

(This Convocation Notice is an English summary of the original Japanese notice. The Japanese original is official and this summary is for your convenience only. Toshiba does not guarantee the accuracy of this summary.)

Security Code (in Japan) 6502

May 31, 2011

Norio Sasaki, President and CEO
TOSHIBA Corporation
1-1-1, Shibaura, Minato-ku, Tokyo

CONVOCATION NOTICE OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS FOR THE 172ND FISCAL YEAR

Dear Shareholder:

We offer our deepest sympathy to all victims of the Great East Japan Earthquake and sincerely hope the speedy recovery.

Notice is hereby given that the Ordinary General Meeting of Shareholders for the 172nd fiscal year will be held as described below. Your attendance is cordially requested.

If you are unable to attend the meeting, after reviewing the Reference Material for the Ordinary General Meeting of Shareholders annexed hereto, please exercise your voting rights by sending back to us the attached voting right exercise form with expressing your approval or disapproval of the proposals or filling in your votes for or against the proposals on the website (<http://www.web54.net>).

Your vote must reach the Company by 5:00 p.m., Tuesday, June 21, 2011.

Yours very truly,

Norio Sasaki
Director
Representative Executive Officer
President and Chief Executive Officer
Toshiba Corporation
1-1, Shibaura 1-chome,
Minato-ku, Tokyo, Japan

1. Date and Time: Wednesday, June 22, 2011, at 10:00 a.m.
2. Place: Kokugikan
3-28, Yokoami 1-chome, Sumida-ku, Tokyo, Japan
3. Agenda for the Meeting

Subject for Report

Business report, consolidated financial statements and financial statements (non-consolidated) for the 172nd fiscal year (starting from April 1, 2010 and ending on March 31, 2011) and audit report for the consolidated financial statements.

Subject for Resolution

Company's Proposals (First Proposal)

First Proposal: Election of fourteen (14) directors

Shareholder's Proposals (Second to Twenty-First Proposal)

Second Proposal: Amendments to the Articles of Incorporation regarding disclosure of the documentary evidence of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Third Proposal: Amendments to the Articles of Incorporation regarding disclosure of the documentary evidence of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Fourth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the documentary evidence of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Fifth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the documentary evidence of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Sixth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the documentary evidence of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Seventh Proposal: Amendments to the Articles of Incorporation regarding disclosure of the facts of improper billing and unfair receipt of the research labor expenses for the research

commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Eighth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the facts of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Ninth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the facts of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Tenth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the facts of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Eleventh Proposal: Amendments to the Articles of Incorporation regarding disclosure of the facts of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Twelfth Proposal: Amendments to the Articles of Incorporation regarding answers by the Company to questions from shareholders

Thirteenth Proposal: Amendments to the Articles of Incorporation regarding exercise of voting rights at general meetings of shareholders

Fourteenth Proposal: Amendments to the Articles of Incorporation regarding claims for damages against the directors

Fifteenth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the sanction imposed on the officers (directors and executive officers)

Sixteenth Proposal: Amendments to the Articles of Incorporation regarding disclosure of personalized information of each director and executive officer of the Company

Seventeenth Proposal: Amendments to the Articles of Incorporation regarding individual disclosure of information of each advisor to the board, advisor and *shayu* of the Company.

Eighteenth Proposal: Amendments to the Articles of Incorporation regarding disclosure of information concerning employees who

entered the Company from a ministry or agency of government or other public organizations

Nineteenth Proposal: Amendments to the Articles of Incorporation regarding conditions of employment for temporary employees

Twentieth Proposal: Amendments to the Articles of Incorporation regarding dividends

Twenty-First Proposal: Election of directors

The details of each proposal above are described in the Reference Material for the Ordinary General Meeting of Shareholders annexed hereto.

* If you attend the meeting, please submit the attached Voting Rights Exercise Form at the reception.

* If you exercise your voting rights through the Internet, please see the explanation about the exercise of the voting rights through the Internet.

* If you exercise the voting rights both through the written form and the Internet, the exercise of the voting rights that reaches the Company later will be treated as effective. If you exercise the voting rights through the Internet, the most recent exercise of the voting rights will be treated as effective.

* When you exercise the voting rights through an attorney-in-fact, such attorney-in-fact must be only 1 (one) shareholder who is entitled to attend the general meeting of shareholders. In this case, please submit a written power of attorney to the Company.

* Business reports, consolidated and non-consolidated financial statements and audit reports for the 172nd fiscal year which are required to be attached to the convocation notice of ordinary general meeting of shareholders are as shown in the Reports for the 172nd Fiscal Year annexed hereto. However, because the following matters are reported on the Company's website (<http://www.toshiba.co.jp/about/ir/>)¹ in accordance with the provisions of laws and regulations and Article 14 of the Articles of Incorporation, they are not shown in the Reports for the 172nd Fiscal Year:

1. "12. System for Ensuring the Proper Business of the Company (Internal Control System), Etc." and "13. Basic Policy of Payment and Takeover Defense Measures of the Company" of the business report;
2. Consolidated notes of consolidated financial statements; and
3. Individual notes of non-consolidated financial statements.

The consolidated and non-consolidated financial statements audited by the corporate auditors (independent auditors) are also shown in the consolidated notes and individual notes reported on the above website in addition to each document being included in the Reports for the 172nd Fiscal Year.

The business report, consolidated and non-consolidated financial statements audited by the audit committee are also shown in part of the business report, the consolidated notes and individual notes reported on the above website in addition to each document being included in

¹ Note for English translation:

English translation is available on <http://www.toshiba.co.jp/about/ir/index.htm>

the Reports for the 172nd Fiscal Year.

* Please understand that the Company may conserve electricity by diming lights, controlling air-conditioning's temperature settings and taking other measures in Kokugikan. Due to the situation of power supply, the date and time of the meeting is subject to unexpected change. Any change in the date and time of the meeting will be announced on the Company's website.

* Any changes in the business report, consolidated and non-consolidated financial statements or the Reference Material for the Ordinary General Meeting of Shareholders will be reported on the above website.

Note: Payment of the Year-End Dividends

The Company decided to pay year-end dividends by the resolution at the Board of Directors meeting held on May 9, 2011.

Therefore, the Company will pay dividends in the amount of 3 yen (including tax) per share on June 1, 2011 which is the first day of such payment. Please be advised that you receive dividends by using the enclosed receipt of year-end dividends at the nearest head office, branch offices and district offices of Japan Post Bank Co., Ltd. and post offices during the payment period (starting from June 1, 2011 and ending on July 29, 2011).

We have separately made funds transfer procedures for the shareholders who designated that method of dividend payments.

Note: Preliminary Questions

The Company will answer shareholder's questions at the Ordinary General Meeting of Shareholders. However, the Company plans to collectively answer any questions that you send to the Company in advance that are deemed to be of great interest to the shareholders before the Q&A session to be held at the Ordinary General Meeting of Shareholders. Please be advised that questions should be sent to the Company by 5 p.m. on Friday, June 17, 2011 if possible by the following means so that the Company is able to make preparations. Please also note that the Company does not promise to answer all the questions received from shareholders.

Address to which questions can be sent in writing:

Toshiba Corporation
Legal Affairs Division
1-1-1, Shibaura, Minato-ku, Tokyo, 105-8001

Address to which questions can be sent via e-mail:

soukai@toshiba.co.jp

REFERENCE MATERIAL FOR THE ORDINARY GENERAL MEETING OF
SHAREHOLDERS

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|----|-------------------------------|------------------|
| 1. | Total Number of Voting Rights | <u>4,216,288</u> |
| 2. | Reference to Proposal | |

Company's Proposals (First Proposal)

The First Proposal is proposed by the Company.

First Proposal: Election of fourteen (14) Directors

(1) Reasons for Proposal

The term of office of the current 14 Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, it is proposed to elect the following fourteen (14) Directors based on a decision by the Nomination Committee.

The Nomination Committee decided the candidates for Directors on the following criteria and judged that the candidates conformed to these criteria and that the candidates have the appropriate qualifications for directors.

- (a) Being respected, dignified, and highly ethical person
- (b) Being responsive to compliance with laws and regulations
- (c) Being in good health to conduct the required duties
- (d) Having the ability to make objective judgments on management issues as well as excellent foresight and vision
- (e) Having no interest in or transaction with the Company's main business fields that might affect management decisions
- (f) For the outside directors, having a good performance and insight in their field

Messrs. Hiroshi HIRABAYASHI, Takeshi SASAKI, Takeo KOSUGI and Takashi SHIRAISHI are the candidates for Outside Directors. The reasons that we selected them as candidates for Outside Directors and that we considered they could perform their duties as Outside Directors are as follows:

Notices have been filed regarding Messrs. Hiroshi HIRABAYASHI, Takeshi SASAKI and Takeo KOSUGI as being independent directors stipulated in Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, etc. and a notice will be filed regarding Mr. Takashi SHIRAISHI as being an independent director.

Mr. Hiroshi HIRABAYASHI:

Mr. Hirabayashi currently properly supervises the Company's management based on his rich experience and knowledge as a diplomat, including the inspection-related tasks of the diplomatic establishments abroad.

Mr. Takeshi SASAKI:

Mr. Sasaki currently properly supervises the Company's management based on his rich experience and knowledge as a political scientist and a manager of a university.

Mr. Takeo KOSUGI:

Mr. Kosugi currently properly supervises the Company's management based on his rich experience and knowledge as a specialist in law.

Mr. Takashi SHIRAISHI:

Mr. Shiraishi can be expected to properly supervise the Company's management based on his rich experience and knowledge as a specialist in international politics, Asian politics and international relations and as a manager of a university.

The tenure of Messrs. Hiroshi HIRABAYASHI, Takeshi SASAKI and Takeo KOSUGI as Outside Directors will be four years, four years, and two years respectively, at the conclusion of this General Meeting of Shareholders.

The Company has concluded a limited liability contract with Messrs. Hiroshi HIRABAYASHI, Takeshi SASAKI and Takeo KOSUGI, to limit their liabilities as provided in Article 423, Paragraph 1 of the Companies Act to 31.2 million yen or the minimum liability amount stated in Article 425, Paragraph 1 of the Companies Act, whichever is larger. The Company intends to continue the contract with Messrs. Hiroshi HIRABAYASHI, Takeshi SASAKI and Takeo KOSUGI, if reelected. The Company also intends to conclude the same kind of limited liability contract with Mr. Shiraishi, if elected as a director.

East Japan Railway Company, for which Mr. Takeshi SASAKI has served as a director since June 2006, received an administrative penalty in March 2009 in line with the River Act. This is mainly because the Shinanogawa power station of East Japan Railway Company took more than the maximum allowed quantity of water. He monitored compliance with laws and regulations mainly thorough the board of directors meeting. In response to the administrative penalty, he requested to take all necessary measures to ensure that this kind of misconduct does not reoccur in the future.

Also, it was revealed that the Sales Department of the Fukuoka Branch of Mitsui & Co., Ltd., where Mr. Hirabayashi has served as an outside director since June 2007, was involved in improper circular transactions including fictitious transactions in connection with agricultural material and other items for local business partners from September 2000 to February 2008. It was also discovered that the Sales Department of Mitsui's Performance Chemicals Business Unit conducted false transactions from April 2004 to August 2008 as export trades to Indonesia and other South-East Asian countries. Mr. Hirabayashi regularly made various proposals to the Board of Directors and on other occasions from the standpoint of strengthening compliance and internal control, and after these facts were found, made various proposals and gave opinions suggesting to further strengthen internal control with a view to preventing other similar events.

(2) Details of Proposal

Candidates for Directors are as follows:

	Name and Date of Birth	Positions	Career highlights, significant concurrent positions	Number of Company's shares owned by the candidate (thousands)
1.	Atsutoshi NISHIDA December 29, 1943	Director, Chairman of the Board Member, the Nomination Committee Member, the Compensation Committee	May 1975 Joined the Company June 1997 Director June 1998 Corporate Vice President June 2000 Corporate Senior Vice President June 2003 Director Executive Officer Corporate Executive Vice President June 2005 Director Representative Executive Officer President and Chief Executive Officer June 2009 - Present Director, Chairman of the Board	176

			<p>Significant concurrent positions: Chairman, Digital Content Association of Japan Chairman, Japan Institute of Logistics Systems Chairman, Japan Association of Defense Industry Chairman, JAPAN TRAVEL AND TOURISM ASSOCIATION</p>	
2.	<p>Norio SASAKI June 1, 1949</p>	<p>Representative Executive Officer President and Chief Executive Officer Member, the Compensation Committee</p>	<p>April 1972 Joined the Company</p> <p>April 2003 Vice President, Nuclear Energy Systems & Services Division, Industrial & Power Systems Company of Toshiba Corporation</p> <p>June 2005 Executive Officer Corporate Vice President</p> <p>June 2007 Executive Officer Corporate Executive Vice President</p> <p>June 2008 Director Representative Executive Officer Corporate Senior Executive Vice President</p> <p>June 2009 - Present Director</p>	82

			Representative Executive Officer President and Chief Executive Officer	
3.	Masashi MUROMACHI April 10, 1950	Representative Executive Officer Corporate Senior Executive Vice President Support of the President Managing Director, New Lighting Systems Executive, Quality Div. General Executive, Productivity & Environment Group	April 1975 Joined the Company June 2004 Executive Officer Corporate Vice President June 2005 Executive Officer Corporate Senior Vice President June 2006 Executive Officer Corporate Executive Vice President June 2008 - Present Director Representative Executive Officer Corporate Senior Executive Vice President Significant concurrent positions: Chairman, Toshiba Hangzhou Co., Ltd. Chairman, Toshiba Dalian Co., Ltd.	63

4.	<p>Fumio MURAOKA</p> <p>July 10, 1948</p>	<p>Representative Executive Officer Corporate Senior Executive Vice President Support of the President General Executive, Finance & Accounting Group</p>	<p>April 1971 Joined the Company</p> <p>June 2003 Executive Officer Corporate Vice President</p> <p>June 2006 Director Representative Executive Officer Corporate Executive Vice President</p> <p>June 2009 - Present Director Representative Executive Officer Corporate Senior Executive Vice President</p>	80
5.	<p>Hiroshi HORIOKA</p> <p>June 7, 1953</p>	<p>Member, the Audit Committee</p>	<p>April 1977 Joined Toshiba Corporation</p> <p>June 2003 Director, Shibaura Mechatronics Corporation</p> <p>April 2005 General Manager, HR & Administration Div., Industrial and Power Systems & Services Company of Toshiba Corporation</p> <p>April 2006 General Manager, Group Relations Div.</p>	25

			<p>June 2007 General Manager, Human Resources And Administration Div.</p> <p>June 2009 - Present Director</p>	
6.	<p>Hiroshi HIRABAYASHI</p> <p>May 5, 1940</p>	<p>Member, the Audit Committee Member, the Compensation Committee</p>	<p>April 1963 Joined the Ministry of Foreign Affairs of Japan</p> <p>January 1988 Director, Management and Coordination Div., Minister's Secretariat, Ministry of Foreign Affairs of Japan</p> <p>January 1990 Minister, Embassy of Japan in the United States of America</p> <p>August 1993 Director-General, Economic Cooperation Bureau, Ministry of Foreign Affairs of Japan</p> <p>August 1995 Cabinet Secretariat, Chief Cabinet Councilors' Office on External Affairs,</p> <p>January 1998 Ambassador Extraordinary and Plenipotentiary to India</p>	18

			<p>February 1998 Ambassador Extraordinary and Plenipotentiary to India and Bhutan</p> <p>September 2002 Ambassador Extraordinary and Plenipotentiary to France and Andorra</p> <p>January 2003 Ambassador Extraordinary and Plenipotentiary to France, Andorra and Djibouti</p> <p>June 2006 - April 2007 Ambassador in charge of Inspection, Ministry of Foreign Affairs of Japan</p> <p>April 2008 - March 2011 Visiting Professor, Graduate School of Asia-Pacific Studies, Waseda University</p> <p>June 2007 - Present Outside Director of the Company</p> <p>Significant concurrent positions: Outside Director, Mitsui & Co., Ltd. Outside Director, Daiichi Sankyo Company, Limited Outside Director, NHK Promotions Co., Ltd. President, The Japan-India Association, Public Interest Incorporated Foundation</p>	
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7.	<p>Takeshi SASAKI</p> <p>July 15, 1942</p>	<p>Chairman, the Nomination Committee</p> <p>Member, the Compensation Committee</p>	<p>April 1965 Graduate Assistant in the Faculty of Law, The University of Tokyo</p> <p>April 1968 Associate Professor in the Faculty of Law, The University of Tokyo</p> <p>November 1978 Professor in the Faculty of Law, The University of Tokyo</p> <p>April 1991 Professor in the Schools for Law and Politics, The University of Tokyo</p> <p>April 1998 Dean of the School for Law and Politics and Faculty of Law, The University of Tokyo</p> <p>April 2001 President, The University of Tokyo</p> <p>April 2005 - Present Professor in the Department of Political Studies in the Faculty of Law, Gakushuin University</p> <p>June 2007 - Present Outside Director of the Company</p> <p>Significant concurrent positions: Professor, Gakushuin University, Faculty of</p>	10
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			<p>Law, Department of Political Studies President, The Association For Promoting Fair Elections Outside Director, ORIX Corporation President, National Land Afforestation Promotion Organization Outside Director, East Japan Railway Company Chairman, Labo International Exchange Foundation</p>	
8.	<p>Takeo KOSUGI March 23, 1942 (Photo)</p>	<p>Member, the Nomination Committee Member, the Audit Committee</p>	<p>April 1968 Osaka District Court, Associate Judge</p> <p>September 1972 Kushiro District & Family Court, Associate Judge</p> <p>May 1974 Registered as Private Practicing Attorney</p> <p>June 2009 - Present Outside Director of the Company</p> <p>Significant concurrent positions: Partner, Law Office of Matsuo & Kosugi Outside Corporate Auditor, Nihon Servier Co Ltd. Outside Corporate Auditor, FUJIFILM Holdings Supervisory Director, Mori Hills REIT Investment Corp.</p>	16

9.	<p>Hidejiro SHIMOMITSU</p> <p>September 21, 1952 (Photo)</p>	<p>Executive Officer Corporate Executive Vice President, Responsible for Digital Products Group, Managing Director, Mobile Communications Division</p>	<p>April 1976 Joined the Company</p> <p>April 2006 Executive Vice President, PC & Network Company</p> <p>June 2006 Executive Officer Corporate Vice President</p> <p>June 2007 Executive Officer Corporate Senior Vice President</p> <p>June 2009 - Present Executive Officer Corporate Executive Vice President</p>	51
10	<p>Hisao TANAKA</p> <p>December 20, 1950 (Photo)</p>	<p>Executive Officer Corporate Executive Vice President, Responsible for Procurement and Logistics Group</p>	<p>April 1973 Joined the Company</p> <p>April 2006 Executive Vice President, PC & Network Company</p> <p>June 2006 Executive Officer Corporate Vice President</p> <p>June 2008 Executive Officer</p>	52

			<p>Corporate Senior Vice President</p> <p>June 2009 - Present Executive Officer Corporate Executive Vice President</p> <p>Significant concurrent positions: CEO, Taiwan Toshiba International Procurement Corp.</p>	
11	<p>Hideo KITAMURA</p> <p>April 19, 1952 (Photo)</p>	<p>Executive Officer Corporate Executive Vice President, Responsible for Infrastructure Systems Group,</p>	<p>April 1975 Joined the Company</p> <p>April 2006 Executive Vice President, Power Systems Company</p> <p>June 2007 Executive Officer Corporate Vice President</p> <p>June 2008 Executive Officer Corporate Senior Vice President</p> <p>June 2009 - Present Executive Officer Corporate Executive Vice President</p>	45

12	<p>Toshiharu WATANABE</p> <p>July 28, 1950 (Photo)</p>	<p>Executive Officer Corporate Executive Vice President, Managing Director, Smart Community Division</p>	<p>April 1974 Joined the Company</p> <p>April 2006 Executive Vice President, Industrial Systems Company</p> <p>June 2007 Executive Officer Corporate Vice President</p> <p>June 2008 Executive Officer Corporate Senior Vice President</p> <p>June 2010 - Present Executive Officer Corporate Executive Vice President</p>	47
13	<p>Makoto KUBO</p> <p>January 31, 1952 (Photo)</p>		<p>April 1975 Joined the Company</p> <p>May 2005 General Manager, Finance & Accounting Division</p> <p>June 2008 Executive Officer Corporate Vice President</p> <p>June 2010 – Present President, Toshiba Mobile Display Co., Ltd.</p>	27

14	<p>Takashi SHIRAISHI</p> <p>February 22, 1950 (Photo)</p>		<p>April 1975 Assistant, Institute of Oriental Culture, University of Tokyo</p> <p>May 1977 PhD, Cornell University</p> <p>June 1979 Assistant Professor, College of Arts and Sciences, University of Tokyo</p> <p>April 1987 Assistant Professor, Department of Asian Studies, Department of History, Cornell University</p> <p>July 1989 Associate Professor, Southeast Asia Program, Cornell University</p> <p>July 1990 Associate Professor, Department of Asian Studies, Department of History, Cornell University</p> <p>January 1996 Professor, Department of Asian Studies, Department of History, Cornell University</p> <p>July 1996 Professor, Center for Southeast Asian Studies, Kyoto University</p>	0
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			<p>April 2005 - March 2009 Vice President, National Graduate Institute for Policy Studies</p> <p>January 2009 - Present Executive Member, Council for Science and Technology Policy, Cabinet Office</p> <p>April 2011 - Present President, National Graduate Institute for Policy Studies</p> <p>Significant concurrent positions: President, National Graduate Institute for Policy Studies President, Institute of Developing Economics, Japan External Trade Organization</p>	
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Notes: 1. The Company operated on an executive system until June 2003, whereby Corporate Senior Vice President and Corporate Vice President were the positions for executive officers

2. Directors Masao NAMIKI, Ichiro TAI, Yoshihiro MAEDA, Kazuo TANIGAWA, Shigeo KOGUCHI and Kiichiro FURUSAWA will retire at the conclusion of this Ordinary General Meeting of Shareholders.

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Shareholder's Proposals (Second Proposal through Twenty-first Proposal)

The Second through Twenty-first Proposals were proposed by one shareholder. The details of and reasons for the shareholder's proposals are presented just as they were submitted by the proposing shareholder but a part of those details and reasons are shown in tabular form.

• Dissenting opinion of Board of Directors on the Shareholder's Proposals

The Board disagrees with all of the shareholder's proposals from the Second through the Twenty-first Proposal.

The following 20 shareholder proposals are proposals raised by the same single shareholder who has raised shareholder proposals for 4 consecutive years since the 2008 Ordinary General Meeting of Shareholders. 13 of the 20 proposals (i.e. the Second Proposal through Twelfth Proposal, Fourteenth Proposal and Fifteenth Proposal) are essentially identical to proposals with regards to the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) which were proposed by shareholders for the last 3 consecutive years. Consequently, those 13 proposals not only relate to individual cases that occurred 16 years ago and have already been settled but also have gained affirmative votes accounting for less than 10% of the number of votes by all shareholders at any previous general meeting of shareholders. For this reason, the Board believes that the Company may have grounds for rejecting the shareholder's proposal for 3 years under the Companies Act. In light of requests from other shareholders made at last year's Ordinary General Meeting of Shareholders to promote to resolve the issue outside the Ordinary General Meeting of Shareholders, the Company tried to contact the shareholder in question but has not heard any response at all, and finally has received the following 20 shareholder proposals.

Since many of the other proposals are essentially identical to proposals previously rejected similarly by a wide margin, the Board of Directors of the Company believes that the current exercise of the shareholder's right to propose can, as a whole, be considered to be an abuse of the shareholder's right. However, just as last year, all shareholder proposals are presented for the record and are put to a vote to let shareholders know the current situation and to confirm the intent of all shareholders

Supplementary comments regarding the reasons for disagreeing with the Twelfth Proposal onwards are included after the statement for each Proposal.

From the perspective described above, the Board of Directors disagrees with all of the shareholder's proposals

Shareholder's Proposal:

Second Proposal: Amendments to the Articles of Incorporation regarding disclosure of the documentary evidence of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Establish the following provision in the Articles of Incorporation:

“In regards to the issue of improper billing and unfair receipt of labor research expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) uncovered at Toshiba in January 1996, the following “Request for Fabrication of Daily Research Labor Reports” shall be investigated. The method and results of such investigation, and the details of documents shall be disclosed in the Mainichi Shimbun (as described in Attachment 1).”

Reasons for Proposal

Although Toshiba Corporation has been required to disclose the facts of improper billing and unfair receipt of research labor expenses, Toshiba stated that Toshiba excessively charged NEDO approximately 5 million yen and received that amount. Toshiba did not bring the facts to light. As a matter of fact, a manager created the entries of daily research labor reports (such as description of work and working hours) and prepared the daily reports so that Toshiba may fully receive the contracted research labor expenses. Then, the manager requested 5 persons to prepare falsified daily reports. 3 persons (who are Chief Specialist A, Chief Specialist B and Staff Member A) out of 5 persons were not engaged in research labor. 2 persons (Specialist A and Staff Member B) who were engaged in research labor were requested to enter description of work and working hours that were different from the description of actual work and working hours. Consequently, the above proposal is made so that an investigation of the Request for Fabrication of Daily Research Labor Reports be required to uncover one of the methods of improper billings concealed by Toshiba.

Shareholder’s Proposal:

Third Proposal: Amendments to the Articles of Incorporation regarding disclosure of the documentary evidence of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Establish the following provision in the Articles of Incorporation:

“In regards to the issue of improper billing and unfair receipt of labor research expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) uncovered at Toshiba in January 1996, the following “Written Rejection of Request for Fabrication of Daily Research Labor Reports” shall be investigated. The method and results of such investigation, and the details of documents shall be disclosed in the Yomiuri Shimbun (as described in Attachment 2).”

Reasons for Proposal

Toshiba Corporation explained that because one staff member declined to prepare the daily research labor reports, a manger and others prepared that portion of the daily reports declined to be prepared by that staff member. The reason that the staff member declined the manager’s request was because such preparation of the daily reports as requested by the manager constituted the fraudulent activities. Although the staff member declined to fabricate the daily reports to the manager orally and in writing, the manager and others thereafter prepared the falsified daily research labor reports by using the name and falsified seal of the staff member. It is natural for the staff member to have declined to carry out any

fraudulent activities and illegal activities even though he was ordered to carry them out. Consequently, the above issue is proposed so that the fact that it was natural that the staff declined to prepare the daily research labor reports is clarified and the concealment of fraudulent activities by Toshiba is uncovered.

Shareholder's Proposal:

Fourth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the documentary evidence of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Establish the following provisions in the Articles of Incorporation:

“In regards to the issue of improper billing and unfair receipt of research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) uncovered at Toshiba in January 1996, the following “Report to Yuichiro Isu, President” shall be investigated. The method and results of such investigation, and the details of documents shall be disclosed in detail in the Asahi Shimbun (as described in Attachment 3).”

Reasons for Proposal

The managers should have given up the idea of falsifying daily research labor reports when staff in charge pointed out that their plan was illegal. However, the managers did falsify daily research labor reports and completed billing procedures for research labor expenses. This improper billing was conducted at Keihin Product Operations. Yuichiro Isu, the person responsible at Keihin Product Operations, was the only person who could have rectified such improper billing. In January 1996, Yuichiro Isu received a report from staff in charge. This report created an obligation for Yuichiro Isu to investigate and rectify such improper billing. Consequently, this proposal is presented as there is a need to investigate the above documents in order to uncover that a report was given to Yuichiro Isu about such improper billing of research labor expenses and to uncover Toshiba's concealment of such illegal activities.

Shareholder's Proposal:

Fifth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the documentary evidence of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Establish the following provisions in the Articles of Incorporation:

“In regards to the issue of improper billing and unfair receipt of research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) uncovered at Toshiba in January 1996, the following “Report to Tomohiko Sasaki, General Executive” shall be investigated. The method and

results of such investigation, and the details of documents shall be disclosed in detail in the Sankei Shimbun (as described in Attachment 4).”

Reasons for Proposal

Yuichiro Isu, the person responsible at Keihin Product Operations, did not admit there was improper billing of research labor expenses or rectify such improper billing. Keihin Product Operations is a subordinate body of the Energy System Group. The person responsible at the Energy System Group is Tomohiko Sasaki. It was Tomohiko Sasaki, the person responsible at the Energy System Group, who could have rectified the improper billing that occurred at Keihin Product Operations. Tomohiko Sasaki received a report from staff in charge in February 1996. This report created an obligation for Tomohiko Sasaki to investigate and rectify such improper billing. Consequently, this proposal is presented as there is a need to investigate the above documents in order to uncover that a report was given to Tomohiko Sasaki about such improper billing of research labor expenses and to uncover Toshiba’s concealment of such improper billing.

Shareholder’s Proposal:

Sixth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the documentary evidence of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Establish the following provisions in the Articles of Incorporation:

“In regards to the issue of improper billing and unfair receipt of research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) uncovered at Toshiba in January 1996, the following “Report to Fumio Sato, President” shall be investigated. The method and results of such investigation, and the details of documents shall be disclosed in detail in the Nihon Keizai Shimbun (as described in Attachment 5).”

Reasons for Proposal

Tomohiko Sasaki, the person responsible at the Energy System Group, caused Keihin Product Operations to investigate the issue of improper billing of research labor expenses and confirmed that that such improper billing had been conducted. However, he failed to rectify such improper billing. The Energy System Group is a subordinate body of Toshiba’s head office. The person responsible at the head office is Fumio Sato, President. It is Fumio Sato who can rectify the improper billing. Fumio Sato and Taizo Nishimuro, the president-elect, received a report from staff in charge in June 1996 in regards to the improper billing of research labor expenses. This report created an obligation for Fumio Sato to investigate and rectify such improper billing. Consequently, this proposal is presented as there is a need to investigate the above documents in order to uncover that a report was given to Fumio Sato about such improper billing of research labor expenses and to uncover Toshiba’s concealment of such improper billing.

Shareholder's Proposal:

Seventh Proposal: Amendments to the Articles of Incorporation regarding disclosure of the facts of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Establish the following provision in the Articles of Incorporation:

“In regards to the issue of improper billing and unfair receipt of labor research expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) uncovered at Toshiba in January 1996, “How the research labor expenses were improperly billed” and “Employees’ awareness of crime” described below shall be investigated. The method and results of such investigation shall be disclosed in the Mainichi Shimbun (as described in Attachment 6).”

Reasons for Proposal

Toshiba had concealed the improper billing and unfair receipt of research labor expenses, which were found internally in January 1996, up to June 2002. Moreover, although shareholders asked Toshiba at general meetings of shareholders in June 1999 and thereafter whether the issue of improper billing and unfair receipt had been rectified or not, the reply was that the problem had been finished with. This issue has not been settled for a long time because Toshiba has kept concealing the issue from when it was found up to now. It is too convenient to insist that the problem was settled as Toshiba was subject to the decision made by NEDO in July 2002. Inconvenient documentation was not submitted nor was a hearing investigation of the persons involved performed at the time of the investigation conducted by NEDO. Occurrence of similar illegal activities can not be prevented without investigating the true picture of improper billing and the employees’ awareness of who engaged in illegal activities. The above proposal is presented in order to uncover the true picture of improper billing and unfair receipt which Toshiba has concealed, and to prevent illegal activities.

Shareholder's Proposal:

Eighth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the facts of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Establish the following provision in the Articles of Incorporation:

“In regards to the issue of improper billing and unfair receipt of labor research expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) uncovered at Toshiba in January 1996, “Cover-up 1 (at Keihin Product Operations)”, “Cover-up 2 (at Head Office)”, “Cover-up 3 (at Keihin Product Operations)”, and “Organized crime” described below shall be investigated. The method and results of such investigation shall be disclosed in the Yomiuri Shimbun (as described in Attachment 7).”

Reasons for Proposal

This issue of unfair receipt of research labor expenses has not been settled for a long time because Toshiba has concealed this issue without rectifying promptly after it had been uncovered at Toshiba. On what grounds did Keihin Product Operations, where this issue had occurred, never recognize improper billing? Going forward, on what grounds did the Energy System Group decide to conceal this issue while confirming the fact of improper billing and unfair receipt? Toshiba has never disclosed these grounds. Moreover, occurrence of similar illegal activities for the commissioned researches are likely as the contracted research labor expenses may be available only by fabricating the daily reports.

The above proposal is presented in order to uncover the true picture of improper billing and unfair receipt which Toshiba has concealed, and to prevent illegal activities.

Shareholder's Proposal:

Ninth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the facts of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Establish the following provision in the Articles of Incorporation:

“In regards to the issue of improper billing and unfair receipt of labor research expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) uncovered at Toshiba in January 1996, “Response at head office 1”, “Response at head office 2”, “Response at head office 3”, “Response at head office 4”, “Response at head office 5”, “Response at head office 6”, and “Response at head office 7” described below shall be investigated. The method and results of such investigation shall be disclosed in the Asahi Shimbun (as described in Attachment 8).”

Reasons for Proposal

How did Fumio Sato, President, who received a report in regards to unfair receipt of research labor expenses respond to the issue? There is suspicion that Fumio Sato originally ordered Tomohiko Sasaki, General Executive, to rectify the unfair receipt. What did Fumio Sato order Tomohiko Sasaki to do? Actually conducted was the setoff of reduced billing of research labor expenses for years other than the years in question, and this is illegal. Why was the issue never properly addressed? Did Mr. Sato and Mr. Nishimuro, the new President, accept illegal activities? Did not other officers oppose the setoff? Did officers give untrue answers to the effect that the issue of improper billing was finished with at the general meetings of shareholders in order to conceal the illegal handling as it was actually conducted and to prevent the chance for charges to be brought against president and the directors?

The above proposal is presented in order to clear these doubts and to clearly define the breach of trust by officers who concealed the unfair receipt and the failure to perform the duty of care by officers who were responsible for rectifying the unfair receipt.

Shareholder's Proposal:

Tenth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the facts of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Establish the following provision in the Articles of Incorporation:

“In regards to the issue of improper billing and unfair receipt of labor research expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) uncovered at Toshiba in January 1996, “Investigation conducted by NEDO and Toshiba’s response thereto” and “Expenses and losses” described below shall be investigated. The method and results of such investigation shall be disclosed in the Sankei Shimbun (as described in Attachment 9).”

Reasons for Proposal

Why did Toshiba fail to commence re-investigation on the issue of unfair receipt after the ordinary general meeting of shareholders in June 1999? Why is it that no materials regarding improper billing were found in the investigation conducted by NEDO, or that no relevant employees were made to witness the investigation? Who decided to take such responses? The above proposal is presented in order to uncover these unexplained points.

In addition, losses resulting from punishment charged by NEDO and expenses for handling the issue of improper billing are significant. These losses and expenses would have been smaller if Toshiba had settled the issue of improper billing at an early stage and in the proper manner. Officers who concealed the issue of improper billing and failed to rectify unfair receipt should bear these ballooning losses and expenses. The above proposal is presented in order to specify the amount to be borne by the officers.

Shareholder's Proposal:

Eleventh Proposal: Amendments to the Articles of Incorporation regarding disclosure of the facts of improper billing and unfair receipt of the research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO)

Establish the following provision in the Articles of Incorporation:

“In regards to the issue of improper billing and unfair receipt of labor research expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) uncovered at Toshiba in January 1996, the following “Responsibility” shall be investigated. The method and results of such investigation, and the details of documents shall be disclosed in the Nihon Keizai Shimbun (as described in Attachment 10).”

Reasons for Proposal

With respect to the officers who concealed the issue of unfair receipt, the officers

who improperly treated the issue of unfair receipt, the officers who falsely responded to the issue of unfair receipt at the general meeting of shareholders, and the officers who owed their duty of care but failed to take the preventive action against unfair receipt, the liabilities, sanctions and other matters imposed on those officers are unclear. Consequently, the above issue is proposed.

Although the issue of improper billing became a problem from the past or a minor issue to Toshiba Corporation, because Toshiba continues to hide the truth of the issue of unfair receipt, the above issue is proposed so that the officers of Toshiba become aware, and the shareholders and employees are informed, that there are people whose life was disrupted, who have suffered for a long time, who are frustrated, and who have been wrought with misfortune.

Shareholder's Proposal:

Twelfth Proposal: Amendments to the Articles of Incorporation regarding answers by the Company to questions from shareholders

Establish the following provision in the Articles of Incorporation:

“At general meetings of shareholders, the Company shall answer all questions (including written questions) asked by shareholders. The details of the questions and the answers shall be disclosed so that the shareholders may inspect and copy them at the head office of Toshiba Corporation. In particular, the Company shall answer questions regarding any illegal activities carried out by Toshiba Corporation (its officers or employees) in the course of business at a question time held at general meetings of shareholders.

The questions on such illegal activities include questions concerning collusive bidding for projects by administrative institutions, falsification of test data for water flow meters used in nuclear power generation, and improper billing and unfair receipt of research labor expenses for research commissioned by NEDO (as described in Attachment 11).”

Reasons for Proposal

With respect to the illegal activities performed by Toshiba Corporation (its officers and employees), there are cases where similar activities have been repeatedly observed, and the illegal activities were concealed for an extended period of time. The above proposal is presented in order to prevent illegal activities.

The cause of such repetition and concealment of illegal activities is the lack of ability of the Company to purify itself. Questions asked by shareholders at general meetings of shareholders are cut off at the Company's discretion. In particular, questions on illegal activities are cut off on the grounds that they are not related to the agenda for the meeting (i.e., the Company disrespects the shareholder's right to question). Because the self-purification capacity of the Company is lacking, the investigation and monitoring by shareholders is necessary. As one of the methods, it is proposed that the Company be required to respond to all of the shareholder's questions (including written questions) in detail. In particular, it may be effective if the Q&A session for illegal activities is held at a general meeting of shareholders, and the detailed facts, the details of preventive measures, and the assumption of responsibility, etc. regarding those illegal activities are clarified. It is also proposed that the

details of the questions and answers be disclosed at the head office because it is helpful in preventing repetition or concealment of illegal activities.

• **Dissenting opinion of Board of Directors on the Twelfth Proposal (supplementary comments)**

The Company is required to explain the agenda items at general meetings of shareholders so that the shareholders reasonably understand the agenda items, and the Company strives to give such explanations. It is difficult for the Company to answer all of the questions that the shareholders wish to be answered within the limited time at general meetings of shareholders. Also, the Company believes that it is not appropriate for all questions and answers between the shareholders and the Company to be disclosed in light of the nature of the general meeting of shareholders. Consequently, the Board believes there is no need to establish such a provision in the Articles of Incorporation.

Reference

With respect to the answers to all questions asked by shareholders at general meetings of shareholders, although it was proposed last year to amend the Articles of Incorporation so as to have all questions disclosed on the website, and that amendment proposal was rejected by only obtaining affirmative votes of less than 10% of the votes by all shareholders, this year it is proposed to disclose them at the head office.

Shareholder’s Proposal:

Thirteenth Proposal: Amendments to the Articles of Incorporation regarding exercise of voting rights at general meetings of shareholders

Establish the following provision in the Articles of Incorporation:

“With respect to exercise of voting rights at general meetings of shareholders, in cases where a shareholder does not vote for or against a proposal when exercising his/her voting rights in the Voting Rights Exercise Form, the shareholder will be deemed to have invalidated any Company proposal or any shareholder proposal presented. In addition, exercise of voting rights through the Internet shall be treated as the same as that through the Voting Rights Exercise Form.”

Reasons for Proposal

With regard to exercise of voting rights through the Voting Rights Exercise Form at a general meeting of shareholders, if a shareholder does not vote for or against a proposal using the said form, it is currently treated as support for proposals made by the Company, but an objection to (vote against) proposals made by shareholders. This is unfair, discriminatory treatment against shareholder proposals. This can also be considered as an act disrespecting shareholders’ rights. Shareholder proposals must be treated as being invalidated in the same manner as those by the Company.

• **Dissenting opinion of Board of Directors on the Thirteenth Proposal (supplementary comments)**

The Company is legally permitted to determine in advance the treatment of the votes not exercised by shareholders through either the Voting Rights Exercise Form or the Internet, and detail such treatment in the Voting Rights Exercise Form, etc. The current treatment by the Company is clearly lawful as well as the most common and reasonable practice by listed companies who have many shareholders. Consequently, the Board believes there is no need to establish such a provision in the Articles of Incorporation.

Reference

With respect to the treatment of cases where it is not clear whether a shareholder has voted for or against a Company proposal or shareholder proposal, although it was proposed two years ago to amend the Articles of Incorporation by deeming it as objection to such proposal and last year by deeming it as support for such proposal, and those amendment proposals were rejected by only obtaining affirmative votes of less than 10% of the votes by all shareholders, this year it is proposed to deem it as invalidation of such proposal.

Shareholder's Proposal:

Fourteenth Proposal: Amendments to the Articles of Incorporation regarding claims for damages against the Company

Establish the following provision in the Articles of Incorporation:

“If a director commits an illegal activity and causes damage to the Company, or if a director fails in its duty of care and causes damage to the Company, the Company may claim damages against that director irrespective of the extent of such damage. A damages committee shall be established with persons other than directors or executive officers of the Company composing the majority of members. The committee shall investigate the facts (the details of the illegal activities or breach of duty of care by a director), damage incurred by the Company and other matters, determine the person against whom damages are claimed and the amount of damages, and make a claim for damages against such person.

The details of such determination shall be released in the Official Gazette (*Kampo*) (as described in Attachment 12).”

Reasons for Proposal

The above proposal is presented in order to prevent illegal activities, concealment of illegal activities and breach of duty of care by directors. It is rare for a director who commits an illegal activity to be imposed with a sanction by the Company and subject to a claim for damages. The reason is the lacking self-purification capacity of the Company and the audit committee. In order to redeem this situation, it is proposed that a damages committee be established with persons other than directors or executive officers of the Company composing the majority of members, to investigate illegal activities and other such acts performed by directors, and make a claim for damages against the relevant directors irrespective of the extent of damages, and the details of such damages be released in the Official Gazette (*Kampo*). Such acts would effectively prevent illegal activities, concealment of illegal activities, and breaches of duty of care due to illegal activities by directors.

• **Dissenting opinion of Board of Directors on the Fourteenth Proposal (supplementary comments)**

The Company has established and maintains effective internal control systems to prevent illegal activities. The organizations such as the Board of Directors prescribed under the laws and regulations shall appropriately respond to the occurrence of violation of laws and regulations in the Company. Consequently, the Board believes there is no need to establish such a provision in the Articles of Incorporation.

Reference

Although it was proposed last year to amend the Articles of Incorporation by establishing a committee for claiming damages, making a claim for damages, and disclosing the results on the website, and that amendment proposal was rejected by only obtaining affirmative votes of less than 10% of the votes by all shareholders, this year it is proposed to disclose them in the Official Gazette (*Kampo*).

Shareholder's Proposal:

Fifteenth Proposal: Amendments to the Articles of Incorporation regarding disclosure of the sanction imposed on the officers (directors and executive officers)

Establish the following provision in the Articles of Incorporation:

“With respect to officers (directors and executive officers) who are imposed with a sanction by the Company, the details of items (i) through (iv) below shall be disclosed for each individual director and executive officer in the Official Gazette (*Kampo*).

- (i) Details of the sanctions;
- (ii) Reasons for the sanctions;
- (iii) Specific details of the services conducted by the directors or the executive officers and;
- (iv) Remuneration received by the directors or the executive officers.

The disclosure shall include detailed information on the sanctions imposed on the officers in relation to collusive bidding for projects by administrative institutions, falsification of test data for water flow meters used in nuclear power generation, and improper billing and unfair receipt of research labor expenses for the research commissioned by NEDO (as described in Attachment 13).”

• **Dissenting opinion of Board of Directors on the Fifteenth Proposal (supplementary comments)**

When specific violation of laws and regulations occurs, the details of sanctions will be disclosed in an appropriate and timely manner if necessary. Consequently, the Board believes there is no need to establish such a provision in the Articles of Incorporation.

Reference

With respect to the details of sanctions imposed on the officers by the Company, although

it was proposed two years ago to amend the Articles of Incorporation by disclosing them on the business report and last year by disclosing them on the website, and those amendment proposals were rejected by only obtaining affirmative votes of less than 10% of the votes by all shareholders, this year it is proposed to disclose them in the Official Gazette (*Kampo*).

Shareholder's Proposal:

Sixteenth Proposal: Amendments to the Articles of Incorporation regarding disclosure of personalized information of each director and executive officer of the Company

Establish the following provision in the Articles of Incorporation:

“The details of items (i) through (iii) below shall be disclosed for each individual director and executive officer for each fiscal year in the Mainichi Shimbun:

- (i) Specific details and outcome of the services conducted by the director or the executive officer;
- (ii) Amount of remuneration received by the director or the executive officer; and
- (iii) Expenses incurred to retain the director or the executive officer.”

Reasons for Proposal

In recent years, Toshiba Corporation has undergone extensive restructuring due to poor business results. Employees were forced into early retirement, transfer or secondment to the affiliated companies, and their job categories were changed. Further, a performance-based compensation system was introduced, and remuneration for each fiscal year and future retirement benefits fluctuated greatly based on the achievement of each employee. Additionally, unpaid overtime working has been increased and the Company was instructed by the labor standards inspection office to rectify that situation. The shareholders have been also burdened with reduced or no dividends as well as decline in the stock price, etc. However, the correlation between the results of the directors and the executive officers who manage the Company's business and their remuneration is unclear. The directors are elected by the resolution of the shareholders meeting, and therefore the correlation between the results of directors and their remuneration need to be individually disclosed to the shareholders so that the shareholders can observe whether the correlation is appropriate. The executive officers are deemed to be the same as directors, as they are the candidates of the directors in the future. The information concerning directors and the executive officers in the report annexed to the convocation notice for the ordinary general meeting of shareholders is insufficient.

• Dissenting opinion of Board of Directors on the Sixteenth Proposal (supplementary comments)

In response to the severe business environment after “Lehman Shock”, the Company has executed a business restructuring including giving up a part of the remuneration and other compensation by directors and the executive officers as well as the relocation of employees. However, the Company intends to secure employment of current employees through relocation in the Company and the Toshiba Group. A substantial portion of the remuneration of executive officers is linked to business performance, and remuneration

and other compensation of directors and executive officers are decided by the Compensation Committee after making comparisons with the level of other companies. Performance of duties by the directors and the executive officers and operations they are responsible for performing, and the amount of remuneration and other compensation received by the directors and the executive officers, are disclosed in the relevant parts of the Report for the 172nd Fiscal Year. Consequently, the Board believes such a provision should not be established in the Articles of Incorporation.

Reference

With respect to the same disclosure of personalized information, although it was proposed two years ago to amend the Articles of Incorporation by disclosing such information on the Company's website and last year by disclosing such information in the Official Gazette (*Kampo*), and those amendment proposals were rejected by only obtaining affirmative votes of less than 10% of the votes by all shareholders, it is proposed to disclose such information in the Asahi Shimbun this year.

Shareholder's Proposal

Seventeenth Proposal: Amendments to the Articles of Incorporation regarding individual disclosure of information of each advisor to the board, advisor and *shayu* of the Company

Establish the following provision in the Articles of Incorporation:

“The details of items (i) through (iv) below shall be disclosed for each individual advisor, advisor to the board and *shayu* (retired executive) for each fiscal year in the Yomiuri Shinbun:

- (i) Specific reason for appointing each advisor, advisor to the board or *shayu*;
- (ii) Specific details and outcome of the services conducted by each advisor, advisor to the board or *shayu*;
- (iii) Amount of remuneration received by each advisor, advisor to the board or *shayu*; and
- (iv) Expenses incurred to employ each advisor, advisor to the board or *shayu*.”

Reasons for Proposal

Most of the information regarding the advisors, the advisors to the board and the *shayu* has not been disclosed to the shareholders. It is doubtful whether the positions of advisor, advisor to the board and *shayu* are necessary. In addition, most of the advisors, the advisors to the board, and the *shayu* seem to be either ex-directors or ex-executive officers. It is also expected that they wouldn't mind providing useful advice to Toshiba, whether or not they were assigned to the positions of advisors or others. The restructuring of these positions also considered to be necessary. Information regarding such positions should be disclosed as an element in considering such restructuring.

• Dissenting opinion of Board of Directors on the Seventeenth Proposal (supplementary comments)

The advisors, the advisors to the board and the *shayu* of the Company give valuable advice and other services to the Company's management through their extensive experience, and

since their treatment is determined after taking into consideration the treatment of the officers and the employees, the Company does not consider such treatment of the advisors, the advisors to the board and the *shayu* to be excessive. Consequently, the Board believes such a provision should not be established in the Articles of Incorporation.

Reference

With respect to the same disclosure of personalized information, although it was proposed two years ago to amend the Articles of Incorporation by disclosing such information on the Company's website and last year by disclosing such information in the Official Gazette (Kampo), and those amendment proposals were rejected by only obtaining affirmative votes of less than 10% of the votes by all shareholders, it is proposed to disclose such information in the Yomiuri Shimbun this year.

Shareholder's Proposal:

Eighteenth Proposal: Amendments to the Articles of Incorporation regarding disclosure of information concerning employees who entered the Company from a ministry or agency of the government or other public organizations

Establish the following provision in the Articles of Incorporation:

“The number and title of employees who entered the Company from a ministry or agency of the government, or other public organizations shall be disclosed for each public organization and fiscal year in detail in the Asahi Shimbun. In addition, the volume of orders from public organizations shall also be disclosed for each public organization and fiscal year in detail in the Asahi Shimbun.”

Reasons for Proposal

The number of retired public officials taken on from public organizations, the number of officers appointed, and the volume of orders from public institutions is a social concern. In addition, Toshiba was reported to have been involved in collusive bidding in government agency projects (e.g. collusive bidding for projects procured by the waterworks and sewerage bureau; postal code reading machines; etc.). The information regarding retired public officials taken on from public institutions should be disclosed to the shareholders from the standpoint of preventing improper transactions such as collusive bidding.

On the other hand, disclosure of information concerning personnel having public post backgrounds is not relevant to the act of recruiting those personnel by the Board of Directors, etc., nor does it limit such recruiting activities. People may reasonably speculate that the reason why the Board of Directors opposes disclosure of such information is because they would like to conceal the relationship between the number of personnel hired from public organizations and the volume of orders from those institutions or because they do not want to lose their option of becoming involved in the collusive bidding for public organizations initiatives.

- **Dissenting opinion of Board of Directors on the Eighteenth Proposal (supplementary**

comments)

The personnel from outside the Company are employed in an appropriate manner, based on their insights in view of their personality, and people from public services are assigned to departments other than the sales department. Consequently, the Board believes the new provision as proposed should not be established in the Articles of Incorporation.

Reference

With respect to the same disclosure of personalized information, although it was proposed two years ago to amend the Articles of Incorporation by disclosing such information on the Company's website and last year by disclosing such information in the business report, and those amendment proposals were rejected by only obtaining affirmative votes of less than 10% of the votes by all shareholders, it is proposed to disclose such information in the Asahi Shimbun this year.

Shareholder's Proposal:

Nineteenth Proposal: Amendments to the Articles of Incorporation regarding conditions of employment for temporary employees

Establish the following provision in the Articles of Incorporation:

“The hourly wage of temporary employees shall be 2,200 yen or more.”

Reasons for Proposal

Toshiba is treating temporary employees as if they were the “safety valves” for permanent employees. The wages of temporary employees are much lower than those of permanent employees even if they do the same work. In addition, temporary employees will not be paid any retirement benefits or get paid only a small amount, if at all. Furthermore, the welfare expenses for temporary employees are much lower than those for permanent employees. As such, through employment of temporary employees, Toshiba has expanded its valuable workforce significantly with small costs and is able to adjust labor more easily. However, the existing employment system is disadvantageous to and quite strict for the temporary employees. This kind of employment system has become an object of public concern. If Toshiba aims to realize the motto of “Committed to People”, it needs to at least increase the wages of temporary employees. The amounts equivalent to the welfare expenses and retirement benefits, which are not paid today, need to be paid in addition to the current wages. Consequently, as one idea, the increase of temporary employees' hourly wage to 2,200 yen or more is proposed.

• Dissenting opinion of Board of Directors on the Nineteenth Proposal (supplementary comments)

With respect of the wages of temporary employees, the Company has been in compliance with the Act on Improving Management of Part-Time Workers' Employment and has duly determined those wages, trying to keep a balance with the wages for permanent workers, pursuant to the provisions of the said act. Consequently, the Board believes such a provision should not be established in the Articles of Incorporation.

Reference

With respect to the hourly wage of temporary employees, although it was proposed two years ago to amend the Articles of Incorporation by changing such hourly wage in the amount equal to or more than that of permanent workers and last year by changing such hourly wage in the amount of 2,000 yen or more, and those amendment proposals were rejected by only obtaining affirmative votes of less than 10% of the votes by all shareholders, the Company proposes to change such hourly wage in the amount of 2,200 yen or more this year.

Shareholder's Proposal:

Twentieth Proposal: Amendments to the Articles of Incorporation regarding dividends

Establish the following provision in the Articles of Incorporation:

“The annual dividends shall be 5 yen or more for the period of 5 years starting from the fiscal year 2011.”

Reasons for Proposal

Toshiba Corporation has continued to reduce or not pay dividends. The Company's management deficiency resulted in reduction or non-payment of dividends. Dividends were continued to be reduced or unpaid due to wasteful investment, irrational investment or hefty remuneration for advisors to the board, advisors and *shayu*. The Company cannot use an unfavorable external environment as an excuse for such reduction or non-payment. Other companies are under the same unfavorable external environment. It is considered that the dividends will be annually payable in the amount of 5 yen or more by using assets that have not been used (such as real estate and securities), avoiding wasteful investment and irrational investment, and reducing expenses for advisors to the board and others.

• Dissenting opinion of Board of Directors on the Twentieth Proposal (supplementary comments)

The Company decided to resume dividend payments to meet shareholders' expectations, taking into careful consideration the reasonable amount of profits secured for FY2010, and our future business plans and financial position. The annual dividend has been determined to be 5 yen per share. The Company makes its best efforts to achieve the effective use of assets and cost reduction, and other business restructuring as well as to ensure the solid profit structure through business structural transformation ahead of other companies so that the Company can secure retained earnings available for dividends. However, costs relating to advisors are nominal compared to the amount of total dividend payments and therefore such costs are practically irrelevant to the decision of dividends. Dividends shall be decided in accordance with Article 461 of the Companies Act after reviewing performance of each fiscal year and the financial position at the end of each fiscal year. Therefore, it is inappropriate to prescribe a specific amount of dividends in the Articles of Incorporation in view of applicable laws and regulations. Consequently, the Board believes such a provision should not be established in the Articles of

Incorporation.

Shareholder's Proposal:

Twenty-First Proposal: Election of Directors

The following fifteen (15) persons will be Directors:

Name, Etc.		Title as of 1996	Title as of 1999	Title as of 2000
1.	Seigo WATANABE	Manager at Keihin Product Operations		
2.	Yoshio KOYAMA	Manager at Keihin Product Operations		
3.	Jiro OZONO	General Manager at Keihin Product Operations		
4.	Masataka SHINTANI	Chief Specialist at Keihin Product Operations		
5.	Yuichiro ISU	President at Keihin Product Operations		
6.	Kazuo TANIGAWA (Joined the Company in 1972)	General Manager at Keihin Product Operations		
7.	Koichi HATANO	Manager at Keihin Product Operations		
8.	Yoshiaki MIKI		Manager at Keihin Product Operations	
9.	Tomohiko SASAKI, (Joined the Company in 1960)	General Executive of Energy System Group		
10.	Toshiki MIYAMOTO		Corporate Senior Vice President	
11.	Toshiyuki OSHIMA			Corporate Vice President
12.	Fumio SATO	President		
13.	Taizo NISHIMURO (Joined the Company in 1961)	Corporate Executive Vice President		
14.	Tadashi OKAMURA (Joined the Company in 1961)			President
15.	Kiyoaki SHIMAGAMI (Joined the Company in 1961)			Corporate Executive Vice President

The years and the titles in the brackets above represent the year when the person joined the Company and the title held at the Company respectively.

Reasons for Proposal

Corporate activity requires compliance with laws and regulations. There are a number of issues regarding the violations of laws and regulations by Toshiba Corporation that were reported by mass media. The above candidates of the Directors have considerable frontline business experiences as employees of Toshiba Corporation, and have experiences in taking measures for those issues regarding the violations of laws and regulations from the perspective of their own positions. They are familiar with how those violations were committed and how the Company took measures for them after discovering them within the Company. Improper measures which may result in further violations of laws and regulations will interfere with business activities and impair the corporate image. These circumstances may be avoided by properly verifying the previous violations of laws and regulations, clarifying ambiguous issues, and designing and implementing countermeasures. The above candidates of Directors are expected to manage business operations without violating laws and regulations by taking advantage of their experience. Based on the above reasons, the above candidates are considered to be suitable for Directors.

• Dissenting opinion of Board of Directors on the Twenty-First Proposal (supplementary comments)

The Company tries to secure the transparent management as a company with committees. The first proposal is made by reviewing from various perspectives and determining the candidates of Directors proposed by the Company who are suitable as members of the Board of Directors at the nomination committee, the majority of whose members are outside directors, in accordance with the criteria for election of the candidate of directors. Candidates of Directors in the shareholder's proposal are executives and employees of the Company who were involved in a specific area during a specific period, and therefore they are not appropriate for candidates of directors. Consequently, the election of the candidates of directors in such manner is the best proposal to the Company.

Reference

Although it was proposed to elect the same candidates for the same reason three years ago, that amendment proposal was rejected by only obtaining affirmative votes of less than 10% of the votes by all shareholders.

- End -

Relating to the Second Proposal

“Request for Fabrication of Daily Research Labor Reports”

Title of document: Request for Completion of Daily MCFC-HRSG Commissioned Research Labor Reports for 1994
 Issue date: April 8, 1995
 Issuer: Manager A (in charge of Fuel Cell in Keihin Product Operations)
 Recipients: Chief Specialist A, Specialist A, Specialist B, Staff Member A and Staff Member B
 Number of pages: 8 pages (2 pages in A4 size and 6 pages in A3 size)
 Details of document: As described below.

(a) 1st page

Request for Completion of Daily MCFC-HRSG Commissioned Research Labor Reports for 1994

With respect to the above-mentioned matter, please enter the daily reports in the following manner.

1. Purpose

Toshiba Corporation has been commissioned by MCFC Research Association to perform research of MCFC-HRSG in 1994. Please complete the designated sheet so that Toshiba may invoice payment for labor costs (labor research expenses and production and design expenses) incurred by Toshiba.

2. Entry method

- (1) Hours of each person for labor research expenses and production and design expenses are indicated on page 2
- (2) Calendar of 1994 (Keihin) is indicated on page 3.
- (3) Examples of entry are indicated on page 4. The paper size is B4.
- (4) Description of work for labor research expenses and production and design expenses are indicated on pages 5 through 8.
 Labor research expenses: on pages 5 and 6
 Production and design expenses: on pages 7 and 8
- (5) Notes for entry
 - Please write the following holiday marks by hand with a red ballpoint pen. Please mark up dates.
 ○: holidays (for example, ③ or ④)
 △: company memorial day (July 1)]
 ▽: last day of the year (December 29)
 - Except for holidays, please indicate by hand with a ballpoint pen.
 - Because you are not allowed to use correction seal, please use another new sheet if you make an error.

- Belonging: Please indicate “KFC.”
- Together with the labor research expenses and production and design expenses, please fill in the designated columns of work.
- Please enter hours in the column of “Standard.”
- Please enter working hours as follows:
Please determine the consecutive hours by reference to your own time card. The hours must be for the period from 8:00 to 17:00 as far as possible. It is acceptable, however, that if you come to the office at 10:20 by using flex time, you may enter 11:00. Upon entry, please enter lines by a ruler as follows, but you may enter arrows by hand.
Labor research expenses: ←→
Production and design expenses: ⇔
- With respect to the following “Total” column, please double check your time before making entries.

(b) 2nd page

Labor research expenses for 1994

Month	Chief Specialist A	Specialist A	Staff Member B	Total
4	2	15	19	36
5	2	17	22	41
6	3	33	44	80
7	3	41	55	99
8	2	38	51	91
9	4	47	64	115
10	3	42	56	101
11	2	37	51	90
12	3	16	20	39
1	2	25	12	39
2	2	15	7	24
3	4	7	6	17
Total	32	333	407	772

Production and design expenses for 1994

Month	Specialist B	Staff Member B	Staff Member A	Total
4	0	0	0	0
5	0	0	0	0
6	0	0	0	0
7	0	0	0	0
8	0	0	0	0
9	0	0	0	0
10	0	0	0	0
11	0	0	0	0
12	0	0	0	0
1	85	71	92	248
2	97	80	98	275

3	103	92	96	291
Total	285	243	286	814

(c) 3rd page

Calendar: omitted

(d) 4th page

Examples of entry: omitted

(e) 5th and 6th pages

	Date	Number of Hours	Items to be individually entered
April			
Chief Specialist A	April 11	2	Review of basic requirements of exhaust heat recovery
Specialist A	April 11	4	Review of partially added requirements
	April 12	6	Review of materials used for equipment (main unit of HRSG)
	April 13	5	Review of materials used for equipment (except for main unit of HRSG)
		15	
Staff Member B	April 13	6	Review of basic requirements for exhaust heat recovery system
	April 14	7	Review of interface requirements with exhaust heat recovery system
	April 18	6	Review of conditions of superheated steam
		19	

	Date	Number of Hours	Items to be individually entered
May			
Chief Specialist A	May 20	2	Review of basic specifications (1st) prepared by the Association
Specialist A	May 20	2	Review of basic specifications (1st) prepared by the Association
	May 21	3	Review of basic specifications (1st) prepared by the Association (system and equipment configuration)
	May 23	4	Review of basic specifications (1st) prepared by the Association (heat and material balance (1,000 hours after rated load achieved))
	May 24	4	Review of basic specifications (1st)

			prepared by the Association (heat and material balance (5,000 hours after rated load achieved))
	May 27	4	Review of basic specifications (1st prepared by the Association (heat and material balance (1,000 hours after 30% load achieved))
		17	
Staff Member B	May 20	5	Review of exhaust heat recovery by power generating system configuration
	May 23	4	Review of exhaust heat recovery by power generating system configuration (review of high-temperature emission system)
	May 24	4	Review of exhaust heat recovery by power generating system configuration (review of water supply system)
	May 25	4	Review of exhaust heat recovery by power generating system configuration (review of steam system)
	May 26	5	Review of equipment configuration (equipment layout)
		22	
	Date	Number of Hours	Items to be individually entered
June			
Chief Specialist A	June 29	3	Review of results of basic review of main equipment
Specialist A	June 3	4	Basic review of HRSG main equipment (main unit of evaporator)
	June 6	5	Basic review of HRSG main equipment (main unit of superheater)
	June 7	5	Basic review of HRSG main equipment (main unit of feedwater heater)
	June 8	4	Basic review of HRSG main equipment (connection duct)
	June 9	5	Basic review of HRSG main equipment (expansion joint between equipment)
	June 15	4	Review of method of blow-down of HRSG boiler water (bottom blow-down)
	June 16	6	Review of method of blow-down of HRSG boiler water (continuous blow-down)
		33	
Staff Member B	June 6	5	Review of HRSG dewatering method
	June 7	6	Review of radiation heat loss (HRSG

			main unit)
	June 8	5	Review of radiation heat loss (high-temperature gas piping)
	June 9	5	Review of radiation heat loss (steam piping)
	June 13	5	Review of pressure loss (high-temperature gas piping)
	June 15	6	Review of pressure loss (water supply system)
	June 16	6	Review of pressure loss (HRSG high-temperature gas system and steam system)
	June 17	6	Review of pressure loss (HRSG water supply system and steam system)
	Date	Number of Hours	Items to be individually entered
July			
Chief Specialist A	July 26	3	Review of measurement control method
Specialist A	July 5	5	Basic review of HRSG auxiliaries (circulating pump)
	July 6	4	Basic review of HRSG auxiliaries (continuous blow-down equipment)
	July 7	5	Basic review of HRSG auxiliaries (water flash tank for bottom blow-down)
	July 8	5	Basic review of HRSG auxiliaries (sampling cooler)
	July 11	5	Basic review of HRSG auxiliaries (water treatment equipment)
	July 12	4	Basic review of HRSG auxiliaries (venture tube)
	July 13	5	Basic review of HRSG auxiliaries (chimney)
	July 18	5	Review of measure point (high-temperature gas system)
	July 19	4	Review of measure point (water supply system)
		41	
Staff Member B	July 5	6	Review of measure point (steam system)
	July 6	3	Review of measure point (temperature)
	July 7	4	Review of measure point (pressure)
	July 8	5	Review of measure point (flow rate)
	July 11	5	Review of measure point (differential pressure)
	July 12	5	Review of measurement accuracy
	July 13	6	Review of control method (water level control)
	July 14	6	Review of control method (pressure

			control)
	July 18	5	Review of controllability (gas damper)
	July 19	5	Review of performance analysis technique
	July 20	5	Review of performance assessment system
		55	
	Date	Number of Hours	Items to be individually entered
August			
Chief Specialist A	August 26	2	Review of transportation and installation method of equipment
Specialist A	August 4	4	Review of basic structure of evaporator
	August 5	5	Review of basic structure of evaporator
	August 8	6	Review of basic structure of heater
	August 8	6	Review of basic structure of heater
	August 10	4	Review of basic structure of feedwater heater
	August 18	4	Review of HRSG layout
	August 19	5	Review of structure of evaporator (heat transfer tube)
	August 22	5	Review of structure of evaporator (tube plate)
		38	
Staff Member B	August 18	4	Review of water supply system
	August 19	6	Review of transportation method (HRSG main unit)
	August 20	6	Review of transportation method (unitization)
	August 22	6	Review of transportation method (chimney)
	August 23	5	Review of transportation method (piping duct)
	August 24	5	Review of carry-in method (HRSG main unit)
	August 25	5	Review of carry-in method (ancillary equipment)
	August 26	3	Review of carry-in method (piping duct)
	August 29	4	Review of installation method (HRSG main unit)
	August 30	7	Review of possible maintenance (HRSG main unit and ancillary equipment)
		51	
	Date	Number of Hours	Items to be individually entered
September			

Chief Specialist A	September 28	4	Review of HRSG assembly
Specialist A	September 6	7	Review of structure of evaporator (body of main unit)
	September 7	6	Review of structure of evaporator (heat transfer tube support)
	September 8	6	Review of structure of evaporator (internal structure)
	September 9	7	Review of structure of evaporator (internal structure)
	September 12	7	Review of structure of evaporator (internal structure)
	September 13	6	Review of structure of evaporator (supporting legs)
	September 14	7	Review of structure of superheater (heat transfer tube)
			47
Staff Member B	September 1	6	Review of structure of superheater (casing)
	September 6	6	Review of structure of superheater (header)
	September 8	6	Review of structure of HRSG manufacturability and inspectability (main unit of evaporator)
	September 9	6	Review of structure of HRSG manufacturability and inspectability (main unit of superheater)
	September 12	5	Review of structure of HRSG manufacturability and inspectability (feedwater heater)
	September 13	5	Review of structure of HRSG manufacturability and inspectability (other ancillary equipment)
	September 14	4	Review of structure of HRSG manufacturability and inspectability (chimney)
	September 16	4	Review of structure of HRSG manufacturability and inspectability (piping duct)
	September 19	6	Review of insulating method (main unit of HRSG)
	September 20	5	Review of insulating method (other ancillary equipment)
	September 26	5	Review of insulating method (chimney)
	September 29	6	Review of insulating method (piping duct)
			64

Date Number Items to be individually entered

		of Hours	
October			
Chief Specialist A	October 28	3	Review of structure of equipment connection duct
Specialist A	October 4	4	Review of operating method (at the time of PAC test)
	October 5	6	Review of operating method (at the time of start-up)
	October 7	5	Review of operating method (at the time of stop)
	October 12	5	Review of by-pass operating method
	October 13	5	Review of change of load (rapid change from low load to high load)
	October 14	5	Review of change of load (rapid change from high load to low load)
	October 17	4	Review of change of load (slow change from low load to high load)
	October 18	4	Review of change of load (slow change from high load to low load)
	October 19	4	Review of gas purge method
		42	
Staff Member B	October 3	5	Review of feedwater heater (heat transfer tube)
	October 4	5	Review of feedwater heater (casing)
	October 6	6	Review of feedwater heater (header)
	October 11	6	Review of structure of equipment connection duct
	October 13	5	Review of structure of connection duct (upstream of superheater)
	October 17	6	Review of structure of connection duct (superheater and evaporator)
	October 18	6	Review of structure of connection duct (evaporator and feedwater heater)
	October 19	5	Review of structure of connection duct (down stream of feedwater heater)
	October 20	6	Review of structure of expansion (superheater and evaporator)
	October 24	6	Review of structure of expansion (evaporator and feedwater heater)
		56	
	Date	Number of Hours	Items to be individually entered
November			
Chief Specialist A	November 7	2	Review of revised basic specifications (1st) prepared by the Association
Specialist A	November 7	5	Review of revised basic specifications

			(1st) prepared by the Association (system and equipment configuration)
	November 8	4	Review of revised basic specifications (1st) prepared by the Association (heat and material balance)
	November 9	3	Review of operating conditions of equipment component
	November 10	3	Designation of basic conditions of peripheral equipment
	November 14	5	Designation of basic structure of main unit
	November 15	5	Review of piping design conditions
	November 18	5	Review of piping layout (high-temperature gas piping)
	November 21	3	Review of piping layout (steam piping)
	November 22	4	Review of piping layout (water piping)
		37	
Staff Member B	November 1	5	Review of HRSG structure analysis model (part other than tube plate)
	November 2	5	Review of HRSG structure analysis model (tube plate)
	November 4	5	Review of HRSG structure analysis model (support conditions)
	November 7	4	Review of HRSG structure analysis model (boundary conditions)
	November 8	5	Review of heat conductivity at the time of HRSG structure analysis (in and out of evaporator)
	November 9	5	Review of heat conductivity at the time of HRSG structure analysis (in and out of superheater)
	November 10	4	Review of heat conductivity at the time of HRSG structure analysis (in and out of feedwater heater)
	November 14	4	Review of heat conductivity at the time of HRSG structure analysis (in and out of duct)
	November 15	4	Review of heat conductivity at the time of HRSG structure analysis (in and out of expansion)
	November 16	3	Review of piping materials (high-temperature piping)
	November 21	3	Review of piping materials (steam piping)
	November 22	4	Review of piping materials (water piping)
		51	
	Date	Number of Hours	Items to be individually entered

December		
Chief Specialist A	December 22	3 Review of revised basic specifications (2nd) prepared by the Association
Specialist A	December 7	6 Review of gas temperature in the equipment at each time of HRSG structure analysis
	December 8	5 Planning of expansion (high-temperature piping)
	December 9	5 Planning of expansion (steam piping) 16
Staff Member B	December 22	5 Review of revised basic specifications (2nd) prepared by the Association
	December 26	5 Review of revised basic specifications (2nd) prepared by the Association (heat and material balance)
	December 27	4 Designation of exhaust heat recovery system
	December 28	6 Designation of exhaust heat recovery system 20
January		
Chief Specialist A	January 19	2 Confirmation of heat transfer performance
Specialist A	January 10	6 Review of layout of piping supporting points and fixed points (high-temperature piping)
	January 11	7 Review of layout of piping supporting points and fixed points (steam piping)
	January 13	6 Review of piping structure analysis model
	January 17	6 Review of piping structure analysis conditions 25
Staff Member B	January 9	6 Review of gas temperature in the equipment at each time of HRSG structure analysis (thermophysical properties used for calculation)
	January 10	6 Review of gas temperature in the equipment at each time of HRSG structure analysis (mass used for calculation) 12
February		
Chief Specialist A	February 27	2 Review of water treatment system

			specifications
Specialist A	February 6	5	Review of gas temperature in the equipment at each time of HRSG structure analysis (calculation of surface area)
	February 7	5	Review of gas temperature in the equipment at each time of HRSG structure analysis (calculation of overall heat transfer coefficient)
	February 8	5	Review of piping structure analysis technique
		15	
Staff Member B	February 7	7	Review of water treatment system specifications
March			
Chief Specialist A	March 10	2	Meeting of exhaust heat block (at Kobe Steel)
Specialist A	March 28	7	Review of results of HRSG structure analysis
Staff Member B	March 30	6	Review of results of piping structure analysis

(f) 7th and 8th pages

Description of production and design work and working hours (spent by Chief Specialist A, Staff Member A and Staff Member B): omitted

- End -

Relating to the Third Proposal

“Written Refusal of Request for Fabrication of Daily Research Labor Reports”

Title of document: Request for Completion of Daily MCFC-HRSG Commissioned Research Labor Reports for 1994
Issue date: April 12, 1995
Issuer: Staff Member B (formerly in charge of Fuel Cell)
Recipient: Chief Specialist A (in charge of Fuel Cell)
Number of pages: 1 page (in A4 size)
Details of document: As described below.

(a) 1st page

Regarding the Request for Completion of Daily MCFC-HRSG Commissioned Research Labor Reports for 1994

Although I received the Request for Completion of Daily MCFC-HRSG Commissioned Research Labor Reports for 1994 on April 12, 1995, I withhold the preparation of these reports for the following reasons.

Reasons:

1. The description of work for the labor research expenses and production and design expenses as indicated in pages 5 through 8 of the above-mentioned Request is different from the actual work (set out in the Materials for Preparation of Dairy Reports and the Materials for Commissioned Research Labor that were submitted before March 31, 1995);
2. The working hours engaged by workers who did not actually performed work were included in the labor research hours and the production and design hours;
3. The preparation of the Daily Research Labor Reports in accordance with the instructions indicated in pages 5 through 8 of the above-mentioned Request may fall under fraudulent activities; and
4. The Materials for Preparation of Dairy Reports and the Materials for Commissioned Research Labor that were submitted before March 31, 1995 were not used.

- End -

Relating to the Fourth Proposal

“Report to Yuichiro Isu, President”

Title of document: Research Labor Expenses for Commissioned Research
 Issue date: December 28, 1995
 Issuer: Staff Member B (formerly in charge of Fuel Cell)
 Recipients: Yuichiro Isu, President (Keihin Product Operations)
 Number of pages: Body of the document, 1 page (in A4 size)
 Supporting data: 3 copies
 Details of document (Body of the document): As described below.
 Note “[KFC]” below is the abbreviation for the Fuel Cell Department.
 “(Keihin)” below is the abbreviation for Keihin Product Operations.

Research Labor Expenses for Commissioned Research

In 1994, I was engaged in the MCFC Research Association Commissioned Research (development of HRSGs) at [KFC]. In commissioned research, participants are expected to prepare daily work reports and, after the end of the fiscal year, to bill the commissioning facility for research labor expenses calculated based on the records in the daily work reports.

It appears that illegal activities were conducted within [KFC] in the course of preparing daily work reports on the above MCFC Research Association Commissioned Research and billing research labor expenses. Details of allegedly illegal activities are described below. Please investigate this matter and instruct [KFC] and any relevant department to rectify those illegal activities. Before those illegal activities were conducted, I had called on the manager in charge of managing expenses for the [KFC] commissioned research not to engage in any illegal activities. However, he would not listen to me (see Support Data 1 (*1)).

If you carry out the requested investigation, please provide me with a written notice to that effect by Tuesday, January 16, 1996. If I do not receive any such notice by this due date, I will consider that you have no intention to deal with this matter at (Keihin).

I would also appreciate your efforts to deal with this matter in terms of prevention of any future illegal activities.

(*1) Supporting Data 1: Regarding the “Request for Completion of Daily MCFC-HRSG Commissioned Research Labor Reports for 1994” (1 page)

“Details of Allegedly Illegal Activities”

(1) To have prepared, signed and sealed on false daily commissioned research labor reports (for April 1994 through March 1995) without permission. Forgery of private documents with a signature or seal. See Supporting Data 2 (daily commissioned research labor reports (for October 1994: 2 pages)).

These daily reports were not prepared, signed or sealed by B himself.

(2) Preparation of daily commissioned research labor reports by non-participants of the commissioned research. See Supporting Data 3 (“Request for Completion of Daily MCFC-HRSG Commissioned Research Labor Reports for 1994” (8 pages)). Specialist A, Specialist B, and Staff Member A of [KFC] mentioned in this document were, in reality, not engaged in any commissioned research task.

(3) To have calculated research labor expenses based on false commissioned research labor reports and to have billed MCFC Research Association (NEDO) for those research labor expenses. To have billed more than the research labor expenses actually incurred.

- End -

Relating to the Fifth Proposal

“Report to Tomohiko Sasaki, General Executive”

Title of document: Research Labor Expenses for Commissioned Research
 Issue date: February 9, 1996
 Issuer: Staff Member B (formerly in charge of Fuel Cell)
 Recipients: Tomohiko Sasaki, General Executive (Energy System Group)
 Number of pages: Body of the document, 1 page (in A4 size)
 Supporting data: 2 copies
 Details of document (Body of the document): As described below.

Note “[KFC]” below is the abbreviation for the Fuel Cell Department and “(Keihin)” below is the abbreviation for Keihin Product Operations. “[KFC] Leader” below refers to General Manager A (in charge of Fuel Cell) and “(Keihin) Leader” below refers to Yuichiro Isu, President, and “[Energy Accounting] Leader” refers to General Manager B (Energy Systems Accounting Department).

Research Labor Expenses for Research Commissioned by NEDO

In 1994, I was engaged in the MCFC Research Association Commissioned Research (development of HRSGs (research commissioned by NEDO)) at [KFC]. Illegal activities were conducted within [KFC] in the course of preparing daily research labor reports on that commissioned research and billing research labor expenses. Please refer to the enclosed document (*1) for details of such illegal activities. Even though I had called on the (Keihin) Leader and the [KFC] Leader to rectify such illegal activities, they have not been rectified. It appears neither of the Leaders is willing to rectify such illegal activities.

Such illegal activities must be rectified once the circumstances that led to such illegal activities and who carried them out are clarified. Also, the perpetrators of such illegal activities and those responsible for managing them must be held responsible, and preventative measures against any future illegal activities must be implemented.

Apparently, under the current circumstances, Toshiba is unable to immediately resolve the above issue in-house. This leaves us with no choice to resolve this issue but to report those responsible to the relevant authorities. If you have any opinion on how to deal with this issue, please contact me.

For your reference, I enclose a copy of a document submitted to (Keihin) Leader (*1).

A document with the same content as this document has been submitted to [Energy Accounting] Leader.

(*1) “Research Labor Expenses for Commissioned Research” (Dated December 28, 1995)
 “Research Labor Expenses for Commissioned Research (Vol. 2)” (Dated January 17, 1996)

- End -

Relating to the Sixth Proposal

“Report to Fumio Sato, President”

Title of document: Improper Billing of Research Labor Expenses for the Research commissioned by NEDO
 Issue date: June 15, 1996
 Issuer: Staff Member B (formerly in charge of Fuel Cell)
 Recipients: Fumio Sato, President
 Recipients of copies: Taizo Nishimuro, Corporate Executive Vice President
 Number of pages: 7 pages (in A4 size)
 Supporting data: 7 copies
 Details of documents (Body of the document): As described below.

Improper Billing of Research Labor Expenses for the Research commissioned by NEDO

In regards to the issue of improper billing of research labor expenses for the research commissioned by NEDO, I asked Yuichiro Isu, President of Keihin Product Operations (Documents dated December 28, 1995. The title used in this document is as of the fiscal year 1995, hereinafter the same), General Manager B of the Energy Accounting Division (Documents dated February 7, 1996) and Sasaki Tomohiko, General Executive of the Energy System Group (Documents dated February 9, 1996) to investigate and rectify the issue. As a result of investigation by the Administrative Department at Keihin Product Operations, it was confirmed that improper billing had been conducted. However, such improper billing has not been rectified until present after more than 5 months have passed since this issue was raised. Please check with Susumu Abe, Corporate Executive Vice President and Sasaki Tomohiko for the details of such improper billing. After the issue of such improper billing was raised, Yuichiro Isu, and General Manager A and Specialist A who were responsible for Fuel Cell, covered up the above improper billing. Please rectify such improper billing voluntarily and punish the perpetrators and collaborators of the improper billing and the perpetrators and collaborators of the cover-ups of the improper billing.

Please reply to this report to let me know by June 21, 1996 whether Toshiba will voluntarily rectify such improper billing or let me, whose signature or seal was used by Toshiba's management employees to forge a private document, report those responsible to the relevant authorities. If I do not hear from you by this due date, I will consider that Toshiba has no intention to voluntarily rectify such improper billing, in which case, I will report Toshiba to the relevant authorities and raise this issue at the Ordinary General Meeting of Shareholders in accordance with “Toshiba Group's Corporate Philosophy”.

I demand that Toshiba never engage in any irresponsible activity in which it forces one employee to face the prospect of dismissal and thereby use the employee to solve the issue of improper billing caused by the Company. I also demand that Toshiba reflect on having engaged in such activities. In dialogues with General Manager C of Keihin Product Operations and Manager C of Human Resources Group, Keihin Product Operations between February and March 1996, Manager C said to me, “If you report us to the authorities for the improper billing, I will make sure you can't work at Keihin Product Operations”. I interpret

this statement as insinuating that I would be dismissed or seconded to a different company to be dismissed there.

I am disappointed in the Company's response to the issue of improper billing. I will illustrate below a summary of the issue of improper billing. Although I was asked by A Manager who was in charge of Fuel Cell to prepare daily labor reports, I refused to do so because the details he requested to be included in the reports were false and preparing such labor reports as requested would constitute illegal activities (criminal activities). However, Manager A used my name without my permission to falsify a seal to prepare daily labor reports. (These activities constitute forgery of a private document with a signature or seal. These activities will spoil a trusting relationship between the management and the employee (member of the labor union)). Moreover, Manager A caused three individuals (Specialist A, Specialist B and Junior Chief Staff Member A in charge of Fuel Cell), who in reality were not working in the commissioned research, to prepare false daily labor reports. Based on these false daily labor reports, Manager A billed NEDO, who had requested the commissioned research, for research labor expenses and consequently exploited such research labor expenses (this constitutes criminal fraud). Later, I found out about this and after deep consideration raised this issue to Yuichiro Isu, the person responsible at Keihin Product Operations. General Manager A and Chief Specialist A in charge of Fuel Cell, who were then ordered by Yuichiro Isu to address the issue, made a statement to the effect that they had done that for the interests of the Company and it was not illegal, and did not admit they had improperly billed the research labor expenses. General Manager A and Chief Specialist A further made a statement to the effect that nothing bad would happen so long as I kept quiet about it. Yuichiro Isu concluded that there had been a misunderstanding by the person(s) in charge due to lack of communication. In other words, he concluded that there had been no improper billing of research labor expenses. (This constitutes a cover-up of the improper billing and these activities will spoil a trusting relationship between the management and the employee (member of the labor union.)) General Manager A's and Chief Specialist A's statements and Yuichiro Isu's conclusion of the issue mean that the action I took would make the management guilty of a crime and disturb the corporate organization. I could simply not accept such statements and decided to report those responsible to the relevant outside authorities unless Toshiba voluntarily rectified such improper billing, and again asked General Manager B of the Energy Accounting Division and Sasaki Tomohiko of the Energy System Group, who were in charge of the higher division, to rectify the improper billing as stated earlier. However, they ignored my request. Later, through mediation by Chairperson A of the Keihin Labor Union, talks were held with General Manager C of the Administrative Department and Manager C of the Labor Section serving as the company's contact point. In these talks, I demanded that the true picture of the improper billing be investigated, that the perpetrators and collaborators of the improper billing be punished, that such improper billing be rectified, that preventative measures for illegal activities including improper billing be designated, and that such preventative measures be implemented. As a result of this investigation into the true picture of the improper billing, the Company admitted that the research labor expenses had been improperly billed. However, the investigation was not thorough enough to grasp the facts about the improper billing. Moreover, the Company only took light disciplinary action (pay cuts and reprimands) against the 2 perpetrators of the improper billing. Although the Directors should reach a conclusion regarding the most critical issue of "voluntary rectification of the improper billing", they are procrastinating about deciding whether or not to carry out the rectification. In the meantime, documents regarding the improper billing in the commissioned research are being falsified. As preventative measures for illegal activities, one perfunctory document (titled "Thorough

Compliance of Items regarding Completion of Daily Research Labor Reports; Monetary Grants and Commission Fees”) was issued (a copy of this document is attached). Since the Company still did not rectify the improper billing, I asked again through Chairman A of the Keihin Labor Union to voluntarily rectify the improper billing. However, to date, the Company has not yet decided whether or not to voluntarily rectify the improper billing. Although you are expected to be replaced by the new President on June 27, 1996, I have issued this document to ask you to resolve the issue of improper billing of research labor expenses during your service as President because this scandal broke during your term as President.

As described above, I am disappointed by the fact that the research labor expenses were improperly billed and that such improper billing was covered up, by the workplace culture that accepts such activities and by the Directors’ response focused on avoidance of responsibility despite their position to decide to rectify such improper billing. Such response from the Company will spoil a trusting relationship between the management and the employee (member of the labor union)). It is regrettable that Toshiba, despite being expected in the business community to take a leadership role, continuously engaged in activities contrary to such expectations and refused to rectify such improper billing. Toshiba engages in illegal activities that are antisocial and lead to loss of trust, and when it becomes likely these illegal activities might be revealed, people responsible try to cover them up. On top of that, when it becomes impossible to cover them up, they buy time in preparation for being reported and falsify illegal documents relating to improper billing. Are you, as President of Toshiba, really willing to serve the needs of people and contribute to society as stated in “Toshiba Group’s Corporate Philosophy?” You just care about your company and yourself, don’t you? Is “Toshiba Group’s Corporate Philosophy” merely an advertising blurb that does not reflect anybody’s intention to carry out anything? Think why such improper billing was conducted, why such improper billing was covered up, why you cannot voluntarily rectify such improper billing. General Manager C of the Administrative Department told me, in effect, that the reason Toshiba could not voluntarily rectify such improper billing was because he did not know how much trouble this might cause people in charge at the Board of Audit and people in charge at NEDO. If improper billing is reported and exposed, the above trouble will occur. Also, such improper billing will be rectified by force. I think if Toshiba voluntarily rectifies such improper billing, it would better demonstrate that Toshiba is reflecting on its past activities and working proactively to rectify the improper billing and Toshiba will make a good impression on the people in charge at the Board of Audit and the people in charge at NEDO. What do you think? I think that, by explaining to the Board of Audit and NEDO that Toshiba improperly billed research labor expenses by using cunning and illegal means that would only be noticed by relevant people within the Company, the people in charge at the Board of Audit and the people in charge at NEDO will be able to avoid responsibility for failure to identify Toshiba’s improper billing. Toshiba’s failure to voluntarily rectify the improper billing on the ground that this might cause trouble to relevant persons outside of the Company can be interpreted as Toshiba’s and its officers’ excuse to evade responsibility and as their efforts to buy time to destroy evidence of such improper billing.

(Hereafter, 2 paragraphs are intentionally omitted.)

It appears that other perpetrators and collaborators of this improper billing think it was not illegal because they did it for the interests of Toshiba. Toshiba will improve itself by dealing with this issue of improper billing face to face and not by neglecting such issue.

Although I assume there are complicated circumstances between Toshiba and the Board of Audit and NEDO, I do not think it will help Toshiba to blur the issue of improper billing. Firstly, you need to get a better picture of the improper billing and cover-ups caused by the management and employees and then reflect on absence of sufficient management or supervision. Next, you should not rectify the improper billing after being accused but you should, as representative of the Company, rectify the improper billing voluntarily. I strongly believe that Toshiba will be able to improve its bad nature by punishing the perpetrators and collaborators of the improper billing and the perpetrators and collaborators of the cover-ups, by working out measures to prevent future illegal activities and by ensuring that anti-fraud measures are implemented.

In April 1996, light disciplinary action (pay cuts and reprimands) was taken against Managers A and B in charge of Fuel Cell, who were believed to be perpetrators of the improper billing, without clarifying the reason for that disciplinary action. No action has been taken against the collaborators of the improper billing (Specialist A, Specialist B and Junior Chief Staff Member A in charge of Fuel Cell) and the supervising chief (General Manager A). No action has been taken against the perpetrators and collaborators of the cover-ups for the improper billing either. It is no good to end the issue of improper billing without clarifying the facts about the improper billing. In particular, the cover-ups have not even been raised as an issue. The cover-ups of the improper billing are a more serious criminal act than the improper billing. Managers A and B in charge of Fuel Cell and General Manager C of the Administrative Department, Manager C of Human Resources Group, General Manager D of the Accounting Division, Managers D and E in charge of cost control are considered to be collaborators of the cover-ups.

(Hereafter, 4 paragraphs are intentionally omitted.)

There is a problem with the 2 cases of illegal activities above that exists between labor and management and is not easily noticed. That is, the management easily orders the subordinate (member of the labor union) to carry out illegal activities and the subordinate easily accepts to carry out such illegal activities. Naturally, it is always risky to engage in illegal activities. Moreover, someone will have to take responsibility if those illegal activities are uncovered.

Often, illegal activities acceptable within the organization may not be acceptable in society. We employees are members of society before we are employees of Toshiba. If we continue to concentrate on protecting Toshiba's interests and engage in illegal activities not acceptable in society, the company will some day lose trust and will cause a lot of trouble to affected people outside of the Company. This will bring disgrace to the families of Toshiba employees. We should make efforts to perform our day-to-day duties without engaging in illegal activities. In reality, many people within Toshiba think they will not be guilty of anything or not guilty of any serious crime as long as they engage in illegal activities for the interests of the Company and not for their own benefit. As long as this continues, illegal activities will continue to occur. Toshiba officers who are reluctant to rectify illegal activities, the management who order their subordinates to carry out illegal activities, and the subordinates (members of the labor union) who agree to carry out such illegal activities as ordered must change their approach to illegal activities. The approach of these 3 parties to illegal activities is part of the bad traditions and the negative aspects of our workplace culture passed on to them from their seniors at Toshiba. It is our duty, namely the duty of top executives, employees and the labor union, to correct in our time this bad tradition and this

negative aspect of our workplace culture and to pass on to our juniors only the good traditions of Toshiba and the positive aspects of our workplace culture at Toshiba that were passed on to us from our seniors. Please look back at the spirit that you had when you chose the phrase “insight and action” as Toshiba’s slogan, remember the ideals you started our with when you joined Toshiba, and get serious about rectifying the above illegal activities.

Lastly, if you voluntarily rectify the improper billing, or the improper billing gets uncovered and you end up having to rectify the improper billing, please be thoughtful of those put in charge of rectifying this improper billing so that criticism is not directed exclusively at them and they do not suffer undue stress. This is because unfortunate consequences can follow in this type of problem when people in charge who have a strong sense of responsibility and take things seriously suffer undue stress.

For your reference, I attach copies of 6 documents I issued in regards to the issue of improper billing.

- End -

Relating to the Seventh Proposal

- **“How the research labor expenses were improperly billed”**

From April 1995 to June of the same year, two managers in charge of Fuel Cell in Keihin Product Operations (abbreviation: [KFC]) planned and conducted the fabrication of daily research work reports (for the year of 1994) to fully spend the budget for labor research expenses. Specifically, these managers requested their five subordinate employees (a Chief Specialist, two Specialists, and two Staff Members) in the same division to fabricate the daily research work reports. A Chief Specialist, two Specialists, and a Staff Member out of these five subordinate employees fabricated the daily reports as requested. Also, two Specialists and a Staff Member were, in reality, not engaged in the research. Furthermore, these two managers fabricated the daily reports by using the name of the Staff Member who had refused to cooperate with the fabrication of the daily reports, and had his or her forged seal placed thereon. These two managers fabricated the five subordinate employees' daily reports, and calculated the research labor hours and the research labor expenses according to their fabricated daily reports, and then billed the research labor expenses improperly to the Accounting Division.

- **“Employees' awareness of crime”**

The six employees mentioned above (a Chief Specialist, two managers, two Specialists, and a Staff Member) fabricated the daily reports while being aware that the daily research work reports were used to calculate the research labor expenses, which would be billed to NEDO. Fabricating the daily research work reports constitutes forgery of a private document with signature or seal. In addition, billing research labor expenses according to the fabricated daily reports constitutes criminal fraud. Did the employees who were engaged in fabricating the daily reports fabricate the daily reports and bill the research labor expenses while being aware that these were criminal acts?”

- End -

Relating to the Eighth Proposal

- **“Cover-up 1 (at Keihin Product Operations)”**

In January 1996, Yuichiro Isu, who was President of Keihin Product Operations, received a report from an employee in regards to improper billing of research labor expenses. Yuichiro Isu had a General Manager and a Chief Specialist in charge of Fuel Cell had an interview with the employee. At the interview, they did not confess to improper billing of research labor expenses. After the interview, Yuichiro Isu did not recognize improper billing of research labor expenses nor did he order them to rectify such improper billing. Was it because he thought that it wouldn't be a problem if he kept the employee silent, or because there were other similar illegal activities, or because he tried to protect his own interests?

- **“Cover-up 2 (at Head Office)”**

In February 1996, Tomohiko Sasaki, General Executive of the Energy System Group received a report from an employee in regards to improper billing and unfair receipt of research labor expenses. In March 1996, the Administrative Department in Keihin Product Operations confirmed the fact of improper billing and unfair receipt; however, Tomohiko Sasaki did not order the rectification of the unfair receipt. Why did Tomohiko Sasaki not order the rectification of the unfair receipt? Was it because there were other similar illegal activities, or because he tried to protect his own interests?

- **“Cover-up 3 (at Keihin Product Operations)”**

In March 1996, two managers in charge of Fuel Cell were subjected to “disciplinary action with regard to inconvenience in the course of performing duties”, which action was effected after the Administrative Department confirmed the fact of improper billing and unfair receipt of research labor expenses. Why was the reason for such action unclear? Was it because Toshiba intended to conceal the fact of improper billing of research labor expenses internally and externally?

- **“Organized crime”**

Six employees of the same division (who were in charge of Fuel Cell in Keihin Product Operations) (a Chief Specialist, two managers, two Specialists, and a Staff Member) planned to fabricate daily research labor reports, and then implemented improper billing of research labor expenses. In spite of having been aware of these illegal activities, the persons responsible (Tomohiko Sasaki, General Executive, Yuichiro Isu, President, and a Manager in charge of Fuel Cell) did not order the rectification of improper billing. That constitutes organized crime.

Also, there is suspicion that other divisions or employees other than those mentioned above took part in this organized crime. The managers who billed the research labor expenses improperly were also in charge of other research commissioned by NEDO, thus there is suspicion that they engaged in fabricating the daily research labor reports for other

commissioned research. Going forward, there is suspicion that employees other than the managers in question similarly engaged in improper billing of research labor expenses in years other than the years in question as well as commissioned research other than the research involved in the revealed unfair billing. It is doubtful that the Accounting Division which billed research labor expenses never took part in this organized crime.”

- End -

Relating to the Ninth Proposal

- **“Response at head office 1”**

In June 1996, Fumio Sato, President, as well as Taizo Nishimuro, Corporate Executive Vice President, received a report from an employee in regards to improper billing and unfair receipt of research labor expenses. Fumio Sato was also apprised of this unfair receipt from Tomohiko Sasaki, General Executive around the same time. How did Fumio Sato make a business judgment with respect to the responses to be made against the unfair receipt of research labor expenses? Did he leave the response to this issue to Tomohiko Sasaki?

How did Tomohiko Sasaki, to whom response to this issue had been left, address this issue? Did Tomohiko Sasaki consult with officers of the Accounting Division, Legal Division, and Administrative Division at the head office in regards to the rectification of unfair receipt as he needed to get them involved to rectify the unfair receipt? When was it that the issue of improper billing was put forth?

Furthermore, how did Fumio Sato, (new) Chairman, turn over this issue to Taizo Nishimuro, (new) President? How did Taizo Nishimuro, who took over the issue, react?

- **“Response at head office 2”**

Did Tomohiko Sasaki, General Executive, leave the negotiation with NEDO to Advanced Power Sales Department - Industry of the Energy System Group in order to rectify the unfair receipt of research labor expenses? What are the details of the negotiation with NEDO that the Development and Sales Division conducted from July 1996 to 1997 in regards to the unfair receipt of research labor expenses?

- **“Response at head office 3”**

Toshiba determined to set off the unfairly received money for the research commissioned by NEDO for the year of 1994 by billing the research expenses for the year of 1997 reduced by five million yen. What were the circumstances in which Toshiba dealt with such unfairly received money? Did NEDO order Toshiba to deal with such unfairly received money in that manner, or was it Toshiba who made such a proposition and obtained agreement with NEDO? Or, did Toshiba deal with such unfairly received money on its own without obtaining agreement with NEDO?

- **“Response at head office 4”**

Amount payable by NEDO for the research commissioned by NEDO is nearly within the amount of contract even if costs greater than the contracted amount arise and an amount exceeding the contracted amount is billed. Therefore, billing the amount reduced by five million yen does not mean making a refund of five million yen which was the subject of the unfair receipt if amount received is not five million yen less than the contracted amount. The contracted amount, the amount billed, and the amount received for the research

commissioned by NEDO for the year of 1997 shall be disclosed. The contracted amount, the amount billed, and the amount received for the research commissioned by NEDO for the year of 1994 and thereafter shall also be disclosed for reference.

It is against the laws to set off the unfairly received money in a manner described above. Did Toshiba set off the money in question in spite of being aware that it is illegal? Is it Toshiba's philosophy that it may engage in illegal activities in the course of business operation if its business partner agrees to such activities?

- **“Response at head office 5”**

Rectifying unfair receipt of research labor expenses means replacing the fabricated documentations with corrected ones and making a refund of the unfairly received research labor expenses to NEDO. What was the reason for the dubious accounting (that is, setoff) despite unfair receipt of research labor expenses being decided to be rectified as at June 1996: was it because Toshiba intended to prevent the fact of unfair receipt becoming public? Did Toshiba undertake the dubious acts (that is, concealment and setoff) to conceal the fact of unfair receipt? Who actually came up with the idea of this dubious act (that is, concealment)? Moreover, who approved the cover-ups? Did Yuichiro Isu, the Deputy Group Executive, Toshiyuki Oshima, the Deputy Group Executive, of the Energy System Group, and General Manager of Keihin Product Operations and others come up with the cover-ups, and then did Tomohiko Sasaki, General Executive, approve them?

- **“Response at head office 6”**

When and how did Tomohiko Sasaki, General Executive, report on the handling of unfair receipt of research labor expenses to Fumio Sato, Chairman, and Taizo Nishimuro, President? Or, when did Fumio Sato and Taizo Nishimuro confirm the handling of unfair receipt with Tomohiko Sasaki? When were the concealment and setoff of unfair receipt of research labor expenses put forth at the Board of Directors? Which officers approved of this concealment at the Board of Directors? Officers of divisions other than the Energy System Group (i.e. officers of the Accounting Division, Legal Division, and Administrative Division) were also involved in setting off unfair receipt above: which officers were they?

- **“Response at head office 7”**

At the ordinary general meeting of shareholders in June 1999, a shareholder asked the question of whether the unfair receipt of research labor expenses for research commissioned by NEDO had been rectified or not. Mr. Nishimuro, President, and Toshiki Miyamoto, Corporate Senior Vice President, replied that the problem had been finished with, as the employees who had engaged in illegal activities had been punished, and they declined to respond to any further questions from the shareholders on this matter. Similar questions and answers were repeated between the Company and the shareholders in the subsequent ordinary general meetings of shareholders (held in 2000 and 2001); Tadashi Okamura, President, Kiyooki Shimagami, Corporate Executive Vice President, and Toshiyuki Oshima, Corporate Vice President continued to respond that the issue of improper billing was finished with, having declined to accept further questions from shareholders on this matter. An investigation conducted by NEDO in June 2002 revealed that the issue of improper billing had not been finished with, but until then, personnel responsible at Toshiba had concealed this issue from 1996 to 2002. It means that officers kept giving untrue answers at general

meetings of shareholders in June 1999 and thereafter. What are the reasons for having decided to keep giving untrue answers: are they because the Company intended to reach the statute of limitations for criminal case by concealing the unfair receipt, or to prevent the chance for charges to be brought against the officers involved? The action taken by the officers involved should constitute breach of trust.

All of the officers (including outside officers) who assumed the office at some point from June 1999 to June 2002 should have learned of the existence of this issue of improper billing as this issue had been put forth at general meetings of shareholders since June 1999. These officers (including outside officers) should have been liable to rectify this issue, but they failed. Whether these officers are not liable to the failure to perform their duty of care?"

- End -

Relating to the Tenth Proposal

- **“Investigation conducted by NEDO and Toshiba’s response thereto”**

In June 2002, NEDO conducted an investigation at Keihin Products Operations regarding this problem. It is not that the investigation commenced unexpectedly. Toshiba provided explanation at the general meeting of shareholders in June 2002 as follows: the Company commenced re-investigation after the general meeting of shareholders in June 2001 in reaction to the question asked by a shareholder on the issue of improper billing at such meeting; after the re-investigation, it was found that an inconvenient handling had been practiced; as the Company was not sure of how the inconvenient handling should be dealt with, it reported this problem to NEDO through MCFC Research Association and awaited instructions by NEDO. These explanations give rise to a question. Shareholders have kept raising the question of unfair receipt of research labor expenses every year since June 1999. If the Company is willing to conduct re-investigation, it should have been done right after the general meeting of shareholders in June 1999. There must have been a reason for delaying the re-investigation.

The Company needed to put an end to the issue of unfair receipt in the public sphere in order to prevent shareholders’ raising the question of unfair receipt of research labor expenses, as shareholders had kept asking such questions every year since June 1999. The Company needed to report on this problem to NEDO in order to settle this problem, however, if the Company reported on this problem to NEDO in 1999, it would develop into a criminal case. Therefore, it became necessary for the Company to report on the issue of unfair receipt to NEDO in a way that this problem would not develop into a criminal case, that is, after calculating the time when statute of limitations in a criminal case is to expire, with facts inconvenient for Toshiba concealed. Toshiba reported on the excessive billing of research labor expenses to NEDO through MCFC Research Association by taking into account the expiration of statute of limitations in a criminal case. In response, NEDO conducted an investigation at Keihin Product Operations in June 2002. In the investigation, neither the instructional sheets for fabrication of the daily research labor reports prepared by managers in charge, the daily research labor reports before fabrication, nor the fabricated daily research labor reports were found; had those reports been destroyed prior to the investigation? In addition, Toshiba did not arrange to have relevant employees witness the investigation. There had been no verbal investigation against relevant employees. It could be presumed that Toshiba did not arrange to have relevant employees witness the investigation because relevant employees’ witnessing the investigation leads to an uncovering of the true picture of improper billing (illegal activities) as they filed materials such as copies of the instructional sheets for fabrication of the daily reports and the daily reports, and also knew the true picture of improper billing. NEDO gave up dealing with the issue as a criminal matter since it failed to obtain documentary evidence or testimony of improper billing of research labor expenses, and ended up dealing with it as a civil matter (that is, full refund of research labor expenses, etc.).

The mass media reported on improper billing and unfair receipt of research labor expenses by Toshiba in July 2002, when NEDO had decided to (i) require Toshiba to make a full refund of the research labor expenses, (ii) suspend new agreements with Toshiba for

commissioned research for three years, and (iii) suspend the monetary grants to Toshiba for three years, judging that Toshiba had engaged in such improper billing and unfair receipt of research labor expenses because Toshiba failed to present supporting documentations for research labor expenses received by Toshiba. Although the billing of research labor expenses backed by the falsified daily research labor reports constituted criminal fraud, it did not develop into a criminal case because of the statute of limitations or lack of evidence. Toshiba had concealed this issue and had not voluntarily rectified it for approximately six years—from when it found the problem internally in 1996 up to when NEDO’s investigation took place in 2002. This issue did not develop into a criminal case because Toshiba had concealed the fact of unfair receipt for a long time while having destroyed or concealed the documentary evidence.

- **“Expenses and losses”**

- (a) How much was the total amount of refund to NEDO in 2002?
- (b) New agreements with Toshiba for research commissioned by NEDO as well as monetary grants from NEDO were suspended from 2002 to 2004. How much were the decrease in sales and losses resulting therefrom? Assumed grounds must also be presented in detail. In the case of commissioned research or monetary grants for a long term over multiple years, failing to enter into agreements for the first year means failing to enter into agreements for commissioned research in future years, and failing to receive monetary grants, therefore there should be significant losses. This should also be considered.
- (c) How much did expenses for preventative measures against illegal activities cost?
- (d) How much did expenses (*) for handling the issue of improper billing cost from January 1996 to March 2005?
(*): expenses: including costs and expenses (social expenses, personnel expenses, telecommunication expenses, transportation expenses, meeting expenses, and others) incurred in setting off the unfair receipt.”

- End -

Relating to the Eleventh Proposal

“Responsibility”

- (a) It is considered that if, immediately after the issue of improper billing and unfair receipt of labor research expenses was found, the issue was lawfully treated, the loss caused by the issue of unfair receipt would be minor. However, the reason why illegal treatment was performed and the loss became significant was that the officers of Toshiba Corporation implemented, and authorized to implement, illegal treatment, and failed to perform their duty of care. Therefore, these officers should repay the loss caused by the issue of unfair receipt. By which officer, how much and when was the loss repaid?
- (b) In connection with the rectification of the unfair receipt of labor research expenses, how did the officers who conducted a setoff transaction and the officers who admitted such setoff take responsibility?
- (c) How did the officers (Taizo Nishimuro, President, Toshiki Miyamoto, Corporate Senior Vice President, Tadashi Okamura, President, Kiyooki Shimagami, Corporate Executive Vice President, and Toshiyuki Oshima, Corporate Vice President) who made false answers to the issue of unfair receipt of labor research expenses for the research commissioned by NEDO at the ordinary general meetings of shareholders held for the period from June 1999 to June 2002 take responsibility?
- (d) The officers were imposed with a sanction by the Company due to such issue of unfair receipt after July 2002. Specifically indicate when, on whom, why and how was the sanction imposed.
- (e) Upon preparation of the daily research labor reports for the research commissioned by NEDO, a manager and others prepared illegal documents by using the name of the employee who was unable to cooperate in illegal operating activities, and used such documents for the illegal operating activities. Even though the inquiries made to the persons responsible (President Isu and General Executive Sasaki), the persons responsible did not initially admit the unfair receipt of labor research expenses. The officers involved, including the President, failed to rectify the issue for a long period even after becoming aware of it, and did not take any measures against the issue until NEDO ordered return of the money. Although Toshiba Corporation returned the labor research expenses it unfairly received to NEDO in accordance with the order, it concealed the fabrication of the daily research labor reports. Under this circumstance, the above employee is also made to appear to be involved in the improper billing of labor research expenses. This issue has misrepresented the name of such employee, dishonored his reputation, and aggrieved him. An illegal activity under the name of such employee, contrary to the desire of such employee that he does not cooperate in an illegal activity even though it is a business operation, violates human rights. Toshiba failed to fully explain the facts to such employee, to apologize to him, and compensate him.”

- End -

Relating to the Twelfth Proposal

The collusion on bidding for the projects of the administrative institutions mentioned above refers to the collusion on bidding for Mie Prefecture's Waterworks and Sewerage Bureau's project, uncovered in 1995; the collusion on bidding for the postal code reading machines, which invited an order of eliminating collusion by the Fair Trade Commission in 1999; and the collusion on bidding for Sapporo City's Waterworks and Sewerage Bureau, uncovered in 2008. It is particularly worth noting that the collusions on bidding for the work procured by a waterworks and sewerage bureau was first revealed in 1995 and a punitive action was imposed, yet similar activities of collusion were repeated thereafter. With regard to the collusion on bidding for the work procured by Sapporo City's Waterworks and Sewerage Bureau, a shareholder had raised the question to the Company of whether the collusion occurred, in the ordinary general meeting of shareholders held in June 2008. In response, the Company said it would like to wait for the results of the investigation by the relevant administrative authorities; however, whether or not such collusion occurred should have been made clear if the Company had conducted an internal investigation on the personnel in charge and there should have been no need to wait for the results of the relevant administrative authorities' investigation. In addition, Toshiba was exempted from certain administrative sanction including fine to be imposed by admitting such collusion to the Fair Trade Commission prior to commencement of its investigation. This means that Toshiba concealed the facts of collusion to its shareholders at the general meetings of shareholders although the Company was aware of the facts of such collusion after its internal investigation at the time. The repetition of collusive bidding suggests that the preventive measures were insufficient.

The test data falsification for water flow meters used in nuclear power generation above means the test data falsification for water flow meters used in nuclear reactors which was caused by the employees in Keihin Product Operations in 2006. A series of falsified data were revealed by the investigation of the administrative authorities which was conducted after the Company's internal investigation. It may be perceived as though the Company had attempted to hide the falsified test data to the furthest extent possible. Concealment of illegal activities could not be avoided, as the preventive measures to prevent concealment were not sufficient.

The improper billing and unfair receipt of research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) means the following. To explain the background behind this issue of improper billing and unfair receipt of research labor expenses for the research commissioned by the NEDO which was uncovered at Toshiba in 1996: NEDO used to be an organization under control of the Ministry of Trade and Industry (NEDO is currently an independent governmental agency), having being operated by the national budget. Going forward, the research commissioned by NEDO mentioned above means the project for "Research and Development of Molten Carbonate Fuel Cell and Development of Molten Carbonate Fuel Cell Stack for 1,000kW Class Power Plant (Plant Manufacturing – Facilities for waste heat recovery)". The research commissioned was handled mainly by Keihin Product Operations of the Energy System Group of Toshiba from 1985. The issue of improper billing and unfair receipt of research labor expenses had its beginning when certain managers in Keihin Product Operations prepared an instructional sheet on fabrication of daily reports in April 1995, who

then instructed their subordinates to fabricate daily research labor reports for the year of 1994 based on this instructional sheet. Furthermore, these managers fabricated the daily reports by using the names of the employees who had refused to cooperate with the fabrication. In June 1995, by using the fabricated daily reports, they claimed excessive research labor expenses to NEDO and received the excessive amount of the expenses. The issues of improper billing and unfair receipt of research labor expenses was revealed at Keihin Product Operations in January 1996 and were reported to the person responsible, Yuichiro Isu, who was the President of Keihin Product Operations. Yuichiro Isu did not rectify such improper billing and unfair receipt of the research expenses. Subsequently, in February 1996, it was reported to Tomohiko Sasaki, the General Executive of the Energy System Group (Corporate Vice President), who was the supervisor of the senior organization overseeing Keihin Product Operations, and to Fumio Sato, President, as well as to Taizo Nishimuro, Corporate Executive Vice President, in June 1996—who were all responsible personnel at Toshiba. However, these responsible personnel failed to correct the unfair receipt of the expenses even after they were apprised of the problem. At the ordinary general meeting of shareholders in June 1999, a shareholder asked the question of whether the unfair acceptance of research labor expenses had been rectified or not. Mr. Nishimuro, the President, and Toshiki Miyamoto, the Corporate Senior Vice President, replied that the problem had been settled, as the employees who had engaged in illegal activities had been punished, and they declined to respond to any further questions from the shareholders on this matter. Similar questions and answers were repeated between the Company and the shareholder[s] in the subsequent ordinary general meetings of shareholders (held in 2000 and 2001); Tadashi Okamura, the President, Kiyooki Shimagami, Corporate Executive Vice President, and Toshiyuki Oshima, Corporate Vice President, continued to respond that the issue of improper billing was finished with, having declined to accept further questions from shareholders on this matter. In June 2002, NEDO conducted an investigation at Keihin Products Operations regarding this problem. In the investigation, neither the instructional sheets for fabrication of the daily research labor reports nor the daily research labor reports before fabrication were found; it appeared as if those reports had been destroyed prior to the investigation. The mass media reported on improper billing and unfair acceptance of research labor expenses by Toshiba in July 2002, when NEDO had decided to (i) require Toshiba to make a refund of the research labor expenses, (ii) suspend new agreements with Toshiba for commissioned research for three years, and (iii) suspend the monetary grants to Toshiba for three years, due to such improper billing and unfair receipt of research labor expenses by Toshiba. Although the billing of research labor expenses backed by the falsified daily research labor reports constituted criminal fraud, it did not develop into a criminal case because of the statute of limitations. As Toshiba had concealed this issue for approximately six years—from when it found the problem internally in 1996 up to when NEDO’s investigation took place in 2002—it led to the expiration of the statute of limitations. It could be presumed that the fact that Toshiba kept giving untrue answers to the effect that the issue of unfair receipt of research labor expenses was rectified, despite there being no such action to correct the situation, was because they were stalling in order to reach the statute of limitations for criminal case and to prevent the chance for charges to be brought against the officers involved. It is against the laws to repeat the false answers at the general meeting of shareholders without correcting the unfair receipt of the research labor expenses.

The Company declined to provide answers to the questions from shareholders regarding the said unfair billing and receipt issue, by saying that the question was not relevant to the agenda of the meeting, or that it was an old issue that had happened in the past, or that the Company had already provided explanations to it. Toshiba concealed the facts of

improper billing and unfair receipt of research labor expenses for six years from 1996. The Company neither disclosed any detailed facts nor explained the responsibilities of the officers of the Company when this issue was raised by a shareholder at the general meetings of shareholders in 2002 and thereafter. More specifically, which officer was responsible for the decisions made and the actual concealment of unfair receipt has not been clarified: who decided to conceal the fact of unfair receipt of research labor expenses without rectifying after it was uncovered at Toshiba in 1996? Is it Fumio Sato, President, or Nishimuro, President, or some other officer? Who actually brought the decision into action: was it Mr. Sasaki, Corporate Vice President, or Toshiki Miyamoto, Corporate Senior Vice President, or Toshiyuki Oshima, Corporate Vice President, or some other officer? The responsibilities of the officers involved (Fumio Sato, President; Nishimuro, President; Okamura, President; Shimagami, Corporate Executive Vice President; Tomohiko Sasaki, Corporate Vice President; Toshiki Miyamoto, Corporate Senior Vice President; Toshiyuki Oshima, Corporate Vice President; etc.) have not been clarified. Why is it that all of the officers (including outside directors) failed to take any preventive action against this even after they learned of it during the general meeting of shareholders in 1999, when the issue of unfair receipt of research labor expenses was put forth? Whether these officers are not liable to the failure to perform their duty of care? Furthermore, the facts that the relevant managers prepared the instructional sheet for fabrication of the daily research labor reports, had their subordinates fabricate the reports accordingly, and then billed the research labor expenses improperly according to the falsified reports, are organizational fraudulent activities: why did they hide these facts? Going forward, the managers involved in this issue were also in charge of the research commissioned in years other than the years in question as well as commissioned research other than the research involved in the revealed unfair billing. It is questionable whether the possibility of similar fraudulent activities for other commissioned researches has been thoroughly investigated. These kinds of long-term concealment of fraudulent activities should have been prevented, had the detailed facts of such fraudulent activities been properly disclosed to shareholders.

- End -

Relating to the Fourteenth Proposal

Claims subject to the above claims for damages include claims for damages in collusive bidding for projects by governmental agencies, and improper billing and unfair receipt of research labor expenses for research commissioned by NEDO.

The collusion on bidding for projects of the governmental agency mentioned above refers to the collusion on bidding for Mie Prefecture's Waterworks and Sewerage Bureau's project, uncovered in 1995; the collusion on bidding for the postal code reading machines, which invited an order of eliminating collusion by the Fair Trade Commission in 1999; and the collusion on bidding for Sapporo City's Waterworks and Sewerage Bureau, uncovered in 2008. It is particularly worth noting that the collusion on bidding for the work procured by a waterworks and sewerage bureau was first revealed in 1995 and a punitive action was imposed, yet similar activities of collusion were repeated thereafter. With regard to the collusion on bidding for the work procured by Sapporo City's Waterworks and Sewerage Bureau, a shareholder had raised the question to the Company of whether the collusion occurred, in the ordinary general meeting of shareholders held in June 2008. In response, the Company said it would like to wait for the results of the investigation by the relevant administrative authorities; however, whether or not such collusion occurred should have been made clear if the Company had conducted internal investigation on the personnel in charge and there should have been no need to wait for the results of the relevant authorities investigation. In addition, Toshiba was exempted from certain administrative sanction including fine to be imposed by admitting such collusion to the Fair Trade Commission prior to commencement of its investigation. This means that Toshiba concealed the facts of collusion to its shareholders at the general meetings of shareholders although the Company was aware of the facts of such collusion after its internal investigation at the time. No claim for damages has been made against directors.

The improper billing and unfair receipt of research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) means the following. It is the improper billing and unfair receipt of research labor expenses for the research commissioned by the NEDO which was uncovered at Toshiba in 1996; NEDO used to be an organization under control of the Ministry of Trade and Industry (NEDO is currently an independent governmental agency), having being operated by the national budget. Going forward, the research commissioned by NEDO mentioned above means the project for "Research and Development of Molten Carbonate Fuel Cell and Development of Molten Carbonate Fuel Cell Stack for 1,000kW Class Power Plant (Plant Manufacturing – Facilities for waste heat recovery)". The research commissioned was mainly handled by Keihin Product Operations of Energy System Group of Toshiba from 1985. The issue of improper billing and unfair receipt of research labor expenses had its beginning when certain managers in Keihin Product Operations prepared an instructional sheet on fabrication of daily reports in April 1995, who then instructed their subordinate employees to fabricate the daily research labor reports for the year of 1994 based on this instructional sheet. Furthermore, these managers fabricated the daily reports by using the names of the employees who had refused to cooperate with the fabrication. In June 1995, by using the fabricated daily reports, they claimed excessive research labor expenses to NEDO and received the excessive amount of the expenses. The issues of improper billing and unfair receipt of research labor expenses was revealed at Keihin Product Operations in January 1996 and were

reported to the person responsible, Yuichiro Isu, who was the President of Keihin Product Operations. Yuichiro Isu did not rectify such improper billing and unfair receipt of the research expenses. Subsequently, it was reported to Tomohiko Sasaki, the General Executive of the Energy System Group (Corporate Vice President), who was in charge of the higher division overseeing Keihin Product Operations, in February 1996, and to Fumio Sato, President, as well as to Taizo Nishimuro, Corporate Executive Vice President, in June 1996—who were all personnel responsible at Toshiba. However, these responsible personnel failed to correct the unfair receipt of the expenses even after they were apprised of the problem. At the ordinary general meeting of shareholders in June 1999, a shareholder asked the question of whether the unfair acceptance of research labor expenses had been rectified or not. Mr. Nishimuro, the President, and Toshiki Miyamoto, the Corporate Senior Vice President, replied that the problem had been settled, as the employees who had engaged in illegal activities had been punished, and they declined to respond to any further questions from the shareholders on this matter. Similar questions and answers were repeated between the Company and the shareholder[s] in the subsequent ordinary general meetings of shareholders (held in 2000 and 2001); Tadashi Okamura, the President, Kiyooki Shimagami, Corporate Executive Vice President, and Toshiyuki Oshima, Corporate Vice President continued to respond that the improper billing was finished with, having declined to accept further questions from shareholders on this matter in June 2002, NEDO conducted an investigation at Keihin Products Operations regarding this problem. In the investigation, neither the instructional sheets for fabrication of the daily research labor reports nor the daily research labor reports before fabrication were found; it appeared as if those reports had been destroyed prior to the investigation; however, the then personnel in charge have copies of those reports. The mass media reported on improper billing and unfair acceptance of research labor expenses by Toshiba in July 2002, when NEDO had decided to (i) require Toshiba to make a refund of the research labor expenses, (ii) suspend new agreements with Toshiba for commissioned research for three years, and (iii) suspend the monetary grants to Toshiba for three years, due to such improper billing and unfair receipt of research labor expenses by Toshiba. Although the billing of research labor expenses backed by the falsified daily research labor reports constituted criminal fraud, it did not develop into a criminal case because of the statute of limitations. As Toshiba had concealed this issue for approximately six years—from when it found the problem internally in 1996 up to when the investigation of NEDO took place in 2002—it led to the expiration of the statute of limitations. It could be presumed that the fact that Toshiba kept giving untrue answers to the effect that the unfair receipt of research labor expenses was rectified, despite there being no such action to correct the situation, was because they were stalling in order to reach the statute of limitations for criminal case and to prevent the chance for charges to be brought against the officers (directors and executive officers) involved. It is against the laws to repeat the false answers at the general meeting of shareholders without correcting the unfair receipt of the research labor expenses.

The Company declined to provide answers to the questions from shareholders regarding the said unfair billing and receipt issue, by saying that the question was not relevant to the agenda of the meeting, or that it was an old issue that had happened in the past, or that the Company had already provided explanations to it. Toshiba concealed the facts of improper billing and unfair receipt of research labor expenses for six years from 1996. The Company neither disclosed any detailed facts nor explained the responsibilities of the officers of the Company when this issue was raised by a shareholder at the general meetings of shareholders in 2002 and thereafter. More specifically, which officer was responsible for the decision made and the actual concealment of unfair receipt has not been clarified: who

decided to conceal the fact of unfair receipt of research labor expenses without rectifying after it was uncovered at Toshiba in 1996? Is it Fumio Sato, President, or Nishimuro, President, or some other officer? Who actually brought the decision into action: was it Mr. Sasaki, Corporate Vice President, or Toshiki Miyamoto, Corporate Senior Vice President, or Toshiyuki Oshima, Corporate Vice President, or some other officer? The responsibilities of the officers involved (Fumio Sato, President; Nishimuro, President; Okamura, President; Shimagami, Corporate Executive Vice President; Tomohiko Sasaki, Corporate Vice President; Toshiki Miyamoto, Corporate Senior Vice President; Toshiyuki Oshima, Corporate Vice President; etc.) have not been clarified. The decision on, and execution of, the concealment of unfair receipt are illegal activities. All of the officers (including outside directors) failed to take any preventive action against this even after they learned of it during the general meeting of shareholders in 1999, when the unfair receipt of research labor expenses was put forth. These officers failed to perform their duty of care. Although the Company incurs damages due to unfair receipt, it has not made a claim for damages against the relevant directors.

The damages committee for the improper billing and unfair receipt of research labor expenses for research commissioned by NEDO shall be composed of the following fifteen persons as members. The fifteen personnel have experience in addressing the issue of improper billing and unfair receipt of the research labor expenses for the research commissioned by NEDO. They also have extensive work experience at Toshiba as employees thereof. Accordingly, they are deemed qualified as the members of the said committee.

Seigo WATANABE (Manager at Keihin Product Operations (*1));
Yoshio KOYAMA (Manager at Keihin Product Operations (*1));
Jiro OZONO (General Manager at Keihin Product Operations (*1));
Masataka SHINTANI (Chief Specialist at Keihin Product Operations (*1));
Yuichiro ISU (General Manager of Keihin Product Operations (*1));
Kazuo TANIGAWA (Joined the Company in 1972; General Manager at Keihin Product Operations (*1));
Koichi HATANO (Manager at Keihin Product Operations (*1));
Yoshiaki MIKI (Manager at Keihin Product Operations (*2));
Tomohiko SASAKI, (Joined the Company in 1960; General Executive of Energy System Group (*1));
Toshiki MIYAMOTO (Corporate Senior Vice President (*2));
Toshiyuki OSHIMA (Corporate Vice President (*3));
Fumio SATO (President (*1));
Taizo NISHIMURO (Joined the Company in 1961; Corporate Executive Vice President (*1));
Tadashi OKAMURA (Joined the Company in 1962; President (*3)); and
Kiyooki SHIMAGAMI (Joined the Company in 1961; Corporate Executive Vice President (*3)).

The years and the titles in the brackets above represent the year when the person joined the Company and the title held at the Company respectively.

(*1) Title in 1996; (*2) Title in 1999; (*3) Title in 2000”

- End -

Relating to the Fifteenth Proposal

The collusion on bidding for the projects of the administrative institutions mentioned above refers to the collusion on bidding for Mie Prefecture's Waterworks and Sewerage Bureau's project, uncovered in 1995; the collusion on bidding for the postal code reading machines, which invited an order of eliminating collusion by the Fair Trade Commission in 1999; and the collusion on bidding for Sapporo City's Waterworks and Sewerage Bureau, uncovered in 2008. It is particularly worth noting that the collusions on bidding for the work procured by a waterworks and sewerage bureau was first revealed in 1995 and a punitive action was imposed, yet similar activities of collusion were repeated thereafter. With regard to the collusion on bidding for the work procured by Sapporo City's Waterworks and Sewerage Bureau, a shareholder had raised the question to the Company of whether the collusion occurred, in the ordinary general meeting of shareholders held in June 2008. In response, the Company said it would like to wait for the results of the investigation by the relevant administrative authorities; however, whether or not such collusion occurred should have been made clear if the Company had conducted an internal investigation on the personnel in charge and there should have been no need to wait for the results of the relevant administrative authorities' investigation. In addition, Toshiba was exempted from certain administrative sanction including fine to be imposed by admitting such collusion to the Fair Trade Commission prior to commencement of its investigation. This means that Toshiba concealed the facts of collusion to its shareholders at the general meetings of shareholders although the Company was aware of the facts of such collusion after its internal investigation at the time. The repetition of collusive bidding suggests that the preventive measures were insufficient.

The test data falsification for water flow meters used in nuclear power generation above means the test data falsification for water flow meters used in nuclear reactors which was caused by the employees in Keihin Product Operations in 2006. A series of falsified data were revealed by the investigation of the administrative authorities which was conducted after the Company's internal investigation. It may be perceived as though the Company had attempted to hide the falsified test data to the furthest extent possible. Concealment of illegal activities could not be avoided, as the preventive measures to prevent concealment were not sufficient.

The improper billing and unfair receipt of research labor expenses for the research commissioned by the New Energy and Industrial Technology Development Organization (NEDO) means the following. To explain the background behind this issue of improper billing and unfair receipt of research labor expenses for the research commissioned by the NEDO which was uncovered at Toshiba in 1996: NEDO used to be an organization under control of the Ministry of Trade and Industry (NEDO is currently an independent governmental agency), having being operated by the national budget. Going forward, the research commissioned by NEDO mentioned above means the project for "Research and Development of Molten Carbonate Fuel Cell and Development of Molten Carbonate Fuel Cell Stack for 1,000kW Class Power Plant (Plant Manufacturing – Facilities for waste heat recovery)". The research commissioned was handled mainly by Keihin Product Operations of the Energy System Group of Toshiba from 1985. The issue of improper billing and unfair receipt of research labor expenses had its beginning when certain managers in Keihin Product Operations prepared an instructional sheet on fabrication of daily reports in April 1995, who

then instructed their subordinates to fabricate daily research labor reports for the year of 1994 based on this instructional sheet. Furthermore, these managers fabricated the daily reports by using the names of the employees who had refused to cooperate with the fabrication. In June 1995, by using the fabricated daily reports, they claimed excessive research labor expenses to NEDO and received the excessive amount of the expenses. The issues of improper billing and unfair receipt of research labor expenses was revealed at Keihin Product Operations in January 1996 and were reported to the person responsible, Yuichiro Isu, who was the President of Keihin Product Operations. Yuichiro Isu did not rectify such improper billing and unfair receipt of the research expenses. Subsequently, in February 1996, it was reported to Tomohiko Sasaki, the General Executive of the Energy System Group (Corporate Vice President), who was the supervisor of the senior organization overseeing Keihin Product Operations, and to Fumio Sato, President, as well as to Taizo Nishimuro, Corporate Executive Vice President, in June 1996—who were all responsible personnel at Toshiba. However, these responsible personnel failed to correct the unfair receipt of the expenses even after they were apprised of the problem. At the ordinary general meeting of shareholders in June 1999, a shareholder asked the question of whether the unfair acceptance of research labor expenses had been rectified or not. Mr. Nishimuro, the President, and Toshiki Miyamoto, the Corporate Senior Vice President, replied that the problem had been settled, as the employees who had engaged in illegal activities had been punished, and they declined to respond to any further questions from the shareholders on this matter. Similar questions and answers were repeated between the Company and the shareholder[s] in the subsequent ordinary general meetings of shareholders (held in 2000 and 2001); Tadashi Okamura, the President, Kiyooki Shimagami, Corporate Executive Vice President, and Toshiyuki Oshima, Corporate Vice President, continued to respond that the issue of improper billing was finished with, having declined to accept further questions from shareholders on this matter. In June 2002, NEDO conducted an investigation at Keihin Products Operations regarding this problem. In the investigation, neither the instructional sheets for fabrication of the daily research labor reports nor the daily research labor reports before fabrication were found; it appeared as if those reports had been destroyed prior to the investigation. The mass media reported on improper billing and unfair acceptance of research labor expenses by Toshiba in July 2002, when NEDO had decided to (i) require Toshiba to make a refund of the research labor expenses, (ii) suspend new agreements with Toshiba for commissioned research for three years, and (iii) suspend the monetary grants to Toshiba for three years, due to such improper billing and unfair receipt of research labor expenses by Toshiba. Although the billing of research labor expenses backed by the falsified daily research labor reports constituted criminal fraud, it did not develop into a criminal case because of the statute of limitations. As Toshiba had concealed this issue for approximately six years—from when it found the problem internally in 1996 up to when NEDO's investigation took place in 2002—it led to the expiration of the statute of limitations. It could be presumed that the fact that Toshiba kept giving untrue answers to the effect that the issue of unfair receipt of research labor expenses was rectified, despite there being no such action to correct the situation, was because they were stalling in order to reach the statute of limitations for criminal case and to prevent the chance for charges to be brought against the officers involved. It is against the laws to repeat the false answers at the general meeting of shareholders without correcting the unfair receipt of the research labor expenses.

The Company declined to provide answers to the questions from shareholders regarding the said unfair billing and receipt issue, by saying that the question was not relevant to the agenda of the meeting, or that it was an old issue that had happened in the past, or that the Company had already provided explanations to it. Toshiba concealed the facts of

improper billing and unfair receipt of research labor expenses for six years from 1996. The Company neither disclosed any detailed facts nor explained the responsibilities of the officers of the Company when this issue was raised by a shareholder at the general meetings of shareholders in 2002 and thereafter. More specifically, which officer was responsible for the decisions made and the actual concealment of unfair receipt has not been clarified: who decided to conceal the fact of unfair receipt of research labor expenses without rectifying after it was uncovered at Toshiba in 1996? Is it Fumio Sato, President, or Nishimuro, President, or some other officer? Who actually brought the decision into action: was it Mr. Sasaki, Corporate Vice President, or Toshiki Miyamoto, Corporate Senior Vice President, or Toshiyuki Oshima, Corporate Vice President, or some other officer? The responsibilities of the officers involved (Fumio Sato, President; Nishimuro, President; Okamura, President; Shimagami, Corporate Executive Vice President; Tomohiko Sasaki, Corporate Vice President; Toshiki Miyamoto, Corporate Senior Vice President; Toshiyuki Oshima, Corporate Vice President; etc.) have not been clarified. Why is it that all of the officers (including outside directors) failed to take any preventive action against this even after they learned of it during the general meeting of shareholders in 1999, when the issue of unfair receipt of research labor expenses was put forth? Whether these officers are not liable to the failure to perform their duty of care? Furthermore, the facts that the relevant managers prepared the instructional sheet for fabrication of the daily research labor reports, had their subordinates fabricate the reports accordingly, and then billed the research labor expenses improperly according to the falsified reports, are organizational fraudulent activities: why did they hide these facts? Going forward, the managers involved in this issue were also in charge of the research commissioned in years other than the years in question as well as commissioned research other than the research involved in the revealed unfair billing. It is questionable whether the possibility of similar fraudulent activities for other commissioned researches has been thoroughly investigated. These kinds of long-term concealment of fraudulent activities should have been prevented, had the detailed facts of such fraudulent activities been properly disclosed to shareholders.

- End -

Explanation about the Exercise of Voting Rights through the Internet

◎ When exercising voting rights through the Internet, please be aware of the following matters before casting your vote.

1. Voting rights may only be exercised through the Internet using the website for the exercise of voting rights designated by the Company (<http://www.web54.net>)².

When exercising voting rights, please access the website and input the voting rights exercise code indicated on the upper right hand corner of the Voting Rights Exercise Form in accordance with the instructions shown on the screen. Shareholders may cast a vote by inputting a new password set up by the shareholder using the password indicated in the upper right hand of the Voting Rights Exercise Form.

2. Shareholders are responsible for paying any fees such as connection fees payable to internet providers and communication fees payable to telecommunications providers in order to use the website for the exercise of the voting rights.

3. When connecting to the Internet from a company or other organization terminal, the Internet may be limited due to firewalls or other measures installed. Please confirm with your system administrator.

◎ Handling of passwords

1. The password that the Company issues this time is only effective for the current ordinary general meeting of shareholders. A new password will be issued for the next ordinary general meeting of shareholders. The Company will not respond to any inquiry about the password by telephone or other such means.

2. Please keep your password safe as it is the means by which the identity of the shareholder casting the vote is verified.

3. If the wrong password is inputted a certain number of times, the main screen will no longer be able to be accessed.

4. Shareholders who wish to have a password reissued are advised to follow the instructions shown on the screen.

◎ The following system requirements must be in place to use the website to exercise voting rights.

1. Personal computers:

(1) Hardware

(i) Internet access

² Note for English translation:
Only Japanese is available on this website.

- (ii) Monitor resolution of 800 x 600 pixels (SVGA)
- (2) Software
 - (i) Microsoft Internet Explorer
Ver. 5.01 Service Pack 2 or later versions of Microsoft® Internet Explorer
 - (ii) When accessing the Convocation Notice of the Ordinary General Meeting of Shareholders, the Reference Material for the Ordinary General Meeting of Shareholders or the Reports for the 172nd Fiscal Year:
Ver. 4.0 or later versions of Adobe® Acrobat® Reader, or Ver. 6.0 or later versions of Adobe® Reader®
 - * Microsoft® and Internet Explorer are registered trademarks, trademarks and product names of Microsoft Corporation in the United States and other countries. Adobe® Acrobat® Reader and Adobe® Reader® are registered trademarks, trademarks and product names of Adobe Systems Incorporated in the United States or other countries.
- (3) A pop-up function is used on the website for exercising voting rights. If a function that automatically blocks the pop-up function such as a pop-up blocker is used, please use the website after allowing or temporarily allowing pop-ups.

2. Mobile phones:

Mobile phones that can access the following services and are models that allow encrypted SSL communication. The website is not registered in the menu list for the following services. Please access the website by directly inputting the URL (<http://www.web54.net>) or using the QR code on the Voting Rights Exercise Form.

- (1) i-mode
- (2) EZweb
- (3) Yahoo! Mobile

* i-mode is a registered trademark, trademark or service name of NTT DOCOMO, Inc., EZweb is that of KDDI Corporation, Yahoo! is that of Yahoo! Inc., Yahoo! Mobile is that of SOFTBANK MOBILE Corp., and QR code is that of Denso Wave Incorporated.

© Inquiries about the method of operation and other matters

Please contact the following office if you are unfamiliar with the method of operation or supported models of personal computers, mobile phones or other items in connection with exercising voting rights through the Internet:

Direct line to Transfer Agent Web Support of Chuo Mitsui Trust and

Banking Company:

Telephone: 0120-65-2031 (toll free)
(9:00 a.m. to 9:00 p.m.; Monday to Friday)

Please contact the following office for other inquiries about the registered address, number of shares and other matters:

Transfer Agent Service Center of Chuo Mitsui Trust and Banking Company

Telephone: 0120-78-6502 (direct toll free number to the Company)
(9:00 a.m. to 5:00 p.m.; Monday to Friday)