

**TOSHIBA**

Toshiba IR Day 2019

# **Building Solutions**

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**Toshiba Corporation**

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# Forward-looking Statements

- This presentation contains forward-looking statements concerning future plans, strategies, and the performance of Toshiba Group.
- These statements are not historical facts; rather, they are based on assumptions and judgments formed by the management of Toshiba Group in light of currently available information. They include items that have not been finally decided at this point and future plans that are yet to be confirmed or that require further consideration.
- 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 are, without limitation, related to economic conditions, worldwide mega-competition in the electronics business, customer demand, foreign currency exchange rates, tax rules, regulations, geopolitical risk, natural disasters and other factors. Toshiba therefore wishes to caution readers that actual results might differ from expectations. Please refer to the annual securities report (*Yuukashoken houkokusho*) for FY2018 and the quarterly securities report (*shihanki houkokusho*) for the second quarter of FY2019 (both issued in Japanese only) for detailed information on Toshiba Group's business risk.
- Toshiba's fiscal year (FY) runs from April 1 to March 31. All figures are consolidated totals for 12 months, unless otherwise stated.
- Results in segments have been reclassified to reflect the current organizational structure, unless otherwise stated.

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# 01

## Targets - Progress of Toshiba Next Plan



# Targets – Progress of Toshiba Next Plan

## Key Measures

**Elevators:** Expand business scale in China  
Expand sales in Japan with the launch of strategic products

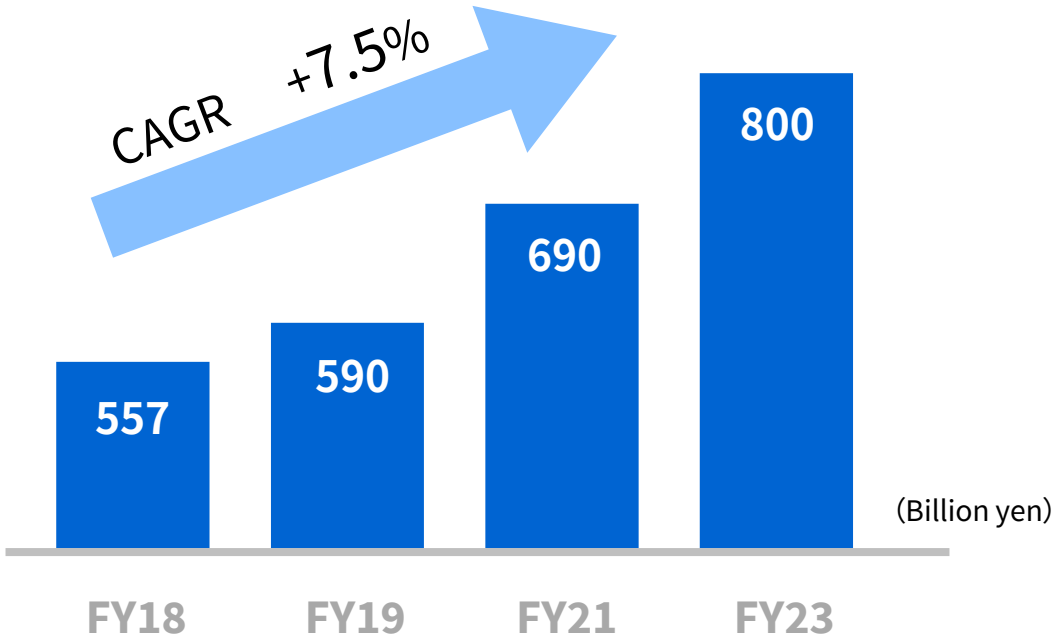
**Lighting:** Increase profit by targeting replacement demand in facility LED lighting while maintaining a solid financial structure

**HVAC:** Continue proactive investments in development and manufacturing to expand sales and profits in growing overseas markets



# Targets – Progress of Toshiba Next Plan

## Net Sales



**FY19**  
**Net Sales**  
**590**

Billion yen

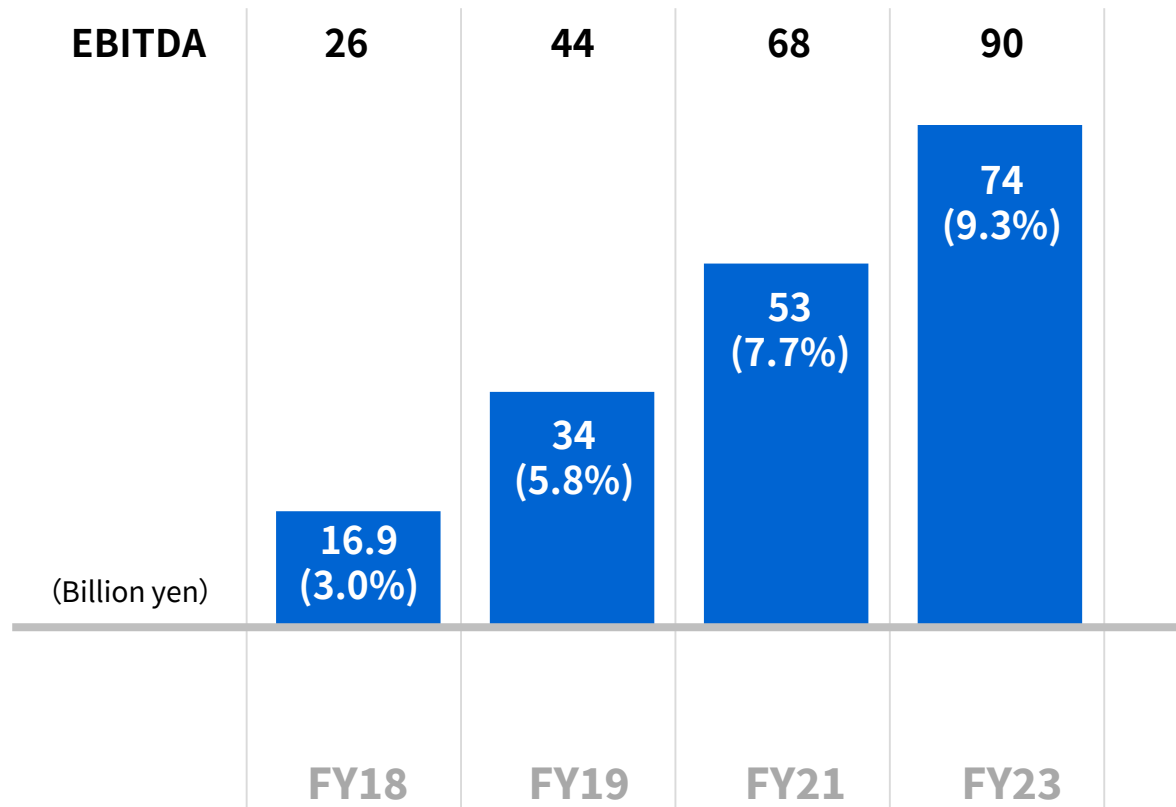
**FY23**  
**Net Sales**  
**800**

Billion yen

**CAGR 7.5%**

# Targets – Progress of Toshiba Next Plan

## Operating Income (ROS)



**FY19**

**FY23**

**Operating Income**

**34**

**74**

Billion yen

Billion yen

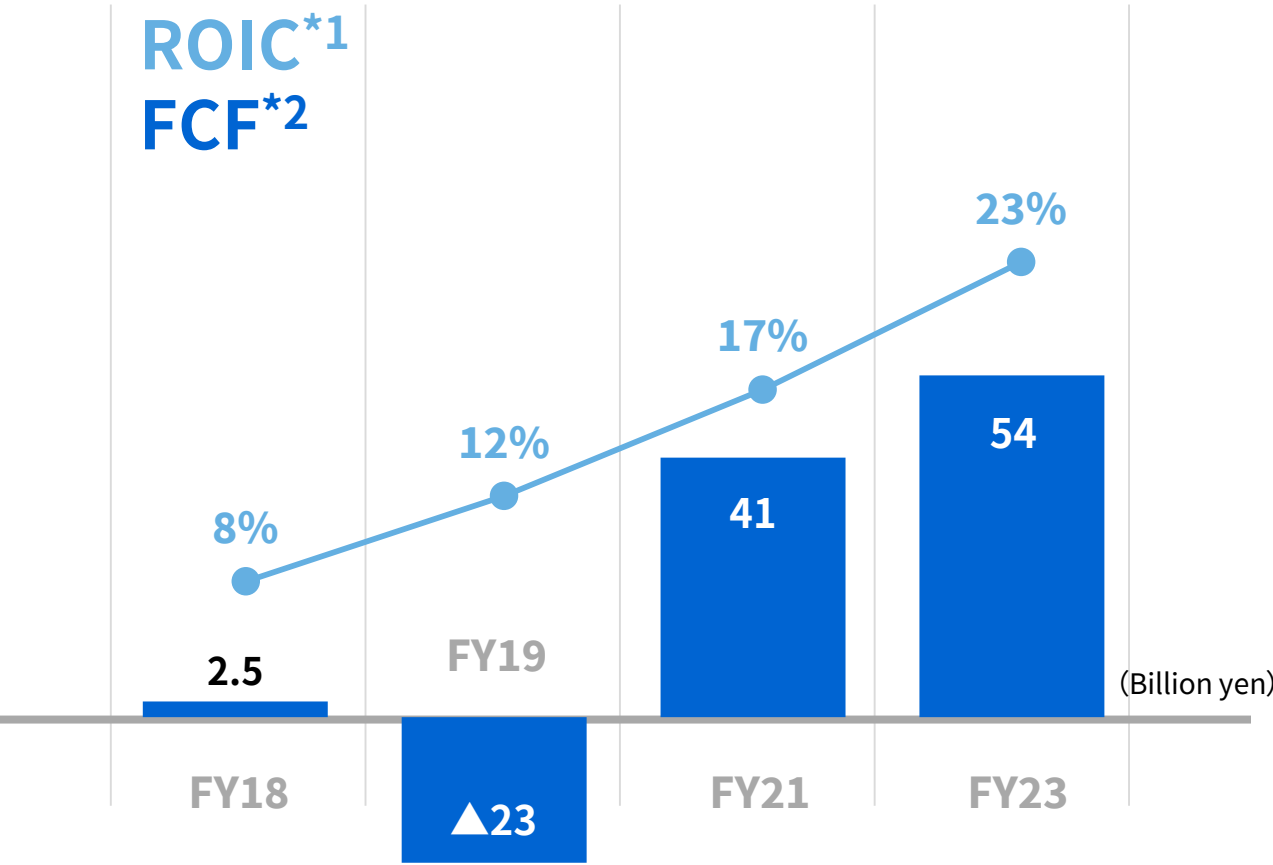
**ROS**

**5.8** %

**9.3** %

# Targets – Progress of Toshiba Next Plan

ROIC\*1 • FCF\*2



**FY23**  
**ROIC**  
**23** %

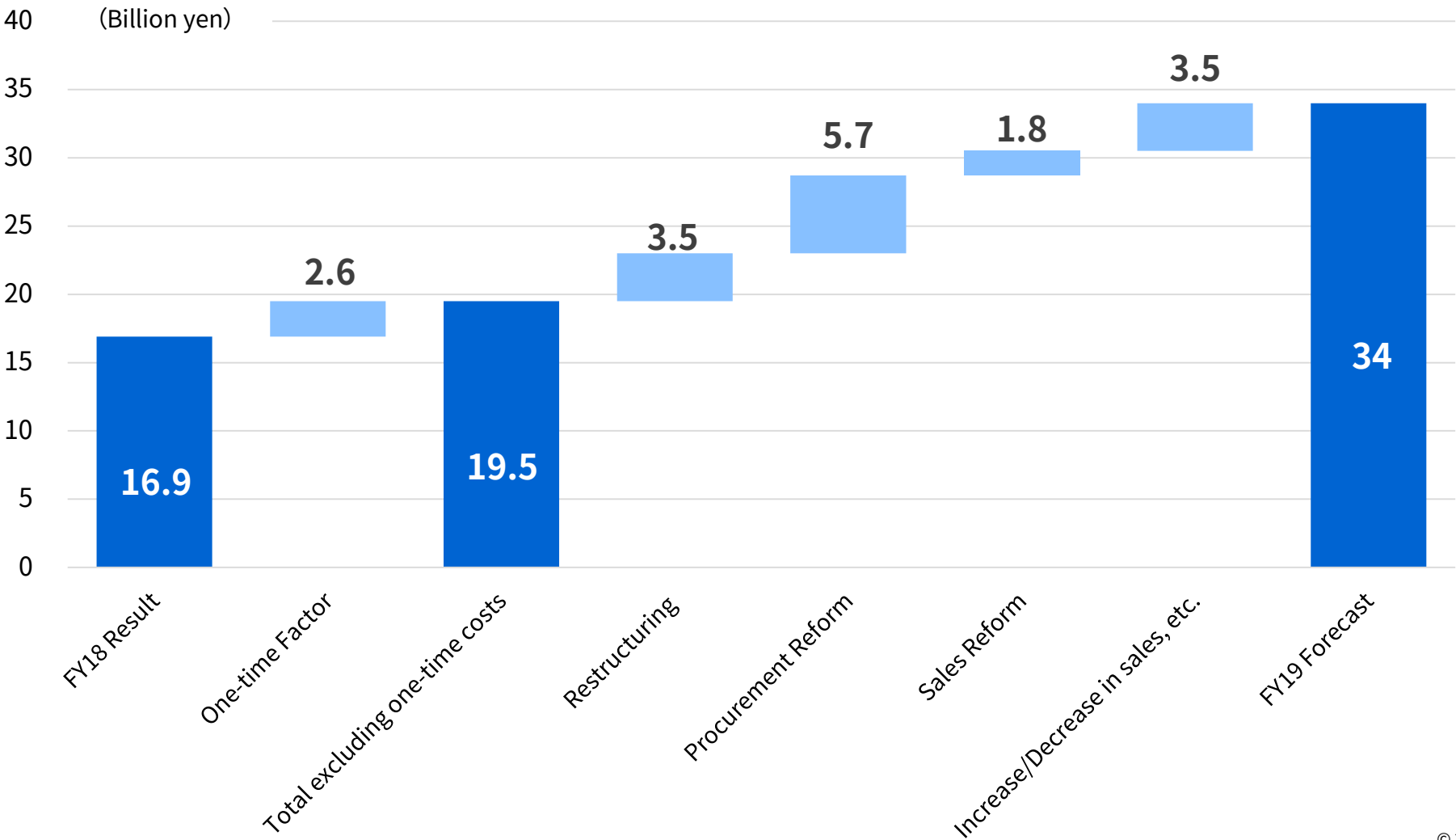
**FCF**  
**54**  
**Billion yen**

\*1 Return on Invested Capital \*2 Free cash flow



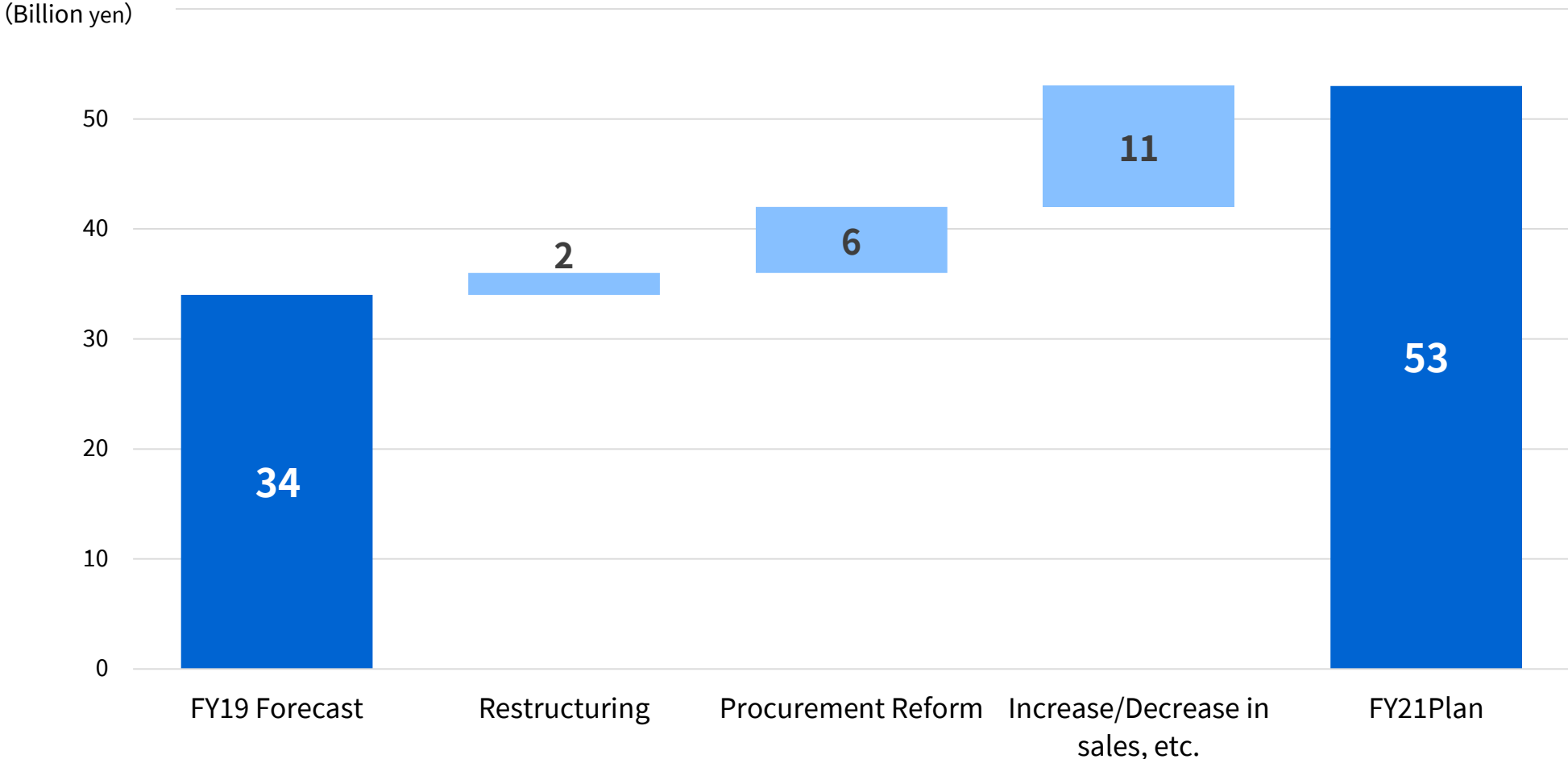
# Improving Operating Income (FY18 → FY19)

## Reform operating structure and procurement to secure improved profit



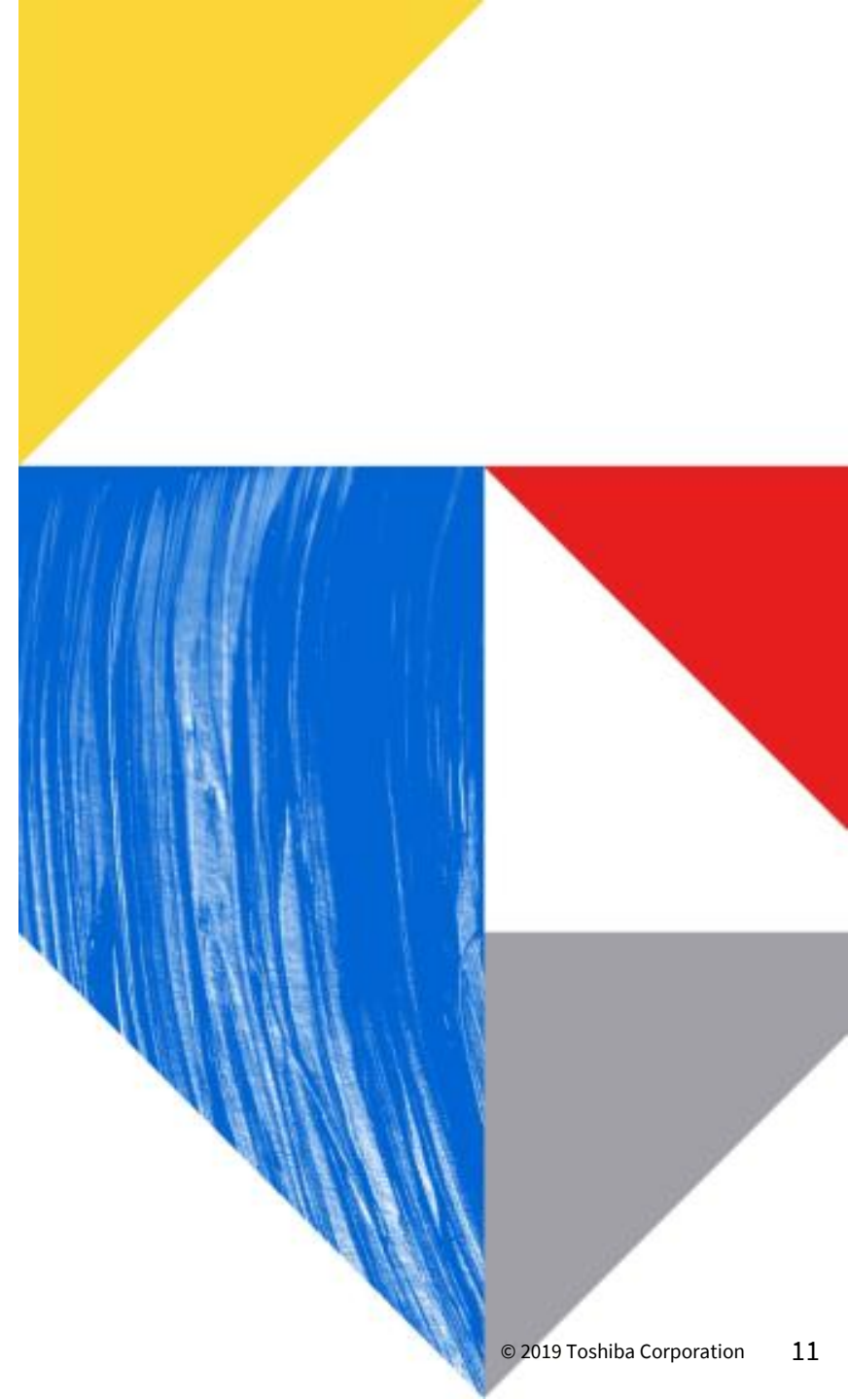
# Improving Operating Income (FY19 → FY21)

**Expand profit in growing markets;  
Japanese modernization market and overseas**

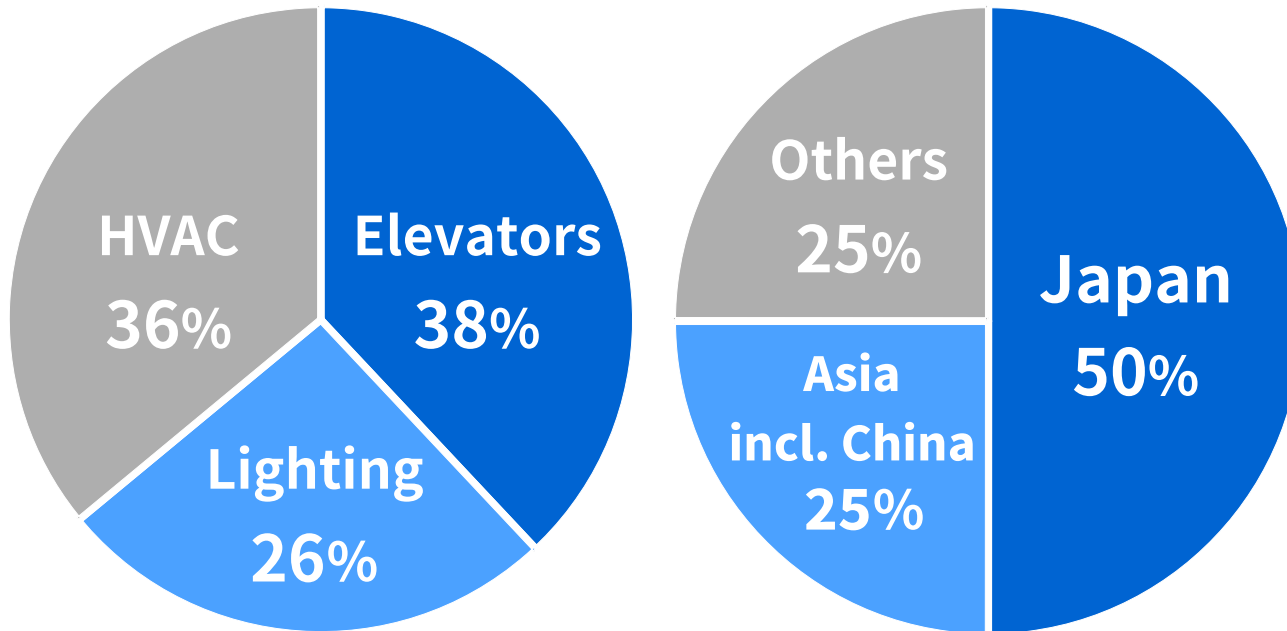


# 02

## Measures for Sound Growth



## Sales Composition (FY18)



### Core Strengths & Accomplishments

#### Elevators

- Brand strength secured through many orders for high performance models and large number of installed elevators awaiting modernization in Japan
- **137 elevators in operation at Shanghai Pudong Int'l Airport**

#### Lighting

- Accumulated technology and essential knowledge; nationwide sales network
- **No. 1 world market share for automobile light bulbs (wedge base lamps)**
- Advanced product that offers new value: **ViewLED**

#### HVAC

- Product design based on risk distribution concept; inverters, compressors, and controls that attain high energy efficiency
- Modular air-cooled chillers **Universal Smart X with a high share in Japan (approx. 40%)**



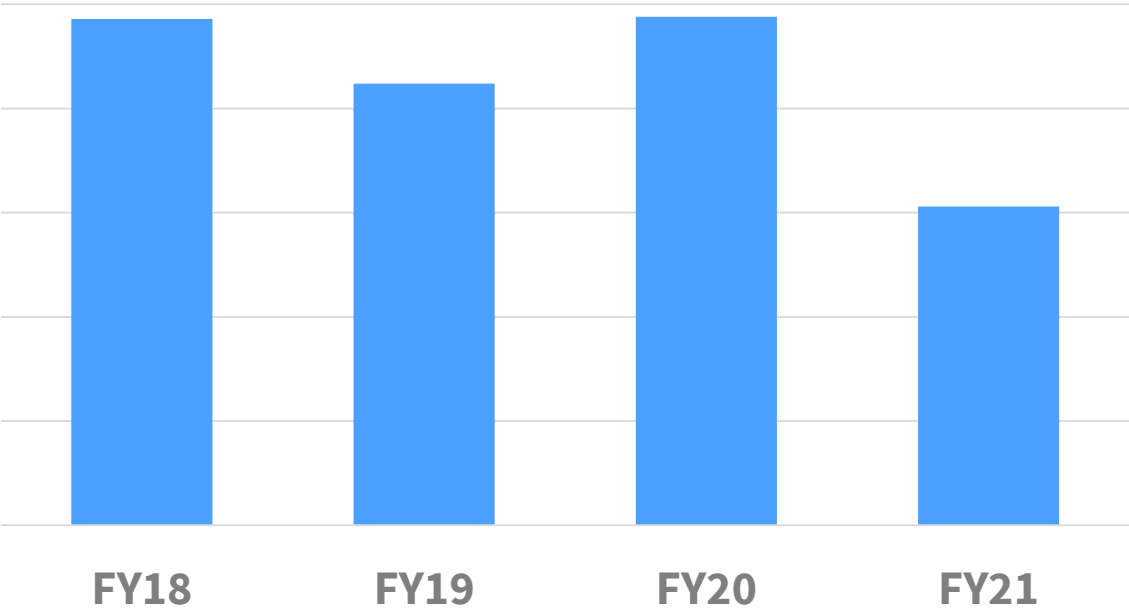
Japan's Energy Conservation Prize winner in 2011, 2015, 2017

# Capital Expenditure and R&D Expense

**Proactive Capital Expenditure and steady R&D Expense from FY18 to FY20**

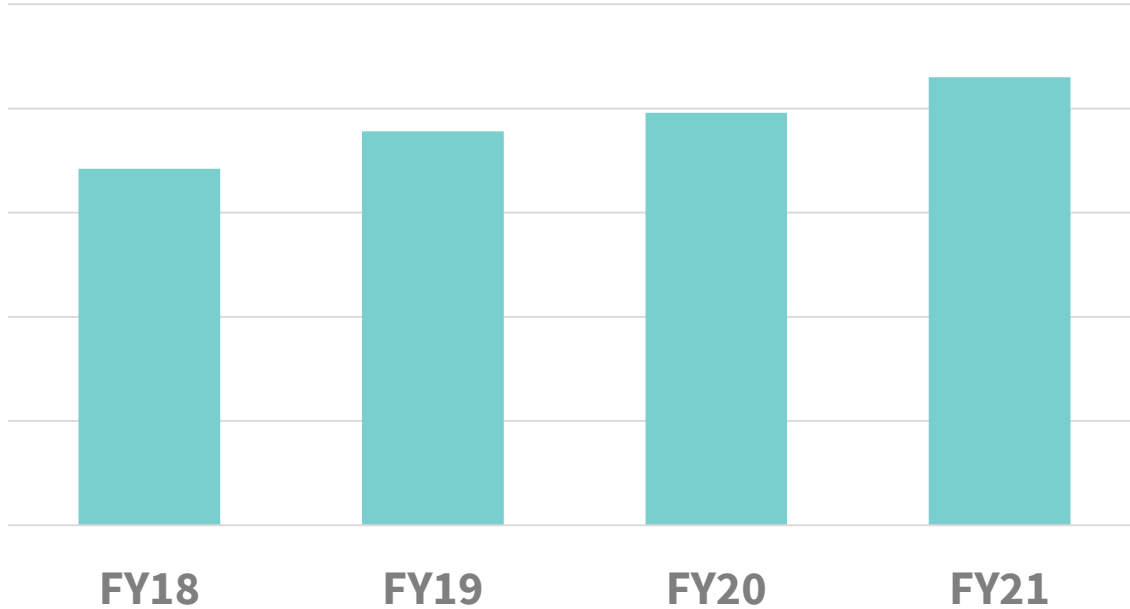
## ■ Capital Expenditure

(FY19—21 Total: 61 billion yen)



## ■ R&D Expense

(FY19—21 Total: 60 billion yen)



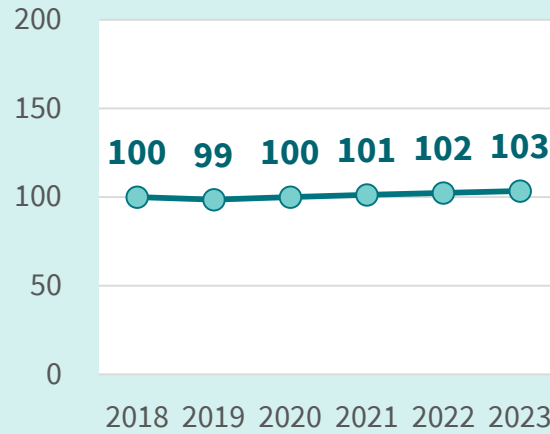
# Elevator Business - Marketing Environment

Projects for a major Chinese developer and Japanese modernization market are expected to see growth

## New installation market

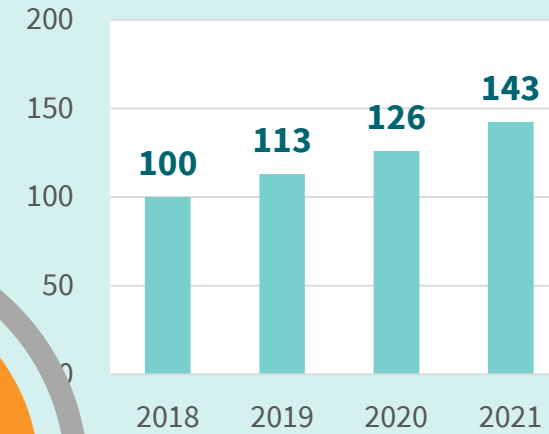
■ Expect slight increase

Global new installation market (Index\*)



\*Base year for all indexes is 100

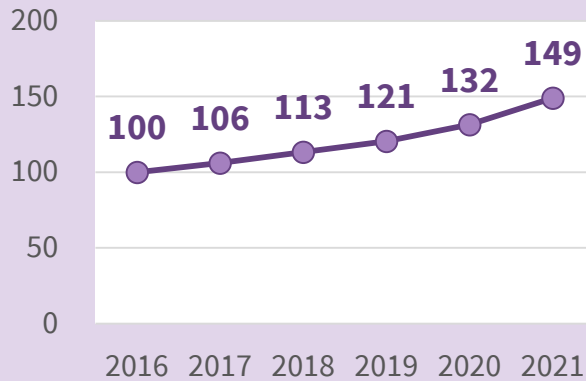
Project for a major Chinese developer (Index\*)



## Chinese New Installation market

■ The overall market is flat  
 ■ Increase in projects for a major developer

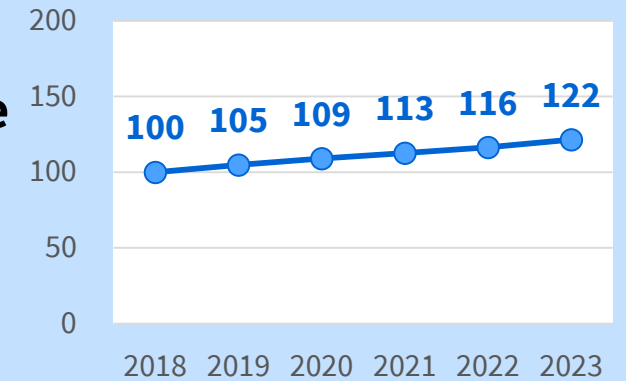
Japanese modernization market (Index\*)



## Modernization market

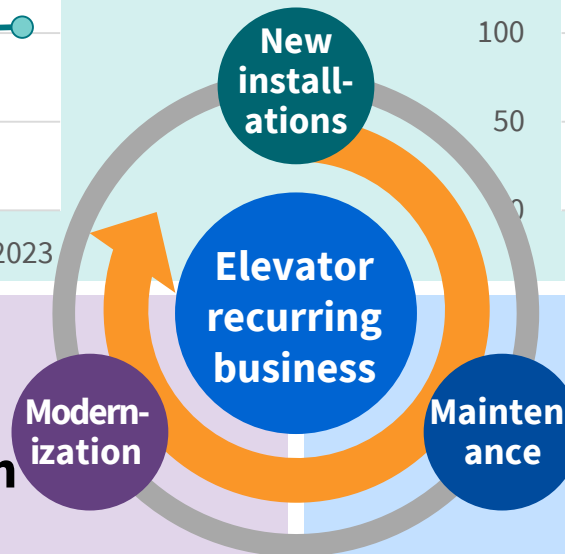
■ Increase in Japanese market demand on renewal of elevators installed during bubble years

Global maintenance market (Index\*)



## Maintenance market

■ Consistent steady growth



# Actions Toward Sound Growth of our Elevator Business

**New installations:** Strengthen capabilities to respond to requirements of a major Chinese developer

**Maintenance:** Establish Recurring Business in each country to secure earnings from maintenance (remote monitoring, utilization of BIM )

**Modernization:** Expand lineup for domestic modernization market

## Three major actions

New  
installa-  
tion

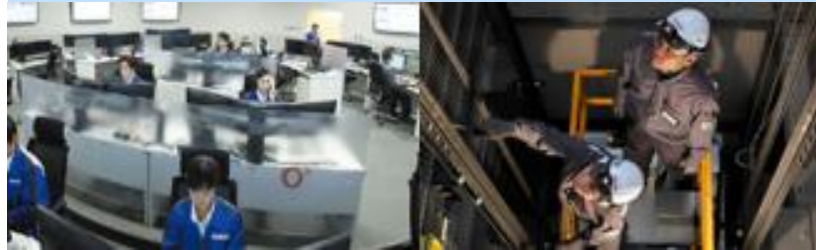
**Expand business scale  
in china**



- Expand specifications to meet the requirements of a major Chinese developer

Mainte-  
nance

**Utilize IT and IoT  
on the global scale**



- Improve services by expanding markets offering remote monitoring service
- Improve productivity by Utilizing BIM\*1

\*1: Database of 3D models with various building attributes

Moderni-  
zation

**Expand modernization  
business in Japan**



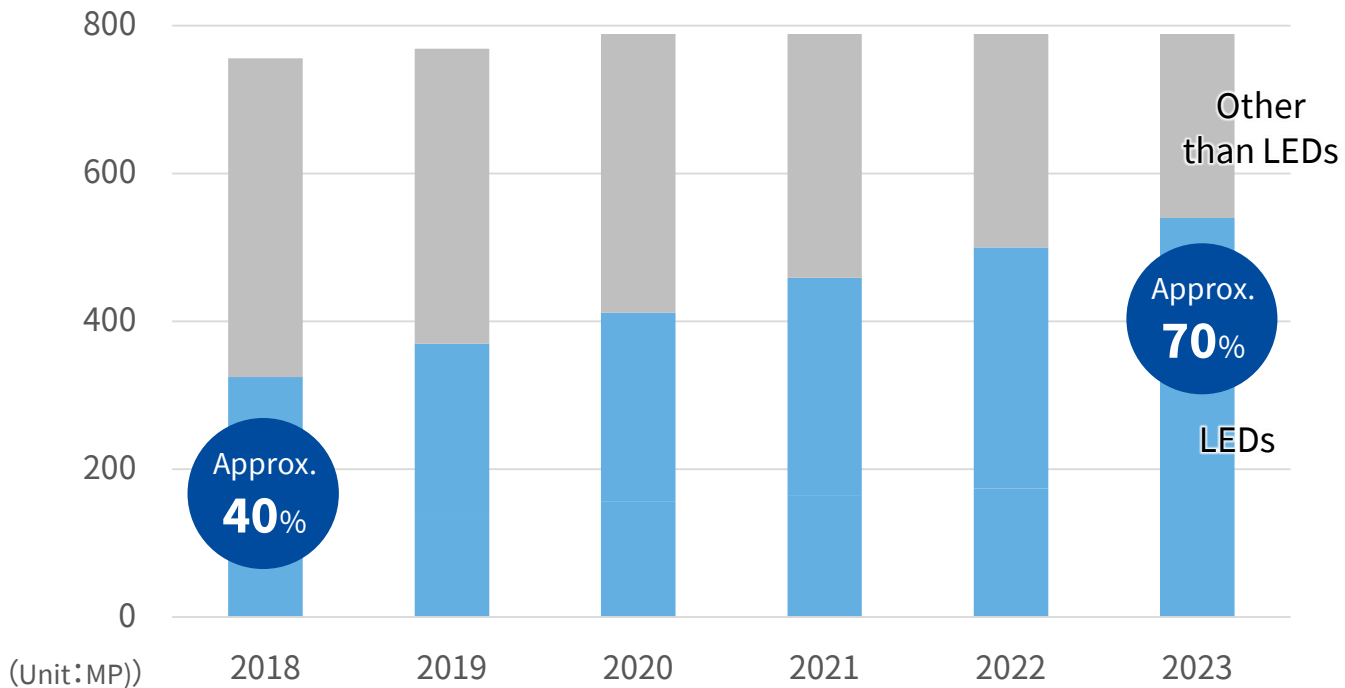
- Expand lineup for time efficient modernization\*2
- Strengthen dedicated sales force

\*2: Modernization plan to cut all-day downtime to two days

# Lighting Business – Marketing Environment

## LED fixture market is anticipated to grow steadily due to replacement demand

### LED Penetration in installed non-residential luminaire market



- Half of installed non-residential luminaire market is taken by conventional lighting sources.
- LED penetration is expected to grow from approx. 40 % in 2018 to approx. 70% in 2023.



- Improve workability at installation of LED
- Stimulate replacement with new products that create value (CSL & HCL\*)

\* CSL: Connected Smart Lighting  
HCL: Human Centric Lighting

Source: "Lighting Vision 2030 – Scenario for 100% SSL Rate of Existing Non-residential Luminaire Markets,"  
Japan Lighting Manufacturers Association (JLMA)



# Measures for Sound Growth of the Lighting Business

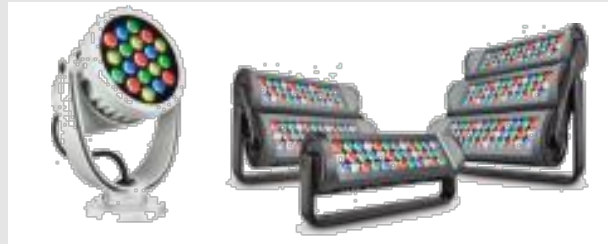
Strengthen core earning power, focus on B2B for the office, factory and commercial facilities markets, and expand product lineup

## General lighting

- Increase LED sales by focusing on replacement market
- Improve production process and quality by seamless production
- Provide new value of luminaires (Launching approx. 420 items in 2019)



“ViewLED”  
LED luminaire with camera



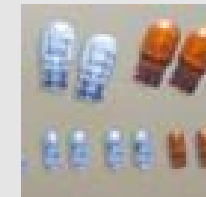
Full color LED luminaires with  
rendering effecting



Kanuma Works and its showroom

## Industrial lighting

Cultivate Socket LED business as a new revenue source to replace the conventional automotive lamp business



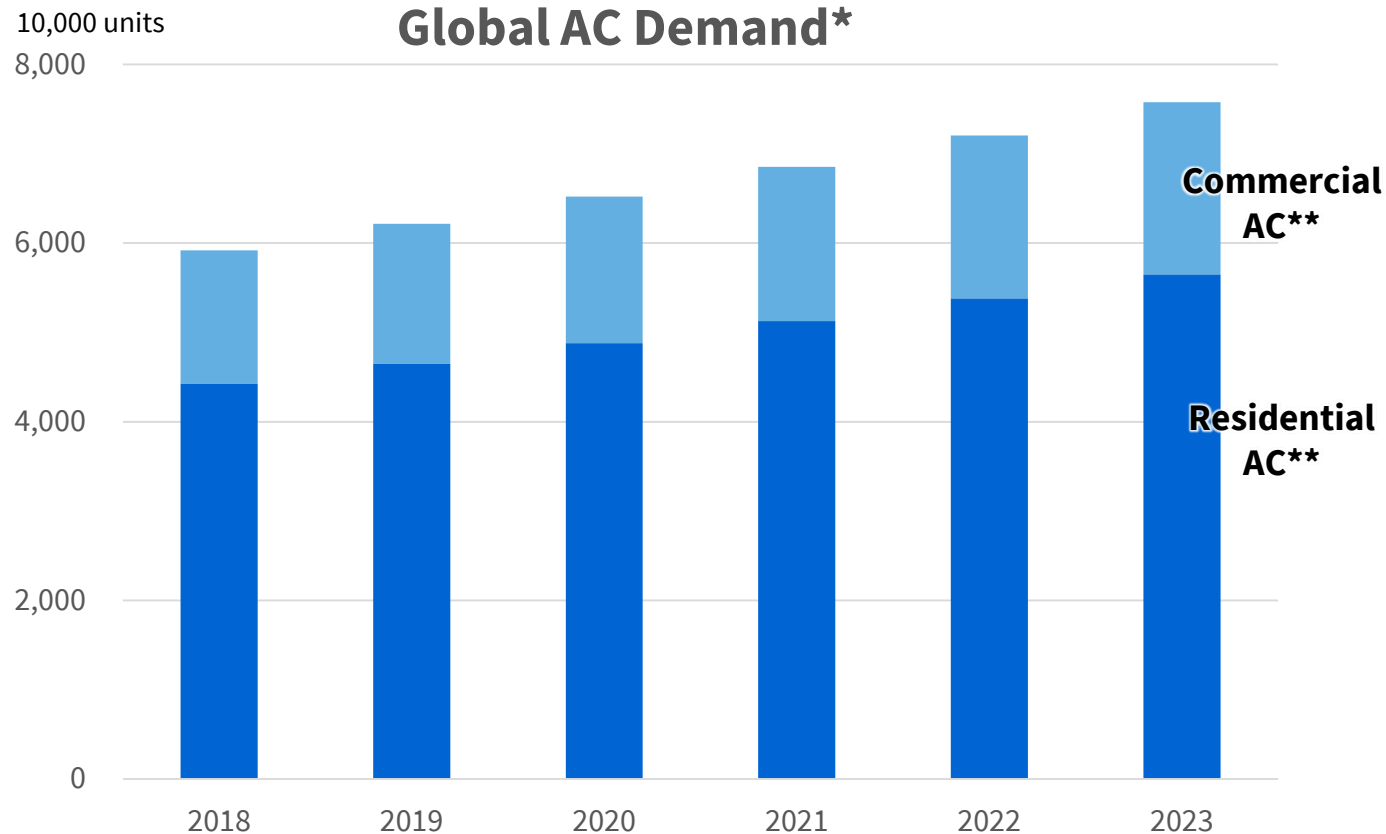
Automotive lamps



Socket LED

# HVAC Business – Marketing Environment

## Approx. 5% CAGR (2018 – 2023) Expected in the Global HVAC Market



\*Source: “Estimated global AC demand”, the Japan Refrigeration and Air-conditioning Industry Association (JRAIA) for 2018 figures; figures for 2019 and thereafter are estimates by Toshiba Carrier Corporation (TCC)

\*\*Figures for Commercial AC are for the entire world and figures of residential AC are for the entire world, not including Japan and China, only reflecting the business scope of TCC.

- Continued growth expected in regions and nations where AC system ownership still low
- Growing replacement demand for energy-efficient inverter AC in various regions to address more stringent energy regulations
- Accelerated shift from central ducted AC systems to zone ductless AC systems such as VRF
- Products based on TCC’s unique energy-efficiency technologies for inverters and compressors and system controls to drive sales

# Actions Toward Sound Growth of the HVAC Business

**Achieve sound global growth based on proactive capital expenditure and reinforced collaboration with Carrier's distribution**

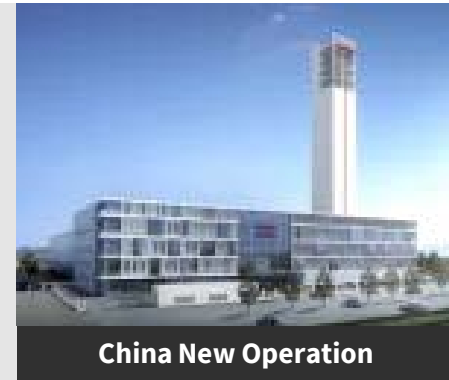
## Overall

- A new R&D center at Fuji Operations will make Fuji Operations the core design center for reinforced product and new technology development functions that accelerate global business development



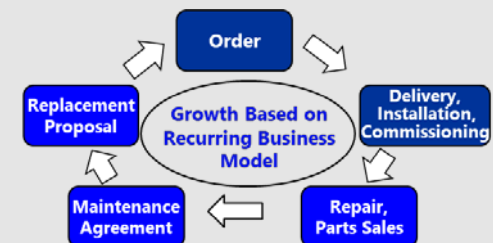
## Overseas

- A new operational base in China for enhanced production capacity and development capability
- Promote localized production for local demand with reinforced manufacturing bases outside Japan, including India
- Secure sales growth that outpaces the market through closer collaboration with Carrier's worldwide distribution network



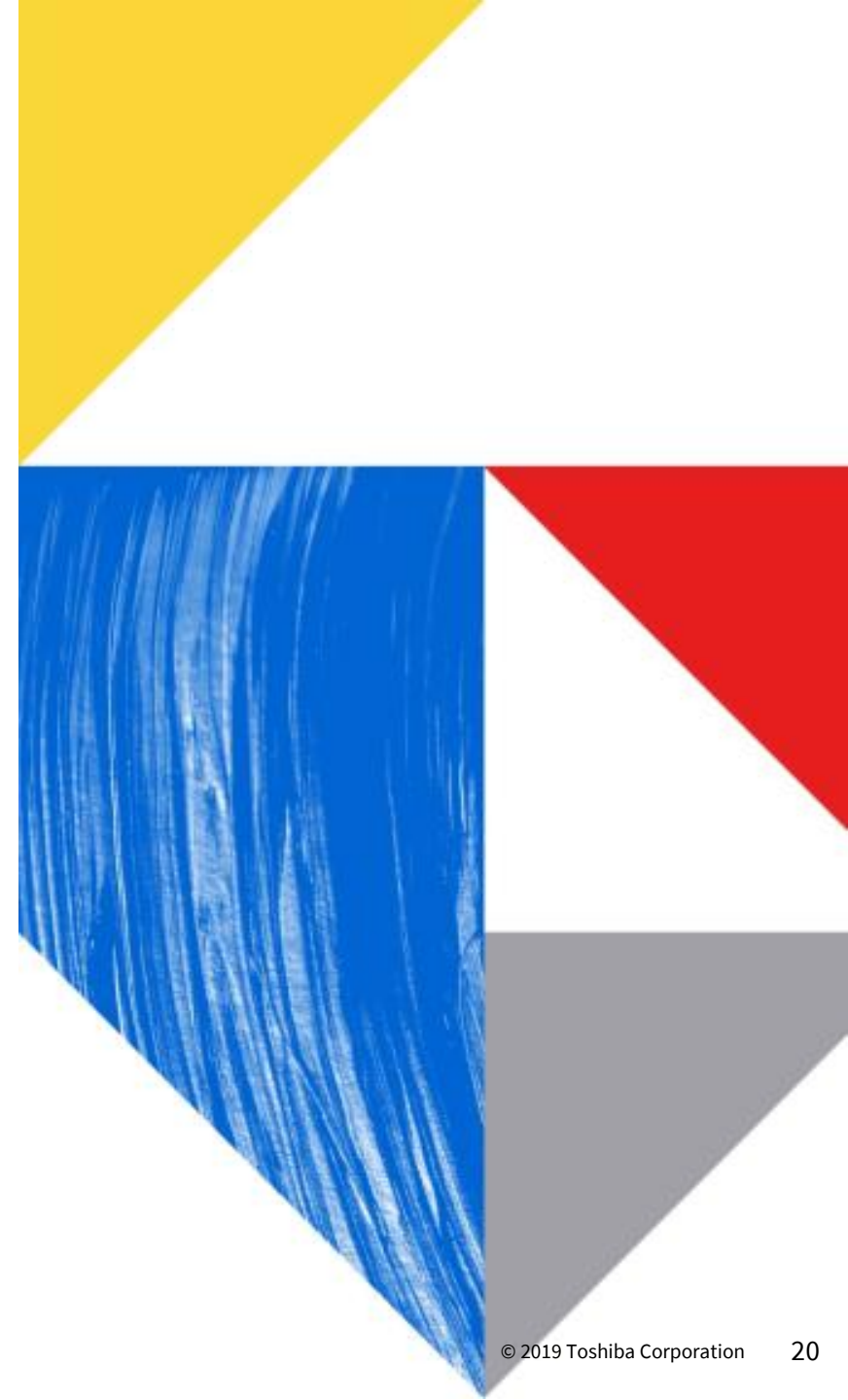
## Japan Domestic

- Capture IoT Cloud new business opportunities
- Reinforced field service functions for further growth based on a recurring business model



# 03

## Realizing the SDGs in Our Value Chain



# Realizing the SDGs in Our Value Chain

## INCREASING POSITIVE IMPACT on the SDGs



### Common

- Deliver highly efficient products that reduce power consumption



### Lighting

- Save resource by reducing size and weight of products



### Elevators

- Early recovery of operation after natural disasters



### HVAC

- Support customers in managing f-gas leak prevention (recommend use of f-gas handling and management system)



### Common

- Resource-saving design



### HVAC

- Develop and provide products that utilize renewables (heat pump) and energy-saving technology (Inverter)



### Lighting

- Provide comfortable living environments with our high-quality lighting

### Elevators

- Develop and provide energy-saving products



### Elevators

- Modernization using existing products and parts in the field



Raw Materials

Suppliers

Procurement & Logistics

Manufacturing

Sales (Installation)

Product Use

Disposal



### Lighting, HVAC

- Procure components free of hazardous chemicals



### HVAC

- Reduce use of rare metals and rare earths



### Lighting

- Select suppliers that comply with Toshiba Group Procurement Guidelines.



### HVAC

- Develop products that use low global warming potential (GWP) refrigerants
- Highly efficient production (Go with smaller and lighter products; and reduce the use and waste of hazardous chemicals)
- F-gas leakage prevention management



### Elevators

- Recommend operators to use cut resistant glove and full harness type safety belts to ensure safety



### Lighting

- Develop smaller, lighter and longer-life products to reduce waste

### HVAC

- Handle f-gas appropriately during recovery and disposed



## MINIMIZING NEGATIVE IMPACT on the SDGs



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

**TOSHIBA**