TOSHIBA

[Updated on Mar 16th] Maximizing Value for Toshiba Shareholders

Added P.7-11 to the materials disclosed in February 2021
Added P.12-13 to the materials disclosed on Mar 4th, 2021

Toshiba Corporation
March 16th, 2021

Contents

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Summary of Shareholders' Proposal and Toshiba's Opinion

Toshiba Board of Directors' Opinions on Effissimo's Shareholder Proposal

Toshiba's board of directors unanimously[1] voted against the proposal to appoint investigators on whether last year's general meeting of shareholders was fairly conducted

01	Regarding the "Pressure Issue", the details of the suspicion and the grounds thereof are not clearly disclosed by Effissimo
02	No material or information which would require additional investigation was discovered on the audit committee's review
03	The audit committee also inquired to certain "Large Shareholder", but no specific information was provided by such shareholder. No other shareholders have reported any undue pressure whatsoever
04	The Voting Rights Counting Issue is an issue relating to work for which the Shareholder Registration Agent and the Post Office were responsible. The audit committee evaluated appropriateness of the process and procedures adopted by the Shareholder Registration Agent in its investigation and the results thereof, and has conducted investigation to the fullest extent possible
05	Conducting an unnecessary investigation would create situation where it is hard to concentrate on the day-to-day business operations and cause a significant impact on the management of Toshiba

There is no validity or reasonable grounds to further investigate by electing investigators in terms of the time and the disruption of Toshiba's business operations, as well as the additional cost, because no material or information, that would lead to a conclusion that further investigation by the Company with respect to those issues is required, has been discovered

*1 Excluding directors who refrained from voting in light of applicable laws.

Toshiba Board of Directors' Opinions on Farallon's[1] Shareholder Proposal

Toshiba's board of directors unanimously[2] voted against the proposal to amend the articles of incorporation in relation to capital policy initiatives

01	**The board of directors adamantly opposes proposals which would prevent Toshiba's medium-to-long-term enterprise value creation**
02	**The proposed amendment to the articles of incorporation requiring that all operating cash flows be returned to shareholders over the next 5 years is an unrealistic proposal which would significantly limit management discretion and hinder the realization of the "Toshiba Next Plan"**
03	**The board of directors requires some degree of discretion relating to capital allocation it has a duty to execute the optimal and sustainable growth strategy and capital policy**
04	**The "Toshiba Next Plan" is being implemented as planned, and no changes have been made to the policies announced to date**
05	**The board of directors will periodically review the appropriate capital level, and the policy of returning any excess above that level to shareholders will continue**

*1 Represents Chinook Holdings Ltd which delegates its asset management to Farallon Capital Management LLC.
*2 Excluding directors who refrained from voting in light of applicable laws.

Effissimo's Proposal: Election of Investigators

	Effissimo's Assertions	Toshiba's Opinion (Against)
1	✓ Some shareholders did not exercise its voting rights due to undue pressure	✓ While Toshiba requested the Demanding Shareholders to disclose the details of the suspicion and the grounds thereof, the Demanding Shareholders have not made such points clear ✓ Following the request from the Demanding Shareholder, Toshiba Audit Committee engaged an outside law firm to investigate necessary portions of the claim. As a result, no materials or information which would lead to a conclusion that further investigation with respect to those issues is required, has been discovered ✓ Audit Committee wrote to the Large Shareholder to ask whether or not it has been the subject of any undue pressure in relation to the exercise of its voting rights at the AGM that Toshiba had taken part in, but the Large Shareholder did not provide any specific information as to whether or not there has been any undue pressure that Toshiba had taken part in. No other shareholders have reported any undue pressure whatsoever ✓ There is no validity or reasonable grounds to further investigate this issue without suspicion in terms of the time and the disruption of the Company's business operations, as well as the additional cost as it would give rise to concern that such investigation would create a situation where it is difficult to focus concentrate on the day-to-day business operations and cause a significant impact on the management of the Company
2	✓ In response to our explanation regarding "1,139 ballots received through the day before the 181st AGM were not counted as valid votes": "several abnormal facts related to the tallying of votes that cannot be resolved solely by the explanation provided"	✓ The Voting Rights Counting Issue relates to tasks which Toshiba is not involved (SMTB was responsible for counting voting rights and Japan Post was responsible for handling the mailing) ✓ No specific facts have been presented with respect to " abnormal facts…that cannot be resolved solely by the explanation provided" that would lead to a conclusion that further investigation by Toshiba is required ✓ The Audit Committee evaluated appropriateness of the process and procedures adopted by Transfer Agent and Shareholder Registration in its investigation of the issue and the results thereof, and has investigated to the fullest extent possible ✓ The Voting Rights Counting Issue is not something to be investigated via Toshiba establishing a third-party committee or appointing investigators ✓ We plan to implement measures towards appropriate voting rights counting in future shareholder meetings, by encouraging online voting

Regarding both of the two issues above, if the legitimacy of the resolution is the issue, there is no legal necessity to investigate the fact because a suit must be filed within 3 months after any resolution involving violations of the law and regulations or articles of incorporation or "grossly unfair" convention procedures or resolution methods (Article 831, paragraph 1 of the Companies Act)., and it has now become unable to revoke the resolution.

Effissimo's Proposal: Based on the Campaign Deck Disclosed on Mar 1, 2021 (1/5)

	Effissimo's Assertions	Toshiba's Opinion (Against)
1	✓Undue pressure • Vote turnout rate at 2020 AGM dropped by 3% compared to 2019 AGM • A shareholder who regularly exercises votes did not vote	✓Audit Committee sent a letter to the Large Shareholder to inquire whether or not it had been the subject of any undue pressure in which Toshiba had taken part in relation to the exercise of its voting rights at the AGM, but the Large Shareholder did not provide any specific information to demonstrate such undue pressure ✓No other shareholders have reported any undue pressure whatsoever except for the above ✓According to Effissimo's original research, shareholders which own the aggregate stake of c. 4.7% seemed to be unduly affected in exercising their voting rights because of undue pressure. Despite repeated requests from Audit Committee to disclose the concrete evidence, no information has been presented by Effissimo nor in its deck of over 50 pages that was published on March 1st. Therefore, Toshiba had to conclude that Effissimo's statement lacked plausible grounds

Effissimo's Proposal: Based on the Campaign Deck Disclosed on Mar 1, 2021 (2/5)

	Effissimo's Assertions	Toshiba's Opinion (Against)
1	✓Undue pressure • Vote turnout rate at 2020 AGM dropped by 3% compared to 2019 AGM • A shareholder who regularly exercises votes did not vote	✓There is a logical leap in Effissimo's argument that rationalizes the existence of undue pressure with the mere fact that vote turnout rate decreased compared to last AGM ✓The fact that one shareholder who regularly exercises its votes did not vote cannot substantiate the argument that some undue pressure must have been applied ✓Toshiba in fact urged certain shareholders to vote through a voting facilitation vendor as they hadn't confirmed their votes. However, Toshiba was not aware of the fact that "forward-processing" would trigger the situation where the ballots were treated as having been delivered on the following day. The investigation by our Audit Committee did not find any issue associated with it. Effissimo's argument has no reasoning that SMTB recommended online voting only to certain shareholders that are supportive of Toshiba

Effissimo's Proposal: Based on the Campaign Deck Disclosed on Mar 1, 2021 (3/5)

Effissimo's Assertions	Toshiba's Opinion (Against)
2 ✓Irregular ballot delivery and vote counting • Ordinary mail is delivered within 2-3 days, which was not the case at 2020 AGM • Japan Post and SMTB's testimony on delivery dates are irreconcilable • SMTB may have intentionally uncounted the ballots that had arrived before the deadline	✓Voting ballots are usually delivered via "postage paid by addressee" which are sealed with individual numbers of large post offices. According to Japan Post, "postage paid by addressee" is different from ordinary mail and takes longer delivery time. Hence, Effissimo's field test on postage prepaid ordinary mail is not relevant at all in this case ✓"Forward-processing", which was out of Toshiba's control, resulted in the situation where the ballots mailed were treated as having been delivered on the following day ✓Post office states that it's impossible to specify the delivery date of ordinary mail since the records of order timing and delivery timing do not exist. Moreover, as stated above, voting ballots are different from ordinary mails. Thus, Japan Post's explanation tells that there's a possibility that delivery can take approx. 3 days and, Effissimo's argument that ballots should be delivered within approx. 2 days is misleading ✓Toshiba hired Torikai Law Office, which conducted interviews to Japan Post and SMTB respectively and investigation as extensively as possible. It also scrutinized the difference of opinions between Japan Post and SMTB ✓There were a certain number of cases where it took 4 days for mails to get delivered, which can happen generally in the period of investigation. It is not particular to the certain period before the deadline

Effissimo's Proposal: Based on the Campaign Deck Disclosed on Mar 1, 2021 (4/5)

2	Effissimo's Assertions	Toshiba's Opinion (Against)
	✓Irregular ballot delivery and vote counting • Ordinary mail is delivered within 2-3 days, which was not the case at 2020 AGM • Japan Post and SMTB's testimony on delivery dates are irreconcilable • SMTB may have deferred processing of some ballots that had arrived before the deadline	✓The investigation of Torikai Law Office towards SMTB shows that no ballot postmarked on July 27th (same as the ballot of 3D Investment Partner) arrived at Japan System Techniques ("JaSt") before July 29th except for two ✓Toshiba was keen to unravel the contradiction between SMTB and Japan Post and requested Torikai Law Office to launch an investigation. SMTB allowed Torikai Law Office to view the video which recorded the office and the OCR room of JaSt. The lawyers confirmed that there was no intentional processing or concealment on the voting ballots that got delivered at least on July 30th. No doubts have arisen from SMTB's argument whereas Japan Post's explanation was nothing more than general explanation ✓Hence, voting ballots that got delivered by July 30th were recognized to be processed in an appropriate manner, and there was no issue with the ballots that came in the final minutes before 5:15pm on July 30th, except for the issue on "forward-processing" ✓Based on Toshiba's request, SMTB has been tackling with the remediation plan on voting tabulation. It is shifting to the system which enables same-day tabulation after it receives voting ballots without "forward-processing" by expediting the receipt of mails to be delivered to SMTB directly through New Tokyo Post Office (without routing to Suginami Minami Post Office), increasing the human resource at JaSt, reinforcing the system, and improving its function

Effissimo's Proposal: Based on the Campaign Deck Disclosed on Mar 1, 2021 (5/5)

3

Effissimo's Assertions

✓ Conflict of interest inherent on Audit Committee and its voting tabulation

- Conflict of interest at Audit Committee
  - Chaired by a Director whose reappointment was opposed by significant percent of shareholders at the AGM
  - The investigation's method was intentionally framed, which would lead to the guided conclusion
- Conflict of interest at voting tabulation
  - Questionable voting tabulation due to Toshiba's relationship with SMTB as its main bank

Toshiba's Opinion (Against)

✓ Affirmative voting rate of Mr. Ota has nothing logical to do with "potential conflict of interest of Audit Committee" (validity of the investigation)

✓ There cannot be any potential conflict of interest as Toshiba's Audit Committee consists of four outside directors and the target / scope of investigation and its process is determined entirely through consensual decision-making. There is no fact that states our investigation was intentionally limited and it led to a pre-determined conclusion

✓ Audit Committee proactively sought to verify the facts by conducting investigation to Japan Post and SMTB with an outside law firm as an investigator and issuing investigation report and Audit Committee's Statement of Opinion (Toshiba offered the draft of investigation report, only to be refused by Effissimo)

✓ Toshiba's main banks are Sumitomo Mitsui Banking Corporation and Mizuho Bank, not SMTB

✓ It is quite common to delegate a company's bank as its tabulator and our case is not special. Pursuit of the mistrust of voting tabulation caused by SMTB will not cause us any detriment

Effissimo's Proposal: Based on the Campaign Deck Disclosed on Mar 8, 2021 (1/2)

	Effissimo's Assertions	Toshiba's Opinion (Against)
1	✓It is possible that SMTB encouraged only certain shareholders that were supportive of Toshiba to vote online. This may qualify as unequal treatment of shareholders ✓Only 4 out of a total of 1,143 ballots delivered on July 30th were treated to have met the deadline. 3 are individuals who voted online days in advance, and only one is the large management-friendly financial institution that voted 21 minutes prior to the deadline	✓No fact has been discovered to suspect that SMTB took such an action. ✓Due to SMTB's processing, all of the 1,143 voting ballots which arrived on July 30th, including the 4 ballots pointed out, were initially treated not to have met the deadline. However, they were treated to have met the deadline by the later forward-processing, and there is no fact that only 4 ballots were treated to have met the deadline. It is noted that those 4 ballots were treated to have met the deadline as they were voted in duplicate (through online in addition to ballots).

Effissimo's Proposal: Based on the Campaign Deck Disclosed on Mar 8, 2021 (2/2)

	Effissimo's Assertions	Toshiba's Opinion (Against)
2	✓Toshiba has not answered or refuted the fundamental question as to why it took four days to deliver the mail ✓Presumably nearly all ballots postmarked July 27th have been intentionally delivered in 4 days ✓There must have been errors in processing mails received as well as "forward-processing"	✓According to the explanation by the post office, it takes approximately 4 days for mails delivered via "postage paid by addressee" which are sealed with large-lot individual numbers of Suginami Minami Post Office to be delivered (approximately 3 days in the case of "forward-processing"). The delivery time shown on Japan Post's website is considered to be that of ordinary mail. According to the SMTB's investigation, throughout the voting period, many of the ballots arrived 4 days after, and some early ones 3 days after, the postmarks. There were no anomalies seen with the ballots with postmarks dated July 27. ✓"Forward-processing" of July was completed by the 30th. Voting ballots that were treated to have arrived on the 31st included the ones which arrived on the 30th but treated as if arrived on the 31st due to "forward-processing" and the ones that actually arrived on the 31th. The former totaled 1,143 (1,142 to be re-tabulated) and the latter totaled 951. Moreover, voting ballots of the latter case arrived 3.4 days in average after the postmarks, regardless of voting decision (all or partially For / Against). Thus, there was no difference of delivery time between the votes for and against. ✓SMTB has explained the voting ballots that arrived by the 30th were scanned through OCR on the day they were delivered, which raises no doubt

Other rebuttal points than the two written on P.12 and 13 are already addressed in this materials and we assume no additional explanation should be required. Effissimo's statements continues to be invalid.

Farallon’s Proposal: Capital Allocation (1/2)

	Farallon’s Assertions	Toshiba’s Opinion (Against)
1	✓ In "Toshiba Next Plan Progress report" on November 11, 2020, there was a significant change in the capital policy and growth strategy published in previous Toshiba Next Plan	✓ No changes have been made to the policies since the formulation of the “Toshiba Next Plan” ✓ In addition, Toshiba has been appropriately fulfilling its responsibility to shareholders by providing progress reports at regular intervals regarding the growth strategy and capital policy it presented in the “Toshiba Next Plan.”
2	✓ Sudden announcement of plans to implement M&A in the amount of JPY 1tn	✓ We have no plan to conduct major M&A amounting JPY 1tn , and there are no changes to our strategy of pursuing organic growth and that the M&A will be centered on programmatic M&A
3	✓ Toshiba should commit to shareholder returns by providing specific figures	✓ M&A-related investments and borrowings need to be reviewed flexibly depending on the timing of execution and the prevailing operating environment at the time, which may differ from current expectations. We therefore believe it is irresponsible to announce and commit to specific shareholder returns for the future based on current estimates; the responsibility of the management team is to present an outline of a policy relating to shareholder returns ✓ While we will continue to use capital in excess of the appropriate level of capital to provide shareholder returns, we have no plans to determine shareholder returns based on cash flows which include borrowings

Farallon's Proposal: Capital Allocation (2/2)

	Farallon's Assertions	Toshiba's Opinion (Against)
4	✓ The articles of incorporation should be amended to include a provision which states that approval must be obtained at the general meeting of shareholders regarding the content of a capital policy proposal	✓ Such a provision in the articles of incorporation is not necessary, as Toshiba confirms and reflects shareholder intentions by submitting director election proposals at the ordinary general meeting of shareholders each year and securing the confidence of shareholders ✓ Toshiba's executive officers and board of directors engage in active discussions on capital policy, pursuing an optimal balance between growth and returns and is announcing a consistent policy. We plan to maintain transparency by providing progress reports at regular intervals
5	✓ Toshiba should return to shareholders every year the full amount of operating cash flow in the financial statements over the five-year period from April 1, 2021 to March 31, 2026 in the event that the above capital policy proposal is not approved at the general meeting of shareholders	✓ Management requires some degree of discretion relating to capital allocation as it has a duty to execute optimal growth strategy and capital policy amid a constantly changing operating environment ✓ **Farallon's assertion to apply entire amount of generated operating cash flows to shareholder returns will completely destroy all seeds for medium-to-long-term growth** ✓ Again, shareholder returns should be determined based on appropriate level of capital reflecting prevailing and future business risks, instead of simply calculating them based on past operating cash flows

02

Toshiba’s Financial Management Policy

Toshiba's Business Model

- After the announcement of the “"Toshiba Next Plan"” in November 2018, during the period up to June 2020, we outlined the following policies to explain the progress of the plan.
- The content of the November 2020 announcement also aligns with these policies, which remain unchanged.

Outline	✓ Strengthen core earning power and focus investments in growth fields
Invested Capital	✓ Shift business model from heavy capital to light capital

Financial Management Policy

Growth investment	✓ Growth through organic growth and programmatic M&A rather than large-scale M&A
Cost of capital	✓ Use debt to finance growth and to optimize the cost of capital. Expand debt within the discipline of Net Debt / Equity 30% and Net Debt / EBITDA 100%
Shareholder return	✓ Target average consolidated dividend payout ratio of at least 30% ✓ Capital in excess of appropriate level of capital will be used to provide shareholder returns including share repurchase
Kioxia shares	✓ Continue to evaluate alternative means to monetizing Kioxia shares, and intend to return a majority of the net proceeds to shareholders

Balancing verification of appropriate capital level and growth investment

In the changing environment, Toshiba is planning to verify appropriate capital level at the constant board meetings and pursue disciplined strategic investment for further growth

- ✓ Capital in excess of the appropriate level of capital will be used to provide shareholder returns. The Board of Directors will verify the appropriate level of capital every year, taking into account growth investments, including certain level of M&A
- ✓ Any growth investments must to meet ROIC/IRR criteria. Strategic investments include shareholder returns based on the verification of the appropriate level of capital and inorganic growth investments which include certain amount of M&A
- ✓ The Board of Directors will review the appropriate level of capital whenever there is a major change in the capital section, such as when an asset sale is realized or an occurrence of event with significant strategic importance
- ✓ We currently believe that our capital is at an appropriate level, and will reevaluate at the end of FY20. The Board of Directors will evaluate it by reviewing the balance sheet, and the business portfolio and business plan including growth investment at that time

Capital Allocation Policy

Returns above the Cost of Capital

Target for FY2025
ROIC 12%, ROE 15%

- Evaluate both Growth and Capital Efficiency
- Seek “light capital” model

Cash Flow Generation

- Strengthen Core Earning Power: Restructure, Procurement reform, Sales reform, Process reform
- Methodically sell down stake in Kioxia and return majority of net proceeds to shareholders

Operating Cash Flow

Sale of Non Core Asset

- Use debt to finance growth and to optimize the cost of capital

Procurement of Debt

Capital Allocation

Invest in Growth

Capital Expenditure

Programmatic M&A

Shareholder Return (Dividend and Buyback)

- Growth through organic growth and programmatic M&A rather than large-scale M&A
- Capital in excess of appropriate level of capital will be used to provide shareholder returns

Appropriate Level of Capital

Debt Capacity

- Consider balance sheet health and establish disciplined metrics
- Net Debt/Equity 30%, Net Debt/EBITDA 100%

Dividend Policy

FY20 Dividend	✓ Along with the improvement of FY20 net income forecast (for reference only)*1 (from 50 to 70 billion yen), dividend is revised upward ✓ Dividend increased from **40 yen** to **50 yen**
FY21 Dividend Target	✓ Target is to **raise dividend** based on the "Toshiba Next Plan" announced in November 2018 ✓ Plan to decide and announce at the FY20 earnings release
FY22-24 Dividend Target	✓ Target **steady and continuous increase** of dividend ✓ Plan to present dividend policy when FY22-24 Mid-Term plan is announced

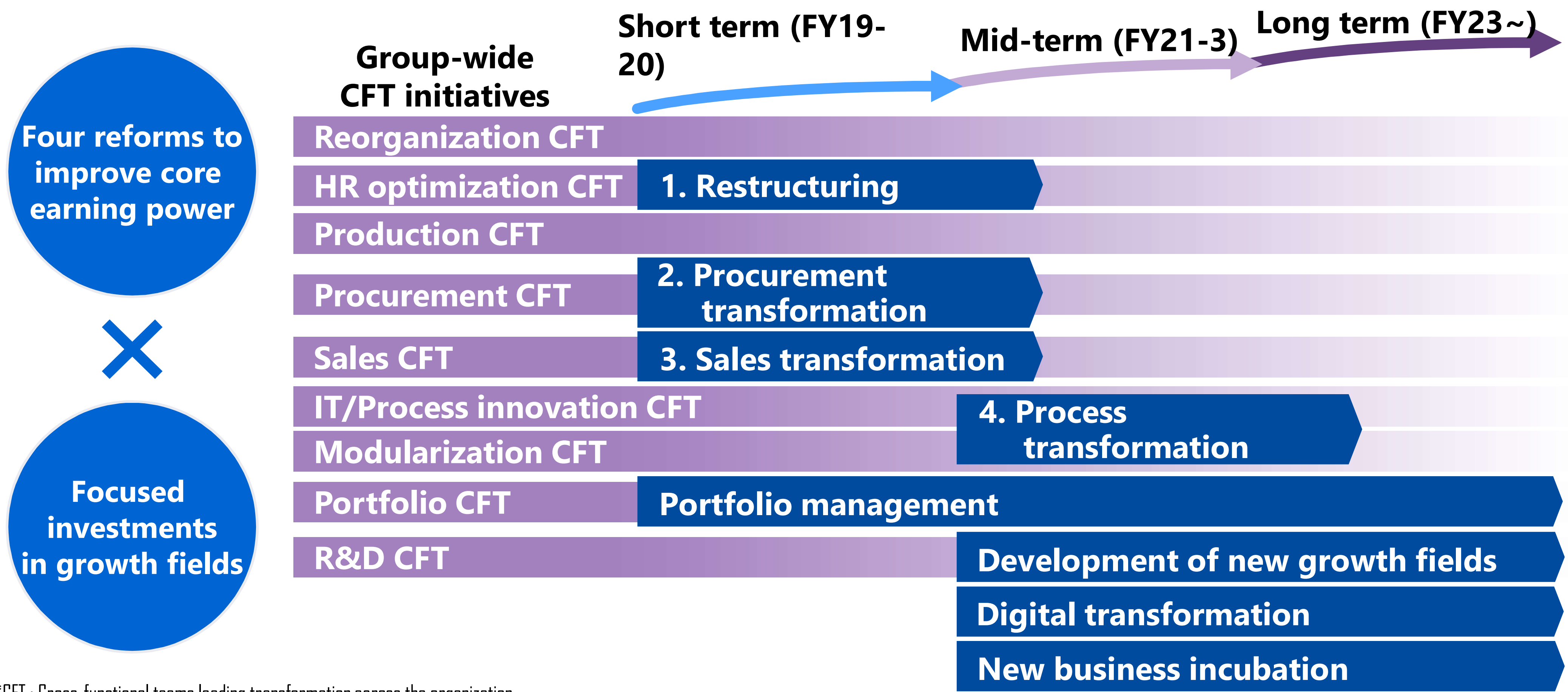
*1 This FY2020 forecast is disclosed for reference only, which includes the actual FY2020/Q1-Q3 equity earnings (losses) and does not include any forecasted equity earnings (losses) of Kioxia.

Appendix A

Supplemental Information of Toshiba’s Financial Management Policy

The "Toshiba Next Plan" Overview (Disclosed on Nov 8, 2018)

Four reforms to transform core earning power and focused investments in growth field



*CFT : Cross-functional teams leading transformation across the organization

Transformation Towards a CPS Technology Company (Disclosed on Nov 13, 2019)

	Past	Growth Phase 2
Development	Close/Close	**Open/Close**
Profit Structure	Physical One-time sales	**Physical + Cyber** **Expanding recurring business**
Invested Capital	Heavy Capital	**Light Capital**
Growth	Major M&A	**Organic Growth +** **Programmatic M&A*1**

*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. 60 % of companies with top 100 market cap in past decade (2007-2017) employ this method. (Source: McKinsey & Company)

Use of Leverage (Disclosed on Nov 13, 2019)

- ☐ **Decrease cost of capital by using leverage to finance growth**
- ☐ **Limit debt so that net D/E does not exceed 30% and net D/EBITDA does not exceed 100%**
- ☐ **Enhance TSR by pursuing growth**

Shareholder Returns Policy (Disclosed on Jun 22, 2020, 1/2)

Notice Regarding Shareholder Return Policy

TOKYO—Toshiba Corporation (TOKYO: 6502, hereinafter "Toshiba") has announced today that its board of directors has agreed upon an amended policy for distributions to shareholders (shareholder return policy).

1. Reasons for the amendment

In the five years following the occurrence of the accounting issues which occurred in 2015, Toshiba has divested seven businesses with revenues of JPY 3 trillion (based on the consolidated results of 2014). In the last two years, Toshiba has divested non-core businesses such as its U.S. LNG business and its U.K. nuclear power plant construction project. In addition, during this same two-year period Toshiba has disposed of other non-core assets, such as strategic cross-shareholdings, of approximately JPY 16 billion, subsidiaries for JPY 21billion, and real estate and related assets worth JPY 29 billion. Furthermore, in late 2019 Toshiba completed a JPY 700 billion share buy-back program using the proceeds gained from the sale of the Memory business.

Regarding Toshiba's 40.2% holding in KIOXIA, as already announced, Toshiba has no strategic intention to remain in the Memory business. Therefore, Toshiba intends to realize the value of its investment in KIOXIA and continues to evaluate alternative means of monetizing its stake. Once such a monetization event is completed, Toshiba, in principle, intends to return a majority portion of the net proceeds to shareholders.

As part of its continuing efforts to rationalize its business portfolio, Toshiba will seek to further grow the infrastructure service businesses and data services businesses. As for monitored businesses, as previously defined, such as the System LSI business and the Printing business, Toshiba is considering its available options. As for the Printing business, since Toshiba TEC Corporation is a listed subsidiary and Toshiba recognizes the independence of Toshiba TEC's board and management, Toshiba will continue to closely monitor its recovery plans and progress. Toshiba will discuss the measures necessary to be taken for the Printing business from its position as Toshiba TEC's shareholder.

Shareholder Returns Policy (Disclosed on Jun 22, 2020, 2/2)

Toshiba views the distribution of profits to shareholders as one of its most important management objectives, and has worked to strengthen returns through various means, including share repurchase programs, while endeavoring to maintain stable dividends in order to maximize medium- to long-term shareholder value. Taking the above into account, and in order to further clarify Toshiba's stance on returning profits to shareholders, Toshiba has made certain amendments to its distribution policy, which are described below.

2. Amendments in shareholder return policy
(Before amendment)
Toshiba intends to maintain an average consolidated dividend payout ratio of at least 30% (*Note), and shareholders' equity in excess of the appropriate level of shareholders' equity will be used to fund shareholder returns, including share repurchases. The appropriate level of capital shall be reviewed by the Board of Directors on a regular basis.
(*Note) For the time being, equity method profit and loss for KIOXIA Holdings Corporation is excluded from Toshiba's policy on shareholder returns.

(After amendment)
Toshiba intends to maintain an average consolidated dividend payout ratio of at least 30% (*Note), and shareholders' equity in excess of the appropriate level of shareholders' equity will be used to provide shareholder returns, including share repurchases. The appropriate level of capital shall be reviewed by the Board of Directors on a regular basis. While Toshiba will focus in the short term on ensuring its financial stability during the unpredictable COVID-19 situation, it is Toshiba`s intention in principle, to return the majority of the net proceeds from any KIOXIA divestiture to shareholders. Furthermore, if the external environment stabilizes, enabling capital markets and the global pandemic to be more predictable in the Fall, Toshiba expects to be in a position to undertake more proactive portfolio streamlining and divestures, including the assessment of highly accretive M&A opportunities to continuously improve capital allocation in order to further enhance shareholder returns and the long term value of Toshiba.
(*Note) For the time being, equity method profit and loss for KIOXIA Holdings Corporation is excluded from Toshiba's policy on shareholder returns.

Approach to Growth Investments (Disclosed on Nov 11, 2020)

Established internal ROIC/IRR criteria for strategic investments
Stricter process for selecting investments

Financial Management Policy	✓ Dividend payout ratio, appropriate level of capital, debt-equity ratio →Maintain policies announced in November 2019 and June 2020
Financial Leverage	✓ Expand leverage up to 30% debt-equity ratio and 100% net-debt/EBITDA by FY25 ✓ Reduce cost of capital and utilize cash for strategic investments.
Strategic Investment	✓ Strategic investments include M&As which meet the ROIC and IRR investment criteria. ✓ Returns to shareholders will also be considered as a form of strategic investment if there is excess cash.

Shareholder Returns Policy (Disclosed on Nov 11, 2020)

- □ **Our basic policy is to maintain an average consolidated dividend payout ratio of at least 30%[*1]**

- □ **Capital in excess of the appropriate level of capital will be used to provide shareholder returns, including share repurchases**

*1 For the time being, equity-method investment income/losses from Kioxia Corporation are excluded from this policy

Committed to People,
Committed to the Future.

We turn on the promise of a new day.

TOSHIBA