

The background is a dark, abstract digital landscape. It features a grid of binary code (0s and 1s) in a light grey color. Overlaid on this are several glowing, multi-colored lines in shades of yellow, orange, red, and blue. These lines are arranged in a way that suggests depth and movement, some appearing as if they are receding into the distance. A bright, circular glow is visible in the center-left area, and a small, yellow, stylized icon resembling a speech bubble or a list marker is located on the left side.

TOSHIBA

ANNUAL REPORT 1996

YEAR ENDED MARCH 31, 1996

BASIC COMMITMENT OF THE TOSHIBA GROUP

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

COMMITMENT TO PEOPLE

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

COMMITMENT TO THE FUTURE

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



**Committed to People,
Committed to the Future. TOSHIBA**

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Cover:

This year's cover symbolizes how the convergence of progress in digital technology, telecommunications and other fields means the dawn of a new era for the electronics industry. Toshiba's 1996 annual report explains the initiatives the company is taking to capitalize on the resulting opportunities.

To Our Shareholders

We are pleased to report that Toshiba Corporation posted its second consecutive year of higher earnings in fiscal 1995, the year that ended March 31, 1996. Consolidated net sales rose 7 percent to a record ¥5,120.1 billion (US\$48,303 million). Operating income was up 72 percent to ¥220.2 billion (US\$2,078 million) and net income more than doubled to ¥90.4 billion (US\$853 million).



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

Driving this growth were a series of programs we initiated in recent years to sharpen our competitive edge and deploy resources to high-potential markets. Results were particularly gratifying in personal computers, computer peripherals and semiconductors. The year also saw the emergence of a single global standard for DVD, a development in which we played a central role.

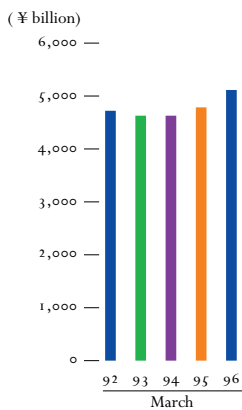
OVERVIEW BY SEGMENT

In the information/communications systems and electronic devices segment, sales rose 11 percent and operating income almost doubled. Semiconductors were particularly strong, as brisk worldwide PC sales fueled demand for our memory devices and other computer chips. We differentiated Toshiba from other

semiconductor makers by developing value-added products with the characteristics most favored by users: high speed, low voltages and thinner packages. Toshiba's portable computers retained their number-one position in the global market, paced by strong sales worldwide. Computer peripherals such as CD-ROM drives and hard-disk drives also performed well.

Sales of heavy electrical apparatus were up 8 percent and operating income rose 34 percent. This is largely attributable to significant increases in sales of energy-related equipment, particularly nuclear power plants and systems. Toshiba reaffirmed its position as a world leader in power generation and distribution systems. Our expertise in nuclear power generation technologies, such as advanced boiling water reactors (ABWRs), remained a tremendous competitive advantage. In gas turbines, the company further enhanced its cooperation with General Electric of the U.S. by establishing a Japanese joint venture to maintain turbines.

NET SALES



The consumer products and others segment posted lower sales and a higher operating loss. Results were strongly influenced by price erosion in Japan and weak sales of color televisions and video products in North America and China.

CHALLENGES FOR LONG-TERM PROFITABILITY

While overall results for the past two years are encouraging, we are not yet satisfied. More than ever, a rapidly evolving business environment continually presents new challenges. We must be resolute in meeting them as we work

to secure Toshiba's long-term profitability. Steps we have taken in recent years include accelerating globalization, enhancing our productivity and competitiveness, and embracing the opportunities offered by multimedia. This year, and beyond, we must focus on world markets, promote cost-effective operations, and use our corporate strengths to create new products and services with high growth potential. As we do so, we must also enhance the competitiveness and profitability of the consumer products and others segment.

■ **Accelerating Globalization**—In order to rapidly upgrade our ability to compete—and win—in today's increasingly borderless marketplace, Toshiba is accelerating its globalization by expanding overseas production, forming alliances with leading overseas companies, and enhancing worldwide marketing capabilities. In the Philippines, we will start to manufacture motherboards, hard-disk drives and other PC components later this year. Our new U.S. joint venture plant with IBM will start to produce next-generation 64-megabit DRAMs in autumn 1997. In 1998, we expect overseas production to surpass 25 percent of consolidated production, well above the current 17 percent. We are also stepping up international procurement. In fiscal 1996, Toshiba's imports to Japan of components and finished goods will rise 5 percent to ¥360 billion. With business extending beyond regional and national boundaries, the benefits of our

FINANCIAL HIGHLIGHTS

Toshiba Corporation and its subsidiaries For the years ended March 31, 1996 and 1995	Millions of yen		Thousands of U.S. dollars
	1996	1995	1996
Net sales – Japan	¥3,451,062	¥3,287,655	\$32,557,189
Net sales – Overseas	1,669,024	1,503,111	15,745,509
Net sales	5,120,086	4,790,766	48,302,698
Operating income	220,224	128,010	2,077,585
Income before income taxes and minority interests	177,749	120,674	1,676,877
Net income	90,388	44,693	852,717
Research and development expenditures	314,774	302,171	2,969,566
Total assets	5,560,484	5,463,290	52,457,396
Shareholders' equity	1,202,265	1,118,808	11,342,123
	Yen		U.S. dollars
<i>Per share of common stock:</i>			
Net income	¥26.85	¥13.54	\$0.253
Cash dividends	¥10.00	¥10.00	\$0.094
Number of employees	186,000	190,000	

Notes:

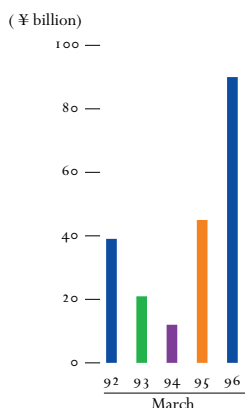
1. Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥106=US\$1.
2. The computation of the above per share amounts has been based on the average number of shares outstanding during each period appropriately adjusted for common stock equivalents.
3. The company has not adopted Statement of Financial Accounting Standards (SFAS) No. 115 "Accounting for Certain Investments in Debt and Equity Securities" which became effective from the fiscal year beginning April 1, 1994. The effects on the consolidated financial statements of not adopting SFAS No. 115 and the disclosures required by SFAS No. 115 are summarized in a note to the consolidated financial statements.

emphasis on global logistics will become increasingly clear in the next few years.

■ **Strengthening Competitiveness of Consumer Products**—We are taking vigorous steps to bring the consumer products and others segment back to profitability. More production of consumer products is being shifted overseas to hold down costs and obtain quicker, better access to growing markets. In 1996, Indonesia will become the latest location where Toshiba produces color televisions and color

picture tubes for the local and world markets. In Thailand, a new washing machine line is being installed at our air-conditioner and refrigerator plant. We are also restructuring key operations. In 1996, we transferred the head-office functions for video cassette recorder operations, including design, product development and marketing, to a subsidiary in Singapore. This will enhance our ability to offer the competitive prices essential to success in today's consumer electronics market. Other measures include

NET INCOME



streamlining our Japanese sales network and revitalizing our North American and European sales and marketing operations.

■ Re-engineering of Business Practices

—We cannot face present challenges without re-engineering

the business practices of Toshiba and its group of companies. Our goals are greater speed, efficiency and responsiveness. To accomplish these goals, we are building a flatter, slimmer organization with fewer layers of management. We have recently overhauled our middle management system in order to achieve greater flexibility in assigning managers to posts where they can be most productive. Retraining engineers and other staff members has resulted in the reassignment of some 1,000 employees to fast-growing fields and new markets. In addition, our program to reduce corporate staff by 30 percent from the peak of several years ago now is in its final stage. Through these means, we aim to significantly raise company-wide productivity and competitiveness.

ADVANCED-I: GROWTH BY CREATING NEW MARKETS

Central to our business strategy for growth is the Advanced-I Project. Since it began in 1994, Advanced-I has harnessed the diverse skills

essential to shaping multimedia products, bringing together and focusing Toshiba's wide-ranging capabilities in video systems, computers, software, semiconductors and other key components, and sophisticated communications technologies. The digital revolution now under way is opening up new opportunities, and will create demand for new products and systems, infrastructures and services. We believe Toshiba is uniquely qualified to contribute to this development. We want to succeed not just by responding to demand, but by anticipating needs and creating new solutions.

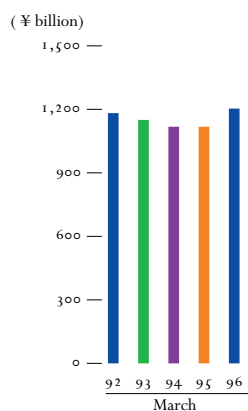
The first achievement of Advanced-I is DVD, an indispensable multimedia technology. After pioneering the basic technology and the single, internationally respected industry standard, Toshiba's name is closely identified with this exciting new optical disc technology. We will take advantage of the coming DVD boom in every way possible. We are determined to offer a wide range of DVD products and systems, including video players and computer ROM drives. All will incorporate key semiconductor components that we are developing. Preparation for an early product launch is well under way. The company is also committed to businesses involving systems. One example is video streamers for video-on-demand systems, which we see as a promising growth area. Toshiba Group companies share our enthusiasm. Their activities include producing DVD discs and other manufacturing equipment, and offering full authoring support for content creators.

Other Advanced-I Project initiatives are also taking shape. In Japan, an interactive TV system Toshiba helped to develop will begin commercial services in late 1996. NewsWatch, one of Toshiba's new joint ventures, has been set up to provide customized Japanese-language news services, delivering screened information to subscribers over the Internet. TITUS, our cable TV joint venture in Japan with Time Warner and other partners, is establishing a cable TV network. This company is also aiming to become a provider of telephony and other services. Through these and other endeavors, we are positioning Toshiba to play a major role in the multimedia market: as an integrated provider of products, systems, services and content.

THE NEW TOP MANAGEMENT TEAM

At the end of June 1996, we took up our present appointments. We are aware that the coming years will present many challenges,

SHAREHOLDERS' EQUITY



but we know that Toshiba has all the strength and resilience required to assure long-term growth and development, even in today's fast-changing business environment.

We will support continued progress

by listening closely to the messages coming to us from the market and our customers, and by speeding up the successful realization of our management strategies. At a time when the market is increasingly global, increasingly dynamic, we know that Toshiba itself must be boundaryless and responsive. In steering the company, we will secure a technological base that prepares us for all circumstances, achieve productive competitiveness at the global level, and promote marketing operations that grow and exploit promising trends to the full.

Agility will characterize the Toshiba of the 21st century. More than just a company that moves quickly, Toshiba will be a flexible organization that treats the uncertainties of the market as opportunities, that is dedicated to growth, and wholehearted in securing profits. In all its operations, the company will represent and embody values that customers respect and want. As a company that understands change and increasing diversity as the basis for business operations, Toshiba will meet the coming years with the confidence and vision essential for long-term success.

July 1996

Fumio Sato
Chairman of the Board

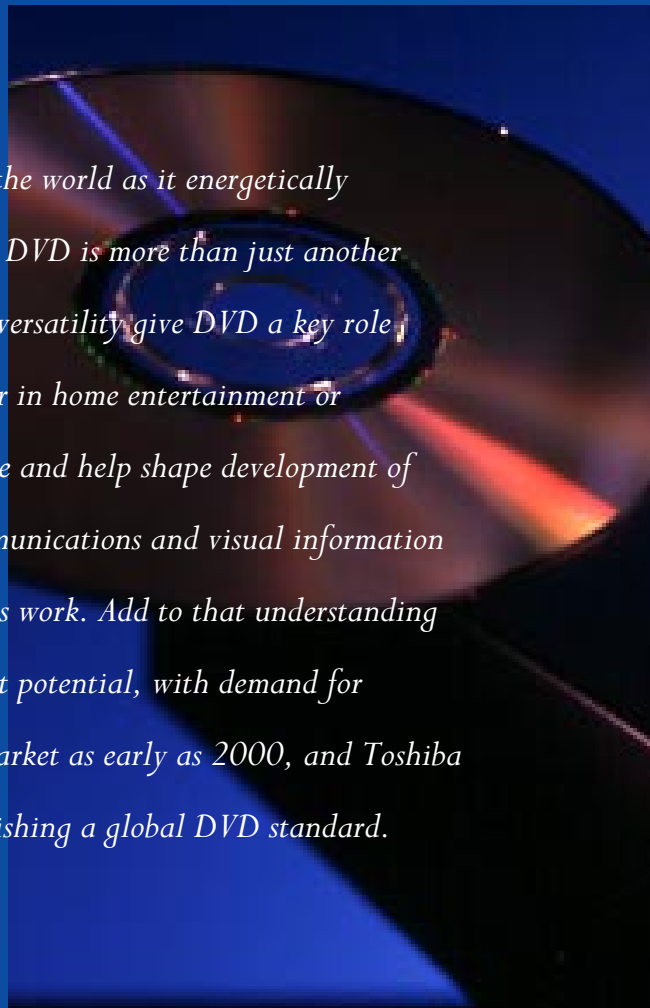
Taizo Nishimuro
President and
Chief Executive Officer

DVD

and

Beyond—

Throughout 1995, Toshiba inspired headlines around the world as it energetically promoted DVD. The company was quick to realize that DVD is more than just another high-density data storage medium. Huge capacity and versatility give DVD a key role everywhere digitized data is stored or processed, whether in home entertainment or information processing. It is a technology that will drive and help shape development of multimedia, the digital convergence of computers, communications and visual information that will change the way we live and the way companies work. Add to that understanding early estimates showing DVD as having immense market potential, with demand for hardware and software creating a ¥12 trillion world market as early as 2000, and Toshiba had more than enough reason to take the lead in establishing a global DVD standard.



Toshiba and the Multimedia Era



DVD: Creating a Wealth of Opportunities for Toshiba

Toshiba will use its diverse capabilities in all areas of electronics to realize DVD's immense potential and to promote long-term business development. That starts with the essential technology itself. As a pioneer in the basic research, Toshiba owns influential patents relevant to DVD that are expected to provide the company with a strong revenue stream in coming years.

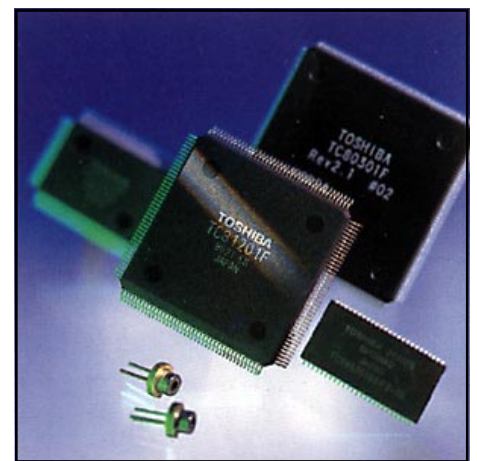
On top of that will come a range of innovative products and systems. Toshiba's far-reaching strengths in visual/entertainment equipment, information processing equipment, and electronic components yield a wide spectrum of business opportunities and advantages over competitors.

In the autumn of 1996, Toshiba will launch its first DVD video player. Time Warner, Toshiba's partner in the initial conceptualization of DVD, will add to the impact of the introduction.

Already the undisputed leader in the portable PC market, and a leading power in hard-disk and CD-ROM drives, Toshiba is best positioned to take advantage of the application of DVD for information equipment and systems. In line with the introduction of DVD-ROM drives for the world market, the company plans to introduce a desktop PC with integrated DVD in autumn 1996. This will solidly position the company as an innovative force in the desktop PC arena as well as enhance its edge in notebook PCs. Among the many applications to follow are high-density audio discs, rewritable discs, detail-rich infotainment, navigation and electronic browsing systems.



1.



2.

Toshiba also expects the launch to generate positive results for its consumer products sector: strong sales of DVD video players, and a boost in demand for related products, particularly large-screen projection TVs and other home theater equipment.

DVD means higher sales of semiconductors, including laser diodes for optical pick-ups and MPEG-2 encoder/decoder LSIs that perform encoding/decoding of digitized moving pictures and support multi-channel audio output.

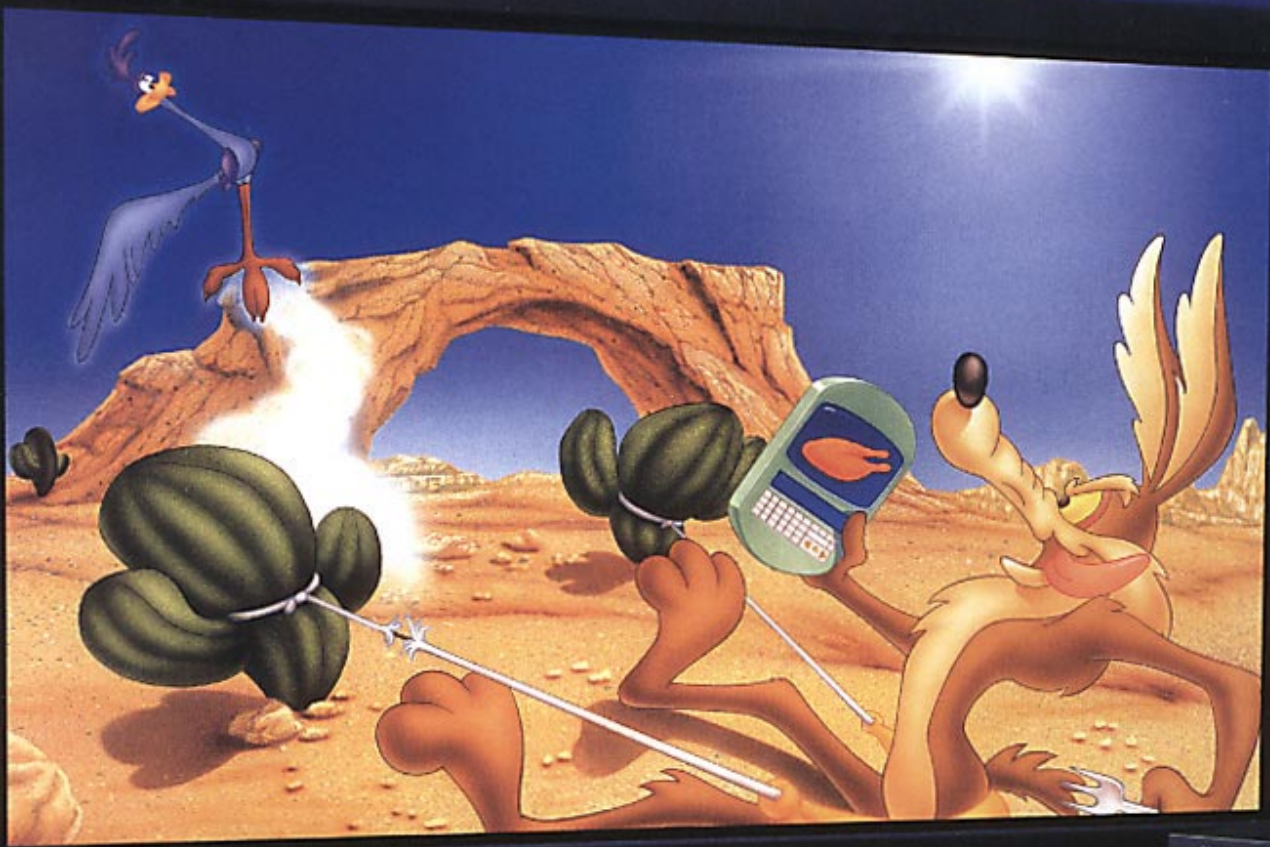
Toshiba and its group companies are also using DVD to develop new businesses. One is an integrated pre-mastering system that Toshiba jointly developed with Japan's Daikin Industries and Sonic Solutions of the United States. Major U.S. studios, including Time Warner video studios in California, use this system to develop DVD content. The system is also incorporated in the DVD "digital studio" Toshiba EMI has established to cover all stages in DVD publishing, from the creation of content to the mass production of discs. Another Toshiba subsidiary, Shibaura Engineering, is a leading supplier of DVD disc manufacturing equipment.



4.

5.

1. The DVD video player brings theater-sound and images to the home.
2. DVD relies heavily on leading-edge semiconductors such as an MPEG decoder LSI, shortwavelength laser diodes and synchronous DRAMs.
3. The DVD-ROM drive will leapfrog existing CD-ROM capacity.
4. DVD's potential for games and other entertainment software is virtually unlimited.
5. Toshiba's DVD authoring system includes an MPEG-2 encoder to fully support the creative work of content creators.



How **DVD** will mold **our**

TOSHIBA



An entire movie on a single disc

Although only the size of a compact disc, a single DVD can hold a full-length movie. Its huge capacity also assures crisp, detailed pictures, and multi-channel sound with all the ambiance of six-channel digital Surround Sound. More than that, it makes possible a range of features that analog VCRs and laser discs cannot begin to match. On the technical level, these include the choice of 4:3 pan-and-scan or 16:9 letter-box viewing for wide-screen TVs. On a more creative level, DVD allows the same scene to be viewed from different angles, and makes it possible to offer movies with multiple story lines—the viewer decides plot development.

A polyglot disc

In addition to theater-quality visuals and audio, DVD offers a wide choice of languages. The audio track can be encoded with up to eight languages, and sub-title tracks can support as many as thirty-two languages. By vastly broadening the number of buyers for each title, this versatility greatly simplifies the production of a wide range of discs and promotes a wider choice of movie titles.

The first true multimedia computer-disc

UDF, a uniform format bridging computers, games and audio-visual equipment, establishes DVD as a true multimedia medium. Then there's the capacity. A DVD-ROM disc holds 4.7 gigabytes of digitized information, surpassing the volume of a CD-ROM disc by a factor of seven. That immense capacity translates into more realistic images and a lot more enjoyment: computer software will be freed from capacity limitations; games will accommodate more complex scenarios and breathtakingly vivid graphic images; and educational software will reach new heights in information content and interactivity.

DVD-RAM: the next computer revolution

Recordable DVD is also under development. A single DVD will provide users with a super-high-density storage medium that is also completely portable. In addition to document archiving, storage of databases, self-made multimedia works and presentations, DVD will make possible a range of entirely new applications. These include electronic catalogs for teleshopping, home karaoke libraries, and other data sources that can be electronically downloaded, revised and updated.

Toshiba in the Age of Multimedia — From Hardware to Content and Services

While DVD holds out great promise over both the short and long-term, it is not the only area where Toshiba is rising to the challenges of the digital revolution. Looking to the future, Toshiba sees multimedia—the fusion of computing, communications and imaging—supporting the extensive deployment of digital media networks. These powerful networks can support industry and commerce and provide a wide range of innovative services to the public.



1.

By 1994, the company was ready for the challenges of the digital revolution and multimedia, introducing the Advanced-I Project and setting up the Advanced-I Group (AD-I). Through AD-I and the Advanced-I Project, Toshiba intends to diversify and expand the scope of its activities. Plans call for entering such areas as network services, software, content creation and publishing, thus going beyond Toshiba's current role as a supplier of devices and systems.



2.

As an information provider, the company will offer such platforms as video-on-demand, home shopping, electronic newspapers and virtual library and museum systems.

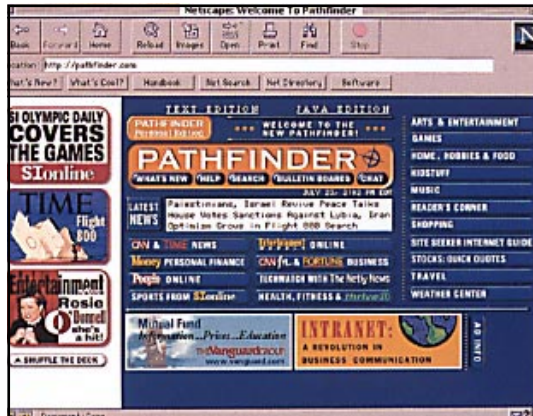
In the home, people will see the capabilities of digital media networks when they use on-demand systems. Services such as information-on-demand, will provide fast, flexible retrieval of information customized to the user's preferences, at a reasonable cost. Toshiba is working to make this and other projects a reality with a series of programs dedicated to making "Multimedia Come True."



3.



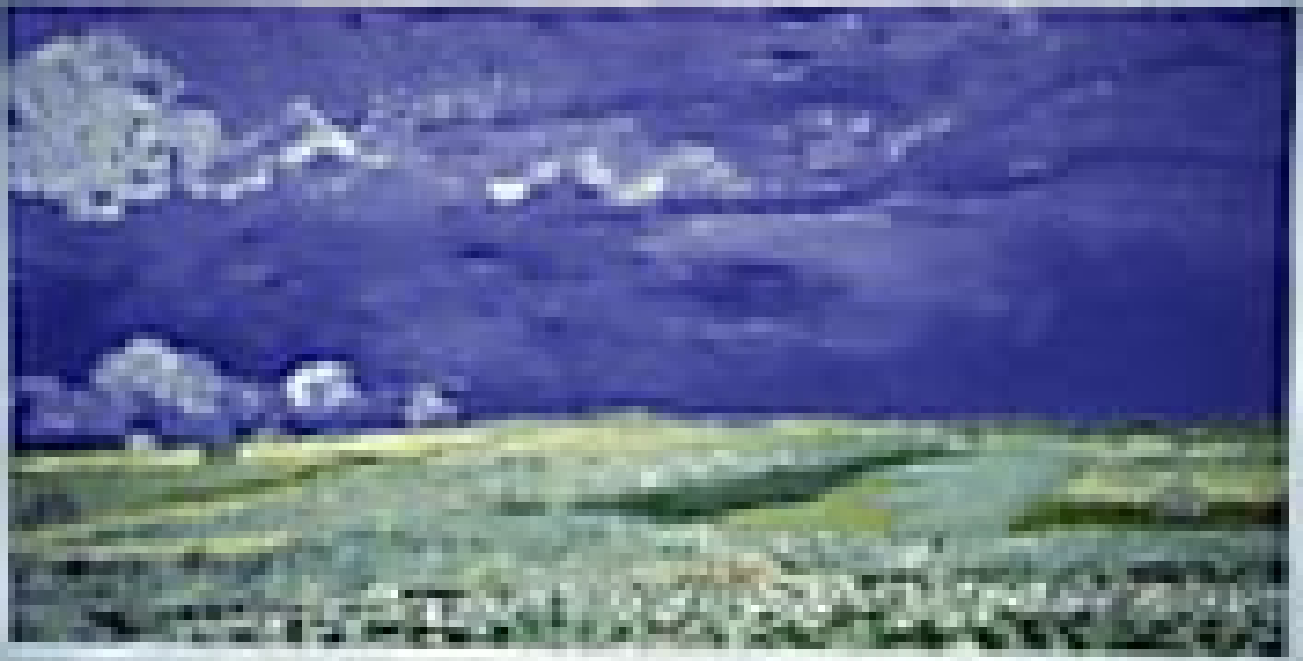
4.



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5.

1. SmartStreamer, a new architecture for video-on-demand systems developed by Toshiba, will significantly reduce costs compared with mainframe-based systems.
2. A new interactive TV system, Intertext System (IT) will offer viewers a wide range of services, including teleshopping, interactive quiz shows, opinion polling and information services.
3. NewsWatch, a joint venture for customized news retrieval, will satisfy the growing demand for specific news items by E-mail.
4. Wiring the city: TITUS, a multiple cable TV system operator, is rapidly expanding its service area in Tokyo.
5. Pathfinder, the Web site operated by Time Inc., with which Toshiba has a key advertising relationship, shows just how versatile the Internet can be.



THE GREAT HALL

Translating **Advanced-I** Concepts
Into Viable Business

Toshiba's Electronic Virtual Gallery in Tokyo uses high-definition imaging and large-capacity ATM networking technologies to give visitors instant access to famous works of art.



Interactive TV

Interactive televisions wired to external data sources will become a home information center. Toshiba has developed a low-cost interactive TV system that adds simple interactivity to conventional terrestrial broadcasts. Viewers can send messages from a remote control via a modem through a standard telephone line. The remote control also allows viewers to obtain detailed information on teleshopping products and prices, make purchases, and participate in programs such as quiz shows and surveys.

A single source for multiple systems

Cable TV is one of the main contenders for carrying and integrating telephony, broadcasting and a full menu of interactive services. This awareness led to Toshiba's investment in TITUS, a joint venture with Time Warner, Itochu and US West. TITUS, one of Japan's first cable TV multiple system operators (MSOs), launched operations in suburban Tokyo in December 1995. The company is now extending its geographical service coverage. The eventual goal is to become a full-service cable provider, supplying customers nationwide with telephone, Internet and other services, as well as interactive TV.

Customized information retrieval

Toshiba set up its first venture in customized news retrieval and delivery in May 1996 with the establishment of NewsWatch. The firm is a joint venture with Individual, Inc., a leading U.S. provider of information services, and Mitsui & Co. Advanced text-filtering technologies make it possible to gather and screen articles from major newspapers, magazines and other news sources, thus tailoring reports to reflect subscriber interests.

SmartStreamer

On-demand services require that massive volumes of data are distributed to large numbers of consumers at the same time. Toshiba has developed SmartStreamer, a multimedia-server architecture that provides cost-effective, on-demand services to hundreds of users simultaneously. SmartStreamer reduces system costs to one-fifth those of other experimental and commercial systems. This technology is likely to pave the way to practical on-demand services operated by cable TV companies and other service providers.

BOARD OF DIRECTORS



Fumio Sato



Taizo Nishimuro



Atsumi Uchiyama



Hideharu Egawa



Masaichi Koga



Tetsuya Yamamoto



Masanobu Ohyama



Takeshi Okatomi



Kanichi Ito



Susumu Abe



Kensuke Fujimatsu



Isamu Nitta

Fumio Sato

Chairman of the Board

Taizo Nishimuro

President and Chief Executive Officer

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Senior Executive Vice President

Hideharu Egawa

Senior Executive Vice President

Masaichi Koga

Senior Executive Vice President

Tetsuya Yamamoto

Senior Executive Vice President

Masanobu Ohyama

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Takeshi Okatomi

Executive Vice President

Kanichi Ito

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Susumu Abe

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Kensuke Fujimatsu

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Terunori Aiga

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Kozo Wada

Senior Vice President

Mamoru Kitamura

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Kiyoaki Shimagami

Senior Vice President

Kenichi Mori

Senior Vice President

Kosaku Inaba

Director

Norihiko Nakao

Vice President

Tadao Sumi

Vice President

Toshiki Miyamoto

Vice President

Tetsuya Mizoguchi

Vice President

Haruo Kawahara

Vice President

Makoto Nakagawa

Vice President

Haruo Yamagishi

Vice President

Koichi Suzuki

Vice President

Yasuo Morimoto

Vice President

Hidehiko Yoshida

Corporate Auditor

Kiyoshi Nagai

Corporate Auditor

Taizo Wakayama

Corporate Auditor

Kazuhiko Ito

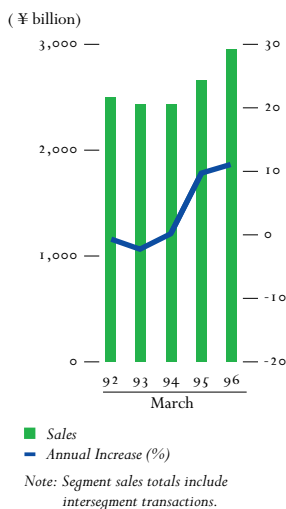
Corporate Auditor

Toshiro Kusaba

Corporate Auditor

INFORMATION / COMMUNICATION SYSTEMS AND ELECTRONIC DEVICES

SALES



SHARE OF NET SALES		%
49.0	48.8	48.9
Mar. '92	'93	'94
51.9	54.3	
'95	'96	

Segment sales rose 11 percent to a record ¥2,948.9 billion, propelled by rapid growth in the global personal computer (PC) market and solid demand for computer peripherals and semiconductors. Higher color picture tube production in Thailand and the United States was another factor in the year's record-setting sales. As a result, this segment accounted for 54 percent of net sales and an even higher share of earnings.

INFORMATION EQUIPMENT

Toshiba's portable computers preserved their number-one global market share. The five millionth portable computer since the 1985 introduction of the first model came off the production line in May 1995. The growing demand for home-use PCs and brisk corporate investment in information-related infrastructure fueled rapid expansion in the worldwide PC market. Toshiba's worldwide PC sales rose 35 percent. This performance was due in large part to Toshiba's introduction of many new products that reinforced market leadership. High-speed processing and high-resolution displays proved to be the most popular features. In March 1996, the company launched the TECRA 720, the world's first notebook model incorporating Intel Corporation's new low-voltage Pentium™ processor along with many distinctive Toshiba advances. In November 1995, Toshiba introduced the BREZZA desktop computer, an all-in-one model with pre-installed key application software that enhanced Toshiba's competitive edge in Japan. To support joint development

and strengthen ties with Microsoft Corporation in the development of next-generation PC operating systems, Toshiba opened an engineering development center in Seattle, Washington.

In other information equipment, Toshiba attracted considerable attention with its January 1996 introduction of Primage 30, a digital copier that also functions as a fax. Targeting demand for copiers in China and elsewhere in Asia, Toshiba acquired an equity interest in a firm that was renamed Toshiba Copying Machine (Shenzhen) Co., Ltd. In April 1996, Toshiba merged its consumer electronics and information systems subsidiaries in Singapore to strengthen its operating base in this region.

DATA STORAGE DEVICES

The booming PC market generated solid demand for data storage devices. As the leading manufacturer of 2.5-inch hard-disk drives, Toshiba secured its position in the vanguard of this market with a series of revolutionary product introductions. One ultra-slim model stands only 8.45mm (1/3-inch) tall—a new industry standard. CD-ROM drives are another core element of Toshiba's peripherals business. Exhibiting its prowess here as well, the company unveiled the world's slimmest 6x CD-ROM drive and several other innovations.

Next-generation recording technology is another key facet of Toshiba's information systems line-up. With uniform DVD standards now set, Toshiba will introduce DVD-ROM drives for use with computers and DVD video players later this year. The company formed a Storage Media Business Division to coordinate activities involving discs, drive units and other items needed to produce and promote DVD products.

INFORMATION AND COMMUNICATION SYSTEMS

Advances in digital technology are rapidly fusing the markets for information and communications systems. In response, Toshiba merged related divisions to form the Information-Communications and Control Systems Division in April 1996. The U.S. cable industry is a prime



Introduced in Japan in April 1996, the Libretto 20 mini-notebook PC is the world's smallest and lightest PC running Microsoft's Windows 95.



Toshiba Information Equipment (Philippines) Inc. will meet rapid growth in demand for HDDs, CD-ROM drives and printed circuit boards for PCs, and also produce DVD equipment. (artist's impression)

example of how these two markets are converging. Numerous cable TV operators are exploring ways to use their infrastructures to offer information services ranging from on-line computer services to Internet connections. With Time Warner Cable (TWC), Toshiba in December 1995 began testing a high-speed data communication system using TWC's cable lines in San Diego, California. Toshiba plans to deliver its first system to TWC in summer 1996.

Demand in the computer systems sector is centering on client servers. Toshiba met this demand during the year with its GS500 PC server. In software, the company is focusing on open systems. Following an August 1995 alliance with Oracle Corp., Toshiba began marketing Oracle Applications basic office software packages. In Liaoning Province in China, Toshiba formed a software joint venture with Northeastern University Software Group Co., Ltd. in March 1996.

Building on a relationship spanning more than a decade with Sun Microsystems, Inc., Toshiba during the year began marketing in Japan two new UNIX computers, UX 2000 and XECT AS8000. Both incorporate Sun's next-generation 64-bit high-speed CPU. In addition, the two companies are jointly developing new products in such high-potential fields as right-sizing, Internet applications and interactive media server technology.

For the industrial control systems market, the company introduced a new industrial computer for plant supervision and control that incorporates a high-performance RISC Power PC microprocessor.

Sales of mobile telecommunications equipment rose due to vigorous growth in Japan. In mid-1996, Toshiba's GSM cellular phone will be introduced in Europe. Toshiba already sells N-TACS, PDC-standard and Personal Handyphone System phones in Japan, as well as AMPS-standard phones, primarily in North America. The GSM model imparts a truly global scale to Toshiba's mobile phone operations.

Overseas, business telephone systems flourished. The company elicited particularly solid results in the U.K. market by introducing several new products. Languishing capital spending in Japan impacted demand for large-scale telecommunications systems, as well as transmitting equipment and other broadcast facilities.



The XECT AS8000 incorporates a 64-bit Ultra SPARC CPU. Processing speeds up to three times faster than current models make it ideal for complex analysis or as an Internet server.

18.

SPACE DEVELOPMENT

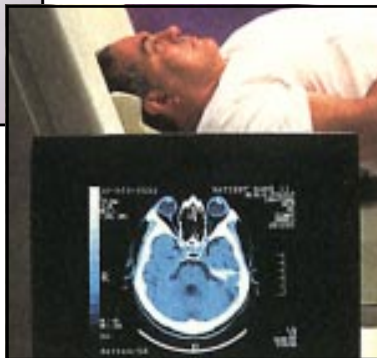
Major accomplishments of the year included development of the ETS-VII (Engineering Test Satellite Type VII) and equipment for JEM (Japanese Experiment Module), both for the National Space Development Agency of Japan.

MEDICAL EQUIPMENT

Despite lackluster demand in Japan and other industrialized countries, Toshiba achieved higher sales with several products incorporating cutting-edge technology. The company introduced the world's first X-ray computed tomography unit using ASPIRE-CI technology, which enables virtually real-time continuous imaging. The CAS-8000V interventional angiography system performed well in Japan and overseas. Features include smooth operation and a sophisticated design. Finally, targeting the markets of Southeast Asia, the company established Toshiba Medical Systems Asia Pte., Ltd. in Singapore in August 1995.



Introduction of the GSM telephone, TCP-6000, with its integrated antenna and ergonomic s-shaped profile, is helping Toshiba get its message across in the European telecoms market.



ASPIRE-CI allows Toshiba X-ray CT scanners to build sequential cross sections of examined sites in almost real time, improving examination efficiency and accuracy.

SEMICONDUCTORS

Toshiba's semiconductor sales rose to a record high, driven by healthy PC and telecommunications markets. In memory devices, Toshiba's strategy was to expand sales of multi-bit and high-speed versions of 16M DRAMs. This led to higher memory sales despite weakness in unit prices late in the year. MOS logic ICs also posted a sales gain. With the broader dissemination of multimedia hardware, Toshiba also benefited from burgeoning demand for high-density ASICs and driver ICs for CD-ROM drives. Driver ICs are a particular strength; Toshiba alone accounts for half of this market worldwide.

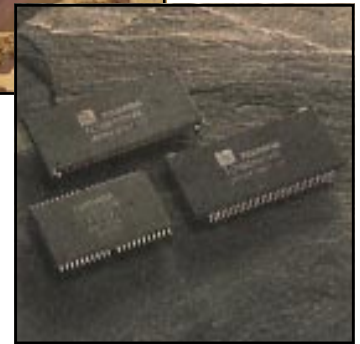
To ensure a stable supply of high-quality products such as 0.35-micron devices, Toshiba invested over ¥170 billion in production facilities in fiscal 1995. Tohoku Semiconductor Corporation, a joint venture in Japan with Motorola Inc., started up production at its new

logic LSI plant in September 1995. In May 1996, a second clean room was finished at Yokkaichi Works. This facility produces 64M DRAMs, and will add 256M DRAM production in the future. Toshiba has a 64M DRAM production alliance with IBM Corporation: a plant in the United States is slated to start making these next-generation memory devices on a commercial scale in 1997. In Germany and Malaysia, Toshiba launched assembly of 16M DRAMs and 1M SRAMs. Insulated gate bipolar transistor assembly also began in Germany.

A number of new products introduced during the year spotlighted Toshiba's role as a leading innovator in semiconductor design. Memory device activities were concentrated on extended-data-out (EDO) and synchronous high-speed DRAM products. For the microprocessor market, the company started sample shipments of R10000, a leading-edge 64-bit RISC device. Another strategic thrust is LSI image-processing devices, essential for DVD and other multimedia applications. Toshiba commercialized a decoder LSI that eases the burden on CPUs by decompressing moving-image data in real-time. With U.S.-based Chromatic Research Inc., Toshiba developed the Mpack digital signal processor, which performs multimedia functions without requiring expansion cards. Toshiba plans to increase emphasis on "system-on-silicon" businesses to benefit from the trend toward merging systems, software and semiconductor processes.



A Toshiba-IBM joint-venture plant now under construction in Manassas, Virginia is scheduled to come on-line in autumn 1997. The plant will manufacture 64M DRAMs. (artist's impression)



Seeking to add even higher value to its memory devices, Toshiba is expanding its line-up of synchronous, Rambus and other high-speed memories.

LIQUID CRYSTAL DISPLAYS

The LCD market remained extremely challenging as oversupply brought down unit prices. In the second half, this situation abated somewhat as demand shifted toward large-screen models and TFT units. Toshiba is prepared to meet this demand, having boosted output capacity for large-scale models in 1996 at Display Technologies, Inc., a joint venture between Toshiba and IBM. In fiscal 1995, Toshiba raised its market share by introducing TFT models and compact, lightweight versions of large-scale models. A 12.1-inch TFT display introduced in 1995 has overall dimensions small enough to fit in an A4-size notebook computer.

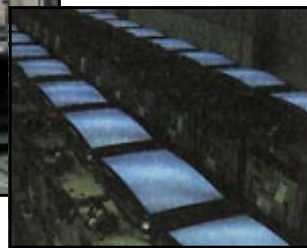
OTHER ELECTRON DEVICES

In December 1995, Toshiba became the first Japanese maker to pass the 200-million-unit milestone in the production of color cathode-ray tubes (CRTs). Another highlight was the production launch of the MICROFILTER™ picture tube. This tube uses proprietary technology to enhance contrast by about 35 percent compared with the company's previous models. Sales of TV color picture tubes were solid, paced by the steady growth in output of picture tubes for wide-screen TVs.

Sales of color display tubes for computer monitors were up sharply in Japan and overseas. This was attributable to much higher worldwide PC sales, in concert with rising demand for high-resolution and large-screen monitors. Orders



Display Technologies, Inc. launched mass production of large-screen TFT-LCDs in mid-1996 at its second plant, which is located in Yasu, near Kyoto in central Japan.



Toshiba manufactured its first color cathode ray tube in 1959. Cumulative production of these tubes surpassed 200 million units in December 1995.

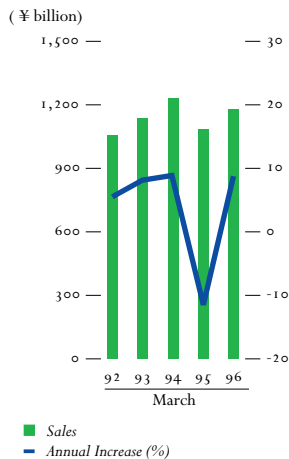
for 15-inch and 17-inch models increased significantly, while demand for 14-inch units declined. Toshiba responded quickly to this trend, starting full-scale production of 15-inch and 17-inch MICROFILTER display tubes. Preparations are also under way to offer a 21-inch version. To bolster production capacity, Toshiba began making

TV color picture tubes at an Indonesian joint venture in June 1996. CRTs are currently made in the United States and Thailand, as well as at two plants in Japan.

Orders for rechargeable lithium-ion and nickel-metal hydride batteries are rising swiftly. A&T Battery Corporation, a joint venture of Toshiba, Toshiba Battery Co., Ltd., and Asahi Chemical Industry Co., Ltd., took steps to stay abreast of this booming market. Expansion work to double output capacity was completed in January 1996, better positioning the venture to capture a greater share of the battery market.

HEAVY ELECTRICAL APPARATUS

SALES



Note: Segment sales totals include intersegment transactions.

SHARE OF NET SALES		%
Mar. '92	20.6	
'93	22.7	
'94	24.7	
'95	21.2	
'96	21.7	

Segment sales rose 8 percent to ¥1,177.5 billion in fiscal 1995, due mainly to work at several large power stations in Japan. In the fields of power generation and distribution, Toshiba has earned a solid reputation in high-efficiency, environmentally friendly technologies. These include combined-cycle power plants, advanced boiling water reactors (ABWRs), adjustable speed, pumped-storage systems, and compact substations. This broad expertise endows Toshiba with a crucial competitive edge in capturing contracts worldwide.

NUCLEAR POWER PLANTS

Payments received for several large-scale projects generated a substantial sales gain. Toshiba is one of the main contractors for the world's first ABWR, Kashiwazaki-Kariwa Nuclear Power Station Units No. 6 and 7 for Tokyo Electric Power Co., Inc. (TEPCO). The company is leading the consortium building Unit No. 6, which has a sophisticated reactor core that raises both fuel and operating efficiency. Trial operations have started, with commercial operation slated for December 1996. The ABWR draws on Toshiba's experience in BWR technology to offer the highest possible levels of safety, reliability and efficiency. Construction is proceeding at Onagawa Nuclear Power Station Unit No. 2 for Tohoku Electric Power Co., Inc. An inspection and improvement contract for Onagawa Unit No. 1 also contributed to sales. Major contracts received in fiscal 1995 were for inspections and improvements at Kashiwazaki-Kariwa Units No. 1 and 2 and at Onagawa Unit No. 1. Toshiba also received fuel-replacement contracts for Hamaoka Nuclear Power Station Units No. 2 and 4 for Chubu Electric Power Co., Inc.

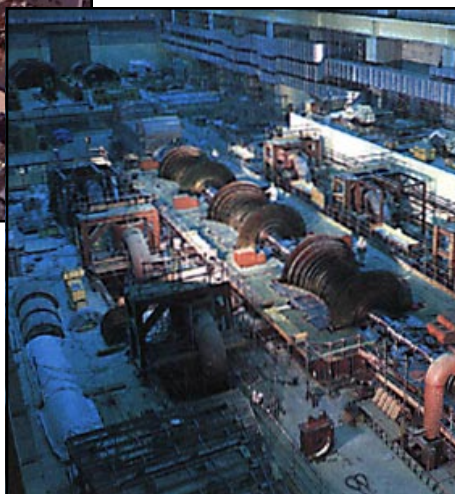
OTHER POWER PLANTS AND EQUIPMENT

Sales in this sector were flat, although the order backlog remains high as Toshiba continues work on a range of projects in Japan and overseas. One ongoing project is the manufacture and installation of advanced combined-cycle power generation equipment for TEPCO's Yokohama Thermal Power Station Unit No. 7. Other large contracts include power generation equipment for Haramachi Thermal Power Station Unit No. 1 (1,000MW) for Tohoku Electric, and Shinchi Thermal Power Station Unit No. 2 (1,000MW) for the Soma-Kyodo Power Co. In Kyushu, Toshiba is at work on Reihoku Thermal Power Station Unit No. 1 (700MW) for Kyushu Electric Power Co., Inc.

Outside Japan, major deals included geothermal power generation equipment in the Philippines and hydroelectric power generation equipment for utilities in Argentina and Venezuela. Technical



Toshiba leads the consortium constructing the world's first advanced boiling water reactor (ABWR) at TEPCO's Kashiwazaki-Kariwa Nuclear Power Station Unit No. 6.



Toshiba is devoting considerable resources to the refinement of combined-cycle power generation, a technology that offers much greater efficiency.

pro prowess and overseas experience were vital in enabling Toshiba to capture a large contract in China in May 1995 for three turbine-generator islands at a huge coal-fired thermal power plant. Toshiba will supply turbines, generators and related equipment.

Overseas, Toshiba in September 1995 established a joint venture in Changzhou, China for the production, sale and maintenance of ultra-high-voltage transformers. Operations at this company will begin in spring 1997.

INDUSTRIAL ELECTRICAL APPARATUS AND MACHINERY

Sales of motors and other industrial electrical apparatus and machinery increased slightly, although the anticipated upturn in Japan's economy failed to materialize. To stimulate demand, Toshiba broadened its line of products with added functions. Other objectives in this sector, as well as for transportation equipment, elevators and escalators, were to develop more products to global standards, establish more overseas bases, expand strategic alliances and improve business processes. Recent accomplishments include an ultra-compact industrial inverter that is 50 to 80 percent smaller than comparable models. It features improved ease of operation and an exclusively designed module.

TRANSPORTATION EQUIPMENT, ELEVATORS AND ESCALATORS

Restrained capital spending among Japanese railway companies in fiscal 1995 resulted in flat sales for transportation equipment. Orders from railways continue to focus on alleviating crowding on commuter trains and on raising comfort on all types of trains. During the year, Toshiba introduced designs and technologies to help customers achieve these goals while reducing costs.

Shinkansen (bullet train) systems have long been a Toshiba strength. Two developments during the year evinced the company's mastery among leading suppliers of these electrical systems in Japan. Toshiba delivered a Series 300X prototype train to Central Japan Railway Company to further raise this carrier's transport speeds. The company also supplied major electrical equipment for the new Series 500 Shinkansen cars of West Japan Railway Company.



Toshiba elevators and escalators, like these in the Hotel Intercontinental Tokyo Bay, offer a smooth, reliable ride.



Joint venture Changzhou Toshiba Transformer Co., Ltd. will start manufacturing and marketing ultra-high-voltage transformers for the huge Chinese market in spring 1997.



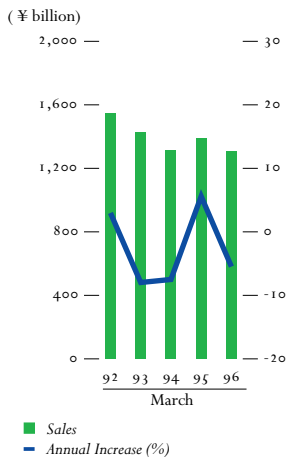
Toshiba's leading-edge technology is contributing to the development of the Series 500 Shinkansen high-speed trains for West Japan Railway.

Overseas, the largest contributor to sales was equipment for Cairo Metro Line No. 2, being constructed by Egypt's National Authority for Tunnels. In Asia outside Japan, Toshiba is conducting aggressive sales activities to benefit from the region's burgeoning demand for railway transportation equipment.

Sluggish activity in Japan's office building market limited orders for elevators and escalators. However, ultra-high and multi-level underground structures point to substantial future demand for these products. To help develop the next generation of elevator technology, Toshiba is building a 150-meter research tower at the Fuchu plant outside Tokyo that will be completed in 1997. Overseas sales continued to climb, supported by rising demand in Southeast Asia and China. To keep capacity in step with demand, Toshiba established Shenyang Toshiba Elevator Co., Ltd. in July 1995 and Shanghai GFC Toshiba Elevator Co., Ltd. the following November. Both joint ventures will manufacture, market, install and service elevators.

CONSUMER PRODUCTS & OTHERS

SALES



Note: Segment sales totals include intersegment transactions.

SHARE OF NET SALES		%
	30.4	28.5
Mar. '92	'93	'94
	26.4	26.9
		24.0
		'96

A variety of Toshiba products were in demand for their energy efficiency, advanced features and attractive designs. However, sales decreased 6 percent to ¥1,305.1 billion. The segment recorded an operating loss, mainly as a factor of intense price-based competition in Japan. To enhance competitiveness in major product sectors, Toshiba introduced many new models with cutting-edge attributes while expanding overseas production to hold down costs.

TV/VIDEO PRODUCTS

Industry-wide sales volume of wide-screen TVs, which have a screen width-to-height ratio of 16:9, rose by about 60 percent in Japan. The much larger market for conventional 4:3 TVs continued to be impacted by falling sales prices. Toshiba introduced a number of new models and generated a 20 percent sales increase in Japan. Best-selling wide-screen sets incorporated Toshiba's Super Brighttron tube. However, color TV sales in North America and China were stagnant.

The company introduced the Toshiba Integrated Multimedia Monitor in September 1995. The monitor's high-resolution yields vivid images from both TV broadcasts and complex computer software. Reflecting the global scale of Toshiba's TV operations, the monitor draws on technology developed in Japan and is made in the United States. Though engineered for the U.S. multimedia market, the monitor is also exported to Japan.

Activities in Asia outside Japan best exemplify how Toshiba is applying global logistics to its TV operations. TV demand in this region is expected to grow by more than 10 percent annually into the next century. In June 1996, Toshiba began producing 14-inch color TVs at a new plant in Indonesia, operated by P.T. Toshiba Consumer Products (Indonesia).

To participate in China's high-potential cable TV market, Toshiba formed a company with Shanghai Cable Television Station and two other parties. As China's largest cable operator, SCT serves more than 1.5 million subscribers through a fiber-optic network. The joint venture will produce and sell cable TV home terminals. Forecasts place Chinese cable subscribers at 60 million by 2000. In addition to giving Toshiba a key foothold in the vibrant Chinese market, the new venture will be a source of products for export to Japan.

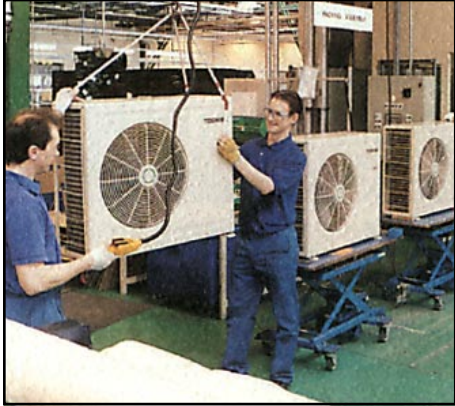
Toshiba played a central role in establishing the Intertext Consortium in Japan in February 1996. This organization is promoting an interactive TV system that utilizes existing infrastructure to supply low-cost, easily accessible interactive broadcasts. Toshiba plans to introduce an Intertext adapter and a TV with built-in adapter in autumn 1996.

22.



Rear-projection, large-screen TVs, especially wide-screen models, turn the home into a cinema. Add DVD-Video players for even greater realism.

An adapter and remote control unit for the test broadcasts of interactive TV promoted by Japan's Intertext Consortium.



To meet growing demand for commercial-use air conditioners in Europe, Toshiba Consumer Products in Plymouth, England expanded its annual production volume from 25,000 to 30,000 units.

While global VCR demand continues to mount, heated competition is pressuring margins. Toshiba is concentrating on higher-end models with added functions, a market in which the company excels. Boosting global competitiveness in the VCR market is a key objective. In April 1996, the company transferred VCR head-office functions from Japan to Toshiba Video Products Pte., Ltd. in Singapore. Moving these functions to Singapore, site of a huge Toshiba VCR production facility, bolsters the company's ability to respond to demand in global markets and insulate earnings from currency movements.

IMAGING & INFORMATION PRODUCTS

Toshiba is expending considerable resources on devising new imaging and information products for the home and office that fall within the broad "multimedia" category. In September 1995, the company began selling the first digital still camera that incorporates a modem. Photos and audio recorded by the camera can be easily transmitted over a telephone line. The camera also has a slot for PC cards, enabling users to process and store their photos on a computer.

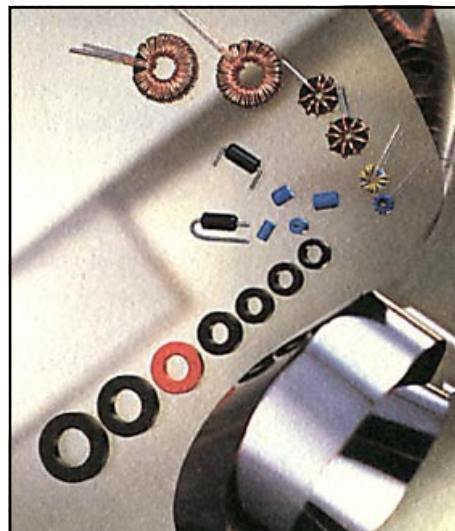
HOUSEHOLD APPLIANCES

The domestic household appliance market exhibited stable demand in fiscal 1995. Another summer of record-setting heat lifted nationwide air conditioner sales to an all-time high of 7.5 million units. Toshiba's air conditioners seized upon this robust demand effectively. Energy-efficient models incorporating digital twin rotary compressors, an industry first, were awarded the "Commendation of 21st Century Type Energy-Conserving Apparatuses and Systems" for the third year in a row. This award is presented by The Energy Conservation Center of Japan, an extra-governmental organization of the Ministry of International Trade and Industry. Another highlight of domestic operations was the expansion of Toshiba's popular line of refrigerators with mid-mounted, drawer-type freezers. One new model offers 25 percent lower energy consumption than the model it replaced.

To tap into soaring air conditioner demand in China, Toshiba established a joint venture to produce and market compressors in that country. Toshiba Consumer Products (Thailand) Co., Ltd. is at work on several projects. In September 1995, construction began on a facility to manufacture washing machines. The subsidiary is also adding production lines for air conditioners and refrigerators. Expanded output capacity not only positions Toshiba to benefit from growth in Asia and the Middle East, but also represents a source of competitively priced merchandise for the Japanese market. Following completion of these projects, this subsidiary will be Thailand's largest producer of household appliances.

MATERIALS AND OTHER PRODUCTS

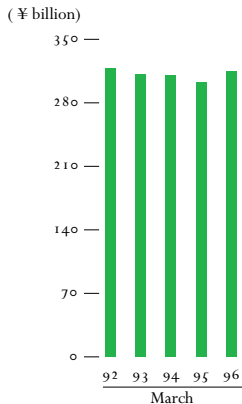
During the fiscal year, Toshiba expanded its production line for amorphous cores, doubling monthly output capacity of this product to 5 million units. Amorphous cores are widely used in switching power supplies for PCs and to protect circuitry from electromagnetic interference.



Amorphous magnetic cores squelch noise in desktop PCs. Demand for them is growing with the expansion of the PC market.

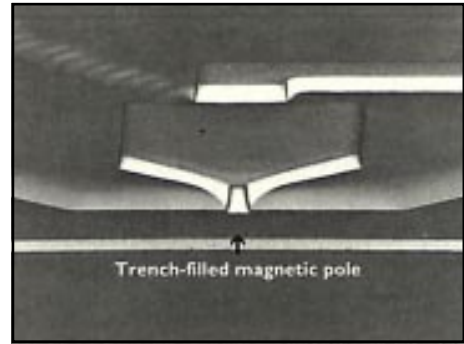
RESEARCH & DEVELOPMENT

R&D EXPENDITURES



SHARE OF NET SALES		%	
Mar. '92	6.7	'93	6.7
'94	6.3	'95	6.1

Rising investment in information and telecommunications infrastructures, particularly in the realm of digital technology, is giving rise to tremendous opportunities for Toshiba. The company is allocating a large share of research expenditures to technologies that are directly linked to developments in such new markets. The company augments its core technologies with global alliances to speed development and expand opportunities. One such alliance with IBM Corporation and Siemens A.G. resulted in the June 1995 unveiling of the world's smallest 256M DRAM.



Development of a practical giant magnetoresistive magnetic head paves the way to 100-gigabyte class compact hard-disk drives.

The spectrum of research extends from basic materials and individual devices to entire systems. This perspective enables the company to tap its skills as a comprehensive manufacturer of electrical and electronic products. Moreover, a flexible personnel system gives researchers broader access to the activities of other sectors, yielding greater cohesiveness for all research activities. Researchers are periodically rotated to operating divisions as

well, which encourages them to bring new ideas to market more quickly. This policy was central to the early success of the DVD. Researchers assigned to the Advanced-I Division helped ensure that market feedback was sent directly to engineers involved in development.

MAJOR ACCOMPLISHMENTS OF FISCAL 1995

WORLD'S FIRST 0.5-VOLT LSI DEVICE

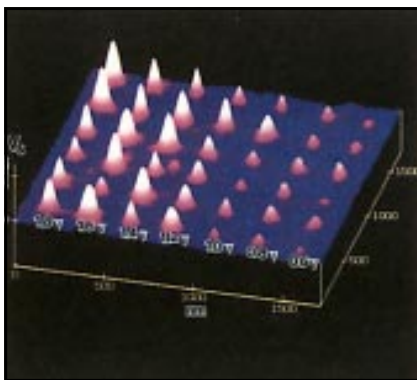
Lower power consumption for LSI devices is essential to extend battery life in portable electronic products. Toshiba was able to reduce operating voltage to just 0.5 volts by isolating individual transistors. This permits separate control of threshold voltage for each transistor. The primary benefit is power consumption that is just one percent that of widely used 5-volt LSI devices. High-speed operation is also possible, since threshold voltages can be kept at a lower level.

SMALLEST, LIGHTEST PHS HANDSET

The Personal Handyphone System, a wireless telephone network, is gaining momentum in Japan. Toshiba is largely responsible for this. The company has vastly reduced the size of several key handset components. Advances led to a prototype PHS handset that has a 60-cubic-centimeter volume and weighs only 85 grams. The same technology may lead to the creation of smaller personal digital assistants, wireless card modems for computers, and many other portable telecommunications devices.

A NEW CONCEPT IN MULTIMEDIA SERVERS

Toshiba has developed multimedia server architecture that can provide video-on-demand (VOD) with great efficiency. Called the SmartStreamer, the architecture brings VOD technology much closer to reality. VOD requires the instant transmission of massive amounts of information to multiple users, without interruption. This task can only be carried out by using a high-capacity server. Toshiba's new architecture is capable of supplying VOD programming with a data-transfer rate ten times faster than current server systems—yet at one-fifth the cost.



Through molecular manipulation, in which the structure and characteristics of a material are controlled at the atomic level, Toshiba is aiming to create completely new kinds of electronic devices.