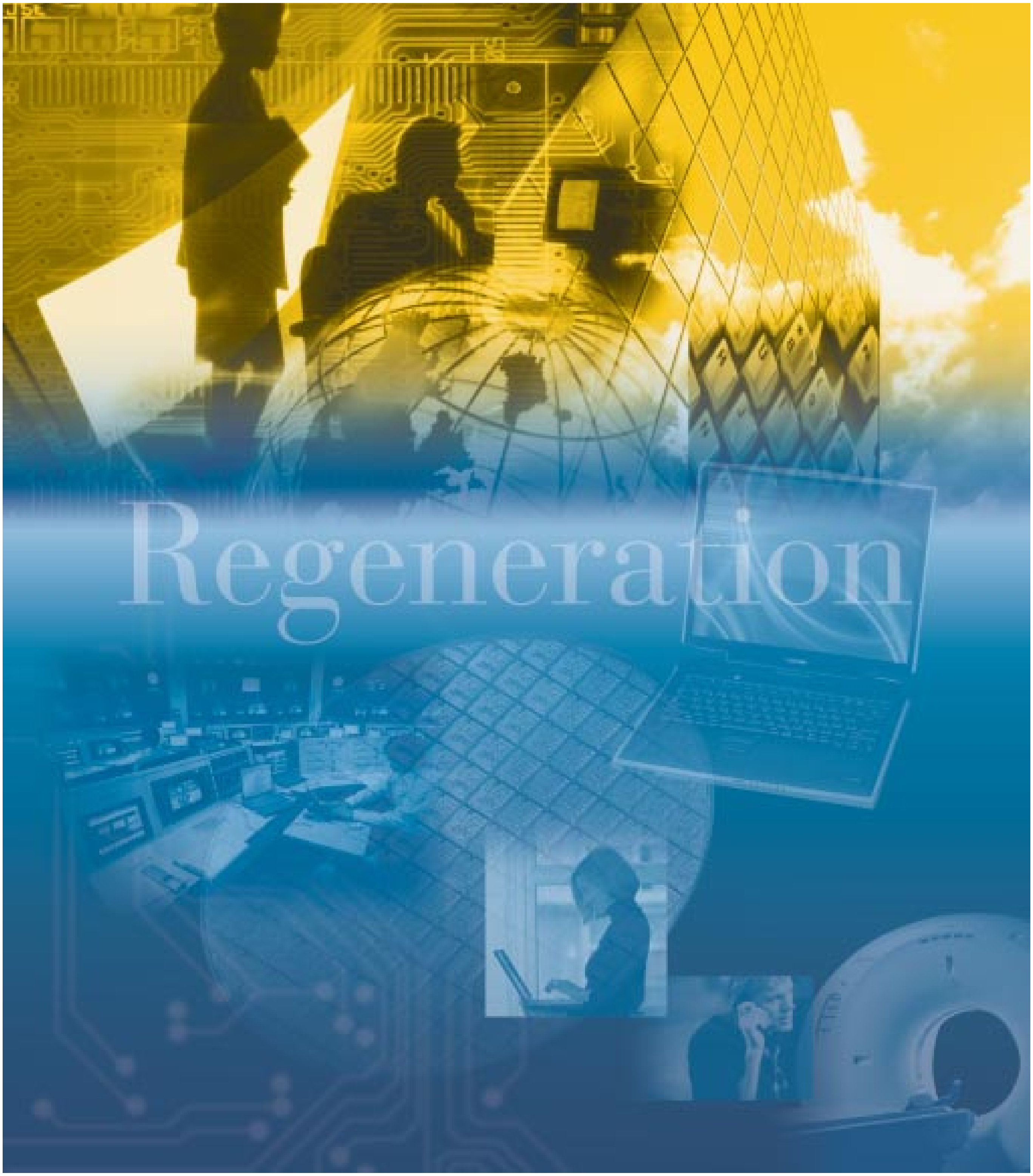
TOSHIBA



TOSHIBA ANNUAL REPORT 2002

Year ended March 31, 2002

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.

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.

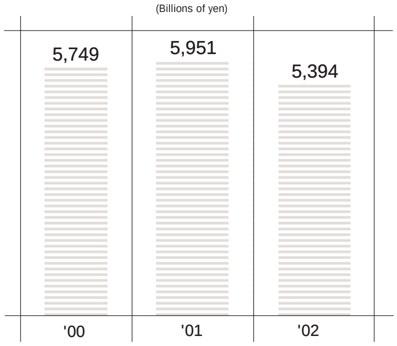
Financial Highlights

Toshiba Corporation and its subsidiaries
Years ended March 31, 2002 and 2001

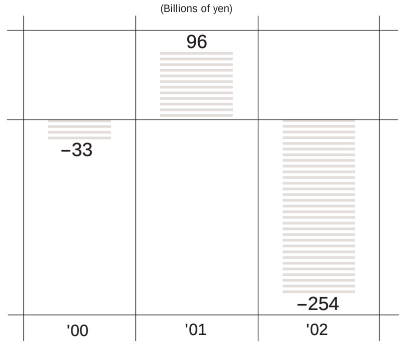
	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Net sales–Japan	**¥3,340,491**	¥3,753,052	**$25,116,474**
–Overseas	**2,053,542**	2,198,305	**15,440,165**
Net sales	**5,394,033**	5,951,357	**40,556,639**
Operating income (loss)	**(113,575)**	232,133	**(853,947)**
Income (loss) before income taxes and minority interest	**(376,687)**	188,099	**(2,832,233)**
Net income (loss)	**(254,017)**	96,168	**(1,909,902)**
Research and development expenditures	**326,170**	327,915	**2,452,406**
Total assets	**5,407,782**	5,724,564	**40,660,015**
Shareholders' equity	**705,314**	1,047,925	**5,303,113**
	yen		U.S. dollars
Per share of common stock:			
Net income (loss)			
–basic	**¥(78.91)**	¥29.88	**$(0.593)**
–diluted	**(78.91)**	29.71	**(0.593)**
Cash dividends	**–**	10.00	**–**
Number of employees	**176,398**	188,042	

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 ¥133=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.

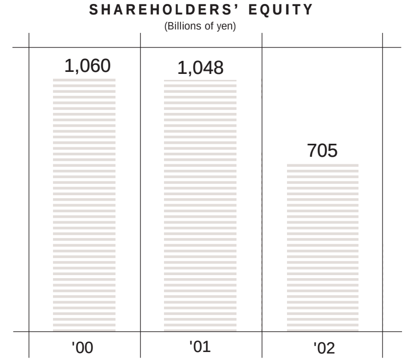
NET SALES
(Billions of yen)



NET INCOME (LOSS)
(Billions of yen)



SHAREHOLDERS' EQUITY
(Billions of yen)



To Our Shareholders

Summary of Fiscal 2001 Operating Results

Harsh business conditions prevailed throughout fiscal 2001, to March 31, 2002. In the aftermath of the U.S. Internet bubble, a slump in demand for IT—in recent years a driver of world economic growth—tipped high-tech industries into global recession. The Japanese economy faced a host of difficulties, chief among them lackluster demand and the tightening grip of deflation. Declines in corporate earnings and accompanying cuts in capital investment made the domestic situation worse, as did employment and wage adjustments that dampened consumer spending.

At Toshiba, we continued the restructuring program initiated several years ago and took vigorous steps to strengthen competitiveness and streamline management with the 01 Action Plan. In this connection, we decided to withdraw from the commodity DRAM business, long a source of volatility in Group profits and a severe drag on results in the current economic downturn. In our core growth businesses, we promoted measures designed to allow us to prosper and prevail in the face of fierce global mega-competition.

Despite these efforts, Toshiba could not avoid the reality of a depressed market and we reported disappointing business results for fiscal 2001. Consolidated Group net sales were ¥5,394.0 billion (US$40,557 million), a 9% decline on a year-on-year basis. An operating loss of ¥113.6 billion (US$854 million), ¥345.7 billion lower than the operating income recorded in the previous fiscal year, resulted in the Group's first ever operating loss. As a result of restructuring charges of ¥208.9 billion (US$1,571 million) incurred in restructuring and a one-off voluntary early retirement program, Toshiba posted a loss before income taxes of ¥376.7 billion (US$2,832 million), ¥564.8 billion below the level of income before income taxes recorded in the previous fiscal year. Toshiba recorded a net loss of ¥254.0 billion (US$1,910 million), a ¥350.2 billion decline from the previous fiscal year.

Total retirement payments, which include additional payments for our limited-term voluntary early retirement program, amounted to ¥174.9 billion (US$1,315 million). This resulted in negative free cash flows of ¥176.4 billion (US$1,326 million).

Progress of the 01 Action Plan

Our efforts for an enhanced business structure have been bolstered by the 01 Action Plan we launched in August 2001. The Plan targets intensified competitiveness and streamlined management, supported by corporate initiatives. The 01 Action Plan is proving successful in many ways, but four I consider particularly noteworthy are:

1) The use of Toshiba Value Created (TVC) to monitor performance, develop strategy and support allocation of resources.
2) Cutting procurement costs by 20%
3) Reducing the Group workforce by 10%
4) Cutting assets by ¥800 billion (US$6,015 million)

TVC has given us a powerful tool for analyzing business performance and developing strategy. Application of stringent TVC standards persuaded us to withdraw from the commodity DRAM business, to establish a joint venture for LCDs with Matsushita Electric Industrial Co., Ltd., and to integrate our power transmission and distribution business with that of Mitsubishi Electric Corporation.

In October 2001, we established the Procurement Innovation Division. This specialist organization is charged with reducing procurement costs by applying innovations that will achieve dramatic reform of Toshiba Group's procurement structure. More than 600 engineers from across the Group have been appointed to the division, to build a bridge between development and sourcing. They are promoting cost reduction measures based on Management Innovation (MI) methodologies, assuring the widest possible use of standard parts and materials from the development stage, expanding electronic procurement, and extending multi-vendor procurement. In fiscal 2001, all these yielded cost savings of ¥340 billion (US$2,556 million), approximately a 10% reduction of total procurement costs. We aim for the same kind of achievement this fiscal year.

The 01 Action Plan envisages a Toshiba Group workforce of 170,000 by the end of March 2004, a 10% reduction against the end of March 2001. Toward fulfilling this target, we initiated a short-term voluntary early retirement program in fiscal 2001 that, along with natural attrition, allowed us to cut our headcount in Japan by some 12,000. At the end of March 2002, the Group had approximately 176,400 employees, and we are on course to achieve our target reduction with a year to spare, by the end of March 2003. Although this resulted in major restructuring charges in fiscal 2001, it will yield savings this fiscal year and in years to come that add to the bottom line.

During fiscal 2001, we reduced total assets by ¥219.4 billion (US$1,650 million) through a wide ranging Asset Light program: ¥31 billion by securitization, ¥54.3 billion by liquidating real estates, ¥25 billion through leasing schemes, and ¥107.6 billion by expanding our global cash management systems.

Taizo Nishimuro, *Chairman of the Board (Left),*
Tadashi Okamura, *President and Chief Executive Officer (Right)*

Collaboration and Joint Ventures

Across our businesses, we are open to collaboration with other leading-edge companies, in order to maximize allocation of assets, reinforce know-how and build market presence and profitability. In fiscal 2001, we entered into joint ventures that will support future growth in key business areas. We have agreed to develop third-generation (3G) cellular phones with Mitsubishi Electric Corporation. In semiconductors, we are working on a next-generation microprocessor with IBM Corporation and Sony Computer Entertainment Inc., and we are investigating a comprehensive tie-up with Fujitsu Ltd., particularly in system-on-chip (SoC) solutions.

Future Business Development

Toshiba defines two broad business areas: Rapid growth businesses and consistent growth businesses, and we will follow the strategies necessary to enhance both.

1. Rapid Growth Businesses: Digital Media, Mobile, Semiconductors, LCDs, Solutions and Platforms

Breathtaking advances in IT are making a reality of digital convergence. And putting the focus on areas where Toshiba has industry-defining capabilities. The emergence of high-capacity broadband networks, especially advances in wireless and video communications, will support our growth in digital, mobile and broadcasting technologies, products and systems.

Toshiba can boast of cutting-edge experience and strong competitiveness in products. Chip sets, displays, computing, imaging know-how and high-capacity storage devices are all must-haves for the broadband age. To these, Toshiba can also add technologies in areas as diverse as image compression, wireless networking and voice synthesis. Adroit integration of these technologies opens the way for Toshiba to bring to market new value-added products and services. To sum up, Toshiba has the ability to meet increasingly diverse customer needs with total solutions.

Our energies will not be confined to manufacturing. The collapse of the dot-com bubble was not the failure of the virtual economy but of an over-optimistic business model. There can be no doubt that, in coming years, people will increasingly turn to the Internet for information, education, entertainment, shopping and much more. We will support this with platform businesses that create e-platforms, the virtual infrastructure for B2B and B2C, and with ASP and other services. We will also realize the wider world of anytime, anywhere delivery of information and services by supporting development in mobile broadcasting and ITS. We see these as areas where we must make a long-term commitment, and as an opportunity to innovate new solutions businesses for new markets.

2. Consistent Growth Businesses: Social Infrastructure, Medical Systems, Power Systems and Home Appliances

As we promote advances in our growth industries, we are also undertaking structural reforms in businesses that provide essential social infrastructure. Our goal here is to reinforce consistent growth by developing globally and enhancing competitiveness by entering new areas of business. We will take the following measures:

1) In Japan, we will further promote alliances even with competitors in the market for better profitability.
2) Overseas, we will accelerate business development by strengthening marketing capabilities.
3) We will fortify our service and maintenance operations in these consistent growth businesses.

We are acting vigorously to promote these measures. For instance, an alliance with AB Electrolux of Sweden is adding a new dimension to our home appliance business, while a comprehensive business relationship with Finland's Kone Corporation in elevators and escalators is allowing us to strengthen our presence in Asia. Our medical systems business was originally grounded in hardware, but we have now developed an extensive service capability, including a comprehensive hospital information system to support hospital and clinic management.

Management Forecast for Fiscal 2002

In fiscal 2001, Toshiba recorded restructuring charges of ¥208.9 billion (US$1,571 million), a significant proportion of the loss before income taxes of ¥376.7 billion (US$2,832 million). However, these restructuring charges are expected to yield ¥182 billion (US$1,368 million) in cost reductions in the current fiscal year, supporting our return to the black in fiscal 2002. We will continue to implement the 01 Action Plan in fiscal 2002 and give top priority to achieving profitability in all business segments. Our aim is a V-shaped recovery in our business results.

On a consolidated basis, Toshiba forecasts an 8% increase in net sales, to ¥5,850 billion (US$43,985 million). As a result of further efforts to reduce procurement costs, the launch of new attractive products and strengthened marketing capabilities, we project a ¥243.6 billion (US$1,832 million) rise in operating income, to ¥130.0 billion (US$977 million). We anticipate income before income taxes of ¥40 billion (US$301 million) and net income of ¥23 billion (US$173 million).

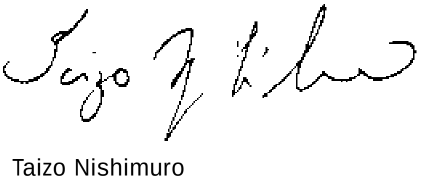
The First Year of "Regeneration of Toshiba"

We foresee sharp and significant changes in the business environment in coming years. As the IT revolution enters its second phase, the divergence between companies that succeed and those that flounder will become even more pronounced.

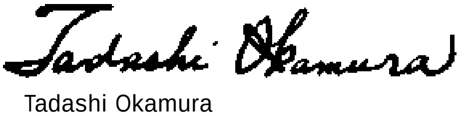
In responding quickly and flexibly to this shifting landscape we are executing the reforms necessary to build a strong corporate group and restore profitability. Our market-driven business strategies, grounded in the "voice of customers (VOC)," allow us to develop innovative products that enhance our global competitiveness. Our goal is to add to the quality of life of all our customers by ensuring that, in all of Toshiba Group's diverse businesses, we use our extensive capabilities and advanced know-how to provide products, services, and solutions that meet real needs and provide true satisfaction. We believe we can enhance brand identity through these activities.

As we make 2002 the year of Toshiba's regeneration, we hope we may continue to enjoy the trust and support of our shareholders, customers and employees.

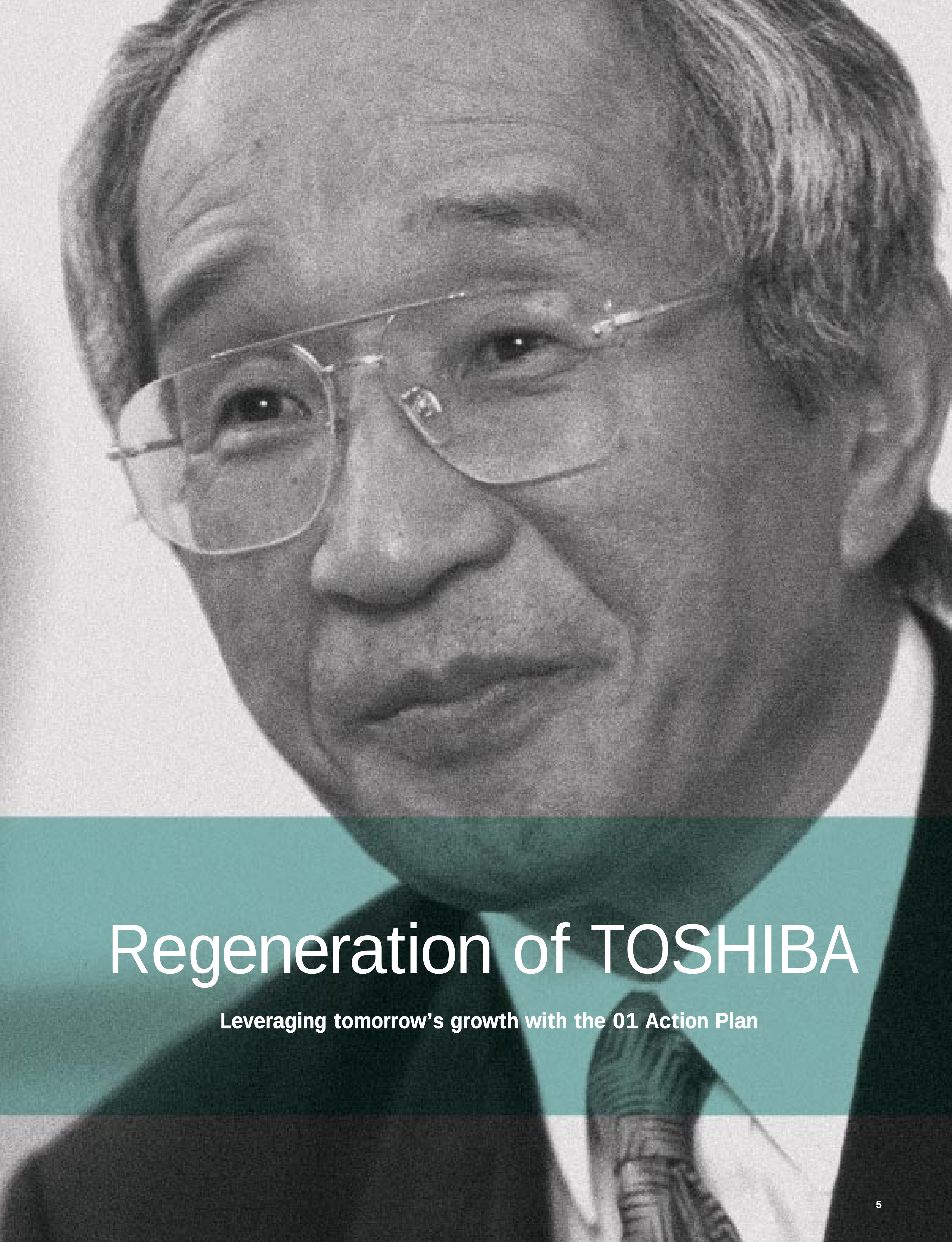
July 2002



Taizo Nishimuro
Chairman of the Board



Tadashi Okamura
President and Chief Executive Officer



Regeneration of TOSHIBA

Leveraging tomorrow's growth with the 01 Action Plan

Withdrawal from commodity DRAMs and strategies to promote the semiconductor business

Q: What factors underpinned your December 2001 decision to withdraw from commodity DRAMs?

A: We thought long and hard about it. Commodity DRAMs have been a significant business, one in which we led the market in the transition to megabit devices. But it is also characterized by highly volatile price fluctuations, to a point that could even undermine the profits of the entire Toshiba Group. Our assessment also showed us that it was no longer possible to achieve the profit level we used to enjoy as an industry frontrunner and the first company to release a high-density DRAM. When we added it all up, we concluded that the benefits from continuing in the business were too small to justify the large risks that came with them. So we decided to withdraw.

Q: You are now concentrating on NAND flash memories. Will this sector also see severe competition?

A: That is very possible, if we just stand pat and do not act. But we will not do that. We have advanced plans to quickly build a solutions-provider business. One aspect of this will be provision of controller technologies that promote the optimal use of NAND flash memories in individual applications. Our strategy here is to avoid a focus on just selling memories themselves, as that is easily affected by price competition.

At the same time, we will work for superior cost competitiveness, using multi-level cell process technology to do so. That will allow us to realize lower costs and lower prices that can support an expansion of applications for NAND. Even as we do that, we want to avoid stimulating the cutthroat competition that plagued our commodity DRAM business, by securing IP, including patents, and by developing leading-edge technologies and a steady stream of distinctive products our competitors cannot easily match. I think I can safely say that we have no concerns for a repeat of the situation that occurred with commodity DRAMs.

Q: What are your strategies for system LSIs and discrete devices?

A: In system LSIs our focus is on system-on-chip (SoC). I know this is a highly competitive field, but we will deploy four strategies designed to make Toshiba a winner in this sector in the years ahead.

First of all, we will strengthen design technology and process development capabilities. We will pay particular attention to design technology, and plan to invest an additional ¥10 billion (US$75 million) a year to strengthen our capabilities.

We are also strengthening our product lines. In addition to the TX series, our MIPS-based processor cores, we are working to reinforce and expand sales of embedded memory and analog SoC with powerful processor cores. These efforts are supported by quickened development of the "Cell," a new and powerful microprocessor core we are currently developing with IBM Corporation and Sony Computer Entertainment Inc. And, of course, Toshiba will also continue to develop DRAM technologies necessary for SoC.

In our third strategy, Toshiba will concentrate on four areas where significant growth can be reasonably anticipated: digital consumer products, mobile products, intelligent offices, and automotive devices. We will also support the networks that will link these four, and do all we can to strengthen our relations with leading customers.

Finally, we will reorganize our manufacturing in two ways. We will increase outsourcing of our wafer fabrication and assembly processes, and expand overseas production, particularly in China, where we are building up our manufacturing structure and capabilities and increasing product assembly.

In discrete devices, we will take full advantage of our superiority in small and multi-pin-count packages and low-voltage operation to sustain our worldwide No. 1 market share and maintain high profitability.

The LCD business

Q: Toshiba and Matsushita Electric Industrial Co., Ltd. have a new joint venture for LCDs that began operation in April. What outlook do you see for the future development of this business?

A: Toshiba Matsushita Display Technology Co., Ltd. (TMDT) combines our LCD development, manufacturing, and sales operations with those of Matsushita's. It's an excellent match, because it brings together our know-how in large-sized, low-temperature polysilicon (LTPS) TFT LCDs and Matsushita's high-speed, high-resolution LCD technologies for TVs. That combination gives us the potential to be a leader in the world market. Our leadership in LTPS TFT LCDs also gives us an edge in development of full color organic light emitting displays (OLEDs), next-generation displays that offer higher resolution and a slimmer display. We are making progress in OLED development and mass production is now slated to start in 2003. In the interim, TMDT will open a new production facility in Singapore in August 2002 that will produce large-sized LTPS TFT LCDs for portable PCs, monitors, and TVs. All-in-all, we are well positioned, with the right products and the right road map to the future.

Portable PCs

Q: What are your strategies for your portable PC business?

A: This is one of Toshiba's core businesses and one I want to see further strengthened in all areas, from development to logistics. For instance, in 2001 we established a system for direct delivery to the North American market of portable PCs manufactured at our Philippine facility. However, we know that success depends on offering great products that win in the market place. To support us in this we established two technology centers at our main PC facility, Ome Operations in Tokyo, the Core Technology Center and the Digital Media Development Center. These integrate our development and engineering capabilities in computing, visual imaging, communications and storage devices and will help assure that Toshiba continues the timely launch of distinctive products that integrate innovative technologies. These measures are already bearing fruit. In the January-March quarter of 2002, Toshiba regained the worldwide No. 1 share of the portable PC market for the first time in nine months*.

We are also working to enhance the profitability of the portable PC business by sharpening our cost competitiveness. Toshiba Information Equipment (Hangzhou) Co., Ltd. in Hangzhou, Zhejian, China, will contribute to this. We established this company in June 2002, and it will start mass production in April 2003. Toshiba will sharpen its cost competitiveness in global markets and reduce product development lead times while independently developing leading-edge technologies, including fuel cells and Voice over IP technologies, a step ahead of competitors. We will also emphasize the integration of these technologies into new products to strengthen product competitiveness as we further expand our portable PC business.

*(Source: IDC Survey)

TVC

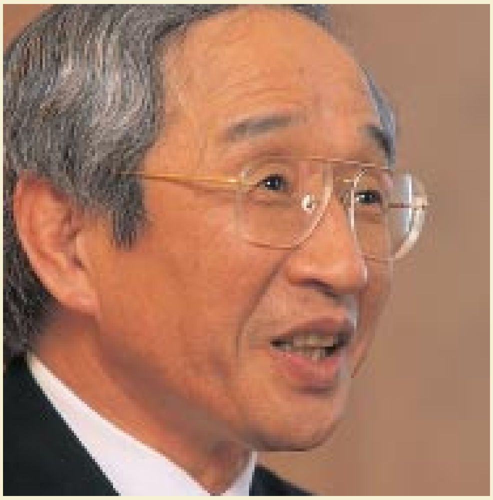
Q: What exactly is Toshiba Value Created and how do you use in restructuring your business?

A: TVC is management tool that we developed to gauge the value creation of our businesses. Basically, it measures results against the cost of capital invested in each business. Any business that shows worsening TVC for two consecutive fiscal halves is designated as requiring monitoring and is encouraged to implement improvement measures. If TVC continues to worsen for a further two consecutive fiscal halves, the business becomes a "selected business" that is subject to measures that include merger in a joint venture with another company, sale, or withdrawal from the business.

- **Withdrawal from business**
  Withdrawal from commodity DRAM business

- **Established JV to assure survival**
  Aerospace business JV with NEC Corporation
  Power transmission and distribution JV with Mitsubishi Electric Corporation

- **Established JV to strengthen competitiveness**
  LCD business JV with Matsushita Electric Industrial Co., Ltd.



Improvement of the financial structure

Q: There is some concern about a weakening of Toshiba's financial structure. What measures is Toshiba taking in this area?

A: Toshiba is focused on reducing debt and improving the debt-to-equity ratio. Unfortunately, our performance in the harsh business conditions of fiscal 2001, plus heavy restructuring charges, resulted in a sharp drop in shareholders' equity. Although we minimized the rise in debt, thanks to moves to improve asset efficiency and advance our Asset Light asset-reduction program through our 01 Action Plan, the debt-to-equity ratio rose to 258%, due to the decline in shareholders' equity. If we exclude debt held by Toshiba Group financial companies, that ratio was still 191%. In these circumstances, Toshiba has to bolster its financial structure by generating cash flows. That means moves to strengthen profitability and to further reduce assets. We expect that the measures we are taking under the 01 Action Plan will allow Toshiba to reduce debt from fiscal 2002 on, to improve the debt-to-equity ratio, and also raise our credibility in global capital markets.

Toshiba's vision of the digital, mobile, networked society

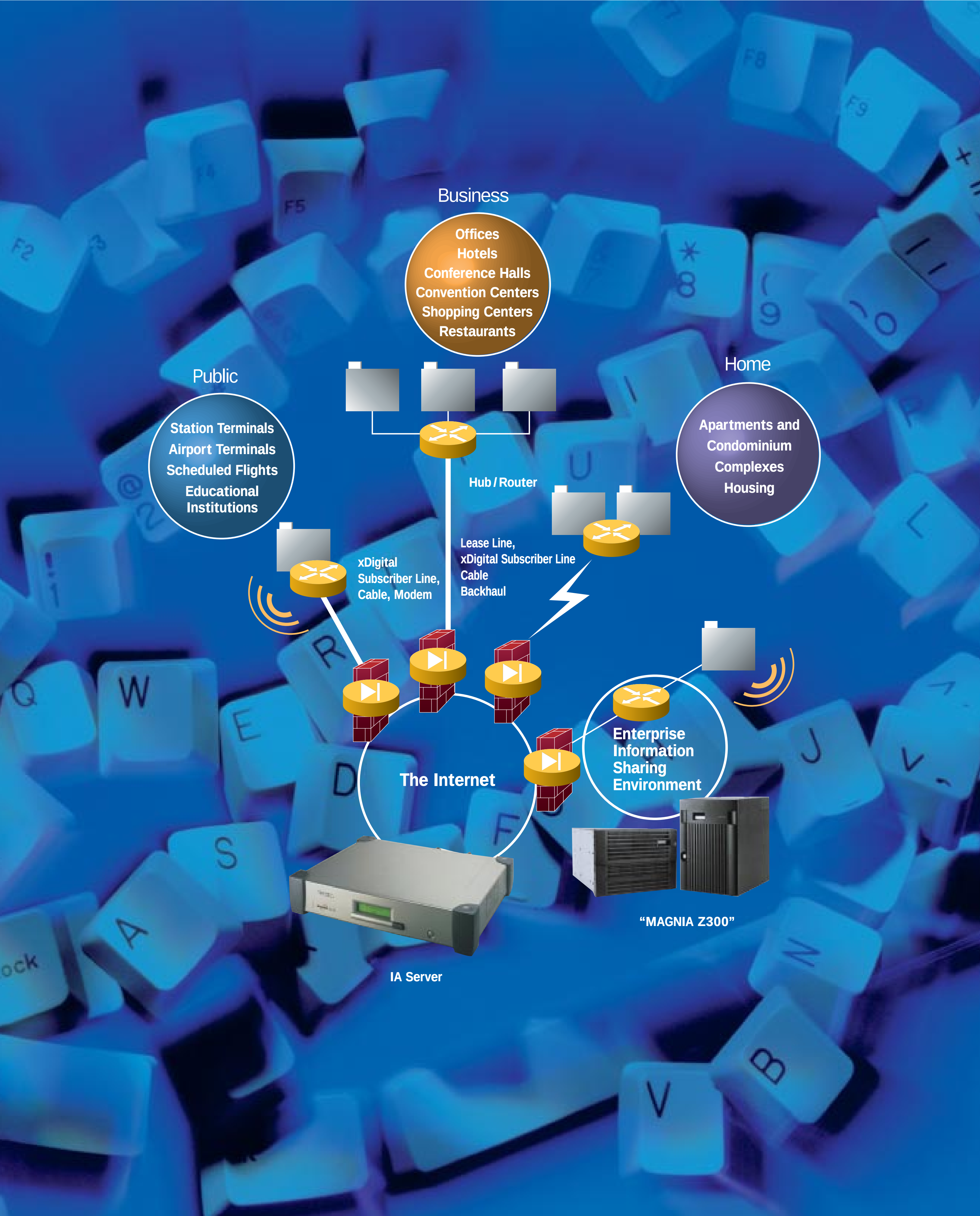
Q: The spread of broadband and wireless communications is spurring digital convergence. What products and services will this allow Toshiba to offer?

A: Toshiba remains committed to leading the industry in creating new-concept products and in innovative products that integrate digital and mobile communications technologies. I have already mentioned the new development centers at Ome. They bring together about 3,000 development and design engineers from our Digital Media Network Company and Mobile Communications Company who used to be located at five locations, with little contact with one another. At Ome, they will be able to work together, allowing people from different fields to share know-how and ideas. I expect this to enhance technology development, particularly in software. It will certainly support us in developing products that integrate diverse technologies and in developing technologies that anticipate market needs. We expect significant results in this area.

The emergence of Korean, Taiwanese, and Chinese companies

Q: Recently there has been a conspicuous emergence of Korean, Taiwanese, and Chinese companies, particularly in semiconductors and LCDs. What strategies will Toshiba implement to compete with these companies?

A: Our Asian competitors enjoy competitive advantages—outstanding technologies for mass production and the support of low-cost, capable labor forces—that pose severe challenges to Toshiba. That said, we are moving ahead with strategies focused on utilizing the technology and production technologies of very aggressive Asian companies to preserve our international competitiveness. We also recognize the growing importance of benchmarking the outstanding aspects of these companies. However, I believe that we maintain superiority over these competitors in product creation, including applications and software. Take our Semiconductor Company. It has a wide range of know-how, from world-leading discrete products to SoC, and it can enhance this by working with our in-house set makers, our PC and TV businesses, for example. This gives us a chance to provide a knowledge edge in supporting other customers. In addition, we will strengthen our close, long-term ties with leading domestic and overseas companies. I am confident that we have the technological capabilities needed to respond to the demands of our customers in a timely manner.


Business
Offices
Hotels
Conference Halls
Convention Centers
Shopping Centers
Restaurants
Public
Station Terminals
Airport Terminals
Scheduled Flights
Educational Institutions
Home
Apartments and Condominium Complexes Housing
Hub / Router
Lease Line, xDigital Subscriber Line Cable Backhaul
xDigital Subscriber Line, Cable, Modem
The Internet
Enterprise Information Sharing Environment
"MAGNIA Z300"
IA Server

Wireless & Seamless Office

1) THE “WIRELESS & SEAMLESS” OFFICE

Toshiba’s “Wireless & Seamless” office technology gives users simple anywhere, anytime network connectivity. It’s an innovative solution that allows us to make a major contribution to enhancing the flexibility of business life.

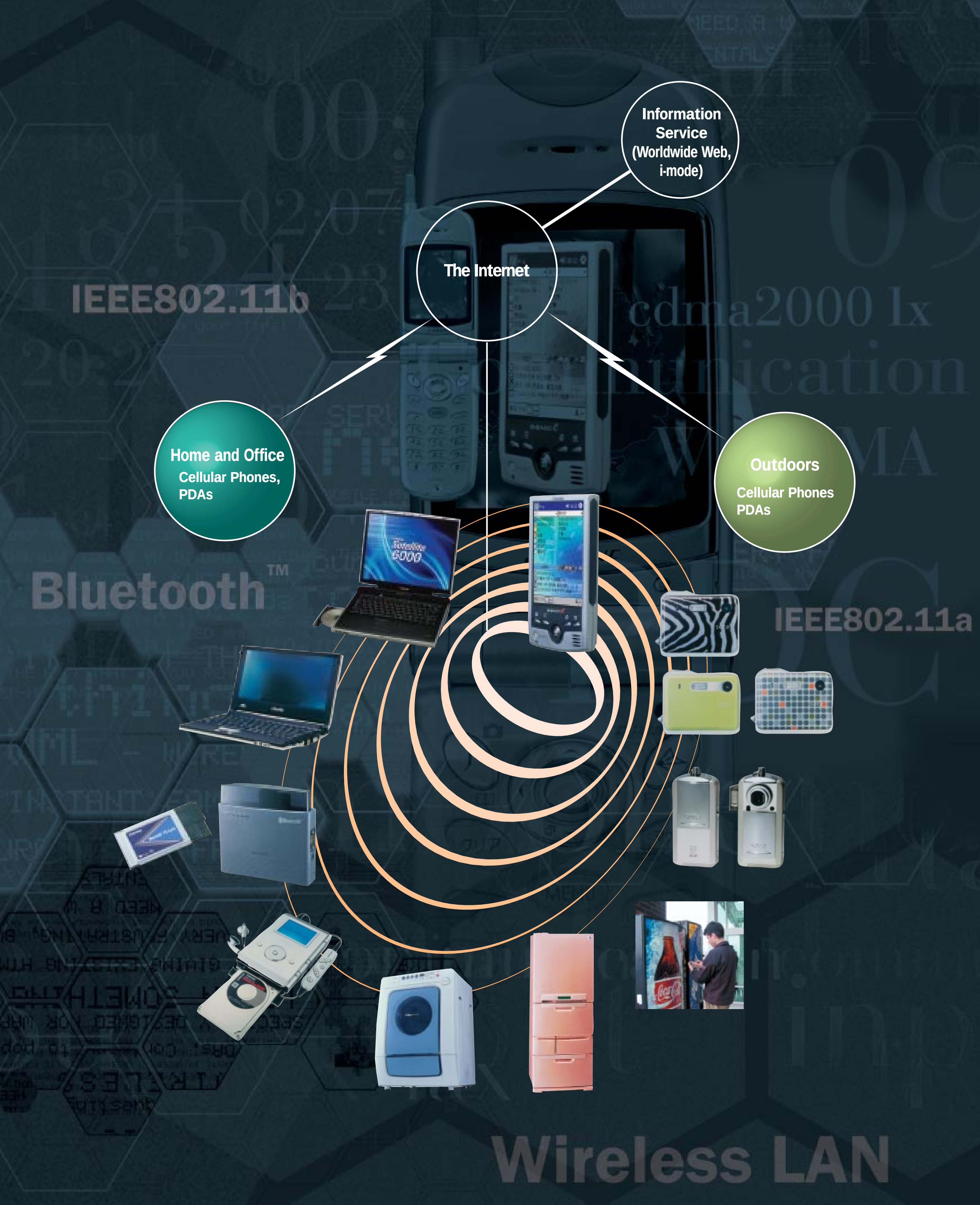
Bluetooth™ and wireless LAN technology support wireless connections between portable PCs and cellular phones, PDAs, printers, projectors and access points. And the office and its tools are with you wherever you go, as wireless capabilities allow direct links from hotels, airports—everywhere.

Once setup is done, operation is completely routinized. For example, e-mail can be automatically received at a portable PC via a cellular phone in your pocket. A portable PC and PDA can synchronize and update one another—even while they are in a briefcase.

Toshiba is the vanguard of directing advanced technologies to the development of networked devices that enhance the workplace and productivity. Our diverse product line-up include wireless servers that free work groups from the spatial limitations of cables, and a multi-platform electronic conferencing system that provides a forum for open discussion.

When Toshiba introduced the world’s first portable PCs, it brought undreamed of mobility and flexibility to the workplace. With the wireless & seamless office, Toshiba takes this to the next level, bringing all the advantages of powerful networking capabilities to the office environment without the compromises to freedom that come with the ties of cables. The wireless & seamless system is the office of tomorrow, and a Toshiba solution today.

Toshiba supports the wireless & seamless office with industry-leading technologies for portable PCs, including 1.8-inch HDDs, ultra-thin magnesium cases, LTPS TFT LCDs and advanced cooling and power-management technologies.



Information Service (Worldwide Web, i-mode)
The Internet
Home and Office
Cellular Phones, PDAs
Outdoors
Cellular Phones
PDAs
IEEE802.11b
cdma2000 1x
Bluetooth™
IEEE802.11a
Wireless LAN

Mobile Communications

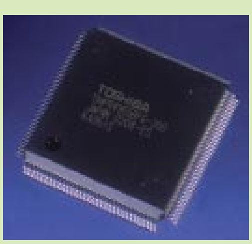
2) MOBILE COMMUNICATIONS

The Mobile Communications Concept

The essence of broadband is always-on connectivity, and Toshiba is making that possible through products and technologies that allow anywhere, anytime connection to the Internet. Toshiba's extensive know-how in mobile communications ranges from essential ICs to advanced products, systems, and market-defining services. Toshiba draws on the diverse capabilities of its in-house companies, subsidiaries and affiliates to create high value-added products and services.

Wireless entertainment networks enter the home with the "TransCube 10". It brings TV and video to portable PCs, supports video and data recording to an HDD, and provides access to multiple high-speed Internet connections.

"FEMINITY" home appliances are linked to the Internet via Bluetooth™. The industry's first wireless network for the home, "FEMINITY" can even download suggested dinner menus from its dedicated web site to the network's home terminal.



This new 64-bit RISC microprocessor, designed with 0.13µm process technology, brings the power of 300MHz operation to digital consumer applications.

Mobile Network Devices

Toshiba's portable PCs have long been the world's favorite. These PCs, and our PC servers and related devices, are supported by cutting-edge technological capabilities and a dedication to excellence. The advent of broadband communications makes it possible to access and download high-resolution motion pictures and high-quality sound recordings anywhere and at any time. Toshiba responds to these needs with advanced technologies, including MPEG4 imaging and high-resolution TFT LCDs.

Ubiquitous Headset

Our Bluetooth™ headset provides hands-free operation of PCs, PDAs and home appliances. It is the first device of its kind to combine wireless communications and voice recognition technologies.

TransCube

With the May 2002 release of the "TransCube 10" wireless home media station, Toshiba brought a new level of capability to networked home entertainment. "TransCube 10" integrates a TV tuner, a 72-hour HDD video recorder and support for multiple high-speed Internet connections. Its wireless LAN connectivity allows transmission of TV or video images to a portable PC anywhere in the home wireless network. "TransCube 10" is just the first of a series of wireless home media stations Toshiba will introduce.

Internet Home Appliances

The April 2002 release of the "FEMINITY" series of networked home products is the first step toward a complete wireless home management system. Remote control via a PC, PDA or cellular phone of the Bluetooth™-enabled refrigerator, washing machine and microwave oven now available will soon be extended to air-conditioning, lighting and more. Increasingly advanced services will be supported by the "FEMINITY" web site, as part of a continuing evolution that will make "FEMINITY" the centerpiece of the electronic household.

Electronic Components and Core Technologies

SEMICONDUCTORS

Mobile networking equipment must be versatile enough to access the Web and allow downloads of image and music files, yet it also has to be small, slim, light and, most of all, truly mobile. Toshiba semiconductors deliver all these capabilities, along with high-speed operation and low power consumption. Toshiba products span three key areas: NAND flash memories, LSIs for image compression and high-speed communications, and discrete devices mounted in ultra-small, multi-pin-count packages.

DISPLAYS AND BATTERIES

Toshiba's lithium-ion secondary batteries bring smaller sizes, weight reductions and longer battery times to mobile information equipment. Pioneering capabilities in LTPS TFT LCDs and position Toshiba for early leadership in OLEDs, scheduled for commercialization in 2003.

WIRELESS TECHNOLOGIES

Toshiba is in the forefront in promoting wireless communications technologies, such as Bluetooth™ and wireless LAN, and their integration in home networks and home appliances.

BLUETOOTH™

As the only Japanese founder member of the Bluetooth™ Special Interest Group (SIG), the trade association that defines and promotes the specification, Toshiba is working to advance the worldwide penetration of Bluetooth™ and sees it as a prime solution for wireless links between all kind of products, from PCs to cellular phones, peripheral equipment and home appliances.

An Age of New Advances

Newly Defined

April 1999 saw Toshiba lay the cornerstone of its continuing structural reforms: adoption of the in-House Company System.

Ten in-house companies operate today. Each one covers a clearly defined segment of Toshiba's wide ranging business interests in Information & Communications Systems, Social Infrastructure Systems, Power Systems, Digital Media, Home Appliances, and Electronic Components. Each has the operating autonomy required to develop the business strategies and operating style that best suits the realities of its market.

To facilitate business development and market success, Toshiba has defined two overarching businesses categories, Rapid Growth and Consistent Growth, and assigned the in-house companies to their appropriate category.

Rapid Growth: Digital Media Network, Mobile Communications, iValue Creation, Semiconductor, Display Devices & Components, and e-Solutions

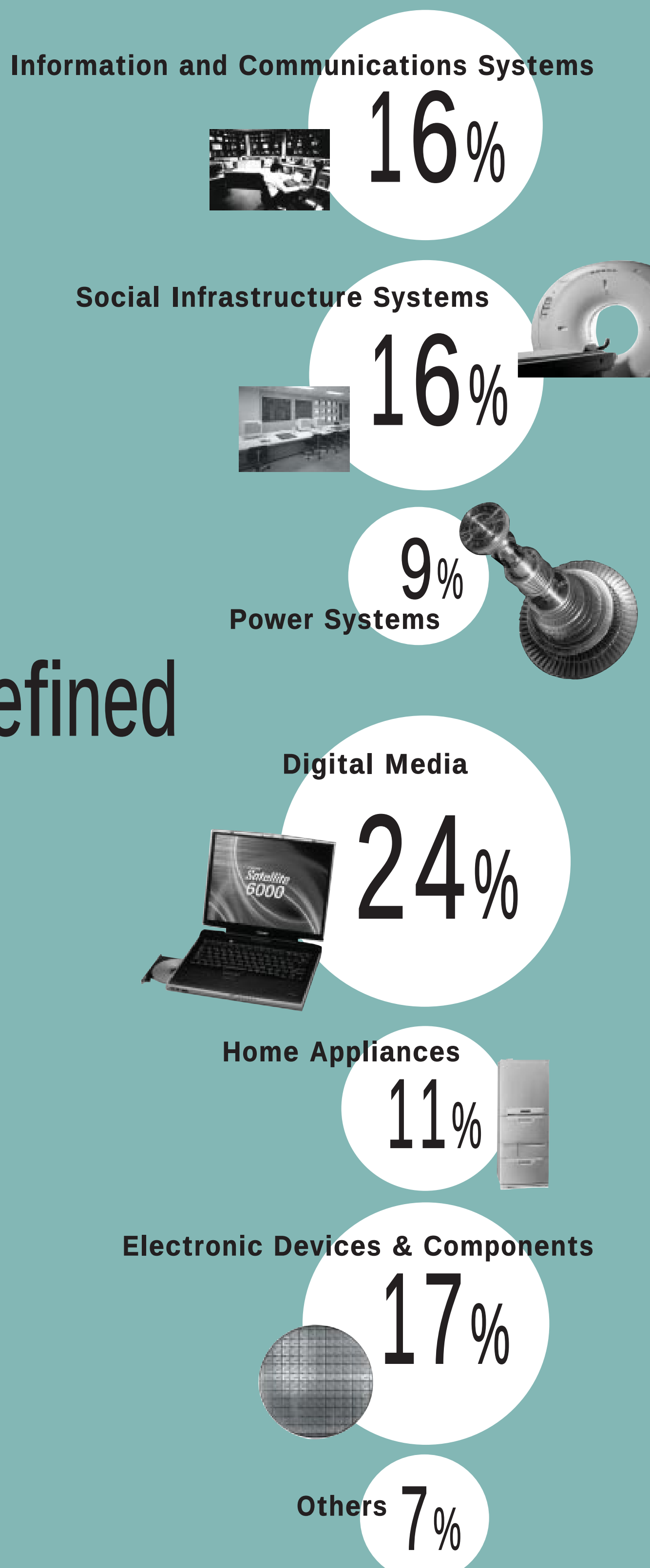
IT offers seemingly endless opportunities for innovation. Most recently that has translated into the deployment of broadband communications, including striking progress in wireless communications. Toshiba contributes to advances in IT through its vast experience and competitiveness in computing, image processing, communications, and data storage. To this, Toshiba adds a wide range of elemental technologies in areas as diverse as image compression and wireless networks. The result of their integration is value-added products that define new capabilities and markets and that support drives into areas with high growth potential that strengthen Toshiba's overall business.

Toshiba defines two broad business domains that it sees as drivers for rapid growth and future business: the Individual domain, embracing such products as portable PCs and personal mobile equipment; and the Components domain, including semiconductors and displays. The in-house companies direct their advanced know-how in these two domains toward the early development of products and total solutions that meet diversifying customer needs.

Consistent Growth: Social Infrastructure Systems, Medical Systems, Power Systems, and Home Appliances

The Industrial and Social domains are stable fields where Toshiba is devising mechanisms to guarantee consistent profits. Toshiba is promoting three strategies to enhance competitiveness in Japan and on the global scale:

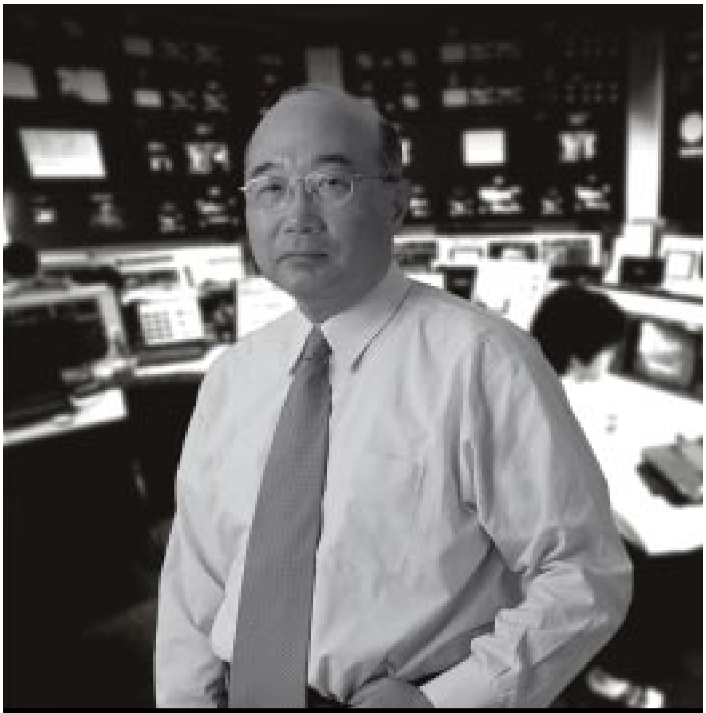
* Japan: Continue to promote alliances that contribute to enhanced profitability, including alliances with competitors.
* Overseas: Promote business development by strengthening marketing capabilities.
* Fortify service and maintenance operations, particularly through the application of IT know-how.



(%: Share of Sales in Fiscal 2001)

Strategic Business Domains

	Consistent Growth Businesses	Growth Businesses
e-SOLUTIONS COMPANY		●
SOCIAL INFRASTRUCTURE SYSTEMS COMPANY	●	
MEDICAL SYSTEMS COMPANY	●	
POWER SYSTEMS & SERVICES COMPANY	●	
DIGITAL MEDIA NETWORK COMPANY		●
MOBILE COMMUNICATIONS COMPANY		●
iVALUE CREATION COMPANY		●
HOME APPLIANCES COMPANY	●	
SEMICONDUCTOR COMPANY		●
DISPLAY, DEVICES & COMPONETS COMPANY		●



e-SOLUTIONS COMPANY President **SHINSUKE KAWAMURA**

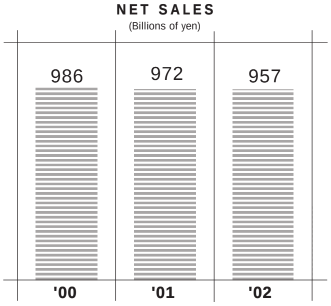
Information & Communications Systems

e-SOLUTIONS COMPANY

The e-Solutions Company supports the public and private sectors with a wide range of services. The diversity of our capabilities can be seen in corporate SI and solutions services, e-government systems for both national and regional governments, "digital media solutions" for the digitization of broadcasting, newspapers and other mass media, and in ASP outsourcing and network integration services. At the heart of our business is "collaborative innovation," close relations with our customers and business partners in which we draw on our experience as an IT user and develop and support an extensive range of technologies. We are ready for the second phase of the IT revolution and its dynamic integration of information, telecommunications, broadcasting and imaging.

The Information & Communications Systems is a new segment established in April 2001. It brings together the IT-related businesses of the former Information, Communications & Social Systems segment.

Consolidated sales in the Information & Communications Systems segment were 2% lower year-on-year, at ¥956.7 billion (US$7,193 million). This is largely attributable to continued sluggishness in private sector demand for equipment and systems, the result of the prolonged economic turndown, and further curtailment of capital expenditure. As intensified competition drove prices down, segment operating income declined 59% against the year-earlier period, to ¥9.7 billion (US$73 million).



The e-Solutions Company is at the heart of the segment. It operates system integration (SI) and solutions businesses that provide services related to the overall life cycle of computer systems, and platform businesses that supply components that support SI and solutions businesses and related integration services. The company emphasizes four core business areas:

* Solutions that use Toshiba's own systems as references, including Enterprise Resource Planning (ERP) and Supply Chain Management (SCM), and solutions developed through our expertise as a manufacturer.
* "e-Japan," which develops e-government systems for both local and national government.
* Digital media solutions for establishing new business models through tie-ups with broadcasting, newspapers and other media.
* ITS, which aims to develop SI businesses based on our core technologies for voice and image processing.

We are making efforts to enhance our services and solutions capabilities across diverse business as an Application Service Provider (ASP) and a provider of other outsourcing services, network integration services and security.

In this connection, we promote alliances that strengthen our capabilities. In June 2001, we established Enterprise Business System Solutions Corporation, a joint venture with Accenture and Oracle Corporation Japan that provides solutions services to clients wishing to take advantage of ERP. Services provided range from consultation to system design, development and extension. We also established Toshiba T.D. Education Co., Ltd., a joint venture with TAKARA Co., Ltd. and Dai Nippon Printing Co., Ltd. that has developed and distributes an innovative educational platform and related materials.

Toshiba has taken an aggressive approach to upgrading Group business systems in the face of a fast-changing information and communications systems market. In October 2001, to bolster our competence in IT-related engineering and marketing capabilities, Toshiba spun off the Tokyo System Center, an engineering section of the e-Solutions Company, integrating it with three other companies in Toshiba IT-Solutions Corporation. More recently, Toshiba Communication Systems Co., Ltd. was established in July 2002. This move enhanced our total engineering capabilities in communications systems by bringing together two group companies and part of Hino Operations in Tokyo.

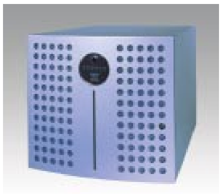
In digital media solutions, the move to digital broadcasting is driving demand for equipment for broadcasting satellite (BS) and communications satellite (CS) and terrestrial broadcasting. At the same time, demand for systems solutions for present media platforms is being stimulated by digitization of broadcast content.

Toshiba is a major shareholder in Mobile Broadcasting Corporation, a digital satellite broadcasting company that will broadcast programming, music and information to vehicles, car navigation systems and newly developed portable information terminals when it starts service in early 2004. The company has attracted considerable investor interest, and SK Telecom, a South Korean cellular phone service provider and NTT Data Corporation are recent members of the consortium.

ep Broadcasting Corporation and ep Corporation, joint ventures between Toshiba, Matsushita Electric Industrial Co., Ltd. and other major Japanese companies, have started the world's first storage-type interactive services. These services allow viewers and listeners to record their favorite BS and CS programs to an HDD and provide interactive functions allowing users to enjoy TV shopping and information services via the Internet.

Our commitment to developing new capabilities and services can be seen in the paperless ticketing service. "Fresh Ticket," an e-ticket/coupon system will be adopted by major Japanese broadcasting companies, including BS Nippon, TBS and TVK.

Toshiba will continue to develop an effective IT-solutions business by concentrating resources on profitable areas and by promoting alliances and structural reforms in our businesses. We will deliver advanced technologies that provide essential infrastructure for manufacturing, distribution, financial institutions, mass media and government and add value to these with total SI and solutions services.



With the "ArrayFort Series" of disk arrays, companies can configure highly reliable storage area networks (SANs).

Toshiba's production monitoring and control system for a brewing company realizes an open, streamlined system. Close integration with the host system realizes real-time process management.

High-speed, huge-volume, secure stock transactions are assured by the trading system Toshiba developed to support front-end operations at a leading Japanese securities company. The system supports customization of information by users.

SOCIAL INFRASTRUCTURE SYSTEMS COMPANY

Our mission is simple but essential: to build the infrastructure that society depends on.

To do that, we provide comprehensive support, from systems development through to servicing and operations, for a wide range of essential infrastructure: community infrastructure such as water supply and sewerage systems; building management; public facilities; environmental protection; transportation infrastructure for roads, railroads and airports; and industrial infrastructure that supports plant and equipment for manufacturing industries.

Today's infrastructure demands higher levels of safety, usability and convenience, as well as consideration of the global environment and improved system efficiency. We achieve these targets with advanced technology, reliable systems and components, and top-quality services. Working together with our customers, we create value that provides a bridge to a more prosperous tomorrow.

SOCIAL INFRASTRUCTURE SYSTEMS COMPANY President ***TSUYOSHI KIMURA***

Social Infrastructure Systems

The Social Infrastructure Systems is a new segment established in April 2001. It brings together the Social Infrastructure Systems Company, the Medical Systems Company and Toshiba Elevator Corporation.

Toshiba supplies the carbody and all electrical and electronic systems for Japan Freight Railway Company's "EH500" type electric locomotive.

Cuts in domestic public spending combined with weak public sector demand and reduced capital expenditure in the private sector, particularly by manufacturing companies, reduced revenues in our social and industrial systems businesses. Transportation businesses also saw large revenue decreases due to the curtailed facility investments by the Japan Railway Group and other railroad companies.

The medical systems business overcame severe conditions in its domestic and overseas markets to generate profits. In Japan, reforms to the medical service system made health-care providers more concerned for cost effectiveness. That, combined with inroads made by overseas manufacturers, intensified price competition. The medical information systems business grew, reflecting the national government's initiatives to promote the use of IT and networking at medical institutions. The elevator and escalator business saw lower sales, largely because of declines in sales prices. Overseas, business was hit by deteriorating market conditions that accompanied the economic slowdown in the United States and Asia, as well as by sharp drop in facility investment in the United States.

Consolidated sales in the Social Infrastructure Systems segment reached ¥955.3 billion (US$7,183 million), a 2% decrease against the previous fiscal year. However, operating income increased 46% from the previous fiscal year, to ¥13.6 billion (US$102 million), on the strength of new products in the medical systems and elevator and escalator businesses and far-reaching initiatives to cut costs.

Looking to the long term, the Social Infrastructure Systems Company is bolstering profitability in key areas of infrastructure provision. Demand is growing for efficient infrastructure that fully meets demands for safety, comfort and convenience while showing every consideration for environmental impacts. Toshiba has developed comprehensive businesses that deliver the latest technologies, reliable system components, diverse services and operations in the following areas:

* Public systems: Our goal here is to promote new service businesses supporting public systems such as water supply and sewerage systems, in areas including Operation & Maintenance (O&M) and Private Finance Initiatives (PFIs).
* Buildings and public facilities: Building and Energy Management System (BEMS), our new energy conservation services for buildings, started to offer an IT-based total solution in improving the efficiency of air-conditioners, light and other facilities.
* Railroad infrastructure: Japan's first integrated Micro-Electronics (ME) system, deploys a single

processor to conduct digital processing across the range of functions—protection, connection, supervision, measurement and collection of data for archiving—required to operate the substations used by railroad companies. We are also developing new types of services, including distribution of information to station facilities.

* Manufacturing infrastructure: Our new application software package allows remote control of instrumentation in production plants using i-mode cellular phones as a part of the remote surveillance and control systems. We are aggressively marketing the package.

MEDICAL SYSTEMS COMPANY

The Medical Systems Company provides medical institutions around the world with medical imaging diagnosis instruments, including X-ray equipment, X-ray CT scanning devices, ultrasonic equipment, MRI machines and nuclear medical equipment, as well as advanced medical solutions systems, such as medical image storage and management systems and hospital information systems.

With the advantage of having a broad array of customers as Japan's leading solutions provider, we provide not only imaging diagnosis machines but also medical-related "enterprise solutions" that help medical organizations streamline their management. Always aware of just how precious life is, we strive to create new value in medical care, health and welfare so that people can enjoy healthy lives.

MEDICAL SYSTEMS COMPANY President ***MASAMICHI KATSURADA***

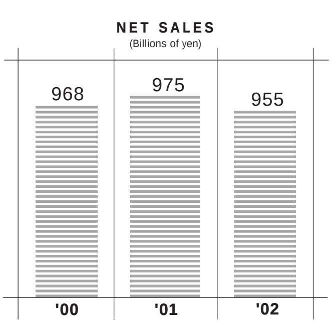
"The Aquilion Multislice" provides detailed diagnostic image data on vessels as fine as the capillaries and supports urgent treatment for emergency patient. From the aspect of hospital management, the system shortens patient examination times, contributing to increased efficiency and cost reductions.

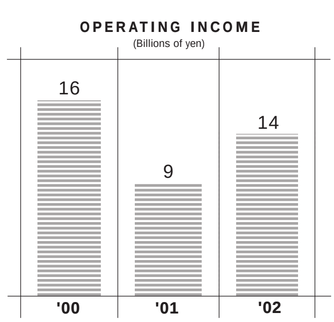
In our medical system business, fiscal 2001 saw a severe market environment in Japan, though ultrasound diagnostic equipment and MRI systems achieved good sales. Exports of CT, ultrasound diagnostic equipment and MRI systems generated stable profits, helped in part by the depreciation of the yen.

Toshiba is the Japanese market leader in X-ray CT scanning system. We strengthened that position with the launch of "Aquilion Multislice System," the world's first multiple-slice CT scanner capable of simultaneous imaging of 16 slices, with a minimum width of 0.5mm per slice and a speed of 0.5sec per rotation. Among our ultrasound diagnostic systems, full-color "Nemio" enjoyed robust sales. Our many years of experience in Japan and overseas allows Toshiba to promote research and development projects with medical institutions of world renown. We will also use our global sales network to further develop our position in the world market for image diagnostic imaging equipment.

The Technical Assistance Center was established in December 2001, integrating the functions of the medical service and engineering divisions to provide high value-added "preventive maintenance" of medical equipment using remote maintenance systems.

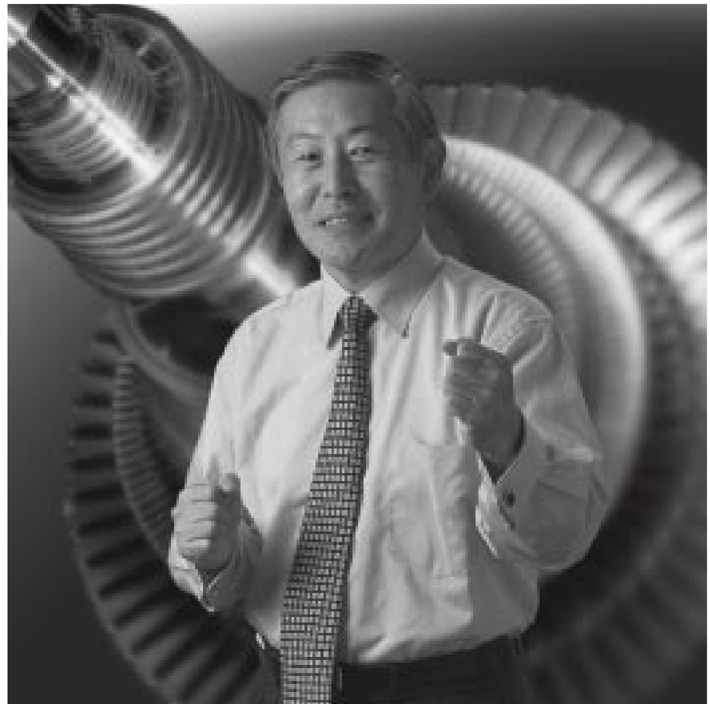
Toshiba Elevator Corporation concluded a capital tie-up with Kone Corporation of Finland in December 2001, with which Toshiba has had a technical alliance with since 1998. The capital tie-up reinforces this and is a step toward closer cooperative relations in the overall elevator and escalator business. The world elevator and escalator market, including maintenance, is estimated to be worth ¥3,000 billion (US$22,556 million) a year. Kone's mechanical engineering capabilities, and firm roots in the European and U.S. markets, complements Toshiba Elevator Corporation's high-speed and invertor technologies and its presence in Asia. The partnership will enhance our competencies while reducing costs and improving service capabilities, enabling us to take our business to the global scale.





POWER SYSTEMS & SERVICES COMPANY

With the worldwide trend toward deregulation, the market for electric power is becoming increasingly borderless. The Power Systems & Services Company is stepping up global operations in all aspects of its activities, including manufacturing, sales, R&D and services. In doing so, we call on the depth of experience the company has built up over the course of its long history and on the world-class technical capabilities we enjoy today. We are aggressively seeking new business opportunities for our services and energy solutions, so that we can continue our evolution from a leading Japanese company to a leading global company.



POWER SYSTEMS & SERVICES COMPANY President ***TOSHIYUKI OSHIMA***

Power Systems

Chubu Electric Power Co., Ltd.'s No. 5 Unit at Hamaoka Power Station, currently under construction, integrates Toshiba's most advanced ABWR. (Picture: Installation of nuclear reactor vessel)

Toshiba's No.3 position in the 2001 global market for steam turbines has recently been strengthened by supply of equipment to many thermal power plants in North America.

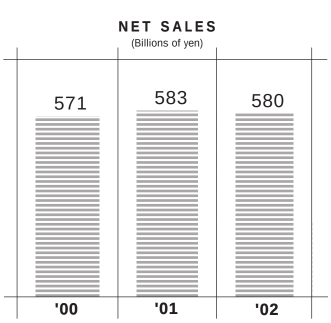
The Power Systems segment recorded sales of ¥579.6 billion (US$4,358 million) in fiscal 2001, only 1% lower than for the year-earlier period. Although the squeeze on capital spending by Japanese power utilities continued to make itself felt, overseas business expanded significantly, especially in North America. Operating income increased 54% from the previous year, to ¥26.8 billion (US$202 million), thanks to successful cost reduction measures and the yen depreciation.

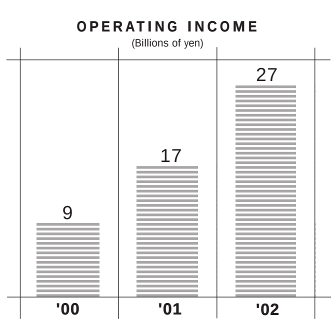
Among major projects completed in the domestic market were the installation of power generating equipment at Tokyo Electric Power Co. Inc.'s Shinagawa No. 1 Thermal Power Station and Tohoku Electric Power Co., Inc.'s Unit No. 1 of Higashidori Nuclear Power Station. We also constructed nuclear reactor facilities at Unit No. 3 of Tohoku Electric Power Co., Inc.'s Onagawa Nuclear Power Station and Unit No. 5 of Chubu Electric Power Co., Inc.'s Hamaoka Nuclear Power Station. Major overseas projects included thermal power generation facilities in plants in North America and substation facilities in Abu Dhabi.

In Japan, deregulation and a slump in electricity demand continue to buffet the electric power industry market. Toshiba responded with measures to bolster global competitiveness. We strengthened our business systems and reorganized our overseas bases for sales, manufacturing and service provision. We also developed new technologies that assure we can respond quickly and appropriately to customer demands. One result of this is a positive upward trend in overseas orders for power generating equipment that we will use as a basis for future expansion of overseas business.

We consider China an important growth market and continue to cultivate our presence there. We started fiscal 2001 with four manufacturing operations in China and entered fiscal year 2002 with six. A joint venture for the manufacture, sales and maintenance of gas-insulated switchgears for electric power facilities started full-scale operation in March 2002. A month later, a joint venture with the Electric Power Research Institute of China began production of surge arresters. The addition of these new facilities positions us to supply most of the systems and equipment required for China's transmission and distribution grid.

In another move to reinforce global competitiveness, we entered into a March 2002 agreement with Mitsubishi Electric Corporation, under which we will integrate our distribution and transmission businesses in an equally-owned joint venture that will start operation in October 2002. The new company will be the world's third largest manufacturer of distribution and transmission facilities, and will have the product development, manufacturing, sales and marketing resources required to reinforce a leading presence in the world market.





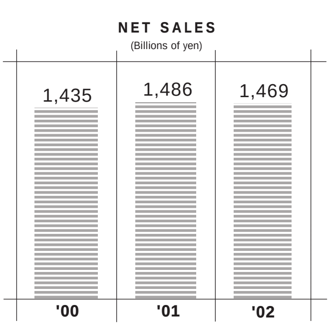
DIGITAL MEDIA NETWORK COMPANY President ***ATSUTOSHI NISHIDA***

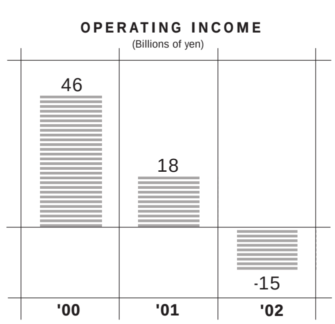
Digital Media

DIGITAL MEDIA NETWORK COMPANY

The Digital Media Network Company product lineup embraces portable PCs, computer network equipment, storage devices, such as HDDs and ODDs, and visual instruments and mobile devices. At the concept and design stage, we fully analyze the "voice of customers (VOC)" and use it to provide highly practical and original products and services. Based on differentiated innovative technologies unique to Toshiba, we effectively leverage our experience with portable PCs to create inspirational products, to propose new home lifestyles and new ways of working in office and mobile environments, and offer wireless system solutions that enrich the daily life of our customers.

"DynaBook G series" portable PCs offer the most advanced CPU available, a 15-inch SuperView LCD and superb stereo sound: a rich feast of high quality audio and vivid visual images.





Although consolidated sales in the Digital Media segment were only 1% lower than in the previous year, at ¥1,468.6 billion (US$ 11,042 million), there was an operating loss of ¥14.9 billion (US$ 112 million). Sales of HDDs, CD-R/RWs, DVD-ROM drives and other PC peripherals all recorded advances, as did sales of visual products, including DVD video players. However, reduced spending on IT combined with intensive price competition to impact on sales of portable PCs and overall segment results.

The Digital Media Network Company is positioned at the heart of digital convergence. Its mission is as simple as it is essential: to develop innovative products that bring advances in wireless, imaging, storage and other technologies to portable PCs, computer network equipment, PC peripherals and visual products and mobile equipment. A key part of its work is the creation of new products, yet unnamed products, that will change the way we do work and add to the way we enjoy life. Toward achieving this, development of advanced digital products has been concentrated at Ome Operations in suburban Tokyo. In November 2001, Ome celebrated the opening of a new "Core Technology Center" and a "Digital Media Development Center." They bring together more than 3,000 researchers and engineers in an environment designed to encourage cross-fertilization of ideas.

Fiscal 2001 saw the portable PC business weather a severe slump. Domestic shipments fell away by 10% from the previous fiscal year, to 0.9 million units, while overseas shipments tumbled 13%, to 2.35 million units. A sharp downturn in IT spend-

The "Digital Face Plasma 35P2700" is an all-in-one model with a 35-inch screen that fits into the same space as a conventional 21-inch TV.

Combination HDD and DVD digital video recorders are growing in popularity. Toshiba's latest, the "RD-X2," can store up to 35 hours of programming on an 80GB HDD and save selected programs to a DVD-R.

ing in the United States spurred intensive price competition as demand weakened, a reality that soon spread to Europe and beyond. Toshiba's position in these severe conditions was not helped by delays in product launches.

We took decisive measures to meet these challenges, and independent figures confirm that we regained the leading share in the world portable PC market in the first calendar quarter of 2002. We will seek to retain this by continuing to introduce differentiated products to the market ahead of our competitors, and by proactively pursuing regional strategies rooted in local wants and preferences. Our goals are a larger market share, accompanied by higher sales and profit.

Broadband technologies and wireless solutions are finally ready for the main stage and we are ready to deploy them. Our strategy for the office is centered on wireless LAN technology; a completely seamless office environment equipped with portable PCs, tablet PCs, PDAs, mobile IPs and security technologies. In the home, we have already launched "TransCube," which stands at the heart of a versatile wireless environment supporting portable PCs and other equipment.

Toshiba is an established technology and market leader in storage devices, and this was reflected in significant sales growth in our newest product, the 1.8-inch HDD that is increasingly popular in smaller portable PCs, mobile MP3 players and PCI-card HDDs. Combination DVD-ROM and CD-R/RW drives, another product that we pioneered in the market, also recorded notable sales growth, particularly in slim models for incorporation in portable PCs.

Our key magnetic drive over the last few years has been the 2.5-inch HDD. Constant innovation pushed data storage capacity to 60 gigabytes in fiscal 2001, and earned the 2.5-inch drive new applications in car navigation systems and digital home appliances. This latter area is particularly promising as digital convergence makes itself felt in the home.

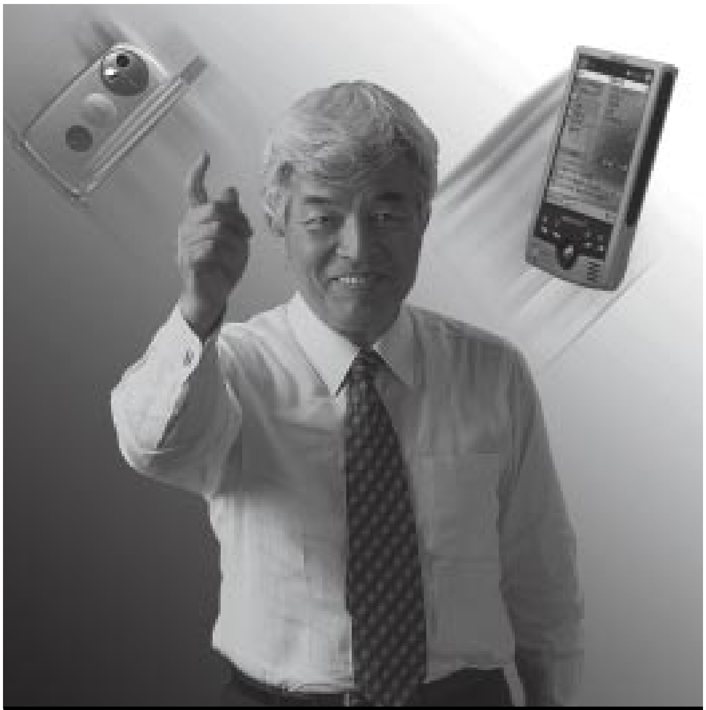
In the visual products business, Toshiba delivers a complete range of products for the home: flat-screen TVs for analog and BS digital broadcasts, projection TVs, LCD data projectors and DVD players and recorders.

Lower hardware prices and an ever-increasing selection of software products fueled rapid growth in demand for DVD players. However, price competition has grown with demand and was particularly fierce in the North American market, which accounts for half of worldwide demand. This brought about a sharp decline in profit margins. The same combination of lower prices and more software triggered a remarkable expansion in the Japanese market, which soared 200 percent from the previous year.

VHS video and DVD players combined in a single unit attracted many customers. Demand for DVD recorders has also shown rapid growth, and the single-unit HDD/DVD-RAM, which we introduced ahead of our rivals, has been very popular.

MOBILE COMMUNICATIONS COMPANY

The Mobile Communications Company offers a wide range of products that allows everyone to access the network environment at the heart of today's broadband age. In the next generation cellular phone market we will support both major platforms, W-CDMA and cdma2000 1x. As we do so, we will promote our advantage in multimedia features such as moving pictures and GPS functions. In addition to the Japanese and the North American markets, we will penetrate the European and Chinese markets. In the mobile products market, we have already launched the "GENIO e" PDA as well as wireless PDAs. We will further enhance our product lineup in this field in order to position Toshiba as an innovator and industry leader.



MOBILE COMMUNICATIONS COMPANY President ***TETSUYA MIZOGUCHI***

The future of cellular phones: The J-T07 (l.) and TT21 (r.) both have a CCD camera, the A3013T (c.) supports GPS. All three employ a high-resolution low temperature polysilicon TFT LCD.

Established in April 2001, the Mobile Communications Company has recorded solid results in sales of cellular phones for the domestic market. That was, however, undercut by the slowdown in the North American market. In the final result, shipments in fiscal 2001 declined 29% against the previous fiscal year, to 6.35 million units, while sales fell to ¥192.0 billion ($US 1,444 million), down 6%.

Our eye is firmly fixed on the future and the unfolding promise of cellular communications. With this in mind, we entered into a technical partnership agreement with Mitsubishi Electric Corporation in March 2002, under which we will develop third-generation (3G) cellular phones. Joint development work started in April 2002.

Our immediate goal is to launch a series of cutting-edge products on the Japanese market that will maintain our high-profit structure. In addition, we will cultivate new markets by releasing i-mode terminals in Europe and CDMA terminals in China. In the North American market, we will bolster our product lineup and launch aggressive operations in our alliance with Audiovox Communications Corporation, to further increase CDMA market share and profits.

iVALUE CREATION COMPANY

Through provision of information services based on mobile and Internet communications, the iValue Creation Company is making progress in the three areas of web services for portal sites, content production and distribution, and ASP services.

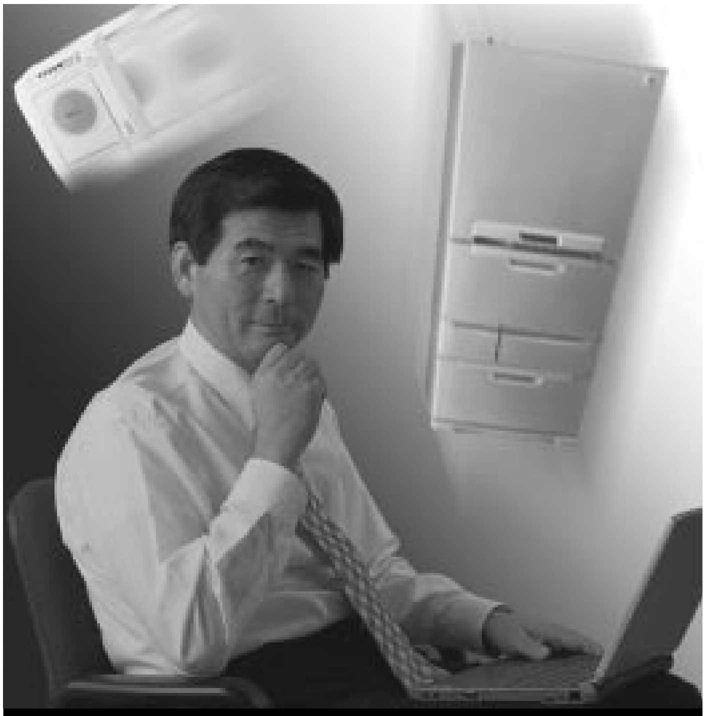
Drawing on all we have learned in the last two years, we will enhance existing services and expand our service competitiveness, and extend our business to reach clearly defined business sectors. Focusing on strategies relating to the mobile broadband Internet, an area promising rapid growth, we will strive to establish a network business that satisfies customer requirements in terms of quality, price and performance.

iVALUE CREATION COMPANY President ***TSUTOMU KAWADA***

The iValue Creation Company is responsible for developing new information and content services, primarily for delivery via the Internet. Its most popular portal, with over 500,000 cellular phone users subscribing for the pay service, is "Ekimae Tanken Club", which provides information on entertainment and shopping around Japan's railroad stations. The company's other ventures include offering navigation services for owners of cellular phones equipped with a global positioning system (GPS) and operation of "Nippon Daihyo.com," the official Web site of the Japan Football Association. iValue Creation also supports the business market as an Application Service Provider (ASP), including information provision services and software licensing services for overseas network service providers, especially in Asia. In October 2001, Business Travel Japan Inc., a wholly-owned Toshiba subsidiary, started full-scale operation, offering system solutions for small- and medium-sized travel agents in the business travel market.

HOME APPLIANCES COMPANY

The Home Appliances Company aims at being a "high-profit company with sustainable growth," a core business that uses the Toshiba brand to appeal to consumers. Our main product areas cover refrigerators, washing machines, microwave ovens, and other household appliances. Based on pioneering technical capabilities—which supported us in developing chlorofluorocarbon (CFC)-free refrigerators and DD inverter motors—we will create products that satisfy customers and so maintain our position as a leader in market share in our domestic market. Overseas, we will seek to extend our business operations, particularly into China, other parts of Asia, and the Middle East. To ensure long-term profitability, we will continue efforts to introduce innovative products ahead of our competitors in the promising area of networked home appliances, dishwashers, induction heating (IH) cookers and 200-volt home appliances.



HOME APPLIANCES COMPANY President ***TAKESHI NAGASAKA***

Home Appliances

Domestic demand for home appliances suffered a sharp drop, one anticipated in the aftermath of a sales spike in fiscal 2000, prior to the April 2001 enforcement of the Home Appliance Recycling Law. Consequently, consolidated sales in the Home Appliances segment decreased 4% against the previous fiscal year, to ¥680.7 billion (US$5,118 million), while operating income was down 38% to ¥11.4 billion (US$85 million).

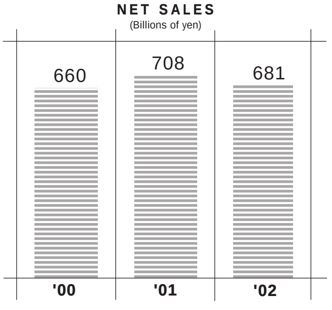
However, even in this tough environment there were positive signs. Efforts to differentiate Toshiba products from conventional home appliances proved successful, as our series of "Lifestyle Creation" products won increased market shares in washing machines, vacuum cleaners and microwave ovens. In this year and beyond, we will continue to address such social issues as energy conservation, the environment, Japan's aging population and declining birthrate, and continue to develop products that can support new lifestyles. We also expect this approach to help us to revamp our businesses and ensure stable profits.

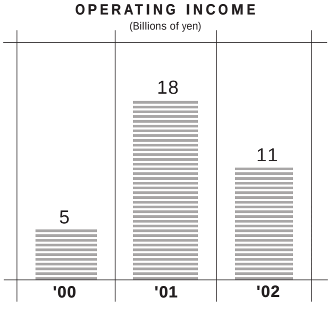
Although demand for refrigerators fell 18% year-on-year, sales of the "Hikari Plasma Senzo" series were favorable. Launched in September 2001, one sales point of these refrigerators is a hundredfold increase in the ability to decompose ethylene, which damages fresh vegetables. Sales were also healthy for the "Non-Freon Hikari Plasma Senzo" series, the first environmentally friendly refrigerators offered by any Japanese manufacturer.

Among washing machines, our "Kaisoku Ginga 21," a fully automatic drum-type washing machine and dryer, enjoyed market success, thanks in part to a high rotational speed during spin-drying that gets clothes dry faster. Another hit was "Aqua Bihaku," which is equipped with an aquatic controller that in-

With 200V of power, the fully automatic "Kaisoku Ginga 21" assures faster washing and drying cycles. DD inverter motors damp down noise and vibration.

"Non-Freon Hikari Plasma Senzoko" refrigerators are the industry's first to be free of CFC substitutes that are now seen as imposing burdens on the environment.





creases washing power while keeping the drum clean. As a result, we were able to register stronger overall sales of our washing machines.

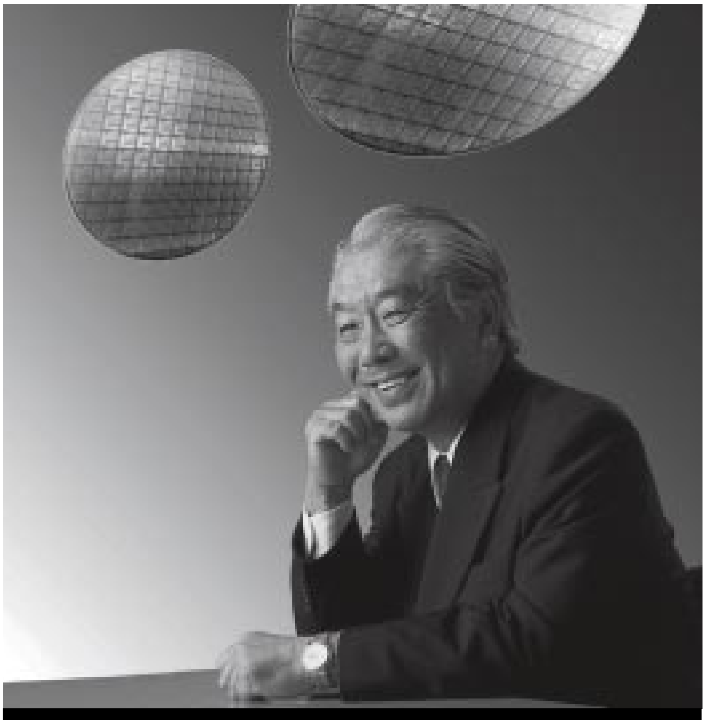
Among the innovative products we introduced in response to user needs are a garbage processor with greatly reduced odor that can be stored indoors, a speedy dishwasher and dryer, and an IH cooking heater with an LED display showing heat intensity. In February 2002, we launched the "FEMINITY series," the first Bluetooth™-based wireless network for home appliances. Controlled by a portable PC, it really brings the advantages of the IT revolution in the home and points the way to the lifestyle of tomorrow. Products in the series, including a refrigerator and a microwave oven, have been on the market since April.

Since June 2001, we have developed a strategic alliance with Sweden's AB Electrolux. One aspect of this has been our selection, sales and service of products that we think suit the Japanese lifestyle. Marketed under the brand name "Electrolux by TOSHIBA," these products are enjoying increasing popularity.

We see potential for positive growth overseas, especially in Asia. With that in mind, we established Toshiba Vietnam Home Appliances Co., Ltd. and forged technical alliances with major home-appliance manufacturers in China. These initiatives represent reinforcement of an Asian strategy that we are sure will produce growth in coming years.

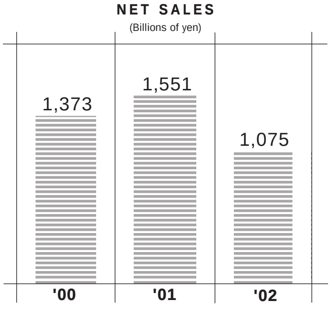
SEMICONDUCTOR COMPANY

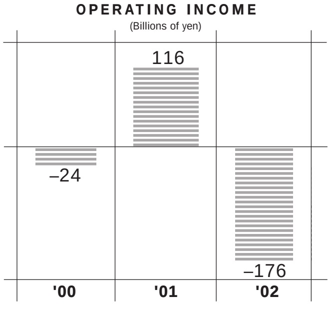
The Semiconductor Company offers a broad array of products such as discrete devices, bipolar ICs and memories, including NAND flash memories, with a particular emphasis on system-on-chip (SoC) solutions in which total systems are realized on a single silicon chip. With these products, we are accelerating a rapid shift to our new Integrated Device Manufacturer (IDM) model, where different groups of products are linked to create an operating synergy that advances our overall business. We make maximum use of the most advanced semiconductor technologies and offer total system solutions, including software support, to promote technical innovation and the development of all kinds of electronic equipment for the broadband age.



SEMICONDUCTOR COMPANY President ***TAKESHI NAKAGAWA***

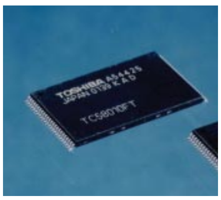
Electronic Devices & Components





The collapse of the IT market in the second half of fiscal 2000 continued to echo throughout the fiscal 2001, with no sign of the recovery widely expected to emerge in the third calendar quarter of 2001. As demand for semiconductors remained anemic, suffering an unprecedented year-on-year decline of 32%, Toshiba saw dramatic declines in demand for discrete devices, memories and system LSIs. Sales of LCDs failed to reach forecasts, despite a slight recovery in demand for displays for portable PCs, monitors and cellular phones in the fiscal second half. Consolidated sales for the segment decreased 31% from the previous fiscal year, to ¥1,074.8 billion (US$8,082 million), and Toshiba posted an operating loss of ¥176.3 billion (US$1,325 million).

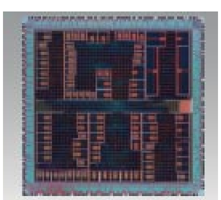
Sales of the Semiconductor Company decreased 34% from the previous fiscal year, to ¥725 billion (US$5,451 million), with an operating loss of ¥122 billion (US$917 million) that reflected the declines in sales volumes and fall in prices of commodity DRAMs.



Toshiba's industry-defining partnership in NAND flash memories with SanDisk Corporation saw joint introduction of the world's first commercial 1-Gbit NAND flash memory chip.

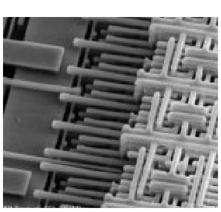
As the shape of the year became clearer, the Semiconductor Company responded with vigorous and wide-ranging reforms implemented as a part of the Toshiba Group's 01 Action Plan. Steps taken by the company included withdrawal from the commodity DRAM business, the unification and shuttering of domestic production lines and accelerated personnel reductions. As a result, the semiconductor business is now capable of generating a profit even if sales remain at the ¥700 billion level recorded in fiscal 2001.

Even with the withdrawal and other measures taken under the 01 Action Plan, the Semiconductor Company expects to retain a position within the industry's top three, and to do so confident of its positioning as an Integrated Device Manufacturer (IDM). Put more specifically, Toshiba will now concentrate on three product areas: discrete devices, where we are the world No. 1; memories, particularly NAND flash memories, which we invented and where we lead the world; and SoC that will pave the way for our advance into the digital consumer and mobile and broadband network markets.



The highly advanced Media-embedded Processor (MeP) supports a high degree of customization across diverse applications.

Discretes: A substantial slide in sales of discrete devices was inevitable in fiscal 2001, given overall market conditions. Even so, gallium nitride-based LEDs, four-element LEDs, red visible laser diodes (VLDs) and other optical devices sold well. We will fully leverage our advantages in small packages and a broad product lineup for small signal and power devices to encourage their application in cellular phones, PC peripherals, PDAs, and a range of other products. We will also aggressively promote VLDs for DVD pickups, high luminosity LEDs for cellular phones, and other optical devices. Through these efforts, we are confident of remaining the world's leading manufacturer and supplier of discrete devices.



Toshiba's new mass production technology using copper wiring achieves further miniaturization and faster operation of SoC.

Memories: Toshiba has long been recognized for its technological and manufacturing prowess in commodity DRAMs. However, while a strong source of sales during times of rising demand, the commodity DRAM business is extremely volatile and feast is more often than not followed by famine—and damage to the bottom line. The Semiconductor Company looked long and hard at the business in light of TVC and decided on a complete exit, including the sale of its U.S. memory manufacturing base, Dominion Semiconductor, L.L.C., to Micron Technology, Inc. Needless to say, we will maintain the leading-edge DRAM technologies needed for DRAM-embedded SoC.

Demand for high-density NAND flash memories for digital audio equipment did not produce the growth we expected. However, demand for application in digital still cameras did begin to rise in early 2002. We will continue to concentrate our energies on NAND flash memories, as we expect demand for application in cellular phones and as a replacement for HDDs to produce a surge in sales in the near future. We are confident of success in the NAND area. Toshiba invented the product and owns key IP that will prevent commoditization. We will also use the potential of flash memories to the full by promoting sales of multi-chip packages (MCPs) for cellular phones. These devices mount NAND and NOR flash memories with SRAMs.

Highlight:

• December 2001: Agreement to transfer low-power consumption SRAM process technology to China's Semiconductor Manufacturing International Corp.

System LSIs: Difficult market condition also undermined our forecasts for sales of system LSIs. We did see favorable moves in the fiscal second half in CPUs for digital consumer products, LCD drivers and bipolar ICs for audio and visual products, and power supply ICs for automotive systems and TX Reduced Instruction Set Computer (RISC) processors both proved to be hit products. Our focus from now on will be on embedded memory/analog SoC products. Some specific examples include SoC for digital consumer equipment, wiress systems, intelligent office and automotive systems—all of which are expected to see very positive demand growth in the near future.

In the course of the year, Toshiba took initiatives to promote technology advances that will help the Semiconductor Company stand out among system solutions providers and further bolster competitiveness in system LSIs.

Highlights:

• May 2001: Agreement on joint development with Sony Corporation of leading-edge 0.1µm and 0.07µm process and design technologies for system LSIs. The two companies shared a recognition of the need to reduce power consumption and to achieve high performance process and device technologies.

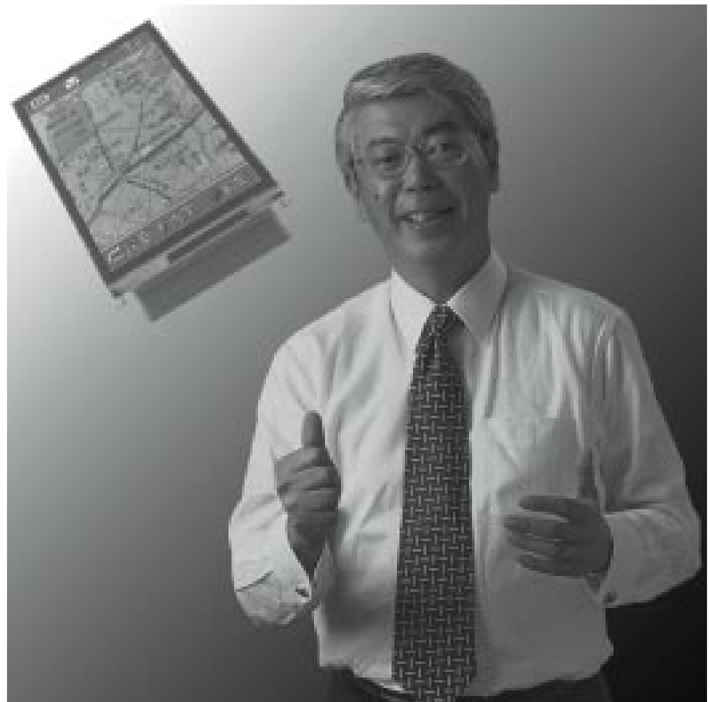
• October 2001: Agreement on joint development with Canon Inc. of Silicon-on-Insulator (SOI) wafers required for high-performance system LSIs.

• February 2002: Agreement on joint development with MIPS Technologies, Inc. on the next-generation high performance RISC processor core, the TX99 series. Toshiba participates in core development and seeks the early launch of the highest-performance microprocessors in the industry, with operating frequencies of above 1GHz.

• February 2002: Successful design of LSI circuits using "X Architecture," the world's first design technique that allows LSIs to be wired diagonally as well as horizontally and vertically. Jointly developed with Simplex Solutions, Inc. of the U.S., this new design method achieves LSIs capable of operating 20% faster than their conventionally wired counterparts, while having a 10% smaller layout area.

DISPLAY DEVICES & COMPONENTS COMPANY

The Display Devices & Components (DDC) Company produces a lineup of products that bring cutting-edge technologies to meet customer needs. To maintain our position at the forefront of technological innovation, we integrated our LCD business with that of Matsushita Electric Industrial Co., Ltd. in Toshiba Matsushita Display Technologies Co., Ltd. in April 2002. This new company will optimize the resources obtained from both parents to develop into a leading global company. The DDC Company will continue to market appealing products as a company providing key technologies that support the digital and mobile age. Products under development and poised to make a difference include fuel cells for mobile terminals and surface-conduction electron-emitter displays (SEDs), which we are currently developing with Canon Inc. We see SED technology as a major force in the next-generation large-screen displays.



DISPLAY DEVICES & COMPONENTS COMPANY President ***EISABURO HAMANO***

The 17-inch organic light emitting display (OLED) developed by Toshiba Matsushita Display Technology is scheduled for mass production in calendar 2003. OLED will first find a market in small- and medium-sized displays.

Price erosion in amorphous silicon TFT LCDs for portable PCs and displays made itself felt until the end of 2001. Sales prices also fell in small-sized displays for cellular phones, as inventory levels remained high in Japan and many new suppliers entered the market. As a result, Toshiba's sales declined to ¥125 billion (US$940 million), 17% down year-on-year.

However, Toshiba is moving away from reliance on amorphous silicon TFTs, and is the clear technology and market leader in low-temperature polysilicon (LTPS) TFT LCDs. These offer richer saturation, higher resolution and faster refresh times than amorphous silicon TFT LCDs, and are better suited to display of video images on cellular phones and portable PCs and PDAs. They are also an essential stepping stone to next generation organic light emitting displays (OLEDs). Toshiba reinforced its position in LTPS TFTs with the June 2001 start of production of small-sized LCDs for cellular phone applications at Fukaya Operations, in Saitama, Japan, and the October 2001 launch of a second line for larger displays there. The company expects to see strong demand for all its LTPS TFT products.

Fiscal 2001 saw us initiate a series of structural changes that will promote the continued growth and prosperity of our LCD business. In August, we ended our joint venture with IBM Corporation, Display Technologies Inc. (DTI). One of the longest lived and most successful JVs in the industry, DTI pioneered development and manufacturing of amorphous silicon TFTs, and brought great benefits to both partners. The decision to wind down the company was mutually agreed and reflected the strategic divergence of its parents. DTI's Himeji Operations' small- and medium-sized TFT lines in Hyogo, Japan, became a wholly-owned Toshiba subsidiary, TFPD Co., Ltd.

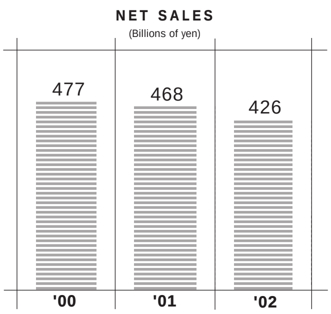
A more extensive restructuring was initiated in October 2001, when Toshiba and Matsushita Electric Industrial Co., Ltd. agreed to merge all aspects of their TFT businesses—from development through sales and marketing—into a new joint venture. This was brought to fruition in April 2002, when Toshiba Matsushita Display Technology Co., Ltd. (TMDT) started operation. The company will be a forceful presence in the global LCD market, and will reinforce its leadership in LTPS TFT LCDs in August 2002 when it opens a new factory in Singapore, AFPD Pte., Ltd. This will be the world's largest LTPS TFT manufacturing facility, with a monthly capacity of 55,000 720 x 920mm glass substrates by the end of fiscal 2003.

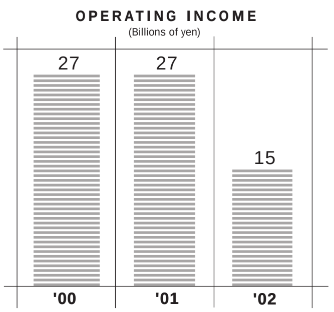
TMDT's initial targets are to consolidate and improve on its position as the world's No. 3 supplier of LCDs and to achieve profit from fiscal 2003 on. To do this, it will direct its attentions to three major areas of LCD applications—portable PCs and displays, TVs, and cellular phones and PDAs—using its capabilities to reinforce ties with present customers and to expand its customer base. The company anticipates particular growth in small- and medium-sized TFTs for cellular phones, PDAs, car navigation systems and entertainment products.

A key concern in the cathode ray tube (CRT) business was to reinforce cost competitiveness. In this connection, production of CRTs for monitors was shifted from Japan to Thailand. In procurement, Toshiba and Matsushita Electric Industrial Co., Ltd. agreed to establish MT Display Procurement Co., Ltd., a joint venture to purchase parts and materials for the respective operations of its parent companies throughout the world. The company started operation in April 2002.

In January 2002, Toshiba sold its Surface Acoustic Wave (SAW) filter business to Fujitsu Media Devices Limited.

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 fiscal 2001 decreased 9% to ¥426.4 billion (US$3,206 million), and operating income was ¥15.3 billion (US$115 million), down 44% year-on-year. In financing services, we are vigorously reducing debts through securitization.

Research and Development

The Corporate R&D Center regards itself as responsible for the Toshiba Group's future, in the sense that it has the singular mission of creating growth and profit drivers for the entire Group. In addition to this basic and exploratory work the R&D Center also engages in research and development that contributes to the Group's current businesses.

To date, the R&D center has focused most of its efforts on three areas: IT, materials and devices, and production technologies. To gear itself for the 21st century, the R&D Center has adopted six-sigma-based Management Innovation methodology in all aspects of its work. One example of what this means can be seen in the October 2001 establishment of a company-wide Bluetooth™ project that provides a support framework for all aspects of Bluetooth™-related research. We plan to push ahead with similar research projects through other initiatives with group companies.

Some Recent Research Projects

1. A Bluetooth™-based ubiquitous headset
There is a lot of talk about ubiquitous computing—the fact that the future will see computing and communications adding to every aspect of life. Toshiba is contributing to this with its ubiquitous headset for next-generation communications. It makes possible voice control of equipment and high-quality audio input and output in a hands-free, wireless environment. The headset supports wireless communications based on Bluetooth™ and voice recognition technology.

2. Multilingual voice recognition system
Toshiba has developed a multilingual voice recognition system that can recognize different languages simply by replacing the language database. Currently, the system works with Japanese, American English, British English, French, German, Spanish, Italian, Dutch and Mandarin. With a compact design and high-speed operating capabilities, the system can be applied to car navigation systems, cellular phones and other equipment with limited CPU performance and memory size. Other aspects of the system's versatility are a high level of resistance to noise, which can degrade voice recognition, and a recognition algorithm that guarantees a wide array of practical applications.

The development of simple, versatile recognition of various languages will bring voice recognition to home appliances, PDAs and other mobile equipment and allow users to choose different languages at different times. Toshiba is working on early development of high-performance, multifunctional, multilingual voice recognition systems at R&D centers in Japan, China and Europe.

3. Digital printer with simultaneous four-color transfer
The R&D Center and Toshiba Machine Co., Ltd. have developed an offset printing method that transfers toner to paper without generating an electric field, thus enabling color printing of high-image quality onto standard plain paper, thick paper, rough paper and cloth, as well as metal plates. "image-on-image color processing" allows colors to be overlaid and developed on a photosensitive material and then immediately transferred onto paper, realizing rapid output of high-quality color images without color displacement.

4. Multi-layer interconnection technology using nanotechnology
New wiring technology enables low-cost production of wiring boards with fine-pitch, multi-layer interconnections. The technology features inter-layer connections with fine three-dimensional wiring, formed on a porous substrate with nanascopic holes using photo-induced selective plating. Filling the desired areas on the substrate with metal forms wires to run through the vias on the board. If insulating material is used instead, an insulating layer is formed. Using only a simple process of exposure and plating, the wiring technology enables successful formation of vias only 15µm in diameter—world-leading accuracy.

The wiring technology also enables simultaneous formation of wires and vias, a process that eliminates dislocation between wires and vias, thereby improving yield.

5. Development of a small fuel cell for portable equipment
Toshiba has been conducting R&D into small-sized direct methanol fuel cells (DMFCs) for mobile equipment, and achieved enhanced cell performance with newly developed materials. Required peripheral equipment and electric driver circuits mounted with the cells have also been developed, and a prototype for Toshiba's PDA has been completed. The DMFC features a maximum 8W output and continuous display for 40 hours with ten cubic centimeters of fuel—about five times longer than the secondary lithium-ion batteries in wide use today.

We are now working to raise output and make the fuel cell even smaller, in readiness for the start of mass production in 2003.

Toshiba Group appreciates that all its products bring with them environmental impacts. Guided by the Group slogan, “Committed to People, Committed to the Future, TOSHIBA,” Toshiba is dedicated to minimizing such impacts and maximizing environmental awareness and concerns in all aspects of our business. We will promote technological innovations and awareness as we work toward sustainable development. That means encouraging environmental consciousness and making full and effective use of the minimum possible resources. Turning to particulars, we will continue our efforts to reduce energy consumption, promote a positive commitment to environmental protection and take leadership in establishing a recycling-based society. In fiscal 2001, we launched our “Third Voluntary Environmental Plan,” which sets corporate targets for the period to fiscal 2005.

Strengthening Environment-related Communications

We believe it is essential to communicate Toshiba Group’s environment-related work. We issue annual environmental reports, and The Toshiba Environmental Report 2002 details the actual environmental impacts of our activities on a site-by-site basis, quantifying the costs and effects of environmental protection. We seek to account for the costs of environmental measures by considering four areas: real benefit, deemed benefit, customer benefit and risk aversion benefit. In addition to this, we welcome the general public to our environmental exhibitions. The most recent, the 11th Toshiba Environment Technology Exhibition, was held in February 2002.

Targets of the Third Voluntary Environmental Plan and First Year Results

Initiated in fiscal 2001, the Third Voluntary Environmental Plan promotes eight targets for fiscal 2005. These include the attainment of zero waste emission and the creation of environmentally conscious products through such measures as adoption of lead-free solder. We recorded satisfactory progress in the first year of the plan.

Efforts to Prevent Global Warming

Heightened energy efficiency is central to all of our development activities. This approach also extends to energy conservation at our facilities and moves to prevent global warming through dedicated efforts to reduce CO_2 release. With that in mind, we have set ourselves the target of reducing “CO_2 releases to net sales” by 25% in fiscal 2010, with fiscal 1990 as our benchmark.

Reducing the Environmental Impacts from Production to Recycling

Toshiba is a manufacturer, and we believe that means we should make utmost efforts to reduce environmental impacts in all product processes, from manufacturing to use and through to reuse. We are also committed to maximizing recycling. The following parts of this section looks at some of our efforts.

Zero Emission of Waste

The volume of waste generated by Toshiba Group in fiscal 2001 totaled 180,000 tons, a 20,000-ton decrease against fiscal 2000. We are pleased to record that 94% of this was recycled. However, our ultimate target is “zero emission” of waste, which means that waste undergoing final disposal to landfill must be less than 1% of the total waste emitted. We expect to reach that under the Third Voluntary Environmental Plan, by fiscal 2003.

Creation and Promotion of Environmentally Conscious Products

Toshiba Group's fundamental concern in manufacturing is the creation of environmentally conscious products (ECPs) that impose fewer environmental impacts. We focus on environmentally conscious design, life cycle assessment and environmental labels. One way we reinforce this is with our own Earth Protection Mark: this can be displayed on products meeting our 20-plus criteria for environmentally conscious products. Our design process seeks to promote the use of lead-free solder—by fiscal 2001 it was used in 18 products including washing machines and portable PCs, and it will be found in all Toshiba products by fiscal 2003. In December 2000, our portable PCs became the first in their product category to receive Germany's "Blue Angel RAL-UZ 93" certification. This was welcome recognition of our outstanding eco-friendly products from one of the world's major environmental labeling standards.

Recycling End-of-Life Products

Recycling is another essential aspect of our activities, and we promote development of recycling schemes to stand alongside the Group-wide recycling system we are developing. In fiscal 2001, Japan introduced a recycling law requiring manufacturers to take back four kinds of products at the end of their life: TVs, refrigerators, washing machines and air-conditioners. In that first year, we collected a total of 1,350,000 units. We also set up recycling centers to collect and recycle PCs from companies in ten major cities across the country.

Toshiba's Standards of Conduct

A central tenet of the Toshiba Group's approach to management is that we not only observe the laws of the countries and regions in which we do business but also respect their social mores and ethics and seek to contribute to society. To clarify what this means in practice, we published our Standards of Conduct in 1990. They establish a clear, shared code of conduct for Toshiba Group management and employees, wherever in the world they may be. Full compliance with legal, social, ethical standards, and strict adherence to these standards of conduct constitute the core of our risk management strategy and provide essential conditions for Toshiba's continued growth and success as a global enterprise.

Activities for Local Communities

Toshiba Group companies are active in contributing to the societies in which they operate, as can be seen in support for educational programs and philanthropic and voluntary activities.

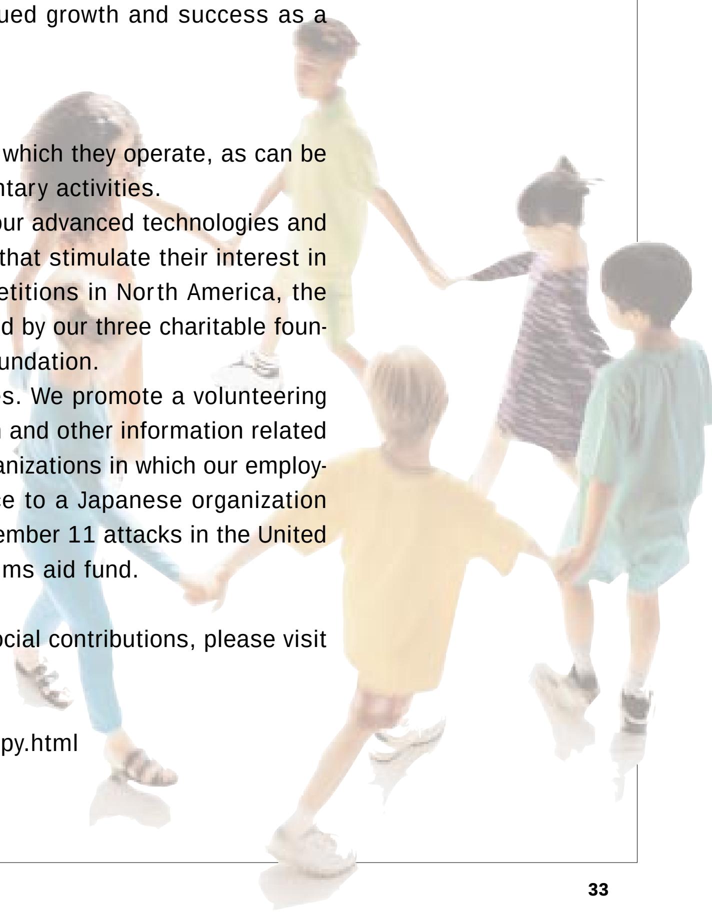
Toshiba Science Museum in Kawasaki, Japan, is a showcase for our advanced technologies and a place where kids can enjoy interactive exhibitions and experiments that stimulate their interest in science. That same concern explains why we support science competitions in North America, the U.K. and China. Other cultural and educational programs are supported by our three charitable foundations, two overseas and one in Japan, the Toshiba International Foundation.

In Japan, Toshiba employees are active in their local communities. We promote a volunteering spirit among employees by providing volunteer recruitment information and other information related to voluntary activities. We also offer financial support to volunteer organizations in which our employees participate. One example is our provision of financial assistance to a Japanese organization working for physically-challenged children. In the aftermath of the September 11 attacks in the United States, employees of 109 group companies offered support to a victims aid fund.

For more information on Toshiba Group environmental activities and social contributions, please visit our web sites at:

Environment http://www.toshiba.co.jp/env/english/index.htm

Citizenship http://www.toshiba.co.jp/worldwide/about/philanthropy.html



Board of Directors, Executive Officers and Statutory Auditors

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Chairman of the Board

Tadashi Okamura*
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President and Chief Executive Officer

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Director

Yasuo Morimoto*
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Tetsuya Mizoguchi
Director

Takeshi Iida
Director

Makoto Nakagawa
Director

Tadashi Matsumoto
Director

Kosaku Inaba
Director

Sakutaro Tanino
Director

Yasuhiko Torii
Director

*Representative Director

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Senior Executive Vice President

Yasuo Morimoto
Senior Executive Vice President

Tetsuya Mizoguchi
Executive Vice President

Takeshi Iida
Executive Vice President

Makoto Nakagawa
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Katsuji Fujita
Vice President

Eisaburo Hamano
Vice President

Masamichi Katsurada
Vice President

STATUTORY AUDITORS

Akinobu Kasami

Susumu Terao

Shunsaku Hashimoto

Eiichi Kakei

(As of June 26, 2002)

Management's Discussion and Analysis

FIVE-YEAR SUMMARY

Toshiba Corporation and its subsidiaries

Years ended March 31

	Millions of yen, except per share amounts				
	2002	2001	2000	1999	1998
Net sales	**¥5,394,033**	¥5,951,357	¥5,749,372	¥5,300,902	¥5,458,498
Cost of sales	**4,070,130**	4,323,525	4,254,444	3,890,622	3,960,158
Selling, general and administrative expenses	**1,437,478**	1,395,699	1,393,959	1,379,797	1,416,046
Operating income	**(113,575)**	232,133	100,969	30,483	82,294
Income (loss) before income taxes and minority interest	**(376,687)**	188,099	(44,844)	11,218	18,748
Income taxes	**(113,915)**	96,145	(4,530)	20,901	17,313
Net income (loss)	**(254,017)**	96,168	(32,903)	(9,095)	14,723
Per share of common stock:					
Net income (loss)					
—Basic	**¥(78.91)**	¥29.88	¥(10.22)	¥(2.83)	¥4.57
—Diluted	**(78.91)**	29.71	(10.22)	(2.83)	4.57
Cash dividends	**—**	10.00	3.00	6.00	10.00
Total assets	**¥5,407,782**	¥5,724,564	¥5,780,006	¥6,101,929	¥6,166,323
Shareholders' equity	**705,314**	1,047,925	1,060,099	1,128,753	1,305,946
Capital expenditures (property, plant and equipment)	**348,235**	269,545	298,512	375,464	339,584
Depreciation	**311,208**	308,294	329,630	309,836	291,418
R&D Expenditures	**326,170**	327,915	334,398	316,703	322,928
Number of employees	**176,398**	188,042	190,870	198,000	186,000

Note: 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.

RESULTS OF OPERATIONS

NET SALES

Consolidated net sales in fiscal 2001, ended March 31, 2002, declined 9% from the previous fiscal year, to ¥5,394.0 billion (US$40,557 million). This decline was influenced by a steep drop in demand for electronic devices, mainly for DRAMs and other semiconductors, resulting from the global IT slowdown. Moreover, sales of equipment to public utilities and industry and of digital information products, including PCs, fell short of targets, as IT-related investment was postponed and sales prices declined. In terms of average exchange rates, the yen dropped by ¥17 against the U.S. dollar from ¥109 to ¥126, which increased sales by about ¥220.0 billion. Consolidated figures include the results of 206 domestic subsidiaries and 123 overseas.

By region, sales in Japan decreased by 11%, to ¥3,340.5 billion (US$25,116 million). Overseas sales were down 7% from the previous fiscal year, to ¥2,053.5 billion (US$15,440 million), and accounted for 38% of net sales, up from 37% in the previous fiscal year. Overseas production rose 1%, from ¥1,040.0 billion to ¥1,050.0 billion (US$7,895 million).

Information & Communications Systems—Sales decreased 2% from the previous fiscal year, to ¥956.7 billion (US$7,193 million). This decline reflected the absence of sales of BS digital broadcasting equipment that was recorded in the previous year as well as decreases in sales of optical submarine systems, railway station service systems, and postal-service equipment that resulted from curtailments in capital investment. In addition, such factors as a continued downtrend in sales prices led to a steep fall in income. Overseas sales rose 3% from the previous fiscal year, to ¥237.2 billion (US$1,783 million), owing to firm sales in electronic imaging business.

Social Infrastructure Systems—Sales decreased 2% from the previous fiscal year, to ¥955.3 billion (US$7,183 million). Sales declined owing to decreases in public- and private-sector capital investment. However, sales of medical systems increased from the previous fiscal year, due to the introduction of new products. Overseas sales increased 9% from the previous year, to ¥176.0 billion (US$1,324 million).

Power Systems—Sales decreased 1%, to ¥579.6 billion (US$4,358 million). The overall decline in sales, which is attributable to the effects of restraints in capital investment by domestic power companies. While sales for thermal power generating devices for overseas increased, and overseas sales in power systems soared 64%, from ¥73.1 billion, to ¥119.6 billion (US$899 million).

Digital Media—Sales decreased 1%, to ¥1,468.6 billion (US$11,042 million). This decrease in sales was due to lower sales of PCs in Japan and overseas, underscoring the effects of curbs in IT investments resulting from economic slowdowns as well as price reductions. It was also caused by a decline in sales of cellular phones in North America owing to stagnation of market demand. On the other hand, growth in sales of such PC peripheral equipment as DVD-ROMs and CD-R/RWs, together with higher sales in North America, mainly televisions, enabled sales in this segment to be maintained at the same level as the previous year, at ¥971.0 billion (US$7,301 million).

Home Appliances—Sales decreased 4% from the previous fiscal year, to ¥680.7 billion (US$5,118 million). This is based on a shrinking of the market which resulted from a decline in consumer spending and a falloff in demand after a one-time surge in demand at the end of the previous year prior to the implementation of the Law for Recycling of

Specified Kinds of Home Appliances, despite sturdy performances that included principal products increasing market share. Overseas sales soared 13%, to ¥45.2 billion (US$340 million).

Electronic Devices & Components—Sales decreased 31%, to ¥1,074.8 billion (US$8,082 million). Despite a slow recovery in demand for semiconductors, the sales of IT-related products, mainly such semiconductors as DRAMs, declined sharply because of the global IT slump. Sales of semiconductors declined ¥375.0 billion from the previous fiscal year, owing to drops in memory prices. And LCD sales decreased owing to a decrease in demand for digital-related devices. Overseas sales declined 35%, to ¥442.3 billion (US$3,325 million).

Others—Sales decreased 9% from the previous fiscal year, to ¥426.4 billion (US$3,206 million), due to a large drop in sales by Shibaura Mechatronics Corporation and Toshiba Chemical Corporation.

NET SALES BY REGION

	Millions of yen		
Year ended March 31	**2002**	2001	2000
Japan	**¥3,340,491**	¥3,753,052	¥3,514,068
North America	**825,902**	828,671	906,165
Asia	**659,820**	728,969	636,317
Europe	**453,093**	519,186	546,645
Other	**114,727**	121,479	146,177
Net sales	**¥5,394,033**	¥5,951,357	¥5,749,372

Note: Net sales by region are determined based upon the location of the customers. Therefore, this information is different from the net sales for geographic segments in segment information on page 39, which are determined based upon where the sales originated.

Japan—Domestic sales amounted to ¥3,340.5 billion (US$25,116 million) amid a difficult operating environment resulting from sluggish economic conditions throughout the fiscal year and continued weakness in personal consumption. Sales declined sharply as a result of a deterioration of IT-related demand accompanied by a worse-than-expected fall in demand for electronic devices. Other factors undermining performance included lower sales in information and communications systems caused by curtailments in capital investment as well as a decrease in home appliance sales due to a natural falloff in demand following a temporary upsurge prior to the implementation of the Law for Recycling of Specified Kinds of Home Appliances.

North America—With the worsening business results of companies in the United States and a severe downturn in the U.S. market in the wake of the terrorist attacks, sales amounted to ¥825.9 billion (US$6,210 million), virtually the same as in the previous year. Although sales of semiconductors, cellular phones, and PCs were down from the previous year owing to the adverse effects of the slump in IT, sales were maintained at the same level in the previous year thanks to favorable performances by thermal power generating devices, steam turbines and visual equipment.

Asia—The slowdown in IT in Asia resulted in lower sales of semiconductors and CRTs. Despite higher sales of PC devices and electric power equipment, overall sales in Asia declined 9%, to ¥659.8 billion (US$4,961 million).

Europe—Sales decreased 13% in Europe from the previous year, to ¥453.1 billion (US$3,407 million) due to the market recession and a steep decrease in sales of semiconductors and PCs.

NET INCOME

Along with the large decrease in net sales, gross profit shrank 19% from the previous fiscal year, to ¥1,323.9 billion (US$9,954 million). Selling, general and administrative expenses rose ¥41.8 billion, to ¥1,437.5 billion (US$10,808 million), due principally to the effects of exchange rates and expenses from an increase in newly consolidated companies.

Toshiba posted a ¥113.6 billion (US$854 million) operating loss, a ¥345.7 billion drop compared with the previous fiscal year. This reflected a decrease in sales resulting from falling sales prices and decrease in sales volumes, which exceeded a 9.5% reduction in procurement costs equivalent and reductions in personnel, depreciation, and other fixed costs.

By segment, operating income in Information & Communications Systems declined 59%, to ¥9.7 billion (US$73 million). This decrease resulted from lower sales to public and private-sector markets amid curbs in capital investment as well as the sharp downtrend in sales prices.

Operating income in Social Infrastructure Systems expanded ¥4.3 billion, to ¥13.6 billion (US$102 million). Despite lower operating income in social infrastructure systems resulting from cutbacks in public and private-sector investment, favorable performance of medical equipment buoyed by the introduction of new products and the implementation of new measures to improve costs as well as higher income in the elevator business supported overall growth in operating income in this segment.

Although sales remained at approximately the same level as in the previous fiscal year, Power Systems posted a 54% surge in operating income, to ¥26.8 billion (US$202 million). This increase was underpinned by cost reductions as well as the effects of the weakening of the yen.

Digital Media reported an operating loss of ¥14.9 billion (US$112 million), a ¥32.9 billion difference from operating income recorded in the previous fiscal year. Despite a favorable performance by optical disk-related products, the sharp declines in sales prices for PCs in Japan and overseas conspired with lower sales volumes for PCs to outpace reductions in procurement costs, leading to the operating loss in this segment.

In Home Appliances, operating income shrank 38%, to ¥11.4 billion (US$85 million), mirroring a decline in sales resulting from a shrinking of the market.

Electronic Devices & Components recorded a ¥176.3 billion (US$1,325 million) operating loss, attributable to plummeting sales prices, beginning with those for memories that resulted from the global slump in IT, as well as worsening market conditions such as waning demand for LCDs and other devices.

Operating income in Others declined 44%, to ¥15.3 billion (US$115 million), owing to deteriorating performances by Shibaura Mechatronics Corporation and Toshiba Chemical Corporation.

The net effect of foreign exchange movements during the fiscal year was a ¥31.0 billion increase in operating income. This consisted of a ¥220.0 billion increase in net sales and a ¥189.0 billion rise in procurement costs, including for the purchase of components. The company posted a non-operating loss of ¥263.1 billion (US$1,978 million), ¥219.1 billion lower than in the previous fiscal year. This non-operating loss is attributable to non-operating expenses of ¥208.9 billion (US$1,571 million), consisting of ¥111.3 billion (US$837 million) in restructuring charges that included the withdrawal from the DRAM business, ¥97.6 billion (US$734 million) with respect to additional termination benefits for voluntary early retirement of employees and the absence of a gain from the contribution of marketable securities to employee retirement benefit trusts that was recorded in the previous fiscal year. The company recorded a ¥7.7 billion improvement in its net financial expenses, to ¥15.2 billion (US$114 million), from ¥22.9 billion (US$172 million) in net expenses in the previous fiscal year, due to a large decline in interest expenses, which exceeded a decrease in interest and dividend income received.

As a result, loss before income taxes, minority interest and equity in earnings of affiliates amounted to ¥376.7 billion (US$2,832 million), a change of ¥564.8 billion from ¥188.1 billion in income before income recorded in the previous year.

SEGMENT INFORMATION

The following segment information is based on Japanese accounting standards. Along with a review of internal management jurisdictions made in April 2001, Toshiba has reclassified its former Information & Communications and Industrial Systems into Information & Communications Systems and Social Infrastructure Systems as well as reviewed a portion of its business classifications in Digital Media 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
Year ended March 31	**2002**	2001	2000	**2002**
Net sales:				
Information & Communications Systems				
Unaffiliated customers	**¥ 784,071**	¥ 800,941	¥ 797,279	**$ 5,895,271**
Intersegment	**172,643**	171,048	188,474	**1,298,067**
Total	**956,714**	971,989	985,753	**7,193,338**
Social Infrastructure Systems				
Unaffiliated customers	**890,718**	925,351	918,350	**6,697,128**
Intersegment	**64,632**	49,787	49,410	**485,955**
Total	**955,350**	975,138	967,760	**7,183,083**
Power Systems				
Unaffiliated customers	**565,973**	568,244	553,322	**4,255,436**
Intersegment	**13,587**	14,423	17,359	**102,158**
Total	**579,560**	582,667	570,681	**4,357,594**
Digital Media				
Unaffiliated customers	**1,405,328**	1,398,161	1,361,191	**10,566,376**
Intersegment	**63,271**	88,242	73,367	**475,722**
Total	**1,468,599**	1,486,403	1,434,558	**11,042,098**
Home Appliances				
Unaffiliated customers	**656,905**	676,820	636,054	**4,939,135**
Intersegment	**23,777**	31,497	23,840	**178,775**
Total	**680,682**	708,317	659,894	**5,117,910**
Electronic Devices & Components				
Unaffiliated customers	**905,178**	1,332,711	1,204,047	**6,805,850**
Intersegment	**169,674**	218,640	169,204	**1,275,744**
Total	**1,074,852**	1,551,351	1,373,251	**8,081,594**
Others				
Unaffiliated customers	**185,860**	249,129	279,129	**1,397,444**
Intersegment	**240,511**	219,143	197,871	**1,808,353**
Total	**426,371**	468,272	477,000	**3,205,797**
Eliminations	**(748,095)**	(792,780)	(719,525)	**(5,624,775)**
Consolidated	**¥ 5,394,033**	¥ 5,951,357	¥ 5,749,372	**$ 40,556,639**

Year ended March 31	Millions of yen 2002	2001	2000	Thousands of U.S. dollars 2002
Operating income (loss):				
Information & Communications Systems	¥ 9,662	¥ 23,744	¥ 24,084	$ 72,647
Social Infrastructure Systems	13,601	9,338	16,377	102,263
Power Systems	26,828	17,457	9,342	201,714
Digital Media	(14,873)	18,041	46,002	(111,827)
Home Appliances	11,358	18,429	5,354	85,399
Electronic Devices & Components	(176,277)	116,354	(23,524)	(1,325,391)
Others	15,314	27,153	26,694	115,143
Eliminations	812	1,617	(3,360)	6,105
Consolidated	¥ (113,575)	¥ 232,133	¥ 100,969	$ (853,947)
Identifiable assets:				
Information & Communications Systems	¥ 679,932	¥ 639,880	¥ 590,083	$ 5,112,271
Social Infrastructure Systems	878,829	855,684	789,554	6,607,737
Power Systems	597,794	632,643	668,068	4,494,692
Digital Media	598,894	643,045	584,974	4,502,962
Home Appliances	381,563	417,088	366,029	2,868,895
Electronic Devices & Components	1,386,600	1,441,406	1,468,014	10,425,564
Others	907,652	1,138,414	1,268,282	6,824,451
Corporate and Eliminations	(23,482)	(43,596)	45,002	(176,557)
Consolidated	¥ 5,407,782	¥ 5,724,564	¥ 5,780,006	$40,660,015
Depreciation and amortization:				
Information & Communications Systems	¥ 34,033	¥ 29,339	¥ 31,641	$ 255,887
Social Infrastructure Systems	25,088	22,030	23,820	188,632
Power Systems	18,153	15,572	16,725	136,489
Digital Media	27,456	27,107	24,275	206,436
Home Appliances	18,646	21,884	22,822	140,195
Electronic Devices & Components	163,141	184,496	192,254	1,226,624
Others	39,722	39,388	37,224	298,662
Corporate	—	—	—	—
Consolidated	¥ 326,239	¥ 339,816	¥ 348,761	$ 2,452,925
Capital expenditures:				
Information & Communications Systems	¥ 41,286	¥ 37,571	¥ 40,749	$ 310,421
Social Infrastructure Systems	16,885	11,399	12,412	126,955
Power Systems	10,370	12,467	7,236	77,970
Digital Media	32,460	25,568	41,170	244,060
Home Appliances	21,683	20,713	16,377	163,030
Electronic Devices & Components	210,918	157,879	156,671	1,585,850
Others	45,230	37,152	44,157	340,075
Corporate	—	—	—	—
Consolidated	¥ 378,832	¥ 302,749	¥ 318,772	$ 2,848,361

GEOGRAPHIC SEGMENTS

Year ended March 31	Millions of yen 2002	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars 2002
Net sales:				
Japan				
Unaffiliated customers	¥ 3,716,437	¥ 4,168,795	¥ 3,889,623	$ 27,943,135
Intersegment	999,914	1,004,448	1,050,500	7,518,151
Total	4,716,351	5,173,243	4,940,123	35,461,286
North America				
Unaffiliated customers	728,595	738,294	816,804	5,478,158
Intersegment	86,334	77,994	53,062	649,128
Total	814,929	816,288	869,866	6,127,286
Asia				
Unaffiliated customers	470,518	508,888	478,269	3,537,729
Intersegment	429,904	299,224	265,593	3,232,361
Total	900,422	808,112	743,862	6,770,090
Europe				
Unaffiliated customers	426,089	484,721	506,595	3,203,676
Intersegment	13,026	14,269	10,649	97,940
Total	439,115	498,990	517,244	3,301,616
Other				
Unaffiliated customers	52,394	50,659	58,081	393,940
Intersegment	5,220	2,819	4,918	39,248
Total	57,614	53,478	62,999	433,188
Eliminations	(1,534,398)	(1,398,754)	(1,384,722)	(11,536,827)
Consolidated	¥ 5,394,033	¥ 5,951,357	¥ 5,749,372	$ 40,556,639
Operating income (loss):				
Japan	¥ (166,231)	¥ 193,258	¥ 58,734	$ (1,249,857)
North America	19,189	6,642	12,411	144,278
Asia	22,844	31,246	23,216	171,760
Europe	(128)	5,493	2,989	(962)
Other	14	655	742	105
Eliminations	10,737	(5,161)	2,877	80,729
Consolidated	¥ (113,575)	¥ 232,133	¥ 100,969	$ (853,947)
Indentifiable assets:				
Japan	¥ 4,430,716	¥ 4,783,739	¥4,975,486	$ 33,313,654
North America	360,366	413,777	261,545	2,709,519
Asia	434,112	323,183	276,451	3,264,000
Europe	186,900	205,960	188,000	1,405,263
Other	36,061	34,276	28,558	271,135
Corporate and Eliminations	(40,373)	(36,371)	49,966	(303,556)
Consolidated	¥ 5,407,782	¥ 5,724,564	¥5,780,006	$ 40,660,015

Note: Geographic segment information for the fiscal years ended March 31, 2001 and 2000 have been reclassified to conform with the current classification.

RESEARCH AND DEVELOPMENT

Consolidated R&D expenditures declined 1% from the previous fiscal year, to ¥326.2 billion (US$2,452 million). This was equivalent to 6% of net sales, up from 5.5% in the previous fiscal year. Looking at principal R&D achievements and expenditures by segment, in Information & Communications Systems, R&D expenditures were ¥49.1 billion (US$369 million), and were mainly for digital broadcasting and knowledge management support software. R&D expenditures in Social Infrastructure Systems totaled ¥31.5 billion (US$237 million), and were for the development of a new type of remote monitoring system using IT and for the development of diagnostic ultrasound systems. In Power Systems, R&D expenditures amounted to ¥21.1 billion (US$159 million) and were for the joint development of a steam turbine blade together with General Electric Company, as well as the development of technologies for electric power plant maintenance. R&D expenditures in Digital Media amounted to ¥58.3 billion (US$438 million) and were for PCs and cellular phones with CCD cameras, BS digital plasma TVs, and PDAs. In Home Appliances, R&D expenditures were ¥19.1 billion (US$143 million) and covered the development of network home appliances using Bluetooth™ as well as home appliances that offer higher performance capabilities and greater energy conservation. In Electronic Devices & Components, R&D expenditures amounted to ¥140.6 billion (US$1,057 million), and were for organic EL panels, large-sized low-temperature polysilicon LCDs, various LSIs, and the development of high-density cubic wiring technologies that utilize nanotechnologies, as well as the development of long-life batteries for digital cameras. In Others, R&D expenditures were ¥6.5 billion (US$49 million), and consisted mainly of research carried out at Shibaura Mechatronics Corporation and Toshiba Chemical Corporation.

CAPITAL EXPENDITURES

Toshiba's basic strategy for capital expenditures is to concentrate the allocation of its management resources in growth fields. Capital expenditures, which included investments in property, plant and equipment of ¥348.2 billion (US$2,619 million), amounted to ¥378.8 billion (US$2,848 million), and were made primarily in Electronic Devices & Components and IT-related business.

Capital expenditures in Electronics Devices & Components amounted to ¥210.9 billion (US$1,586 million), and were for the development and increased production capacity of semiconductors and LCD displays. Principal facility completions during the fiscal year included manufacturing facilities for low-temperature polysilicon LCDs at Fukaya Operations, facilities for manufacturing advanced system LSI at Oita Operations, and NAND flash memory manufacturing facilities at Yokkaichi Operations.

In Digital Media, capital expenditures amounted to ¥32.4 billion (US$244 million), and were for the development and manufacturing of new PC and cellular phone-related facilities. Principal facilities completed during the fiscal year included a new facility for the development of mobile network technologies at Ome Operations.

Capital expenditures in Information & Communications Systems totaled ¥41.3 billion (US$310 million), and were allocated mainly for the development of systems as well as for the broadcast and network service business. Capital expenditures amounted to ¥16.9 billion (US$127 million) in Social Infrastructure Systems and were concentrated on social and government-related infrastructure businesses, ¥10.4 billion (US$78 million) in Power Systems, including for the renovation and upgrading of infrastructure; ¥21.7 billion (US$163 million) in Home Appliances, including for the development and manufacture of new types of appliances, and ¥45.2 billion (US$340 million) in Others.

FINANCIAL CONDITION

As of March 31, 2002, total assets amounted to ¥5,407.8 billion (US$40,660 million), a decrease of ¥316.8 billion from the previous fiscal year-end. Current assets declined ¥415.6 billion from the end of the previous fiscal year, to ¥2,674.5 billion (US$20,109 million). Among principal changes, cash and cash equivalents were down ¥117.2 billion, to ¥370.4 billion (US$2,785 million), due to a reduction in cash on hand to cover a worsening of cash flow. Notes and accounts receivable declined ¥69.0 billion and ¥41.6 billion, respectively, owing to the effects of a decline in sales at the end of year. Inventories shrank 15%, to ¥693.4 billion (US$5,213 million). Long-term deferred tax assets rose ¥254.1 billion, to ¥487.5 billion (US$3,666 million), due to an increase in net operating loss carried forward as a result of the net loss.

On the liabilities side, total current and long-term liabilities amounted to ¥4,512.8 billion (US$33,931 million), a decline of ¥25.2 billion from the previous fiscal year-end. Total interest-bearing liabilities rose ¥30.9 billion from the end of the previous fiscal year end, to ¥1,818.5 billion (US$13,673 million), due to the securing of cash on hand because of the worsening of cash flow as well as the effects of the weakening of the yen. Notes and accounts payable declined ¥41.5 billion and ¥60.1 billion, respectively.

In shareholders' equity, consolidated retained earnings declined ¥270.1 billion, to ¥443.6 billion (US$3,335 million). Accumulated other comprehensive loss worsened ¥72.4 billion, to ¥298.8 billion (US$2,247 million), due to such factors as a decline in minimum pension liability adjustment as a result of a decline in yields on pension funds under management.

CASH FLOWS

Net cash provided by operating activities amounted to ¥149.2 billion (US$1,122 million), a steep ¥304.4 billion decline from ¥453.6 billion recorded in the previous fiscal year. Despite a rise in cash inflows resulting from a decline in notes and accounts receivables and inventories, net cash provided by operating activities declined because of the large net loss as well as a decrease in such non-cash items as deferred tax expenses. Net loss for fiscal year 2001 included a ¥94.6 billion non-cash loss from sales disposal and impairment of property and securities, net, and that was eliminated in adjustment to net cash.

Net cash used in investing activities rose ¥148.9 billion from the previous fiscal year, from ¥176.7 billion, to ¥325.6 billion (US$2,448 million), owing to such factors as increases in property, plant and equipment.

Net cash provided by financing activities amounted to ¥53.5 billion (US$402 million), compared with ¥285.6 billion in net cash used in financing activities in the previous fiscal year.

This was due to a ¥30.9 billion rise in interest-bearing liabilities and ¥52.4 billion (US$394 million) in proceeds from stock offering by subsidiaries despite Toshiba's continued efforts to reduce interest-bearing liabilities.

In addition, the effect of exchange rate changes was to increase cash by ¥5.7 billion (US$43 million). Cash and cash equivalents at the end of the fiscal year declined ¥117.2 billion from ¥487.6 billion the end of the previous fiscal year, to ¥370.4 billion (US$2,785 million).

PRINCIPAL SUBSIDIARIES AND AFFILIATED COMPANIES

As of March 31, 2002 — Percentage held by Group

Consolidated Subsidiaries:		Affiliated Companies:	
Japan		Japan	
Toshiba Building & Lease Co., Ltd.	100	Toshiba Ceramics Co., Ltd.	41
Toshiba Elevator and Building System Corporation	80		
Toshiba Plant Kensetsu Co., Ltd.	56		
Toshiba TEC Corporation	50		
U.S.A		U.S.A.	
Semiconductor America, Inc.	100	Flash Vision, L.L.C.	50
Toshiba America Electronic Components, Inc.	100		
Toshiba America, Inc.	100		

Consolidated Balance Sheets

Toshiba Corporation and its subsidiaries

As of March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. dollars (Note 3)
Assets	**2002**	2001	**2002**
Current assets:			
Cash and cash equivalents	**¥ 370,432**	¥ 487,595	**$ 2,785,203**
Notes and accounts receivable, trade —			
Notes (Note 5)	**136,890**	205,844	**1,029,248**
Accounts (Note 5)	**976,037**	1,018,246	**7,338,624**
Allowance for doubtful notes and accounts	**(26,780)**	(27,410)	**(201,353)**
Finance receivables, net (Note 5)	**190,912**	222,976	**1,435,429**
Inventories (Note 6)	**693,350**	819,633	**5,213,158**
Prepaid expenses and other current assets (Note 15)	**333,686**	363,207	**2,508,917**
Total current assets	**2,674,527**	3,090,091	**20,109,226**
Long-term receivables and investments:			
Long-term receivables	**14,523**	18,957	**109,194**
Long-term finance receivables, net (Note 5)	**313,058**	341,492	**2,353,820**
Investments in and advances to affiliates (Note 7)	**132,974**	132,485	**999,805**
Marketable securities and other investments (Notes 4 and 8)	**230,300**	252,303	**1,731,579**
	690,855	745,237	**5,194,398**
Property, plant and equipment (Note 8)**:**			
Land	**175,682**	175,873	**1,320,917**
Buildings	**1,168,861**	1,157,875	**8,788,429**
Machinery and equipment	**2,712,073**	3,046,897	**20,391,526**
Construction in progress	**92,594**	66,539	**696,195**
	4,149,210	4,447,184	**31,197,067**
Less—Accumulated depreciation	**(2,794,888)**	(3,007,428)	**(21,014,195)**
	1,354,322	1,439,756	**10,182,872**
Deferred tax assets (Note 15)	**487,524**	233,391	**3,665,594**
Other assets (Note 9)	**200,554**	216,089	**1,507,925**
	¥5,407,782	¥5,724,564	**$40,660,015**

The accompanying notes are an integral part of these statements.

Liabilities and shareholders' equity	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. dollars (Note 3) 2002
Current liabilities:			
Short-term borrowings (Note 8)	¥ 658,854	¥526,865	$ 4,953,789
Current portion of long-term debt (Note 8)	270,924	270,466	2,037,023
Notes payable, trade	140,879	182,377	1,059,241
Accounts payable, trade	837,141	897,245	6,294,293
Accounts payable, other and accrued expenses	340,232	336,153	2,558,135
Accrued income and other taxes	36,768	55,239	276,451
Advance payments received	273,107	283,074	2,053,436
Other current liabilities	314,588	329,431	2,365,324
Total current liabilities	2,872,493	2,880,850	21,597,692
Long-term liabilities:			
Long-term debt (Note 8)	888,755	990,305	6,682,368
Accrued pension and severance costs (Note 9)	709,233	633,642	5,332,579
Other liabilities	42,324	33,231	318,226
	1,640,312	1,657,178	12,333,173
Minority interest in consolidated subsidiaries (Note 16)	189,663	138,611	1,426,037
Shareholders' equity (Note 17)			
Common stock, without par value:			
Authorized—10,000,000,000 shares			
Issued and outstanding:			
2002—3,219,027,165 shares	274,926	—	2,067,113
2001—3,219,014,736 shares	—	274,921	—
Additional paid-in capital	285,736	285,732	2,148,391
Retained earnings	443,555	713,667	3,335,000
Accumulated other comprehensive loss	(298,792)	(226,395)	(2,246,556)
Treasury stock, at cost 225,288 shares	(111)	—	(835)
	705,314	1,047,925	5,303,113
Commitments and contingent liabilities (Note 20)			
	¥5,407,782	¥5,724,564	$40,660,015

Consolidated Statements of Operations

Toshiba Corporation and its subsidiaries

For the years ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. dollars (Note 3)
	2002	2001	**2002**
Sales and other income:			
Net sales	**¥5,394,033**	¥5,951,357	**$40,556,639**
Interest and dividends	**14,704**	18,230	**110,556**
Other income (Notes 4 and 9)	**59,100**	110,601	**444,361**
	5,467,837	6,080,188	**41,111,556**
Costs and expenses:			
Cost of sales (Notes 10 and 12)	**4,070,130**	4,323,525	**30,602,481**
Selling, general and administrative (Notes 10, 11 and 12)	**1,437,478**	1,395,699	**10,808,105**
Restructuring charges (Note 14)	**208,954**	—	**1,571,083**
Interest	**29,891**	41,102	**224,744**
Other (Notes 4 and 13)	**98,071**	131,763	**737,376**
	5,844,524	5,892,089	**43,943,789**
Income (loss) before income taxes, minority interest and equity in earnings of affiliates	**(376,687)**	188,099	**(2,832,233)**
Income taxes (Note 15)**:**			
Current	**36,185**	53,223	**272,068**
Deferred	**(150,100)**	42,922	**(1,128,572)**
	(113,915)	96,145	**(856,504)**
Income (loss) before minority interest and equity in earnings of affiliates	**(262,772)**	91,954	**(1,975,729)**
Minority interest in income (loss) of consolidated subsidiaries	**(6,315)**	5,140	**(47,481)**
Income (loss) before equity in earnings of affiliates	**(256,457)**	86,814	**(1,928,248)**
Equity in earnings of affiliates (Note 7)	**2,440**	9,354	**18,346**
Net income (loss)	**¥ (254,017)**	¥ 96,168	**$ (1,909,902)**

	Yen		U.S. dollars (Note 3)
Per share (Note 18):			
Net income (loss):			
Basic	**¥(78.91)**	¥29.88	**$(0.593)**
Diluted	**(78.91)**	29.71	**(0.593)**
Cash dividends	**—**	¥10.00	**—**

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, 2002 and 2001

	Millions of yen					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total
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 17)—						
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						13,572
Cash dividends			(25,751)			(25,751)
Balance at March 31, 2001	274,921	285,732	713,667	(226,395)		1,047,925
Conversion of convertible debentures	**5**	**4**				**9**
Comprehensive income (loss):						
Net loss			**(254,017)**			**(254,017)**
Other comprehensive income (loss), net of tax (Note 17)—						
Unrealized gains on securities (Note 4)				**(3,542)**		**(3,542)**
Foreign currency translation adjustments				**13,987**		**13,987**
Minimum pension liability adjustment (Note 9)				**(80,754)**		**(80,754)**
Unrealized losses on derivative instruments				**(2,088)**		**(2,088)**
Comprehensive loss						**(326,414)**
Cash dividends			**(16,095)**			**(16,095)**
Purchase of treasury stock, at cost					**¥(111)**	**(111)**
Balance at March 31, 2002	**¥274,926**	**¥285,736**	**¥ 443,555**	**¥(298,792)**	**¥(111)**	**¥ 705,314**

	Thousands of U.S. dollars (Note 3)					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total
Balance at March 31, 2001	$2,067,075	$2,148,361	$ 5,365,917	$(1,702,218)		$ 7,879,135
Conversion of convertible debentures	**38**	**30**				**68**
Comprehensive income (loss):						
Net loss			**(1,909,902)**			**(1,909,902)**
Other comprehensive income (loss), net of tax (Note 17):						
Unrealized gains on securities (Note 4)				**(26,632)**		**(26,632)**
Foreign currency translation adjustments				**105,166**		**105,166**
Minimum pension liability adjustment (Note 9)				**(607,173)**		**(607,173)**
Unrealized losses on derivative instruments				**(15,699)**		**(15,699)**
Comprehensive loss						**(2,454,240)**
Cash dividends			**(121,015)**			**(121,015)**
Purchase of treasury stock, at cost					**$(835)**	**(835)**
Balance at March 31, 2002	**$2,067,113**	**$2,148,391**	**$ 3,335,000**	**$(2,246,556)**	**$(835)**	**$ 5,303,113**

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, 2002 and 2001

	Millions of Yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Cash flows from operating activities:			
Net (loss) income	¥(254,017)	¥ 96,168	$(1,909,902)
Adjustments to reconcile net (loss) income to net cash provided by operating activities—			
Depreciation and amortization	326,239	339,816	2,452,925
Provisions for pension and severance costs, less payments	(45,621)	(10,667)	(343,015)
Deferred income tax provision (benefit)	(150,100)	42,922	(1,128,572)
Equity in income of affiliates	(2,440)	(9,354)	(18,346)
Loss (gain) from sales, disposal and impairment of property and securities, net	94,579	(30,758)	711,121
Minority interest in (loss) income of consolidated subsidiaries	(6,315)	5,140	(47,481)
Decrease in notes and accounts receivable, trade	118,775	34,857	893,045
Decrease in finance receivables, net	32,056	22,255	241,023
Decrease in inventories	141,137	51,755	1,061,180
Decrease (increase) in other current assets	4,354	(70,750)	32,737
Decrease in long-term receivables	4,366	695	32,827
Decrease (increase) in long-term finance receivables, net	28,434	(6,639)	213,789
(Decrease) increase in notes and accounts payable, trade	(108,060)	13,804	(812,481)
(Decrease) increase in accrued income and other taxes	(19,038)	8,672	(143,143)
Decrease in advance payments received	(16,964)	(17,415)	(127,549)
Increase (decrease) in accounts payable and other liabilities	1,780	(16,860)	13,383
Net cash provided by operating activities	149,165	453,641	1,121,541
Cash flows from investing activities:			
Proceeds from sale of property	65,604	12,565	493,263
Proceeds from sale of securities	29,714	23,774	223,414
Acquisition of property and equipment	(364,671)	(257,448)	(2,741,887)
Purchase of securities	(39,489)	(13,126)	(296,910)
Decrease in investments in affiliates	4,956	19,272	37,263
(Increase) decrease in other assets and other	(21,693)	38,216	(163,105)
Net cash used in investing activities	(325,579)	(176,747)	(2,447,962)
Cash flows from financing activities:			
Proceeds from long-term debt	322,941	233,929	2,428,128
Repayment of long-term debt	(420,726)	(398,669)	(3,163,353)
Increase (decrease) in short-term borrowings	114,913	(95,310)	864,007
Dividends paid	(16,045)	(25,598)	(120,639)
Proceeds from stock offering by subsidiaries	52,412	—	394,075
Net cash provided by (used in) financing activities	53,495	(285,648)	402,218
Effect of exchange rate changes on cash and cash equivalents	5,756	31,112	43,278
Net (decrease) increase in cash and cash equivalents	(117,163)	22,358	(880,925)
Cash and cash equivalents at beginning of year	487,595	465,237	3,666,128
Cash and cash equivalents at end of year	¥ 370,432	¥ 487,595	$ 2,785,203
Supplemental disclosure of cash flow information:			
Cash paid during the year for—			
Interest	¥ 39,347	¥ 52,789	$ 295,842
Income taxes	¥ 55,340	¥ 61,161	$ 416,090

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Toshiba Corporation and its subsidiaries

1. COMPANY OPERATIONS

Toshiba Corporation and its subsidiaries (the "Company") is engaged in research and development, manufacturing and sales of high-technology electronic and energy products, which span (1) information & communications systems, (2) social infrastructure systems, (3) power systems, (4) digital media, (5) home appliances, (6) electronic devices & components, and (7) others. For the year ended March 31, 2002, sales of digital media represented approximately 24 percent, the most significant portion, of the Company's total sales and information & communications systems, social infrastructure systems, and electronic devices & components each represented slightly over 15 percent of the Company's total sales, while sales of power systems and home appliances were approximately equal in amount, each representing approximately 10 percent of the Company's total sales. Sales from other lines of business were small compared to those noted above. The products are manufactured and marketed throughout the world with 62 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

Toshiba Corporation 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 of account.

Basis of Consolidation and Investments in Affiliates

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

Investments in affiliates (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.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the Untied 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.

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Foreign Currency Translation

The assets and liabilities of foreign consolidated subsidiaries and affiliates 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 other expenses in the consolidated statements of operations.

Marketable Securities and Other Investments

The Company classifies its marketable equity securities and all debt securities as available-for-sale which are reported at fair value, with unrealized gains and losses included in accumulated other comprehensive income (loss), net of taxes. Other investments without quoted market prices are stated at cost. Realized gains or losses on the sale of securities are based on the average cost of a particular security held at the time of sale.

Marketable securities and other investment securities are regularly reviewed for other-than-temporary declines in carrying value based on criteria that include; the length of time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and the Company's intent and ability to retain marketable securities and investment securities for a period of time sufficient to allow for any anticipated recovery in market value. When such a decline exists, the Company recognizes an impairment loss to the extent of such decline.

Inventories

Raw materials, 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.

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 expensed as incurred.

Depreciation is computed generally by the declining-balance method at rates based on the following estimated useful lives of the assets: buildings, 3 to 50 years, machinery and equipment, 2 to 18 years.

Impairment of Long-Lived Assets

Long-lived assets including goodwill and other intangible assets are evaluated for impairment using an estimate of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. If the estimate of undiscounted cash flows is less than the carrying amount of the assets, an impairment loss is recorded based on the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Income Taxes

The provision (benefit) for income taxes is computed based on the pre-tax income (loss) included in the consolidated statements of operations. 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 has 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.

Additional Paid-in Capital

Under the Japanese Commercial Code, the entire amount of the issue price of shares is required to be accounted for in the common stock account although a company in Japan may, by a resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the shares as additional paid-in capital.

Issuance of Stock by a Subsidiary

When a subsidiary issues stock to an unrelated third party, the Company's ownership interest in the subsidiary decreases; however, if the price per share is more or less than the Company's average carrying amount per share, the Company is required to adjust the carrying amount of its investment in the subsidiary. The Company recognizes such gains or losses in income for the year in which the change in ownership interest occurs.

For the year ended March 31, 2002, a subsidiary sold its newly-issued common stock to a third party investor. In connection with this transaction, the Company recognized a gain of ¥9,185 million ($69,060 thousand) and deferred taxes on this gain of ¥3,867 million ($29,075 thousand).

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, unless their inclusion would have an antidilutive effect.

Revenue Recognition

Revenue of mass-produced standard products is recognized when there is persuasive evidence of an arrangement, the product has been delivered, the sales price is fixed or determinable, and collectibility is reasonably assured. The mass-produced standard products are considered delivered to customers once they have been shipped, and the title and risk of loss have transferred.

Revenue from services is recognized as the services are provided.

Revenue from development of custom software products is recognized when the software products have been delivered and accepted by the customer.

Revenue related to equipment that requires installation is recognized upon the completion of the installation of the equipment.

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

Shipping and Handling Costs

The Company includes shipping and handling costs which totaled ¥88,332 million ($664,150 thousand) and ¥96,180 million for the years ended March 31, 2002 and 2001, respectively in selling, general and administrative expenses.

Derivative 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 19 for descriptions of these financial instruments.

Effective April 1, 2001, the Company adopted the Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133". Adoption of SFAS No. 133 and 138 was not significant to the operating results and the financial position of the Company.

As a result of the adoption of SFAS No. 133 and 138, the Company recognizes all derivative financial instruments, such as forward exchange contracts, interest rate swap agreements and currency swap agreements, in the consolidated financial statements at fair value regardless of the purpose or intent for holding the derivative financial instruments. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders' equity as a component of other comprehensive income (loss) depending on whether the derivative financial instruments qualify for hedge accounting, and if so, whether they qualify as a fair value hedge or a cash flow hedge. Changes in fair values of derivative financial instruments accounted for as fair value hedges are recorded in income along with the portion of the change in the fair value of the hedged item that relates to the hedged risk. Changes in fair value of derivative financial instruments accounted for as cash flow hedges, to the extent they are effective as a hedge, are recorded in other comprehensive income (loss), net of tax. Changes in the fair value of derivative financial instruments not qualifying as a hedge are reported in income.

Prior to April 1, 2001, the Company used forward exchange contracts, interest rate swap agreements and currency swap agreements for hedging purposes. For forward exchange contracts, gains and losses explicitly deferred, arising from contracts related to future trade transactions, were insignificant. As these forward exchange contracts were utilized solely for hedging purposes, the resulting gains or losses were 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 were deferred and were recognized in income when the hedged transaction occurred. For interest rate swap agreements, the related differentials to be paid or received under the interest rate swaps were recognized in interest expense over the terms of the agreements. Currency swaps were accounted for in a manner similar to the accounting for forward exchange contracts.

Sales of Receivables

The Company enters into transactions to sell certain trade accounts receivable, trade notes receivable and finance receivables. The Company may retain certain interests in these transactions. Gain or loss on the sale of receivables is based on the carrying amount of the receivables sold, allocated between the receivables sold and the retained interests based on their relative fair values at the date of sale. Retained interests are carried at fair value and are included in finance receivables in the consolidated financial statements. The Company estimates fair value based on the present value of future expected cash flows less credit losses. Transactions entered into prior to April 1, 2001 were accounted for under SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement 125" was effective for the transactions occurring after March 31, 2001. SFAS No. 140 revised 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. The adoption of SFAS No. 140 did not have a material effect on the Company's financial position and results of operations.

Recent Pronouncements

The Company has adopted SFAS No. 141, "Business Combinations" and will adopt SFAS No. 142, "Goodwill and Other Intangible Assets" on April 1, 2002. Under the new rule, goodwill and other indefinite lived intangible assets will no longer be amortized but will be reviewed annually for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The Company does not anticipate that adoption of SFAS No. 142 will have a material effect on the Company's financial position and results of operations.

In August 2001, FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations" for a disposal of a segment of a business. SFAS No. 144 is effective for the year beginning after December 15, 2001, with earlier application encouraged. The Company will adopt SFAS No. 144 effective April 1, 2002. The Company does not anticipate that adoption of SFAS No. 144 will have a material effect on the Company's financial position and results of operations.

Reclassifications

Certain reclassifications to the prior year's consolidated financial statements and related footnote amounts have been made to conform to the presentation for the current year.

3. U.S. DOLLAR AMOUNTS

U.S. dollar amounts are included solely for convenience. These translations should not be construed as a representation that the yen could be converted into U.S. dollars at this rate or any other rate. 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 ¥133 = U.S.$1, the approximate current rate of exchange at March 31, 2002, 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, 2002 and 2001 are as follows:

	Millions of yen			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2002:				
Equity securities	¥84,601	¥50,952	¥6,553	¥129,000
Debt securities	2,365	—	9	2,356
	¥86,966	¥50,952	¥6,562	¥131,356
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

	Thousands of U.S. dollars			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2002:				
Equity securities	$636,098	$383,098	$49,271	$969,925
Debt securities	17,782	—	68	17,714
	$653,880	$383,098	$49,339	$987,639

At March 31, 2002, debt securities mainly consist of corporate debt securities.

Contractual maturities of debt securities classified as available-for-sale were as follows at March 31, 2002:

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair value	Cost	Fair value
Due within one year	¥1,100	¥1,099	$ 8,271	$ 8,263
Due after one year	1,265	1,257	9,511	9,451
	¥2,365	¥2,356	$17,782	$17,714

The proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001 were ¥29,714 million ($223,414 thousand) and ¥23,774 million, respectively. The gross realized gains on those sales for the years ended March 31, 2002 and 2001 were ¥9,474 million ($71,233 thousand) and ¥5,443 million, respectively. The gross realized losses on those sales for the years ended March 31, 2002 and 2001 were ¥644 million ($4,842 thousand) and ¥1,992 million, respectively.

The Company recorded a charge of ¥27,572 million ($207,308 thousand) related to other-than-temporary declines in the marketable and non-marketable equity securities for the year ended March 31, 2002, which is included in other expenses.

5. FINANCE RECEIVABLES AND SECURITIZATIONS

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

Finance receivables comprise the following:

	Millions of yen		Thousands of U.S. dollars
March 31	**2002**	2001	**2002**
Investment in financing leases:			
Total minimum lease payments receivable	**¥ 286,019**	¥ 321,444	**$ 2,150,519**
Estimated executory costs	**(10,471)**	(12,579)	**(78,729)**
Unearned income	**(11,771)**	(15,576)	**(88,504)**
Estimated residual values	**2,417**	3,725	**18,173**
	266,194	297,014	**2,001,459**
Less—allowance for doubtful accounts	**(1,161)**	(1,339)	**(8,729)**
	265,033	295,675	**1,992,730**
Less—current portion	**(81,464)**	(97,475)	**(612,512)**
	¥ 183,569	¥ 198,200	**$ 1,380,218**
Other finance receivables	**¥ 250,223**	¥ 278,658	**$ 1,881,376**
Less—allowance for doubtful accounts	**(11,286)**	(9,865)	**(84,857)**
	238,937	268,793	**1,796,519**
Less—current portion	**(109,448)**	(125,501)	**(822,917)**
	¥ 129,489	¥ 143,292	**$ 973,602**

At March 31, 2002, the contractual maturities of minimum lease payments of the investment in financing leases and the other finance receivables are as follows:

	Investment in financing leases		Other finance receivables	
Year ending March 31	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2003	¥ 88,504	$ 665,444	¥116,045	$ 872,519
2004	78,585	590,865	47,290	355,564
2005	58,220	437,744	27,115	203,872
2006	37,620	282,857	17,323	130,248
2007	18,047	135,692	10,127	76,143
Thereafter	5,043	37,917	32,323	243,030
	¥286,019	$2,150,519	¥250,223	$1,881,376

The allowance for doubtful accounts is provided based upon past loss experience and the estimation of value of the underlying collateral for certain loans.

The Company has several securitization programs under which trade accounts receivable, trade notes receivable and finance receivables are transferred to a special purpose entity ("SPE") or the financial institutions. Upon the sale of receivables, the Company holds subordinated retained interests for certain trade account and finance receivables which are not material to the Company's financial position. Credit losses related to the securitized receivables have not been material. The Company recognized gains of ¥669 million ($5,030 thousand) and losses of ¥965 million on the securitizations of receivables for the years ended March 31, 2002 and 2001, respectively.

Subsequent to sale, the Company retains collection and administrative responsibilities for the receivables. The Company received servicing fees of ¥447 million ($3,361 thousand) and ¥405 million for the years ended March 31, 2002 and 2001, respectively. Servicing assets or liabilities are immaterial to the Company's financial position. Proceeds from new securitizations of trade receivables, including notes receivable, and finance receivables for the year ended March 31, 2002 are ¥824,339 million ($6,198,038 thousand) and ¥103,818 million ($780,586 thousand), respectively. Proceeds from new securitizations of trade receivables, including notes receivable, and finance receivables for the year ended March 31, 2001 are ¥767,147 million and ¥93,040 million, respectively.

6. INVENTORIES

Inventories comprise the following:

March 31	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars 2002
Finished products	**¥280,178**	¥345,183	**$2,106,601**
Work in process:			
Long-term contracts	**128,486**	148,462	**966,060**
Other	**163,782**	201,060	**1,231,444**
Raw materials	**120,904**	124,928	**909,053**
	¥693,350	¥819,633	**$5,213,158**

7. INVESTMENTS IN AND ADVANCES TO AFFILIATES

Of the affiliates which are accounted for by the equity method, the investment in common stock of the listed companies (five companies) is carried at ¥60,174 million ($452,436 thousand) and ¥62,327 million at March 31, 2002 and 2001, respectively. The Company's investments in these companies had a market value of ¥58,330 million ($438,571 thousand) and ¥78,671 million at March 31, 2002 and 2001, respectively, based on quoted market prices at those dates.

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

March 31	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars 2002
Current assets	**¥450,226**	¥412,480	**$3,385,158**
Other assets including property, plant and equipment	**262,323**	251,477	**1,972,353**
Total assets	**¥712,549**	¥663,957	**$5,357,511**
Current liabilities	**¥323,950**	¥296,864	**$2,435,714**
Long-term liabilities	**66,072**	71,908	**496,782**
Shareholders' equity	**322,527**	295,185	**2,425,015**
Total liabilities and shareholders' equity	**¥712,549**	¥663,957	**$5,357,511**

Year ended March 31	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars 2002
Sales	**¥614,580**	¥688,527	**$4,620,902**
Net income	**¥ 11,002**	¥ 18,636	**$ 82,722**

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

Year ended March 31	Millions of yen 2002	2001	Thousands of U.S. dollars 2002
Sales	¥22,164	¥ 16,450	$166,647
Purchases	¥63,355	¥122,261	$476,353

March 31	Millions of yen 2002	2001	Thousands of U.S. dollars 2002
Accounts receivable, trade	¥15,033	¥ 7,201	$113,030
Other receivables	¥ 3,349	¥ 4,265	$ 25,180
Accounts payable, trade	¥44,618	¥30,433	$335,474

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2002 and 2001 comprise the following:

March 31	Millions of yen 2002	2001	Thousands of U.S. dollars 2002
Loans, principally from banks, including bank overdrafts, with weighted-average interest rate of 0.84% at March 31, 2002 and 1.13% at March 31, 2001:			
Secured	¥ 3,516	¥ 7,940	$ 26,436
Unsecured	456,510	468,918	3,432,406
Commercial paper with weighted-average interest rate of 0.15% at March 31, 2002 and 5.31% at March 31, 2001	168,693	27,731	1,268,368
Euro yen or U.S. dollar medium-term notes of a subsidiary, with weighted-average interest rate of 0.36% at March 31, 2002 and 0.57% at March 31, 2001 (swapped for floating rate (LIBOR, etc.) or fixed rate U.S. dollar, yen or Euro obligations)	30,135	22,276	226,579
	¥658,854	¥526,865	$4,953,789

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, 2002, the Company had unused committed lines of credit from short-term financing arrangements aggregating ¥513,514 million ($3,861,008 thousand), of which ¥31,314 million ($235,444 thousand) was in support of the Company's commercial paper. These lines of credit have commitment fee requirements.

Long-term debt at March 31, 2002 and 2001 comprise the following:

March 31	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars 2002
Loans, principally from banks and insurance companies, due 2002 to 2034 with interest ranging from zero % to 16.50% at March 31, 2002 and due 2001 to 2034 with interest ranging from zero % to 13.50% at March 31, 2001:			
Secured	¥ 19,268	¥ 57,883	$ 144,872
Unsecured	574,838	538,697	4,322,090
Unsecured yen bonds, due 2002 to 2008 with interest ranging from 0.6% to 3.025% at March 31, 2002 and due 2001 to 2008 with interest ranging from 0.7% to 3.025% at March 31, 2001	420,622	438,422	3,162,571
Euro yen medium-term notes, due 2002 to 2008 with interest ranging from zero % to 2.34% at March 31, 2002 and due 2001 to 2008 with interest ranging from zero % to 2.34% at March 31, 2001 (swapped for floating rate (LIBOR, etc.) or fixed rate yen obligations)	39,375	58,925	296,053
6.75% Euro U.S. dollar medium-term notes due 2008 (swapped for fixed rate yen obligations)	—	630	—
1.8% unsecured yen convertible debentures due 2002 convertible at ¥724 per share	—	17,736	—
Unsecured yen bonds of subsidiaries, due 2002 to 2004 with interest ranging from 0.95% to 3.0% at March 31, 2002 and due 2002 to 2004 with interest ranging from 0.95% to 3.0% at March 31, 2001	14,000	19,000	105,263
1.825% secured yen bonds of a subsidiary due 2004	300	300	2,256
Euro yen or U.S. dollar medium-term notes of subsidiaries, due 2002 to 2012 with interest ranging from zero % to 4.0% at March 31, 2002 and due 2001 to 2011 with interest ranging from zero % to 7.26% at March 31, 2001 (swapped for floating rate (LIBOR, etc.) U.S. dollar, Yen or Euro obligations)	88,456	118,341	665,083
2.2% secured yen convertible debentures of a subsidiary due 2002 convertible at ¥1,095.8 per share	—	8,017	—
Zero % unsecured yen convertible debentures of a subsidiary due 2004 convertible currently at ¥803 per share	2,820	2,820	21,203
	1,159,679	1,260,771	8,719,391
Less—Portion due within one year	(270,924)	(270,466)	(2,037,023)
	¥ 888,755	¥ 990,305	$ 6,682,368

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, 2002 are property, plant and equipment with a book value of ¥55,087 million ($414,188 thousand) and marketable securities and other investments of ¥4,509 million ($33,902 thousand).

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

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 270,924	$2,037,023
2004	304,989	2,293,150
2005	201,337	1,513,812
2006	113,129	850,594
2007	94,329	709,241
Thereafter	174,971	1,315,571
	¥1,159,679	$8,719,391

9. ACCRUED PENSION AND SEVERANCE COSTS

All employees whose services with the Company 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 also has 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 and employees make contributions. For the year ended March 31, 2001, the Company has amended the regulations of the lump-sum severance indemnities and the severance indemnity benefits portion under the contributory trusteed employee pension funds. For the year ended March 31, 2002, the Company has amended the regulations of the social security benefits portion under the contributory trusteed employee pension funds in accordance with 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 the years ended March 31, 2002 and 2001 included the following components:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2002**	2001	**2002**
Service cost—benefits earned during the year	**¥ 62,687**	¥ 62,801	**$ 471,331**
Interest cost on projected benefit obligation	**61,439**	60,380	**461,947**
Expected return on plan assets	**(37,864)**	(40,788)	**(284,692)**
Amortization of unrecognized net obligation at transition	**12,025**	12,025	**90,414**
Amortization of prior service cost	**(4,202)**	(3,212)	**(31,594)**
Recognized actuarial loss	**18,693**	13,350	**140,549**
Net periodic pension and severance cost	**¥ 112,778**	¥ 104,556	**$ 847,955**

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 were used in measuring the pension obligations at March 31, 2002 and 2001.

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 the years ended March 31, 2002 and 2001 were as follows:

March 31	Millions of yen 2002	2001	Thousands of U.S. dollars 2002
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥ 1,823,810**	¥ 1,752,086	**$ 13,712,857**
Service cost	**62,687**	62,801	**471,331**
Interest cost	**61,439**	60,380	**461,947**
Plan participants' contributions	**8,745**	9,210	**65,752**
Plan amendments	**(39,154)**	(15,838)	**(294,391)**
Actuarial loss	**67,633**	52,602	**508,519**
Benefits paid	**(169,461)**	(99,042)	**(1,274,142)**
Foreign currency exchange impact	**957**	1,611	**7,195**
Benefit obligation at end of year	**1,816,656**	1,823,810	**13,659,068**
Change in plan assets:			
Fair value of plan assets at beginning of year	**1,044,142**	987,517	**7,850,692**
Actual return on plan assets	**(55,441)**	(56,975)	**(416,850)**
Employer contribution	**40,371**	138,782	**303,541**
Plan participants' contributions	**8,745**	9,210	**65,752**
Benefits paid	**(50,648)**	(36,108)	**(380,811)**
Foreign currency exchange impact	**943**	1,716	**7,090**
Fair value of plan assets at end of year	**988,112**	1,044,142	**7,429,414**
Funded status	**828,544**	779,668	**6,229,654**
Unrecognized actuarial loss	**(638,072)**	(495,740)	**(4,797,533)**
Unrecognized net obligation at transition	**(49,163)**	(61,189)	**(369,647)**
Unrecognized prior service cost	**78,740**	43,690	**592,030**
Net amount recognized	**¥ 220,049**	¥ 266,429	**$ 1,654,504**
Amounts recognized in the consolidated balance sheets consist of:			
Accrued pension and severance costs	**¥ 709,233**	¥ 633,642	**$ 5,332,579**
Intangible asset	**—**	(17,499)	**—**
Accumulated other comprehensive loss, pre-tax	**(489,184)**	(349,714)	**(3,678,075)**
Net amounts recognized	**¥ 220,049**	¥ 266,429	**$ 1,654,504**
Accumulated benefit obligation at end of year	**¥ 1,696,572**	¥ 1,677,784	**$ 12,756,180**

For the year ended March 31, 2001, the Company contributed certain marketable equity securities, not including those of its subsidiaries and affiliates, 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. Upon contribution of these available-for-sale securities, a net unrealized gain of ¥35,942 million was realized and included in other income for the year ended March 31, 2001.

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are expensed as incurred and amounted to ¥ 326,170 million ($2,452,406 thousand) and ¥327,915 million for the years ended March 31, 2002 and 2001, respectively.

11. ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising expenses amounted to ¥59,390 million ($446,541 thousand) and ¥57,106 million for the years ended March 31, 2002 and 2001, respectively.

12. RENT EXPENSES

The Company leases office and warehouse space, and certain other assets under operating leases. Rent expenses under such leases for the years ended March 31, 2002 and 2001 are ¥84,781 million ($637,451 thousand) and ¥81,503 million, respectively.

13. FOREIGN EXCHANGE GAINS AND LOSSES

For the years ended March 31, 2002 and 2001, the net foreign exchange losses are ¥6,682 million ($50,241 thousand) and ¥7,776 million, respectively.

14. RESTRUCTURING CHARGES

Restructuring charges consist of various reorganization costs totaling ¥111,280 million ($836,692 thousand) primarily related to the "01 Action Plan," a series of measures to reshape business operations and strengthen competitiveness announced in August 2001 and additional termination benefits for voluntary early retirement of ¥97,674 million ($734,391 thousand).

The reorganization costs of ¥111,280 million ($836,692 thousand) comprised the following.

For the year ended March 31, 2002, the Company incurred sluggish demand and price erosion of semiconductors especially commodity DRAMs and consequently the Company's gross margin significantly decreased. Given these circumstances the Company evaluated certain machinery and equipment for memory production to be held and used for impairment. The impairment of such machinery and equipment was based upon an analysis of projected undiscounted cash flows, which were no longer deemed adequate to support their value. Consequently, the Company recorded an impairment loss of ¥55,247 million ($415,391 thousand) for assets to be held and used.

The Company decided to exit the commodity DRAM business. In December 2001, the Company announced that it would sell Dominion Semiconductor, L.L.C. ("Dominion") to Micron Technology, Inc. ("Micron"). The sale covers all of the assets of Dominion, including its land, buildings and DRAM production equipment. In connection with the exit, certain NAND flash manufacturing equipment will be transferred to a Company facility in Japan. Furthermore, the Company determined to liquidate a wholly-owned subsidiary, which had been engaged mainly in the assembly of DRAMs. In connection with such reorganization of the DRAM business, the Company has incurred losses on disposal and impairment for building, machinery and equipment of ¥5,125 million ($38,534 thousand) and various other losses including; losses on contract terminations, purchase commitment losses, dismantling costs for machinery and equipment to be disposed of, totaling ¥31,083 million ($233,707 thousand). The Company anticipates that substantially all of the restructuring liabilities will be paid during the year ending March 31, 2003.

Other reorganization costs of ¥19,825 million ($149,060 thousand) mainly related to impairment losses of building, machinery and equipment for other businesses to be discontinued or already discontinued.

The Company anticipates that substantially all of such assets will be disposed during the year ending March 31, 2003.

The Company recorded a loss of ¥97,674 million ($734,391 thousand) with respect to the additional termination benefits for the voluntary early retirement of approximately 8,200 employees under the "01 Action Plan". Substantially all of these additional termination benefits were paid as of March 31, 2002.

Approximately ¥79,993 million ($601,451 thousand) of the restructuring charges are non-cash charges.

15. INCOME TAXES

The Company is subject to a number of different taxes based on income which, in the aggregate, result in a normal statutory tax rate in Japan of approximately 42.1 percent for the years ended March 31, 2002 and 2001. A reconciliation between the reported income tax expense (benefit) and the amount computed by multiplying the income (loss) before income taxes, minority interest and equity in earnings of affiliates by the applicable statutory tax rate is as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2002**	2001	**2002**
Computed expected income tax expense (benefit)	**¥(158,585)**	¥79,190	**$(1,192,368)**
Increase in taxes resulting from:			
Non-deductible expenses for tax purposes	**3,256**	3,979	**24,481**
Net changes in valuation allowance	**41,575**	2,256	**312,594**
Tax rate difference relating to reclassification adjustments for gains on securities	**308**	4,061	**2,316**
Other	**(469)**	6,659	**(3,527)**
Income tax expense (benefit)	**¥(113,915)**	¥96,145	**$ (856,504)**

The significant components of deferred tax assets and deferred tax liabilities recorded on the consolidated balance sheets as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2002**	2001	**2002**
Gross deferred tax assets:			
Inventories	**¥ 24,805**	¥ 23,823	**$ 186,504**
Accrued pension and severance costs	**97,788**	81,520	**735,248**
Tax loss carryforwards	**180,125**	34,695	**1,354,323**
Minimum pension liability adjustment	**205,946**	147,230	**1,548,466**
Accrued bonus	**27,746**	29,168	**208,617**
Other	**174,958**	151,555	**1,315,473**
	711,368	467,991	**5,348,631**
Valuation allowance for deferred tax assets	**(77,644)**	(42,197)	**(583,789)**
Deferred tax assets	**633,724**	425,794	**4,764,842**
Gross deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	**(15,661)**	(17,064)	**(117,752)**
Unrealized gains on securities	**(18,356)**	(21,157)	**(138,015)**
Gain on securities contributed to employee retirement benefit trusts	**(17,763)**	(17,763)	**(133,556)**
Other	**(17,450)**	(13,473)	**(131,203)**
Deferred tax liabilities	**(69,230)**	(69,457)	**(520,526)**
Net deferred tax assets	**¥ 564,494**	¥ 356,337	**$ 4,244,316**

Net current deferred tax assets at March 31, 2002 and 2001 are reflected in the consolidated balance sheets under the caption of prepaid expenses and other current assets, ¥84,402 million ($634,602 thousand) and ¥122,946 million, respectively.

The net changes in the total valuation allowance for the years ended March 31, 2002 and 2001 were an increase of ¥35,447 million ($266,519 thousand) and a decrease of ¥4,562 million, respectively.

Available corporate tax loss carryforwards of the Company at March 31, 2002 amounted to approximately ¥430,476 million ($3,236,662 thousand), the majority of which will expire during the period from 2003 through 2007. Realization is dependent on the Company generating sufficient taxable income prior to their expiration or the Company exercising certain available tax strategies. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets, less the 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 affiliates deemed indefinitely reinvested in foreign operations. As of March 31, 2002, the undistributed earnings of the foreign subsidiaries not subject to deferred tax liabilities were ¥103,248 million ($776,301 thousand). It is not practicable to estimate the amount of the deferred income tax liabilities on such earnings.

16. ISSUANCE OF PREFERRED STOCK BY A SUBSIDIARY

A foreign subsidiary issued 35 shares of ¥1,000 million par value redeemable preferred stock with a totaling ¥35,000 million ($263,158 thousand) to the third parties. This preferred stock is included in minority interest in the consolidated subsidiaries. Holders of the preferred stock have no voting rights and are to receive preferred dividends quarterly, based on LIBOR, which currently approximates 1.06 percent per annum.

17. SHAREHOLDERS' EQUITY

On October 1, 2001, an amendment ("Amendment") to the Japanese Commercial Code became effective. The Amendment eliminates the stated par value of Toshiba Corporation's outstanding shares which results in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that share issuances after September 30, 2001 will be of shares with no par value. Before the Amendment, Toshiba Corporation's shares had a par value of ¥50 per share.

Retained Earnings

Retained earnings at March 31, 2002 and 2001 include a legal reserve of ¥81,815 million ($615,150 thousand) and ¥80,933 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 Toshiba Corporation and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25 percent of their respective stated capital.

The amount of retained earnings available for dividends is based on Toshiba Corporation's retained earnings determined in accordance with generally accepted accounting principles in Japan and the Japanese Commercial Code.

Accumulated Other Comprehensive Income (Loss)

An analysis of the changes in accumulated other comprehensive income (loss), net of tax, for the years ended March 31, 2002 and 2001 is shown below:

	Millions of yen		Thousands of U.S. dollars
March 31	2002	2001	2002
Unrealized gains on securities:			
Balance at beginning of year	¥ 28,728	¥ 70,687	$ 216,000
Current-period change	(3,542)	(41,959)	(26,632)
Balance at end of year	¥ 25,186	¥ 28,728	$ 189,368
Foreign currency translation adjustments:			
Balance at beginning of year	¥ (55,938)	¥(105,990)	$ (420,586)
Current-period change	13,987	50,052	105,166
Balance at end of year	¥ (41,951)	¥ (55,938)	$ (315,420)
Minimum pension liability adjustement:			
Balance at beginning of year	¥(199,185)	¥(108,496)	$(1,497,632)
Current-period change	(80,754)	(90,689)	(607,173)
Balance at end of year	¥(279,939)	¥(199,185)	$(2,104,805)
Unrealized losses on derivative instruments:			
Balance at beginning of year	—	—	—
Current-period change	¥ (2,088)	—	$ (15,699)
Balance at end of year	¥ (2,088)	—	$ (15,699)
Total accumulated other comprehensive loss:			
Balance at beginning of year	¥(226,395)	¥(143,799)	$(1,702,218)
Current-period change	(72,397)	(82,596)	(544,338)
Balance at end of year	¥(298,792)	¥(226,395)	$(2,246,556)

Tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2002 and 2001 are shown below:

	Millions of yen		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2002:			
Unrealized gains on securities:			
Unrealized holding gains arising during period	¥ 10,052	¥ (4,179)	¥ 5,873
Less: reclassification adjustment for gains included in net loss	(16,233)	6,818	(9,415)
Foreign currency translation adjustements	13,976	11	13,987
Minimum pension liability adjustement	(139,471)	58,717	(80,754)
Unrealized losses on derivative instruments	(3,465)	1,377	(2,088)
Other comprehensive income (loss)	¥(135,141)	¥ 62,744	¥(72,397)

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 adjustements	50,438	(386)	50,052
Minimum pension liability adjustement	(156,630)	65,941	(90,689)
Other comprehensive income (loss)	¥(181,471)	¥ 98,875	¥(82,596)

	Thousands of U.S. dollars		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2002:			
Unrealized gains on securities:			
Unrealized holding gains arising during period	**$ 75,579**	**$ (31,421)**	**$ 44,158**
Less: reclassification adjustment for gains included in net loss	**(122,053)**	**51,263**	**(70,790)**
Foreign currency translation adjustements	**105,083**	**83**	**105,166**
Minimum pension liability adjustement	**(1,048,654)**	**441,481**	**(607,173)**
Unrealized losses on derivative instruments	**(26,053)**	**10,354**	**(15,699)**
Other comprehensive income (loss)	**$(1,016,098)**	**$ 471,760**	**$(544,338)**

18. NET INCOME (LOSS) PER SHARE

A reconciliation of the numerators and denominators between basic and diluted net income per share (EPS) for the years ended March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2002**	2001	**2002**
Net income (loss) available to common shareholders	**¥(254,017)**	¥96,168	**$(1,909,902)**
Net income effect of dilutive convertible debentures	**—**	186	**—**
Net income (loss) available to common shareholders and assumed conversions	**¥(254,017)**	¥96,354	**$(1,909,902)**

	Thousands of shares	
Year ended March 31	**2002**	2001
Number of shares for basic EPS computations:		
Weighted—average number of shares of common stock outstanding for the year	**3,218,951**	3,218,982
Incremental shares from assumed conversions of dilutive convertible debentures	**—**	24,499
Number of shares for diluted EPS computations	**3,218,951**	3,243,481

	Yen		U.S. dollars
Year ended March 31	**2002**	2001	**2002**
Net income (loss) per share of common stock:			
Basic	**¥(78.91)**	¥29.88	**$(0.593)**
Diluted	**¥(78.91)**	¥29.71	**$(0.593)**

19. FINANCIAL INSTRUMENTS

(1) Derivative 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 forward exchange contracts, interest rate swap agreements and currency swap agreements, to reduce its exposures. The Company has policies and procedures for risk management and the approval, reporting and monitoring of derivative financial instruments. The Company's policies prohibit holding or issuing derivative financial instruments for trading purposes.

The counterparties to the Company's derivative transactions are financial institutions of high credit standing. The Company does not anticipate any credit loss from nonperformance by the counterparties to forward exchange contract, interest rate swap agreements and currency swap agreements.

The Company has entered into forward exchange contracts with banks as hedges against fluctuations in foreign currency exchange rates on monetary 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.

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 2002 to 2012.

Forward exchange contracts and certain interest rate swap agreements and currency swap agreements are designated as either fair value hedges or cash flow hedges depending on the foreign currency denominated accounts receivable or commitments on future trade transactions and the interest rate characteristics of the underlying debt as discussed below.

Fair Value Hedge Strategy

The forward exchange contracts utilized by the Company effectively reduce fluctuation in fair value of accounts receivable denominated in foreign currencies.

The interest rate swap agreements utilized by the Company effectively convert a portion of its fixed-rate debt to a floating-rate basis.

Cash Flow Hedge Strategy

The forward exchange contracts utilized by the Company effectively reduce fluctuation in cash flow from commitments on future trade transactions denominated in foreign currencies for the next six months, approximately.

The interest rate swap agreements utilized by the Company effectively convert a portion of its floating-rate debt to a fixed-rate basis for the next 10 years.

The Company expects to reclassify ¥214 million ($1,609 thousand) of net losses on derivative financial instruments from accumulated other comprehensive income (loss) to earnings during the next twelve months due to the collection of accounts receivable denominated in foreign currency and the payment of variable interest associated with the floating rate debts.

At March 31, 2002, there were no significant gains or losses on derivative financial instruments or portions thereof that are either ineffective as hedges, excluded from assessment of hedge effectiveness, or where the underlying risk did not occur.

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, 2002 and 2001 are summarized below:

	Millions of yen		Thousands of U.S. dollars
March 31	**2002**	2001	**2002**
Forward exchange contracts:			
To sell foreign currencies	**¥ 98,878**	¥157,532	**$ 743,444**
To buy foreign currencies	**29,036**	30,829	**218,316**
Interest rate swap agreements	**410,377**	432,884	**3,085,541**
Currency swap agreements	**122,755**	132,836	**922,970**

(2) Fair value of financial instruments

The estimated fair values of the Company's financial instruments at March 31, 2002 and 2001 are summarized as follows:

March 31	Millions of yen 2002 Carrying amount	Millions of yen 2002 Estimated fair value	Millions of yen 2001 Carrying amount	Millions of yen 2001 Estimated fair value	Thousands of U.S. dollars 2002 Carrying amount	Thousands of U.S. dollars 2002 Estimated fair value
Nonderivatives:						
Assets—						
Long-term finance receivables, net	¥ 129,489	¥ 132,267	¥ 143,292	¥ 145,043	$ 973,602	$ 994,489
Liabilities—						
Long-term debt, including current portion	(1,159,679)	(1,181,925)	(1,260,771)	(1,299,526)	(8,719,391)	(8,886,654)
Derivative financial instruments:						
Forward exchange contracts	384	384	(592)	(5,474)	2,887	2,887
Interest rate swap agreements	(3,994)	(3,994)	—	(5,042)	(30,030)	(30,030)
Currency swap agreements	(6,884)	(6,884)	(9,403)	(10,038)	(51,759)	(51,759)

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 include investment securities which represent holdings in a number of non-public companies. The aggregate carrying amount of these investments in non-public companies was ¥94,427 million ($709,977 thousand) and ¥103,147 million at March 31, 2002 and 2001, respectively. However, the corresponding fair value of these investments at those dates was not computed as such estimation was not practicable.

20 COMMITMENTS AND CONTINGENT LIABILITIES

Commitments outstanding at March 31, 2002 for the purchase of property, plant and equipment approximated ¥10,098 million ($75,925 thousand).

At March 31, 2002, contingent liabilities, principally for loans guaranteed, approximated ¥531,888 million ($3,999,158 thousand).

The Company is a defendant in several pending lawsuits with respect to patent infringement, breaches of contract and warranties and others. The Company management believes that there are meritorious defenses to all of these actions. Based on the information currently available to both the Company and its legal counsel, management believes that damages from such lawsuits, if any, would not have a material adverse effect on the financial positions or the results of operations of the Company.

21 SUBSEQUENT EVENTS

On May 29, 2002, Toshiba Corporation issued unsecured yen bonds of ¥60,000 million ($451,128 thousand) and ¥40,000 million ($300,752 thousand) with maturity dates of May 27, 2005 and May 29, 2008, respectively. The interest rates for the bond offerings are 0.49 percent and 1.08 percent, respectively.

Report of Independent Auditors

ERNST & YOUNG

■ Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011
C.P.O. Box1196, Tokyo 100-8841

■ Phone: 03-3503-1191
Fax : 03-3503-1277

The Board of Directors and Shareholders

Toshiba Corporation

We have audited the accompanying consolidated balance sheet of Toshiba Corporation (the "Company") as of March 31, 2002, and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended, all expressed in Japanese 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 audit. The consolidated balance sheet of the Company as of March 31, 2001 and the related consolidated statements of income, shareholders' equity and cash flows for the year ended March 31, 2001, all expressed in Japanese yen, were audited by other auditors whose report dated April 27, 2001 on those statements was qualified with respect to the omission of segment information.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

The Company has not presented segment information required to be disclosed in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" for the year ended March 31, 2002. In our opinion, presentation of segment information is required under accounting principles generally accepted in the United States of America for a complete presentation of the Company's consolidated financial statements.

As discussed in Note 2 to the consolidated financial statements, effective April 1, 2001, the Company changed its method of accounting for derivative financial instruments and hedging activities.

In our opinion, except for the omission of segment information discussed in the preceding paragraph, the fiscal 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at March 31, 2002, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We have also reviewed the translation of the financial statements mentioned above into United States dollars on the basis described in Note 3. In our opinion, such statements have been translated on such basis.

April 25, 2002, except for Note 21,
as to which the date is May 29, 2002

Ernst + Young

Global Network

OVERSEA OFFICES

EUROPE

Moscow

AFRICA

Johannesburg

MIDDLE EAST

Baghdad
Abu Dhabi

ASIA

Shanghai
Manila
Bangkok
New Delhi

OVERSEAS SUBSIDIARIES AND AFFILIATES

NORTH AMERICA

Toshiba of Canada, Ltd.
Markham, Ontario, Canada

Toshiba GE Automation Systems Canada Corporation
Peel, Ontario, Canada

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

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

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

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

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

Applied Super Conetics, Inc.
San Diego, California, U.S.A.

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

Toshiba America 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.

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

Toshiba America Venture Capital, Inc.
New York, New York, 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.

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

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

ArTile Microsystems, Inc.
San Jose, California, U.S.A.

Enceratec, Inc.
Columbus, Indiana, U.S.A.

LATIN AMERICA

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

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

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

Toshiba de Venezuela C.A.
Caracas, Venezuela

Toshiba Medical do Brasil Ltda.
São Paulo, Brazil

Semp Toshiba Amazonas S.A.
Manaus, Brazil

T and S Serviços 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 A.B.
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 G.m.b.H.
Braunschweig, Germany

Toshiba Electronics Europe GmbH
Düsseldorf, Germany

Toshiba Medical France S.A.
Puteaux, France

Toshiba Systèmes (France) S.A.
Puteaux, France

Toshiba Electronics France S.A.R.L.
Rosny-Sous-Bois, France

Schneider Toshiba Inverter Europe S.A.S.
Pacy-sur-Eure, France

Toshiba Medical Systems Gesellschaft m.b.H.
Wiener Neudorf, Austria

Toshiba Medical Systems AG
Oetwil am See, Switzerland

Toshiba Medical Systems S.R.L.
Rome, Italy

Toshiba Electronics Italiana S.R.L.
Milan, Italy

Toshiba Medical Systems S.A.
Madrid, Spain

Toshiba Electronics España, S.A.
Madrid, Spain

ZAO Toshiba Medical Systems
Moscow, CIS

MIDDLE EAST

Toshiba Gulf FZE
Dubai, U.A.E.

ASIA

Toshiba India Pte. Ltd.
New Delhi, India

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 Systems (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.
Jiangxi, The People's Republic of China

Ningbo Toshiba Huatong Switchgear Co., Ltd.
Ningbo, The People's Republic of China

Shengyang Neusoft Business Software Co., Ltd.
Shengyang, The People's Republic of China

Jiangsu Honshiba Network System Equipment Co., Ltd.
Nanjing, The People's Republic of China

Nanjing Postel Wong Zhi Telecommunications Co., Ltd.
Nanjing, The People's Republic of China

Henan Pinggao Toshiba High-Voltage Switchgear Co., Ltd.
Henan, The People's Republic of China

Zhuhai Xujizhi Power System Automation Co., Ltd.
Zhuhai, The People's Republic of China

Tsurong Xiamen Xiangyu Trading Co., Ltd.
Xiamen, The People's Republic of China

Guangzhou Toshiba Baiyan Electrical Equipment Co., Ltd.
Guangzhou, The People's Republic of China

Toshiba Hong Kong Ltd.
Shatin, Hong Kong SAR

Toshiba Electronics Asia, Ltd.
Kowloon, Hong Kong SAR

Toshiba Electronics Korea Corporation
Seoul, The Republic of Korea

Korea Electronic Material Co., Ltd.
Inchon City, The Republic of Korea

Toshiba Digital Media Network 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, Industrial and Power Systems Taiwan Corp.
Taipei, Taiwan

Toshiba Memory Semiconductor Taiwan Corp.
Taipei, Taiwan

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

Toshiba Electronics Philippines, Inc.
Manila, Philippines

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

Toshiba Vietnam Home Appliances Co., Ltd.
Binh Duong, Vietnam

Toshiba Thailand Co., Ltd.
Bangkok, Thailand

Thai Toshiba Electric Industries Co., Ltd.
Bangkok, Thailand

Toshiba Consumer Products (Thailand) Co., Ltd.
Bangkok, Thailand

Toshiba Display Devices (Thailand) Co., Ltd.
Bangkok, Thailand

Toshiba Semiconductor (Thailand) Co., Ltd.
Bangkok, Thailand

Toshiba Electronics Service (Thailand) Co., Ltd.
Bangkok, Thailand

Toshiba Sales and Services Sdn. Bhd.
Selangor, Malaysia

Toshiba Electronics Malaysia Sdn. Bhd.
Selangor, Malaysia

Toshiba Electronics Trading (Malaysia) Sdn. Bhd.
Kuala Lumpur, 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

Toshiba Data Dynamics Pte., Ltd.
Singapore

AFPD PTE., LTD.
Singapore

P.T. Toshiba Consumer Products Indonesia
Bekasi, Indonesia

P.T. Toshiba Display Devices Indonesia
Jawa Barat, Indonesia

P.T. Tosjaya Abadi Ventura
Jawa Barat, Indonesia

P.T. Schneider Electric Manufacturing Batam
Batam Island, Indonesia

P.T. Display and Devices Indonesia
Jawa Barat, Indnesia

OCEANIA

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

Toshiba International Corporation Pty., Ltd.
Sydney, Australia

(As of March 31, 2002)

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
Kawasaki Estate Management Co., Ltd.
Kitashiba Electric Co., Ltd.
Shibaura Mechatronics Corporation
Term Corporation
TFPD 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 International Fuel Sells Inc.
Toshiba It-Solutions Corporation
Toshiba 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 TEC Corporation
Toyo Carrier Engineering Co., Ltd.
Yokkaichi Toshiba Electronics Corporation

Plus 157 Others

OVERSEAS

AFPD Pte., Ltd
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. Display Devices Indonesia
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.
Shanghai Toshiba Elevator Co., Ltd.
Shenyang Toshiba Elevator Co., Ltd.
TEC America, Inc.
TEC Singapore Electronics Pte. Ltd.
TGA Holdings L.L.C.
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 Copying Machine (Shenzhen) Co., Ltd.
Toshiba Dalian Co., Ltd.
Toshiba Display Devices (Thailand) Co., Ltd.
Toshiba Display Devices Inc.
Toshiba do Brazil, S.A.
Toshiba Electronics Europe GmbH
Toshiba Electronics Malaysia Sdn. Bhd.
Toshiba Europe GmbH
Toshiba Information Equipment (Philippines), Inc.
Toshiba Information Systems (UK) Ltd.
Toshiba International Corporation
Toshiba International Finance (Netherlands) B.V.
Toshiba International Finance (UK) Plc.
Toshiba Medical Systems Asia Pte., Ltd.
Toshiba Medical Systems Europe B.V.
Toshiba Satellite Broadband, Inc.
Toshiba Semiconductor (Thailand) Co., Ltd.
Toshiba Semiconductor G.m.b.H.
Toshiba Singapore Pte., Ltd.
Toshiba Systemes (France) S.A.
Toshiba TEC Europe Imaging Systems S.A.
Toshiba TEC France Imaging Systems S.A.
Toshiba TEC Germany Imaging Systems GmbH
Toshiba TEC U.K. Imaging Systems Ltd.
Toshiba Ventuer Capital, Inc.
Toshiba Video Products Pte., Ltd
Wuxi Huazhi Semiconductor Co., Ltd.
Wuxi Tochemi Electro-Chemical Co., Ltd.

Plus 60 Others

Affiliated Companies Accounted by The Equity Method

DOMESTIC

D.T. Circuit Technology Co., Ltd.
ep Corporation
GE Toshiba Silicones Co., Ltd.
Media Serve Corporation
Mobile Broadcasting Corporation
NEC Toshiba Space Systems, 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 7 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
Schneider Toshiba Inverter S.A.S
Semp Toshiba Amazonas S.A.
Thai Toshiba Electric Industries Co., Ltd.
Toshiba Carrier (Thailand) Co., Ltd.
Toshiba Carrier UK Ltd.

Plus 4 Others

(As of March 31,2002)

Investor Reference

TOSHIBA CORPORATION

FOUNDED

July 1875

CAPITAL

¥274,926 million
(US$2,067 million)

EMPLOYEES

176,398

COMMON STOCK

Authorized:
10,000,000,000 shares

Issued:
3,219,027,165 shares

No. of shareholders:
475,649
Average holding: 6,768 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	(%)
Sumitomo Mitsui Banking Corporation.	3.88
The Dai-ichi Mutual Life Insurance Company	3.75
Nippon Life Insurance Company	3.36
Japan Trustee Service Bank, Ltd.	2.94
State Street Bank and Trust Company	2.37
The Mitsubishi Trust and Banking Corporation	1.81
UFJ Trust Bank Limited	1.80
The Chase Manhattan Bank NA London	1.71
Employees Stock Ownership Plan	1.63
NIPPONKOA Insurance Company, Limited	1.55

As of March 31, 2002

www.toshiba.co.jp/about/ir/index.htm

Web site information

Toshiba is vigorously carrying out Internet-based IR activities to ensure timely and fair disclosure to all investors. Our investor relations site features information for investors, including press releases and investors' guides. There is also a section that allows site visitors to express their opinions and ask questions, part of our efforts to improve the quality of our IR activities through interactive communications with investors.

For further information, please contact:
Toshiba Corporation
Investor Relations Group
Corporate Communications Office
1-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8001, Japan
Phone: +81-3-3457-2096 Facsimile: +81-3-5444-9202
Mail: ir@toshiba.co.jp
or via the Internet at:
http://www.toshiba.co.jp/about/ir/index.htm

TOSHIBA CORPORATION

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