

FOR IMMEDIATE RELEASE

Toshiba's Overseas Subsidiary to Execute a Pension Buy-out

TOKYO—Toshiba Corporation (TOKYO: 6502) today announced that it has decided that Toshiba Europe GmbH (TEG), a German-based Toshiba consolidated subsidiary, will execute a pension buy-out^{*1} in respect of a defined benefit pension scheme currently held in a UK trust^{*2}. The buy-out is scheduled to be completed this month.

1. Background

TEG took over responsibility for the visual products division of Toshiba Information Systems (UK) Ltd. (TIU) and made it a UK-based branch in 2014, as one of the measures announced in “Toshiba to Reform Visual Products Business to Secure Consistent Profit” on July 31, 2014. In line with this move, TEG also became responsible for the funding of the UK defined benefit pension scheme for former employees of TIU’s visual products division.

Over time, despite the payment of additional contributions by TEG, a shortfall emerged in the pension scheme as a result of changes in demographic and financial circumstances affecting all pension schemes in the UK. In the UK, a pension scheme trustee’s ultimate objective is to transition the defined benefit pension scheme to an insurance company who will then take on the responsibility for paying pensions. The trustee has the power to make the transfer at any time, and as TEG’s UK pension scheme is in deficit, doing so would impose a demand on TEG for a significant payment into the scheme. This created a significant future uncertainty on the financial status of TEG. As a result, TEG decided to proactively pursue a pension scheme buy-out, so that it could select the timing and take advantage of cheaper pricing, benefit from running a competitive auction process to generate further cost savings and to secure better contractual terms, and remove the financial uncertainty resulting from the trustee’s power.

On February 28, 2018, in “Regarding Completion of the Sale of Shares of Toshiba Visual Solutions Corporation,” Toshiba announced that it had completed the transfer to a third party of 95% of the outstanding shares of Toshiba Visual Solutions Corporation (TVS), the Group company that promoted the Visual Products business, and that TVS was deconsolidated from Toshiba Group. However, the pension scheme was excluded from the scope of the transfer.

2. Overview of the buy-out

The trustee transfers its obligation to make pension payments to the pension scheme members to an insurance company. Subsequently, the trustee and TEG have no further obligation to make pension payments. In return, the insurance company takes the assets in the pension scheme and calculates how much additional money it needs to take on the obligations and make pension payments. TEG pays the difference between the amount of assets in the pension scheme and the amount agreed with the insurance company as a one-time expense.

3. Overview of the Subsidiary

- (1) Name of the company: Toshiba Europe GmbH
- (2) Location: Neuss, Germany
- (3) Representative: Damian Jaume
- (4) Business outline: Sales of personal computers, etc.
- (5) Capital stock: 64.3 million euro (approximately 10.9 billion yen)
- (6) Established: February 28, 1969

4. Overview of the UK defined benefit pension scheme

- (1) Name of the trustee: 20-20 Trustees Limited
- (2) Location: Manchester, U.K.
- (3) Representative: Antony Miller
- (4) Number of recipients: 1,362, as of the end of September 2017
- (5) Established: January 22, 1974

5. Timeline

- (1) Date of decision: March 19, 2018
- (2) Date of signing by the trustee and the insurance company: March 22, 2018 (scheduled)
- (3) Completion of the buy-out: By the end of March, 2018 (scheduled)

6. Future Outlook

Toshiba will record a consolidated operating loss of approximately 94.5 million pounds (approximately 14.1 billion yen) in FY2017 as a result of this transaction. The company made provision for this in the FY2017 business results forecast announced on February 14, 2018. To execute the buy-out, Toshiba will increase TEG's capitalization; TEG will complete the transaction and record the related loss; and Toshiba will record an impairment loss of approximately 13.4 billion yen in its non-consolidated business results for the fourth quarter of FY2017.

*1: A buy-out occurs when a defined benefit pension scheme is transferred to a financial

institution, such as an insurance company, in exchange for the payment of a premium.

*2: In the UK, defined benefit pension schemes are typically set up under UK trust law. A trustee is appointed and acts independently of the employer. The trustee is responsible for the management of the trust and runs it on behalf of employees and former employees.

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