

Toshiba Group's Action Programs to Improve Profitability

Atsutoshi Nishida

President & CEO

January 29, 2009

TOSHIBA CORPORATION

Forward-looking statements

- This presentation contains forward-looking statements concerning Toshiba's future plans, strategies and performance.
- These forward-looking statements are not historical facts, rather they represent assumptions and beliefs based on economic, financial and competitive data currently available.
- Furthermore, they are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, worldwide mega-competition in the electronics business, customer demand, foreign currency exchange rates, tax rules, regulations and other factors. Toshiba therefore wishes to caution that actual results may differ materially from our expectations.


-
- I. Positioning Toshiba Group to Perform in a Tough Environment
 - II. Reforming the Structure of Businesses Most Affected by the Downturn
 - III. Executing Toshiba Group-wide Actions to Strengthen Our Business Structure
 - IV. Accelerating Strategic Allocation of Resources to Growth Businesses
 - V. In Conclusion

Basic Steps to Improve Profitability in FY2009

FY2008: Rapid severe deterioration in the business environment far exceeded all expectations



Severe managerial environment to continue in FY2009

- Implementing set of strategic policies aimed at generating profit, even at the level of sales in FY2008
 - Building a strong business foundation that can quickly seize business opportunities when the market recovers
- 

Implementing restructuring programs



Goal: return to profitability in FY2009

Action Programs to Improve Profitability in FY2009

1. Reforming the Structure of Businesses Most Affected by the Downturn

- Semiconductor business restructuring
- LCD business restructuring
- Other unprofitable businesses (digital products, home appliances) under review for possible restructuring

2. Executing Toshiba Group-wide Actions to Strengthen Our Business Structure

- All-out reduction of fixed costs
 - ※¥300 billion reduction vs. FY2008
- Measures to generate profit: strengthening cost competitiveness and expanding businesses outside Japan

3. Accelerating Strategic Allocation of Resources to Growth Businesses

- Shift managerial resources to Social Infrastructure businesses
- Accelerate new businesses in such fields as environment and energy

-
- I. Positioning Toshiba Group to Perform in a Tough Environment
 - II. Reforming the Structure of Businesses Most Affected by the Downturn
 - III. Executing Toshiba Group-wide Actions to Strengthen Our Business Structure
 - IV. Accelerating Strategic Allocation of Resources to Growth Businesses
 - V. In Conclusion

Semiconductor Business Restructuring (Background)

Market situation

- Sharp drop in demand due to sluggish sales in such application fields as digital consumer products and cars
- Steep and continuous price declines

Industry trends and Toshiba's status

- Discrete: Stable market; our essential advantages must be clarified
Maintain top level in the existing market
- System LSI: Severe competition by diverse/multiple players;
Toshiba's profitability also deteriorated, as did others'
- NAND Flash Memory: The number of manufacturers with stable supply capabilities is already limited. We are continuing to take steps to strengthen our position so that we will continue to prevail as a dominant global player.



Fundamental reform of business structure will be implemented in line with the characteristics of each business category

Semiconductor Business Restructuring (Discrete, System LSI)

Discrete

- Reinforce marketing, mainly for Power Devices and Opto Devices
- Assembly operations: Reorganize domestic facilities and accelerate shift to overseas production facilities with lower operational costs

System LSI

- Focus resources on analog ICs, image sensors, wireless ICs, DTV ICs
- Cut development lead times of new products in half
- Reorganize fabrication facilities: Transfer analog IC production from Kitakyushu Operations to Oita Operations
- Assembly operations: Increase production outside of Japan



Besides making our own efforts to restructure, we will study more fundamental restructuring, including the possibility of establishing a separate company from the viewpoint of industry reorganization

Semiconductor Business Restructuring (NAND Flash Memories)

- Prepare for future demand recovery after 2009/2H as inventory adjustments make progress in the market
- Stimulate NAND flash memory business by expanding SSD*¹ business
 - Expand business by entering server market, including enterprise applications
 - Strengthen SSDs as a storage device business together with HDD servers
- Postpone New Fab Construction Plans
 - Yokkaichi: Construction start rescheduled to 2010 from 2009
 - Kitakami: Base investment timing on memory market trends
- Enhance productivity
 - Toshiba is acquiring some needed production equipment from our NAND flash memory manufacturing JV with SanDisk*²
 - Promote finer nm*³ line-width lithography
 - 43nm devices: More than 90% by end of March 2009
 - 32nm devices: Shipments to start from September 2009

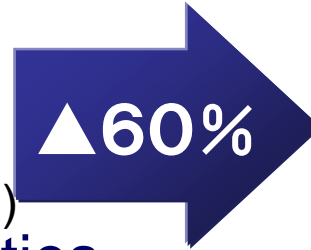


*1 SSD: Solid-State Disk *2 SanDisk: SanDisk Corporation (U.S.) *3 nm: nanometer = 10⁻⁹m

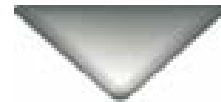
Restructuring Measures Throughout Semiconductor Business

Reduce fixed costs

- **Capex** FY2008 forecast: ¥230 billion
(¥137 billion below original plan)
- **Reorganize production facilities**
 - System LSI: Transfer analog ICs production from Kitakyushu Operations to Oita Operations; expand overseas assembly operation
 - Discrete: Decrease assembly in Japan and expand overseas production
- **Improve operating efficiency of R&D expenditures (R&D expenditures reduced more than 20% compared to FY08)**
 - Focus on key R&D items; improve R&D efficiency
- **Personnel measures (largely executed by end of FY2008)**
 - Implement leave system
 - Reduce limited-term employment
 - Reassign personnel (FY2009)



FY2009 plan:
less than ¥100 billion



Reduce fixed costs by more than 15% vs. FY2008

LCD Business Restructuring

● **Thoroughly focusing on strategic resource allocations**

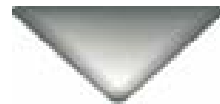
- Significant shrinkage of amorphous LCD products; focus on low-temperature polysilicon products for profitability
- Reinforce development of OLED in anticipation of market growth
- Curb investment for capacity increase

● **Reorganize production facilities**


- Stop or reduce operations of unprofitable lines at Uozu Works and Fukaya Works

● **Personnel measures**

- Implement leave system
- Reduce limited-term employment
- Reassign personnel



Reduce fixed costs by more than 25% vs. FY2008

-
- I. Positioning Toshiba Group to Perform in a Tough Environment
 - II. Reforming the Structure of Businesses Most Affected by the Downturn
 -  III. Executing Toshiba Group-wide Actions to Strengthen Our Business Structure
 - IV. Accelerating Strategic Allocation of Resources to Growth Businesses
 - V. In Conclusion

Actions to Strengthen Business Structure Group-wide

All-out reduction of fixed costs

Total fixed costs: ¥300 billion cut vs. FY08

- Curb R&D expenditures
- Curtail capex
- Adjust personnel system
- Consolidate facilities
- Reduce expenses

Reinforce measures to generate profit

Strengthen cost competitiveness through cost reduction

- Make procurement operations stronger; reduce procurement costs
- Raise productivity throughout the Toshiba Group

Expand businesses outside of Japan

Curbing R&D Expenditures

Total R&D expenditures

FY2008 (forecast)
¥390 billion
(¥40 billion cut vs. original)



FY2009 (plan)
¥320 billion

Basic strategic policies

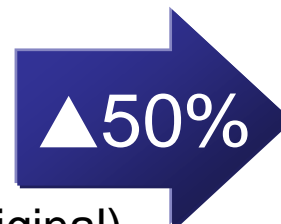
- Promote more rigorous selection of R&D themes and enhanced focus on strategic resource allocation choices
 - Channel major resources to developing promising growth businesses in such areas as environment, energy and data storage
- Enhance efficiency of R&D activities
 - Share intellectual property by promoting common platforms
 - Use overseas resources in system development more effectively

Curtailing Capex

Continue strategic resource allocations focused on strong and promising businesses, but with more selectivity about investments

FY2008 (forecast)
¥455 billion

(¥200 billion cut vs. original)



FY2009 (plan)
¥230 billion

Strategic areas for resource allocation

- Power, transmission and distribution, and industrial systems
- New businesses: New rechargeable batteries (SCiB™), Direct Methanol Fuel Cells (DMFC), new LED lighting systems

Carefully selected investment

- Semiconductors: Focus investment on reinforced competitiveness through finer lithography
 - NAND flash memory: Curb investment for new production facilities
 - Yokkaichi: Construction start rescheduled to 2010 from 2009
 - Kitakami: Base investment timing on market trends
- LCD: Curb investment for capacity increase

Adjusting the personnel system

Secure regular employees' employment based on the following policies

- Reallocate human resources to focused-on strong and promising businesses
- Take over jobs performed by outsourcing and limited-term workforce

Implementing “work sharing” system for Semiconductor and LCD businesses

- Reduce overtime work by rethinking ways of working
- Implement leave system
 - Secure positions for employees

Make necessary workforce adjustments in businesses

- Review the appropriate workforce level of businesses, particularly with regard to the Semiconductor and LCD businesses
 - Reduce number of limited-term workers (4,500 employees)
- Employ limited-term workers as regular employees
 - 500 hired mainly in Social Infrastructure businesses (FY2008)

Strengthening Measures to Generate Profit

Reinforce cost competitiveness by all-out efforts at cost reduction


Enhance productivity by accelerating i-Cube projects (15% improvement vs. FY2008)

- **Reinforce procurement capabilities**
 - Build in quality and cost from initial development stage
 - Improve throughput, reduce lead-time
- **Strengthen development/manufacturing capabilities**
 - Make use of the Toshiba Group's collective strengths by shifting the focus to integrated optimization of total business operations

Expand global businesses outside of Japan

Early achievement of 60% global business ratio

- **Promote global business development in Social Infrastructure businesses**
- **Channel more resources to emerging markets**

-
- I. Positioning Toshiba Group to Perform in a Tough Environment
 - II. Reforming the Structure of Businesses Most Affected by the Downturn
 - III. Executing Toshiba Group-wide Actions to Strengthen Our Business Structure
 -  IV. Accelerating Strategic Allocation of Resources to Growth Businesses
 - V. In Conclusion

Strengthening Social Infrastructure Business (Nuclear Power – 1)

Global demand for construction of new nuclear plants remains strong

- U.S.: Plans to construct over 32 plants
(COL*¹ applications made for 26 plants on 17 sites)
- China: Plans to construct 50 plants by 2020 (equivalent to 1GW/unit)
- Others: Construction planned in UK, Finland, India, Southeast Asia, etc.



AP1000*²: Won orders for 10 plants in U.S. and China

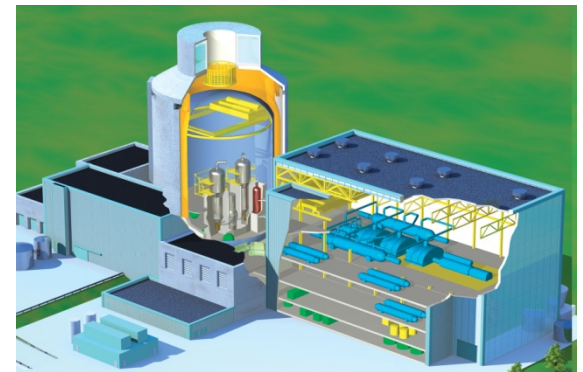
ABWR*³ : Participating in South Texas Project, U.S. (two plants)

Expect to receive orders for 39 units worldwide by 2015

*1. COL: Combined Construction and Operation License

*2. AP1000: next-generation PWR system

*3. ABWR: Advanced Boiling Water Reactor



Leading-edge nuclear power plant (AP1000)

Strengthening Social Infrastructure Business (Nuclear Power – 2)

Reinforce nuclear business structure to handle expanded scale and overall project control

- Expand Isogo Engineering Center
- Build up manufacturing facilities in Keihin Product Operations
- Reinforce engineering, construction and maintenance & service capabilities through alliances, M&A, and other means

Expand scope of business to cover fuel (both front-end and back-end)

- Strategic partnership with Kazatomprom in Kazakhstan
- Cooperation with Atomenergoprom in Russia
- Others

Strive to aggressively reinforce the structure of the nuclear power business and expand the business through measures such as pursuing alliances with other companies

Strengthening Social Infrastructure Business by Accelerating Globalization Efforts in All Main Businesses – 1

Thermal and Hydroelectric Systems businesses

Expand operations in response to the increase of global demand

- India: Establish JV with JSW*1 Group to manufacture and market steam turbines and generators in India (Sept. 2008)
- China: Strengthen hydroelectric power equipment production and sales in China (Nov. 2008)

Transmission and Distribution Systems business

Build up our manufacturing and sales systems to meet the needs created by increased demand in the emerging markets

- Latin America: Acquisition of Brazil's CCES*2 (Dec. 2008)
- China: Expand production capacity of equipment for transmission and distribution systems at manufacturing site in China

*1 JSW Group: Jindal South West Group

*2 CCES: Camargo Correa Equipamentos e Sistemas S.A.

Strengthening Social Infrastructure Business by Accelerating Globalization Efforts in All Main Businesses – 2

Industrial business

Strengthen global manufacturing system in response to changes in laws and regulations in various countries and growing demand worldwide for the high-efficiency motors

- **Establish industrial motor manufacturing and sales base in Vietnam (Dec. 2008)**

Elevator and Escalator business

Reinforce sales and engineering systems to expand the scale of business, mainly in markets in China and Southeast Asia

- **Set up equity-based partnership with Hong Kong-based Chevalier International (agreement in Dec. 2008)**

Medical Systems business

Reinforce global R&D systems to enhance technological leadership

- **Acquisition of Advanced Visualization Imaging Systems Division of Barco, Belgium, which possesses world-leading 3-D rendering technology (Nov. 2008)**

Driving New Business Development – 1

Innovative rechargeable battery (SCiB™)

- Significant demand growth for safe, long-life and rapid-charge lithium-ion batteries for industrial and automotive applications (worldwide market of ¥1.7 trillion expected in FY 2015)



→ In anticipation of strong future demand, plan to establish second production facility

Fuel cells (DMFC)

- Begin to sell external battery charger (in FY2008)
- Commercialize DMFC pack for cell phones and PCs (aiming for FY2009)



Driving New Business Development – 2

Solar Photovoltaic Systems Business

- Expanding demand for large megawatt-scale solar power generation systems for utilities and industrial plants as demand for renewable energy grows to combat global warming (FY 2015 global market is expected to reach ¥2.2 trillion)
- Secure expansion of business scale in global market through Toshiba's unique technological prowess and system integration capabilities, including high-efficiency power conditioning systems and new rechargeable batteries (SCiB™)
 - Established Photovoltaic Systems Division, which is dedicated to management and promotion of this business (Jan. 2009)


CCS*1 Business

- CCS systems are expected to become one effective measure to reduce CO₂ emissions from thermal power plants
 - The company has decided to build a pilot plant for carbon dioxide capture technology to accelerate R&D towards separation and capture technology (Dec. 2008)

New Lighting Systems Business

- Expand line-up of eco-friendly LED lighting products
- Establish sales bases in Europe and the U.S. to sequentially expand scale of business in global market (after April 2009)



-
- I. Positioning Toshiba Group to Perform in a Tough Environment
 - II. Reforming the Structure of Businesses Most Affected by the Downturn
 - III. Executing Toshiba Group-wide Actions to Strengthen Our Business Structure
 - IV. Accelerating Strategic Allocation of Resources to Growth Businesses
 -  V. In Conclusion

“Without waiting for market recovery, we will navigate through all the difficulties posed by the present tough business environment by comprehensively implementing action programs for improving profitability that we carefully considered and decided upon with a focus on the future.”

END