

**TOSHIBA**

Leading Innovation >>>



**Mid-term Strategies for Future Growth  
(FY2014-2016)**

**Takayuki Ikeda  
President & CEO**

**TOSHIBA TEC CORPORATION**

**August, 2014**

# Agenda

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## 1. Review FY2013

## 2. Our Mid term Business Plan

(1) Worldwide mega trends & market situation

(2) Retail Business

(3) Printing Business

(4) Auto ID/Inkjet Business

(5) Investment Plan

(6) Structural reform

## 3. CSR and Environmental Management

## 4. Financial Targets

# 1-1. Review FY2013: Mid/Long-term Vision

**Accelerate globalization**

**Expand solutions and services**

**Transformation for higher  
profitability**



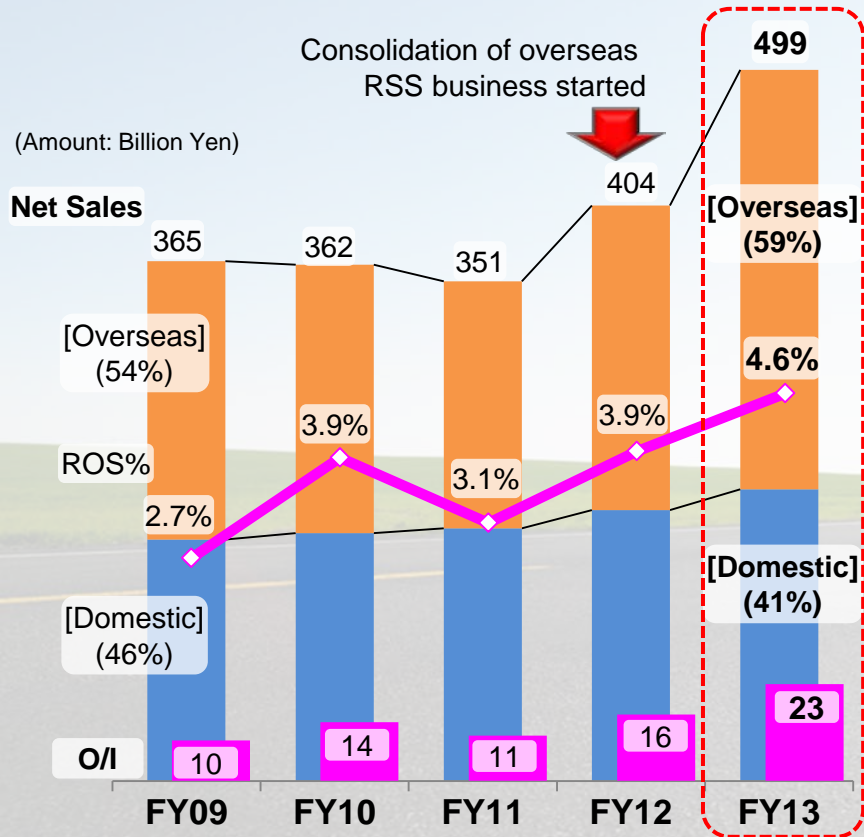
**Global  
one-stop  
solution  
company**

- **Growth with group alliance**
- **Growth through Creativity & Innovation**
- **Sales Maximization to retail customers**

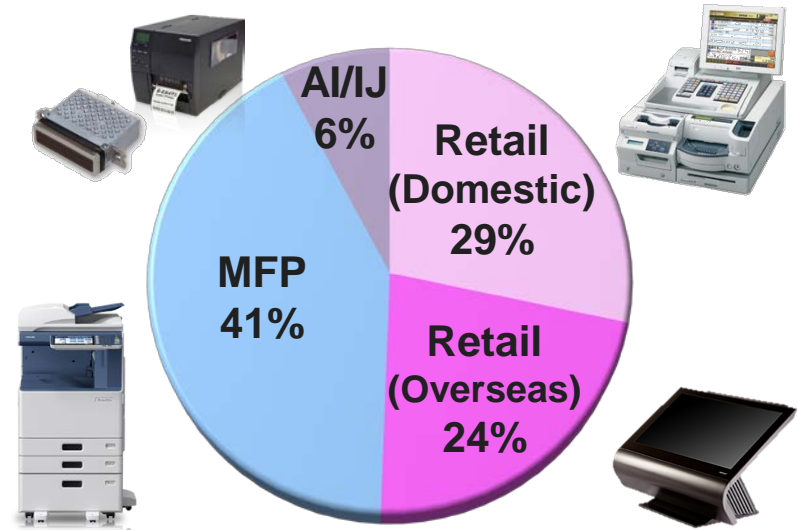
# 1-2. Review FY2013: Toshiba TEC Group Globalization

## ◆ FY2013 results

**Net Sales : 499 Billion Yen**  
**Operating Income : 23 Billion Yen**  
**(ROS 4.6%)**



[Net Sales by segment%]



[Locations of our operating companies]



# 1-3. Review FY2013: Expansion of Solutions service 1/3

## World's first Object Recognition Scanner 「IS-910T」 released in Japan



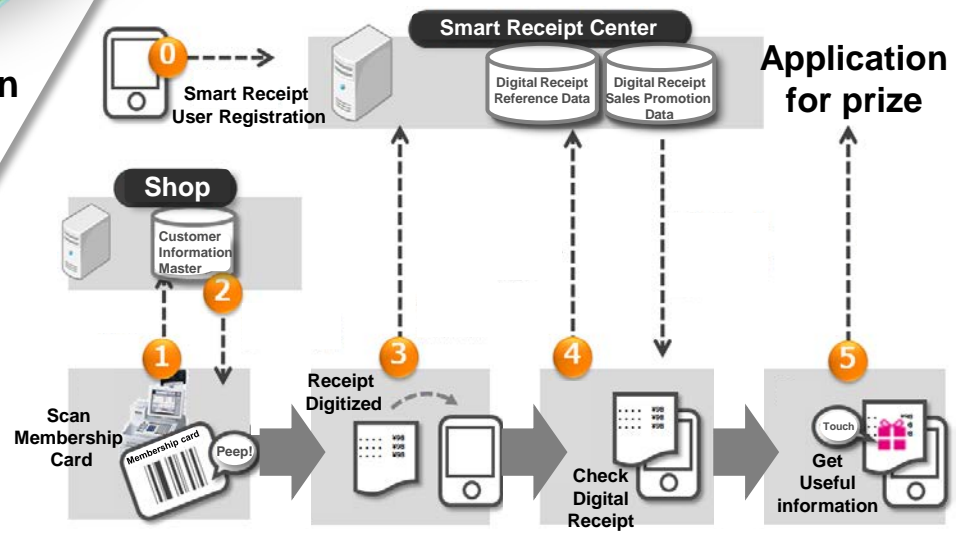
Immediate direct recognition just scanning fruits and vegetables in front of the glass surface

Object Recognition Scanner 「IS-910T」  
(October 2014 release)



Experimental demo of Smart Receipt done in January-March 2014 @Miyagi Co-op Japan

- Digital Receipt
- Household Account Book
- Application for prize



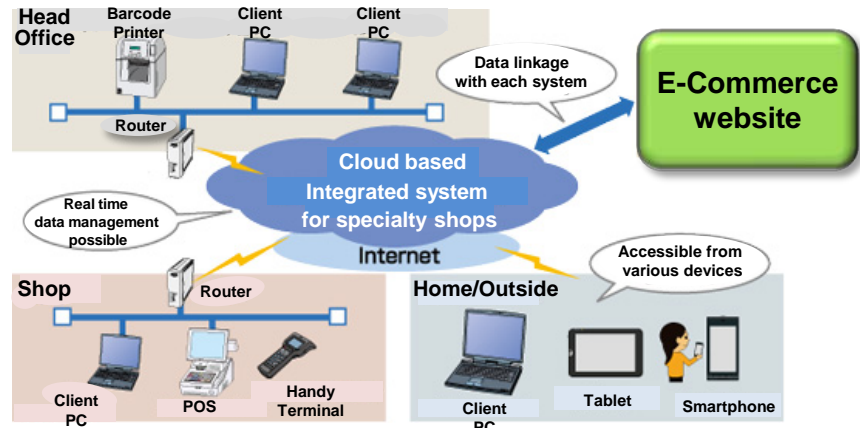
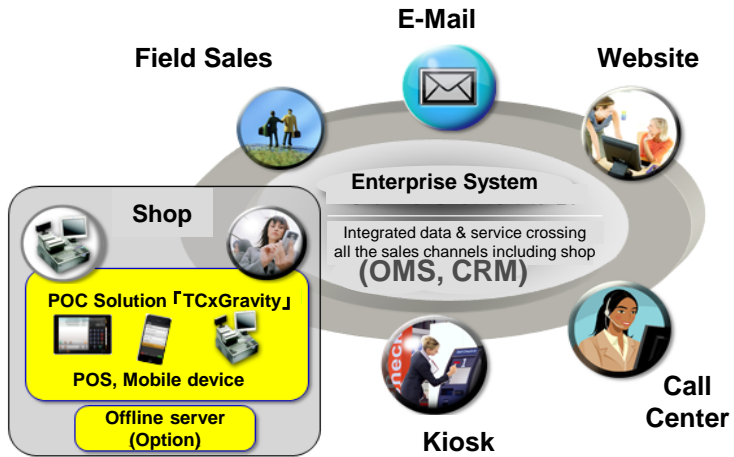
## 1st Experimental demo of Smart Receipt® with the combination of smartphone and digital receipt done in Japan

# 1-3. Review FY2013: Expansion of Solutions service 2/3

Released omni-channel enabled solutions connecting shops and customers "One on One"

**TCxGravity**

**ShopDirector (omni-channel enabled)**



- Installations to be done at some big retailers in US

- Currently proposing this app. to specialty stores

**TCxAmplify**  
Application for smartphone shopping

- Installations to be done at supermarkets and big drugstores in US



# 1-3. Review FY2013: Expansion of Solutions service 3/3

**-MFP lineup added** (key A3 models/A4/for emerging markets/ Paper Reusing System)  
**-Expansion of sales area (other than office market) started** → + Retail/Logistics/Manufacturing

## 【Low/Middle speed A3 Color】

- Compactness
- Cloud-enabled
- High security



## 【A4 Models】



## 【Models for Emerging markets】

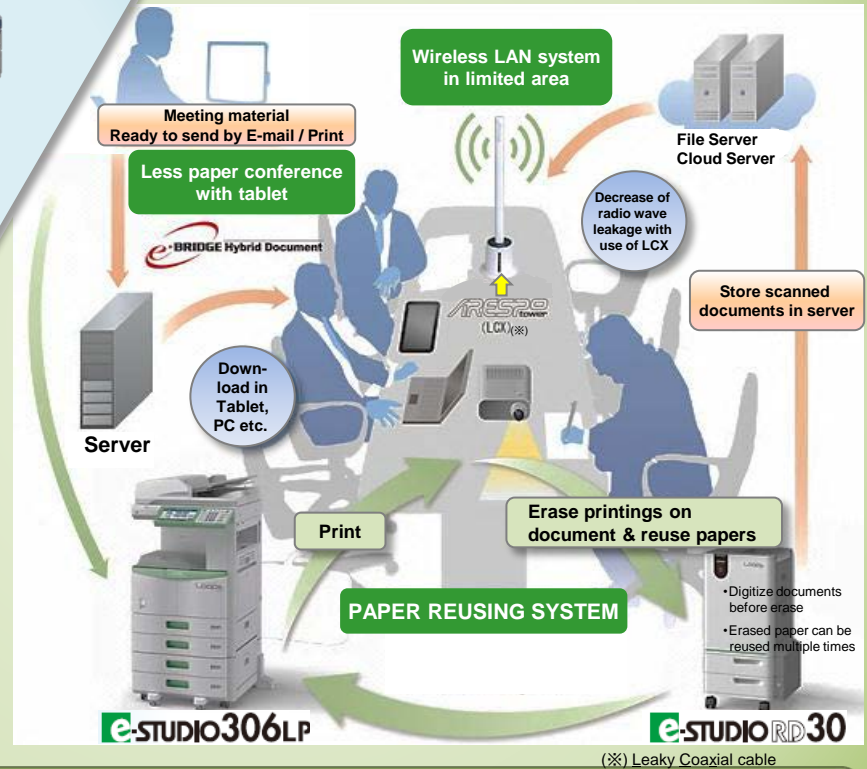


## 【Paper Reusing System】

### 【Examples of non-office market customers】

- Global logistics companies (US/Europe)
- Global cargo company (Europe)
- Big fast food chain (US)
- Luxury Watch Manufacturer (Europe)

- Wireless LAN system in limited area
- Transmission to tablet/digital paper
- Print ⇒ Scan ⇒ Erase



**Document Transmission System**  
**「e-BRIDGE Hybrid Document」 released**

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(6) Structural reform

## 3. CSR and Environmental Management

## 4. Financial Targets



# 2-1. Worldwide mega trends & market situation

## 1. Rapid population increase

(exceeding 8 billions in Year 2025 (estimation) )

## 3. Expanding demand for energy resources (especially China and India)

- Value of data expected to increase due to data increase and the spread of IoT (M2M)
- Shopping styles and means of payment diversifying
- Spread of net shopping
- Retailers' profitability worsening due to various cost increases
- Use of Cloud-based system spreading significantly
- More utilization of IT and more actions to save energy and cost forecasted in whole communities not limited to shops and offices, etc.

## 2. Shortage of Water/Food more and more critical

## 4. Further progress of ICT (Information & Communication Technology)



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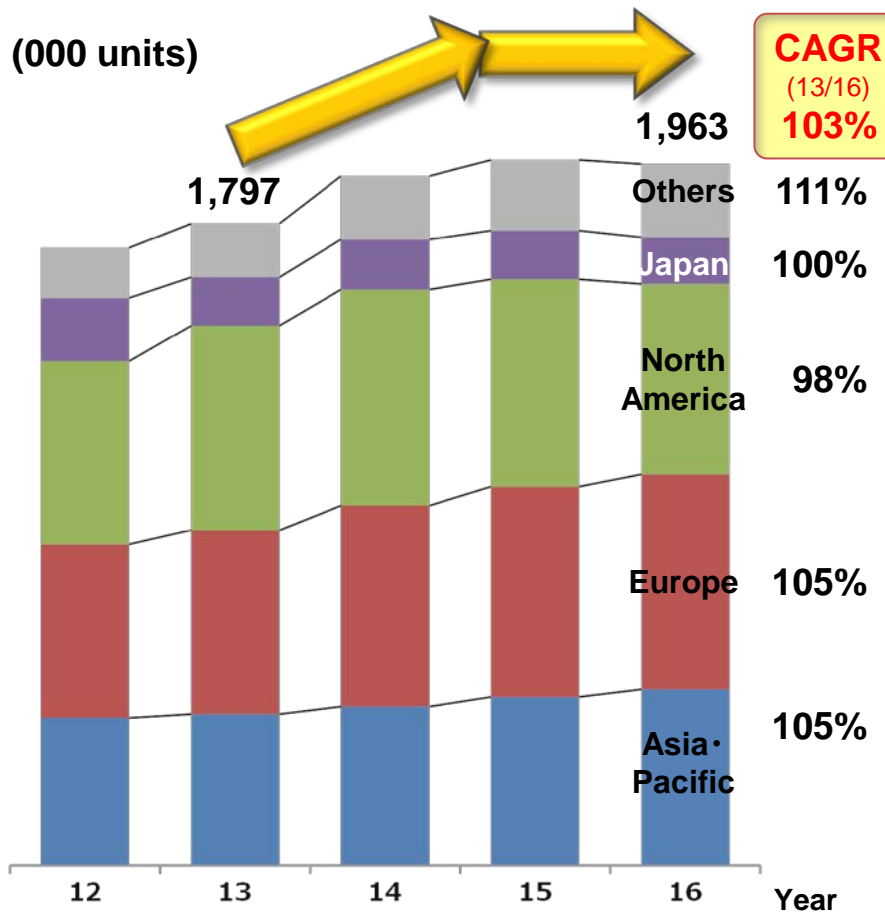
(6) Structural reform

## 3. CSR and Environmental Management

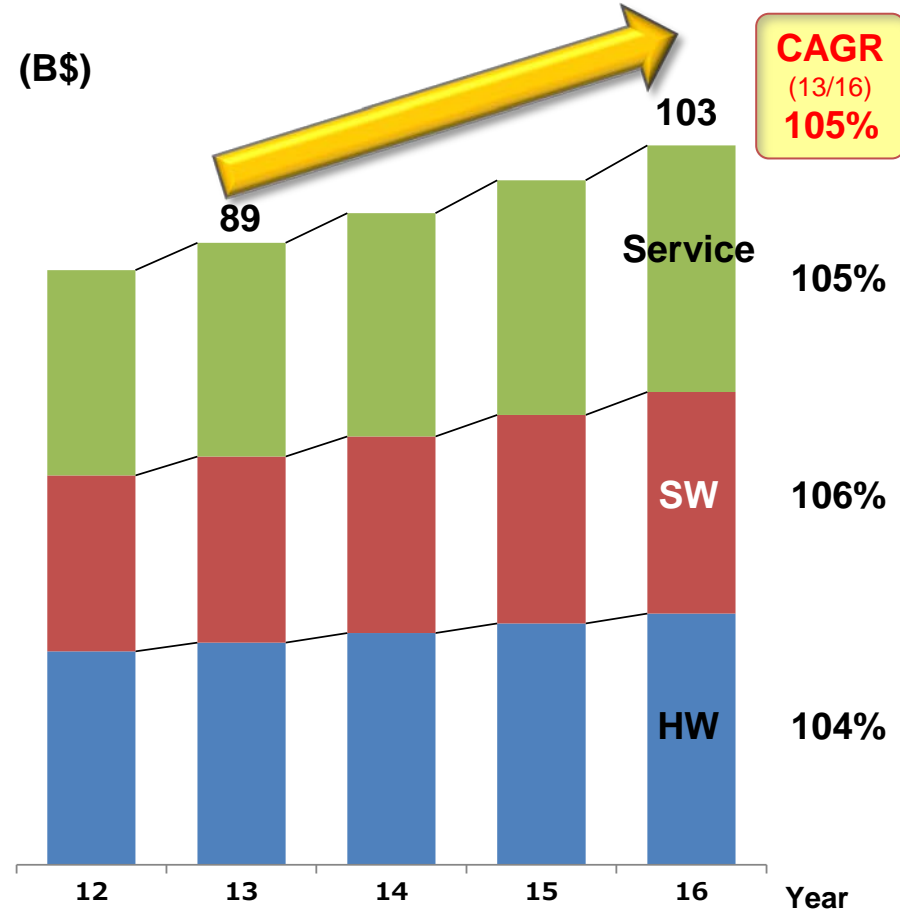
## 4. Financial Targets

POS unit sales increase expected to weaken, however, IT spending in software and services forecasted to increase

POS shipment unit forecast (by region)



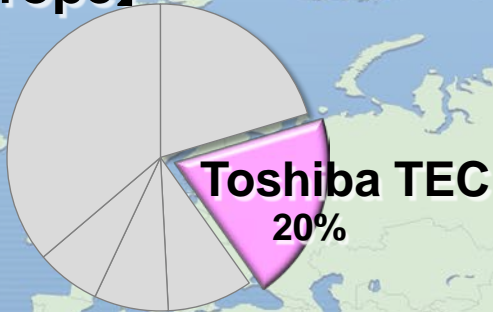
Global IT spending forecast (by segment)



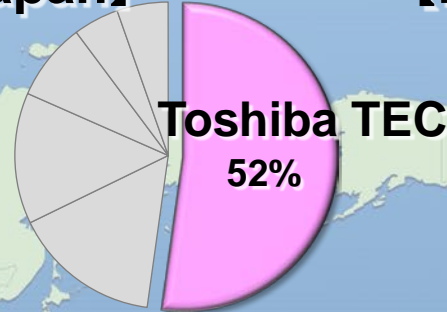
(Data source: TTEC estimation based on data of research companies such as RBR)

We have been keeping global No.1 POS market share on unit base

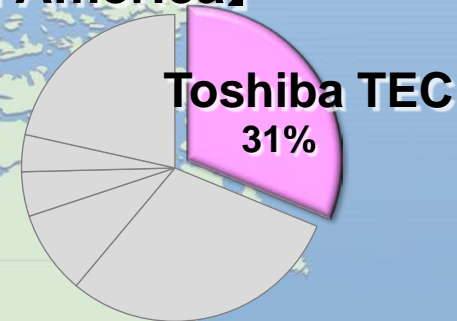
【Europe】



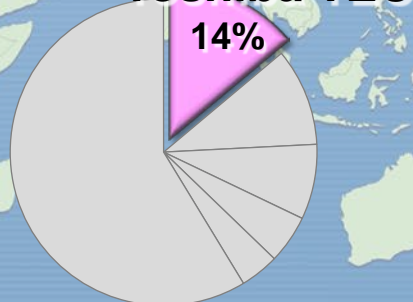
【Japan】



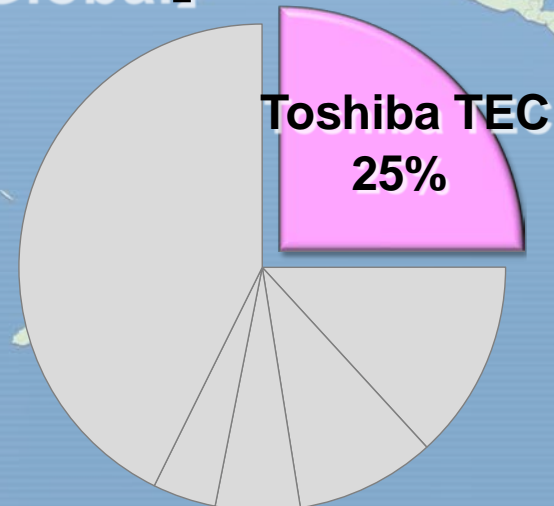
【North America】



【Asia·Pacific】



【Global】



Expand solution business based on our global top share customer base

Expand our business domain up to data service solutions area, going through in-store solutions and out-store solutions areas

### Analysis・Big Data

- Food disposal loss analysis
- Customer preference
- Trends analysis

Date Service Solutions

**POC**

Out-Store Solutions

In-Store Solutions

Smart Receipt®



Integrated Solutions  
(Shopworks/ShopDirector)



TCxGravity



TCxAmplify

Store System  
Total System  
(Specialty・  
Food&Beverage)

TCxFlight



IS-910T



### Omni-channel shopping solutions

- One point (centralized) management of customer information
- Strengthen promotional campaigns for customers

### Diversifying checkout

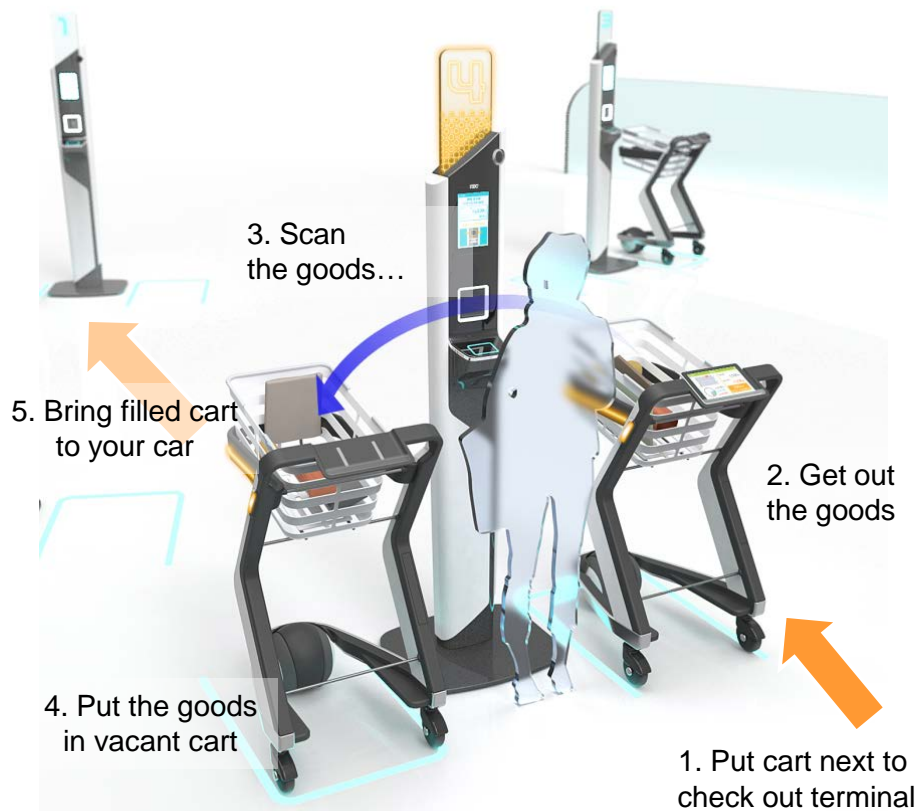
- Utilization of recognition technology
- More efficient checkout
- Better services for customers
- Better after services

**POS**

Provide solutions to improve customer satisfaction saving time for shopping and offering multiple services

Less space required/rapid check out/automation

Tablet POS to serve customers more & better

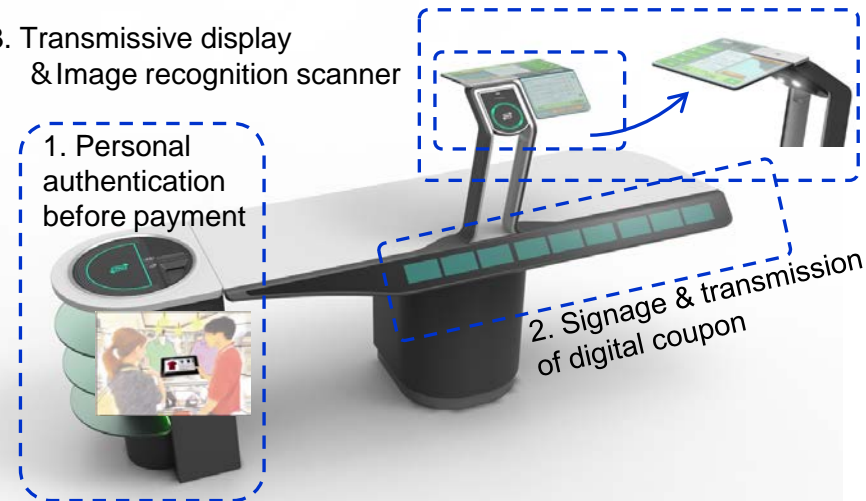


Multifunctional POS providing digital coupon etc.

3. Transmissive display & Image recognition scanner

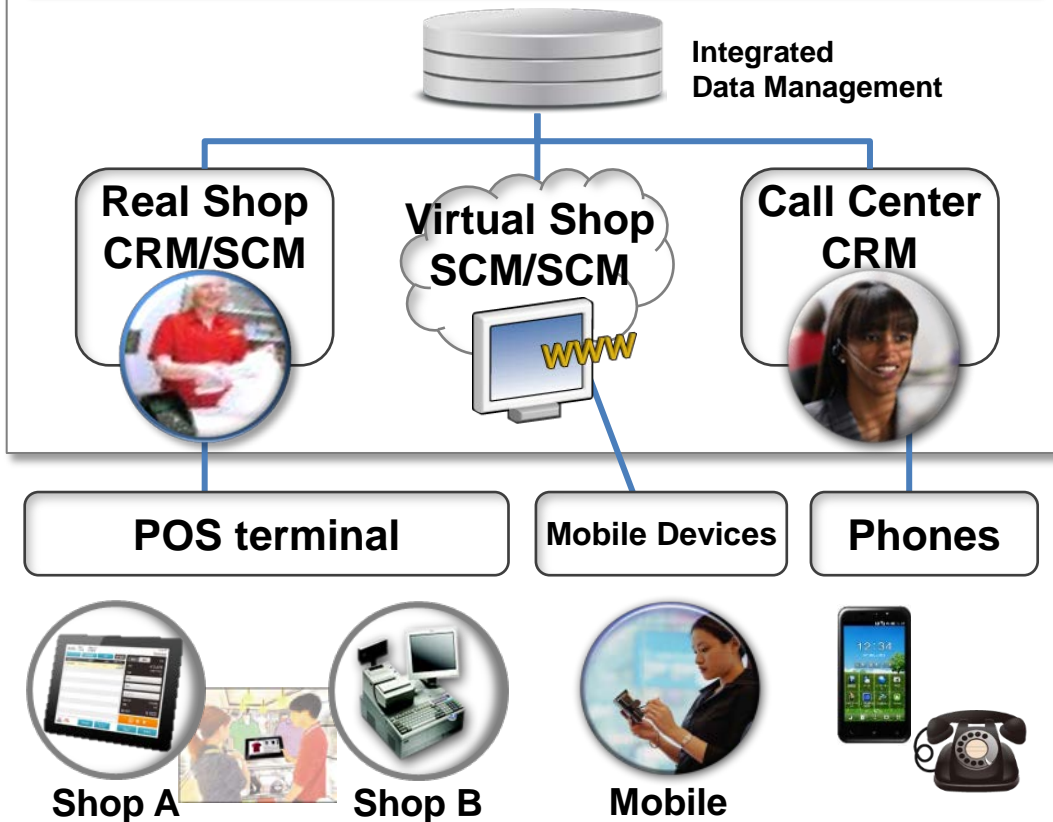
1. Personal authentication before payment

2. Signage & transmission of digital coupon



- Provide solutions to realize seamless shopping channel, integrating every retail·sales channel
- Manage individual customers "One on One" with integrated customer ID

### Omni-channel solutions connecting shops and customers "One on One"



### Merchandise Control

Merchandise master control

Inventory control

Merchandising analysis

Sales management

Order Taking management

Delivery instruction

Contents management

### Customer·Loyalty Management

Membership management

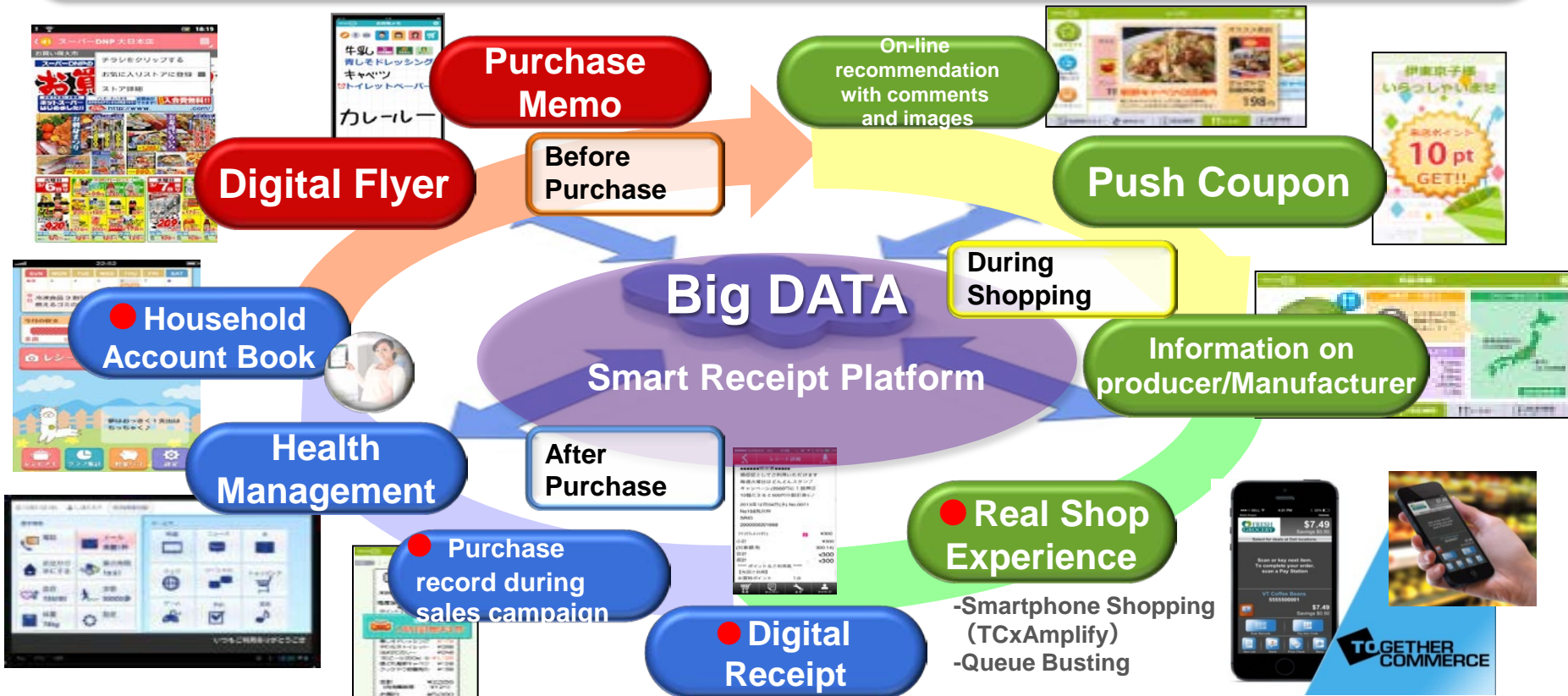
Customer analysis

Loyalty management

Promotion

### Provide a variety of values based on smart receipt platform

- Consumer : Personalized information and convenience for shopping
- Retailer : Enclosure of consumers by "One on One" services, increase of customers' visit and in-house sales
- Producer/ Manufacturer : Sales campaign effect measurement with purchase record data, Development of hot-selling items





Data collection based upon our superiority with global top share customer base  
Provide data services by collecting, accumulating, and utilizing customers' purchase record data

### ① Collection

Our industry No.1 data collection/treatment knowhow

### ② Analysis

Utilization of Toshiba Group's Cloud Technology

### ③ Provide Solutions

Provide added value to retailers and consumer goods manufacturers



Data Management Platform

Data Analysis Engine

Server/Storage

➤ Improvement of accuracy in decision making (sales planning, product planning, etc.)

➤ Generation of innovations by data consolidation, etc.

➤ Sales planning and event planning after data analysis

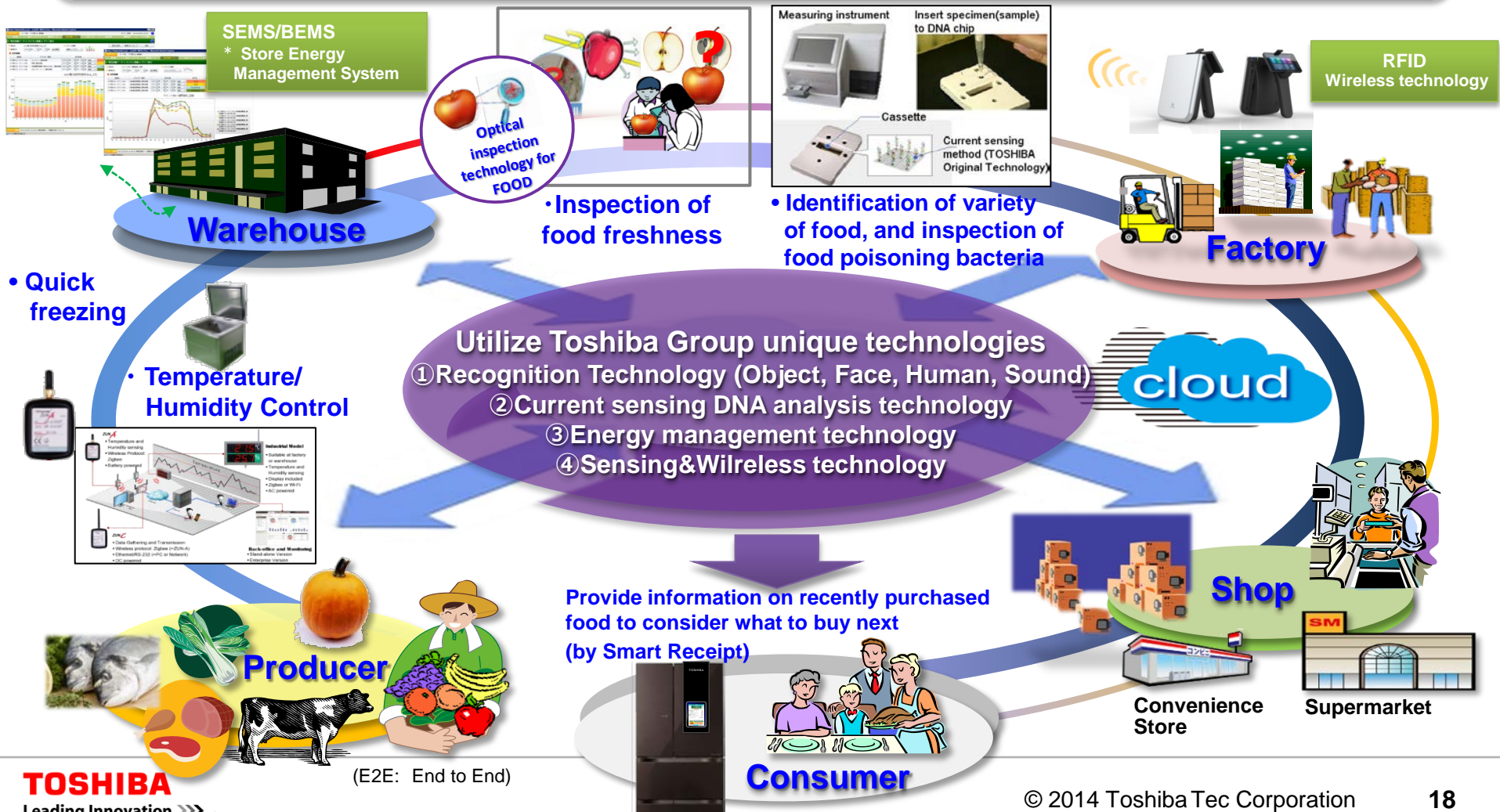
➤ Creation of new businesses

Shopping data collection from payment terminals etc. in alliance with retailers



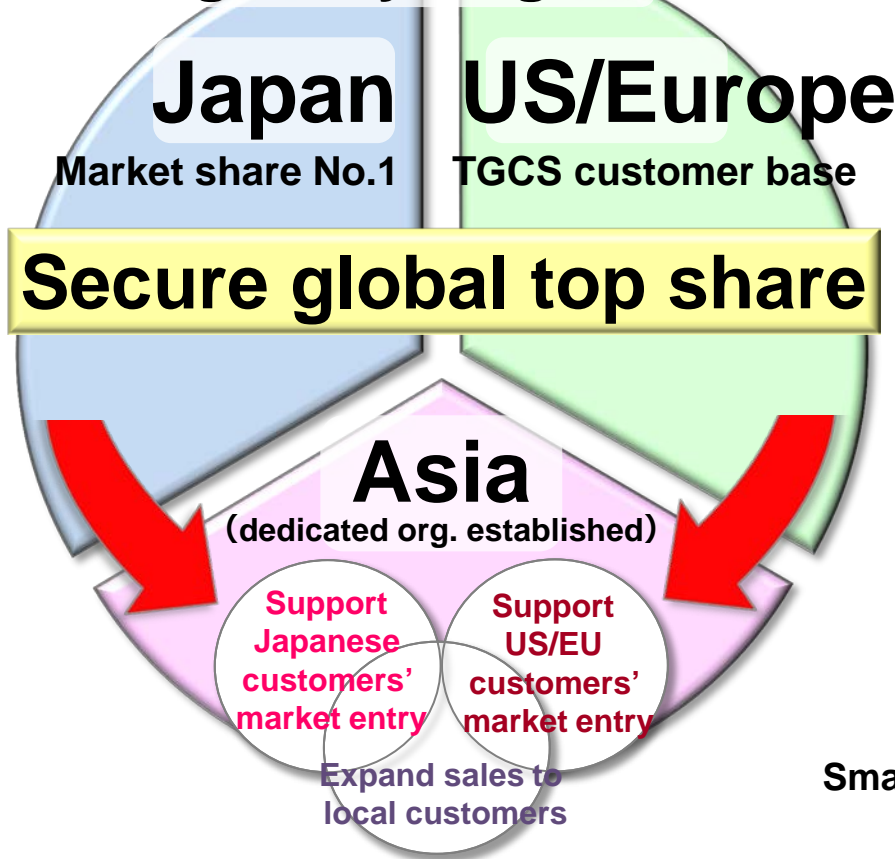
Provide integrated E2E Solutions through producers-consumers

- ① Traceability Control, ② Solutions to minimize food waste, ③ Solutions to secure food safety, etc.

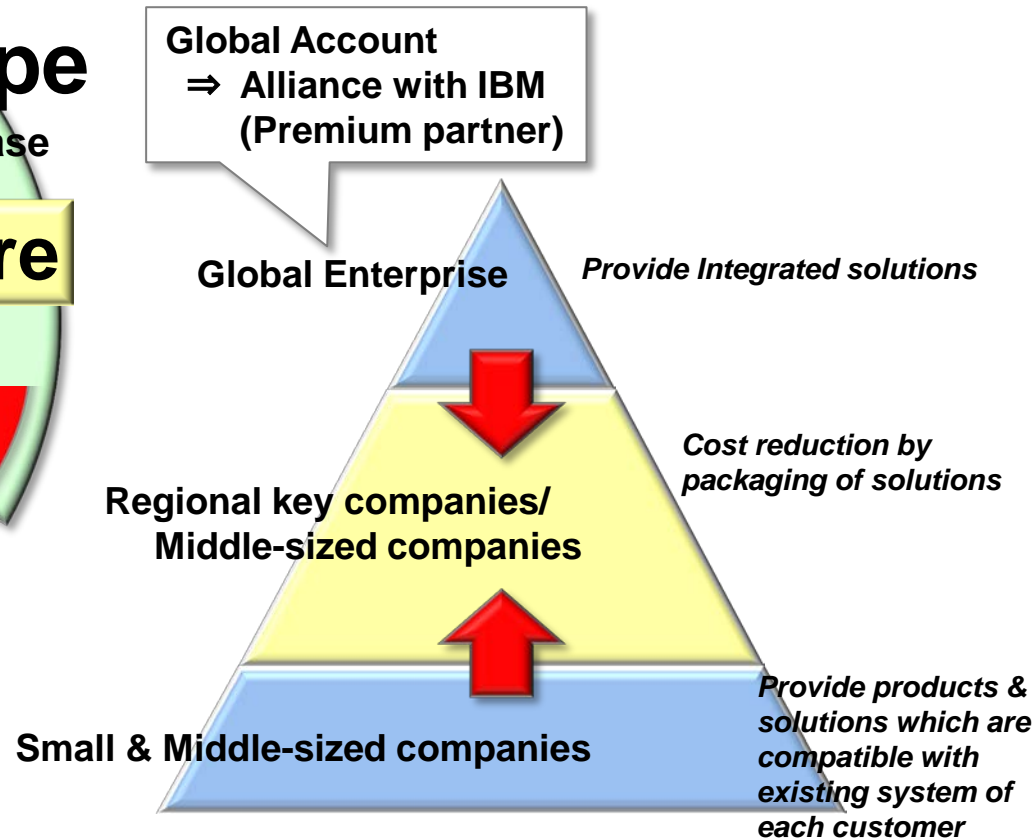


Taking advantage of TGCS customer base and our domestic retail business knowhow, we will realize the expansion of sales ① in emerging markets, ② to regional key companies, and ③ to mid-sized companies with appropriate solutions

### Strategies by Region



### Strategies by Customer



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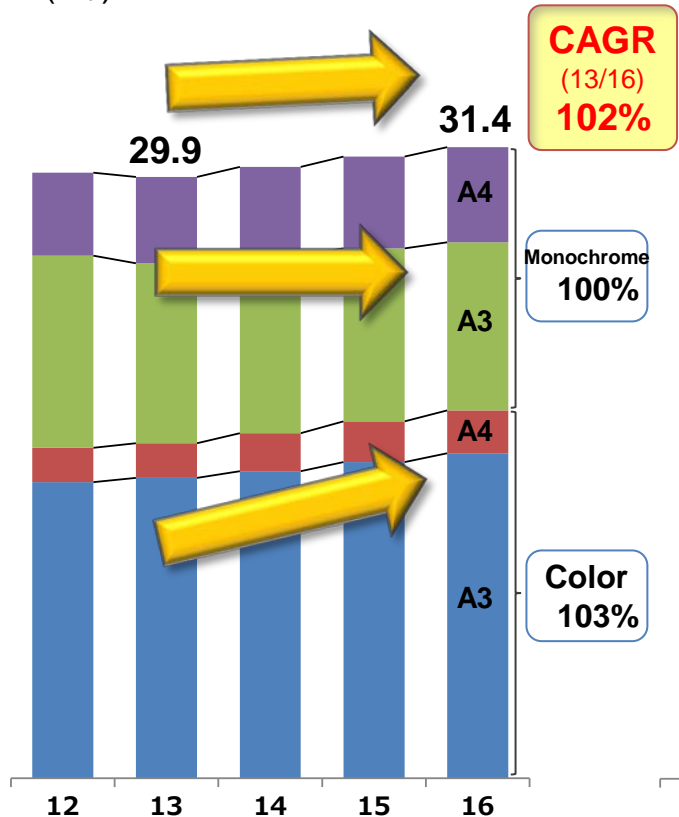
## 3. CSR and Environmental Management

## 4. Financial Targets

- ◆ H/W: Colorization to be continued until Year 2016 both for A3·A4
- ◆ MPS expected to show big growth and further growth to be brought with solutions
- ◆ Our target vertical market covering 17% of total installed units in US

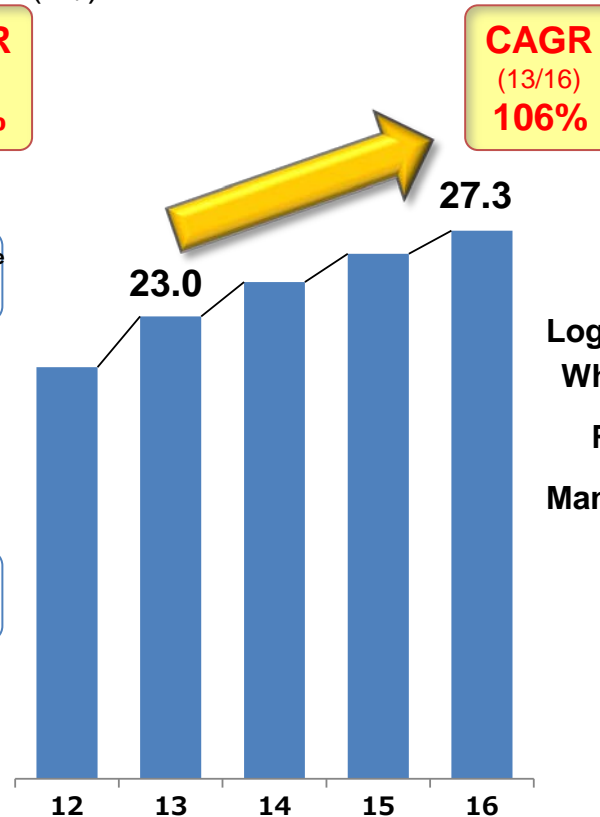
MFP Hardware (A3/A4) (Amount)

(B\$)



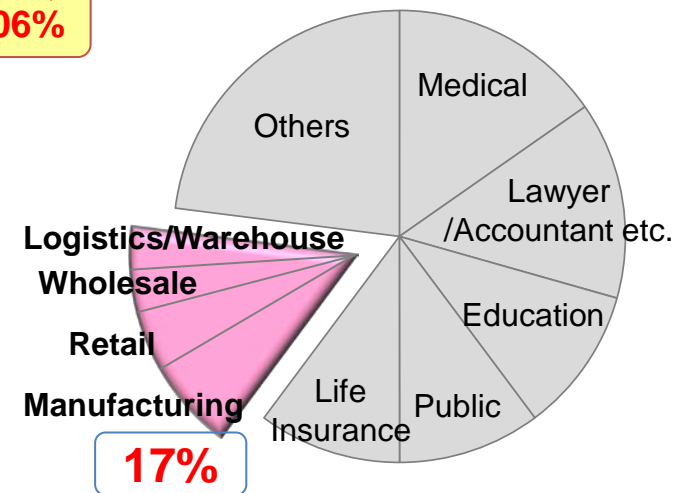
MPS (Amount)

(B\$)



[US] Installed units by industry%

(%)



**Total installed units**  
**Approx. 49Million**  
 (A3/5M, A4/44M)  
 (Year 2012)

(Data source: TTEC estimation based on data of research companies such as InfoTrends, Gartner, and Key Research)

Retain our existing customers and expand our market by "Differentiation" mainly with solutions

<Retain existing customers>

### Office market



- Strengthen product competitiveness by enhancing the efficiency in development
- Strengthen the development of solutions really matching market needs by localization



<expand our market by differentiation>

[Further penetration into vertical market]

### Sales expansion mainly to our retail customers

[Target industry: Retail/Logistics/Manufacturing]

⇒ **Segment No.1**

[Expand solution business]

### Paper Reusing System

[Digitalization/Paper Stockless/CO<sub>2</sub> Reduction]

⇒ **New Eco Solutions**



e-STUDIO306LP

e-STUDIO RD30

Develop common product platform intensively at designated locations and promote solution development locally

- ✓ **Globalize** ⇒ **Standardize product platform (modularization)**
- ✓ **Localize** ⇒
  - **Strengthen solution business**  
(by dedicated group in subsidiary + local business partners)
  - **Meet local vertical market needs**  
(with timely information sharing globally (retail))



Further expand our business in the specific areas we have strengths

### Retail markets

Sales expansion, taking advantage of our retail customer base

#### ✓ Synergy with retail business

- Sharing of information on retail customers

#### ✓ Solutions for retail market

- Solutions for shops • Printing system (Eco Crystal/POP/Coupon)
- Printing system working with CRM/POS

#### ✓ Paper Reusing System

### Logistics/Manufacturing markets

One stop solution offer & Toshiba Group alliance

#### ✓ BCP added solutions

- Offer of MFP/BCP/Printer products and services as one stop possible

#### ✓ Toshiba Group Alliance

- Sales of Toshiba Group products (PC/Tablet/Digital Signage/LED)

#### ✓ Paper Reusing System



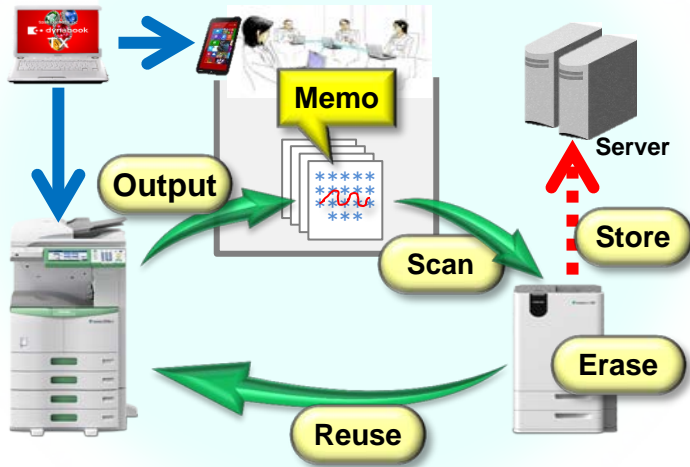
**TOGETHER**  
**INFORMATION**



**Our Paper Reusing System helps our customers to reduce the costs and energy use with its original technology**

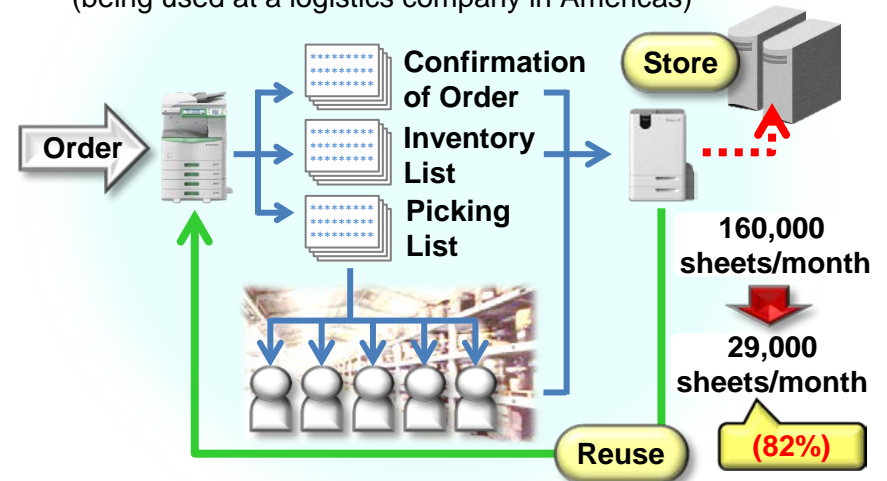
### Paper Stockless Conference System

Reduction in number of papers for meeting material and paper stock space (on trial at governmental office)



### Paper Stockless Logistics System

Reuse of papers for instruction sheet in warehouse/  
Reduction in paper stock space  
(being used at a logistics company in Americas)



Eco-MFP users

THE YAMANASHI NICHINICHI SHIMBUN  
(Japan/Newspaper)



山梨日日新聞社

ONEST (Mexico/Logistics)



Solutions provider  
is our job  
ONEST  
logistics

Nehlsen (Germany/waste & recycling management)



Nehlsen

**Other users**

- (US) Big retail company
- (Japan) Automobile company
- (Middle East) Hospital etc.

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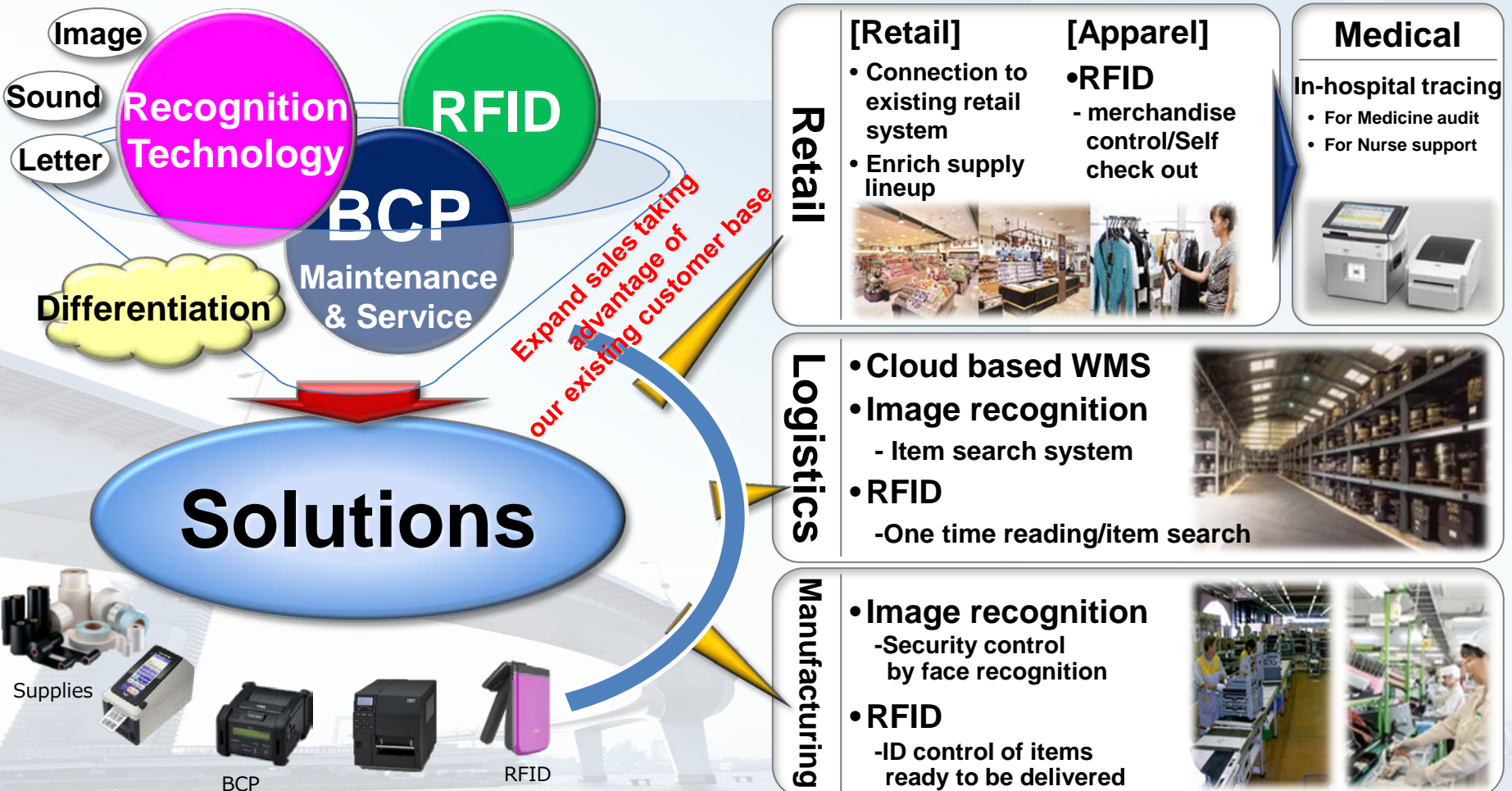
(6) Structural reform

## 3. CSR and Environmental Management

## 4. Financial Targets

# Auto ID/Inkjet 2-4-1. Expand Auto ID Business

Expand sales of our differentiating solutions (sensing and RFID technology applied) to supply chain areas in wider industries starting from our existing retail customer base



Provide our inkjet product lineups as printing solutions for industrial printing in which the adaptation to small lot & various types of printing is more and more required

Our strengths



<Ink recirculation>

**High jetting reliability**

<Halftone control>

High image quality reproducibility

<Droplet control>

**Ink droplet control**

**High viscosity &  
High gravity fluids**



Expand the application of our inkjet technology for industrial use

### Building Material

- Tiles
- Interior/Exterior materials



### Packing Material

- Labels
- Packages



### Electronics

- Electric Circuits
- Displays



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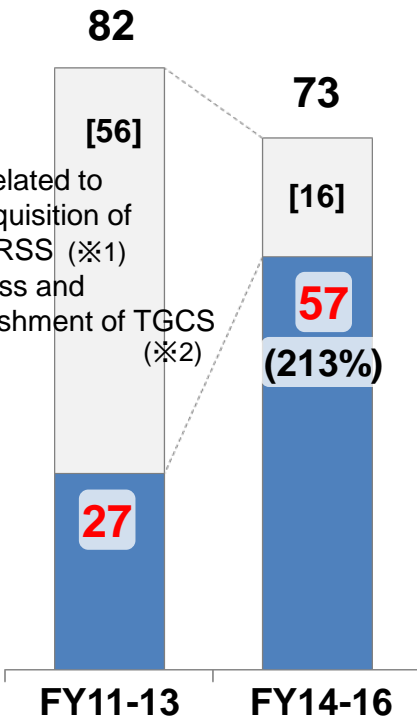
## 3. CSR and Environmental Management

## 4. Financial Targets

# 2-5. Investment Plan

Invest in growing business domain and realize solution business expansion

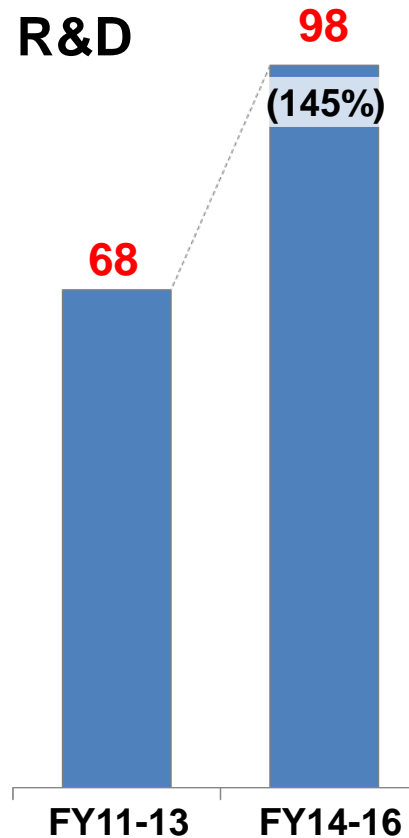
## Investment-I: Sales, IT, Equipment etc.



- **Retail**
  - Business Infrastructure development (overseas)
  - Next generation product/ Cloud related
- **Printing**
  - Eco-solutions
  - Manufacturing Equipment (incl. automation)
- **Auto ID/Inkjet**
  - Recognition Technology
  - Renewal of Inkjet manufacturing equipment

## Investment-II: R&D

(Amount: Billion Yen)



- **Retail**
  - TCxGravity
  - Cloud related
  - Smart Receipt/ Data analysis
- **Printing**
  - Eco-solutions
  - Platform (Engine, Controller, Toner etc.)
- **Auto ID/Inkjet**
  - Recognition Technology
  - Next generation Inkjet Head

Percentages in parentheses indicate increase% (FY14-16 vs FY11-13).

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# 2-6. Structural Reform

(Realize enhancement of operational efficiency and optimal HR placement)

Reduce cost by higher operational productivity / Cultivate solution specialists

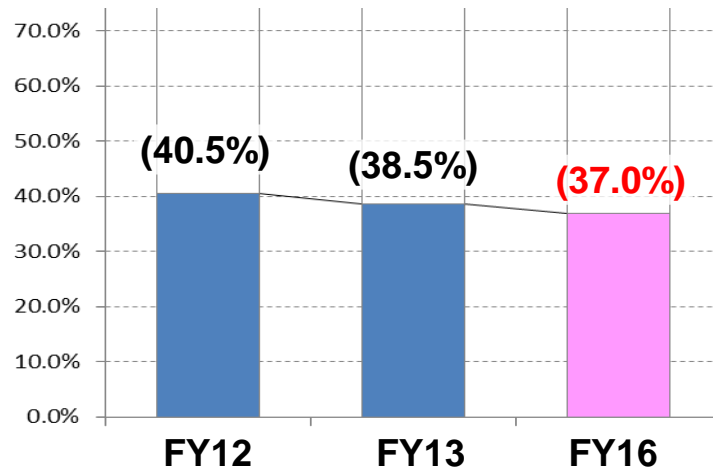
## ● Reduce cost by higher operational productivity

- Maximize business synergy with TGCS
- Shift manufacturing/development functions to overseas (group companies/business partners)
- Cut manufacturing cost (lower cost design, further cost reduction)
- Utilize global shared services

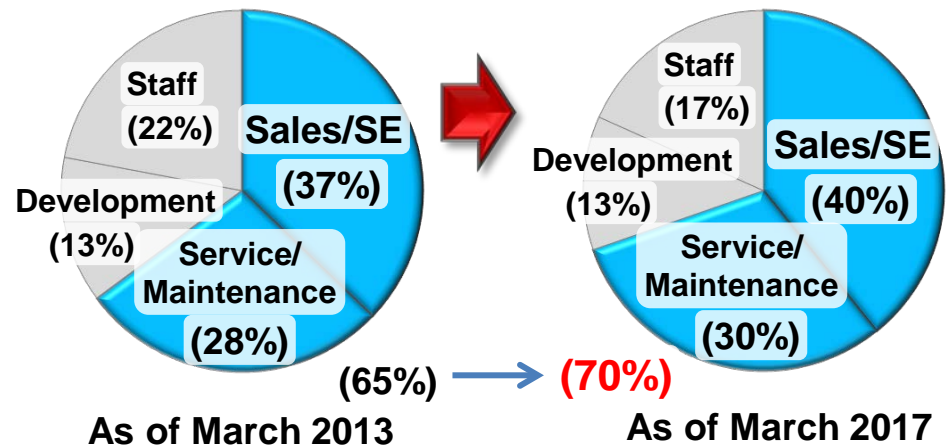
## ● Cultivate specialists to strengthen solution business

- Recruit skilled SE/Solution salesperson
- Reinforce service·maintenance staff
- Cultivate the staff capable of working across the globe with expertise and give them appropriate missions/jobs

Transition of SG&A vs. Revenue (%)



Headcount by function (%)





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## 3. **CSR and Environmental Management**

## 4. Financial Targets

# 3-1. CSR Management

**Aim to continuously meet all stakeholders' expectations**



**Respect for individuality**

Fair and appropriate system of evaluation and rewards  
Open and invigorating corporate culture



**Value creation for customers**

Reliable quality and performance.  
High user-friendliness  
Timely supply



**Development of global society**

High ethics and law-abiding spirit  
Respect for culture and history



**Maximization of corporate value**

Sound and transparent management  
Ensuring appropriate profits and reserves



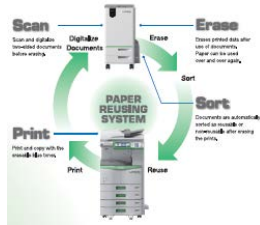
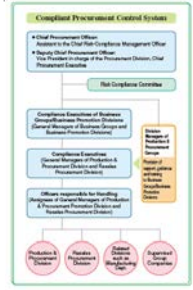
**Environmental protection consciousness throughout all business activities**

People's health and safety  
Protection/conservation of global resources

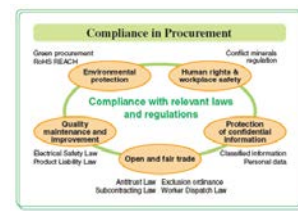


**Preferential procurement from CSR-conscious suppliers**

Better business partnership with suppliers  
Promoting CSR in collaboration with suppliers



**CSR total Ranking 84th<sup>※</sup>  
(Ranking by industry 20<sup>th</sup>)**



# 3-2. Environmental Management

Implement environmental management based on management policy and CSR

Eco-MFP received Green IT Award 2013  
(awarded by Minister of Economy, Trade and Industry (Japan))



Examples of Toshiba TEC Group Activities to Preserve the Global Environment

**US:**

Wind generation system furnished at the Rooftop of our subsidiary



**China:**

LED lighting newly applied to PCB assembly line at our subsidiary (total 838 lights)



Development of Products with the Highest Environmental Performance



Object Recognition Scanner  
「IS-910T」



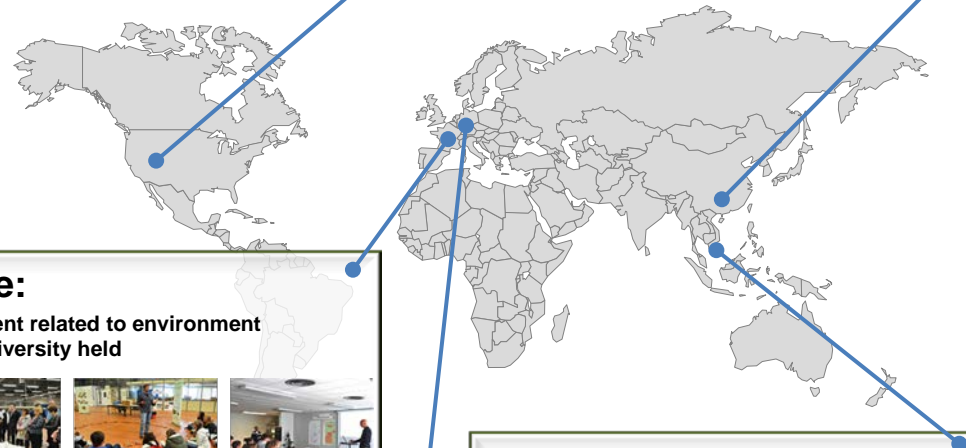
POS  
「TCx Wave」

**Excellent  
ECP (※)**



POS  
「M-8500」

Color MFP  
「e-STUDIO2555C」



**France:**

Open event related to environment and biodiversity held



**Germany:**

- Collection of used electronic devices
- Collection of Donations for well rebuilding project in Uganda



**Malaysia:**

River clean-up activities in Penang Botanic Gardens



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## 4-1. FY2014 1Q results

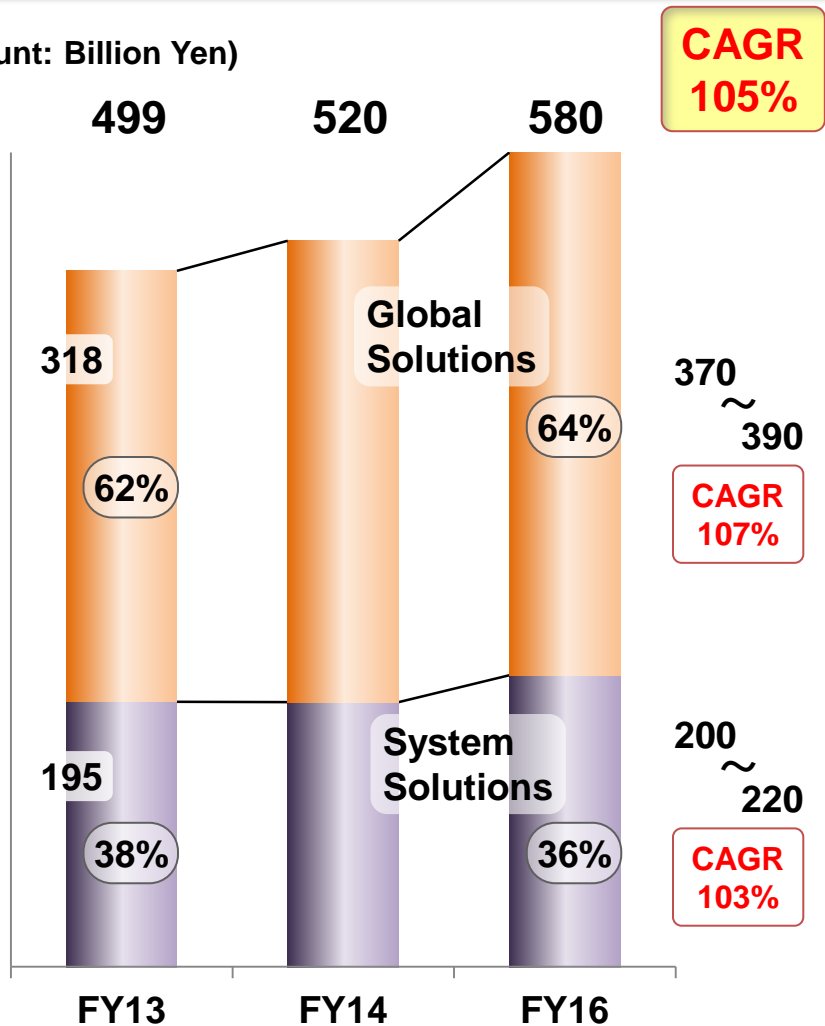
- FY14 1Q results almost as planned. Sales and operating income increased compared to the previous year
- Forecast of the first half of FY14 remains unchanged from our plan for sales and profit

Amount: Billion Yen	FY14 1Q	FY13 1Q	Difference vs prev. year
<b>Net Sales</b> (Growth %)	<b>120.9</b>	<b>115.3</b>	<b>+5.6</b> (105%)
<b>Operating Income</b>	<b>4.6</b>	<b>3.8</b>	<b>+0.8</b>
<b>Ordinary Income</b>	<b>3.3</b>	<b>3.4</b>	<b>(0.1)</b>
<b>Profit Before Tax</b>	<b>3.2</b>	<b>3.0</b>	<b>+0.2</b>
<b>Current Net Income</b>	<b>1.6</b>	<b>1.6</b>	<b>±0</b>

# 4-2. Sales Targets in FY2016 (by Business and Product)

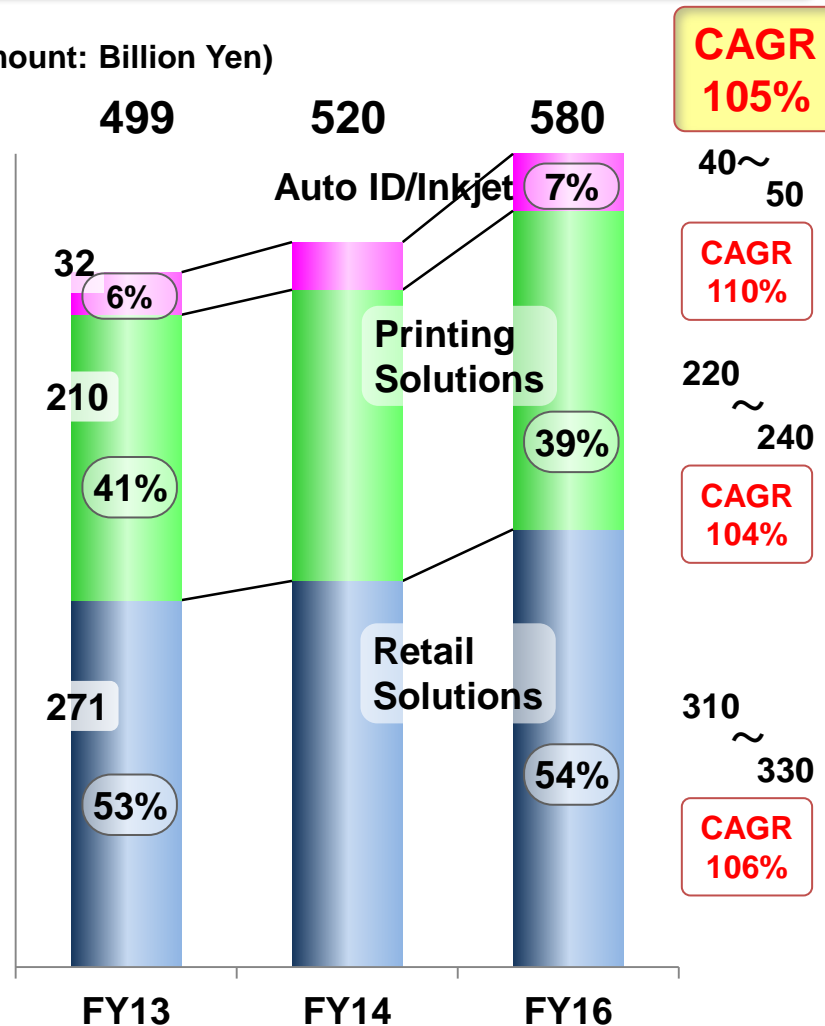
## Sales by Business

(Amount: Billion Yen)



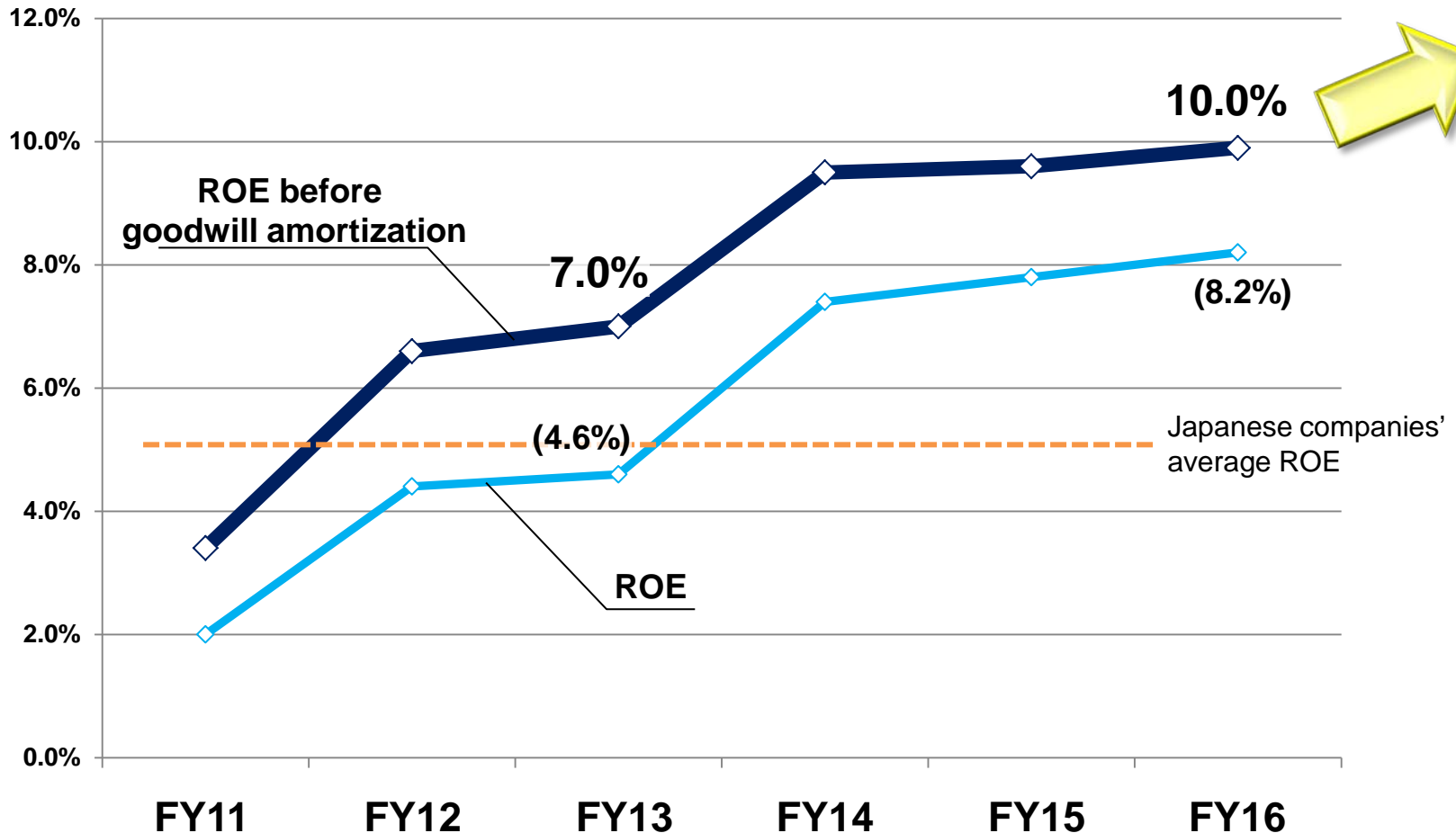
## Sales by Product

(Amount: Billion Yen)



## 4-3. ROE: Results & Targets

Target to achieve 10% ROE in FY16 by expanding sales and securing/improving profitability



## 4-4. Financial Targets in FY2016

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**Net Sales 580 Billion Yen** FY13/16  
CAGR 105 %

**Operating  
Income 35 Billion Yen** FY13 results  
23.1B Yen

**ROS 6.0%** FY13 results  
4.6%

**ROE 10.0%** FY13 results  
7.0%<sup>※</sup>

※ ROE before goodwill amortization





# Human Smart Community

by Lifenology – the technology life requires

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This Mid-term Business Plan is based on information currently available.

Therefore, Toshiba TEC wishes to caution that actual results may differ materially from this presentation.

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