

Disclaimer:

The following is a summary of Q&A session of the group meeting. Please note that some addition and correction to the original statements are made for convenience of understanding. Translation is offered for convenience only. It does not serve as an entire or accurate representation of the original content due to the nature of translation. Toshiba assumes no responsibility for any problems and/or damages arising from incomplete or inaccurate translation.

Toshiba Corporation - Meeting between directors and a group of investors

Q&A Session

(August 17, 2021)

Overseas Investor A:

The company trades at a pretty significant discount with sum-of-the-parts. When another portfolio company in the financial services space in Japan we have invested in calculated their sum-of-the-parts, they found that they were trading at a deep discount and they took a series of actions to almost get rid of that discount. Similar to this other Japanese company, is getting rid of the sum-of-the-parts discount part of the Mid-term plan?

Satoshi Tsunakawa:

(Translation)

Many have told us what you have pointed out and we are aware of the current situation. We are developing the Mid-term plan, which will be announced in October, to resolve the discount. We believe we can announce measures including reassessing of the business portfolio at that time, so please wait until the announcement.

Overseas Investor A:

Just to follow up on that, in terms of determining what is core and what is non-core, what is the process that the Board is using to determine that?

Paul Brough:

This is a full strategic review in the sense that we are trying to reaffirm Toshiba's mission – what it stands for and where it feels it can bring long-term value to its shareholders and society. Therefore, with that mission, we are looking at each individual business and deciding whether it can contribute to our overall vision and our overall growth. Therefore, some businesses will probably be subject to greater focus on investments going forward, and other businesses, as part of our portfolio review, will not be so important. Therefore, we hope, in the next few weeks, to be able to identify which of those businesses are core and which we will be giving greater focus. I think that will also help us deal with our conglomerate discount.

Overseas Investor A:

In terms of the larger infrastructure projects, are those on hold now, pending the strategic review outcome?

Satoshi Tsunakawa:

(Translation)

Right now, the business operations and the activities in the field are following the concept of the original Toshiba Next Plan, so without waiting for the results of the strategic review by the SRC, business activities are ongoing, and therefore order-receiving for infrastructure projects and business operations are ongoing in the field.

Domestic Investor B:

(Translation)

While you are developing the Mid-term plan and trying to demonstrate the direction of Toshiba going forward, there are still some unclear. Mr. Tsunakawa used the phrase "For all stakeholders", but I was not quite sure if your plan is to reform yourselves so that you can show a strong Toshiba to employees, or if you are going to spend money to maximize returns for existing shareholders. If your intention is to create a strong Toshiba, then I think one way to use your money was to buy back Kioxia.

However, the shareholder return has been done, so it seems that it will be very hard to strengthen Toshiba with remaining limited capital. If you want to maximize returns to existing shareholders, then I think you should sell-off various parts of your business, only leaving the core parts, and then distribute to existing shareholders. I guess this is the right way to go in terms of shareholder primacy, but can you please tell me the direction in which you plan to head, with clarity, including what you are going to focus on, and how you are going to decide the future of Toshiba.

Satoshi Tsunakawa:

(Translation)

"For all stakeholders" means we will contribute to everyone, including shareholders, as well as employees, the society, and customers, and thereby grow corporate value for all. We are now reviewing each business, and in regard to Kioxia, it needs extremely large investments. It was sometimes just a break-even from a cash flow point of view even if we invested a large amount of cash. It could be difficult for us to continue to keep doing so.

We are now reviewing what is core and what is non-core. Since we currently have an appropriate level of capital, we basically intend to make investments to the core businesses. We will explain the details when we announce the Mid-term plan in October.

Domestic Investor B:

(Translation)

"For all stakeholders" makes the direction of Toshiba going forward look very vague. When you

announce the Mid-term plan, please clarify what Toshiba will live and exist for. It seems like you are returning some cash to shareholders, and also spending a little money for employees and society, without any clear principle, so I am not convinced whether Toshiba is worth existing. I would like you to explain a bit more clearly in October.

Now, my second question. As you determine what core and non-core businesses are, I believe there are businesses that can be sold to others, and that will improve the excessively competitive landscape, improving returns for the industry as a whole. Does Toshiba not review its portfolio by using the proceeds gained by the sale to acquire over-competing businesses from other companies? This will increase the overall return of the overall industry and your company. For example, there are many competitors in the elevator business, and you are in a good position, but if you sell your business to a peer, the number of competitors in the elevator industry will be decreased, and if you use the proceeds to acquire other businesses from a competitor, your company will become a stronger company. Please review your businesses from the above perspective. Do you have any comments on such reviewing process?

Satoshi Tsunakawa:

(Translation)

Regarding the first point, we have Basic Commitment "Committed to People, Committed to the Future". We have an unwavering mission to solve social issues, providing society and the industry with solutions in the fields of infrastructure related businesses.

As for the distinction between core and non-core, including what you have mentioned, we are reviewing our business portfolio with the SRC.

Paul Brough:

I would just like to add that as a board, our responsibility to the company at the moment, is in maximizing the value of the business to shareholders. But clearly, Toshiba's employees and customers are critical to our long-term success as a company, and therefore we have to think of them.

I can assure you that as far as the strategic review is concerned, one of the cornerstones of our review is a review of our portfolio, business unit by business unit. That includes, with professional consulting help, a review of the competitive landscape and future trends taking place in each sector. We are looking at focus businesses and we are looking at non-focus businesses. When we have completed that process, we expect our strategy to be in much sharper focus than it has been to date.

Domestic Investor B:

(Translation)

In the industry, there is a great gap vis-à-vis Hitachi, which is a great precedent, and I would like you to come up with a more bold and speedy plan for the announcement in October. Considering Toshiba's current position, and the fact that you are causing problems for society, please come up with measures that we can look forward to.

Overseas Investor C:

(Translation)

Within your portfolio, there are only a few businesses in which you are No.1 in the industry. From investors' perspective, Toshiba is not necessarily the best owner of each business. In the process of reviewing the portfolio, you have to review what is core and what is non-core from your point of view, but I would like you to announce in the Mid-term plan why Toshiba, which is not the No.1 company in the industry, is the best owner of each business.

Paul Brough:

When conducting a strategic review, any company must look at its subsidiaries and ask itself whether these companies and their employees and customers would be better off in the hands of somebody else. As part of our review, as I said, we are going through each business one-by-one, and with appropriate strategic consulting advice, we are examining the market position of each company, the market landscape for that particular sector, and where we think we either have strengths or weaknesses and where we think further investment is going to be needed. Therefore, it is possible that we will say, "In these businesses, we have a real competitive edge, and our R&D gives us a competitive edge going forward, and therefore we think that this is a business for us to invest in." There may be other businesses where we will say, "The industry has reached a peak. We think it is going to decline or new competitors are coming in or we do not have the regional strength or we have some regulatory issues, and therefore this company may be better off in the hands of somebody else." We are going through that exercise. We are taking appropriate advice from consultants on our strategic position. It may be that we do say, "These are the focus businesses and these are the non-focus businesses," so we are taking into account your very valid points.

Overseas Investor D:

My question is for Mr. Brough. The SRC is currently juggling a lot, and there is not a lot of time until October when a new Mid-term plan is expected. I am just wondering what we should expect in October. Where do you expect to be from a planning perspective? What if, over this time period,

a financial investor expresses some interest in either the entire company or a segment, but due to the short timeframe, is not able to present a formalized offer? How would something like that be incorporated into the Mid-term plan released in October?

Paul Brough:

As I have explained to a number of shareholders, strategic planning at Toshiba is not very easy, especially given the timeframe, the industrial spread and the geographical spread, and indeed the regulatory considerations. But we are trying to map out the strategy as quickly as we can and are currently aiming to complete this by October. By October, we expect to give at least a direction to our shareholders as to where we think we are going. That will include looking at things like focus and non-focus businesses, and the completion of the portfolio review.

I think we have made it clear that we are open to speaking to both strategic investors and financial investors, and indeed that is taking place. If somebody wishes to step forward and make bona-fide offers for parts of our business as a strategic investor or as a financial investor, then of course, we are able to speak to any credible bidder. If somebody comes in during this process and makes some kind of proposal, as it were, for parts of the business or the whole of the business, we will look at that. If somebody came in with a buyout offer, it would not be the SRC to consider but the Board as a whole.

We are aware that that is a possibility. No such proposals have been received since the strategic review process kicked off, but we have mechanisms for dealing with that.

Overseas Investor E:

My first question is for Mr. Brough. In the SRC process, how much time and attention are you able to dedicate to organic growth? On the one hand, this is a company with 1.5 billion U.S. dollars of annual R&D and generally under-monetized intellectual properties, but on the other, it seems there is a lot of distractions in terms of restructuring and transaction consideration. Maybe you can discuss broadly how much attention is being given to organic growth in technology and your personal findings so far.

Paul Brough:

From my perspective, while we are looking at the portfolio, one of the major questions we have, in respect of whether a business should be a focus business or a non-focus business, is the ability of that company to grow, whether that is organically or through some kind of acquisition, so it is very much on our minds. This comes back to the review of the company's strategic position, too – what is the market position for that particular company of ours to grow, given the competitive landscape and its regional spread? It is going to be a very important consideration for us as to

whether a focus company can grow organically or not.

That, to me, is just as important as whether a company can grow through an acquisition, because acquisitions carry an element of risk. It is not something that Toshiba has done very well in the past, particularly overseas. Apart from the programmatic M&A that we have identified in the Toshiba Next Plan, we may have to consider more, but I think that it is going to be difficult for us to do large-scale overseas acquisitions. I do not think our shareholders particularly want us to do that, but our shareholders are also asking us to be bold and to look for non-incremental growth, and that has to come from the core businesses, so organic growth is something that management is working on very hard and it is something that we talk about at our weekly SRC meetings.

Overseas Investor E:

Mr. Tsunakawa, I would value your perspective on organic growth and technology as well. I would also ask both you and Mr. Brough just briefly on your confidence that Toshiba has its hand around legacy project liability issues in the infrastructure and energy segments, especially in view of the results reported last week.

Satoshi Tsunakawa:

(Translation)

We have technologies that only Toshiba has. R&D spending in the past was somewhat not fully sufficient or well allocated, so we are reviewing R&D spending now. We will invest in where we have strength. And we will review how we should form partnerships and how we should form joint ventures, and we will proceed with our business not only through M&As but also through partnerships. In terms of investments, carbon neutrality is much talked about these days. It is not easy to run a business in this area. The market certainly will grow, but it is also true that it is a red ocean. We would like to grow our business in that area by utilizing technologies where we have strength, and with partners.

Paul Brough:

From my perspective, Toshiba gets involved in very large-scale and, you might say, high-risk projects, and it has many of them on the go at the same time. Therefore, I think we have a very strong management system to manage those risks. As a member of the Audit Committee, on a quarterly basis, we also review large contracts and, if necessary, talk about those contracts that have some difficulties or a delay or some claims. Therefore, I think the Board does receive, from both management and the Audit Committee, good reports about the status of any projects that may be proving challenging.

Katsunori Hashimoto:

(Translation)

I would like to make some comments as an SRC member. Mr. Brough mentioned the individual review of 20 business units, but we are also examining the synergies among the business units. In particular, as we have discussed Hitachi's case earlier, whether we call it as organic growth or not, we are examining how digital solutions could create synergies with our business units of energy, lifeline, infrastructure, and building solutions, and how much we can expand into new business domains by using such synergies. Therefore, as to the discount of the SOTP asked in the first question, we can resolve it and create the synergies between each business, and are going to bring that to premium using digital solutions. On the other hand, some of our business units, which may not be able to realize synergies, will be categorized as non-core or defocus. Consequently, such business units might have to explore the best owner.

I also would like to comment on the risks as the Chairperson of the Audit Committee. I am attending the management side meetings of the assessment of projects. Although the number of occasions that I was able to attend is still small, my impression is that we are deciding bidding prices after stringent cost assessments. They are evaluating the cost very rigorously and deciding on the bid prices. As for risk factors, although the risk factors have been incorporated relatively qualitatively, I have suggested to the management to evaluate downside risks and worst-case scenarios from a quantitative perspective. I am looking at the reviews with new eyes and working closely with the management.

Overseas Investor C:

(Translation)

I have a question from the perspective of operations. The strategic review will take place until October, but I think it will take time before the strategy is executed, so over the long term, I think employees are in an unstable condition. In addition to the communication to keep employees motivated, more important is preventing the outflow of talent.

I think the strength of Toshiba lies in technologies. That means that your human resources are the key, so how are you communicating in order to maintain your employees' motivation during this transitional period? In operations, what are you particularly paying attention to?

Satoshi Tsunakawa:

(Translation)

I think your point is very important. At this time, we are in very close communication with employees. When I assumed the post of CEO in April, I sent a message to employees, and since then every time that it seems necessary, such as after the AGM, I am sending a message to not

just senior executives, but to all employees. I am sending a clear message stating that the issues were related to the board structure and the senior management and asking the employees on the field to focus on their day-to-day operations. As we have a very broad customer base and our customers are supporting us, I am sure our people in the field such as R&D, sales and marketing, and services are focused on their own business.

Also, Board members, including the newly appointed outside Directors, are sending messages to employees using the company newsletter, etc., and we will continue this kind of initiative going forward. I think the situation is quite stable.

After the accounting fraud issues of 2015-2016, certainly, there was some outflow of talent, but this time we are not seeing an outflow of talent.

Currently, while we are reviewing the business portfolio to develop the Mid-term plan, the concept of the Toshiba Next Plan basically remains unchanged, so we are focused on the budget set under the Toshiba Next Plan.

What you have pointed out is very important, so we would like to keep that in mind as we go forward. Thank you.

Overseas Investor F:

Mr. Brough, I have a question regarding your view as an outside Director of the Board and your view on the investigation report in June. The reason why I ask this question is that I think for a lot of investors, who are looking at Toshiba and its shares, the protection of minority shareholder rights is a key issue. I think one of the concerns is that the series of incidents that have been taking place over the last five or six years may have been reflected in the allegations made in this investigation report. There are very valid questions as to whether minority shareholder rights will continue to not be upheld in the future.

My question is, what was your reaction when this report came out? Second, in a more forward-looking manner, how do you envision minority shareholder rights to be protected? – after the last AGM, Toshiba had a very revolutionary Board but was still unable to stop some of these things from happening. If you could give us some clarity there, it would be greatly appreciated.

Paul Brough:

All of Toshiba's shareholders are minority shareholders, and therefore as an independent outside Director, I feel a responsibility to make sure all of our shareholders are served properly and protected. In the case of the investigation report, I think you will recall that the outside Directors issued a statement shortly after its release, expressing their shock and displeasure at the conclusions of the investigation report because they were at variance with what we had been told. Our former Chairperson of the Board, Mr. Nagayama, I think, acted swiftly to deal with that

problem.

Since then, under the new Chairperson of the Board (Interim), Mr. Tsunakawa, we have a very strong and cohesive Board. It may be small, but it seems to be operating very efficiently and I believe that the outside Directors have a very good dialogue with the management, and therefore greater transparency, broader discussion of topics, and more receptiveness to ideas from the outside Directors. It seems to be helping us with that process, but it is something that large organizations have to be constantly vigilant about and it is something that we, as outside Directors, always feel quite responsible for.

We are an organization of 120,000 people. It is very difficult for us to understand what every individual person is doing, but it is our responsibility to set the tone. The tone at the top of an organization is so important in making sure that everybody else is behaving, and it is up to the Board and the senior management to set a good example.

I think as far as the causes of the events which led to the conclusions of the investigation report, you would be aware that we have set up a Governance Enhancement Committee consisting of outside representatives, including one person who was involved in the last investigation (i.e., Mr. Takao Nakamura). That is to identify the root cause of that kind of behavior with a view to learning lessons and making sure that those events do not happen again, so we are doing what we can. It is something that I bear that responsibility greatly, together with other Directors, and it is something that I think we have to work on as a short-term, medium-term, and long-term project.

Katsunori Hashimoto:

(Translation)

I would like to add as the Chairperson of the Audit Committee. The Governance Enhancement Committee was established and announced in a news release on August 6. This Committee consists of four outside members and Ms. Watahiki, newly appointed as an outside Director on June 25. The Committee started its activities, including the interviewing of those who were involved. I cannot give names yet, but we are also going to seek advice from academics who have expertise in the corporate governance, as the Committee members are all from the legal community. We are hearing the comments, opinions and insight from them and working hard to reflect these opinions in the final report which will be expected in October.

Overseas Investor F:

(Translation)

This is not a question, but a comment. As I listened to the comments by Mr. Brough, it seems that you are receiving advice from external consultants and many others. I believe that that is a valid approach to be objective and to incorporate opinions from outside, but at the same time, we are

engaged in constructive dialogue with our portfolio companies as a shareholder. We discuss the management issues, financial strategy and ESG, taking the same perspective as the management of the companies. I think that you could further enhance measures to improve the corporate value by developing the base of shareholders who are not consultants and who are free from any conflict of interest and support your company in the medium- to-long-term as a shareholder and by actively hearing opinions from such shareholders on the medium-to-long-term outlook and what should be done. This is partly my personal opinion.

Satoshi Tsunakawa:

(Translation)

Thank you for that comment. Hearing opinions from minority shareholders is very important. In that sense, for this time, we retain Makinson Cowell to conduct a non-attributable shareholder survey through which we were able to gather opinions of the shareholders. These opinions have also been reported to the SRC, and that has been very helpful. Including these efforts, we would like to continue to hear the opinions from our shareholders.

Domestic Investor B:

(Translation)

The medium-to-long-term direction, demonstrated by Mr. Kurumatani when he was the CEO, indicated Toshiba as an infrastructure service company, and beyond that, Toshiba will become a cyber-physical system company. Mr. Brough mentioned earlier, and the new Mid-term plan would not be completely different from that idea.

This idea came from McKinsey retained by Toshiba a few years ago. I think the same idea may be achieved even if anybody else got involved in devising that strategy for Toshiba. However, at that time, I felt the CPS idea sounded quite abrupt and there was a huge gap between the idea and the current business profiles of the company.

When you discuss and review the direction going forward, on the point of being an infrastructure company and a CPS company, Mr. Tsunakawa and Mr. Brough, is this really the direction that you envision? If you could elaborate on that, it would be appreciated.

Satoshi Tsunakawa:

(Translation)

The direction in Toshiba Next Plan that we will become an infrastructure service company and a CPS company is basically unchanged. The point is that every other competitor also aims to become a CPS company. We have physical hardware and the cyber technology to gather and analyze data. What we need is "how we do it"– to what specific points we need to do our business.

Our mission for this time is to come up with a more detailed idea of where and how we can utilize the data within a broad range of our business. Not just saying this keyword, we should present a specific action.

Regarding an infrastructure service company, just expanding the business is one of our options. At the same time, we should consider our responsibility as a Japanese company – for example, the decommissioning of a nuclear power plant, treating the contaminated water and the defense related businesses. Alongside fulfilling such responsibilities, we would like to pursue our growth strategy.

Paul Brough:

The Toshiba Next Plan was launched approximately three years ago. Since then, of course, we have had the COVID-19 epidemic, and more recently, we have witnessed some extreme weather events around the world. Therefore, there is a need for us to reconsider our strategy, even in those businesses that we feel are core. We need to make safer societies, safer buildings, and the like. Therefore, we will have to think more carefully about the direction of those businesses and what adjustments need to be made, even if we are going to build on the Toshiba Next Plan. I think the Toshiba Next Plan was good at the time and, of course, it is still very relevant to much of our current business, but the whole point of the strategic review is to take into account new trends and to look further ahead post-epidemic to see how Toshiba can fit into society and serve society as well.

#