Profitability Improvement Measures for Toshiba’s HDD Business

TOKYO—Toshiba Corporation (TOKYO: 6502) today announced additional decisions on structural reforms under the Toshiba Rebuilding Initiative, the series of management measures announced on Dec 21 2015 that brings together four strands in business reform: Decisive Action on Business Structural Reform; Strengthen Internal Controls and Reform the Corporate Culture; Review the Business Portfolio and Operational Structure; and Reforming the Financial Base. As part of its review of the business portfolio and operational structure, the Company has decided on measures to improve profitability in the HDD business, including reducing the range of models under development and rationalizing personnel, as follows.

1. Overview and Objectives
Demand for HDD is weakening in the PC market, but remains strong in the enterprise market. Toshiba is accelerating a shift of management resource to enterprise HDD, and restructuring the business to reinforce its profit base. As it enhances development of near-line HDD and enterprise applications, Toshiba will narrow the range for mobile products to focus on main models, optimize research and design, and integrate development resources. The company will improve profitability by further reducing component costs and, in the North American market, where the business is now in deficit, minimize sales for B2C mobile products.

Toshiba also plans to channel resources into solid state drives (SSD), which are expected to transform the storage market and shift it away from HDD, and will further bolster the competitiveness of its storage products business by optimizing design and development and creating added-value products.

2. Personnel measures, including early retirement incentive program
Toshiba will introduce an early retirement incentive program for employees working in the HDD business in Japan as part of its restructuring. The program, which is expected to cover approximately 150 personnel, will invite applications from candidates 40 or older who have worked for the company for 10 years or more, and run from the end February to the beginning of March. Accepted applicants will leave the Company at the end of this April, and they will all receive an additional special severance payment and support for outplacement, as needed. Any further operating expenses due to the program will be
announced as realized.

3. Future prospects
The Company will post an operating expense of approximately 4 billion yen for structural reform of the HDD business in FY2015 (fiscal year ending March 2016). The impact of this has been incorporated into the consolidated forecast for FY2015 (April 1, 2015-March 31, 2016), as detailed in the February 4, 2016 announcement, “Notice Regarding Revision of Business Results Forecast.” Following this structural reform, the HDD business will reduce total fixed expenses by more than 10 billion yen in FY 2016, against forecast fixed expenses of 50 billion yen for FY2015, and expects to become profitable within FY2016.

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