Editorial Policy

Corporate Social Responsibility (CSR) has become a focus of keen interest. Toshiba Group has been presenting its environmental protection activities annually in the Toshiba Environmental Report since the first such report was published in January 1999. In 2002 Toshiba Environmental Report included coverage of Toshiba’s social activities in addition to that of environmental activities. Since establishing the CSR Division in July 2003, Toshiba has put in place a fully fledged system for promoting CSR. Accordingly, we decided to publish a CSR Report whose scope is much wider than an environmental report, in order to fulfill our accountability to stakeholders and society at large.

Our editorial policy is to communicate Toshiba’s CSR activities in a straightforward, easy-to-understand manner from three perspectives, namely, economic performance, social performance and environmental performance.

Chapter 1, “Mind of Toshiba Group,” taking its cue from what Toshiba has always done best—namely, creating products and services attuned to peoples’ aspirations and beneficial to society—provides an overview of the CSR activities Toshiba is targeting in order to best serve society.

Chapter 2, “Social Relations,” reports on what Toshiba is doing to further the interests of various stakeholders. Also, a stakeholder meeting with leaders of NPOs and NGOs engaged in environmental issues is introduced.

In Chapter 3, “Environmental Relations,” Toshiba’s actions to improve the global environment and protect the bio-system are reported from various perspectives.

Dialog with stakeholders is a prerequisite for earning society’s confidence in Toshiba, which is the objective of CSR activities. We are determined to enhance the content of our CSR Report, which is an important means of communicating with our stakeholders. We welcome your comments and suggestions.
Corporate Social Responsibility (CSR) has come to the fore in recent years. Toshiba established its CSR Division in 2003. What is Toshiba’s conception of CSR?

CSR is at the heart of Toshiba’s efforts to earn the trust of society. We want to make a wholehearted contribution to society in ways that go far beyond our obligations, and will do whatever is within our power to help lay the foundation for sustainable development.

In July 2003, Toshiba established the CSR Division in its headquarters to clarify the position held by CSR within the corporation and spearhead related activities such as legal compliance, human rights, the environment, customer satisfaction and corporate citizenship.

In addition, to articulate a set of values to be shared by Toshiba Group worldwide, Toshiba is participating in the United Nations Global Compact, a set of internationally recognized principles concerning human rights, labor and the environment.

In view of these developments, in January 2004 we drastically revised the Toshiba Group Standards of Conduct, the guiding principles that all of us in Toshiba Group are expected to observe.

For almost 130 years, Toshiba has been a force for social progress, creating a stream of essential, life-enhancing products and services in fields such as electronics and energy systems. Along the way, we have earned the trust of society, and it is this trust that is our true reason for being. It is our motivation and our inspiration.

In the course of our business, we must comply with laws, regulations and corporate ethics, ensure honesty and transparency in management, protect the global environment and contribute to the world community.

Toshiba is convinced that deep, two-way communication is essential to foster lasting, fruitful relationships with society. Through dialogue with all our stakeholders, Toshiba will continue to build a business based on hard-earned trust.

CSR is often referred to in connection with sustainability. What kind of society do you envisage in 20 to 30 years time? What kind of role will Toshiba play in the sustainable society?

We expect the ubiquitous networking society to be an everyday reality within 20 to 30 years. Operating fairly and transparently, Toshiba is pursuing a technology innovation strategy with two overarching themes—ubiquitous networking and the environment—and one ultimate goal: namely, a sustainable society.

Environmental management is a vital ingredient of Toshiba Group’s management, and we aim to instill this globally.

The widening gulf between the advanced countries and the developing ones is cause for great concern. In accordance with the principles of the United Nations Global Compact, Toshiba will strive to help bridge the digital divide and resolve global environmental issues.

Environmental consideration is fast becoming an essential attribute of products. With the environment and society in mind, in which direction is Toshiba heading?

The progress of IT is providing networks with extraordinary capabilities, bringing on the emergence of an ubiquitous networking society. This storm of technological innovation must not be at the expense of the environment. Indeed, we see it as a golden opportunity for humankind to reduce environmental impacts and achieve harmony with the Earth’s environment.

Toshiba is not only developing the technologies required for ubiquitous networking, but also proposing its applications that contribute to society, whether in education, health care or the special home networking needs of aging societies.

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For a Sustainable Society

Advancing toward a Sustainable Society where Well-being Abounds

Toshiba's CSR Activities

Toshiba Group's CSR

At Toshiba, we think we can best serve society by continuing to do what we have always done best: creating products and services attuned to peoples aspirations and beneficial to society. The trusted Toshiba brand is the expression of almost 130 years of unwavering efforts. The values we have inherited from our founders—not least, curiosity, enthusiasm and vision—continue to inspire us at Toshiba. Now it’s our turn. Eager to bequeath a legacy to future generations, we are thoroughly reviewing our business activities from the viewpoint of CSR in order to ensure the sustainable development of the Toshiba Group—and to contribute to the sustainable development of society at large.

Toshiba Group's Enterprise Value

The Basic Commitment of the Toshiba Group and the Group slogan—"Committed to People, Committed to the Future. Toshiba"—is the concrete expression of both our relationships with stakeholders and our business activities. The first step of our CSR activity was to identify Toshiba’s role in society in light of our involvement in electronics and energy. Through technology innovation in these fields, the Toshiba Group drives to fulfill its mission: namely, to be a source of products and services attuned to peoples aspirations and beneficial to society.

Mindful of its responsibilities as a global enterprise, Toshiba has signed the United Nations Global Compact covering human rights, labor and the environment.
The Toshiba Tradition:
Products Inspired by Vision

Toshiba—founded to benefit people and society

Toshiba was founded in 1875 when Hisashige Tanaka opened a workshop to produce telegraphic equipment in Tokyo. The sign Tanaka hung on his shop read, “We accept orders for mechanical contrivances of every description.” This message embodied the DNA that has defined Toshiba from its inception: the creation of things that benefit people and society. Hisashige Tanaka brought the world numerous inventions, including the Kakekuni mechanical puppets, the world’s first perpetual clock. Tanaka came to be known as the “Father of the Orient.” Acting on his conviction that “Technologies and inventions should improve the quality of life,” Tanaka redoubled pursuit of use for the end user, not self-satisfying technical mastery. His approach to work, grounded in the desire to please customers by inventing necessary things that enrich people’s lives, was described as free-wheeling, resourceful invention.

Each and every Toshiba employee is enthusiastically devoted to creating products or services that are attuned to people’s aspirations and benefit society. Toshiba employees envision the future, formulate their own answers to questions others cannot answer, struggle as they break precedent, create, and advance. Their desire to deliver comfort and bring smiles to people’s faces with products and services that admire and excite is a tradition handed down unbroken during the century-plus history of Toshiba.

Sensitivity to environment

The story of Toshiba is one of numerous Japan-first and world-first inventions. Toshiba was the first company in Japan to succeed in manufacturing refrigerators and washing machines, the household appliances every Japanese family once aspired to own. By introducing a series of innovative products that changed lifestyles of people in Japan, Toshiba has contributed to the development of Japan and the world. We want to continue to provide people with astonishment and excitement in the coming years.

People want to be able to use their personal computers anytime and anywhere without worrying about the power source. In the ubiquitous networking society where information can be accessed from anywhere, people will be able to freely use personal computers even where no electrical outlets are available. Toshiba is developing compact fuel cell for laptop computers.

The Toshiba Tradition:
Products Inspired by Vision

The “perpetual clock”

The perpetual clock is an ornate mechanical clock. The perpetual clock is a symbol of timelessness, the length of day, and night.

Toward Ubiquitous Networking

The use of computer networks has already become an everyday occurrence. Today, people can use mobile phones or personal computers for remote programming of their DVD recorders. People no longer have to go out of their way to accommodate machines, instead, machines adjust to the requirements. Toshiba believes that ease of use is the gateway to everyday networking.

Realization of a Ubiquitous Networking Society

People want to be able to view moving images anywhere. The key to realizing this need lies in conveying large volumes of data in a compact, format. Toshiba has developed the 0.85-inch hard disk drive, which was certified as the world’s smallest HDD by the Guinness Book of World Records. Incorporating this HDD in PDAs and mobile phones will make it possible to save and store high-volume content such as music and video.

In today’s broadband era, the widespread use of optical fiber has made it possible to exchange gigabytes of data over computer networks. Toshiba, jointly with IBM, is developing a semiconductor called “CELL” that can send, receive, and process at high speed and in real time music, video, and other high-volume content and services. The ability to process digital information such as moving images at high speed will make it possible to generate virtual reproductions of the real world.

Toward Ubiquitous Networking

To make the ultimate in products, to make things I want myself.

We were the first in the world to commercialize a new concept in HDD & DVD recorders: a product that combines a hard disk and DVD in a single chassis. I have long been a music fan, and I conceived the product based on its applications and functions that I myself wanted: the desire to record all the songs I like and later select and save only certain portions and the desire to instantly identify the content stored on each disk. This product grew out of repeated brainstorming with the development team about what a digital recorder should be and exhaustively examining the several hundred ideas that resulted. I want to carry on creating products that propose exciting new life-styls.

Semiconductors to thrill your senses

What we emphasize most is “fun electronics.” For instance, we don’t want to make TVs that you just watch, but TVs that convey information to all your senses.
Toshiba contributes to people's health through total solutions in the health care sector, including hospital information systems and networks and X-ray systems that enable immediate analysis, these systems reduce the burden on patients and assist physicians in selecting optimal treatment.

Social Infrastructure Businesses that Contribute to a Safe, Comfortable Society

Toshiba's vision is to create products that benefit and change society. From public lifelines such as energy and water supply and sewage systems to highways, railways, airports, and other transportation infrastructure, office buildings, public facilities, and hospitals—Toshiba products and systems support people's lives and society everywhere. Contemporary society faces many problems: energy supply, the global environment, information security, and the aging of society to name a few. Toshiba will continue to grapple with these problems and continue to provide reliable products and systems grounded in the themes of safety, comfort, and health. In this way, we seek to contribute to a safe, comfortable society.

Energy

To provide a stable supply of electric power while conserving limited resources, Toshiba develops nuclear power, thermal power, water power, wind power and solar power electric generating systems and new technologies for fuel cells, hydrogen generation, and other next-generation energy sources. Toshiba believes it is important to achieve a balanced combination of energy sources that takes advantage of the benefits of each type of energy. Nuclear power is an important source of energy free of CO₂ emissions. Toshiba pays painstaking attention to safety and reliability at every stage of nuclear power generation: design, manufacturing, construction, operation, and maintenance.

Water Supply and Sewage Systems

The water environment is basis of affluent, comfortable living. Water supply systems reliably keep track of changing water volume and water quality, ensuring a constant supply to our homes of water for daily use and drinking water for future generations, Toshiba comprehensively provides new technologies in the field of water supply and sewage systems.

Transportation

The Kyushu Shinkansen is an exemplar of leading-edge technologies. 70% of the line consists of tunnels and there are many steep gradients. Leading-edge technologies make possible high-speed travel throughout the line, providing a comfortable ride for passengers. Many Toshiba products are used in the digital automatic traffic control (ATC) system and other electrical equipment and systems that ensure safe operation of the railway. Toshiba is also developing traffic control systems to promote safe operation of other railways, roads and airports.

Medical Systems

Toshiba contributes to people's health through total solutions in the health care sector, including hospital information systems and networks and X-ray systems, ultrasound systems, MRI systems, and other diagnostic imaging systems. CT scanners play an important role in rapid testing of emergency patients and the early detection of diseases. By providing high-quality images for immediate analysis, these systems reduce the burden on patients and assist physicians in selecting optimal treatment.

Department of Radiology, School of Medicine, Hirosaki University

Dr. Kazuhiro Katada
Professor & Chairman

Collaboration between the manufacturer's engineers and physicians is essential to the development of medical systems. I have been developing CT scanners jointly with Toshiba for nearly twenty years. During this time, innovative products such as the helical CT scanner have resulted from a process of in-house development within the framework of a shared vision. I want Toshiba to continue to adopt the viewpoint of the end-user—that is, the patient—in developing socially important businesses in the healthcare field.
Chapter 1
Mind of Toshiba Group

The development of human society did not exceed the tolerance of the global environment until the early 19th century; however, since the onset of the industrial revolution, it has continued to deteriorate. Global warming, the depletion of resources and the decline in biodiversity are eloquent testimony that economic activities now greatly exceed the tolerance of the global environment. Environmental issues arise when lifestyles diverge greatly from the natural rhythms of the global ecosystem. In the 21st century it is incumbent on each of us to consider the environment from a global perspective. While tackling global warming and other environmental problems, there is an urgent need to establish a recycling-based society. For this purpose, companies have a responsibility to minimize their environmental impacts to enhance eco-efficiency, and to raise awareness of the importance of environmental management.

At Toshiba Group, we are striving to minimize resource inputs and discharges at every stage of each product’s lifecycle. We are determined to proactively contribute to the establishment of a recycling-based society through such activities as effective utilization of resources, prevention of global warming, strengthening of control of chemical substances, development of environmentally conscious products and recycling of end-of-use products. Also, we are promoting disclosure by issuing reports, making full use of websites for the dissemination of information, and endeavoring to reflect the opinions of stakeholders in our environmental management.

Protecting the Global Ecosystem

The Environment and CSR

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Participation in the Global Compact

In January 2004 Toshiba joined the United Nations Global Compact, pledging to adhere to nine universal principles covering human rights, labor and the environment. The Global Compact is a voluntary corporate citizenship initiative proposed by U.N. Secretary-General Kofi Annan in 1999 at the World Economic Forum. The Global Compact envisages that in the course of business, companies fulfill their corporate social responsibilities through compliance with internationally recognized principles concerning human rights, labor and the environment will lead to the emergence of a sustainable global economy.

Environmental Responses in Europe

In February 2003 the European Union adopted two environmental directives based on the expanded producer responsibility (EPR): the Waste Electrical and Electronic Equipment (WEEE) Directive and the Restrictions on Hazardous Substances (RoHS) Directive. EU member states are preparing domestic legislation in accordance with these directives; recycling will be mandatory from August 2005 and hazardous substances will be banned from July 2006. Since Toshiba is a global enterprise, ensuring compliance with new environmental regulations in the regions where we operate is a prerequisite for continuing to do business. The WEEE Directive mandates recycling for virtually all products, making it necessary to establish a system for e-waste collection covering all EU member states. The RoHS Directive prohibits use of six substances, including lead, mercury and cadmium. To address these issues, Toshiba established the European Environmental Group in April 2003. We hold European environmental protection conferences periodically to spur progress toward establishment of the optimum resource recycling system.

ExploraVision Awards in North America

In the United States and Canada, the Toshiba/NSTA ExploraVision Awards—a technology and science competition for young people in grades K-12—is held by Toshiba in cooperation with the National Science Teachers Association. Teams of students select a technology, explore how the technology may change over the next 20 years, and present their vision on Web pages. Following regional screening, four teams placed first and four placed second receive commendations in June each year. Since the launch of the ExploraVision Awards in 1992, more than 200,000 youngsters have participated in the contest. Every year volunteers from Toshiba help organize the contest, give tips on designing Websites and help out at the awards ceremony. ExploraVision Awards has become deeply rooted in schools and communities across North America.

35th Anniversary Charity Concert in Thailand

Toshiba has been doing business in Thailand since 1991. Today, Toshiba has 18 plants in the country, manufacturing refrigerators, washing machines, lighting equipment, semiconductors and CRTs for markets in Asia. With 12,000 employees in Thailand, Toshiba has become a well-known local company. To express appreciation of Thailand and its people, in 1991, Toshiba established the Toshiba Thai Foundation whose activities include providing scholarships for engineering students and financial support for R&D institutions. In May 2004, to celebrate the 35th anniversary of Toshiba in Thailand, Toshiba hosted a charity concert featuring Bangkok Symphony Orchestra and Jessye Norman, a world renowned opera singer. Her Majesty Queen Sirikit of Thailand graced the concert with her presence. Taizo Nishimuro, Chairman of Toshiba, donated the proceeds from the concert and personal computers to a foundation whose patron is Her Majesty Queen Sirikit. Toshiba’s donations will support the valuable work of hospitals and other institutions operated by the foundation.
Chapter 1
Mind of Toshiba Group

Business Development in China

Ever since Toshiba started exports to China in 1972 when China and Japan resumed diplomatic relations, China’s development and Toshiba’s presence in the country have advanced hand in hand. Toshiba Group had 49 companies and 15,000 employees in China as of March 2004, and annual sales worth about 500 billion yen. China is at the heart of Toshiba strategy, not only for production but also for sales, marketing and R&D covering a wide range of products, from transformers, traffic systems, elevators, medical equipment and other social infrastructure equipment for home appliances, personal computers, televisions and other visual and information equipment and semiconductors. As well as being a source of products and services attuned to the needs of China’s market, Toshiba is contributing to the country’s development by creating employment, paying taxes and transferring technology. While ensuring that all employees act in accordance with the Toshiba Group Standards of Conduct and in compliance with laws and regulations, Toshiba is doing its utmost to protect the environment and contribute to local communities.

Together with Employees
Safety and Employee Welfare
In factories, the emphasis is on small group activities and education to ensure quality control and safety. In terms of employee welfare, Toshiba provides dormitories and cafeterias for its employees, holds sports days and supports sport teams for which employees play.

Education & Training
Toshiba provides a range of education and training opportunities at each operation, such as still training for lead-free soldering and training for specific jobs. In fiscal 2004 Toshiba Group started managerial education in China to foster key personnel and to promote the flow of people and expertise among operations in China.

For Customer Satisfaction
In addition to call centers for inquiries about specific products, the Voice of Customers (VOC) Center was established in August 2002 at TCH as the interface for general inquiries about Toshiba and its products and services. In fiscal 2003, the VOC Center received 1,700 inquiries per month on average by either telephone or e-mail.

Environmental Activities
China’s extraordinary economic growth is having some unwelcome side-effects, such as increased environmental impacts and power shortages. In addition to developing environmentally conscious products and technology, Toshiba is working to reduce environmental impacts at factories and to save energy. In fiscal 2003, Toshiba conducted voluntary environmental audits of five major manufacturing subsidiaries whose activities have significant environmental impacts. In fiscal 2004, the scope of environmental auditing will be expanded to include more subsidiaries. In April 2004, the Environment Dept. was established within Toshiba China Co., Ltd. (TCH), the supervisory company of China Toshiba Group. Step by step, Toshiba is strengthening its systems and procedures concerning compliance with existing laws and regulations covering toxic substances, for example, by sharing information and issuing instructions throughout the Group.

Activities Rooted in the Community
An active member of the community, Toshiba is a keen participant in such voluntary activities as the planting of trees (See Page 25.).

Collaboration with Universities
Toshiba China R&D Center, which opened in 2001, conducts collaborative research with Tsinghua University, Beijing University and other leading universities. Also, Toshiba donates funds for educational programs, runs the Toshiba Scholarships Program and organizes lectures by Toshiba management.

Factory Tours
As well as welcoming factory visits by municipal and governmental officials, partner companies and various other stakeholders, Toshiba plants invite local elementary school children.

Hope Elementary School Established
In cooperation with the China Youth Development Foundation, two Toshiba Hope Elementary Schools were established in Dalian in 2003 and 2002, respectively, to provide educational opportunities for underprivileged children.

Inviting Students to Toshiba Spring Concert
In fiscal 2004 Toshiba invited 50 high-achieving, financially disadvantaged students to Toshiba Spring Concert, an annual event launched in 2000. At the same time, Toshiba donated five televisions and 500 dictionaries to the school they attend.

Supporting SARS Countermeasures
During the outbreak of SARS in 2003, Toshiba Group donated money, medical equipment and personal computers worth 4.6 million yuan (70 million yen) to combat the disease.

Toshiba Operations in China at a Glance (  shows the locations of subsidiaries)

Shenyang
Dalian
Nanjing
Changzhou
Shanghai
Hangzhou
Fujian
Xiamen
Guangdong
Guangzhou
Shenzhen
Hong Kong
Pingdingshan
Xian
Beijing

Dong Bei Region
Hua Bei Region
(including Beijing)
Yangtze Delta Region
Fujian Province
Zhu Jiang Delta Region

Sales of China business (5-year trend)

Number of employees in China (5-year trend)
Corporate Governance

Toshiba Group is strengthening corporate governance to achieve greater transparency of decision-making and business processes, thorough risk management and enhanced disclosure and accountability so as to increase enterprise value.

Background to Introduction of the Company with Committees System and Its Objectives

Our policy for corporate governance is to enhance management efficiency and transparency so as to secure maximum shareholder value. Following the introduction of the executive officer system in 1998 and the in-house company system in 1999, Toshiba established the Nominating Committee and the Compensation Committee in 2000 and shortened directors’ tenures to one year. These reforms preceded the revision to the Commercial Code of Japan. In June 2003 Toshiba adopted the company-with-committees system to reinforce the supervisory function of management, enhance transparency, improve management flexibility and bolster risk management and compliance.

Governess in a Company with Committees

According to the Commercial Code of Japan, at a company with committees, a nominating committee determines proposals concerning appointment and dismissal of directors and a compensation committee determines compensation of individual directors and executive officers. At Toshiba the Nominating Committee has additional responsibilities determining proposals concerning appointment and dismissal of the president and of committee members. Regarding management supervision and auditing, Toshiba has put in place a system in which executive officers report to the board of directors and the Audit Committee about matters that have significant influence on management and financial performance. Also, the Corporate Audit Division responsible for internal auditing which directly reports to the president is working in cooperation with the Audit Committee.

Governess Structure as of June 25, 2004

Of 14 directors, seven directors are non-executive officers (four outside directors; the chairman of the board and two full-time audit committee members). The Nominating Committee, chaired by an outside director, consists of one internal director and two outside directors; the Audit Committee consists of two internal directors (full-time) and three outside directors; and the Compensation Committee, chaired by an outside director, consists of two internal directors and three outside directors.

CSR Promotion Structure

In light of globalization and expectations of stakeholders, Toshiba Group has established a system for full-scale promotion of CSR activities to fulfill its responsibilities to society.

CSR Division Directly Reporting to the President

Toshiba Group has long been actively tackling compliance, human rights, the environment, customer satisfaction, corporate citizenship and other facets of CSR. The progress of globalization and the growing interest in society have propelled corporate social responsibility to an integral part of management. Toshiba established the Corporate Social Responsibility Division in July 2003. Directly reporting to the president, it spearheads Toshiba’s drive to proactively fulfill its corporate social responsibility.

The CSR Promotion Committee is responsible for decision-making on Group-wide CSR activities. The Risk-Compliance Committee, Corporate Environmental Protection Council, and other CSR-related committees, all of which are supervised by the CSR Promotion Committee, determine their policies and establish action plans. The CSR Division reports periodically to the board of directors.
Compliance and Risk Management

By integrating risk management with compliance covering laws and regulations, social norms and corporate ethics, Toshiba Group is ensuring the fairness and transparency of its management system.

Toshiba Group Standards of Conduct

Operating globally, Toshiba Group emphasizes legal compliance and the conduct of business in accordance with social norms and corporate ethics as well as fulfillment of CSR in such areas as human rights, global environmental protection and contribution to society. Toshiba Group Standards of Conduct defines a clear common set of values and a code of conduct for all officers and employees of Toshiba Group around the world. Toshiba Standards of Conduct was first established in 1990. Following several revisions, Toshiba established the new Toshiba Group Standards of Conduct in January 2004, adding items from the viewpoint of CSR. Toshiba Group Standards of Conduct provide guiding principles for everyone in Toshiba Group in all their activities.

Compliance Education

Toshiba Group considers compliance to be a vital issue for companies, since compliance is a prerequisite for a company's continued existence. To ensure thorough compliance with Toshiba Group Standards of Conduct and to raise awareness about compliance, all Toshiba Group employees in Japan receive education for which videos and e-learning are used. Employees of Toshiba Group companies overseas receive compliance education for which videos reflecting regional characteristics and needs are used.

In addition to universal education for all employees, Toshiba provides education according to responsibilities and experiences using specially designed textbooks. Also, Toshiba periodically holds seminars for executives to which lawyers and other specialists are invited as speakers. Furthermore, education is provided on such themes as the Anti-monopoly Law, promotion of personal information, information management, copyright and export control.

Risk Management & Compliance Promotion Structure

Toshiba has appointed a corporate senior executive as the Chief Risk-Compliance Management Officer (CRO). The CRO leads Toshiba’s efforts to ensure compliance with Toshiba Group Standards of Conduct and promote risk management. The Risk Compliance Committee chaired by the CRO is responsible for determining measures and promoting their implementation in cooperation with the organizations concerned. Also, each in-house company has a risk-compliance officer and risk compliance committees.

In the event of an emergency, the CRO takes the initiative in swift and appropriate risk management in cooperation with the organizations concerned. The board of directors supervises implementation and promotion of internal control systems concerning risk management and compliance.

In-house Information Reporting System

In January 2000 Toshiba initiated a system that encourages employees to directly report any risk and compliance-related issues. This system is operated as the Risk Hotline. In addition to employees of Toshiba Corp., employees of its affiliated companies and temporary staff can also use the Risk Hotline for direct reporting or obtaining advice. Toshiba Group Standards of Conduct revised in January 2004 unequivocally mandates protection of anyone who reports issues or seeks advice. Toshiba Group companies are readying risk hotline systems for introduction.
Chapter 1
Mind of Toshiba Group

Company Overview and Business Results
(Economic Dimensions)

Centering on the electronics and energy fields, Toshiba Group contributes to
efficiency of the quality of life and the progress of society through its global
operations. With a view to hastening the emergence of the ubiquitous networking
society, we deliver products and services that are attuned to peoples aspirations and
beneficial to society while endeavoring to ensure harmony with the Earths
environment.

Business Overview

Toshiba Group is engaged in businesses
ranging from digital products and elec-
tronic devices to social infrastructure and
home appliances.

In fiscal 2003, despite a slight decrease in
consolidated net sales due to the transfer
of certain businesses, both operating
income and net income increased.

In accordance with the mid-term business
plan whose final year is fiscal 2006, Tosh-
iba is poised to achieve high growth in
digital products and electronic devices
while revenues from the social infrastruc-
ture business are expected to continue
increasing. Overseas sales accounted for 35% of net
sales and employees overseas, numbering some 40,000, accounted for 25% of Tos-
hiba Groups workforce.

Please refer to Toshiba Annual Report
2004 for details of Toshiba's business and
financial information. This information is
also available at the following website:
http://www.toshiba.co.jp/about/ir/
index.html

Company Overview (as of March 31, 2004)

- Company name: Toshiba Corporation
- Headquarters address: 1-1, Shibaura 1-chome, Minato-ku, Tokyo
- Founded: July 1875
- Number of employees: Non-consolidated: 32,412
- Number of consolidated subsidiaries: 319 (203 in Japan, 116 overseas)
- Number of shares authorized: 10,000,000,000 shares
- Number of shareholders: 405,951
- Number of shares issued: 3,219,027,165 shares
- Paid-in capital: 1,274,926 million yen
- Number of shareholders: 405,951
- Stock exchange listings:
  - Tokyo, Osaka, Nagoya, Fukuoka, London*, Luxemburg, Amsterdam*, Frankfurt, Düsseldolf, Paris, Switzerland (*Underlying stock)
- Stock code: 6502

Net Sales
(Non-consolidated, Consolidated)

- Non-consolidated
  - 2001: 3,585.4
  - 2002: 3,556.9
  - 2003: 3,585.4
- Consolidated
  - 2001: 3,585.4
  - 2002: 3,556.9
  - 2003: 3,585.4

Operating Income (Loss) & Net Income (Loss)
(Consolidated)

- Operating Income (Loss)
  - 2001: 17.2
  - 2002: 17.4
  - 2003: 17.4
- Net Income (Loss)
  - 2001: -286.7
  - 2002: -286.7
  - 2003: -286.7

Sales by Segment (fiscal year 2003, consolidated basis)

- Digital Products: 2,069.4 (33%)
- Home Appliances: 637.3 (10%)
- Electronic Devices: 1,283.6 (21%)
- Others: 472.7 (8%)

Sales by Region (fiscal year 2003, consolidated basis)

- Asia: 629.9 (15%)
- Japan: 3,399.9 (61%)
- North America: 710.1 (13%)
- Europe: 517.2 (9%)
- Others: 1,310.1 (1%)

Number of Employees by Region
(as of March 31, 2004, consolidated basis)

- Japan: 120,545 (75%)
- Europe: 122.4 (6%)
- North America: 5,103 (3%)
- Others: 1,310 (1%)
- Includes full-time employees, personnel assigned to other companies, temporary workers and part-timers
Together with Customers

Toshiba Groups customer satisfaction concept is “Make the Voice of Customers (VOC) the starting point for all ideas and provide products, systems, and services that deliver customer satisfaction”. Guided by this concept, each day we engage in countless activities to improve customer satisfaction.

Toshiba Groups Commitment to Customer Satisfaction

In 2003 Toshiba Group established its Customer Satisfaction Promotion Policy. Toshiba aims to deliver maximum customer satisfaction in terms of products, services, and communication with customers. To enhance customer satisfaction, Toshiba periodically convenes meetings of the Customer Satisfaction Promotion Committee, which is representative of internal companies and Toshiba Group companies. Through rigorous instruction in the Customer Satisfaction Promotion Policy and regular case studies, Toshiba works to enhance customer satisfaction.

Making Quality Products That Captivate Customers

On the basis of the Quality Control Policy established in 1990, Toshiba Group observes all relevant laws and regulations and provides high-quality, safe products and systems, and services intended to fulfill the spirit of putting the customer first. We have put in place at each workplace and Toshiba Group company quality management systems centered on acquisition of ISO9001 quality management system certification. We have also set up internal systems that enable us to rapidly respond when quality-related problems occur.

Toshiba Listens to the Voice of Customers and Reflects It in Products and Services

Toshiba Group has established customer contact points to receive requests and inquiries from customers by telephone, fax, the Internet, or mail, and consistently responds to each message. We feed back the valuable opinions we receive from customers to the employees concerned in order to reflect them in the planning and development of products and services. As well as conducting customer satisfaction surveys to proactively gauge customer satisfaction and solicit opinions, the CSS Evaluation Center evaluates products and services from the customers’ viewpoint (See P32).

Chapter 2 Social Relations

Mobile phone questionnaires are a gold mine of user opinions. Toshiba Corp.'s Mobile Communication Company conducts user questionnaire surveys on the TOSHIBA IBA User Club Site, a dedicated website for mobile telephone users. The company applies the results of the survey in many ways—in business plans and in the planning, development, and marketing introduction of products, and to improve quality and service. Because the company uses simple questionnaires transmitted by mobile phone, it sometimes receives several thousand responses in just a few days. This makes possible the timely reflection of customer needs in products and services.

Recently, the company conducted a questionnaire survey to study the frequency of mobile phone use according to the place of use. A Toshiba R&D team is analyzing the results from this survey to develop the fuel cells of the future.
Creating Easy-to-use Products for Everyone

Aiming to realize an affluent society where everyone can live in comfort, Toshiba practices universal design (UD). Toshiba has produced more than 200 products incorporating universal design principles in a variety of fields, including elevators, home appliances, housing facilities, information equipment, and social infrastructure. In fiscal 2003, seeking to enhance communication with our customers, we took part in numerous public events, including the Human Festa 2003 Tokyo and the Life and Living Show. We participated in the establishment of the International Association for Universal Design, regularly engage in information exchange with various industrial organizations, and participate in drawing up guidelines and standards related to universal design. Toshiba believes that the provision of products that everyone can use safely and comfortably is a valuable activity that not only leads to individual customer satisfaction, but also benefits society as a whole.

Providing the Information Customers Need

Toshiba publishes information relating to the use of its products on websites and in printed publications. Q&A Files (12 volumes) — pamphlets concerning the functions, use, installation, and maintenance of home appliances based on actual inquiries and questions received from customers — are highly rated for their ease of use. Also, the Life and Living Comics: Lifestyle Hints and Tips for the Entire Family (4 volumes) are used in the home and as course materials for training courses. In May 2003 we began posting user's manuals for some appliances on the Toshiba website. We have also provided all customers with notices concerning product safety. Toshiba Group publishes such notices in newspapers and on the Toshiba website.

Leading the Way in Implementing Personal Data Protection Systems

Toshiba Group was quick to recognize the importance of personal data protection and has long engaged in measures to protect personal data. Toshiba is moving ahead with measures such as the establishment of the Toshiba Privacy Program (internal regulations that comply with JIS Q15001) and the implementation of personal data protection systems and information systems security. Toshiba also conducts internal education and training to raise awareness among all employees who handle personal data of the importance of protecting personal data. As a result of such initiatives in April 2003 Toshiba Corporation acquired Privacy Mark certification from Japan Information Processing Development Corporation (JIPDEC).

To create a better society and better communities, Toshiba Group engages in a number of socially beneficial activities in Japan and overseas. In July 2003 Toshiba Group established the Social Contribution Committees, an organization subordinate to the Corporate Social Responsibility Promotion Committee, which sets down the Basic Policies on Corporate Citizenship Activities and discusses plans and evaluates activities that benefit society.

Together with Local Communities

Each year since 2001, Toshiba Information Equipment (Philippines), Inc. (TIP) has conducted Community Tree Planting, an employee/community participation event. In 2003, TIP planted about 2,500 trees at seven locations and on five occasions conducted periodic clean-up activities in the vicinity of the company’s plant, nearby community, and along the banks of an adjoining river.

Conservation of the Natural Environment

TIP employees plant trees

Exhibiting at EXPO 2005, Aichi

Toshiba will exhibit at the Mitsui-Toshiba Pavilion at The 2005 World Exposition, Aichi, Japan. The exhibit, called ‘Dedicated 21st Century – Aichi’s Promise’, will focus on the importance of the Earth to the children who are destined to bear responsibility for the planet. The environmentally-friendly pavilion design makes maximum use of wind, natural illumination, and other natural energy sources.

Scientific and Technical Training

Toshiba Science Museum Satisfies Intellectual Curiosity

Located in Kawasaki, Toshiba Science Museum provides an easy-to-understand introduction to Toshiba’s leading-edge technologies based on the theme of “Rapport between People and Science.” The museum receives about 120,000 visitors a year. The museum stages workshops and events to combat the worrisome recent trend toward lack of interest in natural sciences among children.

Events at Toshiba Science Museum

Exciting Experiments Show

In this popular regular show held more than 100 times since 1991, Toshiba provides a fun introduction to various scientific topics such as light, sound, electricity, the environment, and biology. The many fascinating experiments include “Exploring the Wonders of Life and The Secret of Utra sonic Waves.”

Galileo Workshop Experimental Classroom

Each month 40 children participate in the Galileo Workshop, held since 1995 in cooperation with NPO. Galileo Workshop. The young people become fascinated as they conduct experiments and engage in science discussions.
International Exchanges and Friendship

Toshiba International Foundation

Founded in 1989, Toshiba International Foundation seeks to promote understanding of Japan and international exchanges by sponsoring symposiums and seminars on Japan-related topics and supporting organizations that introduce Japanese culture and arts abroad or conduct research on Japan. In addition, the Toshiba America Foundation and Toshiba Thailand Foundation promote scientific education programs and provide scholarships.

Toshiba Internship Program

Every year since 2009, Toshiba has invited university and graduate school students from around the world to participate in five-week internships at the Corporate Research & Development Center. Through this program, Toshiba provides instruction in science and technology as practiced in Japan as well as opportunities to deepen understanding of Japanese society and culture. To date, 434 students from 33 countries have participated in the program.

Promotion of Sport and Culture

Rugby Training

Every Sunday, about 100 youngsters head for the grounds of Toshiba Fuchu Complex where former members of the Toshiba Fuchu Rugby Team give training sessions. These rugby veterans have been nurturing aspiring young rugby players for the past 22 years. Current team members also promote good relations with the local community by providing lessons to school students.

Support for Production of Art Museum Leaflets

Toshiba provides continuing support for the production of foreign-language leaflets for the National Museum of Modern Art, Tokyo; the Tokyo National Museum; and the Nara National Museum.

Support for FTI

The British Association for Japanese Studies promotes understanding of the Political, Economic, Social, Cultural, and Linguistic Relationship between Indonesians and Japan over Thirty Years (1970 to 2000). More than 200 researchers, government officials, and journalists participate.

Support for Federation of Thai Industries

In October 2003, Toshiba Group dispatched three instructors to Thailand to conduct a Production Technology Course for business managers, factory managers, and production managers.

Support for Indonesia Foundation for Japanese Studies

As part of its efforts to promote international understanding, Toshiba provided support for a symposium held in July 2003 entitled “Examination of the Political, Economic, Social, Cultural, and Linguistic Relationship between Indonesians and Japan over Thirty Years (1970 to 2000).” More than 200 researchers, government officials, and journalists participated.

Support for Production of Art Museum Leaflets

The British Association for Japanese Studies provided continuing support for the National Museum of Modern Art, Tokyo; the Tokyo National Museum; and the Nara National Museum.

The Olive Tree

Corporation

In cooperation with the Inventions in the Edo Period—a project of the Ministry of Education, Culture, Sports, Science, and Technology to investigate the origins of workmanship in Japan—Toshiba is supporting research on the disassembly, reconstruction, and reproduction of the Perpetual Clock, a clock created by Toshiba founder Hisashige Tanaka that is widely regarded as the pinnacle of Japanese clockmaking. Toshiba has loaned the clock to the National Science Museum and provided Corporate R&D Center engineers to serve as project advisors.

10-Year Great Walk on China Great Wall

Toshiba co-sponsors this event, which was launched in 2003 and will run for 10 years. Entrance fees are donated to support repair work to preserve the Great Wall, a World Heritage site. Toshiba has also donated desks for use by students at a school in the Huairou District of Beijing.

Support for Employee Volunteer Activities

Initiatives to Promote Employees’ Volunteer Spirit

Toshiba strives to foster the volunteer spirit, encouraging employees to engage in activities that contribute to a better society. The company provides information on the Toshiba intranet, holds seminars on volunteerism, and has introduced a volunteer lease system enabling employees to use accumulated leave for volunteer activities.

KIDS

Toshiba supports more than 50 Toshiba employees who participate each year in volunteer activities at KIDS, a nonprofit organization that operates based on the “promotion of lifting the consciousness of philanthropy” and “the development of communities transcending nationality, company, age, sex, or disabilities.” KIDS is involved in activities such as the KIDS Project foraborting children with disabilities, the International Project, and visits to facilities for disabled children.

Katsunori Nose

Departments & Business

Business Solutions

Ottawa Information Systems

KIDS

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Together with Employees

Convinced that human resources are the most valuable asset, Toshiba Group is endeavoring to provide a working environment where all employees can take pride in their work, maintain their passion and dedication, and achieve their aspirations. We respect every individual, draw strength from the diversity of our workforce, and do not permit any discrimination in recruitment, employment, remuneration, etc. We are also supporting employees by encouraging them to adopt healthy lifestyles and providing a safe working environment.

Basic Policy on Human Resources

The objectives of Toshiba's Human Resources Management Policy are that each employee should develop excellent capabilities, achieve his or her full potential, and that the Highly motivated and creative activities of all employees should be combined to achieve business goals. Since its establishment in 1973, this policy has informed our human resources management system. We respect human rights, strive to eliminate any discrimination and are mindful of the social mores of countries where we operate.

Encouraging Employees to Fulfill Their Aspirations

Toshiba has put in place various systems and procedures designed to ensure that all employees exercise initiative, take pride in their work, enhance their expertise, and achieve fulfillment.

Human Resources Management Policy (extract)

- **Human resources are the most valuable asset**
  Toshiba cherishes its human resources and provides opportunities for its employees to develop their capabilities and realize their full potential.

- **Utilization and development of human resources**
  Since the essential tasks of human resources management are utilization and development of employees, Toshiba endeavors to match the right person with the right assignment.

- **When we operate, we're mindful of the social mores**
  Toshiba respects human rights and strives to eliminate discrimination on the basis of sex, age, nationality, religion, physical disability, etc. Whenever Toshiba operates in the world, it complies with the applicable laws and regulations and respects the customs, culture and social mores.

Education and training systems

- Self-based education
- Directed training
- Skill-based education
- Language education
- Introspection training
- Industrial training
- Training for young employees
- Training for middle managers
- Training for new employees

According to the 2003 TEAM Survey, 78.5% of respondents answered “yes” to “to some extent” when asked whether their job is challenging.

HR systems that encourage individual initiative and vitalize organizations

- Job posting throughout Toshiba Group
  Deployment of highly motivated employees identified in Toshiba Group to the places where human resources are needed, foster fresh minds, enhance employee morale, and vitalize the organization.

- In-house free agent
  Employees can register as free agents with organizations, including the type of work they desire. This system enables employees to make a more active commitment to their career development.

Training for employees and their families

- Child-care leave
  Until the end of the first April after the child becomes one year old.
- Parent-child care
  One-year care
  One-year per person requiring nursing
- Short-term shift
  For those caring for a preschooler
  Until the end of March of the year in which the child enters elementary school.
- For working parents
  Up to three years per person from the day the shift is applied.

Listening to the voice of employees

Toshiba TEAM survey is an in-depth survey of employee values and attitudes conducted annually. The findings are reflected in measures to improve workplaces in ways that enhance communication, vitalize organizations and promote development of human resources. Also, for employees and temporary staff who wish to raise issues concerning workplaces, personnel matters, etc., counselors are available to talk.

Respecting Diversity

Committed to upholding human rights and convinced that diversity fuels business success in a multicultural world, Toshiba Group respects individuals and values diversity. As a signatory to the United Nations Global Compact, Toshiba strives to ensure compliance with internationally recognized principles concerning human rights and labor.

Employment of people with disabilities

Toshiba is endeavoring to create a working environment where people with disabilities and those without disabilities can work together as equals. Some 400 people with disabilities are working at Toshiba. We are determined to widen job opportunities for people with disabilities to bring their capabilities into full play. Within two years, we intend to bring the employment ratio of people with disabilities from 1.6% to 1.8% in accordance with Japanese law. (The number and the ratio mentioned above are as of April 2004 on a non-consolidated basis.)

Ensuring gender equality

Toshiba Group endeavors to provide a working environment where motivated personnel can bring their capabilities into full play regardless of gender. One essential support for employees is the child-care leave system. In fiscal 2003, 401 employees, including five men, took child-care leave. Female employees at Toshiba numbered 4,465 as of March 31, 2004, representing 11% of the workforce; 359 women held managerial positions. (The number of female employees is on a non-consolidated basis and includes those on loan to other companies.)

Upholding Human Rights Worldwide

Throughout its global business, Toshiba upholds human rights and strives to eliminate any discrimination or violation of human rights. Managers at Toshiba subsidiaries overseas receive education in human rights. They are required to adhere to internationally accepted principles covering human rights and to instill a sense of respect for human rights throughout Toshiba Group worldwide.

Toshiba Group Standards of Conduct (extract)

- **“Human Rights”**
  Toshiba Group Corporate Policy
  Toshiba Group, while recognizing that the different values of individuals and respect differences in standards and personality based on a traditional respect for human rights, observes and respects laws intended to protect human rights and shall not engage in acts of discrimination or conduct that violate the human rights and fundamental freedoms enjoyed by all individuals.

- **SOC for Toshiba Group Directors and Employees**
  Accept and accommodate different values, and respect the character and personality of each individual, observe the right to privacy and human rights of each individual, avoid any discriminatory actions based on race, religion, sex, national origin, physical disability or age, and support physical, mental, health, maintenance or assistance of the rights of others.
Safety and Health Management

Management’s declaration of the basic policy on safety and health management

In April 2004 the president of Toshiba, President and CEO, Toshiba Corporation, made a declaration of the basic policy on safety and health management at Toshiba’s Safety and Health Congress. The president declared that Toshiba will continue to energetically promote safety and health management activities in order to ensure a safe and comfortable working environment for employees, promote the health and well-being of employees and their families, and contribute to the health and well-being of the community.

A typical comment: “The technology I most want them to commercialize is “e-blue.” Because you can expect a huge reduction in paper, I want to introduce it at my company. I want them to popularize it through cost reductions.”

Prevention of industrial accidents

Safety and Health Congress

In fiscal 2003 Toshiba Groups accident rate was 0.001% below the average for industry as a whole in Japan and the average for manufacturing industry in Japan. Based on risk assessment, Toshiba is promoting safety activities to eliminate accidents. Our ultimate goal is to eliminate risks.

Healthcare

Toshiba Group runs various programs to support employee health, not least by raising awareness concerning the relationship between lifestyle and disease.

Regarding mental health, a leaflet titled “Taking Care of Your Mental Health” has been distributed to households of Toshiba employees to alert employees and their families to any problems they may have. Also, employees and their families can use a telephone hotline to seek advice from healthcare professionals.

Employees whose overtime exceeds a certain number of hours are encouraged to seek the advice of an occupational physician. For employees taking sick leaves due to mental illness, Toshiba offers a program to facilitate their return to work.

Information Dissemination and Corporate Communications

Toshiba strives for timely information dissemination and two-way communication with stakeholders by means of written reports, websites, press releases, trade shows, and other communication vehicles.

Toshiba Group Basic Policy on Safety and Health Management

Based on a fundamental respect for human rights, Toshiba Group provides a safe and comfortable working environment conducive to physical and mental health. This endeavor is intended for the individual and is in accordance with Toshiba’s mission to be an excellent group in terms of safety and health management.

Toshiba Group Basic Policy on Safety and Health Management

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Significant events

Visitors’ comments at the 13th Toshiba Group Environment Technology Exhibition

In March 2004, Toshiba held the 13th Toshiba Group Environment Technology Exhibition at the Toshiba headquarters building. The exhibition was open to the general public, and about 3,200 customers, government officials, journalists, academics, industry members, homemakers, students, and employees of Toshiba Group attended.

A typical comment: “I was interested in the old washing machines, vacuum cleaners, and refrigerators. It was fun. The genuine items were on display, and I gained a good understanding because I could see and touch them. The value and performance were interesting and easy to understand; especially the experiments. I'm glad I went. I'm going to continue making an effort to learn about the environment!”

A middle school student.

If there were a bit more movement in the displays, such as more video presentations, it would probably be even more interesting. It would be good if they displayed more recycled products.”

A typical comment: “I was interested in the old washing machines, vacuum cleaners, and refrigerators. It was fun. The genuine items were on display, and I gained a good understanding because I could see and touch them. The value and performance were interesting and easy to understand; especially the experiments. I'm glad I went. I'm going to continue making an effort to learn about the environment!”

A middle school student.

“Although I think the technical descriptions were what you’d expect from a manufacturer, speaking as a consumer who uses your products I want you to publish examples indicating how beneficial the products are to the environment.”

Miles, age 36.

“Although I suppose you have to include something for everyone, I think you should include special feature pages that provide a close-up of points you particularly want to emphasize. Pages that leave an extra impression.”

Miles, age 34.

Note: Comments on the Toshiba Group Environment Technology Exhibition and Environmental Report 2003 are also available for viewing at the Toshiba website (http://www.toshiba.co.jp/environment).
Toshiba Open to Local Communities

To increase understanding of Toshiba among local residents and fulfill its responsibilities as a good corporate citizen, Toshiba actively engages in community activities at each place of business. For instance, it holds events such as plant tours and discussion meetings and engages in volunteer neighborhood cleanups. In addition to its regular exhibits, environmental classes, and personal computer classes, the Toshiba Science Museum in Kawasaki, Japan offers highly popular museum tours and tours of appliance and computer recycling plants for primary and middle school students.

Dialog with Customers

At the CS Evaluation Center, product monitors use Toshiba products and prototypes and evaluate them for ease of use and performance. Toshiba applies the results of these evaluations to create products that reflect customer opinions and desires. Toshiba obtains opinions from new users and experienced users alike concerning user manuals, websites, accessibility of information, etc., in focus group interviews and reflects them in product and service improvements.

Working Together with NPOs and NGOs

In engaging in community activities, social contributions, and environmental activities, Toshiba consults and exchanges opinions with nonprofit organizations and non-government organizations active in these areas. (See P25 to 27, P33)

Communication with Shareholders and Investors

In addition to issuing an annual report and publishing information on its IR Web site, Toshiba conducts business briefings for investors and analysts and promotes communication by facilitating media coverage. Information gained through these activities is fed back to executive management and utilized in formulating business strategy.

In response to an increase in the number of individual shareholders, Toshiba has made it possible to exercise voting rights via the Internet. We strive to make corporate communications easy to understand by preparing business reports that utilize video footage of the General Meeting of Shareholders and posting video-based explanations on the IR Web site.

Environmental Report Compiled in Collaboration with Junior High School Students

The Toshiba Corporate Research & Development Center, in a joint effort with local junior high school students, produced The Toshiba Corporate Research & Development Center Environmental Sustainability Report 2003—Making a Commitment to the Environment: Youthful Perspectives from the Editorial Committee, a Japanese index that promotes socially responsible investing (SRI), a Japanese index that promotes socially responsible investing (SRI).

The project was conducted as a part of a multidisciplinary class.

Evaluation by Outside Parties

- Toshiba was among the world’s 300 leading companies in the 2004 Dow Jones Sustainability Indexes (DJSI), influential indexes that promote socially responsible investing (SRI).
- Toshiba ranked second among sixteen IT/Home & Office companies in the social responsibility ratings of Oekom, a German research institute.
- Toshiba was selected as one of the 190 stocks that make up the Morgenstar Socially Responsible Investment Index (MS-SRI), a Japanese index that promotes SRI.

Face-to-Face Environmental Communications

“Although you clearly understand that Toshiba is mindful of the environment, it’s an exhibition that provides an opportunity for people to touch and experience the products. I think Toshiba’s environmental activities would be more persuasive if you could see the lifestyles of people working in the plants.” Ms. Shikita

“The full-time staff of the media and the world will see this exhibition and will understand how Toshiba is involved in environmental activities. This is an excellent example of fruitful two-way communication among everyone in the company, I think ideas for products that are not only environmentally sound but also make people happy will bubble to the surface.” Ms. Wada

Toward a Stronger Partnership

“Even if you make environmentally conscious products, people don’t know about it unless they buy and use them. The key is how to publicize the point to women in their 20s, 30s, and 40s who lead the way in home appliance consumption. Thanks a lot for language that more effectively drives the point home to consumers.” This comment from Ms. Rumi Sato, who administers an environmental NGO, succinctly expresses the point of view of homemakers regarding product selection.

“Ms. Kiyomi Wada believes that a feeling of happiness and women’s sensibilities are also important. “It’s good when products offer pleasures and a feeling of happiness in addition to the ecology. I’m sure that is something that results from the feelings of the company’s employees.” Ms. Sato comments, “This is an age when people ask two types of satisfactions: their own happiness and environmental benefits. Consumers are certain to support companies that provide this satisfaction.”

There was general agreement among the participants to Mr. Haruyasu’s proposal, “On the basis of the fieldwork that we have conducted here, we would like to form partnerships with people in various environmental sectors and work to realize a sustainable society.”
Overview of Environmental Strategy and Environmental Impacts

Clarification of material flow is important for analyzing the relationship between the environment and a company and to promote protection of the global ecosystem and biodiversity. As Toshiba Group’s products and services range from home appliances and information and communications equipment to semiconductor devices, electronic components, and heavy electrical apparatus, and their environmental impacts vary, this section provides an overview of the environmental impacts of Toshiba Group. These environmental impacts are utilized as indices for verifying sustainability.

The figures show 5-year trends of inputs of energy, water, and chemical substances, and of outputs, such as environmental impacts on water and air and discharge of waste. Toshiba intends to expand collection of data that can be utilized for efforts to reduce the environmental impacts of its activities. These data are significant components of indices of environmental protection benefits in the environmental accounting of Toshiba Group.
Environmental Management

Since the Earth’s environment with its biodiversity is humankind’s life-support system, issues associated with it are intimately involved with the very foundation of our existence. The orientation of society and the economy toward mass production, mass consumption and mass disposal needs to be tempered by adherence to other values. Mindful of our responsibility to future generations, we are making a concerted corporatewide effort to utilize resources with utmost efficiency. As an enterprise committed to sustainable development, Toshiba is resolved to raise consciousness as well as innovated technology.

Environmental Management

Basic Policy for Environmental Protection

(1) Toshiba considers environmental protection to be one of management’s primary responsibilities.

(2) Toshiba specifies objectives and targets for its business activities, products and services with respect to the execution of environmental impacts and prevention of pollution.

(3) Toshiba strives to continually improve the environment through vigorous implementation of environmental measures.

(4) Toshiba contributes to society through its environmental protection activities, which include the development and supply of excellent, environmentally conscious technologies and products and cooperation with the local community.

(5) Toshiba complies with all laws and regulations, industry guidelines to which it has subscribed, and its own standards for environmental protection.

(6) Toshiba recognizes that natural resources are finite and promotes their efficient utilization.

(7) Toshiba strives to continuously improve the environment through vigorous implementation of environmental measures.

(8) Toshiba promotes environmental activities throughout its overseas subsidiaries, and all operations have gained ISO-14001 certification. Of the 34 operations of Toshiba overseas subsidiaries, 32 operations have obtained certification, and we are working to achieve certification for all our overseas facilities.

(9) Toshiba aims to continually improve environmental management systems. Environmental auditing of environmental management systems covers all requirements of ISO-14001. In addition to items required for internal auditing and auditing according to the specific ISO-14001 standard, Toshiba specifies objectives and targets for its business activities, products and services with respect to the reduction of environmental impacts and prevention of pollution.

Environmental System

With the aim of enhancing the commitment to environmental protection throughout Toshiba Group and making it integral to the operation of every Toshiba Group company, Toshiba established the Corporate Environmental Protection Council in 1991. Chairing this executive officer responsible for environmental protection. Toshiba, the council has a wide-ranging brief: It proposes solutions to environmental problems affecting management, technological development, production and sales, determines basic policies, and reviews the progress of in-house companies and operations.

Its subordinate organizations include the Environmentally Conscious Products Committee (ECP), which promotes development of environmentally conscious products and technologies; the Green Promotion Committee, which promotes environmental protection at operations, and the Recycling Promotion Committee. Subordinate in-house companies and operations holding environmental protection conferences at which goals are set and projects launched for specific products and regions.

Environmental Management System

To promote environmental protection activities, Toshiba considers ISO-14001 certification to be a passport to inclusion in the ranks of the world’s most environmentally responsible enterprises. As shown below, by September 1997 all 36 of Toshiba’s operations had obtained ISO-14001 certification and have maintained that certification ever since. Of the 57 operations of affiliated companies in Japan, 50 operations have obtained ISO-14001 certification. Of the 34 operations of Toshiba overseas subsidiaries, 32 operations have obtained certification and we are working to achieve certification for all our overseas facilities.

EASTER

Environmental Education

In order to maintain and enhance the level of environmental protection, all Toshiba personnel receive environmental education according to their positions and the tasks in which they are engaged. The curriculum consists of education programs according to position, general environmental education, specialty education and ISO 14001 education. For corporatewide general education, e-learning is utilized to eliminate travel time and improve the participation rate. Programs for managerial personnel include a course designed to cultivate environmental awareness. On that course, in addition to gaining knowledge of a more general nature, participants design personal computer software to recognize the importance of environmentally conscious products.

Specialty education programs consist of ECP education and internal auditor education. The objective of ECP education is to ensure that managers engaged in development and design fully understand the concept of environmentally conscious product design. Toshiba intends to continue provision of environmental education for all employees, and enhance content of education, enrich ECP education and expand IT-based education.
**Preserving Biodiversity at the Yokohama Complex**

**Activities at the Lagoon**

Besides day-to-day maintenance such as improvements to the fences and channels and clearance of undergrowth to allow certain species to flourish, The Lagoon is the scene of various thoroughly worthwhile activities—research into sustainable methods of using wooded mainland, environmental education including nature study and bird watching, and the construction of footpaths. The Lagoon is among the responsibilities of the environmental manager of Yokohama Complex. The state of water quality is constantly monitored online. A record is kept of the species of birds and their numbers every day, rain or shine.

Yokohama Complex encourages local elementary schools to make full use of The Lagoon as an outdoor classroom for interdisciplinary learning. Local residents also enjoy strolling along the footpaths, delighting in the wildlife. The Lagoon teams with fauna. Indeed, colorful creatures such as dragonflies and spot-billed ducks breed there. Every spring several pairs of spot-billed ducks nest at The Lagoon. Flotillas of tufled ducks and pochard winter there each year.

**Creating an Aquatic Environment**

On its site, Yokohama Complex has created several bodies of water collectively known as The Lagoon. When the original works was constructed on land reclaimed from the Nogo Bay, all the water was drained away—along with the wildlife. In 1980 a plan was formulated to use purified waste water to create a wooded man-made environment teeming with wildlife. The idea was to create an attractive, ecologically desirable environment providing a habitat for wildlife on the premises, while at the same time minimizing the factory’s impact on water quality.

The Lagoon comprises seven bodies of water with a combined surface area of 5,590 square meters. The project sought to create and maintain an aquatic environment rich in biodiversity. Upstream from The Lagoon, a rotary machine has been installed to produce a current and oxygenate the water, which is subjected to advanced sewage treatment and further purified by the sun and microbial activity. Downstream, fences and banks have been constructed to provide a habitat for aquatic insects and birds.

**Voluntary Action Plan (Voluntary Environmental Plan)**

Following the announcement of its first voluntary plan in March 1993, Toshiba achieved the seven initial targets by the end of fiscal 1995 as planned. The second voluntary environmental plan was launched in fiscal 1996 and 10 of the 12 targets were achieved by the end of fiscal 2000, the final year of the plan. Toshiba's third voluntary environmental plan, covering the period from fiscal 2001 to 2005, is now being implemented. This new voluntary plan is being promoted throughout Toshiba Group, including affiliated companies.

**Environmental Relations**

Chapter 3

Chapter 1 Mind of Toshiba Group

Chapter 2 Social Relations

Chapter 3 Environmental Relations

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<td>Zero Emission of Waste</td>
<td>绿色采购比例</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Reduce CO2 Release</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Green procurement</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Provide product information</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Reduce electricity consumption per product function</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Apply lead-free soldering</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Abolish HFCs</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Toshiba Group CSR Report 2004**

The Lagoon serves as a wonderful outdoor classroom for local elementary school children.
Environmental Accounting

Toshiba introduced environmental accounting in fiscal 1999 in order to quantitatively grasp the costs and benefits of environmental protection and utilize the quantitative data as guidelines for business activities.

Basic Framework

Toshiba’s environmental accounting for fiscal 2003 covers Toshiba Corp. and its 63 domestic subsidiaries and 26 overseas subsidiaries. Classification of environmental costs and the calculation criteria are in accordance with the Environmental Accounting Guidelines issued by the Ministry of Environment, Japan. Regarding benefits, since no unified standards have been established, environmental impact reduction benefits are indicated quantitatively and also calculated in monetary value in Toshiba’s environmental accounting. Environmental costs increased by 25% from fiscal 2002 to 37.2 billion yen due to higher business area costs as a result of the increase in the number of companies covered by environmental accounting. Meanwhile, environmental benefits decreased by some 40% from fiscal 2002 to 2.48 billion yen due to the increased environmental impacts resulting from opening of new factoriess overseas.

Regarding the five-year trend, environmental costs increased in fiscal 2003 partly due to the expansion of the boundary of environmental standards. While customer benefits and risk prevention benefits are stable or on an upward trend, actual benefits and assumed benefits, which are in inverse proportion to production activities, are on a downward trend because the increase in environmental impacts exceeds the reduction benefits due to rising production. In order to ensure the accuracy and transparency of data, Toshiba has commissioned a third-party review of environmental accounting by Shin Nihon Environmental Management and Quality Research Institute. (See Page 58)

5-year Trend of Environmental Costs and Benefits

<table>
<thead>
<tr>
<th>Years</th>
<th>Environmental Costs</th>
<th>Environmental Benefits</th>
<th>Benefits vs. Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>37,200,000 yen</td>
<td>30,000,000 yen</td>
<td>0.81</td>
</tr>
<tr>
<td>2002</td>
<td>29,500,000 yen</td>
<td>24,000,000 yen</td>
<td>0.82</td>
</tr>
<tr>
<td>2001</td>
<td>22,000,000 yen</td>
<td>18,000,000 yen</td>
<td>0.82</td>
</tr>
<tr>
<td>2000</td>
<td>16,000,000 yen</td>
<td>12,000,000 yen</td>
<td>0.75</td>
</tr>
<tr>
<td>1999</td>
<td>12,000,000 yen</td>
<td>9,000,000 yen</td>
<td>0.75</td>
</tr>
</tbody>
</table>

A Tool for Environmental Management

The figure indicates the outline of Toshiba’s environmental accounting. Although Toshiba’s environmental accounting initially concerned the second and the fourth quadrants, subsequently the third and first quadrants were included. Toshiba is working to establish a better approach so that measured benefits serve as appropriate indices for environmental management. The graph at right indicates the trend of eco-efficiency, an environmental management index unique to Toshiba. Definition of eco-efficiency was realized from the previous year in order to achieve consistency with Factor T, an eco-efficiency concept for products. Eco-efficiency is a ratio of net sales to total environmental impacts. This index is useful for evaluating the benefits of routine environmental measures, provided that the content of the business does not change greatly. We are working to integrate the eco-efficiency index with Factor T for products throughout their lifecycles.

Additionally, as a part of its efforts to strengthen internal control, Toshiba has started to introduce material flow cost accounting. A project for implementation of this accounting practice has been launched for the light bulb production process of Toshiba Lighting & Technology Corp., a subsidiary following the project launch for the hard disk drive production line of Oxva Complex in fiscal 2002. In both these projects, Toshiba is benefiting the guidance of Dr. Miodrau Nakajima, professor of Kanai University and Shin Nihon Environmental Management and Quality Research Institute. Based on findings obtained through these projects, we intend to expand the scope of implementation of material flow cost accounting.

Environmental Accounting as an Environmental Management Tool

Costs and Benefits

<table>
<thead>
<tr>
<th>Item</th>
<th>Toshiba Corp.</th>
<th>Affiliated companies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development costs</td>
<td>11,362</td>
<td>2,302</td>
<td>13,664</td>
</tr>
<tr>
<td>Environmental impact reduction benefits</td>
<td>7,709</td>
<td>2,302</td>
<td>10,011</td>
</tr>
<tr>
<td>Environmental impact reduction costs</td>
<td>5,482</td>
<td>1,078</td>
<td>6,552</td>
</tr>
<tr>
<td>Environmental impact reduction benefits divided by environmental impact reduction costs</td>
<td>1.42</td>
<td>0.22</td>
<td>1.64</td>
</tr>
</tbody>
</table>

Toshiba introduced environmental accounting in fiscal 1999 in order to quantitatively grasp the costs and benefits of environmental protection and utilize the quantitative data as guidelines for business activities.
Environmental Considerations for Products

Growing concern about global warming, waste disposal and other environmental issues has heightened awareness of the vulnerability of the Earth’s environment. Toshiba Group has introduced Factor T, its unique eco-efficiency indicator for evaluating functions and environmental aspects of a product. Eco-efficiency is calculated by dividing the “value” of a product by its “environmental impact.” The smaller the environmental impact and the higher the value of the product, the greater is the eco-efficiency. Toshiba Group has completed development of a method for quantitatively calculating eco-efficiency using Easy-LCA, a convenient environmental assessment tool, and LCPlanner (LCP), a tool for identifying desirable functions of a given product. In combination, assessment of a product using Easy-LCA at each check point during the design phase facilitates development of ECPs. Based on the factor, which is an eco-efficiency ratio, relative evaluation of products’ environmental impact and value is executed and the results are reflected in product development. Factor T is applied to a wide range of products including social infrastructure systems and medical equipment. The graph below shows the trends of factors of 10 products and explanation is provided on Pages 44 to 46.

Factor T Trends

In 1999 Toshiba introduced Toshiba Group Earth Protection Mark as a part of its efforts to strengthen disclosure of products’ environmental performance. Products in conformity with Toshiba voluntary environmental standards, which cover such criteria as energy saving, no use of toxic substances, green procurement, design facilitating recycling and recycling of ancillary life products, bear this mark.

Life Cycle Planning (LCP)

LCP is a technique for formulating a concept of an environmentally conscious product at the planning stage that satisfies the quality and cost requirements while at the same time drastically reducing environmental impacts throughout the life cycle of the product. Effective utilization of data obtained by life cycle assessment (LCA) and quality function development (QFD) contributes to determination of environmental specifications, taking the product lifecycle into consideration, and identification of ideas for improving maintainability and usability at the part level.

At present, we are using LCP in the planning of an environmentally conscious vacuum cleaner. From now on, we will expand application of LCP step by step to a wide range of products. Toshiba will continue development of practicable techniques for designing ECPs and apply them in product development.

Use of Lead-free Soldering Throughout the Group

In accordance with the third voluntary plan, Toshiba Group is emphasizing use of lead-free soldering for printed circuit boards. Starting from selection of materials, taking their environmental impacts into consideration, we have performed various experiments to verify mounting, bonding reliability, fatigue life prediction, etc. and accumulated analytical results in databases. Our systematic approach to promotion of lead-free soldering includes preparation of a manual on application of lead-free, covering mass production procedures, training, etc. These efforts have resulted in application of lead-free soldering for 84% of our products. We intend to apply lead-free soldering for industrial equipment for which a high degree of reliability is required.

Scope of Application of Factor T

The concept of an environmentally conscious product at the planning stage that satisfies the quality and cost requirements while at the same time drastically reducing environmental impacts throughout the life cycle of the product.

Definition of Factor

The concept of an environmentally conscious product at the planning stage that satisfies the quality and cost requirements while at the same time drastically reducing environmental impacts throughout the life cycle of the product.

Definition of Eco-efficiency

Value of a product / Environmental impact of a product

Examples of Products

- POS system
- Mail sorting system
- Mail sorting system
- Medical system
- Vacuum cleaner
- Washing machine/drier
- Refrigerator
- TV
- Air conditioner
- Copy machine

Past Year

Future Year

2000

2001

2002

2003

2004

2005

2006

Application of Lead-free Soldering to Products

<table>
<thead>
<tr>
<th>Year</th>
<th>Soldering applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Sn-Ag-Cu soldering (partly Sn-Ag-Bi-In soldering)</td>
</tr>
<tr>
<td>2001</td>
<td>Sn-Ag-Cu soldering (partly Sn-Ag-Bi-In soldering)</td>
</tr>
<tr>
<td>2002</td>
<td>Sn-Ag-Cu soldering (partly Sn-Ag-Bi-In soldering)</td>
</tr>
<tr>
<td>2003</td>
<td>Sn-Ag-Cu soldering (partly Sn-Ag-Bi-In soldering)</td>
</tr>
<tr>
<td>2004</td>
<td>Sn-Ag-Cu soldering (partly Sn-Ag-Bi-In soldering)</td>
</tr>
<tr>
<td>2005</td>
<td>Sn-Ag-Cu soldering (partly Sn-Ag-Bi-In soldering)</td>
</tr>
<tr>
<td>2006</td>
<td>Sn-Ag-Cu soldering (partly Sn-Ag-Bi-In soldering)</td>
</tr>
</tbody>
</table>
Chapter 3  
Environmental Relations

Environmentally Conscious Products

Refrigerator “Non-Freon the Senzoko”

1) The lowest energy consumption in the industry
The winning combination of maximum capability to preserve the freshness of foods and minimum energy consumption defines the performance of an excellent refrigerator. Toshiba’s new freeze-free refrigerator, Non-Freon the Senzoko GR-NF415GX released in January 2004 combines high performance with the lowest power consumption in the industry—just 150 kWh/year.

The GR-NF415GX is Toshiba’s first household refrigerator to incorporate a two-stage inverter compressor housing two compression mechanisms within a single compressor and a pulse motor valve (PMV) control system enabling two-stage cooling cycle for simultaneous cooling of refrigeration and freezer compartments.

2) Improvement in insulation performance
The GR-NF415GX is equipped with the twin plasma system for the cold air circulation routes for refrigeration and freezing, respectively. Also, the digital signal processor (DSP) controlled inverter has been optimized in relation to the two-stage cooling cycle. Further, adoption of vacuum insulation panels and optimization of the insulation thickness of parts resulted in higher insulation performance. The GR-NF415GX received the 2003 Award of the Director-General of the Agency for Natural Resources and Energy in Japan.

Washing Machine/Dryer “Ginga 21”

1) Decreased water consumption
The major environmental impact of washing machines is their high water consumption. In recent years, high hopes have been pinned on drum-type washing machines that use less water than the non-drum type machines that have been the mainstream in Japan. Water consumption of the drum-type TW-B70TA Toshiba introduced in March 2004 is the lowest in the industry. With the newly developed drain-accounting hand-baffle, clothing entanglement during washing is reduced by 60%. Also, Toshiba’s unique DSP control and DD motor reduce uneven distribution of laundry in the drum during spin-drying. Reduction in vibration and noise during spin-drying makes faster spin-drying possible. This has resulted in reduction in the amount of detergent remaining in laundry before rinsing. So although the TW-B70TA executes rinsing twice, as opposed to three times for the previous model, the quality of the rinse is in no way compromised. The TW-B70TA can wash 8 kg of laundry using only 79 liters of water, 11 liters less than the previous model.

2) Decreased use of environmentally harmful substances
Lead-free solder is used for printed circuit boards. Also, for the sliding door and other new structures environmentally friendly materials such as polyethylene are used.

Vacuum Cleaner “Aerocyclone Cleaner”

1) Reducing waste by doing away with paper dust bags
By dispensing with paper dust bags, the VC-R14C vacuum cleaner produces less waste. What is more, it also saves energy thanks to its excellent cleaning performance. The New Aerocyclone System regulating the two types of inner airflow, direct flow and spiral flow ensures that the compact VC-R14C achieves high dust collection performance without a great increase in energy consumption. Its maximum suction power of 560 W (an approx. 12% improvement on the previous model) is among the highest among cyclone-type vacuum cleaners. Also, wasteful power consumption is eliminated by the DSP-controlled Brushing Power Head, which detects floor conditions and adjusts the power output to the Power Head.

2) Reduction in the use of environmentally harmful substances
Because lead-free solder is used for the printed circuit board and chrome-free steel plate for the motor frame, the quantity of environmentally harmful heavy metals is reduced.

Air Conditioner “Daiseikai”

1) Remarkable energy saving
Air conditioners account for more than 20% of household electricity consumption in Japan. Energy-saving air conditioners are highly desirable from the viewpoint of preventing global warming. The Daiseikai NDR series of air conditioners introduced in January 2004 received the 2003 Award of the Director-General of the Agency for Natural Resources and Energy in recognition of their excellent energy-saving performance. In modern houses, increased awareness of the importance of energy-saving has led to better insulation and more airtight construction. As a result, a slight load due to heat generation in the unit may persist for a long period of time. To achieve energy saving, Toshiba has developed the Dual Stage Compressor that switches simultaneously operation of two compression cylinders to operation of a single cylinder when the load is low. Compared with the model introduced 11 years ago, energy consumption of the NDR series is halved in the case of conventional homes and reduced to a quarter in the case of well insulated homes. The coefficient of power (COP), an indicator for basic cooling performance is 127% (2.8 kW class) compared with the energy saving standard for fiscal 2004.

2) Reduced environmental impacts
As well as use of a CFC substitute and lead-free printed circuit boards, we strive to reduce waste materials through improvement of yield during manufacturing.
Chapter 3
Environmental Relations

Environmental Consciousness Products

Notebook PC “Satellite”

Toshiba has reduced the power consumption of notebook PCs through a multifaceted approach, including adoption of Power Saving Utility to optimize energy-saving by Advanced Configuration and Power Interface (ACPI), Basic Input Output System (BIOS), hardware and software. Because light weight and compactness have a direct bearing on resource saving, manuals are provided on CD-ROMs, thereby saving paper, and every effort is made to reduce the weight of the LCD and other units. To facilitate recycling, plastic components are labeled to indicate the material and recyclable plastics are used.

To prevent the emission of dioxins during incineration, multilayer printed circuit boards for the Satellite series contain neither halogen nor antimony. In addition, lead-free solder is used.

When placed within a magnetic field, hydrogen atoms in the human body exhibit a reaction known as magnetic resonance. Magnetic resonance imaging (MRI) systems convert this resonance into computerized images. Because cancer cells exhibit resonance different to that of cells in normal tissue, the degree of malignancy of a tumor can be diagnosed. With the development of a small-axs magnet and a corresponding stage, Toshiba has succeeded in reducing the weight of the system by 56%.

Also, power consumption has been reduced by 58% thanks to development of a high-speed imaging method and optimization of the design. In addition, resource saving is achieved through recycling of replacement parts, reduction in waste by extending the life of the system, and a 20% reduction in the volume of the fiber reinforced plastic (FRP) stage cover. At the same time, the Vantage is equipped with Toshiba’s unique noise reduction system that cuts by 90% the noise an examinee experiences. Thanks to these attributes together with the open, short-axis, the Vantage is a thoroughly patient-friendly system.

Automation Systems

In automation systems, as for everything else, Toshiba has focused on developing systems with minimal environmental impact. Dissemination of best practice throughout Toshiba Group has resulted in the adoption of lead-free soldering and lead-free technologies for mail sorting systems, automatic ticket gates and other automated systems, thereby ensuring compliance with international environmental regulations, such as the RoHS Directive.

While enhancing system performance, both power consumption and weight have been reduced. For example, power consumption per function of an automated ticket gate has been reduced by 47% and weight per function has been reduced by 35%. Also, Factor T, Toshiba’s unique index for product environmental impacts and values is utilized to reduce environmental impacts throughout product lifecycles.

Medical System “Vantage” MRI System

Conventionally, induction motors have been used for feed-pump units for condominiums etc. In recent years however, permanent magnet (PM) motors have become an increasingly popular choice due to their environmentally friendly attributes, such as energy saving, high efficiency, compactness, and light weight. Not only does a direct-drive booster pump using a Toshiba PM motor achieve a high rotating speed (6,000 rpm) but its direct-shaft design is smaller and more efficient than previous models. Use of aluminum die cast brackets and frame results in higher cooling power while also facilitating recycling. For example, Toshiba’s 1.5kW motor weighs 69% less than Toshiba’s conventional induction motor and its volume is 20% less.

According to the lifecycle assessment, its CO2 emission is one third of that of a conventional induction motor. Toshiba PM motors are suitable for wind and hydraulic power systems and various other applications. These compact, lightweight motors save energy and improve efficiency.
**Green Procurement**

*Green Procurement Guidelines Revised*

As a key element of Toshiba's drive to create environmentally conscious products (ECGs), in cooperation with our suppliers, we are promoting green procurement of products, parts and components, processed materials and raw materials that have less environmental impact.

Since April 2000, Toshiba has been conducting green procurement of parts and materials in accordance with the Green Procurement Guidelines established in December 1999. At present, Toshiba procures green items from some 5,000 suppliers.

Toshiba revised its Green Procurement Guidelines in June 2003 to accommodate the revisions to laws and regulations in Japan and issue of the RoHS Directive by the EU. This revision also reflected our stepped-up efforts to reduce environmental impacts in cooperation with our suppliers.

**Evaluation and Selection of Suppliers**

**Green Procurement into Consideration**

Suppliers are required to evaluate their environmental protection activities by completing forms provided by Toshiba. Priority is accorded to suppliers ranked high. In addition, upon request, Toshiba in-house specialists advise suppliers on how to raise their environmental performance. The results of supplier self-evaluation are improving with every passing year.

**Environmental Performance Survey of Procurement Items**

In cooperation with suppliers, Toshiba conducts an environmental performance survey of procurement items. Ratios of environment-related substances (environmentally harmful substances) and scarce resources to the weight of a procurement item are checked and Toshiba accords priority to items superior in terms of environmental impacts.

In the context of green procurement, environment-related substances are chemical substances contained in parts and materials to be incorporated in Toshiba products. Substances used only during manufacturing processes and unlikely to be contained in products are controlled separately. A database containing the results of the environmental performance survey is utilized for developing ECPs.

**Issues to be Addressed**

Toshiba, a member of the Japan Green Procurement Survey Standardization Initiative (JGPSSI)*, intends to promote compliance with the Green Procurement Survey Standardization Guidelines step by step. We expect introduction of the standardized guidelines will reduce the burden on suppliers and facilitate green procurement in the electronics industry.

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**Green Procurement Guidelines Revised**

Toshiba Group is working to reduce environmental impacts at every phase of the supply chain (flow of procurement, production and sales). Major activities are described below.

1. **Reduction of Environmental Impacts of Transport and Distribution**
   - Toshiba Group is promoting 3R (reduce, reuse, recycle) in packaging and developing optimum packaging specifications that satisfy stringent conditions. As a result, the total volume of packaging materials used has been reduced by 40% in the last six years.
   - Model shift is on the rise as shown in the figure below. Toshiba intends to widen use of rail transport, introduce low-pollution vehicles and expand application of the flexible vehicle assignment system.

2. **Environmental Conscious Packaging**
   - Toshiba Group is promoting 3R (reduce, reuse, recycle) in packaging and developing optimum packaging specifications that satisfy stringent conditions. As a result, the total volume of packaging materials used has been reduced by 40% in the last six years.

3. **Development of Returnable Block Packaging for Super Heavy Goods**
   - Toshiba wins METI Minister’s Japan Star Award for Packaging

Conventional packaging for transporting heavy equipment such as a large generator is one-way skid packaging, requiring shipment of high-quality packaging for each item. In addition, the packaging disposes of a large amount of such equipment is unique in size and shape. As a result, there is a need for efficiency and an enemy of waste. Toshiba has developed reusable metal blocks. As shown in the figure, the conventional skid and the newly developed one are compared. The blocks can be dismantled when not in use, as shown in the photo on the right, and they can be configured into the desired shape according to the product. An amount of timber equivalent to that needed to build 1.5 houses was previously used for each item of equipment transported. This translates into the saving of 300 tons of timber every year.

By virtue of its functionality and the great saving in timber to achieve, this block packaging received the Minister of Economy, Trade and Industry (METI) Award in the Packaging Contest of the Japan Packaging Institute.
Prevention of Global Warming

Global warming, caused by increasing emissions of CO2 and other greenhouse gases as a result of human activities, is an environmental issue of fundamental importance to our existence on the planet. The impact of global warming on the ecosystem is becoming apparent, with temperature increases causing sea levels to rise, climate to change and disasters to occur. Toshiba is contributing to the prevention of global warming by providing energy-efficient products and systems and by acting decisively throughout its operations to save energy and reduce emissions of CO2 and other greenhouse gases.

Energy-saving Measures

Toshiba is promoting energy saving from a medium to long-term perspective. As well as pursuing greater efficiency, we are proactively disclosing our progress on the energy-saving front. Toshiba applies a threefold approach in a consistent, balanced manner as described below:

1) Improvement in control
In order to ensure compliance with control standards and eliminate waste, Toshiba promotes reduction in energy consumption by improving production processes and efficiency.

2) Investment in energy-saving equipment
Toshiba invests systematically in order to replace power facilities, production facilities, air-conditioning and lighting systems. Also, Toshiba is divesting its energy service company (ESCO) business.

3) Energy-saving clean rooms
Air-conditioning systems for clean rooms consume a lot of energy. Energy saving is promoted by enhancing the efficiency of air-conditioning through local cleaning, optimization of the circulation airflow and adoption of more energy-efficient manufacturing processes. These efforts reduced CO2 emissions by 22,700 tons in fiscal 2003, an amount equivalent to 2.9% of Toshiba Corp.’s CO2 emissions.

Commitment on Greenhouse Gases other than CO2

In the semiconductor manufacturing process, perfluorocarbons (PFCs) are used for cleaning, chemical vapor deposition (CVD) equipment and dry etching. Toshiba is advancing toward attainment of its target (which corresponds to the target set by the World Semiconductor Council) of emissions of PFC gases in 2030 amounting to less than 90% of the 1995 level.

As for hydrofluorocarbons (HFCs), used as refrigerant for air conditioners and refrigerators, and hydrochlorofluorocarbons (HCFCs), applied as heat insulating material, Toshiba is reducing their use in accordance with its voluntary targets.

Case Studies on Energy Saving and CO2 Emission Reduction Measures

New 300 mm Wafer Plant
For a new clean room for fabricating semiconductor devices on 300 mm wafers, Oita Operations has achieved energy saving equivalent to 640 kJ of crude oil per year by optimizing circulation airflow based on measurement and analysis of the clean rooms’ heat environment, recovery of the thermal load, and adoption of free cooling in winter. Also, high-efficiency turbo refrigerators have been adopted that use HFC134a, a refrigerant whose ozone-depleting potential is 0.

Target for reduction of CO2 emissions
Toshiba has set as its goal to reduce its CO2 emissions by 10% compared with fiscal 1990. Toshiba has also established a target of reducing CO2 emissions by 5% compared with fiscal 2003.

Scope of data:
(1) Emissions from medium- to long-term perspective. As well as pursuing greater efficiency, we are proactively disclosing our progress on the energy-saving front.
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## Control of Chemical Substances

Chemical substances fulfill indispensable roles in contemporary industrialized society. However, safety concerns, notably those associated with heavy metals and endocrine disrupters, are on the rise. Mindful of human-kind’s responsibility to ensure that succeeding generations inherit a healthy environment, Toshiba is strengthening control of chemical substances and promoting technological innovation to halen emergence of a recycling-based society.

### Control of Chemical Substances

Although chemical substances are indispensable, they may cause serious pollution that harms human health and the environment if appropriate controls are not implemented or accidents occur. Toshiba’s use of chemical substances is based on three fundamental policies: limited use of toxic substances to the maximum extent possible, promoting reduction and substitution to the maximum extent possible, and subject use to appropriate controls.

**Toshiba Group’s PRTR**

Since April 1, 2002, reporting of the types of chemical substances released and their quantities has been mandatory in accordance with the Law Concerning Reporting etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (PRTR Law). Since March 2003 a system has been established for disclosure of individual company results upon request from any member of the public. Toshiba was among the first in the industry to disclose PRTR data when it published the data for fiscal 1997 in Toshiba Environmental Report, 1998. Subsequently, in 2003, the scope of PRTR data was expanded to include the four subsidiaries, and in 2003 to include the subsidiaries and affiliates in Japan subject to Toshiba’s environmental accounting. PRTR data for individual sites of Toshiba Group is available on the Toshiba website at http://www.toshiba.co.jp/en/data/.

### Breakdown by Substances

#### (Amounts Handled, Released)

<table>
<thead>
<tr>
<th>Substance</th>
<th>Amount Released</th>
<th>Amount Handled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydrofluoric acid</td>
<td>120 t</td>
<td>9.8 t</td>
</tr>
<tr>
<td>Sulfur hexafluoride</td>
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#### Reduction of Release of Substances Covered by the Voluntary Environmental Plan

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### Ranking of Substances and Control Classification

Some 2,000 substances, including 354 substances covered by the PRTR Law, are classified into three ranks, A, B and C, based on the amount released or transferred in fiscal 2003 or their potential toxicity. The classification is intended to allow some chemical substances to be released in larger amounts than others. The top 5 substances in each category are shown below. We expect to achieve the target earlier than scheduled thanks to use of substitute materials and process changes. We intend to reduce the output of hazardous substances as necessary.

**Disclosure and Risk Communication**

Since companies are accountable to their stakeholders, the demand for disclosure of information is bound to increase. Toshiba is making every effort to disclose information in an appropriate manner, for example, by providing easy-to-understand explanations in the CSR Report and promoting interactive dialog with stakeholders.

**PCB Storage and Control**

Since 1997 when manufacturing of products using polychlorinated biphenyl (PCB) ceased in Japan, some 16 Toshiba operations in Japan have retained PCB and production at Toshiba Corporation and its affiliated companies, including 42 transformers, 6,500 high-voltage capacitors, and about 200,000 low-voltage capacitors, amounting to some 360 tons of PCB. In addition to the prescribed storage regulations, installation of silos and double containers (receiver tank) ensures safety. Recognizing that a definitive solution to the PCB problem would necessarily involve treating PCB and products containing PCB as soon as possible using reliable technology, Toshiba has set itself the goal of completing treatment of its entire stock of PCB in storage by fiscal 2012.

**Substances Whose Release Is to Be Reduced**

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*Note: The data includes PCB-related substances and PCB-related products. The data is provided as of fiscal 2003. The top 5 substances in each category are shown below. The data is provided as of fiscal 2003. The top 5 substances in each category are shown below.*
Commitment to Zero Emissions

Industrialized society wedded to convenience and characterized by mass consumption and mass disposal has put enormous pressure on the environment, causing the destruction of natural habitats and depletion of resources. The zero emissions concept, first proposed by the United Nations University in 1994, is based on the premise that it is environmentally responsible to minimize the impact of human activity on the environment. Toshiba Group defines zero emissions as the achievement of emission levels that are below 0.1% of the theoretical emission, which is equivalent to a reduction in emissions to below 1% of the total quantity of waste generated. Toshiba is striving to achieve zero emissions throughout its operations worldwide.

Zero Emissions Achieved

According to Toshiba's definition, zero emissions are achieved when the quantity of waste generated for landfill after treatment is equivalent to 1% or less of the total quantity of by-products and other items generated. Toshiba has achieved zero emissions for fiscal 2003, and it continues to strive for this goal in future years.

Characteristics of Toshiba's Activities for Zero Emissions

Toshiba is driving to maintain zero emissions for fiscal 2004. Activities include:

1. Product portfolio: Toshiba's diverse product portfolio ranges from semiconductors to power systems and home appliances. The company is committed to reducing the amount of energy used in the production of its products.
2. Recycling: Toshiba promotes the recycling of raw materials and waste. It has established a comprehensive recycling system to reduce waste and increase resource efficiency.
3. Monitoring: Toshiba monitors pollution caused by volatile organic compounds at 15 sites. This monitoring helps to ensure that emissions are minimized.
4. Advanced technologies: Toshiba is introducing advanced technologies to raise the efficiency of purification.

Activities from Now On

The total quantity of waste generated by Toshiba in fiscal 2003 amounted to 81,900 tons. Toshiba intends to reduce the quantity of waste generated while maintaining zero emissions. The company is committed to promoting development of recycling technologies and vigorously utilizing recycled materials to help establish a recycling-based society. In the same time, Toshiba will work to minimize overall environmental impacts by reducing the amount of energy used for recycling and transport, for example.

Develop Recycling Technologies

Toshiba is advancing its recycling technologies and methods. The company is working on the development of innovative technologies that can be applied to various industries, including the automotive, electronic, and construction sectors. Toshiba is also collaborating with other companies and organizations to promote recycling and waste reduction.

Preventing Soil and Groundwater Pollution

As well as monitoring soil and groundwater pollution at factory sites and executing purification, Toshiba Group is implementing fail-safe measures for facilities to prevent pollution and reduce risk.

Measures for Pollution Caused by Volatile Organic Compounds

Toshiba Group is conducting purification and monitoring of pollution caused by volatile organic compounds at 15 sites. At these sites, 422 pumping wells or gas suction wells are installed to recover and purify volatile organic compounds, and 368 observation wells are used to monitor trends of the concentration of pollutants in groundwater. 1,287 kg of compounds was recovered in fiscal 2003.

With the current purification technology, as the concentration of organochlorine compounds contained decreases due to purification, the recovery ratios increase. Toshiba is introducing advanced technologies to raise the efficiency of purification.

Purification of Volatile Organic Compounds in Soil and Groundwater

Toshiba has guidelines for the following eight types of structural design: dikes and pans, exhaust gas scrubbers, waste storage sites, chemical storage sites, piping for liquid chemicals and effluents, waste water treatment facilities, and in-site waste water systems. Toshiba is implementing measures in accordance with laws and regulations.

Conformity Ratios According to Structural Design Guidelines

As indicated in the chart showing the conformity, Toshiba Corp.'s conformity ratios are high for all eight structural guidelines. Toshiba Group companies are laying in terms of scrubbers, piping and oil storage facilities. We intend to focus our efforts on improvement in these areas.
Recycling of End-of-Use Products

In accordance with the legal framework introduced in 2001 for a recycling-based society, Toshiba is promoting recycling of a range of end-of-use products, including not only the four types of home appliances stipulated by the Home Appliance Recycling Law in Japan, but also personal computers and compact secondary batteries as well as other equipment. Recycling has become second nature thanks to cooperation among all parties concerned.

Recycling of Household Appliances

High Recovery Rate Maintained

In accordance with the Home Appliance Recycling Law that came into force in April 2001, end-of-use home appliances (air conditioners, televisions, refrigerators, washing machines) are first taken back by retailers and then transferred to take-back stations designated by manufacturers. According to data for fiscal 2003 announced by the Ministry of Economy, Trade and Industry, 10.46 million end-of-use home appliances (four products) were collected at designated facilities, a 3% increase year on year, while shipments of the four products in Japan decreased 8%

Next-generation Recycling

For effective utilization of resources contained in end-of-use home appliances, recovery of high-purity materials is vital. Toshiba has developed several industry-leading technologies for disassembly and separation of products and removal of foreign matter, such as high-performance halogen lamp separation equipment to separate CRT glass of televisions at high speed, a method for disassembly of washing machines, and a technique for cleaning wasteplastic. These technologies have made it possible to use recovered resources for new products.

Materials Recycled from End-of-use Home Appliances (ratio by weight)

- Iron: 57%
- Copper: 7%
- Aluminum: 14%
- Glass: 6%
- Mixed plastics and various non-metallic materials: 75%
- Other valuable resources: 13%

Recycling of Other Products

In addition to the four types of home appliances and PCs, Toshiba is promoting recycling of a wide range of end-of-use products, including POS systems, X-ray CT systems and automatic ticket gates, in cooperation with customers (see figure below).

Toshiba is emphasizing development of technologies to enable effective utilization of the materials recovered and reduction of recycling costs. Since reuse of parts and components is an important issue, we are promoting environmentally conscious design that facilitates reuse.

Recycling of Personal Computers

Recycling of End-of-use PCs Discharged by Consumers

In accordance with the revision of the ministry ordinance for the Law for Promotion of Effective Use of Resources, a system for collection and recycling of end-of-use PCs discharged by consumers was introduced in October 2003. Toshiba opened the Dynabook Recycling Center, which is the contact point for customers, and set up a PC recycling system in October 2003. Customers can request collection of end-of-use PCs either via the Toshiba website or by telephone. For collection, PC manufacturers have teamed up with Japan Post to take advantage of its Eco Yu-Peak parcel post service. PCs to be discharged are collected from customers’ homes without surcharge or customers take their PCs to the more than 20,000 post offices nationwide designated as collection points. Collected PCs are manually disassembled at recycling facilities in Japan. From October 2003 to March 2004, Toshiba collected 1,132 units discharged by consumers, amounting to 30 tons of notebook and desktop PCs and PC monitors. In order to increase the recycling rate, Toshiba is recycling the plastic casing that accounts for 25% of the weight of a notebook PC (average of Toshiba notebook PCs) and endeavoring to increase the amount recycled and reduce recycling costs.

Materials Recycled from End-of-use PCs (ratio by weight)

- Notebook PCs: 21.2%
- Desktop PCs: 4.9%
- LCD displays: 14.9%
- CRT displays: 59.0%
- Thermal recycling: 53.9%
- Metals: 8.6%
- Valuable resources: 0.4%
- Units: 37.1%
- Valuable resources: 13.1%
- Metals: 44.0%
- Units: 2.3%
- Valuable resources: 40.6%
Environmental Conscious Technologies

In addition to engaging in environmentally conscious product development and production, Toshiba Group seeks to contribute to the “Creation of a Society Ensuring Sustainable Development with Reduced Environmental Load,” as stipulated forth in The Basic Environmental Law. To that end, we develop, commercialize, and introduce new environmental technologies in a number of fields.

Decolorable e-blue® Toner

More than 90% of printed matter used in routine office work is material for temporary use that is not saved for long periods of time. Toshiba e-blue decolorable toner can eliminate much of the wastepaper generated in office work. Text and images printed using e-blue toner can be erased using a dedicated erasing machine that features a low-power design, and photocopy paper can be used over and over. Costing about the same as conventional toner, e-blue combines environmental friendliness with economy.

Decolorable e-blue® Toner

Monitoring of Groundwater Pollutants using Biosensor

Toshiba has developed a new type of biological function-emulating biosensor that can assess the neurolity on the basis of gene analysis performed by adding test substances to homogenously cultured nerve cells. To help protect the natural environment and society from toxic substances, Toshiba will increase the number of marker genes and the range of types of toxicity that can be assessed using this system.

Risk Assessment of Endocrine Disruptors using Gene Analysis

Toshiba has developed a simple system for rapidly scanning endocrine disruptors and assessing their neurolity on the basis of gene analysis performed by adding test substances to homogenously cultured nerve cells. To help protect the natural environment and society from toxic substances, Toshiba will increase the number of marker genes and the range of types of toxicity that can be assessed using this system.

Operations covered by the review

Customer benefits are calculated, in principle, from the difference between the environmental impacts of previous models and succeeding models, and the calculation results tend to be lower than the actual customer benefits. We recommend establishing procedures for calculating actual customer benefits and social benefits throughout the product life cycle as Toshiba is already engaged in this task. The current environmental accounting should be made even more reliable so that it will be possible to apply environmental accounting data in the management of workpieces. Utilization of environmental accounting data at workplaces is vital for achieving continual improvement.
Third-party Review of the CSR Report

With the issuance of its first CSR Report, Toshiba has declared its commitment to CSR to internal and external parties. Although Environmental Report 2003 mentioned social performance, CSR Report 2004 clearly states management’s commitment to CSR, explaining that Toshiba has always sought to be a source of products & services attuned to peoples aspirations and beneficial to society—an impulse that underpins Toshiba’s CSR and refers to establishment of the CSR Division, realisation of Toshiba Group Standards of Conduct, and participation in the Global Compact. Clearly, this is not disreganging these facts that show that Toshiba is tackling CSR as an element of its core activities. In particular, the availability of the Stand-
The CSR Report is available on the Toshiba website:

To facilitate recycling, this report was printed using biodegradable soy ink, which can easily be de-inked.
We welcome your comments and suggestions.

Thank you for reading the Toshiba Corporate Social Responsibility (CSR) Report 2004. The CSR Report is one of our most important means of communication with you. Since we know that your comments and suggestions will help us enrich the CSR Report, we would be grateful if you could complete the questionnaire on the back of this sheet and fax it to us at the CSR Division.

CSR Division, Toshiba Corp.  FAX: +81-3-5444-9214

You can also send us your comments and suggestions via the Toshiba website at the following URL.

URL  http://www.toshiba.co.jp/csr/en/contact/
Q1 How do you rate Toshiba's CSR activities?
☐ Excellent ☐ Good ☐ Satisfactory ☐ Unsatisfactory ☐ Poor

Q2 Please state the reason.

Q3 What are your desires regarding Toshiba's CSR activities and disclosure of CSR information?

Q4 What is your evaluation of Toshiba CSR Report 2004?
☐ Content ☐ Good ☐ Satisfactory ☐ Insufficient
☐ Length ☐ Long ☐ Appropriate ☐ Short
☐ Design ☐ Good ☐ Satisfactory ☐ Poor
☐ Ease of understanding ☐ Easy ☐ Satisfactory ☐ Difficult

Q5 Please state your reasons.

Q6 Which subject was of the most interest to you and why?

Q7 What is your impression about the change from the environmental report to the CSR report?

Q8 Which of the following best describes you or your affiliation?
☐ Customer
☐ Involved in the following at a company/organization ( ☐ Environment ☐ Human resources ☐ Procurement ☐ Legal affairs ☐ Social contribution ☐ Customer relations ☐ Other ( ))
☐ Government or governmental body ☐ Journalist ☐ Research/educational institution ☐ Financial/investment institution ☐ Shareholder ☐ Environmental NGO/NPO ☐ Environmental specialist ☐ Supplier ☐ Student ☐ Resident in a community where Toshiba Group has premises ☐ Other (Please specify: )

Q9 Please feel free to comment or make suggestions.

Thank you. If agreeable to you, we would appreciate it if you would complete the form below.

Name Male/Female Age

Address e-mail:

Occupation/ Organization Department/Title

Would you like us to send you the next Toshiba CSR Report (scheduled to be issued in August 2005)?
☐ Yes ☐ No

*Handling of personal information
Your comments may be quoted in the next report without attribution. Toshiba manages personal information in an appropriate manner. The personal information you provide will not be used by Toshiba for any purpose other than sending you the next CSR report and/or responding to your inquiry, nor will Toshiba disclose your personal information to any third party.