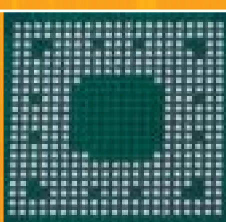
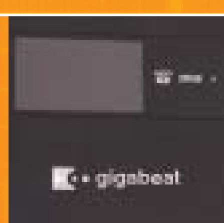
TOSHIBA

UNIQUE Competencies
GLOBAL Expansion
Profitable Growth





ANNUAL REPORT 2004
Year ended March 31, 2004

The Toshiba Commitment

Basic Commitment of the TOSHIBA Group

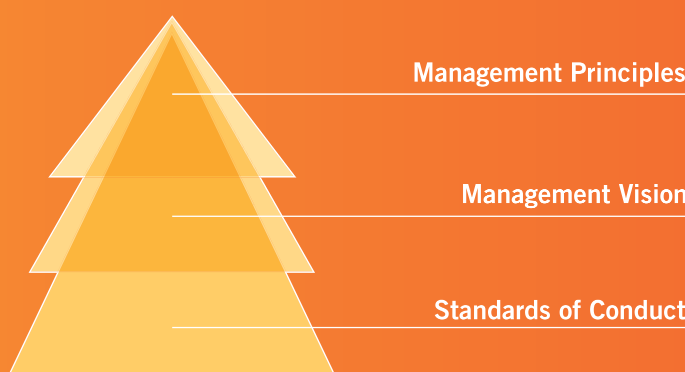
We, the Toshiba Group companies, based on our total commitment to people and to the future, are determined to help create a higher quality of life for all people, and to do our part to help ensure that progress continues within the world community.

Commitment to People

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

Commitment to the Future

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



FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements concerning Toshiba's future plans, strategies and performance. These forward-looking statements are not historical facts, rather they represent assumptions and beliefs based on economic, financial and competitive data currently available. Furthermore, they are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, worldwide megacompetition in the electronics business, customer demand, foreign currency exchange rates, tax rules, regulations and other factors. Toshiba therefore wishes to caution readers that actual results may differ materially from our expectations.

CONTENTS

FINANCIAL HIGHLIGHTS

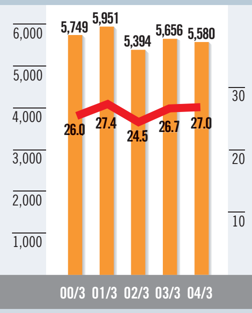
Toshiba Corporation and its subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of yen		Change (%)	Thousands of U.S. dollars
	2004	2003	2004/2003	**2004**
Net sales–Japan	**¥3,399,903**	¥3,343,551	1.7	**$32,074,557**
–Overseas	**2,179,603**	2,312,227	(5.7)	**20,562,292**
Net sales	**5,579,506**	5,655,778	(1.3)	**52,636,849**
Operating income	**174,586**	115,542	51.1	**1,647,038**
Income before income taxes and minority interest	**145,041**	53,123	173.0	**1,368,311**
Net income	**28,825**	18,503	55.8	**271,934**
Total assets	**4,462,200**	5,238,936	(14.8)	**42,096,226**
Shareholders' equity	**754,990**	571,064	32.2	**7,122,547**
Capital expenditures (property, plant and equipment)	**227,273**	230,512	(13.6)	**1,878,557**
Research and development expenditures	**336,714**	331,494	1.6	**3,176,547**
Return on equity (ROE) (%)	**4.3**	2.9	—	
Return on total assets (ROA) (%)	**0.6**	0.3	—	
	Yen			U.S. dollars
Per share of common stock:				
Net income				
–basic	**¥8.96**	¥5.75	55.8	**$0.085**
–diluted	**8.96**	5.75	55.8	**0.085**
Cash dividends	**3.00**	3.00	—	**0.028**
Number of employees	**161,000**	166,000	(3.0)	

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 ¥106=U.S. $1.
2. Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share assumes the dilution that would occur if dilutive convertible debentures were converted into common stock.

NET SALES & GROSS PROFIT MARGIN

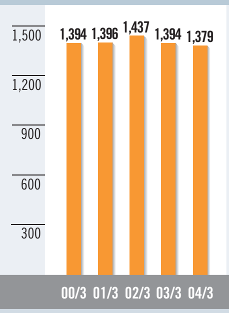
(Billions of yen) (%)



Net Sales
Gross Profit Margin

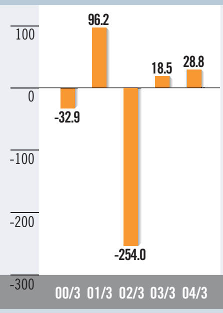
SG&A EXPENSES

(Billions of yen)



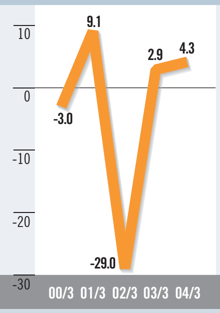
NET INCOME (LOSS)

(Billions of yen)



ROE

(%)



OVERVIEW OF FISCAL 2003

Tadashi Okamura,
Director, President and Chief Executive Officer

Fiscal 2003, ended March 31, 2004, opened in uncertainty, with continued deflation in the domestic economy and concerns about the international impact of the war in Iraq. The second half of the fiscal year was more settled, however, with the corporate sector showing renewed confidence as exports turned favorable and capital expenditure began to increase slightly.

Digital consumer products emerged as clear favorites in the market, boosting sales of digital still cameras, mobile phones and digital flat-panel TVs in both Japan and overseas markets, including China and the United States. However, the commoditization of portable PCs gathered steam and made a strong impact on Toshiba Corporation's performance.

Amid these conditions, Toshiba's consolidated net sales for fiscal 2003 totaled ¥5,579.5 billion, a 1% decline compared with the previous fiscal year. Excluding the effect of business transfers, however, sales rose approximately 2% year on year. More significant indictors of the Company's improved performance are the 51% surge in operating income, to ¥174.6 billion, and the 56% jump in net income, to ¥28.8 billion.

Electronic devices made a robust contribution to this performance, led by the superior quality and global strength of the Company's semiconductors. Digital products fell short of targets as a result of slow sales of color TVs, mobile phones in overseas markets, and especially portable PCs.

The substantial increase in profitability achieved in fiscal 2003 was the result of rising earnings in the electronic devices business, along with positive effects of structural improvement measures carried out under the 01 Action Plan.

RESULTS OF THE 01 ACTION PLAN

Fiscal 2003 marked the culmination of our three-year 01 Action Plan, which supported us in developing programs for intensified competitiveness and streamlined management and in defining corporate initiatives to improve operating efficiency.

Measures for improved competitiveness included our 2002 withdrawal from the general-purpose dynamic random access memory (DRAM) business and a series of major joint ventures, with Matsushita Electric Industrial Co., Ltd. in liquid crystal displays (LCDs) and cathode ray tubes (CRTs), and with Mitsubishi Electric Corporation in the power transmission and distribution businesses and the industrial electric and automation systems businesses.

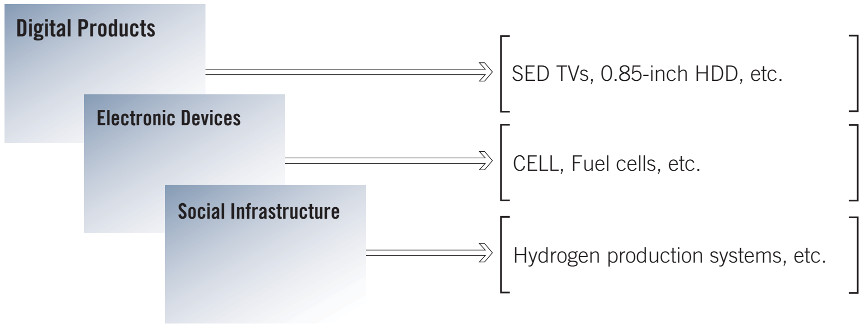
During the course of the plan we also reduced the number of Group employees from 188,000 to 161,000, and promoted an "asset-light" strategy that reduced assets by ¥1,200 billion, surpassing the original target of

Accomplishments of the 01 Action Plan

Goal/Target	Accomplishments
Restructure businesses	• Withdrew from the general-purpose DRAM business • Restructured the LCD and CRT businesses in joint ventures with Matsushita Electric Industrial Co., Ltd. • Restructured power transmission and distribution businesses and industrial electric and automation systems businesses in joint ventures with Mitsubishi Electric Corporation
Reduce procurement costs by 20% over two years	20% reduction achieved
Reduce number of Group personnel by 10% from 188,000 employees (as of March 31,2001)	14% reduction achieved 161,000 employees (as of March 31, 2004)
Reduce assets (asset-light strategy) by ¥800 billion	¥1,200 billion reduction achieved

Strategic Products

Strategic Products and Technologies that will Drive Future Growth



¥800 billion. Among the most successful of our corporate initiatives was our drive to reduce procurement costs by 20%, which we achieved a full year ahead of schedule.

We will continue to apply the lessons we learned during the course of the 01 Action Plan in our strategic planning.

THE NEW MID-TERM BUSINESS PLAN

As fiscal 2003 progressed, we carefully considered the market and realized we had to revise our targets in light of the rapid changes in our business environment. As a result, we forged a new mid-term business plan for fiscal 2004 through fiscal 2006, which is outlined in depth in the “Profitable Growth” section of this report. There are four essential elements in the new plan.

1) In the digital products business, we will promote proactive collaboration with the electronic devices business, with the goal of reinforcing the visual imaging business and establishing it as a major source of profits by 2006, alongside the portable PC business.
2) In the electronic devices business, we will continue to devote substantial management resources to further sharpening competitiveness, and enhancing collaboration with the digital products business.
3) In the social infrastructure business, we will actively seek business opportunities in China, Southeast Asia and in new business areas, while expanding the scale of our power plant rehabilitation businesses in Europe and North America.
4) We have identified strategic products and technologies that will drive future profits, and defined a strategic product map that will support the timely introductions of products.

Successful deployment of these strategies will allow us to advance further in our strong businesses and to press forward with efforts to restore profitability to underperforming businesses. They will also assure that we have the engines of growth we need for sustained profit. Based on our reading of the market and of the potential of these strategies, we have set clear targets for fiscal 2006, the final year of the plan: consolidated net sales of ¥6,200 billion, operating income of ¥280 billion, and return on equity (ROE) of greater than 10%. We also will strive to improve our financial position and to lower the debt-to-equity ratio to 100%.

TOSHIBA’S CORPORATE CULTURE

As we promote management reforms that enhance corporate governance and transparency, we are strongly aware of the importance of an appropriate corporate culture. This culture must permeate every aspect of our business and our operations around the globe, and assure that we are proactive toward the market, respect our social

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

obligations, and understand and embrace common values. We have taken steps forward in all of these areas. Since 1999, the Management Innovation (MI) initiative has guided Toshiba employees in seeking out the opportunities offered by change and a fiercely competitive business environment. MI encourages each business to operate autonomously and confidently, to promote reform and to improve operations to win success. Most recently, under MI we have promoted the Time to Market No. 1 (TM1) initiative. Launched in 2002, TM1 aims for the world's shortest lead times from product development to sales promotion, across all of our business domains. TM1 is a tool for providing customers with the products they want ahead of our competitors, and bolsters us in enhancing customer relations and building product competitiveness.

ANTICIPATING TOSHIBA'S 130TH ANNIVERSARY

Toshiba will celebrate its 130th anniversary in 2005. This is a record of longevity that few companies can match, and that can be explained by the sign that welcomed people to our very first manufacturing facility, which read: "Improving life with things people need." That determination to seek out the new, to add to the quality of life, has always sustained and guided us, to the point that it has become ingrained into our corporate DNA. Today, innovation is our passion and our goal.

Innovation grows from people and we must cultivate the creativity of everyone in Toshiba Group. That is the goal of the management vision that we introduced in January 2004. As MI brings us closer to the market and our customers, we are making progress in building a growth-oriented company. At the same time, we are striving to make Toshiba Group a place where people can develop their skills, and direct their energies and talents into developing and delivering products and services that reverberate and stir emotions throughout the world.

As we engage the market, it is essential that we abide by laws and regulations, respect corporate ethics, and ensure honest and open management. We must also shoulder our obligations for a better global environment and contribute to the wider community. In July 2003, we established the Corporate Social Responsibility (CSR) Division to oversee our activities in statutory and regulatory compliance, human rights, the environment, customer satisfaction and social contribution initiatives. The CSR Division led Toshiba in signing the United Nations' Global Compact in January 2004, pledging support for universal principles in the areas of human rights, labor and the environment, in order to achieve sustainable development at the global level.

Toshiba will continue to concentrate all its efforts on developing profitable businesses, strengthening its financial position, and ensuring appropriate returns to shareholders. As we pursue the realization of our management vision, we will also strive to achieve the sustainable development of society, increased satisfaction for shareholders, customers, employees and society at large, and add to our corporate value. Thank you for your continued support of Toshiba.

June 2004

Taizo Nishimuro
Chairman of the Board

Tadashi Okamura
Director, President and
Chief Executive Officer

Unique Competencies Global Expansion Profitable Growth

Toshiba is seeking to establish a high-earning corporate group that effectively combines stability and profitability.

**The visual imaging business, built on core technologies in digital imaging and storage, will be a new pillar of growth for the digital products business.
During the next three years through fiscal 2006, we will concentrate on pursuing synergies between visual imaging and the electronic devices that underpin our strength, establishing a strong foundation for future growth.**

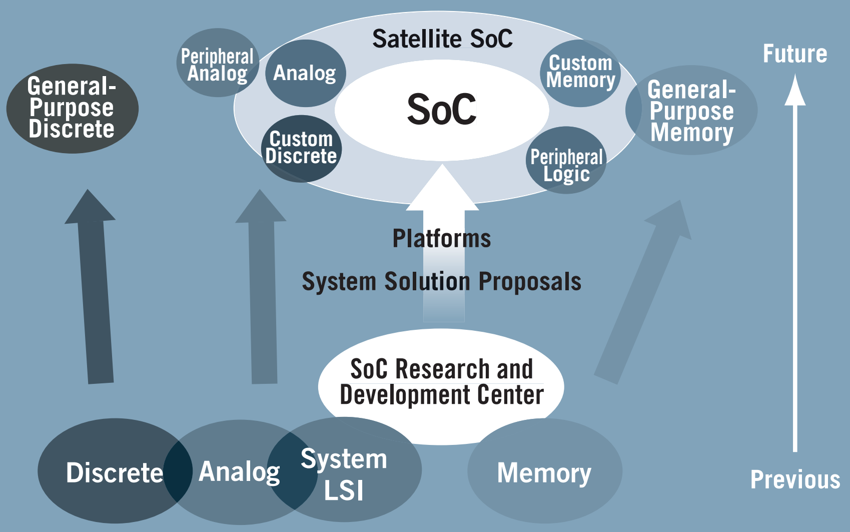
UNIQUE COMPETENCIES

Toshiba's Semiconductor Business Model

Toshiba's semiconductor business achieved consolidated sales of ¥898.8 billion and operating income of ¥118.4 billion in fiscal 2003, securing a continued position among the leaders in the world market.

The semiconductor business is a key growth field, and we will direct resources into capital investment and R&D that assure our continued ability to create world No. 1 products and secure the profitable growth that will maintain our position among the world leaders in this competitive industry.

Toshiba's Semiconductor Business Model
Proposals with existing businesses/Integration of support businesses



Three Primary Cash Cows

Toshiba's semiconductor business strategy positions NAND flash memory, discrete devices and analog ICs as three pillars to sustain high profitability and consistent growth. The NAND flash memory business holds immense promise, as strong demand for use in such products as digital still cameras and mobile phones with cameras is now being reinforced by the growing popularity of MP3 players, USB memory and other new applications. Toshiba projects the NAND market to be ¥880 billion in fiscal 2006 compared with approximately ¥380 billion in fiscal 2003, a 32% compound annual growth rate.

We are readying ourselves to meet this spurt in demand by installing a 300mm wafer fab at our memory production base, Yokkaichi Operations, in partnership with SanDisk Corporation of the United States, a move that will allow us to increase production capacity in line with market expansion. The new fab will be constructed under a ¥270 billion investment through fiscal 2006, and it will allow us to push monthly production to a level as high as 37,500 wafers.

In flash memory production, Toshiba is now promoting simultaneous development of three generations of process technology, covering the 90nm, 70nm and 55nm design rules, which will secure the Company's continued lead in submicron and multilevel technologies.

Toshiba is the consistent leader in the world market for discrete devices—transistors, diodes and other devices that provide the essential components of all electronic products. The Company will continue to expand this profitable business by bringing a strong product lineup and technological capabilities to key growth markets, including China, Taiwan, Korea and the ASEAN countries.

In analog products, we will channel our robust product competitiveness and strategic technological know-how toward achieving enhanced market power in the two key fields of high frequency and power devices.

In coming years, Toshiba will continue to place an unrelenting emphasis on these three key fields, to hone competitiveness in product development and product cost.

System LSIs

In system large-scale integration (LSI) devices, our emphasis is clearly on the digital consumer product market and the development of devices that bring essential capabilities to products like digital TVs, DVD recorders and mobile phones with cameras. In coming years, system-on-chip (SoC) technology and the near-term realization of ubiquitous networking will drive the semiconductor industry. Toshiba is readying for this by strengthening its ability to propose SoC solutions and with new SoC platform designs.

In today's highly demanding SoC market, acting alone is often a decision in favor of ineffectiveness. Toshiba proactively cultivates alliances with other industry leaders and increases R&D efficiency through joint development projects.

In a key partnership with Sony Computer Entertainment Inc. and IBM Corporation, Toshiba is currently working on development of CELL, a general-purpose broadband processor that the Company expects to bring to market in the near future. CELL will deliver a scalable architecture applicable to all aspects of ubiquitous broadband networks. In the area of system LSI process technology, Toshiba and Sony Corporation are together developing leading-edge 45nm process technology, the finest production technology yet developed.

Sustained leadership in the semiconductor business demands the ability to act quickly and to direct sustained R&D activities and investment to areas where future demand growth can be anticipated. In system LSIs, key devices for the achievement of ubiquitous networks, Toshiba will continue to develop the most advanced products and assure their early delivery to market.

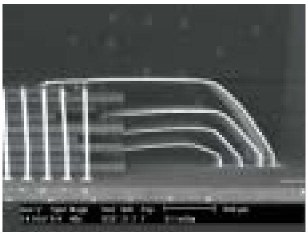
Enabling the Future

INVESTING IN THE FUTURE OF OITA OPERATIONS

In fiscal 2002, Toshiba committed to a capital investment in a new 300mm wafer facility at Oita Operations that will help to assure the Company's world leadership in system LSI production. From fiscal 2003 through fiscal 2007, ¥200 billion is being directed to the new fab, with the first ¥40 billion of that invested in the fiscal year under review.

Mass production at Oita's new fab is scheduled to begin in autumn 2004. Once the plant reaches full production it will have all the capacity required to produce approximately 12,500 wafers a month. The flexibility built into the plan will allow Oita to respond to market growth and to increase output to as much as 17,500 wafers a month.

The production efficiency achieved by deployment of 300mm production technology will by enhanced by Toshiba's full utilization of proprietary technology for embedded DRAM, an area in which the Company is an industry leader, and by the application of state-of-the-art process technology to circuits as fine as 65nm. This approach will underpin Toshiba's ability to bring advanced products to market ahead of its competitors.



DEVELOPMENT OF NINE-LAYER MCP

Toshiba is the industry trailblazer in technology for mass production of multilayer multichip packages (MCPs). By shaving substrates to achieve unrivaled thinness and advancing bonding technology, Toshiba has integrated nine layers into a 1.4mm package—a package small enough to be loaded into mobile phones and other personal mobile products.

The nine-layer MCP allows customers to meet different purposes by freely combining five different types of memories: SRAM, NOR flash memory, NAND flash memory, low-power SDRAM and Pseudo SRAM. This approach makes it possible to integrate the optimal memory chips required to achieve high performance in mobile devices, such as next-generation mobile phones, offering improved performance without any increase in the component count. The result is high-performance systems that retain or advance miniaturization.

ALLIANCE STRATEGY

Much is expected of next-generation system LSIs. In addition to new levels of performance and capabilities that realize high-speed processing of large volume video sources, they have to offer miniaturization and lower power consumption as well as support other advanced technologies, such as embedded DRAM. Achieving the ultrafine process technology necessary to realize these requirements is itself an increasingly difficult challenge.

Toshiba is working with Sony Corporation on next-generation 45nm process technology, targeting completion of development by the end of fiscal 2005. The Company is also promoting other strategic alliances, including joint development of CELL with Sony Computer Entertainment and IBM; joint development of cutting-edge technology for NAND flash memory with SanDisk; and a comprehensive alliance with M-Systems Flash Disk Pioneers Ltd. in flash-memory-based data storage.

GLOBAL EXPANSION

Chinese Strategy

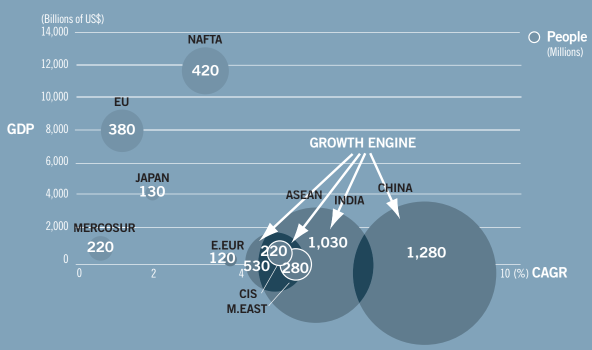
In the review of its current mid-term business plan, Toshiba set itself the target of raising overseas sales to 50% by the end of fiscal 2006.

Overseas operations are already a long-established and essential part of the Company's business, accounting for 39% of overall sales in fiscal 2003. In recent years, consistently high growth rates have established China as a particularly important market for Toshiba, a situation that shows every sign of continuing in coming years. China will host the Beijing Olympics in 2008 and the Shanghai World's Fair in 2010, major events that will spur further growth—and Toshiba's expectations.

SCALE OF TOSHIBA'S BUSINESS IN CHINA

Note: Includes export sales to China and sales by Group companies.

GDP, CAGR (01-04), POPULATION BY COUNTRY/REGION



Since establishing Toshiba Dalian Co., Ltd. in September 1991, Toshiba has cultivated a presence in China that spans its business lines, from home appliances to social infrastructure. Today, 49 Toshiba Group companies in China develop, manufacture and sell products. The scale of this commitment is testimony to China's increasing strategic importance, a position that received powerful reinforcement from China's accession to the WTO. That move swept away numerous regulations, and allowed China to create an environment allowing economic development beyond production for the world market. As a result, Toshiba sees China not just as a manufacturing base, but also as an emerging business base offering numerous opportunities in everything from R&D to sales and marketing.

Figures from China's National Bureau of Statistics reveal that China's GDP recorded year-on-year growth of 9.1% in 2003, an astonishing rate of growth. Long aware of this inherent potential, Toshiba Group has promoted positive involvement in China since the government's first steps toward reform and market opening. As a result, Toshiba's fiscal 2003 sales in China climbed to ¥500 billion, including sales by local subsidiaries and exports targeting the Chinese market, a healthy 35% increase compared with the previous year.

In coming years, Toshiba will respond to the Chinese government's continued moves for market liberalization by strengthening its sales networks in China. We will also promote further tie-ups with large-scale volume retailers and build up business bases in China. In this age of megacompetition, cost competitiveness is also a crucial concern. China will continue to provide a powerful production base that supports Toshiba's concerted efforts to reinforce cost competitiveness. The accelerated transfer of production to overseas bases, particularly those in China, will bring sharp relief from fluctuations in the U.S. dollar exchange risk.

Another area where we look for progress in China is in technology and product development. Toshiba took early steps in this area with the establishment of the Toshiba China Research and Development Center in October 2001. Through R&D in such areas as Chinese voice-recognition and synthesis technology, Chinese machine-translation technology and next-generation IT platforms, at a location at the heart of the local market, we will expand Toshiba's IT business in China.

China's portable PC market in 2003 amounted to 1.8 million units. The forecast for 2004 is 2.6 million units, rising to 3.4 million in 2005. The projected CAGR (compound average growth rate) for 2003 to 2006 is an impressive 25.2%. Toshiba currently holds third place in the portable PC market, with a 13% market share. We intend to increase this. In October 2003, a new sales and marketing headquarters was established in Shanghai to reinforce the marketing function. In April 2003, Toshiba

Information Equipment (Hangzhou) Co., Ltd. started operation as a production base for the global market. Production at this state-of-the-art plant had already reached some 120,000 units a month by the end of March 2004, a figure that will climb as the year progresses. The plan is to produce core, high-value-added products at this plant.

Testimony to China's manufacturing strength can be found in the increasing scale of its semiconductor business. This is expected to reach ¥6 trillion by 2010, a number far surpassing the U.S. total, making China the world's largest market. In fact, the combined scale of the Chinese, Hong Kong and Taiwanese markets is expected to account for nearly 40% of the global semiconductor market. Toshiba established a new subsidiary in Shanghai in April 2004 that has the mission of unifying and overseeing the operations and business strategy of semiconductor-related operations in China, Hong Kong and Taiwan. Concentrating market research, technology development support, marketing support, and other functions at this new subsidiary is expected to raise operating efficiency and competitive strength throughout the region.

China clearly offers tremendous opportunities in the area of social infrastructure, and is seen as one of the most promising markets. One reason for this is the investment in infrastructure accompanying preparations for the 2008 Beijing Olympics. Infrastructure investment is also essential to maintain China's appeal as a low-cost production base. Toshiba is ready to meet demand, with production and marketing operations for electric power equipment, electronic equipment for vehicles, elevators, broadcasting facilities and medical equipment already in place.

In 2002, Asia, including China, was a ¥1 billion market for white goods. Looking forward, annual growth of 4% to 5% a year is widely expected. Toshiba Products & Services (Shanghai) Co., Ltd., established in Shanghai in September 2003, has the mission of reinforcing Toshiba's presence in the market though focused sales and marketing of refrigerators, washing machines and other white goods. Market penetration of these products, alongside Toshiba brand TVs, portable PCs, mobile telephones and semiconductors, will reinforce recognition and acceptance of the Toshiba brand name. For the same reason, we also intend to provide customers with a level of service and support that assures Toshiba is regarded as No. 1 in the market for customer satisfaction.

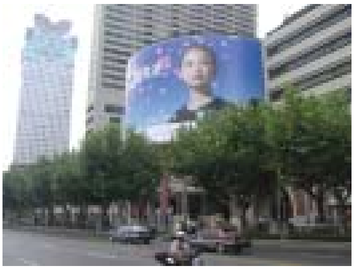
As a white goods production base, Toshiba established Toshiba Refrigerator (Xi'an) Co., Ltd. in July 2003 and Toshiba Washing Machine (Wuxi) Co., Ltd. in February 2003, and manufacturing of high-function refrigerators and washing machines began. Plans for the future call for these plants to add lighting and batteries to their manufacturing portfolio. Currently, overseas production accounts for 20% of all production of home appliances. We plan to raise that figure to 40% by fiscal 2005 by achieving optimum conditions for manufacturing each product, and by doing so we intend to enhance cost competitiveness.

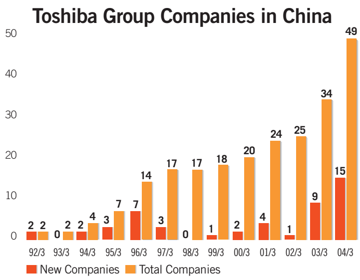
Strategic Communications

SHANGHAI OUTDOOR ADVERTISING

Toshiba does not hesitate to invest in campaigns that promote enhanced recognition of the Company and its products by the Chinese general public. To coincide with our September 2003 full-fledged entry into the Chinese white goods market, including refrigerators and washing machines, we placed advertisements in 22 Chinese newspapers. We also decorated the public open spaces of Shanghai's Nanjing Street and other principal areas with mini-flags. These measures promoted widespread recognition of our white goods campaign slogan: "New Current, New Arrival, New Toshiba". In December 2003, we also launched a corporate ad campaign in Beijing and Guangzhou to reinforce brand awareness.

Are programs like this effective? In September 2003, the China Science Research Center survey of "Favored Japanese Businesses" named Toshiba as the third-best-known Japanese company in China. That is the Company's highest ranking yet in the survey, and further proof that the Toshiba brand is making steady inroads into the Chinese market.





SUMMARY OF TOSHIBA'S BUSINESS IN CHINA

In March 2004, 49 Toshiba Group subsidiaries in China employed 15,000 people in production, marketing and development activities. Export sales to China totaled approximately US$2.0 billion in 2003, and sales from Chinese subsidiaries totaled approximately US$2.5 billion. Digital products accounted for 57% of total sales, electronic devices for 30%, social infrastructure for 7%, and home appliances for 6%. Toshiba plain-paper copiers and projection TVs held the top shares in the Chinese market, while the Company's portable PCs and semiconductors both maintain high shares. For Toshiba, China not only provides an advantageous production and development base, it is also a lucrative market in its own right.

PROFITABLE GROWTH

Increasing Profitability in the Digital Products Business and Developing Growth Engines

Toshiba is developing its business to build a rapidly expanding group able to generate and sustain profitable operations.

Yet in less than a year, Toshiba's key markets have undergone dramatic shifts, including faster than anticipated growth in demand for digital consumer electronics and appliances. Recognizing this, Toshiba Group used the opportunity of the new fiscal year to define a new business plan, one primarily concerned with reconstructing the growth strategy. Achieving the targets of the new plan will raise the value of Toshiba by securing high profit and sustainable growth.

Fiscal 2006 Targets (consolidated)

Net Sales	Operating Income	ROE	Debt-to-Equity Ratio	Capital Investments	R&D Expenditures	Overseas Business Ratio
¥6,200 billion	¥280 billion	Over 10%	100%	¥1,000 billion (cumulative total through FY06)	¥1,100 billion (cumulative total through FY06)	50%
				Focusing on digital products and electronic devices businesses	To strengthen digital products and semiconductor partnerships	

Restructuring the Portable PC Business

Tumbling product prices, particularly in the first half, coupled with price increases in major components, resulted in an operating loss of ¥22 billion for the portable PC and peripherals business in fiscal 2003. We responded with urgent, wide-ranging restructuring measures that will rebuild the portable PC business and contribute to increased profits. Steps taken in the second half to strengthen competitiveness include cuts in headcount both in the domestic market and overseas that have allowed us to improve the efficiency of the sales structure; a reduction in PC platforms to improve development efficiency and promote a review of product strategy; and increases in overseas production and ODM (Original Design Manufacturing). Another major move to accelerate reform was implemented in January 2004, when the portable PC business became a new in-house company, the Personal Computer & Network Company. We are already starting to see positive results from these efforts: losses in the PC and peripherals business bottomed out in the second quarter of fiscal 2003 and have since started to recover.

In the future we will end mass production at Ome Operations, repositioning these facilities as a product development and experimental production base. This move, in tandem with an increase of ODM to over 50% by the end of March 2005 will enhance production efficiency. Fixed costs will be cut by transferring employees to growth sectors, and development costs will be reduced by decreasing the number of motherboards and increasing use of common parts. The cost structure of low-end models will also be improved and made more competitive, a move that recognizes that they have become commodity products.

Increased ODM will allow us to allocate more resources to the development of differentiated products. This strategy will allow us to draw on the advanced capabilities of other businesses, including displays and storage devices, and support development of unique products other companies cannot easily match. Our guiding concept here will be “Thin & Light,” and the first product will be the AV-PC, which integrates advanced visual capabilities. The AV-PC will be launched in summer 2004, and other products will soon follow. In order to protect the intellectual property at the heart of our most advanced products, we will adopt a “black box” structure.

The measures we are now implementing, and our differentiated product strategy, are expected to restore the portable PC and peripherals business to an operating profit in fiscal 2004.

Strengthening Synergies to Make the Visual Imaging Business a Major Source of Profits

Guided by the maxim “Look, Record, Shoot,” Toshiba Group will make concerted efforts to rebuild the visual imaging business as a new pillar of profits. The potential of this business is bolstered by Toshiba’s wide range of essential technologies that can support and add to the value of displays, including high-definition DVD, storage devices (including an 0.85-inch HDD certified as the world’s smallest by Guinness World Records), system LSIs with powerful embedded DRAM (able to handle large data volumes at a high speed, including moving images), the CELL broadband microprocessor (under development with Sony Computer Entertainment Inc. and IBM Corporation), high-capacity NAND flash memory, and CMOS image sensors (which already have a top share of the market for mobile phones with cameras).

Synergies among these technologies will support the continuous launch of competitive products. Among products heading for the market in the near future are a new TV with a powerful new processor, HD DVD and mobile AV products with small but capacious HDDS. In TVs, we are completing development of the surface-conduction electron-emitter display (SED) with Canon Inc. This new flat-panel display is superior to current plasma and LCD TVs in all key areas: contrast, video resolution, viewing angle and power consumption. Plans call for our first SED TVs to come to market in 2005, as a new flagship product heralding the arrival of “Visual Specialist, Toshiba”.

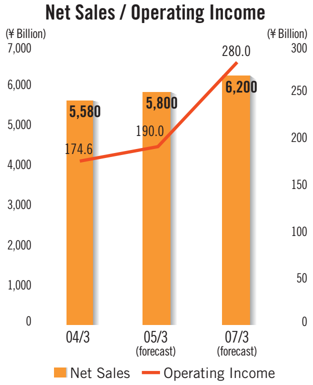
Development and Strengthening of Growth Engines

Future growth and our target of being a high-profit company rest on our ability to cultivate engines of growth. The means to accomplish this are a focused investment strategy and the creation of unique products through synergies among our different businesses. Toshiba has great strength in depth, and this has allowed the Company to draw up a list that identifies products and technologies expected to drive future growth. These include SED TVs, the 0.85-inch HDD, CELL, and fuel cell technologies. We will deliver these to market as core products that will blaze a trail for growth.

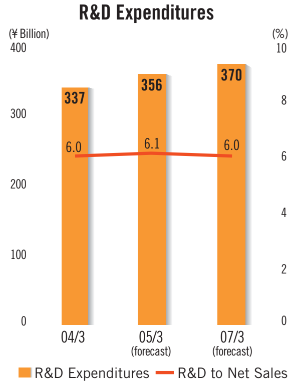
Building on our growth strategies, we expect to achieve our targets for fiscal 2006: consolidated net sales of ¥6,200 billion, operating income of ¥280 billion, ROE of over 10% and a 100% debt-to-equity ratio.

Competitive Edge

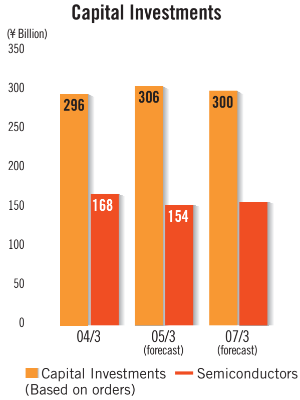
Net Sales / Operating Income



R&D Expenditures



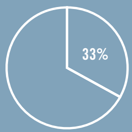
Capital Investments

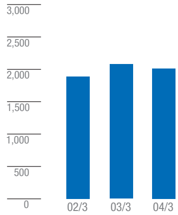


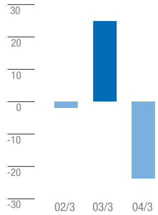
In-house companies, divisions and affiliated companies	Percentage of sales	Sales (Billions of yen)	Operating income (loss) (Billions of yen)

DIGITAL PRODUCTS

Mobile Communications Company
Digital Media Network Company
Personal Computer & Network Company
Toshiba TEC Corporation



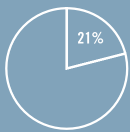


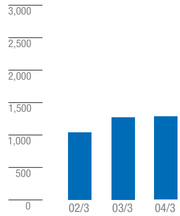


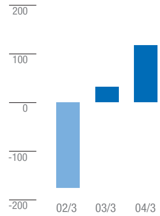
(Billions of yen)	Sales	Operating Income (Loss)
02/3	1,885.3	- 1.9
03/3	2,073.0	24.8
04/3	2,009.4	-23.8

ELECTRONIC DEVICES

Semiconductor Company
Display Devices & Components Control Center
Toshiba Matsushita Display Technology Co., Ltd.



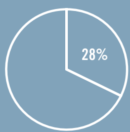


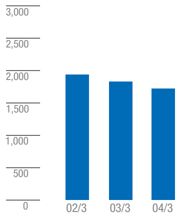


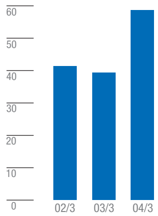
(Billions of yen)	Sales	Operating Income (Loss)
02/3	1,044.4	- 175.2
03/3	1,274.4	31.9
04/3	1,283.6	117.0

SOCIAL INFRASTRUCTURE

Industrial and Power Systems & Services Company
Social Network & Infrastructure Systems Company
Toshiba Elevator and Building Systems Corporation
Toshiba Solutions Corporation
Toshiba Medical Systems Corporation



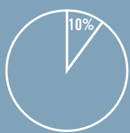


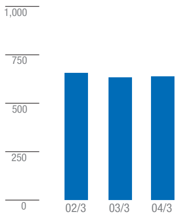


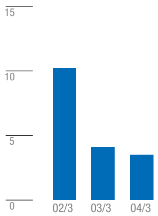
(Billions of yen)	Sales	Operating Income
02/3	1,930.9	41.1
03/3	1,822.6	39.2
04/3	1,714.1	58.6

HOME APPLIANCES

Toshiba Consumer Marketing Corporation
Toshiba HA Products Co., Ltd.
Toshiba Lighting & Technology Corporation
Toshiba Carrier Corporation
Toshiba Battery Co., Ltd.



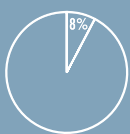


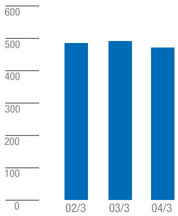


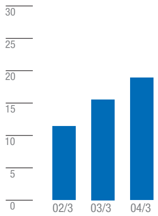
(Billions of yen)	Sales	Operating Income
02/3	655.7	10.2
03/3	633.6	4.1
04/3	637.3	3.5

OTHERS

Network Services & Content Control Center
Mobile Broadcasting Corporation
Others







(Billions of yen)	Sales	Operating Income
02/3	484.9	11.4
03/3	491.1	15.5
04/3	472.7	18.8

>> Mobile Communications Company
The company won the top share of business provided to NCCs (New Common Carriers), and domestic sales were strong overall, but slow development of products hurt overseas operations, resulting in lower sales. During fiscal 2004 the company will seek substantial growth in mobile TV, moving image and on-demand mobile handsets.

>> Digital Media Network Company
Strong sales of portable PCs and digital audio players boosted the HDD business, but a slow response to market changes by the TV business led to an operating loss. During fiscal 2004 the company will seek to constrict its operating loss through restructuring and greater synergies with other divisions.

>> Personal Computer & Network Company
The PC business posted a substantial loss during fiscal 2003, due to falling retail prices and rising component costs worldwide. During fiscal 2004 and beyond, the company will seek to recover profitability by implementing an action plan incorporating an extraordinary restructuring project.

>> Semiconductor Company
Strong sales of NAND flash memories, MCPs for mobile phones and discrete devices resulted in increased sales and earnings. During fiscal 2004 robust growth can be expected in digital consumer products and mobile products, and the company will work to secure greater growth and higher earnings.

>> Display Devices & Components Control Center
A significant loss was recorded as a result of poor performance in the mainstay lithium-ion rechargeable battery and CRT businesses.

>> Toshiba Matsushita Display Technology Co., Ltd.
Income and earnings rose as a result of greater yields from the company's manufacturing plant in Singapore, and strong sales of small- and medium-sized TFT LCDs. Looking ahead, the company is pursing substantial growth through the timely commercialization of differentiated technologies, and greater cultivation of overseas business.

>> Industrial and Power Systems & Services Company
Stepped up inspections of nuclear power plants in Japan, and growth in the overseas power plant services business bolstered performance, but income fell overall due to a fall in the number of thermal power projects in the United States, and other factors. During fiscal 2004 the company will concentrate on three main areas for expansion: the overseas business, the service business, and new fields of business.

>> Social Network & Infrastructure Systems Company
Strong sales of electromagnetic wave systems such as terrestrial digital broadcasting equipment and radar systems contributed to a rise in income. During fiscal 2004 and beyond, the company will use its accumulated expertise to deliver in a timely manner high quality products and services utilizing the latest technologies, contributing to the Group and the industry.

>> Toshiba Elevator and Building Systems Corporation
Performance was on par with the previous year. During fiscal 2004 the company will focus on the growing Chinese market and the renovation market in Japan.

>> Toshiba Solutions Corporation
A shrinking in the scale of projects following privatization of the national postal services, and cutbacks in IT investment at private companies resulted in a fall in revenue. During fiscal 2004 integration of sales, technology and development operations will allow the company to ascertain and quickly respond to client needs as it seeks to be a trusted solutions company that leads its field.

>> Toshiba Medical Systems Corporation
Robust sales of multislice CT units both in Japan and overseas delivered strong performance. Looking ahead, the company will respond to user needs with minimally invasive medical equipment and hospital workflows that match comprehensive evaluation systems, as well as introduce new products to increase management efficiency at medical institutions.

>> Toshiba Consumer Marketing Corporation
In October 2003 Toshiba Consumer Marketing took over management of Toshiba HA Products Co., Ltd., Toshiba Lighting & Technology Corporation, Toshiba Carrier Corporation, Toshiba Battery Co., Ltd., and Toshiba Service & Engineering Co., Ltd., creating a single worldwide structure for the home appliances business. During fiscal 2004 the company will place priority on producing the best products and reforming its cost structure as it seeks to increase earnings.

>> Mobile Broadcasting Corporation
A broadcast satellite was successfully launched in March 2004.

Digital Products

Toshiba's digital products business aims to position itself as a global leader through winning strategies in mobile and wireless solutions, and by directing its know-how into the technologies and products that will sustain and advance the development of a society of ubiquitous networks.

Mobile Communications Company

Innovative designs won the Mobile Communications Company the top market share in mobile phones for Japan's NCCs such as KDDI Corporation and Vodafone K.K. While domestic sales rose, the overseas market saw a significant fall in revenue compared with the previous year, as price erosion combined with a delay in developing new products. In fiscal 2004 we will establish a firm revenue base, mainly in the domestic market, and use that as a basis for further growth.

We continue to develop fun, easy-to-use multimedia mobile phones that integrate our cutting-edge advanced technology, including MPEG4 chips, Bluetooth™, SD memory cards, low-temperature polysilicon TFT LCDs, cameras with CMOS image sensors, and Japanese *kana* to *kanji* character conversion technology. These advanced technologies have secured an unchallenged position in code division multiple access (CDMA) and personal digital cellular (PDC) in the Japanese market. We have also commercialized W-CDMA and cdma2001 1X handsets.

We will strive for leadership in emerging markets based on ubiquitous broadband networks. We look beyond the current market of mobile phones with video cameras, seeing that not as an end in itself but the nucleus of a trend to greater integration of multimedia technologies. We will take the initiative in this market to create a new growth engine and to continue to produce distinctive advanced products.

Digital Media Network Company

The vitality of our HDD business continued unabated in fiscal 2003, with sales rising on growth in portable PCs and expanded demand from digital consumer products. Sales of televisions declined, as domestic demand for CRT-based TVs was displaced by a rapid rise in the popularity of flat-panel TVs. In fiscal 2004 the visual imaging business will strengthen its profit-making structure through enhanced product performance, a goal that will be realized through promotion of operating synergies with the electronic devices business. In optical disk drives (ODDs), we have partnered with Samsung Electronics, another industry leader, in a new joint venture, Toshiba Samsung Storage Technology Corporation (TSST), in which Toshiba has a 51% stake. As the ODD business emerges from a global realignment, TSST aims to become No. 1 in the market.

Digital technology continues its rapid advance into the home. DVD, in which Toshiba promoted industry standardization, led the way, replacing videotape with sharper images and better sound. More recently, Japan began terrestrial digital broadcasts last year.

The Digital Media Network Company applies digital imaging technology and storage technology to the development of products that bring out the full promise of digital content, the rich textures of digital images and sound, including large-sized, flat-panel TVs for terrestrial digital broadcasts, HDD/DVD video recorders, digital audio players and other products.

In business applications, Toshiba's visual products business extends to network cameras and liquid crystal projectors. In storage, Toshiba recently developed the world's smallest HDD (only 0.85 inch in diameter, but with a capacity of up to four gigabytes), and leads the world in small form factor, high-density HDD. On top of this, Toshiba is proactively involved in the development and standardization of HD DVD, the next generation DVD.

Personal Computer & Network Company

As sales prices tumbled around the world and key components rose in price, the portable PC business reported a significant loss in fiscal 2003. The current fiscal year will be different. Comprehensive measures for restructuring and rebuilding, including a significant increase in ODM ratio and a reformed procurement structure, will support us in securing an early return to profitability.

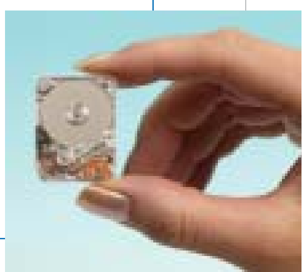
In the coming age of ubiquitous networks, individual

Mobile Telephones

The A5501T model developed and marketed by Toshiba is the world's first CDMA handset equipped with an output jack for a television. This enables the user to display movies and photos taken with the phone's CCD camera on a TV screen.

0.85-inch HDD

The 0.85-inch HDD developed by Toshiba weighs less than 10 grams, one-quarter the weight of our 1.8-inch HDD, making it ideal for use in mobile IT equipment. This HDD will be recognized as the world's smallest in the 2005 edition of the Guinness Book of World Records.



Digital Products

Major Products

- Mobile phones
- Portable PCs
- Personal digital assistants (PDAs)
- Servers
- Hard disk drives (HDDs)
- CD-RW/DVD-ROM drives
- DVD-ROM drives
- DVD-RAM drives
- Color TVs
- Digital Hi-Vision TVs
- Projection TVs
- HDD/DVD video recorders
- DVD video players
- DVD video recorders
- Liquid crystal display (LCD) data projectors
- Mobile audio players
- Copiers
- Point of sale (POS) terminals
- Others

lifestyles and work styles will see dramatic transformations as the mobile office and work at home concepts reach a new level of maturity and popularity. All thanks to total access to information via broadband and wireless networks.

The Personal Computer & Network Company will offer a comprehensive lineup of network-ready devices, portable PCs, PDAs and Internet appliance (IA) servers among them, all equipped with cutting-edge, differentiated technologies from Toshiba Group. These products will support us in our activities in the three essential spheres of a society of ubiquitous networks: the home, the office and mobile applications.

In developing new products and services, the Personal Computer & Network Company listens very closely to VOC—the voices of customers. Analysis of this information supports the company in launching practical products and services that combine a high degree of originality with network readiness. Through this approach, Toshiba seeks to deliver inspirational products that create a comfortable computing environment.

Electronic Devices

As a Toshiba Group core business, the electronic devices business aims for consistent high growth and profitability. While promoting a proactive presence in the global market, close attention is paid to high-potential customers in China and other Asian countries, and to increased sales in the digital consumer and mobile product areas, both seen as strong growth areas in coming years.

Semiconductor Company

The Semiconductor Company boosted year-on-year sales and profit in fiscal 2003 on the strength of excellent sales of NAND flash memories, growth in MCPs for mobile phones and another year of steady performance in discrete devices. Looking ahead, the company anticipates continued sales growth in digital consumer products and mobile devices in fiscal 2004, and a performance that points the way to further growth and gains in profits.

ICs drive advances in the growth markets of digital consumer products and mobile devices, and the Semiconductor Company will draw on cutting-edge process technology and sophisticated manufacturing techniques to deliver a wide range of leading products to the global market.

The Semiconductor Company will continue to promote balanced management in its three key business areas: discrete devices, where the company is the world No. 1; system LSIs; and memories. The System LSI Divisions look for expanded demand in digital consumer products and mobile devices, while the Memory Division will continue to increase sales in products for cellular phones with cameras and memory cards.

In the coming year, the Semiconductor Company will continue to focus on discrete devices, analog ICs and NAND flash memories, highly profitable and stable business, and inject resources into development of competitive products and strengthened cost competitiveness. Resources will be particularly directed to high-value-added products such as SoCs. Here, Toshiba will reinforce its support for software and hardware development to deliver competitive, high-quality products that satisfy diverse customer needs and secure the Semiconductor Company's position as a total solutions provider.

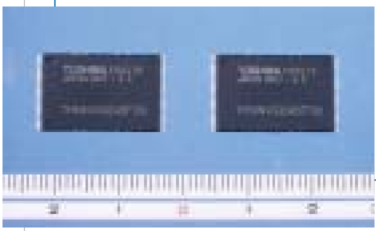
Display Devices & Components Control Center

Falling prices for lithium-ion rechargeable batteries and CRTs in fiscal 2003 resulted in an overall loss in this business area. Toshiba is responding resolutely. We will terminate the lithium-ion rechargeable battery business and dissolve A&T Battery Corporation.

In a move to revitalize the CRT business, we moved it into a joint venture with Matsushita Electric Industrial Co., Ltd., and established MT Picture Display Co., Ltd., in April 2003. Following on from this, we spun off two other businesses into independent companies. The material and components businesses in high-precision processing components and energy and industrial materials became Toshiba Materials Co., Ltd., and the electron tubes businesses, covering medical CT scanners and X-ray tubes, became Toshiba Electron Tubes & Devices Co., Ltd. These measures will support the businesses

4-Gigabit NAND

To meet growing demand for large-capacity memory cards, Toshiba has used single-die, multi-level cell (MLC) technology to commercialize a 4Gb NAND flash memory card, the largest capacity in the industry. NAND flash memory is ideally suited for recording large volumes of data. The new product records data eight times faster than our previous MLC product.



Input Display

Toshiba Matsushita Display Technology has developed the world's first device that both inputs and displays color images.

Electronic Devices
Major Products

- General-purpose CMOS Logic series
- Small signal devices
- Power devices
- Opto semiconductor devices
- System LSIs
- Microcomputer and peripheral control system LSIs
- Bipolar/BiCMOS ICs
- Custom DRAMs
- SRAMs
- Flash memories
- Amorphous silicon thin film transistor (TFT) LCDs
- Polysilicon TFT LCDs

in streamlining management and accelerating decision making and operation, and stimulate measures for renewed growth.

We will also accelerate development and commercialization of SED and fuel cells, both expected to grow into robust new businesses.

Toshiba Matsushita Display Technology Co., Ltd. (TMD)

TMD recorded significantly increased revenue and a large decrease in its deficit in fiscal 2003. This was due to improved yields at its Singapore manufacturing plant, AFPD Pte., Ltd., and buoyant sales in medium- to small-sized TFT LCDs. TMD realized an operating surplus in the second half of fiscal 2003 and sees strong potential for profitability in fiscal 2004.

TMD made a strategic shift in its product mix from large, commodity LCDs for PCs to smaller, high-value-added displays for mobile phones, AV applications and mobile applications, including PDA, and won the No. 1 position in market share for mobile phones, car navigation and amusement. TMD aims to grow by cultivating overseas markets and commercializing differentiated technologies, such as OCB (optical compensated bending), SOG (system on glass) and OLED (organic light emitting diode).

Social Infrastructure

Toshiba's social infrastructure business is establishing a firm revenue base by making effective use of managerial resources to improve its cost structure, enhancing income, developing overseas markets and exploring new businesses.

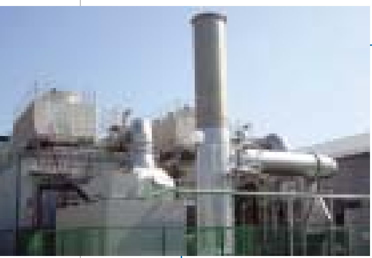
Industrial and Power Systems & Services Company

In fiscal 2003, the Industrial and Power Systems & Services Company saw revenues fall on declining demand for thermal power plants in North America and the transfer of businesses, including the power transmission and distribution businesses and the industrial electric and automation systems businesses to equity method affiliates.

Overseas markets, particularly in the Asia-Pacific region, are seeing increased demand for new power generation facilities, but the domestic market continues to retract on cutbacks in facilities investment by utility companies. Toshiba is proud to hold a top share in nuclear and thermal power in the domestic market, and to be in the top class in hydroelectric power. In overseas markets we have a strong presence in steam turbine generators in North America, Southeast Asia and Oceania.

While the social infrastructure market in Japan has contracted on restrained public investment, China's commitment to improved infrastructure makes it a highly promising market. Toshiba holds top share in the domestic market for water and sewerage systems as well as road and airport systems.

In fiscal 2004, the Industrial and Power Systems & Services Company will promote the following three key strategies dedicated to promoting business development.



Generating Electricity

A gas engine electricity generator developed on the site of Toshiba's Keihin Product Operations, our main facility for the production of energy equipment, began operating on March 1, 2004. Electricity generated will be sold wholesale to certified electric companies.

1) Overseas Business Expansion

The company will expand its presence in growing overseas markets by producing more competitive products, and build a global business structure of manufacturing and service bases.

2) Service Business Expansion

The company will expand its service business in areas such as operation and maintenance (O&M) by leveraging to the maximum its high share in markets where it already has a presence.

3) New Business Expansion

The company will bring high-tech know-how gained in core businesses to meet emerging needs accompanying power sector deregulation, address environmental and safety concerns, and expand into new business areas in the power generating business and energy solutions.

Social Network & Infrastructure Systems Company

The Social Network & Infrastructure Systems Company brings cutting-edge IT and mechatronics technologies to broadcasting systems that support this age of digital media, to automated equipment systems such as automatic gate machines and automatic letter processing systems, to air traffic control facilities radar systems, navigation aid systems and weather monitoring systems, and to telecommunications systems such as wireless systems and Internet protocol (IP) network systems.

Excellent sales in radio wave systems, especially digital terrestrial broadcasting and radar devices, resulted in a year-on-year increase in revenues in fiscal 2003. The company also advanced business globalization in both manufacturing and distribution by establishing OeT Bank Note Sorting Solutions GmbH as a base for sales expansion in the European

Social Infrastructure
Major Products and Services

- Control systems for water purification plants and sewage treatment plants
- Road and airport systems
- Building automation systems
- Substation systems
- New energy systems
- Rolling stock electrical systems
- Railway station service systems
- Boiling water reactor (BWR) power plants
- Hydroelectric power generating devices
- Thermal power generating devices
- Studio systems and transmitter systems for broadcasting stations
- Telecommunication network IP systems
- Automatic letter processing systems
- Expressway toll-collection systems
- Radar systems
- Air traffic control and navigation aid systems
- Elevators and escalators system consulting services
- General administration information systems for local governments
- Solution systems for financial institutions, insurance companies
- Solution systems for the distribution and service industries
- Solution systems for banks
- Human resources management solution systems
- Solutions and services for IT platforms
- X-ray computed tomography systems
- Magnetic resonance imaging (MRI) systems
- Diagnostic x-ray systems
- Diagnostic ultrasound systems

market. In fiscal 2004, the company will continue to contribute to society and industry by drawing on its cumulative know-how and capabilities to deliver products integrating leading-edge technologies and timely, high-quality services.

Toshiba Elevator and Building Systems Corporation

Sales for Toshiba Elevator and Building Systems Corporation in fiscal 2003 were on par with the previous fiscal year. New products that the company developed in fiscal 2003 met a positive response in the market. The SPACEL-EX standard-type elevator utilizes the company's original system and does not require a motor room. The Smokeproof door has a self-explanatory name and a functionality that meets the demands of revised building standards laws in Japan. The Kindmover escalator, a new type with a universal design, cuts installation time by as much as 30%. A further sign of the distinctive market appeal of Toshiba's technical capabilities was the delivery of the world's first elevator with adjust functions between floors to the prestigious Roppongi Hills Mori Tower which opened in Tokyo in April 2003.

The company will deliver the world's fastest elevator (60.6kph) in Taiwan, and will focus on the potential market in China and the domestic replacement market.

Toshiba Solutions Corporation

Revenues eased slightly in fiscal 2003 as privatization of the national postal services resulted in smaller scale projects and the private sector continued to restrain investment in IT.

Toshiba Solutions was spun off from Toshiba Corporation in October 2003 and integrated into Toshiba IT-Solutions Corporation, which is positioned as the Toshiba Group IT solutions provider. Toshiba Solutions has the mission of establishing itself as Japan's premier IT solutions company, directing closely coordinated operations in technology, solutions development and sales to providing customers with comprehensive and flexible services and highly reliable products.

Toshiba Medical Systems Corporation

Toshiba took positive steps toward a stronger presence in medical systems in October 2003, when the in-house Medical Systems Company was integrated with Toshiba Medical Systems Co., Ltd., a domestic sales and service company, to establish an independent company, Toshiba Medical Systems Corporation. The success of this move was reflected in an improved performance in fiscal 2003 on increased sales of multislice CT scanners in both the domestic and overseas markets. The new company brought a faster version of the popular 16-slice CT scanner to the market in 2003, able to complete a scan in 0.4 second. The company also developed a 32-slice CT scanner, which was introduced to the public at the December 2003 conference of the Radiological Society of North America. Other products brought to market were a high-end ultrasound system designed for diagnosis of the circulatory system, a cost-effective ultrasound system, the biplane series of X-ray interventional angiography systems and an MRI system equipped with the world's shortest bore magnet. Toshiba Medical Systems Corporation will continue to develop patient-friendly medical equipment, support improved workflows in hospitals while providing comprehensive diagnostics, and bring to market new products and services that increase operational efficiency in medical institutions.

Multislice CT

The Aquilion™ system is an advanced system that supports rapid diagnosis and treatment of emergency patients. Incorporating a detector with an axial direction of 32mm, the largest in the world, the Aquilion™ produces high-resolution images in 0.5mm slices, the world's smallest. Superior resolution makes it possible to clearly visualize fine blood vessel structures like those in the brain or heart, which is difficult to achieve with current CT systems.

Home Appliances

The home appliances business is preparing for a comprehensive reorganization of operations, including those of its affiliates, to establish a consolidated/integrated business system that will strengthen overseas operations and sales. It will also expand network service and content by developing a structure to consolidate the management of network services, content and media service.

Toshiba Consumer Marketing's vision for 2006 centers on "the establishment of a business group with 'Stability' and 'Growth Potential'." Toward achieving this, the company will accelerate cost structure reforms in its current businesses, continue to strengthen overseas operations, and cultivate new businesses. In the first half of fiscal 2004, the emphasis is on creating No. 1 products that embody the "Simple & Comfortable" development concept and reform of the cost structure.

Restructuring of Home Appliances Business

Toshiba Consumer Marketing Corporation was launched on October 1, 2003, the culmination of an extensive reorgani-

Home Appliances
Major Products

- Washing machines
- Vacuum cleaners
- Refrigerators
- Microwave ovens
- Fluorescent lights
- Air conditioners
- Primary batteries

Others
Major Products and Services

- Web service
- Intelligent traffic systems
- Automotive equipment
- Real estate
- Distribution services

zation designed to strengthen production, sales and overseas operations in the home appliances business. Toshiba Consumer Marketing undertakes domestic sales and management and oversees the consolidated global business. In addition to this, the company coordinates the operations of a series of key related companies operating in the home appliances segment: Toshiba HA Products Co., Ltd.; Toshiba Lighting & Technology Corporation, which handles the lighting-equipment business; Toshiba Carrier Corporation, active in air-conditioning; primary battery manufacturer Toshiba Battery Co., Ltd.; and Toshiba Service & Engineering Co., Ltd., which is responsible for after-sales service.

Full-Scale Penetration of the Chinese Market

China is clearly an important emerging market, and rising consumer demand promises considerable potential for growth. As in other businesses, Toshiba Consumer Marketing is assuring that it will have a strong presence in the Chinese consumer products market. The value of this approach has been demonstrated by the rise in sales that followed the establishment of two manufacturing subsidiaries, Toshiba Washing Machine (Wuxi) Co., Ltd. and Toshiba Refrigerator (Xi'an) Co., Ltd., and a sales subsidiary, Toshiba Products & Services (Shanghai) Co., Ltd. Other recent moves include the establishment of Toshiba Consumer & Lighting Products Trading (Shanghai) Co., Ltd., which imports and markets a wide range of Toshiba consumer products, and the launch of Toshiba Lighting & Display Systems (Shanghai) Co., Ltd., which designs, manufactures and sells large display systems such as the DLP™ Rear Projection Unit. Toshiba Consumer Marketing will continue to expand its presence in China as the market develops.

Dishwasher

The new tabletop dishwasher/dryer DWS-60X6 features better washing power and water conservation. The unique new washing system "High Temperature Steam Power" removes even dried, sticky rice grains, while the proprietary DSI (digital signal inverter) controls the water supply.

Strengthening Global Production

A series of initiatives is strengthening our manufacturing operations and our ability to meet demand on a global basis. Harison Toshiba Lighting Corporation responded to burgeoning overseas demand for cold cathode fluorescent lamps by establishing Harison Toshiba Lighting (Taiwan) Co., Ltd., and also expanded production capacity at its head office factory in Imabari, Japan. Automobile light source businesses were bolstered by the establishment of Toshiba Consumer & Lighting Products Trading (Shanghai) Co., Ltd. and by the establishment of Harison Toshiba Lighting (Kunshan) Co., Ltd., a new facility that has improved and expanded manufacturing and sales in China. Toshiba Home Technology Corporation established Hangzhou Toshiba Home Technology Electronics Co., Ltd., as part of a strategy to expand its share of the world market for cooling fans for portable PCs from 25% to 40% in 2004. Toshiba Home Technology has recently obtained a patent for its microprocessor unit (MPU) cooling fan in Japan and the U.S.

IH Electric Cooktop

The new induction heating (IH) electric cooktop features a heating coil 20cm in diameter, the largest in the industry and bigger than the 18cm in previous products. The use of a double coil widens the heating area and reduces unevenness when using large pots or frying pans. This new product will help Toshiba increase its share of the growing IH cooking heater market.

Others

Mobile Broadcasting

Mobile Broadcasting Corporation (MBCO) is developing and promoting an exciting new concept: multichannel digital broadcasts via satellite that can be enjoyed on the move in a vehicle or outdoors. The service will offer audio channels of different genres of music, video channels featuring music, news and sports, and data services. Satellite broadcasting service enables customers to enjoy the service throughout Japan with high-quality sound and images. The company was established in May 1998, with Toshiba taking the initiative as the majority shareholder, and has attracted investments from some 80 companies by the end of March 2004. MBCO successfully launched its own broadcast satellite on March 13, 2004, and deployed its most important component, a 12-meter antenna, on March 29.

Mobile Broadcast Satellite

Toshiba took delivery of a mobile broadcast satellite on April 27, 2004.

Toshiba considers providing the market with an exceptional product and service lineup built on innovative technologies to be an important source of growth, and continually strives to generate numerous products that alter current paradigms. Recognizing that the creation of innovative technologies relies on world-class, No. 1 technologies that lie beneath the surface, Toshiba seeks to strengthen the type of product development that integrates technologies and cuts across business and research fields, employing a product and technology roadmap to ensure a shared strategy and purpose, and enhancing the efficiency and effectiveness of its R&D program.

In recent years, progress in IT has supported tremendous advances in digitization, mobile technologies and networks, bringing us closer to the realization of the ubiquitous networking society. To name just a handful of examples, broadband Internet circuits, digital broadcasting and highly efficient, multifunctional mobile phones have all emerged in recent years. The technologies driven by the ubiquitous networking society include wireless networks, know-how in the human interface, visual images, security, system LSIs and storage—all areas that fall within the core expertise of Toshiba Group. By further developing and integrating these technologies, Toshiba's digital products and electronic devices businesses will generate outstanding new products and markets.

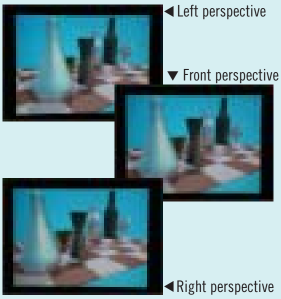
At the same time, we will continue to develop technologies that meet the growing demand for low energy consumption and environmentally friendly products. In connection with this, Toshiba Group continues to promote enhanced plant and process efficiency, conservation technologies and other systems-related technologies. Group companies are also working to achieve environmentally friendly and low-energy-consumption technologies that advance the transition to a future society based on hydrogen energy.

Toshiba Group's R&D activities have also been recognized by numerous institutions. Toshiba and its researchers received numerous awards during fiscal 2003, including the Medal with Purple Ribbon, the Honda Prize, the Ministry of Education, Culture, Sports, Science and Technology Award (Science and Technology Merit Commendation) and the Ministry of Economy, Trade and Industry Award.

Compact Fuel Cell for Mobile Devices

The arrival of the ubiquitous networking society has brought the need for compact charging devices that allow mobile devices such as portable PCs, mobile phones and PDAs to operate for extended periods. In response to this need Toshiba has developed the direct methanol fuel cell (DMFC) system, capable of generating 1W of power. At a weight of 30 grams, and with a 140cc capacity that allows for continuous operation for 20 hours, it is the world's smallest and has the longest operating time in its class. Toshiba is currently working on a smaller device that will deliver 2W of power.

A 32 parallax 3-D image viewed from three different angles



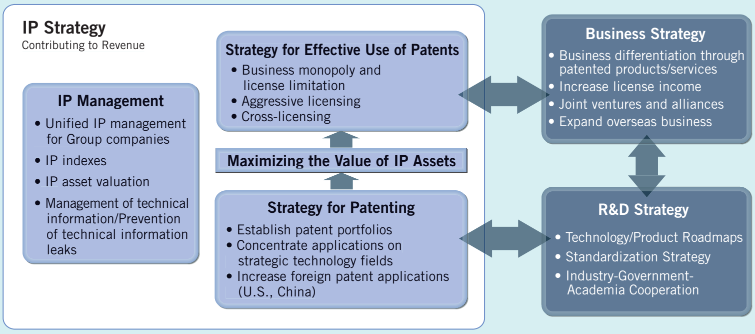
Next-Generation 3-D Imaging System Without Glasses

Toshiba has developed an imaging system using integral imaging technology, allowing viewers to experience 3-D images without the need for special glasses. The system uses lenses and slits in multiple rows of pixels to generate groups of light beams in several directions, producing a natural 3-D effect that does not require special viewing lenses. Innovative designs in the RGB pixel rows allow the device to retain a horizontal pixel count of 300, while achieving a parallax number of 32, the world's highest standard for 3-D imaging. Moreover, the use of lenses has made possible a high-luminance display (160cd/m^2). Toshiba is also concurrently developing 3-D content environments, such as 3DCG (computer graphics) animation and interactive CG content, which can be used in advertising or gaming applications.

On-Board Image Recognition System Using Visconti™ LSI

In an effort to improve automotive safety, Toshiba is developing technology that can recognize images from cameras located inside and outside a car, detect obstacles, and monitor the condition of the driver. In order to realize such an imaging system in automobiles, Toshiba first developed a highly sophisticated, low-priced and energy-conserving dedicated LSI based on the Company's MeP (media embedded processor) architecture. Using this LSI and additional memory, it is possible to create an imaging system with sufficient features and reliability. The prototype was tested using three cameras, one in front and one on either side of the vehicle, to detect obstacles and monitor the surrounding area. With simple alterations to the program, trials were also conducted with a system that monitors the face of the driver. We plan to fit this system into ordinary vehicles in the future.

Intellectual Property Strategy



Toshiba's intellectual property (IP) strategy promotes revenue growth, supported by the three pillars of proactive patenting, effective use of IP asset and IP management, and reinforces growth by integration with business and R&D strategies.

Proactive patenting enables Toshiba to consistently pursue patents for inventions resulting from its R&D strategy. Toshiba enhances the value of its IP assets by establishing patent portfolios focusing on its core technologies and concentrating in areas where it has a strategic emphasis. Toshiba uses IP to promote business strategy and has further leveraged its global position by filing a greater number of foreign patent applications. Toshiba's patent strategy has achieved a clear and profitable synergy with its business strategy by increasing licensing and related revenue streams and providing product differentiation in the market.

In addition, IP management provides a unified approach throughout Toshiba Group companies. This embraces proactive promotion of IP indexes and IP asset valuation, and solid management systems for technical information to prevent leaks of know-how.

A Strategic Patent Portfolio

Toshiba's strategic patent portfolio includes the following:

Technology Fields	Patents
DVD	Optical disks in conformity with standards and recorder/player
MPEG2, MPEG4	Motion picture coding in conformity with standards
Semiconductor Memory	Flash memory and DRAM circuit, structure and manufacturing
Portable PC	BIOS, mounting technology, and power saving for personal computers
IC Card	Control of access to memory data
HDD	Giant magnetoresistive (GMR) head
Medical Imaging System	Computed tomography system and diagnostic ultrasound system

In the area of DVD technology, Toshiba is a member of the steering committee of the DVD Forum, the international industry association that standardizes DVD and promotes broad acceptance of DVD products. As a leader in DVD technology, Toshiba has obtained many patents essential to standards, and by licensing these patents to various manufacturers, the Company contributes to the broad acceptance of DVD standards and products on a global basis.

Invention Prizes

In fiscal 2003, the Japan Institute of Invention and Innovation acknowledged Toshiba's achievements in advancing science and technology and in industrial development with two distinguished prizes.

- The Prize of the Minister of Education, Culture, Sports, Science and Technology for Patent No. 1891917 **"Ultrasound blood flow imaging systems using interleaved scanning"**
- The Innovation Prize for Patent No. 2644348 **"Power saving for a personal computer"**

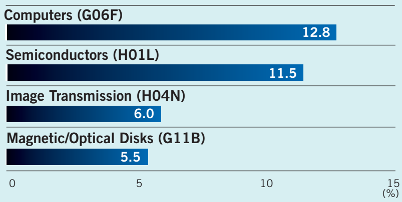
Number of Patents Held and Areas of Application

Toshiba owned 21,790 Japanese patents (including utility model) and 28,652 foreign patents as of December 31, 2003.

Toshiba directs resources to key business areas. By international patent classification (IPC) in 2003, Toshiba's patent portfolio percentage weightings in strategic areas were: computers 12.8%; semiconductors 11.5%; image transmission 6.0%; magnetic/optical disks 5.5%. Internationally, Toshiba stresses patent applications in the U.S. and China, especially for inventions related to business growth areas.

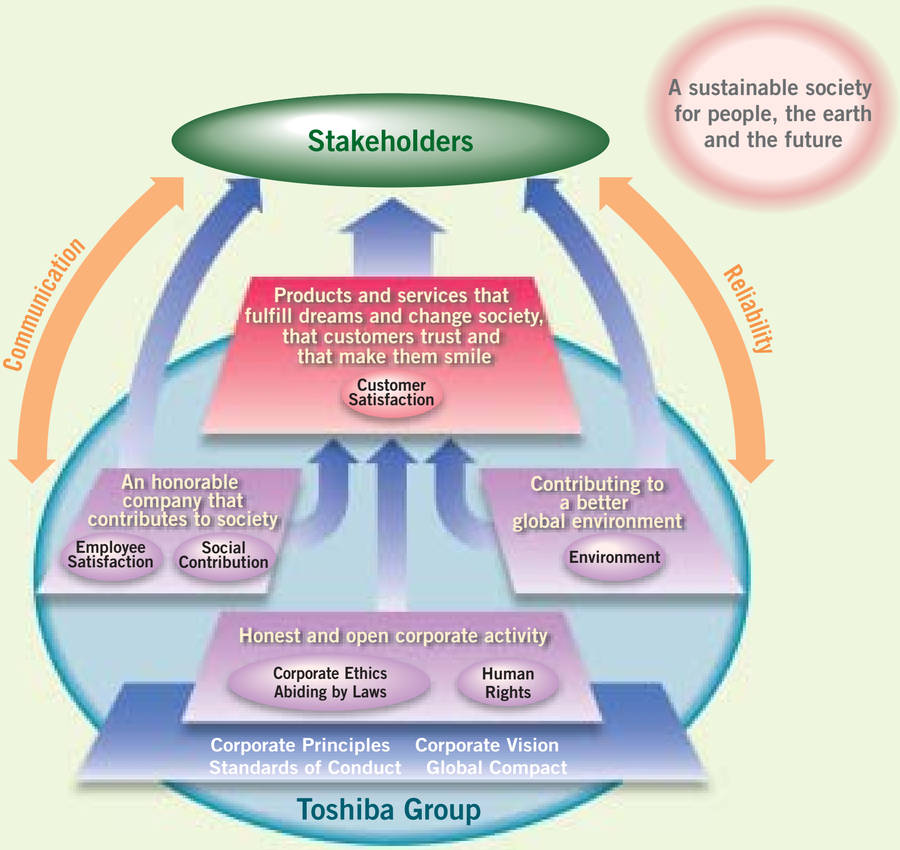
Areas of Application

(Japanese public patents in 2003)



Toshiba Group, to enrich the lives of people everywhere, has provided products and services throughout its 129-year history that have aided the progress of society, earning it widespread trust and support. We consider this to be our social raison d'etre. In the course of our business operations and development it is therefore essential that we abide by laws and regulations, promote corporate ethics, and ensure honest and open management, while working to protect the global environment, and contributing to the worldwide community.

"Committed to People, Committed to the Future. TOSHIBA" This is the slogan adopted by Toshiba Group as representing the shared values of all its employees. In January 2004 we revised the Toshiba Group Standards of Conduct, significantly enhanced our compliance efforts, and implemented a CSR program in which all employees participate. To fulfill its responsibilities as a global corporation, moreover, Toshiba has joined the United Nations' Global Compact, and will support and promote its initiatives on the environment, human rights and labor. Toshiba Group, while ensuring honest and open corporate management, will pursue technical innovations focused on ubiquitous networking and the environment in its efforts to bridge the digital divide and resolve global environmental issues, thereby contributing to the realization of a sustainable society.



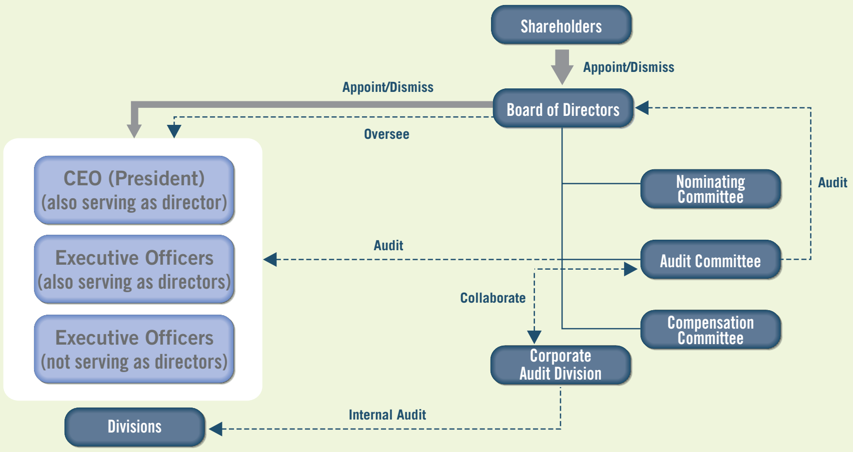
>> Corporate Governance

Toshiba Group's fundamental principles and goals for corporate governance are management efficiency, increased transparency, and maximization of corporate value from the standpoint of shareholders.

As part of the management reform undertaken in 1998, Toshiba adopted the executive officer system in order to clearly separate the decision-making and operational functions. Further management evolution saw the adoption of the company-with-committees structure in June 2003, a move that strengthened management oversight and increased its transparency, improved management flexibility, and further bolstered the risk compliance structure.

Implementation of corporate governance measures

As of March 31, 2004, the Company had 16 directors, of which seven (four outside directors, the Chairman of the Board and two internal auditors) do not serve as executive officers.



>> Compliance and Risk Management

By integrating crisis management with a legal compliance structure, corporate regulations and ethical standards, Toshiba Group is reinforcing its equitable and open management system. The Commercial Code of Japan clearly states that under the company-with-committees structure, a company must put in place an internal control system for risk and compliance. Toshiba anticipated these requirements by appointing a CRO (Chief Risk-Compliance Management Officer) and establishing a Risk-Compliance Committee, strengthening its compliance and risk management structure. In-house companies also appoint a person to be responsible for risk-compliance, and risk-compliance committees at each company make and implement decisions for their companies.

Toshiba also initiated a system in January 2000 in which risk-compliance information is disseminated to all employees. Since that time systems for consultations and anonymous reporting on risk-compliance have been added, currently operated as a "risk consultation hotline."

>> Strengthening Disclosure

Toshiba operates globally, working with a wide variety of stakeholders, each with differing needs and values. We consider it important to provide all stakeholders with adequate disclosure of business strategies, financial data and other corporate information, and value communication that accurately reflects the concerns of shareholders and all stakeholders in Toshiba's corporate management.

>> Establishment of the CSR Division and Revision of the Toshiba Group Standards of Conduct

In July 2003 Toshiba Group established a CSR Division to aid in making CSR an integral part of corporate management. The new division coordinates and systematizes various CSR-related activities, such as statutory and regulatory compliance, human rights, environment, social contribution and customer satisfaction initiatives, and promotes CSR throughout the Group.

The Toshiba standards for corporate conduct, which form the basis of these activities, have been revised from the standpoint of CSR, and to clarify relationships with stakeholders. To ensure that these standards are disseminated throughout the Group, a new Toshiba Group Standards of Conduct document has been published.

>> Participation in the Global Compact

Toshiba Group has joined the United Nations' Global Compact, pledging to support through its business activities nine universal principles in the areas of human rights, labor and the environment. Toshiba believes that abiding by internationally recognized standards regarding human rights, labor and the environment, and fulfilling social responsibilities, will lead to sustainable growth throughout the world.

>> Increasing Customer Satisfaction

Toshiba Group's fundamental policy regarding customer service is to consider the perspective of the customer as the basis for all ideas, and offer the products, systems and services that ensure their satisfaction. The Group constantly strives to incorporate this principle in its various activities, and to make continual improvements.

In 2003 Toshiba formulated its Customer Service Promotion Principles, establishing a system for providing the highest level of quality based on the dual tenets of "products and services that satisfy customers," and "communication."

>> Environmental Management

Amid a closer focus on corporations' environmental management by stakeholders, Toshiba Group believes it is necessary to establish long-term harmony between corporate management and the global environment.

Toshiba Group seeks to minimize environmental loads at all stages in the lifecycle of a product, including the resources devoted to its production, and the waste generated by it. Through its efforts in efficient use of resources, prevention of global warming, better management of chemical agents, environmentally friendly product development and recycling of used products, Toshiba is playing a leading role in the building of a recycling-based society.

Environmental management is one of the supporting pillars of Toshiba Group's corporate management, where each employee is not just a member of the Group, but a responsible citizen working to address environment issues. In the emerging ubiquitous networking society, Toshiba considers its efforts to resolve global environmental problems as a means of realizing sustainable development to be one of its highest management priorities.

Independent recognition

- Toshiba was selected as one of 300 companies from around the world for inclusion in the Dow Jones Sustainability Indexes (DJSI), an influential social responsibility investment (SRI) index.
- Toshiba placed second among 16 global electronics manufacturers in the social responsibility rating issued by the German rating agency Oekom Research AG.
- Toshiba was selected as one of 150 companies for the Morningstar Socially Responsible Investment Index (MS-SRI), a Japanese SRI index.


Taizo Nishimuro
Director/Chairman of the Board


Tadashi Okamura
Director


Yasuo Morimoto
Director


Takeshi Nakagawa
Director


Yuji Kiyokawa
Director


Atsutoshi Nishida
Director


Toshitake Takagi
Director


Sadazumi Ryu
Director


Takeshi Iida
Director


Masaki Matsuhashi
Director


Sakutaro Tanino
Director


Yasuhiko Torii
Director


Shunsaku Hashimoto
Director


Atsushi Shimizu
Director

Representative Executive Officer/President and Chief Executive Officer

Tadashi Okamura

Representative Executive Officers/Corporate Senior Executive Vice Presidents

Yasuo Morimoto **Takeshi Nakagawa**

Executive Officers/Corporate Executive Vice Presidents

Yuji Kiyokawa **Atsutoshi Nishida** **Tsuyoshi Kimura** **Toshitake Takagi** **Sadazumi Ryu** *(Representative Executive Officer)* **Shigeo Koguchi** **Yoshiaki Sato**

Executive Officers/Corporate Senior Vice Presidents

Masao Niwano **Tsutomu Miyamoto** **Makoto Azuma** **Yoshihiro Nitta** **Yoshihide Fujii**

Executive Officers/Corporate Vice Presidents

Katsuji Fujita **Shunsuke Kobayashi** **Toru Uchiike** **Hisatsugu Nonaka** **Mutsuhiro Arinobu** **Fumio Muraoka**
Ichiro Tai **Nobuhiro Yoshida** **Toshinori Moriyasu** **Masao Namiki** **Hisayoshi Fuwa** **Toshiharu Kobayashi**
Chikahiro Yokota **Kazuo Tanigawa** **Masashi Muromachi**

(As of June 25, 2004)

Financial Section

ELEVEN-YEAR SUMMARY

Toshiba Corporation and its subsidiaries
Years ended March 31

	Millions of yen, except per share amounts			
	2004	2003	2002	2001
Net sales	**¥5,579,506**	¥5,655,778	¥5,394,033	¥5,951,357
Cost of sales	**4,075,336**	4,146,460	4,070,130	4,323,525
Selling, general and administrative expenses	**1,378,529**	1,393,776	1,437,478	1,395,699
Operating income (loss)	**174,586**	115,542	(113,575)	232,133
Income (loss) before income taxes and minority interest	**145,041**	53,123	(376,687)	188,099
Income taxes	**102,237**	48,532	(113,915)	96,145
Net income (loss)	**28,825**	18,503	(254,017)	96,168
Per share of common stock:				
Net income (loss)				
—Basic	**¥8.96**	¥5.75	¥(78.91)	¥29.88
—Diluted	**8.96**	5.75	(78.91)	29.71
Cash dividends	**3.00**	3.00	—	10.00
Total assets	**¥4,462,200**	¥5,238,936	¥5,407,782	¥5,724,564
Shareholders' equity	**754,990**	571,064	705,314	1,047,925
Capital expenditures (Property, plant and equipment)	**227,273**	230,512	348,235	269,545
Depreciation (Property, plant and equipment)	**223,946**	237,888	311,208	308,294
R&D expenditures	**336,714**	331,494	326,170	327,915
Number of employees	**161,000**	166,000	176,000	188,000

Notes:
1. Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share assumes the dilution that would occur if dilutive convertible debentures were converted into common stock.
2. Beginning with the fiscal year ended March 31, 2001, Toshiba has adopted Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Prior-period data for the fiscal years ended from March 31, 1995 through 2000 has been restated to conform with SFAS No. 115 (data for the fiscal year ended March 31, 1994 has not been restated).
3. Beginning with the fiscal year ended March 31, 1998, revenues and expenses from financial services, real estate leasing and sales, and other operations are reported as operating activities whereas they were reported as non-operating activities in prior periods. Prior-period data for the fiscal years ended from March 31, 1994 through 1997 has been reclassified to conform with the current classification.
4. In the fiscal year ended March 31, 2004, ¥48,945 million of subsidy received on return of substitutional portion of Employees' Pension Fund Plan, net of settlement loss of ¥188,106 million is included in Toshiba's operating income.

	2000	1999	1998	1997	1996	1995	1994
	¥5,749,372	¥5,300,902	¥5,458,498	¥5,521,887	¥5,192,244	¥4,864,015	¥4,702,334
	4,254,444	3,890,622	3,960,158	3,932,585	3,647,624	3,435,146	3,371,517
	1,393,959	1,379,797	1,416,046	1,391,471	1,282,053	1,260,053	1,224,081
	100,969	30,483	82,294	197,831	262,567	168,816	106,736
	(44,844)	11,218	18,748	125,456	177,749	120,674	90,190
	(4,530)	20,901	17,313	71,593	102,965	67,607	75,506
	(32,903)	(9,095)	14,723	67,077	90,388	44,693	12,140
	¥(10.22)	¥(2.83)	¥4.57	¥20.84	¥28.08	¥13.89	¥3.78
	(10.22)	(2.83)	4.57	20.06	26.85	13.54	3.78
	3.00	6.00	10.00	10.00	10.00	10.00	10.00
	¥5,780,006	¥6,101,929	¥6,166,323	¥5,933,205	¥5,743,009	¥5,598,565	¥5,350,690
	1,060,099	1,128,753	1,305,946	1,388,827	1,384,582	1,255,083	1,117,725
	298,512	375,464	339,584	341,020	308,653	293,823	344,600
	329,630	309,836	291,418	252,732	261,985	283,575	255,553
	334,398	316,703	322,928	332,555	314,774	302,171	311,435
	191,000	198,000	186,000	186,000	186,000	190,000	175,000

SCOPE OF CONSOLIDATION

Toshiba Group comprises Toshiba Corporation, 319 consolidated subsidiaries (203 in Japan, 116 overseas) and 64 equity method affiliates (32 in Japan, 32 overseas). The results for fiscal 2003, ended March 31, 2004, consolidate four more subsidiaries than the previous fiscal year. This follows a strategic restructuring and change in consolidation policy that added 35 companies to the consolidation while excluding 31 companies, both in Japan and overseas, some of which were integrated into other Group companies, while others were sold or liquidated.

RESULTS OF OPERATIONS

> NET SALES

Consolidated net sales for fiscal 2003 were ¥5,579.5 billion (US$52,637 million), down by 1% year on year. This slight decline primarily resulted from business transfers, among them joint ventures with Matsushita Electric Industrial Co., Ltd. in CRTs and with Mitsubishi Electric Corporation in the industrial systems business. The electronic devices segment, centered on semiconductors and LCDs, reported strong sales results, while PCs and peripherals as well as color TVs recorded sales declines.

The average exchange rate for the Japanese yen to the U.S. dollar appreciated by ¥9, from ¥122 to ¥113, which had a negative influence on sales for the fiscal year under review. The exchange rate with the euro was ¥133, a ¥13 depreciation from ¥120 in fiscal 2002. These shifts had an overall negative impact on net sales of ¥63.0 billion.

> NET SALES BY REGION

Millions of yen

Years ended March 31	2004	2003	2002
Japan	**¥3,399,903**	¥3,343,551	¥3,340,491
Asia	**829,914**	837,845	659,820
North America	**710,108**	860,306	825,902
Europe	**517,235**	509,620	453,093
Others	**122,346**	104,456	114,727
Net Sales	**¥5,579,506**	¥5,655,778	¥5,394,033

Note: These figures are based on geographic location of the market in which sales were recorded, and therefore differ from the segment sales reported on p. 39, which are based on the location of the distribution source.

> JAPAN—Sales of ¥3,399.9 billion (US$32,075 million) were higher than in the previous fiscal year, despite business transfers, including the joint venture with Matsushita Electric Industrial Co., Ltd. in CRTs and the joint venture with Mitsubishi Electric Corporation in industrial systems. Electronic devices, including semiconductors and LCDs, recorded positive results.

> ASIA—Sales of ¥829.9 billion (US$7,829 million) were 1% lower year on year, due to the transfer of the CRT business.

> NORTH AMERICA—Sales of ¥710.1 billion (US$6,699 million) were 17% lower than in the previous fiscal year, the result of declines in thermal power plant projects, portable PCs and color TVs, as well as the impact of the transfer of the CRT business.

> EUROPE—Sales of ¥517.2 billion (US$4,880 million) were slightly higher than in the previous fiscal year, due to healthy sales of electronic devices, including semiconductors.

> NET INCOME (LOSS)

Net sales totaled ¥5,579.5 billion (US$52,637 million), down ¥76.3 billion compared with the previous fiscal year. The gross profit margin improved 0.3 point to 27.0%, largely as a result of cost reduction programs, reviews of procurement sources and increased overseas procurement. The cost of sales and overhead costs were ¥15.3 billion lower than in the previous fiscal year due to business transfers and the transfer to the government of the employees' pension fund, a move that generated income of ¥48.9 billion (US$462 million). Operating income was ¥174.6 billion (US$1,647 million), ¥59.0 billion more than in the previous fiscal year.

Non-operating loss totaled ¥29.6 billion (US$279 million), a ¥32.8 billion improvement from the previous fiscal year. This was primarily due to sales of securities totaling ¥32.5 billion and a ¥13.4 billion gain on foreign currency transactions. Negative factors included a ¥15.2 billion increase in restructuring costs. Net financial expenses were ¥10.4 billion (US$98 million), a ¥0.5 billion improvement from the previous fiscal year primarily due to reduced interest expenses.

Income before income taxes, minority interest and equity in earnings of affiliates was ¥145.0 billion (US$1,368 million), a significant improvement of ¥91.9 billion from the previous fiscal year. Income taxes increased by ¥53.7 billion from the previous fiscal year, in line with the increase in income.

Minority interest in income (loss) of consolidated subsidiaries was a positive ¥4.7 billion (US$44 million), a turnaround of ¥16.0 billion from the previous fiscal year. This was due in large part to much-improved profit and loss at less-than-100%-owned consolidated subsidiaries, especially in the LCD business, which increased income deductions. Equity in (loss) earnings of affiliates, meanwhile, declined in both Japan and overseas to a negative total of ¥9.3 billion (US$87 million).

Net income for fiscal 2003 of ¥28.8 billion (US$272 million) represented a ¥10.3 billion improvement over the previous fiscal year.

> RESULTS BY INDUSTRY SEGMENT

> DIGITAL PRODUCTS—Total sales in this segment were ¥2,009.4 billion (US$18,957 million), a 3% decline from the previous year, accounting for 33% of total sales. The operating loss was ¥23.8 billion (US$225 million), compared with the previous year's operating income of ¥24.8 billion, due to sales declines in portable PCs and color TVs, and in mobile phones for the overseas market.

In the domestic market, the mobile phone business recorded positive sales and the top share in the NCC market, on the strength of growing replacement demand for mobile phones with cameras. However, overall sales were undermined by delays in developing products for the North American market and the European i-mode market and a drastic market shift in China.

In the portable PC business, unit sales increased 14% year on year mainly due to strong demand from consumers and small- and medium-sized enterprises. However, the business suffered a heavy operating deficit due to severe price erosion, even as key components saw price increases. The rate of loss was reined in after peaking in the second quarter of fiscal 2003, as measures implemented in the second half gradually began to take effect. Measures taken include headcount reductions in Japan and overseas, improved sales productivity and reductions in the number of PC platforms that will enhance development and operating efficiency.

Price pressure in the HDD business was minimized as a result of the accelerating shift from desktop to portable PCs, particularly in the European and American markets, and strong demand for our strategic 2.5-inch HDD product. Our niche-creating 1.8-inch HDD sold well thanks to an expanding market for portable audio equipment.

Toshiba Group maintains its top position in ODDs by directing resources to the development of drives with DVD recording capability, typified by the multiformat DVD drives integrated into our DVD video recorders.

In color TVs, price declines for projection TVs in North America, an abrupt shift in the domestic market away from CRT-based TVs, and a related delay in launching flat-panel TVs, produced decreased sales and income.

DVD players in the North American market, the single largest market, saw transition to sales of dual-deck players featuring both a DVD player and VCR deck. Dedicated DVD players recorded low sales on dramatic price erosion and a declining market scale. Despite the intensified competition in the domestic market for DVD recorders, Toshiba Group maintained its position among the market leaders as DVD recorders with integrated HDDs entered the mainstream market.

> ELECTRONIC DEVICES—Although sales of semiconductors and LCDs both rose, total sales in this segment rose only 1% to ¥1,283.6 billion (US$12,109 million), due to the transfer of the CRT business to MT Picture Display Co., Ltd. This key business segment, which accounted for 21% of total sales in fiscal 2003, recorded large operating profits on burgeoning demand for semiconductors and improvement in the LCD business profit structure. Operating income of ¥117.0 billion (US$1,104 million) represented an ¥85.1 billion improvement over the previous year.

The semiconductor market saw yen-based growth of over 13% in the first half of fiscal 2003, due to macroeconomic recovery in the wake of the SARS scare. Among products that contributed to growth were digital consumer electronic appliances, chief among them digital still cameras, flat-panel TVs, mobile phones and PCs.

Although the discrete devices business experienced stagnant demand for audio systems and other consumer products in Asia during the first half of fiscal 2003, vitality returned in the second half as increased demand for mobile phones and portable PCs stimulated sales.

In system LSIs, demand was low in Asia for devices for consumer products, such as TV sets and audio devices, but sales of custom LSIs were buoyant, especially for digital still cameras and digital video cameras. CMOS image sensors for mobile phones also recorded increased sales.

Healthy demand for NAND flash memory spurred sales in the memory business, including a broadening market for USB memory and application in digital TV and video. The continued popularity of digital still cameras spurred demand for SD Memory Cards, and the MCP market grew as demand for feature-rich mobile phones pushed demand for a single package integrating NAND, NOR, SRAM and Pseudo SRAM.

A sales strategy focusing on the small- to medium-size range proved successful, as sales of LCDs soared by 22% year on year. Success in cutting the deficit and moving toward operating profit was also bolstered by improved yields at AFPD Pte., Ltd., the LCD manufacturing facility in Singapore. During the second half, LCD operations achieved a surplus and there are strong prospects for profit in fiscal 2004.

> SOCIAL INFRASTRUCTURE—Sales of ¥1,714.1 billion (US$16,171 million) represented a 6% fall from the previous year, and 28% of total sales. The main cause for the decline was a marked decrease in the number of thermal power projects, particularly in North America, and lower sales as a result of restructuring. Operating profit was ¥58.6 billion (US$553 million), a ¥19.5 billion increase over the previous fiscal year.

The Industrial and Power Systems & Services Company saw revenues decline on cutbacks in thermal power projects in North America and the transfers of the power transmission and distribution businesses and industrial electronics and automation systems businesses to equity method affiliates, despite increased sales of electrical equipment for rolling stock for overseas rail projects. The business recorded an operating loss due to an expected loss on overseas thermal power plants.

The Social Network & Infrastructure Systems Company increased profits due to a growing market for radio wave systems such as digital terrestrial broadcasting and radar devices.

Toshiba Solutions Corporation experienced slightly lower sales, as the scale of business decreased on privatization of the Japanese postal services and restrained private-sector investments in IT.

In a tough business environment characterized by investment restraint both in Japan and overseas, Toshiba Medical Systems Corporation increased both sales and profits, most notably in multislice CT scanners. Toshiba Elevator and Building Systems Corporation also saw good results, in line with the previous fiscal year.

> HOME APPLIANCES—While sales in this segment rose 1% year on year to ¥637.3 billion (US$6,012 million), operating profit fell ¥0.7 billion to ¥3.5 billion (US$33 million), the result of a cool summer that punctured demand for air conditioners.

As the domestic market continued to experience the severe combination of sluggish demand and price deflation, an unseasonably cool summer in 2003 slowed sales of core products, including freon-free refrigerators and air conditioners. On the positive side, market share improved in kitchen products, such as rice cookers that prevent rice from drying up, coffee machines and microwave ovens.

> OTHERS—Sales in this segment totaled ¥472.7 billion (US$4,460 million), a 4% year-on-year decrease, and accounted for 8% of total sales. Operating profit of ¥18.8 billion (US$178 million) represented a ¥3.3 billion increase from the previous fiscal year.

Segment information below is based on Japanese accounting standards. On April 1, 2003, Toshiba adopted a system of reporting five business segments: Digital Products, Electronic Devices, Social Infrastructure, Home Appliances and Others. This segmentation replaces the previous system of seven segments: Information & Communication Systems, Social Infrastructure Systems, Power Systems, Digital Media, Home Appliances, Electronic Devices & Components and Others. Consolidated results for fiscal 2001 and 2002 have been reclassified to reflect this new segmentation.

> INDUSTRY SEGMENTS

	Millions of yen			Thousands of U.S. dollars (Note 3)
Years ended March 31	**2004**	2003	2002	**2004**
Sales:				
Digital Products				
Unaffiliated customers	**¥1,939,717**	¥2,032,736	¥1,832,671	**$18,299,217**
Intersegment	**69,678**	40,235	52,675	**657,340**
Total	**2,009,395**	2,072,971	1,885,346	**18,956,557**
Electronic Devices				
Unaffiliated customers	**1,174,934**	1,070,165	874,733	**11,084,283**
Intersegment	**108,654**	204,278	169,674	**1,025,038**
Total	**1,283,588**	1,274,443	1,044,407	**12,109,321**
Social Infrastructure				
Unaffiliated customers	**1,654,959**	1,722,603	1,812,005	**15,612,821**
Intersegment	**59,177**	99,994	118,904	**558,273**
Total	**1,714,136**	1,822,597	1,930,909	**16,171,094**
Home Appliances				
Unaffiliated customers	**616,807**	611,286	635,537	**5,818,934**
Intersegment	**20,475**	22,314	20,118	**193,160**
Total	**637,282**	633,600	655,655	**6,012,094**
Others				
Unaffiliated customers	**193,089**	218,988	239,087	**1,821,594**
Intersegment	**279,655**	272,123	245,791	**2,638,255**
Total	**472,744**	491,111	484,878	**4,459,849**
Eliminations	**(537,639)**	(638,944)	(607,162)	**(5,072,066)**
Consolidated	**¥5,579,506**	¥5,655,778	¥5,394,033	**$52,636,849**

Years ended March 31	Millions of yen 2004	2003	2002	Thousands of U.S. dollars (Note 3) 2004
Operating income (loss):				
Digital Products	**¥ (23,810)**	¥ 24,828	¥ (1,851)	**$ (224,623)**
Electronic Devices	**117,002**	31,853	(175,164)	**1,103,793**
Social Infrastructure	**58,637**	39,178	41,100	**553,179**
Home Appliances	**3,474**	4,134	10,165	**32,774**
Others	**18,845**	15,532	11,363	**177,783**
Eliminations	**438**	17	812	**4,132**
Consolidated	**¥ 174,586**	¥ 115,542	¥ (113,575)	**$ 1,647,038**
Identifiable assets:				
Digital Products	**¥ 872,559**	¥ 904,989	¥ 885,545	**$ 8,231,689**
Electronic Devices	**1,241,464**	1,232,392	1,302,670	**11,711,924**
Social Infrastructure	**1,529,197**	1,671,432	1,852,806	**14,426,387**
Home Appliances	**371,850**	385,094	406,016	**3,508,019**
Others	**479,399**	1,080,738	978,894	**4,522,632**
Corporate and Eliminations	**(32,269)**	(35,709)	(18,149)	**(304,425)**
Consolidated	**¥4,462,200**	¥5,238,936	¥5,407,782	**$42,096,226**
Depreciation and amortization:				
Digital Products	**¥ 35,499**	¥ 34,287	¥ 41,161	**$ 334,896**
Electronic Devices	**112,466**	125,755	162,033	**1,061,000**
Social Infrastructure	**37,657**	42,759	63,229	**355,255**
Home Appliances	**18,786**	18,732	18,422	**177,226**
Others	**44,423**	39,302	41,394	**419,085**
Corporate	**—**	—	—	**—**
Consolidated	**¥ 248,831**	¥ 260,835	¥ 326,239	**$ 2,347,462**
Impairment of long-lived assets:				
Digital Products	**¥ —**	¥ —	¥ 1,140	**$ —**
Electronic Devices	**10,018**	7,815	58,550	**94,509**
Social Infrastructure	**—**	—	—	**—**
Home Appliances	**—**	—	—	**—**
Others	**—**	—	—	**—**
Corporate	**—**	—	—	**—**
Consolidated	**¥ 10,018**	¥ 7,815	¥ 59,690	**$ 94,509**
Capital expenditures:				
Digital Products	**¥ 48,556**	¥ 35,090	¥ 55,106	**$ 458,075**
Electronic Devices	**136,162**	115,664	209,095	**1,284,547**
Social Infrastructure	**27,629**	34,585	44,771	**260,651**
Home Appliances	**19,330**	21,259	22,044	**182,359**
Others	**23,009**	50,219	47,816	**217,066**
Corporate	**—**	—	—	**—**
Consolidated	**¥ 254,686**	¥ 256,817	¥ 378,832	**$ 2,402,698**

> GEOGRAPHIC SEGMENTS

Years ended March 31	Millions of yen 2004	2003	2002	Thousands of U.S. dollars (Note 3) 2004
Sales:				
Japan				
Unaffiliated customers	**¥ 3,747,371**	¥ 3,773,309	¥ 3,716,437	**$ 35,352,556**
Intersegment	**1,188,508**	1,169,802	999,914	**11,212,340**
Total	**4,935,879**	4,943,111	4,716,351	**46,564,896**
Asia				
Unaffiliated customers	**617,973**	563,639	470,518	**5,829,934**
Intersegment	**568,220**	521,620	429,904	**5,360,566**
Total	**1,186,193**	1,085,259	900,422	**11,190,500**
North America				
Unaffiliated customers	**667,663**	784,683	728,595	**6,298,708**
Intersegment	**19,220**	20,052	86,334	**181,321**
Total	**686,883**	804,735	814,929	**6,480,029**
Europe				
Unaffiliated customers	**488,785**	477,870	426,089	**4,611,179**
Intersegment	**15,619**	13,957	13,026	**147,349**
Total	**504,404**	491,827	439,115	**4,758,528**
Others				
Unaffiliated customers	**57,714**	56,277	52,394	**544,472**
Intersegment	**2,035**	1,533	5,220	**19,198**
Total	**59,749**	57,810	57,614	**563,670**
Eliminations	**(1,793,602)**	(1,726,964)	(1,534,398)	**(16,920,774)**
Consolidated	**¥ 5,579,506**	¥ 5,655,778	¥ 5,394,033	**$ 52,636,849**
Operating income (loss):				
Japan	**¥ 148,729**	¥ 89,780	¥ (166,231)	**$ 1,403,104**
Asia	**13,368**	24,540	22,844	**126,113**
North America	**6,599**	11,722	19,189	**62,255**
Europe	**3,875**	(3,197)	(128)	**36,556**
Others	**756**	(286)	14	**7,132**
Eliminations	**1,259**	(7,017)	10,737	**11,878**
Consolidated	**¥ 174,586**	¥ 115,542	¥ (113,575)	**$ 1,647,038**
Identifiable assets:				
Japan	**¥ 3,589,596**	¥ 4,403,984	¥ 4,430,716	**$ 33,864,113**
Asia	**513,932**	416,726	434,112	**4,848,415**
North America	**180,086**	218,782	360,366	**1,698,925**
Europe	**210,935**	202,575	186,900	**1,989,953**
Others	**28,111**	30,057	36,061	**265,198**
Corporate and Eliminations	**(60,460)**	(33,188)	(40,373)	**(570,378)**
Consolidated	**¥ 4,462,200**	¥ 5,238,936	¥ 5,407,782	**$ 42,096,226**

RESEARCH AND DEVELOPMENT

Consolidated R&D expenditures totaled ¥336.7 billion (US$3,177 million), a 2% increase compared with the previous fiscal year. This was equivalent to 6% of consolidated sales, virtually unchanged from fiscal 2002. Principal R&D expenditures and achievements by segment were as follows.

R&D expenditures in the digital products segment totaled ¥94.7 billion (US$893 million) and included the development of the 0.85-inch HDD; an HD DVD system utilizing a blue-violet semiconductor laser; a palm-sized fuel cell compatible with mobile devices; a multi-drive HDD & DVD compatible with the RAM and RW standards; a 3-D display system supporting natural moving images; a physical distribution system based on the RFID tag (a non-contact IC tag); and the beautiful "face™" lineup of large flat-panel TVs with the magic square algorithms.

In the electronic devices segment, R&D expenditures totaled ¥156.9 billion (US$1,480 million) and were directed to commercialization of an MPEG4 video image processing LSI supporting high-grade graphics; development of the world's fastest 512MB XDR™ DRAM, which supports a 3.2GHz data transfer rate; low power consumption 65nm generation CMOS transistors with high dielectric constant materials; multilayer technologies for a nine-layer MCP; 0.7nm single crystal thin-film transistors, the finest yet achieved; and an LCD panel with an integrated scanner function.

In social infrastructure, R&D expenditures totaled ¥62.2 billion (US$587 million) and were directed to the development of laser-based preventive maintenance and repair technologies for nuclear power plant control rod drive mechanisms; FacePass™, a new facial recognition security system; electricity transaction solutions; a vehicle mounted image recognition system with an electronic image recognition LSI (Visconti™); quantum cipher communication over 100km of fiber-optic cable; the Aquilion™ CT scanner, able to scan 16 shots in 1 pass; and motor drive systems for hybrid automobiles.

R&D expenditures in the home appliances segment totaled ¥18.4 billion (US$174 million) and included the commercialization of the comfortable NDR series of home air conditioners that set the industry benchmark for energy-saving performance; a top-loading washing machine with digital signal processor (DSP) inverter control; development of a home air conditioner compatible with Bluetooth™ and ECHONET standards; and improvements of the CFC-free refrigerator lineup.

In the others segment, R&D expenditures totaled ¥4.5 billion (US$43 million) and included programs currently underway at Toshiba Electric Appliances Co., Ltd.

CAPITAL EXPENDITURES

Toshiba Group follows a basic strategy of focusing management resources on growth areas. Capital expenditures, including investments in intangible fixed assets, amounted to ¥254.7 billion (US$2,403 million) and were primarily directed to the electronic devices segment.

Capital expenditures in the electronic devices segment totaled ¥136.2 billion (US$1,285 million), and included facilities for the development and production of semiconductors and to raise production of LCDs. Principal facilities completed in the course of fiscal 2003 were facilities for the manufacture of advanced system LSIs at Oita Operations, NAND flash memory production facilities at Yokkaichi Operations, and cutting-edge LSI development facilities at Yokohama Operations. Facilities still under construction include system LSI manufacturing facilities at Oita Operations, NAND flash memory facilities at Yokkaichi Operations, and low-temperature polysilicon LCD production facilities at Toshiba Matsushita Display Technology Co., Ltd.

In digital products, capital expenditures totaled ¥48.6 billion (US$458 million) and were channeled into the development and manufacturing of new products, such as PCs and mobile phones.

In social infrastructure, capital expenditures totaled ¥27.6 billion (US$261 million) and were directed to system development and infrastructure improvement.

Capital expenditures in the home appliances segment totaled ¥19.3 billion (US$182 million) and included the development and production of new products.

Capital expenditures in the others segment totaled ¥23.0 billion (US$217 million).

FINANCIAL CONDITION

As of March 31, 2004, total assets amounted to ¥4,462.2 billion (US$42,096 million), a decrease of ¥776.7 billion from the previous fiscal year-end, reflecting the transfer of Toshiba Finance Corporation and Shibaura Mechatronics Corporation into equity method affiliates. Current assets declined ¥268.8 billion year on year, to ¥2,352.4 billion (US$22,193 million).

The transfer of Toshiba Finance into an equity method affiliate reduced finance receivables, net to ¥17.3 billion (US$163 million), a ¥148.9 billion decrease, and long-term finance receivables, net to ¥29.9 billion (US$282 million), a ¥230.5 billion decrease. Deferred tax assets were ¥489.7 billion (US$4,620 million), ¥195.9 billion less than at the end of the previous fiscal year, due to the transfer of the employees' pension fund to the government, improvements in pension asset management yield, a decrease in additional minimum pension liabilities, and elimination of a loss carried forward by improvements in operating performance.

Current and long-term liabilities decreased by ¥920.5 billion from the end of previous fiscal year, to ¥3,571.4 billion (US$33,693 million). The balance of interest-bearing liabilities was ¥1,199.5 billion (US$11,316 million), a ¥453.9 billion decrease due to business transfers. Accrued pension and severance costs were ¥601.6 billion (US$5,675 million), ¥349.4 billion less than at the previous fiscal year-end, as a result of the transfer of the employees' pension fund to the government and a decrease in additional minimum pension liabilities on a pension assets increase through improvements in pension asset management yield.

Shareholders' equity increased by ¥183.9 billion to ¥755.0 billion (US$7,123 million), on a ¥164.9 billion improvement in accumulated other comprehensive loss, to ¥285.9 billion (US$2,697 million), as a result of a reduction in the minimum pension liability adjustment. Improved net income raised retained earnings by ¥19.2 billion to ¥481.2 billion (US$4,540 million).

CASH FLOWS

Net cash provided by operating activities amounted to ¥322.7 billion (US$3,044 million), an increase of ¥51.1 billion from ¥271.6 billion in the previous fiscal year. In addition to the improvement in net income, restructuring charges decreased.

Net cash used in investing activities amounted to ¥189.5 billion (US$1,787 million), an increase of ¥41.5 billion from ¥148.0 billion in the previous fiscal year. This was due to large cash inflows from the transfer of the DRAM business and sale and leaseback transactions in the previous fiscal year.

Net cash used in financing activities amounted to ¥132.7 billion (US$1,252 million), a decrease of ¥27.0 billion from ¥159.8 billion in the previous fiscal year. Besides increased proceeds from stock offering by subsidiaries, there was a reduction in the scale of contracted interest-bearing liabilities.

The effect of exchange rate changes was to decrease cash by ¥8.3 billion (US$78 million).

As a result, cash and cash equivalents at the fiscal year-end decreased by ¥7.8 billion to ¥319.3 billion (US$3,012 million) compared with ¥327.1 billion at the end of the previous fiscal year.

> PRINCIPAL SUBSIDIARIES AND AFFILIATED COMPANIES

As of March 31, 2004 — Percentage held by Group

Consolidated Subsidiaries:		Affiliated Companies:	
Japan		**Japan**	
A&T Battery Corporation	100	MT Picture Display Co., Ltd.	36
Toshiba Building Co., Ltd.	100	Toshiba Ceramics Co., Ltd.	41
Toshiba Elevator and Building Systems Corporation	80	Toshiba Machine Co., Ltd.	33
Toshiba Plant Systems & Services Corporation	69		
Toshiba TEC Corporation	52		
U.S.A.			
Toshiba America Electronic Components, Inc.	100		
Toshiba America, Inc.	100		

Toshiba Corporation and its subsidiaries
As of March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2004**	2003	**2004**
Current assets:			
Cash and cash equivalents	**¥ 319,277**	¥ 327,098	**$ 3,012,047**
Notes and accounts receivable, trade—			
Notes (Note 5)	**101,624**	107,920	**958,717**
Accounts (Note 5)	**962,216**	1,007,396	**9,077,509**
Allowance for doubtful notes and accounts	**(27,682)**	(25,776)	**(261,150)**
Finance receivables, net (Note 5)	**17,271**	166,190	**162,934**
Inventories (Note 6)	**629,044**	629,659	**5,934,377**
Deferred tax assets (Note 15)	**114,425**	143,087	**1,079,481**
Prepaid expenses and other current assets	**236,244**	265,642	**2,228,717**
Total current assets	**2,352,419**	2,621,216	**22,192,632**
Long-term receivables and investments:			
Long-term receivables (Note 5)	**21,808**	27,153	**205,736**
Long-term finance receivables, net (Note 5)	**29,887**	260,361	**281,953**
Investments in and advances to affiliates (Note 7)	**191,391**	186,685	**1,805,575**
Marketable securities and other investments (Note 4)	**197,901**	209,374	**1,866,991**
	440,987	683,573	**4,160,255**
Property, plant and equipment (Notes 9, 19 and 20)**:**			
Land	**165,255**	174,701	**1,559,010**
Buildings	**1,070,607**	1,116,868	**10,100,066**
Machinery and equipment	**2,311,773**	2,670,750	**21,809,179**
Construction in progress	**51,897**	37,642	**489,594**
	3,599,532	3,999,961	**33,957,849**
Less—Accumulated depreciation	**(2,481,287)**	(2,800,676)	**(23,408,368)**
	1,118,245	1,199,285	**10,549,481**
Deferred tax assets (Note 15)	**375,244**	542,507	**3,540,037**
Other assets (Note 8)	**175,305**	192,355	**1,653,821**
	¥ 4,462,200	¥ 5,238,936	**$ 42,096,226**

The accompanying notes are an integral part of these statements.

Liabilities and shareholders' equity	Millions of yen 2004	2003	Thousands of U.S. dollars (Note 3) 2004
Current liabilities:			
Short-term borrowings (Note 9)	**¥ 306,711**	¥ 427,969	**$ 2,893,500**
Current portion of long-term debt (Note 9)	**190,821**	343,373	**1,800,198**
Notes payable, trade	**81,827**	107,817	**771,953**
Accounts payable, trade	**795,594**	874,153	**7,505,604**
Accounts payable, other and accrued expenses	**320,640**	269,885	**3,024,906**
Accrued income and other taxes	**37,029**	49,934	**349,330**
Advance payments received	**179,912**	243,187	**1,697,283**
Other current liabilities (Note 22)	**287,094**	302,459	**2,708,434**
Total current liabilities	**2,199,628**	2,618,777	**20,751,208**
Long-term liabilities:			
Long-term debt (Note 9)	**701,924**	882,026	**6,621,925**
Accrued pension and severance costs (Note 10)	**601,566**	950,997	**5,675,151**
Other liabilities	**68,293**	40,127	**644,273**
	1,371,783	1,873,150	**12,941,349**
Minority interest in consolidated subsidiaries	**135,799**	175,945	**1,281,122**
Shareholders' equity (Note 17)			
Common stock, without par value:			
Authorized—10,000,000,000 shares			
Issued and outstanding:			
2004 and 2003—3,219,027,165 shares	**274,926**	274,926	**2,593,641**
Additional paid-in capital	**285,736**	285,736	**2,695,623**
Retained earnings	**481,227**	462,058	**4,539,877**
Accumulated other comprehensive loss	**(285,894)**	(450,775)	**(2,697,113)**
Treasury stock, at cost:			
2004—2,224,121 shares	**(1,005)**	—	**(9,481)**
2003—2,269,483 shares	**—**	(881)	**—**
	754,990	571,064	**7,122,547**
Commitments and contingent liabilities (Notes 21 and 22)			
	¥4,462,200	¥5,238,936	**$42,096,226**

CONSOLIDATED STATEMENTS OF INCOME

Toshiba Corporation and its subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	**2004**
Sales and other income:			
Net sales	**¥5,579,506**	¥5,655,778	**$52,636,849**
Subsidy received on return of substitutional portion of Employees' Pension Fund Plan, net of settlement loss of ¥188,106 million ($1,774,585 thousand) (Note 10)	**48,945**	—	**461,745**
Interest and dividends	**10,470**	13,381	**98,774**
Other income (Notes 4, 5, 16, and 23)	**88,394**	65,937	**833,905**
	5,727,315	5,735,096	**54,031,273**
Costs and expenses:			
Cost of sales (Notes 11 and 19)	**4,075,336**	4,146,460	**38,446,566**
Selling, general and administrative (Notes 8, 11, 12, and 19)	**1,378,529**	1,393,776	**13,004,991**
Interest	**20,832**	24,257	**196,528**
Other expense (Notes 4, 5, 7, 13, 14 and 23)	**107,577**	117,480	**1,014,877**
	5,582,274	5,681,973	**52,662,962**
Income before income taxes, minority interest and equity in (loss) earnings of affiliates	**145,041**	53,123	**1,368,311**
Income taxes (Note 15)**:**			
Current	**50,092**	50,986	**472,566**
Deferred	**52,145**	(2,454)	**491,934**
	102,237	48,532	**964,500**
Income before minority interest and equity in (loss) earnings of affiliates	**42,804**	4,591	**403,811**
Minority interest in income (loss) of consolidated subsidiaries	**4,708**	(11,330)	**44,415**
Income before equity in (loss) earnings of affiliates	**38,096**	15,921	**359,396**
Equity in (loss) earnings of affiliates (Note 7)	**(9,271)**	2,582	**(87,462)**
Net income	**¥ 28,825**	¥ 18,503	**$ 271,934**

	Yen		U.S. dollars (Note 3)
Basic and diluted net income per share	**¥ 8.96**	¥ 5.75	**$ 0.085**
Weighted-average number of shares used in calculation of earnings per share (thousands of shares)	**3,216,774**	3,217,979	
Cash dividends per share (Note 17)	**¥ 3.00**	¥ 3.00	**$ 0.028**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and its subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of yen					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total
Balance at March 31, 2002	¥274,926	¥285,736	¥443,555	¥(298,792)	¥ (111)	¥705,314
Comprehensive income (loss):						
Net income			18,503			18,503
Other comprehensive income (loss), net of tax (Note 17)—						
Unrealized gains on securities (Note 4)				(9,550)		(9,550)
Foreign currency translation adjustments				(17,638)		(17,638)
Minimum pension liability adjustment (Note 10)				(125,130)		(125,130)
Unrealized losses on derivative instruments				335		335
Comprehensive loss						(133,480)
Purchase of treasury stock, at cost					(770)	(770)
Balance at March 31, 2003	274,926	285,736	462,058	(450,775)	(881)	571,064
Comprehensive income (loss):						
Net income			**28,825**			**28,825**
Other comprehensive income (loss), net of tax (Note 17)—						
Unrealized gains on securities (Note 4)				**11,189**		**11,189**
Foreign currency translation adjustments				**(19,701)**		**(19,701)**
Minimum pension liability adjustment (Note 10)				**170,786**		**170,786**
Unrealized gains on derivative instruments				**2,607**		**2,607**
Comprehensive income						**193,706**
Cash dividends			**(9,656)**			**(9,656)**
Purchase of treasury stock, net, at cost					**(124)**	**(124)**
Balance at March 31, 2004	**¥274,926**	**¥285,736**	**¥481,227**	**¥(285,894)**	**¥(1,005)**	**¥754,990**

	Thousands of U.S. dollars (Note 3)					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total
Balance at March 31, 2003	$2,593,641	$2,695,623	$4,359,037	$(4,252,594)	$(8,311)	$5,387,396
Comprehensive income (loss):						
Net income			**271,934**			**271,934**
Other comprehensive income (loss), net of tax (Note 17)—						
Unrealized gains on securities (Note 4)				**105,556**		**105,556**
Foreign currency translation adjustments				**(185,858)**		**(185,858)**
Minimum pension liability adjustment (Note 10)				**1,611,189**		**1,611,189**
Unrealized gains on derivative instruments				**24,594**		**24,594**
Comprehensive income						**1,827,415**
Cash dividends			**(91,094)**			**(91,094)**
Purchase of treasury stock, net, at cost					**(1,170)**	**(1,170)**
Balance at March 31, 2004	**$2,593,641**	**$2,695,623**	**$4,539,877**	**$(2,697,113)**	**$(9,481)**	**$7,122,547**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and its subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2004	2003	**2004**
Cash flows from operating activities			
Net income	**¥ 28,825**	¥ 18,503	**$ 271,934**
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation and amortization	**248,831**	260,835	**2,347,462**
Provisions for pension and severance costs, less payments	**(8,001)**	20,296	**(75,481)**
Deferred income tax provision (benefit)	**52,145**	(2,454)	**491,934**
Equity in loss (earnings) of affiliates	**9,271**	(2,582)	**87,462**
Loss from sales, disposal and impairment of property, plant and equipment, net	**22,557**	13,278	**212,802**
(Gain) loss from sales and impairment of securities and other investments, net	**(25,028)**	17,059	**(236,113)**
Minority interest in income (loss) of consolidated subsidiaries	**4,708**	(11,330)	**44,415**
Increase in notes and accounts receivable, trade	**(14,617)**	(13,520)	**(137,896)**
Decrease in finance receivables, net	**1,949**	2,538	**18,387**
(Increase) decrease in inventories	**(35,852)**	17,856	**(338,226)**
Decrease (increase) in other current assets	**9,371**	(35,299)	**88,406**
Decrease (increase) in long-term receivables	**3,776**	(15,283)	**35,622**
Decrease in long-term finance receivables, net	**64,615**	52,697	**609,575**
(Decrease) increase in notes and accounts payable, trade	**(21,239)**	6,392	**(200,368)**
(Decrease) increase in accrued income and other taxes	**(12,493)**	13,183	**(117,858)**
Decrease in advance payments received	**(47,050)**	(16,860)	**(443,868)**
Increase (decrease) in accounts payable and other liabilities	**40,894**	(53,706)	**385,792**
Net cash provided by operating activities	**322,662**	271,603	**3,043,981**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**39,908**	151,319	**376,491**
Proceeds from sale of securities	**53,469**	13,897	**504,424**
Acquisition of property, plant and equipment	**(199,127)**	(249,253)	**(1,878,557)**
Purchase of securities	**(53,170)**	(22,557)	**(501,604)**
Decrease (increase) in investments in affiliates	**20,570**	(12,409)	**194,057**
Increase in other assets and other	**(51,116)**	(28,985)	**(482,226)**
Net cash used in investing activities	**(189,466)**	(147,988)	**(1,787,415)**
Cash flows from financing activities			
Proceeds from long-term debt	**338,222**	363,086	**3,190,774**
Repayment of long-term debt	**(371,554)**	(280,965)	**(3,505,226)**
Decrease in short-term borrowings	**(63,389)**	(238,600)	**(598,009)**
Dividends paid	**(11,720)**	(2,428)	**(110,566)**
Proceeds from stock offering by subsidiaries	**14,366**	525	**135,528**
Repurchase of subsidiary common stock	**(1,182)**	(604)	**(11,151)**
Redemption of subsidiary preferred stock	**(35,000)**	—	**(330,189)**
Purchase of treasury stock, net	**(195)**	(770)	**(1,840)**
Other	**(2,281)**	—	**(21,519)**
Net cash used in financing activities	**(132,733)**	(159,756)	**(1,252,198)**
Effect of exchange rate changes on cash and cash equivalents	**(8,284)**	(7,193)	**(78,151)**
Net decrease in cash and cash equivalents	**(7,821)**	(43,334)	**(73,783)**
Cash and cash equivalents at beginning of year	**327,098**	370,432	**3,085,830**
Cash and cash equivalents at end of year	**¥ 319,277**	¥ 327,098	**$ 3,012,047**
Supplemental disclosure of cash flow information (Note 23)			
Cash paid during the year for—			
Interest	**¥ 27,852**	¥ 31,932	**$ 262,755**
Income taxes	**¥ 58,496**	¥ 43,094	**$ 551,849**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and its subsidiaries
March 31, 2004

1. DESCRIPTION OF BUSINESS

Toshiba Corporation and its subsidiaries (collectively, the "Company") is engaged in research and development, manufacturing and sales of high-technology electronic and energy products, which span (1) digital products, (2) electronic devices, (3) social infrastructure, (4) home appliances, and (5) others. For the year ended March 31, 2004, sales of digital products represented the most significant portion of the Company's total sales or approximately 33%. Social infrastructure represented approximately 28%, electronic devices approximately 21%, and home appliances approximately 10% of the Company's total sales. The Company's products are manufactured and marketed throughout the world with 61% of its sales in Japan and the remainder in Asia, North America, Europe and other parts of the world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

> PREPARATION OF FINANCIAL STATEMENTS Toshiba Corporation and its domestic subsidiaries maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform with accounting principles generally accepted in the United States of America. These adjustments were not recorded in the statutory books of account.

> BASIS OF CONSOLIDATION AND INVESTMENTS IN AFFILIATES The consolidated financial statements as of March 31, 2003 and for the year then ended include the accounts of Toshiba Corporation and its majority-owned subsidiaries. As a result of adopting Financial Accounting Standards Board ("FASB") Interpretation No. 46 as revised in December 2003, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51* ("FIN 46R"), the consolidated financial statements of the Company as of March 31, 2004, include the accounts of Toshiba Corporation and its majority-owned subsidiaries that are not considered variable interest entities ("VIEs") and all VIEs for which the Company is the primary beneficiary. All significant intercompany transactions and accounts are eliminated in consolidation.

FIN 46R requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE is obligated to absorb a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the VIE's residual returns, or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary must initially record all of the VIE's assets, liabilities and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest.

Investments in affiliates in which the ability to exercise significant influence exists are stated at cost plus equity in undistributed earnings (losses). Net consolidated income (loss) includes the Company's equity in the current net earnings (losses) of such companies, after elimination of unrealized intercompany profits.

> USE OF ESTIMATES The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

> CASH EQUIVALENTS All highly liquid investments with original maturities of three months or less at the date of purchase are considered to be cash equivalents.

> FOREIGN CURRENCY TRANSLATION The assets and liabilities of foreign consolidated subsidiaries and affiliates that operate in a local currency environment are translated into Japanese yen at applicable current exchange rates at year end. Income and expense items are translated at average exchange rates prevailing during the year. The effects of these translation adjustments are included in other comprehensive income (loss) and reported as a component of shareholders' equity. Exchange gains and losses resulting from foreign currency transactions and translation of assets and liabilities denominated in foreign currencies are included in other expenses in the consolidated statements of income.

> ALLOWANCE FOR UNCOLLECTIBLE RECEIVABLES An allowance for uncollectible trade receivables is recorded based on a combination of the write-off history, aging analysis, and an evaluation of any specific known troubled accounts. When all collection options are exhausted including legal recourse, the accounts or portions thereof are deemed to be uncollectible and charged against the allowance. An allowance for uncollectible finance receivables has been provided based on past loss experience and the estimation of value of the underlying collateral.

> MARKETABLE SECURITIES AND OTHER INVESTMENTS The Company classifies all of its marketable securities as available-for-sale which are reported at fair value, with unrealized gains and losses included in accumulated other

comprehensive income (loss), net of taxes. Other investments without quoted market prices are stated at cost. Realized gains or losses on the sale of securities are based on the average cost of a particular security held at the time of sale.

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

> INVENTORIES Raw materials, finished products and work in process for stock sales items are stated at the lower of cost or market, cost being determined principally by the average method. Finished products and work in process for contract items are stated at the lower of cost or estimated realizable value, cost being determined by accumulated production costs.

In accordance with general industry practice, items with long manufacturing periods are included among inventories even when not realizable within one year.

> DEPRECIABLE ASSETS Property, plant and equipment, including significant renewals and additions, are carried at cost. Maintenance and repairs, including minor renewals and betterments, are expensed as incurred. Certain costs incurred in connection with developing or obtaining internal use software are capitalized. These costs consist of payments made to third parties and the salaries of employees working on such software development and are included under the caption Other assets in the accompanying consolidated balance sheets.

Depreciation for property, plant and equipment is computed generally by the declining-balance method at rates based on the following estimated useful lives of the assets: buildings, 3 to 50 years; machinery and equipment, 2 to 20 years. Software is depreciated mainly using the straight-line method over the estimated useful life of the asset, which is generally less than 5 years.

> IMPAIRMENT OF LONG-LIVED ASSETS Long-lived assets, other than goodwill and intangible assets with indefinite lives, are evaluated for impairment using an estimate of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. If the estimate of undiscounted cash flows is less than the carrying amount of the assets, an impairment loss is recorded based on the fair value of the asset. Fair value is determined primarily by using the anticipated cash flows discounted at a rate commensurate with the risk involved. For assets held for sale, an impairment loss is further increased by costs to sell. Long-lived assets to be disposed of other than by sale are considered held and used until disposed of.

> INTANGIBLE ASSETS Intangible assets, mainly consisting of technical license fees, are amortized over the contractual periods or the estimated useful lives on a straight-line basis. The weighted average amortization period for these intangible assets was 6 years as of March 31, 2004. The Company reviews the carrying amount of indefinite-lived intangible assets for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

> INCOME TAXES The provision (benefit) for income taxes is computed based on the pre-tax income (loss) included in the consolidated statements of income. Deferred income taxes are recorded to reflect the expected future tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, and are measured by applying currently enacted tax laws. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that the change is enacted. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

> ACCRUED PENSION AND SEVERANCE COSTS The Company has various retirement benefit plans covering substantially all employees. Current service costs of the retirement benefit plans are accrued in the period. The unrecognized net obligation existing at initial application of Statement of Financial Accounting Standards ("SFAS") No. 87 and prior service costs resulting from amendments to the plans are amortized over the average remaining service period of employees expected to receive benefits. Unrecognized actuarial losses that exceed 10 percent of the greater of the projected benefit obligation or the fair value of plan assets are also amortized over the average remaining service period of employees expected to receive benefits.

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

> ISSUANCE OF STOCK BY A SUBSIDIARY When a subsidiary issues stock to an unrelated third party, the Company's ownership interest in the subsidiary decreases; however, if the price per share is more or less than the Company's

average carrying amount per share, the Company is required to adjust the carrying amount of its investment in the subsidiary. The Company accounts for such adjustments as gains or losses in income for the year in which the change in ownership interest occurs rather than as a capital transaction with a charge or credit to additional paid-in capital.

> NET INCOME PER SHARE Basic net income per share (EPS) is computed based on the weighted-average number of shares of common stock outstanding during each period. Diluted EPS assumes the dilution that could occur if dilutive convertible debentures were converted into common stock, unless their inclusion would have an antidilutive effect.

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

Revenue from services is recognized as the services are provided.

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

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

Revenue under long-term contracts is recorded under the percentage of completion method. To measure the extent of progress toward completion, the Company generally compares the costs incurred to date to estimated total costs to complete based upon the most recent available information. A provision for contract losses is recorded in its entirety when the loss first becomes evident.

Revenues from the sale of equipment under sales-type leases are recognized at the inception of the lease. Interest on sales-type leases and direct financing leases is recognized to produce a constant periodic rate of return on the net investment in the lease. Leases not qualifying as sales-type lease or direct financing lease are accounted for as operating leases and related revenues are recognized over the lease term.

> SHIPPING AND HANDLING COSTS The Company includes shipping and handling costs which totaled ¥83,329 million ($786,123 thousand) and ¥88,760 million for the years ended March 31, 2004 and 2003, respectively in selling, general and administrative expenses.

> DERIVATIVE FINANCIAL INSTRUMENTS The Company uses a variety of derivative financial instruments, which include forward exchange contracts, interest rate swap agreements, currency swap agreements, and currency options for the purpose of currency exchange rate and interest rate risk management. Refer to Note 18 for descriptions of these financial instruments.

The Company recognizes all derivative financial instruments, such as forward exchange contracts, interest rate swap agreements, currency swap agreements, and currency options in the consolidated financial statements at fair value regardless of the purpose or intent for holding the derivative financial instruments. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders' equity as a component of other comprehensive income (loss) depending on whether the derivative financial instruments qualify for hedge accounting, and if so, whether they qualify as a fair value hedge or a cash flow hedge. Changes in fair value of derivative financial instruments accounted for as fair value hedges are recorded in income along with the portion of the change in the fair value of the hedged item that relates to the hedged risk. Changes in fair value of derivative financial instruments accounted for as cash flow hedges, to the extent they are effective as a hedge, are recorded in other comprehensive income (loss), net of tax. Changes in the fair value of derivative financial instruments not qualifying as a hedge are reported in income.

> SALES OF RECEIVABLES The Company enters into transactions to sell certain trade accounts receivable, trade notes receivable and finance receivables. The Company may retain certain interests in these transactions. Gain or loss on the sale of receivables is computed based on the allocated carrying amount of the receivables sold. Retained interests are recorded at the allocated carrying value of the assets based on their relative fair values at the date of sale. The Company estimates fair value based on the present value of future expected cash flows less credit losses.

> GUARANTEES Effective January 1, 2003, the Company adopted the FASB Interpretation No. 45 ("FIN 45"), *Guarantor's Accounting and Disclosure Requirements for Guarantees*. FIN 45 requires a company to recognize, at the inception of a guarantee, a liability for the fair value of the obligation it has undertaken in issuing the guarantee. The adoption of FIN 45 did not have a material impact on the Company's financial position and results of operations.

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

3. U.S. DOLLAR AMOUNTS

U.S. dollar amounts are included solely for convenience. These translations should not be construed as a representation that the yen could be converted into U.S. dollars at this rate or any other rates. The amounts shown in U.S. dollars are not intended to be computed in accordance with generally accepted accounting principles in the United States for the translation of foreign currency amounts. The rate of ¥106 = U.S.$1, the approximate current rate of exchange at March 31, 2004, has been used throughout for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

4. MARKETABLE SECURITIES AND OTHER INVESTMENTS

The aggregate cost, gross unrealized holding gains and losses, and aggregate fair value for marketable equity securities and debt securities classified as available-for-sale securities by security type at March 31, 2004 and 2003 are as follows:

	Millions of yen			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2004:				
Equity securities	**¥49,838**	**¥43,892**	**¥ 258**	**¥ 93,472**
Debt securities	**1,420**	**2**	**—**	**1,422**
	¥51,258	**¥43,894**	**¥ 258**	**¥ 94,894**
March 31, 2003:				
Equity securities	¥75,830	¥36,896	¥6,985	¥105,741
Debt securities	1,994	3	32	1,965
	¥77,824	¥36,899	¥7,017	¥107,706

	Thousands of U.S. dollars			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2004:				
Equity securities	**$470,170**	**$414,075**	**$2,434**	**$881,811**
Debt securities	**13,396**	**19**	**—**	**13,415**
	$483,566	**$414,094**	**$2,434**	**$895,226**

At March 31, 2004, debt securities mainly consist of corporate debt securities.

Contractual maturities of debt securities classified as available-for-sale were as follows at March 31, 2004:

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair value	Cost	Fair value
Due within one year	**¥1,000**	**¥1,002**	**$ 9,434**	**$ 9,453**
Due after one year	**420**	**420**	**3,962**	**3,962**
	¥1,420	**¥1,422**	**$13,396**	**$13,415**

The proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥53,469 million ($504,424 thousand) and ¥13,897 million, respectively. The gross realized gains on those sales for the years ended March 31, 2004 and 2003 were ¥28,483 million ($268,708 thousand) and ¥3,347 million, respectively. The gross realized losses on those sales for the years ended March 31, 2004 and 2003 were ¥717 million ($6,764 thousand) and ¥934 million, respectively.

Included in other expense is a charge of ¥5,640 million ($53,208 thousand) and ¥21,292 million related to other-than-temporary declines in the marketable and non-marketable equity securities for the years ended March 31, 2004 and 2003, respectively.

5. FINANCE RECEIVABLES AND SECURITIZATIONS

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

Other finance receivables represent transactions in a variety of forms, including commercial loans, and installment sales of consumer products manufactured by the Company.

Finance receivables comprise the following:

March 31	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars 2004
Investment in financing leases:			
Total minimum lease payments receivable	**¥ 36,788**	¥ 231,871	**$ 347,057**
Executory costs	**(807)**	(4,256)	**(7,613)**
Unearned income	**(691)**	(11,214)	**(6,519)**
	35,290	216,401	**332,925**
Less—allowance for doubtful accounts	**(216)**	(925)	**(2,038)**
	35,074	215,476	**330,887**
Less—current portion	**(10,817)**	(64,320)	**(102,047)**
	¥ 24,257	¥ 151,156	**$ 228,840**
Other finance receivables	**¥ 12,142**	¥ 224,426	**$ 114,547**
Less—allowance for doubtful accounts	**(58)**	(13,351)	**(547)**
	12,084	211,075	**114,000**
Less—current portion	**(6,454)**	(101,870)	**(60,887)**
	¥ 5,630	¥ 109,205	**$ 53,113**

At March 31, 2004, the contractual maturities of minimum lease payments of the investment in financing leases and the other finance receivables are as follows:

	Investment in financing leases		Other finance receivables	
Years ending March 31	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2005	¥11,296	$106,566	¥ 6,466	$ 61,000
2006	9,291	87,651	2,009	18,953
2007	7,268	68,566	1,600	15,094
2008	4,958	46,774	1,078	10,170
2009	2,524	23,811	638	6,019
Thereafter	1,451	13,689	351	3,311
	¥36,788	$347,057	¥12,142	$114,547

The Company has transferred trade accounts receivable, trade notes receivable and finance receivables under several securitization programs. These securitization transactions are accounted for as a sale in accordance with SFAS No. 140, because the Company has relinquished control of the receivables. Accordingly, the receivables sold under these facilities are excluded from receivables in the accompanying consolidated balance sheets.

Upon the sale of receivables, the Company holds subordinated retained interests for certain trade accounts receivable, trade notes receivable and finance receivables. A portion of these receivables, where the Company holds subordinated retained interests, are not taken off the balance sheet and are recorded at their fair value. Such carrying value is adjusted to reflect the portion that is not expected to be collectible. As of March 31, 2004 and 2003, the fair value of retained interest is ¥21,976 million ($207,321 thousand) and ¥28,579 million, respectively. The Company recognized losses of ¥1,138 million ($10,736 thousand) and ¥1,210 million on the securitizations of receivables for the years ended March 31, 2004 and 2003, respectively.

Subsequent to sale, the Company retains collection and administrative responsibilities for the receivables. Servicing fees received by the Company approximated the prevailing market rate. Related servicing assets or liabilities are immaterial to the Company's financial position.

The table below summarizes certain cash flows received from and paid to the securitization special purpose entities ("SPEs") on the above transactions.

Years ended March 31	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars 2004
Proceeds from new securitizations	**¥1,180,141**	¥1,068,072	**$11,133,406**
Servicing fees received	**521**	458	**4,915**
Cash flows received on retained interests	**44,212**	83,240	**417,094**
Purchases of delinquent and foreclosed receivables	**172**	16	**1,623**

At March 31, 2004, the assumed weighted-average life and residual cash flow discount rate used to compute the fair value of retained interests were 0.15 years and 1.30%, respectively.

Quantitative information about delinquencies, net credit losses, and components of securitized receivables as of and for the years ended March 31, 2004 and 2003 are as follows:

	Millions of yen					
	Total principal amount of receivables		Amount 90 days or more past due		Net credit losses	
	March 31,				Years ended March 31,	
	2004	2003	**2004**	2003	**2004**	2003
Accounts receivable	**¥1,126,809**	¥1,105,353	**¥23,162**	¥23,047	**¥5,196**	¥3,928
Notes receivable	**186,067**	213,105	**61**	18	**271**	301
Lease receivables	**35,074**	340,683	**—**	1,290	**—**	—
Other finance receivables	**12,084**	359,590	**—**	6,105	**—**	—
Total managed portfolio	**1,360,034**	2,018,731	**¥23,223**	¥30,460	**¥5,467**	¥4,229
Securitized receivables	**(227,228)**	(449,711)				
Total receivables	**¥1,132,806**	¥1,569,020				

	Thousands of U.S. dollars		
	Total principal amount of receivables	Amount 90 days or more past due	Net credit losses
	March 31, 2004		Year ended March 31, 2004
Accounts receivable	**$10,630,274**	**$218,509**	**$49,019**
Notes receivable	**1,755,349**	**576**	**2,556**
Lease receivables	**330,887**	**—**	**—**
Other finance receivables	**113,999**	**—**	**—**
Total managed portfolio	**12,830,509**	**$219,085**	**$51,575**
Securitized receivables	**(2,143,660)**		
Total receivables	**$10,686,849**		

6. INVENTORIES

Inventories comprise the following:

March 31	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars 2004
Finished products	**¥270,569**	¥256,299	**$2,552,538**
Work in process:			
Long-term contracts	**85,857**	90,387	**809,972**
Other	**164,933**	175,431	**1,555,971**
Raw materials	**107,685**	107,542	**1,015,896**
	¥629,044	¥629,659	**$5,934,377**

7. INVESTMENTS IN AND ADVANCES TO AFFILIATES

On March 26, 2004, the Company sold 25,481,000 shares of Toshiba Finance Corporation ("TFC"), a consolidated subsidiary of the Company, to certain unrelated financial institutions for ¥10,906 million ($102,887 thousand). Subsequent to the effective date of the transaction, the Company has used the equity method to account for its 35% interest held in TFC.

Summarized financial information of TFC as of the effective date of the transaction is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥216,177**	**$2,039,405**
Other assets including property, plant and equipment	**246,703**	**2,327,387**
Total assets	**¥462,880**	**$4,366,792**
Current liabilities	**¥183,850**	**$1,734,434**
Long-term liabilities	**256,091**	**2,415,953**
Shareholders' equity	**22,939**	**216,405**
Total liabilities and shareholders' equity	**¥462,880**	**$4,366,792**

The Company's significant investments in affiliated companies accounted for by the equity method together with the percentage of the Company's ownership of voting shares at March 31, 2004 are: TM T&D Corporation ("TM T&D") (50.0%); MT Picture Display Co., Ltd. ("MTPD") (35.5%); Topcon Corporation (43.1%); Toshiba Ceramics Co., Ltd. (41.4%); Toshiba Machine Co., Ltd. (33.5%); TFC (35.0%); and Toshiba Mitsubishi-Electric Industrial Systems Corporation ("TMEIC") (50.0%).

Of the affiliates which are accounted for by the equity method, the investment in common stock of the listed companies (five companies) is carried at ¥56,451 million ($532,557 thousand) and ¥59,974 million at March 31, 2004 and 2003, respectively. The Company's investments in these companies had a market value of ¥97,162 million ($916,623 thousand) and ¥49,022 million at March 31, 2004 and 2003, respectively, based on quoted market prices at those dates.

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

	Millions of yen		Thousands of U.S. dollars
March 31	**2004**	2003	**2004**
Current assets	**¥1,022,935**	¥ 689,175	**$ 9,650,330**
Other assets including property, plant and equipment	**793,102**	409,779	**7,482,095**
Total assets	**¥1,816,037**	¥1,098,954	**$17,132,425**
Current liabilities	**¥ 769,150**	¥ 490,717	**$ 7,256,132**
Long-term liabilities	**436,020**	100,369	**4,113,396**
Shareholders' equity	**610,867**	507,868	**5,762,897**
Total liabilities and shareholders' equity	**¥1,816,037**	¥1,098,954	**$17,132,425**

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	**2004**	2003	**2004**
Sales	**¥1,281,165**	¥ 770,347	**$12,086,462**
Net loss	**¥ (18,525)**	¥ (3,580)	**$ (174,764)**

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

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	**2004**	2003	**2004**
Sales	**¥ 105,124**	¥ 79,274	**$ 991,736**
Purchases	**¥ 96,770**	¥ 73,455	**$ 912,925**
Sales of machinery and equipment	**¥ 7,239**	¥ 3,744	**$ 68,292**

March 31	Millions of yen 2004	2003	Thousands of U.S. dollars 2004
Notes and accounts receivable, trade	**¥24,024**	¥25,544	**$226,642**
Other receivables	**¥ 8,507**	¥ 6,383	**$ 80,255**
Advance payment	**¥ 5,598**	¥ 2,848	**$ 52,811**
Notes and accounts payable, trade	**¥79,272**	¥28,633	**$747,849**
Capital lease obligations	**¥45,706**	—	**$431,189**
Other payables	**¥ 5,976**	¥ 7,900	**$ 56,377**

8. INTANGIBLE ASSETS

Intangible assets comprise mainly technical license fees and are subject to amortization. At March 31, 2004, gross carrying amounts and related accumulated amortization were ¥87,574 million ($826,170 thousand) and ¥65,307 million ($616,104 thousand), respectively. At March 31, 2003, gross carrying amounts and related accumulated amortization were ¥90,139 million and ¥53,110 million, respectively. For the years ended March 31, 2004 and 2003, amortization expense was ¥12,454 million ($117,491 thousand) and ¥15,179 million, respectively. Estimated amortization expense for each of the five years ending March 31 is: ¥10,879 million ($102,632 thousand) in 2005, ¥6,935 million ($65,425 thousand) in 2006, ¥2,923 million ($27,575 thousand) in 2007, ¥1,062 million ($10,019 thousand) in 2008, and ¥288 million ($2,717 thousand) in 2009.

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2004 and 2003 comprise the following:

March 31	Millions of yen 2004	2003	Thousands of U.S. dollars 2004
Loans, principally from banks, including bank overdrafts, with weighted-average interest rate of 0.74% at March 31, 2004 and 0.77% at March 31, 2003:			
Secured	**¥ 1,084**	¥ 2,645	**$ 10,226**
Unsecured	**257,241**	352,048	**2,426,802**
Commercial paper with weighted-average interest rate of 0.01% at March 31, 2004 and 0.04% at March 31, 2003	**20,000**	35,000	**188,679**
Euro yen medium-term notes of a subsidiary, with weighted-average interest rate of 0.12% at March 31, 2004 and 0.16% at March 31, 2003 (swapped for floating rate (LIBOR, etc.) or fixed rate U.S. dollar, Yen or Euro obligations)	**28,386**	38,276	**267,793**
	¥306,711	¥427,969	**$2,893,500**

Substantially all of the short-term borrowings are with banks which have written basic agreements with the Company to the effect that, with respect to all present or future loans with such banks, the Company shall provide collateral (including sums on deposit with such banks) or guarantors immediately upon the bank's request and that any collateral furnished pursuant to such agreements or otherwise will be applicable to all indebtedness to such banks.

At March 31, 2004, the Company had unused committed lines of credit from short-term financing arrangements aggregating ¥329,110 million ($3,104,811 thousand), of which ¥16,910 million ($159,528 thousand) was in support of the Company's commercial paper. The lines of credit expire on various dates from July 2004 through March 2005. Under the agreements, the Company is required to pay commitment fees raging from 0.1 percent to 0.15 percent on the unused portion of the lines of credit.

Long-term debt at March 31, 2004 and 2003 comprise the following:

March 31	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars 2004
Loans, principally from banks and insurance companies, due 2004 to 2032 with weighted average interest rate of 0.89% at March 31, 2004 and due 2003 to 2034 with weighted average interest rate of 1.15% at March 31, 2003:			
Secured	**¥ 8,994**	¥ 11,233	**$ 84,849**
Unsecured	**324,869**	597,895	**3,064,802**
Unsecured yen bonds, due 2004 to 2008 with interest ranging from 0.40% to 3.025% at March 31, 2004 and due 2003 to 2008 with interest ranging from 0.49% to 3.025% at March 31, 2003	**415,425**	475,667	**3,919,104**
Euro yen medium-term notes, due 2004 to 2008 with interest ranging from zero % to 2.34% at March 31, 2004 and due 2003 to 2008 with interest ranging from zero % to 2.34% at March 31, 2003 (swapped for floating rate (LIBOR, etc.) or fixed rate yen obligations)	**16,000**	28,525	**150,943**
Unsecured yen bonds of subsidiaries, due 2004 with interest rate of 1.69% at March 31, 2004 and due 2004 with interest ranging from 1.69% to 3.00% at March 31, 2003	**7,000**	12,000	**66,038**
1.825% secured yen bonds of a subsidiary due 2004	**300**	300	**2,830**
Euro yen medium-term notes of subsidiaries, due 2004 to 2013 with interest ranging from 0.08% to 2.60% at March 31, 2004 and due 2003 to 2012 with interest ranging from 0.09% to 3.70% at March 31, 2003 (swapped for floating rate (LIBOR, etc.) U.S. dollar, Yen or Euro obligations)	**74,451**	96,959	**702,368**
Zero % unsecured yen convertible debentures of a subsidiary due 2004 convertible currently at ¥803 per share	**—**	2,820	**—**
Capital lease obligations	**45,706**	—	**431,189**
	892,745	1,225,399	**8,422,123**
Less—Portion due within one year	**(190,821)**	(343,373)	**(1,800,198)**
	¥ 701,924	¥ 882,026	**$ 6,621,925**

Certain of the secured loan agreements contain provisions, which permit the lenders to require additional collateral. Substantially all of the unsecured loan agreements permit the lenders to require collateral or guarantors for such loans. Certain of the secured and unsecured loan agreements require prior approval by the banks and trustees before any distributions (including cash dividends) may be made from current or retained earnings.

Assets pledged as collateral for short-term borrowings and long-term debt at March 31, 2004 are property, plant and equipment with a book value of ¥41,213 million ($388,802 thousand).

The aggregate annual maturities of long-term debt, excluding those of capital lease obligations are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥169,744	$1,601,358
2006	223,143	2,105,123
2007	148,094	1,397,113
2008	89,674	845,981
2009	101,865	960,991
Thereafter	114,519	1,080,368
	¥ 847,039	$7,990,934

10. ACCRUED PENSION AND SEVERANCE COSTS

All employees who retire or are terminated are usually entitled to lump-sum severance indemnities or pension benefit determined by reference to their current basic rate of pay, length of service and conditions under which their employment terminates. The obligation for the severance indemnity benefit is provided for through accruals, funding of tax-qualified non-contributory pension plans, contributory trusteed employee pension funds, and the corporate pension plan.

Toshiba Corporation and certain subsidiaries in Japan have Employees' Pension Fund ("EPF") Plans, which are contributory defined benefit pension plans under the Japanese Welfare Pension Insurance Law ("JWPIL"). These plans are composed of a substitutional portion which is the obligation related to the government-defined benefit prescribed by JWPIL, and a corporate portion based on a contributory defined benefit arrangement established at the discretion of Toshiba Corporation and these subsidiaries. Among several EPF Plans that the Company participated in, the Toshiba EPF Plan was reorganized and became a corporate pension plan under the Japanese Defined Benefit Corporate Pension Law during the year ended March 31, 2004.

Certain subsidiaries in Japan have tax-qualified non-contributory pension plans which cover all or a part of the indemnities payable to qualified employees at the time of termination. The funding policy for the plans is to contribute amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to the limitation on deductibility imposed by Japanese income tax laws.

The Company uses a March 31 measurement date for the majority of its plans.

The changes in the benefit obligations and plan assets and reconciliations of net amount recognized to funded status and accrued pension and severance costs for the years ended March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2004**	2003	**2004**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥1,936,297**	¥1,816,656	**$18,266,953**
Service cost	**45,689**	52,287	**431,028**
Interest cost	**55,075**	59,053	**519,575**
Plan participants' contributions	**2,869**	5,308	**27,066**
Plan amendments	**(18,403)**	25,046	**(173,613)**
Actuarial loss	**32,130**	95,969	**303,113**
Benefits paid	**(91,901)**	(102,338)	**(866,991)**
Divestitures	**(15,604)**	(14,273)	**(147,207)**
Return of substitutional portion to the government	**(654,057)**	—	**(6,170,349)**
Foreign currency exchange impact	**(1,591)**	(1,411)	**(15,009)**
Benefit obligation at end of year	**¥1,290,504**	¥1,936,297	**$12,174,566**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥ 844,767**	¥ 988,112	**$ 7,969,500**
Actual return on plan assets	**122,120**	(126,700)	**1,152,076**
Employer contribution	**68,343**	41,627	**644,745**
Plan participants' contributions	**2,869**	5,308	**27,066**
Benefits paid	**(47,338)**	(53,972)	**(446,585)**
Divestitures	**(4,449)**	(8,191)	**(41,971)**
Return of substitutional portion to the government	**(366,927)**	—	**(3,461,576)**
Foreign currency exchange impact	**(1,553)**	(1,417)	**(14,651)**
Fair value of plan assets at end of year	**¥ 617,832**	¥ 844,767	**$ 5,828,604**
Funded status	**¥ 672,672**	¥1,091,530	**$ 6,345,962**
Unrecognized actuarial loss	**(515,851)**	(861,688)	**(4,866,519)**
Unrecognized net obligation at transition	**(24,520)**	(36,911)	**(231,321)**
Unrecognized prior service cost	**59,875**	46,950	**564,859**
Net amount recognized	**¥ 192,176**	¥ 239,881	**$ 1,812,981**
Amounts recognized in the consolidated balance sheets consist of:			
Accrued pension and severance costs	**¥ 601,566**	¥ 950,997	**$ 5,675,151**
Accumulated other comprehensive loss, pre-tax	**(409,390)**	(711,116)	**(3,862,170)**
Net amounts recognized	**¥ 192,176**	¥ 239,881	**$ 1,812,981**
Accumulated benefit obligation at end of year	**¥1,221,653**	¥1,796,972	**$11,525,028**

The components of the net periodic pension and severance cost for the years ended March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	**2004**	2003	**2004**
Service cost—benefits earned during the year	**¥ 45,689**	¥ 52,287	**$ 431,028**
Interest cost on projected benefit obligation	**55,075**	59,053	**519,576**
Expected return on plan assets	**(31,052)**	(35,546)	**(292,943)**
Amortization of unrecognized net obligation at transition	**12,025**	12,025	**113,443**
Amortization of prior service cost	**(5,170)**	(5,972)	**(48,774)**
Recognized actuarial loss	**42,857**	29,184	**404,311**
Settlement loss	**188,106**	—	**1,774,585**
Net periodic pension and severance cost	**¥307,530**	¥111,031	**$2,901,226**

For the year ended March 31, 2004, the Company contributed certain marketable equity securities, not including those of the Company and affiliates, to employee retirement benefit trusts, with no cash proceeds thereon. The fair value of these securities at the time of contribution was ¥34,426 million ($324,774 thousand). The Company expects to contribute ¥45,137 million ($425,821 thousand) to its domestic pension and severance plans in the year ending March 31, 2005.

In January 2003, the Emerging Issue Task Force reached a consensus on Issue No. 03-2 (“EITF 03-2”), *Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities*, which addresses accounting for a transfer to the Japanese government of a substitutional portion of EPF Plans. In September 2002, the Company received an approval from the Japanese government to transfer the future benefit obligation related to the substitutional portion. In December 2003, the Company received an approval to separate the remaining substitutional portion related to past service by its employees. In March 2004, the Company completed the transfer of the substitutional portion of the benefit obligation and the related government-specified portion of the plan assets which were computed by the Japanese government, and was relieved of all related obligations. The Company has accounted for the entire process at completion of the transfer to the Japanese government of the substitutional portion of the benefit obligation and the related plan asset, as a single settlement transaction in accordance with EITF 03-2.

As a result, the Company recorded a gain of ¥48,945 million ($461,745 thousand) for the year ended March 31, 2004. The subsidy of ¥237,051 million ($2,236,330 thousand) from the government is calculated as the difference between the obligation settled and the assets transferred determined pursuant to the government formula, less derecognized amounts of previously accrued salary progression at the time of settlement of ¥50,079 million ($472,443 thousand).

Weighted-average assumptions used to determine benefit obligations as of March 31, 2004 and 2003 and net periodic pension and severance cost for the years then ended were as follows:

March 31	**2004**	2003
Discount rate	**2.7%**	3.0%
Rate of compensation increase	**3.0%**	1.9%

Years ended March 31	**2004**	2003
Discount rate	**3.0%**	3.5%
Expected long-term return on plan assets	**4.0%**	4.0%
Rate of compensation increase	**1.9%**	2.1%

Following is information about domestic pension and severance plans:

The Company determines the expected long-term rate of return in consideration of the target allocation of the plan assets, the current expectation of long-term returns on the assets and actual returns on plan assets.

The Company's pension and severance plan asset allocations at March 31, 2004 and 2003, by asset category are as follows:

March 31	**2004**	2003
Asset category		
Equity securities	**62%**	27%
Debt securities	**28%**	45%
Life insurance company general accounts	**4%**	25%
Other	**6%**	3%
Total	**100%**	100%

The Company's investment policies and strategies are to assure adequate plan assets to provide for future payments of pension and severance benefits to participants, with reasonable risks. The Company designs the basic target allocation of the plan assets to mirror the best portfolio based on estimation of mid-term and long-term return on the investments. The Company periodically reviews the actual return on the investments and adjusts the portfolio to achieve the assumed long-term rate of return on the investments. The Company targets its investments in equity securities at 40 percent or more of total investments, and investments in equity and debt securities at 75 percent or more of total investments.

The accumulated benefit obligations for all domestic defined benefit plans were ¥1,199,933 million ($11,320,123 thousand) and ¥1,783,972 million at March 31, 2004 and 2003, respectively.

11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are expensed as incurred and amounted to ¥336,714 million ($3,176,547 thousand) and ¥331,494 million for the years ended March 31, 2004 and 2003, respectively.

12. ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising expenses amounted to ¥40,156 million ($378,830 thousand) and ¥41,911 million for the years ended March 31, 2004 and 2003, respectively.

13. FOREIGN EXCHANGE GAINS AND LOSSES

For the years ended March 31, 2004 and 2003, the net foreign exchange losses are ¥2,183 million ($20,594 thousand) and ¥15,614 million, respectively.

14. IMPAIRMENT OF LONG-LIVED ASSETS

Due to general price erosion and severe market competition, the Company recorded impairment charges of ¥10,018 million ($94,509 thousand) related to the manufacturing facilities of the lithium-ion rechargeable battery business, and ¥7,815 million related to the manufacturing facilities of the Display Devices and Components division for the years ended March 31, 2004 and 2003, respectively. These impairment charges are included under the caption Other expense in the accompanying consolidated statements of income.

15. INCOME TAXES

For the year ended March 31, 2004, the Company was permitted to file consolidated tax returns in Japan. In connection therewith, a temporary surtax of 2.0% was assessed for the years ended March 2004. As a result of the surtax, and certain changes in the corporate tax rate, the Company's normal statutory tax rate changed from 42.1% to 43.9% for the year ended March 31, 2004 and to 40.7% for the years ending on or after March 31, 2005.

A reconciliation between the reported income tax expense and the amount computed by multiplying the income before income taxes, minority interest and equity in (loss) earnings of affiliates by the applicable statutory tax rate is as follows:

Years ended March 31	Millions of yen 2004	2003	Thousands of U.S. dollars 2004
Expected income tax expense	**¥ 63,673**	¥ 22,365	**$ 600,689**
Increase (decrease) in taxes resulting from:			
Dividends	**11,245**	10,799	**106,085**
Non-deductible expenses for tax purposes	**6,134**	5,076	**57,868**
Net changes in valuation allowance	**17,114**	15,571	**161,453**
Tax rate difference relating to foreign subsidiaries	**(4,187)**	(7,155)	**(39,500)**
Effect of income tax rate change	**3,142**	4,373	**29,642**
Other	**5,116**	(2,497)	**48,263**
Income tax expense	**¥102,237**	¥ 48,532	**$ 964,500**

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2004 and 2003 are as follows:

March 31	Millions of yen 2004	2003	Thousands of U.S. dollars 2004
Gross deferred tax assets:			
Inventories	**¥ 22,583**	¥ 24,970	**$ 213,047**
Accrued pension and severance costs	**107,187**	103,998	**1,011,198**
Tax loss carryforwards	**127,045**	194,248	**1,198,538**
Minimum pension liability adjustment	**167,189**	298,303	**1,577,255**
Accrued bonus	**45,214**	38,920	**426,547**
Depreciation and amortization	**38,873**	34,528	**366,726**
Other	**116,780**	107,176	**1,101,698**
	624,871	802,143	**5,895,009**
Valuation allowance for deferred tax assets	**(81,297)**	(65,880)	**(766,953)**
Deferred tax assets	**¥543,574**	¥736,263	**$5,128,056**

March 31	Millions of yen 2004	2003	Thousands of U.S. dollars 2004
Gross deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	**¥ (15,525)**	¥ (12,888)	**$ (146,462)**
Unrealized gains on securities	**(17,312)**	(12,341)	**(163,321)**
Gain on securities contributed to employee retirement benefit trusts	**(17,381)**	(17,257)	**(163,972)**
Other	**(13,774)**	(16,299)	**(129,943)**
Deferred tax liabilities	**(63,992)**	(58,785)	**(603,698)**
Net deferred tax assets	**¥479,582**	¥677,478	**$4,524,358**

The net changes in the total valuation allowance for the years ended March 31, 2004 and 2003 were an increase of ¥15,417 million ($145,443 thousand) and a decrease of ¥11,764 million, respectively.

The Company's tax loss carryforwards for each of the corporate and local taxes at March 31, 2004 amounted to ¥283,909 million ($2,678,387 thousand) and ¥353,950 million ($3,339,151 thousand), respectively, the majority of which will expire during the period from 2005 through 2011. The Company utilized tax loss carryforwards of ¥176,481 million ($1,664,915 thousand) and ¥140,953 million ($1,329,745 thousand) to reduce current corporate and local taxes, respectively, during the year ended March 31, 2004.

Realization of tax loss carryforwards and other deferred tax assets is dependent on the Company generating sufficient taxable income prior to their expiration or the Company exercising certain available tax strategies. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets, less the valuation allowance, will be realized. The amount of such net deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Deferred income tax liabilities have not been provided on undistributed earnings of foreign subsidiaries and affiliates deemed indefinitely reinvested in foreign operations. As of March 31, 2004, and 2003, the undistributed earnings of the foreign subsidiaries not subject to deferred tax liabilities were ¥95,908 million ($904,792 thousand), and ¥107,328 million, respectively. It is not practicable to estimate the amount of the deferred income tax liabilities on such earnings.

16. ISSUANCE OF STOCK BY A SUBSIDIARY

In March 2004, Toshiba Samsung Storage Technology Corporation ("TSST"), issued 294 shares of its common stock to Samsung Electronics Co., Ltd. for ¥13,713 million ($129,368 thousand). TSST is engaged in the business of product development, manufacturing outsourcing and sales of optical disk drives and was established in December 2003 as a wholly owned subsidiary of the Company. As a result of this transaction, the Company recognized a gain of ¥6,391 million ($60,292 thousand), representing the excess of issuance price per share of ¥47 million ($443 thousand) over its average carrying amount of the net equity held in TSST. The gain from stock issuance by TSST is included under the caption Other income in the accompanying statement of income for the year ended March 31, 2004. The transaction decreased the Company's interest in TSST to 51%.

17. SHAREHOLDERS' EQUITY

> RETAINED EARNINGS Retained earnings at March 31, 2004 and 2003 include a legal reserve of ¥13,122 million ($123,792 thousand) and ¥12,869 million, respectively. The Japanese Commercial Code provides that an amount equal to at least 10 percent of cash dividends and other distributions from retained earnings paid by Toshiba Corporation and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25 percent of their respective stated capital. The Japanese Commercial Code also provides that to the extent that the sum of the additional paid-in capital and the legal reserve exceeds 25 percent of the stated capital, the amount of the excess (if any) is available for appropriations by the resolution of the shareholders.

The amount of retained earnings available for dividends is based on Toshiba Corporation's retained earnings determined in accordance with generally accepted accounting principles in Japan and the Japanese Commercial Code. Retained earnings at March 31, 2004 do not reflect current year-end dividends of ¥9,650 million ($91,038 thousand) which will be payable in June 2004.

Retained earnings at March 31, 2004 included the Company's equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥20,498 million ($193,377 thousand).

> ACCUMULATED OTHER COMPREHENSIVE LOSS An analysis of the changes in accumulated other comprehensive loss, net of tax, for the years ended March 31, 2004 and 2003 is shown below:

	Millions of yen		Thousands of U.S. dollars
March 31	**2004**	2003	**2004**
Unrealized gains on securities:			
Balance at beginning of year	**¥ 15,636**	¥ 25,186	**$ 147,510**
Current year change	**11,189**	(9,550)	**105,556**
Balance at end of year	**¥ 26,825**	¥ 15,636	**$ 253,066**
Foreign currency translation adjustments:			
Balance at beginning of year	**¥ (59,589)**	¥ (41,951)	**$ (562,161)**
Current year change	**(19,701)**	(17,638)	**(185,858)**
Balance at end of year	**¥ (79,290)**	¥ (59,589)	**$ (748,019)**
Minimum pension liability adjustment:			
Balance at beginning of year	**¥(405,069)**	¥(279,939)	**$(3,821,406)**
Current year change	**170,786**	(125,130)	**1,611,189**
Balance at end of year	**¥(234,283)**	¥(405,069)	**$(2,210,217)**
Unrealized gains (losses) on derivative instruments:			
Balance at beginning of year	**¥ (1,753)**	¥ (2,088)	**$ (16,537)**
Current year change	**2,607**	335	**24,594**
Balance at end of year	**¥ 854**	¥ (1,753)	**$ 8,057**

Total accumulated other comprehensive loss:			
Balance at beginning of year	**¥(450,775)**	¥(298,792)	**$(4,252,594)**
Current year change	**164,881**	(151,983)	**1,555,481**
Balance at end of year	**¥(285,894)**	¥(450,775)	**$(2,697,113)**

Tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2004 and 2003 are shown below:

	Millions of yen		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2004:			
Unrealized gains on securities:			
Unrealized holding gains arising during year	**¥ 43,367**	**¥ (17,517)**	**¥ 25,850**
Less: reclassification adjustment for gains included in net income	**(27,393)**	**12,732**	**(14,661)**
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	**(20,040)**	**740**	**(19,300)**
Less: reclassification adjustment for gains included in net income	**(401)**	**—**	**(401)**
Minimum pension liability adjustment	**301,726**	**(130,940)**	**170,786**
Unrealized gains on derivative instruments:			
Unrealized gains arising during year	**2,571**	**(1,098)**	**1,473**
Less: reclassification adjustment for losses included in net income	**1,909**	**(775)**	**1,134**
Other comprehensive income (loss)	**¥301,739**	**¥(136,858)**	**¥ 164,881**
For the year ended March 31, 2003:			
Unrealized gains on securities:			
Unrealized holding losses arising during year	¥ (28,670)	¥ 11,717	¥ (16,953)
Less: reclassification adjustment for losses included in net income	12,524	(5,121)	7,403
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	(20,363)	(374)	(20,737)
Less: reclassification adjustment for losses included in net income	3,099	—	3,099
Minimum pension liability adjustment	(217,487)	92,357	(125,130)
Unrealized losses on derivative instruments:			
Unrealized losses arising during year	(11,210)	4,784	(6,426)
Less: reclassification adjustment for losses included in net income	11,668	(4,907)	6,761
Other comprehensive income (loss)	¥(250,439)	¥ 98,456	¥(151,983)

	Thousands of U.S. dollars		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2004:			
Unrealized gains on securities:			
Unrealized holding gains arising during year	**$ 409,122**	**$ (165,255)**	**$ 243,867**
Less: reclassification adjustment for gains included in net income	**(258,424)**	**120,113**	**(138,311)**
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	**(189,056)**	**6,981**	**(182,075)**
Less: reclassification adjustment for gains included in net income	**(3,783)**	**—**	**(3,783)**
Minimum pension liability adjustment	**2,846,472**	**(1,235,283)**	**1,611,189**
Unrealized gains on derivative instruments:			
Unrealized gains arising during year	**24,255**	**(10,358)**	**13,897**
Less: reclassification adjustment for losses included in net income	**18,008**	**(7,311)**	**10,697**
Other comprehensive income (loss)	**$2,846,594**	**$(1,291,113)**	**$1,555,481**

18. FINANCIAL INSTRUMENTS

> (1) DERIVATIVE FINANCIAL INSTRUMENTS The Company operates internationally, giving rise to exposure to market risks from fluctuations in foreign currency exchange and interest rates. In the normal course of its risk management efforts, the Company employs a variety of derivative financial instruments, which are comprised principally of forward exchange contracts, interest rate swap agreements, currency swap agreements, and currency options to reduce its exposures. The Company has policies and procedures for risk management and the approval, reporting and monitoring of derivative financial instruments. The Company's policies prohibit holding or issuing derivative financial instruments for trading purposes.

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

The Company has entered into forward exchange contracts with financial institutions as hedges against fluctuations in foreign currency exchange rates on monetary assets and liabilities denominated in foreign currencies. The forward exchange contracts related to accounts receivable and payable, and commitments on future trade transactions denominated in foreign currencies, mature primarily within a few months of the balance sheet date.

Interest rate swap agreements, currency swap agreements, and currency options are used to limit the Company's exposure to losses in relation to underlying debt instruments and a certain foreign currency denominated accounts receivable resulting from adverse fluctuations in foreign currency exchange and interest rates. These agreements mature during the period 2004 to 2013.

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

Fair Value Hedge Strategy

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

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

Cash Flow Hedge Strategy

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

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

The Company expects to reclassify ¥1,465 million ($13,821 thousand) of net gains on derivative financial instruments from accumulated other comprehensive income (loss) to earnings during the next twelve months due to the collection of accounts receivable denominated in foreign currency and the payment of variable interest associated with the floating-rate debts.

At March 31, 2004, there were no significant gains or losses on derivative financial instruments or portions thereof that were either ineffective as hedges, excluded from assessment of hedge effectiveness, or where the underlying risk did not occur.

The Company's forward exchange contract amounts, the aggregate notional principal amounts of interest rate swap agreements, currency swap agreements, and currency options outstanding at March 31, 2004 and 2003 are summarized below:

	Millions of yen		Thousands of U.S. dollars
March 31	**2004**	2003	**2004**
Forward exchange contracts:			
To sell foreign currencies	**¥106,413**	¥ 82,290	**$1,003,896**
To buy foreign currencies	**22,931**	29,333	**216,330**
Interest rate swap agreements	**170,326**	355,517	**1,606,849**
Currency swap agreements	**116,475**	133,571	**1,098,821**
Currency options	**51,552**	101,922	**486,340**

> (2) FAIR VALUE OF FINANCIAL INSTRUMENTS The estimated fair values of the Company's financial instruments at March 31, 2004 and 2003 are summarized as follows:

	Millions of yen			
	2004		2003	
March 31	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Nonderivatives:				
Assets:				
Long-term finance receivables, net	**¥ 5,630**	**¥ 6,050**	¥ 109,394	¥ 107,256
Liabilities:				
Long-term debt, including current portion	**(847,039)**	**(862,081)**	(1,225,399)	(1,247,035)
Derivative financial instruments:				
Forward exchange contracts	**1,537**	**1,537**	238	238
Interest rate swap agreements	**(163)**	**(163)**	(2,534)	(2,534)
Currency swap agreements	**3,672**	**3,672**	(3,611)	(3,611)
Currency options	**459**	**459**	(575)	(575)

	Thousands of U.S.dollars	
	2004	
March 31	Carrying amount	Estimated fair value
Nonderivatives:		
Assets:		
Long-term finance receivables, net	**$ 53,113**	**$ 57,075**
Liabilities:		
Long-term debt, including current portion	**(7,990,934)**	**(8,132,840)**
Derivative financial instruments:		
Forward exchange contracts	**14,500**	**14,500**
Interest rate swap agreements	**(1,538)**	**(1,538)**
Currency swap agreements	**34,642**	**34,642**
Currency options	**4,330**	**4,330**

The above table excludes the financial instruments for which fair values approximate their carrying values and those related to leasing activities.

In assessing the fair value of these financial instruments, the Company has used a variety of methods and assumptions, which were based on estimates of market conditions and risks existing at that time. For certain instruments, including cash and cash equivalents, notes and accounts receivable—trade, finance receivables—net, short-term borrowings, notes payable—trade, accounts payable—trade and accounts payable—other and accrued expenses, it was assumed that the carrying amount approximated fair value for the majority of these instruments because of their short maturities. Quoted market prices were used for a part of marketable securities and other investments. Other techniques, such as estimated discounted value of future cash flows, and replacement cost, have been used to determine fair value for the remaining financial instruments. These estimated fair values are not necessarily indicative of the amounts that could be realized in a current market exchange.

Marketable securities and other investments include investment securities, which represent holdings in a number of non-public companies. The aggregate carrying amount of these investments in non-public companies was ¥101,456 million ($957,132 thousand) and ¥97,271 million at March 31, 2004 and 2003, respectively. However, the corresponding fair value of these investments at those dates was not computed as such estimation was not practicable.

19. LEASES

> LESSEE The Company leases manufacturing equipment, office and warehouse space, and certain other assets under operating leases. Rent expenses under such leases for the years ended March 31, 2004 and 2003 were ¥83,889 million ($791,406 thousand) and ¥76,180 million, respectively.

The Company also leases certain machinery and equipment which are accounted for as capital leases from TFC, an affiliate of the Company. The costs and accumulated amortization of the machinery and equipment under capital leases as of March 31, 2004 were approximately ¥87,000 million ($820,755 thousand) and ¥41,300 million ($389,623 thousand), respectively.

During the year ended March 31, 2003, the Company sold certain machinery and equipment for approximately ¥82,732 million. These assets were leased back from the purchaser over periods of less than 5 years under operating lease agreements. The gain or loss on these transactions was not significant.

Minimum lease payments for the Company's capital and non-cancelable operating leases as of March 31, 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars	
Year ending March 31	Capital leases	Operating leases	Capital leases	Operating leases
2005	¥21,334	¥15,795	$201,264	$149,009
2006	15,131	12,929	142,745	121,972
2007	6,889	11,721	64,991	110,575
2008	3,569	5,800	33,670	54,717
2009	1,367	3,243	12,896	30,594
Thereafter	753	2,827	7,104	26,671
Total minimum lease payments	49,043	¥52,315	462,670	$493,538
Executory costs	(1,553)		(14,651)	
Amounts representing interest	(1,784)		(16,830)	
Present value of net minimum lease payments	45,706		431,189	
Less—current portion	(21,077)		(198,840)	
	¥24,629		$232,349	

> LESSOR The Company is also a lessor to office buildings and other assets under operating leases. Future minimum lease payments to be received under the Company's non-cancelable operating leases as of March 31, 2004 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 856	$ 8,075
2006	848	8,000
2007	848	8,000
2008	841	7,934
2009	718	6,774
Thereafter	6,648	62,717
	¥10,759	$101,500

20. CONSOLIDATION OF VIEs

During the year ended March 31, 2003, the Company entered into a sale and leaseback transaction with a VIE in which certain manufacturing equipment was sold and leased back. Upon adoption of FIN 46R, the Company was required to consolidate the VIE. As a result, the Company's machinery and equipment, and other liabilities increased by ¥37,988 million ($358,377 thousand), respectively, in the accompanying consolidated balance sheet as of March 31, 2004. The creditors of the VIE do not have recourse to the general credit of the Company.

21. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments outstanding at March 31, 2004 for the purchase of property, plant and equipment approximated ¥21,250 million ($200,472 thousand).

At March 31, 2004, contingent liabilities, other than guarantees disclosed in Note 22, approximated ¥9,634 million ($90,887 thousand) principally for recourse obligations related to notes receivable transferred.

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

22. GUARANTEES

> GUARANTEES OF UNCONSOLIDATED AFFILIATES AND THIRD PARTY DEBT The Company guarantees debt as well as certain financial obligations of unconsolidated affiliates and third parties to support the sale of the Company's products and services. Expiration dates vary from 2004 to 2014 or terminate on payment and/or cancellation of the obligation. A payment by the Company would be triggered by the failure of the guaranteed party to fulfill its obligation under the guarantee. The maximum potential payment under these guarantees was ¥95,894 million ($904,660 thousand) as of March 31, 2004.

> GUARANTEES OF EMPLOYEES' HOUSING LOANS The Company guarantees housing loans of its employees. The term of the guarantees is equal to the term of the related loans which range from 5 to 30 years. A payment would be triggered by failure of the guaranteed party to fulfill its obligation covered by the guarantee. The maximum potential payments under these guarantees were ¥31,715 million ($299,198 thousand) as of March 31, 2004. However, the Company expects that the majority of such payments would be reimbursed through the Company's insurance policy.

> GUARANTEES OF TRANSFERRED CORPORATE BONDS The Company entered into a sale and assumption agreement with an SPE during 2001. As a result, the Company was released from being a primary obligor for ¥20,178 million of the Company's corporate bonds, which mature on various dates through 2008, and became secondarily liable for these obligations. The maximum potential payment by the Company as a secondary obligor was ¥10,375 million ($97,877 thousand) at March 31, 2004.

> RESIDUAL VALUE GUARANTEES UNDER SALE AND LEASEBACK TRANSACTIONS The Company has entered into several sale and leaseback transactions in which certain manufacturing equipment was sold and leased back. The Company may be required to make payments for residual value guarantees in connection with these transactions. The operating leases will expire on various dates through July 2006. The maximum potential payments by the Company for such residual value guarantees were ¥21,167 million ($199,689 thousand) at March 31, 2004.

> GUARANTEES OF DEFAULTED NOTES AND ACCOUNTS RECEIVABLE The Company has transferred trade notes receivable, trade accounts receivable and finance receivables under several securitization programs. Upon certain sales of trade notes and accounts receivable, the Company holds a repurchase obligation, which the Company is required to perform upon default of the trade notes and accounts receivable. The trade notes and accounts receivable generally mature within three months. The maximum potential payment for such repurchase obligation was ¥12,610 million ($118,962 thousand) as of March 31, 2004.

The carrying amounts of the liabilities for the Company's obligations under the guarantees described above at March 31, 2004 were not significant.

> WARRANTY Estimated warranty costs are accrued for at the time the product is sold to a customer. Estimates for warranty costs are made based primarily on historical warranty claim experience. The following is a reconciliation of the product warranty accrual:

	Millions of yen		Thousands of U.S. dollars
March 31	**2004**	2003	**2004**
Balance at beginning of year	**¥ 19,491**	¥ 20,886	**$ 183,877**
Warranties issued	**23,590**	19,775	**222,547**
Settlements made	**(21,948)**	(20,542)	**(207,057)**
Foreign currency translation	**(1,195)**	(628)	**(11,273)**
Balance at end of year	**¥ 19,938**	¥ 19,491	**$ 188,094**

23. SUPPLEMENTAL CASH FLOW INFORMATION

In April 2002, Toshiba Corporation formed Toshiba Matsushita Display Technology Co., Ltd. (“TMD”) with Matsushita Electric Industrial Co., Ltd. (“Matsushita”). In connection with this transaction, Toshiba Corporation and Matsushita contributed certain operating facilities, in return for 60% and 40% interests, respectively, in TMD. The carrying value of the assets and liabilities acquired, net of cash received of ¥2,001 million, was ¥70,666 million and ¥59,953 million, respectively.

During the year ended March 31, 2003, Toshiba Corporation contributed certain assets and liabilities aggregating ¥55,009 million, and ¥30,568 million, respectively, and formed TM T&D with Mitsubishi Electric Corporation (“Mitsubishi Electric”). As a result of this transaction, Toshiba Corporation obtained a 50% interest in TM T&D.

On January 1, 2003, Toshiba Corporation and Matsushita formed MTPD. In connection therewith, Toshiba Corporation contributed substantially all assets and liabilities of four of its subsidiaries, in exchange for 35.5% interest in MTPD, and recognized a gain of approximately ¥6,269 million. The aggregate book carrying value of the assets and liabilities contributed by Toshiba Corporation amounted to ¥50,622 million and ¥31,462 million, respectively. The gain of ¥6,269 million, representing the difference between the fair value of the investment obtained in MTPD, and the net book value of the assets and liabilities contributed, adjusted for Toshiba Corporation’s interest in MTPD, is included in other income in the accompanying consolidated statement of income for the year ended March 31, 2003.

During the year ended March 31, 2003, certain operating assets and liabilities were sold to unaffiliated parties in exchange for marketable securities. In connection with such activity, Toshiba Corporation obtained marketable equity securities of ¥12,911 million, in return for net assets and liabilities aggregating ¥17,152 million, and recorded a loss on disposal of assets of ¥4,241 million.

During the year ended March 31, 2004, Toshiba Corporation and Mitsubishi Electric established TMEIC. In connection with this transaction, the Company contributed certain assets totaling ¥48,549 million ($458,009 thousand), which included cash of ¥2,719 million ($25,651 thousand), and liabilities of ¥32,801 million ($309,443 thousand), and obtained a 50.0% interest in TMEIC.

ERNST & YOUNG

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C.P.O. Box1196, Tokyo 100-8641

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

The Board of Directors and Shareholders
Toshiba Corporation

We have audited the accompanying consolidated balance sheets of Toshiba Corporation (the "Company") as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company has not presented segment information required to be disclosed in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" for the years ended March 31, 2004 and 2003. In our opinion, presentation of segment information is required under accounting principles generally accepted in the United States of America for a complete presentation of the Company's consolidated financial statements.

In our opinion, except for the omission of segment information discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

April 27, 2004

Ernst + Young

- **Board of Directors**
  - **Nominating Committee**
  - **Compensation Committee**
  - **Audit Committee**
    - **Audit Committee Office**
- **President & Chief Executive Officer**
  - **Corporate Audit Div.**
  - **Corporate Social Responsibility Div.**
  - **Management Innovation Div.**
  - **Information Systems Center**
  - **Strategic Planning & Communications Group**
    - Corporate Strategic Planning Div.
    - Corporate Business Development Div.
    - Corporate Communications Office
    - External Relations Div.
    - Overseas Business Promotion Div.
      - (Overseas Offices)
      - Moscow
      - Johannesburg
      - Baghdad
      - Abu Dhabi
  - **Legal Affairs & Export Control Group**
    - Legal Affairs Div.
    - Export Control Div.
  - **Human Resources Group**
    - Human Resources and Administration Div.
    - Employee Wellness Div.
    - Toshiba General Hospital
  - **Finance & Accounting Group**
    - Finance & Accounting Div.
    - Consolidated Management Div.

(In-house Companies)

Digital Products Group

Mobile Communications Company

- Mobile Communications
  - •Development Center
- Hino Operations

Digital Media Network Company

- Storage Device Div.
- CTV & Visual Media Equipment Div.
- Digital Camera & Imaging System Div.
- Digital AV Div.
- Core Technology Center
- Ome Operations
  - •Digital Media Network
- Fukaya Operations
  - •Digital Media Network

Personal Computer & Network Company

- Personal Computer Div.
  - •Japan & Asia Operations
- Personal Computer Div.
  - •America, EMEA & Oceania Operations
- Server & Network Div.
- PC Development Center
- Ome Complex
- Global Production & Logistics Management Center
  - Ome Operations
    - •Personal Computer & Network

Electronic Devices Group

Semiconductor Company

- Discrete Semiconductor Div.
  - Himeji Operations
    - • Semiconductor
- System LSI Div. I
  - Oita Operations
  - Microelectronics Center
- System LSI Div. II
  - Kitakyushu Operations
- Memory Div.
  - Yokkaichi Operations
- Electronic Devices Sales & Marketing Div.

Productivity & Environment Group
- Corporate Productivity Planning Div.
- Corporate Environment Management Div.
- Corporate Manufacturing Engineering Center
- Yokohama Complex

Procurement Group
- Corporate Procurement Div.

Technology & Intellectual Property Group
- Technology Planning Div.
- Intellectual Property Div.
- Corporate Research & Development Center
- Software Engineering Center

Marketing Planning Group
- Marketing Planning Div.
- Corporate Market Creation Div.
- Automotive Systems Div.
- Corporate Branding Office
- Design Center

Social Infrastructure Group

Display Devices & Components Control Center
- Battery & Energy Div.
- Fukaya Operations
- Himeji Operations

Industrial and Power Systems & Services Company
- International Business Promotion Div.
- Nuclear Energy Systems & Services Div.
  - Isogo Nuclear Engineering Center
- Thermal Power & Hydroelectric Power Systems & Services Div.
- Infrastructure Systems Div.
- Control & Measurement Div.
- Transportation Systems Div.
- Power and Industrial Systems Research and Development Center
- Keihin Product Operations
- Fuchu Complex
- Fuchu Operations
  - •Social Infrastructure Systems
- Mie Operations

Social Network & Infrastructure Systems Company
- Broadcasting Systems Div.
- System Components Div.
- Defense & Electronic Systems Div.
- Komukai Operations
- Yanagicho Complex
- Fuchu Operations
  - •Social Network & Infrastructure Systems

Network Services & Content Control Center
- iValue Creation Div.

(As of April 1, 2004)

Overseas Offices

EUROPE

Moscow

AFRICA

Johannesburg

MIDDLE EAST

Baghdad
Abu Dhabi

Overseas Subsidiaries and Affiliates

NORTH AMERICA

Toshiba of Canada, Ltd.
Markham, Ontario, Canada

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

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

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

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

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

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

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

Toshiba America Business Solutions, Inc.
Irvine, California, U.S.A

Toshiba America Consumer Products, Inc.
Wayne, New Jersey, U.S.A.

Toshiba International Corporation
Houston, Texas, U.S.A.

Toshiba America Electronic Components, Inc.
Irvine, California, U.S.A.

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

LATIN AMERICA

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

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

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

Toshiba de Venezuela C.A.
Caracas, Venezuela

Semp Toshiba Amazonas S.A.
Manaus, Brazil

T and S Serviços Industrias S/C Ltda.
São Paulo, Brazil

Toshiba do Brasil, S.A.
São Paulo, Brazil

Toshiba Medical do Brasil Ltda.
São Paulo, Brazil

EUROPE

Toshiba of Europe Ltd.
London, U.K.

Toshiba International Finance (UK) Plc.
London, U.K.

Toshiba Research Europe Ltd.
Cambridge, U.K.

Toshiba Information Systems (UK) Ltd.
Weybridge, U.K.

TTI Card Technology Europe Ltd.
Northamptonshire, U.K.

Toshiba International (Europe) Ltd.
West Drayton, U.K.

Toshiba Medical Systems Ltd.
Crawley, U.K.

Toshiba International Finance (Netherlands) B.V.
Haarlem, The Netherlands

Toshiba Medical Systems Europe B.V.
Zoetermeer, The Netherlands

Toshiba Medical Systems B.V.
Zoetermeer, The Netherlands

Toshiba Medical Systems NV/SA
Antwerpen, Belgium

Toshiba Europe GmbH
Neuss, Germany

Toshiba Semiconductor GmbH
Braunschweig, Germany

Toshiba Electronics Europe GmbH
Düsseldorf, Germany

Toshiba Medical Systems GmbH
Neuss, Germany

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

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

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

Toshiba Medical France S.A.
Puteaux, France

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

Toshiba Medical Systems AG
Oetwil am See, Switzerland

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

Toshiba Medical Systems S.A.
Madrid, Spain

ZAO Toshiba Medical Systems
Moscow, Russia

LLC Toshiba Digital Media Network CIS
Moscow, Russia

MIDDLE EAST

Toshiba Gulf FZE
Dubai, U.A.E.

Toshiba El Araby Home Appliances Marketi
Cairo, Egypt

ASIA

Toshiba (China) Co., Ltd.
Beijing, The People's Republic of China

Toshiba Dalian Co., Ltd.
Dalian, The People's Republic of China

Toshiba Hangzhou Co., Ltd.
Hangzhou, The People's Republic of China

Hangzhi Machinery & Electronics Co., Ltd.
Hangzhou, The People's Republic of China

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

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

Dalian Toshiba Locomotive Electric Equipment Co., Ltd.
Dalian, The People's Republic of China

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

Dalian Toshiba Broadcasting System Co., Ltd.
Dalian, The People's Republic of China

Beijing Tongfang-Tsingshiba Business Machines Co., Ltd.
Beijing, The People's Republic of China

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

Dalian Toshiba Television Co., Ltd.
Dalian, The People's Republic of China

Toshiba Computer Systems (Shanghai) Co., Ltd.
Shanghai, The People's Republic of China

Toshiba Information Equipment (Hangzhou) Co., Ltd.
Hangzhou, The People's Republic of China

Toshiba Storage Device (Shanghai) Co., Ltd.
Shanghai, The People's Republic of China

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

Changzhou Toshiba Transformer Co., Ltd.
Changzhou, The People's Republic of China

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

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

Langfang Epri Toshiba Arrester Co., Ltd.
Langfang, The People's Republic of China

Toshiba Electronics (Shanghai) Co., Ltd.
Shanghai, The People's Republic of China

Toshiba Electronics (Shenzhen) Co., Ltd.
Shenzhen, The People's Republic of China

Toshiba Semiconductor (Wuxi) Co., Ltd.
Wuxi, The People's Republic of China

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

Jiangxi Toshiba Electronics Materials Co., Ltd.
Jiangxi, The People's Republic of China

Toshiba Washing Machine (Wuxi) Co., Ltd.
Wuxi, The People's Republic of China

Toshiba Refrigerator (Xi'an) Co., Ltd.
Xi'an, The People's Republic of China

Toshiba Industrial Products Sales Dalian Corporation
Dalian, The People's Republic of China

Toshiba Electronics Management (China) Co., Ltd.
Shanghai, The People's Republic of China

Shanghai Toshiba Elevator Co., Ltd.
Shanghai, The People's Republic of China

Toshiba Products & Services (Shanghai) Co., Ltd.
Shanghai, The People's Republic of China

Toshiba Elevator (Shenyang) Co., Ltd.
Shenyang, The People's Republic of China

Toshiba Electronics Korea Corp.
Seoul, The Republic of Korea

Toshiba Digital Media Network Korea Corp.
Seoul, The Republic of Korea

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

Toshiba Electronics Software Solutions Korea Corp.
Seoul, The Republic of Korea

Taiwan Toshiba International Procurement Corp.
Taipei, Taiwan

Toshiba Information, Industrial and Power Systems Taiwan Corp.
Taipei, Taiwan

Toshiba Digital Media Network Taiwan Corp.
Taipei, Taiwan

Toshiba Memory Semiconductor Taiwan Corp.
Taipei, Taiwan

Toshiba Electronics Taiwan Corp.
Taipei, Taiwan

Toshiba Hong Kong Ltd.
Shatin, Hong Kong SAR

Toshiba Electronics Asia, Ltd.
Kowloon, Hong Kong SAR

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

Toshiba Electronics Philippines, Inc.
Manila, Philippines

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

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

Toshiba Thailand Co., Ltd.
Bangkok, Thailand

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

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

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

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

Toshiba Sales and Services Sdn. Bhd.
Selangor, Malaysia

Toshiba Electronics Malaysia Sdn. Bhd.
Selangor, Malaysia

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

Toshiba Capital (Asia) Ltd.
Singapore

Toshiba Asia Pacific Pte., Ltd.
Singapore

Toshiba Data Dynamics Pte., Ltd.
Singapore

Toshiba Singapore Pte., Ltd.
Singapore

Toshiba Electronics Asia (Singapore) Pte., Ltd.
Singapore

Toshiba Medical Systems Asia Pte., Ltd.
Singapore

AFPD Pte., Ltd.
Singapore

P.T. Toshiba Consumer Products (Indonesia)
Bekasi, Indonesia

P.T. Toshiba Visual Media Network Indonesia
Jakarta, Indonesia

P.T. Display Devices Indonesia
Bekasi, Indonesia

Toshiba India Private Ltd.
New Delhi, India

OCEANIA

Toshiba International Corporation Pty., Ltd.
Sydney, Australia

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

(As of March 31, 2004)

CONSOLIDATED SUBSIDIARIES

Domestic

A&T Battery Corporation
Device Link, Inc.
Harison Toshiba Lighting Corporation
IT-Services Corporation
Iwate Toshiba Electronics Co., Ltd.
Joint Fuel Co., Ltd.
Kaga Toshiba Electronics Corporation
Toshiba Battery Co., Ltd.
Toshiba Building Co., Ltd.
Toshiba Capital Corporation
Toshiba Carrier Airconditioning Systems Corporation
Toshiba Carrier Corporation
Toshiba Consumer Marketing Corporation
Toshiba Device Corporation
Toshiba Elevator and Building Systems Corporation
Toshiba Elevator Products Corporation
Toshiba HA Products Co., Ltd.
Toshiba Home Technology Corporation
Toshiba Industrial Products Sales Corporation
Toshiba Information Equipments Co., Ltd.
Toshiba Lighting & Technology Corporation
Toshiba Logistics Corporation
Toshiba LSI Package Solutions Corporation
Toshiba Matsushita Display Technology Co., Ltd.
Toshiba Medical Finance Co., Ltd.
Toshiba Medical Systems Corporation
Toshiba Multi Media Devices Co., Ltd.
Toshiba Plant Systems & Services Corporation
Toshiba Samsung Storage Technology Corporation
Toshiba Solutions Corporation
Toshiba TEC Corporation

Plus 172 Others

Overseas

AFPD Pte., Ltd.
Dalian Toshiba Television Co., Ltd.
Pacific Fuel Cell Capital (U.S.A.), Inc.
Toshiba (China) Co., Ltd.
Toshiba America Business Solutions, Inc.
Toshiba America Capital Corporation
Toshiba America Consumer Products, Inc.
Toshiba America Electronic Components, Inc.
Toshiba America Information Systems, Inc.
Toshiba America Medical Systems, Inc.
Toshiba America MRI, Inc.
Toshiba America, Inc.
Toshiba Asia Pacific Pte., Ltd.
Toshiba Capital (Asia) Ltd.
Toshiba Compressor (Taiwan) Corporation
Toshiba Consumer Products (Thailand) Co., Ltd.
Toshiba Dalian Co., Ltd.
Toshiba Digital Media Network Taiwan Corp.
Toshiba Electronics Asia, Ltd.
Toshiba Electronics Malaysia Sdn. Bhd.
Toshiba Europe GmbH
Toshiba Information Equipment (Hangzhou) Co., Ltd.
Toshiba Information Equipment (Philippines), Inc.
Toshiba Information Systems (UK) Ltd.
Toshiba Information, Industrial and Power Systems Taiwan Corp.
Toshiba International Corporation
Toshiba International Finance (Netherlands) B.V.
Toshiba International Finance (UK) Plc.
Toshiba Medical Systems Europe B.V.
Toshiba Systemes (France) S.A.
Toshiba TEC Europe Imaging Systems S.A.
Toshiba TEC France Imaging Systems S.A.
Toshiba TEC U.K. Imaging Systems Ltd.

Plus 83 Others

AFFILIATED COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

Domestic

ep Broadcasting Corporation
ep Corporation
GE Toshiba Silicones Co., Ltd.
Media Serve Corporation
Mobile Broadcasting Corporation
MT Picture Display Co., Ltd.
NEC Toshiba Space Systems, Ltd.
Nishishiba Electric Co., Ltd.
Shibaura Mechatronics Corporation
TM T&D Corporation
Topcon Corporation
Toshiba Ceramics Co., Ltd.
Toshiba-EMI Limited
Toshiba Finance Corporation
Toshiba Machine Co., Ltd.
Toshiba Mitsubishi-Electric Industrial Systems Corporation
Toshiba Sogo Finance Corporation

Plus 14 Others

Overseas

Audiovox Communications Corporation
Beijing Matsushita Color CRT Co., Ltd.
Guangdong Meizhi Compressor Limited
MT Picture Display (M) Sdn. Bhd.
MT Picture Display (Thailand) Co., Ltd.
MT Picture Display Corporation of America (Ohio)
MT Picture Display Corporation of America (New York)
MT Picture Display Indonesia
P.T. Display Devices Indonesia
Semp Toshiba Amazonas S.A.
TM GE Automation Systems L.L.C.
Toshiba Carrier (Thailand) Co., Ltd.
Toshiba Carrier UK Ltd.

Plus 19 Others

(As of March 31, 2004)

CAPITAL
¥274,926 million

EMPLOYEES
161,000

COMMON STOCK

Authorized
10,000,000,000 shares

Issued
3,219,027,165 shares

No. of shareholders
483,591

Average holdings
6,657 shares

Stock Code
6502

Transfer Agent
The Chuo Mitsui Trust and Banking Company, Limited

HEADQUARTERS
1-1, Shibaura 1-chome, Minato-ku, Tokyo 105-8001, Japan

As of March 31, 2004

PRINCIPAL SHAREHOLDERS (%)

The Master Trust Bank of Japan, Ltd. (trust accounts)	**5.94**
Japan Trustee Services Bank, Ltd. (trust accounts)	**4.64**
The Dai-ichi Mutual Life Insurance Company	**3.38**
Nippon Life Insurance Company	**3.25**
Sumitomo Mitsui Banking Corporation	**2.17**
Employees Stock Ownership Plan	**1.73**
NIPPONKOA Insurance Co., Ltd.	**1.55**
Shinsei Bank, Limited	**1.52**
State Street Bank and Trust Company	**1.36**
The Chase Manhattan Bank, NA London	**1.34**

As of March 31, 2004

Web site information

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

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

For further information, please contact:

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Investor Relations Group
Corporate Communications Office
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E-mail: ir@toshiba.co.jp
http://www.toshiba.co.jp/about/ir/index.htm

TOSHIBA CORPORATION

TOSHIBA ANNUAL REPORT 2004

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