SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2004 | **Commission File Number 001-03761**

TEXAS INSTRUMENTS INCORPORATED
(Exact name of Registrant as specified in its charter)

Delaware	**75-0289970**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
12500 TI Boulevard, P.O. Box 660199, Dallas, Texas	**75266-0199**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code 972-995-3773

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

1,731,102,705
Number of shares of Registrant's common stock outstanding as of March 31, 2004

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Consolidated Financial Statements
(In millions of dollars, except per-share amounts)

Operations	**For Three Months Ended Mar. 31, 2004**	**For Three Months Ended Mar. 31, 2003**
Net revenue	$ 2,936	$ 2,192
Operating costs and expenses:		
Cost of revenue	1,614	1,330
Research and development	494	408
Selling, general and administrative	354	301
Total	2,462	2,039
Profit from operations	474	153
Other income (expense) net	50	14
Interest on loans	8	13
Income before income taxes	516	154
Provision for income taxes	149	37
Net income	$ 367	$ 117
Diluted earnings per common share	$ .21	$ .07
Basic earnings per common share	$ .21	$ .07
Cash dividends declared per share of common stock	$ .021	$ .021

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Consolidated Financial Statements
(In millions of dollars, except share amounts)

Balance Sheet	Mar. 31, 2004	Dec. 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	$ 1,615	$ 1,818
Short-term investments	2,522	2,511
Accounts receivable, net of allowances for customer adjustments and doubtful accounts of $44 million in 2004 and $47 million in 2003	1,678	1,451
Inventories:		
Raw materials	126	106
Work in process	692	624
Finished goods	330	254
Inventories	1,148	984
Deferred income taxes	490	449
Prepaid expenses and other current assets	545	496
Total current assets	7,998	7,709
Property, plant and equipment at cost	9,738	9,549
Less accumulated depreciation	(5,550)	(5,417)
Property, plant and equipment (net)	4,188	4,132
Long-term cash investments	1,356	1,335
Equity investments	260	265
Goodwill	693	693
Acquisition-related intangibles	154	169
Deferred income taxes	524	626
Other assets	612	581
Total assets	$ 15,785	$ 15,510
Liabilities and Stockholders' Equity		
Current liabilities:		
Loans payable and current portion long-term debt	$ 435	$ 437
Accounts payable and accrued expenses	1,553	1,496
Income taxes payable	210	250
Accrued retirement and profit sharing contributions	82	17
Total current liabilities	2,280	2,200
Long-term debt	394	395
Accrued retirement costs	620	628
Deferred income taxes	57	59
Deferred credits and other liabilities	349	364
Stockholders' equity:		
Preferred stock, $25 par value. Authorized – 10,000,000 shares.		
Participating cumulative preferred. None issued.	—	—
Common stock, $1 par value. Authorized – 2,400,000,000 shares.		
Shares issued: 2004 – 1,738,115,567; 2003 – 1,737,739,654	1,738	1,738
Paid-in capital	859	901
Retained earnings	9,865	9,535
Less treasury common stock at cost:		
Shares: 2004 – 7,012,862; 2003 – 5,401,665	(200)	(135)
Accumulated other comprehensive income (loss)	(164)	(159)
Deferred compensation	(13)	(16)
Total stockholders' equity	12,085	11,864
Total liabilities and stockholders' equity	$ 15,785	$ 15,510

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Consolidated Financial Statements
(In millions of dollars)

Cash Flows	**For Three Months Ended Mar. 31, 2004**	**For Three Months Ended Mar. 31, 2003**
Cash flows from operating activities:		
Net income	$ 367	$ 117
Depreciation	348	346
Amortization of acquisition-related costs	19	28
Write–downs of equity investments	5	12
Gains on sale of equity investments	(7)	—
Deferred income taxes	(17)	(13)
(Increase) decrease in working capital (excluding cash and cash equivalents, short-term investments, deferred income taxes, and loans payable and current portion long-term debt):		
Accounts receivable	(227)	(160)
Inventories	(164)	(92)
Prepaid expenses and other current assets	(97)	(70)
Accounts payable and accrued expenses	58	(35)
Income taxes payable	105	38
Accrued retirement and profit sharing contributions	65	(9)
Increase (decrease) in noncurrent accrued retirement costs	(64)	4
Other	2	30
Net cash provided by operating activities	393	196
Cash flows from investing activities:		
Additions to property, plant and equipment	(401)	(132)
Purchases of short-term investments	(496)	(493)
Sales and maturities of short-term investments	910	1,131
Purchases of long-term cash investments	(493)	(560)
Sales of long-term cash investments	44	67
Purchases of equity investments	(2)	(10)
Sales of equity investments	11	—
Net cash provided by (used in) investing activities	(427)	3
Cash flows from financing activities:		
Payments on loans payable	(1)	(5)
Payments on long-term debt	—	(256)
Dividends paid on common stock	(37)	(37)
Sales and other common stock transactions	42	16
Common stock repurchase program	(172)	(48)
Decrease in current assets for restricted cash	—	261
Net cash used in financing activities	(168)	(69)
Effect of exchange rate changes on cash	(1)	10
Net increase (decrease) in cash and cash equivalents	(203)	140
Cash and cash equivalents, January 1	1,818	949
Cash and cash equivalents, March 31	$ 1,615	$ 1,089

1. Diluted earnings per common share are based on average common and dilutive potential common shares outstanding (1783.6 and 1753.4 million shares for the first quarters of 2004 and 2003).

2. Income for the first quarter of 2004 includes, in millions of dollars, a charge of $5 for restructuring actions initiated in the second quarter of 2003, of which $2 is associated with achieving manufacturing efficiencies in the Semiconductor business and $3 is associated with moving certain production lines in the Sensors & Controls business from Attleboro to other TI sites. The $5 restructuring charge is primarily for severance and benefit costs. Of the $5, $4 is included in cost of revenue and $1 is in selling, general and administrative expense.

3. Income for the first quarter of 2003 includes, in millions of dollars, a charge of $10 in other income (expense) net from the redemption of $250 million principal amount of 4.25% convertible subordinated notes due 2007 that were originally issued by Burr-Brown Corporation, which was acquired by the company in August 2000.

4. Total comprehensive income, i.e., net income plus investment and pension liability adjustments to stockholders' equity, for the first quarters of 2004 and 2003, in millions of dollars, was $362 and $51.

5. Year-to-date acquisition-related purchased in-process research and development (R&D) charges were zero for both 2004 and 2003. These charges are for R&D from business purchase acquisitions. Values for acquired in-process R&D (purchased R&D) were determined at the acquisition date based upon the appraised value of the related developmental projects. Purchased R&D projects were assessed, analyzed and valued within the context and framework articulated by the Securities and Exchange Commission herein described as the Exclusion Approach.

   Major assumptions, detailed in the following table, used in determining the value of significant purchased R&D included the discount rate, the estimated beginning date of projected operating cash flows, and the remaining cost and time, in engineer-months, to complete the R&D projects. The term "engineer-month" refers to the average amount of research work expected to be performed by an engineer in a month.

Millions of Dollars

Entity Acquired	Acquisition Date	Consideration	Goodwill	Other Intangibles	Unearned Compensation	Purchased In-process R&D Charge	R&D Focus	Discount Rate	Cost/Time to Complete R&D Projects At Acquisition	Cost/Time to Complete R&D Projects At Mar. 2004	Year Cash Flows Projected to Begin
Radia Communications, Inc.	Third quarter 2003	$ 133	$ 64	$ 40	$ 9	$ 23	Development of radio frequency wireless local area networking multi-band/ multi-mode radios	24%	$9/485 engineer months	$3/145 engineer months	2004

6. The company accounts for its stock-based employee compensation plans under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock option compensation cost is reflected in net income, as all options (except options granted under the company's employee stock purchase plans and acquisition-related stock option awards) granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per common share if the company had applied the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation (in millions of dollars, except per-share amounts).

	For Three Months Ended	
	Mar. 31, 2004	Mar. 31, 2003
Net income, as reported	$ 367	$ 117
Add: Stock-based employee compensation expense included in reported net income, net of tax	3	2
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(104)	(107)
Adjusted net income	$ 266	$ 12
Earnings per common share:		
Diluted – as reported	$ .21	$ .07
Diluted – as adjusted	$ .15	$ .01
Basic – as reported	$ .21	$ .07
Basic – as adjusted	$ .15	$ .01

7. Components of net periodic pension cost (in millions of dollars):

	U.S. Pension		Retiree Medical		Non-U.S. Pension	
For the three months ended March 31,	2004	2003	2004	2003	2004	2003
Service cost	$ 7	$ 7	$ —	$ 1	$ 11	$10
Interest cost	10	12	6	6	8	7
Expected return on assets	(12)	(10)	(4)	(5)	(8)	(6)
Amortization of prior service cost	—	—	(2)	(1)	—	1
Amortization of net (gain)/loss	5	5	3	—	5	5
Net periodic benefit cost	$ 10	$ 14	$ 3	$ 1	$ 16	$17

The company made contributions of $55 million to its U.S. retirement plans in the first quarter of 2004 and zero in the first quarter of 2003.

8. In December of 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) was enacted in the U.S. The Act introduced a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health benefit plans that provide a benefit that meets certain criteria. The company's postretirement plans covering U.S. retirees currently provide certain prescription benefits to eligible participants. The company has made the one-time election to defer accounting for the effects of the Act pursuant to FASB Staff Position 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003". The company is evaluating the impact of the Act's benefits and subsidies on the company's accumulated benefit obligation for postretirement benefits. The company is also assessing what changes, if any, would be required to the current benefits provided to allow the company to qualify for the federal subsidy. Further analysis of the Act and its impact on the company will take place during 2004.

9. Restructuring Actions

Sensors & Controls Restructuring Action: In the second quarter of 2003, the company announced a plan to move certain production lines from Attleboro, Massachusetts to other TI sites in order to be geographically closer to customers and their markets and to reduce manufacturing costs. This restructuring action is expected to affect about 800 jobs through voluntary retirement and involuntary termination programs, primarily in manufacturing operations at the Attleboro headquarters of the Sensors & Controls business. The total cost of this restructuring action is expected to be about $60 million. As of March 31, 2004, a total of 322 employees have been terminated and total net pretax charges of $43 million have been recorded associated with this action. Payments are expected to be completed in 2005.

In the first quarter of 2004, the company recorded net pretax charges of $3 million, primarily for severance and benefit costs. Of the $3 million, $2 million is included in cost of revenue and $1 million is included in selling, general and administrative expense.

In 2003, the company recorded net pretax charges of $40 million, primarily for severance and benefit costs. Of the $40 million, $34 million was included in cost of revenue and $6 million was included in selling, general and administrative expense. The total number of employees affected was 316, primarily at the Attleboro and Japan locations.

Semiconductor Restructuring Action: Also, in the second quarter of 2003, the company announced a restructuring action that is expected to affect about 950 jobs in Semiconductor manufacturing operations in the U.S. and international locations, as those operations continue to become more productive with fewer people. The total cost of this restructuring action is expected to be about $90 million. As of March 31, 2004, a total of 859 employees have been terminated and total net pretax charges of $80 million have been recorded associated with this action. Payments are expected to be completed in 2005.

In the first quarter of 2004, the company recorded net pretax charges in cost of revenue of $2 million, primarily for severance and benefit costs. The total number of employees affected was 91, primarily at U.S. locations.

In 2003, the company recorded net pretax charges of $78 million, primarily for severance and benefit costs. Of the $78 million, $68 million was included in cost of revenue, $9 million was included in selling, general and administrative expense, and $1 million was in research and development expense. The total number of employees affected was 768, primarily at U.S. and Japan locations.

Semiconductor Restructuring Action: In late 2002, the company announced a plan to involuntarily terminate about 500 employees, primarily in manufacturing operations, to align resources with market demand. In the third and fourth quarters of 2002, the company terminated 54 and 434 employees, respectively. Of the total 488 employees terminated, 450 were in U.S. locations while the remaining employees were in some of the company’s international locations. The company recorded net pretax charges of $17 million for severance and benefit costs, of which $11 million was included in cost of revenue, $4 million in selling, general and administrative expense, and $2 million in research and development expense. As of March 31, 2004, all employees have been terminated and a balance of $1 million of severance and benefit costs remains to be paid. Payments are expected to be completed in 2004.

Prior Actions: In the first quarter of 2001, the company began an aggressive worldwide cost-reduction plan to limit the impact of reduced revenue on profitability. The elements of the cost-reduction plan were a voluntary retirement program, involuntary terminations and the consolidation of certain manufacturing operations including the closing of three Semiconductor facilities. One of the facilities was sold in 2001, one of the facilities was sold in 2003, and the remaining facility is being marketed for sale. As of March 31, 2004, all employees have been terminated and a balance of $21 million of severance and benefit costs remains to be paid. Payments are expected to continue through 2008, of which $6 million is to be paid in 2004, $6 million in 2005, $4 million in 2006, $3 million in 2007 and $2 million in 2008.

In years prior to 2001, actions were taken to terminate employees primarily in the company’s European locations. As of March 31, 2004, a balance of $2 million in severance and benefit costs remains to be paid. Payments are expected to be completed in 2004.

The following is a reconciliation of individual restructuring accruals (in millions of dollars).

			2002	2003		2004	
Description*	Total	Balance, Prior Actions Primarily Severance	SC Severance Action	S&C Severance Action	SC Severance Action	S&C Severance Action	SC Severance Action
BALANCE DECEMBER 31, 2003	$ 58	$ 27	$ 1	$ 15	$ 15		
CHARGES:							
Severance charges	3					$ 2	$ 1
Non-cash acceleration of depreciation	2					1	1
DISPOSITIONS:							
Severance payments	(13)	(4)		(4)	(4)	(1)	
Non-cash transfer to accumulated depreciation	(2)					(1)	(1)
BALANCE MARCH 31, 2004	$ 48	$ 23	$ 1	$ 11	$ 11	$ 1	$ 1

Note: All charges/dispositions are cash items unless otherwise noted.

*Abbreviations
SC = Semiconductor
S&C = Sensors & Controls

10. Italian government auditors have substantially completed a review, conducted in the ordinary course, of approximately $250 million of grants from the Italian government to TI's former memory operations in Italy for 13 separate projects. The auditors have raised a number of issues relating to compliance with grant requirements and the eligibility of specific expenses for the grants. As of March 31, 2004, the auditors have issued audit reports on 12 of the projects. The Ministry of Industry is responsible for reviewing the auditor's findings. Depending on the Ministry's decision, the review may result in a demand from the Italian government that TI repay a portion of the grants. TI believes that the grants were obtained and used in compliance with applicable law and contractual obligations. One final concession decree was published in the first quarter of 2004. As of March 31, 2004, the Ministry has published final concession decrees on nine of the projects representing approximately $135 million of grants. TI does not expect the outcome to have a material impact on the company's financial condition, results of operation or liquidity.

11. Business segment information follows (in millions of dollars):

	For Three Months Ended	
Business Segment Net Revenue	**Mar. 31, 2004**	**Mar. 31, 2003**
Semiconductor		
Trade	$2,573	$1,863
Intersegment	1	4
	2,574	1,867
Sensors & Controls		
Trade	283	252
Intersegment	1	1
	284	253
Educational & Productivity Solutions		
Trade	79	77
Corporate activities	(1)	(5)
Total net revenue	$2,936	$2,192

Business Segment Profit	For Three Months Ended Mar. 31 2004	Mar. 31 2003
Semiconductor	$ 465	$ 147
Sensors & Controls	75	61
Educational & Productivity Solutions	9	15
Corporate activities	(51)	(42)
Charges/gains, and acquisition-related amortization	(24)	(38)
Interest on loans/other income (expense) net, excluding a first-quarter 2003 charge of $10 included above in Charges/gains and acquisition-related amortization	42	11
Income before income taxes	$ 516	$ 154

12. Federal income taxes for the interim periods presented have been included in the accompanying financial statements on the basis of an estimated annual rate. The estimated annualized tax rate for 2004 is 29 percent. The primary reason the effective annualized tax rate for 2004 differs from the 35 percent statutory corporate tax rate is due to the effect of non-U.S. tax rates and various tax benefits such as the credits for research activities and export sales.

13. The statement of operations and statement of cash flows for the periods ended March 31, 2004 and 2003, and the balance sheet as of March 31, 2004, are not audited but reflect all adjustments which are of a normal recurring nature and are, in the opinion of management, necessary for a fair statement of the results of the periods shown.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following should be read in conjunction with the condensed consolidated financial statements and the related notes that appear elsewhere in this document.

Texas Instruments makes, markets and sells high-technology components and systems. The company has three separate business segments: 1) Semiconductor; 2) Sensors & Controls; and 3) Educational Productivity Solutions. Semiconductor is by far the largest of these business segments. It accounted for 85 percent of TI's revenue in 2003, and over time it averages a higher growth rate than the other two business segments, although the semiconductor market is characterized by wide swings in growth rates from year to year. TI is among the five largest semiconductor companies in the world.

In its Semiconductor segment, TI focuses primarily on technologies that make it possible for a variety of consumer and industrial electronic equipment to process both analog and digital signals in real time. These technologies are known as Analog semiconductors and Digital Signal Processors, or DSPs, and as of year-end 2003 together they accounted for about three-fourths of the company's Semiconductor revenue. Almost all of today's digital electronic equipment requires some form of analog and digital signal processing.

Analog semiconductors process continuous signals such as temperature, pressure and visual images. TI's Analog semiconductors consist of custom products and standard products. Custom products are designed for specific applications for specific customers. Standard products include application-specific standard products (designed for a specific application and usable by multiple customers) and high-performance standard catalog products (usable in multiple applications by multiple customers). These standard products are characterized by differentiated features and specifications, as well as relatively high margins. Both custom and standard products are proprietary and difficult for competitors to imitate. Commodity standard products are sold in high volume and into a broad range of applications, and generally are differentiated by price and availability. TI is one of the world's largest suppliers of Analog semiconductors.

DSPs use complex algorithms and compression techniques to provide real-time, power-efficient processing of real-world signals that have been converted into digital form. TI's DSPs include both custom and standard products. Custom products are designed for specific applications (such as wireless cell phones, very fast modems that connect users to the Internet via cable or phone lines, or consumer electronics such as digital music players and digital cameras). Standard products are sold into a broad range of applications, and like custom products, are difficult for competitors to imitate. TI is the world's largest supplier of DSPs.

TI owns and operates 11 semiconductor manufacturing sites in North America, Europe and Asia. These facilities require substantial investment to construct and are largely fixed-cost assets once in operation. Because TI owns most of its manufacturing capacity, a significant portion of the company's operating costs are fixed. In general, these costs do not decline with reductions in customer demand or the company's utilization of its manufacturing capacity, and can adversely affect profit margins as a result. Conversely, as product demand rises and factory utilization increases, the fixed costs are spread over increased output, which should benefit profit margins.

TI also outsources a portion of its product manufacturing to outside suppliers (foundries and assembly/test subcontractors), which reduces the amount of capital expenditures and subsequent depreciation required to meet customer demands, as well as fluctuations in profit margins.

The semiconductor market is characterized by constant and typically incremental innovation in product design and manufacturing technologies. In general, new products are shipped in limited quantities initially, and will then ramp into high volumes over time. Prices and manufacturing costs tend to decline over time as products and technologies mature.

TI is increasing its support of major Semiconductor customers in the wireless market with consignment inventory programs, under which it holds TI-owned inventory in customers' factories without an additional buffer of customer-owned component inventory. As the company saw in the first quarter of 2004, these programs should result in TI wireless revenue being more closely aligned with the seasonal revenue trends of these customers.

In TI's Sensors & Controls segment, products include sensors, electrical and electronic controls, and radio frequency identification (RFID) systems for automotive and industrial markets. Other markets include heating, ventilation, air conditioning, refrigeration and industrial control systems. This business segment represented 10 percent of TI's revenue in 2003.

The Educational & Productivity Solutions (E&PS) segment sells graphing and other calculators, which are marketed primarily through retailers and to schools through instructional dealers. This business segment represented 5 percent of TI's revenue in 2003.

The company accrues profit sharing based on how it expects the company to perform for the year in total – a combination of revenue growth rate and operating margin. For example, if the company exceeds the high end of its second quarter expectations range to an extent that it needs to increase expectations for the year, the profit sharing accrual would need to be increased. Any profit sharing adjustment, up or down, is made in the quarter the company's expectations change, with the accrual being adjusted on a year-to-date basis. Accordingly, any prior quarters' under- or over-accrual would need to be caught up in the quarter that the company's expectations change.

First Quarter 2004 Results

TI's first-quarter 2004 revenue was $2936 million, an increase of 6 percent sequentially and 34 percent from the year-ago quarter due to strength in TI's Semiconductor business. Earnings per share (EPS) were $0.21.

Semiconductor revenue increased 5 percent sequentially due to strong demand across a broad range of products, especially Digital Light Processing™ (DLP™) and, to a lesser extent, high-performance analog products. Growth in these areas more than offset a decline in revenue from wireless applications. TI's wireless revenue was the second highest on record despite the combination of normal seasonality in demand for wireless cell phones and lower demand from TI's largest customer. That customer adjusted its production levels down in the first quarter, affecting TI's first-quarter shipments, although some of this demand decrease was offset by increased demand at other wireless customers in the quarter.

Compared with the year-ago quarter, Semiconductor revenue increased 38 percent due to increased demand across a broad range of products, particularly DSPs and analog used in wireless applications, as well as high-performance analog used in a variety of applications. Wireless revenue increased 35 percent from the year-ago quarter driven by demand for TI's most advanced products. High-performance analog revenue increased 58 percent from the year-ago quarter.

The growth in Semiconductor revenue demonstrates the diversity in TI's customer base and its product portfolio. Shipments increased across most product lines and end markets. DLP products and high-performance analog are both becoming major contributors to TI's growth and profitability. DLP products are micro-electromechanical systems that use optical semiconductors to manipulate light digitally; end applications include business and home front projectors, high-definition digital televisions and digital cinema projectors. Revenue from DLP products reached a record level as TI's technology continued to penetrate the business projector and high-definition television markets with an increasing array of customer brands and retail presence. Growth in high-performance analog reflected the significant investments the company has made to establish a world-class development team and the quality of products this team has delivered.

TI's strong wireless growth from the year-ago period continued to outpace the industry's cell phone shipments, which the company believes reflects its increasing product content per phone. A big factor in this growth was TI's family of OMAP™ application processors, used to enable real multimedia capabilities in smartphones and 3G cell phones. TI's OMAP application processors provide the performance and power efficiency for real-time, broadband-enabled wireless applications such as video conferencing, streaming video, Internet audio, mobile commerce, location-based services and firewall security.

Market demand continued to be strong for the company's commodity semiconductor products in the first quarter of 2004, particularly standard logic and linear devices. Demand for standard logic and linear devices currently exceeds the company's manufacturing capacity. As a result, the company moved to a controlled order entry process, or allocation, for these products beginning in early March 2004. This is intended to ensure that the company does not accept more orders than it has the capacity to support and should improve its delivery performance. It also allows the company to prioritize customer demand to ensure support of those customers that have longstanding relationships with TI, and reduce the risk of double orders on backlog. Price trends reflect the strength in demand. Pricing for standard logic and linear products bottomed in the fourth quarter of 2003 and then began to move up for new orders. The company saw some of the price benefit in first quarter of 2004 shipments for standard linear products, although it will be the second quarter before it sees the benefit for standard logic products due to the lead time delay between when the company books an order at a higher price and when it ships that order. Pricing for commodity products has improved and is expected to continue to do so in the second quarter.

In all, the strength in customer orders and the continuing momentum of TI products lead the company to believe that 2004 will be another strong year for its Semiconductor business. For the first time since 2000, the company recorded an accrual for the broad-based TI employee profit sharing program, reflecting the company's expectations for strong growth and improving profitability. The company is increasing R&D and also is adding capacity for additional assembly and test capabilities and an additional 90-nanometer manufacturing line. These actions will help ensure the company can provide customers what they need, when they need it.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
Consolidated Statement of Operations – Selected Items
(In millions of dollars, except per-share amounts)

	For Three Months Ended		
	Mar. 31, 2004	Dec. 31, 2003	Mar. 31, 2003
Net revenue	$ 2,936	$ 2,770	$ 2,192
Operating costs and expenses:			
Cost of revenue	1,614	1,576	1,330
Gross profit	1,322	1,194	862
Gross profit % of revenue	45.0%	43.1%	39.3%
Research and development (R&D)	494	448	408
R&D % of revenue	16.8%	16.2%	18.6%
Selling, general and administrative (SG&A).	354	308	301
SG&A % of revenue	12.0%	11.1%	13.7%
Total	2,462	2,332	2,039
Profit from operations	474	438	153
Operating income % of revenue	16.2%	15.8%	7.0%
Other income (expense) net	50	131	14
Interest on loans	8	8	13
Income before income taxes	516	561	154
Provision for income taxes	149	49	37
Net income	$ 367	$ 512	$ 117
Diluted earnings per common share	$ .21	$ .29	$ .07

Details of Financial Results

In the first quarter, TI revenue of $2936 million increased by $166 million sequentially and by $744 million from the year-ago quarter.

Cost of revenue for the quarter was $1614 million, compared with $1576 million in the fourth quarter of 2003 and $1330 million in the first quarter of 2003. Cost of revenue increased sequentially due to (in decreasing order) the accrual for profit sharing and the annual compensation expense increases that were incurred in the first quarter. Cost of revenue increased from the year-ago quarter primarily due to (in decreasing order) increased revenue, the accrual for profit sharing and the annual compensation expense increases that were incurred in the first quarter of 2004.

Gross profit of $1322 million increased 11 percent sequentially and 53 percent from the year-ago quarter. Gross profit margin was 45.0 percent of revenue, up 1.9 percentage points sequentially and up 5.7 percentage points from the year-ago quarter. Gross profit and gross profit margin benefited from higher revenue and the resulting increased utilization of TI's fixed-cost Semiconductor manufacturing assets. This more than offset the accrual for profit sharing and the annual compensation expense increases that were incurred in the first quarter.

Research and Development (R&D) expense of $494 million increased 10 percent sequentially primarily due to (in decreasing order) the accrual for profit sharing and the annual compensation expense increases that were incurred in the first quarter. R&D expense increased 21 percent compared with the year-ago quarter primarily due to (in decreasing order) higher Semiconductor product development, particularly for wireless, the profit sharing accrual and the annual compensation expense increases. R&D expense was 16.8 percent of revenue in the first quarter, as compared with 16.2 percent in the prior quarter and 18.6 percent in the year-ago quarter.

Selling, General and Administrative (SG&A) expense of $354 million increased 15 percent sequentially and 18 percent from the year-ago quarter primarily due to (in decreasing order) the accrual for profit sharing and the annual compensation expense increases. SG&A expense was 12.0 percent of revenue in the quarter, as compared with 11.1 percent in the prior quarter and 13.7 percent in the year-ago quarter.

Operating profit of $474 million, or 16.2 percent of revenue, increased by $36 million sequentially and increased by $321 million compared with the year-ago quarter due to higher gross profit, which more than offset increased R&D and SG&A expenses.

OI&E of $50 million decreased by $81 million from the prior quarter, which included $97 million of pre-tax gain associated with the company's sale of its remaining shares of Micron Technology, Inc. (Micron) common stock. Compared with the year-ago quarter, OI&E increased $36 million reflecting TI's investment write-downs and, to a lesser extent, the charges associated with the retirement of Burr-Brown debt, both of which occurred in the year-ago quarter.

Interest expense of $8 million was even sequentially and declined by $5 million from the year-ago quarter due to the company's lower debt level.

The estimated annualized tax rate for 2004 is 29 percent. The primary reason the effective annualized tax rate for 2004 differs from the 35 percent statutory corporate tax rate is due to the effect of non-U.S. tax rates and, to a lesser extent, various tax benefits such as the credits for research activities and export sales. The increase in the 2004 estimated tax rate from the year-ago effective tax rate of 4 percent is primarily due to the reversal of the $223 million valuation allowance in 2003 associated with the deferred tax asset generated by the write-down of Micron common stock in 2002.

Net income was $367 million, or $0.21 per share, down $145 million sequentially due to, in decreasing order, the prior quarter's gain from the sale of Micron stock and the company's recognition of a previously reserved tax benefit associated with an impairment write-down of TI's Micron stock in the fourth quarter of 2002, and due to an increase in the company's effective tax rate. Compared with the year-ago quarter, net income increased $250 million due to higher operating profit. Net income in the first quarter reflects a higher effective tax rate of 29 percent compared with the earlier periods.

TI orders of $3231 million increased 5 percent sequentially due to, in decreasing order, growth in Semiconductor, Educational & Productivity Solutions and Sensors & Controls. Compared with the year-ago quarter, orders increased 41 percent primarily due to strength in Semiconductor. Semiconductor orders were $2810 million, up 2 percent sequentially. Compared with the year-ago quarter, Semiconductor orders were up 47 percent due to broad-based demand for the company's products. The Semiconductor book-to-bill ratio in the first quarter was 1.09.

<u>Semiconductor</u>

In the first quarter, Semiconductor revenue of $2574 million increased 5 percent sequentially as increased shipments resulting from higher demand across a broad range of products, particularly DLP and, to a lesser extent, high-performance analog products, offset a decline in wireless demand that reflected seasonal factors and lower demand from TI’s largest customer. DLP product revenue increased about 50 percent sequentially due to increased shipments resulting from higher demand as TI’s technology continues to penetrate the business projector and high-definition television markets. Semiconductor revenue increased 38 percent from the year-ago quarter primarily due to increased shipments resulting from higher demand across a broad range of products, particularly DSP and analog products used in the wireless market, as well as high-performance analog products.

Gross profit was $1188 million, or 46.2 percent of revenue, an increase of $105 million from the prior quarter and $440 million from the year-ago quarter. Gross profit margin increased 2.0 percentage points sequentially and 6.2 points from the year-ago quarter. Gross profit and gross profit margin benefited from higher revenue and the resulting increased utilization of TI’s fixed-cost Semiconductor manufacturing assets. This more than offset the accrual for profit sharing and the annual compensation expense increases that were incurred in the first quarter.

Semiconductor operating profit was $465 million, or 18.1 percent of revenue, up $32 million sequentially and $318 million from the year-ago quarter due to higher gross profit, which more than offset increased R&D and SG&A expenses.

Analog revenue increased 9 percent sequentially primarily due to increased shipments resulting from higher demand for high-performance analog products, and increased 42 percent from the year-ago quarter primarily due to higher demand for high-performance and wireless analog products. Revenue from TI’s high-performance analog products increased 14 percent sequentially and 58 percent from the year-ago quarter. This growth was broad-based across data converters, power management, precision amplifiers and digital audio/video products. The company believes its results reflect a combination of strength in the high-performance market sector as well as market share gains.

DSP revenue decreased 6 percent sequentially due to a decline in shipments for wireless cell phone applications and, to a lesser extent, a seasonal decline in shipments for digital consumer products. This combination more than offset robust growth in DSPs for DSL modems and wireless infrastructure, as well as catalog DSPs, with each of these areas growing more than 20 percent sequentially. DSP revenue increased 35 percent from the year-ago quarter primarily due to increased shipments resulting from higher demand in the wireless market. Catalog DSP revenue grew 33 percent sequentially and 49 percent compared with the year-ago quarter due to increased shipments resulting from higher demand.

TI’s remaining Semiconductor revenue increased 16 percent sequentially primarily due to increased shipments resulting from higher demand for DLP products and, to a lesser extent, growth in standard logic and microcontrollers. Revenue from RISC microprocessors declined sequentially. Compared with the year-ago quarter, this revenue increased 35 percent due to increased shipments resulting from higher demand across a broad range of products, including (in decreasing order) DLP products, standard logic and RISC microprocessors.

Results for TI Semiconductor products sold into key end equipments were as follows:

- Wireless revenue decreased 5 percent sequentially reflecting the combination of normal seasonality in demand for wireless cell phones and lower demand from TI’s largest customer. The company believes wireless cell phone shipments seasonally declined about 10 percent compared with the fourth quarter. TI's largest customer adjusted its production levels down in the first quarter, affecting TI's first-quarter shipments, although some of this decrease was offset by increased demand at other wireless customers in the quarter. Compared with the year-ago quarter, wireless revenue increased 35 percent due to increased shipments resulting from higher demand for the company's most-advanced wireless products, including 2.5G modems and OMAP application processors. This revenue growth rate is higher than that of wireless cell phone shipments over this period and, the company believes, reflects continued expansion in TI's average semiconductor content per phone and the diversity of TI's wireless customer base. 2.5G chipset revenue more than doubled from the year-ago quarter, although this has been partially offset by lower levels of 2G chipsets. In total, revenue for chipset solutions set a record high in the first quarter, as did revenue for OMAP application processors.

- Broadband communications revenue, which includes DSL and cable modems, voice over packet (VoP) and wireless LAN (WLAN), increased 15 percent sequentially and 105 percent compared with the year-ago quarter due to increased shipments resulting from higher demand, especially for the company's DSL products.

Semiconductor orders were $2810 million, up 2 percent sequentially. Compared with the year-ago quarter, Semiconductor orders were up 47 percent due to broad-based demand for the company's products.

Sensors & Controls

Sensors & Controls revenue was $284 million, up 13 percent sequentially and 12 percent from the year-ago quarter due to increased shipments resulting from higher demand across a broad range of product lines.

Gross profit was $110 million, or 38.8 percent of revenue, an increase of $15 million from the prior quarter primarily due to higher revenue, and up by $20 million compared with the year-ago quarter primarily due to reduced manufacturing costs.

Operating profit was $75 million, or 26.5 percent of revenue, an increase of $11 million sequentially and $14 million from the year-ago quarter due to higher gross profit.

Educational & Productivity Solutions (E&PS)

E&PS revenue was $79 million, up $3 million sequentially and $2 million from the year-ago quarter.

Gross profit was $37 million, or 47.0 percent of revenue, about even sequentially and compared with the year-ago quarter.

Operating profit was $9 million, or 11.0 percent of revenue, a decrease of $2 million from the prior quarter and $6 million from the year-ago quarter reflecting costs associated with discontinued development activity for a new product.

Financial Condition

TI's financial condition remains strong. At the end of the first quarter, total cash (cash and cash equivalents plus short-term investments and long-term cash investments) was $5493 million.

Accounts receivable of $1678 million increased $227 million sequentially due to a higher revenue level in the final month of the first quarter compared with the final month of the prior quarter. Accounts receivable increased by $313 million from the end of the year-ago quarter due to higher revenue. Days sales outstanding were 51 at the end of the first quarter, compared with 47 at the end of the prior quarter and 56 at the end of the year-ago quarter.

Inventory of $1148 million at the end of the first quarter increased $164 million sequentially and $266 million from the year-ago quarter to support anticipated higher shipments in the next quarter. Days of inventory at the end of the first quarter were 64, up from 56 days at the end of the prior quarter and up from 60 days at the end of the year-ago quarter.

Capital expenditures of $401 million increased by $129 million sequentially and $269 million from the year-ago quarter. TI’s capital expenditures in the first quarter primarily were used to increase assembly and test capacity to support higher demand, as well as for Semiconductor equipment to establish an additional 90-nanometer production line. 90-nanometer products benefit TI’s customers by reducing power consumption and manufacturing cost and allowing for increased integration of features on a semiconductor device.

Depreciation of $348 million decreased by $22 million sequentially and was about even with the year-ago quarter.

In December of 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) was enacted in the U.S. The Act introduced a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health benefit plans that provide a benefit that meets certain criteria. The company’s postretirement plans covering U.S. retirees currently provide certain prescription benefits to eligible participants. The company has made the one-time election to defer accounting for the effects of the Act pursuant to FASB Staff Position 106-1, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003”. The company is evaluating the impact of the Act’s benefits and subsidies on the company’s accumulated benefit obligation for postretirement benefits. The company is also assessing what changes, if any, would be required to the current benefits provided to allow the company to qualify for the federal subsidy. Further analysis of the Act and its impact on the company will take place during 2004.

Liquidity and Capital Resources

At the end of the first quarter, TI’s debt-to-total-capital ratio was 0.06, down from 0.07 at the end of prior quarter, and down from 0.09 at the end of the year-ago quarter primarily due to the company’s lower debt level. This ratio reflects the company’s view that it is prudent to maintain a low debt level considering the volatile nature of the semiconductor industry.

Cash flow from operations was $393 million, down $674 million sequentially primarily due to an increase in receivables and inventory. Compared with the year-ago quarter, cash flow was up $197 million due to higher net income.

Net cash used in investing activities was $427 million for the three months ended March 31, 2004, versus $3 million provided by investing activities for the same period a year ago. Increased additions to property, plant and equipment, and higher purchases of investments net of sales and maturities accounted for the change.

For the first three months of 2004, net cash used in financing activities increased to $168 million from $69 million in the year-ago period, due to the company’s repurchase of a larger number of its shares of common stock. The company used $172 million of cash to repurchase approximately 5.6 million shares of its common stock in the first quarter of 2004, compared with $48 million used to repurchase approximately 2.9 million shares of its common stock in the year-ago period. These repurchases are intended to neutralize the potential dilutive effect of shares expected to be issued upon exercise of stock options under the company's long-term incentive and employee stock purchase plans. Also, the company paid a total of $37 million of common stock dividends in each period.

The company's primary source of liquidity is $1615 million of cash and cash equivalents, $2522 million of short-term investments, and $1356 million of long-term cash investments, totaling $5493 million. Another source of liquidity is authorized borrowings of $500 million for commercial paper, backed by a 364-day revolving credit facility, which is currently not utilized. As of March 31, 2004, the company also had equity investments of $260 million.

The company has $400 million in notes maturing in the third quarter of 2004. The company intends to use its available cash resources to meet that obligation.

TI expects that 2004 earnings will continue to reflect revenue growth and higher operating margins. The company made an accrual for profit sharing in the first quarter of 2004 and expects to make an accrual in each subsequent quarter. Profit-sharing expenses are accrued quarterly based on the company's estimate of its full-year financial performance. Currently, profit-sharing accruals are estimated to be approximately $70 million per quarter, about 40% included in cost of revenue and the remainder about evenly distributed between R&D expense and SG&A expense.

The semiconductor market is intensely competitive and is subject to rapid technological change and the requirement of high rates of investment for R&D and for the manufacturing factories and equipment needed to produce advanced semiconductors. For 2004, TI expects R&D expense to be about $2.1 billion and capital expenditures to be about $1.3 billion. Given the nature of the semiconductor industry and the increasing complexity of technology, the company believes that it will need to continue to make significant R&D investments and capital expenditures.

The company believes it has the necessary financial resources to fund its working capital needs, capital expenditures, dividend payments and other business requirements for at least the next 12 months.

RESTRUCTURING ACTIONS AND OTHER ITEMS

Restructuring Actions

Sensors & Controls Restructuring Action: In the second quarter of 2003, the company announced a plan to move certain production lines from Attleboro, Massachusetts to other TI sites in order to be geographically closer to customers and their markets and to reduce manufacturing costs. This restructuring action is expected to affect about 800 jobs through voluntary retirement and involuntary termination programs primarily in manufacturing operations at the Attleboro headquarters of the Sensors & Controls business. The total cost of this restructuring action is expected to be about $60 million. As of March 31, 2004, a total of 322 employees have been terminated and total net pretax charges of $43 million have been recorded associated with this action. Payments are expected to be completed in 2005. When completed, the projected savings from this restructuring action are estimated to be an annualized $40 million, predominantly comprised of payroll and benefit savings.

In the first quarter of 2004, the company recorded net pretax charges of $3 million, primarily for severance and benefit costs. Of the $3 million, $2 million is included in cost of revenue and $1 million is included in SG&A expense.

In 2003, the company recorded net pretax charges of $40 million, primarily for severance and benefit costs. Of the $40 million, $34 million was included in cost of revenue and $6 million was included in SG&A expense. The total number of employees affected was 316, primarily at the Attleboro and Japan locations.

Semiconductor Restructuring Action: Also, in the second quarter of 2003, the company announced a restructuring action that is expected to affect about 950 jobs in Semiconductor manufacturing operations in the U.S. and international locations, as those operations continue to become more productive with fewer people. The total cost of this restructuring action is expected to be about $90 million. As of March 31, 2004, a total of 859 employees have been terminated and total net pretax charges of $80 million have been recorded associated with this action. Payments are expected to be completed in 2005. When completed, the projected savings from this restructuring action were estimated to be an annualized $70 million, predominantly comprised of payroll and benefit savings.

In the first quarter of 2004, the company recorded net pretax charges in cost of revenue of $2 million, primarily for severance and benefit costs. The total number of employees affected was 91, primarily at U.S. locations.

In 2003, the company recorded net pretax charges of $78 million, primarily for severance and benefit costs. Of the $78 million, $68 million was included in cost of revenue, $9 million was included in SG&A expense, and $1 million was in R&D expense. The total number of employees affected was 768, primarily at U.S. and Japan locations.

Semiconductor Restructuring Action: In late 2002, the company announced a plan to involuntarily terminate about 500 employees, primarily in manufacturing operations, to align resources with market demand. In the third and fourth quarters of 2002, the company terminated 54 and 434 employees, respectively. Of the total 488 employees terminated, 450 were in U.S. locations while the remaining employees were in some of the company's international locations. The company recorded net pretax charges of $17 million for severance and benefit costs, of which $11 million was included in cost of revenue, $4 million in SG&A expense, and $2 million in research and development expense. The projected savings from the cost-reduction plan were estimated to be an annualized $30 million, predominantly comprised of payroll and benefit savings. As of March 31, 2004, all employees have been terminated and a balance of $1 million of severance and benefit costs remains to be paid. Payments are expected to be completed in 2004.

Prior Actions: In the first quarter of 2001, the company began an aggressive worldwide cost-reduction plan to limit the impact of reduced revenue on profitability. The elements of the cost-reduction plan were a voluntary retirement program, involuntary terminations and the consolidation of certain manufacturing operations including the closing of three Semiconductor facilities. One of the facilities was sold in 2001, one of the facilities was sold in 2003, and the remaining facility is being marketed for sale. As of March 31, 2004, all employees have been terminated and a balance of $21 million of severance and benefit costs remains to be paid. Payments are expected to continue through 2008, of which $6 million is to be paid in 2004, $6 million in 2005, $4 million in 2006, $3 million in 2007 and $2 million in 2008.

In the years prior to 2001, actions were taken to terminate employees primarily in the company's European locations. As of March 31, 2004, a balance of $2 million in severance and benefit costs remains to be paid. Payments are expected to be completed in 2004.

The following is a reconciliation of individual restructuring accruals (in millions of dollars).

			2002	2003		2004	
Description*	Total	Balance, Prior Actions Primarily Severance	SC Severance Action	S&C Severance Action	SC Severance Action	S&C Severance Action	SC Severance Action
BALANCE DECEMBER 31, 2003	$ 58	$ 27	$ 1	$ 15	$ 15		
CHARGES:							
Severance charges	3					$ 2	$ 1
Non-cash acceleration of depreciation	2					1	1
DISPOSITIONS:							
Severance payments	(13)	(4)		(4)	(4)	(1)	
Non-cash transfer to accumulated depreciation	(2)					(1)	(1)
BALANCE MARCH 31, 2004	$ 48	$ 23	$ 1	$ 11	$ 11	$ 1	$ 1

Note: All charges/dispositions are cash items unless otherwise noted.

* Abbreviations
SC = Semiconductor
S&C = Sensors & Controls

Other Items

Other items include the following (charges) and gains (in millions of dollars):

	For Three Months Ended	
	Mar. 31, 2004	Mar. 31, 2003
Amortization of acquisition-related costs	$ (19)	$ (28)
Redemption of convertible notes	—	(10)

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Information concerning market risk is contained on pages 54 and 55 of Exhibit 13 to Registrant's Form 10-K for the year ended December 31, 2003, and is incorporated by reference to such exhibit.

ITEM 4. Controls and Procedures.

An evaluation as of the end of the period covered by this report was carried out under the supervision and with the participation of the Registrant's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that those disclosure controls and procedures were adequate to ensure that information required to be disclosed by the Registrant in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

ITEM 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

The following table contains information regarding the company's repurchase of its common stock during the quarter.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(2)
January 1 through January 31, 2004	587,568	$ 31.89	587,568	8,893,138
February 1 through February 29, 2004	4,557,568	$ 30.92	4,557,568	25,335,570
March 1 through March 31, 2004	447,568	$ 28.12	447,568	24,888,002
Total	5,592,704	$ 30.80	5,592,704	24,888,002

(1) All shares were purchased under the company's publicly announced stock repurchase program. All repurchases were open-market purchases.

(2) On February 20, 2003, the company announced that its Board of Directors approved the repurchase of up to 18 million shares of TI common stock. On February 19, 2004, the company announced that its Board of Directors approved the repurchase of up to 21 million additional shares of TI common stock. No expiration date has been specified for these repurchase authorizations.

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Designation of Exhibits in This Report	Description of Exhibit
10(i)	Texas Instruments 2003 Director Compensation Plan.
11	Computation of Earnings Per Common and Dilutive Potential Common Share.
12	Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).
31.2	Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).
32.1	Certification by Chief Executive Officer of Periodic Report Pursuant to 18 U.S.C. Section 1350.
32.2	Certification by Chief Financial Officer of Periodic Report Pursuant to 18 U.S.C. Section 1350.

(b) Reports on Form 8-K.

During the quarter ended March 31, 2004, the Registrant filed the following reports on Form 8-K: a Form 8-K dated January 26, 2004, attaching as an exhibit its fourth quarter and 2003 earnings release, and a Form 8-K dated March 8, 2003, attaching as an exhibit its press release updating the Registrant’s outlook for the first quarter of 2004.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: This Form 10-Q includes “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as TI or its management “believes,” “expects,” “anticipates,” “foresees,” “forecasts,” “estimates” or other words or phrases of similar import. Similarly, such statements herein that describe the company’s business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements.

We urge you to carefully consider the following important factors that could cause actual results to differ materially from the expectations of the company or its management:

- Market demand for semiconductors, particularly for digital signal processors and analog chips in key markets such as telecommunications and computers;
- TI's ability to maintain or improve profit margins, including its ability to utilize its manufacturing facilities at sufficient levels to cover its fixed operating costs, in an intensely competitive and cyclical industry;
- TI's ability to develop, manufacture and market innovative products in a rapidly changing technological environment;
- TI's ability to compete in products and prices in an intensely competitive industry;
- TI's ability to maintain and enforce a strong intellectual property portfolio and obtain needed licenses from third parties;
- Consolidation of TI's patent licensees and market conditions reducing royalty payments to TI;
- Timely completion and successful integration of announced acquisitions;
- Economic, social and political conditions in the countries in which TI, its customers or its suppliers operate, including security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates;
- Losses or curtailments of purchases from key customers or the timing of customer inventory adjustments;
- Availability of raw materials and critical manufacturing equipment;
- TI's ability to recruit and retain skilled personnel;
- Fluctuations in the market value of TI's investments and in interest rates; and
- Timely implementation of new manufacturing technologies, installation of manufacturing equipment and the ability to obtain needed third-party foundry and assembly/test subcontract services.

For a more detailed discussion of these factors see the text under the heading "Cautionary Statements Regarding Future Results of Operations" in Item 1 of the company's most recent Form 10-K. The forward-looking statements included in this report are made only as of the date of this report and TI undertakes no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS INSTRUMENTS INCORPORATED

BY: /s/ KEVIN P. MARCH

Kevin P. March
Senior Vice President and
Chief Financial Officer

Date: April 28, 2004

Exhibit 10(i)

TEXAS INSTRUMENTS 2003 DIRECTOR COMPENSATION PLAN

As Amended February 19, 2004

SECTION 1. PURPOSE.

The Texas Instruments 2003 Director Compensation Plan is designed to attract and retain qualified individuals to serve as directors of the Company and to increase the proprietary and vested interest of such directors in the growth and performance of the Company.

SECTION 2. DEFINITIONS.

As used in the Plan, the following terms shall have the meanings set forth below:

(a) *"Account"* means a Cash Account or Stock Unit Account established under Section 8 of the Plan.

(b) *"Administrator"* means the Board or a committee of directors designated by the Board to administer the Plan.

(c) *"Award"* means any Option, Restricted Stock Unit or other stock-based award under the Plan.

(d) *"Award Agreement"* means any written agreement, contract or other instrument or document evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by a Director.

(e) *"Board"* means the Board of Directors of the Company, as constituted from time to time.

(f) *"Cash Account"* means the bookkeeping account established pursuant to Section 8(c) on behalf of each Director who elects pursuant to Section 8(b) to have any of his or her Deferred Compensation credited to a cash account.

(g) *"Change in Control"* means an event when (a) any Person, alone or together with its Affiliates and Associates or otherwise, shall become an Acquiring Person otherwise than pursuant to a transaction or agreement approved by the Board prior to the time the Acquiring Person became such, or (b) a majority of the Board shall change within any 24-month period unless the election or the nomination for election by the Company's stockholders of each new director has been approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period. For the purposes hereof, the terms Person, Affiliates, Associates and Acquiring Person shall have the meanings given to such terms in the Rights Agreement dated as of June 17, 1998 between the Company and Harris Trust and Savings Bank, as in effect on the date hereof; provided, however, that if the percentage employed in the definition of Acquiring Person is reduced hereafter from 20% in such Rights Agreement, then such reduction shall also be applicable for the purposes hereof.

(h) *"Code"* means the Internal Revenue Code of 1986, as amended.

(i) *“Company”* means Texas Instruments Incorporated, together with any successor thereto.

(j) *“Deferred Compensation”* means that portion of any Director’s Eligible Compensation that he or she elects pursuant to Section 8(a) to be deferred in accordance with this Plan.

(k) *“Director”* means a member of the Board who is not an employee of the Company or any subsidiary thereof.

(l) *“Eligible Compensation”* means the cash portion of any compensation payable by the Company to a Director for his or her services as a Director but shall not include any reimbursement by the Company of expenses incurred by a Director incidental to attendance at a meeting of the Company’s stockholders, the Board, or any committee of the Board, or of any other expense incurred on behalf of the Company.

(m) *“Fair Market Value”* means the average of the high and low prices of the Shares on the date specified rounded up to the next whole cent (or, if there is no trading on the New York Stock Exchange on such date, then on the first previous date on which there is such trading) as reported in “New York Stock Exchange Composite Transactions” in “The Wall Street Journal” or by WSJ.com or Bloomberg L.P., or if unavailable, then by reference to any other source as may be deemed appropriate by the Administrator.

(n) *“O&N Committee”* means the Board Organization and Nominating Committee of the Board or any successor committee.

(o) *“Option”* means an option granted under Section 6.

(p) *“Participant”* means an individual who has received an Award or established an Account under the Plan.

(q) *“Plan”* means this Texas Instruments 2003 Director Compensation Plan.

(r) *“Restricted Stock Unit”* means a contractual right granted under Section 7 that is denominated in Shares, each of which represents a right to receive a Share upon the terms and conditions set forth in the Plan and the applicable Award Agreement.

(s) *“Secretary”* means the Secretary of the Company.

(t) *“Shares”* shall mean shares of the common stock of the Company, $1.00 par value.

(u) *“Stock Unit Account”* means the bookkeeping account established, pursuant to Section 8(d), on behalf of each Director who elects, pursuant to Section 8(b), to have any of his or her Deferred Compensation credited to a stock unit account.

(v) *“Year”* means a calendar year.

SECTION 3. ELIGIBILITY.

Each Director shall be eligible to defer compensation and to receive Awards under the Plan.

SECTION 4. ADMINISTRATION.

This Plan shall be administered by the Administrator. Subject to the terms of the Plan and applicable law, the Administrator shall have full power and authority to: (i) interpret, construe and administer the Plan and any instrument or agreement relating to, or Award granted or Accounts established under, the Plan; (ii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it deems appropriate for the proper administration of the Plan; and (iii) make any other determination and take any other action that it deems necessary or desirable for the administration of this Plan. All decisions of the Administrator shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the directors.

SECTION 5. SHARES SUBJECT TO THE PLAN.

(a) Subject to adjustment as provided below, the number of Shares available for issuance under the Plan shall be 2,000,000 Shares.

(b) If, after the effective date of the Plan, any Shares covered by an Award or Stock Unit Account, or to which such an Award relates, are forfeited, or if such an Award or Account otherwise terminates without the delivery of Shares, then such Shares, to the extent of any such forfeiture or termination, shall again be, or shall become, available for issuance under the Plan.

(c) In the event that any Award granted hereunder is exercised through the delivery of Shares, or in the event that withholding tax liabilities arising from such Award are satisfied by the withholding of Shares by the Company, the number of Shares available for Awards under the Plan shall be increased by the number of Shares so surrendered or withheld.

(d) Any Shares delivered pursuant to an Award or Stock Unit Account may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

(e) In the event that the Administrator shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Administrator shall, in such manner as it may deem equitable, adjust any or all of (i) the number of outstanding Restricted Stock Units, (ii) the number and type of Shares credited to Stock Unit Accounts, (iii) the number and type of Shares subject to Options, (iv) the exercise price with respect to any Option or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Option, and (v) the aggregate limit specified in Section 5(a); provided, however, that no fractional Restricted Stock Units or Shares shall be issued or outstanding hereunder.

SECTION 6. OPTIONS.

After the effective date of this Plan, each Director will be granted annually an Option to purchase 15,000 Shares. The Options granted will be nonstatutory stock options not intended to qualify under Section 422 of the Code and shall have the following terms and conditions:

(a) *Price and Term of Options*. The purchase price per share of Shares deliverable upon the exercise of each Option shall be 100% of the Fair Market Value per share of the Shares on the date the Option is granted. Each Option shall have a term not to exceed ten years from the date of grant.

(b) *Payment*. The Secretary shall determine the method or methods by which, and the form or forms, including, without limitation, cash, Shares, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which payment of the exercise price with respect to an Option may be made or deemed to have been made.

(c) *Exercisability.* Subject to Sections 6(d) and 6(e), Options shall become exercisable in four equal annual installments commencing on the first anniversary date of the grant.

(d) *Change in Control.* In the event of a Change in Control, the provisions of Section 6(c) shall not apply and Options outstanding under the Plan shall be immediately exercisable in full and continue to full term.

(e) *Termination of Service as a Director.* The effect of a Participant's termination of service as a director shall be as follows:

(i) *Termination for cause:* All outstanding Options held by the Participant shall be canceled immediately upon termination.

(ii) *Death:* All outstanding Options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 6(c), and shall be exercisable by such Participant's heirs.

(iii) *Permanent disability:* All outstanding Options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 6(c).

(iv) *Termination after 8 years of service:* All outstanding Options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 6(c).

(v) *Termination by reason of ineligibility to stand for reelection under the Company's by-laws:* All outstanding Options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 6(c).

(vi) *Other:* For any termination other than those specified above, all outstanding Options held by the Participant shall be exercisable for 30 days after the date of termination, only to the extent that such Options were exercisable on the date of termination, except as follows:

(A) If the Participant dies within 30 days after his or her termination, then such Participant's heirs may exercise the Options for a period of up to one year after the Participant's death, but only to the extent any unexercised portion was exercisable on the date of termination.

(B) If the Participant's termination occurs within 30 days before the effective date of a Change in Control, then the Change in Control will be deemed to have occurred first and the Options shall be exercisable in accordance with Section 6(d).

(f) *Option Agreement*. Each Option granted hereunder shall be evidenced by an Award Agreement with the Company, which shall contain the terms and provisions set forth herein and shall otherwise be consistent with the provisions of the Plan.

SECTION 7. RESTRICTED STOCK UNITS.

(a) *Grants of Restricted Stock Units*. Following the effective date of this Plan, each Director shall, effective as of the date of such individual's initial election or appointment to the Board, be granted 2,000 Restricted Stock Units. Each Restricted Stock Unit shall be paid or settled by the issuance of one Share upon the termination of such recipient's service as a director of the Company, provided that such termination of service shall have occurred (i) after the age at which a director is ineligible under the Company's by-laws to stand for reelection to the Board, (ii) after the completion of at least eight years of service as a director of the Company, (iii) as a result of the Director's death or disability, or (iv) in connection with or as a result of a Change in Control. In the event such recipient's membership on the Board shall terminate prior to the attainment of the age for ineligibility for reelection and prior to the completion of eight years of service as a director for reasons other than death or disability, such Restricted Stock Units shall terminate and all of the rights, title and interest of the recipient thereunder shall be forfeited in their entirety. Notwithstanding the foregoing, in no event shall Shares be issued pursuant to a Restricted Stock Unit granted under this Section 7 if a Director's service on the board terminates less than six months after the date of grant for any reason other than death or disability.

(b) *Right to Dividend Equivalents*. Each recipient of Restricted Stock Units under this Plan shall have the right, during the period when such Restricted Stock Units are outstanding and prior to the termination, forfeiture or payment or settlement thereof, to receive dividend equivalents equal to the amount or value of any cash or other distributions or dividends payable on the same number of Shares. The Company shall accumulate dividend equivalents on each dividend payment date and pay such accumulated amounts without interest annually.

(c) *Issuance of Shares Upon Lapse of Restrictions*. A stock certificate or certificates shall be registered and issued in the name of the holder of Restricted Stock Units and delivered to such holder as soon as practicable after such Restricted Stock Units have become payable or settleable in accordance with the terms of the Plan.

SECTION 8. DEFERRED COMPENSATION.

(a) *Deferral Election*. Each eligible Director may elect, with respect to any Year, that all or any portion of his or her Eligible Compensation be deferred in accordance with the terms of this Plan.

(b) *Investment Alternatives*. Each Director may elect that his or her Deferred Compensation for any Year be credited to a Cash Account or a Stock Unit Account or to any combination thereof.

(c) *Cash Accounts*.

(i) The Company shall establish and maintain a separate unfunded Cash Account for each Director who has elected that any portion of his or her Deferred Compensation be credited to a Cash Account.

(ii) As of the date on which any amount of a Director’s Deferred Compensation becomes payable, his or her Cash Account shall be credited with an amount equal to that portion of such Deferred Compensation as such Director has elected be credited to his or her Cash Account.

(iii) As of the last day of each month, interest on each Cash Account shall be credited on the average of the balances on the first and last day of such month. Interest shall be credited at a rate equivalent to the average yield on corporate bonds rated Aaa by Moody’s Investors Service on September 30 of the preceding Year (or if there is no such yield reported for such date, then on the next preceding date for which such a yield is reported) as published in Federal Reserve Statistical Release H.15, or at such other rate as may be determined by the O&N Committee for each Year.

(d) *Stock Unit Accounts.*

(i) The Company shall establish and maintain a separate unfunded Stock Unit Account for each Director who has elected that any portion of his Deferred Compensation be credited to a Stock Unit Account.

(ii) As of each date on which any amount of a Director’s Deferred Compensation becomes payable, his or her Stock Unit Account shall be credited with that number of units as are equal to the number of full or fractional Shares as could be purchased at the Fair Market Value on the first trading day preceding such date with the portion of such Deferred Compensation as such Director has elected be credited to his or her Stock Unit Account.

(iii) As of the payment date for each dividend on Shares declared by the Board, there shall be credited to each Stock Unit Account that number of units as are equal to the number of full or fractional Shares as could be purchased at the Fair Market Value on the first trading day preceding the payment date for such dividend with an amount equal to the product of: (i) the dividend per share, and (ii) the number of units in such Stock Unit Account immediately prior to the record date for such dividend.

(e) *Form and Time of Election*. A Director’s election to defer all or any portion of his or her Eligible Compensation for any Year shall be irrevocable. The election shall be made in writing in the form (“Election Form”) prescribed by the Secretary. Except as hereinafter provided, to be effective, an Election Form for any Year shall be required to be received by the Secretary on or before December 31 of the preceding Year. In the case of a Director’s initial election to the Board, the initial Election Form shall be received not more than 30 days following his or her election to the Board and, if not received within such 30-day period, the Election Form shall be effective only for Eligible Compensation earned after its receipt.

(f) *Form and Time of Distributions*. Distributions of amounts credited to each Director’s Cash Account shall be made in cash. Distribution of units credited to each director’s Stock Unit Account shall be made by issuing to such Director an equivalent number of Shares; provided, however, that no fractional shares will be issued and any fractional unit will be distributed by payment of cash in the amount represented by such fractional unit based on the Fair Market Value on the date preceding the date of payment. Except as otherwise hereinafter provided, distributions shall be made (a) on the first day of the month following such Director’s termination of service on the Board for any reason other than death, or (b) at such later time as the Director has elected in accordance with the terms of this Plan. Notwithstanding the foregoing, an earlier distribution may be made, at the discretion of the Administrator, upon a finding that a Director is suffering a significant financial hardship caused by a recent event or events not within such Director's control; provided, however, that in such event, the cash or shares distributed shall be limited to those amounts necessary to accommodate the financial hardship, as determined by the Administrator.

(g) *Death of Director*. Notwithstanding the foregoing, in the event of the death of a Director prior to receipt by such Director of the full amount of cash and number of shares to be distributed to the Director, all such cash and/or shares will be distributed to the beneficiary or beneficiaries designated by the Director, or if no beneficiary has been designated, to the Director's estate as soon as practicable following the month in which the death occurred.

(h) *Certain Rights Reserved by the Company*. In the event that, pursuant to Section 10, the Company suspends, modifies or terminates this Plan, the Company shall have the right to distribute to each Director all amounts in such Director's Cash Account or Shares equivalent to units in such Director's Stock Unit Account, including, in the case of Stock Unit Accounts, the right to distribute cash equivalent to the units in such Accounts.

(i) *Certain Affiliations*. In the event that any Director terminates his or her membership on the Board and becomes affiliated with a government agency or with any private company or firm that the O&N Committee believes to be in competition with the Company, the Board may, at its discretion, require a distribution of all amounts in any Director's Cash Account or shares equivalent to units in such Director's Stock Unit Account.

SECTION 9. OTHER STOCK-BASED AWARDS.

The Administrator is hereby authorized to grant to Directors such other Awards (including, without limitation, stock appreciation rights and rights to dividends and dividend equivalents) that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Administrator to be consistent with the purposes of the Plan. Subject to the terms of the Plan, the Administrator shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 9 shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, as the Administrator shall determine, the value of which consideration, as established by the Administrator, shall not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

SECTION 10. AMENDMENT AND TERMINATION.

Except to the extent prohibited by applicable law:

(a) *Amendments to the Plan*. The Board may amend, alter, suspend, discontinue or terminate the Plan, including, without limitation, the number of shares subject to Awards granted pursuant to Sections 6 and 7, without the consent of any stockholder, Participant, other holder or beneficiary of any Award, or other person; *provided, however*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) stockholder approval if such approval is necessary to qualify for or comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to qualify or comply or (ii) the consent of the affected Participant, if such action would adversely affect the rights of such Participant under any outstanding Award; and *provided further*, that no such amendment or alteration shall increase the aggregate number of shares that may be issued under the Plan except as provided in Section5(e). Notwithstanding any other provision of the Plan or any Award Agreement, no such amendment, alteration, suspension, discontinuation or termination shall be made that would (1) permit Options to be granted with a per Share exercise price of less than the Fair Market Value of a Share on the date of grant thereof or (2) except as provided in Section 5(e), (x) reduce the exercise price of any Option established at the time of grant thereof, (y) be treated as a repricing under U.S. generally accepted accounting principles ("GAAP") or (z) cancel an Option at a time when its exercise price is equal to or greater than the Fair Market Value of a Share, in exchange for another Option, restricted stock unit or other equity, unless such cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction. A cancellation and exchange described in clause (z) of the immediately preceding sentence is prohibited regardless of whether the option, restricted stock unit or other equity is delivered simultaneously with the cancellation and regardless of whether the cancellation and exchange is treated as a repricing under GAAP or is voluntary on the part of the Participant.

(b) *Correction of Defects, Omissions and Inconsistencies*. The Administrator may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 11. GENERAL PROVISIONS.

(a) *No Rights of Stockholders*. Neither a Participant nor a Participant's legal representative shall be, or have any of the rights and privileges of, a stockholder of the Company in respect of any Shares issuable under the Plan in connection with any Award or Account, in whole or in part, unless and until certificates for such shares shall have been issued.

(b) *Limits of Transfer of Awards.* No Award and no right under any such Award, shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or by the laws of descent and distribution. During the Participant's lifetime, rights under an Award shall be exercisable only by the Participant, or if permissible under applicable law, by the Participant's guardian or legal representative.

(c) *No Limit on Other Compensation Arrangements*. Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(d) *Governing Law*. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable federal law.

(e) *Severability*. If any provision of the Plan or any Award Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person, Award or Account, or would disqualify the Plan or any Award under any law deemed applicable by the Administrator, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Administrator, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(f) *No Trust or Fund Created*. Neither the Plan nor any Award or Account shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive an Award or Account, or Shares pursuant to an Award or Account, from the Company pursuant to this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

(g) *Accounts Unsecured*. Until distributed, all amounts credited to any Cash Accounts or represented by units credited to any Stock Unit Account or Restricted Stock Unit account shall be property of the Company, available for the Company's use, and subject to the claims of general creditors of the Company. The rights of any Director or beneficiary to distributions under this Plan are not subject to anticipation, alienation, sale, transfer, assignment, or encumbrance, and shall not be subject to the debts or liabilities of any Director or beneficiary.

(h) *Withholding*. The Company shall be authorized to withhold from any Awards granted or any transfer made under any Award or under the Plan or from any dividend equivalents to be paid on Restricted Stock Units the amount (in cash, Shares, other securities, or other property) of any taxes required to be withheld in respect of a grant, exercise, payment or settlement of an Award or any payment of dividend equivalents under Restricted Stock Units or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of any such taxes.

(i) *No Right to Continued Board Membership*. The grant of an Award or establishment of an Account shall not be construed as giving a Participant the right to be retained as a director of the Company. The Board may at any time fail or refuse to nominate a Participant for election to the Board, and the stockholders of the Company may at any election fail or refuse to elect any Participant to the Board free from any liability or claim under this Plan or any Award or Account.

(j) *Cancellation*. Any provision of the Plan or any Award Agreement to the contrary notwithstanding, the Administrator may cause any Award granted hereunder to be cancelled in consideration of a cash payment or alternative Award made to the holder of such cancelled Award equal in value to the Fair Market Value of such cancelled Award on the date of cancellation.

SECTION 12. EFFECTIVE DATE OF PLAN.

The Plan shall be effective as of the date of its approval by the stockholders of the Company.

SECTION 13. TERM OF THE PLAN.

No Award shall be granted or compensation deferred under the Plan after the seventh anniversary of the Effective Date of the Plan. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted or Account established prior to the termination of the Plan may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or Account, or to waive any conditions or rights thereunder, and the authority of the Board to amend the Plan, shall extend beyond such date.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
EARNINGS PER COMMON AND DILUTIVE POTENTIAL COMMON SHARE

(In millions of dollars, except per-share amounts)

	For Three Months Ended	
	March 31, 2004	**March 31, 2003**
Net income	$ 367	$ 117
Diluted earnings per common and dilutive potential common share:		
Weighted average common shares outstanding (in thousands)	1,732,711	1,729,909
Weighted average dilutive potential common shares:		
Stock option and compensation plans	50,859	23,503
Weighted average common and dilutive potential common shares	1,783,570	1,753,412
Diluted earnings per common share	$ .21	$ .07
Basic earnings per common share:		
Weighted average common shares outstanding (in thousands)	1,732,711	1,729,909
Basic earnings per common share	$ .21	$ .07

Exhibit 12

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In millions of dollars)

						For Three Months Ended March 31,	
	1999	2000	2001	2002	2003	2003	2004
Earnings:							
Income (loss) from continuing operations before income taxes plus fixed charges and amortization of capitalized interest, less interest capitalized.	$ 2,205	$ 4,702	$ (316)	$ (248)	$ 1,326	$ 175	$ 532
Fixed charges:							
Total interest on loans (expensed and capitalized)	$ 84	$ 98	$ 74	$ 60	$ 41	$ 13	$ 8
Interest attributable to rental and lease expense	30	32	33	26	25	6	5
Fixed charges	$ 114	$ 130	$ 107	$ 86	$ 66	$ 19	$ 13
Ratio of earnings to fixed charges	19.3	36.2	*	*	20.1	9.2	40.9

* The ratio is not meaningful. The coverage deficiency was $334 million in year 2002 and $423 million in year 2001.

Exhibit 31.1

CERTIFICATION

I, Thomas J. Engibous, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Texas Instruments Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2004

/s/ THOMAS J. ENGIBOUS

Thomas J. Engibous
Chairman of the Board,
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Kevin P. March, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Texas Instruments Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986]

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2004

/s/ KEVIN P. MARCH

Kevin P. March
Senior Vice President and
Chief Financial Officer

Exhibit 32.1

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Thomas J. Engibous, the Chairman of the Board, President and Chief Executive Officer of Texas Instruments Incorporated (the “Company”), hereby certifies that, to his knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 28, 2004

/s/ THOMAS J. ENGIBOUS

Thomas J. Engibous
Chairman of the Board,
President, and Chief Executive Officer

Exhibit 32.2

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Kevin P. March, Senior Vice President and Chief Financial Officer of Texas Instruments Incorporated (the "Company"), hereby certifies that, to his knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 28, 2004

/s/ KEVIN P. MARCH

Kevin P. March
Senior Vice President and
Chief Financial Officer