

TOSHIBA

Leading Innovation >>>

FY2014
Consolidated Business Results
and
Retail Business Plan

TOSHIBA TEC CORPORATION

June 16, 2015

Agenda

1. FY2014 Results

2. FY2015 Forecasts

3. Retail Business Plan

1. Key Points of FY2014

- ✓ Final results were the same as in the previous forecast (May. 11)
- ✓ Due to the underperformance of the overseas retail business in the second half of the year, operating income(18.7 billion yen) and net income (-0.3 billion yen) were far below the previous year despite the growth of sales.

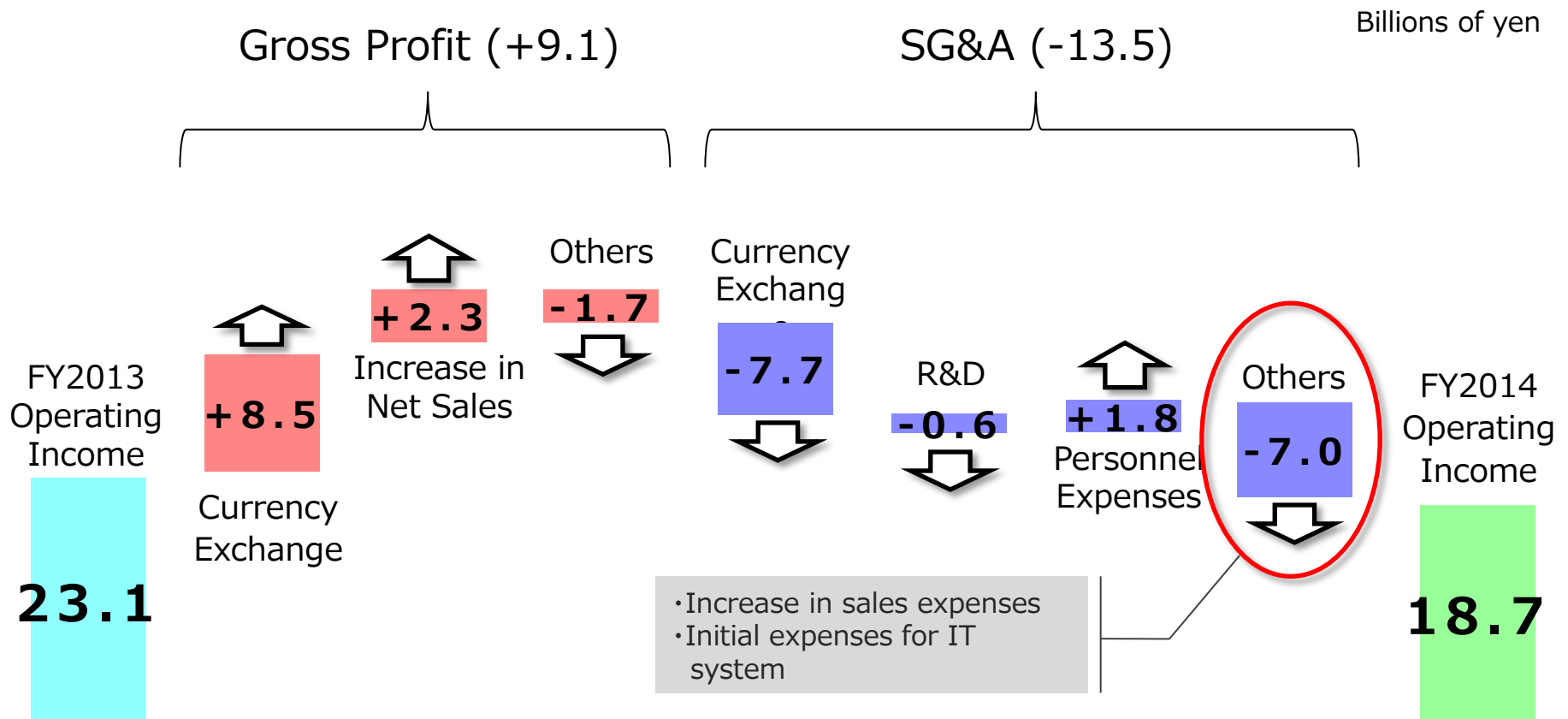
- **Net Sales: 525.3 billion yen (YoY: +26.4billion yen)**
Increased by 5% due to the sales increase of overseas printing business, domestic business, and foreign currency exchange gains.
- **Operating Income: 18.7 billion yen (YoY: -4.4 billion yen)**
Although the overseas printing business and domestic business grew, the GM of overseas retail business(GCS) decreased and the expenses increased. As a result, O/I decreased by 19% YoY to 18.7 billion yen.
- **Net Income: -0.3 billion yen (YoY: -7.4 billion yen)**
Decreased due to the increase of non-operating expenses associated with the foreign exchange loses, reversal of deferred tax assets and imbalance of regional income structure which temporary raised the corporate tax rate.
- **Free Cash Flow: 8.1 billion yen (YoY: +29.8 billion yen)**
Improved due to the decrease of payment to acquire the business of GCS (FY13: 21.8 billion yen -> FY14: 0.0 billion yen) .
- **Dividend**
The annual dividend of 13 yen per share has been approved. (YoY: +5 yen).

2. FY2014 Consolidated Results

(Billions of yen)		FY2014 Actual	FY2013 Actual	Difference VS.FY2013
Net Sales		525.3	498.9	+26.4
	(Growth rate)			105%
Operating Income		18.7	23.1	△4.4
	(Rate of Sales)	(3.6%)	(4.6%)	(△1.0%)
Ordinary Income		12.0	20.1	△8.1
	(Rate of Sales)	(2.3%)	(4.0%)	(△1.7%)
Income(loss) from continuing operations, before income taxes and minority interests		11.3	14.4	△3.1
	(Rate of Sales)	(2.1%)	(2.9%)	(△0.8%)
Net Income		△0.3	7.1	△7.4
	(Rate of Sales)	(△0.1%)	(1.4%)	(△1.5%)
Free Cash Flow		8.1	△21.7	29.8
Foreign currency exchange rate	US\$	109.16	99.75	9.41
	EUR	139.43	133.37	6.06

3. Operating Income Analysis of FY2014

- ✓ The effect of currency exchange rate change on gross profit and selling, general & administrative expenses (SG&A) add up to +0.8 billion yen.
- ✓ The major factor of decrease in the operating income was the increase in the SG&A related to GCS business etc .



4. Net Sales & Operating Income by Segment

	(Billions of yen)	FY2014 Actual	vs. FY2013	Difference vs. Forecast
System Solutions Business Group	Net Sales	199.3	+4.0	+3.3
	(Growth rate)		102%	102%
	Operating Income	10.2	+0.5	△0.8
	(Rate of Sales)	(5.1%)	(+0.1%)	(△0.5%)
Global Solutions Business Group	Net Sales	340.4	+22.9	△8.6
	(Growth rate)		107%	98%
	Operating Income	8.5	△4.9	△6.5
	(Rate of Sales)	(2.5%)	(△1.7%)	(△2.4%)
Consolidated Total	Net Sales	525.3	+26.4	△4.7
	(Growth rate)		105%	99%
	Operating Income	18.7	△4.4	△7.3
	(Rate of Sales)	(3.6%)	(△1.0%)	(△1.3%)

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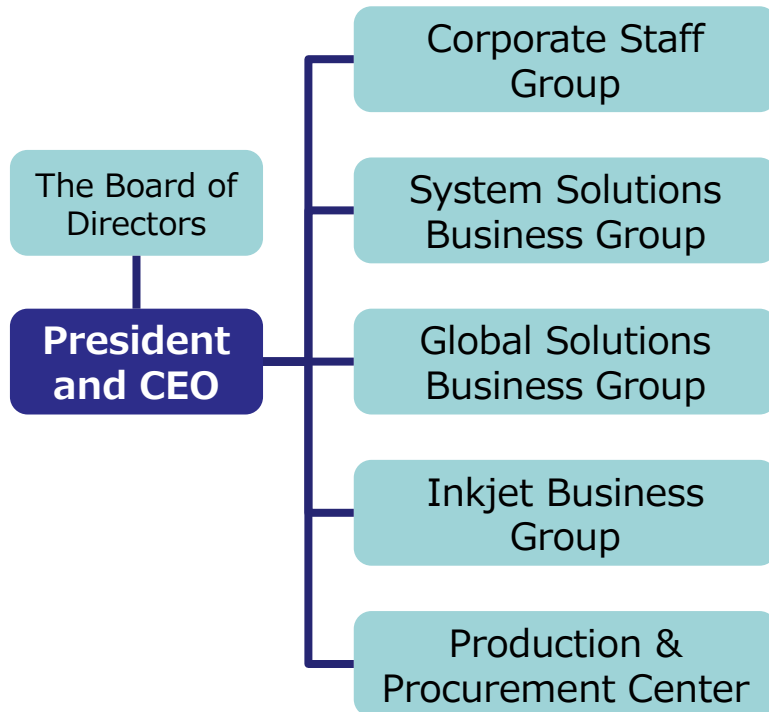
1. FY2015 Forecast, Overall

(Billions of yen)		FY2015 Forecast	FY2014 Actual	Difference VS.FY2014
Net Sales		560.0	525.3	+34.7
(Growth rate)				107%
Operating Income		25.0	18.7	+6.3
(Rate of Sales)		(4.5%)	(3.6%)	(+0.9%)
Ordinary Income		22.0	12.0	+10.0
(Rate of Sales)		(3.9%)	(2.3%)	(+1.6%)
Net Income		7.0	△0.3	+7.3
(Rate of Sales)		(1.3%)	(△0.1%)	(+1.4%)
Foreign currency exchange rate	US\$	120.00	109.16	+10.84
	EUR	130.00	139.43	△9.43

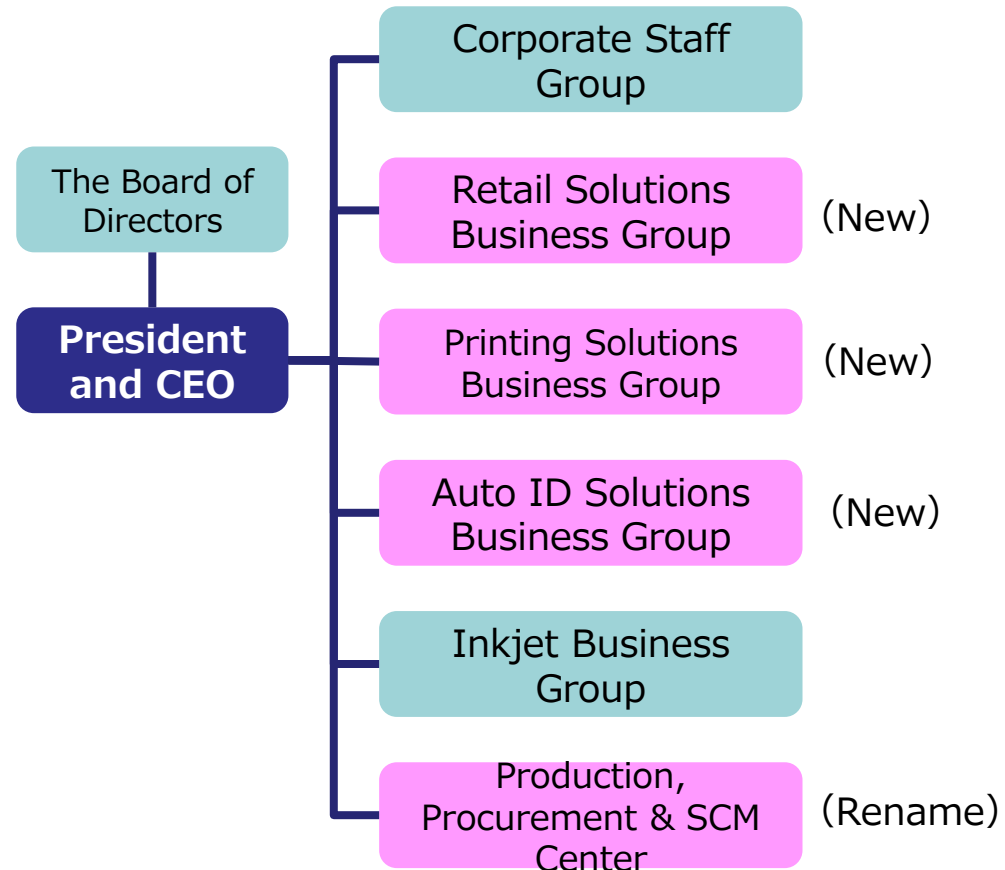
2. (Topics) Organization Realignment dated April 1

As of April 1, we have changed from an organization aligned by region to one aligned by products and services.

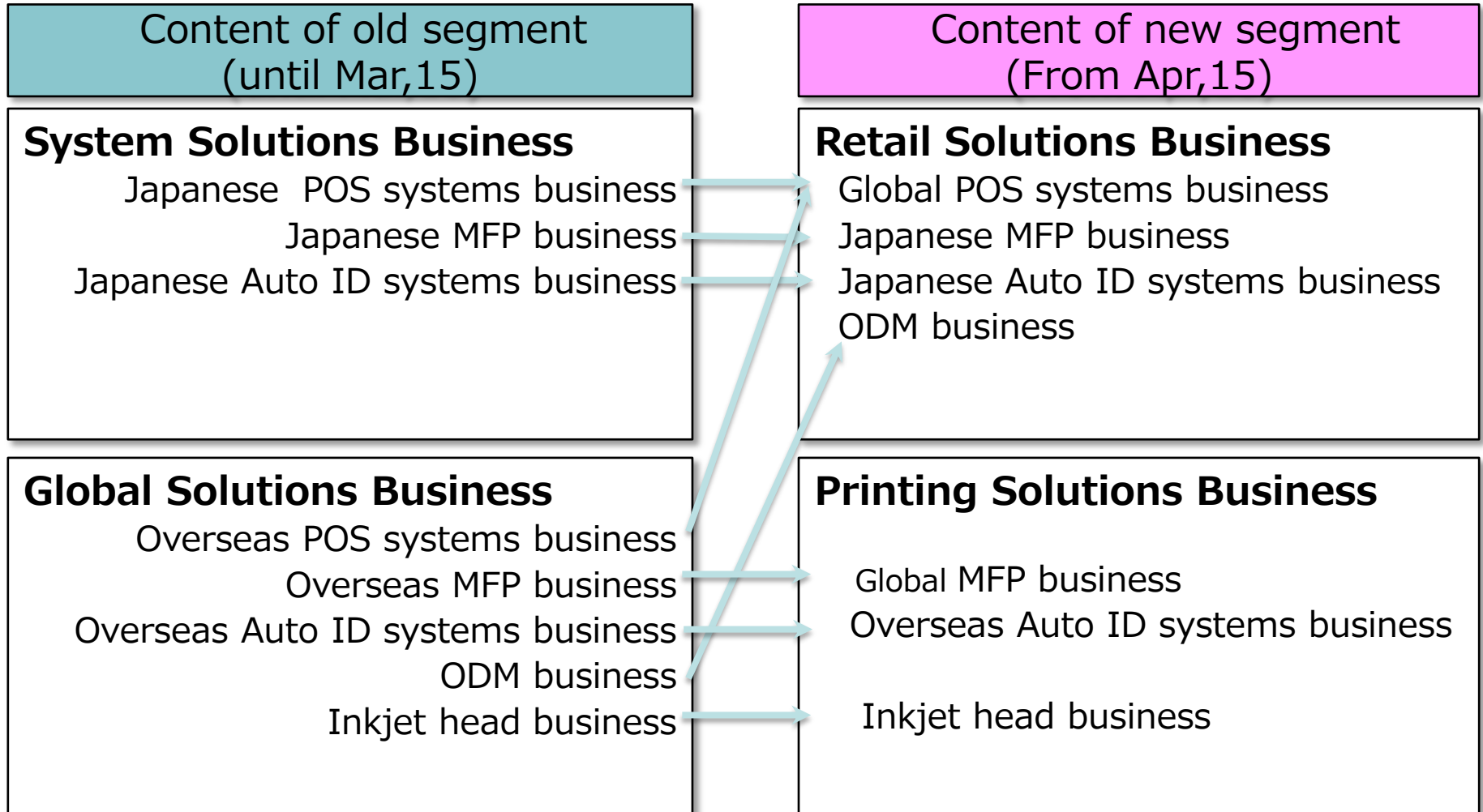
Until March 31, 2015



From April 1, 2015



3. New segmentation



4. FY2015 Forecast by Segment (in new segmentation)

	(Billions of yen)	FY2015 Forecast	FY2014 Actual	Difference vs. FY2014
Retail Solutions Business Group	Net Sales	350.0	325.1	+24.9
	(Growth rate)			108%
	Operating Income	13.0	1.3	+11.7
	(Rate of Sales)	(3.7%)	(0.4%)	(+3.3%)
Printing Solutions Business Group	Net Sales	230.0	213.1	+16.9
	(Growth rate)			108%
	Operating Income	12.0	17.4	△5.4
	(Rate of Sales)	(5.2%)	(8.2%)	(△3.0%)
Consolidated Total	Net Sales	560.0	525.3	+34.7
	(Growth rate)			107%
	Operating Income	25.0	18.7	+6.3
	(Rate of Sales)	(4.5%)	(3.6%)	(+0.9%)

Note: FY2014 is in new segmentation

1. FY2014 Results

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1-1. FY2014 Review

Future growth can be expected despite severe business conditions in every market and increasingly tough competition

【Market Environment】

- (JPN) - Deterioration of retailers performances due to the effects of consumption tax increase.
 - Acceleration of mergers & alliances in the retail industry.
- (N.A) - Retail market is growing under the steady economic improvement
 - However, customers are taking a wait-and-see attitude toward new H/W investment, considering the market shift to omni-channel.
- (EUR) - Economic conditions are on a moderate recovery track, but customers are cautious about new investments because of political and security uncertainties in some countries.
- (AP) - Maintain high growth rate at a slower pace.

【TTEC】 Sales comparison (FY2014 vs FY2013)

(Japan) FY2014 sales increased compared with the same period of the previous year despite the slower recovery in retail industry.

Full Year 102%, 1st half 104%, 2nd half 101%

(Overseas) FY2014 sales exceeded those of a previous year owing to favorable currency exchange rates. Full Year 106%, 1st half 107%, 2nd half 104%

*** Excluding currency benefit, FY2014 sales were below a previous year.**

1-2. FY2014 Results (vs FY2013/vs Forecast dated Jan28)

	(Billions of yen)	FY2014 Actual	Difference vs FY2013	Difference vs Forecast dated Jan28
Retail Solutions Business Group	Net Sales	325.1	+9.4	△2.8
	(Growth rate)		103%	99%
	Operating Income	1.3	△9.3	△7.7
	(Rate of Sales)	(0.4%)	(△3.0%)	(△2.3%)
Printing Solutions Business Group	Net Sales	213.1	+16.0	△2.0
	(Growth rate)		108%	99%
	Operating Income	17.4	+4.9	+0.4
	(Rate of Sales)	(8.2%)	(+1.9%)	(+0.3%)
Consolidated Total	Net Sales	525.3	+26.4	△4.7
	(Growth rate)		105%	99%
	Operating Income	18.7	△4.4	△7.3
	(Rate of Sales)	(3.6%)	(△1.0%)	(△1.3%)

Note: Figures are in new segmentation

2. Issues in Retail Business

Issues through FY14

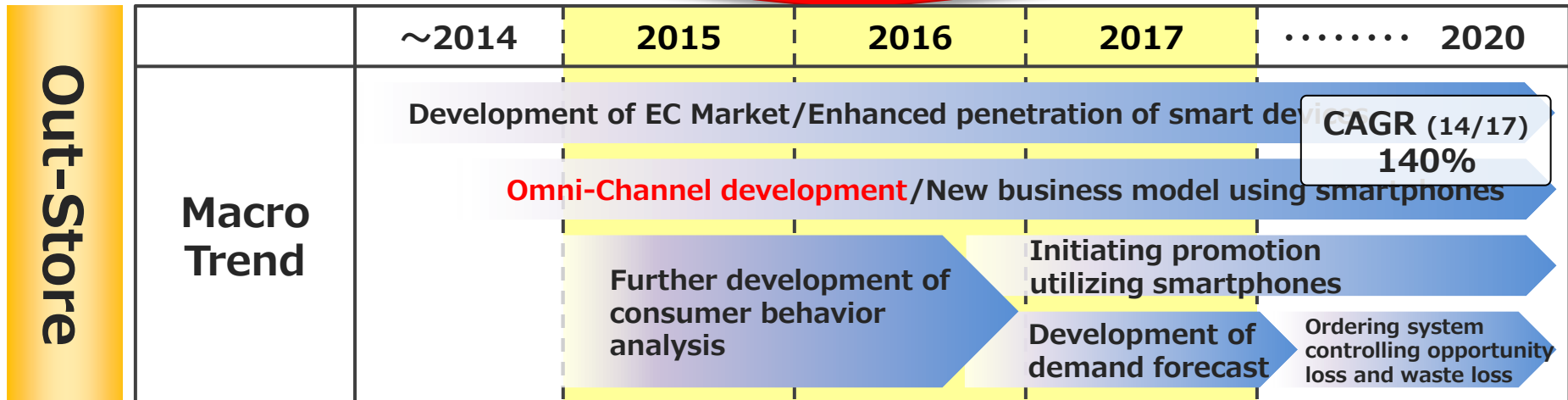
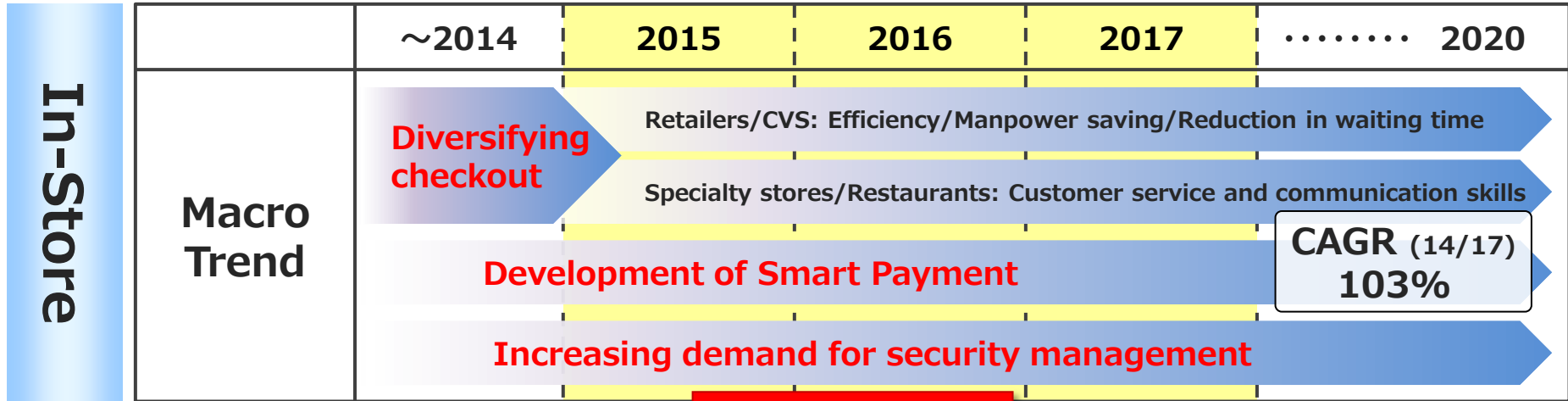
- 1. Deterioration in profitability in overseas maintenance business**
 - Declining productivity in the course of business transfer
- 2. Delay in Structural Reforms**
 - Delay in both H/C optimization outside Japan and reorganization of sales subsidiaries
- 3. Delay in delivery of solutions to customers**
 - SW customization is requested to adapt to omni-channel
- 4. Decline of sales to Business Partner(BP) route**
 - Lack in management and support

Issues identified in 4Q

- 1. Unexpected sales shift to FY2015 at TGCS**
 - Rescheduled delivery due to customers' requests
 - Delay in winning orders due to the effects of strong US\$ (⇔ emerging countries' currency depreciation)
- 2. Increases in operating transition costs incurred in overseas business**
 - Initial expenses for TGCS global unified IT systems
 - Increased expenses for SW Customization
- 3. Increases in sales related fixed expenses**
 - Marketing Expenses/Consulting Fees

3. Market Trends

Investment priority will be shifted from H/W to S/W and system omni-channel solutions will be further developed in the retail market



4. Future Vision of Retail Business

Expand solutions 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

Data Service Solutions

POC

O2O

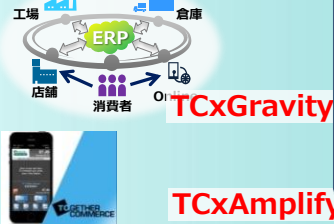
Omni-channel shopping solutions

- One point (centralized) management of customer information
- Strengthen CRM/SCM solutions

Out-Store Solutions

Store System Total System (Specialty·Food& Beverage)

Integrated Solutions (Shopworks/ShopDirector)



Smart Receipt®



TCxGravity

TCxAmplify

Diversifying checkout

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

In-Store Solutions

POS

TCxFlight

IS-910T



5. Key challenges for future growth

1. Restructuring Management Structure

- Reorganize company-wide management structure
Change to a sales and service organization aligned by region
- Increase efficiency in distribution channels, including logistics

2. Early establishment of stable profitability

- Strictly control and reduce transition costs in overseas business
Execute structural reforms focusing on overseas business
- Strengthen organization structure in overseas maintenance/service
Strengthen products competitiveness through collaboration between inside and outside Japan

3. Strengthening existing businesses

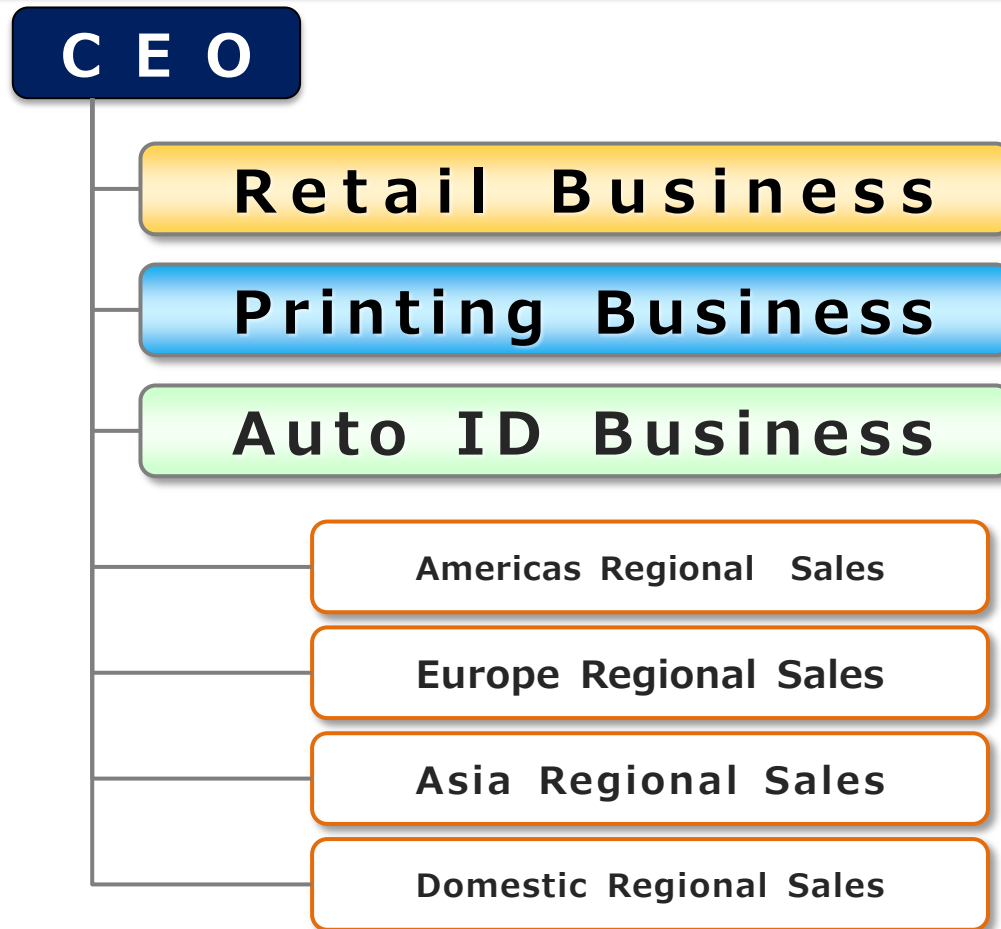
- (Japan) Cope proactively with the following changes:
 - Consumption tax increase/MA replacement cycle/Inbound/Manpower saving
- (Overseas) Strengthen support structure for the followings
 - MA/BP/European & Asian operations/Manpower saving

4. Expanding new businesses (solution business)

- Expand omni-channel solution offerings
- Strengthen the lineup of local-fit products/solutions
- Expand the menu for maintenance/service
- Expedite start of Data Service Solution business

6-1. Management structure (Future vision)

Establish a sales and service organization by region aimed at achieving further growth by promoting our ability to offer local-fit solutions.




6-2. Reduction of transition costs in overseas business

Improve profitability by reducing transition costs

- Reduction of IT expenses for TGCS unified global system

- Expenses were duplicated during the transition from the existing system to the new one
- Accumulated extra expenses due to the development delay in new IT system

Will be eliminated
by stable operation
of new system



Leverage the effect of cost reduction by new operation system to improve profitability

- Reduction of customization expenses for omni-channel solutions

- Expand sales of omni-channel solutions by strengthening the capability to identify an individual demand for each customer
- Enhance customization skills and increase development efficiency

6-3. Implementation of Structural Reforms

Improve cost structure by optimizing H/C and increasing efficiency through integration of subsidiaries

- **Optimize H/C by region and function**
 - **Execute adequate H/C distribution overseas**
 - ✓ Increase efficiency in R&D/Staff/Sales
 - ✓ Strengthen strategic functions
 - ⇒ increase H/C in service and solutions

● **Reorganize sales subsidiaries to adapt to business conditions**

- **Further integrate existing subsidiaries**
 - ✓ Promote integration in Europe
 - ✓ Share back office operations to achieve further efficiency

6-4. Strengthening of Products Competitiveness & Maintenance & Services Structure

Establish robust business foundation by promoting cost reduction & strengthening maintenance and service business.

● Strengthen product competitiveness through CR and R&D alliance

- **Accelerate CR activities**
 - ✓ Promote joint purchases
 - ✓ Reduce distribution costs
- **Strengthen development process alliance**
 - ⇒ Resource optimization
 - ✓ Concentration of R&D locations
 - ✓ Common platform

● Strengthen overseas maintenance/service business structure

- **Deploy every measure to reduce costs**
 - ✓ Reduce costs in operations /parts/employment
- **Enhance TTEC Group synergy effects**
 - ✓ Promote integrated operations between retail and printing maintenance business

6-5. Acceleration Sales expansion in New Business

Expand business domains to out-store and data service solutions from in-store solutions

- **Enhance product lineup for Omni-channel solutions**

- Enhance versatility by promoting alliance with Microsoft Dynamics
- Accelerate realization of TCxGravity sales to major retailers

- **Expand the menu of maintenance/service**

- Expand menu of maintenance/service
- Expand sales of professional services

- **Enrich product lineup for Data Service Solutions**

- **Expand scale of Smart Receipt business**
 - ✓ Started services in the northeastern area of Japan, aiming to develop the business both in and outside Japan.

Human Smart Community

by Lifenology – the technology life requires



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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