

FOR IMMEDIATE RELEASE

May 15, 2018
Toshiba Corporation

Deployment of the Toshiba Next Plan

Tokyo--Toshiba Corporation (TOKYO: 6502) and Toshiba Group (hereafter collectively “Toshiba”) will develop and implement “Toshiba Next Plan” as a five-year transformation plan. Toshiba Next Plan will include measures for enhancing core earning power, and medium- and long-term strategies for individual business. Toshiba plans to announce details, including numerical targets, within this year.

Under its new management team, Toshiba is making 2018 the first year of its transformation into an excellent company with high earning power, and the ability to survive in competition with the world’s leading companies. Going forward, Toshiba will implement stepwise measures that extend its capabilities and enhance earnings.

Toshiba Next Plan is being developed from the viewpoint of shareholders and investors, and its scope will include key performance indicators (KPI) in each business, the compensation system for executive officers, and portfolio management. Toshiba aims to maximize enterprise value by building a firm financial base and securing stable growth, and is determined to regain the trust of all stakeholders by resolutely accomplishing the plan’s targets.

1. Toshiba Group Management Policy and Focus Areas

Toshiba will contribute to the realization of a sustainable future by focusing on business domains centered “Social Infrastructure”, “Energy”, “Electronic Devices” and “Digital Solutions”—the basic infrastructure that sustains modern life and society—and channel reliable technologies into creating new value.

2. Outline of Toshiba Next Plan

(1) Measures to strengthen basic earning power

As a short-term measure, Toshiba will strengthen core earning power by concentrating on measures to “build strong management infrastructure”, “improve operations” and “further structural reform”.

i Build strong management infrastructure

Toshiba will determine and visualize KPI for individual businesses that can be shared on both the management and operation sides.

Toshiba will also expand confirmation procedures for handling daily expenses, and continue to enhance accounting compliance confirmation processes, so as to broaden internal audit functions.

ii Improve Operations

Toshiba will cut the cost of sales ratio with a thoroughgoing reform of value chains, extending from procurement and engineering to manufacturing and sales.

It will also reinforce project evaluation and monitoring functions by refining the process to confirm the profitability of new orders and oversee their execution, in addition to the current checks in the accounting process.

iii Further structural reform

Toshiba will strengthen its constitution and build a muscular organization by focusing on restructuring in areas that include the energy business domain, indirect staff, and the number of group companies. Details of actions to be taken will be disclosed as decided.

(2) Mid-term business strategies

Toshiba will create a mid-term strategy for each business based on targets set by benchmarking the world's leading companies. In achieving those targets, each business will focus on free cash flow and return on invested capital, which better indicate the power to generate cash than net sales figures.

(3) Transformation to a "Recurring Business" model

Building on each business's mid-term strategy, Toshiba intends to use digital solutions to promote the transformation of its businesses to a profitable "recurring business" model. Defining the ideal image of each business over the next five years, and then combining their strengths with Toshiba's digital technologies for AI and IoT, will drive forward a shift enabling the businesses to deliver more services and solutions that maximize Toshiba's value to customers. Through this approach, Toshiba aims to transition to a recurring business model that realizes consistently profitable results.

3. Implementation of new compensation system

In parallel with Toshiba Next Plan, Toshiba will introduce a new compensation structure that puts a clear emphasis on medium- and long-term enterprise value. With

the intent of making medium- and long-term business performance a clear and effective incentive, Toshiba will implement a restricted stock compensation system for Executive Officers in July this year, a system that places limitations on stock transfers for a certain period.

Going further, Toshiba will closely consider how to best link its compensation system to the transformation and business plans it intends to announce within this year, as aspects of the overall Toshiba Next Plan. Incentives will be linked to performance over the course of the business year and to the achievement of targets in mid-term business plans, and structured into a system that includes stock grants.

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