

Notes

- This information is disclosed as is, as a provisional forecast by Toshiba Corporation
- The disclosed financial figures are under review by the independent accounting auditor, and there is the possibility of amendment
- Toshiba will promptly disclose its third quarter business result and forecast for FY2016 as soon as they are finalized

Comments by President & CEO

- **Provisional Outlook for FY2016 3Q
Business Results and FY2016 Forecast**
- **Outline of Loss in Nuclear Power Business
and Countermeasures**

Satoshi Tsunakawa

Representative Executive Officer

President and Chief Executive Officer

TOSHIBA CORPORATION

February 14, 2017

Forward-looking Statements

- This presentation contains forward-looking statements concerning future plans, strategies and the performance of Toshiba Group.
- These forward-looking statements are not historical facts, rather they are based on management's assumptions and beliefs in light of the economic, financial and other data currently available.
- 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 that, without limitation, relate to economic conditions, worldwide mega-competition in the electronics business, customer demand, foreign currency exchange rates, tax rules, regulations and other factors. Toshiba therefore wishes to caution readers that actual results might differ materially from our expectations.
- The Healthcare and the Home Appliances businesses are classified as discontinued operations, in accordance with the Accounting Standards Classification (ASC) 205-20 "Presentation of Financial Statements – Discontinued Operations". The results of the Healthcare and Home Appliances businesses have been excluded from net sales, operating income (loss), and income (loss) from continuing operations, before income taxes and noncontrolling interests. Net income of Toshiba Group is calculated by reflecting the Healthcare and Home Appliances businesses results to income (loss) from continuing operations, before income taxes and noncontrolling interests. Results for the past fiscal years have been revised to reflect this change, unless otherwise stated.



1. Provisional Outlook for FY2016 3Q Business Results and FY2016 Forecast, and Status of Shareholders' Equity

Provisional FY2016/1-3Q Consolidated Business Results Overall

	FY2015/1-3Q	FY2016/1-3Q Provisional	Difference	(Yen in billions, except Earnings (Losses) per share)
Net Sales	4,013.5	3,873.5	-140.0	
Operating Income (Loss)	-231.9	*1 -544.7	-312.8	*1 Impairment loss included: -712.5
%	-5.8%	-14.1%	-8.3%	
Income (Loss) before income taxes and noncontrolling interests	-161.0	-565.4	-404.4	
%	-4.0%	-14.6%	-10.6%	
Income (Loss) from continuing operations, before noncontrolling interests	-496.3	-693.2	-196.9	
Income (Loss) from discontinued operations, before noncontrolling interests	-3.5	101.4	104.9	
Net Income (Loss)	-479.4	*2 -499.9	-20.5	*2 Impairment loss included: -620.4 (after deduction of noncontrolling interests, including WEC deferred tax assets reversal)
%	-11.9%	-12.9%	-1.0%	
Earnings (Losses) per share attributable to shareholders of the Company	-¥113.23	-¥118.07	-¥4.84	
Free cash flow	-49.7	-54.7	-5.0	

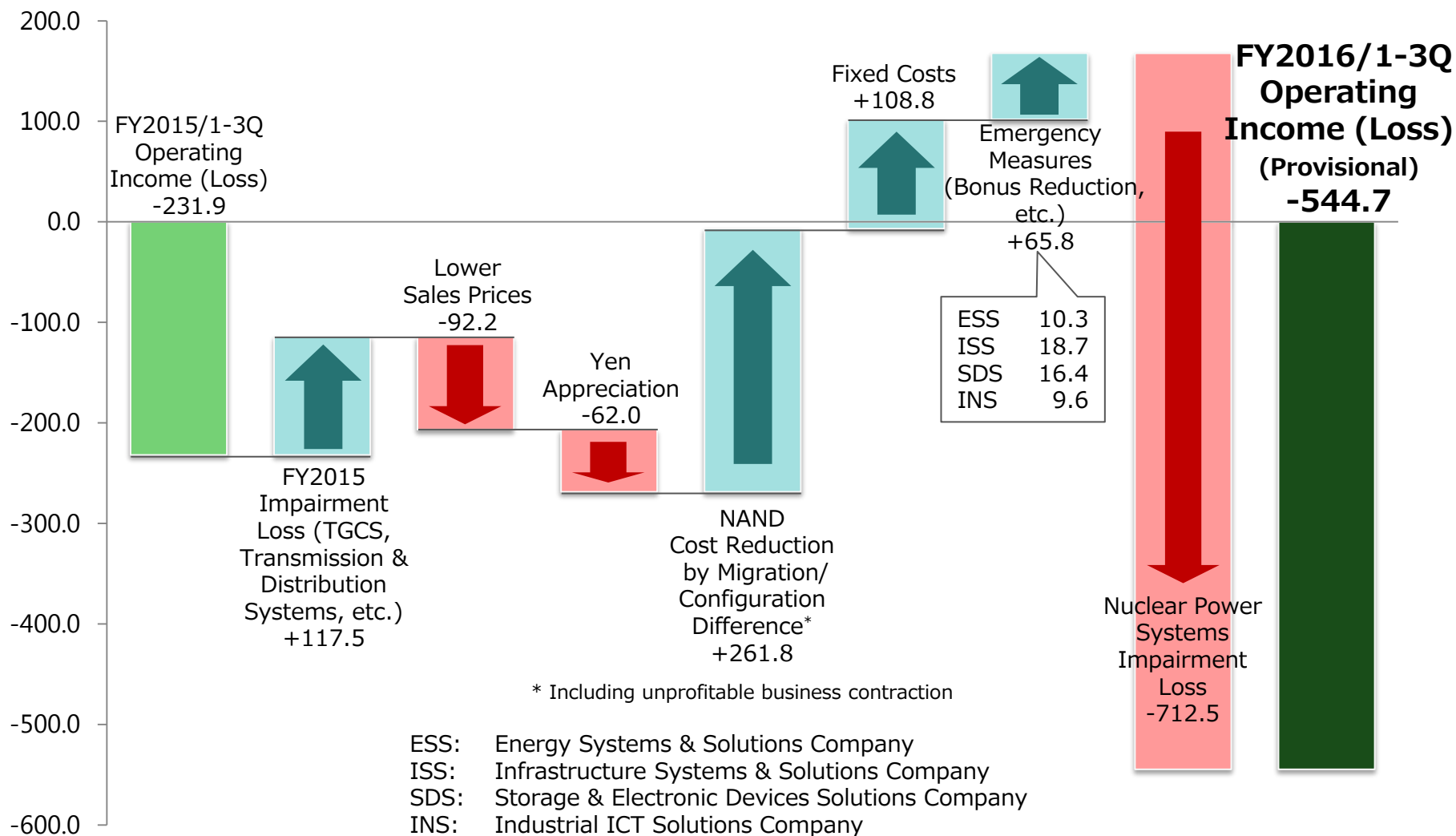
	2016/3E	2016/12E Provisional	Difference
Equity attributable to shareholders of the Company	328.9	-191.2	-520.1
Shareholders' equity ratio	6.1%	-3.7%	-9.8%
Net asset	672.3	68.1	-604.2
Net interest-bearing debt	481.2	584.5	103.3
Net debt-to-equity ratio	146%	-	-
Exchange rate (US\$) as of the end date of the term	¥113	¥116	¥3

- Hereinafter, "Net Income (Loss)" refers to Net Income (Loss) attributable to shareholders of the Company
- Hereinafter, "the Company" refers to Toshiba Corporation
- Net interest-bearing debt: Interest-bearing debt - cash and deposits

Provisional Outlook for Operating Income (Loss) (YoY Analysis)

Although other businesses improved profitability, impairment of goodwill in Nuclear Power Systems generated a major deficit

(Yen in billions)



Provisional FY2016 Forecast Overall

(Yen in billions)

	FY2015 Actual	FY2016 Provisional Forecast (as of Feb.14)	Difference	FY2016 Previous Forecast (as of Nov.8)	Difference (Provisional Forecast-Previous)
Net Sales	5,668.7	5,520.0	-148.7	5,400.0	120.0
Operating Income (Loss)	-708.7	-410.0	298.7	180.0	-590.0
%	-12.5%	-7.4%	5.1%	3.3%	-10.7%
Non-Operating Income (Loss)	75.6	-40.0	-115.6	-50.0	10.0
Income (Loss) before income taxes and noncontrolling interests	-633.1	-450.0	183.1	130.0	-580.0
%	-11.2%	-8.2%	3.0%	2.4%	-10.6%
Income (Loss) from continuing operations, before noncontrolling interests	-886.9	-570.0	316.9	75.0	-645.0
Income (Loss) from discontinued operations, before noncontrolling interests	370.9	100.0	-270.9	90.0	10.0
Net Income (Loss)	-460.0	-390.0	70.0	145.0	-535.0
%	-8.1%	-7.1%	1.0%	2.7%	-9.8%
Earnings (Losses) per share attributable to shareholders of the Company	-¥108.64	-¥92.11	¥16.53	¥34.25	-¥126.36
Free cash flow	652.2	0.0	-652.2	0.0	0.0

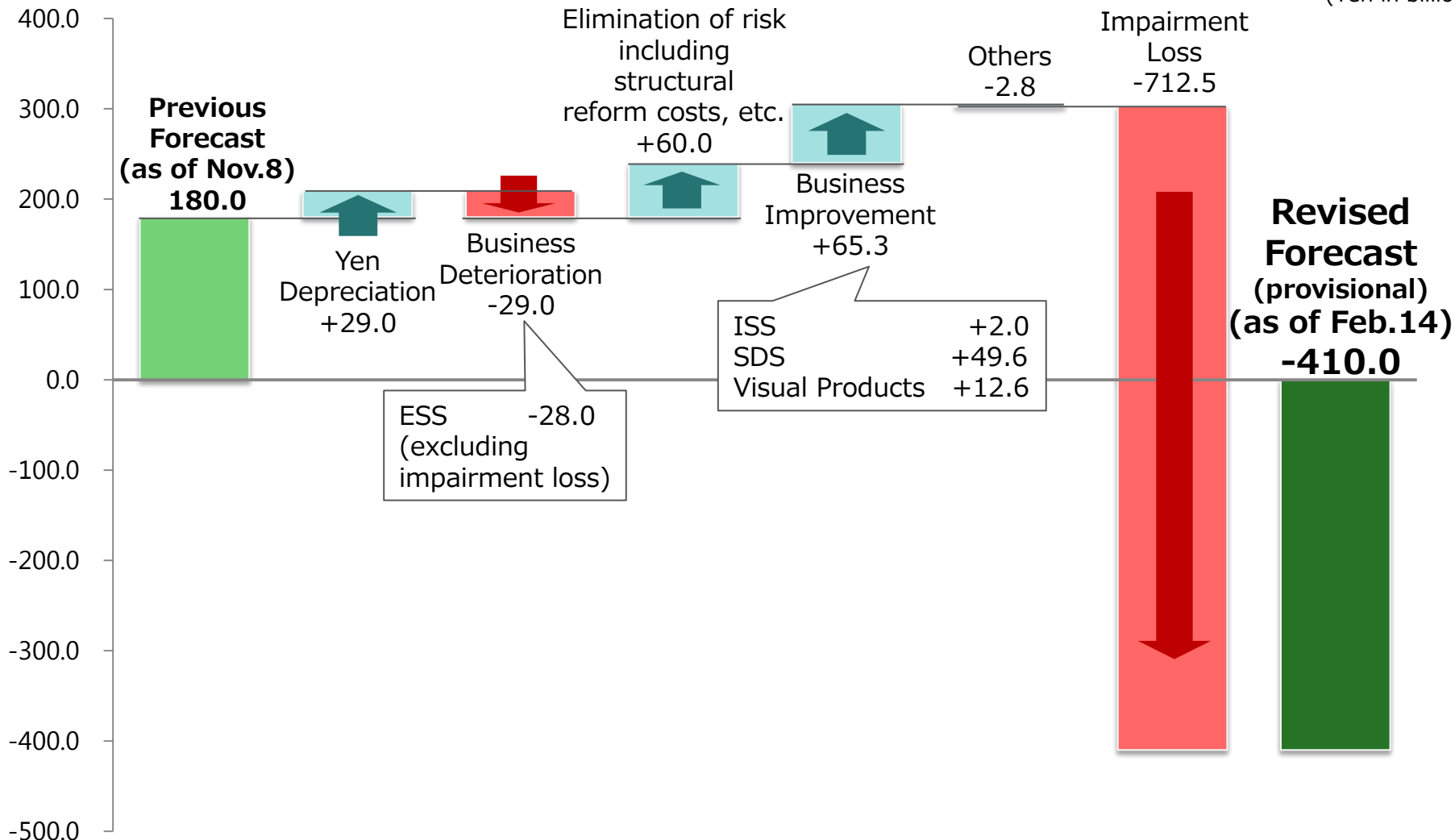
Equity attributable to shareholders of the Company	328.9	* -150.0	-478.9	320.0	-470.0
Shareholders' equity ratio	6.1%	-3.0%	-9.1%	6.4%	-9.4%
Net asset	672.3	* 110.0	-562.3	-	-
Net interest-bearing debt	481.2	490.0	8.8	490.0	0.0
Net debt-to-equity ratio	146%	-	-	153%	-

*Before capital measures

Provisional FY2016 Forecast Operating Income (Loss)

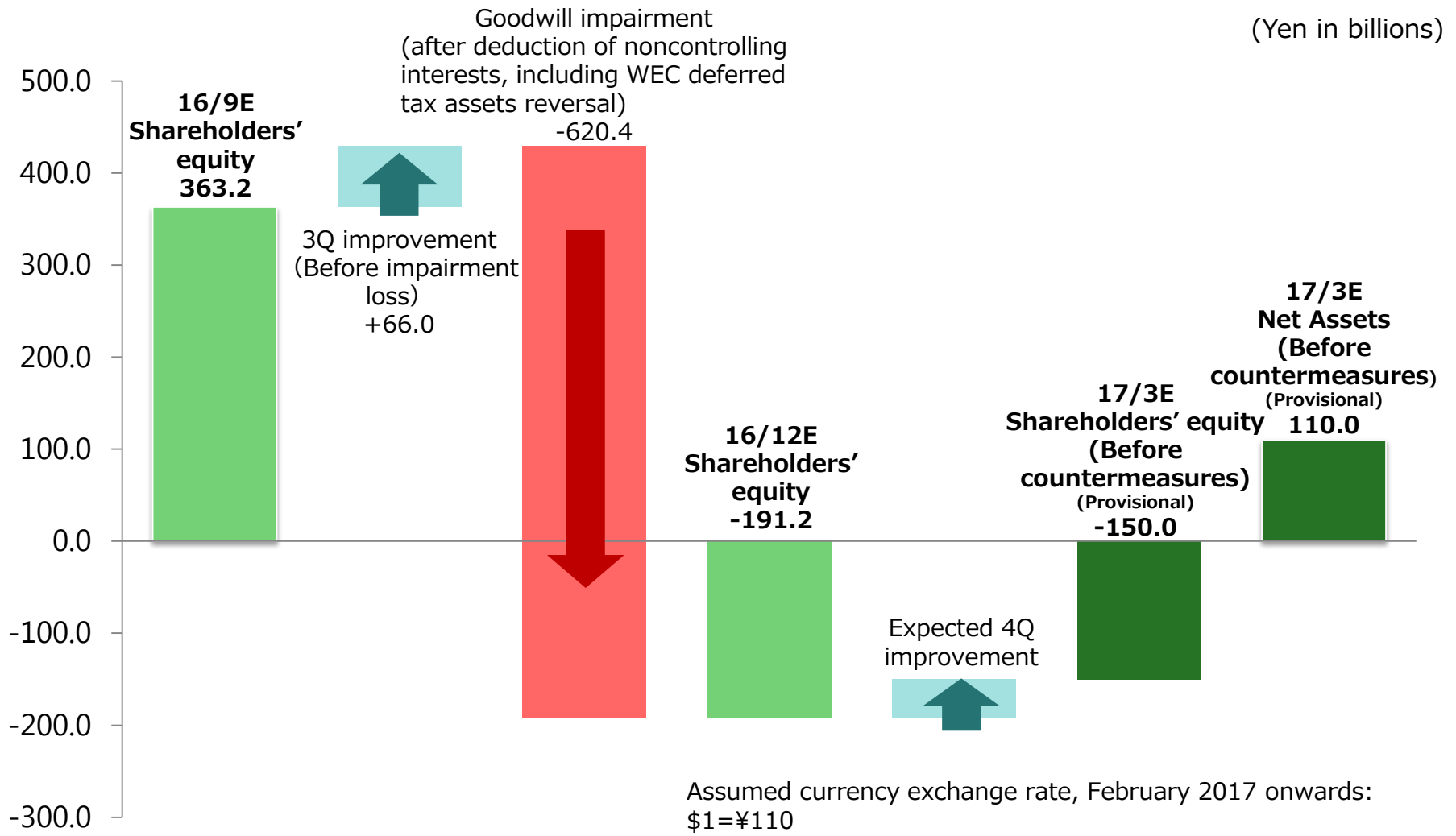
Review of structural reform costs and other measures embedded in previous forecast

(Yen in billions)



Provisional Outlook For Shareholders' Equity and Net Assets as of 2017/3E (Before Countermeasures)

Improve anticipated negative shareholders' equity by implementing measures to enhance capital; net assets remain positive



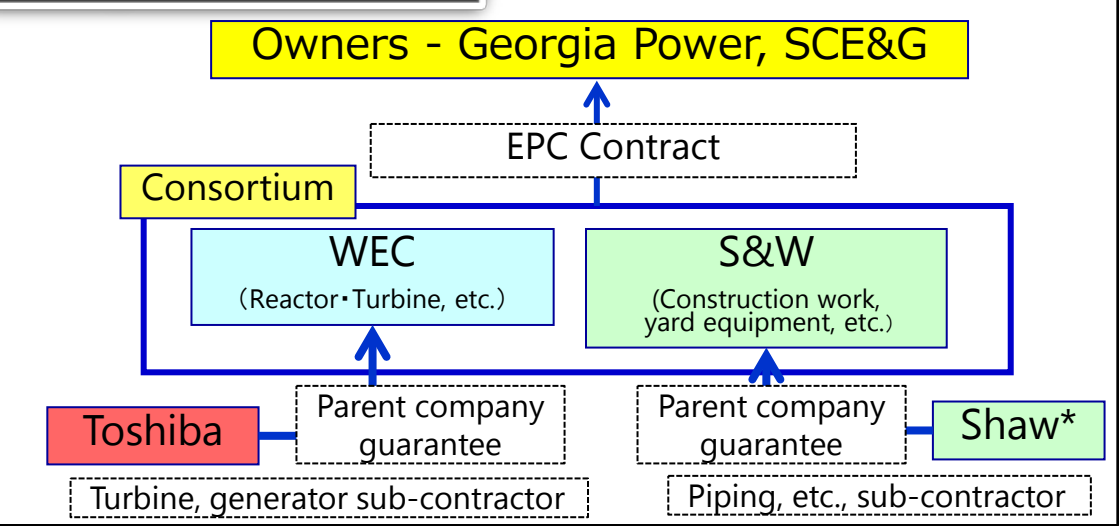


3. Outline of Loss in Nuclear Power Business and Countermeasures

U.S. AP1000 Construction Projects Overview

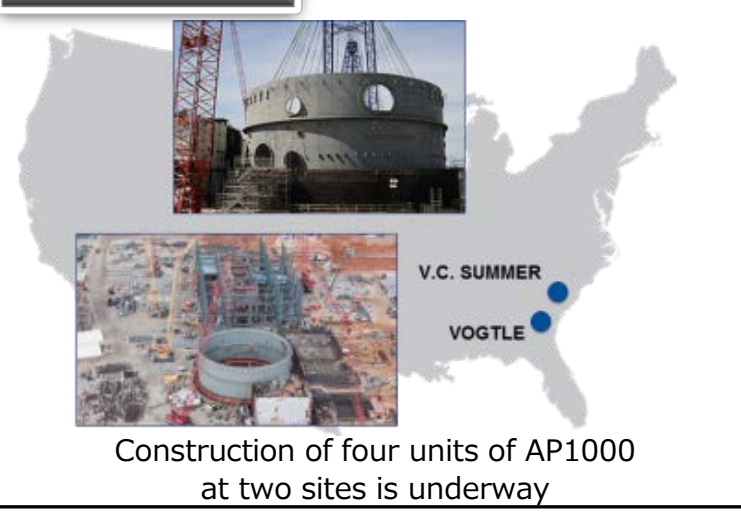
1. Overview	Vogtle 3 & 4 Project	V.C. Summer 2 & 3 Project
Owner	Georgia Power Company (100% affiliate of Southern Company)	South Carolina Electric & Gas Company (SCE&G) (Affiliate of SCANA)
Equipment	AP1000 (1,117MWe) ×2	
Scope	EPC contract including construction at site WEC's original scope of work: reactors, turbines, design, other equipment, testing	
Contract	April 2008	May 2008

2. Original EPC Structure



*Subsequently acquired by CB&I

Site location



Background to S&W (WECTEC) Acquisition

Aimed to ensure a working environment focused on completing the project by resolving cost increases, project delays and existing and potential litigation that developed as a result of changing regulatory requirements after winning the contract

	Project history
Apr-May 2008	US AP1000 EPC Contract
2009-11	NRC requested AP1000 design changes
2011-	Litigation and potential for litigation between owners and consortium; potential for litigation between consortium members.
Aug 2015-	DD Report identified an action plan to mitigate potential acquisition risks.
Oct 2015	Approval of S&W acquisition by Toshiba Board
End of Dec 2015	Acquisition of S&W from CB&I completed Subsequent to acquisition, reached settlement with Owners

Background

US AP1000 EPC Contract – Construction delays

- First new nuclear builds in US in 30 years
- Design changes and additional safety measures required to comply with aircraft crash protection
- Design changes delayed issue of the combined license until January 2012. It was another year until the first concrete was poured.

Disputes and possibility of additional costs

- Agreement on changes in the EPC contract on additional costs and delivery dates couldn't be reached. Owners ended up suing the Consortium.
- By Oct 2015, it appeared that estimated cost would hit the cost-sharing band, requiring WEC to bear excess costs

Most important challenges at time of S&W acquisition

- Avoid further cost overruns and risk of parent company guarantee
- Resolve issues and accelerate construction

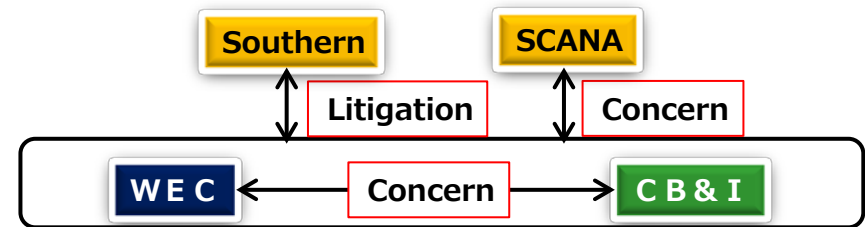
Objectives of Acquisition

Acquired CB&I's S&W to focus on project completion

Westinghouse acquired S&W to **focus on project completion by resolving current and possible claims** against the projects. Also targeted **risk mitigation for damage claims** caused by cost increases and delivery delays.

1. Overview of Litigation and Concerns

- (1) Southern: Initiated litigation related to additional costs from design changes due to regulatory requirements
- (2) SCANA: Concerns over additional costs and change in delivery date due to design changes
- (3) CB&I: Concerns over additional costs



2. Resolution of disputes

- (1) Withdrawal of claims by Owners
 - (2) Extension of delivery date, increased contract price
 - (3) Introduction of dispute resolution mechanism without litigation during the construction period
- ※ Targeted construction completion by appointing Fluor, which has knowledge and experience in nuclear plant construction, as the new subcontractor

Increased Cost Estimate Discovered after Acquisition of S&W

After the acquisition, it was discovered that cost estimates had to be revised (detailed estimates were available only after closing). Differences also found in efficiency assumptions.

History

2016 Jan	Start of construction under the new project team
March	Started to estimate PJ cost
April	Submitted NWC adjustment to CB&I
July	Submitted volume data to Fluor
Oct	Fluor submitted ETC/EAC
Nov	WEC cost estimate team launched, reporting to WEC management
Dec	WEC reported to Toshiba

Net Working Capital Calculation

- WEC's calculation of NWC differed from CB&I's calculation, resulting in disagreement
- CB&I filed a lawsuit
- Suit dismissed; CB&I appealing decision
- NWC process ongoing with independent auditor

Increase of construction cost estimate

- Took time to estimate total volume
- Fluor's estimates showed cost increases, but further verification took time
- Work efficiency not improved as initially expected

Increase of Total Cost Estimate

These factors resulted in an increased cost estimate in such areas as labor and procurement costs

US AP1000 Projects, Vogtle & VC Summer Causes of Increase in Total Cost Estimate

<u>Analysis by Items</u>	(Billion\$)
(1) Labor cost (direct and indirect labor)	3.7
(2) Procurement cost (equipment and vendors)	1.8
(3) Contingency cost	0.6
<hr/>	
Increase in Total Cost Estimate	6.1

Factors

1. Lower work efficiency, increased volume, increased indirect labor
2. Increased equipment prices, increased vendor costs
3. Increase of contingency, which includes claims for damage, warranty fee etc.
(which is in proportion to total construction cost)

Provisional Outlook of Goodwill and Impairment Loss

Yen in billions

Goodwill Related to S&W Acquisition	¥625.3
	(US\$5,368 million)
Existing Goodwill	¥87.2
<hr/>	
Total of Goodwill in Nuclear Power Business	¥712.5
Impairment Loss of Goodwill	-¥712.5
(Operating Income (Loss) basis)	(Entire amount to be impaired)
Deduction of Non-controlling Interests etc.	¥90.0
Corporate Tax Impact etc.	¥18.6
Reversal of Deferred Tax Assets	¥-16.5
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Impact on Financial Results	¥-620.4
(Net Income (Loss) basis)	

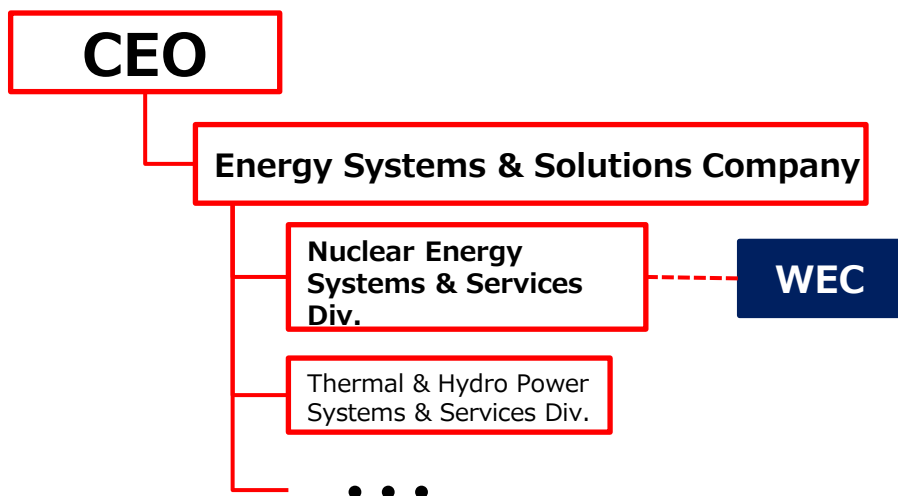
※Westinghouse is continuing the net working capital calculation process set forth in the Purchase Agreement, and until that process is completed the final net working capital amount cannot be incorporated into the goodwill calculation (positive impact from cash receipt or negative impact of cash payment).

※The figures in this page are disclosed as a provisional forecast by Toshiba Corporation and there is the possibility of amendment.

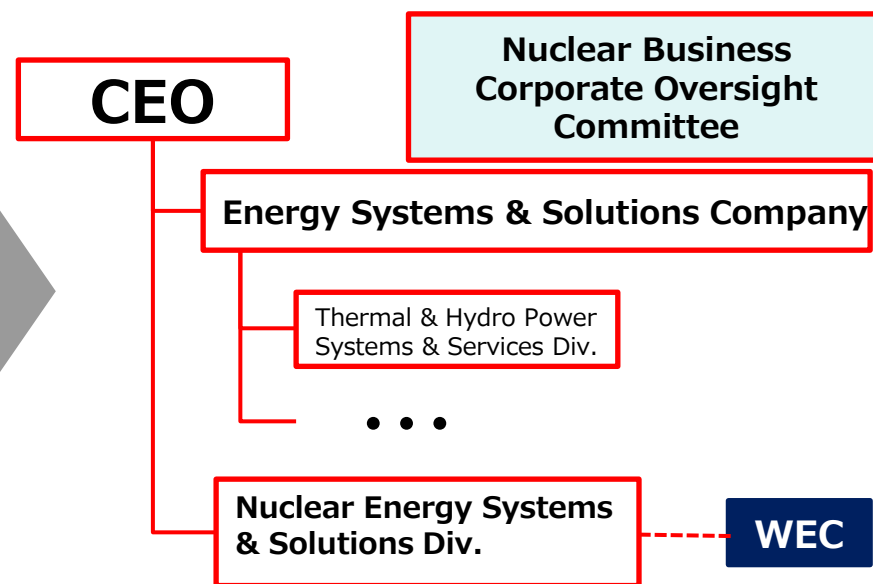
Countermeasures – Monitoring Risk in the Nuclear Power Business

Enhance risk management and strengthen monitoring by establishing the “Nuclear Business Corporate Oversight Committee” and positioning the nuclear power business under the direct control of the president and CEO

Current structure



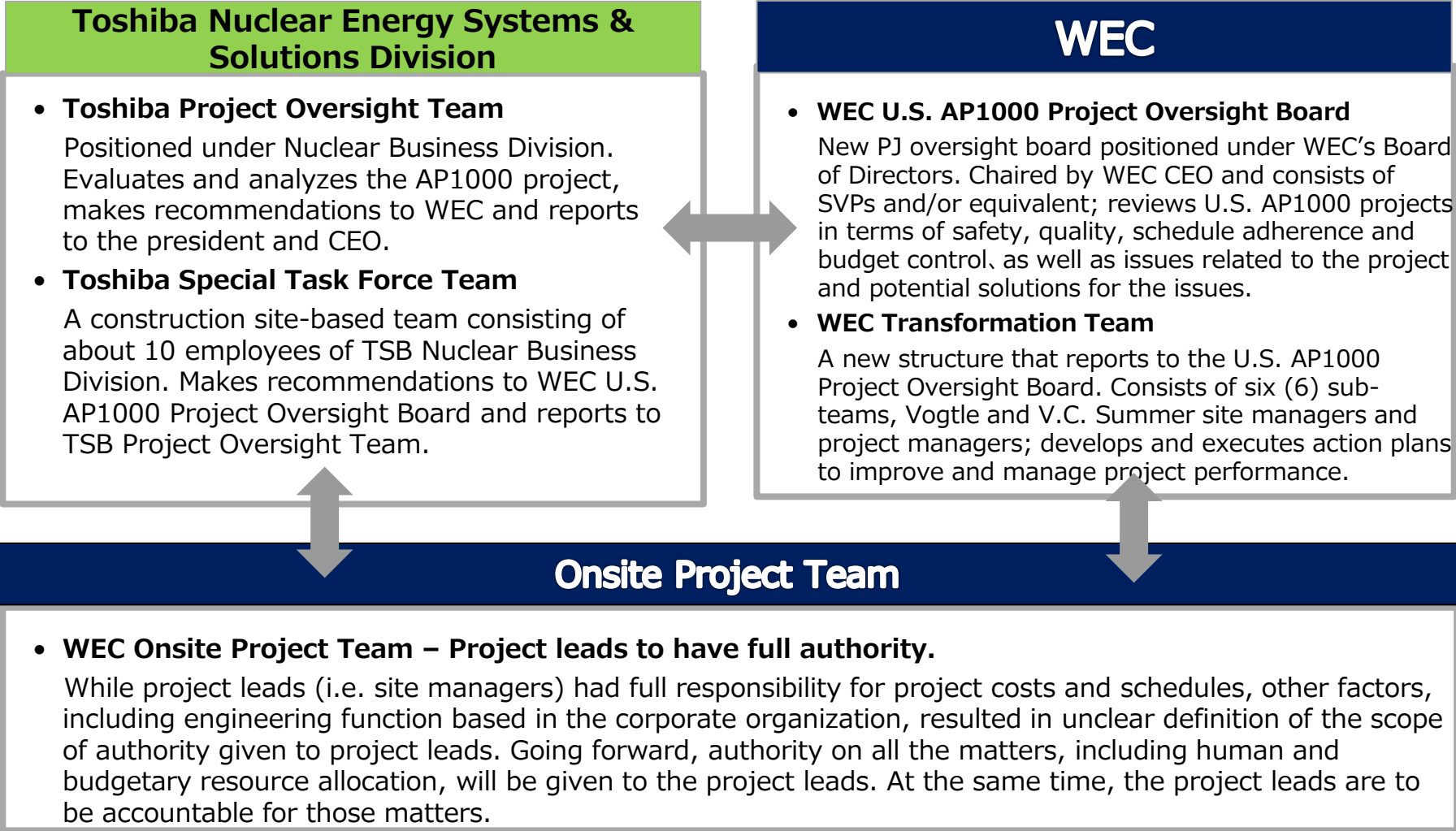
New Structure



- Establishment of Nuclear Business Oversight Committee
 - Chaired by Toshiba CEO, Members: Toshiba Executive Officers
 - Conduct risk evaluation and monitoring of PJs related to nuclear business
- Positioning the nuclear power business directly under the control of the president and CEO will give Toshiba corporate direct involvement in the nuclear energy business and its risk management

Countermeasures: Reinforcement of AP1000 Project in the U.S.

Define key performance indicators and implement corrective actions that are necessary to ensure adherence to project schedules and control costs, and manage and track overall performance of the U.S. AP1000 projects



Recognizing Managerial Responsibility for Recording Loss and Reductions in Compensation for Other Executive Officers

1. Recognition of Managerial Responsibility for Recording Loss

<p>Satoshi Tsunakawa Director, Representative Executive Officer, President and Chief Executive Officer</p>	<ul style="list-style-type: none"> ● A further 30% reduction in monthly compensation: 60% → 90% (Annual income base* minus 39% → minus 54%) <p>*Annual income base: non-payment of performance-based portion (normal performance) is reflected</p>
<p>Shigenori Shiga Director, Representative Executive Officer, Chairman</p>	<ul style="list-style-type: none"> ● Resignation as Director and Representative Executive Officer ● Will concentrate on resolving issues related to WEC as an executive officer (until the annual ordinary general meeting of the shareholders in June 2017)
<p>Danny Roderick Executive Officer*, Corporate Senior Vice President, President and Chief Executive Officer of Energy Systems & Solutions Company</p>	<ul style="list-style-type: none"> ● Dismissal as Executive Officer, Corporate Senior Vice President and President and Chief Executive Officer of Energy Systems & Solutions Company; to return to WEC and concentrates on resolving issues <p>*not an executive officer under the Companies Act of Japan</p>
<p>Mamoru Hatazawa Executive Officer, Corporate Vice President, Vice President, Nuclear Energy Systems & Services Div.</p>	<ul style="list-style-type: none"> ● A further 30% reduction in monthly compensation: 30% → 60% (Annual income base minus 23% → minus 37%)

2. Compensation Reduction for Other Executive Officers

In consideration of the Company's financial situation, other executive officers will be subject to a further 10% reduction in monthly compensation, from February 2017

	Corporate Senior Executive Vice President	Corporate Executive Vice President	Corporate Senior Vice President	Corporate Vice President
Until January 2017	40%	30%	30%	30%
From February 2017	50%	40%	40%	40%

Nuclear Energy Business Trend

(Yen in billions)

		FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 Provisional Forecast
	Fuel	130.1	131.4	117.8	135.3	126.1	136.8	177.0	141.4
	Service	169.3	164.2	173.7	183.7	208.8	213.2	201.6	185.3
	Others	-1.4	-2.6	-4.3	-2.7	-2.1	-1.6	-1.0	-5.4
	Westinghouse	297.9	293.0	287.2	316.4	332.8	348.5	377.6	321.4
	Other than Westinghouse	229.0	240.3	243.3	204.4	175.0	205.1	208.0	190.3
	Consolidated Adjustment	-2.6	-7.5	-17.5	-26.4	-22.0	-10.5	-8.9	-5.2
	Fuel, Service ratio against total	524.3 85%	525.8 84%	513.0 85%	494.4 86%	485.8 86%	543.1 88%	576.6 79%	506.5 58%
	New Plants(Westinghouse)	89.4	100.7	93.9	79.3	76.3	74.7	78.8	61.2
	Construction Work(WECTEC)	-	-	-	-	-	-	72.1	299.4
Net Sales		613.7	626.5	606.9	573.7	562.1	617.8	727.5	867.1
	Fuel	6.3	11.7	6.9	8.3	3.4	15.4	11.9	3.4
	Service	12.5	12.7	12.1	13.2	5.1	16.8	22.2	21.5
	Others	-5.6	-5.8	-4.1	-2.8	-0.5	-5.6	-5.8	-7.4
	Westinghouse	13.1	18.6	15.0	18.7	8.1	26.7	28.3	17.5
	Other than Westinghouse	28.2	33.5	29.7	5.7	-24.3	-18.5	15.8	21.3
	Fuel, Service	41.3	52.1	44.7	24.4	-16.2	8.2	44.2	38.7
	New Plants(Westinghouse)	0.3	1.4	0.5	-9.7	-19.6	-8.6	-6.6	-16.6
	Construction Work(WECTEC)	-	-	-	-	-	-	1.2	-9.1
	Loss on impairment of goodwill							-247.6	-712.5
Operating Income(Loss)		41.6	53.5	45.2	14.7	-35.8	-0.4	-208.8	-699.5

Impairment of STP
FY2013: -31.0
FY2014: -41.0

※ Reclassified "Construction (Westinghouse)" as "New plants (Westinghouse)" and
"Construction work (Westinghouse)" as "Construction Work(WECTEC)"

Future of the Nuclear Power Business

● In Japan

- ✓ Carry out social responsibilities by cooperating in restarting operation of idled nuclear power plants, maintenance operations, and reactor decommissioning

● Overseas

- ✓ Operate and analyze strategic alternatives in respect of different business model and profitability
 - Fuel·Service: Continue as a business that can anticipate high profitability and stability
 - New Plants: Exclude risk inherent in construction work and focus on equipment supply and engineering, etc.
- ✓ Reduce risk at eight plants currently in progress by thoroughly implementing comprehensive cost reduction measures

Overseas Nuclear Power Business Status of major projects

China AP1000 (Sanmen and Haiyang)

● WEC's scope of work

- Design, manufacture, procurement and test operation of nuclear reactors
- Supply of initially loaded fuel, domestic fuel production
- Technology transfer for domestic construction (not including new builds outside China)
- Not EPC contracts; do NOT include construction work

● Current status and future timeline

- Hot functional testing completed in December 2016 at Sanmen Unit 1; initial fuel loading and test operation to follow

India AP1000

● Future outlook

- WEC will exclude construction work from the scope of work and focus on supply of equipment and engineering
- Legislation on nuclear damage liability is necessary to promote projects in India

Overseas Nuclear Power Business Status of major projects

NuGen (Moorside Project)

● Overview of project

- Three units of AP1000 to be erected in Moorside, U.K.
- Toshiba is a 60% majority shareholder of NuGeneration, the owner of the project
(NuGeneration is a subsidiary of Toshiba)
- Investment ratio: Toshiba 60%, Engie 40%

● Goodwill and fixed assets balance ※2016/12E

- Goodwill balance: £ 108 million (approx. ¥15.4 billion)
- Fixed assets balance: £ 210 million (approx. ¥30.0 billion)

● Outlook for the project

- Toshiba will consider participating in the project without taking on any risk from carrying out actual construction work
- As planned from the beginning, Toshiba will seek to sell the shares to interested parties

Toshiba's parent company guarantee for WEC

- **The amount recorded in the Securities Report FY2015 (contingent liabilities and acts similar to guarantees)**
 - As of 2016/3E ¥793.5 billion
 - ※ Nearly 90% is a payment guarantee for AP1000 customers in the U.S.
- **Overview of payment guarantee**
 - In cases where WEC cannot meet its payment obligation to the owners of US AP1000 projects, including any damages for project incompleteness, Toshiba, as WEC's parent company, is required to bear the payment as guarantor



3. Concept of Medium-Term Business

Medium-Term Business Domains



Infrastructure
that sustains quality lives

Energy
that sustains everyday lives, that is cleaner and safer

Electronic Devices and ICT Solutions
that support Energy and Infrastructure

- **Overseas Nuclear Power Business** **Analyze strategic alternatives**
- **Memories** **Consider third-party investment, up to a majority, to secure resources for future growth, and to enhance Toshiba Group's financial base**

Railway Systems



Propulsion systems for rolling stock



Electric equipment for Hankyu Corporation's 1000 series trains

Battery Systems



High power type cell



High energy type cell



Battery module



For SUZUKI's Mild Hybrid, S-eNe CHARGE and eNe-CHARGE

Automotive

Examples of Semiconductor Applications

- Image recognition LSI for automotive camera
- FRD for inverter
- Power IC for EPS
- MCU for ECU
- etc
- FRD: Fast Recovery Diode



Image Recognition LSI



Buildings & Facilities

Elevators



Lightings



Air-conditionings



H2One™ Stand-alone hydrogen energy supply system



Kawasaki Marien
Demonstration operation
started in April, 2015



Truck Model
released in April, 2016

Heavy-Ion Radiotherapy System



The National Institute of
Radiological Sciences
Start treatment in 2011



Yamagata University
Start equipment procurement
in 2015

Toshiba's New IoT
「SPINEX」
~ Breathing life into all kinds of
equipment with IoT~

Cloud AI Service
RECAIUS

TOSHIBA

Leading Innovation >>>