TOSHIBA

FINANCIAL REVIEW

2005 130th Anniversary

Innovation Breeds Invention

TOSHIBA CORPORATION ANNUAL REPORT 2005

Eleven-year Summary

Toshiba Corporation and Subsidiaries
Years ended March 31

	2005	2004	2003	2002
Net sales	**¥5,836,139**	¥5,579,506	¥5,655,778	¥5,394,033
Cost of sales	**4,296,572**	4,075,336	4,146,460	4,070,130
Selling, general and administrative expenses (Note 1)	**1,384,760**	1,329,584	1,393,776	1,437,478
Operating income (loss) (Note 2)	**154,807**	174,586	115,542	(113,575)
Income (loss) before income taxes and minority interest	**110,567**	145,041	53,123	(376,687)
Income taxes	**55,944**	102,237	48,532	(113,915)
Net income (loss)	**46,041**	28,825	18,503	(254,017)
Per share of common stock:				
Net income (loss) (Note 3)				
—Basic	**¥14.32**	¥8.96	¥5.75	¥(78.91)
—Diluted	**13.53**	8.96	5.75	(78.91)
Cash dividends	**5.00**	3.00	3.00	—
Total assets	**¥4,571,412**	¥4,462,200	¥5,238,936	¥5,407,782
Shareholders' equity	**815,507**	754,990	571,064	705,314
Capital expenditures (Property, plant and equipment)	**318,394**	227,273	230,512	348,235
Depreciation (Property, plant and equipment)	**215,844**	223,946	237,888	311,208
R&D expenditures	**348,010**	336,714	331,494	326,170
Number of employees	**165,000**	161,000	166,000	176,000

Notes: 1. ¥4,836 million and ¥48,945 million of "Subsidy received on return of substitutional portion of Employees' Pension Fund Plan, net of settlement loss of ¥7,992 million in 2005 and ¥188,106 million in 2004" are classified as a reduction of selling, general and administrative expenses for the years ended March 31, 2005 and 2004, respectively.
2. Operating income (loss) has been determined under financial reporting practices generally accepted in Japan and is defined as net sales less cost of sales and selling, general and administrative expenses.
3. Basic net income per share (EPS) is computed based on the weighted-average number of shares of common stock outstanding during each period. Diluted EPS assumes the dilution that could occur if convertible bonds were converted or stock acquisition rights were exercised to issue common stock, unless their inclusion would have an antidilutive effect.
4. 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.
5. 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, 1995 through 1997 has been reclassified to conform with the current classification.

Contents

2 Management's Discussion and Analysis
14 Consolidated Balance Sheets
16 Consolidated Statements of Income
17 Consolidated Statements of Shareholders' Equity
18 Consolidated Statements of Cash Flows
19 Notes to Consolidated Financial Statements
39 Report of Independent Auditors

Millions of yen, except per share amounts						
2001	2000	1999	1998	1997	1996	1995
¥5,951,357	¥5,749,372	¥5,300,902	¥5,458,498	¥5,521,887	¥5,192,244	¥4,864,015
4,323,525	4,254,444	3,890,622	3,960,158	3,932,585	3,647,624	3,435,146
1,395,699	1,393,959	1,379,797	1,416,046	1,391,471	1,282,053	1,260,053
232,133	100,969	30,483	82,294	197,831	262,567	168,816
188,099	(44,844)	11,218	18,748	125,456	177,749	120,674
96,145	(4,530)	20,901	17,313	71,593	102,965	67,607
96,168	(32,903)	(9,095)	14,723	67,077	90,388	44,693
¥29.88	¥(10.22)	¥(2.83)	¥ 4.57	¥20.84	¥28.08	¥13.89
29.71	(10.22)	(2.83)	4.57	20.06	26.85	13.54
10.00	3.00	6.00	10.00	10.00	10.00	10.00
¥5,724,564	¥5,780,006	¥6,101,929	¥6,166,323	¥5,933,205	¥5,743,009	¥5,598,565
1,047,925	1,060,099	1,128,753	1,305,946	1,388,827	1,384,582	1,255,083
269,545	298,512	375,464	339,584	341,020	308,653	293,823
308,294	329,630	309,836	291,418	252,732	261,985	283,575
327,915	334,398	316,703	322,928	332,555	314,774	302,171
188,000	191,000	198,000	186,000	186,000	186,000	190,000

SCOPE OF CONSOLIDATION

As of the end of March 2005, Toshiba Group ("the Group") comprised 339 consolidated subsidiaries and its principal operations were in the Digital Products, Electronic Devices, Social Infrastructure, and Home Appliances business domains.

82 consolidated subsidiaries were involved in Digital Products Segment, 42 in Electronic Devices Segment, 113 in Social Infrastructure Segment, 53 in Home Appliances Segment, and 49 in Others.

In addition, 71 affiliates were accounted for by the equity method.

The number of consolidated subsidiaries increased by 20 compared with March 31, 2004.

RESULTS OF OPERATIONS

> NET SALES

In Japan, economic recovery continued through most of the period under review, primarily driven by the private sector, as business demand maintained a steady impetus. However, the economy gradually entered a period of adjustment later in the term, reflecting inventory adjustments in the information technology industry. Overseas, the US economy expanded on improved employment and increased capital investment while Europe continued to see gradual recovery. In Asia, China, and other countries continued their economic expansion.

The Group aims for high growth in the Digital Products and Electronic Devices Segments. In Social Infrastructure, the Group seeks to expand its international business, to cultivate new businesses, and to promote cost reductions and operational efficiency, thereby securing stable growth and profits.

Consolidated sales were ¥5,836.1 billion (US$54,543 million), ¥256.6 billion higher than in the previous fiscal year. Digital Products, Electronic Devices, Social Infrastructure, and Home Appliances, all Segments recorded year-on-year sales increases through operations based on their growth strategies, achieving the Group strategy of combining high growth with steady profitability.

> NET SALES BY REGION

	Millions of yen		
Year ended March 31	**2005**	2004	2003
Japan	**¥3,259,853**	¥3,399,903	¥3,343,551
Asia	**949,208**	829,914	837,845
North America	**811,641**	710,108	860,306
Europe	**615,283**	517,235	509,620
Others	**200,154**	122,346	104,456
Net Sales	**¥5,836,139**	¥5,579,506	¥5,655,778

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.8, which are based on the location of the distribution source.

Japan

Sales fell 4% year on year to ¥3,259.8 billion due to the reclassification of former consolidated subsidiary companies Toshiba Finance Corporation and Shibaura Mechatronics Corporation as affiliated companies accounted for by the equity method.

Asia

Sales in the region totaled ¥949.2 billion, a 14% increase compared with the previous fiscal year. The improved sales performance is mainly attributed to contributions from the Semiconductor business following integration of the Optical Disk Drive businesses in a Joint Venture of the Company and Samsung Electronics Co., Ltd.

North America / Europe

Sales in North America and Europe climbed to ¥811.6 billion and ¥615.3 billion, respectively. In addition to the improvement of profits in the PC business, results were bolstered by the robust Semiconductor business and increased revenues from Optical Disk Drive and other product sales.

Others

Sales surged 64% year on year to ¥200.2 billion in the Others region due to positive contributions from thermal power plant properties.

> NET INCOME (LOSS)

Consolidated operating income decreased by ¥19.8 billion from the same period a year earlier to ¥154.8 billion (US$1,447 million). Digital Products Segment improved its operating income significantly, while Electronic Devices, Social Infrastructure, and Home Appliances Segments saw decreases. However, if a one-time gain from the transfer of Toshiba's employee pension fund to the government ("daiko-henjo") in the previous year is excluded, and if a one-time environment-related cost accounted for in this fiscal year is also excluded, consolidated operating income for Toshiba as a whole and for the Social Infrastructure Segment would show increases.

Income before income taxes, minority interest and equity in earnings of affiliates was ¥110.6 billion (US$1,033 million), a ¥34.4 billion decrease from FY2003. Net income increased by ¥17.2 billion from the previous year to ¥46.0 billion (US$430 million). Basic earnings per share also increased by ¥5.36 to ¥14.32 (US$0.134) from a year ago.

> DIVIDEND

Toshiba Corporation will pay ¥3 per share as a year end dividend. This will be paid from June 6, 2005. Combined with the ¥2 interim dividend, the total full-term dividend will be ¥5 per share.

> RESULTS BY INDUSTRY SEGMENT

(Billions of yen)

	Net Sales		Operating Income (loss)	
Year ended March 31	—	Change (%)	—	Change
Digital Products	2,224.2	11%	7.3	+31.1
Electronic Devices	1,307.2	2%	92.5	–24.5
Social Infrastructure	1,765.3	3%	48.6	–10.0
Home Appliances	661.0	4%	–3.3	–6.8
Others	371.6	–21%	9.8	–9.0
Eliminations	–493.2	—	–0.1	—
Total	5,836.1	5%	154.8	–19.8

> DIGITAL PRODUCTS—Consolidated net sales of Digital Products Segment increased by ¥214.8 billion to ¥2,224.2 billion (US$20,787 million). The Personal Computer business saw sales increase from a year ago on overseas sales growth, mainly in North America and Europe. The Digital Media business saw sales increase on higher sales of hard disk drives for portable audio players and LCD TVs, and the start of operations at a Joint Venture in optical disk drives with Samsung Electronics Co., Ltd. Retail information and office document processing systems business increased sales on higher sales of digital multi-function peripherals, mainly in overseas markets. In the Mobile Phones business, despite increased sales in Japan as a result of consecutive introduction of high-functionality products, sales were flat against the previous year on lower sales overseas.

Consolidated operating income of Digital Products Segment posted a profit of ¥7.3 billion (US$68 million), an improvement of ¥31.1 billion from a year earlier, as a result of the return to profit of the Personal Computer business, which showed significant improvement, and the Mobile Phones business, which saw higher sales in the domestic market. Storage Devices saw operating income decline on market price erosion.

> ELECTRONIC DEVICES—Electronic Devices Segment increased consolidated net sales by ¥23.6 billion to ¥1,307.2 billion (US$12,216 million). The Semiconductor business saw increased sales against the previous year on higher sales of System LSIs for digital consumer products and Discrete semiconductors in the first half of the fiscal year, despite sluggish sales in the second half of FY2004. The LCD business increased sales as a result of focusing on high-value-added products, particularly Small- to Medium-sized displays, and promotions that expanded overseas sales, despite significant price erosion in the TV and monitor market in the second half of the period. The Display Devices & Components Control Center business reported a significant sales decline, largely the result of ceasing production of Cathode Ray Tubes and Lithium-Ion Batteries.

Consolidated operating income of Electronic Devices Segment was ¥92.5 billion (US$865 million), a decrease of ¥24.5 billion from the previous year. The LCD business posted a profit. The semiconductor business reported lower operating income, largely reflecting inventory adjustment in the digital consumer industry in the second half of FY2004, while Memories,

including NAND Flash memory, continued to record a strong performance.

> SOCIAL INFRASTRUCTURE—Social Infrastructure Segment saw consolidated net sales of ¥1,765.3 billion (US$16,498 million), ¥51.2 billion higher than the previous year. Sales of the Industrial and Power Systems & Services business rose on increased orders of power generation plant business overseas, despite the transfer of the Industrial Electric and Automation Systems business from the Group. The Medical Systems business sales increased on higher sales of Multi-Slice CT scanners and diagnostic Ultrasound systems, while the Social Network & Infrastructure Systems business and Elevator business also saw higher sales. The IT Solution business reported lower sales, as a result of greater selectivity in accepting orders.

Consolidated operating income of the segment was ¥48.6 billion (US$454 million), ¥10.0 billion down from the year earlier period, mainly because the segment took a charge for the one-time cost of the detoxification of nonflammable insulating oil (PCB: Poly Chlorinated Biphenyl) and because the year earlier period included a one-time gain from the transfer of Toshiba's employee pension fund to the government. The Social Network & Infrastructure Systems, IT Solution, and Medical Systems businesses showed improved performance.

> HOME APPLIANCES—Consolidated net sales of Home Appliances Segment increased by ¥23.7 billion to ¥661.0 billion (US$6,178 million) compared to the previous year, largely on higher sales of Air-Conditioners. Operating income (loss) of the segment declined by ¥6.8 billion to minus ¥3.3 billion (minus US$31 million), due to price erosion in Refrigerators and Washing Machines and higher raw materials costs.

> OTHERS—Consolidated net sales of Others decreased by ¥101.1 billion to ¥371.6 billion (US$3,473 million) from a year earlier as some consolidated subsidiaries, including Toshiba Finance Corporation and Shibaura Mechatronics Corporation, became affiliated companies accounted by the equity method. Operating income in Others saw ¥9.0 billion decline from the previous year to ¥9.8 billion (US$92 million).

Segment information is based on Japanese accounting standards.

> INDUSTRY SEGMENTS

	Millions of yen			Thousands of U.S. dollars (Note 3)
Year ended March 31	**2005**	2004	2003	**2005**
Sales:				
Digital Products				
Unaffiliated customers	**¥2,156,495**	¥1,939,717	¥2,032,736	**$20,154,159**
Intersegment	**67,690**	69,678	40,235	**632,617**
Total	**2,224,185**	2,009,395	2,072,971	**20,786,776**
Electronic Devices				
Unaffiliated customers	**1,215,802**	1,174,934	1,070,165	**11,362,635**
Intersegment	**91,361**	108,654	204,278	**853,841**
Total	**1,307,163**	1,283,588	1,274,443	**12,216,476**
Social Infrastructure				
Unaffiliated customers	**1,707,211**	1,654,959	1,722,603	**15,955,243**
Intersegment	**58,091**	59,177	99,994	**542,906**
Total	**1,765,302**	1,714,136	1,822,597	**16,498,149**
Home Appliances				
Unaffiliated customers	**642,285**	616,807	611,286	**6,002,664**
Intersegment	**18,760**	20,475	22,314	**175,327**
Total	**661,045**	637,282	633,600	**6,177,991**
Others				
Unaffiliated customers	**114,346**	193,089	218,988	**1,068,654**
Intersegment	**257,276**	279,655	272,123	**2,404,449**
Total	**371,622**	472,744	491,111	**3,473,103**
Eliminations	**(493,178)**	(537,639)	(638,944)	**(4,609,140)**
Consolidated	**¥5,836,139**	¥5,579,506	¥5,655,778	**$54,543,355**

Year ended March 31	Millions of yen 2005	2004	2003	Thousands of U.S. dollars (Note 3) 2005
Operating income (loss):				
Digital Products	¥ **7,266**	¥ (23,810)	¥ 24,828	$ **67,906**
Electronic Devices	**92,512**	117,002	31,853	**864,598**
Social Infrastructure	**48,581**	58,637	39,178	**454,028**
Home Appliances	**(3,332)**	3,474	4,134	**(31,140)**
Others	**9,863**	18,845	15,532	**92,178**
Eliminations	**(83)**	438	17	**(776)**
Consolidated	¥ **154,807**	¥ 174,586	¥ 115,542	$ **1,446,794**
Identifiable assets:				
Digital Products	¥ **966,105**	¥ 872,559	¥ 904,989	$ **9,029,019**
Electronic Devices	**1,270,970**	1,241,464	1,232,392	**11,878,224**
Social Infrastructure	**1,493,170**	1,529,197	1,671,432	**13,954,860**
Home Appliances	**390,171**	371,850	385,094	**3,646,458**
Others	**515,371**	479,399	1,080,738	**4,816,551**
Corporate and Eliminations	**(64,375)**	(32,269)	(35,709)	**(601,635)**
Consolidated	**¥4,571,412**	¥4,462,200	¥5,238,936	**$42,723,477**
Depreciation and amortization:				
Digital Products	¥ **32,559**	¥ 35,499	¥ 34,287	$ **304,290**
Electronic Devices	**132,662**	112,466	125,755	**1,239,832**
Social Infrastructure	**34,588**	37,657	42,759	**323,252**
Home Appliances	**18,056**	18,786	18,732	**168,748**
Others	**23,497**	44,423	39,302	**219,598**
Corporate	—	—	—	—
Consolidated	¥ **241,362**	¥ 248,831	¥ 260,835	$ **2,255,720**
Impairment of long-lived assets:				
Digital Products	¥ —	¥ —	¥ —	$ —
Electronic Devices	**1,088**	10,018	7,815	**10,168**
Social Infrastructure	—	—	—	—
Home Appliances	—	—	—	—
Others	—	—	—	—
Corporate	—	—	—	—
Consolidated	¥ **1,088**	¥ 10,018	¥ 7,815	$ **10,168**
Capital expenditures:				
Digital Products	¥ **36,478**	¥ 48,556	¥ 35,090	$ **340,916**
Electronic Devices	**239,361**	136,162	115,664	**2,237,019**
Social Infrastructure	**36,571**	27,629	34,585	**341,785**
Home Appliances	**22,024**	19,330	21,259	**205,832**
Others	**8,073**	23,009	50,219	**75,448**
Corporate	—	—	—	—
Consolidated	¥ **342,507**	¥ 254,686	¥ 256,817	$ **3,201,000**

> GEOGRAPHIC SEGMENTS

Year ended March 31	Millions of yen 2005	2004	2003	Thousands of U.S. dollars (Note 3) 2005
Sales:				
Japan				
Unaffiliated customers	**¥ 3,651,995**	¥ 3,747,371	¥ 3,773,309	**$ 34,130,795**
Intersegment	**1,363,317**	1,188,508	1,169,802	**12,741,280**
Total	**5,015,312**	4,935,879	4,943,111	**46,872,075**
Asia				
Unaffiliated customers	**806,794**	617,973	563,639	**7,540,131**
Intersegment	**548,344**	568,220	521,620	**5,124,710**
Total	**1,355,138**	1,186,193	1,085,259	**12,664,841**
North America				
Unaffiliated customers	**744,223**	667,663	784,683	**6,955,355**
Intersegment	**21,067**	19,220	20,052	**196,888**
Total	**765,290**	686,883	804,735	**7,152,243**
Europe				
Unaffiliated customers	**568,211**	488,785	477,870	**5,310,383**
Intersegment	**28,706**	15,619	13,957	**268,281**
Total	**596,917**	504,404	491,827	**5,578,664**
Others				
Unaffiliated customers	**64,916**	57,714	56,277	**606,691**
Intersegment	**1,292**	2,035	1,533	**12,075**
Total	**66,208**	59,749	57,810	**618,766**
Eliminations	**(1,962,726)**	(1,793,602)	(1,726,964)	**(18,343,234)**
Consolidated	**¥ 5,836,139**	¥ 5,579,506	¥ 5,655,778	**$ 54,543,355**
Operating income (loss):				
Japan	**¥ 112,765**	¥ 148,729	¥ 89,780	**$ 1,053,878**
Asia	**20,485**	13,368	24,540	**191,449**
North America	**15,639**	6,599	11,722	**146,159**
Europe	**5,105**	3,875	(3,197)	**47,710**
Others	**900**	756	(286)	**8,411**
Eliminations	**(87)**	1,259	(7,017)	**(813)**
Consolidated	**¥ 154,807**	¥ 174,586	¥ 115,542	**$ 1,446,794**
Identifiable assets:				
Japan	**¥ 3,577,949**	¥ 3,589,596	¥ 4,403,984	**$ 33,438,776**
Asia	**641,258**	513,932	416,726	**5,993,065**
North America	**223,435**	180,086	218,782	**2,088,178**
Europe	**204,146**	210,935	202,575	**1,907,907**
Others	**29,386**	28,111	30,057	**274,635**
Corporate and Eliminations	**(104,762)**	(60,460)	(33,188)	**(979,084)**
Consolidated	**¥ 4,571,412**	¥ 4,462,200	¥ 5,238,936	**$ 42,723,477**

RESEARCH AND DEVELOPMENT

The Group promotes the basic policies of "creating the world's number one technology," and "creating value through the integration and multi-functionality of technology." In aggressive efforts to strengthen its distinct technologies, the Group applies these policies to all stages of its research and development activities, from the development of new materials, products, and systems to the development of manufacturing technologies. The Group promotes research and development centered on our core business segments of Digital Products, Electronic Devices, and Social Infrastructure, coordinating our growth engine technologies and products with a strategic-product map. The Group also makes efforts to generate synergy across business segments, such as with the tie-up of the Digital Products Segment with the Electronic Devices Segment for the purpose of establishing "Imaging by Toshiba."

Research and development expenditures for the entire Group on a consolidated basis totaled ¥348 billion in the fiscal year ended March 31, 2005, and R&D expenditures according to segment were as follows.

	(Billions of yen)
Digital Products Segment	101.7
Electronic Devices Segment	164.5
Social Infrastructure Segment	61.7
Home Appliances Segment	19.0
Others	1.1

CAPITAL EXPENDITURES

> CAPITAL EXPENDITURE OVERVIEW

The Group follows a basic strategy of focusing management resources on growth areas. Capital expenditures, including investments in intangible fixed assets, were primarily directed to the Electronic Devices segment, and amounted to ¥342.5 billion.

Capital expenditures in the Electronic Devices Segment totaled ¥239.3 billion, and included investment for increased development and production of semiconductors and of LCDs. Principal facilities completed in the course of fiscal 2004 were facilities for the advanced process System LSIs production at Oita Operations, and NAND Flash memory production with advanced process technology at Yokkaichi Operations. Facilities still under construction include advanced System LSI manufacturing facilities at Oita Operations, and Low Temperature Polysilicon LCD production facilities and equipment at Toshiba Matsushita Display Technology Co., Ltd.

In the Digital Products Segment, capital expenditures totaled ¥36.5 billion, and were channeled into the development and manufacturing of new products, such as PCs, AV products, and Magnetic Disk Devices.

In the Social Infrastructure Segment, capital expenditures totaled ¥36.6 billion and were focused on system development and infrastructure upgrades. Capital expenditures in the Home Appliances Segment amounted to ¥22 billion and were directed to the development and manufacturing of new models. Capital expenditures in the others segment totaled ¥8.1 billion.

> PLANS FOR CONSTRUCTING NEW FACILITIES AND RETIRING EXISTING FACILITIES

The Group makes plans for capital expenditures with a comprehensive view of manufacturing plans, demand forecasts, and the ratio of expenditures to income over the next three years.

Capital expenditure plans are in principle formulated by each individual company. To avoid duplication of investment throughout the Group, however, the Group makes adjustments to plans.

Planned expenditures for new construction and renovations at primary facilities, including investments in intangible fixed assets, as of the fiscal year-end totaled ¥335 billion. Included in this figure are planned expenditures of ¥45.2 billion to be made by the Group through equity method affiliates. Upon completion of plans, plant capacity is expected to increase slightly compared with pre-construction capacity.

FINANCIAL POSITION AND CASH FLOWS

Total assets increased by ¥109.2 billion from the end of March 2004 to ¥4,571.4 billion (US$42,723 million), as a result of increased notes and accounts receivable, reflecting higher sales in the Digital Media and Personal Computers businesses, and increased property, plant and equipment, due to capital investment in the Semiconductor business.

Shareholders' equity increased by ¥60.5 billion from the end of March 2004 to ¥815.5 billion (US$7,622 million), on improvement of net income and accumulated other comprehensive loss. Total debt decreased by ¥88.1 billion from the end of March 2004 to ¥1,111.4 billion (US$10,387 million).

Free cash flow decreased by ¥70.8 billion from the year-earlier period to ¥62.4 billion, due to increased capital investment in the Semiconductor business. As a result, the debt to equity ratio was 136%, an improvement of 23 points from the end of March 2004.

CASH FLOWS

In the fiscal year under review, net cash provided by operating activities amounted to ¥305.5 billion, a decrease of ¥17.2 billion from ¥322.7 billion in the previous fiscal year. Major components were an improvement in net income, and an increase in receivables in line with the increase in revenues.

Net cash used in investing activities totaled ¥243.1 billion, up ¥53.6 billion from ¥189.5 billion in the previous fiscal year. Principal cash outflows included an increase in capital expenditures in the Semiconductor and other businesses, and outflows to fund acquisition of property, plant and equipment.

Net cash used in financing activities narrowed ¥40.4 billion from ¥132.7 billion to ¥92.3 billion. During the fiscal year under review, Toshiba Corporation issued Zero Coupon Convertible Bonds.

The effect of exchange rate movements was to increase cash by ¥5.6 billion. After accounting for the aforementioned and other factors, cash and cash equivalents at the fiscal year-end decreased by ¥24.3 billion to ¥295.0 billion compared with ¥319.3 billion at the end of the previous fiscal year.

> PRINCIPAL SUBSIDIARIES AND AFFILIATED COMPANIES

As of March 31, 2005 — Percentage held by the Group

Subsidiaries:		Affiliated Companies:	
Japan		**Japan**	
Toshiba Building Co., Ltd.	100	MT Picture Display Co., Ltd.	36
Toshiba Consumer Marketing Corporation	100	Toshiba Ceramics Co., Ltd.	41
Toshiba Elevator and Building Systems Corporation	80	Toshiba Machine Co., Ltd.	34
Toshiba Matsushita Display Technology Co., Ltd.	60		
Toshiba Medical Systems Corporation	100		
Toshiba Plant Systems & Services Corporation	69		
Toshiba Samsung Storage Technology Corporation	51		
Toshiba TEC Corporation	52		
U.S.A.			
Toshiba America Information Systems, Inc.	100		
Toshiba America, Inc.	100		
China			
Dalian Toshiba Television Co., Ltd.	65		

RISK FACTORS RELATING TO THE TOSHIBA GROUP AND ITS BUSINESS

The Group's business areas of Electric and Electronics require highly advanced technology. At the same time, the Group faces fierce global competition. Therefore, appropriate risk management is indispensable. Major risk factors related to the Group are described below. In order to promote full disclosure to investors, this also may include items not usually directly categorized as risk. The Group recognizes these risks and makes every effort to manage them and to minimize any impact.

These risks include potential future risks that the Group judged as risks as of the end of March 2005.

(1) Lawsuits

The Group undertakes global business operation, and is involved in disputes, including lawsuits, in several areas. Due to differences in judicial systems it is possible that the Group may be subject to a court ruling requiring payment of amount far exceeding normal expectations, and/or a factor that results in significant difficulty in estimating potential costs of judgments. Judgments unfavorable to the Group in disputes may impact on results of Group operations and the Group's financial condition.

In March 2005, a jury in the California Superior Court found the Company and its U.S. subsidiary, Toshiba America Electronic Components, Inc., liable for US$465 million for misappropriation of NAND Flash-related trade secrets and related misconduct, as alleged by Lexar Media, Inc. The Company believes that the verdict rendered by the jury was in error and plans to pursue all available legal avenues to correct it.

(2) Reliance on the Electronic Devices Segment

The Group is heavily reliant on its Electronic Devices Segment for operating income. If the results of the segment are weak, the Group may be unable to offset them with any profits it may make from other business segments, resulting in a material adverse effect on the Group's business results.

(3) Business environment of Digital Products Segment

The market for the Digital Product Segment is intensely competitive, with many competitors manufacturing and selling products similar to those offered by the Group. In addition, demand for products in this segment can be volatile. In times of decreased consumer spending due to recession, demand for the Group's products can be low, while rapid increases in demand due to rapid economic recovery may result in shortages of parts and components, hampering the Group's ability to supply products to the market in a timely manner. The segment makes every effort to monitor the market situation, however, if the market fluctuates rapidly, price erosion and increases in the prices of components may adversely affect the Group's results.

Furthermore, some products in this segment are dependent on particular customers. If transactions with such customers decline, the Group's results may be adversely affected.

(4) Business environment of Electronic Devices Segment

The market for the Electronic Devices Segment is highly cyclical in demand, a situation usually referred to as the "Silicon Cycle." In addition, competition to develop and market new products is severe. The segment makes every effort to monitor shifts in the market, but if the market faces a downturn, if the Group fails to market new products in a timely manner, or if due to a rapid introduction of new technology, the Group's current products become redundant, any of these factors may adversely affect Group results.

In addition, this segment requires significant levels of capital expenditure. While efforts are made to invest in stages by watching the demand situation carefully, unpredicted market change may make production capacity for particular products available at a time when demand for those products is on the wane, creating saturation.

(5) Business environment of Social Infrastructure Segment

A significant portion of net sales in the Social Infrastructure Segment is attributable to government and local municipality expenditure on public works and private capital expenditure. The segment monitors these trends in these capital expenditures, and makes best efforts to cultivate new business and customers, in order to avoid undue impact from any fluctuation in the trends. However, reductions and delays in public works spending, as well as low levels of private capital expenditure, can adversely affect Group results. Furthermore, the business of this segment involves supply of products and services in relation to large-scale projects. Delays, changes in plans, stoppages, natural and other disasters, and other factors beyond the control of the Group and that affect the progress of such projects may adversely affect Group results.

(6) Development of new products

It is critically important for the Group to offer the market viable and innovative new products and services. The Group identifies strategic products that will drive future profits, and defines a strategic product map to support the timely introduction of successive products. However, due to the rapid pace of technological innovation, introduction of new technologies or products that replace current products, or any change of technology standards, introduction of optimum new products to markets may be delayed, or new products may be received by markets for a shorter period than expected. In addition, if the Group fails to assure sufficient funding and resources for continuous product development, it may affect the Group’s ability to develop new products and services and to introduce them to the market.

(7) Investments in new business

The Group invests in companies involved in new business, as well as developing its own new business opportunities. Many technological issues need to be resolved and new demand effectively discovered and captured before a new line of business can become successful, and as such its progress and success are uncertain. If any new business in which the Group invests or which the Group attempts to develop does not progress as planned, the Group may not recover the funds and resources it has spent, and this may adversely affect the Group’s results and financial condition.

(8) Success of Joint Ventures and other business alliances

A key strategy of the Group in many of its businesses is the formation of Joint Ventures and business alliances optimized for each business, in every area of the business, including research and development, production, and marketing. If the Group fails to maintain Joint Ventures or business alliances, due to inconsistency with a partner in financing, technological management, product development or management strategies, this may adversely affect Group results.

(9) Global environment

The Group undertakes global business operations. Any change of political, economic, and social conditions and legal or regulatory changes in any region may change market demand or the Group’s production and thus may affect adversely Group results.

As the Group expands overseas production, particularly in Asia, any occurrence of terrorism or an illness such as SARS (Severe Acute Respiratory Syndrome), could have a significant adverse effect on Group results.

(10) Natural disasters

Most of the Group's Japanese production facilities are located in the Keihin regions, part of the Tokyo metropolitan area, and key facilities of semiconductor production are located in Kyushu, Tokai, and Hanshin. Large-scale disasters such as earthquakes and typhoons in these areas could damage or destroy facilities, cause operational and transportation interruptions, and affect production capabilities significantly.

(11) The value of "Toshiba" brand

While the Group protects and seeks to enhance the value of the "Toshiba" brand, there are lesser-quality 'copycat' products worldwide created by third parties, which may dilute the value of the "Toshiba" brand. Distribution of those 'copycat' products may decrease the Group's net sales and may have an adverse effect on Group results.

(12) Product quality claims

While the Group has instituted measures to manufacture its products in accordance with appropriate quality-control standards, there can be no assurance that each of its products is free of defects or that they will not result in a recall and/or product liability or other claims relating to product quality. This could have a material adverse effect on the Group's results.

(13) Personal information

The Group keeps and manages various personal information obtained in the process of business operations. While the Group manages the information properly, an unanticipated leak of personal information could occur, damaging the Group's reputation for social reliability, diluting the Group's brand and causing considerable costs, which may affect Group results.

(14) Employee retirement benefit costs and obligations

The amount of the Group's employee retirement benefit costs and obligations are calculated on assumptions used in the relevant actuarial calculations. Adverse changes in the assumptions due to economic or other factors, or lower returns on plan assets, may adversely affect the Group's results and financial condition.

(15) Financing environment

The Group has substantial amounts of interest-bearing debt for financing, highly susceptible to the market environment, including interest rate and supply and demand of funds. Changes in these factors may have an adverse effect on the Group's results and financial condition.

Consolidated Balance Sheets

Toshiba Corporation and Subsidiaries
As of March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2005**	2004	**2005**
Current assets:			
Cash and cash equivalents	¥ 295,003	¥ 319,277	$ 2,757,037
Notes and accounts receivable, trade:			
Notes (Note 5)	95,207	101,624	889,785
Accounts (Note 5)	1,052,288	962,216	9,834,468
Allowance for doubtful notes and accounts	(26,599)	(27,682)	(248,589)
Finance receivables, net (Note 5)	—	17,271	—
Inventories (Note 6)	649,998	629,044	6,074,748
Deferred tax assets (Note 16)	131,144	114,425	1,225,645
Prepaid expenses and other current assets	277,278	236,244	2,591,383
Total current assets	2,474,319	2,352,419	23,124,477
Long-term receivables and investments:			
Long-term receivables (Note 5)	19,090	21,808	178,411
Long-term finance receivables, net (Note 5)	—	29,887	—
Investments in and advances to affiliates (Note 7)	193,266	191,391	1,806,224
Marketable securities and other investments (Note 4)	194,191	197,901	1,814,869
	406,547	440,987	3,799,504
Property, plant and equipment (Notes 9, 21 and 22):			
Land	169,464	165,255	1,583,776
Buildings	1,064,760	1,070,607	9,951,028
Machinery and equipment	2,349,258	2,311,773	21,955,682
Construction in progress	60,547	51,897	565,860
	3,644,029	3,599,532	34,056,346
Less—Accumulated depreciation	(2,479,846)	(2,481,287)	(23,176,131)
	1,164,183	1,118,245	10,880,215
Deferred tax assets (Note 16)	348,713	375,244	3,259,000
Other assets (Notes 8 and 11)	177,650	175,305	1,660,281
	¥ 4,571,412	¥ 4,462,200	$ 42,723,477

The accompanying notes are an integral part of these statements.

Liabilities and shareholders' equity	Millions of yen 2005	2004	Thousands of U.S. dollars (Note 3) 2005
Current liabilities:			
Short-term borrowings (Note 9)	**¥ 197,765**	¥ 306,711	**$ 1,848,271**
Current portion of long-term debt (Notes 9 and 20)	**230,285**	190,821	**2,152,196**
Notes payable, trade	**67,291**	81,827	**628,888**
Accounts payable, trade	**906,248**	795,594	**8,469,608**
Accounts payable, other and accrued expenses (Note 26)	**349,009**	320,640	**3,261,766**
Accrued income and other taxes	**46,561**	37,029	**435,150**
Advance payments received	**134,326**	179,912	**1,255,383**
Other current liabilities (Note 24)	**335,358**	287,094	**3,134,187**
Total current liabilities	**2,266,843**	2,199,628	**21,185,449**
Long-term liabilities:			
Long-term debt (Notes 9, 10 and 20)	**683,396**	701,924	**6,386,879**
Accrued pension and severance costs (Note 11)	**581,598**	601,566	**5,435,495**
Other liabilities	**79,361**	68,293	**741,691**
	1,344,355	1,371,783	**12,564,065**
Minority interest in consolidated subsidiaries	**144,707**	135,799	**1,352,402**
Shareholders' equity (Note 18)			
Common stock:			
Authorized—10,000,000,000 shares			
Issued:			
2005 and 2004—3,219,027,165 shares	**274,926**	274,926	**2,569,402**
Additional paid-in capital	**285,736**	285,736	**2,670,430**
Retained earnings	**511,185**	481,227	**4,777,430**
Accumulated other comprehensive loss	**(254,753)**	(285,894)	**(2,380,869)**
Treasury stock, at cost:			
2005—3,558,726 shares	**(1,587)**	—	**(14,832)**
2004—2,224,121 shares	**—**	(1,005)	**—**
	815,507	754,990	**7,621,561**
Commitments and contingent liabilities (Notes 23, 24 and 25)			
	¥4,571,412	¥4,462,200	**$42,723,477**

Consolidated Statements of Income

Toshiba Corporation and Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	**2005**
Sales and other income:			
Net sales	**¥5,836,139**	¥5,579,506	**$54,543,355**
Subsidy received on return of substitutional portion of Employees' Pension Fund Plan, net of settlement loss of ¥7,992 million ($74,692 thousand) in 2005 and ¥188,106 million in 2004 (Note 11)	**4,836**	48,945	**45,196**
Interest and dividends	**10,564**	10,470	**98,729**
Other income (Notes 4, 5, 14 and 17)	**58,156**	88,394	**543,514**
	5,909,695	5,727,315	**55,230,794**
Costs and expenses:			
Cost of sales (Notes 8, 12, 21 and 26)	**4,296,572**	4,075,336	**40,154,879**
Selling, general and administrative (Notes 8, 12, 13 and 21)	**1,389,596**	1,378,529	**12,986,878**
Interest	**21,749**	20,832	**203,262**
Other expense (Notes 4, 5, 7, 14 and 15)	**91,211**	107,577	**852,439**
	5,799,128	5,582,274	**54,197,458**
Income before income taxes, minority interest and equity in earnings (losses) of affiliates	**110,567**	145,041	**1,033,336**
Income taxes (Note 16):			
Current	**50,419**	50,092	**471,206**
Deferred	**5,525**	52,145	**51,635**
	55,944	102,237	**522,841**
Income before minority interest and equity in earnings (losses) of affiliates	**54,623**	42,804	**510,495**
Minority interest in income of consolidated subsidiaries	**9,247**	4,708	**86,420**
Income before equity in earnings (losses) of affiliates	**45,376**	38,096	**424,075**
Equity in earnings (losses) of affiliates (Note 7)	**665**	(9,271)	**6,215**
Net income	**¥ 46,041**	¥ 28,825	**$ 430,290**

	Yen		U.S. dollars (Note 3)
Basic net income per share (Note 19)	**¥ 14.32**	¥ 8.96	**$ 0.134**
Diluted net income per share (Note 19)	**¥ 13.53**	¥ 8.96	**$ 0.126**
Cash dividends per share (Note 18)	**¥ 5.00**	¥ 3.00	**$ 0.047**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Toshiba Corporation and Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total
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 18):						
Unrealized gains on securities (Note 4)				11,189		11,189
Foreign currency translation adjustments				(19,701)		(19,701)
Minimum pension liability adjustment (Note 11)				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
Comprehensive income (loss):						
Net income			46,041			46,041
Other comprehensive income (loss), net of tax (Note 18):						
Unrealized gains on securities (Note 4)				6,654		6,654
Foreign currency translation adjustments				10,441		10,441
Minimum pension liability adjustment (Note 11)				14,968		14,968
Unrealized losses on derivative instruments				(922)		(922)
Comprehensive income						77,182
Cash dividends			(16,083)			(16,083)
Purchase of treasury stock, net, at cost					(582)	(582)
Balance at March 31, 2005	¥274,926	¥285,736	¥511,185	¥(254,753)	¥(1,587)	¥815,507

	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, 2004	$2,569,402	$2,670,430	$4,497,449	$(2,671,907)	$ (9,393)	$7,055,981
Comprehensive income (loss):						
Net income			430,290			430,290
Other comprehensive income (loss), net of tax (Note 18):						
Unrealized gains on securities (Note 4)				62,187		62,187
Foreign currency translation adjustments				97,579		97,579
Minimum pension liability adjustment (Note 11)				139,888		139,888
Unrealized losses on derivative instruments				(8,616)		(8,616)
Comprehensive income						721,328
Cash dividends			(150,309)			(150,309)
Purchase of treasury stock, net, at cost					(5,439)	(5,439)
Balance at March 31, 2005	$2,569,402	$2,670,430	$4,777,430	$(2,380,869)	$(14,832)	$7,621,561

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Toshiba Corporation and Subsidiaries
For the years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	**2005**
Cash flows from operating activities			
Net income	**¥ 46,041**	¥ 28,825	**$ 430,290**
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation and amortization	**241,362**	248,831	**2,255,720**
Provisions for pension and severance costs, less payments	**2,641**	(8,001)	**24,682**
Deferred income tax provision	**5,525**	52,145	**51,635**
Equity in (earnings) losses of affiliates	**5,816**	13,625	**54,355**
Loss from sales, disposal and impairment of property, plant and equipment, net	**7,592**	22,557	**70,953**
Gain from sales and impairment of securities and other investments, net	**(4,241)**	(25,028)	**(39,635)**
Minority interest in income of consolidated subsidiaries	**9,247**	4,708	**86,420**
Increase in notes and accounts receivable, trade	**(67,678)**	(14,617)	**(632,505)**
(Increase) decrease in finance receivables, net	**(2,245)**	1,949	**(20,981)**
Increase in inventories	**(10,107)**	(35,852)	**(94,458)**
(Increase) decrease in other current assets	**(17,695)**	5,017	**(165,374)**
Decrease in long-term receivables	**3,928**	3,776	**36,710**
(Increase) decrease in long-term finance receivables, net	**(1,682)**	64,615	**(15,719)**
Increase (decrease) in notes and accounts payable, trade	**82,427**	(21,239)	**770,346**
Increase (decrease) in accrued income and other taxes	**9,722**	(12,493)	**90,860**
Decrease in advance payments received	**(51,263)**	(47,050)	**(479,093)**
Increase in accounts payable and other liabilities	**46,143**	40,894	**431,243**
Net cash provided by operating activities	**305,533**	322,662	**2,855,449**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**42,094**	39,908	**393,402**
Proceeds from sale of securities	**34,138**	53,469	**319,047**
Acquisition of property, plant and equipment	**(271,635)**	(199,127)	**(2,538,645)**
Purchase of securities	**(12,397)**	(53,170)	**(115,860)**
(Increase) decrease in investments in affiliates	**(7,051)**	20,570	**(65,897)**
Increase in other assets and other	**(28,255)**	(51,116)	**(264,066)**
Net cash used in investing activities	**(243,106)**	(189,466)	**(2,272,019)**
Cash flows from financing activities			
Proceeds from long-term debt	**251,563**	338,222	**2,351,056**
Repayment of long-term debt	**(211,280)**	(371,554)	**(1,974,579)**
Decrease in short-term borrowings	**(105,416)**	(63,389)	**(985,196)**
Dividends paid	**(17,104)**	(11,720)	**(159,851)**
Proceeds from stock offering by subsidiaries	**—**	14,366	**—**
Repurchase of subsidiary common stock	**(634)**	(1,182)	**(5,925)**
Redemption of subsidiary preferred stock	**—**	(35,000)	**—**
Purchase of treasury stock, net	**(586)**	(195)	**(5,477)**
Other	**(8,867)**	(2,281)	**(82,869)**
Net cash used in financing activities	**(92,324)**	(132,733)	**(862,841)**
Effect of exchange rate changes on cash and cash equivalents	**5,623**	(8,284)	**52,551**
Net decrease in cash and cash equivalents	**(24,274)**	(7,821)	**(226,860)**
Cash and cash equivalents at beginning of year	**319,277**	327,098	**2,983,897**
Cash and cash equivalents at end of year	**¥ 295,003**	¥ 319,277	**$ 2,757,037**
Supplemental disclosure of cash flow information (Note 27)			
Cash paid during the year for—			
Interest	**¥ 21,761**	¥ 27,852	**$ 203,374**
Income taxes	**¥ 38,539**	¥ 58,496	**$ 360,178**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Toshiba Corporation and Subsidiaries
March 31, 2005

1. DESCRIPTION OF BUSINESS

Toshiba Corporation and its subsidiaries (collectively, the “Company”) are 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, 2005, sales of Digital Products represented the most significant portion of the Company’s total sales or approximately 35 percent. Social Infrastructure represented approximately 28 percent, Electronic Devices approximately 21 percent, and Home Appliances approximately 10 percent of the Company’s total sales. The Company’s products were manufactured and marketed throughout the world with 56 percent 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. These adjustments were not recorded in the statutory books of account.

> BASIS OF CONSOLIDATION AND INVESTMENTS IN AFFILIATES   The consolidated financial statements of the Company include the accounts of Toshiba Corporation, its majority-owned subsidiaries and all variable interest entities (“VIEs”) for which the Company is the primary beneficiary under 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”). All significant intercompany transactions and accounts are eliminated in consolidation.

Investments in affiliates in which the ability to exercise significant influence exists are accounted for under the equity method of accounting. Net income 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 periods. The Company has identified significant areas where it believes assumptions and estimates are particularly critical to the consolidated financial statements. These are determination of impairment on long-lived tangible and intangible assets and goodwill, realization of deferred tax assets, pension accounting assumptions and other valuation allowances and reserves. Actual results could differ from those estimates.

> CASH EQUIVALENTS   All highly liquid investments with original maturities of 3 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 income or other expense 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 amount 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 products 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.

> **PROPERTY, PLANT AND EQUIPMENT** 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.

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.

> **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 flow is less than the carrying amount of the asset, 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.

> **GOODWILL AND OTHER INTANGIBLE ASSETS** In June 2001, the FASB issued Statement of Financial Accounting Standards ("SFAS") No.141, *Business Combinations* ("SFAS 141"), and SFAS No.142, *Goodwill and Other Intangible Assets* ("SFAS 142"). SFAS 141 requires the use of the purchase method of accounting for business combinations. SFAS 141 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill and those acquired intangible assets that are required to be included in goodwill. Under SFAS 142, goodwill and recognized intangible assets determined to have an indefinite useful life are no longer amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives are amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No.144, *Accounting for the Impairment or Disposal of Long Lived Assets*.

> **ENVIRONMENTAL LIABILITIES** Liabilities for environmental remediation and other environmental costs are accrued when environmental assessments or remedial efforts are probable and the costs can be reasonably estimated, based on current law and existing technologies. Such liabilities are adjusted as further information develops or circumstances change. Costs of future obligations are not discounted to their present values.

> **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 SFAS No. 87, *Employers' Accounting for Pensions*, 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 stock acquisition rights were exercised to issue 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.

Revenue from the sales of equipment under sales-type leases is 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.

Revenue from arrangements with multiple elements, which may include any combination of products, equipment, installment and maintenance, is allocated to each element based on its relative fair value if such element meets the criteria for treatment as a separate unit of accounting as prescribed in the Emerging Issues Task Force Issue 00-21, *Revenue Arrangements with Multiple Deliverables*. Otherwise, revenue is deferred until the undelivered elements are fulfilled as a single unit of accounting.

> SHIPPING AND HANDLING COSTS The Company includes shipping and handling costs which totaled ¥84,136 million ($786,318 thousand) and ¥83,329 million for the years ended March 31, 2005 and 2004, 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 20 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 amount 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 The Company recognizes, at the inception of a guarantee, a liability for the fair value of the obligation it has undertaken in issuing guarantees for guarantees issued or modified after December 31, 2002 in accordance with the FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees*.

> RECENT PRONOUNCEMENTS In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4* ("SFAS 151"). SFAS 151 amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current-period charges regardless of whether they meet the

criterion of “so abnormal” as stated in ARB No. 43. Additionally, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005 and is required to be adopted by the Company in the fiscal year beginning April 1, 2006. The Company is currently evaluating the effect that the adoption of SFAS 151 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29* (“SFAS 153”). SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for the fiscal periods beginning after June 15, 2005 and is required to be adopted by the Company in the fiscal year beginning April 1, 2006. The Company is currently evaluating the effect that the adoption of SFAS 153 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.

> 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 ¥107=U.S.$1, the approximate current rate of exchange at March 31, 2005, 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, 2005 and 2004 are as follows:

	Millions of yen			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2005:				
Equity securities	**¥53,802**	**¥57,117**	**¥920**	**¥109,999**
Debt securities	**284**	**0**	**0**	**284**
	¥54,086	**¥57,117**	**¥920**	**¥110,283**
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

	Thousands of U.S. dollars			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2005:				
Equity securities	**$502,822**	**$533,804**	**$8,598**	**$1,028,028**
Debt securities	**2,654**	**0**	**0**	**2,654**
	$505,476	**$533,804**	**$8,598**	**$1,030,682**

At March 31, 2005, debt securities mainly consisted of corporate debt securities.

Contractual maturities of debt securities classified as available-for-sale at March 31, 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars	
March 31, 2005:	Cost	Fair value	Cost	Fair value
Due within one year	**¥ 40**	**¥ 40**	**$ 374**	**$ 374**
Due after one year	**244**	**244**	**2,280**	**2,280**
	¥284	**¥284**	**$2,654**	**$2,654**

The proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥11,367 million ($106,234 thousand) and ¥53,469 million, respectively. The gross realized gains on those sales for the years ended March 31, 2005 and 2004 were ¥4,980 million ($46,542 thousand) and ¥28,483 million, respectively. The gross realized losses on those sales for the years ended March 31, 2005 and 2004 were ¥107 million ($1,000 thousand) and ¥717 million, respectively.

Included in other expense are charges of ¥4,892 million ($45,720 thousand) and ¥5,640 million related to other-than-temporary declines in the marketable and non-marketable equity securities for the years ended March 31, 2005 and 2004, respectively.

At March 31, 2005, the cost and fair value of available-for-sale securities in an unrealized loss position over 12 consecutive months were not significant.

Aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥80,894 million ($756,019 thousand) and ¥101,456 million at March 31, 2005 and 2004, respectively. At March 31, 2005, investments with an aggregate cost of ¥74,222 million ($693,664 thousand) were not evaluated for impairment because (a) the Company did not estimate the fair values of those investments as it was not practicable to estimate the fair value of the investment and (b) the Company did not identify any events or changes in circumstances that might have had significant adverse effects on the fair values of those investments.

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:

	Millions of yen
March 31	2004
Investment in financing leases:	
Total minimum lease payments receivable	¥ 36,788
Executory costs	(807)
Unearned income	(691)
	35,290
Less—allowance for doubtful accounts	(216)
	35,074
Less—current portion	(10,817)
	¥ 24,257
Other finance receivables	¥ 12,142
Less—allowance for doubtful accounts	(58)
	12,084
Less—current portion	(6,454)
	¥ 5,630

During the year ended March 31, 2005, the Company sold its controlling interest in a consolidated subsidiary engaged in leasing certain medical equipment to third parties. As a result, the subsidiary became an affiliate and was accounted under the equity method of accounting.

The Company has transferred certain 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, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement 125*, 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, is not taken off the balance sheet and are recorded at their fair value. Such carrying amount is adjusted to reflect the portion that is not expected to be collectible. As of March 31, 2005 and 2004, the fair values of retained interests were ¥41,303 million ($386,009 thousand) and ¥21,976 million, respectively. The Company recognized losses of ¥1,861 million ($17,393 thousand) and ¥1,138 million on the securitizations of receivables for the years ended March 31, 2005 and 2004, respectively.

Subsequent to sale, the Company retains collection and administrative responsibilities for the receivables. Servicing fees received by the Company approximate 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 special purpose entities ("SPEs") on the above securitization transactions.

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2005**	2004	**2005**
Proceeds from new securitizations	**¥979,748**	¥1,180,141	**$9,156,523**
Servicing fees received	**514**	521	**4,804**
Cash flows received on retained interests	**75,788**	44,212	**708,299**
Purchases of delinquent and foreclosed receivables	**0**	172	**0**

At March 31, 2005, 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 2.76 percent, respectively.

Quantitative information about delinquencies, net credit losses, and components of securitized receivables as of and for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen					
	Total principal amount of receivables		Amount 90 days or more past due		Net credit losses	
	March 31,				Year ended March 31,	
	2005	2004	**2005**	2004	**2005**	2004
Accounts receivable	**¥1,236,396**	¥1,126,809	**¥26,151**	¥23,162	**¥3,798**	¥5,196
Notes receivable	**185,558**	186,067	**95**	61	**269**	271
Lease receivables	**—**	35,074	**—**	—	**—**	—
Other finance receivables	**—**	12,084	**—**	—	**—**	—
Total managed portfolio	**1,421,954**	1,360,034	**¥26,246**	¥23,223	**¥4,067**	¥5,467
Securitized receivables	**(255,369)**	(227,228)				
Total receivables	**¥1,166,585**	¥1,132,806				

	Thousands of U.S. dollars		
	Total principal amount of receivables	Amount 90 days or more past due	Net credit losses
	March 31, 2005		Year ended March 31, 2005
Accounts receivable	**$11,555,103**	**$244,402**	**$35,495**
Notes receivable	**1,734,187**	**888**	**2,514**
Lease receivables	**—**	**—**	**—**
Other finance receivables	**—**	**—**	**—**
Total managed portfolio	**13,289,290**	**$245,290**	**$38,009**
Securitized receivables	**(2,386,626)**		
Total receivables	**$10,902,664**		

6. INVENTORIES

Inventories comprise the following:

	Millions of yen		Thousands of U.S. dollars
March 31	**2005**	2004	**2005**
Finished products	**¥262,893**	¥270,569	**$2,456,944**
Work in process:			
Long-term contracts	**81,321**	85,857	**760,009**
Other	**197,949**	164,933	**1,849,991**
Raw materials	**107,835**	107,685	**1,007,804**
	¥649,998	¥629,044	**$6,074,748**

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. Subsequent to the effective date of the transaction, the Company has used the equity method to account for its 35.0 percent interest held in TFC.

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

	Millions of yen
Current assets	¥216,177
Other assets including property, plant and equipment	246,703
Total assets	¥462,880
Current liabilities	¥183,850
Long-term liabilities	256,091
Shareholders' equity	22,939
Total liabilities and shareholders' equity	¥462,880

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, 2005 were: TM T&D Corporation (50.0%); MT Picture Display Co., Ltd. (35.5%); Topcon Corporation (37.1%); Toshiba Ceramics Co., Ltd. (41.4%); Toshiba Machine Co., Ltd. (33.9%); TFC (35.0%); and Toshiba Mitsubishi-Electric Industrial Systems Corporation ("TMEIC") (50.0%).

Of the affiliates which were accounted for by the equity method, the investments in common stock of the listed companies (5 companies) were carried at ¥58,322 million ($545,065 thousand) and ¥56,451 million at March 31, 2005 and 2004, respectively. The Company's investments in these companies had market values of ¥106,000 million ($990,654 thousand) and ¥97,162 million at March 31, 2005 and 2004, 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	2005	2004	2005
Current assets	¥1,110,233	¥1,022,935	$10,376,009
Other assets including property, plant and equipment	866,937	793,102	8,102,215
Total assets	¥1,977,170	¥1,816,037	$18,478,224
Current liabilities	¥ 954,607	¥ 769,150	$ 8,921,561
Long-term liabilities	404,432	436,020	3,779,738
Shareholders' equity	618,131	610,867	5,776,925
Total liabilities and shareholders' equity	¥1,977,170	¥1,816,037	$18,478,224

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	2005	2004	2005
Sales	¥1,619,823	¥1,281,165	$15,138,533
Net income (loss)	5,344	(18,525)	49,944

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
Year ended March 31	2005	2004	2005
Sales	¥ 99,408	¥105,124	$ 929,047
Purchases	115,074	96,770	1,075,458
Sales of machinery and equipment	1,471	7,239	13,748
Dividends	8,819	4,354	82,421

	Millions of yen		Thousands of U.S. dollars
March 31	2005	2004	2005
Notes and accounts receivable, trade	¥ 30,805	¥24,024	$ 287,897
Other receivables	8,751	8,507	81,785
Advance payment	225	5,598	2,103
Long-term loans receivable	5,950	2,350	55,607
Notes and accounts payable, trade	113,606	79,272	1,061,738
Other payables	30,035	11,232	280,701
Capital lease obligations	46,102	45,706	430,860

8. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company tested goodwill for impairment under SFAS 142 applying a fair value-based test and has concluded that there was no impairment as of March 31, 2005 and 2004.

The components of acquired intangible assets excluding goodwill at March 31, 2005 and 2004 are as follows:

	Millions of yen		
March 31, 2005	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	**¥ 92,397**	**¥44,374**	**¥48,023**
Technical license fees	**47,371**	**22,632**	**24,739**
Other	**8,652**	**5,657**	**2,995**
Total	**¥148,420**	**¥72,663**	**75,757**
Other intangible assets not subject to amortization			**3,579**
			¥79,336

	Millions of yen		
March 31, 2004	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	¥ 82,735	¥40,070	¥42,665
Technical license fees	37,398	23,448	13,950
Other	7,789	4,790	2,999
Total	¥127,922	¥68,308	59,614
Other intangible assets not subject to amortization			3,292
			¥62,906

	Thousands of U.S. dollars		
March 31, 2005	Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	**$ 863,523**	**$414,710**	**$448,813**
Technical license fees	**442,720**	**211,514**	**231,206**
Other	**80,860**	**52,869**	**27,991**
Total	**$1,387,103**	**$679,093**	**708,010**
Other intangible assets not subject to amortization			**33,448**
			$741,458

Intangible assets acquired during the year ended March 31, 2005 primarily consisted of technical license fees of ¥19,742 million ($184,505 thousand). The weighted-average amortization period of technical license fees for the year ended March 31, 2005 was approximately 6.2 years.

The weighted-average amortization periods for other intangible assets were approximately 5.7 years and 5.4 years for the years ended March 31, 2005 and 2004, respectively. Amortization expenses of other intangible assets subject to amortization for the years ended March 31, 2005 and 2004 were ¥25,898 million ($242,037 thousand) and ¥23,583 million, respectively. The future amortization expense for each of the next 5 years relating to intangible assets currently recorded in the consolidated balance sheets at March 31, 2005 is estimated as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥24,456	$228,561
2007	19,011	177,673
2008	12,661	118,327
2009	8,032	75,065
2010	2,627	24,551

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. The changes in the carrying amount of goodwill for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2005**	2004	**2005**
Balance at beginning of year	**¥17,702**	¥13,628	**$165,439**
Goodwill acquired during the year	**2,033**	5,265	**19,000**
Foreign currency translation adjustments	**514**	(1,191)	**4,804**
Balance at end of year	**¥20,249**	¥17,702	**$189,243**

As of March 31, 2005, all carrying amount of goodwill was allocated to the Digital Products Segment.

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2005 and 2004 comprise the following:

March 31	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Loans, principally from banks, including bank overdrafts, with weighted-average interest rate of 2.10% at March 31, 2005 and 0.74% at March 31, 2004:			
Secured	¥ 354	¥ 1,084	$ 3,308
Unsecured	162,876	257,241	1,522,206
Commercial paper with weighted-average interest rate of 0.01% at March 31, 2004	—	20,000	—
Euro yen medium-term notes of a subsidiary, with weighted-average interest rate of 0.10% at March 31, 2005 and 0.12% at March 31, 2004 (swapped for floating rate (LIBOR, etc.) Euro obligations)	32,442	28,386	303,196
Euro medium-term note of a subsidiary, with interest rate of 2.22% at March 31, 2005	2,093	—	19,561
	¥197,765	¥306,711	$1,848,271

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, 2005, the Company had unused committed lines of credit from short-term financing arrangements aggregating ¥319,082 million ($2,982,075 thousand), of which ¥17,182 million ($160,579 thousand) was in support of the Company's commercial paper. The lines of credit expire on various dates from July 2005 through March 2006. Under the agreements, the Company is required to pay commitment fees ranging from 0.08 percent to 0.125 percent on the unused portion of the lines of credit.

Long-term debt at March 31, 2005 and 2004 comprise the following:

March 31	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Loans, principally from banks and insurance companies, due 2005 to 2032 with weighted-average interest rate of 0.69% at March 31, 2005 and due 2004 to 2032 with weighted-average interest rate of 0.89% at March 31, 2004:			
Secured	¥ 7,127	¥ 8,994	$ 66,608
Unsecured	287,698	324,869	2,688,766
Unsecured yen bonds, due 2005 to 2008 with interest ranging from 0.40% to 3.025% at March 31, 2005 and due 2004 to 2008 with interest ranging from 0.40% to 3.025% at March 31, 2004	359,230	415,425	3,357,290
Zero Coupon Convertible Bonds with stock acquisition rights:			
Due 2009 convertible currently at ¥587 per share	50,000	—	467,290
Due 2011 convertible currently at ¥542 per share	100,000	—	934,579
Euro yen medium-term notes, due 2005 to 2008 with interest ranging from 0.47% to 2.34% at March 31, 2005 and due 2004 to 2008 with interest ranging from zero% to 2.34% at March 31, 2004 (swapped for floating rate (LIBOR, etc.) Yen obligations)	8,000	16,000	74,766
Unsecured yen bond of a subsidiary, due 2004 with interest rate of 1.69% at March 31, 2004	—	7,000	—
1.825% secured yen bond of a subsidiary due 2004	—	300	—
Euro yen medium-term notes of subsidiaries, due 2005 to 2014 with interest ranging from 0.09% to 3.55% at March 31, 2005 and due 2004 to 2013 with interest ranging from 0.08% to 2.60% at March 31, 2004 (swapped for floating rate (LIBOR, etc.) U.S. dollar, Yen or Euro obligations)	55,524	74,451	518,916
Capital lease obligations	46,102	45,706	430,860
	913,681	892,745	8,539,075
Less—Portion due within one year	(230,285)	(190,821)	(2,152,196)
	¥ 683,396	¥ 701,924	$ 6,386,879

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, 2005 were property, plant and equipment with a book value of ¥16,700 million ($156,075 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
2006	¥214,450	$2,004,206
2007	134,213	1,254,327
2008	89,280	834,392
2009	113,478	1,060,542
2010	175,110	1,636,542
Thereafter	141,048	1,318,206
	¥867,579	$8,108,215

10. ISSUANCE OF CONVERTIBLE BOND

In July, 2004, Toshiba Corporation issued ¥50,000 million ($467,290 thousand) Zero Coupon Convertible Bonds due 2009 (the "2009 Bonds") and ¥100,000 million ($934,579 thousand) Zero Coupon Convertible Bonds due 2011 (the"2011 Bonds").

The bonds include stock acquisition rights which entitle bondholders to acquire common stock under certain circumstances, and are exercisable on and after August 4, 2004 up to, and including, July 7, 2009 (in the case of the 2009 Bonds) and up to, and including, July 7, 2011 (in the case of the 2011 Bonds).

The initial conversion prices are ¥587 per share (in the case of the 2009 Bonds) and ¥542 (in the case of the 2011 Bonds), subject to adjustment for certain events such as a stock split, consolidation of stock or issuance of stock at a consideration per share which is less than the current market price.

(Conditions allowing exercise of stock acquisition rights)

The period prior to (but not including) July 21, 2008 (in the case of the 2009 Bonds) or July 21, 2010 (in the case of the 2011 Bonds)	In the case that as of the last trading day of any calendar quarter, the closing price of the shares for any 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such quarter is more than 120% of the conversion price in effect on each such trading day.
The period on or after July 21, 2008 (in the case of the 2009 Bonds) or July 21, 2010 (in the case of the 2011 Bonds)	At any time after the closing price of the shares on at least one trading day is more than 120% of the conversion price in effect on each such trading day.

The additional 85,178,875 shares and 184,501,845 shares relating to the potential conversion of the 2009 Bonds and the 2011 Bonds were included in the diluted net income per share calculations for the year ended March 31, 2005.

11. ACCRUED PENSION AND SEVERANCE COSTS

All employees who retire or are terminated are usually entitled to lump-sum severance indemnities or pension benefits 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.

The Company has 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, certain subsidiaries' EPF Plan and the Toshiba EPF Plan were reorganized and became corporate pension plans under the Japanese Defined Benefit Corporate Pension Law during the year ended March 31, 2005 and 2004, respectively.

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 obligation and plan assets and reconciliations of net amount recognized to funded status and accrued pension and severance costs for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2005**	2004	**2005**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥1,290,504**	¥1,936,297	**$12,060,785**
Service cost	**44,106**	45,689	**412,206**
Interest cost	**33,134**	55,075	**309,663**
Plan participants' contributions	**2,932**	2,869	**27,402**
Plan amendments	**2,110**	(18,403)	**19,720**
Actuarial loss	**22,024**	32,130	**205,832**
Benefits paid	**(69,032)**	(91,901)	**(645,159)**
Divestitures	**—**	(15,604)	**—**
Return of substitutional portion to the government	**(29,767)**	(654,057)	**(278,196)**
Foreign currency exchange impact	**794**	(1,591)	**7,420**
Benefit obligation at end of year	**¥1,296,805**	¥1,290,504	**$12,119,673**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥ 617,832**	¥ 844,767	**$ 5,774,131**
Actual return on plan assets	**26,028**	122,120	**243,252**
Employer contributions	**54,223**	68,343	**506,757**
Plan participants' contributions	**2,932**	2,869	**27,402**
Benefits paid	**(38,794)**	(47,338)	**(362,561)**
Divestitures	**—**	(4,449)	**—**
Return of substitutional portion to the government	**(15,019)**	(366,927)	**(140,364)**
Foreign currency exchange impact	**634**	(1,553)	**5,925**
Fair value of plan assets at end of year	**¥ 647,836**	¥ 617,832	**$ 6,054,542**
Funded status	**¥ 648,969**	¥ 672,672	**$ 6,065,131**
Unrecognized actuarial loss	**(499,433)**	(515,851)	**(4,667,598)**
Unrecognized net obligation at transition	**(12,495)**	(24,520)	**(116,776)**
Unrecognized prior service cost	**57,737**	59,875	**539,598**
Net amount recognized	**¥ 194,778**	¥ 192,176	**$ 1,820,355**
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid pension cost	**¥ (2,672)**	¥ —	**$ (24,972)**
Accrued pension and severance costs	**581,598**	601,566	**5,435,495**
Accumulated other comprehensive loss, pre-tax	**(384,148)**	(409,390)	**(3,590,168)**
Net amount recognized	**¥ 194,778**	¥ 192,176	**$ 1,820,355**
Accumulated benefit obligation at end of year	**¥1,229,014**	¥1,221,653	**$11,486,112**

The components of the net periodic pension and severance cost for the years ended March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2005**	2004	**2005**
Service cost—benefits earned during the year	**¥ 44,106**	¥ 45,689	**$ 412,206**
Interest cost on projected benefit obligation	**33,134**	55,075	**309,663**
Expected return on plan assets	**(18,637)**	(31,052)	**(174,178)**
Amortization of unrecognized net obligation at transition	**12,025**	12,025	**112,383**
Amortization of prior service cost	**(3,584)**	(5,170)	**(33,495)**
Recognized actuarial loss	**24,894**	42,857	**232,654**
Settlement loss	**7,992**	188,106	**74,692**
Net periodic pension and severance cost	**¥ 99,930**	¥307,530	**$ 933,925**

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.

The Company expects to contribute ¥57,435 million ($536,776 thousand) to its defined benefit plans in the year ending March 31, 2006.

The following benefit payments are expected to be paid:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 57,537	$ 537,729
2007	64,494	602,748
2008	67,298	628,953
2009	71,762	670,673
2010	76,438	714,374
2011—2015	396,788	3,708,299

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. EITF 03-2 requires employers to account 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 assets, as a single settlement transaction.

In October 2003, certain subsidiaries received an approval from the Japanese government to transfer the future benefit obligation related to the substitutional portion in the EPF plan. In January 2005, the subsidiaries received an approval to separate the remaining substitutional portion related to past service by its employees. In March 2005, the subsidiaries 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 were relieved of all related obligations.

In September 2002, the Company received an approval from the Japanese government to transfer the future benefit obligation related to the substitutional portion in the Toshiba EPF Plan. 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.

As a result, the Company recorded a gain of ¥4,836 million ($45,196 thousand) and ¥48,945 million for the years ended March 31, 2005 and March 31, 2004, respectively. The subsidies of ¥12,828 million ($119,888 thousand) for the year ended March 31, 2005 and ¥237,051 million for the year ended March 31, 2004 from the government were 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 ¥1,920 million ($17,944 thousand) and ¥50,079 million for the years ended March 31, 2005 and March 31, 2004, respectively.

Weighted-average assumptions used to determine benefit obligations as of March 31, 2005 and 2004 and net periodic pension and severance cost for the years then ended are as follows:

March 31	2005	2004
Discount rate	2.6%	2.7%
Rate of compensation increase	3.0%	3.0%

Year ended March 31	2005	2004
Discount rate	2.7%	3.0%
Expected long-term rate of return on plan assets	4.0%	4.0%
Rate of compensation increase	3.0%	1.9%

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, 2005 and 2004, by asset category are as follows:

March 31	2005	2004
Asset category		
Equity securities	52%	62%
Debt securities	26%	28%
Life insurance company general accounts	6%	4%
Other	16%	6%
Total	100%	100%

The other category includes hedge funds.

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.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs were expensed as incurred and amounted to ¥348,010 million ($3,252,430 thousand) and ¥336,714 million for the years ended March 31, 2005 and 2004, respectively.

13. ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs amounted to ¥41,494 million ($387,794 thousand) and ¥40,156 million for the years ended March 31, 2005 and 2004, respectively.

14. FOREIGN EXCHANGE GAINS AND LOSSES

For the years ended March 31, 2005 and 2004, the net foreign exchange impacts were ¥1,772 million ($16,561 thousand) gain and ¥2,183 million loss, respectively.

15. IMPAIRMENT OF LONG-LIVED ASSETS

Due to general price erosion, severe market competition and others, the Company recorded impairment charges of ¥1,088 million ($10,168 thousand) related to the manufacturing facilities of the Electronic Devices division, and ¥10,018 million related to the manufacturing facilities of the lithium-ion rechargeable battery business for the years ended March 31, 2005 and 2004, respectively. These impairment charges are included under the caption other expense in the accompanying consolidated statements of income.

16. 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 percent was assessed for the year ended March 31, 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 percent to 43.9 percent for the year ended March 31, 2004 and to 40.7 percent for the years ended March 31, 2005 and thereafter.

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

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2005**	2004	**2005**
Expected income tax expense	**¥45,001**	¥ 63,673	**$420,570**
Increase (decrease) in taxes resulting from:			
Dividends	**9,849**	11,245	**92,047**
Non-deductible expenses for tax purposes	**4,363**	6,134	**40,776**
Net changes in valuation allowance	**8,117**	17,114	**75,860**
Tax rate difference relating to foreign subsidiaries	**(7,057)**	(4,187)	**(65,954)**
Effect of income tax rate change	**—**	3,142	**—**
Other	**(4,329)**	5,116	**(40,458)**
Income tax expense	**¥55,944**	¥102,237	**$522,841**

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2005**	2004	**2005**
Gross deferred tax assets:			
Inventories	**¥ 21,565**	¥ 22,583	**$ 201,542**
Accrued pension and severance costs	**112,275**	107,187	**1,049,299**
Tax loss carryforwards	**123,788**	127,045	**1,156,897**
Minimum pension liability adjustment	**156,348**	167,189	**1,461,196**
Accrued bonus	**42,300**	45,214	**395,327**
Depreciation and amortization	**30,781**	38,873	**287,673**
Other	**130,596**	116,780	**1,220,524**
	617,653	624,871	**5,772,458**
Valuation allowance for deferred tax assets	**(88,818)**	(81,297)	**(830,075)**
Deferred tax assets	**¥528,835**	¥543,574	**$4,942,383**

	Millions of yen		Thousands of U.S. dollars
March 31	**2005**	2004	**2005**
Gross deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	**¥ (18,887)**	¥ (15,525)	**$ (176,514)**
Unrealized gains on securities	**(23,410)**	(17,312)	**(218,785)**
Gain on securities contributed to employee retirement benefit trusts	**(17,381)**	(17,381)	**(162,439)**
Other	**(13,402)**	(13,774)	**(125,252)**
Deferred tax liabilities	**(73,080)**	(63,992)	**(682,990)**
Net deferred tax assets	**¥455,755**	¥479,582	**$4,259,393**

The net changes in the total valuation allowance for the years ended March 31, 2005 and 2004 were an increase of ¥7,521 million ($70,290 thousand) and an increase of ¥15,417 million, respectively.

The Company's tax loss carryforwards for each of the corporate and local taxes at March 31, 2005 amounted to ¥261,910 million ($2,447,757 thousand) and ¥416,757 million ($3,894,925 thousand), respectively, the majority of which will expire during the period from 2005 through 2011. The Company utilized tax loss carryforwards of ¥55,882 million ($522,262 thousand) and ¥22,668 million ($211,850 thousand) to reduce current corporate and local taxes, respectively, during the year ended March 31, 2005.

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 deemed indefinitely reinvested in foreign operations. As of March 31, 2005 and 2004, the undistributed earnings of the foreign subsidiaries not subject to deferred tax liabilities were ¥124,375 million ($1,162,383 thousand), and ¥95,908 million, respectively. It is not practicable to estimate the amount of the deferred income tax liabilities on such earnings.

17. 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. TSST is engaged in the business of product development, manufacturing and sales of Optical Disc 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, representing the excess of issuance price per share of ¥47 million 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 consolidated statements of income for the year ended March 31, 2004. The transaction decreased the Company's interest in TSST to 51.0 percent.

18. SHAREHOLDERS' EQUITY

> RETAINED EARNINGS Retained earnings at March 31, 2005 and 2004 included a legal reserve of ¥13,980 million ($130,654 thousand) and ¥13,122 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.

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, 2005 do not reflect current year-end dividends of ¥9,646 million ($90,150 thousand) which will be paid from June 6, 2005.

Retained earnings at March 31, 2005 included the Company's equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥14,297 million ($133,617 thousand).

> ACCUMULATED OTHER COMPREHENSIVE LOSS An analysis of the changes in accumulated other comprehensive loss, net of tax, for the years ended March 31, 2005 and 2004 is shown below:

	Millions of yen		Thousands of U.S. dollars
March 31	**2005**	2004	**2005**
Unrealized gains on securities:			
Balance at beginning of year	**¥ 26,825**	¥ 15,636	**$ 250,701**
Current year change	**6,654**	11,189	**62,187**
Balance at end of year	**¥ 33,479**	¥ 26,825	**$ 312,888**
Foreign currency translation adjustments:			
Balance at beginning of year	**¥ (79,290)**	¥ (59,589)	**$ (741,028)**
Current year change	**10,441**	(19,701)	**97,579**
Balance at end of year	**¥ (68,849)**	¥ (79,290)	**$ (643,449)**
Minimum pension liability adjustment:			
Balance at beginning of year	**¥(234,283)**	¥(405,069)	**$(2,189,561)**
Current year change	**14,968**	170,786	**139,888**
Balance at end of year	**¥(219,315)**	¥(234,283)	**$(2,049,673)**
Unrealized (losses) gains on derivative instruments:			
Balance at beginning of year	**¥ 854**	¥ (1,753)	**$ 7,981**
Current year change	**(922)**	2,607	**(8,616)**
Balance at end of year	**¥ (68)**	¥ 854	**$ (635)**
Total accumulated other comprehensive loss:			
Balance at beginning of year	**¥(285,894)**	¥(450,775)	**$(2,671,907)**
Current year change	**31,141**	164,881	**291,038**
Balance at end of year	**¥(254,753)**	¥(285,894)	**$(2,380,869)**

Tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2005 and 2004 are shown below:

	Millions of yen		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2005:			
Unrealized gains on securities:			
Unrealized holding gains arising during year	**¥ 15,989**	**¥ (6,499)**	**¥ 9,490**
Less: reclassification adjustment for gains included in net income	**(4,783)**	**1,947**	**(2,836)**
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	**12,470**	**(2,191)**	**10,279**
Less: reclassification adjustment for losses included in net income	**162**	**—**	**162**
Minimum pension liability adjustment	**25,242**	**(10,274)**	**14,968**
Unrealized losses on derivative instruments:			
Unrealized losses arising during year	**(5,927)**	**2,411**	**(3,516)**
Less: reclassification adjustment for losses included in net income	**4,374**	**(1,780)**	**2,594**
Other comprehensive income (loss)	**¥ 47,527**	**¥ (16,386)**	**¥ 31,141**
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

	Thousands of U.S. dollars		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2005:			
Unrealized gains on securities:			
Unrealized holding gains arising during year	**$149,430**	**$ (60,738)**	**$ 88,692**
Less: reclassification adjustment for gains included in net income	**(44,701)**	**18,196**	**(26,505)**
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	**116,542**	**(20,477)**	**96,065**
Less: reclassification adjustment for losses included in net income	**1,514**	**—**	**1,514**
Minimum pension liability adjustment	**235,907**	**(96,019)**	**139,888**
Unrealized losses on derivative instruments:			
Unrealized losses arising during year	**(55,392)**	**22,533**	**(32,859)**
Less: reclassification adjustment for losses included in net income	**40,878**	**(16,635)**	**24,243**
Other comprehensive income (loss)	**$444,178**	**$(153,140)**	**$291,038**

19. NET INCOME PER SHARE

A reconciliation of the numerators and denominators between basic and diluted net income per share for the years ended March 31, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2005**	2004	**2005**
Net income available to common shareholders	**¥46,041**	¥28,825	**$430,290**
Net income effect of dilutive convertible debentures	**—**	—	**—**
Net income available to common shareholders and assumed conversions	**¥46,041**	¥28,825	**$430,290**

	Thousands of shares	
Year ended March 31	**2005**	2004
Weighted-average number of shares of common stock outstanding for the year	**3,216,215**	3,216,774
Incremental shares from assumed conversions of dilutive convertible debentures	**186,702**	—
Weighted-average number of shares of diluted common stock outstanding for the year	**3,402,917**	3,216,774

	Yen		U.S. dollars
Year ended March 31	**2005**	2004	**2005**
Net income per share of common stock:			
—Basic	**¥14.32**	¥8.96	**$0.134**
—Diluted	**13.53**	8.96	**0.126**

20. 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 accounts receivable and payable denominated in foreign currencies resulting from adverse fluctuations in foreign currency exchange and interest rates. These agreements mature during the period 2005 to 2014.

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 accounts receivable and payable denominated in foreign currencies 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 and payable 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 6 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 ¥131 million ($1,224 thousand) of net gains on derivative financial instruments from accumulated other comprehensive income (loss) to earnings during the next 12 months due to the collection of accounts receivable denominated in foreign currencies and the payments of accounts payable denominated in foreign currencies and variable interest associated with the floating-rate debts.

At March 31, 2005, 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, 2005 and 2004 are summarized below:

	Millions of yen		Thousands of U.S. dollars
March 31	**2005**	2004	**2005**
Forward exchange contracts:			
To sell foreign currencies	**¥132,673**	¥106,413	**$1,239,935**
To buy foreign currencies	**36,702**	22,931	**343,009**
Interest rate swap agreements	**119,250**	170,326	**1,114,486**
Currency swap agreements	**139,208**	116,475	**1,301,009**
Currency options	**34,816**	51,552	**325,383**

> (2) FAIR VALUE OF FINANCIAL INSTRUMENTS The estimated fair values of the Company's financial instruments at March 31, 2005 and 2004 are summarized as follows:

	Millions of yen			
	2005		2004	
March 31	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Nonderivatives:				
Assets:				
Long-term finance receivables, net	**¥ —**	**¥ —**	¥ 5,630	¥ 6,050
Liabilities:				
Long-term debt, including current portion	**(867,579)**	**(875,132)**	(847,039)	(862,081)
Derivative financial instruments:				
Forward exchange contracts	**944**	**944**	1,537	1,537
Interest rate swap agreements	**(285)**	**(285)**	(163)	(163)
Currency swap agreements	**1,182**	**1,182**	3,672	3,672
Currency options	**164**	**164**	459	459

March 31	Thousands of U.S.dollars 2005 Carrying amount	Estimated fair value
Nonderivatives:		
Assets:		
Long-term finance receivables, net	$ —	$ —
Liabilities:		
Long-term debt, including current portion	(8,108,215)	(8,178,804)
Derivative financial instruments:		
Forward exchange contracts	8,822	8,822
Interest rate swap agreements	(2,664)	(2,664)
Currency swap agreements	11,047	11,047
Currency options	1,533	1,533

The above table excludes the financial instruments for which fair values approximate their carrying amounts and those related to leasing activities. The table also excludes marketable securities and other investments which are disclosed in Note 4.

In assessing the fair value of these financial instruments, the Company uses a variety of methods and assumptions, which are 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 is assumed that the carrying amount approximated fair value for the majority of these instruments because of their short maturities. Quoted market prices are used for a part of marketable securities and other investments. Other techniques, such as estimated discounted value of future cash flows, and replacement cost, are 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.

21. 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, 2005 and 2004 were ¥82,174 million ($767,981 thousand) and ¥83,889 million, respectively.

The Company also leases certain machinery and equipment which are accounted for as capital leases from TFC and Toshiba Medical Finance Co., Ltd., affiliates of the Company. The costs under capital leases as of March 31, 2005 and 2004 were approximately ¥91,000 million ($850,467 thousand) and ¥87,000 million, respectively. Accumulated amortization of the machinery and equipment under capital leases as of March 31, 2005 and 2004 were approximately ¥45,000 million ($420,561 thousand) and ¥41,300 million, respectively.

Minimum lease payments for the Company's capital and non-cancelable operating leases as of March 31, 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars	
Year ending March 31	Capital leases	Operating leases	Capital leases	Operating leases
2006	¥ 17,648	¥14,996	$ 164,935	$140,150
2007	15,261	13,518	142,626	126,336
2008	9,966	7,443	93,140	69,561
2009	5,733	4,727	53,580	44,178
2010	1,533	3,110	14,327	29,065
Thereafter	171	2,999	1,598	28,028
Total minimum lease payments	50,312	¥46,793	470,206	$437,318
Executory costs	(2,266)		(21,178)	
Amounts representing interest	(1,944)		(18,168)	
Present value of net minimum lease payments	46,102		430,860	
Less—current portion	(15,835)		(147,991)	
	¥ 30,267		$ 282,869	

> **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, 2005 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 1,006	$ 9,402
2007	1,006	9,402
2008	1,000	9,346
2009	877	8,196
2010	839	7,841
Thereafter	7,856	73,420
	¥12,584	$117,607

22. CONSOLIDATION OF VIEs

The Company leases certain manufacturing equipment from a VIE. The Company consolidates the VIE in accordance with FIN 46R. As a result, at March 31, 2005, the Company recorded machinery and equipment of ¥27,288 million ($255,028 thousand), and other liabilities of ¥29,021 million ($271,224 thousand). At March 31, 2004, the Company recorded machinery and equipment, and other liabilities of ¥37,988 million, respectively. The creditors of the VIE do not have recourse to the general credit of the Company.

23. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments outstanding at March 31, 2005 for the purchase of property, plant and equipment approximated ¥37,044 million ($346,206 thousand).

At March 31, 2005, contingent liabilities, other than guarantees disclosed in Note 24, approximated ¥9,011 million ($84,215 thousand) principally for recourse obligations related to notes receivable transferred.

24. 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 2005 to 2017 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 payments under these guarantees were ¥81,710 million ($763,645 thousand) as of March 31, 2005.

> **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 ¥25,350 million ($236,916 thousand) as of March 31, 2005. 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 ¥9,170 million ($85,701 thousand) at March 31, 2005.

> **RESIDUAL VALUE GUARANTEES UNDER SALE AND LEASEBACK TRANSACTIONS** The Company 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 2009. The maximum potential payments by the Company for such residual value guarantees were ¥17,265 million ($161,355 thousand) at March 31, 2005.

> **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 3 months. The maximum potential payment for such repurchase obligation was ¥13,243 million ($123,766 thousand) as of March 31, 2005.

The carrying amounts of the liabilities for the Company's obligations under the guarantees described above at March 31, 2005 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	**2005**	2004	**2005**
Balance at beginning of year	**¥ 19,938**	¥ 19,491	**$ 186,336**
Warranties issued	**31,568**	23,590	**295,028**
Settlements made	**(27,211)**	(21,948)	**(254,308)**
Foreign currency translation adjustments	**780**	(1,195)	**7,290**
Balance at end of year	**¥ 25,075**	¥ 19,938	**$ 234,346**

25. LEGAL PROCEEDINGS

In November 2002, a lawsuit was filed by Lexar Media, Inc. against Toshiba Corporation and one of its subsidiaries, Toshiba America Electronic Components, Inc. at the California Superior Court in San Jose, United States, which accused the Company of misappropriation and misconduct of trade secret related to NAND flash memory. In connection with this case, in March 2005, a jury preliminarily found Toshiba Corporation and the subsidiary liable for approximately ¥50,000 million ($465 million).

In addition, the Company is a defendant in other pending lawsuits alleging patent infringement, breaches of contract and warranties and other matters.

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.

26. ENVIRONMENTAL LIABILITIES

The environmental regulation, "Law Concerning Special Measure against poly chlorinated biphenyl (PCB) waste" requires PCB waste holders dispose of all PCB waste by July 2016. The Company accrued ¥10,156 million ($94,916 thousand) at March 31, 2005, for environmental remediation and restoration costs for products or equipment with PCB which some Toshiba operations in Japan have retained. These costs are included as cost of sales in the accompanying consolidated statements of income.

The accrual will be adjusted as assessment and remediation efforts progress or as additional technical or legal information available. Management is of opinion that the ultimate costs in excess of the amount accrued, if any, would not have a material adverse effect on the financial position or the results of operations of the Company.

27. SUPPLEMENTAL CASH FLOW INFORMATION

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, which included cash of ¥2,719 million, and liabilities of ¥32,801 million, and obtained a 50.0 percent interest in TMEIC.

Report of Independent Auditors

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The Board of Directors and Shareholders
Toshiba Corporation

We have audited the accompanying consolidated balance sheets of Toshiba Corporation and subsidiaries (the "Company") as of March 31, 2005 and 2004, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2005 and 2004. In our opinion, presentation of segment information is required under accounting principles generally accepted in the United States 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, 2005 and 2004, 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.

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.

Ernst & Young ShinNihon

May 10, 2005

TOSHIBA CORPORATION

This report was printed on recycled paper with soy-based ink.
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