

2002 ANNUAL REPORT

For the Year Ended March 31, 2002

Financial Highlights

Years ended March 31

Consolidated	Millions of yen					Thousands of U.S. dollars
	1998	1999	2000	2001	2002	2002
Net sales	¥293,631	¥296,926	¥348,872	¥337,208	¥337,204	\$2,530,612
Operating income	13,348	11,839	12,698	6,923	5,090	38,199
Net income (loss)	8,124	8,030	4,150	(7,438)	(5,136)	(38,544)
Total assets	197,092	229,181	241,931	250,764	240,752	1,806,770
Total shareholders' equity	101,870	115,094	126,927	116,730	112,244	842,356
	Yen					U.S. dollars
Per share data:						
Net income (loss) –						
Basic	¥30.30	¥29.37	¥14.40	¥(25.81)	¥(17.83)	\$(0.134)
Diluted	30.17	29.31	–	–	–	–
Total shareholders' equity	379.90	399.44	440.50	405.11	389.58	2.924

Non-Consolidated	Millions of yen					Thousands of U.S. dollars
	1998	1999	2000	2001	2002	2002
Net sales	¥232,406	¥228,485	¥270,720	¥264,619	¥246,087	\$1,846,807
Operating income	10,791	6,286	6,754	2,937	13	98
Net income (loss)	7,314	4,593	2,139	(6,447)	(5,874)	(44,083)
Common stock	36,791	39,971	39,971	39,971	39,971	299,969
Total assets	167,663	200,453	208,537	211,991	185,633	1,393,118
Total shareholders' equity	98,398	108,198	116,993	110,022	103,466	776,480
	Yen					U.S. dollars
Per share data:						
Net income (loss) –						
Basic	¥27.28	¥16.80	¥7.42	¥(22.37)	¥(20.39)	\$(0.153)
Diluted	27.24	–	–	–	–	–
Cash dividends	4.00	4.00	5.00	4.00	0.00	0.000
Total shareholders' equity	366.96	375.50	406.02	381.83	359.11	2.695

The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥133.25=US\$1.00, the exchange rate prevailing on March 31, 2002.

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REVIEW OF THE YEAR

This fiscal year, the Japanese economy saw exports suffer because of the worldwide decline in demand for IT as well as the slowdown of the US economy. While capital investment and private consumption remained stagnant, the bad loan problem worsened, and in the latter half of the term, both the stock and bond markets showed a weak undertone. The circumstances surrounding the economy remained extremely severe.

Against this background, our Group focused its corporate strengths and efforts on the implementation of the "Toshiba TEC Action Plan" in order to increase cost competitiveness, boost sales volumes and efficiency, and streamline the workforce.

Owing to the increasingly severe retail environment, the Retail Information Systems Division suffered a drop in sales as its key products failed to make advances. The Document Processing & Telecommunications Systems Division reported some increase in sales after reinforcing its new product development and production base, and adding three European sale subsidiaries to take over business from Toshiba's subsidiaries as Toshiba TEC's consolidated companies.

As a result of these measures, the overall net sales were ¥337,204 million, almost unchanged from the previous year. As for profits and losses, the operating income stood at ¥5,090 million, 26% below fiscal year 2001, while loss before income tax and minority interests was ¥6,570 million, which is 47% less than the previous year owing to substantial reduction in both production and operating costs, although special expenses for early retirement were added and there were cuts in sales prices. The net loss for this fiscal year reached a record amount of ¥5,136 million.

PRODUCTS LINE UP (as of March, 2002)

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
Bar code printers/systems, 2-D code systems
 - Environmental equipment
Waste disposal equipment
 - Office equipment
Office and accounting 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, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Current assets			
Cash and cash equivalents	¥37,768	¥53,085	\$283,437
Trade notes and accounts receivable	59,358	65,475	445,463
Inventories	42,421	44,468	318,356
Deferred income taxes (Note 9)	5,264	4,247	39,505
Prepaid expenses and other current assets	8,671	6,484	65,073
Allowance for doubtful accounts	(1,007)	(764)	(7,556)
Total current assets	152,475	172,995	1,144,278
Fixed assets			
Property, plant and equipment:			
Land (Note 5)	5,657	5,597	42,454
Buildings and structures (Note 5)	26,174	23,318	196,428
Machinery and equipment (Note 5)	21,751	20,975	163,235
Tools, furniture and fixtures	65,975	64,404	495,122
Construction in progress	1,740	941	13,058
Less accumulated depreciation	(84,368)	(80,338)	(633,156)
	36,929	34,897	277,141
Intangible assets:			
Goodwill	2,780	2,064	20,863
Other intangible assets	5,539	5,307	41,569
	8,319	7,371	62,432
Investments and other assets:			
Investment securities: (Notes 5 and 11)			
Unconsolidated subsidiaries and affiliates	6,578	1,237	49,366
Other	9,984	10,520	74,927
Deferred income taxes (Note 9)	19,521	17,215	146,499
Other investments and other assets	8,148	7,918	61,148
Allowance for doubtful accounts	(1,202)	(1,389)	(9,021)
	43,029	35,501	322,919
Total fixed assets	88,277	77,769	662,492
Total assets	¥240,752	¥250,764	\$1,806,770

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
	2002	2001	2002
Current liabilities			
Trade notes and accounts payable	¥48,708	¥59,451	\$365,538
Short-term loans (Notes 3 and 5)	19,124	7,641	143,520
Current portion of long-term debt (Notes 3 and 5)	34	8,048	255
Accrued income and other taxes	2,604	5,632	19,542
Other payables and current liabilities	33,551	32,053	251,790
Total current liabilities	104,021	112,825	780,645
Long-term liabilities			
Long-term debt (Notes 3 and 5)	5,201	5,180	39,032
Accrued retirement benefits (Note 4)	17,702	14,758	132,848
Other long-term liabilities	691	450	5,186
Total long-term liabilities	23,594	20,388	177,066
Total liabilities	127,615	133,213	957,711
Contingent liabilities (Note 6)			
Minority interests	893	821	6,703
Shareholders' equity			
Common stock			
Authorized-1,000,000,000 shares			
Issued- 288,145,704 shares	39,971	39,971	299,969
Capital surplus	52,983	52,983	397,621
Retained earnings	19,068	25,689	143,099
Unrealized holding gains on securities	867	397	6,507
Foreign currency translation adjustments	(637)	(2,309)	(4,780)
Less treasury stock	(8)	(1)	(60)
Total shareholders' equity	112,244	116,730	842,356
Total liabilities, minority interests and shareholders' equity	¥240,752	¥250,764	\$1,806,770

Consolidated Statements of Operations

Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales	¥337,204	¥337,208	\$2,530,612
Cost of sales	216,550	223,678	1,625,141
Gross profit	120,654	113,530	905,471
Selling, general and administrative expenses	115,564	106,607	867,272
Operating Income	5,090	6,923	38,199
Non-operating income and expenses:			
Interest and dividend income	968	1,075	7,265
Interest expense	(777)	(513)	(5,831)
Amortization for transition obligation of retirement benefits	(1,613)	(16,907)	(12,105)
Expenses of extra pension for early retirement	(4,633)	–	(34,769)
Other, net (Note 7)	(5,605)	(2,879)	(42,064)
Loss before income taxes and minority interests	(6,570)	(12,301)	(49,305)
Income taxes:			
Current	1,851	6,302	13,891
Deferred	(3,350)	(11,211)	(25,140)
Loss before minority interests	(5,071)	(7,392)	(38,056)
Minority interests	65	46	488
Net Loss	¥(5,136)	¥(7,438)	\$(38,544)

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

Consolidated Statements of Shareholders' Equity

March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Common stock			
Balance at beginning of year	¥39,971	¥39,971	\$299,969
Balance at end of year	¥39,971	¥39,971	\$299,969
Capital surplus			
Balance at beginning of year	¥52,983	¥52,983	\$397,621
Balance at end of year	¥52,983	¥52,983	\$397,621
Retained earnings			
Balance at beginning of year	¥25,689	¥33,975	\$192,788
Net loss	(5,136)	(7,438)	(38,544)
Cash dividends paid	(1,152)	(829)	(8,645)
Bonuses to directors and statutory auditors	0	(51)	0
Adjustment of prior periods inclusion in consolidation of subsidiaries	(430)	–	(3,228)
Increase from inclusion in consolidation of subsidiaries	–	32	–
Increase from exclusion of subsidiary from consolidation	37	–	277
Increase from exclusion of affiliated company from equity method	25	–	188
Increase from merger of non-consolidated subsidiary	35	–	263
Balance at end of year	¥19,068	¥25,689	\$143,099
Unrealized holding gains on securities			
Balance at beginning of year	¥397	¥–	\$2,979
Net change during the period	470	397	3,528
Balance at end of year	¥867	¥397	\$6,507
Foreign currency translation adjustments			
Balance at beginning of year	¥(2,309)	¥(3,992)	\$(17,328)
Net change during the period	1,672	1,683	12,548
Balance at end of year	¥(637)	¥(2,309)	\$(4,780)
Less treasury stock			
Balance at beginning of year	¥(1)	¥(2)	\$(8)
Net change during the period	(7)	1	(52)
Balance at end of year	¥(8)	¥(1)	\$(60)

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

Consolidated Statements of Cash Flows

Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash flows from operating activities			
Loss before income taxes and minority interests	¥(6,570)	¥(12,301)	\$(49,305)
Adjustment to reconcile income (loss) before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	11,901	12,881	89,313
Reversal of allowance for doubtful accounts	(71)	600	(533)
Accrual for retirement benefits, less payments	2,940	4,625	22,064
Interest and dividend income	(968)	(1,075)	(7,265)
Interest expense	777	513	5,831
Loss on sales or disposals of fixed assets	651	481	4,886
Profits on sales of investment securities	(254)	(759)	(1,906)
Loss on sales of investment securities	191	–	1,433
Loss from revaluation of investment securities and other asset	889	717	6,672
Expenses of extra pension for early retirement	4,633	–	34,769
Changes in assets and liabilities:			
Notes and accounts receivable	17,836	(5,457)	133,854
Inventories	10,673	(1,488)	80,098
Notes and accounts payable	(15,246)	3,976	(114,417)
Other	768	215	5,764
Sub Total	<u>28,150</u>	<u>2,928</u>	<u>211,258</u>
Interest and dividend income received	983	936	7,377
Interest expense payments	(752)	(655)	(5,644)
Expenses of extra pension for early retirement	(4,633)	–	(34,769)
Income taxes payments	(7,861)	(5,119)	(58,994)
Net cash provided by (used in) operating activities	<u>15,887</u>	<u>(1,910)</u>	<u>119,228</u>
Cash flows from investing activities			
Decrease in time deposits, net	122	1,185	916
Acquisition of property, plant and equipment	(12,112)	(7,513)	(90,897)
Acquisition of intangible assets	(2,266)	(1,829)	(17,006)
Acquisition of investment securities	(1,036)	(62)	(7,775)
Proceeds from sales of investment securities	564	2,210	4,233
Payments for business transfer	(8,200)	–	(61,538)
Payments of loan receivable	(579)	(92)	(4,345)
Proceeds from loan receivable	319	1,868	2,394
Other	544	1,319	4,083
Net cash used in investing activities	<u>(22,644)</u>	<u>(2,914)</u>	<u>(169,935)</u>
Cash flows from financing activities			
Proceeds of short-term loans, net	383	5,244	2,874
Proceeds of long-term loans	100	–	750
Repayments of long-term debt	(77)	(220)	(578)
Redemption of convertible bonds	(8,017)	–	(60,165)
Payments of dividend	(1,168)	(878)	(8,765)
Other	16	38	120
Net cash provided by (used in) financing activities	<u>(8,763)</u>	<u>4,184</u>	<u>(65,764)</u>
Effect of exchange rate changes on cash and cash equivalents	361	485	2,709
Net decrease in cash and cash equivalents	<u>(15,159)</u>	<u>(155)</u>	<u>(113,762)</u>
Cash and cash equivalents at beginning of year	53,085	53,215	398,386
Increase (Decrease) in cash and cash equivalents resulting from			
subsidiary exclusion from consolidation	(213)	–	(1,599)
merge of non-consolidated subsidiary	55	–	412
subsidiaries inclusion in consolidation	–	25	–
Cash and cash equivalents at end of year	<u>¥37,768</u>	<u>¥53,085</u>	<u>\$283,437</u>

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 have been prepared in accordance with accounting principles and practices generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The accompanying consolidated financial statements are 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. Certain reclassifications have been made to present the consolidated financial statements in a format which is familiar to readers outside Japan. The consolidated statements of shareholders' equity have been prepared for the purpose of inclusion in this report, although such statements are not customarily prepared in 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 ¥133.25=US\$1.00 prevailing as of March 31, 2002.

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"). For the years ended March 31, 2002 and 2001, accounts of 23 and 21 subsidiaries are consolidated respectively. All significant inter-company transactions and accounts are eliminated.

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 are charged to income as immaterial.

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

For the year ended March 31, 2002, investment in Advanced Peripherals Technology Inc. formerly accounted by the equity method is excluded from the consolidation as the company has sold some of its shares. There are no companies included in the consolidation on equity basis in the year ending March 31, 2002.

The main consolidated companies are presented on the last page of this report.

(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.

Generally gains and losses on foreign currency

translations are recognized in current net income, unless hedged by foreign exchange contracts.

(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) Investment Securities

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.

(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 are 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 amortized by the straight-line method over 5 to 15 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.

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

(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.

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, 2002 is 4.0%.

The long-term debt at March 31, 2002 and 2001, consists of the following:

	Millions of yen		Thousands of U.S.dollars
	2002	2001	2002
Convertible bonds:			
Due 2002, with interest rate of 2.2%	¥-	¥8,017	\$-
Straight bonds:			
Due 2004, with interest rate of 3.0%	5,000	5,000	37,523
Long-term loans:			
Due serially through 2022, with interest rate of 1.20% to 5.80%	235	211	1,764
	5,235	13,228	39,287
Less current portion	34	8,048	255
	<u>¥5,201</u>	<u>¥5,180</u>	<u>\$39,032</u>

The aggregate annual maturities of long-term debt (including the current portion) outstanding at March 31, 2002 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2003	¥34	\$255
2004	5,107	38,326
2005	25	188
2006 and thereafter	69	518
	<u>¥5,235</u>	<u>\$39,287</u>

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, 2002 and 2001 for the Companies' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Retirement benefit obligation	¥(57,689)	¥(53,471)	\$(432,938)
Plan assets	25,043	29,312	187,940
Unfunded retirement benefit obligation	(32,646)	(24,159)	(244,998)
Unrecognized net retirement benefit obligation at transition	4,838	6,450	36,308
Unrecognized actuarial gain or loss	9,283	2,951	69,666
Unrecognized past service cost	823	-	6,176
Net retirement benefit obligation	<u>¥(17,702)</u>	<u>¥(14,758)</u>	<u>\$(132,848)</u>

The components of retirement benefit expenses for the year ended March 31, 2002 and 2001 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost	¥2,552	¥2,408	\$19,152
Interest cost	1,785	1,721	13,396
Expected return on plan assets	(258)	(321)	(1,936)
Amortization of employee net transition obligation	1,613	14,820	12,105
Amortization of actuarial gain or loss	295	2,087	2,214
Amortization of past service cost	91	-	683
Total	<u>¥6,078</u>	<u>¥20,715</u>	<u>\$45,614</u>

The assumption used in accounting for the above plans in 2002 were as follows:

Discount rates	2.5%~2.8%
Expected return on assets	0.0%~2.0%
Amortization period of past service cost	10 years Straight-line method
Amortization period of actuarial gain or loss	10 years Straight-line method
Amortization period of net transition obligation	5 years Straight-line method

5. Assets Pledged as Collateral

The following assets are pledged as collateral at March 31, 2002 and 2001.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Investment securities	¥24	¥89	\$180
Land	533	2,924	4,000
Buildings and structures	84	2,153	630
Machinery and equipment	53	67	398
	<u>¥694</u>	<u>¥5,233</u>	<u>\$5,208</u>

The obligations collateralized by the above assets at March 31, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Short-term loans	¥135	¥298	\$1,013
Long-term debts	164	82	1,231
Convertible bonds	—	8,017	—
	<u>¥299</u>	<u>¥8,397</u>	<u>\$2,244</u>

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, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Trade notes receivable discounted or endorsed	¥8,511	¥13,128	\$63,872
Guarantees on loans and others	2,399	2,687	18,004

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

“Other, net” for the years ended March 31, 2002 and 2001, consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Write-down and disposal of inventories	¥(1,204)	¥(614)	\$(9,036)
Expenses for business center integration	(910)	—	(6,829)
Write-down of investment securities	(889)	(377)	(6,672)
Loss from revaluation of investment in golf membership	—	(861)	—
Loss on sales or disposal of property, plant and equipment	(651)	(481)	(4,886)
Foreign exchange loss	(358)	(38)	(2,687)
Profit on sales of affiliate securities	254	—	1,906
Other, net	(1,847)	(508)	(13,860)
	<u>¥(5,605)</u>	<u>¥(2,879)</u>	<u>\$(42,064)</u>

8. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
	¥25,291	¥27,650	\$189,801

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, 2002 and 2001, differs from the statutory tax rate for the following reasons:

	2002	2001
Statutory tax rate	42.0%	42.0%
Effect of:		
Different tax rates applied to income of foreign subsidiaries	5.5	5.8
Expenses not deductible for income tax purposes	(4.0)	(2.2)
Eliminations of cash dividend from subsidiaries	—	(2.2)
Valuation allowance for deferred tax assets	(0.4)	(3.4)
Valuation allowance for eliminated inter-company transactions	(16.3)	—
Other, net	(4.0)	(0.1)
	<u>22.8%</u>	<u>39.9%</u>

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Accrued retirement benefits	¥8,674	¥9,023	\$65,096
Intangible assets	6,883	4,570	51,655
Tax related loss carry forward	4,337	—	32,548
Accrued bonuses	2,243	1,967	16,833
Deferred assets	1,926	3,110	14,454
Other	3,062	4,505	22,979
	27,125	23,175	203,565
Valuation allowance	(532)	(587)	(3,992)
	26,593	22,588	199,573
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	564	586	4,233
Unrealized gains on securities	629	283	4,720
Other	615	257	4,616
	1,808	1,126	13,569
Net deferred tax assets	<u>¥24,785</u>	<u>¥21,462</u>	<u>\$186,004</u>

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, 2002 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	¥71	¥49	¥22	\$533	\$368	\$165
Tools, furniture and fixtures	1,617	1,422	195	12,135	10,672	1,463
	<u>¥1,688</u>	<u>¥1,471</u>	<u>¥217</u>	<u>\$12,668</u>	<u>\$11,040</u>	<u>\$1,628</u>

(1) Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2002 for finance lease transactions accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Due within one year	¥102	\$765
Due after one year	115	863
	<u>¥217</u>	<u>\$1,628</u>

(2) Lease payments for the years ended March 31, 2002 and 2001, are ¥214 million (\$1,606 thousand) and ¥247 million, respectively.

(B) Operating leases

Future minimum lease payments subsequent to March 31, 2002 for noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Due within one year	¥129	\$968
Due after one year	383	2,874
	<u>¥512</u>	<u>\$3,842</u>

11. Securities

(1) Information regarding marketable Other Securities as of March 31, 2002 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	¥717	¥1,051	¥334	\$5,381	\$7,887	\$2,506
Securities whose acquisition cost exceeds their carrying value:						
Stocks	1,493	1,183	(310)	11,205	8,878	(2,327)
Total	<u>¥2,210</u>	<u>¥2,234</u>	<u>¥24</u>	<u>\$16,586</u>	<u>\$16,765</u>	<u>\$179</u>

(2) Sales of securities amount to ¥310 million (\$2,326 thousand) with an aggregate loss of ¥191 million (\$1,433 thousand) for the year ended March 31, 2002.

(3) The redemption schedule for securities with maturity dates classified as Other Securities as of March 31, 2002 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	\$-	\$75
Total	<u>¥-</u>	<u>¥10</u>	<u>\$-</u>	<u>\$75</u>

12. Supplementary Cashflow Information

(1) Summary of transferred assets and liabilities of company excluded from the consolidation through liquidation as of April 1, 2001.

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Current Assets	¥1,176	\$8,825
Fixed Assets	13	98
Total Assets	1,189	8,923
Current Liabilities	1,437	10,784
Long-term Liabilities	16	120
Total Liabilities	1,453	10,904

(2) Summary of transferred assets and liabilities of the company included in the consolidation through merger as of April 1, 2001.

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Current Assets	¥87	\$653
Fixed Assets	14	105
Total Assets	101	758
Current Liabilities	71	533
Long-term Liabilities	10	75
Total Liabilities	81	608

(3) Summary of assets and liabilities of increased through acquisition of business transfer from non-consolidated company as of April 1, 2001.

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Current Assets	¥19,132	\$143,580
Fixed Assets	5,945	44,615
Total Assets	25,077	188,195
Current Liabilities	16,877	126,657
Total Liabilities	16,877	126,657

13. 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 equipment
- (2) Document Processing & Telecommunication Systems
 - multi-function-peripherals
 - copiers
 - facsimile
 - computer peripheral equipment
- (3) Home Electric Appliances & Others
 - home electric appliances
 - components

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net Sales			
Retail Information Systems			
Unaffiliated customers	¥152,786	¥162,966	\$1,146,612
Intersegment	2,353	1,761	17,659
Total	155,139	164,727	1,164,271
Document Processing & Telecommunication Systems			
Unaffiliated customers	165,589	153,750	1,242,694
Intersegment	2,075	3,923	15,572
Total	167,664	157,673	1,258,266
Home Electric Appliances & Others			
Unaffiliated customers	18,830	20,492	141,313
Intersegment	110	77	826
Total	18,940	20,569	142,139
Eliminations	(4,539)	(5,761)	(34,064)
Consolidated	¥337,204	¥337,208	\$2,530,612

Operating Income			
Retail Information Systems	¥(844)	¥753	\$(6,334)
Document Processing & Telecommunication Systems	5,859	5,747	43,970
Home Electric Appliances & Others	33	381	248
Eliminations	42	42	315
Consolidated	¥5,090	¥6,923	\$38,199

Identifiable Assets			
Retail Information Systems	¥77,049	¥88,026	\$578,229
Document Processing & Telecommunication Systems	117,425	94,392	881,239
Home Electric Appliances & Others	20,720	19,613	155,497
Corporate and Eliminations	25,558	48,733	191,805
Consolidated	¥240,752	¥250,764	\$1,806,770

Depreciation and Amortization			
Retail Information Systems	¥3,355	¥3,939	\$25,178
Document Processing & Telecommunication Systems	7,370	7,521	55,310
Home Electric Appliances & Others	1,176	1,421	8,825
Consolidated	¥11,901	¥12,881	\$89,313

Capital Expenditures			
Retail Information Systems	¥3,492	¥3,340	\$26,206
Document Processing & Telecommunication Systems	10,488	6,000	78,709
Home Electric Appliances & Others	1,720	1,038	12,908
Consolidated	¥15,700	¥10,378	\$117,823

(note) Corporate assets mainly consist of cash, time deposits, securities and investments with financial institutions of the Company.
Corporate assets at March 31, 2002 and 2001, are ¥25,742 million (US\$193,186 thousand) and ¥49,169 million, respectively.

(B) Geographic Segments

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net Sales			
Japan			
Unaffiliated customers	¥242,793	¥282,020	\$1,822,086
Intersegment	34,927	20,029	262,117
Total	277,720	302,049	2,084,203

North America			
Unaffiliated customers	4,151	4,858	31,152
Intersegment	1	6	8
Total	4,152	4,864	31,160
Europe			
Unaffiliated customers	60,030	21,133	450,507
Intersegment	300	416	2,251
Total	60,330	21,549	452,758
Asia			
Unaffiliated customers	30,230	29,196	226,867
Intersegment	26,889	26,356	201,793
Total	57,119	55,552	428,660
Eliminations	(62,117)	(46,806)	(466,169)
Consolidated	¥337,204	¥337,208	\$2,530,612

Operating Income			
Japan	¥1,270	¥3,698	\$9,531
North America	(41)	2	(308)
Europe	73	162	548
Asia	4,305	3,336	32,308
Eliminations	(517)	(275)	(3,880)
Consolidated	¥5,090	¥6,923	\$38,199

Identifiable Assets			
Japan	¥184,282	¥181,939	\$1,382,979
North America	1,599	2,426	12,000
Europe	44,183	14,963	331,580
Asia	26,287	30,407	197,276
Corporate and Eliminations	(15,599)	21,029	(117,065)
Consolidated	¥240,752	¥250,764	\$1,806,770

(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, securities and investments with financial institutions of the Company.

Corporate assets at March 31, 2002 and 2001, are ¥25,742 million (US\$193,186 thousand) and ¥49,169 million, respectively.

(C) Net Sales by Region

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net Sales			
Japan	¥176,154	¥187,067	\$1,321,981
North America	66,440	75,807	498,612
Europe	73,843	53,957	554,169
Asia and Others	20,767	20,377	155,850
Net sales	¥337,204	¥337,208	\$2,530,612

(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, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Current assets			
Cash and time deposits	¥24,972	¥46,899	\$187,407
Trade notes and accounts receivable	37,135	49,357	278,687
Inventories:			
Finished goods	15,129	17,191	113,538
Work-in-process and raw materials	7,272	8,710	54,574
Deferred income taxes	4,215	2,585	31,632
Prepaid expenses and other current assets	8,632	8,261	64,779
Allowance for doubtful accounts	(197)	(221)	(1,478)
Total current assets	97,158	132,782	729,139
Fixed assets			
Property, plant and equipment:			
Land	4,857	4,868	36,450
Buildings and structures	19,642	18,060	147,407
Machinery and equipment	14,660	15,162	110,019
Tools, furniture and fixtures	54,621	54,114	409,914
Construction in progress	1,440	300	10,807
Less accumulated depreciation	(68,442)	(66,300)	(513,636)
	26,778	26,204	200,961
Intangible assets:			
Goodwill	800	1,600	6,004
Other intangible assets	4,104	4,270	30,799
	4,904	5,870	36,803
Investments and other assets:			
Investment securities			
Subsidiaries and affiliates	24,306	15,817	182,409
Other	9,832	10,354	73,786
Deferred income taxes	17,741	15,343	133,141
Other investments and other assets	6,082	6,982	45,644
Allowance for doubtful accounts	(1,168)	(1,361)	(8,765)
	56,793	47,135	426,215
Total fixed assets	88,475	79,209	663,979
Total assets	¥185,633	¥211,991	\$1,393,118

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Current liabilities			
Trade notes and accounts payable	¥42,979	¥51,639	\$322,544
Current portion of long-term debt	27	8,048	203
Accrued income taxes	53	3,483	398
Other payables and current liabilities	19,849	21,197	148,960
Total current liabilities	62,908	84,367	472,105
Long-term liabilities			
Long-term debt	5,098	5,136	38,259
Accrued retirement benefits	14,088	12,369	105,726
Other long-term liabilities	73	97	548
Total long-term liabilities	19,259	17,602	144,533
Total liabilities	82,167	101,969	616,638
Shareholders' equity			
Common stock			
Authorized-1,000,000,000 shares			
Issued-288,145,704 shares	39,971	39,971	299,969
Capital surplus	52,983	52,983	397,621
Legal reserve	2,640	2,524	19,812
Retained earnings:			
Voluntary reserve	11,816	11,850	88,675
Unappropriated	(4,795)	2,313	(35,985)
Unrealized holding gains on securities	859	382	6,448
Less treasury stock	(8)	(1)	(60)
Total shareholders' equity	103,466	110,022	776,480
Total liabilities and shareholders' equity	¥185,633	¥211,991	\$1,393,118

Supplemental Information

Non-Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales	¥246,087	¥264,619	\$1,846,807
Cost of sales	180,933	192,388	1,357,846
Gross profit	65,154	72,231	488,961
Selling, general and administrative expenses	65,141	69,294	488,863
Operating income	13	2,937	98
Non-operating income and expenses:			
Interest and dividend income	2,116	3,120	15,880
Interest expense	(348)	(415)	(2,612)
Amortization for transition obligation of retirement benefits	(1,300)	(13,662)	(9,756)
Expenses of extra pension for early retirement	(4,600)	-	(34,522)
Other, net	(5,886)	(3,083)	(44,173)
Loss before income taxes	(10,005)	(11,103)	(75,085)
Income taxes:			
Current	242	4,901	1,816
Deferred	(4,373)	(9,557)	(32,818)
Net loss	(5,874)	(6,447)	(44,083)
Unappropriated retained earnings at beginning of year	2,313	12,719	17,359
Transfer from voluntary reserve	34	37	255
Appropriation of retained earnings:			
Transfer to legal reserve	(116)	(91)	(871)
Cash dividends paid	(1,152)	(865)	(8,645)
Bonuses to directors and statutory auditors	-	(40)	-
Transfer to voluntary reserve	-	(3,000)	-
Unappropriated retained earnings (undisposed deficit) at end of year	¥(4,795)	¥2,313	\$(35,985)

Shin Nihon & Co.

Certified Public Accountants
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Chiyoda-ku, Tokyo 100-0011
C.P.O. Box 1196, Tokyo 100-8641
Phone: 03 3503-1100
Fax: 03 3503-1197

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, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all 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 referred to above, expressed in yen, present fairly the consolidated financial position of TOSHIBA TEC CORPORATION and consolidated subsidiaries at March 31, 2002 and 2001, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002, 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.

Shin Nihon & Co.

Shin Nihon & Co.

Tokyo, Japan
June 27, 2002

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

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Established : February 21, 1950

Employees : 4,600 (as of June 2002)

Common Stock : ¥39,970 million (as of June 2002)

Stock Listing : Tokyo Stock Exchange (1st Section)

Board of Directors and Corporate
Auditors (as of June 27, 2002)

President and Chief Executive Officer

* Ken-ichi Mori

Director

* Yasuhiro Hatakeyama

* Tetsuo Satofuka

* Hitoshi Yoshii

Tetsuo Hashimura

Masahiro Hirata

Haruo Asada

Yoshihiro Maeda

Corporate Auditor

Shunki Yatsunami

Masaru Yoshikawa

Teruo Miyamoto

Hiroshi Igashira

* Representative Director

MAIN CONSOLIDATED COMPANIES

(as of March 31, 2002)

FUJI KEN CO., LTD.

TOSEI DENKI CO., LTD.

TEC IZU DENSHI CO., LTD.

TEC SHOJI CO., LTD.

TEC ENGINEERING CO., LTD.

TEC INFORMATION SYSTEMS CORPORATION

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

TOSHIBA TEC U.K. IMAGING SYSTEMS LTD.

TOSHIBA TEC GERMANY IMAGING SYSTEMS GmbH

TOSHIBA TEC FRANCE IMAGING SYSTEMS S.A.

TEC AMERICA, INC.

TEC CANADA INC.

TOSHIBA TEC EUROPE RETAIL INFORMATION SYSTEMS S.A.