

CORPORATE GOVERNANCE

Toshiba is determined to achieve the highest standards of corporate governance. Toward this, we will bring greater transparency to management processes and business strategy, reinforce disclosure and accountability, and continue to refine thoroughgoing risk management procedures. Through enhancements to our system of corporate governance, we will seek continued enhancement of the value of the company.

Building on Accomplishments

Since improving corporate governance requires higher levels of operating openness and timely decision-making, we consistently advocate management innovation and reform. As a result, Toshiba moved ahead of other Japanese companies in the introduction of an executive officer system in 1998, and in the deployment of an in-house company system in 1999. Fiscal 2003 will involve another round of reform, as we take full advantage of revisions to the Japanese Commercial Code to initiate a Company with Committees system. This new system will reinforce the supervisory function of management, enhance management transparency and further improve corporate governance. Moreover, the new system will promote greater management agility and flexibility by clearly separating responsibility for business supervision and execution, and improve management speed by delegating a wide range of authority and freedom to Toshiba's executive officers.

Increasing Management Agility by Separating Business Supervision and Execution

Through the Company with Committees system, the role of the Board of Directors is focused on compliance. The Board essentially acts on behalf of stakeholders, including the shareholders, to ensure that basic policy decisions and important management initiatives reflect stakeholder interests. Three legally mandated committees—Nomination, Audit and Compensation—all of which must contain a majority of outside directors, further bolster the supervisory function and transparency of governance, while also representing stakeholder concerns. The Audit Committee serves to provide a potential check on management, as a vehicle for monitoring Toshiba's activities for compliance with legal and regulatory requirements.

The Company with Committees system is positioned to transfer a wide range of authority from directors to executive officers, which will accelerate the speed of management decision-making. With the implementation of a clearly defined system for business supervision and execution, along with the reconstruction of mechanisms for internal corporate controls and monitoring, executive officers will gain the freedom to concentrate more clearly on business performance.