

Toshiba Corporation
Annual Report 2007 • Operational Review

FINANCIAL HIGHLIGHTS • TOSHIBA CORPORATION AND SUBSIDIARIES

For the years ended March 31, 2007 and 2006

	Millions of yen		Change (%)	Thousands of U.S. dollars *(Note 1)*
	2007	2006	2007/2006	2007
Net sales—Japan	¥ 3,599,385	¥ 3,382,143	6.4	$ 30,503,263
—Overseas	3,516,965	2,961,363	18.8	29,804,788
Net sales	7,116,350	6,343,506	12.2	60,308,051
Operating income *(Note 2)*	258,364	240,610	7.4	2,189,525
Income before income taxes and minority interest	298,460	178,177	67.5	2,529,322
Net income	137,429	78,186	75.8	1,164,653
Total assets	5,931,962	4,727,113	25.5	50,270,864
Shareholders' equity	1,108,321	1,002,165	10.6	9,392,550
Capital expenditures *(property, plant and equipment)*	375,335	338,800	10.8	3,180,805
Research and development expenditures	393,987	372,447	5.8	3,338,873
Return on equity (ROE) (%)	13.0	8.6	—	—
Return on total assets (ROA) (%)	2.6	1.7	—	—

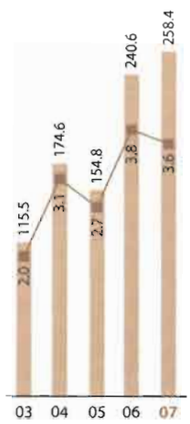
	Yen			U.S. dollars
Per share of common stock:				
Net income *(Note 3)*				
—basic	¥ 42.76	¥ 24.32	75.8	$ 0.36
—diluted	39.45	22.44	75.8	0.33
Cash dividends	11.00	6.50	69.2	0.09
Number of employees (Thousands)	191	172	11.0	—

Notes: 1) Unless indicated otherwise, all dollar figures herein refer to U.S. currency. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥118= U.S. $ 1.
2) Operating income has been determined under financial reporting practices generally accepted in Japan and is defined as net sales less cost of sales and selling, general and administrative expenses.
3) Basic net income per share (EPS) is computed based on the weighted-average number of shares of common stock outstanding during each period. Diluted EPS assumes the dilution that could occur if stock acquisition rights were exercised to issue common stock, unless their inclusion would have an antidilutive effect.

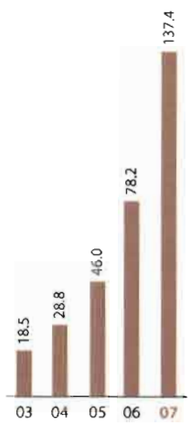
Net sales
(Billions of yen)



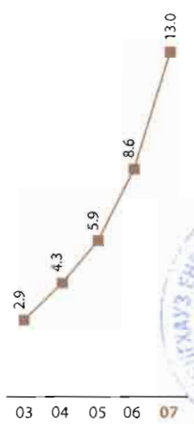
Operating income / Operating income ratio
(Billions of yen) *(%)*



Net income
(Billions of yen)



Return on equity (ROE)
(%)





TOSHIBA
Leading Innovation >>>

Toshiba delivers technology and products remarkable for their innovation and artistry—contributing to a safer, more comfortable, more productive life.

We bring together the spirit of innovation with our passion and conviction to shape the future and help protect the global environment—our shared heritage.

We foster close relationships, rooted in trust and respect, with our customers, business partners and communities around the world.

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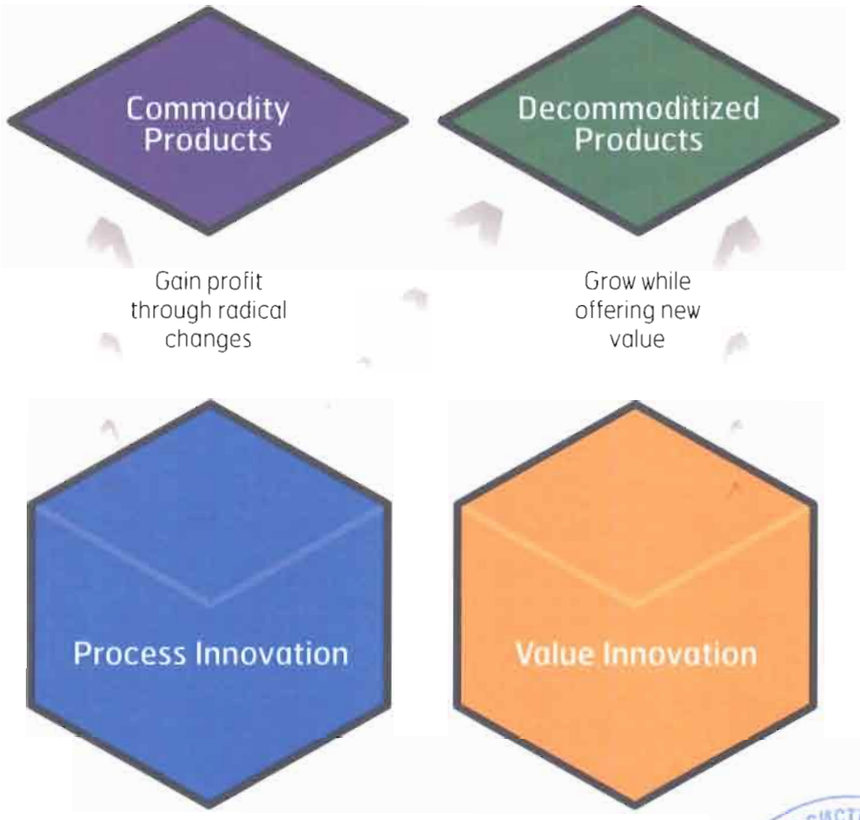
Cover photo: Last stage blades, a key component of thermal steam turbines

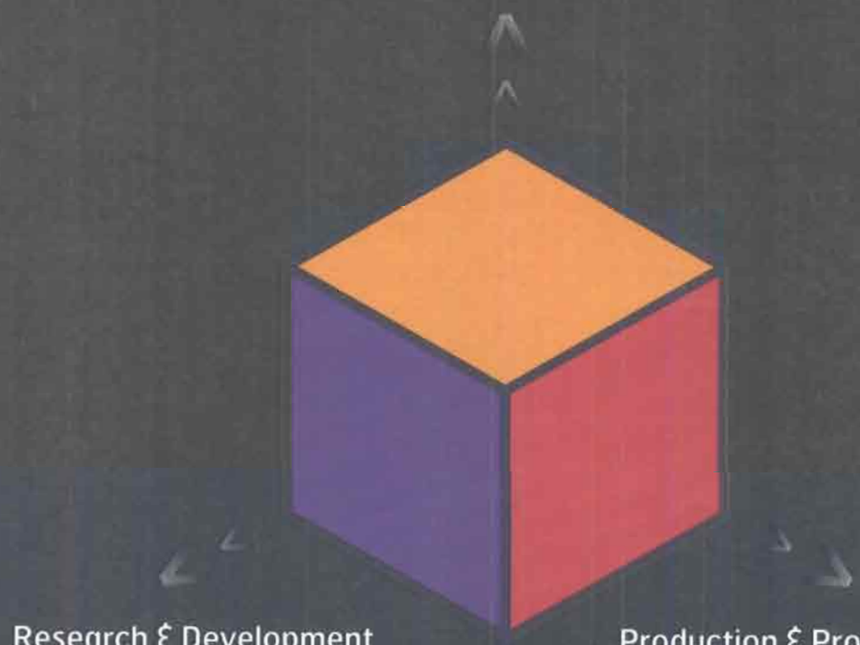
tiveness and the value innovation that offers entirely new value to customers through development of new technologies and products that lead the age, we will shape a vital and vibrant Toshiba Group.

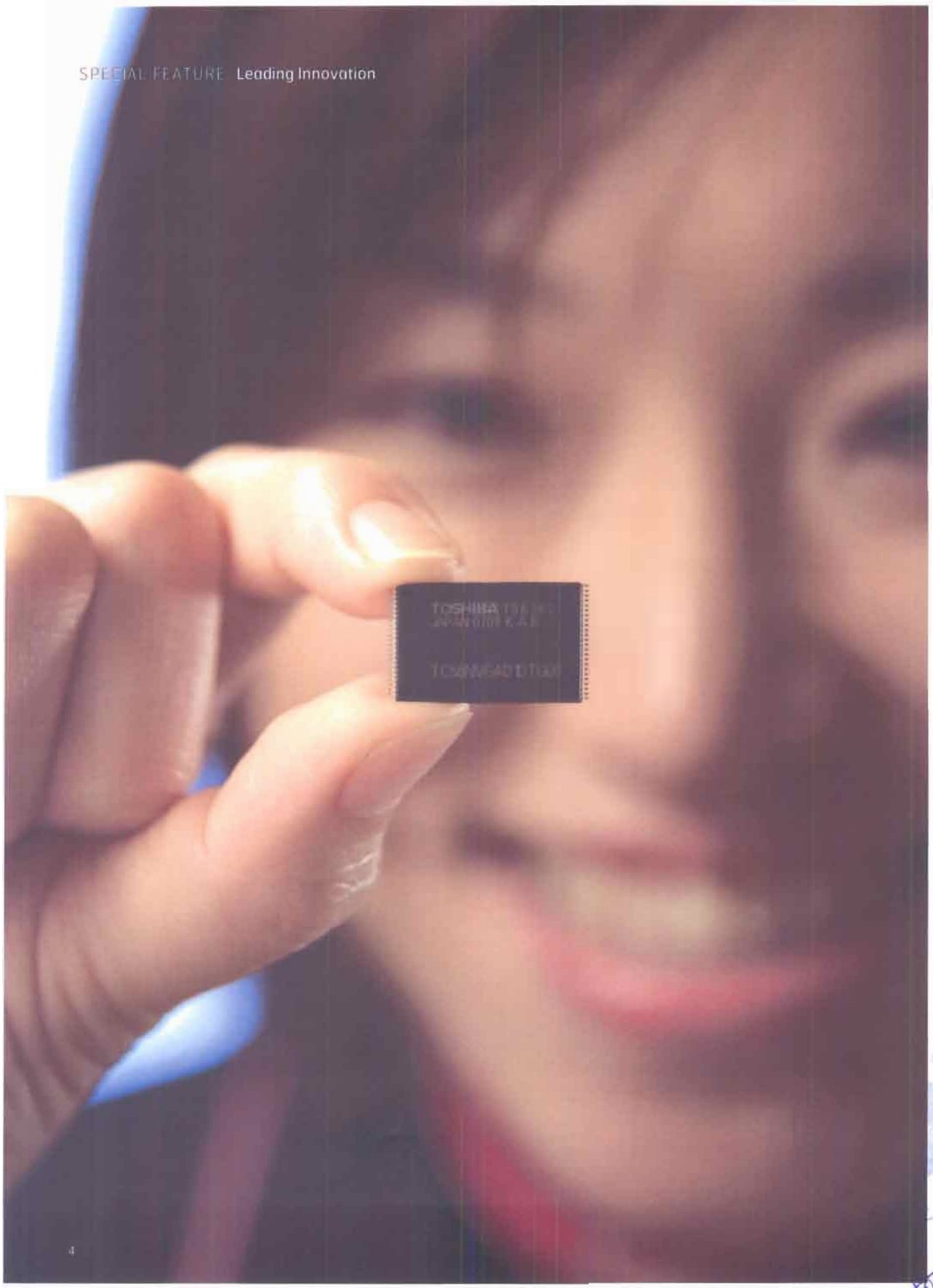
Process Innovation + Value Innovation



Toshiba Group is building on the base of the Management Innovation (MI) Activity to bring simultaneous process innovation to product research and development, production and procurement, and sales and marketing. Through that multiplier effect, we will stimulate continuous growth and drive forward the "i-cube" program.

In the research and development process, we are enhancing speed and efficiency, which are crucial for the timely provision of new products and services; in the production and procurement process, we are strengthening operations, especially through the SCM manufacturing system structure; and in the sales and marketing process, we are aiming to raise customer satisfaction to new levels, and to enhance the Toshiba brand.




TOSHIBA

made NAND Flash the memory of choice for digital cameras, mobile phones and portable music players. Looking to the future, the market for NAND Flash memory will continue to grow on new video-based applications.

16 GIGABYTE NAND FLASH MEMORY

The high density 16-gigabyte embedded NAND Flash memory makes full use of advanced 56-nanometer* process technology to integrate eight NAND chips and a controller chip in a standard small size package. The chip achieves the highest density in the industry, and integration of a dedicated controller reduces development burdens for manufacturers working on new products.

VALUE FOR CUSTOMERS

NAND Flash memory: 1) supports product miniaturization and reduced power consumption; 2) has no mechanical parts and offers superior shock resistance; and 3) makes highly reliable, high speed data programming available to everyone in easy-to-use small packages, such as SD Cards and USB memories.

CUSTOMER VALUE THROUGH INNOVATION

Our customers want products that are easy to use and that offer high performance. Toward achieving that, we make every effort to stay in the forefront of scalability, and to achieve high density memory as well as miniaturization of chips that employ multi-level cell technology to record two or more bits of data in a single memory cell, boosting the performance of applications that use video and audio. In January 2007, we started to deploy 56-nanometer (nm) process technology in mass production, and we will continue to develop advanced technology. Beyond that, we will ensure that we are able to meet the demands of an expanding market by reducing turn around time between development and mass production, and by enhancing productivity with boosts to production capacity and improved operating efficiency.

*A nanometer is one billion of a meter.

"УЕСТИНГХАУЗ ЕНЕРДЖИ СИСТЬМС ООД • КЛОН БЪЛГАРИЯ" • СОФИЯ •

LCD Televisions

In February 2006, intent on promoting urgent measures to reinforce its presence in the FPD TV market, and on providing customers with a line-up of high quality TVs, Toshiba launched "REGZA" as a unified global brand.

"REGZA," coined from the German *regsam*, a word conveying liveliness and dynamism, was chosen because we wanted a distinctive name that captures the essence of Toshiba's high technology, and the quality of our true high-definition (HD) TVs. Our goal, now and in future, is to investigate new levels of added value and to channel it into the new LCD TVs that we bring to market.

VALUE FOR CUSTOMERS

With the increase in HD television programs being provided by terrestrial digital broadcasters, the growing popularity of next-generation DVD and game consoles, and the increasing number of users downloading video content over broadband connections, consumers are articulating their need for the quality and pleasure of HD images, the freedom to choose what and when to watch, and full access to network functions. "REGZA" is, in essence, an advanced image processing system that uses Toshiba's New Meta-brain Pro to realize true HD, to provide a user-friendly electronic program guide, and, thanks to a high capacity hard disk drive (HDD), to free viewers from the restrictions of time. "REGZA" fully responds to today's user needs.

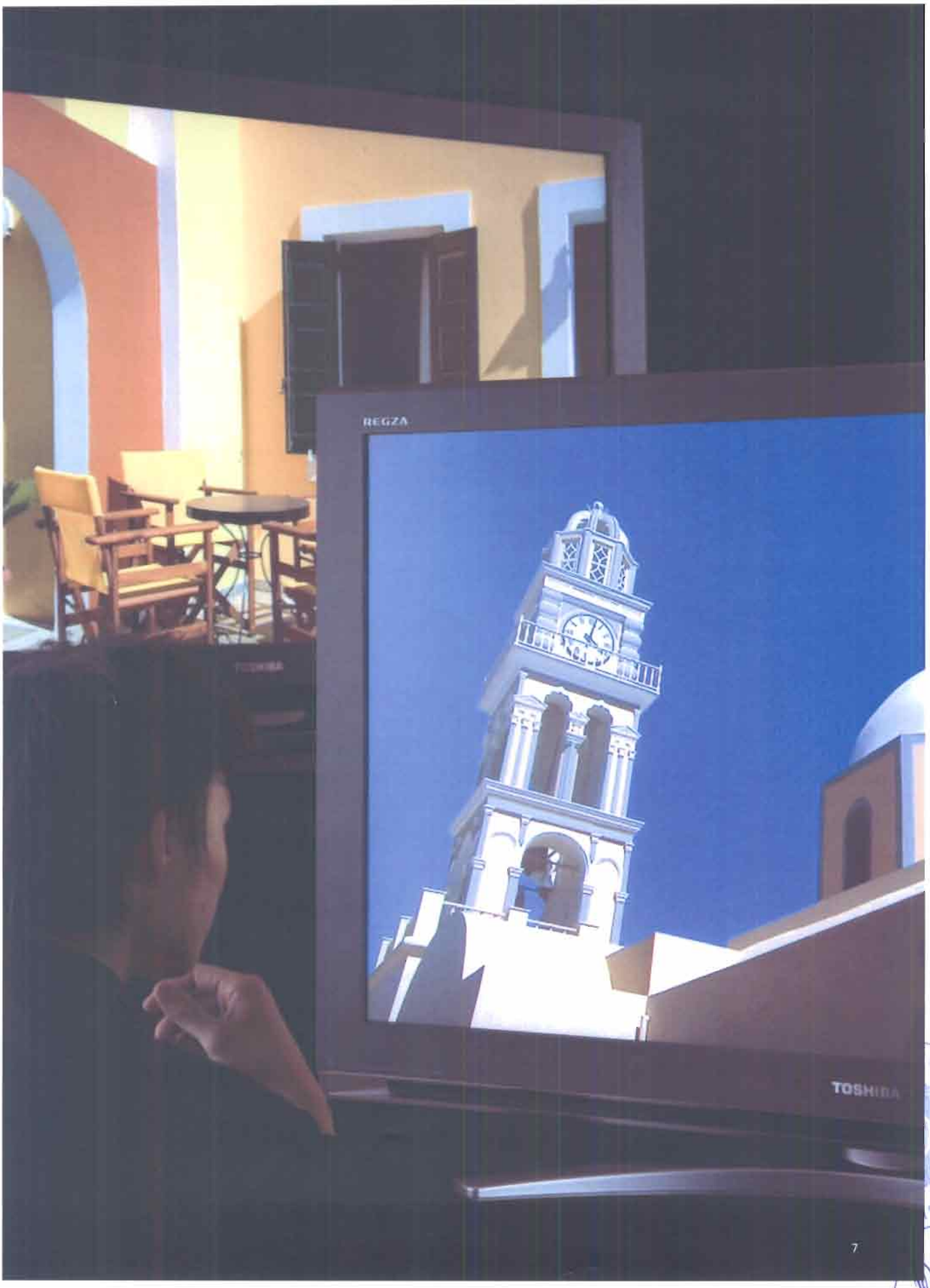
The simple case does away with unnecessary adornment. Its "minimal design" brings out the texture and true character of the materials used, and imparts a calm, sophisticated feeling.

REGZA H3000 SERIES

The H3000 Series takes viewer convenience to the next level with an integrated 300 gigabyte HDD and the *REGZA Program Guide Fine*, an electronic program guide. The video recording function can be expanded by adding a commercially available hard disk. The REGZA H3000 Series delivers a full line-up of full HD liquid crystal TVs that reproduces hi-vision broadcasts in all their rich detail and vivid images.

CUSTOMER VALUE THROUGH INNOVATION

The start of terrestrial digital broadcasting and growing demand for large-screen TVs have put HD TV technology squarely in the spotlight. Toshiba has developed New Meta-Brain Pro, an HD video processing system capable of showing intricate details in video images. New Meta-Brain Pro is able to produce such stunning HD images thanks to Toshiba's exceptional system LSI technology and digital video processing technology. The market for large-screen LCD TVs is relentlessly tough and is defined by constant price decline. Toshiba is cultivating a business structure that will allow it to deal with falling prices by drawing on its strengths in imaging software to promote and implement continual improvements in picture quality, while at the same time unifying electrical and mechanical design and production.


REGZA
TOSHIBA




I/⏻ ON/STANDBY
TOSHIBA

HD DVD

Developments such as the start of terrestrial digital broadcasting and the ending of analog broadcasting in Japan are ushering in growth in HD digital broadcasting services and other major environmental changes. Standard DVD cannot reproduce the texture of HD content, play it back on a large size display, or record to disc HD from video sources. That is why Toshiba took the industry to the next level in 2006: by launching the world's first HD DVD player in March, and bringing to market the first hard disc recorder with HD DVD recorder in July.

HD-XA2 HD DVD PLAYER

As a leader in AV products, we wanted to bring enjoyment of HD DVD into the lives of many more customers, and for this reason we developed the HD-XA2. Designed with full consideration for the environment, this new player is smaller, consumes less power and, on top of that, is fully compliant with the European Union's RoHS* directive.

VALUE FOR CUSTOMERS

HD DVD formats are formally approved for next-generation DVD by the DVD Forum, an international association that defines and promotes standards, including the ability to capture and reveal the full impact and resolution of HD content, and to satisfy essential market needs, such as saving HD image content to disc. HD DVD offers advanced functions and attractions that far surpass those of standard DVD. Pop-up Menu can display thumbnails of movie chapters while a movie plays, allowing viewers to jump directly to the scenes they want to see. The subscreen of Picture in Picture (PinP) offers playback of special features, such as the director's commentary and making-of documentary, while the movie plays.

CUSTOMER VALUE THROUGH INNOVATION

Toshiba launched the world's very first DVD player in 1996. In 2001, we took the DVD market in a new direction when we pioneered the integration of an HDD and DVD recorder in a digital video recorder, establishing the new AV style of "record to HDD, save to DVD." Last year, we took the next step, realizing recording of data-rich HD video by integrating an HD DVD recorder into a hard disc recorder. Maintaining momentum we followed up on our first-generation products with HD DVD players that were significantly smaller and easier to install, and that combined a better viewing experience with affordable prices. Going forward, we will continue to take the lead in delivering products that respond to the demands of the world market.

*RoHS (Restriction of Hazardous Substances) is the EU directive which went into effect July, 2006. This directive restricts the use of six hazardous materials, such as lead and mercury, etc in the manufacture of various types of electronics and electronics equipment.

64 x 0.5mm cross sectional slices simultaneously. In May 2006 the latest model in the series added support for high resolution, high speed three-dimensional imaging at low doses, supporting the company in its efforts to manufacture diagnostic imaging systems that improve the quality of patient care.

VALUE FOR CUSTOMERS

A 64 multi-slice CT system brings numerous benefits to medical centers, not least the ability to image multiple organs of the body with short exposure times, and at a level of clarity that improves diagnosis.

The multi-slice CT system is particularly useful for accurately imaging fast moving functions, such as the coronary artery, and has opened up new fields of diagnosis that represent major advances over traditional cardiovascular examination. The system also achieves this through non-invasive examinations that both improve patient comfort and dramatically reduce examination times. It is towards continued progress in these areas that Toshiba develops and integrates innovative technologies that enhance diagnostic utility, improve patient management and contribute to better clinical outcomes.

AQUILION 64
MULTI-SLICE CT SYSTEM

Aquilion is derived from *Aquila,* the Latin name for the eagle, the king of sky, and from lion, the English name for the king of the land. Aquilion 64's high speed scanning and ability to reconstruct high resolution images has brought new approaches to clinical imaging, even in the sphere of diseases of the cardiac and circulatory system. These capabilities have won global recognition that has translated into large measures of acclaim and market share, both in Japan and overseas, starting with the world's most advanced medical market, the United States.

CUSTOMER VALUE THROUGH INNOVATION

Toshiba Medical Systems Corporation works in close collaboration with major hospitals worldwide to enhance equipment performance and develop new clinical applications. The Aquilion 64 multislice CT system integrates high resolution scanning technology that can carry out a full scan in a 0.35 second gantry rotation. Toshiba's intuitive clinical workflow coupled with uncompromising image quality takes diagnostic imaging to a new level. This is paramount in cardiac examinations, where rapid conversion of large volumes of data reduces post processing times for both doctors and technicians.


TOSHIBA
Aquilion

TO OUR SHAREHOLDERS

In FY2006, Toshiba Group selected "TOSHIBA Leading Innovation" as its new global corporate brand tagline to clearly express the core corporate value that we promise to our customers and society. We are determined to continue to transform our corporate culture and organization in order to encourage and sustain constant innovation throughout the Toshiba Group, making it an even more dynamic Group that is filled with vigor and creative energy.

Our mainstay businesses span the three domains of Digital Products, Electronic Devices and Social Infrastructure, and we aim to ensure strong growth and high profit over a sustained period of time in these businesses. In the nuclear power business, part of the Social Infrastructure domain, we have completed the acquisition of the Westinghouse Group, a major step forward in our global expansion in this business field.

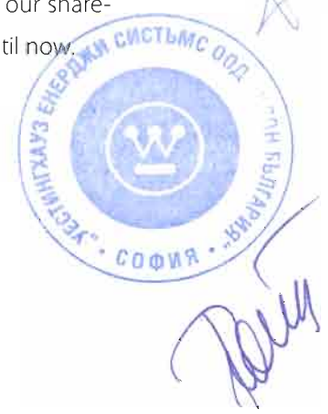
In FY2006's consolidated business performance, net sales were 7,116.4 billion yen (a surge of 772.9 billion yen over the previous fiscal year), operating income was 258.4 billion yen (up by 17.8 billion yen), and net income was 137.4 billion yen (an increase of 59.2 billion yen). Consolidated net sales and operating income were at the highest levels we have ever recorded. Favorable as they were, however, those results are only one milestone on our journey. In April 2007, we announced our mid-term business plan, called "Vision 2010," which declares our aim to achieve net sales of 9,500 billion yen and operating income of 480 billion yen by the end of FY2010. Towards that goal, we will strive to improve our net sales and operating income ratio and build an even more robust earnings structure.

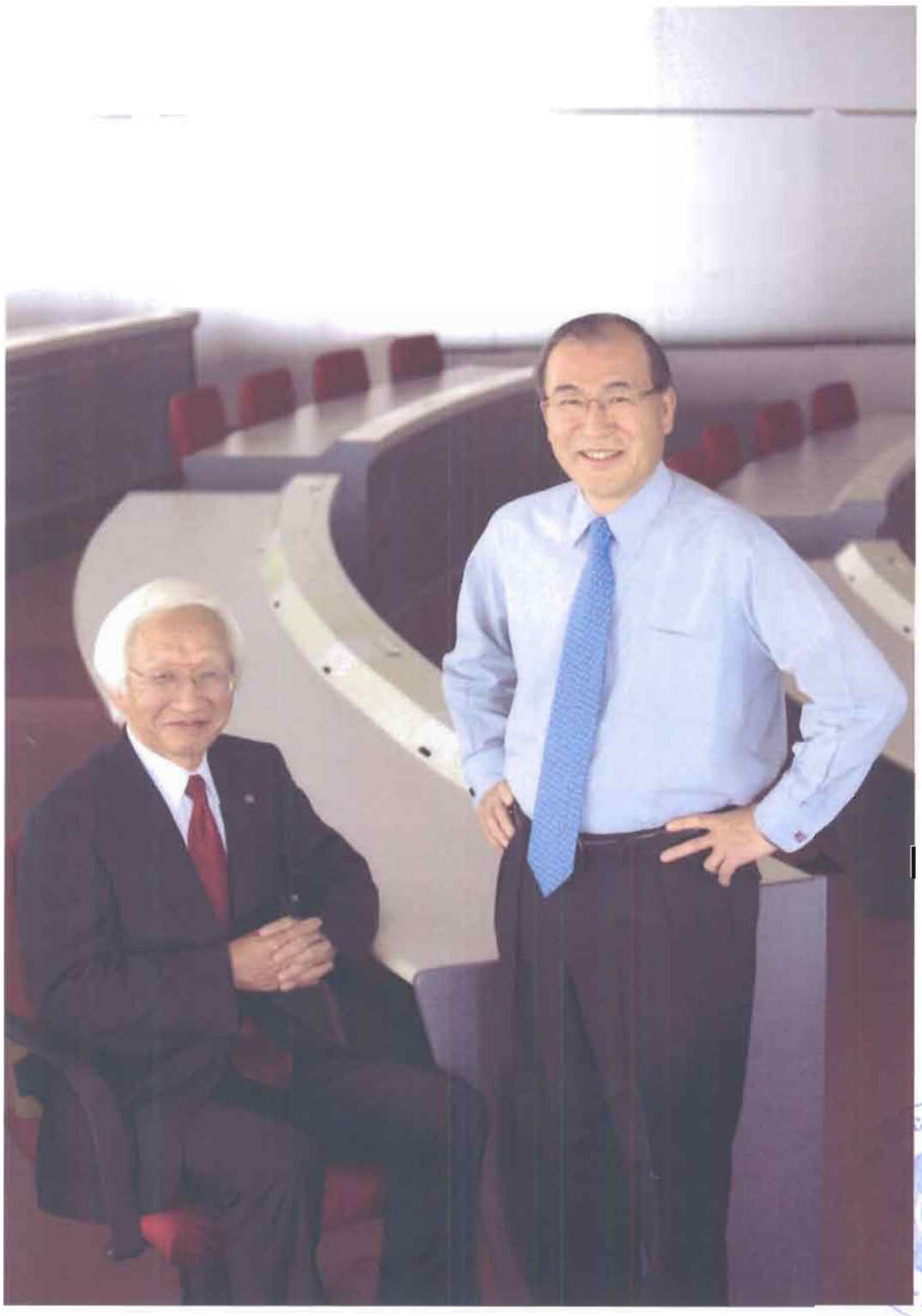
We position the fulfillment of corporate social responsibility (CSR) as one of the main pillars of Toshiba's management. We place the utmost priority on respecting human life and safety and fully complying with the letter and spirit of laws and regulations in all of our business activities around the world. Our corporate culture and fundamental values emphasize the central importance of engaging in strictly ethical behavior at all times. Toshiba as "a corporate citizen of planet Earth" is deeply committed to helping to protect the environment, and we aspire to take a leadership role in working toward the achievement of a sustainable society. As we do so, we hope that our shareholders will continue to extend the same strong support we have enjoyed until now.



Tadashi Okamura
Chairman of the Board of Directors

Atsutoshi Nishida
Director, President and CEO





Tadashi Okamura Chairman of the Board of Directors • **Atsutoshi Nishida** Director, President and CEO



"Achieving continuous innovation in all business activities and Sustained Strong Growth with High Profit."

Atsutoshi Nishida
Director, President and CEO

Toshiba's strong FY2006 results again surpassed those of the previous term. How do you evaluate these performance results?

Ever since I was appointed President, I have been constantly communicating my firm belief to all employees of Toshiba Group companies that we need to move forward with our new vision and strategies to transform Toshiba into a Group that aims to generate "Sustained Strong Growth with High Profit." I think that each and every employee has now taken this message to heart and is using this new vision to guide their daily work. That led to our positive business results for FY2006.

The most important thing for any enterprise is to increase sales and continue to grow. If sales do not rise, the only way forward is to reduce fixed costs, which can only result in a diminishing equilibrium. Profit emerges only when growth is achieved.

In FY1995, Toshiba's sales reached 5,000 billion yen for the first time. But in the nine years that followed, until FY2004, we were unable to surpass that level, and our compound average growth rate was just 1.3%. With such a business performance level, I thought we never would become a winner or even survive in the increasingly fierce and competitive global environment. Thus, I created a new vision of change "Sustained Strong Growth with High Profit," which we are successfully achieving.

In FY2005, sales grew by 8.7%. In FY2006, our sales dramatically grew by 12.2%. In contrast, our operating income ratio declined, and that is no cause for satisfaction. From now on, while we pursue our sales increase targets, we must also focus on strongly improving the Toshiba Group's operating income ratio.

Since October last year, Toshiba has established "TOSHIBA Leading Innovation" as a unified global corporate brand tagline. What message is the phrase intended to convey?

To be a winning company in the 21st century, innovation is the key. An increasingly powerful wave of globalization is sweeping across the world, and digitization and ubiquitous networks are making great strides forward at an accelerating pace. Corporate mergers and acquisitions and business alliances now take place at the global level. We live in an age of rapid changes, and the pressures on companies to change will only increase in the coming years. It is now an urgent necessity for management and employees to change their ways to think and work so that all members of the Toshiba Group can effectively cope with the speed of such changes. Unless we do so, we will not be able compete successfully in the swiftly changing global marketplace, either today or even over the next few decades. Business-as-usual is no longer an acceptable way of doing things.

The important way to make changes happen and ensure enduring transformation is not by trying to keep pace with market changes, but by continuously creating a strong flow of innovations within our own Toshiba Group, and doing all we can to become leaders in the coming business era. One phrase that I often use to motivate Toshiba people is "respond and change." I tell them that by "respond" I mean that we need to quickly and decisively respond to the rapid changes that come with the increasing globalization of markets and competition. By "change," I mean that successful change must be strived for by making behavioral changes in ourselves. Thus, "respond and change" refers to the need to transform ourselves as market circumstances and competitive challenges change. In that sense, we have to "innovate" ourselves.

I think the tagline "TOSHIBA Leading Innovation" signifies the essence of my thinking that constant innovation is the motive power for the Toshiba Group's growth. Without innovation, we will not be able to achieve "Sustained Strong Growth with High Profit."

What is the uniqueness of the Toshiba Group's approach to innovation?

We are aiming to create an organization and culture in which innovation can thrive. It is important for all employees to always feel a high "sense of urgency," to reject the status quo and strongly resolve to change ways of working through new concepts achieved by creative flashes of inspiration. We are working to establish a corporate culture in which complacency is nowhere to be found. We often face "antinomy," where we are repeatedly confronted with the need to pursue business targets that are partially in conflict, — e.g., achieving both growth and profit, realizing both lower cost and higher

ВЕСТИНГХАУЗ ЕНЕРДЖИ СИСТЪМС ООД - КЛОН БЪЛГАРИЯ - СОФИЯ

quality — and in order to solve such dilemmas of choice we need to make use of completely new, innovative ways of doing things. In short, that is why it is essential for each and every employee to embrace innovation.

As much as time permits, I visit our development, manufacturing and sales and marketing sites, so that I can interact with employees and make sure we have a shared understanding of Toshiba's vision of change. The most important thing in building an organization and culture conducive to innovation is changing the mind-set of employees. In addition, when we talk about innovation, we have to remember that Toshiba is a manufacturer, and innovation has to be connected to the value that our customers want to see from us in the near future.



In assuring that our innovation is connected to customer value, the most important thing is speed. We must thoroughly implement Toshiba's "i-cube" program to assure the multiplier effect of simultaneous innovations in our three key process areas of R&D, manufacturing and sales and marketing, and create the value our customers want in the shortest possible timeframe.

You have often talked about the importance of risk management. What are your thoughts regarding risk management in innovation?

Innovation involves changing things by means of the introduction of new ideas and methods. Naturally, in such cases risks will surface. What is important is not how to avoid risks, but how to make management decisions on the basis of calculated risk. For example, when we develop a new world-leading technology, we have to decide whether or not to apply for a patent. In such a case, we have to consider what strategy will lead to more beneficial results for the Company. Should we decide not to apply for a patent and avoid the potential risk from disclosure, or should we obtain a patent and run the risk involved in disclosing its contents? We have to use our best judgment, and sometimes the better strategy is to keep the details of the invention within the Company.

What we should never forget is that innovation is also a hedge against risk. NAND Flash memory is a typical case: We are a world leader in miniaturization and multi-level cell technologies, and if we continue to innovate and lead the market, we will minimize the risk from competitors.

Toshiba has acquired the Westinghouse Group as an affiliate and sold Toshiba Ceramics and Toshiba EMI. It looks as if you are accelerating the process of selection and concentration in your businesses.

We are very clear about the direction in which we want to go. We are intensively chan-

neling management resources into the product areas where we expect to see future market growth, particularly in Digital Products and Electronic Devices.

Until recently, we characterized our Social Infrastructure domain businesses, including the nuclear power business, as stable performers. But with the growing awareness of global warming, nuclear power is being reevaluated worldwide, and we now consider it a growth area. That's why we acquired the Westinghouse Group. That move established Toshiba as the world's No. 1 company in the nuclear power business. I am very happy that we are developing this business on a global scale at a time when there is a growing worldwide public mandate in favor of this clean, plentiful alternative energy source.

On the other hand, we still retain companies whose synergies with our core businesses have been diluted by time. Going forward, it makes sense to remove companies like that from our business portfolio, and to concentrate on growth and next-generation businesses. Accordingly, because Toshiba Ceramics, GE Toshiba Silicones and Toshiba EMI fell into this former category, we decided to sell them.

Concretely put, what kind of corporate group do you want the Toshiba Group to become when you say that Toshiba as "a corporate citizen of planet Earth" is deeply committed to helping protect the environment?



That expression indicates that we have a strong management commitment to act with deep awareness of the global environment, and that we endeavor to direct our efforts toward helping to build a sustainable society. Measures that we can take to help address critical world environmental issues include contributing to reduced CO_2 emissions through our nuclear power business, and developing consumer electronics that consume less energy. In addition, we are also committed to improving the energy efficiency of all of our Group's operations and reducing the Group's greenhouse gas emissions.

We must always bring a global perspective to management. The Toshiba Group is boldly moving forward with its business on a worldwide scale. As we work to expand our global business role, we must be sure to respect the social practices, culture and history of each country and region in which we are engaged in business, and we must strive to do whatever we can to contribute the maximum we can to society.

Toshiba wants to continue to be a source of value to all of its stakeholders, including shareholders, customers, clients, employees and regional societies. In the coming years as well, we will continue to work for continuous innovation with the goal of building an even more dynamic Toshiba Group that is filled with vigorous creative energy.

ЕНЕРДЖИ СИСТЪМС ООД - КЛОН БЪЛГАРИЯ
СОФИЯ

next-generation batteries and environmental businesses; all to achieve high growth and profit, win against fierce global competition, and create value for our customers and shareholders.

Performance Goals by Segment

	Net sales (Billions of yen)		Operating income ratio (%)		CAGR* (%)
	FY2006 (Result)	FY2009 (Plan)	FY2006 (Result)	FY2009 (Plan)	FYs2006–2009
Digital Products	2,805.5	3,430.0	0.6	1.6	7
Electronic Devices	1,657.3	2,330.0	7.2	8.6	12
Social Infrastructure	2,067.7	2,420.0	4.7	5.0	5
Home Appliances	748.9	840.0	1.3	1.8	4

*Compound Average Growth Rate

Capital expenditures

(Billions of yen)



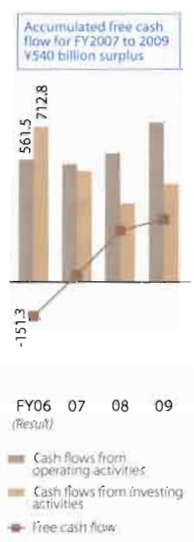
R&D expenditures

(Billions of yen)



Cash flows

(Billions of yen)



Shareholders' equity, Interest-bearing debt and D/E ratio

(Billions of yen) (%)



Looking forward FY2010

Achieve "Sustained Strong Growth with High Profit" in all business domains

Digital Products	Electronic Devices	Social Infrastructure
GROWTH BUSINESS	GROWTH BUSINESS	STABLE BUSINESS

Reinforce competitiveness to achieve growth in current businesses

2008:

Reinforce competitiveness, promote renovation	Secure high growth, expand high profitability	Secure stable growth, establish profitability

Reinforce intra-company collaboration

Expand products that astonish and impress (NAND, Cell, imaging and audio equipment)

Enhance contributions to safety and security through our businesses (nuclear power, next-generation battery, the environment)

2010: Achieve high growth and profit in every business domain



Net sales	¥9,500 billion
Operating income	¥480 billion
Operating income ratio	5 %
Return on equity (ROE)	15 %
Shareholders' equity ratio	over 20 %

Digital Products Segment

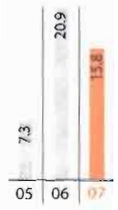
Percentage of sales



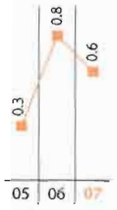
Sales
(Billions of yen)



Operating income
(Billions of yen)



Operating income ratio
(%)



MOBILE COMMUNICATIONS COMPANY

Technological strengths in such areas as high resolution imaging, wireless and advanced devices enable the Mobile Communications Company to support rich communication in this broadband age, and the drive towards ubiquitous networks that will allow everybody to participate in social networks. The company fuses leading-edge technologies in the multimedia mobile phone terminals that it develops and brings to market.

DIGITAL MEDIA NETWORK COMPANY

In the field's of imaging and audio equipment, the Digital Media Network Company offers LCD TVs and HDD & DVD recorders compatible with terrestrial digital broadcasting, digital audio players and LCD projectors. In mass storage the company provides the world market with small form factor HDD, and develops HD DVD related products. The company has a wide product line-up, ranging from BtoB and BtoC, and will push hard to enhance Toshiba's name in the digital AV business. In addition, the company will work on developing and releasing leading-edge products with unique technologies that make them distinctively different from competing products.

PERSONAL COMPUTER & NETWORK COMPANY

As ubiquitous connectivity starts to make its way into the three domains of the home, the office and the mobile, we are bringing Toshiba Group's cutting-edge core technologies to notebook PCs, servers, business telephone systems and other equipment, all towards continuing to shape a comfortable computing and network environment.

Electronic Devices Segment

Percentage of sales



Sales
(Billions of yen)



Operating income
(Billions of yen)



Operating income ratio
(%)



SEMICONDUCTOR COMPANY

The Semiconductor Company promotes balanced business in three segments: Memories, System LSIs and Discrete Devices. With NAND Flash memory and System LSIs and Discrete Devices for digital consumer products, we expect to see dynamic growth that we will sustain and advance through proactive application of management resources.

DISPLAY DEVICES & COMPONENTS CONTROL CENTER

The Center provides dedicated management across the Electron Tube business, including power tubes for accelerators and X-ray tubes, the Materials business, including precision manufactured parts and materials for the parts and components business, and the Solid-state Device business, including thermal print heads; all businesses that contribute to development and progress in diverse product areas. The Center also manages progress in key emerging technologies, especially Direct Methanol Fuel Cells (DMFC) that will shortly be commercialized in personal digital products.

TOSHIBA MATSUSHITA DISPLAY TECHNOLOGY CO., LTD.

As it continues to lead the world in development of Low Temperature Polysilicon TFT technology, Toshiba Matsushita Display Technology is also promoting development of high value added displays for a wide range of applications, including mobile phones, car navigation systems and mobile PCs.



POWER SYSTEMS COMPANY

Know-how in nuclear, thermal and hydroelectric power generation, and in transmission and distribution systems, assures comprehensive and reliable electric power supply solutions.

INDUSTRIAL SYSTEMS COMPANY

Our electrical equipment and systems for transportation, security and automation, production, control and measuring, all contribute to industrial development in world markets.

SOCIAL INFRASTRUCTURE SYSTEMS COMPANY

We serve the public with essential social infrastructure systems, water and environmental systems, broadcasting and network systems and radio application systems.

TOSHIBA ELEVATOR AND BUILDING SYSTEMS CORPORATION

We develop, deliver and maintain highly efficient, safe, state-of-the-art elevators and escalators, offer upgrades and provide integrated building management services.

TOSHIBA SOLUTIONS CORPORATION

From consulting to outsourcing, for industry and business, our full range of optimized solutions support our clients' continued growth and development.

TOSHIBA MEDICAL SYSTEMS CORPORATION

Through advanced diagnostic imaging modalities, including CT system, MRI and ultrasound, and healthcare IT systems, we contribute to global healthcare.



TOSHIBA CONSUMER MARKETING CORPORATION

With the same innovative spirit that developed the leading-edge technology for Japan's first refrigerators, washing machines, vacuum cleaners and rice cookers, we are taking our products to the global level, to contribute to richer, more comfortable lifestyles for people everywhere.

Others

Percentage of sales





Digital Products Segment

Consolidated net sales of Digital Products increased by 269.0 billion yen to 2,805.5 billion yen. The PC business saw sales increase from a year ago on overseas sales growth, and the Digital Media Network business saw increased sales on higher sales of TV and portable digital music players. The Mobile Phones business saw sales decrease from the previous year, on lower sales in the Japanese market, while the Retail Information and Office Document Processing Systems business saw increased sales on higher sales of POS systems and multi-function peripherals.

Consolidated operating income in Digital Products was 15.8 billion yen, a decrease of 5.1 billion yen from a year earlier. The PC business posted a solid performance as a result of profitability improvement actions, and the Digital Media Network business saw improved operating income on increased sales. The Retail Information and Office Document Processing Systems business recorded increased operating income on higher sales. The Mobile Phones business remained profitable although lower sales resulted in a decrease in operating income.

The launch of the world's first HD DVD player in Japan was followed up globally. We will continue to introduce new products with higher quality pictures and more attractive functions than those offered by standard DVD players.

Toshiba's position in the market

Share of the global portable PCs market for 2006

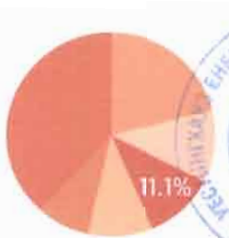
		Volume of shipments (Thousands of units)	Share (%)
1	Hewlett-Packard	14,741	17.8
2	Dell	13,551	16.4
3	Acer	9,548	11.6
4	Toshiba	9,201	11.1
5	Lenovo	6,330	7.7
	Others	29,277	35.4
	Total	82,648	100.0



Sources: IDC (June 2007)

Share of the domestic mobile phones market for FY2006

		Volume of shipments (Ten thousands of units)	Share (%)
1	Sharp	1,037	21.0
2	Panasonic Mobile	561	11.4
3	Toshiba	548	11.1
4	NEC	496	10.1
5	Fujitsu	407	8.3
	Others	1,884	38.1
	Total	4,933	100.0



Source: MM Research Institute (April 2007)





gigabeat® U Series Digital Audio Player
The newly expanded gigabeat line-up features compact, light bodies, a Toshiba-developed high-end processor, an FM radio tuner and direct recording from other audio equipment. Noise suppression adds to high quality output faithful to the original source.

Qosmio Series AV Notebook PC
"Useful, simple, with a stunning screen." That's the essence of the Qosmio series. The new Qosmio G40/97C sports the latest Intel processor for high speed processing of large data sources — and while it's a superb PC, it's also more, including a great way to enjoy HD programs via terrestrial digital broadcasts.

State-of-the-art Mobile Phones
Distinctive designs set off by the luster of unique color tones give Toshiba's mobile phones a classy feeling. But these compact bodies are also a quick response to market needs, and boast such features as a 3.2 megapixel camera, a large 3-inch LCD and integrated music player.



ЕЛЕКТРОНИКАУЗ ЕНЕРДЖИ СИСТЪМС ООД - КЛОН БЪЛГАРИЯ - "" - СОФИЯ

MOBILE COMMUNICATIONS COMPANY

In FY2006, in a severe market environment characterized by shrinking demand and falling sales units for individual models, we launched 18 new handsets for KDDI and SoftBank Mobile. By doing so, and despite a sudden fall in sales prices and intensified cost competition in a deteriorating market environment, we managed to maintain sales units at the same level as in the previous year, and to retain our position among the market leaders.

Overseas, the influence of steep price declines helped to spur the continued diffusion of 2.5G models and the launch of 3G models, in both the European and Asian markets, and we were able to win expanded sales.

The Mobile Communications Company is now directing resources to supporting participation in social networks and preparing for the appearance of ubiquitous networking by developing multimedia mobile phone terminals. These efforts will fuse Toshiba's leading-edge capabilities in such areas as high-speed wireless technology, including Bluetooth® and Wireless LAN, high resolution image processing engines, high capacity memory and HD, large screen LCDs. Looking to the future, the company will promote strategies for products to enhance Toshiba's name in this market, by further capitalizing on our strengths and expertise in graphic and advanced device technologies. Moreover, the emergence of a new genre of next-generation terminals for high speed communication and broadband wireless environments provide us with the welcome opportunity to advance our business to the global level. There, we will plan and deliver to our partner companies, highly differentiated products that support us in boosting our predominance in the mobile phone business.

DIGITAL MEDIA NETWORK COMPANY

Business growth in large screen LCD TVs generated a substantial increase in sales in FY2006. Operating income (loss) was improved on the better performance of the TV business and the results of the Storage Devices business.

In the TV business we strengthened our product line-up and sales promotion focus with the February 2006 unveiling of "REGZA," a new global brand of LCD TVs. As a result, we recorded improvements in both sales and operating income. In September 2006 we established Toshiba Television Central Europe Sp. zo. o. in Poland, as the core manufacturing facility for LCD TVs for the European market. Prices of flat panel TVs are falling fast in a very tough, demanding market environment, but as the shift to larger screens and full HD continues to progress, we will develop the breadth of the "REGZA" and work for further sales expansion.

In the Storage Devices business, our main focus was on high capacity, high value-added 1.8-inch and 2.5-inch HDDs, while in optical disc drives we promoted a shift to sales and marketing of recordable DVD. These approaches supported us in achieving

higher sales and operating income. FY2006 saw us reach the milestone of production of 1 million HD DVD drives.

In the Digital AV business, DVD recorders completed a demand cycle, and this, combined with the continuing effect of a downturn in market scale the previous year, caused sales to ease, even as profit showed some improvement. In April 2006, we launched the world's first HD DVD player, and we kept the momentum going with the July launch of the world's first hard disk recorder integrating an HD DVD. In FY2007, as the leading company in the field, we plan to bring to market new products that combine stylish design with the latest advances in technology.

The Digital Media Network Company operates in a relentlessly severe market environment of fierce competition and intense price erosion, but, aiming to enhance Toshiba's name in the digital AV business sector, the company will energize the market through persistent release of leading edge products leveraging Toshiba's distinct technologies.

PERSONAL COMPUTER & NETWORK COMPANY

In FY2006, we saw significant increases in overseas sales in the Personal Computer business, particularly in Europe and the United States. Sales stood at 971.8 billion yen, up 14% over the previous fiscal year, and worldwide shipments climbed dramatically, to record a rise of 20% over the previous term. Operating income was bolstered by the sales expansion, measures to improve management efficiency and progress in cutting constituent material costs, and was in the black to the tune of 6.9 billion yen.

The Personal Computer & Network Company is cultivating business growth and development in two areas: commodity products and differentiated products. In commodity products, we will achieve greater cost competitiveness, mainly by expanding the scale of sales, while in differentiated products we are making "AV notebook PC" and "Thin and Light" the guiding principles of product development. In February 2007, we brought to market the Qosmio G30/97A, the world's first AV notebook PC with an integrated HD DVD-R drive. We also renewed our dynabook line-up and deployed Windows Vista™ in all of our notebook PCs.

We anticipate continued high growth in our core business, notebook PCs, and will make full use of synergies that advance the creation of fusion products and look for continuous, dynamic growth. Moreover, we will seek to harness the continued progress of globalization and use it to drive business expansion. In an age of ubiquitous connectivity, in the three domains of the home, the office and the mobile, we will concentrate Toshiba Group's cutting-edge core technologies in the development of notebook PCs and servers, and business telephone systems, and work towards achievement of a truly comfortable computing and networking environment.

ЕНЕРДЖИ СИСТЕМС ООД - КЛОН БЪЛГАРИЯ - СОФИЯ

Electronic Devices Segment

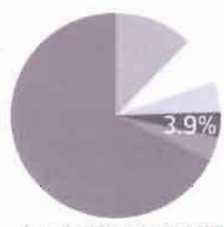
Electronic Devices increased consolidated net sales by 269.2 billion yen to 1,657.3 billion yen. The Semiconductor business saw increased sales against the previous year on solid sales of memories, mainly NAND Flash memory. Sales in the LCD business also increased on overseas sales growth. The Components business reported a sales decline, reflecting the cessation of production of some Cathode Ray Tube related products.

Consolidated operating income of Electronic Devices was 119.7 billion yen, a decline of 3.6 billion yen from the previous year. The Semiconductor business saw decreased operating income as a result of a significant decline in prices of NAND Flash memories, while the LCD business posted higher operating income, largely the result of focusing sales on high value-added products and of thorough cost reduction programs. Through a joint venture with SanDisk Corp., we expanded production of NAND Flash memories. Toshiba signed a contract with Micron Technology Inc. regarding the transfer and licensing of semiconductor patents, and agreed to end all ongoing disputes with Lexar Media, Inc., Micron Technology's subsidiary. In addition, it concluded a patent cross-license contract with Hynix Semiconductor Inc. in South Korea to terminate all of the disputes. Toshiba sold all of its shares in SED Inc. to Canon Inc., but will continue to strive to launch a TV business utilizing high picture quality SED panels.

Toshiba's position in the market

Share of the global semiconductors market for 2006

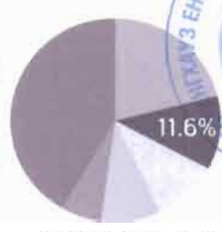
		Sales (Million of US$)	Share (%)
1	Intel	31,542	12.1
2	Samsung Electronics	19,842	7.6
3	Texas Instruments	12,600	4.8
4	**Toshiba**	**10,141**	**3.9**
5	STMicroelectronics	9,854	3.8
	Others	176,215	67.8
	Total	**260,194**	**100.0**



Source: iSuppli Corporation (March 2007)

Share of the global small- and mid-sized TFT-LCD market for 2006

(Amount base)		Share (%)
1	Sharp	21.1
2	**Toshiba Matsushita Display Technology**	**11.6**
3	Sanyo Epson	10.3
4	Samsung	9.2
5	Hitachi	6.3
	Others	41.5
	Total	**100.0**



Source: DisplaySearch (January 2007)

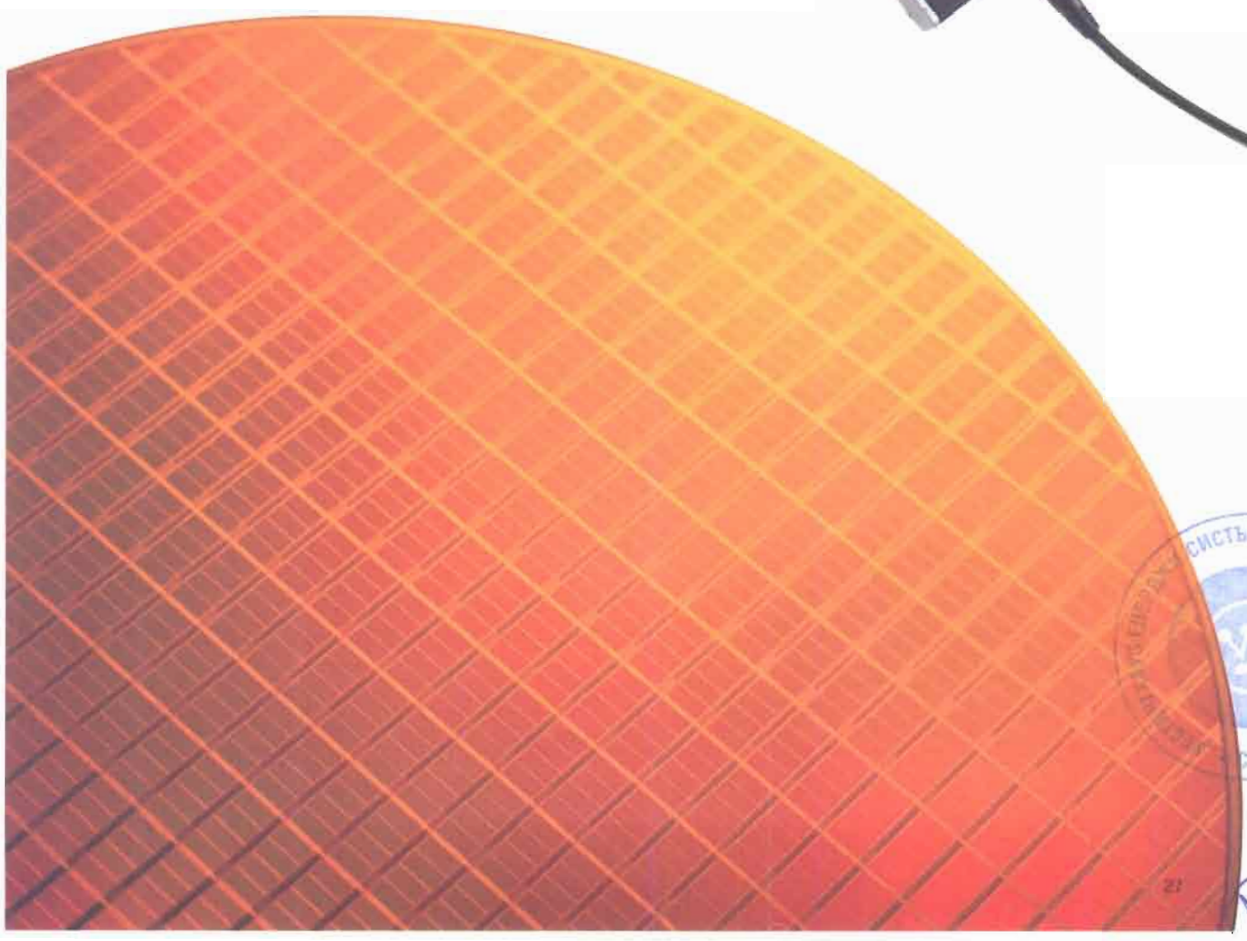


Organic Light Emitting Diode (OLED) Display
We have successfully developed polymer type and small molecule type OLEDs; a display only 0.99mm thick for application in mobile phones; and an LCD with integrated input function that offers substantially improved operation in a wide range of ambient light intensities.



NAND Flash Memory
Construction of a new 300mm wafer manufacturing facility, Fab 4, started at Yokkaichi Operations in August 2006. Mass production is scheduled to start in the third quarter of FY2007.

Direct Methanol Fuel Cell (DMFC)
We are advancing development of DMFC for mobile equipment with a strong emphasis on commercialization.



SEMICONDUCTOR COMPANY

In FY2006, we saw positive growth in demand for NAND Flash memory, CMOS sensors, System LSIs for digital consumer products, and discrete devices. This positive trend produced a 25% increase in sales. In profit and loss, precipitous price falls in NAND Flash memory had a major impact, reducing operating income by 4%. However, we did manage to secure a high level of profit that matched that of the previous fiscal year. In 2006, we ranked fourth in global sales.

In NAND Flash memory, mobile phones and portable media players were the main market drivers. This year, too, we anticipate dynamic market expansion, and we are positioned to respond. Work on a 300mm wafer production facility (Fab 4) at Yokkaichi Operations has made good progress since construction started in August 2006, and we expect to start mass production in the third quarter of FY2007. We will also overcome intensifying competition and continue to make progress by assuring our continued predominance in future generations of process technology and multi-level cell technology.

CMOS sensors and System LSIs for digital consumer products turned in solid performances. Looking to the future, we established a successful System LSI mass production platform for next generation 45nm process technology through co-development with Sony Corporation and NEC Electronics Corporation.

With power devices and optical semiconductors in center place, the Discrete business generated higher sales. We expect to see continued growth in demand for power devices, and in readiness for that Kaga Toshiba Electronics Corporation started construction of new production facilities in September 2006. The project was completed in March 2007.

In FY2007 and beyond, we will reinforce our business portfolio by directing management resources to product areas where we look for continued growth. NAND Flash memory will continue to take central place as we promote efforts to expand our memory business, and we also expect growth in our System LSIs and Discrete businesses.

DISPLAY DEVICES & COMPONENTS CONTROL CENTER

In October 2005, we brought production of Cathode Ray Tube related products to an end, and the influence of this move was felt in lower sales for FY2006. However, results from the reorganization of the Cathode Ray Tube related business allowed us to achieve substantial improvements. In the Electron Tubes and Devices business and the Materials business, we saw favorable performances from current businesses. Looking to the future, we will continue to strengthen our businesses and support social life by supplying key devices: power tubes for accelerators and X-ray tubes in the Electron tube business; precision manufactured parts and materials in the Materials business; and thermal print heads and other products in the Solid-state Device business. Beyond that, we will continue development of Direct Methanol Fuel Cell (DMFC) for mobile

equipment, toward the goal of commercialization. In this, we will draw on technical power that has already seen our DMFC featured in *Guinness Records* as the Smallest Direct Methanol Fuel Cell, and aim to deliver an epoch-making power supply system that provides electricity for the long haul.

We have made major progress in the development of a diagnostic DNA chip. In July 2006, Toshiba, Daiichi Pure Chemicals Co., Ltd. and Toshiba Hokuto Electronics Corporation agreed to develop and commercialize a DNA-chip-based in vitro diagnostic system, utilizing electrochemical DNA chip technology from Toshiba and know-how in in vitro diagnosis from Daiichi Pure Chemicals. The companies will move forward under a formal contract to promote collaborative research, working for practical implementation of in vitro diagnosis of infectious diseases and cancers.

In FY2007, we will strengthen current businesses, draw on core technologies to enter new fields and increase our business scale, and drive forward the commercialization of our new next-generation device, DMFC.

TOSHIBA MATSUSHITA DISPLAY TECHNOLOGY CO., LTD.

FY2006 was a demanding year of continuing sharp price erosion and an extremely severe business environment. However, we completed a new Low Temperature Polysilicon TFT line at Ishikawa Works in April 2006, as planned, and through a primary focus on mobile telephones we continued to meet healthy demand and recorded higher sales. A 60% increase in operating income against the year earlier period boosted profit, and reflected a shift to high value added products and comprehensive cost-cutting measures that allowed us to overcome sales price depreciation.

We also made research and development of new products and technologies a main focus of our activities. Among many results, we successfully developed a 0.99mm thin LCD for mobile phones, started mass production of a high luminance, high reflectance 8.9-inch transflective Low Temperature Polysilicon LCDs for notebook PCs, and succeeded in substantially improving the performance of an LCD with built-in input function when operating under wide lighting conditions.

Our capital investment is directed to assuring that we can meet the growth of the mobile phone market. Towards this, we are raising capacity at Ishikawa Works, our TFT LCD panel facility, with a new line that will produce 12,000 TFT substrates a month. The new line is scheduled to start operation in October 2007, and this reinforcement of plant and equipment will sharpen our ability to meet strong demand in Japan and overseas.

In FY2007, we will make the shift to even higher value added products, promote thorough measures for cost reduction, and continue to make steady progress in our business.

Social Infrastructure Segment

Social Infrastructure saw consolidated net sales of 2,067.7 billion yen, 185.4 billion yen higher than for the previous year. The Power Systems business saw sales rise on the consolidation of Westinghouse Group into Toshiba Group. The Social Infrastructure Systems business reported increased sales, primarily in transmission network systems. Sales in the Medical Systems business rose from a year earlier, on strong sales of multi-slice CT system, and the Industrial Systems business also recorded increased sales on higher sales of automation systems for train station operations. While the IT Solutions business saw a sales decline, the Elevator business saw increased sales on growth of orders in the Japanese market.

Consolidated operating income in Social Infrastructure was 96.8 billion yen, a 20.3 billion yen increase from the year earlier period. The Medical Systems business maintained solid profitability, while the Industrial Systems business saw a decline in operating income. The Power Systems business saw improved performance, and the Elevators, Social Infrastructure Systems and IT Solutions businesses all posted solid performances.

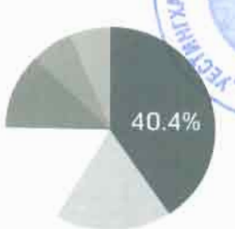
The main organizational change came with the October 2006 completion of the Westinghouse Group acquisition, which is expected to generate synergies and significantly advance global development of the nuclear power business. In addition, the segment's in-house companies were reorganized in April 2006 as Power Systems Company, Industrial Systems Company and Social Infrastructure Systems Company.

In connection with the obstruction of competitive bidding for orders placed by the former New Tokyo International Airport Authority, we were obliged to partially suspend business under the Construction Industry Law from March to April 2006. The Group took various measures to eliminate illegal bidding acts and to reestablish public trust.

Toshiba's position in the market

Share of the U.S. steam turbine and generator market for 2006

		MWe	Share (%)
1	Toshiba	3,260.0	40.4
2	Hitachi	1,469.3	18.2
3	Alstom	1,347.0	16.7
4	Mitsubishi Heavy Ind.	952.0	11.8
5	General Electric	526.0	6.5
	Others	519.0	6.4
	Total	8,073.3	100.0



Source: McCoy Power Report "Steam Turbine Report 2006"

Ticket Barrier for Contactless Smartcard
Introduced in March 2007, the "PASMO" card integrates an IC that stores credit for use on trains and buses, and as e-money in many stores. Toshiba developed user-friendly ticket barriers with a "PASMO" processing unit.





Diagnostic Ultrasound Systems
Ultrasound systems offer a non-invasive diagnostic modality that is a patient-friendly machine and that does not expose patients to radiation. Toshiba commands the top share of the domestic market, approximately 30%, with systems that integrate our distinctive tomographic imaging and blood flow imaging technologies. Through our activities, we seek to contribute to the health of people around the world.

POWER SYSTEMS COMPANY

In FY2006, Westinghouse Group became a consolidated subsidiary, we saw favorable domestic and overseas business in thermal power, transmission and distribution systems, and achieved notable improvements in sales and operating income.

The October 2006 completion of the acquisition of Westinghouse Group gave Toshiba world-class capabilities in the two main nuclear power generation systems, PWR (pressurized water reactor) and BWR (boiling water reactor), and positioned us as the leading business group in the world nuclear power market. In the thermal power business, our main focus is on the North American steam turbine and generator business, where we have secured the largest market share for four consecutive years. In March 2007, we reinforced our steam turbine and generator service capabilities in North America through the acquisition of ReGENCo, a U.S. service provider.

Looking to the future, in Japan we will focus on plant service, maintenance and refurbishment, while in overseas growth markets, particularly Asia, China, and North America, we will take measures to enhance our competitive power, including strategic alliances where appropriate. We will continue to refine our technologies, and to promote nuclear power as a solution to problems facing the global environment. Synergies with Westinghouse Group will accelerate the expansion of BWR and PWR as leading technologies on the global stage.

"УЕСТИНГХАУЗ ЕНЕРДЖИ СИСТЪМС ООД" - СОФИЯ

INDUSTRIAL SYSTEMS COMPANY

In FY2006, sales grew on the strength of our performance in locomotives and rolling stock electrical equipment; an increase in large projects, including railway station service systems related to "PASMO" contactless smartcards; and sales of general-purpose industrial motors and inverters. We won orders in Japan for electrical equipment for the Series N700 Shinkansen, and large orders overseas, including orders for electric locomotives for South Africa and mail processing equipment for La Poste (France).

China's surging demand for electric power is paralleled by demand for vacuum interrupters, key components in power stations and factories. We responded by forming a joint venture with a local sales and manufacturing company in January 2007.

We will continue to offer a wide range of industrial systems in both the Japanese and overseas markets, and continue our positive efforts to develop new technology.

SOCIAL INFRASTRUCTURE SYSTEMS COMPANY

FY2006 sales and income surpassed those of the previous year, as supply of main systems for terrestrial digital broadcasts to regional broadcasters peaked and communications networks expanded.

In infrastructure systems, we focus on environmentally conscious power distribution systems and IT solution systems for building, highway and river management facilities. In water and environmental systems, we are deeply involved in the renewal of water purification and sewage treatment plants, and expanding our business in environmented systems that meet social needs. In broadcasting and network systems, we will enter the field of video production and editing, promote overseas expansion in broadcasting equipment, and start up new business in next-generation wireless communication equipment. In radio application systems, including radar and information processing systems, we will anticipate changes in customer requirements and expand our range of next-generation products, and advance measures to promote overseas business.

We contribute to society's peace of mind, safety and comfort by providing a wide range of environmentally conscious products and systems that serve social needs.

TOSHIBA ELEVATOR AND BUILDING SYSTEMS CORPORATION

In FY2006, sales were higher on completion of new projects in the domestic market, particularly in the capital region, and on growth in the domestic maintenance business.

Technology innovations allowed us to market "SPACEL-EX" elevators meeting the Ministry of Land, Infrastructure and Transport's measures for earthquakes and disaster prevention, including functions for emergency rescue and automatic restoration of operation as standard. Our P wave (initial tremor) sensor is an additional standard function that detects earthquakes as they arrive.

China, our main overseas market, saw intense competition and price reductions on over-supply. Seeking to capture an even larger share of the home-use market, we launched new models in the "LCOSMO-V" Series. Moving forward, and to promote further growth, we will make China our primary focus and promote moves to develop a global business.

TOSHIBA SOLUTIONS CORPORATION

In recent years, the Japanese IT market has grown at an annualized rate of just over 2%. In FY2006, we achieved steady results in package solutions and solutions for banks, securities companies, the press, and telecoms, and expanded sales of software for digital equipment, including mobile phones. We won a major order from central government for a new large-scale basic system. We started new business in sales control and internal control solutions for medium-sized companies. As a result, net sales were comparable with the previous year, and operating income was higher.

Our objective now is to continue to supply high quality solutions that make us the "No. 1 Solutions Partner for Customers."

TOSHIBA MEDICAL SYSTEMS CORPORATION

In FY2006, Japan and major countries around the world reduced the reimbursement cost for medical treatment and services, and took initiatives to control medical costs. These measures, plus intensifying global competition, slowed growth in the medical equipment market.

In this severe environment, we promoted sales by concentrating on leading-edge technologies for medical equipment and systems. Above all, we focused on the 64 multi-slice CT system, a breakthrough product that enhances medical care while promoting efficiencies in hospital management. Since its launch, the system has won highly positive evaluations around the world, producing a ripple effect that has favorably impacted on our global sales of MRI, X-ray and ultrasound equipment. As a result, we once again sustained sales and operating income at a high level in FY2006. During the year, we also reinforced our global business organization through measures that included establishing an R&D Center in the United States and a local subsidiary in China.

Looking ahead, we will build on the success of our CT system by promoting advanced technology development that assures we are first to commercialize a next-generation CT system. We will also propose to our customers broad health-care solutions that maximize quality of medical care, efficiency and safety in the clinical pathology cycle of physical examinations, diagnosis, treatment and follow-up.

ЕСТИНГХАУЗ ЕНЕРДЖИ СИСТЪМС ООД
• СОФИЯ •

Home Appliances Segment

Growth in high value added products, favorable sales of air-conditioners and washing machines, and a healthy performance in the lighting equipment business, including industrial-use lighting, generated sales that were 61.4 billion yen higher than in the previous period at 748.9 billion yen, while operating income increased by 7 billion yen to 9.7 billion yen. We launched a succession of innovative products which met with a positive response.

Toshiba's position in the market

Washing machine market share by unit sales



Over the three years 2004 to 2006, we maintained the No. 1 share in the Japanese washing machine market in terms of unit sales.

Source: A nationwide survey of leading electronic goods retailers by GfK Japan

TOSHIBA CONSUMER MARKETING CORPORATION

Home Appliances business

FY2006 was characterized by growth in high value-added products that contributed to increased profit, such as low pressure IH rice cookers with vacuum pump, the Typhoon Robo XP series of vacuum cleaners with automatic filter cleaning, and simple heat control IH cooking heaters.

We brought to market high volume refrigerators and washer-dryers with an air-conditioning function, and a hybrid drum that dries clothes at low temperature.

We promoted strategic organizational changes. Until now, Toshiba TEC Corporation has developed and manufactured vacuum cleaners, juicers and mixers. In order to improve the speed of decision making, and to enhance the overall efficiency of the business structure, that business became a part of Toshiba HA Products Co. Ltd. on June 1, 2007. We also moved to increase competitive power in the refrigerator business, by transferring production from Osaka Operations to a production facility in China at the end of September 2007. We further plan to transfer refrigerator development and design to Aichi Operations, which will be positioned as our global product and manufacturing technology development center, by the end of March 2008.

With the objective of increasing overseas sales, we market drum-type washer-driers and multi-door refrigerators as value-added products in China, Southeast Asia and Taiwan. We will also reinforce efforts to increase sales to the home construction market.

Air-conditioning business

Exports of medium-sized air-conditioning equipment, mainly in Europe, supported sales growth in the air-conditioning business in FY2006. We also started sales of the innovative

Typhoon Robo XP Series Vacuum Cleaners
The Typhoon Robo X Series is our high-end model of the Typhoon Robo Series. High wind pressure inside the system during cleaning maintains a high level of suction, with no need for filter maintenance for as long as10 years.



Daiseikai Room Air-conditioners
The recently introduced "long and pleasant" SDR Series of room air-conditioners offers "four cleaning functions" in the indoor unit that cut energy consumption from installation right through the next ten years of operation.





E-CORE Highly Efficient LED Downlight
In terms of energy efficiency and long life, LED offer unsurpassed environmental friendliness. We have developed the E-CORE downlight as the industry's most efficient general lighting LED product with 50lm/W output.

Daiseikai SDR Series, small-sized air-conditioners that feature automated cleaning of the filters and ducts—a total of "four cleaning functions." Super Flex Modular Chiller, an industrial-use air-conditioners won the METI Minister's Prize for FY2006 (the 17th year), marking the ninth consecutive year that our products have won a major prize for energy conservation.

Lighting business

In FY2006, good performances in general lighting and industrial lighting produced increased profit for the lighting business. In the field of general lighting, our newly developed Mellow Z PRIDE fluorescent lamps have a 12,000-hour life, twice that of today's typical products, and are also 30% brighter. In LED lighting, we have developed the E-CORE, a highly efficient downlight with built-in power unit, and we plan to bring it to market in July 2007. LED lighting offers a very high level of eco-efficiency: it uses less energy, has a long life, is compact and light, and requires fewer raw materials. This is a product area where we expect to see further growth.

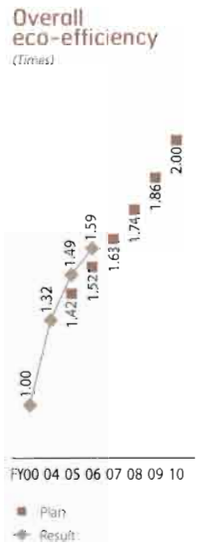
In the cold cathode fluorescent tubes that provide the backlighting for LCDs, we have established a global production capacity of 31 million units a month, and once again achieved new sales records.

PROMOTING CSR MANAGEMENT

Toshiba Group positions CSR at the heart of management, alongside "Sustained Strong Growth with High Profit" and maximization of the multiplier effect of innovation.

Based on the fundamental principles of according the highest priorities to human life, safety and legal compliance in all business activities, Toshiba Group is addressing human rights, environmental management, enhancement of customer satisfaction, corporate citizenship and promotion of supplier CSR activities, both in Japan and overseas.

FOR A BETTER GLOBAL ENVIRONMENT



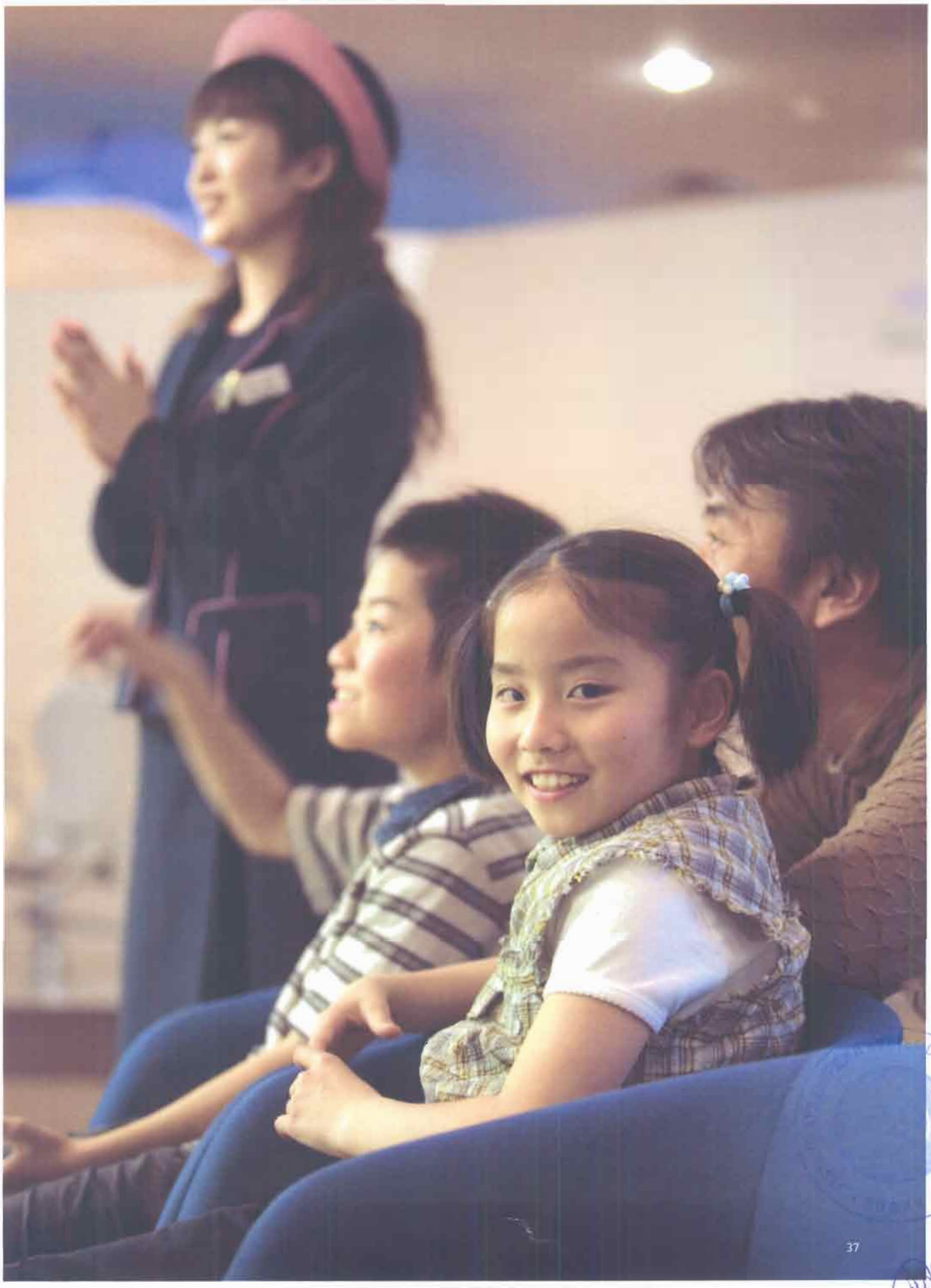
As "a corporate citizen of planet Earth" we keep two things at the front of our mind when implementing CSR activities. The first is our role as a leader working for the betterment of the global environment. In "Environmental Vision 2010," Toshiba Group sets itself the target of doubling overall eco-efficiency by FY2010, against the benchmark year of FY2000. We are advancing towards this goal by promoting environmental management focused on "enhancement of product eco-efficiency" and "business process innovation." In FY2006, eco-efficiency achieved surpassed the target of 1.52, rising by 0.07 points to 1.59.

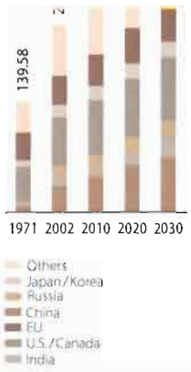
The second is our position in carrying out business activities around the world. By respecting the history, culture and customs of each country and region, Toshiba Group strives to be a global enterprise that is worthy of the trust of the wider society.

Environmental Vision 2010 = double overall eco-efficiency (FY2010 against FY2000)



* Double overall eco-efficiency= Business process "eco-efficiency" (1.2 X) × 20% + Product eco-efficiency (2.2X) × 80%





Source: IEA World Energy Outlook 2004

and we are driving forward hydroelectric power generation and other renewable energy sources, such as fuel cells, wind power, geothermal sources and biomass.

Nuclear power generation produces electricity, but not CO_2. Among current systems for large scale electricity generation, nuclear power emits by far the lowest levels of CO_2. As a result, there is growing demand around the world for new nuclear power plants, as a means to mitigate climate change.

In thermal power generation, we are seeking to raise operating efficiency and to cut emissions of CO_2. We aim to achieve significant reductions in emissions, and towards this we are investigating methods for capturing and fixing CO_2.

TOSHIBA PLANTS A FOREST OF 1.5 MILLION TREES AROUND THE WORLD

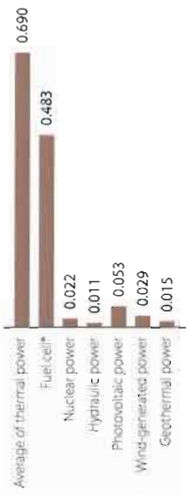
Looking forward to 2025, Toshiba's 150th anniversary, we are implementing a project to plant 1.5 million trees around the world.

In 2005, working in cooperation with Japan's Forest Agency, we established Toshiba Forest in Gotemba, Shizuoka Prefecture. In addition to that, in Tatsuno City, Hyogo Prefecture, we are supporting a project to regenerate woodlands in the countryside. In Chongqing, China, we are collaborating in a reforestation project, and Toshiba Group companies in Thailand participate in planting mangrove trees. In April 2007, we started collaborating with an NPO to set up a project under which employee volunteers help reforest at Loess Plateau in Shanxi Province, 300km west of Beijing.

We will continue to encourage employees to get involved in voluntary reforestation and fund-raising activities, and in contributing to protect the global environment.

Emission of carbon dioxide (CO_2) by power supply

(kg-CO_2/kWh)



Source: Report by Central Research Institute of Electric Power Industry, etc.

*Emission from fuel cells includes the amount of CO_2 reduction achieved by heat utilization in co-generation systems.



Tree planting at Loess Plateau, China

Research and Development

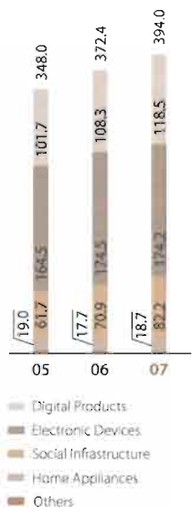
RESEARCH & DEVELOPMENT ORGANIZATION

Toshiba takes a clear stance in promoting R&D activities: development centers in each company do research for today, the Corporate Research & Development Center does research for tomorrow. We are also advancing measures to take innovation to the global level, and promoting research activities in Toshiba research facilities in Europe, the United States, China and in Southeast Asia.



R&D expenditures

(Billions of yen)



INITIATIVES IN FY2006

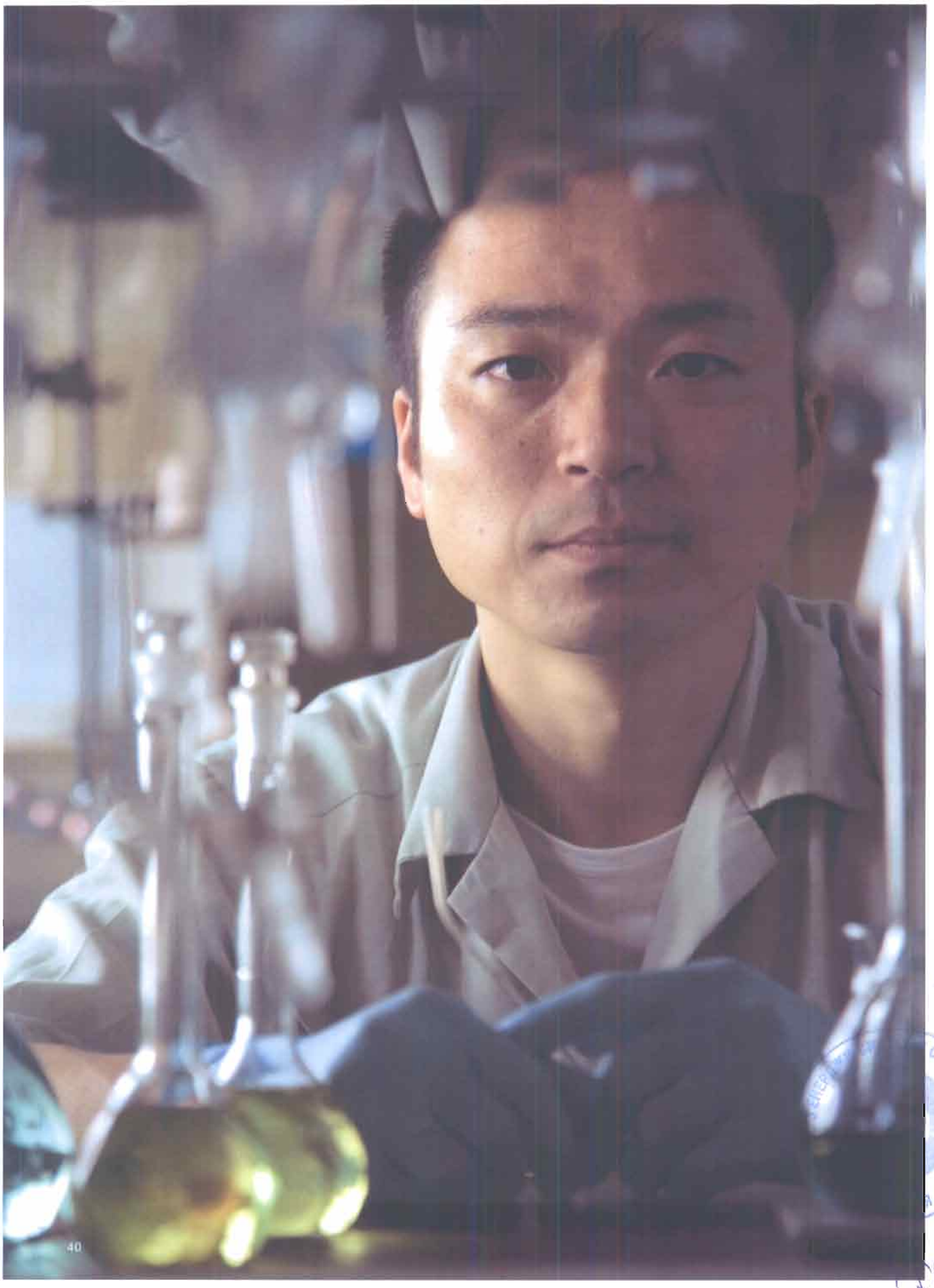
Toshiba's main businesses are in Digital Products, Electronic Devices and Social Infrastructure, all highly demanding domains. Each business must focus on present growth by strengthening development of strategic products and services, and on future growth by cultivating technology seeds that will underpin corporate profitability.

In the Digital Products business, where competitive strengths in imaging technology and storage device technology are at the heart of the business, and in the Electronic Devices business, where NAND Flash memory is the central product, cross-divisional projects can win major gains in securing the early development of strategic products and components. In the Social Infrastructure business, we continue to promote R&D activities geared to growth.

Under the slogan of creativity for decommoditized technology, Toshiba Group will continue to pursue constant innovation and promote creativity in the vanguard of technology development.

Recent R&D Results

- The world's first HD DVD recorder
- 100GB 1.8-inch HDD
- NAND Flash memory fabricated with 56-nanometer process technology
- Japan's first facial recognition system for pedestrians



Intellectual Property

INTELLECTUAL PROPERTY STRATEGY

Toshiba Group promotes a three-fold intellectual property (IP) strategy that emphasizes patent applications, patent enforcement, and IP management in unity with the Group's business and R&D strategies, and as a means for continued progress toward sustained and dynamic growth.

Our patent application strategy centers on building a strong portfolio by proactively filing large numbers of patent applications in core technology areas. We are paralleling Toshiba's globalization by strengthening overseas patent applications, primarily in the U.S. and China, and also in Europe and Asia.

In our patent enforcement strategy, we enforce our IP rights through such measures as strategic licensing, restricted licensing and strategic alliances, in order to generate licensing income and win market share.

Our IP management strategy supports, for example, patent prosecution, and maintenance and control of appropriate technical information, in order to benefit Toshiba Group as a whole. We also train expert IP personnel.

Japanese patents registrations (2006)

Ranking		No. of registrations
1	Matsushita Electric Industrial	3,939
2	Toshiba	2,910
3	SeikoEpson	2,477
4	Hitachi	2,362
5	Mitsubishi Electric	2,293
6	Canon	2,290
7	Sony	1,869
8	Denso	1,843
9	Fujitsu	1,834
10	Honda	1,824

Results shown above are based on survey through PATOLIS-e

IMPORTANT PATENTS AND COMMENDATIONS FOR INVENTIONS

Toshiba Group has a large patent portfolio that includes large numbers of key patents for semiconductors and standard and next-generation DVD. These latter patents have been licensed to multiple manufacturers around the world, while Toshiba's many and essential patents for NAND Flash memory support the Company in efforts to raise corporate profitability.

Toshiba Group's diverse high-tech capabilities have earned a very positive evaluation by society. In FY2006, the invention of an electron beam writing technology for semiconductor masks won "The Prize of the Minister of Economy, Trade and Industry," the Japan Institute of Invention and Innovation recognized the Company's achievements in advancing science and technology and industrial development with the "21st Century Encouragement of Invention Prize" for the invention of a method for forming an oxide semiconductor.

U.S. patents registrations (2006)

Ranking		No. of registrations
1	IBM	3,651
2	Samsung Electronics	2,453
3	Canon	2,378
4	Matsushita Electric Industrial	2,273
5	Hewlett-Packard	2,113
6	Intel	1,962
7	Sony	1,810
8	Hitachi	1,749
9	Toshiba	1,717
10	Micron Technology	1,612

Source: U.S. IFI CLAIMS Patent Services data

Number of patent applications by business segment (FY2006)

	Corporate Laboratories	Digital Products	Electronic Devices	Social Infrastructure	Home Appliances	Total
Japan	1,439	1,700	2,001	2,827	242	8,209
U.S.	628	1,364	979	303	8	3,282
China	320	212	230	229	35	1,026

Corporate Governance

TOSHIBA'S GOVERNANCE SYSTEM

Toshiba promotes corporate governance based on the fundamental policy and objectives of enhancing management efficiency, increasing transparency, and seeking to maximize corporate value from the shareholders' perspective.

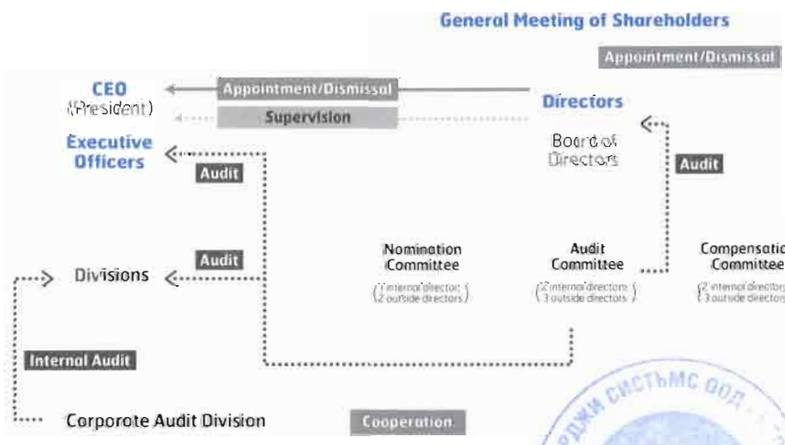
In June 2003, Toshiba made the transition to a "Company with Committees" system introducing Audit, Nomination and Compensation Committees, in order to improve management speed and flexibility, reinforce supervision and increase transparency. The Company also established the Corporate Governance Committee.

The board now has 14 directors, seven of them non-executive officers. Each of the three committees has a majority of outside directors, and the Nomination Committee and Compensation Committee are both chaired by outside directors.

Under the Companies Act of Japan, the Nomination Committee is responsible for making proposals on the appointment and dismissal of directors. At Toshiba, the Nomination Committee is also charged with making recommendations on the appointment and dismissal of the president and members of the committees.

Outside directors are provided with extensive support. They receive advance explanations on matters to be resolved at board meetings from the responsible staff, and they can attend the monthly liaison meetings for executive officers, allowing them to communicate and share information with the executive officers. Outside directors on the Audit Committee are supported by the full-staff of the Audit Committee Office. Outside directors serving on the Nomination Committee or Compensation Committee also receive support from staff.

Corporate governance structure



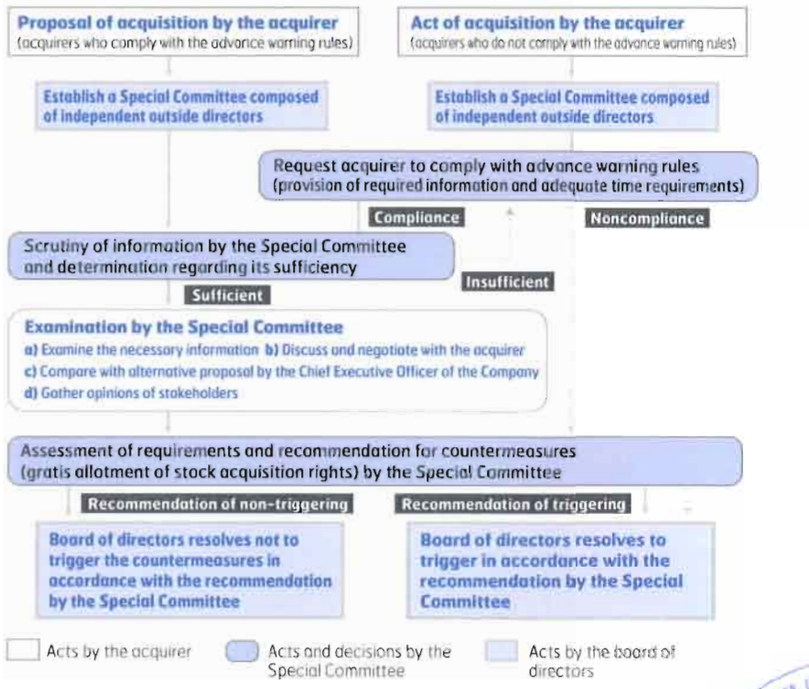
INTRODUCTION OF TAKEOVER DEFENSIVE MEASURES

Toshiba introduced countermeasures against any large-scale acquisition of the Company's shares (the Plan), following approval from the shareholders at the Ordinary General Meeting of Shareholders held in June 2006. The Plan is aimed at protecting and enhancing the corporate value of the Company and the common interests of the shareholders.

The Plan explicitly sets forth procedure to be followed in the event of any large-scale purchase of Toshiba stock, to ensure that shareholders are provided with all necessary information and sufficient time to make appropriate decisions, and that the Company has sufficient opportunity to negotiate with the acquirer.

When an acquirer proposes or starts to make an acquisition or takeover bid that would result in the acquirer holding 20% or more of the Company's total outstanding shares, the board of directors will establish a Special Committee composed entirely of independent outside directors. The Special Committee will consider and evaluate the details of the acquisition purchase and negotiate with the acquirer.

Diagram of Countermeasure Process for Large-Scale Acquisitions of Company Shares



Directors



Tadashi Okamura
Chairman of the Board of Directors



Atsutoshi Nishida
Director



Shigeo Koguchi
Director



Yoshiaki Sato
Director



Masao Niwano
Director



Toshio Yonezawa
Director

Executive Officers

Representative Executive Officer
President and Chief Executive Officer
Atsutoshi Nishida

Representative Executive Officers
Corporate Senior Executive Vice Presidents
Shigeo Koguchi
Yoshiaki Sato
Masao Niwano
Toshio Yonezawa

Executive Officers
Corporate Executive Vice Presidents
Makoto Azuma
Masashi Muromachi

Representative Executive Officer
Corporate Executive Vice President
Fumio Muraoka

Executive Officers
Corporate Executive Vice Presidents
Hisatsugu Nonaka
Masao Namiki
Chikahiro Yokota
Norio Sasaki



Fumio Muraoka
Director



Kazuo Tanigawa
Director



Sadazumi Ryu
Director



Toshiharu Kobayashi
Director



Atsushi Shimizu
Outside Director



Kiichiro Furusawa
Outside Director



Hiroshi Hirabayashi
Outside Director



Takeshi Sasaki
Outside Director

Executive Officers
Corporate Senior Vice Presidents

Yoshihide Fujii
Toshinori Moriyasu
Ichiro Tai
Kazuo Tanigawa
Shozo Saito
Hidejiro Shimomitsu

Executive Officers
Corporate Vice Presidents

Shunsuke Kobayashi
Toru Uchiike
Mutsuhiro Arinobu
Nobuhiro Yoshida
Michiharu Watanabe
Hisao Tanaka
Yoshio Ooida
Shunichi Kimura
Koji Iwama
Satoshi Niikura
Toshiharu Watanabe
Keizo Tani
Hidemi Miura
Hideo Kitamura
Shoji Yoshioka
Kosei Okamoto
Kazuyoshi Yamamori

(As of June 25, 2007)


TOSHIBA