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Toshiba Announces Consolidated and Non-Consolidated Results for the First Half of Fiscal Year to March 2008

TOKYO--Toshiba Corporation today announced its consolidated and non-consolidated results for the first half (April-September) of fiscal year (FY) 2007.

Overview of Consolidated and Non-consolidated Results for First Half of FY 2007

Consolidated Results

The Japanese economy continued to expand during the first half of FY2007, recording solid corporate profitability and improved consumer spending on better employment figures, despite some reported areas of weakness in capital expenditure. Overseas, the pace of economic expansion in the US slowed, on a decrease in home purchases, and the outlook is uncertain due to the subprime mortgage crisis; Europe and Asia, including China, continued to see economic expansion.

In these circumstances, Toshiba posted higher consolidated sales and operating income than for the same period a year earlier, the result of business development grounded in the Group strategy of achieving sustained growth with profit. Toshiba's overall consolidated sales for the period were 3,689.9 billion yen (US$32,086.4 million), an increase of 527.9 billion yen from the same period of the previous year.

Consolidated operating income rose by 17.3 billion yen from the same period a year ago to 82.5 billion yen (US$717.6 million). Digital Products turned into profit and Social Infrastructure saw improved operating income, while Electronic Devices and Home Appliances both saw lower operating income than for the same period a year ago.

Income before income taxes and minority interest decreased by 6.9 billion yen from the year-earlier period to 76.8 billion yen (US$667.7 million), primarily reflecting the temporary impact of changes in estimate of salvage value of property, plant and equipment (P.P.E.). Net income increased by 6.9 billion yen from the same period of the previous year to 45.7 billion yen (US$397.0 million).

FY2007 First Half Consolidated Results by Industry Segment

(billion yen)

	Net sales			Operating income (loss)	
		Change*			Change*
Digital Products	1,439.2	+123.3	+9%	0.3	+7.9
Electronic Devices	883.3	+145.9	+20%	54.0	-2.9
Social Infrastructure	1,086.5	+257.4	+31%	20.0	+9.4
Home Appliances	383.8	+16.6	+5%	-1.2	-2.3
Others	198.0	+11.6	+6%	9.6	+3.4
Eliminations	-300.9	-	-	-0.2	-
Total	3,689.9	+527.9	+17%	82.5	17.3

(* Change from the year-earlier period)

Digital Products: Increased Sales and Moved into Profit
Consolidated sales of Digital Products rose by 123.3 billion yen to 1,439.2 billion yen compared to the same period a year ago. The PC business saw significant sales growth from the same period a year ago on increased unit sales, primarily in the US and Europe, and the retail information systems and office equipment business also saw sales growth. Sales were also up in TVs and optical disk drives, while sales of hard disk drives were sluggish.

The segment's consolidated operating income (loss) improved by 7.9 billion yen from the year-earlier period and the segment moved into the black, recording a profit of 0.3 billion yen. While TVs had to bear the brunt of fast declining sales prices, particularly in the US and Europe, and while hard disk drives and the Mobile Phone business recorded sluggish performances, the PC business made a significant contribution to segment performance, generating an overall increase in operating income on the strength of higher unit sales and cost reduction measures.

Electronic Devices: Increased Sales and Lower Operating Income
The Semiconductor business saw a significant sales increase against the same period of the previous year, on strong sales of memories and system LSIs. While the LCD business saw sales decline on lower sales of LCDs for mobile applications and a decline in sales prices, overall consolidated segment sales increased by 145.9 billion yen from the year-earlier period to 883.3 billion yen.

Consolidated operating income for the segment was 54.0 billion yen, a decrease of 2.9 billion yen from the same period a year ago, as the LCD business saw a significant deterioration in operating income on declining sales prices, and despite the continued high profitability of the Semiconductor business, particularly in memories.

Social Infrastructure: Increased Sales and Increased Operating Income
Consolidated sales of Social Infrastructure increased by 257.4 billion yen to 1,086.5 billion yen against the same period of the previous year. The Power Systems business saw sales rise on solid sales of thermal power plant and equipment, mainly in overseas markets, and on the consolidation of Westinghouse into the Group in nuclear energy systems. The Industrial Systems business also recorded increased sales.

Consolidated operating income in the segment was 20.0 billion yen, an improvement of 9.4 billion yen over the year-earlier period. The Power Systems business posted a solid performance and the Industrial Systems business improved profitability significantly. The Medical Systems business also continued to see high profitability.

Home Appliances: Increased Sales and Lower Operating Income (Loss)
Consolidated sales of Home Appliances increased by 16.6 billion yen to 383.8 billion yen against the year-earlier period, on higher sales of refrigerators, washing machines and air conditioners. Consolidated segment operating income deteriorated by 2.3 billion yen over the same period of the previous year to minus 1.2 billion yen, largely due to declines in sales prices for industrial lighting equipment, and despite the solid performance in air conditioners.

Others: Increased Sales and Increased Operating Income

Note:
Toshiba's Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles. The consolidated industry segment information is based on the Japanese Consolidated Financial Statement Code Article 15-2, instead of Statement of Financial Accounting Standards No.131 of the U.S. Financial Accounting Standards Board. Operating income (loss) is a value that deducts the cost of sales and selling, general and administrative from net sales, in accordance with Japanese accounting practice.

Non-consolidated Results

Non-consolidated sales increased by 130.8 billion yen from the same period of the previous year to 1,757.5 billion yen (US$15,282.7 million). Recurring profit was 61.9 billion yen (US$538.3 million), a 31.5 billion yen increase from the year-earlier period. Net income increased by 69.5 billion yen from the same period a year ago to 86.9 billion yen (US$755.8 million), largely reflecting an increased gain from sales of securities in affiliated companies.

Projections for FY2007

In the first half of FY2007, Toshiba recorded solid business results. However several factors, including the subprime mortgage crisis in the US and increased crude oil and raw materials prices, render the economic outlook uncertain, making it difficult to predict the second half of FY2007. In consideration of this, and also to reflect the first half results, Toshiba has revised its original forecast of operating income for FY2007. Income before income taxes and minority interest and net income for FY2007 are expected to increase significantly, largely on the gain from the sales of the Ginza Toshiba Building and its premises in the second half of FY2007.

Accordingly, Toshiba Corporation has revised its original forecast for FY2007, announced on April 26, 2007, as below.

Consolidated forecast for FY2007 (April 1, 2007–March 31, 2008) (billion yen)

	(A) Revised Forecast (Oct. 29, 2007)	(B) Previous Forecast (Apr. 26, 2007)	(A) – (B)	FY2006
Net sales	7,800.0	7,500.0	+300.0	7,116.4
Operating income (loss)	290.0	260.0	+30.0	258.4
Income (loss) before income taxes and minority interest	350.0	240.0	+110.0	298.5
Net income (loss)	180.0	120.0	+60.0	137.4

Non-consolidated forecast for FY2007 (April 1, 2007 – March 31, 2008) (billion yen)

	(A) Revised Forecast (Oct. 29, 2007)	(B) Previous Forecast (Apr. 26, 2007)	(A) – (B)	FY2006
Net sales	3,900.0	3,800.0	+100.0	3,544.9
Recurring profit (loss)	140.0	100.0	+40.0	98.1
Net income (loss)	130.0	90.0	+40.0	72.4

Financial Position and Cash Flows for the First Half of FY2007

Total assets increased by 769.1 billion yen from the end of September 2006 to 6,062.0 billion yen (US$52,713.0 million), as a result of the acquisition of Westinghouse in October 2006.

Shareholders' equity improved by 107.7 billion yen to 1,150.2 billion yen (US$10,002.1 million) from the end of September 2006, mainly as a result of generating net income.

Total debt decreased by 55.7 billion yen from the end of September 2006 to 1,231.4 billion yen (US$10,707.9 million). This reduction is the result of concerted efforts to reduce debt, including sales of securities and fixed assets and improvement of profitability, despite funding the acquisition of Westinghouse.

As a result of the foregoing, the debt-to-equity ratio as of the end of September 2007 was 107%, a 16-point improvement from the end of September 2006.

Free cash flow was minus 90.8 billion yen, a 132.7 billion yen deterioration from the same period a year ago. The main cause of this was that cash flows from investing activities were not covered by cash flows from operating activities, due to increased working capital.

Trends in Key Indices

	FY2005 fist half	FY2005	FY2006 first half	FY2006	FY2007 first half
Shareholders' equity ratio (%)	18.7	21.2	19.7	18.7	19.0
Equity ratio based on market value (%)	35.2	46.5	46.5	42.6	57.3
Cash flow to interest-bearing debt ratio	2.3	2.0	2.5	1.8	5.9
Interest coverage ratio (times)	20.3	20.4	16.5	18.2	4.8

Formulae:

Shareholders' equity ratio: Shareholders' equity/total assets

Equity ratio based on market value:

Market value of shareholders' equity*/total assets

*Market value of shareholders' equity is calculated as the closing stock value at the end of a fiscal period X number of shares authorized at the end of a fiscal period without treasury stock

Cash flow to interest-bearing debt ratio:

Total debt, average value at the beginning and the end of a fiscal period/net cash provided by operating activities

Interest coverage ratio:

Net cash provided by operating activities / interest payment

Note: Shareholders' equity ratio and equity ratio based on market value are calculated based on shareholders' equity pursuant to U.S. generally accepted accounting principles.

Basic Dividend Policy

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 6.0 yen per share as dividend for the first half of FY2007 (interim dividend), a 1.5 yen increase from the same period a year ago.

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.

Risks identified by the Group are based on information available to the Group at the time of this announcement (October 29, 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. The Group recognizes these risks and makes every effort to manage them and to minimize any impact.

(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.

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.

In addition, 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, through newly established holding companies, acquired BNFL USA Group Inc. (currently TSB Nuclear Energy USA Group Inc.) and Westinghouse Electric UK Limited (collectively "Westinghouse"), which is primarily engaged in the nuclear power systems business. In connection with the acquisition of Westinghouse, the Company entered into investment agreements with the Shaw Group Inc. ("Shaw"), a US engineering firm, and IHI Corporation ("IHI"), a Japanese engineering company, under which the Company and each of these entities established such holding companies to acquire interests in Westinghouse. As of the date of this Prospectus, the Company owned a 77% interest in Westinghouse's holding companies, while Shaw and IHI own 20% and 3% of Westinghouse's holding companies, respectively.

In August 2007, the Company entered into a share transfer agreement with National Atomic Company Kazatomprom JSC ("Kazatomprom"), a major supplier of uranium, which is a Republic of Kazakhstan state-owned enterprise, under which the Company agreed to transfer 10 percent of its ownership interest in Westinghouse's holding companies to Kazatomprom.

Kazatomprom also joined the existing shareholders agreements. As a result of this transfer, the Company's ownership interest in Westinghouse was reduced to 67%. The Company continues talks with other companies that are interested in participation in this investment.

As a result of the acquisition, a substantial amount of goodwill has been recorded in the Company's consolidated balance sheet, pursuant to U.S. 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 the Group. However, the Group may face difficulties in maintaining the value of the goodwill.

Under the relevant shareholders agreements, Shaw, IHI and Kazatomprom are restricted from transferring their ownership interests in Westinghouse for approximately six years from the date of the initial shareholders agreements. To protect the Company from capital participations by unfavourable third parties and to protect minority shareholders' interests, the Company also provided each of Shaw, IHI and Kazatomprom 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, IHI or Kazatomprom under certain conditions. In the event that Shaw, IHI or Kazatomprom exercises their option to sell, or the Company exercises its purchase option, the Group may need to raise further funds.

(5) Lawsuits and others

The Group undertakes global business operations and is involved from time to time in disputes, including lawsuits and other legal proceedings and investigations by relevant authorities. Due to the differences in judicial systems and inherent uncertainties of such proceedings, the Group may be subject to a ruling requiring payments of amounts far exceeding its expectations. Any judgement or decision unfavourable to the Group could have a material adverse effect on the Group's financial condition or results of operations. In addition, the pursuit of or defence to such lawsuits, legal proceedings and investigations may require significant resources and significant involvement of the Group’s senior management, which may divert management attention from its normal operations.

In January 2007, the European Commission (the “Commission”) imposed fines on 19 companies, including the Company, for infringing EU competition laws in the gas insulated switchgear market. The Company was fined directly EUR86.25 million, and was also fined EUR4.65 million jointly and severally with Mitsubishi Electric Corporation. The Company contends that it did not infringe such laws and has appealed these fines in April 2007. However, there can be no assurances that the Company will be successful in its appeal.

The Group is also being investigated by the Commission and the US Department of Justice for potential violations of competition laws with respect to semiconductor and LCD products. In addition, individuals and corporations in the United States have filed class action lawsuits against the Group with respect to alleged anti-competitive behavior.

(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 in March 2007. 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