

TOSHIBA

Leading Innovation >>>



FY2016 Business Plan

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Toshiba Corporation

March 18, 2016

Forward-looking Statements

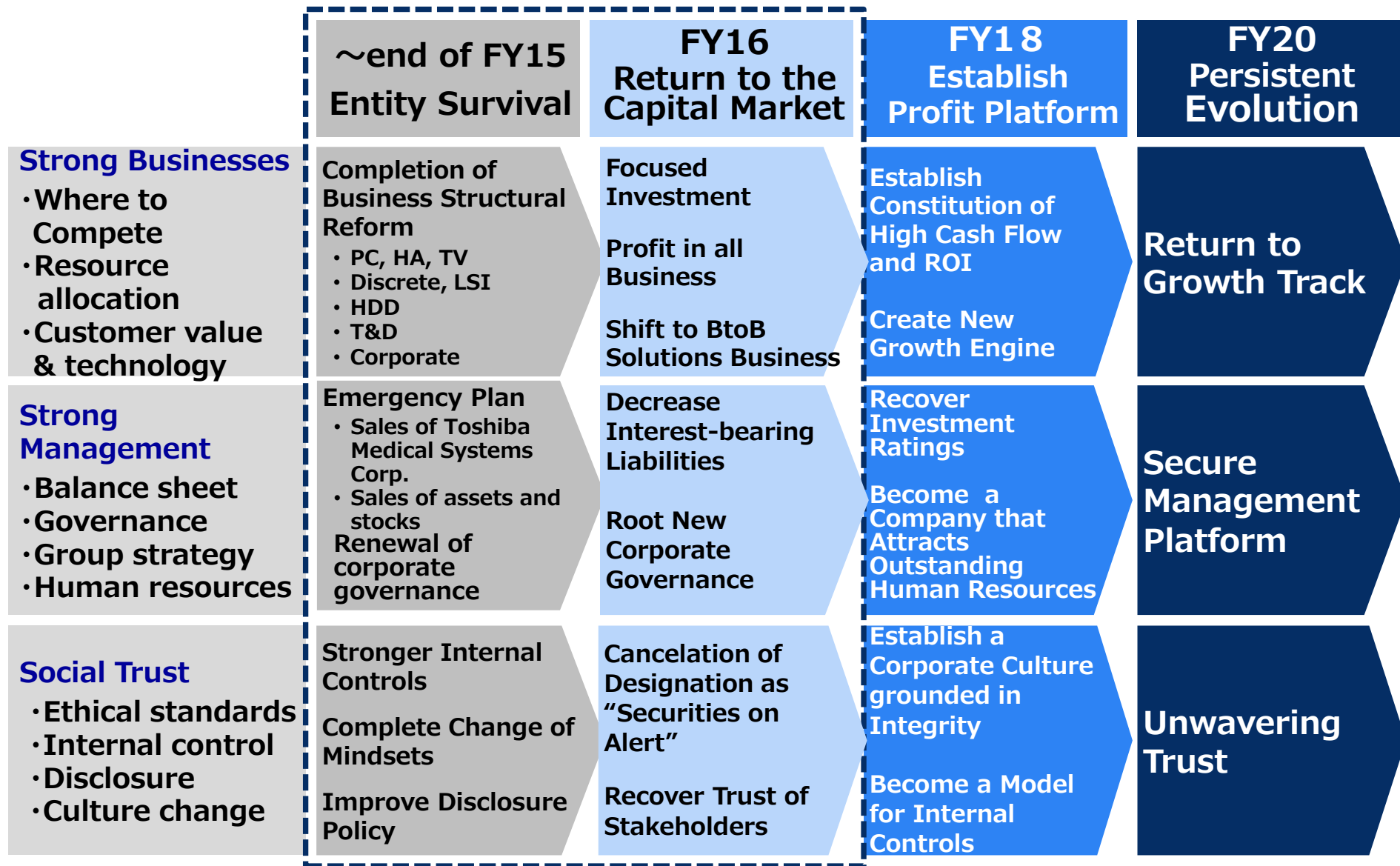
- This presentation contains forward-looking statements concerning future plans, strategies and performance of Toshiba Group.
- These forward-looking statements are not historical facts, rather they are based on management's assumptions and beliefs in light of the economic, financial and other data currently available.
- Since Toshiba Group 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. All figures are consolidated totals for the 12 months , unless otherwise indicated

1. Progress of the Toshiba Rebuilding Initiative

2. FY2016 Business Plan

- ① Focus Business Fields
- ② Overall

Milestones Toward Revitalization



The Sale of Toshiba Medical Systems Corp.

Share Transfer Agreement with Canon Closed on March 17

Reasons for the Sale

- To maximize Toshiba Medical Systems Corp's value and realize its full potential
- For Toshiba to improve its financial status.

Sales Price

- **Approximately 665.5 billion yen**

* Toshiba transferred to TMSC shares of US subsidiaries, such as Toshiba America Medical Systems, Inc., previously held by Toshiba America, Inc., prior to the sale to Canon, for approximately 22.5 billion yen

Future Outlook (In case Toshiba recognizes gains within FY2015)

- Record a profit of approximately 590 billion yen (consolidated, profit (loss) before taxes).
- TMSC will be classified as a discontinued operation in Toshiba's FY2015 financial reports

Toshiba is currently recalculating its business forecast for FY2015 and will promptly announce the forecast once it has been determined.

Home Appliance and Visual Products Businesses

Home Appliance Business

- **Completed restructuring within March 2016, as planned**
- **Signed MOU on selling business to Midea on March 17**
 - **Toshiba will sell a majority interest of Toshiba Lifestyle Products & Services to Midea Group Co., Ltd.**
 - **Will discuss retaining all global employee and operation sites**
 - **Will continue discussions on details towards a definitive agreement to be finalized by the end of the month**
- **The sales network in Japan will also continue**

Visual Products Business

- **Will remain in Toshiba Group after transfer of Toshiba Lifestyle Products and continue business**

The PC Businesses

Business Reform is proceeding as planned Return to a profitable condition in FY16

- **Headcount: Reduction of 1,300 people (as planned)**
- **Closed BtoC operations outside Japan (as planned)**
- **Slimming down sales units and operation sites, as planned for FY16**
- **Toshiba Client Solutions Co., Ltd will be established on April 1**
- **Stop all ODM and eliminate all buy-sell transactions in FY16**
- **Further reform under discussion with third parties**

Human Resources

Update of Headcounts due to Structural Reform

Forecast -13,820 people (+2,980 against target)

※Includes 2,840 people reallocated within Toshiba

Unit: people		Plan	Forecast (as of Mar.18)	Japan	Others	vs. Plan
Semiconductor	Discretes, System LSI	2,800	4,050	3,850	200	+1,250
	PC	1,300	1,300	400	900	0
	Visual Products	3,700	3,830	630	3,200	+130
	Home Appliances	1,800	2,100	1,400	700	+300
	Lifestyle Total	6,800	7,230	2,430	4,800	+430
	Corporate	1,000	1,420	1,000	420	+420
	Total Announced on Dec. 21	10,600	12,700	7,280	5,420	+2,100
	Healthcare	90	120	120	0	+30
	HDD	150	450	330	120	+300
	T&D	-	550	150	400	+550
Total Announced on Feb.4		240	1,120	600	520	+880
Grand Total		10,840	13,820	7,880	5,940	+2,980
Toshiba Medical Systems Corp.		-	10,000	5,600	4,400	+10,000

Change in Number of Toshiba Group Employees

FY14 end: **217 thousand**

FY15 end: **202 thousand**

FY16 end: **183 thousand**

Reform and sale of business (-21 thousand)

New hires and consolidated (+6 thousand), etc.

Sales of businesses (-19 thousand)

Emergency Measures and Recruitment Plan

Emergency Measures -Personnel Expenses-

Bonuses

Note: Applied to Toshiba Corporation

- **Executive Officers: Unpaid**
- **Managers and above: 2.5 months reduction/year, max 50% of previous year**
- **Others: 2 months reduction/year, max 50% of previous year**

Compensation and Monthly Salaries

- **Executive Officers: Continuation of current reductions**
- **Managers and above: Increased reductions (e.g. Section Managers: ¥10,000 to ¥30,000 reduction)**

Allowances

- **Overtime: Adjust to legally required level**
- **Business Trips: Reduction of 25%**

Recruitment Plan

Toshiba Corporation will not hire new graduates in FY2017

Improvement Plan and Situation Report

Formulate additional measures to prevent recurrence, considering past circumstances, background and structural factor analysis

Refer to “Principles for Listed Companies in Scandal” and not rely solely on the report by the Independent Investigation Committee

■ **Former CEOs – Background of nearly impossible demands to achieve profit improvements –**

- Analyze management environment during tenure of former CEOs, take historical background of business performance evaluation and budget control into consideration
- Strong sense of crisis in respect of company's survival, obsessive concern with their evaluation from inside and outside the company
 - **Enhance internal checks and balances function in respect of top management**

■ **CFO/Finance and Accounting Division – Why they didn't prevent the problem? –**

- Tolerated inappropriate accounting without clarifying where lines have to be drawn, out of attitude to following top management
- Management-accounting-oriented attitude to budget achievement
 - **Give the Nomination Committee the right to consent to CFO selection**
 - Review the chain of command in financial accounting and management accounting**

■ **Insufficient risk evaluation in financial reporting – Why internal controls did not function-**

- Less emphasis on accounting perspective in internal audit division, etc.
- Resets of J-SOX control settings and training for J-SOX assessors were insufficient
 - Clarify division of duties in Internal Audit Div. (Accounting)/ **Established accounting compliance committee**

■ **Stance on and system for appropriate information disclosure – Reconsider the system and its lack of provisions for timely disclosure-**

- Delayed disclosure of goodwill impairment at Westinghouse Electric Company/ Delayed disclosure of investigation status by Independent Investigation Committee, etc.
 - **Clarify basic policy on information disclosure, improve information disclosure system.**

Improvement Plan and Situation Report

Category	Organizations and problems		Major prevention measures against recurrence
Disregarded Internal Controls	Former CEOs	<ul style="list-style-type: none"> Strong sense of crisis regarding company's survival Obsessiveness with evaluations inside and outside the company 	<ul style="list-style-type: none"> Clarify responsibilities (Action for compensatory damages against former executives) Strengthen monitoring and controls by the measures below
Imperfect internal checks and balances function	Former CFOs	<ul style="list-style-type: none"> Authority concentrated in President Tolerated inappropriate accounting out of attitude of following top management 	<ul style="list-style-type: none"> Clarify responsibilities (Action for compensatory damages against former executives) Give the Nomination Committee the right to consent to CFO selection
	In-house Companies	<ul style="list-style-type: none"> Pressure from Corporate to achieve high growth and to avoid withdrawals from operations Short-term standard for planning budgets and evaluating business performance 	<ul style="list-style-type: none"> Shift emphasis from profit to cash flows when planning budgets and evaluating business performance
	Finance & Accounting	<ul style="list-style-type: none"> Too much focus on management accounting Fixed personnel 	<ul style="list-style-type: none"> Review the chain of command for financial accounting and management accounting Recruit external talent
	Internal Audits	<ul style="list-style-type: none"> Disregard of accounting perspective Inexperience with accounting and auditing 	<ul style="list-style-type: none"> Define authority and responsibilities (focus on financial audits) Increase headcount of Internal Audit Division, take advice from outside experts
Imperfect monitoring and control function	Board of Directors, Nomination Committee, Audit Committee	<ul style="list-style-type: none"> Defective personnel organization and lack of expertise the process to select/dismiss the President and CEO was unclear Insufficient provision of information required for discussion 	<ul style="list-style-type: none"> Appoint managers and experts as outside directors Clarify the process to select/dismiss the President and CEO (Introduce vote of confidence for CEO) Strengthen function of gathering information required for discussion Appoint a Full-Time Audit Commissioner (external)
Corporate culture, etc.	Corporate Level	<ul style="list-style-type: none"> Lack of awareness of appropriate financial reporting Deficiencies in business processes 	<ul style="list-style-type: none"> Establish Accounting Compliance Committee Review business processes Enhance information disclosure/dissemination function (establish new organization)

No restrain/Advice

Restructure Corporate Staff Division

Restructure to strengthen internal controls and autonomous management of in-house companies

Strengthen Internal Controls

Separate Financial Accounting and Results Accounting

- **Separate the Finance & Accounting Division into a Finance & Cash Accounting Division and an Accounting Division**

Strengthen Disclosure and Communication

- **Reposition Public Relations & Investor Relations Office as a division directly under the President & CEO, and establish a new Information Disclosure Office within the division**

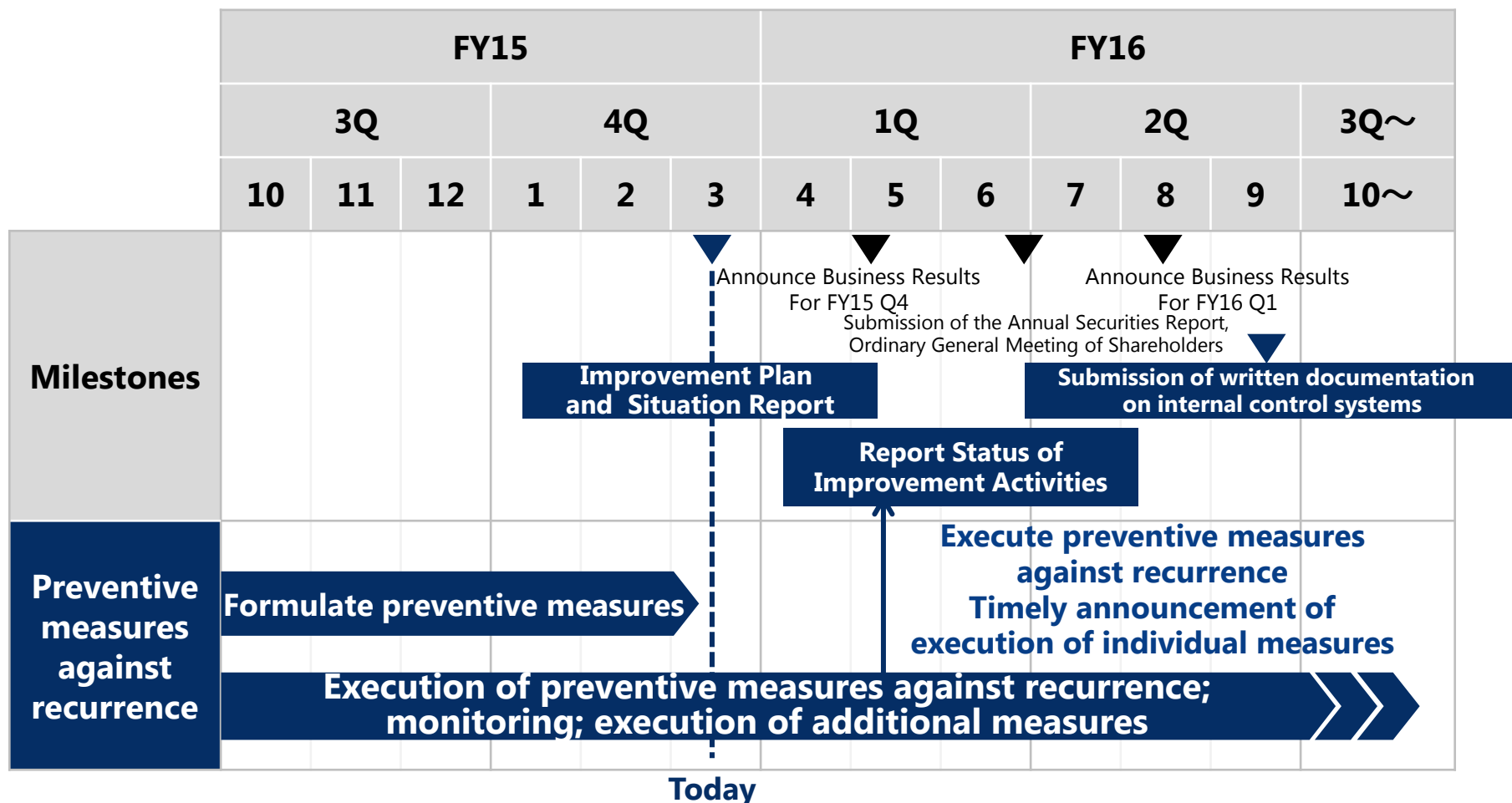
Autonomous Management of in-House Companies

Transfer cross-company functions to business side

- **Shrink sales, production and development functions in corporate and shift them to in-house companies**

Steps Needed to Secure Cancellation of the “Securities on Alert” Designation

Steady preparation of written submissions on internal control systems



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Basic Commitment of the Toshiba Group

We, the Toshiba Group companies, based on our total commitment to people and to the future, are determined to help create a higher quality of life for all people, and to do our part to help ensure that progress continues within the world community.

COMMITMENT TO PEOPLE

We endeavor to serve the needs of all people, especially our customers, shareholders, and employees, by implementing forward-looking corporate strategies while carrying out responsible and responsive business activities. As good corporate citizens, we actively contribute to further the goals of society.

COMMITMENT TO THE FUTURE

By continually developing innovative technologies centering on the fields of Electronics and Energy, we strive to create products and services that enhance human life, and which lead to a thriving, healthy society. We constantly seek new approaches that help realize the goals of the world community, including ways to improve the global environment.

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

Management Policy of Toshiba Group

Manage with Integrity

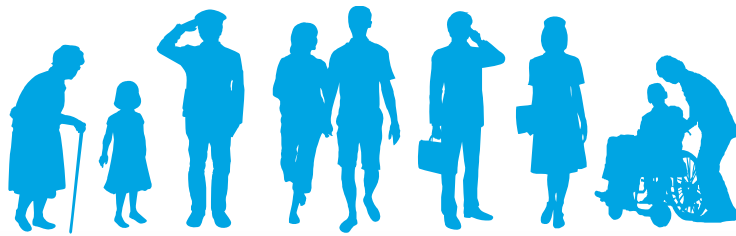
- Place highest priority on ethics and compliance
- Nurture an open corporate culture
- Push forward with CSR Activities

Construct a Healthy Management Platform for Growth

- Operations grounded in cash flow
- Enforce thorough portfolio management
- Autonomous management of in-house companies

Focus Business Fields

**Focus on Platform Businesses that
Sustain People and the Future**



Storage

that sustains the advanced information society

Infrastructure

that sustains quality lives

Energy

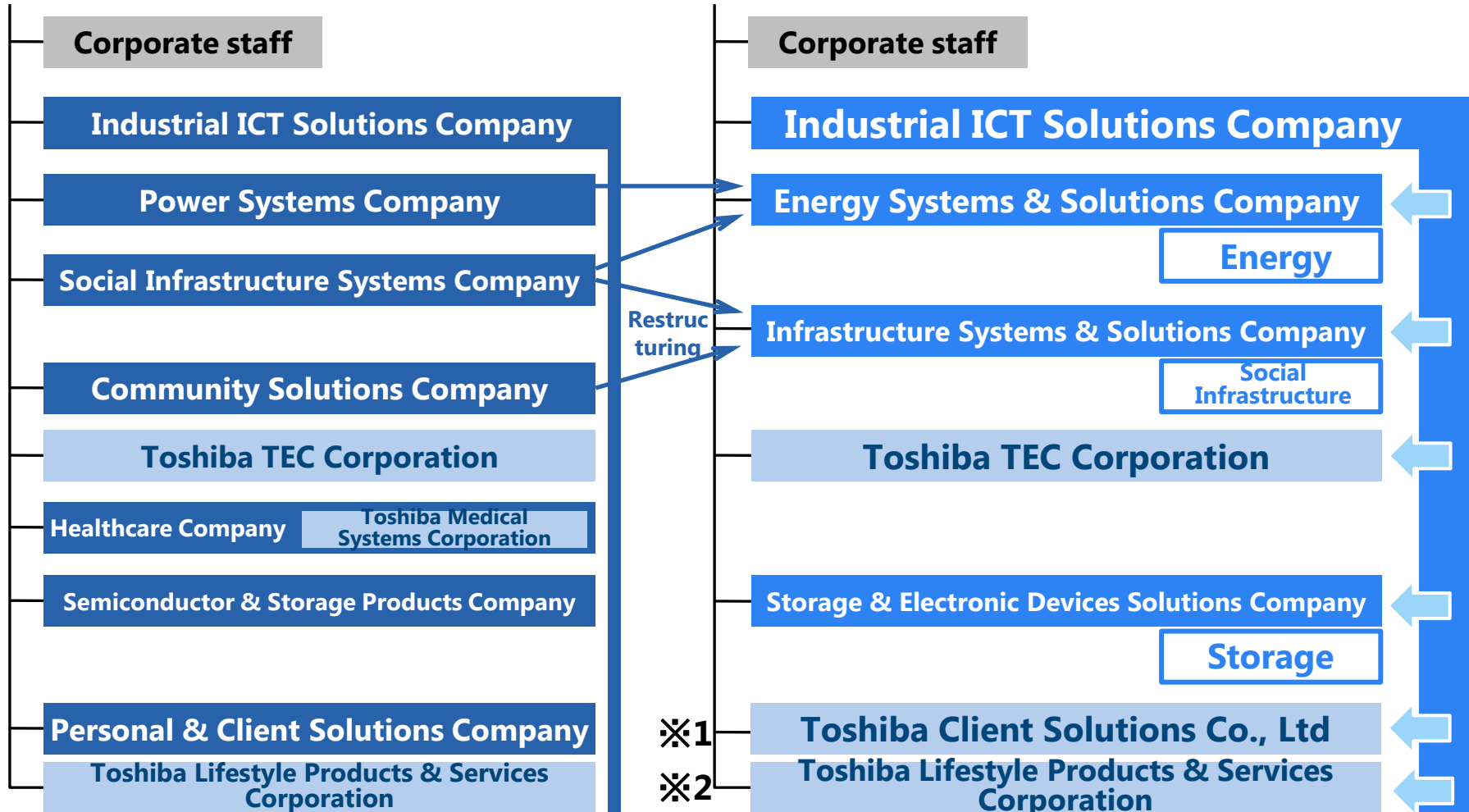
that sustains everyday lives, that is cleaner and safer

Organization Review

Present Business Structure

FY16 Business Structure

In-house
companies
7 → 4

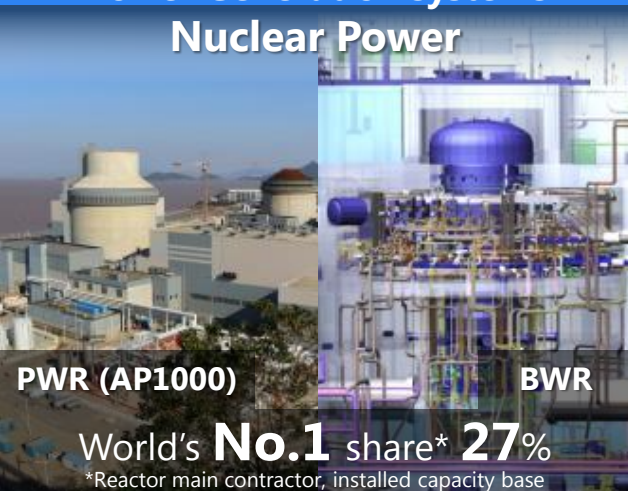


※1 Currently considering restructuring with other companies

※2 Plan to transfer the business

Energy Business Domain - Aiming to be a top global company -

Large-scale Power Generation systems Nuclear Power



Renewable Energy

Hydro Power



Geothermal Power



Photovoltaic

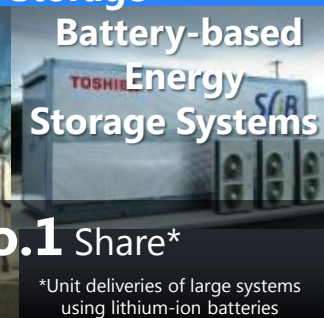


Transmission and Distribution Energy Storage

T&D



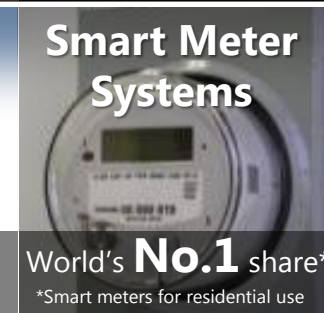
Battery-based Energy Storage Systems



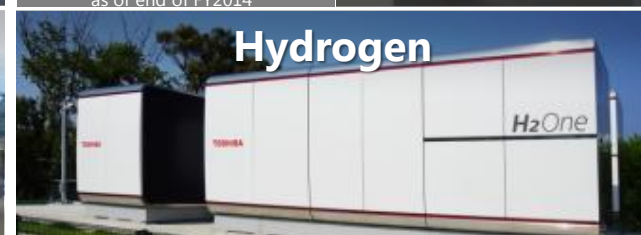
Fuel Cells



Smart Meter Systems



Hydrogen



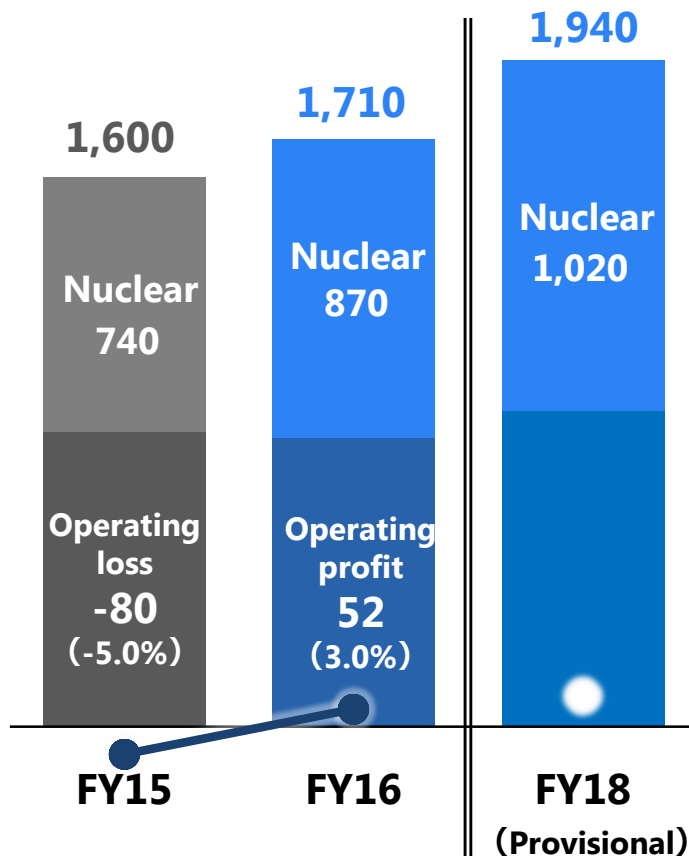
Providing the world with technologies and services
for making, transmitting and storing clean energy

Realizing a low-carbon economy

Energy Business Domain: Energy Systems & Solutions Company

Main focuses on the Nuclear Energy business and securing sustainable profit in Thermal and Renewable Energies and T&D
Aiming to achieve steady growth with an excellent delivery record and cutting-edge technologies

Net Sales (Billion yen)



Focus growth business

● Nuclear power

- Fuel and maintenance as profitable pillars of business
- Steady progress in AP1000 construction in US and China
- Use S&W* acquisition to build an integrated system, from products to construction
(*CB&I Stone & Webster Inc.)

Stable growth businesses

● Thermal power

- Make steady progress in current projects, increase orders for high efficiency coal-fired thermal plants in South-east Asia and thermal plants in the US (100 units in the US, No.1 share*)
- Use high efficiency and early delivery technologies to expand service business
(*Cumulative capacity, last ten years.. Source: McCoy Power Report)

● Renewable energy

- Hydro: Use Chinese subsidiary to expand business in South-east Asia
- Geothermal: Promote collaboration with Omat, the world leader in binary geothermal systems*
(*Platts World Electric Power Plants Database)

● T&D and smart meter systems

- Ensure stable profit in the focus area of infrastructure*
(*T&D : Japan, Middle East, India and US)

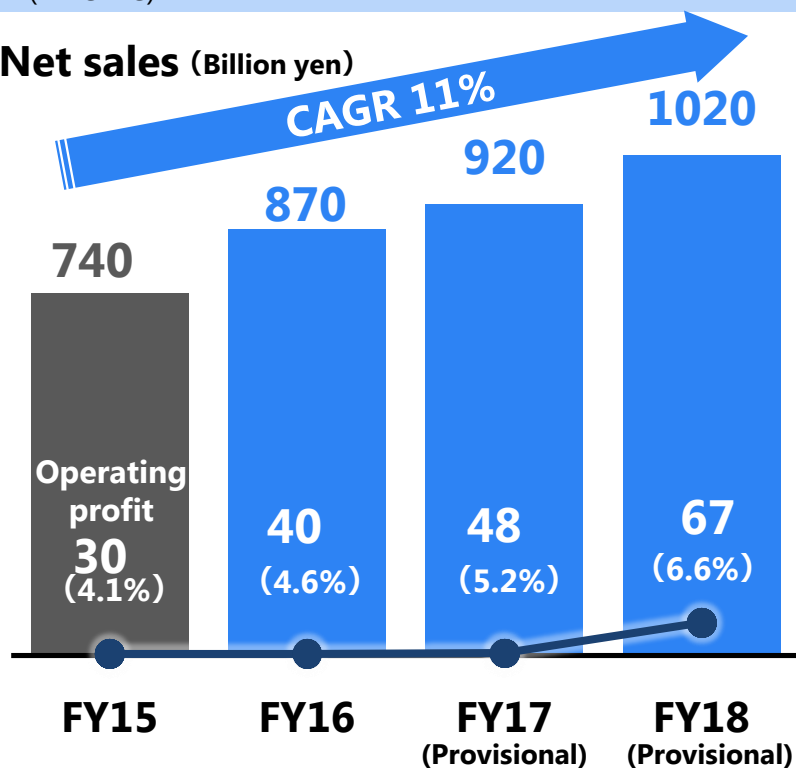
Energy Business Domain: Nuclear Power Business Mid-term Plan

Secure world No.1 position in fuel and maintenance businesses
Pursue completion of the innovative, safe AP1000 reactor
and make new builds an engine of growth

AP1000 progress

- China (Sanmen, Haiyang)
Support trial operation for start-up of world's first AP1000
- US (Vogtle, V.C. Summer)
Start concerted construction with integrated system (WECTEC)

Net sales (Billion yen)



Business in Japan

● Light Water Reactors

- Restart operation, observe new regulatory requirements against serious accidents
- Enhance engineering capabilities and facilities for extending operating life

● Fukushima Daiichi Nuclear Power Plant

- Establish decommissioning technology, such as for removal of melted fuel

Overseas business

● Fuel and Maintenance

- Secure fuel and maintenance business for delivered plants
- Expand business in other types of reactors

● New Construction

- Worldwide total capacity 392GW*1 → 624GW*2
- Targeting 45 orders by FY2030, including India and UK
- Strengthen competitiveness by standardizing design and improving proficiency

(*1 : Year 2013, *2 : Year 2040)

Fukushima Daiichi Nuclear Power Plant Stabilization and Decommissioning Plan

Toshiba Group as a whole is contributing to the stabilization and decommissioning of Fukushima Daiichi Nuclear Power Plant

Currently 800 Toshiba Group employees are working at Fukushima every day

Maintaining Stability

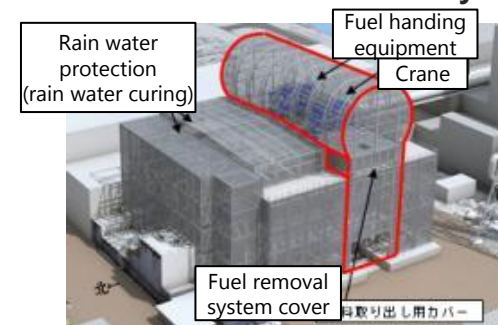
- **Cool Reactors and Spent Fuel Storage Pools**
- **Overall Coordination of Contaminated Water Treatment System**
 - Development, manufacture and installation of radionuclide removal systems (cesium removal equipment and multi-nuclide removal facility)
 - Toshiba treated about 3/4 of a total 620k tons of highly contaminated water (completed removal of highly contaminated water in May 2015)
 - Constructed and installed contaminated water storage tanks (completed installation of 107 units)

Medium- and Long-term Measures

- **Spent Fuel Removal**
 - Deploy fuel removal system in Unit 3 (Toshiba and WEC in cooperation)
- **Melted Fuel Removal**
 - Deploy investigation robot for inside reactor containment vessel
 - Deploy tetrapod robot
 - Deploy muon*-based technology to map the position of melted fuel



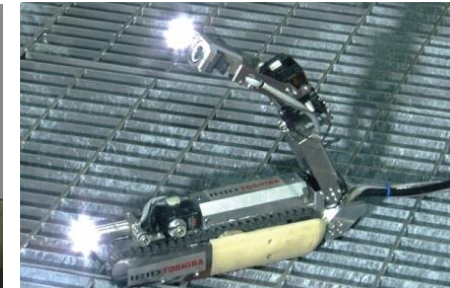
Multi-nuclide removal facility



Unit 3 fuel handling facility



tetrapod robot



Investigation robot for inside reactor containment vessel

Infrastructure Business Domain

- Sustainable growth with stable profit -

For Buildings and Facilities

Elevators  Elevator share 22%*	Air-conditioning  Large-scale chiller No.1 share 40%*	Lighting  Lighting fixtures for facilities share 20%*	Power Systems for Buildings  UPS share 26%*
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For Public Infrastructure

Water Treatment Systems  Monitoring and electrical systems No.1 share*	Broadcasting Systems  Digital master system share 53%*	Highway Systems  Central Server System No.1 share 50%*	Disaster Prevention Systems  Multiplex radio system share 30%*
Railway Systems  PMSM savings in energy consumption 39%**	Security and Automation Systems  Small postal automation systems No.1 share 70%*	Air Traffic Control Systems  Global Navigation Satellite System share 57%* Air route surveillance radar share 23%*	

For Industrial Systems

Rechargeable Batteries  Rapid charging 80% chargeable in one min.
Industrial Systems  Industrial motors No.1 share 28%*

Provide customers with reliable technologies and services that support society and industry

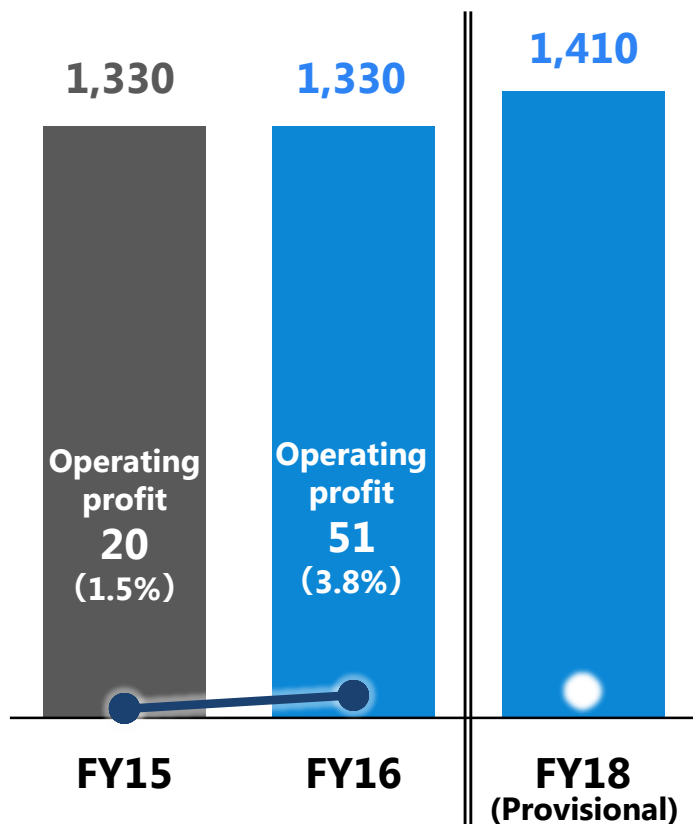
Realize a safe, secure and resilient society

Infrastructure Business Domain: Infrastructure Systems & Solutions Company

Drive overseas growth by strengthening building,
facility and water treatment businesses

Strengthen profitability of domestic business to secure stable cash generation

Net sales (Billion yen)



Focus Growth Businesses

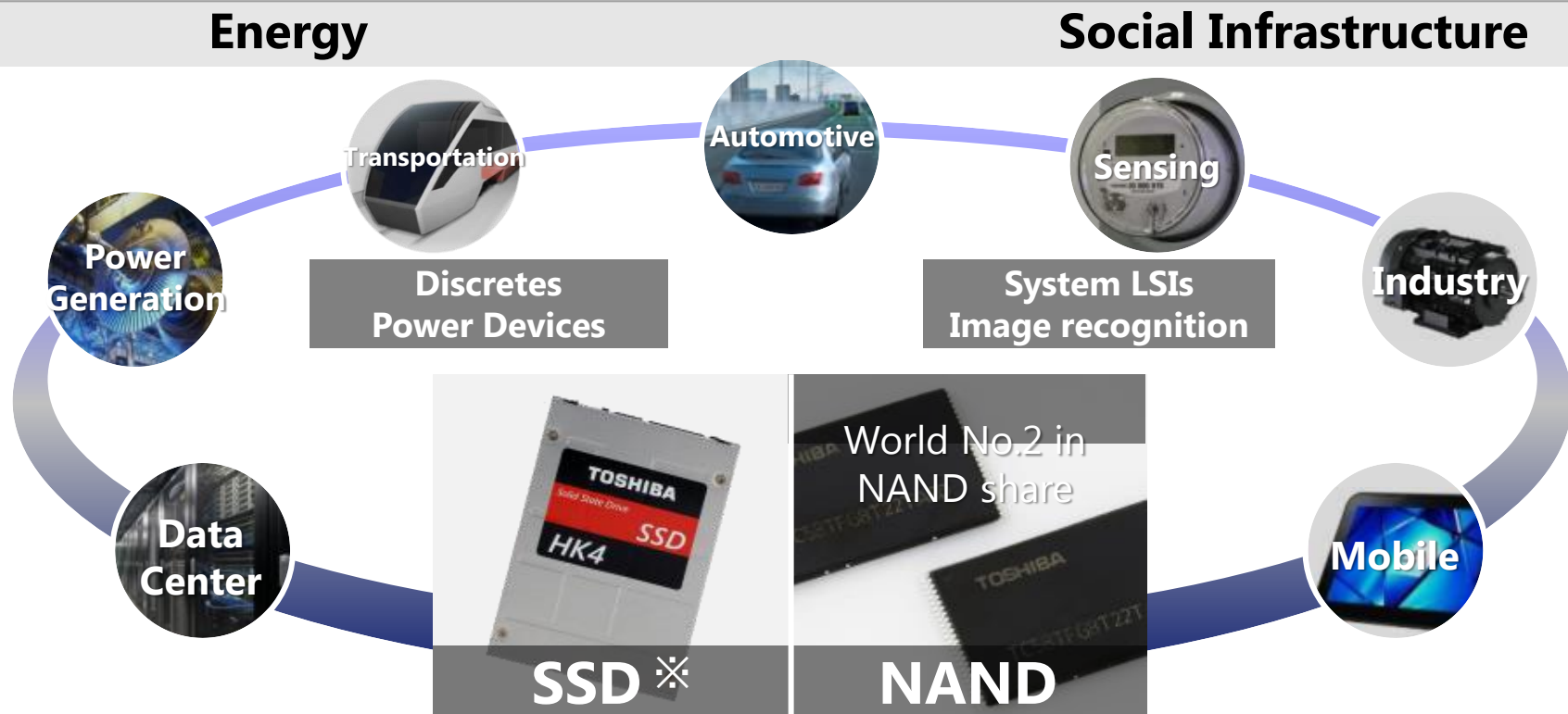
- **Elevators:** Launch strategic products for India; increase orders by enhancing local sales and manufacturing system
- **Air-conditioning:** Increase sales by new product development and establishing new offices in Europe and North America
- **Water treatment:** Global roll-out of EPC and O&M* business in collaboration with UEM, consolidated since FY2015
- **Batteries:** Expand SCiB sales by investing in increased production (increase capacity by 50%); widely used in ISS** by major automotive companies and in EV buses outside Japan, etc.

Stable Growth Businesses

- Sustain and enhance customer-oriented business based in maintenance services
- Work on renewal needs and demand for Tokyo Olympics
- Deploy IoT solutions and high-level maintenance utilizing monitoring control technologies
- Recover profitability by completing restructuring and quality improvement measures

Storage Business Domain

– To be a pillar of income with Memories as a core business –



Use advanced manufacturing technology to bring cutting-edge products to innovative markets

Contribute to creating the infrastructure of the information society

with leading storage technologies, and by working with costumers

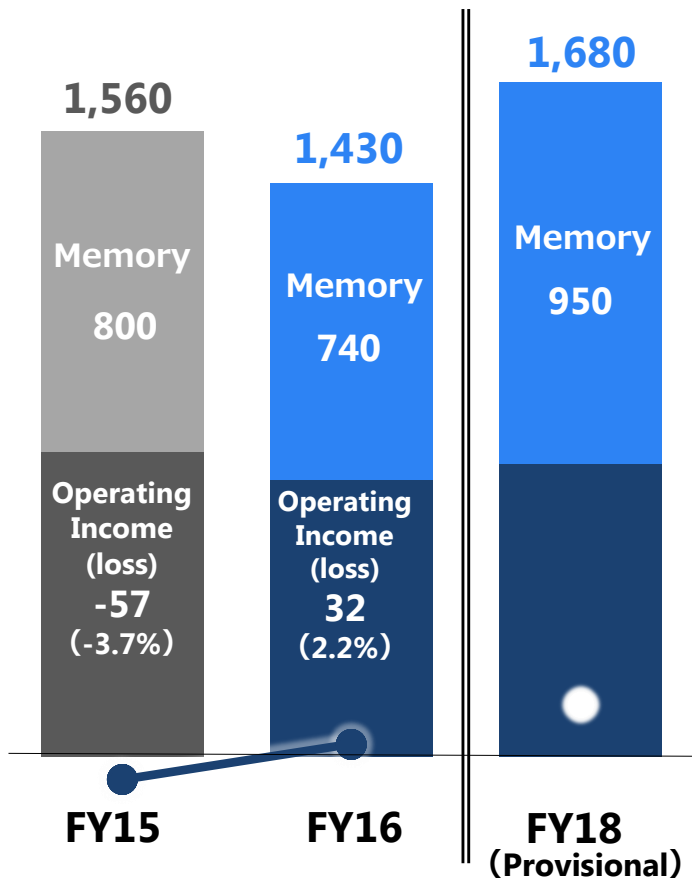
Storage Business Domain: Storage & Electronic Devices Solutions Company

Continue to invest in the Memory business

Accelerate development of BiCS FLASH™

Bring all businesses into the black and achieve steady growth

Net Sales (Billion yen)



Focus Growth Business

● Memory Business

- Despite lower sales prices in FY16 1H, sales will grow
- From FY17 onward, increase net sales on expansion of SSD demand, etc.

Stable Growth Businesses

● Discretes and System LSIs

- Expand sales by focusing on power devices and on the industrial (mainly imaging devices) and automotive fields (FY16 Net Sales +20% vs. FY15)
- Establish manufacturing company, Japan Semiconductor (April '16) (increase production manufacturing efficiency and expand foundry business)

● HDD

- Expand line-up of enterprise and near-line products (FY16 Net Sales +30% vs. FY15)

Storage Business Domain: Mid-term Plan for Memory Business

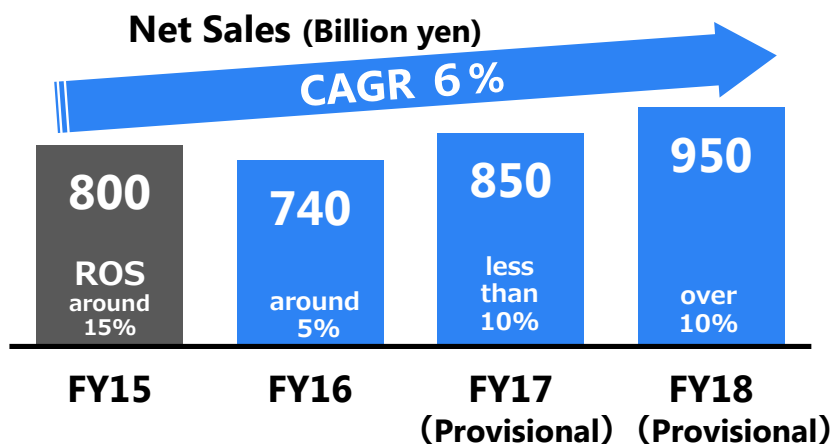
Enhance Cost Competitiveness by accelerating development of BiCS and expand SSD business

- Accelerate BiCS capacity increases (stacking process)
- Devote more resources to SSD development, open SSD Design Center in North America
- Develop storage class memories for high speed SSD

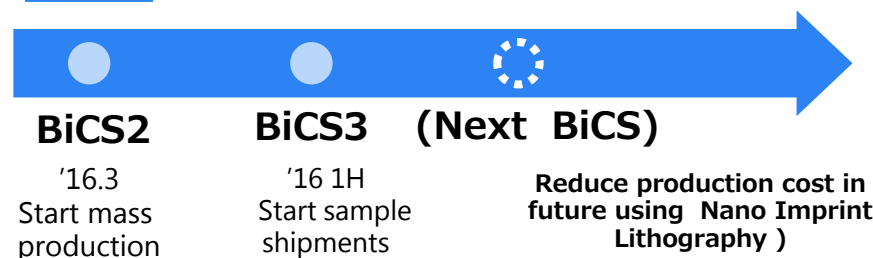
Strengthen Flash Memory Production

Invest approx. 860 Billion yen
(Total, FY16 to FY18)

- Invest in equipment for the 3D process
- Complete New Fab 2 Building (1Q/FY16)
- Develop site for new production facility (FY16)
- Construct new production facility (FY17)



BiCS



1. Progress of the Toshiba Rebuilding Initiative

2. FY2016 Business Plan

① Focus Business Fields

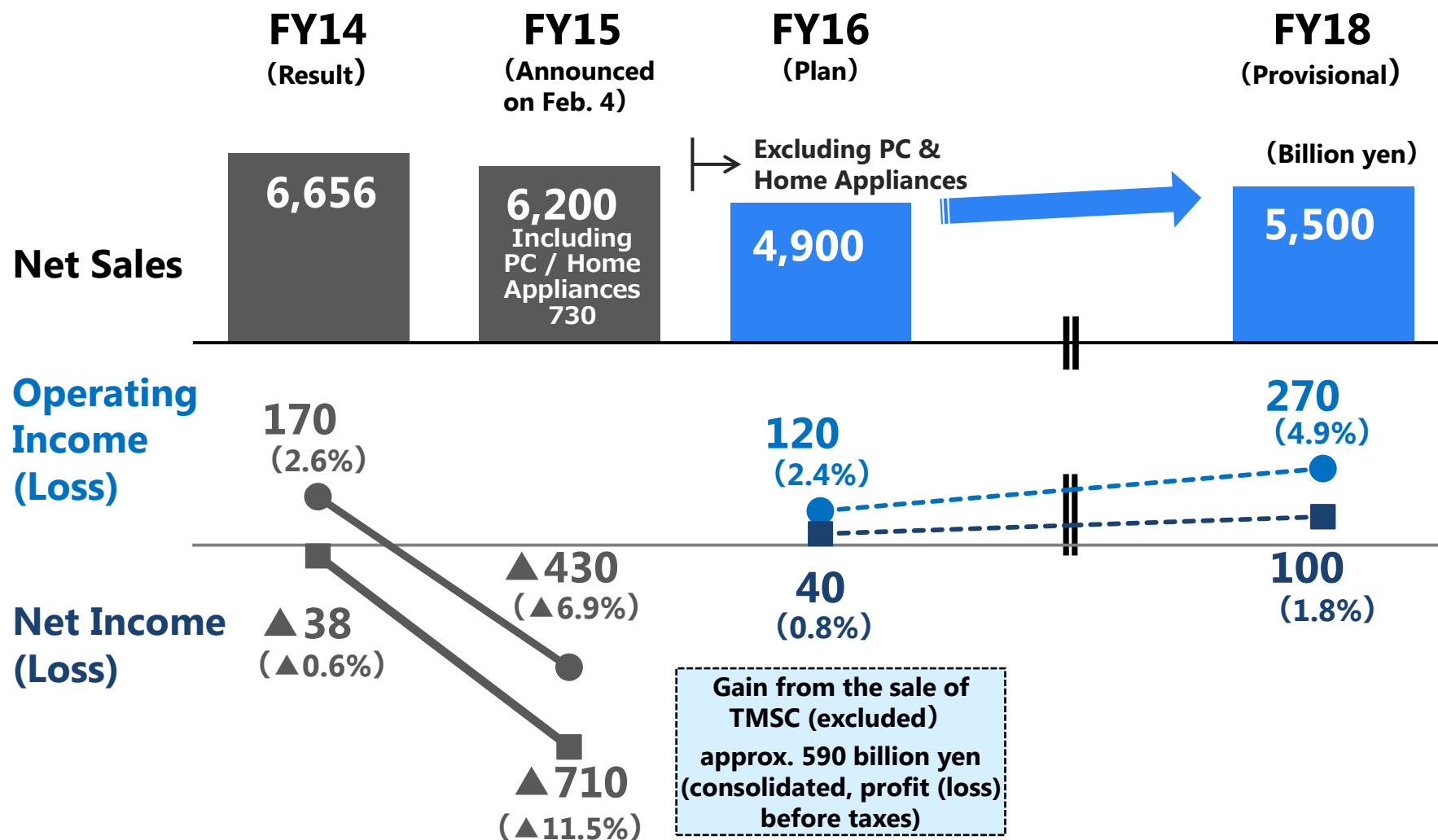


② Overall

Net Sales & Income (Loss)

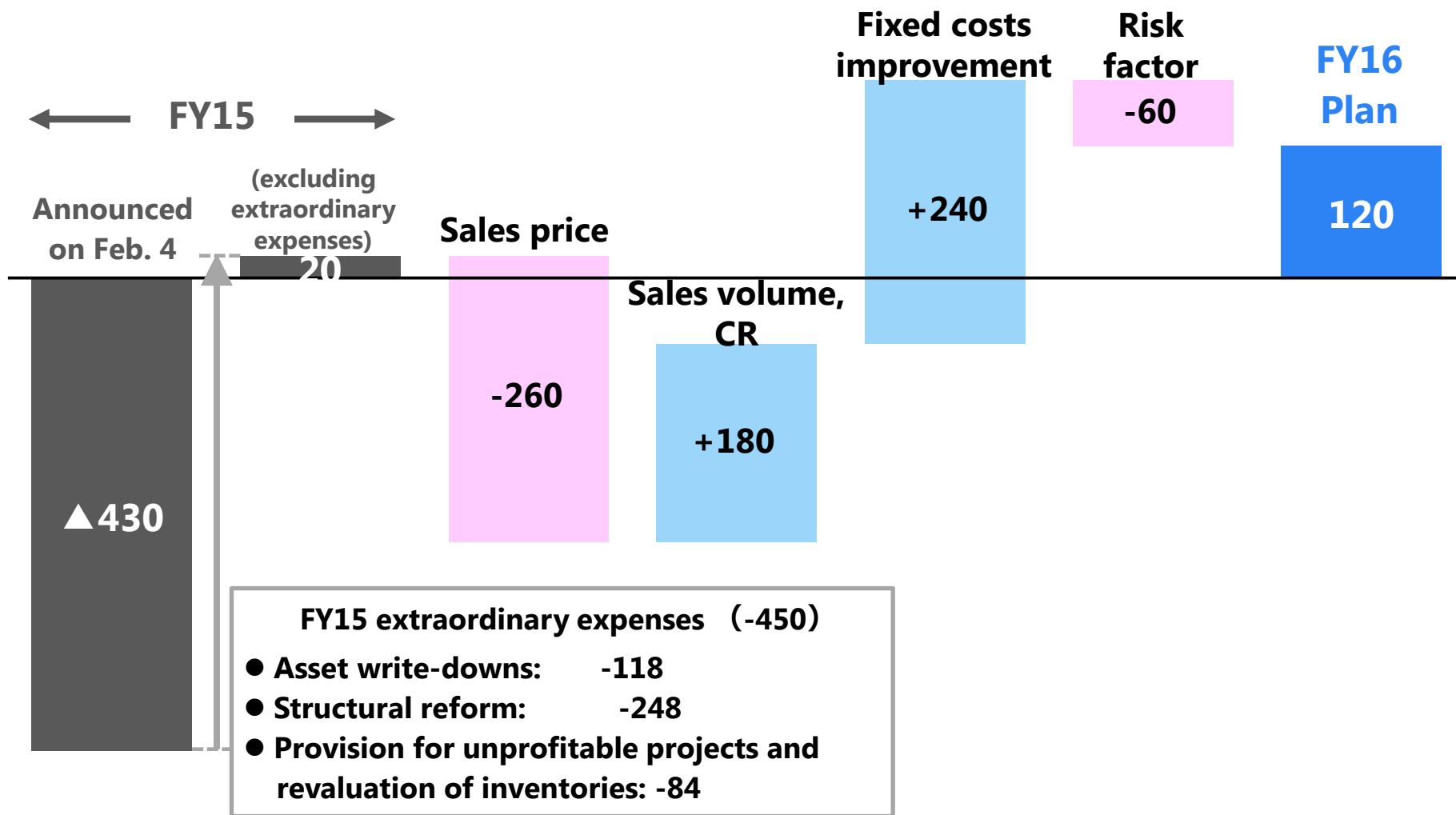
All businesses move into the black in FY16

Aiming to achieve Net Income (Loss) of 100 billion yen in FY18



Operating Income: Year-on-Year Analysis

The bottom line for Operating Income is 120 billion yen

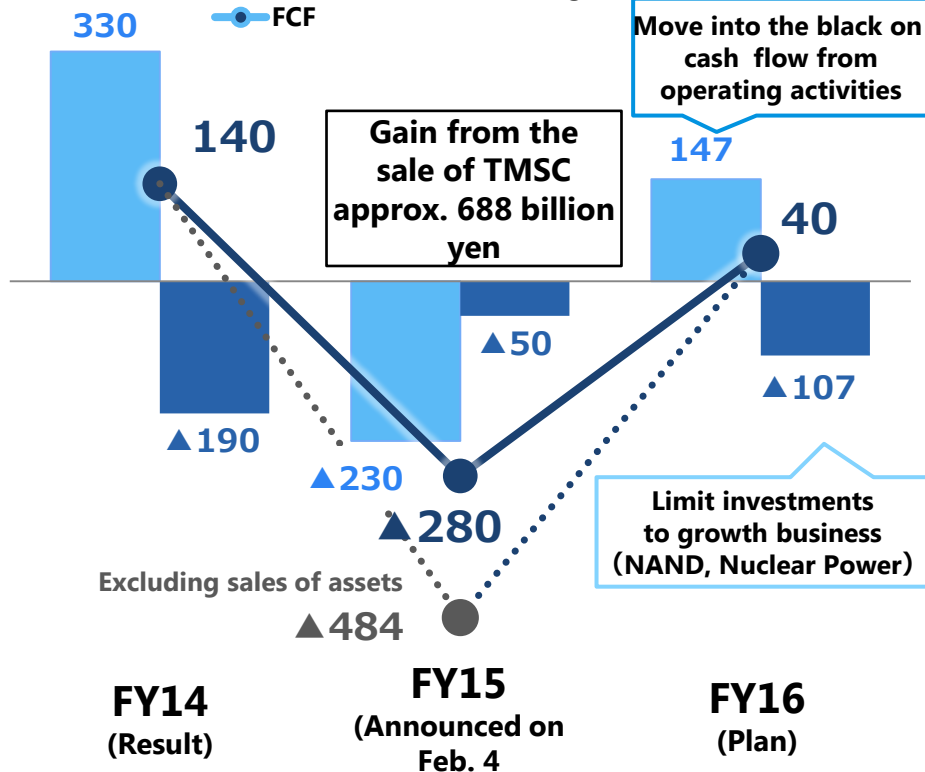


Reforming the Financial Base

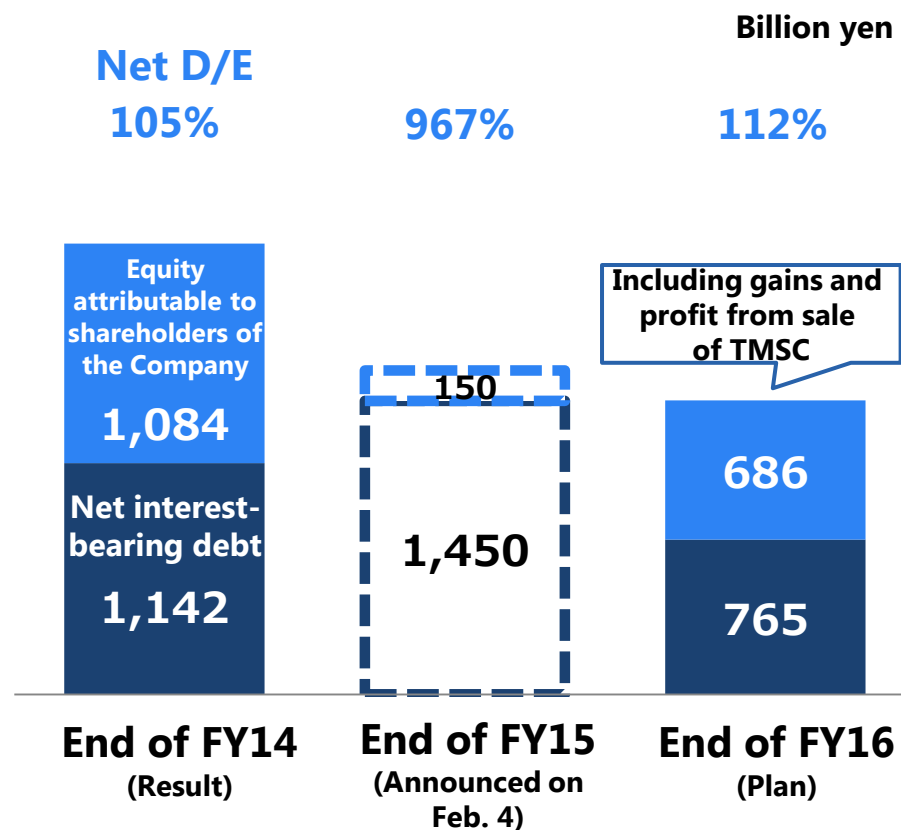
Business operations grounded in cash flow

Free cash flow

- Cash flow from operating activities
- Cash flow from investing activities
- FCF



Financial structure



Remaining Balance of Goodwill

Nuclear Power: No signs of impairment were found
in 3Q annual impairment testing
Re-conducting impairment test in 4Q

Landis+Gyr: Conducting annual impairment test in 4Q

(Billion yen)

	Goodwill Balance as of Dec. 2015 (actual)	Goodwill Balance as of Mar. 2016 (forecast)
Nuclear Business (Including Westinghouse)	385.2	351.3
Landis + Gyr. AG	171.3	156.3
(Exchange rate)	(1\$=¥120)	(1\$=¥110)

Measures to Secure the Financial Platform

Prioritize Improving the Financial Platform

Organize Financial Platform

Concentrate investments in cash generating fields, based on the business portfolio

Strict consolidated-base control of interest-bearing liabilities of the in-house companies

- Establish financing limit for in-house companies, put in place monthly monitoring system

Urgent Fund Raising

Raise over 1 trillion yen in FY15, FY16

- **Assets sold in FY15**

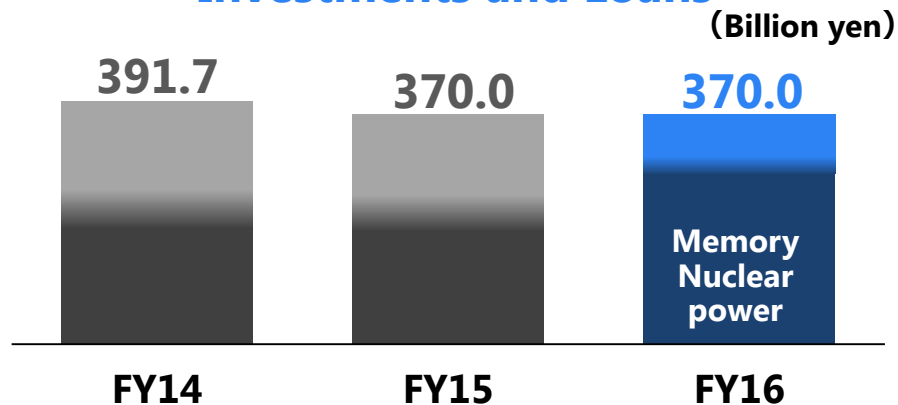
Sale of Toshiba Medical Systems Corp.	665.5 billion yen
Sales of stock holdings	200 billion yen

- **Raise further funds through sales of the Home Appliance business and additional sales of stock holdings**

Investments

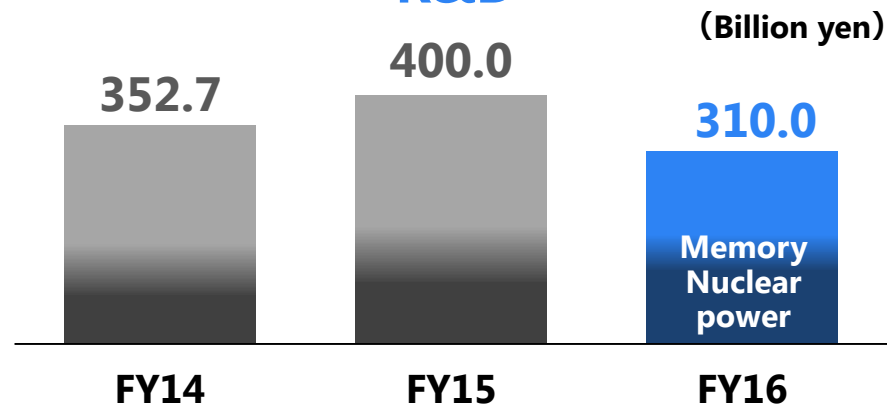
Continue to invest in the Storage and Energy businesses

Capital expenditures, Investments and Loans



- Focus on Memory business
 - BiCS mass production facility
 - Construct new production facility
- Limit investments in other areas to refurbishment

R&D



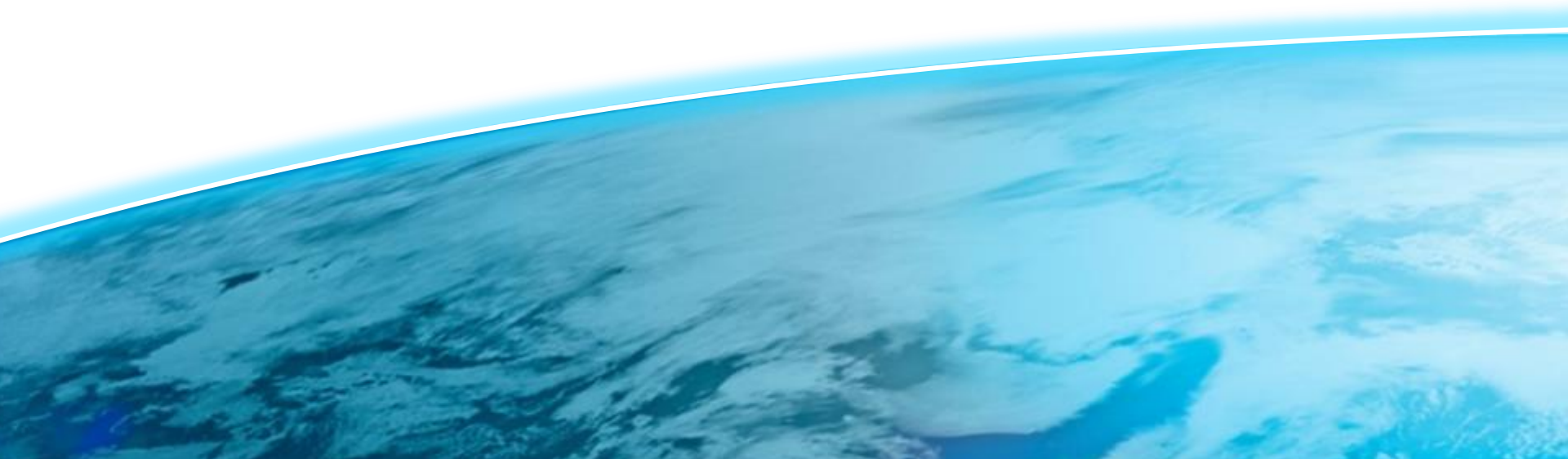
- Focus on R&D in technologies that generate cash flows
- Create new growth businesses
 - Batteries (SCiB)
 - Power electronics
 - IoT for energy business (smart meter + services)
 - Media intelligence (RECAIUS)

In Closing

- 1. Concentrate on Focus Businesses**
- 2. Improve the Financial Platform**
- 3. Return to the Capital Markets**

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

With compliance to the forefront,
we respect the wider society,
and act with integrity



TOSHIBA

Leading Innovation >>>