TOSHIBA

A new Toshiba takes shape >>

ANNUAL REPORT >> Year ended March 31, 2000

BASIC COMMITMENT
OF THE TOSHIBA GROUP

We, the Toshiba Group companies, based on our total commitment to people and to the future, are determined to help create a higher quality of life for all people, and to do our part to help ensure that progress continues within the world community.

COMMITMENT TO PEOPLE

We endeavor to serve the needs of all people, especially our customers, shareholders, and employees, by implementing forward-looking corporate strategies while carrying out responsible and responsive business activities. As good corporate citizens, we actively contribute to further the goals of society.

COMMITMENT TO THE FUTURE

By continually developing innovative technologies centering on the fields of Electronics and Energy, we strive to create products and services that enhance human life, and which lead to a thriving, healthy society. We constantly seek new approaches that help realize the goals of the world community, including ways to improve the global environment.

Committed to People,
Committed to the Future. TOSHIBA

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FORWARD-LOOKING STATEMENTS

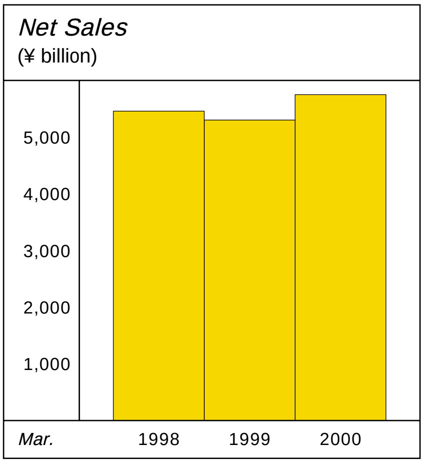
This annual report contains forward-looking statements concerning Toshiba's future plans, strategies and performance. These forward-looking statements are not historical facts, rather they represent assumptions and beliefs based on economic, financial and competitive data currently available. Furthermore, they are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, worldwide mega-competition in the electronics business, customer demand, foreign currency exchange rates, tax rules, regulations and other factors. Toshiba therefore wishes to caution readers that actual results may differ materially from our expectations.

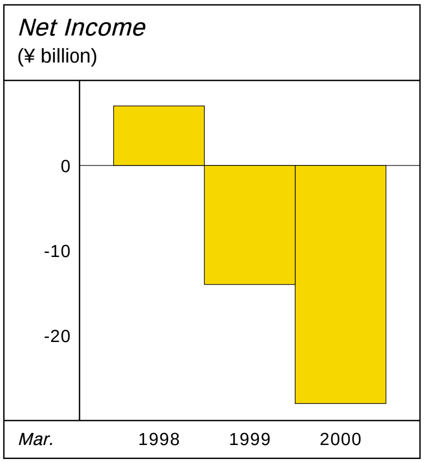
FINANCIAL HIGHLIGHTS

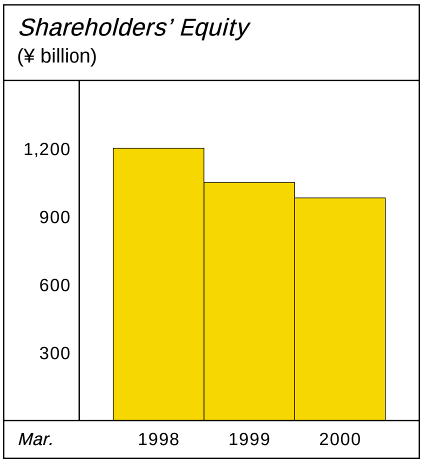
Toshiba Corporation and its subsidiaries
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Net sales – Japan	¥3,514,068	¥3,184,764	$33,151,585
– Overseas	2,235,304	2,116,138	21,087,773
Net sales	5,749,372	5,300,902	54,239,358
Operating income	100,969	30,483	952,538
Income (loss) before income taxes and minority interest	(44,844)	11,218	(423,057)
Net loss	(28,000)	(13,896)	(264,151)
Research and development expenditures	334,398	316,703	3,154,698
Total assets	5,702,189	6,023,557	53,794,236
Shareholders' equity	982,128	1,050,336	9,265,358
	Yen		U.S. dollars
Per share of common stock:			
Net loss – basic and diluted	¥(8.70)	¥(4.32)	$(0.082)
Cash dividends	3.00	6.00	0.028
Number of employees	190,870	198,000	

Notes: 1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥106=US$1.
2. Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share assumes the dilution that would occur if dilutive convertible debentures were converted into common stock.
3. The company has not adopted Statement of Financial Accounting Standards (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities" which became effective for the fiscal year beginning April 1, 1994. The effects on the consolidated financial statements of not adopting SFAS No. 115 and the disclosures required by SFAS No. 115 are summarized in a note to the consolidated financial statements.







TO OUR SHAREHOLDERS

Since taking on the presidency of Toshiba in 1996, Taizo Nishimuro has promoted extensive restructuring. Now, in the year of Toshiba's 125 anniversary, with a new mid-term plan drawn up and ready for implementation, Mr. Nishimuro decided that the time was ripe to name his replacement.

Appointing his successor as CEO now would assure Toshiba continuity of leadership throughout the three-year term of the plan and beyond. It would also allow promotion of an even longer term perspective that would support the company's development and progress through the early years of the coming century.

The board meeting, which was held after the regular general meeting of the shareholders took the next step when it elected Tadashi Okamura to the post of president and chief executive officer. He took the helm of the company on June 28, 2000. The meeting also elected Mr. Nishimuro to the then-vacant post of chairman of the board. In this position he heads the board, which is responsible for supervisory functions and decisions making on substantial matters. Mr. Okamura takes the initiative in corporate strategy and securing results, working with the executive officers who oversee business planning and activities in the in-house companies. The result is enhanced corporate governance and agile decision making.

In this message to the shareholders, Mr. Nishimuro and Mr. Okamura review the last year of operations at Toshiba and present their views on Toshiba's future performance.

Summary of Fiscal 1999 Operating Results

A review of fiscal 1999, to March 31, 2000, reveals a year of transition for Toshiba. Throughout the period, we continued reforms that will position the company to achieve sustained growth in coming years. And although exceptional circumstances kept us from profit, we are confident that the progress we made in fiscal 1999 readies Toshiba for a return to profitability in the current fiscal term, and strong onward growth.

Japan saw another year of sluggish personal consumption, reflecting widespread concern about employment conditions and falls in real income. In the second half, this was compounded by the declining effectiveness of government pump priming in public investment and housing starts. However, not all the news was negative. Capital investment improved in the private sector, particularly in information technology, share prices rallied and corporate earnings recovered. We look for more progress in the present term.

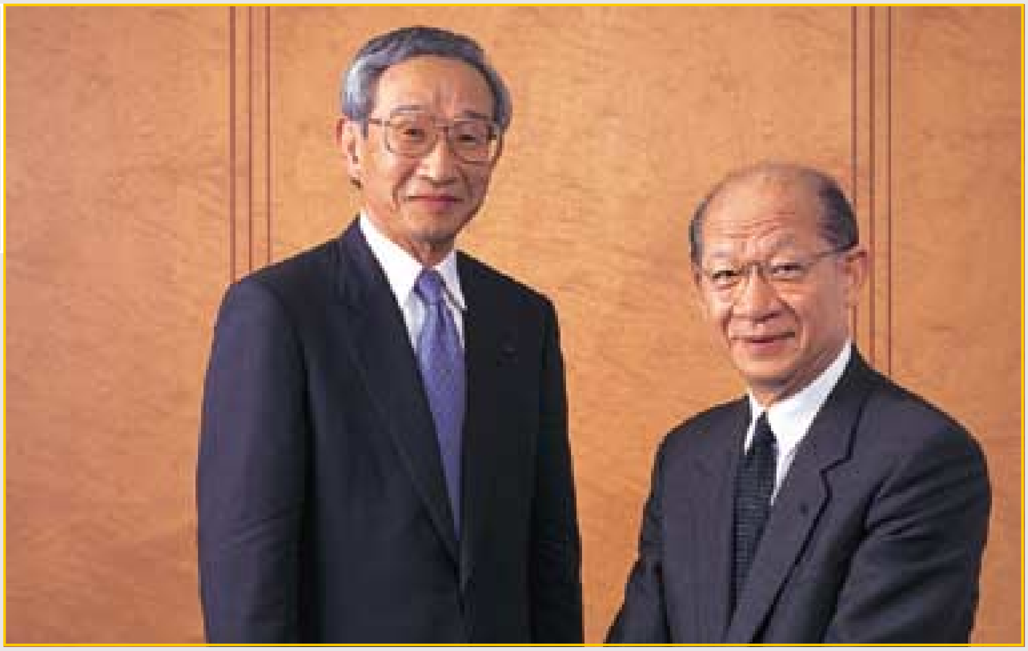
Overseas, the main story was the continuing robustness of the personal consumption that is driving the U.S. economy. Other welcome trends were the pace of recovery in Asia and the continuing upward trend in Europe.

In our operations, we achieved an 8% increase in consolidated net sales to ¥5,749 billion (US$54,239 million) in fiscal 1999, and our operating income increased by ¥70.5 billion (US$665 million) to ¥101 billion (US$953 million). However, we reported a loss before income taxes and minority interests of ¥44.8 billion (US$423 million), and a net loss of ¥28 billion (US$264 million), largely due to the settlement of a class-action lawsuit in the United States.

Despite this loss, we are sure that fiscal 2000 will see Toshiba return to profitability, thanks to significant advances in restructuring during the previous year. This was particularly true in our semiconductor business, which put into force extensive restructuring programs that tightened its focus on core businesses and realigned global manufacturing facilities. These moves, and benefits gained from greater stability in DRAM prices, produced a dramatic rebound from a first half loss. Our home appliances business also made a substantial return to profitability. And in its first full year, our new in-house company system secured impressive gains in cash flows.

Settlement Reached in U.S. Class-Action Litigation

In October 1999, Toshiba reached a settlement in a class-action lawsuit in the U.S. brought by two owners of Toshiba notebook personal computers concerning the floppy-disk controller (FDC) incorporated in the PCs. They alleged that the floppy-disk controller may, under certain circumstances, cause data to be lost or corrupted when it is written to a floppy disk. The class settlement was approved by the court in January 2000, and became final in March 2000.



right:
TAIZO NISHIMURO
Chairman of the Board
left:
TADASHI OKAMURA
President and Chief Executive Officer

With the full support of one of the best U.S. law firms, Toshiba vigorously defended itself in the lawsuit by arguing that – while there was the potential for the FDC condition to cause data loss under certain rare circumstances – Toshiba was not aware of that the FDC had ever actually caused data loss or data corruption in the approximately 15 million Toshiba portable PCs used by its customers worldwide.

After carefully considering the expected risks attendant on continuing the case and the opinions of its lawyers and experts, Toshiba decided to settle the case to avoid the risks involved in protracted complex litigation and a jury trial, including a potential worst-case scenario where the company's business itself would be threatened, and to continue to ensure its customers that the Toshiba brand name merits their trust.

In making such a decision, Toshiba took the following risks, among others, into account:

- The plaintiffs could have argued that, under certain US law warranty theories, they were entitled to recover damages up to a full refund of the purchase price without having to prove actual data loss or data corruption in any particular PC. Based on the plaintiff's arguments in this lawsuit, the damages awarded could have been as much as 1 trillion yen (approximately US$10 billion).
- Based on legal precedents in the U.S., including cases decided in the same jurisdiction as this lawsuit, there was a serious risk that a huge amount of compensation could have been awarded through a jury verdict in the class-action lawsuit.
- If Toshiba had not agreed to settle the case, the court could very likely have issued an injunction order prohibiting Toshiba from selling any PCs in the U.S. without first placing a warning label on the PC that said the PC could destroy important data.

We settled the case without any admission or finding of liability, and without any admission or finding that its PCs have any defects.

Toshiba has reflected a 106.3 billion yen (approximately US$1 billion) loss in its financial results for fiscal 1999, in connection with the settlement payment and other performance obligations under the settlement agreement.

We express our sincere regrets for any concern that this may have caused to our shareholders. We are making every effort to minimize any impact the settlement may have on our business, and also fully reviewing our business systems toward preventing any recurrence of such an incident.

Looking Back on a Year of Accelerating Change

In fiscal 1999, Toshiba took on the challenge of fundamentally redefining its management structure, business portfolio and corporate culture. Our underlying aim was nothing less than to ensure survival and thriving growth in today's borderless economy and fierce global competition.

Words Into Action ...

Optimizing the Benefits of the In-House Company System

A central strand of our management restructuring was the April 1999 introduction of the in-house company system at Toshiba Corporation. This gives each company operating autonomy and all necessary business resources, and requires them to develop an appropriate business approach, effective strategies and fast decision making. They also have to meet stringent targets for ROI and Cash Flow ROI and maximize cash flows. Improvement under the new system has been dramatic, as fiscal 1999 witnessed a net increase of ¥143 billion in cash flows from operating and investing activities. In short, the first year of operations under the new system offers positive grounds for future expectations.

Alliances Pave the Way to Profitability

In parallel with restructuring, we entered into a number of alliances in fiscal 1999, all with the intent of winning in the global marketplace and improving profitability.

In matured businesses, we set up joint ventures with Mitsubishi Electric Corporation in the industrial motor business, with General Electric Company and Hitachi, Ltd. in international nuclear fuel operations, and with Carrier Corporation in air conditioners. All three have made significant progress, especially that with Carrier. In its first year, it brought our air-conditioning business back to profit, after a series of losses. We are intent on making our matured businesses globally competitive and profitable. For those ends, we will continue to seek alliances with powerful partners, restructure existing operations, and consider other means to optimizing our business portfolio.

We also promote strategic partnerships in growth businesses, especially electronic components. Noteworthy collaborations include a June 1999 joint venture with Sony Computer Entertainment Inc. to produce the CPU for its PlayStation2 game console, and a new US-based joint venture with SanDisk Corporation, formed in May 2000 to develop and manufacture next-generation flash memories. Moves like these allow us to maximize the results we can achieve with finite resources, and to direct them to activities offering the greatest potential for attractive returns. We will continue to use partnerships as a tool to promote Toshiba's competitiveness.

Change in Corporate Culture

Of course, reorganization can only succeed if it is backed up by a whole-hearted commitment to success in the market. The key to that is Management Innovation 2001 (MI2001). Launched in October 1998, this company-wide initiative is applying Six-Sigma methodology to building a corporate culture that encourages continuous innovation and seeks total customer satisfaction. We began extending MI2001 throughout Toshiba Group in October 1999, disseminating a uniform methodology throughout the group via an information network that also supports the flow of results and achievements among companies. In fiscal 1999, some 4,000 MI2001 projects generated savings of approximately ¥34 billion.

The Next Step—The Mid-Term Business Plan

As we have noted, our performance has improved steadily since the second half of fiscal 1999, especially in our semiconductor business. We are convinced that this represents the first benefits of our restructuring program, and we are sure it is no short-term trend. Consequently, the mid-term business plan announced in March 2000 represents a clear roadmap for future expansion. It sets forth fundamental management policies and strategies for the three years to March 2003, and is designed to bring us to the point where we can sustain high growth and profitability throughout Toshiba Group. We are achieving this through the benefits gained from fully utilizing the latest advances in information systems and expanding IT-related businesses.

Our strategic business sectors will prioritize IT business, particularly in the central areas of networks and mobile devices. We will accelerate growth by fusing our advanced capabilities in network security, image compression and other crucial mobile technologies with our leading-edge semiconductor, LCDs and digital components technologies.

Business-to-business (B2B) operations center on the e-Net Business Division, formed by the Information & Industrial Systems and Services Company in April, 2000 as a platform for expanding system solutions. The main approach here will be to utilize to the full our front-end processing skills as an application service provider (ASP). In this connection, we are enlarging and upgrading our data center, the core of our services support. We will enter the emerging area of digital data-broadcasting by working with our affiliate, MediaServe Corporation, to build an e-commerce organization offering retailing, billing and payment services via digital TV broadcasts.

As part of our drive into Internet-based services we established our ninth in-house company, the iValue Creation Company, in April 2000. A wide range of on-line operations will include business-to-consumer (B2C) services that use Toshiba's present portals and the FreshEye search engine, to conduct "Web-top" services over broadband, mobile networks. Content-related services will be rapidly developed through ties with such prominent partners as Time Warner, Nippon Television Network, Kadokawa Shoten Publishing and EMI.

Establishing an Inter-Company Value Chain

We introduced the in-house company system as a means for individual companies to develop strategies for success in an age of global mega-competition. In order to achieve the goals of our mid-term business plan, it is essential that we are able to integrate the strengths of the different companies with one another, to expand the range of business opportunities and enhance total value. The vehicle for this is our inter-company value chain, which can promote in-house alliances in key areas, particularly among companies working in IT-related businesses. The value chain is now promoting six projects in media cards, mobile devices, network home appliances, digital broadcasting services, Internet services and Intelligent Traffic Systems and automotive electronics.

A Sound Base for Consistently High Returns

Raising Returns on Assets and Assuring Financial Soundness

We are taking numerous steps to use our assets more productively. The advanced customer relationship management (CRM) and supply chain management (SCM) systems we are introducing give us the flexibility we need to handle demand fluctuations and to improve inventory management and cut stock levels. Financial initiatives include enhanced utilization of asset-backed securities and commitment line. New investments will be tightly focused and tracked to make sure they create value exceeding the cost of capital, toward which we are promoting management systems that reflect a corporate ROE target and ROI and free cash flow targets for each in-house company.

IT Investments to Upgrade Internal Systems

New IT systems have the potential to revolutionize management, and we have devoted considerable resources to their development and adoption. Model CRM and SCM systems for our PC and semiconductor businesses are already being deployed, and will be extended to cover worldwide operations. We expect them to get products to market faster and to achieve major reductions in inventories and distribution costs. In fiscal 1999, we completed the adoption of enterprise resource planning (ERP) software that is expected to raise productivity and returns. We are also adopting procurement EDI that will achieve significant cost cuts by bringing all procurement activities onto the Internet by the end of fiscal 2001.

A New Style of Management

The current fiscal term will see the continued evolution of the in-house company system. Each company will have the freedom, and responsibility, to choose the platform best suited to its markets: the current in-house status, a spin-off, alliances, or any other approach deemed appropriate. At the same time, the corporate headquarters will seek to reinforce consolidated performance by promoting strategic tie-ups among Toshiba Group, embracing the in-house companies and related subsidiaries and affiliates. Such cooperation will include exchanges of human and other resources to facilitate the productive use of assets.

Another area where we are promoting change is remuneration, part of a focus on developing individual capabilities. Performance will be given much greater weight in determining pay and promotions, and individuals will be motivated to perform at full potential, in an environment that allows them to develop their creativity and capabilities. The in-house compa-

Words Into Action ...

nies will establish personnel systems suited to their operations, and new business ventures will be much more flexible, able to offer stock options, annual-salary packages and other forms of remuneration and incentives.

Environmental protection is a central plank of management, and Toshiba seeks to work for a society that maximizes recycling of resources. Environmental accounting was introduced in fiscal 1999, and we will step up disclosure through environmental reports. Our goal here is to make all of Toshiba's operations fully transparent in terms of environmental activities.

The Ultimate Goal - Increasing Toshiba's Value

We want to close this review by restating a point we made at the beginning: fiscal 1999 was a year of transition that saw Toshiba position itself for sustained growth and profitability in the future. This year, and in years to come, we will be decisive in pursuing the goals of our mid-term plan. We will listen to the market, recognizing it as the source of information we need, the force that shapes our strategy and the focus of our activities. We will foster closer links with our customers, to better understand their needs and wants. And, most importantly, we will achieve results that meet the expectations of our stakeholders– particularly our shareholders, customers and employees – and that earn Toshiba recognition as a respected and valued company.

Through our products and services and our enhanced customer support, we will assure a level of performance in this and coming years that places Toshiba in the front ranks of the world's most admired companies.

June 2000

Taizo Nishimuro
Director
Chairman of the Board

Tadashi Okamura
Director
President and Chief Executive Officer

Inter-Company Value Chain >>

Molding an Inter-Company Value Chain Determined to maximize value, Toshiba views its in-house companies as more than stand-alone businesses. Many opportunities exist to foster mutually beneficial ties among them. Molding an inter-company value chain will boost the value of the entire Toshiba Group. The products and services generated by this chain will form the nucleus of a New Toshiba. IT is catalyzing this process. Toshiba is positioning itself in the mainstream of shifts in business practices and lifestyles as the information age gathers momentum in the 21st century.

The Six Pillars of the Value Chain Toshiba's inter-company value chain targets six markets: media cards; mobile devices; network home appliances; digital broadcasting services; Internet services; and Intelligent Transportation Systems (ITS) and other automotive devices. These markets will guide investments in existing as well as new businesses. Power and industrial systems, consumer products and other traditional businesses will all benefit. The convergence of Toshiba's resources on these six markets will rapidly build a powerful value chain. All in-house companies will have a common platform for sharing their resources. Each company will expand faster as a result, and so will Toshiba as a whole.

- Media cards
- Mobile devices
- Network home appliances
- Digital broadcasting services
- Internet Services
- ITS/Automotive devices

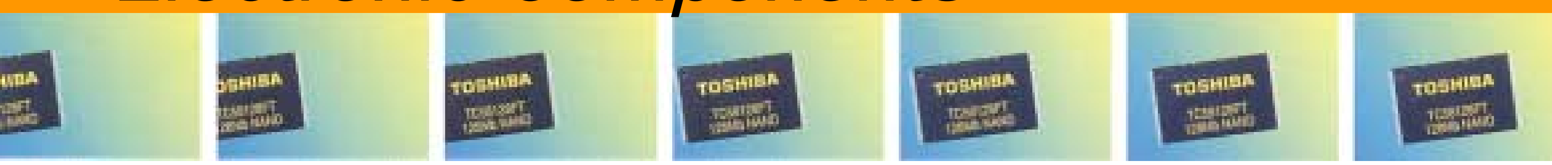
Toshiba is intently focused on a single field: information technology (IT). Toshiba is offering products ranging from information appliances like portable PCs, mobile phones, and portable audio-visual devices, all of which can function as portals, to cutting-edge electronic components like semiconductors and LCDs. And it is coupling them with services that provide solutions for specific customer requirements. Channeling resources to two IT domains—mobile applications and networking—will place Toshiba on a faster growth track, one driven by value-added products and services.

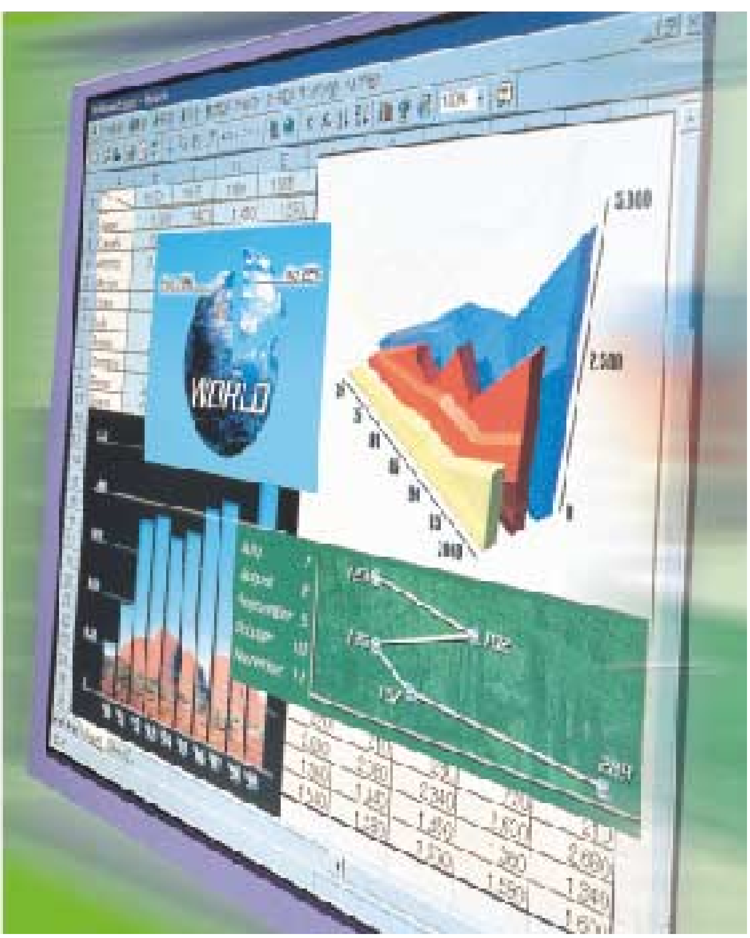
	Information and Industrial Systems & Services Company	iValue Creation Company	Digital Media Network Company	Semiconductor Company	Display Devices & Components Company	Power Systems & Services Company	Home Appliances Company
		Content distribution	Memory cards/ application products	Flash memories			
	Wireless devices Satellite	Content distribution	PC Cellular phone	Telecom LSIs	LCDs/Batteries		
		Content distribution	Network AV Digital TV	System LSIs	LCDs/Batteries		Digital white goods
	Mobile data broadcasting	BtoC Content distribution					
	BtoB ASP	BtoC Content distribution					
	Infrastructure/ application systems		PCs for cars	System LSIs CPUs	LCDs/Batteries	Fuel cells	

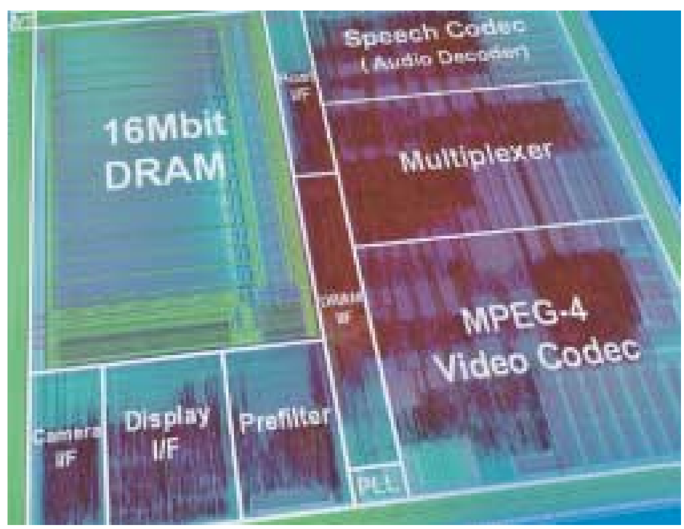
Toshiba Corporation comprises nine in-house companies as of April 1, 2000: the seven companies listed in the table, Medical Systems Company and Elevator and Building Systems Company.

For Toshiba, electronic components are the means to drive technological progress and a major source of growth and earnings. The company is targeting markets related to mobile devices and networks to accelerate the growth in system LSI sales. In discrete components, Toshiba is preeminent in the global market, and bolstering its product line and profitability with new products for mobile applications. Flash memories are being cultivated as the nucleus for the business, and Toshiba seeks the lion's share of the market for NAND flash, a technology invented by Toshiba. In DRAMs, we will seek efficiency in R&D and production including enhanced collaboration with global partners. In this way, the company retains strengths in the three key product areas of the semiconductor business. In other areas, low-temperature polysilicon TFT LCDs and advanced lithium-ion rechargeable batteries have both defined new capabilities in their markets. They are moving into the mainstream and toward rapid growth.

Electronic Components >>







^ *The world's first single chip MPEG-4 system LSI with embedded DRAM achieves the breakthrough integration in necessary for realizing videophones.*

< *Low-temperature polysilicon LCDs boast low power consumption and outstanding sharpness, performance that earned them the Display of the Year Award from Society for Information Display.*

\>
SmartMedia, developed by Toshiba, is perfect for storing digital still photographs and has great potential in mobile products handling images, music and other data.

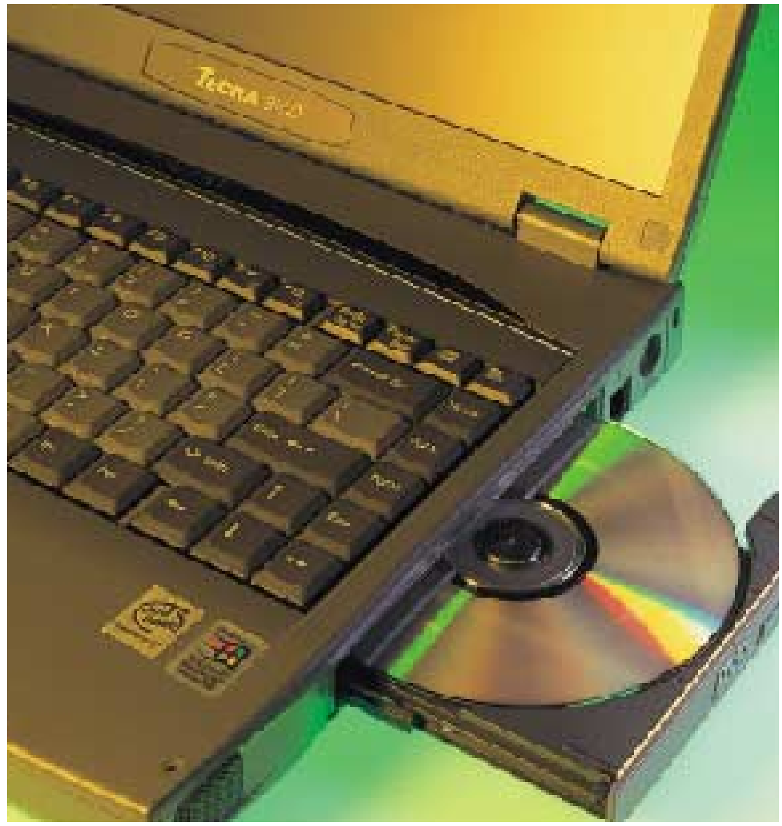
v The small, light SD Memory Card combines high level copy protection with high volume storage capacity. Toshiba has started mass production, and launched a mobile audio player incorporating the card.

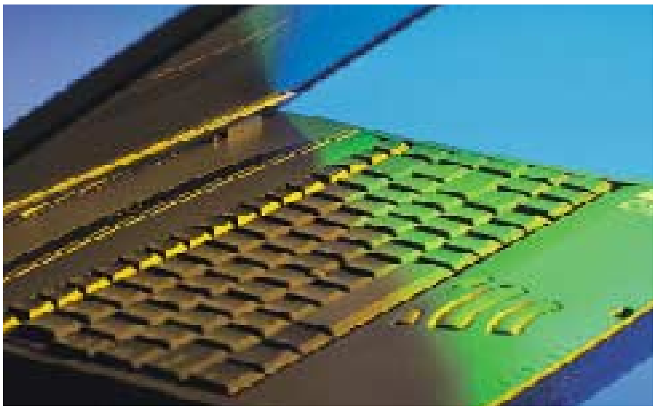
Media Cards >>

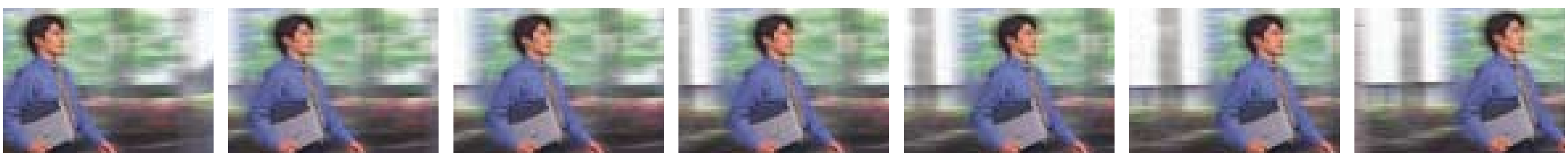
The age is portable, demand taking off for personal products like digital cameras and mobile audio players. Toshiba adds to the potential with its NAND-flash-memory based SmartMedia™ and the SD media cards. Record data on one device, view it on another; enjoy total flexibility. The market is ready to soar, and Toshiba is ready to drive it, working closely with developers of products, services and content, making sure media card power delivers attractive innovations

> v

Toshiba has preserved its position as the world's number-one supplier of portable PCs for the past six years, using the increasing popularity of the Internet and mobile computing to achieve consistent growth.





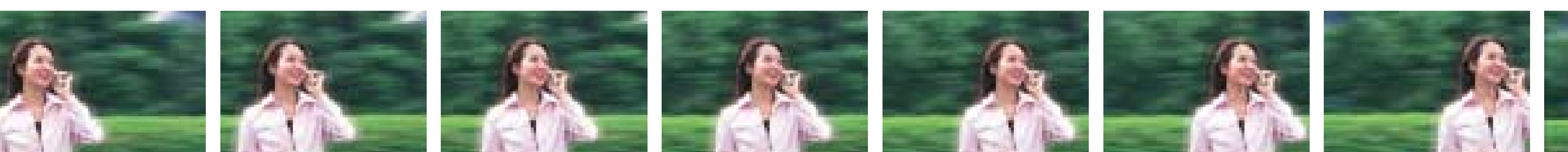


Portable PCs >>

Inter-company Value Chain >>

No other company has done it. For six years, Toshiba has led the global portable PC market in products shipped. It's an achievement that pays powerful testimony to an unrivaled record for quality, performance and trail-blazing product development. In a phrase, great PCs. Toshiba is now backing up its products with advanced IT systems: sophisticated customer relationship management and supply chain management systems to manage demand and meet market trends. And cost-competitiveness is being enhanced by increasing overseas production. But the key innovations will come in the PCs themselves. Look for enhanced networking capabilities, including Bluetooth-compatible models, and for great audio-visual features. And look for Toshiba to retain its lead in the global portable market.

New technologies are offering new opportunities, and Toshiba is seizing them. Already a key player—number two in the US market for CDMA handsets through OEM supply to Audiovox—Toshiba is looking to W-CDMA and other next-generation standards as a way to increased market share. The Wideband CDMA Business Development Division started business in January 2000 to speed development of products for Japan's spring 2001 launch of W-CDMA service. It's a promising opportunity, one where industry-defining skills—Toshiba created the world's first single-chip MPEG4 LSI—will assure a position far ahead of the global competition.



Cellular Phones >>

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Mobile phones using the CDMA-One standard utilize packet switching to offer e-mail services and Web surfing. Toshiba's phones feature high reception sensitivity that maximizes the standard's excellent sound quality and resistance to signal interruptions.

< *A value chain linking the Semiconductor Company and Digital Media Network Company realizes a next generation MPEG-4 videophone that will support such advanced services as moving picture distribution (this picture shows a prototype).*

Toshiba is building a highly sophisticated system integration framework. It identifies crucial points in business practices and ways to improve operations, and then applies consulting and IT skills to create optimized solutions. These can be applied to all essential areas of business: procurement, manufacturing, logistics, sales and other activities. Total energy solutions is another face of the services the company offers: consultation on energy conservation; an energy-conserving physical plant management service and an operating and maintenance management system. Toshiba is also involved in total solutions for medical systems, including hospital management, and in remote maintenance services. In these and other ways. Toshiba is working on supplying services that address the unique requirements of each of its client industries.

Inter-company Value Chain >>

System Solution Services >>

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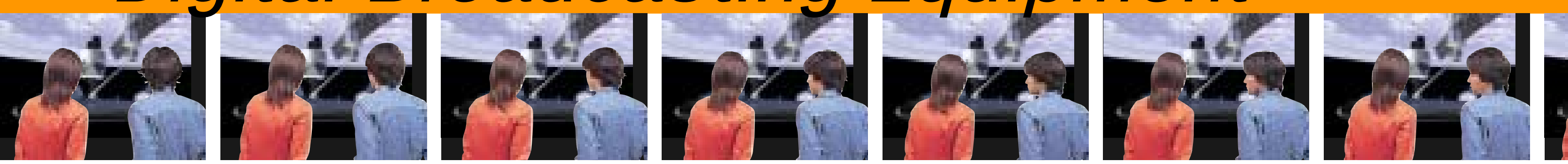
The water control system in Izumi, Osaka Prefecture, supports comprehensive planning and management of all water resources and also supports contingency management during times of emergency.

< *The ATRAS trading system developed for Daiwa Securities SB Capital Markets Co., Ltd. brings speed and accuracy to everything from order placing to highly sophisticated trading functions. Dealers can also rely on it for real-time access to information.*

<
From broadcasting equipment to TVs and tuners in the home, demand for digital-ready products will take off in Japan this December, when BS digital broadcasts begin. Terrestrial digital broadcasting will follow in 2003.

V *Signal quality is optimized by the high-performance, low-distortion converter of Toshiba Techno Network's BS parabola antenna.*

Digital Broadcasting Equipment >>



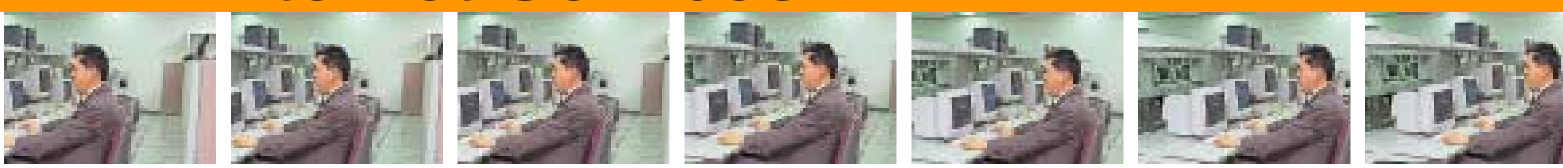
Digital broadcast satellite (BS) broadcasts are poised to start in Japan... thanks to Toshiba! Six of the country's eight digital broadcasters have opted for Toshiba equipment, and more orders are expected for the terrestrial digital stations due to start broadcasting in 2003. Toshiba will also offer services, BS digital data broadcasts of interactive e-commerce, through a new affiliate, MediaServe Corporation. With demand for hardware set to grow, Toshiba is ready and waiting with a broad range of digital broadcasting equipment, including program production systems and video data management systems.

>
A ¥20 billion investment in its data center positions Toshiba for growth as an application service provider.

∨ In the B2B sector, Toshiba excels in system solutions that take advantage of its expertise in front-end processing.

Inter-company Value Chain >>

B2B Internet Services >>

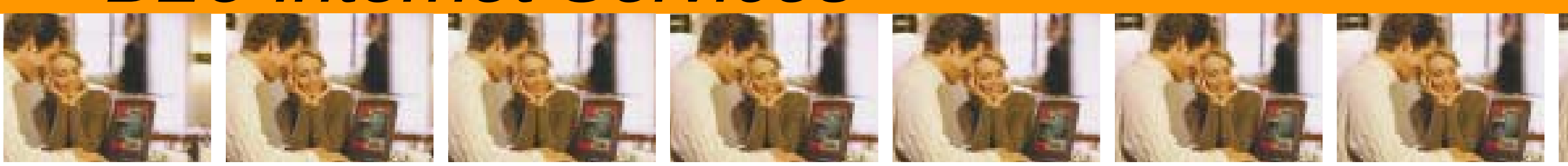


The e-Net Business Division stands in the vanguard of Toshiba's B2B strategy. Diverse expertise gained in providing system solutions for industry, and in supplying a full line of electric and electronic products, is focused through the lens of the division to define business models for Internet-based services targeting corporate clients. At present, the division is concentrating its services in five areas: materials procurement; support for broadcasting-based e-commerce ventures; outsourcing and application service provider (ASP) services for medium-sized companies; knowledge integration; and positioning data. ASP services are particularly attractive: Targeting rapid growth in outsourcing services, Toshiba is channeling ¥20 billion into a major enlargement of its Data Center.

Toshiba is fusing B2C with the mobile future to define and develop mobile Internet services and content. Spearheading the drive is iValue Creation Company, the newest of the in-house companies. In its first steps, it is using Toshiba's popular portal, the "Eki-mae Tanken Club," and its "FreshEye" search engine to speed the growth of Internet services for mobile terminals. A rich storehouse of content will be delivered by tightening links to form closer ties with powerful strategic partners, among them Time Warner, Nippon Television Network, Kadokawa Shoten Publishing and EMI .

iValue creation

B2C Internet Services >>



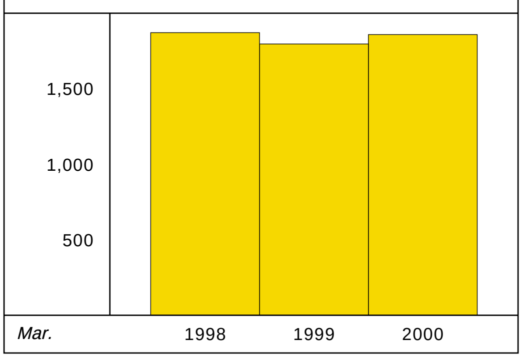
^ *FreshEye search engine uses Toshiba's high level technologies to deliver fresh information. It forms the nucleus of a growing Internet business targeting mobile devices. (http://www.fresheye.com)*

> *The Ekimae Tanken Club Internet service provides train schedules and connections for trips, and a guide to entertainment around major stations. Since July 1999, Ekimae Tanken Club has provided road maps, too. (http://ekitan.com)*

Information & Communications and Industrial Systems

This key segment ranges wide, embracing products as diverse as broadcasting systems, medical equipment and elevators. Segment sales increased 3% to ¥1,858.3 billion, accounting for 28% of consolidated net sales, one point down from the previous year.

Net Sales
(¥ billion)



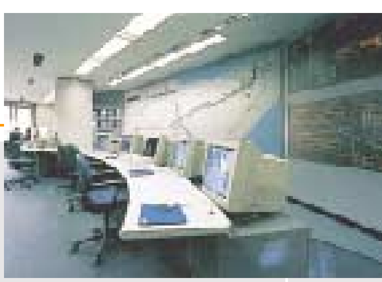
Share of Net Sales %

Mar.	1998	1999	2000
	29.8	29.3	28.3

Note: Segment sales include intersegment transactions.

The year saw considerable advances for broadcasting equipment. As Japan prepared for digital broadcasts via broadcasting satellites in late 2000, Toshiba captured crucial equipment orders from five of six program broadcasters and from six of eight data broadcasters, including MediaServe Corporation, a Toshiba affiliate. The company's strength-in-depth in digital broadcasting was underlined by the Telecommunications Advancement Organization of Japan's selection of Toshiba to provide key equipment for six of the ten digital terrestrial experimental broadcasting facilities it will fund under a supplementary budget granted to the Ministry of Posts and Telecommunications.

Progress was made in IT-based services and communications, key areas for future growth. Initiatives included the December 1999 establishment of T&I Solution Co. Ltd., a Toshiba and IBM Japan, Ltd. joint venture that supports banks with data processing and communications systems.



Toshiba road traffic systems have contributed to driver and passenger safety and smoother traffic flows on western Japan's Kitakyushu Expressway since April 1999.

V Series Total Controllers bring next-generation capabilities to factory automation, including machining and assembly, and to process automation—two potentially immense markets.

B2B Internet services is a key area where Toshiba is developing new system-related businesses. In Japan, the company is enabling a shift to "e-government" with G-EC Solution, the world's first dedicated system for government and administration. It brings the power of IT to processing applications, document storage and many other tasks. As it simplifies procedures and enhances public access, G-EC Solution also yields major gains in efficiency and reliability. Marketing activities began in June 1999.

In telecommunications, Toshiba cemented its leadership in network protection and management equipment for submarine cable communications by delivering systems for the new backbone cable linking China and the U.S. The company also developed a high-speed Broadband Wireless Access System that is expected to generate strong global demand. Early customers include Sony Corporation.

Fiscal 1999 saw Toshiba continuing to respond to the prolonged slump in Japan and to fierce international competition with measures to bolster its industrial systems sector. Key moves included:

- The sale of the domestic ATM business to Oki Electric Industry Co., Ltd., in April 1999.
- The May 1999 start-up of full-scale operations at Toshiba Schneider Electric Ltd. This joint-venture with France's Schneider Electric S.A. is increasing sales of low-voltage power distribution and control devices, such as contactors and circuit breakers.
- The integration of Toshiba and Mitsubishi Electric Corporation's motor businesses in TMA Electric Corporation. The company started developing and manufacturing of high-capacity industrial electric motors in October 1999, and has the scale, technology and cost advantages essential for competing globally with large overseas competitors.

The features for tracking buying patterns and supporting fast inventory adjustment that Toshiba TEC Corporation builds into its POS systems have earned the company market leadership in Japan.

As Japan prepares for the start of digital terrestrial broadcasts in 2003, the government selected Toshiba to develop and supply equipment for six of the ten experimental systems that have been set up nationwide.

■ The March 2000 agreement with General Electric Company of the U.S. on a joint venture in industrial control systems. Once it starts operation in October 2000, the combined resources of its parents will allow the new company to better meet the demands of current clients and to enter new markets. Efficiency gains in sales, engineering and maintenance are expected to shape an extremely competitive operation.

■ The December 1999 decision to spin off Toshiba Corporation's industrial systems business into two subsidiaries, one dedicated to manufacturing the other sales, in order to enhance cost competitiveness and responsiveness to market shifts. The new companies began operations in April 2000.

The medical systems business experienced a year of slowing demand and moves to curb medical costs that caused sales to decline. The company responded with competitive products, including the Aquilion multi-slice CT system, which integrates the world's fastest CT scanner with the world's widest multi-slice detector. Aquilion covers larger areas at higher speed and in more detail than other CT scanners, significantly cutting burdens on patients in terms of scanning time, exposure to x-ray radiation and the use of contrast agent.

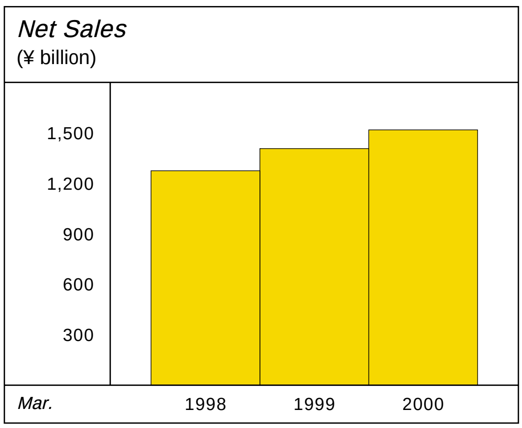
Toshiba's reputation in the elevator and escalator business was burnished by winning a contract to construct the world's fastest elevators for Taipei Financial Center, Taiwan. In other business, the superiority of the company's machine-room-less SPACEL elevator generated strong sales that are expected to continue in 2000 and beyond, as the majority of elevators make the switch to this technology. Another highlight was expansion of a technology sharing agreement with Kone Corporation of Finland.

The panorama elevator at Saga Prefectural Aerospace Science Hall is an attraction in itself. It holds up to 43 people and travels at a speed of 35 meters per minute.

The latest addition to the Acquilion™ series sets the standard for multi-slice CT systems. It offers an unrivaled half-second full-rotation scanning, the fastest in the world, and the ability to produce images of four slices simultaneously.

Digital Media

The digital media segment covers core businesses that will drive future growth, including mobile products. In fiscal 1999, sales increased 8 percent to ¥1,517.7 billion and remained unchanged at 23 percent of total sales.



Share of Net Sales %

Mar.	1998	1999	2000
	20.3	22.9	23.2

Note: Segment sales include intersegment transactions.

Toshiba's preeminence in mobile computing received powerful confirmation as the company recorded an unprecedented sixth year as number one in the global portable PC market. Overall, PC unit shipments climbed 21 percent, in support of marked sales increases in Japan and overseas, and operating income remained high, reinforced by successful efforts to curb costs and inventories. With demand rising, the company expanded operations with the April 2000 start-up of Toshiba Computer Systems (Shanghai) Co. Ltd., a new subsidiary in Shanghai, China that will manufacture and sell portable PCs.

Higher sales were also recorded in network-related equipment. Year-on-year sales of PC servers soared about 2.7 times through expansion into Europe and China, reinforced marketing operations in the United States, and high demand for entry-model units in the Japanese market. Domestic sales of UNIX servers also

The comprehensive lineup of the Satellite series of three-spindle, A4-sized portable PCs combines performance with value in a compact design.

Toshiba's CDMA cellular phone for Audiovox Corporation is a tri-mode handset compatible with CDMA 800MHz, CDMA 1900MHz and analog standards, and supports service coverage in almost all regions of the U.S.

grew, alongside strong demand for Internet business servers. In the U.S., Toshiba developed the first cable modem to be certified by Cable Labs, a move that won major orders from U.S. CATV operators.

With cellular phone penetration of the Japanese market at an all-time high, the year saw a slowdown in the pace of new subscriptions. Demand for upgraded handsets more than made up for this, particularly for phones supporting Internet capabilities. Demand for cellular phones also climbed in North America, as CDMA and other digital formats attracted new subscribers. In this positive environment, Toshiba generated significant increases in orders, sales and earnings.

The growing demand for computers provided a welcome stimulus in data storage equipment. New 2.5-inch hard disk drives for the notebook PC market, featuring GMR heads and the industry's highest data recording density, enjoyed steady sales growth. Expansion was more dramatic in optical disk drives, where the accelerating shift from CD-ROM drives to DVD-ROM spurred a surge in demand. Toshiba's slim models proved particularly popular and took the lead in market share.

Video products enjoyed solid domestic business as consumers readied for the start of BS digital broadcasts in 2000. Flat-screen color TVs increased market share, with interest focused on models offering the higher picture quality of progressive scan technology, D3/D4 digital connection terminals and other features needed for

Toshiba's latest breakthrough in data storage is an ultra-slim 1.8-inch HDD. Only 5mm thick and small enough to build into a PC Card, the drive offers an unmatched capacity of 2GB.

The Magnia series of global network servers offer all the reliability and durability essential for the core element of corporate networks.

digital reception. However, rapid yen appreciation over the year hurt the overseas market. The growing use of PCs as a presentation tool translated into higher sales of LCD projectors in Japan and overseas. A move away from the traditional boxy design to round projectors proved successful, particularly a Toshiba model of unprecedented lightness and compactness.

DVD video players made a dramatic move into the mainstream, with major rises in sales in all key markets, especially North America. Digital still cameras continued to enjoy growing popularity, and Toshiba saw a major upswing in sales with the worldwide success of the "Allegretto" series. The star model was the Allegretto M70, which combines outstanding picture quality with a 3.37-million-pixel CCD and wide-aperture 3X zoom lens.

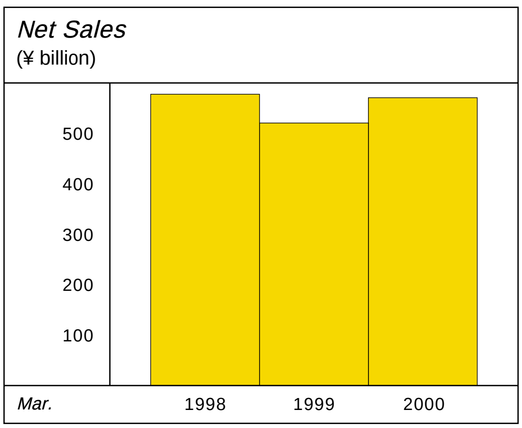
In March 2000, Toshiba offered the world a glimpse of the digital mobile future when it unveiled a series of revolutionary products, including the first ever mobile audio player with SD memory card; an MPEG4-based digital camera with 3.37-million pixel CCD; and a portable DVD-ROM/Video player with a high resolution low-temperature polysilicon TFT LCD. Through such innovations Toshiba will realize the full potential of the networked era.

Toshiba makes the connection between the PC and CATV networks with the first cable modem certified by Cable Labs, bringing high-speed, interactive networking into the home.

BS digital tuners and BS digital high-definition TVs developed for the December 2000 start of BS digital broadcasts in Japan.

Power Systems

The segment covers the power generation and transmission systems essential for all aspects of modern life. Sales in the period increased 10 percent to ¥570.7 billion, and rose from 8 percent to 9 percent of total sales.



Share of Net Sales %

Mar.	1998	1999	2000
	9.2	8.5	8.7

Although results were flat in Japan, where electric utilities continue to squeeze capital expenditure, growth in exports to China and the Middle East underpinned a strategy of globalization of operations.

Nuclear power saw major contributions to sales from construction work at Unit No. 3 of Onagawa Nuclear Power Station, operated by Tohoku Electric Power Co., Inc., and replacement of the reactor shroud at Unit No. 2 of Tokyo Electric Power Co., Inc.'s Fukushima No. 1 Nuclear Power Station.

A number of large orders were received during the year.

■ With Marubeni Corporation, Toshiba was selected by the Abu Dhabi Electricity & Water Authority to supply a complete network of substations. Work began in September 1999 and will be completed by April 2001. This was the third consecutive order in Abu Dhabi.

A Toshiba boiling water reactor (BWR) is at the heart of Onagawa Nuclear Power Station Unit No. 3, which Tohoku Electric Power Co., Inc. will bring on-line in January 2002.

Tokyo Electric Power commissioned a second advanced combined-cycle generator, for Unit No. 2-2 of Chiba Thermal Power Station, following successful operation of the system installed at its Yokohama Power Station Stage 7.

■ A consortium of Toshiba, Mitsui & Co., Ltd. and Ishikawajima-Harima Heavy Industries Co., Ltd. (IHI) will construct a thermal plant in Australia. Construction began in January 2000 and the plant will be commissioned in March 2003. The consortium has already constructed power plants in Australia with a combined output of over nine million kilowatts.

■ EDF of France, the world's largest electric utility, selected Toshiba, with Nissho Iwai Corporation, to supply a generator for a thermal power plant in Egypt—the first generator ever supplied to EDF by a Japanese company.

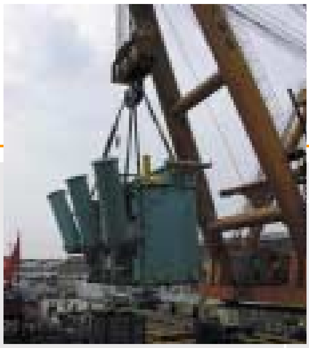
The year also witnessed many new joint ventures and alliances.

■ In December 1999, two joint ventures were founded with IHI and Toshiba Plant Kensetsu Co., Ltd. Toshiba Power Systems Radiation Techno-Service Co., Ltd. provides consulting and services for handling radioactive materials. Toshiba Power Systems Inspection Service Co., Ltd. undertakes quality control management and inspections of nuclear power sites.

■ Global Nuclear Fuel, established with General Electric Company and Hitachi, Ltd. in January 2000, develops, designs, manufactures and sells nuclear fuel.

■ A December 1999 joint venture with Schneider Electric S.A. of France develops and produces high-voltage power transmission and distribution equipment. The agreement also covers cooperation in joint procurement.

Two joint ventures with GE, producing turbine blades in Japan and Mexico, began operations during 1999, as planned.

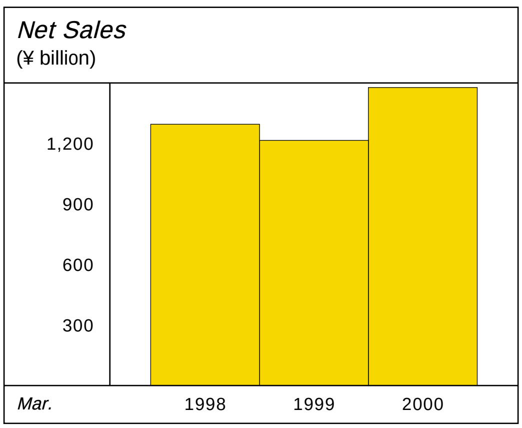


Toshiba partnered with Mitsui & Co., Ltd. and other companies to operate Changzhou Toshiba Transformer Co., Ltd. in China. The company manufactures and sells substation transformers and has already built up a robust business.

At the Plant Refresh Test Facility, Toshiba technicians use a model of a nuclear reactor to develop new ways to inspect the interiors of reactor vessels and to conduct preventive maintenance. The facility is also used for training.

Electronic Devices & Components

From semiconductors to LCDs, this segment provides the enabling technologies for today's advanced electronics. A 22 percent advance boosted sales to ¥1,477.3 billion, and from 20 percent to 23 percent of total sales.



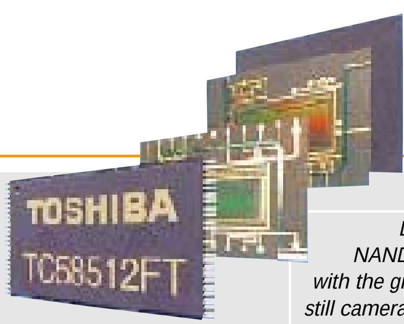
Share of Net Sales %

Mar.	1998	1999	2000
	20.6	19.8	22.5

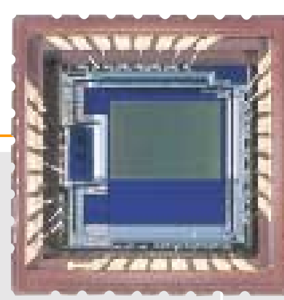
Note: Segment sales include intersegment transactions.

A number of factors came together to increase semiconductor sales: demand flourished for NAND flash memories; DRAM sales benefited from price stability and increased volumes of 128M DRAMs and other capacities; cellular phones stimulated demand for LSIs and discrete devices. As a result, semiconductor operations returned to the black in the second half of the fiscal year. LCD sales were also strong, on large orders from manufacturers of portable PCs and other mobile products.

With growing application in digital cameras, music players and other products, NAND flash memory is poised to take off. Toshiba's full fledged strategy for the business includes a joint venture with SanDisk Corporation, Flash Vision LLC. With Toshiba's expertise in such areas as fine-line geometry and Shallow Trench Isolation Technology, and SanDisk's capabilities in multi-



Demand for high-capacity NAND flash memory is soaring with the growing popularity of digital still cameras, digital audio players and other mobile equipment.



Specially developed for mobile devices, this 330,000-pixel CMOS image sensor adds an analog-digital converter to its small, light design.

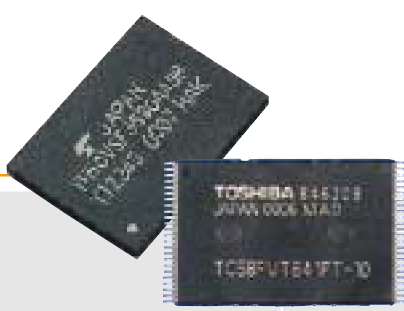
level cell technology, Flash Vision will develop high-capacity NAND flash memories and controllers for SD memory cards. Its products will go into the SD memory card Toshiba developed with SanDisk and Matsushita Electric Industrial Co., Ltd., and into Smart Media and other memory cards.

Toshiba's advanced capabilities in integration were the center of attention with the announcement of “Emotion Engine”. This 128-bit CPU, developed with Sony Computer Entertainment Inc., for its PlayStation 2 game console, takes game playing to a new level. A dedicated new 8-inch wafer fab at Toshiba's Oita Operations started to manufacture the CPU in fall 1999.

More ingenuity was demonstrated in April 2000, when Toshiba began producing the first ever multi-chip package to combine a 64MB NOR flash memory with an 8MB SRAM. It's a breakthrough device that will help make cellular phones and other portable devices even smaller.

As it builds a solid base for long-term expansion, Toshiba has restructured semiconductor operations around three core businesses: memories, system LSIs and discrete devices. In line with this strategy, the company took a number of steps in the course of the term.

- In March 2000, Toshiba combined its know-how in fine-geometry technology and other skills with Dai Nippon Printing Co., Ltd.'s knowledge of volume production techniques to form a semiconductor photomask production joint venture.
- Asia Electronics Inc., a subsidiary, transferred its semiconductor tester operation to Advantest Corporation.
- Toshiba decided to sell its share of logic-device manufacturer Tohoku Semiconductor Corporation to the joint-venture partner, Motorola, Inc.



The 64MB NOR flash memory (above) can simultaneously read and write data. Stacking it with an 8MB SRAM in a single multi-chip package (below) advances the design and development of compact, high-performance products.

Leading-edge logic LSIs are produced in Oita, Japan, with advanced 0.18-micron process technology.

■ Toshiba agreed to purchase IBM's share in their joint-venture fab, Dominion Semiconductor in the U.S. Dominion LLC will become a wholly owned subsidiary in December 2000, and the Toshiba DRAM and NAND flash memory production base for North America. Shipments of 256M DRAMs will begin late in 2000.

Reorganization also saw the company set in motion a global project to apply IT to cutting inventories, speeding deliveries and enhancing customer satisfaction.

LCDs enjoyed stable prices as orders outstripped supply. Toshiba maximized profit by concentrating on improving yields and productivity and by introducing new products. Chief among these were low-temperature polysilicon TFT LCDs, a highly promising new technology that went into full production in April 1999. Current products range in size from four to 11.3 inches.

Looking to the future, Toshiba brought its expertise in CRT technology to joint development with Canon Inc. of the surface-conduction-electron-emitter display (SED), a next-generation, large-scale display technology.

In batteries, Toshiba brought to market the world's thinnest, lightest lithium-ion rechargeable battery for cellular phones. The company expects further advances in size reduction and storage capacity, making this advanced battery suitable for many mobile devices.

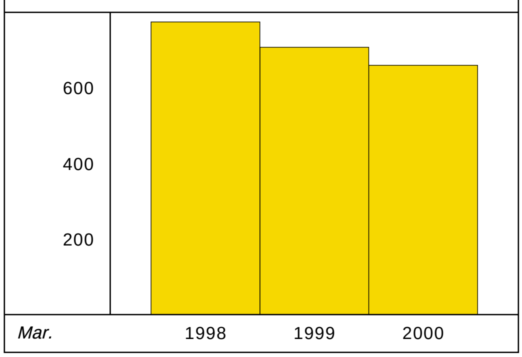
At 200 pixels per inch, Toshiba's low-temperature polysilicon LCDs offer the same high resolution as a photogravure.

The technology Toshiba applied to achieving the world's slimmest, lightest high capacity lithium-ion rechargeable battery for cellular phones will be used to develop smaller, high performance batteries for mobile equipment.

Home Appliances

A segment that provides essential products for daily life. Consolidated sales declined 7 percent in the year to ¥659.9 billion, on declines in lighting products and other areas, and fell from 12 percent to 10 percent of total sales.

Net Sales
(¥ billion)



Share of Net Sales %

Mar.	1998	1999	2000
	12.4	11.6	10.1

Note: Segment sales include intersegment transactions.

In a year of flat demand for refrigerators, Toshiba's innovative products grew market share by 2 percent. All five models in the "Miharibanko" series, which keep food fresh for twice as long as other Toshiba models, remained popular throughout the year. The second half saw success for three models with an electronic door that opens when touched, the "Korasenaide-Senzo-Shimasho" ("storing without freezing") series that keeps food fresh for up to three times longer than conventional refrigerators. Food service refrigerators for hotels also contributed to sales growth.

Washing machines were another area where Toshiba's new ideas overcame shrinking demand. Although the Japanese market declined by one percent, the extremely quiet performance of all four models in the "DD Inverter Washing Machine" series earned brisk sales and a 0.7 percent rise in market share. In February 2000, Toshiba again blazed a new trail with the launch of the world's first DD inverter washer-dryer. This fully automatic washer-dryer squelches noise and vibration in all stages of its cycle.

The fully automatic washer-dryer "Ginga 21" uses an inverter motor to achieve the industry's quietest home laundry.

"Korasenaide-Senzo-Shimasho" ("storing without freezing") refrigerators keep food fresher for longer, and the refrigerator section can be opened with just a tap on the door.

Delicious espresso comes to the home with this coffee maker jointly developed with Sweden's Electrolux.

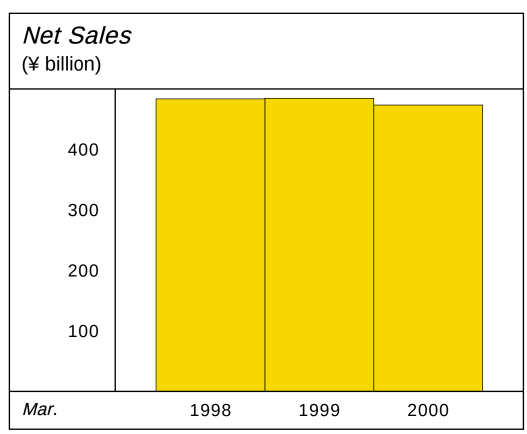
This vacuum cleaner, a big hit with the public, circulates exhaust internally, and so eliminates emissions.

Share gains in the Japanese market were recorded in such small appliances as microwave ovens, rice cookers and vacuum cleaners. Toshiba reinforced its leadership of the vacuum cleaner market with the March 2000 launch of an exhaust-free model.

Enhanced efficiency also underpinned a May 1999 agreement with AB Electrolux, the major European appliance manufacturer, to collaborate in household appliances. The two companies will cooperate in such areas as technology exchanges, product development, product and parts sourcing and environmental measures. With 13 working groups studying the best ways to advance in specific fields, the partners launched their first jointly developed product in February 2000: a home-use espresso maker. In Egypt, Toshiba has a technology sharing agreement for refrigerators with El-Araby Co. Similar agreements exist with Xi'an Changling Refrigerator Co., Ltd., GD Midea Holding Co., Ltd. and Shangdong Xiaoya Group Co., Ltd. in China, positioning Toshiba to make inroads in the home-appliance markets of the Middle East, Africa and China.

Others

In this segment covering other aspects of Toshiba's business, leasing and other financial services, real estate leasing and sales and distribution services are the primary sources of sales. Over the year, net sales decreased two percent to ¥473.4 billion, declining from eight percent to seven percent of total sales.



Share of Net Sales %

Mar.	1998	1999	2000
	7.7	7.9	7.2

Note: Segment sales include intersegment transactions.

RESEARCH AND DEVELOPMENT

The corporate R&D Center conducts research programs that seek to anticipate and meet the emerging needs of end users and that help to define the future direction of Toshiba. The adoption of the in-house company system has helped to clarify this role. Each of the nine companies works in defined markets, against recognized competitors, a focus that makes it easier to refine core technologies and accelerate the pace of research.

Under the mid-term business plan, and in support of the product areas being nurtured by the inter-company value chain, we are concentrating our energies on the critical fields of mobile communications and networks. The following paragraphs introduce some of our recent advances in technologies that will shape the next generation of products.

MPEG-4 System LSI for Next-Generation Mobile Phones

This DRAM-embedded system LSI for MPEG-4 video/audio encoding will enable realization of cellular video phones incorporating next-generation IMT-2000 technology. The LSI integrates two essential elements: the multimedia signal processors, with 16M DRAM, that are needed to support videophones and multimedia browsers on cellular phones; and a video input/output interface supporting direct connection to a camera or display. Mounting these functions on a single chip and adding newly developed energy-saving circuitry cuts power consumption to only 240mW—73% lower than for multiple chips doing the same job. This high-performance, low-energy design is essential for practical MPEG-4 on cellular phones.

As a key device for bringing videophone and multimedia browser capabilities to mobile phones, this new LSI will allow phone users to enjoy the Internet's rich audio and visual content with a handset offering the same compact dimensions as current models. A multitude of applications, including video telephony, will open the way to a world of personal mobile multimedia.

"Software Defined Radio" Technology

Every new generation of cellular phone brings new capabilities. But until now, anyone wanting to enjoy them had to trade up for a new handset, an expensive proposition. Toshiba's "Software Defined Radio" makes the upgrade a software solution, not a hardware one, and can be applied to Japan's PDC and PHS formats and to GSM, today's most widely used format. Software Defined Radio allows a single handset to be updated to accommodate new capabilities, such as e-mail and high-speed data transmissions, and allows format changes that give access to mobile communications systems around the world.

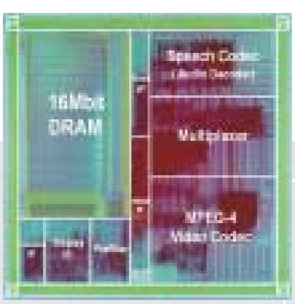
Upgrades are delivered as a software rewrite over the telephone, at just the press of a button. Commercial systems can be configured that support user verification, payment, connection control and other capabilities.

Moving Image Broadcasting and Reception System for Bluetooth

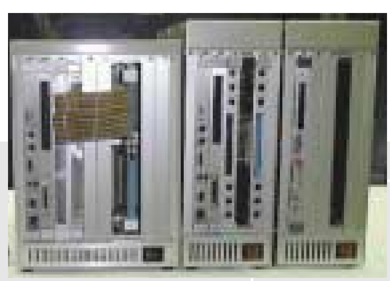
Toshiba has developed the world's first Bluetooth video transmission system incorporating MPEG-4 signal compression. The Bluetooth standard supports wireless interconnection of portable PCs, peripherals, mobile phones and other mobile devices over short distances. Data and voice transmissions require no intricate operations, but Toshiba's new system employs Bluetooth for seamless transmission of MPEG-4 video between the Internet and Bluetooth networks. Video conferencing is one potential application, telephony another: audio and video signals could be transferred from mobile terminals through Bluetooth to W-CDMA or other next-generation wireless systems.

High-Capacity, Ultra-Slim Advanced Lithium-Ion Battery

With the advanced lithium-ion battery (ALB), Toshiba has unveiled a breakthrough in battery technology for cellular phones that also has much wider potential. Batteries hold the key to reducing the size and weight of mobile devices, and to adding functionality that increases usefulness. The new cellular phone battery is only 3.6mm thick, weighs a mere 13 grams and has a weight-energy density of 160Wh/kg. These advantages also allow replacement of the customary metal canister with a laminated film



The world's first single-chip MPEG-4 videophone System LSI with embedded DRAM supports IMT-2000, the next generation digital mobile phone system. It met a warm response at ISSCC 2000, the International Solid-State Circuits Conference.



Toshiba's prototype for Software Defined Radio is a software solution allowing upgrades of cellular phone functions and changes of the operating format.

case. The final result is an extremely stable battery with a high discharge rate at temperatures as low as minus twenty centigrade. Moving beyond cellular phones, the battery has potential application in a broad range of mobile tools where users want displays as well as slimmer profiles.

New Ideas for Networks in the Home

Next generation networks are poised to come into the home. Toshiba is ready to facilitate that with its "home gateway" that will manage data flows between the Internet and any kind of home networks, IEEE-1394 for example. The gateway incorporates numerous technologies, including a web-server interface, real-time MPEG-4 processing and a Java platform. The gateway allows remote control of home appliances via the Internet or telephone, and even makes it possible to view, on a mobile PC or handset outside the home, a DVD or video playing at home.

Work is also progressing on wireless networks enabling cable-free link-ups of audio-visual devices in the home. By tapping 2.4GHz high-speed wireless LAN technology, Toshiba has devised a system that can connect devices through walls. Simplifying the process is an automatic initialization capability: users need do no more than turn on its power to place a device on the network. With this system, wired IEEE-1394 networks and wireless networks can be connected to one another with ease, and the possibilities are endless. MPEG-2 digital TV broadcasts, for example, could be recorded on a home server via the wireless gateway for viewing, through a wireless link, on a TV at a later time.

The company has developed the world's first system for transmitting MPEG-4 video and sound over Bluetooth.

The advanced lithium-ion rechargeable battery will support slimmer, lighter mobile applications offering greater functionality, including cellular phones.

TOSHIBA AND THE ENVIRONMENT

The Earth is an irreplaceable asset that we must hand on to generations yet to come. This fundamental premise informs Toshiba's approach to the environment, and underlines a concern to minimize the environmental impact of the company's activities to the fullest extent possible. In practice, that translates into the establishment of a mid-term environmental plan, support for "green" procurement, and the initiation of environmental accounting in the past fiscal year. In our manufacturing we observe five core principles: effective use of resources; prevention of global warming; strict management of chemicals; development of environmentally-conscious products; and recycling of end-of-life products.

Recycling Home Appliances

Japan continues to promote environmental legislation. With new regulations on recycling home appliances due to come into force in April 2001, Toshiba is putting together a nationwide collection and processing network. Proving tests have already started at Nishinihon Consumer Electronics Recycle Co., Ltd., in Kita-Kyushu, and are allowing refinements in recycling processes. Toshiba is backing this up with products designed for disassembly and development of new techniques for processing end-of-life appliances.

Making Operations More Environmentally Friendly

Over the years, Toshiba has promoted recycling programs and steps to cut waste generation, all to cut total waste. In fiscal 1999, the volume was brought down to 9% that in fiscal 1990, the base year, a figure comfortably exceeding the 26% targeted. Aware of concerns about dioxin, the company had shut down all 14 incinerators on Toshiba sites by the end of August 1999. Furthermore, complete elimination of dichloromethane has led to better management of chemicals.

While lowering environmental impacts in these ways, Toshiba also succeeded in conserving energy equivalent to 29,000 kiloliters of oil per year. In recognition of this contribution to preventing global warming, and for its disclosure of environmental data, Toshiba received the Special Corporate Prize of the Energy Conservation Awards for fiscal 1999.

Environmentally Responsible Products

With manufacturing at the heart of Toshiba's activities, particular attention is paid to the product life cycle. Consideration of environmental

The Toshiba Medium-Term Environmental Management Plan

Items	FY2002 targets	Voluntary plan targets (FY2005)
Zero emissions	2% of waste sent to landfills	By FY2003
Reduce chemical emissions	10% reduction vs. FY2000	30% reduction vs. FY2003 in FY2005
Reduce CO_2 emissions/sales	18% reduction vs. FY1990	25% reduction vs. FY1990 in FY2010
"Green" procurement	Set green procurement ratios using FY2000 as the reference year	Set green procurement ratios using FY2000 as the reference year
Product information	20% of products in each category to be environmentally compatible	50% of products in each category to be environmentally compatible
Reduce power consumption vs. product performance	10% reduction vs. FY2000	30% reduction vs. FY2000
Use of lead-free solder	Eliminate lead-based solder from all major new products in key home appliance categories	Eliminate lead-based solder from all products by 2003
Eliminate all HCFCs*	—	Complete elimination steps by December 2004

**Hydrochlorofluorocarbons are a refrigerant used in air conditioners and many other products.*

impacts is extended to materials, manufacturing processes, delivery methods, use and power consumption, and the product's ultimate recycling and disposal. Special attention is paid to design and recycling, environmental evaluations and labeling of parts and materials. Regulations, processes and guidelines have been elaborated in all these areas.

In April 2000, Toshiba took its program of product assessment during development a step further by launching a full-scale "green" procurement program. Designers must now observe guidelines on responsible design and support selection and purchase of "eco-materials."

The company's stringent standards have produced substantial benefits. In 1999, Toshiba air conditioners captured the MITI Minister's Award, the highest honor in the annual energy conservation awards given by Japan's Energy Conservation Center. Toshiba's air conditioners have received this honor in six of the competition's ten years, an unsurpassed achievement.

A Base for Environmental Protection

In addition to promoting environmental safety and training, Toshiba sets concrete goals and targets in medium-term environmental plans. The latest plan, covering fiscal 2000 to fiscal 2005, has been folded into the mid-term business plan, assuring the central place of environmental management in day-to-day business. With the introduction of environmental accounting in the past fiscal year, the company also gained a powerful tool for analyzing environmental costs and benefits.

Environmental Statistics

Environmental Protection Expenses	Toshiba Corporation:	259 billion
	Group companies:	117 billion
	Toshiba Group:	376 billion
Direct Benefits	Toshiba Corporation:	26 billion
	Group companies:	4 billion
	Toshiba Group:	30 billion
Estimated Benefits	Toshiba Corporation:	168 billion
	Group companies:	–7 billion
	Toshiba Group:	161 billion
Total Benefits	Toshiba Corporation:	194 billion
	Group companies:	–3 billion
	Toshiba Group:	191 billion

Companies surveyed: Toshiba Corporation, 45 domestic subsidiaries and affiliates and 16 overseas subsidiaries and affiliates. Survey period: April 1, 1999 through March 31, 2000.

The Mid-Term Environmental Plan

The comprehensive goals covered in the latest voluntary plan, Toshiba's third and most ambitious yet, setting new targets for waste reduction (with zero as the goal), creation of more environmentally friendly products, the full-scale application of "green" procurement, the reduction of chemical emissions and a greater emphasis on recycling end-of-life products. The plan also supports environmental training and seeks to cultivate a deeper awareness of environmental matters among staff.

Environmental Accounting

Toshiba's new system of environmental accounting combines government guidelines with its own methodology. In measuring costs, the company uses standards defined by Japan's Environment Agency. These recognize capital investments and R&D costs in connection with reducing the environmental impact of business activities, and operating expenses incurred in connection with environment. As there are no uniform standards for measuring benefits, Toshiba has developed its own, integrating original techniques to do so: quantitative reductions in environmental impacts as direct economic benefits, and estimates of benefits obtained.

The environmental accounts for fiscal 1999 show Toshiba Group gained benefits of ¥19.1 billion on expenditures of ¥37.6 billion. The company will continue to refine its application and use it to assure that expenditures produce optimized benefits.

Visit http//:www.toshiba.co.jp/env/english/ for more information.

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(As of June 28, 2000)

FIVE-YEAR SUMMARY

Toshiba Corporation and its subsidiaries
Years ended March 31

	Millions of yen, except per share amounts				
	2000	1999	1998	1997	1996
Net sales	¥5,749,372	¥5,300,902	¥5,458,498	¥5,521,887	¥5,192,244
Cost of sales	4,254,444	3,890,622	3,960,158	3,932,585	3,647,624
Selling, general and administrative expenses	1,393,959	1,379,797	1,416,046	1,391,471	1,282,053
Operating income	100,969	30,483	82,294	197,831	262,567
Income (loss) before income taxes and minority interest	(44,844)	11,218	18,748	125,456	177,749
Income taxes	(9,001)	25,494	24,475	71,593	102,965
Net (loss) income	(28,000)	(13,896)	7,337	67,077	90,388
Per share of common stock:					
Net (loss) income—					
Basic	¥(8.70)	¥(4.32)	¥ 2.28	¥20.84	¥28.08
Diluted	(8.70)	(4.32)	2.28	20.06	26.85
Cash dividends	3.00	6.00	10.00	10.00	10.00
Total assets	¥5,702,189	¥6,023,557	¥6,062,141	¥5,809,285	¥5,560,484
Shareholders' equity	982,128	1,050,336	1,201,615	1,264,775	1,202,265
Capital expenditures (property, plant and equipment)	298,512	375,464	339,584	341,020	308,653
Depreciation	329,630	309,836	291,418	252,732	261,985
R&D Expenditures	334,398	316,703	322,928	332,555	314,774
Number of employees	190,870	198,000	186,000	186,000	186,000

Notes: 1. Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share assumes the dilution that would occur if dilutive convertible debentures were converted into common stock.
2. The company has not adopted Statement of Financial Accounting Standards (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities" which became effective for the fiscal year beginning April 1, 1994. The effects on the consolidated financial statements of not adopting SFAS No. 115 and the disclosures required by SFAS No. 115 are summarized in a note to the consolidated financial statements.

RESULTS OF OPERATIONS

Net Sales

Consolidated net sales in fiscal 1999, the year ended March 31, 2000, increased 8% compared to the previous year, to ¥5,749.4 billion (US$54,239 million). This was primarily attributable to two factors. First was the strong performance of semiconductors and LCDs worldwide and PCs and mobile communications products within Japan. Secondly, Toshiba TEC Group made its first full-year contribution to consolidated net sales. The average U.S. dollar exchange rate for sales declined from ¥130 in fiscal 1998 to ¥111 in fiscal 1999. This brought net sales down by ¥265 billion. Consolidated figures include the results of 217 subsidiaries in Japan and 104 overseas.

By region, sales in Japan increased 10% to ¥3,514.1 billion (US$33,151 million). Overseas sales increased 6% to ¥2,235.3 billion (US$21,088 million) and accounted for 39% of sales, down from 40% in the prior fiscal year. Overseas production decreased from ¥1,040.0 billion to ¥980.0 billion (US$9,245 million), due to the appreciation of the yen.

INFORMATION & COMMUNICATIONS AND INDUSTRIAL SYSTEMS—Sales increased 3% from the previous year to ¥1,858.3 billion (US$17,531 million). Negatively affecting sales were slack demand for industrial systems due to stagnation in capital investments in Japan and the transfer of the ATM business. However, growth in communications systems and the contribution of Toshiba TEC Group, which was consolidated in January 1999, more than outweighed the negative factors.

DIGITAL MEDIA—Sales increased 8% compared with the previous year, to ¥1,517.7 billion (US$14,318 million). In PCs, shortages of components had a slight negative effect on overseas sales. Domestic sales were healthy though, and total PC sales increased 3% to ¥760 billion (US$7,170 million). Mobile communications products achieved sales gains in Japan and overseas.
POWER SYSTEMS—Sales rose 10% over the previous year, to ¥570.7 billion (US$5,384 million). Domestic sales changed little due to slack demand from electric utilities. However sales from overseas thermal power station projects were higher.
ELECTRONIC DEVICES & COMPONENTS—Sales rose by 22% to ¥1,477.3 billion (US$13,937 million). Semiconductor results were particularly strong due to a number of factors. These included higher sales of NAND flash memories, increased sales volume and stabilization in the prices of 128M and other DRAMs, growth in system LSIs, and an increase in sales of discrete semiconductors, mainly for cellular phones. LCD sales grew, thanks to increased demand for use in notebook PCs and other portable devices and as computer monitors.
HOME APPLIANCES—Sales declined 7% from the previous year to ¥659.9 billion (US$6,225 million) despite higher sales of refrigerators. Results were brought down by poor performance by lighting equipment and certain other areas.
OTHERS—Sales decreased 2% compared to the previous year, to ¥473.4 billion (US$4,466 million).

Net Sales by Region

	Millions of yen		
Years ended March 31	2000	1999	1998
Japan	¥3,514,068	¥3,184,764	¥3,418,807
North America	906,165	842,999	794,241
Asia	636,317	585,086	627,328
Europe	546,645	559,824	496,309
Other	146,177	128,229	121,813
Net sales	¥5,749,372	¥5,300,902	¥5,458,498

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 in segment information on page 41, which are determined based upon where the sales originated.

JAPAN—The operating environment in Japan continued to present difficulties throughout the year, though signs of a recovery became evident in the second half. Even so, growth in semiconductors, LCDs, PCs and mobile communications products resulted in 10% growth in net sales over the previous year to ¥3,514.1 billion (US$33,151 million).
NORTH AMERICA—Dynamic consumer spending in the U.S. lifted sales volume above the previous year's level in a wide variety of products. The strong yen erased much of these gains, but net sales still climbed 7% over the previous year, to ¥906.2 billion (US$8,549 million).
ASIA—A broad recovery in Asian economies led to heightened demand. This led to a 9% rise in net sales over the previous year, to ¥636.3 billion (US$6,003 million).
EUROPE—The pace of economic expansion is continuing to slow in Europe. Furthermore, there were shortages of PCs in some models. Overall, net sales decreased 2% compared to the previous year to ¥546.6 billion (US$5,157 million).

Net Income

Cost of sales climbed 9% to ¥4,254.4 billion (US$40,136 million). Selling, general and administrative expenses increased 1% to ¥1,394.0 billion (US$13,150 million). Since total net sales rose 8%, operating income increased by 231% over the previous year, to ¥101.0 billion (US$953 million). The reasons for the growth in operating income were varied. Strong performances in PCs and mobile communications products along with higher sales volume and stabilizing prices in semiconductors were all major contributors. Improved results in consumer products brought about by structural reforms also played a part.

Information & communications and industrial systems posted a 15% decline in operating income compared to the previous year to ¥38.1 billion (US$359 million). Though the newly consolidated Toshiba TEC Group boosted results, systems for use in industry, government and medical applications struggled. Digital media continued to benefit from steady results in PCs, while DVD-ROMs and mobile communications products both performed well. Unfortunately, results in CD-ROMs and other PC peripherals were below the year before, bringing operating income in this segment down 3% to ¥48.6 billion (US$459 million). In power systems, operating income fell 33% from the previous year to ¥9.3 billion (US$88 million). Electronic devices & components benefited from a recovery in semiconductors in the second half of the year and solid results in LCDs. There was an operating loss of ¥23.6 billion (US$223 million), a ¥43.5 billion improvement over the previous year's loss. In home appliances, structural reforms yielded significant improvements. This brought operating income up by ¥38.9 billion from the previous year's operating loss to ¥5.4 billion (US$51 million), putting the segment back in the black for the first time in 8 years. Others posted a 29% rise, to ¥26.5 billion (US$250 million).

Toshiba estimates that the net effect of foreign exchange movements during the fiscal year was a ¥210 billion decrease in operating income. This consists of a ¥265 billion decline in net sales and a ¥55 billion decline in procurement expenses. A ¥106.3 billion (US$1,004 million) loss was recorded for settling the floppy disk controller litigation in the U.S. Net financial expenses declined from a net expense of ¥31.4 billion to a net expense of ¥21.5 billion, mainly because of decreasing debt and low interest rates in Japan. Other income is mainly the result of gains on sales of securities. Other costs and expenses include restructuring expenses for semiconductor business and other.

As a result, income before income taxes and minority interest fell by ¥56.1 billion from the previous year to a loss of ¥44.8 billion (US$423 million). Income taxes expense declined by ¥34.5 billion to a tax benefit of ¥9.0 billion (US$8.5 million). Income taxes for fiscal 1998 included a ¥16.8 billion charge due to the revaluation of net deferred tax assets balance resulting from a reduction of the normal statutory tax rate in Japan.

Although growth in operating income far exceeded the negative effect of the yen's appreciation on sales, the substantial impact of the floppy disk controller settlement expense caused Toshiba to report a net loss of ¥28.0 billion (US$264 million), the second consecutive annual loss.

SEGMENT INFORMATION

The following segment information is based on Japanese accounting standards. Following the changes of management jurisdiction due to the introduction of an in-house company system in April 1999, Toshiba has reorganized its industrial segments. The previous five segments of Information & Communication Systems, Electric Devices & Materials, Power & Industrial Systems, Consumer Products and Service & Other have been changed into six segments—Information & Communications and Industrial Systems, Digital Media, Power Systems, Electronic Devices & Components, Home Appliances and Others. Consolidated financial data for previous years have been reclassified to confirm with the current segments.

Industry Segments

	Millions of yen			Thousands of U.S. dollars
Years ended March 31	2000	1999	1998	2000
Net sales:				
Information & Communications and Industrial Systems				
Unaffiliated customers	¥1,698,803	¥1,651,068	¥1,717,872	$16,026,443
Intersegment	159,476	145,081	153,227	1,504,491
Total	1,858,279	1,796,149	1,871,099	17,530,934
Digital Media				
Unaffiliated customers	1,334,678	1,209,575	1,109,454	12,591,302
Intersegment	183,014	196,904	165,266	1,726,547
Total	1,517,692	1,406,479	1,274,720	14,317,849
Power Systems				
Unaffiliated customers	553,322	503,863	563,088	5,220,019
Intersegment	17,359	16,714	14,452	163,764
Total	570,681	520,577	577,540	5,383,783
Electronic Devices & Components				
Unaffiliated customers	1,247,386	1,038,912	1,129,292	11,767,792
Intersegment	229,932	176,353	165,990	2,169,170
Total	1,477,318	1,215,265	1,295,282	13,936,962
Home Appliances				
Unaffiliated customers	636,054	695,588	723,450	6,000,509
Intersegment	23,840	12,028	51,185	224,906
Total	659,894	707,616	774,635	6,225,415
Others				
Unaffiliated customers	279,129	201,896	215,342	2,633,293
Intersegment	194,257	282,645	268,282	1,832,613
Total	473,386	484,541	483,624	4,465,906
Eliminations	(807,878)	(829,725)	(818,402)	(7,621,491)
Consolidated	¥5,749,372	¥5,300,902	¥5,458,498	$54,239,358

Years ended March 31	Millions of yen 2000	1999	1998	Thousands of U.S. dollars 2000
Operating income (loss):				
Information & Communications and Industrial Systems	¥ 38,102	¥ 44,794	¥ 42,212	$ 359,453
Digital Media	48,644	50,246	(13,041)	458,906
Power Systems	9,342	13,946	19,058	88,132
Electronic Devices & Components	(23,610)	(67,060)	41,006	(222,736)
Home Appliances	5,354	(33,538)	(34,403)	50,509
Others	26,497	20,505	25,003	249,972
Eliminations	(3,360)	1,590	2,459	(31,698)
Consolidated	¥ 100,969	¥ 30,483	¥ 82,294	$ 952,538
Identifiable assets:				
Information & Communications and Industrial Systems	¥1,306,243	¥1,476,895	¥1,285,332	$12,323,047
Digital Media	617,086	654,813	734,400	5,821,566
Power Systems	660,210	708,585	686,018	6,228,396
Electronic Devices & Components	1,490,664	1,579,856	1,452,951	14,062,868
Home Appliances	365,802	487,715	492,113	3,450,962
Others	1,249,214	1,086,368	1,192,137	11,785,038
Corporate and Eliminations	12,970	29,325	219,190	122,359
Consolidated	¥5,702,189	¥6,023,557	¥6,062,141	$53,794,236
Depreciation and amortization:				
Information & Communications and Industrial Systems	¥ 54,458	¥ 36,134	¥ 32,154	$ 513,755
Digital Media	25,262	25,468	27,780	238,321
Power Systems	16,725	17,267	17,333	157,783
Electronic Devices & Components	192,326	174,832	159,006	1,814,396
Home Appliances	22,822	24,090	23,244	215,302
Others	37,168	35,164	34,295	350,641
Corporate	–	–	–	–
Consolidated	¥ 348,761	¥ 312,955	¥ 293,812	$ 3,290,198
Capital expenditures:				
Information & Communications and Industrial Systems	¥ 51,362	¥ 39,587	¥ 41,839	$ 484,547
Digital Media	42,943	33,886	42,022	405,123
Power Systems	7,236	15,138	19,784	68,264
Electronic Devices & Components	156,761	232,666	178,214	1,478,877
Home Appliances	16,377	20,030	26,934	154,500
Others	44,093	38,950	37,622	415,972
Corporate	–	–	–	–
Consolidated	¥ 318,772	¥ 380,257	¥ 346,415	$ 3,007,283

Geographic Segments

Years ended March 31	Millions of yen 2000	Millions of yen 1999	Millions of yen 1998	Thousands of U.S. dollars 2000
Net sales:				
Japan				
Unaffiliated customers	¥3,889,623	¥ 3,547,089	¥ 3,847,070	$36,694,556
Intersegment	558,277	953,186	961,017	5,266,764
Total	4,447,900	4,500,275	4,808,087	41,961,320
North America				
Unaffiliated customers	816,804	788,687	741,524	7,705,698
Intersegment	104,978	75,575	63,108	990,359
Total	921,782	864,262	804,632	8,696,057
Asia				
Unaffiliated customers	478,269	379,562	353,913	4,511,972
Intersegment	175,504	223,686	226,919	1,655,698
Total	653,773	603,248	580,832	6,167,670
Europe				
Unaffiliated customers	506,595	541,246	475,367	4,779,198
Intersegment	10,649	10,919	14,711	100,462
Total	517,244	552,165	490,078	4,879,660
Other				
Unaffiliated customers	58,081	44,318	40,624	547,934
Intersegment	4,918	7,218	9,872	46,396
Total	62,999	51,536	50,496	594,330
Eliminations	(854,326)	(1,270,584)	(1,275,627)	(8,059,679)
Consolidated	¥5,749,372	¥ 5,300,902	¥ 5,458,498	$54,239,358
Operating income (loss):				
Japan	¥ 58,734	¥ 21,169	¥ 75,441	$ 554,094
North America	12,411	(11,712)	(22,538)	117,085
Asia	23,216	9,128	16,606	219,019
Europe	2,989	4,529	5,581	28,198
Other	742	1,588	1,742	7,000
Eliminations	2,877	5,781	5,462	27,142
Consolidated	¥ 100,969	¥ 30,483	¥ 82,294	$ 952,538
Identifiable assets:				
Japan	¥4,950,959	¥ 5,157,299	¥ 4,934,728	$46,707,160
North America	261,545	302,076	344,515	2,467,406
Asia	276,451	280,037	288,972	2,608,028
Europe	188,000	207,020	238,803	1,773,585
Other	28,558	27,493	29,821	269,415
Corporate and Eliminations	(3,324)	49,632	225,302	(31,358)
Consolidated	¥5,702,189	¥ 6,023,557	¥ 6,062,141	$53,794,236

RESEARCH AND DEVELOPMENT

Consolidated R&D expenditures increased 6% to ¥334.4 billion (US$3,155 million). This was 5.8% of net sales, compared with 6% in the previous year. Toshiba is actively involved in all areas of R&D, from basic research to product development and production technology. Major themes are wireless networks, digital broadcasting equipment, W-CDMA terminals, fine design rules in semiconductor production, LSIs, polysilicon LCDs, new MRI and digital copiers. Toshiba estimates that fiscal 2000 R&D expenditures will be ¥350 billion (US$3,302 million).

CAPITAL INVESTMENTS

Capital expenditures, which include investments in property, plant and equipment of ¥298.5 billion (US$2,816 million), were ¥318.8 billion (US$3,007 million), a decrease of 16% compared to the previous fiscal year. Capital expenditures for electronic devices & components were ¥156.8 billion (US$1,479 million), 49% of the total. Significant elements of these expenditures were fine process facilities at the Yokkaichi Operations, memory manufacturing facilities at subsidiary Yokkaichi Toshiba Electronics Corporation and low-temperature polysilicon LCD production facilities at Fukaya Operations. In other segments, capital expenditures were ¥51.4 billion (US$485 million) in information & communications and industrial systems, ¥42.9 billion (US$405 million) in digital media, ¥7.2 billion (US$68 million) in power systems, ¥16.4 billion (US$154 million) in home appliances and ¥44.1 billion (US$416 million) in others.

FINANCIAL POSITION

As of March 31, 2000, total assets were ¥5,702.2 billion (US$53,794 million), ¥321.4 billion less than at the end of the previous fiscal year. Inventories decreased by ¥160.7 billion due to the completion of plants in power systems and the inventory reductions made possible by the introduction of supply chain management. Current assets declined by ¥142.1 billion. Property, plant and equipment declined by ¥90.2 billion due to lower levels of capital investments. Total debt was reduced by ¥214.3 billion from the previous year to ¥1,967.3 billion (US$18,559 million) as operating cash flows increased substantially. Accrued pension and severance costs went down by ¥106.3 billion due to growth in the value of pension assets. Shareholders' equity decreased by ¥68.2 billion compared to the previous year to ¥982.1 billion (US$9,265 million). Factors here were the year's net loss and a negative foreign currency translation adjustment.

CASH FLOWS

Net cash provided by operating activities totaled ¥435.9 billion (US$4,113 million), a considerable increase over last year's ¥264.9 billion. This is mainly attributable to the decrease in inventories and the increase in depreciation and amortization.

Net cash used in investing activities came to ¥293.2 billion (US$2,766 million), which included ¥298.5 billion (US$2,816) of acquisition of property and equipment, the main component being manufacturing facilities for electronic devices. Capital investments were down from the previous year, but falling proceeds from the sale of marketable securities and other factors resulted in an increase in cash requirements of ¥13.1 billion.

Net cash used in financing activities was ¥158.7 billion (US$1,497 million) due to continued efforts to reduce debt.

In addition to the above items, the effect of exchange rate changes was a negative ¥16.6 billion (US$157 million). This resulted in a net decrease of ¥32.5 billion in cash and cash equivalents, bringing the total to ¥465.2 billion (US$4,389 million).

PRINCIPAL SUBSIDIARIES AND AFFILIATED COMPANIES

As of March 31, 2000 — *Percentage held by Group*

CONSOLIDATED SUBSIDIARIES:

Japan

Kitsuki Toshiba Electronics Corporation	100
Kyodo Building Corporation	100
Shibaura NIDEC Corporation	60
Toshiba Building & Lease Co.,Ltd.	100
Toshiba Chemical Corporation	57
Toshiba Device Corporation	100
Toshiba Engineering Corporation	100
Toshiba Home Technology Corporation	100
Toshiba Lighting & Technology Corporation	100
Toshiba Plant Kensetsu Co.,Ltd.	56
Toshiba TEC Corporation	50

U.S.A.

Toshiba America Consumer Products,Inc.	100
Toshiba America Electronic Components,Inc.	100
Toshiba America Information Systems,Inc.	100
Toshiba America,Inc.	100
Toshiba Display Devices Inc.	100
Toshiba International Corporation	100

U.K.

Toshiba (UK) Ltd.	100

Germany

Toshiba Europe GmbH	100

Malaysia

Toshiba Electronics Malaysia Sdn.Bhd.	100

Singapore

TEC Singapore Electronics Pte.Ltd.	100

AFFILIATED COMPANIES:

Japan

Showa Electric Wire & Cable Co.,Ltd.	21
Toshiba Ceramics Co.,Ltd.	45

CONSOLIDATED BALANCE SHEETS

Toshiba Corporation and its subsidiaries
As of March 31, 2000 and 1999

ASSETS	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 3) 2000
Current assets:			
Cash and cash equivalents	¥ 465,237	¥ 497,752	$ 4,389,028
Marketable securities (Note 4)	93,140	124,017	878,679
Notes and accounts receivable, trade—			
Notes	207,939	199,416	1,961,689
Accounts	988,044	972,459	9,321,170
Allowance for doubtful notes and accounts	(27,551)	(34,267)	(259,915)
Finance receivables, net (Note 5)	245,097	259,665	2,312,236
Inventories (Note 6)	837,188	997,886	7,898,000
Prepaid expenses and other current assets (Note 14)	347,252	281,540	3,275,962
Total current assets	3,156,346	3,298,468	29,776,849
Long-term receivables and investments:			
Long-term receivables	19,613	43,008	185,028
Long-term finance receivables, net (Note 5)	334,853	335,137	3,158,991
Investments in and advances to affiliated companies (Note 7)	142,247	151,368	1,341,953
Other investments (Note 4)	139,534	128,020	1,316,358
	636,247	657,533	6,002,330
Property, plant and equipment (Note 8):			
Land	169,621	164,973	1,600,198
Buildings	1,070,924	1,076,050	10,103,057
Machinery and equipment	3,014,433	3,076,298	28,438,047
Construction in progress	54,988	72,684	518,755
	4,309,966	4,390,005	40,660,057
Less – Accumulated depreciation	(2,850,221)	(2,840,057)	(26,888,877)
	1,459,745	1,549,948	13,771,180
Other assets (Notes 9 and 14)	449,851	517,608	4,243,877
	¥ 5,702,189	¥ 6,023,557	$ 53,794,236

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars (Note 3) 2000
Current liabilities:			
Short-term borrowings (Note 8)	¥ 587,252	¥ 767,417	$ 5,540,113
Current portion of long-term debt (Note 8)	258,177	235,846	2,435,632
Notes payable, trade	173,417	190,451	1,636,009
Accounts payable, trade	842,211	823,689	7,945,387
Accounts payable, other and accrued expenses	342,105	281,548	3,227,406
Accrued income and other taxes	44,972	50,212	424,264
Advance payments received	297,974	298,272	2,811,076
Other current liabilities	341,265	332,680	3,219,481
Total current liabilities	2,887,373	2,980,115	27,239,368
Long-term liabilities:			
Long-term debt (Note 8)	1,121,920	1,178,411	10,584,151
Accrued pension and severance costs (Note 9)	585,881	692,150	5,527,179
	1,707,801	1,870,561	16,111,330
Minority interest in consolidated subsidiaries	124,887	122,545	1,178,180
Shareholders' equity:			
Common stock, ¥50 par value –			
Authorized – 10,000,000,000 shares			
Issued and outstanding:			
2000 – 3,219,006,450 shares	274,919	–	2,593,575
1999 – 3,218,999,545 shares	–	274,916	–
Additional paid-in capital	285,729	285,727	2,695,557
Retained earnings (Notes 8 and 15)	635,966	673,622	5,999,679
Accumulated other comprehensive income (loss) (Note 15)	(214,486)	(183,929)	(2,023,453)
	982,128	1,050,336	9,265,358
Commitments and contingent liabilities (Note 18)			
	¥5,702,189	¥6,023,557	$53,794,236

CONSOLIDATED STATEMENTS OF INCOME

Toshiba Corporation and its subsidiaries
For the years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2000	1999	2000
Sales and other income:			
Net sales	¥5,749,372	¥5,300,902	$54,239,358
Interest and dividends	21,793	20,788	205,594
Other income	85,200	105,290	803,774
	5,856,365	5,426,980	55,248,726
Costs and expenses:			
Cost of sales (Note 10)	4,254,444	3,890,622	40,136,264
Selling, general and administrative (Notes 10 and 11)	1,393,959	1,379,797	13,150,557
FDC litigation settlement (Note 12)	106,385	–	1,003,632
Interest	43,256	52,148	408,075
Other (Note 13)	103,165	93,195	973,255
	5,901,209	5,415,762	55,671,783
(Loss) income before income taxes and minority interest	(44,844)	11,218	(423,057)
Income taxes (Note 14):			
Current	52,397	42,949	494,311
Deferred	(61,398)	(17,455)	(579,226)
	(9,001)	25,494	(84,915)
Loss before minority interest	(35,843)	(14,276)	(338,142)
Minority interest in (loss) income of consolidated subsidiaries	(1,735)	1,380	(16,368)
Loss from consolidated companies	(34,108)	(15,656)	(321,774)
Equity in income of affiliated companies	6,108	1,760	57,623
Net loss	¥ (28,000)	¥ (13,896)	$ (264,151)

	Exact yen		U.S. dollars (Note 3)
Per share of common stock (Note 16):			
Net loss – basic and diluted	¥(8.70)	¥(4.32)	$(0.082)
Cash dividends	¥ 3.00	¥ 6.00	$ 0.028

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Toshiba Corporation and its subsidiaries
For the years ended March 31, 2000 and 1999

	Millions of yen				
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at March 31, 1998	¥274,916	¥285,727	¥713,269	¥ (72,297)	¥1,201,615
Comprehensive income (loss):					
Net loss			(13,896)		(13,896)
Other comprehensive income (loss), net of tax (Note 15)–					
Foreign currency translation adjustments				(18,714)	(18,714)
Minimum pension liability adjustment (Note 9)				(92,918)	(92,918)
Comprehensive income (loss)					(125,528)
Cash dividends			(25,751)		(25,751)
Balance at March 31, 1999	274,916	285,727	673,622	(183,929)	1,050,336
Conversion of convertible debentures	3	2			5
Comprehensive income (loss):					
Net loss			(28,000)		(28,000)
Other comprehensive income (loss), net of tax (Note 15)–					
Foreign currency translation adjustments				(45,788)	(45,788)
Minimum pension liability adjustment (Note 9)				15,231	15,231
Comprehensive income (loss)					(58,557)
Cash dividends			(9,656)		(9,656)
Balance at March 31, 2000	¥274,919	¥285,729	¥635,966	¥(214,486)	¥ 982,128

	Thousands of U.S. dollars (Note 3)				
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at March 31, 1999	$2,593,547	$2,695,538	$6,354,924	$(1,735,179)	$9,908,830
Conversion of convertible debentures	28	19			47
Comprehensive income (loss):					
Net loss			(264,151)		(264,151)
Other comprehensive income (loss), net of tax (Note 15)–					
Foreign currency translation adjustments				(431,962)	(431,962)
Minimum pension liability adjustment (Note 9)				143,688	143,688
Comprehensive income (loss)					(552,425)
Cash dividends			(91,094)		(91,094)
Balance at March 31, 2000	$2,593,575	$2,695,557	$5,999,679	$(2,023,453)	$9,265,358

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Toshiba Corporation and its subsidiaries
For the years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2000	1999	2000
Cash flows from operating activities:			
Net loss	¥ (28,000)	¥ (13,896)	$ (264,151)
Adjustments to reconcile net loss to net cash provided by operating activities –			
Depreciation and amortization	348,761	312,955	3,290,198
Accrual for (reversal of) pension and severance costs, less payments	9,013	(17,907)	85,028
Deferred tax benefit	(61,398)	(17,455)	(579,226)
Equity in income of affiliated companies	(6,108)	(1,760)	(57,623)
Gain on sale and disposal of property and securities, net	(27,165)	(31,155)	(256,273)
Minority interest in (loss) income of consolidated subsidiaries	(1,735)	1,380	(16,368)
(Increase) decrease in notes and accounts receivable, trade	(14,852)	89,891	(140,113)
Decrease (increase) in finance receivables, net	14,563	(9,180)	137,387
Decrease in inventories	136,351	21,341	1,286,330
Increase in other current assets	(16,678)	(60,990)	(157,340)
Decrease in long-term receivables	23,327	2,885	220,066
Decrease (increase) in long-term finance receivables, net	284	(16,769)	2,679
Increase in notes and accounts payable, trade	44,407	17,782	418,934
(Decrease) increase in accrued income and other taxes	(17,831)	8,033	(168,217)
(Decrease) increase in advance payments received	(7,169)	45,350	(67,632)
Increase (decrease) in accounts payable, other and others	40,176	(65,558)	379,019
Net cash provided by operating activities	435,946	264,947	4,112,698
Cash flows from investing activities:			
Proceeds from sale of property and securities	101,498	132,957	957,528
Acquisition of property and equipment	(298,512)	(409,695)	(2,816,151)
Purchase of marketable securities	(16,326)	(11,130)	(154,019)
Effect of subsidiaries newly consolidated due to change in ownership rate	–	52,276	–
Decrease in investments in affiliated companies	13,985	3,622	131,934
Increase in other investments	(12,935)	(28,648)	(122,028)
Increase in other assets and other	(80,864)	(19,451)	(762,868)
Net cash used in investing activities	(293,154)	(280,069)	(2,765,604)
Cash flows from financing activities:			
Proceeds from long-term debt	302,376	447,771	2,852,604
Repayment of long-term debt	(289,712)	(416,954)	(2,733,132)
Dividends paid	(9,458)	(25,656)	(89,226)
Decrease in short-term borrowings	(161,882)	(99,483)	(1,527,189)
Net cash used in financing activities	(158,676)	(94,322)	(1,496,943)
Effect of exchange rate changes on cash and cash equivalents	(16,631)	(8,739)	(156,896)
Net decrease in cash and cash equivalents	(32,515)	(118,183)	(306,745)
Cash and cash equivalents at beginning of year	497,752	615,935	4,695,773
Cash and cash equivalents at end of year	¥ 465,237	¥ 497,752	$ 4,389,028
Supplemental disclosure of cash flow information:			
Cash paid during the year for –			
Interest	¥ 63,324	¥ 65,719	$ 597,396
Income taxes	¥ 44,476	¥ 45,810	$ 419,585

The accompanying notes are an integral part of these statements.

1. COMPANY OPERATIONS:

Toshiba Corporation and its subsidiaries are engaged in the research and development, manufacturing and sales of high-technology electronic and energy products, which span (1) information & communications and industrial systems, (2) digital media, (3) power systems, (4) electronic devices & components, (5) home appliances, and (6) others. For the years ended March 31, 2000 and 1999, sales in information & communications and industrial systems represented the most significant portion of the company's total sales, approximately 30%, and both of sales in digital media and electronic devices & components represented over 20% of the company's sales, while sales in power systems and home appliances were approximately equal in amount, each representing approximately 10% of the company's sales. Sales in others were relatively small compared to those derived from other business activities. The products are manufactured and marketed throughout the world with approximately 60 percent of sales in Japan and the remainder in North America, Asia, Europe and elsewhere.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PREPARATION OF FINANCIAL STATEMENTS –

The company and its domestic subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform with accounting principles generally accepted in the United States of America. These adjustments were not recorded in the statutory books.

BASIS OF CONSOLIDATION AND INVESTMENTS IN AFFILIATED COMPANIES –

The consolidated financial statements include the accounts of the company and those of its subsidiaries. All significant intercompany transactions and accounts are eliminated in consolidation.

Investments in affiliated companies (20 to 50 percent-owned companies) in which the ability to exercise significant influence exists are stated at cost plus equity in undistributed earnings (losses). Net consolidated income (loss) includes the company's equity in the current net earnings (losses) of such companies, after elimination of unrealized intercompany profits.

Goodwill recognized at the time of investments in subsidiaries and affiliated companies is amortized on a straight-line basis over the estimated period of benefit.

USE OF ESTIMATES –

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONSOLIDATED STATEMENT OF CASH FLOWS –

For purposes of the statement of cash flows, the company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

FOREIGN CURRENCY TRANSLATION –

The assets and liabilities of foreign subsidiaries that operate in a local currency environment are translated into Japanese yen at applicable current exchange rates at year end. Income and expense items are translated at average exchange rates prevailing during the year. The effects of these translation adjustments are included in the other comprehensive income (loss) and reported as a component of shareholders' equity. Exchange gains and losses resulting from foreign currency transactions and translation of assets and liabilities denominated in foreign currencies are included in the consolidated statements of income.

REVENUE RECOGNITION –

Sales of finished products, other than under long-term contracts, are recorded in the accounts as shipments are made, except for sales of certain products which are recorded in the accounts upon customer acceptance.

Sales under long-term contracts are generally recorded in the accounts based upon progress toward completion of the contracts as measured by achievement of contract milestones.

MARKETABLE SECURITIES AND OTHER INVESTMENTS –

Marketable equity securities included in marketable securities (current) and other investments (non-current) are stated at the lower of cost or market in the aggregate. Other marketable securities included in marketable securities (current) are stated at the lower of cost or market in the aggregate and investments other than marketable equity securities in other investments (non-current) are stated at cost less any significant decline in fair value assessed to be other than temporary.

Realized gains and losses on the sale of securities are based on the average cost of all the units of a particular security held at the time of sale.

INVENTORIES –

Raw materials, and finished products and work in process for stock sales items are stated at the lower of cost or market, cost being determined principally by the average method. Finished products and work in process for contract items are stated at the lower of cost or estimated realizable value, cost being determined by accumulated production costs.

Effective April 1, 1999, the company changed its method of accounting for the costs of finished products and work in process for stock sales items from the first-in, first-out method to the average method. The company believes that the average method provides a better matching of costs and revenues, and this accounting change resulted in insignificant effects on cost of sales and inventories.

In accordance with general industry practice, items with long manufacturing periods are included among inventories even when not realizable within one year.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION –

Property, plant and equipment, including significant renewals and additions, are carried at cost. When retired or otherwise disposed of, the cost and related depreciation are cleared from the respective accounts and the net difference, less any amount realized on disposal, is included in earnings. Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Depreciation is computed generally by a declining-balance method at rates based on the estimated useful lives of the related assets, according to general class, type of construction and use.

INCOME TAXES –

Deferred income taxes are recorded to reflect the expected future tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, and are measured by applying currently enacted tax laws.

ACCRUED PENSION AND SEVERANCE COSTS –

The company and its subsidiaries have various retirement benefit plans covering substantially all employees. Current service costs of the retirement benefit plans are accrued in the period. Prior service costs resulting from amendments to the plans are amortized over the average remaining service period of employees expected to receive benefits (See Note 9).

NET INCOME PER SHARE –

Basic earnings per share (“EPS”) is computed based on the weighted-average number of shares of common stock outstanding during each period. Diluted EPS assumes the dilution that could occur if dilutive convertible debentures were converted into common stock.

FINANCIAL INSTRUMENTS –

The company uses a variety of derivative financial instruments, which include forward exchange contracts, interest rate swap agreements and currency swap agreements, for the purpose of currency exchange rate and interest rate risk management. Refer to Note 17 for descriptions of these financial instruments, including the methods used to account for them.

COMPREHENSIVE INCOME –

Under Statement of Financial Accounting Standards (SFAS) No. 130, “Reporting Comprehensive Income,” comprehensive income is defined as total changes in shareholders’ equity except capital transactions. As discussed in Note 4, the company has not adopted SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” and consequently, the effects on shareholders’ equity as required under the provisions of SFAS No. 115 are not included in comprehensive income. The company’s comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss) representing changes in foreign currency translation adjustments and minimum pension liability adjustment. Comprehensive income (loss) and its components are disclosed in the consolidated statements of shareholders’ equity and in Note 15.

NEW ACCOUNTING STANDARDS –

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS No. 133 requires that all derivatives be recognized as either assets or liabilities in the balance sheet and be measured at fair value. The fair value adjustments are recorded in current earnings or other comprehensive income, depending on whether a derivative instrument is designated as part of a hedge transaction and, if it is, the type of hedge transaction. In June 1999, FASB issued SFAS No.137, “Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of SFAS No.133,” which defers the effective date of SFAS No.133 for one year. Therefore, in the case of the company, SFAS No.133 is effective for the fiscal year beginning April 1, 2001. Currently, the company is in the process of assessing the impact from adoption of this statement on its results of operations or financial conditions.

RECLASSIFICATIONS –
Certain reclassifications of previously reported amounts have been made to conform with current classifications.

3. U.S. DOLLAR AMOUNTS:

U.S. dollar amounts are included solely for convenience. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into, U.S. dollars. The amounts shown in U.S. dollars are not intended to be computed in accordance with generally accepted accounting principles for the translation of foreign currency amounts. The rate of ¥106=US$1, the approximate current rate of exchange at March 31, 2000, has been used throughout for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

4. MARKETABLE SECURITIES AND OTHER INVESTMENTS:

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," addressing the accounting and reporting for certain investments in debt and equity securities classified as held-to-maturity, trading, or available-for-sale securities. Under SFAS No. 115, the debt and equity securities owned by the company should be classified as available-for-sale securities and should be reported at fair value with unrealized gains and losses, net of related taxes, excluded from earnings and reported in other comprehensive income (loss) until realized. However, the company has not adopted this standard which became effective for the fiscal year beginning April 1, 1994.

The effects on balance sheet items of the company's departure from the provisions of SFAS No. 115 as of March 31, 2000 and 1999 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	2000	1999	2000
Shareholders' equity as reported	¥ 982,128	¥1,050,336	$ 9,265,358
Net increase in the carrying amount of:			
Marketable securities	92,270	104,156	870,471
Other investments	35,335	27,808	333,349
Net decrease in deferred tax assets:			
Prepaid expenses and other current assets	(38,983)	(44,345)	(367,764)
Other assets	(14,854)	(11,629)	(140,132)
Net decrease in minority interest	154	45	1,453
Net increase in investments in affiliated companies	4,049	2,382	38,198
Net unrealized gain on available-for-sale securities	77,971	78,417	735,575
Shareholders' equity in accordance with accounting principles generally accepted in the United States of America	¥1,060,099	¥1,128,753	$10,000,933

The net unrealized gain on available-for-sale securities decreased by ¥446 million ($4,207 thousand) and ¥25,914 million during the years ended March 31, 2000 and 1999, respectively. If the provisions of SFAS No. 115 had been adopted, comprehensive loss for the years ended March 31, 2000 and 1999 would have been ¥59,003 million ($556,632 thousand) and ¥151,442 million, respectively.

The aggregate carrying amount, gross unrealized holding gains and losses, and aggregate fair value for marketable equity securities and debt securities classified as available-for-sale securities by security type at March 31, 2000 and 1999 are as follows:

(Millions of yen)

	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2000:				
Equity securities	¥109,272	¥139,991	¥12,462	¥236,801
Debt securities	13,163	76	0	13,239
	¥122,435	¥140,067	¥12,462	¥250,040
March 31, 1999:				
Equity securities	¥133,212	¥142,352	¥10,642	¥264,922
Debt securities	17,433	269	15	17,687
	¥150,645	¥142,621	¥10,657	¥282,609

(Thousands of U.S. dollars)

	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2000:				
Equity securities	$1,030,868	$1,320,670	$117,566	$2,233,972
Debt securities	124,179	717	0	124,896
	$1,155,047	$1,321,387	$117,566	$2,358,868

At March 31, 2000, debt securities mainly consist of corporate debt securities.

Contractual maturities of debt securities classified as available-for-sale were as follows at March 31, 2000:

	Millions of yen		Thousands of U.S. dollars	
	Carrying amount	Fair value	Carrying amount	Fair value
Due within one year	¥ 3,442	¥ 3,510	$ 32,472	$ 33,113
Due after one year	9,721	9,729	91,707	91,783
	¥13,163	¥13,239	$124,179	$124,896

The proceeds from sales of available-for-sale securities for the years ended March 31, 2000 and 1999 were ¥94,106 million ($887,792 thousand) and ¥122,368 million, respectively. The gross realized gains on those sales for the years ended March 31, 2000 and 1999 were ¥48,248 million ($455,170 thousand) and ¥64,843 million, respectively. The gross realized losses on those sales for the years ended March 31, 2000 and 1999 were ¥936 million ($8,830 thousand) and ¥6,041 million, respectively.

5. FINANCE RECEIVABLES:

Finance receivables comprise the following:

March 31	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars 2000
Investment in financing leases:			
Total minimum lease payments receivable	¥ 351,138	¥ 377,182	$ 3,312,623
Estimated executory costs	(14,670)	(16,796)	(138,396)
Unearned income	(17,126)	(19,510)	(161,566)
Estimated residual values	5,889	7,113	55,556
	325,231	347,989	3,068,217
Less – Allowance for doubtful accounts	(2,021)	(1,887)	(19,066)
	323,210	346,102	3,049,151
Less – Current portion	(105,318)	(120,626)	(993,566)
	¥ 217,892	¥ 225,476	$ 2,055,585
Other finance receivables	¥ 267,938	¥ 262,727	$ 2,527,717
Less – Allowance for doubtful accounts	(11,198)	(14,027)	(105,641)
	256,740	248,700	2,422,076
Less – Current portion	(139,779)	(139,039)	(1,318,670)
	¥ 116,961	¥ 109,661	$ 1,103,406

Investment in financing leases consists of sales-type and direct financing leases mainly of information systems, medical equipment, agricultural and industrial equipment and others.

Other finance receivables represent transactions in a variety of forms, including commercial loans, and installment sales of consumer products manufactured by the company.

At March 31, 2000, the contractual maturities of minimum lease payments of the investment in financing leases and the other finance receivables are as follows:

Year ending March 31	Investment in financing leases: Millions of yen	Investment in financing leases: Thousands of U.S. dollars	Other finance receivables: Millions of yen	Other finance receivables: Thousands of U.S. dollars
2001	¥112,795	$1,064,104	¥143,059	$1,349,613
2002	93,799	884,896	42,476	400,717
2003	70,378	663,943	27,155	256,179
2004	46,421	437,934	17,026	160,623
2005	21,817	205,821	12,347	116,481
Thereafter	5,928	55,925	25,875	244,104
	¥351,138	$3,312,623	¥267,938	$2,527,717

Allowance for doubtful accounts is provided upon past loss experience and the estimation of mortgaged asset values.

6. INVENTORIES:

Inventories comprise the following:

March 31	Millions of yen 2000	Millions of yen 1999	Thousands of U.S. dollars 2000
Finished products	¥314,778	¥356,538	$2,969,604
Work in process:			
Long-term contracts	194,092	288,830	1,831,056
Other	208,605	231,283	1,967,972
Raw materials	119,713	121,235	1,129,368
	¥837,188	¥997,886	$7,898,000

7. INVESTMENTS IN AFFILIATED COMPANIES:

Of the affiliated companies which are accounted for by the equity method, the investment in common stock of the listed companies is carried at ¥73,328 million ($691,773 thousand) and ¥79,273 million at March 31, 2000 (six companies) and 1999 (six companies), respectively. The company's investments in these companies had a market value of ¥92,678 million ($874,321 thousand) and ¥74,463 million at March 31, 2000 and 1999, respectively, based on quoted market prices at those dates.

Summarized financial information of the affiliated companies accounted for by the equity method is shown below:

	Millions of yen		Thousands of U.S. dollars
March 31	2000	1999	2000
Current assets	¥497,636	¥482,736	$4,694,679
Other assets including property, plant and equipment	359,183	449,816	3,388,519
Total assets	¥856,819	¥932,552	$8,083,198
Current liabilities	¥362,081	¥320,119	$3,415,859
Long-term liabilities	141,824	247,384	1,337,962
Shareholders' equity	352,914	365,049	3,329,377
Total liabilities and shareholders' equity	¥856,819	¥932,552	$8,083,198

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	1999	2000
Sales	¥749,582	¥866,233	$7,071,528
Net income	¥ 15,307	¥ 2,957	$ 144,406

A summary of transactions and balances with the affiliated companies accounted for by the equity method is presented below:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	1999	2000
Sales	¥ 14,733	¥ 10,456	$ 138,991
Purchases	¥133,174	¥172,694	$1,256,358

	Millions of yen		Thousands of U.S. dollars
March 31	2000	1999	2000
Notes and accounts receivable, trade	¥ 4,545	¥ 1,765	$ 42,877
Other receivables	¥ 1,711	¥ 672	$ 16,142
Notes and accounts payable	¥29,877	¥26,922	$281,858

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT:

Short-term borrowings at March 31, 2000 and 1999 comprise the following:

	Millions of yen		Thousands of U.S. dollars
March 31	2000	1999	2000
Loans, principally from banks, including bank overdrafts, with weighted-average interest rate of 0.82 percent at March 31, 2000 and 1.37 percent at March 31, 1999:			
Secured	¥ 5,172	¥ 9,770	$ 48,792
Unsecured	573,588	637,541	5,411,208
Commercial paper with weighted-average interest rate of 6.20 percent at March 31, 2000 and 1.99 percent at March 31, 1999	8,492	120,106	80,113
	¥587,252	¥767,417	$5,540,113

Substantially all of the short-term borrowings are with banks which have written basic agreements with the company to the effect that, with respect to all present or future loans with such banks, the company shall provide collateral (including sums on deposit with such banks) or guarantors immediately upon the bank's request and that any collateral furnished pursuant to such agreements or otherwise will be applicable to all indebtedness to such banks.

At March 31, 2000, the company and subsidiaries had unused committed lines of credit from short-term financing arrangements aggregating ¥183,538 million ($1,731,491 thousand), of which ¥26,538 million ($250,358 thousand) was in support of the company's commercial papers. These lines of credit have commitment fee requirements.

Long-term debt at March 31, 2000 and 1999 comprise the following:

	Millions of yen		Thousands of U.S. dollars
March 31	2000	1999	2000
Loans, principally from banks and insurance companies, due 2000 to 2034 with interest ranging from zero percent to 13.50 percent at March 31, 2000 and due 1999 to 2032 with interest ranging from 0.42 percent to 7.86 percent at March 31, 1999:			
Secured	¥ 49,913	¥ 62,337	$ 470,877
Unsecured	568,485	620,747	5,363,066
Unsecured yen bonds, due 2001 to 2008 with interest ranging from 0.8 percent to 3.025 percent at March 31, 2000 and due 2000 to 2008 with interest ranging from 1.1 percent to 3.025 percent at March 31, 1999	500,000	510,000	4,716,981
Euro yen medium-term notes, due 2000 to 2008 with interest ranging from zero percent to 2.39 percent at March 31, 2000 and due 2000 to 2008 with interest ranging from zero percent to 2.34 percent at March 31, 1999 (swapped for floating rate (LIBOR, etc.) or fixed rate yen obligations)	62,975	63,500	594,104
6.75 percent Euro U.S. dollar medium-term notes due 2008 (swapped for fixed rate yen obligations)	630	630	5,943
1.8 percent unsecured yen convertible debentures due 2002 convertible currently at ¥724 per share	17,742	17,747	167,377
Unsecured yen bonds of subsidiaries, due 2000 to 2004 with interest ranging from 0.95 percent to 3.1 percent at March 31, 2000 and due 2000 to 2004 with interest ranging from 2.37 percent to 3.1 percent at March 31, 1999	29,000	20,000	273,585
Euro yen or U.S. dollar medium-term notes of subsidiaries, due 2000 to 2010 with interest ranging from 0.03 percent to 6.61 percent at March 31, 2000 and due 1999 to 2009 with interest ranging from zero percent to 5.72 percent at March 31, 1999 (swapped for floating rate (LIBOR, etc.) U.S. dollar, Yen or Euro obligations)	140,345	111,179	1,324,010
2.2 percent secured yen convertible debentures of a subsidiary due 2002 convertible currently at ¥1,095.8 per share	8,017	8,117	75,632
Zero percent unsecured yen convertible debentures of a subsidiary due 2004 convertible currently at ¥1,003 per share	2,990	–	28,208
	1,380,097	1,414,257	13,019,783
Less – Portion due within one year	(258,177)	(235,846)	(2,435,632)
	¥1,121,920	¥1,178,411	$10,584,151

Certain of the secured loan agreements contain provisions which permit the lenders to require additional collateral. Substantially all of the unsecured loan agreements permit the lenders to require collateral or guarantors for such loans. Certain of the secured and unsecured loan agreements require prior approval by the banks and trustees before any distributions (including cash dividends) may be made from current or retained earnings.

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2000 are property, plant and equipment with a book value of ¥45,292 million ($427,283 thousand).

The agreements of the convertible yen debentures (1) establish certain restrictions on the payment of dividends and (2) permit early redemption of the debentures at the option of the company and a subsidiary, in whole or in part, at defined prices.

At March 31, 2000, 24,506 thousand shares of common stock would be issued upon conversion of all convertible debentures of the company.

The aggregate annual maturities of long-term debt are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 258,177	$ 2,435,632
2002	265,939	2,508,858
2003	264,048	2,491,019
2004	193,863	1,828,896
2005	106,808	1,007,623
Thereafter	291,262	2,747,755
	¥1,380,097	$13,019,783

9. ACCRUED PENSION AND SEVERANCE COSTS:

All employees whose services with the company and its subsidiaries are terminated are usually entitled to lump-sum severance indemnities determined by reference to their current basic rate of pay, length of service and conditions under which the termination occurs. The obligation for the severance indemnity benefits is provided for through accruals and funding of tax-qualified pension plans and contributory trusteed employee pension funds.

Certain subsidiaries have tax-qualified pension plans which cover all or a part of the indemnities payable to qualified employees at the time of termination. The funding policy for the plans is to contribute amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to the limitation on deductibility imposed by Japanese income tax laws.

The company and several subsidiaries also have contributory trusteed employee pension funds. The contributory employee pension funds are comprised of a portion covering part of the severance indemnities benefits and another portion covering social security benefits, to which the company, subsidiaries and employees make contributions. During the year ended March 31, 2000, the company and several subsidiaries have amended the regulations of both the severance indemnities benefits portion and the social security benefits portion under the contributory trusteed employee pension funds. The amendment related to the social security benefits portion reflected the change of Japanese Welfare Pension Insurance Law. These amendments resulted in the reduction of the projected benefit obligations of the funds.

The transition obligation resulting from the adoption of SFAS No. 87, "Employers' Accounting for Pensions," and prior service cost are being amortized over the remaining service years of the employees, and the "projected unit credit" actuarial method is being used to determine the net periodic pension cost and the projected benefit obligation.

Net periodic pension and severance cost for 2000 and 1999 included the following components:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	1999	2000
Service cost – benefits earned during the year	¥ 52,427	¥ 46,966	$ 494,594
Interest cost on projected benefit obligation	58,185	57,306	548,915
Expected return on plan assets	(32,154)	(28,382)	(303,340)
Amortization of unrecognized net obligation at transition	12,025	12,025	113,443
Amortization of prior service cost	4,364	4,353	41,170
Recognized actuarial loss	18,551	8,721	175,010
Net periodic pension and severance cost	¥113,398	¥100,989	$1,069,792

A weighted-average discount rate of 3.5 percent, an expected long-term rate of return on plan assets of 4.0 percent, and an assumed rate of increase in salary levels of 2.3 percent and 2.5 percent were used in measuring the pension obligations at March 31, 2000 and 1999, respectively.

The changes in the benefit obligations and plan assets and reconciliations of net amount recognized to funded status and accrued pension and severance costs for 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	2000	1999	2000
Change in benefit obligations:			
Benefit obligation at beginning of year	¥1,693,146	¥1,448,320	$15,973,075
Service cost	52,427	46,966	494,594
Interest cost	58,185	57,306	548,915
Plan participants' contributions	8,141	8,789	76,802
Plan amendments	(69,740)	–	(657,924)
Actuarial loss	111,976	166,414	1,056,377
Effect of subsidiaries newly consolidated due to change in ownership rate and other	–	63,536	–
Benefits paid	(100,736)	(97,271)	(950,339)
Foreign currency exchange impact	(1,313)	(914)	(12,387)
Benefit obligation at end of year	1,752,086	1,693,146	16,529,113
Change in plan assets:			
Fair value of plan assets at beginning of year	775,027	677,571	7,311,575
Actual return on plan assets	176,910	34,978	1,668,962
Employer contribution	61,173	60,017	577,104
Plan participants' contributions	8,141	8,789	76,802
Effect of subsidiaries newly consolidated due to change in ownership rate and other	–	29,745	–
Benefits paid	(32,503)	(35,143)	(306,632)
Foreign currency exchange impact	(1,231)	(930)	(11,613)
	987,517	775,027	9,316,198
Funded status	764,569	918,119	7,212,915
Unrecognized actuarial loss	(371,771)	(445,358)	(3,507,273)
Unrecognized net obligation at transition	(73,214)	(85,239)	(690,698)
Unrecognized prior service cost	30,462	(43,231)	287,377
Net amount recognized	¥ 350,046	¥ 344,291	$ 3,302,321
Amounts recognized in the consolidated balance sheets consist of:			
Accrued pension and severance costs	¥ 585,881	¥ 692,150	$ 5,527,179
Intangible asset	(42,752)	(128,470)	(403,321)
Accumulated other comprehensive income (loss), gross of tax	(193,083)	(219,389)	(1,821,537)
Net amount recognized	¥ 350,046	¥ 344,291	$ 3,302,321
Accumulated benefit obligation at end of year	¥1,573,398	¥1,467,177	$14,843,377

10. RESEARCH AND DEVELOPMENT:

Research and development costs are charged to expense as incurred and amounted to ¥334,398 million ($3,154,698 thousand) and ¥316,703 million for the years ended March 31, 2000 and 1999, respectively.

11. ADVERTISING:

Advertising costs are expensed as incurred. Advertising expenses amounted to ¥60,560 million ($571,321 thousand) and ¥73,909 million for the years ended March 31, 2000 and 1999, respectively.

12. FDC LITIGATION SETTLEMENT:

In October 1999, the company reached a settlement in a class-action lawsuit in the U.S. brought by two owners of its notebook personal computers (PCs) concerning the floppy-disk drive controller incorporated in PCs. They alleged that the floppy-disk controller (FDC) may, under certain circumstances, cause data to be lost or corrupted when it is written to a floppy disk. The class settlement was approved by the court in January 2000, and became final in March 2000. The company has reflected a ¥106,385 million (US$1,003,632 thousand) loss in its financial results for the year ended March 31, 2000 in connection with the settlement payment and other performance obligations under the settlement agreement.

13. FOREIGN EXCHANGE GAINS AND LOSSES:

For the years ended March 31, 2000 and 1999, the net foreign exchange loss was ¥2,414 million ($22,774 thousand) and ¥10,596 million, respectively.

14. INCOME TAXES:

The company is subject to a number of different taxes based on income which, in the aggregate, indicate a normal statutory tax rate in Japan of approximately 42.1 percent and 47.7 percent for the years ended March 31, 2000 and 1999, respectively. Due to changes in Japanese income tax regulations, the normal statutory tax rate in Japan was reduced to approximately 42.1 percent effective April 1, 1999. This revised tax rate enacted during the fiscal year ended March 31, 1999 was used in the measurement of deferred tax assets and liabilities at March 31, 1999. A reconciliation between the reported income tax expense (benefit) and the amount computed by multiplying the income (loss) before income taxes and minority interest by the applicable normal statutory tax rate is as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2000	1999	2000
Computed expected income tax expense (benefit)	¥(18,879)	¥ 5,351	$(178,104)
Increase (reduction) in taxes resulting from:			
Non-deductible expenses for tax purposes	4,664	4,738	44,000
Net valuation allowance for losses of subsidiaries	4,759	8,928	44,896
Loss on parent company's investment in subsidiaries	–	(13,944)	–
Effect of changes in the statutory tax rates	–	16,848	–
Other	455	3,573	4,293
Income tax expense (benefit)	¥ (9,001)	¥ 25,494	$ (84,915)

The significant components of deferred tax assets and deferred tax liabilities recorded on the consolidated balance sheets as of March 31, 2000 and 1999 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	2000	1999	2000
Gross deferred tax assets:			
Inventories	¥ 25,037	¥ 23,048	$ 236,198
Accrued pension and severance costs	90,548	88,373	854,226
Tax loss carryforwards	58,397	47,839	550,915
Minimum pension liability adjustment	81,288	92,363	766,868
Other	134,965	107,236	1,273,255
	390,235	358,859	3,681,462
Valuation allowance for deferred tax assets	(46,759)	(42,184)	(441,122)
Deferred tax assets	343,476	316,675	3,240,340
Gross deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(14,653)	(19,778)	(138,236)
Other	(15,512)	(20,871)	(146,340)
Deferred tax liabilities	(30,165)	(40,649)	(284,576)
Net deferred tax assets	¥313,311	¥276,026	$2,955,764

Net current and non-current deferred tax assets at March 31, 2000 and 1999 are reflected in the consolidated balance sheets under the captions of prepaid expenses and other current assets, ¥116,232 million ($1,096,528 thousand) and ¥53,173 million, and other assets, ¥197,079 million ($1,859,236 thousand) and ¥222,853 million, respectively.

The net increases in the total valuation allowance for the years ended March 31, 2000 and 1999 were ¥4,575 million ($43,160 thousand) and ¥3,913 million, respectively.

Available corporate tax loss carryforwards of the company and certain subsidiaries at March 31, 2000 amounted to approximately ¥139,295 million ($1,314,104 thousand), the majority of which will expire during the period from 2001 through 2005. Realization is dependent on the company and such subsidiaries generating sufficient taxable income prior to expiration of the tax loss carryforwards. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets, less valuation allowance, will be realized. The amount of such net deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Deferred income tax liabilities have not been provided on undistributed earnings of foreign subsidiaries and affiliated companies deemed indefinitely reinvested in foreign operations. It is not practicable to estimate the amount of the deferred income tax liabilities on such earnings.

15. SHAREHOLDERS' EQUITY:

RETAINED EARNINGS–

Retained earnings at March 31, 2000 and 1999 include the legal reserve of ¥79,576 million ($750,717 thousand) and ¥78,388 million, respectively. The Japanese Commercial Code provides that an amount equal to at least 10 percent of cash dividends and other distributions from retained earnings paid by the parent company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the legal reserve of each legal entity equals 25 percent of its stated capital. The legal reserve is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital.

The amount of retained earnings available for dividends is based on the parent company's retained earnings determined in accordance with generally accepted accounting principles and the Commercial Code in Japan. Retained earnings at March 31, 2000 include year-end dividends of ¥9,656 million ($91,094 thousand) for the year ended March 31, 2000 which are expected to be formally approved at the general shareholders' meeting held in June 2000, and will be payable subsequently.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)–

An analysis of the changes in accumulated other comprehensive income (loss) for the years ended March 31, 2000 and 1999 is shown below:

	Millions of yen		Thousands of U.S. dollars
March 31	2000	1999	2000
Foreign currency translation adjustments:			
Balance at beginning of year	¥ (60,202)	¥ (41,488)	$ (567,944)
Current-period change	(45,788)	(18,714)	(431,962)
Balance at end of year	¥(105,990)	¥ (60,202)	$ (999,906)
Minimum pension liability adjustment:			
Balance at beginning of year	¥(123,727)	¥ (30,809)	$(1,167,235)
Current-period change	15,231	(92,918)	143,688
Balance at end of year	¥(108,496)	¥(123,727)	$(1,023,547)
Total accumulated other comprehensive income (loss):			
Balance at beginning of year	¥(183,929)	¥ (72,297)	$(1,735,179)
Current-period change	(30,557)	(111,632)	(288,274)
Balance at end of year	¥(214,486)	¥(183,929)	$(2,023,453)

Tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2000 and 1999 are shown below:

	Millions of yen		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2000:			
Foreign currency translation adjustments	¥ (46,425)	¥ 637	¥ (45,788)
Minimum pension liability adjustment	26,306	(11,075)	15,231
Other comprehensive income (loss)	¥ (20,119)	¥(10,438)	¥ (30,557)
For the year ended March 31, 1999:			
Foreign currency translation adjustments	¥ (19,274)	¥ 560	¥ (18,714)
Minimum pension liability adjustment	(160,481)	67,563	(92,918)
Other comprehensive income (loss)	¥(179,755)	¥68,123	¥(111,632)

	Thousands of U.S. dollars		
	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2000:			
Foreign currency translation adjustments	$(437,972)	$ 6,010	$(431,962)
Minimum pension liability adjustment	248,170	(104,482)	143,688
Other comprehensive income (loss)	$(189,802)	$ (98,472)	$(288,274)

16. NET INCOME PER SHARE:

For the years ended March 31, 2000 and 1999, the convertible debentures were not included in the computation of diluted EPS because their inclusion would have resulted in an anti-dilutive effect and, consequently, basic EPS is equal to diluted EPS for those two years. Weighted-average number of shares outstanding for both basic and diluted EPS for the years ended March 31, 2000 and 1999 were 3,218,976 thousand and 3,218,983 thousand, respectively.

17. FINANCIAL INSTRUMENTS:

The company operates internationally, giving rise to exposure to market risks from fluctuations in foreign currency exchange and interest rates. In the normal course of its risk management efforts, the company employs a variety of derivative financial instruments, which are comprised principally of foreign currency forward exchange contracts, interest rate swap agreements and currency swap agreements, to reduce its exposures. The company does not hold or issue financial instruments for trading purposes. The company does not anticipate any credit loss from nonperformance by the counterparties to foreign exchange contracts, interest rate swap agreements and currency swap agreements.

The company and several subsidiaries have entered into forward exchange contracts with banks as hedges against assets and liabilities denominated in foreign currencies. The forward exchange contracts related to accounts receivable and payable, and commitments on future trade transactions denominated in foreign currencies mature primarily within a few months subsequent to the balance sheet date. Gains and losses explicitly deferred, arising from contracts related to future trade transactions, are insignificant. Forward exchange contracts related to indebtedness denominated in foreign currencies mature within a few months, which correspond with the maturities of such indebtedness. As these foreign exchange forward contracts are utilized solely for hedging purposes, the resulting gains or losses are offset against foreign exchange gains or losses on the underlying hedged assets and liabilities. Gains and losses related to qualifying hedges of firm commitments denominated in foreign currencies are deferred and are recognized in income when the hedged transaction occurs.

Interest rate swap agreements and currency swap agreements are used to limit the company's exposure to losses in relation to underlying debt instruments and a certain foreign currency denominated accounts receivable resulting from adverse fluctuations in foreign currency exchange and interest rates. These agreements mature during the period 2000 to 2010. The related differentials to be paid or received under the interest rate swaps are recognized in interest expense over the terms of the agreements. Currency swaps are accounted for in a manner similar to the accounting for forward exchange contracts.

The company's forward exchange contract amounts, the aggregate notional principal amounts of interest rate swap agreements and the principal amounts of currency swap agreements outstanding at March 31, 2000 and 1999 are summarized below:

	Millions of yen		Thousands of U.S. dollars
March 31	2000	1999	2000
Forward exchange contracts:			
To sell foreign currencies	¥240,949	¥237,340	$2,273,104
To buy foreign currencies	60,569	46,051	571,406
Interest rate swap agreements	401,136	426,965	3,784,302
Currency swap agreements	84,588	103,867	798,000

The estimated fair values of the company's financial instruments at March 31, 2000 and 1999 are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2000		1999		2000	
March 31	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Nonderivatives:						
Assets–						
Marketable securities	¥ 93,140	¥ 185,410	¥ 124,017	¥ 228,173	$ 878,679	$ 1,749,151
Other investments	139,534	174,869	128,020	155,828	1,316,358	1,649,708
Long-term finance receivables, net	116,961	119,443	109,661	110,717	1,103,406	1,126,821
Liabilities–						
Long-term debt, including current portion	(1,380,097)	(1,400,086)	(1,414,257)	(1,449,072)	(13,019,783)	(13,208,358)
Derivative financial instruments:						
Forward exchange contracts	1,849	5,308	3,232	5,419	17,443	50,075
Interest rate swap agreements	–	(3,416)	–	(5,777)	–	(32,226)
Currency swap agreements	4,550	5,355	(3,122)	(1,859)	42,925	50,519

The above table excludes the financial instruments for which fair values approximate their carrying values and those related to leasing activities.

In assessing the fair value of these financial instruments, the company has used a variety of methods and assumptions, which were based on estimates of market conditions and risks existing at that time. For certain instruments, including cash and cash equivalents, notes and accounts receivable, trade, finance receivables, net, short-term borrowings, notes payable, trade, accounts payable, trade and accounts payable, other and accrued expenses, it was assumed that the carrying amount approximated fair value for the majority of these instruments because of their short maturities. Quoted market prices were used for marketable securities and a part of other investments. Other techniques, such as estimated discounted value of future cash flows, and replacement cost, have been used to determine fair value for the remaining financial instruments. These estimated fair values are not necessarily indicative of the amounts that could be realized in a current market exchange.

Other investments includes investment securities which represent holdings in a number of non-public companies. The aggregate carrying amount of these investments in non-public companies was ¥90,690 million ($855,566 thousand) and ¥73,549 million at March 31, 2000 and 1999, respectively. However, the corresponding fair value of these investments at those dates was not computed as such estimation was not practicable.

18. COMMITMENTS AND CONTINGENT LIABILITIES:

Commitments outstanding at March 31, 2000 for the purchase of property, plant and equipment approximated ¥13,279 million ($125,274 thousand).

Rental expense for the years ended March 31, 2000 and 1999 aggregated ¥79,299 million ($748,104 thousand) and ¥86,695 million, respectively. Substantially all such rental expenses are related to cancellable leases for office space, warehouses, and employees' residential facilities. Such leases are customarily renewed.

At March 31, 2000, contingent liabilities, principally for loans guaranteed, approximated ¥483,017 million ($4,556,764 thousand).

Management of the company believes that there are no legal actions pending against the company and its subsidiaries which could result in damages against the company which would have a material effect on the company's consolidated financial statements.

REPORT OF INDEPENDENT ACCOUNTANTS

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April 28, 2000

To the Board of Directors of
Toshiba Corporation

We have audited the accompanying consolidated balance sheets of Toshiba Corporation and its subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, stated 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 the United States of America. 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.

The Company has not adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The effects on the consolidated financial statements of not adopting SFAS No. 115 and the disclosures required by SFAS No. 115 are summarized in Note 4 of notes to the consolidated financial statements.

The accompanying consolidated financial statements do not include segment information required to be disclosed in accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information."

In our opinion, except for the effects of the departure from SFAS No. 115 and the omission of segment information discussed in the third and fourth paragraphs of this report, respectively, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of Toshiba Corporation and its subsidiaries at March 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

GLOBAL NETWORK

OVERSEAS OFFICES

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Middle East
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Jakarta
New Delhi

OVERSEAS SUBSIDIARIES AND AFFILIATES

North America
Toshiba of Canada, Ltd. *Markham, Ontario, Canada*
Toshiba America, Inc. *New York, New York, U.S.A.*
Toshiba America Capital Corporation *New York, New York, U.S.A.*
Toshiba America Research, Inc. *Morristown, New Jersey, U.S.A.*
Toshiba America Medical Systems, Inc. *Tustin, California, U.S.A.*
Toshiba America MRI Inc. *South San Francisco, California, U.S.A.*
Applied Super Conetics, Inc. *San Diego, California, U.S.A.*
Toshiba America Information Systems, Inc. *Irvine, California, U.S.A.*
Toshiba America Business Solutions, Inc. *Irvine, California, U.S.A.*
Toshiba America Consumer Products, Inc. *Wayne, New Jersey, U.S.A.*
Toshiba Hawaii, Inc. *Honolulu, Hawaii, U.S.A.*
Toshiba International Corporation *Houston, Texas, U.S.A.*
Toshiba America Electronic Components, Inc. *Irvine, California, U.S.A.*
Toshiba Display Devices Inc. *Horseheads, New York, U.S.A.*
Dominion Semiconductor, L.L.C. *Manassas, Virginia, U.S.A.*
Semiconductor America, Inc. *Irvine, California, U.S.A.*
Toshiba Venture Capital, Inc. *Polo Alto, California, U.S.A.*
Toshiba America Venture Capital, Inc. *Lyndhurst, New Jersey, U.S.A.*
Enceratec, Inc. *Columbus, Indiana, U.S.A.*

Latin America
Toshiba de Mexico, S.A. de C.V. *Mexico City, Mexico*
Toshiba Electromex, S.A. de C.V. *Ciudad Juárez, Mexico*
GE Toshiba Turbine Components de Mexico S.R.L de C.V *Monterrey, Mexico*
Toshiba de Venezuela C.A. *Caracas, Venezuela*
Toshiba Medical do Brasil Ltda. *São Paulo, Brazil*
Semp Toshiba Amazonas S.A. *Manaus, Brazil*
T and S Servicos Industrias s/c Ltda. *São Paulo, Brazil*
Toshiba do Brasil, S.A. *São Paulo, Brazil*

Europe
Toshiba of Europe Ltd. *London, U.K.*
Toshiba International Finance (UK) Plc. *London, U.K.*
Toshiba Research Europe Ltd. *Cambridge, U.K.*
Toshiba Medical Systems Ltd. *Crawley, U.K.*
Toshiba Information Systems (UK) Ltd. *Weybridge, U.K.*
Toshiba (UK) Ltd. *Camberley, U.K.*
TTI Card Technology Europe Ltd. *Northamptonshire, U.K.*
Toshiba International (Europe) Ltd. *Uxbridge, U.K.*
Toshiba Electronics (UK) Ltd. *Camberley, U.K.*
Toshiba Electronics Scandinavia AB *Bromma, Sweden*
Toshiba International Finance (Netherlands) B.V. *Haarlem, The Netherlands*
Toshiba Medical Systems Europe B.V. *Zoetermeer, The Netherlands*
Toshiba Medical Systems NV/SA *Antwerpen, Belgium*
Toshiba Medical Systems GmbH *Neuss, Germany*
Toshiba Europe GmbH *Neuss, Germany*
Toshiba Semiconductor GmbH *Braunschweig, Germany*
Toshiba Electronics Europe GmbH *Düsseldorf, Germany*
Toshiba Medical France S.A. *Boulogne, France*

Toshiba Systèmes (France) S.A. *Puteaux, France*
Toshiba Electronics France S.A.R.L. *Rosny-Sous-Bois, France*
Toshiba Medical Systems Gesellschaft m.b.H. *Wiener Neudorf, Austria*
Toshiba Medical Systems AG *Oetwil am See, Switzerland*
Toshiba Medical Systems S.R.L. *Rome, Italy*
Toshiba Electronics Italiana S.R.L. *Milan, Italy*
Toshiba Medical Systems S.A. *Madrid, Spain*
Toshiba Electronics España S.A. *Madrid, Spain*
ZAO Toshiba Medical Systems *Moscow, Russian Federation*

Middle East
Toshiba Gulf FZE *Dubai, UAE*

Asia
Toshiba (China) Co., Ltd. *Beijing, The People's Republic of China*
Toshiba Technology Development (Shanghai) Co., Ltd. *Shanghai, The People's Republic of China*
Toshiba Dalian Co., Ltd. *Dalian, The People's Republic of China*
Hangzhi Machinery & Electronics Co., Ltd. *Hangzhou, The People's Republic of China*
Jiangsu Honshiba Tontru Network System Equipment Co., Ltd. *Nanjing, The People's Republic of China*
Shenyang NETS System Integration Co., Ltd. *Shenyang, The People's Republic of China*
Dalian Toshiba Television Co., Ltd. *Dalian, The People's Republic of China*
Shanghai Jinzhi Electronics Co., Ltd. *Shanghai, The People's Republic of China*
Toshiba Computer System (Shanghai) Co., Ltd. *Shanghai, The People's Republic of China*
Changzhou Toshiba Transformer Co., Ltd. *Changzhou, The People's Republic of China*
Shenyang Toshiba Elevator Co., Ltd. *Shenyang, The People's Republic of China*
Shanghai GFC Toshiba Elevator Co., Ltd. *Shanghai, The People's Republic of China*
Wuxi Huazhi Semiconductor Co., Ltd. *Wuxi, The People's Republic of China*
Jiangxi Toshiba Electronic Materials Co., Ltd. *Ganzhou, The People's Republic of China*
Tsurong Xiamen Xiangyu Trading Co., Ltd. *Xiamen, The People's Republic of China*
Toshiba Hong Kong Ltd. *Kowloon, Hong Kong*
Toshiba Electronics Asia, Ltd. *Kowloon, Hong Kong*
Korea Electronic Material Co., Ltd. *Inchon, The Republic of Korea*
Hanji Electronic Engineering Co., Ltd. *Seoul, The Republic of Korea*
Toshiba Electronics Korea Corporation *Seoul, The Republic of Korea*
Taiwan Toshiba International Semiconductor Designing Corporation *Taipei, Taiwan*
Toshiba Memory Semiconductor Taiwan Corp. *Taipei, Taiwan*
Toshiba Electronics Taiwan Corporation *Taipei, Taiwan*
Toshiba Information Equipment (Philippines), Inc. *Laguna, Philippines*
Toshiba Electronics Philippines, Inc. *Manila, Philippines*
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Toshiba Thailand Co., Ltd. *Bangkok, Thailand*
Thai Toshiba Electric Industries Co., Ltd. *Bangkok, Thailand*
Toshiba Consumer Products (Thailand) Co., Ltd. *Pathumthani, Thailand*
Toshiba Display Devices (Thailand) Co., Ltd. *Pathumthani, Thailand*
Toshiba Semiconductor (Thailand) Co., Ltd. *Pathumthani, Thailand*
Toshiba Sales and Services Sdn. Bhd. *Selangor, Malaysia*
Toshiba Electronics Malaysia Sdn. Bhd. *Selangor, Malaysia*
Toshiba Electronics Trading (Malaysia) Sdn. Bhd. *Selangor, Malaysia*
Wah Seong Engineering Sdn. Bhd. *Penang, Malaysia*
WS Elevators Sdn. Bhd. *Penang, Malaysia*
Toshiba Capital (Asia) Ltd. *Singapore*
Toshiba Asia Pacific Pte., Ltd. *Singapore*
Toshiba Medical Systems Asia Pte., Ltd. *Singapore*
Toshiba Data Dynamics Pte., Ltd. *Singapore*
Toshiba Video Products Pte., Ltd. *Singapore*
Toshiba Singapore Pte., Ltd. *Singapore*
Toshiba Electronics Asia (Singapore) Pte., Ltd. *Singapore*
P.T. Toshiba Consumer Products (Indonesia) *Jawa Barat, Indonesia*
P.T. Toshiba Display Devices Indonesia *Jawa Barat, Indonesia*
P.T. Schneider Manufacturing Batam *Batam, Indonesia*

Oceania
Toshiba (Australia) Pty., Ltd. *Sydney, Australia*
Toshiba International Corporation Pty., Ltd. *Sydney, Australia*

(As of March 31, 2000)

CONSOLIDATED SUBSIDIARIES

CONSOLIDATED DOMESTIC SUBSIDIARIES

A&T Battery Corporation
Fukuoka Toshiba Electronics Corporation
Iwate Toshiba Electronics Co., Ltd.
Kaga Toshiba Electronics Corporation
Kitashiba Electric Co., Ltd.
Kitsuki Toshiba Electronics Corporation
Kyodo Building Corporation
Shibaura Mechatronics Corporation
Shibaura NIDEC Corporation
Term Corporation
Toshiba Air Conditioning Co., Ltd.
Toshiba Battery Co., Ltd.
Toshiba Building & Lease Co., Ltd.
Toshiba Capital Corporation
Toshiba Carrier Air Conditioning Systems Corporation
Toshiba Carrier Corporation
Toshiba Chemical Corporation
Toshiba Credit Corporation
Toshiba Device Corporation
Toshiba Digital Frontiers Inc.
Toshiba Electric Appliances Co., Ltd.
Toshiba Elevator Corporation
Toshiba Elevator Products Corporation
Toshiba Engineering Corporation
Toshiba Finance Corporation
Toshiba GE Turbine Components Co., Ltd.
Toshiba Hokuto Electronics Corporation
Toshiba Home Technology Corporation
Toshiba Information Equipments Co., Ltd.
Toshiba Information Systems (Japan) Corporation
Toshiba Kansai Lifestyle-Electronics Corporation
Toshiba Lighting & Technology Corporation
Toshiba Logistics Corporation
Toshiba Medical Finance Co., Ltd.
Toshiba Medical Systems Co., Ltd.
Toshiba Microelectronics Corporation
Toshiba Multi Media Devices Co., Ltd.
Toshiba Plant Kensetsu Co., Ltd.
Toshiba Shutoken Lifestyle-Electronics Corporation
Toshiba TEC Corporation
Toshiba Video Products Japan Co., Ltd.
Toyo Carrier Engineering Co., Ltd.
Yokkaichi Toshiba Electronics Corporation

Plus 174 other domestic subsidiaries

CONSOLIDATED OVERSEAS SUBSIDIARIES

Changzhou Toshiba Transformer Co., Ltd.
Dalian Toshiba Television Co., Ltd.
Hangzhi Machinery & Electronics Co., Ltd.
P.T. Toshiba Consumer Products (Indonesia)
P.T. Toshiba Display Devices Indonesia
Pacific Fuel Cell Capital (U.S.A.), Inc.
Semiconductor America, Inc.
Shenyang Toshiba Elevator Co., Ltd.
TEC (UK) Ltd.
TEC America, Inc.
TEC France International S.A.
TEC Singapore Electronics Pte. Ltd.
TIM Electronics Sdn. Bhd.
Toshiba (Australia) Pty., Ltd.
Toshiba (China) Co., Ltd.
Toshiba (UK) Ltd.
Toshiba America Business Solutions, Inc.
Toshiba America Capital Corporation
Toshiba America Consumer Products, Inc.
Toshiba America Electronic Components, Inc.
Toshiba America Information Systems, Inc.
Toshiba America Medical Systems, Inc.
Toshiba America MRI Inc.
Toshiba America Venture Capital, Inc.
Toshiba America, Inc.
Toshiba Capital (Asia) Ltd.
Toshiba Chemical Singapore Pte., Ltd.
Toshiba Compressor (Taiwan) Corporation
Toshiba Consumer Products (Thailand) Co., Ltd.
Toshiba Dalian Co., Ltd.
Toshiba Display Devices (Thailand) Co., Ltd.
Toshiba Display Devices Inc.
Toshiba do Brasil, S.A.
Toshiba Electronics (UK) Ltd.
Toshiba Electronics Asia, Ltd.
Toshiba Electronics Europe GmbH
Toshiba Electronics Malaysia Sdn. Bhd.
Toshiba Electronics Taiwan Corporation
Toshiba Europe GmbH
Toshiba Information Equipment (Philippines), Inc.
Toshiba Information Systems (UK) Ltd.
Toshiba International Corporation
Toshiba International Finance (Netherlands) B.V.
Toshiba International Finance (UK) Plc.
Toshiba Medical Systems Asia Pte., Ltd.
Toshiba Medical Systems Europe B.V.
Toshiba Satellite Broadband, Inc.
Toshiba Semiconductor (Thailand) Co., Ltd.
Toshiba Semiconductor GmbH
Toshiba Systèmes (France) S.A.
Toshiba TEC Europe Imaging Systems S.A.
Toshiba Venture Capital, Inc.
Toshiba Video Products Pte., Ltd.
Wuxi Huazhi Semiconductor Co., Ltd.
Wuxi Tochemi Electro Chemical Co., Ltd.

Plus 49 other overseas subsidiaries

(As of March 31, 2000)

INVESTOR REFERENCE

Founded
July 1875

Capital
¥274,919 million (US$2,594 million)

Employees
190,870

Common Stock
Authorized: 10,000,000,000 shares
Issued: 3,219,006,450 shares
No. of shareholders: 380,744
Average holding: 8,455 shares

Transfer Agent
The Chuo Mitsui Trust and Banking Co., Ltd.

Headquarters
1-1, Shibaura 1-chome, Minato-ku
Tokyo 105-8001, Japan

Principal Shareholders:

The Dai-ichi Mutual Life Insurance Company	3.94%
The Sakura Bank, Ltd.	3.88%
The Chase Manhattan Bank NA London	3.85%
Nippon Life Insurance Company	3.36%
State Street Bank and Trust Company	2.63%
Mitsui Mutual Life Insurance Company	2.22%
The Sumitomo Trust and Banking Co., Ltd. (Trust Account)	2.01%
Employees Stock Ownership Plan	1.86%
The Nippon Fire & Marine Insurance Co., Ltd.	1.84%
The Long-Term Credit Bank of Japan, Ltd.	1.52%

(As of March 31, 2000)

For further information, please contact:

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