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October 28, 2005

Toshiba Announces Consolidated and Non-Consolidated Results for the First Half of Fiscal Year to March 2006

TOKYO--Toshiba Corporation today announced its consolidated and non-consolidated results for the first half (April-September) of fiscal year (FY) 2005.

Overview of Consolidated and Non-consolidated Results for First Half of FY 2005

The Japanese economy continued a gradual recovery in the first half of FY2005, as concerns about unemployment gradually eased, consumer spending gradually picked up, and capital expenditure increased. Overseas, the US economy continued to expand, and Europe saw gradual recovery. In Asia, China and other countries continued their economic expansion. In these circumstances, Toshiba's consolidated and non-consolidated business results for the first half of FY2005 were as follow:

Consolidated Results

Consolidated sales were 2,900.1 billion yen (US$25,664.6 million), an increase of 118.3 billion yen from the same period of the previous year.

Consolidated operating income improved by 0.7 billion yen from the same period a year ago to 51.4 billion yen (US$454.6 million). Electronic Devices continued to secure high profitability while it saw lower operating income than the year-earlier period. Digital Products and Social Infrastructure saw improvement in operating income (loss) compared to the same period a year ago, while Home Appliances widened its operating loss.

Income before income taxes and minority interest rose by 20.5 billion yen from the year-earlier period to 42.1 billion yen (US$372.6 million), on reduced restructuring costs and increased equity in earnings of affiliates from the year-earlier period. Net income increased by 6.2 billion yen from the same period of the previous year to 14.6 billion yen (US$129.6 million).

(Note) From FY2005, income (loss) before income taxes and minority interest includes equity in earnings of affiliates, which was not included until FY2004. The impact of this change of presentation is plus 0.1 billion yen for the first half of FY2004 and plus 6.5 billion yen for the first half of FY2005. The above comparison with the year-earlier period is based on the new accounting presentation.

Non-consolidated Results

Non-consolidated sales increased by 116.3 billion yen from the same period of the previous year to 1,448.3 billion yen (US$12,817.1 million). Recurring profit increased by 21.6 billion yen from the year-earlier period to 36.8 billion yen (US$325.5 million). Net income was 3.5 billion yen (US$30.7 million), an increase by 1.2 billion yen from the year earlier period.

FY2005 First Half Consolidated Results by Industry Segment

（billion yen）

	Net sales		Operating income (loss)	
		Change (%)		Change
Digital Products	1,162.9	+9%	6.7	+19.5
Electronic Devices	653.5	-4%	41.7	-25.7
Social Infrastructure	826.1	+8%	3.4	+12.1
Home Appliances	336.2	+2%	-6.3	-6.3
Others	177.5	-1%	6.3	+2.2
Eliminations	-256.1	-	-0.4	-
Total	2,900.1	+4%	51.4	+0.7

Digital Products: Increased Sales and Improved Operating Income (Loss)

The PC business recorded higher sales, mainly on the strength of business in Europe. The Digital Media Network business saw sales increase, largely on increased overseas sales of storage devices. Sales in the mobile phone business increased on higher sales of both high-end and commodity models. The retail information systems and office equipment business also saw a sales increase. As a result, sales of Digital Products rose by 98.0 billion yen to 1,162.9 billion yen from the same period a year ago.

The segment operating income (loss) improved by 19.5 billion yen from the year-earlier period to 6.7 billion yen. The PC business improved its operating income (loss) as a result of continued progress in restructuring, and the mobile phones business and storage devices also saw improvement. DVD recorders saw deterioration in operating income (loss) due to price erosion.

Electronic Devices: Decreased Sales and Decreased Operating Income

The Semiconductor business saw a slight increase in sales, as sales of memories increased, despite decreased sales of discrete devices. Sales in the LCD displays business decreased due to significant price erosion, mainly in the PC applications area. The sales decline of cathode-ray tubes reflected the cessation of its production. Overall sales of Electronic Devices were 653.5 billion yen, a 30.2 billion decrease against the year-earlier period.

While memories continued to secure high profit, semiconductor business operating income saw a decline, partly on decreased sales of discrete devices. In the second quarter of FY2005, operating income in the semiconductor business improved over the first quarter of FY2005, and was also better than in the second quarter of the previous year. While the LCD display business experienced price erosion, the business remained profitable mainly on successful efforts to reduce costs. As a result, operating income in Electronic Devices decreased by 25.7 billion yen to 41.7 billion yen from the same period a year ago.

Social Infrastructure: Increased Sales and Improved Operating Income (Loss)
Sales of Social Infrastructure increased by 60.8 billion yen to 826.1 billion yen over the same period of the previous year. Sales in the Medical systems business increased significantly, on a healthy rise in overseas sales of multi-slice CT scan systems and MRI systems, particularly in the US, and continued sales growth in the Japanese market. Sales increased also in the Social Network & Infrastructure Systems and the Industrial and Power Systems & Services businesses.

The operating income (loss) in Social Infrastructure was 3.4 billion yen, an improvement of 12.1 billion yen over the year-earlier period. The Medical systems business generated increased operating income, and the Social Network & Infrastructure Systems and Industrial and Power Systems & Services businesses saw improved operating income (loss). The IT solutions business remained profitable while the Elevator business operating income (loss) deteriorated.

Home Appliances: Increased Sales and Widened Operating Loss
Sales of Home Appliances increased by 6.2 billion yen to 336.2 billion yen against the year-earlier period. Sales of washing machines, particularly drum-type models, remained high, and sales of air conditioners were solid, particularly overseas, but sales of refrigerators were lower. The segment’s operating loss widened by 6.3 billion yen to minus 6.3 billion yen, mainly due to weak performances by refrigerators and lighting equipment.

Others: Decreased Sales and Increased Operating Income

Projections for FY2005

In the first half of FY2005, Toshiba showed better business results than originally anticipated mainly in the Semiconductor business. However several factors, including increased crude oil prices, render the economic outlook uncertain, making it difficult to predict demand and supply and price trends in electronic devices and digital products. Given this, it is difficult to offer specific full-year projections for FY2005 at this stage.

Toshiba has decided to leave its consolidated and non-consolidated projections for FY2005 unchanged from the forecast issued on April 28, 2005, as below.

Consolidated

(billion yen)

	FY2005 Forecast
Net sales	6,000.0
Operating income (loss)	170.0
Income (loss) before income taxes and minority interest	130.0
Net income (loss)	55.0

Non-Consolidated

(billion yen)

	FY2005 Forecast
Net sales	2,900.0
Recurring profit (loss)	55.0
Net income (loss)	20.0

Financial Position and Cash Flows for the First Half of FY2005

Total assets decreased slightly from the end of March 2005 to 4,565.8 billion yen (US$40,405.2 million), mainly as a result of a reduction of notes and accounts receivable compared to the end of FY2004 through collection during the first half, while inventory increased toward the sales in the second half.

Shareholders' equity improved by 40.0 billion yen to 855.5 billion yen (US$7,571.1 million) from the end of March 2005, as a result of generating net profit in this period, improved unrealized gains on securities reflecting a stronger stock market, and improved foreign currency translation adjustments on a lower Japanese yen against foreign currencies, such as the US dollar.

Total debt decreased by 114.9 billion yen from the end of March 2005 to 996.5 billion yen (US$8,818.2 million), marking a level below 1,000 billion yen of interest-bearing debt at the end of a fiscal half for the first time since 1983.

Free cash flow was plus 88.6 billion yen, a 70.1 billion yen improvement from the same period a year ago. This is a result of improved cash flows from operating activities, which increased by 108.8 billion yen from the year-earlier period to 233.4 billion yen, on higher income before income taxes and minority interest and improved working capital.

The debt-to-equity ratio was 116%, a 40-point improvement compared with the year-earlier period, and a 20-point improvement from the end of March 2005.

Trend of Key Index

	FY2003 fist half	FY2003	FY2004 first half	FY2004	FY2005 first half
Shareholders' equity ratio (%)	10.5	16.9	17.1	17.8	18.7
Equity ratio based on market value (%)	29.9	34.0	28.7	31.5	35.2
Debt redemption years (year)	6.5	4.4	4.8	3.8	2.3
Interest coverage ratio (times)	9.1	11.6	12.3	14.0	20.3

Formulae:

Shareholders' equity ratio: shareholders' equity/total assets

Equity ratio based on market value: market value of shareholders' equity*/total assets

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

Debt redemption years: total debt, average value at the beginning and the end of a fiscal period / net cash provided by operating activities

Interest coverage ratio: net cash provided by operating activities / interest payment

Interim Dividend

Toshiba will pay an interim dividend of 3.00 Japanese yen per share, commencing on December 2, 2005.

Disclaimer:

This report of business results contains forward-looking statements concerning future plans, strategies and the performance of Toshiba Group. These statements are based on management's assumptions and beliefs in light of the economic, financial and other data currently available. Furthermore, they are subject to a number of risks and uncertainties. Toshiba therefore wishes to caution readers that actual results may differ materially from our expectations. Major risk factors that may have a material influence on results are indicated below, though this list is not necessarily exhaustive.

- Disputes including lawsuits in Japan and other countries;
- Changes in political and economic conditions in Japan and abroad; unexpected regulatory changes;
- Major disasters, including earthquakes and typhoons;
- Rapid changes in the supply/demand situations in major markets and intensified price

competition;

- Significant capital expenditure for production facilities and rapid changes in the market;
- Success or failure of alliances or joint ventures promoted in collaboration with other companies;
- Success or failure of new businesses or R&D investment;
- Changes in financial markets, including fluctuations in interest rates and exchange rates.

Note:
For convenience only, all dollar figures used in reporting FY2005 first half results are valued at 113 yen to the dollar throughout this statement.

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