

# ANNUAL REPORT

For the Year Ended March 31, 2004

# 2004

# Financial Highlights

Years ended March 31

<b>Consolidated</b>	Millions of yen					Thousands of U.S.dollars	
	2000	2001	2002	2003	2004	2004	
Net sales	¥348,872	¥337,208	¥337,204	¥341,667	¥355,113	\$3,359,949	
Operating income	12,698	6,923	5,090	12,741	15,034	142,246	
Net income(loss)	4,150	(7,438)	(5,136)	3,947	7,991	75,608	
Total assets	241,931	250,764	240,752	247,671	256,311	2,425,121	
Total shareholders' equity	126,927	116,730	112,244	114,863	116,218	1,099,612	
Yen							U.S.dollars
Per share data:							
Net income(loss) - Basic	¥14.40	¥(25.81)	¥(17.83)	¥13.57	¥28.16	\$0.266	
Total shareholders' equity	440.50	405.11	389.58	405.49	414.18	3.919	
Yen							U.S.dollars
<b>Non-Consolidated</b>	Millions of yen					Thousands of U.S.dollars	
	2000	2001	2002	2003	2004	2004	
Net sales	¥270,720	¥264,619	¥246,087	¥241,202	¥245,288	\$2,320,825	
Operating income	6,754	2,937	13	6,245	6,851	64,822	
Net income(loss)	2,139	(6,447)	(5,874)	2,333	3,528	33,381	
Common stock	39,971	39,971	39,971	39,971	39,971	378,191	
Total assets	208,537	211,991	185,633	181,221	187,526	1,774,302	
Total shareholders' equity	116,993	110,022	103,466	104,044	103,844	982,534	
Yen							U.S.dollars
Per share data:							
Net income(loss) - Basic	¥7.42	¥(22.37)	¥(20.39)	¥7.99	¥12.41	\$0.117	
Cash dividends	5.00	4.00	0.00	5.00	6.00	0.057	
Total shareholders' equity	406.02	381.83	359.11	367.35	370.14	3.502	

The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥105.69=US\$1.00, the exchange rate prevailing on March 31, 2004.

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## REVIEW OF THE YEAR

During fiscal year 2003 there were bright signs pointing toward an economic recovery, such as improved corporate earnings, increased exports and plant and equipment investment, as well as the firm undertone of consumer spending against the background of an improvement in the US economy and high growth in Asia, centering on China, although Japan showed severe employment figures and a high yen trend.

Under these circumstances, the TOSHIBA TEC Group focused its energies on implementing its policies of “Structural Changes for a Highly Profitable Group” as laid down in Mid-term Management Plan. This included the development of competitive new products, deeper market penetration, more powerful and efficient sales promotion, procurement cost reductions, more selective and productive investment of resources and stronger group management.

Net sales recorded 355,113 million yen, a 4% increase from the previous year. Steady growth in the business areas of Retail Information Systems and Document Processing & Telecommunication Systems has led this result. Regarding Profit & Loss, due to sales increase and cost reduction, the operating income reached 15,034 million yen, a 18% increase over the previous year, making it a record. Income before income taxes and minority interest stood at 10,640 million yen, a 56% increase compared with the previous year, and the net income for the fiscal year 2003 was 7,991 million yen, representing a 4,044 million yen improvement over fiscal year 2002.

## PRODUCTS LINE UP (as of March, 2004)

### Retail Information Systems

#### ▶ Main Products

- POS systems:  
Systems for head office of mass-sales shops, stores, shopping centers, convenience stores, department stores, specialty shops, restaurants  
e-business solution
- Electronic cash registers:  
Electronic cash registers for specialty shops, general retail stores
- Digital Computing Scales:  
Commercial digital computing scales, label printers equipped with electronic scales, small automatic wrapping machines
- Bar code systems:  
Bar code systems, two-dimensional code systems
- Office automation equipment:  
JIMCOM (office computers), personal computers, electronic meeting boards
- Supplies:  
Consumables for retails information systems equipment

### Document Processing & Telecommunication Systems

#### ▶ Main Products

- Document Processing & Telecommunication Systems:  
Digital MFPs, digital full color MFPs, analog copiers, plain-paper facsimile machines, thermal paper facsimile machines
- Special terminals, etc.:  
Teller terminals for specific customers, terminal equipment, inkjet print heads

### Home Electric Appliances & Others

#### ▶ Main Products

- Vacuum cleaners:  
Canister-type, upright, hand-held, special vacuum cleaners for business use  
Health equipment, etc.:
- Components:  
Air massage systems, relaxation chairs, juicer-mixers, food processors, compact motors
- Components:  
Printed circuit boards, constant voltage power supplies, dies and molds, molded products

# Consolidated Balance Sheets

March 31, 2004 and 2003

ASSETS	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
<b>Current assets</b>			
Cash and cash equivalents	¥53,772	¥49,303	\$ 508,771
Trade notes and accounts receivable	60,810	60,060	575,363
Inventories	33,586	38,304	317,778
Deferred income taxes (Note 10)	7,350	6,954	69,543
Prepaid expenses and other current assets	6,629	6,281	62,721
Allowance for doubtful accounts	(1,576)	(1,086)	(14,912)
<b>Total current assets</b>	<b>160,571</b>	<b>159,816</b>	<b>1,519,264</b>
<b>Fixed assets</b>			
Property, plant and equipment:			
Land (Note 5)	5,626	5,630	53,231
Buildings and structures (Note 5)	26,296	26,366	248,803
Machinery and equipment (Note 5)	22,634	22,634	214,155
Tools, furniture and fixtures	67,330	67,249	637,052
Construction in progress	1,144	1,262	10,824
Less accumulated depreciation	(89,432)	(88,596)	(846,173)
	<b>33,598</b>	<b>34,545</b>	<b>317,892</b>
Intangible assets:			
Goodwill	4,677	2,809	44,252
Other intangible assets	6,620	6,641	62,636
	<b>11,297</b>	<b>9,450</b>	<b>106,888</b>
Investments and other assets:			
Investment securities: (Notes 5 and 12)			
Unconsolidated subsidiaries and affiliates	22,675	9,090	214,543
Other	3,558	11,153	33,664
Deferred income taxes (Note 10)	17,780	17,302	168,228
Other investments and other assets	7,007	6,807	66,298
Allowance for doubtful accounts	(175)	(492)	(1,656)
	<b>50,845</b>	<b>43,860</b>	<b>481,077</b>
<b>Total fixed assets</b>	<b>95,740</b>	<b>87,855</b>	<b>905,857</b>
<b>Total assets</b>	<b>¥256,311</b>	<b>¥247,671</b>	<b>\$2,425,121</b>

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

<b>LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY</b>	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
<b>Current liabilities</b>			
Trade notes and accounts payable	¥ 46,203	¥41,927	\$ 437,156
Short-term loans (Notes 3 and 5)	22,556	25,989	213,417
Current portion of long-term debt (Notes 3 and 5)	5	5,029	47
Accrued income and other taxes	3,852	2,662	36,446
Other current liabilities	36,931	34,085	349,428
<b>Total current liabilities</b>	<b>109,547</b>	<b>109,692</b>	<b>1,036,494</b>
<b>Long-term liabilities</b>			
Long-term debt (Notes 3 and 5)	2,810	69	26,587
Accrued retirement benefits (Note 4)	25,296	21,104	239,341
Other long-term liabilities	1,544	1,051	14,609
<b>Total long-term liabilities</b>	<b>29,650</b>	<b>22,224</b>	<b>280,537</b>
<b>Total liabilities</b>	<b>139,197</b>	<b>131,916</b>	<b>1,317,031</b>
<b>Contingent liabilities (Note 6)</b>			
<b>Minority interest in consolidated subsidiaries</b>	<b>896</b>	<b>892</b>	<b>8,478</b>
<b>Shareholders' equity</b>			
Common stock			
Authorized-1,000,000,000 shares			
Issued- 288,145,704 shares	39,971	39,971	378,191
Capital surplus	52,984	52,983	501,315
Retained earnings	28,547	23,783	270,101
Unrealized holding gains on securities	324	543	3,066
Foreign currency translation adjustments	(2,984)	(975)	(28,234)
Less treasury stock, at cost:			
7,663,687 shares in 2004	(2,624)	-	(24,827)
5,041,923 shares in 2003	-	(1,442)	-
<b>Total shareholders' equity</b>	<b>116,218</b>	<b>114,863</b>	<b>1,099,612</b>
<b>Total liabilities, minority interest and shareholders' equity</b>	<b>¥256,311</b>	<b>¥247,671</b>	<b>\$ 2,425,121</b>

# Consolidated Statements of Operations

Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Net sales	¥355,113	¥341,667	\$3,359,949
Cost of sales	214,319	212,446	2,027,808
<b>Gross profit</b>	<b>140,794</b>	<b>129,221</b>	<b>1,332,141</b>
Selling, general and administrative expenses (Note 7)	125,760	116,480	1,189,895
<b>Operating Income</b>	<b>15,034</b>	<b>12,741</b>	<b>142,246</b>
Non-operating income and expenses:			
Interest and dividend income	955	1,064	9,036
Interest expense	(869)	(897)	(8,222)
Amortization for transition obligation of retirement benefits	(1,613)	(1,613)	(15,262)
Expenses of extra pension for early retirement	-	(344)	-
Other, net (Note 8)	(2,867)	(4,109)	(27,126)
<b>Income before income taxes and minority interest</b>	<b>10,640</b>	<b>6,842</b>	<b>100,672</b>
Income taxes:			
Current	3,257	1,694	30,816
Deferred	(893)	988	(8,449)
<b>Income before minority interest</b>	<b>8,276</b>	<b>4,160</b>	<b>78,305</b>
Minority interest in income of consolidated subsidiaries	285	213	2,697
<b>Net Income</b>	<b>¥7,991</b>	<b>¥3,947</b>	<b>\$75,608</b>
Per share data	Yen		U.S dollars
Net income-Basic	2004	2003	2004
	¥28.16	¥13.57	\$0.266
Cash dividends	¥6.00	¥5.00	\$0.057

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

# Consolidated Statements of Shareholders' Equity

March 31, 2004 and 2003

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
<b>Common stock</b>			
Balance at beginning of year	¥39,971	¥39,971	\$378,191
Balance at end of year	¥39,971	¥39,971	\$378,191
<b>Capital surplus</b>			
Balance at beginning of year	¥52,983	¥52,983	\$501,306
Increase from selling treasury stock	1	–	9
Balance at end of year	¥52,984	¥52,983	\$501,315
<b>Retained earnings</b>			
Balance at beginning of year	¥23,783	¥19,068	\$225,025
Net Income	7,991	3,947	75,608
Cash dividends	(2,262)	–	(21,402)
Bonuses to directors and corporate auditors	(66)	–	(624)
Increase (Decrease) from inclusion in consolidation of subsidiaries	(899)	613	(8,506)
Increase from merger of non-consolidated subsidiary	–	155	–
Balance at end of year	¥28,547	¥23,783	\$270,101
<b>Unrealized holding gains on securities</b>			
Balance at beginning of year	¥543	¥867	\$5,138
Net change during the year	(219)	(324)	(2,072)
Balance at end of year	¥324	¥543	\$3,066
<b>Foreign currency translation adjustments</b>			
Balance at beginning of year	¥(975)	¥(637)	\$(9,225)
Net change during the year	(2,009)	(338)	(19,009)
Balance at end of year	¥(2,984)	¥(975)	\$(28,234)
<b>Less treasury stock</b>			
Balance at beginning of year	¥(1,442)	¥(8)	\$(13,644)
Net change during the year	(1,182)	(1,434)	(11,183)
Balance at end of year	¥(2,624)	¥(1,442)	\$(24,827)

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

# Consolidated Statements of Cash Flows

Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥10,640	¥6,842	\$100,672
Adjustment to reconcile income before income taxes and minority interest to net cash provided by operating activities:			
Depreciation and amortization	10,239	11,408	96,878
Allowance for doubtful accounts	101	(152)	956
Accrual for retirement benefits, less payments	4,192	3,096	39,663
Interest and dividend income	(955)	(1,064)	(9,036)
Interest expense	869	897	8,222
Loss on sales or disposals of fixed assets	510	597	4,825
Profits on sales of investment securities	(41)	(233)	(388)
Write down of investment securities	47	547	445
Expenses of extra pension for early retirement	–	344	–
Changes in assets and liabilities:			
Notes and accounts receivable	(870)	1,631	(8,232)
Inventories	4,816	4,927	45,567
Notes and accounts payable	5,362	(9,290)	50,733
Other	2,481	(333)	23,475
<b>Sub Total</b>	<b>37,391</b>	<b>19,217</b>	<b>353,780</b>
Interest and dividend income received	842	1,272	7,967
Interest expense payments	(887)	(902)	(8,392)
Expenses of extra pension for early retirement	–	(344)	–
Income taxes payments	(2,062)	(1,755)	(19,511)
Other	–	2,916	–
<b>Net cash provided by operating activities</b>	<b>35,284</b>	<b>20,404</b>	<b>333,844</b>
<b>Cash flows from investing activities</b>			
Decrease in time deposits, net	–	36	–
Acquisition of property, plant and equipment	(7,678)	(6,964)	(72,646)
Acquisition of intangible assets	(2,143)	(3,270)	(20,276)
Acquisition of investment securities	(8,242)	(4,792)	(77,983)
Proceeds from sales of investment securities	195	463	1,845
Payments of loan receivable	(1,331)	(392)	(12,593)
Proceeds from loan receivable	71	263	672
Other	1,140	834	10,785
<b>Net cash used in investing activities</b>	<b>(17,988)</b>	<b>(13,822)</b>	<b>(170,196)</b>
<b>Cash flows from financing activities</b>			
Proceeds (Repayments) of short-term loans, net	(5,187)	5,560	(49,077)
Proceeds of long-term loans	3,182	–	30,107
Repayments of long-term debt	(795)	(38)	(7,522)
Redemption of straight bonds	(5,000)	–	(47,308)
Purchase of treasury stock	(1,184)	(1,434)	(11,203)
Payments of dividend	(2,255)	(2)	(21,336)
Payments of dividend to minority shareholder	(145)	(16)	(1,372)
Other	3	–	28
<b>Net cash provided by (used in) financing activities</b>	<b>(11,381)</b>	<b>4,070</b>	<b>(107,683)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,696)</b>	<b>(918)</b>	<b>(16,047)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,219</b>	<b>9,734</b>	<b>39,918</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>49,303</b>	<b>37,768</b>	<b>466,488</b>
<b>Increase in cash and cash equivalents resulting from:</b>			
Subsidiaries inclusion in consolidation	250	1,654	2,365
Merger of non-consolidated subsidiaries	–	147	–
<b>Cash and cash equivalents at end of year</b>	<b>¥53,772</b>	<b>¥49,303</b>	<b>\$508,771</b>

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 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 ¥105.69 = US\$1.00 prevailing as of March 31, 2004. 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, 2004 and 2003, accounts of 32 and 29 subsidiaries are consolidated respectively.

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 15 years.

The investments in remaining unconsolidated subsidiaries or affiliated companies are stated at cost. There are no companies included in the consolidation on equity basis in the years ended March 31, 2004 and 2003.

Certain subsidiary has a 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 subsidiary and the year end of the Company.

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

### (B) Foreign Currency Translation

Revenue and expense accounts of 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 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.

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

### (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.

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

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

### (E) Inventories

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

### (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 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

### (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 amortized by the straight-line method over 5 to 15 years period.

### (H) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided in 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 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.

### (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 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.

### (L) 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.

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 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 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.

## 3. Short-Term Loans and Long-Term Debt

The average interest rate for short-term bank loans outstanding at March 31, 2004 is 3.2 %.

The long-term debt at March 31, 2004 and 2003, consists of the following :

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Straight bonds	¥ –	¥5,000	\$ –
Long-term loans:			
Due serially through 2022, with interest rate of 3.17% to 6.10%	2,815	98	26,634
	2,815	5,098	26,634
Less current portion	5	5,029	47
	¥2,810	¥69	\$26,587

The aggregate annual maturities of long-term debt (including the current portion) outstanding at March 31, 2004 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2005	¥5	\$47
2006	4	38
2007	3	28
2008 and thereafter	2,803	26,521
	¥2,815	\$26,634

## 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, 2004 and 2003 for the Companies' defined benefit plans:

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Retirement benefit obligation	¥(60,202)	¥(57,056)	\$(569,609)
Plan assets	20,926	19,628	197,994
Unfunded retirement benefit obligation	(39,276)	(37,428)	(371,615)
Unrecognized net retirement benefit obligation at transition	1,613	3,226	15,262
Unrecognized actuarial gain or loss	10,587	12,367	100,170
Unrecognized past service cost	1,780	731	16,842
Net retirement benefit obligation	¥(25,296)	¥(21,104)	\$(239,341)

The components of retirement benefit expenses for the years ended March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Service cost	¥3,354	¥3,044	\$31,734
Interest cost	1,353	1,450	12,802
Expected return on plan assets	(177)	(243)	(1,675)
Amortization of net retirement benefit obligation at transition	1,613	1,613	15,262
Amortization of actuarial gain or loss	1,363	965	12,896
Amortization of past service cost	218	91	2,063
Total	¥7,724	¥6,920	\$73,082

The assumption used in accounting for the above plans in 2004 are as follows:

Discount rates	2.0%~2.3%
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, 2004 and 2003.

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Investment securities	¥ –	¥16	\$ –
Land	–	533	–
Buildings and structures	–	78	–
Machinery and equipment	–	43	–
	¥ –	¥670	\$ –

The obligations collateralized by the above assets at March 31, 2004 and 2003 are as follows :

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Short-term loans	¥–	¥90	\$–
Long-term debts (including current portion)	–	146	–
	¥–	¥236	\$–

## 6. Contingent liabilities

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

Contingent liabilities at March 31, 2004 and 2003 are as follows :

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Trade notes receivable			
discounted or endorsed	¥10,894	¥9,161	\$103,075
Guarantees on lease contract	419	314	3,964
Guarantees on loans and others	1,827	2,119	17,286

## 7. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Delivering expense	¥5,801	¥5,002	\$54,887
Advertising expense	2,345	2,404	22,188
Personal expense	60,032	51,355	568,001
Depreciation and amortization	2,607	2,474	24,666
Research and development expense	19,008	18,694	179,847
Other selling expense	6,955	6,538	65,806

## 8. Non-Operating Income and Expenses-Other, Net

“Other, net” for the years ended March 31, 2004 and 2003, consists of the following:

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Write-down and disposal of inventories	¥(930)	¥(1,125)	\$(8,799)
Loss on sales or disposals of fixed assets	(510)	(597)	(4,825)
Foreign exchange loss	(460)	(597)	(4,352)
Write-down of investment securities	–	(547)	–
Profit on sales of investment securities	–	233	–
Other, net	(967)	(1,476)	(9,150)
	¥(2,867)	¥(4,109)	\$(27,126)

## 9. Research and Development Expenses

Research and development costs charged to income for the years ended March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
	¥25,687	¥24,477	\$243,041

## 10. Income Taxes and Deferred Tax Assets and Liabilities

The following table summarizes the difference between the statutory tax rate and the Company’s effective tax rate for the years ended March 31, 2004 and 2003.

	2004	2003
Statutory tax rate	42.0%	42.0%
Effect of :		
Different tax rates applied to income of foreign subsidiaries	(12.7)	(10.3)
Expenses not deductible for income tax purposes	3.1	4.1
Tax effect, acknowledged from elimination of consolidated unrealized gains	(10.2)	–
Corporation tax deduction for research expenditures	(4.5)	–
Other, net	4.5	3.4
	22.2%	39.2%

Significant components of the Companies’ deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Deferred tax assets:			
Accrued retirement benefits	¥10,176	¥9,091	\$96,282
Intangible assets	7,112	7,080	67,291
Accrued bonuses	3,244	2,958	30,694
Elimination of consolidated unrealized gains	1,211	26	11,458
Other	4,891	6,771	46,277
	26,634	25,926	252,002
Valuation allowance	(401)	(619)	(3,794)
	26,233	25,307	248,208

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	508	528	4,807
Unrealized gains on securities	435	371	4,116
Other	159	152	1,504
	<u>1,102</u>	<u>1,051</u>	<u>10,427</u>
Net deferred tax assets	<u>¥25,131</u>	<u>¥24,256</u>	<u>\$237,781</u>

## 11. 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, 2004 and 2003, which would have been reflected in the consolidated balance sheet if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

	2004			2003		
	Acquisition cost	Accumulated depreciation	New book value	Acquisition cost	Accumulated depreciation	New book value
Machinery and equipment	¥255	¥141	¥114	¥252	¥139	¥113
Tools, furniture and fixtures	212	125	87	668	571	97
	<u>¥467</u>	<u>¥266</u>	<u>¥201</u>	<u>¥920</u>	<u>¥710</u>	<u>¥210</u>

	Thousands of U.S.dollars		
	Acquisition cost	Accumulated depreciation	New book value
Machinery and equipment	\$2,413	\$1,334	\$1,079
Tools, furniture and fixtures	2,006	1,183	823
	<u>\$4,419</u>	<u>\$2,517</u>	<u>\$1,902</u>

(1) Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2004 for finance lease transactions accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S.dollars
	2004	2004
Due within one year	¥69	\$653
Due after one year	132	1,249
	<u>¥201</u>	<u>\$1,902</u>

(2) Lease payments for the years ended March 31, 2004 and 2003, are ¥74 million (\$700 thousand) and ¥124 million, respectively.

### (B) Operating leases

Future minimum lease payments subsequent to March 31, 2004 for noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S.dollars
	2004	2004
Due within one year	¥105	\$993
Due after one year	222	2,100
	<u>¥327</u>	<u>\$3,093</u>

## 12. Securities

(1) Information regarding marketable Other Securities as of March 31, 2004 and 2003 is as follows:

	Millions of yen					
	2004			2003		
	Acquisition cost	Carrying value	Unrealized gain(loss)	Acquisition cost	Carrying value	Unrealized gain(loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥1,221	¥2,342	¥1,121	¥820	¥1,079	¥259
Securities whose acquisition cost exceeds their carrying value:						
Stocks	183	177	(6)	699	634	(65)
Total	<u>¥1,404</u>	<u>¥2,519</u>	<u>¥1,115</u>	<u>¥1,519</u>	<u>¥1,713</u>	<u>¥194</u>

	Thousands of U.S.dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks		\$11,553	\$22,159
Securities whose acquisition cost exceeds their carrying value:			
Stocks		1,731	1,675
Total		<u>\$13,284</u>	<u>\$23,834</u>

(2) The proceeds from sales of securities for the years ended March 31, 2004 and 2003 were ¥195 million (\$1,845 thousand) and ¥463 million, respectively. The realized gains on those sales for the year ended March 31, 2004 and 2003 were ¥42 million (\$397 thousand) and ¥233 million, respectively.

The realized losses on those sales for the year ended March 31, 2004 were ¥1 million (\$9 thousand).

## 13. Derivative Financial Instruments

Fair value information of the derivative financial instruments at March 31, 2004 and 2003 is summarized below according to the disclosure requirements applicable to the respective year:

	Millions of yen					
	2004			2003		
	Contract amount	Fair value	Unrealized gains	Contract amount	Fair value	Unrealized gains
Forward exchange contracts:						
Sell U.S.dollars	¥1,057	¥1,025	¥33	¥-	¥-	¥-
	Thousands of U.S.dollars			2004		
	Contract amount	Fair value	Unrealized gains	Contract amount	Fair value	Unrealized gains
Forward exchange contracts:						
Sell U.S.dollars		\$10,001	\$9,698			\$312

Above forward exchange contracts are taken by the Company as to hedge the 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.

## 14. Segment Information

### (A) Business Segment

The Companies operate in three business areas.

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

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
<b>Net Sales</b>			
Retail Information Systems			
Unaffiliated customers	¥161,297	¥153,455	\$1,526,133
Intersegment	2,897	3,234	27,410
Total	164,194	156,689	1,553,543
Document Processing & Telecommunication Systems			
Unaffiliated customers	174,307	169,808	1,649,229
Intersegment	1,537	1,577	14,543
Total	175,844	171,385	1,663,772
Home Electric Appliances & Others			
Unaffiliated customers	19,509	18,404	184,587
Intersegment	418	298	3,955
Total	19,927	18,702	188,542
Eliminations	(4,852)	(5,109)	(45,908)
Consolidated	¥355,113	¥341,667	\$3,359,949
<b>Operating Income</b>			
Retail Information Systems	¥5,890	¥3,345	\$55,729
Document Processing & Telecommunication Systems	9,845	9,547	93,150
Home Electric Appliances & Others	(711)	(127)	(6,727)
Eliminations	10	(24)	94
Consolidated	¥15,034	¥12,741	\$142,246
<b>Identifiable Assets</b>			
Retail Information Systems	¥67,467	¥72,747	\$638,348
Document Processing & Telecommunication Systems	136,609	120,671	1,292,545
Home Electric Appliances & Others	17,640	20,047	166,903
Corporate and Eliminations	34,595	34,206	327,325
Consolidated	¥256,311	¥247,671	\$2,425,121
<b>Depreciation and Amortization</b>			
Retail Information Systems	¥2,666	¥3,268	\$25,225
Document Processing & Telecommunication Systems	6,140	7,019	58,094
Home Electric Appliances & Others	1,433	1,121	13,559
Consolidated	¥10,239	¥11,408	\$96,878
<b>Capital Expenditures</b>			
Retail Information Systems	¥2,783	¥2,666	\$26,332
Document Processing & Telecommunication Systems	5,246	6,565	49,636
Home Electric Appliances & Others	1,747	1,392	16,529
Consolidated	¥9,776	¥10,623	\$92,497

(note) Corporate assets mainly consist of cash, time deposits, securities and investments with financial institutions of the Company. Corporate assets at March 31, 2004 and 2003, are ¥34,678 million (\$328,111 thousand) and ¥34,299 million, respectively.

### (B) Geographic Segments

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
<b>Net Sales</b>			
Japan			
Unaffiliated customers	¥244,447	¥239,184	\$2,312,868
Intersegment	36,650	37,178	346,769
Total	281,097	276,362	2,659,637
North America			
Unaffiliated customers	4,583	4,263	43,363
Intersegment	22	0	208
Total	4,605	4,263	43,571
Europe			
Unaffiliated customers	74,565	64,707	705,506
Intersegment	703	376	6,652
Total	75,268	65,083	712,158
Asia and others			
Unaffiliated customers	31,518	33,513	298,212
Intersegment	29,716	32,232	281,162
Total	61,234	65,745	579,374
Eliminations	(67,091)	(69,786)	(634,791)
Consolidated	¥355,113	¥341,667	\$3,359,949
<b>Operating Income</b>			
Japan	¥8,375	¥7,759	\$79,241
North America	87	37	823
Europe	892	(505)	8,440
Asia and others	5,532	5,620	52,342
Eliminations	148	(170)	1,400
Consolidated	¥15,034	¥12,741	\$142,246
<b>Identifiable Assets</b>			
Japan	¥181,267	¥176,357	\$1,715,082
North America	1,668	1,762	15,782
Europe	58,334	52,296	551,935
Asia and others	31,872	30,657	301,561
Corporate and Eliminations	(16,830)	(13,401)	(159,239)
Consolidated	¥256,311	¥247,671	\$2,425,121

(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 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, 2004 and 2003, are ¥34,678 million (\$328,111 thousand) and ¥34,299 million, respectively.

### (C) Net Sales by Region

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
<b>Net Sales</b>			
Japan	¥183,433	¥169,282	\$1,735,577
North America	60,241	70,550	569,978
Europe	84,813	76,633	802,469
Asia and others	26,626	25,202	251,925
Net sales	¥355,113	¥341,667	\$3,359,949

(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, 2004 and 2003

ASSETS	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
<b>Current assets</b>			
Cash and time deposits	¥33,255	¥33,062	\$314,647
Trade notes and accounts receivable	33,571	34,105	317,636
Inventories:			
Finished goods	10,828	11,551	102,450
Work-in-process and raw materials	4,354	6,031	41,196
Deferred income taxes	4,313	5,464	40,808
Prepaid expenses and other current assets	8,199	7,119	77,576
Allowance for doubtful accounts	(289)	(270)	(2,734)
<b>Total current assets</b>	<b>94,231</b>	<b>97,062</b>	<b>891,579</b>
<b>Fixed assets</b>			
Property, plant and equipment:			
Land	4,857	4,857	45,955
Buildings and structures	20,120	19,925	190,368
Machinery and equipment	15,104	15,103	142,909
Tools, furniture and fixtures	54,813	54,960	518,620
Construction in progress	1,098	1,131	10,389
Less accumulated depreciation	(71,357)	(70,856)	(675,154)
	24,635	25,120	233,087
Intangible assets:			
Other intangible assets	4,270	4,256	40,401
	4,270	4,256	40,401
Investments and other assets:			
Investment securities			
Subsidiaries and affiliates	41,222	23,991	390,028
Other	3,395	11,024	32,122
Deferred income taxes	15,703	15,460	148,576
Other investments and other assets	4,204	4,760	39,777
Allowance for doubtful accounts	(134)	(452)	(1,268)
	64,390	54,783	609,235
<b>Total fixed assets</b>	<b>93,295</b>	<b>84,159</b>	<b>882,723</b>
<b>Total assets</b>	<b>¥187,526</b>	<b>¥181,221</b>	<b>\$1,774,302</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
<b>Current liabilities</b>			
Trade notes and accounts payable	¥37,981	¥33,473	\$359,362
Current portion of long-term debt	5	5,025	47
Accrued income taxes	829	100	7,844
Other payables and current liabilities	23,803	21,507	225,215
<b>Total current liabilities</b>	<b>62,618</b>	<b>60,105</b>	<b>592,468</b>
<b>Long-term liabilities</b>			
Long-term debt	27	69	255
Accrued retirement benefits	20,968	16,923	198,392
Other long-term liabilities	69	80	653
<b>Total long-term liabilities</b>	<b>21,064</b>	<b>17,072</b>	<b>199,300</b>
<b>Total liabilities</b>	<b>83,682</b>	<b>77,177</b>	<b>791,768</b>
<b>Shareholders' equity</b>			
Common stock			
Authorized-1,000,000,000 shares			
Issued- 288,145,704 shares	39,971	39,971	378,191
Capital surplus	52,984	52,983	501,315
Retained earnings :			
Voluntary reserve	8,770	6,785	82,978
Unappropriated	4,442	5,208	42,029
Unrealized holding gains on securities	301	539	2,848
Less treasury stock, at cost:			
7,663,687 shares in 2004	(2,624)	-	(24,827)
5,041,923 shares in 2003	-	(1,442)	-
<b>Total shareholders' equity</b>	<b>103,844</b>	<b>104,044</b>	<b>982,534</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥187,526</b>	<b>¥181,221</b>	<b>\$1,774,302</b>

# Supplemental Information

## Non-Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S.dollars
	2004	2003	2004
Net sales	¥245,288	¥241,202	\$2,320,825
Cost of sales	174,082	171,639	1,647,100
<b>Gross profit</b>	71,206	69,563	673,725
Selling, general and administrative expenses	64,355	63,318	608,903
<b>Operating income</b>	6,851	6,245	64,822
Non-operating income and expenses:			
Interest and dividend income	3,037	2,171	28,735
Interest expense	(138)	(171)	(1,306)
Amortization for transition obligation of retirement benefits	(1,300)	(1,300)	(12,300)
Other, net	(3,250)	(3,418)	(30,750)
<b>Income before income taxes</b>	5,200	3,527	49,201
Income taxes:			
Current	814	(90)	7,702
Deferred	858	1,284	8,118
<b>Net income</b>	3,528	2,333	33,381
Unappropriated retained earnings at beginning of year	5,208	(4,795)	49,276
Transfer from voluntary reserve	29	5,030	274
Appropriation of retained earnings:			
Cash dividends	(1,415)	–	(13,388)
Bonuses to directors and corporate auditors	(47)	–	(445)
Transfer to voluntary reserve	(2,014)	–	(19,055)
Transfer from legal reserve	–	(2,640)	–
Cash interim dividends	(847)	–	(8,014)
Unappropriated retained earnings at end of year	¥4,442	¥5,208	\$42,029





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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, 2004 and 2003, 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, 2004 and 2003, 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, 2004 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.

*Shin Nihon & Co.*

June 29, 2004

# TOSHIBA TEC CORPORATION

## CORPORATE DATA

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Fax : +81-3-3292-6440  
[http : //www. toshibatec. co. jp/](http://www.toshibatec.co.jp/)  
Established : February 21, 1950  
Employees : 4,300 (as of June 2004)  
Common Stock : ¥9,971million (as of June 2004)  
Stock Listing : Tokyo Stock Exchange (1st Section)

**Board of Directors and Corporate Auditors**  
President and Chief Executive Officer (as of June 29, 2004)

Yoshihiro Maeda

### Directors

Yasuhiro Hatakeyama  
Tetsuo Satofuka  
Masahiro Hirata  
Haruo Asada  
Yoshiyasu Kikuchi  
Hisatsugu Nonaka  
:Representative Director

### Corporate Auditors

Teruo Miyamoto  
Hiroshi Inazuka  
Noriyuki Nakamura  
Yuzo Kato

## MAIN CONSOLIDATED COMPANIES (as of March 31, 2004)

TOSEI DENKI CO., LTD.  
TEC PRECISION CO., LTD.  
TEC APPLIANCE CO., LTD.  
TEC ENGINEERING CORPORATION  
TER CO., LTD.  
TEC INFORMATION SYSTEMS CORPORATION  
TOSHIBA TEC DOCUMENT PROCESSING SYSTEMS CO., LTD.  
TOSHIBA TEC EUROPE IMAGING SYSTEMS S.A.  
TEC SINGAPORE ELECTRONICS PTE. LTD.  
TIM ELECTRONICS SDN. BHD.  
TOSHIBA COPYING MACHINE (Shenzhen) CO., LTD.  
P.T. TEC INDONESIA  
TEC AMERICA, INC.  
TOSHIBA TEC EUROPE RETAIL INFORMATION SYSTEMS S.A.  
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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