

## Mid-Term Strategies for Future Growth through Creativity and Innovation (FY2013-2015)

### Hisao Tanaka President and CEO

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TOSHIBA CORPORATION

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### **Forward-looking Statements**

- This presentation contains forward-looking statements concerning Toshiba Group'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.
- As a global entity, operating a wide range of businesses in countries and regions with widely different market environments, Toshiba wishes to caution that actual results may differ materially from our expectations due to risks and uncertainties that, without limitation, relate to economic conditions, worldwide megacompetition in the electronics business, customer demand, foreign currency exchange rates, tax rules, regulations and other factors.
- Toshiba's fiscal year runs from April 1 to March 31, unless otherwise stated.



## I. New Management Policy Vision

# II. Action Plans for Creative Growth and Innovation

- 1. Creatively Seeking Value Creation
- 2. Pursuing Productivity Improvement
- 3. Developing Diverse, Creative Talent
- 4. Moving Forward with CSR Management

### III. Overview of FY2013 Mid-Term Business Plan



### **Toshiba Group Management Policy Vision**

### **Growth Through Creativity and Innovation**

Pursue growth that does not overly depend on market growth, but is generated by Toshiba's creative powers

Value Creation	Productivity Improvement
Focus on customers' points-of-view Combine values to create synergies and expand applications	Promote most effective use of resources and assets Enhance quality, efficiency and speed in all businesses

Globally develop diverse, talented, creative people

Always integrate new perspectives and pursue creative new ideas

### **Push Forward with CSR Management**



### **Fostering Growth Through Creativity and Innovation**

### **Seeking New Value Creation**

Creatively conceiving of an unlimited range of new business opportunities

### Healthcare

Energy, Data Storage



**New Concept Innovation** 

Organic Growth, M&A

### **Pursuing Productivity Improvement**

Making extraordinary operational quality a key advantage

## **Establishing a Solid Financial Base**

Improving cash flow management



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### **Megatrends and Future Goals to Be Realized**

Increasing Population, Aging Society Growing Information Society Resource and Energy Shortages Global Environment Issues

Developing Problem-solving Solutions

More comfortable lifestyles Stable, more efficient energy supply

Town safety, Disaster prediction & mitigation

Providing wide-ranging, more advanced medical services

Supplying safe water, air and food Utilization of limited resources, Sustainability

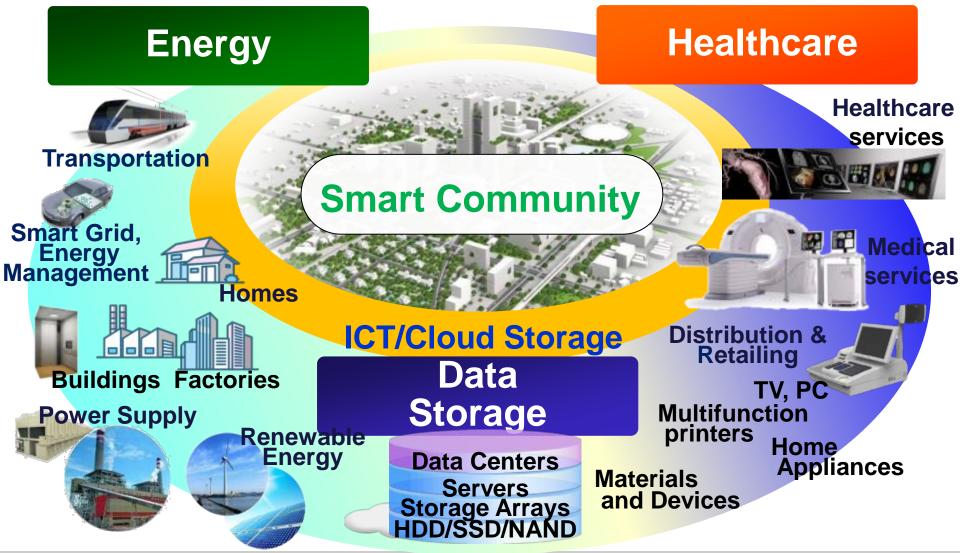
Reduction in CO2 emissions

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



### **New Management Vision for Smart Communities**

### Three major pillars for the creation of Smart Communities



### Key achievements during the past year

for permanent magnet synchronous motor (PMSM) system from Singapore MRT lemand response-related companies (Consert, Inc. and cyberGRID GmbH world's largest hydroelectric pump turbine power to the Ludington Pumped our solar power generation business for high-voltage, direct-current (HVDC) transmission system from Terna, the tricity transmission grid operator, which is No. 1 in Europe in amount of lines ated a new all-closed type of permanent magnet synchronous electric motor at attains about a 50% decrease in power consumption compared to conventional rechargeable battery, which offers high power and a compact cell size, was y Suzuki Motor for its new-type wagon R compact's regenerative braking system in developing Japan's first phased array weather radar system in joint development of a new thermal power generation system which enables ous power generation and CO simultaneous power generation and CO <sub>2</sub> /collection
ower system subsidiary in Turley
module-type data center for a Securities Exchange System in Myanmar Toshiba Total Storage Platform flash array storage "Violin 6000 Series" cond-phase construction of Fab 5 at Yokkaichi to expand semiconductor facility with next-generation process technology new NAND flash memory integrated Hybrid Drive HDD mple delivery of enterprise SSDs with 1.6TB memory size ass production of NAND 19nm 2 <sup>nd</sup> generation on-line data storage service for enterprise
orders for 80 units of CT systems from the Ministry of Health of Turkey eration of medical equipment factory in Brazil I-scale operation of Healthcare@Cloud, an external storage service for medical d local Toshiba group medical systems companies in Turkey and South Korea intelligent wearable vital signs sensor module for smart healthcare services OU for starting feasibility study of carbon ion radiotherapy system in Malaysia

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Leading Innovation >>>

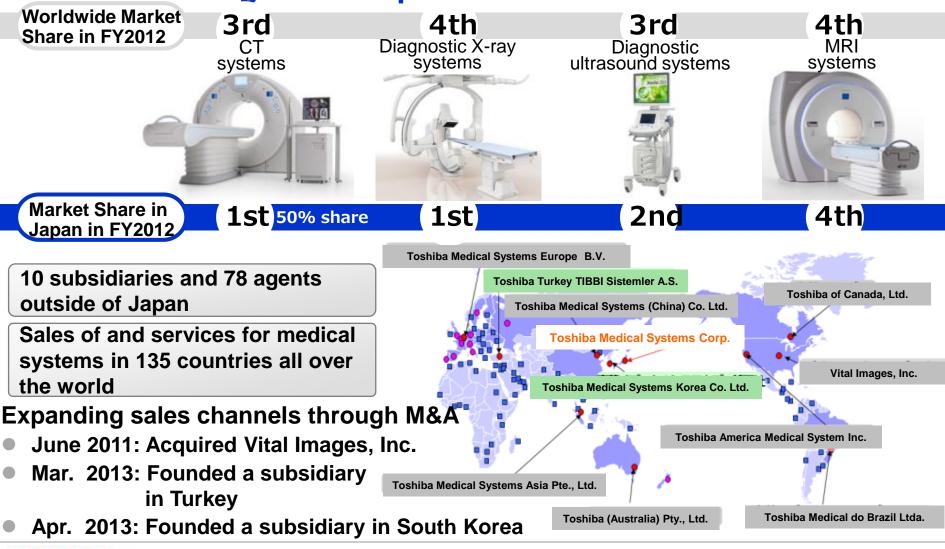
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FY2015 Plan

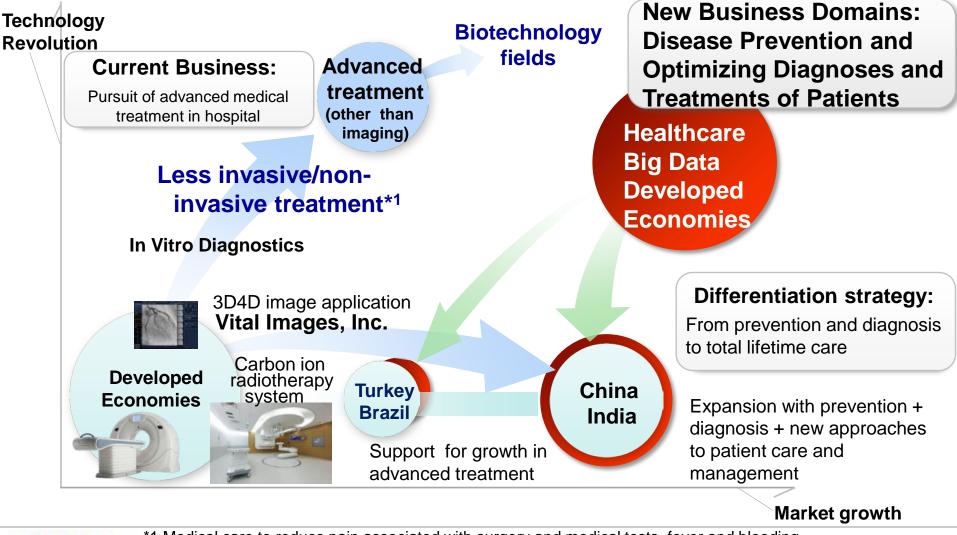
### Toshiba's position in the Medical Business Net sales:¥600billion

## Continuing dominant share in Japan's imaging diagnosis market along with a top-level share in the world market



### **Domain Expansion in the Medical Field**

Expand into new business domains with new diagnostic and treatment methods that go beyond conventional imaging





\*1 Medical care to reduce pain associated with surgery and medical tests, fever and bleeding

### Advanced Medical Technology for the Diagnostic Imaging Field

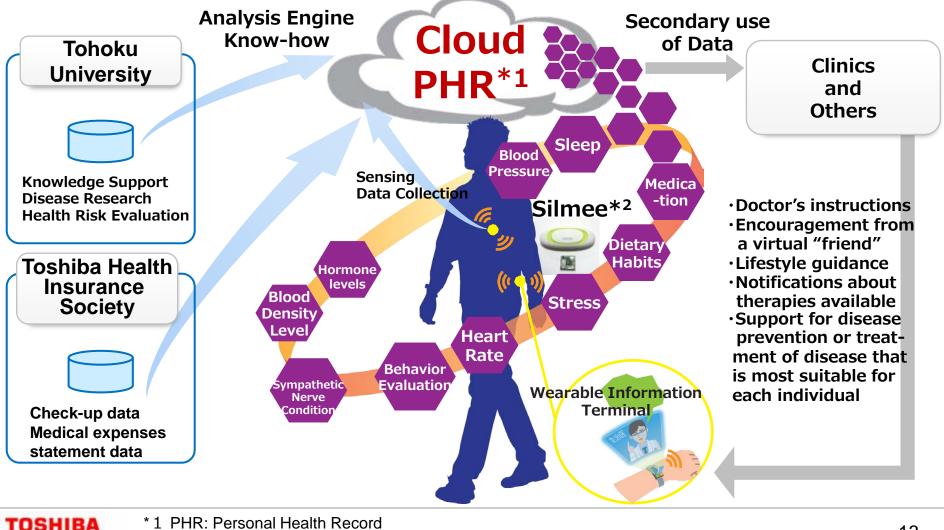
### Worldwide clinical study using the latest CT (Aquilion ONE)

#### Participation of 16 organizations in 8 countries **Conventional Method Coronary artery Myocardial SPECT** angiography Uses catheters Canada & radioactive chemicals apan Single CT **Cardiac test using Aquilion ONE** imaging **Coronary artery Mvocardial CT CT** angiography perfusion Reduced radiation USA Europe Japan **Reduced dosage** University Clinic Humboldt ★Johns Hopkins University Iwate Medical University of contrast medium Harvard University-affiliated Mie University University(Charité,) Shortened exam timehospitals Keio University Leiden University Medical Beth Israel Deaconess St Luke's International Center Hospital Copenhagen University Medical Center Hospital (Rigshospitalet) Brigham and Women's Singapore Hospital Mount Elizabeth Hospital Brazil National Institute of Health National Heart Center University of São Paulo Canada (INCOR) University of Toronto Albert Einstein Israelite **Toronto General Hospital** Hospital ★Main PI (Principal Investigator)

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### **Future Direction of Medical Electronics**

#### Easy access to electronic medical records and sensing data concerning individuals' health will improve overall healthcare



\*2 Silmee: Intelligent vital signs sensor module

#### Energy Toshiba Leading Global Smart Community Projects

Developing total solutions by utilizing energy and a variety of other businesses



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FY2015 Plan

### Creating Building and Facility Solutions Net sales: ¥1.1 trillion

Providing total solutions for energy saving, comfort, security and services through our wide range of facility products and control technologies

#### Energy saving

Model base control for air conditioning 7% energy saving compared to conventional control Image sensor linkage control **11%** energy saving by using image sensor

#### Comfortability

**Elevator relay control** Longest waiting time

reduced by 20%

#### Security/Safety

Emergency power generators to sustain power for 3 days

**Relay operation on** elevator power stop Low-speed operation is possible for up to 2 hours

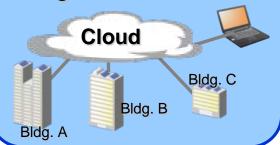


\*2 BEMS: Building Energy Management Systems

#### Cloud Service

- Remote security diagnosis
- Energy saving diagnosis
- Remote building monitoring

#### Integrated BEMS\*2

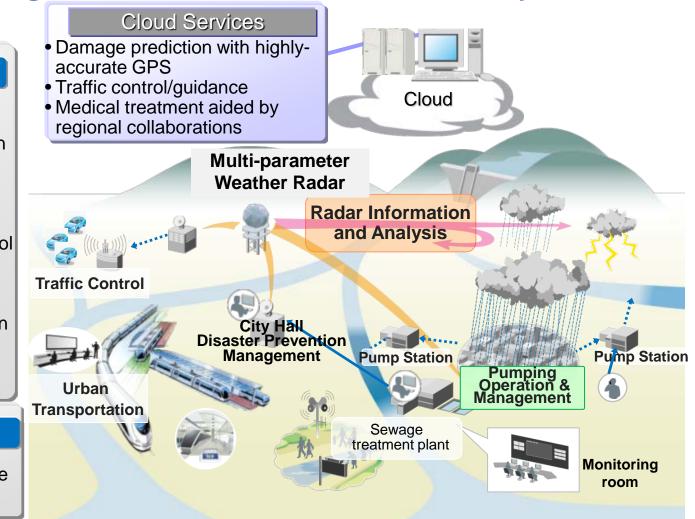


### **Creating Community Infrastructure Solutions**

#### Cutting-edge sensing technology to bring about a secure and safe society

#### Disaster prevention

- Prediction of natural disasters
- Evacuation instructions in cooperation with communications and broadcast networks
- Evacuation guidance together with traffic control measures
- Rescue activities linking with medical institutions and key traffic information
- Visualization of damage status with SNS<sup>\*1</sup>



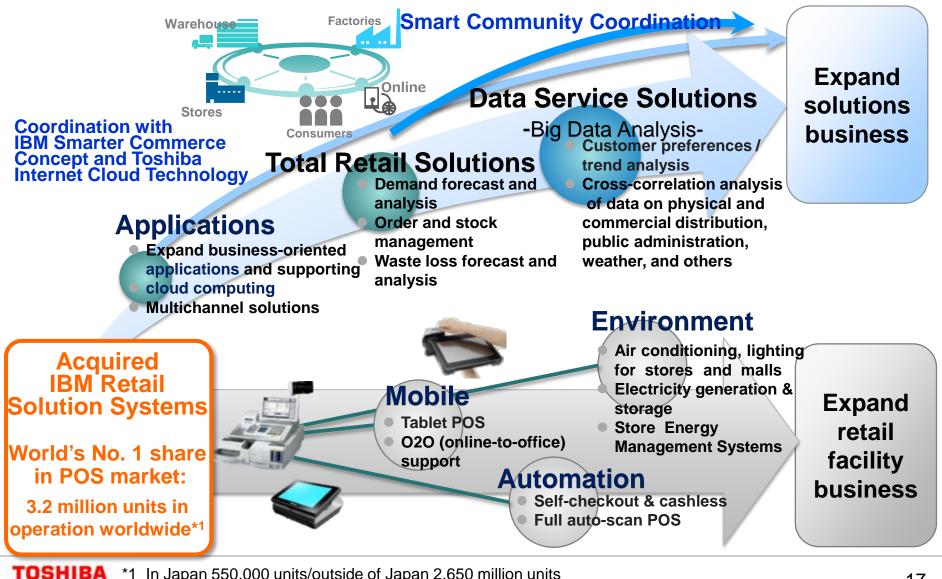
#### Crime prevention

 Crime prevention with town cameras and image processing

FY2015 Plan Net sales:¥300billion

### Integrated Retail Solutions Systems

### Expanding business by utilizing power of No.1 global share



**TOSHIBA** \*1 In Japan 550,000 units/outside of Japan 2.650 million units (including former IBM units)



#### FY2015 Plan Net sales:¥350billion

### **Thermal Power Generation**

## High-efficiency, low-carbon emission base-load power that contributes to protecting the global environment

#### **New Business Areas**

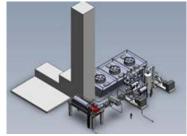
- Achieving world's first<sup>\*1</sup> Ultra Super Critical CO<sub>2</sub> cycle power generating system
- Strengthening power-generation business, including renewables Leverage experience with technology at the Mikawa Thermal Power Station

### **Combined Cycle Plants**

- **Realized world's highest thermal** efficiency of 62%\*2
- Expand global business in cooperation with GE

### **Coal-fired Plants**

- Developed highly efficient A-USC<sup>\*3</sup>power generation system
- **Expand EPC business from India production** base to emerging economies where demands are growing rapidly for stable power supply



Ultra Super Critical CO<sub>2</sub> cycle power generating system



Most-advanced combined cycle thermal power units



Toshiba JSW Turbine & Generator Pvt. Ltd

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\*1 As an internal-combustion type CO<sub>2</sub> cycle using a gas turbine \*2 From the data available about plants that are currently operating or have published their construction plans; based on Toshiba's own research \*3 Advanced Ultra-Supercritical

### **Nuclear Power Generation**

Further improve the safety of nuclear power generation as a low-carbon emission baseline power source

### **New Technologies**

- Expanding to new applications of particle accelerator and superconductivity technologies (e.g., heavy ion radiotherapy)
- Supporting world's first International Thermonuclear Experimental Reactor
- Aiming for Small Modular Reactor to obtain certification for Small Modular Reactor DOE<sup>\*1</sup> development projects

### **Outside of Japan**

Steady progressing of plant construction in China and the U.S.

 $\boldsymbol{\cdot}$  Sanmen and Haiyang in China; Vogtle and V.C. Summer in the U.S.

#### Proposing plans worldwide

• Europe (Finland, Czech, Poland, and others),

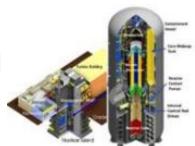
Asia, the Middle East (Vietnam, Saudi Arabia, etc.), the U.S. and others

### Japan

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- Proposing and implementing plans for construction that comply with new nuclear safety regulations
- Supporting the maintenance of safety and dismantling Fukushima #1 plant









### Working To Develop Clean Energy Sources Net sales:¥200billion

### Promote diverse clean energies and stable power supply

#### Geothermal

#### World's No.1 share \*1

- Won orders from Indonesia and Kenya
- Local coexistence, small geothermal power generation

#### **Hydro Power**

Japan's No.1 share \* 2

- Promote variable-speed pumped storage to contribute to
- power system stabilization
  World's first implementation\*<sup>3</sup>
  World's highest capacity\*<sup>4</sup>



- Increase output by upgrading
- Extensive line-up ranging from large-scale to small-scale systems

#### Wind power

 Develop Wind Farm and start wind power generation business



#### Photovoltaic

Japan's No.1 share\*5

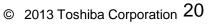
- Industry's largest mega solar power station
  Started construction of 2 x 130MW in Tahara city
- Home areas: World's highest module transformation efficiency: 20.1%
- Expand photovoltaic power generation business



#### ENE FARM

Japan's No.1 share\*6

- The world's highest standard in total efficiency 94%
- The industry's first independent power generation function
- \*1: In terms of the total capacity of geothermal turbines delivered (Bloomberg Geothermal Market Outlook 2011 3Q)
- \*2: In terms of the total capacity of outstanding orders for ≥10MW water turbines (as of August 2012 as researched by Toshiba)
- \*3: TEPCO's Yagisawa Power Station \*4: TEPCO's Kazunogawa Power Station
- \*5: Mega-solar systems for electric power companies (as of January 2013 as researched by Toshiba)
- \*6: In terms of the number of units shipped in 2012 (as researched by Toshiba)

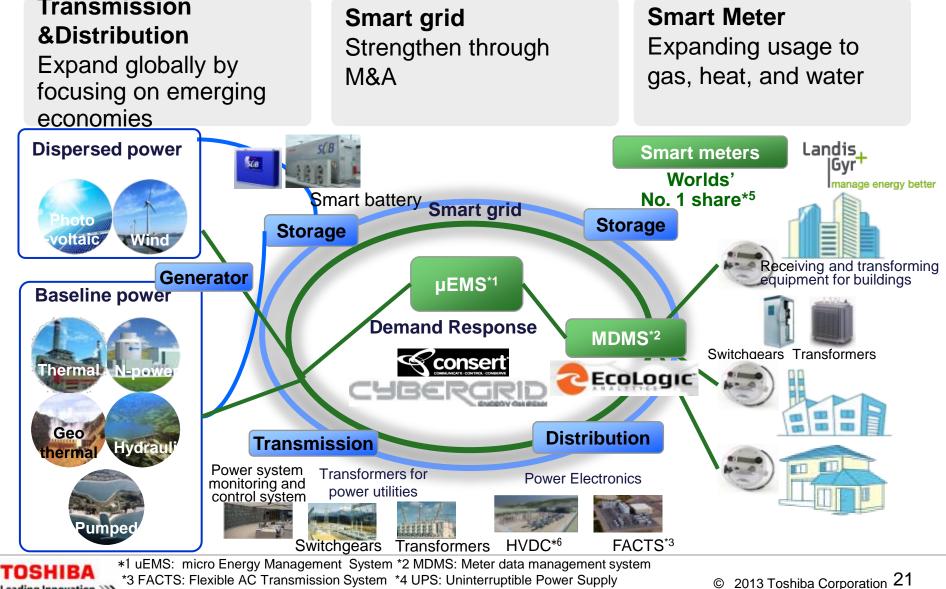




### **T&D/Smart Grid**

FY2015 Plan Net sales:¥700billion

## Responding to a wide range of needs by our global network



Leading Innovation >>> \*5 Toshiba's research : Household share in 2012 \*6 HVDC: High Voltage Direct Current Transmission System

Data Storage

Higher

Capacity

**Data Explosion** 

FY2015 Plan Net sales:¥1.4trillion

### **Strengthening Storage Device Business**

(NAND+HDD)

## Establishing stable and strong profitable structure Leveraging our technological strengths across product lines

- Fully incorporate leading-edge NAND technologies into SSDs
- HDD Expand product lineups **Reinforce business for Cloud Data Center Solutions** Storage systems with high-speed, high-capacity and low-power in a smaller space **Hybrid Drives**

#### Enhance Cost Competitiveness

Maintain industry's smallest process rule Moving toward launching of BiCS<sup>\*1</sup> NAND (first generation release in 2013)

#### Improve profitability

NAND

Early launching and expanding of our line-up of leading-edge, value-added products (e.g., UFS<sup>\*2</sup>, and others)

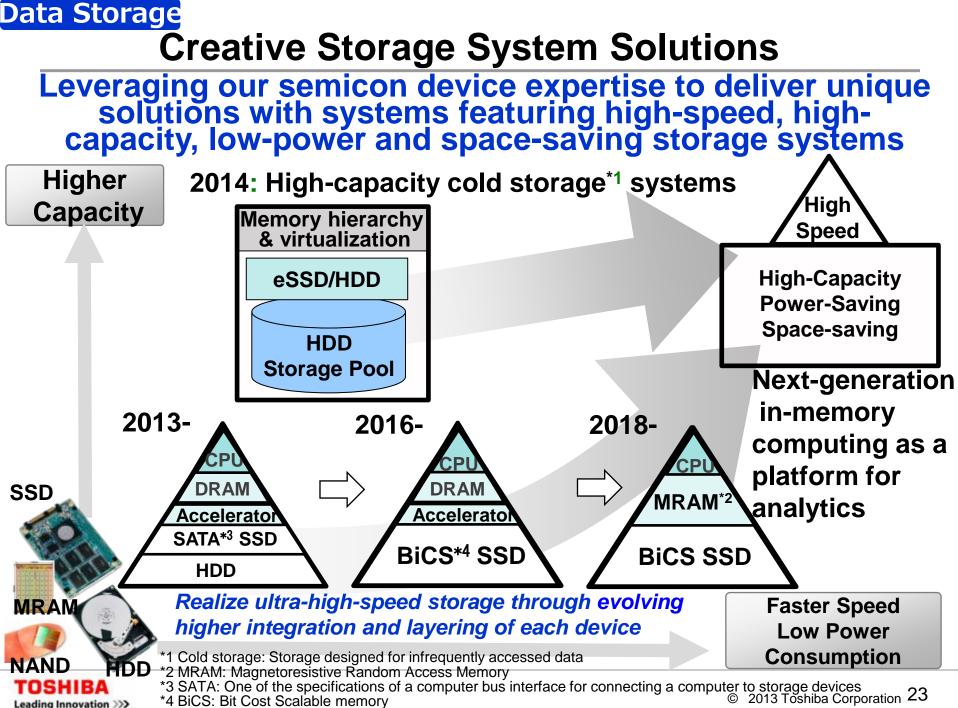
### **Response to environment**

#### changes and stable supply

Flexible decision-making on investments (Fab No. 5 building, phase 2)



SS over 10 times aster Speed 2012 2020 \*1 BiCS: Bit Cost Scalable \*2 UFS: Universal Flash Storage (planned) Leading Innovation >>>

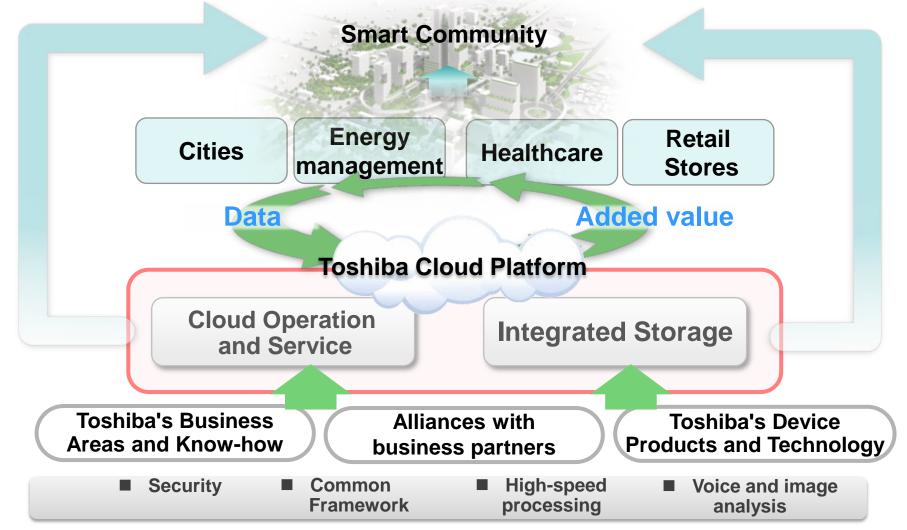


\*4 BiCS: Bit Cost Scalable memory

FY2015 Plan Net sales:¥400billion

### **Creative Cloud Services & Solutions**

Provide cloud services and integrated storage systems to support Toshiba's Smart Community business





FY2015 Plan

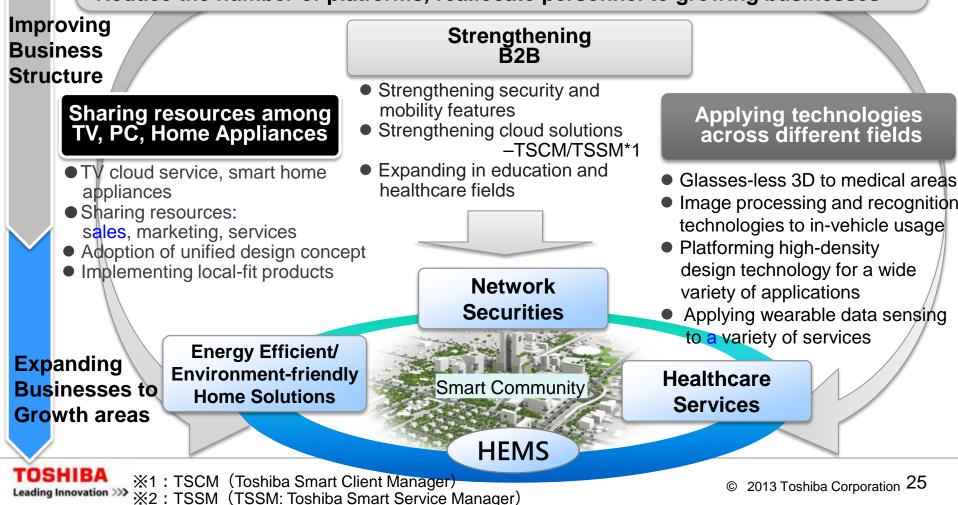
### Reforming Lifestyles-related Businesses Net sales:¥1.3trillion



#### **Reforming Digital Products Business**

Reduce fixed costs by approx. ¥20 billion for TV/PC businesses (FY2012-FY2014)

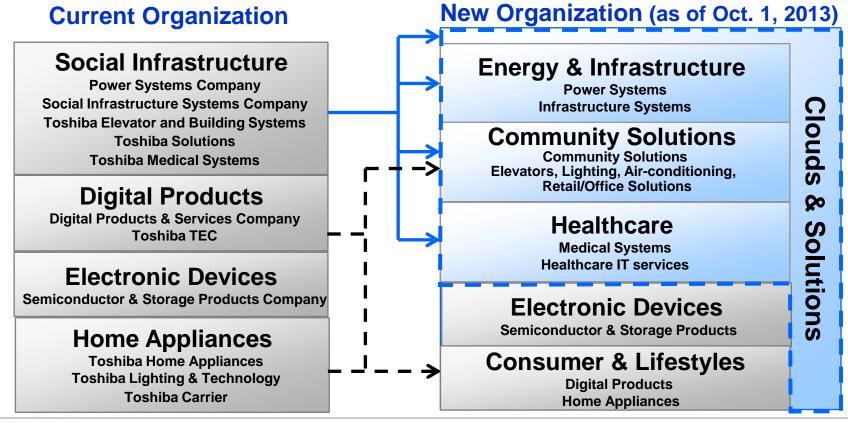
Reduce the number of platforms, reallocate personnel to growing businesses



### **Reorganizing to Accelerate Action Plans**

## Reorganize business groups to maximize Toshiba's ability to best match customers' values

- Strengthen medical and healthcare businesses
- Enhance Smart Community business + facility business
- Form company-wide operational structure for ICT/cloud services to support business growth





#### **Value Creation**

### **New Concept Innovation**

#### Achieve creative growth by leveraging Toshiba's broad technologies in a wide range of application fields with Toshiba's powers of creativity and innovation

**Challenging new fields and industries** 

Finding needs by looking at the market from different perspectives

 Consider potential customers from a fresh perspective

Reconsider business models

Creative utilization of existing technologies

 Reconsider how to best take advantage of technological assets (more than 50,000 retained patents)

Establish a new cross-sectional type of organization to make maximum use of Toshiba Group's assets and resources

### **New Business Development**

(Marketing, product design and business model planning)

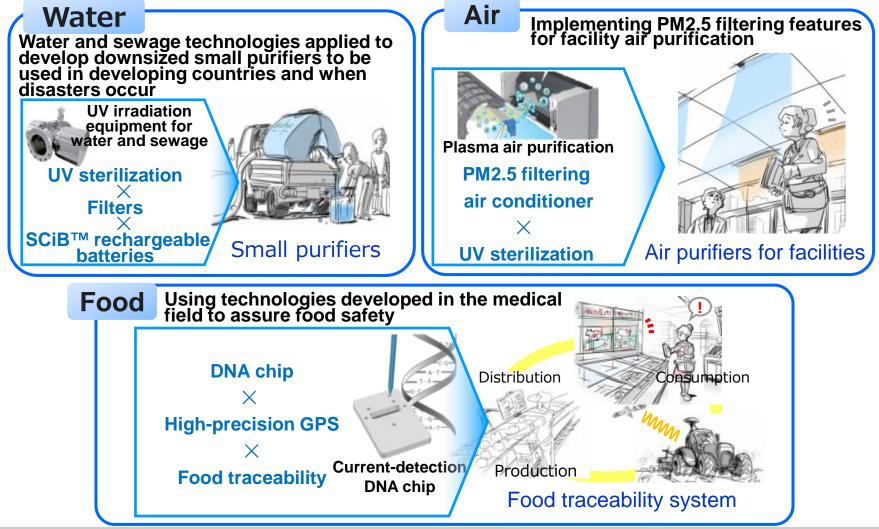
### **Support for Incubation of Creative Ideas**

(Technology, sales, manufacturing, management strategy, design, finance, human resources)



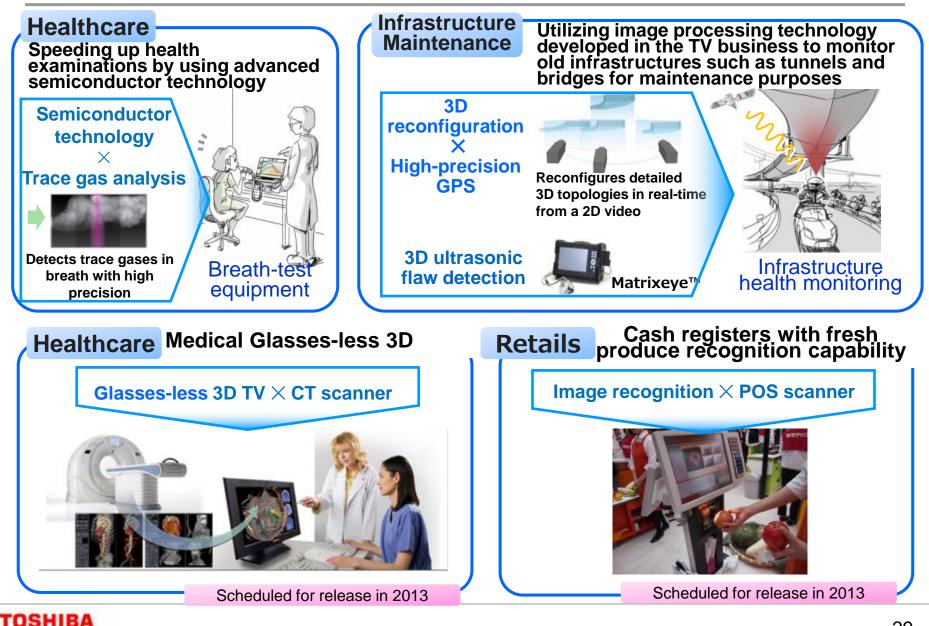
### **Examples of New Concept Innovation (1)**

## Create new customer values through Toshiba Group's strengths in achieving technological synergies





### **Examples of New Concept Innovation (2)**

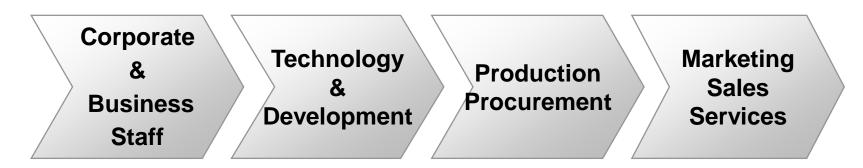


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#### **Productivity**

### **Toshiba's Pursuit of Productivity Improvement**

Systematically reviewing our current work processes in all areas of our business operations from a zero-base perspective Resetting performance targets and indicators



- Lead-time
- Increasing percentage of sales
- Value-added production

Cash Conversion

- Cost reduction
- Improving total asset turnover ratio (minimizing total assets and inventories)

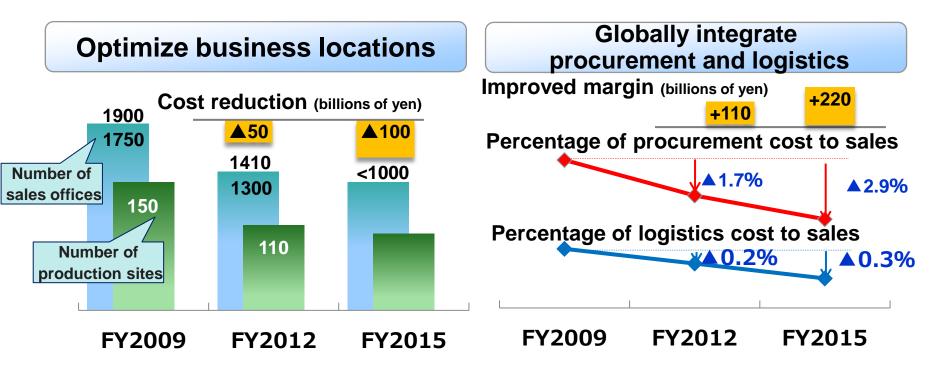
Procurement Cost Reduction

• DFM<sup>%1</sup>/DFP<sup>%2</sup>

Cycle

**Productivity** 

### **Pursuing Productivity Improvement**



- Sales: Integrate sales offices that are now located in different cities by functions and strengthen cooperation among them
- Manufacturing: Reallocate manufacturing functions/bases to transform their structure
- Procurement: Implement multi-supplier procurement and strengthen DFP<sup>\*1,</sup> restructure logistics flow and optimize number of warehouses

#### Enhance quality, efficiency and speed in all work processes

#### **Productivity**

### **Strengthening Corporate Strategic Function**

#### Current

 Overlapping of jobs between profit centers and corporate staff departments



Limited shared services

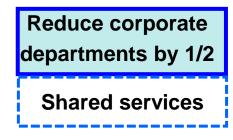
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#### Integration

October 2013

- Simplified organization structure
- Transfer some operations from the corporate side to business sides
- Work classification



- Accounting, HR, IT
- Open shared service centers in 5 global locations<sup>\*1</sup>

### **Strategy Focus**

 Corporate staff to concentrate on their roles as strategy professionals



- Establish operations in new businesses and in emerging countries
- Aggressive use of low-cost resources

\*1: North America, Singapore, Europe, China, Japan

\*2: Ratio of the number of corporate staff to the total Toshiba workforce population  $^{igsim}$ 

### **Globally develop diverse, creative talent**

Realize growth through creativity and innovation resulting from the activities of diverse, talented global personnel sharing Toshiba's vision and values

#### Diverse Human Resources



- Proactively promoting diversity as a management strategy
  - Number of employees working outside of Japan will exceed those in Japan
  - Localizing of top managers to exceed 50% at major outside of Japan subsidiaries
  - Women in management positions to reach 5% in Japan
- Doubling the number of non-Japanese employees working in our operations in Japan
- Accelerate the localization of management, marketing, production and the developing of personnel
- Nurture highly capable personnel who are open-minded and creative in their thinking and can take proactive actions on a global basis

#### New Approach To Human Resources Management

- Implement an evaluation and treatment system that will reward those staff members that make high-level contributions to our business performance
- Implementing HR measures that will enhance our movement forward resulting in creative growth and the strengthening of our businesses in accord with the characteristics of various regions and growing markets
- Adopt the type of HR management that will highly evaluate personnel who creatively pursue the challenges of innovation

Some of the specific steps we will take are: Beefing up the rotation system for locally hired employees, promoting local hires to senior management levels, and sending more young Japanese employees to overseas



#### Helping to assure sustainability as a citizen of planet Earth

CSR management that supports Growth Trough Creativity and Innovation

> Accord the highest priority to human life, safety, and legal compliance

#### Contribute to improving global social issues through our businesses

Fulfill CSR together with our stakeholders

Accelerate CSR management from a global perspectives

Assist in science & engineering education to nurture the next generation

Continue support of reconstruction after The Great East Japan Earthquake

CSR activities supported by 200,000 employees

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Dealing responsibly with social issues with ISO26000 standards in place
 Promote CSR including implementation of supply chains

A total of 310,000 U.S. and Canadian students have participated in the ExploraVision Awards (EVA), a science and technology contest held for over 21 years Strengthen programs in Japan, Asia, etc.

 Aids programs for Minamisoma Solar Agripark and Miyagi Pref. fishery. LED lighting for the Golden Hall of Chusonji Temple
 Contribute toward swift recovery of Fukushima, Miyagi and Iwate Pref.

CSR activities conducted by a total of 110,000 Toshiba Group employees
 Expand initiatives to include all global employees

### Leading The Way In Environmental Management

## Solidifying our position as one of the world's foremost eco-companies

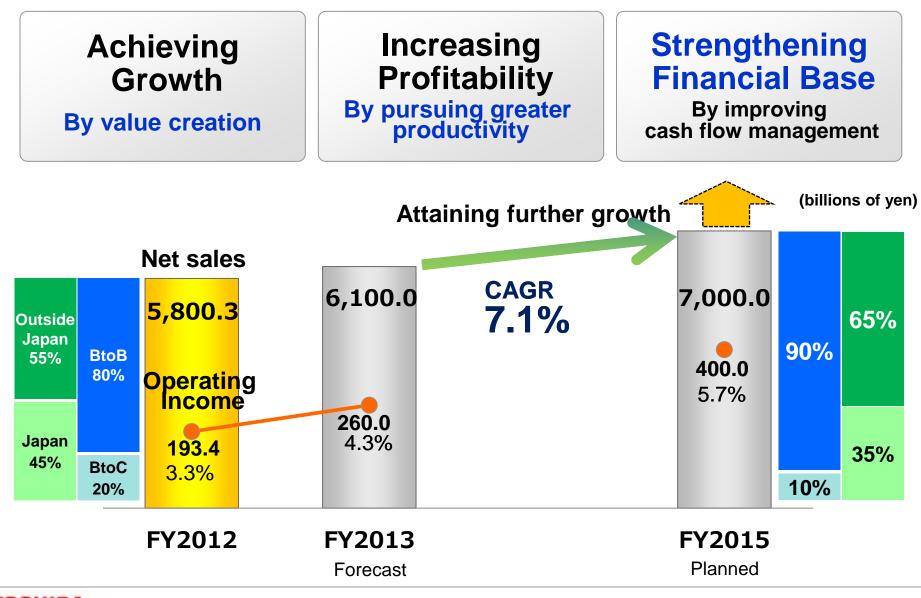
#### **5th Environmental Action Plan Environmental Vision 2050** Factor 10 rise in Integrate business management and environmental management economic efficiency Take measures using the Four Greens: Achieve the creation of affluent Greening of Products Greening by Technology lifestyle values and living in harmony with the Earth Greening of Process Green Management Toshiba's environment standards Scope3 Standard Environmental Greenhouse Gas incorporate the world's new stringent Footprint environmental trends Protocol T-COMPASS\*1 **Toshiba Group's Compass for its** Visualizing four domains environmental activities Natural resources Creating excellent ECPs ۰. Energy (environmentally conscious products) **S**ubstances Ε W suitable for each region Water Strengthening our supply chain **Giving thought to diversity** ۰. management Reflecting the characteristics of each Involving all employees in global ٥ country and region environmental actions

\*1 T-COMPASS: Toshiba Comprehensive environmental database and its Practical Application to Simplified and/or Streamlined LCA

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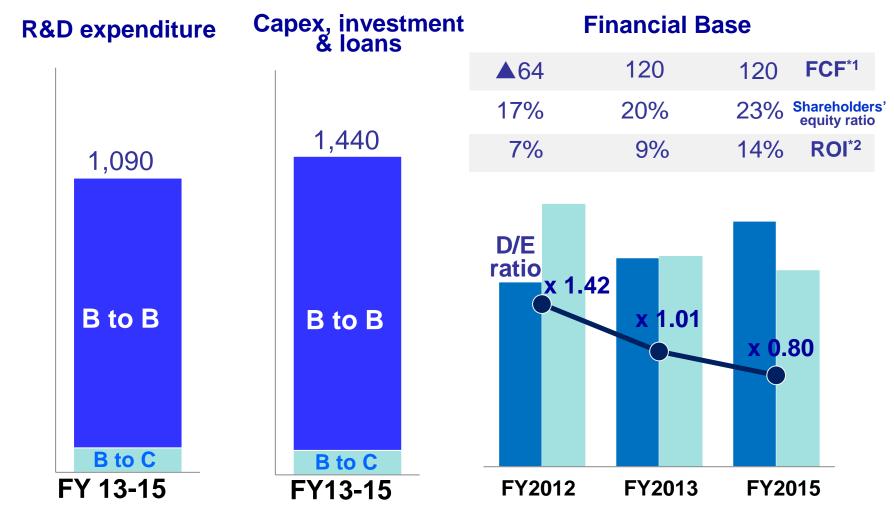
### FY2015 Targets



### **Investment and Strong Financial Base**

#### Realizing both strong profit base and investment for Creative Growth

(billions of yen)

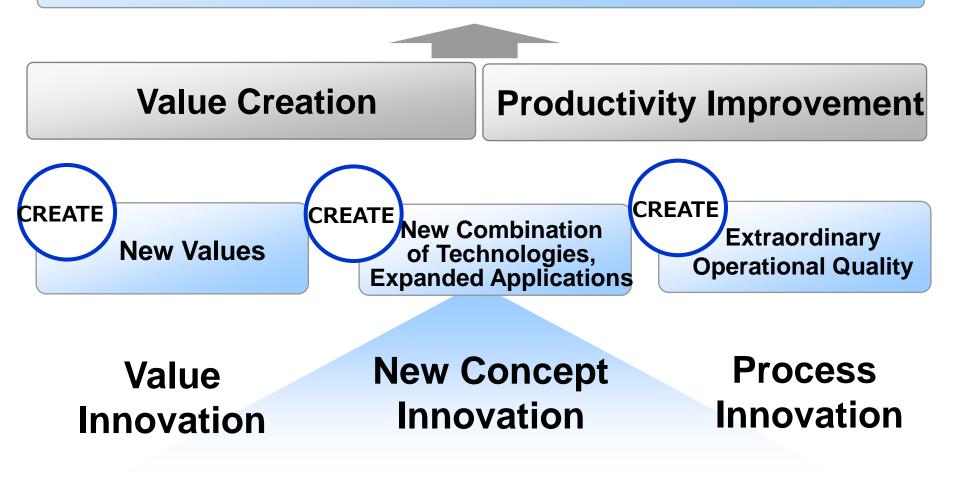


TOSHIBA \* 1 :FCF: Free Cash Flow

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### Closing

### **Growth Through Creativity and Innovation**





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

### We will Orchestrate Toshiba Group's 200,000 employees' all-out collective efforts to achieve Growth through Creativity and Innovation



## **TOSHIBA** Leading Innovation >>>