TOSHIBA

Leading Innovation

TOSHIBA CORPORATION

2007 FINANCIAL REVIEW

Annual Report 2007 • Financial Review

Eleven-year Summary

Toshiba Corporation and Subsidiaries
Years ended March 31

	2007	2006	2005	2004
Net sales	**¥7,116,350**	¥6,343,506	¥5,836,139	¥5,579,506
Cost of sales	**5,312,179**	4,659,795	4,296,572	4,075,336
Selling, general and administrative expenses (Note 1)	**1,545,807**	1,443,101	1,384,760	1,329,584
Operating income (loss) (Note 2)	**258,364**	240,610	154,807	174,586
Income (loss) before income taxes and minority interest	**298,460**	178,177	111,232	135,770
Income taxes	**145,355**	90,142	55,944	102,237
Net income (loss)	**137,429**	78,186	46,041	28,825
Per share of common stock:				
Net income (loss) (Note 3)				
—Basic	**¥42.76**	¥24.32	¥14.32	¥8.96
—Diluted	**39.45**	22.44	13.53	8.96
Cash dividends	**11.00**	6.50	5.00	3.00
Total assets	**¥5,931,962**	¥4,727,113	¥4,571,412	¥4,462,200
Shareholders' equity	**1,108,321**	1,002,165	815,507	754,990
Capital expenditures (Property, plant and equipment)	**375,335**	338,800	318,394	227,273
Depreciation (Property, plant and equipment)	**259,882**	228,637	215,844	223,946
R&D expenditures	**393,987**	372,447	348,010	336,714
Number of employees	**191,000**	172,000	165,000	161,000

Notes: 1) ¥4,085 million, ¥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 ¥5,045 million in 2006, ¥7,992 million in 2005 and ¥188,106 million in 2004" are classified as a reduction of selling, general and administrative expenses for the fiscal years ended March 31, 2006, 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, 1997 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 year ended March 31, 1997 has been reclassified to conform with the current classification.

6) Beginning with the fiscal year ended March 31, 2006, equity in earnings (losses) of affiliates has been included in income (loss) before income taxes and minority interest. Prior-period data for the fiscal years ended from March 31, 1997 through 2005 has been reclassified to conform with the current classification.

Millions of yen, except per share amounts

2003	2002	2001	2000	1999	1998	1997
¥5,655,778	¥5,394,033	¥5,951,357	¥5,749,372	¥5,300,902	¥5,458,498	¥5,521,887
4,146,460	4,070,130	4,323,525	4,254,444	3,890,622	3,960,158	3,932,585
1,393,776	1,437,478	1,395,699	1,393,959	1,379,797	1,416,046	1,391,471
115,542	(113,575)	232,133	100,969	30,483	82,294	197,831
55,705	(374,247)	197,453	(39,161)	13,187	30,641	139,980
48,532	(113,915)	96,145	(4,530)	20,901	17,313	71,593
18,503	(254,017)	96,168	(32,903)	(9,095)	14,723	67,077
¥5.75	¥(78.91)	¥29.88	¥(10.22)	¥(2.83)	¥4.57	¥20.84
5.75	(78.91)	29.71	(10.22)	(2.83)	4.57	20.06
3.00	—	10.00	3.00	6.00	10.00	10.00
¥5,238,936	¥5,407,782	¥5,724,564	¥5,780,006	¥6,101,929	¥6,166,323	¥5,933,205
571,064	705,314	1,047,925	1,060,099	1,128,753	1,305,946	1,388,827
230,512	348,235	269,545	298,512	375,464	339,584	341,020
237,888	311,208	308,294	329,630	309,836	291,418	252,732
331,494	326,170	327,915	334,398	316,703	322,928	332,555
166,000	176,000	188,000	191,000	198,000	186,000	186,000

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SCOPE OF CONSOLIDATION

As of the end of March 2007, Toshiba Group comprised Toshiba Corporation and 519 consolidated subsidiaries and its principal operations were in the Digital Products, Electronic Devices, Social Infrastructure and Home Appliances business domains.

112 consolidated subsidiaries were involved in Digital Products, 57 in Electronic Devices, 202 in Social Infrastructure, 75 in Home Appliances and 73 in Others. The consolidated subsidiaries listed on the first Section of Tokyo Stock Exchange are Toshiba TEC Corporation and Toshiba Plant Systems & Services Corporation.

153 were affiliates accounted for by the equity method.

RESULTS OF OPERATIONS

NET SALES AND NET INCOME (LOSS)

The Japanese economic recovery continued a pace during the year ended March 31, 2007, as capital expenditures increased on continued solid corporate profitability, and despite remaining areas of weakness in consumer spending. Overseas, the pace of economic expansion in the US eased on decreased investment in housing, while Europe continued economic recovery. In Asia, China and other countries continued their economic expansion.

Toshiba Group aims for high growth in its Digital Products and Electronic Devices business domains. In its Social Infrastructure domain, the Group seeks to secure stable growth and profits, mainly through expansion of international business.

As a result of business development grounded in a Group strategy of achieving high growth with steady profitability, Toshiba posted higher consolidated sales in FY2006 than for the year earlier period. Toshiba's overall consolidated sales in FY2006 were ¥7,116.4 billion (US$60,308.1 million), ¥772.9 billion higher than in the previous fiscal year. Digital Products, Electronic Devices, Social Infrastructure and Home Appliances all saw sales increase against the year-earlier period.

Consolidated operating income increased by ¥17.8 billion from the same period a year earlier to ¥258.4 billion (US$2,189.5 million). Social Infrastructure and Home Appliances achieved increased operating income against the previous year, while Digital Products and Electronic Devices saw a decrease in operating income.

Income before income taxes and minority interest and net income both were at the highest levels in Toshiba Group's history. Income before income taxes and minority interest rose by ¥120.3 billion to ¥298.5 billion (US$2,529.3 million), including gains from sales of securities in affiliated companies. Net income increased by ¥59.2 billion from the previous year to ¥137.4 billion (US$1,164.7 million). Basic earnings per share also increased by ¥18.44 to ¥42.76 (US$0.36) from a year ago.

NET SALES BY REGION

	Millions of yen		
Year ended March 31	**2007**	2006	2005
Japan	**¥3,599,385**	¥3,382,143	¥3,259,853
Asia	**1,412,446**	1,144,568	949,208
North America	**1,057,810**	945,137	811,641
Europe	**863,224**	699,584	615,283
Others	**183,485**	172,074	200,154
Net Sales	**¥7,116,350**	¥6,343,506	¥5,836,139

(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 increased by ¥217.3 billion compared to the previous year to ¥3,599.4 billion with the semiconductor business, the PC business and the Digital Media Network business.

Asia

Sales increased by ¥267.9 billion from the year earlier period to ¥1,412.5 billion, with the semiconductor business, the TV, the optical drive disc business recording revenue increases.

North America and Europe

Sales were ¥1,057.8 billion in North America and ¥863.2 billion in Europe, primarily on acquisition of Westinghouse.

Others

Sales increased by ¥11.4 billion compared to the previous year to ¥183.5 billion.

DIVIDEND

Toshiba, while giving full consideration to such factors as the strategic investments necessary to secure medium- to long-term growth, seeks to achieve continuous increases in its actual dividend payments, in line with a payout ratio in the region of 30 percent, on a consolidated basis.

Toshiba will pay ¥6.5 per share as a year-end dividend, a ¥3.0 increase from the year-earlier period. The interim dividend was ¥4.5 per share, a ¥1.5 increase from the same period a year ago. Payment of the year-end dividend has started since June 1, 2007.

The dividend for FY2007 has not yet been decided.

RESULTS BY INDUSTRY SEGMENT

	Billions of yen			
	Net Sales		Operating Income (loss)	
Year ended March 31	—	Change (%)	—	Change
Digital Products	2,805.5	11%	15.8	−5.1
Electronic Devices	1,657.3	19%	119.7	−3.6
Social Infrastructure	2,067.7	10%	96.8	+20.3
Home Appliances	748.9	9%	9.7	+7.0
Others	391.6	3%	18.7	+0.7
Eliminations	−554.6	—	−2.3	−1.5
Total	7,116.4	12%	258.4	+17.8

DIGITAL PRODUCTS

Consolidated net sales of Digital Products increased by ¥269.0 billion to ¥2,805.5 billion (US$23,775.3 million). The PC business saw sales increase from a year ago on overseas sales growth, and the Digital Media Network business saw increased sales on higher sales of TV and portable digital music players. The Mobile Phones business saw sales decrease from the previous year, on lower sales in the Japanese market, while the Retail Information and Office Document Processing Systems business saw increased sales on higher sales of POS systems and digital multi-function peripherals.

Consolidated operating income in Digital Products was ¥15.8 billion (US$133.8 million), a decrease of ¥5.1 billion from a year earlier. The PC business posted a solid performance as a result of profitability improvement programs, and the Digital Media Network business saw improved operating income on increased sales. The Retail Information and Office Document Processing Systems business recorded increased operating income on higher sales. The Mobile Phones business remained profitable although lower sales resulted in a decrease in operating income.

ELECTRONIC DEVICES

Electronic Devices increased consolidated net sales by ¥269.2 billion to ¥1,657.3 billion (US$14,044.9 million). The Semiconductor business saw increased sales against the previous year on solid sales of memories, mainly NAND flash memory. Sales in the LCD business also increased on overseas sales growth.

Consolidated operating income of Electronic Devices was ¥119.7 billion (US$1,014.8 million), a decline of ¥3.6 billion from the previous year. The Semiconductor business saw decreased operating income as a result of a significant decline in prices of NAND flash memories, while the LCD business posted higher operating income, largely the result of focusing sales on high-value added products and of thorough cost reduction programs.

SOCIAL INFRASTRUCTURE

Social Infrastructure saw consolidated net sales of ¥2,067.7 billion (US$17,522.6 million), ¥185.4 billion higher than for the previous year. The Power Systems business saw sales rise on the consolidation of Westinghouse into the Group. The Social Infrastructure Systems business reported increased sales, primarily in the telecommunications network systems. Sales in the Medical Systems business rose from a year earlier, on strong sales of multi-slice CT scan systems, and the Industrial Systems business also recorded increased sales on higher sales of automation systems for train station operations. While the IT Solutions business saw a sales decline, the Elevator business saw increased sales on order growth in the Japanese market.

Consolidated operating income in Social Infrastructure was ¥96.8 billion (US$820.0 million), a ¥20.3 billion increase from the year earlier period. The Medical Systems business maintained solid profitability, while the Industrial Systems business saw a decline in operating income. The Power Systems business saw improved performance, and the Elevators, Social Infrastructure Systems and IT Solutions businesses all posted solid performances.

HOME APPLIANCES

Consolidated net sales in Home Appliances increased by ¥61.4 billion from the previous year to ¥748.9 billion (US$6,346.9 million), and operating income increased by ¥7.0 billion to ¥9.7 billion (US$82.0 million). This reflects sales growth of high-value added products in air conditioners and washing machines, and the continued favorable performance of lighting equipment.

OTHERS

Consolidated net sales of Others increased by ¥11.8 billion to ¥391.6 billion (US$3,318.9 million). Consolidated operating income in Others was ¥18.7 billion (US$158.7 million), a ¥0.7 billion increase from the year earlier period.

Segment information is based on Japanese accounting standards.

INDUSTRY SEGMENTS

	Millions of yen			Thousands of U.S. dollars
Year ended March 31	**2007**	2006	2005	**2007**
Sales:				
Digital Products				
Unaffiliated customers	**¥ 2,720,522**	¥ 2,459,270	¥ 2,156,495	**$ 23,055,271**
Intersegment	**84,968**	77,278	67,690	**720,068**
Total	**2,805,490**	2,536,548	2,224,185	**23,775,339**
Electronic Devices				
Unaffiliated customers	**1,572,967**	1,301,665	1,215,802	**13,330,229**
Intersegment	**84,334**	86,419	91,361	**714,695**
Total	**1,657,301**	1,388,084	1,307,163	**14,044,924**
Social Infrastructure				
Unaffiliated customers	**1,991,083**	1,815,115	1,707,211	**16,873,585**
Intersegment	**76,583**	67,146	58,091	**649,008**
Total	**2,067,666**	1,882,261	1,765,302	**17,522,593**
Home Appliances				
Unaffiliated customers	**726,878**	669,058	642,285	**6,159,983**
Intersegment	**22,052**	18,448	18,760	**186,881**
Total	**748,930**	687,506	661,045	**6,346,864**
Others				
Unaffiliated customers	**104,900**	98,398	114,346	**888,983**
Intersegment	**286,736**	281,357	257,276	**2,429,966**
Total	**391,636**	379,755	371,622	**3,318,949**
Eliminations	**(554,673)**	(530,648)	(493,178)	**(4,700,618)**
Consolidated	**¥ 7,116,350**	¥ 6,343,506	¥ 5,836,139	**$ 60,308,051**

Year ended March 31	Millions of yen 2007	2006	2005	Thousands of U.S. dollars 2007
Operating income (loss):				
Digital Products	**¥ 15,784**	¥ 20,864	¥ 7,266	**$ 133,763**
Electronic Devices	**119,750**	123,287	92,512	**1,014,830**
Social Infrastructure	**96,760**	76,553	48,581	**820,000**
Home Appliances	**9,676**	2,710	(3,332)	**82,000**
Others	**18,721**	17,964	9,863	**158,652**
Eliminations	**(2,327)**	(768)	(83)	**(19,720)**
Consolidated	**¥ 258,364**	¥ 240,610	¥ 154,807	**$ 2,189,525**
Identifiable assets:				
Digital Products	**¥ 1,242,567**	¥ 1,092,075	¥ 966,105	**$ 10,530,229**
Electronic Devices	**1,449,764**	1,323,693	1,270,970	**12,286,135**
Social Infrastructure	**2,385,297**	1,577,973	1,493,170	**20,214,381**
Home Appliances	**438,793**	400,825	390,171	**3,718,585**
Others	**479,155**	442,389	515,371	**4,060,636**
Corporate and Eliminations	**(63,614)**	(109,842)	(64,375)	**(539,102)**
Consolidated	**¥ 5,931,962**	¥ 4,727,113	¥ 4,571,412	**$ 50,270,864**
Depreciation and amortization:				
Digital Products	**¥ 42,493**	¥ 32,071	¥ 32,559	**$ 360,110**
Electronic Devices	**169,113**	148,016	132,662	**1,433,161**
Social Infrastructure	**41,782**	34,982	34,588	**354,085**
Home Appliances	**18,307**	16,654	18,056	**155,144**
Others	**21,180**	22,494	23,497	**179,491**
Corporate	**—**	—	—	**—**
Consolidated	**¥ 292,875**	¥ 254,217	¥ 241,362	**$ 2,481,991**
Impairment of long-lived assets:				
Digital Products	**¥ 7,921**	¥ 7,126	¥ —	**$ 67,127**
Electronic Devices	**1**	2,861	1,088	**8**
Social Infrastructure	**6**	444	—	**51**
Home Appliances	**216**	116	—	**1,831**
Others	**472**	1,427	—	**4,000**
Corporate	**—**	—	—	**—**
Consolidated	**¥ 8,616**	¥ 11,974	¥ 1,088	**$ 73,017**
Capital expenditures:				
Digital Products	**¥ 40,526**	¥ 44,209	¥ 36,478	**$ 343,441**
Electronic Devices	**269,654**	239,480	239,361	**2,285,203**
Social Infrastructure	**58,750**	44,034	36,571	**497,881**
Home Appliances	**24,744**	27,428	22,024	**209,695**
Others	**16,123**	7,733	8,073	**136,636**
Corporate	**—**	—	—	**—**
Consolidated	**¥ 409,797**	¥ 362,884	¥ 342,507	**$ 3,472,856**

GEOGRAPHIC SEGMENTS

Year ended March 31	Millions of yen 2007	2006	2005	Thousands of U.S. dollars 2007
Sales:				
Japan				
Unaffiliated customers	**¥ 4,070,662**	¥ 3,787,378	¥ 3,651,995	**$ 34,497,136**
Intersegment	**1,922,480**	1,677,041	1,363,317	**16,292,203**
Total	**5,993,142**	5,464,419	5,015,312	**50,789,339**
Asia				
Unaffiliated customers	**1,143,500**	980,360	806,794	**9,690,678**
Intersegment	**580,604**	541,060	548,344	**4,920,373**
Total	**1,724,104**	1,521,420	1,355,138	**14,611,051**
North America				
Unaffiliated customers	**1,002,117**	863,732	744,223	**8,492,517**
Intersegment	**26,230**	24,769	21,067	**222,288**
Total	**1,028,347**	888,501	765,290	**8,714,805**
Europe				
Unaffiliated customers	**809,031**	634,245	568,211	**6,856,195**
Intersegment	**21,200**	24,489	28,706	**179,661**
Total	**830,231**	658,734	596,917	**7,035,856**
Others				
Unaffiliated customers	**91,040**	77,791	64,916	**771,525**
Intersegment	**6,203**	1,454	1,292	**52,568**
Total	**97,243**	79,245	66,208	**824,093**
Eliminations	**(2,556,717)**	(2,268,813)	(1,962,726)	**(21,667,093)**
Consolidated	**¥ 7,116,350**	¥ 6,343,506	¥ 5,836,139	**$ 60,308,051**
Operating income (loss):				
Japan	**¥ 204,089**	¥ 191,949	¥ 112,765	**$ 1,729,568**
Asia	**26,080**	22,063	20,485	**221,017**
North America	**7,816**	18,107	15,639	**66,237**
Europe	**7,248**	6,145	5,105	**61,424**
Others	**3,304**	2,075	900	**28,000**
Eliminations	**9,827**	271	(87)	**83,279**
Consolidated	**¥ 258,364**	¥ 240,610	¥ 154,807	**$ 2,189,525**
Identifiable assets:				
Japan	**¥ 4,010,563**	¥ 3,790,544	¥ 3,577,949	**$ 33,987,822**
Asia	**835,668**	750,481	641,258	**7,081,932**
North America	**789,392**	254,649	223,435	**6,689,763**
Europe	**661,853**	241,598	204,146	**5,608,924**
Others	**77,116**	30,379	29,386	**653,525**
Corporate and Eliminations	**(442,630)**	(340,538)	(104,762)	**(3,751,102)**
Consolidated	**¥ 5,931,962**	¥ 4,727,113	¥ 4,571,412	**$ 50,270,864**

RESEARCH AND DEVELOPMENT

The Group, inspired by the concepts of "surprise and sensation" and "safety and security", is dedicated to the increase of value through process innovation and the creation of value through value innovation. Wide-ranging research projects promote the development of differentiated technologies and proprietary knowledge in new materials, products and systems, and further the development of manufacturing technology. In the core business segments of Digital Products, Electronic Devices and Social Infrastructure, research and development draws on the Group's technological strengths to develop engines for future growth to a strategic product map. Efforts are also made to achieve cross functional business synergies, such as those between the Digital Products segment and Electronic Devices segment, with the goal of expanding customer value to generate new competitive strengths. The Group's overall R&D expenditure reached ¥394.0 billion in the fiscal year ended March 31, 2007. Expenditures for each business segment were as follows:

	Billions of yen
Digital Products	118.5
Electronic Devices	174.2
Social Infrastructure	82.2
Home Appliances	18.7
Others	0.4

CAPITAL EXPENDITURES

CAPITAL EXPENDITURE OVERVIEW

The Group's basis strategy stresses "concentration of management resources in growing fields." In the term under review, overall plant and equipment investments (based on the value of orders placed and including intangible assets; the same hereafter) reached ¥599.4 billion, mainly for the Electronic Devices segments. This capital investment amount includes ¥169.8 billion, which is the Group's portion of the investments of ¥339.6 billion made by Flash Vision, Ltd., Flash Partners, Ltd., Flash Alliance, Ltd., etc., which are companies accounted for by the equity method. The Group's capital investments (consolidated basis) excluding abovementioned investment by Flash Vision, Ltd., Flash Partners, Ltd., Flash Alliance, Ltd., etc., are ¥429.6 billion.

In the Electronic Devices segment, capital investments of ¥429.6 billion (including ¥169.8 billion, which is the Group's portion of the investments of ¥339.6 billion made by Flash Vision, Ltd., Flash Partners, Ltd., Flash Alliance, Ltd., etc., which are companies accounted for by the equity method) were directed at increasing capacity and promoting development of semiconductor products and raising output of LCDs.

Major projects completed by the Group in this fiscal year included leading-edge LSI manufacturing facilities (at the Oita Operations), manufacturing building equipment and power equipment for NAND flash memories (at the Yokkaichi Operations), manufacturing building equipment and power equipment for discrete semiconductors (at Kaga Toshiba Electronics Co.), and manufacturing building equipment and power equipment for low-temperature polysilicon TFT LCDs (at Toshiba Matsushita Display Technology Co., Ltd.). Projects currently underway in the segment include manufacturing building equipment and power equipment for NAND flash memories (at the Yokkaichi Operations), manufacturing equipment for discrete semiconductor (at Kaga Toshiba Electronics Co.), and manufacturing building equipment and power equipment for low-temperature polysilicon TFT LCDs (at Toshiba Matsushita Display Technology Co., Ltd.).

In the Digital Products segment, capital investments totaling ¥48.2 billion were channeled into development and manufacturing of new products, including PCs, imaging products and HDDs.

In the Social Infrastructure segment, capital investments of ¥75.4 billion were made in areas that included system development and updating infrastructure equipment. In the Home Appliances segment, ¥32.0 billion was increased for to development of new models and manufacturing.

Capital expenditures in the Others segment totaled ¥14.2 billion.

PLANS FOR CONSTRUCTING NEW FACILITIES AND RETIRING EXISTING FACILITIES

Since the Group operates a variety of different kinds of businesses both in Japan and overseas, introduction, upgrade and expansion of facilities are not decided individually at the end of the term.

In the fiscal year ending March 31, 2008, investment in new facilities and equipment upgrades, including intangible assets, is projected to total ¥573.0 billion. This figure includes ¥178.0 billion, which is the Group's portion of the investment made by Flash Vision, Ltd., Flash Partners, Ltd. and Flash Alliance, Ltd., which are companies accounted for by the equity method. The Group's planned capital investments (consolidated basis), excluding abovementioned investments by Flash Vision, Ltd., Flash Partners, Ltd., Flash Alliance, Ltd., are ¥395.0 billion.

FINANCIAL POSITION AND CASH FLOWS

Total assets increased by ¥1,204.9 billion from the end of March 2006 to ¥5,932.0 billion (US$50,270.9 million), largely as a result of the acquisition of Westinghouse in October 2006.

Shareholders' equity improved by ¥106.1 billion from the end of March 2006 to ¥1,108.3 billion (US$9,392.6 million), mainly as a result of generating net profit in this period.

Total debt increased by ¥241.0 billion from the end of March 2006 to ¥1,158.5 billion (US$9,817.7 million). While this increase was due to funding the acquisition of Westinghouse, it was effectively minimized by concerted efforts to reduce debt, including sales of securities and fixed assets, to reinforce profitability, and to improve working capital.

As a result of the foregoing, the debt-to-equity ratio as of the end of March 2007 was 105%, a 13-point deterioration from the end of March 2006.

Free cash flow was minus ¥151.3 billion, a ¥349.3 billion deterioration from the year-earlier period. The main cause of this was increased cash flow from investing activities for the acquisition of Westinghouse.

CASH FLOWS

In the fiscal year under review, net cash provided by operating activities amounted to ¥561.5 billion, an increase of ¥60.1 billion from the previous fiscal year.

Net cash used in investing activities totaled ¥712.8 billion, up ¥409.4 billion from the previous fiscal year. This was due to costs incurred from the acquisition of Westinghouse.

Net cash provided by financing activities amounted to ¥154.8 billion in the current year compared with ¥235.3 billion in net cash used in financing activities during the prior year. In the current year proceeds from long term debt were used primarily to finance the acquisition of Westinghouse.

The effect of exchange rate movements was to increase cash by ¥34.9 billion. After accounting for the aforementioned and other factors, cash and cash equivalents at the fiscal year-end increased by ¥38.4 billion to ¥309.3 billion.

PRINCIPAL SUBSIDIARIES AND AFFILIATED COMPANIES

As of March 31, 2007 — Percentage held by the Group

Subsidiaries:		Affiliated Companies:	
Japan		**Japan**	
Toshiba Building Co., Ltd.	100	Toshiba Machine Co., Ltd.	34
Toshiba Elevator and Building Systems Corporation	80	Toshiba Mitsubishi-Electric Industrial Systems Corporation	50
Toshiba Medical Systems Corporation	100		
Toshiba Plant Systems & Services Corporation	62		
Toshiba TEC Corporation	52		
U.S.A.		**Brazil**	
Toshiba America, Inc.	100	Semp Toshiba Amazonas S.A.	40
Westinghouse Electric Company*	77		

* Toshiba Nuclear Energy Holdings (US) Inc., 77% of whose voting rights are substantially owned by Toshiba Corporation, substantially owns all of the equity of Westinghouse Electric Company.

RISK FACTORS RELATING TO THE TOSHIBA GROUP AND ITS BUSINESS

The Group's business areas of energy 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. The actual occurrence of any of those risk factors may adversely affect the Group's results and financial condition.

In order to promote full disclosure to investors, this also may cover risk in the wider aspect. The Group recognizes these risks and makes every effort to manage them and to minimize any impact.

These risks include potential risks for future, that the Group judged as risk as of the end of March 2007. They also include issues that may not affect investment judgment, but which are mentioned in line with the Group's policy of proactive disclosure.

(1) Business environment of Digital Products business

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, demand for the Group's products can be low, while times of rapid increases in demand 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 demand situation, however if demand fluctuates rapidly, price erosion and increases may occur in the prices of components.

Furthermore, some products in this segment are dependent on particular customers.

(2) Business environment of Electronic Devices business

The market for the Electronic Devices segment is highly cyclical in demand. 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 there is a rapid introduction of new technology, the Group's current products may become obsolete.

In addition, this business 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.

The Group is highly reliant on its Electronic Devices business segment in 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.

(3) Business environment of Social Infrastructure business

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 the trend 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 trend, however, reductions and delays in public works spending, as well as low levels of private capital expenditure, can adversely affect the segment business.

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 segment and that affect the progress of such projects may adversely affect the segment's business operations.

(4) Acquisitions and others

In October 2006, the Group completed the $5.4 billion acquisition of all the stock of BNFL USA Group Inc. (currently TSB Nuclear Energy USA Group Inc.) and Westinghouse UK Limited (collectively "Westinghouse"), which has its primary operations in the nuclear power systems business. In this connection, the Company entered into partnership agreements with the Shaw Group ("Shaw"), a major US engineering firm, and Ishikawajima-Harima Heavy Industries Co., Ltd. ("IHI"), a leading Japanese heavy electrical engineering company, that ensured the participation of these two companies as strategic business partners in the Company's acquisition of Westinghouse. Currently, the Company's ownership interest is 77%, Shaw's 20%, and IHI's 3%. The Company also continues talks with other companies that are interested in participation in this investment. As a result of the acquisition, a substantial amount of goodwill is recorded in the Company's consolidated balance sheet, pursuant to US generally accepted accounting principles (US GAAP).

The Company believes that this goodwill is appropriate, reflecting Westinghouse's future capabilities for profit generation and the synergy to be obtained from combining Westinghouse and Toshiba Group. Nonetheless, it is a significant task for the Group to maintain and raise the value of the goodwill.

Under the partnership agreements, Shaw and IHI are restricted from transferring their ownership interests for six years. The Company gives each of Shaw and IHI an option to sell all or part of its ownership interest to the Company during a certain period, while the Company has an option to purchase all or part of ownership interest of Shaw or IHI under certain conditions. These options protect the Company from capital participations by unfavorable third parties for the Company, and also protect the minority shareholders' interests. In the event that Shaw or IHI exercise their option to sell, or Toshiba exercises its purchase option, the Group may need to raise funds to purchase further shares of Westinghouse.

(5) Lawsuits and others

The Group undertakes global business operation, and is involved in disputes, including lawsuits, and other legal procedures and is investigated by authorities. There will be also possibility of such a case in future. Due to differences in judicial systems and difficulties in predicting prospects in these procedures, it is difficult to rule out the possibility that the Group may be subject to an authoritative order requiring payment of an amount far exceeding normal expectations. Judgments unfavorable to the Group in these cases may impact on Group operations.

In January 2007, the European Commission adopted a decision that imposed fines on 19 companies, including the Company, for infringing EU Competition Law in the gas insulated switchgear market. The decision imposed a fine of €86.25 million (approximately ¥13.5 billion) on the Company, plus a fine of €4.65 million (approximately ¥0.73 billion) jointly and severally with Mitsubishi Electric Corporation. Following its own investigation, the Company contends that it has not found any infringement of EU Competition Law, and it has brought an action to the European Court of First Instance seeking annulment of the European Commission's decision.

(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 strategic products to support the timely introduction of successive products. However due to the rapid pace of technological innovation, the introduction of new technologies and products that replace current products, and changes in technology standards, the introduction to market of optimum new products may be delayed, and new products that are brought to market may be accepted by the market for a shorter period than anticipated. 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.

Mobile Broadcasting Corporation, which operates digital satellite broadcasting service, was brought into the Company's consolidation. Mobile Broadcasting Corporation accounts for a significant loss, and any failure to make favorable progress in reforming its business could have an adverse effect on Group results.

(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 experiences differences with a partner in a joint venture or business alliance, in respect of financing, technological management, product development or management strategies, such joint ventures or business alliances may be terminated.

(9) Global environment

The Group undertakes global business operations. Any changes in political, economic and social conditions, legal or regulatory changes and exchange rate fluctuations in any region, may impact on market demand and the Group's business operations.

As the Group expands overseas production, particularly in Asia, any occurrence of terrorism or an epidemic illness, such as avian flu, 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 region, part of the capital region, while key semiconductor production facilities are located in Kyushu, Tokai, Hanshin and Tohoku. While the Group promotes measures such as earthquake-resistant buildings at production facilities, large-scale disasters, such as earthquakes or typhoons in regions with production sites could damage or destroy production capabilities, cause operational and transportation interruptions, and affect production capabilities significantly.

(11) Measures against counterfeit products

While the Group protects and seeks to enhance the value of the "Toshiba" brand, there are lesser-quality counterfeit 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.

(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 large-scale recall, lawsuits or other claims relating to product quality.

(13) Information securities

The Group keeps and manages various personal information obtained in the process of business operations. The Group also keeps various trade secrets regarding the Group's technology, marketing and other business operations. While the Group makes every effort to manage this information properly, an unanticipated leak of such information, obtained and used illegally by a third party, could occur, and recovery may be costly.

Additionally, the role of information systems in the Group is critical to carry out business activities. While the Group makes every effort to assure stable operation of its information systems, it is possible that their functionality could be impaired or destroyed by computer viruses, disaster, terrorism, software or hardware failures, and other factors.

(14) Procurement of components and materials

It is important for the Group's business activities to obtain materials, components, and other procured goods in a timely and proper manner. Procured goods include products whose suppliers are limited due to the product's particularity, and that are difficult to replace. In cases of delay or other problems in receiving supply of such components and materials, shortages may occur or procurement costs may rise. Also, it is necessary to procure components and materials at competitive costs and to optimize the entire supply chain, including suppliers, in order for the Group to bring competitive products to market. Any failure by the Group to achieve proper cooperation with key suppliers may impact on the Group's competitiveness.

Any case of defective components and materials may also have an adverse effect on the reliability and reputation of the Group and Toshiba brand products.

(15) Securing human resources

Success of the Group's businesses depend in large part on securing excellent human resources in every business area and process, including product development, production, marketing and business management. Competition to secure human resources is intensifying, as the number of qualified personnel in each area and process is limited, and demand for human resources is increasing as the economy recovers. Due to this, the Group may fail to retain existing employees or to obtain new human resources.

(16) Compliance and internal control

The Group is active in various businesses in various regions worldwide, and its business activities are subject to laws and regulations in each country or region. The Group puts in place appropriate internal control systems from perspectives that include assuring management effectiveness and efficiency, assuring the reliability of business and financial reports, compliance with laws and regulations, and risk management, and operates within those systems. However, by their nature, such internal control systems may themselves have limitations, and it is not possible to guarantee that they will fully achieve their objectives. Due to these inherent limitations, we cannot guarantee that there will never be any violation of laws and regulations. Changes in laws and regulations or changes in interpretations of laws and regulations by the authorities may also cause difficulty in achieving compliance with laws and regulations, or may result in increased compliance costs.

(17) Strategic concentrated investment

The Group makes strategic investments that concentrate on specific business areas, including NAND flash memory and nuclear power. While it is essential to allocate limited management resources to strategic, high growth areas and businesses in which the Group enjoys competitiveness, in order to secure and maintain the Group's advantages, the strategic businesses in which such investments are made may not generate profit commensurate with the investments.

(18)Protection of intellectual property rights

The Group makes every effort to secure intellectual property rights. However, in some regions, it may not be possible to secure sufficient protection.

Also, the Group may use intellectual property from third parties, for which the Group has acquired permission for use. It could be possible that the Group fails to receive such third-party permission for an essential intellectual property, or receives permission only on unfavorable terms.

It is also possible that the Group will have to file suit in order to protect its intellectual property rights, or that a suit for breach of intellectual property rights may be brought against the Group. Such lawsuits may require time, costs and other management resources, and, depending on the decision in such a lawsuit, it may become impossible for the Group to use an important technology, or the Group may become liable for significant damages.

(19) Environment

In the Group's global business activities, various environmental laws, including laws on air pollution, water pollution, toxic substances, waste disposal, and product recycling, are in force around the world. While the Group pays careful attention to those laws and regulations, it may be possible that the Group discovers a legal or social liability for the environment, regardless of whether it is at fault or not, in past, present or future business activities. It may also be possible that, in future, the Group will be required to remove environmental hazards including toxic substances, as a result of the introduction of more demanding environmental regulations.

(20) 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. Those assumptions may change due to adverse economic or other factors, or returns on plan assets may be lower than anticipated.

(21) 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 funding activities.

Toshiba Corporation and Subsidiaries
As of March 31, 2007 and 2006

Assets	Millions of yen 2007	2006	Thousands of U.S. dollars (Note 3) 2007
Current assets:			
Cash and cash equivalents	**¥ 309,312**	¥ 270,921	**$ 2,621,288**
Notes and accounts receivable, trade:			
Notes (Note 5)	**106,395**	101,208	**901,653**
Accounts (Note 5)	**1,295,808**	1,181,943	**10,981,424**
Allowance for doubtful notes and accounts	**(30,599)**	(28,671)	**(259,314)**
Inventories (Note 6)	**801,513**	664,922	**6,792,483**
Deferred tax assets (Note 16)	**138,714**	146,655	**1,175,542**
Prepaid expenses and other current assets	**370,064**	309,638	**3,136,136**
Total current assets	**2,991,207**	2,646,616	**25,349,212**
Long-term receivables and investments:			
Long-term receivables (Note 5)	**19,329**	18,883	**163,805**
Investments in and advances to affiliates (Note 7)	**240,249**	228,402	**2,036,009**
Marketable securities and other investments (Note 4)	**250,536**	240,456	**2,123,186**
	510,114	487,741	**4,323,000**
Property, plant and equipment (Notes 9, 15, 20 and 21)**:**			
Land	**156,445**	161,503	**1,325,805**
Buildings	**1,146,350**	1,084,433	**9,714,830**
Machinery and equipment	**2,594,284**	2,402,752	**21,985,458**
Construction in progress	**104,612**	64,345	**886,542**
	4,001,691	3,713,033	**33,912,635**
Less—Accumulated depreciation	**(2,681,489)**	(2,536,483)	**(22,724,483)**
	1,320,202	1,176,550	**11,188,152**
Goodwill and other intangible assets (Note 8)	**746,720**	115,671	**6,328,136**
Deferred tax assets (Note 16)	**211,336**	237,334	**1,790,983**
Other assets	**152,383**	63,201	**1,291,381**
	¥ 5,931,962	¥ 4,727,113	**$ 50,270,864**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Subsidiaries
As of March 31, 2007 and 2006

Liabilities and shareholders' equity	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 3) 2007
Current liabilities:			
Short-term borrowings (Note 9)	**¥ 71,626**	¥ 142,530	**$ 607,000**
Current portion of long-term debt (Notes 9 and 19)	**130,703**	163,558	**1,107,653**
Notes payable, trade	**59,592**	63,574	**505,017**
Accounts payable, trade	**1,305,639**	1,037,048	**11,064,737**
Accounts payable, other and accrued expenses (Note 25)	**508,888**	411,220	**4,312,610**
Accrued income and other taxes	**77,625**	48,725	**657,839**
Advance payments received	**229,635**	144,362	**1,946,059**
Other current liabilities (Notes 16, 21 and 23)	**427,583**	397,953	**3,623,585**
Total current liabilities	**2,811,291**	2,408,970	**23,824,500**
Long-term liabilities:			
Long-term debt (Notes 9, 10 and 19)	**956,156**	611,430	**8,103,017**
Accrued pension and severance costs (Note 11)	**540,216**	474,198	**4,578,102**
Other liabilities (Note 16)	**191,263**	72,025	**1,620,873**
	1,687,635	1,157,653	**14,301,992**
Minority interest in consolidated subsidiaries	**324,715**	158,325	**2,751,822**
Shareholders' equity (Note 17)**:**			
Common stock:			
Authorized—10,000,000,000 shares			
Issued:			
2007 and 2006—3,219,027,165 shares	**274,926**	274,926	**2,329,881**
Additional paid-in capital	**285,765**	285,743	**2,421,737**
Retained earnings	**681,795**	570,080	**5,777,924**
Accumulated other comprehensive loss	**(131,228)**	(126,509)	**(1,112,102)**
Treasury stock, at cost:			
2007—5,537,542 shares	**(2,937)**	—	**(24,890)**
2006—4,429,347 shares	**—**	(2,075)	**—**
	1,108,321	1,002,165	**9,392,550**
Commitments and contingent liabilities (Notes 22, 23 and 24)			
	¥ 5,931,962	¥ 4,727,113	**$ 50,270,864**

Consolidated Statements of Income

Toshiba Corporation and Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	**2007**
Sales and other income:			
Net sales	**¥ 7,116,350**	¥ 6,343,506	**$ 60,308,051**
Subsidy received on return of substitutional portion of Employees' Pension Fund Plan, net of settlement loss of ¥5,045 million in 2006 (Note 11)	**—**	4,085	**—**
Interest and dividends	**24,375**	13,485	**206,568**
Equity in earnings of affiliates (Note 7)	**27,878**	—	**236,254**
Other income (Notes 4, 5 and 14)	**155,270**	49,605	**1,315,848**
	7,323,873	6,410,681	**62,066,721**
Costs and expenses:			
Cost of sales (Notes 8, 12, 15, 20 and 25)	**5,312,179**	4,659,795	**45,018,466**
Selling, general and administrative (Notes 8, 12, 13 and 20)	**1,545,807**	1,447,186	**13,100,060**
Interest	**31,934**	24,601	**270,627**
Equity in losses of affiliates (Note 7)	**—**	4,452	**—**
Other expense (Notes 4, 5 and 14)	**135,493**	96,470	**1,148,246**
	7,025,413	6,232,504	**59,537,399**
Income before income taxes and minority interest	**298,460**	178,177	**2,529,322**
Income taxes (Note 16)**:**			
Current	**88,911**	57,051	**753,483**
Deferred	**56,444**	33,091	**478,339**
	145,355	90,142	**1,231,822**
Income before minority interest	**153,105**	88,035	**1,297,500**
Minority interest in income of consolidated subsidiaries	**15,676**	9,849	**132,847**
Net income	**¥ 137,429**	¥ 78,186	**$ 1,164,653**

	Yen		U.S. dollars (Note 3)
Basic net income per share (Note 18)	**¥ 42.76**	¥ 24.32	**$ 0.36**
Diluted net income per share (Note 18)	**¥ 39.45**	¥ 22.44	**$ 0.33**
Cash dividends per share (Note 17)	**¥ 11.00**	¥ 6.50	**$ 0.09**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Total
Balance at March 31, 2005	¥ 274,926	¥ 285,736	¥ 511,185	¥ (254,753)	¥ (1,587)	¥ 815,507
Comprehensive income (loss):						
Net income			78,186			78,186
Other comprehensive income (loss), net of tax (Note 17):						
Net unrealized gains and losses on securities (Note 4)				23,767		23,767
Foreign currency translation adjustments				36,830		36,830
Minimum pension liability adjustment (Note 11)				67,964		67,964
Net unrealized gains and losses on derivative instruments				(317)		(317)
Comprehensive income						206,430
Dividends			(19,291)			(19,291)
Purchase of treasury stock, net, at cost		7			(488)	(481)
Balance at March 31, 2006	274,926	285,743	570,080	(126,509)	(2,075)	1,002,165
Comprehensive income (loss):						
Net income			**137,429**			**137,429**
Other comprehensive income (loss), net of tax (Note 17):						
Net unrealized gains and losses on securities (Note 4)				**23,555**		**23,555**
Foreign currency translation adjustments				**10,081**		**10,081**
Minimum pension liability adjustment (Note 11)				**4,214**		**4,214**
Net unrealized gains and losses on derivative instruments				**412**		**412**
Comprehensive income						**175,691**
Adjustment to initially apply SFAS 158, net of tax (Note 11)				**(42,981)**		**(42,981)**
Dividends			**(25,714)**			**(25,714)**
Purchase of treasury stock, net, at cost		**22**			**(862)**	**(840)**
Balance at March 31, 2007	**¥ 274,926**	**¥ 285,765**	**¥ 681,795**	**¥ (131,228)**	**¥ (2,937)**	**¥1,108,321**

	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, 2006	$ 2,329,881	$ 2,421,551	$ 4,831,186	$ (1,072,110)	$(17,585)	$8,492,923
Comprehensive income (loss):						
Net income			**1,164,653**			**1,164,653**
Other comprehensive income (loss), net of tax (Note 17):						
Net unrealized gains and losses on securities (Note 4)				**199,619**		**199,619**
Foreign currency translation adjustments				**85,432**		**85,432**
Minimum pension liability adjustment (Note 11)				**35,712**		**35,712**
Net unrealized gains and losses on derivative instruments				**3,491**		**3,491**
Comprehensive income						**1,488,907**
Adjustment to initially apply SFAS 158, net of tax (Note 11)				**(364,246)**		**(364,246)**
Dividends			**(217,915)**			**(217,915)**
Purchase of treasury stock, net, at cost		**186**			**(7,305)**	**(7,119)**
Balance at March 31, 2007	**$ 2,329,881**	**$ 2,421,737**	**$ 5,777,924**	**$ (1,112,102)**	**$(24,890)**	**$9,392,550**

The accompanying notes are an integral part of these statements.

Toshiba Corporation and Subsidiaries
For the years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	**2007**
Cash flows from operating activities			
Net income	**¥ 137,429**	¥ 78,186	**$ 1,164,653**
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation and amortization	**292,875**	254,217	**2,481,991**
Provisions for pension and severance costs, less payments	**(22,720)**	4,809	**(192,542)**
Deferred income tax provision	**56,444**	33,091	**478,339**
Equity in (earnings) losses of affiliates, net of dividends	**(12,579)**	20,023	**(106,602)**
(Gain) loss from sales, disposal and impairment of property, plant and equipment, net	**(16,447)**	19,807	**(139,381)**
Gain from sales and impairment of securities and other investments, net	**(62,969)**	(1,737)	**(533,636)**
Minority interest in income of consolidated subsidiaries	**15,676**	9,849	**132,847**
Increase in notes and accounts receivable, trade	**(51,620)**	(86,420)	**(437,458)**
(Increase) decrease in inventories	**(82,926)**	31,927	**(702,763)**
Increase in notes and accounts payable, trade	**220,619**	90,482	**1,869,653**
Increase in accrued income and other taxes	**23,353**	816	**197,907**
Increase (decrease) in advance payments received	**29,459**	(7,121)	**249,653**
Other	**34,880**	53,497	**295,593**
Net cash provided by operating activities	**561,474**	501,426	**4,758,254**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**112,015**	81,503	**949,280**
Proceeds from sale of securities	**9,586**	12,379	**81,237**
Acquisition of property, plant and equipment	**(376,707)**	(316,702)	**(3,192,432)**
Purchase of securities	**(13,508)**	(14,940)	**(114,475)**
(Increase) decrease in investments in affiliates	**51,044**	(20,872)	**432,577**
Acquisition of Westinghouse, net of cash acquired	**(461,338)**	—	**(3,909,644)**
Purchase of other businesses	**(1,700)**	(25,700)	**(14,407)**
Other	**(32,174)**	(19,053)	**(272,661)**
Net cash used in investing activities	**(712,782)**	(303,385)	**(6,040,525)**
Cash flows from financing activities			
Proceeds from long-term debt	**467,717**	108,393	**3,963,703**
Repayment of long-term debt	**(199,570)**	(250,884)	**(1,691,271)**
Decrease in short-term borrowings, net	**(81,305)**	(60,638)	**(689,025)**
Dividends paid	**(30,431)**	(22,808)	**(257,890)**
Repurchase of subsidiary common stock	**(829)**	(86)	**(7,026)**
Purchase of treasury stock, net	**(841)**	(481)	**(7,127)**
Other	**55**	(8,794)	**466**
Net cash provided by (used in) financing activities	**154,796**	(235,298)	**1,311,830**
Effect of exchange rate changes on cash and cash equivalents	**34,903**	13,175	**295,788**
Net increase (decrease) in cash and cash equivalents	**38,391**	(24,082)	**325,347**
Cash and cash equivalents at beginning of year	**270,921**	295,003	**2,295,941**
Cash and cash equivalents at end of year	**¥ 309,312**	¥ 270,921	**$ 2,621,288**
Supplemental disclosure of cash flow information			
Cash paid during the year for—			
Interest	**¥ 30,892**	¥ 24,538	**$ 261,797**
Income taxes	**59,272**	62,925	**502,305**
Purchase of business from an affiliate—			
Assets acquired	—	70,383	—
Liabilities assumed	—	34,556	—

The accompanying notes are an integral part of these statements.

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, 2007, sales of Digital Products represented the most significant portion of the Company's total sales or approximately 36 percent. Social Infrastructure represented approximately 27 percent, Electronic Devices approximately 22 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 approximately 51 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 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. The Company eliminates unrealized intercompany profits in determining its equity in the current net earnings (losses) of such companies.

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, revenue recognition 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 accumulated 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.

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 useful 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

Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with finite useful lives, consisting primarily of core and current technology and software, are amortized using the straight-line method over their respective contractual periods or estimated useful lives.

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

ACCRUED PENSION AND SEVERANCE COSTS

The Company has various retirement benefit plans covering substantially all employees. Current service costs of the retirement benefit plans are accrued in the period. The unrecognized net obligation existing at initial application of Statement of Financial Accounting Standards ("SFAS") No. 87, *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.

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, such as digital products and electronic devices, 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, such as maintenance service for plant and other systems, that are priced and sold separately from the equipment is recognized ratable over the contract term or 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 ¥90,647 million ($768,195 thousand) and ¥85,951 million for the years ended March 31, 2007 and 2006, 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 19 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 accumulated 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 accumulated 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 notes receivable and trade accounts receivable. 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*.

ASSET RETIREMENT OBLIGATIONS

The Company records asset retirement obligations in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143"), and FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations, an Interpretation of SFAS 143* ("FIN 47"). SFAS 143 requires the fair value of an asset retirement obligation to be recognized in the period in which it is incurred. The fair value of the liability is added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the life of the asset. The liability increases due to the passage of time based on the time value of money until the obligation is settled. Subsequent to the initial recognition, the liability is adjusted for any revisions to the expected value of the retirement obligation, and for accretion of the liability due to the passage of time.

FIN 47 clarifies that the term conditional asset retirement obligation as used in SFAS 143 refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event. FIN 47 also clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the fair value can be reasonably estimated.

RECENT PRONOUNCEMENTS

In June 2006, the FASB ratified the consensuses on EITF Issue No. 06-2, *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No.43* ("EITF 06-2"). EITF 06-2 provides guidance for an accrual of compensated absences that require a minimum service period but have no increase in the benefit even with additional years of service.

EITF 06-2 is effective for fiscal years beginning after December 15, 2006, and is required to be adopted by the Company in the fiscal year beginning April 1, 2007. The adoption of EITF 06-2 will not have a material impact on its results of operations and financial condition of the Company.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions. Tax positions must meet a more likely than not recognition threshold to be recognized upon the adoption of FIN 48 and in subsequent periods. FIN 48 shall be effective for fiscal years beginning after December 15, 2006, and is required to be adopted by the Company in the fiscal year beginning April 1, 2007. The Company is currently evaluating the impact of adoption of FIN 48 on the Company's financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 shall be effective for fiscal years beginning after November 15, 2007, and is required to be adopted by the Company in the fiscal year beginning April 1, 2008. The adoption of SFAS 157 will not have a material impact on its results of operations and financial condition of the Company.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS 158"). SFAS 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans (collectively, "postretirement benefit plans") to recognize the funded status (i.e., the difference between the fair value of plan assets and the benefit obligations) of their postretirement benefit plans in the statement of financial position, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end statement of financial position, and provide additional disclosures. SFAS 158 is effective for fiscal years ending after December 15, 2006. The Company adopted SFAS 158 on March 31, 2007. The effect of adopting SFAS 158 on the Company's financial condition at March 31, 2007 has been included in the accompanying consolidated financial statements. SFAS 158's provisions regarding the change in the measurement date of the fair value of plan assets and benefit obligations are not applicable as the Company already uses a measurement date of March 31 for the majority of its pension plans. See Note 11 for further discussion of the effect of adopting SFAS 158 on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007, and is required to be adopted by the Company in the fiscal year beginning April 1, 2008. The adoption of SFAS 159 will not have a material impact on its results of operations and financial condition of the Company.

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 of readers. 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 ¥118=U.S.$1, the approximate current rate of exchange at March 31, 2007, 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, 2007 and 2006 are as follows:

	Millions of yen			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2007:				
Equity securities	**¥ 60,483**	**¥ 141,059**	**¥ 1,353**	**¥ 200,189**
Debt securities	**3,533**	**0**	**0**	**3,533**
	¥ 64,016	**¥ 141,059**	**¥ 1,353**	**¥ 203,722**
March 31, 2006:				
Equity securities	¥ 54,160	¥ 99,096	¥ 726	¥ 152,530
Debt securities	1,191	0	0	1,191
	¥ 55,351	¥ 99,096	¥ 726	¥ 153,721

	Thousands of U.S. dollars			
	Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
March 31, 2007:				
Equity securities	**$ 512,568**	**$ 1,195,415**	**$ 11,466**	**$ 1,696,517**
Debt securities	**29,941**	**0**	**0**	**29,941**
	$ 542,509	**$ 1,195,415**	**$ 11,466**	**$ 1,726,458**

At March 31, 2007, debt securities mainly consisted of corporate debt securities.

Contractual maturities of debt securities classified as available-for-sale at March 31, 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars	
March 31, 2007:	Cost	Fair value	Cost	Fair value
Due within one year	**¥ 0**	**¥ 0**	**$ 0**	**$ 0**
Due after one year	**3,533**	**3,533**	**29,941**	**29,941**
	¥ 3,533	**¥ 3,533**	**$ 29,941**	**$ 29,941**

The proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥1,451 million ($12,297 thousand) and ¥7,513 million, respectively. The gross realized gains on those sales for the years ended March 31, 2007 and 2006 were ¥615 million ($5,212 thousand) and ¥5,676 million, respectively. The gross realized losses on those sales for the years ended March 31, 2007 and 2006 were ¥82 million ($695 thousand) and ¥7 million, respectively.

Included in other expense are charges of ¥1,596 million ($13,525 thousand) and ¥4,984 million related to other-than-temporary declines in the marketable and non-marketable equity securities for the years ended March 31, 2007 and 2006, respectively.

At March 31, 2007, 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 ¥45,741 million ($387,636 thousand) and ¥83,708 million at March 31, 2007 and 2006, respectively. At March 31, 2007, investments with an aggregate cost of ¥43,241 million ($366,449 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. SECURITIZATIONS

The Company has transferred certain trade notes receivable and trade accounts receivable 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 the accompanying consolidated balance sheets.

Upon the sale of receivables, the Company holds subordinated retained interests for certain trade notes receivable and trade accounts receivable. A portion of these receivables, where the Company holds subordinated retained interests, is not taken off the balance sheet and is 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, 2007 and 2006, the fair values of retained interests were ¥48,204 million ($408,508 thousand) and ¥53,756 million, respectively. The Company recognized losses of ¥3,470 million ($29,407 thousand) and ¥2,242 million on the securitizations of receivables for the years ended March 31, 2007 and 2006, 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	**2007**	2006	**2007**
Proceeds from new securitizations	**¥ 1,174,438**	¥ 1,019,315	**$ 9,952,864**
Servicing fees received	**567**	564	**4,805**
Cash flows received on retained interests	**76,422**	135,667	**647,644**
Purchases of delinquent and foreclosed receivables	**564**	—	**4,780**

At March 31, 2007, the assumed weighted-average life and residual cash flow discount rate used to compute the fair value of retained interests were 0.18 years and 3.67 percent, respectively.

Quantitative information about delinquencies, net credit losses, and components of securitized receivables as of and for the years ended March 31, 2007 and 2006 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,	
	2007	2006	**2007**	2006	**2007**	2006
Accounts receivable	**¥ 1,537,190**	¥ 1,383,192	**¥ 24,493**	¥ 48,672	**¥ 4,569**	¥ 4,734
Notes receivable	**203,682**	190,455	**70**	26	**356**	358
Total managed portfolio	**1,740,872**	1,573,647	**¥ 24,563**	¥ 48,698	**¥ 4,925**	¥ 5,092
Securitized receivables	**(319,340)**	(271,613)				
Total receivables	**¥ 1,421,532**	¥ 1,302,034				

	Thousands of U.S. dollars		
	Total principal amount of receivables	Amount 90 days or more past due	Net credit losses
	March 31, 2007		Year ended March 31, 2007
Accounts receivable	**$ 13,027,034**	**$ 207,568**	**$ 38,720**
Notes receivable	**1,726,119**	**593**	**3,017**
Total managed portfolio	**14,753,153**	**$ 208,161**	**$ 41,737**
Securitized receivables	**(2,706,271)**		
Total receivables	**$ 12,046,882**		

6. INVENTORIES

Inventories consist of the following:

March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Finished products	**¥ 319,982**	¥ 275,231	**$ 2,711,712**
Work in process:			
Long-term contracts	**94,121**	100,081	**797,636**
Other	**243,588**	181,297	**2,064,305**
Raw materials	**143,822**	108,313	**1,218,830**
	¥ 801,513	¥ 664,922	**$ 6,792,483**

7. INVESTMENTS IN AND ADVANCES TO AFFILIATES

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, 2007 were: Topcon Corporation (35.5%); Toshiba Machine Co., Ltd. (34.1%); Toshiba Finance Corporation ("TFC") (35.0%); Toshiba Mitsubishi-Electric Industrial Systems Corporation (50.0%); and Semp Toshiba Amazonas S.A. (40.0%).

Of the affiliates which were accounted for by the equity method, the investments in common stock of the listed companies were carried at ¥50,576 million ($428,610 thousand) and ¥68,377 million at March 31, 2007 (4 companies) and 2006 (5 companies), respectively. The Company's investments in these companies had market values of ¥141,378 million ($1,198,119 thousand) and ¥207,340 million at March 31, 2007 and 2006, respectively, based on quoted market prices at those dates.

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

March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Current assets	**¥ 1,266,067**	¥ 1,143,036	**$ 10,729,381**
Other assets including property, plant and equipment	**953,224**	1,074,125	**8,078,170**
Total assets	**¥ 2,219,291**	¥ 2,217,161	**$ 18,807,551**
Current liabilities	**¥ 1,158,622**	¥ 1,079,690	**$ 9,818,830**
Long-term liabilities	**466,049**	475,319	**3,949,568**
Shareholders' equity	**594,620**	662,152	**5,039,153**
Total liabilities and shareholders' equity	**¥ 2,219,291**	¥ 2,217,161	**$ 18,807,551**

Year ended March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Sales	**¥ 1,783,737**	¥ 1,596,139	**$ 15,116,415**
Net income (loss)	**29,503**	(25,737)	**250,025**

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

Year ended March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Sales	**¥ 154,836**	¥ 110,336	**$ 1,312,169**
Purchases	**131,066**	96,835	**1,110,729**
Dividends	**18,036**	13,526	**152,847**

March 31	Millions of yen 2007	2006	Thousands of U.S. dollars 2007
Notes and accounts receivable, trade	**¥ 46,642**	¥ 26,804	**$ 395,271**
Other receivables	**16,875**	11,238	**143,008**
Long-term loans receivable	**12,550**	7,300	**106,356**
Notes and accounts payable, trade	**182,748**	136,236	**1,548,712**
Other payables	**53,388**	62,717	**452,441**
Capital lease obligations	**39,999**	33,886	**338,975**

8. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company tested goodwill for impairment under SFAS No.142, *Goodwill and Other Intangible Assets*, applying a fair value-based test and has concluded that there was no impairment as of March 31, 2007 and 2006.

The components of acquired intangible assets excluding goodwill at March 31, 2007 and 2006 are as follows:

March 31, 2007	Millions of yen Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	**¥ 163,344**	**¥ 102,599**	**¥ 60,745**
Technical license fees	**83,499**	**33,423**	**50,076**
Core and current technology	**172,162**	**3,801**	**168,361**
Other	**59,452**	**14,950**	**44,502**
Total	**¥ 478,457**	**¥ 154,773**	**323,684**
Other intangible assets not subject to amortization:			
Brand name			**49,581**
Other			**4,918**
Total			**54,499**
			¥ 378,183

March 31, 2006	Millions of yen Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	¥ 146,913	¥ 84,847	¥ 62,066
Technical license fees	43,531	22,764	20,767
Other	17,774	13,571	4,203
Total	¥ 208,218	¥ 121,182	87,036
Other intangible assets not subject to amortization			4,444
			¥ 91,480

March 31, 2007	Thousands of U.S. dollars Gross carrying amount	Accumulated amortization	Net carrying amount
Other intangible assets subject to amortization:			
Software	**$ 1,384,271**	**$ 869,483**	**$ 514,788**
Technical license fees	**707,619**	**283,246**	**424,373**
Core and current technology	**1,459,000**	**32,212**	**1,426,788**
Other	**503,830**	**126,694**	**377,136**
Total	**$ 4,054,720**	**$ 1,311,635**	**2,743,085**
Other intangible assets not subject to amortization:			
Brand name			**420,178**
Other			**41,678**
Total			**461,856**
			$ 3,204,941

Intangible assets acquired during the year ended March 31, 2007 primarily consisted of goodwill of ¥350,785 million ($2,972,754 thousand) and core and current technology of ¥171,377 million ($1,452,347 thousand). The weighted-average amortization period of core and current technology for the year ended March 31, 2007 was approximately 22.4 years.

The weighted-average amortization periods for other intangible assets were approximately 15.2 years and 5.3 years for the years ended March 31, 2007 and 2006, respectively. Amortization expenses of other intangible assets subject to amortization for the years ended March 31, 2007 and 2006 were ¥42,376 million ($359,119 thousand) and ¥32,303 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, 2007 is estimated as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 43,354	$ 367,407
2009	36,130	306,186
2010	28,465	241,229
2011	23,569	199,737
2012	18,947	160,568

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, 2007 and 2006 are as follows:

Year ended March 31	Millions of yen **2007**	2006	Thousands of U.S. dollars **2007**
Balance at beginning of year	**¥ 24,191**	¥ 20,249	**$ 205,009**
Goodwill acquired during the year	**350,785**	2,575	**2,972,754**
Foreign currency translation adjustments	**(6,439)**	1,367	**(54,568)**
Balance at end of year	**¥ 368,537**	¥ 24,191	**$3,123,195**

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2007 and 2006 consist of the following:

	Millions of yen		Thousands of U.S. dollars
March 31	**2007**	2006	**2007**
Loans, principally from banks, including bank overdrafts, with weighted-average interest rate of 4.37% at March 31, 2007 and 4.79% at March 31, 2006:			
Secured	**¥ —**	¥ —	**$ —**
Unsecured	**53,532**	108,440	**453,661**
Euro yen medium-term notes of a subsidiary, with weighted-average interest rate of 0.60% at March 31, 2007 and 0.13% at March 31, 2006	**14,945**	29,968	**126,653**
Euro medium-term note of a subsidiary, with interest rate of 2.69% at March 31, 2006	**—**	4,122	**—**
Euro Hong Kong dollar medium-term note of a subsidiary, with interest rate of 5.00% at March 31, 2007	**3,149**	—	**26,686**
	¥ 71,626	¥ 142,530	**$ 607,000**

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, 2007, the Company had unused committed lines of credit from short-term financing arrangements aggregating ¥312,805 million ($2,650,890 thousand), of which ¥11,805 million ($100,042 thousand) was in support of the Company's commercial paper. The lines of credit expire on various dates from April 2007 through March 2008. Under the agreements, the Company is required to pay commitment fees ranging from 0.080 percent to 0.550 percent on the unused portion of the lines of credit.

Long-term debt at March 31, 2007 and 2006 consist of the following:

	Millions of yen		Thousands of U.S. dollars
March 31	**2007**	2006	**2007**
Loans, principally from banks and insurance companies, due 2007 to 2029 with weighted-average interest rate of 1.18% at March 31, 2007 and due 2006 to 2029 with weighted-average interest rate of 0.91% at March 31, 2006:			
Secured	**¥ 5,102**	¥ 5,383	**$ 43,237**
Unsecured	**525,815**	285,019	**4,456,059**
Unsecured yen bonds, due 2007 to 2016 with interest ranging from 1.08% to 3.025% at March 31, 2007 and due 2006 to 2008 with interest ranging from 0.40% to 3.025% at March 31, 2006	**290,934**	245,522	**2,465,542**
Zero Coupon Convertible Bonds with stock acquisition rights:			
Due 2009 convertible currently at ¥587 per share	**50,000**	50,000	**423,729**
Due 2011 convertible currently at ¥542 per share	**100,000**	100,000	**847,458**
Euro yen medium-term notes, due 2007 to 2008 with interest ranging from 0.78% to 2.34% at March 31, 2007 and due 2007 to 2008 with interest ranging from 0.56% to 2.34% at March 31, 2006	**3,000**	3,000	**25,424**
Euro yen medium-term notes of subsidiaries, due 2007 to 2015 with interest ranging from 0.61% to 2.60% at March 31, 2007 and due 2006 to 2015 with interest ranging from 0.07% to 2.71% at March 31, 2006	**69,301**	52,178	**587,297**
Capital lease obligations	**42,707**	33,886	**361,924**
	1,086,859	774,988	**9,210,670**
Less-Portion due within one year	**(130,703)**	(163,558)	**(1,107,653)**
	¥ 956,156	¥ 611,430	**$ 8,103,017**

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 guarantees for such loans. Certain of the secured and unsecured loan agreements may 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 long-term debt at March 31, 2007 were property, plant and equipment with a book value of ¥12,814 million ($108,593 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
2008	¥ 116,290	$ 985,509
2009	220,692	1,870,271
2010	228,506	1,936,492
2011	174,608	1,479,729
2012	119,558	1,013,203
Thereafter	184,498	1,563,542
	¥ 1,044,152	$ 8,848,746

10. ISSUANCE OF CONVERTIBLE BOND

In July, 2004, Toshiba Corporation issued ¥50,000 million Zero Coupon Convertible Bonds due 2009 (the "2009 Bonds") and ¥100,000 million 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, 2007 and 2006.

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 service credits allocated to employees each year according to the regulation of retirement benefit, 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 and the corporate pension plan.

The Company had Employees' Pension Fund ("EPF") Plans, which were contributory defined benefit pension plans under the Japanese Welfare Pension Insurance Law ("JWPIL"). These plans were composed of a substitutional portion which was 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 the EPF Plans that the Company participated in, certain subsidiaries' EPF Plans were reorganized and became corporate pension plans under the Japanese Defined Benefit Corporate Pension Law during the year ended March 31, 2006 and 2005. The Toshiba EPF plan was reorganized and became corporate pension plans during the year ended March 31, 2004.

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

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

On March 31, 2007, the Company adopted SFAS 158. SFAS 158 required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the benefit obligations) of its pension plan in the March 31, 2007 statement of financial position, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax. The adjustment to accumulated other comprehensive income (loss) at adoption represents the net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized transition obligation remaining from the initial adoption of SFAS 87, all of which were previously accounted for pursuant to the provisions of SFAS 87. These amounts will be subsequently recognized as net periodic pension cost pursuant to the Company's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in accumulated other comprehensive income (loss) at adoption of SFAS 158.

The incremental effects of adopting the provisions of SFAS 158 on the Company's statement of financial position at March 31, 2007 are presented in the following table. The adoption of SFAS 158 had no effect on the Company's consolidated statement of income for the year ended March 31, 2007, or for any prior period presented.

	Millions of yen		
March 31, 2007	Before Application of SFAS 158	Effect of Adopting SFAS 158	After Application of SFAS 158
Prepaid expenses and other current assets	¥ 374,849	¥ (4,785)	¥ 370,064
Other current liabilities	(425,628)	(1,955)	(427,583)
Accrued pension and severance costs	(474,013)	(66,203)	(540,216)
Deferred tax assets	181,374	29,962	211,336
Accumulated other comprehensive loss	88,247	42,981	131,228

	Thousands of U.S. dollars		
March 31, 2007	Before Application of SFAS 158	Effect of Adopting SFAS 158	After Application of SFAS 158
Prepaid expenses and other current assets	$ 3,176,687	$ (40,551)	$ 3,136,136
Other current liabilities	(3,607,018)	(16,567)	(3,623,585)
Accrued pension and severance costs	(4,017,059)	(561,043)	(4,578,102)
Deferred tax assets	1,537,068	253,915	1,790,983
Accumulated other comprehensive loss	747,856	364,246	1,112,102

The changes in the benefit obligation and plan assets for the years ended March 31, 2007 and 2006 and the funded status at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2007**	2006	**2007**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥1,349,768**	¥ 1,296,805	**$ 11,438,712**
Service cost	**48,651**	46,403	**412,297**
Interest cost	**33,983**	32,244	**287,992**
Plan participants' contributions	**2,659**	2,329	**22,534**
Plan amendments	**15,179**	(5,278)	**128,635**
Actuarial loss	**3,348**	57,557	**28,373**
Benefits paid	**(63,454)**	(61,357)	**(537,746)**
Acquisitions and divestitures	**61,900**	—	**524,576**
Return of substitutional portion to the government	**—**	(20,637)	**—**
Foreign currency exchange impact	**1,786**	1,702	**15,135**
Benefit obligation at end of year	**¥1,453,820**	¥ 1,349,768	**$ 12,320,508**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥ 811,301**	¥ 647,836	**$ 6,875,432**
Actual return on plan assets	**34,113**	152,106	**289,093**
Employer contributions	**62,925**	55,007	**533,263**
Plan participants' contributions	**2,659**	2,329	**22,534**
Benefits paid	**(35,819)**	(37,052)	**(303,551)**
Acquisitions and divestitures	**34,891**	—	**295,687**
Return of substitutional portion to the government	**—**	(10,541)	**—**
Foreign currency exchange impact	**1,579**	1,616	**13,381**
Fair value of plan assets at end of year	**¥ 911,649**	¥ 811,301	**$ 7,725,839**
Funded status	**¥ (542,171)**	¥ (538,467)	**$ (4,594,669)**

Amounts recognized in the consolidated balance sheet at March 31, 2007 are as follows:

	Millions of yen	Thousands of U.S. dollars
March 31	**2007**	**2007**
Other current liabilities	**¥ (1,955)**	**$ (16,567)**
Accrued pension and severance costs	**(540,216)**	**(4,578,102)**
	¥(542,171)	**$ (4,594,669)**

Amounts recognized in accumulated other comprehensive loss at March 31, 2007 are as follows:

	Millions of yen	Thousands of U.S. dollars
March 31	**2007**	**2007**
Unrecognized actuarial loss	**¥ 375,994**	**$ 3,186,390**
Unrecognized prior service cost	**(40,619)**	**(344,229)**
	¥ 335,375	**$ 2,842,161**

The funded status at March 31, 2006, reconciled to the net amount recognized in the consolidated balance sheet at that date, is summarized as follows:

	Millions of yen
March 31	2006
Funded status	¥ (538,467)
Unrecognized actuarial loss	397,246
Unrecognized prior service cost	(59,590)
Net amount recognized	¥ (200,811)

Amounts recognized in the consolidated balance sheet at March 31, 2006 are as follows:

March 31	Millions of yen 2006
Prepaid pension cost	¥ 3,849
Accrued pension and severance costs	(474,198)
Accumulated other comprehensive loss, pre-tax	269,538
Net amount recognized	¥(200,811)

The accumulated benefit obligation at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2007**	2006	**2007**
Accumulated benefit obligation	**¥ 1,370,898**	¥ 1,285,079	**$ 11,617,780**

The components of the net periodic pension and severance cost for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2007**	2006	**2007**
Service cost—benefits earned during the year	**¥ 48,651**	¥ 46,403	**$ 412,297**
Interest cost on projected benefit obligation	**33,983**	32,244	**287,992**
Expected return on plan assets	**(27,590)**	(21,504)	**(233,814)**
Amortization of unrecognized net obligation at transition	**—**	12,495	**—**
Amortization of prior service cost	**(3,766)**	(3,455)	**(31,915)**
Recognized actuarial loss	**17,981**	23,575	**152,381**
Settlement loss	**—**	5,045	**—**
Net periodic pension and severance cost	**¥ 69,259**	¥ 94,803	**$ 586,941**

The estimated prior service cost and actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic pension and severance cost over the next year are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2008	2008
Prior service cost	¥ (2,941)	$ (24,924)
Actuarial loss	15,491	131,280

The Company expects to contribute ¥54,430 million ($461,271 thousand) to its defined benefit plans in the year ending March 31, 2008.

The following benefit payments are expected to be paid:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 67,326	$ 570,559
2009	71,094	602,492
2010	73,902	626,288
2011	77,700	658,475
2012	87,250	739,407
2013-2017	422,765	3,582,754

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.

Upon the approval from the Japanese government, with the transfer to the Japanese government from the assets of the pension plans in the year ended March 31, 2006, certain subsidiaries were relieved of all obligations under substitutional portion of the plan.

As a result, the Company recorded a gain of ¥4,085 million for the year ended March 31, 2006. The subsidies of ¥9,130 million for the year ended March 31, 2006 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 ¥966 million for the year ended March 31, 2006.

Weighted-average assumptions used to determine benefit obligations as of March 31, 2007 and 2006 and net periodic pension and severance cost for the years then ended are as follows:

March 31	**2007**	2006
Discount rate	**2.5%**	2.5%
Rate of compensation increase	**3.0%**	3.0%

Year ended March 31	**2007**	2006
Discount rate	**2.5%**	2.6%
Expected long-term rate of return on plan assets	**4.0%**	4.0%
Rate of compensation increase	**3.0%**	3.0%

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, 2007 and 2006, by asset category are as follows:

March 31	**2007**	2006
Asset category:		
Equity securities	**55%**	58%
Debt securities	**27%**	24%
Life insurance company general accounts	**2%**	3%
Other	**16%**	15%
Total	**100%**	100%

The other category includes hedge funds and real estate.

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.

Certain of the Company's subsidiaries provide certain health care and life insurance benefits to retired employees. Such benefits have no material impact on the consolidated financial statements of the Company.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred and amounted to ¥393,987 million ($3,338,873 thousand) and ¥372,447 million for the years ended March 31, 2007 and 2006, respectively.

13. ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs amounted to ¥49,230 million ($417,203 thousand) and ¥49,839 million for the years ended March 31, 2007 and 2006, respectively.

14. OTHER INCOMES AND OTHER EXPENSE

FOREIGN EXCHANGE GAINS AND LOSSES

For the years ended March 31, 2007 and 2006, the net foreign exchange impacts were ¥14,639 million ($124,059 thousand) gain and ¥3,434 million loss, respectively.

GAINS ON SALES OF SECURITIES

The gains on sales of securities for the years ended March 31, 2007 and 2006 were ¥63,074 million ($534,525 thousand) and ¥6,966 million, respectively. For the year ended March 31, 2007, the gains on sales of securities were related mainly to GE Toshiba Silicones Co., Ltd and Toshiba Ceramics Co., Ltd.

GAINS AND LOSSES ON SALES OR DISPOSAL OF FIXED ASSETS

For the years ended March 31, 2007 and 2006, the net sale or disposal of fixed assets were ¥25,062 million ($212,390 thousand) gain and ¥7,822 million loss, respectively. Gains on sales of fixed assets were ¥40,137 million ($340,144 thousand), and losses on disposal of fixed assets were ¥15,075 million ($127,754 thousand) for the year ended March 31, 2007.

15. IMPAIRMENT OF LONG-LIVED ASSETS

Due to general price erosion, severe market competition and others, the Company recorded impairment charges of ¥8,616 million ($73,017 thousand) related primarily to the manufacturing facilities of the Digital Products division for the year ended March 31, 2007, and ¥11,974 million related primarily to the manufacturing facilities of the Digital Products division and the Electronic Devices division for the year ended March 31, 2006. These impairment charges are included under the caption cost of sales in the accompanying consolidated statements of income.

16. INCOME TAXES

The Company is subject to a number of different income taxes which, in the aggregate, result in an effective statutory tax rate in Japan of approximately 40.7 percent for the years ended March 31, 2007 and 2006.

A reconciliation between the reported income tax expense and the amount computed by multiplying the income before income taxes and minority interest by the applicable statutory tax rate is as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2007**	2006	**2007**
Expected income tax expense	**¥ 121,473**	¥ 72,518	**$ 1,029,432**
Increase (decrease) in taxes resulting from:			
Dividends	**12,758**	7,771	**108,119**
Non-deductible expenses for tax purposes	**3,121**	4,437	**26,449**
Net changes in valuation allowance	**17,100**	3,416	**144,915**
Tax rate difference relating to foreign subsidiaries	**(11,691)**	(6,384)	**(99,076)**
Deferred tax liabilities on undistributed earnings of foreign subsidiaries	**10,810**	6,587	**91,610**
Tax credits	**(14,883)**	(3,601)	**(126,127)**
Other	**6,667**	5,398	**56,500**
Income tax expense	**¥ 145,355**	¥ 90,142	**$ 1,231,822**

The significant components of deferred tax assets and deferred tax liabilities as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2007**	2006	**2007**
Gross deferred tax assets:			
Inventories	**¥ 22,856**	¥ 23,878	**$ 193,695**
Accrued pension and severance costs	**113,229**	116,586	**959,568**
Tax loss carryforwards	**104,038**	62,849	**881,678**
Minimum pension liability adjustment	**—**	109,702	**—**
Pension liability adjustment	**134,556**	—	**1,140,305**
Accrued expenses	**135,958**	107,938	**1,152,186**
Depreciation and amortization	**47,521**	31,208	**402,720**
Other	**91,321**	95,043	**773,907**
	649,479	547,204	**5,504,059**
Valuation allowance for deferred tax assets	**(97,843)**	(80,947)	**(829,178)**
Deferred tax assets	**¥ 551,636**	¥ 466,257	**$ 4,674,881**

March 31	Millions of yen 2007	2006	Thousands of U.S. dollars 2007
Gross deferred tax liabilities:			
Property, plant and equipment	**¥ (60,287)**	¥ (21,114)	**$ (510,907)**
Unrealized gains on securities	**(56,289)**	(41,258)	**(477,025)**
Gain on securities contributed to employee retirement benefit trusts	**(17,381)**	(17,381)	**(147,297)**
Undistributed earnings of foreign subsidiaries and affiliates	**(58,646)**	(10,145)	**(497,000)**
Intangible assets	**(81,739)**	—	**(692,703)**
Other	**(15,127)**	(8,157)	**(128,195)**
Deferred tax liabilities	**(289,469)**	(98,055)	**(2,453,127)**
Net deferred tax assets	**¥ 262,167**	¥ 368,202	**$ 2,221,754**

Deferred tax liabilities included in other current liabilities and other liabilities at March 31, 2007 and 2006 were ¥87,883 million ($744,771 thousand) and ¥15,787 million, respectively.

The net changes in the total valuation allowance for the years ended March 31, 2007 and 2006 were an increase of ¥16,896 million ($143,186 thousand) and a decrease of ¥7,871 million, respectively.

The Company's tax loss carryforwards for each of the corporate and local taxes at March 31, 2007 amounted to ¥209,201 million ($1,772,890 thousand) and ¥275,292 million ($2,332,983 thousand), respectively, the majority of which will expire during the period from 2008 through 2014. The Company utilized tax loss carryforwards of ¥17,504 million ($148,339 thousand) and ¥90,856 million ($769,966 thousand) to reduce current corporate and local taxes, respectively, during the year ended March 31, 2007.

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, 2007 and 2006, the undistributed earnings of the foreign subsidiaries not subject to deferred tax liabilities were ¥42,593 million ($360,958 thousand), and ¥105,029 million, respectively. It is not practicable to estimate the amount of the deferred income tax liabilities on such earnings.

17. SHAREHOLDERS' EQUITY

RETAINED EARNINGS

Retained earnings at March 31, 2007 and 2006 included a legal reserve of ¥17,921 million ($151,873 thousand) and ¥14,950 million, respectively. The Corporation Law of Japan provides that an amount equal to 10% of 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% of their respective stated capital. The Corporation Law of Japan also provides that additional paid-in capital and legal reserve are available for appropriations by the resolution of the stockholders.

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 Corporation Law of Japan. Retained earnings at March 31, 2007 do not reflect current year-end dividends of ¥20,888 million ($177,017 thousand) which will be paid from June 1, 2007.

Retained earnings at March 31, 2007 included the Company's equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥52,053 million ($441,127 thousand).

ACCUMULATED OTHER COMPREHENSIVE LOSS

An analysis of the changes in accumulated other comprehensive loss, net of tax, for the years ended March 31, 2007 and 2006 is shown below:

March 31	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Net unrealized gains and losses on securities:			
Balance at beginning of year	**¥ 57,246**	¥ 33,479	**$ 485,135**
Current year change	**23,555**	23,767	**199,619**
Balance at end of year	**¥ 80,801**	¥ 57,246	**$ 684,754**
Foreign currency translation adjustments:			
Balance at beginning of year	**¥ (32,019)**	¥ (68,849)	**$ (271,347)**
Current year change	**10,081**	36,830	**85,432**
Balance at end of year	**¥ (21,938)**	¥ (32,019)	**$ (185,915)**
Minimum pension liability adjustment:			
Balance at beginning of year	**¥ (151,351)**	¥ (219,315)	**$ (1,282,635)**
Current year change	**4,214**	67,964	**35,712**
Adjustment to initially apply SFAS 158	**147,137**	—	**1,246,923**
Balance at end of year	**¥ —**	¥ (151,351)	**$ —**
Pension liability adjustment:			
Adjustment to initially apply SFAS 158	**¥ (190,118)**	¥ —	**$ (1,611,169)**
Balance at end of year	**¥ (190,118)**	¥ —	**$ (1,611,169)**
Net unrealized gains and losses on derivative instruments:			
Balance at beginning of year	**¥ (385)**	¥ (68)	**$ (3,263)**
Current year change	**412**	(317)	**3,491**
Balance at end of year	**¥ 27**	¥ (385)	**$ 228**
Total accumulated other comprehensive loss:			
Balance at beginning of year	**¥ (126,509)**	¥ (254,753)	**$ (1,072,110)**
Current year change	**38,262**	128,244	**324,254**
Adjustment to initially apply SFAS 158	**(42,981)**	—	**(364,246)**
Balance at end of year	**¥ (131,228)**	¥ (126,509)	**$ (1,112,102)**

Tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2007 and 2006 are shown below:

	Millions of yen		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2007:			
Net unrealized gains and losses on securities:			
Unrealized holding gains arising during year	**¥ 39,705**	**¥ (15,742)**	**¥ 23,963**
Less: reclassification adjustment for gains included in net income	**(714)**	**306**	**(408)**
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	**12,778**	**(2,704)**	**10,074**
Less: reclassification adjustment for losses included in net income	**7**	**—**	**7**
Minimum pension liability adjustment	**7,106**	**(2,892)**	**4,214**
Net unrealized gains and losses on derivative instruments:			
Unrealized losses arising during year	**(16,431)**	**6,713**	**(9,718)**
Less: reclassification adjustment for losses included in net income	**17,083**	**(6,953)**	**10,130**
Other comprehensive income (loss)	**¥ 59,534**	**¥ (21,272)**	**¥ 38,262**
For the year ended March 31, 2006:			
Net unrealized gains and losses on securities:			
Unrealized holding gains arising during year	¥ 44,230	¥ (17,973)	¥ 26,257
Less: reclassification adjustment for gains included in net income	(4,198)	1,708	(2,490)
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	31,811	5,034	36,845
Less: reclassification adjustment for gains included in net income	(15)	—	(15)
Minimum pension liability adjustment	114,610	(46,646)	67,964
Net unrealized gains and losses on derivative instruments:			
Unrealized losses arising during year	(4,437)	1,800	(2,637)
Less: reclassification adjustment for losses included in net income	3,914	(1,594)	2,320
Other comprehensive income (loss)	¥ 185,915	¥ (57,671)	¥ 128,244

	Thousands of U.S. dollars		
	Pre-tax amount	Tax benefit (expense)	Net-of-tax amount
For the year ended March 31, 2007:			
Net unrealized gains and losses on securities:			
Unrealized holding gains arising during year	**$ 336,483**	**$ (133,407)**	**$ 203,076**
Less: reclassification adjustment for gains included in net income	**(6,050)**	**2,593**	**(3,457)**
Foreign currency translation adjustments:			
Currency translation adjustments arising during year	**108,288**	**(22,915)**	**85,373**
Less: reclassification adjustment for losses included in net income	**59**	**—**	**59**
Minimum pension liability adjustment	**60,220**	**(24,508)**	**35,712**
Net unrealized gains and losses on derivative instruments:			
Unrealized losses arising during year	**(139,246)**	**56,890**	**(82,356)**
Less: reclassification adjustment for losses included in net income	**144,771**	**(58,924)**	**85,847**
Other comprehensive income (loss)	**$ 504,525**	**$ (180,271)**	**$ 324,254**

TAKEOVER DEFENSE MEASURE

The Company introduced a plan for countermeasures to any large-scale acquisitions of the Company's shares (the "Plan"), based on the shareholders' approval of the basic concept of the Plan at the Ordinary General Shareholders Meeting held in June 2006, for the purpose of protection and enhancement of the corporate value of the Company and the common interests of shareholders.

Specifically, if an acquirer starts or plans to start an acquisition or a takeover bid that would result in the acquirer holding 20% or more of the Company's total outstanding shares, the Company will require the acquirer to provide certain necessary information in advance to its Board of Directors. The Board of Directors will then establish a Special Committee that will, at its discretion, obtain advice from outside experts, evaluate and consider the details of the acquisition, disclose to the Company's shareholders the necessary information regarding the acquisition, as well as the alternative proposal prepared by the Company's Chief Executive Officer, and then negotiate with the acquirer. If the acquirer does not comply with the procedures under the Plan, or the Special Committee decides that the acquisition would damage the corporate value of the Company or the common interests of shareholders, the Special Committee will recommend to the Board of Directors that the Company implement countermeasures (a gratis allotment of stock acquisition rights (shinkabu yoyakuken no mushou wariate), a condition of which will be that they cannot be exercised by acquirers or the like) and protect the corporate value of the Company and the common interests of shareholders.

18. 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, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2007**	2006	**2007**
Net income available to common shareholders	**¥ 137,429**	¥ 78,186	**$1,164,653**
Net income effect of dilutive convertible debentures	**—**	—	**—**
Net income available to common shareholders and assumed conversions	**¥ 137,429**	¥ 78,186	**$1,164,653**

	Thousands of shares	
Year ended March 31	**2007**	2006
Weighted-average number of shares of common stock outstanding for the year	**3,214,078**	3,215,045
Incremental shares from assumed conversions of dilutive convertible debentures	**269,681**	269,681
Weighted-average number of shares of diluted common stock outstanding for the year	**3,483,759**	3,484,726

	Yen		U.S. dollars
Year ended March 31	**2007**	2006	**2007**
Net income per share of common stock:			
—Basic	**¥ 42.76**	¥ 24.32	**$ 0.36**
—Diluted	**39.45**	22.44	**0.33**

19. 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 consisted 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 years 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 2007 to 2015.

Forward exchange contracts, interest rate swap agreements, currency swap agreements and currency options 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 and currency swap agreements 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 and currency options utilized by the Company effectively reduce fluctuation in cash flow from commitments on future trade transactions denominated in foreign currencies for the next 68 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 8 years.

The Company expects to reclassify ¥76 million ($644 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, 2007, 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, 2007 and 2006 are summarized below:

	Millions of yen		Thousands of U.S. dollars
March 31	**2007**	2006	**2007**
Forward exchange contracts:			
To sell foreign currencies	**¥ 225,965**	¥ 125,684	**$ 1,914,958**
To buy foreign currencies	**156,092**	41,332	**1,322,814**
Interest rate swap agreements	**253,450**	164,050	**2,147,881**
Currency swap agreements	**161,362**	146,652	**1,367,475**
Currency options	**18,408**	218,679	**156,000**

(2)FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen			
	2007		2006	
March 31	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Nonderivatives:				
Liabilities:				
Long-term debt, including current portion	**¥(1,044,152)**	**¥(1,114,148)**	¥(741,102)	¥(793,470)
Derivative financial instruments:				
Forward exchange contracts	**1,408**	**1,408**	(989)	(989)
Interest rate swap agreements	**(799)**	**(799)**	(1,161)	(1,161)
Currency swap agreements	**(797)**	**(797)**	153	153
Currency options	**(41)**	**(41)**	(810)	(810)

	Thousands of U.S. dollars	
	2007	
March 31	Carrying amount	Estimated fair value
Nonderivatives:		
Liabilities:		
Long-term debt, including current portion	**$ (8,848,746)**	**$ (9,441,932)**
Derivative financial instruments:		
Forward exchange contracts	**11,932**	**11,932**
Interest rate swap agreements	**(6,771)**	**(6,771)**
Currency swap agreements	**(6,754)**	**(6,754)**
Currency options	**(347)**	**(347)**

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, 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. For long-term debt, fair value is estimated using market quotes, or where market quotes are not available, using estimated discounted future cash flows. 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.

20. 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, 2007 and 2006 were ¥80,340 million ($680,847 thousand) and ¥84,047 million, respectively.

The Company also leases certain machinery and equipment which are accounted for as capital leases. As of March 31, 2007 and 2006, the costs under capital leases were approximately ¥80,000 million ($677,966 thousand) and ¥70,700 million, and the related accumulated amortization were approximately ¥36,500 million ($309,322 thousand) and ¥36,800 million, respectively.

As of March 31, 2007 and 2006, the costs under capital leases from TFC and Toshiba Medical Finance Co., Ltd., affiliates of the Company, were approximately ¥74,900 million ($634,746 thousand) and ¥70,700 million, and the related accumulated amortization were approximately ¥34,900 million ($295,763 thousand) and ¥36,800 million, respectively.

Minimum lease payments for the Company's capital and non-cancelable operating leases as of March 31, 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars	
Year ending March 31	Capital leases	Operating leases	Capital leases	Operating leases
2008	¥ 16,430	¥ 36,897	$ 139,237	$ 312,686
2009	14,887	30,918	126,161	262,017
2010	8,622	21,251	73,068	180,093
2011	4,919	17,266	41,686	146,322
2012	1,988	9,559	16,848	81,009
Thereafter	828	5,813	7,017	49,263
Total minimum lease payments	47,674	¥121,704	404,017	$1,031,390
Executory costs	(2,056)		(17,424)	
Amounts representing interest	(2,911)		(24,669)	
Present value of net minimum lease payments	42,707		361,924	
Less—current portion	(14,413)		(122,144)	
	¥ 28,294		$ 239,780	

LESSOR

The Company is also a lessor of office buildings, commercial facilities and other assets under operating leases. As of March 31, 2007, the costs under operating leases were approximately ¥20,600 million ($174,576 thousand), and the related accumulated amortization was approximately ¥2,900 million ($24,576 thousand), respectively. The costs under operating leases and the related accumulated amortization were not significant as of March 31, 2006. Future minimum lease payments to be received under the Company's non-cancelable operating leases as of March 31, 2007 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 2,659	$ 22,534
2009	2,584	21,898
2010	2,507	21,246
2011	2,508	21,254
2012	2,441	20,687
Thereafter	18,579	157,449
	¥ 31,278	$265,068

21. 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, 2007, the Company recorded machinery and equipment of ¥10,599 million ($89,822 thousand), and other current liabilities and other liabilities of ¥15,823 million ($134,093 thousand). At March 31, 2006, the Company recorded machinery and equipment of ¥20,119 million, and other current liabilities and other liabilities of ¥23,784 million. The creditors of the VIE do not have recourse to the general credit of the Company.

22. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments outstanding at March 31, 2007 for the purchase of property, plant and equipment approximated ¥30,293 million ($256,720 thousand).

At March 31, 2007, contingent liabilities, other than guarantees disclosed in Note 23, approximated ¥5,736 million ($48,610 thousand) principally for recourse obligations related to notes receivable transferred.

23. 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 2007 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 ¥216,473 million ($1,834,517 thousand) as of March 31, 2007. Certain guarantees are secured by time deposits in the amount of ¥4,516 million ($38,271 thousand) as of March 31,2007.

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 25 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 ¥18,003 million ($152,568 thousand) as of March 31, 2007. 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 ¥5,566 million ($47,169 thousand) at March 31, 2007.

RESIDUAL VALUE GUARANTEES UNDER SALE AND LEASEBACK TRANSACTIONS

The Company has entered into several sale and leaseback transactions in which certain manufacturing equipment was sold and leased back. The Company may be required to make payments for residual value guarantees in connection with these transactions. The operating leases will expire on various dates through March 2012. The maximum potential payments by the Company for such residual value guarantees were ¥19,298 million ($163,542 thousand) at March 31, 2007.

GUARANTEES OF DEFAULTED NOTES AND ACCOUNTS RECEIVABLE

The Company has transferred trade notes receivable and trade accounts receivable 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 ¥14,095 million ($119,449 thousand) as of March 31, 2007.

The carrying amounts of the liabilities for the Company's obligations under the guarantees described above at March 31, 2007 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	**2007**	2006	**2007**
Balance at beginning of year	**¥ 32,902**	¥ 25,075	**$ 278,830**
Warranties issued	**44,846**	36,659	**380,051**
Settlements made	**(40,149)**	(30,512)	**(340,246)**
Foreign currency translation adjustments	**1,215**	1,680	**10,297**
Balance at end of year	**¥ 38,814**	¥ 32,902	**$ 328,932**

24. LEGAL PROCEEDINGS

In January 2007, the European Commission adopted a decision that imposed fines on 19 companies, including Toshiba Corporation, for infringing EU Competition Law in the gas insulated switchgear market. The decision imposed a fine of €86.25 million (approximately ¥13.5 billion) on Toshiba Corporation, plus a fine of €4.65 million (approximately ¥0.73 billion) jointly and severally with Mitsubishi Electric Corporation. Following its own investigation, Toshiba Corporation contends that it has not found any infringement of EU Competition Law, and it is bringing an action to the European Court of First Instance seeking annulment of the European Commission's decision.

Lexar Media, Inc. ("Lexar") filed suit against Toshiba Corporation and its U.S. subsidiary, Toshiba America Electronic Components, Inc., alleging misappropriation for NAND flash-related trade secrets and related misconduct. On September 15, 2006, Toshiba Corporation entered into agreements with Micron Technology, Inc. ("Micron"), the parent company of Lexar, under which a settlement was concluded that dismissed all outstanding litigation and legal procedures between Toshiba Corporation, Toshiba America Electronic Components, Inc. and Lexar, all of which were related to patent infringement, trade secret misappropriation, and an investigation concerning prohibiting importation of the Company's NAND flash memories into the U.S. due to alleged patent infringement. At the same time, Toshiba Corporation purchased certain of Micron's semiconductor technology patents and also licensed all the patents currently and previously owned by Lexar, in exchange for payments totaling $288 million.

The Company undertakes global business operation, and is involved in disputes, including lawsuits, and other legal procedures and is investigated by authorities. There will be also possibility of such a case in future. Due to differences in judicial systems and difficulties in predicting prospects in these procedures, it is difficult to rule out the possibility that the Company may be subject to an authoritative order requiring payment of an amount far exceeding normal expectations. Judgments unfavorable to the Company in these cases may impact on Company's operations.

The Company's Management believes that there are meritorious defenses to all of these legal procedures, including lawsuits and investigations. Based on the information currently available to both the Company and its legal counsel, Management believes that such legal procedures, if any, would not have a material adverse effect on the financial position or the results of operations of the Company.

25. ENVIRONMENTAL LIABILITIES

The Japanese 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 ¥10,647 million ($90,229 thousand) and ¥10,615 million at March 31, 2007 and 2006, respectively, for environmental remediation and restoration costs for products or equipment with PCB which some Toshiba operations in Japan have retained. The costs recorded during the year 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.

26. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligation was incurred due to the acquisition primarily related to the decommissioning of nuclear power facilities at the Westinghouse. These obligations address the decommissioning, clean up and release for acceptable alternate use of such facilities. The Company identified certain assets that have an indeterminate life, and thus the fair value of the retirement obligation is not reasonably estimable. A liability for these asset retirement obligations will be recorded when a fair value is reasonably estimable.

The changes in the carrying amount of asset retirement obligations for the year ended March 31, 2007 is as follows:

	Millions of yen	Thousands of U.S. dollars
March 31	**2007**	**2007**
Balance at beginning of year	**¥ 492**	**$ 4,170**
Accretion expense	**68**	**576**
Liabilities settled	**(345)**	**(2,924)**
Liabilities incurred	**17,180**	**145,593**
Foreign currency translation adjustments	**(246)**	**(2,084)**
Balance at end of year	**¥ 17,149**	**$ 145,331**

27. ACQUISITION OF WESTINGHOUSE

On October 16, 2006 (Eastern Standard Time), Toshiba completed its procedure to acquire all the shares of BNFL USA Group Inc., the holding company for the Westinghouse Group whose main business is nuclear power systems, and of Westinghouse Electric UK Limited (collectively "Westinghouse") for $5.4 billion. On acquiring Westinghouse, Toshiba established two special-purpose acquisition companies in the U.S. and U.K. (Toshiba Nuclear Energy Holdings (US) Inc. and Toshiba Nuclear Energy Holdings (UK) Limited; collectively "TNEHs"), and acquired it through these TNEHs. By building a collaborative relation, Toshiba's Nuclear Energy System Business, with its forte in boiling water reactors mainly in the Japanese market, and Westinghouse, with its advantage in pressurized water reactors in the world market, would be able to complement each other in the fields of manufacturing, marketing and technology, and exert synergistic effects by penetrating new business fields that neither Toshiba nor Westinghouse have been able to handle independently.

Westinghouse's operating results for the period between October 1, 2006, and March 31, 2007, are included in Company's Consolidated Statements of Income.

In connection with the acquisition, Toshiba entered into an equity participation agreement with The Shaw Group Inc., a leading U.S. general engineering firm ("Shaw") and Ishikawajima-Harima Heavy Industries Co., Ltd. ("IHI"), and Shaw and IHI participated as Toshiba's strategic partners in the acquisition of Westinghouse. In accordance with the equity participation agreement, Shaw and IHI acquired 20% (for $1,080 million) and 3% (for $162 million) of the issued and outstanding shares of TNEHs, respectively. Consequently, Toshiba's current equity percentage stands at 77% ($4,158 million).

Toshiba initially raised the funds for acquisition ($4,158 million) from commercial papers and bank loans, but is currently moving ahead to repay and replace them with a long-term financing obtained from issuance of bonds (¥100 billion) and long-term syndicated loans (¥250 billion).

Pursuant to the terms of the sale/purchase agreement with British Nuclear Fuels plc as seller, Westinghouse's assets and liabilities at the time of acquisition of the shares will be revalued and the purchase price* is to be adjusted. The allocation process of the relevant purchase price has not been finalized.

* $5.4 billion was agreed based on the Westinghouse's balance sheets as of March 31, 2005 subject to price adjustment.

The following table summarizes the preliminary estimated fair values of Westinghouse's assets acquired and liabilities assumed as of acquisition date:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 119,530	$ 1,012,966
Intangible assets subject to amortization	201,677	1,709,127
Intangible assets not subject to amortization	50,299	426,263
Goodwill	350,785	2,972,754
Other fixed assets	222,775	1,887,924
Current liabilities	117,042	991,881
Long-term liabilities	181,320	1,536,610
Minority interest	148,742	1,260,526
Net assets acquired	497,962	4,220,017

Goodwill based on the preliminary valuation and other intangible assets are as follows:

	Millions of yen	Thousands of U.S. dollars
Core and current technology		
(Weighted-average amortization period: 22.4)	¥ 171,377	$ 1,452,347
Other intangible assets subject to amortization		
(Weighted-average amortization period: 18.1)	30,300	256,780
Brand name	50,299	426,263
Goodwill	350,785	2,972,754

The acquired assets did not include any research and development in progress. Pursuant to the terms of the agreement among the shareholders of TNEHs, Shaw and IHI will not be allowed to assign their equity interests in TNEHs to a third party for a period of six years except under certain specified circumstances, whereas they are entitled to sell the whole or a part of their equity interests to Toshiba during the said period (except the period up to March 31, 2010). For its part, Toshiba is also entitled to purchase from Shaw or IHI the whole or a part of their equity interests in TNEHs on certain specified conditions. These rights are in place for the purpose of protecting the interests of the minority shareholders and preventing equity participation by a third party who may put Toshiba at disadvantage.

If the acquisition had taken place on April 1, 2005, Toshiba's unaudited pro-forma operating results would have been as summarized below.

	Billions of yen		Millions of U.S. dollars
Year ended March 31	**2007**	2006	**2007**
Net sales	**¥ 7,232.0**	¥ 6,563.5	**$ 61,288**
Net income	**140.2**	105.0	**1,188**

	yen		U.S. dollars
Year ended March 31	**2007**	2006	**2007**
Net income per share of common stock	**¥ 43.61**	¥ 32.67	**$ 0.37**
Diluted net income per share of common stock	**40.24**	30.14	**0.34**

Pro-forma data has been prepared for comparative purpose only and is not intended to be indicative of what the Company's results would have been had the acquisition occurred at the beginning of the periods presented or the results which may occur in the future.

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Report of Independent Auditors

The Board of Directors and Shareholders of
Toshiba Corporation

We have audited the accompanying consolidated balance sheets of Toshiba Corporation and subsidiaries (the "Company") as of March 31, 2007 and 2006, 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's consolidated financial statements do not disclose segment information required by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." In our opinion, disclosure of segment information is required by U.S. generally accepted accounting principles.

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 Toshiba Corporation and subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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.

June 25, 2007

Ernst & Young ShinNihon

TOSHIBA CORPORATION

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

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