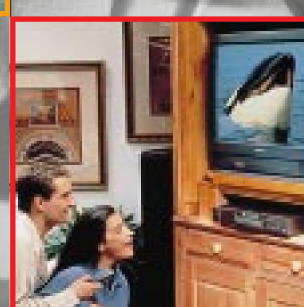
TOSHIBA

Annual Report 1997

Year Ended March 31, 1997



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.

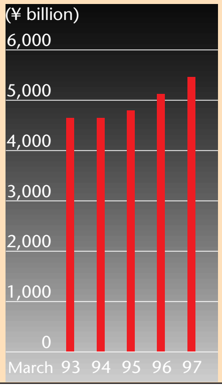
Committed to People,
Committed to the Future. TOSHIBA

Contents

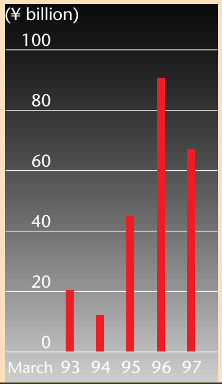
Toshiba Corporation and its subsidiaries *For the years ended March 31, 1997 and 1996*	Millions of yen		Thousands of U.S. dollars
	1997	1996	1997
Net sales – Japan	¥3,455,146	¥3,451,062	$27,864,081
– Overseas	1,998,251	1,669,024	16,114,927
Net sales	5,453,397	5,120,086	43,979,008
Operating income	154,252	220,224	1,243,968
Income before income taxes and minority interest	125,456	177,749	1,011,742
Net income	67,077	90,388	540,944
Research and development expenditures	332,555	314,774	2,681,895
Total assets	5,809,285	5,560,484	46,849,073
Shareholders' equity	1,264,775	1,202,265	10,199,798
	Yen		U.S. dollars
Per share of common stock:			
Net income	¥20.06	¥26.85	$0.162
Cash dividends	¥10.00	¥10.00	$0.081
Number of employees	186,000	186,000	

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 ¥124=US$1.*
2. *The computation of the above per share amounts has been based on the weighted-average number of common shares outstanding during each period, appropriately adjusted for common stock equivalents.*
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.*

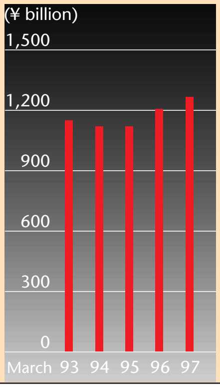
Net Sales



Net Income



Shareholders' Equity



Toshiba's consolidated net sales increased 7 percent to ¥5,453.4 billion (US$43,979 million) in the fiscal year that ended March 31, 1997. This growth was driven mainly by strength in several strategic product sectors, particularly personal computers and peripherals. While the yen's depreciation had a positive effect on results, a steep drop in semiconductor memory prices and lower sales in power stations and equipment reduced earnings. As a result, operating income decreased 30 percent to ¥154.3 billion (US$1,244 million), income before income taxes and minority interest was down 29 percent to ¥125.5 billion (US$1,012 million), and net income declined 26 percent to ¥67.1 billion (US$541 million).

Results by Segment

Information/communication systems and electronic devices—Sales in this segment were up 14 percent. This performance was mainly a reflection of growth in PC and peripheral sales, as PC demand expanded worldwide. Toshiba reinforced its leadership in the portable computing market by introducing the world's smallest PC in Japan, a move that creates an entirely new category of this market. We are firmly committed to retaining our number-one share of the world portable PC market. Although segment sales rose, operating income was down 32 percent as memory chip prices fell sharply.

Heavy electrical apparatus—Orders for nuclear power plants and other power generation and distribution equipment decreased as Japan's utilities limited capital spending. This difficult environment brought about a 5 percent decline in segment sales and a 29 percent drop in operating income.

Consumer products and others—Toshiba generated a strong market response with several new models of air conditioners, washing machines, refrigerators and other home appliances. However, intense competition in Japan held back sales gains. As a result, segment sales were about the same as in the prior fiscal year. Profitability was aided by cost reductions from increased overseas procurement and production, as well as other measures. However, despite these improvements, the segment reported another operating loss. We are determined to return to profitability as soon as possible. To this end, we are concentrating on creating products that address customers' needs and that create entirely new markets. At the same time, we will retain a tight focus on cost containment.

Fumio Sato *(left), Chairman, and* **Taizo Nishimuro**, *President*

Concentrating Investments on Promising Fields

In this age of mega-competition, only companies able to compete globally with respect to prices and technology will survive and prosper. This is why Toshiba is realigning operations. The ultimate goal is to structure our diverse business activities so that each division is based on products that rank among the world's best. To do so, we have classified our various operating divisions as either a high-growth, mainstream or emerging business. We will allocate a large share of resources to those classified as high-growth or emerging. A mid-term management plan to transform these goals into actions has been implemented.

PCs, peripherals, semiconductors, LCDs and network computing products are all prime examples of high-growth sectors. We will foster growing businesses through direct investments as well as alliances with leading companies in Japan and overseas. Our aim is to be among the first to capture a position at the forefront of these markets, thereby ensuring a high level of profits.

The heavy electrical apparatus and consumer products segments fall into the mainstream category. In this category as well, many products exhibit excellent growth potential, and we will raise emphasis on these products. In the other areas, we will examine the viability of each product line and individual model. Fields warranting particular emphasis are those where Toshiba has a technological edge, as well as the rapidly growing market for information-oriented consumer products that incorporate digital technology. By taking this selective approach to business development, we plan to restructure these mainstream categories and build a more solid operating base.

Developing New Businesses

Toshiba's DVD-video players went on sale in Japan in 1996. Due to a shortage of titles, initial sales were weak. In 1997, we expect that significant growth in the number of movies and musical selections available will lead to widespread acceptance of the DVD format. Additionally, completion of specifications for the rewritable DVD-RAM should spark demand for this technology in computers. In the networking field, we aim to take part in establishing a de-facto world standard for cell switch routers, high-speed data processing devices used in the Internet and other types of networks. Toshiba has formed technology sharing agreements with several European and Japanese makers of communications equipment to promote this new technology.

In accordance with our Advanced-I Project, which aims to build strengths in the multimedia field, we have already initiated several new businesses and embarked on the promotion of new industry standards. October 1996 saw the inauguration of IT Vision broadcasts in Japan. Toshiba helped create this system, which enables viewers to participate in programs. Toshiba also played a prominent role in developing an IC card for an electronic commerce system promoted by Japan's Ministry of International Trade and Industry. Supported by many companies, this system is currently in the final stages of testing. We are working on many other equally attractive new ventures, including a new concept in portable data terminals for individuals. Overall, these projects give us a sound base to consolidate our position among the leaders in the dynamic multimedia industry.

Building on Leadership in PCs

In 1985, Toshiba introduced the world's first laptop PC in Europe. Ever since, Toshiba has remained the leader in the portable PC market. In 1996, we were number-one by a wide margin; our products accounted for about one-fifth of global sales. By tapping our experience in this field, we are now establishing positions in mininotebook computers and home PCs as well. Altogether, Toshiba's PC sales jumped by 80 percent in the past fiscal year to ¥740 billion. The spring of 1997 saw the appearance of a desktop PC for corporate users, thereby making us part of all sectors of the PC market. Growth in PC demand is also providing a springboard for our peripherals, chiefly HDDs and CD-ROM drives for portable PCs. We plan to continue raising sales in these fields too.

Extending the Semiconductor Value Chain

In the past fiscal year, a drop in sales prices severely impacted the performance of our semiconductor memory operations. To generate more stable results in memories, where dramatic price fluctuations are endemic, we are investing in products where we can add more value. Examples are devices with higher speeds and multi-bit designs. To become more competitive in the memory chip field, we will refine microlithography techniques while cutting costs. We will also accelerate efforts to reduce reliance on memory devices. System LSIs, where considerable growth is foreseen, is a particular area of interest. Within this field, we are investing in facilities for MPUs, digital signal processors (DSPs) and memory-embedded logic ICs. We joined forces with Chromatic Research Inc. of the U.S. to develop the Mpact DSP. Commercial production began ahead of competitors in the summer of 1996. An expansion project now under way at our Oita Works in Japan, already one of the world's largest LSI plants, will allow us to meet rising demand for memory-embedded logic ICs.

Competitive Strengths in Mainstream Businesses

Consumer products and heavy electrical apparatus are important means for Toshiba to improve social infrastructures and play a greater role in society in general. These businesses will thus continue to be elements of Toshiba's operations, and we will relentlessly strive to improve profitability. In consumer products, our expertise in TVs and VCRs is critical to the ongoing convergence of visual, data and communications functions. With the advent of digital broadcasts, we are already seeing new opportunities to apply our expertise in audio and visual technology. This focus on growing fields will be a central theme in the future development of our mainstream business activities.

In home appliances, we are increasing overseas production of refrigerators, washing machines, air conditioners and other products. We are also cutting costs wherever possible. At the same time, creative new products are another facet of our plans. We aim for nothing less than concepts that can foster entirely new markets. Such developments will make our entire consumer product line more competitive, and give Toshiba an even more distinctive identity.

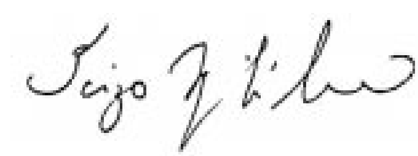
In the heavy electrical apparatus segment, we are taking dramatic actions to streamline design, procurement, production and other processes to reduce costs. Significant benefits are already becoming apparent. Furthermore, our many years of experience in efficient generation techniques makes us one of the world's preeminent names in advanced boiling water reactor (ABWR) and combined-cycle generation systems. Both enable us to offer power producers excellent performance in relation to cost.

An Agile and Borderless Organization

Agility is the key word in Toshiba's management. We are now competing in a marketplace without borders. Future success is dependent on the ability to be among the first to become competitive on a global scale. This is not just a matter of moving quickly. With changes taking place so fast, knowledge and insight are essential to identifying emerging trends. Only then can we move at full speed to capture a place as a market leader, based on a clearly delineated vision. This is the true meaning of agility. In Japan, past practices no longer apply. Previously, all companies in a particular industry were profitable when the market was strong. Today, we see dramatic differences among companies within the same industry. The reason is simple: the winners are those who can accurately grasp market trends and stay one step ahead of the others. This is why Toshiba is fostering a corporate culture that places value on speed, and on maintaining a borderless organization able to make that speed possible.

July 1997

Fumio Sato
Chairman of the Board



Taizo Nishimuro
President and Chief Executive Officer

Information/Communication Systems and Electronic Devices

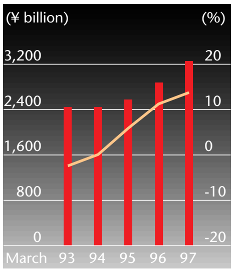
Results

Tadashi Okamura
Senior Vice President

Kenichi Mori
Senior Vice President

Rising investments in information and network-related equipment worldwide were behind a large gain in sales of personal computers (PCs) and peripherals. This trend was the major contributor to the 14 percent increase in segment sales to ¥3,256.2 billion. However, operating profit declined due to a steep fall in sales prices of semiconductor memory devices.

Sales



Share of Net Sales %

	48.8	48.9	50.5	53.0	56.8
Mar.	'93	'94	'95	'96	'97

Topics

Information/Communication Systems

Information Equipment

Sales of PCs advanced 80 percent as Toshiba continued to capture more market share worldwide. This performance was the result of an active new product development program targeting high-performance models. Toshiba retained its position as the world's leading name in portable PCs, ranking far ahead of all other competitors.

There were many high-profile product introductions during the year. One was Libretto, the world's smallest and lightest "mininotebook computer" compatible with Windows 95. PCs incorporating DVD-ROM drives further reinforced Toshiba's leadership. In September 1996, Toshiba entered the U.S. home PC market with the introduction of its Infinia series. This was followed in March 1997 with the Equium series of desktop PCs for corporate users. Toshiba began offering desktop PCs in Europe in June 1997. This global expansion is expected to further heighten Toshiba's share of the worldwide PC market.

Copiers performed well in overseas markets. To build on this momentum, Toshiba reinforced production and sales activities in Europe and North America, started mass production in China, and bolstered sales capabilities in Taiwan and Singapore.

In the rapidly growing mobile communications field, Toshiba began selling the GENIO pocket communicator in Japan. This revolutionary product combines a PHS telephone with a 32kbps high-speed modem.

Libretto is the world's smallest PC using a Pentium processor. An immediate hit, this model created an entirely new market category: the mini-notebook computer.

Data Storage Devices

Sales of computer data storage devices expanded along with the global PC market. In the HDD field, units offering high-capacity and slim dimensions are in particular demand. Taking the lead, Toshiba introduced the industry's first 2.5-inch HDD measuring only 8.45 millimeters in height. Market response was very strong. In the CD-ROM drive market, the shift toward higher speed models is accelerating. Toshiba raised sales by introducing a super-slim 10X drive and several other models that set new industry standards. Furthermore, with the start-up of production at Toshiba Information Equipment (Philippines), Inc., Toshiba is even better positioned to meet rising demand for PC peripherals.

With the number of DVD movie titles rising, DVD-video players are gaining acceptance. In April 1997, specifications for the DVD-RAM were finalized. This will lead to widespread use of DVD drives in PCs. Toshiba is involved in all aspects of this exciting new medium, producing drives, software production systems and many other DVD-related products.

Toshiba entered the U.S. home PC market in 1996 with the Infinia, which can also function as a TV, telephone and audio component.

Information & Communication and Control Systems

As the forces of digital technology sweep through information, communications and visual products, Toshiba is stepping up its capabilities in system integration. At the same time, the company is placing more emphasis on the development of servers, routers and other networking equipment.

In the field of servers, Toshiba introduced its GS series of global network servers in October 1996. These servers are reliable, easy to operate and have the flexibility to function in a wide range of systems.

In addition, Toshiba introduced a Cell Switch Router (CSR) that operates at a speed ten times faster than conventional units. In November 1996, Toshiba formed an alliance with Cisco Systems, Inc. of the U.S. regarding the creation of standards for multi-layer switching technology, a next-generation high-speed Internet transmission technique.

Toshiba is aggressively promoting its Cell Switch Router as the de-facto world standard. An alliance with Cisco Systems adds impetus to this drive.

Toshiba is also targeting the SOHO router market, which is showing signs of significant growth. In July 1996, Toshiba's AR-600 made its debut in Japan. This was followed in May 1997 with the TR-600 in North America. Sales of both models were brisk.

To capitalize on opportunities in electronic commerce, Toshiba has joined forces with Visa International to establish in February 1996 a consortium called Smart Commerce Japan. This organization aims to create a global platform for electronic commerce, and Toshiba is working on developing and supplying the technology necessary for the IC cards and various other elements of this system.

To promote the development of electronic commerce, Toshiba is playing a central role in creation of an IC card for Internet transactions as well as purchases at stores, which is now undergoing tests.

Sales of mobile communications equipment were up sharply, backed by explosive growth in cellular and PHS phone demand in Japan. One highlight of the year was Toshiba's introduction of the world's smallest and lightest PHS phone—volume is only 68cc and weight is a mere 81 grams.

Toshiba's satellite business continues to perform well. The company was supplier for the attitude control system, solar panels and interferometric monitor for greenhouse gasses on the ADEOS earth observation satellite, which went into orbit in August 1996. The sensor is one of the most sophisticated ever made, and is capable of detecting from space atmospheric gasses that can cause global warming. Toshiba has received orders from the National Space Development Agency of Japan for key components of two more satellites: the ALOS land observation satellite and the ETS-VIII engineering test satellite.

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Toshiba was awarded contracts for the solar panels and a large antenna for the ETS-VIII engineering test satellite, which is scheduled to go into orbit in 2002.

Labor Saving Equipment

Sales fell as orders were down from government agencies, the financial services sector and transportation companies. One notable achievement was the receipt of an order for letter sorting machines in preparation for the February 1998 adoption in Japan of seven-digit postal codes.

Medical Equipment

Toshiba was able to achieve higher sales in this sector despite intensifying competition. This accomplishment was mainly due to the introduction of pace-setting new products. One of the most successful was a helical-scan X-ray computed tomography system with the world's highest imaging quality and continuous, real-time imaging. A focus on growing markets in Asia, Central and South America, and the Middle East was another reason for the higher sales. Toshiba maintains the number-one position in Japan's diagnostic imaging equipment market. In 1997, Toshiba was first in the world to pass the 100,000 mark in cumulative production of electronic-scan ultrasound equipment, a product the company began making in 1976.

Toshiba's Opart MRI unit requires no refilling of the helium used to cool the superconductive magnets. This reduces maintenance costs and makes the unit less restrictive for patients.

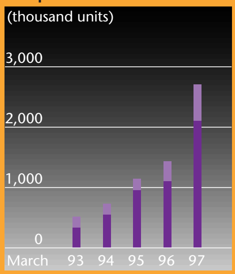
Q ***Toshiba is the world's leading maker of portable PCs. What is the outlook for the company in this highly competitive market? And what are your plans for the desktop PC market, which Toshiba entered last year?***

A Despite fierce competition, Toshiba retained its number-one position in the global portable PC market in 1996. This was due in large part to our determination to take the lead in developing new market sectors. One example of this was our introduction in Japan of the Libretto. This PC, which is bundled with Windows 95, is the world's smallest mininotebook computer. In 1997, we will be introducing this revolutionary PC in overseas markets. So this should further bolster our profile.

In notebook PCs, Toshiba has consistently led the field in the use of new technology. We were first to use a 2.5-inch HDD, and first with an LCD. Now we are planning on commercializing a notebook PC with a DVD drive. By tapping all of Toshiba's resources to remain at the forefront of technological progress, we intend to preserve our position at the top of the world portable PC market.

Regarding the desktop market, we began selling our first models for the home in the United States in September 1996. In the spring of 1997, we started selling desktop models for the corporate market. We began offering desktop PCs in Europe in June 1997 and, eventually, we plan to move into all major markets of the world. This should further raise our share of the global PC market.

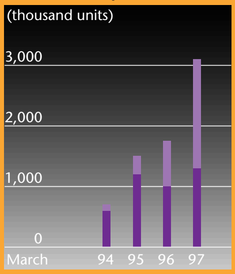
Toshiba PC Shipments



Q ***Network computing is one of the fastest growing sectors of the computer market today. What are Toshiba's plans here?***

A We are seeing a relentless shift toward open systems. This is sparking meteoric growth in demand for intranet and other network-related systems. Naturally, Toshiba has been a beneficiary of this growth. Until recently, corporate clients were mainly interested in establishing basic infrastructures, like an E-mail system. But now, clients are seeking networking solutions that can boost productivity. Devices that combine networking and mobile communications capabilities are one example of this. Users want mobile terminals and data transmission systems that can provide the necessary system access anywhere and anytime. It will become increasingly critical that we be able to structure such system environments. We already have great strengths in mobile telecommunications, mininotebook computers and other core technologies. Now we are placing more emphasis on multi-functional personal data terminals, network servers, routers and similar items. By integrating these elements with our existing knowhow, we will be in an excellent position to grow along with the rise in demand for sophisticated networking systems.

Toshiba Portable Phone Shipments



Note: Above data exclude PHS models.

Q ***In 1996, Toshiba began marketing DVD-video players and DVD-ROM drives. What is the outlook for the use of DVD technology in PCs?***

A Due to a shortage of DVD titles, initial sales of our DVD-video player did not meet our expectations. This year, however, we expect to see rapid growth in the number of titles available. Thus, 1997 is likely to be the true beginning of the DVD era. In March 1997, we started selling DVD-video players in the United States. These players will appear in stores in Asia this summer.

Indications are that the widespread use of DVD technology in PCs will begin in 1997. And now that specifications for the DVD-RAM have been finalized, we hope to commercialize a DVD-RAM drive by the end of fiscal 1997. This is certain to accelerate the pace of DVD utilization. Toshiba will take full advantage of our strengths in PCs, semiconductors and other related fields to promote the development of the DVD market and, of course, to firmly position Toshiba as a leader in this dynamic market.

Electronic Devices

Masanobu Ohyama
Senior Executive Vice President

Semiconductors

Markets for semiconductor devices in fiscal 1996 were impacted by a sharp decline in sales prices of DRAMs and the extended slump in demand for consumer products. Sales prices of 4M and 16M DRAMs fell by as much as one-fifth compared with the first quarter of 1996. In response to these huge price fluctuations, Toshiba stepped up cost cutting efforts by upgrading capabilities in ultra-fine design rule processing. Raising capacity and operating speed of memory chips also helped offset the effects of the negative environment somewhat. Demand from makers of PCs, computer peripherals and mobile telecommunications products grew steadily. Toshiba is concentrating on digital signal processors and other logic ICs and bipolar devices to benefit from this trend, as well as to reduce reliance on memory products.

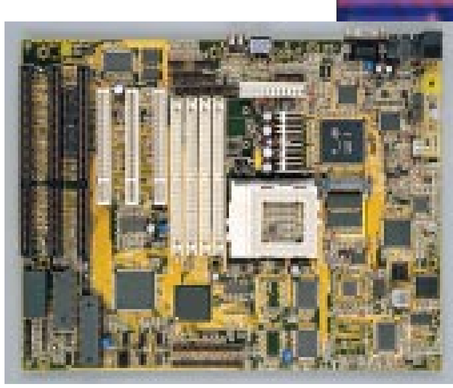
In June 1996, Toshiba began shipping samples of an extended-data-out (EDO) 64M DRAM offering the world's fastest access speed. Toshiba was able to develop this device by applying knowledge gained from joint development programs with IBM Corporation and Siemens AG. In February 1997, Toshiba unveiled samples of a 64M synchronous DRAM. The first of its kind in the world, this DRAM has a data transfer rate high enough to meet the demands of 100MHz main memory busses.

Demand for flash memory chips is growing rapidly. The primary applications are currently digital still cameras and portable information equipment. To spur further growth in the flash memory market, Toshiba introduced an ultra-compact memory card called SmartMedia. Containing a 64M NAND-type flash EEPROM, this card operates on only 3.3 volts, essential for holding down power consumption in a variety of portable products.

The convergence of communications, audiovisual and computers is making system LSIs increasingly critical to the operation of many products. Toshiba is concentrating resources on several attractive fields: memory-embedded logic ICs; chip sets for mobile phones; LSIs for PCs and peripherals; and media processors capable of handling audio and video signals.

In a move to a unifying vision for system LSIs, Toshiba in September 1996 participated in the formation of the VSI (Virtual Socket Interface) Alliance. Members of the alliance plan to accelerate growth in the system LSI market by making it easier to combine intellectual property blocks from many sources on one chip. More than 100 companies are currently participating in this alliance.

Media processors are another strategic focus at Toshiba. The 1996 introduction of the Mpact digital signal processor placed Toshiba ahead of the competition. Demand is rising steadily for this processor, which was developed jointly with U.S.-based Chromatic Research Inc. SGS Thomson and LG Semiconductor have joined the Mpact camp, adding impetus toward making this technology the global standard for media processors.



Developed by Toshiba and Chromatic Research, the Mpact digital signal processor places seven multimedia functions on a single chip.

Toshiba completed construction of its new Advanced Microelectronics Center in Yokohama in April 1996. This facility will concentrate on research in the ultra-LSI devices required in this age of gigabit-class memory chips and rapid advances in system LSIs.

With the completion of a second state-of-the-art clean room at its Yokkaichi Works, Toshiba has the capability to produce 64M DRAMs as well as 256M DRAMs in the future.

In May 1996, a second clean room was completed at the Yokkaichi Works, Toshiba's primary production base for semiconductor memories. Yokkaichi and a plant now under construction in the U.S. by Dominion Semiconductor, L.L.C., a joint venture of Toshiba and IBM, will be the primary suppliers of DRAMs. Production of system LSIs is the responsibility of Toshiba's Oita Works. To keep ahead of meteoric growth in demand, Toshiba is converting this facility into one of the world's largest system LSI plants. Plans call for the incorporation of 0.25-micron-rule technology as well as the leading-edge multilayer processes needed to manufacture MPUs.

Liquid Crystal Displays

Markets for LCDs staged a dramatic improvement during the past fiscal year as demand for notebook PCs surged. Toshiba was a major beneficiary, leveraging expertise in the development of next-generation LCDs, which have large screens and highly efficient operation, to achieve a substantial increase in sales.

Display Technologies, Inc., another joint venture with IBM, began full-scale production on the phase-3 line at its Yasu Plant in June 1996. This new line is the world's first commercial-scale facility capable of using glass substrates large enough for six 12.1-inch screens. By using these substrates, this line raises productivity to about three times more than the company's phase-2 line.

Targeting a new market with immense potential, Toshiba has developed a 15-inch LCD for desktop PCs. Commercial production of these displays started in June 1997.

For desktop computers, Toshiba developed a slender 15-inch LCD module that has high-resolution and a screen size comparable to that of a 17-inch CRT monitor.

Another achievement was the use of the low-temperature polysilicon method in a 12.1-inch model for the first time ever. Preparations for mass production at a Toshiba plant will begin in the fall of 1997, well ahead of competitors. Polysilicon is expected to account for a rising share of LCDs as the shift from amorphous silicon designs accelerates. One advantage is a dramatic reduction in wiring points since polysilicon enables the placement of the driver circuitry function within the display panel. This contributes to higher reliability while enabling a slimmer and lighter construction than in current amorphous models.

Other Electron Devices

Sales of TV color picture tubes increased. This was primarily the result of higher sales of 4:3 large-screen models in China, which more than offset weakness in wide-screen tubes in Japan.

Continuing growth in the global PC market led to higher sales of color display tubes for computer monitors. Large-screen monitors are accounting for a rising share of industry-wide sales. Having initiated full-scale production of 17-inch MICROFILTER™ display tubes, Toshiba is well positioned to benefit from this trend. This exclusive Toshiba technology yields a significant improvement in contrast. Preparations have begun for the start-up of 19-inch models as well.

Toshiba continues to make investments to expand in step with global demand for rechargeable batteries, both lithium-ion and nickel-metal-hydride. Sales of lithium-ion rechargeable batteries are projected to rise at an annual rate of more than 20 percent for the next several years. Toshiba added to its line-up of prismatic batteries by introducing two cylindrical models for notebook PCs.

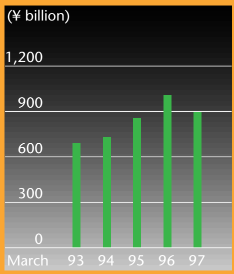
Long one of the world's leading makers of lithium-ion rechargeable batteries, Toshiba is expanding its lineup of these rechargeable power supplies for notebook PCs.

Q *A sharp drop in semiconductor prices had a severe impact on results in the past fiscal year. How is Toshiba making operations more resistant to fluctuations in memory prices?*

A Toshiba's basic policy regarding semiconductors is to align our activities so that we are not overly reliant on memory devices. We already rank first in the world in discrete semiconductors. Bipolar ICs are another reliable source of sales and earnings. Additionally, we have ambitious plans for system LSIs, a market sector with excellent growth prospects.

We are determined to remain competitive in DRAMs too. Programs now being implemented are relentlessly paring down research and production costs. Through strategic alliances, we are spreading the necessary investments among several partners. For example, Toshiba has joined forces with IBM and Siemens in research and development. In Taiwan, we provide the necessary technology to Winbond Electronics Corporation so they can produce 64M DRAMs under consignment. Accelerating the pace of microlithographic technology is one more way to hold down costs. Finer design rules mean more chips per wafer. We are already introducing the 0.25-micron design-rule technology devised for 256M DRAMs, the next generation of memory devices, to make 64M DRAMs. This will yield big cost savings. Furthermore, we are shifting production as quickly as possible to 64M DRAMs.

Toshiba Semiconductor Sales

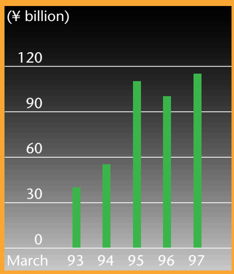


Q *Can you be more specific with regard to the products that will raise non-memory products as a share of Toshiba's semiconductor sales?*

A We are now witnessing breathtaking growth in demand for digital circuitry. PCs, communications and networking are all key factors. All this can be summed up in a word we hear frequently: multimedia. Several fields hold particularly great potential. One is data storage media, like DVD. Another is portable communications products that can be linked to networks. PCs requiring high-speed processing capabilities are also supporting growth in demand for digital circuitry. One conclusion is quite clear: demands on semiconductors will continue to diversify. This trend means that we will see the even more widespread use of system LSIs, and an even more diverse variety of these devices. By incorporating memories and other elements, these chips can boost performance while reducing power consumption and size. We are concentrating on several areas: system LSIs built around RISC processors; the Mpact media processor we developed with Chromatic Research; DVD chip sets; LSIs for upcoming telecommunications systems; chips for high-frequency signals; and CMOS sensors. And there is still lots of room for growth. This is why we are expanding and upgrading our system LSI plant in Oita. This facility will soon become the nucleus of our system LSI activities.

The field of power electronics presents still more opportunities. Toshiba is focusing on MOS trench devices, a field where we already enjoy a significant edge over others. Power MOS devices, intelligent power devices and the IGBT all demonstrate our leadership here.

Toshiba LCD Sales



Q *The popularity of notebook PCs is good news for makers of LCDs. Can Toshiba preserve earnings while making the huge investments needed to stay competitive?*

A Toshiba's LCD sales in fiscal 1996 were 15 percent higher than in fiscal 1995. This growth lifted our global market share to 17 percent. The 12.1-inch model is our most important product, and has made this size screen an industry standard. At this time, all signs point to higher sales. We produce LCDs in Japan through a joint venture with IBM. This holds down our investments and ensures a sufficient supply of displays for our own notebook PCs. Nevertheless, during the past three fiscal years, Toshiba's LCD investments amounted to ¥97 billion. It is important to note that this includes the completion of a phase-3 LCD production line. This line is about three times more efficient than the phase-2 line. After just six months, our yield on the new line is already on a par with the other production lines. The boost in productivity from this investment, along with the start of production of the new low-temperature polysilicon LCDs at a Toshiba plant, should give us a solid base for raising profits along with sales.

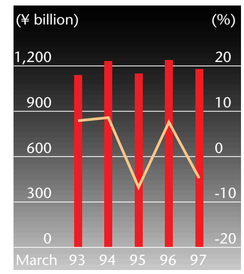
Heavy Electrical Apparatus

Results

TOMOHIKO SASAKI
Executive Vice President

Sales in the heavy electrical apparatus segment decreased 5 percent to ¥1,172.8 billion. The primary cause was a fall in sales of power plants and equipment as Japan's electric utilities cut back on capital spending. Exports of industrial electrical apparatus and machinery, transportation equipment, and overall sales of elevators and escalators were all higher. With more than a century of experience in power generation and distribution, Toshiba ranks among the world's most preeminent names in this immense market. Toshiba plans to draw on this position to meet rising demand from Asian nations.

Sales



Sales (see note on page 22)
Annual Increase (%)

SHARE OF NET SALES					%
	22.7	24.7	22.4	22.8	20.5
Mar.	'93	'94	'95	'96	'97

Topics

Nuclear Power Plants

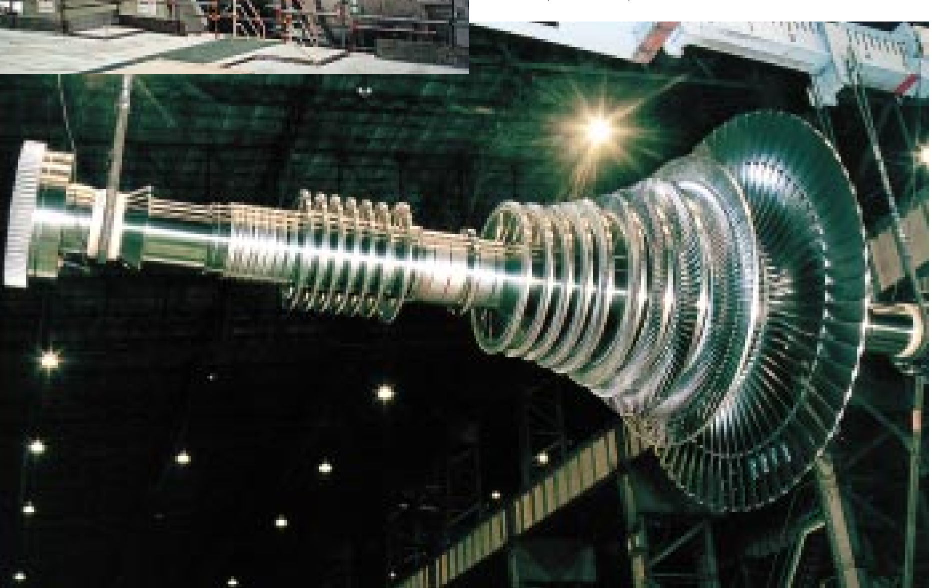
In Japan, demands for lower costs for nuclear power facilities increased amid a slowdown in investments in this field by Japanese electric utilities. Overseas, demand for power generation is surging, notably in Asia, but fierce competition with U.S. and European firms is holding down prices. In response, Toshiba is promoting its prowess in advanced boiling water reactors (ABWRs) and other sophisticated technologies to enhance its competitive position. Inspections and improvements at operating plants represent other opportunities to generate sales. Complementing these actions are concerted efforts to hold down costs by adopting uniform designs and boosting overseas procurement activities.

In November 1996, the world's first ABWR began commercial operation at Kashiwazaki-Kariwa Nuclear Power Station Unit No. 6 of Tokyo Electric Power Co., Inc. (TEPCO). Toshiba led the consortium that constructed this unit; other key members were Hitachi, Ltd. and General Electric Co. of the United States. Unit No. 7, another ABWR, is scheduled to start commercial operation in July 1997. The ABWR design offers outstanding safety and excellent performance at a relatively low cost. As a leader in this field, Toshiba plans to help meet the rising demand for ABWR nuclear power generation in other, mainly Asian, nations.

Other Power Plants and Equipment

Competition for power plants and equipment heated up in Japan as utilities reduced outlays for new facilities. In this difficult environment, Toshiba is focusing on highly efficient combined-cycle generation equipment and exports of thermal power plants to rapidly growing overseas markets. In Japan, Toshiba is currently building two combined-cycle plants: TEPCO's Yokohama Thermal Power Station and a new unit at the Shin-Nagoya Thermal Power Station of Chubu Electric Power Co., Inc. There were several significant completions in Japan during the fiscal year: power generation equipment for Shiriuchi Thermal Power Station Unit No. 2 (350MW) of Hokkaido Electric Power Co., Inc.; power generation equipment for Haramachi Thermal Power Station Unit No. 1 (1,000MW) of Tohoku Electric Power Co., Inc.; and 500KV gas-insulated switch gears for the Seburi Substation of Kyushu Electric Power Co., Inc. Overseas, Toshiba delivered two gas insulated switch gears, a 500KV version for a customer in Argentina and a 345KV version for a customer in Taiwan.

The Shin-Nagoya Thermal Power Station uses a highly efficient Toshiba combined-cycle generation system.



Commercial operation of the world's first ABWR began in 1996 at Unit No. 6 of Kashiwazaki-Kariwa Nuclear Power Station. The unit was built by a consortium led by Toshiba and incorporates many technological advances.

Industrial Electrical Apparatus and Machinery

Demand for products in this sector was generally lackluster, although orders were higher from Japanese pulp and paper manufacturers. The automation or renewal of existing facilities represented a large share of sales. Overseas, investments in steel mills and other large industrial plants in Asia supported higher sales of electrical machinery. Despite these areas of strength, sales of industrial electrical apparatus and process control systems were generally weak.

Toshiba positioned its Mie Works in Japan as the core of the industrial electrical apparatus business to speed responses to shifts in market trends. Introduction of new and advanced products further enhanced Toshiba's competitive position. Examples include the new μ/S series of AC drive equipment for steel mills, pulp and paper mills and other large plants. The introduction of the CIEMAC-DS and CIEMAC-1200 integrated control systems and the FA3100 industrial-use PC gave Toshiba inroads to new market sectors. In the field of general-purpose inverters, where sales are rising steadily, high-capacity and ultra-compact models were added to the VF-S7 series. With 20 models now available, this series extends from general-purpose units to units compatible with vector-control.

Transportation Equipment, Elevators and Escalators

Toshiba's sales of transportation equipment in Japan rose slightly as the JR railway companies increased purchases of equipment. Growth was limited by a fall in orders from other railway companies and municipal railways due to a delay in the approval of fare increases. The JR companies continue to invest in the Shinkansen (bullet train) and other high-speed trains. During the past fiscal year, Toshiba delivered highly efficient IGBT power converters for Series 300 Shinkansen trains to Central Japan Railway Company, and compact and lightweight GTO power converters for Series 500 Shinkansen trains to West Japan Railway Company. In other market sectors, Toshiba aims to raise its market share of electrical equipment for commuter cars and new models of rolling stock for Japanese private railway companies.

Toshiba has played a part in both of Cairo's new subway lines. Following the delivery of equipment for Line No. 1, Toshiba secured similar contracts for Line No. 2. In addition, a joint venture provides maintenance services for rolling stock.

Orders increased from clients in Asia and other overseas markets. During the year, Toshiba delivered electrical equipment for Cairo Metro Line No. 2 in Egypt. With partners, Toshiba formed a company to provide rolling stock maintenance services for Line No. 1, which was built using many Toshiba products. Separately, a new strategic alliance with Siemens AG Transportation Systems of Germany bolsters Toshiba's ability to compete in Europe, Japan and elsewhere in Asia.

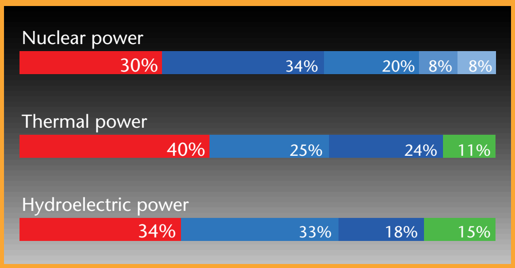
In Japan, the elevator and escalator market is characterized by intense price competition and an ongoing shift in demand to facilities for smaller buildings. To raise sales, Toshiba targeted renewal projects and the expansion plans of retailers. In Japan, two large orders received during the year were for about 30 elevators and escalators at a redevelopment project in Yokohama and for 12 elevators at the Tokyo Opera City complex. Overseas sales were up substantially, with most of the gain occurring in Asia. Two elevator production, sales and service firms established in China in 1995 initiated full-scale activities in 1996.

Attractive Toshiba elevators and escalators are integral elements of the striking new Tokyo head office building of Fuji Television Network.

Q ***Heavy Electrical Apparatus has long been a relatively stable source of sales and earnings for Toshiba. But now we are seeing a drop in capital spending by electric utilities in Japan as calls rise for rates to fall to levels comparable with those of other industrialized nations. What are Toshiba's plans for coping with this challenging environment?***

A Price competition in the power generation and distribution field is much more intense than before. Capital spending at electric utilities is shrinking, and the utilities' procurement activities are becoming more diverse. Even maintenance costs are targeted for reductions. Overall, this creates an extremely difficult situation, particularly with regard to pricing. Another challenge is the decline in construction of nuclear power stations. We regard thermal power stations as the chief source of sales for the time being. By 2000, our goal is to raise sales of these power stations by 50 percent to about ¥300 billion. This will give us a domestic market share of roughly 30 percent. Demand for power generation is exhibiting strong growth in several overseas markets. There are many opportunities for us to capture orders for thermal power stations and equipment for substations. By seizing these opportunities, we plan to raise overseas business from 10 percent to 20 percent of sales. We believe that these actions will allow us to continue generating a healthy level of sales in this segment.

Power Generation Capacity in Japan



TOSHIBA
Company A
Company B
Company C
Company D
Others

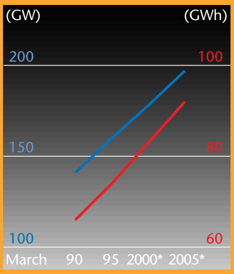
Note: Turbine-generated power as of March 1995

Q ***What is the status of your ongoing efforts to cut costs?***

A We have much expertise in extremely efficient power generation systems that offer outstanding performance relative to their costs. ABWR and combined-cycle systems are the two primary examples. The ABWR design produces about 20 percent more power than a comparable BWR facility, yet is 15 percent less costly to build per kilowatt of output. However, we are seeking even more ways to cut costs. This is why Toshiba is working on the adoption of more uniform designs and the expansion of procurement of materials from overseas suppliers.

We are also upgrading our database of power station projects. Our aim is to apply a product data management system to these projects so that we can centralize the supervision of everything from planning and production through maintenance of the completed facility. A single nuclear power unit requires about 2,000 designers and more than 10 million pages of documents. Obviously, the potential benefits of a centralized management system are enormous. This management system is now being applied to our nuclear power operations, and will become part of other business activities in time.

Electricity Sales & Peak Demand



Peak demand
Electricity sales
** Estimate*

Q ***Asia represents one of the world's largest markets for power generation and distribution systems. How is Toshiba capturing business here in the face of intense competition from companies in Europe and the United States?***

A With orders slowing in Japan, we are relying more and more on overseas markets, especially Asia, to support growth in our power systems businesses. We expect that demand for electricity will continue to rise in these markets for quite some time. Naturally, manufacturers from around the world, as well as those within Asia, are all competing fiercely to capture as much of this business as they can. Presently, most orders for power systems are for thermal power stations owned and operated by independent power producers. In the near future, though, we expect to see growth in demand for nuclear power facilities.

In January 1997, Toshiba and Hitachi formed the Asia ABWR Promotion Organization. This gives us an effective vehicle for capturing orders for nuclear power stations in China and elsewhere in Asia. Toshiba has already been awarded a contract for the construction of an ABWR facility in Taiwan, along with Hitachi and General Electric of the U.S. The new organization will make technical presentations, conduct feasibility studies, and gather and analyze technical information in other nations. Through these activities, we plan to raise awareness of ABWR technology, and Toshiba's own expertise. We project that overseas clients will account for about 30 percent of our thermal power activities by fiscal 2000, well above the present 10 percent.

Consumer Products & Others

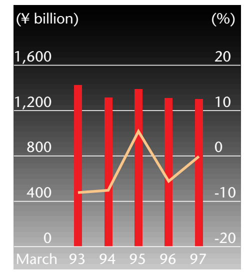
Results

Masanobu Ohyama
Senior Executive Vice President

Kenichi Mori
Senior Vice President

Sales were largely unchanged at ¥1,302.3 billion due to intense competition. The performance of home appliances was supported to some degree by rising replacement demand and an increase in home-building in Japan. During the past few years, Toshiba has made a concerted effort to return to profitability. In particular, the company has increased overseas production, cut costs, and made its products more competitive. While benefits are becoming apparent, the segment posted an operating loss for the year.

Sales



Sales (see note on page 22)
Annual Increase (%)

Share of Net Sales	'93	'94	'95	'96	'97
% (Mar.)	28.5	26.4	27.1	24.2	22.7

Topics

TV/Video Products

Shipments of TVs in Japan rose in terms of volume but unit prices fell sharply, creating a difficult environment. The weak yen lifted overseas TV sales despite lower sales in Russia and China. Toshiba took advantage of strengths in the wide-screen, double-window and high-resolution sectors to offset these weaknesses. Even though demand for wide-screen TVs weakened in Japan due to the small number of wide-screen broadcasts, these models represented about 30 percent of TV shipments. The year was highlighted by Toshiba's highly successful launch in Japan of double-window wide-screen TVs using the incomparable New Super Brightron tube. Ideal for multimedia applications, this tube offers 20 percent more contrast and other improvements over conventional Super Brightron tubes.

Overseas, production of TVs began in June 1996 at P.T. Toshiba Consumer Products (Indonesia). One month later, Toshiba formed a joint venture in Dalian, China that will produce one million TVs annually and conduct marketing activities as well. The venture plans to make its first TV in December 1997, concentrating on models preferred most by Chinese consumers. This new production base will take numerous steps to minimize costs, including extensive procurement of local parts.

Established in 1981, Toshiba Consumer Products (U.K.) manufactures color TVs and VCRs, focusing on models that closely reflect the preferences of consumers.

Illustrating the global nature of Toshiba's operations, more than 70 percent of TVs are produced outside Japan, including at this U.S. plant in Tennessee.

Interactive TV activities passed an historic milestone in October 1996 with the inauguration of IT Vision broadcasts. Toshiba played a central role in making these two-way broadcasts a reality. IT Vision combines ground-based broadcasts with telephone lines to allow viewers to take part in TV shows or make purchases. Toshiba was first in the industry with the wide-screen double-window TVs, tuners and other equipment compatible with this technology. As IT Vision service expands in fiscal 1997, Toshiba plans to capture a larger share of this growing market.

In Toshiba's VCR operations, the transfer to Singapore of responsibility for all product development, manufacturing and head-office activities was completed in April 1996. Toshiba Video Products Pte., Ltd. of Singapore is now in a better position to speed the introduction of new products and hold down costs to become more competitive. The company is placing priority on high-end models,


An innovative concept in refrigerators, this model introduced in February 1997 has a compartment that can be switched from freezing to chilling modes. It was an immediate success.

such as S-VHS decks, units with tuners for satellite broadcasts and decks with a three-dimensional digital clearing function. This year, Toshiba will launch the world's first VCR that can record IT Vision broadcasts. Overall, these actions are expected to raise high-end VCRs as a share of total sales.

In the field of imaging systems, Toshiba is bolstering its profile in LCD projectors and systems by combining several projectors to generate huge "video walls." One of the fastest growing market sectors is portable projectors that can be linked to PCs. In November 1996, Toshiba began selling a SVGA-compatible projector that generates a uniformly bright image from corner to corner. This projector includes a video camera to allow viewing various materials and even moving objects on a real-time basis.

Digital Imaging Equipment

With the October 1996 inauguration of CS digital broadcasts, Japan at last entered the age of multiple channels. This bodes well for Toshiba's line-up of BS decoders and CS tuners, which are producing steady gains in sales. In July 1996, Toshiba began selling a CS tuner for PerfecTV! broadcasts. The tuner includes many convenient features, including a channel memory that can quickly locate specific programs.

Household Appliances

Growth in purchases to replace aging home appliances lifted demand for air conditioners, refrigerators, washing machines and other widely used items to a record high. Toshiba unveiled a series of highly competitive products with improved functions. Nevertheless, competitive forces exerted pressure on prices and held down appliance sales. Toshiba was able to post an increase in washing machine sales, but sales of both air conditioners and refrigerators were lower.

Toshiba reorganized household appliance operations to respond more quickly and flexibly to changes in this mature yet immense market. The new management structure is more flat, enabling each product category, or business unit, to be managed directly by the Air Conditioners & Appliances Group. This eliminates one layer of management. More importantly, this structure better facilitates the monitoring of profitability in each business unit, and clarifies responsibilities for achieving concrete targets.

In fiscal 1996, Toshiba shipped more air conditioners than in any other year in the company's history.

Air conditioner shipments in Japan reached an all-time high of 8.13 million units in the past fiscal year. The rising practice of using separate units for each room of a house is a significant source of growth. Sales were especially strong for models that include a heating capability. In December 1996, Toshiba introduced a model that sends air upward and downward simultaneously, thereby heating rooms in a manner that maximizes comfort.

Difficult conditions in the Japanese refrigerator market led to lower sales at Toshiba. One factor impacting results was rapid growth in competitors' introductions of units that imitate Toshiba's mid-mounted, drawer-type freezer design. Continuing its tradition of innovation, Toshiba in February 1997 launched a unique refrigerator that can be switched among freezing, chilling and three other functions. Consumer response was encouraging, but insufficient to offset declines in other types of models.

Washing machine sales rose, backed by the introduction of fully automatic models that conserve water and shorten washing times.

Materials and Other Products

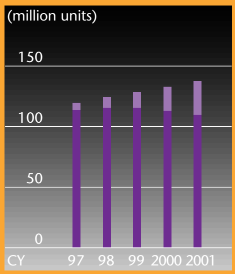
Electro-luminescent (EL) panels, which feature low power consumption, benefited from rising demand for use as backlights in mid-sized LCDs. Personal digital assistants (PDAs) and hand-held terminals are two major applications. In 1997, the appearance of Windows-compatible portable PCs and PDAs with PHS phone functions is likely to spur more growth in the EL market. This follows an unprecedented rate of growth in 1996. Toshiba is strengthening its line of EL panels to cater to the broadest possible range of requirements.

Demand for EL panels is rising along with booming sales of portable electronic devices. Toshiba's EL panel sales climbed to an all-time high in fiscal 1996.

Q ***The consumer products and others segment has reported an operating loss for the past several years. What actions is Toshiba taking to return to profitability?***

A We are already seeing significant benefits from the actions we initiated some time ago. The segment's operating loss has declined from ¥29.4 billion in fiscal 1995 to ¥17.3 billion in fiscal 1996. Our basic aim is to accelerate the pace at which we streamline the management structure and boost efficiency. At the same time, we are concentrating resources on developing products that can have a significant impact on markets. One way is improving an existing product, like washing machines that conserve water. Another way is creating entirely new lifestyle-based products, like interactive TV. We are withdrawing from unprofitable lines. Audio products and home video cameras are two examples. Toshiba can then concentrate investments on market sectors with more growth potential. We will continue this process to focus a rising share of our consumer products businesses on market sectors where we can generate a good return.

Global Color TV Demand Estimate



Wide-screen
Conventional
Source: Electronic Industries Association of Japan

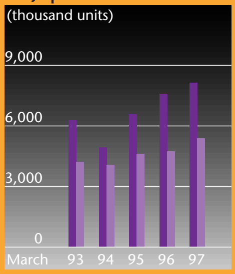
Q ***In Japan, downward pressure on home appliance prices is becoming more intense. How is Toshiba responding to this challenge?***

A In fiscal 1996, domestic shipments of many home appliances rose in terms of volume. However, this growth coincided with a rapid drop in prices. This situation mandates that we introduce products that can stimulate new sources of demand. Such products must accurately target today's consumer needs and incorporate clearly defined concepts. With regard to manufacturing, we are continuing to take every step we can to hold down costs. We are expanding overseas production of high-volume items where price competition is most pronounced. Much of this growth is taking place in Asia, which is also a region where sales of home appliances are increasing rapidly. These actions will enable us to continue selling home appliances and electronics at competitive prices.

Q ***As progress is made in cutting costs, are there plans to foster products and services that can stimulate higher sales of consumer products?***

A A variety of new digital video products are now sparking demand for many kinds of consumer goods. In the second half of 1996, for instance, we launched the CS digital tuner and IT vision interactive broadcasts. We expect that such digital products will begin to gain widespread consumer acceptance in 1997. And this should lead to more consumer interest in wide-screen TVs, high-resolution projection TVs and similar products. Toshiba was a leader in the realization of the IT Vision interactive TV system. There are now two TV stations, one each in Tokyo and Osaka, broadcasting IT Vision programs. They plan to raise IT Vision to 20 percent of all broadcasts from the present 15 percent. These programs will soon appear in Nagoya too, and eventually throughout Japan. Toshiba played an instrumental role in establishing the IT Vision standard, just as we did with DVD. By developing new sources of demand, we are determined to preserve our position at the vanguard of innovation, creating products that are based on entirely new concepts and lifestyles.

Air Conditioner & Refrigerator Shipments in Japan



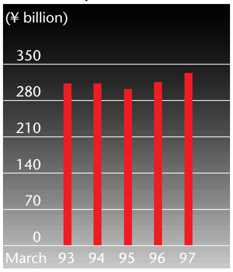
Air conditioners
Refrigerators
Note: Air conditioner figures are for years ending in September.
Source: Japan Electrical Industry Development Association

Research & Development

Results

Opportunities abound for applying Toshiba's skills in the booming field of networks, whether for the Internet, mobile communications or LANs. A significant share of research activities is aimed at raising Toshiba's profile in these fields. The ultimate objective is to create powerful products that can establish new industry standards in the most attractive market sectors. In March 1997, Toshiba showcased its wealth of leading-edge technology at an exhibition called Tomorrow 21. More than 63,000 people attended this event, which was held at the International Forum in Tokyo.

R&D Expenditures



Share of Net Sales					%
	6.7	6.7	6.3	6.1	6.1
Mar.	'93	'94	'95	'96	'97

Major Accomplishments of Fiscal 1996

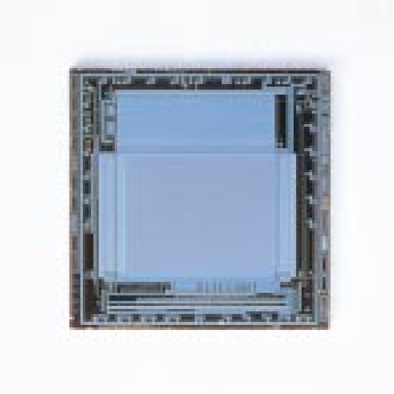
High-Speed Routers Using ATM Switching Technology

Next-generation routers from Toshiba deliver the high-speed data transmission capabilities needed for the advanced networks of the future. Called Cell Switch Routers, these units have transmission rates that are about ten times faster than current high-end routers. They are based on a novel approach in which asynchronous transfer mode (ATM) switching technology is applied to the router itself. An industry first, this system ensures compatibility with ATM networks. Toshiba hopes to position this technology as a new open global standard.

1,300,000 Pixel CMOS Image Sensor

Toshiba succeeded in developing a 1/2-inch 1.3 million pixel prototype image sensor, which combines the widely used complementary metal oxide semiconductor (CMOS) process with proprietary Toshiba low-noise technology to achieve high picture quality. It has an image area of 1,318x1,030 pixels, ideal for the top-of-the-line 1,280x960 pixel SXGA monitor format. CMOS devices use much less power than comparable charge-coupled devices (CCDs) as image sensors, and can potentially be made much smaller, making them ideal for ultracompact digital cameras.

This CMOS image sensor delivers outstanding resolution yet is much smaller than charge-coupled devices and requires less energy.



High-Definition Pictures From an Ultra-High-Density DVD

For the first time ever, a DVD has stored and reproduced high-definition images. This Toshiba accomplishment was made possible by combining an ultra-high-density DVD with MPEG 2 image compression technology. The DVD can hold 7.5GB of data on a single side, 60 percent more than conventional DVDs. Using this technique, a double-sided DVD can store up to 133 minutes of material and deliver resolution superior to high-definition broadcasts.

The revolutionary GENIO mobile communicator includes a PHS telephone and, for the first time ever in this format, allows users to access the Internet and to send and receive E-mail.

A Pocket -Sized Communicator With a PHS Phone

A new mobile communicator from Toshiba is the world's first portable terminal that combines PHS communications with Internet access, including E-mail. The unit can be linked with ease to the Internet using its high-speed, 32kbps modem. The compact, lightweight communicator also has a PHS phone and a full range of personal information manager functions. Images are produced on a 3.5-inch LCD. Connection to an external memory device is possible. When using Toshiba's postage-stamp-size SmartMedia card, this adds 2MB of storage.

Q What industry and technical themes are most important in determining how Toshiba allocates its considerable R&D resources?

A Toshiba is firmly committed to remaining at the forefront of the multimedia field. We want to be a leader in the convergence of data, communications and imaging technology. We place top priority on creating technologies that will enable us to set the directions of new businesses. This is particularly true of digital networks and mobile communications. The Internet, portable phones and other new methods of communications are already an integral part of our lives. As more such methods begin to take shape, our R&D programs must aim for nothing less than setting international standards for emerging technologies.

The Advanced-I Project forms the blueprint for this drive into new fields. Launched in July 1994, the Advanced-I Group cuts across Toshiba's entire organization. We have already seen several major achievements. The November 1996 introduction of the DVD-video player is the most obvious. Toshiba is now firmly positioned among the leaders in this technology. We also make PCs with DVD drives, DVD-ROM devices, DVD authoring systems and many other related products. All draw on our expertise in optelectronics, semiconductor lasers, image compression and many other fields.

The Tomorrow 21 Exhibition presented displays and lectures covering about 100 examples of leading-edge technologies created in Toshiba's research labs. Held in March 1997, the Tokyo event attracted a large audience.

Information and communications equipment, PCs and electronic components are other strategic fields within our R&D program. LCDs, rechargeable batteries and environmental systems are also areas where we are concentrating our R&D resources.

Q How does Toshiba ensure that R&D activities tie in with the need to create products for emerging opportunities quickly, yet at the lowest possible cost?

A Joint research programs are an important element of our R&D strategy. Sharing resources is often the best way to bring competitive products to market in a short time. As a diversified manufacturer of electronic and electrical products, Toshiba covers a broad range of fields, including materials, devices and systems. Our objective is to quickly transform these core technologies into viable products. To do so, we form alliances at the initial research stage with prominent companies around the world. In 1992, we began working with IBM and Siemens to develop 64M and 256M DRAMs. This project was completed six months ahead of schedule. Now the three partners plan to take on the challenges of the next generation of memory devices.

Q Certain breakthroughs lead directly to next-generation products. The blue laser was instrumental to commercializing DVD, for instance. Are there any recent achievements in this regard?

A Semiconductor lithography is one example. Advances here have an immediate impact on the circuit density of semiconductor devices. Toshiba leads the industry here. We have already reached the point where we can use X-ray lithography to make prototypes of transistors for 4-gigabit-class DRAMs. Another example is Toshiba's line of portable information devices, including the Libretto mininotebook computer and our pocket communicator. These products draw heavily on advances in high-density application-specific ICs and ultra-slim 2.5-inch hard-disk drives.

Superconductivity holds much promise. We have developed a superconductive magnet that generates a remarkably strong, uniform and stable magnetic field. Along with a high-performance freezing unit, this technology is well suited to medical equipment. Our engineers have already used this breakthrough to commercialize an MRI system that is much less restrictive for patients.

Numerous research projects were instrumental in our ability to create the world's first advanced boiling-water reactor, or ABWR. Toshiba designed a pump for recycling cooling materials that can be placed inside the reactor. We came up with an improved drive mechanism for control rods. And we discovered a way to make reactor enclosures out of reinforced concrete.

Environmental Activities

Topics

At Toshiba, preserving the global environment for future generations is a fundamental responsibility for everyone. In line with this commitment, the company conducts a broad range of environmental activities. In May 1996, Toshiba announced a voluntary plan that included 12 additional targets. Based on this plan, the company is conducting many programs, including the development of environmentally compatible products and the acquisition of international certifications. A rigorous assessment system examines how individual products—from home appliances to power generation systems—contribute to such goals as conserving resources, promoting recycling and reducing energy consumption.

In February 1997, two Toshiba products received the Commendation of 21st Century Type Energy-Conserving Apparatuses and Systems from the Energy Conservation Center, an organization associated with Japan's Ministry of International Trade and Industry. Air conditioners were recognized for the fourth consecutive year, while Toshiba's mininotebook computers were chosen for the first time. The commendation is given to consumer products that are outstanding with regard to energy and resource conservation. This achievement is clear evidence of the effectiveness of Toshiba's environmental programs. Additionally, the low power consumption of Toshiba's PCs earns them the right to bear the International Energy Star.

Toshiba regards the acquisition of ISO-14001 certification as an essential condition for earning a place among the world's most environmentally responsible corporations. This certification is structured to promote sustainable economic development and a just apportionment of responsibilities among the nations of the world. The certification process demands that companies maintain a system to evaluate the environmental impact of their operations and products, and to make constant improvements. Already, 17 of Toshiba's 21 major production facilities in Japan have received this certification, and the remaining four are in the final stages of this process. Subsidiaries in Japan and overseas plan to earn this certification at all of their facilities as soon as possible, further raising Toshiba's profile in environmental activities.

Voluntary Plan

Implementation of product assessments	All products from fiscal 1993
Reduce use of parts and materials that are difficult to recycle	Target: 30% reduction by fiscal 2000 vs. fiscal 1995 for consumer products and information equipment
Reduce weight per product function	Target: 10% reduction by fiscal 2000 vs. fiscal 1995 for information equipment and control devices
Reduce electricity consumed per product function	Target: 10% reduction by fiscal 2000 vs. fiscal 1995 for consumer products and information equipment
Reduce weight of product packaging	Target: 30% reduction by fiscal 2000 vs. fiscal 1995 for all industrial-use products
Reduce time needed to disassemble products	Target: 50% reduction by fiscal 1997 vs. fiscal 1992 for consumer products and information equipment
Reduce use of styrene foam packaging	Target: 50% reduction by fiscal 2000 vs. fiscal 1995 for all products
Reduce generation of discarded materials vs. sales	Target: 75% reduction by fiscal 2000 vs. fiscal 1990 at all production and research facilities
Reduce energy consumption vs. sales	Target: 30% reduction by fiscal 2000 vs. fiscal 1990 at all production and research facilities
Acquire ISO-14001 certification	Target: all production and research facilities by the end of fiscal 1997
Establish and implement environmental vision	Established a vision in fiscal 1996 for consumer products and electronic devices, now being implemented
Reduce utilization of hazardous chemicals	Targets: 33% reduction by fiscal 1997 vs. fiscal 1994 per unit produced and 50% reduction by fiscal 2000 vs. fiscal 1994 per unit produced at all semiconductor production facilities

Q ***How does Toshiba ensure that its global operations are compatible with the requirements of environmental themes?***

A Environmental preservation is one of the most important elements of Toshiba's management policies. To coordinate these activities, the Global Environmental Committee holds a conference every six months. This event is conducted by the Environmental Executive Board, with the support of Toshiba's Productivity Division. The conference determines basic policies and makes other decisions needed to guide environmental actions. Another function is the review of progress made at various Toshiba business divisions and operating bases. Individual operating divisions and other bases also hold their own environmental conferences. Here, goals and projects are created to address the requirements of specific products and regions. Once every year, Toshiba hosts an Environmental Technology Exhibition that brings together group representatives from Japan and overseas. This event promotes the exchange of information and heightens awareness of environmental issues among our people.

Q ***Would you explain the fundamental precepts that underlie Toshiba's environmental programs?***

A Our basic blueprint for environmental actions is the FREE+2A program. F stands for "freon-free" as we strive to cut the use of substances that are harmful to the ozone layer. R is "recycling." This represents our drive to reuse as many materials as possible, and to cut back on the volume of materials we discard. The first E expresses our commitment to making products and creating technologies that reduce energy consumption. The second E stands for "earth." Toshiba conducts a broad range of activities to prevent the release of harmful substances into the environment, whether soil, water, or the atmosphere. We added the "plus 2A" to make clear the roles of auditing and action plans in our environmental efforts. Selection of the anagram "free" reflects Toshiba's intention of helping to free the earth of environmental problems. All Toshiba employees take part in programs designed to heighten our profile as an environmentally friendly company that aggressively promotes recycling and the reduction of discarded waste materials. Our ultimate goal is a world in which everything is recycled and nothing is thrown away.

Q ***How is Toshiba progressing toward the goals that were added to the voluntary environmental plan?***

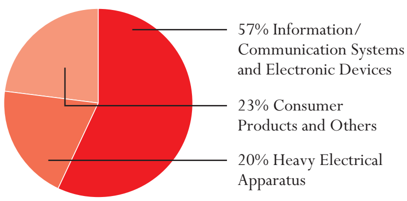
A We added a set of goals to FREE+2A to provide guidelines for our manufacturing activities. We also included items relating to how we make products from the design stage onward. We completed the elimination of all CFCs used for industrial cleaning in December 1993. As of September 1995, CFCs were no longer used in Toshiba products either. We also stopped using trichioroethane in November 1994, ten months ahead of schedule. Furthermore, advances in making production processes more efficient reduced fiscal 1996 energy consumption for manufacturing by the equivalent of 23,400 kiloliters of petroleum.

Product design practices are another focus. Since fiscal 1993, proposed designs for all Toshiba products have undergone environmental assessments. This entails detailed examinations of items such as ease of recycling, weight in relation to functions, weight of packaging materials, and time required for disassembly. Establishing uniform standards was difficult due to the diversity of the products we make. Instead, Toshiba maintains product development standards in each business division that cover everything from designs through the end of a product's useful life. We have made great strides in recent years. Recycling of our consumer products and office equipment is up by 60 percent since fiscal 1992. During this same period, we have cut the volume of packaging materials discarded and the use of styrene foam by 30 percent. Another achievement since 1992 is a reduction by one-third in the time needed to dismantle products.

Financial Summary

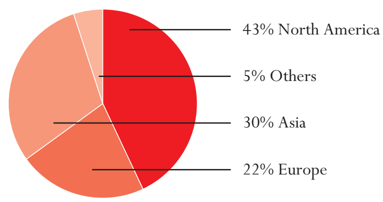
Toshiba Corporation and its subsidiaries
Years ended March 31

Sales Composition
(March 1997)

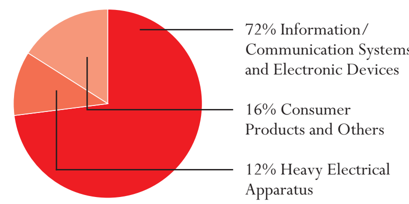


Note: Shares of net sales are based on net sales before elimination of intersegment transactions.

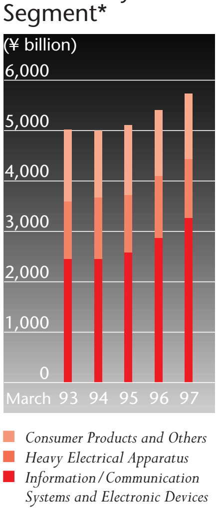
Overseas Sales
(March 1997)



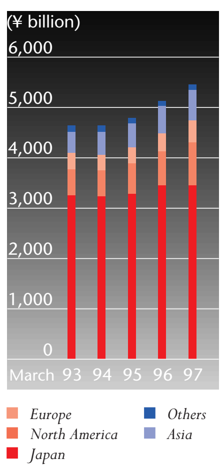
Capital Expenditures by Segment
(March 1997)



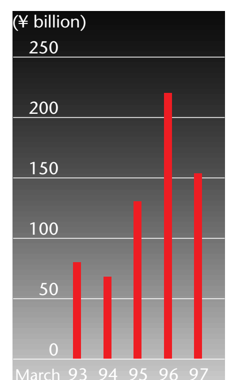
Net Sales by Segment*



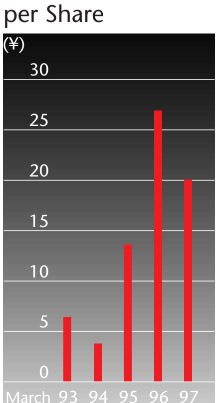
Net Sales by Region



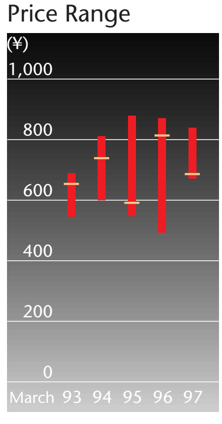
Operating Income



Net Income per Share

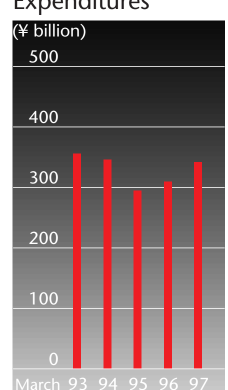


Common Stock Price Range



Note: Price ranges are based on daily closing prices.

Capital Expenditures

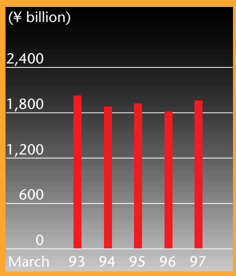


**Notes: 1. Segment information for the fiscal years ended March 31, 1995 and 1996 has been reclassified to conform with current classifications.*
2. Segment sales totals include intersegment transactions.

***Q** Toshiba is making substantial investments in PCs, semiconductors and other strategic product sectors. At the same time, management is working on reducing interest-bearing debt, since the consolidated debt-equity ratio now stands at 154 percent. What are your plans for achieving debt reductions?*

A We have begun a mid-term management plan that ends in March 2002. As part of this plan, we have set forth the goal of reducing our consolidated debt-equity ratio to below 100 percent. During the fiscal year that ended in March 1997, interest-bearing debt rose by 8 percent to ¥1,954.0 billion. One reason is that lower earnings reduced our free cash flow (net income and depreciation less capital expenditures). Additionally, demand for working capital rose. On a nonconsolidated basis, our debt-equity ratio has fallen to 58.6 percent. We are placing a high priority on reducing debt at consolidated subsidiaries as much as possible. We have also bolstered the financial management of our subsidiaries and centralized all fund procurement and management activities at the parent company. We are targeting assets that do not generate a sufficient level of earnings for reductions, thereby raising our return on assets.

Interest-Bearing Debt



***Q** In the most recent fiscal year, Toshiba's ROE was 5.4 percent. Management has stated its intention of generating an ROE that is consistently above 10 percent. What actions is the company taking to achieve this goal?*

A An ROE consistently above 10 percent is another objective of our ongoing mid-term management plan. The primary means of raising ROE is the sale and reduction of underperforming assets and the concentration of more assets on high-return business sectors. Additionally, we will not conduct any equity-related financing activities for the time being.

Toshiba has stressed the "focus and foresight" theme in recent years. Progress made in shifting more resources to PCs and leading-edge consumer electronics like the DVD are two illustrations. We believe that we are well ahead of Japan's other full-line electric companies in this regard. The restructuring of subsidiaries is another area where we are making headway. Performance at subsidiaries is steadily improving.

In the current fiscal year, we are placing emphasis on a comprehensive realignment of the operations of each major product group. As part of this, we will be monitoring even more closely the monthly performance of each division. Minimum operating profit ratios have been set for each operating division. These actions should lead to higher profit margins for the entire Toshiba Group.

Return on Equity

***Q** In the fiscal year that ended in March 1997, Toshiba benefited from the yen's fall versus the U.S. dollar and several other currencies. With indications now pointing to an upward correction in the yen's value, what measures is Toshiba taking to protect future earnings?*

A Toshiba's average U.S. dollar exchange rate for sales in the past fiscal year was ¥112, well above the level in the prior fiscal year. In terms of operating income, this generated ¥109.0 billion in foreign exchange gains. Over the long term, however, our policy is to produce goods where they are sold. In fact, Toshiba's manufacturing activities outside Japan have been expanding steadily. In the past fiscal year, overseas production increased by 42 percent to ¥910.0 billion. Consumer products have accounted for much of this growth. From now on, though, we plan to shift more production of semiconductors and other high-value-added products overseas. In the fall of 1997, production will start at a joint venture with IBM. We plan to make more investments in overseas semiconductor facilities.

Toshiba today is a truly global company that derives more than 30 percent of sales from markets other than Japan. Thus, we eventually plan to reach a point where our receipts and payments of dollars are in equilibrium. This will give Toshiba a sound base for shielding our performance from the uncertainties of foreign exchange markets.

Board of Directors


Fumio Sato


Taizo Nishimuro


Atsumi Uchiyama


Masaichi Koga


Tetsuya Yamamoto


Masanobu Ohyama


Kanichi Ito


Kensuke Fujimatsu


Isamu Nitta


Tetsuo Machii


Tomohiko Sasaki


Akinobu Kasami

Fumio Sato
Chairman of the Board

Taizo Nishimuro
President and Chief Executive Officer

Atsumi Uchiyama
Senior Executive Vice President

Masaichi Koga
Senior Executive Vice President

Tetsuya Yamamoto
Senior Executive Vice President

Masanobu Ohyama
Senior Executive Vice President

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Toshiyuki Ohshima
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Hiroo Okuhara
Vice President

Haruo Nakatsuka
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Susumu Kohyama
Vice President

Atsutoshi Nishida
Vice President

Hidehiko Yoshida
Corporate Auditor

Masayoshi Motoki
Corporate Auditor

Taizo Wakayama
Corporate Auditor

Kazuhiko Ito
Corporate Auditor

Kazuo Chiba
Corporate Auditor

Financial Section

Contents

Five-Year Summary

Toshiba Corporation and its subsidiaries
Years ended March 31

	Millions of yen, except per share amounts				
	1997	1996	1995	1994	1993
Net sales	¥5,453,397	¥5,120,086	¥4,790,766	¥4,630,907	¥4,627,499
Cost of sales	3,900,022	3,612,504	3,396,523	3,345,120	3,300,853
Selling, general and administrative expenses	1,399,123	1,287,358	1,266,233	1,217,802	1,246,418
Income before income taxes and minority interest	125,456	177,749	120,674	90,190	85,982
Income taxes	71,593	102,965	67,607	75,506	63,045
Net income	67,077	90,388	44,693	12,140	20,551
Per share of common stock:					
Net income	¥20.06	¥26.85	¥13.54	¥ 3.78	¥ 6.40
Cash dividends	10.00	10.00	10.00	10.00	10.00
Total assets	¥5,809,285	¥5,560,484	¥5,463,290	¥5,350,690	¥5,629,875
Shareholders' equity	1,264,775	1,202,265	1,118,808	1,117,725	1,148,813
Number of employees	186,000	186,000	190,000	175,000	173,000

Notes:

1. *The computation of the above per share amounts has been based on the weighted-average number of common shares outstanding during each period, appropriately adjusted for common stock equivalents.*
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 for fiscal 1996, the year ended March 31, 1997, increased 7 percent to a record-high ¥5,453.4 billion (US$43,979 million). The average U.S. dollar exchange rate for sales rose from ¥96 in fiscal 1995 to ¥112 in fiscal 1996. The yen's depreciation had the effect of increasing net sales by ¥138.0 billion. Consolidated sales include the results of 221 subsidiaries in Japan and 82 overseas subsidiaries. By region, sales in Japan were largely unchanged while overseas sales rose by 20 percent to ¥1,998.3 billion (US$16,115 million). Overseas sales represented 37 percent of total sales, up from 33 percent in the prior fiscal year. Overseas production amounted to ¥910.0 billion (US$7,339 million) compared with ¥640.0 billion one year earlier, and accounted for 46 percent of overseas sales, up from 38 percent in the prior fiscal year. Beginning in fiscal 1996, royalty income is included in net sales because this income is now treated as a result of operating activities. In previous years, this income was classified as other income. This income totaled ¥46.0 billion (US$371 million) and ¥23.3 billion in fiscal 1996 and 1995, respectively.

Information/communication systems and electronic devices segment sales were up 14 percent to ¥3,256.2 billion (US$26,260 million). Overseas sales rose 22 percent to ¥1,559.4 billion (US$12,575 million). Computer sales surged 48 percent, led by growth of 80 percent in personal computer sales to ¥740.0 billion (US$5,968 million). Strength in computer sales contributed to much higher sales of CD-ROM drives, hard-disk drives and other peripherals, all product sectors where Toshiba has a high market share. Sales of communication equipment were also much higher, with growth paced by strong demand for cellular and PHS phones. Solid demand for X-ray CT equipment in Japan and overseas helped lift sales of medical equipment despite intense competition. Semiconductor sales were down 11 percent to ¥890.0 billion (US$7,177 million), mainly reflecting a steep drop in prices of 4M and 16M DRAMs that began in the first quarter of 1996. Brisk global sales of notebook computers and Toshiba's leadership in the market for larger screens were behind steady growth in LCD sales. Sales of color picture tubes and display tubes grew in Thailand and the United States.

Sales of heavy electrical apparatus declined 5 percent to ¥1,172.8 billion (US$9,458 million). In Japan, sales were down for both nuclear and thermal power stations. Demand for nuclear power stations has entered a soft period. Additionally, Japanese utilities are holding back on capital expenditures. Sales of industrial electrical apparatus and machinery were also lower. These factors caused domestic sales to decrease 8 percent to ¥1,060.8 billion (US$8,555 million). Overseas, segment sales were up 35 percent to ¥112.0 billion (US$903 million). This was mainly the result of higher sales of transportation equipment, elevators and escalators, and industrial plants. Moreover, sales of industrial electrical apparatus posted solid growth in Europe, the United States and Australia.

Consumer products and others sales totaled ¥1,302.3 billion (US$10,503 million), virtually the same as in the previous fiscal year. In Japan, sales were ¥975.4 billion (US$7,866 million). Washing machines achieved solid sales growth, but a fall in sales prices impacted the performance of refrigerators and TVs. Toshiba achieved record domestic shipments of air conditioners for the third consecutive year, but sales were down slightly because of lower sales prices. Overseas sales advanced 7 percent to ¥326.9 billion (US$2,636 million) as weakness in Asian markets was offset by the yen's depreciation.

Net Sales by Region

	Millions of yen		
Years ended March 31	1997	1996	1995
Japan	¥3,455,146	¥3,451,062	¥3,287,655
North America	852,214	671,219	594,917
Europe	439,346	364,203	321,106
Asia	595,209	543,668	481,199
Others	111,482	89,934	105,889
Net Sales	¥5,453,397	¥5,120,086	¥4,790,766

Japan—Sales in Japan were largely unchanged from the prior fiscal year. Lower semiconductor prices, weakness in the heavy electrical apparatus segment and intense competition in the consumer products market were the negative reasons. Offsetting this weakness to some degree were PCs, where sales increased 82 percent in terms of unit volume.

North America—Sales in North America were up by 27 percent. Results were weak at semiconductor manufacturing and sales bases. PC shipments jumped by 94 percent due to a substantial rise in sales of notebook models and the introduction of desktop models. Higher peripheral sales also contributed to this performance. Toshiba's share of the North American portable PC market rose to about 24 percent, well ahead of all competitors.

Europe—Sales in Europe increased 21 percent. Higher sales of TVs and HVAC equipment in the United Kingdom were major contributors. Toshiba captured the number one share of the portable PC market, increasing total PC shipments in this region by 76 percent.

Asia and Other Regions—Sales in this region were up 12 percent. Although semiconductor sales were significantly lower, sales of liquid crystal displays in South Korea and Taiwan were brisk. Toshiba Display Devices (Thailand) posted a solid increase in sales of cathode-ray tubes for PC monitors.

Net Income

Cost of sales was up 8 percent to ¥3,900.0 billion (US$31,452 million). Selling, general and administrative expenses increased 9 percent to ¥1,399.1 billion (US$11,283 million). Personnel expenses and R&D expenditures were a major reason for this growth.

Operating income fell 30 percent to ¥154.3 billion (US$1,244 million). Increases in production levels to support the increase in sales during the year generated a net increase in operating income of ¥270.0 billion (US$2,177 million). Foreign exchange movements contributed ¥109.0 billion (US$879 million) to the increase in operating income. These positive factors were more than offset by a decline of ¥430.0 billion (US$3,468 million) due to the fall in sales prices of semiconductor and other products.

Information/communication systems and electronic devices segment operating income decreased 32 percent to ¥141.8 billion (US$1,144 million). Higher income from PCs and PC peripherals and from mobile telecommunications products could not offset a steep fall in semiconductor earnings. Heavy electrical apparatus operating income was down 29 percent to ¥29.6 billion (US$239 million) as sales of power plants and equipment to Japanese utilities fell. Consumer products and others reported an operating loss of ¥17.3 billion (US$140 million), an improvement of ¥12.1 billion (US$98 million) compared with one year earlier. Results improved at sales companies in North America and Hong Kong, and sales of washing machines were up in Japan. However, overall segment performance was severely impacted by poor refrigerator and TV results in Japan due to persistent competition.

Toshiba estimates that the net effect of foreign exchange movements during fiscal 1996 was a ¥109.0 billion (US$879 million) increase in operating income. Foreign exchange movements raised net sales by ¥138.0 billion (US$1,113 million) and increased procurement expenses by ¥29.0 billion (US$234 million). Non-operating expenses include foreign exchange loss of ¥21.4 billion (US$172 million), which is a decrease of ¥15.7 billion (US$126 million) compared with the previous fiscal year.

Income before income taxes and minority interest decreased 29 percent to ¥125.5 billion (US$1,012 million). The decline was reduced somewhat by a reduction in interest expenses due to lower interest rates in Japan. Income taxes decreased to ¥71.6 billion (US$577 million). Equity in income of affiliated companies decreased by ¥2.9 billion (US$24 million) to ¥14.5 billion (US$117 million). Net income fell 26 percent to ¥67.1 billion (US$541 million), 12 percent higher than parent-company net income. Net income per share was ¥20.06 (US$0.16), down from ¥26.85 and cash dividends applicable to fiscal 1996 were unchanged at ¥10.00 (US$0.08).

Segment Information

The following segment information is based on Japanese accounting standards. As Japanese accounting standards do not require retroactive application of newly adopted standards, certain columns in the following tables are left blank for periods which precede the adoption of new disclosure requirements.

Industry Segments

	Millions of yen			Thousands of U.S. dollars
Years ended March 31	1997	1996	1995	1997
Net sales:				
Information/Communication Systems and Electronic Devices				
Unaffiliated customers	¥3,075,603	¥2,687,319	¥2,386,327	$24,803,250
Intersegment	180,599	177,239	192,453	1,456,444
Total	3,256,202	2,864,558	2,578,780	26,259,694
Heavy Electrical Apparatus				
Unaffiliated customers	1,108,761	1,178,612	1,088,621	8,941,621
Intersegment	63,995	54,173	58,830	516,089
Total	1,172,756	1,232,785	1,147,451	9,457,710
Consumer Products and Others				
Unaffiliated customers	1,269,033	1,254,155	1,315,818	10,234,137
Intersegment	33,297	50,970	68,006	268,524
Total	1,302,330	1,305,125	1,383,824	10,502,661
Eliminations	(277,891)	(282,382)	(319,289)	(2,241,057)
Consolidated	¥5,453,397	¥5,120,086	¥4,790,766	$43,979,008

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	1997	1996	1995	1997
Operating income (loss):				
Information/Communication Systems and Electronic Devices	¥ 141,811	¥ 207,784	¥ 108,997	$ 1,143,637
Heavy Electrical Apparatus	29,622	41,543	29,258	238,887
Consumer Products and Others	(17,308)	(29,358)	(10,209)	(139,581)
Eliminations	127	255	(36)	1,025
Consolidated	¥ 154,252	¥ 220,224	¥ 128,010	$ 1,243,968
Identifiable assets:				
Information/Communication Systems and Electronic Devices	¥3,210,691	¥2,891,323		$25,892,669
Heavy Electrical Apparatus	1,239,801	1,278,712		9,998,395
Consumer Products and Others	1,061,228	981,456		8,558,290
Corporate and Eliminations	297,565	408,993		2,399,719
Consolidated	¥5,809,285	¥5,560,484		$46,849,073
Depreciation and amortization:				
Information/Communication Systems and Electronic Devices	¥ 187,225	¥ 195,161		$ 1,509,879
Heavy Electrical Apparatus	28,816	29,910		232,387
Consumer Products and Others	39,381	39,747		317,589
Corporate	–	–		–
Consolidated	¥ 255,422	¥ 264,818		$ 2,059,855
Capital expenditures:				
Information/Communication Systems and Electronic Devices	¥ 248,978	¥ 239,055		$ 2,007,887
Heavy Electrical Apparatus	39,761	37,360		320,653
Consumer Products and Others	55,760	35,684		449,678
Corporate	–	–		–
Consolidated	¥ 344,499	¥ 312,099		$ 2,778,218

Note: Segment information for the fiscal years ended March 31, 1995 and 1996 has been reclassified to conform with current classifications.

Geographic Segments

Years ended March 31	Millions of yen 1997	1996	1995	Thousands of U.S. dollars 1997
Net sales:				
Domestic companies				
Unaffiliated customers	¥ 3,875,318	¥3,820,289	¥3,670,738	$31,252,564
Intersegment	956,550	831,937	699,863	7,714,113
Total	4,831,868	4,652,226	4,370,601	38,966,677
Overseas companies				
Unaffiliated customers	1,578,079	1,299,797	1,120,028	12,726,444
Intersegment	158,198	64,289	42,111	1,275,790
Total	1,736,277	1,364,086	1,162,139	14,002,234
Eliminations	(1,114,748)	(896,226)	(741,974)	(8,989,903)
Consolidated	¥ 5,453,397	¥5,120,086	¥4,790,766	$43,979,008
Operating income (loss):				
Domestic companies	¥ 144,889	¥ 189,939	¥ 93,348	$ 1,168,460
Overseas companies	10,409	37,465	36,479	83,944
Eliminations	(1,046)	(7,180)	(1,817)	(8,436)
Consolidated	¥ 154,252	¥ 220,224	¥ 128,010	$ 1,243,968
Identifiable assets:				
Domestic companies	¥ 4,604,366	¥4,465,996		$37,131,984
Overseas companies	940,133	697,018		7,581,718
Corporate and Eliminations	264,786	397,470		2,135,371
Consolidated	¥ 5,809,285	¥5,560,484		$46,849,073

Research and Development

R&D expenditures increased 5.6 percent to ¥332.6 billion (US$2,682 million), representing 6.1 percent of net sales, the same as in the previous fiscal year. A substantial share of R&D expenditures were applied to multimedia-related activities, including next-generation networking technology, PCs and DVD, achieving finer design rules in semiconductor production, LCDs, combined-cycle power generation, nuclear power plants, rechargeable batteries, fuel cells and environmental systems. Toshiba estimates that fiscal 1997 R&D expenditures will increase 3.7 percent to ¥345.0 billion (US$2,782 million).

Capital Expenditures

Capital expenditures, which include investments in property, plant and equipment of ¥341.0 billion (US$2,750 million), were up 10 percent to ¥344.5 billion (US$2,778 million). Semiconductor operations accounted for ¥170.0 billion (US$1,371 million) of this amount, the same as in the previous fiscal year. Information/communication systems and electronic devices accounted for 72 percent of capital expenditures, or ¥249.0 billion (US$2,008 million). Significant elements of these expenditures were 64M DRAM production facilities at the second clean room of the Yokkaichi Works; logic LSI production facilities and upgrades in fine-rule and multilayer technology at the Oita Works; and a production line for next-generation LCDs. Capital expenditures in the heavy electrical apparatus segment totaled ¥39.8 billion (US$321 million). In the consumer products and others segment, capital expenditures were ¥55.8 billion (US$450 million). In fiscal 1997, current plans call for capital expenditures of ¥380.0 billion (US$3,065 million), including ¥150.0 billion (US$1,210 million) for semiconductor operations.

Financial Position

As of March 31, 1997, total assets amounted to ¥5,809.3 billion (US$46,849 million), an increase of ¥248.8 billion (US$2,006 million) compared with the previous fiscal year-end. Current assets were up by ¥4.5 billion (US$36 million). This was mostly the result of a substantial increase in notes and accounts receivable, trade, primarily due to the growth in sales, and of a decrease in cash and cash equivalents. Property, plant and equipment rose by ¥115.2 billion (US$929 million) to ¥1,425.3 billion (US$11,494 million). This is mostly the result of investments to expand overseas production and to upgrade and expand semiconductor production facilities.

Total debt increased by ¥143.3 billion (US$1,156 million) to ¥1,954.0 billion (US$15,758 million). Parent-company debt decreased by ¥3.9 billion (US$32 million) and borrowings at consolidated subsidiaries increased by ¥147.2 billion (US$1,188 million), chiefly because of the demand for funds to support the substantial volume of ongoing capital expenditures in Asia. The fall in advance payments received is the result of the completion of large-scale power stations during the year. Accrued income and other taxes was down substantially because of the decline in earnings.

Cash Flows

Operating activities provided net cash of ¥142.1 billion (US$1,146 million) in fiscal 1996, down from ¥403.5 billion in the previous fiscal year. The main reason for the lower cash flow was a decrease in trade notes and accounts payable following a large increase in the previous fiscal year. A decrease in accrued income and other taxes was another significant contributor to the fall in operating cash flows. A lower volume of power plant work under way was mainly responsible for the decrease in inventories. Net cash used in investing activities was ¥280.4 billion (US$2,261 million). An increase in acquisition of property and equipment, mainly due to large semiconductor investments, was largely offset by growth in proceeds from sale of property and securities and a decrease in other investments. Financing activities provided net cash of ¥27.3 billion (US$220 million) as Toshiba and its consolidated subsidiaries increased short-term borrowings by more than the net decrease in long-term debt. As cash used in investing activities exceeded cash provided by operating and financing activities, cash and cash equivalents declined by ¥99.0 billion to ¥580.4 billion (US$4,681 million).

Principal Subsidiaries and Affiliated Company

As of March 31, 1997			Percentage held by Group
Consolidated Subsidiaries:		*Affiliated Company:*	
Toshiba Elevator Technos Co., Ltd.	100	TEC Corporation	46
Toshiba America, Inc.	100		

Consolidated Balance Sheets

Toshiba Corporation and its subsidiaries
As of March 31, 1997 and 1996

ASSETS	Millions of yen 1997	Millions of yen 1996	Thousands of U.S. dollars (Note 3) 1997
Current assets:			
Cash and cash equivalents	¥ 580,420	¥ 679,408	$ 4,680,806
Marketable securities (Note 4)	126,770	140,194	1,022,339
Notes and accounts receivable, trade—			
Notes	240,705	271,026	1,941,169
Accounts	1,210,938	1,073,091	9,765,629
Allowance for doubtful notes and accounts	(41,578)	(35,193)	(335,306)
Inventories (Note 5)	1,068,154	1,074,646	8,614,145
Prepaid expenses and other current assets	277,241	255,019	2,235,815
Total current assets	3,462,650	3,458,191	27,924,597
Long-term receivables and investments:			
Long-term receivables	221,647	203,830	1,787,476
Investments in and advances to affiliated companies (Note 6)	186,461	148,233	1,503,718
Other investments (Note 4)	208,285	234,357	1,679,717
	616,393	586,420	4,970,911
***Property, plant and equipment** (Note 7):*			
Land	159,642	157,259	1,287,436
Buildings	998,064	943,526	8,048,903
Machinery and equipment	2,592,019	2,429,171	20,903,379
Construction in progress	130,221	65,068	1,050,169
	3,879,946	3,595,024	31,289,887
Less – Accumulated depreciation	(2,454,647)	(2,284,906)	(19,795,540)
	1,425,299	1,310,118	11,494,347
***Other assets** (Note 8):*	304,943	205,755	2,459,218
	¥ 5,809,285	¥ 5,560,484	$ 46,849,073

The accompanying notes are an integral part of this statement.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 1997	Millions of yen 1996	Thousands of U.S. dollars (Note 3) 1997
Current liabilities:			
Short-term borrowings (Note 7)	¥1,030,128	¥ 760,734	$ 8,307,484
Current portion of long-term debt (Note 7)	205,633	377,248	1,658,331
Notes payable, trade	299,983	323,117	2,419,218
Accounts payable, trade	729,994	712,919	5,887,048
Notes and accounts payable for construction	107,979	78,454	870,798
Accrued income and other taxes	60,264	107,865	486,000
Advance payments received	305,131	352,768	2,460,734
Employees' savings deposits	110,379	108,925	890,153
Accrued expenses and other current liabilities	485,466	467,759	3,915,049
Total current liabilities	3,334,957	3,289,789	26,894,815
Long-term liabilities:			
Long-term debt (Note 7)	718,220	672,706	5,792,097
Liability for severance indemnities (Note 8)	421,663	331,365	3,400,508
	1,139,883	1,004,071	9,192,605
Minority interest in consolidated subsidiaries	69,670	64,359	561,855
Shareholders' equity *(Note 13)**:***			
Common stock, ¥50 par value –			
Authorized – 10,000,000,000 shares			
Issued and outstanding:			
1997 – 3,218,999,545 shares	274,916	–	2,217,065
1996 – 3,218,977,446 shares	–	274,908	–
Additional paid-in capital	285,727	285,719	2,304,250
Legal reserve	72,783	69,048	586,959
Retained earnings appropriated for cash dividends	16,094	16,094	129,790
Retained earnings (Note 7)	649,243	618,089	5,235,831
Cumulative translation adjustment	(33,988)	(61,593)	(274,097)
	1,264,775	1,202,265	10,199,798
Commitments and contingent liabilities *(Note 15)*			
	¥5,809,285	¥5,560,484	$46,849,073

Consolidated Statements of Operations and Retained Earnings

Toshiba Corporation and its subsidiaries
For the years ended March 31, 1997 and 1996

	Millions of yen		Thousands of U.S. dollars (Note 3)
	1997	1996	1997
Sales and other income:			
Net sales	¥5,453,397	¥5,120,086	$43,979,008
Other income	122,105	145,052	984,718
	5,575,502	5,265,138	44,963,726
Costs and expenses:			
Cost of sales (Note 9)	3,900,022	3,612,504	31,451,790
Selling, general and administrative (Note 9 and 10)	1,399,123	1,287,358	11,283,250
Interest	62,101	73,819	500,815
Other (Note 11)	88,800	113,708	716,129
	5,450,046	5,087,389	43,951,984
Income before income taxes and minority interest	125,456	177,749	1,011,742
***Income taxes** (Note 12):*			
Current	71,253	117,036	574,621
Deferred	340	(14,071)	2,742
	71,593	102,965	577,363
Income before minority interest	53,863	74,784	434,379
Minority interest in income of consolidated subsidiaries	1,310	1,838	10,564
Income from consolidated companies	52,553	72,946	423,815
Equity in income of affiliated companies	14,524	17,442	117,129
Net income	67,077	90,388	540,944
Retained earnings:			
Balance at beginning of year	618,089	563,634	4,984,589
Cash dividends	(32,188)	(32,188)	(259,581)
Transfer to legal reserve	(3,735)	(3,745)	(30,121)
Balance at end of year	¥ 649,243	¥ 618,089	$ 5,235,831

	Exact yen		U.S. dollars (Note 3)
Per share of common stock:			
Net income	¥20.06	¥26.85	$0.162
Cash dividends	¥10.00	¥10.00	$0.081

The accompanying notes are an integral part of this statement.

Consolidated Statements of Cash Flows

Toshiba Corporation and its subsidiaries
For the years ended March 31, 1997 and 1996

	Millions of yen		Thousands of U.S. dollars (Note 3)
	1997	1996	1997
Cash flows from operating activities:			
Net income	¥ 67,077	¥ 90,388	$ 540,944
Adjustments to reconcile net income to net cash provided by operating activities –			
Depreciation and amortization	255,422	264,818	2,059,855
Provision for severance indemnities, less payments	3,459	4,646	27,895
Deferred income taxes	340	(14,071)	2,742
Equity in income of affiliated companies	(14,524)	(17,442)	(117,129)
Loss on sale and disposal of property and securities, net	6,603	11,037	53,250
Minority interest in income of consolidated subsidiaries	1,310	1,838	10,564
Increase in notes and accounts receivable, trade	(52,933)	(107,045)	(426,879)
Decrease in inventories	38,362	62,018	309,371
Increase in other current assets	(17,876)	(24,204)	(144,161)
(Increase) decrease in long-term receivables	(17,765)	7,345	(143,266)
(Decrease) increase in notes and accounts payable, trade	(30,229)	138,970	(243,782)
(Decrease) increase in accrued income and other taxes	(50,248)	44,782	(405,226)
Decrease in advance payments received	(49,179)	(90,969)	(396,605)
Increase in other current liabilities	2,267	31,370	18,282
Net cash provided by operating activities	142,086	403,481	1,145,855
Cash flows from investing activities:			
Proceeds from sale of property and securities	42,241	29,691	340,653
Acquisition of property and equipment	(313,081)	(277,607)	(2,524,847)
Purchase of marketable securities	(13,934)	(12,613)	(112,371)
Effect of deconsolidation due to change in ownership to minority interest	–	(13,414)	–
Increase in investments in affiliated companies	(22,588)	(20,518)	(182,161)
Decrease in other investments	34,643	20,726	279,379
Increase in other assets and other	(7,647)	(3,952)	(61,669)
Net cash used in investing activities	(280,366)	(277,687)	(2,261,016)
Cash flows from financing activities:			
Proceeds from long-term debt	225,773	145,120	1,820,750
Repayment of long-term debt	(383,048)	(265,895)	(3,089,096)
Dividends paid	(32,188)	(32,188)	(259,581)
Increase in short-term borrowings	216,767	42,234	1,748,121
Net cash provided by (used in) financing activities	27,304	(110,729)	220,194
Effect of exchange rate changes on cash and cash equivalents	11,988	11,310	96,677
Net (decrease) increase in cash and cash equivalents	(98,988)	26,375	(798,290)
Cash and cash equivalents at beginning of year	679,408	653,033	5,479,096
Cash and cash equivalents at end of year	¥ 580,420	¥ 679,408	$ 4,680,806
Supplemental disclosure of cash flow information:			
Cash paid during the year for –			
Interest	¥ 63,597	¥ 69,588	$ 512,879
Income taxes	¥ 121,930	¥ 83,672	$ 983,306

The accompanying notes are an integral part of this statement.

1. Company operations:

Toshiba Corporation and its subsidiaries are engaged in research and development, manufacture and sales of electronic and energy high-technology products, which span information/communication systems and electronic devices, heavy electrical apparatus, and consumer products and others with over 50 percent of sales in information/communication systems and electronic devices. The products are manufactured and marketed throughout the world with approximately 60% of sales in Japan and the remainder in North America, Europe, Asia 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, including those relating to the tax effects of temporary differences and the accrual of certain expenses, 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 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 a maturity 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 reported in the cumulative translation adjustment 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 statement of operations.

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 upon final deliveries of equipment and the completion and acceptance of related installation work for each contract stage.

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 are stated at the lower of cost or market, cost being determined principally by the average and first-in, first-out methods, respectively.

Work in process is stated at the lower of cost or estimated realizable value, cost being determined by accumulated production costs for contract items and at production costs determined by the first-in, first-out method for regular production items.

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.

Liability for severance indemnities –

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 8).

Earnings per share –

Net income per share amounts are based on the weighted-average number of common shares outstanding during each period, appropriately adjusted for common stock equivalents.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" which replaces the presentation of primary earnings per share ("EPS") with a presentation of basic EPS, and also requires dual presentation of basic EPS and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS is computed based on the weighted-average number of shares of common stock outstanding during each period. Diluted EPS assumes the dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock, or resulted in the issuance of common stock. The company will adopt this statement for the fiscal year beginning April 1, 1997. Under the provisions of the new statement, basic EPS for the years ended March 31, 1997 and 1996 would have been ¥20.84 ($0.168) and ¥28.08, respectively, and diluted EPS for the same periods would have been ¥20.06 ($0.162) and ¥26.85, respectively.

Change in classification –

For the year ended March 31, 1997, royalty income, which was previously included in the consolidated statements of operations and retained earnings under the caption "other income," is included in "net sales." Royalty income included in net sales for the year ended March 31, 1997 amounted to ¥45,961 million ($370,653 thousand), while the comparable amount included in other income for the year ended March 31, 1996, which was not reclassified, was ¥23,302 million.

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 ¥124=US$1, the approximate current rate of exchange at March 31, 1997, 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 a separate component of shareholders' equity 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, 1997 and 1996 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	1997	1996	1997
Shareholders' equity as reported	¥1,264,775	¥1,202,265	$10,199,798
Net increase in the carrying amount of:			
Marketable securities	195,117	316,005	1,573,524
Other investments	41,697	33,604	336,266
Net decrease in deferred tax assets:			
Prepaid expenses and other current assets	(100,197)	(161,579)	(808,040)
Other assets	(21,375)	(17,211)	(172,379)
Net decrease (increase) in minority interest	132	(208)	1,064
Net increase in investments in affiliated companies	8,678	11,706	69,984
Net unrealized gain on available-for-sale securities	124,052	182,317	1,000,419
Shareholders' equity in accordance with accounting principles generally accepted in the United States of America	¥1,388,827	¥1,384,582	$11,200,217

The net unrealized gain on available-for-sale securities decreased by ¥58,265 million ($469,879 thousand) and increased by ¥46,042 million during the years ended March 31, 1997 and 1996, 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, 1997 and 1996 are as follows:

(Millions of yen)

	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 1997:				
Equity securities	¥192,281	¥245,321	¥ 9,992	¥427,610
Debt securities	20,315	1,513	28	21,800
	¥212,596	¥246,834	¥10,020	¥449,410
March 31, 1996:				
Equity securities	¥180,962	¥357,077	¥ 7,820	¥530,219
Debt securities	48,912	352	–	49,264
	¥229,874	¥357,429	¥ 7,820	¥579,483

(Thousands of U.S. dollars)

	Carrying amount	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 1997:				
Equity securities	$1,550,653	$1,978,395	$80,580	$3,448,468
Debt securities	163,831	12,201	226	175,806
	$1,714,484	$1,990,596	$80,806	$3,624,274

At March 31, 1997, debt securities mainly consist of bank and corporate debt securities.

Contractual maturities of debt securities classified as available-for-sale were as follows at March 31, 1997:

	Millions of yen		Thousands of U.S. dollars	
	Carrying amount	Fair value	Carrying amount	Fair value
Due within one year	¥10,990	¥11,591	$ 88,629	$ 93,476
Due after one year	9,325	10,209	75,202	82,330
	¥20,315	¥21,800	$163,831	$175,806

The proceeds from sales of available-for-sale securities for the years ended March 31, 1997 and 1996 were ¥37,966 million ($306,177 thousand) and ¥22,777 million, respectively. The gross realized gains on those sales for the years ended March 31, 1997 and 1996 were ¥6,452 million ($52,032 thousand) and ¥1,400 million, respectively. The gross realized losses on those sales for the years ended March 31, 1997 and 1996 were ¥64 million ($516 thousand) and ¥45 million, respectively.

5. Inventories:

Inventories comprise the following:

March 31	Millions of yen 1997	Millions of yen 1996	Thousands of U.S. dollars 1997
Finished products	¥ 376,661	¥ 395,348	$3,037,589
Work in process:			
Long-term contracts	345,662	361,697	2,787,597
Other	224,030	220,068	1,806,693
Raw materials	121,801	97,533	982,266
	¥1,068,154	¥1,074,646	$8,614,145

6. 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 ¥122,441 million ($987,427 thousand) and ¥125,887 million at March 31, 1997 (eight companies) and 1996 (eight companies), respectively. The company's investments in these companies had a market value of ¥200,919 million ($1,620,315 thousand) and ¥325,677 million at March 31, 1997 and 1996, 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:

March 31	Millions of yen 1997	Millions of yen 1996	Thousands of U.S. dollars 1997
Current assets	¥ 730,593	¥ 793,913	$ 5,891,879
Other assets including property, plant and equipment	679,277	578,414	5,478,040
Total assets	¥1,409,870	¥1,372,327	$11,369,919
Current liabilities	¥ 570,523	¥ 555,092	$ 4,600,992
Long-term liabilities	382,499	451,286	3,084,669
Shareholders' equity	456,848	365,949	3,684,258
Total liabilities and shareholders' equity	¥1,409,870	¥1,372,327	$11,369,919

Years ended March 31	Millions of yen 1997	Millions of yen 1996	Thousands of U.S. dollars 1997
Sales	¥1,120,148	¥1,066,849	$9,033,452
Net income	¥ 44,101	¥ 33,664	$ 355,653

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

Years ended March 31	Millions of yen 1997	Millions of yen 1996	Thousands of U.S. dollars 1997
Sales	¥ 43,785	¥ 47,835	$ 353,105
Purchases	¥193,703	¥197,147	$1,562,121

March 31	Millions of yen 1997	Millions of yen 1996	Thousands of U.S. dollars 1997
Notes and accounts receivable, trade	¥11,449	¥10,985	$ 92,331
Other receivables	¥ 1,495	¥ 2,458	$ 12,056
Notes and accounts payable	¥58,174	¥69,287	$469,145

7. Short-term borrowings and long-term debt:

Short-term borrowings primarily consist of short-term notes maturing at various dates within 180 days, of which ¥3,866 million ($31,177 thousand) and ¥6,409 million at March 31, 1997 and 1996, respectively, are secured by a pledge of certain fixed assets; the balance is unsecured. Substantially all of the notes 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. The company has no compensating balance agreements with any lending bank.

The average interest rate for short-term borrowings outstanding at March 31, 1997 and 1996 was approximately 1.8 percent and 2.4 percent, respectively.

Long-term debt at March 31, 1997 and 1996 included:

	Millions of yen		Thousands of U.S. dollars
March 31	1997	1996	1997
Loans, principally from banks and insurance companies, due 1996 to 2030 with interest ranging from 0.84% to 8.745% at March 31, 1996 and due 1997 to 2027 with interest ranging from 0.65% to 15.37% at March 31, 1997:			
Secured	¥ 71,486	¥ 80,285	$ 576,500
Unsecured	443,084	522,179	3,573,258
Unsecured bonds:			
3.2% yen bonds due 1997 (partially swapped for LIBOR related yen obligations)	–	30,000	–
6.75% yen bonds due 1997	–	30,000	–
3.4% yen bonds due 1998	30,000	30,000	241,936
1.4% yen bonds due 1999	30,000	30,000	241,936
1.25% yen bonds due 2000	30,000	–	241,936
2.4% yen bonds due 2003	40,000	–	322,580
2.95% yen bonds due 2006	60,000	–	483,871
JGB futures-linked series A and B floating rate yen bonds of a subsidiary due 1998 (swapped for LIBOR related U.S. dollar obligations)	8,886	7,615	71,661
3.1% and 2.8% yen bonds of subsidiaries due 2000	10,000	10,000	80,645
Unsecured convertible debentures:			
1.3% yen debentures due 1997 convertible currently at ¥1,307 per share	–	99,379	–
1.4% yen debentures due 1999 convertible currently at ¥1,307 per share	149,004	149,004	1,201,645
1.8% yen debentures due 2002 convertible currently at ¥724 per share	17,747	17,763	143,121
5.0% U.S. dollar unsecured bonds of a subsidiary due 1996, with detachable warrants to purchase the subsidiary's common stock, net of unamortized discount (partially swapped for 5.1% yen obligations and remainder hedged by forward exchange contracts)	–	12,732	–
0.70% to 7.76% at March 31, 1996 and 0.62% to 6.85% at March 31, 1997 yen or U.S. dollar medium-term notes of subsidiaries due 1996 to 2002 at March 31, 1996 and due 1997 to 2004 at March 31, 1997 (swapped for LIBOR related U.S. dollar obligations)	33,646	30,997	271,339
	923,853	1,049,954	7,450,428
Less – Portion due within one year	(205,633)	(377,248)	(1,658,331)
	¥ 718,220	¥ 672,706	$ 5,792,097

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, 1997 are property, plant and equipment, of which net book value amounts to ¥61,920 million ($499,355 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, in whole or in part, at defined prices.

At March 31, 1997, 138,517 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
1998	¥205,633	$1,658,331
1999	311,808	2,514,581
2000	121,399	979,024
2001	101,761	820,653
2002	52,210	421,049
Thereafter	131,042	1,056,790
	¥923,853	$7,450,428

8. Liability for severance indemnities:

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.

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 cost for 1997 and 1996 included the following components:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	1997	1996	1997
Service cost – benefits earned during the year	¥ 40,648	¥ 40,437	$ 327,806
Interest cost on projected benefit obligation	51,993	55,774	419,298
Actual return on plan assets	(31,368)	(40,091)	(252,967)
Net amortization and deferral	24,054	34,726	193,984
Net periodic pension cost	¥ 85,327	¥ 90,846	$ 688,121

A weighted average discount rate of 4.5 percent and 5.0 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 3.0 percent and 3.5 percent were used in developing the net periodic pension cost for 1997 and 1996, respectively.

The funded status of the plans and amounts recognized in the consolidated balance sheets at March 31, 1997 and 1996, were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	1997	1996	1997
Actuarial present value of benefit obligation:			
Vested	¥ 862,978	¥ 730,218	$ 6,959,500
Non vested	196,292	174,903	1,583,000
Accumulated benefit obligation	¥1,059,270	¥ 905,121	$ 8,542,500
Projected benefit obligation	¥1,263,801	¥1,113,179	$10,191,944
Plan assets at fair value, primarily stocks, bonds and other fixed income investments	637,607	585,506	5,141,992
Excess of projected benefit obligation over plan assets	626,194	527,673	5,049,952
Unrecognized net obligation at transition	(109,289)	(121,314)	(881,363)
Unrecognized prior service cost	(53,766)	(56,120)	(433,597)
Unrecognized net loss	(126,999)	(18,874)	(1,024,186)
Additional minimum pension liability	85,523	–	689,702
Net pension liability (liability for severance indemnities)	¥ 421,663	¥ 331,365	$ 3,400,508

At March 31, 1997, the company recognized an additional minimum pension liability of ¥85,523 million ($689,702 thousand) and an equal amount as intangible asset in accordance with SFAS No. 87.

9. Research and development:

Research and development costs are charged to expense as incurred and amounted to ¥332,555 million ($2,681,895 thousand) and ¥314,774 million for the years ended March 31, 1997 and 1996, respectively.

10. Advertising:

Advertising costs are expensed as incurred. Advertising expenses amounted to ¥75,709 million ($610,556 thousand) and ¥63,604 million for the years ended March 31, 1997 and 1996, respectively.

11. Foreign exchange gains and losses:

For the years ended March 31, 1997 and 1996, the net foreign exchange loss was ¥21,385 million ($172,460 thousand) and ¥37,051 million, respectively.

12. 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 of approximately 51.4 percent for the years ended March 31, 1997 and 1996. However, the company has realized certain tax credits and incurred certain non-deductible expenses and losses of subsidiaries. The tax provision differed from the amount computed at the normal statutory tax rate primarily due to non-deductible expenses and the provision of a valuation allowance for deferred tax assets arising in subsidiaries with tax loss carryforwards, which represent 4.7 and 4.5 percentage points of income before income taxes and minority interest, respectively, for the year ended March 31, 1997 and 3.2 and 6.0 percentage points for the year ended March 31, 1996, respectively.

The significant components of deferred tax assets and deferred tax liabilities recorded on the consolidated balance sheets as of March 31, 1997 and 1996 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	1997	1996	1997
Gross deferred tax assets:			
Inventories	¥ 27,956	¥ 32,492	$ 225,451
Liabilities for severance indemnities	100,420	98,008	809,839
Tax loss carryforwards	27,502	24,130	221,790
Other	87,931	75,781	709,121
	243,809	230,411	1,966,201
Valuation allowance for deferred tax assets	(38,647)	(36,032)	(311,669)
Deferred tax assets	205,162	194,379	1,654,532
Gross deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(25,692)	(27,034)	(207,193)
Other	(30,460)	(19,282)	(245,645)
Deferred tax liabilities	(56,152)	(46,316)	(452,838)
Net deferred tax assets	¥ 149,010	¥148,063	$1,201,694

The net increase in the total valuation allowance for the years ended March 31, 1997 and 1996 was ¥2,615 million ($21,089 thousand) and ¥243 million, respectively.

Available corporate tax loss carryforwards of certain subsidiaries at March 31, 1997 amounted to approximately ¥55,841 million ($450,331 thousand), the majority of which will expire during the period from 1998 through 2002. Realization is dependent on 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.

13. Shareholders' equity:

The increases in the common stock and additional paid-in capital accounts resulted from the conversion of debentures.

The increases in the legal reserve in the years ended March 31, 1997 and 1996 were appropriations required under the Japanese Commercial Code. No further appropriations (presently a minimum of 10 percent of cash dividends and other cash out-flow from retained earnings) are required by the Commercial Code when the legal reserve equals 25 percent of stated capital.

Cash dividends, which are expected to be formally approved at the shareholders' meeting in June 1997, and will be payable subsequently, are shown as retained earnings appropriated for cash dividends.

An analysis of the changes for the years ended March 31, 1997 and 1996 in the cumulative translation adjustment is shown below:

	Millions of yen		Thousands of U.S. dollars
March 31	1997	1996	1997
Balance at beginning of period	(¥61,593)	(¥86,842)	($496,718)
Translation adjustment	27,605	25,249	222,621
Balance at end of period	(¥33,988)	(¥61,593)	($274,097)

14. 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. Forward exchange contracts related to long-term indebtedness denominated in foreign currencies mature during the period from 1997 to 1998, 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 1997 to 2003 and the related differentials to be paid or received are recognized over the terms of the agreements.

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, 1997 and 1996 are summarized below:

	Millions of yen		Thousands of U.S. dollars
March 31	1997	1996	1997
Forward exchange contracts:			
To sell foreign currencies	¥311,515	¥314,931	$2,512,218
To buy foreign currencies	13,750	21,232	110,887
Interest rate swap agreements	253,467	253,706	2,044,089
Currency swap agreements	61,195	82,326	493,508

The estimated fair values of the company's financial instruments at March 31, 1997 and 1996 are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	1997		1996		1997	
March 31	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Nonderivatives:						
Assets–						
Marketable securities	¥ 126,770	¥ 321,887	¥ 140,194	¥ 456,199	$ 1,022,339	$ 2,595,863
Other investments	208,285	251,236	234,357	268,584	1,679,717	2,026,097
Liabilities–						
Long-term debt, including current portion	(923,853)	(944,108)	(1,049,954)	(1,073,373)	(7,450,428)	(7,613,774)
Derivative financial instruments:						
Forward exchange contracts	(1,170)	(5,656)	(875)	(6,356)	(9,435)	(45,613)
Interest rate swap agreements	–	(3,150)	–	(2,907)	–	(25,403)
Currency swap agreements	(2,080)	(2,584)	(1,286)	(1,266)	(16,774)	(20,839)

The above table excludes the financial instruments for which fair values approximate their carrying values.

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, short-term borrowings, notes payable, trade, accounts payable, trade, notes and accounts payable for construction and employees' savings deposits, 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, a part of other investments, and publicly held long-term debt. 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 ¥47,028 million ($379,258 thousand) and ¥52,590 million at March 31, 1997 and 1996, respectively. However, the corresponding fair value of these investments at those dates was not computed as such estimation was not practicable.

15. Commitments and contingent liabilities:

Commitments outstanding at March 31, 1997 for the purchase of property, plant and equipment approximated ¥42,791 million ($345,089 thousand).

Rental expense for the years ended March 31, 1997 and 1996 aggregated ¥98,824 million ($796,968 thousand) and ¥92,719 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, 1997, contingent liabilities, principally for loans guaranteed, approximated ¥261,788 million ($2,111,194 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.

16. Subsequent events:

On June 6, 1997, the company issued the following unsecured yen bonds:

	Millions of yen	Thousands of U.S. dollars
2.75 percent bonds due 2004	¥ 10,000	$ 80,644
2.95 percent bonds due 2005	30,000	241,936
3.025 percent bonds due 2007	30,000	241,936
2.375 percent bonds due 2002	30,000	241,936
	¥100,000	$806,452

The issue price was 100 percent of the face value of the bonds.

Yebisu Garden Place Tower
20-3, Ebisu 4-chome
Shibuya-ku, Tokyo 150

Price Waterhouse

June 6, 1997

To the Board of Directors of
Toshiba Corporation

We have audited the consolidated balance sheets of Toshiba Corporation and its subsidiaries as of March 31, 1997 and 1996, and the related consolidated statements of operations and retained earnings and of 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 generally accepted auditing standards. 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 Company has not presented segment information for the years ended March 31, 1997 and 1996. The presentation of segment information concerning the Company's operations in different industries, its foreign operations and its export sales is required by accounting principles generally accepted in the United States of America for a complete presentation of consolidated financial statements.

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, 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, 1997 and 1996, 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.

Price Waterhouse

Global Network

Overseas Offices

Latin America
Santa Fe de Bogotá
Rio de Janeiro
Buenos Aires

Europe
Regional Corporate Representative Office Toshiba Corporation Europe Office (London)
Vienna
Moscow

Africa
Cairo

Middle East
Teheran
Baghdad
Abu Dhabi
Jeddah

Asia
Beijing
Shanghai
Guangzhou
Taipei
Hong Kong
Manila
Bangkok
Jakarta
New Delhi

Overseas Subsidiaries and Affiliates

North America
Toshiba of Canada, Limited *Toronto, 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 Medical Systems, Inc. *Tustin, California, U.S.A.*
Toshiba America MRI Inc. *South San Francisco, California, U.S.A.*
Applied SuperConetics, Inc. *San Diego, California, U.S.A.*
Toshiba America Information Systems, 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.*
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*
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 International Finance (UK) Plc. *London, U.K.*
Toshiba Cambridge Research Centre 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.*
Toshiba Consumer Products (UK) Ltd. *Plymouth, 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*
European Vacuum Interrupters S.A. *Lattes, 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*

Middle East
Toshiba Gulf FZE *Dubai, UAE*

Asia
Toshiba (China) Co., Ltd. *Beijing, The People's Republic of China*
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*
Shenyang NETS System Integration Co., Ltd. *Shenyang, The People's Republic of China*
Toshiba Copying Machine (Shenzhen) Co., Ltd. *Shenzhen, 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*
Guandong Toshiba Macro Compressor Ltd. *Guandong, The People's Republic of China*
Guandong Toshiba Macro Motor Ltd. *Guandong, 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*
Tsurong Xiamen Xiangyu Trading Co., Ltd. *Xiamen, The People's Republic of China*
Korea Electronic Material Co., Ltd. *Inchon, The Republic of Korea*
Hanji Electronic Engineering Co., Ltd. *Seoul, The Republic of Korea*
Toshiba Compressor (Taiwan) Corp. *Tao-yuan, Taiwan*
Taiwan Toshiba International Semiconductor Designing Corporation *Taipei, Taiwan*
Toshiba Electronics Taiwan Corp. *Taipei, Taiwan*
Toshiba Hong Kong Ltd. *Kowloon, Hong Kong*
Toshiba Electronics Asia, Ltd. *Kowloon, Hong Kong*
Toshiba Information Equipment (Philippines), Inc. *Manila, Philippines*
Toshiba Electronics Philippines, Inc. *Manila, Philippines*
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*
International Video Products Pte., Ltd. *Singapore*
Toshiba Singapore Pte., Ltd. *Singapore*
GE Toshiba Appliances Company Pte., Ltd. *Singapore*
Toshiba Electronics Asia (Singapore) Pte., Ltd. *Singapore*
P.T. Toshiba Consumer Products (Indonesia) *Jawa Barat, Indonesia*
P.T. Tosummit Electronic 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, 1997)

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 Engineering Works Co., Ltd.
Toshiba Air Conditioning Co., Ltd.
Toshiba Battery Co., Ltd.
Toshiba Building Corporation
Toshiba Chemical Corporation
Toshiba Credit Corporation
Toshiba Device Corporation
Toshiba Electric Appliances Co., Ltd.
Toshiba Elevator Products Co., Ltd.
Toshiba Elevator Technos Co., Ltd.
Toshiba Engineering Corporation
Toshiba Finance Corporation
Toshiba Glass Co., Ltd.
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 Mechatronics Co., Ltd.
Toshiba Medical Finance Co., Ltd.
Toshiba Medical Systems Co., Ltd.
Toshiba Multi Media Device Co., Ltd.
Toshiba Plant Kensetsu Co., Ltd.
Toshiba Shutoken Lifestyle-Electronics Corporation
Toshiba Video Products Japan Co., Ltd.
Plus 188 other domestic subsidiaries

Consolidated Overseas Subsidiaries

Changzhou Toshiba Transformer Co., Ltd.
Dalian Toshiba Television Co., Ltd.
Guangdong Toshiba Macro Compressor Ltd.
Guangdong Toshiba Macro Motor Ltd.
Hangzhi Machinery & Electronics Co., Ltd.
P.T. Toshiba Consumer Products (Indonesia)
Shenyang Toshiba Elevator Co., Ltd.
Toshiba (Australia) Pty., Ltd.
Toshiba (China) Co., Ltd.
Toshiba (UK) Ltd.
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 Consumer Products (UK) Ltd.
Toshiba Dalian Co., Ltd.
Toshiba Display Devices (Thailand) Co., Ltd.
Toshiba Display Devices Inc.
Toshiba do Brasil, S.A.
Toshiba Electromex, S.A. de C.V.
Toshiba Electronics (UK) 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 (UK) Plc.
Toshiba Medical Systems Asia Pte., Ltd.
Toshiba Medical Systems Europe B.V.
Toshiba Semiconductor (Thailand) Co., Ltd.
Toshiba Semiconductor GmbH
Toshiba Singapore Pte., Ltd.
Toshiba Systèmes (France) S.A.
Toshiba Venture Capital, Inc.
Toshiba Video Products Pte., Ltd.
Wuxi Huazhi Semiconductor Co., Ltd.
Wuxi Tochemi Electro Chemical Co., Ltd.
Plus 35 other overseas subsidiaries

(As of March 31, 1997)

Investor Reference

Founded
July 1875

Capital
¥274,916 million (US$2,217 million)

Employees
186,000

Common Stock
Authorized: 10,000,000,000 shares
Issued: 3,218,999,545 shares
No. of shareholders: 443,367
Average holding: 7,260 shares

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

Headquarters
1-1, Shibaura 1-chome, Minato-ku
Tokyo 105-01, Japan

Hibiya Office
1-6, Uchisaiwai-cho 1-chome, Chiyoda-ku
Tokyo 100, Japan

Shibaura Office
2-1, Shibaura 1-chome, Minato-ku
Tokyo 105, Japan

Principal Shareholders:

The Dai-ichi Mutual Life Insurance Company	3.97%
The Sakura Bank, Ltd.	3.72%
Nippon Life Insurance Company	3.51%
Mitsui Mutual Life Insurance Company	3.09%
The Mitsui Trust and Banking Co., Ltd.	2.36%
The Sumitomo Trust and Banking Co., Ltd.	2.27%
Employees Stock Ownership Plan	2.11%
The Nippon Fire & Marine Insurance Co., Ltd.	1.84%
The Long-Term Credit Bank of Japan, Ltd.	1.83%
The Tokai Bank, Ltd.	1.81%

(As of March 31, 1997)

For further information, please contact:

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http://www.toshiba.co.jp

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