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Toshiba Group IR Day 2022

# Business Strategy of Toshiba Group

**February 7, 2022**
**Toshiba Corporation**

President and CEO
**Satoshi Tsunakawa**

CFO
**Masayoshi Hirata**

# Forward-looking Statements and Other Cautionary

- This document has been prepared solely for the purposes of providing information regarding the strategic reorganization described herein ("Reorganization") and does not constitute an offer to sell or a solicitation of an offer to buy any security of Toshiba Corporation ("Toshiba"), its subsidiaries or any other company in Japan, the United States or any other jurisdiction.
- This document has been translated from the Japanese-language original document for reference purposes only. In the event of any conflict or discrepancy between this document and the Japanese-language original, the Japanese-language original shall prevail in all respects.
- This document contains forward-looking statements and prospects concerning the future plans, strategies, and 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 competition in the electronics business, customer demand, foreign currency exchange rates, tax and other regulations, geopolitical risk, and natural disasters. Toshiba therefore cautions readers that actual results may differ from those expressed or implied by any forward-looking statements. 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 risks.
- Unless otherwise noted, all figures are 12-month totals on a consolidated basis.
- 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 Corporation (formerly Toshiba Memory Holdings; hereinafter "Kioxia") and is not provided with any forecasted business results for Kioxia, Toshiba group's forward-looking statements concerning financial conditions, results of operations, and cash flows do not include the impact of Kioxia.
- The execution of the Spin-off described in this document is subject to approval at Toshiba's general shareholders' meeting and the fulfillment of all review requirements of the relevant regulatory authorities.
- Depending on the applicable laws and regulations (including securities listing regulations and U.S. laws and regulations), developments in the application, revision and enforcement of various regulatory regimes including tax regulations, interpretations by the relevant authorities, further considerations in the future and other factors, the implementation of the Reorganization may take longer than expected and there may be changes in the structure of the reorganization.

# Today's Agenda

01 Spin-off Objectives and Overview

02 Spin-off Project Team and Timeline

03 Business Portfolio Evaluation

04 Post-Spin-Off Financials

05 Important Matters on Toshiba/Infrastructure Service Co.

06 Actions on Strategic Review Committee Recommendations

Appendix

# 01

# Spin-off Objectives and Overview

# Issues Related to Past Toshiba

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## Conglomerate discount attributable to business complexity and slowness in decision-making process

| | |
|---|---|
| **Conglomerate Discount** | • Co-existence of two businesses with different business models of infrastructure service and device<br>• Increase in complexity due to the existence of businesses which do not create synergies |
| **Uniformed Capital Allocation** | • Uniformed capital allocation which does not incorporate optimal financial profiles and risks related to two distinct businesses |
| **Slowness in Decision-making Process** | • Slowness in decision-making process, led by management from different business backgrounds |
| **Limited Choices for Shareholders** | • Shareholders who are interested only in individual businesses have no option but invest in Toshiba stock as a whole |

# Spin-off Purpose and Objectives

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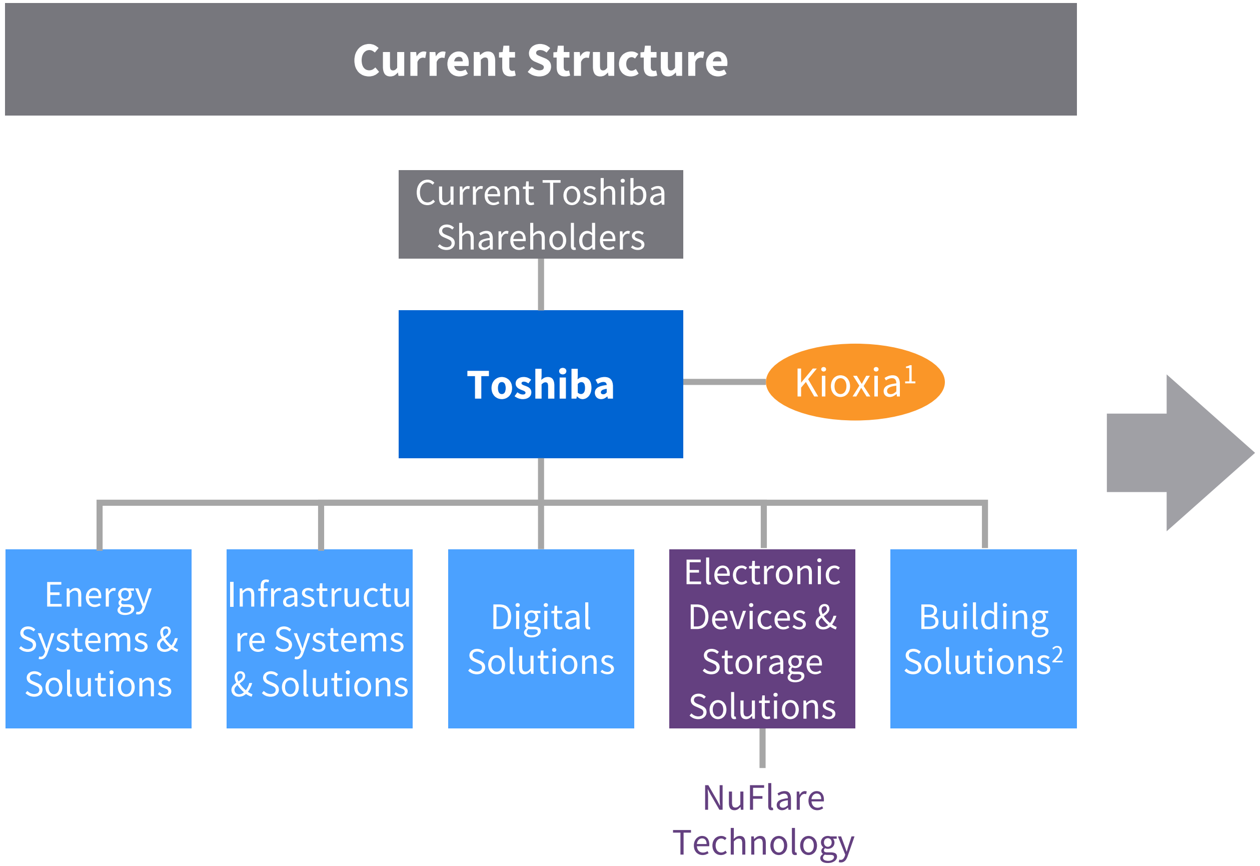
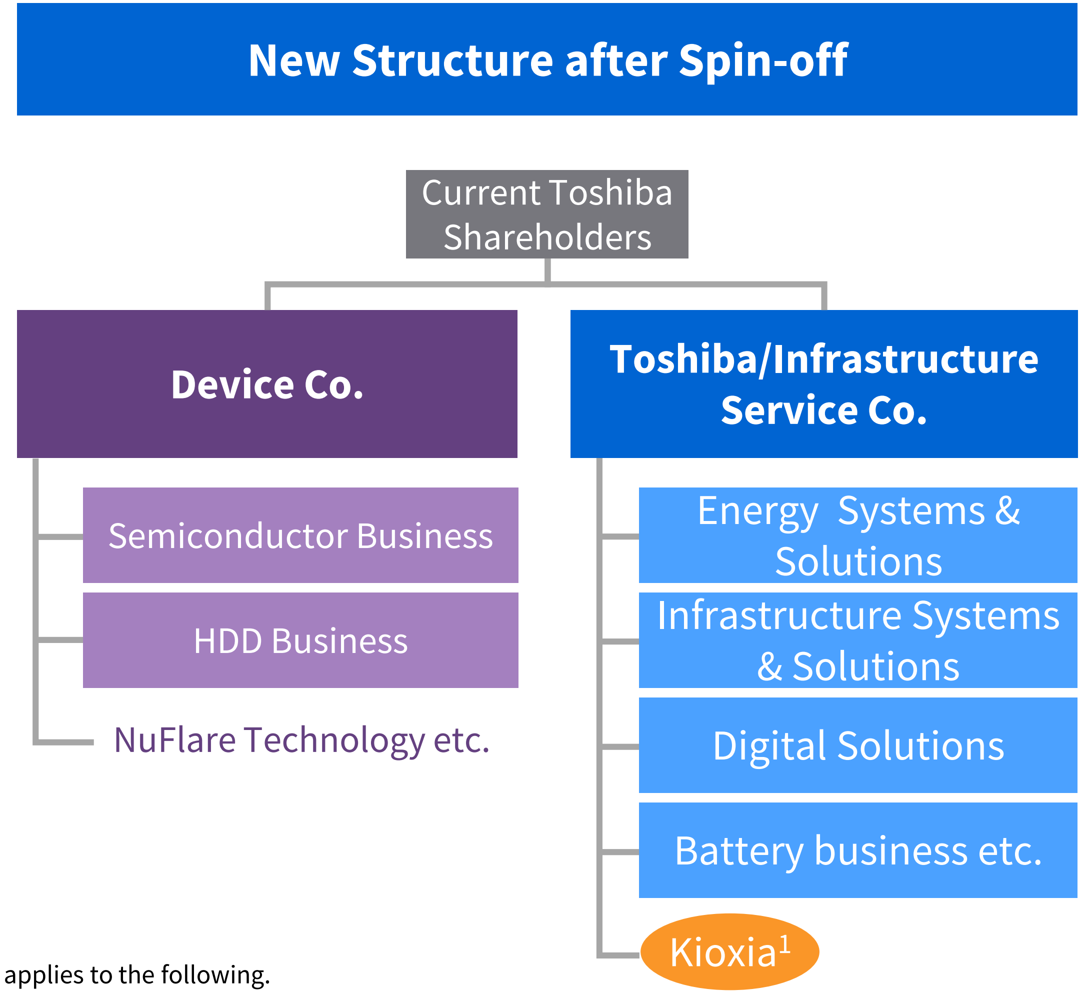
## Eliminate conglomerate discount and achieve sustained, profitable growth and enhance corporate value by the Spin-off

| | |
|---|---|
| **Unlock Value** | • Elimination of conglomerate discount<br>• Formulate clear growth strategy optimized for the unique characteristics of each business, including business cycle, market conditions, and capex needs<br>• Identification of core/non-core businesses and externalization plan of non-core businesses |
| **Efficient Capital Allocation Suited to Business** | • Focused investment allocation based on medium-to-long-term growth strategy (R&D, CAPEX, M&A, shareholder returns)<br>• Establish robust financial model, and capital structure tailored to operational risks of specific business |
| **Focused & Agile Management** | • Establish a management structure equipped with expertise in each business<br>• Consider focused operational and R&D structure to better deal with changing business environment<br>• Pursue strategic alliances with partners with interest in specific business domain |
| **Enhance Choices for Shareholders** | • Providing compelling investment opportunities that meet different preferences of shareholders with various goals relating to timing of returns and risk appetite |

# Spin-off Plan Refinement (from 3-way split to 2-way split)

**Spin-off Electronic Devices & Storage Solutions business, and split into 2 independent entities.**
**Existing Toshiba hold Infrastructure Service business, and other assets**
**that are not relevant to the operations of the Device Co.**




1. “Kioxia” refers to Kioxia Holdings Corporation. The same applies to the following.
2. Three Building Solutions companies: Toshiba Elevator, Toshiba Lighting & Technology, Toshiba Carrier. The same applies to the following.
   Toshiba Tec , listed company, is not included in above chart

# Rationale for Refinement from 3-way Split to 2-way Split

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**Through continued review of the strategic reorganization plan, determined that the 2-way split was the optimal plan**

- Elimination of uncertainty around Toshiba's listing
- Ensuring the feasibility of creating disciplined governance structure by reducing to two managements
- Significant reduction of separation cost
- Reduction of workload related to listing review
- Securing financial soundness
- Easier to pursue strategic alliances with potential partners

**In order to keep the policy on Kioxia shares as aimed in the 3-way split with the 2-way split, we plan to put forward the shareholder resolution outlining the policy for Kioxia shares at the upcoming EGM**

# Management Structure Change – Background of Executive Board

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## Agile and precise decision-making driven by specialized management

| Before the Spin-off | |
|---|---|
| Infrastructure-related | 7 members |
| Device-related | 2 members |
| Medical-Related | 1 member |
| Corporate Staff-related | 5 members |

- Consists of the members from different business backgrounds
- Lack of expertise across the various businesses can hinder effective and timely decision-making

| After the Spin-off | |
|---|---|
| Device Co. | Streamlined management structure, led by experts in Device business |
| Toshiba/ Infra-structure Service Co. | Streamlined management structure, led by experts in Infrastructure Service business |

# Advantages of Spin-off to Stakeholders

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## Delivers compelling benefits to all stakeholders

### Shareholders/Investors

Addresses conglomerate discount
Facilitates more targeted investment

### Business Partners

Increases efficiency in the supply chain

### Customers

Delivers more customized services to address emerging needs

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### Community

Allows for more focused solutions to solve social issues

### Employees

Cultivates greater technical specialization and expertise
Creates greater career advancement opportunities

# Effect of the Spin-off on Business Plan

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## Offset the cost impact of Spin-off and improve corporate value

### One-Time Cost

**Transaction Costs for the Spin-off**

Cost relating to the split of functions,
and tax-related costs associated with the reorganization

**20B yen** (in approx. 2 years)

### Running Cost

**Operating Costs Increase**

Increase in operating costs due to the separation[1] +
public company-related costs[2]

**13B yen/year**

<

### Cost Savings

**Targeted Reduction of Operating Costs**

Optimization of corporate functions,
and cutting outsourcing costs

**30B yen/year**

1. 11B yen/year, assuming increase in license fee due to separation of IT
2. 2B yen/year, assuming increase in operating cost for corporate functions such as accounting, finance, internal control, investor relations.

# Two Standalone Companies with Distinct Visions

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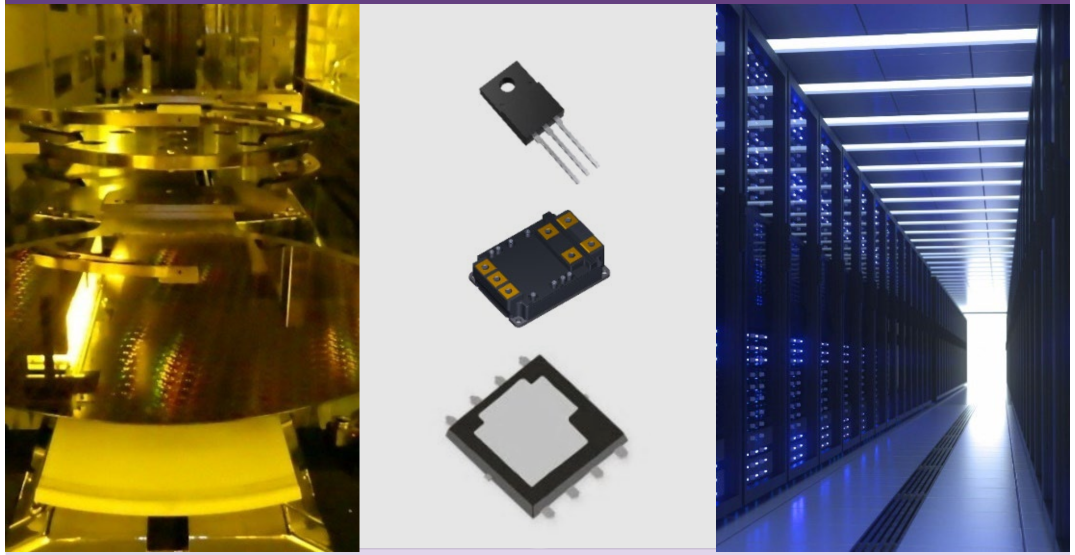
**Each company will aim to maximize corporate value based on the following corporate visions**

## Toshiba/Infrastructure Service Co.

Contribute to resolving social and industrial challenges through utilizing digital technology in the energy/social infrastructure domain, and adapting to carbon neutrality/infrastructure resilience/digital economy

## Device Co.



Contribute to achieving to build a sustainable society by focusing on semiconductors, storage devices, and cutting-edge semiconductor manufacturing devices, crucial for greening/digitalization in a data society with evolving of social and information infrastructure

# Overview of Each Business after Spin-off

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## Employees and offices to be allocated between the two companies

As of Sep. 2021

| | | Toshiba/ Infrastructure Service Co.[1] | Device Co. |
|---|---|---|---|
| Employees (approx.) | Domestic | 41,000 | 11,000 |
| | Overseas | 9,000 | 15,000 |
| Subsidiaries | Domestic | 68 | 14 |
| | Overseas | 78 | 18 |

1. Consolidated figure. Toshiba Tec, Toshiba Lighting & Technology, Toshiba Elevator, Toshiba Carrier and their subsidiaries are not included.

# 02

# Spin-off Project Team and Timeline

# Dedicated Project Team to Execute the Separation

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## Establish execution structure composed of executives and PMO teams

**Advisors**

EY (PMO, consulting)

NOMURA (PMO, FA, listing review)

Goldman Sachs (PMO, FA, IR/SR)

Deloitte. (Accounting/tax)

NISHIMURA&ASAHI 西村あさひ法律事務所 (Japanese law)

Skadden, Skadden, Arps, Slate, Meagher & Flom LLP & Affiliates (US law)

**Toshiba Board of Directors Strategic Review Committee**

**Advisors**

UBS (FA)

NAGASHIMA OHNO & TSUNEMATSU (Legal)

**Executive Steering Committee**
**All executive officers**

**PMO of Toshiba/Infrastructure Service Co.**

**PMO of Device Co.**

**PMO**[1]

PMO support : EYSC, Nomura, Goldman Sachs

- Formulate project operational rules
- Establish contingency framework for possible conflicts
- Scheduling, issue management, etc.

**Coordination**

1. PMO will coordinate efforts with the board and advisors to propose (and execute as needed) IR/SR and other measures relating to each stakeholder

# Overall Timeline

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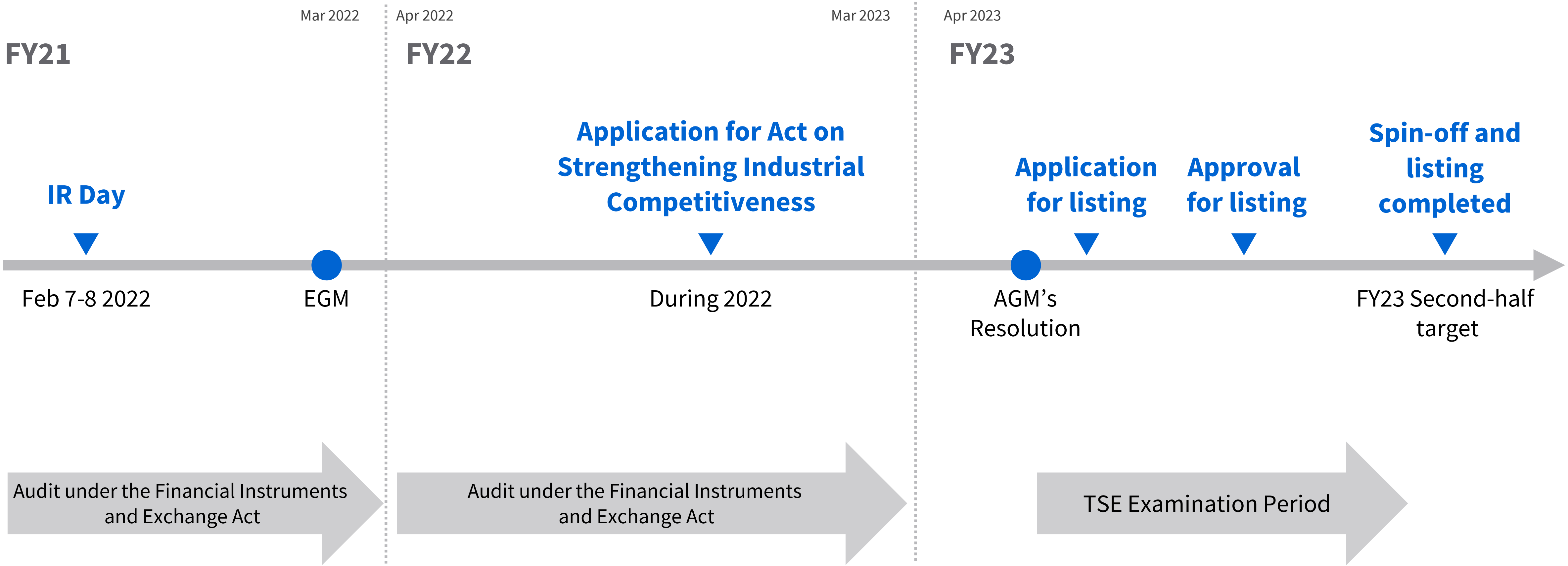
## Target completion of the Spin-off and listing in second half of FY23
## (subject to regulatory reviews)




Timing of audits under the Financial Instruments and Exchange Act will be discussed with independent auditors in the future.

# Conditions for Completing the Spin-off

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**The following conditions need to be satisfied to complete the Spin-off, requiring close coordination with regulatory authorities and experts**

| Condition | Approx. Timing |
|---|---|
| 1. Obtain approval of the business restructuring plan pursuant to the Act on Strengthening Industrial Competitiveness | in FY22 |
| 2. Obtain shareholders approval for stock distribution | June 2023 |
| 3. Establish an adequate internal control system and obtain listing approval from the Stock Exchange at Device Co. | From 2022 until 1H of FY23 |
| 4. Procure sufficient equity and operating capital for business operations at Device Co. and Toshiba/Infrastructure Service Co. (in order to meet conditions for smooth transactions with financial institutions, including obtaining investment-grade issuer credit rating) | From 2022 until completion of Spin-off |
| 5. Satisfy requirements for a tax-qualified Spin-off | From 2022 until completion of Spin-off |

# Post-Spin-off Structure of Management and Board

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**Plan to establish a brand new structure with appropriate management for each company while committed to implement Spin-off plan**

| | |
|---|---|
| **Basic Policy** | • Elect directors and appoint executives who have deep industry expertise and clear vision for growth<br>• Build a brand new structure which includes external candidates |
| **Next Steps** | • Proceed with candidate selection process as a course of implementation of the Spin-off, with an aim of building a new management structure<br>• Board and management teams to be announced in due course |
| **Corporate Structure** | • Device Co. will adopt "Company with Three Committees" corporate governance system as same as Toshiba/Infrastructure Service Co. |

# Initiatives for Research and Development

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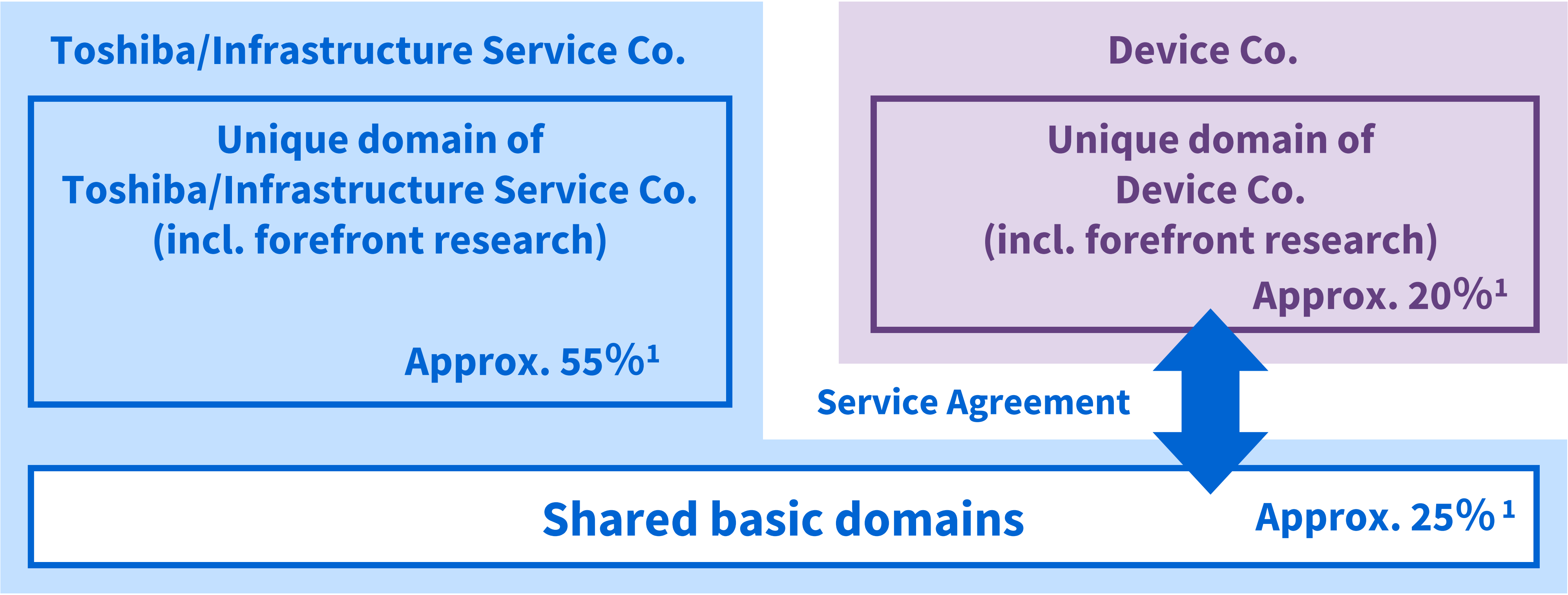
1. **Current R&D organization will be divided between Toshiba/Infrastructure Service Co. and Device Co. respectively according to unique domains including basic research**
2. **Shared basic domains will belong to Toshiba/Infrastructure Service Co., and maintain relationship of co-creation with Device Co. through service agreement**




1. The ratio of researchers/all members in each domain.

# 03

# Business Portfolio Evaluation

# Positioning of Each Business

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## Focus management resources in areas with high ROIC and relevance with the focus area

### Relationship with Focus Areas

**B**

- Hydrogen Energy
- SCiB Secondary Batteries
- Power Transmission and Distribution
- Renewable Energy
- Railway Systems
- Motors/Drives
- Data Business

Improve toward FY25

FY25 ROIC

- ✓ Hydrogen Energy
- ✓ SCiB Secondary Batteries
- ✓ Power Transmission and Distribution
- ✓ Renewable Energy
- ✓ Railway Systems
- ✓ Motors/Drives
- ✓ Data Business

**A**

- Power Generation Systems
- Water Treatment
- Social Systems/Defense
- Security/Automation

- Semiconductors
- Storage
- Semiconductor Manufacturing Devices (NFT)
- Digital Solutions

ROIC (FY21)

**D**

- Printing

**C**

- Elevator
- Lighting
- Air Conditioning
- Retail

# Non-core Businesses

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| | Relationship with Focus Areas | ROIC (FY21) | Direction | Aim |
|---|---|---|---|---|
| **Air Conditioning** | Weak | High | Externalization | • Growth in overseas markets |
| **Elevator** | Weak | High | Externalization | • Growth in overseas markets |
| **Lighting** | Weak | High | Externalization | • Expansion of growing domain |
| **Toshiba Tec** | Weak | Retail: High<br>Printing: Low | Work with Toshiba Tec | • Facilitate Toshiba Tec's own mid to long term business plan |

# Strategy for Non-core Businesses

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**Decided to crystalize value of Building Solutions businesses through reorganization with partners and external capital injection to realize their growth potentials. Business collaboration with Toshiba/Infrastructure Service Co. will remain**

| | |
|---|---|
| **Air Conditioning** | • Sales have grown mainly overseas by leveraging its heat pump technology and VRF with high energy conservation capabilities, in coordinated efforts with its JV partner Carrier<br>• We believe that reorganization with Carrier, a close partner with global sales channels, is the optimal strategy amid an expected increase in global demand going forward |
| **Elevator** | • Solid client base mainly in Japan, based on its strong long-term reputation for high safety and product quality<br>• We reached the decision that reorganization involving an external party is a viable alternative to strengthen design and manufacturing capabilities aimed at capturing growth opportunities in the domestic renewal market, to adapt to digitalization of maintenance work and BIM[1] technological innovation, and to establish a global production footprint |
| **Lighting** | • Profitability has increased in recent years due to structural reforms including the consolidation of production centers and improvements in basic earning power<br>• We are accelerating the shift of technology and sales resources to the UV/Solutions Business, where future growth is expected. We reached the decision that reorganization involving an external party is a viable alternative to further strengthen the earning power of the business |
| **Toshiba Tec** | • We will work with Toshiba Tec in the short term to the extent practical to facilitate Toshiba Tec's own mid to long term business plan |

1. BIM: Building Information Modeling

# Reorganization Schedule

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**Retained external advisors to determine path to achieve maximum value in the most efficient time frame, considering unique circumstances at each company such as shareholder agreements with business partners**

| | |
|---|---|
| **Air Conditioning** | • Entered into the share purchase agreement with Carrier today<br>• Expect closing by the end of September 2022 |
| **Elevator** | • Commence sell process as soon as possible<br>• Aim to reach definitive agreement during FY22 |
| **Lighting** | • Commence sell process during this year<br>• Aim to reach definitive agreement during FY22 |
| **Toshiba Tec** | • Will work with Toshiba Tec in the short term to the extent practical to facilitate Toshiba Tec's own mid to long term business plan |

# 04

# Post-Spin-Off Financials

# Shareholder Return

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## Shareholder Return Policy

- We will assess appropriate capital level on a regular basis, and return excess capital to shareholders including share repurchase* additional to ordinary dividend
- Expected shareholder return amount is **300B yen** in the next 2 years (including proceeds from externalization of non-core businesses), on a condition of smooth execution of the business plan
- Through the refinement of the Spin-off plan, we revised our initial assumption of 100B yen that was announced last November
- We have executed additional large-scale shareholder return in the past as well

November 7, 2019
Completed share repurchase of
**700B yen**

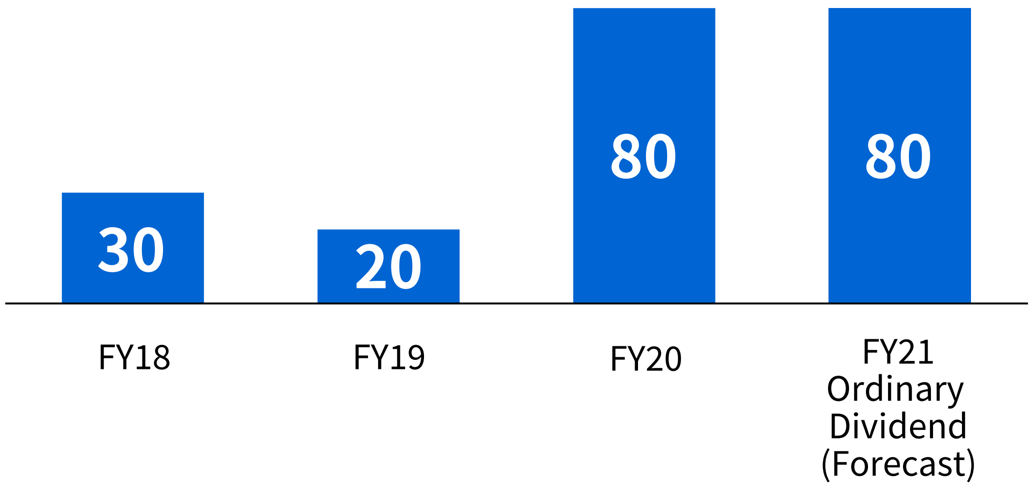
June 30, 2021 (basis date)
Paid special dividend of
**100 yen per share, totaling 49.9B yen**

September 9, 2021
Completed share repurchase of
**100B yen**

## Ordinary Dividend

- Increasing dividend payout in a stable and continuous way through our basic policy of targeting an average consolidated dividend payout ratio of at least 30%

Dividends per Share (in yen)




*to the extent that it would not interfere with the smooth execution of the business separation

# Key Financials of Two Companies and Capital Policy

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(Unit: 100 million yen)

## Key Financials

| | Pre-separation (Core business・March/FY23) | Post-separation: Toshiba/ Infrastructure Service Co. | Post-separation: Toshiba/Infra-structure Service Co. (excluding Kioxia) | Post-separation: Device Co. |
|---|---|---|---|---|
| **Consolidated P/L[2]** | | | | |
| Revenue | 23,100 | 15,400 | 15,400 | 8,600 |
| EBITDA | 2,100 | 1,220 | 1,220 | 880 |
| *Margin* | *9.1 %* | *7.9 %* | *7.9 %* | *10.2 %* |
| **Consolidated B/S** | | | | |
| Total Assets | 29,500 | 22,600 | 19,400 | 6,900 |
| Common Equity | 9,900 | 7,400 | 4,200 | 2,500 |
| *Equity Ratio* | *33.6 %* | 1 *32.7 %* | *21.6 %* | 3 *36.2 %* |
| Net Debt | 1,900 | 2,500 | 2,500 | ▲600 |
| *Net D/EBITDA* | *0.9 x* | 2 *2.0 x* | *2.0 x* | 4 *▲0.7 x* |
| *Net D/E* | *0.2 x* | *0.3 x* | *0.6 x* | *▲0.2 x* |
| **Non-consolidated B/S** | | | | |
| Net Asset | | | | |
| Distributable Amount | *3,900* | *2,100* | | |

## Capital Policy

### Toshiba/Infrastructure Service Co.

- Aim for investment grade rating[1]
- With a target of Net D/EBITDA=**1.5x**, capital allocation, further growth investment and shareholder return will be made by utilizing appropriate use of leverage
- Maintain dividend payout ratio of **30%** or above
- As of FY3/2023 post-separation:
  - Equity Ratio= Approx. **33%(22% excl. Kioxia)** 1
  - Net D/EBITDA=**2.0x** 2
    Assume to improve to the level of 1.5x in FY3/2025

### DeviceCo.

- Aim for investment grade rating[1]
- Maintain net cash position and prioritize growth investment. Excess FCF to be returned to shareholders through flexible share repurchase
- Maintain dividend payout ratio of **30%** or above
- As of FY3/2023 post-separation:
  - Equity Ratio= Approx. **36%** 3
  - Maintain net cash position 4

1. Preliminary assumption which requires further/detailed discussions with credit rating agencies/lenders.
2. For the purpose of showing the consolidated B/S metrics, the P/L of non-core business is excluded for one year regardless of the timing of externalization

# Overview of the Distributable Amount

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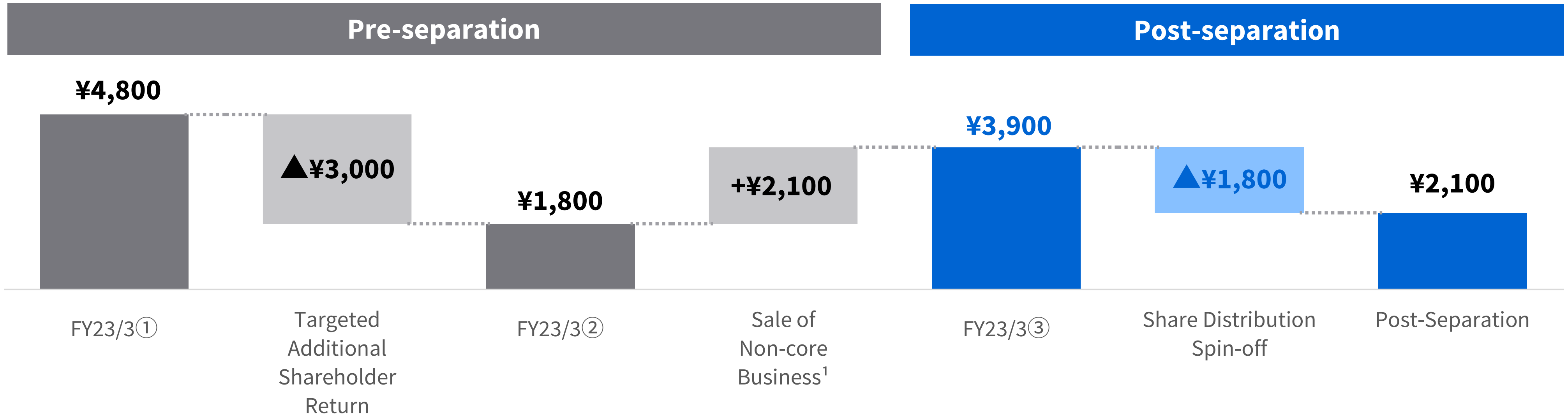
**Need to comply with distributable amount restrictions regulated by corporate law in addition to maintaining consolidated financial soundness.**
**Spin-off itself needs distribution to the shareholders**

**Regulations relating to Distributable Amount**

- Shareholder returns provided through dividends and share repurchases cannot exceed the distributable amount as of the effective date
- Distributable amount is based on **capital surplus from non-consolidated B/S**
  - **<Additions> Other capital surplus, other earnings surplus**
  - <Not added> Paid-in capital, capital reserves, earnings reserves, treasury shares, other (valuation and translation adjustments, book value of stock acquisition rights, etc.)
- Possible to reclassify paid-in capital or reserves as surplus, but a shareholders' resolution and creditor objection procedures are required

**Estimated Distributable Amount (in 100 million yen)**




1. The number is based on the current estimate of the sale proceeds and is subject to change.

# Toshiba/Infrastructure Service Co. – Business Plan [1]

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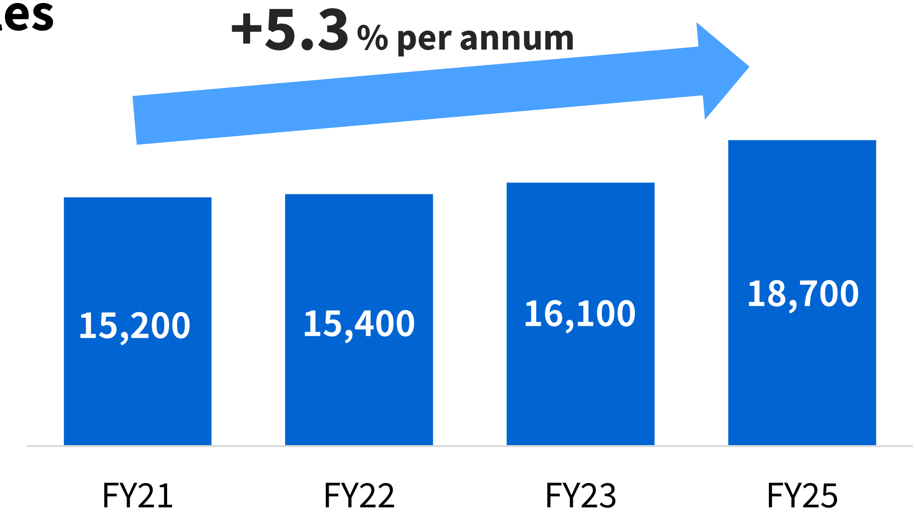
## Net Sales

(Unit: 100 million yen)

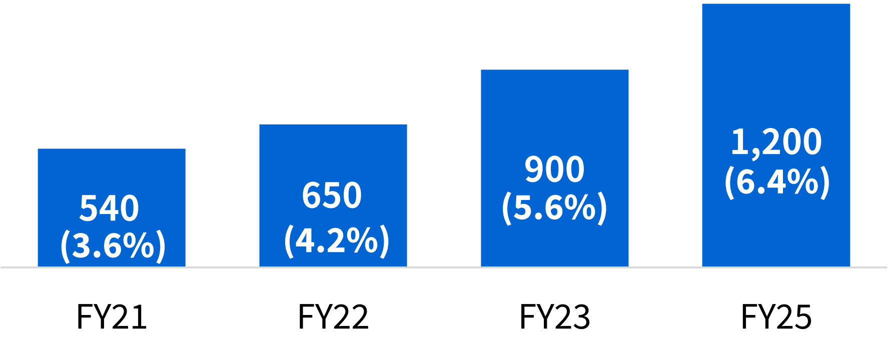



## Strategy

- Enhance solutions through “x Digital"
- Expand value chain and digital solutions segments through new and existing partnerships
- Enhance human capital development to strengthen DX and business operation capabilities
- Incorporate ROIC focused metrics

## Operating Income (ROS)

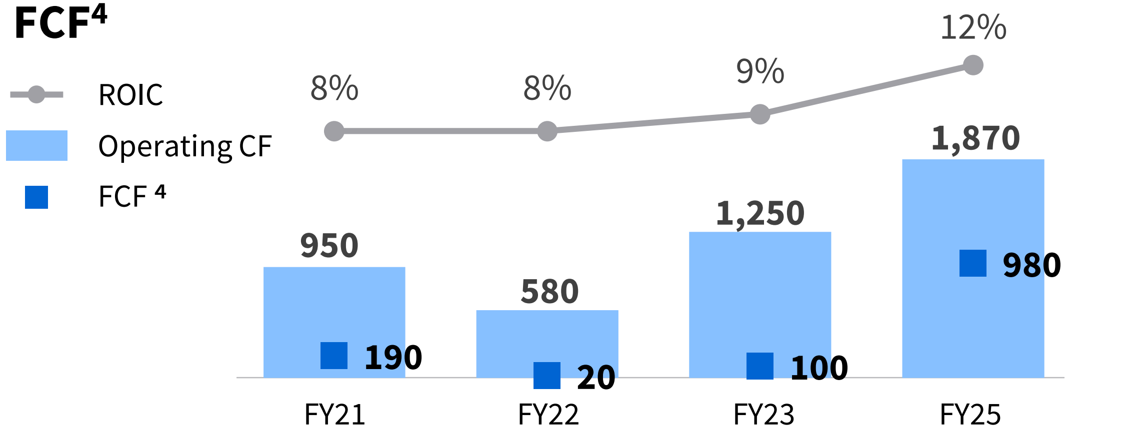
(Unit: 100 million yen)




| | FY21 | FY22 | FY23 | FY25 |
|---|---|---|---|---|
| EBITDA[2] | 1,040 | 1,220 | 1,590 | 1,980 |

## ROIC[3] FCF[4]

(Unit: 100 million yen)




1. Figures are initial Proforma based on the assumptions of separating corporate functions, and will be revised during detailed review process. 2. EBITDA = Operating Income+Depreciation
3. ROIC = (Net income-Non-controlling interest-Interest expense×(1-tax rate))/(Net interest-bearing debt+Net assets) 4. Free Cash Flow

# Device Co. – Business Plan[1]

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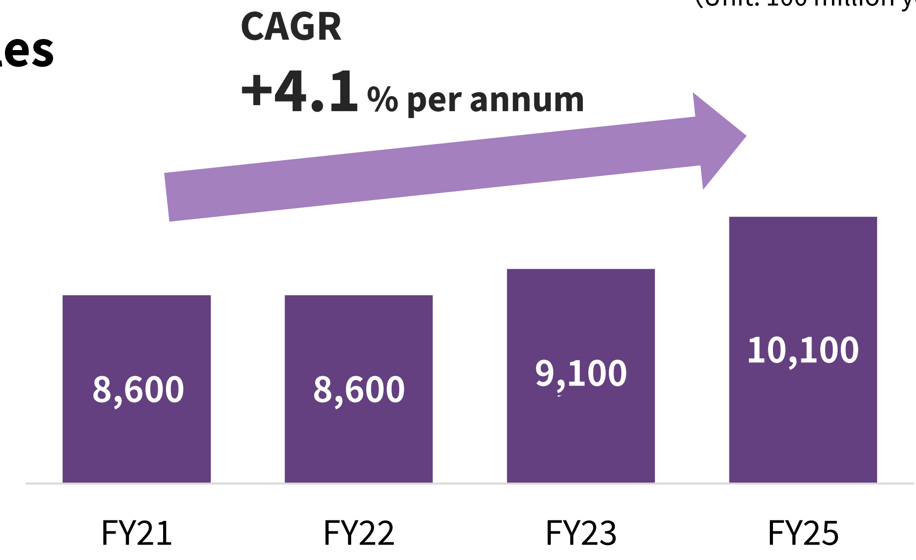
## Net Sales

(Unit: 100 million yen)

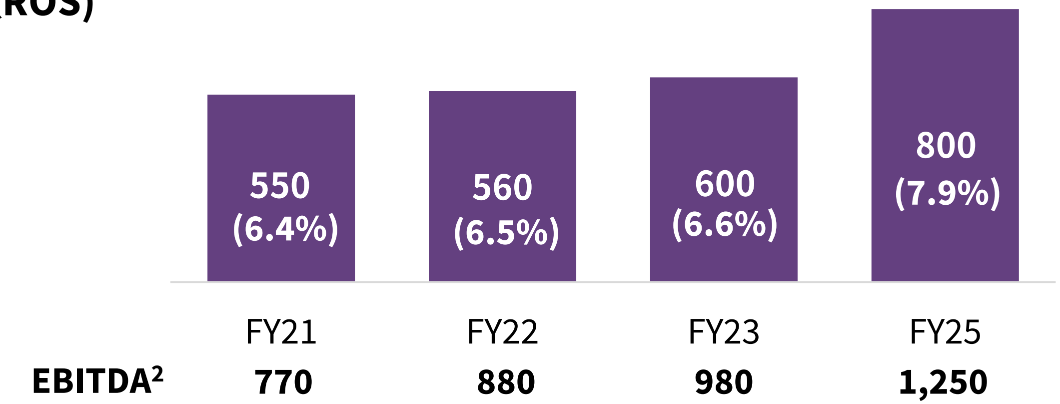



## Strategy

- Power Semiconductors: CAPEX mainly towards 300mm Line
  Compounds: Accelerate the development of SiC and GaN semiconductors
- Nearline HDDs: Promote capacity expansion for data centers
- Mask Writers: Introduction of high-precision, high-productivity multi-beam machines

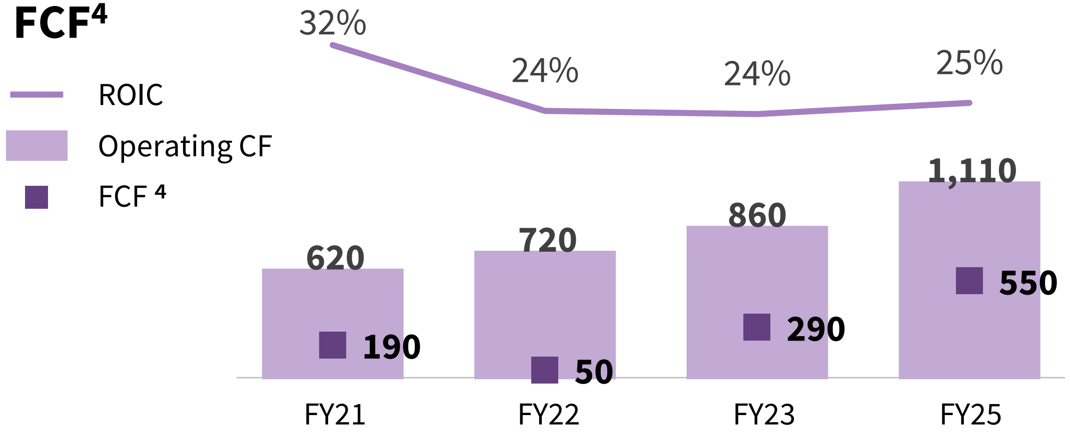
## Operating Income (ROS)

(Unit: 100 million yen)




## ROIC[3] FCF[4]

(Unit: 100 million yen)

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3. ROIC = (Net income-Non-controlling interest-Interest expense×(1-tax rate))/(Net interest-bearing debt+Net assets) 4. Free Cash Flow

# Capital Resources Allocation – Comparison of Actual and Projection

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(unit: 100 million yen)

| | | FY16-20 Cumulative (Actual) | FY21-25 Cumulative (Projection) | Difference |
|---|---|---|---|---|
| Toshiba/ Infrastructure Service Co. | Capex | 2,600 | 4,000 | +1,400 |
| | R&D | 3,400 | 3,900 | +500 |
| | Investment and lending | 310 | 1,240 | +930 |
| | Total | 6,310 | 9,140 | +2,830 |
| Device Co. | Capex | 1,500 | 2,900 | +1,400 |
| | R&D | 3,000 | 3,100 | +100 |
| | Total | 4,500 | 6,000 | +1,500 |

# Toshiba Group – Revision of Consolidated Performance Forecast for FY21

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| | Revised Forecast | Previous Forecast | Difference | Key Factors |
|---|---|---|---|---|
| Net Sales | 3.34T yen | 3.35T yen | -10B yen | ● Shortage of semiconductors<br>● Impact of COVID-19, and others |
| Operating Income (ROS%) | 155B yen (4.6%) | 170B yen (5.1%) | -15B yen (-0.5%) | ● In addition to above, surge in prices of raw materials, etc |
| Non-Operating Income/Loss * | 50B yen | 10B yen | +40B yen | ● Equity income/loss of Kioxia, and others |
| Profit before Tax * | 205B yen | 180B yen | +25B yen | |
| Net Income * | 150B yen | 130B yen | +20B yen | |

* For equity gain/loss of Kioxia in FY21, it is for reference, which only actual performances from Q1-Q3 are included, and the future forecast is not included.

# 05

# Important matters on Toshiba/Infrastructure Service Co.

# Toshiba's Rights Related to Kioxia and its Monetization

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## Formally requested Kioxia to conduct an IPO as early as possible

### Shareholder Rights and Management Participation

- Voting rights attached to Kioxia shares owned by Toshiba: 40.6% [1]
- Toshiba does not have any rights relating to Kioxia's operations above and beyond those as a shareholder under the Companies Act. There are also no agreements related to management participation including Toshiba veto rights or rights to appoint directors to Kioxia's board

### Consideration on Monetization

- Negotiated sale
  - Consent from other shareholders is required
  - Antitrust and foreign capital-related restrictions also apply
- Liens
  - A first lien has already been established on Toshiba's Kioxia shares

1. Toshiba has complete discretion over only 35.32% of voting rights, as voting rights relating to a 5.28% stake owned by Toshiba have been assigned to Innovation Network Corporation of Japan (INCJ). Voting rights were assigned to INCJ, a neutral organization which supports the strengthening of industrial competitiveness, to support Kioxia's operations as an independent entity under a new management structure, providing operational independence while providing Toshiba with dividends and other economic benefits.

# Efforts Towards Monetization and Return of Kioxia Shares

TOSHIBA

**Toshiba/Infrastructure Service Co. plans to consider various ways to monetize Kioxia shares in accordance with the shareholder returns policy announced in November 2021. Net sale proceeds will be returned to Toshiba/Infrastructure Service Co. shareholders of record pursuant to applicable laws**

## Utilization of loss carryforwards

- The loss carryforward of Toshiba/Infrastructure Service Co. is approx. 300B yen[1] left as of March, 2021. Most of them will remain effective until March, 2029 or March, 2030 after the 10 years exemption period.
- Under tax laws, 50% of taxable income including profit from divestiture can be accounted for as loss carryforwards, creating tax benefit[2]

## Confirming the shareholders' opinion

- We plan to put forward a shareholder resolution outlining the policy for Kioxia shares at the upcoming EGM.

- **Various options are being considered to achieve rapid monetization, including an IPO and negotiated sales to third parties**
- **In the event a new stock listing is achieved, existing bank liens will be dissolved and all the substantive[3] sale proceeds at the time of sales will belong to Toshiba**
- **All substantive proceeds will be returned to Toshiba/Infrastructure Service Co. shareholders of record pursuant to applicable laws**

1. Based on consolidated taxation group. (Based on taxable income. Tax merit is calculated as 50% of taxable income multiplied by tax rate)
2. Applied to the entire taxable income, including externalization of non-core businesses which will consume the balance.
3. After tax basis, and after excluding transaction fees, etc. basis

# Items Relating to Key Contracts

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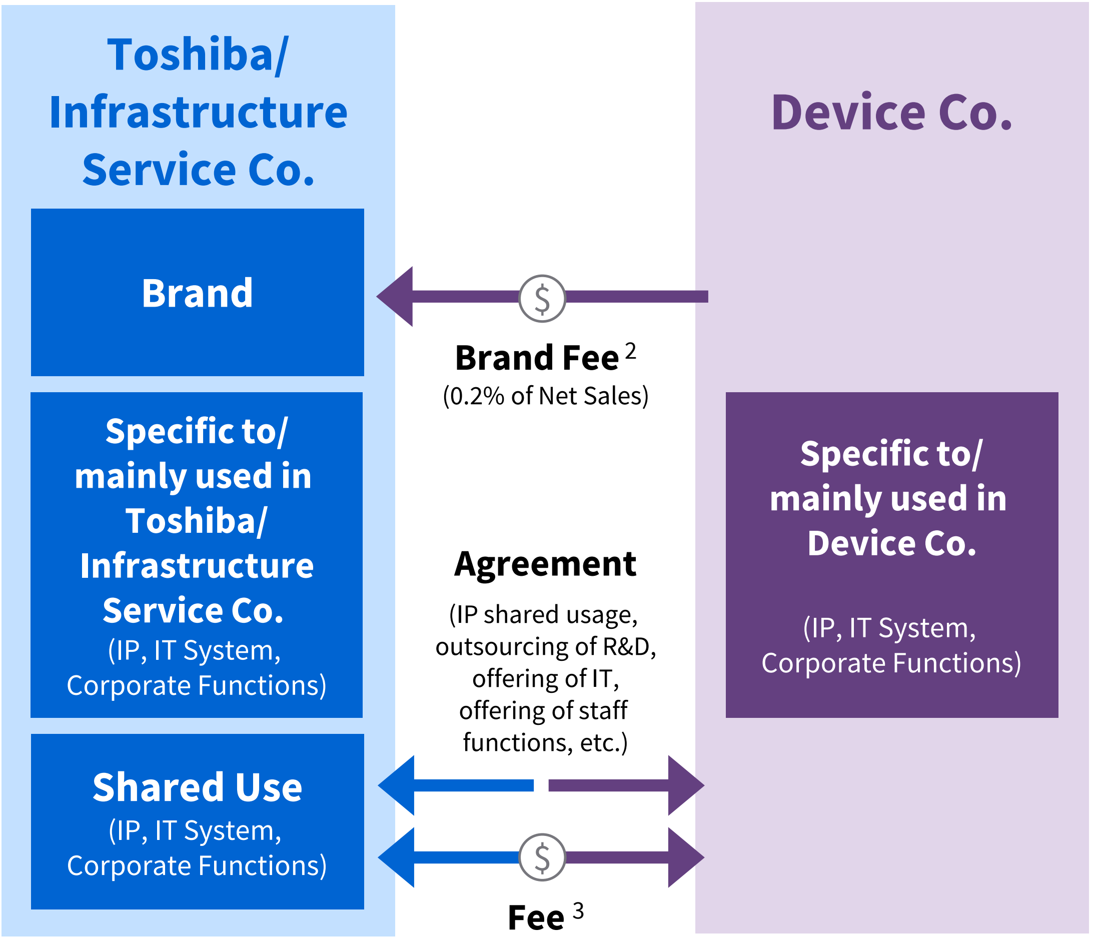
## TSAs[1] will be in place and some major assets will be separated, to maintain business operations




| | |
|---|---|
| **Brands** | Brands (trade name/trademarks) will be owned exclusively by Toshiba/Infrastructure Service Co. and licensed to subsidiaries (including Toshiba Tec) and Device Co. |
| **IPs** | IP specific/mainly used for Device Co. will be separated, IP used by both companies will be owned by Toshiba/Infrastructure Service Co. and a contract will be signed with Device Co. |
| **Systems** | IT Systems specific to/mainly used in Device Co. will be separated, systems used by both companies will be owned by Toshiba/Infrastructure Service Co. until Device Co. set up its own new system |
| **Corporate Functions** | Functions necessary for Device Co. to become listed will be separated, TSA will be signed for Device Co. to use functions owned by Toshiba/Infrastructure Service Co. |

1. TSA: Transition Service Agreement
2. Brand fee rate between Toshiba/Infrastructure Service Co. and Device Co., is a preliminary estimate based on initial assessment and may change in the process of reviewing details
3. Assuming 4 to 5B yen per annum, may change while considering separation of each function

# 06

# Actions on SRC Recommendations

# Actions Taken in Response to SRC's 7 Recommendations

TOSHIBA

## Focused efforts in response to recommendations proposed by SRC in November

| | 7 Recommendations | Responses | (references) |
|---|---|---|---|
| 1 | Form Spin-off plan execution team (including external experts) | Established execution and PMO teams (also retained external advisors) | P.15 |
| 2 | Monetizing Kioxia shares and returning proceeds to shareholders, review of shareholding in Toshiba Tec | Aiming to maximize monetization and shareholder returns from Kioxia shares, in accordance with regulations, etc.<br>We will work with Toshiba Tec in the short term to the extent practical to facilitate Toshiba Tec's own mid to long term business plan | P.35<br>P.21-24 |
| 3 | Increase leverage and execute share repurchase | Planning to return capital exceeding the appropriate level based on regular assessment and formulate capital and financial policy based on the appropriate capital structure after the separation | P.26-28 |
| 4 | Establish appropriate management team at each company | Plan to establish a brand-new management structure with appropriate management for each company | P.18 |
| 5 | Seek opportunities to partner with potential candidates | Continuing to consider as one of the alternatives | |
| 6 | Portfolio review (including sale of businesses) and cost reduction | Identified non-core businesses and will externalize in a timely manner<br>Offset transaction costs for the Spin-off by cost reductions | P.21-24<br>P.11 |
| 7 | Strengthen ESG and act on recommendations of the governance reinforcement committee | Measures to prevent recurrence have been formulated based on the report of the committee<br>Pursue carbon neutrality by 2050 | Published on Dec. 16, 2021<br>P.18 |

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# Appendix

# Distributable Amount (as of March 2021)

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(Unit : 100 million yen)

**Distributable Amount and Consolidated/ Non-consolidated Difference**

| | Consolidated | Non-consolidated | Difference |
|---|---|---|---|
| Common Stock | 2,006 | 2,006 | 0 |
| Additional paid in capital | 2 | 6 | -4 |
| Legal reserve | 246 | 31 | 215 |
| **Retained earnings (A)** | **11,025** | **5,000** | **6,025** |
| Accumulated other comprehensive loss | -1,583 | 66 | -1,649 |
| **Treasury stock at cost (B)** | **-51** | **-50** | **-1** |
| Shareholders' Equity | 11,645 | 7,059 | 4,586 |
| **Distributable amount (A+B)** | | **4,950** | |

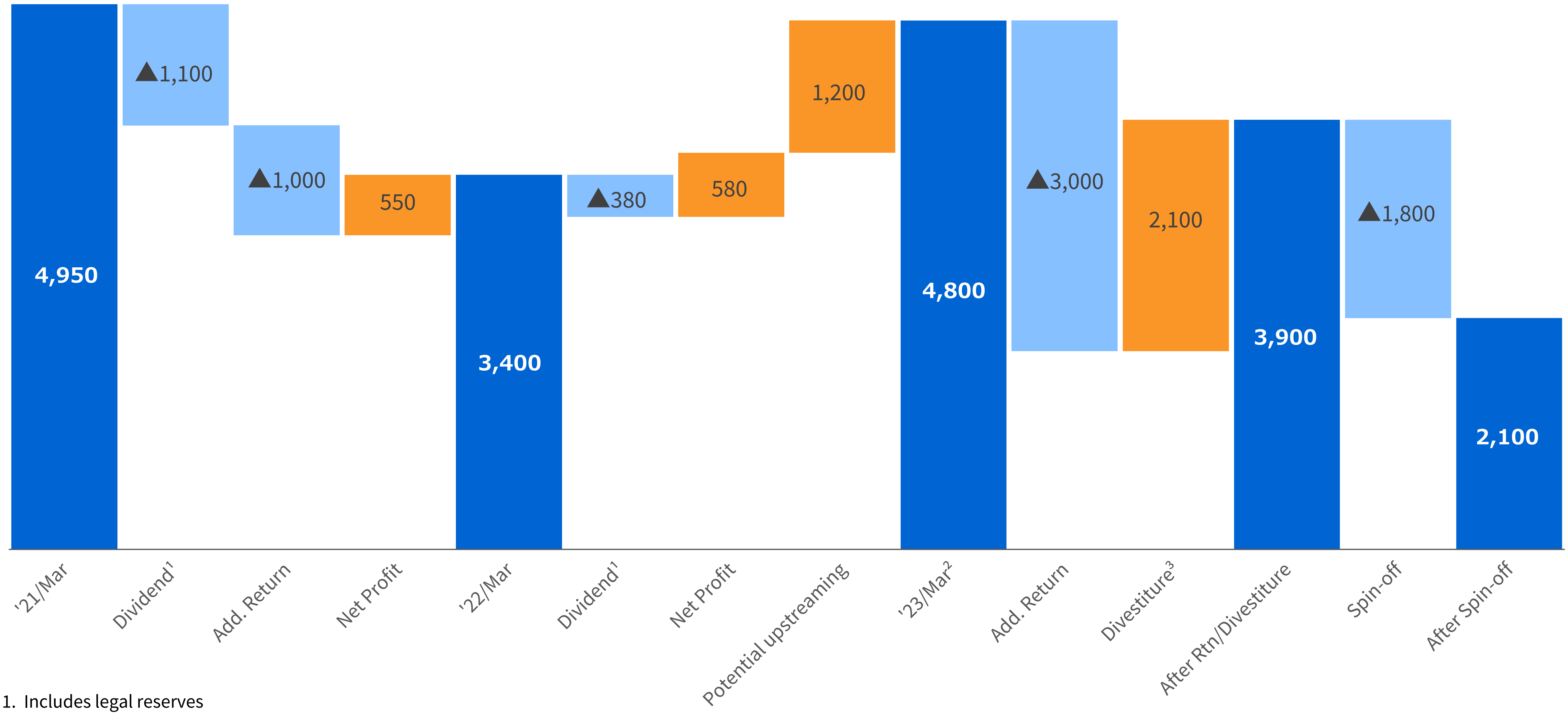
**Consolidated/ Non-consolidated Difference in Retained Earnings**

| | | |
|---|---|---|
| **Retained Earnings in Subsidiaries** | 1,909 | ■ Netted retained earnings of subsidiaries both in surplus and in deficit<br>■ Dividends within the group of approx. 130B yen to be paid in the following fiscal year |
| **Valuation Difference for Kioxia** | 2,665 | ■ In consolidation accounting, the re-investment amount of 350.5B yen was recognized straightforwardly as investment in equity method affiliate<br>■ In non-consolidated accounting, the re-investment was recognized as investment continued from establishment of Toshiba Memory Inc., resulted in the cancellation of gain on sale and the devaluation to 84.0B yen |
| **Other Consolidation Adjustments** | 1,451 | ■ Reversal entry of impairment losses on investment of subsidiaries between consolidated and non-consolidated accounting |
| **Total** (in 100million yen) | **6,025** | |

# Actual and Projected Distributable Amount (Non-consolidated)

TOSHIBA

(Unit : 100 million yen)




1. Includes legal reserves
2. Before additional shareholder return, divesture of non-core businesses, and share distribution spin-off
3. Includes reversal of double-counted potential upstreaming (1,200)