

New Management Team, Measures to Reform of Governance Structure, and Forecast for Financial Results

Toshiba Corporation

August 18, 2015

Forward-looking Statements

- This presentation contains forward-looking statements concerning future plans, strategies and performance of Toshiba Group.
- These forward-looking statements are not historical facts, rather they are based on management's assumptions and beliefs in light of the economic, financial and other data currently available.
- Since Toshiba Group is promoting business under various market environments in many countries and regions, they are subject to a number of their 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 readers that actual results might differ materially from our expectations.
- Toshiba's fiscal year (FY) runs from April 1 to March 31. 1H refers to the first six months (April-September); 2H refers to the latter six months (October-March); 1Q refers to the first quarter (April-June); 2Q refers to the second quarter (July-September); 3Q refers to the third quarter (October-December); 4Q refers to the fourth quarter (January-March).
- While restatements of results refer to past information, they are not fixed at this point and figures are subject to change.
- The outline of the restatement of past results and the forecast for fiscal 2014 results cover income (loss) before income taxes. Please note that it is currently difficult to estimate the consolidated net income attributable to shareholders of the Company based on the information contained in this document, due to the procedures for finalizing the financial statements still being in progress in regard to matters such as the necessity of recording valuation provisions relating to deferred tax assets.
- All figures are consolidated totals for the full fiscal year unless otherwise stated.
- Prior-period performance on consolidated segment information has been reclassified to conform with the current classification.
- The optical disc drive (ODD) business is classified as a discontinued operation in accordance with the Accounting Standards Classification (ASC) 205-20 "Presentation of Financial Statements – Discontinued Operations". The results of the ODD business have been excluded from net sales, operating income (loss), and income (loss) from continuing operations, before income taxes and noncontrolling interests. Net income of Toshiba Group is calculated by reflecting the ODD business results to income (loss) from continuing operations, before income taxes and noncontrolling interests. Results of the past fiscal years and figures announced at the beginning of the fiscal period have been revised to reflect this change.
- Until FY2013, some of advanced R&D expenses and headquarters administrative overhead expenses were allocated to all segments. Starting in FY2014, part of these expenses is classified into corporate expenses without being allocated to the segments. Results of the past fiscal years have been revised to reflect this change.

New Management Team and Reform of Corporate Governance Structure

Hiroyuki Itami

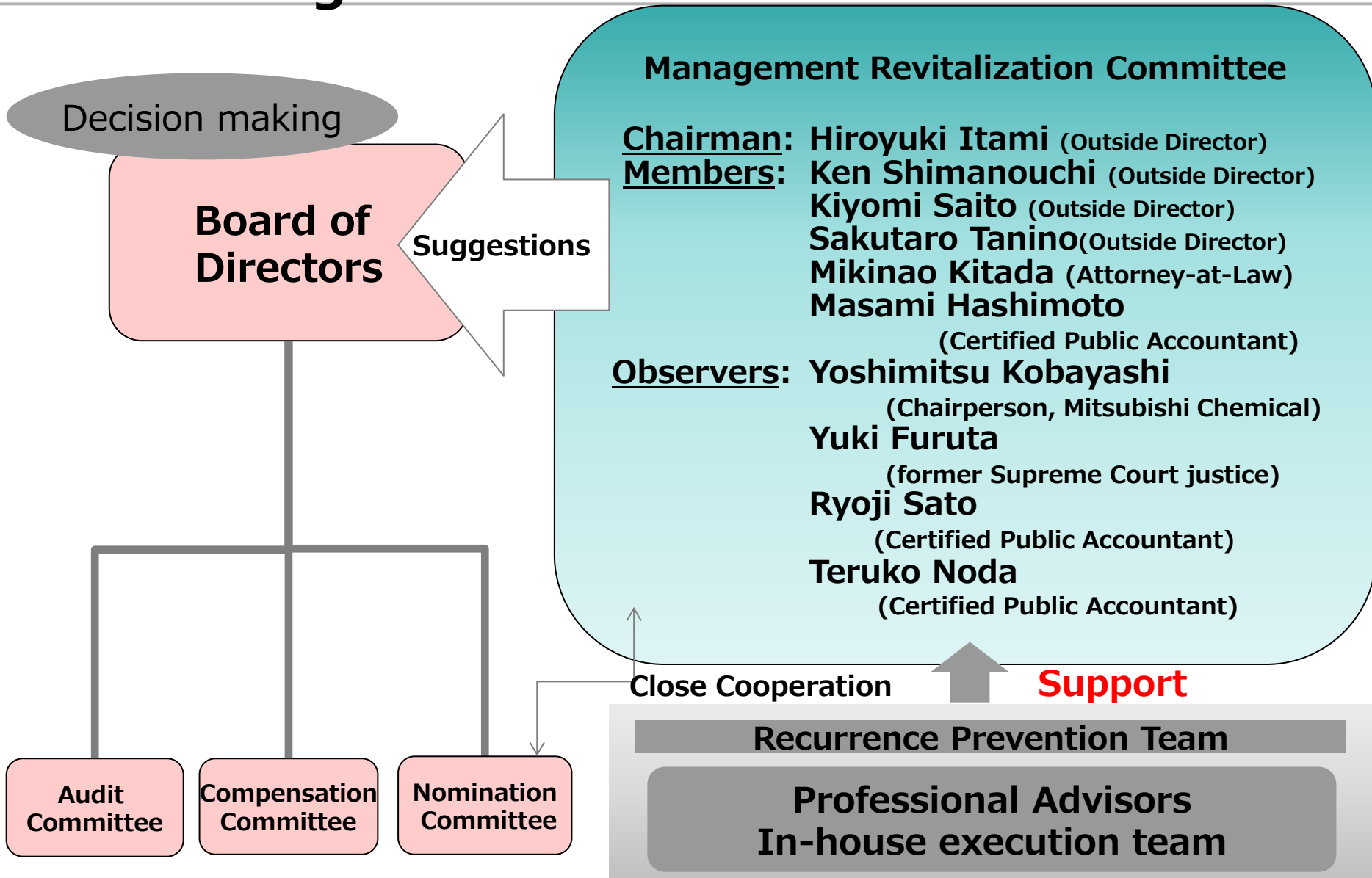
Director,

Chairman of the Management Revitalization Committee

Toshiba Corporation

August 18, 2015

Framework of the Management Revitalization Committee



Overview of the New Governance Structure (Board of Directors)

Mission of Board of Directors

Discussion Points

- The Independent Investigation Committee pointed out that the supervisory function of the Board of Directors did not function.
- The Company will redefine the true mission of the Board of Directors in consideration of reinforcing the supervisory function over business execution

Suggestions	Items pointed out by the Independent Investigation Committee
<p>➤ Mission and Function of the Board of Directors</p> <ul style="list-style-type: none">◎ Recognize mission and function of the Board of Directors as being to “monitor and supervise business execution” and “to determine the Company’s basic strategies.”◎ Establish new structure (next slide) to reinforce both missions <p>Reference: Current rules of Board of Directors</p> <p>Main items to determine</p> <ul style="list-style-type: none">① Management Principles, Management Vision, Code of Conduct, Corporate Governance, Strategy System, Mid-term Management Plan, Annual Budget Outline, Determination of Basic Management Policy② Important decisions on business strategy, such as major M&A <p>Main items to be reported</p> <ul style="list-style-type: none">① Status of execution of business by Executive Officers② Items determined at management meetings and documents of management decisions	<p>➤ “1. Clarify items to be reported” and “2. Expand scope of items to be reported,” to reinforce supervisory function of the Board of Directors by increasing amount of information provided to the Board.</p>

Overview of the New Governance Structure (Board of Directors)

Composition of the Board of Directors

Discussion Points

- Develop a framework for the Board's monitoring and supervisory functions to work appropriately, and to prevent the invalidation of internal controls due to pressure from top management as pointed out by the the Independent Investigation Committee.
- Develop appropriate structure for the Board to determine mid- to long-term improvement of corporate value and basic management policy with a view to securing sustainability.

Suggestions	Items pointed out by the Independent Investigation Committee
<ul style="list-style-type: none">➤ <u>Size of Board of Directors</u><ul style="list-style-type: none">◎ Should be 10-12 members➤ <u>Composed of outside and in-house directors</u><ul style="list-style-type: none">◎ Should be 6 - 8 Outside Directors and 4- 5 in-house Directors➤ <u>Personal attributes of Outside Directors</u><ul style="list-style-type: none">◎ Attain diversity, such as management executives, experts in law and accounting and other areas➤ <u>Chairman of the Board of Directors</u><ul style="list-style-type: none">◎ Enable Outside Directors to become Chairman of the Board of Directors (The current articles of incorporation state that he Chairman of the Company shall also serve as Chairman of the Board of Directors)	<ul style="list-style-type: none">➤ <u>Increase number of Outside Directors</u>➤ <u>Should change the compositions of the Board of Directors with consideration of need for various types of expertise</u>➤ <u>Ensure independence of Outside Directors</u>

Overview of the New Governance Structure (Board of Directors)

Measures to Reinforce Functions of the Board of Directors

Discussion Points

- Develop a support structure independent from business execution, so that Outside Directors can execute their role and functions effectively

Suggestions	Items pointed out by Independent Investigation Committee
<ul style="list-style-type: none">➤ <u>Appropriate support for Outside Directors</u><ul style="list-style-type: none">◎ Establish a permanent support organization independent from top management to support Outside Directors' activities◎ Consider a new organization that can function like the Board of Directors secretariat◎ Expand investigations etc. by Corporate Audit Div. and the Audit Committee Office and investigations etc. by outside experts, to reinforce Outside Directors' function of gathering information and investigating.◎ Ensure provision of appropriate quality and quantity of information, and appropriate opportunities for prior consideration and deliberation by the Board of Directors◎ Hold periodic meetings of Outside Directors only, enabling them to share information and awareness of problems	<ul style="list-style-type: none">➤ "1. Clarify items to be reported" and "2. Expand scope of items to be reported," to reinforce supervision function of Board of Directors by increasing amount of information provided to Board of Directors.

Composition of the Board of Directors and the Three Committees

Board of Directors

7 Outside Directors

4 In-house Directors

Nomination Committee

Composed of 4 or 5 Outside Directors only

Compensation Committee

Composed of 4 or 5 Outside Directors only

Audit Committee

Composed of 4 or 5 Outside Directors only
Required to have members with accounting or legal knowledge

Causes Identified and Recommendations Made by Independent Investigation Committee regarding Internal Control

Matters pointed out by the Independent Investigation Committee

1. Internal controls did not function in in-house companies

★ Internal control by Finance & Accounting Div. did not function

2. Internal controls did not function in corporate staff divisions

★ Involvement of certain top management and executives invalidated internal controls in financial reporting



Recommendations for an organization designed to prevent recurrence

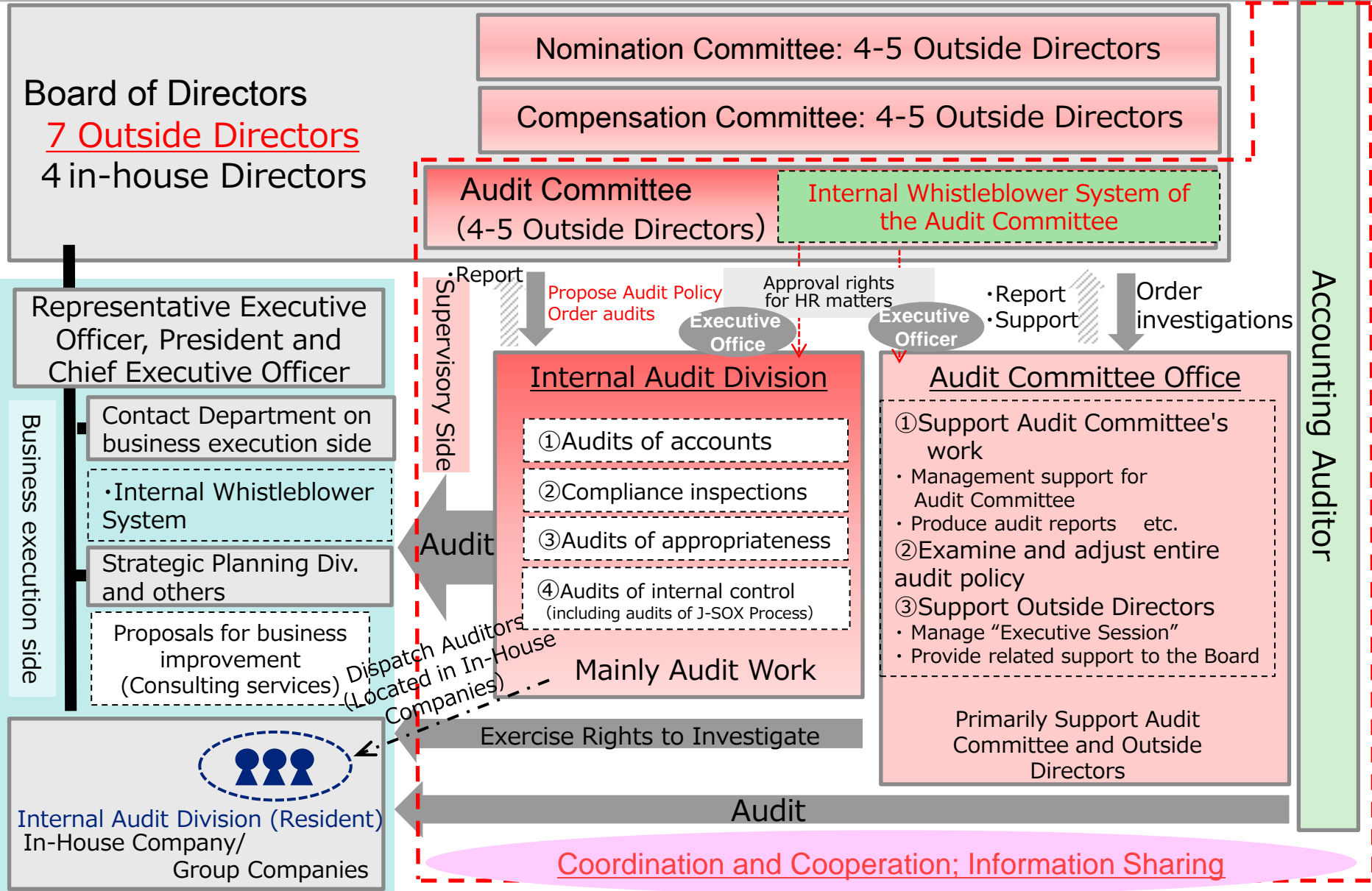
- ◆ Establish powerful internal control division
- ◆ Reinforce internal control function (supervisory function) of the Board of Directors
- ◆ Reinforce internal control function (audit function) of the Audit Committee
- ◆ Effective use of internal whistleblower system



Powerful organization to supervise & monitor, independent from business execution

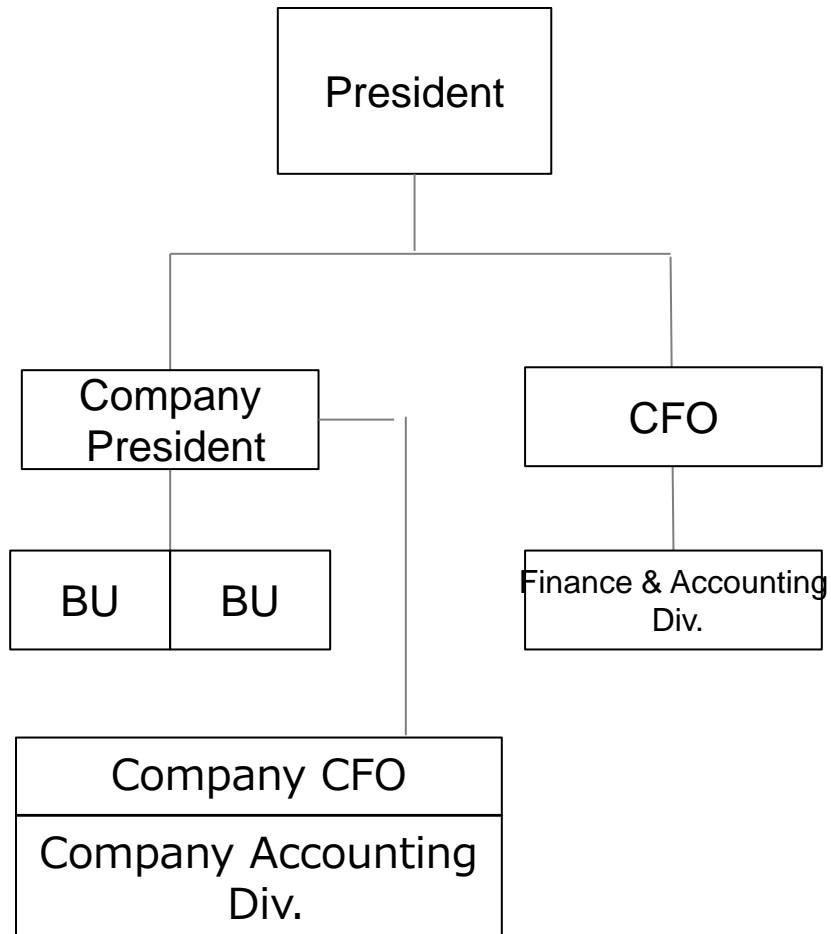
Ensure the independence of financial accounting function

Image of Corporate Governance Structure

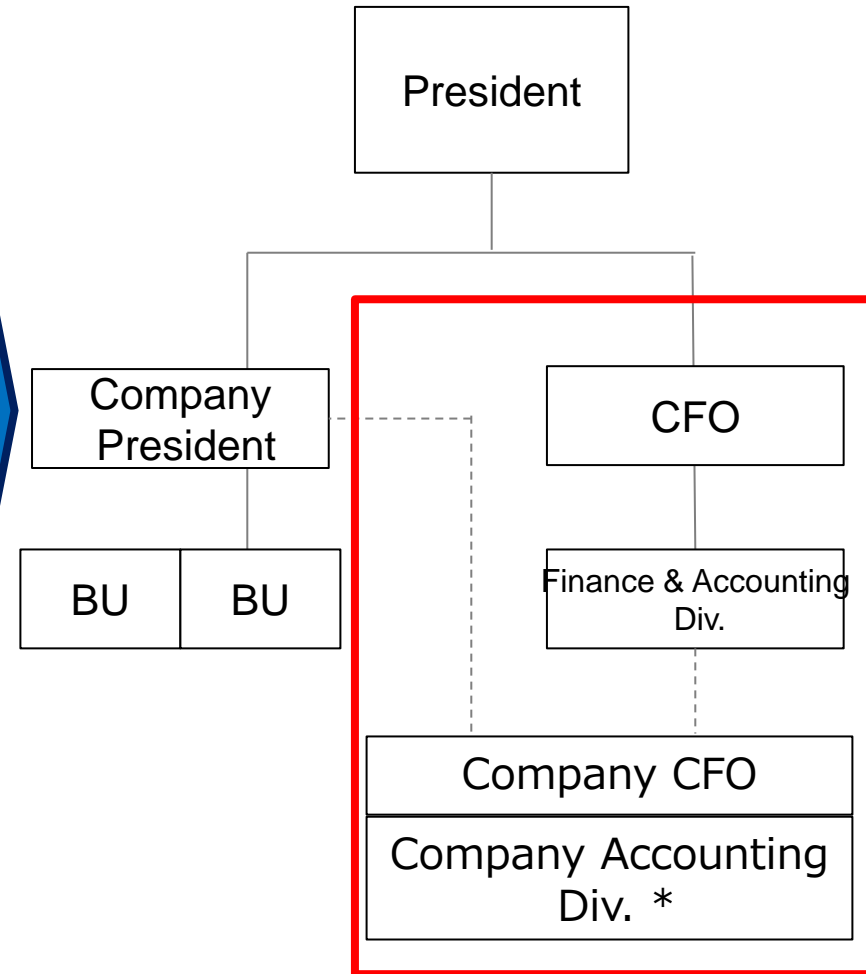


Securing Independence of Financial Accounting

Current



After Change



CFO instruction line is independent from business units

* Located within the relevant in-house company

Items Considered in Respect of Nomination and Compensation Committees

Matters Pointed Out by the Independent Investigation Committee

1. No development of an internal control structure that anticipated the possibility of inappropriate accounting involving certain members of top management
2. Over-riding current-term profit policy
 - ★ Maximization of short-term profit and pressure to achieve goals resulted in inappropriate accounting

Nomination Committee

- All members must be Outside Directors
- Improve selection process for President
 - * Formulation of Succession Plan by Nomination Committee
 - * Introduction of anonymous vote of confidence system intended to act as a check on the President

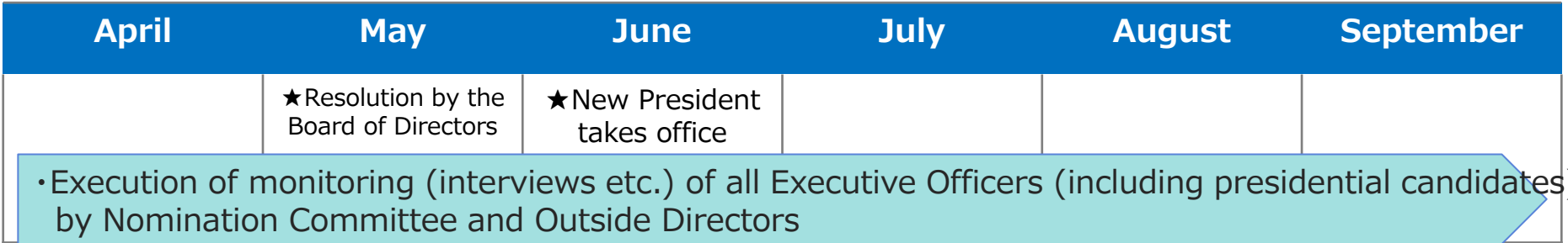
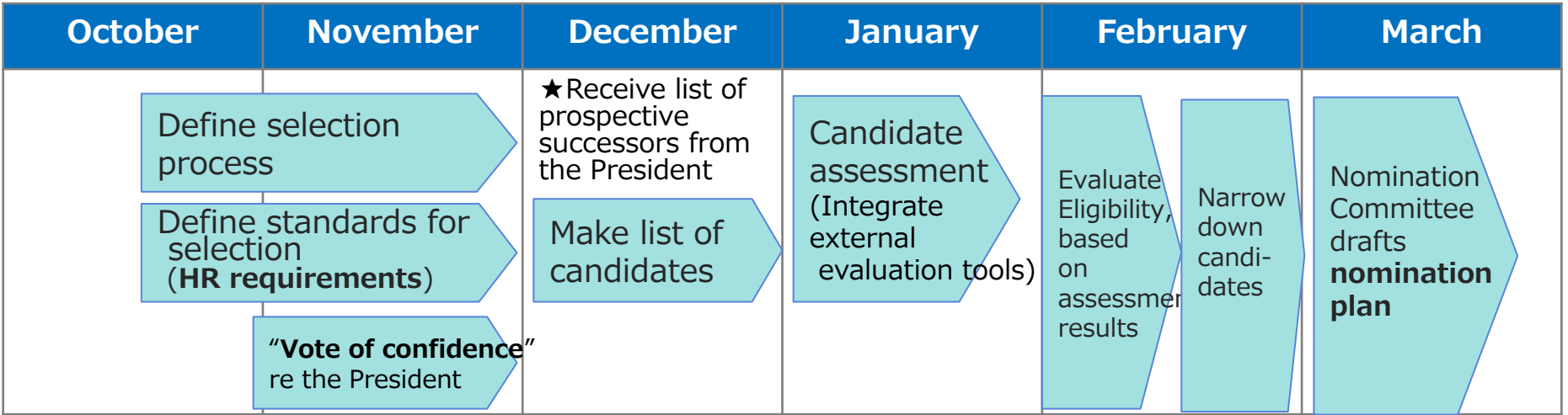
Compensation Committee

- All members must be Outside Directors
- To consider designing compensation based on mid- to long-term corporate value

Model of Process for Selecting President &CEO

Discussion Points

- Documentize the process and selection standards for President (HR requirements)
- Systemize a monitoring and evaluation cycle for presidential candidates by the Nomination Committee and the Board of Directors
- Study a process for Directors and Executive Officers based on the process for the President



Evaluation System for President & CEO (Vote of Confidence system)

Discussion Points

- Establish system of anonymous vote of confidence in President by top management, as reference material for the Nomination Committee when making succession plan

1. Vote of Confidence (Evaluation) items (sample)

	Favorable	Neutral (Blank vote)	Unfavorable
A) Is there any problem with the current President's attitude towards compliance?	No, there isn't	Neither / I don't know	Yes, there is
B) Do you trust all actions taken by the current President as a management executive?	Yes, I do	Neither / I don't know	No, I don't

2. Voter



About 120 people*; anonymous voting

- * Executive Officers (except Directors), Vice Presidents, General Managers of Divisions, Presidents of Branches, General Managers of Corporate Staff Groups, Presidents of key subsidiaries

3. Acting on Results

- (1) Hold vote in November as reference material for the Nomination Committee to consider the reappointment of the President. Final decision is made by the Board of Directors.
- (2) If there are many unfavorable answers (approximately 20% or more), carry out additional research and examine the results carefully.
- (3) The results are to be known only to the Nomination Committee.

Schedule for Management Revitalization Committee

2015A							2015B
Aug 17~	Aug 24~	Aug 31~	Sep 7~	Sep 14~	Sep 21~	Sep 28~	Oct~
		 Aug 31 Board Meeting for financial reporting				 Late Sep: Extraordinary General Meeting of Shareholders	
◎ Meetings to be held approx. once a week ◎ Concentrate discussion on reoccurrence prevention							Pursue as an internal organization after start of new management

Items to discuss to prevent recurrence

- Reform of governance structure
- Reform of corporate culture
- Strengthening internal control functions
- Incorporation of J-Sox, reform of working processes

Re-examination of accounting standards, formulation of work processes, and strict implementation

New Management Team

- **The Management Revitalization Committee also discussed candidates. The eligibility of re-nominated candidates was discussed by only the Committee's impartial independent members and observers with no interests in the Company.**

➤ **Outside Directors**

Hiroyuki Itami	(current Outside Director)
Teruko Noda	(Certified Public Accountant)
Koichi Ikeda	(Advisor to the Board, Asahi Group Holdings Ltd.)
Yuki Furuta	(Attorney-at-Law)
Yoshimitsu Kobayashi	(Chairperson, Member of the Board, Mitsubishi Chemical Holdings Corporation)
Ryoji Sato	(Certified Public Accountant)
Shinzo Maeda	(Senior Advisor, Shiseido)


➤ **In-House Director**

Masashi Muromachi	(current Director, Chairman of the Board, Representative Executive Officer, President and CEO)
-------------------	---

➤ **Representative Executive Officer, President and CEO**

Masashi Muromachi

* Other in-house Director candidates are scheduled to be nominated separately



Outline of Restatement Estimates of Past Financial Results and Forecast for Fiscal 2014

August 18, 2015

Masashi Muromachi
President & CEO
Toshiba Corporation

Outline of Restatement of Past Financial Results and Forecast for Fiscal 2014

● Outline of Restatement of Past Financial Results

(Income (loss) before income taxes/Cumulative amount, FY2008–FY2014 3Q)

1. Amount of restatement (announced on July 20) -156.2 billion yen

- Items delegated to Independent Investigation Committee -151.8 billion yen
- Self-check -4.4 billion yen

2. Effect incidental to restatement -56.8 billion yen

- Impairment of fixed assets -44.0 billion yen
 - PC -7.0 billion yen, Visual Products -2.0 billion yen
 - Semiconductor (discrete, system LSI) -35.0 billion yen
- Others -12.8 billion yen

● Forecast for FY2014

- Operating income (loss) 170.0 billion yen
- Income (loss) before income taxes 140.0 billion yen
- Net income (loss) forecasted to turn to loss

• Includes loss from revaluation of assets:

Approx. 127 billion yen...STP*, Semiconductors, White Goods and others * South Texas Project

● Dividend

The dividend as of the date of record, September 30, 2015, will be zero

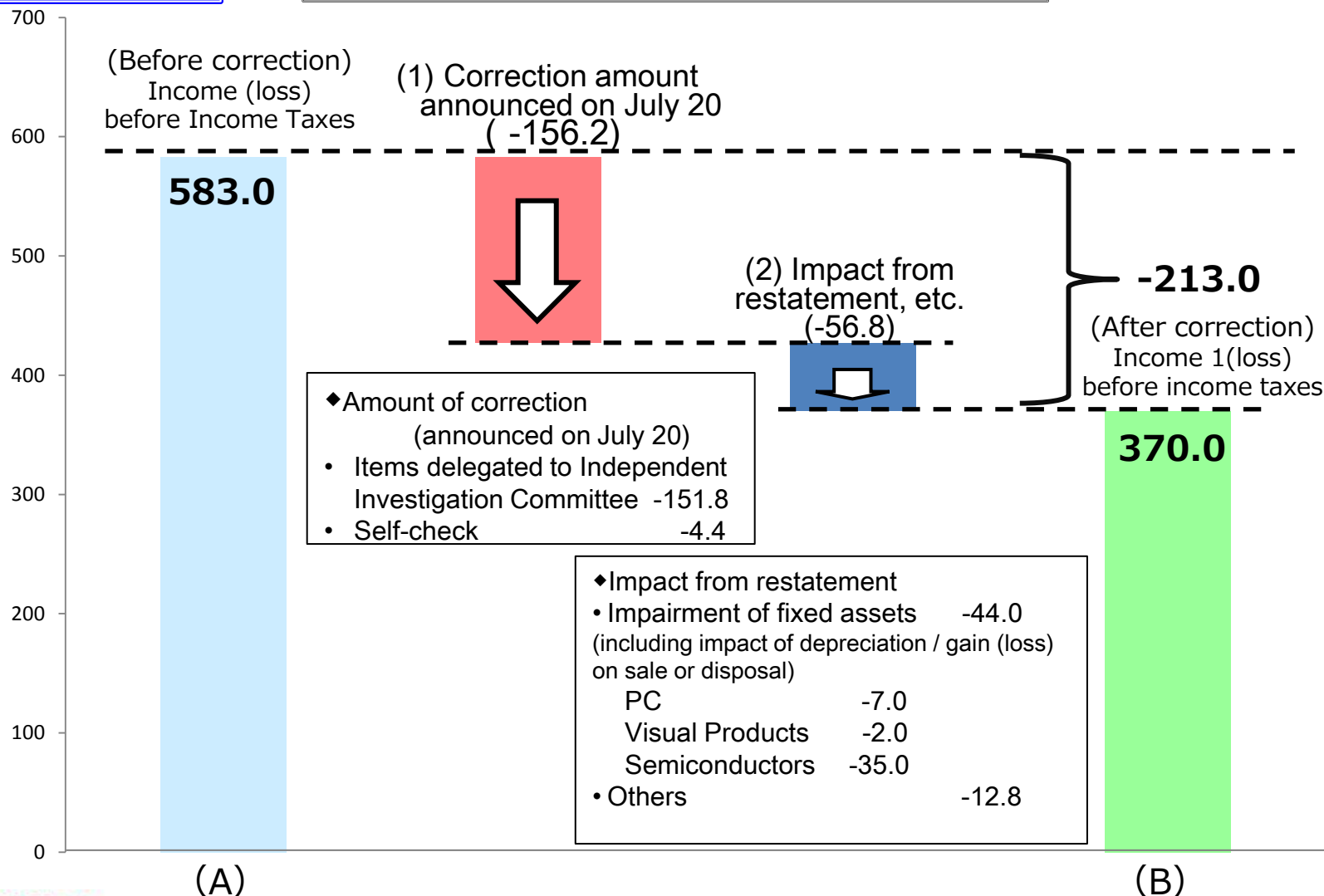
Income (Loss) before Income Taxes, Restatement of Past Financial Results and Impact of Restatement

Amount of Restatement

Currently under audit procedures by external accounting auditor

Unit: billion yen

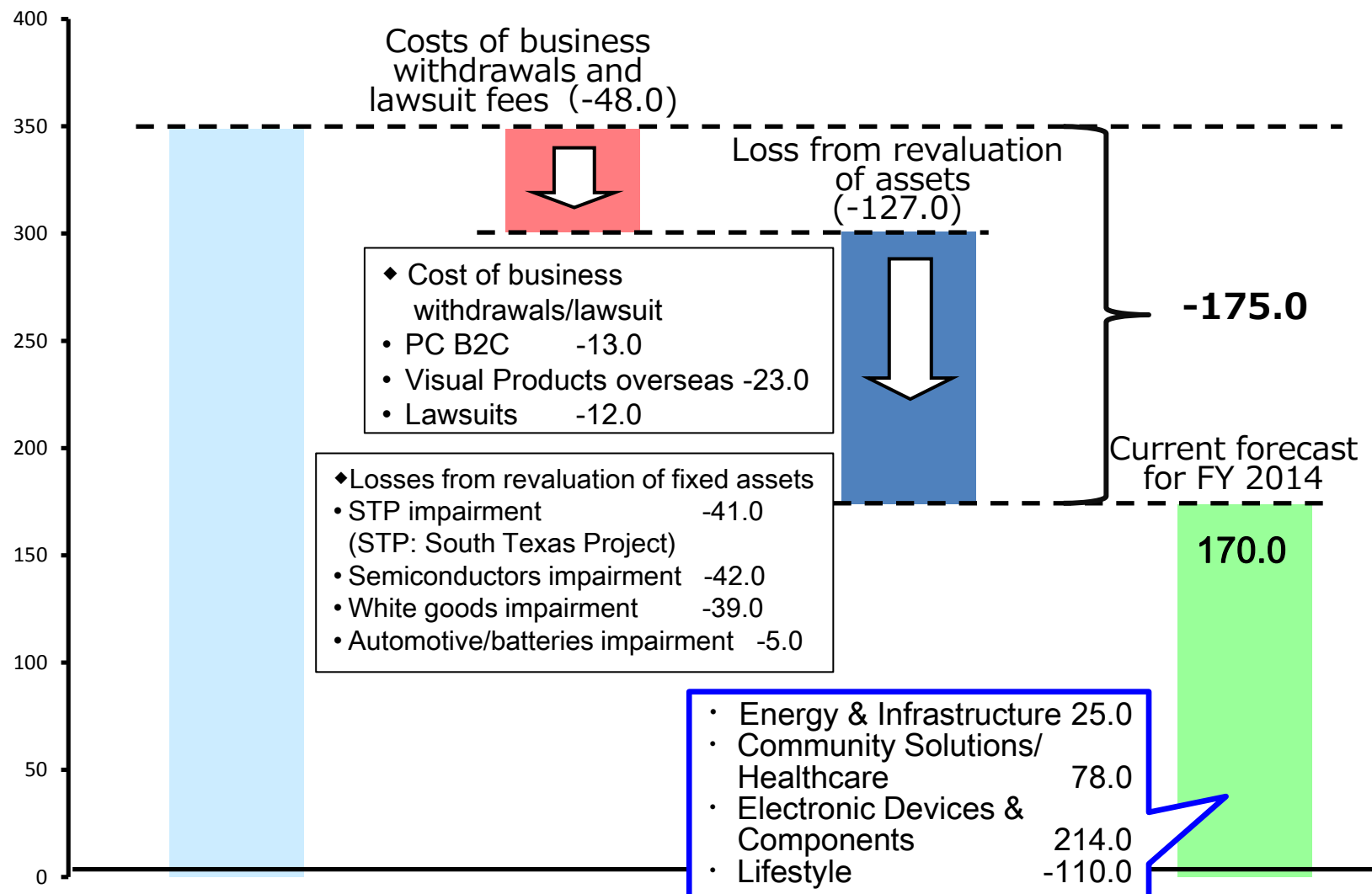
Cumulative amount, FY2008–FY2014 3Q



Outline of FY2014 Operating Income (Loss)

Currently under audit
procedures by external
accounting auditor

Unit: billion yen



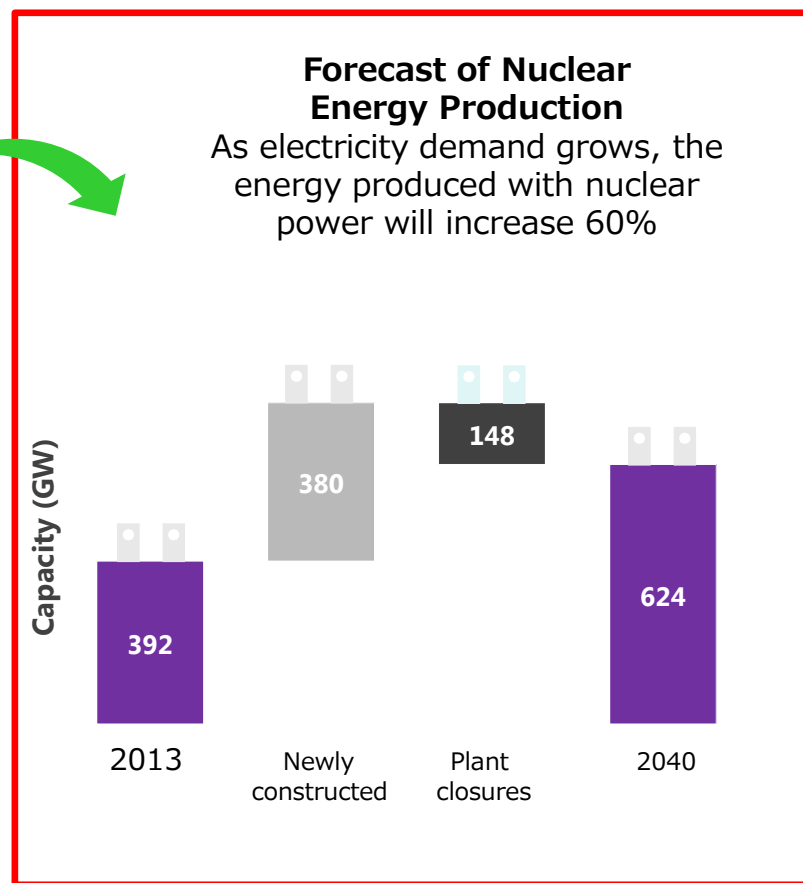
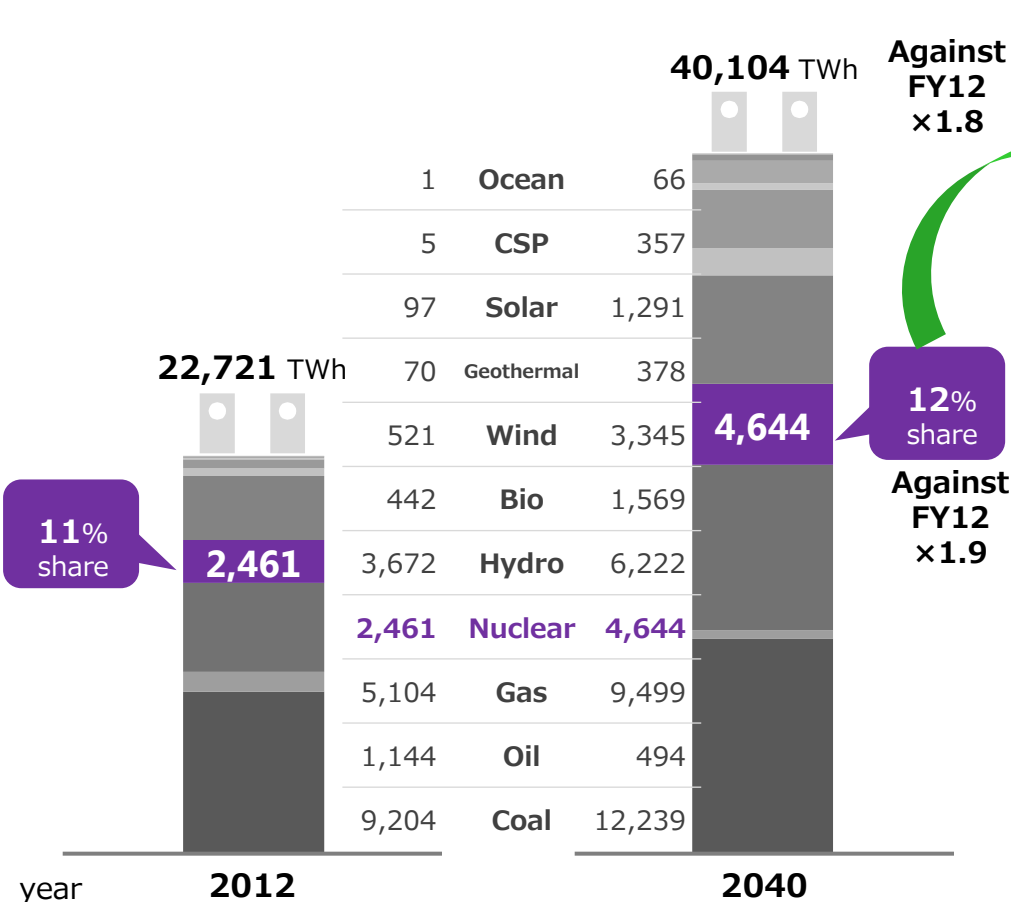
Measures regarding Management Issues

- **Business reform reflecting the restatement of the past financial results and forecast for FY 2014**
 - 1) Social Infrastructure
 - Optimization of percentage-of-completion method, review and revise order management process
 - 2) PC, Visual Products, White Goods, Semiconductors (Discrete, System LSIs)
 - In addition to reforming cost structure (optimization of overseas operation basis, implementation of brand licensing), examine every possibility to improve business operation, without limitation
- **Deploy measures in recovering own capital**
 - Improvement in business profitability, acceleration in selling non-core business assets
 - * Sold approximately 113 billion yen (before tax) of Kone Corporation stock on July 22

Long Term Electricity Demand and Nuclear Power

Outlook of Worldwide Energy Production, by Source

- ◆ Nuclear power is expected to be the baseload power source in order to meet worldwide energy demand



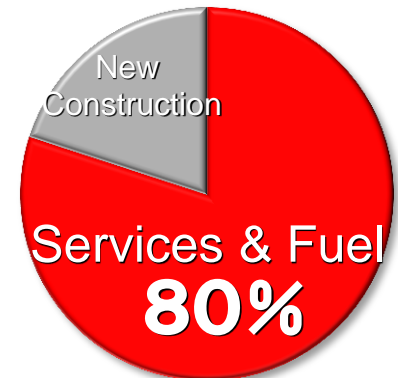
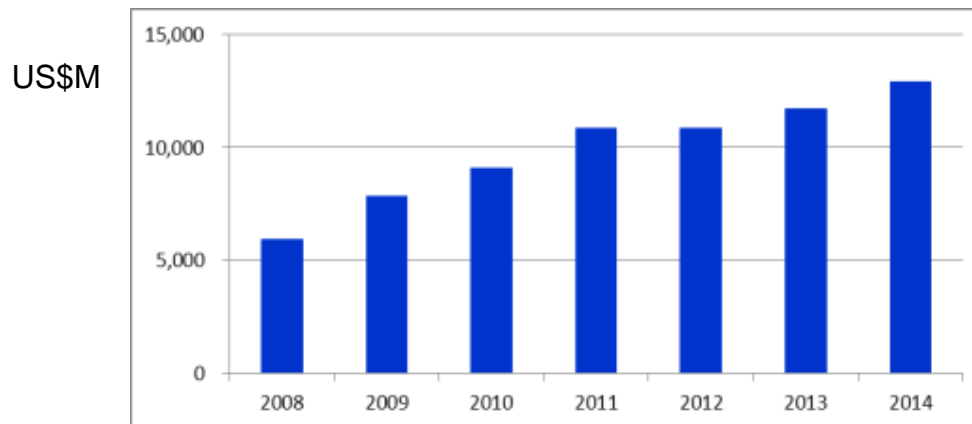
Source: IEA World Energy Outlook, 2014

Nuclear Power: Fuel and Services Business

Fuel and Services

- ◆ Promote sales with new fuels offering enhanced efficiency and reliability to take share from competitors (e.g. U.S. BWR market, France, Ukraine and other markets)
- ◆ **Services Business:** Unify Toshiba Group's nuclear power business. Offer differentiation achieved by combining Toshiba and Westinghouse's superior technologies

The order backlog in the Fuel and Services business has more than doubled



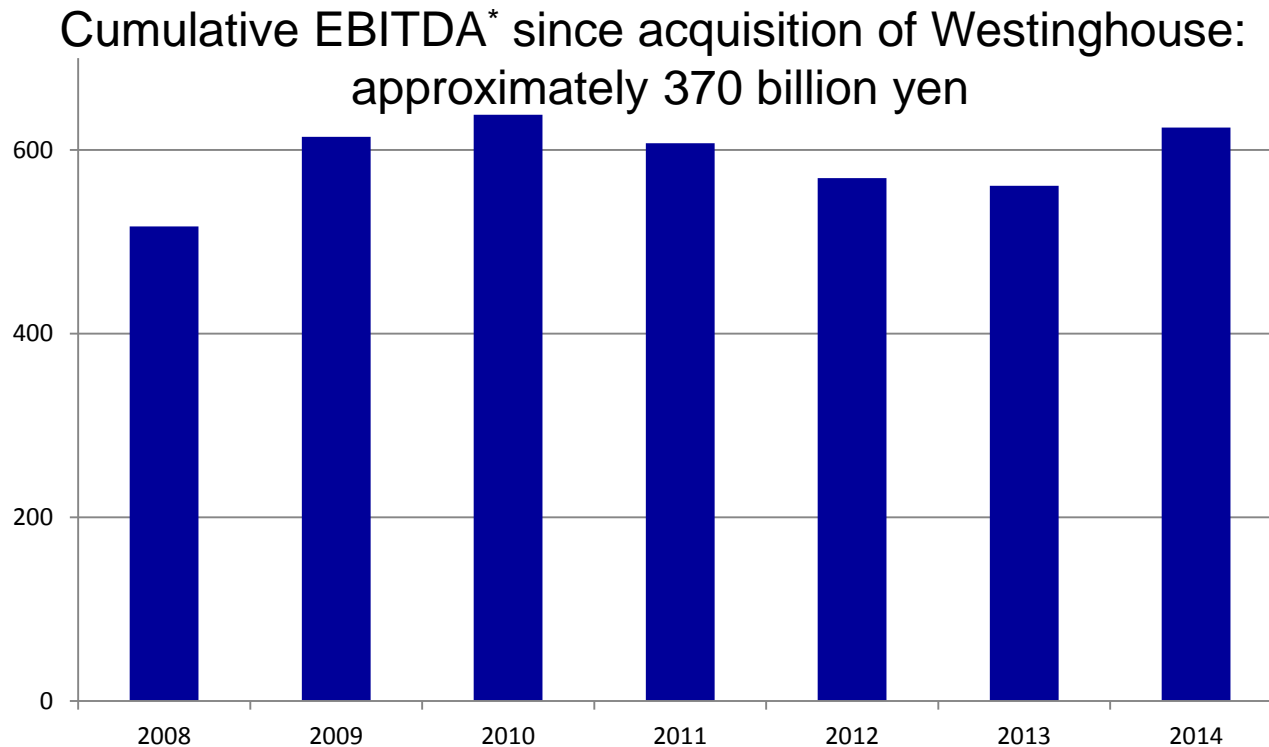
Sales Plan, Nuclear Power Business
2015-2017

Assure Base for Profit of Business by Expanding Fuel and Services Business

Nuclear Power Business

Consolidated Results and Impairment Evaluation

Net Sales of Nuclear Business (Consolidated)



* EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

**Executed annual impairment test for FY2014
Found nothing indicting the possibility of not
being able to collect the value of booked assets**



Detailed explanation

August 18, 2015

Yukikazu Watanabe

General Manager, Finance & Accounting Division

Toshiba Corporation

Income (Loss) before Income Taxes, Restatement of Past Financial Results and Effects of Restatement

Amount of Restatement

Currently under audit procedures by external accounting auditor

Unit: billion yen

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014 (1-3Q cumulative)	Cumulative (08 ~ 14/3Q)
(Before correction) Income (loss) before income taxes	-259.7	27.2	194.7	145.4	159.6	180.9	134.9	583.0
Items delegated to Independent Investigation Committee	-28.2	-40.0	8.4	-31.2	-85.8	-5.4	30.4	-151.8
Self-Check	-0.6	-1.0	1.0	-0.2	-1.5	-1.3	-0.8	-4.4
Amount of correction (disclosed on July 20)	-28.8	-41.0	9.4	-31.4	-87.3	-6.7	29.6	-156.2
Amount for Impairment of fixed assets (incl. effect of depreciation / gain (loss) on sale or disposals)	(^{*1}) -41.8	2.5	0.3	(^{*2}) -49.0	14.8	13.7	15.5	-44.0
Others (2)	-9.7	1.3	5.6	-5.0	-7.1	-7.9	10.0	-12.8
Effect incidental to restatement, etc.	-51.5	3.8	5.9	-54.0	7.7	5.8	25.5	-56.8
(After correction) Income (loss) before income taxes	-340.0	-10.0	210.0	60.0	80.0	180.0	190.0	370.0

*1 PC and Visual Products

*2 Mainly semiconductor

Forecast for FY2014 (Entire Company)

Forecast
for FY2014

Currently under audit
procedures by external
accounting auditor

Unit: billion yen

	FY2014 Current forecast	FY2013 Results after correction	Difference	FY2014 Items to note (included number)	(Reference) Forecast announced on Sept. 18, 2014
Sales	6660	6490	170		6700
Operating income (loss)	170	250	-80	-175	330
%	2.6%	3.9%			4.9%
Income (loss) before income taxes	140	180	-40	-175	250
%	2.1%	2.8%			3.7%
FCF	140	40	100		
Net interest bearing liabilities (interest bearing liabilities minus cash and deposits)	1150	1220	-70		

*The forecast shows a loss in net income (loss). The Company is currently carrying out required processes to finalize the consolidated financial results, and will promptly announce the results when they are available for disclosure.

Items to note

- Loss from revaluation of assets: -127 billion yen
STP*, Semiconductors, White Goods and others
* South Texas Project
- Cost of business withdrawal/ lawsuits: -48 billion yen
PC, Visual Products, Lawsuits

Reevaluation of Assets (Fixed Assets)

In line with the restatement of past financial results, we are re-examining business profitability and making appropriate evaluations of the recoverability of assets

- PC
 - Executed impairment in FY2008
 - Executed all amounts in entire B2B and B2C
- Visual Products
 - Executed impairment in FY2008
 - Executed all amounts for all domestic and overseas business
- Semiconductors
 - System LSI
 - Executed impairment in FY2011
 - Executed for full amount, in accordance with the downturn in the sensor business
 - Discrete
 - Executed impairment in FY2014
 - Executed partially, in accordance with the downturn in white LEDs
 - Memory
 - No problem found; has continued to generate stable profit since FY2009
- White Goods
 - Executed impairment in FY2014
 - Executed all amounts for all domestic and overseas business

Currently under audit
procedures by external
accounting auditor

Reevaluation of Assets(non-fixed Assets)

In line with the restatement of past financial results, we are re-examining business profitability and making appropriate evaluations of the recoverability of assets

Currently under audit
procedures by external
accounting auditor

- STP (South Texas Project)
 - Executed impairment in FY2014
 - Evaluated the course of negotiation in selling electricity and investment, and executed all amounts by financing and loans
- Westinghouse
 - Executed impairment test on the business of the nuclear power division, including the nuclear business in Japan
 - The fair value of goodwill has always exceeded the book value since the acquisition, therefore the value of the goodwill as of FY2014 is deemed appropriate
- Landis+Gyr
 - Stable profit since the acquisition in 2011
 - The fair value of goodwill exceeds the book value, therefore the value of the goodwill as of FY2014 is deemed appropriate
- Deferred tax assets
 - Examined based on future plans that incorporated anticipated risks of the current environment into future plans, and determined that there is a probability of recovering loans via collateral for deferred tax assets of Toshiba Corporation and its consolidated subsidiaries*, as of FY2014
 - * consolidated subsidiaries in Japan subject to consolidated taxation
 - In regard to matters such as the necessity of recording valuation provisions related to deferred tax assets recorded by overseas subsidiaries of the Company, the Company is currently carrying out required processes to finalize the consolidated financial results and an audit by the external accounting auditor is in progress, and the Company will promptly announce the results when they are available for disclosure.

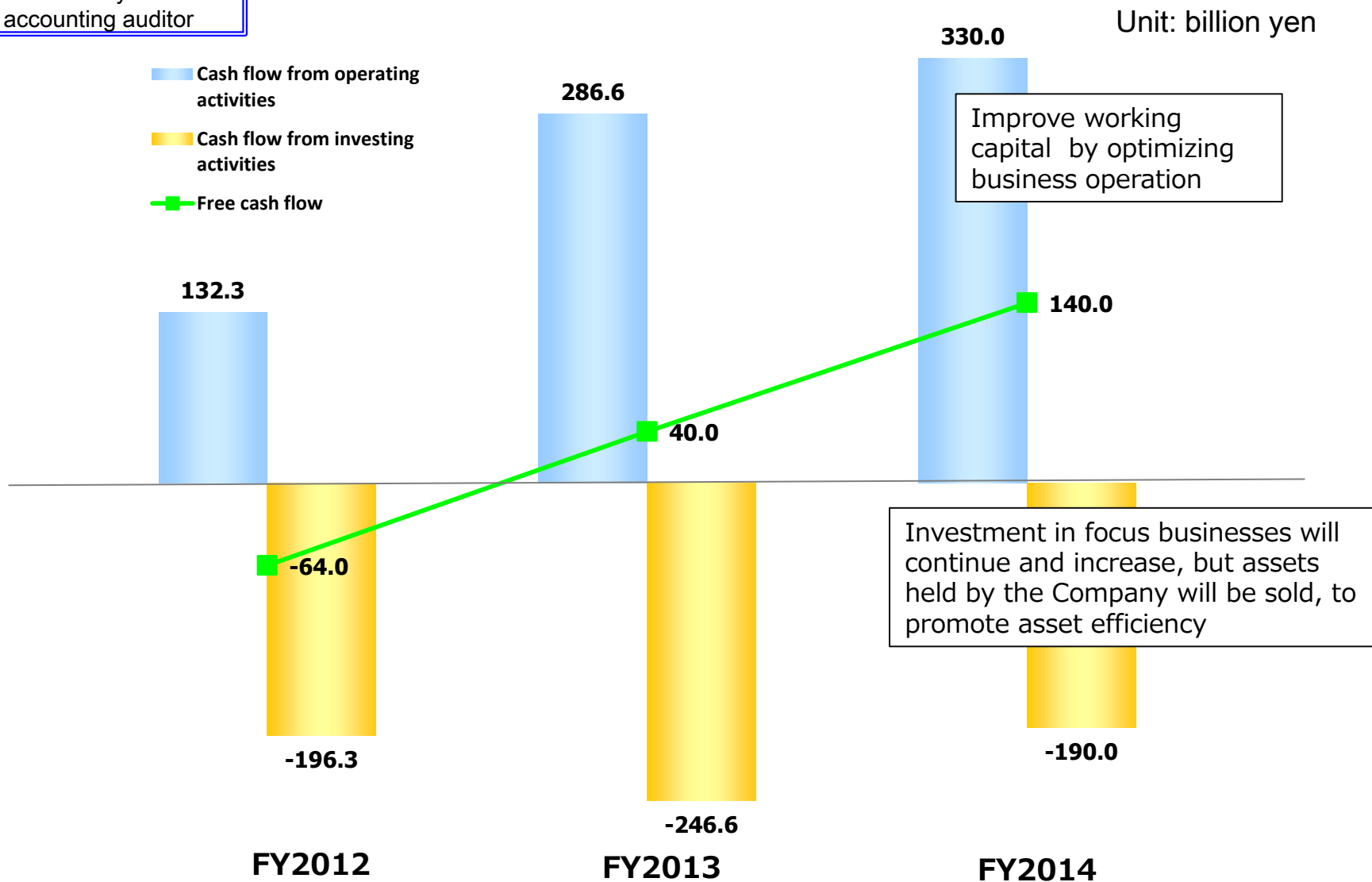
Cash Flows

Cash Flows

Currently under audit
procedures by external
accounting auditor

Unit: billion yen

- Cash flow from operating activities
- Cash flow from investing activities
- Free cash flow





Appendix

Forecast for FY2014, by Segment

Forecast
for FY2014

Currently under audit
procedures by external
accounting auditor

Unit: billion yen

		FY2014 Forecast announced on Aug. 18	FY2013 Results after correction	Year-on- Year	(Reference) Forecast announced on Sept. 18
Energy & Infrastructure	Sales	2,010	1,810	200	1,990
	Operating income (loss)	25	6	19	91
Community Solutions	Sales	1,410	1,350	60	1,410
	Operating income (loss)	54	55	-1	61
Healthcare Systems & Services	Sales	410	410	0	440
	Operating income (loss)	24	30	-6	31
Electronic Devices & Components	Sales	1,760	1,680	80	1,730
	Operating income (loss)	214	244	-30	226
Lifestyle Products & Services	Sales	1,160	1,310	-150	1,200
	Operating income (loss)	-110	-54	-56	-48
Others	Sales	520	500	20	550
	Operating income (loss)	7	11	-4	9
Corporate and Eliminations	Sales	-610	-570	-40	-620
	Operating income (loss)	-44	-42	-2	-40
Total	Sales	6,660	6,490	170	6,700
	Operating income (loss)	170	250	-80	330

Restated Results for Past Fiscal Years

(FY09 – FY14 1-3Q)

Amount of
Restatement

Unit: billion yen

Currently under audit
procedures by external
accounting auditor

	FY2009			FY2010			FY2011		
	Before Correction	Change	After Correction	Before Correction	Change	After Correction	Before Correction	Change	After Correction
Sales	6,129.9	0.1	6,130.0	6,270.7	-10.7	6,260.0	599.4	-4.3	5,990.0
Income (loss) before income taxes	27.2	-37.2	-10.0	194.7	15.3	210.0	145.4	-85.4	60.0

	FY2012			FY2013			FY2014 (1-3Q Accumulation)		
	Before Correction	Change	After Correction	Before Correction	Change	After Correction	Before Correction	Change	After Correction
Sales	5,727.0	-7.0	5,720.0	6,502.5	-12.5	6,490.0	4,716.2	3.8	4,720.0
Income (loss) before income taxes	159.6	-79.6	80.0	180.9	-0.9	180.0	134.9	55.1	190.0

TOSHIBA

Leading Innovation >>>