

November 13, 2019
Toshiba Corporation

FOR IMMEDIATE RELEASE

Notice Regarding the Progress Report of “Toshiba Next Plan”

TOKYO—Toshiba Corporation (TOKYO: 6502) hereby releases the progress report for the first year of the “Toshiba Next Plan,” as introduced in the November 8, 2018 announcement, “Toshiba to Announce the “Toshiba Next Plan” for Corporate Transformation”. The progress report has been prepared for a press briefing scheduled for later today.

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TOSHIBA

The Toshiba Next Plan Progress Report

Change and Growth

Nobuaki Kurumatani
Representative Executive Officer
Chairman & CEO
Toshiba Corporation

November 13, 2019

Forward-looking Statements

- This presentation contains forward-looking statements concerning future plans, strategies, and the performance of Toshiba Group.
- These statements are not historical facts; rather, they are based on assumptions and judgments formed by the management of Toshiba Group in light of currently available information. They include items which have not been finalized at this point and future plans which have yet to be confirmed or require further consideration.
- Since Toshiba Group promotes business in various market environments in many countries and regions, its activities are subject to a number of risks and uncertainties which include, but are not limited to, those related to economic conditions, worldwide mega-competition in the electronics business, customer demand, foreign currency exchange rates, tax and other regulations, geopolitical risk, and natural disasters. Toshiba therefore wishes to caution readers that actual results may differ from our expectations. Please refer to the annual securities report (*Yuukashoken houkokusho*) for fiscal year (FY) 2018 and the quarterly securities report (*shihanki houkokusho*) for the second quarter of FY2019 (both issued in Japanese only) for detailed information on Toshiba Group's business risk.
- Toshiba's fiscal year runs from April 1 to March 31. All figures are consolidated totals for 12 months, unless stated otherwise.
- Results in segments have been reclassified to reflect the current organizational structure, unless stated otherwise.
- Since Toshiba is not involved in the management of Kioxia Holdings (hereinafter "Kioxia") and is not provided any forecasted business results, Toshiba Group's forward-looking statements concerning financial conditions, results of operations, and cash flows do not include the impact of Kioxia.
- "Orders Received" in this presentation are based on numbers used for internal management purposes.



Toshiba Next Plan Progress Report

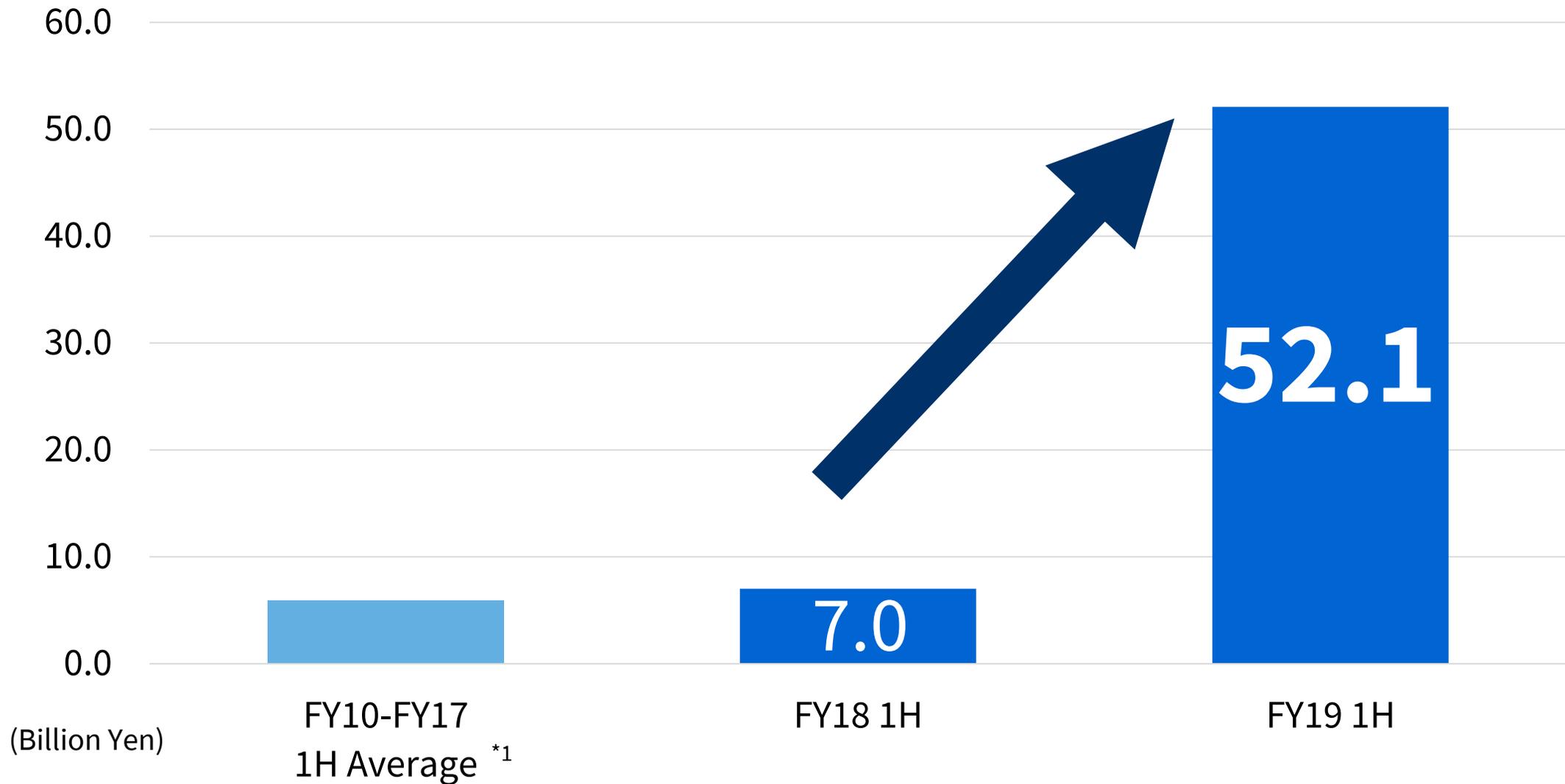
Change & Growth

“Change” Achieved to Date

- 1. Establishment of a Stronger Earnings Structure**
- 2. Disciplined Portfolio Management**
- 3. Launch of a Cutting Edge Governance Structure**
- 4. Capital Policy and Shareholder Returns**

Establishment of a Stronger Earnings Structure

FY19 First Half (1H) Results: Operating Income



*1 Only includes ongoing businesses

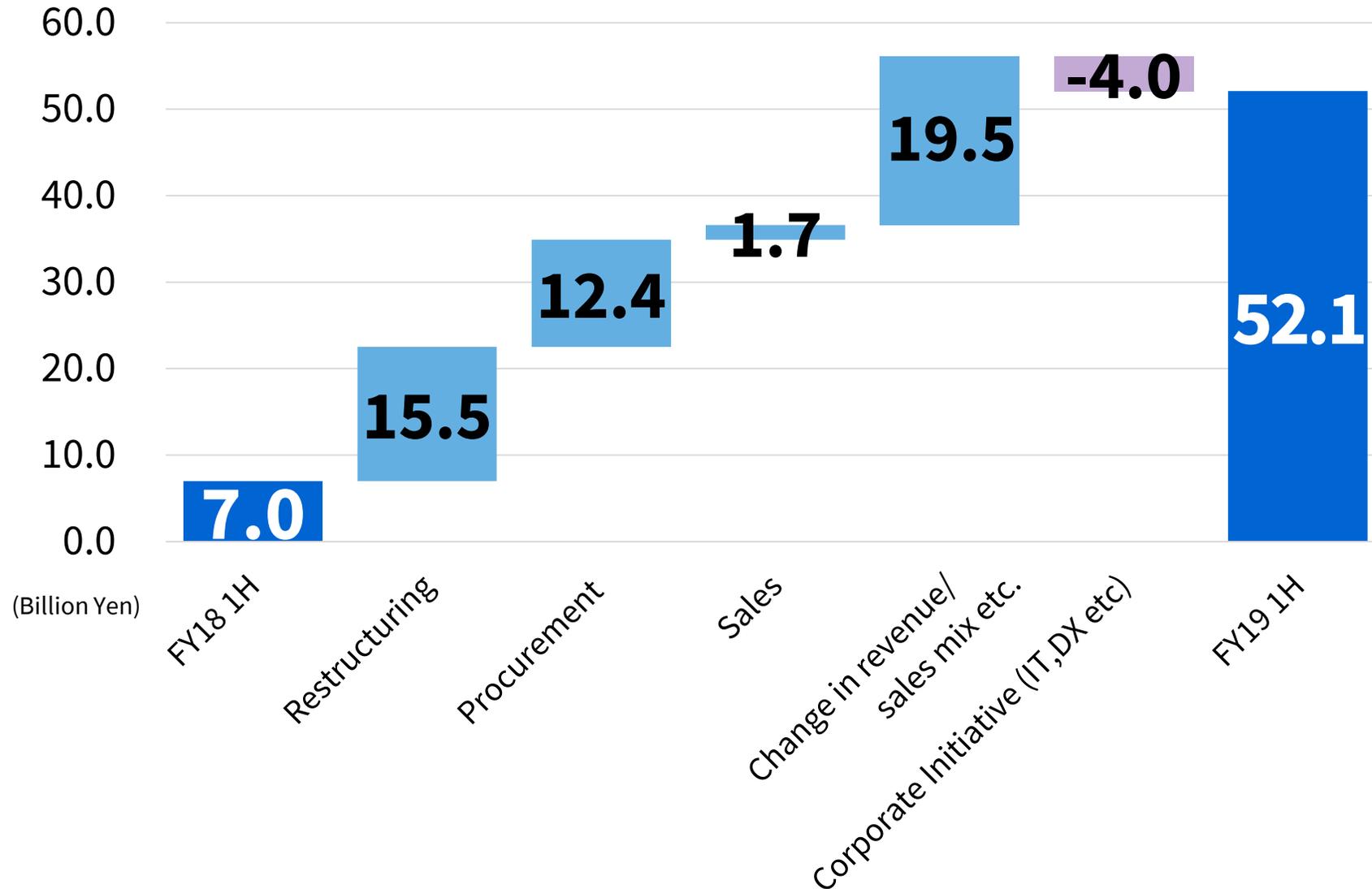
Completion of Restructuring

- ☑ **Completed sales of the LNG business**
- ☑ **Completed NuGen liquidation procedures^{*1}**
- ☑ **Early retirement: 1,237 employees**
- ☑ **Eliminated 53 subsidiaries (15% reduction)**

**Steadily executing
our commitments
set forth in the
Toshiba Next Plan**

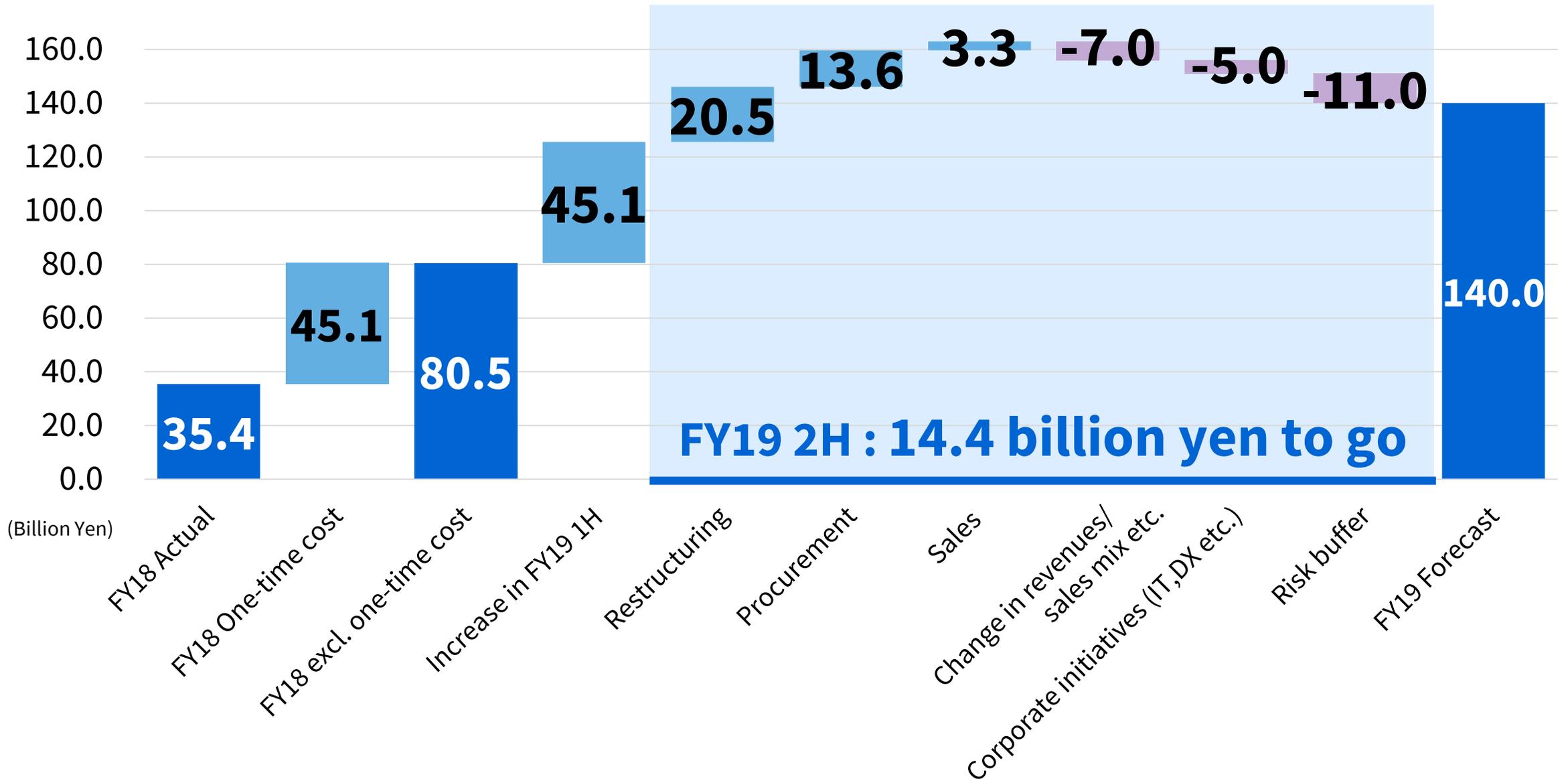
*1 Completed liquidation procedures on Toshiba side; UK side procedures are ongoing.

FY19 1H Results: Operating Income

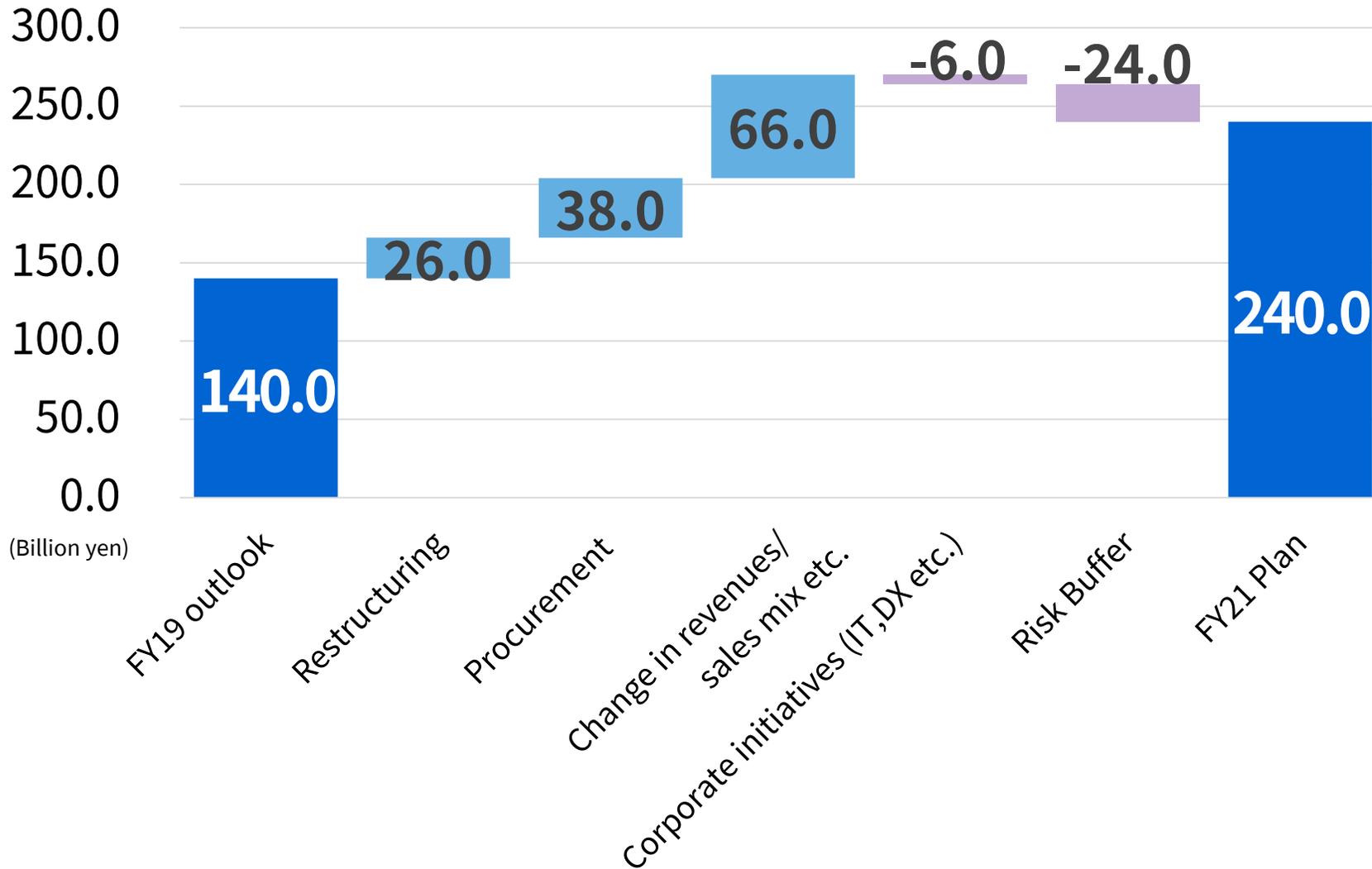


15,200 initiatives currently in progress to revamp our procurement and sales efforts

Outlook for Full Year Operating Income

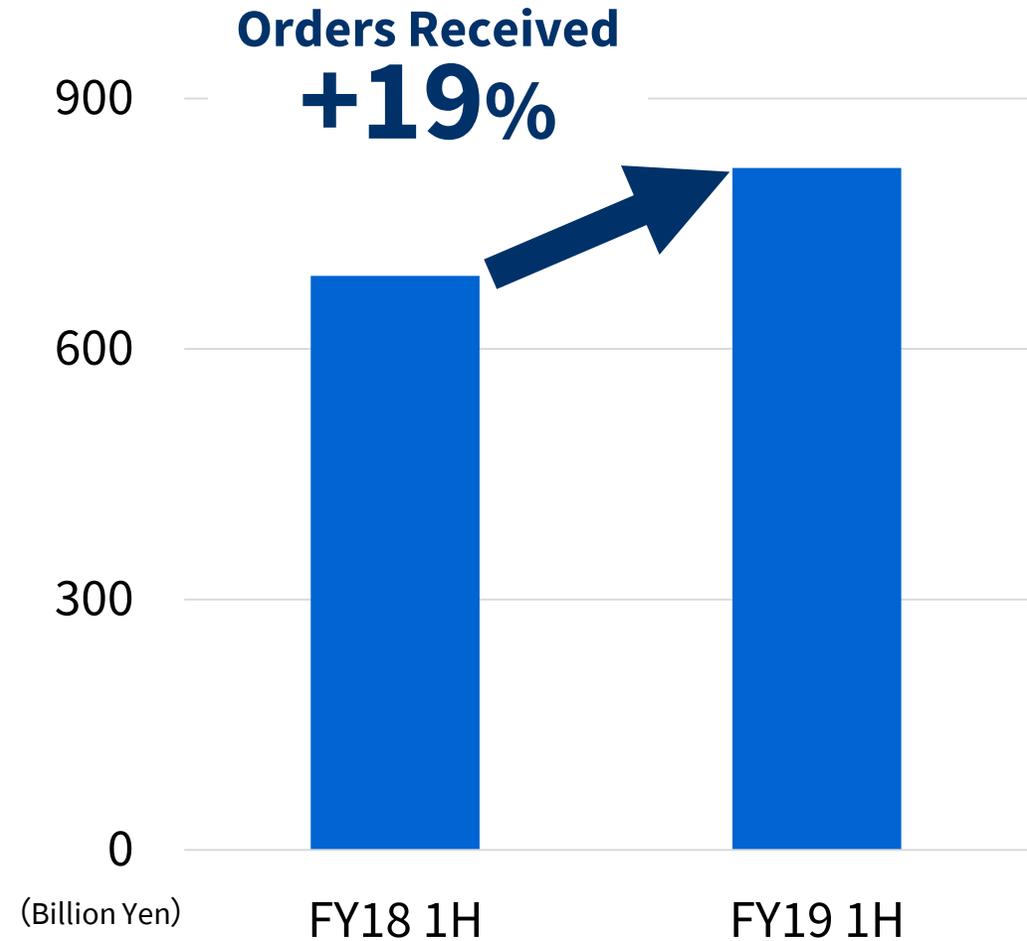
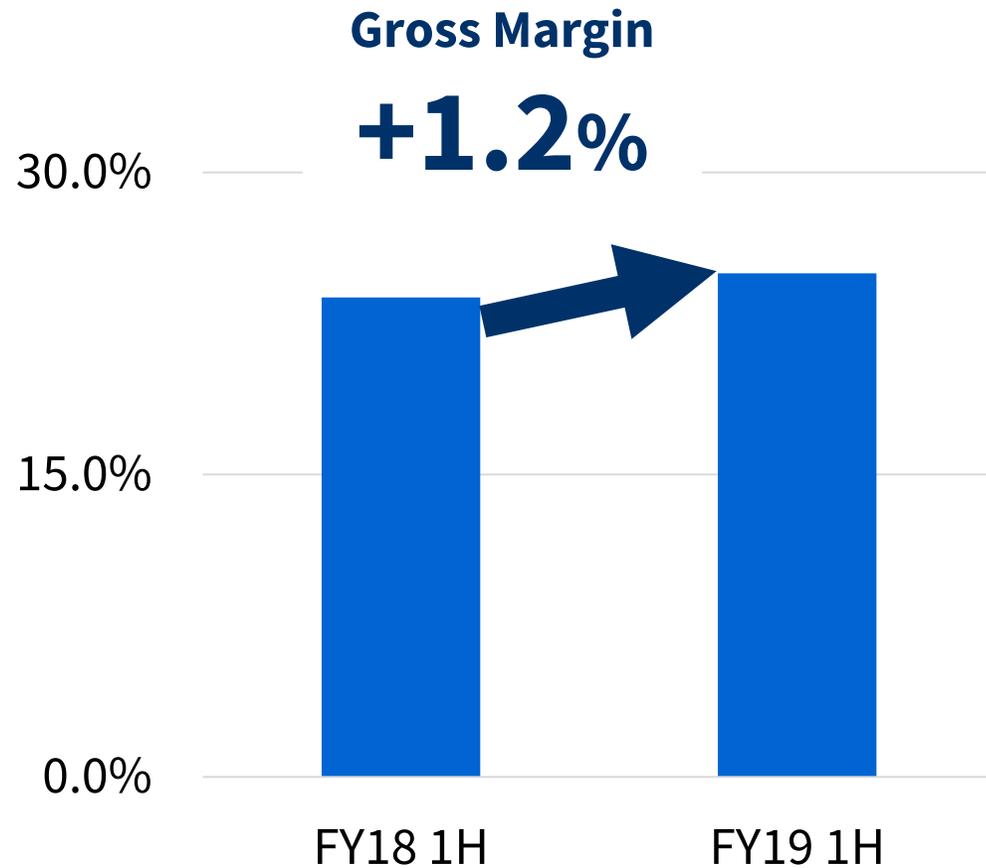


Outlook for FY21 Operating Income



**Stepping up
initiatives to
achieve
ROS of 6%**

FY19 1H Results: Orders Received



* Includes Toshiba Energy Systems, Toshiba Infrastructure Systems, Toshiba Digital Solutions, and Toshiba Elevator.

Disciplined Portfolio Management

Business Divestitures to Date

Net Sales

B-to-C business
approx. **1.1T yen**

Risk Business
Crisis Management
approx. **1.9T yen**

B-to-B business

6.7T yen (FY14)



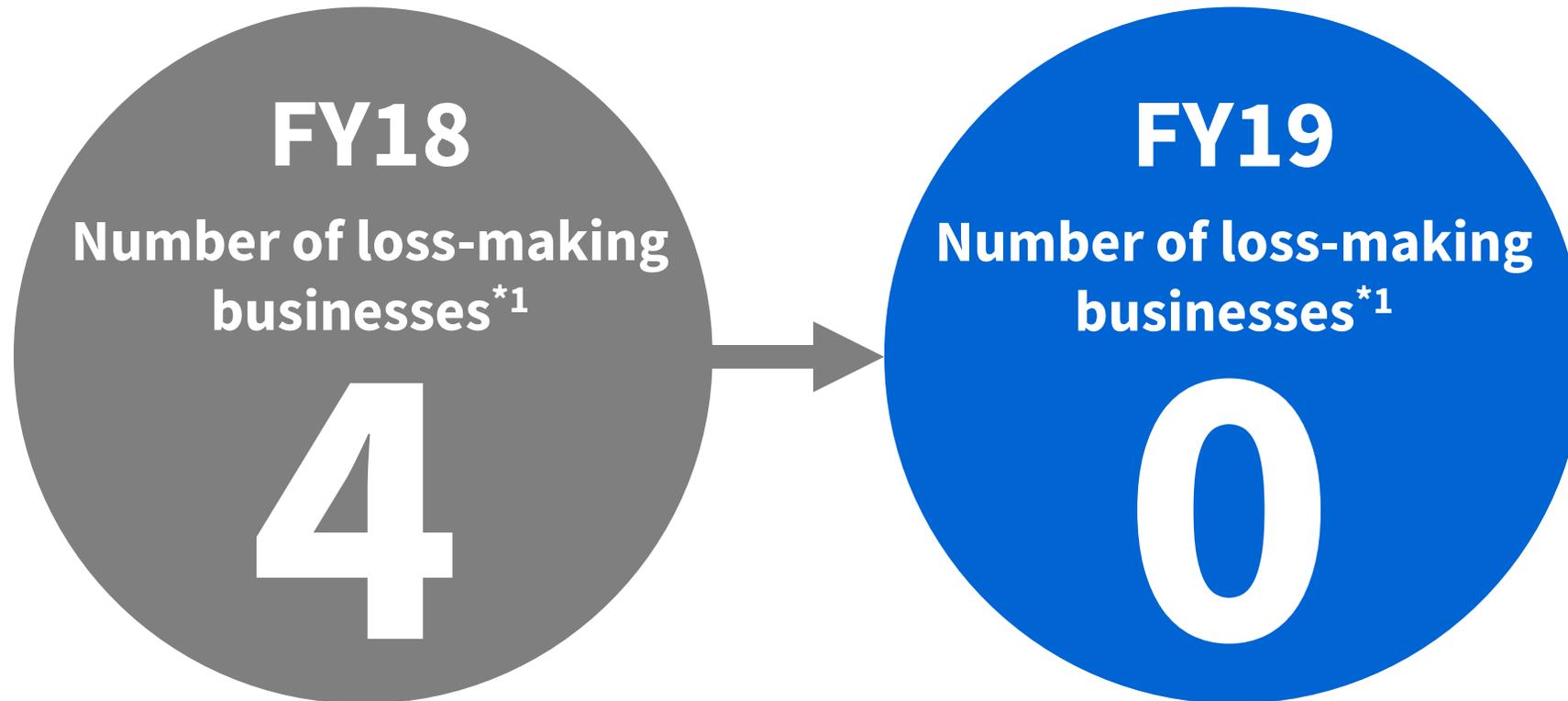
3.4T yen (FY19)



Divested 7*¹ businesses with total revenues of 3T yen over the last 4 years.

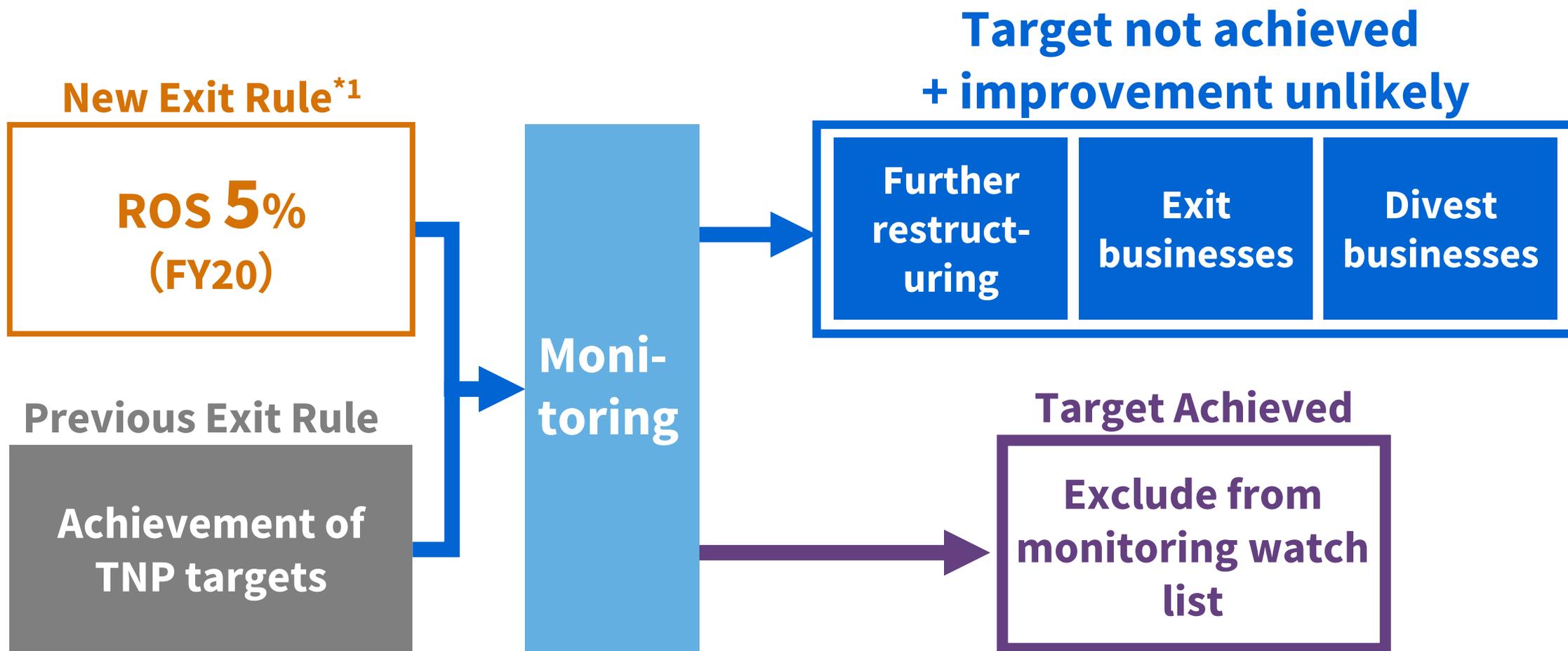
*1: Counting only major businesses with net sales exceeding 100B yen.

Eliminated All Loss-making Business



*1: Excludes business in incubation stage

Implementation of the ROS 5% Rule



Exit Logic LSI (Advanced ASIC) business*2

*1 Excludes business in incubation stage.

*2 Excludes in-vehicle digital operations and customer support for existing customers

Monitored Businesses

Thermal Power

5% ROS Improvement*¹

- ✓ Increased service ratio from 35% to 40%
- ✓ Layout change completed in 20% of total Keihin Product Works floor space

Industrial Motors

2% ROS Improvement

- ✓ Shifted to higher efficiency models, +10% year-on-year in Japan
- ✓ Production for low-pressure motors shifted from North America to Vietnam

HDD

2% ROS Improvement

- ✓ Integrate Mobile HDD production lines in Philippines
- ✓ Threefold increase in the shipments to DC*² since 2017

Steady progress towards achieving ROS of 5%

*1 FY19 ROS forecast compared with FY18 ROS *2 DC: Data Centers

Launch of a Cutting-Edge Governance Structure

Governance Structure – Board Composition

Previous 12

**Executive Officer
doubling as Directors**

5

Outside Directors

7

New 12

CEO + COO only **2**

Outside Directors **10**

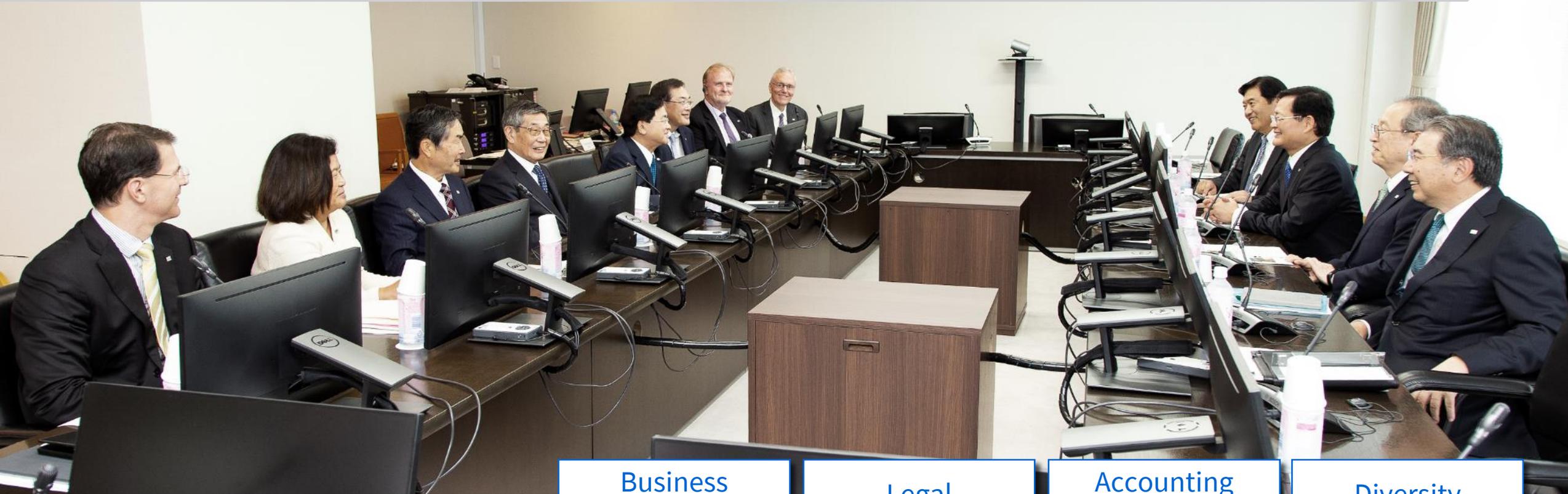
Directors with
International Backgrounds

5

A cutting-edge board structure*¹ in Japan

*1 Outside directors and foreign directors account for approximately 30% and 3% of boards of Nikkei 225 companies, respectively.

The New Board



**Skill sets required to execute
Toshiba Next Plan**

Business
management

Legal

Accounting
audit

Diversity

M&A

Corporate
restructuring

Capital
markets

Global
experience

Accelerating strategic discussions with diversity

Dialogue with Investors

January 2019

First
**Outside Directors and
Shareholders Group
Meeting**

June 2019

**Annual
Shareholders'
Meeting**

October 2019

Second
**Outside Directors and
Shareholders Group
Meeting**

**Incorporating shareholders' and investors'
perspectives in our strategic discussions**

Additional Initiatives relating to Executive Compensation

- Introduce long-term incentives based on the 3-year relative TSR^{*1} in executive officers' compensation scheme**
- Introduce equity-based compensation in the form of restricted shares to outside directors**
- Expand performance-linked stock incentives to non-executives including business heads and staff managers**

Alignment with medium-to-long term shareholder value

^{*1} Total Shareholders Return: The overall yield for shareholders, including capital gains and dividends

Capital Policy and Shareholder Returns

Completion of Share Repurchase

 **Completed 700.0 B yen^{*1}**
Share Repurchase

Successfully executed the largest repurchase in Japan^{*2}

^{*1} Actual amount of shares repurchased is 699,999,651,362 yen.

^{*2} Largest share repurchase in terms of total amount, % of market cap, and relative to trading volume among the 59 share repurchase transactions on the open market exceeding ¥100 billion executed by Japanese companies over the last 10 years.

Continued Divestiture of Strategic Shareholdings and Assets

Strategic shareholdings

KONE
TOPCON
Shibaura Mechatronics
IHI
Japan Material
etc.

Real Estate

Toshiba General Hospital
Osaka Factory Site
Ome Factory Site
US Irvine Campus
Toshiba Guesthouses
etc.

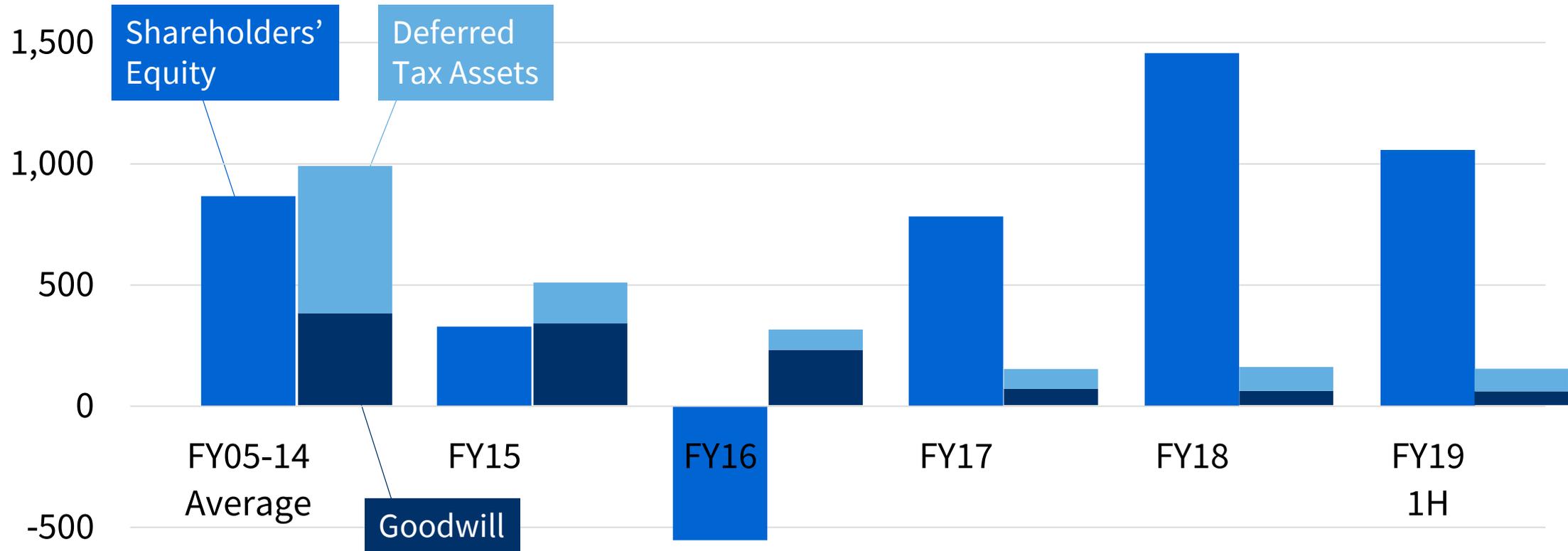
Divestiture/Reorganization of Staff Function Service Subsidiaries

Temporary Staffing Subsidiary
Payroll Service Subsidiary
Expert Corporate Staffing Subsidiary
Digital Marketing Subsidiary
Security Service Subsidiary
etc.

**Divested approx. 260B yen in listed shares
and approx. 90B yen in real estate*¹**

*¹ Cumulative total from 2015 to present

Recovery from an Equity Shortfall



(Billion yen)

Consolidated average shareholders' equity ratio

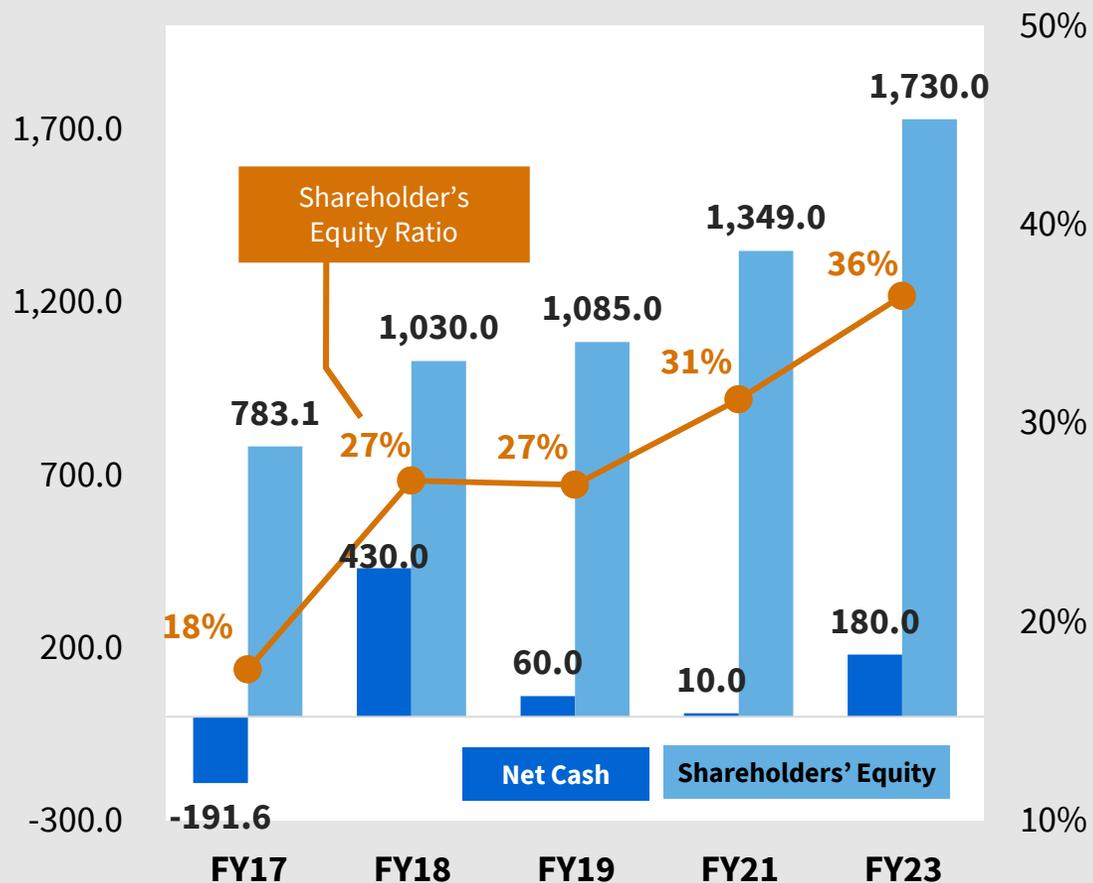
FY05-14 ave.	FY15	FY16	FY17	FY18	FY19-1H
15%	6%	-13%	18%	34%	29%

Appropriate Level of Capital

Plan announced on Nov 8, 2018

Policy based on discussions with the board

Plan of financial Structure (B yen)



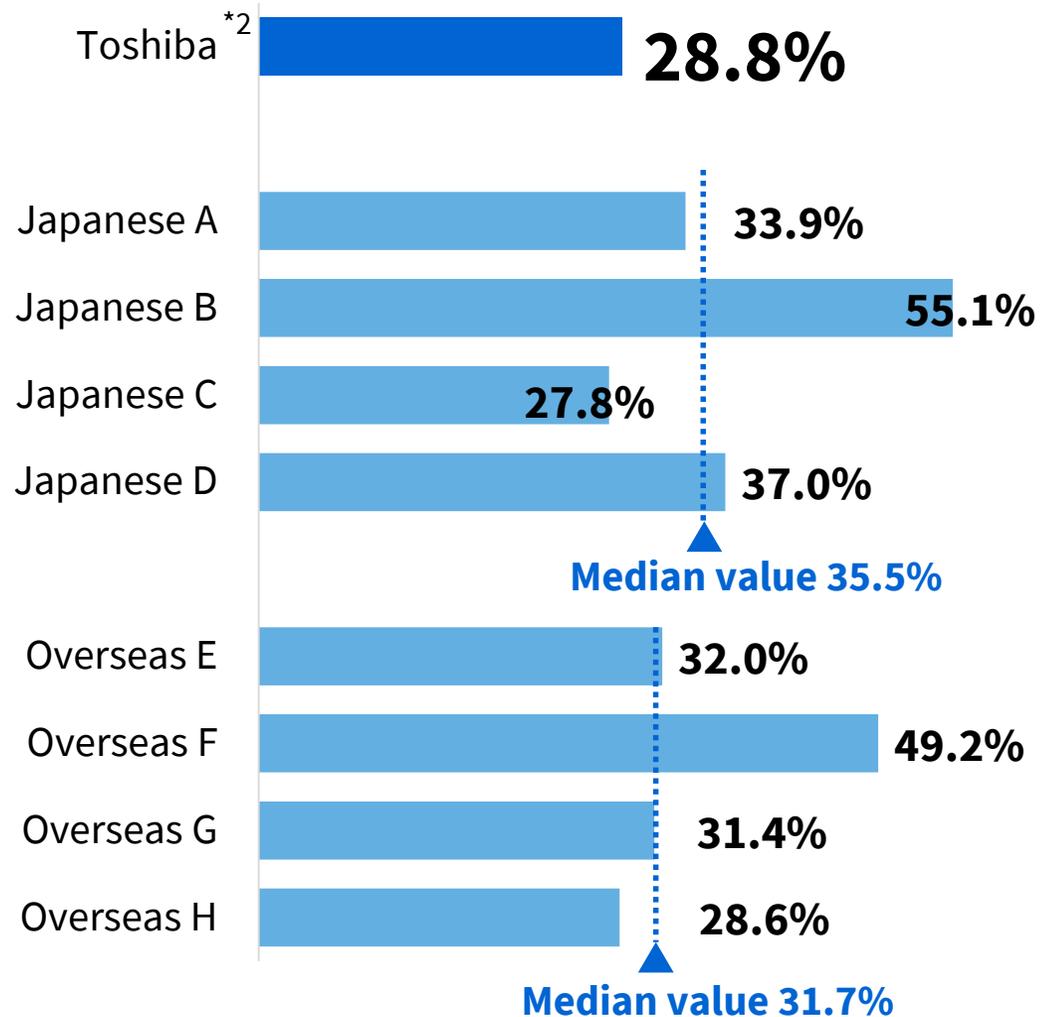
Periodically Evaluate the Appropriate Level of Capital

Appropriate level of capital will be determined in consideration of risk assets, contingent liabilities, portfolio and business plans.

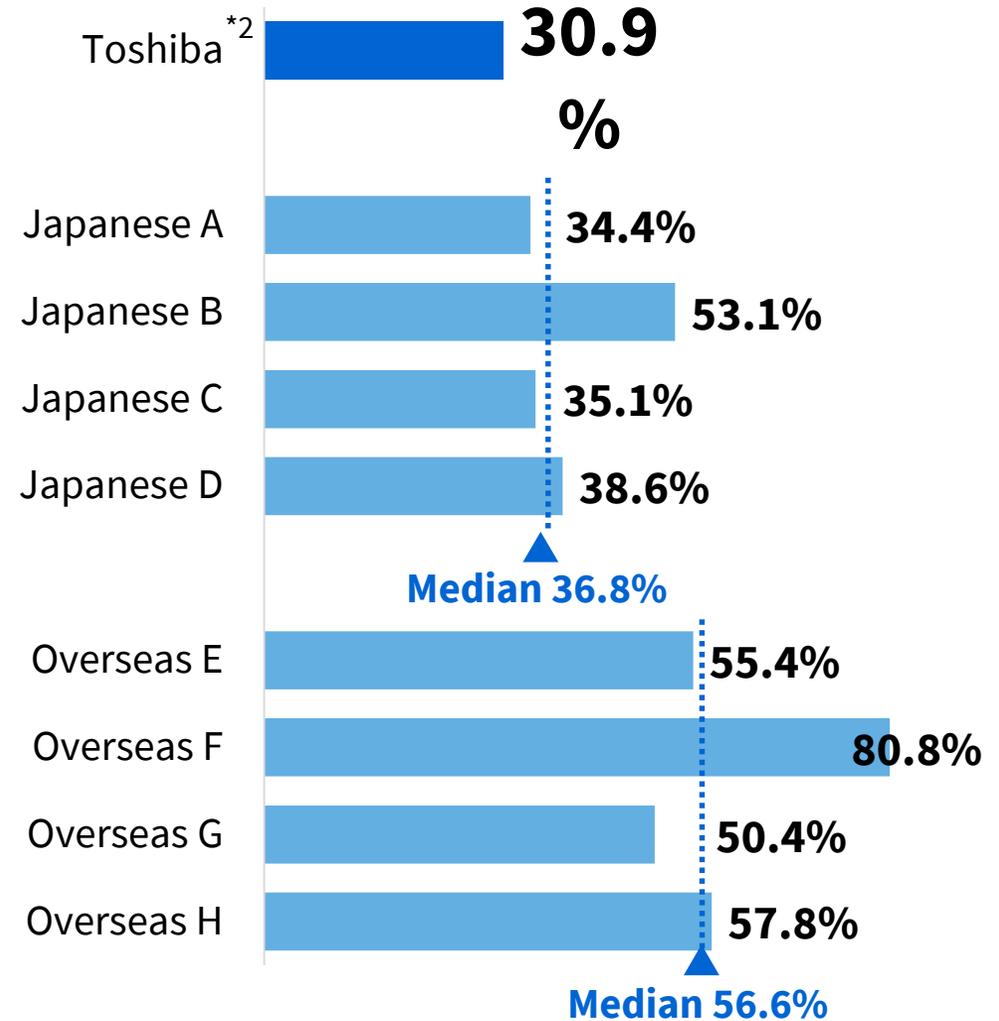
Periodic review by the board

Benchmark for Shareholders' Equity

Shareholders' Equity Ratio (%)^{*1}



Shareholders' Equity/ Net Sales (%)



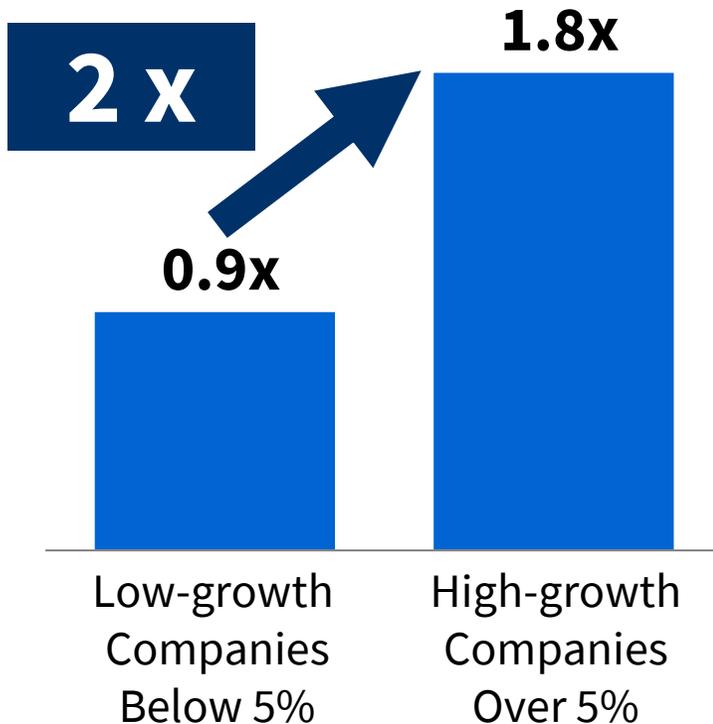
^{*1} Competitors' figures as of end of the most recent fiscal year ^{*2} FY19-1H actual amount

Enhancing TSR through Growth

Cumulative total of TOPIX500 companies ^{*1}

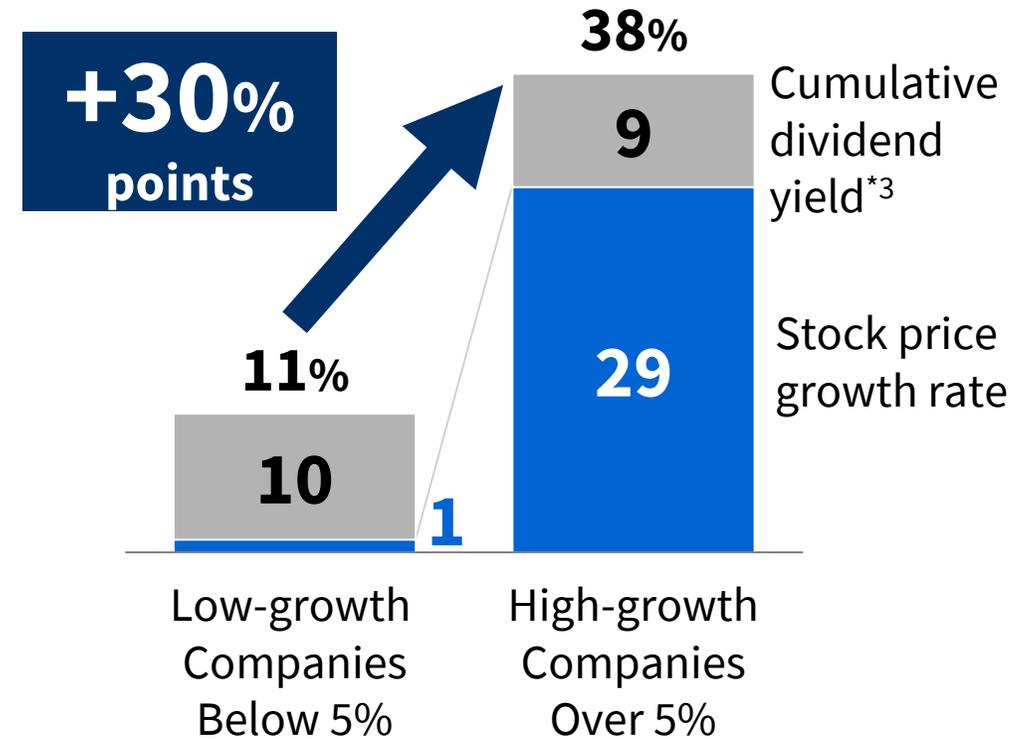
Pricing Multiples

PBR Median ^{*2}



TSR

2014-2018



*1 Excluding the financial industry

*2 FY2018 average used for PBR; annualized growth rate from FY2014-2018 used for the growth rate

*3 Yield calculated as the sum of the weighted average of market cap growth rates from 2014-2018 and cumulative dividend payments from 2014-2018, divided by 2014 market cap

Use of Leverage

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

Shareholder Returns Policy

- Our basic policy is to maintain an average consolidated dividend payout ratio of at least 30%^{*1}**
- Capital in excess of the appropriate level of capital will be used to provide shareholder returns, including share repurchases**

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

Privatization of Listed Subsidiaries

**Toshiba Plant
Systems & Services**

NuFlare Technology

Nishishiba Electric

- Increase enterprise value through privatization**
- EPS improvement*¹: +21% (FY20), +12%(FY21)**
- ROE improvement*¹: +2% (FY20), +2% (FY21)**

*1 Compared to basis excluding equity method investment income/losses from Kioxia Corporation from TNP

Objectives of the Privatization of Listed Subsidiaries

Toshiba Plant Systems & Services

Enhance cooperation on sales, technology, quality, and production

- Improve profitability by group-wide operation of power generation system business
- Expand service business etc.

NuFlare Technology

Enhance cooperative development

- Accelerate R&D for multi-beam mask writers
- Development of epitaxial reactors etc.

Nishishiba Electric

Utilize Toshiba Group resources

- Enhance distribution channel by utilizing customer base
- Reduce costs through joint purchasing etc.

Toshiba Next Plan: Growth Phase 2

Objectives of the Toshiba Next Plan

Customers, business partners, employees and the regional society

Invest in Growth

- Manage business portfolio
- Develop new businesses
- Make investments to achieve organic growth and engage in M&A

Manage Risk

- Maintain effective internal controls
- Avoid excessive risk
- Sustain long-term corporate activities

Enhance core earnings

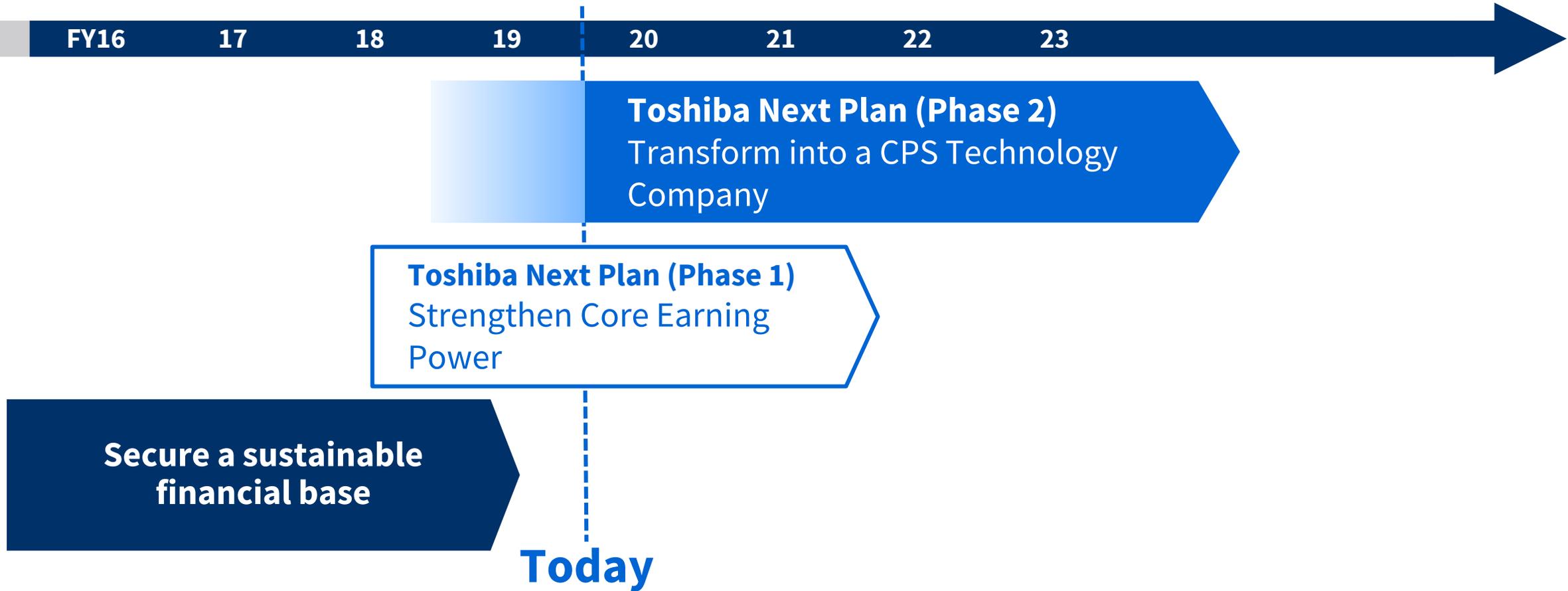
- Strengthen core earning power
- Change earnings structure by evolving into a CPS technology company

Maximize enterprise value

Enhance Total Shareholder Return (TSR^{*1})

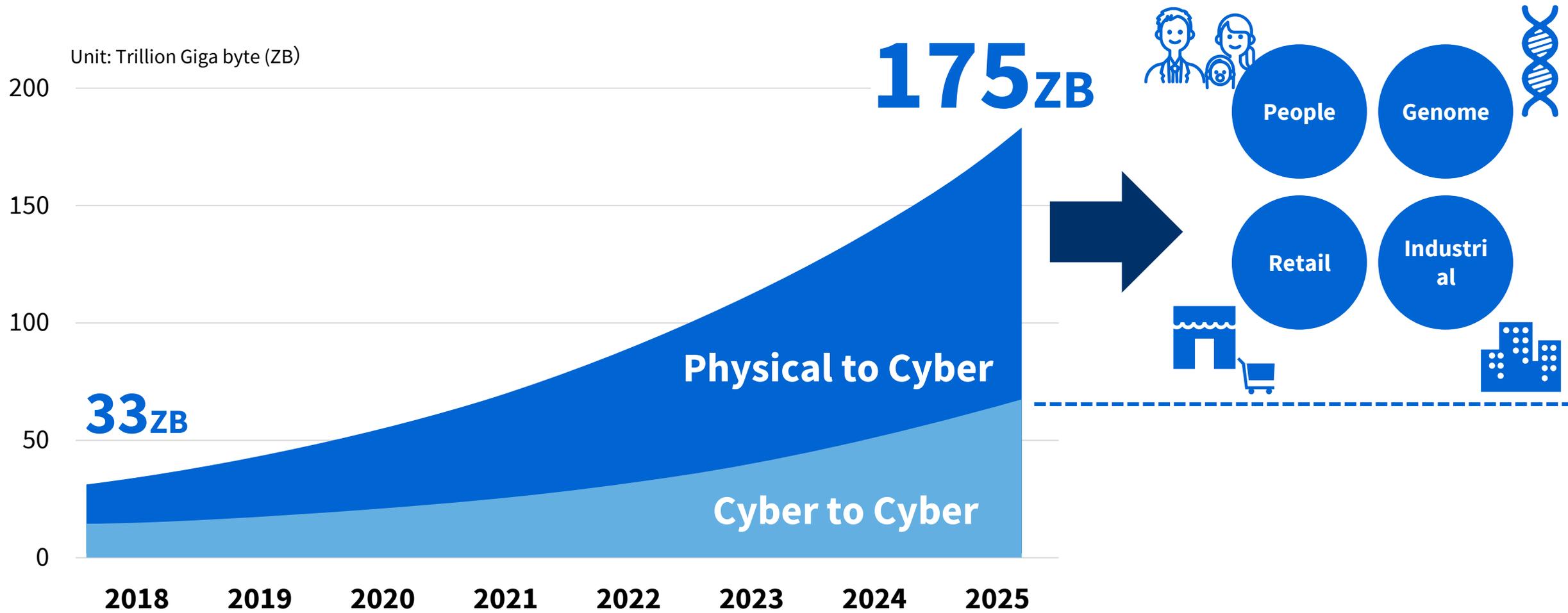
*1 Total Shareholders Return: The overall yield for shareholders, including capital gains and dividends

Process towards Growth



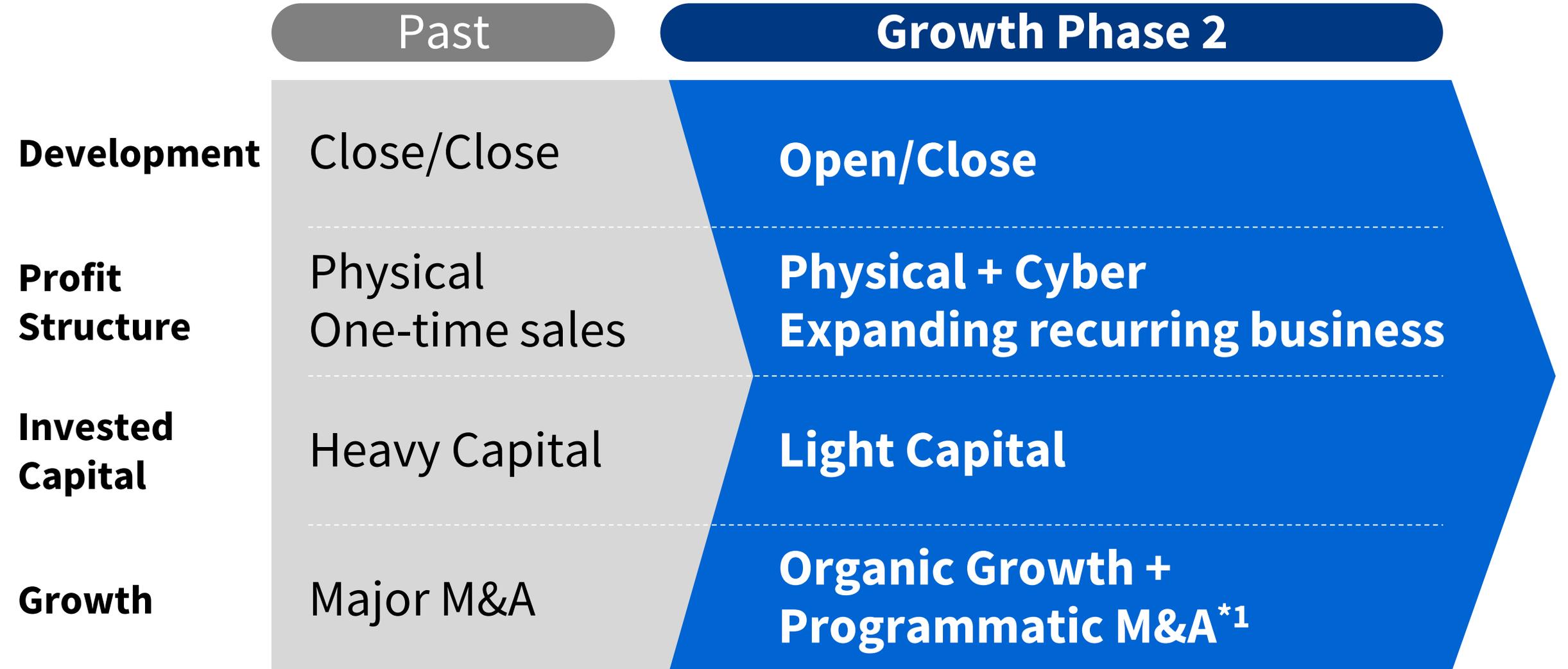
**Completed recovery of financial base;
shifting towards growth phase 2**

Expansion of the Digital Economy



CPS-related data is increasing explosively

Transformation Towards a CPS Technology Company



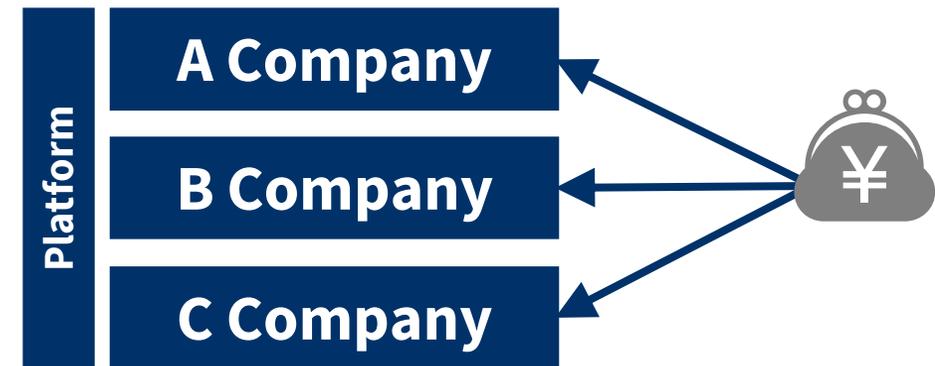
^{*1} Not major M&A encountered opportunistically, but focused on areas that are adjacent and complementary. Carry out planned, small scale M&A as part of annual business strategy. 60 % of companies with top 100 market cap in past decade (2007-2017) employ this method. (Source: McKinsey & Company)

Transformation Towards a CPS Technology Company

CPS Technology Company

Value Chain = DE

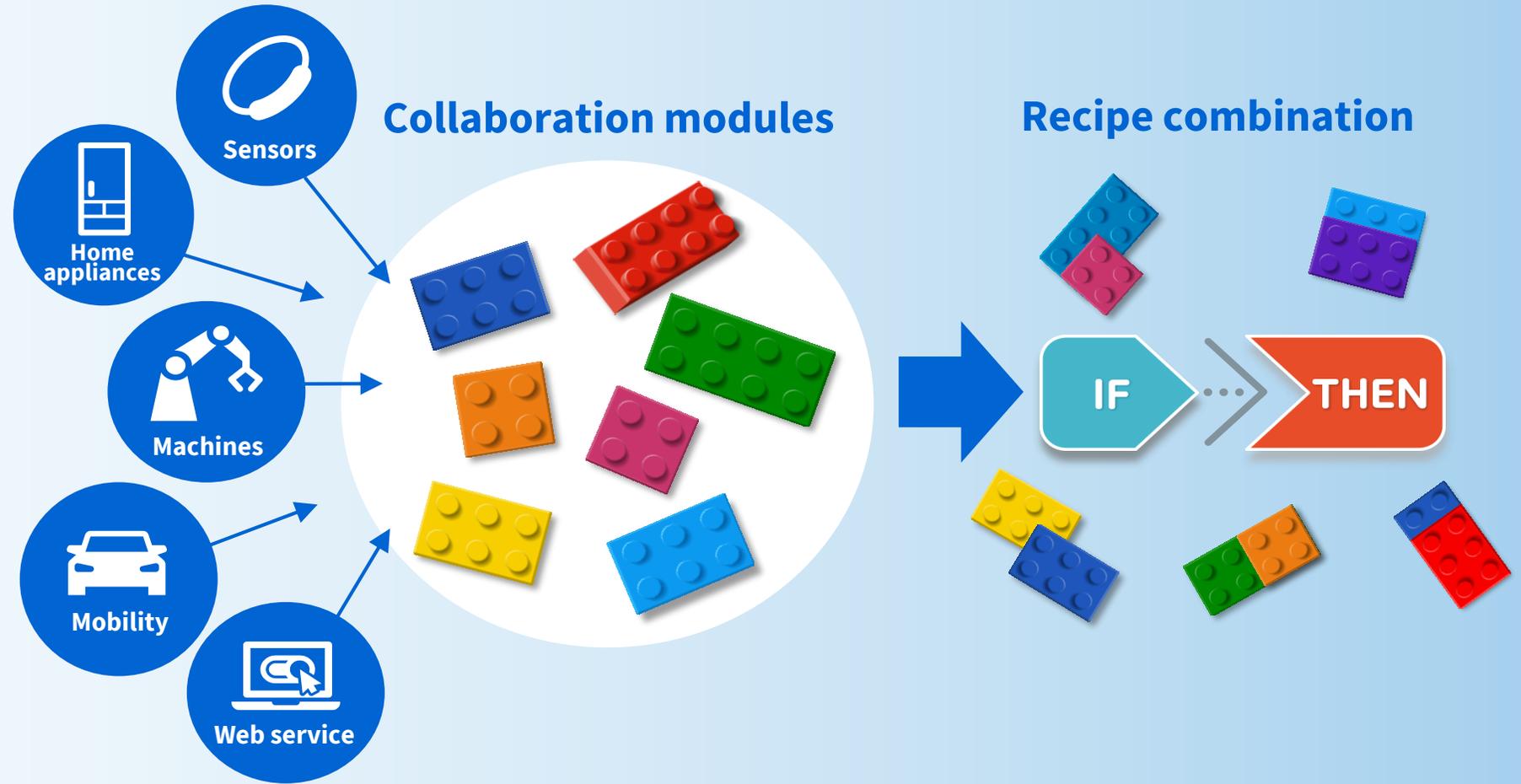
Platform = DX



Next Growth Business – CPS

TOSHIBA
ifLink[®]

Open



Established ifLink[®] Open Community

Next Growth Business – CPS

New services utilizing CPS technology arise one after another



greateranglia

Train operations



Photo by Gestamp



Gestamp

Welding in vehicle chassis parts



FALCON GROUP

Thermal power plant

Next Growth Business – Battery & Power Electronics

SCiB™

Construction of new factories in India and in Yokohama



Gujarat, India
Building completed in October 2019



Yokohama
(artist impression)

Strategic partnership with suppliers

- Titan Kogyo
- CBMM etc.

Power Electronics

Production capacity increase

- Silicon: Increase 8-inch production capacity at Kaga
- SiC: Start up 6-inch line at Himeji

Received order for electric equipment from Railway company

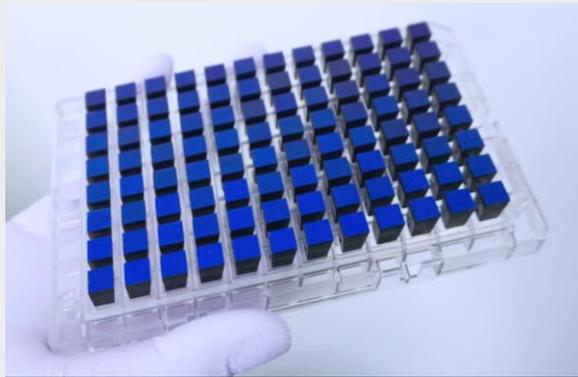


Taiwan High Speed Rail 700T Type

Next Growth Business – Precision Medicine

Japonica Array™

**Collaborate with
Toshiba's society managed
health insurance**



Japanese population genotype tool
“Japonica Array™”

Micro RNA

**Collaborative research
with Tokyo Medical
University and National
Cancer Center Japan**

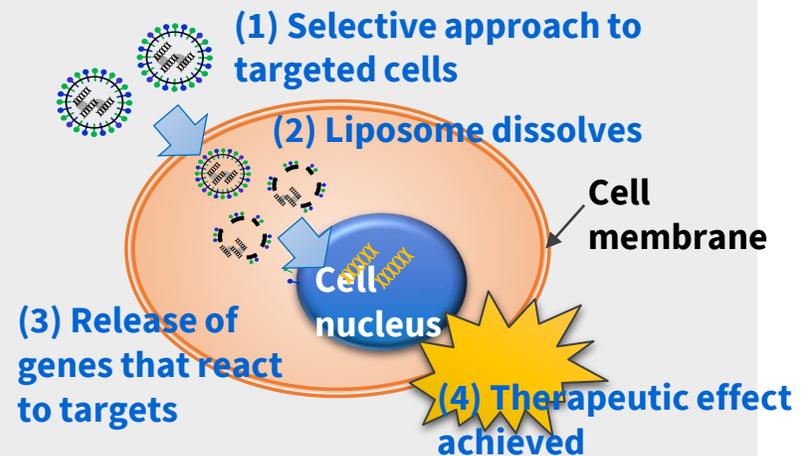


**Micro RNA
Chip**

**Small test
equipment**

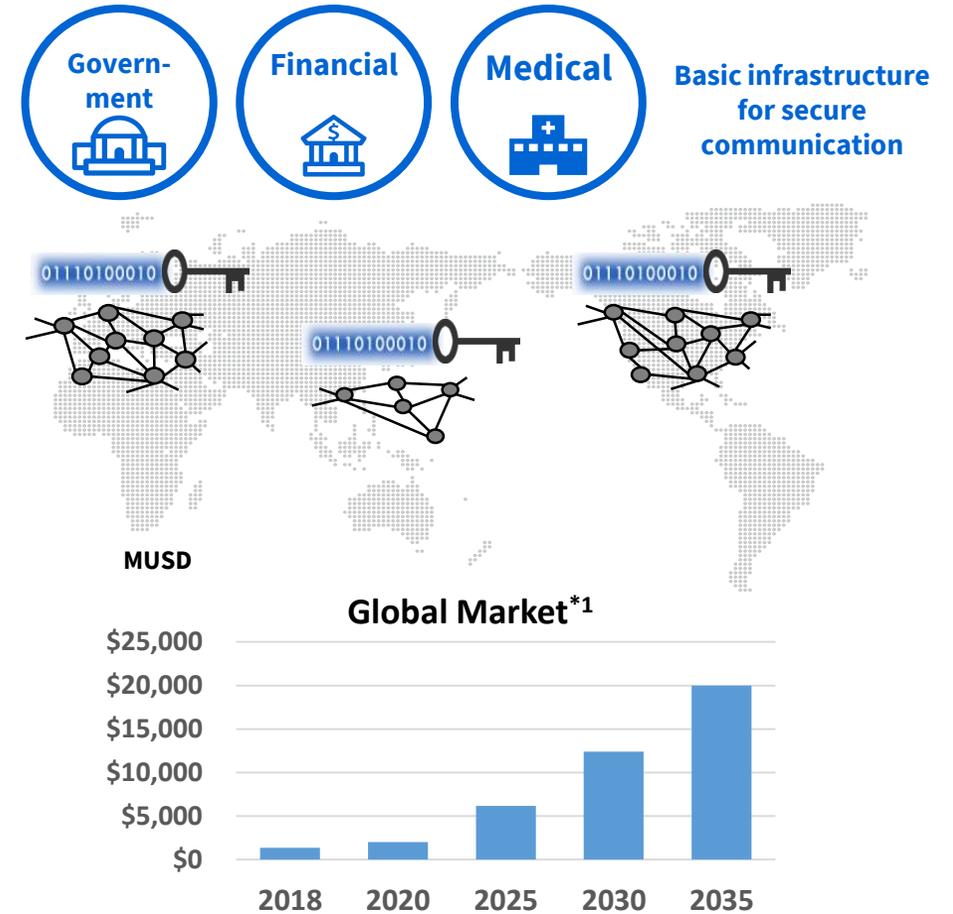
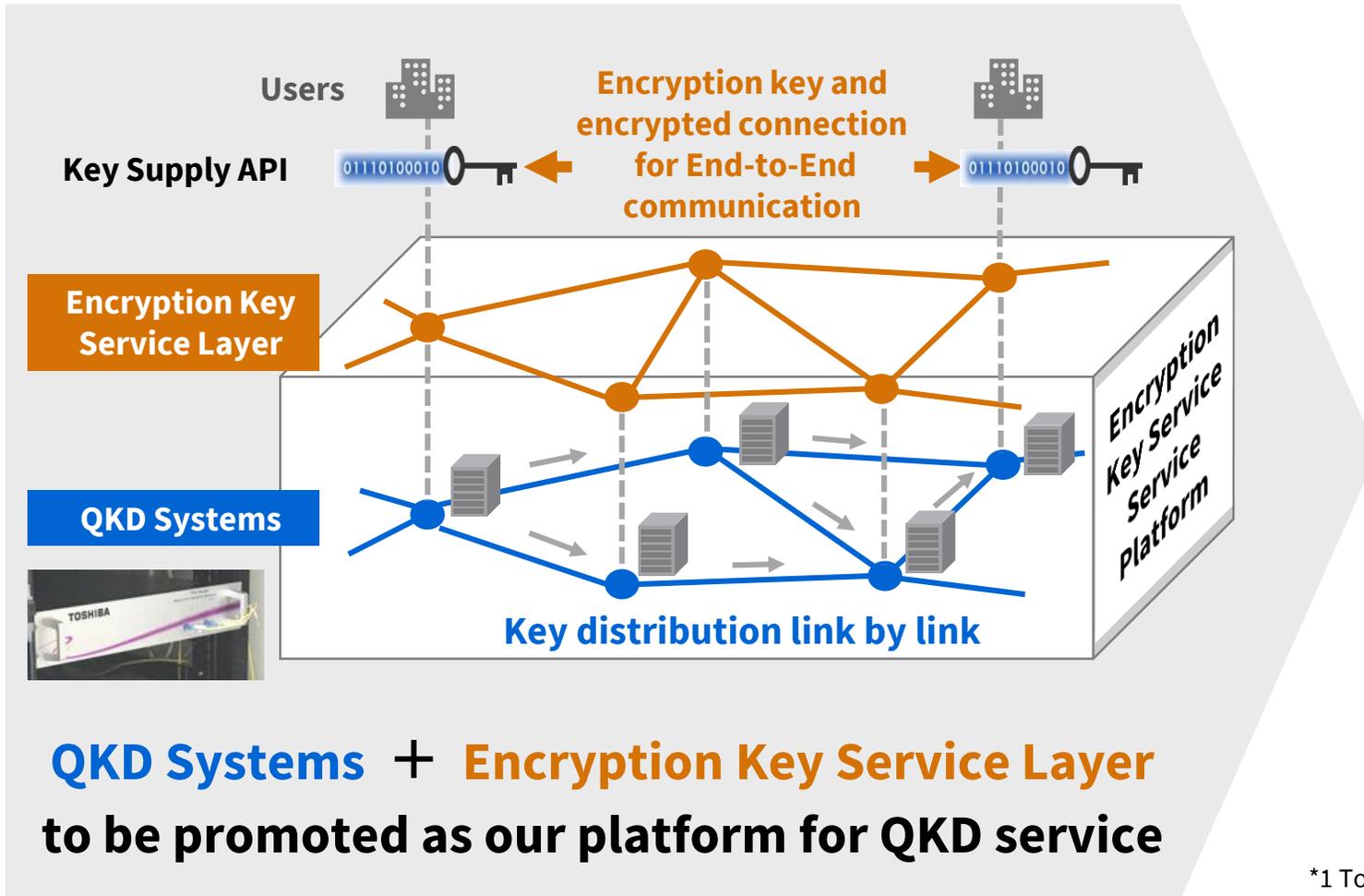
Liposome

**Collaborative research
with School of Medicine,
Shinshu University**



* Japonica Array is a trademark of Tohoku University.

Next Growth Business – QKD: Quantum Key Distribution



*1 Toshiba's long term forecast based on Quantum Xchange's mid-term forecast.

Use our world's #1 technologies to establish de facto standard in global market for encryption key supply service

The Toshiba Next Plan Targets – Repost

Aim to maximize enterprise value and TSR*¹ through profitable growth

	FY18 Actual	FY19 Forecast	FY21 Plan	FY23 Target
Net Sales	3.7 T	3.4 T	3.7 T	Over 4.0 T
Operating Income (ROS %)	35.4 B (1.0%)	140 B (Over 4%)	240 B (Over 6%)	Over 8% Target 10%
EBITDA* ²	113.9 B	220 B	340 B	--
ROE* ³	-3%	--	--	approx. 15%

*1 TSR = Total Shareholder Return

*2 EBITDA = Operating income+ depreciation and amortization expenses

*3 ROE excludes effects from non-continuing business and the sale of the memory business in FY18. No figures provided for FY19 onward as Kioxia forecasts have not been provided to Toshiba and forecasts therefore cannot be calculated.

Assumed exchange rates: USD1=JPY105; EUR1=JPY125

Contribute to Achieving SDGs*1 through All Business Activities

Actions/initiatives to enhance positive impact on SDGs

Toshiba Group Business Activities



Initiatives Supporting Business Activities



Materials/ Suppliers

Procurement/ Logistics

Manufacturing

Sales

Product Use

Product Disposal



Consider rights, labor, and environment throughout the supply chain



Manage energy use appropriately
Reduce emission of GHG and harmful chemical substances
Protect rights of laborers, including immigrants



Eliminate/reuse wastes
Quality assurance, product safety/security
Preserve biological diversity



Enhance governance/risk management, committed compliance

Actions to minimize negative impact on SDGs

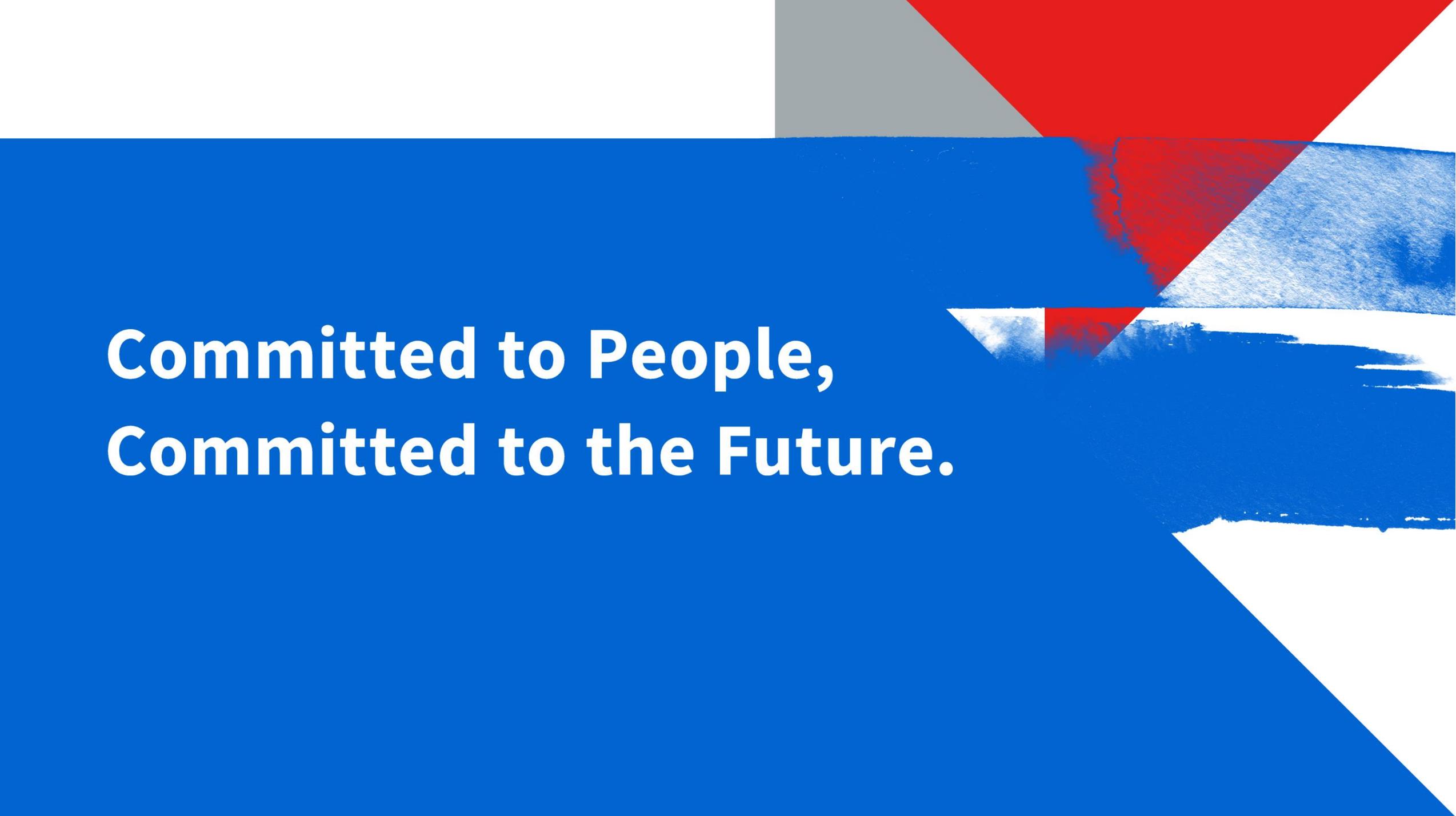
“Change” Achieved

- ✓ **Achieved 7-fold year-on-year increase in operating income in the first half**
- ✓ **Renewed the board structure**
- ✓ **Completed 700.0 B yen share repurchase**
- ✓ **Privatized listed companies, divested strategic shareholdings**
- ✓ **Exited from risk businesses, resolved capital shortfall**
- ✓ **Utilized leverage and determined the appropriate level of capital**
- ✓ **Introduced the ROS 5% exit rule**
- ✓ **Set shareholder returns policy including share repurchase**
- ✓ **Created a compensation system which enhances shareholder value**



Toshiba Next Plan Progress Report

Change & Growth

The background features a large, solid blue shape on the left side. To its right, there are several overlapping geometric shapes: a red triangle pointing downwards, a grey triangle pointing upwards, and a white triangle pointing downwards. The overall composition is abstract and modern.

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

TOSHIBA