

TOSHIBA

Leading Innovation >>>

FY2018

First Quarter Consolidated Business Results

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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 the expectations.
- Toshiba's fiscal year (FY) runs from April 1 to March 31. H1 refers to the first six months (April-September); H2 refers to the latter six months (October-March); Q1 refers to the first quarter (April-June); Q2 refers to the second quarter (July-September); Q3 refers to the third quarter (October-December); and Q4 refers to the fourth quarter (January-March).
- All figures are consolidated totals for the first three months of FY2018, unless otherwise stated.
- Results in segments have been reclassified to reflect the current organizational structure, unless otherwise stated.



1. Overall Business Results

Key Points of FY2018/Q1 Net Sales and Income (Loss)

● Net Sales:

Overall sales decreased by 66.1 billion yen year on year as the Energy Systems & Solutions business recorded lower sales due to the impacts of deconsolidation of Landis+Gyr (deconsolidated as a result of IPO in July 2017) and declining performance in the Thermal Power Systems business, despite increased sales in the Infrastructure Systems & Solutions and Storage & Electronic Devices Solutions businesses. The effect of exchange rate changes was -4.0 billion yen.

➤ Net sales 842.3 billion yen (YoY*1: -66.1 billion yen)

*1 YoY: year-on-year comparison

● Income (Loss):

Operating income declined by 12.5 billion yen year on year due to the deterioration in operational results in the Storage & Electronic Devices Solutions and Energy Systems & Solutions businesses, despite improvements in operational results in the Infrastructure Systems & Solutions business and the Industrial ICT Solutions business. The net effect of exchange rate changes was nil. The effect of emergency measures, such as bonus reductions has negatively affected operating income by 14.0 billion yen.

Income before income taxes and noncontrolling interests increased year on year due to the gain from the transfer of Toshiba General Hospital and from the increase in equity earnings from Toshiba Memory. Additionally, net income rose significantly due from the prior period to the gain on sale of the Memory business.

➤ Operating income 0.7 billion yen (YoY: -12.5 billion yen)

➤ Income before income taxes and noncontrolling interests 28.4 billion yen (YoY: +29.1 billion yen)

➤ Net income 1,016.7 billion yen (YoY: +966.4 billion yen)

Key Points of FY2018/Q1

Cash Flows and Equity Attributable to Shareholders of the Company

- **Cash Flows:**

Free cash flows improved by 1,572.7 billion yen to +1,573.6 billion yen year on year. This improvement is primarily the result of 1,453.6 billion yen of the revenue on the sale of the Memory business.

- **Equity Attributable to Shareholders of the Company:**

As a result of the sale of the Memory business, equity attributable to shareholders of the company was 1,861.9 billion yen and the shareholder's equity ratio recovered to 37.9%. Net assets including noncontrolling interests were 2,092.7 billion yen.

Overall Business Results

Income (Loss)/Cash Flow Items

(Yen in billions, except earnings (loss) per share)

	FY2017/Q1	FY2018/Q1	Difference
Net sales	908.4	842.3	(66.1)
Operating income (loss)	13.2	0.7	(12.5)
%	1.5%	0.1%	(1.4)%
Non-operating income (loss)	(13.9)	27.7	41.6
Income (loss) before income taxes and noncontrolling interests	(0.7)	28.4	29.1
%	(0.1)%	3.4%	3.5%
Tax expenses	0.2	(13.1)	(13.3)
Net income (loss) from continuing operation before noncontrolling interests	(0.5)	15.3	15.8
Net income (loss) from discontinued operations before noncontrolling interests	57.8	1,007.7	949.9
Net income (loss) attributable to noncontrolling interests	(7.0)	(6.3)	0.7
Net income (loss)	50.3	1,016.7	966.4
%	5.5%	120.7%	115.2%
Earnings (loss) per share attributable to shareholders of the Company	¥11.89	¥156.02	¥144.13
Free cash flows	0.9	1,573.6	1,572.7

Overall Business Results

Balance Sheet Items

(Yen in billions)

	2018/3E	2018/6E	Difference
Equity attributable to shareholders of the Company	783.1	1,861.9	1,078.8
Shareholders' equity ratio	17.6%	37.9%	20.3%
Net Assets	1,010.7	2,092.7	1,082.0
Net interest-bearing debt	191.6	(1,417.3)	(1,608.9)
Net debt-to-equity ratio	24%	(76)%	(100)%
Exchange rate (US\$) as of the period-end	¥106	¥111	¥5

Impact of the Sale of the Memory Business on Business Results

(Yen in billions)

Impact on the business results before and at the time of the sale

Profit on the sale of the Memory business (June)	965.5
Net income (loss) of the Memory business before the sale (April and May) (Reflects the entire net income (loss) of the Memory business in the consolidated results of Toshiba)	72.0
Net income (loss) from discontinued operations in the Memory business (after tax)	1,037.5

Business results of the Memory business for April and May 2018

Net sales	189.4
Operating income (loss)	86.9

Revenue from the sale of the Memory business	1,453.6
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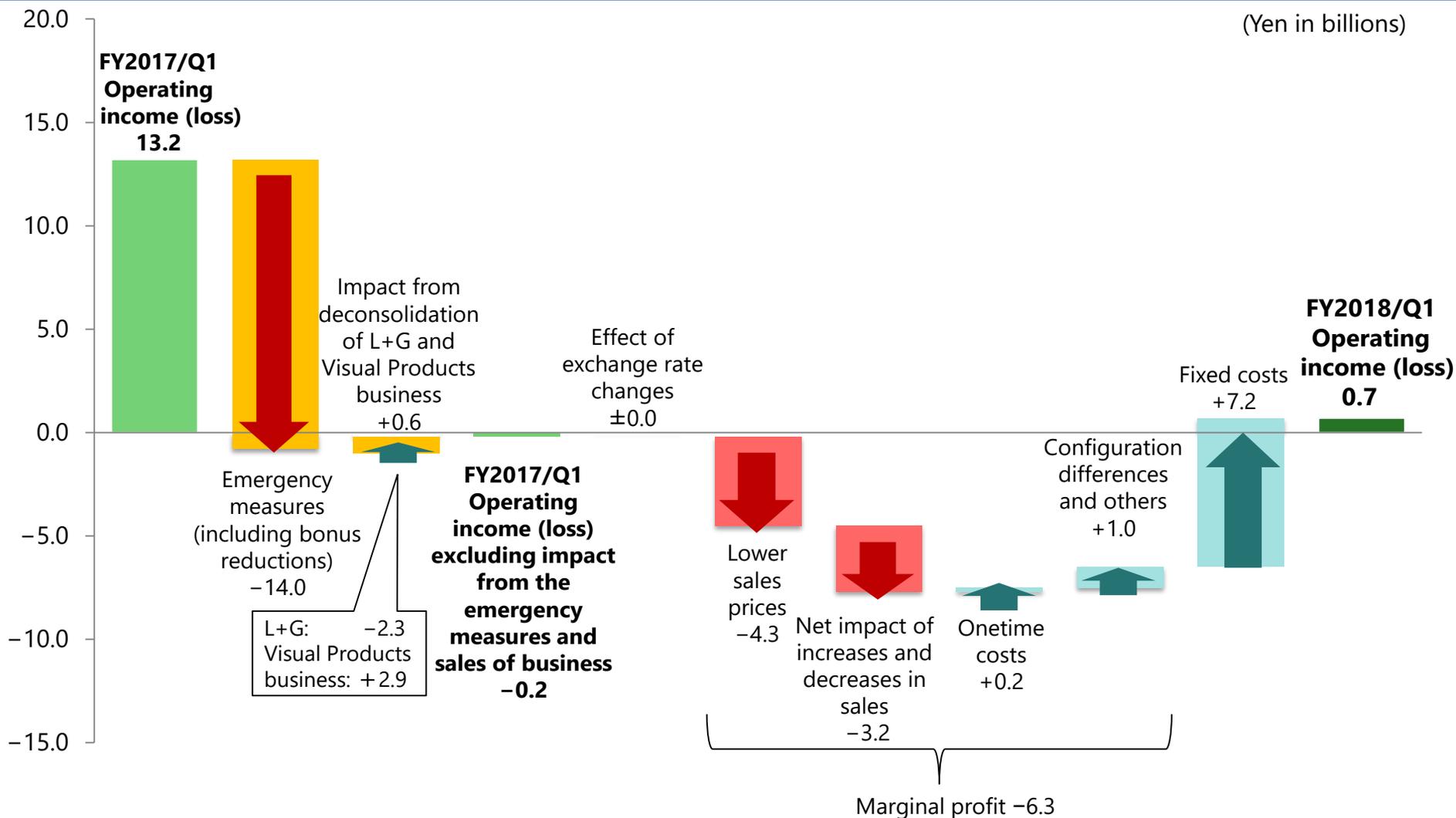
Impact on the business results after the sale

Equity in earnings from Toshiba Memory (June) (Reflects 40.2% of net income (loss) of Toshiba Memory in the consolidated results of Toshiba)	12.2
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*As a result of the sale, Toshiba Group no longer consolidates Toshiba Memory and instead reports its proportionate share of the earnings on the investment. Therefore, detailed business results have not been included in this material.

Operating Income (Loss), YoY Analysis

Reduction in fixed costs helped to declining marginal profit and Toshiba returned to positive operating income



Non-operating Income (Loss) and Expenses

Non-operating income was recorded as a result of a gain from the transfer of Toshiba General Hospital and equity in earnings of Toshiba Memory

(Yen in billions)

	FY2017/Q1	FY2018/Q1	Difference
Net financial income (loss)	(2.9)	(1.5)	1.4
Foreign exchange income (loss)	2.7	(0.2)	(2.9)
Income (loss) on sales or disposal of fixed assets	0.4	0.0	(0.4)
Income (loss) on sales of securities	0.1	0.1	0.0
Settlement costs of lawsuits	(1.9)	(1.8)	0.1
Equity in earnings of affiliates	1.4	*1 13.6	12.2
Others	(13.7)	*2 17.5	31.2
Total	(13.9)	27.7	41.6

*1 Share of earnings from Toshiba Memory: 12.2 billion yen

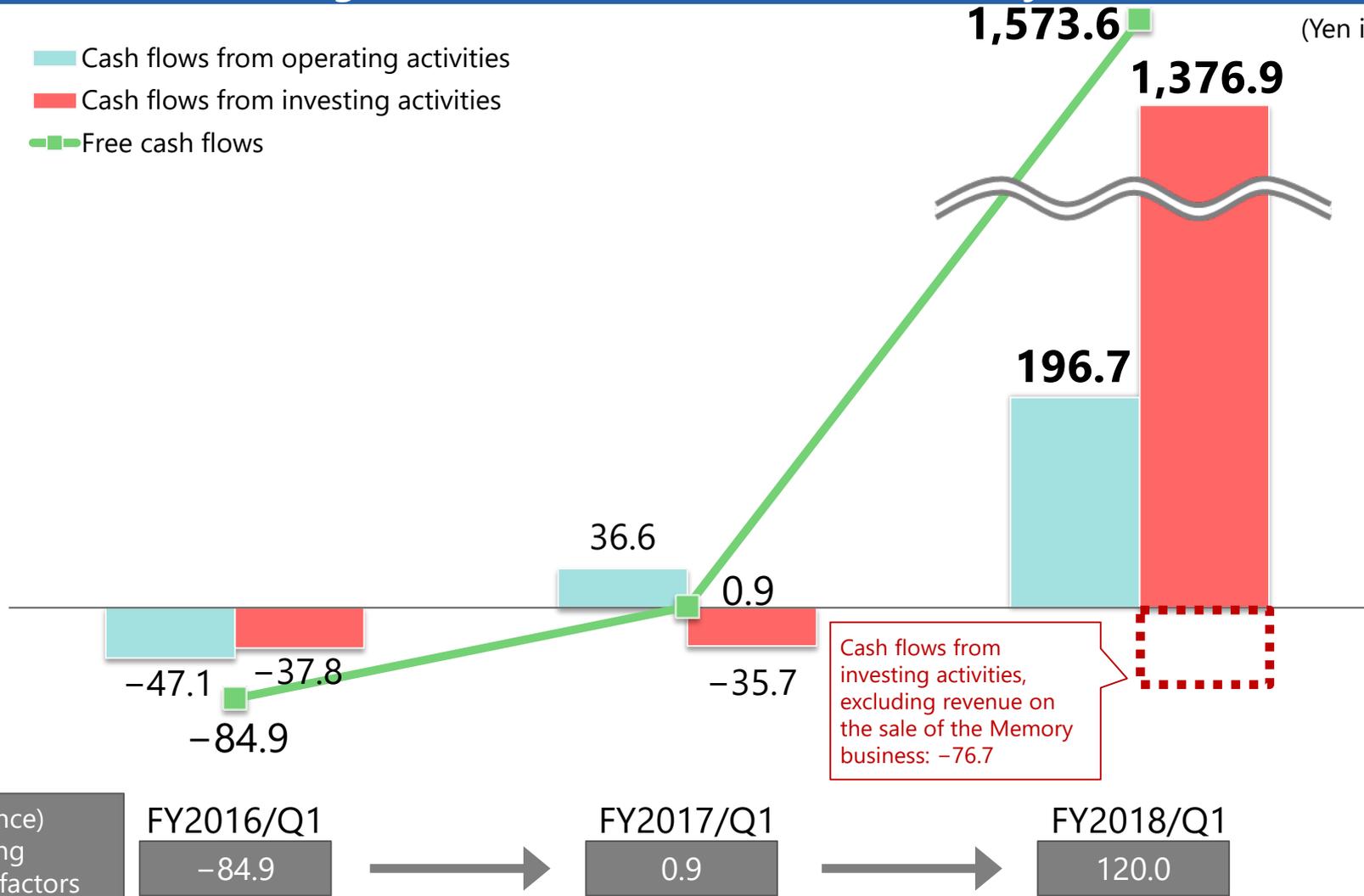
*2 Gain from the transfer of Toshiba General Hospital: 23.9 billion yen

Free Cash Flows

Free cash flows exceeding 100 billion yen,
excluding revenue on the sale of the Memory business

(Yen in billions)

- Cash flows from operating activities
- Cash flows from investing activities
- Free cash flows



(Reference)
Excluding
special factors

FY2016/Q1
-84.9

FY2017/Q1
0.9

FY2018/Q1
120.0

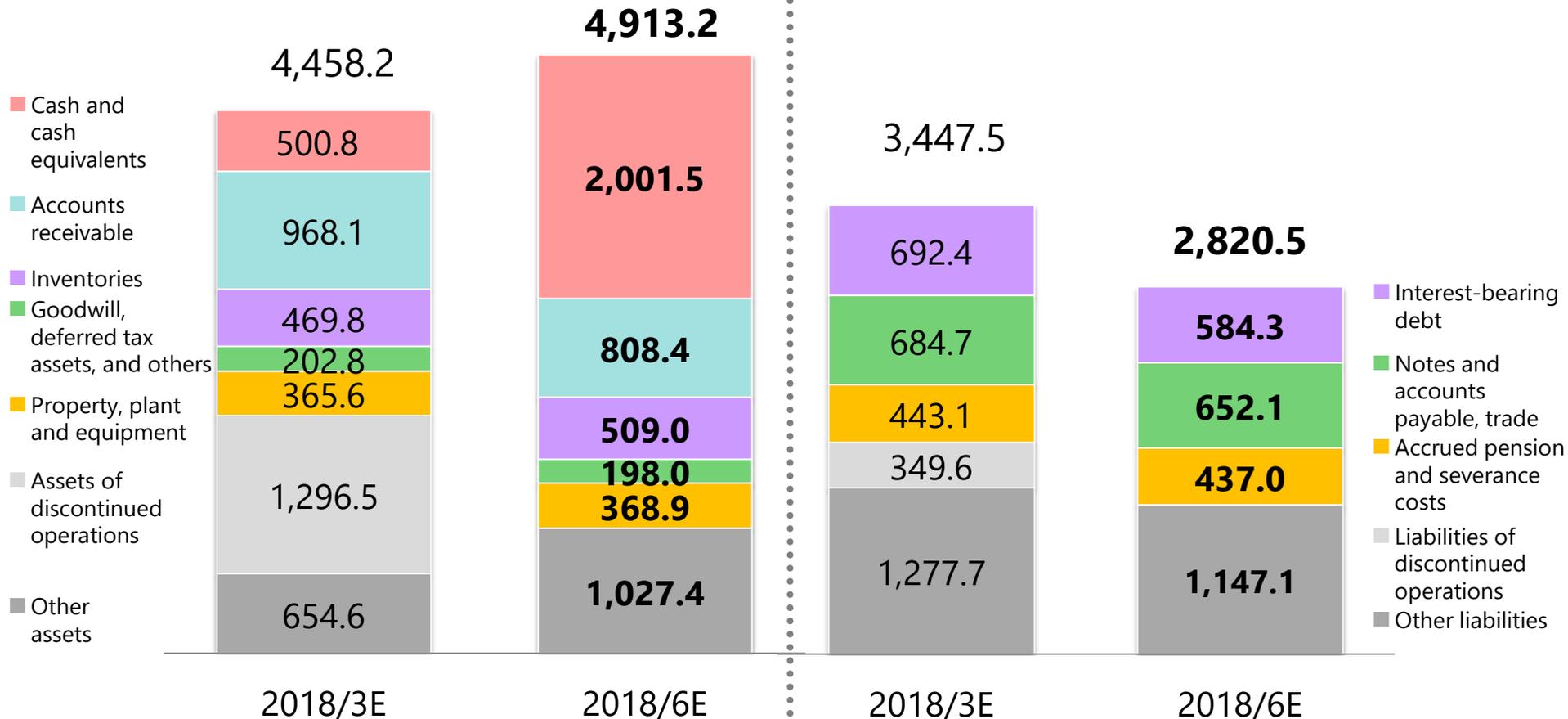
Balance Sheets

Cash and cash equivalents increased due to the sale of the Memory business

(Yen in billions)

Assets

Liabilities





2. Business Results by Segment

FY2018/Q1 Consolidated Business Results by Segment

(Yen in billions)

		FY2017/Q1	FY2018/Q1	Difference	(growth rate)
Energy Systems & Solutions	Net sales	217.4	132.5	(84.9)	(39)%
	Operating income (loss)	(0.3)	(4.3)	(4.0)	
	ROS * ¹	(0.1)%	(3.2)%	(3.1)%	
Infrastructure Systems & Solutions	Net sales	257.5	270.2	12.7	+5%
	Operating income (loss)	(1.6)	0.1	1.7	
	ROS	(0.6)%	0.0%	0.6%	
Retail & Printing Solutions	Net sales	117.9	117.0	(0.9)	(1)%
	Operating income (loss)	3.8	4.5	0.7	
	ROS	3.2%	3.9%	0.7%	
Storage & Electronic Devices Solutions	Net sales	210.6	217.7	7.1	+3%
	Operating income (loss)	18.5	4.2	(14.3)	
	ROS	8.8%	1.9%	(6.9)%	
Industrial ICT Solutions	Net sales	56.6	56.4	(0.2)	(0)%
	Operating income (loss)	(3.5)	(1.5)	2.0	
	ROS	(6.2)%	(2.6)%	3.6%	
Others	Net sales	120.7	125.3	4.6	+4%
	Operating income (loss)	(4.0)	(4.0)	0.0	
Eliminations	Net sales	(72.3)	(76.8)	(4.5)	
	Operating income (loss)	0.3	1.7	1.4	
Total excluding discontinued operations	Net sales	908.4	842.3	(66.1)	(7)%
	Operating income (loss)	13.2	0.7	(12.5)	
	ROS	1.5%	0.1%	(1.4)%	

*¹ ROS: Return on Sales

*Consolidated business results for FY2017/Q1 represent the results after the reclassification of the Memory business as a discontinued operation in the current year.

Energy Systems & Solutions Results Breakdown

(Yen in billions)

		FY2017/Q1	FY2018/Q1	Difference	(growth rate)	
Energy Systems & Solutions	Net sales	217.4	132.5	(84.9)	(39)%	Effect of exchange rate changes: -0.6
	Operating income (loss)	(0.3)	(4.3)	(4.0)		
	ROS	(0.1)%	(3.2)%	(3.1)%		Effect of exchange rate changes: -0.3 Emergency measures: -2.4
FCF by segment			44.5			
Nuclear Power Systems	Net sales	24.7	19.8	(4.9)	(20)%	Lower sales due to a decrease in plant restarts-related constructions. Resulted in lower operating loss due to an elimination of the negative factors for operational results which existed in the comparative period.
	Operating income (loss)	(3.7)	(1.4)	2.3		
	ROS	(15.0)%	(7.1)%	7.9%		
Thermal & Hydro Power Systems	Net sales	88.2	66.0	(22.2)	(25)%	Resulted in operating loss mainly due to lower sales in domestic projects.
	Operating income (loss)	1.3	(3.4)	(4.7)		
	ROS	1.5%	(5.2)%	(6.7)%		
Transmission & Distribution Systems	Net sales	60.6	49.7	(10.9)	(18)%	Lower sales due to the transfer of the industrial distribution systems business and the sale of an overseas consolidated subsidiary (substantially reducing fixed costs). Higher sales and operating income in the renewable energy business due to strong performance.
	Operating income (loss)	0.6	1.2	0.6		
	ROS	1.0%	2.4%	1.4%		
Landis+Gyr	Net sales	48.3	-	(48.3)		Due to the deconsolidation of the business by the completion of IPO.
	Operating income (loss)	2.3	-	(2.3)		
Other	Net sales	(4.4)	(3.0)	1.4		Improvement in sales and profit due to a decrease in the eliminations of inter-segment transactions.
	Operating income (loss)	(0.8)	(0.7)	0.1		

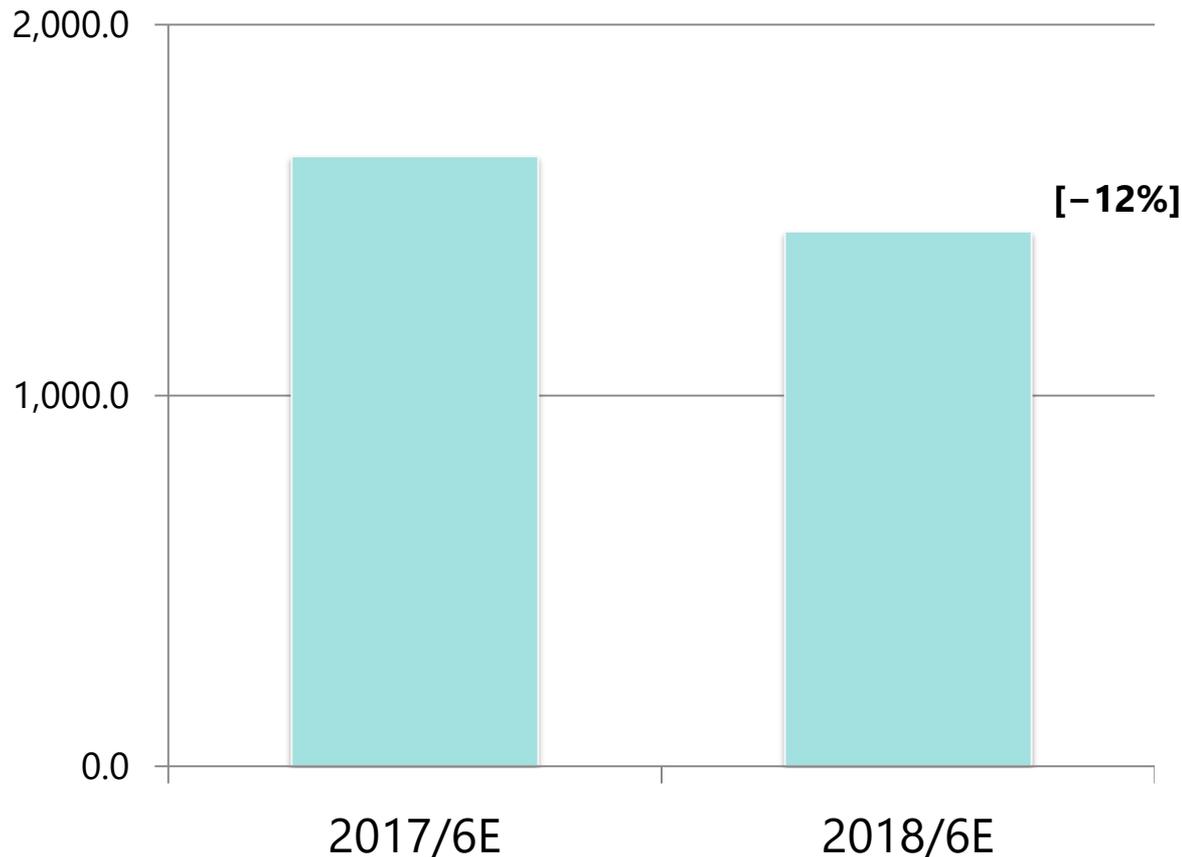
*Free cash flows by segment are treated as an index for in-house management only, and effect of exchange rate changes is treated differently from free cash flows in the Consolidated Statements of Cash Flows.

Energy Systems & Solutions Order Backlog

(Yen in billions)

[]=year-on-year comparison

*Power Generation and Transmission & Distribution Systems
(excluding the Solar Photovoltaic Systems)



- Nuclear Power Systems received orders related to plant restarts; however, the backlog decreased slightly.
- Thermal & Hydro Power Systems' backlog decreased due to the progress of ongoing construction projects and the low number of orders of Thermal Power System.
- Transmission & Distribution Systems' backlog decreased due to the progress of major projects and deconsolidation of some overseas subsidiaries.

Infrastructure Systems & Solutions Results Breakdown

(Yen in billions)

		FY2017/Q1	FY2018/Q1	Difference	(growth rate)	
Infrastructure Systems & Solutions	Net sales	257.5	270.2	12.7	+5%	Effect of exchange rate changes: +1.0
	Operating income (loss)	(1.6)	0.1	1.7		
	ROS	(0.6)%	0.0%	0.6%		Effect of exchange rate changes: -0.1 Emergency measures: -4.1
	FCF by segment			53.3		
Public Infrastructure	Net sales	63.5	70.8	7.3	+11%	Higher sales mainly in the Social Systems business, leading to an improvement in operational results.
	Operating income (loss)	(4.0)	(2.0)	2.0		
	ROS	(6.3)%	(2.8)%	3.5%		
Building and Facilities	Net sales	130.0	129.9	(0.1)	(0)%	The same level of operational results in the air-conditioner business due to price hikes in raw materials, despite higher sales overseas. Lower sales and profit overseas in the elevator business.
	Operating income (loss)	3.9	2.9	(1.0)		
	ROS	3.0%	2.2%	(0.8)%		
Railways and Industrial Systems	Net sales	75.2	84.8	9.6	+13%	Higher sales supported by transfer of the industrial distribution systems business from Energy Systems & Solutions, leading to an improvement in operational results.
	Operating income (loss)	(1.5)	(0.8)	0.7		
	ROS	(2.0)%	(0.9)%	1.1%		

*Free cash flows (FCF) by segment are treated as an index for in-house management only, and effect of exchange rate changes is treated differently from free cash flows in the Consolidated Statements of Cash Flows.

Storage & Electronic Devices Solutions Results Breakdown

(Yen in billions)

		FY2017/Q1	FY2018/Q1	Difference	(growth rate)	
Storage & Electronic Devices Solutions	Net sales	210.6	217.7	7.1	+3%	Effect of exchange rate changes: -4.1
	Operating income (loss)	18.5	4.2	(14.3)		
	ROS	8.8%	1.9%	(6.9)%		Effect of exchange rate changes: -1.1 Emergency measures: -2.1
	FCF by segment			7.0		
Semiconductor *1	Net sales	90.9	85.4	(5.5)	(6)%	Higher sales of discrete semiconductors for industrial use but resulted in the same level of operating income. Lower sales and operating income of system LSIs due to a decrease in sales of LSIs for communication systems. Lower sales and operating income in NuFlare Technology.
	Operating income (loss)	10.5	2.8	(7.7)		
	ROS	11.6%	3.3%	(8.3)%		
HDDs & Others *2	Net sales	119.7	132.3	12.6	+11%	Higher sales as a whole due to an increase in resale of other products; however, lower sales and operating income of HDDs due to underachievement in procurement costs reduction, while a decrease in the market price of HDDs for PC, and also an increase in up-front investment.
	Operating income (loss)	8.0	1.4	(6.6)		
	ROS	6.7%	1.1%	(5.6)%		

*1 Including sales of discrete semiconductors, system LSIs, and those by NuFlare Technology.

*2 Including sale of HDD and resale of other products.

*Free cash flows by segment are treated as an index for in-house management only, and effect of exchange rate changes is treated differently from free cash flows in the Consolidated Statements of Cash Flows.

Retail & Printing Solutions

Industrial ICT Solutions

(Yen in billions)

		FY2017/Q1	FY2018/Q1	Difference	(growth rate)
Retail & Printing Solutions	Net sales	117.9	117.0	(0.9)	(1)%
	Operating income (loss)	3.8	4.5	0.7	
	ROS	3.2%	3.9%	0.7%	
	FCF by segment			8.4	

Effect of exchange rate changes: **-0.2**

Effect of exchange rate changes: **+0.6**
Emergency measures: **±0.0**

- Net sales decreased due mainly to the sale of a subsidiary in the Retail business.
- Operating income increased due to increased sales in the overseas Retail business.

		FY2017/Q1	FY2018/Q1	Difference	(growth rate)
Industrial ICT Solutions	Net sales	56.6	56.4	(0.2)	(0)%
	Operating income (loss)	(3.5)	(1.5)	2.0	
	ROS	(6.2)%	(2.6)%	3.6%	
	FCF by segment			18.7	

Effect of exchange rate changes: **±0.0**

Effect of exchange rate changes: **±0.0**
Emergency measures: **-2.2**

- Net sales remained at about the same level as in FY2017/Q1 as a result of higher sales of system-related products or services to governments and manufacturing companies, despite the effect of the sale of the underperforming businesses and others.
- Operating income (loss) improved from that in FY2017/Q1 primarily due to higher sales of system-related products or services and the benefits of the structural reform.

*Free cash flows by segment are treated as an index for in-house management only, and effect of exchange rate changes is treated differently from free cash flows in the Consolidated Statements of Cash Flows.

Others

(Yen in billions)

		FY2017/Q1	FY2018/Q1	Difference	(growth rate)	
PC *	Net sales	43.3	42.6	(0.7)	(2)%	Results improved from the same period last year.
	Operating income (loss)	(1.6)	(1.1)	0.5		
	ROS	(3.7)%	(2.6)%	1.1%		

* As announced on June 5, 2018, Toshiba has decided to sell 80.1% of the outstanding shares of Toshiba Client Solutions, a wholly owned subsidiary in the PC (personal computer) business to Sharp Corporation. The sale of shares is planned to be completed by October 1, 2018.



3. FY2018 Forecast

Overall

No changes to the FY2018 Forecast that was announced on May 15, 2018

	FY2017 Actual	FY2018 Forecast	Difference	(Yen in billions)
Net sales	3,947.6	3,600.0	*1 (347.6)	*1 Impact from deconsolidation of Landis+Gyr and Visual Products business -112.7
Operating income (loss)	64.1	70.0	5.9	Exchange rate impact -150.0
%	1.6%	1.9%	0.3%	
Income (loss) before income taxes and noncontrolling interests	82.4	*2 90.0	7.6	*2 Memory business: Equity in earnings of affiliates (Assuming as equity in earnings of affiliates after June) 50.0
%	2.1%	2.5%	0.4%	
Net income (loss)	804.0	*3 1,070.0	266.0	*3 Memory business: Profit from the sales of the Memory business 965.5
%	20.4%	29.7%	9.3%	Memory business: Income from discontinued operations 72.0
Earnings (loss) per share attributable to shareholders of the Company	¥162.89	*4 ¥164.20	¥1.31	*4 Before the impact of the consolidation of shares
Free cash flows	(109.3)	*5 1,290.0	1,399.3	*5 Revenue from the sale of Memory business 1,453.6
	2018/3E Actual	2019/3E Forecast	Difference	
Equity attributable to shareholders of the Company	783.1	1,870.0	1,086.9	
Shareholders' equity ratio	17.6%	42.5%	24.9%	
Net assets	1,010.7	2,110.0	1,099.3	
Net interest-bearing debt	191.6	(1,100.0)	(1,291.6)	
Net debt equity ratio	24%	(59)%	(83)%	
Exchange rate (US\$) as of the period-end	¥106	¥100	¥(6)	

By Segment

(Yen in billions)

		FY2017 Actual	FY2018 Forecast	Difference	(growth rate)	Effect of exchange rate changes	Effect of emergency measures
Energy Systems & Solutions	Net sales	844.7	640.0	(204.7)	(24)%	(24.8)	–
	Operating income (loss)	(14.8)	8.0	22.8		(1.1)	(4.3)
	ROS	(1.8)%	1.3%	3.1%			
Infrastructure Systems & Solutions	Net sales	1,246.8	1,250.0	3.2	+0%	(34.4)	–
	Operating income (loss)	48.0	37.0	(11.0)		(2.9)	(7.3)
	ROS	3.9%	3.0%	(0.9)%			
Retail & Printing Solutions	Net sales	522.8	480.0	(42.8)	(8)%	(28.4)	–
	Operating income (loss)	27.0	19.0	(8.0)		(1.1)	0.0
	ROS	5.2%	4.0%	(1.2)%			
Storage & Electronic Devices Solutions	Net sales	879.6	830.0	(49.6)	(6)%	(61.4)	–
	Operating income (loss)	47.3	21.0	(26.3)		(16.1)	(4.0)
	ROS	5.4%	2.5%	(2.9)%			
Industrial ICT Solutions	Net sales	258.9	250.0	(8.9)	(3)%	0.0	–
	Operating income (loss)	1.3	5.0	3.7		0.0	(3.9)
	ROS	0.5%	2.0%	1.5%			
Others	Net sales	525.6	470.0	(55.6)	(11)%	(0.5)	–
	Operating income (loss)	(48.6)	(20.0)	28.6		0.8	(7.0)
Eliminations	Net sales	(330.8)	(320.0)	10.8		(0.5)	–
	Operating income (loss)	3.9	0.0	(3.9)		0.4	–
Total excluding discontinued operations	Net sales	3,947.6	3,600.0	(347.6)	(9)%	(150.0)	–
	Operating income (loss)	64.1	70.0	5.9		(20.0)	(26.5)
	ROS	1.6%	1.9%	0.3%			



4. Other

Toshiba Next Plan

The Toshiba Next Plan is expected to be released in November 2018.

- **Toshiba Next Plan**

A five-year transformation plan for Toshiba Group is currently in development to strengthen core earning power and create mid-term business strategies.

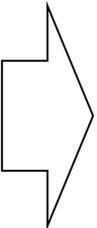
- To be released in November 2018

- **Shareholder Returns**

- Execute a share buyback with approximately 700.0 billion yen at the earliest possible timing to provide shareholder returns(*)

- Consider policy on payments of stable dividends

(*) Legal restrictions, such as insider trading restrictions, imposed on a share buyback will be taken into consideration.

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- There are ongoing deliberations in relation to the timing and mechanics of the share buyback and the accomplishment and objectives of the Toshiba Next Plan which is planned to be released in November 2018.
 - Prepare temporary financial statements (non-consolidated) in accordance with the Japanese Company Act as of September 30, 2018, so that the profit on the sale of the Memory business can be included in the distributable amounts.



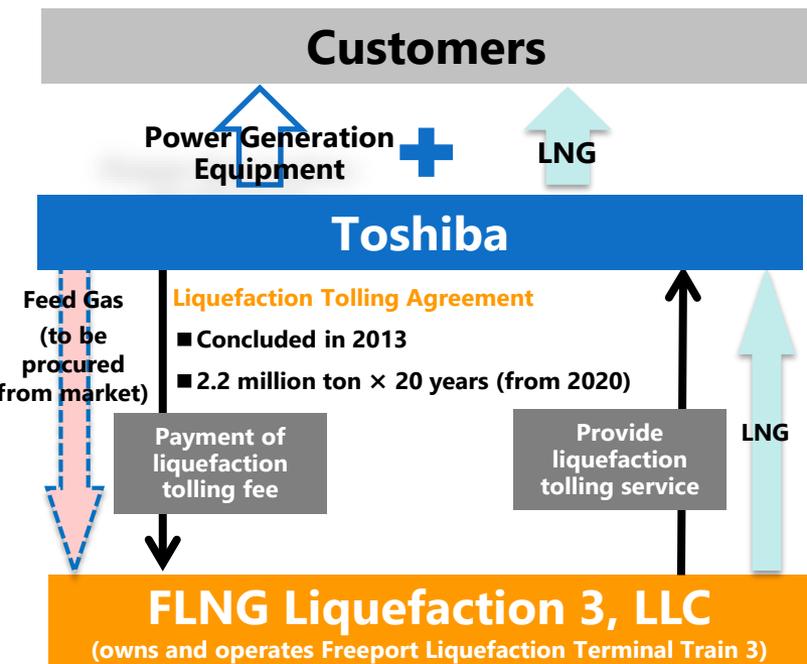
Appendix

Capital Expenditure (Commitment basis)

(Yen in billions)

Capital Expenditure (Commitment basis)	FY2016 Actual	FY2017 Actual	FY2018 Forecast	FY2018/Q1 Actual	
Energy Systems & Solutions	14.4	10.7	17.0	0.8	
Infrastructure Systems & Solutions	26.6	32.1	62.0	13.5	Expenditures on construction and relocation of the new engineering center at Toshiba Carrier Fuji Factory; and the head office, and new development and production base of Toshiba Carrier Air Conditioning China.
Retail & Printing Solutions	7.0	8.3	10.0	1.8	
Storage & Electronic Devices Solutions	9.2	20.5	23.0	12.7	Expenditures on the discrete semiconductor business to expand production volume, in particular, power devices, at Kaga Toshiba Electronics and on the expansions of production of large capacity HDDs with a large memory capacity at Toshiba Information Equipment Philippines.
Industrial ICT Solutions	2.2	2.3	4.0	0.3	
Others	11.1	11.6	19.0	3.9	
Total	70.5	85.5	135.0	33.0	
Investments and loans	5.6	96.5	15.0	1.5	

LNG Business (Freeport)



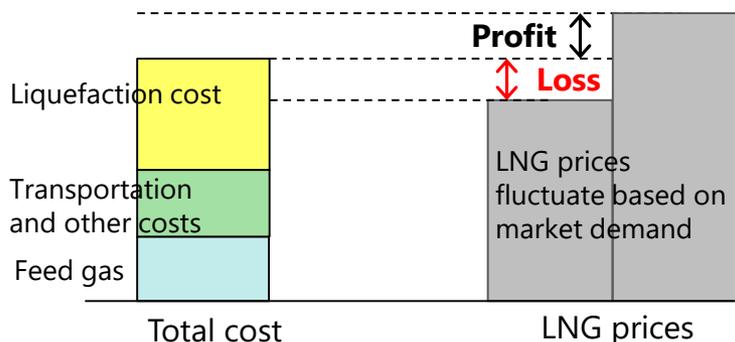
Status of Orders Received

- Basic agreements (on volume, price, and contract terms) with certain conditions and contracts for Toshiba's liquefaction service capacity (total of 2.2 million tons per year) have been agreed upon with multiple customers.
- Currently in further negotiations with customers (total aggregate amount, in conjunction with the above, looking to exceed the 2.2 million tons per year).

Treatment in Accounting

- Initially, we have referred to accounting for loss-making construction contracts for reference, and understood that any loss on sales would be recognized at the time of the official LNG sales contract, if the contract price was lower than the estimated cost.
- However, since LNG is a product, Toshiba has concluded that it is not appropriate to apply the similar accounting for construction contracts.
- Therefore, it has been decided that a valuation loss should be recognized for inventory write-downs upon the conclusion of an LNG raw material purchase contract when the contract price is lower than the estimated cost.
- Various measures have been considered by taking into account the facts and circumstances surrounding the current market situations. However, there is no guarantee that the actions taken will generate profit or losses.
- As no raw material purchase contract had been entered into, no accounting treatment was applied in FY2018/Q1.

Income (Loss) at Toshiba



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