

FOR IMMEDIATE RELEASE

Advisory Opinion from the Compliance Advisory Meeting
and Further Course of Actions

Toshiba Corporation (TOKYO: 6502, “Toshiba” or the “Company”) has received advisory opinions from the outside advisors on its Compliance Advisory Meeting (the “Advisory Meeting”), following an eight-month cooperative evaluation and verification of the Company’s compliance and fraud risk management. The background to the Advisory Meeting can be found in “Toshiba Next Plan Progress Report,” issued on June 5, 2020, and a statement on the company’s website titled “Toshiba Establishes Compliance Advisory Meeting,” dated July 8, 2020.

As the culmination of the Advisory Meeting activities, the two outside advisors serving on the Advisory Meeting, Mr. Hideaki Kobayashi and Mr. Hyo Kambayashi, have respectively delivered their advisory opinions (the “Advisory Opinions”) based on the aforesaid evaluation and verification. The outline of the Advisory Opinions and the Company’s course of actions are as below.

The Company has been promoting measures to refine and strengthen its internal controls through a three-line defense, with business operations as the first line, the corporate administrative divisions as the second line, and the auditing divisions as the third. Each line has defined roles and responsibilities, and clear consultation and reporting routes, and they complement each other in realizing and promoting effective internal control and risk management. Acting on the recommendations of the Advisory Meeting, the Company will take measures to further enhance compliance and fraud risk management.

Based on the fundamental policy of prioritizing compliance in all business activities, Toshiba will continue to strive to further strengthen internal controls and to further improve its corporate value.

1. Outline of the Advisory Opinions:

The Advisory Opinions offer a positive evaluation of Toshiba’s (i) fundamental system for definition and promotion of compliance for the overall Group, centering on its Risk Compliance Committee, chaired by its Chief Risk-Compliance Management Officer (CRO), who oversees risk management and compliance; and (ii) administrative staff departments with appropriate experience, knowledge and ability in their areas of expertise, that promote compliance measures and ensure their quality.

Further to this, the Advisory Meeting offered the following major comments:

- The Risk Management System (“RMS”), designed and operated by the Company, visualizes and centralizes available risk information. The Company has a fundamental PDCA cycle that reflects improvement measures to all-group compliance and risk management.
- The CEO regularly sends messages to all officers and employees that clearly state that compliance takes precedence over business activities, touching on actual cases in recent years. The fundamental approach to employee communications is appropriate.
- Fundamental measures are implemented to raise compliance awareness among employees, and also executives, such as messages on compliance, promotion of education and training, and personnel evaluations that emphasize compliance as an incentive. The awareness status of all officers and employees regarding compliance is assessed through regular employee awareness surveys.
- The Company’s whistleblowing program is essentially designed to encourage reporting by officers and employees, and utilization appears to be higher than at equivalent companies. Also, contact points for reports are widely disseminated within the Company’s Group.
- The Company’s Internal Audit Division, an organization under the direct control of the Audit Committee, enjoys a high degree of independence from the executive, and has put in place a substantial internal audit system.

In addition to the above evaluations, the Advisory Meeting made suggestions on matters to consider and improve in the following areas:

- Although internal rules position the Legal Division as the "Risk Management Control Division," the content and level of individual risk and compliance operations are basically entrusted to the administration departments of individual business units and companies. The Company needs to establish a system to manage and control group-wide compliance functions across departments.
- Employee awareness survey results show rising scores, but a certain percentage of negative answers indicates that compliance awareness has not achieved complete penetration. The Company needs to further analyze the penetration of compliance awareness, and review and expand measures to promote awareness.

- The Company must continue to increase its efforts to minimize the risk of serious fraud across the Group, and maintain a stable environment in which serious fraud does not occur. To that end, further efforts to improve the effectiveness of fraud risk management are required, including strengthening the risk management system, refining definitions of risk, further implementing fraud control mechanisms, and investing in necessary management resources.
- The Advisory Meeting surveyed about 65,000 Toshiba Group employees in December 2020 as part of its evaluation and verification process. A certain number of employees responded that they would hesitate to use the whistleblower program, as they were concerned about anonymity or retaliatory treatment. After implementing measures to ensure employees understand that the system does protect whistleblowers, Toshiba must continue to thoroughly disseminate its whistleblowing programs, the "Toshiba Hotline" and "Audit Committee Hotline," to further promote their use.
- The Internal Audit program focuses on regular audits of individual Group companies. Audits of the effectiveness of overall Group's fraud risk management system should also be conducted on a regular basis.

2. The Company's Course of Actions based on the Advisory Opinion:

Acting on the Advisory Opinions, Toshiba will establish a Risk Management & Compliance Office in the Legal Division on April 1, 2021. This will be tasked with reinforcing Group-wide compliance awareness and strengthening cross-organizational compliance systems and measures.

In addition, the Company will strengthen its three lines of defense in the following directions for the matters that require consideration and improvement:

- Secure greater penetration of compliance awareness with timely and appropriate messages, and by developing educational programs that effectively disseminate the principle that compliance takes priority over performance targets.
- After reinforcing a policy of "zero tolerance" against fraud, maintain and operate rules necessary for fraud risk management, including improving the quality of fraud countermeasures, standardizing control activities, preparing manuals, and strengthening awareness of disciplinary action.
- Further improve the whistleblower program and promote its use by disseminating more information, starting to receive reports in English in Japan, and strengthening the overseas whistleblower network.

- Strengthen the internal audit function to cover the fraud risk management systems, as announced, through measures that include personnel increases.

Toshiba takes the Advisory Opinions seriously and will steadily consider and implement them in order to solidify the trust of its stakeholders.

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