

FOR IMMEDIATE RELEASE

Toshiba to Announce the “Toshiba Next Plan” for Corporate Transformation

Tokyo —Toshiba Corporation (TOKYO: 6502) has announced that its Board of Directors, meeting today approved the “Toshiba Next Plan” as a five-year transformation plan for Toshiba Group (hereafter collectively “Toshiba”). Presentation materials related to the plan will be released at a press conference scheduled for later today.

1. Overview and Vision

Toshiba aims to become one of the world’s leading cyber-physical systems (“CPS”¹) technology companies by combining the knowledge and capabilities accumulated over years of experience in a wide range of businesses, from infrastructure to electronic devices, with its strengths in information processing, digital and AI technologies. To reach this goal, Toshiba has developed the Toshiba Next Plan to establish the direction and measures that will transform its business to realize future growth, including five-year numerical targets.

Toshiba intends to continue contributing to the development of society by providing services and solutions that can help to solve issues facing the world today.

2. Outline of the Toshiba Next Plan

(1) Targets and four reforms

The basic objective of the Toshiba Next Plan is to enhance shareholder value by maximizing enterprise value and generating value for its customers, business partners and employees. For this purpose, Toshiba will implement measures to improve core earning power, and will also secure investments for growth. At the end of fiscal year 2021, Toshiba aims to generate sales of 3.7 trillion yen, an ROS of over 6% and an ROE of over 10%. At the end of the plan’s 5-year timeframe, the targets are set at sales of 4 trillion yen, an ROS of 10% and an ROE of 15%.

Toshiba will deploy four reforms to improve core earning power. Through structural reform, Toshiba will exit non-focus businesses, withdrawing from the liquid natural gas (LNG) business and the nuclear power plant business in the UK. Toshiba will also optimize its work force, reorganize its production bases and reduce the number of subsidiaries. To reform procurement, Toshiba will apply various measures to lower its cost rate. Reforms of sales activities will improve overall efficiency while strengthening

the sales force. Measures are also now in place to strengthen evaluations of project order acceptance. In process reform, investments will be made to renew IT infrastructure and to change numerous processes throughout the organization toward improving operational efficiencies.

Additionally, Toshiba has planned capital expenditure of approximately 810 billion yen and R&D investments of approximately 930 billion yen to grow new businesses, improve profit margins and generate future cash flows.

(2) Business Portfolio and Action Plans

Toshiba will thoroughly manage its business portfolio by checking the competitiveness of each business and their markets. In businesses where expansion is anticipated, Toshiba will cultivate organic growth with appropriate investments. Action plans are in place to improve margins in currently low performing businesses. Progress will be monitored regularly and rigorously.

(3) Policy on Shareholder Return

As announced in “Notice Regarding Determination on Repurchase of the Company’s Own Shares”, Toshiba’s Board of Directors today resolved matters concerning the repurchase of Toshiba shares of up to 700 billion yen. Within the five years of the Toshiba Next Plan, Toshiba will aim to increase its dividend and to secure a planned average consolidated dividend payout rate of 30%². Toshiba will enhance profit distribution to shareholders through repurchases of its own shares, according to the situation.

(4) Development of New Growth Fields

Toshiba sees mega-trends and disruptive innovation as opportunities for growth, where it can bring together its unique technologies and resources. In lithium-ion rechargeable batteries, Toshiba will promote growth in markets where the SCiB™ can demonstrate its distinctive features. In power electronics, Toshiba will leverage its strengths in semiconductor technology, and will secure a competitive advantage with differentiated products in the mobility and infrastructure system markets. In precision medicine, Toshiba will use leading edge technologies in the life-science field to achieve very early cancer detection and optimized individual treatment.

(5) Toshiba’s Digital Transformation

As the digital revolution is increasingly felt throughout society, Toshiba will transform itself by promoting cultural change throughout the organization in order to adopt to digitization. Toshiba will build a standardized IoT architecture that can support Toshiba’s collective knowledge in diverse business fields and intends to make this open and available to business partners.

(6) Establishing the Structure for Execution

To revitalize the venture spirit that is an integral part of Toshiba's DNA, Toshiba will introduce a new initiative to incubate business. Furthermore, to accelerate its digital transformation, Toshiba will take measures to develop internal talent while proactively seeking to hire new talent from outside.

The organizational structure will be changed to strengthen business operations and secure faster decision making through simplification that consolidates business units and removes layers within the corporate hierarchy. Internal control functions will be reinforced by widening and expanding the scope of internal auditing. In order to ensure executive compensation is in line with shareholder's interests and that effective incentives are in place to maximize long term enterprise value, Toshiba has decided to change its executive officer compensation system. The majority of performance linked compensation will be paid in restricted stock.

[Notes]

[1] CPS collect data from the physical world to be analyzed and processed using digital technology.

CPS create value through a constant feedback loop between the cyber and physical worlds.

[2] For the time being, equity method profit and loss for Toshiba Memory Corporation is excluded from Toshiba's policy on shareholder returns.

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