

TOSHIBA

The Toshiba Next Plan Progress Report

Resilience for Growth

Towards an Infrastructure Services Company

June 5th, 2020

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President & CEO

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 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.

- 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**

- These five themes will be explained in the following slides.

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

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- A summary of the FY2019 consolidated results is presented on this slide.
- We achieved net sales of 3.4 T yen and operating income of 130.5 B yen.
- COVID-19 had an impact of approx. 50.0 billion yen on net sales and approx. 20.0 billion yen on operating income.
- Excluding the COVID-19 impact, operating income exceeded 150.0 billion yen, which also exceeds the Toshiba Next Plan target for the first year.
- "Core operating income," which excludes the impact of COVID-19 and one-time expenses such as restructuring, doubled compared to FY18, exceeding 160.0 billion yen.

FY2019 Fourth Quarter (Three months) Consolidated Results

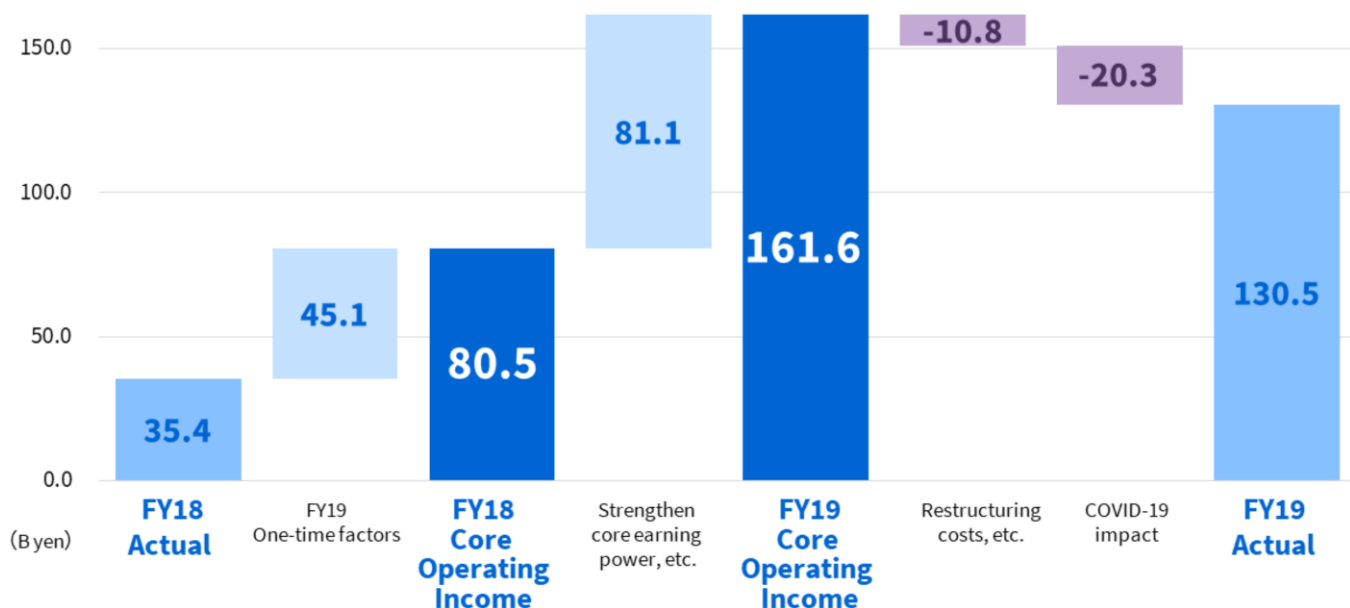
	FY19 4Q Result	FY18 4Q Result	Difference
(yen)			
Net Sales	931.3 B	1,046.3 B	-115.0 B
Operating Income (ROS%)	68.0 B (7.3%)	27.2 B (2.6%)	+40.8 B (+4.7%)
Operating Income excl. COVID-19 Impact (ROS%)	88.3 B (9.5%)	27.2 B (2.6%)	+61.1 B (+6.9%)

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- Results from the fourth quarter of FY2019 are as shown.
- We achieved net sales of approx. 930.0 billion yen. Operating income increased significantly, to 68.0 billion yen.

Analysis of Changes in Operating Income (FY18 → FY19)



- Factors causing changes in operating income from FY18 to FY19 are presented in this graph.
- Core operating income exceeded 160.0 billion yen in FY19 due to basic measures to improve profitability, which were focused on structural reforms and procurement reforms.
- On the other hand, we recorded 10.8 billion yen in restructuring charges due to proactive restructuring efforts aimed at improving our earnings structure, mainly in the semiconductor business, where sales decreased due to trade frictions between China and the United States.
- The impact of COVID-19 amounted to 20.3 billion yen. Details are provided in the next slide.

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

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- Details of the impact of COVID-19 on FY19 are shown on this slide.
- Approx. 70% of the 20.3 B yen total impact should be from delays to FY20 relating to installation of semiconductor manufacturing equipment for the China market, elevators, air conditioning etc.

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)

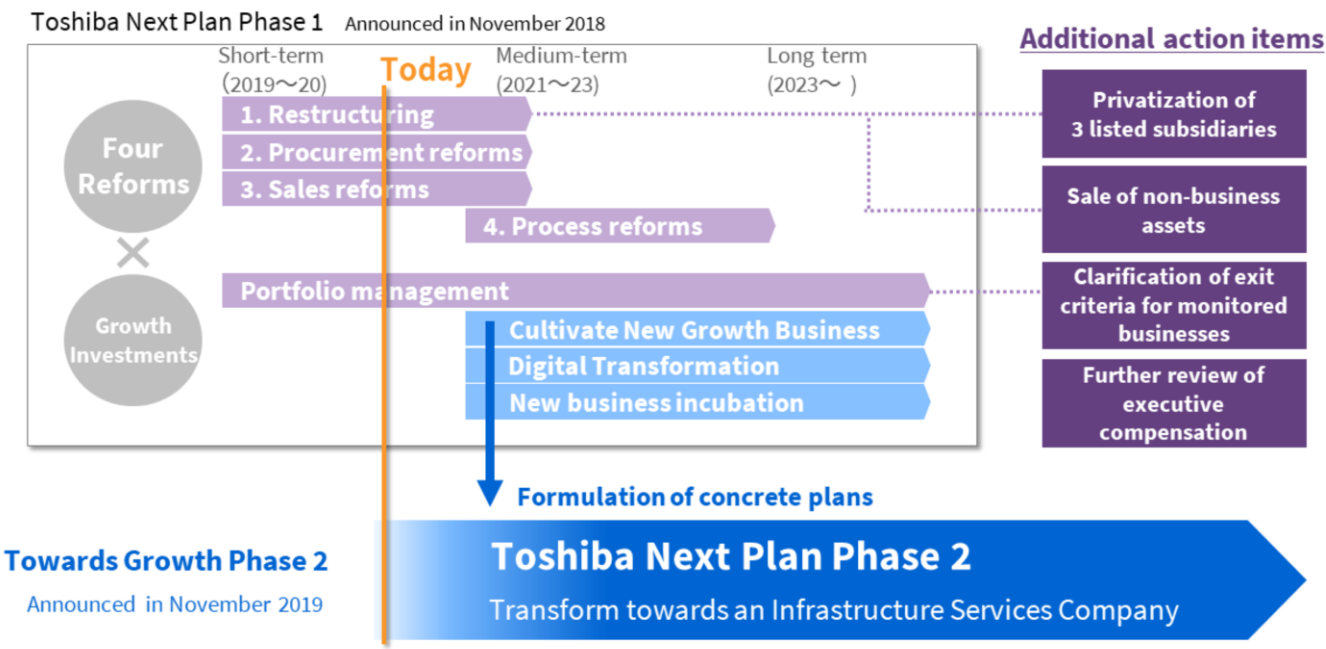
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- This slide shows a summary of free cash flows.
- In FY19, operating cash flow was -142.1 B yen, but operating cash flow excluding one-time factors such as LNG sales and improved subcontracting terms was +59.8 billion yen.
- Cash and cash equivalents at the end of the fiscal year amounted to 377.0 B yen. Compared to interest-bearing debt at year-end excluding operating lease obligations, our net cash position was positive.

Achievements in Year 1 of Toshiba Next Plan and FY2020 Outlook

Evolution of the Toshiba Next Plan Over the Last 1.5 Years



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- I would like to introduce our achievements in Year 1 of the Toshiba Next Plan.
- Since the announcement of the Toshiba Next Plan in November 2018, we have focused on the four reforms to improve our core earning power.
- In addition, we carefully considered voices from the market and engaged in additional measures under the leadership of the new board, including the privatization of 3 listed subsidiaries, proactive sale of non-business assets, clarification of exit criteria for monitored businesses, and a further review of executive compensation.
- We will further continue our activities to improve our core earning power going forward. We will also plan specific action items for the Toshiba Next Plan Phase 2, as we believe we should accelerated our initiatives aimed at further growth in order to maximize corporate value and to enhance TSR.

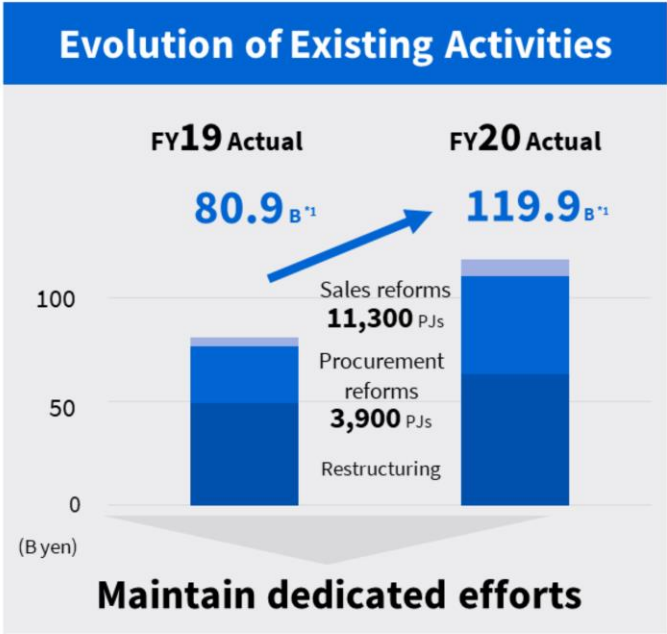
Steadily implementing measures announced in November 2018

Strengthening core earning power	<input checked="" type="checkbox"/>	Restructuring	Exit from non-core business, workforce optimization, reduction of subsidiaries
	<input checked="" type="checkbox"/>	Procurement reforms	Reduction of cost of goods (direct and indirect materials)
	<input checked="" type="checkbox"/>	Sales reforms	Review of sales-related costs and project orders
	<input checked="" type="checkbox"/>	Process reforms	Modularization, renewal of IT systems
Focused investments in growing areas	<input checked="" type="checkbox"/>	Enhanced portfolio management	
	<input checked="" type="checkbox"/>	Monitoring of challenged businesses	
Corporate governance	<input checked="" type="checkbox"/>	Shareholder returns	Completed 700.0 B yen share repurchase
	<input checked="" type="checkbox"/>	Review of executive compensation	Performance-linked equity compensation
	<input checked="" type="checkbox"/>	Strengthened risk management and governance structure	

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- This is the menu of items in the Toshiba Next Plan announced and committed in November 2018.
- Following our interim update last November, we would like to report on our progress.
- We believe we have largely achieved our targets, which we review in more detail in the following slides.

Evolution of CFT Activities



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

- This slide summarizes CFT (cross-functional teams) activities.
- We implemented over 15,000 procurement and sales reforms throughout the company, achieving a significant contribution of 80.9 billion yen to FY19 results when combined with structural reforms.
- We will further expand the scope of our CFT activities through new initiatives including engineering reforms and reviews of supply chains and make-or-buy decisions.

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

- This page summarizes other achievements from reforms.
- We completed our exits from non-core businesses such as LNG business and overseas nuclear power construction. We also eliminated 64 subsidiaries, achieving 70% progress towards our target of a 25% reduction in subsidiaries in the first year.
- We also completed the reorganization of 4 production bases, including Numazu factory of Toshiba Lighting & Technology Corporation.
- Process reforms such as modularization and IT process renewal are also moving steadily forward.

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

Divestment of listed shares	Divestment of functional subsidiaries	Divestment of real estate
IHI Japan Material	Logistics subsidiary Temporary staffing subsidiary Payroll service subsidiary	Shares of NREG Toshiba Site of Kitakyushu Works etc.

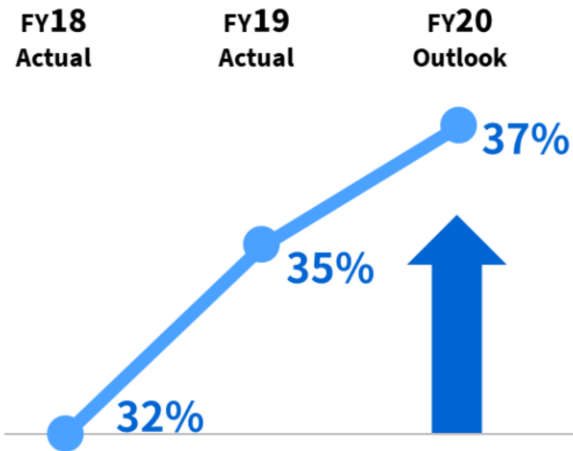
Total divestment of approx. 46.0 B yen

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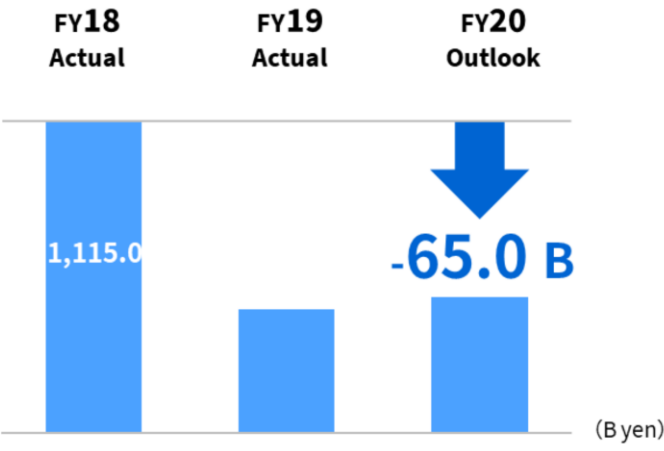
- We divested functional subsidiaries such as Toshiba Logistics, and real estate in addition to listed shares in FY19.
- We executed divestments totaling approx. 46.0 B yen.
- We will continue to sell off non-business assets, in line with our strong focus on efficient capital management

Significantly Improved Core Earning Power

Marginal Profit Ratio*1



Fixed Costs*1

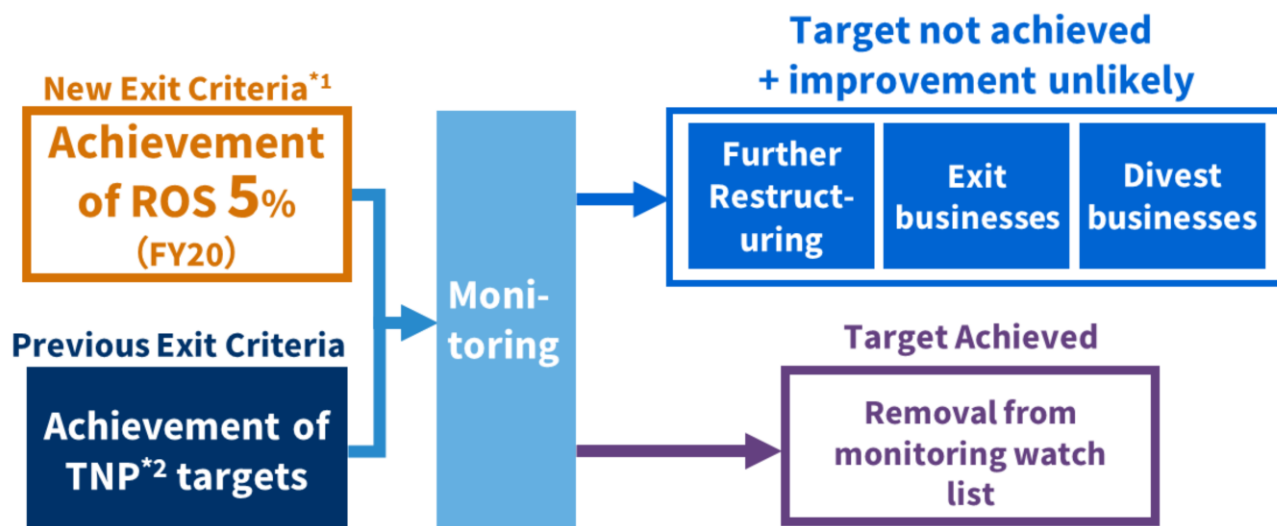


*1: FY18-19 actual and FY20 outlook are based on core operating income

- This slide shows trends in marginal profit ratio and fixed costs, based on core operating income.
- Marginal profit ratio improved significantly compared to FY18 while fixed cost decreased sharply as a result of various efforts in the Toshiba Next Plan phase 1.
- I believe it would be safe to say that we have achieved steady progress to date in the Toshiba Next Plan phase 1.
- We will further accelerate our initiatives towards FY20 in order to pursue an even stronger earnings structure.

Implementation of the ROS 5% Rule

Evaluate FY20 excluding COVID-19 impact



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

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- This is our policy for monitored business which was announced last November. We are adhering strictly to the new ROS 5% exit rule.
- As our essential objective is to determine the true capabilities of each business, we plan to exclude the impact of COVID-19 in our evaluations during this fiscal year.
- However, COVID-19 will not stop us from continuing our portfolio reforms.

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

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- Our policy for monitored businesses is shown here.
- Businesses are designated as monitored business based on either of two criteria: 1) FY19 performance satisfies the Toshiba Next Plan target and 2) FY20 plan satisfies the ROS 5%.
- These businesses are monitored in a detailed manner by establishing important business milestones, including orders received, development of new products, and customer approval of such new products, in addition to operating income.
- For the thermal power business, we are shifting our resources from new construction to service operations as planned, leading to improved performance including positive profits in FY19. On the other hand, we will carry out additional structural reforms primarily overseas during the current period, as the monitoring standards for FY19 and FY20 were not met.
- As for System LSI, we expected to meet the monitoring standards in FY20 after withdrawing from logic LSIs (advanced ASIC*) and reducing fixed costs in FY19. However, considering the intensified US-China trade friction and the post-COVID-19 market environment for our focus areas such as automotive, we believe these factors will have more than a temporary impact, requiring further in-depth consideration. We will announce our plans in this area as soon as they are finalized.
- With respect to HDDs, the shift from mobile devices to near-line HDDs for data centers is proceeding as planned. Performance is also improving and we expect to be able to

meet the monitoring standards in FY20. However, as the results in FY19 fell slightly short of plan, we will continue monitoring of the HDD business in FY20.

- In the industrial motors business, profitability has improved thanks to a shift to highly efficient models and a review of the production system. Since standards were met in both FY19 and FY20, the business has been removed from the monitoring list.
- In the printing business, we will closely monitor Toshiba TEC's structural reforms and discuss necessary measures from the perspective of Toshiba Group's business portfolio strategy.

* Excludes in-vehicle digital operations and existing customer support

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

*1 Post-merger integration

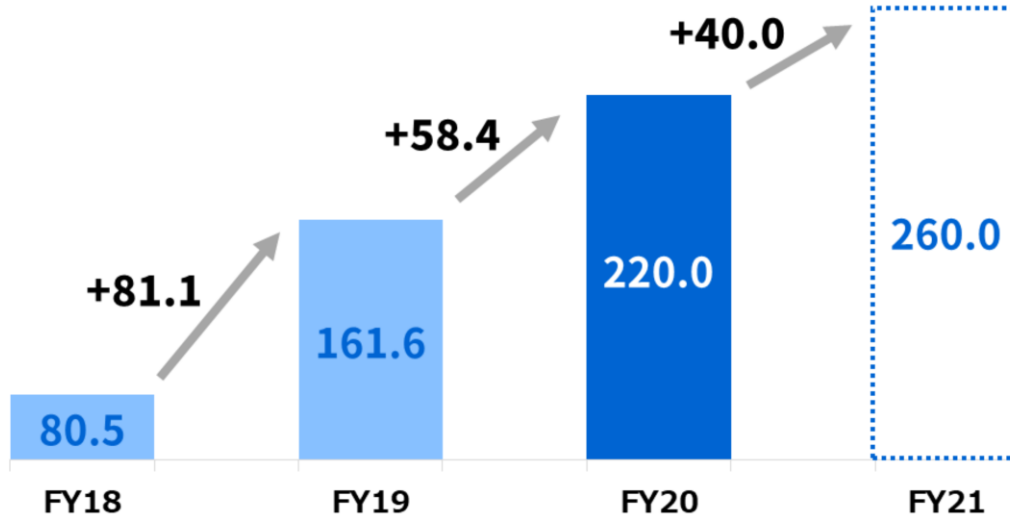
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- This page shows the PMI (post merger integration) status for the 3 companies privatized in January-March.
- Working teams aimed at maximizing synergies have been established with the responsible divisions and specific initiatives have been launched.
- With Toshiba Plant Systems & Services, we plan to achieve fixed cost reduction of 0.6 billion yen through IT systems integration in addition to reducing cost of goods through joint procurement.
- A joint development team of 180 members is developing next-generation multi-beam mask drawing devices, which is a pressing issue for NuFlare Technology. We aim to begin shipments within the fiscal year.
- In addition to sharing project information with Nishishiba Electric, we are promoting horizontal expansion of know-how relating to procurement and other CFT activities.

Changes in Core Operating Income

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

(Byen)



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

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- One-time restructuring costs are being incurred as we are in the middle of a turnaround process.
- Core operating income is therefore an important indicator for management decisions which objectively demonstrates the extent of recovery in the true earning power of the business.
- We plan to steadily build up core-operating income to achieve the targets set out in the Toshiba Next Plan for FY2021.

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

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- This slide provides a list of actions aimed at increasing TSR taken to date.
- As I have explained several times, we consider TSR to be an important medium-to long-term indicator because it comprehensively and objectively reflects the results of our corporate activities from the perspective of our shareholders.
- With respect to the recent decline in our stock price, we regret that our efforts to enhance enterprise value and to enhance awareness in the capital markets have not led to a recovery to date.
- We will do our best to promote market understanding of our future enterprise value potential through disclosures of new business segment and specific actions based on our growth strategy, which will be explained in later slides.

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



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

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- On April 3, 2020, we filed an application for relisting on the 1st section of the TSE and the NSE.
- While Toshiba Group has continued to make corporate-wide improvements to strengthen its internal control system since 2015, we plan to further step up our efforts going forward.
- We will continue our efforts to be recognized as a company that deserves to be listed in the 1st section of TSE and NSE, including those aimed at improving our corporate culture.

Process Towards Growth Phase 2



*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.

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- As I have explained so far, I believe we have been successful in visibly strengthening our core earning power during Phase 1.
- While we need to carefully assess the impact of COVID-19, we would like to embark on Phase 2 of the Toshiba Next Plan aimed at achieving growth.
- In particular, our key themes for enterprise value maximization include resource allocation to growing areas, proactive investment and programmatic M&A, company-wide reorganization to support growth, and securing growth capital through a review of our financial strategy.
- We would like to formulate a concrete roadmap so that we can share it with you in November 2020.

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

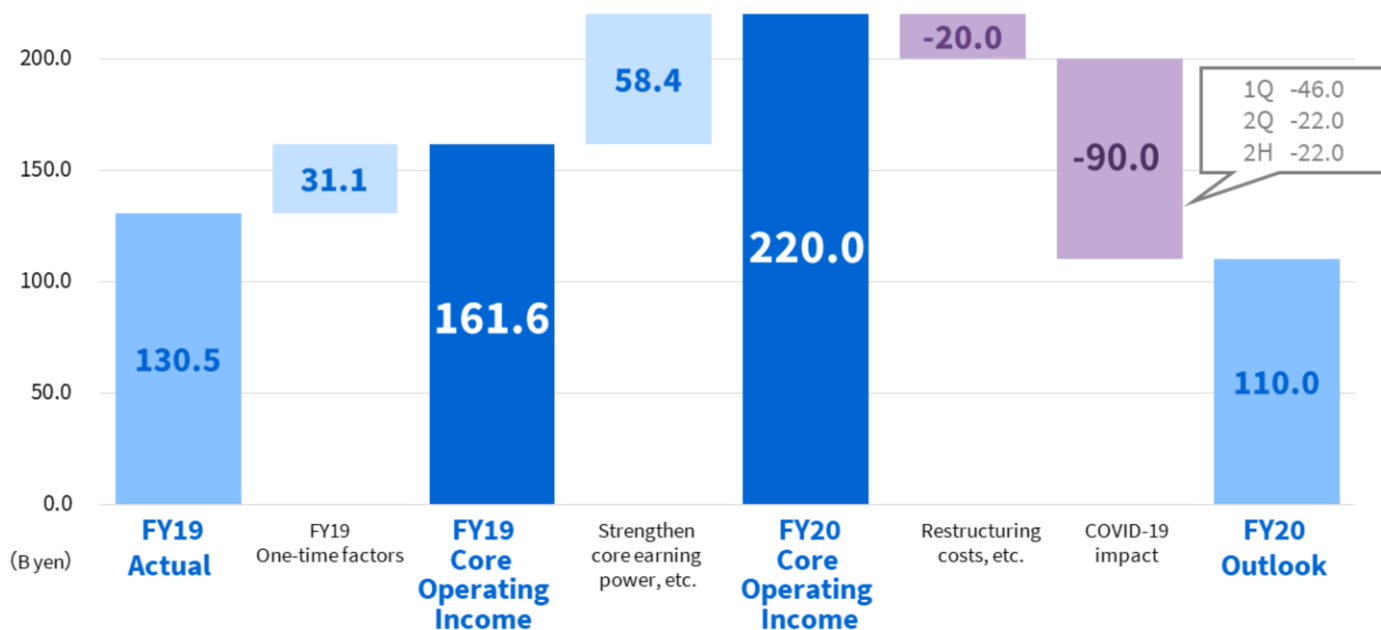
- Carefully watch COVID-19 impact and the second wave risk, and put importance to financial stability for the time being
- Consider more proactive capital allocation including shareholder return and investment for growth after COVID-19 convergence.

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- This slide summarizes our capital policy and shareholder returns.
- While our policy remains unchanged from the announcement in last November, we would like to place a priority on financial stability in light of COVID-19 and the risk of a second wave of infection.
- If the situation seems to be under control in the fall, we would like to consider more aggressive capital allocation, including shareholder returns and growth investment.
- While we cannot make specific comments on KIOXIA at this time, we will pursue an optimal course of action to maximize shareholder value.

Operating Income Plan (FY19 → FY20)



- We target core operating income of 220 billion yen in FY 2020 through further efforts to strengthen our basic earnings capabilities.
- Aside from additional structural reforms, we expect the COVID-19 to have a negative impact of 90 billion yen.
- Our current operating income forecast is 110 billion yen.
- The anticipated timing of COVID-19 impact is also shown in the slide. We see a larger impact in the first half, and the impact in the second half may be smaller than currently anticipated, depending on the extent of economic recovery going forward.
- On the other hand, if the impact is as anticipated, we may report an operating loss of 10-20 billion yen in the first half of the fiscal year.

Compliance

Toshiba IT Service (TSC) Fictitious Transaction

Overview		
<ul style="list-style-type: none">Confirmed 24 fictitious circular transactions between 2015 and 2019Initiated 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	Reasons for not being discovered	Countermeasures
<ul style="list-style-type: none">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 professionalsInvestigation report was disclosed in a timely manner^{*1}	<ul style="list-style-type: none">It originated from normal transactions with business partner A, which gradually expandedDocument-based evidence related to the subject transactions were all properly in place.Payments were settled without any problem	<ul style="list-style-type: none">Mr. X was subject to severe punishment, second only to disciplinary dismissalCancelled 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)

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- On behalf of Toshiba, I would like to take this opportunity to apologize to our shareholders, investors, and other stakeholders for the fictitious transactions at Toshiba IT Service.
- We deeply regret this occurrence, especially as we have positioned internal control as one of our highest management priorities since the accounting problem.
- We confirmed 24 fictitious circular transactions during the four years between 2015 and 2019.
- This case originated from a sales representative at a business partner. While there is no evidence that Mr.X, a sales manager at TSC, had knowledge of the fictitious nature of the transactions, we deeply recognize that our ability to supervise and prevent its occurrence was insufficient.
- I have given top priority to this matter since it was reported to me. Numerous discussions were held at the board of directors meetings.
- In this investigation, we conducted large-scale forensic research, interviews with related parties, and thoroughly examined the evidence under the instruction of external experts such as attorneys and accountants.
- Several reasons can be raised for our failure to discover the transactions for several years, including the existence of normal transactions with the business partner, no problems in the settlement of transactions, and the preparation of vouchers which appeared valid.

- We decided on severe punitive action, second only to disciplinary dismissal. We have reversed approx. 1.8 B yen in total of operating income.
- In response, we have announced measures to prevent recurrence, such as prohibiting direct shipments of non-value-added products other than proprietary products and reviewing personnel rotations and strict evaluation systems to prevent overdependence on specific personnel for specific tasks.

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. © 2020 Toshiba Corporation 28

- Toshiba has been earnestly dealing with internal control enhancement since the accounting fraud scandal in 2015.
- We have positioned the strengthening of internal control as a top management priority, implementing various preventative measures aimed at improving management policies, understanding and awareness of legal compliance, management decision-making processes, accounting processes, disclosure, and subsidiary oversight.
- However, I believe that the measures to be taken should still be strengthened in light of this incident, and I intend to further improve the internal control system by strengthening the three-line defense system as described in the next slide.
- In addition, we intend to implement measures rooted in the root cause of fraudulent incidents, such as "corporate culture innovation," "IT system modernization," and "establishment of the Compliance Advisory Committee."

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)

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- This slide outlines our 3 lines of defense against fraud risk.
- We believe it is not only necessary to continue our initiatives to date, but also to further reinforce our internal control structure. We will therefore implement initiatives to strengthen all 3 lines of defense.
- First and foremost, we believe it is important for top management to talk about the importance of compliance and to disseminate it throughout the working level. As we have implemented so far, we will continue to do so in the future.
- In addition, we implemented a personnel system that places importance on behavioral evaluations. We will also increase education spending to foster compliance awareness and to promote stronger awareness of the whistleblowing system.
- As a lesson learned from TSC, we believe it is necessary to make regular personnel rotations mandatory and prevent overdependence on specific personnel for any given task. We intend to further thoroughly implement these measures as well.
- The second line of defense involves checks and balances by the administrative divisions. Functions such as financial accounting and procurement which serve to monitor operations have been repositioned to report to the Corporate Division to separate them from business operations. This has already been implemented for the 5 divisions listed here.
- We will also improve our data collection functions, prevent human errors and achieve

visualization by introducing a new risk management system and introducing the next-generation mission-critical system.

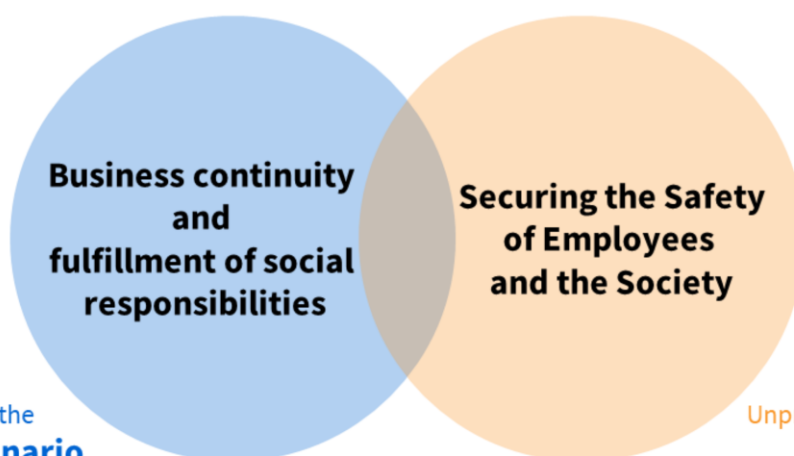
- In addition, we will continue to work to strengthen Group governance by reducing the number of subsidiaries as set forth in the Toshiba Next Plan, which is important from the aspect of strengthening internal control.
- The third line is the strengthening of auditing functions.
- In addition to strengthening the check-and-balance function by establishing a Compliance Advisory Meeting with external experts in cooperation with the Compliance Committee, which had been conventionally held on the executive side, we will strengthen our ability to detect fraud risks by increasing headcount and by strengthening coordination with corporate auditors.
- Toshiba Group has always conducted its business operations under the policy of "placing the highest priority on life, safety and compliance (compliance with laws, social norms, and ethics)."
- Compliance is an endless journey. I am keenly aware once again that the events like the recent scandal can destroy everything we have built up as a Group in a single moment. I am determined to take the lead in thoroughly implementing measures to prevent its recurrence and to further strengthening our corporate governance.

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

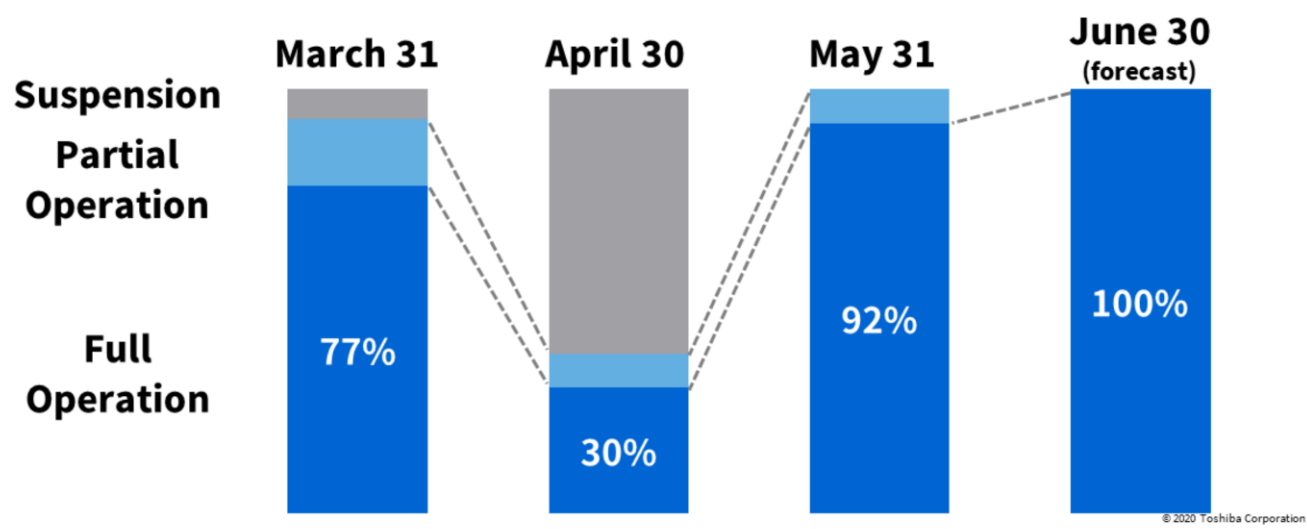
Securing Safety and Continuing Operations
of manufacturing and maintenance work

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- Toshiba Group's COVID-19 countermeasures are shown on this slide.
- We created a COVID-19 team and declared an internal state of emergency in February, implementing company-wide countermeasures from two perspectives: "business continuity and fulfillment of social responsibilities" and "securing the safety of employees and the society".

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

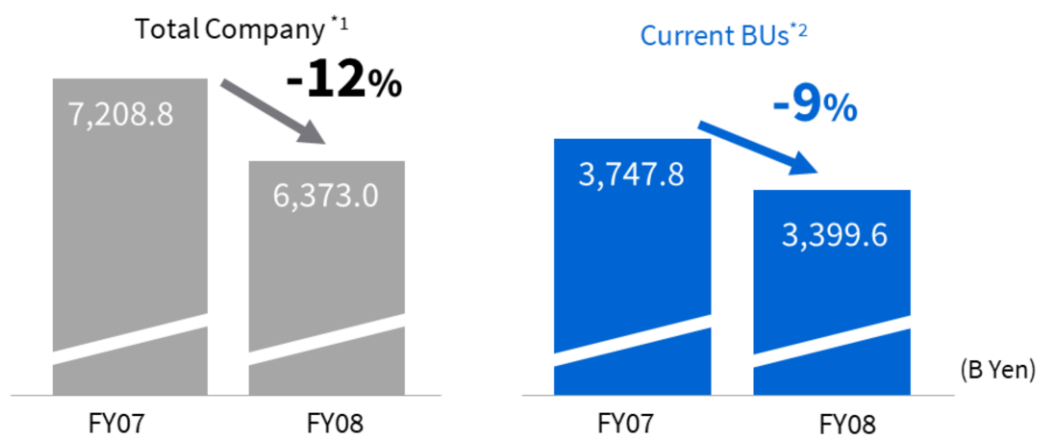


- This slide shows the operational status of our production facilities.
- Due to lockdown in some countries, such as India, and early shutdowns at domestic facilities, the number of locations in full operation dropped to 30% by the end of April.
- This figure recovered to 90% by the end of May. The impact of delayed parts procurement is also expected to normalize by the end of this month, and expected to recover to 100% full operation.

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)

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- This slide provides a review of the impact of the global financial crisis from 2007 to 2008.
- While the impact on company's total sales was 12%, that of current businesses was approximately 9%.
- We believe that our organization has become relatively resilient, as the share of the infrastructure business within our business portfolio has increased since then.

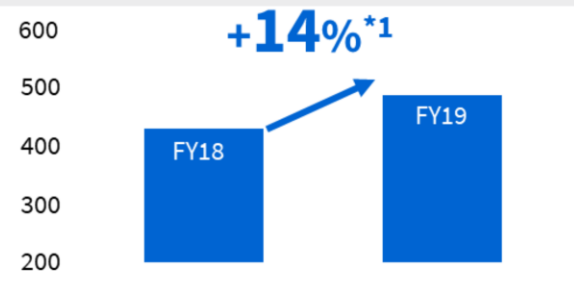
Impact of COVID19 and Resilience

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

*1: Total amount of four companies; Toshiba Energy Systems, Toshiba Infrastructure Systems, Toshiba Digital Solutions, Toshiba Elevator

- The left-hand side is a preliminary estimate of the impact of COVID-19 in FY2020, shown to be 90 billion yen in a previous slide.
- We assumed that manufacturing operations would recover in April in China and in June or July in Europe and Asia.
- On the other hand, conservatively, we expect the fall in global demand will continue for more than 1 year.
- We do not anticipate the significant fluctuations in foreign exchange rates which were seen in the global financial crisis
- In addition, the second wave of COVID-19 infection is assumed to have a limited impact.
- The current status of orders received is shown on the right-hand side.
- Orders for the 4 infrastructure-oriented companies increased by 14% year-on-year in January-March.
- The impact from a decrease in orders due to COVID-19 was relatively small, falling short of 10 billion yen.

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

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- Our ability to secure liquidity is summarized on this slide.
- At the end of March, cash and cash equivalents totaled 377 billion yen and commitment lines of credit totaled 258.0 billion yen.
- Additional funding of 150.0 billion yen was also raised in April.
- As a result, the Company has temporarily secured sufficient liquidity on hand which exceeds 2 months' worth of consolidated sales, in preparation for unexpected contingencies.

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)

- Initiative to ensure the safety of employees and society are shown here.
- In mid-April, we had all employees work from home if at all possible. In the latter half of April, when the risk of infection was highest, we significantly reduced the percentage of employees physically commuting to work to just under 20%.
- In addition, we changed the holiday calendar and reduced the number of working days in April. We also changed the financial reporting schedule, placing a priority on minimizing the risk of infection.
- We are considering flexible hours without a core working time and a modified working hours system in anticipation of possible prolonged effects of COVID-19.
- We also plan to cooperate in the production of antigen testing kits as a means of contributing to society.
- As you can see, we have been preparing for the worst-case scenario and have been implementing unprecedented life-protection measures against COVID-19.

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



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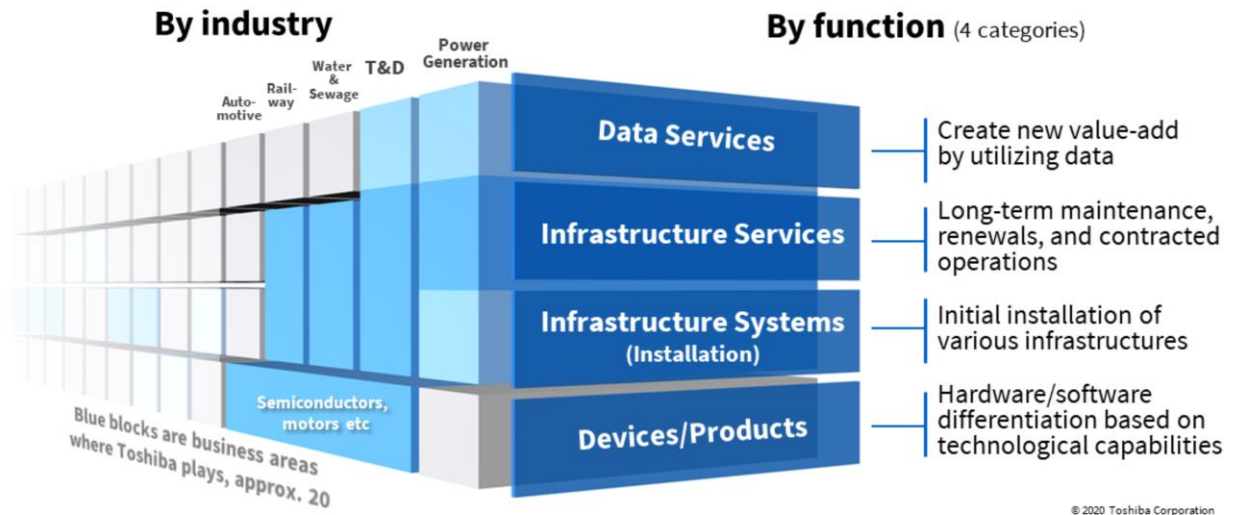
- We believe that we should be resilient to changes in the external environment and strive to be a truly sustainable company from a longer-term perspective. We also believe that this will lead to an increase in corporate value over the long term.
- We will also formulate business plans to achieve the target of less than 2°C, which has been identified as an issue by many institutional investors, and acquire SBT certification by the end of this fiscal year.
- I would like to report on any progress in these initiatives in a timely manner going forward.

Transformation towards an Infrastructure Services Company

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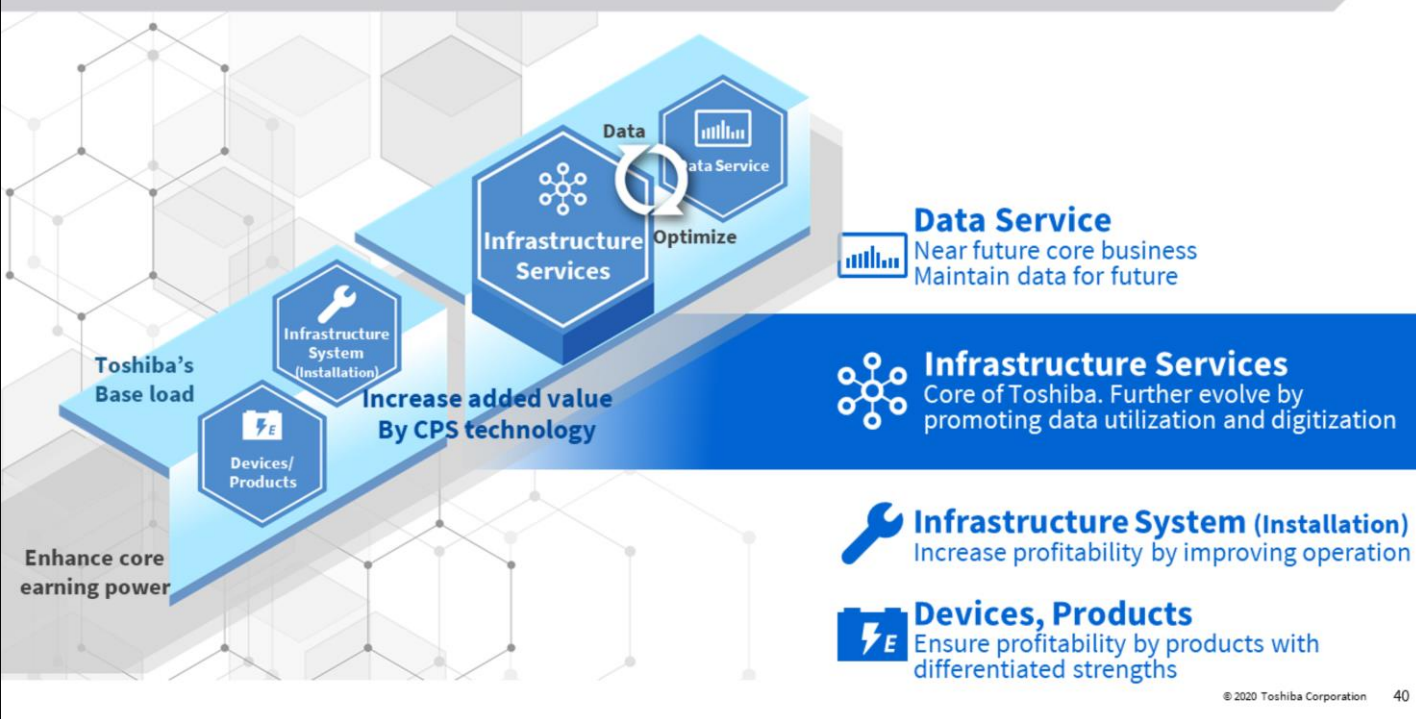
- I will explain further steps to maximize corporate value and enhance TSR, in our transformation towards an infrastructure services company.

Toshiba's diverse businesses can be categorized into four functions



- This slide presents a conceptual illustration of Toshiba Group's new segments.
- Currently, as shown on the left, our business is divided into nearly 20 business units, with operations mainly broken down by industry.
- The content of each business can be broadly classified into 4 categories, as shown on the right.
- Working up from the bottom, these 4 categories are "Devices/ Products," "Infrastructure Systems (Installation)," "Infrastructure Services," and "Data Services."

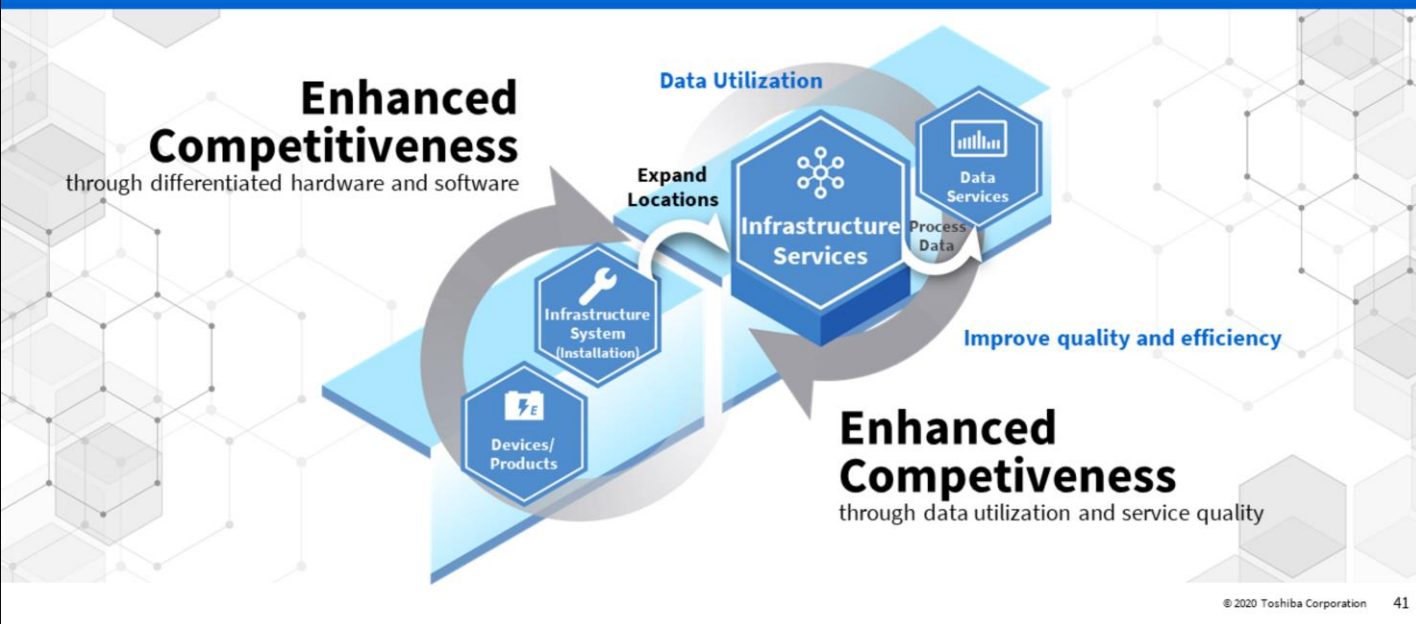
Steps towards Infrastructure Services Company



- The positioning and policies of each functional segment are illustrated on this slide.
- "Devices/ Products" mainly manufactures and sells products which are widely incorporated into infrastructure equipment and systems, such as semiconductors and motors. We aim to secure steady profits by focusing on areas where Toshiba can leverage its differentiating technological strengths.
- "Infrastructure systems (Installation)" is a business that focuses on constructing the initial framework of various infrastructures. Although we faced temporary difficulty with losses reported in large-scale overseas projects, we will strive to improve profitability by strengthening project management, the selection and focus of businesses, and reducing fixed costs.
- "Infrastructure services" are the core business of Toshiba today. In the future, we plan to expand the infrastructure targeted for services and to leverage data to increase convenience and value-added.
- "Data services" will become the core pillar of Toshiba's earnings 3 to 5 years from now. We will begin to organize data generated by the O&M of infrastructure services and activities so that they can be translated into value-added.
- This is our first step toward becoming an Infrastructure Services Company that takes full advantage of CPS technology.

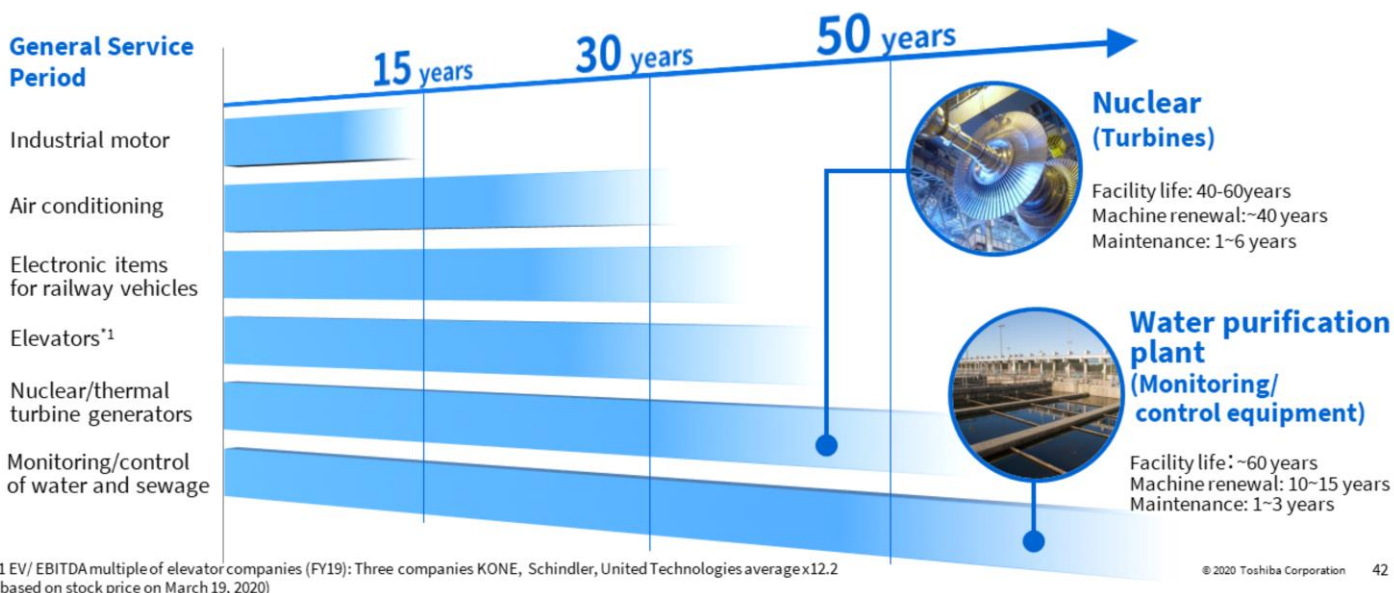
Synergy Effects Between Each Function

Relationships that mutually enhances competitiveness



- This slide illustrates synergies between each functions.
- First, “Devices/Products” possesses differentiated hardware and software which will strengthen the competitiveness of “Infrastructure System (Installation)”
- The expansion of “Infrastructure Systems (Installation)” will lead to the expansion of Infrastructure Services locations.
- By delegating responsibility for long-term customer relationships and O&M in infrastructure services, we will be able to process operational data, which will lead to the expansion of data services.
- As the number of data services grows, the use of data can improve the operational quality and efficiency of “Infrastructure Services”.
- In addition, by feeding back this information to “Devices/Products” and “Infrastructure Systems (Installation),” we are able to complete a loop of synergies that will lead to the development of more differentiated products.
- Infrastructure Services are in the middle of this synergistic loop.
- Toshiba Group will move away from a general electric company model, which was simply a collection of product-oriented business units. Through this synergy loop, we will drastically change the profit structure of each segment as an infrastructure services company.

Extremely long service period due to focus on infrastructure



- Characteristics of Infrastructure Services are shown on this slide.
- To reiterate on our long-term relationships with customers, service periods for electric products for railway vehicles and elevators generally exceed 30 years, while service periods for turbine equipment for power generation and monitoring and control equipment for water supply and sewerage systems last 40 to 60 years.
- An example of a water purification plant is shown in the upper right quadrant. For facilities with a useful life of about 60 years, major equipment renewal takes place every 10-15 years and maintenance and inspection are carried out over a 1-to 3-year cycle.
- The elevator business has an overwhelmingly long maintenance service period even when compared with other specialized manufacturers, creating stable cash flows which justify an EV/EBITDA multiple of over 10x.
- While not as well-known as the elevator business, equipment delivered to water supply/sewerage systems and power plants generally has an even longer service period than elevators.
- Toshiba Group has a track record of providing long-term support for the stable operation of these important social infrastructures throughout the long product life cycles.

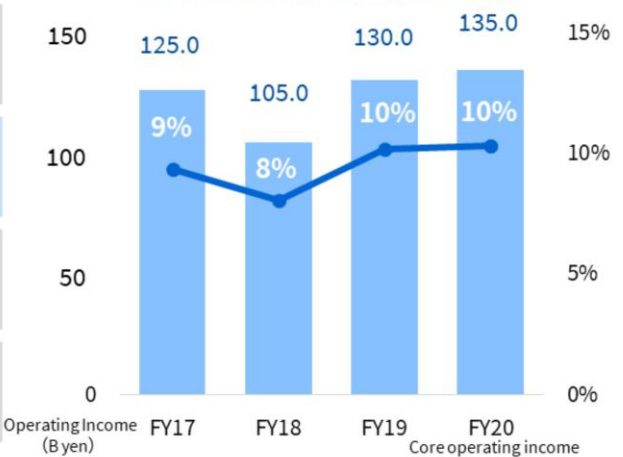
Stable Growth of Infrastructure Services

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



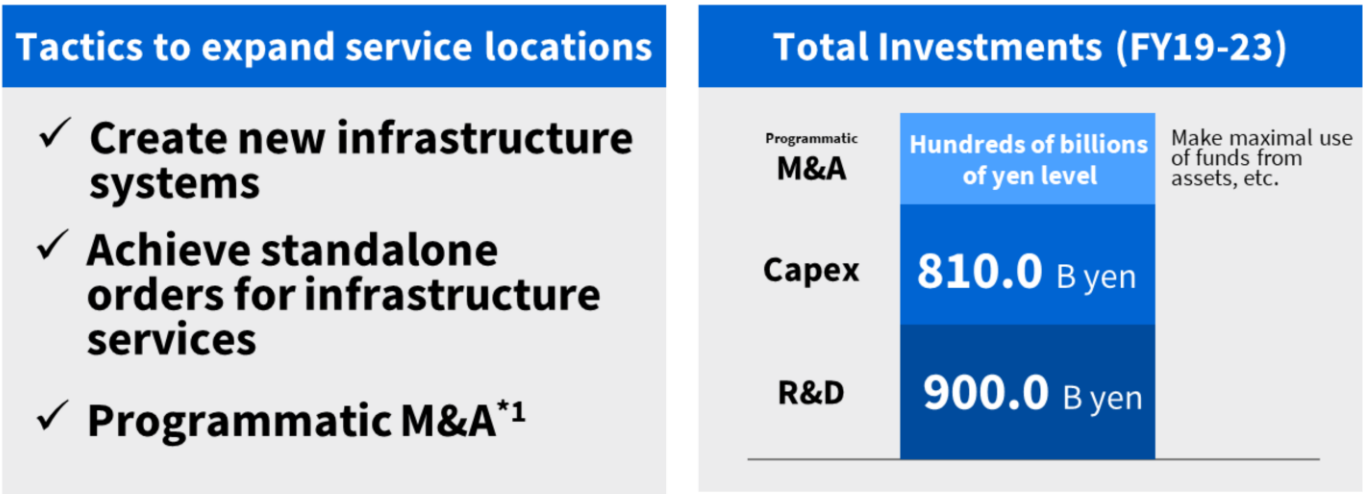
*1: Estimate of total infrastructure service market to which Toshiba can access. Includes \$48.0 billion in Japan (5% CAGR) and \$1.1 trillion global market (7% CAGR) (Estimated by Toshiba by referring to various reports of Japan ministries and other sources).

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

- The left-hand side indicates the approximate sales and profits of the new function-based segments.
- As you can see, Infrastructure Services generated approximately 70% of total profits in FY2019.
- The graph on the right shows the extremely stable performance of Infrastructure Services over the last 3 years.
- In Japan, the market for renewal of aging facilities and other infrastructure maintenance is approximately 5 trillion yen and projected to grow at approximately 5% per year.
- In the post-COVID “new normal world,” remote monitoring using ICT technology and automatic maintenance using robots are expected to expand rapidly.
- We believe that securing a reliable flow of services in this expanding market holds the key to creating significant enterprise value.
- The data services business, currently in the start-up phase, is believed to be an extremely promising segment with potential EBITDA margins as high as 50-60%.

Further Growth of Infrastructure Services

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



*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. © 2020 Toshiba Corporation 44

- Methods for securing further growth in infrastructure services are presented here.
- We have identified 3 methods for expanding service locations.
- These new methods are to create new infrastructure systems, taking orders for infrastructure services as an independent service; and programmatic M&A.
- Programmatic M&A involves conducting multiple M&A deals scaling from a few to 10s of billions of yen per year to supplement functions that are lacking or to acquire a new customer base.
- We will leverage proceeds from asset sales, etc. to fund such growth investments.
- In addition, capital investment and R&D investment will naturally be revised in line with our strategic direction.
- Over the next 6 months, we will meet with each business manager to conduct detailed reviews of our strategy for expanding infrastructure services.

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



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- We will prepare a website with our B-to-B service menu as well as a framework for convenient use, similar to the App Store on your Smartphone.
- We have developed 12 service menus designed to meet various customer needs. This slide shows an example of energy services; others include failure prediction and remote monitoring for railway, building, logistics, and manufacturing companies. We aim to achieve rapid commercialization and global development.

Developing new services and creating new demand with data

More convenient, comfortable, reasonable, secure life

Toshiba Data Corporation

Create new value by combining physical and cyber data

Established on Feb. 3, 2020



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

Alliance service partners

CUC

accenture

Aizuwakamatsu City

Gunosy

ユビシ

- This slide covers the development and creation of new demand by utilizing data.
- We provide examples of value added using data on personal activities.
- Toshiba Data Corporation was established in February to accelerate the commercialization of this area.
- Partners who share our vision and wish to collaborate with us are increasing rapidly.

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 Highway Star



Mitsubishi Motors: eK Cross Space

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

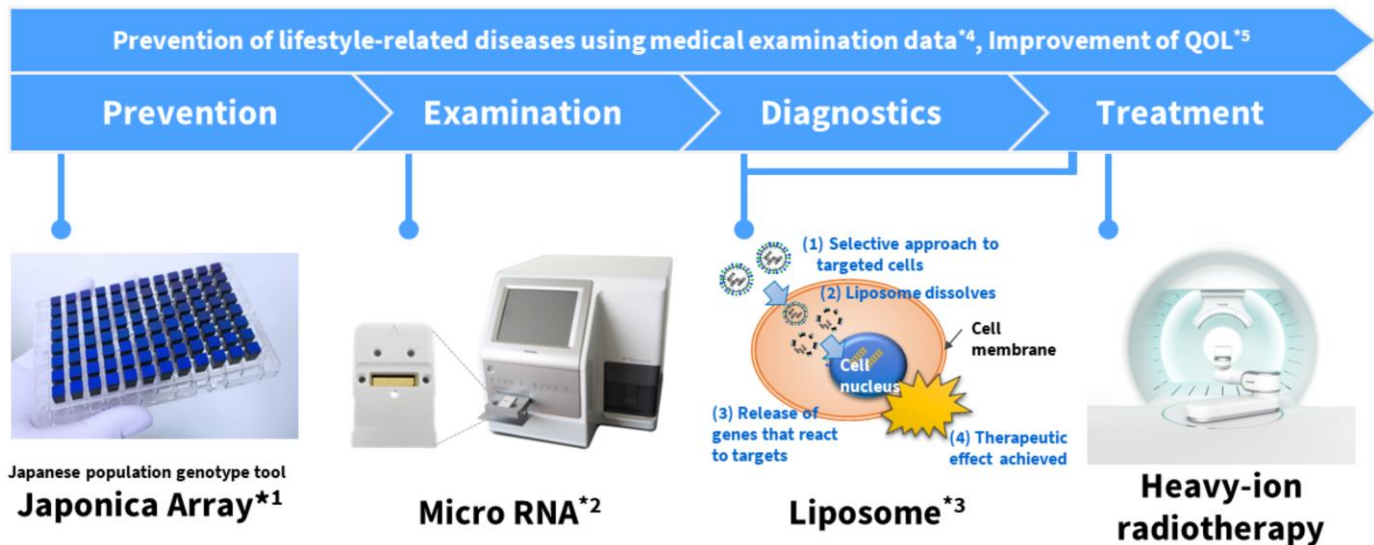


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- Here are some examples of devices and products which support Toshiba's differentiation.
- SCiB battery's unique features are approved and adopted by major car and bus manufacturers in Japan and many other countries.
- Its use has been expanded beyond cars and buses, to boats and hybrid locomotives.

Position cancer precision medicine as Toshiba's core business



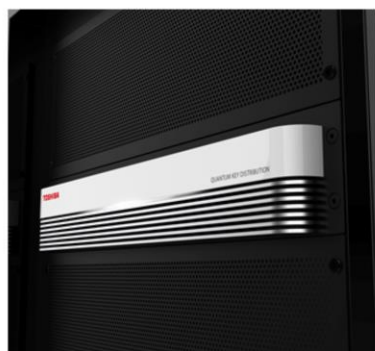
^{*1} Collaboration with Tohoku University ^{*2} Collaboration with Tokyo Medical University, National Cancer Center Japan ^{*3} Collaboration with Shinshu University
^{*4} Collaboration with Kanazawa University, Johns Hopkins University, ^{*5} QOL: Quality of Life

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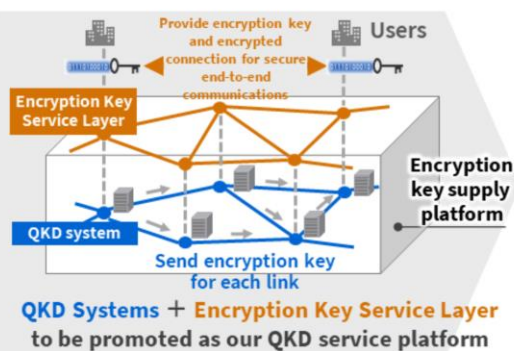
- This slide covers precision medicine.
- Toshiba is developing several products with significant potential in order to develop the field of oncology into one of Toshiba's main businesses within 5 years.
- Japonica Array is a genome analysis tool. We achieved consent from more than 90% of the target 10,000 Toshiba employees to utilize their data as test data.
- We will also promote the proposal of effective solutions for the prevention of lifestyle-related diseases by coordinating analyses with medical examination data.
- MicroRNA is a disruptive technique that can detect 13 types of cancer from stage zero with 1 drop of blood with 99% accuracy. We plan to begin a pilot trial for early cancer detection in the near future, targeting 1000 people.
- The biodegradable liposome is a technology relating to gene therapy for cancer. We co-developed a “cancer-oriented liposome technology” with Shinshu University which enables accurate and high-efficiency transport of therapeutic cells to target cancer cells.
- We have received several inquiries for our heavy ion radiotherapy equipment in response to rising demand for cancer treatment and are working on achieving orders.

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 QuantumXchange (QXC)

- This slide covers quantum key distribution.
- We are participating in tests and demonstrations in the UK, US, and other countries to validate its utility.
- In Japan, we are about to start a proof-of-concept study in multiple locations in Tokyo.
- The market size is expected to expand to 2.2 trillion yen. We will accelerate commercialization, aiming to become the de facto global standard.

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

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- This slide shows areas with high expectations for commercialization going forward.
- The simulated bifurcation machine selects the optimal answer from countless alternatives instantaneously. We are already in discussions with several financial institutions regarding its commercialization.
- We succeeded in enhancing overall power generation efficiency with the tandem solar cell, which superimposes solar cells with different characteristics. We believe the use of highly efficient solar cell batteries will expand rapidly with the electrification of cars and buses, as well as the increased use of drones.
- Consistent with our philosophy, “Committed to people, Committed to the future”, we will continue to proactively develop cutting edge technologies which enriches personal lives, and contribute to the society.

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**

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- Toshiba intends to break away from the so-called “General Electric Company Model,” which is merely a collection of conventional product-oriented business units, and to achieve significant enterprise value by transforming into an infrastructure services company.
- Each of the new function-based segments generates significant synergies through interactions with all other segments.
- While I was only able to provide an outline of Toshiba Next Plan Phase 2, I would like to present a concrete plan in November. I am sure we will not disappoint you.



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

TOSHIBA