

April

May

June

ANNUAL REPORT 2005

For the Year Ended March 31, 2005

July

August

September

October

November

December

January

February

March

Financial Highlights

Years ended March 31

Consolidated	Millions of yen					Thousands of U.S.dollars
	2001	2002	2003	2004	2005	2005
Net sales	¥337,208	¥337,204	¥341,667	¥355,113	¥376,187	\$3,502,998
Operating income	6,923	5,090	12,741	15,034	16,195	150,805
Net income(loss)	(7,438)	(5,136)	3,947	7,991	6,348	59,112
Total assets	250,764	240,752	247,671	256,311	270,056	2,514,722
Total shareholders' equity	116,730	112,244	114,863	116,218	119,779	1,115,365

Per share data:	Yen					U.S.dollars
	2001	2002	2003	2004	2005	2005
Net income(loss) - Basic	¥(25.81)	¥(17.83)	¥13.57	¥28.16	¥22.44	\$0.209
Total shareholders' equity	405.11	389.58	405.49	414.18	428.88	3.994

Non-Consolidated	Millions of yen					Thousands of U.S.dollars
	2001	2002	2003	2004	2005	2005
Net sales	¥264,619	¥246,087	¥241,202	¥245,288	¥257,510	\$2,397,896
Operating income	2,937	13	6,245	6,851	5,691	52,994
Net income(loss)	(6,447)	(5,874)	2,333	3,528	4,055	37,760
Common stock	39,971	39,971	39,971	39,971	39,971	372,204
Total assets	211,991	185,633	181,221	187,526	198,634	1,849,651
Total shareholders' equity	110,022	103,466	104,044	103,844	105,248	980,054

Per share data:	Yen					U.S.dollars
	2001	2002	2003	2004	2005	2005
Net income(loss) - Basic	¥(22.37)	¥(20.39)	¥7.99	¥12.41	¥14.33	\$0.133
Cash dividends	4.00	0.00	5.00	6.00	8.00	0.074
Total shareholders' equity	381.83	359.11	367.35	370.14	376.91	3.510

The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥107.39=US\$1.00, the exchange rate prevailing on March 31, 2005.

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REVIEW OF THE YEAR

The Japanese economy in fiscal year 2004 marked a steady recovery, led by the expansion of exports and an increase in capital investments until it started to slow down moderately later in the year, owing to a loss in export momentum that was a driving force for economic recovery.

As for business conditions outside Japan, the US economy maintained a firm undertone, even though it slowed down a little in the latter half of the year. The European economy registered a slow recovery. In Asia, China continued to achieve strong growth, but the Asian economic recovery weakened in general.

Under such circumstances, the TOSHIBA TEC Group devoted itself to structural reforms, as follows:

- Improving merchantability by releasing a new POS system and extending the digital MFP lineup
- Strengthening cost competitiveness by shifting production to a plant in China (Shenzhen)
- Strengthening marketability by expanding and reinforcing direct sales channels

The TOSHIBA TEC Group's consolidated sales ended at ¥376,187 million, a 6% increase over the previous fiscal year due to greater sales of products at both the Document Processing & Telecommunication Systems and Retail Information Systems, and profits increased due to continuous efforts to reduce costs and other measures. When compared with the previous fiscal year, operating income increased 8%, ending at ¥16,195 million. Owing to expenses incurred for the Home Electric Appliances structural reforms, such as a shift in production, net income ended at ¥6,348 million, a 21% decrease.

PRODUCTS LINE UP (as of March, 2005)

Retail Information Systems

- eBusiness
- FSP
- 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, 2005 and 2004

ASSETS	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Current assets			
Cash and cash equivalents	¥64,960	¥53,772	\$604,898
Trade notes and accounts receivable	52,864	60,810	492,262
Inventories	34,302	33,586	319,415
Deferred income taxes (Note 9)	8,608	7,350	80,156
Prepaid expenses and other current assets	10,719	6,629	99,814
Allowance for doubtful accounts	(1,956)	(1,576)	(18,214)
Total current assets	169,497	160,571	1,578,331
Fixed assets			
Property, plant and equipment:			
Land	5,675	5,626	52,845
Buildings and structures	26,875	26,296	250,256
Machinery and equipment	23,795	22,634	221,575
Tools, furniture and fixtures	68,178	67,330	634,864
Construction in progress	1,516	1,144	14,117
Less accumulated depreciation	(92,872)	(89,432)	(864,811)
	33,167	33,598	308,846
Intangible assets:			
Goodwill	8,076	4,677	75,203
Other intangible assets	6,196	6,620	57,696
	14,272	11,297	132,899
Investments and other assets:			
Investment securities: (Note 11)			
Unconsolidated subsidiaries and affiliates	23,978	22,675	223,280
Other	3,628	3,558	33,783
Deferred income taxes (Note 9)	18,656	17,780	173,722
Other investments and other assets	7,012	7,007	65,295
Allowance for doubtful accounts	(154)	(175)	(1,434)
	53,120	50,845	494,646
Total fixed assets	100,559	95,740	936,391
Total assets	¥270,056	¥256,311	\$2,514,722

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

LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Current liabilities			
Trade notes and accounts payable	¥46,180	¥46,203	\$430,021
Short-term loans (Note 3)	21,122	22,556	196,685
Current portion of long-term debt (Note 3)	4	5	37
Accrued income and other taxes	7,105	3,852	66,161
Other current liabilities	41,228	36,931	383,909
Total current liabilities	115,639	109,547	1,076,813
Long-term liabilities			
Long-term debt (Note 3)	3,463	2,810	32,247
Accrued retirement benefits (Note 4)	27,934	25,296	260,117
Other long-term liabilities	2,414	1,544	22,479
Total long-term liabilities	33,811	29,650	314,843
Total liabilities	149,450	139,197	1,391,656
Contingent liabilities (Note 5)			
Minority interest in consolidated subsidiaries	827	896	7,701
Shareholders' equity			
Common stock			
Authorized-1,000,000,000 shares			
Issued- 288,145,704 shares	39,971	39,971	372,204
Capital surplus	52,985	52,984	493,389
Retained earnings	31,575	28,547	294,022
Unrealized holding gains on securities	288	324	2,682
Foreign currency translation adjustments	(1,793)	(2,984)	(16,696)
Less treasury stock, at cost:			
9,015,037 shares in 2005	(3,247)	–	(30,236)
7,663,687 shares in 2004	–	(2,624)	–
Total shareholders' equity	119,779	116,218	1,115,365
Total liabilities, minority interest and shareholders' equity	¥270,056	¥256,311	\$2,514,722

Consolidated Statements of Operations

Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Net sales	¥376,187	¥355,113	\$3,502,998
Cost of sales	229,930	214,319	2,141,075
Gross profit	146,257	140,794	1,361,923
Selling, general and administrative expenses (Note 6)	130,062	125,760	1,211,118
Operating income	16,195	15,034	150,805
Non-operating income and expenses:			
Interest and dividend income	910	955	8,474
Equity in earnings of affiliates	1,134	–	10,560
Interest expense	(525)	(869)	(4,889)
Amortization for transition obligation of retirement benefits	(1,613)	(1,613)	(15,020)
Restructuring cost *1	(1,428)	–	(13,297)
PCB wastes treatment cost	(400)	–	(3,725)
Other, net (Note 7)	(3,283)	(2,867)	(30,571)
Income before income taxes and minority interest	10,990	10,640	102,337
Income taxes:			
Current	6,112	3,257	56,914
Deferred	(1,645)	(893)	(15,318)
Income before minority interest	6,523	8,276	60,741
Minority interest in income of consolidated subsidiaries	175	285	1,629
Net income	¥6,348	¥7,991	\$59,112
Per share data	Yen		U.S dollars
Net income-Basic	2005	2004	2005
Cash dividends	¥22.44	¥28.16	\$0.209
	¥8.00	¥6.00	\$0.074

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

*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.

Consolidated Statements of Shareholders' Equity

March 31, 2005 and 2004

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Common stock			
Balance at beginning of year	¥39,971	¥39,971	\$372,204
Balance at end of year	¥39,971	¥39,971	\$372,204
Capital surplus			
Balance at beginning of year	¥52,984	¥52,983	\$493,379
Increase from selling treasury stock	1	1	10
Balance at end of year	¥52,985	¥52,984	\$493,389
Retained earnings			
Balance at beginning of year	¥28,547	¥23,783	\$265,825
Net income	6,348	7,991	59,112
Cash dividends	(1,963)	(2,262)	(18,279)
Bonuses to directors and corporate auditors	(46)	(66)	(428)
Decrease from inclusion in consolidation of subsidiaries	(638)	(899)	(5,941)
Decrease from inclusion in equity method	(433)	–	(4,032)
Decrease from merger of non-consolidated subsidiary	(240)	–	(2,235)
Balance at end of year	¥31,575	¥28,547	\$294,022
Unrealized holding gains on securities			
Balance at beginning of year	¥324	¥543	\$3,017
Net change during the year	(36)	(219)	(335)
Balance at end of year	¥288	¥324	\$2,682
Foreign currency translation adjustments			
Balance at beginning of year	¥(2,984)	¥(975)	\$(27,787)
Net change during the year	1,191	(2,009)	11,091
Balance at end of year	¥(1,793)	¥(2,984)	\$(16,696)
Less treasury stock			
Balance at beginning of year	¥(2,624)	¥(1,442)	\$(24,435)
Net change during the year	(623)	(1,182)	(5,801)
Balance at end of year	¥(3,247)	¥(2,624)	\$(30,236)

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

Consolidated Statements of Cash Flows

Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Cash flows from operating activities			
Income before income taxes and minority interest	¥10,990	¥10,640	\$102,337
Adjustment to reconcile income before income taxes and minority interest to net cash provided by operating activities:			
Depreciation and amortization	10,367	10,239	96,536
Allowance for doubtful accounts	171	101	1,592
Accrual for retirement benefits, less payments	2,637	4,192	24,555
Interest and dividend income	(910)	(955)	(8,474)
Interest expense	525	869	4,889
Equity in earnings of affiliates	(1,134)	–	(10,560)
Loss on sales or disposals of fixed assets	586	510	5,457
Profits on sales of investment securities	(44)	(41)	(410)
Write down of investment securities	96	47	894
Restructuring cost	1,428	–	13,297
Changes in assets and liabilities:			
Notes and accounts receivable	12,114	(870)	112,804
Inventories	907	4,816	8,446
Notes and accounts payable	(4,673)	5,362	(43,514)
Other	1,874	2,481	17,451
Sub Total	34,934	37,391	325,300
Interest and dividend income received	741	842	6,900
Interest expense payments	(540)	(887)	(5,028)
Income taxes payments	(3,668)	(2,062)	(34,156)
Net cash provided by operating activities	31,467	35,284	293,016
Cash flows from investing activities			
Acquisition of property, plant and equipment	(8,425)	(7,678)	(78,452)
Acquisition of intangible assets	(1,701)	(2,143)	(15,840)
Acquisition of investment securities	(7,068)	(8,242)	(65,816)
Proceeds from sales of investment securities	212	195	1,974
Payments of loan receivable	(30)	(1,331)	(279)
Proceeds from loan receivable	56	71	521
Other	655	1,140	6,099
Net cash used in investing activities	(16,301)	(17,988)	(151,793)
Cash flows from financing activities			
Repayments of short-term loans, net	(3,311)	(5,187)	(30,832)
Proceeds of long-term debt	1,160	3,182	10,802
Repayments of long-term debt	(283)	(795)	(2,635)
Redemption of straight bonds	–	(5,000)	–
Purchase of treasury stock	(626)	(1,184)	(5,829)
Payments of dividend	(1,962)	(2,255)	(18,270)
Payments of dividend to minority shareholders	(237)	(145)	(2,207)
Other	4	3	37
Net cash used in financing activities	(5,255)	(11,381)	(48,934)
Effect of exchange rate changes on cash and cash equivalents	668	(1,696)	6,221
Net increase in cash and cash equivalents	10,579	4,219	98,510
Cash and cash equivalents at beginning of year	53,772	49,303	500,717
Increase in cash and cash equivalents resulting from:			
Subsidiaries inclusion in consolidation	517	250	4,814
Merger of non-consolidated subsidiary	92	–	857
Cash and cash equivalents at end of year	¥64,960	¥53,772	\$604,898

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 ¥107.39 = US\$1.00 prevailing as of March 31, 2005. 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, 2005 and 2004, accounts of 37 and 32 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 5 to 15 years.

The equity method of accounting is adopted for investments in major unconsolidated subsidiaries and affiliated companies. For the year ended March 31, 2005, the equity method of accounting has been adopted for 7 companies, and the main companies are as follows,

TOSHIBA TEC NETHERLANDS RETAIL INFORMATION SYSTEMS B.V.
TOSHIBA TEC SWITZERLAND AG
TOSHIBA AMERICA BUSINESS SOLUTIONS, INC.

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

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.

(P) Size-Based Enterprise Tax

With the implementation of the "Revision of the Local Tax Law" effective on April 1, 2004, some part of corporate enterprise tax is to be calculated by a combination of "amount of added value" and "amount of common stock" formerly based on "amount of income".

Accordingly, such portion of corporate enterprise tax is included in "Selling, general and administrative expenses" from the fiscal year beginning on April 1, 2004, formerly included in "Income taxes".

As a result, general and administrative expenses increased by 496 million yen, operating income and income before tax decreased by 496 million yen.

3. Short-Term Loans and Long-Term Debt

The average interest rate for short-term bank loans outstanding at March 31, 2005 is 3.6 %.

The long-term debt at March 31, 2005 and 2004, consists of the following :

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Long-term debt:			
Due serially through 2022, with interest rate of 3.17% to 6.10%	¥3,467	¥2,815	\$32,284
	3,467	2,815	32,284
Less current portion	4	5	37
	¥3,463	¥2,810	\$32,247

The aggregate annual maturities of long-term debt (including the current portion) outstanding at March 31, 2005 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S.dollars
2006	¥4	\$37
2007	3	28
2008	53	494
2009 and thereafter	3,407	31,725
	¥3,467	\$32,284

4. Retirement Benefits

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, 2005 and 2004 for the Companies' defined benefit plans:

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Retirement benefit obligation	¥(63,218)	¥(60,202)	\$(588,677)
Plan assets	23,344	20,926	217,376
Unfunded retirement benefit obligation	(39,874)	(39,276)	(371,301)
Unrecognized net retirement benefit obligation at transition	-	1,613	-
Unrecognized actuarial gain or loss	10,378	10,587	96,639
Unrecognized past service cost	1,562	1,780	14,545
Net retirement benefit obligation	¥(27,934)	¥(25,296)	\$(260,117)

The components of retirement benefit expenses for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Service cost	¥3,286	¥3,354	\$30,598
Interest cost	1,225	1,353	11,407
Expected return on plan assets	(206)	(177)	(1,918)
Amortization of net retirement benefit obligation at transition	1,613	1,613	15,020
Amortization of actuarial gain or loss	1,555	1,363	14,480
Amortization of past service cost	218	218	2,030
Total	¥7,691	¥7,724	\$71,617

The assumption used in accounting for the above plans in 2005 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. 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, 2005 and 2004 are as follows :

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Trade notes receivable			
discounted or endorsed	¥15,058	¥10,894	\$140,218
Guarantees on lease contract	252	419	2,347
Guarantees on loans and others	1,589	1,827	14,797

6. Selling, General and Administrative Expenses

Major components of selling, general and administrative expenses at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Delivering expense	¥6,582	¥5,801	\$61,291
Advertising expense	2,243	2,345	20,886
Personal expense	63,169	60,032	588,221
Depreciation and amortization	2,560	2,607	23,838
Research and development expense	18,898	19,008	175,975
Other selling expense	7,047	6,955	65,621

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

“Other, net” for the years ended March 31, 2005 and 2004, consists of the following:

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Write-down and disposal of inventories	¥(940)	¥(930)	\$(8,753)
Loss on sales or disposals of property, plant and equipment	(586)	(510)	(5,457)
Foreign exchange loss	(414)	(460)	(3,855)
Other, net	(1,343)	(967)	(12,506)
	¥(3,283)	¥(2,867)	\$(30,571)

8. Research and Development Expenses

Research and development costs charged to income for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
	¥25,761	¥25,687	\$239,883

9. Income Taxes and Deferred Tax Assets and Liabilities

There is no significant difference between the statutory tax rate and the Company’s effective tax rate for the years ended March 31, 2005.

The difference between the statutory tax rate and the Company’s effective tax rate for the years ended March 31, 2004 is as follows:

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

Significant components of the Companies’ deferred tax assets and liabilities at March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Deferred tax assets:			
Accrued retirement benefits	¥11,015	¥10,176	\$102,570
Intangible assets	7,225	7,112	67,278
Accrued bonuses	3,408	3,244	31,735
Elimination of consolidated unrealized gains	1,989	1,211	18,521
Other	5,782	4,891	53,841
	29,419	26,634	273,945
Valuation allowance	(728)	(401)	(6,779)
	28,691	26,233	267,166

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	491	508	4,572
Unrealized gains on securities	411	435	3,827
Other	526	159	4,898
	<u>1,428</u>	<u>1,102</u>	<u>13,297</u>
Net deferred tax assets	<u>¥27,263</u>	<u>¥25,131</u>	<u>\$253,869</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, 2005 and 2004, 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:

	2005			2004		
	Acquisition cost	Accumulated depreciation	New book value	Acquisition cost	Accumulated depreciation	New book value
Machinery and equipment	¥346	¥187	¥159	¥255	¥141	¥114
Tools, furniture and fixtures	197	117	80	212	125	87
	<u>¥543</u>	<u>¥304</u>	<u>¥239</u>	<u>¥467</u>	<u>¥266</u>	<u>¥201</u>

	Thousands of U.S.dollars		
	2005	2005	2005
	Acquisition cost	Accumulated depreciation	New book value
Machinery and equipment	\$3,222	\$1,741	\$1,481
Tools, furniture and fixtures	1,834	1,089	745
	<u>\$5,056</u>	<u>\$2,830</u>	<u>\$2,226</u>

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

	Millions of yen	Thousands of U.S.dollars
	2005	2005
Due within one year	¥74	\$689
Due after one year	165	1,537
	<u>¥239</u>	<u>\$2,226</u>

- (2) Lease payments for the years ended March 31, 2005 and 2004, are ¥87 millions (\$810 thousands) and ¥74 millions, respectively.

(B) Operating leases

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

	Millions of yen	Thousands of U.S.dollars
	2005	2005
Due within one year	¥117	\$1,090
Due after one year	151	1,406
	<u>¥268</u>	<u>\$2,496</u>

11. Securities

- (1) Information regarding marketable Other Securities as of March 31, 2005 and 2004 is as follows:

	Millions of yen					
	2005			2004		
	Acquisition cost	Carrying value	Unrealized gain(loss)	Acquisition cost	Carrying value	Unrealized gain(loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥983	¥2,024	¥1,041	¥1,221	¥2,342	¥1,121
Securities whose acquisition cost exceeds their carrying value:						
Stocks	272	221	(51)	183	177	(6)
Total	<u>¥1,255</u>	<u>¥2,245</u>	<u>¥990</u>	<u>¥1,404</u>	<u>¥2,519</u>	<u>¥1,115</u>

	Thousands of U.S.dollars		
	2005	2005	2005
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	\$9,153	\$18,847	\$9,694
Securities whose acquisition cost exceeds their carrying value:			
Stocks	2,533	2,058	(475)
Total	<u>\$11,686</u>	<u>\$20,905</u>	<u>\$9,219</u>

- (2) The proceeds from sales of securities for the years ended March 31, 2005 and 2004 were ¥212 millions (\$1,974 thousands) and ¥195 millions, respectively. The realized gains on those sales for the year ended March 31, 2005 and 2004 were ¥45 millions (\$397 thousands) and ¥42 millions, respectively. The realized losses on those sales for the year ended March 31, 2005 and 2004 were both ¥1million (\$9 thousands).

12. Derivative Financial Instruments

Fair value information of the derivative financial instruments at March 31, 2005 and 2004 is summarized below according to the disclosure requirements applicable to the respective year:

	Millions of yen					
	2005			2004		
	Contract amount	Fair value	Unrealized gain(loss)	Contract amount	Fair value	Unrealized gain(loss)
Forward exchange contracts:						
Sell Euros	¥1,556	¥1,562	¥(6)	¥1,057	¥1,025	¥33
	Thousands of U.S.dollars			2005		
	Contract amount	Fair value	Unrealized gain(loss)	Contract amount	Fair value	Unrealized gain(loss)
Forward exchange contracts:						
Sell Euros	\$14,489	\$14,545	(\$56)			

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.

13. 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
	2005	2004	2005
Net Sales			
Retail Information Systems			
Unaffiliated customers	¥165,086	¥161,297	\$1,537,257
Intersegment	1,793	1,715	16,696
Total	166,879	163,012	1,553,953
Document Processing & Telecommunication Systems			
Unaffiliated customers	195,429	177,198	1,819,806
Intersegment	5,044	4,840	46,969
Total	200,473	182,038	1,866,775
Home Electric Appliances & Others			
Unaffiliated customers	15,672	16,618	145,935
Intersegment	193	192	1,797
Total	15,865	16,810	147,732
Eliminations	(7,030)	(6,747)	(65,462)
Consolidated	¥376,187	¥355,113	\$3,502,998
Operating Income			
Retail Information Systems	¥6,595	¥5,767	\$61,412
Document Processing & Telecommunication Systems	10,952	9,990	101,983
Home Electric Appliances & Others	(1,365)	(736)	(12,711)
Eliminations	13	13	121
Consolidated	¥16,195	¥15,034	\$150,805
Identifiable Assets			
Retail Information Systems	¥67,479	¥65,466	\$628,355
Document Processing & Telecommunication Systems	150,988	144,197	1,405,978
Home Electric Appliances & Others	9,598	12,054	89,375
Corporate and Eliminations	41,991	34,594	391,014
Consolidated	¥270,056	¥256,311	\$2,514,722
Depreciation and Amortization			
Retail Information Systems	¥2,669	¥2,633	\$24,853
Document Processing & Telecommunication Systems	6,643	6,631	61,859
Home Electric Appliances & Others	1,055	975	9,824
Consolidated	¥10,367	¥10,239	\$96,536
Capital Expenditures			
Retail Information Systems	¥3,118	¥2,759	\$29,034
Document Processing & Telecommunication Systems	6,494	6,042	60,471
Home Electric Appliances & Others	782	975	7,282
Consolidated	¥10,394	¥9,776	\$96,787

(note1) Corporate assets mainly consist of cash, time deposits, securities and investments with financial institutions of the Company. Corporate assets at March 31, 2005 and 2004, are ¥42,508 millions (\$395,828 thousands) and ¥34,678 millions, respectively.

(note2) For the year 2005, business organization change has taken place for more efficient development of products. The Key Component Business was combined with Document Processing & Telecommunication Systems instead of Home Electric Appliances & Others. The above figures of year 2004 are rearranged on the base of new Business Segment for easy comparison.

(B) Geographic Segments

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Net Sales			
Japan			
Unaffiliated customers	¥252,174	¥244,447	\$2,348,207
Intersegment	43,151	36,650	401,816
Total	295,325	281,097	2,750,023
North America			
Unaffiliated customers	3,605	4,583	33,569
Intersegment	4	22	37
Total	3,609	4,605	33,606
Europe			
Unaffiliated customers	85,916	74,565	800,037
Intersegment	7,599	703	70,761
Total	93,515	75,268	870,798
Asia and others			
Unaffiliated customers	34,492	31,518	321,184
Intersegment	39,690	29,716	369,588
Total	74,182	61,234	690,772
Eliminations	(90,444)	(67,091)	(842,201)
Consolidated	¥376,187	¥355,113	\$3,502,998
Operating Income			
Japan	¥8,745	¥8,375	\$81,432
North America	5	87	46
Europe	2,841	892	26,455
Asia and others	6,384	5,532	59,447
Eliminations	(1,780)	148	(16,575)
Consolidated	¥16,195	¥15,034	\$150,805
Identifiable Assets			
Japan	¥187,185	¥181,267	\$1,743,039
North America	1,966	1,668	18,307
Europe	62,974	58,334	586,405
Asia and others	37,999	31,872	353,841
Corporate and Eliminations	(20,068)	(16,830)	(186,870)
Consolidated	¥270,056	¥256,311	\$2,514,722

(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, Netherlands
 - 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, 2005 and 2004, are ¥42,508 millions (\$395,828 thousands) and ¥34,678 millions, respectively.

(C) Net Sales by Region

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Net Sales			
Japan	¥188,740	¥183,433	\$1,757,519
North America	65,830	60,241	612,999
Europe	94,136	84,813	876,581
Asia and others	27,481	26,626	255,899
Net sales	¥376,187	¥355,113	\$3,502,998

(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, 2005 and 2004

ASSETS	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Current assets			
Cash and time deposits	¥42,358	¥33,255	\$394,432
Trade notes and accounts receivable	25,415	33,571	236,661
Inventories:			
Finished goods	10,311	10,828	96,014
Work-in-process and raw materials	3,778	4,354	35,180
Deferred income taxes	4,884	4,313	45,479
Prepaid expenses and other current assets	12,245	8,199	114,024
Allowance for doubtful accounts	(373)	(289)	(3,473)
Total current assets	98,618	94,231	918,317
Fixed assets			
Property, plant and equipment:			
Land	4,841	4,857	45,079
Buildings and structures	20,461	20,120	190,530
Machinery and equipment	15,230	15,104	141,819
Tools, furniture and fixtures	54,978	54,813	511,947
Construction in progress	1,182	1,098	11,007
Less accumulated depreciation	(73,293)	(71,357)	(682,494)
	23,399	24,635	217,888
Intangible assets:			
Other intangible assets	3,769	4,270	35,096
	3,769	4,270	35,096
Investments and other assets:			
Investment securities			
Subsidiaries and affiliates	49,605	41,222	461,915
Other	3,458	3,395	32,200
Deferred income taxes	15,822	15,703	147,332
Other investments and other assets	4,082	4,204	38,011
Allowance for doubtful accounts	(119)	(134)	(1,108)
	72,848	64,390	678,350
Total fixed assets	100,016	93,295	931,334
Total assets	¥198,634	¥187,526	\$1,849,651

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Current liabilities			
Trade notes and accounts payable	¥38,241	¥37,981	\$356,095
Current portion of long-term debt	4	5	37
Accrued income taxes	2,480	829	23,093
Other payables and current liabilities	30,761	23,803	286,442
Total current liabilities	71,486	62,618	665,667
Long-term liabilities			
Long-term debt	23	27	214
Accrued retirement benefits	21,811	20,968	203,101
Other long-term liabilities	66	69	615
Total long-term liabilities	21,900	21,064	203,930
Total liabilities	93,386	83,682	869,597
Shareholders' equity			
Common stock			
Authorized-1,000,000,000 shares			
Issued- 288,145,704 shares	39,971	39,971	372,204
Capital surplus	52,985	52,984	493,389
Retained earnings :			
Voluntary reserve	10,743	8,770	100,037
Unappropriated	4,534	4,442	42,220
Unrealized holding gains on securities	262	301	2,440
Less treasury stock, at cost:			
9,015,037 shares in 2005	(3,247)	-	(30,236)
7,663,687 shares in 2004	-	(2,624)	-
Total shareholders' equity	105,248	103,844	980,054
Total liabilities and shareholders' equity	¥198,634	¥187,526	\$1,849,651

Supplemental Information

Non-Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S.dollars
	2005	2004	2005
Net sales	¥257,510	¥245,288	\$2,397,896
Cost of sales	187,172	174,082	1,742,919
Gross profit	70,338	71,206	654,977
Selling, general and administrative expenses	64,647	64,355	601,983
Operating income	5,691	6,851	52,994
Non-operating income and expenses:			
Interest and dividend income	5,276	3,037	49,129
Interest expense	(15)	(138)	(140)
Amortization for transition obligation of retirement benefits	(1,300)	(1,300)	(12,105)
Restructuring cost *1	(1,428)	–	(13,297)
PCB wastes treatment cost	(164)	–	(1,527)
Other, net	(2,638)	(3,250)	(24,565)
Income before income taxes	5,422	5,200	50,489
Income taxes:			
Current	2,031	814	18,912
Deferred	(664)	858	(6,183)
Net income	4,055	3,528	37,760
Unappropriated retained earnings at beginning of year	4,442	5,208	41,363
Transfer from voluntary reserve	27	29	251
Appropriation of retained earnings:			
Cash dividends	(841)	(1,415)	(7,831)
Bonuses to directors and corporate auditors	(27)	(47)	(251)
Transfer to voluntary reserve	(2,000)	(2,014)	(18,624)
Cash interim dividends	(1,122)	(847)	(10,448)
Unappropriated retained earnings at end of year	¥4,534	¥4,442	\$42,220

*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.

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, 2005 and 2004, 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, 2005 and 2004, 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, 2005 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, 2005

TOSHIBA TEC CORPORATION

Corporate Data

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Fax: +81-3-6422-7111
http: //www.toshibatec.co.jp/
Established: February 21, 1950
Employees: 4,202 <Consolidated: 14,468> (as of March 2005)
Common Stock: ¥39,971 million (as of March 2005)
Stock Listing: Tokyo Stock Exchange (1st Section)

Board of Directors and Corporate Auditors

President and Chief Executive Officer (as of June 29, 2005)

◇Yoshihiro Maeda

Directors

◇Tetsuo Satofuka
Masahiro Hirata
Haruo Asada
Kazuaki Ushiyama
Yoshiyasu Kikuchi
Hisatsugu Nonaka

◇:Representative Director

Corporate Auditors

Teruo Miyamoto
Noriyuki Nakamura
Hiroshi Inazuka
Yuzo Kato

Main Consolidated Companies (as of March 31, 2005)

・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
・TOSHIBA TEC AMERICA RETAIL INFORMATION SYSTEMS, 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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