

TOSHIBA

**FY2019
Toshiba Tec
Management Policy**

**Mid-Term Business Plan
FY2019~FY2021 (FY2019 MTBP)**

November 6, 2019

**Takayuki Ikeda
President & Chief Executive Officer
Toshiba Tec Corporation**

Contents

01 Mid-Term Vision & FY18-19 Review

02 Mid-Term Business Plan Overview

03 Financial Plan, etc.

Mid-Term Vision



We will continuously aim at becoming a solution partner to provide stores and offices with value creation and innovation from on-site viewpoint



Basic Strategy in FY19 MTBP

FY19

FY20

FY21

**Expand
solutions
business**

**Strengthen
core
business**

- **Drive recurring and subscription business models**
- **Commercialize data service business**
- **Vertical deployment to logistics and manufacturing fields**

Establish profit stability through cost reduction & productivity improvement

Vertical Deployment from Stores & Offices to LMR*

Provide solutions to “Connected fields” with both existing business resource and new business model

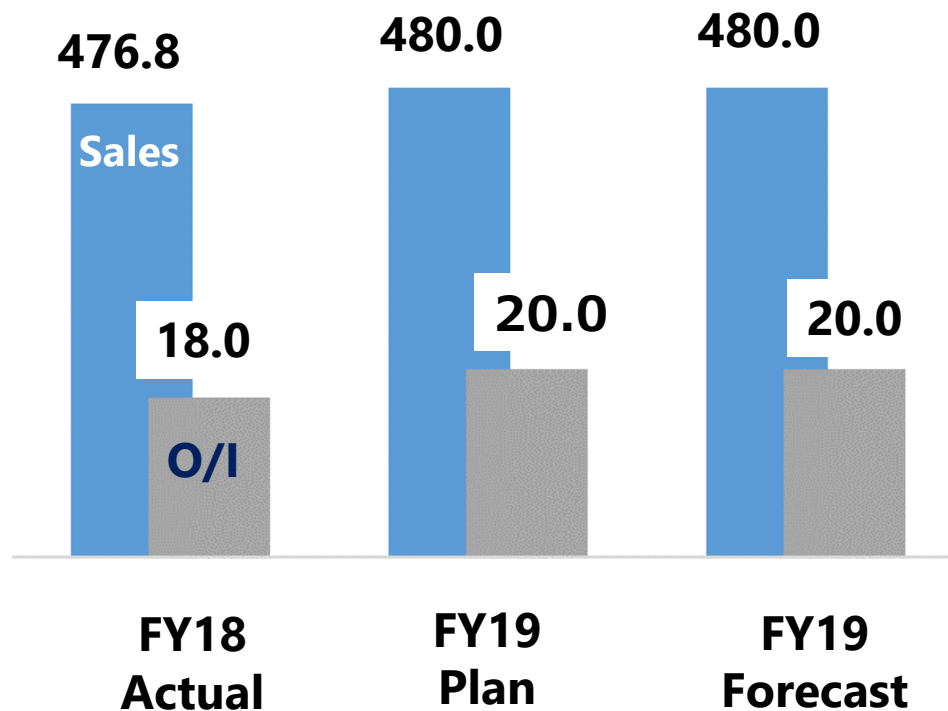


*LMR...Logistics(L), Manufacturing(M), Retail (R)

FY18 Results & FY19 Forecast

**FY19 O/I ratio is supposed to improve by 0.4 point
ROE retains two-digit %**

(Unit : Billion Yen)



O/I ratio	3.8%	4.2%	4.2%
ROE	12.9%	-	12.6%

FY18-19 Achievements

Introduced services in response to variety of cashless payment methods



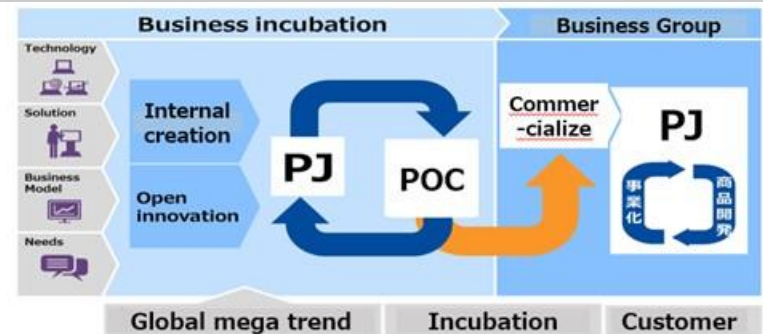
Provided retail and logistics customers with labor saving solutions



New MFP lineup with customer value, cost effectiveness and R&D efficiency



Established organization and systems for new business creation



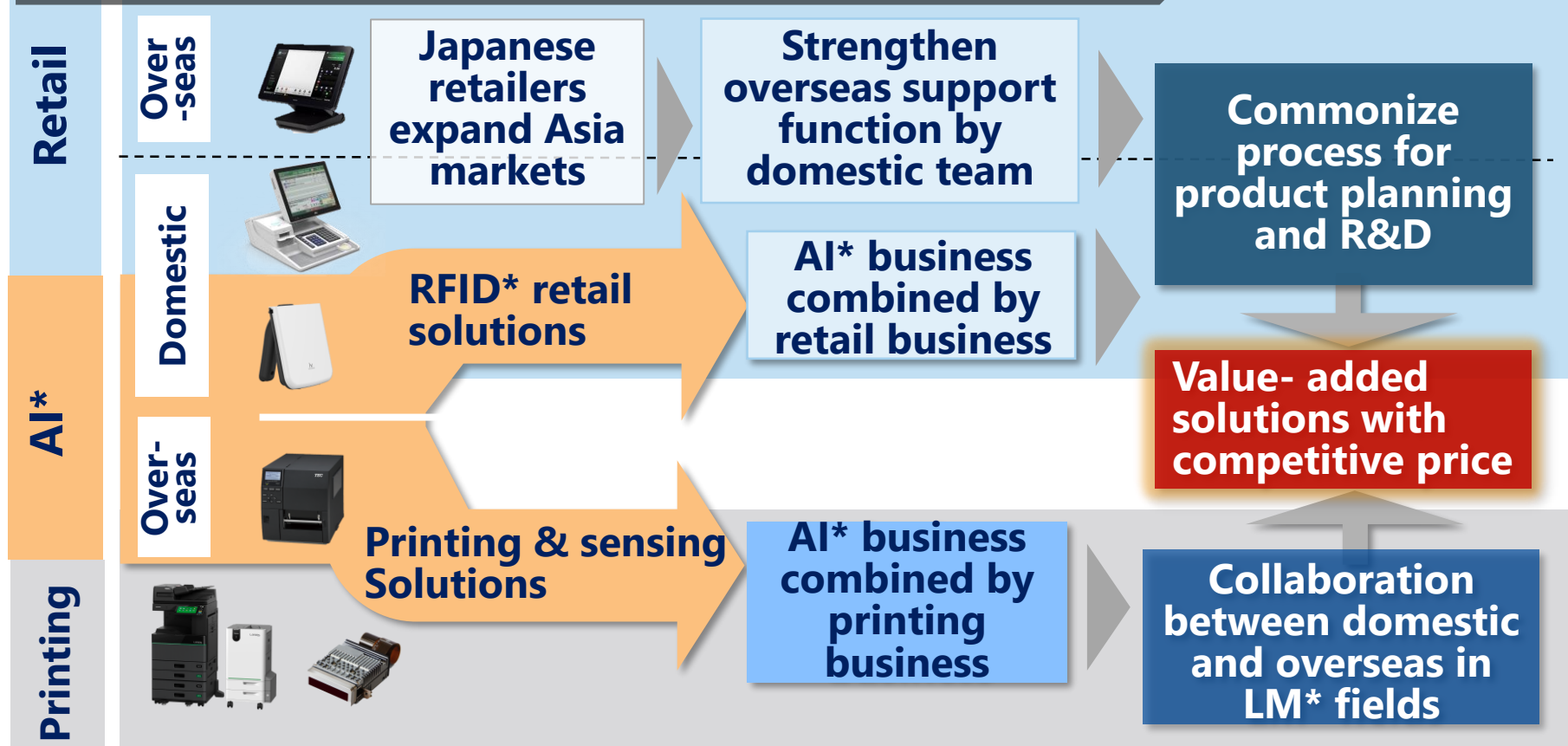
Organization Change

Optimize product development and sales support systems catering to customer characteristic and business climate

FY19

FY20~

Commonize product elements, technologies and solutions between domestic & overseas businesses



*AI...Auto ID *RFID...Radio Frequency ID

Key Issues

Shift into high gear to implement measures from a medium to long term perspective

① **Maximize profit from new solution businesses**

Grow to highly profitable service as well as increase sales in both retail and printing business

② **Recover profitability of printing business**

Maintain core business (office) and expand new domains (LMR*)

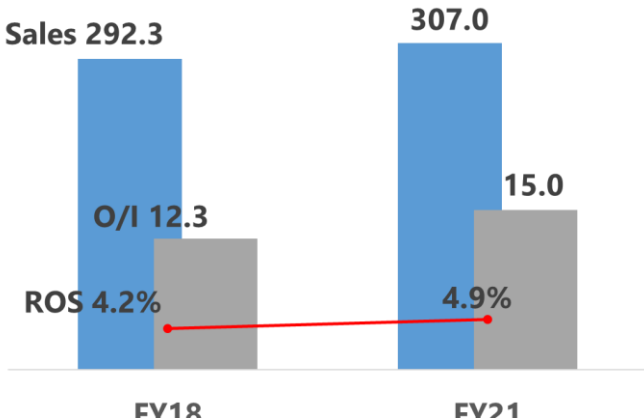
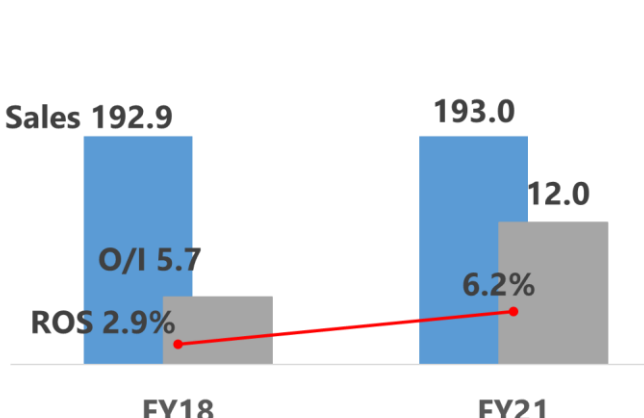
③ **Strengthen competitiveness in overseas retail business**

Retain existing customers and acquire new customers promptly introducing strategic products (hardware, solutions and new generation platform)

*LMR・・・Logistics(L), Manufacturing(M), Retail (R)

Key Points of FY19 MTBP

Set up business structure to secure long term profit from each business group, by investment toward the growth of retail solutions, and by improving earning power of printing solutions

Retail Solutions Business Group	Printing Solutions Business Group																								
<p>FY21 O/I ROS</p> <p>15.0 Bil. Yen/4.9%</p>	<p>FY21 O/I ROS</p> <p>12.0 Bil. Yen/6.2%</p>																								
<p>Turning point of business structure</p> <p>Foster new solution business through constant investments</p>	<p>New areas(LMR) as growth driver</p> <p>Improve O/I by 3.0 points</p>																								
 <p>A bar chart comparing FY18 and FY21 performance for the Retail Solutions Business Group. For FY18, Sales are 292.3, O/I is 12.3, and ROS is 4.2%. For FY21, Sales are 307.0, O/I is 15.0, and ROS is 4.9%. A red line connects the ROS values from 4.2% in FY18 to 4.9% in FY21.</p> <table border="1"> <thead> <tr> <th>Metric</th> <th>FY18</th> <th>FY21</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>292.3</td> <td>307.0</td> </tr> <tr> <td>O/I</td> <td>12.3</td> <td>15.0</td> </tr> <tr> <td>ROS</td> <td>4.2%</td> <td>4.9%</td> </tr> </tbody> </table>	Metric	FY18	FY21	Sales	292.3	307.0	O/I	12.3	15.0	ROS	4.2%	4.9%	 <p>A bar chart comparing FY18 and FY21 performance for the Printing Solutions Business Group. For FY18, Sales are 192.9, O/I is 5.7, and ROS is 2.9%. For FY21, Sales are 193.0, O/I is 12.0, and ROS is 6.2%. A red line connects the ROS values from 2.9% in FY18 to 6.2% in FY21.</p> <table border="1"> <thead> <tr> <th>Metric</th> <th>FY18</th> <th>FY21</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>192.9</td> <td>193.0</td> </tr> <tr> <td>O/I</td> <td>5.7</td> <td>12.0</td> </tr> <tr> <td>ROS</td> <td>2.9%</td> <td>6.2%</td> </tr> </tbody> </table>	Metric	FY18	FY21	Sales	192.9	193.0	O/I	5.7	12.0	ROS	2.9%	6.2%
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Retail Solution/Market Environment(Domestic)

Labor shortage & rise of personnel expenses

- Cost reduction
- Operation efficiency/IT technology
- Expansion of Self-Checkout market

Growth of e-Commerce (EC) raises management risk for bricks-and-mortar stores

- Surge of Omni-channel solution
- Enhanced additional value for stores
- Cost reduction
- Operation efficiency/IT technology

Change of store style caused by various payment methods & hardware, and proliferation of IoT

- Acceleration to lock-in existing customers
- Expansion of cashless payment

Retail/Basic Strategy

Provide total solutions throughout value chain originated from store

④ SC* Optimization solution

- 【Issues】**
- Labor shortage
 - Waste loss

Manu-
facturing ·
Logistics

Store

- 【Issues】**
- Labor shortage
 - Consumer's convenience

① Labor Saving/
New purchase experience

③ Data service

- 【Issues】**
- Promotion expense
 - Sales opportunity loss

Consumer
(Data analysis)

Payment ·
Delivery

- 【Issues】**
- Proliferation of EC
 - Consumer's convenience

② Multi-payment solution

*SC...Supply Chain

Retail/① Labor Saving of Stores & New Purchase Experience

Evolution of payment methods & our solutions

	STEP 1 (present)	STEP 1~2	STEP 2~3	STEP 3
Commodity registration	Store	Consumer	Consumer	Consumer
Payment	Store/ Consumer	Consumer	Consumer	Consumer
Payment Location	Fixed	Fixed	In-store free	Checkout free
Our solutions	Semi-SCO*	Cart POS Full-SCO* Self-Auto Scan (RFID, etc)	Cart POS (Through Checkout) POS App. (Smartphone)	Unmanned store system

*SCO: Self-Checkout



Retail/② Multi-Payment Solution

Provide various types of payment solutions smoothly facilitated by TD Payment Corporation, a subsidiary of Toshiba Tec group

Big change surrounding Japanese retailers



Provide Multi-payment solutions

METI "Cashless Vision"

Cashless settlement ratio 40% by 2025

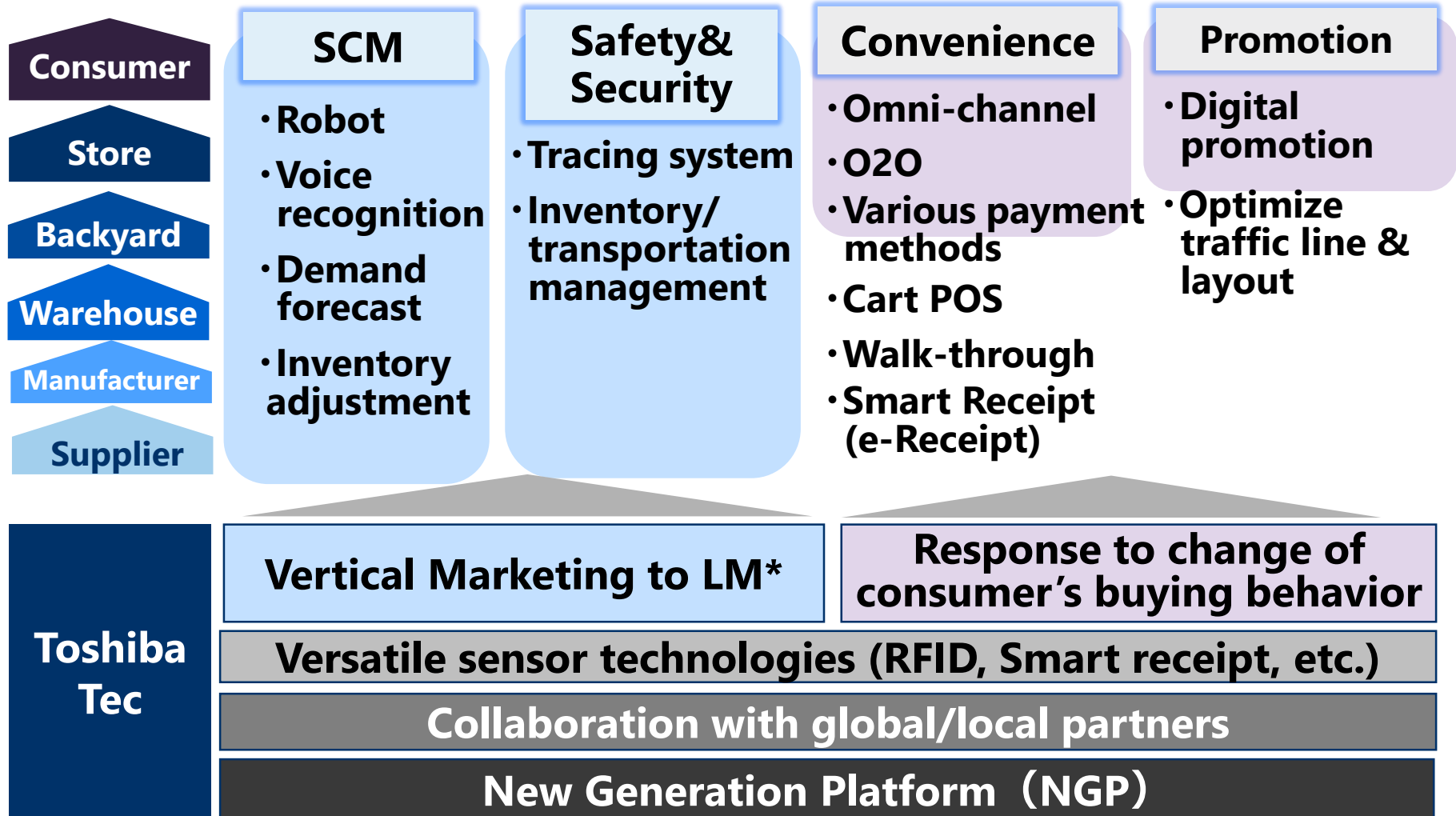
Amended Installment Sales Act

Non retention of credit card information and IC card adaption by Mar 31, 2020

- **Non retention of credit card information**
- **Various code/e-money payment**
- **Payment linked to Smart Receipt(e-receipt)**

Retail/③④SC* Optimization Solution & Data Service

Generate new value from supply chain originated by store
Provide data service and various SCM·CRM solutions



* SC...Supply Chain LM...Logistics & Manufacturing

Retail/①~④ Develop Retail Infrastructure by Smart Receipt

Accelerate the proliferation of Smart Receipt (e-receipt) verifying its contribution to regional revitalization

“Project to Living Convenience in Okinawa with Smart Receipt”

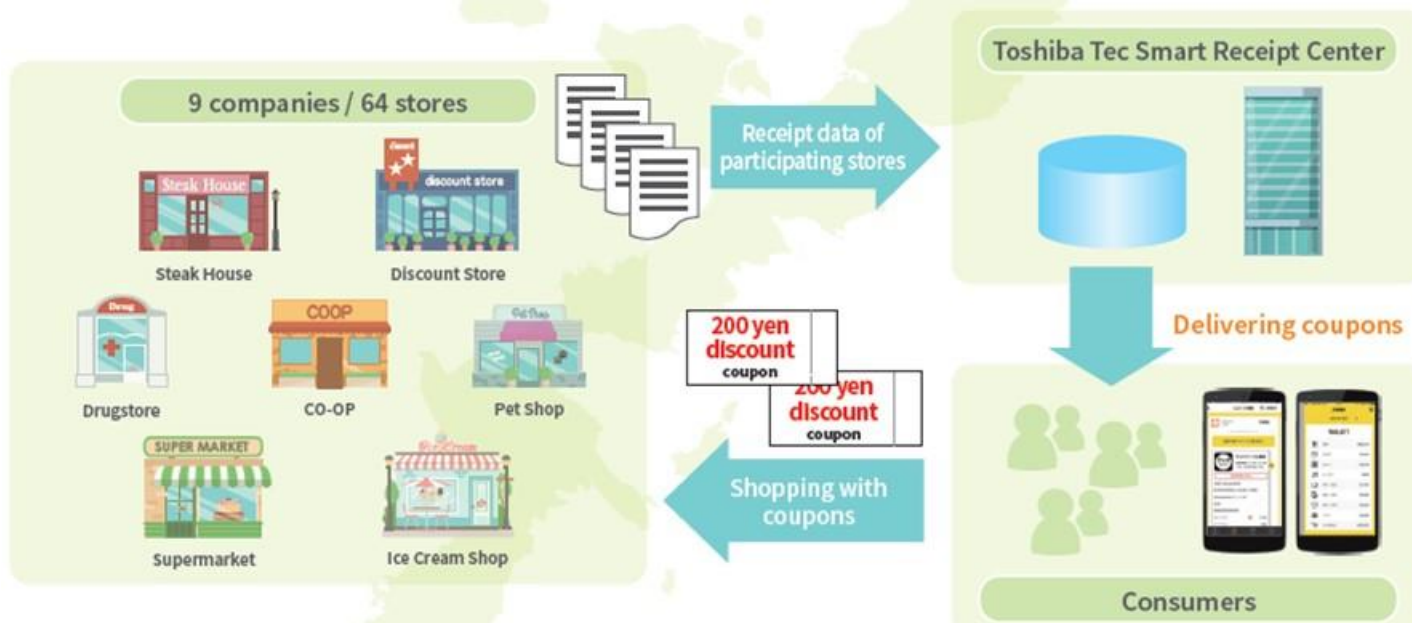
【Participants】

64 stores/9 enterprises in Okinawa pref.

【Period】 Sept. '18~ Apr. '19 (7 mos.)

【Verification】

- Accessibility and convenience of Smart Receipt by consumer
- Customer gathering power and sales promotion by store/maker



Retail/①~④ Case Introduction of Smart Receipt

Increase the consumer's opportunity to use Smart Receipt through cooperation with major point card companies and/or retailers' membership app

Mobile T Card (Point Card Company)

In 2020, Smart Receipt will be built in Mobile T Card app



Collaboration



POCKET PARCO (Shopping Mall)

Membership app "POCKET PARCO" supports Smart Receipt for members



Nov. 22 Open
"Shibuya PARCO"

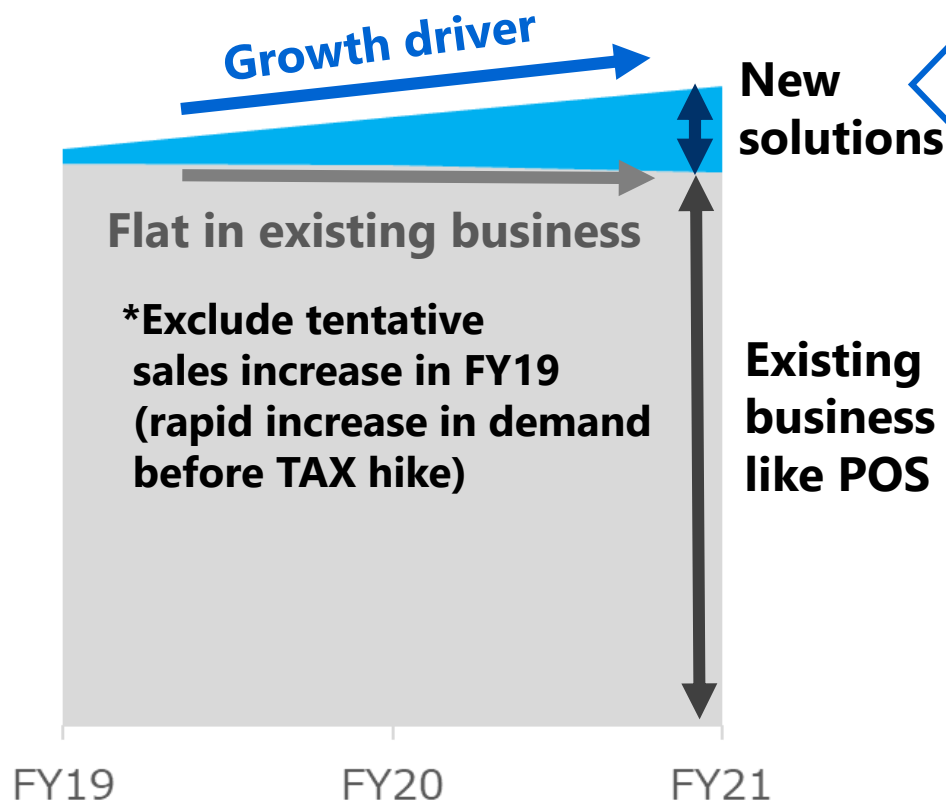


Retail (Domestic)/Path to the Growth

Formulate the business basis toward the vision
(both organic & with alliance)

Target of new solution sales is 15% against the sales in FY23

Sales of domestic retail (image)



Major new solutions

- **Data service**
 - ◆ Smart Receipt (e-receipt)
- **Payment solutions**
 - ◆ Cashless payment
- **Labor saving solutions**
 - ◆ Self-Checkout, Cart POS
- **RFID solutions**
 - ◆ Various types of sensors

*RS・・・Retail Solution

Retail/New Generation Platform

Retail ecosystem initiative collaborating with third parties like software application vendors

1 Micro services

Add various types of retail service app in module style

2 Subscription Model

Subscribed by app plugged-in

3 Data service

Data collection & analysis on the value chain by standardization of data format and app I/F

Bundle Service Application

General Merchandise

Specialty

Hospitality

...

New Generation Platform (NGP)

Utilize existing software/Accelerate new solutions/Enhance maintenanceability



Retail (Overseas) /Strategic Products

Introduce various types of self-checkout products into the labor saving retail markets growing worldwide



System 7

Versatile model catering to customize needs

Variation



Kiosk



Cashless

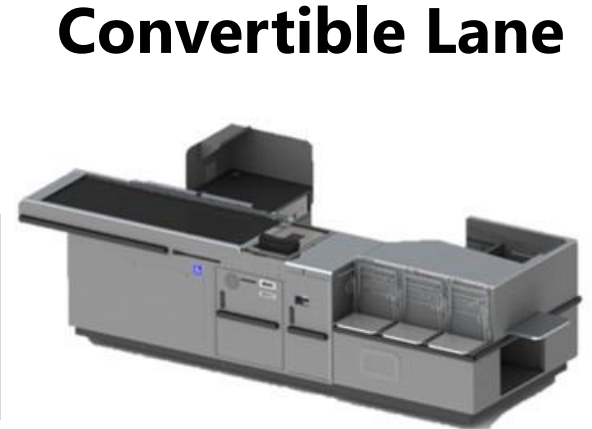


Countertop compact-type Self-Checkout

Base model for Asia

Customized by domestic model "SS-950U"

To be released in Asia/Europe
(Photo image: Asia version)



Convertible Lane

Solutions

- Frictionless solutions
- Consumer mobile
- Associate mobile
- Expanded lineup by Next Generation Platform + micro services including 3rd parties

Printing Solution/Market Environment

■ Office MFP market has matured in North America and Europe

- Slow sales of hardware but color MFP is likely to grow
- More paper-less, smaller document volume in office environment

■ Labor shortage in office operation especially at small and medium sized enterprises

- Operation efficiency by means of cloud computing, IT and AI is required
- More needs for document management solutions

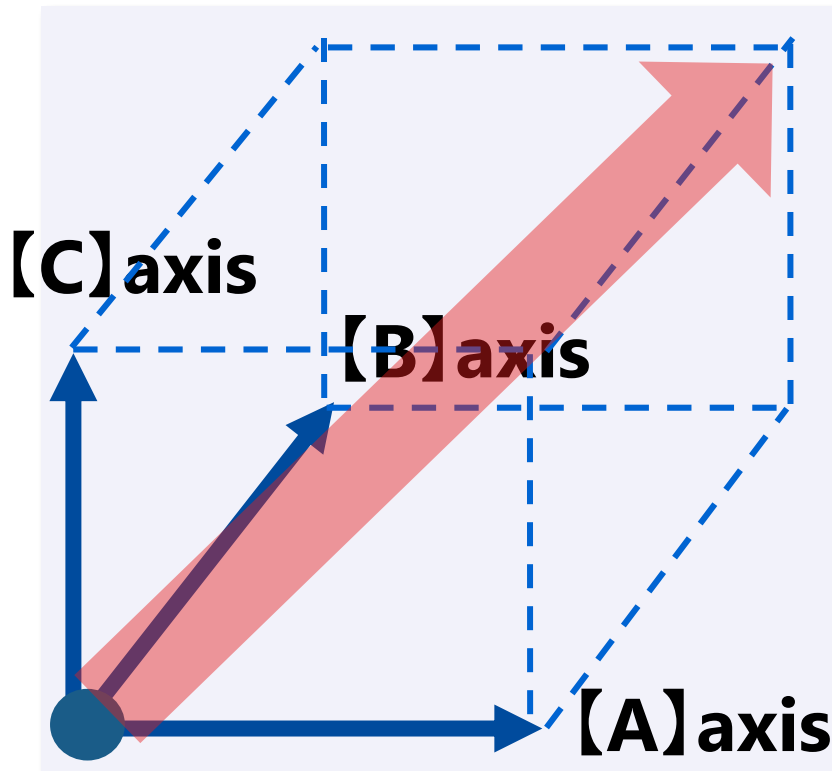
■ Demand increase of solutions for efficiency and productivity improvement in LMR* areas

- On-site solutions for store, logistics & manufacturing
- Solutions for back office operations

*LMR...Logistics(L), Manufacturing(M), Retail (R)

Printing/Basic Strategy

Expand business by **[B]** axis
Improve profit ratio strengthening business base
by **[A]** and **[C]** axes



[A] Reinforce office business

- Strategic new products
- Solutions line up matching the needs from SMB* offices

[B] Expand LMR business

- Deploy vertical marketing to Logistics, Manufacturing & Retail (LMR)

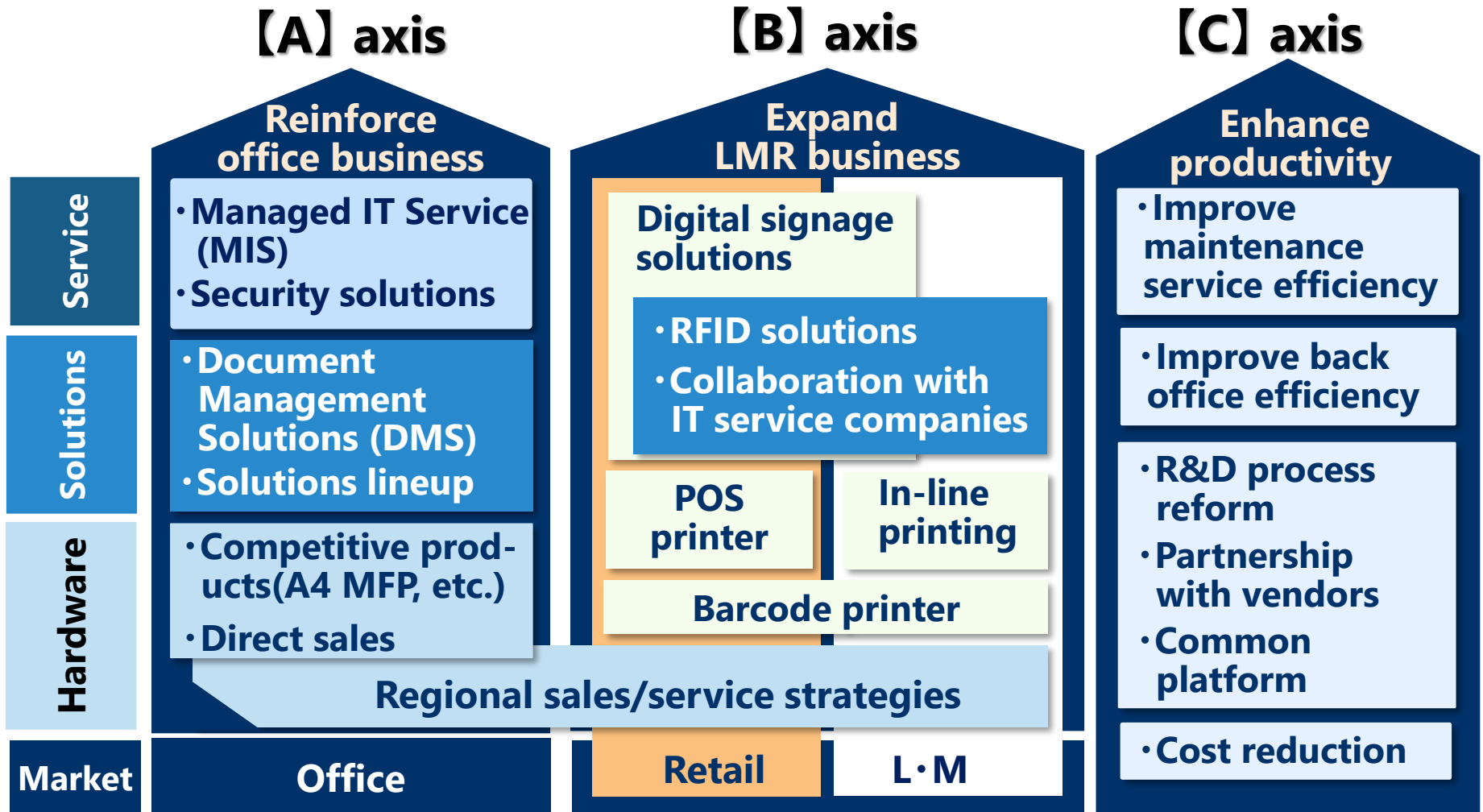
[C] Enhance productivity

- Increase R&D/production efficiency
- Increase sales/service efficiency

*SMB...Small and Medium sized Businesses

Printing/Key Measures

LMR* markets drive growth of printing business



*LMR...Logistics(L), Manufacturing(M), Retail (R)

Printing/Core Business (Office area)

Strengthen business base in office MFP market

■ Introduce strategic new products

- Launch own designed A4 MFP products (FY20)

■ Offer variety of solutions and services to SMB*

- Extend solutions lineup using SDK*
- Invest on DMS* field
- Plan to start MIS* in France following US, Australia, Canada, UK and German

■ Reinforce cost competitiveness

- Improve R&D efficiency through common platform
- Increase productivity of service technician
- Improve operation efficiency of back office

*SMB: Small & Medium sized Businesses SDK: Software Development Kit

*DMS: Document Management Solutions MIS: Managed IT Service

Printing/LMR Areas

Increase sales of LMR* business by focusing on our product strengths, solutions and customer base

Printing & sensing

- MFP
- Barcode printer(BCP)
- RFID (Reader/Writer)
- Digital Signage
- POS printer

LMR* solutions

- **“On-site” solutions**
 - Format & labeling
 - Contents management
 - Digital signage for stores
- **Back office solutions**
 - Digitalization & Storage (OCR)
 - Capture & Workflow
 - Document management

Global retail customer base

- **Sales collaboration with Toshiba Global Commerce Solutions, Inc. (Subsidiary of retail solutions)**
- **Propose value creation to our global retail customers and its supply chains**

FY19-21 CAGR target for LMR business > 116%

*LMR...Logistics(L), Manufacturing(M), Retail (R)

Printing/Enhance Productivity (Profitability improvement plan)

Secure profit level in every field of production, sales, R&D and service

② **Cost reduction + 1.0%**

- Procurement innovation
- Improve production line efficiency

Variable expenses



FY18-21 improvement

① + ② + ③ + ④ = + 3.2%

④ **Sales price reduction + foreign exchange, etc.**

△ 1.5%

③ **Others + 0.5%**

- Improve the range of models

Margin-al profit



Fixed expenses



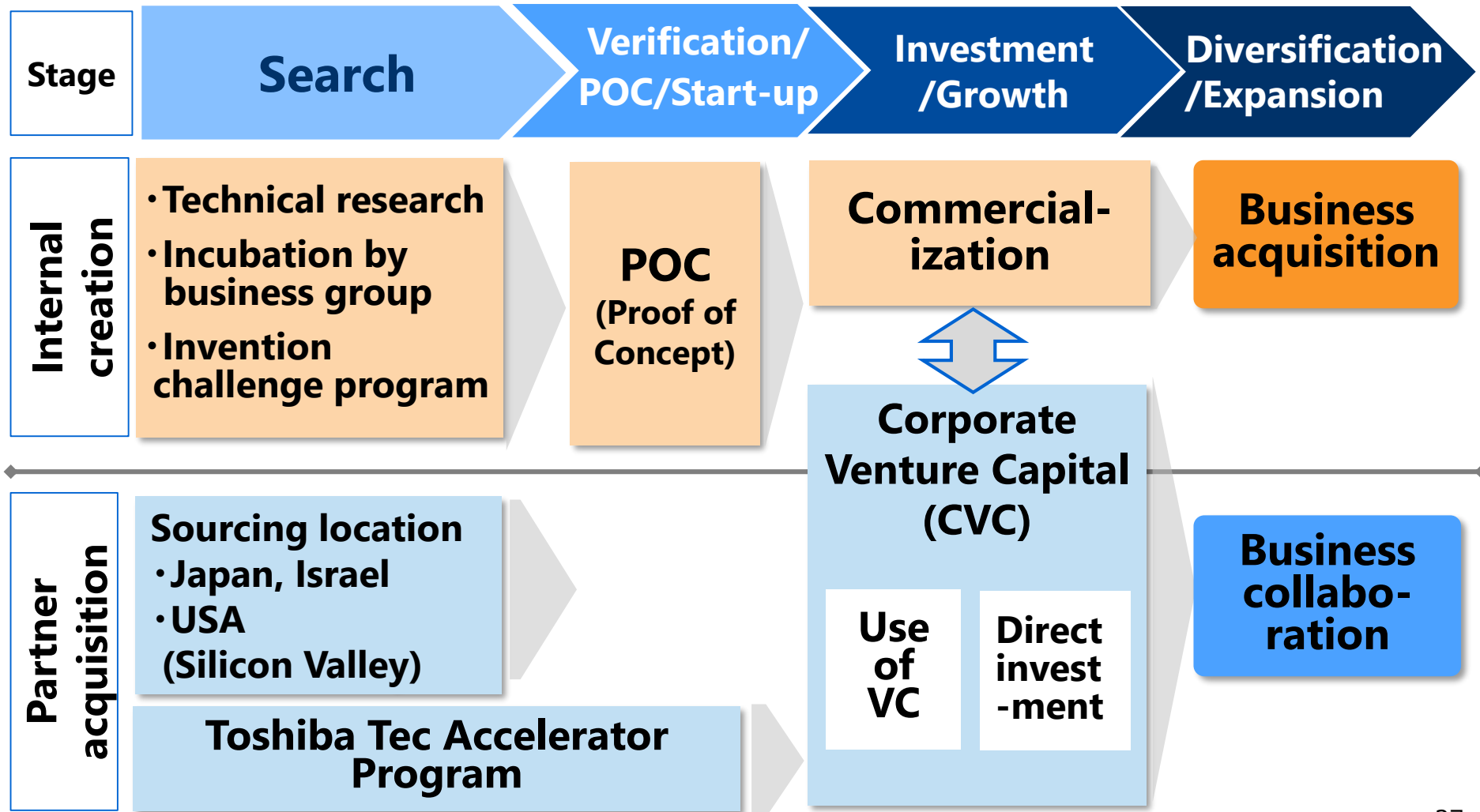
Profit

① **Fixed expenses + 3.2%**

- Increase productivity of R&D
- Improve maintenance service Efficiency
- Improve efficiency of back office operation

Foster & Commercialize New Business

Organize a mechanism capable of generating new business by alliances with partners



Toshiba Tec Accelerator Program ('18's result)

Sought business ideas from five categories
 Adopted eight venture capitals' and held the demonstration event in May, '19



New purchase experience



Supply chain



"x" Automation



Innovation with existing technologies/products



Innovation for the future

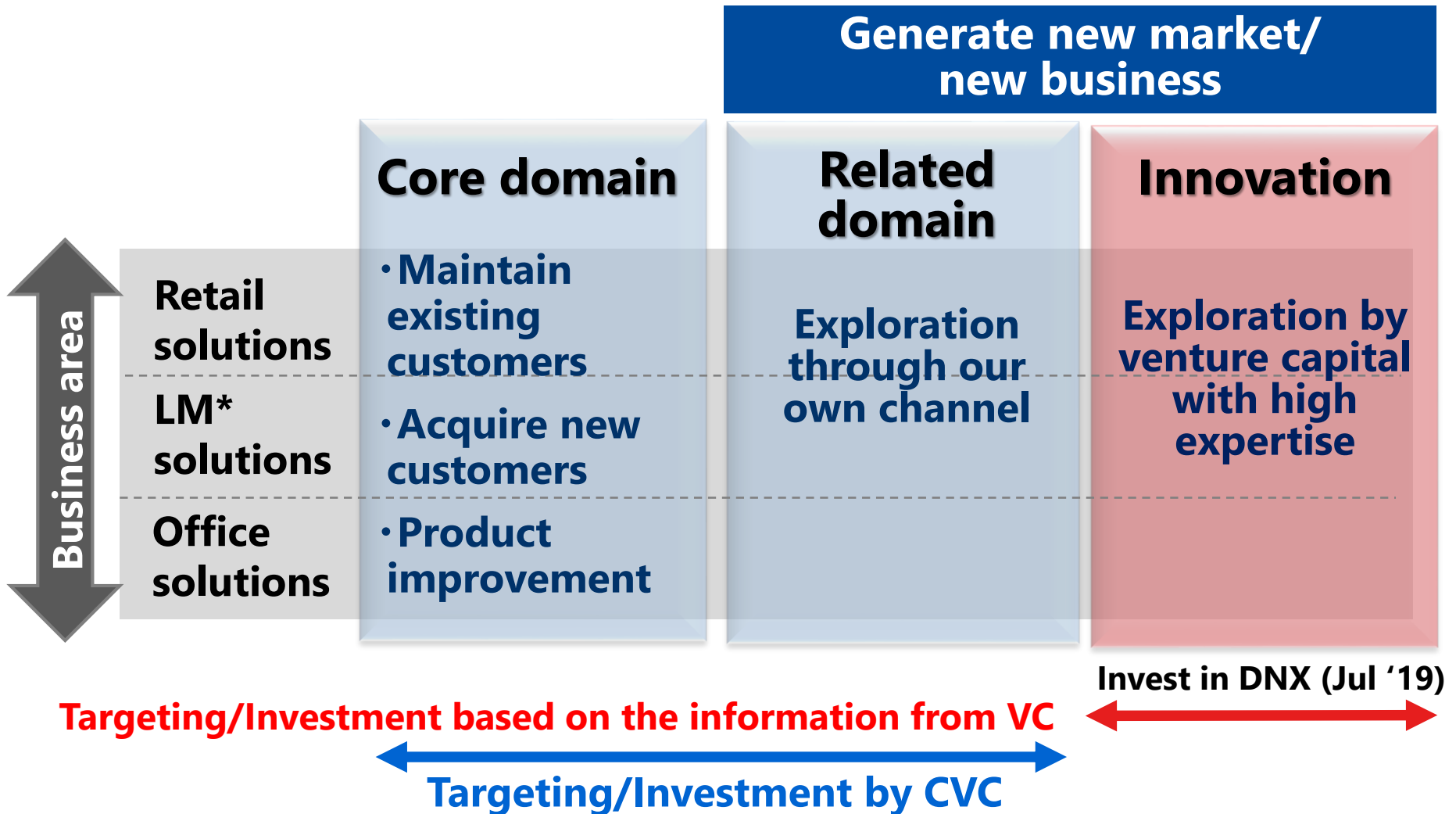
Toshiba Tec Accelerator Program 2018 8 Participants

Venture capital	Title of idea
Kedomo	New world realized by IoT funding
Monopos	SaaS/PaaS business for retailers
Sassor	『SSF-kit』 that helps Smart Factory
SPACER	New solutions realized by delivery locker "SPACER"
VRC	3D Innovation "Sasage"
Accel	Fusion of image processing & MFP by "GRADIA"
Skyfarm	Next generation last one mile logistics platform "New PORT"
Double Frontier	Substitute shopping service "Twidy" from Japan

'19's registration started from October

Corporate Venture Capital (CVC) Activity Status

Started fund investment in DNX Co. (VC) on July '19



*LM...Logistics(L) & Manufacturing(M)

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Financial Plan (All total)

Improve the profit ratio by focusing on sustainable and profitable service business, and on continued productivity enhancement

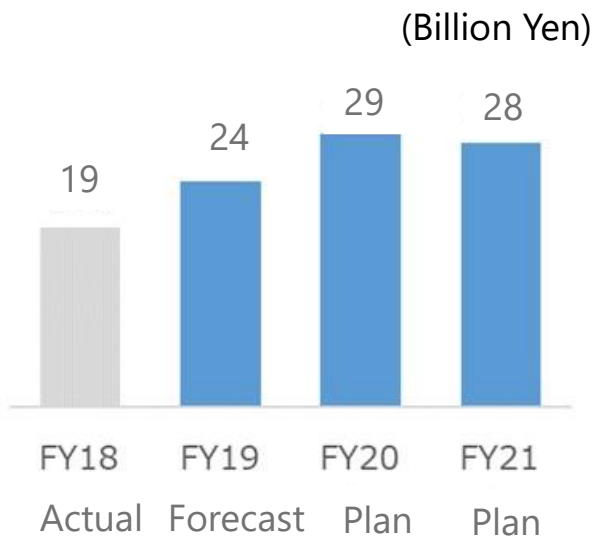
(Billion Yen)	FY19	FY21		FY22
	Forecast	Plan	vs FY19	Target
Sales	480.0	490.0	101.0%	
O/I	20.0	27.0	+7.0	
vs Sales	4.2%	5.5%	+1.3%	6.0%
PBT	12.0	16.0	+4.0	
Foreign Exchange				
USD/Yen	107.34	105.00	△2.34	
EUR/Yen	120.84	120.00	△0.84	

Operating CF, Capital Investment, Investments & Loans

Maximize operating cash flow (CF)
Establish growth path by proactive investments

Generate Operating CF

**FY19~21 Cumulative total
81 Billion Yen**



Investment Plan

**FY19~21 Cumulative total
62 Billion Yen**

***Capital
Investment
45 Bil.**

**Investment
& loan
17 Bil.**

- **New models, Production increase, R&D**
- **Automation, Streamlining, System reinforcement**
- **Data service, Payment solutions**
- **Channel investment, Solutions lineup**

*w/o effects of new lease accounting standards

Shareholder Return

■ Basic policy

On the basis of solid profitability, shareholder return is to be decided under consideration of the appropriate balance with growth investment

■ Strengthening profitability

ROE target is more than 10%

■ Dividend payout ratio

The guideline for payout ratio is 30%, aiming at continuous and stable dividends along with profit growth

Challenges for SDGs

Toshiba Tec, as a solution partner, focuses on its efforts to implement the SDGs along with customers by contributing its value creation in "retail", "office", "logistics" & "manufacturing"

Society Issues

- Economic development of community and social cost saving

- Work-style reform and measures against labor shortage

- Integration of EC and bricks-and-mortar stores

- Variety of checkout and payment methods

- Build a social infrastructure for business ecosystem

Customer Issues

- Strengthen marketing
- Improve efficiency and productivity

- Move to a paperless society
- Diminish food waste

- Sustainable use of resources and waste management



Toshiba Tec Challenges for SDGs



RFID Showroom & Lab in Toshiba Tec (SDGs related)

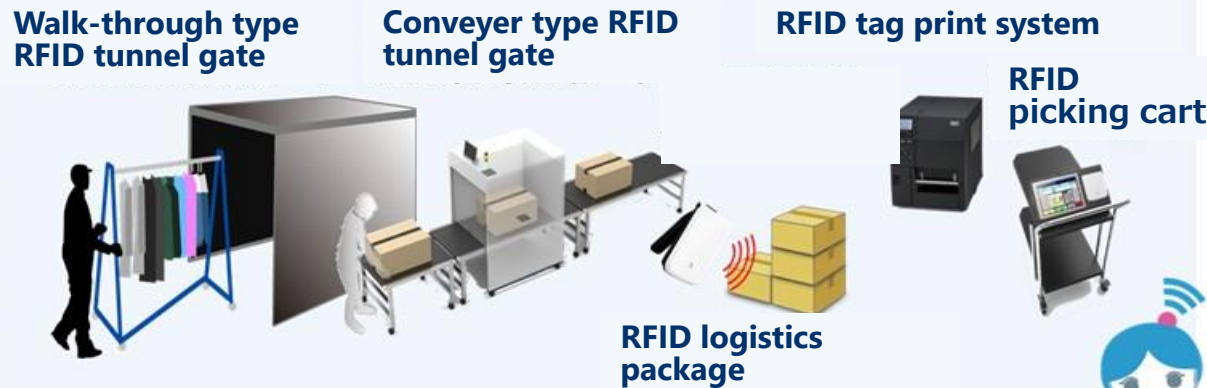
Help customers with improvement of operation efficiency and productivity in store, logistics and manufacturing

「TEC UX Lab」(Oval Court Mark East Bldg., Tokyo) offers visitors demonstrations and firsthand experiences of RFID solutions

Store solutions



Logistics solutions



“Loops” Paper Reusing System

Contribution to the environment with only one technology to “erase” printed text and “reuse” paper

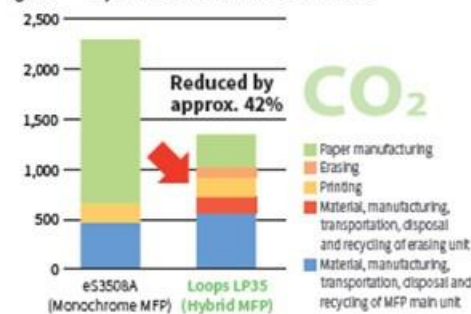
The contribution the hybrid MFP “Loops” makes to the SDGs has been recognized, and eventually won two awards: Excellence Award at the 1st EcoPro Awards and Eco Mark Award 2018 Excellence Award, for enabling regular printing as well as erasable printing on one single device.



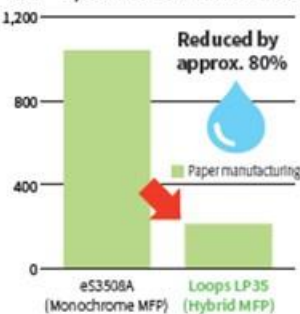
Contribution to the environment

Paper use reduced by reusing paper. Life Cycle Assessment (LCA) Indicates an approx. 42% reduction in CO₂ emissions and an approx. 80% reduction in water use.

1) Reduction in CO₂ emissions



2) Reduction in water use



Reduction in paper use with the conventional approach of printing



Eco-visualization Effect of paper reduction easily visualized

Administrators



Individuals

* Criteria used in the calculation of CO₂ reduction / basic unit
Electricity when used: Calculated based on typical electricity consumption (TEC), Number of printed sheets of paper: 270,000 sheets/5 years, Using the same paper 5 times. Calculation method: Third-party verification by British Standards Institution Japan, CO₂ (News Release issued by the Agency for Natural Resources and Energy), Paper (The 2011 edition of "Life cycle CO₂ emission of paper/cardboard" by the Japan Paper Association)

* Criteria used in the calculation of water reduction
Conducted by Toshiba Tec based on the estimate by Itsubo Laboratory at Tokyo City University
Number of printed sheets of paper: 270,000 sheets/5 years, Using the same paper 5 times

Forward-looking statements concerning TOSHIBA TEC's future performance contained in this presentation represent certain reasonable assumptions based on economic, financial and competitive data and information currently available. However, actual results will be affected by the business and competitive environment and may differ materially from forecasts.

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