

# Financial Highlights

Years ended March 31

Consolidated	Millions of yen, except per share amounts					Thousands of U.S. dollars, except per share amounts
	1996	1997	1998	1999	2000	2000
Net sales	¥251,378	¥273,278	¥293,631	¥296,926	¥348,872	\$3,286,594
Operating income (loss)	(52)	6,904	13,348	11,839	12,698	119,623
Net income (loss)	(1,440)	4,028	8,124	8,030	4,150	39,096
Total assets	193,887	193,276	197,092	229,181	241,931	2,279,143
Total shareholders' equity	89,589	93,580	101,870	115,094	126,927	1,195,732
Per share of common stock:						
Net income (loss) –						
Basic	¥(5.37)	¥15.02	¥30.30	¥29.37	¥14.40	\$0.136
Diluted	–	–	30.17	29.31	–	–
Total shareholders' equity	334.11	348.99	379.90	399.44	440.50	4.150

Non-Consolidated	Millions of yen, except per share amounts					Thousands of U.S. dollars, except per share amounts
	1996	1997	1998	1999	2000	2000
Net sales	¥200,068	¥214,526	¥232,406	¥228,485	¥270,720	\$2,550,353
Operating income (loss)	(315)	6,273	10,791	6,286	6,754	63,627
Net income (loss)	(1,289)	3,965	7,314	4,593	2,139	20,151
Common stock	36,791	36,791	36,791	39,971	39,971	376,552
Total assets	168,549	165,552	167,663	200,453	208,537	1,964,550
Total shareholders' equity	87,119	91,084	98,398	108,198	116,993	1,102,148
Per share of common stock:						
Net income (loss) –						
Basic	¥(4.81)	¥14.79	¥27.28	¥16.80	¥7.42	\$0.070
Diluted	–	–	27.24	–	–	–
Cash dividends	0.00	0.00	4.00	4.00	5.00	0.047
Total shareholders' equity	324.89	339.68	366.96	375.50	406.02	3.825

The dollar amounts in this report represent translations of yen, for convenience only, at the rate of ¥106.15=US\$1.00, the exchange rate prevailing on March 31, 2000.

## CONTENTS

Financial Highlights .....	1
Consolidated Balance Sheets .....	3
Consolidated Statements of Operations and Retained Earnings .....	5
Consolidated Statements of Cash Flows .....	6
Notes to Consolidated Financial Statements .....	7
Summary of Non-Consolidated Financial Statements .....	13

## REVIEW OF THE YEAR

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This fiscal year, although the Japanese economy showed some signs of a partial recovery owing to the implementation of various fiscal stimulus packages, it remained stagnant because of reduced capital investment and consumer spending, a high unemployment rate, as well as the yen-induced weakness of exports in the second half of the year.

Against such a background, the Companies focused its resources on strengthening the copying business machine taken over from Toshiba Corporation on 1st January, 1999, and on reorganizing itself in order to accelerate its internal decision-making process so as to comply with the rapid changes in business environment and the requirements of a global operation. Furthermore, the Companies successfully launched competitive new products, succeeded in cultivating additional markets, and expanded its sales force. As a result of these measures, net sales in the year under review reached ¥348.872 billion, i. e. a 17% increase over the previous year, owing to the smooth performance in the Retail Information Systems Division, and greater sales in the copying machine business of the Document Processing & Telecommunication Systems Division. Although operating income stood at ¥12.698 billion, rising by 7% compared with the previous year thanks to the growth in revenue and the reduction of both production and operating costs, the strong Yen exchange rate caused income before income taxes and minority interests to drop by 14 down to ¥7.695 billion compared with fiscal 1998. Net income for the ended at ¥4.150 billion, 48% lower than in the previous year.

Regarding the Y2K-related issue, it was treated by the Companies' management as a priority issue in terms of customer support and internal computer systems, and no serious problem was recorded.

Founded on the 21st of February, 1950, Toshiba Tec Corporation is proud to celebrate its 50th Anniversary this year.

## PRODUCTS LINE UP (as of March, 2000)

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### Retail Information Systems

#### Main Products

- TOTAL POS Systems (head offices/sales outlets)  
Supermarket systems, department store systems, shopping center systems, convenience store systems, specialty store systems, systems for restaurants and refreshment services
- Electronic Cash Registers (ECRs)  
Specialized ECRs, multifunction ECRs, ECRs for hospital-ity stores
- Electronic scales/Automatic packaging devices  
Counter-top electronic scales, label printers, automatic packaging equipment
- <Bar code system devices>
- Retail and distribution equipment  
Bar code printers/systems, shelf label-issuing systems, clothing tag-issuing systems
- FA  
Process control systems quality control systems, inventory control systems
- Multipurpose  
2-D code systems, on-site color printers, radio portable printers
- <Environmental equipment>
- Large-scale waste disposal equipment, small-scale raw waste disposal equipment, can retrieval equipment, PET

bottle retrieval equipment, Styrofoam packaging waste recycling equipment

#### <Office equipment>

- Office and accounting computers
- Electronic white copy boards
- Personal computers

#### <Supplies>

Distribution & retail supplies, office equipment supplies  
Information & Telecommunications

### Document Processing & Telecommunication Systems

#### Main Products

- Multi-function products
- Facsimile
- Computer Peripheral Equipment
- Specialized Terminals

### Home Electric Appliances & Others

#### Main Products

- Vacuum cleaners, juicers, mixers, food processors, toasters
- Small motors
- Health equipment
- Components

# Consolidated Balance Sheets

March 31, 2000 and 1999

ASSETS	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
<b>Current assets</b>			
Cash and cash equivalents	¥53,215	¥63,784	\$501,319
Trade notes and accounts receivable	57,821	58,254	544,710
Marketable securities (Notes 4 and 6)	5,159	5,990	48,601
Inventories	41,310	38,172	389,166
Deferred income taxes (Note 10)	3,126	668	29,449
Prepaid expenses and other current assets	7,983	5,469	75,205
Allowance for doubtful accounts	(815)	(915)	(7,678)
<b>Total current assets</b>	<b>167,799</b>	<b>171,422</b>	<b>1,580,772</b>
<b>Fixed assets</b>			
Property, plant and equipment:			
Land (Note 6)	5,910	5,943	55,676
Buildings and structures (Note 6)	22,783	22,601	214,630
Machinery and equipment (Note 6)	20,508	19,400	193,198
Tools, furniture and fixtures	59,534	54,963	560,848
Construction in progress	1,866	2,087	17,579
Less accumulated depreciation	(73,850)	(68,753)	(695,713)
	<b>36,751</b>	<b>36,240</b>	<b>346,218</b>
Intangible assets:			
Good will	2,920	3,200	27,508
Other intangible assets	5,163	2,680	48,639
	<b>8,083</b>	<b>5,880</b>	<b>76,147</b>
Investments and other assets:			
Investment securities: (Note 4)			
Unconsolidated subsidiaries and affiliates	1,730	1,716	16,298
Other	6,318	728	59,520
Deferred income taxes (Note 10)	7,443	99	70,118
Other investments and other assets	10,497	12,441	98,887
Allowance for doubtful accounts	(682)	(784)	(6,425)
	<b>25,306</b>	<b>14,200</b>	<b>238,398</b>
<b>Total fixed assets</b>	<b>70,140</b>	<b>56,320</b>	<b>660,763</b>
<b>Foreign currency translation adjustments</b>	<b>3,992</b>	<b>1,439</b>	<b>37,608</b>
<b>Total assets</b>	<b>¥241,931</b>	<b>¥229,181</b>	<b>\$2,279,143</b>

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

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
<b>Current liabilities</b>			
Trade notes and accounts payable	¥54,183	¥51,422	\$510,438
Short-term loans (Notes 5 and 6)	1,900	7,265	17,899
Current portion of long-term debt (Notes 5 and 6)	142	43	1,338
Accrued income and other taxes	4,194	1,908	39,510
Accrued expenses	17,599	16,997	165,794
Deferred income taxes (Note 10)	34	—	320
Other current liabilities	12,229	12,414	115,205
<b>Total current liabilities</b>	<b>90,281</b>	<b>90,049</b>	<b>850,504</b>
<b>Long-term liabilities</b>			
Long-term debt (Notes 5 and 6)	13,189	13,437	124,249
Severance benefits	10,465	9,887	98,587
Other long-term liabilities	236	9	2,223
<b>Total long-term liabilities</b>	<b>23,890</b>	<b>23,333</b>	<b>225,059</b>
<b>Total liabilities</b>	<b>114,171</b>	<b>113,382</b>	<b>1,075,563</b>
Contingent liabilities (Note 7)			
<b>Minority interests</b>	<b>833</b>	<b>705</b>	<b>7,848</b>
<b>Shareholders' equity</b>			
Common stock, par value ¥50 per share			
Authorized-1,000,000,000 shares			
Issued- 288,145,704 shares	39,971	39,971	376,552
Capital surplus	52,983	52,983	499,133
Retained earnings	33,975	22,142	320,066
Less treasury stock	(2)	(1)	(19)
<b>Total shareholders' equity</b>	<b>126,927</b>	<b>115,094</b>	<b>1,195,732</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>¥241,931</b>	<b>¥229,181</b>	<b>\$2,279,143</b>

# Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Net sales	¥348,872	¥296,926	\$3,286,594
Cost of sales (Note 9)	229,181	191,959	2,159,029
<b>Gross profit</b>	<b>119,691</b>	<b>104,967</b>	<b>1,127,565</b>
Selling, general and administrative expenses (Note 9)	106,993	93,128	1,007,942
<b>Operating Income</b>	<b>12,698</b>	<b>11,839</b>	<b>119,623</b>
<b>Non-operating income and expenses:</b>			
Interest and dividend income	701	775	6,604
Interest expense	(1,112)	(597)	(10,476)
Other, net (Note 8)	(4,592)	(2,049)	(43,259)
Income before income taxes and minority interests	7,695	9,968	72,492
Income taxes:			
Current	3,936	1,842	37,080
Deferred	(454)	206	(4,277)
Income before minority interests	4,213	7,920	39,689
Minority interests	63	(110)	593
<b>Net Income</b>	<b>¥4,150</b>	<b>¥8,030</b>	<b>\$39,096</b>
Retained earnings at beginning of year	22,142	15,256	208,592
Prior period adjustments for adoption of tax-effect accounting	9,279	-	87,414
Adjustments resulting from newly consolidation of subsidiaries	186	-	1,752
Appropriations:			
Dividends	(1,726)	(1,073)	(16,260)
Bonuses to directors and statutory auditors	(56)	(72)	(528)
Retained earnings at end of year	33,975	22,142	320,066
	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Per share of common stock:			
Net income-			
Basic	¥14.40	¥29.37	\$0.136
Diluted	-	29.31	-
Cash dividends	¥5.00	¥4.00	\$0.047

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

# Consolidated Statements of Cash Flows

Years ended March 31, 2000

	Millions of yen	Thousands of U.S. dollars
	2000	2000
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	7,695	72,492
Adjustment to reconcile income before income taxes and minority interests to net cash provided by operating activities:		
Depreciation and amortization	12,422	117,023
Loss on sales or disposals of fixed assets	822	7,744
Equity in losses of affiliates	266	2,506
Reversal of allowance for doubtful accounts	(202)	(1,903)
Accrual for severance benefits, less payments	578	5,445
Interest and dividend income	(701)	(6,604)
Interest expense	1,112	10,476
Changes in assets and liabilities:		
Notes and accounts receivable	279	2,628
inventories	(4,474)	(42,148)
Notes and accounts payable	4,308	40,584
Other	(588)	(5,539)
<b>Sub Total</b>	<b>21,517</b>	<b>202,704</b>
Interest and dividend income received	691	6,510
Interest expense payments	(873)	(8,224)
Income taxes payments	(1,599)	(15,064)
Other	(170)	(1,602)
<b>Net cash provided by operating activities</b>	<b>19,566</b>	<b>184,324</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of marketable securities	686	6,463
Increase in loan receivable	(239)	(2,252)
Acquisition of property, plant and equipment	(11,166)	(105,191)
Acquisition of intangible assets	(1,770)	(16,675)
Acquisition of investment securities	(6,171)	(58,135)
Investments in subsidiaries on newly consolidation	(3,078)	(28,997)
Other	(1,010)	(9,514)
<b>Net cash used in investing activities</b>	<b>(22,748)</b>	<b>(214,301)</b>
<b>Cash flows from financing activities</b>		
Payments of short-term loans	(5,165)	(48,658)
Payments of dividend	(1,709)	(16,100)
Other	(7)	(65)
<b>Net cash used in financing activities</b>	<b>(6,881)</b>	<b>(64,823)</b>
Effect of exchange rate changes on cash and cash equivalents	(701)	(6,604)
Net decrease in cash and cash equivalents	(10,764)	(101,404)
Cash and cash equivalents at beginning of year	63,784	600,886
Increase in cash and cash equivalents resulting from subsidiaries on consolidation	195	1,837
<b>Cash and cash equivalents at end of year</b>	<b>¥53,215</b>	<b>\$501,319</b>

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

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of TOSHIBA TEC CORPORATION have been prepared in accordance with accounting principles generally accepted in Japan and compiled from the financial statements filed with the Director General of the Kanto Local Finance Bureau as required under the Japanese Securities and Exchange Law. Accordingly, the consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Effective April 1, 1999, accounting principles applicable to the consolidated financial statements were revised, and accounting standards for "tax-effect accounting" and "research and development expenses" were also revised. The consolidated financial statements of the year ended March 31, 2000 have been prepared in accordance with the revised accounting principles and standards.

The consolidated financial statements of the year ended March 31, 1999 have not been restated to conform to the current years' presentation, although the effects of revision are stated in the notes.

Certain reclassifications have been made to present the consolidated financial statements in a format which is familiar to readers outside Japan. Solely for the convenience of the reader, the consolidated financial statements have been presented in U.S. dollars by translating Japanese yen amounts at the exchange rate of ¥106.15=US\$1.00 prevailing as of March 31, 2000.

## 2. Summary of Significant Accounting Policies

### (A) Basis of Consolidation and Accounting of Investments in Affiliated Companies

The consolidated financial statements include the accounts of the parent company (the "Company") and its significant majority-owned subsidiaries (together the "Companies"). All significant intercompany transactions and accounts are eliminated.

The consolidated subsidiaries are listed in the last page. The following subsidiaries have been newly added as consolidated subsidiary in the consolidated financial statements of the year ended March 31, 2000.

TOSHIBA TEC DOCUMENT PROCESSING SYSTEMS CO.,LTD (Japan)

TOSHIBA TEC EUROPE IMAGING SYSTEMS S. A. (France)

TOCHIBA COPYING MACHINE (Shenzhen) CO.,LTD (China)

All assets and liabilities of the subsidiaries are revaluated on acquisitions, if applicable, and the excess of cost over underlying net assets at the date of acquisition charged to income as immaterial.

The equity method of accounting is adopted for investments in major unconsolidated subsidiaries or affiliated companies. For the year ended March 31, 2000, the equity method of accounting has been adopted for Advanced Peripherals Technology Inc.

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

### (B) Foreign Currency Translation

Revenue and expense accounts of the foreign consolidated subsidiaries are translated using the average rate during the year and, except for the components of shareholders' equity, the balance sheet accounts are also translated into yen at the exchange rates in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates.

Translation differences are presented as "Foreign currency translation adjustments" in the accompanying consolidated financial statements.

### (C) Appropriation of Retained Earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriation.

### (D) Revenue Recognition

Sales are normally recognized at the time of shipment of the goods to customers except for sales of certain product which are recorded in the accounts upon customer acceptance.

### (E) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturates of three months or less.

### (F) Marketable and Investment Securities

Marketable securities, except unlisted securities, are generally stated at the lower of cost or market. Other marketable securities and investment securities are stated at cost, cost being determined by the moving average method.

### (G) Inventories

Inventories are generally stated at cost determined by the weighted average method for finished goods and by the last purchase cost method for work-in-process and raw materials.

### (H) Property, Plant and Equipment and Depreciation

Property, plant and equipment is stated at acquisition cost. Material improvements are capitalized, but repair and maintenance including minor improvements are charged to

income.

Depreciation of property, plant and equipment is generally computed by the declining-balance method for the Company and its domestic subsidiaries, and by the straight-line method for the overseas subsidiaries, at rates based on estimated useful lives of the respective assets.

#### **(I) Intangible Assets and Amortization**

Intangible assets are amortized by the straight-line method over their estimated useful lives.

Until the year ended March 31, 1999, software development costs had been included in the category of "Other investments and other assets". In accordance with new accounting standards for development costs of software intended for internal use, the Company, effective the year ended March 31, 2000, has changed the name of the account under which software development costs of ¥2,392 million (US\$22,534 thousand) have been included to "intangible assets," from "Other investments and other assets."

#### **(J) Leases**

The Companies lease certain equipment under noncancelable lease agreements referred to as finance leases. Finance leases other than those, which transfer the ownership of the leased property to the Companies, are accounted for as operating leases.

#### **(K) Income Taxes, Deferred Tax Assets and Liabilities**

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

In accordance with a revision to the Japanese accounting standards for consolidation effective the year ended March 31, 2000, the Company has changed its method of accounting for income taxes and has adopted tax-effect accounting by the asset-liability method for the Company and its consolidated subsidiaries. The effect of this change was the initial recognition of deferred tax assets of ¥9,929 million (US\$93,537 thousand), of which ¥2,606 million was current assets and ¥7,323 million was non-current assets, and of deferred tax liability of ¥34 million (US\$320 thousand). In addition, as a result of this change in method of accounting, net income and retained earnings at the end of the year increased by ¥578 million (US\$5,444 thousand) and ¥9,852 million (US\$92,812 thousand), respectively.

#### **(L) Severance Benefits**

Upon retirement or termination of employment, employees of the Company and its domestic subsidiaries are generally entitled to lump-sum payments determined by reference to their current basic rate of pay, length of service

and conditions under which the termination occurs.

The Company and certain domestic subsidiaries accrue the liability and make contributions to a non-contributory qualified pension plans (the "Funded Plan") for employees' severance indemnities payable, as part of the existing retirement plan. As of March 31, 2000, the benefits under the Funded Plan covers approximately 70% of the indemnities payable under the existing plan. Past service cost with respect to the Funded Plan is being amortized over a period of 30 years.

The provision for the indemnities payable not covered by the Funded Plan is calculated based on the vested benefit obligation at the balance-sheet date.

The provision for severance benefits for directors and statutory auditors of the Companies is made on an accrual basis.

#### **(M) Foreign Currency Translation**

All short-term monetary assets and liabilities in foreign currencies are translated at the rates of exchange in effect at the balance-sheet date or at the rates of any forward exchange contracts.

Long-term monetary assets and liabilities are generally translated at the rates on the dates they were acquired or incurred.

### **3. Changes in Methods of Accounting**

#### **Allowance for Doubtful Accounts**

Effective April 1, 1999, the Company and its domestic subsidiaries changed their policies for "allowance for doubtful accounts" for the purpose of standardizing the group accounting policies.

Prior to April 1, 1999, the allowance for doubtful accounts was provided at the maximum amount permitted as a tax deduction under the Corporation Income Tax Law of Japan, plus additional estimated amounts to cover specific uncollective accounts.

However, effective April 1, 1999, instead of the maximum amount permitted as a tax deduction, the companies adopted the amount which is deduced by actual bad debt expenses.

The effect of this change increased "income before income taxes and minority interests" by ¥218 million (US\$2,054 thousand).



#### 4. Marketable and Investment Securities

Information regarding the market value of marketable securities and investment securities at March 31, 2000 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
	Carrying value	Market value	Carrying value	Market value
Marketable securities:				
Stock of public companies	¥4,871	¥6,224	\$45,888	\$58,634
Convertible debentures and others	288	347	2,713	3,269
Investment securities:				
Stock of public companies	¥125	¥170	\$1,178	\$1,602

#### 5. Short-Term Loans and Long-Term Debts

The average interest rate for short-term bank loans outstanding at March 31, 2000 is 3.61%

The long-term debt at March 31, 2000 and 1999, consists of the following:

	Current Conversion price	Millions of yen		Thousands of U.S. dollars
		2000	1999	2000
Convertible bonds:				
Due 2002, with interest rate of 2.2%	¥1,095.80 (\$10.32)	¥8,017	¥8,117	\$75,525
Straight bonds:				
Due 2004, with interest rate of 3.0%		5,000	5,000	47,103
Long-term loans:				
Due serially through 2022, with interest rate of 2.44% to 5.02%		314	363	2,958
		13,331	13,480	125,586
Less current portion		142	43	1,337
		¥13,189	¥13,437	\$124,249

The number of shares required for the conversion of convertible bonds is approximately 7,316 thousand shares at March 31, 2000.

The aggregate annual maturities of long-term debt (including the current portion) outstanding at March 31, 2000 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥142	\$1,338
2002	8,049	75,827
2003	31	292
2004 and thereafter	5,109	48,129
	¥13,331	\$125,586

#### 6. Assets Pledged as Collateral

The following assets are pledged as collateral at March 31, 2000

	Millions of yen	Thousands of U.S. dollars
Marketable securities	¥140	\$1,319
Buildings and structures	2,274	21,423
Machinery and equipment	87	820
Land	2,925	27,554
	¥5,426	\$51,116

The obligations collateralized by the above assets at March 31, 2000 are as follows:

	Millions of yen	Thousands of U.S. dollars
Short-term loans	¥337	\$3,175
Long-term loans	209	1,969
Convertible bonds:	8,017	75,525
Note receivable discounted	113	1,064
	¥8,676	\$81,733

#### 7. Contingent liabilities

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

Contingent liabilities at March 31, 2000 and 1999, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Trade notes receivable discounted or endorsed	¥8,252	¥4,722	\$77,739
Guarantees on loans and others	496	994	4,673

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

"Other, net" for the years ended March 31, 2000 and 1999, consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Foreign exchange	(¥2,094)	(¥296)	(\$19,727)
Write-down and disposal of inventories	(990)	(457)	(9,326)
Loss on sales or disposal of property, plant and equipment	(855)	(896)	(8,055)
Valuation loss on marketable securities at the lower of cost or market	(305)	(434)	(2,873)
Gain on liquidation of subsidiaries		297	-
Gain on disposal of lighting fixtures operation		262	-
Reorganization cost		(192)	-
Other, net	(348)	(333)	(3,279)
	(¥4,592)	(¥2,049)	(\$43,260)

## 9. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2000 and 1999 are as follows:

Millions of yen		Thousands of U.S. dollars
2000	1999	2000
¥28,133	¥18,262	\$265,031

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

The effective tax rate reflected in the consolidated statements of operations for the year ended March 31, 2000 differs from the statutory tax rate for the following reasons:

	2000
Statutory tax rate	41.8%
Effect of:	
Different tax rates applied to income of foreign subsidiaries	(6.9)
Expenses not deductible for income tax purposes	2.8
Equity in losses of affiliated companies	1.6
Eliminations of cash dividend from consolidated subsidiaries	7.2
Other, net	(1.3)
	<u>45.2%</u>

Significant components of the Companies' deferred tax assets and liabilities at March 31, 2000 are as follows

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Deferred tax assets:		
Deferred assets	¥4,239	¥39,934
Accrued severance indemnities	2,346	22,101
Accrued bonuses	1,274	12,002
Other	3,477	32,755
	<u>11,336</u>	<u>106,792</u>
Valuation allowance	(25)	(235)
	<u>11,311</u>	<u>106,557</u>
Deferred tax liabilities:		
Retained earnings appropriated for tax allowable reserves	611	5,756
Other	165	1,555
	<u>776</u>	<u>7,311</u>
Net deferred tax assets:	<u>¥10,535</u>	<u>\$99,246</u>

## 11. Leases

### (A) Finance Leases

The following pro forma amounts represent the acquisition cost, accumulated depreciation and net book value of leased property as of March 31, 2000 which would have been reflected in the balance sheet if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	New book value	Acquisition cost	Accumulated depreciation	New book value
Machinery and equipment	¥63	¥38	¥25	\$593	\$358	\$235
Tools, furniture and fixtures	1,623	630	993	15,290	5,935	9,355
	<u>¥1,686</u>	<u>¥668</u>	<u>¥1,018</u>	<u>¥15,883</u>	<u>\$6,293</u>	<u>\$9,590</u>

(1) Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2000 for finance lease transactions accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Due within one year	¥235	\$2,214
Due after one year	783	7,376
	<u>¥1,018</u>	<u>\$9,590</u>

(2) Lease payments for the years ended March 31, 2000 and 1999, are ¥244 million (\$2,299 thousand) and ¥196 million, respectively.

### (B) Operating Leases

Future minimum lease payments subsequent to March 31, 2000 for noncancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2000	2000
Due within one year	¥136	\$1,281
Due after one year	239	2,252
	<u>¥375</u>	<u>\$3,533</u>

## 12. Derivatives and Hedging Activities

The Company has entered into forward exchange contracts to hedge the foreign currency transactions related to foreign accounts receivable and payable on a consistent basis, for the purpose of protecting the Company from the related market risk.

At March 31, 2000, the forward exchange contracts outstanding are as follows:

	Millions of yen			Thousands of U.S. dollars
	Contract amount	Market value	Unrealized gain	Unrealized gain
Selling forward exchange contracts				
U.S. dollar	¥2,114	¥2,104	¥10	\$94
EUR	392	375	17	160
Others	113	112	1	9
Buying forward exchange contracts	—	—	—	—

Above amounts exclude contracts entered into hedge receivables and payables denominated in foreign currencies which have been translated and reflected at the corresponding contractual rates in the accompanying balance sheet at March 31, 2000.

## 13. Segment Information

### (A) Business Segment

The Companies operate in three business areas as follows:

- (1) Retail Information Systems
  - total pos systems
  - electronic cash registers
  - electronic scales
  - bar cord system devices
  - environmental equipment
  - office equipment
- (2) Document Processing & Telecommunication Systems
  - multi-function products
  - facsimile
  - computer peripheral equipment
  - specialized terminals
- (3) Home Electric Appliances & Others
  - home electric appliances
  - components

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
<b>Net Sales</b>			
Retail Information Systems			
Unaffiliated customers	¥171,669	¥168,332	¥1,617,230
Intersegment	1,646	88	15,507
Total	173,315	168,421	1,632,737
Document Processing & Telecommunication Systems			
Unaffiliated customers	156,264	93,815	1,472,106
Intersegment	4,994	3,548	47,046
Total	161,258	97,364	1,519,152
Home Electric Appliances & Others			
Unaffiliated customers	20,940	34,778	197,268
Intersegment	-	447	-
Total	20,940	35,226	197,268
Eliminations	(6,641)	(4,085)	(62,563)
Consolidated	¥348,872	¥296,926	\$3,286,594

### Operating Income (Loss)

Retail Information Systems	¥4,428	¥3,048	\$41,715
Document Processing & Telecommunication Systems	7,642	9,409	71,992
Home Electric Appliances & Others	619	(641)	5,831
Eliminations	9	22	85
Consolidated	¥12,698	¥11,838	\$119,623

### Identifiable Assets

Retail Information Systems	¥89,437	¥88,336	\$842,553
Document Processing & Telecommunication Systems	85,366	58,164	804,202
Home Electric Appliances & Others	19,284	20,746	181,667
Corporate and Eliminations	47,844	61,934	450,721
Consolidated	¥241,931	¥229,181	\$2,279,143

### Depreciation and Amortization

Retail Information Systems	¥3,740	¥3,394	\$35,233
Document Processing & Telecommunication Systems	7,218	2,531	67,998
Home Electric Appliances & Others	1,464	1,624	13,792
Corporate	-	-	-
Consolidated	¥12,422	¥7,549	\$117,023

### Capital Expenditures

Retail Information Systems	¥3,621	¥3,304	\$34,112
Document Processing & Telecommunication Systems	7,917	10,362	74,583
Home Electric Appliances & Others	1,398	1,542	13,170
Corporate	-	-	-
Consolidated	¥12,936	¥15,208	\$121,865

(note 1) The Companies have restructured their business organization in connection with the business transfer on January 1, 1999. (the Companies took over the photocopy machine business from TOSHIBA CORPORATION and turned over the lighting fixture business to TOSHIBA LITEC Co., Ltd.) Effective April 1, 1999, for the purpose of presenting the business of the Companies more accurately, the Companies have revised their presentation of segment information based on the changes noted above.

The segment information of the year ended March 31, 1999 has been restated to conform to current years' presentation.

(note 2) The effect of tax-effect accounting increased the assets of "Retail Information Systems" by ¥4,225 million (US\$39,802 thousand), "Document Processing & Telecommunication Systems" by ¥5,095 million (US\$47,998 thousand), "Home Electric Appliances & Others" by ¥610 million (US\$5,747 thousand).

(note 3) Corporate assets mainly consist of cash, time deposits, marketable securities, investment securities and investments with financial institutions of the Company. Corporate assets at March 31, 2000 and 1999, are ¥48,965 million (US\$461,281 thousand) and ¥62,803 million, respectively.

### (B) Geographic Segments

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
<b>Net Sales</b>			
<b>Japan</b>			
Unaffiliated customers	¥291,432	¥250,554	\$2,745,473
Intersegment	14,189	11,298	133,670
Total	305,621	261,853	2,879,143
<b>North America</b>			
Unaffiliated customers	4,903	5,555	46,189
Intersegment	2	6	19
Total	4,905	5,561	46,208
<b>Europe</b>			
Unaffiliated customers	26,309	18,439	247,847
Intersegment	304	19	2,864
Total	26,613	18,512	250,711

Asia			
Unaffiliated customers	26,228	22,322	247,085
Intersegment	21,296	11,611	200,621
Total	47,524	33,934	447,706
Eliminations	(35,791)	(22,935)	(337,174)
Consolidated	¥348,872	¥296,926	\$3,286,594

#### Operating Income

Japan	¥8,303	¥7,274	\$78,220
North America	92	35	867
Europe	531	190	5,002
Asia	3,753	4,342	35,356
Eliminations	19	(3)	178
Consolidated	¥12,698	¥11,838	\$119,623

#### Identifiable Assets

Japan	¥179,453	¥144,075	\$1,690,561
North America	2,088	2,503	19,670
Europe	13,591	9,877	128,036
Asia	19,722	16,425	185,794
Corporate and Eliminations	27,077	56,299	255,082
Consolidated	¥241,931	¥229,181	\$2,279,143

(note 1) Criteria of geographical segmentation and the name of countries or areas mainly included in each segment are as follows:

- (1) Criteria: geographical closeness
- (2) Countries & Areas
  - ① North America U.S.A., Canada
  - ② Europe U. K., France, Germany
  - ③ Asia Singapore, Malaysia, Indonesia, China

(note 2) The effect of tax-effect accounting increased the assets of "Japan" by ¥9,930 million (US\$93,547 thousand).

(note 3) Corporate assets mainly consist of cash, time deposits, marketable securities, investment securities and investments with financial institutions of the Company.  
Corporate assets at March 31, 2000 and 1999, are ¥48,965 million (US\$461,281 thousand) and ¥62,803 million, respectively.

### (C) Net Sales by Region

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Net Sales			
Japan	¥193,865	¥202,232	\$1,826,331
North America	73,432	41,907	691,776
Europe	62,492	45,371	588,714
Asia and Others	19,083	7,416	179,773
Net sales	¥348,872	¥296,926	\$3,286,594

(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, which are determined based upon where the sales originated.

# Supplemental Information Non-Consolidated Balance Sheets

March 31, 2000 and 1999

ASSETS	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
<b>Current assets</b>			
Cash and time deposits	¥46,772	¥57,237	\$440,622
Trade notes and accounts receivable	45,184	47,814	425,662
Marketable securities	5,140	5,886	48,422
Inventories:			
Finished goods	19,113	20,258	180,057
Work-in-process and raw materials	9,862	7,931	92,906
Deferred income taxes	1,953	—	18,398
Prepaid expenses and other current assets	8,615	5,266	81,159
Allowance for doubtful accounts	(247)	(475)	(2,327)
<b>Total current assets</b>	<b>136,392</b>	<b>143,917</b>	<b>1,284,899</b>
<b>Fixed assets</b>			
Property, plant and equipment:			
Land	4,868	4,891	45,860
Buildings and structures	18,050	17,726	170,042
Machinery and equipment	15,509	14,119	146,105
Tools, furniture and fixtures	50,436	47,541	475,139
Construction in progress	1,842	2,032	17,353
Less accumulated depreciation	(62,151)	(57,940)	(585,502)
	<b>28,554</b>	<b>28,369</b>	<b>268,997</b>
Intangible assets			
Good will	2,400	3,200	22,610
Other intangible assets	4,183	2,588	39,407
	<b>6,583</b>	<b>5,788</b>	<b>62,016</b>
Investments and other assets:			
Investment securities			
Subsidiaries and affiliates	15,871	11,887	149,515
Other	6,149	568	57,927
Deferred income taxes	6,694	—	63,062
Other investments and other assets	8,949	10,693	84,305
Allowance for doubtful accounts	(655)	(769)	(6,171)
	<b>37,008</b>	<b>22,379</b>	<b>348,638</b>
<b>Total fixed assets</b>	<b>72,145</b>	<b>56,536</b>	<b>679,651</b>
<b>Total assets</b>	<b>¥208,537</b>	<b>¥200,453</b>	<b>\$1,964,550</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
<b>Current liabilities</b>			
Trade notes and accounts payable	¥46,278	¥45,688	\$435,968
Short-term loans	—	5,000	—
Current portion of long-term debt	42	43	396
Accrued income taxes	1,764	192	16,618
Accrued expenses	11,728	11,139	110,485
Other current liabilities	9,556	8,297	90,023
<b>Total current liabilities</b>	<b>69,368</b>	<b>70,359</b>	<b>653,490</b>
<b>Long-term liabilities</b>			
Long-term debt	13,189	13,338	124,249
Severance benefits	8,987	8,558	84,663
<b>Total long-term liabilities</b>	<b>22,176</b>	<b>21,896</b>	<b>208,912</b>
<b>Total liabilities</b>	<b>91,544</b>	<b>92,255</b>	<b>86,402</b>
Contingent liabilities			
<b>Shareholders' equity</b>			
Common stock, par value ¥50 per share			
Authorized-1,000,000,000 shares			
Issued-288,145,704 shares	39,971	39,971	376,552
Capital surplus	52,983	52,983	499,133
Legal reserve	2,433	2,259	22,921
Retained earnings:			
Voluntary reserve	8,887	6,593	83,721
Unappropriated	12,719	6,392	119,821
<b>Total shareholders' equity</b>	<b>116,993</b>	<b>108,198</b>	<b>1,102,148</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥208,537</b>	<b>¥200,453</b>	<b>\$1,964,550</b>

# Supplemental Information Non-Consolidated Statements of Operations and Retained Earnings

Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Net sales	¥270,720	¥228,485	\$2,550,353
Cost of sales	194,220	163,124	1,829,675
<b>Gross profit</b>	<b>76,500</b>	<b>65,361</b>	<b>720,678</b>
Selling, general and administrative expenses	69,746	59,075	657,051
<b>Operating income</b>	<b>6,754</b>	<b>6,286</b>	<b>63,627</b>
Non-operating income and expenses:			
Interest and dividend income	1,813	706	17,080
interest expense	(1,076)	(470)	(10,137)
Other, net	(3,931)	(1,831)	(37,033)
<b>Income before income taxes</b>	<b>3,560</b>	<b>4,691</b>	<b>33,537</b>
Income taxes			
Current	1,675	98	15,779
Deferred	(254)	—	(2,393)
<b>Net income</b>	<b>2,139</b>	<b>4,593</b>	<b>20,151</b>
Unappropriated retained earnings at beginning of year	6,392	7,982	60,217
Transfer from voluntary reserve	68	64	641
Appropriation of retained earnings:			
Transfer to legal reserve	116	114	1,093
Cash dividends	1,115	1,073	10,504
Bonuses to directors and statutory auditors	45	60	424
Transfer to voluntary reserve	3,000	5,000	28,262
Prior period adjustments for adoption of tax-effect accounting	8,392	—	79,058
Transfer from voluntary reserve by adopting tax-effect accounting	638	—	6,010
Cash interim dividends	576	—	5,426
Transfer to legal reserve by interim dividends	58	—	547
Unappropriated retained earnings at end of year	¥12,719	¥6,392	\$119,821

# **Century Ota Showa & Co.**

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## **Report of Independent Certified Public Accountants**

### **The Board of Directors**

#### **TOSHIBA TEC CORPORATION**

We have audited the consolidated balance sheets of TOSHIBA TEC CORPORATION and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of operations and retained earnings and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of TOSHIBA TEC CORPORATION and consolidated subsidiaries at March 31, 2000 and 1999, the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the method of segmentation by business segment as described in Note 13 to the consolidated financial statements.

As described in Note 1 to the consolidated financial statements, TOSHIBA TEC CORPORATION and consolidated subsidiaries have adopted new accounting standards for consolidation, and tax-effect accounting in the preparation of their consolidated financial statements for the year ended March 31, 2000.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000, are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*Century Ota Showa & Co.*

Century Ota Showa & Co.

Tokyo, Japan  
June 29, 2000

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of TOSHIBA TEC CORPORATION under Japanese accounting principles and practices.