

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.

Business group status

As of the end of September 2007, Toshiba Group comprised 542 consolidated subsidiaries and its principal operations were in the Digital Products, Electronic Devices, Social Infrastructure and Home Appliances business domains.

134 consolidated subsidiaries were involved in Digital Products, 58 in Electronic Devices, 203 in Social Infrastructure, 77 in Home Appliances and 70 in Others.

The number of consolidated subsidiaries was 23 more than at the end of March 2007. The consolidated subsidiaries listed on the first Section of Tokyo Stock Exchange are Toshiba TEC Corporation and Toshiba Plant Systems & Services Corporation.

173 were affiliates accounted by the equity method as of the end of September 2007.

Management Policy

Basic Management Policy

The Toshiba Group's management vision stresses the provision of products and services attuned to people's aspirations and beneficial to society. The Group endeavors to anticipate the future, integrate the capabilities of all employees, and to act with agility and flexibility to secure high growth with profitability.

In order to achieve sustainable growth and Group development, it is essential to accept corporate social responsibility (CSR) and to retain the trust and acceptance of society by engaging in socially beneficial activities in the countries and regions where the Group operates. The Group prioritizes human life and safety and legal compliance in all of its business activities, and contributes to a sustainable society through playing a leading role in environmental activities as a global enterprise. The Group also respects diversity, including diversity in nationality and gender, and seeks to ensure a balance between work and private life.

Target Performance Indicators

The Group targets net sales of 9,500 billion yen, operating income of 480 billion yen (operating income ratio of 5%), and an ROE (return on equity) of 15% or higher in fiscal year 2010. The Group also aims to achieve a D/E ratio (ratio of interest-bearing debt to shareholder equity) of 100% or lower by the end of fiscal year 2010.

Medium- to Long-term Business Strategies

Toshiba Group aims to establish a concrete competitive advantage through sustained growth with sound profit. Toward this, the Group continually and intensively allocates resources to growth areas, while implementing appropriate measures for unprofitable and low growth businesses. The Group also seeks to enhance collaboration between businesses to increase profit.

The Group positions Electronic Devices, Digital Products and Social Infrastructure as its main business domains. In Electronic Devices, the Group is enhancing profitability further by accelerating the development of differentiated semiconductor technologies, such as advanced finer process and multi-level cell technologies, improving productivity and increasing production capacity. In Digital Products, the Group aims to enhance profitability by reinforcing its operational underpinnings in Japan and accelerating the business expansion in overseas markets. In Social Infrastructure, the Group seeks to achieve high growth and profits through further operational growth, mainly in overseas markets, working in cooperation with Westinghouse in the Power Systems business, and will also expand its international presence, mainly in the US and China, in other businesses, including medical systems.

Issues to be Addressed

The Group's business areas of Electronics and Energy face dramatic change on a global scale, along with fierce global competition. It is essential for the Group to analyze markets, to anticipate changes, and to pick up the pace of business execution. The Group will survive competition and achieve sustained growth with profit, through continually improving the capability to "respond to change, change to respond", which means making required changes quickly and decisively in response to changes in the marketplace. To achieve foregoing, the Group will pursue the followings as pillars of its business activities:

(1) Achieve "sustained growth with profit"

The Group will execute the following measures to achieve sustained growth with profit:

- Execute proactive management through strategic allocation of resources into growth areas, and aim to expand market share by enhancing competitiveness
- Increase the ratio of overseas business in net sales and operating income through continuous overseas expansion
- Take appropriate measures to respond to growing risk potential in product quality

issues. While it is hard to achieve both quality and cost optimization at the same time, the Group will seek to reconcile such seeming contradictions through such measures as promotion of design for manufacturability, and so reinforce fundamental manufacturing capabilities.

(2) Maximize multiplier effect of innovations

- Build a corporate culture that generates continuous innovations. The Group will routinely carry out process innovation to maximize profits through completely new ways of thinking. The Group will also promote value innovation that creates value for the market and society. In addition, the Group will cultivate an environment for creating innovation by promoting a work-life balance, and address maximization of the multiplier effect of innovation, which creates continuous innovations that ripple through other processes, by systematizing innovation and sharing examples of innovation among the Group.

Cautionary statements

This business result report contains forward-looking statements concerning Toshiba's future plans, strategies and performance. These statements are based on management's assumptions and beliefs in light of the economic, financial and competitive data currently available. Furthermore, they are subject to a number of risks and uncertainties. Toshiba therefore wishes to caution readers that actual results may differ materially from our expectations.

Note

For convenience only, all dollar figures used in reporting FY2007 first half results are valued at 115 yen to the dollar throughout this statement.

###