

# **Basic Strategies for Period to FY2006**

**- Digital Products Strategy for Ubiquitous Network Society -**

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## Forward-looking Statements

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

**Growth business domains****Digital Products Segment  
Electronic Devices Segment**

**World's top group  
Proactive approach  
to ubiquitous network society**



**Expect high growth and profitability  
as cores of Toshiba Group**

**Stable business domains****Social Infrastructure Systems  
Segment**

**Management efficiency  
Global business expansion  
Creation of new businesses**



**Solid profit base**

Plan	Results
<b>1 Business restructuring</b>	<b>Withdrawal</b> <b>from commodity DRAM business</b> <b>JV for LCDs and CRTs with MEI</b> <b>JV for power transmission</b> <b>&amp; distribution with MELCO</b>
<b>2 Procurement cost reduction</b> <b>20% in 2 years</b>	<b>Reduced 20%</b>
<b>3 Group employees reduction</b> <b>10%</b> <b>188,300 (Mar. 01)</b>	<b>Reduced 13%</b> <b>164,000 (Mar. 04)</b>
<b>4 Assets reduction (“Asset Light”)</b> <b>800 billion yen</b>	<b>1.2 trillion yen</b>

- 1 Improve efficiency of sales organization worldwide**  
Integrated direct sales force to a domestic sales subsidiary (Oct. 03)  
Reduced 500 employees worldwide (by Mar. 03)
- 2 Improve development efficiency  
and rebuild the product strategy**  
# of mother boards: 24 -> 12 -> 9
- 3 Increase overseas production and use of external resources**  
ODM production ratio: 30% (Mar. 04) -> more than 50%  
(enhance cost competitiveness of low-end models  
/ focus resources on differentiated models  
Shift domestic production site (Ome) to pilot production facility
- 4 Reinforce procurement function**  
Cooperate with development procurement
- 5 Launch of strategic products**  
(Visual technology, storage technology -> into a black box)

**Returning to the black by Mar. 05**

**Turn the PC business into the black  
and establish visual products business as a pillar for profits**

**Pursue synergy with Electronic Devices businesses**

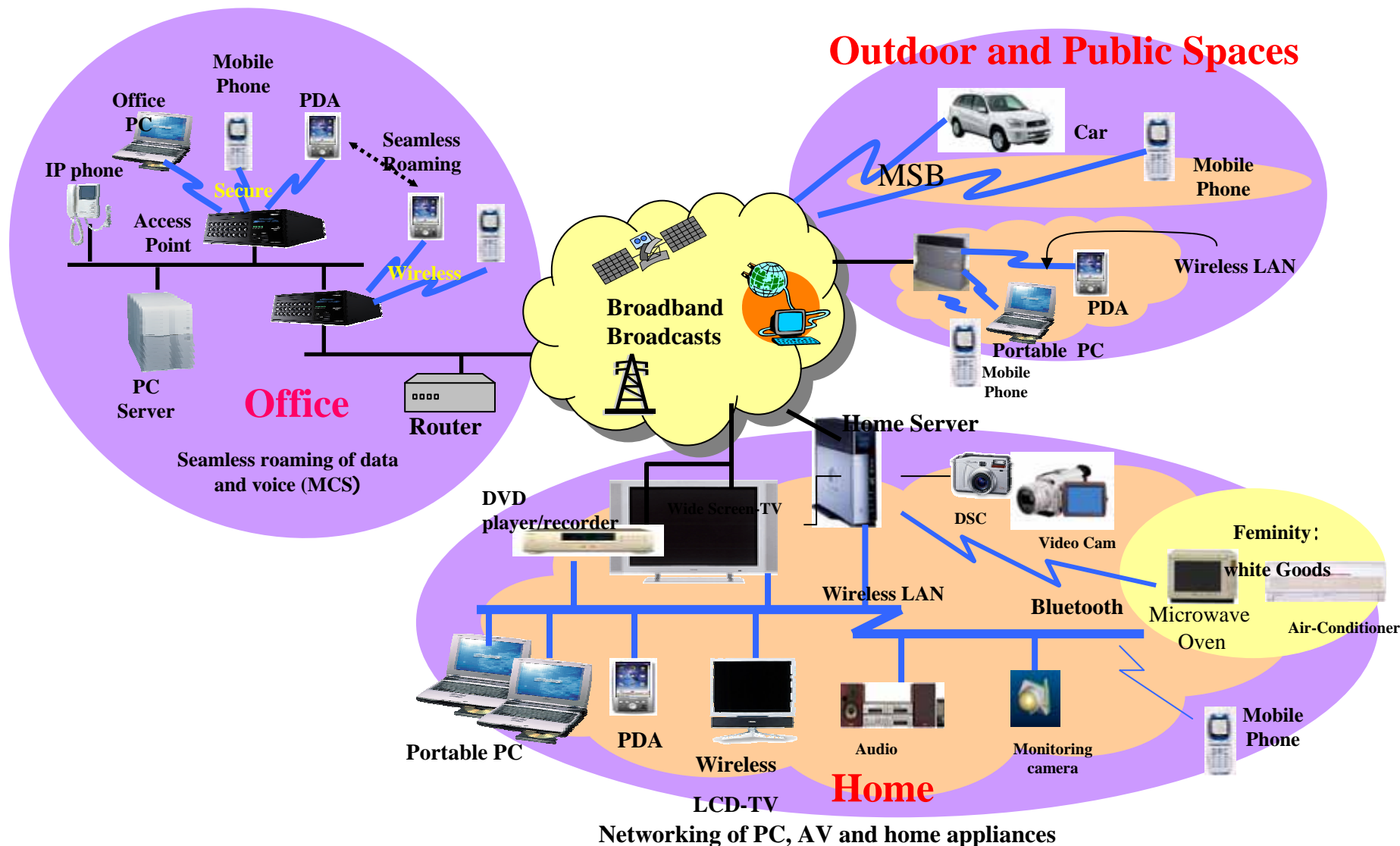
**Lay a solid foundation for growth**

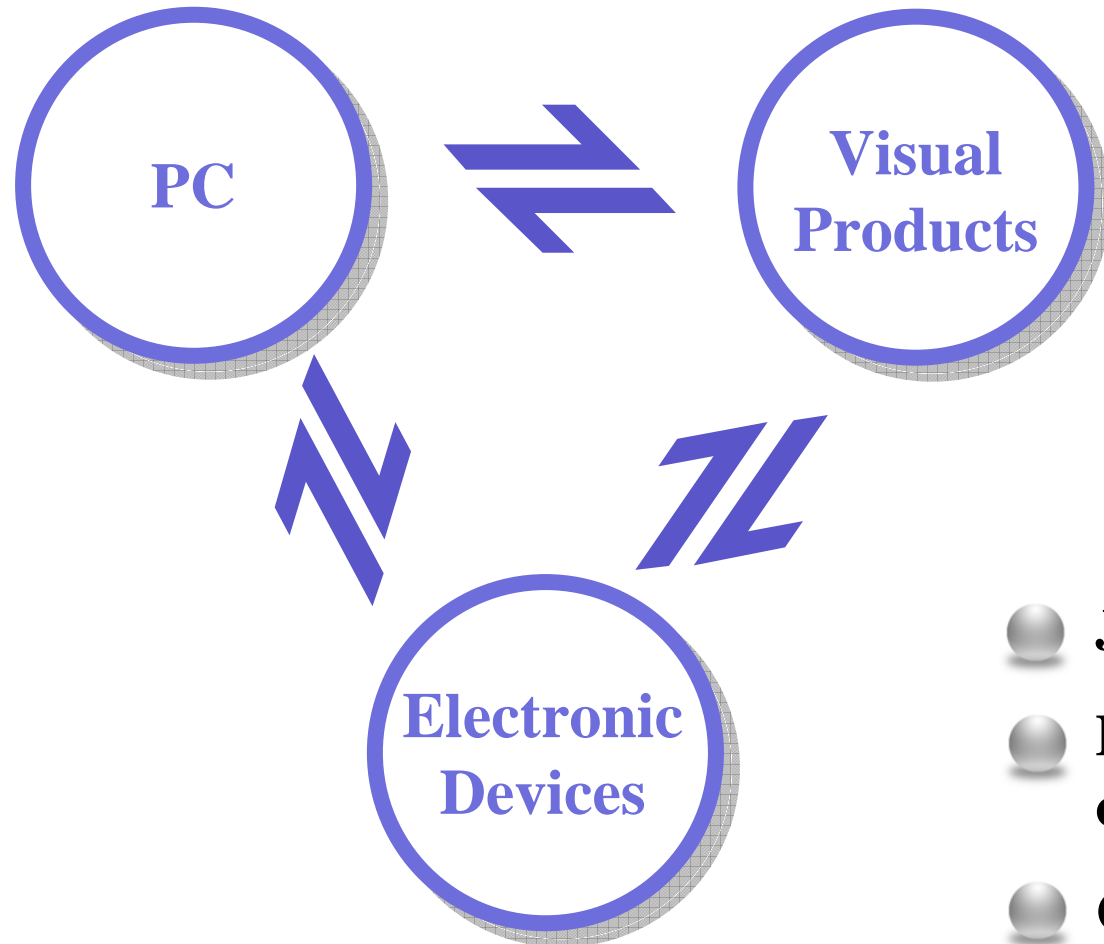


**PC business**

**Visual products business**







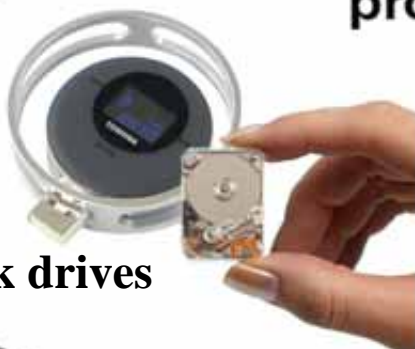
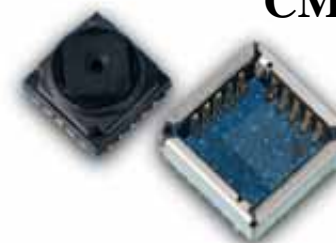
- **Joint projects**
- **Enhance exchange of human resources**
- **Channel resources to development of strategic products**



## Visual business as a pillar “Look”, “Record”, “Shoot”

**Fuel cells****HD DVDs**

(high definition DVDs)

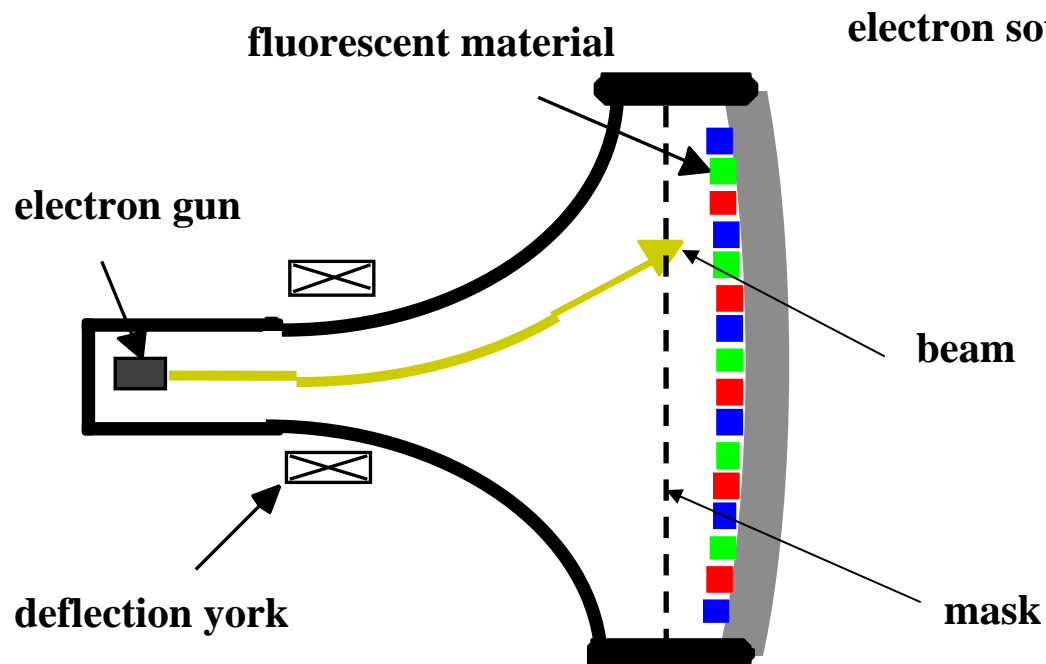
**0.85-inch  
Hard disk drives****digital  
products****CMOS sensors****Image processors****SEDs**

(New flat  
panel displays)

**NAND  
flash memories****OLEDs**

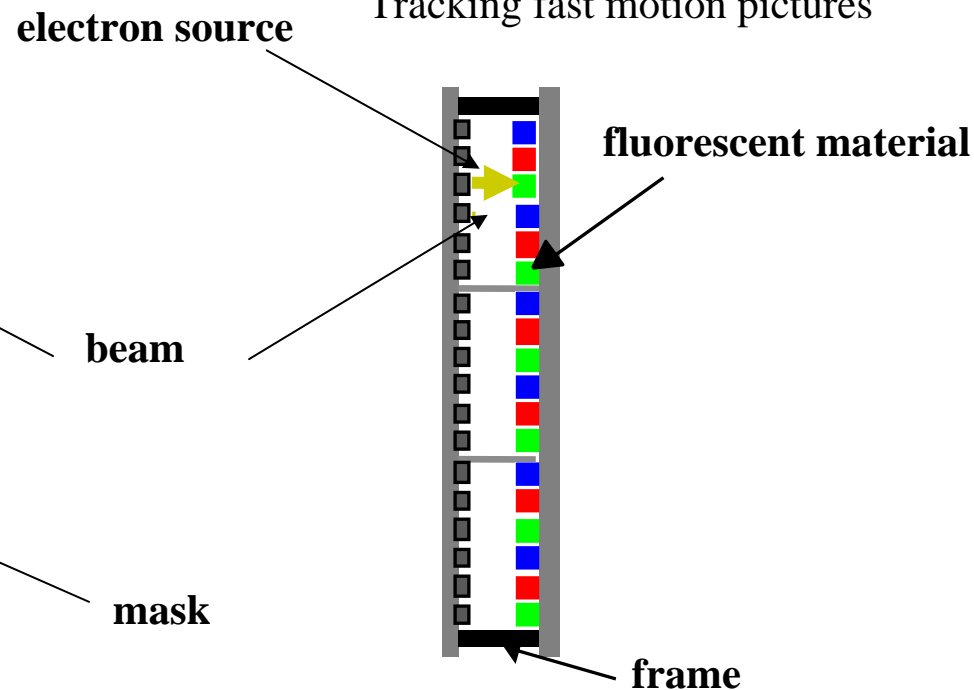
**Features**

- High-definition
- Lower power consumption
- Tracking fast motion pictures



**CRT**

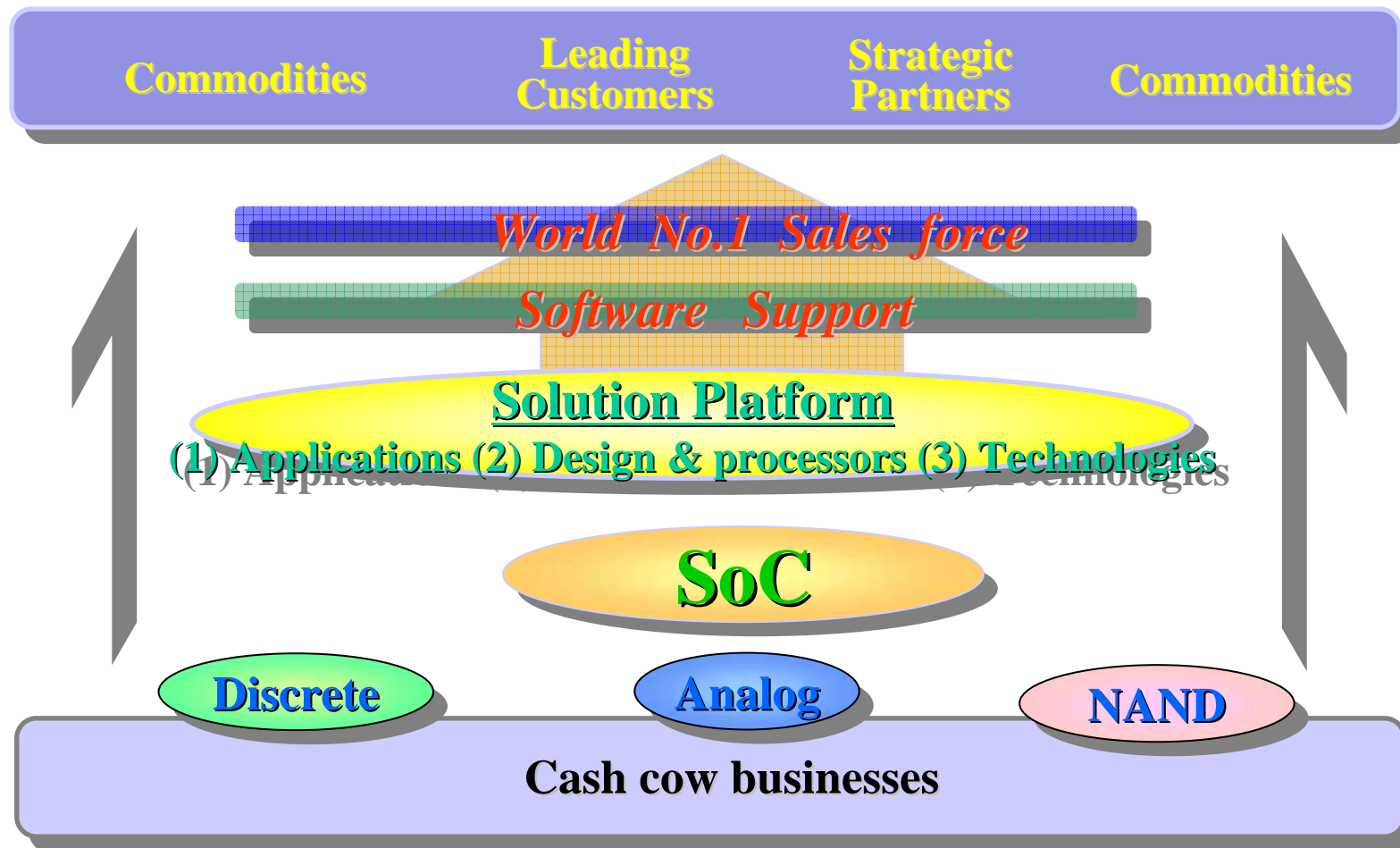
**(Cathode Ray Tube)**



**SED**

**(Surface-Conduction  
Electron-Emitter Display)**

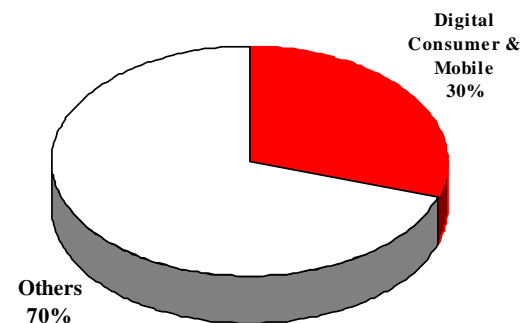
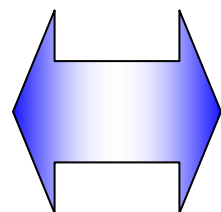
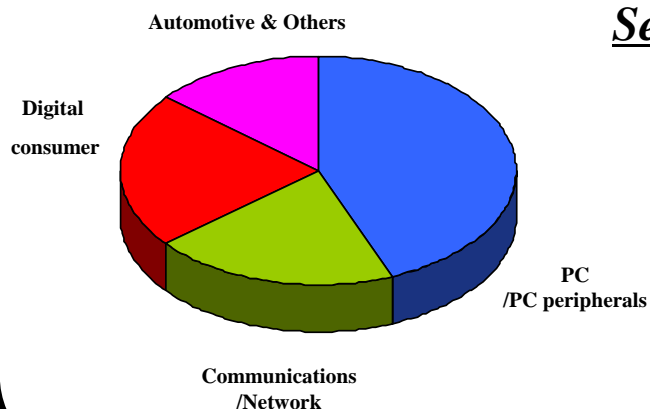
**- Integration of existing businesses and support-type businesses -**



**Ratio by application**

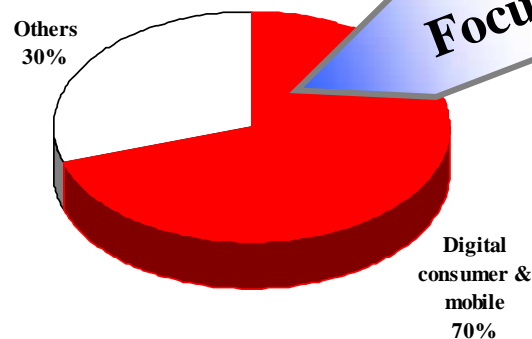
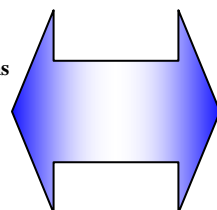
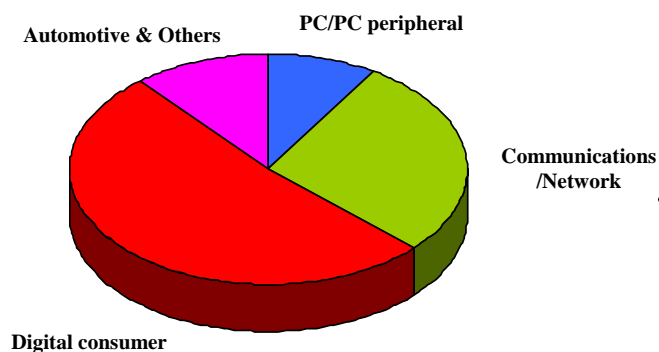
**Ratio of digital consumer and mobile applications**

**Semiconductor market**



**Ratio of digital consumer and mobile to grow to 30%**

**Toshiba**



**Ratio of digital consumer and mobile to grow to 70%**

(Digital consumer, part of consumer electronics) + (Mobile, part of Comms/Network) = Digital consumer & Mobile

## **Capital expenditure**

**New clean rooms for 300mm wafer fabrication**

**Oita Operations:**

**Mass production: Autumn, 2004**

**Yokkaichi Operations:**

**Mass production: 2H/FY2005**

**(construction started in Apr. 2004)**



New 300 mm wafer fab in Oita Operations



Image of new 300 mm wafer fab in Yokkaichi Operations

## ● Global expansion

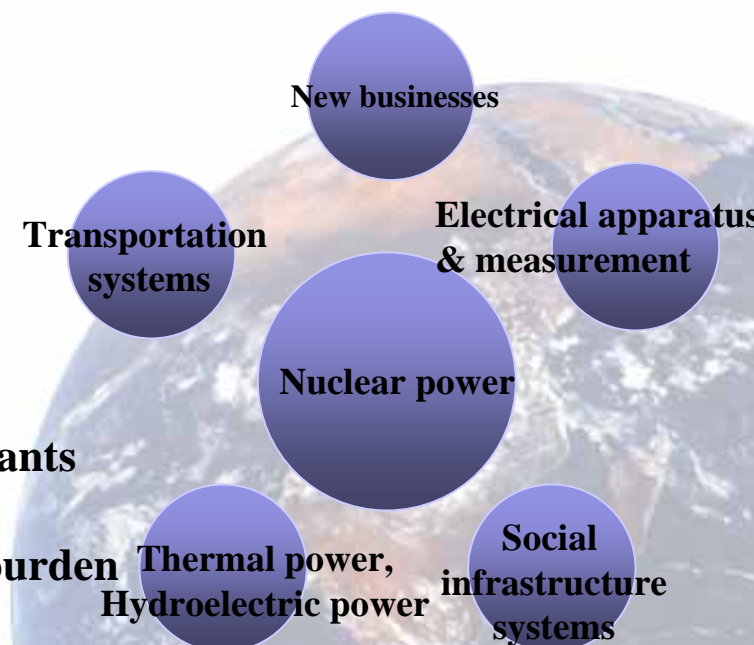
- Promote worldwide procurement and enhance global sales structure
- Expand operations in mainland China  
Changzhou (power transformers), etc.  
total 13 operations

## ● Services and maintenance

- Diagnosis and repair business for power plants
- Operation and maintenance businesses
- Technologies for reducing environmental burden

## ● New businesses

- Energy solution for the era of deregulation of electric utility resale  
(power generation business, solutions assisting power transactions)
- Production of hydrogen, use of waste heat

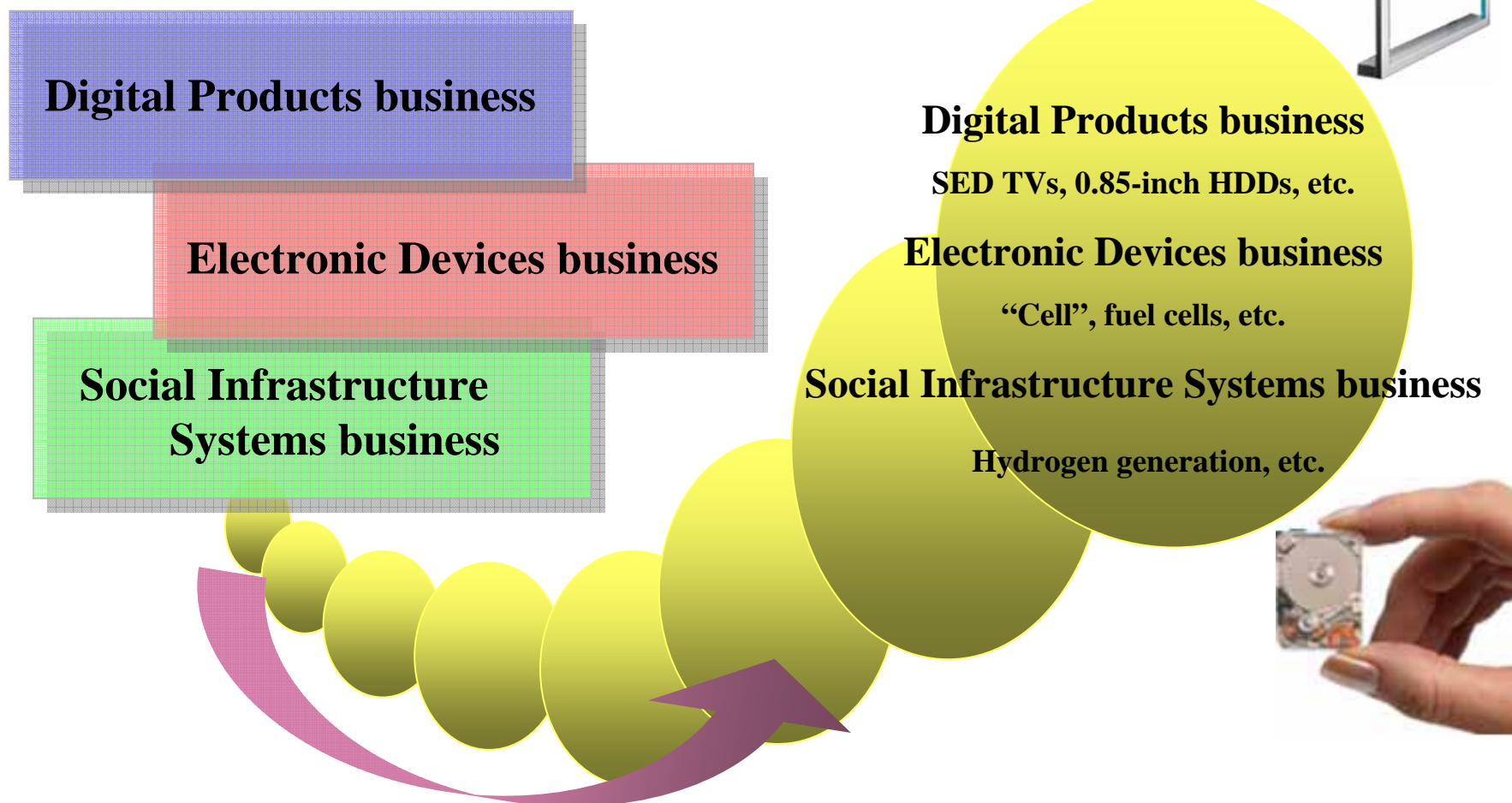


**Core technologies**



93 “Tommorow’s Products”

Strategic technologies and products leading future businesses



- **Net sales: 6.2 trillion yen (consolidated)**  
**CAGR: 3%**
- **Operating income: 280 billion yen (consolidated)**
- **D/E ratio: 100%**
- **Capex. : 1,000 billion yen in FY2004-2006**  
**largely on Digital Products Segment**  
**and Electronic Devices Segment**
- **R&D: 1.1 trillion yen in FY2004-2006**  
**encouraging cooperation of Digital Products**  
**Segment and Electronic Devices Segment**
- **Overseas business ratio: 50%**



## **Toshiba: Who We Are**

Companies are people, individuals working together. At Toshiba, each of us can discover our full potential, while contributing to the company's continued success and long term prosperity.

Toshiba's excellence in technology, products, systems and services, and the quality and reliability for which we are known and respected, all derive from the passion and determination that the people of Toshiba bring to the pursuit of innovation and progress.

As individuals, we seek out the new and develop original concepts and expertise. We bring passion and dedication to the workplace and welcome responsibility. We are quick to decide and resolute in action.

Managers provide leadership, inspiration and strategic direction, cultivate and unite individual capabilities, and assure the achievement of clearly defined goals that realize sound growth and profit.

Our combined efforts inspire our customers. Our power of innovation deliver comfort, security and affluence. Working together, we make dreams come true, contribute to richer lifestyles and to a better world.

Empower Yourself, Empower Toshiba.

**<http://www.toshiba.co.jp/about/ir/index2.htm>**