

# **TOSHIBA**

Leading Innovation >>>

## **“Toshiba Revitalization Action Plan” and FY2015 Forecast**

**December 21, 2015**

**TOSHIBA CORPORATION**

# Forward-looking Statements

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- 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 promotes business in various market environments in many countries and regions, its activities 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 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); and 4Q refers to the fourth quarter (January-March).
- All figures are consolidated totals for the 12 months, unless otherwise stated.
- Prior-period performance on consolidated segment information has been reclassified to conform with the current classification, unless otherwise stated.



# Outline of “Toshiba Revitalization Action Plan”

**Masashi Muromachi**

Representative Executive Officer  
President and Chief Executive Officer

December 21, 2015

**TOSHIBA CORPORATION**

# Outline of “Toshiba Revitalization Action Plan”

- **Decisive Action on Business Structural Reform**
- **Strengthen Internal Controls and Reform the Corporate Culture**
- **Review the Business Portfolio and Operational Structure**
- **Reforming the Financial Base**



**Regain the trust of all stakeholders,  
and achieve a strong corporate  
constitution.**

# Decisive Action on Business Structural Reform

- **Pursue decisive structural reform of the PC, Visual Products and Home Appliances businesses in the Lifestyle Products & Services segment**
  - Refine businesses and improve efficiency in business operations to achieve surplus by self-help effort.
  - As Toshiba Group is limited in its ability to allocate of necessary resources for business operation, in-depth measures, such as reforms made with other companies outside Toshiba Group, are under consideration as the next step.
  - Through these measures, the Lifestyle Products & Services segment will reduce its headcount by 6,800 employees, approximately 30 % of its global total, by March 31, 2016.
- **Pursue decisive structural reform within FY2015 for the Semiconductors business, as previously announced, and for the Lifestyle business and corporate staff division, etc., as announced today. The cost of structural reform in FY2015 is estimated at 260.0 billion yen.**

# Change of Headcount due to Structural Reform

		2015/3E	2016/3E	Difference	(Number of Employee)	
Semiconductor	Discretet System LSIs	10,200	7,400	-2,800	Domestic	-2,800
Lifestyle	PC	4,500	3,200	-1,300	Domestic Overseas	-2,000 -4,800
	Visual Products	4,800	1,100	-3,700		
	Home Appliances*	14,600	12,800	-1,800		
	Lifestyle Total	23,900	17,100	-6,800		
Corporate Staff Division		10,000	9,000	-1,000	Domestic	-1,000
Total		44,100	33,500	-10,600	Domestic	-5,800
					Overseas	-4,800

\*Includes the sales and repair businesses of the Lifestyle business

Of the total headcount reduction of 5,800 jobs in the domestic Semiconductor and Lifestyle businesses and the corporate staff, 500 employees in the Semiconductor business has already been transferred to focus businesses in FY2015/1H.

For the other 5,300, numbers will be reduced through personnel reallocations and the early retirement plan with support for job placement. A headcount reduction of 1,100 in the Semiconductor business will be achieved by transferring employees to Sony Group.

# Strengthen Internal Controls and Reform the Corporate Culture

## ● Measures for prevention of recurrence

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- |   |  |
|---|--|
| ✓ Accounting and awareness improvement seminars | • Awareness improvement seminars for managers (since November 18)  |
| ✓ Training in accounting compliance             | • Employee seminars by rank and function, according posts held and work areas (since November 26)  |
| ✓ Review on accounting procedures               | • Establish accounting procedures in relation to the percentage-of-completion, valuation of inventory and recording of operating expense, etc. and start application from 3Q   |
| ✓ Review of the budget development process      | • Shift to emphasize on cash flow<br>• Abolish CEO Monthly Meeting, and introduce Briefing Meeting on Business Performances<br>• Establish business plans to meet voluntary and independent management by in-house companies |
| ✓ Review of corporate governance rules          | • Develop Corporate Governance Guidelines (December 21)  |
| ✓ Reinforcement of the internal audit structure | • Reinforce function of Internal Audit Div. and increase number of staff   |
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# Strengthen Internal Controls and Reform the Corporate Culture

## ● Measures for reforming the corporate culture

✓ Evaluation system for President & CEO	• Hold vote of confidence by about 120 senior managers (January 2016)
✓ 360 degree survey on executive managers	• Conduct survey against 177 executive managers to check their credentials as leaderships multilaterally and objectively (since December 2015)
✓ Executive management seminars	• Held seminars for 177 executive managers (October 3, December 19)
✓ Employee awareness survey	• Conducted survey of 83,000 employees, in Japan and overseas with 91.3% response rate (November 23 - December 11)
✓ CSR workplace meetings	• Discuss actions for revitalization at each workplace, held at about 8,100 workplaces (October 23 - December 18)
✓ Improvement in information disclosure	• Expand information in business results (from “by segment” to “by in-house company”) • Hold IR conferences for each in-house company

## ● Consideration of advisor system

✓ Advisor system	• Consider changing the system, including abolition
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# Review the Business Portfolio and Operational Structure

- **Redefined focus business areas, and concluded to focus on the Energy and Storage businesses.**
  - Invite outside majority shareholder(s) in the Healthcare business to secure management resources necessary for further growth of the business.
- **Slim down corporate staff functions in line with independent autonomous management of in-house companies to aim for “Small but Strong Headquarters,” and reduce operating cost to a level that fits the scale, after review of the business portfolio.**
  - Transition to an organizational structure focused on the mission of strategic planning for the future.
  - Create a common platform for Toshiba Group, and enhance organizational efficiency.
  - Transfer functions needed in business operation to in-house companies.
- **Focus on cash flow in planning of mid-term business plans, budget, business performance management, and business performance evaluation, and also strengthen management of interest-bearing debt by the in-house companies.**
  - In-house companies promote further concentration and selection on their own businesses.
    - ✓ Focus on business areas which create operating cash flows, and consider withdrawal when no reconstruction can be expected.

# Reforming the Financial Base

Reflecting on the fact that it fell into an overriding concern for current profit, Toshiba will continue to promote business management emphasizing cash flow, and give first priority to restructuring for recovery from a weakened financial platform

## ● Measures to secure the financial platform

- Set firm rules on limits to investments and make resource allocations based on the redefined business portfolio and in those business domains that will generate cash.
  - Focus its FY2016 investments on the Energy and Storage businesses, and limit investments in other areas to refurbishment.
- Reinforce management of interest-bearing debt on a consolidated basis by the in-house companies so that Toshiba will be able to reduce interest-bearing debt.

## ● Sales of assets

- Thoroughly review the assets, such as stocks and real estate, and their necessity, and consider selling them off, without any restrictions.

# FY2015 Forecast Overall

**To revitalize Toshiba, conduct necessary measures, including structural reform of businesses facing challenge and review of asset value, within FY2015**

	FY2015 Forecast	FY2014 Actual	Difference
Net Sales	6,200.0	6,655.9	-455.9
Operating Income (Loss)	-340.0	170.4	-510.4
%	-5.5%	2.6%	
Income (Loss) before income taxes and noncontrolling interests	-300.0	136.6	-436.6
%	-4.8%	2.1%	
Net Income (Loss)	-550.0	-37.8	-512.2
%	-8.9%	-0.6%	
Free cash flow	-280.0	140.3	-420.3
Equity attributable to shareholders of the Company	430.0	1,084.0	-654.0
Net interest-bearing debt	1,470.0	1,142.0	328.0
Net debt-to-equity ratio	340%	105%	235%

(Yen in billions)

\* Hereinafter, "Net Income (Loss)" refers to Net Income (Loss) attributable to shareholders of the Company.

\* Net debt-to-equity ratio: [(interest-bearing debt)-(cash and deposits)]/Equity attributable to shareholders of the Company

● Decided not to pay a dividend to shareholders at the date of record of March 31, 2016.



# Structural Reform of the Lifestyle Products & Services Segment

**Satoshi Tsunakawa**

Representative Executive Officer  
Corporate Senior Executive Vice President

December 21, 2015

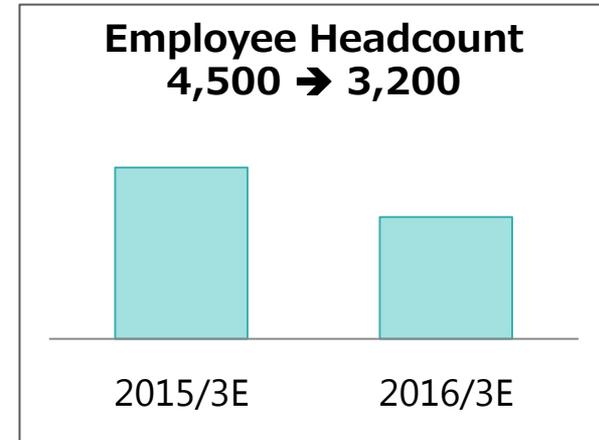
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# Structural Reform of the PC Business

**Further realize low cost business operation, and consider alliances with third party companies as future option**

## ➤ **Company splits, reduction of fixed costs and number of employees**

- The Personal & Client Solutions Company will be split off from Toshiba Corporation and merged with a BtoB PC sales company in Japan.
- Headcount reduction of 1,300, about 30% of its global total, within FY2015.
- Close and sell Ome Complex, the Japanese development base of PC and visual products.
- A 60.0 billion yen cost for structural reform is forecast for FY2015.
- Reduce total fixed costs by more than 30.0 billion yen in FY2016 against FY2015. Downsize global sales scale to 3 million units a year, and make the business profitable.



## ➤ **Concentrate on BtoB**

- Build up enterprise customer base as a means to generate healthier profit.
- Move focus on solution service business, and expand IoT business related to insurance, distribution and securities, where Toshiba has secured actual results.
- For BtoC, concentrate on the Japanese market which can expect to see stable business and efficient management, and limit overseas operation in the US only.

## ➤ **End consignment of design and manufacturing to outside vendors, and cease buy and sell transactions**

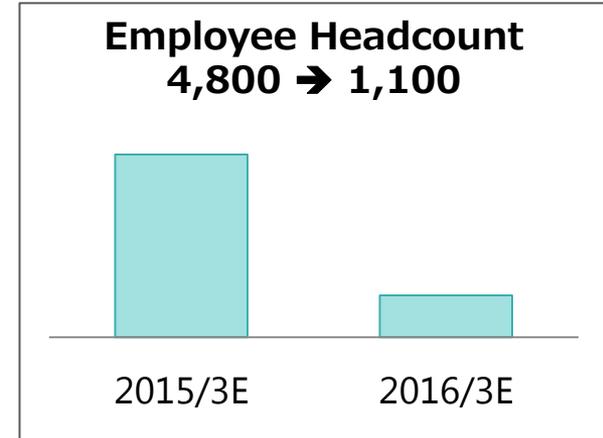
- End consignment of design and manufacturing to outside vendors, and operate BtoC within the range of products for BtoB, with in-house design and manufacturing. Product platforms will significantly be reduced to below one-third of the current number.

# Structural Reform of the Visual Product Business

**End all development, production and sales outside Japan and replacing with brand license business structure in overseas market. Concentrate on the Japanese market**

## ➤ Reduction of fixed costs and number of employees

- Reduce headcount by 3,700, about 80% of its global employees, within FY2015 (against 2015/3E).
- A 40.0 billion yen cost for structural reform is forecast for FY2015.
- Reduce total fixed costs by more than 18.0 billion yen in FY2016 against FY2015. Downsize global sales scale to 600 thousand units a year, and make the business profitable.
- Manufacture some small TVs with high image quality for the domestic market at Toshiba Multimedia Devices Co., Ltd. (in Aomori) , utilizing present production lines.



## ➤ Withdrawal from operations outside Japan

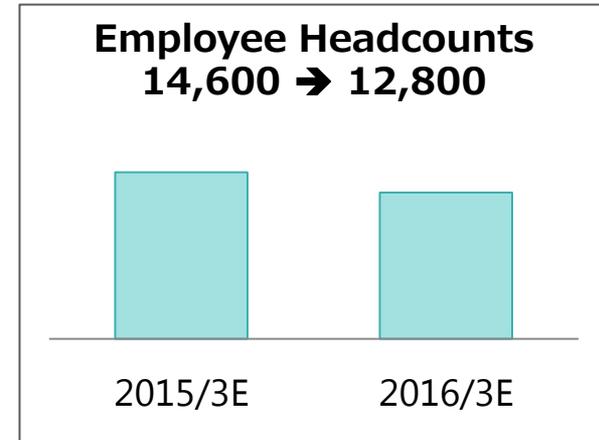
- Already shifted to brand licensing to Taiwan's Compal Electronics, Inc. in North America and Europe.
- Business in Asia (excluding China) will also shift to brand licensing model, and ownership of Toshiba's TV manufacturing plant in Indonesia is planned to be transferred to an overseas partner company.
- Business in the Middle East and Africa will also shift to brand licensing model through the sale of part of Toshiba's shareholdings in two joint venture companies in Egypt that respectively manufacture and sell TVs to JV partner El Araby Group, and make them to non-consolidated companies of Toshiba.
- In Brazil, agreed to shift to the brand licensing model with a JV partner by selling Toshiba's shareholding in the joint venture company conducting sales and manufacturing.

# Structural Reform of the Home Appliances Business

Further improve operational efficiencies, and consider alliance with third party companies as future option

## ➤ Reduction of fixed costs and number of employees

- Reduce headcount by 1,800 within FY2015 (against 2015/3E).  
\*The headcount reduction includes the Lifestyle products sales and repair businesses.
- A 4.0 billion yen cost for structural reform is forecast for FY2015.
- Reduce total fixed costs by more than 5.0 billion yen in FY2016 against FY2015 by consolidating domestic bases and improving operational efficiencies.



## ➤ Withdrawal from the sales and production of twin-tub washing machine

- In negotiations with an overseas partner on closing and selling the land and buildings of the washing machine production plant, which is on the same site as the TV manufacturing plant in Indonesia. The closure and sale of the plant will take place at the same time as the sale of the TV manufacturing plant.
- End in-house production and sales of twin-tub washing machines, and specialize in drum-type and top-loading washing machines.



# **FY2015 Forecast**

**Masayoshi Hirata**

**Representative Executive Officer  
Corporate Senior Vice President**

**December 21, 2015**

**TOSHIBA CORPORATION**

# FY2015 Forecast Overall

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(Yen in billions)

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# FY2015 Forecast by Segment

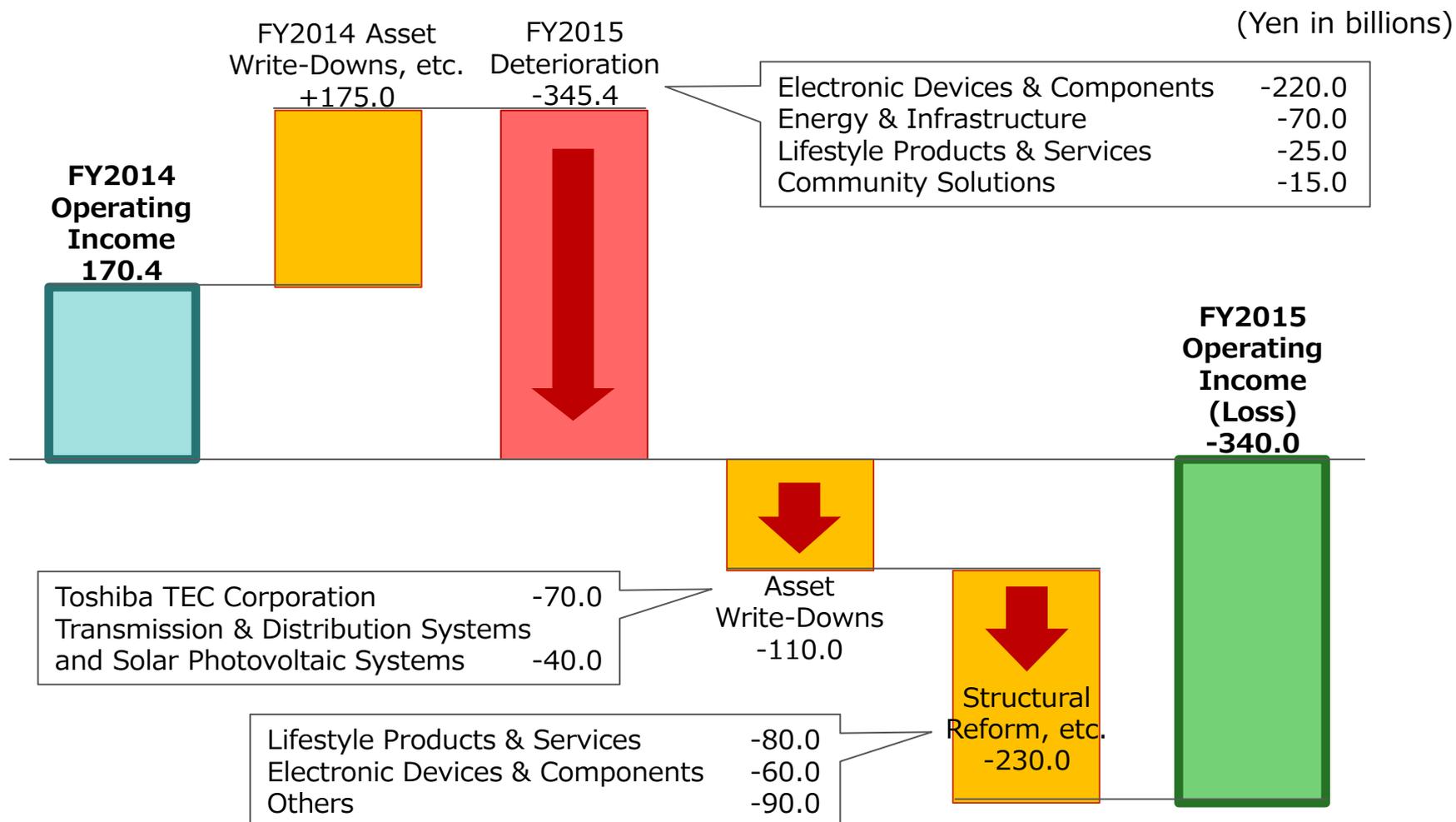
(Yen in billions)

		FY2015 Forecast	FY2014 Actual	Difference (growth ratio)	
Energy & Infrastructure	Net Sales	2,000.0	2,003.8	-3.8	(-0%)
	Operating Income (Loss)	-30.0	19.5	-49.5	
Community Solutions	Net Sales	1,410.0	1,410.7	-0.7	(-0%)
	Operating Income (Loss)	-30.0	53.9	-83.9	
Healthcare Systems & Services	Net Sales	440.0	412.5	27.5	(+7%)
	Operating Income (Loss)	15.0	23.9	-8.9	
Electronic Devices & Components	Net Sales	1,610.0	1,768.8	-158.8	(-9%)
	Operating Income (Loss)	-25.0	216.6	-241.6	
Lifestyle Products & Services	Net Sales	850.0	1,163.7	-313.7	(-27%)
	Operating Income (Loss)	-140.0	-109.7	-30.3	
Others	Net Sales	500.0	529.0	-29.0	(-5%)
	Operating Income (Loss)	10.0	7.5	2.5	
Corporate and Eliminations	Net Sales	-610.0	-632.6	22.6	
	Operating Income (Loss)	-140.0	-41.3	-98.7	
Total	Net Sales	6,200.0	6,655.9	-455.9	(-7%)
	Operating Income (Loss)	-340.0	170.4	-510.4	

\*Corporate and Eliminations includes structural reform costs (-90.0 billion yen).

# Operating Income (Loss) Forecast (YoY Analysis)

In addition to fall in income on lower sales, impairment and structural reform will result in a significant deterioration in operating income (loss) deficit



# Electronic Devices & Components Results Breakdown

(Yen in billions)

Net Sales	FY2015 Forecast	FY2014 Actual	Difference (growth ratio)	
Discretes	140.0	154.8	-14.8	(-10%)
System LSIs	160.0	177.9	-17.9	(-10%)
Memories	810.0	860.6	-50.6	(-6%)
Semiconductor Total	1,110.0	1,193.3	-83.3	(-7%)

Storage Products	420.0	507.9	-87.9	(-17%)
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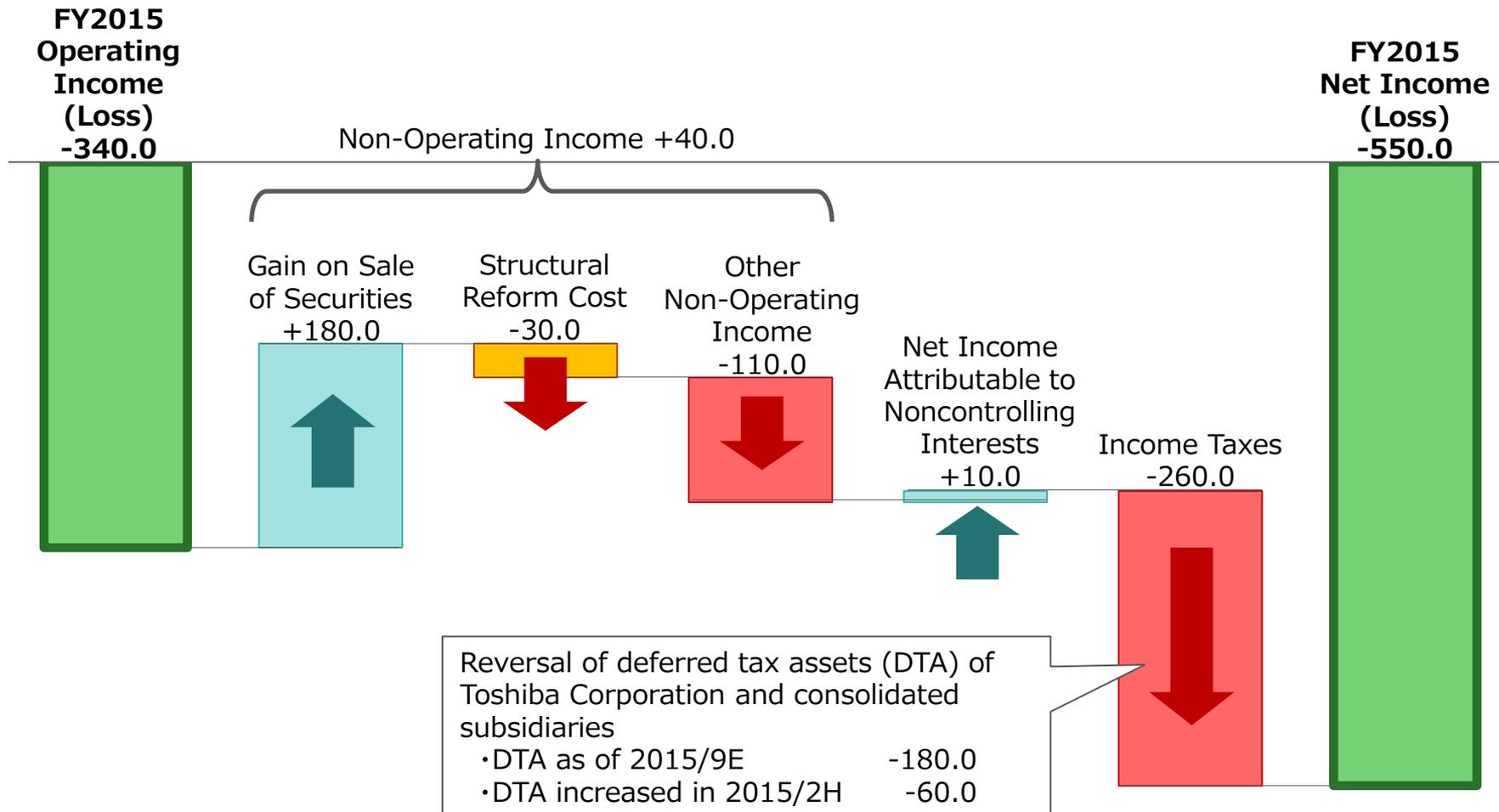
Operating Income (Loss)	FY2015 Forecast	FY2014 Actual	Difference	
Semiconductor & Storage Products Company	-20.0	215.8	-235.8	

(Memories among the above)	130.0	250.2	-120.2	
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# Net Income (Loss) Forecast

Because of the deficit in operating income (loss) and reversal of deferred tax assets, a significant deficit in net income (loss) is forecasted.

(Yen in billions)



# Goodwill and Fixed Assets

- Impairment (-69.6 billion yen) was recorded for TGCS\* at FY2015/2Q consolidated business results.
- Impairment testing for goodwill and fixed assets in the Nuclear Power Systems business, etc., will be conducted for the FY2015 business results, and the result will be announced at appropriate time.

\*TGCS: Toshiba Global Commerce Solutions  
(a company in the POS business, acquired from IBM (US))

(Yen in billions)

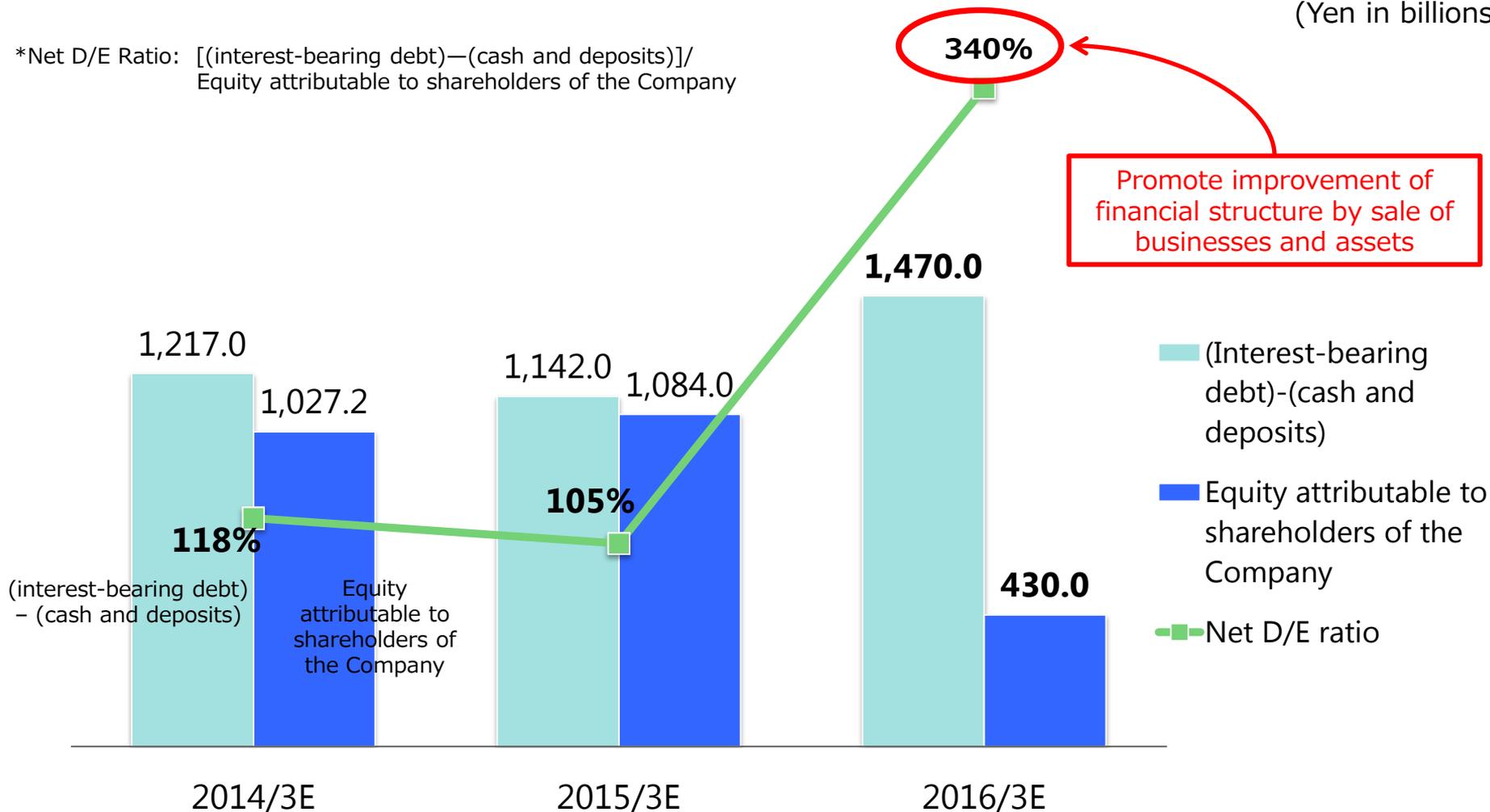
(Major Balances)	2015/11E Balance	FY2015/2H		FY2015/2H Impairment Expectation	Balance after Impairment
		Fixed Assets, etc.	Goodwill		
Nuclear Power Business (including Westinghouse)	720.0	370.0	350.0	0.0	720.0
Landis+Gyr	260.0	90.0	170.0	0.0	260.0
Memories	220.0	220.0	0.0	0.0	220.0
TGCS	20.0	20.0	0.0	0.0	20.0
Transmission & Distribution Systems and Solar Photovoltaic Systems	70.0	50.0	20.0	-40.0	30.0
Total	2,100.0	1,440.0	660.0	-40.0	2,060.0

# Financial Structure

The net D/E ratio at the end of March 2016 is forecasted to be 340% (worsened by decrease of equity attributable to shareholders of the Company)

(Yen in billions)

\*Net D/E Ratio:  $\frac{[(\text{interest-bearing debt}) - (\text{cash and deposits})]}{\text{Equity attributable to shareholders of the Company}}$



Promote improvement of financial structure by sale of businesses and assets

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