

Governance

For further strengthening thorough governance

Practice transparent corporate governance and optimal internal controls; and execute management with integrity, trusted by stakeholders.

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Corporate Governance



Toshiba Group values engagement with various stakeholders. We have established internal control systems and continue to enhance efficiency and transparency of the management to effectively respond to the demands of stakeholders, while trying to align with rapidly changing business environment. The contents of this page include the latest information as of the issuance of Sustainability Report 2021.

Medium- to Long-term Vision

Toshiba Group endeavors to realize sustainable growth and medium- to long-term gains in corporate value, so as to benefit all of the Group's stakeholders.

FY2020 Achievements

- Relisted on the First Section of Tokyo Stock Exchange and Nagoya Stock Exchange.
- Withdrew from future development of the advanced system LSI (SoC) in accordance with the 5% ROS rule for portfolio management.
- Implemented payment of interim and year-end dividends despite COVID-19 (80 yen per share in FY2020).
- Resolved a shareholder return policy of paying out 150 billion yen.
- Established the Compliance Advisory Meeting consisting of outside experts to further strengthen the internal control system. Also established a Risk Management & Compliance Office in the Legal Division, as suggested by the meeting.

Future Challenges and Approaches

- We will maintain a highly innovative Board structure to ensure the skillsets essential for promoting Toshiba's business transformation and appropriately handling high-risk matters. The Board of Directors is comprised of experts with international business experience in such areas as business portfolio, business transformation, M&As, capital markets, capital allocation, law and compliance, and includes more than a few non-Japanese members. We intend to enhance shareholder value through maximizing corporate value. To achieve this, we will steadily execute our business transformation and appropriately handle high-risk matters in a timely manner by having the Board of Directors monitor and supervise business execution and review strategies.
- We currently believe that being a publicly traded company in the First Section of Tokyo Stock Exchange and Nagoya Stock Exchange provides a stable equity structure suitable for enhancing long-term value creation, and that taking advantage of the listed status will lead to corporate value enhancement. However, we will not disregard various proposals, including those to take the Company private, as alternative options to enhance Toshiba's corporate value. While we recognize that there are various issues to be cleared for Toshiba to go private, our Board of Directors will seriously consider and evaluate any sincere offers of acquisition that are deemed concrete and feasible from an objective standpoint. We believe that the process and content of such a proposal must satisfy our stakeholders at large, including shareholders. We recognize that it is the utmost responsibility for the Board of Directors to act in the best interests of the Company and its shareholders.
- To further strengthen corporate governance, we established the Strategic Review Committee that supports the decision-making of the Board of Directors. The committee is composed solely of outside directors and discusses Toshiba's future from an independent standpoint. The mission of the committee is to consider Toshiba's future carefully and objectively and support the Board of Directors in its decision-making in order to enhance the Company's corporate value for the sake of its shareholders and other stakeholders.
- Toshiba Group's policy on shareholder returns is to maintain an average consolidated dividend payout ratio of at least 30%* as a base to realize a stable and continuous increase of returns. Shareholder's equity in excess of the appropriate level of capital will be used to provide shareholder returns, including share repurchases. The Board of Directors shall review the definition of appropriate level of capital on a regular basis. While the Company will focus for the time being on ensuring its financial stability to be well prepared amid the COVID-19 pandemic, it is the Company's intention, in principle, to return to shareholders the majority of the net proceeds from the sale of shares of KIOXIA Holdings Corporation in the future. Furthermore, if the COVID-19 pandemic is brought under control in the future, the Company intends to undertake more proactive portfolio streamlining and divestures, including the assessment of highly accretive M&A opportunities, to continuously improve capital allocation for the purpose of further enhancing shareholder returns and the long-term value of the Company.

* For the time being, equity method profit and loss for KIOXIA Holdings Corporation is excluded from the scope of Toshiba's policy on shareholder returns.

- In line with its basic policy of prioritizing compliance over all business activities, Toshiba is working to further enhance its internal control. Toshiba has set up three-line defense structure, with the relevant business divisions as the front line, the administrative divisions as the second, and the audit divisions as the third. We have implemented various measures under the system, which is designed to ensure effective risk management by assigning to each line a clearly defined role and a set of duties and having each line carry out their role appropriately while exercising a checks-and-balances function. As part of our efforts to further enhance our internal control system in FY2020, we established the Compliance Advisory Meeting with external experts as members. Based on the results of their discussions, we newly established the Risk Management & Compliance Office in the Legal Division. This setting will serve to enforce compliance awareness anew and enrich cross-organizational compliance systems and measures. We will bolster our three-line defense structure based on the following direction with regard to matters that the Compliance Advisory Meeting indicated as requiring improvement or further discussion.
 - ✓ We will strive to raise strong awareness of compliance, by delivering timely and appropriate messages and developing educational programs that effectively disseminate the principle of prioritizing compliance over performance targets.
 - ✓ As part of fraud risk management, we emphasized again our policy of zero tolerance (steadfast refusal to accept such behavior) to develop and enforce all necessary rules, which includes standardizing fraud countermeasures, setting internal regulations on control activities, preparing manuals, and strengthening awareness of disciplinary action.
 - ✓ We will take thorough measures to ensure greater awareness of our internal whistleblower system, start receiving reporting in the English language in Japan, and strengthen the overseas whistleblower network to further develop initiatives to promote use of the system.
 - ✓ We will improve internal audits on our fraud risk management system by taking such measures as assigning additional staff and bolstering our internal auditing function.

[Corporate Governance](#)

Toshiba Corporate Governance Policy

The basic policy and objectives of Toshiba's corporate governance are to realize sustainable growth and raise the enterprise value of the Group over the medium- to long-term, and to contribute to the interests of all stakeholders, including shareholders, investors, employees, customers, business partners, creditors, and local communities. Under this policy, as we put importance on the board's function to oversee business execution by the executives, we adopt a company with three committees, etc., system that delegates business execution decisions to executives, allowing the board to concentrate on monitoring and supervising execution and determining basic strategy.

Toshiba has also established "Corporate Governance Guidelines" that form the framework of governance of the Company.


[Corporate Governance Report \(December 22, 2021\)](#) [PDF 955KB/30 pages]

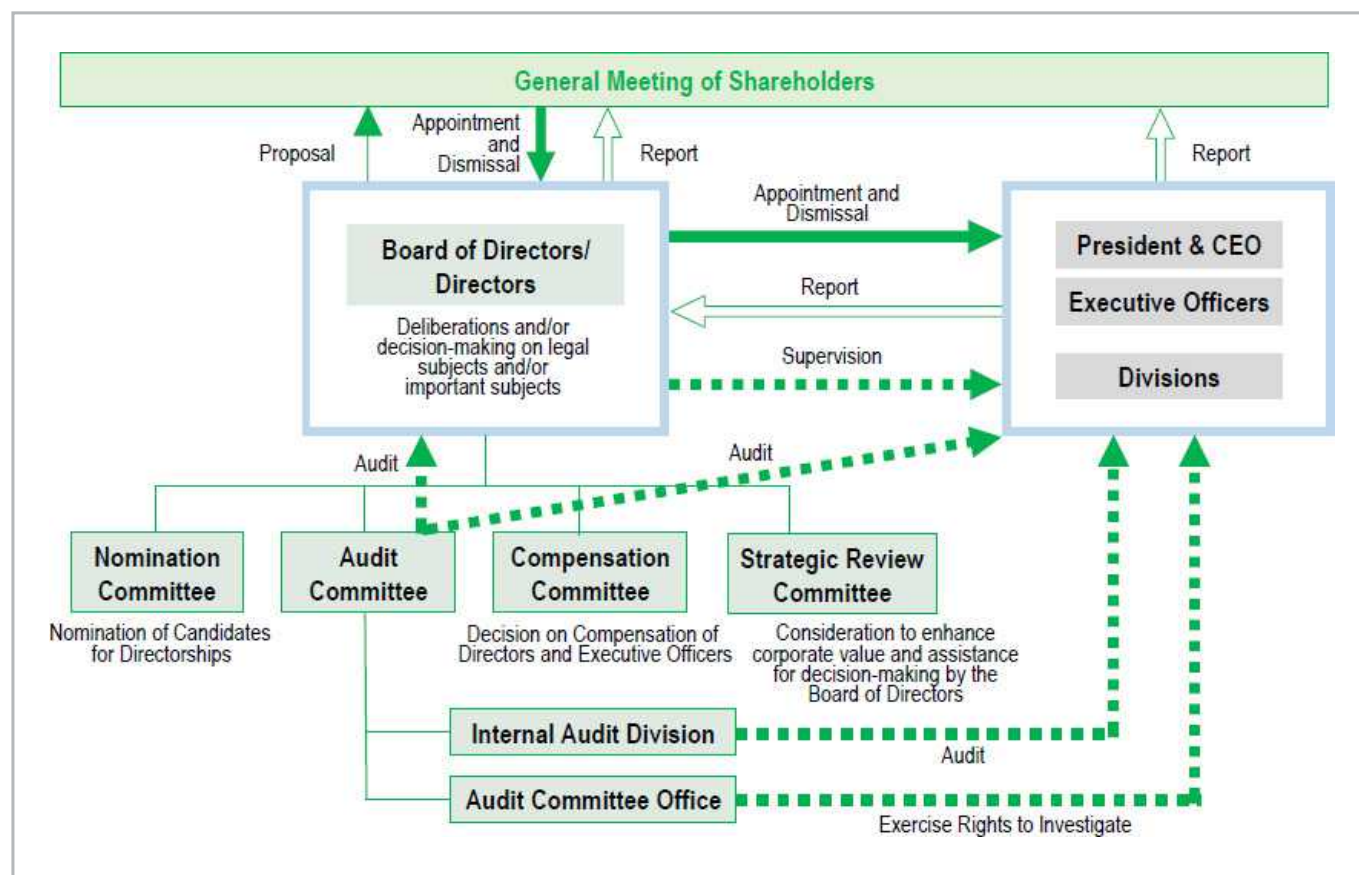

[Corporate Governance Guidelines \(January 19, 2022\)](#) [PDF 223KB/13 pages]

Toshiba's Governance Structure

Toshiba emphasizes the supervisory function of the Board of Directors over business execution, and to the extent possible delegates decisions on the execution of business to responsible executives. For this reason, Toshiba has adopted the company with a nomination committee, etc., system. The main missions of the Board of Directors are to determine the company strategy in such areas as basic management policy, and to monitor and supervise Executive Officers and Directors in the execution of their duties.

The ability of the Board of Directors to carry out monitoring and supervisory functions in an appropriate manner is ensured by a board with a majority of outside directors (6 outside directors of 8 in total, as of June 2021). In addition, the Board of Directors has established Nomination, Auditing, and Compensation Committees, all comprised only of outside directors, which further enhances management transparency. In addition to the committees stipulated by law, the Board of Directors has established Strategic Review Committee comprised only of outside directors.

Corporate Governance Structure



Takeover Defense Measures

Toshiba is currently not deploying any takeover defense measures. If any party seeks to acquire a large number of shares in the Company, we will i) request the party to provide information necessary and sufficient for shareholders to properly judge whether the proposed acquisition is reasonable or not and ii) publish the opinion of the Toshiba Board of Directors to secure an amount of time and information for shareholders to consider the proposed share acquisition. Thus, the Company will continue striving to secure and improve its enterprise value and shareholders' shared benefit while taking appropriate action within a scope that is allowed under the Financial Instruments and Exchange Act, the Companies Act and other applicable laws and regulations.

Information Disclosure Policy

Please see [Disclosure Policy](#) page.

Directors

List of Directors (after June 25, 2021)

Directors (8 members)

Name	Corporate management	Law and compliance	Accounting and auditing	Diversity	M&A	Corporate restructuring	Capital markets	International business
Satoshi TSUNAKAWA	○				○	○	○	○
Mamoru HATAZAWA	○				○			○
Paul J. BROUGH (Outside Director, Independent)	○	○	○	○		○		○
Ayako Hirota WEISSMAN (Outside Director, Independent)	○			○			○	
Jerry BLACK (Outside Director, Independent)	○		○	○	○	○		○
George Raymond ZAGE III (Outside Director, Independent)	○			○	○		○	○
Mariko WATAHIKI (Outside Director, Independent)		○		○				
Katsunori HASHIMOTO (Outside Director, Independent)	○	○	○		○			○

* Diversity indicates diversity of gender, ethnicity, nationality, and other identities.

Two of the 8 directors is female.

Please see [here](#) for Directors' careers.

Chairperson of the Board of Directors/Members of Committees

Chairperson of the Board of Directors (Interim)	Satoshi TSUNAKAWA
Nomination Committee	George Raymond ZAGE III (Chairperson), Paul J. BROUGH, Jerry BLACK, Mariko WATAHIKI, Katsunori HASHIMOTO
Audit Committee	Katsunori HASHIMOTO (Chairperson), Mariko WATAHIKI, Paul J. BROUGH
Compensation Committee	Jerry BLACK (Chairperson), Ayako Hirota WEISSMAN, Mariko WATAHIKI
Strategic Review Committee	Paul J. BROUGH (Chairperson), George Raymond ZAGE III, Jerry BLACK, Ayako Hirota WEISSMAN, Katsunori HASHIMOTO

Director Nomination Criteria

When determining the content of proposals regarding the election of directors, the Company will select candidates who fulfill the following criteria and who are able to appropriately fulfill the duties of monitoring and supervising business execution and determining the direction of management strategies:

1. Being a respected, dignified, and highly ethical person;
2. Being responsive to compliance with laws and regulations;
3. Being in good health to conduct the required duties;
4. Having the ability to make objective judgments on management issues as well as excellent foresight and vision;
5. Having no interest in or transaction with the Company's main business fields that might affect management decisions; and
6. For outside directors, having expertise, insight, and a good track record in a field such as law, accounting, or corporate management.

Independence Criteria for Outside Directors

In addition to the independence criteria established by Tokyo Stock Exchange, Inc. and other financial instruments exchanges in Japan, the Nomination Committee will judge any outside director falling under any of the following items to lack independence:

1. The outside director currently belongs or at any point in the past three years has belonged as an executive director, executive officer, or employee to a company in which the Company currently holds 10% or more of the voting rights.
2. The outside director currently belongs or at any point in the past three years has belonged as an executive director, executive officer, or employee to a company that currently holds 10% or more of the voting rights of the Company.
3. The outside director currently belongs or at any point in the past three years has belonged as an executive director, executive officer, or employee to a company whose transactions with the Company in any of the past three fiscal years totaled a monetary amount exceeding 2% of the consolidated net sales of that company or the Company
4. The outside director currently is or at any point in the past three years has been an executive director, executive officer, or employee of a financial institution from which the Company currently borrows funds equal to 2% or more of its total assets
5. The outside director has in any of the past three fiscal years received compensation other than director compensation exceeding ten million yen from the Company as a law, accounting, or tax expert or consultant; or an organization to which the outside director belongs has in any of the past three fiscal years received from the Company compensation as a law, accounting, or tax expert or consultant exceeding 2% of the annual revenue of that organization.
6. In any of the past three fiscal years, the Company has made contributions exceeding ten million yen to the outside director or to a corporation to which the outside director currently belongs or at any point in the past three years has belonged as an officer that executes business or as an employee. However, in case of contributions to a corporation, this applies when the outside director was directly involved in the research, education, or other activity concerning the contributions.
7. The outside director currently belongs or at any point in the past three years has belonged as an executive director, executive officer, or employee to a company whose outside officers currently include any persons with experience as an officer of the Company that executed business.
8. The outside director currently is or at any point in the past three years has been a representative officer, officer, or employee of the current accounting auditor (independent auditor) or an accounting auditor (independent auditor) in the past five fiscal years of the Company.

Outside Directors' Relationship with the Company

(Source: Corporate Governance Report (published on August 12, 2021))

Name	Supplementary Explanation of the Relationship	Reasons of Appointment
Paul J. BROUGH	<p>Mr. Paul J. BROUGH is an Independent Officer as stipulated by the Tokyo Stock Exchange and other financial instruments exchanges.</p> <p>[Significant concurrent positions]: Independent Non-Executive Director, Vitasoy International Holdings Limited Chief Executive, Blue Willow Limited</p>	<p>Mr. Paul J. BROUGH is a Chartered Accountant in the United Kingdom. He has significant expertise in finance and accounting, deep experience in M&A and business restructuring as a financial advisor and as a Chief Restructuring Officer for a number of companies, and has experience in international business from serving in positions such as executive director for multinational companies. He is appropriately supervising the management of the Company based on his experience in international business, deep experience in M&A and business restructuring, and extensive experience and broad expertise as a management executive.</p> <p>He does not maintain relationships, transactions, or other significant interests as stipulated in the Independence Criteria for Outside Directors established by the Company in addition to the independence criteria established by Tokyo Stock Exchange, Inc. and other financial instruments exchanges in Japan.</p>

Name	Supplementary Explanation of the Relationship	Reasons of Appointment
Ayako Hirota WEISSMAN	<p>Ms. Ayako Hirota WEISS-MAN is an Independent Officer as stipulated by the Tokyo Stock Exchange and other financial instruments exchanges.</p> <p>[Significant concurrent positions]: Senior Vice President, Senior Portfolio Manager and Director in charge of Asia Strategy, Horizon Kinetics LLC Non-Executive Director, Nippon Active Value Fund plc</p>	<p>Ms. Ayako Hirota WEISSMAN has many years of experience in many aspects of the investment business, including her experience investing in both Japanese and foreign stocks, giving her particularly deep experience and expertise in the area of investment. In addition to her experience in international business, she is an expert in Japanese business through her experience as an outside director of a Japanese company. She is appropriately supervising the management of the Company based on her extensive experience and broad expertise.</p> <p>She does not maintain relationships, transactions, or other significant interests as stipulated in the Independence Criteria for Outside Directors established by the Company in addition to the independence criteria established by Tokyo Stock Exchange, Inc. and other financial instruments exchanges in Japan.</p>
Jerry BLACK	<p>Mr. Jerry BLACK is an Independent Officer as stipulated by the Tokyo Stock Exchange and other financial instruments exchanges.</p> <p>He has served as an executive of Aeon Co., Ltd., a business partner of the Company, in the past, but the volume of transactions between that company and the Company is less than 1% of each party's consolidated net sales, and therefore has no significant impact on his independence as an outside director.</p> <p>[Significant concurrent positions]: Advisor, Aeon Co., Ltd.</p>	<p>Mr. Jerry BLACK has experience in an international consulting firm, and has worked for many years in the business execution of Japanese companies. He has experience in business execution as a manager of group strategy and IT/digital business, strong expertise in the management of Japanese companies, and experience in international business, and is appropriately supervising the management of the Company based on his extensive experience and broad expertise.</p> <p>He does not maintain relationships, transactions, or other significant interests as stipulated in the Independence Criteria for Outside Directors established by the Company in addition to the independence criteria established by Tokyo Stock Exchange, Inc. and other financial instruments exchanges in Japan.</p>
George Raymond ZAGE III	<p>Mr. George Raymond ZAGE III is an Independent Officer as stipulated by the Tokyo Stock Exchange and other financial instruments exchanges.</p> <p>[Significant concurrent positions]: Independent Non-Executive Director of Whitehaven Coal Limited Founder and CEO, Tiga Investments Pte. Ltd. Commissioner(Non-Executive), PT Lippo Karawaci Tbk Tiga Acquisition Corp Chairman and CEO</p>	<p>Mr. George Raymond ZAGE III has experience investing in a number of listed and unlisted companies, and also in startup investment and investment for corporate rehabilitation, through his work with a prominent investment fund group. With his experience in investment fund, he is expected to bring his expertise in business portfolios, business restructuring, M&A, capital markets, and capital allocation to the Board of Directors, and is appropriately supervising the management of the Company.</p> <p>He does not maintain relationships, transactions, or other significant interests as stipulated in the Independence Criteria for Outside Directors established by the Company in addition to the independence criteria established by Tokyo Stock Exchange, Inc. and other financial instruments exchanges in Japan.</p> <p>He was the managing member of Farallon Capital Asia Pte. Ltd., part of the Company's major shareholder Farallon Capital Group, until August 2018. Because Farallon Capital Group holds less than 10% of the voting rights of the Company, this does not affect his independency. He has indicated his intention to perform his duties as a director for the Company, and not any specific shareholder.</p>
Mariko WATAHIKI	<p>Ms. Mariko WATAHIKI is an Independent Officer as stipulated by the Tokyo Stock Exchange and other financial instruments exchanges.</p> <p>[Significant concurrent positions]: Attorney at Law, Okamura Law Office</p>	<p>Ms. Mariko WATAHIKI had served as a judge for over 40 years, and has served as Senior Judicial Research Official of the Supreme Court, Chief Justice of Sapporo High Court and Chief Justice of Nagoya High Court, and has deep knowledge and experience as a lawyer, and she is expected to appropriately supervise the management of the Company.</p> <p>She does not maintain relationships, transactions, or other significant interests as stipulated in the Independence Criteria for Outside Directors established by the Company in addition to the independence criteria established by Tokyo Stock Exchange, Inc. and other financial instruments exchanges in Japan.</p>
Katsunori HASHIMOTO	<p>Mr. Katsunori HASHIMOTO is an Independent Officer as stipulated by the Tokyo Stock Exchange and other financial instruments exchanges.</p> <p>[Significant concurrent positions]: Chairperson, DSS Sustainable Solutions Japan, LLC</p>	<p>Mr. Katsunori HASHIMOTO has experience serving as Chief Financial Officer of a U.K. subsidiary of a Japanese manufacturer, Manager of internal audit division of a U.S. subsidiary of an international chemical manufacturer, Director and General Manager of the finance department and Director and Senior Vice President of a Japanese subsidiary of an international chemical manufacturer, and has both considerable experience and high level of insight as a manager, and he is expected to appropriately supervise the management of the Company.</p> <p>He does not maintain relationships, transactions, or other significant interests as stipulated in the Independence Criteria for Outside Directors established by the Company in addition to the independence criteria established by Tokyo Stock Exchange, Inc. and other financial instruments exchanges in Japan.</p>

Activities of the Board of Directors

(Source: Page 49 of Report for the 182nd fiscal period)

- Toshiba held the “Directors Council” (so called “Executive Session”) composed solely of independent Outside Directors in order for them to share information and problem awareness among themselves, better understand the Company’s operations for Outside Directors and deliberate on the Toshiba Group’s key business challenges. At each Directors Council meeting, held prior to a Board of Directors meeting, an advance briefing on proposals to the Board of Directors was provided and opinions were exchanged. Moreover, the Directors Council was operated to ensure that independent Outside Directors’ opinions obtained through its meetings were reflected in the Company’s management.
- The Company filed applications to be reviewed for reinstatement to the first sections of the Tokyo Stock Exchange and Nagoya Stock Exchange, and received approval for reinstatement from both exchanges in January 2021.
- With respect to the Toshiba Groups policy on shareholder return, regarding the shares of KIOXIA Holdings Corporation held by the Toshiba Group (which holds 40.2% of all voting rights), the Group’s management strategy expresses no intention to operate the company’s memory business as part of the Toshiba Group. To realize the value of KIOXIA Holdings Corporation’s shares, we are holding ongoing discussions concerning measures for possibly liquidating these shares. It has been decided that, when the liquidation of shares is carried out, more than half of the net proceeds from this sale will, in principle, be allocated to shareholder return.
- Following a review of our management policy for FY2021 and beyond, we announced Phase 2 of the Toshiba Next Plan in November 2020.
- Regarding the incident wherein certain voting forms were not included in the vote count at the 181st Ordinary General Meeting of Shareholders (hereinafter the “Vote Count Problem”), the Toshiba Group received reports on the results of an investigation conducted by Sumitomo Mitsui Trust Bank, Limited, the Shareholder Registration Agent for the Group, and the results of an examination of this investigation by the Audit Committee. Based on these results, the Group revised the voting results at the 181st Ordinary General Meeting of Shareholders and deliberated on ensuring an appropriate environment for the execution of voting rights at such meetings.
- Concerning shareholder requests for convocation of an extraordinary general meeting of shareholders, the Group received a report on the results of an investigation conducted by the Audit Committee into an issue, indicated in the request by the requesting shareholders, that certain shareholders came under pressure and were unable to exercise their voting rights at the 181st Ordinary General Meeting of Shareholders (hereinafter the “Pressure Problem”). Following deliberations on how to handle the situation, the Group decided to convene an extraordinary general meeting of shareholders.
- This led to the election at the extraordinary general meeting of shareholders of persons to investigate the status of the operations and property of the stock company (hereinafter “Investigators”), as set forth in Article 316, paragraph (2) of the Companies Act for the purpose of investigating whether or not the 181st Ordinary General Meeting of Shareholders was conducted fairly. The Group resolved to cooperate with the Investigator’s survey in good faith and to ensure greater transparency in its business management.
- The Board of Directors was provided with reports on business plans, budget, risk control information and the state of duty execution by Directors and Executive Officers pursuant to information and the state of duty execution by Directors and Executive Officers pursuant to applicable laws and regulations, the Articles of Incorporation, the Board of Directors Regulations, etc.

For more information:

 [Reports for the 182nd Fiscal Period](#) [PDF 1.39MB/102 pages]

 [Corporate Governance Report \(December 22, 2021\)](#) [PDF 955KB/30 pages]

Compensation Policy and The Amount of Compensation

(Source: Corporate Governance Report (August 12, 2021))

1. Compensation Policy

The Compensation Committee establishes compensation policy for the compensation of each Director and/or Executive Officer as follows:

Since the main responsibility of Directors is to supervise the execution of the overall Group’s business and to increase corporate value, “Compensation for Directors” is determined at an adequate level to secure highly competent personnel and ensure effective work of the supervisory function, and increasing corporate value from a medium- to long-term perspective.

Since the responsibility of Executive Officers is to increase corporate value in their capacity as executives responsible for companies or divisions within the Group, “Compensation for Executive Officers” is divided into the fixed compensation and the performance-linked compensation, and determined at an adequate level to secure highly competent personnel and ensure the effectiveness of their compensation package as an incentive to improve business performance.

a. Compensation for Directors

- Directors are paid the base salary (fixed amount) and stock compensation in accordance with the scope of their responsibilities. An allowance is provided for nonresidents of Japan (the country where the HQ is located). Directors who concurrently hold offices as an Executive Officer are paid only the compensation for Executive Officers specified in b. below and not paid compensation for Directors.

- The stock compensation is paid in the form of the Company's stock, mechanisms such as restricted stocks with transfer restrictions until retirement.

b. Compensation for Executive Officers

- Compensation for Executive Officers consists of Base salary (fixed amount), and stock compensation (fixed amount), determined according to rank, and performance-linked compensation.
- Performance-linked compensation is determined in accordance with the performance of the Company as a whole and managed business and Medium-to Long-Term Management Indicators under the charge of the Executive Officers during the fiscal year, with cash and stock of the Company paid at a rate set according to rank.
- With regard to the stock compensation and performance linked compensation (Shares) that is paid in the form of the Company's stock, mechanisms such as restricted stocks with transfer restrictions until retirement are used to secure effectiveness as an incentive for medium- to long-term improvement of business performance.

c. Compensation standards

Compensation standards are determined at suitable levels as a global company, with the aim of securing highly competent management personnel. The compensation standards of other listed companies and their employee payroll and benefits are considered when determining the Company's compensation standards.

Compensation pertaining to the above is set as follows:

Director	Base salary + Stock compensation + Allowance for non-residents of Japan
Executive officer	Base salary + Stock compensation + Performance-linked compensation (shares and cash)

(Source: P.99 of Translation of the 182nd Annual Securities Report and Notice Regarding Establishment of the Governance Enhancement Committee (Aug. 6, 2021))

2. Performance-linked Compensation

We stipulate the payment of performance-linked compensation to executive officers in accordance with the compensation policy.

Performance-linked compensation is a monetary compensation claim to determine the total amount to be paid in such a way as to function as an incentive to increase our corporate value, and to allocate a certain percentage in accordance with the position as a monetary compensation claim. The monetary compensation claim is invested in kind by the Company as an investment property. In addition to having the executive officers hold our common stock, the remaining percentage of the total amount paid is paid in cash.

Performance-linked compensation is set at a minimum of ¥0 and is set at a level that takes into account the payment results of similar performance at domestic and overseas peer companies if certain performance targets are achieved as targeted by us.

The following table shows the methods used to determine the indicators and amounts related to performance-linked compensation.

Total amount paid = (a) Short-term incentive compensation + (b) Long-term incentive compensation

Method of determining (a)

The amount in (a) is determined by adding or subtracting an amount ranging from the individual assessment of +/-25% to the amount calculated by multiplying the multiplication rate by position based on (i) the degree of achievement of the current fiscal year's operating income against our managerial accounting objectives and (ii) the degree of achievement of the current fiscal year's operating cash flow against our managerial accounting objectives, respectively, by the level of the amount by position. The evaluation indicators were selected from the viewpoint of clearly showing the company's performance for a single fiscal year among the numerical targets in the Toshiba Next Plan and indicators that contribute to achieving profit levels and promoting management on a par with those of other companies in the same industry. In addition, for executive officers in charge of individual business divisions, the amount is calculated by adding up half of the amount calculated based on indicators for the company as a whole and the business division for which he or she is responsible, and for other executive officers, the amount calculated based on indicators for the company as a whole.

Method of determining (b)

The amount in (b) is calculated by multiplying the multiplication rate by position according to the results of relative TSR (total shareholder return) for 3 years by the monetary level for each position. The 3-year relative TSR calculation method is as follows:

3-year relative TSR = our 3-year TSR - 3-year capitalization-weighted average TSR of the peer group

The peer group consist of 7 domestic and overseas companies with an average market capitalization of at least ¥1 billion for companies that are similar to our business portfolio or listed on the First Section of the Tokyo Stock Exchange, taking the shareholder's perspective into account. Evaluation indicators were selected from the viewpoint of contributing to awareness of the enhancement of long-term corporate value and shareholder value. Since the calculation period is 3 years, performance-linked compensation will be applied from FY2019 and will begin to be paid in FY2022.

The ratio of stocks and cash paid for performance-linked compensation are as follows by position. However, due to rounding, there may not be an exact match.

Positions	Stocks ratio (%)	Cash ratio (%)
Chairman and President	60	40
Vice Presidents	60	40
Executive Senior Vice Presidents	60	40
Senior Vice Presidents	60	40
Vice Presidents	60	40

The percentage of compensation paid, other than performance-linked compensation and performance-linked compensation, is not determined in advance and is subject to fluctuation based on performance results in the above decision-making method. Accordingly, the Company has not established a policy regarding the determination of such compensation.

Targets and results for short-term incentive compensation indicators for the latest fiscal year are as follows.
The targets are the median between the FY2019 and FY2021 figures in the Toshiba Next Plan.

Evaluation type	Indicator of performance	Evaluation Percentage	Targets		Results	
Shor-term incentive compensation	Operating income	50%	Company as a whole	185 billion yen	Company as a whole	104.4 billion yen
			Managed business	Managerial accounting targets	Managed business	Managerial accounting actual results
	Operating cash flow	50%	Company as a whole	170 billion yen	Company as a whole	145.1 billion yen
			Managed business	Managerial accounting targets	Managed business	Managerial accounting actual results

The index of long-term incentive compensation is a relative evaluation of the Company's TSR performance against that of its peer groups over 3 years. Since the period for the calculation three years from FY2019, there is no actual value to apply to FY2020 long-term incentive compensation. In addition, individual assessment are decided by the Compensation Committee, comprehensively considering non-financial evaluations such as management initiatives and special contributions.

* The following formula is used to calculate performance-linked compensation under the executive officer compensation system. The peer group consists of 7 domestic and overseas companies with an average market capitalization of at least ¥1 billion for companies that are similar to our business portfolio or listed on the First Section of the Tokyo Stock Exchange, considering the perspective of shareholders.

Total shareholder return = $\frac{((1 + R(c)) \times P(c) / P(o)) - 1}{100}$

R(c) = $\frac{(1 + D(1))}{P(1)} \times \frac{(1 + D(2))}{P(2)} \times \frac{(1 + D(3))}{P(3)} \times \frac{(1 + D(4))}{P(4)} \times \frac{(1 + D(5))}{P(5)} \times \frac{(1 + D(6))}{P(6)} - 1$

D(1) = First dividend amount in the first year of each performance period

D(2) = Second dividend amount in the first year of each performance period

D(3) = First dividend amount in the second year of each performance period

D(4) = Second dividend amount in the second year of each performance period

D(5) = First dividend amount in the third year of each performance period

D(6) = Second dividend amount in the third year of each performance period

P(1) = Stock price on the ex-dividend date of the first dividend in the first year of each performance period

P(2) = Stock price on the ex-dividend date of the second dividend in the first year of each performance period

P(3) = Stock price on the ex-dividend date of the first dividend in the second year of each performance period

P(4) = Stock price on the ex-dividend date of the second dividend in the second year of each performance period

P(5) = Stock price on the ex-dividend date of the first dividend in the third year of each performance period

P(6) = Stock price on the ex-dividend date of the second dividend in the third year of each performance period

P(c) = Stock price at the end of each calculation period

P(o) = Stock price at the beginning of each calculation period5.

3. Details of Non-monetary Compensation

The Company grants its Executive Officers stock compensation as fixed compensation and stock compensation as performance-linked compensation. In order to share values with shareholders, and to effectively incentivize to maximize mid- to long-term corporate value. Some Directors of the Company (Chairman, Director and Outside Directors) are granted stock compensation as fixed compensation.

The Company will issue new shares or dispose of treasury stock under this system in exchange for making the person who are eligible for stock compensation invest in kind the monetary compensation claims provided by the Company as investment assets.

When issuing new shares or disposing of treasury stocks, the Company enters into share allotment agreements with grantees (excluding those who have already retired at the time when the shares are granted (hereinafter referred to as retirees)) that provide for restrictions on the transfer of our granted shares.

In addition, while no transfer restrictions are included in the allotment agreements that the Company concludes with the retirees, if it is subsequently found that certain events occurred during the prescribed period, such as violations of laws or regulations by retirees, and where the Company deems it appropriate, the retirees shall immediately return the said stock to the Company, without compensation.

4. Total amount of compensation by officer category, total amount of compensation by type, and the number of eligible officers

Category	Total amount of Compensation (millions of yen)	Fixed compensation	Performance-linked compensation	Non-monetary Compensation, among left types	Executives eligible (persons)
Directors (excluding outside directors)	98	98	–	19	2
Outside Directors	261	261	–	23	10
Executive Officers	770	710	60	175	13

Note: 1. The non-monetary compensation for directors is stock compensation as fixed compensation. Of the non-monetary compensation to executive offices, 139 million yen is stock compensation as fixed compensation and 36 million yen is stock compensation as performance-linked compensation.

2. Total amount figures are estimates at the date of issuance of FY2020 Securities Annual Report. The investigators appointed at the Company's Extraordinary General Meeting of Shareholders held on March 18, 2021 conducted the investigation into whether the 181st Ordinary General Meeting of Shareholders held on July 31, 2020 was conducted in a fair manner (including whether or not resolutions were handled legally and fairly). The company took the conclusions of the investigation very seriously, and initiated action to identify the root cause and clarify responsibilities, with the participation of third parties. In addition, the Company suspended the determination of payment of FY2020 performance-linked compensation to former Executive Officers, and the calculation of final amount of payment, until the identification of the root cause and responsibilities was completed. The upper limit of the amount of performance-linked compensation to be reserved is 46 million yen (of which 28 million yen is stock compensation), but in reality, all or part of it may not be paid. It is not included in the estimated amount of performance-linked compensation listed in the above table.

Meanwhile, as announced on August 6, 2021 in the "Notice Regarding Establishment of the Governance Enhancement Committee", the Company did make payment of performance-linked compensation in accordance with the provisions of the relevant internal rules and the related contractual obligations, subject to the maximum reduction for each former Executive Officer's individual evaluation allowed by the internal rules. The Compensation Committee will further discuss and decide the final amount of the reduction with full consideration for the findings and clarification of responsibilities by the Governance Enhancement Committee.

5. Total amount of consolidated compensation for each officer

Name	Consolidated compensation total amount (millions of yen)	Category of directors	Category of companies	Amount by type of consolidated compensation (millions of yen)			
				Fixed compensation	Performance-linked compensation	Retirement benefits	Non-monetary Compensation, among left types
Nobuaki Kurumatani	145	Director	Submitted Company	2	–	–	–
		Executive Officer	Submitted Company	143	–	–	29

Note: 1. Of the total consolidated compensation to Nobuaki Kurumatani, the non-monetary compensation is stock compensation as fixed compensation.

2. Total amount figures are estimates at the date of issuance of FY2020 Securities Annual Report. The investigators appointed at the Company's Extraordinary General Meeting of Shareholders held on March 18, 2021 conducted the investigation into whether the 181st Ordinary General Meeting of Shareholders held on July 31, 2020 was conducted in a fair manner (including whether or not resolutions were handled legally and fairly). The company took the conclusions of the investigation very seriously, and initiated action to identify the root cause and clarify responsibilities, with the participation of third parties. In addition, the Company suspended the determination of payment of FY2020 performance-linked compensation to former Executive Officers, and the calculation of final payment amount of payment, until the identification of the root cause and responsibilities was completed. The upper limit of the amount of performance-linked compensation to be reserved is 31 million yen (of which 19 million yen is stock compensation), but in reality, all or part of it may not be paid. It is not included in the estimated amount of performance-linked compensation listed in the above table.

Meanwhile, as announced on August 6, 2021 in the "Notice Regarding Establishment of the Governance Enhancement Committee", the Company did make payment of performance-linked compensation in accordance with the provisions of the relevant internal rules and the related contractual obligations, subject to the maximum reduction for each former Executive Officer's individual evaluation allowed by the internal rules. The Compensation Committee will further discuss and decide the final amount of the reduction with full consideration for the findings and clarification of responsibilities by the Governance Enhancement Committee.

6. The name of the person who has the authority to make decisions on the policy on the determination of the amount of compensation, etc. for officers or the method for calculating such amount, and the contents of such authority and the scope of discretion

Since we are a company with three committees, it is the compensation committee that has the authority to decide on the amount of compensation, etc. for our officers or the policy for determining the method of calculating such amount, and the contents of authority and scope of discretion are matters stipulated in Article 404-3, 409, and Article 417-1 and-3 of the Companies Act, matters related to the operation of the compensation committee, etc. The Compensation Committee is composed of about 5 outside directors.

7. Activities of the Compensation Committee in the current fiscal year

- The committee deliberated on the details of individual compensation to be received by Executive Officers from June 2020 onward.
- Based on the FY2019 performance evaluation, the committee deliberated on the payment of performance-linked compensation to Executive Officers and others.
- The committee deliberated on the Compensation Policy for new management system, on revision schedule of the Regulation of Compensation for Officers and on applicable period of individual compensation, due to the change in the date of the Ordinary General Meeting of Shareholders.
- The committee deliberated on the revision to the Compensation Policy and to the Regulation of Compensation for Officers.
- The committee deliberated on the details of individual compensation received by Directors and Executive Officers from August 2020 onward.
- The committee deliberated on the details of individual compensation to be received by Executive Officers from April 2021 onward.
- The committee deliberated on the details of FY2020 short-term incentives for Executive Officers.
- The committee deliberated on the FY2021 compensation system for Executive Officers.

Toshiba's Internal Control Systems Development Status

(Source: Page 53 of the Business Report for the 182nd fiscal period)

Toshiba Group constantly refines its system of internal controls, towards ensuring management effectiveness and efficiency and reliable reporting on operations and finances and to secure high level legal compliance and risk management.

We also ensure that domestic Group companies, regardless of the scale of their operations, establish internal control systems based on those of the parent Company, as follows.

Systems to Ensure the Appropriateness of Business Operations of Toshiba Corp. and its Subsidiaries

The Board of Directors resolved systems to ensure the appropriateness of business operations as follows:

1. System to ensure that Executive Officers' compliance with laws and regulations and the Articles of Incorporation.
 - 1) Executive Officers periodically report to the Board of Directors of Toshiba Corp. on their execution of their duties and are required to report on necessary items to the Board of Directors, as necessary.
 - 2) The Executive Officer in charge of the Internal Audit Division or the General Manager of the Internal Audit Division periodically reports to the Board of Directors of Toshiba Corp. on internal audit results.
 - 3) The Audit Committee of Toshiba Corp. periodically interviews Executive Officers, and the General Manager of the Internal Audit Division periodically reports to the Audit Committee on internal audit results.
 - 4) Executive Officers report to the Audit Committee of Toshiba Corp. on any material violation of laws and regulations without delay in accordance with the Rules concerning Reporting to the Audit Committee.
 - 5) Toshiba Corp. has established the Toshiba Group Standards of Conduct clarifying values and codes of conduct to be shared by all officers and employees and ensures, through continuous execution of officer education, etc., that Executive Officers of Toshiba Corp. comply with the Toshiba Group Standards of Conduct.
 - 6) Toshiba Corp. separates supervision from business execution by placing the Internal Audit Division under the direct control of the Audit Committee and establishes a system in which the Internal Audit Division effectively performs audits of accounting, compliance inspections and audits of other matters.
2. System for retention and management of information concerning Executive Officers' execution of their duties.
 - 1) In accordance with the Rules concerning the Document Retention Period, Executive Officers of Toshiba Corp. appropriately retain and manage material documentation, such as information materials for the Management Meetings and decision-making documents, and other documents such as account books and records.
 - 2) Executive Officers of Toshiba Corp. run a system that allows Directors to access significant information, such as information materials for the Management Meetings, decision-making documents, financial statements and records and business reports.
3. Rules and other systems concerning risk of loss management
 - 1) In accordance with the Basic Rules concerning Risk-Compliance Management, the Chief Risk-Compliance Management Officer (hereinafter referred to as the "CRO") of Toshiba Corp. formulates and promotes measures concerning crisis and risk management of Toshiba Group in his/her capacity as the chairman of the Risk-Compliance Committee. In formulating and promoting such measures, the CRO appropriately performs risk of loss management for the entire Toshiba Group by confirming and improving the effectiveness of such measures.
 - 2) Executive Officers of Toshiba Corp. formulate and promote measures necessary for continuously clarifying business risk factors of Toshiba Group and minimizing loss in the event that risk is realized in accordance with Basic Rules of Business Risk Management.
4. System to ensure that Executive Officers efficiently execute their duties
 - 1) The Board of Directors of Toshiba Corp. determines the basic management policy and approves the midium-term business plan and annual budgets of Toshiba Group prepared by the Executive Officers.
 - 2) The Board of Directors of Toshiba Corp. delegates authority and responsibilities to each Executive Officer in an appropriate manner, and Executive Officers clarify the authority and responsibilities of the Executive Officers and employees in accordance with the Rules concerning Responsibilities of Division and the Rules concerning Managerial Duties.
 - 3) Executive Officers of Toshiba Corp. set concrete targets and roles for organizations and employees.
 - 4) Executive Officers of Toshiba Corp. make decisions on business operations based on appropriate procedures in accordance with the Board of Directors Rules, the Corporate Decision Making Rule and other rules.
 - 5) Executive Officers of Toshiba Corp. appropriately evaluate the performance of Toshiba Group by means of the Performance Evaluation Committee.
 - 6) Executive Officers of Toshiba Corp. promote strengthening of information security systems and operate the accounting system, the authorization system and other information processing systems in an appropriate manner.

5. System to ensure that employees' performance of their duties conforms to laws and regulations and the Articles of Incorporation
 - 1) The Chairman and Chief Executive Officer and the President and Chief Operating Officer ensure, through continuous execution of employee education, etc., that employees comply with the Toshiba Group Standards of Conduct clarifying values and codes of conduct to be shared by all officers and employees.
 - 2) The CRO of Toshiba Corp. formulates and promotes measures of Toshiba Group concerning compliance with laws and regulations in his/her capacity as the chairman of the Risk-Compliance Committee in accordance with the Basic Rules concerning Risk-Compliance Management.
 - 3) Toshiba Corp. establishes a whistle-blower system in which the officers and employees of Toshiba Corp. are able to make a report to the business execution side of Toshiba Corp. if they become aware of an illegal act of Toshiba Corp., and the Executive Officer of Toshiba Corp. in charge endeavors to detect problems early and deal with them in an appropriate manner by making use of the whistle-blower system. The Toshiba Group Standards of Conduct clearly stipulate that the officers and employees who have used this system must not be treated disadvantageously on the grounds that they have done so. In addition, Toshiba Corp. establishes a whistle-blower system in which the Audit Committee of Toshiba Corp. directly receives internal reports and endeavors to collect information on problems early.
6. System to ensure the appropriateness of business operations of the corporate group composed of Toshiba Corp. and its subsidiaries
 - 1) The subsidiaries adopt and implement the Toshiba Group Standards of Conduct and establish whistle-blower systems according to the legal systems and circumstances of the countries in which they operate.
 - 2) Toshiba Corp. establishes a system in which its subsidiaries report to Toshiba Corp. in accordance with the Operational Communication Arrangement, etc. in the event that material issues arise in their business operations.
 - 3) Toshiba Corp. formulates appropriate measures for internal control, including that of its subsidiaries, and causes its subsidiaries to promote the measures according to their situations.
 - 4) The subsidiaries establish audit systems such as auditors in accordance with the Toshiba Group Auditors' Audit Policy.
 - 5) Toshiba Corp. executes internal audits on the accounting treatment processes and business processes of its subsidiaries.
 - 6) Toshiba Corp. appropriately and effectively manages the systems and business processes common throughout Toshiba Group and establishes a system in which shared resources are appropriately and effectively allocated.
 - 7) Under the relevant license agreements, Toshiba Corp. in principle obligates its affiliates that are permitted to use "Toshiba" in part of their company names to adopt the Toshiba Group Standards of Conduct.

Items Necessary for Performance of Duties by the Audit Committee of Toshiba Corp.

The Board of Directors resolved items necessary for the Audit Committee's performance of its duties as follows:

1. Directors and employees assigned to assist the Audit Committee in the performance of its duties
 In order to assist the Audit Committee of Toshiba Corp. in the performance of its duties, the Audit Committee Office consisting of around ten staff is established, and the head of the Audit Committee Office is an Executive Officer (including the Executive Officer who acts concurrently as a director).
2. Ensuring independence of employees mentioned in the preceding paragraph from Executive Officers and effectiveness of instructions to such employees
 The Audit Committee has the right to approve the appointment, request the dismissal, and veto the dismissal of the head and employees of the Audit Committee Office of Toshiba Corp., and the head of the Audit Committee Office is under the direction of the Audit Committee. The employees of the Audit Committee Office are under the direction of the Audit Committee and the head of the Audit Committee Office.
3. System for reporting to the Audit Committee
 - 1) Directors, Executive Officers and employees of Toshiba Corp. report to the Audit Committee on each relevant occasion in accordance with the Rules concerning Reporting to the Audit Committee and the Rules concerning Operation of the System of Reporting to the Audit Committee in the event that any material issue arises that may affect operations and financial performance.
 - 2) The subsidiaries of Toshiba Corp. periodically report their situations and other matters to the Audit Committee of Toshiba Corp. through the Toshiba Group Auditors Liaison Organization, etc. In addition, Toshiba Corp. establishes the Toshiba Group Auditor Hotline through which the auditors and employees in charge of audit reporting of the subsidiaries are able to make a report to the Audit Committee if they become aware of an illegal act of such subsidiaries.
 - 3) Toshiba Corp. establishes the Audit Committee Hotline through which the officers and employees of Toshiba Corp. and officers and employees of its domestic subsidiaries are able to make a report to the Audit Committee of Toshiba Corp. in accordance with the Rules concerning Operation of the System of Reporting to the Audit Committee if they become aware of an illegal act of Toshiba Corp. or such subsidiaries.
 - 4) The Chairman and Chief Executive Officer or the President and Chief Operating Officer provides members of the Audit Committee designated by the Audit Committee with opportunities to attend important meetings, including the Management Committee meetings.

4. System to ensure that persons reporting to the Audit Committee are not treated disadvantageously on the grounds that they have made such report
The Rules concerning Reporting to the Audit Committee and the Rules concerning Operation of the System of Reporting to the Audit Committee clearly stipulate that the officers and employees of Toshiba Group who have made a report to the Audit Committee of Toshiba Corp. must not be treated disadvantageously on the grounds that they have done so.
5. Policy on procedures for advance payment or redemption of expenses arising from performance of duties of the Audit Committee's members and other settlement of expenses or debts arising from performance of such duties
If a member of the Audit Committee requests Toshiba Corp. to make advance payment of the expenses, etc. set out in Article 404, Paragraph 4 of the Companies Act in relation to the performance of his or her duties, unless it is determined after examination by the relevant departments that the expenses or debts in relation to such request are not necessary for the performance of duties of such member of the Audit Committee, Toshiba Corp. promptly settles such expenses or debts. Toshiba Corp. annually budgets a certain amount for the payment of expenses and other costs arising from the performance of duties of the Audit Committee's members. If the need arises during the fiscal year, Toshiba Corp. increases the budget after examination by the relevant departments at the request of the Audit Committee's members.
6. Other system to ensure that audits by the Audit Committee are conducted effectively
 - 1) The Chairman and Chief Executive Officer or the President and Chief Operating Officer periodically exchanges information with the Audit Committee.
 - 2) Executive Officers and employees report the execution of their duties to the Audit Committee by means of the periodic interviews conducted by the Audit Committee and circuit interviews.
 - 3) The Audit Committee places the Internal Audit Division under its direct control. The Audit Committee presents audit policies and gives audit instructions to the Internal Audit Division. The General Manager of the Internal Audit Division periodically reports the internal audit results to the Audit Committee.
 - 4) The Audit Committee has accounting auditors provide explanations and reports concerning the accounting audit plan at the beginning of each fiscal year, the situation of accounting audits during each fiscal year, and the results of the accounting audits at the end of each fiscal year.
 - 5) The Executive Officer in charge provides explanations to the Audit Committee concerning the settlement of accounts at the end of each fiscal year as well as each quarterly settlement of accounts prior to the approval by the Board of Directors.
 - 6) The General Manager of the Internal Audit Division is appointed an Executive Officer, or the Executive Officer is appointed to being in charge of the Internal Audit Division. The Audit Committee has the right to approve the appointment, request the dismissal, and veto the dismissal of the General Manager of the Internal Audit Division and the Executive Officer in charge of the Internal Audit Division. The General Manager of the Internal Audit Division and the Executive Officer in charge of the Internal Audit Division are under the direction of the Audit Committee.
 - 7) The members of the Audit Committee have the right to access all internal reports made to the whistle-blower system on the business execution side.

* Now "Toshiba Group Standards of Conduct" is renamed to "Standards of Conduct for Toshiba Group".

Status of Internal Audits and Audits by the Audit Committee

(Source: the securities report for the 182nd fiscal period)

1. The Internal Audit and the Audit Committee organization, personnel and procedures

The Internal Audit Division (personnel: 52 staff) was established as an internal audit department, and is under the direct control of the Audit Committee. By monitoring the operational status of key subsidiaries (key Group companies) on a daily basis, the internal Audit Division is able to strengthen the audit system with respect to their operations. By strengthening cooperation with the Audit Committee, the Accounting Auditor, we seek to strengthen the various audit functions, such as accounting audits, internal control audits and audits on legality.

2. Mutual cooperation between the internal audit, the Audit Committee audit and the accounting audit, and the relationship with the Internal Control Division

Mutual cooperation between internal audits, Audit Committee's audits and the accounting audits is detailed in "1. The Internal Audit and the Audit Committee organization, personnel and procedures." In Toshiba, divisions responsible for internal controls ensure the appropriateness of all information disclosure, including financial reporting, and the effectiveness and efficiency of operations, compliance, and risk management, etc. The Legal Affairs Div., Accounting Div., CRO, and Risk Compliance Committee are included among divisions in this category. Along with providing the Audit Committee with timely reporting required by the "Audit Committee reporting and information access rules," the said divisions responsible for internal controls also provide information to the internal Audit Division and Accounting Auditor from time to time, as required.

Risk Management and Compliance



Toshiba Group conducts business activities, giving the highest priority to life, safety, and compliance with laws and regulations, and social and ethical norms. In order to respond appropriately to changes in laws and regulations in every country of the world, the globalization of management and the diversification of business, Toshiba Group has established systems to address various risks.

Medium- to Long-term Vision

We aim to regain the trust from all of our stakeholders by striving to improve and strengthen our internal control systems through more stringent compliance and a more robust risk management system.

FY2020 Achievement

- Top management delivered messages on compliance (seven times).
- Featuring the topic of fraud, we conducted workplace meetings and employee seminars targeted by function (Toshiba Group in Japan).
- To ensure compliance and continuously improve corporate culture, we held the Senior Management Risk Compliance Seminar for executives of Toshiba and senior management of Toshiba Group in Japan. Participants totaled 254 people. We also continued to conduct general compliance training including accounting compliance.
- In response to COVID-19, we took infection prevention measures such as setting a target attendance rate and promoting teleworking. For workplaces where work-from-home is not feasible, we encouraged flexible work arrangements while making efforts to reduce infection risks.
- The Compliance Advisory Meeting completed its eight months of activities in March 2021 and issued an advisory opinion. It will help us strengthen compliance and raise the level of fraud management.

Future Challenges and Approaches

We established a Risk Management & Compliance Office in the Legal Division on April 1, 2021 by following the advisory opinion issued in March 2021 by the Compliance Advisory Meeting. We will reinforce Group-wide compliance awareness and strengthen cross-organizational compliance systems and measures.

Policy on Risk Management and Compliance

Risk management is one of the important elements of the Toshiba Next Plan to achieve targets set forth in the plan, along with investment in growth and improvement of core earnings. Toshiba has set up a three lines of defense, with the relevant business divisions as the front line, the administrative divisions as the second, and the audit divisions as the third. The system is designed to effectively manage risks by assigning to each line a clearly defined role and set of duties, which it carries out appropriately, at the same time exercising a checks-and-balances function. In order to respond to changes in the business environment, such as new technologies and growing supply chains in developing countries, and to the diverse and ever-changing risks that arise when conducting business activities, we will strengthen the three-line defense and ensure effective risk management. Toshiba's shares were designated as securities on alert on September 15, 2015 due to inappropriate accounting. After that, Toshiba improved its internal control system and the designation was lifted on October 12, 2017. As reported in the Report on Improvements of Internal Management System and Progress Report on Improvements of Internal Management System released on October 20, 2017 and July 25, 2018 respectively, Toshiba has continued its efforts to strengthen the internal control system and worked to regain the trust of shareholders, investors, and all other stakeholders. On August 1, 2017, Toshiba's shares were reassigned to the Second Section of Tokyo Stock Exchange and Nagoya Stock Exchange. As a result of aforementioned efforts, our shares were designated as first section securities of both of the exchanges again on January 29, 2021. Toshiba will continue to work to enhance its internal control system.

At Toshiba Group, we formulated and are striving to entrench the [Standards of Conduct for Toshiba Group \(SOC\)](#) as a specific action guideline since we are a company that contributes to the realization of a sustainable society while conducting fair, sincere and highly transparent business activities. We are also working toward making the SOC an integral part of the entire Toshiba Group. The SOC is one of the Toshiba Group's important basic guidelines, and therefore, its revision requires approval by the Board of Directors.

Please see the page below for details of the compliance initiatives Toshiba Group is working on.

> [Compliance Initiatives](#)

Compliance Advisory Meeting

In July 2020, Toshiba established the Compliance Advisory Meeting, which evaluated and verified Toshiba Group's compliance and fraud prevention system. The Compliance Advisory Meeting provided a positive evaluation in that we had put in place a fundamental compliance system for the whole Group and administrative divisions had carried out compliance-related duties by drawing on their appropriate experience, knowledge and ability. The meeting issued an advisory opinion to improve the management level and completed its activities in March 2021. By following the advisory opinion, we have been taking the following measures in FY2021.

- Reinforce Group-wide compliance awareness and strengthen cross-organizational compliance systems and measures under the leadership of the Risk Management & Compliance Office newly established in the Legal Division on April 1, 2021.
- Secure greater penetration of compliance awareness by delivering timely and appropriate messages and developing educational programs that effectively disseminate the principle that compliance takes priority over performance targets.
- After reinforcing a policy of *zero tolerance* against fraud, maintain and operate rules necessary to prevent fraud, including standardizing fraud countermeasures, setting internal regulations on control activities, preparing manuals, and strengthening awareness of disciplinary action.
- Further improve the structure to promote the use of our internal whistleblower system, by increasing awareness of such a system among employees, receiving reports in English in Japan, and strengthening the overseas whistleblower network.
- Strengthen the function of internal audit on the fraud risk management system through measures such as assigning additional staff.

Response to Compliance Violations

In the event of a major noncompliance incident, Toshiba investigates all facts to identify the cause of the violation, treats the facts seriously, and takes a stance of *zero tolerance* against fraud. Moreover, Toshiba handles such violations rigorously by imposing appropriate disciplinary sanctions on the offenders or implementing other such measures. At the same time, it makes every effort to prevent recurrence and discloses information in a proper and timely manner as necessary.

Structure of Risk Management and Compliance

Toshiba has separate management systems for compliance and other risks and business risks. Business risks refer to uncertain factors that may prevent the achievement of business and project objectives on strategic decision-making and execution of business activities.

To address compliance and other risks, we appoint a Chief Risk Compliance Management Officer (CRO) to oversee risk management and compliance for the whole Group. In addition, the Legal Division responds to whistleblower reports and attempts to achieve global compliance, and is advancing effective risk management and compliance activities.

The CRO chairs the Risk Compliance Committee, which is attended by executives in charge of corporate staff divisions. The committee analyzes whistleblower reports and cases both inside and outside the Company and evaluates the impacts of risks and the status of risk control in accordance with the risk table that covers compliance risks based on the [Standards of Conduct for Toshiba Group](#). It then determines priority measures of the immediate fiscal year. The Risk Compliance Committee is attended by members of the Audit Committee who also serve as directors. The agenda deliberated at the committee is reported to the Board of Directors.

Toshiba operates a risk management system (RMS) incorporating a PDCA cycle* led by administrative divisions at the second line of defense. The aim is to identify the status at each Group company of initiatives on compliance risk and to promote improvement in an integrated manner. With the RMS, we implement the Risk Assessment Program (RAP) to assess risks of Group companies. The administrative divisions provide guidance to improve the compliance risks identified. At the same time, the relevant business divisions at the front line of defense themselves work to identify and mitigate the risks autonomously.

Furthermore, since FY2020, we have systematically organized fraud risk scenarios and conducted inspections on Group companies to understand the status of their fraud risk, while strengthening guidance to improve such status.

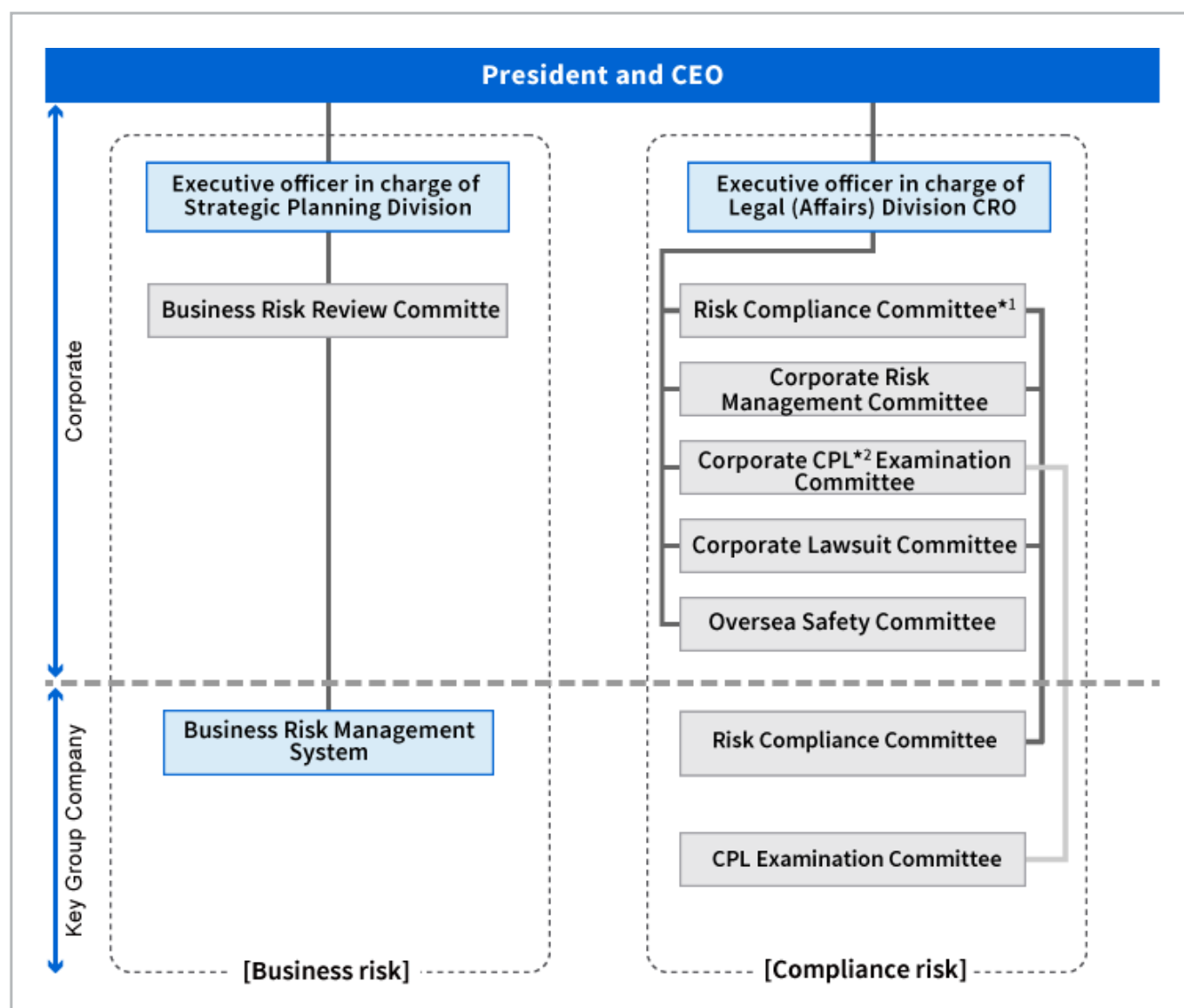
In addition, we assess the risk of financial statements not being created or disclosed properly, and the risk that internal control is not functioning effectively to support the reliability of financial reports. Having done this, we supply information needed to prevent these risks, and discuss and decide on measures to deal with them.

In the event of a serious issue on compliance or other such matters, there is a system in place by which the relevant in-house committees, etc. at Group companies promptly evaluate and implement countermeasures.

Meanwhile, Toshiba deals with business risks by clarifying management decision criteria, permissible risk limits and corporate policy on business withdrawal in making management decisions for business execution to achieve Toshiba Group's sustainable growth and increase corporate value. In addition, for each risk case, the Business Risk Review Committee conducts risk assessment, identifies the maximum risk, and establishes items for monitoring.

* Plan: Identification and assessment of risks; Do: creation and operation of rules; Check: review and fact-finding surveys; Action: formulation and implementation of improvement plans

Risk Management and Compliance Committee



*1 The Risk Compliance Committee manages matters related to the Standards of Conduct for Toshiba Group and matters related to risk management and compliance.

*2 CPL is an abbreviation combining CL (contractual liability) and PL (product liability).

Whistleblower System

In order to create an open work environment, Toshiba is enhancing its whistleblower system, on top of preventing risks by stimulating day-to-day communication in each workplace.

In January 2000, Toshiba established a whistleblower system Toshiba Hotline to collect internal information on SOC violations, particularly those concerning laws and regulations, and to deal with wrongdoing through a self-rectification system. Under this system, an employee can report an incident and seek advice via e-mail or phone. In April 2019, we transferred the function of receiving whistleblower reports to an external organization to further ensure anonymity, lower the hurdle of reporting to the hotline, and build a stronger sense of safety. E-mail support is available 24/7. The Toshiba Hotline was registered as conforming to the Consumer Affairs Agency's Whistleblowing Compliance Management System certification (self-declaration of conformity registration system) on April 23, 2021.



In addition to the internal secretariat, a reception hotline was set up at an external attorney's office in January 2005, primarily to receive information about potential legal violations.

Furthermore, in October 2015, the new Audit Committee Hotline was set up, which allows people to report directly to the Audit Committee, which is composed of outside directors. With this new system, even matters in which the involvement of top management is suspected can be safely reported. The Audit Committee also has access rights to the Toshiba Hotline, and provides appropriate guidance and supervision.

In April 2006, Toshiba set up a supplier whistleblower system Clean Partner Line to receive reports from suppliers and business partners to prevent SOC violations by employees in charge of procurement and order placements for construction and other works.

Each Toshiba Group company has its own whistleblower system. Toshiba Group overseas have gradually started to implement not only their own whistleblower systems but also global whistleblower systems by designating the each Regional Representative Subsidiaries as the secretariat for the corresponding region so as to cover laws and regulations and languages for different countries and regions.

At Toshiba Group, in accordance with laws, regulations, and internal regulations, officers and employees who make whistleblower reports with honest and legitimate intent do not receive unfavorable treatment such as dismissal and demotion as a result of having made the reports. Toshiba Group strives to ensure that the officers and employees can use the whistleblower system at ease. Specifically, each Group company has stipulated in its regulations a confidentiality obligation that allows limited persons in charge to access to what is reported by whistleblowers and a prohibition of unfavorable treatment of whistleblowers, as well as prepared manuals for persons in charge of whistleblowing.

Toshiba's Whistleblower System



Operational Status of the Whistleblower System in FY2020

The numbers of reports received and consultations undertaken by the Risk Hotline and Audit Committee Hotline in FY2020 are as follows. We notified employees about the existence of the system and its assurance of strict anonymity through e-learning. We also reported on whistleblower cases to the whole Company on a number of occasions.

Number of reports received by the Toshiba Hotline (previously the Risk Hotline)

(within parentheses: anonymous reports)

	FY2016	FY2017	FY2018	FY2019	FY2020
Reports received by internal secretariat	389 reports (235 reports)	243 reports (147 reports)	206 reports (142 reports)	109 reports (51 reports)	120 reports (57 reports)
Reports received by attorney's office	12 reports (7 reports)*	10 reports (2 reports)*	3 reports (1 report)	1 report (1 report)	9 reports (6 reports)
Total	399 reports (240 reports)	253 reports (149 reports)	209 reports (143 reports)	110 reports (52 reports)	129 reports (63 reports)

* Including duplicate reports received by the internal secretariat

Number of reports received by the Audit Committee Hotline

(within parentheses: anonymous reports)

	FY2016	FY2017	FY2018	FY2019	FY2020
Total	80 reports (53 reports)	33 reports (17 reports)	29 reports (19 reports)	42 reports (37 reports)	31 reports (21 reports)

Response Status

Of the reports received, Toshiba investigated all facts on cases of possible legal violations or fraud to identify the cause, and handled such cases rigorously by imposing appropriate disciplinary sanctions on the offenders and implementing other such measures. It also made every effort to prevent recurrence. Meanwhile, the majority of the reports received were related to labor and general affairs. When a reported case was not a legal violation but there were or likely to be inappropriate situations, we provided instructions for improvement or issued alerts in cooperation with the relevant division. In cases involving consultations and questions about duties of the informants themselves, we gave advice on how to deal with the situation. For reports other than anonymous reports, we explained the status of our responses to the whistleblowers, in principle.

In accordance with laws, regulations, and internal regulations, confidential advisers (at the external organization or attorney's office for the Toshiba Hotline, and at the internal secretariat for the Audit Committee Hotline) never disclose the names or contact addresses of the informants, except in cases in which consent has been obtained from them.

Out of the whistleblower reports, cases that everyone should bear in mind are taught as part of employee training. In order to protect whistleblower anonymity, such cases are presented after some details are changed and without any names so that the whistleblower and the workplace where he/she works cannot be identified.

The number of reports received is released regularly on the company's internal website.

Major Risks Identified and Their Countermeasures

Major business risks and compliance and other risks identified by and countermeasures taken by Toshiba Group are as follows.

Business Risks

Toshiba Group's businesses require highly advanced technology for their operation. At the same time, it faces fierce global competition. Thus, these businesses could be adversely affected by changes in the business environment, such as investment trends in and outside Japan, increases in material and personnel costs, fiercer competition with other companies, and exchange rate fluctuations. With the Toshiba Next Plan, Toshiba Group has striven to improve earnings and achieve stable growth of sales and profits. Specifically, we formulated measures to improve earnings of monitored businesses, namely, printing, system LSI, thermal power generation, and mobile HDD, through business structure transformation. We will strictly monitor the progress of the measures on a regular basis. Due to the global pandemic of COVID-19, a decrease in demand and negative impact on business activities are expected for a while. However, Toshiba Group is engaged in many businesses and services that sustain society such as social infrastructure, the cornerstone of life. To fulfill our responsibilities and provide these businesses and services, we are continuing activities to the extent necessary for business related to delivery, maintenance, and services for customers and business partners as well as businesses that sustain society, after taking further appropriate measures to minimize the risk of the infection.

Climate change imposes risks associated with responses to relevant laws and regulations and business continuity risks due to disasters caused by climate change. We therefore analyzes such risks in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). At the same time, we are intensifying efforts to achieve our greenhouse gas reduction targets approved by a global initiative the Science Based Targets (SBT).

➤ [Toshiba Group's Response to COVID-19](#)

Compliance and Other Risks

Since inappropriate accounting treatment for FY2015 came to light, Toshiba Group has made efforts to continuously enhance its internal control. However, fraudulent transactions by an employee of Toshiba International Corporation and fictitious and cyclical transactions at Toshiba IT-Services Corporation were discovered in 2019 and 2020, respectively. We conducted a thorough investigation on those matters, carried out comprehensive verification within Toshiba Group, and rolled out measures to prevent recurrence. We will continue to strive to raise the level of fraud risk management by implementing measures according to the advisory opinion provided in March 2021 by the Compliance Advisory Meeting.

For details, please see our [Business Risk Factors](#).

Risk Management and Compliance Training

At Toshiba, the President and CEO issues message to all employees, and the entire Toshiba Group works to raise compliance awareness and improve corporate culture. In FY2020, we focused our efforts on fraud prevention. The President issued a message to all employees on seven occasions, and a total of 254 people, including participants online, participated in the Senior Management Risk Compliance Seminar for executives of Toshiba and senior management of Toshiba Group in Japan to ensure compliance and continuously improve corporate culture. Moreover, we incorporated education on fraud prevention into employee seminars targeted by function, such as sales, procurement, or accounting; and training by level, such as newly appointed executives and managers. In addition, we provide accounting compliance education through e-learning to deepen employees' understanding about the internal control and J-SOX. In FY2020, all employees (approximately 80,000) of 95 consolidated subsidiary Group companies in Japan and approximately 10,000 executives of 83 overseas Group companies participated in the seminar. Going forward, we will continue to implement these training and education programs.



A scene from a seminar

Making the Standards of Conduct for Toshiba Group Available to All Employees of Toshiba Group

Toshiba Group has created the [Standards of Conduct for Toshiba Group \(SOC\)](#) in 24 languages and made them available on the internal website. Various compliance education programs that incorporate the SOC have been included in the level-based training, occupation-based training and senior management seminars. We are also continuing our education programs, such as e-learning (the attendance rate in Toshiba Group in Japan was 99.2%) and educational leaflets, for executives and all employees (including contract employees and temporary employees).

Fostering a Compliance-oriented Culture through Workplace Meetings

Each workplace holds meetings focusing on CSR to raise the awareness of each and every employee with regard to compliance matters so as to make compliance an integral part of the corporate culture.

These meetings aim to prevent compliance violations by encouraging managers and employees to discuss various problems that are likely to arise in the workplace and to share their thoughts with each other in order to create a work environment where they can easily seek advice on all kinds of problems. In FY2020, based on actual fraud cases occurred within the Group, discussions were held on the possibility that similar cases may occur at the workplace and their countermeasures. These meetings are held at all the workplaces of Toshiba Group companies in Japan.

Frank opinions provided by employees at workplace meetings are collected via their workplace managers and helped us monitor the level of compliance awareness at each workplace and develop new measures for the future.

Inspection of Implementation Status of Risk Management and Compliance Measures

At Toshiba Group, administrative divisions, the second of the three-line defense, confirm the status of compliance in operations concerning respective areas of jurisdiction by conducting audits and inspections.

With the Risk Management System (RMS), which began its operation in April 2019, we annually implement the Risk Assessment Program (RAP) to assess compliance risks of Toshiba Group companies. The administrative divisions provide instructions to improve the risks identified. At the same time, the relevant business divisions at the front line of defense themselves work to identify and improve the risks autonomously.

The Risk Compliance Committee reviews the compliance status as established through those audits, inspections, and the RAP as well as the implementation status of various measures to ensure compliance, and reflects its review findings in each measure.

Furthermore, since FY2020, we have systematically organized and refined fraud risk scenarios, and then strengthened guidance for understanding and improving the status of fraud risk initiatives at Toshiba Group companies.

In addition, at the third line of defense, the Internal Audit Division conducts compliance-related audits of Group companies.

Toshiba conducts an employee questionnaire survey each year and questionnaires with e-learning participants about the [Standards of Conduct for Toshiba Group](#) to check the degree of penetration of the standards and the level of compliance awareness among employees. This helps it to develop measures for further improvement.

Compliance with the Antimonopoly Act and Anti-corruption

Policy on Anti-corruption

In accordance with the Standards of Conduct for Toshiba Group and various internal regulations, Toshiba Group's policy prohibits illegal or improper payments against sound business practices and each country's laws and regulations.

Competition Law and Government Transactions (quote from Standards of Conduct for Toshiba Group)

1. Toshiba Group Corporate Policy

Toshiba Group Companies shall:

1. comply with all applicable laws and regulations enacted for the purpose of maintaining free and fair competition (hereinafter called "Competition Laws") in all business activities, including in all transactions with any government;
2. prepare and properly implement Competition Laws compliance programs and company rules on marketing activities that set out corporate policies and procedures for assuring compliance with applicable Competition Laws and related regulations; and
3. observe all applicable laws, regulations and lawful business practices in all government transactions, and not engage in activities such as bid obstruction (Note 1).

2. SOC for Toshiba Group Directors and Employees

Directors and Employees shall:

1. observe the Competition Laws compliance programs as well as company rules on marketing activities and promote free and fair business activities;
2. avoid, whether express or implied, agreements or understandings with competitors relating to pricing (including quotations and bids), the volume of production and sales, allocation of markets, customers or territories, or restrictions on production capacities or technology. The prohibition of such agreements is not limited to those actually recorded in writing by way of memoranda or minutes, but also extends to oral agreements;
3. if the customer is a government agency, observe the company rules on marketing activities toward government agencies and not engage in activities such as bid obstruction or competitor coordination on orders (Note 2), and not provide false information, such as false estimates of contract prices, to any governmental agency or its officials (hereinafter including past officials);
4. not organize or participate in meetings, make pledges or arrangements, or exchange information or engage in any other activities which may result in suspicion of engaging in the activities set forth in paragraph 2 and 3 above;
5. not require distributors or dealers to agree to or maintain resale prices for any Toshiba Group Company product;
6. not allow third parties (including sales representatives) to engage in activities prohibited under paragraphs (2) to (5) above; and
7. when hiring former government officials, strictly examine the candidate in accordance with all applicable laws and regulations and the internal regulations of the governmental agency in which he or she worked, and, if such candidate is hired, not allow him or her to engage in marketing activities aimed at such governmental agency, except to the extent permitted by law.

Note1: Herein, "bid obstruction" means, when dealing with a government agency, inquiring about the agency's intentions regarding which prospective bidder will be contracted or the possible bid price, or acting in order for the agency to realize its such intentions.

Note2: Herein, "competitor coordination on orders" means exchanging information or coordinating with competitors regarding which prospective bidder will be contracted, bid prices and other information.

Bribery (quote from Standards of Conduct for Toshiba Group)

1. Toshiba Group Corporate Policy

Toshiba Group Companies shall:

1. observe all applicable laws and regulations, and lawful business practices, prohibit illegal or improper payments against lawful business practices; and
2. not provide any illegitimate benefits or favors to any politicians or political organizations.

2. SOC for Toshiba Group Directors and Employees

Directors and Employees shall:

1. neither make nor offer, either directly or indirectly, any payment or anything of value, whether in the form of compensation, business entertainment, gift, contribution, gratuity, or other form, that is illegal or prohibited by any applicable law or regulation, in any dealings with any government agencies, their officials, or members of any political party (including holders of a political office or candidates for such office) (except for cases that do not violate applicable laws or regulations and are considered socially acceptable), and shall not engage in sales transactions, loan transactions and the like (including guarantee transactions) that are not at arm's length;
2. not pay monies or offer benefits to any politicians (including former members of any legislative body, or current or former secretaries of any such politicians) or any company a politician may be involved with, regardless of the form such monies or benefits take (for example "commissions" or "consulting fees"), in connection with marketing toward governmental agencies;
3. refrain from offering cash or other benefits to representatives of foreign governments as a means to gain unlawful benefits or profits when conducting international business transactions;
4. not allow third parties including intermediaries, such as distributors or agents, to engage in any activities described in paragraphs 1 to 3 above;
5. ensure that reasonable compensation and all necessary terms and conditions are specified in advance when working with intermediaries, such as distributors or agents, and observe all measures required by all applicable laws and regulations of each country or region for such compensation;
6. not make contributions to political parties or committees, unless permitted to do so by applicable laws, regulations, and company rules; and
7. respect the established practices of any customer, government entity or other party, as well as all applicable laws and regulations, regarding the provision of or the restrictions or controls over the acceptance of business entertainment, gifts or other business courtesies by its employees or officials.

In keeping with this approach, the Toshiba Group is a signatory to the United Nations Global Compact and works globally to comply with antitrust and competition law and prevent corruption.

Furthermore, we request suppliers to agree to and practice the [Toshiba Group Procurement Policy](#).

Antimonopoly and Anti-corruption Efforts

In response to global regulatory trends, Toshiba has engaged in rigorous efforts to prevent violation of antitrust law and bribery based on the structure of risk management and compliance. For both, it has established compliance programs reflecting laws and regulations in Japan and overseas as well as associated sets of guidelines. Those guidelines clearly define prohibited acts such as corruption including cartels, bribery and facilitation payments. In addition, the compliance programs and guidelines stipulate matters related to internal procedures including pre-screening and consultation, matters related to the internal systems, education, and audits. Toshiba promotes rigorous compliance with business-related laws and regulations by providing education and effectively utilizing databases that contain relevant information.

Toshiba also conducts training on themes including compliance with the Antimonopoly Act and prevention of bribery as part of measures to promote compliance awareness anchored in the Standards of Conduct for Toshiba Group. Going forward, we will strive to enhance the content of such education programs and increase the number of target companies.

In addition, Toshiba assess risks of Group companies every year. In FY2020, it also made efforts to identify operating status and take measures for improvement. As for these compliance initiatives, we make improvements to reduce risks pointed out in internal audits and other checks in order to continue to enhance our risk management and compliance structure.

To prevent violations and early detect situations leading to violations, Toshiba established the whistleblower system for employees and the Clean Partner Line for suppliers and business partners as a system to report violations or suspected violations.

Furthermore, Regional Representative Subsidiaries in major global regions support local subsidiaries as a foundation for risk management in such regions. This has been done in order to appropriately control legal risks associated with relevant anti-trust laws, bribery, and the like and ensure thorough compliance in global business, which has been expanding mainly in emerging countries.

Status of breaches to laws related to anti-corruption (FY2020)

Item	Number of cases in FY2020	Loss resulting from legal violations (yen)
Exposure through price cartel	0	0
Exposure through bribery	0	0

Political Contributions

The Standards of Conduct for Toshiba Group stipulates that Toshiba Group shall not provide inappropriate benefits or favors to any politician or political organization.

Also, as part of its social contributions, Toshiba offers political contributions, when necessary, in order to contribute to the realization of policy-oriented politics, to support the healthy development of parliamentary democracy and to improve the transparency of political contributions. In the case of offering political contribution, procedures in accordance with internal rules are followed as well as compliance with the Political Funds Control Law in case of Japan is strictly ensured.

Toshiba and key Group companies made no political contributions in FY2020.

➤ [Standards of Conduct for Toshiba Group 7. Bribery](#)

Donations and Provision of Funds

While the Standards of Conduct for Toshiba Group forbid inappropriate expenses, they stipulate that appropriate donations to organizations may be made. We therefore donate to various organizations, taking into consideration factors such as the contribution made by the donee organization to society, its cause and community aspects, as specified by the Standards of Conduct for Toshiba Group.

➤ [Standards of Conduct for Toshiba Group 19. Community Relations](#)

➤ [Social Contribution Activities](#)

Fair Trading

Fair Trading Policy and Its Promoting Structure

Toshiba Group strives to build sound partnerships with suppliers through fair trading in compliance with procurement-related laws and regulations.

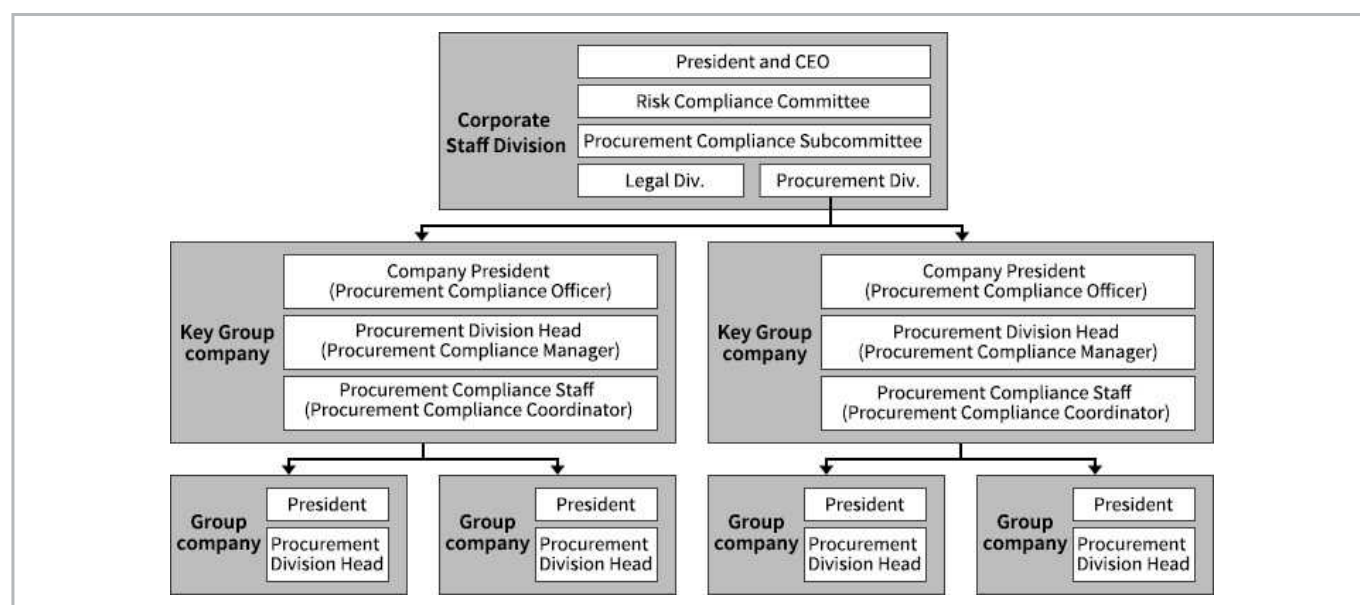
- [Promotion of Sustainable Procurement](#)
- [Toshiba Group Procurement Policy](#)
- [Standards of Conduct for Toshiba Group 3. Procurement](#)

Toshiba Group is promoting thorough observance of CSR both in its own procurement activities, and in those of its suppliers.

There is a CSR procurement promotion structure established within the Group, which acts in order to carry out each procurement transaction in compliance with the relevant Japanese and international laws and regulations. Information related to compliance concerning procurement is thoroughly informed to Group companies through this system.

Moreover, measures are thoroughly informed by means of Procurement Compliance Liaison Meetings, organized by the Procurement Division and attended by Compliance Managers and Compliance Coordinators.

Toshiba Group CSR procurement promotion structure



In FY2020, in line with a basic policy of strengthening compliance in the procurement process, Toshiba took action to ensure adherence to regulations on legal compliance by checking the operation of each Group company's procurement processes through investigations of the procurement process and patrols to inspect procurement transactions. In FY2021, we will continue to strengthen the operation of our procurement processes.

Clean Partner Line, Whistleblower System for Suppliers and Business Partners

Toshiba Group has established a whistleblower system for suppliers and business partners called Clean Partner Line, as a point of contact for our suppliers to tell us about issues or concerns regarding persons associated with the Toshiba Group. Personal information on whistleblowers, without the whistleblower's consent, is not disclosed to anyone other than the Clean Partner Line staff. Also, what is reported by whistleblowers is handled based on strict procedures, with care taken not to treat whistleblowers and their companies unfavorably for whistleblowing. We notify our business partners of this system and request that they make use of it.

Checks of Fair Trading Practices (Thorough Compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors)

In Japan, we monitor the subcontracted transactions of Toshiba Group in Japan undertaking such transactions. Regarding items requiring improvement, guidance is provided to make improvements to ensure thorough compliance.

Training to Ensure Fair Trading Practices

At Toshiba Group, various training programs on compliance in procurement are provided to ensure fair trading practices. For example, since FY2007, we have conducted e-learning for employees of Group companies in Japan on relevant acts, such as the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors.

In FY2020, a total of 76,504 employees between January and February 2021 participated in the e-learning program on the Subcontract Act. We also provide compliance education for employees engaged in procurement at various phases of their careers.

Breaking Relationships with Antisocial Groups

In 1997, the Board of Directors resolved to end relations with antisocial forces such as sokaiya (groups of racketeers). Since then, the Group has strictly dealt with approaches from third parties to obstruct our lawful and appropriate corporate activities. With regard to this stance, the rejection of the involvement of antisocial groups in our business activities has been explicitly stated in the SOC. By providing e-learning lessons about the SOC to all employees, we continuously ensure that employees understand the importance of excluding antisocial groups from the business they do. In addition, in order to further ensure that all relations with antisocial forces are cut off, all Toshiba Group companies have taken various measures, such as developing and implementing Basic Public Relations Management Rules and appointing public relations management officers for each department. When conducting transactions with a new customer, the public relations management officers of that department confirm that the customer has no relations with antisocial groups. We also periodically conduct surveys on customers that we already have business relations with.

Transaction contracts normally include a clause regarding the exclusion of organized crime syndicates, which enables a contract to be cancelled without notice when the business partner is identified as an antisocial group. Toshiba Group also works with the police, corporate attorneys, and third-party organizations such as the National Center for the Elimination of Boryokudan to establish systems that enable us to respond to approaches from antisocial forces in an appropriate and timely manner.

Export Control

Export Control Policy

As indicated in Standards of Conduct for Toshiba Group, Toshiba Group's basic export policy is to refrain from any transaction that could potentially undermine international peace and security. We comply with all applicable export control laws and regulations of the countries and regions where we operate, for example Foreign Exchange and Foreign Trade Law in the case of Japan and US export control laws and regulations with respect to transactions involving items of US origin.

In accordance with the policy, Toshiba Group has established the Export Control Compliance Program (ECCP). Based on the program, we classify the goods and technology and screen transactions. In addition to periodic export control audits and education for all executives and employees, key Group companies and corporate staff divisions provide instructions and support to the Group companies they supervise.

Toshiba Export Control Compliance Program (Toshiba ECCP)

Chapter 1 Statement of Corporate Policy

Chapter 2 Definition of Terms

Chapter 3 Export Control Organizations

Chapter 4 Control Procedures

Chapter 5 Education

Chapter 6 Compliance Reviews

Chapter 7 Notification of Violation and Corporate Sanctions

Chapter 8 Group Companies

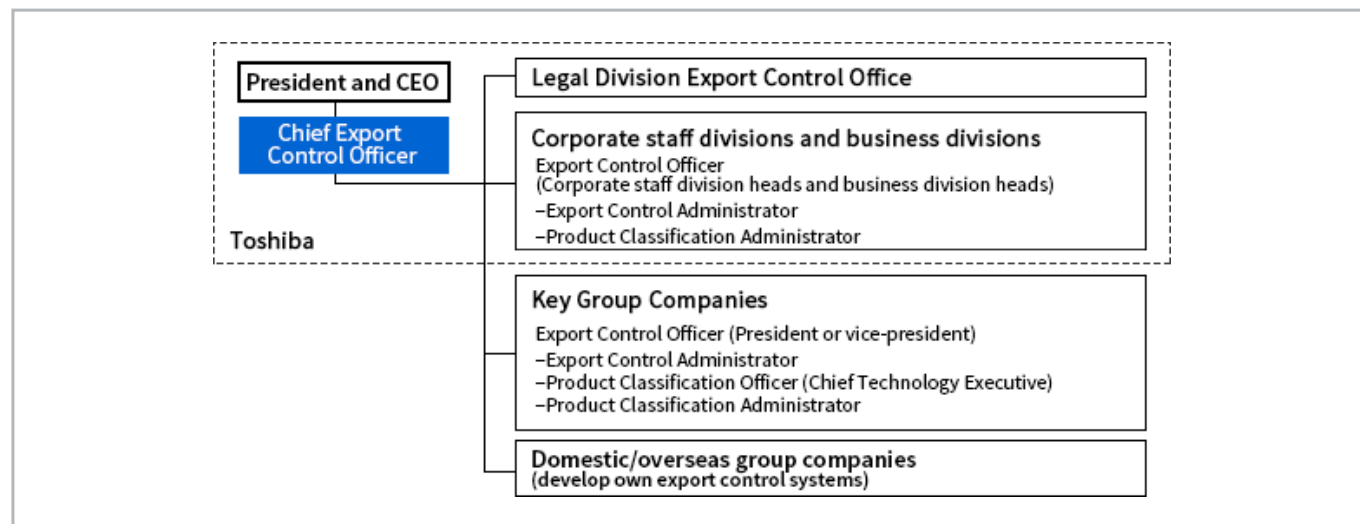
> Standards of Conduct for Toshiba Group 9. Export Control

* ECCP: Export Control Compliance Program

Export Control System

Toshiba's export control system is organized under the Chief Export Control Officer who has ultimate responsibility for the corporation's export control. The Chief Export Control Officer must be a representative executive officer or an executive equivalent thereto. Under the Chief Export Control Officer, the Legal Division Export Control Office is responsible for overseeing the export control implemented pursuant to the Toshiba Export Control Compliance Program (ECCP). Based on the Toshiba ECCP, Toshiba Group companies and corporate staff divisions have their own export control organizations led by the Export Control Officers. The Export Control Officers must be heads of the corporate staff divisions in the case of corporate staff divisions, or presidents of Group companies in the case of Group companies.

Toshiba Group's export control organization



Product Classification and Transaction Review

The technical department classifies the goods or technology and determines whether export license is required. Then, transaction screening is carried out accordingly, such as confirmation of the end-use, end-user, and final destination. Classification and transaction screening are checked and approved by multiple persons in charge. When trading with concerned countries and regions, the Export Control Office conducts stringent assessments and approvals.

Inspection and Audit of Export Control

Corporate staff divisions and Group companies under their control perform internal self-checks. In addition, the Export Control Office or the supervising department conducts regular audits to check if export control is appropriately performed. Audits are conducted once every one to three years at target companies, and in FY2020, audits were performed for four internal divisions in Japan and five Group companies. Overseas, audits are done in Europe, the United States, Asia and China, and in FY2020, eight Group companies in Asia received audits. Where problems are identified by the audit, we demand that improvement plans be submitted, and check the progress of the plans.

Export Control Trainings

Training courses on export controls (regular and specialized courses) are offered by the Export Control Office for corporate staff divisions and Group companies to educate employees on the importance of export control and to raise awareness and knowledge of the Toshiba Export Control Compliance Program (ECCP) and related internal regulations.

Furthermore, the Export Control Office provides compulsory export control education for all employees of Group companies in Japan through an e-learning system every year.

Export controls at Group companies including those located overseas are modeled after that of Toshiba, which is implemented under the Toshiba Export Control Compliance Program (ECCP). Export control audits are conducted periodically to evaluate their performances.

The Export Control Office holds meetings with corporate staff divisions and key Group companies to communicate on matters such as the international situation, regulatory trends, and specific requirements, and additionally to provide a forum for exchange of information and opinions. Key Group companies provide guidance and support on export control to other Group companies under their control.

Meanwhile, to enhance support for Toshiba Group overseas, we issue a quarterly export control bulletin for local staff working in export control, where we share information on export control-related legal revisions, sanctions, cases of legal violation, and other news.

Information Security Management

Policy on Information Security

Toshiba Group regards all information, such as personal data, customer information, management information, technical and production information handled during the course of business activities, as its important assets and adopts a policy to manage all corporate information as confidential information and to ensure that the information is not inappropriately disclosed, leaked or used. In view of this, Toshiba has a fundamental policy “to manage and protect such information assets properly, with top priority on compliance.” The policy is stipulated in the chapter “Corporate Information and Company Assets” of the Standards of Conduct for Toshiba Group, and managerial and employee awareness on the same is encouraged.

In response to regulatory changes and changes in the social environment, Toshiba Group revises the related rules on an ongoing basis so as to rigorously manage its information security.

When providing information to outsourcing contractors, we request them to maintain confidentiality and comply with relevant laws and regulations in the same manner as Toshiba does.

➤ [Standards of Conduct for Toshiba Group 17. Information Security](#)

➤ [Privacy Policy](#)

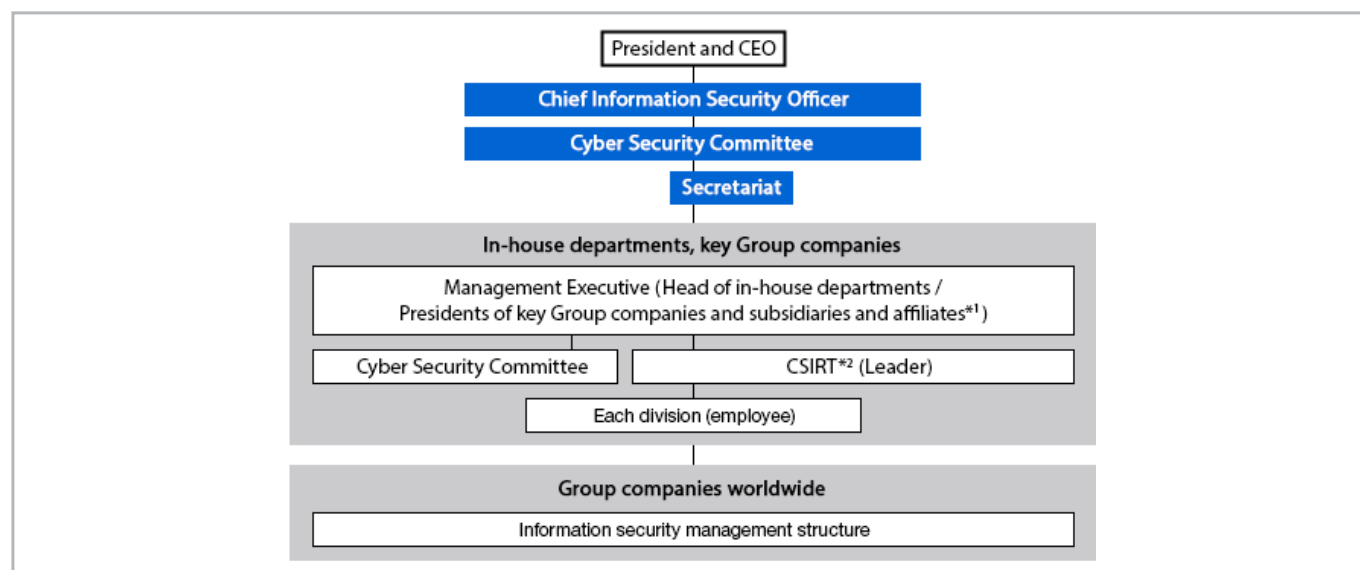
Structure of Information Security Management

Addressing information security as a management priority, Toshiba Group appointed the Chief Information Security Officer (CISO) and each corporate staff division and Toshiba Group company has established, under the supervision of the CISO, an information security management structure.

The Cyber Security Committee deliberates matters that are necessary to ensure information security throughout Toshiba Group. The CISO formulates and enacts measures in order to make sure that internal rules related to information security are enforced in a problem-free, effective, and definitive manner.

At each division inside Toshiba, key Group companies, and subsidiaries and affiliates*1, the head of the organization serves as Information Security Management Executive, bearing responsibility for information security at their respective organization. The Executives provide guidance and assistance to Group companies in Japan and overseas under their control to ensure that they implement information security at a level equivalent to that of Toshiba.

Toshiba Group Information Security Management Structure



*1 Key Group companies and Toshiba Elevator and Building Systems Corporation, Toshiba Lighting & Technology Corporation, Toshiba Carrier Corporation, and Toshiba Plant Systems & Services Corporation

*2 CSIRT: Computer Security Incident Response Team

Information Security Measures

Toshiba Group implements information security measures from four perspectives (see the table below). The Corporate Technology Planning Division incorporates these measures into regulations and guidelines and makes them fully known to all Toshiba Group companies through notices and briefings.

Implementation of Information Security Measures from Four Perspectives

Category	Description
(1) Organizational measures: Establish an organizational structure and rules	<ul style="list-style-type: none"> • Periodic reviews of information security-related regulations • Development and maintenance of structure • Implementation of audits, etc.
(2) Personal and legal measures: Ensure adherence to rules	<ul style="list-style-type: none"> • Regulation of information protection duties and disciplinary measures for breach of duties in rules of employment • Provision of periodic employee education and training • Contractor information security evaluation and conclusion of confidentiality agreements, etc.
(3) Physical measures: Support implementation of rules in terms of physical security	<ul style="list-style-type: none"> • Carry-in/carry-out control of information devices • Facility access control, room/facility entry control • Locking of highly important information, etc.
(4) Technical measures: Support implementation of rules in terms of technology	<ul style="list-style-type: none"> • Virus protection and hard disk encryption of information devices, and introduction of EDR tools* • Checking the vulnerabilities of servers accessible to the public enhancing their protection • Monitoring and controlling unauthorized access from the outside and information leakage, etc. <p>* EDR: Endpoint Detection and Response</p>

To protect against cyber-attacks, which are becoming more sophisticated with every passing year, we introduced a function to block suspicious e-mails, enhanced our anti-virus measures for information equipment such as IoT devices, and trained all employees in handling targeted attack e-mails. Toshiba Group has taken an attack and penetration assessment from the specialized cyber security firm in order to validate the effectiveness of its security measures. In addition, we enhanced the monitoring for our network and in-house systems to quickly cope with a virus invasion into the company systems.

Education, Inspection, and Audit of Information Security Management

Toshiba Group covers a diverse portfolio of businesses. To ensure Group-wide information security, it is vital for each Group company to rotate the PDCA (Plan-Do-Check-Act) cycle independently. Accordingly, Toshiba Group carries out an annual self-audit of its compliance with internal rules to identify issues and plan improvements. The Corporate Technology Planning Division evaluates the results of the audits and related improvements carried out by each Toshiba division, key Group companies, and subsidiaries and affiliates^{*1}, and provides support and guidance where necessary. In FY2020, three key points were identified: (1) need of measures to prevent loss and theft of information devices, (2) information security related to the procurement of technology from external parties, and (3) information security at Toshiba Group overseas. In particular with reference to (3), we have recently witnessed an increasing tendency in which cyber attackers targeting Japanese companies try to steal information stored in Japan via overseas subsidiaries. To address this trend, we checked whether passwords for server administrator IDs were weak using a dedicated tool, and instructed overseas subsidiaries to manage passwords with stronger security. The audit results and improvement initiatives of each Toshiba Group company are subject to assessment by the supervising division, which provides relevant guidance and support.

Toshiba Group companies in Japan have obtained the Information Security Management System (ISMS) certification^{*2} and PrivacyMark certification^{*3} according to their business areas and have received external audits from certification authorities.

Moreover, Toshiba Group conducts yearly training for all officers, as well as permanent and temporary employees, in order to enforce strict compliance with in-house regulations. There are also programs such as training for those engaged in information security operations, and introductory training for new graduate employees.

^{*1} Key Group companies and Toshiba Elevator and Building Systems Corporation, Toshiba Lighting & Technology Corporation, Toshiba Carrier Corporation, and Toshiba Plant Systems & Services Corporation

^{*2} A third-party certification system for the information security management system compliant with ISO/IEC 27000 series

^{*3} A certification mark granted through third party assessment to businesses that have a system to ensure appropriate handling of personal information in compliance with Japan Industrial Standards (JIS) Q 15001: Personal Information Protection Management System-Requirements

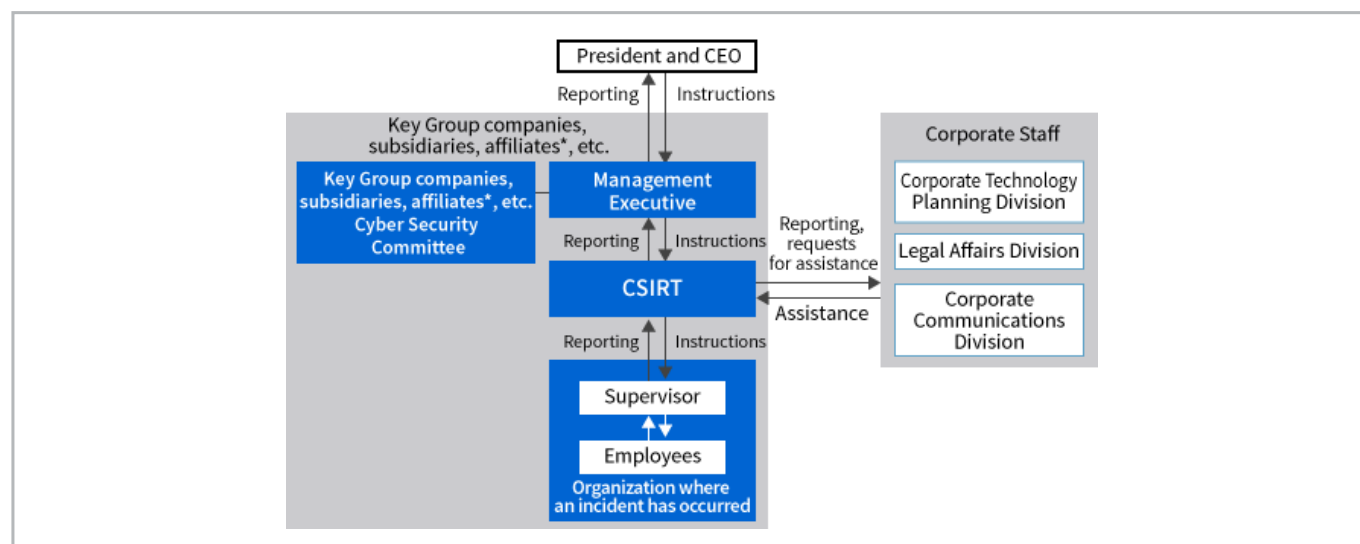
Response to Incidents Such as Leakage of Confidential Information

In the event an information security incident such as the leakage of confidential information, Toshiba responds promptly in accordance with the Information Security Incident Reporting Structure.

When an employee becomes aware of an incident or potential incident involving the leakage of corporate information, the employee immediately reports to the CSIRT. In response, the CSIRT Leader devises necessary measures, such as an investigation into the cause and review of actions to prevent recurrence. In the event of a serious leakage or potential leakage of confidential information that may constitute a violation of laws and ordinances, Toshiba implements measures such as disclosure following discussion among the related corporate staff divisions in accordance with the applicable laws and ordinances.

In the event an incident occurs that could have an impact on confidential information obtained from outside the Company or on external parties, we will take appropriate measures with sincerity, including communicating necessary information such as all relevant facts and measures to be taken to prevent recurrence.

Information Security Incident Reporting Structure



^{*} Key Group companies and Toshiba Elevator and Building Systems Corporation, Toshiba Lighting & Technology Corporation, Toshiba Carrier Corporation, and Toshiba Plant Systems & Services Corporation

Status of Incidents Such as Leakage of Confidential Information

In FY2020, Toshiba Group experienced no leaks of important information held by the Company. There were also no personal data-related complaints or appeals filed by regulatory authorities or other external parties. We will continue working in the future to put in place a system for preventing information security-related incidents to cover all eventualities.

For details on information security management, please refer to our [Cyber Security Report](#).

Product Safety Information and Advertising

Policy on Product Safety Information and Advertising

Toshiba Group provides accurate product information and executes appropriate advertising in a lawful manner and in accordance with the Standards of Conduct for Toshiba Group. Quality assurance divisions of Group companies and affiliated companies monitor the safety standards of the countries where products are marketed and technical standards such as the UL Standards*¹ and CE Marking*² to ensure that their product labeling is in compliance with the relevant standards.

➤ [Standards of Conduct for Toshiba Group 2. Customer Satisfaction](#)

➤ [Standards of Conduct for Toshiba Group 15. Advertising](#)

*¹ UL Standards: Safety standards established by UL LLC (Underwriters Laboratories Inc.,) that develops standards for materials, products, and equipment and provides product testing and certification.

*² CE Marking: A certification mark that indicates conformity with the safety standards of the European Union (EU). CE marking is required for products sold within the European Economic Area (EEA).

Compliance with Regulations and In-House Standards Regarding Products

In FY2020, there were no violations of product safety regulations or in-house standards in the life cycle of our products and services. There were also no violations of regulations or in-house standards relating to information and labeling of products and services.

Compliance with Regulations on Advertising and Labeling

As a result of strict compliance with the Antimonopoly Act, the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, and the Act Against Unjustifiable Premiums and Misleading Representations by Toshiba Group in Japan, there were no legal violations related to advertising in FY2020.

Tax Affairs

Basic Policy on Tax

Based on the Basic Policy on Tax, Toshiba Group complies with legal ordinances, notices, and regulations in various countries and makes efforts to properly file tax returns and pay taxes.

Basic Policy on Tax

Toshiba Group follows the following policy to properly file tax returns and pay taxes:

1. Compliance with laws and regulations

Toshiba and Toshiba Group companies shall carry out their tax operations in compliance with all applicable laws and regulations of the countries where their business is conducted, with the understanding of their intents as well as with reference to guidelines published by international organizations such as OECD.

In addition, Toshiba and Toshiba Group companies shall conduct their business with appropriate tax structures, linked with business purposes and shall not carry out any transactions for the purpose of tax avoidance.

2. Optimizing tax costs

Toshiba and Toshiba Group companies shall, in compliance with tax laws and regulations, strive to utilize the legally justified measures such as consolidated tax filing regimes and other tax incentives and optimize their tax costs for Toshiba Group as a whole.

3. Relationship with tax authorities

Toshiba and Toshiba Group companies shall aim to maintain good relationships with tax authorities and work with them in a sincere manner.

Code of Conduct for Tax Operations

Toshiba Group shall act based on the following three codes, in order to achieve the aims of the basic policy.

Code of Conduct for Tax Operations

1. Improvement of Governance

Toshiba and Toshiba Group companies shall aim to improve governance by organizing the structure by which tax risks related to business activities can be identified.

2. Improvement of Corporate Social Responsibility (CSR)

In carrying out tax operations, Toshiba and Toshiba Group companies shall consider their CSR as well as ensure their compliance with relevant tax laws and regulations. In particular, Toshiba and Toshiba Group companies shall consider their responsibilities towards governments, local communities, shareholders, employees, and other stakeholders.

3. Minimization of tax risks

Toshiba and Toshiba Group companies shall minimize their tax risks through advance assessments of transactions and appropriate tax return filings. Toshiba Group companies shall examine various aspects of tax risks including reputation risk.

Efforts on Tax Operations

Toshiba Group shall carry out the following tax operations, based on the basic policy.

■ Training for Employees and Use of External Specialists

Tax operations of Toshiba Group companies shall be carried out by their employees who are well-versed in their respective local taxation. Toshiba Group shall provide opportunities to their employees who are involved in tax operations depending on their positions and experience levels.

In principle, Toshiba Group shall regularly be reviewed by external specialists to confirm that their tax operations are appropriately carried out in accordance with laws and regulations, and make the final tax-related decisions.

■ Efforts on International Tax Systems

Toshiba Group shall have a responsibility to carry out cross border transactions with foreign related parties at the arm's length price, and document the transaction details based on the relevant laws and regulations in the tax jurisdiction. When carrying out cross-border transactions, Toshiba Group shall confirm whether a tax treaty exists between the relevant countries, and if so, utilize the benefits with full knowledge of the details, and make efforts to minimize tax costs and eliminate double taxation.

Risk Management Using the Business Continuity Plan (BCP)

Failure to respond appropriately to large-scale disasters such as earthquakes, typhoons, and floods could result in the long-term closure of operations, triggering significant financial losses, ultimately affecting our stakeholders. Toshiba Group implements measures to ensure the safety of employees and their families, support recovery of devastated areas, and maintain business sites and factories. In addition, we are promoting measures from the perspective of business continuity to enable continued supply or early recovery of products and services in the event we suffer damages or losses.

The Business Continuity Plan (BCP), which we have been formulating and developing Group-wide since 2007, is one such measure. Focusing on our key businesses that have large social and economic impacts, we have established a BCP that assumes potential large-scale earthquakes and new strains of influenza, and continually updates our Plan in order to maintain and improve its effectiveness.

We created a COVID-19 team and declared an internal state of emergency in February 2020, implementing Group-wide countermeasures from two perspectives: “business continuity and fulfillment of social responsibilities” and “securing the safety of employees and society.” We have proceeded with unprecedented Group-wide countermeasures such as stringent restrictions on staff access to the workplace and drastic alteration of working hours, in order to prepare for the worst case scenario and to protect lives.

Toshiba Group will continue to reinforce its BCP, giving utmost priority to the safety of all employees, so that operations can continue even in the event of a large-scale disaster, such as earthquake, storm, flood or other major disasters, occurring in combination with a pandemic.

[> Toshiba Group's Response to COVID-19](#)

BCP Procurement Management

In response to the Great East Japan Earthquake and the floods in Thailand, both of which occurred in 2011, Toshiba Group has been working to establish a disaster-resistant procurement system. Based on Toshiba Group's Procurement Policy, we request our suppliers to cooperate in continuing to provide supplies in the event of an unanticipated disaster.

In 2012, we established the BCP Procurement Guidelines to provide crisis management standards. Also, to minimize the risk of supply chain disruptions and reduce the amount of time required to resolve supply chain disruptions, we have built a system to manage corporate information on suppliers upstream in the supply chain. In the event of an unanticipated disaster, we use this system to quickly investigate its effects on our suppliers worldwide for prompt action.

In response to COVID-19, we have taken necessary countermeasures in collaboration with suppliers to ensure supply in order to minimize the impact on business. In addition, in response to a tight supply and demand for semiconductors worldwide that began in the second half of FY2020, we have been negotiating with semiconductor suppliers for supply and switching to alternatives.

Research & Development and Intellectual Property



Toshiba Group's goal is to pave the way for a safe, secure and comfortable society by creating and offering through our technology new value that leads to the solution for global-scale social issues. We aim to do this by listening at all times to the demands of the market and our customers, and by maximizing the achievements we have made during our research and development through a global intellectual property strategy.

Medium- to Long-term Vision

In addition to providing products with outstanding performance, function, and quality as an infrastructure services company, we will create new value with solutions that make the most of the customer relationships developed through these products, thereby contributing to society.

FY2020 Achievements

- Technology development to tackle COVID-19
 - Support for remote working and education through e-learning cloud services
 - Response to the social distancing requirement using image-analysis AI technology
 - Contribution to health and safety with technology of sterilization and virus control in public facilities
- Acceleration of open innovation with external parties
 - Carbon recycling technology that realizes the world's highest conversion speed at room temperature, and started reviewing carbon recycling business models
 - Signing of an agreement to establish a joint venture to support the further spread of renewable energy using VPP technology
 - Launch of joint verification tests on quantum cryptography technology to enhance cybersecurity in the financial sector
- Participation in WIPO GREEN, a platform operated by the World Intellectual Property Organization (WIPO) to promote transfer of environmental technology

Future Challenges and Approaches

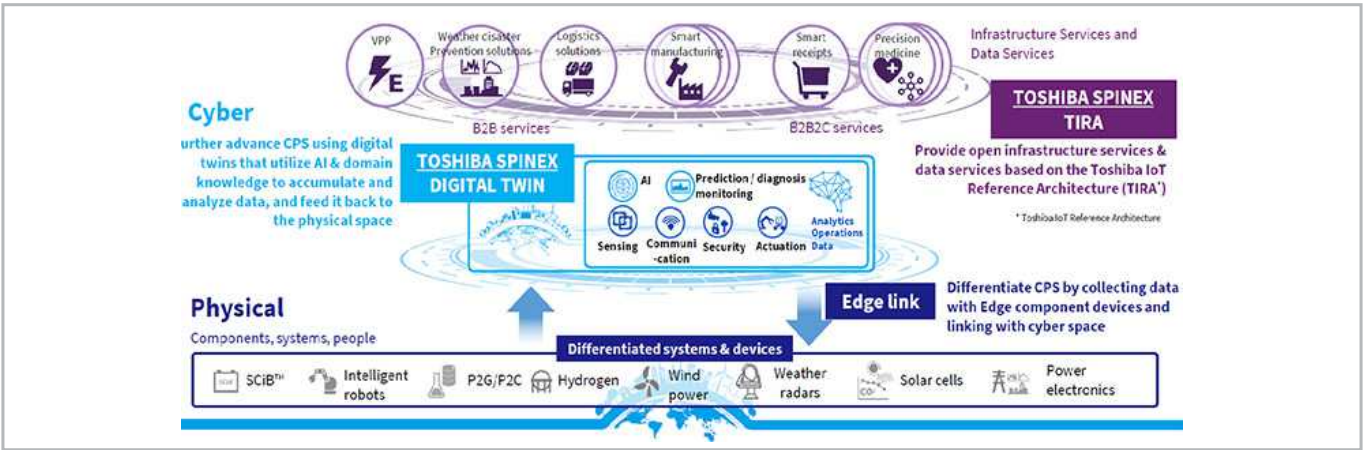
Focusing on six business areas that support people's lives and society — Energy System Solutions, Infrastructure System Solutions, Building Solutions, Retail & Printing Solutions, Electronic Devices & Storage Solutions, and Digital Solutions —we will create innovative technologies and globally promote research and development to solve social issues by creating of infrastructure services and data services. In order to differentiate infrastructure services, We will strengthen fundamental technology related to devices and components called edge such as batteries, power electronics , intelligent robots , and analyze data and advance such as AI and security. In addition, We will focus on cutting-edge technology that Expected to contribute to solving future social issues , including quantum technology, precision medicine. Through this approach, and strengthened collaboration with external organizations, we will work to provide greater value to society more quickly as an infrastructure services company.

> [Evaluation by External Parties](#)

Research and Development

Research and Development Strategy

We are currently facing various social problems such as global warming, intensifying natural disasters, and the spread of COVID-19, which are growing more complicated than ever. Toshiba Group is working to enhance the operations of components and systems using its strength. More specifically, we collect data on the physical space by components and systems enhanced their capabilities for the Edge using IoT technology. Then, we build a digital twin on the cyber space, analyze data with AI, and feed it back to the physical space. By bringing together these proprietary cutting edge technologies by Toshiba Group, including cyber-physical-systems (CPS) technology, we strive to resolve social issues and customers’ problems with eyes on the future.

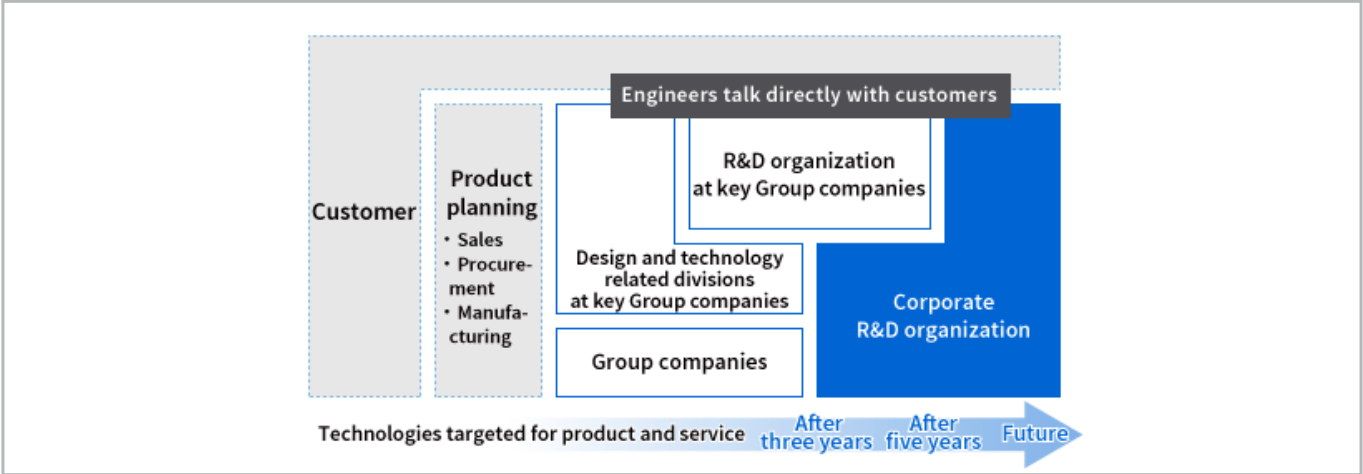


Going forward, Toshiba aims to achieve stable growth as an infrastructure service company and take a leap to become a world-leading CPS technology company. To this end, we will focus on technologies for a new way of living, such as those for carbon neutrality, enhancement of infrastructure, adaptation to the new normal, and improvement of quality of life (QOL). At the same time, we will make a shift to growth with a focus on strengthening basic earning power.

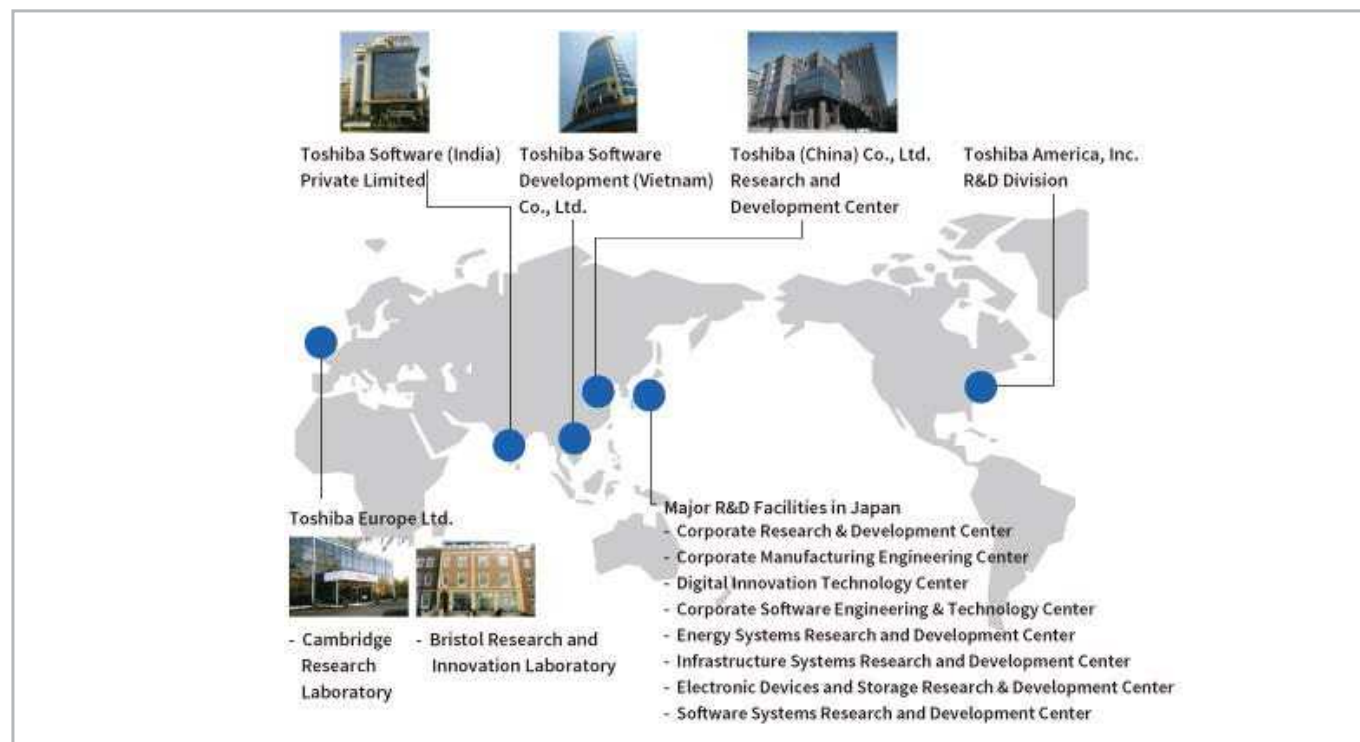
Toshiba Group Research & Development Structure

Toshiba conducts research and development in locations that best suit the purpose, from both aspects of technology-led seeds and concepts, and sales-led product planning and the business model. We have a research and development structure in which our research and development sites are categorized into the following: Corporate Research & Development Center that tackles medium- to long-term basic research; works laboratories of Group companies that engage in medium-term component technology development; and engineering departments of key Group companies that deal with product technology that realizes products and services. This structure is optimal for solving technological challenges.

Toshiba Group Research & Development Structure



Major R&D bases in Japan and overseas



Toshiba has built research and development sites in the U.S., Europe, China, India, Vietnam and so on that conduct a wide array of cutting-edge global research and development in collaboration with Toshiba Group's technological development sites in Japan and abroad. In order to boost our global competitiveness, we are improving our capacity to respond swiftly to changes in the market, in our research and development as well. Particularly in China and the rest of Asia, where markets are expanding, we are working to build not only manufacturing sites, but also local engineering sites and development sites. In the future, we will base our research and development in developing countries, and produce products for the global market, including developed countries.

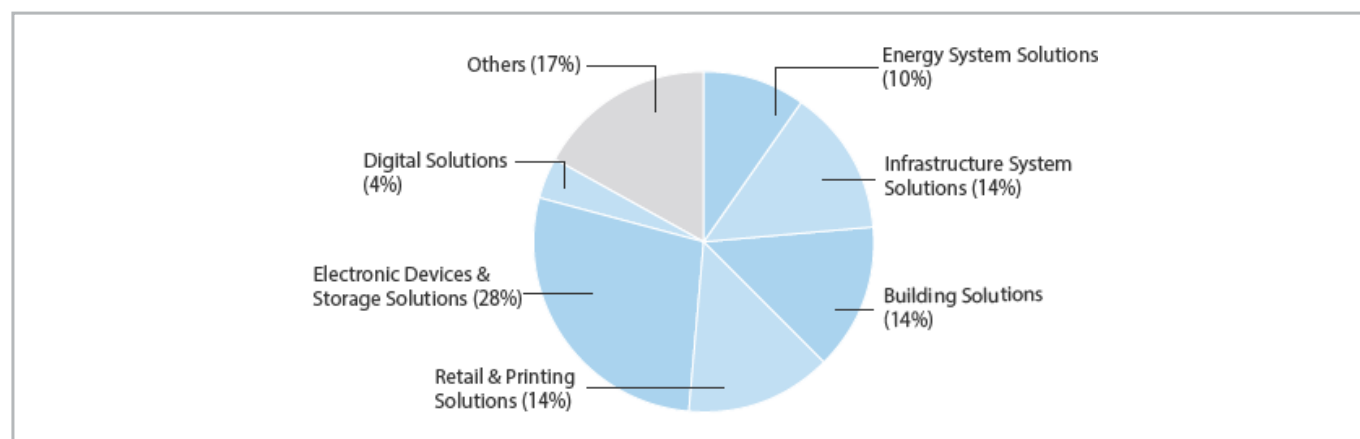
R&D expenses

FY2016	FY2017	FY2018	FY2019	FY2020
295.5 billion yen	178.7 billion yen*	167.5 billion yen	158.9 billion yen	150.5 billion yen

* Excludes R&D expenses related to the memory business field. Including this field, total R&D expenses come to 297.8 billion yen.

The ratio of R&D expenses to sales in Toshiba Group stands at approximately 5%.

Breakdown of R&D expenses (FY2020)



Technological Contribution to COVID-19 Response Measures

Toshiba Group contributes to ensuring safety and security of the places where people live and communicate with each other by using its technologies to counter COVID-19.

Support for Remote Working and Education

To support companies promoting remote working, Toshiba Digital Solutions Corporation offered some contents of Generalist®/LW, an e-learning cloud service that allows users to easily create e-learning materials, until October 31, 2020 free of charge. In addition, to contribute to maintaining and improving the quality of school classes that have gone online, Toshiba developed ToScLive™, an automatic subtitling system that recognizes the teacher's voice and displays real-time subtitles, and stores subtitles of the entire lesson as text data.

➤ [Toshiba Digital Solutions Offers Free of Charge Contents for Potential Recruits, Microsoft Office Contents, and Teleworking Contents on Its E-learning Cloud Service, Generalist®/LW \(Japanese\)](#)

➤ [Toshiba's Auto-Subtitling System for Online Classes is a Win-Win for Educators and Students](#)

Response to the Social Distancing Requirement

Toshiba developed an image-analysis AI technology, which allows us to detect crowds through images from surveillance cameras and issue alerts to inform users about crowd conditions inside a store or public facility. This can streamline monitoring operations, save labor, and is expected to contribute to reducing congestion by visualizing areas of congestion.

➤ [Toshiba's High-Speed Crowd Counting AI Delivers World-Class Accuracy on General-Use PC](#)

Health and Safety

Toshiba Lighting & Technology Corporation and Ushio Inc. jointly developed an ultraviolet (UV) lighting fixture that can be used in occupied spaces while irradiating UV light to sterilize bacteria and viruses as a means of preventing infection in public spaces. Meanwhile, Toshiba Digital Solutions Corporation offers ifLink Community Activity, which can easily create digital apps such as those that can control ventilation with CO₂ sensing technology.

➤ [Launched in January, Two New Product Models with Care222® Technology Able to Be Used in Occupied Spaces to Sterilize Bacteria and Viruses \(Japanese\)](#)

➤ [Starting to Offer the ifLink Platform That Supports Business Using IoT \(Japanese\)](#)

Open Innovation through Collaboration with External Organizations

Development of World's Fastest CO₂ Recycling Technology for Conversion to Valuable Resources at Room Temperature, and Commencement of a Study of Carbon Recycling Business Models (December 2020, March 2021)

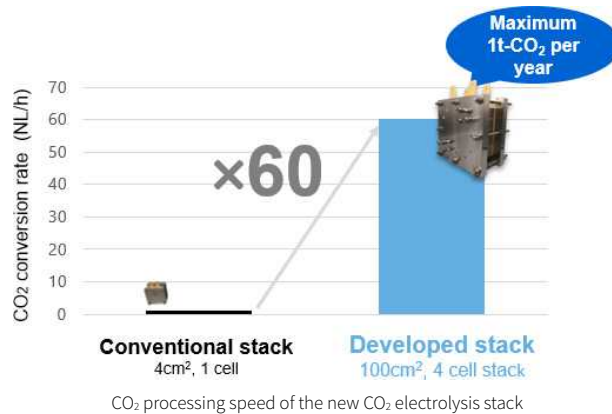
Power to Chemicals (P2C) is a technology for the electrolytic conversion of carbon dioxide (CO₂) to carbon monoxide, a raw material for fuels and chemicals. Toshiba has developed in-house P2C technology capable of processing up to a ton of CO₂ a year with a C5-size envelope footprint*¹. This was made possible by stacking the electrolytic conversion cells, increasing the processed CO₂ volume per unit installation area. P2C will be leveraged in reviewing carbon recycling business models for reuse of CO₂ as Sustainable Aviation Fuel (SAF). The study has been performed in collaboration with Toshiba Energy Systems & Solutions Corporation, Toyo Engineering Corporation, Idemitsu Kosan Co., Ltd., All Nippon Airways Co., Ltd., and Japan CCS Co., Ltd.

➤ [Toshiba Develops World's Fastest CO₂ Recycling Technology for Conversion to Valuable Resources at Room Temperature](#)

➤ [Carbon Recycling Business Models to be Studied in Collaboration with Six Companies](#)



The developed 4-cell stack with an area of 100 cm²



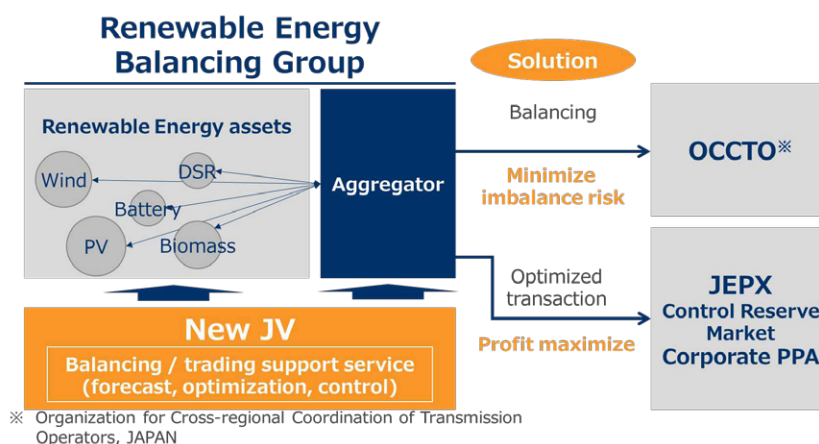
CO₂ processing speed of the new CO₂ electrolysis stack

*1 Some of the research results were produced as part of the Japanese Ministry of the Environment's Model Project for CO₂ Resource Recovery using Artificial Photosynthesis Technology.

Establish Joint Venture to Support Further Spread of Renewable Energy Using VPP Technology (November 2020)

Toshiba Energy Systems & Solutions Corporation has signed an agreement to establish a joint venture, Next Kraftwerke Toshiba Corporation, with Next Kraftwerke GmbH, a world-class virtual power plant (VPP) operator in Germany, to promote the further spread of renewable energy by providing support services using VPP technology. The new company aims to provide support services for the owners of renewable energy assets and aggregators mainly in Japan. Such services include those for balancing*¹ using VPP technology, which helps to mitigate imbalance risk, and optimize the operation of trading in the control reserve market.

> [Toshiba and Next Kraftwerke Sign Agreement to Establish Joint Venture](#)



Business model of new company

*1 The service for a mechanism that allows a power generation company or electricity retailer to make adjustments in slices of 30 minutes to match (1) the power generation plan and power generation result, and (2) the demand plan and demand actual result.

■ Began Joint Verification Tests on Quantum Cryptography Technology to Enhance Cybersecurity in the Financial Sector (December 2020)

In December 2020, five companies including Toshiba, Nomura Holdings, Inc., Nomura Securities Co., Ltd., National Institute of Information and Communications Technology, and NEC Corporation, started joint verification tests on the effectiveness and practicality of quantum cryptography technology in order to strengthen the security of data communications and storage in the financial sector. This is the first-of-its-kind joint verification tests in Japan. In the future, based on the results of these tests, the five companies will work on ways to utilize quantum cryptography and quantum secure cloud systems to strengthen cybersecurity in the financial sector and develop appropriate implementation plans.

> [Beginning Joint Verification Tests on Quantum Cryptography Technology to Enhance Cybersecurity in the Financial Sector](#)

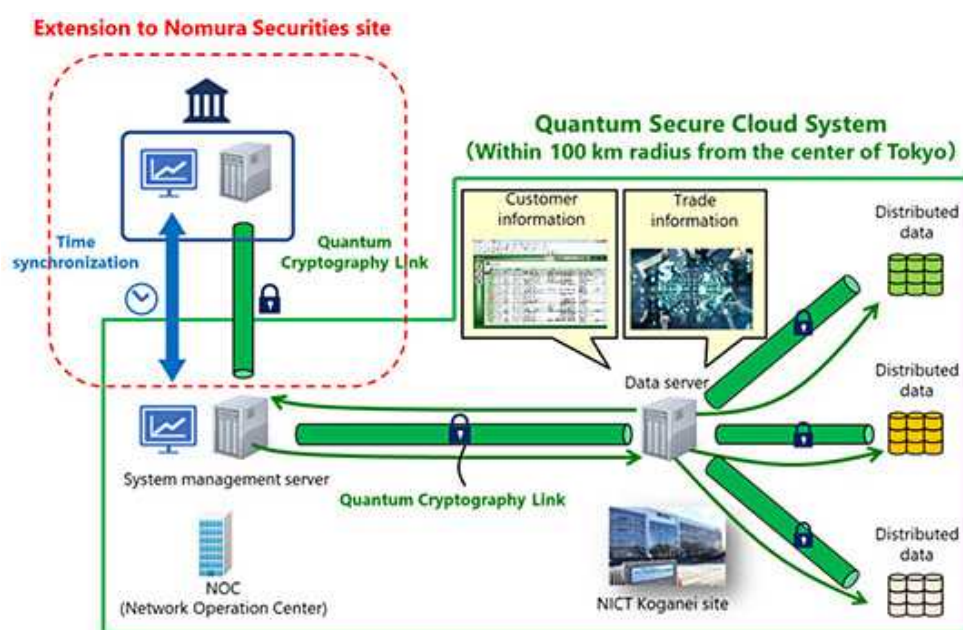


Figure1: An image of the verification test environment of quantum cryptography and quantum secure cloud system

This work was performed for Council for Science, Technology and Innovation (CSTI), Cross-ministerial Strategic Innovation Promotion Program (SIP), “Photonics and Quantum Technology for Society 5.0”(Funding agency : QST).

Protection of Intellectual Property

Intellectual Property Policy and Strategy

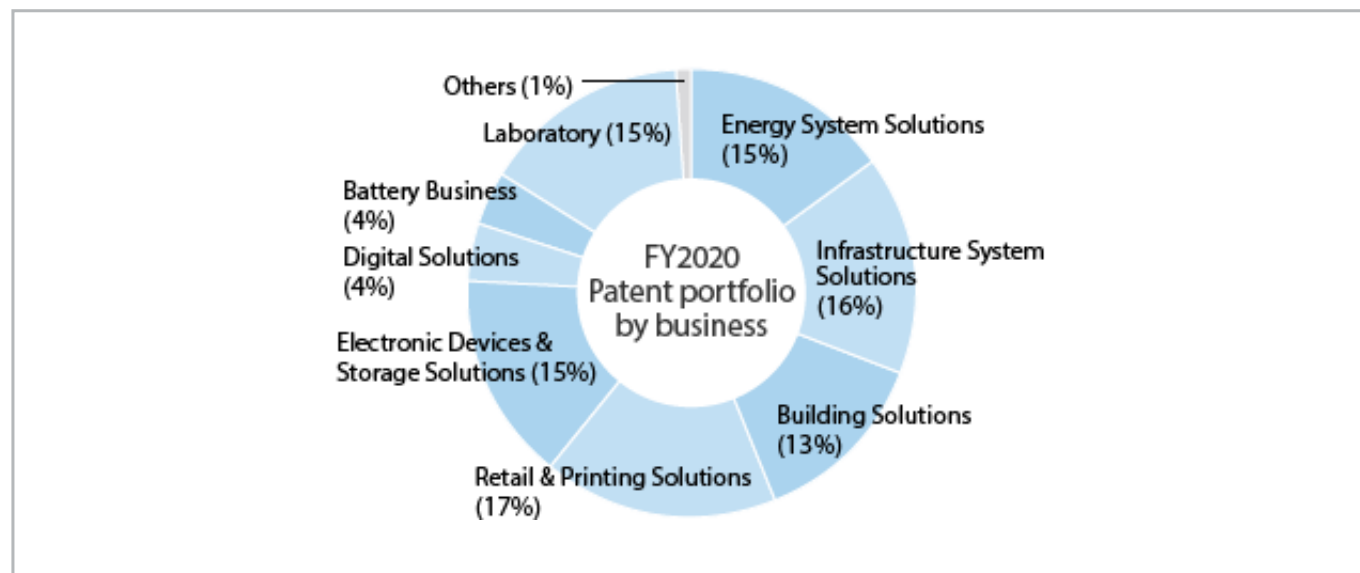
Toshiba Group’s basic policy on intellectual property rights is to observe laws and regulations associated with them, to protect the results of intellectual activities with the rights and thus make extensive use of those results, and to respect the legitimate intellectual property rights of third parties. This policy is stipulated in the Standards of Conduct for Toshiba Group.

Toshiba identifies intellectual property as a tool that contributes to business activities. In addition to continuing to strengthen the intellectual property abilities that have underpinned the Toshiba Group’s accumulated strengths in physical and cyber technologies, we will continue with initiatives to reinforce strategic planning ability in terms of intellectual property as part of the cyber physical system (CPS) business model including open/closed strategies. Through proactive utilization of the intellectual property resulting from research and development, we will deliver continuous new value to society.

> [Standards of Conduct for Toshiba Group 12. Intellectual Property Rights](#)



Global patents portfolio

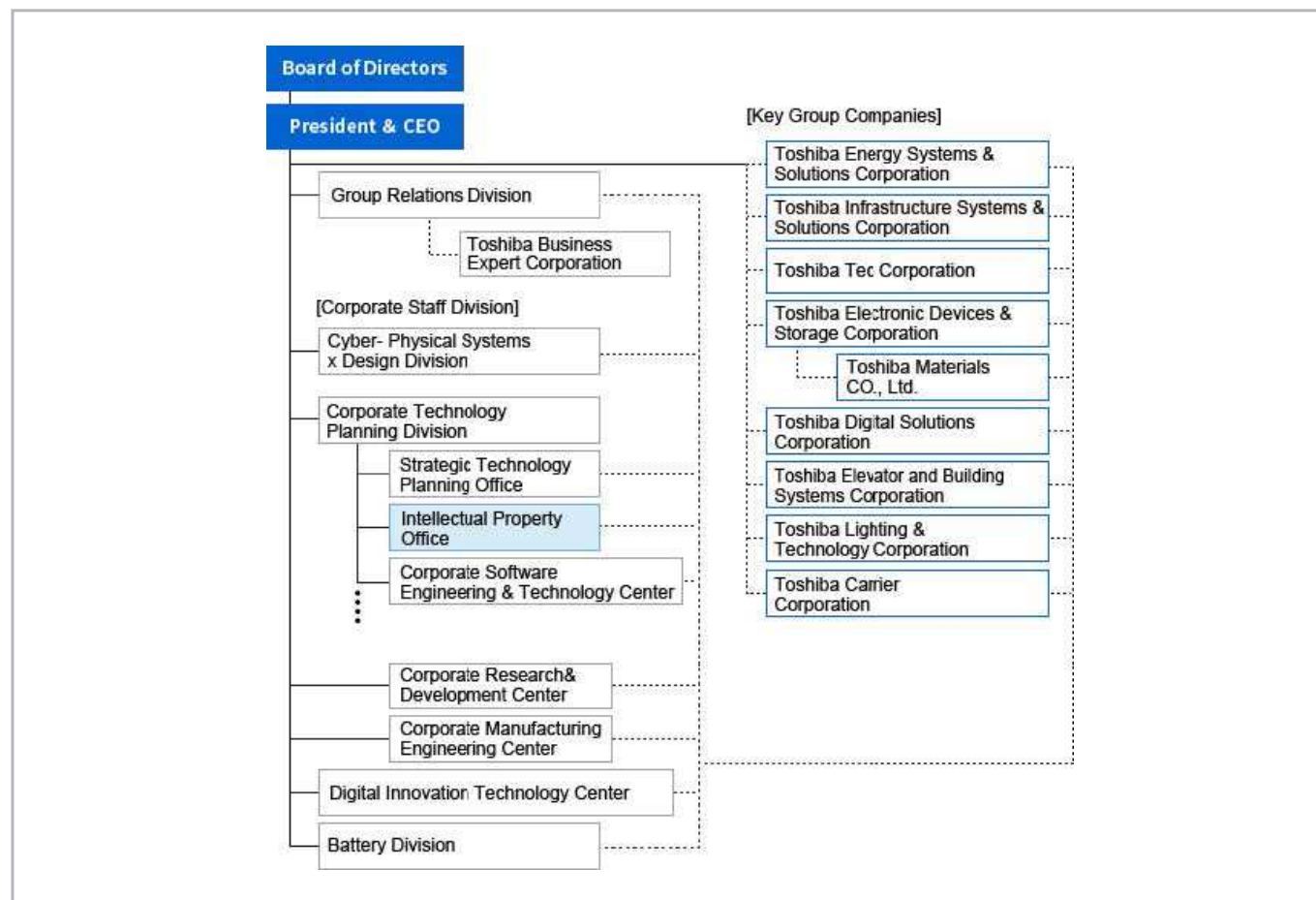


Our Structure Concerning Intellectual Property

The organizational structure of the Intellectual Property Division is composed of the corporate Intellectual Property Office, and the intellectual property divisions at our individual laboratories and key Group companies. The corporate Intellectual Property Office formulates and promotes company-wide strategy and measures regarding intellectual property, handles contracts and disputes, manages patent information and deals with matters related to intellectual property right laws, such as the Copyright Law.

Meanwhile, the intellectual property divisions of research laboratories and key Group companies pursue intellectual property strategies in their respective development and business domains and work to strengthen their intellectual property activities in order to build a superior intellectual property portfolio.

Toshiba Group Intellectual Property Management Structure



Participation in WIPO GREEN

In order to contribute to global environmental conservation through the utilization of patents and other intellectual properties, Toshiba has registered environmental technology-related patent rights with WIPO GREEN, a platform operated by the World Intellectual Property Organization (WIPO) to promote global transfer of environmental technology. Toshiba will continue working through this initiative to roll out environment-related technologies and intellectual properties worldwide, thus helping to resolve climate change and other environment-related social issues and contributing to the fulfillment of the SDGs.

> [WIPO GREEN](#)

Measures against Counterfeit Products

The Toshiba brand symbolizes the value of the Toshiba Group as a corporation, and the value of the products or services that we offer. Failure to take action against counterfeits of Toshiba products would pose not only the risk of damage to Toshiba's brand value and public confidence, but also the risk of purchasing counterfeit products that do not meet the quality expectations of customers who mistake them for genuine products. For this reason, we strive to eradicate counterfeit products, collaborating with domestic and overseas anti-counterfeit organizations, and are actively appealing to local bodies such as government agencies for more stringent control.