

**TOSHIBA**

# **Toshiba's Revitalization Plan**

**Toshiba's Restart: Becoming the Company Society Needs**

Toshiba Corporation

May 16, 2024





人と、地球の、明日のために。

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



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# 01

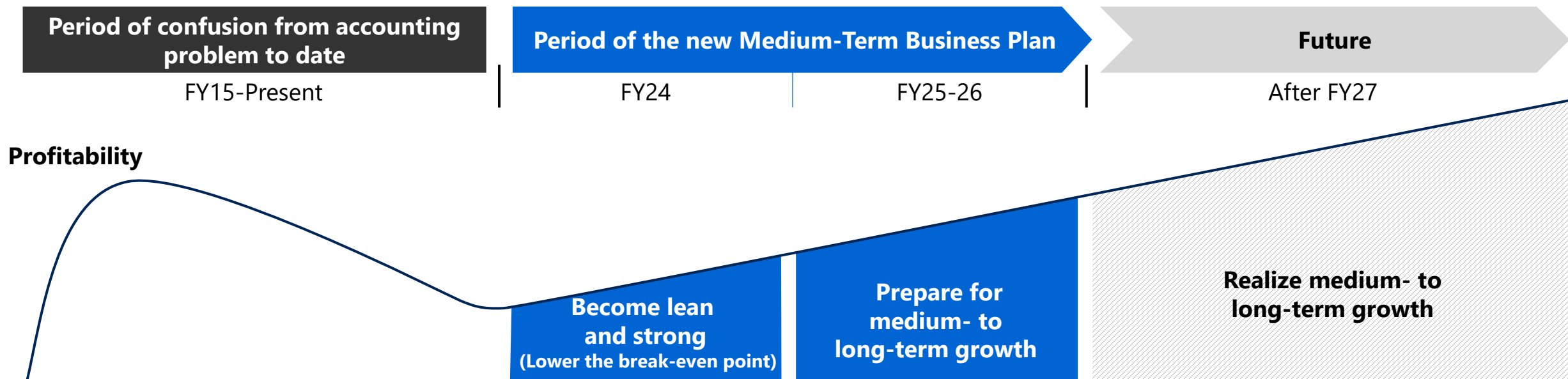
## Vision of the New Medium-Term Business Plan (Toshiba's Revitalization Plan)

# Management's Thoughts on the New Medium-Term Business Plan

- Privatization has given us the **opportunity to fundamentally resolve Toshiba's structural issues and to return to "what Toshiba should be."**
- Toshiba's ideal is to respond to changes in the world and to social issues with the power of technology. Guided by our Basic Commitment, "Committed to People, Committed to the Future," Toshiba **aims to be a company that contributes to society with GX\* and DX** that will help many companies to overcome many of the issues they face.
- To achieve this, **it is necessary to strengthen earning power and invest sufficient resources in people, business, and technological development.** Toward this, we have set the **achievement of a 10% ROS in FY26 as an important milestone** for improving the profitability of company as a whole.
- We will transform Toshiba into **a rewarding place for our employees to work at** by achieving the basic concepts and reforms of our new medium-term business plan, **improving the management infrastructure, lowering the break-even point by making the company leaner and stronger, and investing in growth strategies** that will lead us to achieve our goals.
- **The management team is committed to doing its utmost to achieve this plan, together with business sites that play a leading role in value creation. We will work with all employees on reforms that will build Toshiba's future.**

# New Medium-Term Business Plan: Building Foundations for New Growth

Lower the break-even point and strengthen profitability to realize lean and strong operations. Establish a path to a group-wide ROS of 10% by concentrating investment of resources in focus areas in FY25-26



## Key KPIs for FY26 (Fixed cost ratio is vs. FY23)

**Operating income/margin**  
380 billion yen /10%

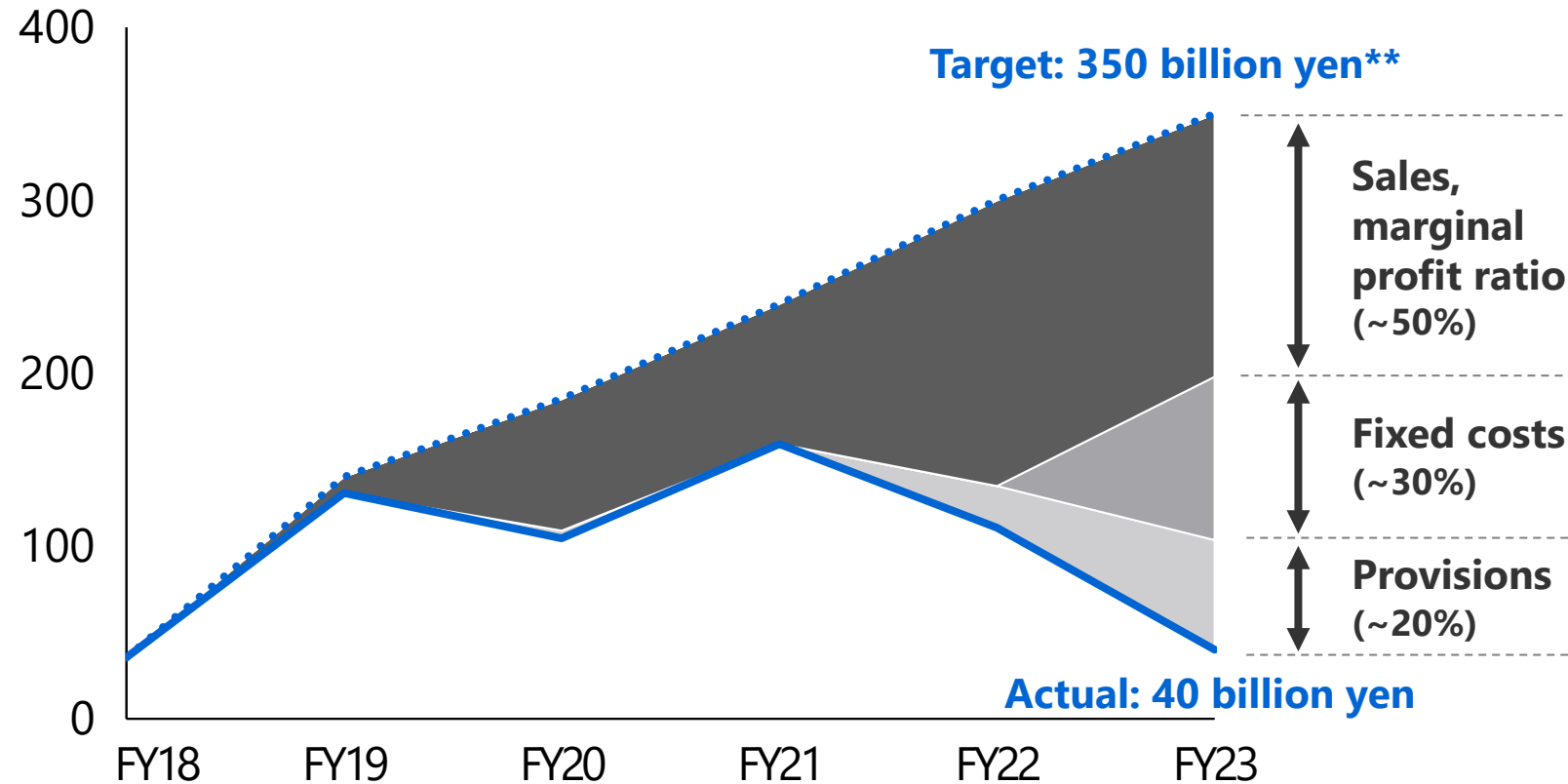
**FCF**  
200 billion yen

**Fixed cost ratio**  
Reduce 5%

# Review of Previous Plans

Past plans were missed due to aggressive planning with low probability, high-risk project acquisitions, and fixed costs that remained high based on the assumption of expansion

Operating income\* (Yen in billions)



**Sales deviated 20% from** original plan

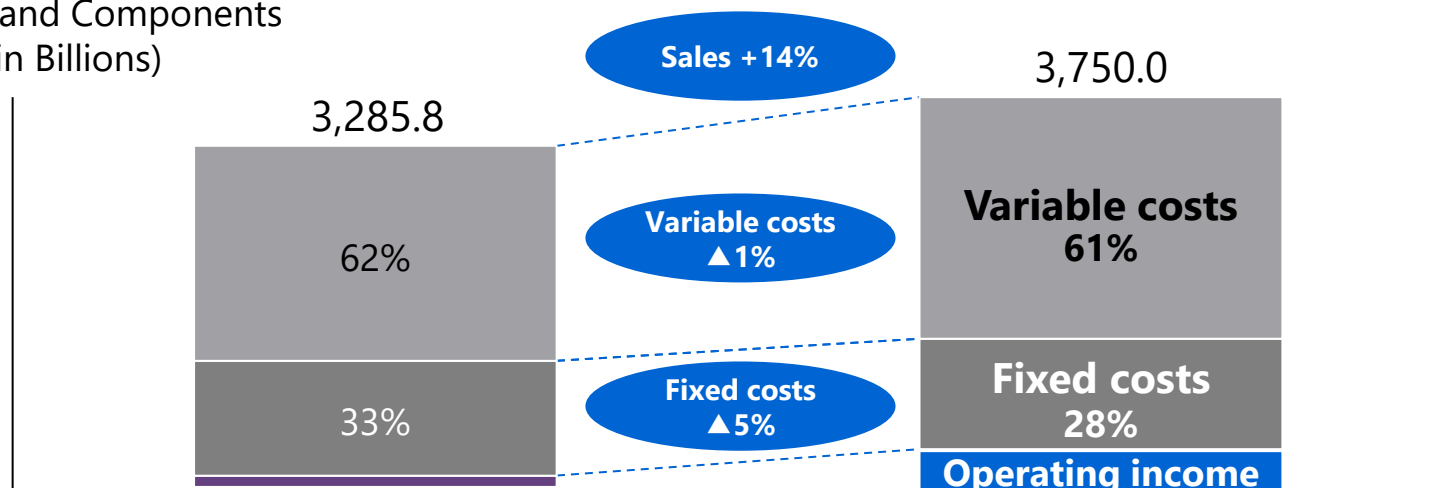
Fixed costs grew on assumptions of growth, and **the fixed cost ratio increased**

**Provisions were over double the planned level**

# Overall Targets of New Plan

Take measures against low-execution plans, insufficient loss-control management and high fixed costs as structural factors in the failures of recent plans, and significantly improve ROS

Sales and Components  
(Yen in Billions)



| (Yen in Billions)                              | FY23 Actual     | FY26 Budget     |
|--|-----------------|-----------------|
| Sales  | 3,285.8         | 3,750.0         |
| Fixed costs (%)                                | 1,092.5 (33.2%) | 1,050.0 (28.0%) |
| Provisions / Before buffer Operating income(%) | 148.4 (4.5%)    | ---             |
| Provisions / Buffer                            | ▲108.5          | ---             |
| Provisions / After buffer Operating income(%)  | 39.9 (1.2%)     | 380.0 (10.1%)   |

## Improve plan probability

Develop a high probability plan that does not rely on aggressive sales plans supported by specific measures, and manage with measures and KPIs.

## Drastic reduction of fixed costs

Review itemized expenditures and drastically reduce fixed costs that do not lead to future growth

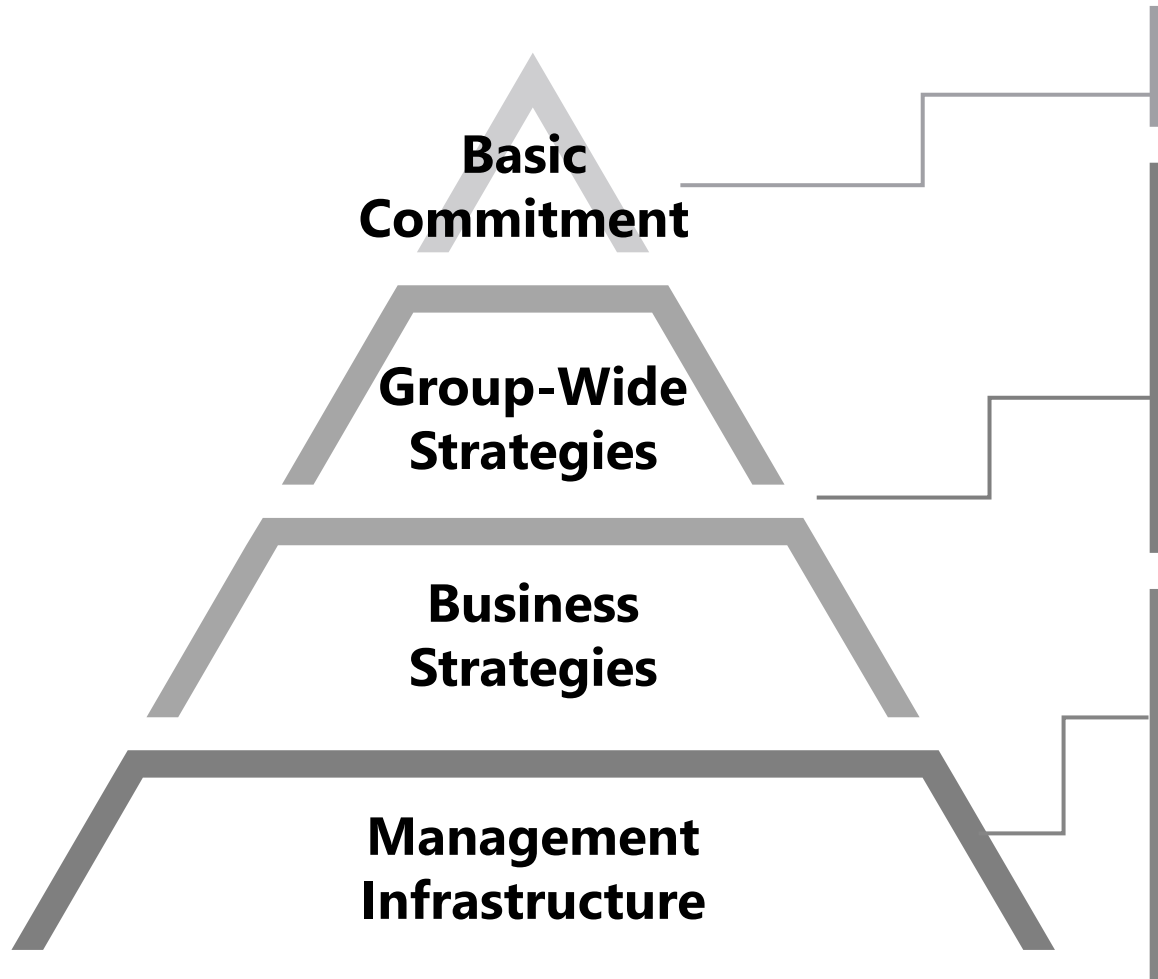
## Advanced Loss-Control Management

Avoid downside risk of provisions, reduce provisions by implementing potential risk analysis and upgrading project screening



# Toshiba's Overall Management Strategy

Improve profitability in all businesses toward the must-achieve goal of a group-wide ROS of 10%.  
Upgrade business planning and management control to enhance ability to achieve the goal



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

**Management strategy to achieve a 10% ROS**

- Improve the break-even point by reducing fixed costs
- Improve profitability across all businesses and achieve a group-wide ROS of 10%
- Search for the best partners to grow businesses
- Create innovative technologies and aim for their early commercialization

**Rebuild management infrastructure to enhance strategy execution**

- Establish optimal engagement between business units and headquarters
- Define highly probable plans and examine overall risk
- Determine and monitor KPIs, establish a project management structure
- Simplify and streamline business processes

# 02

## Group-Wide Strategies

# Become Leaner and Stronger

Reduce fixed costs and the break-even point to increase profitability and ensure a competitive advantage.  
Allocate the cash these measures generate to investments in future growth

Reduce fixed costs and lower break-even point (become leaner and stronger)

Increase competitiveness and improve profit and cash generation

Investments  
in people

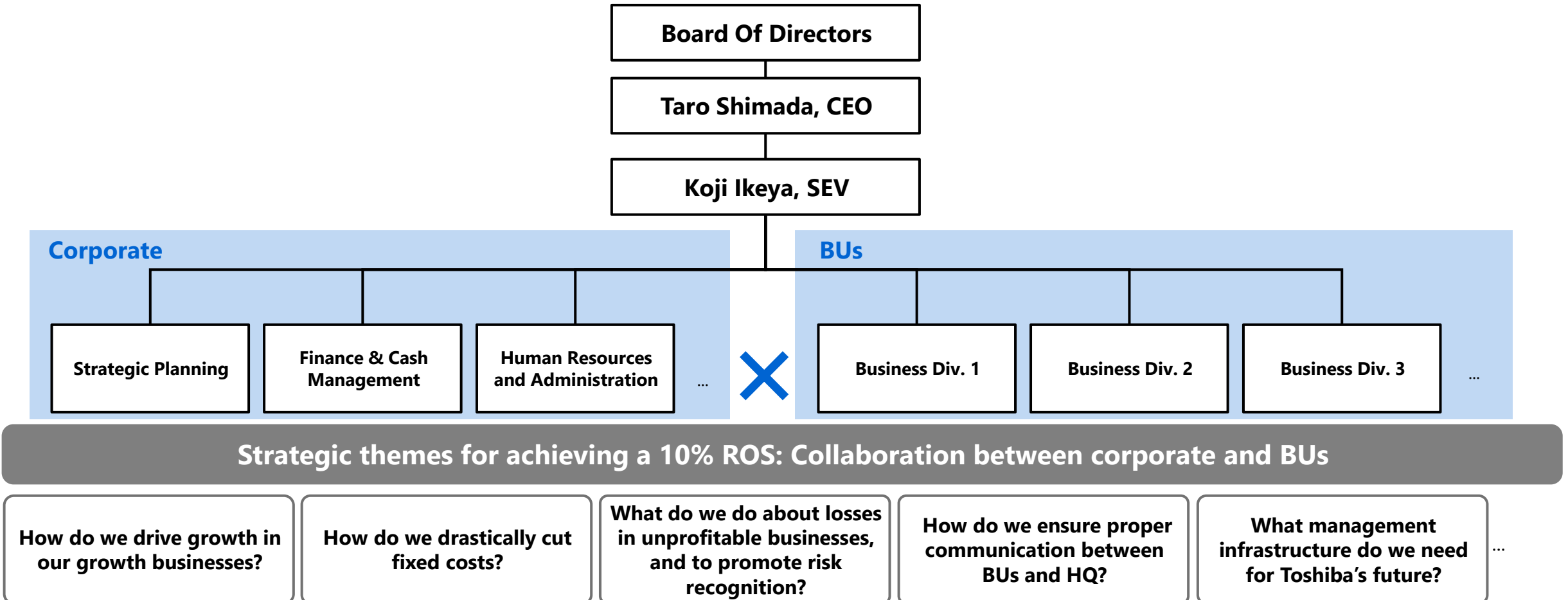
Investments in  
business

Returns to  
stakeholders

Achieve a ROS of 10% and medium- to long-term growth

# A System for Closer Engagement between Corporate and Business Units

Under the new management structure introduced on December 22, 2023, select strategic themes and promote group-wide studies through collaboration between corporate and business units (BUs)





# Realize a Scaled Back HQ Close to Business Sites Through Consolidation with Bases in Kawasaki

Redefine and optimize ideal HQ functions.

Consolidate and integrate functions in Kawasaki to strengthen collaboration between HQ and BUs



**Promote initiatives toward One Toshiba.** End the structure of four key group companies and integrate them at appropriate times.



**Aim to reduce number of staff organizations by 20% by the end of FY2024.**

*\*Includes staff organizations other than HQ*

Redefine the ideal headquarters functions, and promote radical streamlining by reducing functions that have become less necessary and duplicated.



**Move HQ closer to the business sites and provide a more reliable presence.**

Consolidating bases in Kawasaki will directly link HQ and BUs



**Strengthened cooperation and communication between management and employees.**

Management to promote implementation of the medium-term business plan by holding town halls at all business bases

Not a one-way explanation forum, but a place to hear and absorb the voices of employees and reflect them in management.

# Personnel Optimization

## Optimize allocation and streamline personnel to achieve the goals of the New Medium-Term Business Plan

### Overview

A time-limited, group-wide **Early Retirement Incentive Program and Outplacement Support** program for individuals who meet specific criteria (up to 4,000 people).

### Key Points

**Streamline personnel structure** by reviewing duplicated operations, especially staff.

**Reassign and reinforce necessary personnel** from both inside and outside the Group to support growth businesses.

Improve efficiency through business process reform and structural reform while **minimizing impacts on business operations**.

# Investments in People

**Accelerate recent work-style reforms and enhance engagement with the people supporting Toshiba's future; Over the next year, rebuild the personnel management system by considering internal opinions and holding labor-management consultations**

## Recent Initiatives: Promotion of Work-Style Reforms Throughout Toshiba Group



### Wage Increases

- Fully met the union's demand for three consecutive years.
  - 2022: 3,000 yen
  - 2023: 7,000 yen
  - 2024: 13,000 yen

\*Figures are the increases for Toshiba Corp. and its four subsidiaries. Other group companies made adjustments according to their financial situation, with reference to the above benchmarks.



### Work-Style Reforms

- Cut overtime from 80 hours plus to zero.
- Office transformation to foster an optimal work environment.
- Flexible work styles, including hybrid and remote work options.



### Career Development Support

- Career Challenge System
- Second Job System
- External Transfer System
- Career development training for each age group, and interviews with career advisors

## Future Initiatives: Enhance Engagement with the People Supporting Toshiba's Future



**A compensation system that rewards employees for their contributions**



**Select talented people regardless of age, length of service or geographical location**



**Expanded investment in education, including employee skill development and cultivation of global talent**



**Rejuvenate the workforce by expanded hiring of new graduates**

# Revolutionize the Efficiency of Internal Operations

## Accelerate top-down reform for sustained per person productivity enhancement

### Meeting Reform: Streamline Internal Meetings



- Explore **simplification of meetings, fewer pre-meetings**, etc.
- **Consolidate financial metrics (KPIs)** to streamline accounting management across headquarters, subsidiaries, and business units.
- Keep meetings to the **minimum number of participants required for decision-making**.
- **Halve the number of pages of meeting materials** by clarifying matters to be reported.

### Operational Reform: Use generative AI, etc., to enhance business efficiency



- **400 individuals engaged in a trial of generative AI for operational improvement.**
- Main use cases to optimize business efficiency **include creating meeting memos, documents, and information retrieval.**
- Identified potential for operational efficiency gains: **5.6 hours per person per month.**
- The number of applicants exceeded 5,000; now considering **expansion to 10,000 people.**



# Positioning of Each Business in the Portfolio

Classify BU directions based on current status, market growth potential, and available resources. Each business realizes its full potential to achieve profitable growth with a target group-wide ROS of 10%.

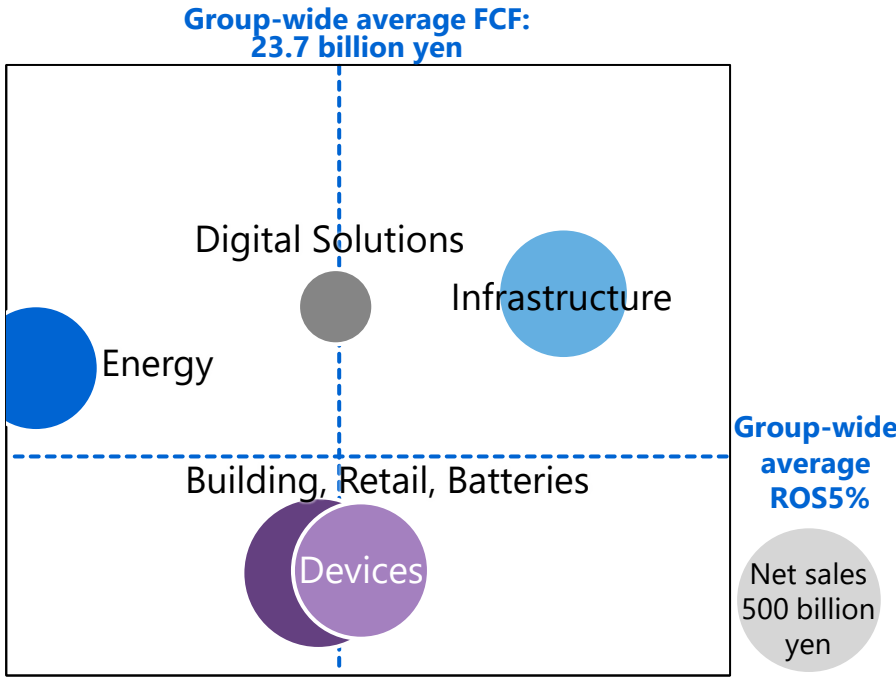
|                            | Strengthen Areas  |   | Improvement/Challenge Areas   |   | New Fields   |
|----------------------------|---|---|---|---|--|
|                            | High Growth Businesses  | Revenue Growth Businesses   | Transformation Businesses   | PJ Loss Prevention Business   |  |
| Applicable Business        | Businesses with superior market positioning in growing markets  | Businesses with superior market positioning in mature markets   | Businesses with low profitability   | Businesses whose earnings are deteriorating due to specific PJs   | Businesses being launched as new business fields   |
| Policy                     | <ul style="list-style-type: none"> <li>To achieve its full potential, the company will focus resources on increasing sales and market share.</li> </ul>   | <ul style="list-style-type: none"> <li>Manage fixed costs and capital investments to maximize profits.</li> </ul> | <ul style="list-style-type: none"> <li>Identify the structural factors behind declining profitability and implement targeted improvement measures.</li> </ul>   | <ul style="list-style-type: none"> <li>Identify the structural factors behind losses; HQ and BUs to act as one to implement countermeasures.</li> </ul> | <ul style="list-style-type: none"> <li>Thoroughly implement a gate management system to make objective investment and withdrawal decisions.</li> </ul> |
| Expected Profit            | Further profit growth through increased scale   | Achieve an ROS of 10% or more   | Achieve an ROS of 5% or more  |   | Set according to each business   |
| Main Products and Services | <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px;">Power Generation</div> <div style="border: 1px solid black; padding: 5px;">T&amp;D</div> <div style="border: 1px solid black; padding: 5px;">Public infrastructure</div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px;">Semiconductors</div> <div style="border: 1px solid black; padding: 5px;">Digital</div> </div> |   | <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px;">Railway, Industrial systems</div> <div style="border: 1px solid black; padding: 5px;">Retail and printing</div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px;">Elevators, Lighting</div> <div style="border: 1px solid black; padding: 5px;">HDD</div> </div> |   |  |

# Significantly improve ROS and FCF in all businesses, ROS up from 5% to 10%

Revitalize the Energy & Infrastructure domain, Toshiba's stable foundations, through DX.  
Each business is aware of global best practices and aims to achieve its full potential in all areas

## Current portfolio (FY23)

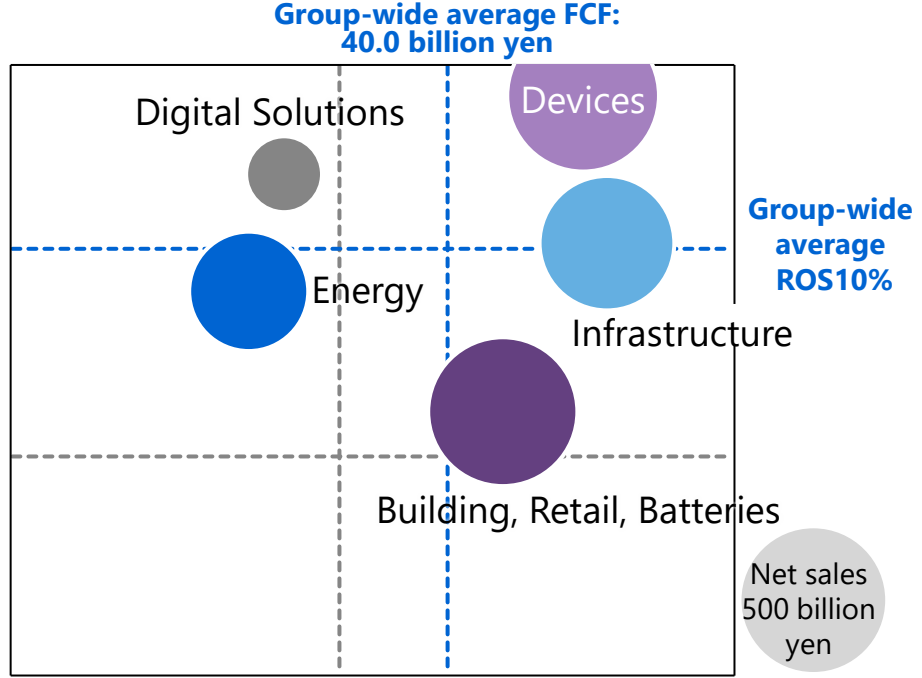
ROS (By segment, FY23)



FCF (By segment, FY23, Yen in Billions)

## Targeted portfolio (FY26)

ROS (By segment, FY26)



FCF (By segment, FY26, Yen in Billions)

## Future portfolio









Achieve further growth by ensuring that each business is aware of **global best practice and aims to achieve its full potential**

# 03

## Business Strategies

# Toshiba's Business Strategy

Promoting strategies in line with Domain-specific business issues and in response to changes in the market and social environment.

|       | Energy Domain   | Infrastructure Domain   | Devices Domain   | Building, Retail and Battery Domains  |
|-------|---|---|--|---|
|       | <ul style="list-style-type: none"> <li>• <b>Decarbonisation, liberalisation</b> and <b>decentralisation</b> expand business opportunities</li> <li>• <b>Strengthen partnering and production</b> systems to capture market demand activated by changes in the social environment</li> </ul> | <ul style="list-style-type: none"> <li>• Steadily win <b>large projects from existing customer base</b></li> <li>• <b>Expand profit by providing solutions that accurately capture new customers and changing needs</b> that emerge as a result of changes in market and policy trends</li> </ul> | <ul style="list-style-type: none"> <li>• Aim to expand sales and grow profit by capturing expected market growth in <b>power semiconductors and nearline HDD</b>.</li> <li>• Fundamentally <b>reviewing the profit structure, including review of selling prices and reductions of fixed costs</b>.</li> </ul> | <ul style="list-style-type: none"> <li>• In the elevator business, <b>strengthen profitability of new construction by enhancing cost competitiveness</b>, especially in Japan</li> <li>• Respond to market changes such as business maturity. <b>Reinforcing profitability by promoting business transformation</b>.</li> </ul> |
| Sales |    |    |   |    |
| ROS   |    |    |   |    |



# 04

## Rebuild Management Infrastructure

# Management Upgrade Mechanism

Establish management infrastructure, including BU-defined KPIs, so that BUs and corporate share the same perspectives on promoting business and collaboration. This will also promote increased business efficiency

## Management infrastructure for ensuring execution

KPI

Monitoring

Managerial Accounting

Project Management

## Reinforcement measures

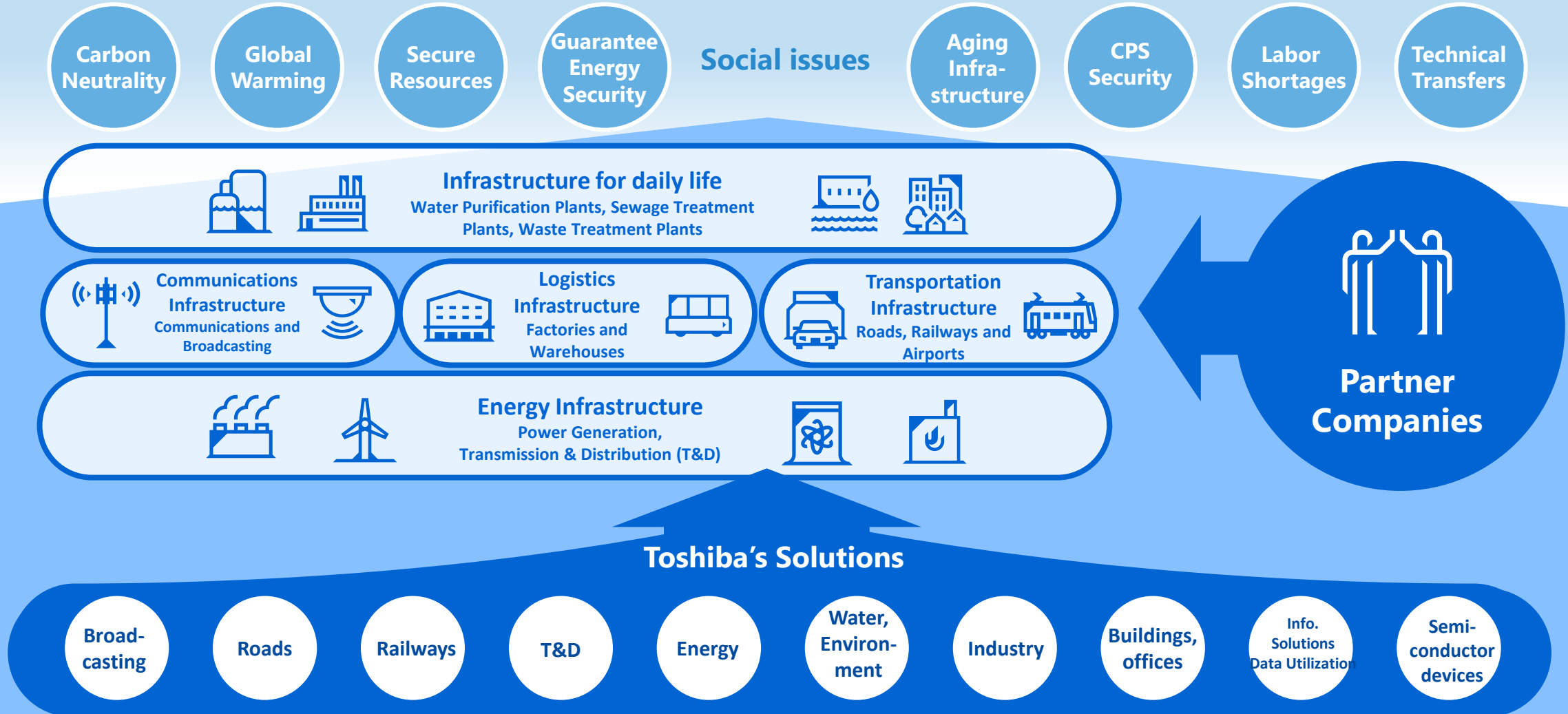
- Establish **simple, easily understood** group-wide KPIs (ROS, FCF, fixed costs, etc.) **linked to the medium-term business plan policy**
- Through thorough discussions with each BU, **highly satisfactory KPIs have been set that reflect the characteristics and challenges of each business.**
- **Implement monthly monitoring of** group-wide KPIs and business-specific key KPIs
- **The corporate staff is actively involved, and instructs BUs to look at data and consider and report measures at an early stage**
- **Ensure comprehensive visualization of accounting data necessary for management decision-making,** not just for understanding financial conditions
- Design cost criteria that realize lateral comparisons, **visualization of project revenues and expenditures, and** increase the **granularity of cost control**
- **Review the management and decision-making structures of highly difficult projects** (Thorough management of project income and expenditure by HQ)

# 05

## Growth Strategies

# Toward Solutions to Global Challenges

Form a global ecosystem with partners to address social issues. Utilize digital technologies to develop and provide an integrated group of products and solutions across various businesses



# Our Advanced Technologies

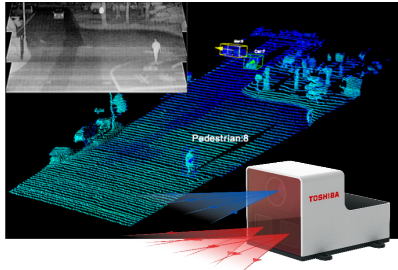
## Solve social issues through the fusion of advanced physical and digital technologies

### LiDAR

Full-scale demonstration in Japan using high weather resistance prototypes

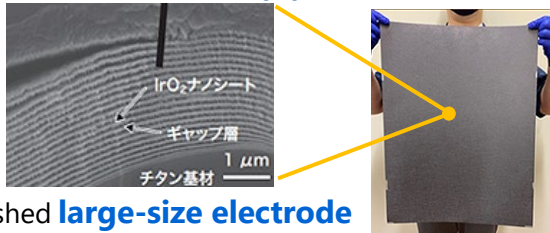
World's highest object tracking accuracy in a palm-sized device

Middleware to remove the effects of rain fog



### PEM Water Electrolysis \*1 (hydrogen production)

Partnering with Bekaert; signed an MoU with Furuya Metal on stable supply network for iridium

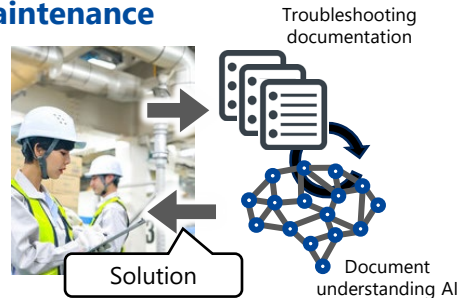


Established large-size electrode manufacturing technology cuts iridium content by 90%

### Document Understanding AI

Verified using troubleshooting documentation for infrastructure maintenance

Highly accurate understanding of specialized documents contributes to fast and efficient infrastructure maintenance



### Niobium Titanium Oxide (NTO) Anode

Signed an MoU with Sojitz and CBMM on sales and marketing cooperation for electric commercial vehicles in Brazil

High-capacity, high-power rechargeable battery using niobium raw material from CBMM, Brazil

Developing customers through demonstrations of ultra-fast charging EV commercial vehicles, etc.



### Simulated Bifurcation Machine

Demonstration of real-time object detection operation for automotive applications with embedded quantum inspired computers

Contributes to advanced automatic driving/driving support systems that respond immediately and optimally to surrounding conditions



### CO<sub>2</sub> Separation and Recovery

Verified the capability of new solvents at a commercial plant in Saga City and completed commercialization as TS-X™

Reduced liquid degradation and 3 times longer life than current solvents

90% reduction in amine emissions against current solvents

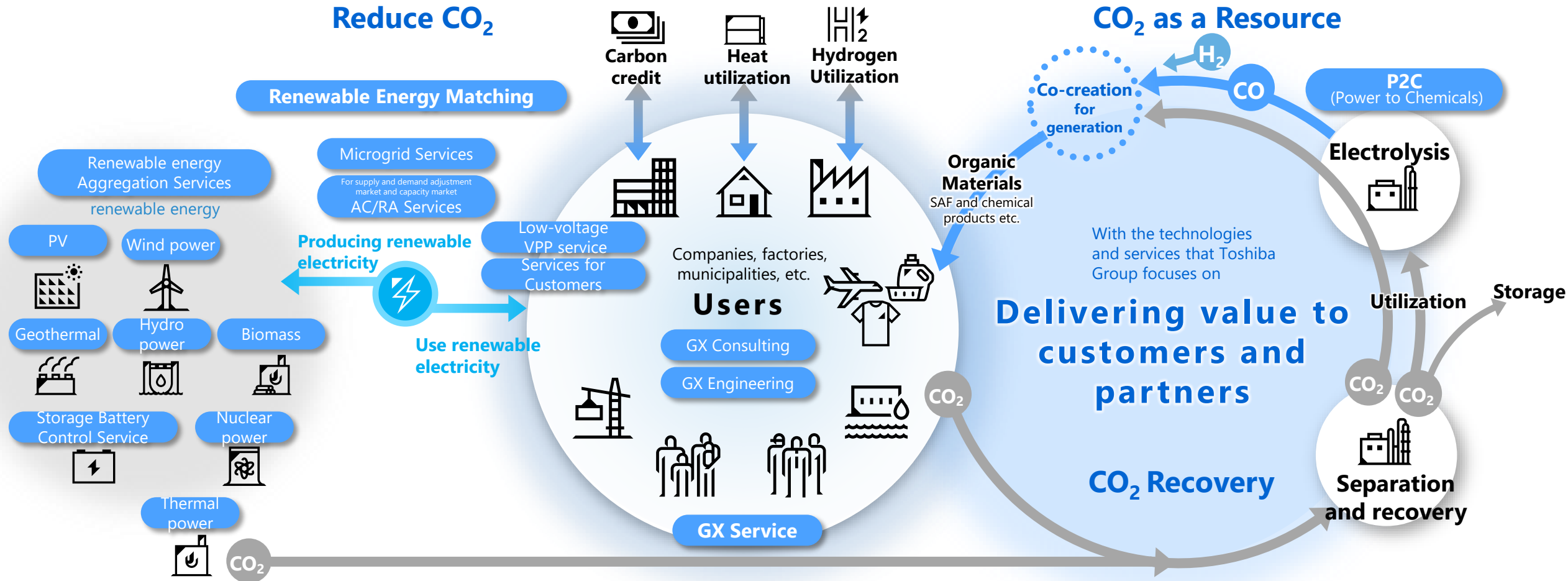


CCU<sup>\*3</sup> at waste incineration plant in Saga City

\*1 PEM: Polymer Electrolyte Membrane, \*2 CCU: Carbon dioxide Capture Utilization

# Responding to Global Warming -Toward Carbon Neutral and Carbon Negative-

Work with customers and partners to realize initiatives that make already developed and deployed services function as a single loop





# Emergence of the Digital Economy and Future Business Development Concepts

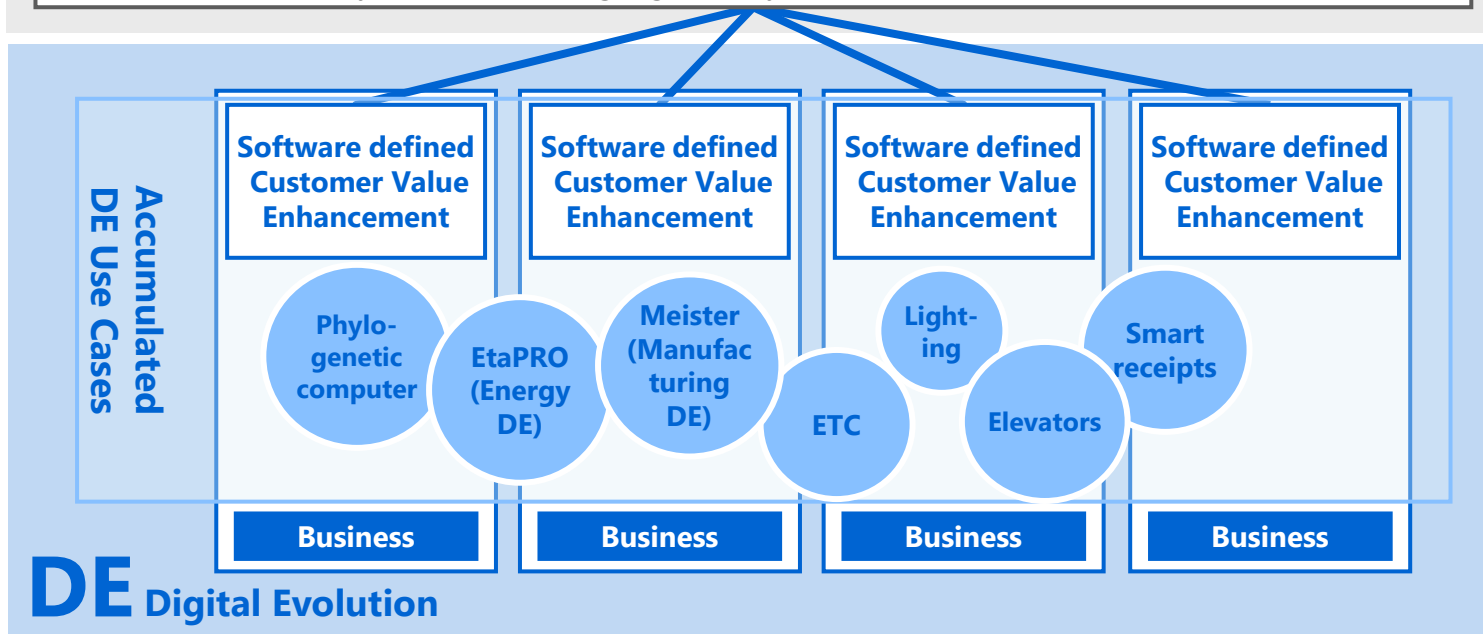
Working closely with energy and infrastructure customers to solve social issues.  
Going forward, Toshiba will work to realize growth strategies focused on energy and infrastructure.

## DX Digital Transformation

Value creation through platforming that includes other companies' hardware and applications

### Cyber-Physical Systems:

Create value by lateral leveraging of physical data from people and industries



## DE Digital Evolution

## QX Quantum Transformation

Welcoming the dawn of a genuine global quantum era

Quantum technology market to grow to over 20 trillion yen in the next 10 years

Finance, drug discovery, and chemistry lead the way, with application scenarios extending into renewable energy, transportation, and telecommunications

Accelerate preparations for social implementation by combining our broad array of quantum-related technologies with our customer base

**Worldwide Demonstrations**  
Promote experimentation and collaboration

**Quantum Key Distribution (QKD)**

Through Q-STAR  
**All Japan Industry Creation Initiatives**

**Quasi-Quantum Computer**  
**SQBM+**

Q-STAR: Quantum Science and Technology Association for Revolution, a Japanese consortium that is fostering new industries through the application of quantum technology

**TOSHIBA**