

Strategies for Growth

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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 electronics business, customer demand, foreign currency exchange rates, tax rules, regulations and other factors. Toshiba therefore, wishes to caution that actual results may differ materially from our expectations.

Basic Management Policy

- Evolve into Strong, Dynamic Enterprise -

1. Realize Sustainable Growth

Implement growth strategies and make strategic allocations of resources

2. Maximize Multiplier Effect of Innovations

Enhance global competitiveness through Process Innovation in R&D, Manufacturing and Marketing

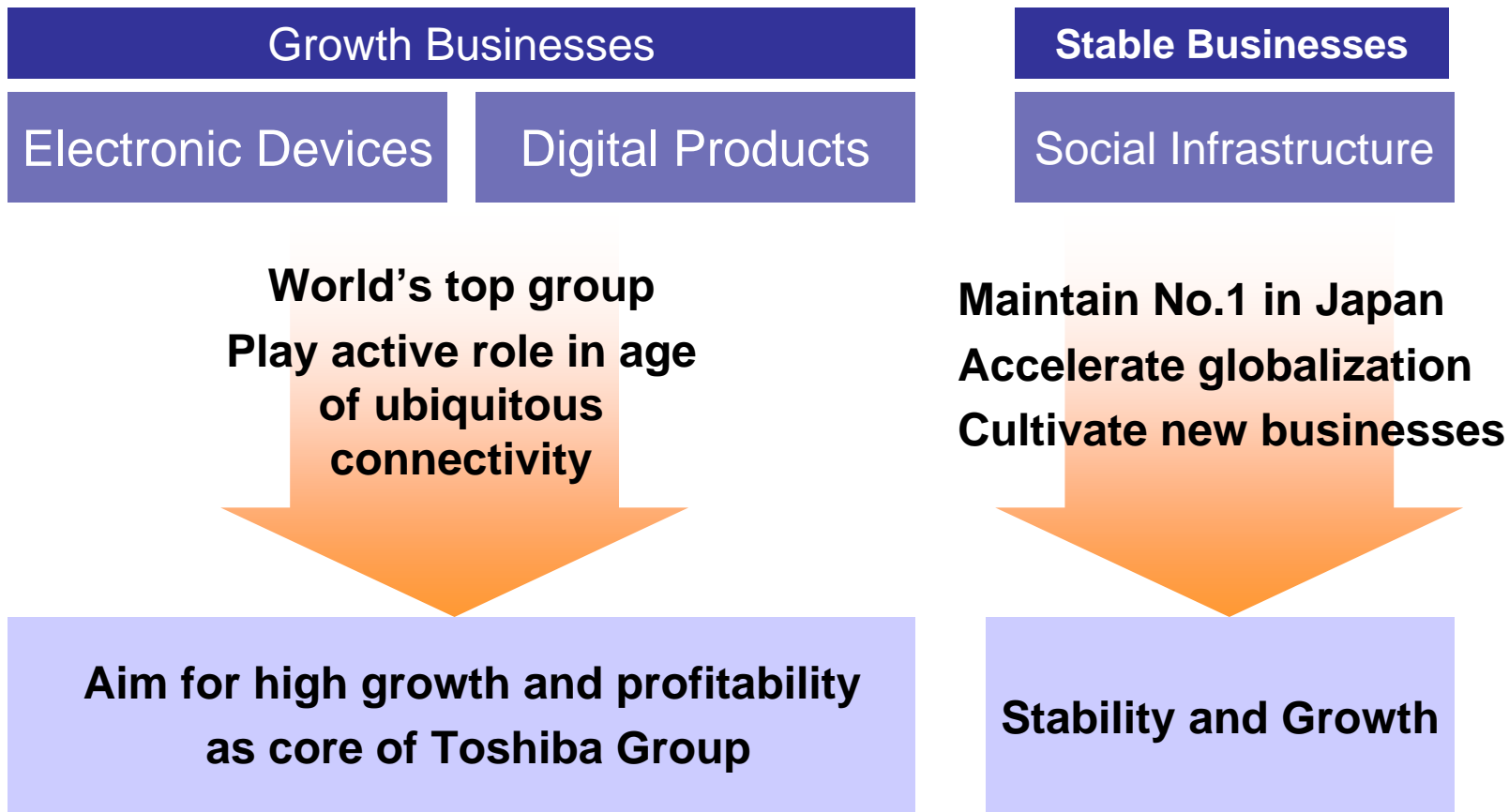
3. Execute Corporate Social Responsibilities

Evolve as a global group recognized for responding to social and environmental concerns

Realize Sustainable Growth

**Implementation of growth strategies and
strategic allocation of resources**

Achieve Sustainable Growth In Three Major Business Domains



Key Points for Growth in Three Domains

Electronic Devices

Channel major
corporate resources



Attain further growth
in semiconductors
Cultivate new businesses

Digital Products

Differentiation and
De-commoditization
Strengthen profitability



Establish solid
profit base

Social Infrastructure

Accelerate globalization

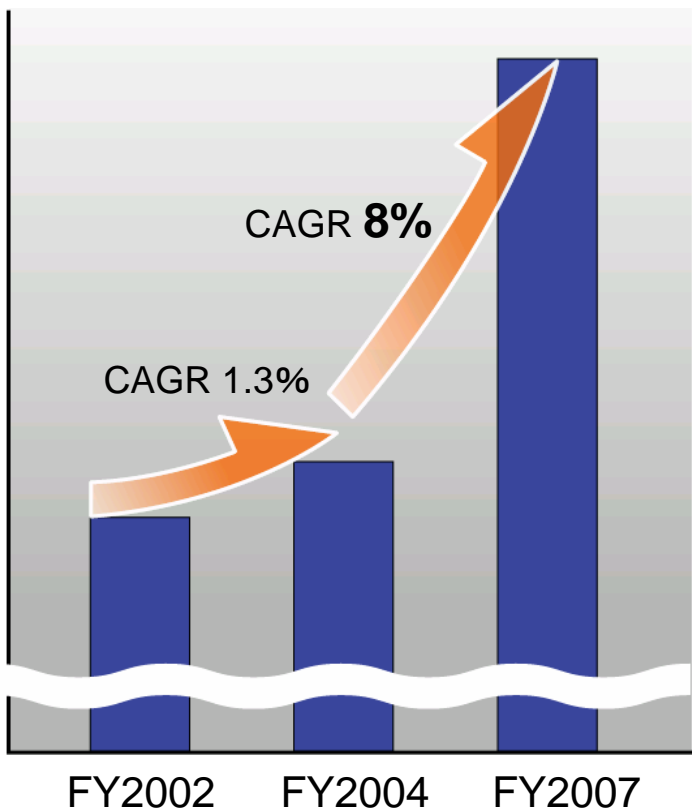


Build even more
robust profitability

Electronic Devices

Electronic Devices

Electronic Devices: CAGR



FY2007

Sales Growth: 8%

(FY04-FY07 CAGR)

FY02-FY04 CAGR: 1.3%

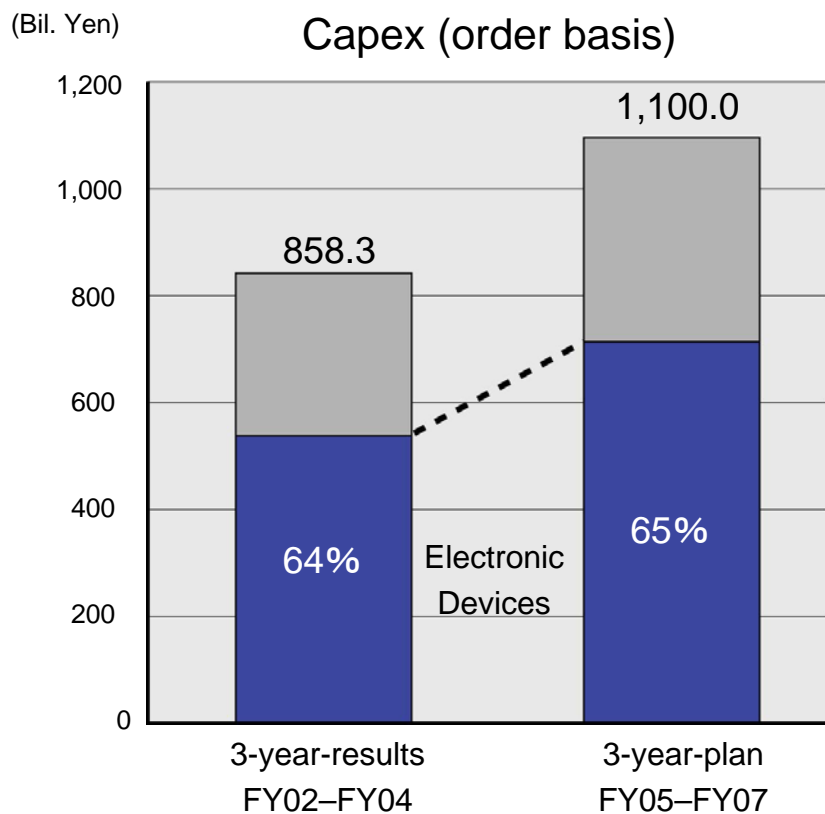
Operating Income to Sales: 8%

Focus Products

- NAND
- Broadband System LSI
- SED
- OLED
- Input Display
- DMFC for Mobile Equipment

Growth Strategy for Electronic Devices — Capex

- Achieve profitable growth by a strategic focus on Electronic Devices -



Semiconductor Business

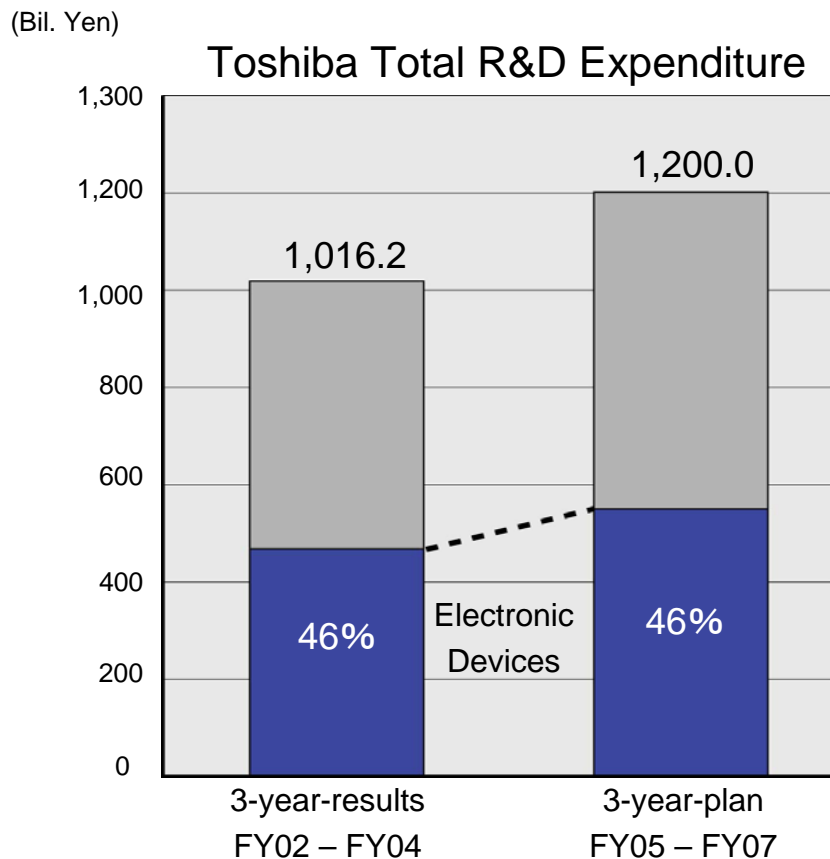
- Drive sales expansion and high profitability by devoting 50% of total capex to semiconductors
- Focused investment on strong products, mainly NAND at 300mm wafer fab

Display Business

- Establish new facility integrating leading SOG technology and high image quality OCB technology
- Reinforce profitable organization by introducing differentiated products
- Direct investment toward mass-production of strategic product: SED

Growth Strategy for Electronic Devices — R&D

- Reinforce competitiveness, secure continuous growth by a strategic focus on Electronic Devices -



Semiconductor Business

- Develop most advanced process technology ahead of competitors
- Broadband system LSI

Display Business

- Reinforce line-up by developing differentiated products, such as OLED and SOG
- SED: promote development toward full mass-production in FY07

Components and Materials

- DMFC for mobile equipment

Semiconductor Business

Growth Strategies to FY07: CAGR of 9%, FY04-FY07



- Achieve profitable growth
- World #3 in sales

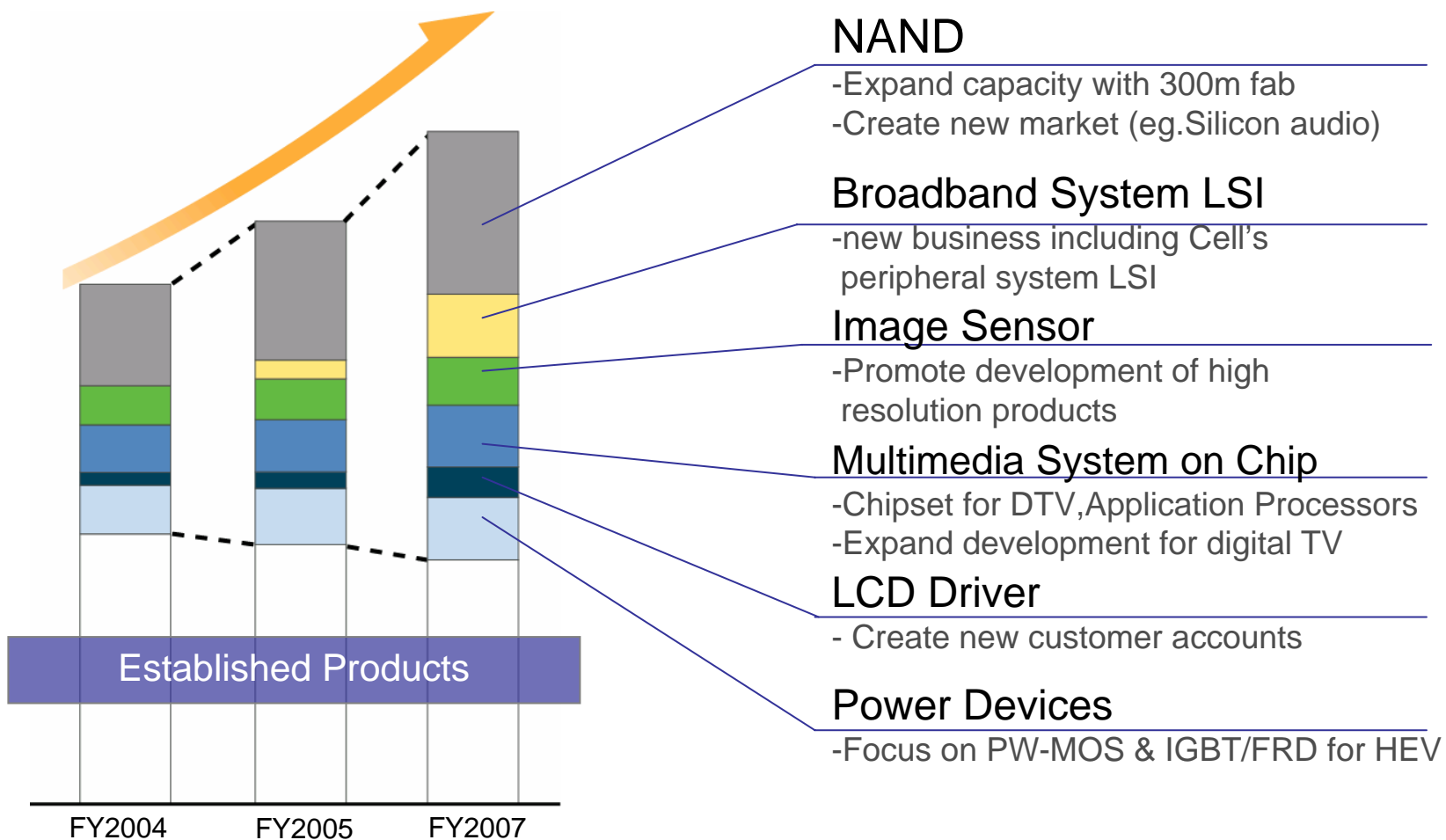
Market Growth Rate:
FY04-FY07 CAGR 2%
(Source: Toshiba)

Basic Strategies

“Focus & Foresight” based on Business Portfolio	Focus on Growing Markets & Reinforcement of Sales Force	Maintain Leading- Edge Technology	Strengthen Sustainable Business Structure
<ol style="list-style-type: none"> 1. Expand NAND Flash business and launch Broadband System LSI business. 2. Focus & Foresight on SoC business, with high cost competitiveness 	<ol style="list-style-type: none"> 1. Increase sales in greater China market 2. Construct strong partnerships with strategic customers 	<ol style="list-style-type: none"> 1. Develop process technology in advance of competitors 2. Raise efficiency of design 	<ol style="list-style-type: none"> 1. Improve cost structure 2. Establish new global network

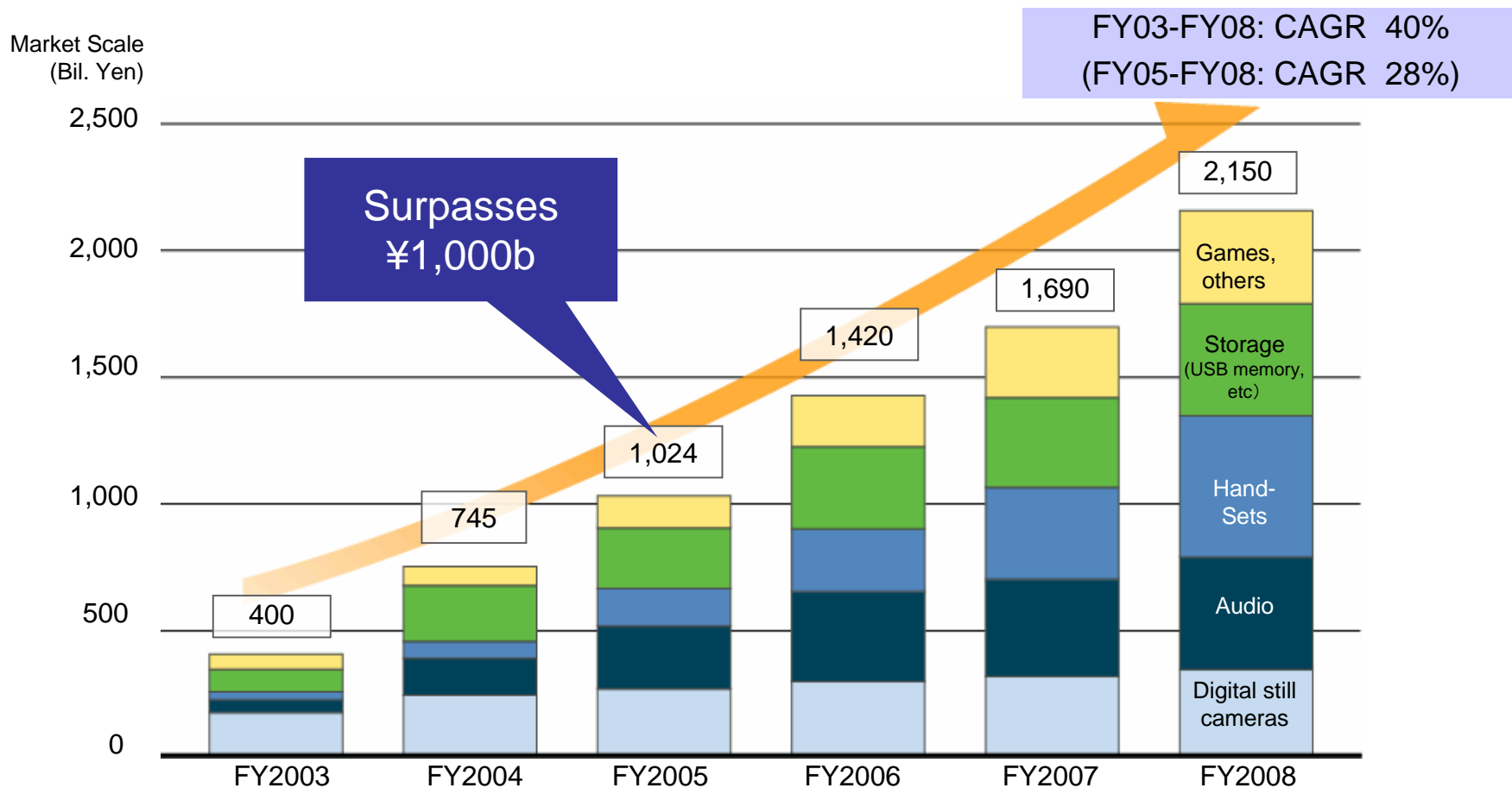
Semiconductor Focus Products

Focus Products: CAGR 20%



NAND Flash Market (by value)

CAGR 40%



System LSI & Discrete

Higher Profit, Reinforced Profit Base

Cell Peripheral System LSIs
CMOS Sensor, Analog

Next Generation Power
and Optical Devices

Foundry Business
For Xilinx

Oita 300mm
Clean Room

Maintain Leadership in most
advanced process technology

World's No.1 Technological Capabilities

World's No.1 Share

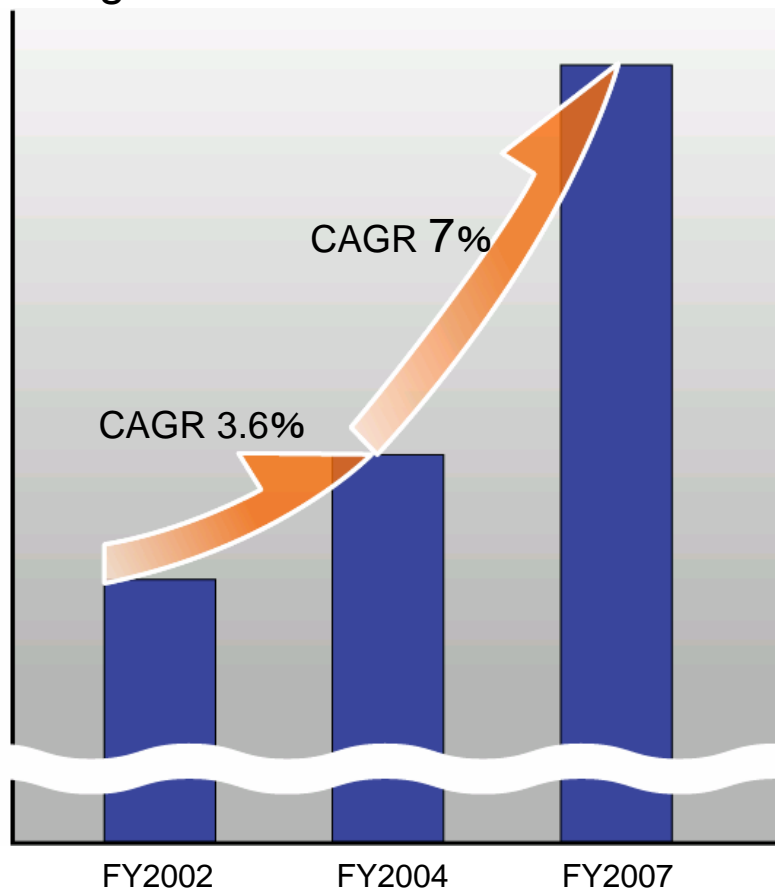
System LSI

Discrete

Digital Products

Digital Products

Digital Products : CAGR



FY2007

Sales Growth: 7%

(FY04-FY07 CAGR)

FY02-FY04 CAGR: 3.6%

Operating Income to Sales: 2%

Focus Products

- HD DVD
- Flat Panel Display TVs
(including SED TV)
- HDD
- AV Notebook PC
- Thin & Light PC
- 3G Mobile Phone
- MFP (Multi-function printer)
- POS System

Digital Products

Growth Strategies to FY2007: CAGR of 7%, FY04-FY07

Basic Strategies			
Mobile Phone Business	AV Business	Storage Business	PC Business
<ol style="list-style-type: none"> Global Introduction of W-CDMA terminals <ul style="list-style-type: none"> Enhance development efficiency, and promote and distribute multiple models. 	<ol style="list-style-type: none"> Provide differentiated products that fully utilize Toshiba's technological strengths Promote alliances Promote vertical integration model Revise business structure of AV business 	<ol style="list-style-type: none"> Introduce products based on differentiated technologies Expand production scale and promote production efficiency 	<ol style="list-style-type: none"> Promote differentiated products Strengthen cost competitiveness Strengthen marketing activities

AV Business

Growth Strategies to FY07: CAGR of Over 10%, FY04-FY07

A Changing Business Environment

Paradigm Shift in AV → Convergence of CE and PC



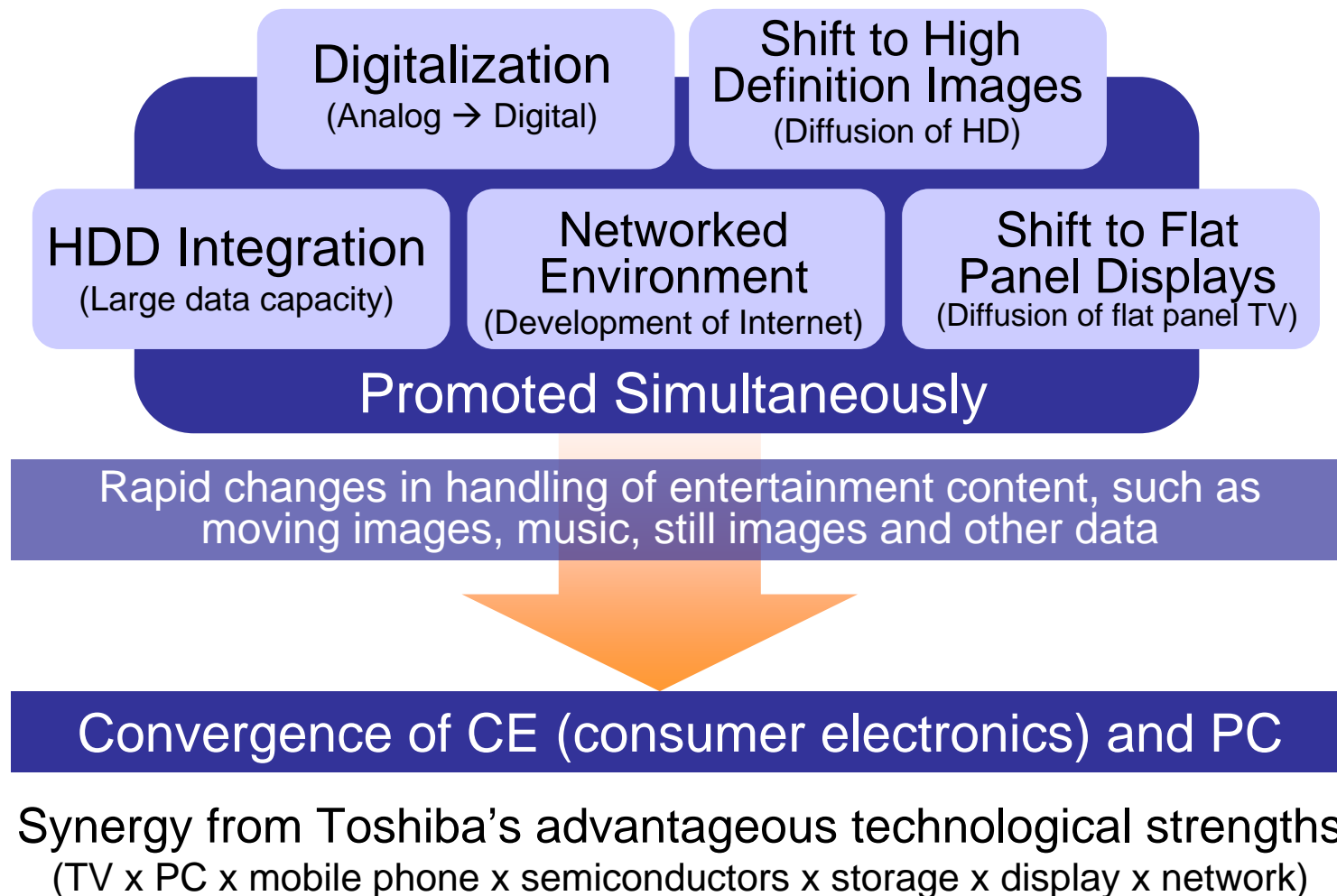
Business Strategies

- Provide attractive, differentiated products by fully utilizing Toshiba's strengths
- Accelerate growth and maximize resources by promoting alliances
- Promote vertical integration model
- Revise business structure of AV business



“Make the AV Business a Pillar of Future Growth”

AV Paradigm Shift – 1

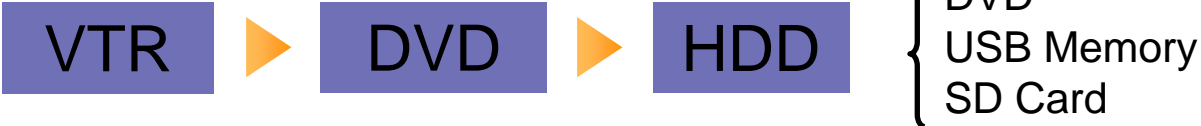


AV Paradigm Shift – 2

Compartmentalization

- Miniaturization and capacity increase of HDD
 - HDD is the mainstream temporary large capacity storage medium
 - HDD integration in CE Products
- Diversification of removable media
 - DVD, USB memory, SD card

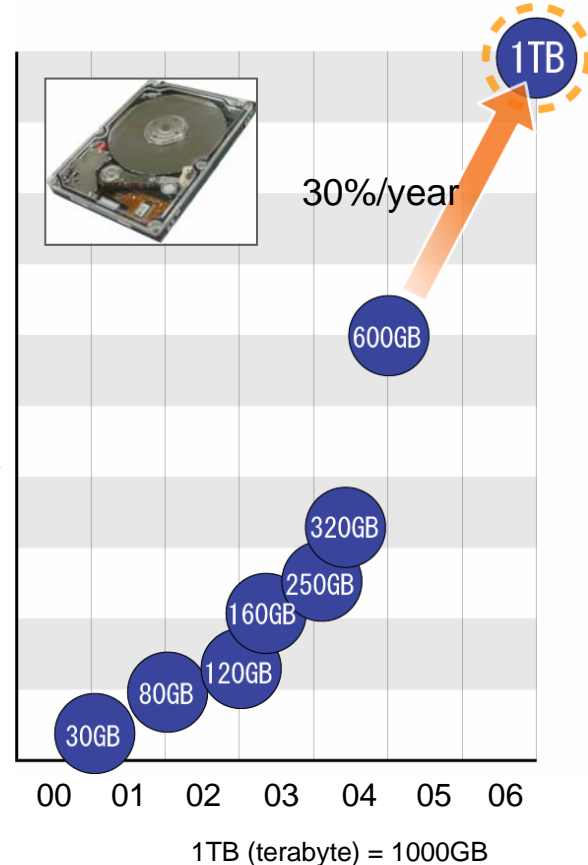
Save video to HDD and archive only selected content



Paradigm shift in image and music file recording data

Toshiba integrates HDD into all AV products

Trend in capacity growth for Toshiba's HDD & DVD video recorders



Strategies to Strengthen AV Businesses – 1

Provide attractive, differentiated products that fully utilize Toshiba's strengths

Pursue "gigastyle™" and "HDstyle"

Mobile/Storage

- 0.85" and 1.8" HDD
- Ultra small fuel cells
- CMOS image sensor
- NAND flash

gigastyle™ enhances "Toshiba as an AV company"

Display

- SED panel
- Small OLED
- IPS LCD panel
- OCB panel

Favorite Images and Music Anytime, Anywhere

AV products with integrated high capacity HDD

gigastyle™

Fully utilize advantages of integrated HDD



Beautiful Images HD-ready

HDstyle



Netstyle

Home Networking Technology

- Bluetooth
- DTCP over IP (digital content protection technology)
- UWB (Ultra wideband)
- Wireless LAN

Imaging Technologies (image engine)

- Image processing LSI
- Cell

Strategies to Strengthen AV Businesses – 2

Accelerate Growth by Promoting Alliances and Maximize Resources

- Canon & Toshiba: SED panel
- Hitachi, Matsushita & Toshiba: IPS LCD
- SONY Group, IBM & Toshiba: Cell
- NEC, SANYO, Memory-Tech, Toshiba: HD DVD

Promote Vertical Integration Model

For differentiated products including FPD panel, storage and semiconductors;

- Stable procurement
- Improve product quality
- Cost reduction by cooperation between component and set makers

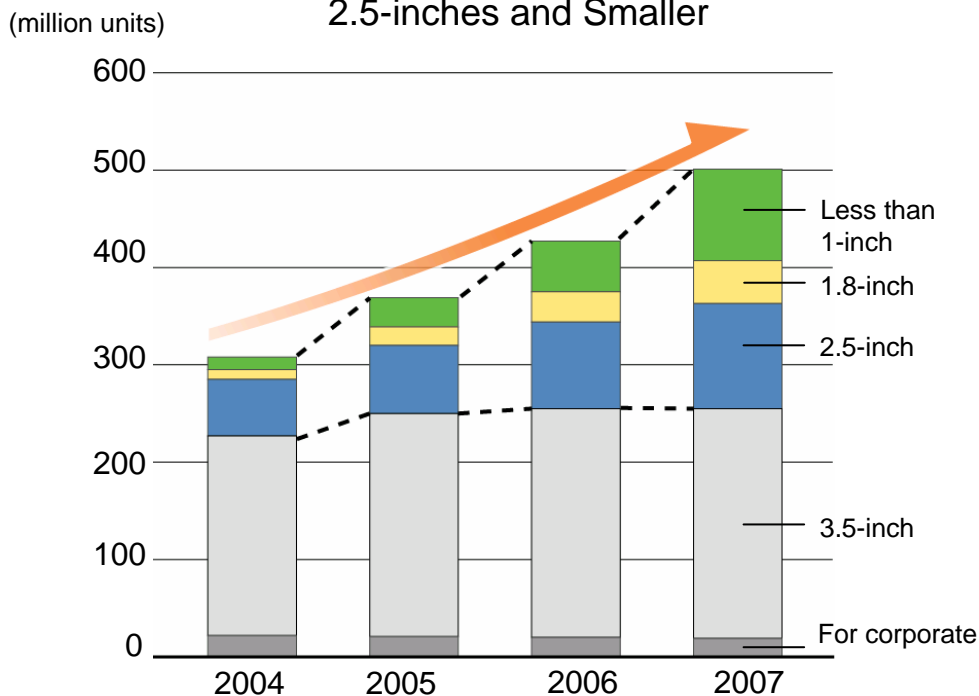
Revise AV Business Structure

- Promote innovation in cost structure
- Reinforce the sales network
- Optimize production sites
- Shift development resources

Storage Business

Growth Strategies to FY2007: CAGR of Over 15%, FY04-FY07

Market Growth for HDD, 2.5-inches and Smaller



Basic Strategies

1. Introduce Products Based on Differentiating Technologies

1. Commercialize such leading-edge HDD technologies as 0.85-inch drives and perpendicular data recording (cultivate new market)
2. Shift to higher capacity models
3. Commercialize HD DVD drive

2. Expand Production Scale and Promote Production Efficiency

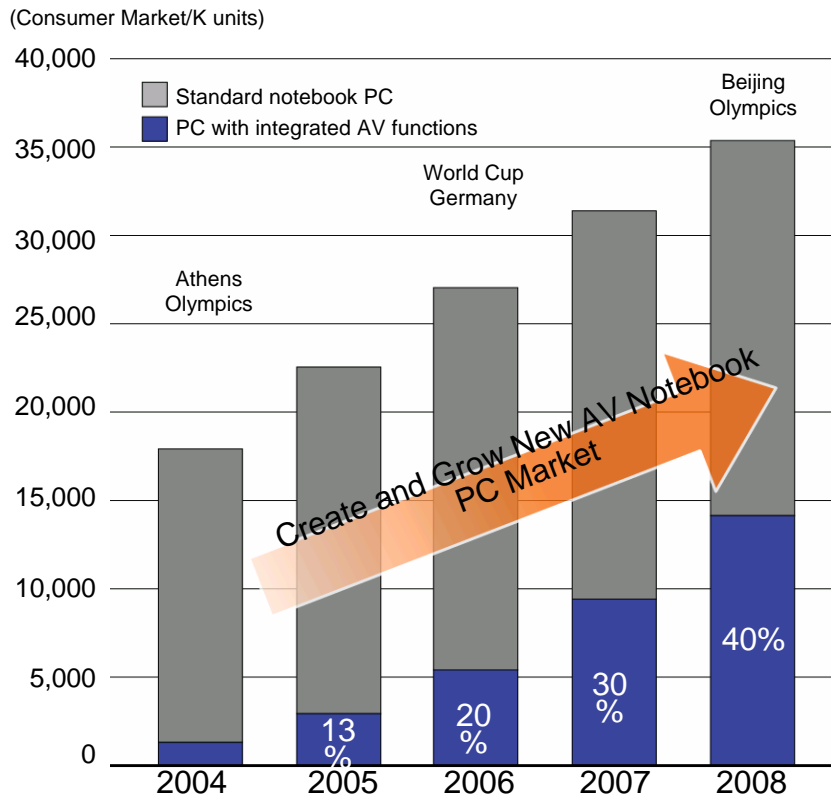
1. Target industry No.1 position for HDD 2.5 inches and smaller
2. Establish strategic SCM partnership with key customers and key components vendors. (promote efficiency of capital expenditure + conserve components + optimize logistics)

PC Business

Growth Strategies to FY2007: CAGR of Over 4%, FY04-FY07

FY04 – FY07 CAGR for notebook PC market (unit basis): 13%
 FY04 – FY07 CAGR for all Toshiba (unit basis): 15%

Growth of AV Notebook PC Market



Basic Strategies

1. Promote Differentiated Products

1. Decommoditization—Continuous development of products (AV notebook PC and Thin & Light PC)
2. Promote technology roadmap and differentiate with captive technologies

2. Strengthen Cost Competitiveness

1. Innovation in productivity in China (significant improvements in efficiency, product quality and cost competitiveness)
2. Promote continuous reductions in procurement costs through such means as enhancing cooperation with product development
3. Strengthen supply chain (PLM: Product Lifecycle Management)

3. Strengthen Marketing Activities

1. Strengthen sales promotion activities coupled with supply chain
2. Strengthen sales to small- and mid-sized businesses
3. Expand sales of differentiated products

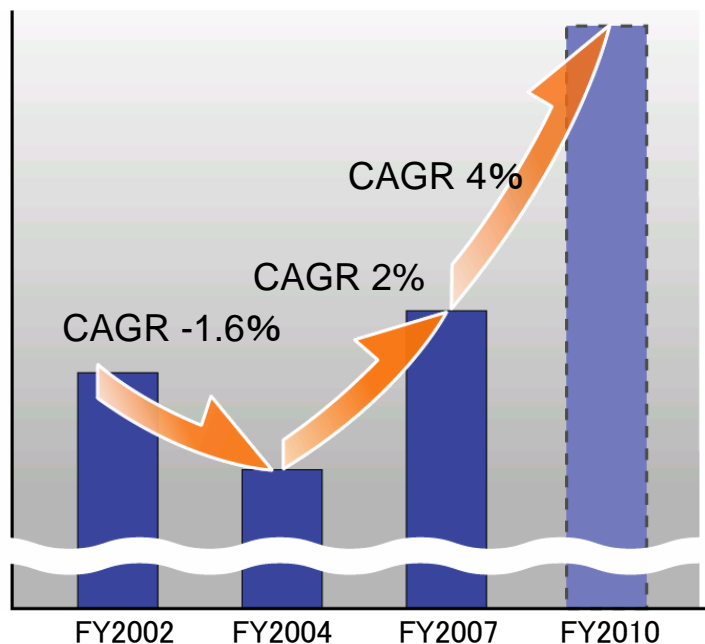
Source: IDC, Worldwide PC Tracker 2004 Q1

* Projections for notebook PC with integrated AV functions are Toshiba estimates

Social Infrastructure

Social Infrastructure

Social Infrastructure: CAGR



FY2007
Sales growth: 2%
 (FY04-07 CAGR)
 FY02-FY04 CAGR: 1.6%
Operating income to sales: 4%

Expand and Reinforce Revenue Base

- Expand Overseas Operations
- Reinforce Service Businesses

Industrial and Power Systems & Services

Overseas businesses of thermal power plants
 New services and venture businesses

Medical Systems

Increase overseas sales, especially in North America
 Core-businesses -- as X-ray, CT, Ultrasound systems
 Total Solutions Businesses

Others

Elevators, Solutions Businesses and
 Network-infrastructure, such as IC cards and security

Industrial and Power Systems & services

Growth Strategies to 2010: CAGR of 4%, FY04-FY10



- Accelerate development in global operations
- Expand domain identity through innovation

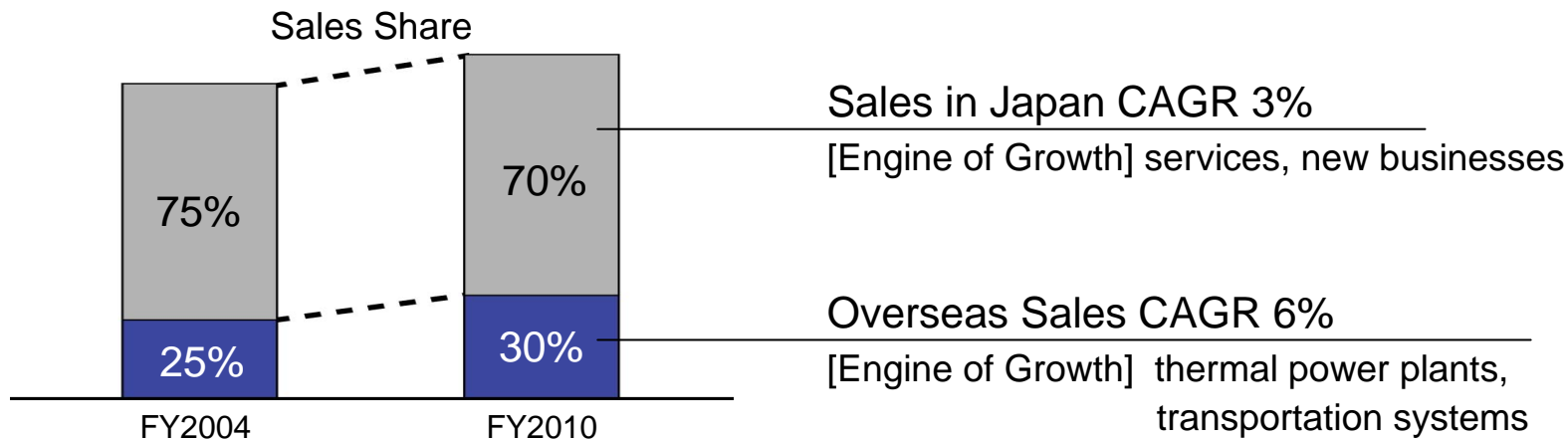
Basic Strategies

Expand Overseas Businesses

1. Selective enhancement of resources
2. Globalization of manufacturing and procurement sites

Develop New Businesses

1. Expand new service businesses
2. Promote new businesses



Expand Overseas Businesses & Develop New Businesses — 1

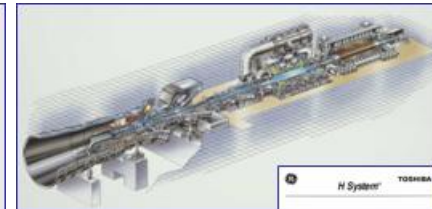
Expand Overseas Businesses

1. Engines of Growth in Overseas Businesses

- Thermal and hydro power plants
 - Services (North America and Europe)
 - Next generation combined cycle systems [H System™]
 - Hydro power systems (China and Asia)



Hydro power systems



Next generation combined cycle systems [H System™]

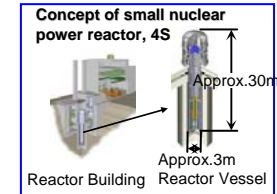
- Others
 - Transportation systems (China and North America)
 - Transmission and distribution systems (China and Middle East)
 - Nuclear power plants (North America and China)



Electric locomotive for China

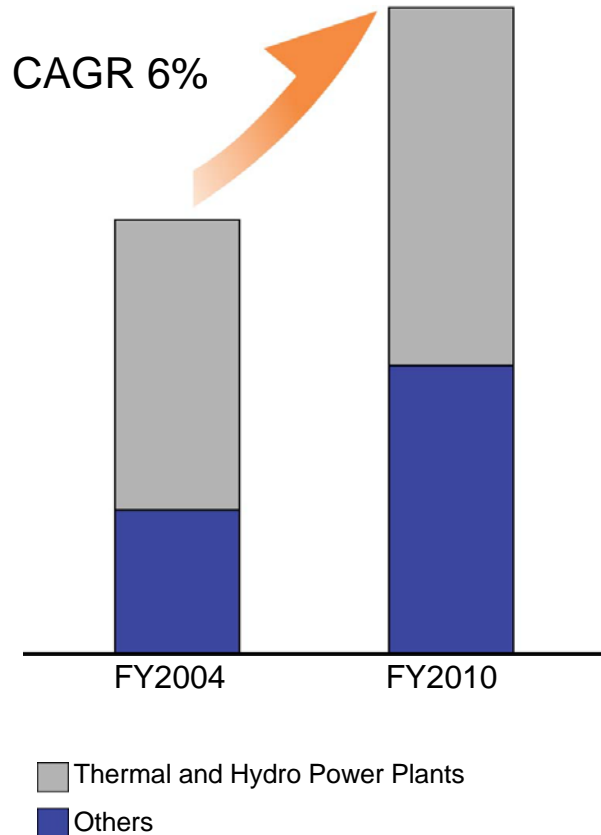


ABWR
Most economic performance
(1400-1600MWe)



Distributed Power Source
No refueling required for 30 years
(10-50MWe)

Overseas Sales



Expand Overseas Business & Develop New Businesses — 2

Expand Overseas Business

2. Selective Enhancement of Resources

- Overseas business
- Move personnel engaged in domestic business to overseas business and also increase local hires
- Strengthen product competitiveness
- Develop product lineups targeting overseas market

3. Globalization of manufacturing and procurement sites

- Increase overseas production (double from 2004 to 2007)
- Improve and expand manufacturing sites in China
- Increase overseas procurement (treble from 2004 to 2007)
- Build nine procurement sites primarily in Asia and China.
- Utilize domestic sites as “Mother Factories”

Develop New Businesses

1. Expand new service businesses

- Upgrade and extend plant lives
- Establish new business models (operation & maintenance, PFI, etc.)

2. Promote new businesses

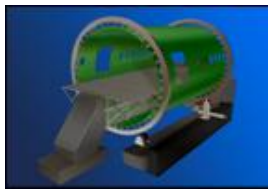
Residential proton-exchange membrane fuel cell (PEFC)



3D ultrasonic inspection systems



Portable type



Aircraft body inspection system

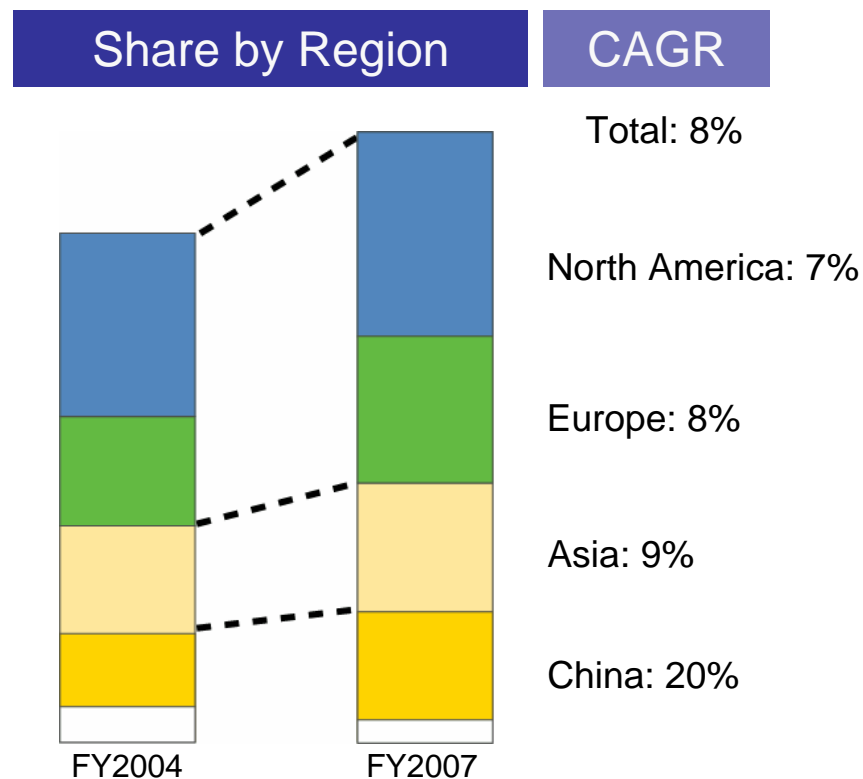
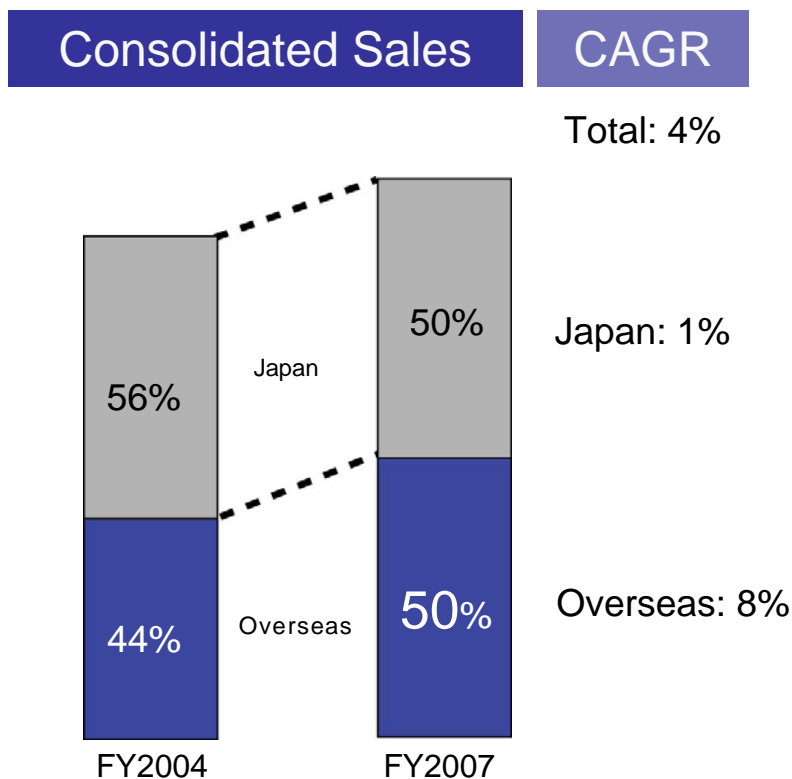
Thermo Cells, [GIGA TOPAZ™]



Overseas Businesses

Expand Overseas Businesses

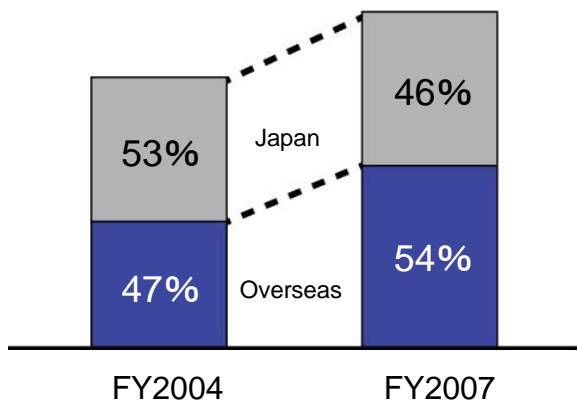
Raising Overseas Sales to 50% of All Sales



Measures to Expand Overseas Business

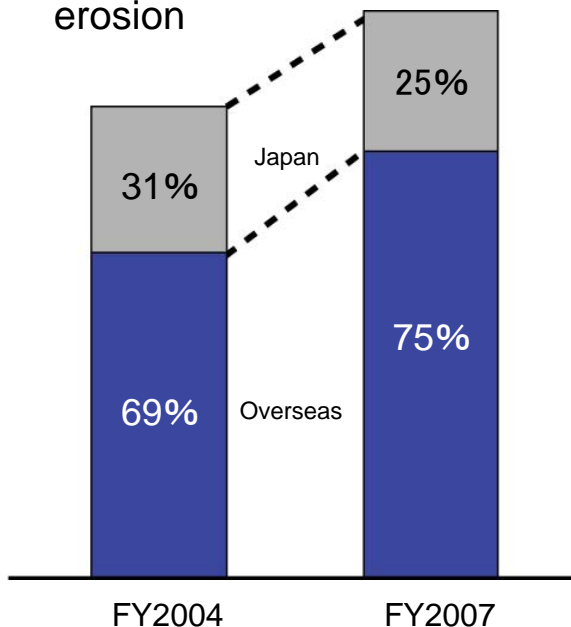
Electronic Devices

- Expand sales in greater China and promote design-in strategy in Europe
- Accelerate speed of shifting development, manufacturing and procurement sites from Japan to overseas



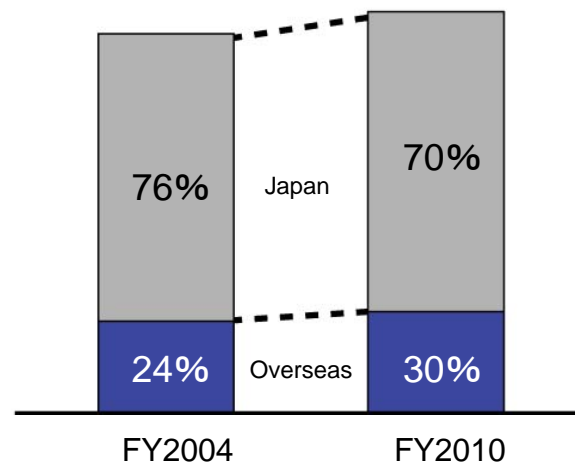
Digital Products

- Timely launch of differentiated products, such as CTVs, storage devices and mobile phones
- VA/CD outstripping price erosion



Social Infrastructure

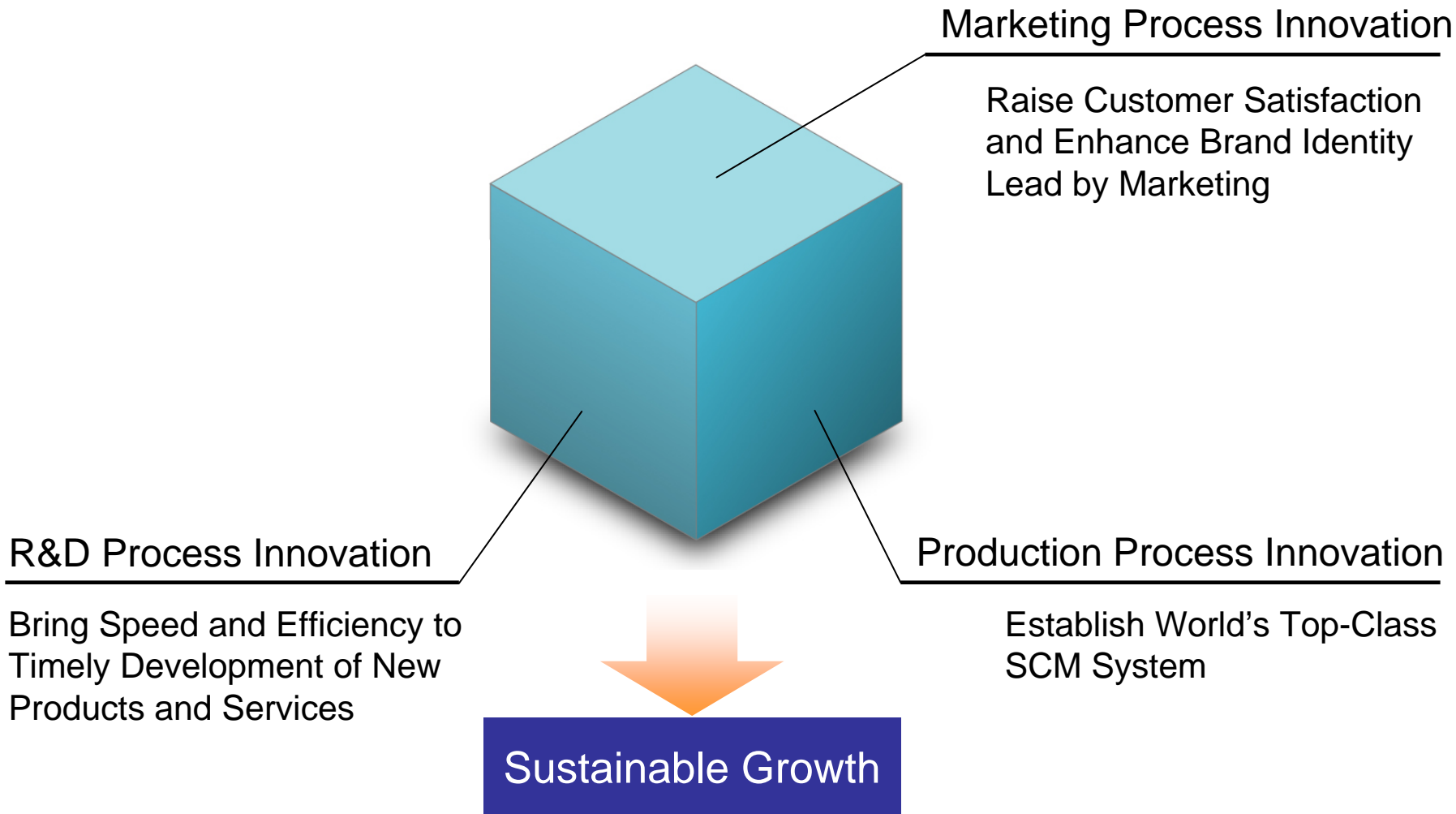
- Gear to service businesses, such as large scale refurbishment of non-Toshiba made equipment in US and Europe
- Develop manufacturing and engineering sites in China and Asia



Maximize Multiplier Effect of Innovations

**Enhance Global Competitiveness through Process
Innovation in R&D, Manufacturing and Marketing**

Innovation Strategy “i³” I cube





R&D Process Innovation

Speed and Efficiency in Timely Development of New Products and Services

Target Indicators: Strategic New Products to Contribute 20% of Sales (FY2007)
Improve Speed of R&D by 10% per Year

Innovation in process from R&D to commercialization

- Assure development of products for commercialization targeting 2007 (Near-Future Catalog)
- Define strategic R&D area targeting 2010 (Future Catalog)

Innovation in software development

- Enhance reusability and transferability
- Standardize skills of software engineers and educate to upgrade skills

Core Technologies to Generate Strategic Products

Electronic Devices

Area	Technology	Application
Nanometer-Class Semiconductor	High-k gate dielectrics technology, Schottky source/drain transistors	Ultra-low power system LSI
Next-Generation Nonvolatile Memory	Double junction fine process for flash memory	Larger capacity flash memories
	MRAM	Instant start-up function of IT products
Small Form Factor Direct Methanol Fuel Cell	Nano-scale active catalyst material	Mobile devices, notebook PC

Digital Products

Area	Technology	Application
Ultra High Density Recording	Nano-patterned media	Ultra small-sized storage devices to be integrated into mobile products
Spoken Human Interface	Voice recognition and synthesis, natural language processing	Hands-free control of digital consumer products and PCs
Store and Search Video Content	Video structuring, Multimedia database	Home server, content distribution
Highly Realistic Images	High definition image coding, video processing LSI, 3-D display	Next-generation TV, AV notebook PC

Core Technologies to Generate Strategic Products

Social Infrastructure

Area	Technology	Application
Next-Generation Diagnostic Imaging	4 dimensional (3-D + time) imaging, multi detector	Motion picture in diagnostic imaging such as X-ray CT system
Physical Security	Next-generation face recognition technology, human detection and monitoring	Security of public spaces, buildings and residences
Clean Energy	Hydrogen generation from nuclear power	Realization of hydrogen-based energy society
	Thermo electric conversion	Utilization of waste heat from automobiles and factories
Ultra-Fast Rechargeable Lithium-Ion Battery	New nano-particles for electrodes	Hybrid electric vehicles, PC, mobile devices, uninterruptible power supply

Home Appliances

Area	Technology	Application
Home Network	Networking (ECHONET, UPnP, IpV6, DLNA)	Totally networked home
New Lighting	White LED with high color rendering	New eco-lighting system with excellent design

Future

Area	Technology	Application
Future Technology	Solid-state quantum computing, quantum cryptography system	Ultimate IT based on quantum information processing



Production Process Innovation

Establish World's Top-Class SCM System

Improve Inventory Turnover

Target Indicator: 10% improvement FY2004 → FY2007

- Improve production system by cultivating people capable of innovation in manufacturing and more extensive utilization of IT

Reduce Quality Costs through Continuous Quality Improvement

Target Indicator: 33% reduction FY2003 → FY2006, against sales

- Accelerate design and platform standardization to assure quality

Reduce Procurement Costs to Sustain Price Reductions

Target Indicator: Continuous reduction of over 350 billion yen a year

- Increase overseas procurement from 37% to 50% (including increased procurement in China)

Reduce Cost of Global Logistics

Target Indicator: 15% reduction FY2003 → FY2006, against sales

- Establish total logistics, from procurement to delivery to customers



Marketing Process Innovation

Raise Customer Satisfaction and Enhance Brand Identity
Lead by Marketing

Target Indicators: Enhanced brand, become top-class brand in FY2007
4% annual increase in revenue per sales person

Improve Customer Satisfaction—Regular Customer Surveys

- CS surveys of strategic customers to hear and understand voice of customers
- Improve quality of sales and marketing, strengthen business proposal ability
- Enhance on-line business reflecting market demand

Enhance Strategic Investment in Branding

- Prioritize strategic products
- Promote heightened brand image of innovativeness and excellence

Expand Group Business Coverage in Global Strategic Accounts

- In-house and Group companies to cultivate business with new strategic accounts
- Strengthen one-stop solutions

Execute Corporate Social Responsibility

**Evolve as a Global Group Recognized for
Responding to Social and Environmental Concerns**

Toshiba's CSR Management

Toshiba is a Global Group Trusted Worldwide

Basic Principle of CSR Activities

Toshiba Group Slogan

**Committed to People,
Committed to the Future. TOSHIBA**

Respect stakeholders

Promote technological
innovation and create new
value

Contribute to a better global
environment

Contribute to the development
of society as a good corporate
citizen

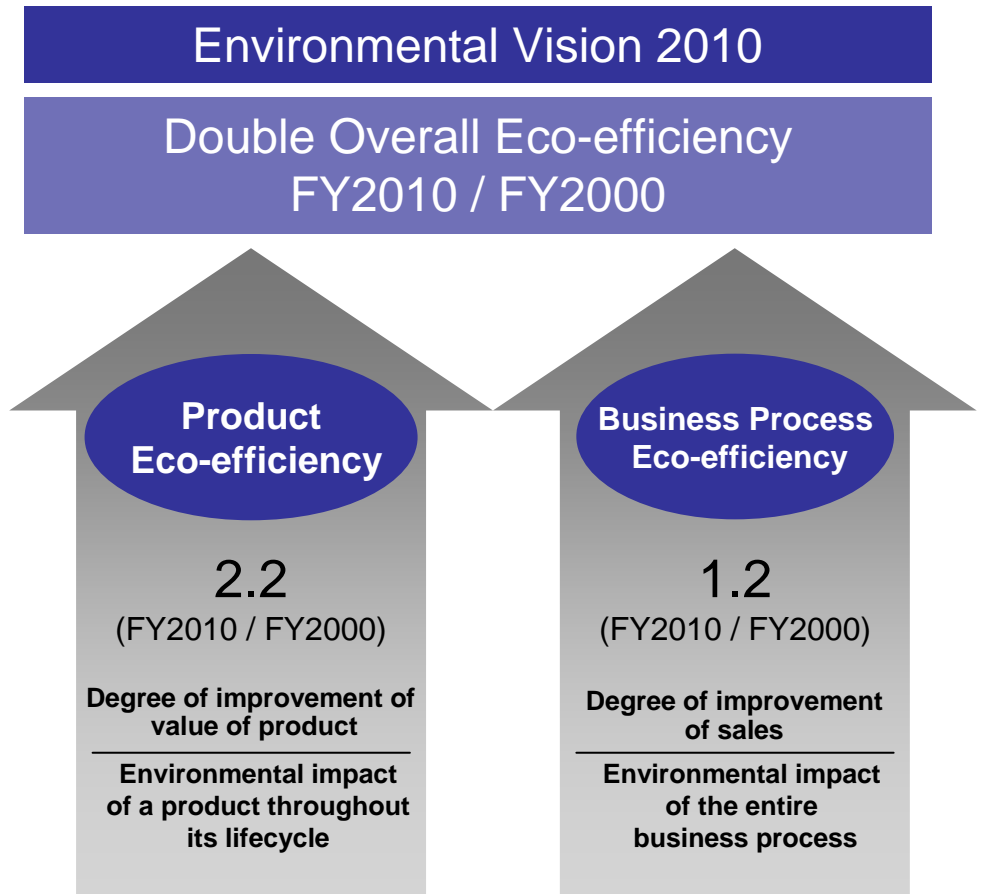


Major Emphases in CSR Activities

1. We prioritize “human life & safety” and “legal compliance” in all business activities.
2. Proactive Contribution to Society:
We contribute to society proactively and earn the respect of society.
3. Global Promotion of CSR Activities:
We share the universal values of global society and coexist with each regional society as a good corporate citizen.
4. Information Disclosure and Communication:
We make full information disclosure and proactive communications, achieving accountability.

Major Concept of Environmental Management

1. Global Promotion of Group Environmental Management:
 - Strengthen environmental auditing system overseas
 - Consolidated group management of environmental impact database
2. Achievement of Environmental Vision 2010:
 - Aim to double the Group's overall eco-efficiency by FY2010 compared with FY2000
3. Solid Execution of the 4th Voluntary Environmental Plan:
 - Promote prevention of global warming, efficient utilization of resources and control of chemical substances throughout business processes, and promote provision of environmentally conscious products



Goals for Fiscal Year 2007

FY2007

Net Sales	6,600 billion yen	4% CAGR from FY2004 1.6% CAGR from FY2002 to FY2004
Operating Income Ratio	More than 4%	2.7% in FY2004
D/E Ratio	100%	136% in FY2004
ROE	10%	5.9% in FY2004
Capital Expenditures	1,100 billion yen	in 3 years from FY2005 to FY2007; 65% to Electronic Devices
R&D Expenditures	1,200 billion yen	in 3 years from FY2005 to FY2007; equivalent to 6% of net sales



<http://www.toshiba.co.jp/index.htm/>