

Operating Results

Analysis of Operating Results

(Operating Results in the Consolidated Fiscal Year 2007)

The Japanese economy in the consolidated fiscal year 2007 slowed due to escalating prices of crude oil and raw materials coupled with a dismal business sentiment, causing consumer spending and capital investments to grow at a sluggish pace, although exports remained constant.

As for business conditions outside Japan, the subprime loan concerns and rocketing resources cost sent the US economy into a tailspin, while the economy in Europe was brisk and the Asian economy continued to grow.

Under these economic circumstances, the Toshiba TEC Group was committed to achieving its policy of "continuous growth while yielding profit." We devoted ourselves to expanding the sales of our main products by enhancing solution proposals, reinforcing our ability to manufacture with an aim to improve our cost competitiveness, quality and supply, while improving management practices by reforming business processes in development, procurement, manufacturing and sales activities.

Toshiba TEC transferred the home electric appliances business to Toshiba HA Products Co., Ltd. as of June 1, 2007, and acquired the barcode business from Tohoku Ricoh Co., Ltd. as of December 28, 2007. Thus, we concentrated our management resources on the retail information systems business and the document processing and telecommunication systems business, to make our operating base more robust.

Sales amounted to 492,970 million yen, a 3% decrease over the previous consolidated fiscal year, due to the transfer of the home electric appliances business, although the MFP sales increased. An effort to improve earning power, through focusing on high-value added products, resulted in an increase in operating income of 15% over the previous consolidated fiscal year to 26,075 million yen, an increase in ordinary income of 17% over the previous consolidated fiscal year to 22,962 million yen, and an increase in net income of 24% to 13,382 million yen.

Non-consolidated operating results are described below. Sales amounted to 266,537 million yen, an 11% decrease over the previous year, due to the transfer of the home electric appliances business and concentrated demand in the second half of the last fiscal year. Although we recorded a declining profit, an effort to improve earning power, through focusing on high-value added products, resulted in an increase in operating income of 17% over the previous fiscal year to 5,008 million yen, a decrease in ordinary income of 11% over the previous fiscal year to 9,004 million yen, and an increase in net income of 24% to 7,777 million yen.

The business highlights for each business segment in the consolidated fiscal year 2007 are described below.

Retail Information Systems

The Retail Information Systems business segment, dealing with POS systems, electronic cash registers/scales, automatic identification systems, OA equipment and other retail information equipment and supplies, was committed to introducing new POS terminals for overseas countries, expanding sales of core products along with bolstering cost competitiveness and sales capabilities. These measures were implemented although the retail industry, the main market for the products, faced a difficult situation due to sluggish personal consumption.

Sales of our core POS systems decreased as demand was concentrated in the second half of the previous consolidated fiscal year, although systems for domestic shopping centers and POS terminals for overseas specialty stores experienced some growth.

Other products also experienced a steady growth in sales, including automatic identification systems and supplies.

As a result, sales in Retail Information Systems decreased 2% over the previous consolidated fiscal year to 192,320 million yen. Operating income in this business segment increased 14% to 10,330 million yen over the previous consolidated fiscal year.

Document Processing and Telecommunication Systems

The Document Processing & Telecommunication Systems business segment, dealing with image processing equipment such as MFPs and facsimiles, specialized terminals and printers, focused efforts on developing and introducing new products, extending direct sales channels, further expanding sales in fast-growing markets such as "BRICs," and improving cost competitiveness, in an increasingly severe business climate marked by a downturn in the US economy and relentless tough price competition among competitors.

The core product, MFPs, grew on solid sales in fast growing markets including Europe, even though the sales were affected by the downturn of the US economy.

Other products witnessed a decrease in sales, since specialized terminals declined, despite growing sales in inkjet print heads and printers.

As a result, sales in Document Processing & Telecommunications Systems decreased 1% over the previous consolidated fiscal year to 306,959 million yen. Operating income in this business segment increased 19% to 15,721 million yen.

Home Electric Appliances

The home appliances business was transferred to Toshiba HA Products Co., Ltd. as of June 1, 2007.

Notes

- 1: Automatic Identification Systems refer to systems, which contain hardware and software to automatically retrieve, identify and manage data, from barcodes and IC tags.
- 2: Toshiba HA Products Co., Ltd. was renamed Toshiba Home Appliances Corporation.

Consolidated Statement of Operations

(Millions of yen)

Item	Term	Fiscal Year ending March 2008 From April 1, 2007 To March 31, 2008		Fiscal Year ending March 2007 From April 1, 2006 To March 31, 2007		Gain/loss	Percent
			%		%		
Net sales		492,970	100.0	510,845	100.0	△17,875	97
Cost of sales		262,632	53.3	292,201	57.2	△29,569	90
Gross profit		230,337	46.7	218,644	42.8	11,693	105
Selling, general and administrative expenses		204,262	41.4	195,973	38.4	8,289	104
Operating income		26,075	5.3	22,670	4.4	3,405	115
Non-operating income		3,058	0.7	3,327	0.7	△269	92
Non-operating expenses		6,171	1.3	6,431	1.3	△260	96
Ordinary income		22,962	4.7	19,566	3.8	3,396	117
Extraordinary income		225	0.0	3,008	0.6	△2,783	7
Gain from home electric appliances business transfer		225		-		225	
Profit on sale of training institute		-		3,008		△3,008	
Extraordinary losses		947	0.2	3,495	0.7	△2,548	27
Business structural reform cost		947		-		947	
Extraordinary pension expenses		-		2,932		△2,932	
Loss on sale of welfare facilities		-		562		△562	
Income before taxes and other adjustments		22,240	4.5	19,079	3.7	3,161	117
Provision for income taxes		7,339		8,553		△1,214	
Income and other tax adjustments		△226		△1,808		1,582	
Minority interest in income of consolidated subsidiaries		1,745		1,570		175	
Net income for the fiscal year		13,382	2.7	10,763	2.1	2,619	124

Consolidated Balance Sheet

(Millions of yen)

Item	Term	Fiscal 2007 ending March 31, 2008	Fiscal 2006 ending March 31, 2007	Gain/loss	Item	Term	Fiscal 2007 ending March 31, 2008	Fiscal 2006 ending March 31, 2007	Gain/loss
[Assets]					[Liabilities]				
(Current assets)		199,089	236,646	△37,557	(Current liabilities)		123,098	167,006	△43,908
Cash and cash equivalents		20,677	27,659	△6,982	Trade notes and accounts payable		46,363	72,330	△25,967
Group deposits		43,280	52,076	△8,796	Short-term loans payable		14,474	19,086	△4,612
Trade notes and accounts receivable		76,995	87,847	△10,852	Income taxes payable		1,913	7,031	△5,118
Inventories		40,328	50,745	△10,417	Allowance for executive bonuses		91	80	11
Deferred income taxes		10,537	10,867	△330	Others		60,255	68,477	△8,222
Others		10,510	10,961	△451	(Long-term liabilities)		29,631	32,433	△2,802
Allowance for doubtful accounts		△3,239	△3,512	273	Long-term loans payable		27	673	△646
(Fixed assets)		114,809	121,605	△6,796	Accrued retirement benefits		27,515	27,371	144
<Tangible assets>		33,701	34,611	△910	Accrued executive retirement bonuses		349	297	52
Buildings and construction		10,403	11,069	△666	Others		1,739	4,090	△2,351
Machinery and vehicles		8,641	9,614	△973	Total liabilities		152,730	199,439	△46,709
Tools and implements		7,926	10,004	△2,078	[Net assets]				
Land		2,874	2,776	98	(Equity capital)		139,931	131,347	8,584
Construction in progress		3,855	1,147	2,708	Capital stock		39,970	39,970	-
<Intangible assets>		48,104	46,678	1,426	Capital surplus		52,988	52,986	1
Goodwill		41,223	39,099	2,124	Retained earnings		51,113	42,451	8,661
Others		6,880	7,578	△698	Treasury stock		△4,141	△4,061	△79
<Investments and other assets>		33,003	40,315	△7,312	(Evaluated & converted differences)		△45	6,017	△6,062
Investment securities		4,187	12,563	△8,376	Unrealized holding gains on securities		613	1,057	△444
Deferred income taxes		21,485	20,406	1,079	Deferred hedge income		-	2	△2
Others		7,470	7,468	2	Foreign currency translation adjustments		△658	4,957	△5,615
Allowance for doubtful accounts		△139	△122	△17	(Minority interest in consolidated subsidiaries)		21,282	21,447	△164
Total assets		313,899	358,252	△44,353	Total net assets		161,169	158,812	2,356
					Total liabilities & net assets		313,899	358,252	△44,353

(Notes)

	Fiscal 2007 ending March	Fiscal 2006 ending March
1. Cumulative cost of depreciation of tangible fixed assets	89,730	96,307
2. Guarantee obligation	1,155	1,846
3. Export bill of exchange (no letter of credit) discount	1,579	1,657

Non-Consolidated Statement of Operations

(Millions of yen)

Item	Term		Fiscal Year ending March 2008		Fiscal Year ending March 2007		Gain/loss	Percent
			From April 1, 2007 To March 31, 2008	%	From April 1, 2006 To March 31, 2007	%		
Net sales	266,537	100.0	297,995	100.0	△31,458	89		
Cost of sales	197,072	73.9	226,781	76.1	△29,709	87		
Gross profit	69,464	26.1	71,214	23.9	△1,750	98		
Selling, general and administrative expenses	64,456	24.2	66,915	22.5	△2,459	96		
Operating income	5,008	1.9	4,298	1.4	710	117		
Non-operating income	8,188	3.1	9,400	3.2	△1,212	87		
Non-operating expenses	4,191	1.6	3,588	1.2	603	117		
Ordinary income	9,004	3.4	10,110	3.4	△1,106	89		
Extraordinary income	225	0.1	3,008	1.0	△2,783	7		
Gain from home electric appliances business transfer	225		-		225			
Profit on sale of training institute	-		3,008		△3,008			
Extraordinary losses	348	0.2	5,477	1.8	△5,129	6		
Business structural reform cost	348		-		348			
Extraordinary pension expenses	-		1,903		△1,903			
Loss on revaluation of investment in subsidiaries	-		3,010		△3,010			
Loss on sale of welfare facilities	-		562		△562			
Income before taxes and other adjustments	8,881	3.3	7,641	2.6	1,240	116		
Provision for income taxes	746		3,525		△2,779			
Income and other tax adjustments	358		△2,149		△2,507			
Net income for the fiscal year	7,777	2.9	6,265	2.1	1,512	124		

Non-Consolidated Balance Sheet

(Millions of yen)

Item	Term	Fiscal 2007 ending March 31, 2008	Fiscal 2006 ending March 31, 2007	Gain/loss	Item	Term	Fiscal 2007 ending March 31, 2008	Fiscal 2006 ending March 31, 2007	Gain/loss		
[Assets]					[Liabilities]						
(Current assets)				104,406	139,845	△35,439	(Current liabilities)				
Cash and cash equivalents		2,840	9,370	△6,530	Trade notes payable		905	794	111		
Group deposits		31,795	38,485	△6,690	Accounts payable		32,838	59,306	△26,468		
Trade notes receivable		854	1,241	△387	Short-term loans payable		1	1	0		
Accounts receivable		40,410	53,225	△12,815	Accounts payable - other		8,875	11,944	△3,069		
Products		9,855	15,729	5,874	Accrued expenses		7,595	11,208	△3,613		
Semi-finished goods/work-in-process		2,611	2,716	△105	Income taxes payable		258	4,577	△4,319		
Raw materials and supplies		1,747	2,017	△270	Allowance for executive bonuses		51	46	5		
Deferred income taxes		4,551	5,782	△1,231	Deposits received		16,548	16,372	176		
Accounts receivable - other		9,103	10,390	1,287	Others		951	1,187	△236		
Others		1,158	1,654	△496	(Long-term liabilities)						
Allowance for doubtful accounts		△524	△768	244	Long-term loans payable		5	7	△2		
(Fixed assets)				99,662	98,150	1,512	Accrued retirement benefits		18,797	19,417	△620
<Tangible assets>				18,904	18,112	792	Accrued executive retirement bonuses		115	94	21
Buildings		6,091	6,249	△158	Total liabilities						
Construction		405	411	△6			86,944	124,956	△38,012		
Machinery and equipment		3,277	3,312	△35	[Net assets]						
Vehicles		10	15	△5	Capital stock		39,970	39,970	-		
Tools and implements		3,877	5,739	△1,862	Capital surplus		52,988	52,986	1		
Land		1,939	1,837	102	Capital reserve		49,183	49,183	-		
Construction in progress		3,302	546	2,756	Capital surplus - other		3,805	3,803	1		
<Intangible assets>				3,572	3,467	105	Retained earnings		28,004	23,419	4,584
Software		2,822	2,668	154	Retained earnings - other		28,004	23,419	4,584		
Others		749	798	△49	Voluntary reserve		16,575	14,944	1,631		
<Investments and other assets>				77,186	76,570	616	Earned surplus carried forward		11,428	8,475	2,953
Investment securities		3,757	4,504	△747	Treasury stock		△4,141	△4,061	△79		
Stock of and investments in affiliated companies		54,135	53,930	205	Total capital stock						
Deferred income taxes		16,227	15,066	1,161			116,822	112,315	4,507		
Guarantee money paid		1,996	1,945	51	Unrealized holding gains on securities		301	720	△419		
Others		1,175	1,226	△51	Deferred hedge income		-	2	△2		
Allowance for doubtful accounts		△105	△103	△2	Total evaluated & converted differences						
Total assets				204,069	237,995	△33,926			301	723	△421
							Total net assets				
							117,124	113,038	4,085		
							Total liabilities & net assets				
							204,069	237,995	△33,926		

(Notes)

	Fiscal 2007 ending March	Fiscal 2006 ending March
1. Cumulative cost of depreciation of tangible fixed assets	54,398	59,525
2. Guarantee obligation	4,666	11,138
3. Export bill of exchange (no letter of credit) discount	1,579	1,657