

September 20, 2017  
Toshiba Corporation

FOR IMMEDIATE RELEASE

**Notice on the Sale of Toshiba Memory Corporation**

TOKYO— Toshiba Corporation (TOKYO: 6502) (Toshiba), as approved by its Board of Directors today, has decided on the sale of all shares of Toshiba Memory Corporation (TMC), a wholly owned subsidiary of Toshiba, to K.K. Pangea (Pangea), a special purpose acquisition company formed by a Bain Capital Private Equity, LP (including its affiliates, Bain Capital) led consortium (the Consortium), and to enter into a Share Purchase Agreement (SPA) with Pangea.

With the aim of ensuring a stable business transfer, Toshiba will invest 350.5 billion yen in Pangea, and Toshiba will also be entitled to related financial benefits, such as dividends. Prior to the transfer of TMC's stock to Pangea, Bain Capital, Japanese and non-Japanese companies, and Toshiba intend to make investments into Pangea, acquiring Pangea's common stock, convertible preferred stock and non-convertible preferred stock. In addition to this, Pangea intends to secure loans from financial institutions and banks\*. The total purchase price for the share transfer is planned to be 2 trillion yen. Details will be announced separately at the time of execution of the SPA.

\* This includes the possibility of investing through subsidiaries of each company that is a party to the transaction. Also, all conditions agreed by the parties must be fulfilled to close the transaction.

The Consortium and Toshiba have agreed to appropriate restrictions to ensure that the value of TMC's technology will remain protected and that management of TMC will operate independently.

Western Digital Corporation (Western Digital) has sought to prevent the sale of the interests of the Joint Ventures to any third party, and the two parties are currently engaged in litigation and arbitration. Western Digital has sought an injunction preventing the transfer of the Joint Venture interests in the US courts and has also initiated arbitration against Toshiba before the International Chamber of Commerce's International Court of Arbitration. The SPA contemplates that the sale of TMC may be consummated pursuant to the terms of the SPA, even if the Joint Venture interests have not been transferred to TMC prior to the closing.

Also, Innovation Network Corporation of Japan (INCJ) and Development Bank of Japan Inc. (DBJ), which operate as neutral, independent organizations dedicated to promoting industrial competitiveness, have expressed their interest in investing in Pangea or TMC at a later time, subject to satisfaction of certain conditions. While we have no agreement with them, Toshiba intends, subject to certain agreed terms (including circumstances

permitting Toshiba to exercise the voting rights, regardless of the arrangement), to leave decision-making in respect of the exercise of a portion of voting rights retained by it to INCJ and DBJ.

## **1. Background**

On April 1, 2017, Toshiba transferred its memory business, including product development, manufacturing, sales, and rights to related business to TMC, a wholly owned subsidiary of Toshiba. This transfer was done with the aim of facilitating a smooth injection of third-party capital into TMC that would give the company greater flexibility in rapid decision-making, enhance its financing options, better position TMC for further growth, and maximize its value. Since that time, Toshiba has been in negotiations with multiple consortia regarding the sale of TMC. As stated in its September 13, 2017 press release “Update on the Sale of Toshiba Memory Corporation -MOU Signed with Bain Capital-,” Toshiba previously entered into a memorandum of understanding with Bain Capital and has been in ongoing negotiations with the Consortium with the goal of entering into an acceptable SPA by the end of September 2017.

Toshiba evaluated bids from multiple consortia based on a comprehensive consideration of many factors, including: the estimated value of the business; the ability to secure continued and stable growth for the memory business, including in relationships with key customers and suppliers; employment security for TMC’s employees; the likelihood of securing competition law approvals in key jurisdictions; the likelihood of clearing required processes specified by key authorities; and likelihood of closing by the end of March 2018. Based on thorough consideration of these factors, Toshiba’s Board of Directors has determined that the Consortium’s bid provides the highest degree of closing certainty, including by limiting the future voting and governance or control rights of certain non-Japanese companies. Toshiba places significant value on the fact that this proposal and will allow TMC to maintain its independence, which is important for the future growth of the memory business.

In the face of increasing demand for 3D Flash memory, TMC is also proceeding with an investment in the construction and installation of manufacturing equipment of Fab 6 at Yokkaichi Operations, TMC’s Flash memory facility. In addition, as announced on September 6, 2017 in “Toshiba Memory Corporation to Prepare Site in Kitakami City, Iwate for Expanding Flash Memory Operations,” Toshiba has selected Kitakami City in Iwate prefecture, Japan, as the location where it will expand its Flash memory operations. Toshiba aims for a smooth close to the transfer of TMC so that the company will be able to concentrate on these planned expansions of the business.

SanDisk LLC. (SanDisk), a subsidiary of Western Digital, and TMC have partially collaborated in product design and development and jointly invested in certain production equipment used at Yokkaichi. Any future collaboration between SanDisk and TMC will be

discussed by the two parties.

## 2. Future Outlook

Toshiba now aims to close the transaction by the end of March 2018, upon approval of the transaction at an extraordinary general meeting of its shareholders, and clearance of all required processes, including competition law approvals in key jurisdictions. The date of the extraordinary general meeting will be promptly notified as soon as it is decided.

Upon completion of the transfer of TMC shares and required approvals/filings, including those to competition authorities, Toshiba will record an approximately 1,080 billion yen improvement in its FY2017 consolidated income (before tax). In respect of capital, Toshiba forecasts an increase of 740 billion yen that will end its current status of negative shareholder equity, based on an assumed decrease in tax impacts resulting from the company splits. In accordance with the share transfer, TMC will no longer be wholly owned by Toshiba, and Toshiba will discuss with its accounting auditor whether the memory business should be treated as a discontinued operation. Toshiba will continue to study the transaction amount and its impact, and will revise and announce its forecast for FY2017 as soon as it is determined.

## 3. Details of the Sale

### (1) Outline of Subsidiary to be Transferred

(1) Name	Toshiba Memory Corporation	
(2) Address	1-1 Shibaura 1-chome, Minato-ku, Tokyo	
(3) Name and Title of Representative	Yasuo Naruke Representative Director	
(4) Business Outline	Design, development, sales of memory (including SSD) Memory related business	
(5) Capital Stock	10 billion yen	
(6) Establishment	February 10, 2017	
(7) Major Shareholders and Shareholding Ratios	Toshiba Corporation 100%	
(8) Relationship between Toshiba and TMC	Capital	Toshiba's wholly-owned subsidiary
	Personnel	Toshiba's executive officer is posted as a TMC director
	Business	Business in sales and purchase of memory chips and related products

	Status of Related Parties	Consolidated subsidiary of Toshiba	
(9) Operating Performance and Financial Condition in the Last Three Fiscal Years (Consolidated)			
Fiscal Years	FY2014	FY2015	FY2016
Net Assets (Equity)	-	-	10 million yen
Total Assets	-	-	10 yen
Shareholder's Equity per Share	-	-	0 yen
Net Sales	-	-	0 yen
Operating Income	-	-	0 yen
Recurring Profit	-	-	0 yen
Net Income (Loss)	-	-	0 yen
Net Income (Loss) per Share	-	-	0 yen
Dividend per Share	-	-	0 yen

\*14 companies, in addition to TMC, which will become Pangea subsidiaries/affiliates in connection with the share transfer, will also no longer be Toshiba subsidiaries following closing.

\*TMC was established on February 10, 2017, and took over operation of the memory business on April 1, 2017. Accordingly, its FY2016 figures include only its financial status for the non-operational period.

## (2) Outline of Purchaser

(1) Name	K.K. Pangea
(2) Address	Palace Building 5F, Marunouchi1-1-1, Chiyoda-ku, Tokyo
(3) Name and Title of Representative	Yuji Sugimoto Representative Director
(4) Business Outline	A shareholding company Management of holding companies
(5) Capital	25,000 yen
(6) Establishment	June 16,2017
(7) Major shareholders and Shareholding Ratios	Bain Capital Private Equity, LP 100%*

(8) Relationship between Toshiba and Pangea Corporation.	Capital	none
	Personnel	none
	Business	none
	Status of Related Parties	none

\* As mentioned above, Toshiba will invest 350.5 billion yen in Pangea. Prior to the transfer of TMC's stock to Pangea, Bain Capital, Japanese and non-Japanese companies, and Toshiba intend to make investments into Pangea, acquiring Pangea's common stock, convertible preferred stock and non-convertible preferred stock.

(3) Number of shares to be sold, sale price and number of shares held by Toshiba before and after the sale.

(1) Number of shares before the sale	3,000 shares (number of voting rights: 3,000; ownership percentage: 100%)
(2) Number of shares to be sold	3,000 shares
(3) Sale price	approx. 2 trillion yen This amount is based on estimated debt, working capital and investment. Any discrepancy with the actual figure will be adjusted in the sales price determined after the share transfer.
(4) Number of shares after the sale	0 shares Due to the Toshiba's planned investment into Pangea, TMC will become a Toshiba equity method company.

#### 4. Schedule

(1) Board of Directors	September 20, 2017 (today)
(2) Date of Share Purchase Agreement	Within a Few Days
(3) Extraordinary Shareholders Meeting Date	Undetermined
(4) Settlement Date	By March 31, 2018 (planned)

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