

December 16, 2021  
Toshiba Corporation

FOR IMMEDIATE RELEASE

**Notice Regarding Recurrence Prevention Measures Based on  
Suggestions in Investigation Report of Governance Enhancement Committee**

As announced in “Notice Regarding Receipt of the Report from the Governance Enhancement Committee” dated November 12, 2021, Toshiba Corporation (“Toshiba”) received from the Governance Enhancement Committee a report (“Committee Report”) regarding the so-called “Pressure Issue.” In response to this, Toshiba’s Board of Directors and executive officers held discussions based on the suggestions of the Committee Report, and formulated recurrence prevention measures. Toshiba hereby announces the content of the said measures, as attached.

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English Translation

Recurrence Prevention Measures  
Based on Suggestions in Investigation Report of  
Governance Enhancement Committee

December 16, 2021  
Toshiba Corporation

## 1. Introduction

As announced in the “Notice Regarding Receipt of the Report from the Governance Enhancement Committee” dated November 12, 2021, Toshiba Corporation (hereinafter referred to as “Toshiba”) received from the Governance Enhancement Committee a report (hereinafter referred to as “Committee Report”) regarding “issues concerning acts of executive officers and directors of Toshiba,” “root cause analysis,” “clarification of responsibilities” and “suggestions for developing recurrence prevention measures” with respect to the so-called “pressure issue” (hereinafter referred to as “Issue”). In response to this, the board of directors (hereinafter referred to as “Board of Directors”) and the executive officers of Toshiba had discussions by taking into account the suggestions in the Committee Report and developed recurrence prevention measures. We hereby announce the details of these recurrence prevention measures.

## 2. Issues Pointed Out in Committee Report

With regard to the issue of whether any of Toshiba executive officers' and/or directors' acts was in breach of duty of care, the Committee Report concluded that the acts of relevant executive officers concerning the Issue were not illegal, and therefore, the relevant executive officers and directors did not breach duty of care. On the other hand, the Committee Report also concluded that the "Series of Acts"<sup>1</sup> conducted by the relevant executive officers as a whole violated business ethics required by relevant market (hereinafter referred to as "Ethical Standards"), and the Committee could not deny the fact that the Series of Acts raised doubts as to its appropriateness in light of the spirit of first sentence of 1.1.3 of the Supplementary Principles of the Japan's Corporate Governance Code. In addition, the following three points were indicated as the root causes: (i) "excessive cautiousness towards foreign investment funds and lack of willingness to develop sound relationship"; (ii) "problem of being overdependent on the Ministry of Economy, Trade and Industry (hereinafter referred to as "METI")"; and (iii) "corporate governance-related issues." Lastly, the Committee Report made the following four suggestions for developing the recurrence preventive measures: (i) "development of sound trust relationships with shareholders"; (ii) "rectification on Toshiba's tendency to be overly dependent on administrative authorities"; (iii) "redevelopment of corporate governance"; and (iv) "tone at the top."

Toshiba takes seriously the points and the suggestions for developing recurrence prevention measures made in the Committee Report. By taking into account these points and suggestions, Toshiba has developed the recurrence prevention measures as described in 3 below. Toshiba will make every effort to restore the trust of stakeholders including shareholders, which has been undermined by the Issue, as soon as possible by promptly materializing and implementing these recurrence prevention measures.

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<sup>1</sup> Definition provided in the Committee Report (A series of acts which Toshiba's executive officers and METI engaged in for the 181st Annual General Meeting of Shareholders, including exchange of information, in connection with matters such as how to deal with shareholder proposal of Effissimo Capital Management Pte. Ltd.).

### 3. Recurrence Prevention Measures

As recurrence prevention measures against the Issue, Toshiba will take the following measures based on the “suggestions for developing recurrence prevention measures” provided in the Committee Report.

#### (1) Development of Sound Trust Relationship with Shareholders

Since the 2021 Annual General Meeting of Shareholders, Toshiba, through the newly-established Strategic Review Committee and each director and executive officer, has worked hard to have discussions with shareholders and to take into account the opinions of shareholders. However, upon receiving the suggestions provided in the Committee Report, Toshiba has reaffirmed the importance of the following measures, and decided to further promote them:

- (i) To continue to make efforts to gain the understanding of shareholders, including foreign investment funds, on the developed management policies, by having directors and executive officers hold discussions with shareholders, without solidifying a one-sided view on foreign investment funds and without being bound by prejudice or preconception;
- (ii) To continue to regularly conduct surveys such as surveys on shareholders' intentions on an anonymous basis, in order to obtain comprehensive and objective information on shareholders' opinions; and
- (iii) To have constructive discussions with shareholders and take shareholder opinions (including criticisms) seriously and to develop Toshiba's management policies from the standpoint of enhancing corporate value and achieving growth over the medium to long term, by taking into full consideration (i) the maintenance or development of appropriate relationship with all stakeholders such as customers, business partners, employees and local community and (ii) the interests of such stakeholders.

#### (2) Rectification on Toshiba's Tendency to be Overly Dependent on Administrative Authorities

- (i) Toshiba will establish action guidelines for all directors, officers and employees of Toshiba Group companies which will become applicable whenever they come in contact with administrative authorities (hereinafter referred to as “Guidelines”). The details of Guidelines are as follows:
  - A) To engage in acts by keeping in mind at all times whether one's own acts would gain the understanding of shareholders, stock market and society in

general, whether one's own acts would not undermine their trust in Toshiba and whether one's own acts would not undermine Toshiba's autonomous activities; and

- B) To consult with the relevant divisions of Toshiba group companies if the determination of whether one's own acts are in compliance with the Guidelines is difficult.
- (ii) When any directors or executive officers of Toshiba or any directors of any of Toshiba's affiliates comes into contact with any senior officials of administrative authorities, its summary will be recorded and stored. Directors may view such contact records and request for reports with specific details.
- (iii) The Audit Committee and the Internal Audit Division will view the contact records mentioned above and audit them regularly and as necessary.

### (3) Redevelopment of Corporate Governance

#### (i) Election of President and Chairperson of the Board of Directors

- A) Toshiba will continue the process of having attorneys and other third parties make credibility assessments on President and Chairman (*"Kaichou"*) on behalf of senior management which are made every year<sup>2</sup>. The Nomination Committee will use the results of credibility assessments as a reference for the formulation of proposals for the election of President and Chairman and will report to the Board of Directors.
- B) Toshiba will reconfirm that Toshiba's Director Nomination Criteria and Executive Officer Election Criteria prescribe that a person with "high ethical standards" will be elected as President and Chairperson of the Board of Directors and this criterion has also been given weight in the election process.
- C) Toshiba confirms that there will be no tendency to be "overly dependent on administrative authorities" in the election process hereafter. If any factor appears which is suspected of such tendency before or after the election, the Audit Committee and the Internal Audit Division will conduct necessary investigations and report the results to the Nomination Committee and the Board of Directors.

#### (ii) Composition of Board of Directors

The skill matrix items of directors will be reconsidered on a regular basis, and the Nomination Committee will consider the composition of Board of Directors

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<sup>2</sup> The credibility assessment was introduced in January 2016 and has been made every year since then.

based on the fundamental premise of ensuring diversity and by paying full attention to ensure that the criteria for composition of Board of Directors are not biased toward certain criteria.

(iii) Operation of Board of Directors Meeting, etc.

- A) In order to strengthen the monitoring function of Board of Directors which appropriately supervises the performance of work of executive officers, there will be opportunities for the Chairperson of the Board of Directors and the secretariat of Board of Directors to have discussions on the matters such as agenda of Board of Directors meeting and improvements on operation of Board of Directors meeting. If the Chairperson of the Board of Directors is not an outside director, a lead outside director will be elected. The secretariat of Board of Directors will broadly discuss with the Chairperson of the Board of Directors or the lead outside director on whether or not the matters are appropriate to be presented to the Board of Directors as important management matters, even if such matters are not matters to be resolved at the Board of Directors meeting or to be reported to the Board of Directors.
- B) The convocation notice of Board of Directors meeting, etc. will clearly state that each director may submit to the chairperson a request relating to the agenda of Board of Directors meeting, and if there is any such request, such request will be included in the agenda of Board of Directors meeting.
- C) The policy on how to deal with any shareholder who made a proposal at the general meeting of shareholders will always be discussed at the Board of Directors meeting.
- D) Toshiba will continue to ensure that materials for meeting will be distributed well in advance of the meeting day.

(iv) Strengthening of Secretariats of Committees

- A) Toshiba will strengthen the resources of secretariats of Nomination Committee and Compensation Committee, including the appointment of outside advisors as necessary, in order to support the functions of Nomination Committee, including consideration for election and dismissal of directors and President, and the functions of Compensation Committee, including decision-making process on compensations of directors and executive officers.
- B) In order to support the audits by the Audit Committee including the audits conducted from the perspective of business ethics, Toshiba will increase the

staff of Audit Committee office and Internal Audit Division, and the Audit Committee office and the Internal Audit Division will formulate and/or amend their action plans by having discussions with the Audit Committee members as necessary.

- C) Toshiba will enhance the effectiveness of audit functions of entire Toshiba Group by strengthening cooperation between the Audit Committee and the corporate auditors of Toshiba group companies.
- (v) Executive Session Solely for Outside Directors, etc.
- A) Executive session solely for outside directors will generally be held on a quarterly basis.
  - B) In addition to the above regular executive session, executive session solely for outside directors will also be held as necessary upon request from any outside director.
  - C) Toshiba will clarify the authority of Board of Directors to appoint legal and other advisors independent from the executive officers.
- (vi) Evaluation on Effectiveness of Board of Directors and Committees
- A) Toshiba will continue to conduct the evaluation on the effectiveness of Board of Directors and committees (hereinafter referred to as “Effectiveness Evaluation”) by using third-party evaluator (once a year).
  - B) The Audit Committee and the Nomination Committee will take the initiative in preparing the basic policy on implementation of Effectiveness Evaluation by having discussions with the secretariat of Board of Directors and will report to the Board of Directors.
  - C) The secretariat of Board of Directors will appoint a third-party evaluator in accordance with the basic policy by having discussions with the Audit Committee members, and the appointed evaluator will conduct the Effectiveness Evaluation. The Effectiveness Evaluation will be conducted by having directors conduct such evaluation on each other (Peer Review).
  - D) The evaluation results will be promptly reported to the Nomination Committee and the Audit Committee and will be discussed at the Board of Directors meeting.
  - E) A summary of the results will be published in the Corporate Governance Report.

(4) Tone at the Top

- (i) Toshiba will reaffirm the importance of “correct tone-at-the-top” stance, and the top management including President will continue to demonstrate one of “Our Values” in Toshiba Group’s corporate philosophy, which is “Do the right thing,” through their own actions and will continue to communicate in their own words to all directors, officers and employees in managerial position.
  
- (ii) Toshiba will make steady efforts to build a work culture that recognizes mistakes and to establish an open organization in which opinions to superiors can be made, by taking into account the matters such as psychological safety of employees. Top management will also take the initiative in encouraging employees to share each time the information on compliance cases and on mistakes and failures such as corporate ethics violations and business misjudgments, and in using them as an opportunity to make business improvements and to grow as an organization. Toshiba will also commend any business improvements and growth in the organization actually accomplished.
  
- (iii) If any results of credibility assessments on President and Chairman or 360-degree surveys on executive officers showed results which are against ethical standards and integrity, such results will be discussed by the Nomination Committee and/or the Executive Officers Personnel Committee, and appropriate measures will be taken.

#### 4. Conclusion

We would like to express our sincere apology once again for the violation of Ethical Standards which has caused us to lose the trust of our stakeholders including our shareholders.

We have understood and reaffirmed that Toshiba's directors and executive officers are required to perform their work not only in compliance with laws and regulations, but also in accordance with the Ethical Standards, and are expected to act while being conscious of whether their acts would gain the understanding of shareholders and stock market and whether their acts would undermine the trust of shareholders and stock market in Toshiba, as a matter of good practice in terms of business ethics. We will materialize and implement the recurrence prevention measures which we have developed by taking into account our mistake as described above. We will also continue to make efforts to restore the trust of our stakeholders including our shareholders, which was undermined by the Issue, as soon as possible by having our top management, including our directors and executive officers, continue to demonstrate their "correct tone-at-the-top" stance hereafter.

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