



The Toshiba Next Plan Progress Report

Resilience for Growth

Towards an Infrastructure Services Company

June 5th, 2020

Nobuaki Kurumatani

President & CEO

Toshiba Corporation

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 which have not been finalized at this point and future plans which have yet to be confirmed or 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 which include, but are not limited to, those related to economic conditions, worldwide mega-competition in the electronics business, customer demand, foreign currency exchange rates, tax and other regulations, geopolitical risk, and natural disasters. Toshiba therefore wishes to caution readers that actual results may differ from our expectations. Please refer to the annual securities report (*Yuukashoken houkokusho*) and the quarterly securities report (*shihanki houkokusho*) (both issued in Japanese only) for detailed information on Toshiba Group's business risk.
- Toshiba's fiscal year runs from April 1 to March 31. All figures are consolidated totals for 12 months, unless stated otherwise.
- Results in segments have been reclassified to reflect the current organizational structure, unless stated otherwise.
- Since Toshiba is not involved in the management of Kioxia Holdings (former Toshiba Memory Holdings, hereinafter "Kioxia") and is not provided any forecasted business results, Toshiba Group's forward-looking statements concerning financial conditions, results of operations, and cash flows do not include the impact of Kioxia.

Agenda

- 01. FY2019 Full Year Earnings**
- 02. Achievements in Year 1 of Toshiba Next Plan and FY2020 Outlook**
- 03. Compliance**
- 04. Countermeasures to COVID-19 and Resilience**
- 05. Transformation towards an Infrastructure Services Company**

FY2019 Full Year Earnings

FY2019 Consolidated Results

Performance based on core operating income exceeded the Year 1 target of the Toshiba Next Plan

(yen)	FY19 Actual	FY19 Plan	Difference	FY18 Actual	Difference
Net Sales	3.4 T	3.4 T	—	3.7 T^{*3}	-0.3 T
Operating Income (ROS%)	130.5 B (3.8%)	140.0 B (over 4%)	-9.5 B (-0.2%)	35.4 B (1.0%)	+95.1 B (+2.8%)
Operating Income excl. COVID-19 impact (ROS%)	150.8 B (4.4%)	140.0 B (over 4%)	+10.8 B (+0.4%)	35.4 B (1.0%)	+115.4 B (+3.4%)
Core Operating Income^{*1} (ROS%)	161.6 B (4.8%)	—	—	80.5 B (2.2%)	+81.1 B (+2.6%)
EBITDA^{*2} (excl. COVID-19 impact)	210.1 B (230.4 B)	220.0 B (220.0 B)	-9.9 B (+10.4 B)	113.9 B	+96.2 B

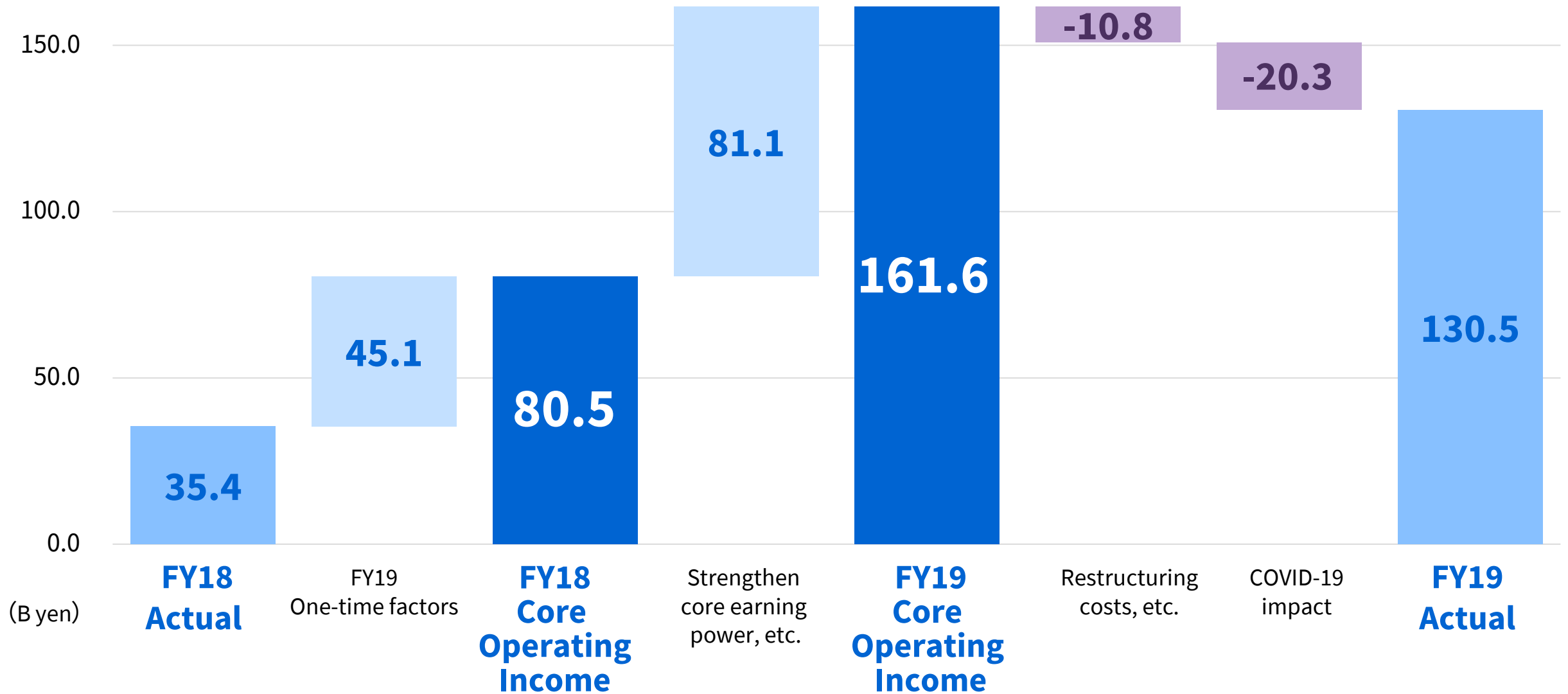
^{*1} Core operating income: Operating income minus restructuring cost and COVID-19 impact

^{*2} EBITDA = Operating income + Depreciation ^{*3} Includes resale of memory products (101.7 B yen) and PC (79.4 B yen) businesses

FY2019 Fourth Quarter (Three months) Consolidated Results

	FY19 4Q Result	FY18 4Q Result	Difference
(yen)			
Net Sales	931.3 B	1,046.3 B	-115.0 B
Operating Income (ROS%)	68.0 B (7.3%)	27.2 B (2.6%)	+40.8 B (+4.7%)
Operating Income excl. COVID-19 Impact (ROS%)	88.3 B (9.5%)	27.2 B (2.6%)	+61.1 B (+6.9%)

Analysis of Changes in Operating Income (FY18 → FY19)



Impact of COVID-19 (impact on FY19 performance)

Business Segment	Major Reasons	Financial Impact
Devices & Storage	Delays in installing semiconductor manufacturing equipment for the China market, and decreased demand of devices	-11.9 B yen
Retail & Printing	Delays in delivery, by lockdown in China, etc.	-5.0 B yen
Building	Delays in manufacturing, installation work, etc.	- 2.0 B yen
Others		-1.4 B yen
Total		-20.3 B yen

Free Cash Flows

(B yen)	FY17	FY18	FY19
Operating CF (after adjustments)	37.4 (-18.1)	124.9 (51.4)	-142.1 (59.8)
Investment CF	-146.7	1,305.4	-122.6
Free Cash Flows	-109.3	1,430.3	-264.7
Cash at Year-end	500.8	1,335.5	377.0
Interest-bearing- debt at Year-end	692.4	434.7	236.5^{*1}

FY19 Extraordinary items

- Loss from divestment of LNG
- Improvement in conditions with subcontractors, etc.

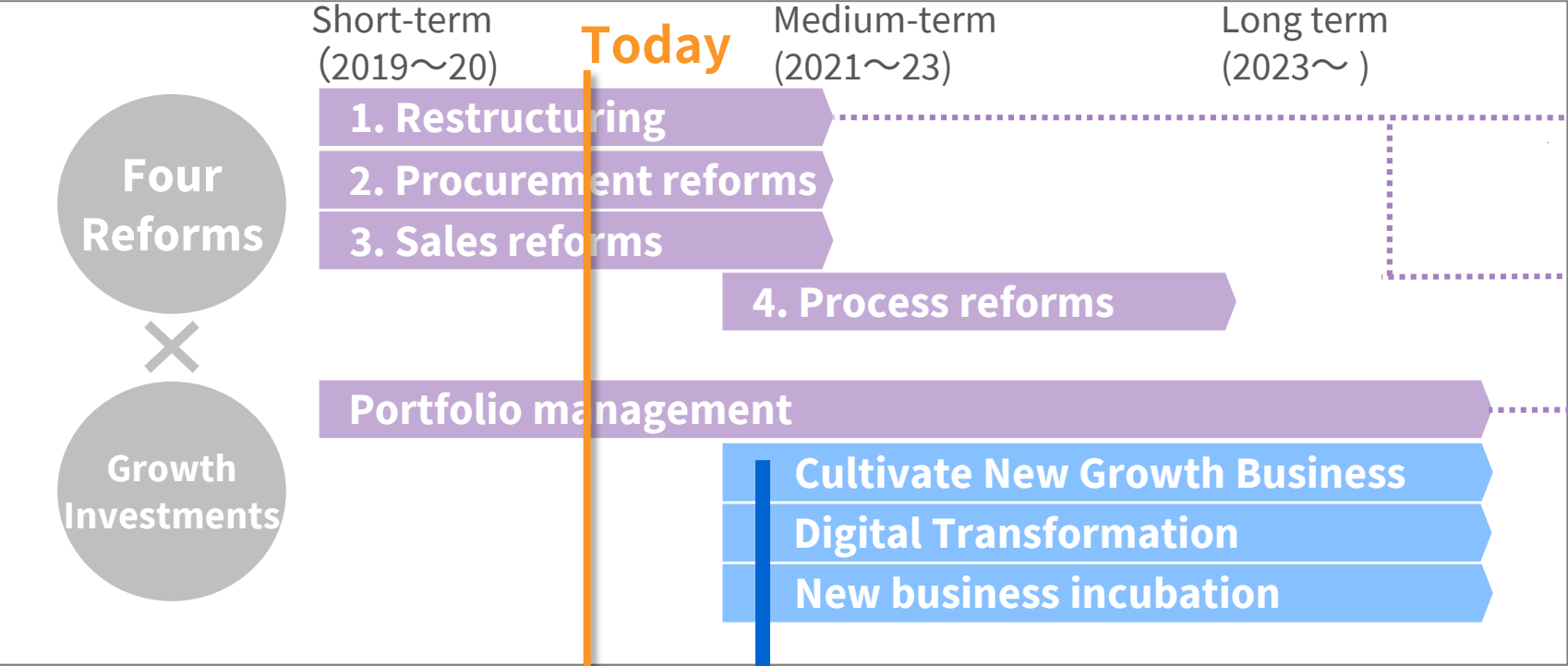
Total: 201.9 B yen

*1 Excludes operating lease liabilities (158.7 B yen)

Achievements in Year 1 of Toshiba Next Plan and FY2020 Outlook

Evolution of the Toshiba Next Plan Over the Last 1.5 Years

Toshiba Next Plan Phase 1 Announced in November 2018



Additional action items

- Privatization of 3 listed subsidiaries
- Sale of non-business assets
- Clarification of exit criteria for monitored businesses
- Further review of executive compensation

Towards Growth Phase 2

Announced in November 2019



Steadily implementing measures announced in November 2018

Strengthening core earning power

- ☒ Restructuring Exit from non-core business, workforce optimization, reduction of subsidiaries
- ☒ Procurement reforms Reduction of cost of goods (direct and indirect materials)
- ☒ Sales reforms Review of sales-related costs and project orders
- ☒ Process reforms Modularization, renewal of IT systems

Focused investments in growing areas

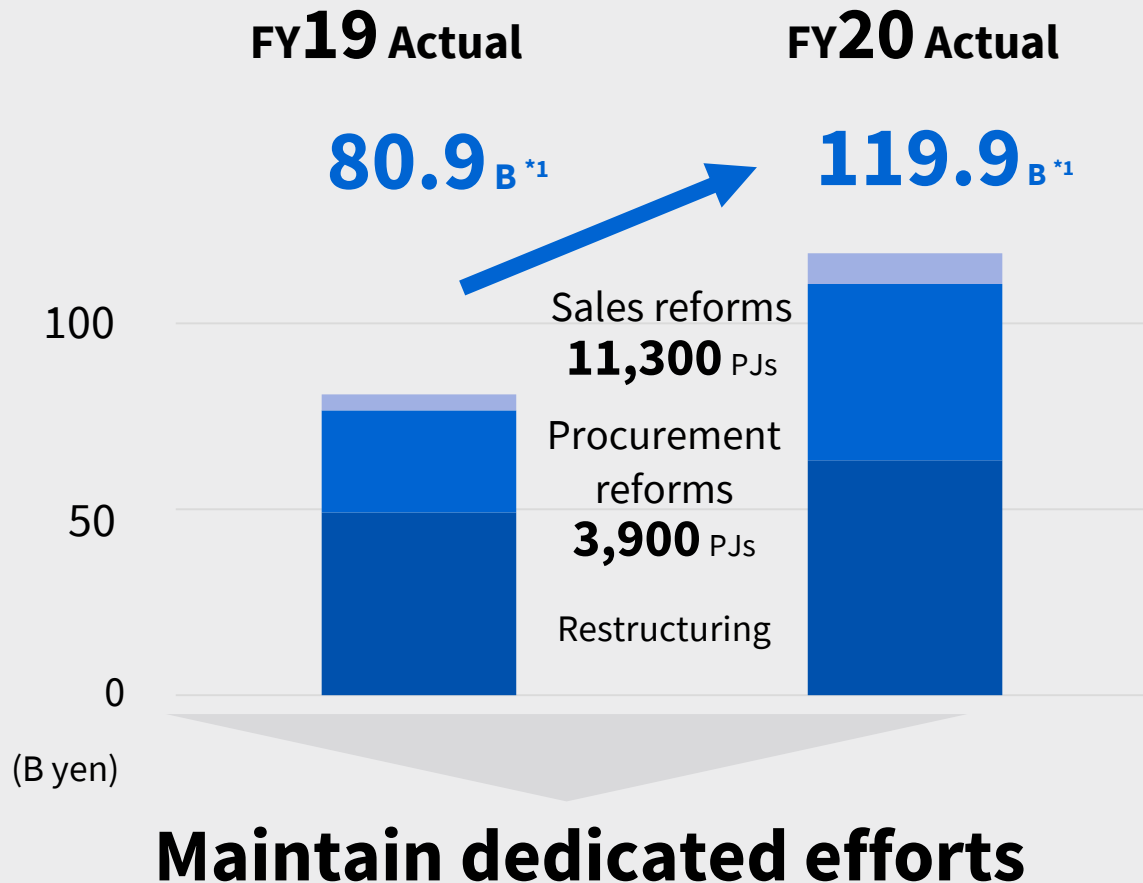
- ☒ Enhanced portfolio management
- ☒ Monitoring of challenged businesses

Corporate governance

- ☒ Shareholder returns Completed 700.0 B yen share repurchase
- ☒ Review of executive compensation Performance-linked equity compensation
- ☒ Strengthened risk management and governance structure

Evolution of CFT Activities

Evolution of Existing Activities



Evolution in New Efforts

Chain of process reforms

- ✓ **Engineering**
- ✓ **Supply chain**
- ✓ **Review make or buy**

Further enhance efforts

*1 Improved amount of operating income compared to FY18 actual as base line

Other Achievements from Reforms

Restructuring

Exit from non-core businesses

LNG business

Overseas nuclear power construction

Subsidiaries eliminated: **64** ^{*1}

Progress to date: **70** %

Early retirees: **1,237** ppl

Production Center Reforms

Reorganization of
production centers: **4** facilities

Progress to date: **33** %

Process Reforms

Modularization: Progress in **50** % of products ^{*2}

Established Toshiba T1 Project Corporation ^{*3}

^{*1} Scope includes 364 companies as of March end, 2018 (including equity method affiliates); excludes listed subsidiaries and Toshiba Memory (current Kioxia).

^{*2} Net sales basis ^{*3} Subsidiary establish date Jul.1, 2020

Asset Light

Putting highest priority on efficient capital management
Maintaining policy of selling off non-business assets

Divestment of listed shares

IHI
Japan Material

Divestment of functional subsidiaries

Logistics subsidiary
Temporary staffing
subsidiary
Payroll service
subsidiary

Divestment of real estate

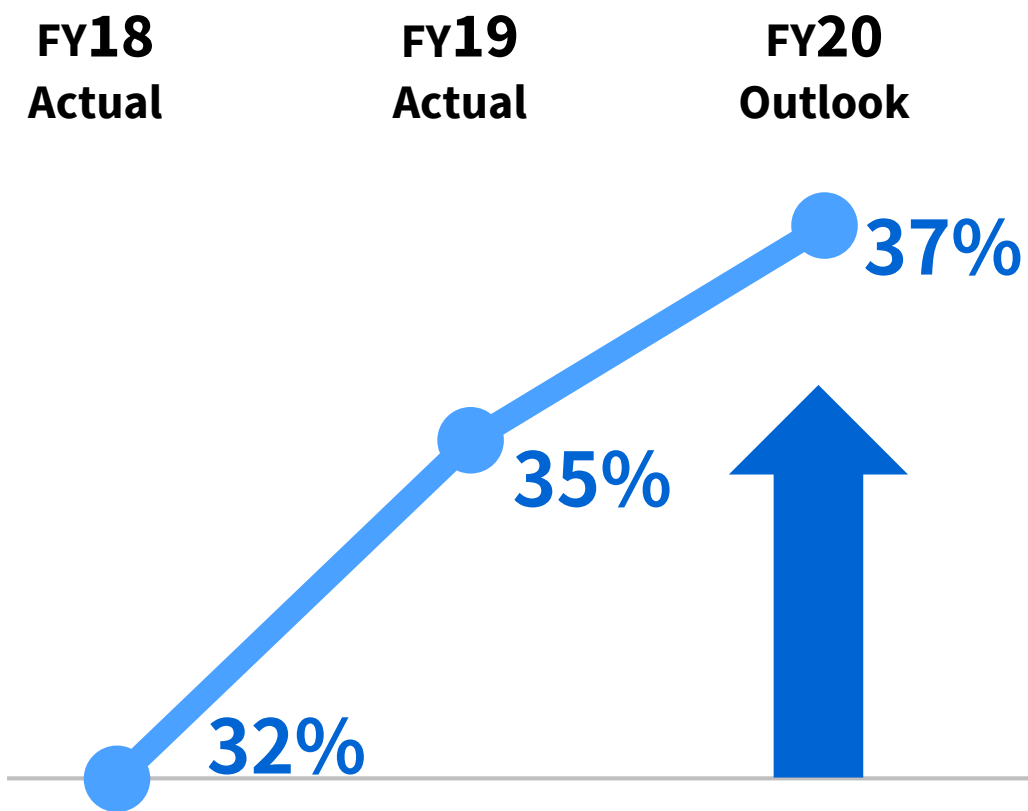
Shares of NREG Toshiba
Site of Kitakyushu Works
etc.

Total divestment of approx. 46.0 B yen

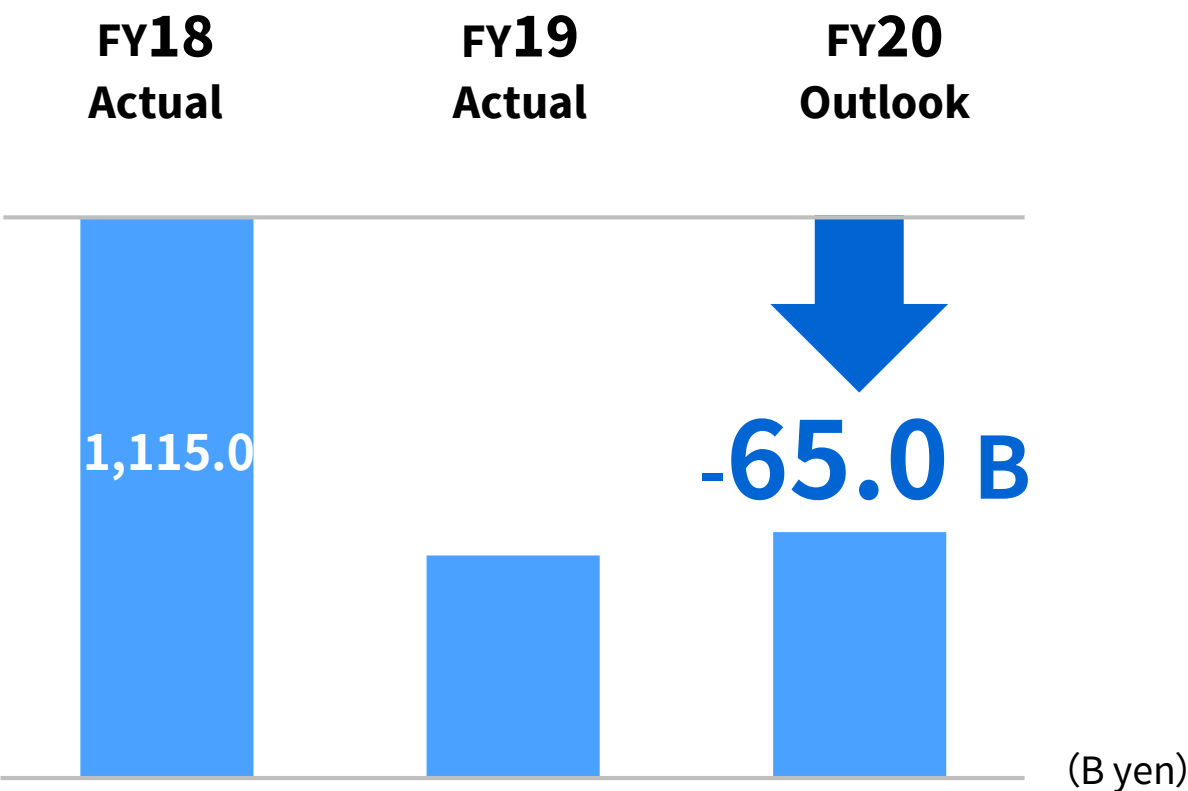
Achievement of the Toshiba Next Plan Phase1

Significantly Improved Core Earning Power

Marginal Profit Ratio*1



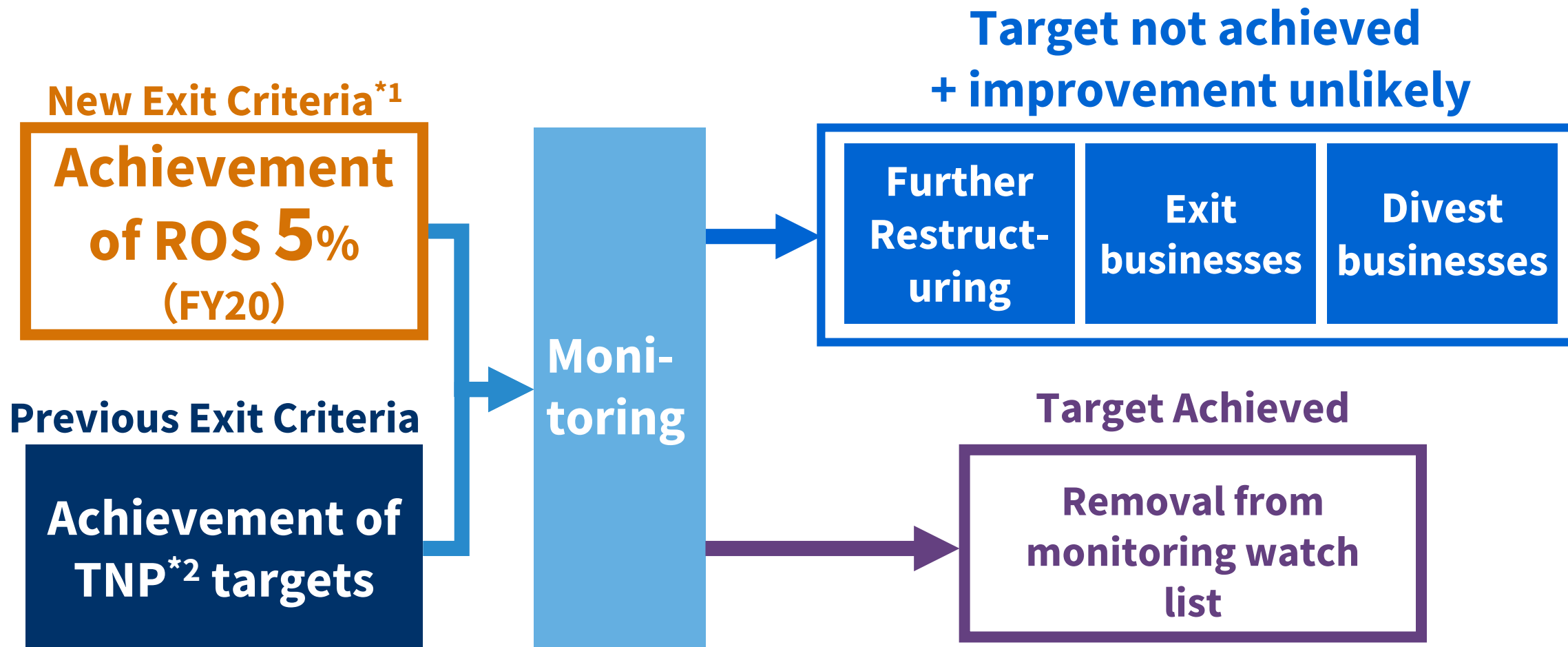
Fixed Costs*1



*1: FY18-19 actual and FY20 outlook are based on core operating income

Implementation of the ROS 5% Rule

Evaluate FY20 excluding COVID-19 impact



*1 Excludes businesses in the incubation stage. *2 The Toshiba Next Plan

Monitored Businesses

FY19 Monitored
Businesses

FY20-ROS
5% Rule

※Excludes COVID-19 impact from FY20 forecast

Thermal (Construction)	✓	✗	▶ Additional Restructuring 1.8 B yen ➤ 30% headcount reduction in overseas factories
System LSI	✓	△ ^{*1}	▶ Consider Additional Restructuring
HDD	✓	○	▶ Continue Monitoring ➤ Pursue expansion strategy for DC ^{*2}
Industrial Motors	✓	○	▶ Removed from monitoring list
[Toshiba TEC] Printing		△ ^{*1}	▶ Restructuring 6.0 B yen^{*3} ➤ Headcount reduction of 700 people

*1 Exceeds the original FY20 plan, but concerns left for future as COVID-19 impact

*2 DC: Data Center

*3 Toshiba-TEC Company wide

PMI^{*1} of Listed Subsidiaries

Established working group to maximize synergies with each responsible divisions

Toshiba Plant Systems & Services

Strengthen cooperation in sales, technology, quality, manufacturing, etc.

- Reducing cost by joint procurement
- Reduce fixed cost by integrating systems, etc.
(FY20: -0.6B yen)

NuFlare Technology

Strengthen cooperation in the development of multi beam next-generation technologies

- Accelerating joint development by adding 25 ppl to form a 180-person team

Nishishiba Electric

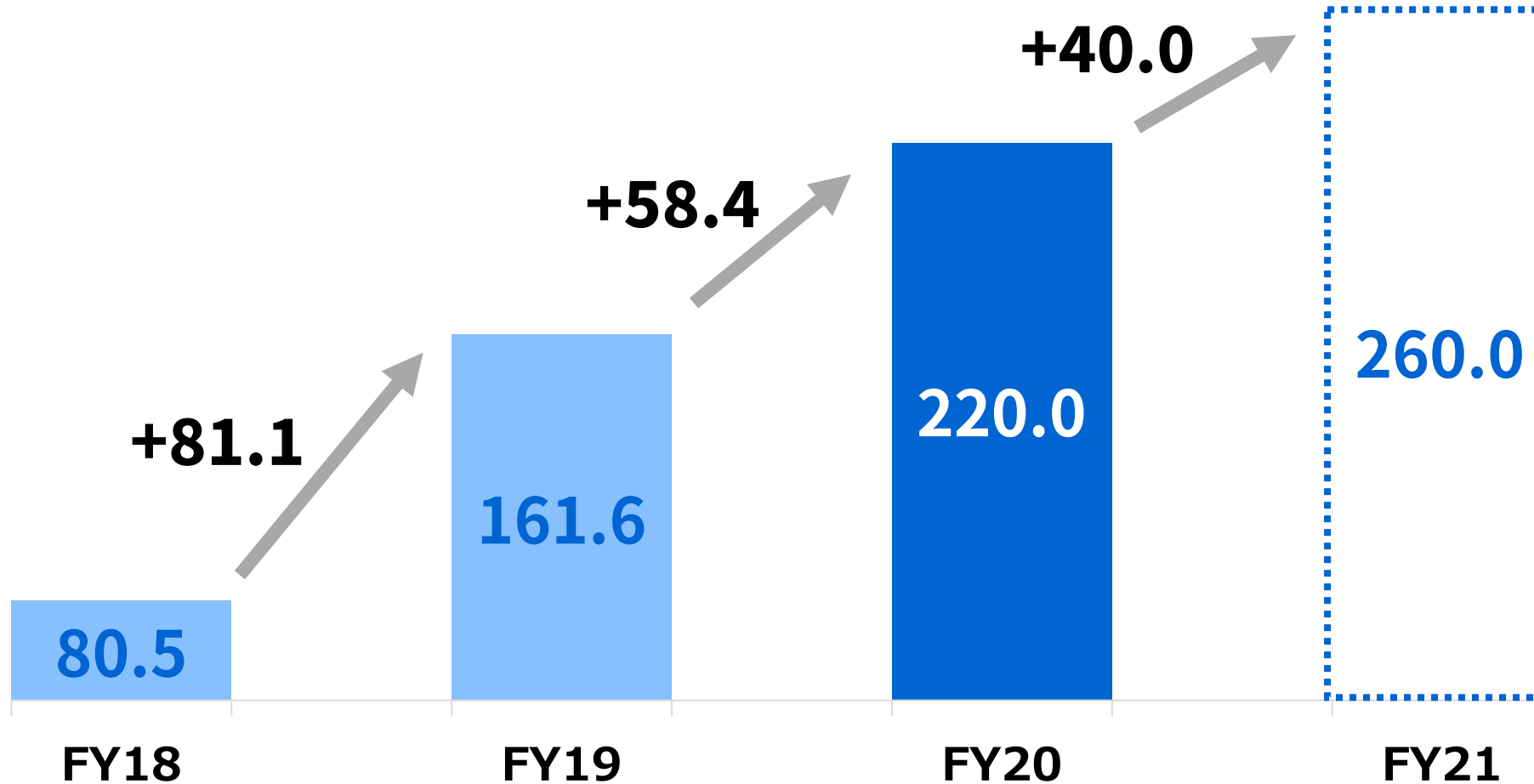
Leverage Toshiba Group's resources in sales channel development and procurement

- Sharing information on approx. 3,000 projects
- Horizontal expansion of CFT activities, execute approx. 90 procurement initiatives

Changes in Core Operating Income

True earning power (core operating income*¹) is improving steadily

(B yen)



*1 Core operating income: Operating income minus restructuring cost and COVID-19 impact

Evolution in Corporate Governance

Strengthened corporate infrastructure aimed at expanding TSR*¹

- ✓ Introduced the **ROS 5 % rule** for portfolio management
- ✓ Completed share repurchase of **700 B yen**
- ✓ Formulated **shareholder returns policy** including share repurchases
- ✓ Paid interim and year-end dividends despite COVID19 (FY19: **20 yen** dividend)
- ✓ Expanded the **executive compensation system** to promote shareholder value creation
- ✓ Submitted application for **relisting on the 1st sections** of TSE and NSE*²

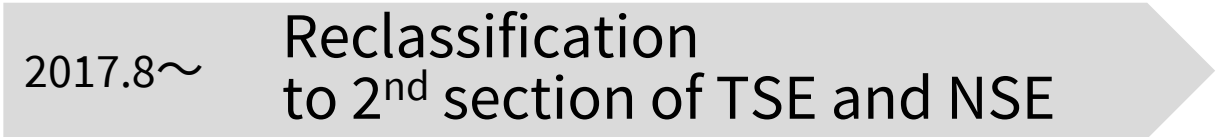
*1 TSR: Total Shareholder's Return. The overall yield and return on an investment, including capital gain and dividends, received by a shareholder.

*2 TSE: Tokyo Stock Exchange, NSE: Nagoya Stock Exchange

Status of application for relisting on 1st section of TSE and NSE*1



2020.4
Application for
relisting on
1st section of
TSE and NSE



Improvement of internal control

**Continuing efforts to improve internal control framework
and corporate culture**

*1 TSE: Tokyo Stock Exchange, NSE: Nagoya Stock Exchange

Process Towards Growth Phase 2

Today

2020.11

Toshiba Next Plan (Phase 1)
Strengthen core earning power

Target to announce a plan

Toshiba Next Plan (Phase 2)
Transform towards an Infrastructure Services Company

Cautiously shift to a growth trajectory after carefully assessing COVID-19 impact

- ① **Resource allocation** to growing areas
- ② Proactive **investment and programmatic M&A** ^{*1}
- ③ **Company-wide reorganization** to support growth
- ④ **Secure source of growth capital** by reviewing financial strategy

^{*1} Not major M&A encountered opportunistically, but focused on areas that are adjacent and complementary.
Carry out planned, small scale M&A as part of annual business strategy.

Capital Policy and Shareholder Returns

Prioritize on financial stability for the time being due to COVID-19 impact

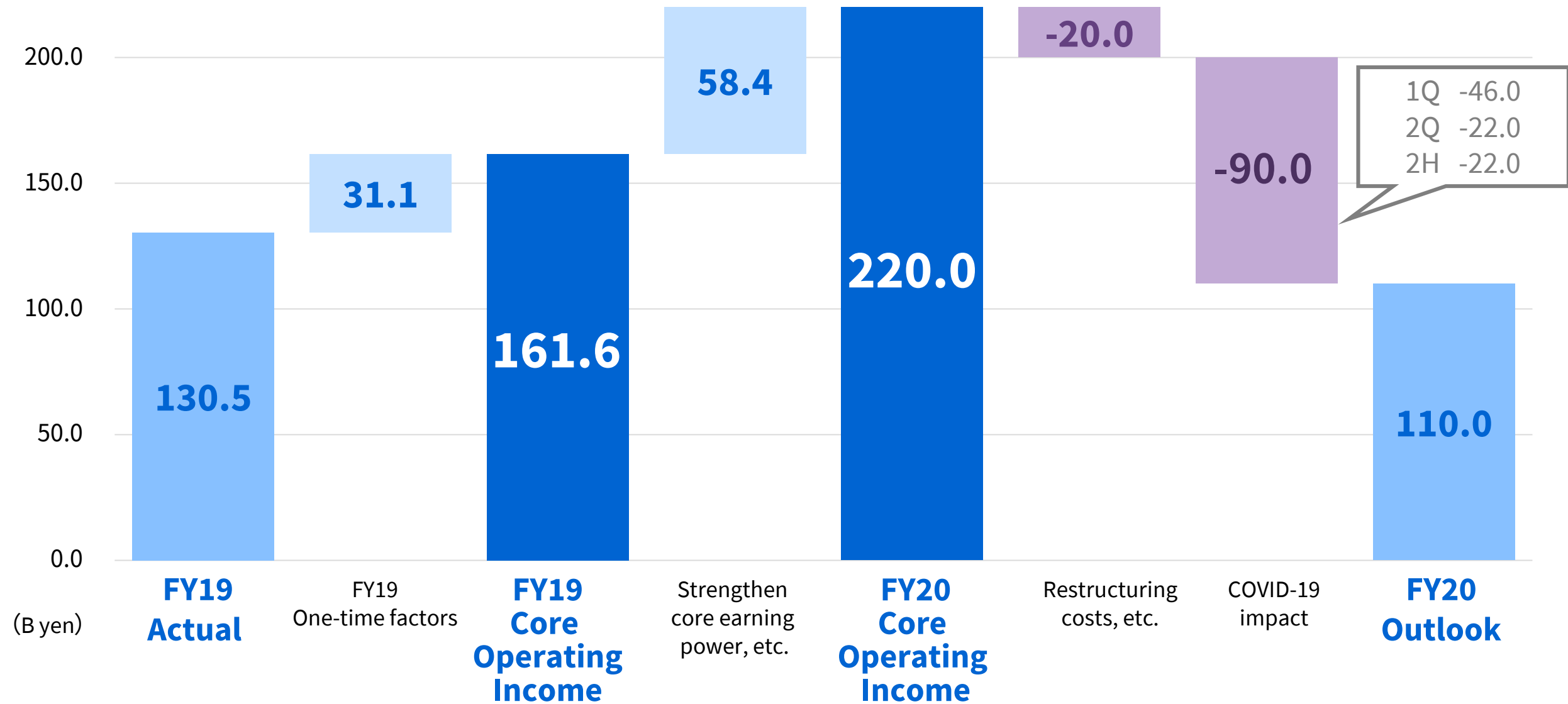
Contents announced in November 2019

- Appropriate level of capital determined considering assets, and periodically reviewed by the board
- Decrease cost of capital by using leverage to finance growth
- Basic policy is to maintain an average consolidated dividend payout ratio of at least 30%; capital in excess of the appropriate level of capital will be used to provide shareholder returns, including share repurchases

Policy unchanged

- Carefully watch COVID-19 impact and the second wave risk, and put importance to financial stability for the time being
- Consider more proactive capital allocation including shareholder return and investment for growth after COVID-19 convergence.

Operating Income Plan (FY19 → FY20)



Compliance

Toshiba IT Service (TSC) Fictitious Transaction

Overview

- Confirmed 24 fictitious circular transactions between 2015 and 2019
- Initiated and caused by sales person at business partner A.
- No direct evidence that certifies Mr. X perceived the subject transaction to be fictitious or round-trip transactions has been discovered. However, Mr. X committed acts lacking in the duty of due care.

Investigation

- To ensure objectivity and expertise, an internal investigation was conducted with the appointment of external professionals^{*1}
- Investigation was conducted thoroughly including a forensic investigation, interviews, and document-based evidence led by professionals
- Investigation report was disclosed in a timely manner^{*1}

Reasons for not being discovered

- It originated from normal transactions with business partner A, which gradually expanded
- Document-based evidence related to the subject transactions were all properly in place.
- Payments were settled without any problem

Countermeasures

- Mr. X was subject to severe punishment, second only to disciplinary dismissal
- Cancelled recorded operating income of approx. 1.8 billion yen^{*2}

^{*1} Feb.14, 2020 "Notice Regarding Results of Investigation of Suspicious Transactions at a Subsidiary, and Recurrence Prevention Measures" http://www.toshiba.co.jp/about/ir/en/news/20200214_1.pdf

^{*2} The Company eliminated net sales of 21.5 billion yen, temporarily recorded 0.9 billion yen (current liabilities).

The Company also eliminated an overstated profit of 0.9 billion before FY2018, without restating past financial statements. (it has also temporarily recorded 0.9 billion yen, the difference between net sales and costs)

Internal Control Improvement Measures and Directions for Further Improvement

Internal Control Improvement Measures since 2015

Problem awareness		Main preventive measures against recurrence ^{*1}
1. Management policy, Governance, compliance	(1) Strengthen management policy	➤ Enhance check function of Nomination Committee, review of budget control etc.
	(2) Enhance governance	➤ Enhance audit function of Board, Nomination Committee, Audit committee, strengthen check function by internal audit division, enhance whistleblowing system
	(3) Enhance mind-set of duty of due care, compliance	➤ Change mind-set of management and employee (internal training, mind-set surveys, management messages)
2. Strengthening management decision process		➤ Organize and enhance business risk management framework
3. Accounting process and disclosure	(1) Appropriate accounting process	➤ Enhance check function of CFO, accounting division ➤ Business process reform (J-SOX)
	(2) Enhance disclosure	➤ Formulize disclosure system, clarify information collection procedure
4. Strengthen subsidiary management		➤ Enhance subsidiary management/ governance

Corporate Culture Innovation

Establish personnel system that places importance on behavioral evaluation and not only about numbers

IT System Modernization

Prevent human errors and achieve visualization by IT system such as ERP

Establish Compliance Advisory Meeting

Strengthen checks and balances with an external perspective

^{*1} Monitor the above measures on a regular basis and report the results to the Management Innovation Meeting in which senior management is present.

Enhancing Three Line Defenses

Further strengthen the first line, second line and third line defense in addition to ongoing measures

Strengthen the First Line

- Continue CEO's message
- Implemented a personnel system that places importance on behavioral evaluation
- Investment for compliance education
- Increase in-house awareness of the whistleblowing system, external contact point, anonymous reporting
- Periodic job-rotation of employees

Strengthen the Third Line

- Establish Compliance Advisory Meeting
- Enhance audit function
 - ✓ Expand resource (headcount, external experts)
 - ✓ Strengthen collaboration with auditors of the Group companies

Strengthen the Second Line

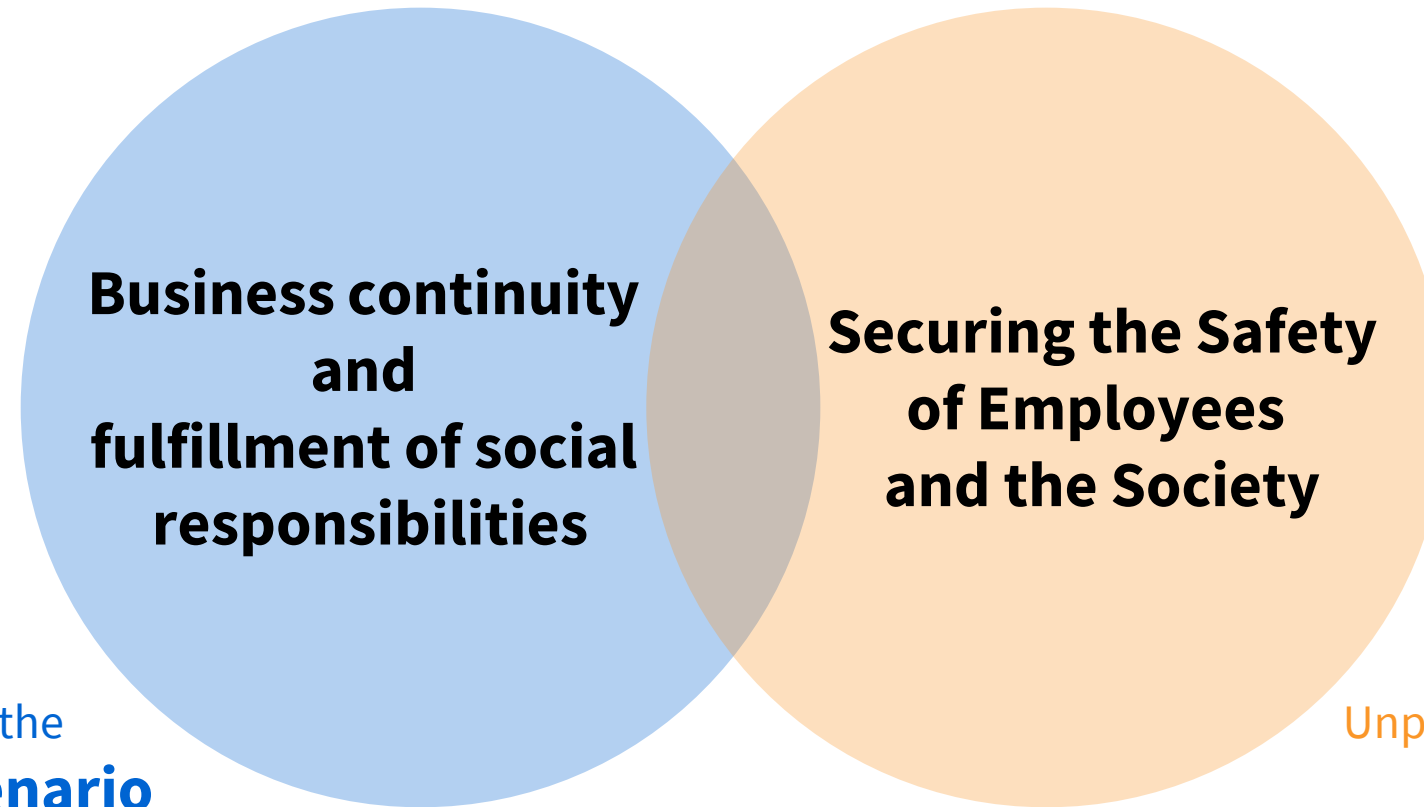
- Strengthen group-wide organization and command system such as finance & accounting, IS, HR & admin, legal.
(key group companies to report to corporate staffs, and strengthen group-wide organizational control)
- ✓ Operate new risk management system
- ✓ Compile and organize cases within the group (utilize for identifying wrong doings)
- Enhance ability to collect and analyze accounting data etc. with the IT system renewal
- Reduce subsidiaries (target: 25% reduction)

Countermeasures to COVID-19 and Resilience

Toshiba Group's COVID-19 Countermeasures

**Declared an internal state of emergency in February
and implemented company-wide countermeasures**

COVID-19 Team
February 18th~



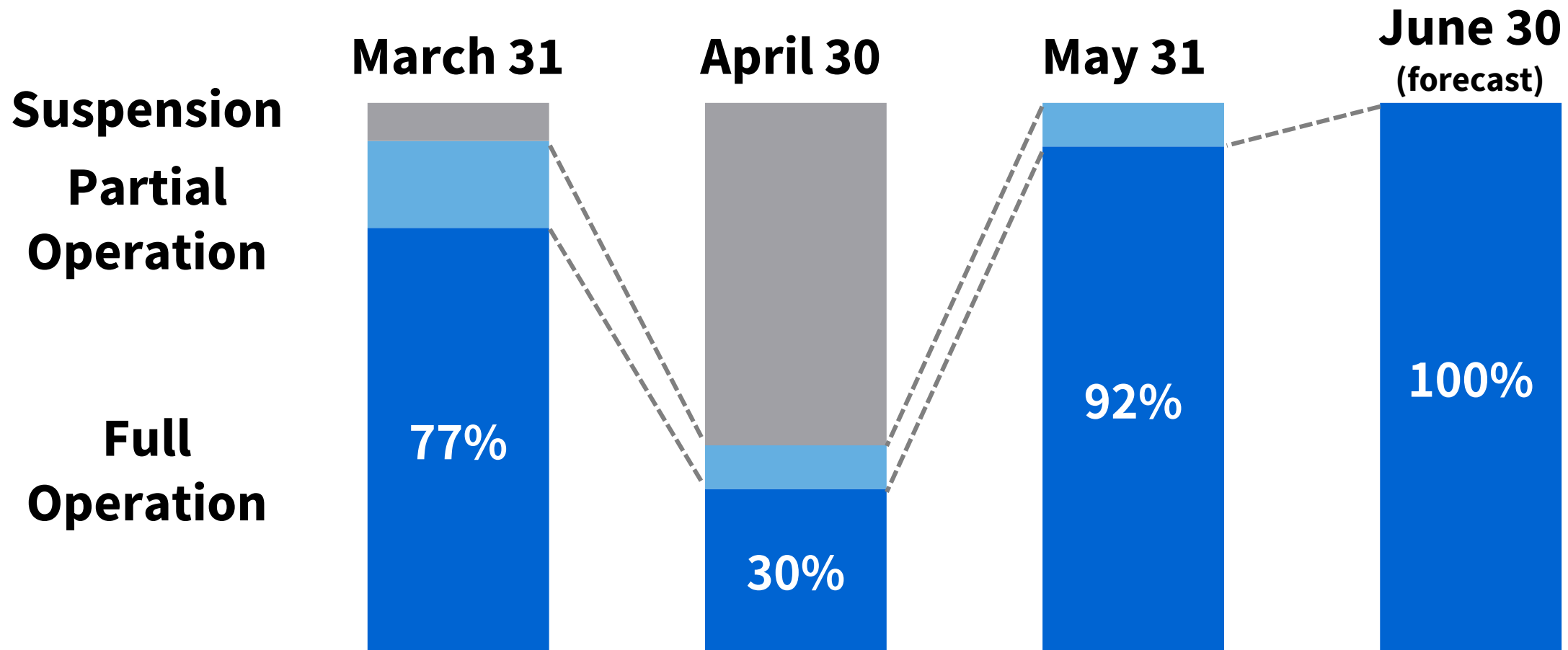
Preparation for the
Worst Case Scenario

Unprecedented measures to
Protect Lives

Securing Safety and Continuing Operations
of manufacturing and maintenance work

Impact of COVID-19 (Supply chain)

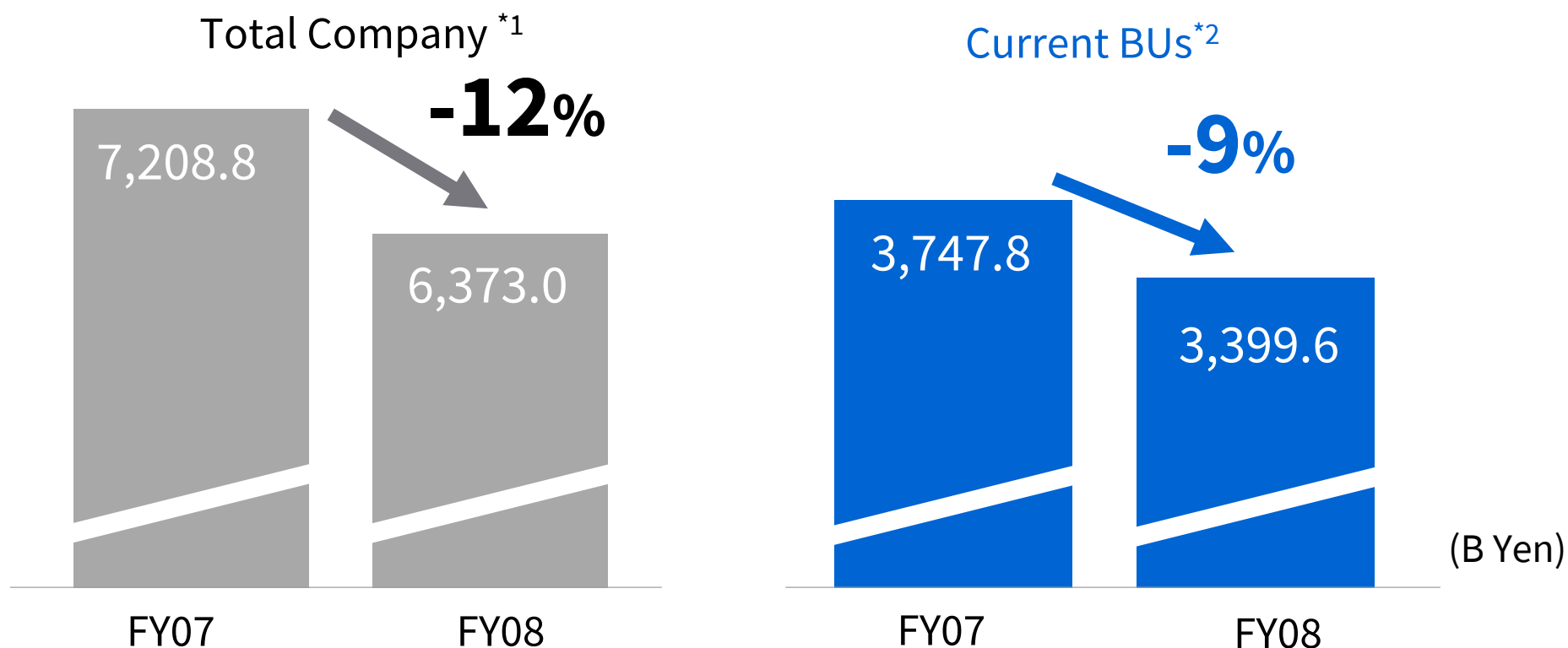
Although production sites will resume operations in mid-May, complete normalization is expected in June due to delayed parts procurement



Reflecting on the Financial Crisis (Lehman Shock)

**Net sales declined by only 9%,
demonstrating the resiliency of Toshiba's businesses**

Net Sales Impact



*1 Includes the Memory, LCD, PC, TV, home appliances, imaging diagnosis, overseas nuclear power (Westinghouse) businesses

*2 Simple total amount of current businesses (Prior period revision not reflected in FY07 figure)

Impact of COVID19 and Resilience

Assumptions for Impact Calculations

Timing of recovery in manufacturing
China: April; Europe/US/Asia: June - July

Demand will remain low for **at least 1 year**
(same as the financial crisis)

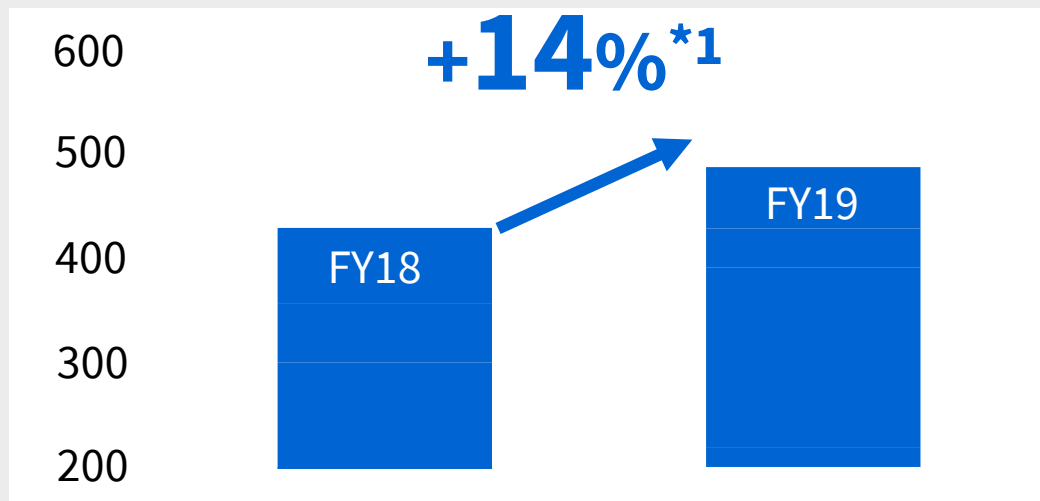
No extreme exchange rate fluctuations

Limited economic impact by
a potential second wave of COVID-19

Impact to Operating Income:
90.0 B yen (FY20)

Current Situation

Order Received (Jan- Mar) (B yen)



- Impact of COVID-19 to Jan-Mar was approx. **10.0 B yen**
- Increase of 60.0 B yen in Energy

Securing Liquidity at a Time of Crisis

Temporarily secured sufficient capital to survive contingencies arising from the second and third waves of COVID-19

March 31, 2020

April-May 2020

Cash and Deposits

Commitment Line

New Borrowings

$$377.0 \text{ B yen} + 258.0 \text{ B yen} + 150.0 \text{ B yen} = 785.0 \text{ B yen}$$

(Borrowings outstanding as of March 31: 236.5 B yen)

* Excludes operating lease liabilities

Countermeasure to COVID-19 (Securing the safety of employees and the society)

Commitment to work from home

All employees encouraged to
work from home

Enhanced remote work infrastructure

About **17%** physically present at work^{*1}

Drastic changes to corporate calendar

Change in working/holiday **calendar**

Postponed **financial reporting**
schedule

Considering introduction of new systems

Flexible work hours **without core time**

Modified working hours system
(**3 days off/week**)

Further social contributions

Cooperation in the manufacturing of
antigen test kits

Free e-learning classes

^{*1}: Period April 21th to April 28th (Toshiba Corporation, Toshiba Energy Systems, Toshiba Infrastructure Systems, Toshiba Devices & Storage, Toshiba Digital Solutions)

Activities to Reinforce Sustainability

Aiming to achieve compliance with ESG Investment Standards by the end of FY2020

2019

- Participated in the **TCFD** Consortium
- Board operations compliant with the **CG code**
- Work style reforms

2020

- Business plan aimed at **2°C Target**
- Acquire **SBT Initiative Certification**
- Increase **TCFD** disclosures, etc.



2030

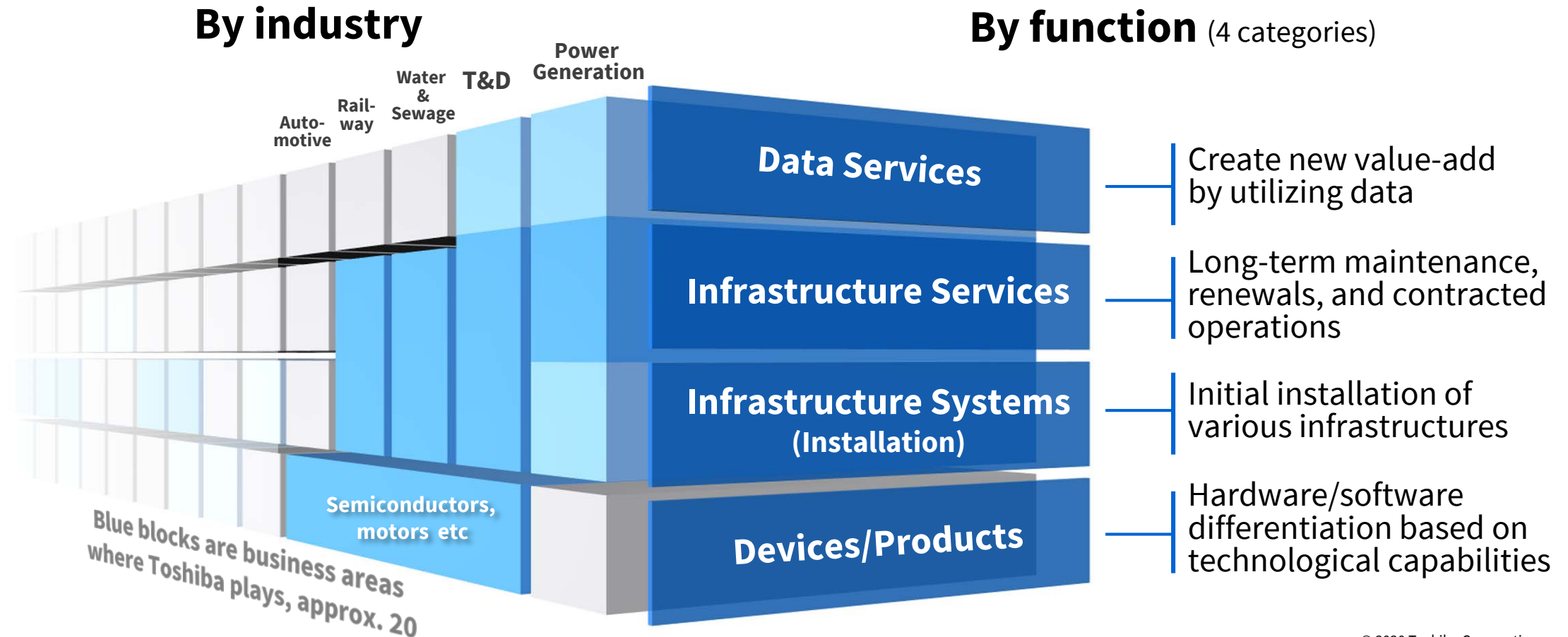
Long-term enterprise value creation



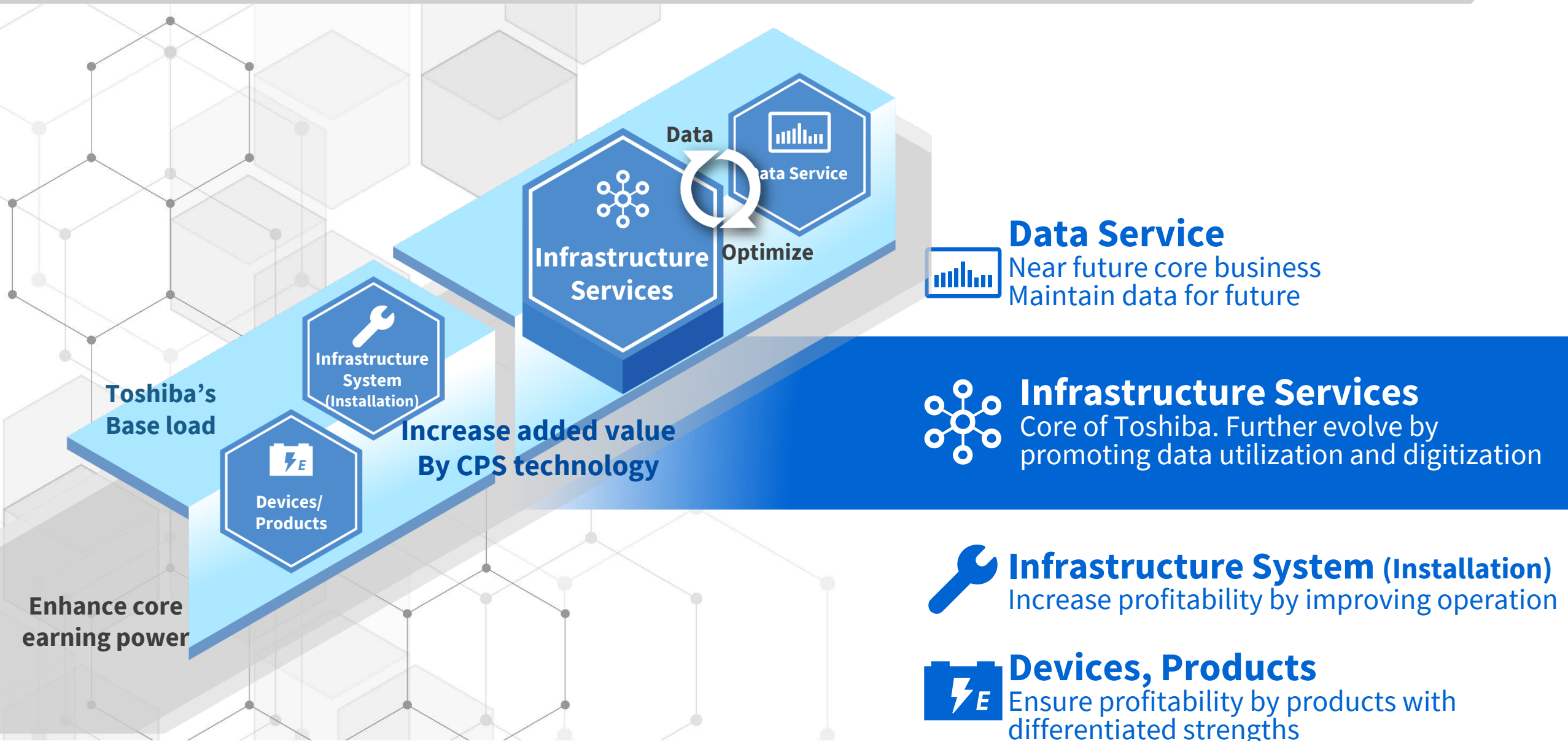
Transformation towards an Infrastructure Services Company

Toshiba's Business Segments

Toshiba's diverse businesses can be categorized into four functions



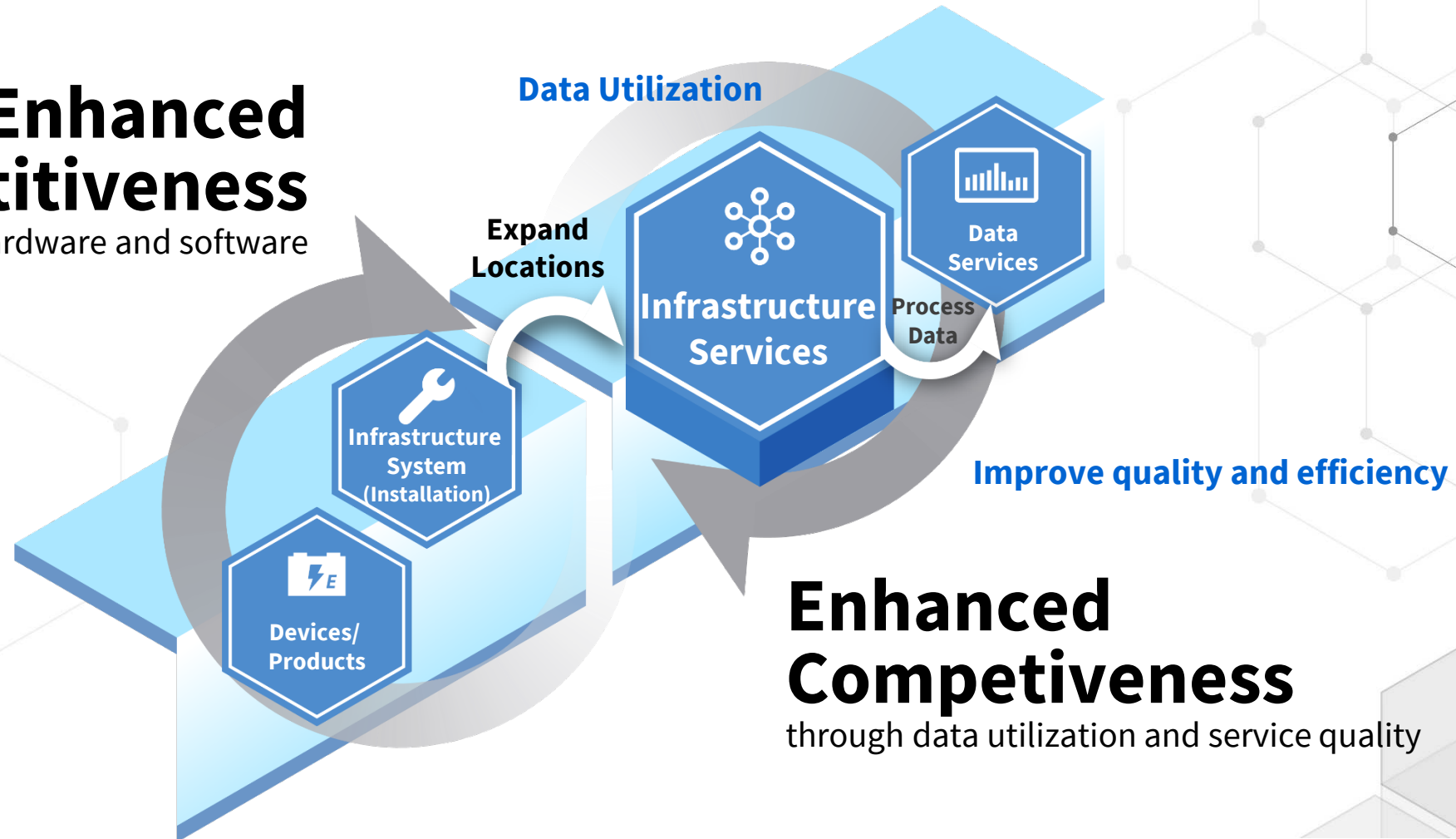
Steps towards Infrastructure Services Company



Synergy Effects Between Each Function

Relationships that mutually enhances competitiveness

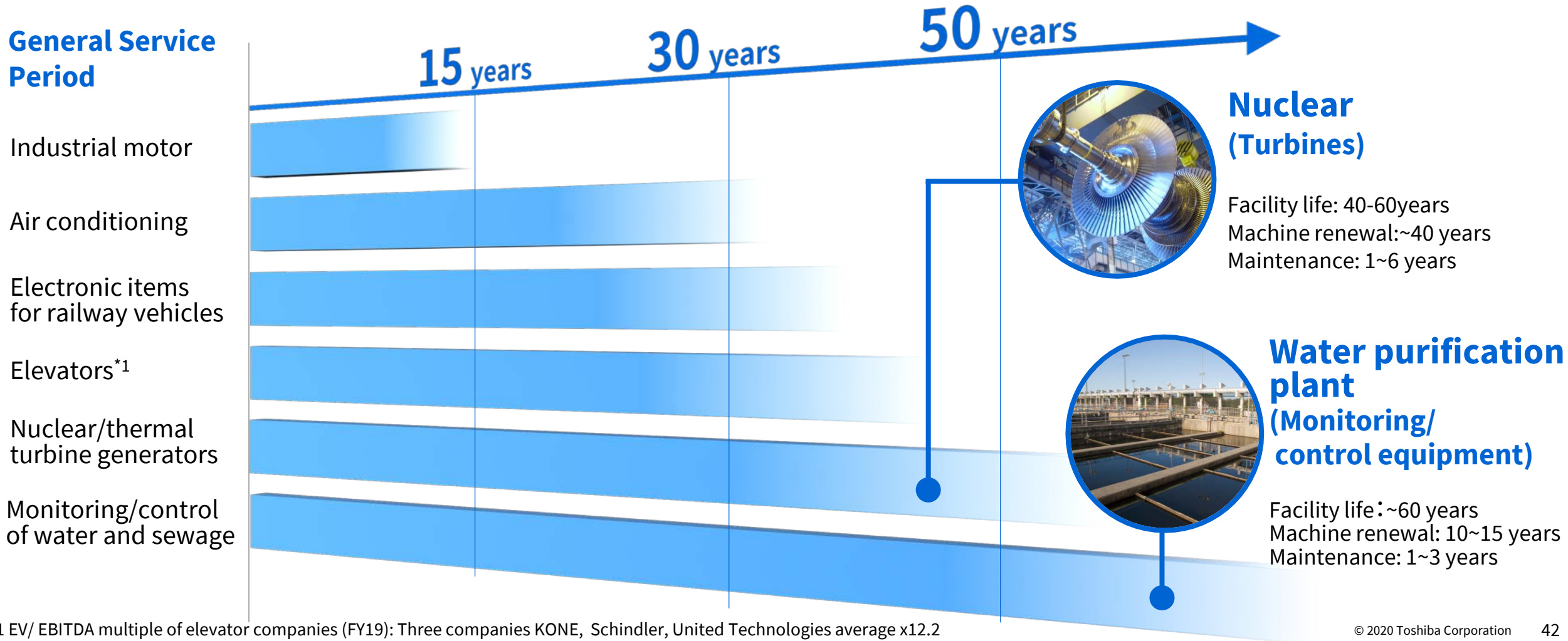
Enhanced Competitiveness
through differentiated hardware and software



Enhanced Competitiveness
through data utilization and service quality

Toshiba's Infrastructure Services

Extremely long service period due to focus on infrastructure



*1 EV/ EBITDA multiple of elevator companies (FY19): Three companies KONE, Schindler, United Technologies average x12.2 (based on stock price on March 19, 2020)

Stable Growth of Infrastructure Services

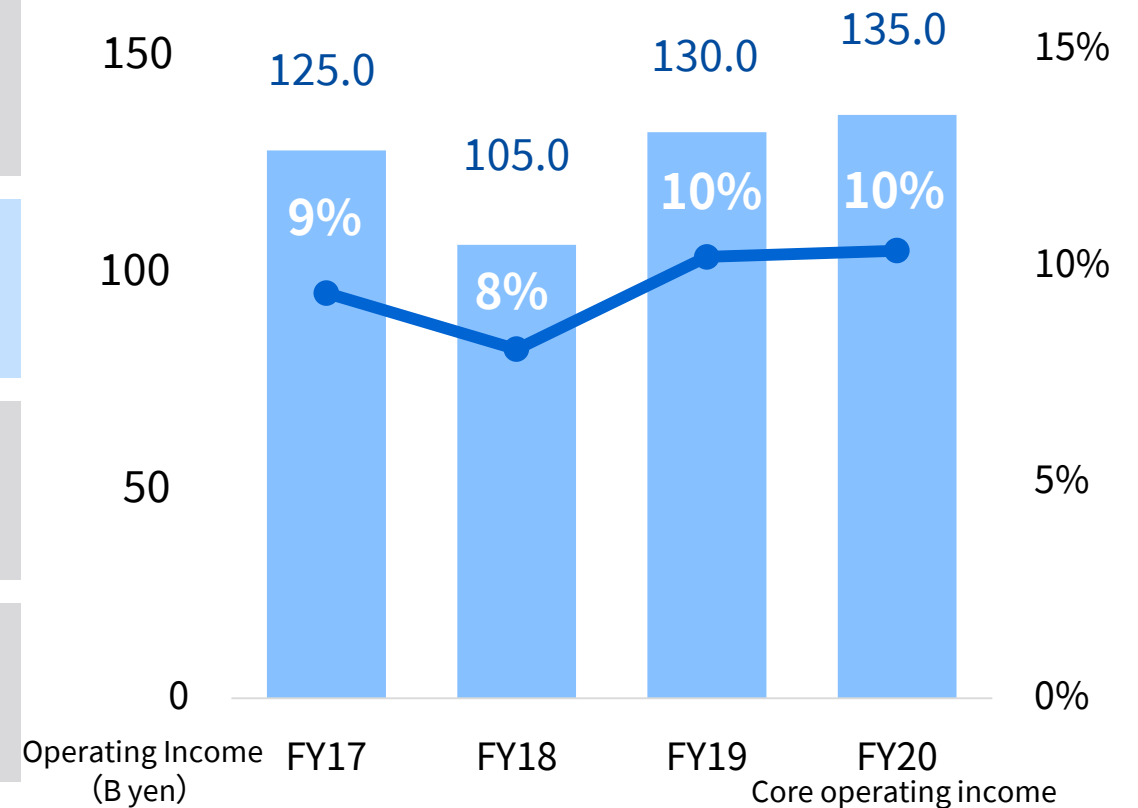
Infrastructure market expected to grow steadily at 5-7 % per annum^{*1}

Profitability of each segment (FY19 Actual)^{*2}

	(yen)	Net Sales	ROS%	EBITDA
Data Service		10.0 B	—	—
Infrastructure Services		1.3 T	10 %	145.0 B
Infrastructure Systems (Installation)		0.8 T	2 %	30.0 B
Devices/Products		0.9 T	3 %	45.0 B

Stable Growth of Infrastructure Services

ROS% also growing steadily



^{*1}: Estimate of total infrastructure service market to which Toshiba can access. Includes \$48.0 billion in Japan (5% CAGR) and \$1.1 trillion global market (7% CAGR) (Estimated by Toshiba by referring to various reports of Japan ministries and other sources).

^{*2}: Excludes restructured business and restructuring cost, adjustments made for certain one off reimbursements.

Further Growth of Infrastructure Services

In addition to organic growth, implement programmatic M&A to maximize the use of Toshiba Group's service network

Tactics to expand service locations

- ✓ **Create new infrastructure systems**
- ✓ **Achieve standalone orders for infrastructure services**
- ✓ **Programmatic M&A^{*1}**

Total Investments (FY19-23)

Programmatic
M&A

**Hundreds of billions
of yen level**

Make maximal use
of funds from
assets, etc.

Capex

810.0 B yen

R&D

900.0 B yen

From Infrastructure Services to Data Services

Bringing advanced infrastructure familiar by new mechanism

Toshiba Enterprise App Store

- Energy IoT (Failure prediction, Optimized power generation plan etc.)
- Remote monitoring of trains
- Remote management and maintenance of air conditioning
- IoT services for manufacturing and logistic companies

Commercialize 12 services



From Infrastructure Services to Data Services

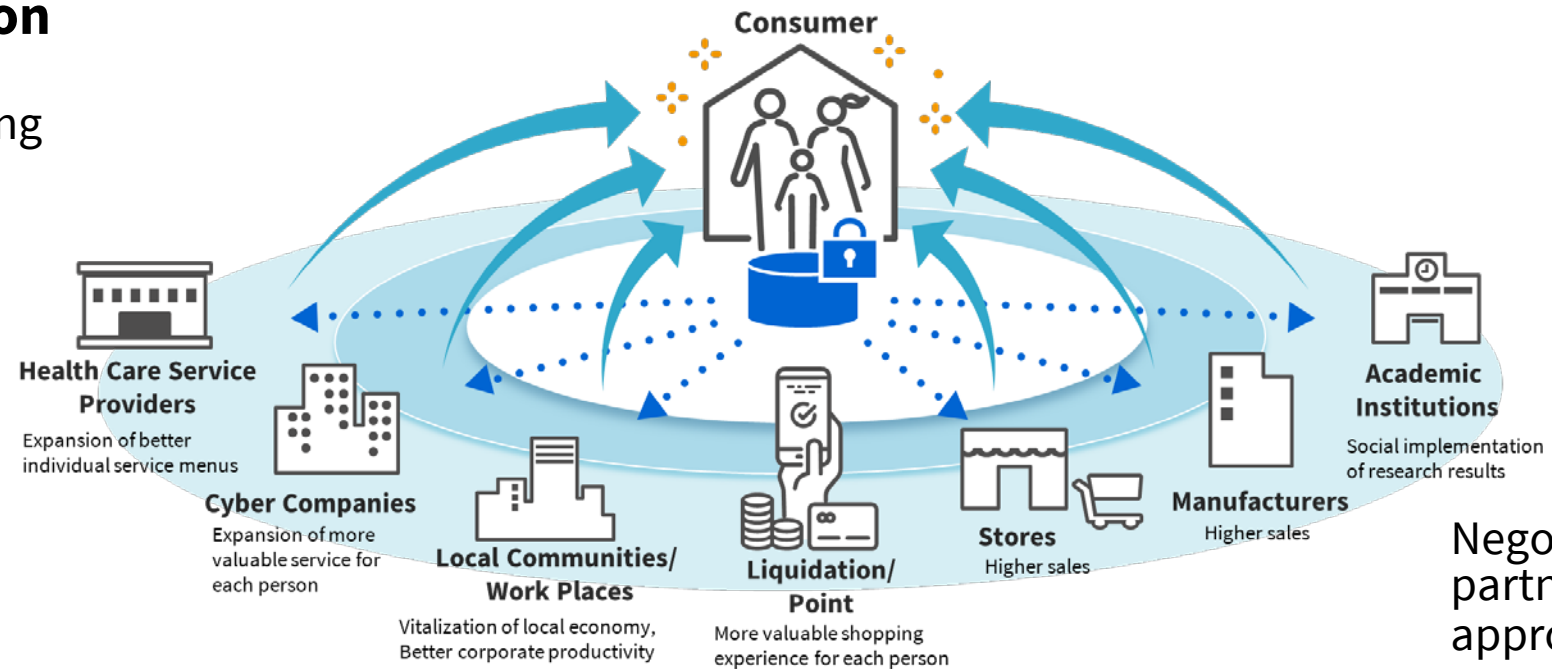
Developing new services and creating new demand with data

Toshiba Data Corporation

Create new value by combining physical and cyber data

Established on Feb. 3, 2020

More convenient, comfortable, reasonable, secure life



Negotiating partnerships with approx. **50** organizations and corporations

Alliance service partners

CUC

accenture

Aizuwakamatsu City

Gunosy

トシバデータ

Develop Devices/ Products which support Toshiba's Differentiation

SCiB™ Rechargeable Battery

Approved and adopted by more than 10 car and bus manufacturers

Expanded application to car, bus, train, boat and power grid

National Invention Award: Received Prime Minister Award



Used in Nissan Corporation's and Mitsubishi Motors' new car models



Nissan Luke's Highway Star



Mitsubishi Motors: eK Cross Space

Used in DB Cargo AG's diesel/electric hybrid locomotive



Expansion of New Businesses – Precision Medicine –

Position cancer precision medicine as Toshiba's core business

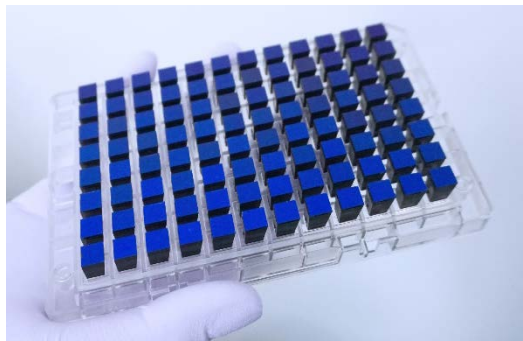
Prevention of lifestyle-related diseases using medical examination data^{*4}, Improvement of QOL^{*5}

Prevention

Examination

Diagnostics

Treatment

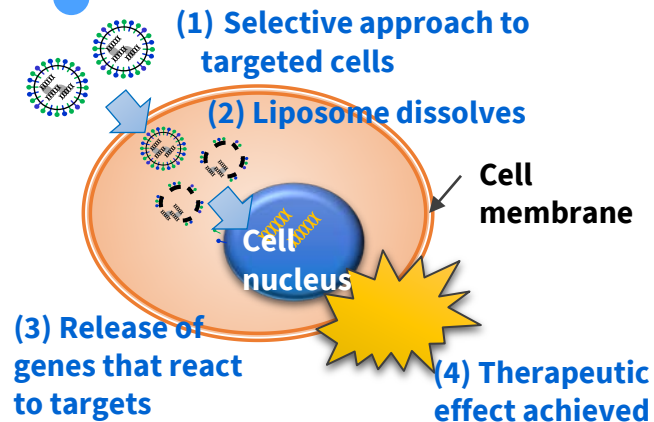


Japanese population genotype tool

Japonica Array^{*1}



Micro RNA^{*2}



Liposome^{*3}



Heavy-ion radiotherapy

^{*1} Collaboration with Tohoku University ^{*2} Collaboration with Tokyo Medical University, National Cancer Center Japan ^{*3} Collaboration with Shinshu University

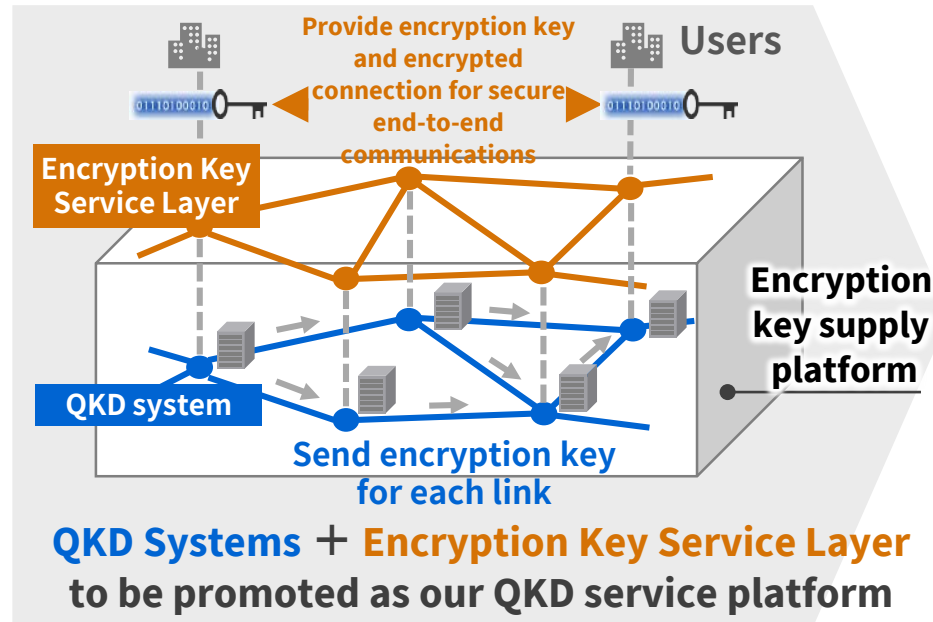
^{*4} Collaboration with Kanazawa University, Johns Hopkins University, ^{*5} QOL: Quality of Life

Expansion of New Businesses – Quantum Key Distribution –

Pursuing commercialization with the aim of becoming the de facto global standard with “cryptographic key supply service” based on our world-leading technology



QKD equipment



Market Size: 2.2T yen (Worldwide, 2035)*¹

Participating in installations tests for UK government research organizations (AQuaSeC) with BT

(Feb 2020~)

Planning to participate in the implementation demo at Verizon (US) with QXC

(June, 2020~)

Won projects to supply practical validation environments to multiple locations in Tokyo

(May 2020)

*1 Estimated by Toshiba based on the mid-term forecast by Quantum Xchange (QXC)

Anticipated Areas for Future Commercialization

Simulated Bifurcation Machine



<https://www.youtube.com/watch?v=sgQ7X3TVldo>

Tandem Solar Cell



http://www.toshiba.co.jp/rdc/rd/detail_e/e1901_01.html

Process Towards Growth Phase 2

Detailed plan to be announced in November 2020

Toshiba Next Plan (Phase 1)

Strengthen core earning power

2020.11

Target to announce a plan

Toshiba Next Plan (Phase 2)

Transform towards an Infrastructure Services company

**Maximize enterprise value by transforming out of
a general electric company into an infrastructure services company**

The background features a large, solid blue rectangle on the left side. To the right of this rectangle, there are several overlapping geometric shapes: a red triangle pointing downwards, a grey triangle pointing upwards, and a white triangle pointing upwards. These shapes are arranged in a way that they appear to be layered or cut out from a larger composition.

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

TOSHIBA