)
Bonuses to directors and corporate auditors	(39)	(27)	(332)
Transfer to voluntary reserve	(2,000)	(2,000)	(17,026)
Cash interim dividends	(1,116)	(1,122)	(9,500)
Unappropriated retained earnings at end of year	¥7,254	¥4,534	$61,752

*1 Restructuring cost consists mainly of loss on disposal of domestic manufacturing facilities of the Home Electric Appliances due to the overseas transfer of production.

ERNST & YOUNG SHINNIHON

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Chiyoda-ku, Tokyo, Japan 100-0011
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■ Tel : 03 3503 1100
Fax : 03 3503 1197

Report of Independent Auditors

The Board of Directors
TOSHIBA TEC CORPORATION

We have audited the accompanying consolidated balance sheets of TOSHIBA TEC CORPORATION and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOSHIBA TEC CORPORATION and consolidated subsidiaries at March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon

June 29, 2006

A MEMBER OF ERNST & YOUNG GLOBAL

TOSHIBA TEC CORPORATION

Corporate Data

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Tel: +81-3-6422-7000
Fax: +81-3-6422-7111
http: //www.toshibatec.co.jp/
Established: February 21, 1950
Employees: 3,972 〈Consolidated: 19,601〉 (as of March 2006)
Common Stock: ¥39,971 million (as of March 2006)
Stock Listing: Tokyo Stock Exchange (1st Section)

Board of Directors and Corporate Auditors

President and Chief Executive Officer (as of June 29, 2006)

◇Yoshihiro Maeda

Directors

◇Tetsuo Satofuka
◇Yoshiyasu Kikuchi
Haruo Asada
Kazuaki Ushiyama
Osamu Saito
Hisatsugu Nonaka

◇:Representative Director

Corporate Auditors

Teruo Miyamoto
Noriyuki Nakamura
Hiroshi Inazuka
Yuzo Kato

Main Consolidated Companies (as of March 31, 2006)

- TOSEI DENKI CO., LTD.
- TEC PRECISION CO., LTD.
- TEC APPLIANCE CO., LTD.
- TOSHIBA TEC BUSINESS SOLUTIONS CORPORATION
- TEC ENGINEERING CORPORATION
- TER CO., LTD.
- TEC INFORMATION SYSTEMS CORPORATION
- TOSHIBA TEC DOCUMENT PROCESSING SYSTEMS CO., LTD.
- TOSHIBA TEC RETAIL INFORMATION SYSTEMS (Shenzhen)
- TOSHIBA TEC EUROPE IMAGING SYSTEMS S.A.
- TOSHIBA COPYING MACHINE (Shenzhen) CO., LTD.
- TIM ELECTRONICS SDN. BHD.
- TEC SINGAPORE ELECTRONICS PTE. LTD.
- P.T. TEC INDONESIA
- TOSHIBA TEC AMERICA RETAIL INFORMATION SYSTEMS, INC.
- TOSHIBA AMERICA BUSINESS SOLUTIONS, INC
- TOSHIBA TEC EUROPE RETAIL INFORMATION SYSTEMS S.A.
- TOSHIBA TEC NORDIC AB
- TOSHIBA TEC U.K. IMAGING SYSTEMS LTD.
- TOSHIBA TEC GERMANY IMAGING SYSTEMS GmbH
- TOSHIBA TEC FRANCE IMAGING SYSTEMS S.A.
- TOSHIBA TEC (H.K.) LOGISTICS & PROCUREMENT LIMITED

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