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What is your evaluation of Toshiba Group’s FY2007 business performance?

We succeeded in breaking our past record for consolidated sales. Since I was appointed President and CEO, I have been implementing a basic management policy that calls on all Toshiba employees to work to achieve “sustained growth with high profit.” Over the course of FY2007, our consolidated sales grew 7.8%, reflecting steady sales growth, particularly in global markets. I believe we are staying on track for sustained growth.

Consolidated operating income and net income for the current term were lower than in the previous fiscal year. Price declines in NAND Flash memory that exceeded our expectations, combined with the costs incurred in withdrawing from the HD DVD business, can be pointed to as causes of this decline. Another contributory factor was costs resulting from the change in accounting for estimation of salvage value. On the positive side, both the PC business and the Social Infrastructure segment recorded profit increases. As a result, I believe that on the whole the negative impacts on Toshiba’s business performance of the headwinds we faced were kept to a minimum.

However, even though we can point to these

major factors, in the end we did see a profit decrease, and I am not satisfied with that performance. Going forward, I want to see a Toshiba Group that has a strong determination to overcome any challenges and to increase profit as we achieve sustained growth.

If we look at your business performance in recent years, consolidated operating income has been largely derived from the Electronic Devices and Social Infrastructure segments. What are your thoughts on the ideal makeup of Toshiba Group’s income structure in the future?

In the past, Toshiba has been heavily reliant on the performance and profits of the Electronic Devices segment. By comparison, we can see that recent improvements in business performance by the Social Infrastructure segment have now given us two sturdy pillars for profit. What we must do now in our Digital Products segment is to put the PC business and TV and AV businesses in the forefront of our efforts to raise a third pillar for profit, which will allow us to obtain a more well-balanced profit structure.



Atsutoshi Nishida
Director, President and CEO

FY2007 was a year in which Toshiba Group engaged in a comprehensive review of its current businesses. What were the results of this business review?

In any business, it is essential to periodically take a long hard look at what you are doing, and to reconfirm the direction you want to go in. When we do that, we look at each business from the perspective of what is good for Toshiba Group as a whole, and we ask ourselves if it is a core business that should be retained, if it is a business that will grow and generate profit, or if it is a business that creates synergies with our other businesses. During FY2007, all 45 businesses in Toshiba Group were reviewed from the perspectives of “business scale,” “growth potential,” “profitability” and “efficiency,” while keeping in mind the special characteristics of each business. The results of the review clarified areas that we need to strengthen to ensure that each business can survive and win in global markets, and these conclusions were reflected in the mid-term business plan announced in May 2008.

It looks as though you implemented a lot of forward looking measures in FY2007, among them aggressive investments in the semiconductor business and plans to broadly strengthen the nuclear energy business. What are the goals of these especially important strategic investments?

There has been no fundamental change in Toshiba’s stance or in our commitment to positioning the Digital Products and Electronic Devices segments as growth businesses. Beyond these segments, we now expect the Social Infrastructure segment to make the transition to growth businesses, and we look for an increase in profit in this heretofore stable-profit business segment.

Following this approach, one of the most important of the policies that we implemented in FY2007 was making consecutive aggressive investments in the semiconductor business. There can be no doubt that the market for NAND Flash memory will continue to see strong growth. In readiness for that, in addition to Yokkaichi Operations Fab 4, which we completed in FY2007, we have decided to further strengthen our production capabilities by constructing two more fabs. We also took steps to reinforce our position in the system LSI field through a joint venture with Sony Group that will seek operating synergies with Toshiba’s Oita Operations.

In addition to that tie-up, we also entered into an alliance with Sharp Corp. in semiconductors and LCDs. As is well known, the production of key components

of digital products such as LCD televisions requires enormous investment. In fact, it has become increasingly difficult for any one company to cover all the related development costs. Our alliance with Sharp speaks to the strengths of both companies, allows us to use them for mutual benefit, and will support us in facing and overcoming intense global competition. We will continue to consider this type of alliance and tie-up in the future, as it may become necessary.

At the same time, we are accelerating our efforts to expand our nuclear energy business, an area where global growth is increasingly anticipated. Following the FY2006 acquisition of the Westinghouse Group, in FY2007, we took steps to reinforce our position in the nuclear fuel business by forming an alliance with Kazatomprom of Kazakhstan. We also endeavored to bolster our engineering capabilities in the nuclear field by deciding to expand the facilities at our Isogo Engineering Center.



Your decisive decision in February 2008 to withdraw from the HD DVD business left a strong impression. From the perspective of corporate governance, what led you to make this decision?

The business environment in the next-generation DVD market underwent far-reaching changes at the beginning of 2008. HD DVD was a new business that our Digital Products segment was strongly promoting, and we had many in-house discussions about the business. However, after assessing the factors involved with the continuation of the business—particularly, the potential for market confusion among consumers and others and the great impact on Toshiba's future operations—I made the management decision in favor of early withdrawal. While the costs incurred in withdrawing from the HD DVD business had an impact on our FY2007 performance, I believe that the impact was contained, and any future impact has been kept to the minimum.

How do you view the financial structure of Toshiba Group?

The ratio of interest-bearing debt to shareholders' equity—the D/E ratio—stood at 123% at the end of FY2007, which was worse than that of the previous fiscal year. Our mid-term business plan addresses this issue. We plan to bring the D/E ratio down to below 100% by the end of FY2010, and will take steps to shorten the cash conversion cycle from FY2008 throughout the Group. It is especially important to increase inventory turnover and accelerate early collection of accounts receivable, as means to improve cash flow and strengthen our financial structure.



In what ways is Toshiba Group striving to be a responsible “corporate citizen of planet Earth”?

For Toshiba to continue to record sustained growth, I am convinced that it is essential for us to raise public trust through making a firm commitment to the fulfillment of corporate social responsibility (CSR). The concept of a “corporate citizen of planet Earth” conveys our corporate stance, and it consists of two fundamental aspects.

The first is that we give careful consideration to all matters concerning the environment in all our operations. “Toshiba Group Environmental Vision 2050,” which we announced in November 2007, was developed from this perspective, and it states our goal of raising the eco-efficiency of our products and business processes 10 times by 2050, with 2000 as the benchmark year.

The second fundamental idea is to operate our businesses with a deep understanding of the history, culture, and customs of the countries in the world. As

a global corporation, it is an important part of our mission to proactively contribute to society on a worldwide scale. Toward this end, we are committed to developing people who have a global perspective and leadership potential.

What are your thoughts about a corporation’s responsibility to transparently provide appropriate information to stakeholders and to ensure shareholders of a reasonable return?

Toshiba Group has many stakeholders, including our shareholders, customers, employees, suppliers, and the different societies in which we operate. Without their support, we could not carry out our business activities. In this context, I believe that management must make proper disclosure of information to stakeholders and listen closely to their voices. I recognize that one of the most important responsibilities of management is to provide a fair return for shareholders. While giving full consideration to such factors as the strategic investments necessary to secure medium- to long-term growth, we try to maintain a dividend payout ratio of around 30% on a consolidated basis, and in FY2007 the full-year dividend totaled ¥12 per share, a record amount. From now on, we will continue to implement management strategies that enhance the value of Toshiba Group and bring benefits to our shareholders and all of our stakeholders.