

## Corporate Social Responsibility Report 2005



# Toshiba Group Overview

Toshiba Group is engaged in businesses ranging from digital products and electronic devices and components to social infrastructure and home appliances. Toshiba Group's net sales for fiscal 2004 amounted to 5,836.1 billion yen. Toshiba Group has over 160,000 employees in 33 countries and is conducting business worldwide.

## Company Overview (as of March 31, 2005)

Company name: Toshiba Corporation  
 Headquarters address: 1-1, Shibaura 1-chome, Minato-ku, Tokyo  
 Founded: July 1875  
 Paid-in capital: 274,926,268,477 yen  
 Consolidated net sales: 5,836.1 billion yen  
 Number of employees (consolidated): 165,038

Number of shareholders: 479,808  
 Number of shares issued: 3,219,027,165 shares  
 Number of consolidated subsidiaries: 339 (200 in Japan, 139 overseas)  
 Number of companies affiliated by the equity method: 71  
 Stock exchange listings: Tokyo, Osaka, Nagoya, London

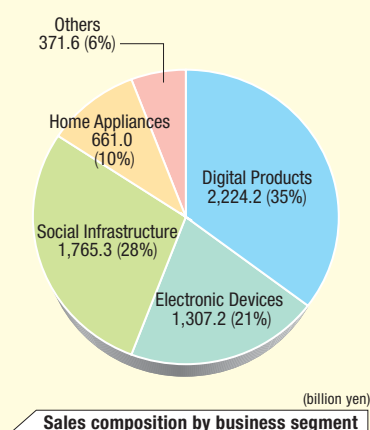
CSR-related international charters/guidelines Toshiba endorses:

- United Nations Global Compact
- Global Reporting Initiative (GRI)

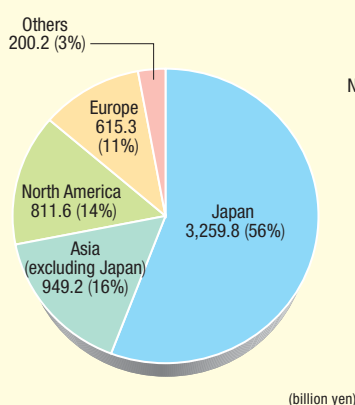
CSR-related organization of which Toshiba is a member:

Business for Social Responsibility (BSR)

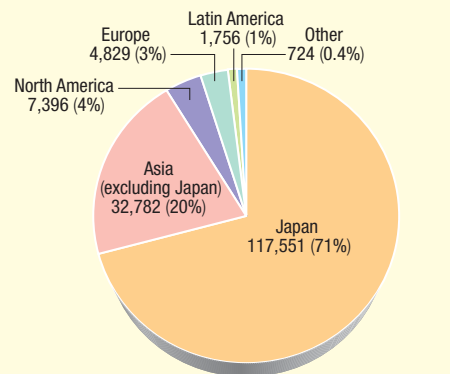
## Compositions of Sales and Employees (Fiscal 2004, Consolidated)



Sales composition by business segment



Sales composition by region



Employee composition by region

## Business Overview

|  | Digital Products  | Electronic Devices & Components   | Social Infrastructure Systems   | Home Appliances  | Others   |
|--|---|---|---|--|--|
| Principal products / services  | <ul style="list-style-type: none"> <li>• PCs</li> <li>• TVs</li> <li>• DVD players/recorders</li> <li>• Mobile phones</li> <li>• Hard disk drives</li> <li>• Copiers</li> </ul>                               | <ul style="list-style-type: none"> <li>• Semiconductors (system LSIs, memories, discrete devices)</li> <li>• LCD displays</li> </ul>  | <ul style="list-style-type: none"> <li>• Nuclear, thermal and hydraulic power generation systems</li> <li>• Water purification and sewage treatment systems</li> <li>• Aviation security and control systems</li> <li>• Automatic gate machines</li> <li>• Elevators and escalators</li> <li>• Medical systems</li> </ul> | <ul style="list-style-type: none"> <li>• Washing machines</li> <li>• Refrigerators</li> <li>• Room air conditioners</li> <li>• Lighting equipment</li> </ul>   | <ul style="list-style-type: none"> <li>• Internet services</li> <li>• Software/content</li> <li>• Satellite broadcasting services</li> </ul> |
| In-house companies, divisions and affiliated companies that comprise business groups | <ul style="list-style-type: none"> <li>• Mobile Communications Company*</li> <li>• Digital Media Network Company*</li> <li>• Personal Computer &amp; Network Company*</li> <li>• Toshiba TEC Corp.</li> </ul> | <ul style="list-style-type: none"> <li>• Semiconductor Company*</li> <li>• Toshiba Matsushita Display Technology Co., Ltd.</li> </ul> | <ul style="list-style-type: none"> <li>• Industrial and Power Systems &amp; Services Company*</li> <li>• Social Network &amp; Infrastructure Systems Company*</li> <li>• Toshiba Elevator and Building Systems Corp.</li> <li>• Toshiba Solutions Corp.</li> <li>• Toshiba Medical Systems Corp.</li> </ul>               | <ul style="list-style-type: none"> <li>• Toshiba Consumer Marketing Corp.</li> <li>• Toshiba HA Products Co., Ltd.</li> <li>• Toshiba Lighting &amp; Technology Corp.</li> <li>• Toshiba Carrier Corp.</li> <li>• Toshiba Battery Co., Ltd.</li> </ul> | <ul style="list-style-type: none"> <li>• Network Services &amp; Content Control Center*</li> <li>• Mobile Broadcasting Corp.</li> </ul>      |

In-house companies and divisions of Toshiba Corp. are marked with\*.

## Editorial Policy

- The objective of this report is to report Toshiba Group's corporate social responsibility (CSR) activities to stakeholders in an easy-to-understand manner.
- This report consists of six chapters. The characteristics of each chapter are as follows.
  - Mind of Toshiba Group:** In "Highlights 2004," concrete activities that demonstrate Toshiba Group's values and concepts are introduced based on interviews with employees working at the cutting edge of the business.
  - Management:** To clearly indicate the orientation of Toshiba Group's CSR activities from now on, a list of targets is presented.
  - Economic Performance:** Distribution of economic value to stakeholders is disclosed in order to clarify the relations with stakeholders from an economic perspective.
  - Social Performance:** "Shareholders and Investors" and "Suppliers" are included for the first time.
  - Environmental Performance:** Toshiba Group Environmental Vision 2010 and the Fourth Toshiba Group Voluntary environmental Plan (established in March 2005) are presented.
  - Communication:** A meeting with stakeholders, which is an opportunity for Toshiba Group to engage in a dialog with external parties about its CSR activities, is introduced.
- To enhance the reliability of this report, the report received a third-party review in accordance with the framework of AA1000 and the results of the review are presented. For details, see Page 64.
- The latest information on Toshiba Group's CSR and supplementary information are available on the Toshiba website.

[URL](http://www.toshiba.co.jp/csr/en) <http://www.toshiba.co.jp/csr/en>

### Reference Guidelines

- 2002 Sustainability Reporting Guidelines, Global Reporting Initiative (GRI)  
The GRI Content index is available on the Toshiba website.  
[URL](http://www.toshiba.co.jp/csr/en/gri) <http://www.toshiba.co.jp/csr/en/gri>
- Environmental Reporting Guidelines (Fiscal Year 2003 Version), Ministry of the Environment of Japan
- Environmental Accounting Guidelines 2005, Ministry of the Environment of Japan

### Scope of the Report

#### Reporting period:

Fiscal 2004 (from April 1, 2004, to March 31, 2005)

\*Although the report focuses on the results of activities in fiscal 2004, some activities continuing from before and more recent activities are also included.

#### Organizations covered:

In principle, Toshiba Group\*

\*Toshiba Group: Toshiba Corp. and its 339 consolidated subsidiaries in Japan and overseas

\*\*"Toshiba" in this report means Toshiba Corp.

#### Scope of data:

Economic Performance..... Toshiba Corp. and its 339 consolidated subsidiaries

Social Performance..... The scope is indicated for each data.

Environmental Performance... Toshiba Corp. and its 339 consolidated subsidiaries unless otherwise specified.

The method of calculating data is indicated for each datum.

### Publication

Previous issue: August 2004

Next issue: August 2006 (scheduled)



### Cover Message

GEMS Explorers, hands-on activities featuring scientific experiments held at the Toshiba Science Museum. Toshiba Group supports children's interactions with nature and science. (See Page 34.)

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## A Global Group Trusted Worldwide



### **A Global Perspective Combined With Sensitivity To Regional Variations And Cultures**

I have been involved in the notebook personal computer business for almost 20 years. In the 1980s I lived in Germany, as Toshiba established a successful notebook computer business in Europe. I soon found that in order to succeed in business one had to make sure one's actions reflected the environmental concerns that already were so evident in German society.

Toshiba then advanced into the American market. I made my home in the USA at two different times during this period. There, I learned that one was expected to earn one's right to membership of the community through the exercise of good corporate citizenship. Then, having secured a strong position abroad, Toshiba turned its attention to the Japanese market.

Working on three continents—Europe, North America and Asia—has taught me two broad but valuable lessons. The first is that a company targeting the global market must take a global approach to the management of its business. The second is that it is vitally important to reflect the sometimes harsh light of regional requirements, rules, history and culture in our business life.

For the global enterprise that is Toshiba Group to grow sustainably, we need to earn the trust of society. We will earn this trust by being sensitive to the social mores of the countries and regions in which we operate, by complying with their laws and regulations, by protecting the local and global environment and by contributing positively to society.

### **Fair Business Activities And Communication Are Prerequisites For Earning Trust**

To earn the trust of society, our business activities must be fair. Toshiba Group places the highest priority on “human life and safety” and “legal compliance” throughout our business activities. To put this into practice, Toshiba Group places the principles of corporate social responsibility (CSR) at the heart of business management. In this way legal compliance, human rights, the environment, customer satisfaction and corporate citizenship are all systematically managed as an integral part of our business.

The Basic Commitment of the Toshiba Group, Toshiba Group Standards of Conduct and the Group slogan —“Committed to People, Committed to the Future. Toshiba.”— are enshrined

throughout the Group. Through Toshiba Group's CSR activities we endeavor to earn the trust of society by consistently putting the Basic Commitment of the Toshiba Group and the Toshiba Group Standards of Conduct into action. All Toshiba Group companies and employees are required to act in accordance with these policies in order to demonstrate that Toshiba respects people and is an enterprise of fair and integrity.

It is important for us to be accountable. Intellectually, language is a tool for seeking enlightenment. Socially, it enables communication and seeds relationships. By deepening communication with stakeholders through dialog, and by listening to their comments and suggestions, we seek to flourish as a global enterprise that is deserving of society's trust.

### Contributing To Society By Creating Value And Respecting The Environment Providing Products That Add Value At Optimal Cost

This year, as we celebrate Toshiba's 130th anniversary, we remember the example of our founder Hisashige Tanaka—Mechanical Genius of the East—who brought the world numerous inventions. Since those early days, curiosity and passion have been in Toshiba's corporate DNA. In 2004 we established the Toshiba Group Management Vision which declares that our *raison d'être* is to be a source of products and services that meet people's aspirations and are beneficial to society. We promote technological innovation and provide novel commercial solutions. In doing so, we are inspired by the three themes of our management vision: "Surprise and Sensation," "Safety and Security" and "Comfort."

Environmental considerations are a prerequisite for promoting technological innovation; specifically, it is essential that we reduce our environmental impacts. Recently we announced the Toshiba Group Environmental Vision 2010, which had at its core an ambitious target: the doubling of overall eco-efficiency—combining product eco-efficiency and business process eco-efficiency—by fiscal 2010 compared with fiscal 2000. We have also formulated our Fourth Voluntary Environmental Plan, which is being implemented at all of our sites worldwide.

We are promoting good environmental management practices across all our products and business processes, focusing in particular on the prevention of global warming, control of chemical substances and efficient utilization of resources. We intend to play a leading role in establishing a sustainable society.

### Inculcating the Spirit of the U.N. Global Compact among All Suppliers

Toshiba Group is participating in the United Nations Global Compact, an international initiative espousing ten universal principles concerning human rights, labor and the environment. This activism reflects Toshiba's earnest desire to promote corporate citizenship so that business can play a role in enabling everyone on the planet to enjoy the opportunities and benefits brought about by globalization. In the spirit of the Global Compact, Toshiba is taking the initiative: stressing support of children's education in China and elsewhere in Asia, helping to bridge the digital divide\*, promoting universal design and supporting relief efforts in areas stricken by disaster.

In February 2005, we established the Toshiba Group Procurement Policy, positioning CSR at the heart of our relationships with suppliers and requiring suppliers to promote legal compliance and operations that respect human rights and the environment. I am convinced that these efforts will amplify the impact of Toshiba's CSR efforts by inculcating the spirit of the Global Compact throughout our supplier network.

My essential guiding philosophy is "Be truthful in your thoughts, your words and your deeds." This means striving to express what one really thinks in truthful words, putting those words into action, and then taking responsibility for one's actions.

My objective in championing this philosophy throughout our operations is to ensure that Toshiba Group is an enterprise richly deserving of society's trust.



**Atsutoshi Nishida**  
President and CEO  
Toshiba Corporation



The *Man-nen Dokei* (multi-functional chronometer) is a masterpiece of Japanese horology created by Hisashige Tanaka, the founder of Toshiba. Its dismantling, reconstruction and replication were conducted as a national project by Toshiba in collaboration with Japan's National Science Museum. The replica (shown in photograph left) is on display at the Global House at Expo 2005 Aichi.

<http://www.toshiba.co.jp/spirit/en/>

\*Digital divide: Gap between those who have access to information technologies and those who do not

# Toshiba Group CSR

For Toshiba Group, since fulfillment of CSR is synonymous with implementation of its corporate philosophy, The Basic Commitment of Toshiba Group is at the heart of all CSR activities. The Group slogan—"Committed to People, Committed to the Future. Toshiba."—expresses the thrust of CSR at Toshiba. Toshiba Group Management Vision articulates values shared throughout the Group, and Toshiba Group Standards of Conduct and the UN Global Compact guide us in our daily conduct of business. While stressing communication with our stakeholders, we are promoting CSR activities globally throughout Toshiba Group

▶▶▶ CSR Management P.17

## Basic Commitment of the Toshiba Group

### Commitment to People

We endeavor to serve the needs of all people, especially our customers, shareholders, and employees, by implementing forward-looking corporate strategies while carrying out responsible and responsive business activities. As good corporate citizens, we actively contribute to further the goals of society.

### Commitment to the Future

By continually developing innovative technologies centering on the fields of Electronics and Energy, we strive to create products and services that enhance human life, and which lead to a thriving, healthy society. We constantly seek new approaches that help realize the goals of the world community, including ways to improve the global environment.

## Toshiba Group Management Vision

### Curiosity and Passion

Creating products and services attuned to people's aspirations and beneficial to society

Respect stakeholders

The highest priority on  
"human life & safety"  
and "legal compliance"

Promote technological innovation and  
create new value

Contribute to a better global environment  
Contribute to the development of society  
as a good corporate citizen

## Toshiba Group Standards of Conduct

Everyone in Toshiba Group is required to adhere

### Chapter 1 SOC for Business Activities

1. Customer Satisfaction
2. Production and Technology, Quality Assurance and Product Safety
3. Marketing and Sales
4. Procurement
5. Environmental Protection
6. Export Control
7. Competition Law
8. Improper Payments
9. Government Transactions
10. Intellectual Property Rights
11. Accounting

### Chapter 2 SOC for Corporate and Individual Relationships

12. Human Rights
13. Corporate Information and Company Assets

### Chapter 3 SOC for Information Disclosure

14. Corporate Communications
15. Advertising

### Chapter 4 SOC for Community Relations

16. Community Relations
17. Political Contributions

The full text of the Toshiba Group Standards of Conduct can be viewed at  
<http://www.toshiba.co.jp/csr/en/soc>

## 10 Principles of the UN Global Compact

Responsibilities of a global enterprise

### Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

### Labor Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labor;
5. the effective abolition of child labor; and
6. the elimination of discrimination in respect of employment and occupation.

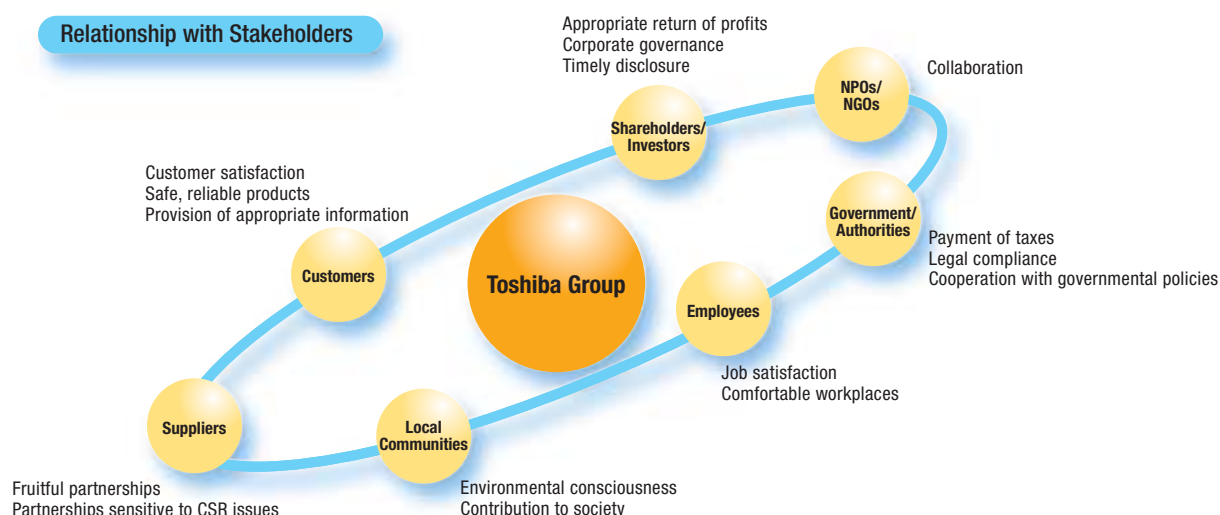
### Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies

### Anti-Corruption

10. Businesses should work against all forms of corruption, including extortion and bribery.





**Committed to People,  
Committed to the Future. TOSHIBA**



# Customer Needs Drive Environmentally Conscious Products

To bring out Environmental Consciousness, manufacturers are expected to minimize global environmental impacts as well as invest in efforts to increase value and improve product performance. To pursue these twin objectives, Toshiba Group has developed “Factor T,” an original indicator designed to reflect customer values.

## Helping Consumers Assess Environmentally Conscious Products More Easily

Consumers always select products based on quality and performance. Kiyoshi Sanehira, Corporate Environment Management Division, points out the emergence of green consumers: “Surveys conducted by Toshiba indicated that, in the case of appliances such as refrigerators and air conditioners, more than 40% of consumers also consider eco-consciousness an important selection criterion.”

Linking the goals of affluent consumer lifestyles with a healthy global environment necessitates product evaluations based on clarifying a product’s value and its contribution to the environment in a single measure. Toshiba has developed its unique eco-efficiency indicator called “Factor T” to meet this need. Eco-consciousness measures are now factored into product design processes across Toshiba so that environmental friendliness is built into products from the earliest stages. Ultimately, Mr. Sanehira hopes that consumers will base product purchases on measures such as Factor T.

## Increases in Product Value Measured from Customer Perspective

The basic equation defining eco-efficiency is simple. The problem is that making calculations of concepts such as product value and environmental impact are complex in nature. Many companies have therefore adopted a simplified approach. Toshiba’s development team decided to aim high. Yoshinori Kobayashi, the Corporate R&D Center, says: “Our aim was to develop an essential eco-efficiency indicator that could capture sufficient data while permitting detailed analysis of both concepts.”

The team chose quality function deployment (QFD) methodology to try to capture product value in numerical form. This approach bases the value of a product on the views of customers on its design and functions by rating the importance of various features in product selection. Toshiba Group has been using QFD methods for many years as a tool for quality control.

For environmental impact, the team turned to the Japanese version of the LIME\* method, an approach that is based on the effects of a product on the environment measured over its entire life. Toshiba already has a wealth of data on the life cycle effects of products from its LCA (Life Cycle Assessment) database. The value attached to life cycle impact as derived from quantitative data was also combined with subjective measures based on the views of people regarding different kinds of environmental impacts.



Consumers may soon select products on the basis of their eco-efficiency.

## Eco-efficiency and Factor

Eco-efficiency indicators measure the value of a product relative to its environmental impact (the goal being to raise the former and reduce the latter).

### Definition of Eco-efficiency

$$\text{Eco-efficiency} = \frac{\text{Product value}}{\text{Product environmental impact}}$$

↑ Higher quality  
↓ Lower impact

The smaller the environmental impact and the higher the value of the product, the greater is the eco-efficiency. High eco-efficiency corresponds with a product that contributes to eco-friendly prosperity. Typically, new products are evaluated against old (benchmark) products. Hence, higher factor values are better.

### Definition of Factor

$$\text{Factor} = \frac{\text{Eco-efficiency of evaluated product}}{\text{Eco-efficiency of benchmark product}}$$

## Incorporation of Factor T into Product Design Processes

Shuji Hatanaka, Refrigerator Technology Department, says, "Our environmentally conscious product development themes have included protecting the ozone layer, preventing global warming, resource conservation and efforts to reduce the release of chemical substances." Since its advent, Factor T has been readily incorporated into product design programs. Mr. Hatanaka stresses the benefit of the introduction of Factor T: "Target values for the indicator are assigned for each product, from which the designers extract the separate product value and environmental impact components. One of the most significant benefits of using the Factor T approach is that it helps dictate the order in which various issues must be solved. It thus helps to define design priorities as well as the development timetable." Besides allowing the benefits of final products to be measured, Factor T is also proving effective in aiding innovative and valuable product ideas to come to fruition.

## Potential Utility for Consumers in Product Selection

Toshiba is currently conducting questionnaire surveys in Japan to assess the utility of Factor T for consumers. Although over 70% of respondents agree that a factor-based approach is useful, many also point out that the inability to compare Toshiba products with those of other manufacturers detracts from using Factor T for actual product selection. Mr. Sanehira speaks with great enthusiasm, "While Factor T was primarily designed to facilitate the development of environmentally conscious products that would meet the needs of consumers, Toshiba also hopes to encourage customers to use the indicator when making a purchase. The company is promoting a dialog within the industry to try to develop a consensus on how to integrate these types of indicator."

As part of its Environmental Vision 2010, Toshiba Group has set itself the target of raising the eco-efficiency of its products to 2.2 times the fiscal 2000 level by March 2011. Toshiba plans to extend the Factor T concept from consumer appliances to other categories of products such as industrial equipment. Toshiba is targeting 70 out of 100 product groups for application. Individual Factor T target values have now been established for over 30 products. Toshiba plans to designate products that exceed target values in terms of environmental performance factors as "Excellent Environmentally Conscious Products." The challenge to develop environmentally conscious products based on customer input continues across Toshiba Group.



**Kiyoshi Sanehira**

Corporate Environment  
Management Division

"We hope Factor T facilitates communication with customers and will also be useful for consumers when making product selections."



**Yoshinori Kobayashi**

Environmental Technology Laboratory  
Corporate Research & Development Center

"Factor T incorporates a lot of data on product value and environmental impacts, much of which reflects direct customer evaluation of the product."



**Shuji Hatanaka**

Refrigerator Technology Department  
Toshiba HA Products Co., Ltd.

"Factor T is an effective aid to designers in creating environmentally conscious products because it helps clarify precise solutions for achieving target performance values."

## Customer Opinions

"I think it's a pity that factors are not comparable with other companies', because you can't use them to compare when choosing a product. But if Toshiba publicized these numbers, I think it would encourage the other makers of, say, refrigerators, to include data on how much they have improved the performance of their own products." (Female, 20s)

"While factors remain neither integrated nor comparable, I think they can only serve the purposes of the suppliers like Toshiba. Since you would expect newer products to be better than the old ones, what I want to see is an integrated standard so that I can compare products from different companies at a glance. I hope Toshiba can make this happen." (Male company worker, 30s)

"The specifics of the factor calculation look really complicated, but I agree that product value should include the concept of environmental effects as well as its convenience and utility to consumers." (Female student, 20s)

\*LIME(Life-cycle Impact Assessment Method based on Endpoint Modeling)

Developed by the National Institute of Advanced Industrial Science and Technology through an LCA technology development project run by the New Energy and Industrial Technology Development Organization (NEDO).

# Fuel Cells: Compact Home Power Plant

Fuel cells are attracting attention as a next-generation source of residential power.

Toshiba Group has been investing heavily in the development of compact, high-efficiency fuel cells for homes that could play a major role in global energy conservation.

## Residential Fuel Cells Nearly a Commercial Reality

To meet greenhouse gas emission-reduction targets under the Kyoto Protocol a less centralized power generation model based on micro power is desired. Generating power at the local level eliminates electricity losses in transmission and has the added benefit of making thermal recycling easier. The core device in making micro power a reality is the residential fuel cell (FC). Toshiba took steps in December 2004 to strengthen its residential FC operations.

FCs work on the principle of the reverse electrolysis of water. This involves a chemical reaction between hydrogen and oxygen that can be harnessed to produce electricity. Since the only by-product is water, the process is completely non-polluting. The efficiency of power generation is also high because the process converts the chemical energy in the fuel (hydrogen) directly into electricity. The heat generated by the reaction can also be used to heat water. This combination raises total thermal efficiency above 80%. In addition to cutting fuel bills, the CO<sub>2</sub> emissions of an FC are 30–40% lower compared with the combination of gas and electric power.

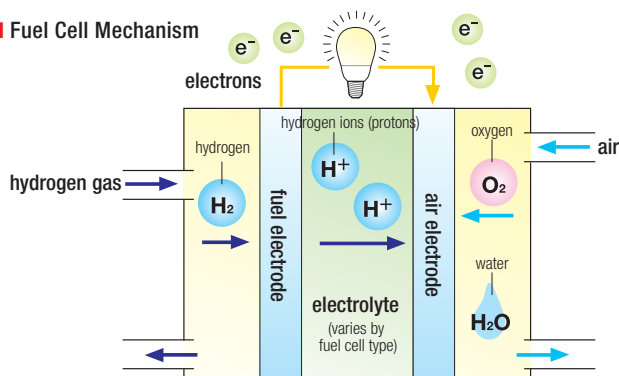
Japan's Ministry of Economy, Trade and Industry (METI) began a large-scale three-year monitoring test involving 3,000 residential FCs in 2005, aiming for commercialization in 2010. Toshiba is actively involved in this project. Soichiro Shimotori, of Toshiba Fuel Cell Power Systems Corporation, who has been engaged in development of home-use FCs since he joined the company, says, "The next three years will be a critical period in the development of residential FCs."

## Toshiba Fuel Cell is Highly Efficient

The residential FC being developed by Toshiba has a relatively small generating capacity of 700W compared with potential rival products. Toshiba selected this level of output because survey data indicated that it was ample for residential power consumption during most times of the day. Although efficiency tends to be lower in equipment if the scale is smaller, Toshiba improved FC efficiency to 38% in 2004, from 28% in 2000. A major element in this improvement in efficiency is the application of technology to keep the enough water in the cell by using an internal humidification process. The polymer membrane used as the electrolyte in the FC must be kept moist, but using energy to import moisture into the cell reduces the overall efficiency. Toshiba's technology, which is unique in Japan, recycles water and heat generated by the reaction within the cell to keep the membrane

Toshiba residential FCs are involved in field tests in Japan. They are set to become a common sight in the not-too-distant future.

### Fuel Cell Mechanism



moist. "Designing the cell so that moisture levels could be kept uniform via an automatic process was extremely difficult," recalls Mr. Shimotori, and it proved to be a major engineering accomplishment. Toshiba has been able to develop advanced residential FC technology in a relatively short period. Mr. Shimotori explains the reasons: "First of all, Toshiba has been able to apply expertise from other areas, most notably many years of experience with phosphoric acid fuel cell (PAFC) technology. Second, the FC development program benefited from Toshiba's consumer appliance operations in realizing improvements to key components such as inverters. Third, the internal moisture mechanisms were developed jointly with U.S.-based UTC Fuel Cells, LLC." The residential FC represents a collective triumph for Toshiba Group.

## Quest to Reduce Costs and Boost Durability

Several hurdles remain to be overcome before the FC can become a widely used home appliance. The key challenges are to lower costs and raise durability. Mr. Shimotori projects, "We expect to cut costs by 90% through a combination of optimized design and materials, improved fabrication methods and the economies of scale from mass production." Mr. Mitsuaki Echigo, who is a trial user of Toshiba's latest residential FC, stresses, "Ultimately, the need for repairs should be eliminated completely." In terms of durability, the current goal is to build a cell with an operating life of 20,000 hours. Toshiba is on course to achieve this by 2006, with the next goal to double durability to 40,000 hours, the typical service life of a PAFC, by 2008. Progress has already been made by eliminating the causes of failure in the main cell unit, and work is now focusing on improving the reliability of peripheral devices such as blowers using optimized designs.

## Potential Role of the Fuel Cell in a Hydrogen-based Society

Toshiba is testing a wide variety of fuels as the source of hydrogen for FCs, including city gas, LPG methanol, dimethyl ether and various bio-derived gaseous fuels. Residential FCs could make a major contribution to resource recycling. Preparing for a hydrogen-based society, Toshiba is also conducting field tests of cell designs that use pure hydrogen gas as a fuel. "In the future, energy generated through weather-dependent renewable sources such as wind or solar power, together with surplus electric power generated at night, could all be stored in the form of hydrogen. Once stored, residential FCs could convert this hydrogen into usable energy on demand," says Mr. Shimotori. In a hydrogen-based society, FCs could contribute significantly to more efficient energy usage.



**Soichiro Shimotori**

Group Leader  
Toshiba Fuel Cell Power Systems Corporation

"We have now solved all of the main issues in the main cell. I feel confident that this product has a bright future."

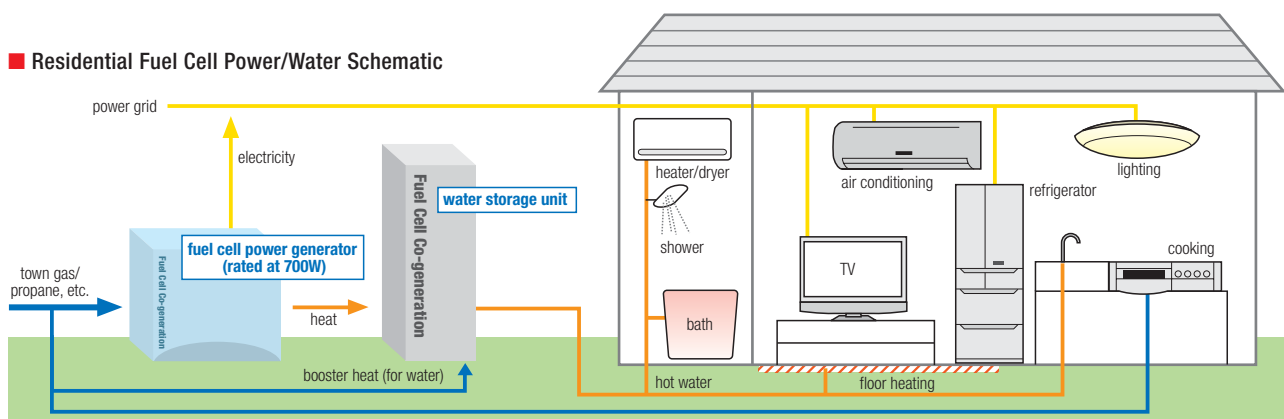


**The Echigo family**

(participants in a field test of Toshiba residential fuel cells)

"The 200 liters of hot water and 700W power output are ideal for a family of four. We have noticed the cost savings in the eight months since installation. We look forward to having a low-cost, reliable fuel cell."

### Residential Fuel Cell Power/Water Schematic



# Promoting Breast Cancer Screening

Early detection and treatment is the key to reducing mortality rates due to breast cancer.

In developing the medical diagnostic imaging systems for breast cancer,

Toshiba Group has been reflecting the voice of both customers in medical institutions and patients.

The company is also actively involved in programs to educate the public about this largely preventable disease and breast cancer screening.

## Rina Takahashi

X-ray application specialist  
Application Group  
Toshiba Medical Systems Corporation

"Our goal is to boost early detection rates through improved diagnostic accuracy, using both advanced equipment and related services."

## Breast Cancers are Curable if Detected Early

Over the past decade, breast cancer has been the leading type of cancer contracted by Japanese women in the 30–64 age bracket. Breast cancer also has one of the highest mortality rates. In Western countries, where numbers of women contracting breast cancer rose earlier than in Japan, the introduction of X-ray mammography screening programs in the 1980s has successfully reduced mortality by catching the disease at an earlier, more treatable stage (even though its morbidity has continued to increase).

Toshiba has been conducting R&D into X-ray mammography since the 1970s. Toshiba Medical Systems Corporation (TMSC), which was established as an independent company within Toshiba Group in 2003, is the only Japanese company that develops and sells X-ray mammography equipment and also offers a full range of related services.

## Specialists link Developers and Users

TMSC aims to develop medical diagnostic imaging systems that provide an accurate diagnosis while at the same time creating a comfortable and stress-free environment both for technicians and for those undergoing screening. The company employs "application specialists" who hold nationally recognized technologist qualifications in diagnostic radiology. These specialists are involved in explaining the use of mammography equipment to physicians and technicians and providing related services, using their insight into clinical perspectives.

Rina Takahashi, a TMSC X-ray application specialist, visits clinics on a daily basis. She wishes to "contribute to the early detection of breast cancer by providing services that support more accurate screening."

Mitsue Koizumi of the Radiology Department, Toyoko Hospital, St. Marianna University School of Medicine, speaks highly of the existence of application specialists: "They are on hand to provide answers whenever questions or issues arise. For example, they quickly come up with suggestions on ways to improve image resolution or adjust screening programs to shorten X-Ray exposure times without compromising diagnostic accuracy."

Photo courtesy of Nerima Ward Medical Diagnostic Center

Working together with medical institutions, TMSC specialists have also been responsible for a number of value-added innovations and improvements. A notable example is the development of breast screening equipment designed specifically for Japanese women. To enable screening to maximize the chances of detecting early-stage tumors, it is important during the taking of the mammogram to press the breast as flat as possible while preventing movement. TMSC developed specially modified equipment to accommodate the smaller average breast size of Japanese women (compared with Western women). This solved a problem that was causing poor images in some cases by allowing technicians to gain better control over the positioning of the screening subjects.

## The Importance of Accurate Information

Although the Japanese Government has advocated mammography screening since 2000, so far only 2% of women in the relevant age band are screened each year. The equivalent figure in the U.S. is 70%. To raise the incidence of screening, Japan has an urgent need to establish facilities for taking mammograms in each region and to train sufficient physicians and technicians with the necessary expertise. With breast cancer morbidity rising, a public education program is also required to tell people that 90% of breast cancers are curable if detected and treated early.

Since 2003, TMSC has been involved in the Pink Ribbon campaign, which aims to raise public awareness about breast cancer. The company has sponsored a variety of events. Toshiba Group also sponsored Pink Ribbon events in 2004.

## Aiming to Make a Greater Contribution to Medicine

Although Japan has now designated breast cancer prevention a health priority and begun allocating public money to mammographic screening, public services remain lacking in this area. Ms. Koizumi points out: "This is largely because many local authorities and hospitals do not have the budgets to purchase the expensive screening equipment. Many believe that a better public debate is required before further progress can be made. There is also scope for equipment manufacturers to play a bigger role by supporting clinics and hospitals on technical issues such as adjusting equipment settings and X-ray exposure management, which would make it easier for hospitals to introduce new mammography services."

Breast cancer does great damage to society through its impact on the female working population. Under its "Made for Life" basic commitment, TMSC provides reliable, high-quality products and services for the early detection and treatment of breast cancer. Working through multifaceted activities, the ultimate aims of TMSC remain to improve the quality of life of patients and to contribute to the future of medicine.



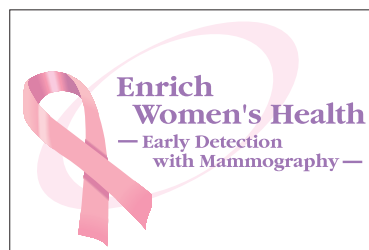
**Mitsue Koizumi**

Technical Section, Deputy Section Leader  
Radiology Department  
Toyoko Hospital,  
St. Marianna University School of Medicine

"I want as many women as possible to understand the importance of daily breast care and regular mammography examinations."



Toshiba Group intranet site educates employees on the Pink Ribbon campaign and encourages voluntary participation in events.



The pink ribbon symbolizes the need for women to take good care of their breasts to avoid cancer.



Toshiba has sponsored the production of educational pamphlets such as these on proper breast care and cancer screening.

# Deepening Roots in China

When you would like to expand your business abroad, language, culture, way of thinking and law differences stand in front of you.

Toshiba aims to overcome such problems through cooperative developments with local communities, thereby fulfilling its responsibilities as a global enterprise.



A total of 558 children study at the two Toshiba Hope Elementary schools.



## Wu Jianxin

Senior Manager  
Administration Division  
Toshiba Dalian Co., Ltd.

"We are focusing on training to help our employees grow so they can pursue their hopes and dreams."



## Zhou Fei

Senior Manager  
Production Control Division  
Toshiba Dalian Co., Ltd.

"Educating the employees on environmental issues is a key part of entrenching a sound environmental management approach."

## Model Operations in China Set Important Example

Toshiba Dalian Co., Ltd. (TDL) was established in 1991 as its first local subsidiary in China. As of March 2005, TDL had 1,550 employees. The company produces motors, television components and electromagnetic delay lines. Since 2003, TDL has also been a base for the design and manufacture of medical equipment.

"TDL has steadily increased the number of managers recruited locally in the 13 years since its establishment," says Fumitaka Kashii, president of TDL. Meritocratic, non-discriminatory personnel management methods emphasize placing the best person in each position. At the senior management level below TDL's general manager, which includes factory managers and department heads, there are six Chinese managers. To spur its overseas development efforts, Toshiba Group aims to recruit local managers in its operations worldwide as a matter of policy.

## Education and Training Critical to Higher Quality of Management

"The personnel development systems at TDL include training courses for new recruits and different supervisory levels as well as financial support for employees designed to help the self-motivated learning," explains Wu Jianxin, Senior Manager, Administration Division. An internal skills certification system has been set up to recognize qualifications in quality control with training being carried out by those with high-level qualifications certified by Toshiba's Corporate Manufacturing Engineering Center. TDL also provides assistance to workers to help them obtain relevant National qualifications.

Education and training is not limited to technical skills. TDL's systems for managers also cover other necessary fields, including production management, finance and accounting and ISO-approved standards such as the 9000 and 14000 series. Mr. Wu adds, "TDL also organizes training programs for managers at or above the section leader level. Sponsored by Toshiba's regional headquarters in China, these courses aim to prepare managers for taking on larger roles. Subjects covered by management training programs include Toshiba's Corporate philosophy and vision, cross-cultural communications and leadership skills." The system is comprehensive and works effectively in China.

## Actively Engaged in Environmental Management

"Besides focusing on raising product quality, the TDL plant has also been



A board at the entrance to the motor factory displays workers' skills qualifications. TDL helps employees to gain internal and national qualifications.

**Fumitaka Kashii**  
President  
Toshiba Dalian Co., Ltd.

actively concerned with reducing its impact on the environment," says Zhou Fei, Senior Manager, Production Control Division, who is also in charge of environmental protection. The company gained ISO14001 certification in 1999. Its operations are rated "AA" by EASTER, Toshiba Group's internal environmental auditing system. This is the top level achieved by any Toshiba Group operation outside Japan. "Recycling is not yet obligatory in China, but TDL has set an example through the sorting of waste into five categories. The key to TDL's success has been a practical approach to educate employees about the daily activities necessary to maintain an environmentally conscious company, thereby helping to ingrain good habits," says Mr. Zhou.

## Promoting Good Relations with the Local Community as a Corporate Citizen

Mr. Kashii stresses, "There are some children in China who still do not have access to primary-level education. Toshiba's support for opening elementary schools in China is significant. Toshiba established two

elementary schools in the Dalian area in 2001 and 2002. The company has since donated desks, stationery and AV equipment to these schools as part of its ongoing commitment to social contribution activities." Toshiba's corporate citizenship activities are characterized by continuing support.

Toshiba has also established elementary schools in three other regions in China. The overall plan is to make education the focus of Toshiba's corporate citizenship program in China in the years to come.

TDL has also been recognized consistently by the city of Dalian\* as a leader in worker safety. TDL is regarded within Toshiba Group as a model operation in China, and Toshiba's Chinese regional headquarters often organize tours to the firm to highlight its progressive environmental and labor safety policies. TDL is a good example of the efforts that Toshiba Group makes to establish roots in local communities worldwide to further global business development in line with its corporate philosophy.

\* TDL is the only firm in the Dalian development zone to have received a safety award from the city for 12 consecutive years.

## Global Enterprises are Obligated to be Active in the Local Community

I was posted to Toshiba Information Equipment (Hangzhou) Co., Ltd. (TIH) in China in March 2005. Prior to this, I undertook a 43-month assignment at Toshiba Europe's manufacturing operations in Regensburg, Germany (TRO), followed by a 29-month assignment in the Philippines at Toshiba Information Equipment (Philippines), Inc. (TIP).

I have found the ways that different countries approach social issues such as human rights and the environment extremely interesting. In Germany, social contribution activities are regarded as a natural part of the duties of a corporate citizen. In the Philippines, TIP adheres to interna-

tional labor and safety standards, and gained SA8000 certification while I was there. This involved raising the awareness of local employees, which I also found an educational process. I think that global enterprises can only develop worldwide by explaining their business philosophy to local employees and by implementing long-term CSR-based programs consisting of specific social contribution measures. TIH is expected to become a leading PC production base for Toshiba Group. Although there remain many issues to tackle, I believe we can grow TIH operations in cooperation with the local community.



**Ippei Futaki**  
President  
Toshiba Information Equipment  
(Hangzhou) Co., Ltd.



# Targets and Results

## ● Major Achievements in Fiscal 2004 and Targets and Plans for Fiscal 2005

| Item                                    | Major achievements in Fiscal 2004   |
|---|---|
| <b>Corporate governance</b>             | Corporate Governance Committee established.   |
| <b>Compliance and risk management</b>   | Adoption of the new Toshiba Group Standards of Conduct by all Toshiba Group companies worldwide (approx. 400).<br>Provision of an external contact (attorney) for Toshiba Corp.'s whistleblower system in addition to the internal contact.<br>Introduction of a whistleblower system by many Group companies.<br>Execution of compliance education ranging from introductory training for new employees to training for executives and e-learning-based corporate-wide education.<br>Improvement of organizational structure and execution of education in preparation for the full enforcement of the Personal Information Protection Law in Japan.   |
| <b>Customer relations</b>               | Training of Call Center staff to enhance communication skills.<br>Revision of rules for dealing with customers and education of all employees on the revised rules.<br>Establishment and implementation of the rules for swift and appropriate disclosure concerning product quality.<br>"Voice of Customers" and developers' advice posted on the product information website.   |
| <b>Shareholder / investor relations</b> | Enhancement of the systems and procedures for timely disclosure.<br>Receipt of the Disclosure Award of the Tokyo Stock Exchange.  |
| <b>Employee relations</b>               | Achievement of the statutory rate for employment of the disabled (1.81% in April 2005).<br>Establishment of a special subsidiary for employment of the disabled.<br>Establishment of an organization dedicated to promotion of gender equality.<br>Provision of support to female employees for their career development (e.g. leadership training etc).<br>Positioning of safety and health management as an important management issue.   |
| <b>Supplier relations</b>               | Establishment of the CSR Procurement Policy and requesting suppliers to promote CSR.  |
| <b>Relations with society</b>           | Improvement of the corporate citizenship promotion systems at sites (e.g. appointment of Social Contribution Coordinators).<br>Execution of Toshiba Group corporate citizenship campaign and issuing of an activity report.<br>Execution of corporate citizenship programs in collaboration with NPOs (e.g. environmental protection activities, scientific experiments).<br>Provision of support for disaster recovery (e.g. Niigata-Chuetsu Earthquake, tsunami in the Indian Ocean).<br>Receipt of an award for being a company proactive concerning corporate citizenship in China.   |
| <b>Environmental report</b>             | Strengthening of the environmental management system: <ul style="list-style-type: none"> <li>● Establishment of Toshiba Group Environmental Vision 2010.</li> <li>● Expansion of environmental management boundary.</li> <li>● Establishment of the calculation method for resource input amounts.</li> <li>● Introduction of environmental audits at overseas sites.</li> </ul> Provision of environmentally-conscious products and services: <ul style="list-style-type: none"> <li>● Creation of environmentally conscious products based on Factor T.</li> <li>● Response to the European RoHS Directive (restriction of hazardous substances).</li> </ul> Establishment of environmentally-conscious production and sales processes: <ul style="list-style-type: none"> <li>● Promotion of measures to prevent global warming.</li> <li>● Reduction of releases of chemical substances.</li> <li>● Promotion of zero emissions at affiliated companies.</li> </ul> |
| <b>Communication</b>                    | Issuing of a CSR report.<br>Enrichment of the CSR website.<br>Holding of dialog with stakeholders.  |

### ■ For Further Progress of CSR Activities

Toshiba Group is active on many fronts, contributing to society and the environment while meeting the expectations of its stakeholders. The table shows our achievements in fiscal 2004 and our targets and plans for fiscal 2005. From the next CSR report, evaluation of results compared with the targets will be reported and reflected in subsequent activities.

In fiscal 2004 the Toshiba Group Standards of Conduct, the basis for execution of CSR activities, was adopted by all Group companies worldwide and Group companies began introducing whistleblower systems. Also, we made great progress in expanding employment of the disabled, encouraging promotion of CSR among suppliers, and execution of a corporate citizenship campaign at all sites. On the environmental front, as most of the final targets of the Third Voluntary Environmental Plan, which covered the period to fiscal 2005, were achieved more than a year earlier than originally planned, we have expanded the scope of our environmental activities and established Toshiba Group Environmental Vision 2010 and the Fourth Voluntary Environmental Plan, which cover the period to fiscal 2010.

In fiscal 2005, we will step up our efforts to implement Toshiba Group Standards of Conduct through education and expand environmental and good corporate citizenship activities worldwide.

| Page number | Targets and plans for fiscal 2005   |
|-------------|---|
| P.16        | Corporate Governance Committee to deliberate on corporate governance under the Company-with Committees System and suggest improvements as necessary.  |
| P.18-19     | To continue the education of Toshiba Group employees in the Standards of Conduct.<br>To improve the whistleblower system and to introduce it to more Group companies.<br>To revise the risk compliance intranet site to provide more relevant information.<br>To implement continuously measures for protection of personal information.  |
| P.24-27     | To strengthen customer support and services (e.g. customer help desk and repairs system).<br>To improve product quality by utilizing "Voice of Customers" and internal knowledge.<br>To establish a corporate-wide system and strengthen our effort for the promotion of universal design.<br>To provide more information to customers via the website and email magazines.   |
| P.28        | To improve further information disclosure systems.  |
| P.30-32     | To achieve smooth take-off of a special subsidiary for employment of the disabled.<br>To expand employment of the disabled at Group companies.<br>To provide support to female employees for their career development (e.g. leader education, career improvement training).<br>To encourage the optimum employee work/life balance (e.g. by improving support mechanisms such as child-care leave and short working time).<br>To reform corporate values and culture concerning gender equality (e.g. issue a leaflet to raise awareness, hold a forum).<br>To enhance safety control standards by promoting the safety and health management system. |
| P.29        | To establish a system for monitoring the CSR promotion status of suppliers.   |
| P.33-35     | To execute a corporate citizenship campaign worldwide.<br>To establish a corporate citizenship award.<br>To establish Toshiba Forest.<br>To expand activities in collaboration with NPOs.<br>To execute unified activities throughout Toshiba Group to commemorate the 130th anniversary.   |
| P.36-45     | To strengthen further the environmental management system: <ul style="list-style-type: none"> <li>• Promote the 4th Voluntary Environmental Plan.</li> <li>• Improve the environmental management promotion system.</li> <li>• Expand the scope of environmental accounting to cover all sites.</li> <li>• Improve the overseas environmental audit system.</li> </ul>  |
| P.46-51     | To continue to provide environmentally-conscious products and services: <ul style="list-style-type: none"> <li>• Expand the scope of Factor T and accelerate the creation of environmentally-conscious products.</li> <li>• Complete the response to the RoHS Directive.</li> </ul>   |
| P.52-59     | To establish further environmentally-conscious production and sales processes: <ul style="list-style-type: none"> <li>• Promote measures to prevent global warming at all sites and processes.</li> <li>• Reduce releases of chemical substances at sites globally.</li> <li>• Promote zero emissions at all sites.</li> </ul>  |
| P.60-63     | To issue a CSR report in Chinese.<br>To enhance dialog with stakeholders.   |

# 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 corporate value.

## Toshiba's Targets under the Company with Committees System<sup>\*1</sup>

In June 2003 Toshiba adopted the Company with Committees System with the following objectives: 1) reinforce the supervisory function of management and enhance its transparency, 2) improve management flexibility and 3) enhance risk management and compliance system.

In December 2004 the Corporate Governance Committee was established to discuss basic principles of governance of Toshiba Group.

<sup>\*1</sup> Company with Committees System

A new company structure which a company can choose under the revised Commercial Code of Japan effective in April 2003. Within the board of directors, nominating, audit and compensation committees are established, the majority of whose members are outside directors and no statutory corporate auditors are assigned. Executive officers serve in an execution body.

## Governance Structure

Of 14 directors, 7 directors are non-executive officers (4 outside directors, the chairman of the board of directors and 2 full-time audit committee members). Majorities of the 3 committees are outside directors. The Nominating Committee and the Compensation Committee are chaired by outside directors.

According to the Commercial Code of Japan, at a Company with Committees, the Nominating Committee make proposals for appointment and dismissal of directors. At Toshiba the Nominating Committee has additional responsibilities: preparation of proposals for appointment and dismissal of the president and of committee members.

Regarding management supervision and auditing, Toshiba has put in place a system

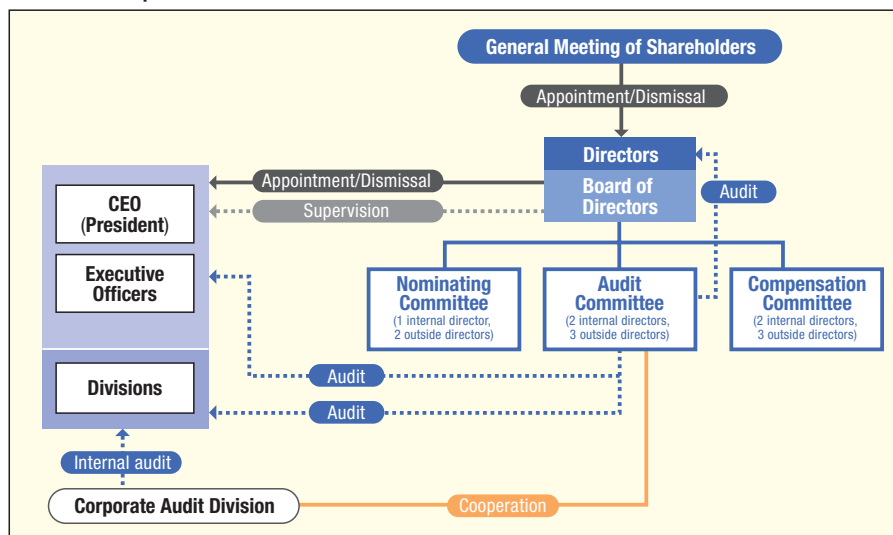
in which executive officers report to the board of directors and the Audit Committee about matters that have significant influence on management and operating performance. Also, the Corporate Audit Division responsible for internal auditing, which directly reports to the president, is working with the Audit Committee.

## Compensation

Directors receive fixed amounts of compensation according to their duties and whether they are full-time or part-time directors.

Executive officers receive compensation according to their titles and duties. 35% of the compensation according to duties varies from no payment to twice the amount depending on the financial performance of Toshiba or the business for which the executive officer is responsible.

### Toshiba's Corporate Governance Structure



### Total Amount of Compensation Paid to Directors and Executive Officers (Toshiba Corp.)

|                    |  | Number of members | Compensation amount (Millions of yen) |
|--------------------|--|-------------------|---------------------------------------|
| Board of directors | Compensation for directors                 | 10                | 190                                   |
|                    | Retirement benefits for directors          | 3                 | 48                                    |
| Executive officers | Compensation for executive officers        | 39                | 942                                   |
|                    | Retirement benefits for executive officers | 5                 | 91                                    |

Notes:

1. Compensation for directors who are also executive officers is included in compensation for executive officers.
2. Compensation for executive officers includes compensation for two executive officers who resigned during fiscal 2003.

# CSR Management

In light of globalization and expectations of stakeholders, Toshiba Group established a CSR management system in 2003 to fulfill its responsibilities to society. Based on this system Toshiba Group is conducting fully fledged CSR activities.

## ■ Toshiba Group's CSR Management

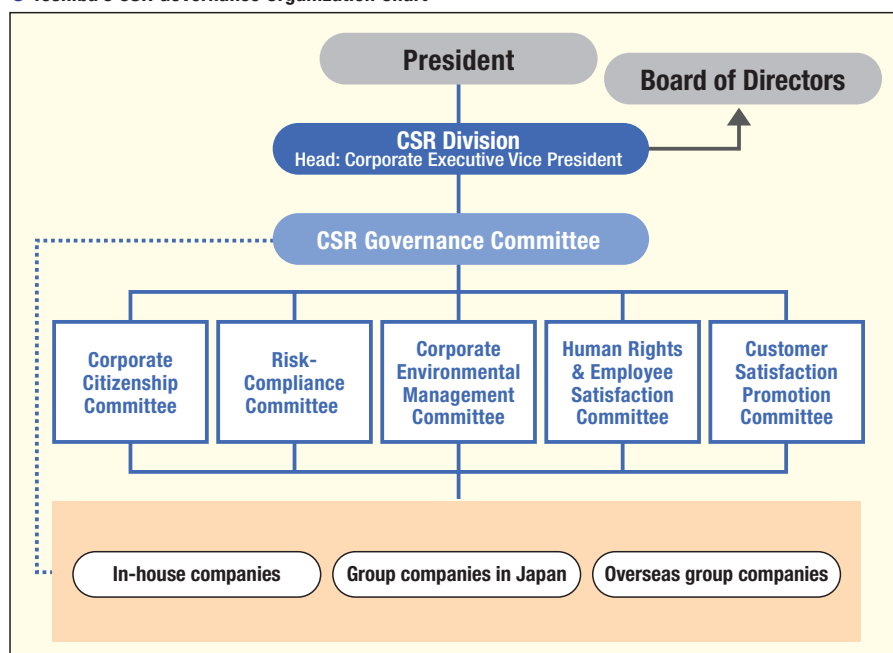
In July 2003 Toshiba established the Corporate Social Responsibility Division, which directly reports to the president, to systematically implement CSR, positioning CSR as an integral part of management. The CSR Governance Committee consisting of the corporate executive vice president who heads the CSR Division and the officers concerned is responsible for decision-making on Group-wide CSR activities. The Risk-Compliance Committee, Corporate Environmental Management Committee and other CSR-related committees, all of which are supervised by the CSR Governance Committee, determine

their policies and establish action plans. The head of the CSR Division reports periodically to the board of directors.

To ensure a systematic approach, the CSR Division integrates various activities which are conducted by specific organizations and is working to penetrate CSR activities throughout the Group.

In fiscal 2004 we worked to ensure that the Toshiba Group Standards of Conduct, the basis of our CSR activities, are adhered to throughout Toshiba Group. We are establishing a CSR system covering the entire production process by requesting suppliers to implement CSR, including respect of human rights and the environmental protection.

## ● Toshiba's CSR Governance Organization Chart



## ● History of Toshiba's CSR Activities

|      |   |
|------|---|
| 1971 | •Consumers Department is established.   |
| 1973 | •Toshiba Management Philosophy is established.  |
| 1975 | •Toshiba Group Safety and Health Convention is introduced.  |
| 1988 | •Environmental Protection Center is established.*   |
| 1989 | •Basic Policy for Environmental Protection is established.*<br>•Environmental auditing is introduced.*  |
|      | •Toshiba International Foundation is established.   |
| 1990 | •Basic Commitment of the Toshiba Group and the slogan are established.<br>•Toshiba Standards of Business Conduct and Toshiba International Standards of Conduct are established.<br>•Toshiba America Foundation is established.   |
| 1991 | •Corporate Environmental Protection Council is established.*<br>•Toshiba Group Environmental Exhibition is started.*<br>•Toshiba Thai Foundation is established.  |
| 1992 | •ExploraVision Award is started in the U.S.<br>•Family-care leave, child-care leave and short-time working hours systems are introduced.  |
| 1993 | •1st voluntary environmental plan is introduced.*   |
| 1995 | •ISO 14001 certification is obtained.*  |
| 1996 | •2nd voluntary environmental plan is introduced.  |
| 1998 | •Executive officer system is introduced.  |
| 1999 | •In-house company system is introduced.<br>•Environmental report is issued.*<br>•Environmental Protection & Recycling Planning Center is established.*<br>•Customer Center is established.  |
| 2000 | •Corporate risk management system is established.<br>•Environmental accounting is introduced.*<br>•3rd voluntary environmental plan is introduced.*<br>•Green procurement is introduced.*   |
| 2001 | •Japanese version and international version of the Standards of Business Conduct are integrated.  |
| 2002 | •Internal free agent system is introduced.<br>•Zero emissions of waste is achieved.*  |
| 2003 | •Company with committees system is adopted.<br>•CSR Division is established.<br>•CSR Website is opened.<br>•Factor T, an eco-efficiency indicator, is introduced.*<br>•Joins Business for Social Responsibility (BSR), an international CSR association based in the U.S.<br>•Safety and health management system is introduced.<br>•Toshiba Group Standards of Conduct is revised.<br>•Joins UN Global Compact |
| 2004 | •Toshiba Group Standards of Conduct is applied throughout the Group.<br>•CSR report is issued.<br>•An organization dedicated to promotion of equal opportunity is established.<br>•Toshiba Group Procurement Policy based on CSR is established.<br>•Toshiba Group Environmental Vision 2010 is announced.*<br>•4th voluntary environmental plan is introduced.*  |

\*Concerned with environmental issues

# Compliance and Risk Management

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

## Achievements in Fiscal 2004

- Adoption of the new Toshiba Group Standards of Conduct by all Toshiba Group companies (approx. 400)
- Provision of an external contact (attorney) for whistleblowers (Toshiba Corp.)
- Introduction of a whistleblower system by many Group companies
- Continuing education through e-learning and according to position
- Ensure compliance with Japan's Personal Information Protection Law

## Thorough Implementation of the Toshiba Group Standards of Conduct

In January 2004 Toshiba defined new Toshiba Group Standards and translated them into 12 languages. In the course of the year, approx 400 Toshiba Group Companies\*<sup>1</sup> around the world adopted the Toshiba Group Standards of Conduct and followed up with education programs to arrive full understanding and adherence

### Toshiba Group Compliance Policy

1. We place the highest priority on complying with laws and regulations, being sensitive to social standards and behaving ethically in all of our business activities.
2. We enforce the Toshiba Group Standards of Conduct Group-wide to stress the importance of compliance.
3. We strive to raise consciousness concerning compliance through continuous education and audits, ensuring that compliance becomes a part of our corporate culture.

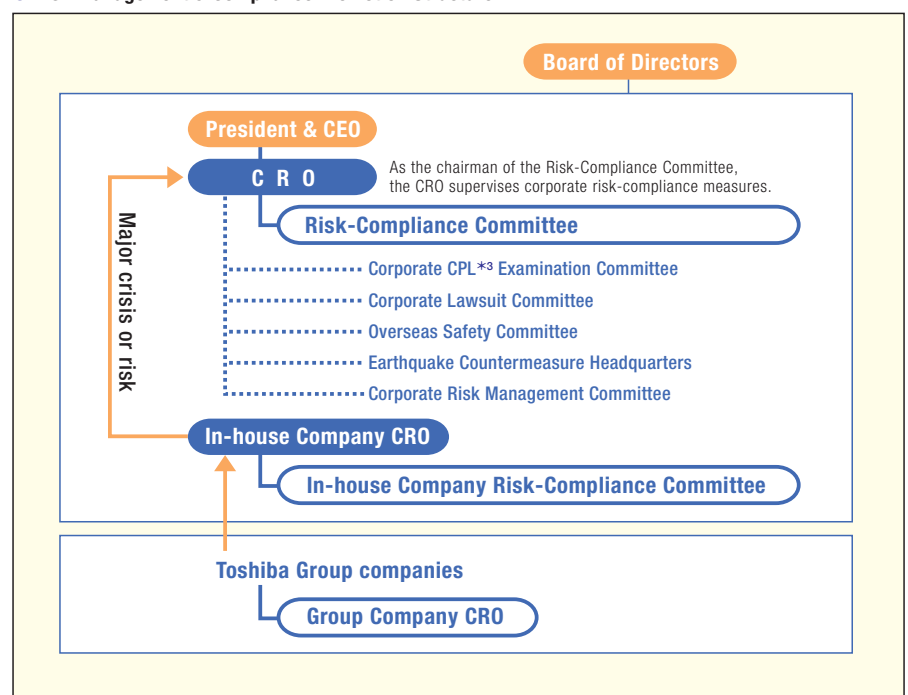
for the part of all employees in all aspects of business. As an important compliance theme, we put in place an organizational structure and conducted education in preparation for the full enforcement of the Personal Information Protection Law in Japan in April 2005\*<sup>2</sup>.

In fiscal 2005, in accordance with Toshiba Group Compliance Policy, we will continue efforts to inculcate the Toshiba Group Standards of Conduct throughout the worldwide Group. Also, education will be stressed to enhance awareness concerning compliance, including compliance with the Personal Information Protection Law.

## Risk Management & Compliance Promotion Structure

Toshiba has appointed a senior corporate 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 determines measures and promotes their implementation in cooperation with the organizations concerned. Also, each in-house company has a risk-compliance officer and a risk compliance committee.

### Risk Management & Compliance Promotion Structure



In the event of an emergency, the CRO takes the initiative in swift and appropriate risk management in cooperation with the organizations concerned.

The five subcommittees, shown in the diagram in the previous page each deal with specific issues such as quality, major earthquakes and the environment.

The board of directors supervises implementation and promotion of internal control systems concerning risk management and compliance.

## ■ Compliance Education

Toshiba Group considers compliance to be a vital issue, since compliance is a prereq-



Employee education

uisite for a company's continued existence. Ensuring thorough adherence to Toshiba Group Standards of Conduct is the fundamental for raising awareness of compliance. In line with this, e-learning based education on the Toshiba Group Standards of Conduct was executed in fiscal 2004.

In addition to compliance education reflecting the responsibilities and experience of employees, in fiscal 2004 Toshiba held seminars for executives to which lawyers and other specialists were invited as speakers. In addition, compliance case studies were introduced via the intranet to raise employee awareness. Education was provided on specific themes, such as the Personal Information Protection Law and the Antitrust Law.

Toshiba Group companies in Japan adopted a similar approach to Toshiba corporation and introduced e-learning program. Overseas, DVDs and other materials reflecting regional characteristics and needs were used in compliance education program.

## ■ Enhanced Whistleblower System

Toshiba initiated a whistleblower system, the Risk Hotline, in January 2000. Many Group companies have introduced similar systems. Whistleblowers can send a information by email via the intranet or contact the Legal Affairs Division. Early and clear understanding of internal risk is essential to assuming an early solution.

To further enhance the whistleblower system, since January 2005 it has been possible to contact an outside attorney in addition to the Legal Affairs Division, thereby enhancing the transparency of the system and convenience for whistleblowers as well as taking advantage of the expertise of the attorney.

In fiscal 2005 major Toshiba Group companies will enhance their whistleblower systems by establishing a channel for contacting attorneys.

\*1 339 consolidated subsidiaries and companies whose names include Toshiba

\*2 See p. 26 for details concerning measures to protect personal information.

\*3 CPL is an abbreviation combining CL (Contract Liability) and PL (Product Liability).

## ● Employee Questionnaire Survey concerning Toshiba Group Standards of Conduct

Every year Toshiba conducts an intranet based survey of employees concerning Toshiba Group Standards of Conduct. The results are brought to compliance related measures in the following year.

Here are some of the results of the survey conducted in fiscal 2004. To the question as to whether respondents are complying with the Toshiba Group Standards of Conduct, 92% answered "Yes" and 0.3% answered "No."

To the question about colleagues' awareness concerning legal compliance, 86% of the respondents answered either the

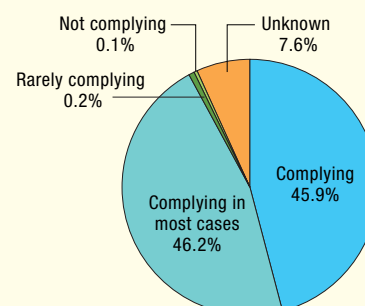
awareness is "enhanced" or "unchanged." 1.6% answered awareness is "declining" and 12.9% were not sure.

Regarding the question as to whether respondents know about the Risk Hotline, 84% of the respondents answered "Yes."

The results of the survey revealed that Toshiba employees' awareness of compliance is relatively high. Nevertheless, we will endeavor to further enhance awareness.

### ● Results of the fiscal 2004 Employee Survey concerning Toshiba Group Standards of Conduct

Q. Are you complying with Toshiba Group Standards of Conduct?





# Toshiba Group's Economic Aspect

In this section Toshiba Group's activities are reported from the economic viewpoint. As well as the trends of financial performance and the composition of sales, distribution of economic value created by Toshiba Group to stakeholders is disclosed.

## Business Overview

Consolidated net sales in FY2004 increased by 256.6 billion yen from the previous year to 5,836.1 billion yen, reflecting the increased sales of the Digital Products, Electronic Devices, Social Infrastructure and Home Appliances segments. In terms of profits, although the Digital Products segment enjoyed a great increase in profits, the Electronic Devices, Social Infrastructure and Home Appliances segments recorded lower profits. As a result, consolidated operating income decreased by 19.8 billion yen to 154.8 billion yen.

However, if a one-time gain from the transfer of Toshiba's employee pension fund to the government in the previous year is excluded, and if a one-time environment related cost accounted for in this fiscal year is also excluded, consolidated operating income for Toshiba as a whole and for the Social Infrastructure segment would show increases.

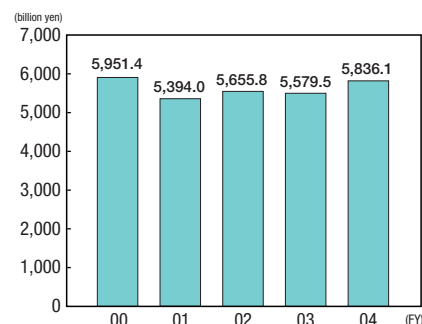
While income before income taxes, minority interest and equity in earnings of affiliates decreased by 34.4 billion yen from the previous year to 110.6 billion yen, net income increased by 17.2 billion yen year on year to 46.0 billion yen.

## Sales by Geographical Segment

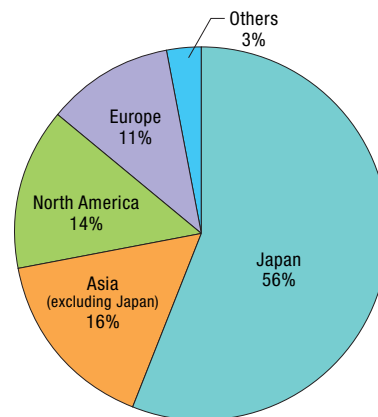
Sales in Japan accounted for 56% of Toshiba Group's net sales in fiscal 2004 and international sales accounted for 44%. Sales in Asia accounted for 16%, followed by North America 14% and Europe 11%. Compared with fiscal 1994, the proportion

of sales in Japan decreased and the proportion of international sales increased from 30% to 44%. The proportions of sales in Asia, North America and Europe increased 6 percentage points, 3 percentage points and 4 percentage points, respectively.

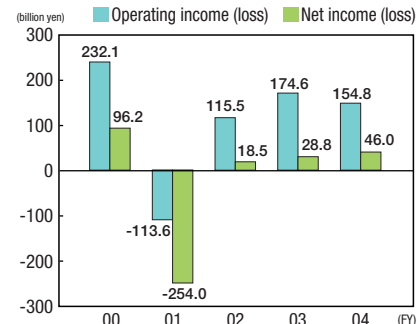
### Net Sales



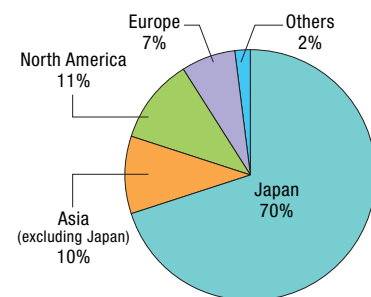
### Sales by Geographical Segment



### Operating Income (Loss) & Net Income (Loss)



### Reference (Fiscal 1994)



Please refer to Toshiba Annual Report 2005 for details of Toshiba's business and financial information. This information is also available at the following website:

URL <http://www.toshiba.co.jp/about/ir/index.htm>

## Sales by Business Segment

The pie chart below shows the composition of Toshiba Group's fiscal 2004 sales by business segment. The Digital Products segment accounted for the largest proportion at 35%, followed by Social Infrastructure 28% and Electronic Devices 21%.

In accordance with the mid-term business plan, the Digital Products and Electronic

Devices segments aim at achieving high growths in their respective products fields and the Social Infrastructure segment has the target of securing stable profits through expansion of international business, cultivation of new businesses and reduction of costs.

Compared with the composition of sales by business segment in fiscal 2001, the proportions of the Digital Products segment and the Electronic Devices segment

increased 4 percentage points each but the proportion of the Social Infrastructure segment decreased 5 percentage points.

### Social Infrastructure



CT Scanner "Aquilion"



Power Turbine



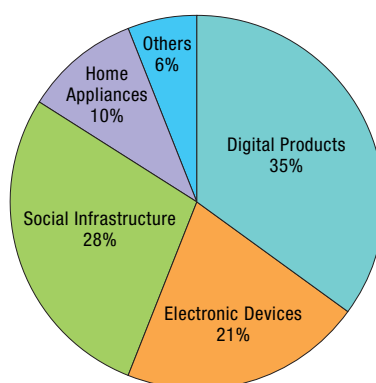
Water supply and sewage monitoring systems

### Home Appliances



Drum-type washing machine/drier

### Sales by Business Segment (Fiscal 2004)



### Digital Products



AV notebook PC



HDD & DVD recorder



Digital Hi-Vision LCD TVs

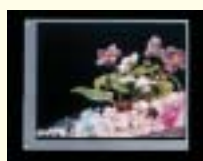


Mobile phones

### Electronic Devices

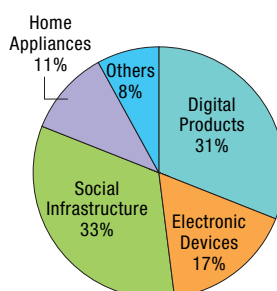


NAND flash memories



Low-temperature polysilicon TFT LCD

### Reference (Fiscal 2001)



## ■ Distribution of Economic Value to Stakeholders

Toshiba Group conducts business activities in relationship with various stakeholders and creates economic value. The table below shows the amounts of economic value distributed to stakeholders. To ensure objectivity, the amounts are based on the statement of income. However, the amounts concerning society and the environment are based on calculation.

The amount paid to suppliers from which Toshiba procures goods and services totaled 4,497.9 billion yen. Labor costs, which correspond to the amount distributed to employees, were 1,183.3 billion yen. Cash dividends distributed to shareholders totaled 17.1 billion yen. Toshiba's policy is to maintain stable dividend payments, with the specific dividend for each period determined in light of the operating results of the period and anticipated operating results for future periods.

Toshiba Group paid its creditors interest amounting to 21.7 billion yen on debts. Corporate taxes in accordance with financial accounting amounted to 55.9 billion yen in fiscal 2004, which corresponds to the amount distributed to governments.

Expenditure for corporate citizenship activities, which corresponds to distribution to society, was 2.5 billion yen.

As a manufacturer, Toshiba Group is implementing various measures to reduce the environmental impact of its manufacturing processes and products. Viewing the environment as a stakeholder, the environment-related expenditure amounting to 38.9 billion yen is recorded as an amount of economic value distributed to the environment.

The methods we applied for clarifying the distribution of economic value to stakeholders still have room for improvement and we are working to achieve easier-to-understand disclosure.

### ● Distribution of Economic Value to Stakeholders (Fiscal 2004)

| Stakeholder            | Amount distributed<br>(billion yen) | Calculation method   |
|------------------------|-------------------------------------|--|
| Suppliers and Partners | 4,497.9                             | Cost of sales (excluding labor costs)<br>Selling, general and administrative costs (excluding labor costs)                 |
| Employees              | 1,183.3                             | Labor costs included in the cost of sales and selling, general and administrative expenses                                 |
| Shareholders           | 17.1                                | "Dividends paid" on the cash flow statement  |
| Creditors              | 21.7                                | "Interest" included in costs and expenses on the income statement  |
| Governments            | 55.9                                | Income taxes   |
| Society                | 2.5                                 | Expenditure for corporate citizenship activities*<br>For details, see p. 33.   |
| Environment            | 38.9                                | Environment-related expenditure*<br>Equals to environmental costs in environmental accounting<br>For details, see p.44-45. |
| Within company         | 28.9                                | Amount of net income minus dividends paid  |

\*Amounts distributed to society and the environment are also included in the amounts distributed to suppliers and to employees.

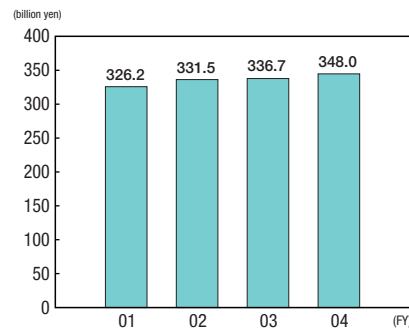
## Research & Development

Toshiba Group's R&D expenditure amounted to 348.0 billion yen, up 3% year on year, and accounted for 6% of net sales, which is virtually unchanged from the previous year.

Toshiba Group's raison d'être is to be a source of products and services that meet people's aspirations and are beneficial to society by promoting technological innovation and creating new value.

Inspired by our over-arching themes—"Surprise and Sensation" for Digital Products and Electronic Devices, "Safety and Security" for Social Infrastructure and "Comfort" for Home Appliances—we are striving to provide excellent products and services.

### R&D Expenditure



New flat display SED



ApriAlpha life support robot



Fuel cell for compact electronic devices



Ultra-compact hard disk drive

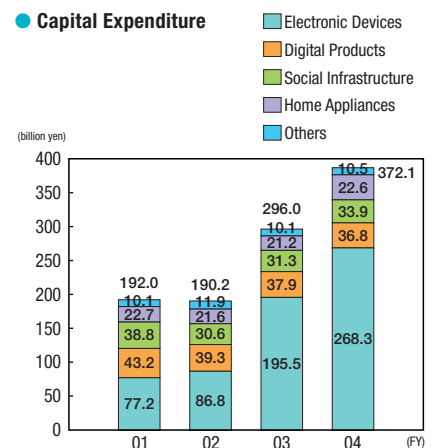
## Capital Expenditure

In accordance with the basic strategy to focus resources on growth fields, Toshiba Group invested 372.1 billion yen (order placement basis) in property, plant and equipment in fiscal 2004.

The Electronic Devices operations invested 268.3 billion yen for increased production capacity and development of semiconductors and LCD displays. The Digital Products operations invested 36.8 billion yen for

development and manufacturing of new products including PCs and mobile phones. Capital expenditure of the Social Infrastructure operations amounted to 33.9 billion yen for development of systems and upgrading of infrastructure facilities and that of the Home Appliances operations was 22.6 billion yen for development and manufacturing of new models. Capital expenditure of other operations totaled 10.5 billion yen.

### Capital Expenditure



Semiconductor clean room



Toshiba Information Equipment (Hangzhou) Co., Ltd.



# Customers

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

### Achievements in Fiscal 2004

- Training of Call Center staff to enhance their communication skills
- Revision of rules for dealing with customers and execution of education of all employees
- Establishment and implementation of rules for swift and appropriate disclosure concerning product quality
- “Voice of customers” and developers’ advice were posted on the product information web site.

### Toshiba Group Customer Satisfaction Promotion Policy

We make the Voice of Customers the starting point for all ideas and provide products, systems and services that deliver customer satisfaction.

1. We provide products, systems and services that are safe and reliable.
2. We respond to requests and inquiries from customers sincerely, rapidly and appropriately.
3. We value the Voice of Customers and endeavor to develop and improve products, systems and services to deliver customer satisfaction.
4. We provide appropriate information to customers.
5. We protect personal data provided by customers.

### Customer Satisfaction Policy and Management

Toshiba aims to deliver maximum customer satisfaction (CS) in terms of products, systems and services and communication with customers based on the Toshiba Group CS Promotion Policy established in 2003. At the quarterly CS Promotion Committee meetings, representatives from in-house companies and Toshiba Group companies undergo rigorous instruction in the CS Promotion Policy and report on their activities. The four working groups address specific issues relevant to Toshiba Group companies.

### Quality Control

In accordance with the Quality Control Policy, Toshiba Group observes all relevant laws and regulations and provides high-quality, safe products, systems and services imbued with the spirit of putting the customer first. We have put in place at each workplace and Group company quality management systems focused on acquisition of ISO9001 quality management system certification.

### Toshiba Group Quality Control Policy

1. We engage in quality assurance from the customers’ point of view.
2. We observe relevant laws and contracts and respect the rights of customers and third parties.
3. We maintain quality systems aimed at achieving 100% quality.
4. We ensure that all of our departments and all of our employees act on this Quality Control Policy.
5. We aim for essential improvement by investigating the root causes of process failures.

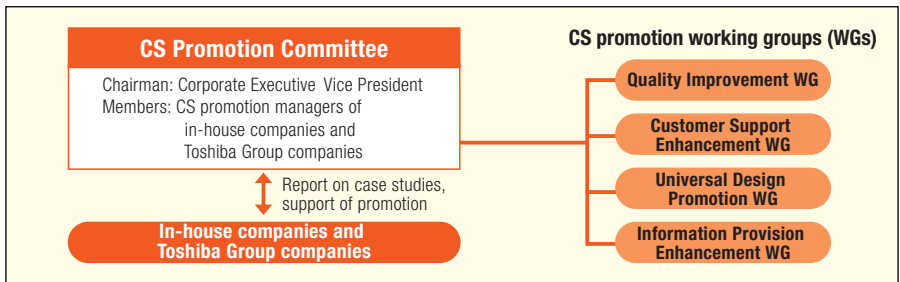
### Quality Improvement for Overseas Production

Toshiba Group is shifting some production overseas in order to more efficiently manufacture and deliver high-quality products to customers. Whether it’s a color TV factory in Dalian, China, a PC plant in Hangzhou, China, or a display factory in Singapore, Toshiba Group factories worldwide are striving to manufacture high-quality products.

### Safety Considerations concerning Electromagnetic Waves

Toshiba Group is involved in standardization procedures at the International Electrotechnical Commission (IEC) and is gathering the latest information on electromagnetic waves. We are adhering to the standards governing electromagnetic waves set by these industry organizations.

### Customer Satisfaction (CS) Promotion Structure (Fiscal 2005)

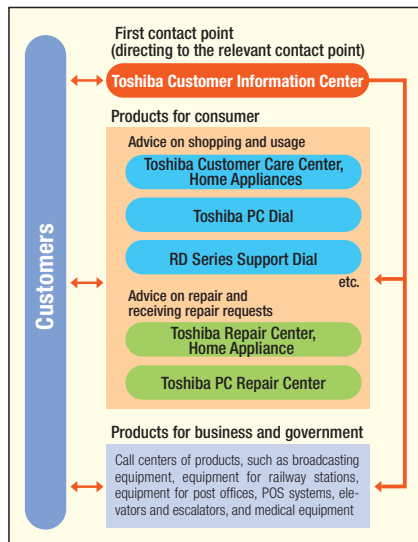


## Conscientiously Responding to Customers' Inquiries

Toshiba Group has customer contact centers and conscientiously responds to customers' requests and inquiries.

Toshiba Corp. has customer contact points according to products (see the diagram below). The Toshiba Customer Information Center, operating around the clock throughout the year, directs customers to the relevant contacts points.

### Toshiba Group's Call Center Structure



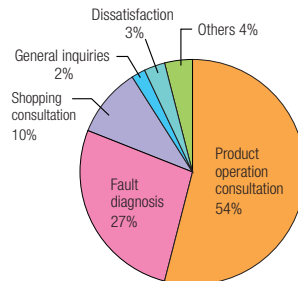
### Skill Training for Call Center Staff

In April 2005 Toshiba Group's call centers jointly executed training of call center staff to enhance their skills so that they can accurately grasp customers' requests and respond to them swiftly. The training will be provided periodically.

### Education for Employees on Customer Relations

In order to respond to changes in customer needs and diversification of inquiries, Toshiba revised the rules for customer relations and has been providing education to all employees since January 2005.

### Breakdown of Inquiries in Fiscal 2004 (Toshiba Customer Care Center, Home Applications)



### Swift Support

In fiscal 2004, the number of calls to the Toshiba Customer Care Center, Home Appliances<sup>\*2</sup>, the Toshiba Repair Center<sup>\*2</sup>, Home Appliance and the RD Series Support Dial increased greatly, reflecting the increasing complexity of digital equipment and the fact that Toshiba made a public statement concerning repair and inspection. We increased the number of staff and optimized their deployment, so that customers do not need to dial Toshiba call centers several times to get the help they need and can receive support swiftly.

Regarding the breakdown of the inquiries received at Toshiba Customer Care Center, Home Appliances, consultation on product operation accounted for 54%. We have improved the owner's manuals and posted frequently asked questions on our website.

<sup>\*2</sup> Call centers of Toshiba Service and Engineering Co., Ltd.

## Utilizing of Voice of the Customer (VOC)

Toshiba Group utilizes a technique based on VOC and numerical data for development and improvement of products, systems and services.

Toshiba Medical Systems Corp. sends customer satisfaction questionnaires to customers after delivery and shares customer feedback throughout the company. For example, the scan time of the Aquilion™ X-ray CT scanner is less than half that of the previous model, reflecting the voice of patients and medical staff to ensure a patient-friendly diagnosis. Personal Computer & Network Company commercialized a shock-resistant multi-protection<sup>\*3</sup> mobile PC based on the analysis of customers' PC usage situations and VOC.



<sup>\*3</sup> Multi-protection: Multiple protective functions to protect data, absorb shock and prevent data leakage

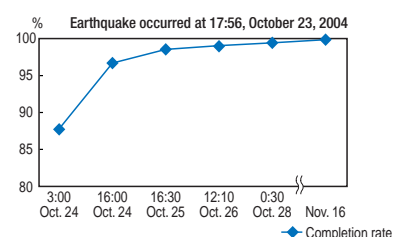
## TOPICS

### Toshiba Elevator Provides Quick Support in the event of Disaster

When the Niigata-Chuetsu Earthquake struck in Japan, Toshiba Elevator and Building Systems Corp. recovered more than 96% of earthquake-affected elevators within 24 hours, despite intermittent aftershocks and disruption of traffic and communication networks, and consequently received words of appreciation from many customers. Such a quick response was possible because the company's nationwide service network is designed to ensure rapid dispatch of service engineers and delivery of parts.

Also, to ensure preparedness for possible disas-

ters, the company is holding seminars in cooperation with fire brigades, for example on the rescue of people trapped in elevators.



### ■ Accurate Product Information and Appropriate Advertising

Toshiba Group provides accurate product information and executes appropriate advertising in accordance with the Toshiba Group Standards of Conduct, the Code of Fair Competition for Home Appliances and other policies. Quality assurance organizations of in-house companies and affiliated companies monitor the safety standards of the countries where products are marketed and technical standards such as the UL Standards<sup>\*1</sup> and CE Marking<sup>\*2</sup> to ensure that their product labeling is in compliance with the relevant standards.

In March 2005, the Toshiba Group Advertising Control Standards was established to which all organizations concerned are required to adhere.

<sup>\*1</sup> UL Standards: Safety standards issued by Underwriters Laboratories Inc., a U.S. not-for-profit product-safety testing and certification organization. UL has developed standards for materials, products and facilities.

<sup>\*2</sup> CE Marking: This mark indicates that the product bearing it is in compliance with safety standards of the European Union (EU). CE Marking is mandatory for certain types of products sold in the EU.

### ■ Timely Disclosure

Toshiba Group is applying quality control so that customers can use its products with confidence. However, in the event of a serious product defect, we will notify the fact to customers without delay by means of newspapers and the website and by sending a notice to customers and distributors, and will execute inspection, repair and/or recovery. An internal rule has been established to ensure that this policy is adhered to throughout Toshiba Group.

### ■ Protection of Personal Data

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 Personal Data Protection Program (internal regulations that comply with JIS Q15001) and the implementation of personal information protection systems

and information systems security. Toshiba also conducts annual education and training as well as self-audit and audit by the Corporate Audit Div. to raise awareness among all employees about protection of personal data. As a result of these initiatives, in April 2001, Toshiba acquired the Privacy Mark certification from Japan Information Processing Development Corporation (JIPDEC).

In response to the enforcement of the Personal Information Protection Law, in October 2004, Toshiba established the Personal Data Protection Group, a dedicated organization within the Information Security Center, to ensure the personal data protection policy is adhered to throughout Toshiba Group and to strengthen the organizational systems for protecting personal data.



## TOPICS

### Providing Information to Customers at Home Appliance and Digital Product Websites

Since October 2004 the website for Toshiba home appliances has been featuring the voice of customer. On the page titled "I tried it," information gathered by the CS Evaluation Center of Toshiba Corp. through monitoring tests, focus groups and visiting customers is posted. On the page titled "Letters from Customers," comments and suggestions of customers who completed questionnaire surveys of user and comments and advice of Toshiba personnel engaged in product development are posted as a resource for customers.

At the website for Toshiba digital products, customers who register can access information on the products they purchased at a page dedicated to them.



Page featuring the voice of customer  
Toshiba Living Doors > Voice of Customer  
URL <http://www.toshiba.co.jp/living/voices/>  
(Written in Japanese)



Product information page dedicated to customers  
Toshiba Digital Doors > Toshiba ID Service (Room 1048)  
URL <http://room1048.jp/>  
(Written in Japanese)

## Promoting Universal Design

In line with the policy of respecting people and fulfilling their actual needs, Toshiba is working on universal design (UD) in its wide-ranging business fields, including digital products, home appliances and social infrastructure.

We are working to provide easy-to-use products for everyone by taking into account aging, physical characteristics and usage conditions, with the aim of realizing an affluent society where everyone can live in comfort.

### TOPICS

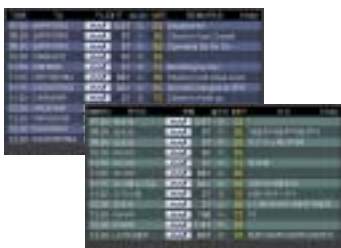
#### Haneda Airport New Terminal Flight Information System

In December 2004 the Haneda Airport Second Terminal opened in Japan. For safety and comfortable use of this new terminal, Toshiba developed a flight information system that provides information swiftly and accurately.

In addition to basic information, this system gives changes in timetables and boarding gates and other information in an easy-to-understand manner. The text information is provided in four languages and in highly visible color, which was selected taking into account people with color vision deficiency.



Haneda Airport Second Terminal Departure Lobby



Highly visible flight information system  
(Photographing cooperation: All Nippon Airways Co., Ltd.)

#### Examples of Universal Design Products

##### Digital Products: Notebook PC



This PC features easy-to-operate keyboard layout, keys with raised dots indicating home positions, and a one-touch button for enlarging the screen display.

##### Home Appliances: Dish washer/drier



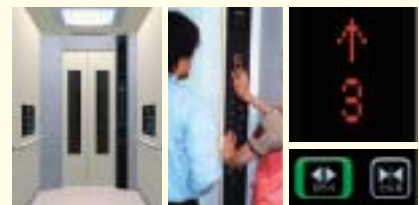
This product features large, easy-to-read text and power, start and pause buttons with raised dots/bars and Braille. For indoor illumination, blue LED is used for ease of viewing—an industry first.

##### Digital Products: Mobile phone



Usability is enhanced by placing raised dots/bars on the 5, Power and Call keys. The large character mode helps farsighted users operate the phone more easily. The screen display is designed, taking people with color vision deficiency into consideration.

##### Social Infrastructure: Elevator



The indicators light up in orange so that more people can recognize them. Buttons are large and in different shapes according to their roles. Wheelchair users and visually impaired users are taken into consideration.

##### Web site



Toshiba web site is designed based on the Toshiba Web Accessibility Guidelines to facilitate ease of obtaining information, ease of understanding and operability.

[URL http://www.toshiba.co.jp/accessibility/index.htm](http://www.toshiba.co.jp/accessibility/index.htm)

##### Social Infrastructure: Escalator



The direction (up or down) is shown clearly. The sensor beam detects a passenger who has got on the escalator from the opposite direction and issues an alarm.

##### Home Appliances: Refrigerator



No more worries when your hands are dirty or occupied. The electric touch open door is opened just by slightly touching the switch on the door.

##### Medical Equipment: Magnetic resonance imaging system



Round contour and warm color tone are used to reduce patients' anxiety and stress. The console is designed to ensure ease of use for doctors and operators.

# Shareholders and Investors

To earn the accurate understanding and the trust of shareholders and investors, Toshiba discloses management policies, financial data and other corporate information in an appropriate and timely manner.

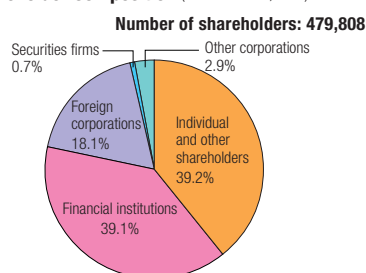
## Achievements in Fiscal 2004

- Enhancement of the systems and procedures for timely disclosure
- Receipt of the Disclosure Award of the Tokyo Stock Exchange

## Composition of Shareholders

As of March 31, 2005, there were approximately 480,000 Toshiba shareholders. Individual and other shareholders accounted for 39.2% of shareholders with voting rights, financial institutions for 39.1% and foreign corporations for 18.1%. The ratio of individual and other shareholders set a new record for the company's stock, having increased 0.8 percentage points compared with the previous year.

### Number of Shareholders of Toshiba Corp. and Shareholder Composition (as of March 31, 2005)



## Disclosure

Toshiba Corporation's information disclosure meets the requirements of the Securities Exchange Law, other legislation, and rules on timely disclosure defined by the stock exchanges on which Toshiba is listed.

Toshiba also discloses information not required under rules on timely disclosure,

decisions made by the company, events related to the company and items related to accounts, these matters have impact on investment and should be disclosed promptly and as comprehensively as possible.

For disclosure, Toshiba make full use of the Tokyo Stock Exchange's TDnet, and the Osaka Stock Exchange's ED-NET. Information disclosed on TDnet and ED-NET is also promptly disclosed via other media, including the Toshiba web site and direct e-mail. In its rules governing timely disclosure procedures Toshiba has clarified the mission of each organization concerned and internal check functions are enhanced to ensure appropriateness of the content of disclosure.



IR web site  
URL <http://www.toshiba.co.jp/about/ir/index.htm>

## Communication with Shareholders and Investors

In response to an increase in the number of individual shareholders, Toshiba has made it possible to exercise voting rights

via the Internet and utilizes visual information for business reports at the General Meeting of Shareholders for ease of understanding.

In December 2004 Toshiba conducted a questionnaire survey for individual shareholders. We intend to reflect their comments and suggestions in management.

## TOPICS

### Evaluation by Outside Parties

- Evaluation by SRI rating agencies
  - Toshiba has been among the world's 300 leading companies for the fifth consecutive year since 2000 in the Dow Jones Sustainability Indexes (DJSI), influential indexes that promote socially responsible investing (SRI).



- Toshiba ranked second among 13 IT/Home & Office companies in the social responsibility ratings of Oekom, a German research institute.



- Toshiba was selected as one of the 150 stocks that make up the Morningstar Socially Responsible Investment Index (MS-SRI), a Japanese index that promotes SRI.



- Evaluation of Toshiba's disclosure
  - Toshiba received the Award for Superior Corporate Disclosure of the Tokyo Stock Exchange.
  - Toshiba received the Excellent Corporate Website Award of Nikko Investor Relations Co., Ltd.

# Suppliers

Toshiba Group has established the Toshiba Group Procurement Policy in which Toshiba gives priority to suppliers that are in compliance with laws and regulations and give careful consideration to human rights and the environment. In cooperation with suppliers, Toshiba is fulfilling its responsibility as a global enterprise.

## Achievements in Fiscal 2004

- Establishment of the CSR Procurement Policy and requesting suppliers to promote CSR

### Establishment of the Procurement Policy in light of CSR

The Toshiba Group Procurement Policy, which was established in February 2005, requires suppliers to promote legal compliance and operations that respect human rights and the environment in accordance with the Toshiba Group Standards of Conduct and the UN Global Compact, and accords priority to companies that satisfy high standards. When procuring goods and services required for the production and supply of products, in addition to consideration of legal compliance and human rights and the environment, we aim to establish good partnerships with our suppliers based on fair and open transactions and mutual trust.

Introduction of the policy allows Toshiba to extend CSR activities to cover manufacturing and supply processes throughout Toshiba Group and its suppliers.

The full text of the Toshiba Group Procurement Policy is available at:

[URL http://www.toshiba.co.jp/procure/english/policy/](http://www.toshiba.co.jp/procure/english/policy/)

### Requesting Cooperation of Suppliers

In order to implement the Toshiba Group Procurement Policy throughout the supply chain (development, procurement, produc-

tion and sales), the understanding and cooperation of suppliers are essential since suppliers play a vital role in support of Toshiba Group companies' production and services.

To this end, the Toshiba Group Procurement Policy was established in February 2005 and is available at the Toshiba web site. Toshiba has sent a letter to existing suppliers in Japan, the US, and Europe and is preparing to send a letter to suppliers in Asia and other regions, explaining the Group's procurement policy and making a request covering the seven items listed below.

#### Supplier Expectations

- 1) Compliance with Laws, Regulations and Social Customs  
Ensuring compliance with the laws and regulations in effect in the countries and regions in which they operate.  
Prohibition of child and forced labor  
Prohibition against discrimination  
Maintaining a safe and clean working environment
- 2) Environmental Considerations  
Adoption of ISO 14001-based environmental management systems and promotion of third-party certification.  
Utilization of Green Procurement  
Reduction or elimination of use of potentially hazardous substances  
Promotion of environmental protection activities
- 3) Maintaining of Sound Business Operations
- 4) Securing Excellent Product Quality
- 5) Offering Goods and/or Services at Appropriate Prices
- 6) Firm Delivery Commitment and Establishment
- 7) Enhancement of Technological Capabilities

### Partnerships with Suppliers

Toshiba Group is establishing fruitful partnerships with suppliers based on mutual trust.

Suppliers are expected to ensure stable supply of environmentally friendly, excellent goods and services at appropriate prices. In addition, the activities listed below are vigorously promoted to strengthen "win-win" relationships advantageous to both Toshiba Group and suppliers.

- 1) Collaborative development of strategic components, utilizing suppliers' unique technologies
- 2) Collaborative projects for enhancement of the quality of goods and services and reduction of manufacturing costs, utilizing Toshiba Group's technological capabilities
- 3) Reduction of procurement costs of suppliers in collaboration with Toshiba Groups' procurement operations



Cost reduction project in cooperation with suppliers

# Employees

Toshiba Group respects every individual, draws strength from the diversity of its work force and provides a safe working environment. We are putting in place various systems and procedures designed to ensure that employees exercise initiative and bring their expertise into full play.

## Achievements in Fiscal 2004

- Achievement of the statutory rate for employment of the disabled (1.81% in April 2005)
- Establishment of a special subsidiary for employment of the disabled
- Establishment of an organization dedicated to promotion of gender equality
- Provision of support to female employees for their career development (leadership training etc.)
- Positioning of safety and health management as an important management issue.

## Basic Policy on Human Resources

Toshiba established the Human Resources Management Policy in 1973. It is our principle and this policy continues to inform all the measures we implement concerning human resources.

## Diversity

Toshiba has put in place various systems

### Human Resources Management Policy (extract)

- Human Resources Are The Most Valuable Assets  
We provide employees with opportunities to realize their potential and encourage them to develop their capabilities and maximize their value.
- Utilisation And Development Of Human Resources  
We endeavor to match the right person with the right assignment to make the best use of human resources.
- Wherever We Operate, We're Mindful Of Social Mores  
We respect human rights and ensure that decisions within the business are made using objective criteria; no discrimination is tolerated against any sector in society (e.g. on grounds of gender, race, age, nationality, religion or disability). Wherever we operate in the world, we comply with applicable laws and regulations and respect local customs, culture and social mores.

and procedures designed to ensure that all employees exercise initiative, take pride in their work, enhance their expertise, and achieve fulfillment.

We are enriching our systems to flexibly meet the diverse needs of employees so that they can do well both at work and at home. By supporting employees not only in regard to childcare but also by providing them with various options, we are striving to enable employees to bring their capabilities into full play.

In regard to recruitment and remuneration, the diverse values and attitudes and personalities of individuals are respected and individuals are evaluated based on their capabilities and performance on a fair and equitable footing.

## Promoting Gender Equality

In October 2004 Toshiba established the Gender Equality Office, which directly reports to the president. The aim of this

office is to promote gender equality, as the proportion of female managers are still low in Japan. Major activities include the opening of an intranet site and the holding of forums, the enrichment of systems, and provision of leadership training to support career development of female employees. Thus, Toshiba is encouraging female workers to display their capabilities and eagerly promoting them to managerial positions.

### Numbers of Regular Employees and Managers (as of March 31, 2005)

|                          | Male   | Female | Total  |
|--------------------------|--------|--------|--------|
| Regular employees        | 26,913 | 3,305  | 30,218 |
| Managers                 | 4,554  | 42     | 4,596  |
| Non-managerial employees | 22,359 | 3,263  | 25,622 |

(Scope of data: Toshiba Corp. in Japan)

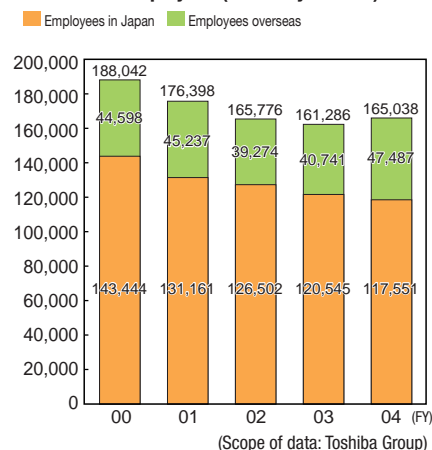
## Fostering of Local Employees Overseas

Overseas subsidiaries are promoting human resources development to meet the high aspirations of local employees, while taking the customs and culture of the countries and regions where they operate into consideration. Increasingly, they are promoting local employees to managerial positions as part of their efforts to become enterprises rooted in the local community.



Training for candidate executives of Toshiba Group companies worldwide

### Number of Employees (at each year-end)



## Employment of people with disabilities

At Toshiba 391\*1 employees with disabilities are engaged in various jobs. The employment ratio of people with disabilities is 1.81%\*2. In addition, a special subsidiary established in February 2005, employs eight mentally handicapped people. Through recruitment, we intend to expand the opportunities for the disabled to fulfill their potential.

\*1 \*2 As of April 2005

## Achieving a Balance between Work and Private Life

At Toshiba, employees are entitled to take childcare leave up to three times per child until the end of the month in which the child becomes three years old. To meet the diverse needs of employees, the system has been improved. Now employees can take childcare leave even if their spouses are not working. Besides support of childcare, we are implementing various measures to facilitate more flexible working schedules, so as to help employees achieving a healthy balance between work and private life.

### TOPICS

#### What I Gained by Taking Childcare Leave

I took childcare leave for three months during the year following the birth of our daughter. The experience of being there when she took her first unsteady steps was very precious to me. Active involvement in the upbringing of my daughter has enriched my partnership with my wife and our family life. I myself have benefited in terms of personal growth. Indeed, I think it has had a positive impact on my performance at work, too.



**Wataru Yamada**  
Corporate Manufacturing  
Engineering Center

## Utilization and Development of Human Resources

At Toshiba utilization and development of human resources are the basis of human resources management. We are endeavoring to match the right person with the right assignment by clarifying the capabilities of employees and to enhance the capabilities of individual employees on the basis of fair and equitable evaluation of their performance through communication between their superiors and subordinates.

### Various Education and Training

Toshiba Group provides various education and training courses to meet individuals' needs as well as the needs of their own work. Introduction of e-learning and the open lectures at universities have encouraged employees to take control of their own career development. Also, "career vision seminars" covering career development, employee life planning and health and welfare issues afford employees opportunities to shape their futures.

### Flexible Systems to Meet Employees' Needs

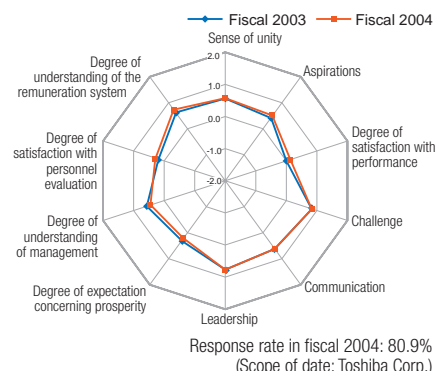
Toshiba Group respects employees' aspirations and provides them with versatile career development opportunities, such as job postings throughout Toshiba Group and the in-house free agent system. Also, we

are establishing systems to meet the diverse needs of employees at various phases of their lives. For example, the employment extension system allows motivated employees to work until they reach 65 years of age.

## Listening to the Voice of Employees

Toshiba periodically conducts the TEAM survey, an in-depth survey of employees' values and attitudes. The findings are shared with the employees and reflected in measures to improve workplaces in ways that enhance communication, stimulate 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 at workplaces' Employee Counseling Rooms.

### Result of the Survey of Employees' Values and Attitudes



### Outline of Human Resources Systems and Usage Results (Fiscal 2004)

| Systems supporting achievement of a balance between work and private life Results |  |  | Results                |
|---|--|--|------------------------|
| Childcare leave   | Until the end of the month in which the child becomes three years old. The spouse does not need to be working. Possible to take childcare leave a maximum of three times per child during the eligible period.   |  | Male: 5<br>Female: 349 |
| Family-care leave   | 365 days per person requiring nursing whenever that person needs full-time nursing   |  | Male: 9<br>Female: 7   |
| Short-time shift  | For those caring for a child:<br>Until the end of March of the year in which the child finishes his/her third grade of elementary school. The spouse does not need to be working. Possible to use a short-time shift as many times as necessary during the eligible period. (Partial implementation on a trial basis)<br>For nursing care:<br>Up to three years per person from the day the shift is applied. In aggregate, short-time shift and nursing leave are available up to a maximum of three years. |  | Male: 3<br>Female: 277 |
| HR systems that encourage individual initiative                                   |  |  | Results                |
| Job postings throughout Toshiba Group   | Eligibility: Regular employees of the eligible Toshiba Group companies who have been employed by the company for three years or more.  |  | 10                     |
| In-house free agent   | Eligibility: Regular employees who have been employed by the company for five years or more. The organization to which the person was previously assigned has no right to reject the person's departure and receives a transfer fee (50% of the annual income of the person leaving the organization)  |  | 18                     |
| Employment extension system   | Eligibility: Person who wishes to remain and whom the company considers appropriate, taking into account the person's motivation, health and capabilities. In principle, employees move to Toshiba Group companies that hire such people when they reach 55 years old and after reaching 60 they are reemployed by those companies as temporary employees.   |  | 317                    |

(Scope of data: Toshiba Corp in Japan.)

### ■ Human Rights

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. We will not engage in acts of discrimination or condone use of child labor or forced labor. We accept and accommodate different values, and respect the character and personality, observe the right to privacy and human rights, avoid any discriminatory actions based on race, religion, sex, national origin, physical disability or age and avoid physical abuse, sexual harassment or violation of the human rights of others. These basic commitments are applied throughout Toshiba's global business. By conducting education and activities to raise awareness, we are working to inculcate respect for human rights throughout Toshiba Group worldwide.

### ■ Sound Labor-Management Relations

Conscious of the mutual benefits of stable labor-management relations, Toshiba and the Toshiba Union representing Toshiba employees discuss and negotiate management measures and working conditions. Launched in fiscal 2005, the Toshiba Group Labor-Management Congress provides a forum where representatives of the labor unions of Toshiba Group companies and the management discuss how best to promote the growth and prosperity of Toshiba Group. Toshiba Group companies overseas hold



Toshiba Group Labor-Management Congress in Europe

discussions with their labor unions or employee representatives in accordance with the laws and regulations of the countries/regions in which they operate.

### ■ Safety and Health

Toshiba positions safety control and health-care at the heart of management. The basic policy on safety and health management is implemented throughout Toshiba Group.

#### Toshiba Group Basic Policy on Safety and Health Management

We provide a safe and comfortable working environment and promote physical and mental health in the following manners:

- ◎ We recognize that safety and health management activities constitute one of the most important management issues and support a range of activities at workplaces and by individuals in this regard.
- ◎ As a global company, We promote safety and health management throughout the Group.
- ◎ We comply with global, regional and local safety and health laws and regulations.
- ◎ We promote activities designed to prevent accidents both at, and commuting to and from, the workplace and to provide a safe and comfortable working environment.
- ◎ We provide our employees with opportunities to maintain and improve their physical and mental health.
- ◎ We request our suppliers to promote safety and health management and support their efforts in this regard.
- ◎ We contribute to society through activities designed to enhance the standards of safety and health management of companies, employees and local communities.

**Atsutoshi Nishida**  
President and CEO  
Toshiba Corporation

### Occupational Safety and Health Management System

#### ● Results of Self-assessment of Safety and Health Management Activities (Fiscal 2004)



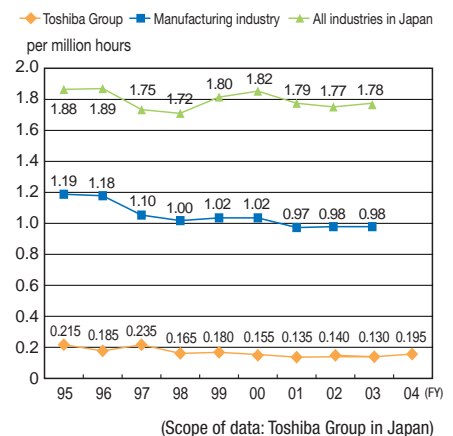
Scope of data: Toshiba Group in Japan

To ensure dynamic, forward-looking safety and health management activities, Toshiba conducts risk assessment that involves identification of risk factors and self-assessment of its safety and health management activities using a checklist.

### Prevention of Industrial Accidents

The graph below shows rates of occurrence of accidents at work per million hours. Compared with the average for industry in Japan and that for manufacturing industry, Toshiba is maintaining an excellent record. To achieve not only elimination of accidents but also elimination of risks, we are implementing risk assessment at workplaces.

#### ● Rates of Occurrence of Accidents at Work



### Healthcare

Toshiba Group runs a system for supporting prevention and amelioration of lifestyle-related diseases operated in cooperation with the health insurance society, has 10,000 registered members\*1. Regarding mental health, a leaflet 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 health-care professionals. Moreover, for employees who have taken long-term leave due to mental illness, the Back-to-Work Program eases readjustment to the working environment.

\*1 As of March 31, 2005

# Corporate Citizenship

Being a good corporate citizen, Toshiba Group is conducting activities in accordance with the Basic Policy on Corporate Citizenship Activities. Corporate citizenship promotion structures were reinforced in fiscal 2004. The Group will enhance the promotion of activities meeting the needs of society.

## Achievements in Fiscal 2004

- Improvement of the corporate citizenship promotion structures at sites
- Execution of Toshiba Group corporate citizenship campaign and issuing of an activity report
- Execution of corporate citizenship programs in collaboration with NPOs
- Support for disaster recovery
- Receipt of an award in China.

## Basic Policy

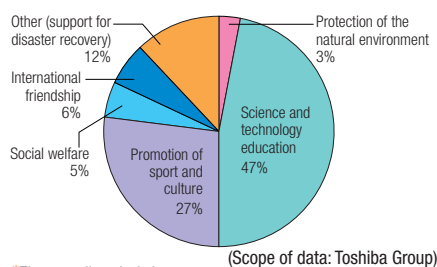
Toshiba promotes corporate citizenship activities based on the Toshiba Group Basic Policy on Corporate Citizenship Activities.

### Toshiba Group Basic Policy on Corporate Citizenship Activities

1. In accordance with the Basic Commitment of the Toshiba Group and Toshiba Group Standards of Conduct, we make vigorous efforts to contribute to society.
2. In contributing to society, we emphasize the following fields: protection of the natural environment, science and technology education, promotion of sport and culture, social welfare, and international exchanges and friendship.
3. We support employees' voluntary activities.

### Breakdown of the Expenditure\* for Corporate Citizenship Activities (Fiscal 2004)

Total expenditure: Approx. 2.5 billion yen



\*The expenditure includes:

- 1) cash contributions, 2) Corporate initiated programs and 3) product donations.

## Global Promotion Structure

In fiscal 2004, Social Contributions Coordinators were appointed at Toshiba Group companies and sites around the world to promote corporate citizenship activities of Toshiba Group. About 130 Social Contribution Coordinators in Japan and about 100 in overseas sites are addressing issues in accordance with the specific needs in their regions.

A new mark has been created for Toshiba

Group's corporate citizenship activities, which symbolizes Toshiba Group's whole-hearted commitment to corporate citizenship.



Committed to People,  
Committed to the Future.

Toshiba Group corporate citizenship mark

## TOPICS

### Corporate Citizenship Campaign 2004

During a four-week period centered on July 1, Toshiba foundation day, Toshiba Group conducted a corporate citizenship campaign in Japan under a single campaign title, "Toshiba Group Social Contributions 2004 Committed to People, Committed to the Future." to strengthen the promotion of corporate citizenship activities throughout Toshiba Group.

During the campaign about 4,000 employees participated in wide-ranging activities, such as visiting

the Komukai Toshiba Youth Innovation Club as instructors, visiting and cleaning nursing homes, making gymnasiums and sports facilities at factories available for the public, holding summer festivals together with local residents and tidying up river banks.

In fiscal 2004 Toshiba and major Toshiba Group companies were involved in the campaign. In fiscal 2005, the campaign will take place at all Toshiba Group sites worldwide.



A Researcher of the Corporate Research & Development Center, Toshiba Corp., devotes his time and talents to children at the Komukai Toshiba Youth Innovation Club



Cleaning nursing homes in Mie prefecture

### ■ Educational Program for Children

Toshiba promotes variety of activities to maintain sustainable society so that children can live in safe and better world.

#### Real Nature Camp The Explore the Forest Expedition

Toshiba invited 20 pairs of parent and child to a fun-filled overnight environmental educational program at Niiharu, Gunma prefecture, in collaboration with a NGO, The Nature Conservation Society of Japan (NACS-J). The Akaya area of Niiharu is a notable habitat of black bears and golden eagles. In this national forest, the Forestry Agency, the NACS-J and local people are promoting the AKAYA Project to recover the biodiversity of the Mikuni Mountains and Akaya River. This program provided parents and children with a golden opportunity to experience the wonderful natural environment and learn about nature from expert instructors.



Deep in the forest

#### Supporting the Forest Expedition

The Explore the Forest Expedition stresses conservation of biodiversity, which is one aspect of CSR. This pioneering program provides an excellent opportunity to learn at first hand about the forest ecosystem and the flora and fauna it sustains.



**Genya Morimoto**  
Deputy General Manager  
Public relations Division  
The Nature Conservation  
Society of Japan

### GEMS Explorers

At the Toshiba Science Museum in Kawasaki, hands-on programs featuring scientific experiments are held every Saturday for elementary and junior high school students as a measure to counter the tendency among young students to dislike science.

GEMS Explorers is held once a month in collaboration with Teaching Kids, an NPO. GEMS, which stands for Great Explorations in Math and Science, is a method developed in the US to cultivate inquisitive minds by giving students the opportunity to make discoveries through experiments.



Observing animal behavior

### ■ Activities Overseas

#### Helping Children Suffering from Incurable Diseases

For 21 years since 1985 Toshiba of Canada, Ltd. has been sponsoring Toshiba "Breath of Life" Celebrity Ski Challenge, a charity event to support the recovery of children suffering from cystic fibrosis, a fatal genetic disease. Proceeds from this event are donated to the Canadian Cystic Fibrosis Foundation to fund research that has helped increase the average life expectancy of children who contract the disease, from 18 years of age in 1995 to more than 35 years of age today.



At the charity ski event

### Bridging the Digital Divide

In developing countries, Toshiba Group emphasizes the provision of assistance to help bridge the digital divide. Toshiba donated PCs to Senegal, Cameroon and other countries of francophone Africa for use in the gathering and processing of food safety data needed by the World Health Organization. Such data is used to improve food safety worldwide. Also, Toshiba donated PCs to schools in Thailand and Indonesia backed by training in PC use.

### Corporate Citizenship Award in China

Toshiba Group received the first corporate citizenship award from the Guangming Daily, a newspaper of the Chinese Communist Party. Activities in China were highly evaluated, including construction of Toshiba Hope Elementary Schools, tree planting, support during the SARS outbreak, and holding of a concert to which students were invited.



Award ceremony in Beijing

### ■ Emergency Relief Niigata-Chuetsu Earthquake

To support victims of the Niigata-Chuetsu Earthquake, Toshiba made cash donations, provided drinking water, food and Toshiba products, such as washing machines.



Toshiba employees carry in bottled drinking water

Toshiba Group employees volunteered to load 20,000 1.5-liter bottles of water onto trucks, which were donated to Kawaguchi Town and Tokamachi City. Toshiba Group employees also raised funds to support recovery.

### Indian Ocean Tsunami

Toshiba Group companies around the world made cash donations and employees raised funds to help victims of the tsunami that struck countries around the Indian Ocean. The funds raised by Toshiba Group employees in Japan were donated to the Japanese Red Cross Society, Peace Winds Japan, JEN and ADRA Japan, all of which are members of the Japan Platform<sup>\*1</sup>, to fund their activities supporting the recovery from the disaster. The voice of employees was reflected in the decision as to where the funds raised should be allocated. Employees received briefing from these organizations on the results and plans of their activities in the disaster-affected regions.

<sup>\*1</sup> Japan Platform: A system to provide international emergency relief through cooperation among NGOs, enterprises, the government and media



Children at a shelter in Sri Lanka

### Involved in Helping Victims of the Great Tsunami

We are very grateful to Toshiba Group employees for their donations. JEN is offering psychological support to local people by providing them with opportunities to work in groups and

after-school activities for children so that they can proactively promote recovery.



**Keiko Kiyama**

Trustee, and Secretary General  
JEN  
Nonprofit Organization

### Corporate Citizenship Activities in Fiscal 2004

| Protection of Natural Environment  |   |
|--|---|
| Environmental communication with neighboring companies (Yokohama Complex)*               | Held a lecture by Mr.C.W. Nicole, a writer who is working to save forests in Japan, on the subject "symbiosis between people and nature" during Environmental Month (June)  |
| Environmental event (Oita Operations)*   | Held lecture and seminar on environmental protection and organized a visit to wastewater treatment facilities during Environmental Month. About 160 local residents participated in the event.  |
| Science and technology education   |   |
| ExploraVision Awards (Toshiba America Group)   | One of the largest technology and science competitions started in 1993 for students in grades k-12 in the US and Canada. Cumulative number of participants exceeds 200,000.   |
| Toshiba Science and Technology Seminar (Toshiba de Mexico)                               | Presented the outlines of the latest research on certain themes to students of the Engineering Faculty of the National Autonomous University of Mexico.   |
| Promotion of sports and culture  |   |
| Regional ball sport Toshiba Cup (Himeji Operations and Himeji Operations-Semiconductor)* | Held the 31st Toshiba Cup, making the gym and field of the premises available for use. Participants totaled 452 in the Himeji area and 332 in the Taishi area.  |
| Basketball Summer School (Komukai Operations)*   | Toshiba's men's basketball team, Brave Thunders, taught basketball to junior high school students in the neighborhood. 200 young players joined the program.  |
| Social welfare   |   |
| Donation of PCs to hospitals (Toshiba Systèmes (France))                                 | Donated PCs to the Hospital Necker-Enfants Malades in Paris so that children can use them for studying. Also, donated proceeds from the charity concert sponsored by Toshiba Systèmes (France) to this hospital to help cure the disease. |
| Care volunteers (Iwate Toshiba Electronics)  | Every year since 1996, employees and their families have visited nursing homes and volunteered to clean windows, etc.   |
| Sapporo Snow Festival assistance volunteers (Hokkaido Branch)*                           | During the five days of the Sapporo Snow Festival, employees volunteered to assist visitors in wheel chairs and other visitors who need support.  |
| Toshiba Care Community*  | A comprehensive website for information on nursing care opened in 2000. The number of page views reached 4.3 million in fiscal 2004.  |
| International exchanges and friendship   |   |
| World Vision's Child Sponsorship (Toshiba International Corporation)                     | Supported a program that aims to enhance the quality of life of children so that they can have aspirations and receive education.   |
| Toshiba Internship Program*  | Toshiba offers internships to university and graduate school students from around the world at the Corporate R&D Center and other premises, since 1989.   |

\*Activities of Toshiba Corp.

For other activities, visit [URL](http://www.toshiba.co.jp/social/en/) <http://www.toshiba.co.jp/social/en/>

### Activities of Toshiba Group Foundations

Toshiba Group has three foundations providing cultural and educational support.

#### Toshiba Group's foundations

| Name                             | Country       | Establishment | Major activities   |
|----------------------------------|---------------|---------------|--|
| Toshiba International Foundation | Japan         | 1989          | Promote understanding of Japan and international exchanges                             |
| Toshiba America Foundation       | United States | 1990          | Support scientific education programs  |
| Toshiba Thai Foundation          | Thailand      | 1991          | Provide scholarships to science/engineering students and donations to R&D institutions |

#### Toshiba International Foundation's activities in fiscal 2004

- Toshiba International Foundation (TIFO) donated teaching and learning materials to the Japanese-Khmer Friendship Language School in Cambodia for training of Japanese teachers and for students who wish to learn Japanese.



Toshiba International Foundation

[URL](http://www.toshiba.co.jp/about/tifo/english/) <http://www.toshiba.co.jp/about/tifo/english/>

- TIFO is supporting the conservation project of Mazarin Chest, a superb Japanese lacquer ware owned by the Victoria and Albert Museum in the UK. Japanese experts have been dispatched for a four-year period to transfer the conservation skills.



- In September 2004, TIFO, in cooperation with Toshiba Corp., held an international symposium for young people titled "What will become of the world and yourself in 2015" to mark its 15th anniversary.



# Environmental Management

Toshiba Group wishes to contribute proactively to build a sustainable society. Accordingly, we are promoting environmental management with the aim of attaining the target of the Environmental Vision 2010: the doubling of Toshiba Group's overall eco-efficiency by fiscal 2010 compared with fiscal 2000.

## Toshiba Group's Environmental Management

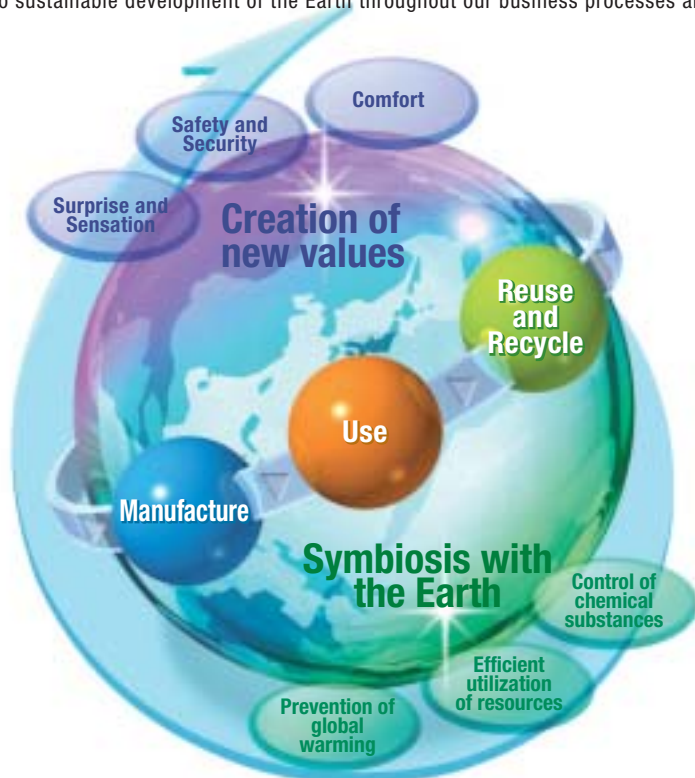
Through value creation inspired by our three over-arching themes —“Surprise and Sensation,” “Safety and Security,” and “Comfort”— coupled with a wholehearted commitment to the prevention of global warming, control of chemical substances and efficient utilization of resources, we intend to bring our business processes and

products into ever closer harmony with the needs of planet Earth. We believe these efforts will help to build a sustainable society. At Toshiba environmental considerations are built into management. We are promoting environmental management covering all products and all business processes in every phase from manufacturing and usage through to recycling of end-of-life products. This approach is the practical realization of our slogan: “Committed to People, Committed to the Future. Toshiba.”

### Toshiba Group's Environmental Management

#### Committed to People, Committed to the Future. Toshiba

Contribute to sustainable development of the Earth throughout our business processes and products

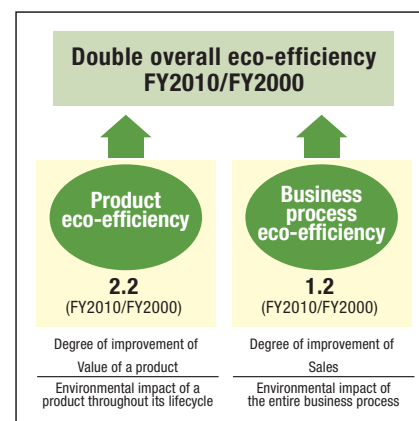


## Environmental Vision 2010

We have long recognized that flexible, comprehensive assessment of environmental impacts throughout product life cycles is essential. So, in addition to product eco-efficiency introduced in 2003, we have now introduced business process eco-efficiency. Toshiba Group's overall eco-efficiency target covering all products and all business processes is at the heart of Environmental Vision 2010.

Within the Factor T conceptual framework, Toshiba aims to improve product eco-efficiency 2.2 times and business process eco-efficiency 1.2 times. By stepping up our environmental activities, we aim to double Toshiba Group's overall eco-efficiency by fiscal 2010 compared with fiscal 2000. These activities will place Toshiba at the forefront of efforts to hasten the emergence of a sustainable society.

### Environmental Vision 2010



## ■ Environmental Management Promoted Globally

In accordance with the Basic Policy for the Environment, we are promoting environmental management throughout Toshiba Group. A database for management of performance data of Toshiba Corp. and 339 Toshiba Group companies worldwide has been established.

### Environmental Management Promotion System

At Toshiba Group, Corporate Environment Management Division is positioned under the President and CEO and the Executive Officer responsible for environmental matters (Corporate Environmental Officer).

### Four Pillars of Environmental Management

Toshiba Group's environmental management comprises four principal items: 1) improvement of the environmental management system, 2) creation of environmentally conscious products, 3) business activities designed to reduce environmental impacts and risks, and 4) vigorous environmental communication. Reflecting the interests of all stakeholders, and in light of legal compliance and the global environment, Toshiba positions environmental management as a vital management issue. Environmental management is implemented in accordance with Toshiba Group's mid-term business strategy.

### Corporate Environmental Management Committee and Taskforces

The Corporate Environmental Management Committee, chaired by the Corporate Environmental Officer, consists of executives, environmental management officers of in-house companies and overseas managing directors. The Committee's mission is to ensure that Toshiba Group's Basic Policy for the Environment is thoroughly inculca-

ted. The Committee has a wide-ranging brief: it proposes solutions to problems concerning management, technology development, production and sales that are related to environmental issues, deliberates on concretizing the Environmental Vision in the voluntary environmental plan, determines the orientation of activities, and reviews the progress made at in-house companies and sites. Its subordinate organizations, the Environmentally Conscious Products (ECP) Promotion Committee and the Business Process

Environmental Protection Promotion Committee, establish action plans and implement solutions.



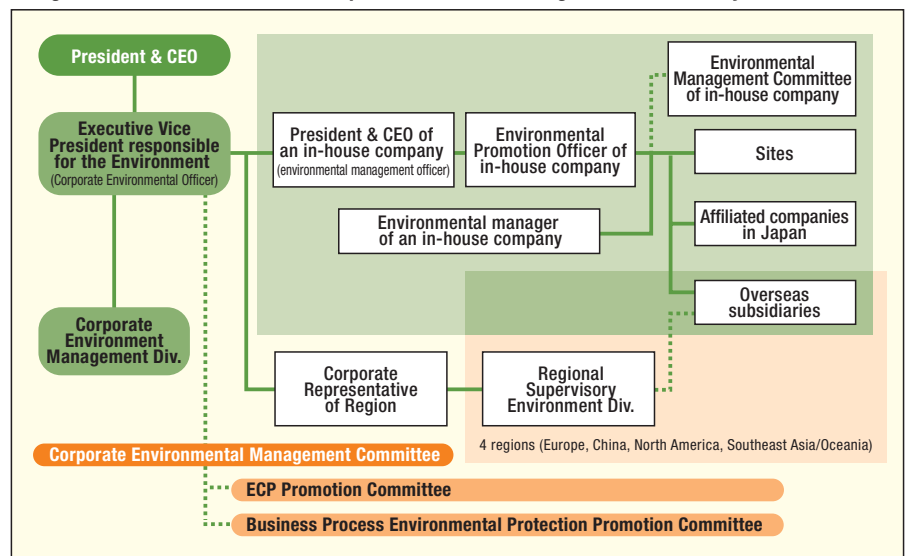
Environmental Management Committee of the Americas

### Basic Policy for the Environment

Recognizing that the Earth is an irreplaceable asset and it is humankind's duty to hand it on to future generations in a sound state, Toshiba Group promotes environmental activities, to the extent technically and economically feasible, in accordance with Toshiba Group's environmental Vision.

- 1) Toshiba considers environmental stewardship 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 reduction of environmental impacts and prevention of pollution.
- 3) Toshiba strives to continuously improve environmental management through vigorous implementation of environmental measures.
- 4) Toshiba contributes to society through its environmental 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 which it has endorsed, and its own standards concerning the environment.
- 6) Toshiba recognizes that natural resources are finite and promotes their efficient utilization.
- 7) Toshiba strives to enhance the awareness of all its employees with respect to the environment and requires that they make a practical contribution to the environment through their work.
- 8) Toshiba operates globally, and accordingly, promotes environmental activities throughout Toshiba Group.

### ● Organizational Chart of Toshiba Group's Environmental Management Promotion System



### ■ Environmental Management Cycle

To attain its goal, Toshiba is implementing an environmental management cycle (Plan-Do-Check-Action cycle).

The Environmental Vision clearly articulates the vision of Toshiba Group in 2010 and the Voluntary Environmental Plan sets numerical targets. (Plan)

In-house companies and major subsidiaries implement the policies and the vision in each product segment and promote activities using eco-efficiency indicators covering all products and business processes. (Do)

Regarding the results of activities, the environmental measures implemented are reviewed and performance data is aggregated and analyzed to monitor progress and achievements. (Check)

Using the Evaluation System for the Degree of Environmental Management introduced in fiscal 2004, companies are evaluated in terms of 67 items in six fields\*1: Results are fed back to companies so that they can be used for the purpose of achieving continuous improvement. (Action)

\*1 1) systems, 2) compliance, 3) environmental impacts, 4) products and services, 5) environmental information and 6) environmental communication.

### ■ Workplace-oriented Approach

As well as environmental management,

Toshiba emphasizes a workplace-oriented approach. By 1997 all 16 of Toshiba Corp's sites had gained ISO-14001 certification. Of the 99 sites of Toshiba Group companies in Japan and overseas, 91 sites have gained ISO-14001 certification and we are working to achieve certification for all our facilities.

Toshiba Group has set voluntary standards that are stricter than legal requirements in order to ensure compliance and to reduce environmental risks on a continuous basis. Based on the internal Environmental Management Standards and Environmental Structural Design Guidelines, enhancement of environmental protection technologies is promoted, taking productivity into account.

### ■ Audit System

In accordance with Toshiba's audit system known as EASTER (Environmental Audit System in Toshiba on the basis of ECO Responsibility), annual audits of sites have been conducted since 1993.

With EASTER, Toshiba has been emphasizing a workplace-oriented approach called "3 Zen (all) 3 Gen (actual)," meaning that all employees need to participate in management of all facilities in all areas and the actual situation of actual items should be checked at actual workplaces.

EASTER is important for enhancing the

quality of overall environmental protection of Toshiba Group and for ensuring legal compliance. The focus of evaluation of sites in Japan is shifting to items to be improved and recommendations, reflecting the improvement of their environmental systems. Also, Toshiba is applying EASTER to its subsidiaries overseas.

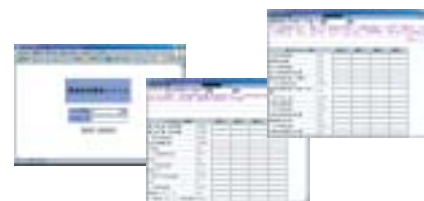
### ■ Global Application of EASTER

Toshiba applied EASTER to eight principal subsidiaries in fiscal 2003 and to 28 subsidiaries in fiscal 2004.

Application of EASTER has helped penetrate the concept of preventive maintenance (an approach to prevent trouble or non-compliance by implementing voluntary control standards).

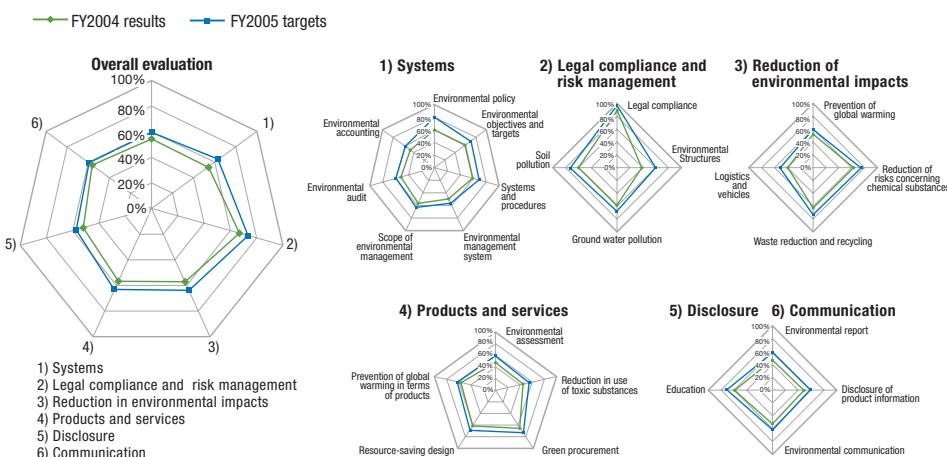
### ■ Expansion of the Boundary

Toshiba Group has expanded the boundary of environmental management to include sites worldwide and has established a database for environmental management information in order to manage performance data of Toshiba Corp. and 339 affiliated companies. Data on environmental impacts, such as energy consumption and waste discharge, is gathered.



Data registration screen of the environmental management information system

### ● Example of a result of evaluation of the degree of environmental management



### ■ Compliance

Toshiba Group's sites have implemented strict voluntary standards and management systems to ensure compliance. The trend of new legislation and information on environmental trouble are shared.

In fiscal 2004, Toshiba Group was not in breach of any law and not subject to any fine or other penalty concerning the environment.

## ■ Environmental Education

In order to maintain and enhance the level of environmental activities, all Toshiba employees receive environmental education according to their positions and their tasks. The curriculum consists of education programs according to position, general environmental education, specialty education and ISO 14001 education.

For corporate-wide general education, e-learning is utilized to eliminate travel time and improve the participation rate, enabling employees to take courses at remote branch offices and via mobile PCs during business trips. Programs for managerial



e-learning utilized for general environmental education

personnel include a course designed to cultivate environmental awareness. On that course, in addition to gaining knowledge of a more general nature, participants disassemble personal computers so that they 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 engineers engaged in development and design fully understand the concept of environmentally conscious product (ECP) 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.

## ■ Environmental Communication

Toshiba Group stresses environmental communication for the purpose of communicating environmental information to stakeholders and eliciting their requests, comments and suggestions.

### Toshiba Group Environment Technology Exhibition

At the 14th Toshiba Group Environment Technology Exhibition held in March 2005 at Toshiba headquarters building, Toshiba announced Environmental Vision 2010 and the Fourth Voluntary Environmental Plan. The themes of the exhibition included environmentally conscious products, measures to prevent global warming, and Toshiba Group's global activities of environmental communication.

It attracted some 3,000 visitors, including customers, central and local government officials, journalists, academics, environmental-protection professionals from other companies, students, and employees of Toshiba Group. We invited junior high school students to an environmental seminar where they were able to learn about the environment with the aid of quizzes and experiments. Through such activities, we intend to expand opportunities for sharing environmental information while accelerating commercialization of exhibits.

Visitors' comments are introduced on p.62.



14th Toshiba Group Environment Technology Exhibition

## Toshiba Exhibits at Eco-products 2004

Toshiba participated in Eco-products 2004, a show held at Tokyo Big Sight in December 2004. Based on the Factor T concept, we exhibited Toshiba Group's environmentally conscious products characterized by minimal environmental impacts and the embrace of new life-enhancing values.



Ecoproducts 2004

## Environmental Communication in Advertising

We place TV commercials and magazine and newspaper advertising designed to heighten awareness of environmental issues among the public at large and to show the world what Toshiba is doing to protect the planet.

For Home Appliances, advertising conveyed the message that consumers can be environmentally virtuous, without awareness, simply by using Toshiba products.



Environmental advertising for Home Appliances

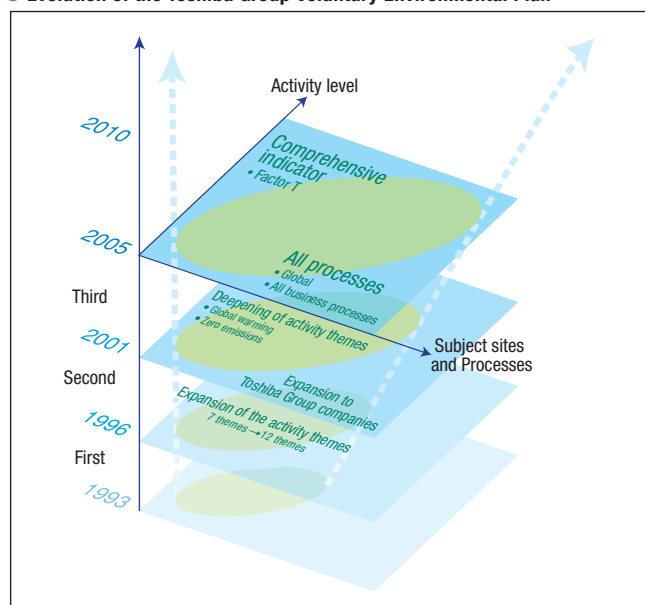
# Targets and Results

Through execution of the Third Voluntary Environmental Plan launched in fiscal 2001 whose final year is fiscal 2005, Toshiba has already achieved most of the final targets more than a year earlier than originally planned. Since fiscal 2005 we have expanded the scope to cover all sites and processes and are implementing a new environmental management strategy with the aim of doubling overall eco-efficiency by fiscal 2010.

## Third Voluntary Environmental Plan

Toshiba launched the First Voluntary Environmental Plan, an action plan specifying quantitative targets, in fiscal 1993. In the Second and Third Voluntary Environmental Plans, we expanded the scope step by step to include more sites and processes while setting increasingly tough targets. Although fiscal 2005 is the final year of the Third Voluntary Environmental Plan, we have already achieved most of the final targets more than a year earlier than originally planned as a result of the Group-wide efforts. In light of our achievements so far, we have decided to expand the scope of our environmental activities to include all sites and processes world-wide.

## Evolution of the Toshiba Group Voluntary Environmental Plan



## Third Voluntary Environmental Plan: Evaluation of Results in Fiscal 2004

| Items |            | Target   | Result for fiscal 2004   | Evaluation |
|-------|------------|--|--|------------|
| ①     | Operations | Zero emission of waste                                   | The quantity of final disposal to be 1% or less of total discharge in fiscal 2003<br>• 0.8% in fiscal 2002 at all sites of Toshiba Corp.<br>• 0.4% in fiscal 2004  | ○          |
| ②     |            | Reduce release of chemical substances                    | 30% reduction in fiscal 2005 compared with fiscal 2000<br>• 47% reduction compared with fiscal 2000  | ○          |
| ③     |            | Reduce CO <sub>2</sub> release                           | 25% reduction in the ratio of CO <sub>2</sub> release to net sales in fiscal 2010 compared with fiscal 1990<br>• 1% reduction in the ratio of CO <sub>2</sub> release to net sales compared with fiscal 1990<br>• 49% reduction in the ratio of CO <sub>2</sub> release to net production output | △          |
| ④     | Products   | Green procurement  | 100% of suppliers to be certified as green partners by fiscal 2005 (80% in 2003, 90% in 2004)<br>• Green procurement ratio of 86%  | △          |
| ⑤     |            | Provide product information (Ratio of ECPs to net sales) | 50% of products to be in compliance with the voluntary environmental standards by fiscal 2005<br>• 66% of products are in compliance with the voluntary environmental standards.   | ○          |
| ⑥     |            | Reduce electricity consumed per product function         | 30% reduction in fiscal 2005 compared with fiscal 2000<br>• 52% reduction in power consumption of registered models  | ○          |
| ⑦     |            | Apply lead-free soldering                                | Application of lead-free soldering to all products by fiscal 2003 (100%)<br>• Lead-free soldering is applied to most products except for certain products for special applications.  | △          |
| ⑧     |            | Abolish HCFCs  | Abolition by December 2004<br>• Abolition of HCFCs completed   | ○          |

## ■ Fourth Voluntary Environmental Plan

The Fourth Voluntary Environmental Plan launched in fiscal 2005 provides concrete targets along the trajectory toward achievement of Environmental Vision 2010; specifically, to double Toshiba Group's overall eco-efficiency by fiscal 2010 compared with fiscal 2000. We

will promote prevention of global warming, efficient utilization of resources and control of chemical substances globally throughout business processes encompassing manufacturing, usage and recycling so as to achieve Environmental Vision 2010. In the Fourth Voluntary Environmental Plan, we expanded environmental management boundary to 339 consolidated subsidiaries.

### ● Fourth Voluntary Environmental Plan

| Enhancement of product eco-efficiency           |   |   | Indicator  | Target for fiscal 2010 |
|---|---|---|--|------------------------|
| Provision of environmentally conscious products | It is essential to develop and provide environmentally conscious products (ECPs) for the establishment of a sustainable society. The criteria for ECPs have been revised and a new target has been set based on the revised criteria.   | <b>Principal voluntary criteria</b> <ul style="list-style-type: none"><li>•Reduction of power consumption</li><li>•Use of recycled parts and materials</li><li>•Easy-to-recycle design</li><li>•Useable for a long-period of time, etc.</li></ul> | Ratio of ECPs (based on new criteria) to net sales | 60%                    |
|   | Although it is one of the criteria for ECPs, we have set a target for reduction of chemical substances contained in products. The scope of our activities is wider than the regulatory framework.<br><br>15 substances groups subject to restriction: bis (tributyl tin) oxide (TBTO), tributyl tins (TBTs) compounds, triphenyl tins (TPTs), polychlorinated biphenyls (PCBs), polychlorinated naphthalenes (PCNs with 3 or more chlorines), short-chain chlorinated paraffins, asbestos, azo colorants, ozone-depleting substances, radioactive substances, cadmium and its compounds, hexavalent chromium compounds, lead and its compounds, mercury and its compounds, polybrominated biphenyls (PBBs), polybrominated diphenyl ethers (PBDEs).<br>*Detailed definitions and specific applications to be excluded are specified separately. |   | 15 certain substances groups contained in products | Completed abolition    |
| Abolition of use of certain chemical substances |   |   |  |                        |

| Business process innovation        |  |   |   |  |
|------------------------------------|--|---|---|--|
| Prevention of global warming       | Reduction of energy-originated CO2 emissions                 | We reduce CO2 emissions by applying the optimum mix of three approaches (administrative improvement, energy-saving investment and saving of energy at clean rooms) throughout business activities globally, including at labs and offices. We adhere to the targets of the electrical and electronics manufacturing industry at production sites throughout Japan.  | Energy-originated CO2 emission rate (*1) (Manufacturing sites in Japan) | 25% reduction (25%reduction)               |
|                                    | Reduction of greenhouse gas emissions (other than CO2)       | We reduce the use of CFC substitutes and expand the use of alternatives to those substitutes. Also, we implement measures to recover exhaust gases and remove toxic substances from the exhaust gases.  | Total emissions of greenhouse gases (other than CO2)                    | 35% reduction                              |
|                                    | Reduction of CO2 emissions associated with product logistics | We implement measures to reduce CO2 emissions through modal shift, improvement of the load efficiency and introduction of low-pollution vehicles in cooperation with transportation companies.  | CO2 emission rate associated with product logistics in Japan            | 25% reduction                              |
| Control of chemical substances     | Reduction of total emissions                                 | Many chemical substances are useful things indispensable to present-day social life. However, on the other hand, while using it, managing appropriately, it is important to reduce the chemical substance discharge to environment as much as possible. For this reason, we promoted measures, such as process changes, use of alternatives, and recovery and removal, have reduced discharge of chemical substances, and will continue promotion. This time, we increase the number of substances to reduce their emission and implement such measures globally, and aim at future chemical substance zero emission realization. | Emissions of chemical substances to air and water                       | 50% reduction                              |
| Efficient utilization of resources | Reduction in the total quantity of waste generated           | For efficient utilization of resources, we aim to create and provide products and services that are efficient both in terms of reduction and reuse so as to reduce the quantity of waste generated.   | Rate of the total quantity of waste generated                           | 20% reduction                              |
|                                    | Reduction in the quantity of waste for final disposal        | We reduce the quantity of waste for final disposal based on thorough disassembly and separation for discharge and by promoting waste separation and treatment in accordance with local characteristics in Japan and overseas.   | Zero emissions of waste (*2)  | Achievement of zero emissions at all sites |
|                                    | Reuse and recycling of products                              | We promote reuse and recycling of waste products globally and endeavor to increase the amount of products recycled, in order to contribute to the establishment of a recycling-based society.   | Amount of recycling of used products (*3)                               | Increase to 160%                           |

Unless otherwise specified, the targets are based on comparison with fiscal 2000 and cover manufacturing and non-manufacturing sites in Japan and overseas.

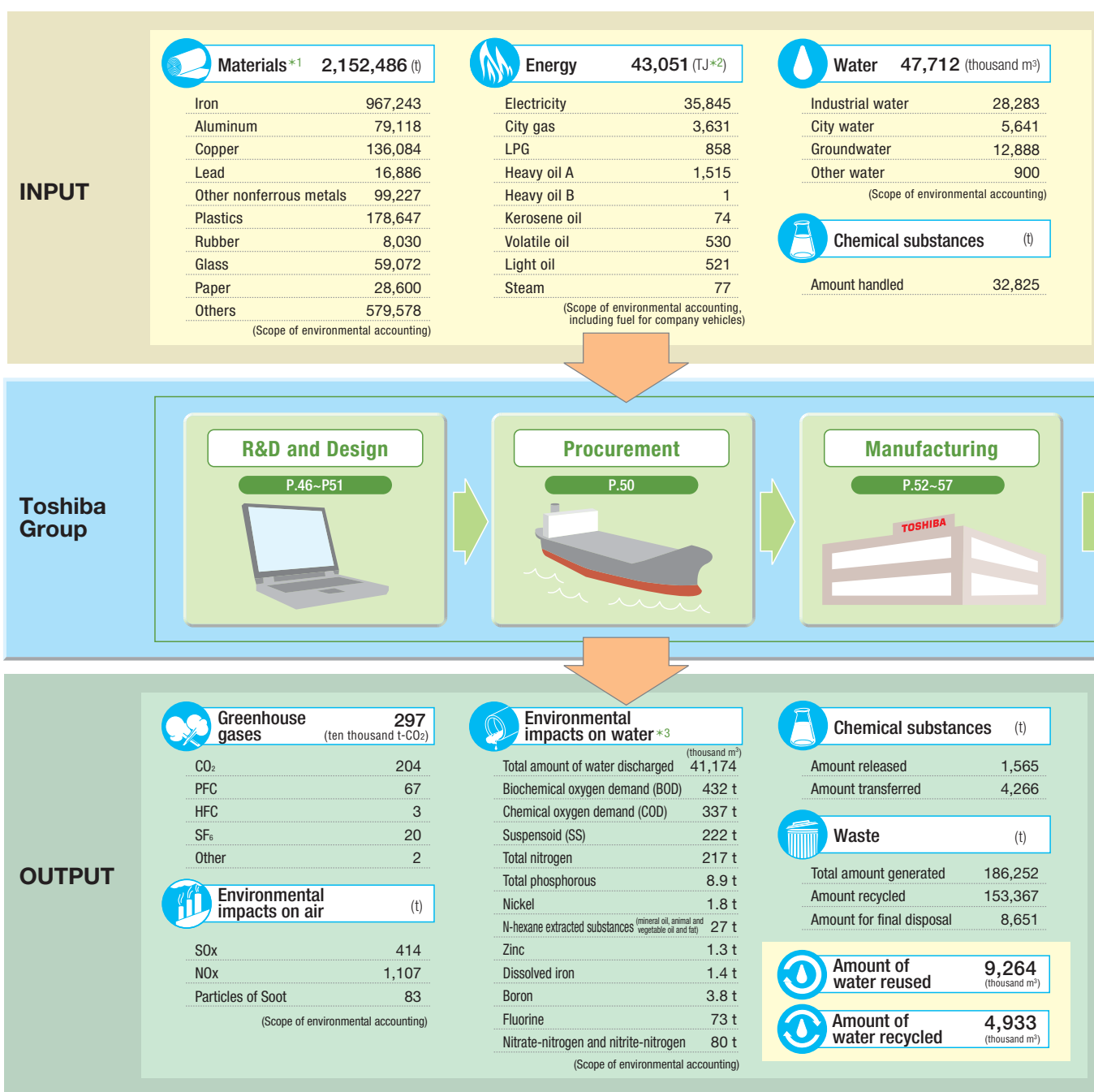
For the purpose of evaluating activities, rates used as indicators are based on physical quantity (net output).

\*1: Compared with fiscal 1990   \*2: Quantity of waste for landfill after treatment is equivalent to 1% or less of the total quantity of by-products and other items generated (total amount of waste discharged) as a result of business activities.

\*3: Compared with fiscal 2001 (year in which the Home Appliance Recycling Law in Japan came into force)

# Considering Environmental Impacts

Since Toshiba Group's products and services range from home appliances and information and communications equipment to semiconductor devices, electronic components and heavy electrical apparatus, their environmental impacts vary. By clarifying and analyzing the environmental impacts throughout the Group, we enhance the eco-efficiency in accordance with the Environmental Vision.

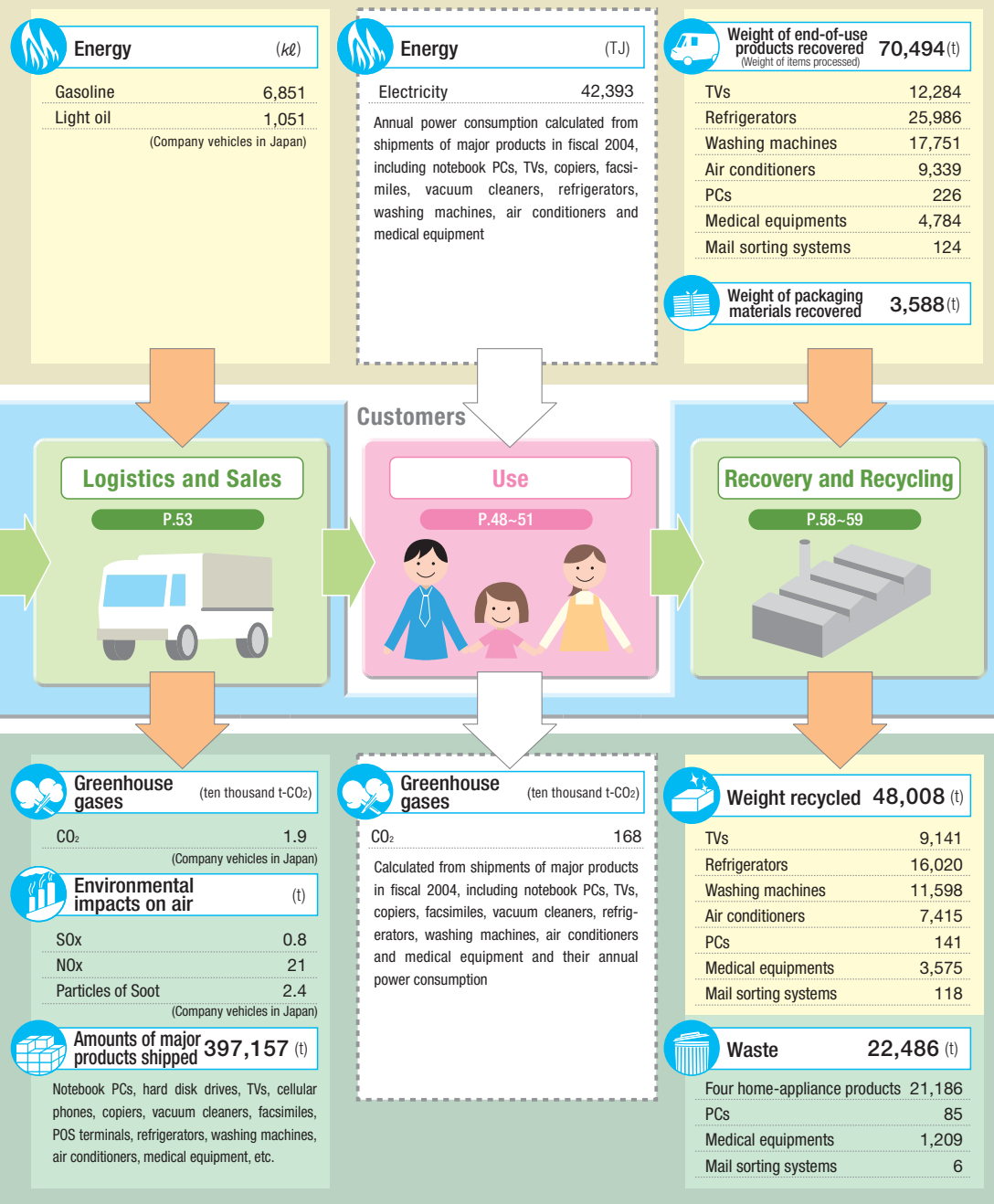


## Gathering and Analysis of Material Flow Data

The figures show input of energy, water and chemical substances, and output, such as environmental impacts on water and air

and discharge of waste. From fiscal 2004 onward, the amounts of materials input and the amounts of major products shipped are also disclosed. Although accuracy of the data is not perfectly reliable, Toshiba intends to expand collection of data that

can be utilized for efforts to reduce the environmental impacts of its activities.



\*1 Input of materials is calculated based on the Estimation method for Material-inputs using Input-Output Table (EMIoT), a method developed by Toshiba. EMIOT uses embodied intensities of materials, which are prepared based on the input-output table, to calculate input of materials. A characteristic is that input-output analysis is applied only to the flow of resources from upstream to downstream and embodied intensities of materials by industrial sector are entered a database. Using this method, it is possible to calculate weights of input resources by resource type from the data on procurement (monetary value) by resource category, which is gathered by procurement department. So, the data can be gathered not only on direct materials but also on indirect materials. Previously, it was difficult to clarify the amounts of resources in parts made of composite materials or the amounts of resources associated with services. EMIOT has enabled clarification of the amounts of resource inputs by resource type for such materials.

\*2 TJ=10<sup>12</sup>J

\*3 Environmental impacts on water are calculated as follows: annual average value of the measured concentration of a substance at the drain mouth multiplied by total drain discharge for the year. In the case that measured concentration is less than the lower detection limit, 1/2 of the lower detection limit is used as concentration for calculation. Substances whose discharged amounts are 1 ton or more are listed.

# Environmental Accounting

Toshiba introduced environmental accounting in fiscal 1999 as a tool for promoting environmental management. The role of environmental accounting is increasing in the context of the drive to achieve Environmental Vision 2010, i.e., to double overall eco-efficiency by fiscal 2010.

## Environmental Accounting Underpins Environmental Management

Toshiba Group defines environmental management as management integrating environmental considerations based on the recognition that the Earth's environment is vulnerable. Environmental accounting underpins environmental management and is a critical tool used to reflect environmental considerations in decision-making.

The figure shows the outline of Toshiba Group's environmental accounting. Although our environmental accounting initially concerned the second and the fourth quadrants, subsequently the first and third quadrants were included. Measurement of benefits is still in its infancy. We are working to establish a better approach so that measured benefits serve as appropriate indices for environmental management.

## Environmental Costs Increased

Toshiba's environmental accounting for

fiscal 2004 covers Toshiba Corp. and its 74 subsidiaries and affiliates in Japan and 29 overseas subsidiaries. Classification of environmental costs and the calculation criteria are in accordance with the Environmental Accounting Guidelines 2005 issued by Japan's Ministry of Environment. Regarding benefits, environmental impact reduction benefits are indicated quantitatively and also calculated in monetary value in Toshiba's environmental accounting.

Environmental costs increased by 4% from fiscal 2003 to 38.9 billion yen due to higher R&D costs associated with development of environmentally conscious products. Meanwhile, environmental benefits decreased by 18% from fiscal 2003 to 20.4 billion yen due to the increased environmental impacts resulting from the opening of new factories overseas.

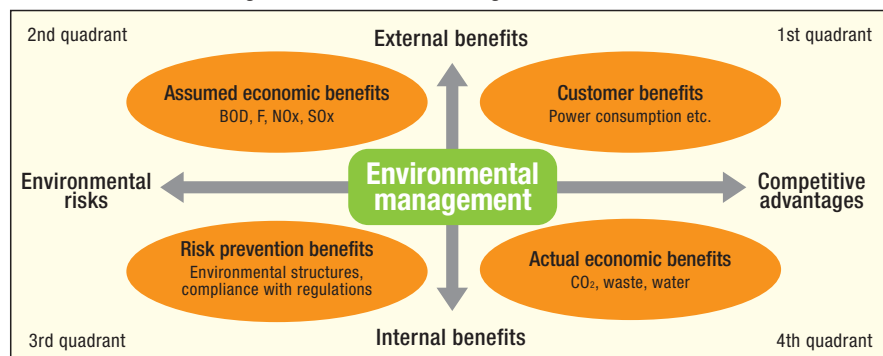
Environmental expenditure accounted for 3.29% of total expenditures in fiscal 2004 (3.13% in fiscal 2003). Environment-related R&D expenditure accounted for

2.89% of total R&D expenditure in fiscal 2004 (2.48% in fiscal 2003).

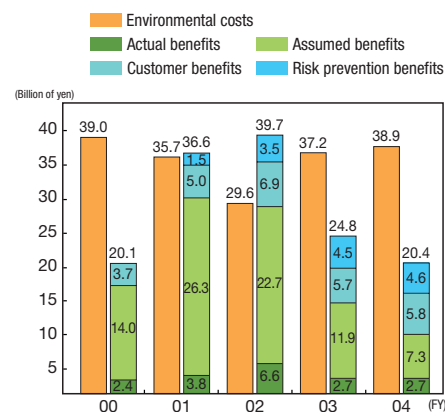
Regarding the six-year trend, although accumulation of environmental activities contributed to the downward trend of newly incurred costs until fiscal 2002, environmental costs have increased since fiscal 2003 partly due to the expansion of the boundary of environmental accounting.

Benefits have been on a downward trend since fiscal 2003. While customer benefits and risk prevention benefits are stable, actual benefits and assumed benefits, which are calculated based on comparison with the previous year, are on a downward trend because environmental impacts increased due to rising production overseas. In order to ensure consistency with the Factor T eco-efficiency indicator for products, we revised the definition of eco-efficiency for business processes. Toshiba commissioned a third-party review of its environmental accounting by Ernst & Young ShinNihon. (See Page 65)

### Environmental Accounting as an Environmental Management Tool



### Trend of Environmental Costs and Benefits



### ● Environmental Costs

| Environmental Costs             |   |  |   |                     | Millions of yen   |                                       |                                 |  |  |
|---------------------------------|---|--|---|---------------------|---|---------------------------------------|---------------------------------|--|--|
| Classification                  |   | Content  | Expenditure                             | Costs               | Change in costs from fiscal 2003  | Budget for expenditure in fiscal 2005 | Budget for costs in fiscal 2005 |  |  |
| Business area costs             |   | Reduction of environmental impacts ①～③   | 10,418 ( 7,948 )                        | 18,749 ( 11,906 )   | △ 2,594 ( 2,091 )   | 7,273<br>(4,458)                      | 43,250<br>(20,326)              |  |  |
| Content                         | ① Pollution prevention costs            | Prevention of pollution of atmosphere, water, soil, etc.                             | 6,450 ( 5,542 )                         | 11,191 ( 7,958 )    | △ 1,708 ( 1,426 )   |                                       |                                 |  |  |
|                                 | ② Global environmental protection costs | Prevention of the greenhouse effect, protection of the ozone layer, etc.             | 3,127 ( 1,980 )                         | 2,338 ( 1,211 )     | 36 ( 454 )  |                                       |                                 |  |  |
|                                 | ③ Resource circulation costs            | Effective utilization of resources, reduction of volume of waste, etc.               | 841 ( 426 )                             | 5,219 ( 2,737 )     | △ 923 ( 210 )   |                                       |                                 |  |  |
| Upstream/downstream costs       |   | Green procurement, recycling, etc.   | 470 ( 0 )                               | 2,065 ( 263 )       | 669 ( 55 )  |                                       |                                 |  |  |
| Administration costs            |   | Environmental education, maintenance of EMS, planting of greenery at factories, etc. | 233 ( 78 )                              | 5,027 ( 2,376 )     | △ 208 ( 288 )   |                                       |                                 |  |  |
| R&D costs                       |   | Development of environmentally conscious products                                    | 919 ( 468 )                             | 10,073 ( 4,512 )    | 1,735 ( 432 )   |                                       |                                 |  |  |
| Social activity costs           |   | Support of environmental activities, contributions, etc.                             | 22 ( 0 )                                | 728 ( 681 )         | 565 ( 573 )   |                                       |                                 |  |  |
| Environmental remediation costs |   | Recovery from soil pollution, etc.   | 196 ( 0 )                               | 2,300 ( 390 )       | 1,535 ( △310 )  |                                       |                                 |  |  |
| Total                           |   |  | 12,259 8,494                            | 38,941 20,127       | 1,703 3,129   |                                       |                                 |  |  |
|                                 |   |  | Total expenditure during the period     | 372,100 ( 172,620 ) | *Figures in parentheses are figures for Toshiba Corp. on a non-consolidated basis<br>*Environmental liabilities reported as expenses for detoxification of polychlorinated biphenyls (PCBs) in the year ended March 31, 2005, are not included in this table. |                                       |                                 |  |  |
|                                 |   |  | Total R&D expenditure during the period | 348,010 ( 244,619 ) |   |                                       |                                 |  |  |

### ● Environmental Benefits

|                           |   | Millions of yen |                      |        |  |
|---------------------------|---|-----------------|----------------------|--------|--|
| Classification            | Content   | Toshiba Corp.   | Affiliated companies | Total  | Basis for calculation  |
| Actual benefits ... (1)   | Benefits that can be directly converted into monetary value, such as reduced charges for electricity, water, etc. | 550             | 2,203                | 2,753  | Total of the monetary value of the reductions of electricity charges, costs of waste disposal, etc. compared with the previous year and the proceeds from sale of items with value   |
| Assumed benefits ... (2)  | Benefits concerning reduction in environmental impacts expressed in monetary value                                | 6,284           | 1,010                | 7,294  | Monetary values were calculated by giving each substance, calculated in terms of cadmium, a weighting based on environmental standards and ACGIH-TLV (allowable concentration of each substance as determined by the American Conference of Governmental Industrial Hygienists) and multiplying the result by the amount of compensation in the case of cadmium pollution. Reduction in environmental impacts on atmosphere, water and soil is indicated quantitatively and the environmental impact reduction volumes are compared with the previous year's results, and also reduction of environmental impacts is calculated in terms of monetary value to enable comparison of various environmental impacts on the same basis.              |
| Customer benefits ... (3) | Reduction of environmental impacts at the usage phase expressed in monetary value                                 | 380             | 5,449                | 5,829  | Benefits of reduction of environmental impacts of products throughout their life cycles are calculated in terms of physical quantity units and monetary units. A life cycle comprises several phases: 1) procurement of raw materials, 2) manufacturing, 3) transport, 4) use, 5) collection, 6) recycling and 7) appropriate processing. Toshiba's environmental accounting focuses on the benefits of reduction of environmental impacts at the use phase. Energy-saving benefits are calculated using the following formula:<br>Benefits (yen) = $\sum$ [(power consumption per year of the former model - power consumption per year of the new model) × number of units sold per year × benchmark unit price of electricity charge]         |
| Risk prevention benefits  | The extent to which risks are reduced after the investment compared with before the investment is calculated      | 1,280           | 3,284                | 4,564  | Benefits of investment in environmental structures, such as dikes, for the purpose of preventing pollution of soil and groundwater are evaluated as benefits to prevent risks that might otherwise occur in the future. Risk prevention benefits for each capital investment item are calculated according to the following formula:<br>Risk prevention benefits = Quantity of chemical substances stored × Standard amount (monetary value) required for purification and restoration × Impact coefficient × Occurrence coefficient<br>where the standard amount required for purification and restoration and the occurrence coefficient are values unique to Toshiba. Risk of occurrence of leakage of chemical substances etc. is evaluated. |
| Total                     |   | 8,494           | 11,946               | 20,440 |  |

#### (1) Breakdown of actual benefits

|        |                      | Millions of yen                              |                            |
|--------|----------------------|--|----------------------------|
| Item   |                      | Amount of reduction in environmental impacts | Monetary value of benefits |
| Energy | Toshiba Corp.        | △ 737,749 GJ                                 | 92                         |
|        | Affiliated companies | △ 887,259 GJ                                 | △ 675                      |
|        | Total                | △ 1,625,008 GJ                               | △ 583                      |
| Waste  | Toshiba Corp.        | 222 t  | 703                        |
|        | Affiliated companies | 985 t  | 2,860                      |
|        | Total                | 1,207 t                                      | 3,563                      |
| Water  | Toshiba Corp.        | 589,807 m <sup>3</sup>                       | △ 246                      |
|        | Affiliated companies | 1,457,169 m <sup>3</sup>                     | 19                         |
|        | Total                | 2,046,976 m <sup>3</sup>                     | △ 227                      |
| Total  |                      |  | 2,753                      |

\*Indicated in the above table are differences in volumes of environmental impacts between fiscal 2003 and fiscal 2004.  
Minus figures indicate that increase in environmental impacts exceeded reduction benefits due to increased production etc.

#### (2) Breakdown of assumed benefits

|  |                      | Millions of yen                              |                            |
|--|----------------------|--|----------------------------|
| Item   |                      | Amount of reduction in environmental impacts | Monetary value of benefits |
| Environmental impact reduction benefits at the manufacturing phase | Toshiba Corp.        | 33 t   | 6,284                      |
|  | Affiliated companies | 111 t  | 1,010                      |
|  | Total                | 144 t  | 7,294                      |

\*Indicated in the above table are differences in volumes of environmental impacts between fiscal 2003 and fiscal 2004.

#### (3) Breakdown of customer benefits

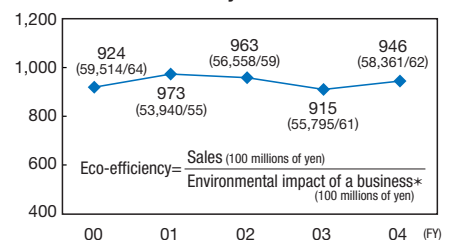
|  |                      | Millions of yen                              |                            |
|--|----------------------|--|----------------------------|
| Item   |                      | Amount of reduction in environmental impacts | Monetary value of benefits |
| Environmental impact reduction benefits at the usage phase | Toshiba Corp.        | 6,427 t-CO <sub>2</sub>                      | 380                        |
|  | Affiliated companies | 59,602 t-CO <sub>2</sub>                     | 5,449                      |
|  | Total                | 66,029 t-CO <sub>2</sub>                     | 5,829                      |

## ■ Eco-efficiency Improved

The trend of eco-efficiency, which is defined by Toshiba as an environmental management indicator, is shown at right. Eco-efficiency is a ratio of sales to the amount of environmental impacts of business activities. The amount of environmental impacts is calculated using the Life Cycle Impact Assessment Method based on

Endpoint Modeling (LIME). With LIME, damage caused by discharges, such as CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub> and waste in four domains, that is, primary plant production, social welfare, human health and biodiversity, is estimated, and determining their relative importance by using conjoint analysis to reflect consumers' views, environmental impacts are converted into economic values.

### ● Trend of eco-efficiency



\*The monetary value of environmental impacts is calculated using LIME.  
Main inventories: CO<sub>2</sub>, chemical substances released to water and air, waste  
Since a new method of calculating eco-efficiency is adopted from fiscal 2004 onward, figures for previous years were calculated based on the new method.

# Environmental Impacts of Products

Toshiba Group is striving to create environmentally conscious products (ECPs) with minimal environmental impacts throughout their lifecycles. In this section Toshiba Group's efforts to reduce environmental impacts of products are reported from the three perspectives: prevention of global warming, management of chemicals and efficient resource utilization.

## ■ Reducing Environmental Impacts of Products

In its 4th Voluntary Environmental Plan for the period from fiscal 2005 to 2010, Toshiba Group aims to improve product eco-efficiency in fiscal 2010 by 2.2 times\*1 compared with that in fiscal 2000. To attain this target, we are applying Factor T to all Toshiba Group products other than software and services, setting targets for each fiscal year.

Measures to improve eco-efficiency involve environmentally conscious product design, environmental assessment of products and disclosure of environmental performance of products.

\*1 The average factor of 30 Toshiba Group products in fiscal 2004 was 1.36 times (compared with fiscal 2000). Continuing design efforts will make the target, 2.2 times, attainable.

## ■ Environmental Considerations at the Product Planning Phase

For environmentally conscious product design, numerous items, such as resource saving, reuse and recycling, energy saving and reduction in use of toxic substances, need to be taken into consideration as early as at the product planning phase. Life cycle planning (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 decisively reducing environmental impacts throughout the life cycle. Effective utilization of data obtained by life cycle assessment (LCA) and quality

function development (QFD) contributes to determination of environmental specifications, taking the product's lifecycle into consideration, and identification of ideas for improving maintainability and reusability at the parts level.

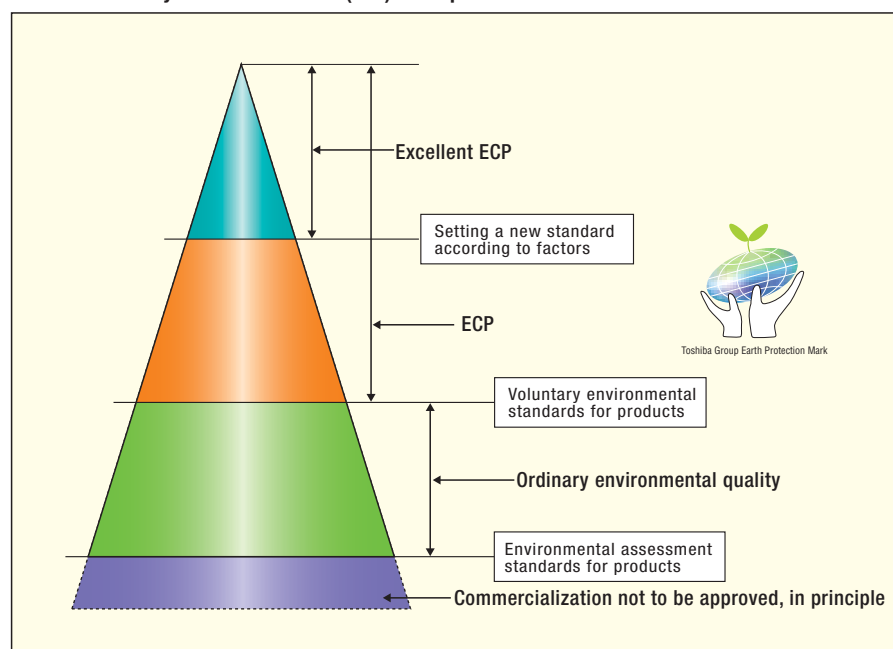
Toshiba has developed life cycle simulation (LCS), a technique for evaluating feasibility of reuse businesses, which can be used in combination with LCP. As well as promoting environmentally conscious product design, we also consider its commercial feasibility.

## ■ Environmental Assessment of Products

For environmental assessment of prod-

ucts, we conduct LCA upon completion of product design to verify the appropriateness of environmental considerations in the design and these assessment results are utilized in the planning of subsequent products. The introduction of the Factor T concept is a part of Toshiba's efforts to create environmentally conscious products from a comprehensive perspective. Not only environmental impacts but also product value is included in elements determining eco-efficiency and it has become possible to numerically clarify the degree of improvement compared with previous products.

## ● Environmentally Conscious Product (ECP) Concept

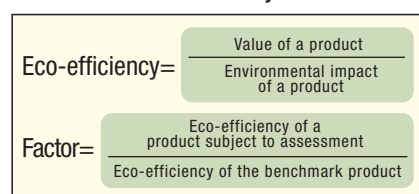


## ■ Evaluation Value and Environmental aspects of a product

Toshiba Group introduced Factor T, its unique eco-efficiency indicator for evaluating value and environmental aspects of a product, in fiscal 2003. Eco-efficiency is calculated by dividing the “value” of a product by the product’s “environmental impact”. The smaller the environmental impact and the higher the value of the product, the greater is the eco-efficiency. The value of a product is calculated based on its functions and performance, taking the voice of customers into consideration. The environmental impact of a product is calculated, taking into consideration various environmental impacts throughout its life cycle (from procurement of materials, manufacturing and distribution, through to consumption and disposal). For calculation of environmental impact, we use LIME (Life-cycle Impact Assessment Method based on Endpoint Modeling) developed by the National Institute of Advanced Industrial Science and Technology through an LCA project run by the Ministry of Economy, Trade and Industry and the New Energy and Industrial Technology Development Organization (NEDO).

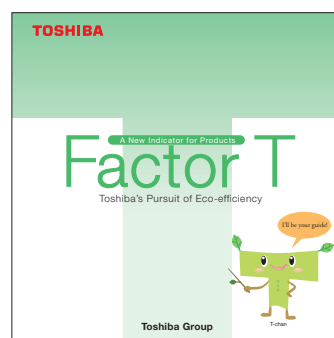
The factor is calculated by dividing the eco-efficiency of a product subject to assessment by the eco-efficiency of the benchmark product. The higher the eco-efficiency of the product, the larger the factor become. We refer to creation of environmentally conscious products (ECPs) through calculation of factors as “Factor T.”

### ● Definitions of Eco-efficiency and Factor



## ■ Application of Factor T

Factor T is applied to a wide range of prod-



Factor T leaflet

URL <http://www.toshiba.co.jp/env/en/products/>

ucts including social infrastructure systems and medical equipment. Toshiba has created a leaflet to promote Factor T and plans to apply Factor T to 70 product lines out of 100.

## ■ Disclosure using Eco-labeling

In 1999 Toshiba introduced Toshiba Group Earth Protection Mark as a part of its efforts to strengthen disclosure of products' environmental performances. Products in conformity with Toshiba's voluntary environmental standards, which cover such criteria as energy saving, no use of toxic substances, green procurement, design facilitating recycling, and recycling of end-of-life products, bear this mark together with the description of the data.

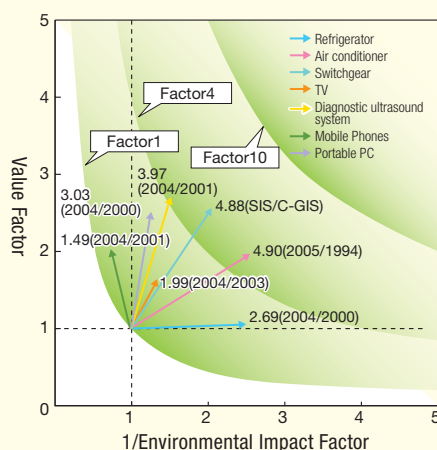
The voluntary environmental standards for products are included in product manuals.

### ● Toshiba Group Earth Protection Mark



Toshiba Group Earth Protection Mark

### ● Example of Calculation of Factors of Toshiba Group Products



Factors indicate the degree of improvement of eco-efficiency and can be divided into “value factor” indicating enhancement of value and “inverse environmental impact factor” indicating reduction of environmental impact.

The graph at left shows factors of products using two axes: value factor and 1/environmental impact factor. The slope of each line indicates which has a larger effect on the factor, enhancement of the value or reduction of the environmental impact.

For example, in the case of refrigerators and air conditioners, reduction of the environmental impact has a larger effect. In the case of mobile phones, an increase in the environmental impact due to a higher parts count in line with the increasing complexity of functions is offset by enhancement of the value, and the factor 1.49 means an overall improvement.

(Note) 1.49 (2004/2001) means that the eco-efficiency of a product in fiscal 2004 is 1.49 times of that of a product in fiscal 2001. The fiscal year in which the benchmark product or the product subject to assessment was introduced differs from one product to another.

# Global Warming

## Target for Fiscal 2004

- 25% reduction of electricity consumed per product function compared with fiscal 2000

## Result in Fiscal 2004

- 52% reduction

## Efforts to Prevent Global Warming

According to the investigation of CO<sub>2</sub> emissions of Toshiba Group products throughout their life cycles, in the case of digital products, 60% is during the usage phase and 35% is during the procurement phase, and in the case of home appliances and social infrastructure systems, 80% is during the usage phase and 15% is during the procurement phase. This result shows the importance of energy saving during the usage phase.

So far Toshiba Group's energy saving efforts have been centered on reducing electricity consumption per product function and targets were set using electricity consumption per product function as an indicator. From now on these efforts will be integrated into Factor T activities.

## Reducing Energy Consumption during Product Use

Since the Second Voluntary Environmental Plan launched in fiscal 1996 Toshiba Group has been addressing reduction of electricity consumed per product function as an indicator of energy saving. Whereas the target was to achieve a 10% reduction in fiscal 2000 compared with fiscal 1995, the result was a 39% reduction. The effort to reduce electricity consumed per product function has been continued in the Third Voluntary Environmental Plan launched in fiscal 2001. In fiscal 2004 a 52% reduction was achieved, which greatly exceeds the target of a 30% reduction in fiscal 2005 compared with fiscal 2000. Described below are Toshiba's efforts concerning refrigerators and air conditioners whose energy consumptions (CO<sub>2</sub> emissions) are large according to the results of LCA.

## Refrigerators

"Energy saving" and "keeping freshness" are the two attributes customers most desire from refrigerators. The Parallel Engine (New Twin Cooling) adopted for the Nano Optical Plasma Deodorizing Senszoko GR-W41FA controls cooling of both the refrigerator and the freezer compartments. In addition, adoption of a vacuum insulation material and a DSP inverter have resulted

in annual power consumption of 170 kWh/year, which is one fifth that of the model introduced 10 years ago.

Also, the Parallel Engine contributes to control of temperature fluctuation and the amount of frost built up on frozen food is reduced to one fourth that with a conventional model, making the GR-W41FA an attractive choice in terms of "keeping freshness" too. Moreover, maintenance-free, nano optical plasma provides improved deodorizing capability. Usability is also improved as the capacity of the refrigeration compartment, which is most frequently used, is increased as well as the capacity of the door pocket.

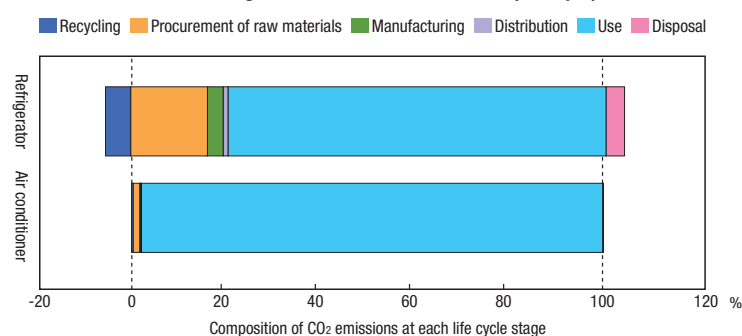
Nano Optical Plasma Deodorizing Senszoko refrigerator  
Factor 2.69 (2004/2000)



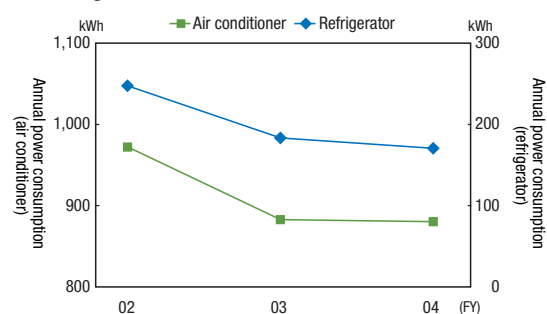
## Air Conditioners

Daiseikai EDR Series are new products for fiscal 2005 that achieve both a comfortable indoor environment and great saving of energy. The coefficient of power (COP) of the 4.0 kW model is 5.12, which is 140% of the energy efficiency standard. The annual electricity charge is slashed to 40% compared with that of the model introduced 11 years ago. The newly developed

## Results of LCA of a Refrigerator and an Air Conditioner (Example)



## Annual Power Consumption of a Refrigerator and an Air Conditioner



3D Action Panel controls indoor airflow to provide comfort with tender airflow. During dehumidifying operation, airflow-less reheat dehumidification halves the electricity charge compared with the conventional reheat dehumidification system. Also, use of lead-free printed circuit boards and a new refrigerant whose ozone-depleting potential is zero has realized environmentally conscious air conditioners.



Daiseikai EDR Series  
home air conditioner

Factor4.90 (2005/1994)

## Reducing Greenhouse Gases Contained in Products

We are working to reduce greenhouse gases, such as sulfur hexafluoride ( $\text{SF}_6$ ), used in products. For example, gas-insulated switchgears using  $\text{SF}_6$  gas for insulation of the main circuit have been the mainstream in the 24/36 kV class. However,  $\text{SF}_6$ 's greenhouse effect is 24,000 times that of  $\text{CO}_2$ . So, we have developed a compact and lightweight solid insulated switchgear with a reduced components count that uses no  $\text{SF}_6$ .

Vacuum valves are used for the circuit breaker and the disconnect switch, which are main components of a switchgear, and most of the portions subject to high voltage are solid insulators. Moreover, a simple structure is applied to realize compactness and light weight. The newly developed balance-type solenoid operation mechanism has contributed to a great reduction in the

components count and realization of resource saving and longer life of switchgear.

Thanks to the development of the solid insulated switchgear, Toshiba received the 52nd Electrical Science & Engineering Encouragement Award (Ohm Technology Award) and the 51st Okochi Memorial Award-Production Award in fiscal 2004.



Solid insulated switchgear

Factor 4.88 (SIS<sup>\*1</sup>/C-GIS<sup>\*2</sup>)

\*1 SIS: Solid insulated switchgear

\*2 C-GIS: Cubicle type gas insulated switchgear

## Development of Renewable Energy System

Toshiba Group manufactures not only equipment that consumes energy but also equipment that supplies energy and is pursuing higher energy efficiency and environmental consciousness.

### Micro Wind Power Generation

Toshiba Plant Systems & Services Corp. provides Wind Flower, a hybrid micro wind power generation system combining wind-power generation, solar power and batteries. Wind Flower, which uses an efficient vertical-axis windmill, operates so quietly that it is suitable for installation even in urban areas. Following the 400 W model, the line-up will be expanded.

### Micro Hydro Power Generation

Toshiba Corp. and Toshiba Plant Systems & Services Corp. provide Hydro-eKIDS, micro hydro power generation equipment for low head and small-scale hydroelectric power plants. This product with an output ranging from 1 kW to 200 kW enables efficient use of hydro-energy at head as low as 2 m, which has not been used previously. Three types of units and runners are available for Hydro-eKIDS, making it suitable for a wide range of applications, including in rivers, check dams, water and sewage facilities and canals for industrial wastewater (energy saving is also achieved by recycling) and agricultural water. Units can be combined in parallel connection or series connection according to the effective head and the volume of water to maximize efficiency. At Batutegi power plant in Indonesia three units of Hydro-eKIDS are used in cascade arrangement, generating 100 kW of power.



Wind Flower micro wind power generation system



Hydro-eKIDS micro hydro power generation equipment

# Chemicals

## Target for Fiscal 2004

- Abolition of use of six substances specified by the RoHS Directive in products

## Result in Fiscal 2004

- Introduction of products that do not contain the six substances

## Management of Chemicals in Products

Toshiba Group is doing its utmost to manage chemicals, so that customers can use its products with confidence and in order to prevent release of environmentally harmful substances.

Whereas the RoHS (Restriction of Hazardous Substances in electrical and electronic equipment) Directive of the European Union (EU) bans use of six substances in products to be released in the EU from July 2006 onward, Toshiba Group has already ceased use of the six substances specified by the RoHS Directive in most of its products introduced since April 2005.

## Promotion of Green Procurement Worldwide

Toshiba has been conducting green procurement worldwide in accordance with

the Green Procurement Guidelines established in December 1999 (revised in June 2003). Suppliers are required to evaluate their environmental protection activities based on the criteria determined by Toshiba. Priority is accorded to suppliers with a high ranking.

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. A database containing the results of the environmental performance survey is utilized for developing environmentally conscious products.

For details, refer to the Green Procurement Guidelines of Toshiba Group.

[URL http://www.toshiba.co.jp/procure/english/green/](http://www.toshiba.co.jp/procure/english/green/)

## Case Study

Toshiba has put in place a system to clarify whether or not chemicals are used in parts and components by making inquiries to parts manufacturers. In addition, chemicals analysis is applied to detect chemicals contained in products.

Parts containing banned chemicals have been replaced by alternatives in cooperation with parts manufacturers. Introduced below are cases of cellular phones and PCs, which frequently come into direct contact with users.

## Mobile Phones

LCA results reveal that environmental impact during the procurement phase is especially large in the case of mobile phones compared with other products. Toshiba abolished hexavalent chromium plating for decoration and chromate treatment (containing hexavalent chromium) after nickel plating and replaced them with trivalent chromium plating and tin/cobalt plating, respectively. Since April 2005 Toshiba has been introducing mobile phones in compliance with the RoHS Directive.



Vodafone 902T mobile phone  
Factor 1.49 (2004/2001)

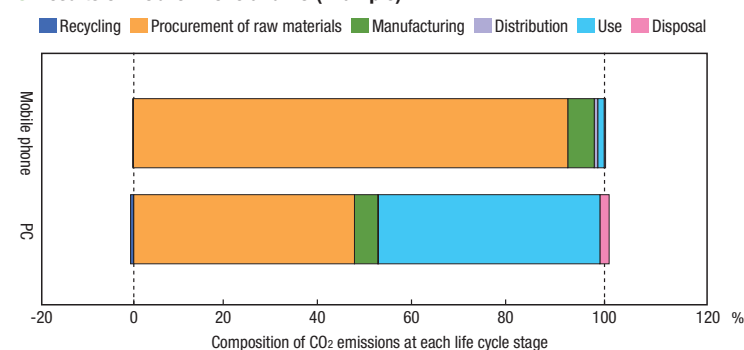
## PCs

Toshiba was early to realize halogen-free and antimony-free substrates and lead-free soldering. Also, technical guidance provided to numerous parts suppliers, development of packaging technology, reliability evaluation and establishment of an environmental database led to the commencement of shipment of PCs (substrates and cases) in compliance with the RoHS Directive in January 2005.



dynabookSS mobile notebook PC  
Factor 3.03 (2004/2000)

## Results of Mobile Phone and PC (Example)



# Resource Utilization

## Target for Fiscal 2004

- 20% reduction of weight per product function compared with fiscal 2000

## Result in Fiscal 2004

- 35% reduction

## Resource Utilization of Resources in terms of Products

Numerous natural resources are used for manufacturing of products and in the case of certain products, resources are used even during the usage phase. To minimize consumption of resources as well as discharge of resources as waste, it is essential to promote design that facilitates resource saving, reuse and recycling. Resource-saving design includes design facilitating upgrading and repair by use of modules, in addition to design to reduce product weight and extend life. With the design that facilitates reuse and recycling, materials and structures easy to reuse and recycle are applied.

## Case Study

Introduced below are cases of TVs, which generate great environmental impact during the procurement phase according to the LCA results, and of medical equipment, whose environmental impact during the procurement phase is minor but whose weight is large.

### TVs

Toshiba's *Ekisho beautiful face* LCD digital Hi-Vision TV realizes resource saving, improved ease of disassembly and reduction of use of toxic chemical substances. The circuit is designed and arranged so that generation of electrical noise is minimized. Thanks to the complete redesign of the internal structure, a one-layered frame is now used instead of a three-layered frame. The result is a 40% reduction of weight compared with a previous year's model. The number of screws is also reduced by 61%. As a result, time required for disassembly is halved, contributing to recycling.

*Ekisho beautiful face*  
LCD digital Hi-Vision TV

Factor 1.99 (2004/2003)



## Medical Equipment

Toshiba is striving to provide people friendly and environmentally friendly medical equipment. For example, in the case of diagnostic ultrasound systems, a 33% reduction of resources is achieved by improvement of semiconductor packaging density, adoption of a structural design technique and integration of functions. In particular, the effective utilization ratio of materials for a frame increased from 58% with a previous model to 88% with the new product Xario. Whereas the completed frame made from input materials weighing 75.1 kg weighs 43.4 kg in the case of a previous model, it weighs 16.1 kg in the case of Xario with an input of materials weighing 18.2 kg. The amount of input materials is one fourth and the parts count is almost halved from 55 to 27.

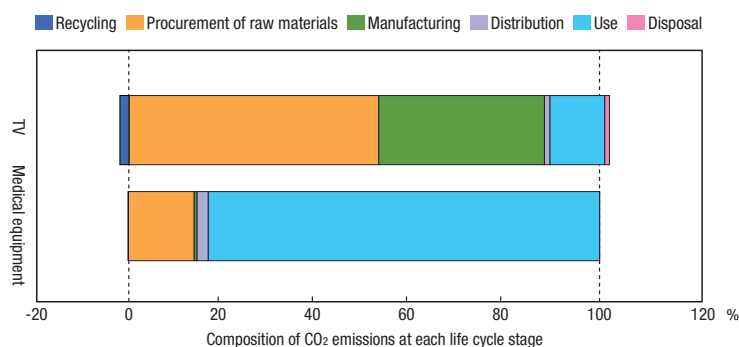
Also, environment-related substances are reduced by abolition of vinylchloride covers and application of lead-free soldering. Moreover, electricity consumption per function is reduced by 33% due to adoption of a high-speed CPU and reduced start-up time.

Xario  
diagnostic ultrasound system

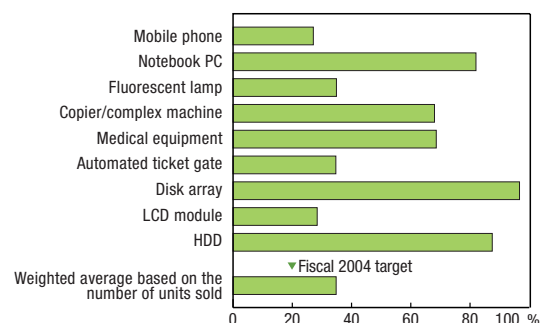
Factor 3.97 (2004/2001)



## Results of LCA of a TV and Medical Equipment (Example)



## Reduction of Weight per Product Function (Fiscal 2004 results compared with fiscal 2000)



# Environmental Impacts of Business Activities

Toshiba Group is fully aware of the impacts of its business activities on the environment and is striving to reduce such environmental impacts. In this section Toshiba Group's efforts to reduce environmental impacts of its business activities are reported from three perspectives: prevention of global warming, control of chemical substances and efficient utilization of resources.

## Global Warming

### Target for Fiscal 2004

- 18% improvement in the ratio of CO<sub>2</sub> emissions to net sales compared with fiscal 1990

### Result in Fiscal 2004

- 1% improvement compared with fiscal 1990

### ■ To Prevent Global Warming in terms of Business Activities

The Third Voluntary Environmental Plan's target for reduction of CO<sub>2</sub> emissions at Toshiba Corporation's factories and laboratories was a 25% improvement in the ratio of CO<sub>2</sub> emissions to net sales by fiscal 2010 compared with fiscal 1990. The ratio for fiscal 2004 was 1% lower than that for fiscal 1990, but 4% higher than for the previous year. This increase was partly

attributable to the expansion of the semiconductor business whose ratio is high. However, due to the recent reshaping of Toshiba's business structure, the scope of the indicator no longer fully reflects reality. So, in the Fourth Voluntary Environmental Plan, the scope is expanded to make it less susceptible to changes in the business structure, and emissions of greenhouse gases other than CO<sub>2</sub> and CO<sub>2</sub> emissions attributable to logistics are also included in the items to be controlled. As a result, the new indicator reflects the reality of Toshiba Group's business activities, covering all greenhouse gases emitted through business activities.

(Note) Guideline for calculation of greenhouse gas emissions  
In accordance with the "Guideline for Investigation of Greenhouse Gases Emitted by Businesses (tentative)." For electricity, the coefficient announced by The Federation of Electric Power Companies of Japan (average of all power sources at generating ends) had been used until fiscal 2003 and the coefficient for fiscal 2003 was used for calculation of the amount in fiscal 2004.

### ■ Reducing Energy-originated CO<sub>2</sub> Emissions

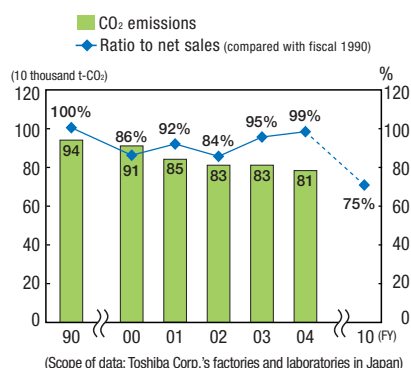
We are working to reduce CO<sub>2</sub> emissions by applying the optimum mix of three approaches (administrative improvement, energy-saving investment and saving of energy in clean rooms) throughout business activities globally, including at laboratories and offices.

Regarding production sites, we are focusing on energy saving at semiconductor factories, whose energy consumption is the largest. CO<sub>2</sub> emissions increased by 70,000 tons in fiscal 2004 compared with fiscal 2003 due to increased production of semiconductor and LCD devices. Although opening of a new semiconductor clean room is expected to result in an increase in energy consumption, we intend to minimize the increase by implementing energy-saving measures to the maximum extent.

The Fourth Voluntary Environmental Plan

## TOPICS

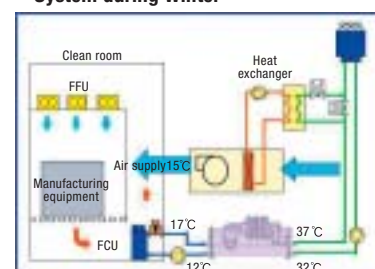
### ● CO<sub>2</sub> Emissions and Ratio to Net Sales



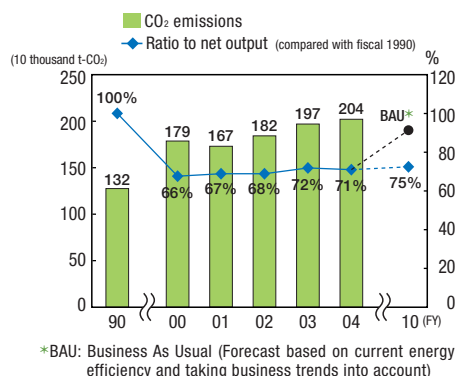
### Ultra-energy-saving Semiconductor Clean Room

For construction of Yokkaichi Operations' clean room for semiconductor production on 300 mm wafers, the design of the air conditioning systems is optimized based on measurement and analysis of the heat environment of Oita Operations' clean room. At the same time, measures are implemented to reduce air-conditioning thermal load and recover waste heat from the heat source. As a result, compared with a clean room that handles 200 mm wafers, energy consumption of the new clean room is halved (reduction of 59,180 tons of CO<sub>2</sub> emissions per year).

### ● Heat Source Waste Heat recovery System during Winter



### ● Energy-originated CO<sub>2</sub> Emissions and Ratio to Net Output



calls for a 25% reduction in the ratio of CO<sub>2</sub> emissions to net output\*<sup>1</sup> by fiscal 2010 compared with fiscal 1990. The ratio for fiscal 2004 was 29% lower than that for fiscal 1990. Despite the expected expansion of the semiconductor and LCD businesses, we aim to achieve the reduction target for fiscal 2010 by implementing further energy-saving measures.

\*<sup>1</sup> Net output: See note for the Fourth Voluntary Environmental Plan on Page 41.

### ■ Reducing Greenhouse Gas Emissions other than CO<sub>2</sub>

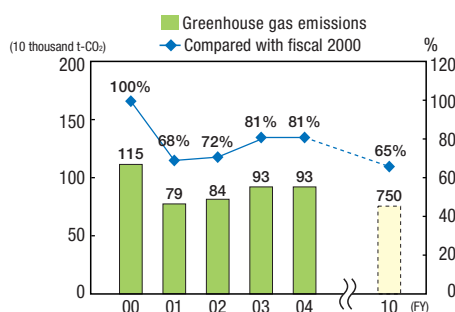
We are also working to reduce emissions of greenhouse gases other than CO<sub>2</sub> through reduction of the use of CFC substitutes and replacement with alternatives as well as through recovery of emitted gases and introduction of gas scrubbers.

The Fourth Voluntary Environmental Plan calls for a 35% reduction in Toshiba Group's greenhouse gas emissions in fiscal 2010 compared with fiscal 2000. This overall target is based on the assumption that individual targets set by the semiconductor, LCD and other industries are attained.

In fiscal 2004 a 19% reduction was achieved compared with fiscal 2000. However, the amount of greenhouse gas emissions has been on an upward trend since fiscal 2001 due to the increased production of semiconductor and LCD devices, similar to the case of energy-originated CO<sub>2</sub> emissions.

From fiscal 2005 onward we intend to install gas scrubbers at all new production lines and continue our efforts to reduce the use of greenhouse gases and replace them with alternative gases so as to reduce emissions of greenhouse gases.

### ● Emissions of Greenhouse Gases other than CO<sub>2</sub>



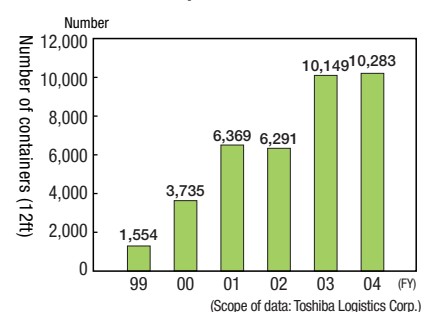
### ■ Reducing CO<sub>2</sub> Emissions Attributable to Logistics

Toshiba Group is working to save energy during transportation of products and implementing the following three measures in cooperation with Toshiba Logistics Corp., a subsidiary.

- 1) Modal shift to rail transport
- 2) Optimization of transport using trunk routes by means of integration and sharing of freight information; optimization of distribution by a flexible vehicle assignment system attuned to daily fluctuations in freight volumes
- 3) Reduction in the number of vans and trucks by optimizing the shipment of freight and utilization of vehicles among logistics subsidiaries of electronic/electrical companies

Toshiba intends to widen use of rail transport and expand application of the flexible vehicle assignment system so as to reduce environmental impacts.

### ● Trend of Rail Transport



## TOPICS

### Efforts to Reduce Emissions of PFC at an LCD Device Plant in Singapore

Advanced Flat Panel Display Pte., Ltd. (AFPD), an LCD plant in Singapore, is working to reduce emissions of perfluorocarbon (PFC), which is a greenhouse gas, although Singapore has not ratified the Kyoto Protocol. As shown in the diagram below, AFPD has installed a scrubber in the process subsequent to that of equipment that uses PFC and has greatly reduced PFC emissions.



PFC gas scrubber

#### ● System for PFC scrubbing



### ■ Using Renewable Energy

In order to facilitate the use of renewable energy, in January 2005 Toshiba entered into a contract to purchase electricity generated using renewable energy under a green power certificate system. In accordance with the contract, more than 4% of the electricity demand at the Toshiba headquarters building is covered by biomass power generation.

# Chemicals

## Target for Fiscal 2004

- 24% reduction in release of chemical substances compared with fiscal 2000 (30% reduction in fiscal 2005)

## Result in Fiscal 2004

- 47% reduction compared with fiscal 2000. (Improvement of 5 percentage points compared with fiscal 2003)

## Management of Chemicals in terms of Business Activities

Toshiba's use of chemicals is based on three fundamental policies: avoid use of toxic substances to the maximum extent possible, promote reduction and substitution to the maximum extent, and subject use to appropriate controls.

Some 2,000 substances covered by the PRTR Law\*1 of Japan and other environment-related laws and regulations are classified into three ranks, A, B and C, based on the control level set by the laws and regulations and the hazard. Control classifications\*2 (prohibition of use, reduction of release control of use) for substances are determined based on the risk associated with the substance. Tosh-

\*1 PRTR Law: Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management. PRTR is an abbreviation of Pollutant Release and Transfer Register.

\*2 An explanation of the substance ranking and control classifications is available on the Toshiba website.

URL <http://www.toshiba.co.jp/env/en/data/>

## List of Substances Whose Use is Abolished

Trichloroethylene  
Tetrachloroethylene  
CFCs  
Halons  
1,1,1-trichloroethane  
Carbon Tetrachloride

iba adopts a quasi-risk assessment approach in which the risk posed by a substance is expressed as the product of the hazard and the level of exposure.

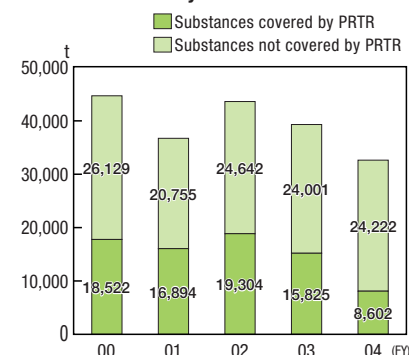
## Reducing Release of Chemicals

The previous voluntary plan's target was to reduce total release of 24 types of chemicals by 30% by fiscal 2005 compared with fiscal 2000 at Toshiba Corp. and major subsidiaries. In fiscal 2004 we achieved a 47% reduction, exceeding the target for the second consecutive year. Substitution of materials, change of processes and installation of recovery/removal equipment yielded this gratifying result.

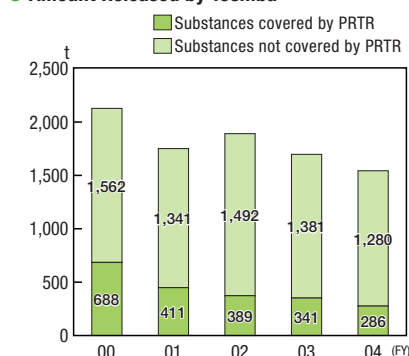
As the PRTR system has become pervasive, there is an increasing need for systematic reduction in the use of substances covered by PRTR, and also there is a move to control release of volatile organic compounds due to the revision of the Air Pollution Control Law in Japan.

Taking such trends into consideration, we established the Fourth Voluntary Environmental Plan in which the scope of our activities and the substances has been expanded. This plan calls for a 50% reduction in total release of chemical substances by fiscal 2010 compared with fiscal 2000. The number of substances whose release is to be reduced has been increased from 24 types in the Third Voluntary Environmental Plan to 100 types in the new plan. The amount of release in fiscal 2004 was 1,565 tons, which is about 70% of that in fiscal 2000 (2,250 tons). The figures show the amounts of chemical substances handled and released by Toshiba Group. From fiscal 2005 onward, we will redouble our efforts to attain the target set by the Fourth Voluntary Environmental Plan.

## Amount Handled by Toshiba



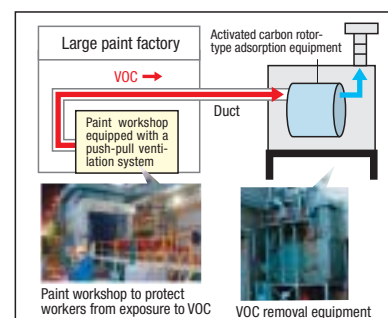
## Amount Released by Toshiba



## TOPICS

### Measures in the Painting Process for Large Parts used for Power Generation Facilities

Parts used for thermal and hydraulic power stations are large and a thick layer of paint is applied to provide weather resistance. Keihin Product Operations is one of a few factories in Japan that have a paint workshop equipped with a large push-pull ventilation system. Volatile organic solvents (toluene and xylene) discharged during the painting process are recovered and removed using this system and an adsorption/catalytic combustion-type scrubber.



## ■ Response to the PRTR Law

Since April 1, 2002, reporting of the types of chemical substances released and their quantities has been mandatory in accordance with the PRTR Law. Toshiba Group companies in Japan are complying with the PRTR Law.

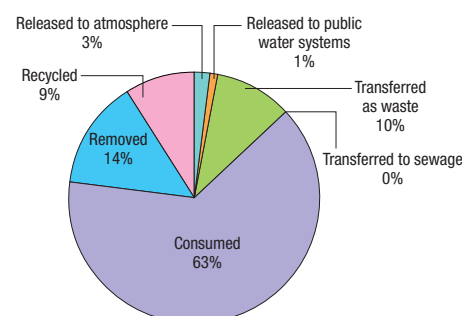
Toshiba was among the first in the industry to disclose PRTR data when it published the data for fiscal 1997 in the Toshiba Environmental Report 1998. In fiscal 2004 the scope of PRTR data was expanded to cover the entire Toshiba Group, including overseas operations.

A comparison of the results for fiscal 2004 with those for fiscal 2003 reveals that the amount of chemical substances Toshiba handled decreased by 7,200 tons, primarily due to wider use of lead-free soldering. The amount released to the environment was reduced by 55 tons thanks to technical measures, such as substitution of water-soluble paints for organic solvent-based paints and the installation of scrubbers. The amount consumed relating to products accounted for 63% and the amount released to the atmosphere, public water systems and soil accounted for less than 5%\*3.

\*3 Details of substances released and PRTR data for individual business premises are available on the following Toshiba website.

URL <http://www.toshiba.co.jp/env/en/data/>

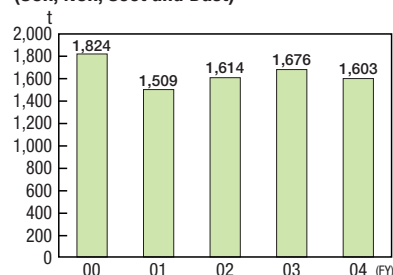
### ● PRTR Breakdown (Fiscal 2004)



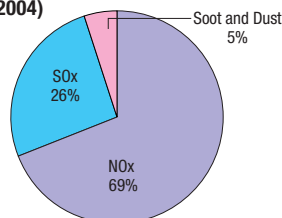
## ■ Preventing Air and Water Pollution

We are working to apply appropriate control based on the data on environmental impacts due to sulfur oxides (SOx) and nitrogen oxides (NOx), which are the main causes of air pollution, and wastewater. All operations have set voluntary standards to ensure compliance with the regulatory environmental standards. The total amount changes according to fluctuations in production.

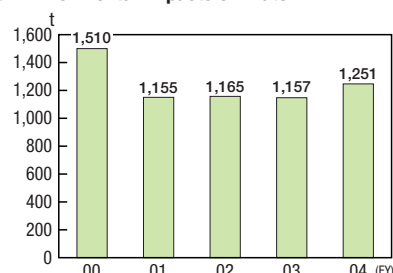
### ● Environmental Impacts on Air (SOx, NOx, Soot and Dust)



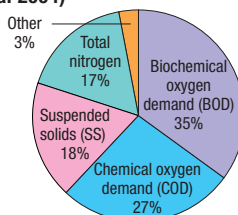
### ● Breakdown of Environmental Impacts on Air (Fiscal 2004)



### ● Environmental Impacts on Water



### ● Breakdown of Environmental Impacts on Water (Fiscal 2004)



\*Other: N-hexane extracts, phenol, copper, zinc, dissolved iron, dissolved manganese, total chromium, total phosphorus, nickel

## ■ Elimination Use of Ozone-depleting Substances

Previously we used chlorofluorocarbons (CFCs), trichloroethane and other ozone-depleting substances for parts cleaning and dry etching for semiconductors, and as refrigerant for refrigerators and blowing agent for insulation materials. Regarding specified CFCs, we ceased use of those for cleaning in December 1993 and those to be contained in products in September 1995. In addition, we ceased use of carbontetrachloride and trichloroethane for cleaning in May and November 1994, respectively.

Meanwhile, 1,223 air-conditioning systems containing 27 tons of CFCs and 409 fire extinguishing systems containing 47 tons of halon are still in use. A sticker indicating that the facility contains CFCs/halon is affixed to the facility for control purposes and when such a facility becomes aged and is replaced, the CFCs/halon are recovered and appropriately treated. The installation of new facilities containing ozone-depleting substances is prohibited.

## ■ PCB Storage and Control

As of 2004, the products and items stored by Toshiba Corp. and major subsidiaries include 240 transformers, 6,500 high-pressure condensers, and about 200,000 compact condensers and fluorescent lamp stabilizer, amounting to some 360 tons of PCB. In addition to the prescribed storage rules, installation of dikes and double containers (receiver tanks) 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 stored in house by fiscal 2010 and is conducting R&D of appropriate treatment technology.

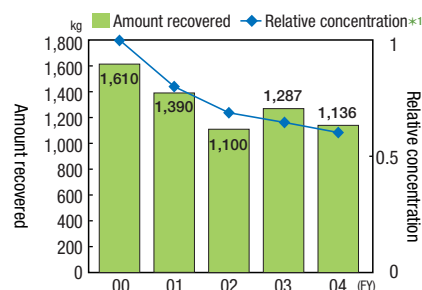
### ■ Purifying Soil and Groundwater and Preventing Pollution

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.

#### 1,136 kg of VOCs Recovered

Toshiba Group is conducting purification and monitoring of pollution caused by volatile organic compounds at 16 sites. At these sites 447 pumping wells or gas suction wells are installed to recover and purify volatile organic compounds, and 222 observation wells are used to monitor trends of the concentration of pollutants in groundwater. 1,136 kg of compounds was recovered in fiscal 2004.

#### ● Amount of Volatile Organic Compounds Recovered from Soil and Groundwater



\*1 Relative concentration: Relative average concentration when the average concentration in fiscal 2000 is 1

#### ● Purification of Volatile Organic Compounds in Soil and Groundwater (Fiscal 2004)

| Site  | Location                                       | Progress                   | Purification method*1 | Amount recovered*2 |
|---|--|----------------------------|-----------------------|--------------------|
| Fukaya Operations   | Fukaya, Saitama prefecture                     | Transition to monitoring*3 | A                     | —                  |
| Toshiba Electric Appliances Co., Ltd.                                 | Maebashi, Gunma prefecture                     | Transition to monitoring   | D, F                  | —                  |
| Komukai Operations  | Kawasaki, Kanagawa prefecture                  | Purification in progress   | A                     | 56.1               |
| Microelectronics Center   | Kawasaki, Kanagawa prefecture                  | Purification in progress   | A                     | 8.9                |
| Yanagicho Complex   | Kawasaki, Kanagawa prefecture                  | Purification in progress   | A, B, C               | 0.7                |
| Taishi Area of Himeji Operations                                      | Taishi-cho, Ibo-gun, Hyogo prefecture          | Purification in progress   | A                     | 445.0              |
| Oita Operations   | Oita, Oita prefecture                          | Purification in progress   | A                     | 4.2                |
| Fuji Operations, Toshiba Carrier Corp.                                | Fuji, Shizuoka prefecture                      | Purification in progress   | A, B                  | 351.3              |
| Tsuyama Operations, Toyo Carrier Engineering Co., Ltd.                | Tsuyama, Okayama prefecture                    | Purification in progress   | A                     | 0.8                |
| Osaka Works, Toshiba HA Products Co., Ltd.                            | Ibaraki, Osaka                                 | Purification in progress   | A                     | 0.2                |
| Kimitsu Operations, Toshiba Components Co., Ltd.                      | Kimitsu, Chiba prefecture                      | Purification in progress   | A, B                  | 211.0              |
| Site of the former Yokohama Works, Toshiba Components Co., Ltd.       | Yokohama, Kanagawa prefecture                  | Purification in progress   | A                     | 52.0               |
| Kawamata Seiki Co., Ltd.  | Kawamata-machi, Date-gun, Fukushima prefecture | Purification in progress   | A                     | 0.1                |
| Kitashiba Electric Co., Ltd.  | Fukushima, Fukushima prefecture                | Purification in progress   | A                     | 0.3                |
| Site of the former Kawasaki Works, Toshiba Shomei Precision Co., Ltd. | Kawasaki, Kanagawa prefecture                  | Purification in progress   | A, B, F               | 5.4                |
| Site of the former Yokohama Operations, Asia Electronics Inc.         | Yokohama, Kanagawa prefecture                  | Work in progress           | A, E, G               | —                  |

\*1 Purification method: A: Groundwater pumping, B: Soil gas suction method, C: Reduction decomposition method (fine iron permeation piles), D: Oxidation decomposition method, E: Interception containment method, F: Removal by excavating soil

\*2 Amount recovered: Amount recovered during the period from April 2004 to March 2005

\*3 Transition to monitoring: Purification has been completed and the site is now under follow-up monitoring.

### Case Studies on Measures to Deal with Soil and Groundwater Pollution

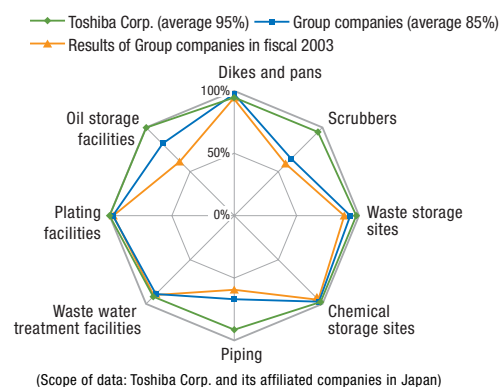
The investigation of soil at the site of the former Yokohama Operations of Asia Electronics Inc., which was closed in 2001, revealed that concentrations of PCBs etc. exceeded environmental quality standards. In December 2004 work was commenced to cut off the exposure route as an emergency measure based on a fundamental measure to be implemented in the future.

As a result of the investigation of soil at the former Yanagicho Complex of Toshiba Corp., which was conducted upon closure of the business there, it was found that concentrations of heavy metals and volatile compounds exceed the environmental quality standards. At present, further investigation is being conducted and measures are being implemented in accordance with the laws and regulations and the municipal ordinance. Noncompliance with environmental standards for heavy metals was found at Tsuyama Operations of Toyo Carrier Engineering Co., Ltd., as a result of the groundwater investigation conducted in July 2004. At present, diffusion is prevented by pumping of groundwater and a measure is being implemented for soil, which is the source of pollution.

### Structural Design Guidelines to Prevent Pollution

Toshiba has guidelines for the eight types of structural design. By ensuring that structures are in conformity with these guidelines, pollution is prevented. Conformity ratios of Toshiba Group companies, which lagged for fail-safe measures, improved about 10% on average in terms of scrubbers, piping and oil storage facilities.

#### ● Conformity Ratios according to Structural Design Guidelines (Fiscal 2004)



(Scope of data: Toshiba Corp. and its affiliated companies in Japan)

### Pollution Risk Assessment at Overseas Sites

Toshiba Group is conducting pollution risk assessment of overseas sites based on the land history and environmental assessment when purchasing new sites and reassigning sites. Our policy is to ensure compliance with the laws and regulations of the country in which the site is located. In countries where a regulatory framework is not established, we apply voluntary standards, which are stricter than the regulatory limits. In fiscal 2004 we conducted a survey of land ownerships and land history at 200 overseas sites in 31 countries to achieve an update and strengthen control. In the event that any site is found to have a high pollution risk, we will voluntarily conduct an investigation regardless of legal requirements.

# Resource Utilization

## Target for Fiscal 2004

- Maintaining zero emissions at Toshiba factories, laboratories and major subsidiaries

## Result in Fiscal 2004

- Zero emissions achieved at all subject sites. The rate of final disposal improved to 0.4% in fiscal 2004 from 0.7% in fiscal 2003.

## Efficient Utilization of Resources in Business Activities

According to Toshiba's definition, zero emissions is achieved when the quantity of waste for landfill after treatment is equivalent to 1% or less of the total quantity of by-products and other items generated (total amount of waste discharged) as a result of business activities. As Toshiba Group's business activities are wide ranging, it tends to be difficult to apply a recycling measure that worked well for one site to another site, especially in the case of items, such as sludge, whose recycling is not easy, and each site is working to identify a way to make effective use of such items.

Toshiba is promoting recycling of the four

types of home appliances stipulated by the Home Appliance Recycling Law, personal computers and compact secondary batteries in accordance with the Law for Promotion of Effective Utilization of Resources as well as other equipment. Although recycling has become second nature, we are working to establish a reliable recovery and recycling system. In accordance with the Fourth Voluntary Environmental Plan, for efficient utilization of resources, we are implementing measures to 1) reduce the total quantity of waste generated, 2) reduce the quantity of waste for final disposal and 3) expand reuse and recycling of end-of-use products.

## Zero Emissions Achieved and Quantity of Waste Reduced

The rate of final disposal was 1.9% in fiscal 2000 when the Third Voluntary Environmental Plan was launched. Since then, individual operations have worked to reduce the total quantity of waste for final disposal based on thorough disassembly and separation of waste, and in cooperation with the steel, cement, chemical and other industries. As a result, in fiscal 2004, zero emissions were achieved at all Tosh-

iba factories, laboratories and major subsidiaries. Waste for final disposal discharged by these sites amounted to 266 tons in fiscal 2004.

The total quantity of waste for final disposal including waste discharged by affiliated companies in Japan and overseas production sites amounted to 186,000 tons and the final disposal rate was 4.6%. From now on, we will aim to reduce the total quantity of waste and achieve zero emissions at all sites.

## Strengthened Governance concerning Waste and Recycling

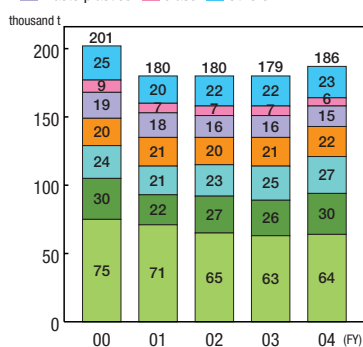
Toshiba Group recognizes appropriate treatment of waste to be an important management issue and responsibilities are clarified according to position from management to personnel in charge of waste management at workplaces. We are working to optimize the system involving a wide range of parties concerned in cooperation with waste treatment and recycling companies, affiliated companies, partner companies and companies in the supply chain such as suppliers and distributors. In addition, where intermediary treatment is contracted, we monitor the waste treatment route up to final disposal. For thorough governance, we are focusing on education and activities to raise awareness of employees as well as the gathering and dissemination of information on a regular basis.

## For Efficient Utilization of Water

To save and recycle water, at many Toshiba Group sites various water circulation systems have been introduced that involve filtration and purification of water used at sites. In fiscal 2004 4.93 million tons of water was recycled group-wide.

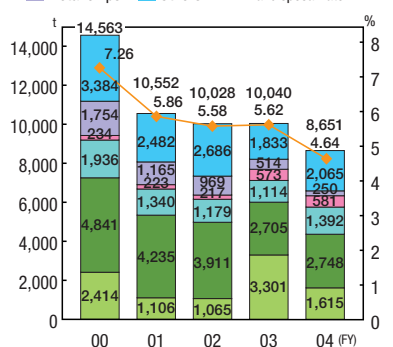
### Total Quantity of Waste Generated

■ Metal chips ■ Waste acid ■ Sludge ■ Waste paper  
■ Waste plastics ■ Glass ■ Others



### Quantity of Waste for Final Disposal and Final Disposal Rate

■ Sludge ■ Waste plastics ■ Glass ■ Waste acid  
■ Metal chips ■ Others ■ Final disposal rate



### ■ Product Recycling Concept

We are promoting 3R (reduce, reuse, recycle) on many fronts in an effort to contribute to establishment of a recycling based society. Recycling of products has an important bearing on resource saving and waste reduction.

### Recycling as Parts for New Products

Most tanks of washing machines and vegetable compartments of refrigerators are made of polypropylene (PP) and most shelves of refrigerators are made of polystyrene (PS). These relatively large plastic parts are now recovered and classified according to material before crushing so that they can be recycled as materials for parts for new products. These recycled materials are mainly applied in base plates for washing machines/driers and dish washers/driers and fixtures for printed circuit boards for refrigerators. Recovered and classified materials undergo washing, crushing, repelletization, and preparation through the addition of additives and virgin materials so that the recycled materials satisfy quality requirements including material characteristics, external appearance and moldability. Other plastic waste is also classified and recycled as construction materials, building materials and sundry articles.

### Product Recycling Worldwide

In view of the international trends toward mandatory recycling of products, we are establishing a recycling system in Europe, the United States, China and elsewhere around the world. In readiness for the mandating of recycling of Waste Electrical and Electronic Equipment (WEEE) in Europe from August 2005, Toshiba established a recycling system in Europe in April 2003 and is holding environmental meetings periodically. At the same time, we are monitoring trends in the regulatory frame-

work in each country, ensuring compliance and integrating recovery and treatment plans in our efforts to fulfill producer responsibility.

### Reflecting Recycling Information in Product Development

In Japan where product recycling has already been established, Toshiba is focusing on feeding back recycling information into product development. This is because development of environmentally conscious products and not just development of recycling technology is important for establishment of a recycling-based society. Term Corp. and Nishinohon Kaden Recycle Corp., which have recycling facilities for Toshiba Group, feed back information on decomposition directly to product designers so that they can reflect the information obtained during the recycling phase in development of environmentally conscious products.

### ■ Recycling of Home Appliances

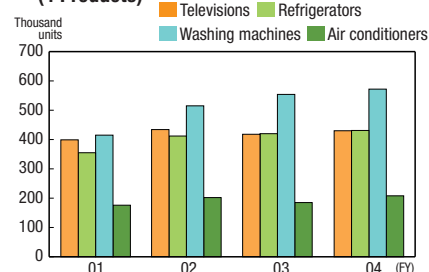
According to the Ministry of Economy, Trade and Industry, in fiscal 2004, 11.21 million units of end-of-use home appliances (four products) were collected at designated facilities in Japan, a year-on-year increase of 7%.

Toshiba Corp., Toshiba Consumer Marketing Corp., and Toshiba Carrier Corp. collected 1.64 million units of end-of-use home appliances (a 3% year-on-year increase), accounting for 15% of the total number of units collected nationwide. The figures on the right show the trends of the number of units collected by Toshiba Group and the recycling rate from fiscal 2001 to 2004 and compositions of materials recycled from end-of-use home appliances for fiscal 2004.

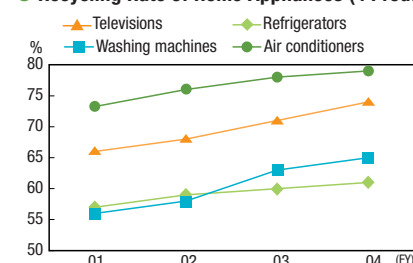
More information on recycling of home appliances is available at the following Toshiba website.

[URL http://www.toshiba.co.jp/kdnrc/english/index.html](http://www.toshiba.co.jp/kdnrc/english/index.html)

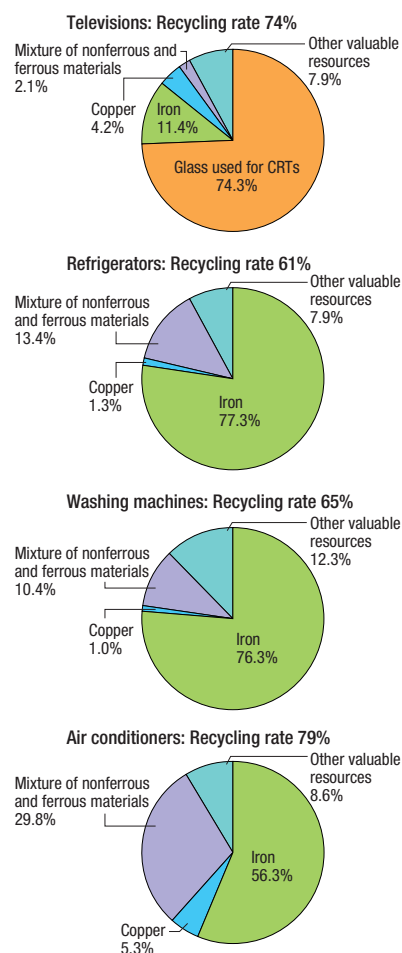
### ● Number of Units of Home Appliances Collected (4 Products)



### ● Recycling Rate of Home Appliances (4 Products)



### ● Materials Recycled from End-of-use Home Appliances (4 Products) (Fiscal 2004)



## Recycling of Personal Computers

In Japan, Toshiba started the recycling of end-of-use PCs discharged by enterprises in fiscal 2001 and the recycling of PCs discharged by consumers in October 2003. The pie charts on the right show compositions of materials recycled from end-of-use PCs for fiscal 2004.

### Results of Recovery and Recycling of End-of-use PCs (Fiscal 2004)

| Product type | Discharged by | Number of units recovered | Weight recovered (t) | Weight of resources recycled (t) | Recycling rate |
|--------------|---------------|---------------------------|----------------------|----------------------------------|----------------|
| Notebook PCs | Enterprises   | 7,457                     | 30.0                 | 18.5                             | 51.7%          |
|              | Consumers     | 2,111                     | 5.8                  |                                  |                |
|              | Total         | 9,568                     | 35.8                 |                                  |                |
| Desktop PCs  | Enterprises   | 4,364                     | 33.6                 | 28.9                             | 68.2%          |
|              | Consumers     | 979                       | 8.9                  |                                  |                |
|              | Total         | 5,343                     | 42.4                 |                                  |                |
| CRT displays | Enterprises   | 6,681                     | 118.5                | 87.6                             | 64.1%          |
|              | Consumers     | 1,092                     | 18.2                 |                                  |                |
|              | Total         | 7,773                     | 136.7                |                                  |                |
| LCD displays | Enterprises   | 2,263                     | 11.2                 | 6.3                              | 55.8%          |
|              | Consumers     | 9                         | 0.04                 |                                  |                |
|              | Total         | 2,272                     | 11.3                 |                                  |                |

(Scope of data: Recoveries within Japan)

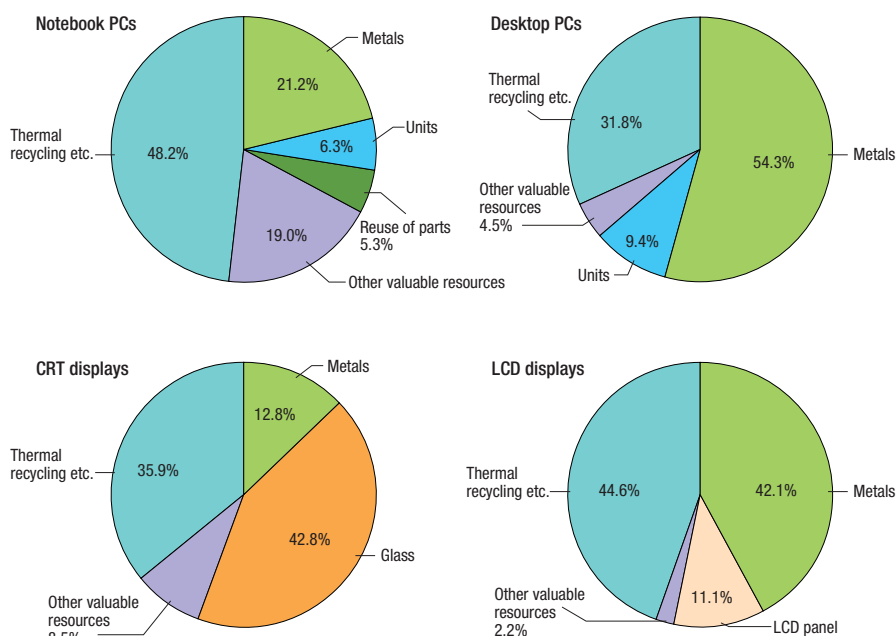
## Recycling of Other Products

Toshiba is promoting the 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.

We emphasize development of technologies that enable effective utilization of the materials recovered and reduction of recycling costs.

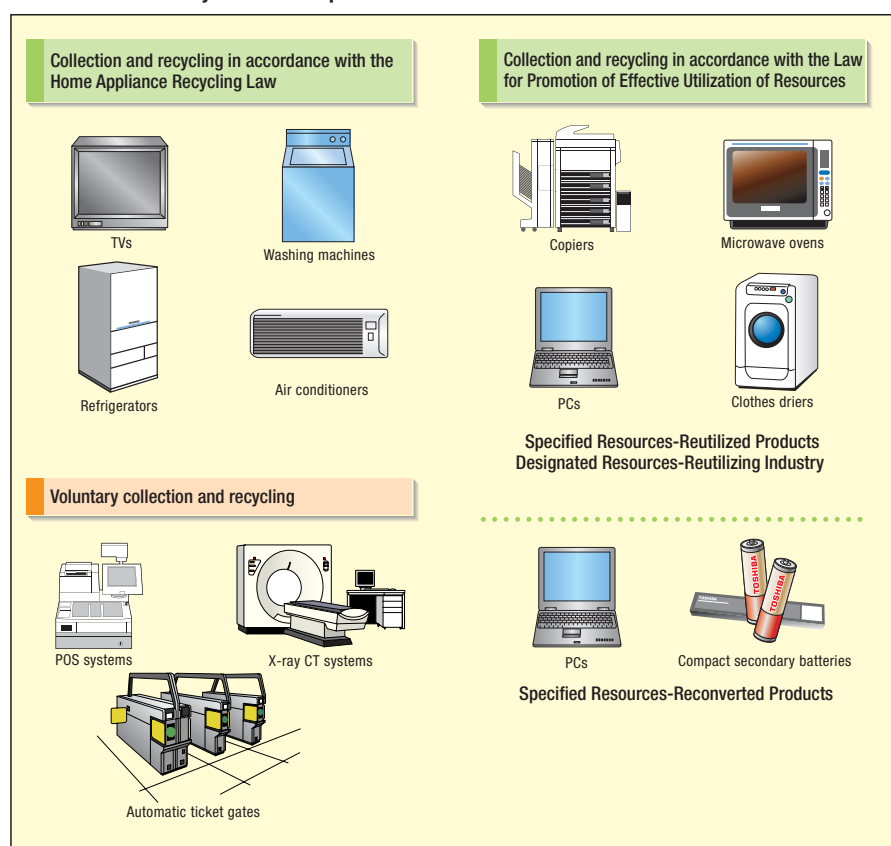
As the Law for Promotion of Effective Utilization of Resources covers a wide range of products including copiers, microwave ovens and clothes driers as shown in the figure on the right, Toshiba is endeavoring to expand use of recycled resources and recycled parts.

### Materials Recycled from End-of-use PCs (Fiscal 2004)



(Scope of data: Recoveries within Japan)

### Products Covered by Toshiba Group's 3R





# Dialog with Stakeholders

On March 14, 2005, Toshiba held a stakeholder dialog session based on the theme “What is CSR in Toshiba Group?” We invited five external specialists in areas such as corporate integrity, social contribution, and environment to participate and received valuable opinions from a number of perspectives.

## Building a Sustainable Future Hinges on a Willingness to Serve Society on the Part of Every Employee



**Ms. One Akiyama**  
President  
Integrex Inc.

**Akiyama** For the principle of corporate social responsibility, it is important to increase integrity in three categories, which are the executive management, the organization, and the employee. I believe the most important of these three is the employee. For Toshiba, a major issue is how to make 160,000 employees throughout the Group understand the concept of CSR. If the transparency of Toshiba’s effort to achieve this increases, our trust to Toshiba will be greater.



**Mr. Tetsunari Iida**  
Executive Director  
Institute for Sustainable Energy  
Policies

**Takahashi** Toshiba supports employee volunteer activities as one aspect of CSR. I’d like to see Toshiba brings in social contribution activities to employee training and other programs so that these activities serve as a driving force for CSR. Therefore the company itself becomes happy. I think that creating chances for employee to display initiative is necessary. However, volunteer activities are just a one way of deepening employee’s understanding of social contribution. It is important that employee realize that Toshiba’s main business itself is beneficial to society.



**Ms. Yumiko Ohyano**  
Executive Director  
Universal Design of Citizen  
Network

**Akiyama** The employees are the main players in implementing CSR. Their role is the contact point between the company and other stakeholders. A company’s stance is conveyed through its employees. To remain as a company with integrity, it is important that individual employee can do what he or she ought to do. I think that incorporating integrity, not just business performance, into the evaluation system and making this clear to the

employees will be effective in making employees to understand the concept of CSR. By disclosing the understanding of CSR within Toshiba will further convey Toshiba’s integrity and earnestness.

## Reducing Environmental Impact through the Creation of New Services

**Ohyano** Toshiba’s slogan is “Committed to people”. I would like to see it reflected in the product creation process and then concretely indicate what has been done. It is important to collaborate with NPOs and consumer organizations to take in various opinions. I hope that Toshiba will define universal design as a major pillar of product creation.

**Takahashi** I think that what will be important in the manufacturing of the future is not only customer oriented policy “The customer is the first of all.”, but also offering services and products that skillfully enlighten customers about and raise awareness of their responsibilities and developing high-quality customers. Because far more people buy products than read CSR reports, including messages in the products themselves would increase communication power.

**Kurasaka** I think a transformation from “selling things” to “selling services” will be necessary from now on. Manufacturers will not be done with products after the sale, but have to provide consulting on how to use their products and handle the recovery of products after use.

If we can make the transition to that type of economic framework, it will be possible to frame a vision of reducing environmental impact without reducing customer satisfaction. If we can recycle

items in a closed loop, it will be possible to propose to the world more rational environmental measures different from European-style regulations to eliminate toxic substances. I would like to see Toshiba present a sweeping vision and by making long-lasting products and selling services lead the world in the direction of shifting from products to services.

**Iida** As society moves in the direction of a services economy, we can see a vision of a society where customer happiness is increased with decreased environmental impact. I would like Toshiba to deliver specific messages along the lines of "By using this product or service you can enjoy the same life of affluence you do now and reduce electric power consumption to one fourth the current level."

### Desire for a Vision of the Future

**Ohyano** In future, another important factor will be charting a course toward a ubiquitous networking society. From the viewpoint of consumers, much about the concept of information ubiquity remains difficult to understand. If companies would refrain from deploying incompatible standards and decide on a single open standard, consumers would come to regard the concept as something more relevant to their lives and beneficial. I'd like Toshiba to indicate in an easy to understand way the role it seeks to play in realizing a ubiquitous networking society and its policies.

**Kurasaka** I think the introduction of the Factor T independent standard for measuring eco-efficiency



is good from the viewpoint of the ability to measure results, I don't clearly understand how it is different from what other companies are doing. It would be interesting if Toshiba increased transparency by explaining the calculation method on its website or other means and if Factor T caught on and became an industry standard used even by other companies.

**Iida** Although in general, when people think of Toshiba an image of home appliances predominates, in Toshiba's businesses, the public infrastructure and energy sectors are larger than the appliance business, aren't they? In spite of this, I think that appeal of these businesses to society is so weak. In particular, Toshiba can be seen as not being sufficiently accountable for nuclear power generation. In my view, to regard nuclear power generation as an aspect of global warming prevention is out of the question. Therefore Toshiba cannot present a vision of sustainable energy. I would like for Toshiba to pursue sustainability with an open and forthright stance, for instance by creating opportunities for open dialog with NGOs and NPOs.



**Mr. Hidefumi Kurasaka**

Associate Professor  
Department of Policy Studies,  
Faculty of Law and Economics  
Chiba University



**Ms. Yoko Takahashi**

President  
Japan Philanthropic Association

### Seeking the Opinions of Stakeholders

Toshiba Group generates 44% of its total sales overseas, and nearly 30% of the Group's workforce is located overseas. We plan for these numbers to further increase. Toshiba Group's CSR activities are about Toshiba Group employees all over the world contributing to the countries in which we operate, to local communities, and to environmental preservation and winning the trust of stakeholders on the basis of a common philosophy and shared values. To that end, we seek to at all times adhere to the Management Philosophy and Standards of Conduct on a global basis.

We are engaged in wide-ranging businesses and our stakeholders are highly diverse. Through interchanges and communications with various stakeholders we seek to deepen understanding of our thinking and activities and, by receiving opinions and suggestions, to reform and improve those activities and the corporate culture.



**Yuji Kiyokawa**

Corporate Executive Vice President,  
General Manager, Corporate Social Responsibility Division  
Toshiba Corporation

Note: Comments on the Toshiba Group CSR Report 2004 obtained from this dialog appear on Page 63.

# Communication with Stakeholders

In the course of its business activities Toshiba Group is involved with people with diverse needs and values. We place importance on appropriately communicating information to various stakeholders and engaging in communications activities to ascertain stakeholder opinions and desires.

## ■ Seeking Opinions from Consumers

On December 18, 2004, Toshiba held a Stakeholders' Meeting at the Toshiba Science Museum in Kawasaki. The objective of the meeting was to obtain frank opinions from consumers about Toshiba Group's CSR activities. In attendance were 15 participants from wide-ranging backgrounds such as Toshiba product monitors, students, working people, homemakers, and representatives of NPOs as well as six Toshiba Group employees involved in CSR. After touring the Toshiba Science Museum, the participants freely related in a group discussion their ordinary impressions of Toshiba Group's activities.

While participants expressed favorable opinions about the high energy efficiency and durability of Toshiba products, they

## ■ Interaction with NPOs

In December 2004 Toshiba held the Toshiba Nature Cafe in cooperation with NPO BeGood Cafe. At this event, representatives of NPOs engaged in volunteer activities and environmental protection activities and Toshiba employees exchanged ideas and opinions.



Toshiba Nature Café

also delivered some tough opinions to the effect that Toshiba's profile is obscure, that they feel little familiarity with Toshiba, and that in comparison with other companies our environmental activities are inconspicuous and our stance on the environment is ineffectively communicated. Some participants proposed that we use TV commercials and other advertising to actively communicate our contributions in the medical equipment field and other areas not related to home appliances, our environmental initiatives, and our socially beneficial activities.



Tour of the Toshiba Science Museum



A group discussion

### Comments Obtained at the Stakeholders' Meeting

- I feel little affinity with Toshiba's TV commercials and other advertising. Toshiba's environmental initiatives are communicated less effectively than those of other companies.
- I was astonished at Toshiba's large share of the medical equipment market. It would be good if Toshiba publicized that it contributes to society in many areas other than home appliances.
- Although Toshiba addresses environmental problems by such means as HCFC-free refrigerators, this is something that all manufacturers do. I think it would be good if there were a breakthrough activity about which Toshiba could say, "This is what we do."



The meeting caused us to recognize anew that we still do not adequately communicate our business activities, environmental initiatives, and social contributions to the public. We intend to utilize advertising and other communication tools to showcase Toshiba Group's socially and environmentally beneficial activities. As one aspect of this effort, we have introduced our activities in the medical sector in the Highlights section of this report.

### Visitors' Comments at the 14th Toshiba Group Environment Technology Exhibition

- The Kyoto Protocol has come into effect, and interest and concern about the environment will continue to increase. I think that Toshiba should further publicize events such as this exhibition to broaden awareness among citizens. It's a shame few students were there.
- I think that the majority of electric power consumption occurs in the home. Energy conservation in the home is an important future task. Fuel cell use will bring a sharp reduction in CO<sub>2</sub> emissions. I hope that costs will be reduced with a view to bringing fuel cells into widespread use. (Several participants)
- I clearly understood Toshiba's environmental initiatives. I think we must seriously consider reducing CO<sub>2</sub> emissions in each aspect of our lives.



Toshiba will continue to reflect the valuable opinions obtained from customers in both environmental protection activities and environmental communications.

## ■ To Enhance Understanding of Toshiba Group's CSR

In 2004 Toshiba Group expanded the environmental reports issued since 1998 to include social reporting and began issuing the Corporate Social Responsibility Report.

On the Toshiba web site we publish the CSR Report and introduce up-to-date information on Toshiba Group's CSR. In addition to disseminating information, we seek opinions and requests from stakeholders about the CSR Report through interviews, questionnaires, and dialog.



## Readers' Comments on the Corporate Social Responsibility Report 2004

To improve Toshiba Group's CSR Report, we seek comments from stakeholders using questionnaires and other means.

### ● Comments from Completed Questionnaires

We received completed questionnaires from 105 readers, about 90% of who rated the report "Extremely good" or "Good." Here we include a few of the suggestions and requests we received.

- Although I understood Toshiba's involvement in CSR, the contents are too broad. Why not narrow it down a bit and focus on key points?
- It would be good if objectives and results were periodically reported.
- I'd like you to make sure the amount of environmental information doesn't decrease.
- There are lots of foreign loan words and hard to understand parts (technical terminology).
- The text is too small and hard to read.
- The paper quality is too high.

### ● Comments from the Dialog with Stakeholders (Pages 60 and 61)

- The explanation of corporate governance is out of place in the section "The Mind of Toshiba Group."
- You should include value distribution to stakeholders in the report on economic performance.
- I'd like you to reveal the method of calculating the Factor T eco-efficiency indicator.

### ● Suggestions from European Socially Responsible Investing (SRI) Research Organizations

Toshiba conducted interviews and questionnaire surveys targeting European SRI research organizations and obtained comments on Toshiba Group's CSR Report from eight companies.

- By adding social information, the report has become too broad, which dilute the overall message.
- Labor standards in the supply chain are not addressed.
- Reporting on overseas operations is insufficient.
- The report doesn't contain information on the whistle blowing processes/internal reporting mechanisms.
- It's good that readers can reach the desired page on the website version in just three clicks.
- It would be better if Group figures were included for all data items.
- It would be better if there were an explicit explanation of the scope of data and calculation methods.
- Although the report consists of chapters, the report structure is difficult to understand in parts.
- It would be better to include information on activities to dissolve the digital divide.

### ● Principal Improvements in Corporate Social Responsibility Report 2005

- We have included Highlights and Targets and Results sections and endeavored to provide easy to understand explanations of matters Toshiba Group regards as important.
- At the beginning of each topic we have included a Achievements in Fiscal 2004 column to provide an overview of activities at a glance.
- We have added topics about relations with suppliers and shareholder and investor relations.
- We have included in the report on economic performance information on economic value distribution.
- We have used easy to understand terminology as far as possible and provided explanations in the text where supplemental information is required.

Detailed information on communication with stakeholders, including comments received at the Toshiba Group Environment Technology Exhibition and comments on the Toshiba Group CSR Report is available on the Toshiba website.

URL <http://www.toshiba.co.jp/csr/en/communication/>

# Third-party Review of the CSR Report

To enhance the reliability of the CSR Report, Toshiba requested Shinnihon Integrity Assurance Inc. (SIAI) to read the report and provide us with the findings from an independent standpoint in terms of the following: 1) whether the report is built on the basic principles of AA1000 with regard to accountability to stakeholders, and 2) whether the content of the report is built on the requirements of the GRI Guidelines.

## Findings of Independent Third Party

Mr. Tadashi Okamura  
President and Chief Executive Officer  
Toshiba Corporation

6 June 2005

### 1. PURPOSE AND SCOPE OF THE ENGAGEMENT

The purpose of this engagement is to provide our findings concerning the "Toshiba Corporate Social Responsibility Report 2005" ("the Report") of Toshiba Corporation ("Toshiba") in relation to each of the "AA1000 Principles (Materiality, Completeness, and Responsiveness)" at the request of Toshiba.

This report, however, does not intend to provide assurance to the Report.

### 2. RESPONSIBILITIES

All information included in the Report is the responsibility of the management of Toshiba. Our responsibility in performing this engagement is to report our findings concerning the Report from an independent standpoint.

### 3. OUTLINE OF OUR WORK

We assessed the Report by following the procedures in the assurance process described in the "AA1000 Assurance Standard" and conducting interviews with the individuals concerned with the Report.

### 4. FINDINGS

#### Materiality

Does the Report provide all material information that the stakeholders require?

#### Good points:

- Toshiba has tackled the CSR issues by going through the PDCA cycle with a dedicated CSR Governance Committee, which sets out targets and programmes for the identified issues, assesses the achievements of these targets and programmes, and manages Toshiba's CSR performance. Toshiba set up a team responsible for the preparation of the CSR reports, which selects the issues, identifies the material subjects, and determines the nature and extent of the information to be included in the CSR reports subject to the approval of the CSR Governance Committee.
- We noted that, as a result of Toshiba's efforts outlined above, the Report provides a well-balanced representation of all material aspects concerning Toshiba's CSR performance with the exception of the areas listed as "Issues to be addressed" below.
- Material aspects covered in the Report:
  - ◇ Subjects relating to communication with the stakeholders, technological innovation, the environment, and good corporate citizenship, all of which comprise Toshiba Management Philosophy, are reported in "Highlights 2004";
  - ◇ The degree to which each action taken to ensure compliance is promoted throughout the Toshiba Group worldwide is reported; and
  - ◇ Engagements with Toshiba's suppliers are reported based on the spirit of the UN Global Compact Principles.

#### Issues to be addressed:

- Toshiba should review, from the viewpoint of CSR, its current procedures regarding internal audits of legal compliance and of environmental issues, the result of which are reported to the Board of Directors. Toshiba should incorporate these internal audit procedures into the above-mentioned PDCA cycle.
- Toshiba should hold meetings with the stakeholders to discuss the contents of the Report.
- Toshiba should identify the norms and interests of each local community in which they operate and consider incorporating these social concerns in the CSR reports.
- Toshiba should set targets and outline programmes for the next fiscal year including as much specific information as possible such as by what date and to what extent Toshiba aims to achieve these.

\*The "AA1000 Principles" and the "AA1000 Assurance Standard" were developed by an international NPO "AccountAbility" (the Institute of Social and Ethical Accountability), as a framework to promote the organization's accountability for sustainable development, and have been released as part of the AA1000 Series.

For further information, please visit: [URL http://www.accountability.org.uk/](http://www.accountability.org.uk/)

#### Completeness

Does Toshiba have all the necessary information on the material issues?

#### Good points:

- The team responsible for the preparation of CSR reports is composed of staff from the following divisions: CSR, Governance, Risk-Compliance, Environment, Human Resources, Social Contribution, Overseas Operations, Procurement, and Corporate Communications. This broad representation enables the team to ascertain a wide range of information relating to Toshiba's CSR.
- Toshiba has fully considered the scope of the Report in terms of the entities involved, the data to be covered and the method of measuring the data, and has decided to disclose adequate information to whatever extent possible.
- Toshiba aims to expand the scope of its future CSR report. The Report covers the following:
  - ◇ The data on corporate citizenship covers the Toshiba Group worldwide; and
  - ◇ The data on monitoring environmental performance covers all the production bases of the Toshiba Group worldwide. The scope of the fourth voluntary environmental plan (launched in fiscal 2005) will be expanded to include staff and sales offices.
- The Report contains all information required based on the selected indicators in the Global Reporting Initiative Sustainability Reporting Guidelines 2002 ("the GRI Guidelines") which Toshiba declared it had referred to.

#### Issues to be addressed:

- Toshiba recognizes that the Report does not include all information and data relating to the CSR activities of the Toshiba Group worldwide and accepts this as one of the challenges for future reporting. Toshiba should set forth its group-wide policies and procedures concerning stakeholder communication, implement these in an organized and planned manner throughout the Toshiba Group worldwide, and document its achievements.
- Toshiba should leave a trail of its reporting process in order to ensure the verifiability of its CSR reports.
- Toshiba should provide reason for its omission of certain information required under the indicators in the GRI Guidelines and its future reporting plan.

#### Responsiveness

Has Toshiba adequately responded to its stakeholders' concerns and interests and communicated these responses in the Report?

#### Good points:

- The Report covers various stakeholder concerns and interests such as Toshiba's endeavors to improve CSR reporting, services and work environment, and the need for an indicator of eco-efficiency of each product.
- Toshiba, throughout the Toshiba Group worldwide, responds to the stakeholders' interests and the concerns of the local communities, and communicates these responses in a coherent and consistent manner.
- Further information on the Report, such as how the data can be accessed, is provided in an effort to respond to the various needs of the stakeholders.

#### Issues to be addressed:

- Toshiba, throughout the Group worldwide, should understand and respond to the interests and concerns of stakeholders other than the local communities in a coherent and consistent manner, and should communicate these responses in a coherent and consistent manner.

### 5. Independence

We, as a group company of Ernst & Young ShinNihon ("ShinNihon"), comply with the independence requirements set forth in the Certified Public Accountants Law, the "Code of Ethics" of the Japanese Institute of Certified Public Accountants and ShinNihon's own "Code of Ethics."

#### Shinnihon Integrity Assurance Inc.

Yoshinobu Shimizu  
Representative Director  
Certified Public Accountant

Yoshifumi Takashima  
Executive Director  
Certified Public Accountant



- The GRI Index reviewed by SIAI is available on the Toshiba website. [URL http://www.toshiba.co.jp/csr/en/gri](http://www.toshiba.co.jp/csr/en/gri)

- The full text of the third-party review and the CSR report evaluation process in accordance with AA1000 are also available on the Toshiba website. [URL http://www.toshiba.co.jp/csr/en/review](http://www.toshiba.co.jp/csr/en/review)

## ▶▶▶ Having Received the Third-party Review

It is important to implement CSR activities based on the corporate philosophy, with consideration of the expectations and interests of stakeholders. SIAI's engagement with regard to the CSR Report was conducted from this viewpoint. From now on, we will do our utmost not only to improve our report but also to become a truly global enterprise that conducts business activities, taking the expectations and interests of stakeholders in each country and region into consideration.

## Third-party Review of Eco-efficiency

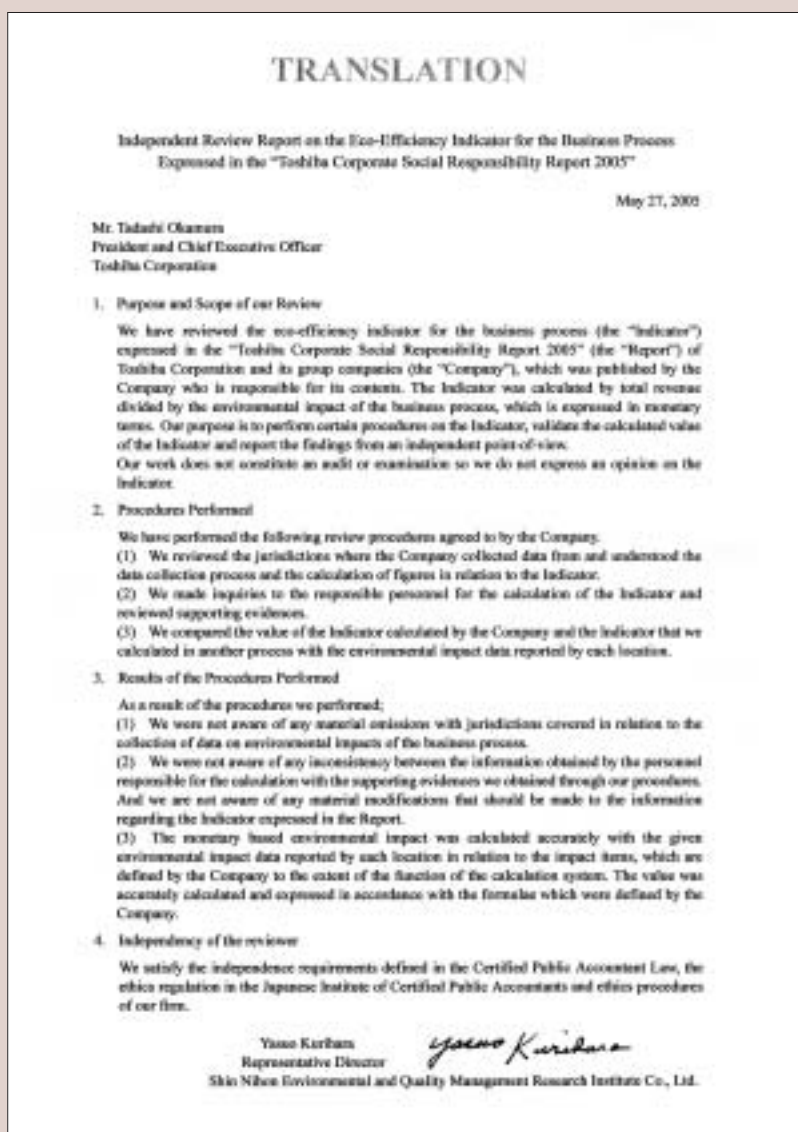
In order to ensure transparency and reliability, Toshiba Group received a review by Shin Nihon Environmental Management and Quality Research Institute Co., Ltd. concerning eco-efficiency presented in this report.

### Good points

- Overall eco-efficiency set by Toshiba Group is a quantitative indicator that shows the goal of environmental management in light of sustainability. Toshiba's commitment is outstanding in an industry that aims to achieve both environmental protection and economic growth.
- The concept of overall eco-efficiency integrating product eco-efficiency and business process eco-efficiency covers environmental activities in the course of doing business and suggests the desirable configuration and content of manufacturers' environmental management.
- By setting the eco-efficiency indicator, Toshiba has established a sufficient environmental management target control system with a hierarchical structure of targets extending from the overall eco-efficiency target to targets of product eco-efficiency and business process eco-efficiency and targets of priority measures.

### Issues to be addressed

- The numerator for calculating the business process eco-efficiency is Toshiba Group's sales. However, taking into account the compatibility with the business targets, correspondence with environmental impacts and other aspects, further consideration is required on how best to calculate the business process eco-efficiency.
- Damage (monetary value) attributable to environmental impacts is calculated based on huge amounts of data on environmental impacts gathered throughout Toshiba Group. Continual improvement of the coverage and reliability of such data is desirable.
- It is desirable that environmental accounting and other tools for management of environmental measures and a system for reflecting employees' proposals for improvement be further improved in order to achieve continual improvement of measures for enhancing eco-efficiency.



### ▶▶▶ Toshiba's Response from now on

The system for measuring, evaluating and improving product eco-efficiency and business process eco-efficiency is the driving force of Toshiba Group's environmental management. The third-party review covered only items concerning business process eco-efficiency. Although we use the same method for calculating the environmental impact, which is a denominator for both product and business process eco-efficiency, the numerator for business process eco-efficiency is sales and that for product eco-efficiency is value of a product. Product eco-efficiency and business process eco-efficiency complement each other. While enhancing the accuracy of each indicator, we also intend to find a better way of integrating the two indicators.

## TOSHIBA CORPORATION

1-1-1 Shibaura, Minato-ku, Tokyo, 105-8001, Japan

### Contacts

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■ Corporate Social Responsibility Division  
(about CSR Report)  
Tel: +81-3-3457-2395 Fax: +81-3-5444-9214

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■ Corporate Environment Management Division  
(about environmental activities)  
Tel: +81-3-3457-2403 Fax: +81-3-5444-9206

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■ Inquiry page on Toshiba website (general inquiries)  
URL <http://www.toshiba.co.jp/csr/en/contact/>

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The CSR Report is available on the Toshiba website:  
URL <http://www.toshiba.co.jp/csr/en/>



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