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FY2016 Toshiba Tec Management Policy
（Mid-Term Business Plan）

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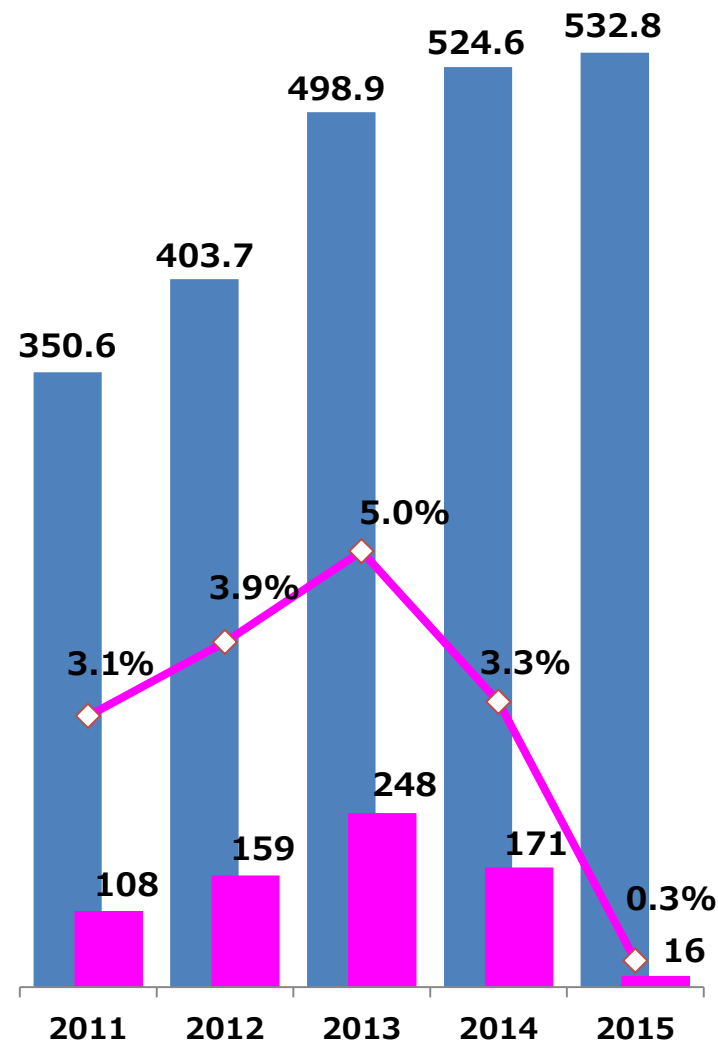**Toshiba Tec Corporation**

August 30, 2016

Agenda

1. Summary of FY2015

2. Progress of the GCS Business Revitalization Plan

3. Changes in Market Environment

4. Mid and Long Term Vision

5. Retail Solutions Business Development Scenario

6. Printing Solutions Business Development Scenario

7. FY2018 Financial Target

8. CSR Management

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1-1. FY2015 Results (overall)

(Billion yen)	FY15 Actual	vs. FY2014
Net Sales	**532.8**	**+8.2**
(Growth Rate)		(102%)
Operating Income	**1.6**	△**15.5**
(Rate of sales)	(0.3%)	(△3.0%)
Ordinary Loss	△**2.3**	△**12.7**
(Rate of sales)	(△0.4%)	(△2.4%)
Loss attributable to owners of parent	△**103.4**	△**102.3**
(Rate of sales)	(△19.4%)	(△19.2%)
currency exchange rate **US$**	**120.77**	**+11.61**
(Yen) **EUR**	**132.74**	△**6.69**

【**Business Trend**】 (Billion yen)
(Net sales/Operating income/ROS)

Year	2011	2012	2013	2014	2015
Net sales	350.6	403.7	498.9	524.6	532.8
Operating income	108	159	248	171	16
ROS	3.1%	3.9%	5.0%	3.3%	0.3%

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1-2. FY2015 Results (by Segment)

(Billion yen)		FY2015 Actual	vs. FY2014
Retail Solutions Business Group	**Net Sales** (Growth rate)	**324.8**	**+0.4** (100%)
	Operating Loss (Rate of sales)	△**11.5** (△3.5%)	△**11.1** (△3.4%)
Printing Solutions Business Group	**Net Sales** (Growth rate)	**220.2**	**+7.1** (103%)
	Operating Income (Rate of sales)	**13.1** (5.9%)	△**4.4** (△2.3%)
Consolidated Total	**Net Sales** (Growth rate)	**532.8**	**+8.2** (102%)
	Operating Income (Rate of sales)	**1.6** (0.3%)	△**15.5** (△3.0%)

【**Business Trend**】　(Billion yen)

(**Net Sales**)

(Printing Solutions)
213.1　220.2

(Retail Solutions)
324.4　324.8

2014　2015

(**Operating income/ROS**)

(Printing Solutions)
17.5
8.2%
△0.1%
13.1
5.9%
△3.5%

(Retail Solutions)
△0.4
△11.5

2014　2015
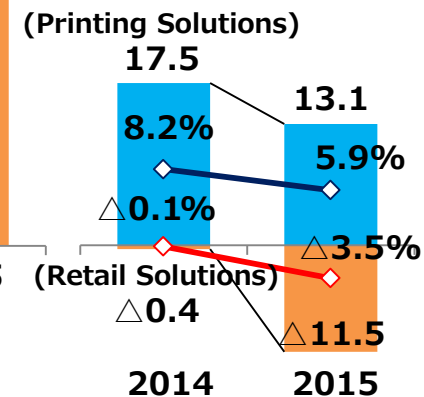
1-3. Issues & Actions （Achieve business growth through structural reforms ）

Retail Solutions Business

- **Implement structural reforms in the GCS business**
  - ➢ Optimization of head counts and office locations
- **Establish a steadily profitable organization**
  - ⇨ **Expand sales**
    - ➢ Enhance the range of cost competitive products
    - ➢ Strengthen maintenance business/focus on major accounts
- **Achieve business growth through solutions**
  - ⇨ **Develop products and services responding to market needs**

Printing Solutions Business

- **Achieve business growth through solutions**
  - ⇨ **Enhance sales by promoting differentiation strategy in our strong fields**
    - ➢ Increase solutions for retail, logistics and manufacturing
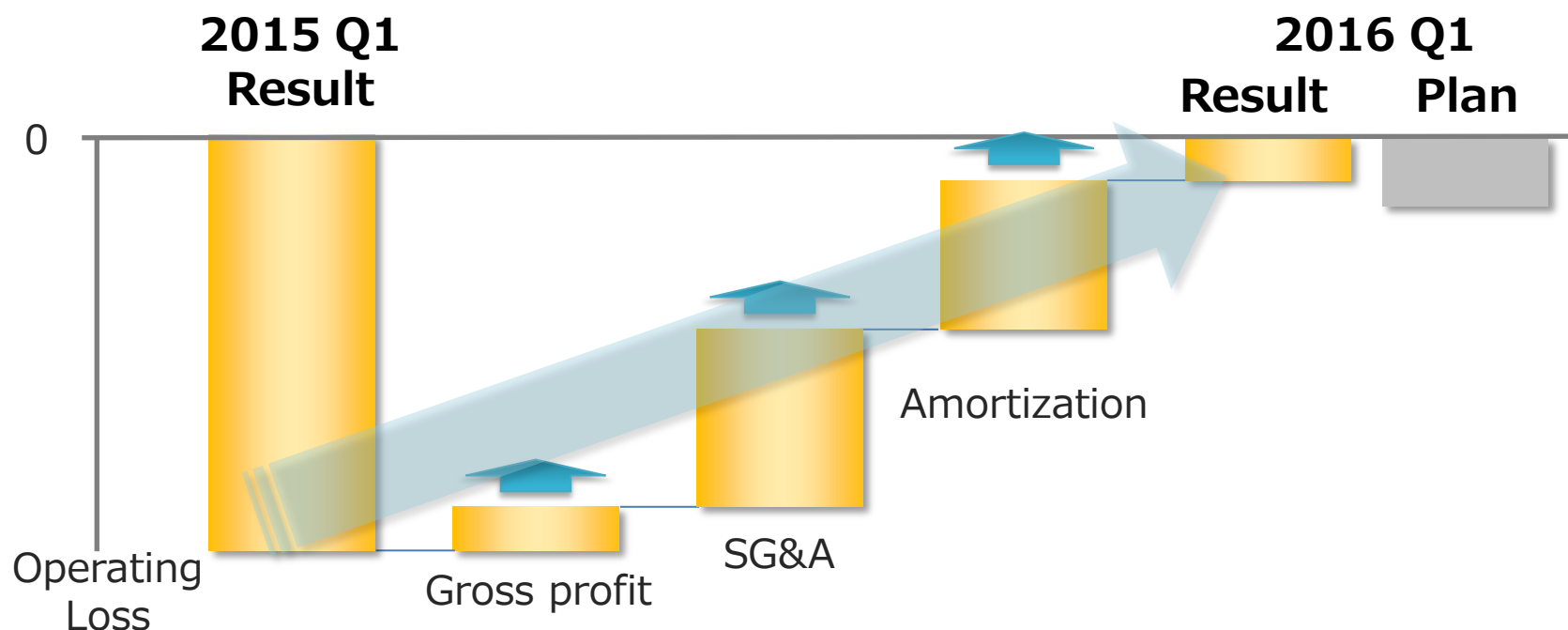   - ➢ Enhance solutions by BCP, Auto-ID and recognition technology

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2. Progress of the GCS revitalization plan ①

Current Issues		Actions already taken	Actions to be taken
Extra operating costs		◆ Completed Plan-B major integration except for maintenance parts warehouse arrangements	◆ Minimize additional costs aimed at strengthening internal control system
Structural Reforms	Head-count Optimization	◆ Completed approx. 200 of head-count reductions ◆ Pursue further operational efficiency	◆ Strengthen sales and service solutions function ◆ Effective usage of existing R&D resources ◆ Most effective usage of staff division
	Restructuring of subsidiaries	◆ Completed closure of 8 subsidiaries ◆ Continuously pursue further restructuring of mainly small size offices	◆ Pursue further operational efficiency by executing applicable integrations ◆ Review sales channel (Direct/BP) and allocate optimized resources
Strengthen maintenance/ service business		◆ Review outsourcing expenses and logistics fees ◆ Promoted integrated management in Retail and Printing maintenance business	◆ Optimize resource allocation and pursue further operational efficiency ◆ Enhance sales by providing solutions to the increasing demands such as SCO、Omni-channel and mobile applications
Strengthen responsiveness to major account		◆ Promote major accounts management ◆ Strengthen support for global major customers by increasing total productivity of HW/SW development	◆ Strengthen responsiveness to customers by increasing Toshiba Group's collaboration

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2. Progress of the GCS revitalization plan ②

GCS' Operating Loss was reduced to 1/5 in 1ST Qtr of FY2016

2015 Q1
Result

2016 Q1
Result   Plan

0

Operating
Loss

Gross profit

SG&A

Amortization

<FY2016 Q1 Result of total Retail Solutions Business>

- ✓ **Sales:**   **76.4 billon yen** (24% progress against FY2016 annual plan)
- ✓ **Operating Income: 1.4 billion yen** (28% progress against FY2016 annual plan)

※ Retail Solutions Segment

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3-1. Changes in Business Environment (Retail)

Aim at achieving business growth by providing solutions and services to the growing market based on our solid customer base of POS H/W

POS Terminal Demand Forecast

Amount of conventional POS terminals is expected to decrease but the number of units will increase in emerging countries.

3,060M$

Amt — CAGR 99%

1,754 K units

Unit — CAGR 102%

2014　2015　2016　2018　2020
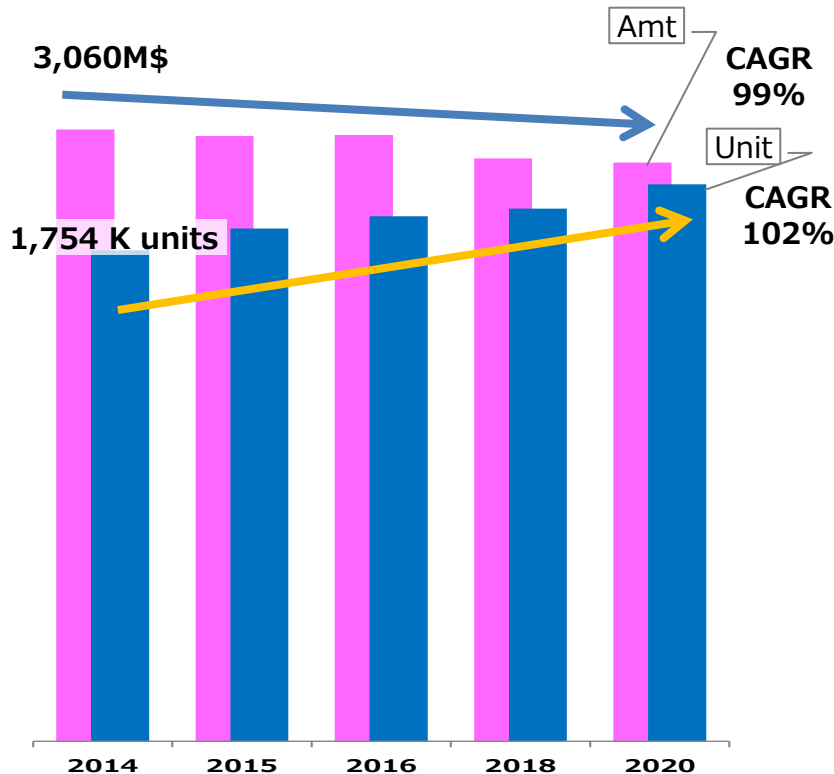
Outlook of future business development

- Spread of Internet
- Spread of smartphones
→ **Expansion of e-Commerce**

- **Expansion of smart payment**

- **Diversification of logistics**

↓

Strengthening of O2O、 Further shift to omni-channel

↓

IT investment has been increasing
(from the investment of current sub-optimization to total optimization)

↓

More business opportunities
(O2O/CRM/SCM/evolutionary HW/Data Analysis, etc.)

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3-1. Changes in Business Environment (Printing)

Aim at business development by responding to increasing demand for one-stop services among others and cost reduction in mature market

MFP Demand Forecast (A3+A4)

Market will be almost flat amount-wise while modest growth can be expected in units due to the solid demand from emerging countries and A4 MFP

24,934M$

13,834 K units

Amt
CAGR 101%

unit
CAGR 103%

2014   2015   2016   2018   2020
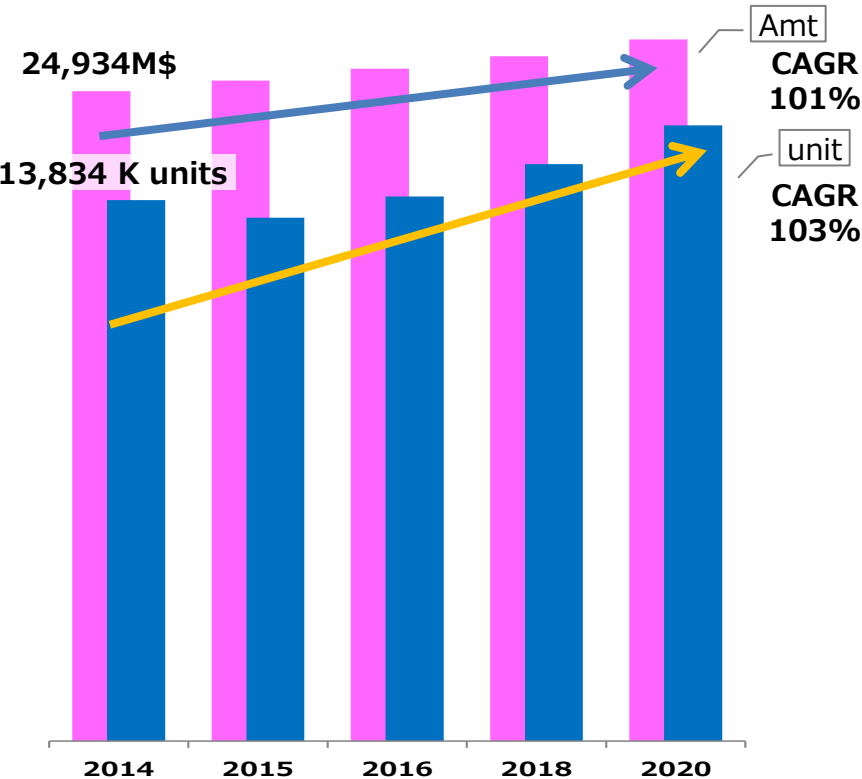
Outlook of future business development

- Expansion of IT solutions (MPS/IoT)
- Demand for multiple printing technology (Logistics/RFID)
- Increasing demand for cost reduction and A4 MFP

Proposal for higher value-added services to customers

Competitors pursue business development by emphasizing their own unique strengths (MPS/Production printing/One-stop solutions)

Expand business into vertical markets by sharpening our unique strengths
(Retail customer base, sales/service channel, Various printing technologies, etc.)

(Source: Toshiba Tec's estimation)

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4-1. Our Vision in FY2018

Growth of global retail business

Expansion of solutions and service business

Establishment of a steadily profitable organization through cost reduction & productivity improvement

Alliance among groups Creativity & Innovation

Global one-stop solution company

Taking advantage of our retail customer base

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4-2. 3 key approaches to achieve our vision

Ensure business expansion through 3 approaches

① Strengthen Core Business

- Launch products meeting the customer needs
  (Streamlining/labor saving/energy saving)
- Expansion of maintenance/professional services
- Expand the GCS business after completing structural reforms

② Enhance existing business domains

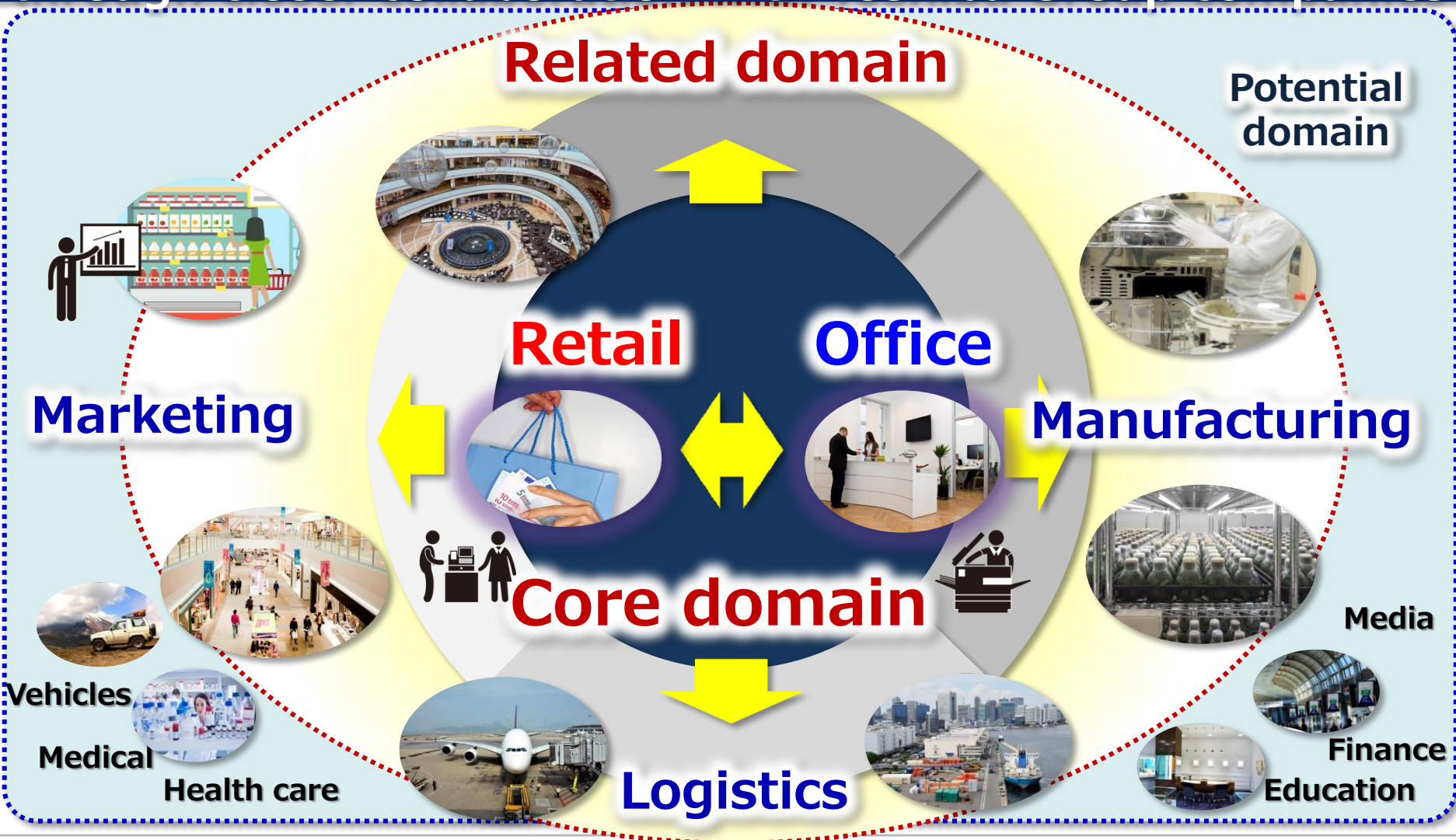- Establish new business model in areas peripheral to the existing business domains by leveraging Toshiba Tec's own strengths
- Enhance business by utilizing the Group's products line-up, sales and service channel and HR
- Generate total solutions by effective collaboration with 3rd parties

③ Expand new service·solution business

- Develop new solutions business beyond the existing domains
- Utilize open innovation

4-3. Expansion of service/solutions business

Expand core domain by branching out into related domain through closer collaboration with Toshiba Group companies

Related domain

Potential domain

Retail   Office

Marketing   Manufacturing

Core domain

Vehicles

Medical

Health care

Logistics

Media

Finance

Education

4-4. Toshiba Tec's Future Business Direction

Aim at strengthening and expanding the service/solutions business by creating greater synergy between Retail and Printing Solutions

Retail Biz

Sales channel

Customer base

Service channel

HR

Know-how

Products

Printing Biz

Sales channel

Customer base

Service channel

HR

Know-how

Products

Strong mutual collaboration

More active utilization of Global Customer base/Sales·Service Network/HR/Products, etc.

4-5. Establishment of Service Solutions Business Development Group

Corporate Staff

Newly established

Service Solutions Business Development Group

Retail

- **Retail Solutions Business Group** ⟷
- **Overseas Retail Solutions Business Group** ⟷

Printing

- **Printing Solutions Business Group** ⟷
- **Auto-ID Solutions Business Group** ⟷
- **Inkjet Solutions Business Group** ⟷

Production, Procurement & SCM Center

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5-1. Toshiba Tec's vision

Expand solutions business based on our global top share customer base

(Current reaching line)

Analysis・Big Data
- Food disposal loss analysis
- Customer preference
- Trend analysis

Data service Solutions

POC ※2

O2O compliance

Omni-channel Solutions
- Standardized customer management
- CRM/SCM solutions

Out-Store・Solutions

Integrated Solutions
(Shopworks/ShopDirector)

スマートレシート

工場　倉庫
ERP
店舗　消費者　Online TCxGravity

Store System

Total system
(Specialty/Food&Beverage)

TCxAmplify

TCxFlight

IS-910T

Diversifying checkout /Labor saving
- Utilization of recognition technology
- More efficient checkout
- Better services for customers
- Better after services

In-Store・Solutions

POS ※1

※1 POS： Point of Sale、　※2 POC：Point Of Commerce

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5-2. Strengthen core business

More efficient checkout/Labor saving
⇒ **Strengthen self-checkout business**

- [Japan] Full model change of self-POS
- [Overseas] Strengthen sales approaches to major retailers

Respond to various usage scenes
⇒ **Tablet POS/terminal order**

- Release of tablet type multi-terminals
- Release of self-order terminals

Strengthen maintenance services
⇒ **Provide a variety of service solutions globally**

- Win new maintenance orders from customers in North America
- Enhance service solutions in collaboration with partner enterprises

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Proposed development of self-registers for various uses

● **Joint・Self-Registers**

Speed up checkout process of product registration through joint operation by customer and clerk

● **Circular counter Self-Registers**

Enjoy checkout with family/friends
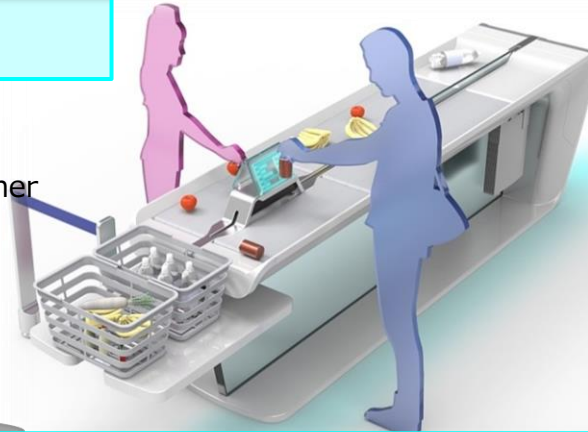
● **Slim Self-Registers**
● **Self-Registers for bookstores**

Smoother checkout designed for customers buying a single item
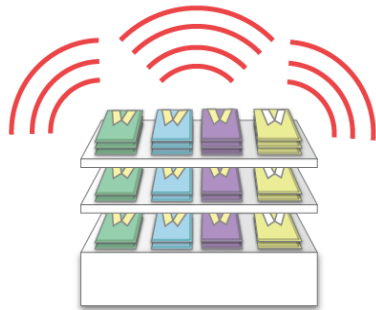
Easier payment by smartphone

Future solutions for retailers with RFID technology

Smart fitting **Smart shelf** **Self-Register** **KIOSK/Color receipt** **Security gate**

- Inventory management by autonomous running robot

5-4. Expand business related to core business ①

Expand business domain from manufacturers to consumers with a main focus on business for retailers

Manufacturers

Retailers

- Apparel
- Drinking water
- Foods
- Consumable goods

スマートレシート

Consumers

- Electronic Receipt
- Household account book
- Coupons
- Recommendations

New product development Trend/Demand

Retail Omni-channel O2O/CRM/SCM

Services for Consumers

Business for manufacturers by selling data with value added analysis after collection

Business for retail customers based on the platform of smart-receipts

Product Data ← **Analytical Data** ← **Purchasing Data IoT Data** → **Recommendation data** → **Membership Data**

5-4. Expand business related to core business ②

Establish "Retail SCM" which is Toshiba Tec's future Omni-channel connecting retailers and customers "One on One"
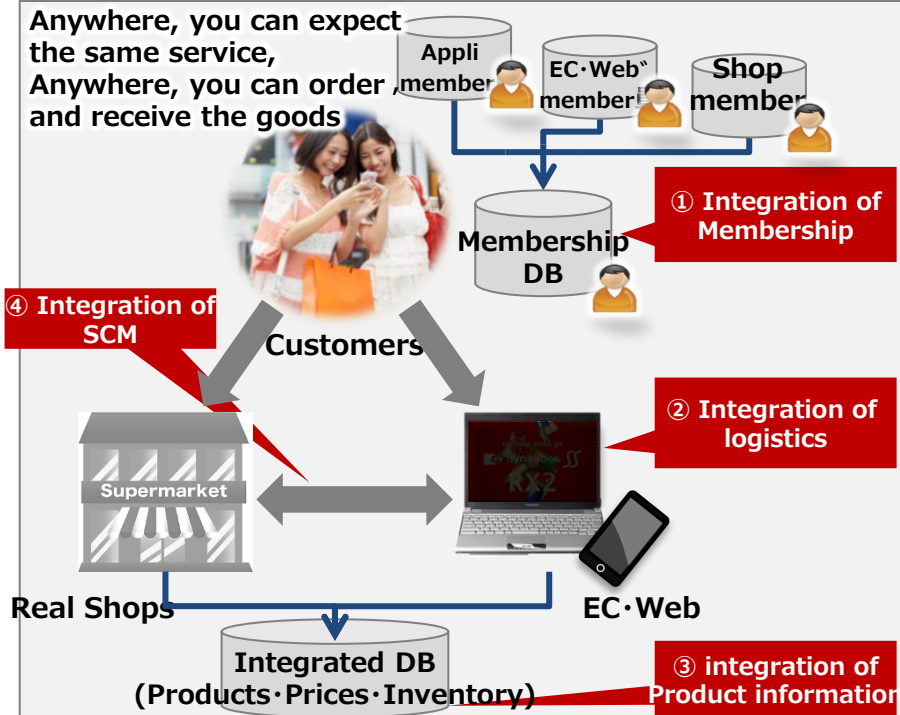
Offer Omni-channel services

As the basis for providing Omni-channel services

Integration of
① **Membership**   ② **Logistic services**
③ **Products Information**   ④**SCM**

Anywhere, you can expect the same service,
Anywhere, you can order, and receive the goods

Appli member
EC・Web member
Shop member

Membership DB

① Integration of Membership

④ Integration of SCM

Customers

② Integration of logistics

Supermarket

Real Shops

EC・Web

Integrated DB
(Products・Prices・Inventory)

③ integration of Product information

Shops・Catalog・Kiosk・Web・Mobile・SNS

Omni-channel platform

Customer support

Marketing Promotion、O2O

HQ/Shops

WMS

Payment、checkout

SCM

Data

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6-1. Toshiba Tec's vision

Retain our existing customers (MIF) and expand business domain by differentiation mainly with solutions

Office market

Retain existing customers (MIF)

【**Introduce differentiated products**】

Recognition Technology

Digital signage   RFID   Supply

【**Penetration of Vertical Market**】

Expand business domain by differentiation

Proposal of differentiated solutions

Barcode Printer

Segment No.1

- **Utilization of customer base**
- **Printing in the shop (Eco-Crystal/POP)**
- **Digital signage**

Retail

- **Inline printing**
- **Image recognition**
- **Utilization of RFID**
- **One-stop solutions**

Manufacturing

- **Cloud type WMS**
- **Image recognition/ Product search**
- **RFID Inventory management**
- **Label solutions**

Logistics

- **eco-Hybrid MFP**
- **Paper stockless system**
- **Digital signage**

eco

6-2. Strengthen core business

Full model change (5 series/20 models)

- **Standardized platform design**
  ⇒ **Significantly improved development speed**
- **Standardized options** (DFDS, Sorter)
  ⇒ **Reduce the lead time and inventory**
  Improve maintenance efficiency

Color MFP

e·STUDIO 7506AC
e·STUDIO 6506AC
e·STUDIO 8508A
e·STUDIO 5506AC
e·STUDIO 5005AC
e·STUDIO 4505AC
e·STUDIO 6508A
e·STUDIO 3505AC
e·STUDIO 5008A
e·STUDIO 2505AC
e·STUDIO 4508A
e·STUDIO 2005AC
e·STUDIO 3508A
e·STUDIO 2508A

H/W Price

Monochrome MFP

Print Speed

User friendly operation panel
Strengthen UI customization capability

- **User panel designed for ease of use and intuitive operation, like a smartphone and atablet**
- **The new touch screen user interface allows for easy customization adapting to user's environment**

[Tap]   [Swipe]

[Drag&Drop]   [Pinch]
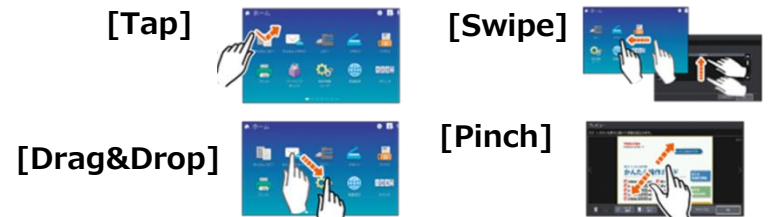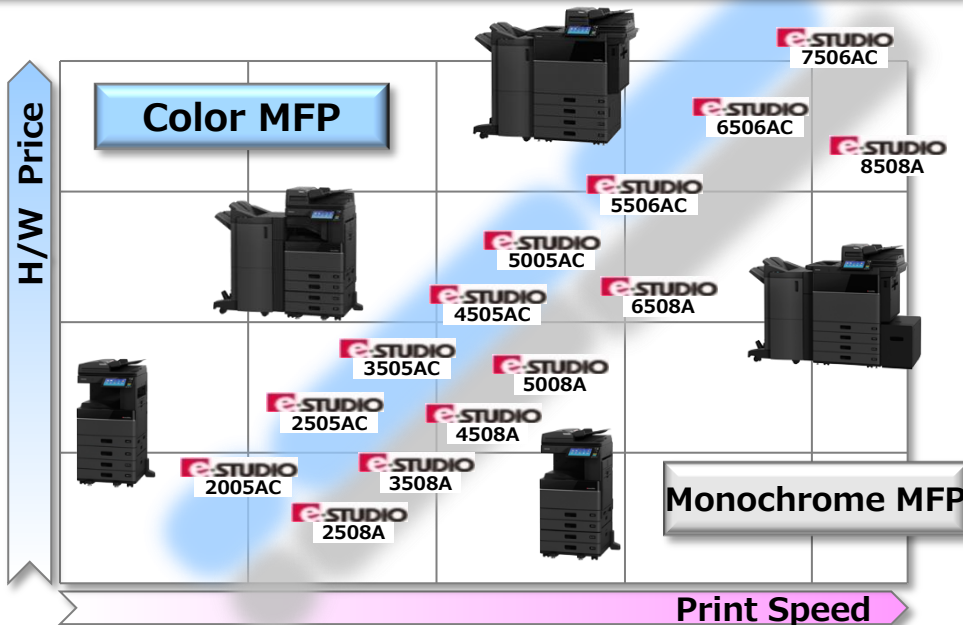
Toshiba Tec's first launch of A4 color MFP

Significant improvement in development speed

⇒ **Allowing to allocate resources to develop A4 Color models, etc.**

·**High-end models/Address to MDS demand**

6-3. Expand business related to core business

Expand vertical markets by leveraging Toshiba Tec's strengths

Retail

<Offer solutions for retail customers>

- Utilize our retail business sales channel and customer base covering 120 countries

eco

<Plan to launch the upgrade version of World first MFP with erasable toner>

- eco-****

Manufacturing/Logistics **<Offer solutions covering supply chain>**

・Utilization of recognition technology and/or RFID・ Integrated management solutions for troublesome printing jobs
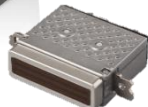
**Supplier** ● **Manufacturer** ● **Warehouse** ● **Backyard** ● **Shops** ● **Customer**

RFID

Leaflet   Listl   Shipping Label

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7-1. Financial Targets in FY2018

(Billion yen)	FY2015 (Actual)	FY2016 (Forecast)	FY2018 (Target)
Net Sales	532.8	520.0	540.0
Operating Income	1.6	14.0	27.0
Rate of Sales	0.3 %	2.7 %	5.0 %
Net Income(Loss)	△103.4	0.5	10.0
Dividend Ratio	–	(undecided)	30 %
Exchange Rate	120.77 Yen/USD 132.74 Yen/EUR	110 Yen/USD 120 Yen/EUR ※	105 Yen/USD 115 Yen/EUR

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7-2. Resources Injection and Free Cash Flow

Operating CF

Investment CF

○—○ **FCF**

(Billon yen)
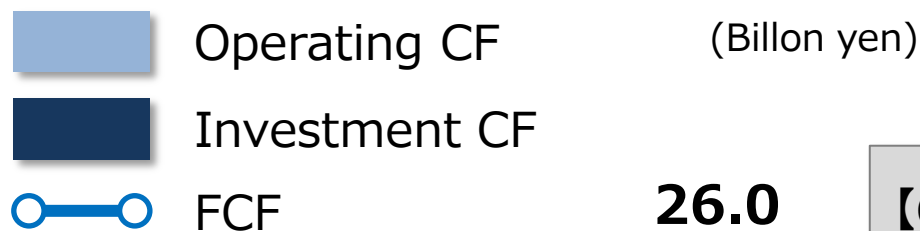
Main resources injection for FY16-18

26.0

15.0

4.6

5.0

6.0

▲5.2

▲9.8

▲10.0

▲20.0

2015　　**2016**　　**2018**

【**Capital investment**】
➢ **Approx 35 billion yen for 3 years**

　- **Molds/Equipment for new products**
　- **Equipment for production increase**
　- **Renewal/Rationalization**
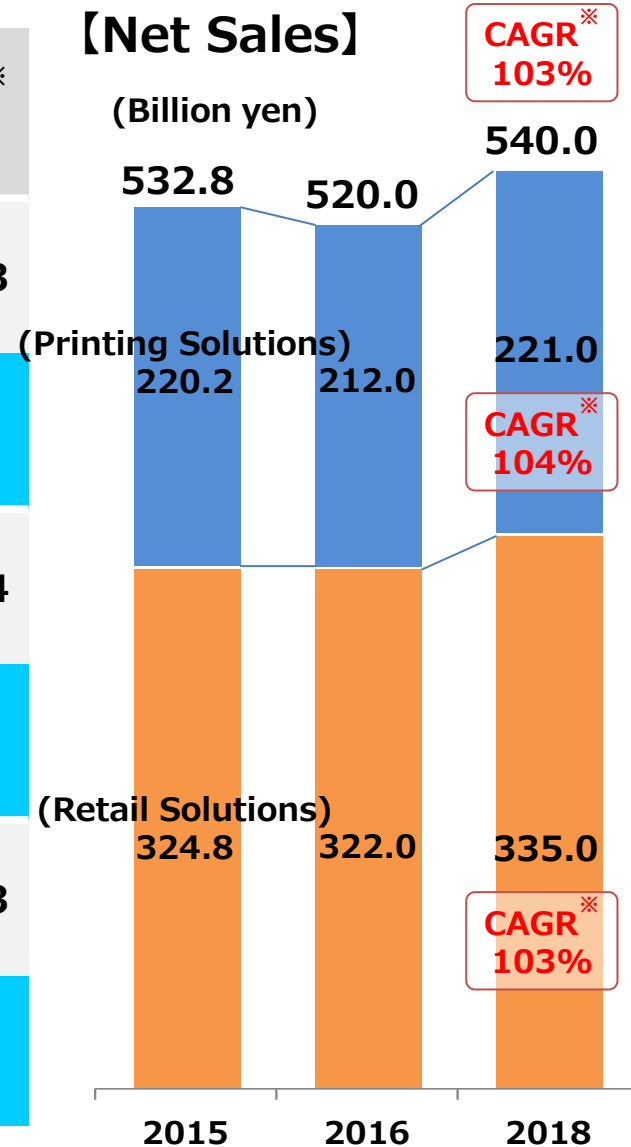
【**M&A, etc.** 】
➢ **Approx 10 billion yen for 3 years**

(For accelerating expansion of core business into related domains)

【**R&D**】
➢ **Approx 90 billion yen for 3 years**

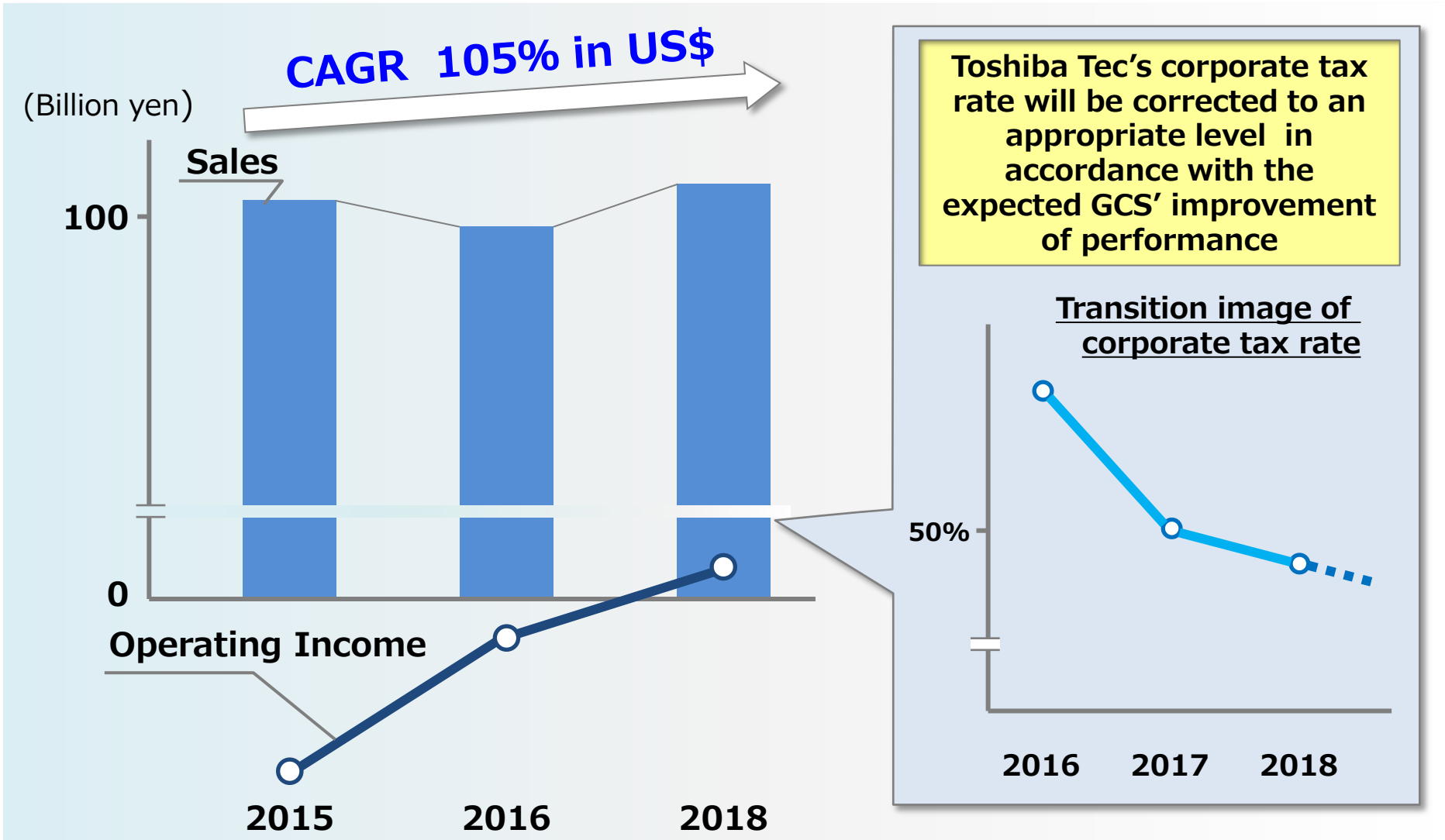**(For expansion of core business into related domains and new business creation)**

7-3. Sales & Operating Income Targets (by segment)

(Billion yen)		FY15 Actual	FY16 Forecast	FY18 Target	CAGR (15/18)	CAGR※ (15/18)
RS	Net Sales (excl.FX)	324.8	322.0 (3,341)	335.0 (3,565)	101	103
	Operating Income	△11.5	5.0	12.0		
PS	Net Sales (excl.FX)	220.2	212.0 (229.9)	221.0 (249.5)	100	104
	Operating Income	13.1	9.0	15.0		
Total	Net Sales (excl.FX)	532.8	520.0 (550.0)	540.0 (590.0)	100	103
	Operating Income	1.6	14.0	27.0		

【Net Sales】

(Billion yen)

CAGR※ 103%

540.0

532.8

520.0

(Printing Solutions)
220.2 | 212.0 | 221.0

CAGR※ 104%

(Retail Solutions)
324.8 | 322.0 | 335.0

CAGR※ 103%

2015 | 2016 | 2018

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7-4. Rough image of improved GCS business

Sales and Operating Income recovery image for the GCS business

CAGR 105% in US$

(Billion yen)

Sales

100

0

Operating Income

2015　2016　2018

Toshiba Tec's corporate tax rate will be corrected to an appropriate level in accordance with the expected GCS' improvement of performance

Transition image of corporate tax rate

50%

2016　2017　2018

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8. CSR Management

Aim to continuously meet all stakeholders' expectations

【Employees】
Respect for individuality

【Customers】
Value creation for customers

【Shareholders】
Maximization of Corporate value

Toshiba Tec Group's Commitments with stakeholders

【Communities】
Development of global society

【Environment】
Environmental protection Consciousness throughout all business activities

【Suppliers】
Preferential procurement from CSR conscious suppliers

◆ **Strengthen a structure for corporate governance**

- **Improve the efficiency and transparency of management**
- **Strengthen the functions of the Board of Directors and the Board of Corporate Auditors Meeting**

Assigned two independent outside directors and two Independent outside auditors

◆ **Strengthen continuously internal control function**

- **Execution of appropriate process and thorough management**
- **Improvement in transaction process of accounting operation**
- **Observance of Laws**

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.