TOSHIBA

TOSHIBA ANNUAL REPORT 2001

Year ended March 31, 2001

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

FORWARD-LOOKING STATEMENTS

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

FINANCIAL HIGHLIGHTS

Toshiba Corporation and its subsidiaries

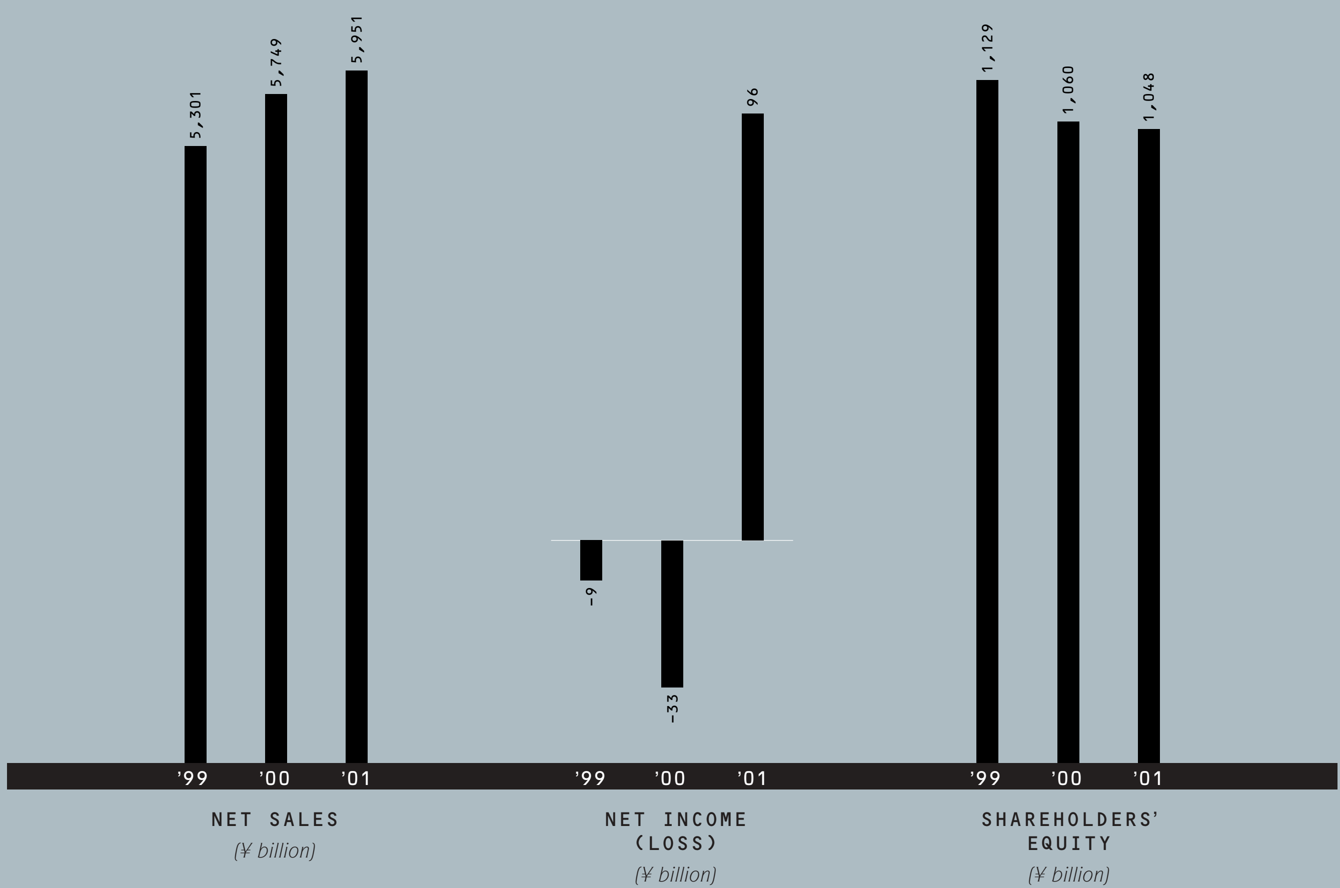
Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Net sales—Japan	¥3,753,052	¥3,514,068	$30,266,549
—Overseas	2,198,305	2,235,304	17,728,266
Net sales	5,951,357	5,749,372	47,994,815
Operating income	232,133	100,969	1,872,040
Income (loss) before income taxes and minority interest	188,099	(44,844)	1,516,927
Net income (loss)	96,168	(32,903)	775,548
Research and development expenditures	327,915	334,398	2,644,476
Total assets	5,724,564	5,780,006	46,165,839
Shareholders' equity	1,047,925	1,060,099	8,451,008
	Yen		U.S. dollars
Per share of common stock:			
Net income (loss)—basic	¥29.88	¥(10.22)	$0.241
—diluted	29.71	(10.22)	0.240
Cash dividends	10.00	3.00	0.081
Number of employees	188,042	190,870	

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

3. Beginning with the fiscal year ended March 31, 2001, the company has adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Prior period data through the fiscal year ended March 31, 2000 have been restated to conform with SFAS No. 115.



TAIZO NISHIMURO, Chairman of the Board (left), and
TADASHI OKAMURA, President and Chief Executive Officer (right)

Summary of Fiscal 2000 Operating Results

Fiscal 2000, ended March 31, 2001, saw Toshiba make substantial advances towards the growth targets of its mid-term business plan. We achieved a 4% increase in consolidated net sales to ¥5,951.4 billion (US$ 47,995 million), and net income before income taxes improved substantially over the previous year to ¥188.1 billion (US$1,517 million).

Toshiba's operating environment was defined by dynamic change. In the first half of the year, we were on course to achieve the targets laid out in our mid-term business plan for the period to fiscal 2002 with a year to spare. We were, however, unable to maintain this momentum in the second half. From December 2000, our operations were hampered by slowing PC demand in the United States, freefalling semiconductor prices way beyond projections, and waning IT-related investment in Japan. Despite these challenges, we adhered to our basic management policy. We continued to dedicate time and resources to restructuring our management to make it more market-centric. And we are steeling ourselves with ever-greater commitment to achieve our goals.

A Group Vision to Guide Toshiba's Actions

"TO GROW WITH EXCELLENCE AS THE LEADING-EDGE, INTERNET-READY ENTERPRISE GLOBALLY BY ACCELERATING INNOVATION WITH AGILITY, AND TO CREATE A 21ST CENTURY OF SUCCESS HAND-IN-HAND WITH OUR CUSTOMERS."

Toward the end of fiscal 2000, Toshiba articulated a management vision to take the Group forward in the 21st century: "To grow with excellence as the leading-edge, Internet-ready enterprise globally by accelerating innovation with agility, and to create a 21st century of success hand in hand with our customers."

With this management vision, we devote ourselves to excellence. We will accelerate the speed of innovation. We will be first to market with differentiated products and services that draw on state-of-the-art technologies and we will further our business globally. Success together with our customers is essential. Championing market-centric management, we will strive to identify customers' needs. The final piece of the puzzle will be our Internet-ready approach. We are keenly aware of our responsibility as a leading global company to spearhead the information age. As such, we will promote evolutionary Internet-based business operations on a worldwide scale.

Specific actions are already underway. Model CRM (customer relationship management) and SCM (supply chain management) systems for our PC and semiconductor businesses are already being deployed, and will be extended to cover company-wide operations. We are interactively networking our businesses with customers and other business partners. Through our network, we listen intently to the "Voice Of Customer" (VOC) as a means to provide excellent products and services responsive to their needs in a timely manner. Faced with swift, unending IT innovation, we are moving quickly to establish a versatile structure for adapting our collaborative commerce (c-Commerce) business processes.

Getting Internet-ready

Corporate competitiveness underpins profitable and sustainable growth. Enhancing this competitiveness requires greater management efficiency and speed. That's why we are getting ourselves Internet-ready.

To achieve our Internet-ready goals, we are seeking to raise the efficiency of our global production system. A new system, which we call Digital Manufacturing, will be introduced throughout the Toshiba Group. Through the new system, manufacturing processes and information will be converted into digital data. This will enable us to shorten lead-times and pare costs from product development through manufacturing.

We will also establish an IT infrastructure for collaborative engineering (c-Engineering). This collaborative framework allows for the integration of processes and sharing of information at all operational levels from product planning through design, procurement, production and sales, both within and outside the company. Sales and service initiatives will also be at the forefront of our Internet-ready drive. Here, systems are already in place in PC and semiconductor business, including global CRM and SCM systems, both rooted in Toshiba's VOC approach. We plan to introduce such systems company-wide as early as possible.

To stay globally competitive, we will be expeditious in creating an Internet-ready system that applies IT across all manufacturing, sales and R&D operations, and that integrates our customers and business partners.

Innovation-driven, Customer-focused Growth

Activating Our Business

In fiscal 2001, we will galvanize our business through three initiatives: reinforcing the in-house company system; introducing the Toshiba Value Created (TVC) management index to enhance corporate value; and establishing a new executive compensation program.

■Reinforcing the In-house Company System

In April 2001, we carried out organizational reforms with the view to reinforcing our in-house company system. First, we established the e-Solutions Company, which unifies the IT solutions business units of the other in-house companies, to strengthen business execution. As Toshiba's autonomous vehicle for engaging in the IT business, the e-Solutions Company will quickly grow its service businesses in system integration, including networking, and in ASP services and platform maintenance. The company will also channel its energies into establishing de facto standards for digital interactive broadcasting. The company's activities will embrace all aspects of the digital broadcasting business from broadcasting equipment to the e-platform business standard and content.

We also launched a second in-house company, the Mobile Communications Company. Responsible for a number of growth areas in mobile devices, including next-generation cellular phones and PDAs, this new organization will facilitate the shift of resources to mobile operations, allowing the Mobile Communications Company to conduct business more promptly and effectively.

■Toshiba Value Created (TVC)

Since the in-house company system started, Toshiba has cultivated a mindset toward maximizing returns on capital invested, and boosted cash flows. To sharpen our focus on improving corporate value further, a new core management yardstick—Toshiba Value Created (TVC)—will become effective from the current fiscal year.

We will apply TVC in setting mid-term business plan targets and evaluating individual investment plans. In addition, our system for evaluating the business performance of each in-house company will be altered to incorporate TVC.

■New Executive Compensation Program

Toshiba will introduce an Executive Stock Increase Plan for executives in July 2001 to underline responsibility for business performance. This will drive Toshiba's management executives to create greater corporate value and align their interests with those of shareholders. Under the plan, executives will be requested to contribute a fixed portion of their annual remuneration toward purchasing Toshiba shares on a regular basis. The new plan will thus see our executives, mainly executive officers, taking a stake in Toshiba alongside our shareholders. The ultimate goal is to encourage greater sensitivity toward Toshiba's corporate value among executives.

Mid-term Business Plan: Concept and Strategy

For all that our business environment is shrouded in uncertainty, we will continue to direct the motive power of the IT revolution to drive Toshiba's continued growth. We will remain intensively focused on IT-related businesses. Meanwhile, we will continue leveraging our legacy businesses, including home appliances and power systems, through which we generate stable earnings streams. Our efforts here will include cultivating new businesses and restructuring operations based on strategic alliances.

Toshiba's mid-term business plan to fiscal 2003, ending March 31, 2004, sets the targets of consolidated net sales of ¥7,900 billion, net income of ¥200 billion and ROE of 14.4%. In IT, the most promising future growth area, Toshiba will reinforce its key component businesses, including electronic devices, concentrate resources on mobile- and network-related equipment, and expand and reinforce solution services to enhance customer satisfaction with all Toshiba products. The combined impact of these strategies will be to position Toshiba as a totally Internet-ready company in the fields of industry, society and the home. 90% of sales growth in fiscal 2003 is expected to derive from IT-related businesses.

Innovation and Growth

We would like to close this review by restating a point we made at the beginning of fiscal 2000. We will continue to be decisive in pursuing the goals of our mid-term plan. In each of Toshiba Group's many diverse businesses, we will continue evolving with the aim of market-centric management rooted in VOC, and listen intently to the market to meet the expectations of our stakeholders—particularly our shareholders, customers and employees—and to earn Toshiba recognition as a respected and valued company.

We are determined to start the 21st century as we mean to continue—in prosperity. The Toshiba Group will work together with its customers and shareholders to overcome the challenges before us, and to ensure profitable, sustainable growth in the years to come.

June 2001

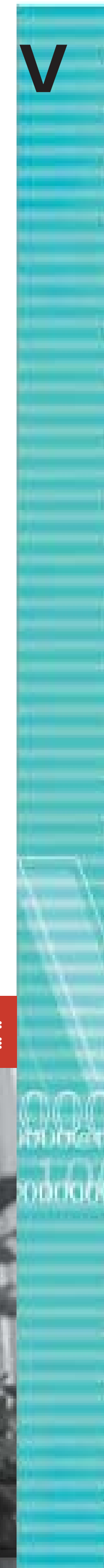
Taizo Nishimuro
Director
Chairman of the Board

Tadashi Okamura
Director
President and Chief Executive Officer




enhancing your liv

Underlying Toshiba's capabilities is a corporate value-chain that brings a unifying cohesion to the company's advance towards excellence in IT. Drawing on the best and most inspired of the work of the individual in-house companies, the value chain drives value-added, cross-company contacts and projects in components, hardware, infrastructure, system solutions and content. It guides Toshiba to enhanced growth in the three key areas of mobile applications, broadband networks and components.



our visions


es with our technology

que probus, centum qui
rficit annos." Quid, qui
p erit minor uno
ense vel anno, inter
os referendus erit?

or permisso,
udaeque pilos ut
pitina sacravit.
nius et sapines et
rtis et alter Homerus,
critici dicunt, leviter
are videtur, quo
omissa cadant et

Ekimae Tanken Club: This portal is attracting a growing number of members with popular information services for cellular phone users and new value-added services, including a hotel reservation system. (http://ekitan.com) (Left)

Modem & PC Card: The world's first Bluetooth™ compatible PC card and the Bluetooth™ Wireless Modem Station combine to provide wireless Internet access within a maximum range of 100 meters. (Center)

Portable PCs: Toshiba's portable PCs have been the world's top sellers for seven consecutive years. Drawing on the technologies and components showcased in these computers, Toshiba will stake out a leading position in the mobile market. (Right)

Mobile Value Chain: Seamlessly Linking Operations From Components to Content

The Toshiba inter-company value chain is multidimensional, cutting across all operations from components and terminals to applications, content distribution and platforms. Today, multimedia communications are revolutionizing a mobile market that is fast moving beyond simple voice communications. To ensure a leading presence in the mobile arena, we reinforced our value chain in April 2001 with the establishment of the Mobile Communications Company. The company has a twofold mission: to commercialize next-generation cellular phones, mobile information terminals and other high-end mobile communications devices; and to push further into the global marketplace.

Mobile devices are a Toshiba forte. We command a high share of the North American CDMA cellular phone market. In Japan, we have a proven track record of delivering results in personal digital cellular (PDC), CDMA and personal handy system (PHS) phones. Add to that the fact that we have sold more portable PCs worldwide than anyone else for seven consecutive years. The next-generation cellular phones that we will supply to NTT DoCoMo, Inc. in the Japanese market in fiscal 2001, will add to our legacy.

Next-generation cellular phones will process moving images and high volumes of data at approximately 200 times the speed of existing phones. Toshiba's hallmark high-value-added components will help to build our share in this market. Our phones will incorporate:

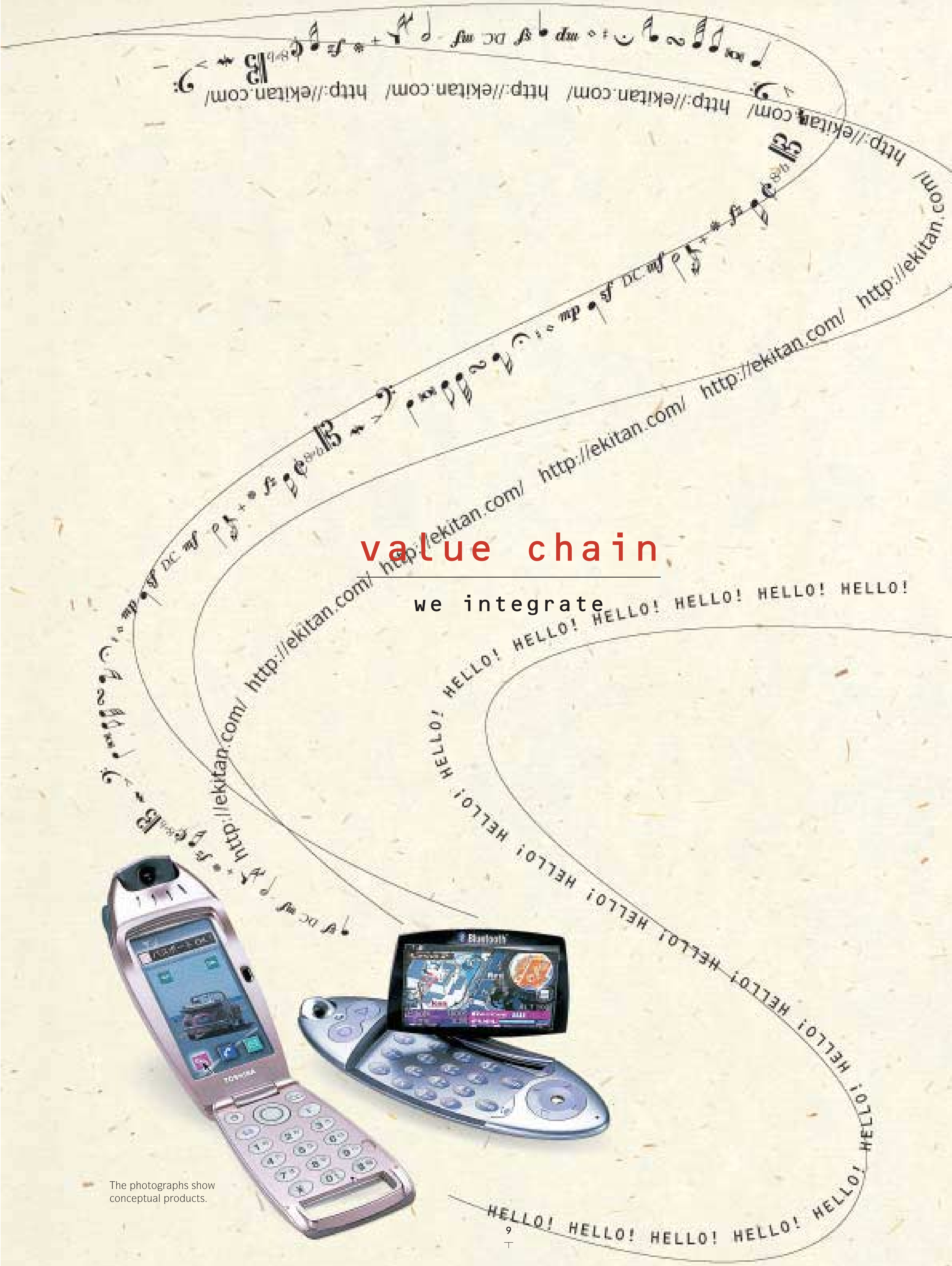
*The world's first single-chip MPEG-4 LSI and other high-performance semiconductors
*LCDs supporting high-resolution moving images
*High-volume, slimline batteries
*Bluetooth™ technology enabling direct wireless communication with other digital devices

With the rollout of next-generation phones, we will reinforce our global business expansion. In Europe, we will ally with Siemens AG, to launch the world's first dual-mode handsets, compatible with both W-CDMA and GSM, in 2003. Siemens is among the preeminent producers of GSM handsets in Europe. We will seek to join this elite group by fusing our W-CDMA technology with Siemens' GSM technology to create a unique mobile handset. We will also unveil our next-generation cellular phones in China from the first quarter of 2002, and in Brazil from the first quarter of 2003.

The unyielding advance of the Internet has placed one-to-one interaction at the heart of business. We are staying ahead by focusing on total solutions, from development of killer content through to systems for producing content and for mobile e-commerce.

The Ekimae Tanken Club (http://ekitan.com), a popular site providing train schedules and connections, road maps and other information, has seen an increase in members paying to use the service through Japanese cellular phone carriers. We will expand the site's e-commerce with the introduction of hotel reservation and other services. In a related move, we have purchased the travel site @Travel. Other Net-based initiatives abound. Our FreshEye portal site (http://www.fresheye.com) offers a comprehensive search engine. NewsWatch (http://www.newswatch.co.jp) is a business information service providing users with personalized news. And we have begun distributing music online at du-ub.com (http://www.du-ub.com), a site with a finger on the pulse of content distribution in the broadband era.

We plan to enter the Personal Digital Assistant (PDA) market in Japan. Our PDAs will encapsulate Toshiba's capabilities as a company dedicated to excellence. They will harness our smaller, more lightweight technologies, state-of-the-art mobile chipsets, and other applications, Bluetooth™ and Toshiba-brand services. Our aim is to nurture mobile operations as a second revenue stream after portable PCs.



value chain

we integrate

The photographs show conceptual products.

innovative technologies

we invent

Setting the De Facto Standards in High-Value-Added Components

Semiconductors, LCDs, batteries, memory cards and other essential enabling technologies are at the center of Toshiba's components business; and at the heart of the mobile and network era that is now dawning. We are striving to generate higher earnings by setting de facto standards in key components, as we continue our tireless pursuit of inventions that will create new markets.

Advances in semiconductors translate into new capabilities for products and new business for Toshiba. Aware of that, we continue to cultivate innovative technologies. For example, we have developed a high-performance system LSI that integrates multiple function blocks into one chip. We are spearheading new concepts in the mobile market, networks, digital appliances and other growth areas, capitalizing on our traditional strengths in semiconductor operations and our ability to deliver products tailored to customer needs. The Toshiba-developed NAND flash memory is a global standard; we boast the top share in the world market for discrete devices; and we jointly developed the CPU for PlayStation®2 with Sony Computer Entertainment, Inc. (SCEI). These achievements underpin our forward drive as an industry frontrunner.

Alongside advances in technology, we are sharpening our focus on customers, and teaming up in product development with leading industry powerhouses to slash time to market. These partnerships are creating synergies in important ways. For instance, we are collaborating with SCEI and IBM Corporation to develop a "supercomputer on a chip" that will provide an essential and scalable platform for the broadband network era. We are also working with Infineon Technologies AG on MPEG-4 interface specifications and Ferroelectric Random Access Memory (FeRAM). With Fujitsu Limited and Taiwan's Winbond Electronics Corporation, we are advancing leading-edge DRAM technologies using 0.13 and 0.11µm process design rules. And together with Sony Corporation, we are developing state-of-the-art process technologies and 0.10 and 0.07µm process technologies for system LSIs.

After leading the world in the development and manufacture of large-sized low-temperature polysilicon TFT LCDs, we are now delivering displays for diverse applications in next-generation cellular phones and mobile information terminals. As we do so, we are also reinforcing our manufacturing capacity for these fast, bright, high-resolution displays, through a Singapore-based joint venture with Matsushita Electric Industrial Co., Ltd. that will be the world's largest TFT production facility when it comes on line in July 2002. Among the anticipated benefits from this operation are enhanced cost competitiveness and a larger share of a larger market. Of course, we are exploring the potential of low-temperature polysilicon TFTs to the full. One innovation, achieved in conjunction with Microsoft Corporation, was to fix the specification for an easy to read eBook—and then went on to commercialize the product.

Looking further to the future, mass production of next-generation OLED panels is targeted for fiscal 2002. Here, we combine breakthroughs in bringing full-color visual imaging to this bright, low-power display, with the high-speed drive circuits developed for our industry-leading low-temperature polysilicon TFT LCDs.

In line with our emphasis on the mobile arena, our battery business focuses on lithium-ion rechargeable batteries, ideally suited to mobile products. A&T Battery Corporation, formerly a rechargeable battery manufacturing joint venture between Toshiba and Asahi Kasei Corporation, has been made a wholly owned subsidiary. This will enable us to participate in the mobile product development process from the planning stage. And it will shorten development times and further sharpen our focus on creating super-slim high-volume batteries that will boost our market share.

Memory cards and card slots will be ubiquitous in future, an integral, essential part of all digital devices. From this premise, we are leading the way in creating high-capacity memory cards that set de facto standards for the industry. Toshiba's SmartMedia™ card already boasts an overwhelming market share in digital still cameras. The SD Memory Card, developed jointly with Matsushita Electric Industrial Co., Ltd. and SanDisk Corporation of the U.S., offers greater security for visual and audio media applications—and very much more—thanks to built-in copyright protection functions. The SD Forum publishes standards for use of the card that are supported by the hundreds of companies that are working to bring SD to their products.

In all strategic components our goals are the same: to define the de facto standard and to boost earnings by constantly challenging ourselves to develop evolutionary, state-of-the-art products.

*PlayStation is a registered trademark of Sony Computer Entertainment, Inc.

Mobile Disk: The size of a credit card, this 1.8-inch 2-gigabyte removable hard disk drive slips into the pocket and neatly into a PC card slot. Target applications include personal mobile equipment and car navigation systems. (Top)

SmartMedia™: The memory card of choice in digital still cameras, where an overwhelming market share has made SmartMedia™ the clear de facto standard. (Right)

PC Cards: The SmartMedia™ and the SD Memory Card compatible Adapter PC Card supports storage of images and music, including MP3 files. Its versatility illustrates Toshiba's support for all aspects of mobile multimedia. (Far right)

Digital “FACE”: The centerpiece of home networks, these digital TVs can interface with digital memory devices and are the first in the industry equipped with a SmartMedia™ slot. (Left)

Sensation du Cinéma: Toshiba is moving into content, and planned and produced Sensation du Cinéma, transmitted on December 1, 2000, the first day of BS digital broadcasting in Japan. (Center)

WOWOW: Toshiba BS digital broadcasting equipment at WOWOW, Inc. A monumental market share reflects the expertise and acclaimed solutions prowess that go into Toshiba’s broadcasting systems. (Facing page)

Pioneering New Initiatives, Shaping Visionary Business Models Beyond the Hardware Realm

Attaining industry leadership in digital broadcasting is one of our clear targets. We are working from a solid footing, including the highest share of Japan’s broadcasting equipment market. MediaServe Corporation, our digital broadcasting subsidiary, spearheads these efforts. We also have unparalleled experience in personal authentication and settlement functions for interactive services, and in television receivers—fast transforming to become home interactive information terminal and content production. We are taking full advantage of these strengths to shape new B2B2C business models that integrate all upstream and downstream processes and make full use of the promise of broadband solutions via digital broadcasting. Our integrated approach embraces three key areas: broadcasting equipment business; television-based commerce services and content; and home-use hardware. Following the launch of BS digital broadcasting in December 2000, and with digital terrestrial broadcasting to commence in 2003, we have moved to get businesses up and running quickly.

In the broadcasting business, our renowned strength in analog systems, where we control around half of the market, helped us capture crucial equipment orders from five of six BS digital broadcasters and six of eight data broadcasters. Drawing on this competitive advantage, we aim to seize a high share of the digital terrestrial market as new demand emerges. To this end, we acquired Oki Electric Industry Co., Ltd.’s wireless transmission business for broadcasting stations, and entered into an alliance with NTT Data Corporation to jointly develop total solutions systems for digital terrestrial broadcasting.

In television commerce, Toshiba, Matsushita Electric Industrial Co., Ltd. and other companies established ePF Network Corporation, a joint endeavor dedicated to standardizing receiver storage-type datacasting services, service use protocols and other digital broadcasting related areas. Toshiba and eight others also established e-Port Channel Corporation to promote storage-type datacasting services. The company will develop a broad spectrum of services. For example, around 1,000 virtual shopping malls will be opened, from which up-to-the-minute product information, films, music, and games software will be downloadable to receivers. In particular, we will tap our expertise in providing interactive services—we run Japan’s only interactive service via analog data broadcasting—to stay ahead of the pack. We will, for example, launch our own advertising initiatives interweaving TV shopping, TV banking, content distribution, real-time marketing research (including customer perception surveys before bringing products to market), and service coupons. Working in collaboration with Nippon Shinpan Co., Ltd., we have developed an approval and settlement system for swift personal authentication of large volumes of response data received following broadcasts. In these and many other ways, we seek to reap the benefits of our pioneering initiatives in this field.

The growth of the digital broadcasting business hinges on the provision of highly entertaining content. We have been honing our television program production skills through two subsidiaries, MediaServe Corporation and Toshiba Digital Frontiers Inc. Also responsible for production of TV programs is TOSKADOMAIN Co., Ltd., a joint venture between Toshiba and Kadokawa Shoten Publishing Co., Ltd. Our proactive efforts to develop content can be evidenced in other alliances, too. In music, we are working with Toshiba-EMI Ltd. In movie production, we operate a joint venture, Towani Corporation, in a tie-up with Nippon Television Network Corporation and Warner Bros. And we work together with Amuse Pictures, Inc. to distribute foreign films to Japanese cinemas and to develop the movie redistribution/video business.

In home-use hardware, we directed core in-house technologies and capabilities, including Toshiba-developed LSIs, application software and display technologies, to roll out a line of digital broadcasting receivers. To get our storage-type services for TV commerce underway, we are championing the concept of home networks and developing technologies that link PCs and mobile tools to HDD, DVD and D-VHS recorders and other storage media.

initiative

we unite

Fiscal 2001 heralded the start of Toshiba's third voluntary environmental plan, which also sets targets for the Mid-Term Environmental Plan, integrating environmental protection activities and goals with business operations. In February 2001, Toshiba's 10th Environmental Technology Exhibition, an event open to the public, showcased efforts to cast Toshiba as a recycling-oriented company. Other initiatives in fiscal 2000 included the introduction of environmental accounting and "green procurement."

Results of the Second Voluntary Environmental Plan and Vision for the Future

Toshiba's second voluntary environmental plan ended in fiscal 2000. The plan set out 12 targets, including implementation of product assessments and reducing the volume of parts and materials that pose challenges in recycling. Toshiba is pleased to announce that the majority of these targets were achieved.

The third voluntary environmental plan, launched in fiscal 2001, widens its coverage to all processes from manufacturing to recycling. Key goals include reducing the volume of chemical waste and other waste for processing, recycling end-of-life products, employing lead-free solder, and engaging in "green procurement." The plan adds substantial momentum to Toshiba's comprehensive efforts to become a truly recycling-oriented company.

Efforts to Prevent Global Warming

Toshiba is continually developing products offering enhanced energy efficiency. Toshiba takes a proactive approach to energy conservation at its offices, and is working to prevent global warming through dedicated efforts to reduce CO_2 emissions. Toshiba has set itself the target of reducing the ratio of CO_2 emissions to net sales by 25% by fiscal 2010 compared with fiscal 1990 levels. Currently, Toshiba is achieving levels 1% above those it is obliged to meet under energy conservation laws. In fiscal 2000, Toshiba reduced CO_2 emissions by 3% compared with the previous fiscal year, and 2% compared with fiscal 1990. The ratio of CO_2 emissions to net sales improved 11% year on year, and by 17% compared with fiscal 1990.

In semiconductor and LCD production, the ratio of CO_2 emissions to net sales improved 25% on fiscal 1990 levels, despite a 34% increase in CO_2 emissions. CO_2 emissions from operations connected to information & communications and social infrastructure systems, power systems and home appliances declined by between 40–46%.

Reducing the Environmental Burden from Production to Recycling

Toshiba is committed to becoming a recycling-oriented company that reduces environmental loads in all product processes from manufacturing to use and reuse. Under this concept, Toshiba engages in a diverse range of environmental initiatives, including effective use of resources, efforts to prevent global warming, enhanced control of chemical substances, development of environmentally responsible products, and recycling end-of-life products. Profiled below are just some of Toshiba's activities.

■Zero Emission of Waste Products

Measures to control environmental loads start with efforts to cut consumption of electricity, heavy oils, kerosene and water, as well as the volume of chemicals and waste. The total waste generated by the Toshiba Group in fiscal 2000 amounted to 186,000 tons, a 4,000 ton increase reflecting rising net sales. However, 91% of this was recycled and the 7,000 tons sent to landfills represented a 1,000 ton decrease from the previous year. Toshiba will work to improve its technologies in this area, and the third voluntary environmental plan targets zero emission of waste products (no more than 1% of total emissions as processed waste) by fiscal 2003.

■Environmentally Conscious Products (ECPs)

Toshiba positions the creation of environmentally conscious products (ECPs) that reduce environmental loads as a fundamental manufacturing concept. Particular attention is paid to design, environmental assessments and environmental labeling. Toshiba-formulated basic provisions for environmental labeling stipulate labeling methods for in-house systems and environmental performance of products. Individual environmental standards for major products other than PCs have also been established. Toshiba is stepping up its use of lead-free solder, and home washing machines, tumble dryers, microwave ovens and other home appliances were manufactured with lead-free solder in fiscal 2000.

One major result in ECPs was the Super Power Eco Series, an air conditioning system for retail premises that received Japan's Energy Conservation Prize. Commercialized in February 2001, the system contains a new type of refrigerant that reduces power consumption to 46% of levels recorded 8 years ago. That makes the Super Power Eco Series the industry's most efficient performer. Toshiba's portable PCs were also the first to receive Blue Angel accreditation, Germany's highly respected environmental labeling standard, in December 2000.

■Recycling End-of-life Products

Toshiba is actively engaged in developing recycling technologies, building group-wide environmental mechanisms and minimizing costs. With a view to applying recycling technologies and proving new technologies, Toshiba established Nishinihon Consumer Electronics Recycle Co., Ltd. in fiscal 1998 to recycle end-of-life home appliances in Kita-Kyushu. The company is achieving a high recycling ratio through manual disassembly, machine crushing and use of separation equipment, and is appropriately disposing of freon and other environmentally-harmful substances. To recover and recycle end-of-life PCs from businesses, Toshiba established recycling centers in 10 locations in major urban areas in Japan, with the Toshiba PC Recycling Center at the core.

For more information, please visit http://www.toshiba.co.jp/env/english

The Toshiba Medium-Term Environmental Management Plan

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

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

BOARD OF DIRECTORS


Taizo Nishimuro*
Director
Chairman of the Board


Tadashi Okamura*
Director
President and Chief Executive Officer


Kiyoaki Shimagami*
Director


Yasuo Morimoto*
Director


Tomohiko Sasaki
Director


Tetsuya Mizoguchi
Director


Takeshi Iida
Director


Hiroo Okuhara
Director


Tadashi Matsumoto
Director


Kozo Wada
Director


Kosaku Inaba
Director


Sakutaro Tanino
Director


Yasuhiko Torii
Director

Representative Director

EXECUTIVE OFFICERS

Corporate

Kiyoaki Shimagami
Senior Executive Vice President

Yasuo Morimoto
Senior Executive Vice President

Tomohiko Sasaki
Executive Vice President

Tetsuya Mizoguchi
Executive Vice President

Takeshi Iida
Executive Vice President

Yuji Kiyokawa
Senior Vice President

Tadashi Matsumoto
Senior Vice President

Kaoru Kubo
Senior Vice President

Masaki Matsuhashi
Senior Vice President

Toshitake Takagi
Vice President

Sadazumi Ryu
Vice President

Toshio Yonezawa
Vice President

Makoto Azuma
Vice President

Yoshiaki Sato
Vice President

Company

Hiroo Okuhara
Senior Vice President

Shinsuke Kawamura
Vice President

Tsuyoshi Kimura
Senior Vice President

Tsutomu Miyamoto
Vice President

Atsutoshi Nishida
Senior Vice President

Ginzo Yamazaki
Vice President

Yoshihiro Nitta
Vice President

Toshiyuki Oshima
Senior Vice President

Yasuo Ozaki
Vice President

Masao Niwano
Vice President

Takeshi Nakagawa
Senior Vice President

Susumu Kohyama
Senior Vice President

Shigeo Koguchi
Vice President

Katsuji Fujita
Vice President

Eisaburo Hamano
Vice President

Yasusuke Sumitomo
Vice President

Masamichi Katsurada
Vice President

Makoto Nakagawa
Senior Vice President

STATUTORY AUDITORS

Akinobu Kasami
Kenjiro Hayashi
Susumu Terao
Shunsaku Hashimoto
Eiichi Kakei

(As of June 27, 2001)

REVIEW OF OPERATIONS AND FINANCIAL SECTION

2001 Toshiba In-house Companies

iVALUE CREATION COMPANY

Tsutomu Kawada,
President

Building on Internet-based information services centering on the B2C marketplace, the company is now active in a range of areas that includes portal sites and other webtop services, content production and distribution and ASP services for mobile users. The future focus will be on broadband Internet-related business for the mobile market.

e-SOLUTIONS COMPANY

Hiroo Okuhara,
President

A philosophy of cooperative creation and value for customers underpins operations in four key sectors: systems integration and solutions services extending from manufacturing industries to e-government; e-Net business to develop Internet trading forums; comprehensive digital broadcasting services from broadcasting equipment to TV commerce; and platform development for new areas, such as wireless access and ITS.

SOCIAL INFRASTRUCTURE SYSTEMS COMPANY

Tsuyoshi Kimura,
President

Advanced systems support the private and public sectors in areas as diverse as railroads, water treatment, aviation, traffic, the environment, industrial plant and electric power transmission and distribution. Integrated solutions services extend from system construction to operation and maintenance. The company's alliances with other global leaders contribute to enhanced international competitiveness.

DIGITAL MEDIA NETWORK COMPANY

Atsutoshi Nishida,
President

Bringing the latest technological advances to state-of-the-art networks opens the way to new possibilities and lifestyles in the home and the office. The company embeds wireless solutions including Bluetooth™, along with MPEG-4 and other important advances, into the hardware supporting today's networks, including PCs, digital TVs and other visual products, DVD drives, SD Memory Cards and other storage devices.

MOBILE COMMUNICATIONS COMPANY

Tetsuya Mizoguchi,
President

Next-generation cellular phones and mobile terminals support strategic moves toward a dominant position in the high-growth mobile devices market. Entry into the European market has been achieved through an alliance with Siemens AG under a global marketing strategy that also embraces early entry into the Chinese and Brazilian markets.

POWER SYSTEMS & SERVICES COMPANY

Toshiyuki Oshima,
President

Advanced capabilities cover generating equipment, systems and services in nuclear, thermal and hydroelectric power generation, power transmission and distribution and system monitoring. As Japan's leading energy systems supplier, the company is enhancing its competitiveness through alliances with Japanese and international partners, and extending business to the global stage.

SEMICONDUCTOR COMPANY

Takeshi Nakagawa,
President

From its leading position across a broad product range, the company is focusing on network devices, digital consumer equipment, mobile devices and other growth markets. As it bolsters its line-up of discrete components, high-value-added memories and system LSIs, the company also pursues strategic alliances that pave the way to joint development of next-generation products that will strengthen its competitive edge.

DISPLAY DEVICES & COMPONENTS COMPANY

Eisaburo Hamano,
President

Strategic support for high-value-added products incorporating LCDs, SED, rechargeable batteries and other key devices point the way to growth. As it ramps up production capacity for polysilicon TFT LCDs, the company looks to the future with the development of OLED panels and other next-generation products. In its battery operations, the company specializes in lithium-ion rechargeable batteries, essential components of mobile products.

MEDICAL SYSTEMS COMPANY

Masamichi Katsurada,
President

Technological excellence translates into an overwhelming share of the Japanese market for diagnostic imaging equipment and systems, such as diagnostic X-ray systems, CT systems, MRI systems and diagnostic ultrasound systems, and a solid base for continued growth in the world market. Close relationships nurtured with customers support the company in providing optimized medical systems solutions that combine PACS, hospital information systems and ASP services.

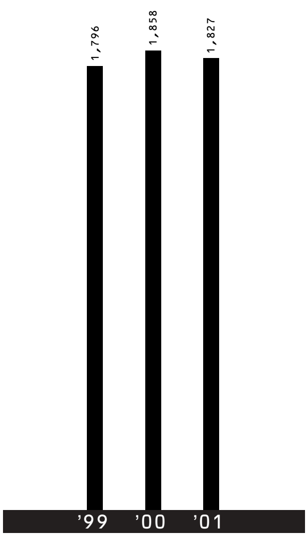
HOME APPLIANCES COMPANY

Makoto Nakagawa,
President

Market-winning refrigerators, washing machines and other compact home appliances are designed and developed from the customer's perspective. A move into the global market is reinforced by technological alliances with leading global manufacturers that support moves to boost Toshiba's brand equity in China, other parts of Asia, Africa, the Middle East and elsewhere.

Information & Communications and Industrial Systems

Segment sales declined 2% to ¥1,827.0 billion (US$14,734 million) despite strong performances from automated information equipment and steady results in telecommunication systems. Furthermore, a stagnant market and fierce price competition contributed to a 28% decline in operating income to ¥27.3 billion (US$220 million). In fiscal 2001, the segment will expand its IT operations by developing even more competitive IT solutions through strategic investment of resources, alliances and other initiatives.



NET SALES
(¥ billion)

SHARE OF SALES (%)			
Years ended Mar. 31	1999	2000	**2001**
	29.4	28.5	**26.3**

The diverse markets served by the Information and Industrial Systems & Services Company in fiscal 2000 embraced government, manufacturing, distribution, financial institutions, telecommunications, broadcasting, social infrastructure, transport, and the space industry. Seeking to enhance support for these customers, and to hone business efficiency, Toshiba decided to divide the company into two new in-house companies and launched the e-Solutions Company and the Social Infrastructure Systems Company in April 2001.

The e-Solutions Company brings together system IT-related operations from the in-house companies and fuses them in a dedicated organization active in four strategic areas. The first of these is consulting, systems integration (SI) and solutions for manufacturing, distribution, logistics and government, provided on the basis of "on-site best-fit solutions." Second is e-Net business, and provision of forums for e-commerce, among them online procurement and television commerce—areas where Toshiba as a whole is taking the initiative—and Application Service Provider (ASP) services to support them. The third area focuses on total solutions in digital broadcasting services, integrating upstream through downstream processes, from broadcasting equipment to television commerce and content. Finally, the company's platform business builds the basic platforms essential for SI solutions, and offers fixed wireless access systems, Intelligent Transport Systems (ITS) and other platforms.

The e-Solutions business

Driven by government requirements on one side and stiffening price competition on the other, Toshiba's government information systems business is developing dedicated administration and e-commerce systems for public administration: G-EC Solutions. In March 2001, Toshiba reached agreement with Japan Information Processing Service Co., Ltd. and Mitsubishi Electric Corporation to work together to develop and market G-EC Solutions.

The Toshiba-made terminals for Japan's new toto sports lottery won Japan's Fiscal 2000 Good Design Award. The online terminals can be found in over 6,000 locations nationwide.

Toshiba's Network Switching Equipment assures the integrity of submarine optical systems, restoring connections in the event of interruption by automatically selecting the shortest recovery route.

State-of-the-art monitoring and control systems improve reliability for this water-treatment system. An ergonomic design for the monitoring room itself ensures a comfortable, operator-centered work environment.

In the automated information equipment field, Toshiba won a number of large contracts. These included automatic teller machines (ATMs) and automatic letter processing systems for the Ministry of Posts and Telecommunications, sports lottery terminals and ticket checkers for the Japan Sports Advancement Lottery Ltd., and toll collection systems for the Japan Highway Public Corporation.

The market for broadcasting systems in Japan is expanding, with the launch of BS digital broadcasting in December 2000 and digital terrestrial broadcasting scheduled to commence in 2003. Toshiba delivered broadcasting equipment to WOWOW Inc. and other companies during fiscal 2000. In November 2000, Toshiba, Matsushita Electric Industrial Co., Ltd. and other companies established ePF Network Corporation, a joint endeavor dedicated to planning storage-type datacasting and interactive data broadcasting services. Through these and other initiatives, Toshiba will engage in platform operation, interactive marketing and other businesses.

In e-Net business, Toshiba focused on the launch of the e-ingBiz.com e-marketplace. An online vehicle for Toshiba's procurement activities, e-ingBiz.com is also an open e-marketplace that has already signed up 1,100 vendors.

Toshiba's Social Infrastructure operations were boosted by an agreement with Matsushita Electric Industrial Co., Ltd. in March 2001 to jointly develop information system solutions for manufacturing plants. The tie-up will initially concentrate on three-dimensional computer aided design (CAD), product data management (PDM) and electronic documents filing.

During fiscal 2000, Toshiba reinforced its capabilities and operations in systems and services with a series of new companies. Knowledge Integration Services Co., Ltd., established in June, provides consulting services on information databasing and sharing. Toshiba Location Information Co., Ltd., established in April 2001, by five partners, including Alps Electric Co., Ltd., and Video Research Ltd., seeks leadership in the positioning information-related business. Toshiba Logistics Solutions Corporation, also established in April 2001, further advances Toshiba's logistics-related operations.

Toshiba's Social Infrastructure Systems Business

Toshiba's Social Infrastructure Systems business develops, builds, installs and maintains essential infrastructure and state-of-the-art industrial systems. Competitive core products provide the leverage that enables this new company to offer comprehensive top-notch solutions to customers around the world.

Social infrastructure, the invisible thread that runs through and sustains our modern society, is a key area where Toshiba is seeking enhanced earnings. One area of emphasis is extended capabilities in public systems, primarily water supply and drainage systems. Another is the move into new business, including O&M (Operation & Maintenance) and PFI (Private Finance Initiative) operations. During fiscal 2000, the Taiwan Shinkansen consortium of Toshiba and six other Japanese companies, established two new companies to promote work on the Taiwan high-speed rail project. In August 2000, The Taiwan Shinkansen Corporation was set up to supply electrical and machine systems. And in March 2001, Taiwan Shinkansen Maintenance Service Corporation began its mission to provide operation and maintenance services. Toshiba will focus on large-scale projects and transport and information-related fields overseas amid continuing curbs on plant and capital investment in Japan.

The industrial systems sector encountered a severe operating environment. Here, boosting cost competitiveness was a key theme. To this end, in April 2000 Toshiba spun off the manufacturing and sales divisions of the industrial equipment segment into two separate companies. In October 2000, Toshiba and General Electric Company established a joint venture, Toshiba GE Automation Systems Corporation, to market industrial control systems and provide systems integration services. Toshiba will proactively extend its facility solutions and energy solutions operations as new business models able to adapt to flexibly changing market structures. In space systems, Toshiba and NEC Corporation jointly established NEC TOSHIBA Space Systems, Ltd. in April 2001, which will take over their respective space operations by October 2001. This move will strengthen Toshiba's domestic operations base and enhance global competitiveness.

Toshiba has long been a dominant force in medical systems, and in fiscal 2000 sales were on the whole strong. Falling sales of diagnostic ultrasound equipment and nuclear medicine equipment were offset by brisk sales of high-speed multi-slice X-ray CT systems and sales growth in magnetic resonance imaging (MRI) systems. Major contracts included a multi-slice X-ray CT system sold to Kyushu University Faculty of Medicine's University Hospital, and an MRI system sold to Tohoku University School of Medicine's University Hospital. Responding to diversifying customer needs and changes in the market environment, the Medical Systems Company integrated its domestic sales and service operations in Toshiba Medical Systems Co., Ltd. in July 2000, bringing together former Toshiba Medical Systems Co., Ltd. and eight regional service companies, including Toshiba Medical Tokyo Services Co., Ltd. The October transfer of business planning to Nasu Operations established Nasu as the global headquarters for Toshiba's medical systems business, with functions covering strategic planning, R&D and manufacturing.

Moving quickly to address medical industry trends toward higher management efficiency, Toshiba has been bolstering its systems solutions business for medical institutions. In July 2000, Toshiba allied with NTT Communications Corporation to launch ASP services in this regard.

In elevators, Toshiba promoted market-centric management. The Elevator and Building Systems Company, an in-house company, and the former Toshiba Elevator Corporation were amalgamated in January 2001 to form Toshiba Elevator and Building Systems Corporation. The key tasks of the new company are to develop market-centric products and to respond quickly to customers under an integrated system extending from development, manufacturing and sales through to maintenance. In fiscal 2000, a new model of the space-saving, energy-conserving machine-room-less SPACEL™ elevator was launched, and continued to post high sales.

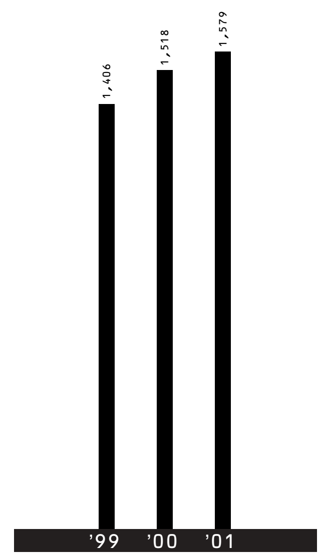
When Taiwan's high-speed rail project starts operation between Taipei and Kaohsiung in 2005, it will rely on electrical and control systems designed and produced by Toshiba.

Launched in March 2001, the Excelart high field MRI system for general hospitals incorporates Pianissimo, the world's best noise reduction technology.

Toshiba's keen attention to design is clear to see in these elevators in a Singapore shopping center.

Digital Media

The continuing wave of digitization brought increased demand for mobile, network and visual equipment and generated a 4% rise in segment sales to ¥1,578.6 billion (US$12,731 million). However, operating income declined 51% to ¥23.8 billion (US$192 million) largely as a result of sluggish PC sales in a slowing U.S. economy. In fiscal 2001, this segment has seen extensive restructuring in overseas PC operations. Through the enhancement and fusion of technologies and core competence in AVC4—audio visual products, computers, communications and cards—and in optical and magnetic disks, the segment will concentrate efforts on creating value that epitomizes the approaching broadband era.



NET SALES
(¥ billion)

SHARE OF SALES (%)			
Years ended Mar. 31	1999	2000	**2001**
	23.1	23.3	**22.7**

Established in April 2000, the iValue Creation Company offers information services that provide the infrastructure for the Internet and mobile Internet. Of particular note among advanced websites operated by Toshiba, the Ekimae Tanken Club (http://ekitan.com) has seen its technology adopted by other leading sites in Japan, and now boasts over 350,000 paying members who use cellular phones to access its services. In fiscal 2000, Toshiba also launched Application Service Provider (ASP) services for other companies' websites. Early success includes support for Matsui Securities Co., Ltd. and other securities companies offering share information and share transaction services via cellular phones. The iValue Creation Company is venturing into new business domains with high B2C and e-commerce growth potential, such as travel, finance, and music distribution.

The scope of the Digital Media Network Company covers computer network equipment, PCs, data storage media and other peripherals, visual products and mobile devices. The company's energies are focused on development of innovative products with high customer appeal, and its advantages include market-leading know-how in bridge media, Bluetooth™, MPEG-4 and other technologies that are adding new capabilities and value to mobile products.

The launch of "Net Business Platform" operations in Japan brought to market Toshiba's solution for an optimized balance of hardware and software. Overseas, continuing strong performances from cable modems ensured Toshiba's position among the elite in this market.

Toshiba retained its lead as the world's largest seller of portable PCs for the seventh consecutive year. However, global sales declined 7% to ¥710.0 billion as the U.S. slowdown made itself felt. Efforts to restructure the PC business in the U.S. include aggressive promotion of direct sales to companies and continuing to bring high-value-added products to market. In the consumer market, Toshiba worked to differentiate its products from those of its competitors by enhancing Configuration-to-Order (CTO) products, and also initiated direct sales. Despite intense competition in Europe, Toshiba continued to attract high support, maintaining the market leadership it has enjoyed since creating the business. In Japan, Toshiba recorded an all-time high in PC sales, which increased nearly 25% year on year.

Bridge media of the mobile age. The SD Memory Card offers high-level copy protection and high-volume storage capacity; SmartMedia™ offers simplicity and versatility.

Toshiba firsts in commercializing Bluetooth™ products include the Bluetooth™ PC Card and Wireless Modem Station, and the Bluetooth™ wireless link for data transfer from a PC to an LCD projector.

Products imbued with Toshiba's individuality continue to hit the market. For example, in fiscal 2000, Toshiba commercialized the world's first PC with CD-ROM, CD-R/RW and DVD-ROM multi-drive. Production of portable PC models for the U.S. market was transferred from Toshiba America Information Systems Inc. to Toshiba Information Equipment (Philippines), Inc., and Toshiba began producing portable PCs in China in June 2000. These, and other operations, are integrated into Toshiba's advanced supply chain management (SCM) and customer relationship management (CRM) that are raising management efficiency and enhancing individual customer response capabilities worldwide.

In mobile devices, Toshiba recorded higher earnings on the back of domestic demand for Internet-enabled cellular phones and the migration from old products to color LCD terminals. Given the approaching launch of next-generation cellular phones and the rapid penetration of mobile devices, Toshiba has transferred its operations in this area from the Digital Media Network Company to a new in-house company, the Mobile Communications Company, established in April 2001.

In data storage media, Toshiba achieved higher earnings for fiscal 2000 as a whole, as steady growth in the first half dampened the effects of a rapid slump in demand in the U.S. PC market from the fourth quarter onward. Toshiba continues to boast a high share in DVD drives, commanding around half the total market share for high-value-added slim DVD-ROMs worldwide. Toshiba's multi-drives, which combine a slim CD-R/RW and DVD-ROM to stay ahead of customer needs, proved highly popular. In HDDs, the main goals for the current fiscal year are creating higher storage capacity, building HDDs into various digital products other than PCs, and expanding the market for 1.8-inch HDDs for mobile devices.

Toshiba's wide range of visual equipment includes color TVs, projection TVs, DVD players and LCD data projectors. Higher earnings were posted for color TVs for the Japanese market, where Toshiba was first in the industry to commercialize BS digital TV receivers, and continued to bolster its line-up of flat- and wide-screen TVs. Toshiba's Digital "FACE," series of BS digital Hi-Vision TVs turned in a strong performance. These TVs offer interactive services and are equipped with audio-visual digital network functions, including the industry's first SmartMedia™ card slot. Overseas demand for color TVs was steady, with projection TVs particularly popular in North America and elsewhere. Enhanced software drove substantial sales growth for DVD players worldwide, including North America, which accounts for around 60% of the global market.

The popularity of PCs and cellular phones has created new lifestyle scenarios using mobile audio-visual network functions. Toshiba will support this trend and open up new markets with products that include digital cameras, portable digital audio players and portable DVD players.

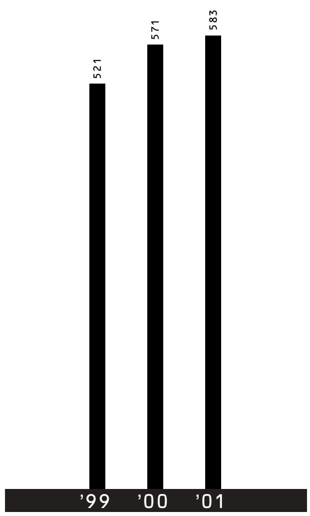
The Dynabook V Series multi-function drive plays DVDs and creates CDs; its Fine Super View LCD offers outstanding picture clarity. The popular Libretto mini-notebook packs a high-resolution wide screen and responsive keyboard for smooth typing.

The combination of a BS Digital Hi-Vision TV with the RD-2000, hybrid HDD and DVD-RAM reader creates the perfect means to enjoy digital entertainment.

A big seller for U.S.-based Audiovox, this new CDMA phone comes in 800M, 1.9G and AMPS formats. In Japan, an extended lineup of cdmaOne cellular phones feature color screens and Internet connectivity.

Power Systems

This segment as a whole turned in a steady performance in fiscal 2000, exemplified by strong growth primarily in North America, that helped push consolidated net sales up 2% year on year to ¥582.7 billion (US$4,699 million). Operating income surged to ¥17.5 billion (US$141 million), up 87% from the previous fiscal year. At the same time, however, restrained plant and capital investment by electric utilities, as well as other factors, led to a sharp drop in orders, which fell 46% to ¥345.1 billion (US$2,783 million).



NET SALES
(¥ billion)

SHARE OF SALES (%)			
Years ended Mar. 31	1999	2000	2001
	8.5	8.8	8.4

Steady net sales in the Power Systems Company reflected strong sales growth in the North American market, where the power supply industry struggled to keep up with demand. Orders plummeted, however, as a number of negative factors came into play. Among these were a decline in large-scale reconstruction projects for nuclear power plants in fiscal 2000, and plant and capital investment curbs by Japanese power companies. Furthermore, Japanese power companies, which are pushing ahead with streamlining of operations to brace themselves for the start of deregulation of electricity retailing, curbed their plant and capital investment. And price competition heated up in overseas markets.

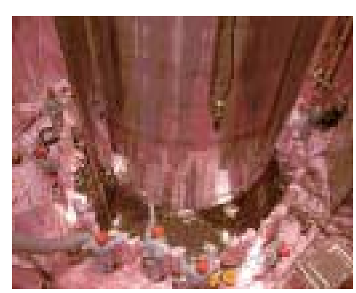
Major projects completed in fiscal 2000 included construction of power generation equipment at Tokyo Electric Power Co., Inc.'s Shinagawa No. 1 Thermal Power Station, construction of reactor facilities at Unit No. 3 of Onagawa Nuclear Power Station, operated by Tohoku Electric Power Co., Inc., and at Units No. 4 and No. 5 of Chubu Electric Power Co., Inc.'s Shonan Thermal Power Plant. Major orders included regular inspection and reconstruction work at Tokyo Electric Power's Fukushima No. 1 Nuclear Power Station, and a large-scale substation construction project for Kuwait's Ministry of Electricity and Water.

In October 2000, Toshiba reached basic agreement with Mitsubishi Electric Corporation on a comprehensive alliance in the power transmission and distribution business. The aim of the alliance is to increase both companies' development and production efficiencies and expand their overseas businesses. Three key initiatives will spur Toshiba to become an elite global player in this field:

- Technological collaboration aimed at increasing efficiency in product development
- Mutual OEM supply to improve productivity
- Joint purchasing of parts and materials to lowering costs

Both companies will also jointly explore the possibility of combining overseas sales and engineering forces in the future.

Toshiba is the main contractor for the 1140MW substation at TEPCO's Shinagawa No. 1 Thermal Power Station. This 1300°C gas turbine combined-cycle power plant is scheduled to commence operation in July 2001.



Toshiba is now able to replace the core shroud of nuclear reactors, a vital safety feature, in a shorter timeframe.

In overseas markets, Toshiba reinforced its presence in Asia, primarily China. Rising power demand in China has been accompanied by fast-paced infrastructure development of transmission networks geared toward upping power transmission efficiency, while controlling expansion of generation facilities. In October 2000, Toshiba, together with XJ Electric Corporation, a leading manufacturer in the Chinese power transmission control and protection field, and Henan Electric Power Construction Co., Ltd., a wholly owned subsidiary of Henan Electric Power Corporation, established a joint venture to manufacture, sell, maintain and provide services for automated power distribution systems. Toshiba also set up two manufacturing ventures to respectively produce gas insulated switchgears and vacuum circuit breakers—key components in power transmission networks for ensuring a stable power supply and increasing reliability.

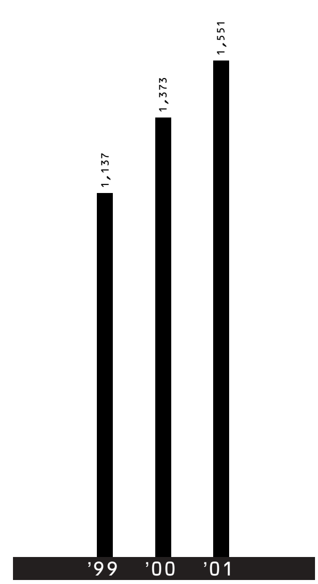
In March 2000, Toshiba and International Fuel Cells Corporation (IFC) established Toshiba International Fuel Cells Corporation (TIFC), a joint undertaking that will engage in all aspects of fuel cell operations from development through maintenance. Global alliances transcending industry spheres and borders are driving mega-competition in the industry. TIFC will weather this by expanding the traditional realm of on-site cells to deliver fuel cells for residential applications. In Japan and the rest of Asia, TIFC will accelerate its R&D efforts with a view to marketing fuel cells for commercial applications by 2004. Success will allow TIFC to take center stage as a pioneer in a promising field.

Toshiba supplied the main nuclear power equipment for the world's first 500kV underground substation, TEPCO's Shin-Toyosu Substation.

Electronic Devices & Components

A year-on-year increase of 13% carried consolidated net sales for fiscal 2000 to ¥1,551.4 billion (US$12,511 million). As the segment moved into the black for the first time since fiscal 1998, operating income climbed to ¥116.4 billion (US$938 million). Among contributory factors were firm sales of discrete devices, memories and system LSIs even though semiconductor demand waned with the slowdown in the PC and peripherals market in the second half. And earnings from LCD displays surged with the expanding market for mobile devices. Toshiba is realigning its businesses in dramatic fashion, with moves directed at developing products that excite the market and generate stable earnings.

DRAM spot prices entered into a downward spiral in September 2000 that quickly made its impact felt on Toshiba's business. In the second half of the year, manufacturers significantly scaled back production of PCs and peripherals and the mobile communications and consumer electronics markets lost momentum, as demand dipped below the first-half level. Despite this, robust performances in discrete devices, system LSIs and memories in the first half of the year drove the Semiconductor Company to an 18% year-on-year increase in sales to ¥1,100 billion. Cost-cutting measures and Management Innovation 2001 yielded operational gains, and these and other factors translated into a substantial improvement in operating income.



NET SALES
(¥ billion)

SHARE OF SALES (%)			
Years ended Mar. 31	1999	2000	2001
	18.6	21.1	22.4

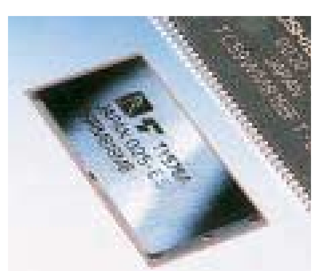
The company will continue to adhere to its policy of ensuring “growth with profit” in semiconductor operations. This will involve targeting growth markets such as network devices, digital consumer equipment and mobile devices.

In discrete devices, strong sales were recorded by photo couplers and other optical semiconductors, and small signal transistors for cellular phones—despite a slowdown in the second half of the year. Discrete devices are a stable source of high earnings for the Semiconductor Company, which is determined to remain the industry leader in this area. Efforts to this end will focus on cultivating promising growth areas, notably telecommunications and digital consumer equipment. In partnership with Toyoda Gosei Co., Ltd., Toshiba developed a gallium nitride-based white LED (Light Emitting Diode) that combines Toyoda Gosei’s LED with Toshiba’s phosphors. It is scheduled for mass production from November 2001. With future improvements in luminosity, the white LED is expected to become an adequate replacement for incandescent lamps.

In memories, price erosion from September 2000 on brought considerable challenges. While mid-density NAND flash memories sold well, the slow development of the portable digital audio player market pulled down demand for high-density products. And, despite the rapid slowdown in the cellular phone market in the second half, NOR flash memories stacked with SRAM in a high-density single multi-chip package (MCP) saw robust sales. DRAMs, SRAMs and flash memories will continue to be the mainstay products in this area. The company will also shift quickly to high-value-added DRAMs, including direct Rambus™ DRAM, in line with a strategy of reducing its reliance on PC markets. Toshiba began developing FeRAMs (Ferroelectric Random Access Memory), next-generation memories, with Infineon Technologies AG in January 2001. The joint venture aims to develop a 32-megabit FeRAM by the end of 2002. This alliance will enable Toshiba to expedite its R&D initiatives, and speed introduction of FeRAM to the rapidly expanding cellular phone market.

Steady demand for system LSIs utilizing leading-edge processes was tempered by slowing second-half sales of LSIs for audio products in China, for PCs and cellular phones, bipolar LSIs for consumer products, LCD drivers and other products. All of these products turned in strong performances in the first half of the year. Toshiba will work to deliver added value by targeting close relations with leading companies in high-demand sectors. A broad range of areas will be spotlighted, including digital consumer equipment, games consoles, peripherals, cellular phones, telecommunications, networks, and automotives. Allying with UK-based ARM, Toshiba was licensed the ARM946E-S™ 32-bit embedded Reduced Instruction Set Computer (RISC) microprocessor core, a move that has enabled Toshiba to expand its intellectual property (IP) cores for system LSIs. At the same time, drawing on its technological prowess in manufacturing, Toshiba will offer seminal solutions for the embedded LSI market. In March 2001, Toshiba, Sony Computer Entertainment,

The clean room at Oita Operations produces system LSIs for digital consumer equipment, networks and communications equipment. A new annex, opened in April 2001, has expanded operating scale and technological capabilities.



Toshiba is shifting its DRAM business to high-value-added products. A competitive advantage in high-speed DRAMs, supports penetration of non-PC areas, including digital consumer equipment.

Inc. (SCEI) and IBM Corporation reached a basic agreement to jointly develop an advanced general purpose processor architecture for a new wave of devices in the emerging broadband era. The companies will collectively invest more than US$400 million over the next five years to design a "supercomputer-on-a-chip." Under the agreement, the three companies will establish a joint development center within an IBM facility in Texas. At its peak, the center will be staffed with nearly 300 skilled engineers dedicated to the development project.

In the process of restructuring its operations, Toshiba has focused firmly on the selection and concentration on core businesses. In October 2000, Toshiba and Dai Nippon Printing Co., Ltd. established D.T. Circuit Technology Co., Ltd., a joint venture to develop, produce and market build-up boards and functional circuit modules. In January 2001, Toshiba and U.S.-based Amkor Technology Inc. established a joint venture, Amkor Iwate Co., Ltd., to undertake contract semiconductor assembly and test services. Amkor Iwate will assemble globally competitive high-end semiconductor products capitalizing on both companies' cutting-edge technologies, including bridge-chip packages, and global purchasing channels.

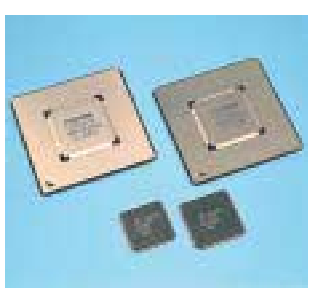
Plummeting prices spurred by intense competition defined the burgeoning market for LCD displays and stifled earnings significantly. In this environment, Toshiba will aggressively direct resources to its high-value-added low-temperature polysilicon TFT LCDs.

In April 2001, Toshiba and Matsushita Electric Industrial Co., Ltd. established a joint venture in Singapore to manufacture low-temperature polysilicon TFT LCDs. Full-scale production, at what will be the world's largest manufacturing plant of its kind, is set to commence in July 2002. The companies will invest around ¥123 billion in the venture, and projections call for a monthly production volume of 55,000 730×920mm boards in fiscal 2003.

Toshiba plans to bring to market OLED panels, which are expected to be used in cellular phones and PDAs, in the first half of 2002.

During fiscal 2000, Toshiba set about restructuring its battery operations. As a complement to its mobile strategy, Toshiba is specializing in lithium-ion rechargeable batteries. In line with this decision, the company agreed in September 2000 to transfer Toshiba Battery Co., Ltd.'s nickel metal hydride battery operations to SANYO Electric Co., Ltd. The following December, Toshiba made A&T Battery Corporation—formerly a joint venture with Asahi Kasei Corporation—into a wholly owned subsidiary. In a related move, the Battery Energy Division was established in January 2001 to amalgamate battery R&D and sales functions. This move will allow Toshiba to make effective use of pooled resources and to derive new synergies in its battery operations.

With this LSI, Toshiba will bring MPEG-4 to next-generation cellular phones. Functions include a video phone.

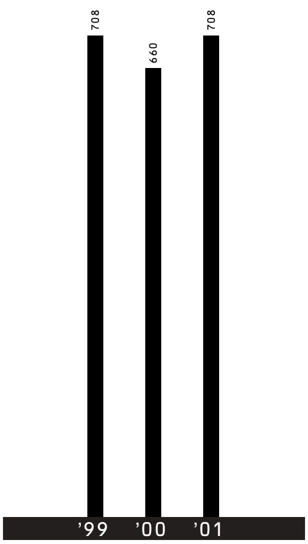


The cutting-edge system LSI digital TV chipset, developed for the December 2000 start of BS digital broadcasting in Japan.

Toshiba has reinforced its leadership in low-temperature polysilicon LCDs by integrating a DAC and SRAM, cutting cost and power consumption.

Home Appliances

Consolidated net sales for this segment rose 7% to ¥708.3 billion (US$5,712 million) thanks to rising demand for refrigerators, washing machines and other large home appliances that offer added convenience. Operating income was ¥18.4 billion (US$149 million), up 3.4 times year on year. The primary goal in the segment is a business structure capable of generating stable earnings. Moves toward that will include continued cost cutting, sales channel development, enlargement of the components business, and a move into China and other emerging markets.



NET SALES

(¥ billion)

SHARE OF SALES (%)			
Years ended Mar. 31	1999	2000	**2001**
	11.6	10.1	**10.2**

Sales of refrigerators, washing machines and other large home appliances increased as Toshiba's steady stream of innovative products kept it a step ahead of competitors, and domestic demand surged in the run up to the April 2001 introduction of recycling fees on four types of end-of-life home appliances. Market share grew in refrigerators, microwave ovens and rice cookers. The Home Appliances Company also raised Toshiba brand equity in China and other overseas markets, and expanded operations for DC fan motors—built into foodservice appliances and refrigerators—and a range of other components.

September 2000 saw Toshiba introduce three new refrigerators to the Plasma Senzo series, each equipped with a deodorizing function around 10 times more powerful than in conventional models. Refrigerators for hotel kitchens also posted steady sales.

Robust demand for Toshiba washing machines was again evident in the year under review. Particularly popular with consumers were new products with unique features. The DD Inverter Washing Machine, for example, excels in quiet performance. Toshiba's world-first DD inverter drum-type washer-dryer Ginga 21 dampens noise and vibration in all stages of its cycle. The latest model can be used with all makes of household detergents another industry first.

Toshiba's small household appliances such as vacuum cleaners, microwave ovens and rice cookers were again well received by the market. Acclaim was especially notable for a cordless vacuum cleaner and an emission-free vacuum cleaner with an exhaust recycling system. The Zenmen Onkan microwave oven also hit the market. Equipped with an 8-element infrared sensor capable of sensing temperatures in eight areas of the turntable, its inverter control makes it possible to simultaneously cook at different temperatures.

A key element of Toshiba's global marketing strategy is to establish manufacturing and sales alliances. Toshiba will proactively collaborate with Scandinavia-based AB Electrolux, the world's largest producer of home appliances. The alliance will continue to focus on technological exchanges, joint product development, product sourcing, mutual components supply and environmental initiatives. In refrigerators, Toshiba undertakes a number of activities, including technology transfer, with Egypt's El Araby Co. From April 2001, refrigerators produced by El Araby will be sold in Africa, predominantly Egypt, under the Toshiba brand name.

Powerful plasma deodorizing and antibacterial functions have made Plasma Senzo refrigerators winners in the market.

The DD inverter motor of the fully automatic Ginga 21 washer-dryer dampens noise and vibration during its cycle. It can now also be used with all brands of detergent in Japan.

China is another key area for expanding the Toshiba brand strategy through technology-sharing tie-ups with leading companies. Production of Toshiba refrigerators in China began in fiscal 2000. Following the inking of a second-phase five-year technology-sharing agreement and a trademark licensing agreement with Xi'an Changling Refrigerator Co., Ltd., Toshiba also concluded a technology-sharing agreement for fully automatic washing machines with GD Midea Holding Co., Ltd. Production of washing machines under the GD Midea brand began during the year. Toshiba also entered into a technology-sharing alliance regarding DD drum-type washing machines. Further exchanges will be deepened in a broad range of areas with Shangdong Xiaoya Group Co., Ltd. This alliance will cover microwave ovens, IH rice cookers and other small appliances, as well as motor operations, molds and design.

Since its merger in April 1999, Toshiba Carrier Corporation has delivered steady results, posting positive net income for two consecutive years. This growth has been spurred notably by high market acclaim for the Daiseikai series of compact air conditioners.

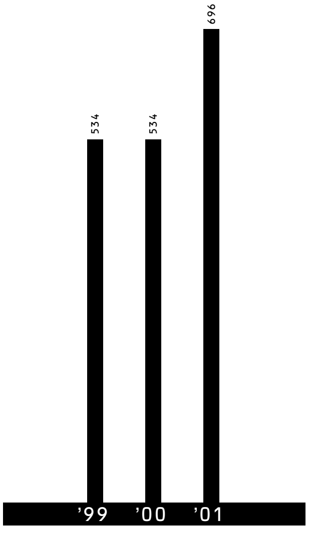
Sales at Toshiba Lighting & Technology Corporation also improved, largely thanks to the exemplary performance of E-Series fluorescent lighting. Specially designed for development and manufacturing facilities, the E-Series system offers easy installation and high levels of energy and resource conservation.

The cordless "Magic Cyclone Cleaner" uses a nickel metal hydride rechargeable battery and Toshiba's "Magic Cyclone" vacuum technologies to create a small, lightweight but powerful vacuum cleaner.

Negative ions generated by the Plasma Ion Daiseikai air conditioner give rooms a natural feeling.

Others

This segment's primary revenue streams are leasing and other financial services, real estate operations, including leasing and sales, and logistics operations. Consolidated net sales for the year increased 30% to ¥695.7 billion (US$5,611 million). Operating income was ¥27.2 billion, (US$219 million) up 2% year on year.



NET SALES

(¥ billion)

SHARE OF SALES (%)			
Years ended Mar. 31	1999	2000	**2001**
	8.8	8.2	**10.0**

Research and Development

The corporate R&D Center currently focuses its efforts on the mobile sector, networks, key components, software, the environment and other growth areas. The Center performs basic research and market-centric R&D, and develops the technologies that will provide the collective foundations of the Toshiba Group as a whole. The ultimate goal is to bring forth breakthrough products to shape the future.

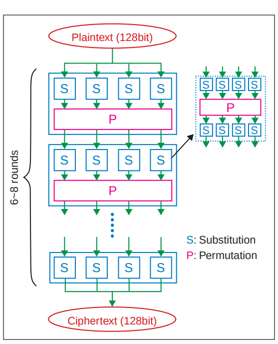
In fiscal 2000, group-wide R&D expenditures totaled ¥327.9 billion (US$2,645 million), with IT-related fields accounting for a little more than 60%. Toshiba will continue to concentrate on developing individual technologies that set Toshiba's products apart from others, as well as work to expedite the R&D process.

Hierocrypt™, a Next-Generation Encryption Algorithm

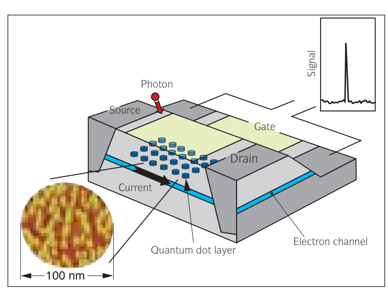
Hierocrypt™ is a next-generation encryption algorithm that can be widely applied across online businesses. Highly secure, offering high speed and scalability on all platforms, Hierocrypt™ features Toshiba's independently developed nested Substitution Permutation Network (SPN) structure, which offers superior security against every conceivable form of hacking. At present, Toshiba has proposed Hierocrypt™ as an encryption algorithm for government procurement and for standardization by the International Standardization Organization (ISO) and the International Electrotechnical Commission (IEC). Toshiba has also recommended the algorithm to Project NESSIE (New European Schemes for Signature, Integrity and Encryption). Toshiba is now ready to provide a variety of Hierocrypt™ solutions for electronic commerce, content protection, mobile services and digital broadcasting.

MPEG-4 Transfer Protocol Adopted as the Global Standard

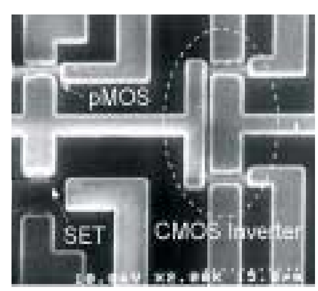
Jointly proposed by Toshiba, NEC Corporation, Oki Electric Industry Co., Ltd., Matsushita Electric Industrial Co., Ltd. and NTT Corporation to the Internet Engineering Task Force (IETF), the MPEG-4 Realtime Transport Protocol (RTP) has become the global standard for image and audio distribution on the Internet, next-generation cellular phones and other applications. MPEG-4 RTP has been designated as a standard specification by the ITU Telecommunication Standardization Sector (ITU-T) and by the Third Generation Partnership Project (3G-PP), which determines standards for image distribution on Wideband Code Division Multiple Access (W-CDMA) next-generation cellular phones. These moves will enable images to be distributed over various media, including Internet telephones. Diverse uses include bringing teleconferencing images, TV programs and movies to cellular phones and computers.



Hierocrypt™ is a highly secure encryption algorithm.



A single photon sensor brings quantum encryption closer.



Toshiba created a single-electron transistor (SET) circuit through formation of nanometer-scale undulations on a semiconductor circuit board. The result confirmed room-temperature operation of a single-electron transistor circuit.

Successful Development of Single Photon Sensor Realizes the Ultimate Concept in Encryption

Toshiba Research Europe Ltd. in the UK has developed a highly sensitive, low-noise, single photon sensor that is critical to the application of quantum encryption. Realizing the ultimate concept in encryption, the quantum encryption system carries digital data of an encryption key on a stream of single photons via an optical fiber, making eavesdropping to gain unauthorized access to data completely impossible. Toshiba introduced a compound-semiconductor quantum dot structure to a Field Effect Transistor (FET) device. By doing so, it became the first company to successfully detect single photons coming into the quantum dot structure as electrical signal output from the FET structure.

XML Database Engine for Knowledge Management

Companies accumulate vast amounts of data. Extensible Markup Language (XML), a next-generation Internet language that seamlessly integrates a variety of data, is attracting attention as a means to manage such data. Toshiba has developed an XML Database Engine for a knowledge management system that realizes high-speed retrieval and high-level analysis of huge volumes of XML data, including sales data, memos and mail.
The capabilities of the XML query language developed by Toshiba surpass those of Structured Query Language (SQL) used in Relational Databases. Use of the engine supports easy development of powerful XML-based knowledge management systems.

GigaBase™ Distributed Memory Data Management Middleware

GigaBase™, Toshiba's newly developed distributed database management system (DBMS), achieves a maximum 100-speed transaction processing performance and alleviates burdens on systems engineering. GigaBase™ uses the increasingly rich resources of machine memories and communications capabilities to provide a new platform for network-oriented system integration that fuses operating systems, communications and databases. Since the system employs a data structure that makes maximum use of the characteristics of computer memories, it is 10 to 100 times faster than conventional DBMS that store data on hard disk drives. GigaBase™ enables systems engineers to accurately estimate systems performance at the design stage. This not only raises the productivity of system development, but also provides greater flexibility in design change, load distribution, performance tuning and system expansion.

Successful Room-temperature Operation of a Single-electron Transistor Circuit for High-level Information Processing

Toshiba is the first company in the world to have succeeded in room-temperature operation of a single-electron transistor circuit. The circuit has an element structure characterized by undulation in the order of several nanometers on a semiconductor surface. Previously such circuits operated only at temperatures under –200°C using liquid nitrogen or liquid helium as a coolant. The new circuit was achieved by creating an extremely thin silicon layer of 2.5 nanometers and optimizing chemical processing techniques on its surface, which in turn formed nanometer-scale undulations. Single-electron devices will be used to develop DRAMs with 1,000 times the memory capacity of present versions, and super-high-speed, low-power-consumption LSIs. For example, the incorporation of this technology in cellular phones has allowed for highly sophisticated functions, including sound input and image recognition.

Five-Year Summary

Toshiba Corporation and its subsidiaries

Years ended March 31

	Millions of yen, except per share amounts				
	2001	2000	1999	1998	1997
Net sales	¥5,951,357	¥5,749,372	¥5,300,902	¥5,458,498	¥5,521,887
Cost of sales	4,323,525	4,254,444	3,890,622	3,960,158	3,932,585
Selling, general and administrative expenses	1,395,699	1,393,959	1,379,797	1,416,046	1,391,471
Operating income	232,133	100,969	30,483	82,294	197,831
Income (loss) before income taxes and minority interest	188,099	(44,844)	11,218	18,748	125,456
Income taxes	96,145	(4,530)	20,901	17,313	71,593
Net income (loss)	96,168	(32,903)	(9,095)	14,723	67,077
Per share of common stock:					
Net income (loss)					
—Basic	¥29.88	¥(10.22)	¥(2.83)	¥ 4.57	¥20.84
—Diluted	29.71	(10.22)	(2.83)	4.57	20.06
Cash dividends	10.00	3.00	6.00	10.00	10.00
Total assets	¥5,724,564	¥5,780,006	¥6,101,929	¥6,166,323	¥5,933,205
Shareholders' equity	1,047,925	1,060,099	1,128,753	1,305,946	1,388,827
Capital expenditures (property, plant and equipment)	269,545	298,512	375,464	339,584	341,020
Depreciation	308,294	329,630	309,836	291,418	252,732
R&D Expenditures	327,915	334,398	316,703	322,928	332,555
Number of employees	188,042	190,870	198,000	186,000	186,000

Notes: 1. Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share assumes the dilution that would occur if dilutive convertible debentures were converted into common stock.
2. Beginning with the fiscal year ended March 31, 2001, the company has adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Prior period data through the fiscal year ended March 31, 2000 have been restated to conform with SFAS No. 115.

Results of Operations

Net Sales

Consolidated net sales in fiscal 2000, the year ended March 31, 2001, increased 4% compared to the previous year, to ¥5,951.4 billion ($US47,995 million), marking the second consecutive year of top-line growth. This was primarily attributable to the strong performance of semiconductors and LCDs on the back of increased demand for digital devices, as well as brisk sales of mobile communications devices and home appliances. In terms of average exchange rates, the euro declined significantly from ¥115 in fiscal 1999 to ¥100 in fiscal 2000, while the U.S. dollar also declined from ¥111 to ¥109. Net sales were accordingly down by ¥90 billion. Consolidated figures include the results of 209 subsidiaries in Japan and 114 overseas.

By region, sales in Japan increased 7% to ¥3,753.1 billion (US$30,267 million). Overseas sales declined 2% to ¥2,198.3 billion (US$17,728 million) and accounted for 37% of net sales, down from 39% in the previous fiscal year. Overseas production increased 6% from ¥980.0 billion to ¥1,040.0 billion (US$8,387 million).

Information & Communications and Industrial Systems—Sales decreased 2% from the previous year to ¥1,827.0 billion (US$14,734 million). Sales for government, medical and elevator systems were slightly increased but these gains were outweighed by lower sales in systems projects for the distribution industry and small and medium-sized enterprises, and on industrial-use electrical products, due to the impact of curbs on capital expenditures. Overseas sales rose 17% to ¥390.5 billion (US$3,149 million).

Digital Media—Sales increased 4% compared with the previous year, to ¥1,578.6 billion (US$12,731 million). Overseas, segment sales were down 7% to 964.0 billion (US$7,774 million). Total PC sales declined from ¥760.0 billion to ¥710.0 billion (US$5,726 million) despite a good domestic performance. The decline reflected decreases in volumes and prices caused by economic slowdown in the U.S. The lowering of PC sales was offset, however, by strong sales in computer network systems, mobile communications devices and DVD-ROM devices, leading to the overall increase in sales in this segment.

Power Systems—Sales rose 2% over the previous year to ¥582.7 billion (US$4,699 million). This reflected the achievement of higher sales in nuclear power projects and strong demand for turbine airfoils in North America. Overseas sales increased 72% to 73.1 billion (US$589 million) compared with 42.6 billion one year earlier.

Electronic Devices & Components—Sales climbed 13% over the previous year to ¥1,551.4 billion (US$12,511 million). Overseas sales declined 9% to 675.5 billion (US$5,448 million), caused by economic slowdown in the U.S.

Semiconductor sales were particularly strong, increasing 18% to ¥1,100.0 billion (US$8,871 million). This was attributable to sharp growth in system LSIs, strong demand in discrete components for mobile devices and NAND flash for memory cards, and good performance of DRAMs. In addition, LCD sales saw substantial growth both in Japan and overseas, principally for TFT LCD screens for notebook and desktop PCs, cellular phones, PDAs and other mobile terminals.

Home Appliances—Sales rose 7% from the previous year to ¥708.3 billion (US$5,712 million). This growth reflected brisk sales of refrigerators, washing machines, air conditioners and other appliances, as well the inclusion of sales of Harison Toshiba Lighting Co., Ltd., which became a consolidated subsidiary in October 2000. Overseas, segment sales were up 17% to 39.9 billion (US$322 million).

Others—Sales soared 30% over the previous year, to ¥695.7 billion (US$5,611 million). This was mainly due to growth of intersegment sales reflected from increasing procurement of parts and materials by Asian subsidiaries.

Net Sales by Region

	Millions of yen		
Years ended March 31	2001	2000	1999
Japan	¥3,753,052	¥3,514,068	¥3,184,764
North America	828,671	906,165	842,999
Asia	728,969	636,317	585,086
Europe	519,186	546,645	559,824
Other	121,479	146,177	128,229
Net sales	¥5,951,357	¥5,749,372	¥5,300,902

Note: Net sales by region are determined based upon the locations of the customers. Therefore, this information is different from the net sales for geographic segments in segment information on page 37, which are determined based upon where the sales originated.

Japan—The operating environment in Japan was favorable in the first half of the year, but the economic outlook became particularly uncertain and presented difficulties in the second half. Nevertheless, strong demand for PCs, semiconductors and LCDs, coupled with growth in refrigerators, washing machines, air conditioners, other home appliances and wide-screen TVs, resulted in a 7% increase in net sales to ¥3,753.1 billion (US$30,267 million).

North America—The North American market was defined by rapid changes in the economic environment during the year, exemplified by an apparent slowdown in the U.S. economy. Net sales were down 9% from the previous year at ¥828.7 billion (US$6,683 million), mainly on account of sluggish sales of PCs and peripherals.

Asia—Net sales increased 15% over the previous year to ¥729.0 billion (US$5,879 million). Digital media products were the main contributor to the sales increase, underpinned by a robust Asian economy.

Europe—Deceleration of economic growth in Europe and the impact of a weak euro led to a 5% decline in net sales, to ¥519.2 billion (US$4,187 million).

Net Income

Cost of sales rose 2% to ¥4,323.5 billion (US$34,867 million) in line with the increase in consolidated net sales. Nevertheless, the gross profit ratio improved by 1.4 percentage points and selling, general and administrative expenses were held to a similar level as the previous year at ¥1,395.7 billion (US$11,256 million). Accordingly, operating income rose by 2.3 times over the previous year, to ¥232.1 billion (US$1,872 million). The increase in operating income was attributable to several main factors: strong demand for semiconductors and LCDs; the positive effects of manufacturing improvements and restructuring of Management Innovation 2001 and other initiatives; improved earnings in home appliances owing to brisk sales of new products; and improved income from power systems. Earnings have now increased sharply for two straight years.

Information & communications and industrial systems posted a 28% decline in operating income compared to the previous year, to ¥27.3 billion (US$220 million). Higher earnings in medical systems were outweighed by the lower sales from information systems on account of curbs on customers' capital expenditures, as well as price declines triggered by fierce competition.

In digital media, DVD-ROMs generated higher earnings. Operating income on the whole, however, fell 51% from the previous year, to ¥23.8 billion (US$192 million) as a result of a sharp decrease in earnings in PCs, mainly owing to lower sales in the U.S.

Power systems recorded an 87% increase in operating income to ¥17.5 billion (US$141 million). This primarily reflected higher earnings in the nuclear power sector.

In electronic devices & components, semiconductors recorded substantially higher earnings in the first half of the year, supported by strong sales on the back of increased demand for digital devices. Although growth slowed due to falling DRAM prices and sluggish market conditions in the second half, semiconductors dramatically recovered earnings for the year. Benefiting from these higher earnings, as well as a strong performance in LCDs, electronic devices & components reversed a prior year loss of ¥23.5 billion to post operating income of ¥116.4 billion (US$938 million), a ¥139.9 billion improvement.

Operating income in home appliances increased significantly by 3.4 times from the previous year, to ¥18.4 billion (US$149 million). In addition to a stronger operating framework owing to restructuring initiatives, this result reflected cost savings in manufacturing and marketing, and the overall strong performance of home appliances, particularly washing machines and refrigerators.

Others posted a 2% rise in operating income to ¥27.2 billion (US$219 million).

Toshiba estimates that the net effect of foreign exchange movements during the fiscal year was a ¥44.0 billion decrease in operating income. This consists of a ¥90.0 billion decline in net sales offset by a ¥33.0 billion reduction of costs at overseas subsidiaries, and a ¥13.0 billion decrease in procurement expenses.

Other income included a ¥35.9 billion (US$290 million) gain from the contribution of marketable securities to employee retirement benefit trusts. Net financial expenses increased from a net expense of ¥21.5 billion to a net expense of ¥22.9 billion. A lower interest expense was recorded as a result of lower interest rates in Japan and decreasing debt, but this was outweighed by a decline in dividend income. In addition, a charge for FDC litigation settlement in the U.S. was included in the previous year's expense.

As a result, income before income taxes and minority interest was ¥188.1 billion (US$1,517 million), a ¥232.9 billion improvement on the previous year's loss of ¥44.8 billion. Income taxes expense was ¥96.1 billion (US$775 million), up ¥100.7 billion on the previous year. Equity in income of affiliated companies also improved due in particular to a strong performance from Toshiba Machine Co., Ltd. Net income accordingly increased to ¥96.2 billion (US$776 million), a ¥129.1 billion improvement on the previous year's net loss of ¥32.9 billion.

Segment Information

The following segment information is based on Japanese accounting standards. Following a review of management jurisdiction in April 2000, Toshiba has partially realigned industry segments in Digital Media, Electronic Devices & Components, and Others. Consolidated financial data for previous years have been reclassified to conform with the current segments.

Industry Segments

	Millions of yen			Thousands of U.S. dollars
Years ended March 31	2001	2000	1999	2001
Net sales:				
Information & Communications and Industrial Systems				
Unaffiliated customers	¥1,694,743	¥1,698,803	¥1,651,068	$13,667,282
Intersegment	132,264	159,476	145,081	1,066,645
Total	1,827,007	1,858,279	1,796,149	14,733,927
Digital Media				
Unaffiliated customers	1,429,710	1,378,017	1,238,559	11,529,920
Intersegment	148,880	139,675	167,920	1,200,645
Total	1,578,590	1,517,692	1,406,479	12,730,565
Power Systems				
Unaffiliated customers	568,244	553,322	503,863	4,582,613
Intersegment	14,423	17,359	16,714	116,314
Total	582,667	570,681	520,577	4,698,927
Electronic Devices & Components				
Unaffiliated customers	1,332,711	1,204,047	1,009,928	10,747,669
Intersegment	218,640	169,204	127,295	1,763,226
Total	1,551,351	1,373,251	1,137,223	12,510,895
Home Appliances				
Unaffiliated customers	676,820	636,054	695,588	5,458,226
Intersegment	31,497	23,840	12,028	254,008
Total	708,317	659,894	707,616	5,712,234
Others				
Unaffiliated customers	249,129	279,129	201,896	2,009,105
Intersegment	446,592	254,985	331,703	3,601,548
Total	695,721	534,114	533,599	5,610,653
Eliminations	(992,296)	(764,539)	(800,741)	(8,002,386)
Consolidated	¥5,951,357	¥5,749,372	¥5,300,902	$47,994,815

Years ended March 31	Millions of yen 2001	2000	1999	Thousands of U.S. dollars 2001
Operating income (loss):				
Information & Communications and Industrial Systems	¥ 27,277	¥ 38,102	¥ 44,794	$ 219,976
Digital Media	23,846	48,361	50,080	192,306
Power Systems	17,457	9,342	13,946	140,782
Electronic Devices & Components	116,354	(23,524)	(67,044)	938,339
Home Appliances	18,429	5,354	(33,538)	148,621
Others	27,153	26,694	20,655	218,976
Eliminations	1,617	(3,360)	1,590	13,040
Consolidated	¥ 232,133	¥ 100,969	¥ 30,483	$ 1,872,040
Identifiable assets:				
Information & Communications and Industrial Systems	¥1,423,786	¥1,313,427	¥1,483,642	$11,482,145
Digital Media	692,459	629,926	659,587	5,584,347
Power Systems	632,643	668,068	723,984	5,101,960
Electronic Devices & Components	1,441,406	1,468,014	1,569,524	11,624,242
Home Appliances	417,088	366,029	488,739	3,363,613
Others	1,138,414	1,268,282	1,112,285	9,180,758
Corporate and Eliminations	(21,232)	66,260	64,168	(171,226)
Consolidated	¥5,724,564	¥5,780,006	¥6,101,929	$46,165,839

Note: Indentifiable assets for prior periods have been restated to reflect adoption of SFAS No. 115.

Years ended March 31	Millions of yen 2001	2000	1999	Thousands of U.S. dollars 2001
Depreciation and amortization:				
Information & Communications and Industrial Systems	¥ 50,366	¥ 54,458	¥ 36,134	$ 406,177
Digital Media	28,110	25,278	25,477	226,694
Power Systems	15,572	16,725	17,267	125,581
Electronic Devices & Components	184,496	192,254	174,765	1,487,871
Home Appliances	21,884	22,822	24,090	176,484
Others	39,388	37,224	35,222	317,645
Corporate	—	—	—	—
Consolidated	¥ 339,816	¥ 348,761	¥ 312,955	$ 2,740,452
Capital expenditures:				
Information & Communications and Industrial Systems	¥ 47,171	¥ 51,362	¥ 39,587	$ 380,411
Digital Media	27,367	42,969	33,893	220,702
Power Systems	12,467	7,236	15,138	100,540
Electronic Devices & Components	157,879	156,671	232,605	1,273,218
Home Appliances	20,713	16,377	20,030	167,040
Others	37,152	44,157	39,004	299,613
Corporate	—	—	—	—
Consolidated	¥ 302,749	¥ 318,772	¥ 380,257	$ 2,441,524

Geographic Segments

Years ended March 31	Millions of yen 2001	2000	1999	Thousands of U.S. dollars 2001
Net sales:				
Japan				
Unaffiliated customers	¥ 4,168,795	¥ 3,889,623	¥ 3,547,089	$ 33,619,315
Intersegment	1,066,351	1,093,459	953,186	8,599,604
Total	5,235,146	4,983,082	4,500,275	42,218,919
North America				
Unaffiliated customers	738,294	816,804	788,687	5,953,984
Intersegment	139,552	104,994	75,575	1,125,419
Total	877,846	921,798	864,262	7,079,403
Asia				
Unaffiliated customers	508,888	478,269	379,562	4,103,936
Intersegment	436,618	305,842	223,686	3,521,113
Total	945,506	784,111	603,248	7,625,049
Europe				
Unaffiliated customers	484,721	506,595	541,246	3,909,040
Intersegment	14,269	10,649	10,919	115,073
Total	498,990	517,244	552,165	4,024,113
Other				
Unaffiliated customers	50,659	58,081	44,318	408,540
Intersegment	2,819	4,918	7,218	22,734
Total	53,478	62,999	51,536	431,274
Eliminations	(1,659,609)	(1,519,862)	(1,270,584)	(13,383,943)
Consolidated	¥ 5,951,357	¥ 5,749,372	¥ 5,300,902	$ 47,994,815
Operating income (loss):				
Japan	¥ 193,258	¥ 58,734	¥ 21,169	$ 1,558,532
North America	6,642	12,411	(11,712)	53,565
Asia	31,246	23,216	9,128	251,984
Europe	5,493	2,989	4,529	44,298
Other	655	742	1,588	5,282
Eliminations	(5,161)	2,877	5,781	(41,621)
Consolidated	¥ 232,133	¥ 100,969	¥ 30,483	$ 1,872,040
Identifiable assets:				
Japan	¥ 4,783,739	¥ 4,975,486	¥ 5,200,828	$ 38,578,540
North America	413,777	261,545	302,076	3,336,911
Asia	323,183	276,451	280,037	2,606,315
Europe	205,960	188,000	207,020	1,660,968
Other	34,276	28,558	27,493	276,420
Corporate and Eliminations	(36,371)	49,966	84,475	(293,315)
Consolidated	¥ 5,724,564	¥ 5,780,006	¥ 6,101,929	$ 46,165,839

Note: Indentifiable assets for prior periods have been restated to reflect adoption of SFAS No. 115.

Research and Development

Consolidated R&D expenditures declined 2% to ¥327.9 billion (US$2,644 million). This was 5.5% of net sales, compared with 5.8% in the previous year. By segment, R&D expenditures in information & communications and industrial systems were ¥82.3 billion (US$664 million). Major themes were information control systems technology, such as ITS and e-commerce systems, medical equipment, imaging systems and other technologies. R&D expenditures in digital media were ¥54.4 billion (US$439 million), comprising R&D on Bluetooth™-compatible products, mobile information tools, BS digital TVs, DVDs and other visual and information equipment. R&D expenditures in power systems were ¥23.1 billion (US$186 million), including for energy plants, power supply equipment, control and maintenance technologies and new types of fuel cells. In electronic devices & components, ¥145.2 billion (US$1,171 million) was expensed to develop system LSIs, memories and discrete semiconductors, as well as on advanced fine process technologies, polysilicon LCDs, organic EL panels and lithium-ion rechargeable batteries. R&D expenditures in home appliances totaled ¥17.7 billion (US$143 million). The main purpose of this expenditure was to improve functions and energy conservation technologies in electrical home appliances. R&D expenditures in others were ¥5.2 billion (US$42million).

Capital Expenditures

In making capital investments, Toshiba adopts a basic strategy of focusing resources on growth areas. Capital expenditures, which include investments in property, plant and equipment of ¥269.5 billion (US$2,174 million), amounted to ¥302.7 billion (US$2,442 million), a 5% decline compared with the previous fiscal year. The major focus of investments was the electronic devices & components segment.

Capital expenditures for electronic devices & components were ¥157.9 billion (US$1,273 million). These investments were made to increase manufacturing capacity for semiconductors and LCDs, and construct development facilities for semiconductors. The main facilities were a clean room for manufacturing advanced system LSIs at the Oita Operations, NAND flash memory manufacturing facilities at the Yokkaichi Operations, and facilities for developing leading-edge LSIs at Yokohama Operations.

Capital expenditures in information & communications and industrial systems amounted to ¥47.2 billion (US$380 million), primarily in facilities for information system developments, broadcasting and network services.

In digital media, capital expenditures in facilities for developing and manufacturing new products for PCs and cellular phones were ¥27.4 billion (US$221 million), including PC manufacturing facilities at Toshiba Information Equipment (Philippines), Inc. Capital expenditures in power systems were ¥12.4 billion (US$101 million), including for upgrading infrastructure facilities, ¥20.7 billion (US$167 million) in home appliances, mainly for facilities for developing and manufacturing new products, and ¥37.1 billion (US$300 million) in others.

Financial Position

As of March 31, 2001, total assets were ¥5,724.6 billion (US$46,166 million), a decrease of ¥55.4 billion from the previous year. Current assets climbed ¥26.9 billion to ¥3,090.1 billion (US$24,920 million) due to increases in cash and cash equivalents and accounts receivable, trade. Marketable securities and other investments, included in the long-term receivables and investments category, sharply declined as a result mainly of the contribution of marketable equity securities to employee retirement benefit trusts. Property, plant and equipment stood at ¥1,439.8 billion (US$11,611 million), down ¥20.0 billion from a year ago, due to lower levels of capital expenditures.

Toshiba worked to reduce its interest-bearing liabilities using strong cash flows. These efforts were partially offset by the new inclusion in consolidated results of Dominion Semiconductor, L.L.C. and Harison Toshiba Lighting Co., Ltd., and by an increase due to foreign exchange conversion. Nevertheless, total debt fell by ¥179.7 billion to ¥1,787.6 billion (US$14,416 million). Shareholders' equity decreased by ¥12.2 billion, despite the increase in net income. This was attributable to an additional recognition of the minimum pension liability adjustment, and a decline in unrealized gains on marketable securities following the aforementioned contribution to a retirement benefit trust.

Cash Flows

Net cash provided by operating activities totaled ¥453.6 billion (US$3,658million), up on the previous year's total of ¥435.9 billion. Decrease in inventories was not as large as the previous year. But net income was substantially improved, and adjustment of deferred income taxes, as non-cash expense, also increased from a year ago. Net income for fiscal year 2000 included a ¥35.9 billion non-cash gain from securities contribution to employee retirement benefit trusts, and that was eliminated in adjustment to net cash.

Net cash used in investing activities decreased from ¥293.2 billion in the previous year to ¥176.7 billion (US$1,425 million). Although proceeds from sale of securities declined year on year, less cash was used for the acquisition of property and equipment .

Net cash used in financing activities increased from ¥158.7 billion in the previous year to ¥285.6 billion (US$2,304 million). This was mainly the result of debt repayments, net of ¥260.1 billion as part of continuous efforts to reduce interest-bearing liabilities, and an increase in dividends paid. (The decline in debt on the balance sheets is lower than the net cash out for debt on the statements of cash flows. This is because the debt on the balance sheet reflects an increase in debt of newly consolidated subsidiaries and the effect of foreign currency translation adjustments.)

In addition to the above items, the effect of exchange rate changes was a positive ¥31.1 billion (US$251 million). This resulted in a net increase of ¥22.4 billion in cash and cash equivalents, bringing the total to ¥487.6 billion (US$3,932 million) as of March 31, 2001.

Principal Subsidiaries and Affiliated Companies

As of March 31, 2001

Percentage held by Group

Consolidated Subsidiaries:

Japan

Toshiba Battery Co., Ltd.	100
Toshiba TEC Corporation	50

U.S.A.

Toshiba America, Inc.	100

Affiliated Companies:

Japan

Toshiba Ceramics Co., Ltd.	45

CONSOLIDATED BALANCE SHEETS

Toshiba Corporation and its subsidiaries

As of March 31, 2001 and 2000

ASSETS	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 3) 2001
Current assets:			
Cash and cash equivalents	¥ 487,595	¥ 465,237	$ 3,932,218
Notes and accounts receivable, trade—			
Notes (Note 5)	205,844	207,939	1,660,032
Accounts (Note 5)	1,018,246	988,044	8,211,661
Allowance for doubtful notes and accounts	(27,410)	(27,551)	(221,049)
Finance receivables, net (Note 5)	222,976	245,097	1,798,194
Inventories (Note 6)	819,633	837,188	6,609,944
Prepaid expenses and other current assets (Note 14)	363,207	347,252	2,929,089
Total current assets	3,090,091	3,063,206	24,920,089
Long-term receivables and investments:			
Long-term receivables	18,957	19,613	152,879
Long-term finance receivables, net (Note 5)	341,492	334,853	2,753,968
Investments in and advances to affiliated companies (Note 7)	132,485	146,296	1,068,427
Marketable securities and other investments (Notes 4 and 8)	252,303	360,279	2,034,702
	745,237	861,041	6,009,976
Property, plant and equipment (Note 8):			
Land	175,873	169,621	1,418,331
Buildings	1,157,875	1,070,924	9,337,701
Machinery and equipment	3,046,897	3,014,433	24,571,750
Construction in progress	66,539	54,988	536,605
	4,447,184	4,309,966	35,864,387
Less—Accumulated depreciation	(3,007,428)	(2,850,221)	(24,253,452)
	1,439,756	1,459,745	11,610,935
Other assets (Notes 9 and 14)	449,480	396,014	3,624,839
	¥ 5,724,564	¥ 5,780,006	$ 46,165,839

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2001	2000	Thousands of U.S. dollars (Note 3) 2001
Current liabilities:			
Short-term borrowings (Note 8)	¥ 526,865	¥ 587,252	$4,248,911
Current portion of long-term debt (Note 8)	270,466	258,177	2,181,177
Notes payable, trade	182,377	173,417	1,470,782
Accounts payable, trade	897,245	842,211	7,235,847
Accounts payable, other and accrued expenses	336,153	342,105	2,710,911
Accrued income and other taxes	55,239	44,972	445,476
Advance payments received	283,074	297,974	2,282,855
Other current liabilities	329,431	302,526	2,656,702
Total current liabilities	2,880,850	2,848,634	23,232,661
Long-term liabilities:			
Long-term debt (Note 8)	990,305	1,121,920	7,986,331
Accrued pension and severance costs (Note 9)	633,642	585,881	5,110,016
Other liabilities	33,231	38,739	267,992
	1,657,178	1,746,540	13,364,339
Minority interest in consolidated subsidiaries	138,611	124,733	1,117,831
Shareholders' equity:			
Common stock, ¥50 par value—			
Authorized—10,000,000,000 shares			
Issued and outstanding:			
2001—3,219,014,736 shares	274,921	—	2,217,105
2000—3,219,006,450 shares	—	274,919	—
Additional paid-in capital	285,732	285,729	2,304,290
Retained earnings (Notes 8 and 15)	713,667	643,250	5,755,379
Accumulated other comprehensive income (loss) (Note 15)	(226,395)	(143,799)	(1,825,766)
	1,047,925	1,060,099	8,451,008
Commitments and contingent liabilities (Note 18)			
	¥5,724,564	¥5,780,006	$46,165,839

CONSOLIDATED STATEMENTS OF INCOME

Toshiba Corporation and its subsidiaries

For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2000	2001
Sales and other income:			
Net sales	¥5,951,357	¥5,749,372	$47,994,815
Interest and dividends	18,230	21,793	147,016
Other income (Notes 4 and 9)	110,601	85,200	891,943
	6,080,188	5,856,365	49,033,774
Costs and expenses:			
Cost of sales (Note 10)	4,323,525	4,254,444	34,867,137
Selling, general and administrative (Notes 10 and 11)	1,395,699	1,393,959	11,255,637
FDC litigation settlement (Note 12)	—	106,385	—
Interest	41,102	43,256	331,468
Other (Note 13)	131,763	103,165	1,062,605
	5,892,089	5,901,209	47,516,847
Income (loss) before income taxes and minority interest	188,099	(44,844)	1,516,927
Income taxes (Note 14):			
Current	53,223	52,397	429,218
Deferred	42,922	(56,927)	346,145
	96,145	(4,530)	775,363
Income (loss) before minority interest	91,954	(40,314)	741,564
Minority interest in income (loss) of consolidated subsidiaries	5,140	(1,728)	41,451
Income (loss) from consolidated companies	86,814	(38,586)	700,113
Equity in income of affiliated companies (Note 7)	9,354	5,683	75,435
Net income (loss)	¥ 96,168	¥ (32,903)	$ 775,548

	Exact yen		U.S. dollars (Note 3)
Per share of common stock (Note 16):			
Net income (loss)			
—Basic	¥29.88	¥(10.22)	$0.241
—Diluted	¥29,71	¥(10.22)	$0.240
Cash dividends	¥10.00	¥ 3.00	$0.081

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Toshiba Corporation and its subsidiaries

For the years ended March 31, 2001 and 2000

	Millions of yen				
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at March 31, 1999	¥274,916	¥285,727	¥685,809	¥(117,699)	¥1,128,753
Conversion of convertible debentures	3	2			5
Comprehensive income (loss):					
Net loss			(32,903)		(32,903)
Other comprehensive income (loss), net of tax (Note 15)—					
Unrealized gains on securities (Note 4)				4,457	4,457
Foreign currency translation adjustments				(45,788)	(45,788)
Minimum pension liability adjustment (Note 9)				15,231	15,231
Comprehensive income (loss)					(59,003)
Cash dividends			(9,656)		(9,656)
Balance at March 31, 2000	274,919	285,729	643,250	(143,799)	1,060,099
Conversion of convertible debentures	2	3			5
Comprehensive income (loss):					
Net income			96,168		96,168
Other comprehensive income (loss), net of tax (Note 15)—					
Unrealized gains on securities (Note 4)				(41,959)	(41,959)
Foreign currency translation adjustments				50,052	50,052
Minimum pension liability adjustment (Note 9)				(90,689)	(90,689)
Comprehensive income (loss)					13,572
Cash dividends			(25,751)		(25,751)
Balance at March 31, 2001	¥274,921	¥285,732	¥713,667	¥(226,395)	¥1,047,925

	Thousands of U.S. dollars (Note 3)				
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at March 31, 2000	$2,217,089	$2,304,266	$5,187,500	$(1,159,669)	$8,549,186
Conversion of convertible debentures	16	24			40
Comprehensive income (loss):					
Net income			775,548		775,548
Other comprehensive income (loss), net of tax (Note 15)—					
Unrealized gains on securities (Note 4)				(338,379)	(338,379)
Foreign currency translation adjustments				403,645	403,645
Minimum pension liability adjustment (Note 9)				(731,363)	(731,363)
Comprehensive income (loss)					109,451
Cash dividends			(207,669)		(207,669)
Balance at March 31, 2001	$2,217,105	$2,304,290	$5,755,379	$(1,825,766)	$8,451,008

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Toshiba Corporation and its subsidiaries

For the years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2001	2000	2001
Cash flows from operating activities:			
Net income (loss)	¥ 96,168	¥ (32,903)	$ 775,548
Adjustments to reconcile net income (loss) to net cash provided by operating activities—			
Depreciation and amortization	339,816	348,761	2,740,452
(Reversal of) accrual for pension and severance costs, less payments	(10,667)	9,013	(86,024)
Deferred income taxes (tax benefit)	42,922	(56,927)	346,145
Equity in income of affiliated companies	(9,354)	(5,683)	(75,435)
Gain on sale and disposal of property and securities, net	(30,758)	(27,165)	(248,048)
Minority interest in income (loss) of consolidated subsidiaries	5,140	(1,728)	41,451
Decrease (increase) in notes and accounts receivable, trade	34,857	(14,852)	281,105
Decrease in finance receivables, net	22,255	14,563	179,476
Decrease in inventories	51,755	136,351	417,379
Increase in other current assets	(70,750)	(16,678)	(570,565)
Decrease in long-term receivables	695	23,327	5,605
(Increase) decrease in long-term finance receivables, net	(6,639)	284	(53,540)
Increase in notes and accounts payable, trade	13,804	44,407	111,323
Increase (decrease) in accrued income and other taxes	8,672	(17,831)	69,935
Decrease in advance payments received	(17,415)	(7,169)	(140,444)
(Decrease) increase in accounts payable, other and others	(16,860)	40,176	(135,968)
Net cash provided by operating activities	453,641	435,946	3,658,395
Cash flows from investing activities:			
Proceeds from sale of property and securities	36,339	103,409	293,056
Acquisition of property and equipment	(257,448)	(298,512)	(2,076,193)
Purchase of securities	(13,126)	(31,172)	(105,855)
Decrease in investments in affiliated companies	19,272	13,985	155,419
Decrease (increase) in other assets and other	38,216	(80,864)	308,194
Net cash used in investing activities	(176,747)	(293,154)	(1,425,379)
Cash flows from financing activities:			
Proceeds from long-term debt	233,929	302,376	1,886,524
Repayment of long-term debt	(398,669)	(289,712)	(3,215,073)
Dividends paid	(25,598)	(9,458)	(206,435)
Decrease in short-term borrowings	(95,310)	(161,882)	(768,629)
Net cash used in financing activities	(285,648)	(158,676)	(2,303,613)
Effect of exchange rate changes on cash and cash equivalents	31,112	(16,631)	250,903
Net increase (decrease) in cash and cash equivalents	22,358	(32,515)	180,306
Cash and cash equivalents at beginning of year	465,237	497,752	3,751,912
Cash and cash equivalents at end of year	¥ 487,595	¥ 465,237	$ 3,932,218
Supplemental disclosure of cash flow information:			
Cash paid during the year for—			
Interest	¥ 52,789	¥ 63,324	$ 425,718
Income taxes	¥ 61,161	¥ 44,476	$ 493,234

The accompanying notes are an integral part of these statements.

1. Company Operations

Toshiba Corporation and its subsidiaries are engaged in the research and development, manufacturing and sales of high-technology electronic and energy products, which span (1) information & communications and industrial systems, (2) digital media, (3) power systems, (4) electronic devices & components, (5) home appliances, and (6) others. For the years ended March 31, 2001 and 2000, sales in information & communications and industrial systems represented the most significant portion of the company's total sales, approximately 30 percent. Sales in digital media and electronic devices & components represented, each over 20 percent of the company's sales, while sales in power systems, home appliances and others were approximately equal in amount, each representing approximately 10 percent of the company's sales. The products are manufactured and marketed throughout the world with approximately 60 percent of sales in Japan and the remainder in North America, Asia, Europe and elsewhere.

2. Summary of Significant Accounting Policies

Preparation of Financial Statements—

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

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

Basis of Consolidation and Investments in Affiliated Companies—

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

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

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

Use of Estimates—

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

Consolidated Statement of Cash Flows—

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

Foreign Currency Translation—

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

Revenue Recognition—

Revenue, other than under long-term contracts, is generally recognized when it is realized or realizable and earned. Revenue is considered to be realized or realizable and earned when there is persuasive evidence of an arrangement, the product has been delivered or the services have been provided to the customers, the sales price is fixed or determinable, and collectibility is reasonably assured.

In December 1999. the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 (SAB101), "Revenue Recognition in Financial Statements." SAB101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. The company adopted SAB101 in the fiscal year ended March 31,2001 and the adoption did not have a material impact on the company's results of operations or financial condition.

Revenue under long-term contracts is generally recorded under the percentage of completion method.

Marketable Securities and Other Investments—

In the financial year ended March 31, 2001, the company adopted Statement of Financial Accounting Standards (SFAS) No.115, "Accounting for Certain Investments in Debt and Equity Securities," retroactively to April 1,1994. In the prior years, marketable equity securities and other marketable securities (current) were stated at the lower of cost or market in the aggregate. Under this statement, all debt and equity securities owned by the company are classified as available-for-sale securities and are reported at fair value with unrealized gains and losses, net of related taxes, excluded from earnings and reported in other comprehensive income (loss) until realized. In accordance with Accounting Principles Board Opinion No.20, "Accounting Changes," the company restated the prior years' consolidated financial statements to reflect the effects of the retroactive adoption of SFAS No. 115. A summary of the effects of the restatement is presented in Note 19. Other investments were stated at cost less any significant decline in fair value assessed to be other than temporary.

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

Inventories—

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

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

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

Property, Plant and Equipment and Depreciation—

Property, plant and equipment, including significant renewals and additions, are carried at cost. Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Depreciation is computed generally by the 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—

The provision for income taxes is computed based on the pre-tax income included in the consolidated statements of income. 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. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Accrued Pension and Severance Costs—

The company and its subsidiaries have various retirement benefit plans covering substantially all employees. Current service costs of the retirement benefit plans are accrued in the period. The unrecognized net obligation existing at initial application of SFAS No.87 and prior service costs resulting from amendments to the plans are amortized over the average remaining service period of employees expected to receive benefits. Unrecognized actuarial losses that exceed 10 percent of the greater of the projected benefit obligation or the fair value of plan assets are also amortized over the average remaining service period of employees expected to receive benefits.

Net Income Per Share—

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

Financial Instruments—

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

Comprehensive Income—

Under Statement of Financial Accounting Standards (SFAS) No. 130, “Reporting Comprehensive Income,” comprehensive income is defined as total changes in shareholders’ equity except capital transactions. The company’s comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss) representing changes in unrelized gains on securities, foreign currency translation adjustments and minimum pension liability adjustment. Comprehensive income (loss) and its components are disclosed in the consolidated statements of shareholders’ equity and in Note 15.

Recent Pronouncements—

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS No. 133 requires that all derivatives be recognized as either assets or liabilities in the balance sheet and be measured at fair value. The fair value adjustments are recorded in current earnings or other comprehensive income, depending on whether a derivative instrument is designated as part of a hedge transaction and, if it is, the type of hedge transaction. In June 1999, FASB issued SFAS No.137, “Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of SFAS No.133,” which defers the effective date of SFAS No.133 for one year. Therefore, in the case of the company, SFAS No.133 is effective for the fiscal year beginning April 1, 2001. Adoption of this statement will not have a material impact on the company’s results of operations or financial condition.

In September 2000, FASB issued SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities—a replacement of SFAS No. 125”. This statement revises the criteria for accounting for securitizations, other financial asset transfers and collateral and introduces new disclosures, but otherwise carries forward most of the provisions of SFAS No. 125. This statement is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal year ended March 31, 2001. Other provisions of this statement are effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Adoption of the portions of this statement will not have a material impact on the company’s results of operations or financial condition.

Reclassifications—

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

3. U.S. Dollar Amounts

U.S. dollar amounts are included solely for convenience. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into, U.S. dollars. The amounts shown in U.S. dollars are not intended to be computed in accordance with generally accepted accounting principles for the translation of foreign currency amounts. The rate of ¥124 = US$1, the approximate current rate of exchange at March 31, 2001, 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 aggregate cost, 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, 2001 and 2000 are as follows:

	Millions of yen			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2001:				
Equity securities	¥ 89,261	¥ 62,308	¥12,736	¥138,833
Debt securities	4,308	342	161	4,489
	¥ 93,569	¥ 62,650	¥12,897	¥143,322
March 31, 2000:				
Equity securities	¥109,272	¥139,991	¥12,462	¥236,801
Debt securities	13,163	76	0	13,239
	¥122,435	¥140,067	¥12,462	¥250,040

	Thousands of U.S. dollars			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2001:				
Equity securities	$719,847	$502,484	$102,710	$1,119,621
Debt securities	34,742	2,758	1,298	36,202
	$754,589	$505,242	$104,008	$1,155,823

At March 31, 2001, debt securities mainly consist of corporate debt securities.

Contractual maturities of debt securities classified as available-for-sale were as follows at March 31, 2001:

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair value	Cost	Fair value
Due within one year	¥1,364	¥1,366	$11,000	$11,016
Due after one year	2,944	3,123	23,742	25,186
	¥4,308	¥4,489	$34,742	$36,202

The proceeds from sales of available-for-sale securities for the years ended March 31, 2001 and 2000 were ¥23,774 million ($191,726 thousand) and ¥94,106 million, respectively. The gross realized gains on those sales for the years ended March 31, 2001 and 2000 were ¥5,443 million ($43,895 thousand) and ¥48,248 million, respectively. The gross realized losses on those sales for the years ended March 31, 2001 and 2000 were ¥1,992 million ($16,065 thousand) and ¥936 million, respectively.

5. Finance Receivables and Securitizations

Finance receivables comprise the following:

March 31	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars 2001
Investment in financing leases:			
Total minimum lease payments receivable	¥ 321,444	¥ 351,138	$ 2,592,290
Estimated executory costs	(12,579)	(14,670)	(101,444)
Unearned income	(15,576)	(17,126)	(125,612)
Estimated residual values	3,725	5,889	30,040
	297,014	325,231	2,395,274
Less—Allowance for doubtful accounts	(1,339)	(2,021)	(10,798)
	295,675	323,210	2,384,476
Less—Current portion	(97,475)	(105,318)	(786,089)
	¥ 198,200	¥ 217,892	$ 1,598,387
Other finance receivables	¥ 278,658	¥ 267,938	$ 2,247,242
Less—Allowance for doubtful accounts	(9,865)	(11,198)	(79,556)
	268,793	256,740	2,167,686
Less—Current portion	(125,501)	(139,779)	(1,012,105)
	¥ 143,292	¥ 116,961	$ 1,155,581

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

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

At March 31, 2001, the contractual maturities of minimum lease payments of the investment in financing leases and the other finance receivables are as follows:

Year ending March 31	Investment in financing leases: Millions of yen	Investment in financing leases: Thousands of U.S. dollars	Other finance receivables: Millions of yen	Other finance receivables: Thousands of U.S. dollars
2002	¥104,773	$ 844,943	¥130,037	$1,048,686
2003	85,855	692,379	55,896	450,774
2004	63,967	515,863	28,613	230,750
2005	40,967	330,379	18,162	146,468
2006	19,744	159,226	12,638	101,919
Thereafter	6,138	49,500	33,312	268,645
	¥321,444	$2,592,290	¥278,658	$2,247,242

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

During the year ended March 31, 2001, the company and certain subsidiaries sold trade receivables with an aggregate principal amount of ¥875,421 million ($7,059,847 thousand) and finance receivables with an aggregate principal amount of ¥109,107 million ($879,895 thousand) in securitization transactions. Proceeds from new securitizations of trade receivables and finance receivables for the year ended March 31, 2001 were ¥767,147 million ($6,186,669 thousand) and ¥93,040 million ($750,323 thousand), respectively. These transactions meet the sales criteria under Statement of Financial Accounting Standards No.125. In these securitizations, servicing responsibilities and subordinated interests are generally retained. The company and certain subsidiaries received servicing fees of ¥405 million ($3,266 thousand) for the year ended March 31, 2001. The investors and the securitization trusts, associated with these sales of trade receivables and finance receivables, have no recourse to the company's or subsidiaries' assets for failure of debtors to pay when due.

In the year ended March 31, 2001, the company and certain subsidiaries recognized pre-tax losses of ¥2,323 million ($18,734thousand) on the securitization of the trade receivables and pre-tax gains of ¥1,358 million ($10,952thousand) on the securitization of the finance receivables. The resulting gain or loss on securitization transactions is determined by allocating the carrying amount of the transferred financial assets between the assets sold and the retained interests based on their relative fair value at the date of the transfer. The fair value is estimated based on the present value of the future expected cash flows estimated using management's best estimates of the key assumptions.

6. Inventories

Inventories comprise the following:

	Millions of yen		Thousands of U.S. dollars
March 31	2001	2000	2001
Finished products	¥345,183	¥314,778	$2,783,734
Work in process:			
Long-term contracts	148,462	194,092	1,197,274
Other	201,060	208,605	1,621,452
Raw materials	124,928	119,713	1,007,484
	¥819,633	¥837,188	$6,609,944

7. Investments in Affiliated Companies

Of the affiliated companies which are accounted for by the equity method, the investment in common stock of the listed companies is carried at ¥62,327 million ($502,637 thousand) and ¥77,377 million at March 31, 2001 (five companies) and 2000 (six companies), respectively. The company's investments in these companies had a market value of ¥78,671 million ($634,444 thousand) and ¥92,678 million at March 31, 2001 and 2000, respectively, based on quoted market prices at those dates.

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

	Millions of yen		Thousands of U.S. dollars
March 31	2001	2000	2001
Current assets	¥412,480	¥448,114	$3,326,452
Other assets including property, plant and equipment	251,477	422,441	2,028,040
Total assets	¥663,957	¥870,555	$5,354,492
Current liabilities	¥296,864	¥362,081	$2,394,065
Long-term liabilities	71,908	141,824	579,903
Shareholders' equity	295,185	366,650	2,380,524
Total liabilities and shareholders' equity	¥663,957	¥870,555	$5,354,492

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2001	2000	2001
Sales	¥688,527	¥749,582	$5,552,637
Net income	¥ 18,636	¥ 13,854	$ 150,290

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

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2001	2000	2001
Sales	¥ 16,450	¥ 14,733	$132,661
Purchases	¥122,261	¥133,174	$985,976

	Millions of yen		Thousands of U.S. dollars
March 31	2001	2000	2001
Notes and accounts receivable, trade	¥ 7,201	¥ 4,545	$ 58,073
Other receivables	¥ 4,265	¥ 1,711	$ 34,395
Notes and accounts payable	¥30,433	¥29,877	$245,427

8. Short-term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2001 and 2000 comprise the following:

	Millions of yen		Thousands of U.S. dollars
March 31	2001	2000	2001
Loans, principally from banks, including bank overdrafts, with weighted-average interest rate of 1.13 percent at March 31, 2001 and 0.82 percent at March 31, 2000:			
Secured	¥ 7,940	¥ 5,172	$ 64,032
Unsecured	491,194	573,588	3,961,242
Commercial paper with weighted-average interest rate of 5.31 percent at March 31, 2001 and 6.20 percent at March 31, 2000	27,731	8,492	223,637
	¥526,865	¥587,252	$4,248,911

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

At March 31, 2001, the company and subsidiaries had unused committed lines of credit from short-term financing arrangements aggregating ¥158,475 million ($1,278,024 thousand), of which ¥30,975 million ($249,798 thousand) was in support of the company's commercial paper. These lines of credit have commitment fee requirements.

Long-term debt at March 31, 2001 and 2000 comprise the following:

	Millions of yen		Thousands of U.S. dollars
March 31	2001	2000	2001
Loans, principally from banks and insurance companies, due 2001 to 2034 with interest ranging from zero percent to 13.50 percent at March 31, 2001 and due 2000 to 2034 with interest ranging from zero percent to 13.50 percent at March 31, 2000:			
Secured	¥ 57,883	¥ 49,913	$ 466,798
Unsecured	538,697	568,485	4,344,331
Unsecured yen bonds, due 2001 to 2008 with interest ranging from 0.7 percent to 3.025 percent at March 31, 2001 and due 2001 to 2008 with interest ranging from 0.8 percent to 3.025 percent at March 31, 2000	438,422	500,000	3,535,661
Euro yen medium-term notes, due 2001 to 2008 with interest ranging from zero percent to 2.34 percent at March 31, 2001 and due 2000 to 2008 with interest ranging from zero percent to 2.39 percent at March 31, 2000 (swapped for floating rate (LIBOR, etc.) or fixed rate yen obligations)	58,925	62,975	475,202
6.75 percent Euro U.S. dollar medium-term notes due 2008 (swapped for fixed rate yen obligations)	630	630	5,081
1.8 percent unsecured yen convertible debentures due 2002 convertible currently at ¥724 per share	17,736	17,742	143,032
Unsecured yen bonds of subsidiaries, due 2002 to 2004 with interest ranging from 0.95 percent to 3.0 percent at March 31, 2001 and due 2000 to 2004 with interest ranging from 0.95 percent to 3.1 percent at March 31, 2000	19,000	29,000	153,226
1.825percent secured yen bonds of a subsidiary due 2004	300	—	2,419
Euro yen or U.S. dollar medium-term notes of subsidiaries, due 2001 to 2011 with interest ranging from zero percent to 7.26 percent at March 31, 2001 and due 2000 to 2010 with interest ranging from 0.03 percent to 6.61 percent at March 31, 2000 (swapped for floating rate (LIBOR, etc.) U.S. dollar, Yen or Euro obligations)	118,341	140,345	954,363
2.2 percent secured yen convertible debentures of a subsidiary due 2002 convertible currently at ¥1,095.8 per share	8,017	8,017	64,653
Zero percent unsecured yen convertible debentures of a subsidiary due 2004 convertible currently at ¥803 per share	2,820	2,990	22,742
	1,260,771	1,380,097	10,167,508
Less—Portion due within one year	(270,466)	(258,177)	(2,181,177)
	¥ 990,305	¥1,121,920	$ 7,986,331

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, 2001 are property, plant and equipment with a book value of ¥57,941 million ($467,266 thousand) and marketable securities and other investments of ¥4,935 million ($39,798 thousand).

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

At March 31, 2001, 24,497 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
2002	¥ 270,466	$ 2,181,177
2003	287,635	2,319,637
2004	242,028	1,951,839
2005	125,267	1,010,218
2006	95,784	772,452
Thereafter	239,591	1,932,185
	¥1,260,771	$10,167,508

9. Accrued Pension and Severance Costs

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

Certain subsidiaries have tax-qualified non-contributory 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 indemnity benefits and another portion covering social security benefits, to which the company, subsidiaries and employees make contributions. During the years ended March 31, 2001 and 2000, the company and several subsidiaries have amended the regulations of both the severance indemnity benefits portion and the social security benefits portion under the contributory trusteed employee pension funds. The amendment related to the social security benefits portion for 2000 reflected the revisions of the Japanese Welfare Pension Insurance Law. These amendments resulted in the reduction of the projected benefit obligations of the funds.

Net periodic pension and severance cost for 2001 and 2000 included the following components:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2001	2000	2001
Service cost—benefits earned during the year	¥ 62,801	¥ 52,427	$ 506,460
Interest cost on projected benefit obligation	60,380	58,185	486,935
Expected return on plan assets	(40,788)	(32,154)	(328,935)
Amortization of unrecognized net obligation at transition	12,025	12,025	96,976
Amortization of prior service cost	(3,212)	4,364	(25,903)
Recognized actuarial loss	13,350	18,551	107,661
Net periodic pension and severance cost	¥104,556	¥113,398	$ 843,194

A weighted-average discount rate of 3.5 percent, an expected long-term rate of return on plan assets of 4.0 percent, and an assumed rate of increase in salary levels of 2.1 percent and 2.3 percent were used in measuring the pension obligations at March 31, 2001 and 2000, respectively.

The changes in the benefit obligations and plan assets and reconciliations of net amount recognized to funded status and accrued pension and severance costs for 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	2001	2000	2001
Change in benefit obligation:			
Benefit obligation at beginning of year	¥1,752,086	¥1,693,146	$14,129,726
Service cost	62,801	52,427	506,460
Interest cost	60,380	58,185	486,935
Plan participants' contributions	9,210	8,141	74,274
Plan amendments	(15,838)	(69,740)	(127,726)
Actuarial loss	52,602	111,976	424,210
Benefits paid	(99,042)	(100,736)	(798,726)
Foreign currency exchange impact	1,611	(1,313)	12,992
Benefit obligation at end of year	1,823,810	1,752,086	14,708,145
Change in plan assets:			
Fair value of plan assets at beginning of year	987,517	775,027	7,963,847
Actual return on plan assets	(56,975)	176,910	(459,476)
Employer contribution	138,782	61,173	1,119,210
Plan participants' contributions	9,210	8,141	74,274
Benefits paid	(36,108)	(32,503)	(291,193)
Foreign currency exchange impact	1,716	(1,231)	13,838
Fair value of plan assets at end of year	1,044,142	987,517	8,420,500
Funded status	779,668	764,569	6,287,645
Unrecognized actuarial loss	(495,740)	(371,771)	(3,997,903)
Unrecognized net obligation at transition	(61,189)	(73,214)	(493,460)
Unrecognized prior service cost	43,690	30,462	352,339
Net amount recognized	¥ 266,429	¥ 350,046	$ 2,148,621
Amounts recognized in the consolidated balance sheets consist of:			
Accrued pension and severance costs	¥ 633,642	¥ 585,881	$ 5,110,016
Intangible asset	(17,499)	(42,752)	(141,121)
Accumulated other comprehensive income (loss), gross of tax	(349,714)	(193,083)	(2,820,274)
Net amount recognized	¥ 266,429	¥ 350,046	$ 2,148,621
Accumulated benefit obligation at end of year	¥1,677,784	¥1,573,398	$13,530,516

In the year ended March 31, 2001, the company and certain subsidiaries contributed certain marketable equity securities, not including those of its subsidiaries and affiliated companies, and cash to employee retirement benefit trusts, with no cash proceeds thereon. The securities and the cash held in these trusts are qualified as plan assets. The fair value of these securities at the time of contribution, including the contributed cash, was ¥89,016 million ($717,871 thousand). Upon contribution of these available-for-sale securities, a net unrealized gain of ¥35,942 million ($289,855 thousand) was realized and included in "other income" in the consolidated statements of income.

10. Research and Development

Research and development costs are charged to expense as incurred and amounted to ¥327,915 million ($2,644,476 thousand) and ¥334,398 million for the years ended March 31, 2001 and 2000, respectively.

11. Advertising

Advertising costs are expensed as incurred. Advertising expenses amounted to ¥57,106 million ($460,532 thousand) and ¥60,560 million for the years ended March 31, 2001 and 2000, respectively.

12. FDC Litigation Settlement

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

13. Foreign Exchange Gains and Losses

For the years ended March 31, 2001 and 2000, the net foreign exchange loss was ¥7,776 million ($62,710 thousand) and ¥2,414 million, respectively.

14. Income Taxes

The company is subject to a number of different taxes based on income which, in the aggregate, indicate a normal statutory tax rate in Japan of approximately 42.1 percent for the years ended March 31, 2001 and 2000. A reconciliation between the reported income tax expense (benefit) and the amount computed by multiplying the income (loss) before income taxes and minority interest by the applicable normal statutory tax rate is as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2001	2000	2001
Computed expected income tax expense (benefit)	¥79,190	¥(18,879)	$638,629
Increase in taxes resulting from:			
Non-deductible expenses for tax purposes	3,979	4,664	32,089
Net valuation allowance for losses of subsidiaries	2,256	4,759	18,193
Tax rate difference relating to reclassification adjustments for gains on securities	4,061	4,471	32,750
Other	6,659	455	53,702
Income tax expense (benefit)	¥96,145	¥ (4,530)	$775,363

The significant components of deferred tax assets and deferred tax liabilities recorded on the consolidated balance sheets as of March 31, 2001 and 2000 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	2001	2000	2001
Gross deferred tax assets:			
Inventories	¥ 23,823	¥ 25,037	$ 192,121
Accrued pension and severance costs	81,520	90,548	657,419
Tax loss carryforwards	34,695	58,397	279,798
Minimum pension liability adjustment	147,230	81,288	1,187,339
Accrued bonus	29,168	25,228	235,226
Other	151,555	109,737	1,222,218
	467,991	390,235	3,774,121
Valuation allowance for deferred tax assets	(42,197)	(46,759)	(340,298)
Deferred tax assets	425,794	343,476	3,433,823
Gross deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(17,064)	(14,653)	(137,613)
Unrealized gains on securities	(21,157)	(53,837)	(170,621)
Gain on securities contributed to employee retirement benefit trusts	(17,763)	—	(143,250)
Other	(13,473)	(15,512)	(108,654)
Deferred tax liabilities	(69,457)	(84,002)	(560,138)
Net deferred tax assets	¥356,337	¥259,474	$2,873,685

Net current and non-current deferred tax assets at March 31, 2001 and 2000 are reflected in the consolidated balance sheets under the captions of prepaid expenses and other current assets, ¥122,946 million ($991,500 thousand) and ¥116,232 million, and other assets, ¥233,391 million ($1,882,185 thousand) and ¥143,242 million, respectively.

The net changes in the total valuation allowance for the years ended March 31, 2001 and 2000 were a decrease of ¥4,562 million ($36,790 thousand) and an increase of ¥4,575 million, respectively.

Available corporate tax loss carryforwards of the company and certain subsidiaries at March 31, 2001 amounted to approximately ¥86,861 million ($700,492 thousand), the majority of which will expire during the period from 2002 through 2006. Realization is dependent on the company and such subsidiaries generating sufficient taxable income prior to expiration of the tax loss carryforwards. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets, less valuation allowance, will be realized. The amount of such net deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

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

15. Shareholders' Equity

Retained Earnings—

Retained earnings at March 31, 2001 and 2000 include the legal reserve of ¥80,933 million ($652,685 thousand) and ¥79,576 million, respectively. The Japanese Commercial Code provides that an amount equal to at least 10 percent of cash dividends and other distributions from retained earnings paid by the parent company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the legal reserve of each legal entity equals 25 percent of its stated capital. The legal reserve is not available for dividends but may be used to reduce a deficit or may be transferred to stated capital.

The amount of retained earnings available for dividends is based on the parent company's retained earnings determined in accordance with generally accepted accounting principles and the Commercial Code in Japan. Retained earnings at March 31, 2001 include year-end dividends of ¥16,095 million ($129,798 thousand) for the year ended March 31, 2001 which are expected to be formally approved at the general shareholders' meeting held in June 2001, and will be payable subsequently.

Accumulated Other Comprehensive Income (Loss)—

An analysis of the changes in accumulated other comprehensive income (loss) for the years ended March 31, 2001 and 2000 is shown below:

	Millions of yen		Thousands of U.S. dollars
March 31	2001	2000	2001
Unrealized gains on securities:			
Balance at beginning of year	¥ 70,687	¥ 66,230	$ 570,056
Current-period change	(41,959)	4,457	(338,379)
Balance at end of year	¥ 28,728	¥ 70,687	$ 231,677
Foreign currency translation adjustments:			
Balance at beginning of year	¥(105,990)	¥ (60,202)	$ (854,758)
Current-period change	50,052	(45,788)	403,645
Balance at end of year	¥ (55,938)	¥(105,990)	$ (451,113)
Minimum pension liability adjustment:			
Balance at beginning of year	¥(108,496)	¥(123,727)	$ (874,968)
Current-period change	(90,689)	15,231	(731,363)
Balance at end of year	¥(199,185)	¥(108,496)	$(1,606,331)
Total accumulated other comprehensive income (loss):			
Balance at beginning of year	¥(143,799)	¥(117,699)	$(1,159,669)
Current-period change	(82,596)	(26,100)	(666,097)
Balance at end of year	¥(226,395)	¥(143,799)	$(1,825,766)

Tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2001 and 2000 are shown below:

	Millions of yen		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2001:			
Unrealized gains on securities:			
Unrealized holding gains arising during period	¥ (29,752)	¥ 12,530	¥(17,222)
Less: reclassification adjustment for gains included in net income	(45,527)	20,790	(24,737)
Foreign currency translation adjustments	50,438	(386)	50,052
Minimum pension liability adjustment	(156,630)	65,941	(90,689)
Other comprehensive income (loss)	¥(181,471)	¥ 98,875	¥(82,596)
For the year ended March 31, 2000:			
Unrealized gains on securities:			
Unrealized holding gains arising during period	¥ 46,160	¥(19,433)	¥ 26,727
Less: reclassification adjustment for gains included in net income	(42,028)	19,758	(22,270)
Foreign currency translation adjustments	(46,425)	637	(45,788)
Minimum pension liability adjustment	26,306	(11,075)	15,231
Other comprehensive income (loss)	¥ (15,987)	¥(10,113)	¥ (26,100)

	Thousands of U.S. dollars		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2001:			
Unrealized gains on securities:			
Unrealized holding gains arising during period	$ (239,936)	$101,049	$(138,887)
Less: reclassification adjustment for gains included in net income	(367,153)	167,661	(199,492)
Foreign currency translation adjustments	406,758	(3,113)	403,645
Minimum pension liability adjustment	(1,263,145)	531,782	(731,363)
Other comprehensive income (loss)	$(1,463,476)	$797,379	$(666,097)

16. Net Income Per Share

A reconciliation of the numerators and denominators between basic and diluted net income per share (EPS) for the years ended March 31, 2001 and 2000 is as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2001	2000	2001
Net income (loss) available to common shareholders	¥96,168	¥(32,903)	$775,548
Net income effect of dilutive convertible debentures	186	—	1,500
Net income (loss) available to common shareholders and assumed conversions	¥96,354	¥(32,903)	$777,048

	Thousands of shares	
Years ended March 31	2001	2000
Number of shares for basic EPS computations:		
Weighted—average number of shares of common stock outstanding for the year	3,218,982	3,218,976
Incremental shares from assumed conversions of dilutive convertible debentures	24,499	—
Number of shares for diluted EPS computations	3,243,481	3,218,976

	Exact yen		U.S. dollars
Years ended March 31	2001	2000	2001
Net income (loss) per share of common stock			
—Basic	¥29.88	¥(10.22)	$0.241
—Diluted	¥29.71	¥(10.22)	$0.240

17. Financial Instruments

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

The company and several subsidiaries have entered into forward exchange contracts with banks as hedges against assets and liabilities denominated in foreign currencies. The forward exchange contracts related to accounts receivable and payable, and commitments on future trade transactions denominated in foreign currencies mature primarily within a few months subsequent to the balance sheet date. Gains and losses explicitly deferred, arising from contracts related to future trade transactions, are insignificant. 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 2001 to 2011. The related differentials to be paid or received under the interest rate swaps are recognized in interest expense over the terms of the agreements. Currency swaps are accounted for in a manner similar to the accounting for forward exchange contracts.

The company's forward exchange contract amounts, the aggregate notional principal amounts of interest rate swap agreements and the principal amounts of currency swap agreements outstanding at March 31, 2001 and 2000 are summarized below:

	Millions of yen		Thousands of U.S. dollars
March 31	2001	2000	2001
Forward exchange contracts:			
To sell foreign currencies	¥157,532	¥240,949	$1,270,419
To buy foreign currencies	30,829	60,569	248,621
Interest rate swap agreements	432,884	401,136	3,491,000
Currency swap agreements	132,836	84,588	1,071,258

The estimated fair values of the company's financial instruments at March 31, 2001 and 2000 are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2001		2000		2001	
March 31	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Nonderivatives:						
Assets—						
Long-term finance receivables, net	¥ 143,292	¥ 145,043	¥ 116,961	¥ 119,443	$ 1,155,581	$ 1,169,702
Liabilities—						
Long-term debt, including current portion	(1,260,771)	(1,299,526)	(1,380,097)	(1,400,086)	(10,167,508)	(10,480,048)
Derivative financial instruments:						
Forward exchange contracts	(592)	(5,474)	1,849	5,308	(4,774)	(44,145)
Interest rate swap agreements	—	(5,042)	—	(3,416)	—	(40,661)
Currency swap agreements	(9,403)	(10,038)	4,550	5,355	(75,831)	(80,952)

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

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

Marketable securities and 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 ¥103,147 million ($831,831 thousand) and ¥90,690 million at March 31, 2001 and 2000, respectively. However, the corresponding fair value of these investments at those dates was not computed as such estimation was not practicable.

18. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2001 for the purchase of property, plant and equipment approximated ¥46,486 million ($374,887 thousand).

Rental expense for the years ended March 31, 2001 and 2000 aggregated ¥81,503 million ($657,282 thousand) and ¥79,299 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, 2001, contingent liabilities, principally for loans guaranteed, approximated ¥466,403 million ($3,761,315 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.

19. Restatement of Financial Statements

The company has applied SFAS No. 115 in the fiscal year ended March 31, 2001 and restated its prior years' consolidated financial statements. The effects of the restatements on the consolidated balance sheet as of March 31, 2000 and the related consolidated statements of income and shareholders' equity for the year then ended are as follows:

Consolidated balance sheet:

	Millions of yen	
	2000	
March 31	As previously reported	As restated
Marketable securities	¥ 93,140	¥ —
Other investments	139,534	—
Marketable securities and other investments	—	360,279
Investments in and advances to affiliated companies	142,247	146,296
Other assets	449,851	396,014
Minority interest in consolidated subsidiaries	124,887	124,733
Retained earnings	635,966	643,250
Accumulated other comprehensive income (loss)	(214,486)	(143,799)

Consolidated statement of income:

	Millions of yen	
	2000	
Year ended March 31	As previously reported	As restated
Income taxes—deferred	¥(61,398)	¥(56,927)
Minority interest in loss of consolidated subsidiaries	(1,735)	(1,728)
Equity in income of affiliated companies	6,108	5,683
Net loss	(28,000)	(32,903)

	Exact yen	
	2000	
Year ended March 31	As previously reported	As restated
Per share of common stock:		
Net loss—basic and diluted	¥(8.70)	¥(10.22)

Consolidated statement of shareholders' equity:

	Millions of yen	
	2000	
Year ended March 31	As previously reported	As restated
Other comprehensive income (loss), net of tax		
Unrealized gains on securities	¥—	¥4,457

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Kasumigaseki Bldg., 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku
Tokyo 100-6088, Japan

April 27, 2001

To the Board of Directors of
Toshiba Corporation

We have audited the accompanying consolidated balance sheets of Toshiba Corporation and its subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, stated in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our report dated April 28, 2000, we expressed an opinion that the consolidated financial statements present fairly, in all material respects, the financial position of Toshiba Corporation and its subsidiaries at March 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America, except for the effects of the departure from SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and the omission of segment information. As described in Notes 2 and 19, the Company has applied SFAS No. 115 and restated its prior years' consolidated financial statements. Accordingly, our present opinion on the prior year's consolidated financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, except for the omission of segment information discussed in the third paragraph 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, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

Overseas Offices

LATIN AMERICA

Buenos Aires

EUROPE

Moscow

AFRICA

Johannesburg

MIDDLE EAST

Baghdad
Abu Dhabi

ASIA

Beijing
Shanghai
Manila
Bangkok
Jakarta
New Delhi

Overseas Subsidiaries and Affiliates

NORTH AMERICA

Toshiba of Canada, Ltd.
Markham, Ontario, Canada

Toshiba America, Inc.
New York, New York, U.S.A.

Toshiba America Capital Corporation
New York, New York, U.S.A.

Toshiba America Research, Inc.
Morristown, New Jersey, U.S.A.

Toshiba America Medical Systems, Inc.
Tustin, California, U.S.A.

Toshiba America MRI Inc.
South San Francisco, California, U.S.A.

Toshiba America Information Systems, Inc.
Irvine, California, U.S.A.

Toshiba America Consumer Products, Inc.
Wayne, New Jersey, U.S.A.

Toshiba International Corporation
Houston, Texas, U.S.A.

Toshiba America Electronic Components, Inc.
Irvine, California, U.S.A.

Toshiba Display Devices Inc.
Horseheads, New York, U.S.A.

Dominion Semiconductor, L.L.C.
Manassas, Virginia, U.S.A.

Semiconductor America, Inc.
Irvine, California, U.S.A.

Toshiba Venture Capital, Inc.
Palo Alto, California, U.S.A.

Toshiba America Venture Capital, Inc.
New York, New York, U.S.A.

Toshiba Satellite Broadband, Inc.
Wilmington, Delaware, U.S.A.

Pacific Fuel Cell Capital (U.S.A), Inc.
Wilmington, Delaware, U.S.A.

Toshiba GE Automation Systems International, L.L.C.
Wilmington, Delaware, U.S.A.

GE Toshiba Automation Systems, L.L.C.
Wilmington, Delaware, U.S.A.

Semiconductor North America, Inc.
Irvine, California, U.S.A.

Toshiba America Medical Credit, Inc.
Tustin, California, U.S.A.

Flash Vision, L.L.C.
Manassas, Virginia, U.S.A.

Toshiba Hawaii, Inc.
Honolulu, Hawaii, U.S.A.

LATIN AMERICA

Toshiba de Mexico, S.A. de C.V.
Mexico City, Mexico

Toshiba Electromex, S.A. de C.V.
Ciudad Juárez, Mexico

GE Toshiba Turbine Components de Mexico S.R.L de C.V
Monterrey, Mexico

Toshiba de Venezuela C.A.
Caracas, Venezuela

Toshiba Medical do Brasil Ltda.
São Paulo, Brazil

Semp Toshiba Amazonas S.A.
Manaus, Brazil

T and S Servicos Industrias s/c Ltda.
São Paulo, Brazil

Toshiba do Brasil, S.A.
São Paulo, Brazil

EUROPE

Toshiba of Europe Ltd.
London, U.K.

Toshiba International Finance (UK) Plc.
London, U.K.

Toshiba Research Europe Ltd.
Cambridge, U.K.

Toshiba Medical Systems Ltd.
Crawley, U.K.

Toshiba Information Systems (UK) Ltd.
Weybridge, U.K.

Toshiba International (Europe) Ltd.
West Drayton, 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 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.
Puteaux, France

Toshiba Systèmes (France) S.A.
Puteaux, 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 Medical Systems S.A.
Madrid, Spain

ZAO Toshiba Medical Systems
Moscow, CIS

MIDDLE EAST

Toshiba Gulf FZE
Dubai, UAE

ASIA

Toshiba (China) Co., Ltd.
Beijing, The People's Republic of China

Toshiba Technology Development (Shanghai) Co., Ltd.
Shanghai, The People's Republic of China

Toshiba Dalian Co., Ltd.
Dalian, The People's Republic of China

Hangzhi Machinery & Electronics Co., Ltd.
Hangzhou, The People's Republic of China

Dalian Toshiba Television Co., Ltd.
Dalian, The People's Republic of China

Toshiba Computer System (Shanghai) Co., Ltd.
Shanghai, The People's Republic of China

Changzhou Toshiba Transformer Co., Ltd.
Changzhou, The People's Republic of China

Wuxi Huazhi Semiconductor Co., Ltd.
Wuxi, The People's Republic of China

Jiangxi Toshiba Electronic Materials Co., Ltd.
Ganzhou, The People's Republic of China

Toshiba Hong Kong Ltd.
Shatin, Hong Kong

Toshiba Electronics Asia, Ltd.
Kowloon, Hong Kong

Toshiba Electronics Korea Corporation
Seoul, The Republic of Korea

Toshiba Memory Semiconductor Taiwan Corp.
Kaohsiung, Taiwan

Toshiba Electronics Taiwan Corporation
Taipei, Taiwan

Taiwan Toshiba International Procurement Corp.
Taipei, Taiwan

Toshiba Information Equipment (Philippines), Inc.
Laguna, Philippines

Toshiba Vietnam Consumer Products Co., Ltd.
Ho Chi Minh City, Vietnam

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

Toshiba Capital (Asia) Ltd.
Singapore

Toshiba Asia Pacific Pte., Ltd.
Singapore

Toshiba Medical Systems Asia Pte., Ltd.
Singapore

Toshiba Video Products Pte., Ltd.
Singapore

Toshiba Singapore Pte., Ltd.
Singapore

Toshiba Electronics Asia (Singapore) Pte., Ltd.
Singapore

P.T. Toshiba Consumer Products (Indonesia)
Bekasi, Indonesia

P.T. Toshiba Display Devices Indonesia
Besasi, Indonesia

P.T. Tosjaya Abadi Ventura
Jakarta, Indonesia

OCEANIA

Toshiba (Australia) Pty., Ltd.
Sydney, Australia

Toshiba International Corporation Pty., Ltd.
Sydney, Australia

(As of March 31, 2001)

CONSOLIDATED SUBSIDIARIES

Domestic

A&T Battery Corporation
Device Link, Inc.
FreshEye Corporation
Fukuoka Toshiba Electronics Corporation
Harison Toshiba Lighting Co., Ltd.
Iwate Toshiba Electronics Co., Ltd.
Joint Fuel Co., Ltd.
Kaga Toshiba Electronics Corporation
Kitashiba Electric Co., Ltd.
Shibaura Mechatronics Corporation
Term Corporation
Toshiba Air Conditioning Co., Ltd.
Toshiba Battery Co., Ltd.
Toshiba Building & Lease Co., Ltd.
Toshiba Capital Corporation
Toshiba Carrier Air conditioning Systems Corporation
Toshiba Carrier Corporation
Toshiba Chemical Corporation
Toshiba Credit Corporation
Toshiba Device Corporation
Toshiba Digital Frontiers Inc.
Toshiba Electric Appliances Co., Ltd.
Toshiba Elevator and Building Systems Corporation
Toshiba Elevator Products Corporation
Toshiba Engineering Corporation
Toshiba Finance Corporation
Toshiba GE Automation Systems Corporation
Toshiba GE Turbine Components Co., Ltd.
Toshiba Hokuto Electronics Corporation
Toshiba Home Technology Corporation
Toshiba Industrial Products Manufacturing Corporation
Toshiba Industrial Products Sales Corporation
Toshiba Information Equipments Co., Ltd.
Toshiba Information Systems (Japan) Corporation
Toshiba Kansai Lifestyle-electronics Corporation
Toshiba Lighting & Technology Corporation
Toshiba Logistics Corporation
Toshiba Medical Finance Co., Ltd.
Toshiba Medical Systems Co., Ltd.
Toshiba Microelectronics Corporation
Toshiba Multi Media Devices Co., Ltd.
Toshiba Plant Kensetsu Co., Ltd.
Toshiba Shutoken Lifestyle-Electronics Corporation
Toshiba Tec Corporation
Toshiba Video Products Japan Co., Ltd.
Toyo Carrier Engineering Co., Ltd.
Yokkaichi Toshiba Electronics Corporation

Plus 162 others

Overseas

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

Plus 55 others

AFFILIATED COMPANIES ACOUNTED BY THE EQUITY METHOD

Domestic

D.T. Circuit Technology Co., Ltd.
Display Technologies, Inc.
GE Toshiba Silicones Co., Ltd.
Nishishiba Electric Co., Ltd.
TMA Electric Corporation
Topcon Corporation
Toshiba Ceramics Co., Ltd.
Toshiba GE Turbine Service Co., Ltd.
Toshiba Machine Co., Ltd.
Toshiba Tungaloy Co., Ltd.
Toshiba-EMI Limited

Plus 5 others

Overseas

Flash Vision, L.L.C.
GE Toshiba Turbine Components de Mexico S.R.L. de C.V.
Guangdong Meizhi Compressor Limited
Guangdong Meizhi Motor Limited
Kumdong Lighting Co., Ltd.
Semp Toshiba Amazonas S.A.
Shanghai GFC Toshiba Elevator Co., Ltd.
Thai Toshiba Electric Industries Co., Ltd.
Toshiba Carrier (Thailand) Co., Ltd.
Toshiba Carrier UK Ltd.

Plus 3 others

(As of March 31, 2001)

TOSHIBA CORPORATION

FOUNDED

July 1875

CAPITAL

¥274,921 million
(US$2,217 million)

EMPLOYEES

188,042

COMMON STOCK

Authorized:
10,000,000,000 shares

Issued: 3,219,014,736 shares

No. of shareholders: 438,469

Average holding: 7,341 shares

TRANSFER AGENT

The Chuo Mitsui Trust
and Banking Co., Ltd.

HEADQUARTERS

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

PRINCIPAL SHAREHOLDERS

	(%)
The Sakura Bank, Ltd.	3.88
The Dai-ichi Mutual Life Insurance Company	3.78
Nippon Life Insurance Company	3.36
Japan Trustee Service Bank, Ltd.	2.72
State Street Bank and Trust Company	2.46
The Chase Manhattan Bank NA London	2.01
Employees Stock Ownership Plan	1.67
The Nippon Fire & Marine Insurance Co., Ltd.	1.55
The Mitsubishi Trust and Banking Corporation	1.55
Shinsei Bank, Ltd.	1.52

Notes: 1. On April 1, 2001, The Sakura Bank and The Sumitomo Bank, Limited, merged to form Sumitomo Mitsui Banking Corporation.
2. On April 1, 2001, The Nippon Fire & Marine Insurance Co., Ltd. and The Koa Fire & Marine Insurance Co., Ltd. merged to form NIPPONKOA Insurance Co., Ltd.

(As of March 31, 2001)

For further information, please contact:

Toshiba Corporation
Corporate Communications Office
1-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8001, Japan
Phone: (03) 3457-2096 Facsimile: (03) 5444-9202
or via the Internet at:
http://www.toshiba.co.jp/about/ir/index_j.htm

TOSHIBA CORPORATION

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